

Jul-Sep'23 Earnings Preview

October 4, 2023

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Nazara Technologies	HOLD	834	836
PVR Inox	BUY	1,715	1,862
Zee Ent. Enterprises	BUY	262	314

Source: PL

Full house in cinemas but broadcasters struggle

Media: As 8 movies have breached Rs1bn mark, industry wide BO collections stood at record levels of ~Rs32.7bn in 2QFY24E. Accordingly, we expect PVR-Inox to report standout performance with footfalls of 47mn (~30% occupancy) and pre-IND AS EBITDA margin of 19.2%. On broadcasting side, while ZEEL's performance is likely to be impacted by continued weakness in ad-environment, windfall from Gadar-2 (co-produced by Zee Studios) should aid performance in 2QFY24E. We expect domestic ad-revenues to decline 2.5% YoY to Rs9.3bn with an EBITDA margin of 11.1% (back in double digit after 2 quarters).

Entertainment: While Nazara's top-line growth of 19.3% YoY will be aided by consolidation of WildWorks (base quarter had consolidation impact of 1 month) and healthy growth in Nodwin, EBITDA margin is likely to be at 8.3%. We believe Nazara is on a strong growth path as recent fund infusion of ~Rs5.1bn can help the business expand inorganically, while return of BGMI is a big positive for Esports viewership.

Top pick: Though Nazara has remained our preferred pick in the media & entertainment space for quite some time given 50%+ appreciation in last 6 months, we switch to ZEEL as it has a better risk-reward at current levels given merger overhang is now over.

Multiplex: NBOC's for Bollywood and Hollywood genre (excluding regional movies) increased 176.4% YoY to ~Rs19.3bn in 2QFY24. Industry wide BO collections stood at record levels of ~Rs32.7bn, as there were 8 movies that breached Rs1bn mark during the quarter. In fact, Jawan and Gadar-2 breached the Rs5bn milestone, significantly aiding BO collections for the quarter.

We expect PVR-Inox to report record performance with footfalls of 47mn and pre-IND AS EBITDA margin of 19.2%. Given strong performance in 2QFY24; **we increase our pre-IND AS EBITDA estimates by 2%/3% for FY24E/FY25E** and retain 'BUY' on the stock with a revised TP of Rs1,862 (14.5x FY25E EBITDA) as content pipeline for near-term is healthy with movies like Animal, Tiger-3, Dunki, Salaar, and Leo in pipeline.

Broadcasting: We expect ZEEL to report 5.6% YoY growth in top-line to Rs21.4bn, while EBITDA margin is expected to claw back to 11.1% after being in single digit for last 2 quarters. We maintain our 'BUY' rating on ZEEL with a revised **TP of Rs314** (earlier Rs276) as we **increase our target multiple to 25x (earlier 22x)** given merger overhang is now over as NCLT approval is in place.

Entertainment: We expect Nazara's top-line to increase 19.3% YoY led by consolidation of WildWorks and healthy growth in Nodwin. However, EBITDA margin is likely to remain flat on YoY basis at 8.3%. Recently, Nazara announced preferential issue of Rs5.1bn and we have accounted the dilution impact into our estimates. Including the preferential issue, Nazara has cash balance in excess of Rs10bn which will be used as growth capital to expand inorganically. Nonetheless, given 50%+ appreciation in stock price over last 6 months we **downgrade the stock to 'HOLD' with DCF based TP of Rs836 (earlier Rs834).**

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Exhibit 2: Q2FY24 Result Preview (Rs mn)

Company Name		Q2FY24E	Q2FY23	YoY gr. (%)	Q1FY24	QoQ gr. (%)	Remark
Nazara Technologies	Sales	3,148	2,638	19.3	2,544	23.7	Headwinds in Kiddopia have subsided and we expect subscriber erosion to halt. Further, E-sports segment is expected to report a growth of 32.1% YoY partially led by BGMI master series-2. However, the Ad-Tech and RMG business is expected to report a soft performance. We expect EBITDA margin of 8.3% for the quarter.
	EBITDA	261	213	22.7	331	(21.0)	
	Margin (%)	8.3	8.1		13.0		
	PBT	189	257	(26.5)	283	(33.2)	
	Adj. PAT	106	102	4.2	195	(45.5)	
PVR-Inox*	Sales	18,944	6,867	175.9	13,049	45.2	We expect PVR Inox to report a record performance with revenues of Rs18.9bn as 8 movies have crossed Rs1bn NBOC barrier in 2QFY24. ATP/SPH is expected to be at Rs265/Rs132 respectively with occupancy of 30%. We expect pre-IND AS EBITDA margin of 19.2% led by improved operating leverage resulting from higher occupancy.
	EBITDA	6,542	1,537	325.8	3,525	85.6	
	Margin (%)	34.5	22.4		27.0		
	PBT	1,870	-1,102	NA	-1,079	NA	
	Adj. PAT	1,402	-712	NA	-816	NA	
Zee Entertainment Enterprises	Sales	21,422	20,284	5.6	19,838	8.0	We expect domestic ad-revenues to decline 2.5% YoY, due to continued weakness in the ad-environment. However, domestic subscription revenue is expected to increase by 4.5% YoY led by benefits from NTO 3.0 and higher subscription income from ZEE5. In addition, we expect ZEEL to benefit from windfall of Gadar-2 (domestic NBOC of Rs5.2bn). We expect EBITDA margin to claw back to 11.1% after being in single digit for last 2 quarters.
	EBITDA	2,378	2,973	(20.0)	1,549	53.5	
	Margin (%)	11.1	14.7		7.8		
	PBT	1,542	2,237	(31.0)	713	116.4	
	Adj. PAT	1,080	1,595	(32.3)	707	52.8	

Source: Company, PL

*YoY figures are not comparable due to consolidation with Inox

Exhibit 3: Valuation Summary - Media

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
					FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Nazara Technologies	C HOLD	834	836	55.2	6,217	10,910	13,523	15,809	946	1,097	1,660	2,110	284	414	818	967	4.6	6.2	11.1	13.2	3.3	3.9	5.8	5.6	183.2	133.4	74.8	63.2
PVR Inox	C BUY	1,715	1,862	167.9	13,310	37,507	64,027	73,926	1,057	10,477	21,440	25,281	-4,882	-3,243	2,869	5,386	-80.1	-33.1	29.3	55.0	-35.8	-4.6	3.8	6.6	-21.4	-51.8	58.5	31.2
Zee Ent. Enterprises	C BUY	262	314	251.9	81,857	80,879	86,266	94,680	17,803	11,011	10,697	17,137	11,908	5,811	5,636	10,786	12.4	6.0	5.9	11.2	11.4	5.4	5.2	9.4	21.2	43.3	44.7	23.4

Source: Company, PL

S=Standalone / C=Consolidated

Exhibit 4: Change in Estimates - Media

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Nazara Technologies*	HOLD	BUY	836	834	0.3%	13,523	13,523	0.0%	15,809	15,809	0.0%	818	808	1.2%	967	957	1.1%	11.1	12.2	-8.6%	13.2	14.4	-8.7%
PVR-Inox	BUY	BUY	1,862	1,797	3.6%	64,027	63,216	1.3%	73,926	72,582	1.9%	2,869	2,703	6.2%	5,386	5,121	5.2%	29.3	27.6	6.2%	55.0	52.3	5.2%
Zee Ent. Enterprises	BUY	BUY	314	276	13.6%	86,266	86,266	0.0%	94,680	94,680	0.0%	5,636	5,435	3.7%	10,786	10,786	0.0%	5.9	5.7	3.7%	11.2	11.2	0.0%

Source: Company, PL

C=Current / P=Previous *EPS for Nazara is after accounting for dilution impact.

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	562	489
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	700	646
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,855	2,565
6	Lemon Tree Hotels	BUY	140	109
7	Music Broadcast	Hold	18	11
8	Navneet Education	BUY	192	144
9	Nazara Technologies	BUY	834	694
10	PVR Inox	BUY	1,797	1,565
11	S Chand and Company	BUY	338	249
12	Safari Industries (India)	BUY	3,728	3,195
13	V.I.P. Industries	Accumulate	707	598
14	Zee Entertainment Enterprises	BUY	276	242

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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