

Technology

Target price: Rs575

Earnings revision

(%)	FY23E	FY24E
Sales	↓ 0.0	↓ 0.0
EBITDA	↓ 6.0	↓ 4.5
PAT	↓ 6.7	↓ 4.9

Target price revision

Rs575 from Rs620

Shareholding pattern

	Jun '22	Sep '22	Dec '22
Promoters	50.1	51.6	51.6
Institutional investors	39.8	39.1	39.8
MFs and other	8.2	8.1	8.2
FII	31.6	31.0	31.6
Others	10.1	9.3	8.6

Source: www.nseindia.com

ESG disclosure score

Year	2020	2021	Chg
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.
Source: Bloomberg, I-sec research

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Matrimony.com Ltd

HOLD
Maintain
Rs558

A tough quarter; some green shoots

Matrimony.com's (Matrimony) revenues from matchmaking services were impacted in Q3FY23 due to postponement of subscription purchases in the previous quarter. This happened due to adverse seasonality of auspicious dates in Q2FY23. However, in Q3FY23, some signs of pickup in subscription purchases were visible. Sustained competitive intensity made it necessary to maintain ad-intensity. Resultant EBITDA margin was down ~690bps YoY. We have trimmed our estimates by ~5% for FY24E and reduced our target price to Rs575. Maintain HOLD.

► **Q3FY23 performance.** Matrimony's Q3FY23 performance was impacted by subdued billings in Q2FY23 in line with management expectations. Revenues within the matchmaking services segment (~98% of overall revenues) declined 4.2% QoQ (+ 0.5% YoY). Marriage services (~2% of overall revenues) grew 9.3% QoQ, 97.2% YoY. Billings for matchmaking services increased by 1.6% QoQ, 2.1% YoY, to Rs1,083mn and that for marriage services were up 22.2% QoQ, 139.7% YoY, to Rs31mn. EBITDA margin came in at 11.3%, down 480bps QoQ and 690bps YoY. Ex-marketing expense EBITDA margin for matchmaking services was at 60% (vs 63% in both Q2FY23 and Q3FY22). PAT for Q3FY23 was at Rs116mn aided by higher 'other income', which included gains from sale of land. Paid subscriptions (240k) was also down on QoQ basis though up 10.7% YoY. After three quarters of sequential decline, average transaction value (ATV) grew 3.2% QoQ, but fell 7.8% YoY.

► **Management commentary.** Based on the billings in Q3FY23, management expects revenue growth in the matchmaking business in Q4FY23 to be better than in Q3FY23. Management indicated that matchmaking EBITDA margins are likely to bounce back to Q4FY22 levels on the back of increased revenues. PAT is likely to be largely same as in Q3FY23, noting that Q3FY23 PAT includes gain from sale of land. Management ruled out cutting adspend citing competitive intensity and long-term brand health. It expects double-digit growth in paid subscriptions ahead.

► **Valuation.** We think Matrimony is well placed to capture penetration-led growth in the matchmaking classifieds space in the medium term. Its foray into marriage services is also a step in the right direction, in our view. However, we believe the stock is likely to remain range-bound in the near term until more clarity emerges on potential revenue recovery. We cut our EPS estimates by ~7%/5% for FY23E/FY24E respectively, on the lower than expected margin performance in Q3FY23. Maintain **HOLD** with a revised target price of Rs575 (~17x P/E multiple on FY24E EPS). Key risks: i) Weaker than expected conversion of active profiles into paid subscriptions, ii) slower than expected scale-up in marriage services and iii) faster than expected recovery in the matchmaking business.

Market Cap	Rs12.4bn/US\$150mn
Reuters/Bloomberg	MATI.BO/ MATRIM IN
Shares Outstanding (mn)	22.3
52-week Range (Rs)	859/555
Free Float (%)	48.4
FII (%)	31.6
Daily Volume (US\$'000)	124
Absolute Return 3m (%)	(9.4)
Absolute Return 12m (%)	(32.1)
Sensex Return 3m (%)	(0.3)
Sensex Return 12m (%)	5.4

Year to March	FY22	FY23E	FY24E	FY25E
Revenue (Rs mn)	4,345	4,720	5,513	6,204
Net Income (Rs mn)	544	490	801	991
Adj. EPS (Rs)	23.4	21.4	35.0	43.3
% Chg YoY	30.8	(8.6)	63.5	23.7
P/E (x)	23.9	26.1	16.0	12.9
CEPS (Rs)	35.1	35.6	51.5	61.9
EV/E (x)	11.7	13.9	8.7	7.1
Dividend Yield	0.9%	0.4%	0.4%	0.4%
RoCE (%)	12.2	7.2	11.8	12.6
RoE (%)	18.7	14.6	20.1	20.3

Table 1: Q3FY23 result review*(Rs mn, year ending March 31)*

	Q3FY23	Q2FY23	Q3FY22	QoQ (%)	YoY (%)
Net Sales	1,104	1,149	1,085	(3.9)	1.7
Employee benefits expenses	366	363	338	0.7	8.3
Promotion expenses	461	453	418	1.9	10.5
Other expenses	152	147	132	3.0	15.2
Total Expenses	979	963	887	1.6	10.4
EBITDA	125	185	198	(32.6)	(37.0)
EBITDA %	11.3	16.1	18.2	-481 bps	-694 bps
Depreciation	74	77	69	(4.0)	6.9
EBIT	51	108	129	(52.8)	(60.4)
Finance Cost	15	15	14	(3.2)	3.8
Other income	100	42	41	137.0	143.6
Recurring pre-tax income	136	135	156	0.7	(12.6)
Taxation	20	20	40	3.0	(48.9)
Recurring Net Income	116	116	116	0.3	(0.2)
Share of associate	-0	1	-2	(111.8)	(90.2)
Reported Net Income	116	117	115	(0.9)	0.9
Recurring EPS (Rs.)	5.2	5.2	5.0	1.0	4.0
Ratios (%)					
EBITDA margin	11.3	16.1	18.2		
EBIT margin	4.6	9.4	11.9		
Effective tax rate	14.8	14.5	25.3		
Recurring Net profit margins	10.5	10.1	10.7		

Source: Company data, I-Sec research

Price chart

Source: Bloomberg

Financial summary

Table 2: Profit and Loss statement

(Rs mn, year ending March 31)

	FY22	FY23E	FY24E	FY25E
Operating Revenues (Sales)	4,345	4,720	5,513	6,204
Other Income	-	-	-	-
Operating Expenses	3,475	3,992	4,346	4,768
EBITDA	870	729	1,168	1,435
% margins	20.0	15.4	21.2	23.1
Depreciation & Amortisation	269	325	380	428
EBIT	601	403	788	1,008
% margins	13.8	8.5	14.3	16.2
Finance Chgs	(126)	(250)	(280)	(314)
Profit / (Loss) before Exceptional items and Taxation	727	653	1,068	1,321
Add: Extraordinary exps / (Inc)	-	-	-	-
Less: Taxes	183	163	267	330
Net Profit/(Loss) as Restated before minority interest	544	490	801	991
MI / Share of Associates	8	-	-	-
Restated net profit after tax for the periods / years	536	490	801	991

Source: Company data, I-Sec research

Table 3: Balance sheet

(Rs mn, year ending March 31)

	FY22	FY23E	FY24E	FY25E
Assets				
Total Current Assets	3,794	4,612	5,893	7,360
of which cash and deposits	3,128	4,263	5,485	6,901
Total Current Liab. & Prov.	1,547	1,667	1,947	2,191
Net Current Assets	2,247	2,945	3,946	5,170
Net Fixed Assets	1,001	806	577	320
Long-term loans and advances	427	206	241	271
Other Long Term Assets		237	237	237
Total Assets	3,675	4,194	5,002	5,998
Liabilities				
Long term provisions	0	13	15	17
Other Long Term Liabilities	572	588	592	596
Equity Share Capital	114	114	114	114
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	2,989	3,479	4,280	5,271
Net Worth	3,104	3,594	4,395	5,386
Total Liabilities	3,675	4,194	5,002	5,998

Source: Company data, I-Sec research

Table 4: Cashflow statement

(Rs mn, year ending March 31)

	FY22	FY23E	FY24E	FY25E
Operating Cashflow before W Cap changes	702	565	901	1,105
Working Capital Inflow / (Outflow)	73	450	193	168
Capex	(77)	(130)	(152)	(171)
Free Cashflow	698	885	943	1,103
Cashflow from other Invst Act (Ex Capex)	(449)	300	336	376
Issue of Share Capital	9	-	-	-
Inc/(Dec) in Borr./ Deferred Liab	-	-	-	-
Interest paid/Others	(52)	(50)	(56)	(63)
Others	(121)	-	-	-
Increase/(Decrease) in Cash	85	1,135	1,223	1,416

Source: Company data, I-Sec research

Table 5: Key ratios

(Year ending March 31)

	FY22	FY23E	FY24E	FY25E
Per Share Data (Rs)				
Basic EPS	23.4	21.4	35.0	43.3
Diluted Reported EPS	23.4	21.4	35.0	43.3
Diluted Recurring EPS	23.4	21.4	35.0	43.3
Book Value per share	135.6	157.0	192.0	235.4
Growth Ratios (%)				
Operating Income (Sales)	15.0	8.6	16.8	12.5
EBITDA	28.8	(16.2)	60.3	22.9
Recurring Net Income	31.5	(9.9)	63.5	23.7
Diluted Recurring EPS	30.8	(8.6)	63.5	23.7
Valuation Ratios (x)				
P/E (Adjusted EPS)	23.9	26.1	16.0	12.9
EV / EBITDA	11.7	13.9	8.7	7.1
EV / Sales	2.3	2.1	1.8	1.6
EV / FCF (adjusted)	14.5	11.5	10.8	9.2
Operating Ratios				
Operating Exp./Sales (%)	80.0	84.6	78.8	76.9
Net other Income / PBT (%)	17.3	38.3	26.2	23.7
Fixed Asset Turnover (x) on avg.	4.3	5.9	9.6	19.4
Payables (days)	42.9	42.9	42.9	42.9
D/E Ratio (x)	-	-	-	-
Return/Profitability Ratios (%)				
RoIC	14.5	8.4	13.4	14.0
RoCE	12.2	7.2	11.8	12.6
EBITDA Margin	20.0	15.4	21.2	23.1
Net Income Margin	12.5	10.4	14.5	16.0

Source: Company data, I-Sec research

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