

CMP: ₹ 580

Target: ₹ 640 (10%)

Target Period: 12 months

May 10, 2023

HOLD

Guiding for flat marketing expenses in FY24; margins likely to see revival...

About the stock: Matrimony.com (Matrimony) is one of the leading providers of online matchmaking services. The company also provides post marriage services.

- Apart from a common website, the company operates ~300 community matrimony sites and 15 regional matrimony sites
- Net debt free and only profitable player among its peers

Q4FY23 Results: Matrimony reported revenue recovery in Q4FY23.

- Matchmaking services revenue grew 2.3% YoY; paid subscribers grew 11.8% YoY while ATV declined 6.9% YoY
- Matchmaking EBITDA margins declined 160 bps YoY while they were up 330 bps QoQ
- Marketing expenses were up 0.8% QoQ, 7.8% YoY

What should investors do? Matrimony's share price has dipped over the past five years (from ~₹ 833 in May 2018 to ~₹ 580 levels in May 2023).

- We change our rating on the stock from REDUCE to HOLD

Target Price and Valuation: We value Matrimony at ₹ 640 i.e. 19x P/E FY25E EPS.

Key triggers for future price performance:

- Market leadership in an underpenetrated online matchmaking segment
- Transition to online from offline, healthy subscriber addition, increased penetration in north, introduction of new products and inorganic opportunity key revenue drivers (10.5% CAGR over FY23-25E)
- Higher conversion rate (paid vs. total profiles)

Alternate Stock Idea: Apart from Matrimony, in our IT coverage we also like Affle.

- Key beneficiary of advertising shift to digital medium and healthy growth in converted users
- BUY with a target price of ₹ 1,255

Key Financial Summary

₹ Crore	FY21	FY22	FY23	5 Year CAGR (FY18-23)	FY24E	FY25E	3 Year CAGR (FY22-25E)
Net Sales	378	434	456	6.3%	500	556	10.5%
EBITDA	68	87	67	-2.8%	85	109	27.4%
EBITDA Margins (%)	17.9	20.0	14.8		16.9	19.7	
Net Profit	41	54	47	-11.6%	57	76	27.3%
EPS (₹)	17.8	23.4	20.7		25.2	33.6	
P/E	32.4	24.8	28.0		23.0	17.3	
RoNW (%)	15.5	17.3	18.4		19.0	20.8	
RoCE (%)	19.0	21.2	20.2		21.1	23.0	

Source: Company, ICICI Direct Research



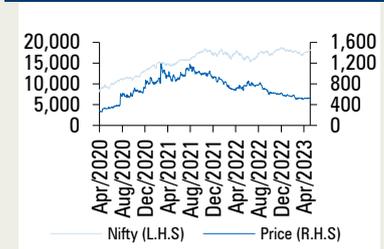
Particulars

Particular	Amount
Market Cap (₹ Crore)	1,305.8
Total Debt	-
CC&E (₹ Crore)	303.3
EV (₹ Crore)	1,002.6
52 week H/L	878 / 500
Equity capital	11.1
Face value	5.0

Shareholding pattern

	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	50	52	52	52
FII	26	25	26	26
DII	14	14	14	13
Public	10	9	9	9

Price Chart



Recent event & key risks

- Completed buyback at ₹ 1150 per share
- **Key Risk:** (i) Better-than expected paid subscribers, (ii) Lower than expected margins

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Key takeaways of recent quarter & conference call highlights

- The company, on a consolidated basis, reported revenue of ₹ 114.5 crore, up 3.6% QoQ, 3.7% YoY. Revenue growth was aided by a recovery in matchmaking revenue. Matchmaking revenue increased 3.5% QoQ to ₹ 111.6 crore. Billings in match making services increased 8.6% QoQ to ₹ 117.6 crore
- The company during the quarter added 2.6 lakhs paid subscribers, up 9.9% QoQ & 11.8% YoY. ATV of the company declined to ₹ 4,488, down 1% QoQ as pricing pressure continues
- In marriage services segment, the company reported revenue of ₹ 2.9 crore, up 10.7% QoQ. On the margins front, it reported an EBITDA loss of ₹ 3.2 crore. Billings in match making services grew 5.9% QoQ to ₹ 3.3 crore
- On the margins front, the company in match making services segment reported an EBITDA of ₹ 23.6 crore with a corresponding EBITDA margin of 21.1%. On a consolidated basis, EBITDA margin improved 330 bps QoQ to 14.6% in Q4 and in absolute terms the company reported an EBITDA of ₹ 16.7 crore. The company during the quarter spent ₹ 46.5 crore, up 0.8% QoQ on advertisement & marketing expenses
- Matrimony, for FY23, reported revenue of ₹ 455.8 crore, up 4.9% with matchmaking services contributing ₹ 446 crore, up 3.6% to revenue. The company, during the year, added 9.9 lakhs paid subscribers while ATV came in at ₹ 4,493, down 6.5%. Marriage services segment reported revenues of ₹ 9.7 crore in FY23 compared to ₹ 4.1 crore in FY22. The company at the consolidated level reported EBITDA margin of 14.8%, down 520 bps in FY23 mainly due to muted growth in matchmaking services and elevated marketing spends during the year. The company, in FY23 spent ₹ 182.5 crore, on marketing
- Matrimony mentioned that post Covid it faced challenges as conversions were not at the expected levels, which ultimately impacted the growth of the company. The company is now guiding double digit revenue growth in FY24 to be aided by continued strong growth in paid subscription as it is being driven by competitive pricing. The company added that it is planning to keep prices at the current levels and not planning any increase in the near term. Hence, growth is likely to continue in FY25 as far as paid subs is concerned. The company is likely to continue strong revenue growth momentum on healthy billings in FY24
- The company mentioned that its marketing spends in FY23 remained elevated due to intense competitive intensity in the market. Matrimony added that since it was the market leader it had to spend higher to defend its market position. The company, however, said the intensity is easing a bit. Hence, it expects the marketing spends in FY24 to be at level similar to FY23. The company also mentioned that marketing expenses in Q4 are lower due to seasonality as it normally keeps these expenses down during IPL cricket season and also mentioned that there could be quarterly variation in this spend. Matrimony also added that funding issues at the start ups does not have a direct correlation with its lower marketing spend
- The company also mentioned that marketing spend is also a reflection of competitive standing. Matrimony added that it has increased its market share in the last year along with No. 2 player. Now, since top two players control more market than a year ago, marketing expenses are expected to be prudent
- The company expects its PAT margin to increase ~300 bps in Q1FY24 aided by revenue growth & steady marketing spends during the quarter. Matrimony mentioned that margin expansion is factoring in wages hikes in range of 6-7% in Q1

- In marriage services, the company mentioned that it has integrated mandap.com on its wedding bazaar platform. Matrimony also added that it aiming to become break even in marriage services segment in FY24. The company mentioned it is focusing on more profitability in this business, going forward
- In the new initiatives the company mentioned that Jodi is doing well. It is still working on a strategy to grow this business. The company also mentioned that to drive its growth in Jodi, it is has launched a campaign wherein women can access premium features for free. In Elite matrimony the company has launched success fee-based matchmaking wherein the customer avails services for minimal service charge
- The company mentioned that its associate company Astro Vision Futuretech Pvt Ltd (Astro) has grown in double digits in FY23. It expects the revenue growth to continue in FY24 driven by launch of new lines of business. The company also mentioned that Astro has become profitable in Q4FY23
- The company mentioned that the tax rate for FY23 came in at 16.6% and added that tax rate during the year was lower due to the lower realisations on mutual funds for funding the buyback conducted during the year. Matrimony added that it is currently not looking at any M&A opportunity. The company for FY23 declared a final dividend of ₹ 5 per share

Exhibit 1: P&L

	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	114.5	110.6	3.6	110.4	3.7	Matchmaking revenues grew by 2.3% aided by increase in paid subs
Employee expenses	35.0	33.6	4.6	36.6	-4.8	
Gross Margin	79.5	77.0	3.3	73.8	7.8	
Gross margin (%)	69.5	69.6	-19 bps	66.9	260 bps	
SG&A expenses	62.8	58.4	7.6	61.3	2.5	
EBITDA	16.7	18.6	-10.4	12.5	33.7	
EBITDA Margin (%)	14.6	16.8	-228 bps	11.3	326 bps	moderation in marketing expenses aided EBITDA margin expansion sequentially
Depreciation & amortisatio	7.3	7.0	4.6	7.4	-1.2	
EBIT	9.4	11.7	-19.4	5.1	83.9	
Finance cost	1.4	1.4	2 bps	1.5	-6 bps	
EBIT Margin (%)	8.2	10.6	-234 bps	4.6	358 bps	
Other income (less interes	5.5	5.7	-4.1	10.0	-45.3	
PBT	13.5	15.8	-14.6	13.6	-0.8	
Tax paid	2.1	4.1	-48.8	2.0	4.6	
PAT	11.4	11.7	-2.6	11.6	-1.7	

Source: Company, ICICI Direct Research

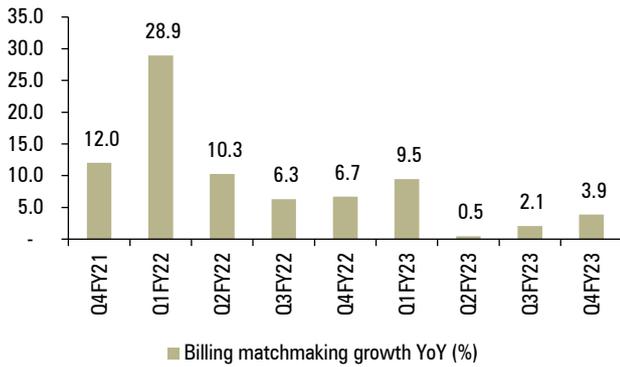
Exhibit 2: Change in estimates

(₹ Crore)	FY24E			FY25E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	477	500	4.9	515	556	8.1	Numbers increased on growth in billings
EBITDA	76	85	11.1	93	109	18.2	
EBITDA Margin (%)	16.0	16.9	94 bps	18.0	19.7	168 bps	Margin expansion due to management guidance of flattish marketing expenses going ahead
PAT	48	57	18.3	61	76	24.2	
EPS (₹)	21.6	25.2	18.3	27.4	33.6	24.2	

Source: Company, ICICI Direct Research

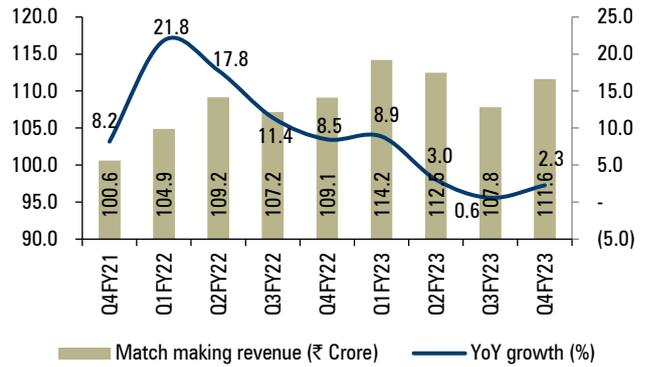
Key Metrics

Exhibit 3: Matchmaking billing increased 3.9% YoY in Q4



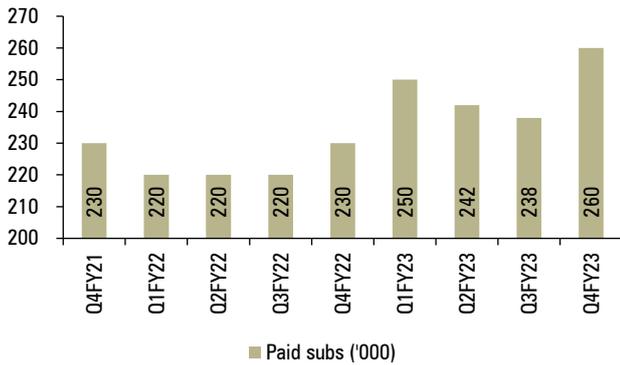
Source: Company, ICICI Direct Research

Exhibit 4: Leading to revenue recovery in Q4



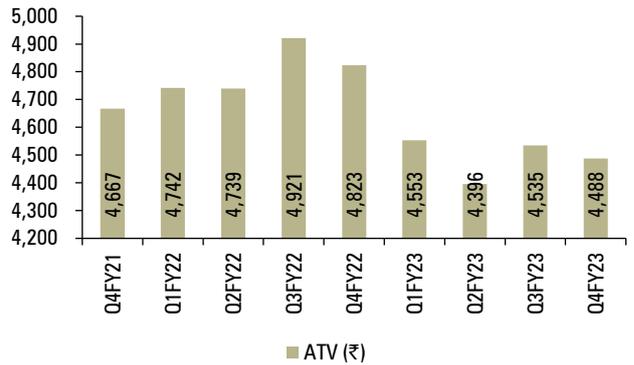
Source: Company, ICICI Direct Research

Exhibit 5: Paid subs addition strong in quarter



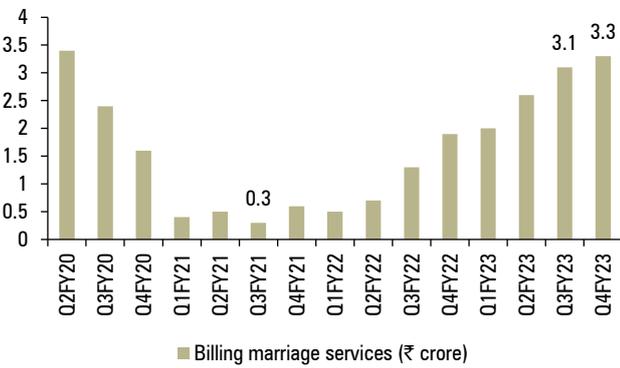
Source: Company, ICICI Direct Research

Exhibit 6: ATV declines on pricing pressure



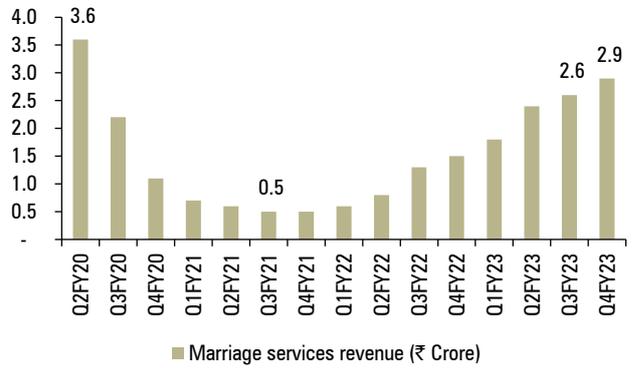
Source: Company, ICICI Direct Research

Exhibit 7: Marriage services billing continues to improve



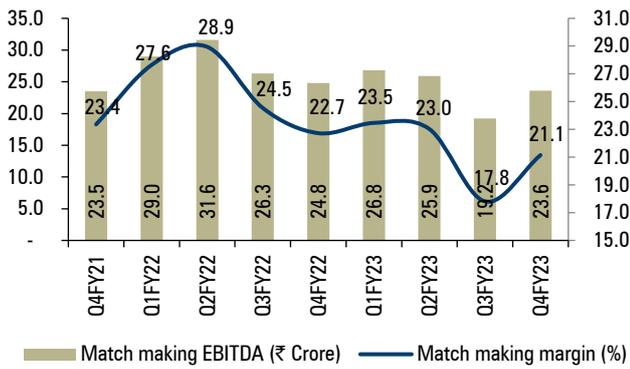
Source: Company, ICICI Direct Research

Exhibit 8: As does revenue



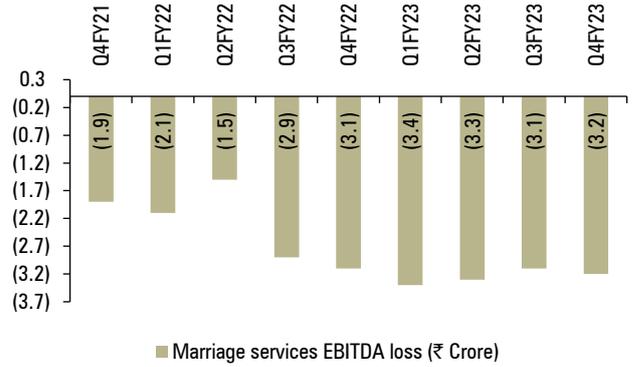
Source: Company, ICICI Direct Research

Exhibit 9: Flat marketing expense aids QoQ margin expansion



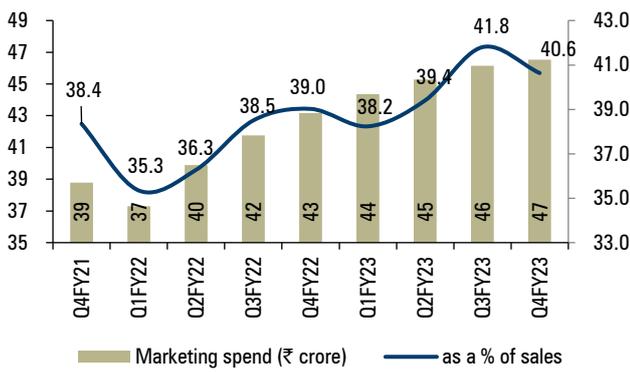
Source: Company, ICICI Direct Research

Exhibit 10: Marriage services losses trend



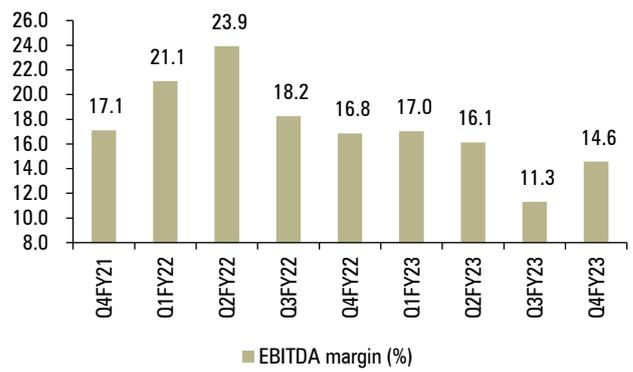
Source: Company, ICICI Direct Research

Exhibit 11: Marketing spend sees some moderation



Source: Company, ICICI Direct Research

Exhibit 12: Aiding margin expansion at company level



Source: Company, ICICI Direct Research

Financial summary

Exhibit 13: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Total operating Income	434	456	500	556
Growth (%)	15.0	4.9	9.7	11.3
COGS (employee expenses)	132	144	154	172
Other expenses	215	244	261	275
Total Operating Expenditure	348	388	415	447
EBITDA	87	67	85	109
Growth (%)	28.8	(22.5)	25.6	29.2
Depreciation	27	30	33	37
Other income (net)	13	18	17	18
PBT	72	56	68	90
Total Tax	18	9	12	14
PAT	54	47	57	76
Growth (%)	31.4	(12.9)	21.6	33.2
Diluted EPS (₹)	23.4	20.7	25.2	33.6
Growth (%)	31.0	(11.4)	21.6	33.2

Source: Company, ICICI Direct Research

Exhibit 14: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
PBT	72	56	68	90
Add: Depreciation	27	30	33	37
Others	(10)	(18)	(17)	(18)
Inc/(dec) in working capital	7	2	11	13
Taxes paid	(19)	(13)	(12)	(14)
CF from operating activities	78	57	84	108
(Inc)/dec in Fixed Assets	(8)	(6)	(7)	(8)
Others	(45)	26	23	24
CF from investing activities	(53)	67	15	15
Dividend paid & dividend tax	(8)	(11)	(11)	(11)
Others	(16)	(113)	(6)	(6)
CF from financing activities	(24)	(125)	(17)	(17)
Net Cash flow	1	(1)	82	107
Exchange difference	(0)	0	-	-
Opening Cash	9	10	9	90
Closing cash balance	10	9	90	197

Source: Company, ICICI Direct Research

Exhibit 15: Balance sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Equity Capital	11	11	11	11
Reserve and Surplus	299	242	287	352
Total Shareholders funds	310	253	298	363
Total Debt	-	-	-	-
Lease liability	56	53	53	53
Provisions	-	-	-	-
Other non current liabilities	1	1	1	1
Total Liabilities	368	307	352	417
Assets				
Property, plant and equipment	22	18	13	6
Investments	24	26	26	26
Intangibles	15	14	14	14
Right-of-use assets	63	61	41	19
Other non current assets	19	20	21	23
Cash & cash equivalents	10	9	90	197
Bank Balance	217	216	216	216
Current Investments	86	79	79	79
Trade receivables	8	8	9	10
Security deposits	2	2	2	2
Other financial assets	6	7	8	9
Other current assets	50	6	7	8
Total Current Assets	379	327	411	520
Trade payables	45	45	50	55
Lease liability	13	15	15	15
OCL & provisions	97	99	109	121
Total Current Liabilities	155	159	173	191
Net Current Assets	225	168	237	329
Application of Funds	368	307	352	417

Source: Company, ICICI Direct Research

Exhibit 16: Key ratios				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
Diluted EPS	23.4	20.7	25.2	33.6
Cash EPS	35.2	34.0	39.9	50.1
BV	136	112	133	161
DPS	3.5	5.1	5.0	5.0
Cash Per Share	99	100	136	183
Operating Ratios (%)				
EBITDA margin	20.0	14.8	16.9	19.7
PBT Margin	16.5	12.3	13.7	16.2
PAT Margin	12.3	10.2	11.4	13.6
Debtor days	7	7	7	7
Creditor days	38	36	36	36
Return Ratios (%)				
RoE	17.3	18.4	19.0	20.8
RoCE	21.2	20.2	21.1	23.0
Valuation Ratios (x)				
P/E	24.8	28.0	23.0	17.3
EV / EBITDA	11.4	14.8	10.9	7.4
EV / Net Sales	2.3	2.2	1.8	1.5
Market Cap / Sales	3.0	2.9	2.6	2.3
Price to Book Value	4.3	5.2	4.4	3.6
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Debt / Equity	-	-	-	-
Current Ratio	0.4	0.1	0.1	0.1
Quick Ratio	0.4	0.1	0.1	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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