

4QFY23 Result Update

# Matrimony.com

Better than expectations

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B&K Securities is the trade name of Batlivala & Karani Securities India Pvt. Ltd.

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CMP (Rs): 575

Market cap. (Rs bn): 12.8

Target price (Rs): 827

Maintain BUY

### First Cut Feel of the Results

- Revenues grew by 4% YoY and QoQ to Rs 1,145 mn. This was in line with our and street estimates.
- EBITDA for 4QFY23, at Rs 167 mn, was 11% lower YoY and 34% higher sequentially. It was 8% above our estimates but 12% below consensus. EBITDA margin for 4QFY23 stood at 14.6%. Margins dipped by 228 bps YoY/expanded by 326 bps QoQ.
- Marketing costs were high at 40.6% of revenues. These costs continue to rise at a steady pace and remain higher than our estimates of 38-40%.
- The company added 0.26 mn paid subscribers during 4QFY23, 13% higher YoY. This is a record high for the company. ATV, however, dipped to Rs 4,488.
- The Board has recommended a final dividend of Rs 5/share.

### Financial highlights

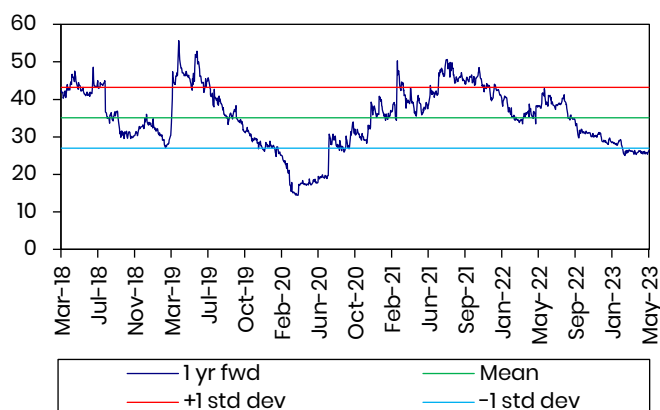
(Rs mn)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)
Revenue	1,145	1,106	3.6	1,104	3.7
Employee cost	350	336	4.2	366	(4.4)
A&P	465	432	7.8	461	0.8
Other expenses	163	152	7.3	152	7.6
EBITDA	167	186	(10.5)	125	33.7
EBITDA margin (%)	14.6	16.9	(228) bps	11.3	326 bps
Depreciation	73	70	4.6	74	(1.2)
EBIT	94	117	(19.4)	51	83.9
Interest	14	14	1.6	15	(4.4)
Other income	55	57	(4.1)	100	(45.3)
PBT	135	160	(15.8)	136	(1.1)
Tax	21	41	(48.8)	20	4.6
Tax rate (%)	15.7	25.8	(1,010) bps	14.8	85 bps
PAT	114	117	(2.6)	116	(1.7)

### Key variables

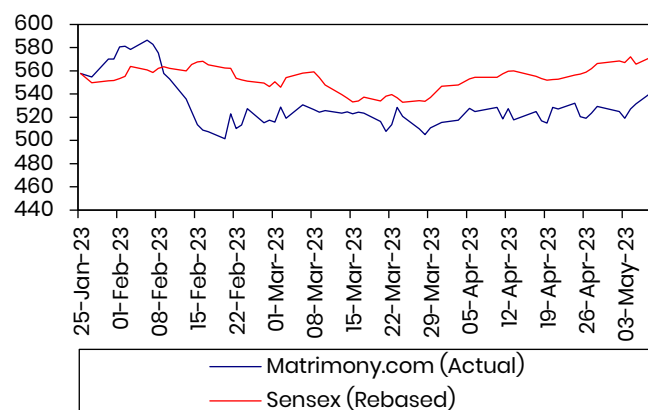
	Improvement on (%)	
	B&K est.	Consensus
Revenues	0.8	(0.5)
EBITDA	8.1	(12.2)
PAT	9.6	(10.9)

	FY23	FY24E	FY25E
<b>Valuations</b>			
PER (x)	25.0	25.7	23.1
P/S (x)	2.6	2.7	2.5
EV/EBITDA (x)	12.7	12.6	10.4
<b>Key Ratios</b>			
EBITDA margin (%)	14.8	15.2	15.8
RoE (%)	16.6	18.4	17.3

### One-year forward PE



### Relative performance



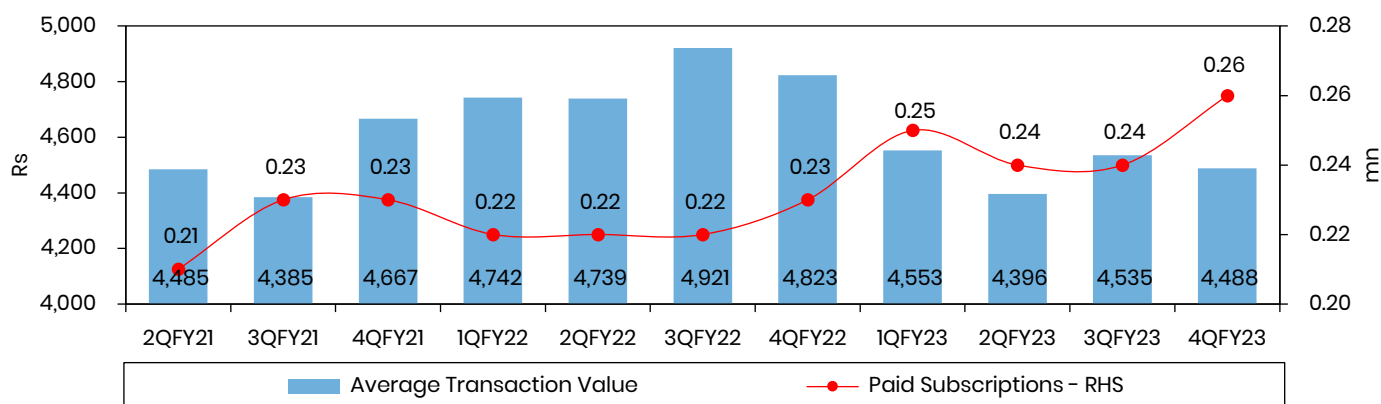
## Is it in the Price?

The online matchmaking industry in India is at a critical juncture, as relentless advertising expenses have put pressure on margins and even led to losses for some players. However, Matrimony.com, owing to its market dominance, has managed to generate cash. Reported results were ahead of estimates, which led to the rise in price post the earnings release. The year gone by was tough, but the management expects recovery in FY24. Additionally, there still remains an optionality subject to consolidation in the industry, which is hard to time though.

## Connecting the Dots

- Revenues stood at Rs 1,145 mn, in line with our estimates. EBITDA at Rs 167 mn was 8% above our expectations, and PAT was 10% higher than our estimates at Rs 114 mn.
- EBITDA margin for the quarter was 14.6%, a decline of 228 bps YoY. This decline is owing to an increase in ad expenses coupled with moderation in revenue growth. This is 98 bps higher than our estimates of 13.6%.
- PAT at Rs 114 mn was above our estimates and declined by 3%/2% YoY/QoQ. PAT in the previous quarter was buoyed by other income of Rs 100 mn (one-off on account of sale of land). This is back to Rs 55 mn in 4QFY23.
- Matchmaking revenues were Rs 1,116 mn, 2% higher YoY. EBITDA for the segment stood at Rs 236 mn, lower by 5% YoY. Segmental margin compressed by 158 bps (to 21.1%) as compared to 4QFY22.
- The matchmaking revenues need to be seen along with the increasing competition in the online matchmaking space. This should not be ignored while evaluating the performance. This has also led to sustained increase in A&P spends.
- Paid subscriptions during the quarter were 0.26 mn. It is after almost nine quarters that this number came out of the range of 0.22–0.25 mn. This metric grew by 13% YoY/8% QoQ.
- The average transaction value dipped to Rs 4,488 in 4QFY23 from Rs 4,535 in the previous quarter. ATV also declined 7% YoY. Recovery in ATV coupled with sustained rise in paid transactions will aid revenue growth.

## Average transaction value and paid subscriptions



Source: Company, B&K Research

- Advertising and promotion expenses grew by 8% YoY to Rs 465 mn. This is at 41% of revenues now, much above historical average of ~30–32% (since FY18). A&P spends as a percentage of revenues has been trending higher since 2QFY21.

- Matchmaking billings for the quarter stood at Rs 1,176 mn, which is 4/9% higher YoY/QoQ. Deferred revenue for the segment; however, remained flat YoY.
- These trends continue to remain below the management's broader guidance of achieving double-digit growth.
- Cash and cash equivalents as of end FY23 stood at ~Rs 3,240 mn. Cash flow from operations for the full year stood at Rs 572 mn.
- The tax rate for 4QFY23 and FY23 was 15.7% and 16.6%, respectively. The rate was lower due to lesser tax rates on realised gains on sale of mutual funds. The company had redeemed its MF investments to fund the buyback of shares.

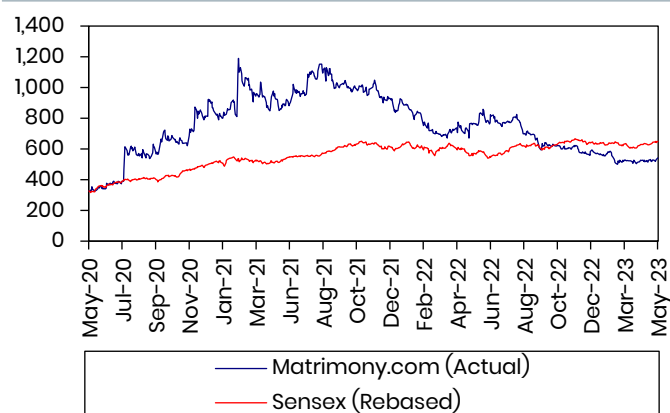
### Outlook and recommendation

Matrimony.com continues to be in a sweet spot, with its execution prowess allowing it to dominate the online matchmaking space. The company has sustainably generated profits despite the heavy marketing spends to endure competition and maintained its market position. Cash generation remains robust and the same will only improve in the coming year. There shall be a structural uptrend in the usage of online matchmaking services and Matrimony.com shall benefit from the same. Successful execution of their strategy will help them make inroads in the Northern markets in the medium-term. We believe the company is well poised to deliver growth in FY24, driven by rise in paid subscribers. We thus remain BUYers on the name with an unchanged target price of Rs 827.

### Major shareholders (%)

	Dec 22	Mar 23	Change
Promoters	51.6	51.6	0.0
GOI	0.0	0.0	0.0
FII's	26.1	26.0	(0.1)
MFs	8.2	7.8	(0.4)
BFSI's	5.5	5.7	0.3
Public & Others	8.7	8.9	0.2
Pledge	0.0	0.0	0.0

### Relative to Sensex 3 Years



## Income Statement

Period end (Rs mn)	Mar 22	Mar 23	Mar 24E	Mar 25E
<b>Net sales</b>	<b>4,345</b>	<b>4,558</b>	<b>4,926</b>	<b>5,311</b>
Growth (%)	15.0	4.9	8.1	7.8
Operating expenses	(3,475)	(3,883)	(4,163)	(4,459)
<b>Operating profit</b>	<b>870</b>	<b>674</b>	<b>764</b>	<b>852</b>
<b>EBITDA</b>	<b>870</b>	<b>674</b>	<b>764</b>	<b>852</b>
Growth (%)	28.7	(22.5)	13.2	11.6
Depreciation	(269)	(300)	(275)	(289)
Other income	179	244	269	264
<b>EBIT</b>	<b>780</b>	<b>618</b>	<b>758</b>	<b>828</b>
Finance cost	(54)	(59)	(65)	(65)
Exceptional & extraordinary	8	0	–	–
<b>Profit before tax</b>	<b>734</b>	<b>559</b>	<b>693</b>	<b>763</b>
Tax (current + deferred)	(183)	(93)	(165)	(196)
<b>Profit / (Loss) for the period</b>	<b>551</b>	<b>467</b>	<b>528</b>	<b>566</b>
Reported Profit / (Loss)	551	467	528	566
Adjusted net profit	551	467	528	566
Growth (%)	33.3	(15.3)	13.2	7.2

## Balance Sheet

Period end (Rs mn)	Mar 22	Mar 23	Mar 24E	Mar 25E
Share capital	114	111	111	111
Reserves & surplus	2,989	2,419	2,804	3,158
<b>Shareholders' funds</b>	<b>3,103</b>	<b>2,530</b>	<b>2,915</b>	<b>3,269</b>
<b>Non-current liabilities</b>	<b>572</b>	<b>537</b>	<b>555</b>	<b>572</b>
Other non-current liabilities	572	537	555	572
<b>Current liabilities</b>	<b>1,547</b>	<b>1,591</b>	<b>1,648</b>	<b>1,700</b>
Other current liabilities	1,547	1,591	1,648	1,700
<b>Total (Equity and Liab.)</b>	<b>5,222</b>	<b>4,659</b>	<b>5,118</b>	<b>5,541</b>
<b>Non-current assets</b>	<b>1,428</b>	<b>1,391</b>	<b>1,289</b>	<b>1,185</b>
Fixed assets (Net block)	1,001	930	803	674
Non-current Investments	47	47	47	47
Other non-current assets	379	413	438	464
<b>Current assets</b>	<b>3,794</b>	<b>3,268</b>	<b>3,829</b>	<b>4,355</b>
Cash & current investment	3,652	3,111	3,661	4,176
Other current assets	142	157	169	180
<b>Total (Assets)</b>	<b>5,222</b>	<b>4,659</b>	<b>5,118</b>	<b>5,541</b>
Capital employed	3,675	3,067	3,470	3,841

## Cash Flow Statement

Period end (Rs mn)	Mar 22	Mar 23	Mar 24E	Mar 25E
<b>Profit before tax</b>	<b>719</b>	<b>559</b>	<b>693</b>	<b>763</b>
Depreciation	269	300	275	289
Change in working capital	73	16	45	41
Total tax paid	(186)	(128)	(165)	(196)
Others	(100)	(175)	65	65
<b>Cash flow from oper. (a)</b>	<b>775</b>	<b>572</b>	<b>913</b>	<b>962</b>
Capital expenditure	(76)	(64)	(148)	(159)
Change in investments	(451)	112	(150)	(300)
Others	2	619	(25)	(26)
<b>Cash flow from inv. (b)</b>	<b>(526)</b>	<b>667</b>	<b>(323)</b>	<b>(486)</b>
<b>Free cash flow (a+b)</b>	<b>249</b>	<b>1,239</b>	<b>590</b>	<b>476</b>
Equity raised/(repaid)	9	(934)	385	354
Debt raised/(repaid)	(173)	(200)	–	–
Dividend (incl. tax)	(80)	(115)	274	342
Others	–	–	(849)	(957)
<b>Cash flow from fin. (c)</b>	<b>(244)</b>	<b>(1,248)</b>	<b>(191)</b>	<b>(261)</b>
<b>Net chg in cash (a+b+c)</b>	<b>5</b>	<b>(9)</b>	<b>400</b>	<b>215</b>

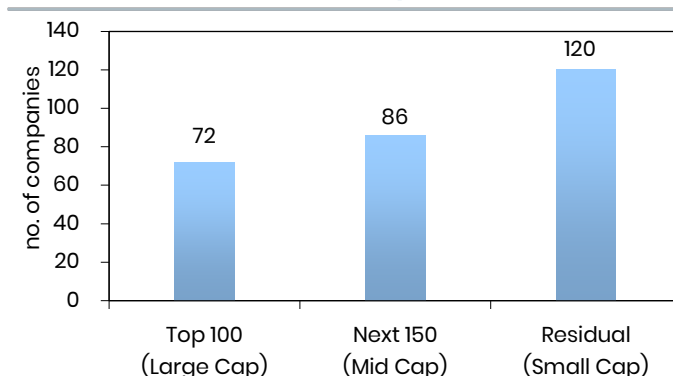
## Key Ratios

Period end (%)	Mar 22	Mar 23	Mar 24E	Mar 25E
Adjusted EPS (Rs)	24.2	20.5	23.2	24.8
Growth	33.3	(15.3)	13.2	7.2
CEPS (Rs)	36.0	33.6	35.2	37.5
Book NAV/share (Rs)	136.1	111.0	127.8	143.4
Dividend/share (Rs)	(5.0)	(10.0)	(12.0)	(15.0)
Dividend payout ratio	(20.7)	(48.8)	(51.8)	(60.4)
EBITDA margin	20.0	14.8	15.5	16.1
EBIT margin	18.0	13.6	15.4	15.6
Tax rate	24.9	16.5	23.8	25.7
RoCE	23.0	18.3	23.2	22.6
Net debt/Equity (x)	(1.2)	(1.2)	(1.3)	(1.3)
<b>Du Pont Analysis – RoE</b>				
Net margin	12.7	10.2	10.7	10.7
Asset turnover (x)	0.9	0.9	1.0	1.0
Leverage factor (x)	1.7	1.8	1.8	1.7
Return on equity	19.2	16.6	19.4	18.3

## Valuations

Period end (x)	Mar 22	Mar 23	Mar 24E	Mar 25E
PER	27.7	25.0	24.8	23.1
PCE	18.6	15.2	16.3	15.3
Price/Book	4.9	4.6	4.5	4.0
Yield (%)	(0.7)	(2.0)	(2.1)	(2.6)
EV/EBITDA	13.4	12.7	12.4	10.5

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BUY	>+15%	>+20%
HOLD	+15% to -10 %	+20% to -15 %
SELL	<-10%	<-15%

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