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Q4FY23 result review
and earnings/ rating
revision

Technology

Target price: Rs700

Earnings revision

(%)	FY24E	FY25E
Sales	0.0	↓ 4.1
EBITDA	5.7	↓ 0.7
PAT	6.3	0.8

Target price revision

Rs700 from Rs575

Shareholding pattern

	Jun '22	Sep '22	Mar '23
Promoters	51.6	51.6	51.6
Institutional investors	39.1	39.8	39.5
MFs and other	8.1	8.2	7.8
FII	31.0	31.6	31.7
Others	9.3	8.6	8.9

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

BUY

Upgrade from HOLD

Rs573

Turning the corner; re-rating likely

Matrimony's revenue trend in Q4FY23 improved sequentially after two consecutive quarters of decline. Also, billings in matchmaking increased 8.6% QoQ and 76.9% YoY in Q4FY23 vs 1.6% QoQ and 2.1% YoY in Q3FY23. Paid subscriptions were up ~12% YoY. We believe this indicates improving sentiment and augurs well for revenue growth in FY24E. Management commentary also reflected improving outlook. Management guided for >10% revenue growth and 300bps YoY EBITDA margin improvement in FY24. Given the improving outlook and subdued present valuation, we think the stock is likely to re-rate. We upgrade Matrimony to BUY with a revised (increased) target price to Rs700 (from Rs575).

- **Q4FY23 performance.** Matrimony's Q4FY23 performance was aided by increased billings in Q3FY23, in line with management expectations. Revenue for matchmaking services segment (~98% of overall revenues) grew 3.6% QoQ (+2.3% YoY). Marriage services revenue (~2% of overall revenues) grew 10.8% QoQ, 99.4% YoY. Billings for matchmaking services increased 8.6% QoQ, 3.9% YoY to Rs1,176mn and that for marriage services was up 5.9% QoQ, 76.9% YoY to Rs33mn. EBITDA margin was 14.6%, up 330bps QoQ and down 230bps YoY. Ex-marketing expense, EBITDA margin for matchmaking services was 62% (vs 60% in Q3FY23). PAT in Q4FY23 was Rs114mn. Paid subscription (260k) was up 9.9% QoQ, 11.8% YoY. Average transaction value (ATV) was down 1% QoQ and 6.9% YoY.
- **Management commentary.** Based on the billings in Q4FY23, management expects revenue growth in matchmaking business in Q1FY24 is likely to be better than in Q4FY23. It indicated matchmaking EBITDA margins are likely to expand as marketing expenses remain flattish, but revenue is increasing. Management expects ~300bps expansion in Q1FY24 margins. It guided for double-digit growth in FY24 and strong expansion in profitability aided by subscription growth. ATV is expected to remain flattish. Marketing expenses should be stable at Q4FY23 levels.
- **Valuation.** We believe Matrimony is well placed to capture penetration-led growth in matchmaking classifieds space in the medium term. Its foray into marriage services is also a step in the right direction, in our view. Strong billings in the current quarter indicates double-digit growth in FY24/25E. We increase our EPS estimates by ~6%/1% for FY24E/FY25E, respectively. We upgrade the stock to **BUY** from *Hold* earlier with a revised target price of Rs700 (Rs575 earlier) valuing the company at ~19x FY25E P/E multiple (~17x FY24E P/E multiple earlier). Key risks: i) Weaker-than-expected conversion of active profiles into paid subscriptions, ii) slower than expected scale-up in marriage services and iii) lower-than-expected recovery in matchmaking business.

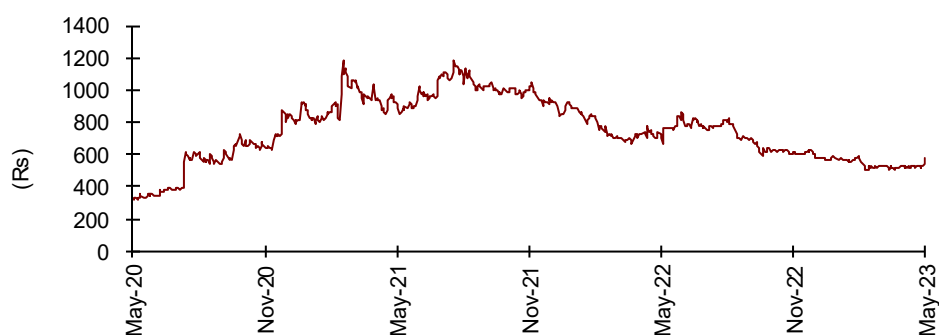
Market Cap	Rs12.7bn/US\$155mn
Reuters/Bloomberg	MATI.BO/ MATRIM IN
Shares Outstanding (mn)	22.3
52-week Range (Rs)	859/502
Free Float (%)	48.4
FII (%)	31.7
Daily Volume (US\$'000)	84
Absolute Return 3m (%)	2.7
Absolute Return 12m (%)	(20.7)
Sensex Return 3m (%)	1.7
Sensex Return 12m (%)	14.8

Year to March	FY22	FY23	FY24E	FY25E
Revenue (Rs mn)	4,345	4,558	5,207	6,148
Net Income (Rs mn)	544	467	644	841
Adj. EPS (Rs)	23.4	20.7	28.6	37.3
% Chg YoY	30.8	(11.4)	38.0	30.6
P/E (x)	24.5	27.7	20.0	15.3
CEPS (Rs)	35.1	34.0	44.5	56.2
EV/E (x)	12.0	15.5	11.2	8.5
Dividend Yield	0.9%	0.9%	0.3%	0.3%
RoCE (%)	12.2	10.2	11.6	13.2
RoE (%)	18.7	16.6	22.6	23.4

Table 1: Q4FY23 result review*(Rs mn, year ending March 31)*

	Q4FY23	Q3FY23	Q4FY22	QoQ (%)	YoY (%)
Net Sales	1,145	1,104	1,106	3.7	3.6
Total Expenses	978	979	919	(0.1)	6.4
EBITDA	167	125	186	33.7	(10.4)
EBITDA %	14.6	11.3	16.8	326 bps	-228 bps
Depreciation	73	74	70	(1.2)	4.6
EBIT	94	51	117	83.9	(19.4)
Finance Cost	14	15	14	(4.4)	1.6
Other income	55	100	57	(45.3)	(4.1)
Recurring pre-tax income	135	136	160	(1.2)	(15.8)
Taxation	21	20	41	4.6	(48.8)
Recurring Net Income	114	116	119	(2.2)	(4.3)
Share of associate	0	-0	-2	(391.9)	(125.8)
Reported Net Income	114	116	117	(1.7)	(2.6)
Recurring EPS (Rs.)	5.1	5.2	5.1	(1.7)	0.2
Ratios (%)					
EBITDA margin	14.6	11.3	16.8		
EBIT margin	8.2	4.6	10.6		
Effective tax rate	15.7	14.8	25.8		
Recurring Net profit margins	9.9	10.5	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	FY23	FY24E	FY25E
Operating Revenues (Sales)	4,345	4,558	5,207	6,148
Other Income	-	-	-	-
Operating Expenses	3,475	3,883	4,270	4,916
EBITDA	870	674	937	1,232
% margins	20.0	14.8	18.0	20.0
Depreciation & Amortisation	269	300	358	424
EBIT	601	375	579	808
% margins	13.8	8.2	11.1	13.1
Finance Chgs	(126)	(185)	(280)	(314)
Profit / (Loss) before Exceptional items and Taxation	727	559	859	1,122
Add: Extraordinary exps / (Inc)	-	-	-	-
Less: Taxes	183	93	215	280
Net Profit/(Loss) as Restated before minority interest	544	467	644	841
MI / Share of Associates	8	0	-	-
Restated net profit after tax for the periods / years	536	467	644	841

Source: Company data, I-Sec research

Table 3: Balance sheet

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Assets				
Total Current Assets	3,794	3,268	5,254	6,806
of which cash and deposits	3,128	3,033	4,868	6,351
Total Current Liab. & Prov.	1,547	1,591	1,806	2,133
Net Current Assets	2,247	1,677	2,543	3,605
Net Fixed Assets	1,001	930	715	460
Long-term loans and advances	427	201	229	271
Other Long Term Assets		260	260	260
Total Assets	3,675	3,067	3,747	4,596
Liabilities				
Long term provisions	0	-	14	17
Other Long Term Liabilities	572	537	559	564
Equity Share Capital	114	111	111	111
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus	2,989	2,419	3,063	3,904
Net Worth	3,104	2,530	3,174	4,015
Total Liabilities	3,675	3,067	3,747	4,596

Source: Company data, I-Sec research

Table 4: Cashflow statement

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
Operating Cashflow before W Cap changes	702	556	722	952
Working Capital Inflow / (Outflow)	73	16	71	223
Capex	(77)	(65)	(143)	(169)
Free Cashflow	698	507	650	1,006
Cashflow from other Invst Act (Ex Capex)	(449)	732	336	376
Issue of Share Capital	9	4	-	-
Inc/(Dec) in Borr./ Deferred Liab	-	-	-	-
Interest paid/Others	(52)	(58)	(56)	(63)
Others	(121)	(1,079)	-	-
Increase/(Decrease) in Cash	85	105	930	1,319

Source: Company data, I-Sec research

Table 5: Key ratios

(Year ending March 31)

	FY22	FY23	FY24E	FY25E
Per Share Data (Rs)				
Basic EPS	23.4	20.7	28.6	37.4
Diluted Reported EPS	23.4	20.7	28.6	37.3
Diluted Recurring EPS	23.4	20.7	28.6	37.3
Book Value per share	135.6	112.4	141.0	178.3
Growth Ratios (%)				
Operating Income (Sales)	15.0	4.9	14.2	18.1
EBITDA	28.8	(22.5)	38.9	31.5
Recurring Net Income	31.5	(14.2)	38.0	30.6
Diluted Recurring EPS	30.8	(11.4)	38.0	30.6
Valuation Ratios (x)				
P/E (Adjusted EPS)	24.5	27.7	20.0	15.3
EV / EBITDA	12.0	15.5	11.2	8.5
EV / Sales	2.4	2.3	2.0	1.7
EV / FCF (adjusted)	15.0	20.6	16.1	10.4
Operating Ratios				
Operating Exp./Sales (%)	80.0	85.2	82.0	80.0
Net other Income / PBT (%)	17.3	33.0	32.6	28.0
Fixed Asset Turnover (x) on avg.	4.3	4.9	7.3	13.4
Payables (days)	42.9	36.2	36.2	36.2
D/E Ratio (x)	-	-	-	-
Return/Profitability Ratios (%)				
RoIC	14.5	12.4	13.7	15.1
RoCE	12.2	10.2	11.6	13.2
EBITDA Margin	20.0	14.8	18.0	20.0
Net Income Margin	12.5	10.2	12.4	13.7

Source: Company data, I-Sec research

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