

10 August 2023

India | Equity Research | Q1FY24 results review

## Matrimony.com

Internet

### Profitability improves in Q1 amid worsening risk reward ; downgrade to ADD

Matrimony.com's (Matrimony) matchmaking revenue grew 8% QoQ and 5.6% YoY in Q1FY24. Billings in matchmaking increased 3.8% QoQ and 6.5% YoY in Q1FY24 vs 8.6% QoQ and 3.9% YoY in Q4FY23. Paid subscriptions were up ~12% YoY. We believe this indicates improving sentiment and augurs well for revenue growth in FY24E. Management is hopeful of achieving quarterly double digit YoY growth by the end of FY24. This is lower than the full year double digit growth outlook built into the stock. Focus on making the marriage services business profitable continues. Management expects break even by end of FY24. We think given the recent rerating, the risk reward skew for this stock has worsened and hence, we downgrade it to **ADD** (from BUY), with an unchanged target price of INR 750.

### Q1FY24 performance

Matrimony's Q1FY24 performance was aided by increased billings. Revenue from matchmaking services (~98% of total revenue) grew 5.6% QoQ (+8% YoY). Marriage services revenue (~2% of overall revenue) was down 5.8% QoQ but up 49% YoY. Billings for matchmaking services increased 3.8% QoQ, 6.5% YoY, to INR 1,221mn, and that for marriage services was down 27.3% QoQ, but up 20% YoY, to INR 24mn. EBITDA margin was at 16.7%, up 210bps QoQ and down 30bps YoY. Ex-marketing expenses, EBITDA margin for matchmaking services was 60% (vs 62% in Q4FY23). PAT in Q1FY24 was INR 142mn. Paid subscription (280k) was up 7.7% QoQ, 12% YoY. Average transaction value (ATV) was down 2.9% QoQ/ 4.3% YoY.

### Management commentary

Management has guided for high single digit growth for Q2FY24 on YoY basis in matchmaking but expects the revenue to be lower sequentially due to seasonal factors. It added that a run rate of INR 450 mn in marketing expense can be expected going forward. Other expenses increased +27.4% QoQ/+32.3% YoY due to provisions made with regard to the ongoing litigation with Google. Some provisions are likely to be recorded in Q2 as well. Management estimated revenue contribution from in-app purchases to be ~35%. It also guided for marriage services business to break even on a monthly basis by the end of FY24.

### Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	4,345	4,558	5,083	5,935
EBITDA	870	674	886	1,133
EBITDA Margin (%)	20.0	14.8	17.4	19.1
Net Profit	536	467	613	778
EPS (Rs)	23.4	20.7	27.2	34.6
EPS % Chg YoY	30.9	(12.8)	31.3	27.0
P/E (x)	29.5	33.8	25.7	20.3
EV/EBITDA (x)	14.6	18.5	13.1	9.2
RoCE (%)	12.2	10.2	10.8	12.1
RoE (%)	18.7	16.6	21.6	22.0

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#### Market Data

Market Cap (INR)	16bn
Market Cap (USD)	188mn
Bloomberg Code	MATRIM IN
Reuters Code	MATI BO
52-week Range (INR)	836 /498
Free Float (%)	48.0
ADTV-3M (mn) (USD)	0.2

Price Performance (%)	3m	6m	12m
Absolute	23.2	26.5	(12.7)
Relative to Sensex	7.8	9.6	13.6

ESG Disclosure	2021	2022	Change
ESG score	-	-	-
Environment	-	-	-
Social	-	-	-
Governance	-	-	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Earnings Revisions (%)	FY24E	FY25E
Revenue	(2.38)	(3.46)
EBITDA	(5.44)	(8.03)
EPS	(4.85)	(7.43)

#### Previous Reports

10-05-2023: [Q4FY23 results review](#)

10-02-2023: [Q3FY23 results review](#)

## Valuation

We downgrade the stock to ADD with a target price of INR 750 valuing it at ~20x 1 year forward P/E multiple as we roll forward by 6 months. 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 the matchmaking business.

### Exhibit 1: Q1FY24 result review

(in INR mn)	Q1FY24	Q4FY23	Q1FY23	QoQ (%)	YoY (%)	I-sec estimates	Var (%)
Net Sales	1,233	1,145	1,160	7.7	6.3	1,226	0.5
Total Expenses	1,027	978	963	5.0	6.7	1,019	0.8
EBITDA	206	167	198	23.3	4.2	207	(0.8)
EBITDA %	16.7	14.6	17.0	212 bps	-34 bps	16.9	-22 bps
Depreciation	72	73	77	(1.2)	(6.1)	71	1.3
EBIT	134	94	121	42.2	10.7	136	(1.9)
Finance Cost	13	14	16	(4.2)	(13.9)	14	(1.1)
Other income	65	55	47	19.3	37.3	60	8.5
Recurring pre-tax income	186	135	153	37.7	21.4	183	1.5
Taxation	43	21	32	104.1	36.1	26	65.8
Recurring Net Income	142	114	121	25.4	17.6	157	(9.2)
Share of associate	-1	0	-2	(285.6)	(50.8)	0	n.a.
Reported Net Income	142	114	120	24.2	18.5	157	(9.9)
<b>Ratios (%)</b>							
EBITDA margin	16.7	14.6	17.0			16.9	
EBIT margin	10.9	8.2	10.4			11.1	
Effective tax rate	23.2	15.7	20.7			14.2	
Net profit margins	11.6	9.9	10.4			12.8	

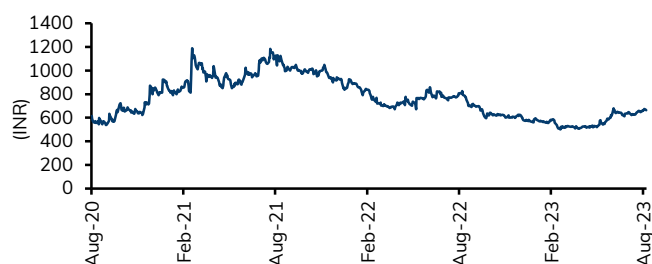
Source: I-Sec research, Company data

### Exhibit 2: Shareholding pattern

%	Dec'22	Mar'23	Jun'23
Promoters	51.6	51.6	51.6
Institutional investors	39.5	39.6	27.7
MFs and others	7.8	7.8	5.8
FIIIs	31.7	31.8	31.9
Others	8.9	8.8	10.7

Source: Bloomberg

### Exhibit 3: Price chart



Source: Bloomberg

## Financial Summary

### Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	4,345	4,558	5,083	5,935
<b>Operating Expenses</b>	<b>3,475</b>	<b>3,883</b>	<b>4,198</b>	<b>4,802</b>
EBITDA	870	674	886	1,133
<b>EBITDA Margin (%)</b>	<b>20.0</b>	<b>14.8</b>	<b>17.4</b>	<b>19.1</b>
Depreciation & Amortization	269	300	349	409
EBIT	601	375	537	724
Interest expenditure	54	59	56	63
Other Non-operating Income	179	244	336	376
Recurring PBT	727	559	817	1,038
<b>Profit / (Loss) from Associates</b>	<b>(8)</b>	<b>0</b>	-	-
<b>Less: Taxes</b>	<b>183</b>	<b>93</b>	<b>204</b>	<b>259</b>
PAT	544	467	613	778
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	536	467	613	778
<b>Net Income (Adjusted)</b>	<b>536</b>	<b>467</b>	<b>613</b>	<b>778</b>

Source Company data, I-Sec research

### Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	3,794	3,268	4,273	5,562
of which cash & cash eqv.	3,128	3,033	3,897	5,123
Total Current Liabilities & Provisions	1,547	1,591	1,763	2,059
<b>Net Current Assets</b>	<b>2,247</b>	<b>1,677</b>	<b>2,510</b>	<b>3,503</b>
Investments	237	260	260	260
Net Fixed Assets	851	793	584	339
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	150	137	137	137
Other assets	-	-	-	-
Deferred Tax assests	-	-	-	-
<b>Total Assets</b>	<b>3,675</b>	<b>3,067</b>	<b>3,715</b>	<b>4,500</b>
<b>Liabilities</b>				
<b>Borrowings</b>	-	-	-	-
<b>Deferred Tax Liability</b>	-	-	-	-
provisions	0	-	14	16
other Liabilities	10	7	28	33
Equity Share Capital	114	111	111	111
Reserves & Surplus	2,989	2,419	3,032	3,810
<b>Total Net Worth</b>	<b>3,104</b>	<b>2,530</b>	<b>3,143</b>	<b>3,921</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>3,675</b>	<b>3,067</b>	<b>3,715</b>	<b>4,500</b>

Source Company data, I-Sec research

### Exhibit 6: Quarterly trend

(INR mn, year ending March)

	Sep-22	Dec-22	Mar-23	Jun-23
Net Sales	1148.6	1103.7	1145.0	1232.7
% growth (YOY)	4.5	1.7	3.6	6.3
EBITDA	185.1	124.8	166.8	205.7
Margin %	16.1	11.3	14.6	16.7
Other Income	42.1	99.7	54.4	65.0
Net Profit	117.1	116.0	114.0	141.6

Source Company data, I-Sec research

### Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Operating Cashflow</b>	<b>775</b>	<b>572</b>	<b>724</b>	<b>1,075</b>
Working Capital Changes	73	16	42	202
Capital Commitments	(182)	(62)	(140)	(163)
<b>Free Cashflow</b>	<b>957</b>	<b>634</b>	<b>863</b>	<b>1,239</b>
<b>Other investing cashflow</b>	<b>(344)</b>	<b>729</b>	<b>336</b>	<b>376</b>
Cashflow from Investing Activities	(526)	667	196	213
Issue of Share Capital	9	4	-	-
Interest Cost	(52)	(58)	(56)	(63)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(80)	(115)	-	-
Others	(121)	(1,079)	-	-
Cash flow from Financing Activities	(244)	(1,248)	(56)	(63)
<b>Chg. in Cash &amp; Bank balance</b>	<b>5</b>	<b>(9)</b>	<b>864</b>	<b>1,226</b>
Closing cash & balance	95	86	3,897	5,123

Source Company data, I-Sec research

### Exhibit 8: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
<b>Per Share Data (INR)</b>				
Reported EPS	23.8	20.7	27.2	34.6
Adjusted EPS (Diluted)	23.4	20.7	27.2	34.6
Cash EPS	35.2	34.0	42.7	52.7
Dividend per share (DPS)	5.0	5.0	2.0	2.0
Book Value per share (BV)	135.6	112.4	139.6	174.2
Dividend Payout (%)	4.7	4.1	13.6	17.3
<b>Growth (%)</b>				
Net Sales	15.0	4.9	11.5	16.7
EBITDA	28.8	(22.5)	31.3	27.9
EPS (INR)	30.9	(12.8)	31.3	27.0
<b>Valuation Ratios (x)</b>				
P/E	29.5	33.8	25.7	20.3
P/CEPS	19.9	20.6	16.4	13.3
P/BV	5.2	6.2	5.0	4.0
EV / EBITDA	14.6	18.5	13.1	9.2
P / Sales	3.7	3.5	3.1	2.7
Dividend Yield (%)	0.7	0.7	0.3	0.3
<b>Operating Ratios</b>				
Gross Profit Margins (%)	100.0	100.0	100.0	100.0
EBITDA Margins (%)	20.0	14.8	17.4	19.1
Effective Tax Rate (%)	25.1	16.5	25.0	25.0
Net Profit Margins (%)	12.5	10.2	12.1	13.1
NWC / Total Assets (%)	61.1	54.7	67.6	77.8
Net Debt / Equity (x)	(1.1)	(1.3)	(1.3)	(1.4)
Net Debt / EBITDA (x)	(3.9)	(4.9)	(4.7)	(4.8)
<b>Profitability Ratios</b>				
RoCE (%)	12.2	10.2	10.8	12.1
RoE (%)	18.7	16.6	21.6	22.0
RoIC (%)	20.4	18.3	23.1	23.4
Fixed Asset Turnover (x)	4.3	4.9	7.0	12.5
Inventory Turnover Days	7	7	6	6
Receivables Days	7	7	6	6
Payables Days	43	36	36	36

Source Company data, I-Sec research

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