

1QFY24 Result Update

Matrimony.com

Robust performance

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

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CMP (Rs): 709

Market cap. (Rs bn): 16

Target price (Rs): 827

Maintain BUY

First Cut Feel of the Results

- Revenues for Matrimony.com (MATRIM) grew by 6% YoY and 7% QoQ to Rs 1,233 mn. This was 2% above our estimates and in line with street estimates.
- EBITDA for 1QFY24, at Rs 206 mn, was in line with street expectations but 6% above our estimates. This is 4% higher YoY and 23% higher QoQ. Margin for 1QFY24 stood at 16.7%. Margins dipped by 33 bps YoY/expanded by 212 bps QoQ.
- Marketing costs as a percentage of revenues stood at 35.9%, lower than ~40% over the past few quarters.
- The company added 0.28 mn paid subscribers during 1QFY24, 12% higher YoY. This is a record high for the company. ATV, however, dipped to Rs 4,359.

Financial highlights

(Rs mn)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)
Revenue	1,233	1,160	6.3	1,145	7.7
Employee cost	377	362	4.1	350	7.7
A&P	442	444	(0.2)	465	(4.9)
Other expenses	208	157	32.3	163	27.4
EBITDA	206	198	4.2	167	23.3
EBITDA margin (%)	16.7	17.0	(33) bps	14.6	212 bps
Depreciation	72	77	(6.1)	73	(1.2)
EBIT	134	121	10.7	94	42.2
Interest	13	16	(13.9)	14	(4.2)
Other income	65	47	37.3	55	18.4
PBT	186	153	21.4	135	37.3
Tax	43	32	36.1	21	104.1
PAT	142	120	18.5	114	24.2

Key variables

	Improvement on (%)	
	B&K est.	Consensus
Revenues	2.0	0.6
EBITDA	5.8	(0.6)
PAT	9.6	(9.8)

	FY23	FY24E	FY25E
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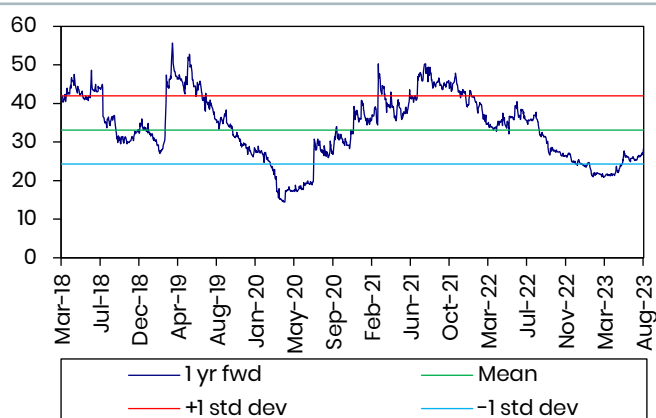
Valuations

PER (x)	34.5	29.0	27.4
P/S (x)	3.5	3.3	3.0
EV/EBITDA (x)	19.3	16.4	14.2

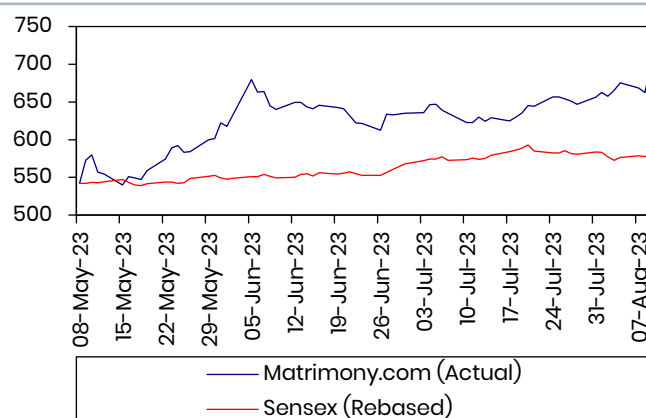
Key Ratios

EBITDA margin (%)	14.8	15.5	16.1
RoE (%)	16.6	20.8	20.0

One-year forward PE



Relative performance



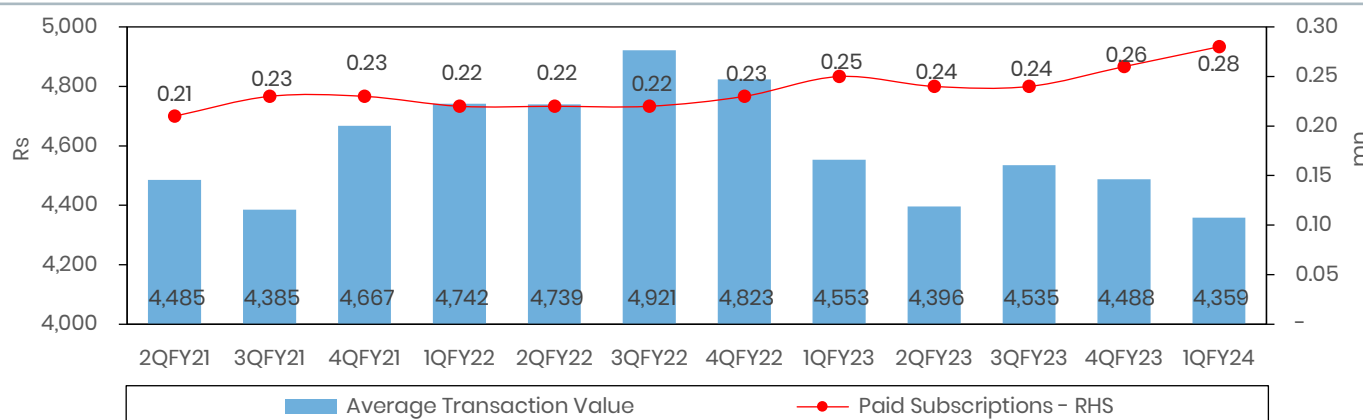
Is it in the Price?

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, ad spends have come off for MATRIM this quarter. Sustenance of the same will aid margin expansion. MATRIM, owing to its market dominance, has managed to generate cash. Results were ahead of our estimates. There also remains an optionality subject to consolidation in the industry, which is hard to time.

Connecting the Dots

- Revenues stood at Rs 1,233 mn, 2% above our estimates. EBITDA at Rs 206 mn was 6% above our estimates, and PAT was 10% higher than our estimates at Rs 142 mn.
- EBITDA margin for the quarter was 16.7%, decline of 33 bps YoY. This growth is owing to moderation in ad expenses coupled with revenue growth. This is 59 bps higher than our estimates of 16.1%.
- PAT at Rs 142 mn grew by 22% YoY/24% QoQ to Rs 142 mn. Other income in 1QFY24 stood at Rs 65 mn.
- Matchmaking revenues were Rs 1,205 mn, 6% higher YoY. EBITDA for the segment stood at Rs 291 mn, higher by 9% YoY. Segmental margin grew to 24.1% from 23.5% in 1QFY23.
- 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.
- Paid subscriptions during the quarter were 0.28 mn. This is another high for the company, after 0.26 mn in 4QFY23. For close to nine quarters, this number was range-bound between 0.22-0.25 mn. This metric grew by 12% YoY/8% QoQ.
- The average transaction value dipped to Rs 4,359 in 1QFY24 from Rs 4,488 in 4QFY23. ATV also declined by 4% 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 were flat YoY/dipped 5% QoQ to Rs 442 mn. This is at 35.9% of revenues now. A&P spends as a percentage of revenues had been trending higher since 2QFY21, but the same has softened this quarter.
- Matchmaking billings for the quarter stood at Rs 1,221 mn, which is 7%/4% higher YoY/QoQ. Deferred revenue for the segment grew by 2% YoY as well as QoQ.
- Cash balance stands at Rs 3,500 mn as on end of 1QFY24.
- The company is in the middle of a case against Google. Thus, they recorded a provision towards the disputed fee amount, which led to rise in other expenses. The matter remains subjudice.

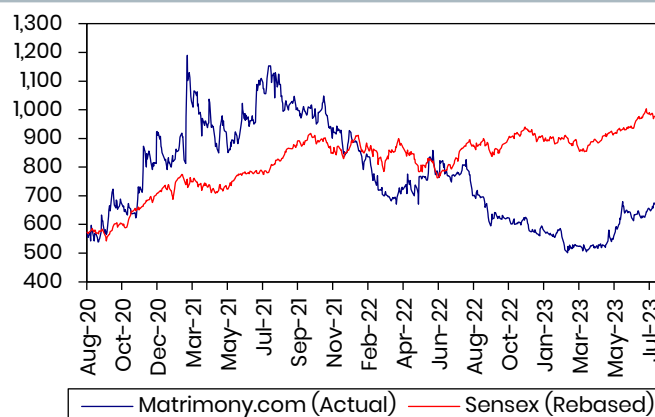
Outlook and Recommendation

MATRIM continues to be well placed to dominate the online matchmaking market in India. Its execution prowess has allowed it to retain the leadership position here. It has been able to remain profitable despite marketing onslaught by peers. The company shall be a beneficiary of structural rise in usage of online matchmaking services. Cash generation remains robust and the same will only improve in this fiscal year. 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 (%)

	Mar 23	Jun 23	Change
Promoters	51.6	51.6	(0.0)
GOI	0.0	0.0	0.0
FII's	26.0	26.0	(0.0)
MFs	7.8	5.8	(2.0)
BFSI's	5.7	5.9	0.2
Public & Others	8.9	10.7	1.9
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
Net sales	4,345	4,558	4,925	5,310
Growth (%)	15.0	4.9	8.1	7.8
Operating expenses	(3,475)	(3,883)	(4,162)	(4,458)
Operating profit	870	674	763	852
EBITDA	870	674	763	852
Growth (%)	28.7	(22.5)	13.2	11.6
Depreciation	(269)	(300)	(275)	(289)
Other income	179	244	269	254
EBIT	780	618	758	817
Finance cost	(54)	(59)	(65)	(65)
Exceptional & extraordinary	8	0	-	-
Profit before tax	734	559	693	752
Tax (current + deferred)	(183)	(93)	(139)	(166)
Profit/(Loss) for the period	551	467	554	587
Reported Profit/(Loss)	551	467	554	587
Adjusted net profit	551	467	554	587
Growth (%)	33.3	(15.3)	18.7	5.9

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	2,699	2,944
Shareholders' funds	3,103	2,530	2,811	3,055
Non-current liabilities	572	537	555	572
Other non-current liabilities	572	537	555	572
Current liabilities	1,547	1,591	1,648	1,700
Other current liabilities	1,547	1,591	1,648	1,700
Total (Equity and Liabilities)	5,222	4,659	5,014	5,327
Non-current assets	1,428	1,391	1,289	1,185
Fixed assets (Net block)	1,001	930	803	674
Non-current Investments	47	47	47	47
Other non-current assets	379	413	438	464
Current assets	3,794	3,268	3,725	4,141
Cash & current investment	3,652	3,111	3,556	3,962
Other current assets	142	157	169	180
Total (Assets)	5,222	4,659	5,014	5,327
Capital employed	3,675	3,067	3,366	3,627

Cash Flow Statement

Period end (Rs mn)	Mar 22	Mar 23	Mar 24E	Mar 25E
Profit before tax	719	559	693	752
Depreciation	269	300	275	289
Change in working capital	73	16	44	41
Total tax paid	(186)	(128)	(139)	(166)
Others	(100)	(175)	65	65
Cash flow from oper. (a)	775	572	938	982
Capital expenditure	(76)	(64)	(148)	(159)
Change in investments	(451)	112	(150)	(300)
Others	2	619	(25)	(26)
Cash flow from inv. (b)	(526)	667	(323)	(486)
Free cash flow (a+b)	249	1,239	616	496
Equity raised/(repaid)	9	(934)	281	245
Debt raised/(repaid)	(173)	(200)	-	-
Dividend (incl. tax)	(80)	(115)	274	342
Others			(875)	(977)
Cash flow from fin. (c)	(244)	(1,248)	(320)	(391)
Net chg in cash (a+b+c)	5	(9)	295	106

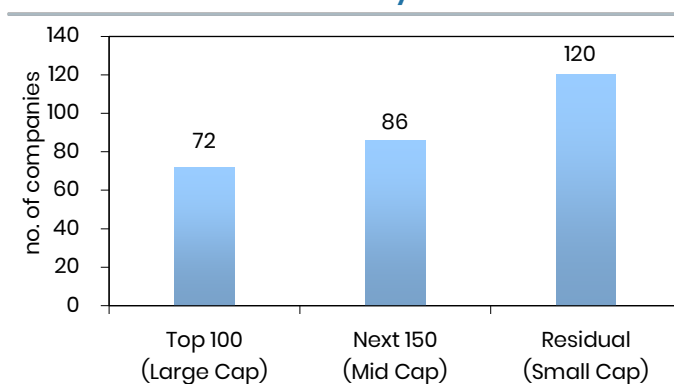
Key Ratios

Period end (%)	Mar 22	Mar 23	Mar 24E	Mar 25E
Adjusted EPS (Rs)	24.2	20.5	24.3	25.7
Growth	33.3	(15.3)	18.7	5.9
CEPS (Rs)	36.0	33.6	36.4	38.4
Book NAV/share (Rs)	136.1	111.0	123.3	134.0
Dividend/share (Rs)	(5.0)	(10.0)	(12.0)	(15.0)
Dividend payout ratio	(20.7)	(48.8)	(49.4)	(58.3)
EBITDA margin	20.0	14.8	15.5	16.1
EBIT margin	18.0	13.6	15.4	15.4
Tax rate	24.9	16.5	20.0	22.0
RoCE	23.0	18.3	23.6	23.4
Net debt/Equity (x)	(1.2)	(1.2)	(1.3)	(1.3)
Du Pont Analysis – RoE				
Net margin	12.7	10.2	11.3	11.0
Asset turnover (x)	0.9	0.9	1.0	1.0
Leverage factor (x)	1.7	1.8	1.8	1.8
Return on equity	19.2	16.6	20.8	20.0

Valuations

Period end (x)	Mar 22	Mar 23	Mar 24E	Mar 25E
PER	29.2	34.5	29.0	27.4
PCE	19.6	21.0	19.4	18.4
Price/Book	5.2	6.4	5.7	5.3
Yield (%)	(0.7)	(1.4)	(1.7)	(2.1)
EV/EBITDA	14.3	19.3	16.4	14.2

B&K Universe Profile – by AMFI Definition



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	LARGE CAP (Market Cap > USD 2 bn)	MID & SMALL CAP (Market Cap < USD 2 bn)
BUY	>+15%	>+20%
HOLD	+15% to -10 %	+20% to -15 %
SELL	<-10%	<-15%

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