

10 November 2023

India | Equity Research | Q2FY24 result review

Matrimony.com

Internet

Muted quarter yet again, management prunes revenue guidance

Q2FY24 revenue growth was below our expectations. EBITDA margin expansion initially expected on account of abating of competitive intensity in matchmaking failed to materialise as other expenses remained elevated. This was due to legal expenses arising out of litigation with Google in the matter of using their billing system. Also, Q3FY24E is seasonally the weakest quarter of the year, which reduces hopes of a sharp recovery in the medium term. Even the nascent marriage services business revenue declined 10.9% QoQ as management focussed on profitability. Management wants to scale the business post achieving monthly breakeven by Q4FY24. We have cut our earnings estimates by 20%/19% in FY24/25E and PT by 18% to INR 635 (from INR 750). We downgrade the stock to **ADD**.

Revenue grows lower than billings; ATV improves

In Q2FY24, Matrimony's revenue was INR 1,216mn. Revenue from matchmaking services (~98% of total revenue) grew 6.0% YoY (down 1.1% QoQ). Marriage services revenue (~2% of overall revenue) was down 10.9% QoQ but up 1.6% YoY. Billings for matchmaking services increased 7.8% YoY (down 5.9% QoQ), to INR 1,149mn, and that for marriage services was down 8.3% QoQ/ 15.4% YoY, to INR 22mn. EBITDA margin was at 14.9%, down 180bps QoQ/120bps YoY. Ex-marketing expenses, EBITDA margin for matchmaking services was 60% (flat QoQ). PAT in Q2FY24 was INR 125mn. Paid subscription (260k) was down 7.1% QoQ, but up 8.3% YoY. Average transaction value (ATV) was up 1.2% QoQ/ 0.4% YoY.

Management commentary

Management guided for single digit YoY revenue growth in Q3FY24E and decline in EBITDA on a YoY basis. They added that PAT will also decline YoY due to provision made for litigation and inflated base in Q3FY23 due to one time gain. Management guided for marriage services business to break even in Q4FY24E, although not at quarterly level. They added that they have plans to scale post break even. Other expenses were up 39.4% YoY largely due to provision made on a full year basis for ongoing litigation with Google which led to margin erosion. Management claimed that PAT margin would have been 300bps higher discounting for litigation expenses.

Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	4,345	4,558	4,877	5,416
EBITDA	870	674	711	906
EBITDA Margin (%)	20.0	14.8	14.6	16.7
Net Profit	536	467	492	634
EPS (Rs)	23.4	20.7	21.8	28.2
EPS % Chg YoY	30.9	(12.8)	5.4	28.9
P/E (x)	24.0	27.6	26.1	20.3
EV/EBITDA (x)	11.2	14.2	12.5	8.7
RoCE (%)	12.2	10.2	7.9	9.4
RoE (%)	18.7	16.6	17.7	19.0

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Market Data

Market Cap (INR)	13bn
Market Cap (USD)	153mn
Bloomberg Code	MATRIM IN
Reuters Code	MATI BO
52-week Range (INR)	723 /498
Free Float (%)	48.0
ADTV-3M (mn) (USD)	0.1

Price Performance (%)	3m	6m	12m
Absolute	(18.4)	0.5	(6.5)
Relative to Sensex	(16.9)	(5.7)	(14.1)

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

Previous Reports

10-08-2023: [Q1FY24 results review](#)

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

Valuation

We downgrade to **ADD** with a target price of INR 635 (from INR 750) valuing it at ~20x 1 year forward P/E multiple. 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: Q2FY24 result review

(in INR mn)	Q2FY24	Q1FY24	Q2FY23	QoQ (%)	YoY (%)	I-sec estimates	Var (%)
Net Sales	1,216	1,233	1,149	(1.4)	5.9	1,283	(5.2)
Total Expenses	1,035	1,027	963	0.7	7.4	1,063	(2.7)
EBITDA	181	206	185	(11.8)	(2.0)	219	(17.3)
EBITDA %	14.9	16.7	16.1	-177 bps	-120 bps	17.1	-219 bps
Depreciation	68	72	77	(5.2)	(11.1)	72	(5.2)
EBIT	113	134	108	(15.4)	4.4	147	(23.3)
Finance Cost	13	13	15	(2.8)	(13.7)	13	(2.8)
Other income	65	65	42	(0.4)	54.0	65	(0.4)
Recurring pre-tax income	165	186	135	(11.1)	21.8	199	(17.2)
Taxation	40	43	20	(8.1)	102.1	50	(20.1)
Recurring Net Income	125	142	116	(12.0)	8.3	150	(16.2)
Share of associate	-0	-1	1	na	na	-1	n.a.
Reported Net Income	125	142	117	(11.6)	7.0	149	(15.8)
Ratios (%)							
EBITDA margin	14.9	16.7	16.1			17.1	
EBIT margin	9.3	10.9	9.4			11.5	
Effective tax rate	24.0	23.2	14.5			24.9	
Net profit margins	10.3	11.6	10.1			11.7	

Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Mar'23	Jun'23	Sep'23
Promoters	51.6	51.6	51.6
Institutional investors	39.6	27.7	37.7
MFs and others	7.8	5.8	5.0
FIIIs	31.8	31.9	32.7
Others	8.8	10.7	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	4,877	5,416
Operating Expenses	3,475	3,883	4,166	4,510
EBITDA	870	674	711	906
EBITDA Margin (%)	20.0	14.8	14.6	16.7
Depreciation & Amortization	269	300	335	373
EBIT	601	375	376	532
Interest expenditure	54	59	56	63
Other Non-operating Income	179	244	336	376
Recurring PBT	727	559	656	846
Profit / (Loss) from Associates	(8)	0	-	-
Less: Taxes	183	93	164	211
PAT	544	467	492	634
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	536	467	492	634
Net Income (Adjusted)	536	467	492	634

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	4,079	5,106
of which cash & cash eqv.	3,128	3,033	3,719	4,705
Total Current Liabilities & Provisions	1,547	1,591	1,691	1,879
Net Current Assets	2,247	1,677	2,388	3,227
Investments	237	260	260	260
Net Fixed Assets	851	793	593	368
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	150	137	137	137
Other assets	-	-	-	-
Deferred Tax assests	-	-	-	-
Total Assets	3,675	3,067	3,592	4,231
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
provisions	0	-	13	15
other Liabilities	10	7	27	30
Equity Share Capital	114	111	111	111
Reserves & Surplus	2,989	2,419	2,911	3,545
Total Net Worth	3,104	2,530	3,022	3,656
Minority Interest	-	-	-	-
Total Liabilities	3,675	3,067	3,592	4,231

Source Company data, I-Sec research

Exhibit 6: Quarterly trend

(INR mn, year ending March)

	Dec-22	Mar-23	Jun-23	Sep-23
Net Sales	1,077	1,161	1,205	1,191
% growth (YOY)	0.5	2.3	5.6	6.0
EBITDA	124.82	166.87	205.73	181.36
Margin %	11.3	14.6	16.7	14.9
Other Income	99.7	54.5	65.0	64.8
Net Profit	116.0	114.0	141.6	125.2

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Operating Cashflow	775	572	540	822
Working Capital Changes	73	16	(7)	128
Capital Commitments	(182)	(62)	(134)	(149)
Free Cashflow	957	634	674	971
Other investing cashflow	(344)	729	336	376
Cashflow from Investing Activities	(526)	667	202	227
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)
Chg. in Cash & Bank balance	5	(9)	686	987
Closing cash & balance	95	86	3,719	4,705

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	23.8	20.7	21.9	28.2
Adjusted EPS (Diluted)	23.4	20.7	21.8	28.2
Cash EPS	35.2	34.0	36.7	44.8
Dividend per share (DPS)	5.0	5.0	2.0	2.0
Book Value per share (BV)	135.6	112.4	134.2	162.4
Dividend Payout (%)	4.7	4.1	10.9	14.1
Growth (%)				
Net Sales	15.0	4.9	7.0	11.1
EBITDA	28.8	(22.5)	5.4	27.4
EPS (INR)	30.9	(12.8)	5.4	28.9
Valuation Ratios (x)				
P/E	24.0	27.6	26.1	20.3
P/CEPS	16.2	16.8	15.6	12.8
P/BV	4.2	5.1	4.3	3.5
EV / EBITDA	11.2	14.2	12.5	8.7
P / Sales	3.0	2.8	2.6	2.4
Dividend Yield (%)	0.9	0.9	0.4	0.4
Operating Ratios				
Gross Profit Margins (%)	100.0	100.0	100.0	100.0
EBITDA Margins (%)	20.0	14.8	14.6	16.7
Effective Tax Rate (%)	25.1	16.5	25.0	25.0
Net Profit Margins (%)	12.5	10.2	10.1	11.7
NWC / Total Assets (%)	61.1	54.7	66.5	76.3
Net Debt / Equity (x)	(1.1)	(1.3)	(1.3)	(1.4)
Net Debt / EBITDA (x)	(3.9)	(4.9)	(5.6)	(5.5)
Profitability Ratios				
RoCE (%)	12.2	10.2	7.9	9.4
RoE (%)	18.7	16.6	17.7	19.0
RoIC (%)	20.4	18.3	19.2	20.4
Fixed Asset Turnover (x)	4.3	4.9	6.7	10.7
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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