

4QFY24 Result Update

Matrimony.com

Tepid performance

14 May 2024



Deep Shah
Research Analyst
deep.shah@bksec.com
+91-22-40317292

Kavish Parekh
Research Analyst
kavish.parekh@bksec.com
+91-22-40317260

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

Research Analyst SEBI Registration Number: INH300000211

CMP (Rs): 528

Market cap. (Rs bn): 12

Target price (Rs): 642

Maintain BUY

First Cut Feel of the Results

- Revenues for Matrimony.com (MATRIM) grew 4% YoY/2% QoQ to Rs 1,192 mn. This was 2% below B&Ke.
- EBITDA for 4QFY24, at Rs 168 mn, was in line with our estimates. This is largely flat on YoY as well as QoQ basis. Margin for 4QFY24 stood at 14.1%. Margins contracted by 47 bps YoY/6 bps QoQ.
- Marketing costs as percentage of revenues stood at 40.9%, inching back to higher levels after witnessing a relative softness in 1HFY24.
- The company added 0.27 mn paid subscribers during 4QFY24, 4% higher YoY. This is higher than 0.26 mn of 3QFY24. ATV rose to Rs 4,424 from Rs 4,322 in 3QFY24.
- Owing to weak results and delayed recovery, we alter our medium-term estimates and remain BUYers with a revised target price of Rs 642 (Rs 695 earlier).

Financial highlights

| (Rs mn) | 4QFY24 | 4QFY23 | YoY (%) | 3QFY24 | QoQ (%) |
|-------------------|--------|--------|----------|--------|---------|
| Revenue | 1,192 | 1,145 | 4.1 | 1,173 | 1.7 |
| Employee cost | 334 | 350 | (4.4) | 330 | 1.4 |
| A&P | 488 | 465 | 4.9 | 464 | 5.1 |
| Other expenses | 202 | 163 | 23.6 | 212 | (5.0) |
| EBITDA | 168 | 167 | 0.8 | 166 | 1.3 |
| EBITDA margin (%) | 14.1 | 14.6 | (47) bps | 14.2 | (6) bps |
| Depreciation | 72 | 73 | (1.3) | 72 | (0.5) |
| EBIT | 96 | 94 | 2.4 | 94 | 2.6 |
| Interest | 12 | 14 | (11.8) | 13 | (6.0) |
| Other income | 69 | 55 | 25.8 | 63 | 9.0 |
| PBT | 153 | 135 | 13.3 | 144 | 6.2 |
| Tax | 36 | 21 | 71.4 | 33 | 10.7 |
| Tax rate (%) | 23.7 | 15.7 | 803 bps | 22.7 | 96 bps |
| PAT | 117 | 114 | 2.9 | 111 | 5.6 |
| EPS (Rs) | 5.3 | 5.1 | 2.9 | 5.0 | 5.6 |

Key variables

| | Improvement on (%) | |
|----------|--------------------|-----------|
| | B&K est. | Consensus |
| Revenues | (1.9) | NA |
| EBITDA | (0.1) | NA |
| PAT | 5.6 | NA |

| | FY24 | FY25E | FY26E |
|--|------|-------|-------|
|--|------|-------|-------|

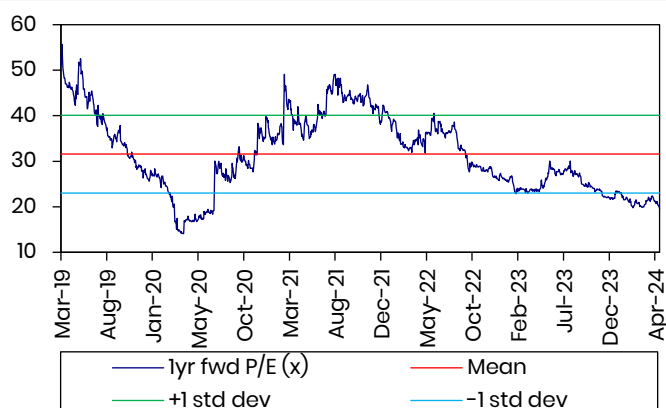
Valuations

| | | | |
|---------------|------|------|------|
| PER (x) | 23.8 | 22.3 | 18.4 |
| P/S (x) | 2.5 | 2.3 | 2.1 |
| EV/EBITDA (x) | 11.3 | 9.4 | 7.4 |

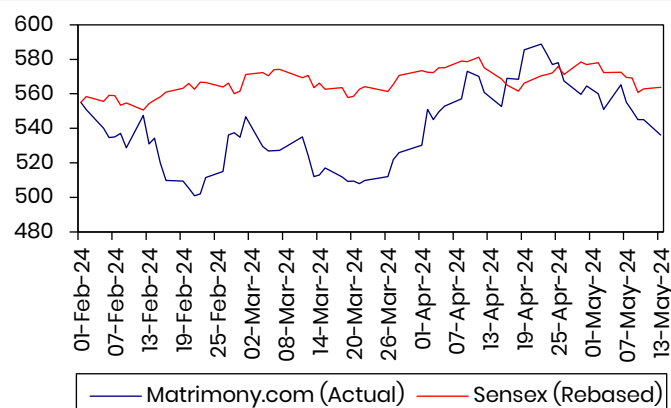
Key Ratios

| | | | |
|-------------------|------|------|------|
| EBITDA margin (%) | 15.0 | 15.5 | 16.3 |
| RoE (%) | 18.2 | 16.9 | 17.9 |

One-year forward PER



Relative performance



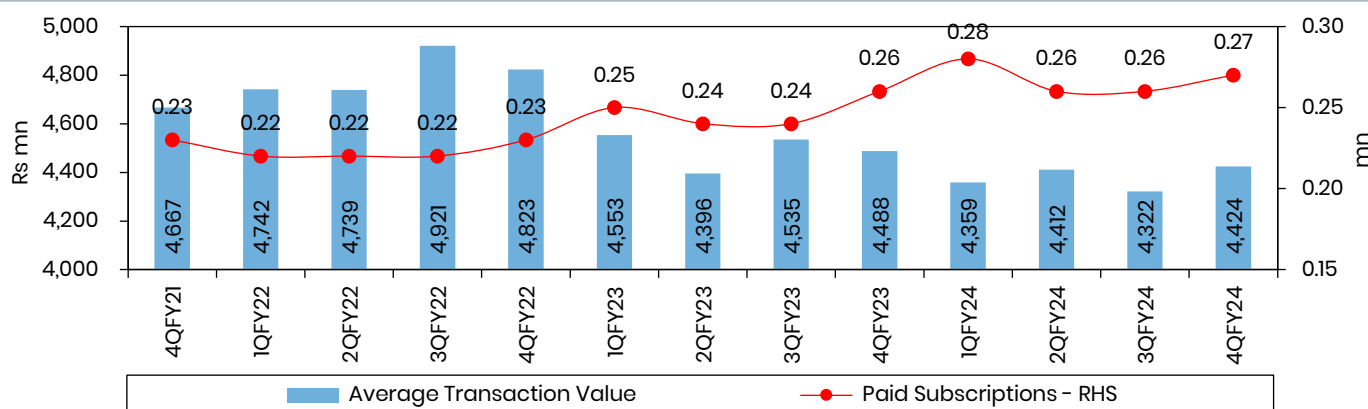
Is it in the Price?

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. Ad spends have again started to rise for MATRIM. Sustenance of the same will aid margin expansion. Soft billings growth is expected to keep revenue growth under pressure.

Connecting the Dots

- Revenues stood at Rs 1,192 mn, 2% below our estimates. EBITDA/PAT at Rs 168 mn/Rs 117 mn was in line/6% higher than our expectations.
- EBITDA margin for the quarter was 14.1%, contraction of 47 bps YoY. This is 25 bps higher than our estimate of 13.9%.
- PAT, at Rs 117 mn, rose 3% YoY/6% QoQ. Other income in 4QFY24 stood at Rs 69 mn.
- Matchmaking revenues were Rs 1,177 mn, 6% higher YoY. EBITDA for the segment stood at Rs 224 mn, lower by 5% YoY. Segmental margin remained flat sequentially at 19%, while dipped from 21.1% in 4QFY23. 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 0.27 mn. This metric grew by 4% on a YoY as well as QoQ basis.
- The average transaction value dipped marginally to Rs 4,424 in 4QFY24 vis-à-vis Rs 4,488 in 4QFY23. However, the ATV increased by 4% QoQ. This recent increase in ATV coupled with growth in paid subscriber addition is a positive sign.

Average transaction value and paid subscriptions



Source: Company, B&K Research

- Advertising and promotion expenses increased by 5% YoY/5% QoQ to Rs 488 mn. This is at 40.9% of revenue now. A&P spends as a percentage of revenues had been trending higher since 2QFY21, but the same softened in 1H FY24. It is back to high levels now. This was attributed to higher spends due to Google delisting certain apps on PlayStore for a brief period of time.
- Matchmaking billings for the quarter stood at Rs 1,192 mn, which is relatively flat YoY but up 5% QoQ. Deferred revenue for the segment dipped 3% YoY but increased by 2% QoQ.
- Cash balance as on end of FY24 stood at Rs 3,580 mn. The company generated CFO of Rs 612 mn during the year, as compared to Rs 573 mn in the previous year.

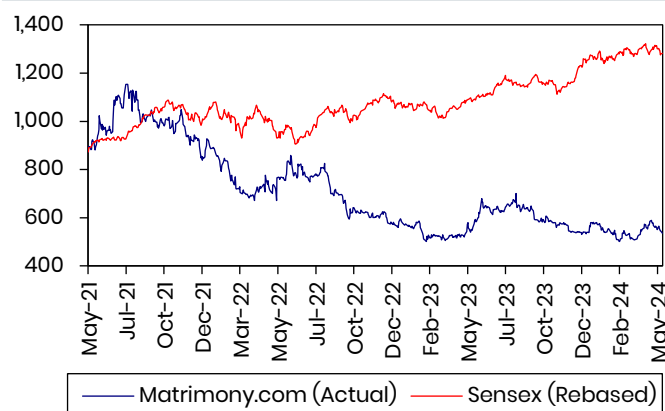
Outlook and Recommendation

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. The flux in the market seems to elongate with sustained increase in competitive intensity. We believe the company is well poised to maintain leadership. However, we alter our medium-term estimates to adjust the lower growth trajectory. We are BUYers due to its market positioning and ability to generate cash with a revised target price of Rs 642 (earlier Rs 695).

Major shareholders (%)

| | Dec 23 | Mar 24 | Change |
|-----------------|--------|--------|--------|
| Promoters | 51.6 | 51.6 | 0.0 |
| GOI | 0.0 | 0.0 | 0.0 |
| FII's | 25.6 | 23.0 | (2.5) |
| MFs | 5.0 | 5.3 | 0.2 |
| BFSI's | 6.8 | 6.7 | (0.1) |
| Public & Others | 11.1 | 13.5 | 2.4 |
| Pledge | 0.0 | 0.0 | 0.0 |

Relative to Sensex 3 Years



Income Statement

| Period end (Rs mn) | Mar 23 | Mar 24 | Mar 25E | Mar 26E |
|----------------------------------|--------------|--------------|--------------|--------------|
| Net sales | 4,558 | 4,814 | 5,214 | 5,625 |
| Growth (%) | 4.9 | 5.6 | 8.3 | 7.9 |
| Operating expenses | (3,883) | (4,092) | (4,406) | (4,708) |
| Operating profit | 674 | 721 | 808 | 917 |
| EBITDA | 674 | 721 | 808 | 917 |
| Growth (%) | (22.5) | 7.0 | 12.0 | 13.4 |
| Depreciation | (300) | (284) | (302) | (335) |
| Other income | 244 | 262 | 223 | 253 |
| EBIT | 618 | 699 | 729 | 835 |
| Finance cost | (59) | (52) | (52) | (52) |
| Profit before tax | 559 | 647 | 678 | 784 |
| Tax (current + deferred) | (93) | (152) | (149) | (141) |
| P/(L) for the period | 467 | 496 | 528 | 643 |
| P/L of Assoc., Min Int, Pref Div | – | (0) | – | – |
| Reported Profit / (Loss) | 467 | 496 | 528 | 643 |
| Adjusted net profit | 467 | 496 | 528 | 643 |
| Growth (%) | (15.3) | 6.1 | 6.6 | 21.6 |

Balance Sheet

| Period end (Rs mn) | Mar 23 | Mar 24 | Mar 25E | Mar 26E |
|---------------------------------|--------------|--------------|--------------|--------------|
| Share capital | 111 | 111 | 111 | 111 |
| Reserves & surplus | 2,419 | 2,804 | 3,221 | 3,752 |
| Shareholders' funds | 2,530 | 2,915 | 3,332 | 3,864 |
| Non-current liabilities | 537 | 429 | 446 | 459 |
| Other non-curr. liabilities | 537 | 429 | 446 | 459 |
| Current liabilities | 1,591 | 1,676 | 1,730 | 1,775 |
| Other current liabilities | 1,591 | 1,676 | 1,730 | 1,775 |
| Total (Equity and Liab.) | 4,659 | 5,020 | 5,508 | 6,098 |
| Non-current assets | 1,391 | 1,379 | 1,260 | 1,122 |
| Fixed assets (Net block) | 930 | 889 | 744 | 578 |
| Non-current Investments | 47 | 47 | 47 | 47 |
| Other non-current assets | 413 | 442 | 469 | 497 |
| Current assets | 3,268 | 3,641 | 4,249 | 4,976 |
| Cash & current investment | 3,265 | 3,638 | 4,243 | 4,970 |
| Other current assets | 3 | 3 | 6 | 6 |
| Total (Assets) | 4,659 | 5,020 | 5,508 | 6,098 |
| Capital employed | 3,067 | 3,344 | 3,779 | 4,323 |

Cash Flow Statement

| Period end (Rs mn) | Mar 23 | Mar 24 | Mar 25E | Mar 26E |
|---------------------------------|----------------|--------------|--------------|----------------|
| Profit before tax | 559 | 647 | 678 | 784 |
| Depreciation | 300 | 284 | 302 | 335 |
| Change in working capital | 17 | 28 | 52 | 45 |
| Total tax paid | (128) | (143) | (149) | (141) |
| Others | (175) | (204) | 52 | 52 |
| Cash flow from oper. (a) | 573 | 612 | 934 | 1,074 |
| Capital expenditure | (64) | (198) | (156) | (169) |
| Change in investments | 112 | (277) | (300) | (1,000) |
| Others | 619 | 148 | (27) | (28) |
| Cash flow from inv. (b) | 667 | (327) | (483) | (1,197) |
| Free cash flow (a+b) | 1,240 | 285 | 451 | (123) |
| Equity raised/(repaid) | (934) | 2 | 417 | 531 |
| Debt raised/(repaid) | (200) | (183) | – | – |
| Dividend (incl. tax) | (115) | (111) | (111) | (111) |
| Others | – | – | (451) | (570) |
| Cash flow from fin. (c) | (1,248) | (292) | (146) | (150) |
| Net chg in cash (a+b+c) | (8) | (7) | 305 | (273) |

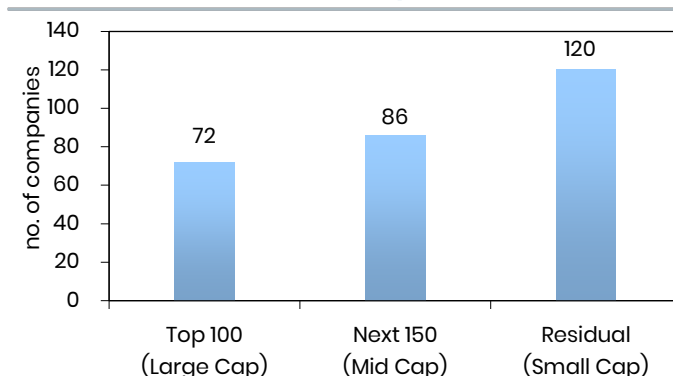
Key Ratios

| Period end (%) | Mar 23 | Mar 24 | Mar 25E | Mar 26E |
|-------------------------------|--------|--------|---------|---------|
| Adjusted EPS (Rs) | 21.0 | 22.3 | 23.7 | 28.9 |
| Growth | (15.3) | 6.1 | 6.6 | 21.6 |
| CEPS (Rs) | 34.4 | 35.0 | 37.3 | 43.9 |
| Book NAV/share (Rs) | 113.7 | 130.9 | 149.7 | 173.6 |
| Dividend/share (Rs) | 5.0 | 5.0 | 5.0 | 5.0 |
| Dividend payout ratio | 23.8 | 22.5 | 21.1 | 17.3 |
| EBITDA margin | 14.8 | 15.0 | 15.5 | 16.3 |
| EBIT margin | 13.6 | 14.5 | 14.0 | 14.9 |
| Tax rate | 16.5 | 23.4 | 22.0 | 18.0 |
| RoCE | 18.3 | 21.8 | 20.5 | 20.6 |
| Net debt/Equity (x) | (1.3) | (1.2) | (1.3) | (1.3) |
| Du Pont Analysis – RoE | | | | |
| Net margin | 10.2 | 10.3 | 10.1 | 11.4 |
| Asset turnover (x) | 0.9 | 1.0 | 1.0 | 1.0 |
| Leverage factor (x) | 1.8 | 1.8 | 1.7 | 1.6 |
| Return on equity | 16.6 | 18.2 | 16.9 | 17.9 |

Valuations

| Period end (x) | Mar 23 | Mar 24 | Mar 25E | Mar 26E |
|----------------|--------|--------|---------|---------|
| PER | 25.3 | 23.8 | 22.3 | 18.4 |
| PCE | 15.4 | 15.1 | 14.2 | 12.1 |
| Price/Book | 4.7 | 4.0 | 3.5 | 3.1 |
| Yield (%) | 0.9 | 0.9 | 0.9 | 0.9 |
| EV/EBITDA | 12.7 | 11.3 | 9.3 | 7.4 |

B&K Universe Profile – by AMFI Definition



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

B&K Investment Ratings

| | 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% |

Disclaimer: This report was prepared, approved, published and distributed by Batlivala & Karani Securities India Private Limited ("B&K") located outside of the United States (a "non-US Group Company"), which accepts responsibility for its contents. It is distributed in the U.S. by Enclave Capital, a U.S. registered broker dealer, on behalf of B&K, only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the "Exchange Act") pursuant to the exemption in Rule 15a-6. Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization. Outside the United States, this report is distributed by B&K or an authorized affiliate of B&K.

The report has been compiled or arrived from sources believed to be reliable and in good faith, but no representation or warranty, express or implied is made as to their accuracy, completeness or correctness. B&K has not verified the factual accuracy, assumptions, calculations or completeness of the information. Accordingly, B&K accepts no liability whatsoever for any direct or consequential loss or damage arising from (i) the use of this communication (ii) reliance of any information contained herein, (iii) any error, omission or inaccuracy in any such Information or (iv) any action resulting there from. B&K provides the information for the purpose of the intended recipient's analysis and review and recipients are advised to verify the factual accuracy, assumptions, calculations and completeness of the information.

This report was produced by B&K solely for information purposes and for the use of the recipient. It is not to be reproduced, redistributed under any circumstances and is not to be copied or made available to any person other than the recipient. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions. This document does not constitute an offer of, or an invitation by or on behalf of B&K or its affiliates or any other company to any person, to buy or sell any security.

The views of any Analyst reflected in this report are given in compliance with the Research Analyst Regulations, 2014. All analysts covering the securities/ companies mentioned in this report have complied with the appropriate set of rules, regulations & procedures in their detailed coverage report(s) of the respective securities/companies. It is important to note that any dispute with respect to this Research Report, would not have access to stock exchange investor redressal forum or arbitration mechanism.

Analyst Certification: Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report.

SEBI DISCLAIMER: "Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors".

Disclosures, applying to B&K and the Analyst (together with associates and family members)

| | |
|--|--------|
| Ownership interest in the issuer of the securities mentioned | < 1% |
| Other financial interest in the issuer | None |
| Other material conflict of interest | None |
| Compensation/benefits received from issuer/3rd Parties in past 12 months: | |
| Public offerings managed/co-managed for issuer | None |
| Fees for merchant banking, investment banking or brokerage services (as percentage of issuer's turnover) | < 0.1% |
| Compensation for other services (as percentage of issuer's turnover) | < 0.1% |
| Analyst service as officer, director or employee of the issuer | None |
| Involvement in market-making in the issuer's securities | None |

1. B&K or its Affiliates have not recently been the beneficial owners of 1% or more of the securities mentioned in this report.
2. B&K or its Affiliates have not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. B&K or its Affiliates have not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more person of B&K or its affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or options thereon either on their own account or on behalf of their clients.
5. B&K or its Affiliates may, to the extent permitted by law, act upon or use the above material or the conclusions stated above or the research or analysis on which they are based before the material is published to recipients and from time to time provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.
6. As of the publication of this report, Enclave Capital does not make a market in the subject securities.

Important US Regulatory Disclosures on Subject Companies

Enclave Capital is the distributor of this document in the United States of America. Any US customer wishing to effect transactions in any securities referred to herein or options thereon should do so only by contacting a representative of Enclave Capital and any transaction effected by a U.S. customer in the securities described in this report must be effected through Enclave Capital (19 West 44th Street, suite 1700, New York, NY 10036. Tel No: (646) 454 8600).

Batlivala & Karani Securities India Private Limited

Equity Research Division: Unit No. 1101, 1103, 1104, 11th Floor, Hallmark Business Plaza, Sant Dnyaneshwar Marg, Near Guru Nanak Hospital, Bandra East, Mumbai - 400 051, India.
Tel: +91-22-4007 6000, Fax: +91-22-2651 0024 / +91-22-2640 1520.

Compliance officer: Shirish Shah. Tel.: +91 22 4031 7240. E-Mail: shirish.shah@bksec.com

For any grievance/dispute: Please contact Batlivala & Karani Securities India Pvt. Ltd.
at the above address or email id - investorcomplaints@bksec.com and Phone no. +91 22 40317249 /41.

Registered Office: Room No. 3/4, 7 Lyons Range, Kolkata - 700 001. Tel.: +91-33-2243 7902.

SEBI Registration No. for Batlivala & Karani Securities India Pvt. Ltd. (Research Entity) is INH300000211

B&K Research is also available on Bloomberg <BNKI>, Thomson First Call & Investext.