ADD (Maintained)

CMP: **INR 528** Target Price: **INR 601** ▲ 14%

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15 May 2024

India | Equity Research | Q4FY24 results review

Matrimony.com

Internet

Another muted quarter; new initiatives may take time to manifest

The matchmaking services industry continues to be in a state of flux given muted revenue growth as user behaviour evolves rapidly. Matrimony continues to be the market leader in the space. However, litigation costs have impacted its ability to invest more in growing the space. The company has launched new initiatives such as: 1) 'MeraLuv' – exclusive dating app for Indian-Americans and 2)'Elite Matrimony' kiosks at airports across major cities. It is also planning to launch 'Love.com' by Q2FY25, an app for people looking for serious relationships. However, according to the management, the upside from these initiatives is unlikely to manifest in the near term. We maintain **ADD** given the relatively inexpensive valuation with a target price of INR 601.

Q4FY24 performance

In Q4FY24, Matrimony's revenue stood at INR 1,192mn. Revenue from matchmaking services (~99% of total revenue) grew 5.5% YoY (+2.4% QoQ). Marriage services revenue (~2% of overall revenue) was down 34.2% QoQ/47.6% YoY. Billings for matchmaking services increased 4.5% QoQ/1.4% YoY, to INR 1,192mn, and that for marriage services was down 9.5% QoQ/42.4% YoY, to INR 19mn. EBITDA margin stood at 14.1%, down 10bps QoQ/ 50bps YoY. Ex-marketing expenses, EBITDA margin for matchmaking services was 60% (up 100bps QoQ). PAT in Q4FY24 was INR 117mn. Paid subscription (270k) was up 3.8% QoQ/ 3.8% YoY. Average transaction value (ATV) was up 2.4% QoQ/ down 1.4% YoY to INR 4,424.

Management commentary

Management guided for similar levels of growth in Q1FY25 in 'matchmaking' as seen in Q4FY24. It said PAT in Q1FY25 will be slightly higher vs Q4FY24 levels. According to the management, PAT margin would have been 300bps higher, if not for litigation expenses. It guided for breakeven in 'marriage services' business to be achieved by the end of FY25. The company is on track to achieve revenue of INR 10bn on an annual basis over the next 5 years. To achieve this target, new initiatives are being launched, as per the management. New initiatives such as 'MeraLuv' – an exclusive dating app for Indian-Americans was launched in Q4FY24.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	4,558	4,814	5,226	5,848
EBITDA	674	721	820	986
EBITDA Margin (%)	14.8	15.0	15.7	16.9
Net Profit	467	491	580	699
EPS (INR)	20.7	21.8	25.8	31.0
EPS % Chg YoY	(12.8)	5.2	18.1	20.4
P/E (x)	25.5	24.2	20.5	17.0
EV/EBITDA (x)	12.7	11.1	8.6	6.1
RoCE (%)	10.2	9.3	8.3	8.9
RoE (%)	16.6	17.7	17.5	17.7

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Market Data

Market Cap (INR)	12bn
Market Cap (USD)	141mn
Bloomberg Code	MATRIM IN
Reuters Code	MATI BO
52-week Range (INR)	723 /499
Free Float (%)	48.0
ADTV-3M (mn) (USD)	0.3

Price Performance (%)	3m	6m	12m
Absolute	(1.1)	(7.3)	(4.8)
Relative to Sensex	(2.6)	(18.7)	(22.0)

Previous Reports

11-02-2024: Q3FY24 results review
27-12-2023: Company update

'Elite Matrimony' kiosks were launched across airports in Chennai, Mumbai and Bangalore. It mentioned 'Love.com' is scheduled to launch in the next couple of months. Management said focus is on adding new users through these initiatives and its contribution to revenue in FY25 would not be significant. Management recommended a final dividend of INR 5 per share for FY24.

Valuation

We maintain **ADD** on the stock with target price of INR 601 (based on ~20x 1-year forward P/E multiple). Key risks: 1) Weaker-than-expected conversion of active profiles into paid subscriptions. 2) Slower-than-expected scaleup in marriage services. 3) Lower-than-expected recovery in matchmaking business.

Exhibit 1: Q4FY24 review

(in INR mn)	Q4FY24	Q3FY24	Q4FY23	QoQ (%)	YoY (%)	I-sec estimates	Var (%)
Net Sales	**1,192**	**1,173**	**1,145**	**1.7**	**4.1**	**1,216**	**(1.9)**
Total Expenses	**1,024**	**1,006**	**978**	**1.8**	**4.7**	**1,023**	**0.1**
EBITDA	**168**	**166**	**167**	**1.3**	**0.8**	**192**	**(12.6)**
EBITDA %	**14.1**	**14.2**	**14.6**	**-6 bps**	**-47 bps**	**15.8**	**-173 bps**
Depreciation	72	72	73	(0.5)	(1.3)	72	(0.5)
EBIT	**96**	**94**	**94**	**2.6**	**2.4**	**120**	**(19.9)**
Finance Cost	12	13	14	(6.0)	(11.8)	13	(6.0)
Other income	69	63	55	9.0	25.8	63	9.0
Recurring pre-tax income	**153**	**144**	**135**	**6.2**	**13.3**	**170**	**(10.3)**
Taxation	36	33	21	10.7	71.4	43	(14.9)
Recurring Net Income	**117**	**111**	**114**	**4.9**	**2.5**	**128**	**(8.7)**
Ratios (%)							
EBITDA margin	14.1	14.2	14.6			15.8	
EBIT margin	8.1	8.0	8.2			9.9	
Effective tax rate	23.7	22.7	15.7			25.0	
Net profit margins	9.8	9.5	9.9			10.5	

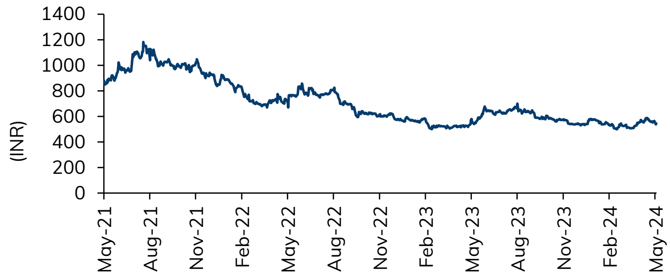
Source: I-Sec research, Company data

Exhibit 2: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	51.6	51.6	51.6
Institutional investors	37.7	37.4	34.9
MFs and others	5.0	5.0	5.3
FIIs	32.7	32.3	29.7
Others	10.7	11.0	13.5

Source: Bloomberg

Exhibit 3: Price chart



Source: Bloomberg

Financial Summary

Exhibit 4: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	**4,558**	**4,814**	**5,226**	**5,848**
Operating Expenses	3,883	4,092	4,405	4,863
EBITDA	**674**	**721**	**820**	**986**
EBITDA Margin (%)	14.8	15.0	15.7	16.9
Depreciation & Amortization	300	284	361	405
EBIT	375	437	460	580
Interest expenditure	59	56	63	70
Other Non-operating Income	244	261	376	421
Recurring PBT	**559**	**643**	**774**	**932**
Profit / (Loss) from Associates	**0**	**0**	**-**	**-**
Less: Taxes	93	152	193	233
PAT	467	491	580	699
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**467**	**491**	**580**	**699**
Net Income (Adjusted)	**467**	**491**	**580**	**699**

Source Company data, I-Sec research

Exhibit 5: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	3,268	4,010	4,935	6,072
of which cash & cash eqv.	3,033	3,654	4,549	5,639
Total Current Liabilities & Provisions	1,591	1,670	1,813	2,029
Net Current Assets	**1,677**	**2,340**	**3,123**	**4,043**
Investments	260	260	260	260
Net Fixed Assets	793	642	425	180
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	137	137	137	137
Other assets	-	-	-	-
Deferred Tax Assets	-	-	-	-
Total Assets	**3,067**	**3,591**	**4,174**	**4,878**
Liabilities				
Borrowings	**-**	**-**	**-**	**-**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	-	13	14	16
other Liabilities	7	26	29	32
Equity Share Capital	111	111	111	111
Reserves & Surplus	2,419	2,910	3,490	4,189
Total Net Worth	**2,530**	**3,021**	**3,601**	**4,300**
Minority Interest	-	-	-	-
Total Liabilities	**3,067**	**3,591**	**4,174**	**4,878**

Source Company data, I-Sec research

Exhibit 6: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	1,205	1,216	1,173	1,192
% growth (YOY)	5.6	6.0	6.7	5.5
EBITDA	205.73	181.36	166.10	168.2
Margin %	16.7	14.9	14.2	14.1
Other Income	65.0	64.8	62.92	68.6
Net Profit	141.6	125.2	111.1	117.3

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	**572**	**548**	**725**	**900**
Working Capital Changes	16	(22)	98	148
Capital Commitments	(62)	(132)	(144)	(161)
Free Cashflow	**634**	**680**	**869**	**1,061**
Other investing cashflow	**729**	**261**	**376**	**421**
Cashflow from Investing Activities	667	129	233	261
Issue of Share Capital	4	-	-	-
Interest Cost	(58)	(56)	(63)	(70)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(115)	-	-	-
Others	(1,079)	-	-	-
Cash flow from Financing Activities	(1,248)	(56)	(63)	(70)
Chg. in Cash & Bank balance	**(9)**	**621**	**895**	**1,091**
Closing cash & balance	86	3,654	4,549	5,639

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	20.7	21.8	25.8	31.0
Adjusted EPS (Diluted)	20.7	21.8	25.8	31.0
Cash EPS	34.0	34.4	41.8	49.0
Dividend per share (DPS)	5.0	2.0	2.0	2.0
Book Value per share (BV)	112.4	134.2	160.0	191.0
Dividend Payout (%)	4.1	10.9	12.9	15.5
Growth (%)				
Net Sales	4.9	5.6	8.6	11.9
EBITDA	(22.5)	7.0	13.7	20.1
EPS (INR)	(12.8)	5.2	18.1	20.4
Valuation Ratios (x)				
P/E	25.5	24.2	20.5	17.0
P/CEPS	15.5	15.3	12.6	10.8
P/BV	4.7	3.9	3.3	2.8
EV / EBITDA	12.7	11.1	8.6	6.1
P / Sales	2.6	2.5	2.3	2.0
Dividend Yield (%)	0.9	0.4	0.4	0.4
Operating Ratios				
Gross Profit Margins (%)	100.0	100.0	100.0	100.0
EBITDA Margins (%)	14.8	15.0	15.7	16.9
Effective Tax Rate (%)	16.5	23.6	25.0	25.0
Net Profit Margins (%)	10.2	10.2	11.1	11.9
NWC / Total Assets (%)	54.7	65.2	74.8	82.9
Net Debt / Equity (x)	(1.3)	(1.3)	(1.3)	(1.4)
Net Debt / EBITDA (x)	(4.9)	(5.4)	(5.9)	(6.0)
Profitability Ratios				
RoCE (%)	10.2	9.3	8.3	8.9
RoE (%)	16.6	17.7	17.5	17.7
RoIC (%)	18.3	19.2	18.9	19.0
Fixed Asset Turnover (x)	4.9	6.2	9.3	18.4
Inventory Turnover Days	7	6	6	6
Receivables Days	7	6	6	6
Payables Days	36	36	36	36

Source Company data, I-Sec research

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