

May 29, 2024

Q4FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	806		826	
Sales (Rs. m)	13,190	15,340	13,323	15,502
% Chng.	(1.0)	(1.0)		
EBITDA (Rs. m)	1,950	2,542	1,972	2,571
% Chng.	(1.1)	(1.1)		
EPS (Rs.)	12.3	16.3	12.9	16.8
% Chng.	(4.7)	(3.2)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	10,910	11,383	13,190	15,340
EBITDA (Rs. m)	1,098	1,279	1,950	2,542
Margin (%)	10.1	11.2	14.8	16.6
PAT (Rs. m)	414	713	939	1,246
EPS (Rs.)	6.3	9.3	12.3	16.3
Gr. (%)	37.5	48.9	31.7	32.7
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	3.9	4.6	4.6	5.8
RoCE (%)	4.0	2.1	6.2	8.4
EV/Sales (x)	3.7	3.4	2.9	2.5
EV/EBITDA (x)	36.9	30.6	19.8	14.8
PE (x)	111.6	75.0	56.9	42.9
P/BV (x)	4.2	2.7	2.6	2.4

Key Data

NAZA.BO | NAZARA IN

52-W High / Low	Rs.990 / Rs.591
Sensex / Nifty	75,170 / 22,888
Market Cap	Rs.53bn / \$ 642m
Shares Outstanding	77m
3M Avg. Daily Value	Rs.290.26m

Shareholding Pattern (%)

Promoter's	16.43
Foreign	9.44
Domestic Institution	16.80
Public & Others	57.34
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.7	(12.6)	11.3
Relative	8.5	(23.1)	(7.5)

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Growth challenges emerge

Quick Pointers:

- Cash on books is Rs14.5bn.

We cut our FY25E/FY26E EPS estimates by 5%/3% as we re-align our growth assumptions for Kiddopia, Freemium and Real Money Gaming segments. Nazara's topline was broadly in line with our estimate, while PAT was impacted by an impairment loss of Rs257mn. Nazara's organic growth has come under scanner since last 2 quarters amid ongoing challenges in Ad-Tech (loss of a large client), Kiddopia (6.5% QoQ fall in subscriber base), Real Money Gaming (GST levy of 28% on full bet value) and Nodwin (de-consolidation of accessories business). Accordingly, we expect revenue CAGR of 16.1% over FY24-FY26E. Nonetheless, amid a measured approach taken towards new user spends, we expect EBITDA margin to improve to 14.8%/16.6% in FY25E/FY26E. We maintain 'BUY' on the stock with a DCF-based TP of Rs806 (earlier Rs826). Post recent fund raise, Nazara has a cash balance of Rs14.5bn, and we believe capital allocation decisions from hereon will be key to re-rating.

Revenue decreased 8.0% YoY: Revenue decreased 8.0% YoY to Rs2,662mn (PLe Rs2,714mn). E-Sports revenue was up 5.8% YoY to Rs1,482mn (PLe Rs1,500mn), aided by SportsKeeda. Ad-Tech revenue was down 29.5% YoY to Rs275mn (PLe Rs234mn) due to a shift in focus on securing high-margin clients (loss of business from low-margin clients). Gaming revenue was down 16.3% YoY to Rs911mn (PLe Rs950mn) due to increase in GST rate on Real Money Gaming segment, substantially affecting its topline.

EBITDA/PAT margin at 11.0%/3.1%: EBITDA increased 5.1% YoY to Rs292mn (PLe Rs270mn) with a margin of 11.0% (PLe of 9.9%) aided by healthy growth in operating profitability of Gamified Early Learning and SportsKeeda. E-Sports segment reported EBIT of Rs88mn, while Gaming and Ad-Tech segments reported a loss at the operating level. PAT after MI stood at Rs84mn (PLe Rs149mn) with a margin of 3.1% (PLe of 5.5%).

Con-call highlights: **1)** Pre-tax OCF for FY24 stood at Rs1,314mn. **2)** In FY24, ~Rs9,500mn was raised, resulting in a net cash balance of ~Rs14,500mn. **3)** In 4QFY24, Kiddopia's subscriber base declined 6.5% QoQ due to lower user acquisition spends. **4)** WildWorks is working on a major new game, with beta launch planned in FY25E. **5)** NextWave is set to launch a new game in 1QFY25E to expand its scale. **6)** Nazara is actively pursuing M&A opportunities (more US-centric) with 4-5 companies, and aims to finalize at least two by 2QFY25E (with focus on core gaming IPs). **7)** Core gaming IPs are likely to generate 25-30% EBITDA margin in future. **8)** Media revenues saw an uptick in 4QFY24 amid good reception to "Playground" IP. **9)** SportsKeeda's margin momentum is likely to persist. **10)** In FY24, Datawrkz pivoted away from low-margin clients.

Exhibit 1: Q4FY24 Result Overview (Rs mn)

Consolidated financial table	Q4FY24	Q4FY23	YoY gr.	Q3FY24	QoQ gr.	FY24	FY23	YoY gr.
Net sales	2,662	2,893	-8.0%	3,204	-16.9%	11,383	10,910	4.3%
Content, event & web server	1,092	1,336	-18.2%	1,443	-24.3%	4,703	4,421	6.4%
<i>As a % of sales</i>	<i>41.0%</i>	<i>46.2%</i>		<i>45.0%</i>		<i>41.3%</i>	<i>40.5%</i>	
Advertisement Expenses	433	473	-8.4%	411	5.3%	1,775	2,399	-26.0%
<i>As a % of sales</i>	<i>16.3%</i>	<i>16.3%</i>		<i>12.8%</i>		<i>15.6%</i>	<i>22.0%</i>	
Commission	164	140	16.9%	178	-8.0%	686	627	9.5%
<i>As a % of sales</i>	<i>6.1%</i>	<i>4.8%</i>		<i>5.6%</i>		<i>6.0%</i>	<i>5.7%</i>	
Employee Cost	442	426	3.8%	475	-6.9%	1,860	1,490	24.8%
<i>As a % of sales</i>	<i>16.6%</i>	<i>14.7%</i>		<i>14.8%</i>		<i>16.3%</i>	<i>13.7%</i>	
Other Expenses	239	241	-0.8%	320	-25.2%	1,079	876	23.2%
<i>As a % of sales</i>	<i>9.0%</i>	<i>8.3%</i>		<i>10.0%</i>		<i>9.5%</i>	<i>8.0%</i>	
EBITDA	292	278	5.1%	377	-22.5%	1,279	1,098	16.5%
<i>EBITDA margin</i>	<i>11.0%</i>	<i>9.6%</i>		<i>11.8%</i>		<i>11.2%</i>	<i>10.1%</i>	
Depreciation	215	160	34.0%	152	41.4%	670	572	17.2%
EBIT	77	118	-34.3%	225	-65.6%	609	526	15.8%
<i>EBIT margin</i>	<i>2.9%</i>	<i>4.1%</i>		<i>7.0%</i>		<i>5.4%</i>	<i>4.8%</i>	
Interest cost	8	29	-71.9%	20	-59.8%	68	47	44.1%
Other income	377	82	360.8%	179	110.6%	796	495	60.9%
Impairment	257	5	5136.7%	14	1773.0%	283	86	229.5%
Share of P/L of investments accounted using equity method	(20)	-	NM	-	NM	(20)	-	NM
Exceptional items	(169)	(25)	NM	5	NM	(147)	(20)	NM
PBT	1	140	-99.6%	375	-99.8%	887	868	2.2%
Tax expenses	(1)	46	NM	80	NM	140	254	-45.0%
<i>Tax rate</i>	<i>NM</i>	<i>33.1%</i>		<i>21.2%</i>		<i>15.8%</i>	<i>29.3%</i>	
PAT	2	94	-98.1%	295	-99.4%	748	614	21.8%
<i>PAT margin</i>	<i>0.1%</i>	<i>3.2%</i>		<i>9.2%</i>		<i>6.6%</i>	<i>5.6%</i>	
Minority Interest	87	68	27.9%	38	132.0%	182	220	-17.3%
PAT after MI	83	51	64.0%	253	-67.0%	713	414	72.2%
EPS (Rs)	1.1	0.4	187.2%	3.5	-67.7%	10.3	6.3	64.0%
Adjusted PAT	427	124	245.0%	304	40.4%	1,178	720	63.6%

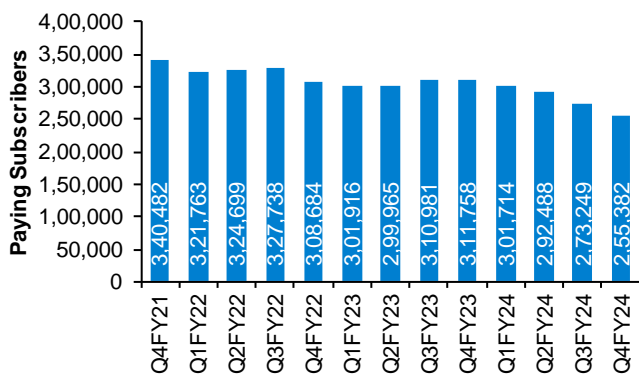
Source: Company, PL

Exhibit 2: Segmental revenue & EBITDA breakdown (Rs mn)

Y/e March	4QFY24	4QFY23	YoY gr.	3QFY24	QoQ gr.
Gamified Early Learning	749	801	-6.5%	815	-8.1%
<i>As a % of sales</i>	28.1%	27.8%		25.4%	
EBITDA	146	132	10.6%	214	-31.8%
<i>EBITDA margin</i>	19.5%	16.5%		26.3%	
E-Sports	1,482	1,401	5.8%	1,937	-23.5%
<i>As a % of sales</i>	55.5%	48.6%		60.3%	
EBITDA	186	127	46.5%	245	-24.1%
<i>EBITDA margin</i>	12.6%	9.1%		12.7%	
Ad tech - Datawrkz	275	390	-29.5%	261	5.4%
<i>As a % of sales</i>	10.3%	13.5%		8.1%	
EBITDA	17	27	-37.0%	34	-50.0%
<i>EBITDA margin</i>	6.2%	6.9%		13.0%	
Telco Subscription	75	115	-34.8%	70	7.1%
<i>As a % of sales</i>	2.8%	4.0%		2.2%	
EBITDA	8	39	-79.5%	(29)	NM
<i>EBITDA margin</i>	10.7%	33.9%		NM	
Freemium	39	49	-20.4%	54	-27.8%
<i>As a % of sales</i>	1.5%	1.7%		1.7%	
EBITDA	(3)	6	NM	7	NM
<i>EBITDA margin</i>	NM	12.2%		13.0%	
Real Money Gaming	48	124	-61.3%	76	-36.8%
<i>As a % of sales</i>	1.8%	4.3%		2.4%	
EBITDA	14	24	-41.7%	(25)	NM
<i>EBITDA margin</i>	29.2%	19.4%		NM	
Total revenues	2,668	2,880	-7.4%	3,213	-17.0%

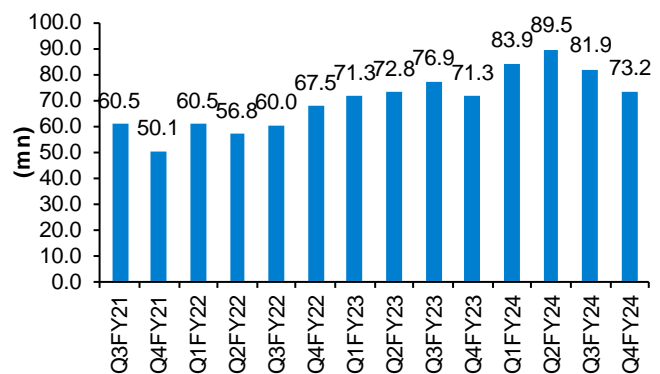
Source: Company, PL Note: Figures of erstwhile quarters are not restated and due to rounding errors segmental revenue may not match with total revenue.

Exhibit 3: Kiddopia's subs stood at 2,55,382 for 4QFY24



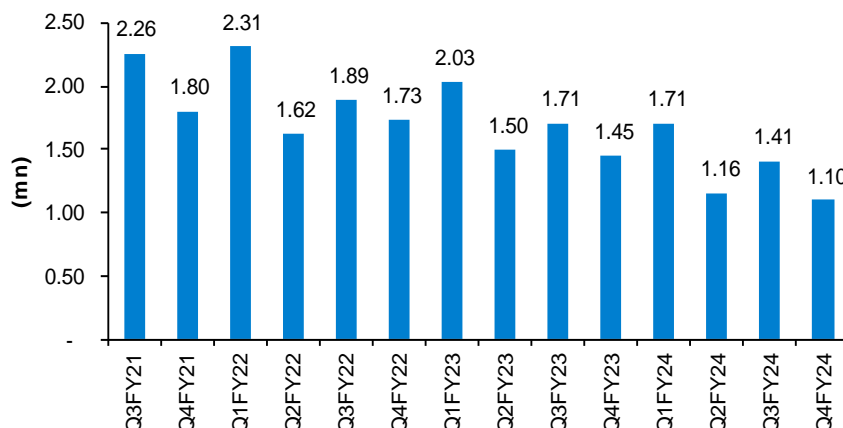
Source: Company, PL

Exhibit 4: SportsKeeda MAU's stood at 73.2mn in 4QFY24



Source: Company, PL

Exhibit 5: Freemium DAU's stood at 1.10mn



Source: Company, PL

Exhibit 6: CPT of Kiddopia increased 8.6% YoY in Q4FY24

Key Metrics	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
CPT (\$)	\$35.9	\$39.3	\$38.9	\$40.9	\$39.0
Marketing Spend (Mn)	\$3.2	\$2.6	\$2.7	\$2.3	\$2.4
Avg. Activation Rate	68%	68%	66%	67%	66%
Avg. ARPU	\$6.81	\$6.77	\$6.63	\$6.82	\$6.89
Avg. Churn	6.4%	5.9%	6.2%	6.7%	7.3%
Subscribers	3,11,758	3,01,714	2,92,488	2,73,249	2,55,382
Subs. Growth (QoQ)	0.2%	-3.2%	2.7%	-6.5%	-6.5%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	10,910	11,383	13,190	15,340
YoY gr. (%)	75.5	4.3	15.9	16.3
Cost of Goods Sold	542	803	528	537
Gross Profit	10,368	10,580	12,662	14,803
Margin (%)	95.0	92.9	96.0	96.5
Employee Cost	1,490	1,860	1,978	2,148
Other Expenses	876	1,079	1,187	1,381
EBITDA	1,098	1,279	1,950	2,542
YoY gr. (%)	16.0	16.5	52.5	30.3
Margin (%)	10.1	11.2	14.8	16.6
Depreciation and Amortization	572	670	672	724
EBIT	440	326	1,279	1,818
Margin (%)	4.0	2.9	9.7	11.8
Net Interest	47	68	83	85
Other Income	495	796	475	460
Profit Before Tax	868	907	1,671	2,193
Margin (%)	8.0	8.0	12.7	14.3
Total Tax	254	140	418	548
Effective tax rate (%)	29.3	15.4	25.0	25.0
Profit after tax	614	768	1,253	1,645
Minority interest	220	182	314	399
Share Profit from Associate	-	(20)	-	-
Adjusted PAT	414	713	939	1,246
YoY gr. (%)	45.7	72.2	31.7	32.7
Margin (%)	3.8	6.3	7.1	8.1
Extra Ord. Income / (Exp)	(20)	(147)	-	-
Reported PAT	394	566	939	1,246
YoY gr. (%)	38.7	43.6	66.0	32.7
Margin (%)	3.6	5.0	7.1	8.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	394	566	939	1,246
Equity Shares O/s (m)	66	77	77	77
EPS (Rs)	6.3	9.3	12.3	16.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	4,071	4,458	4,974	5,571
Tangibles	358	540	706	902
Intangibles	3,713	3,919	4,269	4,669
Acc: Dep / Amortization	1,649	2,319	2,990	3,715
Tangibles	210	308	407	514
Intangibles	1,439	2,010	2,583	3,201
Net fixed assets	2,422	2,139	1,984	1,856
Tangibles	148	231	298	389
Intangibles	2,274	1,908	1,685	1,468
Capital Work In Progress	2	-	-	-
Goodwill	3,407	3,942	3,942	3,942
Non-Current Investments	1,007	2,416	2,305	2,331
Net Deferred tax assets	(367)	(187)	(396)	(460)
Other Non-Current Assets	168	58	330	384
Current Assets				
Investments	2,668	2,242	2,242	2,242
Inventories	246	21	21	21
Trade receivables	1,861	2,749	2,168	2,732
Cash & Bank Balance	3,292	12,097	12,570	13,465
Other Current Assets	689	839	594	614
Total Assets	17,018	27,617	27,973	29,622
Equity				
Equity Share Capital	265	306	306	306
Other Equity	10,784	19,680	20,619	21,865
Total Networkth	11,049	19,986	20,925	22,171
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	53	53	86	100
Other non current liabilities	52	127	127	127
Current Liabilities				
ST Debt / Current of LT Debt	304	93	-	-
Trade payables	1,982	2,401	1,084	1,261
Other current liabilities	1,057	1,328	1,930	2,067
Total Equity & Liabilities	17,018	27,617	27,973	29,622

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	888	887	939	1,246
Add. Depreciation	572	670	672	724
Add. Interest	47	68	83	85
Less Financial Other Income	495	796	475	460
Add. Other	(309)	(324)	(83)	(87)
Op. profit before WC changes	1,197	1,302	1,611	1,968
Net Changes-WC	(856)	99	(735)	(387)
Direct tax	(260)	(406)	-	-
Net cash from Op. activities	81	995	875	1,581
Capital expenditures	(1,418)	(689)	(516)	(597)
Interest / Dividend Income	84	242	-	-
Others	382	(4,822)	289	(4)
Net Cash from Inv. activities	(952)	(5,268)	(227)	(601)
Issue of share cap. / premium	163	9,220	-	-
Debt changes	(7)	(34)	(93)	-
Dividend paid	-	-	-	-
Interest paid	(111)	(68)	(83)	(85)
Others	100	(38)	-	-
Net cash from Fin. activities	145	9,080	(176)	(85)
Net change in cash	(723)	4,807	473	895
Free Cash Flow	(2)	727	359	984

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	6.3	9.3	12.3	16.3
CEPS	14.9	18.1	21.0	25.7
BVPS	167.0	261.1	273.4	289.6
FCF	0.0	9.5	4.7	12.9
DPS	-	-	-	-
Return Ratio(%)				
RoCE	4.0	2.1	6.2	8.4
ROIC	6.3	20.0	16.9	23.3
RoE	3.9	4.6	4.6	5.8
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.7)	(0.7)	(0.7)
Net Working Capital (Days)	4	12	31	36
Valuation(x)				
PER	111.6	75.0	56.9	42.9
P/B	4.2	2.7	2.6	2.4
P/CEPS	46.9	38.6	33.2	27.1
EV/EBITDA	36.9	30.6	19.8	14.8
EV/Sales	3.7	3.4	2.9	2.5
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	2,544	2,972	3,204	2,662
YoY gr. (%)	14.0	12.7	1.8	(8.0)
Raw Material Expenses	106	458	205	34
Gross Profit	2,438	2,515	2,999	2,628
Margin (%)	95.8	84.6	93.6	98.7
EBITDA	331	279	377	292
YoY gr. (%)	10.2	30.4	23.6	5.1
Margin (%)	13.0	9.4	11.8	11.0
Depreciation / Depletion	152	151	152	215
EBIT	178	116	211	(179)
Margin (%)	7.0	3.9	6.6	NA
Net Interest	13	27	20	8
Other Income	117	123	179	377
Profit before Tax	283	212	376	23
Margin (%)	11.1	7.1	11.7	0.9
Total Tax	74	(13)	80	(1)
Effective tax rate (%)	26.2	(5.9)	21.2	(5.3)
Profit after Tax	209	225	296	24
Minority interest	14	44	38	87
Share Profit from Associates	-	-	-	(20)
Adjusted PAT	195	181	254	86
YoY gr. (%)	72.7	99.8	53.9	61.6
Margin (%)	7.7	6.1	7.9	3.2
Extra Ord. Income / (Exp)	-	-	5	(169)
Reported PAT	195	181	259	(83)
YoY gr. (%)	72.7	99.8	56.8	NA
Margin (%)	7.7	6.1	8.1	NA
Other Comprehensive Income	(104)	-	-	1
Total Comprehensive Income	91	181	259	(82)
Avg. Shares O/s (m)	66	66	73	77
EPS (Rs)	2.9	2.7	3.5	1.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	BUY	826	671
2	08-Feb-24	Hold	833	871
3	08-Jan-24	Hold	835	849
4	09-Nov-23	Hold	840	820
5	04-Oct-23	Hold	836	834
6	31-Jul-23	BUY	834	694
7	06-Jul-23	BUY	804	726

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	830	789
2	Imagicaaworld Entertainment	BUY	108	80
3	Indian Railway Catering and Tourism Corporation	Hold	825	1,023
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	Accumulate	4,667	4,257
6	Lemon Tree Hotels	BUY	153	141
7	Navneet Education	Accumulate	167	155
8	Nazara Technologies	BUY	826	671
9	PVR Inox	Accumulate	1,431	1,285
10	S Chand and Company	BUY	315	245
11	Safari Industries (India)	BUY	2,225	2,019
12	V.I.P. Industries	Hold	557	528
13	Zee Entertainment Enterprises	Hold	160	141

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



ANALYST CERTIFICATION

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