

26 May 2024

India | Equity Research | Q4FY24 results review

Nazara Technologies

Internet

Margin improvement beats estimates; Revenue growth should come back from Q1

In Q4FY24 Nazara beat l-sec margin estimates given 729 bps QoQ improvement in Nodwin EBITDA margin. This was due to: 1) deconsolidation of the devices business 2) pick up in media revenues. This improves Nodwin's margin outlook in FY25. Nodwin's multiple acquisitions should aid >30% YoY revenue growth in FY25. Both Sportskeeda and PFN continue to scale rapidly (67% YoY) with healthy EBITDA margin (26.5%) in Q4FY24. Kiddopia's growth continued to underwhelm (6.5% QoQ subscriber decline) despite sequential improvement in CPT. Management is working on alternate growth opportunities in Kiddopia. Animal Jam grew 7.2% YoY with 40bps margin improvement. At current valuation (23x one-year forward ex minority EV/EBITDA), we believe Nazara is a compelling **BUY**.

Q4FY24 performance

In Q4FY24, consolidated revenue was INR 266,2mn, down 8.0% YoY (down ~16.9% QoQ). Consolidated EBITDA was ~INR 292mn (up 5.5% YoY) with margin at 11.0% (l-Sec: 10.0%). In Q4FY24, PAT (from continuing operations) was INR 170mn (up 43% YoY). eSports business grew 6% YoY to INR 1,482mn, gamified early learning (GEL) declined 6.6% YoY to INR 748mn while Adtech's revenue declined ~30% YoY (up 5.3% QoQ) to INR 275mn. eSports' EBITDA margin was 12.6% (vs 7.8% in Q4FY23), GEL's EBITDA margin was 19.5% (vs 9.2% in Q4FY23) and Adtech's EBITDA margin was 6.6% in Q4FY24 (vs -0.5% in Q4FY23).

Sportskeeda

Sportskeeda (SK) continues to improve ranking amongst US sports news websites (at #5 in Feb'24, up from #6 in Dec'23). SK recorded revenue of INR 490mn (up 67% YoY). EBITDA grew ~65% YoY to INR 130mn. 'Sportskeeda Content' playbook helped Pro Football Network (PFN) achieve profitability in FY24. Revenue grew 57% YoY in FY24 as it ranked #2 for NFL-focused websites in Q4FY24.

Kiddopia

Subscriber base declined 6.5% QoQ due to lower acquisition spends in user acquisition cost (USD 39.0 in Q4FY24 vs USD 40.9 in Q3FY24). To improve performance, Kiddopia is working on alternate growth opportunities (IP licensing) which can help it open new revenue streams.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	10,910	11,383	14,741	18,026
EBITDA	1,097	1,279	2,291	2,897
EBITDA Margin (%)	10.1	11.2	15.5	16.1
Net Profit	394	713	1,084	1,326
EPS (INR)	6.3	10.3	14.5	17.8
EPS % Chg YoY	38.4	63.4	41.5	22.3
P/E (x)	97.7	59.8	42.2	34.5
EV/EBITDA (x)	37.0	31.7	18.4	14.3
RoCE (%)	9.4	9.9	20.4	30.2
RoE (%)	3.6	3.6	5.1	5.9

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Market Data

Market Cap (INR)	47bn
Market Cap (USD)	566mn
Bloomberg Code	NAZARA IN
Reuters Code	NAZA.BO
52-week Range (INR)	990 /600
Free Float (%)	43.0
ADTV-3M (mn) (USD)	2.5

Price Performance (%)	3m	6m	12m
Absolute	(22.5)	(23.5)	(1.1)
Relative to Sensex	(25.6)	(37.8)	(23.2)

Previous Reports

07-02-2024: [Q3FY24 results review](#)

14-12-2023: [Company Update](#)

Nodwin

Nodwin Gaming reported revenue of INR 991mn (down ~10% QoQ) in Q4FY24 with EBITDA of INR 56mn (EBITDA margin of 5.7%). In FY24, there were five major acquisitions (Comic Con India, Publish.Me, Ninja, Freaks4U and Playground) undertaken by Nodwin. All these acquisitions are of the broader strategy to increase user mindshare and cater to audiences across different age groups. The decline in revenue on a sequential basis was largely due to deconsolidation of 'Wings' hardware brand.

Animal Jam

Animal Jam reported revenue of INR 240mn in Q4FY24 (up 7.1% YoY) and EBITDA of INR 29mn (EBITDA margin of 12.1%). Q4 revenue growth was due to the continued success and monetization of in-game feature 'Wishing Coins'. Animal Jam is exploring integrating popular IPs into Animal Jam to drive greater user acquisition for FY25.

WCC

Revenue declined 9.3% YoY (down 27.8% QoQ) to INR 39mn. EBITDA loss was INR 3mn in Q4FY24 (EBITDA profit of INR 6mn in Q4FY23). DAUs/MAUs declined 24.1%/7.1% YoY to 1.1m/8.1mn in Q4FY24 as ad monetisation, brand sales and user acquisition operations were revamped in FY24.

Ad-tech

Ad-tech revenue stood at INR 275mn, up 5.4% QoQ (down 21.4% YoY). EBITDA was 17mn (INR 19mn in Q4FY23) with margin expanding by 80bps YoY led by Nazara's focus on higher margin business clients. Nazara believes investments in sales and marketing in FY24 will reap benefits in FY25. Nazara Technologies has received the Board approval to acquire the remaining 28.12% stake in Nextwave Multimedia (WCC).

Valuation

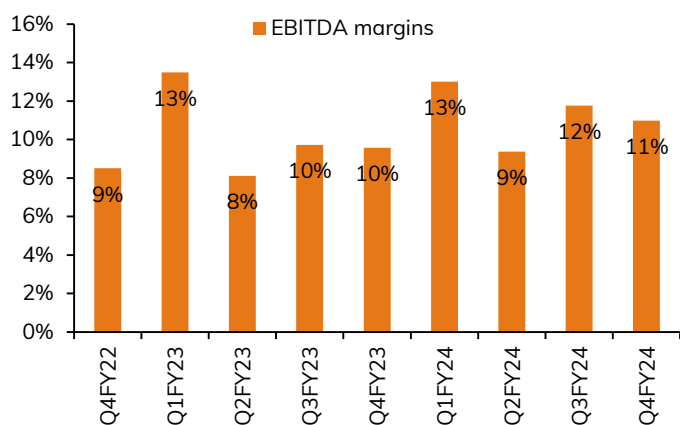
We maintain our **BUY** rating on the stock with target price of INR 1,080. Our target multiple stands at 37x FY26E EV/EBITDA (ex-minority). Key risks: 1) Increased competition/ slowdown in US markets, and 2) inability to identify and integrate acquisitions.

Exhibit 1: Q4FY24 results review

(in INR mn)	Q4FY24	Q3FY24	Q4FY23	QoQ(%)	YoY(%)	I-Sec Est.	Diff
Net Sales	2,662	3,204	2,893	(16.9)	(8.0)	3,083	(13.7)
Total Expenses	2,370	2827	2616	(16.2)	(9.4)	2,774	(14.6)
EBITDA	292	377	277	(22.5)	5.5	309	(5.3)
EBITDA%	11.0	11.8	9.6	-79 bps	140 bps	10.0	96 bps
Depreciation	215	152	160	41.4	34.4	152	41.4
EBIT	77	225	117	(65.6)	(33.9)	157	(50.7)
Finance Cost	8	20	29	(59.8)	(71.7)	20	(59.0)
Other Income	377	179	82	110.6	359.6	220	71.3
Pre-Tax Income	446	384	170	16.3	162.4	357	25.0
Tax	-1	80	46			80	
Net Income	171	290	119	(41.3)	43.3	263	(35.2)
Non-controlling interest	256	33	93	682.0	174.9	33	682.0
Net income post non-controlling interest	-85	258	26	(133.1)	(427.7)	230	(137.0)
EPS	1.12	3.47	0.39			-	
EBITDA Margins(%)	11.0	11.8	9.6			10.0	
PAT Margins(%)	6.4	9.1	4.1			8.5	
Tax Rate(%)	0.3	20.7	27.1			22.4	

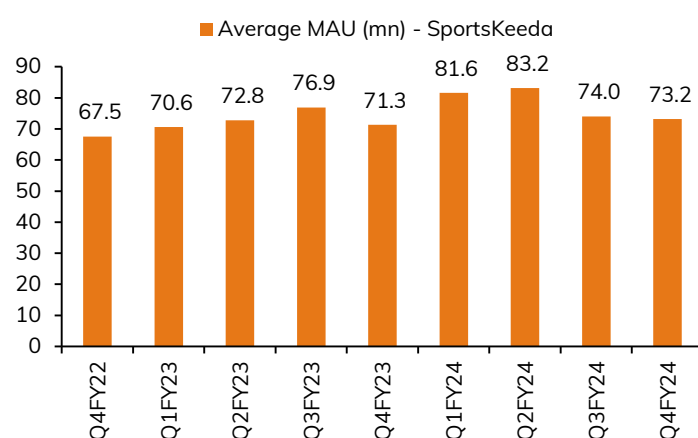
Source: I-Sec research, Company data

Exhibit 2: Consol. EBITDA margins (%)



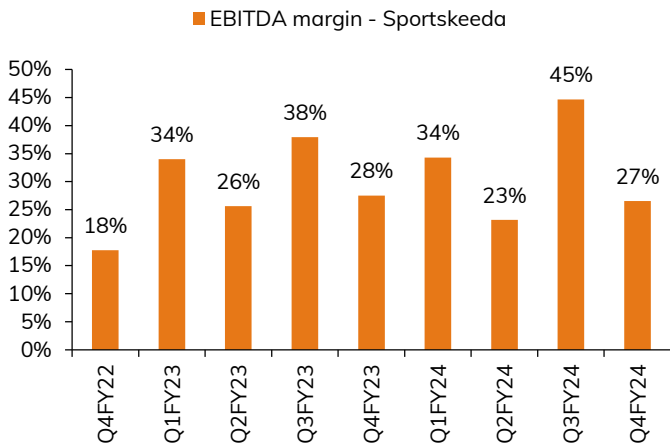
Source: I-Sec research, Company data

Exhibit 3: Sportskeeda – Average MAU (mn)



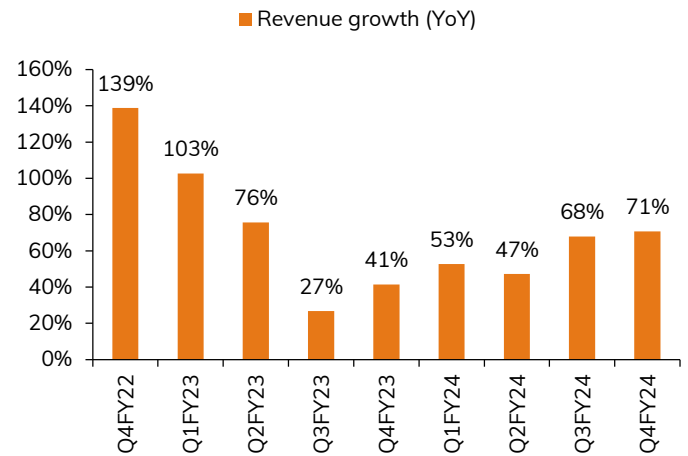
Source: I-Sec research, Company data

Exhibit 4: EBITDA margin – Sportskeeda



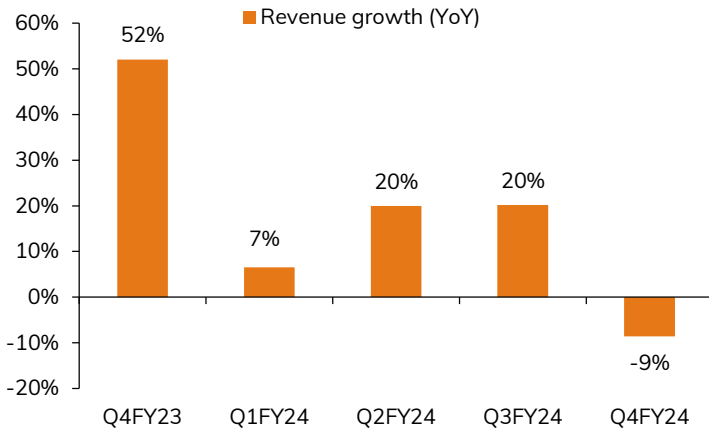
Source: Company data, I-Sec research

Exhibit 5: Revenue growth YoY (%) – Sportskeeda



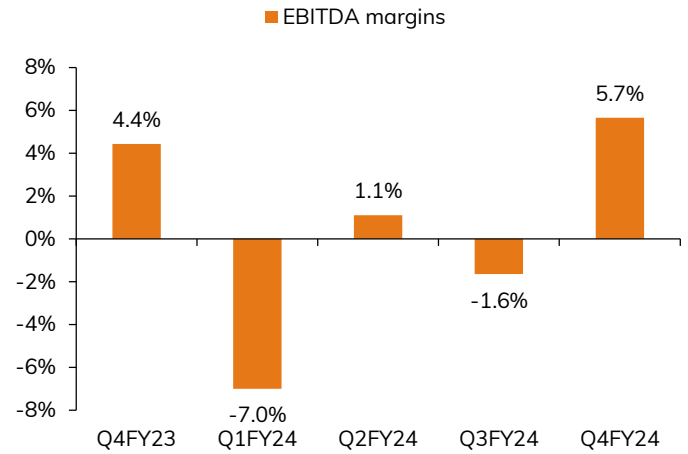
Source: Company data, I-Sec research

Exhibit 6: Revenue growth YoY (%) – Nodwin Gaming



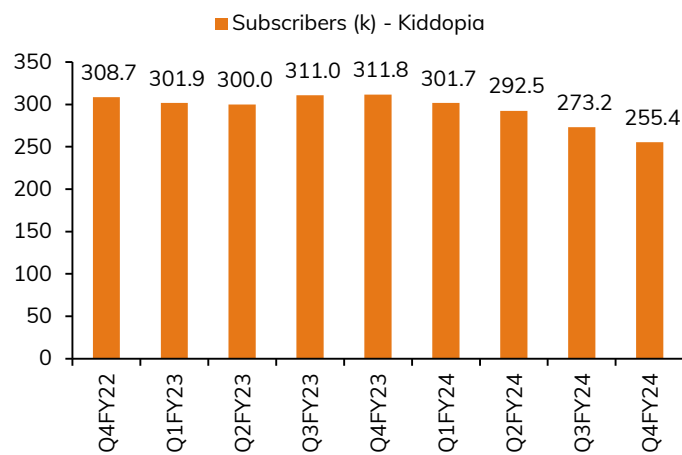
Source: I-Sec research, Company data

Exhibit 7: EBITDA margin (%) – Nodwin Gaming



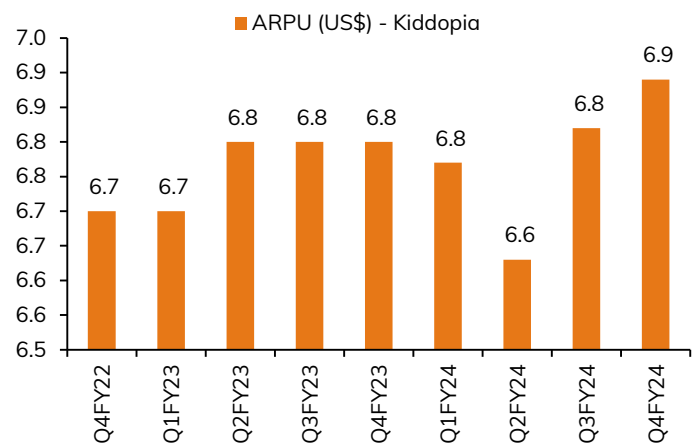
Source: I-Sec research, Company data

Exhibit 8: Subscribers (k) – Kiddopia



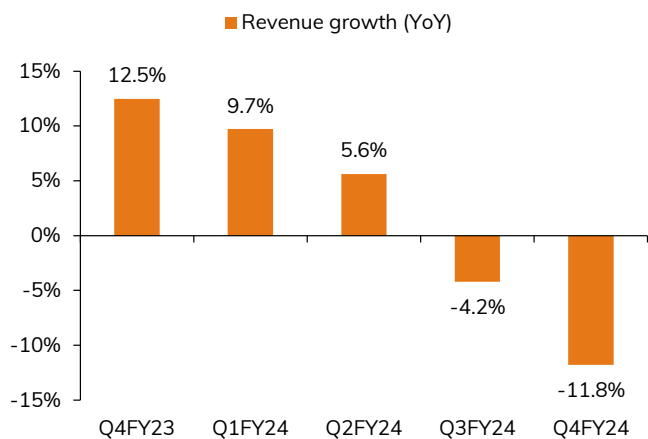
Source: I-Sec research, Company data

Exhibit 9: Subscribers (k) – Kiddopia



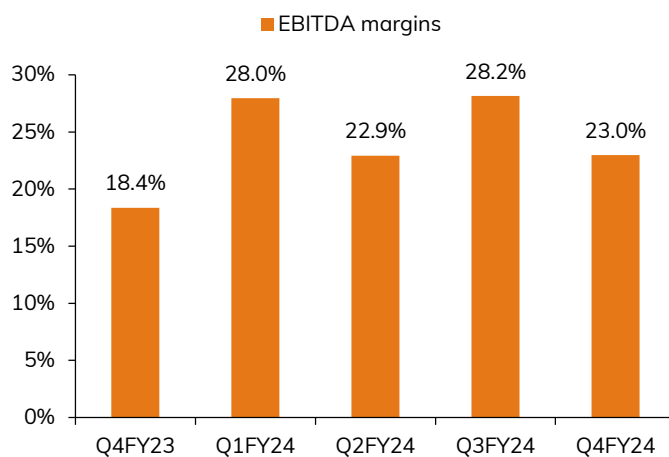
Source: I-Sec research, Company data

Exhibit 10: Revenue growth YoY (%) – Kiddopia



Source: I-Sec research, Company data

Exhibit 11: EBITDA margin (%) – Kiddopia



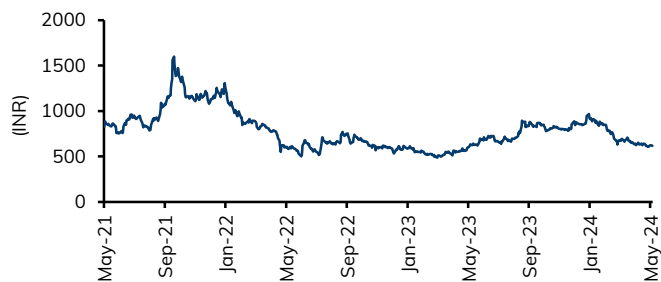
Source: I-Sec research, Company data

Exhibit 12: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	19.0	17.2	16.4
Institutional investors	20.1	26.3	26.3
MFs and other	7.2	14.1	14.8
FIs/ Banks	1.4	1.3	1.5
FIIIs	11.5	10.9	10.0
Others	60.9	56.5	57.3

Source: Bloomberg, I-Sec research

Exhibit 13: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 14: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	10,910	11,383	14,741	18,026
Operating Expenses	9,271	10,104	12,450	15,130
EBITDA	1,097	1,279	2,291	2,897
EBITDA Margin (%)	10.1	11.2	15.5	16.1
Depreciation & Amortization	571	670	868	1,061
EBIT	526	609	1,423	1,836
Interest expenditure	47	68	88	108
Other Non-operating Income	495	796	916	1,053
Recurring PBT	974	1,338	2,251	2,781
Profit / (Loss) from Associates	-	(20)	(20)	(20)
Less: Taxes	254	140	558	690
PAT	720	1,198	1,693	2,091
Less: Minority Interest	240	182	589	745
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	634	895	1,673	2,071
Net Income (Adjusted)	394	713	1,084	1,326

Source Company data, I-Sec research

Exhibit 15: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	7,306	16,727	18,195	20,130
of which cash & cash eqv.	3,292	12,097	13,854	14,891
Total Current Liabilities & Provisions	3,318	3,764	4,872	5,940
Net Current Assets	3,988	12,963	13,324	14,190
Investments	3,320	4,217	4,717	5,217
Net Fixed Assets	71	64	-	-
ROU Assets	77	168	80	80
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	5,683	5,850	7,014	7,735
Other assets	205	141	141	141
Deferred Tax Assets	-	-	-	-
Total Assets	13,700	23,853	25,544	27,631
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	404	270	270	270
provisions	52	53	71	87
other Liabilities	-	-	-	-
Equity Share Capital	265	306	306	306
Reserves & Surplus	10,784	19,680	20,764	22,090
Total Net Worth	11,049	19,986	21,070	22,396
Minority Interest	2,117	3,360	3,949	4,693
Total Liabilities	13,700	23,853	25,544	27,631

Source Company data, I-Sec research

Exhibit 16: Quarterly trend

(INR mn, year ending March)

	Mar-23	Jun-23	Dec-23	Mar-24
Net Sales	2,544	2,972	3,204	2,662
% growth (YOY)	14.0	12.7	1.8	(8.0)
EBITDA	331	279	377	292
Margin %	13.0	9.4	11.8	11.0
Other Income	117	123	179	377
Recurring Profit	209	225	290	171

Source Company data, I-Sec research

Exhibit 17: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	81	908	3,219	2,374
Working Capital Changes	(856)	(39)	1,507	187
Capital Commitments	(82)	(268)	(590)	(721)
Free Cashflow	163	1,176	3,809	3,095
Other investing cashflow	(870)	(5,762)	916	1,053
Cashflow from Investing Activities	(952)	(6,030)	326	332
Issue of Share Capital	163	9,220	-	-
Interest Cost	-	(47)	(88)	(108)
Inc (Dec) in Borrowings	-	345	-	-
Dividend paid	-	(34)	-	-
Others	60	-	-	-
Cash flow from Financing Activities	145	9,463	(88)	(108)
Chg. in Cash & Bank balance	(726)	4,340	3,457	2,598
Closing cash & balance	1,354	5,762	9,127	11,726

Source Company data, I-Sec research

Exhibit 18: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	6.3	10.3	14.5	17.8
Adjusted EPS (Diluted)	6.3	10.3	14.5	17.8
Cash EPS	15.4	19.9	26.2	32.0
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	176.4	288.2	282.6	300.4
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	75.5	4.3	29.5	22.3
EBITDA	16.0	16.6	79.1	26.5
EPS (INR)	38.4	63.4	41.5	22.3
Valuation Ratios (x)				
P/E	97.7	59.8	42.2	34.5
P/CEPS	40.0	30.8	23.5	19.2
P/BV	3.5	2.1	2.2	2.0
EV / EBITDA	37.0	31.7	18.4	14.3
P / Sales	-	-	-	-
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	95.0	92.9	100.0	100.0
EBITDA Margins (%)	10.1	11.2	15.5	16.1
Effective Tax Rate (%)	26.1	10.5	24.8	24.8
Net Profit Margins (%)	6.6	10.5	11.5	11.6
NWC / Total Assets (%)	21.6	11.6	7.3	7.6
Net Debt / Equity (x)	(0.5)	(0.7)	(0.7)	(0.7)
Net Debt / EBITDA (x)	(6.0)	(12.8)	(8.1)	(6.9)
Profitability Ratios				
RoCE (%)	9.4	9.9	20.4	30.2
RoE (%)	3.6	3.6	5.1	5.9
RoC (%)	6.0	6.9	7.3	8.3
Fixed Asset Turnover (x)	203.9	169.0	462.8	-
Inventory Turnover Days	8	1	1	1
Receivables Days	53	91	48	48
Payables Days	26	79	79	79

Source Company data, I-Sec research

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