HOLD (Upgrade from REDUCE)

CMP: **INR 568** Target Price: **INR 560 (INR 720)** ▼ -1%

ICICI Securities

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07 February 2025

India | Equity Research | Results update

Matrimony.com

Internet

Hard times continue as competitive intensity comes back to haunt in a stagnating market

Matchmaking revenue / billings declined ~4%/1.5%QoQ despite Q3FY25 having a higher number of auspicious dates. This raises questions on growth prospects of matrimonial industry overall. Management, in Q3 concall, alluded to a reduction in 'top of the funnel' profiles (which would attract more people to sign up) as key reason for lower revenue growth. To address this, Matrimony is refining its brand communication to attract more high-end profiles. It is also launching a vernacular app and a community matrimony platform. Questions remain on what is happening with regards to market share given Jeevansathi grew ~23% YoY in Q3. However, Matrimony as of now, remains the market leader and post the recent correction in the stock price, we feel the stock is fairly priced. Hence, upgrading to **HOLD**.

Q3FY25 performance review

In Q3, Matrimony's revenue was INR 1.1bn, down 3.5% QoQ/5.0% YoY, (10.6% below I-Sec est.). Revenue from matchmaking services (~98.8% of total revenue) was down 3.6% QoQ/4.2% YoY. Marriage services revenue (~1.2% of overall revenue) was up 8.1% QoQ/down 42.0% YoY. EBITDA margin was 12.3%, down 272bps QoQ/188bps YoY. PAT in Q3FY25 was INR 99.7mn.

Matchmaking services' billings slipped 1.5% QoQ/5.1% YoY to INR 1.1bn and marriage services' billings slipped 16.7% QoQ/52.4% YoY to INR 10mn. Ex marketing expenses, EBITDA margin for matchmaking services was 61%. Paid subscription (240k) dipped 4.0% QoQ/7.7% YoY. Average transaction value (ATV) was up 2.4% QoQ/up 5.1% YoY to INR 4,542.

Management commentary

Management cited Google reports indicating an 8% decline in search queries for matrimonial industry. Member registrations have declined in line with industry trends, impacting monetisation. Additionally, a noticeable drop in top-of-the-funnel profiles has affected revenue growth, which management attributes to broader industry dynamics. To address this, the company is refining its marketing and conversion strategies and expects to regain traction in coming quarters, positioning for a stronger FY26.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	4,814	4,688	5,086	5,796
EBITDA	721	640	732	916
EBITDA Margin (%)	15.0	13.6	14.4	15.8
Net Profit	495	469	544	683
EPS (INR)	20.7	19.6	22.7	28.6
EPS % Chg YoY	0.0	(5.4)	16.0	25.5
P/E (x)	27.4	29.0	25.0	19.9
EV/EBITDA (x)	13.8	14.6	11.6	8.1
RoCE (%)	10.0	6.1	6.4	7.6
RoE (%)	18.2	14.9	14.9	16.0

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Market Data

Market Cap (INR)	12bn
Market Cap (USD)	140mn
Bloomberg Code	MATRIM IN
Reuters Code	MATI BO
52-week Range (INR)	850 /499
Free Float (%)	48.0
ADTV-3M (mn) (USD)	0.2

Price Performance (%)	3m	6m	12m
Absolute	(31.8)	(11.3)	6.3
Relative to Sensex	(28.9)	(10.6)	(1.8)

ESG Score	2023	2024	Change
ESG score	69.3	NA	NA
Environment	40.8	NA	NA
Social	76.6	NA	NA
Governance	79.6	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(7.9)	(4.2)
EBITDA	(15.6)	(10.5)
EPS	(12.8)	(9.1)

Previous Reports

08-11-2024: Q2FY25 results review

11-08-2024: Q1FY25 results review

The management was initially optimistic about recovery in Q3; it observed a decline in Nov-Dec'24. To drive profile growth, management is launching a vernacular app (in addition to existing Tamil, Telugu, and Malayalam versions) and plans targeted marketing efforts to enhance awareness. A new version of the community matrimony platform is also set to launch by Feb'25 end. Management remains hopeful of a recovery in coming quarters and intends to optimise costs once traction improves.

Regarding the job portal 'Many Jobs', management shared that the platform remains free, currently focusing on Tamil market with 200K profiles. Monetisation will commence upon reaching a certain scale, and the business is progressing in line with expectations.

In matchmaking services, management is actively working towards reducing losses and achieving breakeven. Additionally, it emphasised a disciplined approach to capital allocation, stating that while certain new initiatives are yet to be monetised, it is strategically aligned to drive long-term growth and scale without engaging in irrational cash burn.

Valuation

We upgrade the stock to **HOLD** (from *Reduce*) with a revised target price of INR 560 (earlier INR 720), based on ~18x one-year forward P/E multiple (FY27E).

We have cut EBITDA by 15.6%/10.5% and PAT by 12.8%/9.1% for FY26/27E, respectively. We have also reduced our target multiple from 25x one-year forward multiple to 18x one-year forward P/E multiple.

Upside risks: 1) Stronger than expected market share gain in the Northern region, driving recovery in matchmaking; and 2) new initiatives gaining traction faster than anticipated. **Downside risks:** 1) Weaker-than-expected conversion of active profiles into paid subscriptions; and 2) slower-than-expected scale up in marriage services.

Exhibit 1: Earnings revision

(INR mn)	FY25E			FY26E			FY27E		
Particulars	Old	New	Diff (%)	Old	New	Diff(%)	Old	New	Diff(%)
Revenue	5,042	4,688	-7.0	5,520	5,086	-7.9	6,049	5,796	-4.2
EBITDA	765	640	-16.4	868	732	-15.6	1,023	916	-10.5
EBITDA Margin	15%	13.6%	-153 bps	16%	14.4%	-133 bps	16.9%	15.8%	-111 bps
PAT	544.0	468.7	-13.8	624	543.8	-12.8	751	682.6	-9.1

Source: I-Sec research, Company data

Exhibit 2: Q3FY25 performance review

(in INR mn)	Q3FY25	Q2FY25	Q3FY24	QoQ (%)	YoY (%)	I-sec estimates	Var (%)
Net Sales	**1,114**	**1,155**	**1,173**	**(3.5)**	**(5.0)**	**1,246**	**(10.6)**
Total Expenses	**977**	**982**	**1,006**	**(0.4)**	**(2.9)**	**1,030**	**(5.1)**
EBITDA	**137**	**173**	**166**	**(21.0)**	**(17.5)**	**216**	**(36.6)**
EBITDA %	**12.3**	**15.0**	**14.2**	**-272 bps**	**-188 bps**	**17.3**	**-505 bps**
Depreciation	74	75	72	(2.0)	1.9	75	(2.0)
EBIT	**64**	**98**	**94**	**(35.5)**	**(32.4)**	**141**	**(55.0)**
Finance Cost	12	13	13	(4.8)	(9.1)	13	(4.8)
Other income	70	86	63	(18.7)	11.4	86	(18.7)
Recurring pre-tax income	**122**	**172**	**144**	**(29.3)**	**(15.4)**	**215**	**(43.4)**
Taxation	22	40	33	(46.5)	(34.3)	56	(61.6)
Recurring Net Income	**100**	**140**	**125**	**(28.3)**	**(20.0)**	**159**	**(36.9)**
Reported Net Income	100	132	111	(24.2)	(10.3)	159	(37.1)

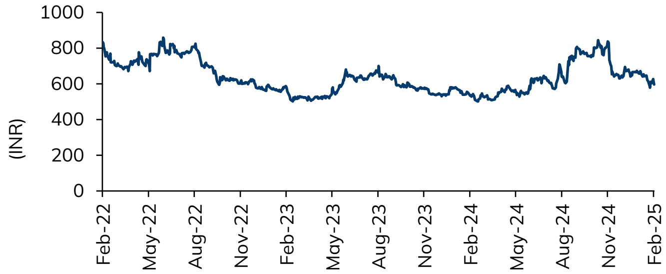
Source: I-Sec research, Company data

Exhibit 3: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	51.6	51.6	53.3
Institutional investors	33.6	31.9	30.8
MFs and others	4.1	4.4	4.0
FIIs	29.5	27.5	26.8
Others	14.8	16.5	15.9

Source: Bloomberg, I-Sec research

Exhibit 4: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	**4,814**	**4,688**	**5,086**	**5,796**
Operating Expenses	4,092	4,048	4,354	4,880
EBITDA	**721**	**640**	**732**	**916**
EBITDA Margin (%)	15.0	13.6	14.4	15.8
Depreciation & Amortization	284	328	358	399
EBIT	437	311	374	517
Interest expenditure	52	63	70	79
Other Non-operating Income	261	376	421	472
Recurring PBT	**647**	**625**	**725**	**910**
Profit / (Loss) from Associates	**0**	**-**	**-**	**-**
Less: Taxes	152	156	181	228
PAT	495	469	544	683
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**495**	**469**	**544**	**683**
Net Income (Adjusted)	**495**	**469**	**544**	**683**

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	3,641	4,320	5,206	6,349
of which cash & cash eqv.	3,374	3,973	4,830	5,920
Total Current Liabilities & Provisions	1,676	1,626	1,764	2,010
Net Current Assets	**1,965**	**2,694**	**3,442**	**4,339**
Investments	256	256	256	256
Net Fixed Assets	643	443	225	(15)
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	247	247	247	247
Other assets	-	-	-	-
Deferred Tax Assets	-	-	-	-
Total Assets	**3,344**	**3,846**	**4,393**	**5,082**
Liabilities				
Borrowings	**-**	**-**	**-**	**-**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	-	13	14	16
other Liabilities	5	26	28	32
Equity Share Capital	111	111	111	111
Reserves & Surplus	2,804	3,272	3,816	4,499
Total Net Worth	**2,915**	**3,384**	**3,928**	**4,610**
Minority Interest	-	-	-	-
Total Liabilities	**3,344**	**3,846**	**4,393**	**5,082**

Source Company data, I-Sec research

Exhibit 7: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	1.192	1206	1,155	1,114
% growth (YOY)	5.5	(2.2)	-5.0	-5.0
EBITDA	168.2	202	173	137
Margin %	14.1	16.7	15.0	12.3
Other Income	68.6	68	86	70
Adjusted Net Profit	117.3	140	133	100

Source Company data, I-Sec research

Exhibit 8: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	**612**	**414**	**645**	**856**
Working Capital Changes	28	(69)	94	168
Capital Commitments	(186)	(129)	(140)	(159)
Free Cashflow	**798**	**543**	**785**	**1,016**
Other investing cashflow	**(140)**	**376**	**421**	**472**
Cashflow from Investing Activities	(327)	247	282	313
Issue of Share Capital	2	-	-	-
Interest Cost	(132)	(63)	(70)	(79)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(111)	-	-	-
Others	(51)	-	-	-
Cash flow from Financing Activities	(292)	(63)	(70)	(79)
Chg. in Cash & Bank balance	**(7)**	**599**	**857**	**1,090**
Closing cash & balance	81	3,973	4,830	5,920

Source Company data, I-Sec research

Exhibit 9: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	20.7	19.6	22.8	28.6
Adjusted EPS (Diluted)	20.7	19.6	22.7	28.6
Cash EPS	32.6	33.4	37.8	45.3
Dividend per share (DPS)	2.0	2.0	2.0	2.0
Book Value per share (BV)	122.0	141.6	164.4	192.9
Dividend Payout (%)	10.4	9.8	11.4	14.3
Growth (%)				
Net Sales	5.6	(2.6)	8.5	14.0
EBITDA	7.0	(11.3)	14.5	25.0
EPS (INR)	0.0	(5.4)	16.0	25.5
Valuation Ratios (x)				
P/E	27.4	29.0	25.0	19.9
P/CEPS	17.4	17.0	15.1	12.6
P/BV	4.7	4.0	3.5	2.9
EV / EBITDA	13.8	14.6	11.6	8.1
P / Sales	2.8	2.9	2.7	2.3
Dividend Yield (%)	0.4	0.4	0.4	0.4
Operating Ratios				
Gross Profit Margins (%)	100.0	100.0	100.0	100.0
EBITDA Margins (%)	15.0	13.6	14.4	15.8
Effective Tax Rate (%)	23.4	25.0	25.0	25.0
Net Profit Margins (%)	10.3	10.0	10.7	11.8
NWC / Total Assets (%)	58.8	70.0	78.3	85.4
Net Debt / Equity (x)	(1.2)	(1.2)	(1.3)	(1.3)
Net Debt / EBITDA (x)	(5.0)	(6.6)	(6.9)	(6.7)
Profitability Ratios				
RoCE (%)	10.0	6.1	6.4	7.6
RoE (%)	18.2	14.9	14.9	16.0
RoIC (%)	19.7	16.4	16.3	17.4
Fixed Asset Turnover (x)	5.4	6.8	10.8	25.0
Inventory Turnover Days	0	6	6	6
Receivables Days	0	6	6	6
Payables Days	36	36	36	36

Source Company data, I-Sec research

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