

Improving revenue and margin performance...

Matrimony.com Ltd's (Matrimony) revenues increased 3.6% QoQ (up 7.4% YoY) to ₹ 96.7 crore mainly led by 3.8% QoQ (up 9.6% YoY) growth in matchmaking services (led by 31% YoY growth in paid subscribers). EBITDA margins increased 121 bps QoQ (up 694 bps YoY) at 18.9% mainly led by 317 bps QoQ increase in gross margins and operating leverage partially offset by 255 bps QoQ increase in advertising expenses. PAT increased 7.4% QoQ (up 96.5% YoY) to ₹ 11.0 crore. Billing increased 3.6% QoQ (9.0% YoY) to ₹ 100.1 crore mainly led by 3.8% QoQ (11.6% YoY) growth in matchmaking services.

Healthy billing, paid subscriber growth to drive growth

The company expects healthy double digit revenue growth in Q4FY21E mainly led by improving billing growth, improvement in match making services and improvement in personalised services (~10% of revenues). In addition, revival in retail segment (~10% of revenues), double digit billing growth in Q4FY21E and introduction of new products (like doctors' matrimony) is expected to drive revenues in coming quarters. This coupled with improved subscriber growth (led by differentiated pricing, focus on Tier II & Tier III cities and improving conversion), increasing market share in north (expects to gain healthy market in next two years) and inorganic opportunity (due to healthy cash) is expected to drive revenues in long term. We expect revenues to increase at a CAGR of ~10% over FY20-23E.

Stable advertising, operating leverage to drive growth

The company expects advertising expenses to stabilise at Q3 levels. We believe this will be a key margin driver (it has been key margin dragger in the past). Also, improving revenue growth and operating leverage benefit is expected to further drive margins in coming years. Hence, we expect margins to increase 450 bps to 19.1% in FY21 and another 414 bps to 23.3% in FY21E-23E. Accordingly, we revise our EPS estimates upwards.

Valuation & Outlook

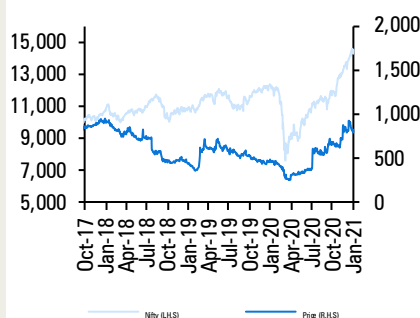
Improving billing growth, improvement in match making services, growth in personalised services & retail, healthy subscriber growth, inorganic growth and increasing market share in north prompt us to believe the company will be able maintain healthy double digit revenue growth in coming years. In addition, expectation of stable advertising expenses and operating leverage benefit prompt us to revise our EPS estimates upwards. This coupled with leadership in an underpenetrated online match making industry and strong cash flow generation prompt us to maintain **BUY** on the stock with a revised target price of ₹ 1,070 (30x PE on FY23E EPS) (earlier target price of ₹ 800).



Particulars

Particular	Amount
Market Cap (₹ Crore)	1,953.1
Total Debt	-
CC&E (₹ Crore)	235.0
EV (₹ Crore)	1,718.0
52 week H/L	967 / 251
Equity capital	11.4
Face value	5.0

Price Performance



*Sep 17 listing

Key Risk

- Lower than expected growth in paid subscribers to impact revenues adversely
- We expect cost rationalisation to drive margins. However, lower than expected cost savings will adversely impact margins

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Key Financial Summary

₹ Crore	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	348	372	382	437	491	9.7%
EBITDA	74	54	73	95	114	28.0%
EBITDA Margins (%)	21.3	14.7	19.1	21.7	23.3	
Net Profit	42	30	46	64	80	39.6%
EPS (₹)	18.6	13.0	20.0	27.9	35.2	
P/E	46.2	66.1	42.8	30.7	24.4	
RoNW (%)	21.0	12.9	17.6	22.3	25.3	
RoCE (%)	25.9	16.2	21.3	26.7	30.4	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	372	382	437	491
Growth (%)	6.7	2.8	14.4	12.3
COGS (employee expenses)	153	127	144	162
Other expenses	164	182	198	215
Total Operating Expenditure	317	309	342	377
EBITDA	54	73	95	114
Growth (%)	(26.6)	34.2	29.7	20.5
Depreciation	28	26	26	26
Other income (net)	13	13	15	17
PBT	39	60	83	105
Total Tax	10	14	20	25
PAT	30	46	64	80
Growth (%)	(30.4)	54.8	39.3	26.1
Diluted EPS (₹)	13.0	20.0	27.9	35.2
Growth (%)	(30.3)	54.5	39.3	26.1

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit	39	60	83	105
Add: Depreciation	28	26	26	26
Others	(7)	(13)	(15)	(17)
Inc/(dec) in working capital	5	3	13	13
Taxes paid	(7)	(14)	(20)	(25)
CF from operating activities	57	61	88	102
(Inc)/dec in Fixed Assets	(12)	(11)	(13)	(15)
Others	(23)	18	20	22
CF from investing activities	(34)	6	7	7
Dividend paid & dividend tax	(4)	(14)	(38)	(48)
Others	(19)	(20)	(15)	(15)
CF from financing activities	(24)	(34)	(53)	(63)
Net Cash flow	(1)	34	42	46
Exchange difference	0	-	-	-
Opening Cash	5	5	38	80
Closing cash balance	5	38	80	126

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	11	11	11	11
Reserve and Surplus	217	249	274	306
Total Shareholders funds	228	260	286	318
Total Debt	-	-	-	-
Lease liability	46	46	46	46
Provisions	-	-	-	-
Other non current liabilities	0	0	0	0
Total Liabilities	275	307	332	364
Assets				
Property, plant and equipment	73	74	77	81
Investments	6	6	6	6
Intangibles	3	3	3	3
Right-of-use assets	57	56	51	46
Other non current assets	16	16	17	18
Cash & bank balance	115	148	190	236
Current Investments	120	120	120	120
Trade receivables	2	2	2	3
Security deposits	3	4	4	5
Other financial assets	5	5	5	6
Other current assets	5	5	6	6
Total Current Assets	250	284	328	377
Trade payables	33	34	39	43
Lease liability	15	15	15	15
OCL & provisions	82	85	97	109
Total Current Liabilities	130	133	150	167
Net Current Assets	120	151	178	210
Application of Funds	275	307	332	364

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Diluted EPS	13.0	20.0	27.9	35.2
Cash EPS	25.3	31.3	39.2	46.5
BV	100	114	125	139
DPS	1.8	6.0	16.8	21.1
Cash Per Share	50	65	83	104
Operating Ratios (%)				
EBITDA margin	14.7	19.1	21.7	23.3
PBT Margin	10.5	15.6	19.1	21.4
PAT Margin	7.9	12.0	14.6	16.4
Debtor days	2	2	2	2
Creditor days	33	32	32	32
Return Ratios (%)				
RoE	12.9	17.6	22.3	25.3
RoCE	16.2	21.3	26.7	30.4
Valuation Ratios (x)				
P/E	66.1	42.8	30.7	24.4
EV / EBITDA	31.5	23.0	17.3	13.9
EV / Net Sales	4.6	4.4	3.7	3.2
Market Cap / Sales	5.3	5.1	4.5	4.0
Price to Book Value	8.6	7.5	6.9	6.2
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Debt / Equity	-	-	-	-
Current Ratio	0.1	0.1	0.1	0.1
Quick Ratio	0.1	0.1	0.1	0.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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