

Media and Entertainment

2QFY24 Preview: Buoyed by box office



The much awaited pick-up in ad-revenue growth for broadcasters might remain elusive even in 2QFY24, in our view. A still fledgling rural recovery, delayed start to festive season and some diversion of FMCG's ad-budget towards sports ([here](#)) likely impacted TV (GEC) ad-spend during 2Q. Subscription revenue growth (YoY), on the other hand, should sustain as customer churn, if any, post recent price hikes would have stabilised now, in our view. Besides, a record box office performance of movies should benefit, apart from PVR-INOX, ZEEL and SUNTV as well. Zee Studios' "Gadar 2" and Sun Pictures' "Jailer" will help ZEEL/SUNTV report 11%/47% YoY revenue growth. A slew of blockbuster movies across languages mean PVR-INOX will likely report all time high revenues (INR 18.4bn; JMFe). Operating leverage in the business means its EBITDA (pre Ind-AS) could jump five-fold QoQ to INR 3.8bn. We expect Nazara to report a modest 14% growth YoY with some sequential moderation in EBITDA margins. Nazara's capital allocation plans post recent fund raises and way-forward for RMG business will be key monitorables. In spite of a strong run-up (+50% in past six months), we continue to find value in SUNTV. We expect ZEEL to pause till newco listing (which we expect by year-end), but remain constructive over the medium term. We believe market's apprehension on PVR-INOX's sustained recovery offers a good entry point at current levels. We remain cautious on Nazara on rich valuations.

- **Zee Entertainment:** We expect ZEEL to report 11% YoY growth in 2Q net of -2%/+11% growth in ad/subscription revenues. Muted ad-growth despite a likely uptick in FMCG's A&P spend this quarter points to some diversion of FMCG's ad-spend towards sports. A lower ad-rate in cricket due to weaker demand from start-ups has likely made the ad ROIs in cricket more palatable for FMCG companies, in our view. This could however be transitory. Moreover, strong other sales and services led by INR 6bn+ BOC of Gadar 2, a Zee Studios movie, will likely offset soft ad-revenues. Low budget (INR 600mn; Source: Media) of Gadar 2 means flow through to margins will be healthy. We expect c.200bps margin expansion QoQ. Key things to watch: a) progress on on-going merger and tentative timelines; b) update on promoter's case in SAT.
- **Sun TV:** Jailer's, a Sun Pictures movie, strong BOC (INR 6.5bn+) and c.INR 1bn OTT rights sale to Netflix should translate into c.INR 3.7bn revenue for Sun's movie distribution business. We see trends in ad/sub growth to remain broadly similar to 1Q. We are building 2%/6.5% YoY revenue growth for ad/sub revenue. We expect consol revenue growth of c.47% YoY. Reported EBITDA margin is expected at c.72%, as Sun TV amortises movie production cost (below EBITDA). Adjusted for Jailer's production cost (c.INR 2.2bn) however, EBITDA margin could decline 262 bps sequentially to 57.1%. Any decision on cash utilisation (special dividend; acquisitions) will be key to watch.
- **PVR-Inox:** India's box office collection in 2QFY24 is estimated to be c.INR 34bn ([Exhibit 2](#)). Strong performance from Hollywood (Barbie, Oppenheimer) and Bollywood movies (Gadar 2, OMG 2, Jawan) mean PVR-INOX's share will likely be higher. We est. PVR-INOX to report INR 10.6bn (+53% QoQ) of ticket sales (c.31% share of BOC). A strong admits growth (46mn; +55% YoY pro-forma) and uptick in SPH (+12.5% YoY) should drive 75% YoY growth in F&B revenues (pro-forma). We expect consolidated revenues to be INR 18.7b – highest ever. Operating leverage should drive 14ppt sequential improvement in EBITDA margin to 20.4% (pre Ind-AS).
- **Nazara Technology:** We estimate Nazara to report 14.4% YoY revenue growth in 2QFY23. A still favourable base in Gamified Early Learning (only one month of Wildworks in 2QFY23) will aid 33% YoY growth. Delayed festive season could mean the usual pick-up in eSports – due to accessory business – may be absent. We expect 22% YoY growth in this segment. RMG and Datawrkz will continue to drag. We expect EBITDA margin to improve by 182bps YoY to 9.9%. Key things to watch: a) RMG strategy after changes to GST; b) outlook on eSports and its media revenues after lifting of ban on BGMI; c) capital allocation strategy with recent fund raises; d) FY24 revenue/margin guidance.

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2QFY24 expectations for JMF Media coverage universe

Exhibit 1. Financial Snapshot

INR mn, unless specified	2QFY23	1QFY24	2QFY24E	QoQ	YoY	
Zee Entertainment						
Advertising revenues	10,128	9,409	9,911	5.3%	-2.1%	<ul style="list-style-type: none"> • Ad-revenue to be impacted by delayed start to festive season and some diversion of ad-spend towards Asia Cup. • We expect subscription revenues to sustain at 1Q levels as we expect churn in customer base, if any, to stabilise. • We est. ZEEL to get 45% of Gadar 2's global BOC (INR 6.8bn). Plus, we expect ZEEL to report INR 500mn of Gadar 2's OTT rights sale revenue – although to Zee5 – in other sales and services • We have assumed production and other cost for Gadar 2 of c.INR 700mn to be amortised fully in 2Q. We have assumed some cost allocation towards OTT rights to be amortised over 4 quarters
Subscription revenues	8,219	9,075	9,099	0.3%	10.7%	
Other Sales and Services	1,937	1,354	3,486	157.5%	80.0%	
Total Revenues	20,284	19,838	22,497	13.4%	10.9%	
EBITDA	2,973	1,549	2,226	43.7%	-25.1%	
EBITDA margin (%)	14.7%	7.8%	9.9%	209bps	-476bps	
EBIT	2,157	764	1,441	88.6%	-33.2%	
EBIT margin (%)	10.6%	3.9%	6.4%	255bps	-423bps	
PAT	1,129	-534	1,219	nm	8.0%	
SunTV						
Advertisement	3,425	3,391	3,460	2.0%	1.0%	<ul style="list-style-type: none"> • We expect a muted ad-revenue growth for Sun TV as well, in-line with our expectations for ZEEL
Domestic subscription	3,970	4,353	4,227	-2.9%	6.5%	
International Pay TV	239	260	251	-3.5%	5.0%	<ul style="list-style-type: none"> • Expect domestic subscription revenues to grow 6.5% YoY led by 10%/2.5% growth in Cable/DTH revenues.
Movie distribution	310	10	3,718	nm	11x	
IPL Revenues	-	5,127	-	nm	nm	<ul style="list-style-type: none"> • Movie distribution revenue calculated as a) 45% of Jailer's BOC (of INR 6bn; and b) OTT rights sale to Netflix (INR 1bn).
Others	20	37	20	-45.7%	0.0%	
Revenue	7,964	13,178	11,675	-11.4%	46.6%	
EBITDA¹	5,248	7,865	6,662	-15.3%	27.0%	<ul style="list-style-type: none"> • We expect QoQ reported margins (before movie amortization) at 72% (vs 60% in Q3). Adjusted for movie amortization cost we expect EBITDA margin to decline 260bps to 57%.
EBITDA margin (%)	65.9%	59.7%	57.1%	-262bps	-883bps	
PAT	4,007	5,830	5,192	-10.9%	29.6%	
PVR-INOX Ltd²						
Sale of movie tickets	3,268	6,945	10,614	52.8%	224.8%	<ul style="list-style-type: none"> • 36% QoQ growth in admits and 11% sequential improvement in realisation should drive ticketing revenue.
Foods & Beverages	2,303	4,277	5,956	39.3%	158.6%	
Advertisement	572	893	933	4.5%	63.1%	<ul style="list-style-type: none"> • ~-3% QoQ increase in spend per head along with admits should aid c. 40% QoQ growth for F&B segment.
Convenience fee	409	532	798	50.0%	95.1%	
Other operating income	465	402	354	-11.9%	-23.9%	<ul style="list-style-type: none"> • We expect occupancy to reach pre-Covid levels of 30%+, this should help improve EBITDA margin sequentially.
Revenue	7,017	13,049	18,656	43.0%	165.9%	
EBITDA	1,537	3,525	6,557	86.0%	326.7%	
EBITDA margin (%)	21.9%	27.0%	35.1%	813bps	1,325bps	
Core EBITDA (pre Ind-AS)	-22	808	3,838	375.0%	nm	
Core EBITDA margin (%)	-0.3%	6.2%	20.6%	1,438bps	nm	
PAT	-712	-816	2,140	nm	nm	
Operational metrics³						
ATP (INR)	214	246	272	10.6%	27.3%	
SPH (INR) ⁴	115	126	129	2.5%	12.5%	
Admits (mn)	29.6	33.9	46.1	35.9%	55.6%	
Occupancy (%)	20.7%	23.0%	30.5%	750bps	983bps	
Nazara Tech						
Revenue	2,638	2,545	3,017	18.6%	14.4%	<ul style="list-style-type: none"> • We expect Nazara to report revenue growth of 14% YoY, aided by inorganic growth (branded PTE), two incremental months of Wildworks (on a YoY basis) and price hikes in Kiddopia.
Gamified early learning	598	796	794	-0.3%	32.8%	
eSports	1,366	1,178	1,678	42.4%	22.9%	<ul style="list-style-type: none"> • We have assumed RMG revenues to be flattish sequentially as impact of GST changes will likely come from 1st October.
Telco subscription	117	108	105	-2.5%	-10.0%	
Freemium	55	72	59	-18.5%	6.8%	<ul style="list-style-type: none"> • We expect margins in Gamified Early Learning to decline sequentially by 7 ppt as marketing spend, which was impacted last quarter, will likely normalise in 2Q
Real money gaming	147	120	117	-2.5%	-20.4%	
Datawrkz	355	271	264	-2.4%	-25.6%	
EBITDA	213	331	323	-2.4%	51.6%	
EBITDA Margin (%)	8.1%	13.0%	10.7%	-230bp	263bp	
PAT	97	195	117	-40.0%	20.6%	<ul style="list-style-type: none"> • We expect the company to maximise profitability in RMG as they pull back spend on user acquisitions post GST changes
Kiddopia paying users	3,01,916	3,11,758	3,01,714	-3.2%	-0.1%	
Monthly active users (RMG)	27,753	15,954	15,555	-2.5%	-44.0%	
Sportskeeda MAU (mn)	72.8	81.6	79.6	-2.5%	9.3%	

Note: (1) Sun TV's EBITDA adjusted for movie amortisation cost in 2QFY24; (2) Reported (non pro-forma) PVR financials for 2QFY23; (3) Pro-forma operating metrics for 2QFY23; (4) SPH is calculated based on F&B spend divided by number of admits and may differ from reported SPH. Source: Company, JM Financial estimates

Exhibit 2. Box-office collection – 2QFY24

Hindi	Gross BO Collect. (INR mn)	Released Date
Bollywood		
The Vaccine War	90	28-Sep-23
Fukrey 3	700	28-Sep-23
The Great Indian Family	61	22-Sep-23
Jawan	7,292	07-Sep-23
Dream Girl 2	1,255	25-Aug-23
Ghoomer	59	18-Aug-23
Gadar 2	6,193	11-Aug-23
OMG 2	1,783	11-Aug-23
Rocky Aur Rani Ki Prem Kahani	1,825	28-Jul-23
Ajmer 92	22	21-Jul-23
Hollywood		
Expend4bles	-	22-Sep-23
The Nun 2	530	07-Sep-23
Blue Beetle	82	18-Aug-23
Meg 2: The Trench	231	03-Aug-23
Oppenheimer	1,575	21-Jul-23
Barbie	537	21-Jul-23
Regional		
Jailer (Kollywood)	4,083	10-Aug-23
Bro (Tollywood)	972	28-Jul-23
Mark Antony (Kollywood)	804	15-Sep-23
Maaveeran (Kollywood)	629	14-Jul-23
Kushi (Tollywood)	570	01-Sep-23
RDX (Mollywood)	553	25-Aug-23
Skanda (Tollywood)	418	28-Sep-23
DD Returns (Kollywood)	385	28-Jul-23
Chandramukhi 2 (Kollywood)	365	28-Sep-23
Bholaa Shankar (Tollywood)	360	11-Aug-23

Source: Sacnilk, JM Financial

Total box office collection in 2QFY24, as per data collected from Sacnilk, is c.INR 34bn

With strong contribution from Bollywood and Hollywood movies – where PVR-INOX has higher share (30-50%), we expect PVR-INOX's overall ticketing revenues in 2Q to jump sharply to INR 10.6bn.

Exhibit 3. JMF Media Coverage Universe – Valuation summary

Company Name	CMP (INR)	TP (INR)	Upside (%)	Market Cap (INR mn)	EV (INR mn)	EV/Sales (x)			EV/EBITDA (x)			PER (x)			ROE(%)		
						FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Zee Entertainment	261	370	42%	2,50,359	2,44,505	2.8x	2.5x	2.2x	19.2x	14.5x	11.4x	39.4x	23.9x	18.2x	7.0%	9.1%	11.0%
Sun TV	630	750	19%	2,48,293	1,91,484	4.6x	4.1x	3.9x	8.4x	7.3x	6.9x	13.0x	11.5x	10.8x	19.5%	19.8%	19.1%
Nazara Technologies	868	640	-26%	57,452	51,492	4.1x	3.4x	2.9x	38.2x	30.2x	24.8x	113.2x	81.3x	62.0x	4.5%	5.9%	7.5%
PVR INOX	1,704	2,270	33%	1,67,244	1,81,849	2.9x	2.5x	2.2x	8.5x	7.1x	7.1x	37.2x	22.5x	16.9x	6.0%	9.1%	11.0%

Source: Company, Bloomberg, JM Financial estimates; as of 6th Oct 23.

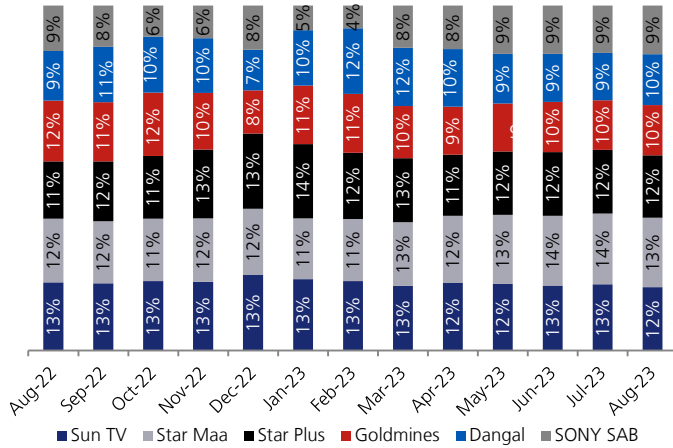
Exhibit 4. JMF Media Coverage Universe – Summary Financials

Company Name	Net Sales (INR mn)				CAGR	EBITDA (INR mn)			CAGR	Reported Profits (INR mn)			CAGR	Adj. EPS (EPS)			CAGR
	FY24E	FY25E	FY26E	23-26E		FY24E	FY25E	FY26E		23-26E	FY24E	FY25E		FY26E	23-26E	FY24E	
Zee Entertainment	88,617	99,373	1,11,578	11%	12,763	16,824	21,479	25%	6,361	10,480	13,718	206%	7.9	10.9	14.3	47%	
SunTV	41,641	46,265	49,510	9%	22,854	26,200	27,929	8%	19,067	21,572	22,915	10%	48.4	54.7	58.1	10%	
Nazara Technologies	12,697	14,971	17,617	17%	1,347	1,703	2,079	24%	508	706	926	16%	7.7	10.7	14.0	16%	
PVR INOX	62,903	72,219	81,409	32%	21,396	25,707	29,831	42%	4,500	7,441	9,909	-244%	46.2	76.4	101.7	-246%	

Source: Company, JM Financial estimates

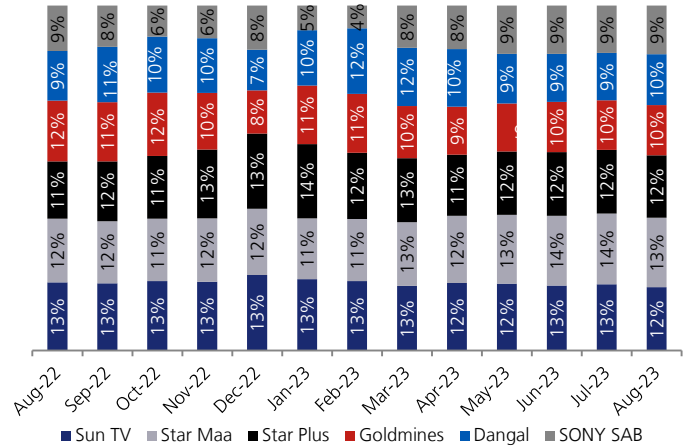
TV Viewership: Select geographies

Exhibit 5. Viewership: Top Channels All India



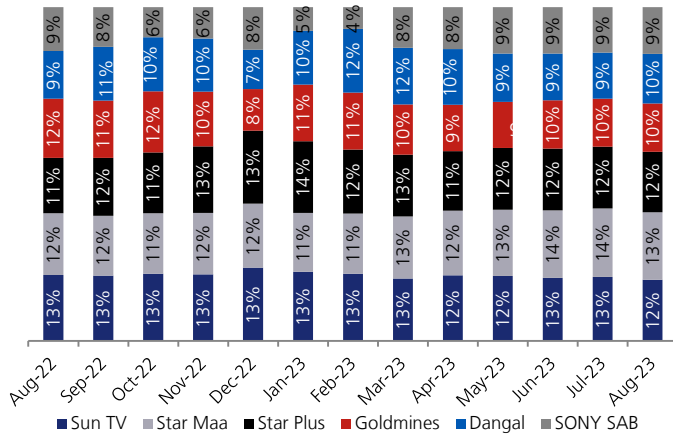
Source: BARC, JM Financial

Exhibit 6. Viewership: South India



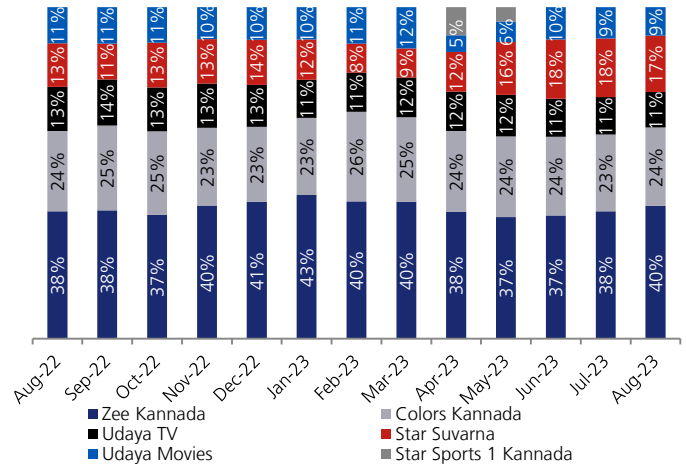
Source: BARC, JM Financial

Exhibit 7. Viewership: Tamil Nadu/ Pondicherry



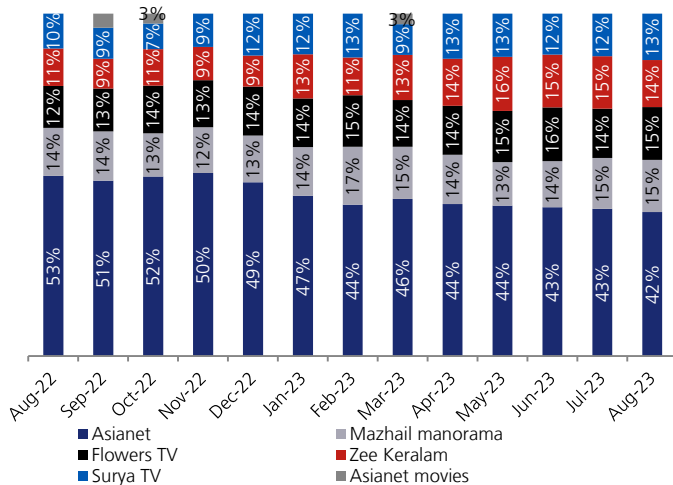
Source: BARC, JM Financial

Exhibit 8. Viewership: Karnataka



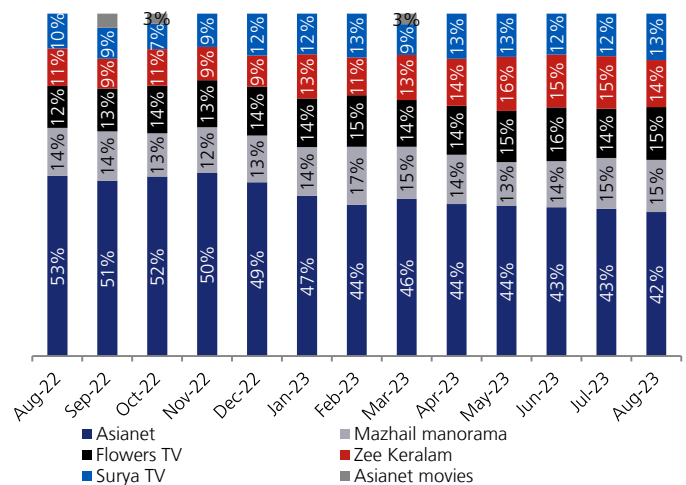
Source: BARC, JM Financial

Exhibit 9. Viewership: Kerala



Source: BARC, JM Financial

Exhibit 10. Viewership: Maharashtra/ Goa



Source: BARC, JM Financial

APPENDIX I

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