

Media & Entertainment

Q3FY24 Preview: A muted quarter

Sector Report

▶ Quarterly Preview

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After an exceptional performance in Q2FY24, box office collections moderated in Q3, with a strong showing by select movies in the second half of the quarter. A few big-budget Bollywood movies did well in the quarter, ably supported by select regional movies, while Hollywood fell short of the mark this quarter. For broadcasters, growth is likely to be impacted by the Cricket World Cup in the first half of the quarter which resulted in diversion of advertising spends. However, the festive season should aid some sequential growth. Subscription revenue should stay stable.

Multiplex

After a disappointing start to the quarter, performance of select movies post mid-November resulted in decent box-office collections. *Animal* emerged as the second highest-grossing movie ever. Other Bollywood movies that collected in excess of Rs1bn include *Dunki* and *Tiger 3*. Among regional movies, *Salaar: Part 1- Ceasefire* and *Leo* were the standout box-office performers. No Hollywood movie managed to break the Rs1-billion barrier.

We expect footfalls to decline 22% QoQ to 37.5mn on account of a higher base in Q2 and an unfavorable mix with no Hollywood movies firing this quarter. ATP should moderate slightly to Rs270, after a record Rs276 in Q2FY24. SPH should also moderate marginally to Rs134, from Rs136 in Q2. A slightly more consistent performance of movies and the festive season should also aid advertising revenues, which are expected to increase 19% QoQ to Rs1.4bn. We estimate the EBITDA (pre-IndAS) to decline 53% QoQ due to lower revenue.

Broadcaster

The ICC World Cup should impact growth in the initial half of the quarter. FMCG companies continue to ramp up their ad spending, with sectors like Auto and Financial Services also seeing some growth, although their overall contribution is minimal. Subscription revenues are likely to remain steady. For Zee, other sales and services should see a sharp sequential drop on account of the higher base in Q2FY24. Zee's market share should also be negatively impacted by the major cricket event in the first half of the quarter. Its margins are likely to decline on a sequential basis owing to lower revenues.

Music

Saregama's revenue growth should be aided by seasonality, with the festive season driving Carvaan growth and higher YouTube advertising revenue. However, headwinds from the transition of select platforms to a paid subscription model should hit music licensing revenue. This quarter will also see the impact of the consolidation of 'Pocket Aces' for roughly half of the quarter. Margins are only expected to drop marginally QoQ.

Outlook

For PVR Inox, the pipeline of movies does not have too many big-budget Bollywood movies lined up in the near term. The Hollywood pipeline is also likely to be compressed by the recent strike, which lasted nearly four months and can have an impact on near-term box-office collections. For Zee, the merger remains critical and we expect some progress on this front in the next couple of months.

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Exhibit 1: Key trends and assumptions

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24E	YoY growth	QoQ growth
Zee Ent (Z IN)							
Total revenue	21,112	21,121	19,838	24,378	20,938	-1%	-14%
Ad revenue	10,638	10,058	9,409	9,792	10,262	-4%	5%
Subscription	8,944	8,474	9,075	8,878	8,976	0%	1%
Domestic	7,875	7,428	8,013	7,790	7,875	0%	1%
International	1,069	1,046	1,062	1,088	1,101	3%	1%
Multiplex							
PVR-Inox (PVRINOX IN)							
Total revenue	9,406	11,432	13,049	19,999	15,489	65%	-23%
Ticket revenue	4,355	6,016	6,945	11,193	8,531	96%	-24%
F&B revenue	2,884	3,520	4,277	6,412	4,728	64%	-26%
Ad revenue	792	907	893	1,176	1,400	77%	19%
Music							
Saregama (SARE IN)							
Total revenue	1,855	2,074	1,633	1,724	2,022	9%	17%
Music	1,548	1,461	1,491	1,569	1,702	10%	9%
Films/ Television Serial	272	575	122	151	160	-41%	6%
Events			21	4	10	NA	133%

Source: Company, Emkay Research. Note: Saregama's Q3FY23 and Q4FY23 Films/ Television Serial also includes Events revenue.

Exhibit 2: Net Box Office Collection in Q3FY24

Film	Release date	Box office Collection (Rs mn)
Bollywood		
Fukrey 3	28-Sep-23	677
The Vaccine War	28-Sep-23	103
Mission Raniganj	06-Oct-23	342
Ganpath- A Hero is Born	19-Oct-23	130
12th Fail	27-Oct-23	539
Tiger 3	12-Nov-23	2,828
Animal	01-Dec-23	5,449
Sam Bahadur	01-Dec-23	892
Dunki	21-Dec-23	1,891
Hollywood		
Taylor Swift: The Eras Tour	03-Nov-23	160
The Marvels	10-Nov-23	122
Aquaman and the Lost Kingdom	21-Dec-23	163
Regional		
Kannur Squad	28-Sep-23	321
Chithha	28-Sep-23	124
Iraivan	28-Sep-23	114
Skanda	28-Sep-23	416
Chandramukhi 2	28-Sep-23	216
Mad	06-Oct-23	181
Ghost	19-Oct-23	219
Bhagavanth Kesari	19-Oct-23	848
Leo	19-Oct-23	3,410
Tiger Nageswara Rao	20-Oct-23	377
Maa Oori Polimera 2	03-Nov-23	165
Garudan	03-Nov-23	149
Japan	10-Nov-23	182
Jigarthanda Double X	10-Nov-23	443
Mangalavaaram	17-Nov-23	163
Sapta Sagaradaache Ello (Side B)	17-Nov-23	120
Kaathal - The Core	23-Nov-23	109
Jhimma 2	24-Nov-23	106
Hi Nanna	07-Dec-23	466
Neru	21-Dec-23	327
Salaar: Cease Fire - Part 1	22-Dec-23	3,459
Kaatera	29-Dec-23	281

Source: Sacnilk, Emkay Research. Note: Only movies collecting more than Rs100mn are included

Exhibit 1: Q3FY24 Preview

Name			Dec-23E	Sep-23	Dec-22	YoY	QoQ	Comments
Zee Enterprises								
CMP (Rs/sh)	284	Net Sales (Rs mn)	20,938	24,378	21,112	-0.8%	-14.1%	The Cricket World Cup during Oct-Nov is likely to impact advertising revenue growth for Zee in Q3FY24. Ad revenue recovery remains gradual and we expect a decline of 3.5% YoY. Market share should also decline sequentially, owing to the cricketing event. We expect flat YoY growth in subscription revenue, as Q3FY23 saw one-off revenue of Rs485mn. Other sales and services revenue should also decline sharply, by 70% QoQ, due to no major movies. Consolidated revenue should decline 11% QoQ due to lower revenue from other sales and services. EBITDA margin should decline to 11% from 13.6% in Q2FY24, given lower revenue.
Mkt Cap (Rs bn)	271	EBITDA (Rs mn)	2,307	3,328	3,380	-31.7%	-30.7%	
Rating	BUY	EBITDA Margin (%)	11.0	13.6	16.0	(499) bps	(263) bps	
		PAT (Rs mn)	1,080	1,230	243	344.3%	-12.2%	
		EPS (Rs)	1.1	1.3	0.3	344.3%	-12.2%	
PVR Inox								
CMP (Rs/sh)	1,649	Net Sales (Rs mn)	15,489	19,999	9,407	64.7%	-22.6%	PVR Inox should report a revenue decline of 23% QoQ, after an all-time record revenue in Q2FY24. After a slow start to the quarter, given the Cricket World Cup, performance improved in the second half. Footfalls are expected to fall 22% QoQ, while ATP and SPH should decline to Rs270 (from Rs276) and Rs134 (from 136) QoQ, respectively. Five movies managed to breach the Rs1bn mark in the quarter compared with 8 movies in the last quarter. Advertising revenue should improve 19% QoQ, courtesy the consistent performance of movies and the festive season. PVR Pictures had no major releases in Q3FY24. Reported EBITDA margin should decline 53% QoQ on account of lower revenue.
Mkt Cap (Rs bn)	163	EBITDA (Rs mn)	4,768	7,068	2,888	65.1%	-32.5%	
Rating	BUY	EBITDA Margin (%)	30.8	35.3	30.7	9 bps	(456) bps	
		PAT (Rs mn)	527	1663	161	NM	NM	
		EPS (Rs)	5.4	17.0	2.7	NM	NM	
Saregama India								
CMP (Rs/sh)	373	Net Sales (Rs mn)	2,022	1,724	1,855	9.0%	17.3%	In a seasonally strong quarter, Saregama revenue should report a revenue uptick of 17.3% QoQ/9% YoY. Growth is likely to be strong in the music segment, while lack of any movies/ events should result in a subdued performance. Consolidation of Pocket Aces financials should happen for a duration of slightly more than one month. Margins are likely to report only a marginal decline, of 80bps QoQ, from a high base of 35.3% in Q2FY24.
Mkt Cap (Rs bn)	72	EBITDA (Rs mn)	698	609	626	11.4%	14.6%	
Rating	BUY	EBITDA Margin (%)	34.5	35.3	33.8	74 bps	(82) bps	
		PAT (Rs mn)	587	481	525	11.7%	21.9%	
		EPS (Rs)	3.0	2.5	2.7	11.9%	21.9%	

Source: Company, Emkay Research; Note: PVR's financials for Q3FY23 are on a pre-merged basis and, hence, YoY numbers are not comparable

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