

Sector: Consumer Discretionary
Result Update

	Change
Reco: Hold	↔
CMP: Rs. 248	
Price Target: Rs. 290	↓

↑ Upgrade ↔ No change ↓ Downgrade

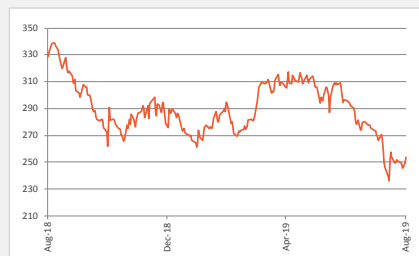
Company details

Market cap:	Rs. 1,401 cr
52-week high/low:	Rs. 342/232
NSE volume: (No of shares)	0.3 lakh
BSE code:	538268
NSE code:	WONDERLA
Sharekhan code:	WONDERLA
Free float: (No of shares)	1.7 cr

Shareholding (%)

Promoters	69.4
FII	12.7
DII	6.5
Others	11.5

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-6.3	-16.9	-12.8	-22.0
Relative to Sensex	-3.7	-17.6	-16.0	-22.2

Sharekhan Research, Bloomberg

Wonderla Holidays Limited (Wonderla) reported strong operating performance in Q1FY2020 with revenue and PAT growing by ~13% and ~28%, respectively, in Q1FY2020. Footfalls grew by 8% with the Bangalore and Kochi parks seeing a rise of 9% and 12% respectively, in footfalls in a seasonally strong quarter. Higher footfalls and operating efficiencies helped operating margins (OPM) expand by 298 bps to 58.3%. The company has acquired 62 acres in Kelambakkam, Chennai for its fourth park and work will begin once regulatory approvals come in. The recent torrential rains and floods in Kerala and Karnataka will affect footfalls in the Kochi and Bangalore parks in Q2FY2020 (seasonally weak quarter). We maintain our Hold recommendation on the stock.

Key positives

- Overall footfalls grew by 8% driven by a 9% and 12% growth in the footfalls in the Bangalore and Kochi parks.
- OPM improved by ~298 bps largely led by higher footfalls and operating efficiencies.
- Occupancies in the Bangalore resort improved to 62% in Q1FY2020 as against 45% in Q1FY2019.

Key negatives

- The Hyderabad park saw footfalls rise by just 4%.
- Non-ticketing revenue per visitor grew by just 1%, lower than some earlier quarters.

Our Call

Valuation: We have fine-tuned our earnings estimates for FY2020 and FY2021 to factor in the expected muted performance in Q2FY2020 (~14% of FY2020 revenue) due to floods in Kerala and Karnataka. The management has taken adequate steps to revive footfalls in the all the three parks. The upcoming park in Chennai will make Wonderla one of the strong players in the amusement parks space in India. However, we shall assess the company's performance for 1-2 quarters. Any sustained improvement in the performance would act as a re-rating trigger. We maintain our Hold recommendation on the stock with a revised price target (PT) of Rs. 290.

Key Risks

- Sustained muted performance of footfalls in the near to medium would affect revenue growth.
- Any natural calamity or spread of epidemics would act as a key risk to the footfalls and affect performance for a quarter or two.

Valuation

Particulars	FY17	FY18	FY19	FY20E	FY21E
Revenue	263	271	282	320	378
OPM (%)	25.5	33.0	40.5	42.1	42.3
Adjusted PAT	34	38	55	69	85
% YoY growth	-	13.5	43.9	24.1	23.7
Adjusted EPS (Rs.)	6.0	6.8	9.8	12.2	15.0
P/E (x)	41.3	36.4	25.3	20.4	16.5
P/B (x)	1.9	1.8	1.7	1.6	1.5
EV/EBIDTA (x)	19.9	15.3	11.5	9.4	7.4
RoNW (%)	5.9	5.1	7.0	8.2	9.7
RoCE (%)	8.1	7.2	9.7	11.7	13.8

Source: Company, Sharekhan Estimates

Revenues grew in double digits; margin expansion sustains: For Q1FY2020, the net revenue of Wonderla grew by 13.2% y-o-y to Rs. 117.6 crore driven by an 8.2% growth in overall footfalls. Ticketing and non-ticketing revenue grew by ~14% y-o-y and ~11% y-o-y, respectively due to better footfalls in all three parks. However, non-ticketing revenue per visitor remained flat. Higher operating efficiencies helped OPM improve by 298 bps to 58.3%. Operating profit grew by 19.3% y-o-y to Rs. 68.6 crore. Strong operating performance and higher other income resulted in a 27.5% growth in reported PAT to Rs. 42 crore as against Rs. 33 crore in Q1FY2019 (better than our expectation of Rs. 36.8 crore).

Bangalore park revenue grew in double digits; recovery seen in Kochi park footfalls: The Bangalore park saw footfalls grow by ~9% y-o-y, driving up revenue by 12.8% y-o-y to Rs. 53.4 crore. Footfall growth was driven by increased market penetration initiatives, focused media promotions and higher contribution of online portal bookings. The Hyderabad park revenue grew by 7% y-o-y to Rs. 31.3 crore led by a ~4% increase in footfalls. The Kochi park revenue grew by 18.9% y-o-y to Rs. 29.1 crore with footfalls registering ~12% growth, a huge jump compared to the last few quarters. Both, the Bangalore and Kochi parks witnessed a significant rise in group /channel bookings. Non-ticketing revenue per person for the Kochi park grew by 4.8% y-o-y whereas that of the Bangalore and Hyderabad parks stood almost flat. The revenue from the Bangalore resort grew by ~32.6% y-o-y to Rs. 3.8 crore, driven by a 62% occupancy rate in Q1FY2020, which improved from 45% in Q1FY2019.

Results (Standalone)

Particulars	Rs cr				
	Q1FY20	Q1FY19	y-o-y (%)	Q4FY19	Q4FY19
Net Sales	117.6	103.9	13.2	60.7	93.9
Total expenditure	49.0	46.4	5.7	42.8	14.6
Operating profit	68.6	57.5	19.3	17.9	-
Other income	3.7	2.2	65.3	2.9	27.0
Interest cost	0.2	0.4	-49.0	0.0	-
Depreciation	10.4	9.9	5.5	9.9	5.7
PBT	61.7	49.5	24.6	10.9	-
Tax	19.6	16.5	19.0	3.9	-
Adjusted PAT	42.0	33.0	27.5	7.0	-
OPM (%)	58.3	55.3	298 bps	29.5	-
EPS (Rs.)	7.4	5.8	27.5	1.2	-

Source: Company; Sharekhan Research

Performance of the Kochi Park

Particulars	Rs cr		
	Q1FY20	Q1FY19	y-o-y (%)
Revenues (Rs.cr)	53.4	47.4	12.8
Footfalls (,000)	396.6	365.5	8.5
Avg. realisation (Rs.)	1347	1295	4.0
Avg. ticket rev. per visitor (Rs.)	1055	1004	5.1
Avg. non- ticket rev. per visitor (Rs.)	292	291	0.3

Source: Company; Sharekhan Research

Performance of the Bangalore Park

Particulars	Rs cr		
	Q1FY20	Q1FY19	y-o-y (%)
Revenues (Rs.cr)	29.1	24.5	18.9
Footfalls (,000)	252.8	225.9	11.9
Avg. realisation (Rs.)	1150	1082	6.3
Avg. ticket rev. per visitor (Rs.)	888	832	6.7
Avg. non- ticket rev. per visitor (Rs.)	262	250	4.8

Source: Company; Sharekhan Research

Performance of the Hyderabad Park

Particulars	Rs cr		
	Q1FY20	Q1FY19	y-o-y (%)
Revenues (Rs.cr)	31.3	29.2	7.0
Footfalls (,000)	249.6	239.5	4.2
Avg. realisation (Rs.)	1254	1221	2.7
Avg. ticket rev. per visitor (Rs.)	946	908	4.2
Avg. non- ticket rev. per visitor (Rs.)	308	313	-1.6

Source: Company; Sharekhan Research

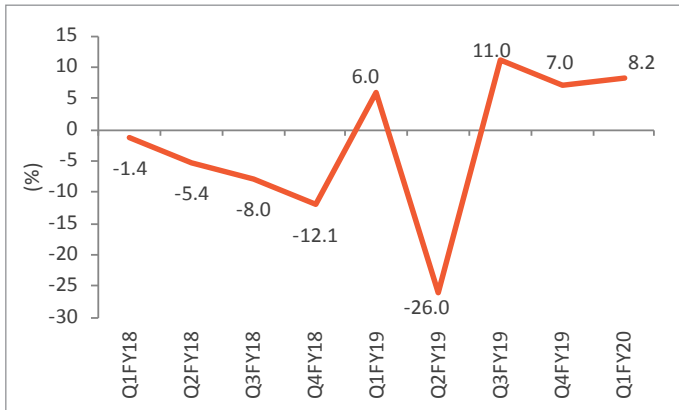
Performance of the Bangalore Resort

Particulars	Rs cr		
	Q1FY20	Q1FY19	y-o-y (%)
Revenues (Rs. cr)	3.8	2.9	32.2
Total no of Rooms night (avail.)	7496	7515	-0.3
Occupancy (%)	62%	45%	
Avg. Room rental for the period (Rs.)	4906	5059	-3.0

Source: Company; Sharekhan Research

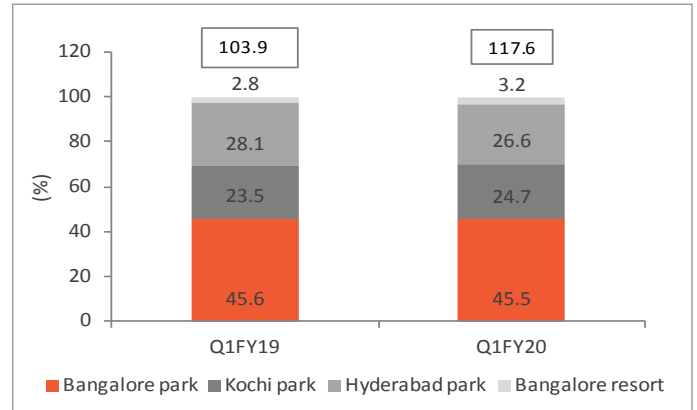
Financials in charts

Footfalls have improved post Q3



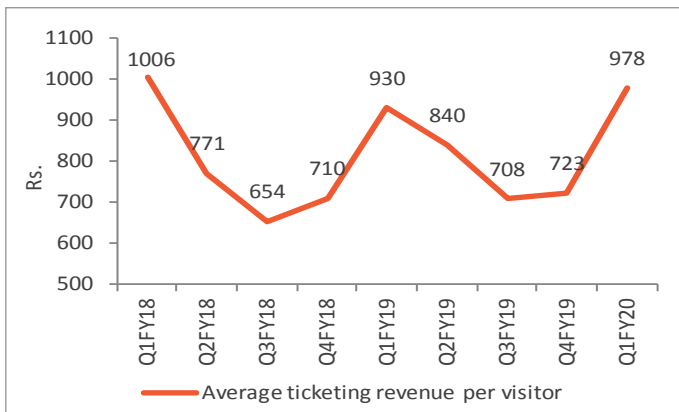
Source: Company, Sharekhan Research

Bangalore park contributes ~46% to revenue



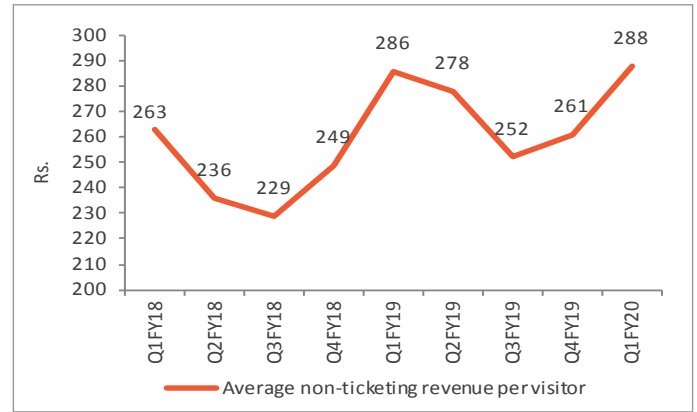
Source: Company, Sharekhan Research

Average ticket revenue per visitor up 5.2% y-o-y



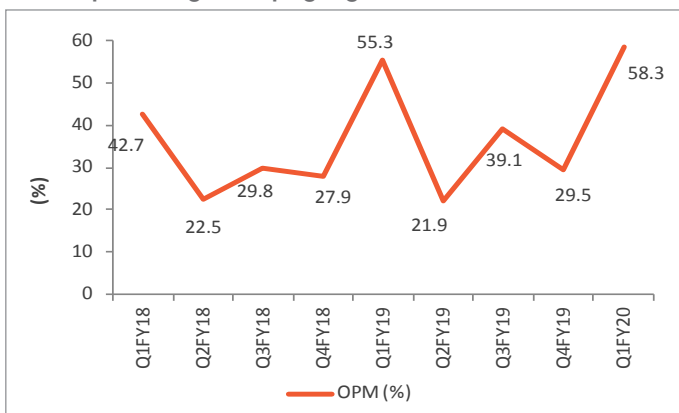
Source: Company, Sharekhan Research

Average non-ticket revenue per visitor stood flat



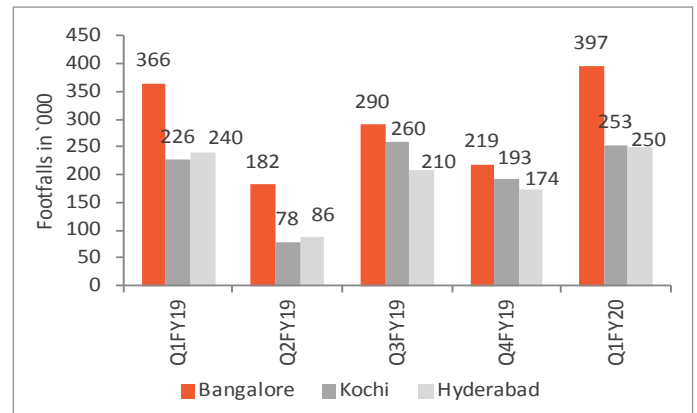
Source: Company, Sharekhan Research

OPM improved by 298 bps y-o-y to 58.3%



Source: Company, Sharekhan Research

Footfalls increased for all three parks



Source: Company, Sharekhan Research

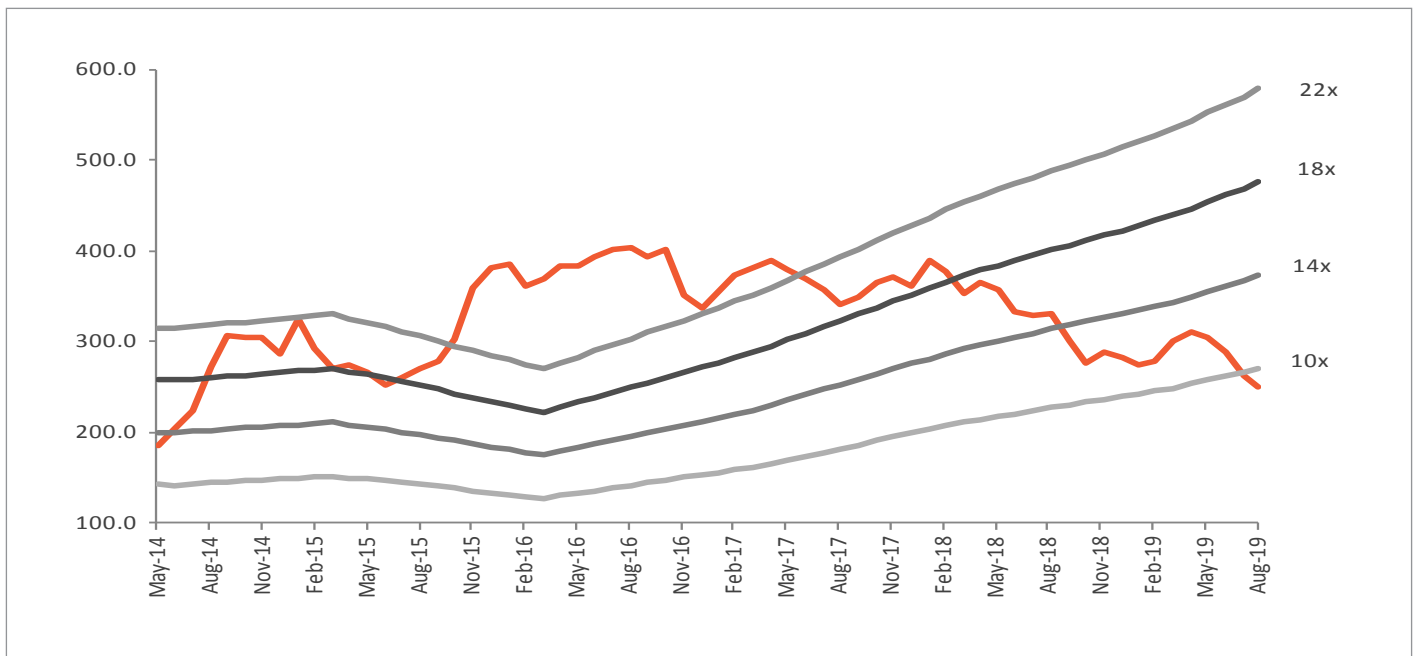
Outlook - Q1 was strong; Q2 will be another muted quarter

Wonderla registered a strong performance in Q1FY2020, as footfalls improved led by several company initiatives. Q1 contributes ~37% to the overall fiscal's revenue. The recent floods in Kerala and Karnataka would result in soft footfalls growth in a seasonally weak quarter. We expect the picture to improve in Q3, which is the second best quarter for the business owing to the festive/holiday season. OPM might see some softness in Q2, but we expect it to revive in Q3 and sustain at highs on a y-o-y basis in Q4 as well. Overall, we expect revenue to grow by 13% and OPM to expand by 156 bps to 42.1% for FY2020.

Valuation

We have fine-tuned our earnings estimates for FY2020 and FY2021, factoring in the expected muted performance in Q2FY2020 (~14% of FY2020 revenue) due to floods in Kerala and Karnataka. The management has taken adequate steps to revive footfalls in the all the three parks. The upcoming park in Chennai will make Wonderla one of the strong players in the amusement parks space in India. However, we shall assess the company's performance for 1-2 quarters. Any sustained improvement in the performance would act as a re-rating trigger. We maintain our Hold recommendation on the stock with a revised price target (PT) of Rs. 290.

One year forward EV/EBITDA (x) chart



Source: Sharekhan Research

About company

Wonderla is one of the largest theme park operators in India and has been in the business for over 19 years. The company launched its first amusement park in Kochi, followed by parks in Bangalore and Hyderabad and owns a resort located near its Bangalore park. The company has an in-house manufacturing facility in Kochi for construction of rides and attractions.

Investment theme

Wonderla is one of the top entertainment companies in India with three amusement parks in Kochi, Bangalore and Hyderabad. Despite an asset-heavy model, the company has a strong balance sheet with no debt on books as strong cash-flows take care of incremental capex requirements. Recent performance was affected by events such as floods and epidemics in Kerala and the general slowdown. However, Q1FY2020 was a relatively better quarter as footfalls improved. Q2 will be affected by the floods in Kerala and Karnataka. Any sustained improvement in footfalls will act as a re-rating trigger for the stock.

Key Risks

- ◆ Sustained muted performance of footfalls in the near to medium would affect revenue growth.
- ◆ Any natural calamity or spread of epidemics act as key risk to the footfalls and affect performance for quarter or two.

Additional Data

Key management personnel

Arun K Chittilappilly	Managing Director
M Ramachandran	Chairman
George Joseph	Vice Chairman
Srinivasulu Raju Y	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kochouseph Chittilappily T	26.2
2	Chittilappilly Kochouseph Thomas	26.2
3	Chittilappilly Mithun Koch	11.1
4	Kochouseph Sheela Grace	10.5
5	Chittilappilly Arun Kochouseph	7.3
6	Chittilappilly Kochouseph	4.9
7	K Chittilappilly Trust	4.9
8	Joseph Priya Sarah Cheeran	4.7
9	Arav Chittilappily Trust	4.7
10	Steinberg India EM OP Fund	4.3

Source: Bloomberg

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