Media

ICICI direct Research

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Still far from full blown recovery!

The media sector, while expected to grow, is still away from a full-fledged recovery. Broadcasters are expected to grow (albeit at a moderate pace) on advertising as well as subscription front. The loss of market share by both Zee & Sun, however, has restricted the growth potential. In the second quarter of reopening, few regional and small scale Hindi movies have helped multiplexes garner revenues. However, lack of Hindi blockbusters and second wave of Covid-19 has pushed the recovery path, further away.

Multiplexes face wrath of second wave of Covid-19

The quarter started on promising note with success of southern releases like *Master*. However, desired flow of successive releases (especially in Hindi languages) was absent. Subsequently, PVR and Inox Leisure recorded occupancy short of their historic figures. Employee and other expenses, increased further during the quarter as more screens opened. We estimate EBITDA (ex-Ind-AS) loss of ₹ 132.9 crore for PVR and EBITDA (ex-Ind-AS) loss of ₹ 93.2 crore for Inox. This will translate to net losses at bottomline for both companies. With newly announced restrictions in the key market of Maharashtra and few other states following the second wave of Covid-19, planned releases are likely to be delayed and revenue recovery will be further pushed ahead.

Market share loss to restrict ad growth momentum

Broadcasters will see ad as well as subscription growth in a slowly improving macroeconomic scenario. We expect overall revenues to grow for both Zee and Sun TV on a depressed base. However, ad growth will be far from its full potential as both Zee and Sun TV have lost some market share. While Zee's market share loss is in Marathi/Bengali/Hindi GEC segment, Sun TV's lower viewership in flagship Tamil market will affect its overall growth. Subscription growth will be muted amidst status quo of *NTO 2*. Key monitorable would be growth of respective digital segments.

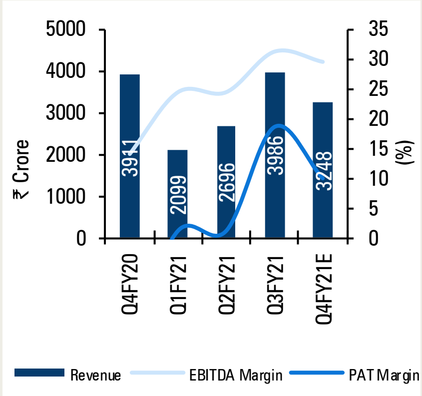
Zee ad revenue is expected to witness 7.5% YoY growth. The reported subscription growth is expected at ~14% YoY, also aided by realignment of music revenues. The like to like subscription growth is expected at ~5% YoY. We expect EBITDA margins at 26.5%. Sun TV is anticipated to report ad revenue growth of 7% YoY while subscription revenues are expected to grow ~6% YoY. We expect EBITDA margin to remain flat YoY at 68.5%, post some increase in content and other costs. We expect news viewership to remain steady given news-heavy events like state elections. TV Today is likely to report 10% YoY TV broadcasting revenue growth. Digital revenues are expected to continue growth trajectory with 20% YoY growth. EBITDA is expected to grow ~29% YoY to ₹ 60.5 crore while EBITDA margin is expected at 27% (up 455 bps YoY).

Exhibit 1: Estimates for Q4FY21E: (Media) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ
Inox Leisure	72.3	-80.5	NM	-74.6	PL	NA	-149.5	NA	NA
PVR	179.3	-72.2	294.9	-78.4	PL	NA	-245.8	NA	NA
Sun TV	767.1	4.3	-21.1	525.5	4.4	-12.5	366.5	46.6	-17.0
TV Today	224.2	7.6	0.3	60.5	29.4	-21.9	43.5	56.5	-20.6
Zee Ent.	2,005.5	2.8	-26.5	530.4	LP	-25.9	312.1	LP	-22.0
Total	**3,248.3**	**-16.9**	**-18.5**	**963.4**	**75.4**	**-23.0**	**326.8**	**LP**	**-56**

*Source: Company, ICICI Direct Research * Zee Ent. Q4 numbers are yet to be announced*

Topline & Profitability (Coverage Universe)



Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Amogh Deshpande
amogh.deshpande@icicisecurities.com

Result Preview

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Exhibit 2: Company Specific view - Media

Company	Remarks
Inox Leisure	Multiplexes saw a relatively better response sequentially as a result of a major southern language and few small budget Hindi releases. However, lack of big scale Hindi content hit the revenue recovery again. We expect revenues of ₹ 72.3 crore, down 80.5% YoY following minor occupancy during the quarter. Increase in employee and other expenses post reopening will lead to rise in expenditure, partially offset by increase in revenues sequentially. EBITDA loss(ex-Ind AS) is expected at ₹ 93.2 crore. **Key Monitorable**: Movie pipeline, occupancy trend, commentary on proposed capital raising
PVR	Success of a Tamil release in January was a boost for PVR given its higher concentration of screens in the region. Although absence of big budget Hindi movies meant lower occupancy, thereby leading to lower revenues during the quarter. Subsequently, we estimate overall revenues at ₹ 179.3 crore, down 72.2% YoY. Ad revenues are also yet to recover. We incorporate higher costs on sequential basis post reopening, EBITDA loss (ex-Ind AS) is estimated at ₹ 132.9 crore. **Key Monitorable**: New releases pipeline, debt position
Sun TV	We expect ad revenues to increase 7% YoY (on a lower base) as reduction in GEC viewership restricted growth potential. Subscription revenues are expected to maintain growth momentum and grow ~6% YoY. Net revenues are expected to increase ~4% YoY. We estimate minor increase in cost of sales for the quarter. We expect EBITDA margins to remain flat YoY at 68.5%. **Key Monitorable**: Tamil market viewership, SunNXT traction
TV Today Network	While viewership metric for news segment was absent, we believe events such as state elections among others has supported news viewership. TV Today is expected to report TV broadcasting revenue growth of 10% YoY to ₹ 185.3 crore. Radio business is estimated to decline ~12% YoY while digital revenues are expected to maintain growth trajectory and grow 20% YoY. We expect EBITDA of ₹ 60.5 with EBITDA margin of 27% for the quarter (up 455 bps YoY). PAT is expected jump 56.5% YoY aided by lower tax rate. **Key Monitorable**: TV broadcasting revenue growth, digital revenue growth
Zee Ent.	Zee's ad revenue is expected to witness 7.5% YoY growth on a depressed base as loss of market share in regional languages affected overall growth. The reported subscription growth, is expected at ~14% YoY, also aided by realignment of music revenues. The like to like subscription growth is expected at ~5% YoY. We expect EBITDA margins at 26.5% vs. -14.5% margins in Q4FY20 as operating performance was affected by certain one-offs in base quarter. **Key Monitorable**: Commentary on ad outlook, Zee5 performance, viewership trend

Source: Company, ICICI Direct Research

Exhibit 3: ICICI Direct Coverage Universe (Media)

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
Inox Leisure	277	350	Hold	3,110	1.5	-34.2	1.8	189.3	NM	157.1	10.8	-32.4	11.1	10.0	-13.0	8.1	2.4	-62.8	3.0
PVR	1,143	1,440	Hold	6,306	5.3	-101.7	10.7	215.0	NM	106.5	10.3	-37.5	10.0	8.5	-4.9	8.6	1.8	-46.0	4.7
Sun TV	489	570	Hold	19,261	35.1	35.4	40.3	13.9	13.8	12.1	7.3	7.7	6.1	31.2	28.9	29.3	24.2	21.8	22.2
TV Today	296	280	Hold	1,766	23.4	24.9	31.0	12.7	11.9	9.5	7.5	7.1	5.8	24.7	23.2	24.7	16.0	16.2	18.6
ZEE Ent.	202	250	Hold	19,438	5.5	9.2	16.1	36.9	22.1	12.6	11.3	9.7	7.9	13.9	14.3	19.1	16.7	10.3	13.9

Source: Company, ICICI Direct Research, Reuters

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Pankaj Pandey **Head – Research** **pankaj.pandey@icicisecurities.com**

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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