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Focus to be on festive season ahead...

The performance of the media sector is likely to remain below pre-Covid levels again in Q2FY22. While broadcasters on a depressed base are likely to see sharp ad growth YoY, ad revenues are likely to remain below pre-Covid levels. Multiplexes would have another quarter of washout performance. However, with strong content line up amid festive season and reopening of theatre, Q3 could herald a strong move towards normalisation of operation.

Multiplexes: Strong content line up for Q3 ahead

While multiplexes had reopened in a phased manner from August, 2021 onwards, lack of big releases and relatively tepid performance of limited big releases like *Bellbottom* and *Thalaivii* etc. is likely to result in continued losses for them, albeit lower QoQ due to rental waivers. Most importantly, key market of Maharashtra was shut for entire Q2 and will reopen from October 22, 2021. We estimate EBITDA (ex-Ind-AS) loss of ₹ 100 crore for PVR and EBITDA (ex-Ind-AS) loss of ₹ 69 crore for Inox. This will translate to net losses at bottomline for both companies. With strong Bollywood, Hollywood and regional line up and festive quarter ahead, Q3FY22 will be the key for overall recovery of multiplexes. Another positive comfort is adequate fund raise by both multiplex chains, which will ensure their survival amid cash burn. We would also monitor the quantum of rental waivers that the multiplexes manage to get, which will be one of the determinants of cash burn.

Broadcasters: Still below pre-Covid levels; festive cheer key...

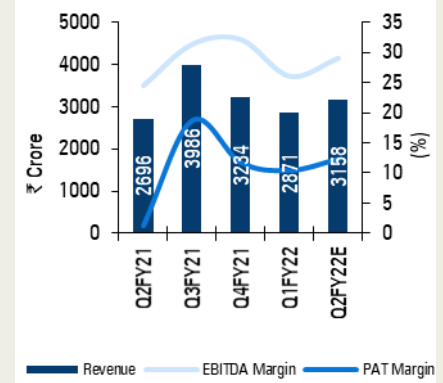
We highlight that Q2FY22 will be on a benign base of Q2FY21 wherein Zee, Sun TV saw ad decline of ~26%, 27%, decline, respectively. Thus, while we expect strong ad growth YoY, compared to Q2FY20 (pre-Covid levels), ad is likely to be still lower. This is due to a) relatively slower recovery in overall advertisement and b) relative market share weakness of both Zee, Sun in their key genres. Subscription revenues will see modest YoY growth on the back of OTT revenues momentum, with TV subscription largely flat YoY due to deadlock over NTO 2. Going ahead, festive recovery will be key for ad growth.

Zee's ad revenue is expected to witness ~21% YoY growth on a depressed base of Q2FY21 wherein ad revenues had declined ~26% (~11% lower than Q2FY20). The reported subscription growth, is expected at ~3.2% YoY, largely owing to OTT revenues traction. We expect EBITDA margins at 22%, up 380 bps YoY aided by operating leverage but still much lower than historical levels. Sun TV's ad revenues is likely to increase 22% YoY on a depressed base (but down 11% from Q2FY20 levels). Subscription revenues are expected to be up 3.3% YoY driven by SunNxt. We expect EBITDA margins at 63.5%, down 290 bps YoY, owing to higher content cost. For TV Today, we expect ~11% YoY growth in TV revenues and 25% YoY growth in digital revenues.

Exhibit 1: Estimates for Q2FY22E: (Media) (₹ crore)									
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q2FY22E	YoY	QoQ	Q2FY22E	YoY	QoQ	Q2FY22E	YoY	QoQ
Inox Leisure	45.1	12,419	NM	-32.2	NA	NA	-122.6	NA	NA
PVR	101.0	149.7	70.1	-65.4	NA	NA	-214.9	NA	NA
Sun TV	832.3	10.1	2.7	528.3	5.2	6.7	406.7	17.6	4.3
TV Today	201.4	14.0	-1.2	53.0	28.7	1.3	38.2	37.9	2.4
Zee Ent.	1,978.7	14.9	11.5	435.3	38.8	26.5	281.8	199.6	31.9
Total	3,158.5	17.1	10.0	919.0	24.0	22.7	389.2	80.2	30.1

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



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Exhibit 2: Company Specific view - Media

Company	Remarks
Inox Leisure	We bake in overall footfall of 1.7 mn, up 2x QoQ and SPH of ₹ 86, up 10% QoQ with ad revenues still marginal owing to lack of content. Consequently, we expect overall revenues of ₹ 45.1 crore in Q2. We also expect cash burn to decline sequentially due to rental waivers. EBITDA loss (ex-Ind AS) is expected at ₹ 69 crore. Key Monitorable: Festive season performance with strong line up
PVR	We bake in overall footfall of 3 mn, up 2x QoQ and SPH of ₹ 100, up ~5% QoQ. Consequently, we expect overall revenues of ₹ 101 crore in Q2. We also expect cash burn to decline sequentially due to rental waivers. EBITDA loss (ex-Ind AS) is expected at ₹ 100 crore. Key Monitorable: Festive season performance with strong line up
Sun TV	We expect ad revenues to increase 22% YoY on a depressed base (ad had declined ~27% in Q2FY21). Subscription revenues are expected to be up 3.3% YoY driven by SunNxt. We bake in IPL revenues, EBITDA of ₹ 65 crore, ₹ 23 crore, respectively. We expect EBITDA margins at 63.5%, down 290 bps YoY, owing to higher content cost. Key Monitorable: Tamil market viewership, SunNXT traction
TV Today Network	TV Today is expected to report TV broadcasting revenue growth of ~11% YoY to ₹ 159.4 crore. Radio business is estimated to be flattish QoQ at ₹ 3 crore. The digital revenues are expected to maintain growth trajectory and grow 25% YoY at ₹ 39 crore. We expect EBITDA of ₹ 53 crore with EBITDA margin of 26.3% for the quarter (up 300 bps YoY), owing to operating leverage. Key Monitorable: TV broadcasting revenue growth, digital revenue growth
Zee Ent.	Zee's ad revenue is expected to witness ~21% YoY growth on a depressed base of Q2FY21 wherein ad revenues had declined ~26%. Compared to pre-Covid levels but ad revenues are likely to be ~11% lower owing to relatively slower recovery in overall market and Zee's lagging market share. The reported subscription growth, is expected at ~3.2% YoY, largely owing to OTT revenues traction. We expect EBITDA margins at 22%, up 380 bps YoY aided by operating leverage, but still much lower than historical levels of 30+%, Key Monitorable: Sony Zee merger, update on legal case with Oppenheimer

Source: Company, ICICI Direct Research

Exhibit 3: Media Coverage Universe

Sector / Company	Rating	M Cap (₹ cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
			FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Inox Leisure	Buy	5,097	-30.0	-26.1	8.8	NM	NM	47.2	-38.4	59.7	9.0	-11.7	-5.5	11.2	-62.5	-57.7	16.3
PVR	Buy	10,303	-123.1	-60.3	33.7	NM	NM	50.3	-43.5	32.3	11.1	-6.3	-0.8	27.1	-40.8	-25.2	12.5
Sun TV	Hold	21,233	38.7	41.5	45.5	13.9	13.0	11.8	8.6	7.3	6.0	27.8	27.5	26.5	21.6	20.4	19.7
TV Today	Hold	1,712	22.0	29.4	33.4	13.0	9.7	8.6	7.3	5.7	4.6	19.4	22.2	23.1	13.3	16.5	17.2
ZEE Ent.	Hold	28,298	8.3	13.3	16.4	35.4	22.1	17.9	14.8	13.6	11.2	13.7	16.1	17.6	9.4	11.7	13.0

Source: Company, ICICI Direct Research, Reuters

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