January 6, 2022

Quarter of recovery!

The performance of the media sector is likely to remain healthy with festive led ad growth for broadcasters and new releases driving the recovery across multiplexes. Nonetheless, Q4 commentary will hold the key amid rising Omicron cases and its impact on both ad growth as well as multiplex segment owing to lockdowns.

Multiplexes: Recovery seen but new restrictions risk persists

Q3 started on a strong note for multiplexes as major release like *Sooryavanshi, Spiderman,* etc, fared well. However, the second half of December saw weakness as releases saw a relatively tepid response as the Omicron scare surfaced. In terms of Q3 performance, we expect footfalls at ~9 million and ~13 million for Inox and PVR which would be ~53% and ~50% of pre-Covid levels of Q3FY20, respectively. While ad revenues would much lower at 25-30% of pre-Covid levels, we expect strong growth in spends per head for multiplexes. We estimate EBITDA (ex-Ind-AS) of ₹ 44 crore for PVR (~9% margins) and ₹ 37 crore for Inox (~13% margins). With Omicron led lockdowns across few states along with weekend and night curfew, we expect January to be a washout month for multiplexes with postponement of the release slate and likely closure of multiplexes across states if Covid cases continue to surge.

Key comforting factor is adequate fund raise by both multiplex chains, which will ensure their survival amid near term 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 amid third wave of Covid.

Broadcasters: Ad rebound will be seen…

Q3FY22 is likely to drive festive led ad growth for broadcasters on a benign base of Q3FY21. The news segment is also expected to remain stable with healthy ad growth.

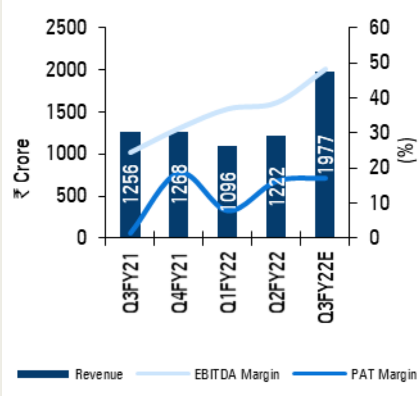
Sun TV's ad revenues are likely to grow 20% YoY on a benign base of ~9.5% decline in Q3FY21. Subscription revenues are expected to be up 2.2% YoY, driven by SunNXT with TV subscription largely flat YoY amid NTO 2 implementation. We expect EBITDA margins (ex-IPL) at 68.5%, up 130 bps YoY, owing to operating leverage despite higher content cost. For TV Today, we expect ~10% YoY growth in TV revenues, 25% YoY growth in digital revenues. EBITDA margins at 30% are expected to be down 470 bps YoY, owing to lower marketing & distribution costs in base quarter.

Exhibit 1: Estimates for Q3FY22E: (Media) (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q3FY22E	YoY	QoQ	Q3FY22E	YoY	QoQ	Q3FY22E	YoY	QoQ
Inox Leisure	284.0	1,809	498.8	91.2	LP	LP	-31.4	NA	NA
PVR	491.0	981.5	308.1	152.0	LP	LP	-63.8	NA	NA
Sun TV	949.8	-2.3	14.6	635.2	5.7	22.0	379.1	-14.2	-3.6
TV Today	251.8	12.6	11.4	75.5	-2.5	26.8	55.4	1.1	18.0
Total	**1,976.6**	**57.3**	**61.7**	**953.9**	**78.1**	**101.5**	**339.3**	**-1.7**	**70.0**

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



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Result Preview

ICICI Securities – Retail Equity Research

Exhibit 2: Company Specific view - Media

Company	Remarks
Inox Leisure	We bake in overall footfall of 9 mn, ~5x QoQ ,at ~53% of pre-Covid levels and SPH of ₹ 96, up ~4% QoQ with ad revenues still marginal (~34% of pre Covid levels). Consequently, we expect overall revenues of ₹ 284 crore in Q3. We expect no cash burn given improved performance. EBITDA (ex-Ind-AS) is expected at ₹ 37 crore, margins of ~13%. **Key Monitorable**: Omicron led content deferral and screen closures
PVR	We bake in overall footfall of 13 mn, ~4.1x QoQ, at ~50% of pre-Covid levels and SPH of ₹ 122, with ad revenues still marginal (~25% of pre Covid levels). Consequently, we expect overall revenues of ₹ 491 crore in Q3. We expect no cash burn given improved performance. EBITDA (ex-Ind-AS) is expected at ₹ 44 crore, margins of ~9%. **Key Monitorable**: Omicron led content deferral and screen closures
Sun TV	We expect ad revenues to increase ~20% YoY on a benign base (ad had declined ~9.5% in Q3FY21) with growth largely driven by festive tailwinds led by ad recovery. Subscription revenues are expected to be up 2.2% YoY driven by SunNxt. We bake in IPL revenues, EBITDA of ₹ 40 crore, ₹ 12 crore, respectively, and films revenues of ₹ 80 crore. We expect EBITDA margins (ex-IPL) at 68.5%, up 130 bps YoY, owing to operating leverage. **Key Monitorable**: Tamil market viewership, SunNXT traction
TV Today Network	TV Today is expected to report TV broadcasting revenue growth of ~10% YoY to ₹ 204.3 crore. Radio business is estimated to be flattish QoQ at ₹ 3.1 crore. Digital revenues are expected to maintain growth trajectory and grow 25% YoY at ₹ 44.4 crore. We expect EBITDA of ₹ 75.5 crore with EBITDA margin of 30% for the quarter down 470 bps YoY), as base quarter had lower marketing and distribution costs. **Key Monitorable**: TV broadcasting revenue growth, digital revenue growth

Source: Company, ICICI Direct Research

Exhibit 1: ICICI Direct Coverage Universe (Media)

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	4,301	-30.0	-20.5	10.0	NM	NM	35.2	-45.7	56.4	10.5	-11.7	-4.3	11.4	-62.5	-47.4	16.4
PVR	Buy	8,269	-123.1	-55.5	33.5	NM	NM	40.6	-37.4	31.7	9.6	-6.3	0.5	26.6	-40.8	-22.8	12.2
Sun TV	Hold	20,082	38.7	42.6	45.2	13.2	12.0	11.3	8.0	6.8	5.7	27.8	28.7	27.0	21.6	21.2	20.1
TV Today	Hold	2,480	22.0	31.7	34.9	18.9	13.1	11.9	11.1	8.4	7.0	19.4	23.5	23.8	13.3	17.6	17.7

Source: Company, ICICI Direct Research, Reuters

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