

CMP: ₹ 772

Target: ₹ 810 (5%)

Target Period: 12 months

May 14, 2022

HOLD

Announces buyback at ₹ 1150 per share...

About the stock: Matrimony.com (Matrimony) is one of the leading providers of online matchmaking services. The company also provides post marriage services.

- Apart from a common website, the company operates ~300 community matrimony sites and 15 regional matrimony sites
- Net debt free and only profitable player among its peers

Q4FY22 Results: Matrimony reported weak numbers on margins.

- Revenues increased 1.9% QoQ, aided by 1.8% QoQ revenue growth in matchmaking
- EBITDA margins declined 140 bps QoQ due to continued higher expenses in advertisement and marketing
- The company announced a buyback at ₹ 1150 per share

What should investors do? Matrimony's share price has dipped over the past four years (from ~₹ 893 in September 2017 to ~₹ 772 levels in May 2022).

- We maintain **HOLD** rating on the stock

Target Price and Valuation: We value Matrimony at ₹ 810 i.e. 22x P/E FY24E EPS.

Key triggers for future price performance:

- Market leadership in an underpenetrated online matchmaking segment
- Transition to online from offline, healthy subscriber addition, increased penetration in north, introduction of new products and inorganic opportunity key revenue drivers (11% CAGR over FY22-24E)
- Higher conversion rate (paid vs. total profiles)

Alternate Stock Idea: Apart from Matrimony, in our IT coverage we also like Affle.

- Key beneficiary of advertising shift to digital medium and rising online shopper penetration
- BUY with a target price of ₹ 1,500



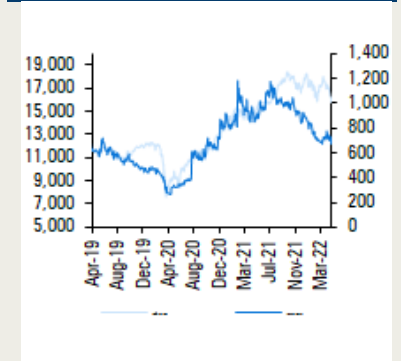
Particulars

Particular	Amount
Market Cap (₹ Crore)	1,755.3
Total Debt	-
CC&E (₹ Crore)	312.8
EV (₹ Crore)	1,442.5
52 week H/L	1215 / 653
Equity capital	11.4
Face value	5.0

Shareholding pattern

	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	50	50	50	50
FII	23	25	25	25
DII	19	16	15	14
Public	8	9	10	10

Price Chart



Recent event & key risks

- Buyback at ₹ 1150 per share
- **Key Risk:** (i) Better-than expected conversions (ii) higher than expected marketing expenses

Research Analyst

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Key Financial Summary

₹ Crore	FY20	FY21	FY22	5 Year CAGR (FY17-22)	FY23E	FY24E	2 Year CAGR (FY22-24E)
Net Sales	372	378	434	8.2%	481	536	11.0%
EBITDA	54	68	87	8.1%	109	124	19.4%
EBITDA Margins (%)	14.7	17.9	20.0		22.6	23.1	
Net Profit	30	41	54	6.8%	70	82	23.7%
EPS (₹)	13.0	17.8	23.4		31.6	36.8	
P/E	59.4	43.1	33.0		24.4	21.0	
RoNW (%)	12.9	15.5	17.3		19.2	19.0	
RoCE (%)	16.2	19.0	21.2		23.6	23.6	

Source: Company, ICICI Direct Research

Key takeaways of recent quarter & conference call highlights

- The company's matchmaking revenues was up 1.8% QoQ to ₹ 109.1 crore while marriage services revenue was up 15.4% QoQ to ₹ 1.5 crore. Matchmaking EBITDA declined 5.7% QoQ to ₹ 24.8 crore while margins for matchmaking dipped 181 bps to 22.7%. Marriage services EBITDA loss was ₹ 3.1 crore. For FY22, it reported 14.6% growth in matchmaking revenues to ₹ 434.5 crore while marriage services revenues were up 89% to ₹ 4.1 crore
- Billing for matchmaking services was up 6.7% QoQ to ₹ 113.2 crore while that of marriage services was up 43.5% QoQ to ₹ 1.5 crore. On an overall basis, billing increased 7.2% QoQ to ₹ 115.1 crore. For FY22, it reported billings growth of 12.2% to ₹ 430.1 crore while billings for marriage services was up 147.6% to ₹ 4.4 crore
- Matrimony added 0.23 mn paid subs during the quarter, up 8.8% QoQ while ATV came in at ₹ 4,823, down 2.0% QoQ. For FY22, it added 50,000 paid subscriber, taking its base to 0.89 mn (up 6.8%). ATV improved 5% to ₹ 4806
- The company has announced a buyback of ₹ 75 crore at ₹ 1,150 per equity share proposing to brought back 652,173 shares. The company indicated that buyback has been announced as per the feedback they received from investors from time to time. The company also clarified that promoter would not be participating in the buyback
- Matrimony has also declared a final dividend of ₹ 5 per share, which is 22% payout
- The company indicated that they are expecting to reach ₹ 500 crore billing in FY23 and indicated that they aspire to reach ₹ 1,000 crore billing in the next five to six years. Out of ₹ 1000 crore billing, the management indicated that ₹ 900 crore billing would be from matchmaking and rest would come from marriage services. The company clarified that it did not build any inorganic opportunity in this aspirational billing number
- Matrimony indicated that the Shaadi saga is fully integrated and now both brands work under one umbrella. The company indicated that losses in marriage services would continue for the next two to three quarters and the company aspires to reach break-even in two years from now. The company currently has 100,000 listing on Shaadi saga currently
- The company indicated that EBITDA and PAT for Q1FY23 would be below Q4FY22 numbers despite the growth in revenue, due to continued expenses in marketing expenses and some incremental costs due to shifting some of their capabilities to AWS cloud
- Matrimony indicated that they are planning to sell their Chennai land and they formed a separate committee for this transaction as well as taking help from the independent valuer. The company is indicated that they are not planning to sell it below the cost. The company is planning to utilise the fund whenever received for marketing
- The company has a cash balance of ₹ 334 crore

Exhibit 1: P&L

	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	110.6	101.1	9.4	108.5	1.9	Revenue was aided by 1.8% QoQ growth in match making business
Employee expenses	33.6	32.0	5.3	33.8	-0.7	
Gross Margin	77.0	69.1	11.5	74.7	3.0	
Gross margin (%)	69.6	68.3	132 bps	68.9	77 bps	
SG&A expenses	58.4	51.8	12.8	54.9	6.3	
EBITDA	18.6	17.3	7.6	19.8	-5.9	
EBITDA Margin (%)	16.8	17.1	-27 bps	18.2	-140 bps	EBITDA margins were impacted by elevated marketing spend & increase in other expenses
Depreciation & amortisation	7.0	6.5	7.2	6.9	0.9	
EBIT	11.7	10.8	7.9	12.9	-9.5	
Finance cost	1.4	1.2		1.4		
EBIT Margin (%)	10.6	10.7	-14 bps	11.9	-134 bps	
Other income (less interest)	5.7	3.9	44.3	4.1	38.9	
PBT	15.8	13.5	17.0	15.5	2.4	
Tax paid	4.1	3.4	21.0	4.0	4.3	
PAT	11.7	10.1	15.6	11.5	1.8	

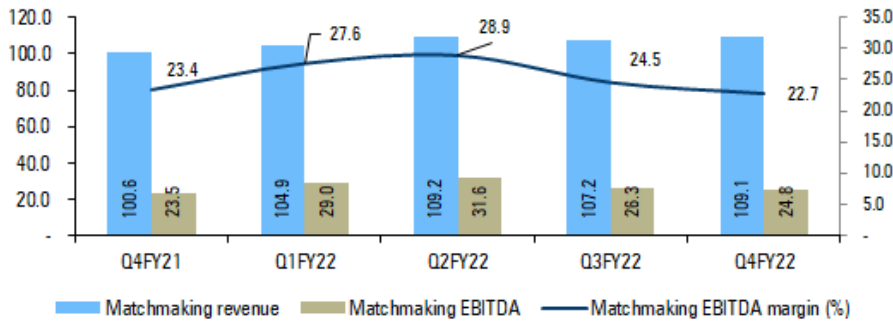
Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
(₹ Crore)							
Revenue	515	481	-6.6	510	536	5.1	
EBITDA	123	109	-11.6	122	124	1.7	
EBITDA Margin	23.9	22.6	-129 bps	23.9	23.1	-75 bps	Marketing expense will continue to at elevated levels which will impact margins
PAT	85	70	-17.3	91	82	-10.0	
EPS (₹)	37.1	31.6	-17.3	39.7	36.8	-10.0	

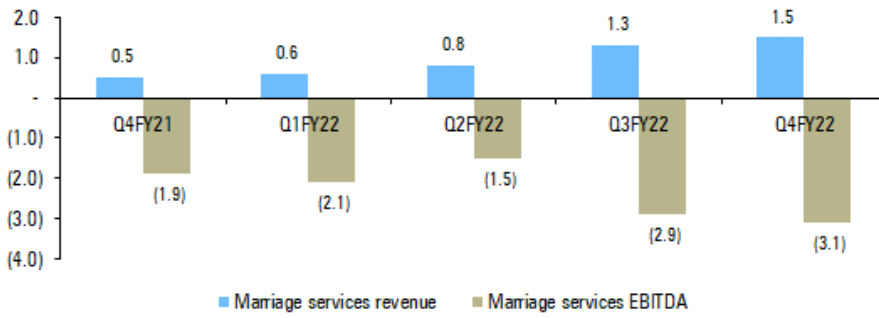
Source: Company, ICICI Direct Research

Exhibit 3: Matchmaking performance (₹ crore)



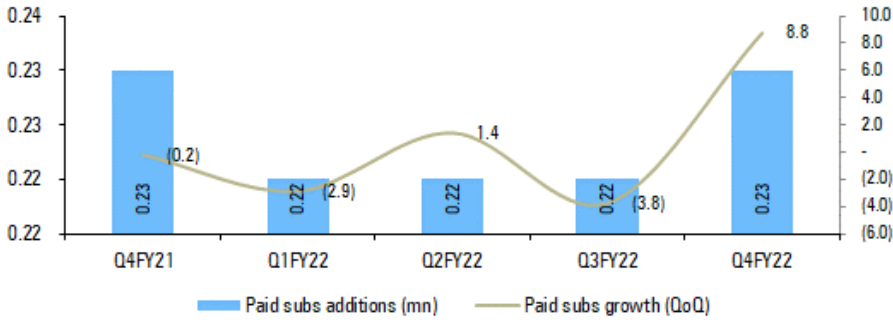
Source: Company, ICICI Direct Research

Exhibit 4: Marriage services performance (₹ crore)



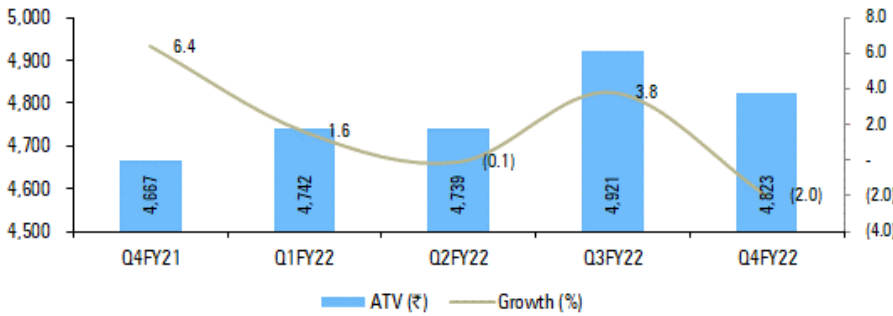
Source: Company, ICICI Direct Research

Exhibit 5: Paid subs



Source: Company, ICICI Direct Research

Exhibit 6: Average transaction value (ATV)



Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total operating Income	378	434	481	536
Growth (%)	1.6	15.0	10.7	11.4
COGS (employee expenses)	127	132	144	161
Other expenses	183	215	228	251
Total Operating Expenditure	310	348	372	412
EBITDA	68	87	109	124
Growth (%)	23.9	28.8	24.9	14.1
Depreciation	26	27	27	27
Other income (net)	13	13	13	13
PBT	54	72	94	109
Total Tax	13	18	23	27
PAT	41	54	70	82
Growth (%)	38.1	31.4	31.2	16.6
Diluted EPS (₹)	17.8	23.4	31.6	36.8
Growth (%)	37.8	31.0	35.1	16.6

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
PBT	54	72	94	109
Add: Depreciation	26	27	27	27
Others	(10)	(10)	(13)	(13)
Inc/(dec) in working capital	13	7	4	13
Taxes paid	(13)	(19)	(23)	(27)
CF from operating activities	70	78	88	109
(Inc)/dec in Fixed Assets	(10)	(8)	(12)	(13)
Others	(33)	(45)	18	18
CF from investing activities	(43)	(53)	6	5
Dividend paid & dividend tax	(8)	(8)	(14)	(16)
Others	(15)	(16)	(16)	(5)
CF from financing activities	(23)	(24)	(30)	(22)
Net Cash flow	4	1	64	92
Exchange difference	(0)	(0)	-	-
Opening Cash	5	9	10	74
Closing cash balance	9	10	74	166

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Equity Capital	11	11	11	11
Reserve and Surplus	252	299	355	421
Total Shareholders funds	263	310	366	432
Total Debt	-	-	-	-
Lease liability	48	56	56	56
Provisions	-	-	-	-
Other non current liabilities	0	1	1	1
Total Liabilities	311	368	423	489
Assets				
Property, plant and equipment	70	22	23	26
Investments	6	24	24	24
Intangibles	3	15	15	15
Right-of-use assets	53	63	57	41
Other non current assets	15	19	20	21
Cash & bank balance	200	227	291	383
Current Investments	85	86	86	86
Trade receivables	7	8	10	11
Security deposits	4	2	5	6
Other financial assets	6	6	7	8
Other current assets	4	50	50	50
Total Current Assets	306	379	449	544
Trade payables	39	51	50	56
Lease liability	12	13	13	13
OCL & provisions	91	90	101	112
Total Current Liabilities	142	155	164	181
Net Current Assets	165	225	285	363
Application of Funds	311	368	423	489

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
Diluted EPS	17.8	23.4	31.6	36.8
Cash EPS	29.3	35.2	43.7	48.9
BV	115	136	165	194
DPS	3.5	3.5	6.3	7.4
Cash Per Share	88	99	131	172
Operating Ratios (%)				
EBITDA margin	17.9	20.0	22.6	23.1
PBT Margin	14.2	16.5	19.5	20.4
PAT Margin	10.8	12.3	14.6	15.3
Debtor days	7	7	7	7
Creditor days	38	43	38	38
Return Ratios (%)				
RoE	15.5	17.3	19.2	19.0
RoCE	19.0	21.2	23.6	23.6
Valuation Ratios (x)				
P/E	43.1	33.0	24.4	21.0
EV / EBITDA	21.7	16.6	12.6	10.3
EV / Net Sales	3.9	3.3	2.9	2.4
Market Cap / Sales	4.6	4.0	3.6	3.3
Price to Book Value	6.7	5.7	4.7	4.0
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Debt / Equity	-	-	-	-
Current Ratio	0.1	0.4	0.4	0.4
Quick Ratio	0.1	0.4	0.4	0.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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