

Healthy billing growth provides revenue visibility...

Matrimony.com Ltd's (Matrimony) revenues increased 7.5% QoQ (up 1.1% YoY) mainly led by 7.6% QoQ growth (up 4.6% QoQ) in matchmaking services (led by 25.7% YoY growth in paid subscribers). EBITDA margins were flat QoQ (up 250 bps YoY) at 17.7%. Net profit increased 9.6% QoQ (up 31.2% YoY) to ₹ 10.3 crore. Billing increased 18.5% QoQ (9.7% YoY) mainly led by 18.5% QoQ (13.5% YoY) growth in matchmaking services.

Growth in paid subscribers to drive revenues

The company's paid subscribers increased 25.7% YoY mainly led by company's focus on Tier II and Tier III cities to drive subscriber growth. In addition, Matrimony is now approaching with differentiated pricing, which will help in targeting & converting active subscribers to paid subscribers. Further, increasing market share in the north (that we believe is equally distributed among competitors) is expected to drive paid subscriber growth. This coupled with double digit growth (up 13.5% YoY) in matchmaking billing in current quarter and company's expectation of double digit billing in Q3FY21E prompts us to believe that company will now able to grow its matchmaking topline in double digits in coming quarters. Hence, we expect revenues to increase at a CAGR of 10% over FY20-23E.

Higher revenues, cost rationalisation to keep margins healthy

The company reported 250 bps YoY increase in EBITDA margins mainly led by employee cost rationalisation, curtailment of losses in marriage services and rationalisation of other expenses. With improving revenue growth, Matrimony has further potential to improve margins. Hence, we expect margins to improve 328 bps YoY to 17.9% in FY21E and then another 34 bps to 18.3% over FY21E-23E.

Valuation & Outlook

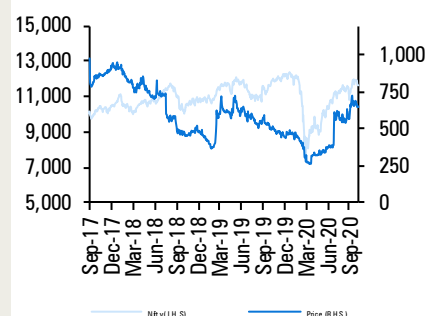
We expect the company to see improving revenues in coming quarters led by double digit growth in billings, higher conversion of paid subscribers and improving market share in the north. This coupled with leadership in an underpenetrated online match making industry, substantial market share in south, east and west region, healthy balance sheet, improving margins and strong cash flow generation prompt us to remain positive on the stock. This coupled with 27% CAGR in PAT in FY20-23E prompts us to maintain **BUY** recommendation on the stock with revised target price of ₹ 800/share (30x FY23E EPS, 3.0x FY23E sales).



Particulars

Particular	Amount
Market Cap (₹ Crore)	1,502.9
Total Debt	-
CC&E (₹ Crore)	235.0
EV (₹ Crore)	1,267.9
52 week H/L	765 / 251
Equity capital	11.4
Face value	5.0

Price Performance



Key Highlights

- Leadership in matchmaking space, double digit revenue potential, healthy margins bode well for company
- Maintain BUY rating on stock with revised target price of ₹ 800

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Key Financial Summary

₹ Crore	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-23E)
Net Sales	348	372	382	436	492	9.8%
EBITDA	74	54	69	78	90	18.1%
EBITDA Margins (%)	21.3	14.7	17.9	18.0	18.3	
Net Profit	42	30	41	50	61	27.1%
EPS (₹)	18.6	13.0	18.0	21.9	26.6	
P/E	35.6	50.9	36.5	30.0	24.8	
RoNW (%)	21.0	12.9	16.0	18.1	20.1	
RoCE (%)	25.9	16.2	19.8	22.2	24.6	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement ₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating Income	372	382	436	492
Growth (%)	6.7	2.9	14.1	12.7
COGS (employee expenses)	153	134	153	172
Other expenses	164	180	205	230
Total Operating Expenditure	317	314	358	402
EBITDA	54	69	78	90
Growth (%)	(26.6)	25.9	14.4	14.6
Depreciation	28	26	26	26
Other income (net)	13	13	14	17
PBT	39	54	66	79
Total Tax	10	13	15	19
PAT	30	41	50	61
Growth (%)	(30.4)	39.6	21.6	21.0
Diluted EPS (₹)	13.0	18.0	21.9	26.6
Growth (%)	(30.3)	39.4	21.6	21.0

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit	39	54	66	79
Add: Depreciation	28	26	26	26
Others	(7)	(13)	(14)	(17)
Inc/(dec) in working capital	5	3	13	14
Taxes paid	(7)	(13)	(15)	(19)
CF from operating activities	57	58	75	84
(Inc)/dec in Fixed Assets	(12)	(11)	(13)	(15)
Others	(23)	18	20	22
CF from investing activities	(34)	6	7	7
Dividend paid & dividend tax	(4)	(12)	(30)	(36)
Others	(19)	(20)	(15)	(15)
CF from financing activities	(24)	(33)	(45)	(52)
Net Cash flow	(1)	31	37	39
Exchange difference	0	-	-	-
Opening Cash	5	5	36	72
Closing cash balance	5	36	72	112

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Equity Capital	11	11	11	11
Reserve and Surplus	217	246	266	290
Total Shareholders funds	228	257	277	301
Total Debt	-	-	-	-
Lease liability	46	46	46	46
Provisions	-	-	-	-
Other non current liabilities	0	0	0	0
Total Liabilities	275	304	324	348
Assets				
Property, plant and equipment	73	74	76	81
Investments	6	6	6	6
Intangibles	3	3	3	3
Right-of-use assets	57	56	50	44
Other non current assets	16	16	17	18
Cash & bank balance	115	146	183	222
Current Investments	120	120	120	120
Trade receivables	2	2	2	3
Security deposits	3	4	4	5
Other financial assets	5	5	5	6
Other current assets	5	5	6	6
Total Current Assets	250	282	320	362
Trade payables	33	34	39	43
Lease liability	15	15	15	15
OCL & provisions	82	85	97	109
Total Current Liabilities	130	133	150	167
Net Current Assets	120	148	171	195
Application of Funds	275	304	324	348

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios ₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Diluted EPS	13.0	18.0	21.9	26.6
Cash EPS	25.3	29.6	33.6	38.2
BV	100	113	121	132
DPS	1.8	5.4	13.2	16.0
Cash Per Share	50	64	80	97
Operating Ratios (%)				
EBITDA margin	14.7	17.9	18.0	18.3
PBT Margin	10.5	14.1	15.0	16.1
PAT Margin	7.9	10.8	11.5	12.3
Debtor days	2	2	2	2
Creditor days	33	32	32	32
Return Ratios (%)				
RoE	12.9	16.0	18.1	20.1
RoCE	16.2	19.8	22.2	24.6
Valuation Ratios (x)				
P/E	50.9	36.5	30.0	24.8
EV / EBITDA	23.2	18.0	15.2	12.9
EV / Net Sales	3.4	3.2	2.7	2.4
Market Cap / Sales	4.0	3.9	3.4	3.1
Price to Book Value	6.6	5.9	5.4	5.0
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Debt / Equity	-	-	-	-
Current Ratio	0.1	0.1	0.1	0.1
Quick Ratio	0.1	0.1	0.1	0.1

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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