Stock Update

Result Update

Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Wonderla Holidays Ltd

Excellent Q3; Growth momentum to sustain

Consumer Discretionary	Sharekhan code: WONDERLA

Reco/View: Buy	↔	CMP: **Rs. 407**	Price Target: **Rs. 475**	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

ESG Disclosure Score NEW

ESG RISK RATING Updated Dec 08, 2022				26.94
Medium Risk				
NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

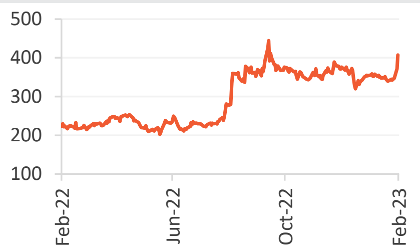
Company details

Market cap:	Rs. 2,302 cr
52-week high/low:	Rs. 455 / 201
NSE volume: (No of shares)	2.6 lakh
BSE code:	538268
NSE code:	WONDERLA
Free float: (No of shares)	1.7 cr

Shareholding (%)

Promoters	69.7
FII	10.4
DII	0.8
Others	19.0

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	14.6	15.0	46.5	82.4
Relative to Sensex	14.7	15.6	43.4	77.1

Sharekhan Research, Bloomberg

Summary

- Wonderla Holidays Limited (WHL) posted stellar numbers in Q3FY23 with revenues growing by 2.3x y-o-y to Rs. 113.2 crore; EBIDTA margins expanded to 50% and PAT grew by 9x y-o-y to Rs. 39.3 crore.
- WHL achieved footfalls of 25lakh in 9MFY23 (grew by 26% vs 9MFY20); Company is likely to close footfalls at 30 lakh in FY23 and has strategies in place for consistent growth of 6-8% in the footfalls. ARPU is likely to grow by high single digits.
- Construction of new park in Odisha has begun and it will be operational by FY2025/26. Chennai park's construction is yet to begin. Capex in both parks will be done through internal accruals.
- Stock trades at 19.0/17.1x/15.8x its FY23E/24E/25E EPS (and 11.4x/9.9x/8.8x its FY23E/24E/25E EV/EBIDTA). With growth momentum expected to sustain, we maintain Buy with a revised PT of Rs. 475.

Wonderla Holidays Limited (WHL) delivered yet another strong quarter in Q3FY2023, with revenues growing by 2.3x y-o-y to Rs. 113.2 crore (62% growth over Q3FY2020). Footfalls at 9.2 lakh in Q3FY2023 was 28% higher as compared to 7.2 lakh achieved in Q3FY2020. Average per visitor (ARPU) at Rs. 1,187 grew by 27% vs. Q3FY2020. EBIDTA margins stood at 50% in Q3FY2023 versus 35% in Q3FY2020 and 29.5% in Q3FY2022. EBIDTA grew by 4.0x y-o-y (and 1.3x vs. Q3FY20) to Rs. 57 crore in Q3. Reported PAT stood at Rs. 39 crore versus Rs. 21.0 crore in Q3FY2020. For 9MFY2023, the footfalls stood at 25 lakhs against 19.8 lakh during 9MFY2020. Revenues and EBIDTA grew by 44% and 64%, respectively over 9MFY2020. Construction of new park in Odisha has begun while the construction of Chennai park will start in coming months.

Key positives

- Registered highest ever footfall of 9 lakh in a quarter. Bangalore, Kochi & Hyderabad park achieved footfalls of 3.2 lakh, 3.16 lakh and 2.8 lakh, respectively.
- Bangalore resort achieved revenues of Rs. 4.7 crore; occupancy at 72% & average room rental of Rs. 5,197.
- EBIDTA margins stood higher at 50% in Q3FY23 versus 35% in Q3FY20.
- The company added one new ride "Sky Tilt" in Bangalore Park.

Key negatives

- Chennai park construction is yet to begin; awaiting for tax exemption from government.

Management Commentary

- Despite strong growth expected in FY2023, the management is confident of achieving 15-20% revenue growth in coming years driven by 6-8% increase in the footfalls and 10-12% growth in the ARPUs in each park.
- WHL might end FY2023 with EBIDTA margins of 45% and it expects EBIDTA margin to remain in and around 45% over the next two years.
- Odisha park will be operational in the next two years; Chennai Park construction work will start post getting of final approval from the state government of Tamil Nadu. The company is In talks with three more states government – Madhya Pradesh, Punjab and Uttar Pradesh to set-up a park. Madhya Pradesh park will start post commencement of Odisha park.

Revision in estimates – We have raised our earnings estimate for FY2023E, FY2024E and FY2025E to factor in higher-than-expected footfalls in all three parks in a seasonally weak quarter.

Our Call

View – Maintain Buy with a revised PT of Rs. 475: WHL posted yet another quarter of strong performance in Q3FY2023 led by strong growth in footfalls. Management is optimistic about the medium-term outlook and expects consistent improvement in the footfalls in the coming years. This will boost profitability with EBIDTA margins expected to recover to historical levels of 45% by FY2023 and will remain stable at ~45% in coming years. Focus on an asset-light model of entering into new markets, improving the business model to international standards of 60:40 mix between ticketing and non-ticketing revenues provides huge scope to grow in the coming years. The stock trades at 11.4x/9.9x/8.8x its FY2023E/FY2024E/FY2025E EV/EBITDA. With growth momentum expected to sustain we maintain our Buy recommendation on the stock with a revised PT of Rs. 475.

Valuation (Standalone) Rs cr

Particulars	FY21	FY22	FY23E	FY24E	FY25E
Revenue	38	128	413	470	526
EBITDA margin (%)	-74.4	15.9	45.9	45.8	45.5
Adjusted PAT	-50	-9	121	134	146
Adjusted EPS (Rs.)	-8.8	-1.7	21.4	23.7	25.8
P/E (x)	-	-	19.0	17.1	15.8
P/B (x)	2.8	2.9	2.5	2.2	1.9
EV/EBITDA (x)	-	108.7	11.4	9.9	8.8
RoNW (%)	-	-	14.1	13.6	12.9
RoCE (%)	-	-	17.4	17.1	16.4

Source: Company; Sharekhan estimates

Strong Q3 – Revenue growth at 2.3x; EBIDTA margins stood high at 50%

Revenues grew by 2.3x y-o-y to Rs.113.2 crore driven by strong growth in footfalls to 9 lakh visitors (28% over Q3FY2020) aided by special events held at the parks and due to a better mix (higher contribution of walk-in customers). Revenue was marginally ahead of our expectations of Rs. 108 crore. For 9MFY2023, footfalls stood at 25 lakh vs. 19.8 lakh in 9MFY2020. Aided by strong revenue growth, EBITDA margins improved y-o-y to 50.2% (ahead of 35% achieved in Q3FY2020), much ahead of our expectation of 31%. EBITDA came in at Rs. 57 crore, higher compared to Rs. 14.3 crore in Q3FY2022. The company reported a profit of Rs. 39.3 crore in Q3FY2023, as against a profit of Rs. 4.5 crore in Q3FY2022. PAT was ahead of our estimate of Rs. 20.4 crore.

Footfalls stood highest at 9 lakh visitors in Q3

Total footfalls in Q3FY2023 at 9 lakh stood 28% ahead of pre-pandemic footfalls led by all-round performance from all three parks. Bengaluru Park recorded 3.2 lakh footfalls (42% above Q3FY20), Kochi Park recorded 3.16 lakh footfalls (57% above Q3FY20), and Hyderabad Park recorded 2.8 lakh footfalls (23% above Q3FY20). Ratio of walk-ins and groups stood at 44:56. ARPU in Q3 was healthy at Rs. 1,187 per visitor, which is 27% higher compared to Q3FY2020. ARPU for Bengaluru Park stood at Rs. 1,280 per visitor (ticketing: non ticketing ratio is 74:26), for Kochi park stood at Rs. 1,111 per visitor (ticket: non-ticketing ratio is 74:26), for the Hyderabad park stood at Rs. 1,164 per visitor (ticketing: non-ticketing ratio is 71:29).

Key conference call highlights

- **Events and concerts to aid footfall growth:** In line with its strategy, the company is focusing on arranging atleast two events per month in all its parks to attract more footfalls. On the New Year's Eve, the Hyderabad park hosted special event for its customers, while the Sunburn event with live concert of renowned singer Karthik was held at the Kochi Park. The highly successful events saw an attendance of ~2,400 at Kochi and ~2,600 at Hyderabad.
- **Footfall expected to grow by 6-8%:** The management has implemented strategies (arranging events in parks, digital marketing, tie-ups with tour operators in other states) to drive consistent footfalls in the coming years. Overall footfalls are expected to grow at CAGR of 6-8% over FY2023-25.
- **Price hikes to continue:** The management has indicated that the price hikes taken earlier have been absorbed well. As the company is witnessing strong demand momentum despite previous price hikes, the company plans to increase prices by 8-10% in the coming months.
- **Technological development at Bengaluru park on track:** WHL is working towards technological development in the Bengaluru park through the introduction of wearables. Wearables will be used to track the visitor's location and enable visitors to make payments. Cost involved for the development is ~Rs. 5 crores and is expected to be completed in 1 year (Q2FY24).
- **Uncertainty about the Chennai park continues:** Work on the Chennai park is on hold until the company receives the waiver on tax. Once the approval is received, the company expects the park to be operational within 18-24 months. The management indicated that the Chennai park is a big park similar to its Bengaluru park with an estimated cost of Rs. 110 crore.
- **Orissa park expected to be operational in FY25:** Odisha park has already received the required approvals and the park is expected to start at the end of FY2025. The Odisha park would be a smaller park which would be ~2/3 size of the Bengaluru park.
- **Strong revenue and margin outlook:** WHL has witnessed strong performance in 9MFY2023 and expects the momentum to continue in Q4. Thus, for the whole of FY2023, the company would report strong growth in revenue and profits. The management has guided that FY2024 growth is expected at 15-16% (on high base of FY2023) with low double digit growth in ARPU. EBITDA margin, which is currently over 50% (9MFY2023) is expected to moderate to 45% due to higher expenses but remain higher than the company's historical margins of 40-42%.

Results (Standalone) — Rs cr

Particulars	Q3FY23	Q3FY22	y-o-y (%)	Q2FY23	q-o-q (%)
Revenue	**113.2**	**48.3**	**134.3**	**66.0**	**71.4**
Raw material	11.7	5.1	130.3	7.2	62.2
Employee Cost	12.8	9.0	42.9	11.3	13.6
Other expenses	31.8	20.0	59.0	28.1	13.1
Total expenditure	56.3	34.1	65.5	46.6	20.9
EBITDA	**56.9**	**14.3**	**-**	**19.4**	**-**
Other income	4.6	1.8	-	3.7	23.6
Interest cost	0.1	0.1	-1.2	0.0	49.0
Depreciation	8.5	9.5	-10.0	8.6	-1.2
Profit before tax	**52.8**	**6.5**	**-**	**14.4**	**-**
Tax	13.4	1.9	-	3.9	-
Adjusted PAT	**39.3**	**4.5**	**-**	**10.5**	**-**
EPS (Rs.)	7.0	0.8	-	1.9	-
			bps		**bps**
GPM (%)	89.6	89.5	18	89.0	59
EBITDA margin (%)	50.2	29.5	-	29.4	-
NPM (%)	34.8	9.4	-	15.9	-
Tax rate (%)	25.5	29.9	-442	27.0	-149

Source: Company, Sharekhan Research

Park-wise operational performance

Kochi park

Particulars	Q3FY23	Q3FY20	growth %	9MFY23	9MFY20	growth %
Revenues (Rs. crore)	35.0	22.3	57.0	95.1	63.3	50.2
Footfalls ('000)	316	266	18.8	836	643	30.0
Avg. realisation (Rs.)	1,108	838	32.1	1,138	984	15.6
Avg. ticket rev. per visitor (Rs.)	825	602	37.0	871	738	18.0
Avg. non- ticket rev. per visitor (Rs.)	286	236	21.2	269	246	9.3

Source: Company, Sharekhan Research

Bangalore park

Particulars	Q3FY23	Q3FY20	growth %	9MFY23	9MFY20	growth %
Revenues (Rs. crore)	40.8	24.6	65.9	126.9	94.8	33.9
Footfalls ('000)	321	226	42.0	936	764	22.5
Avg. realisation (Rs.)	1,271	1,088	16.8	1,356	1,241	9.3
Avg. ticket rev. per visitor (Rs.)	949	810	17.2	1,020	950	7.4
Avg. non- ticket rev. per visitor (Rs.)	331	279	18.6	346	290	19.3

Source: Company, Sharekhan Research

Hyderabad park

Particulars	Q3FY23	Q3FY20	growth %	9MFY23	9MFY20	growth %
Revenues (Rs. crore)	32.6	20.3	60.6	92.6	61.4	50.8
Footfalls ('000)	282	229	23.1	735	568	29.4
Avg. realisation (Rs.)	1,156	886	30.4	1,260	1,081	16.5
Avg. ticket rev. per visitor (Rs.)	823	620	32.7	922	789	16.9
Avg. non- ticket rev. per visitor (Rs.)	341	267	27.7	347	291	19.2

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - Times of high footfalls ahead

The amusement park industry's performance was affected by COVID-19 restrictions in FY2021 and FY2022. However, with receding scare of pandemic and faster recovery thereafter, footfalls grew strongly in H1FY2023, and growth momentum is expected to continue in the coming quarters. Some international top-rated parks in the US, Europe, and China, which restarted their operations post easing of the virus scare, got encouraging response with huge pent-up demand. With a gradual comeback in travel & tourism, we expect a strong pullback in footfalls in the coming quarters.

■ Company outlook - Robust growth in FY2023 back by strong growth in footfalls

In 9MFY2023, the footfalls stood at 25 lakhs as against 19 lakhs during 9MFY2020. Revenues and EBIDTA grew by 44% and 64%, respectively over 9MFY2020. The company expects strong growth in FY2023, as pent-up demand is strong. With the help of strong marketing activities, addition of new attractions and improved traction on its digital platform, footfall recovery would be faster in the coming months. We expect the company's revenue to post a CAGR of ~60% over FY2022-25, while PAT is likely to be at ~Rs. 145 crores in FY2025.

■ Valuation - Maintain Buy with a revised price target of Rs. 475

WHL posted yet another quarter of strong performance in Q3FY2023 led by strong growth in footfalls. Management is optimistic about the medium-term outlook and expects consistent improvement in the footfalls in the coming years. This will boost profitability with EBIDTA margins expected to recover to historical levels of 45% by FY2023 and will remain stable at ~45% in coming years. Focus on an asset-light model of entering into new markets, improving the business model to international standards of 60:40 mix between ticketing and non-ticketing revenues provides huge scope to grow in the coming years. The stock trades at 11.4x/9.9x/8.8x its FY2023E/FY2024E/FY2025E EV/EBITDA. With growth momentum expected to sustain we maintain our Buy recommendation on the stock with a revised PT of Rs. 475.

About company

WHL is one of the largest theme park operators in India and has been in business for over 19 years. The company launched its first amusement park in Kochi, followed by parks in Bengaluru and Hyderabad and owns a resort near its Bengaluru Park. The company has an in-house facility in Kochi for manufacturing rides and attractions. The company has three parks with 161 rides and 15 restaurants in its portfolio. WHL has acquired land in Chennai for its fourth park and another park is expected to commence construction in Odisha.

Investment theme

WHL is one of the top entertainment companies in India, with three amusement parks in Kochi, Bengaluru, and Hyderabad. Despite an asset-heavy model, the company has a strong balance sheet with no debt on books, as strong cash flows take care of incremental capex requirements. During the pandemic, performance was affected by closure of amusement parks and resorts. However, the company has been gaining strong momentum in the past nine quarters, aided by preference of customers for leisure activities coupled with strong pent-up demand. With the company's aim to add more parks to its portfolio, increase marketing initiatives and add new attractions to existing parks, strong growth is expected in the near-medium term.

Key Risks

- Muted footfall in the near to medium would affect revenue growth.
- Any further lockdowns leading to sustained closure of parks would act as key risk to footfall.

Additional Data

Key management personnel

M Ramachandran	Chairman
Arun K Chittilappilly	Managing Director
Satheesh Seshadri	Chief Financial Officer
Srinivasulu Raju Y	Company Secretary

Source: Company

Top 6 shareholders

Sr. No.	Holder Name	Holding (%)
1	Societe Generale SA	1.18
2	Investment Trust of India	0.8
3	Dimensional Fund Advisors LP	0.26
4	SEI Investments	0.11
5	Frank Russel Company	0.04
6	Macquarie Group Ltd	0.02

Source: Bloomberg

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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