



## 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 Aug 08, 2023

27.96

## Medium Risk

NEGL	LOW	MED	HIGH	SEVERE
0-10	10-20	20-30	30-40	40+

Source: Morningstar

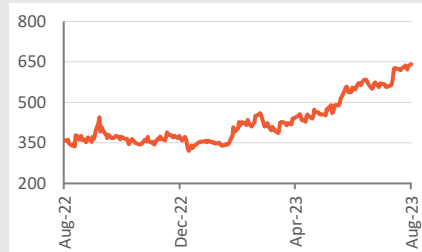
## Company details

Market cap:	Rs. 3,629 cr
52-week high/low:	Rs. 657 / 316
NSE volume: (No of shares)	2.2 lakh
BSE code:	538268
NSE code:	WONDERLA
Free float: (No of shares)	1.7 cr

## Shareholding (%)

Promoters	69.7
FII	7.4
DII	3.6
Others	19.3

## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	12.7	41.9	59.3	78.3
Relative to Sensex	13.7	36.3	51.1	68.3

Sharekhan Research, Bloomberg

## Wonderla Holidays Ltd

Strong performance on high base

## Consumer Discretionary

Sharekhan code: WONDERLA

Reco/View: Buy



CMP: Rs. 642

Price Target: Rs. 750



Upgrade



Maintain



Downgrade

## Summary

- Wonderla Holidays Limited (WHL) posted strong performance in Q1FY2024 on high base of Q1FY2023 with revenues growing by 24% y-o-y; EBITDA margins improving by 219 bps y-o-y to 63.3%; EBITDA and PAT grew by 28% y-o-y and 31% y-o-y.
- Footfalls stood flat y-o-y at 11.02 lakhs (vs. 8-9 lakh footfalls in pre-covid levels). Management expects footfalls to grow by 4-5% and ARPU to grow by 15% in FY2024. Initiatives and marketing strategies will help in consistent footfall and ARPU growth in the near term.
- Construction of new park in Odisha has begun while Chennai Park's construction will start soon. Both parks will be operational in FY2026. It will sign one new project by FY2024-end in either Goa, Madhya Pradesh, Gujarat or Punjab.
- Stock trades at 22x/19x its FY24E/25E EPS (and 14x/12x its FY24E/25E EV/EBITDA). With growth momentum expected to sustain, we maintain Buy with a revised PT of Rs. 750.

WHL registered yet another quarter of strong performance (despite high base of Q1FY2023) with revenues and PAT growing by 24% and 31% y-o-y to Rs. 185 crore and Rs. 84.5 crore, respectively. Footfalls stood flat at 11 lakh in Q1FY2024 (higher versus pre-covid levels of 8-9 lakhs footfalls). Average revenue per unit (ARPU)'s grew by 25% y-o-y to Rs. 1,626 driven by 18% growth in ticketing revenues and more than 20% growth in the non-ticket revenues. EBITDA margins improved by 219 bps y-o-y to 63.3% on back of better operating leverage and higher growth in the non-ticket revenues. Construction of new parks in Chennai and Odisha is scheduled as per plans, while the company is planning to sign one more project this year to set up park in a new state.

## Key positives

- ARPU grew by 25% y-o-y to Rs. 1,626 per visitor.
- Group bookings - walk in mix was better at 15:85 versus 23:77 in Q1FY2023.
- Bangaluru park footfalls grew by 11% y-o-y to 4.7 lakh footfalls despite high base and state elections.
- Chennai Park's construction is likely to commence soon with receipt of regulatory clearances (LBT) from Tamil Nadu state government.

## Key negatives

- Kochi park footfalls are down by 8% y-o-y and Hyderabad park footfalls are down by 10% y-o-y on high base.
- Other expenses increased by 23% y-o-y.

## Management Commentary

- Footfalls in Q1 were flat due to a high base of Q1FY2023. Footfalls are expected to be stabilised in the coming quarters and will continue to remain high compared to pre-covid levels. Management expects 4-5% footfall growth in FY2024.
- ARPUs grew by 25% in Q1FY2024. Management expects ARPUs to be higher 15% in next nine months. Overall ARPUs will be growing in the double digits in the coming years with high focus on generating higher sales from non-ticket revenues (largely food).
- The company is planning to do maintenance capex of Rs. 70 crore in FY2024. It includes addition of five new attractions in each park to generate higher footfalls.
- Construction of Odisha Park has started while Chennai park construction will start soon. Both parks will be operational in FY2026. WHL will sign one new project by FY2024-end and is in talks with the government of Punjab, Madhya Pradesh, Uttar Pradesh, Gujarat and Goa.

**Revision in earnings estimates:** We have raised our earnings estimates for FY2024 and FY2025 by 5-6% to factor in higher-than-expected ARPUs and EBITDA margins. We will keenly monitor the performance in the coming quarters.

## Our Call

**View: Retain Buy with a revised price target of Rs. 750:** The management is optimistic about the medium-term outlook and expects consistent improvement in footfalls in the coming years. Focus on asset-light model of entering new markets and improving business model to international standards of 60:40 mix between ticketing and non-ticketing revenues provides a huge scope to strong earnings growth in the coming years. The stock is currently trading at 14x/12x its FY2024E/FY2025E EV/EBITDA. We maintain a Buy on the stock with a revised PT of Rs. 750.

## Key Risks

Slowdown in footfalls in some of the existing parks due to unavoidable events or erratic weather condition or delay in the commencement of new parks would act as a key risk to our earnings estimates.

## Valuation (Standalone)

Particulars	FY22	FY23	FY24E	FY25E
Revenue	129	429	516	592
EBITDA margin (%)	16.5	49.3	47.0	47.3
Adjusted PAT	-9	149	163	187
Adjusted EPS (Rs.)	-1.7	26.3	28.9	33.0
P/E (x)	-	24.4	22.2	19.4
P/B (x)	4.5	3.8	3.3	2.9
EV/EBITDA (x)	-	16.0	13.9	11.9
RoNW (%)	-1.2	17.0	16.0	15.8
RoCE (%)	-1.4	21.0	19.9	19.9

Source: Company; Sharekhan estimates

## Strong Q1 on a high base

Revenues grew by 23.6% y-o-y on a strong base of Q1FY2023 to Rs. 184.6 crore with footfalls coming in at 11.02 lakh (versus 11.18 lakhs in Q1FY2023) and ~25% y-o-y growth in ARPU to Rs. 1,626 per visitor. Bengaluru resort's revenue increased by 10% y-o-y to Rs. 53.4 crore, registering occupancy of 69% versus 80% in Q1FY2023, while average room rentals increased by 20% y-o-y to Rs. 5,888 per night. Revenue came in-line with our expectation of Rs. 181 crore. EBITDA margins expanded by 219 bps y-o-y to 63.3%, higher than our expectation of 60.9%. EBITDA grew by 28% y-o-y to Rs. 116.9 crore. In line with growth in EBITDA, adjusted PAT grew by 31.2% y-o-y to Rs. 84.5 crore, marginally ahead of our expectation of Rs. 79 crore.

## Robust footfalls and strong ARPU growth across parks

Total footfalls in Q1FY2024 stood at 11.02 lakh, largely at par with high base of 11.18 lakh footfalls in Q1FY2023, however much higher than 8-9 lakh footfalls in pre-COVID times. Bengaluru Park recorded 4.69 lakh footfalls (higher by 11% y-o-y and 18% over Q1FY2020), Kochi Park recorded 3.19 lakhs footfalls (lower by 8% y-o-y but higher by 26% over Q1FY2020) and Hyderabad Park recorded 3.14 lakh footfalls (declined by 10% y-o-y, but increased by 26% over Q1FY2020). ARPU in Q1FY2024 was healthy at Rs. 1,626 per visitor, which is 25% higher y-o-y. ARPU for Bengaluru Park stood at Rs. 1,719 per visitor, rising 21% y-o-y (ticketing:non-ticketing ratio at 77:23), for Kochi park stood at Rs. 1,471 per visitor, registering an increase of 31% y-o-y (ticketing:non-ticketing ratio at 78:22), for the Hyderabad park stood at Rs. 1,642 per visitor, up 24% y-o-y (ticketing:non-ticketing ratio at 75:25).

## Key conference call highlights

- ♦ **Expect mid single-digit footfall growth in FY2024:** The management indicated that with impact of revenge travel tapering off, footfall growth will normalise in FY2024 and expects 4-5% y-o-y growth in footfall in FY2024. In terms of visitor mix, the company's mix was better in Q1FY2024 at 15:85 (group:walk-ins) as compared to 23:77 in Q1FY2023.
- ♦ **Strong ARPU growth in Q1FY2024:** As per the management, strong ARPU growth can be attributed to rise in non-ticketing revenue and higher share of walk-in visitors. Ticketing revenue growth came in at 18%, while non-ticketing revenue growth stood higher than ticketing revenue growth. Online ticket sales is 15-20% to overall sales. Management expects ARPUs to be higher 15% in next nine months. Overall ARPUs will be growing in the double digits in the coming years with high focus on generating higher sales from non-ticket revenues (largely food).
- ♦ **Multiple developments about new parks:** Construction work at the company's fourth park in Orissa is underway. With the receipt of regulatory clearances, construction has commenced at the company's fifth park in Chennai. WHL plans to complete construction of the Chennai Park by June 2025. Both parks will be operational in FY2026. Moreover, the management is confident to sign 1 or two parks in FY2024. Discussions are going on for establishing parks in Mohali, Punjab and NCR, UP and the company is waiting for any development on the same. WHL is in talks with the government of Punjab, Madhya Pradesh, Uttar Pradesh, Gujarat and Goa to set up park in these states.
- ♦ **Resort upgradation underway:** WHL plans to upgrade its Bengaluru resort and is adding 40 rooms, 2 bars and multiple other recreation activities. The company is also planning to come up with its second resort in Hyderabad, which is expected to be in FY2025.
- ♦ **Capex to add rides in each park:** WHL has planned for Rs. 70 crore maintenance capex in FY2024 and would add 5-6 rides in each park with the help of this capex.
- ♦ **Appointed new Chief Operating Officer (COO):** WHL appointed Mr. Dheeran Choudhary as the Chief Operating Officer (COO) with effect from July 24, 2023. He would focus on park operations and P&L focus. Under his leadership WHL aims to improve yield and sale within the park and bring in efficiencies.

## Results (Standalone)

Particulars	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Revenue	184.6	149.4	23.6	98.6	87.3
Raw material	15.6	14.1	10.4	10.7	45.4
Employee Cost	15.6	14.3	8.7	12.7	22.3
Other expenses	36.6	29.7	23.4	32.8	11.6
Total expenditure	67.8	58.1	16.6	56.3	20.4
<b>EBITDA</b>	<b>116.9</b>	<b>91.3</b>	<b>28.0</b>	<b>42.3</b>	-
Other income	5.6	2.9	95.4	5.2	7.5
Interest cost	0.1	0.1	-	0.2	-8.5
Depreciation	10.1	9.1	12.0	9.0	12.9
<b>Profit before tax</b>	<b>112.2</b>	<b>85.1</b>	<b>31.9</b>	<b>38.4</b>	-
Tax	27.7	20.7	34.0	9.9	-
<b>Adjusted PAT</b>	<b>84.5</b>	<b>64.4</b>	<b>31.2</b>	<b>28.5</b>	-
Extraordinary item	0.0	0.0	-	6.5	-
Reported PAT	84.5	64.4	31.2	35.1	-
EPS (Rs.)	14.9	11.4	31.0	5.0	-
			<b>bps</b>		<b>bps</b>
GPM (%)	91.6	90.6	100	89.1	243
EBITDA margin (%)	63.3	61.1	219	42.9	-
NPM (%)	45.8	43.1	267	28.9	-
Tax rate (%)	24.7	24.3	39	25.7	-101

Source: Company; Sharekhan Research

## Park-wise operational performance

### Kochi park

Particulars	Q1FY24	Q1FY23	y-o-y (%)
Revenues (Rs.cr)	471.0	393.0	19.8
Footfalls (,000)	319	348	-8.3
Avg. realisation (Rs.)	1,471	1,126	30.6
Avg. ticket rev. per visitor (Rs.)	1,145	882	29.8
Avg. non- ticket rev. per visitor (Rs.)	326	244	33.6

Source: Company; Sharekhan Research

### Bengaluru park

Particulars	Q1FY24	Q1FY23	y-o-y (%)
Revenues (Rs.cr)	809.0	605.0	33.7
Footfalls (,000)	469	423	10.9
Avg. realisation (Rs.)	1,719	1,424	20.7
Avg. ticket rev. per visitor (Rs.)	1,323	1,075	23.1
Avg. non- ticket rev. per visitor (Rs.)	396	349	13.5

Source: Company; Sharekhan Research

### Hyderabad park

Particulars	Q1FY24	Q1FY23	y-o-y (%)
Revenues (Rs.cr)	517.0	461.0	12.1
Footfalls (,000)	314	347	-9.5
Avg. realisation (Rs.)	1,642	1,324	24.0
Avg. ticket rev. per visitor (Rs.)	1,224	986	24.1
Avg. non- ticket rev. per visitor (Rs.)	418	338	23.7

Source: Company; Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Times of high footfalls ahead

The amusement park industry's performance was affected by COVID-19 restrictions in FY2021 and FY2022. However, footfalls grew strongly in FY2023 led by recovery in travel and the growth momentum is expected to continue in FY2024. 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 years.

### ■ Company Outlook – Robust growth in FY2023 back by strong growth in footfalls

Wonderla posted yet another quarter of strong performance in Q1FY2024 registering double-digit revenue and PAT growth, coupled with y-o-y expansion in EBITDA margin. The company expects strong growth momentum to continue in quarters ahead, aided by innovative marketing activities, event-based campaigns, addition of new attractions and improved traction on its digital platform. Expected opening of Odisha park and Chennai park in FY2026 will further boost revenue growth in the years to come. We expect the company's revenue and PAT to post a CAGR of 17% and 12%, respectively, over FY2023-25E.

### ■ Valuation – Maintain Buy with a revised price target of Rs. 750

The management is optimistic about the medium-term outlook and expects consistent improvement in footfalls in the coming years. Focus on asset-light model of entering new markets and improving business model to international standards of 60:40 mix between ticketing and non-ticketing revenues provides a huge scope to strong earnings growth in the coming years. The stock is currently trading at 14x/12x its FY2024E/FY2025E EV/EBITDA. We maintain a Buy on the stock with a revised PT of Rs. 750.

## About company

WHL is one of the largest theme park operators in India and has been in business for over 20 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 162 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 few 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, increased marketing initiatives and addition of new attractions to existing parks, strong growth is expected in the near-medium term.

## Key Risks

- ♦ Any decline in footfall in the near to medium would affect revenue growth.
- ♦ Any delay in the commencement of new parks would act as key risk to our earnings estimates.

## Additional Data

### Key management personnel

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

Source: Company Website

### Top 8 shareholders

Sr. No.	Holder Name	Holding (%)
1	Tata AMC	2.22
2	Investment Trust of India	0.71
3	Dimensional Fund Advisors LP	0.29
4	Russell Investment Group Ltd	0.14
5	SEI Investments	0.11
6	Macquarie Group Ltd	0.02
7	FMR LLC	0.02
8	American Century Cos Inc	0.02

Source: Bloomberg

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## 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 deteriorating 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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