



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. 5,049 cr
52-week high/low:	Rs. 957 / 316
NSE volume: (No of shares)	2.0 lakh
BSE code:	538268
NSE code:	WONDERLA
Free float: (No of shares)	1.7 cr

Shareholding (%)

Promoters	69.7
FII	6.0
DII	4.3
Others	20.0

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	11.5	40.6	95.9	140.1
Relative to Sensex	14.0	41.4	91.4	133.1

Sharekhan Research, Bloomberg

Wonderla Holidays Ltd

Good performance in a lean period

Consumer Discretionary

Sharekhan code: WONDERLA

Reco/View: Buy



CMP: Rs. 893

Price Target: Rs. 1,137



Upgrade



Maintain



Downgrade

Summary

- Wonderla Holidays Limited (WHL) posted a decent performance in the leanest quarter, with footfalls growing 5.8% to 5.0mn footfalls and ARPU growing 9% y-o-y to Rs. 1,440.
- Going ahead, footfalls in the existing park are likely to grow 5-6%. ARPUs are expected to increase 8-10%. Odisha park is expected to be operational in FY2025, which will add 6.0lakh footfalls and ARPUs will be 70% of Bengaluru park.
- Capex incurred for Odisha park is Rs. 48 crore (total capex will be Rs146cr) and that for Chennai park is Rs. 113 crore (total capex expected will be Rs330cr).
- The stock trades at 31x/24x/17x its FY2024E/FY2025E/FY2026E EPS (and 19x/15x/11x its FY24E/25E/26E EV/EBITDA). With growth momentum expected to sustain, we maintain Buy with a revised PT of Rs. 1,137.

Wonderla Holidays Limited (WHL) reported decent performance in a seasonally weak quarter. Footfalls grew by ~6%, driven by strong footfall traction in Bengaluru and Kochi park. Revenues grew 14% y-o-y to Rs. 75 crore (footfalls grew 6% and ARPUs grew 9%). Revenue of Bengaluru and Kochi parks grew by 17% each, while revenue of Hyderabad park grew by just 9%. EBITDA margin fell 226bps to 27.2% due to higher employee cost. PAT grew by 28.4% y-o-y to Rs. 13.5 crore in Q2FY2024. For H1FY2024, the company's revenues grew by 21% y-o-y to Rs. 259.6 crore, EBITDA margin increased 145bps to 52.8% and PAT grew 31% y-o-y to Rs. 98 crore. Construction of the new park in Odisha is progressing as per plans (incurred capex of Rs. 46 crore), while construction of Chennai park started recently after acquiring the required approvals (incurred capex of Rs. 113 crore).

Key positives

- Footfalls grew by 6% in a seasonally weak quarter (Bengaluru – 8% y-o-y and Kochi – 7% y-o-y).
- Non-ticketing revenue witnessed strong growth of 15% y-o-y to Rs. 392 per visitor.
- Despite capex behind new parks, the company has a strong cash kitty of Rs. 280 crore.

Key negatives

- Hyderabad park footfalls stood flat at 1.05 lakh.

Management Commentary

- Footfalls in the existing park will see a marginal hike in FY2024, considering the high base of FY2023. Footfall growth will be around 5-6% in its existing park in the coming years.
- Overall ARPUs will be growing in low double digits, with a high focus on generating increased sales from non-ticket revenue (largely food) in the coming years. It will include an average ticket price increase of 6-8%.
- Odisha park will be operational from June-July 2024. It is likely to contribute footfall of around 6.0 lakhs and ARPU (around 70% of Bengaluru ARPU).
- The company incurred capex of Rs. 48 crore on the construction of Odisha park (total capex planned is Rs. 146 crore) and incurred capex of Rs. 113 crore on the construction of Chennai park (total capex planned is Rs. 330 crore).
- Two new attractions were launched in Bengaluru park. Further, it is planning to do an investment of Rs. 30 crore to build a virtual reality show to attract more footfalls.
- Groups: Walk-in ratio stood at 31:69 in Q2 compared with 24:76 last year.
- WHL is in talks with the governments of Punjab, Madhya Pradesh, Uttar Pradesh, and Gujarat.

Revision in earnings estimates: We have broadly maintained our earnings estimates for FY2024 and increased them for FY2025 to factor in the commencement of Odisha Park. We have introduced FY2026 earnings estimates in this note.

Our Call

View: Retain Buy with a revised PT of Rs. 1,137: Management is optimistic about the medium-term outlook and expects consistent improvement in footfalls in the coming years. The company's focus on the asset-light model of entering new markets and improving business model to international standards of 60:40 mix between ticketing and non-ticketing revenue provides a huge scope for strong earnings growth in the coming years. The stock is currently trading at 19x/15x/11x its FY2024E/ FY2025E/FY2026E EV/EBITDA. We maintain our Buy rating with a revised PT of Rs. 1,137 (rolling it over September 2025 earnings).

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	FY23	FY24E	FY25E	FY26E
Revenue	429	513	653	867
EBITDA margin (%)	49.3	46.9	47.9	49.3
Adjusted PAT	149	162	211	291
Adjusted EPS (Rs.)	26.3	28.7	37.4	51.4
P/E (x)	33.9	31.1	23.9	17.4
P/B (x)	5.3	4.6	3.9	3.2
EV/EBITDA (x)	22.7	19.9	15.1	10.6
RoNW (%)	17.0	15.9	17.7	20.3
RoCE (%)	21.0	19.8	22.3	25.9

Source: Company; Sharekhan estimates

Decent performance in a seasonally weak quarter

WHL's revenue grew by 13.8% y-o-y to Rs. 75.2 crore in a seasonally weak quarter. Revenue came exactly in-line with our expectation of Rs. 75.8 crore. EBITDA margin decreased by 226bps y-o-y to 27.2% vs. our expectation of 30%. The decline was largely on account of a 34% y-o-y increase in employee cost. EBITDA increased by 5% y-o-y to Rs. 20.4 crore and reported PAT grew by 28.4% y-o-y to Rs. 13.5 crore due to 69% y-o-y growth in other income. PAT came in slightly better than our estimate of Rs. 12.8 crore. For H1FY2024, the company's revenue grew by 21% y-o-y to Rs. 259.6 crore, EBITDA margin was up 145bps to 52.8%, and PAT grew 31% y-o-y to Rs. 98 crore.

Footfalls grew by 6%; decent ARPU growth in each park

Total footfalls in Q2FY2024 stood at 4.96 lakh, up 6%, vs. Q3FY2023; however, the same was ahead of pre-COVID times. Bengaluru Park recorded 2.07 lakh footfalls (higher by 8.4% y-o-y), Kochi Park recorded 1.8lakh footfalls (higher by 7.0% y-o-y), and Hyderabad Park recorded flat footfalls of 1.05lakh. ARPU in Q2FY2024 was healthy at Rs. 1,568per visitor, which is 20% higher y-o-y. Non-ticketing revenue grew 15% y-o-y to Rs. 392 per visitor. ARPU for Bengaluru Park stood at Rs. 1,500 per visitor (grew by 7.8%); ARPU for Kochi park stood at Rs. 1,332 per visitor (grew 8.7% y-o-y) and that for Hyderabad stood at Rs. 1,513 (grew 10.8%). The company is planning to redefine its strategies for Hyderabad park to improve the footfalls in the coming years. In Bengaluru, the company's focus will be to gain more footfalls by introducing new attractions.

Results (Standalone)

	Rs cr				
Particulars	Q2FY24	Q2FY23	y-o-y (%)	Q1FY24	q-o-q (%)
Revenue	75.2	66.0	13.8	184.6	-59.3
Raw material	7.7	7.2	6.5	15.6	-50.4
Employee Cost	15.1	11.3	33.7	15.6	-3.2
Other expenses	32.0	28.1	13.7	36.6	-12.8
Total expenditure	54.8	46.6	17.5	67.8	-19.2
EBITDA	20.4	19.4	5.1	116.9	-82.5
Other income	6.2	3.7	69.4	5.6	10.9
Interest cost	0.1	0.0	185.1	0.1	-4.9
Depreciation	8.0	8.6	-7.2	10.1	-20.9
Profit before tax	18.5	14.4	28.3	112.2	-83.5
Tax	5.0	3.9	27.8	27.7	-82.1
Reported PAT	13.5	10.5	28.4	84.5	-84.0
EPS (Rs.)	2.4	1.9	28.3	14.9	-84.0
			bps		bps
GPM (%)	89.7	89.0	70	91.6	-183
EBITDA margin (%)	27.2	29.4	-226	63.3	-
NPM (%)	18.0	15.9	205	45.8	-
Tax rate (%)	26.9	27.0	-9	24.7	214

Source: Company; Sharekhan Research

Park-wise operational performance

Particulars	Revenue (Rs. crore)				
	Q2FY24	Q2FY23	y-o-y (%)	Q1FY24	q-o-q (%)
Bengaluru park	31.0	26.6	16.7	80.6	-61.5
Kochi park	24.6	21.1	16.8	46.9	-47.6
Hyderabad park	15.9	14.5	9.9	51.6	-69.2
Bengaluru resort	3.7	4.4	-15.6	5.3	-30.1
Total	75.2	66.5	13.1	184.4	-59.2

Source: Company; Sharekhan Research

Total footfalls grew by 6%

Particulars	Footfalls ('000)				
	Q2FY24	Q2FY23	y-o-y (%)	Q1FY24	q-o-q (%)
Bengaluru park	207	191	8.4	469	-55.9
Kochi park	184	172	7.0	319	-42.3
Hyderabad park	105	106	-0.9	314	-66.6
Total footfalls	496	469	5.8	1,102	-55.0

Source: Company; Sharekhan Research

ARPU remained high y-o-y

Particulars	ARPU (Rs.)				
	Q2FY24	Q2FY23	y-o-y (%)	Q1FY24	q-o-q (%)
Bengaluru park	1,500	1,391	7.8	1,719	-12.7
Average ticket revenue	1,096	1,027	6.7	1,323	-17.2
Average Non-Ticket Revenue	404	364	11.0	396	2.0
Kochi park	1,332	1,225	8.7	1,471	-9.4
Average ticket revenue	986	935	5.5	1,145	-13.9
Average Non-Ticket Revenue	346	290	19.3	326	6.1
Hyderabad park	1,513	1,365	10.8	1,642	-7.9
Average ticket revenue	1,064	972	9.5	1,224	-13.1
Average Non-Ticket Revenue	449	393	14.2	418	7.4

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 growth momentum is expected to continue in FY2024. Some international top-rated parks in the U.S., 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 and tourism, we expect a strong pullback in footfalls in the coming years.

■ Company Outlook – Strong growth momentum to continue in the coming years

WHL's H1FY2024 performance was strong with double-digit revenue and PAT growth, coupled with y-o-y expansion in EBITDA margin. The company expects strong growth momentum to continue in the quarters ahead, aided by innovative marketing activities, event-based campaigns, addition of new attractions, and improved traction on its digital platform. The expected opening of Odisha park in FY2025 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 26% and 25%, respectively, over FY2023-FY2026E.

■ Valuation – Maintain Buy with a revised price target of Rs.1137

Management is optimistic about the medium-term outlook and expects consistent improvement in footfalls in the coming years. The company's focus on the asset-light model of entering new markets and improving business model to international standards of 60:40 mix between ticketing and non-ticketing revenue provides a huge scope for strong earnings growth in the coming years. The stock is currently trading at 19x/15x/11x its FY2024E/FY2025E/FY2026E EV/EBITDA. We maintain our Buy rating with a revised PT of Rs. 1,137 (rolling it over September 2025 earnings).

About the 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 the closure of amusement parks and resorts. However, the company has been gaining strong momentum in the past few quarters, aided by the 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 term would affect revenue growth.
- ♦ Any delay in the commencement of new parks would act as a 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

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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