Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

Wonderla Holidays Ltd

Weak Q2

Consumer Discretionary	Sharekhan code: WONDERLA
Reco/View: Buy ↔	CMP: Rs. 840
	Price Target: Rs. 991 ↓

↑ 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		↔	

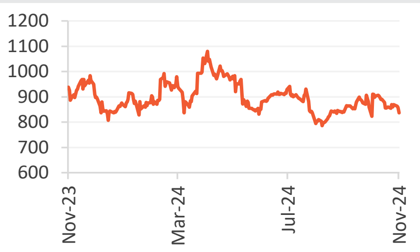
Company details

Market cap:	Rs. 4,749 cr
52-week high/low:	Rs. 1,107/772
NSE volume: (No of shares)	0.9 lakh
BSE code:	538268
NSE code:	WONDERLA
Free float: (No of shares)	1.7 cr

Shareholding (%)

Promoters	69.8
FII	5.4
DII	7.0
Others	17.9

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	1.8	5.3	-14.7	-10.8
Relative to Sensex	2.6	3.1	-23.5	-34.5

Sharekhan Research, Bloomberg

Summary

- Wonderla Holidays Ltd.'s (WHL's) Q2FY2025 numbers were weak, with sharp decline in footfalls and margins. Footfalls fell by 13.9% y-o-y (like-for-like basis); EBITDA margins contracted to 1.2% versus 27.2% in Q2FY2024.
- Footfalls were lower in Q2 due to operational and environmental challenges. Management expects mature parks to post 3-5% footfall growth and 5-6% ARPU growth in coming years.
- WHL plans to incur a capex of Rs. 1,500-2,000 crore for adding 3-5 parks over the next five years, with Rs. 800 crore to be funded from equity (plans to do QIP by FY2025-end) and remaining from debt and internal accruals.
- Stock trades at 22x, 17x and 13x its FY2025E, FY2026E and FY2027E EV/EBIDTA, respectively. We maintain Buy with a revised PT of Rs. 991.

WHL's Q2FY2025 performance was weak, missing estimates on all fronts owing to lower footfalls and sharp decline in EBITDA margins. Muted discretionary spending and natural disruptions such as floods in Andhra Pradesh and Telangana and landslides in Kerala hit footfalls, which fell by 9.1% y-o-y (like-for-like decline at 13.9%). Revenues declined by 10.3% y-o-y to Rs. 67 crore. Adjusted EBITDA margins (excluding ESOP costs of Rs. 1.9 crore) fell to 1.2% versus 27.2% in Q2FY2024 mainly due increased marketing expenses and expanded recruitment efforts aimed at building long-term brand value, raising awareness for the new park and supporting expansion plans. Adjusted EBITDA decline of 96% y-o-y to Rs. 0.8 crore coupled with higher depreciation charges (up by 82% y-o-y) led to an adjusted loss of Rs. 8 crore versus profit of Rs. 13.5 crore in Q2FY2024. Considering exceptional item relating to deferred tax credit of Rs. 24.08 crore towards fair value of freehold land and ESOP expenses, reported PAT grew by 8.9% y-o-y to Rs. 14.7 crore. In H1FY2025, revenue declined by 7.5% y-o-y to Rs. 240 crore, EBITDA margin contracted to 40.8% versus 52.8% in H1FY2024 and adjusted PAT fell by 39.2% y-o-y to Rs. 60 crore.

Key Negatives

- Footfalls in Kochi/Hyderabad parks fell by 24%/12% y-o-y, respectively.
- Adjusted EBITDA margin fell sharply to 1.2% versus 27.2% in Q2FY2024.

Management Commentary

- Operational and environmental challenges hit footfalls in Q2. Management indicated that mature parks are expected to post 3-5% footfall growth.
- Non-ticketing ARPU rose by 5-16% across parks. Management eyes mix to improve to 60:40 from 72:28 in H1FY2025 driven by new menus in F&B, branded items and more options in merchandise and tying non-ticket purchases with park tickets.
- Chennai park to be operational by Q3FY26-end. It targets to open 3-5 parks in next 5 years. Management has aggressive expansion plans over the next 3-5 years owing to good demand for amusement parks, improved government support and expected CAGR of 10-11% in the amusement park industry over the next 4-5 years.
- Q2 margins were hit by expenses for launch of Bhubaneshwar park (Rs. 3-3.5 crore), building team at corporate office and higher marketing expenses.
- The board has approved fund-raising of Rs. 800 crore for supporting the company's growth for 7-8 years. It is expected to be done by FY2025-end.
- WHL has maintained capex guidance of Rs. 1,500-2,000 crore, with Rs. 800 crore to be funded from equity and remaining from debt and internal accruals.

Revision in earnings estimates - We have reduced our estimates for FY2025 and FY2026 to factor in muted performance in H1FY2025 with decline in footfalls. We have introduced FY2027 earnings through this note.

Our Call

View - Retain Buy with a revised PT of Rs. 991: WHL delivered weak performance in H1FY2025 with footfalls impacted by multiple headwinds, while margins declined due to expenses towards launch of Bhubaneshwar park and higher spends for supporting expansion plans. However, management is optimistic about the medium-term outlook and expects consistent rise in footfalls in the coming years. Focus on an asset-light model of entering new markets and improving business model to international standards of a 60:40 mix between ticketing and non-ticketing revenue (from 72:28 currently) provides a huge scope for strong earnings growth in the coming years. The stock is trading at 22x, 17x and 13x its FY25E, FY26E and FY27E EV/EBIDTA, respectively. We maintain Buy with a revised PT of Rs. 991.

Key Risks

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

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	429	483	501	625	743
EBITDA margin (%)	49.3	47.0	42.0	44.0	44.7
Adjusted PAT	149	158	135	176	216
Adjusted EPS (Rs.)	26.3	27.9	23.9	31.2	38.2
P/E (x)	31.8	30.0	35.0	26.9	21.9
P/B (x)	5.0	4.3	3.9	3.4	3.0
EV/EBITDA (x)	21.2	20.0	21.8	16.5	13.4
RoNW (%)	17.0	15.5	11.7	13.6	14.6
RoCE (%)	21.0	19.1	14.7	17.2	18.7

Source: Company; Sharekhan estimates

Weak Q2

WHL's revenues declined by 10.3% y-o-y to Rs. 67 crore, with footfalls declining by 9.1% y-o-y (like-for-like y-o-y footfall decline at 13.9%), while APRU improved by 1.8% y-o-y to Rs. 1,597. Revenue lagged our expectation of Rs. 86 crore. Total footfalls across three parks came in at 4.51 lakhs, with footfalls in Bengaluru/Kochi/Hyderabad lower by 5%/24%/12% y-o-y, mainly due to shifting consumer preferences and natural disruptions, including landslides in Kerala and floods in Andhra Pradesh and Telangana. Bhubaneshwar Park, which started operations in Q1FY2025, recorded 0.24 lakhs footfalls in Q2. The company incurred an expense of ~Rs. 1.9 crore towards ESOPs, which is considered in exceptional items. Adjusted EBITDA margin declined to 1.2% from 27.2% in Q2FY2024, much lower than our expectation of 24.8%, mainly due increased marketing expenses and expanded recruitment efforts aimed at building long-term brand value, raising awareness for the new park, and supporting WHL's expansion plans. Adjusted EBITDA fell by 96% y-o-y to Rs. 0.8 crore. This coupled with higher depreciation charges (up by 82% y-o-y) led to adjusted loss of Rs. 8 crore versus profit of Rs. 13.5 crore in Q2FY2024. Considering exceptional items relating to deferred tax credit of Rs. 24.08 crore towards fair value of freehold land and ESOP expenses, reported PAT grew by 8.9% y-o-y to Rs. 14.7 crore. In H1FY2025, revenue declined by 7.5% y-o-y to Rs. 240 crore, EBITDA margin contracted to 40.8% versus 52.8% in H1FY2024 and adjusted PAT fell by 39.2% y-o-y to Rs. 60 crore.

Results (Standalone) Rs cr

Particulars	Q2FY25	Q2FY24	y-o-y (%)	Q1FY25	q-o-q (%)
Revenue	**67.4**	**75.2**	**-10.3**	**172.9**	**-61.0**
Raw material	7.8	7.7	1.8	16.5	-52.5
Employee Cost	18.1	15.1	20.1	18.2	-0.5
Other expenses	40.6	32.0	27.1	41.0	-0.9
Total expenditure	66.6	54.8	21.6	75.7	-12.1
EBITDA	**0.8**	**20.4**	**-96.0**	**97.2**	**-99.2**
Other income	3.8	6.2	-38.5	4.6	-16.0
Interest cost	0.2	0.1	59.8	0.1	75.6
Depreciation	14.6	8.0	82.3	12.4	18.4
Profit before tax	**-10.2**	**18.5**	**-**	**89.3**	**-**
Tax	-2.2	5.0	-	21.7	-
Adjusted PAT	**-8.0**	**13.5**	**-**	**67.6**	**-**
Extraordinary item	22.7	0.0	-	-4.3	-
Reported PAT	**14.7**	**13.5**	**8.9**	**63.2**	**-76.7**
EPS (Rs.)	-1.4	2.4	-	11.9	-
			bps		**bps**
GPM (%)	88.4	89.7	-139	90.4	-209
EBITDA margin (%)	1.2	27.2	-	56.2	-
NPM (%)	-11.8	18.0	-	39.1	-
Tax rate (%)	22.0	26.9	-487	24.3	-234

Source: Company, Sharekhan Research

Revenue performance across parks

Particulars	Revenue (Rs. crore)				
	Q2FY25	Q2FY24	y-o-y (%)	Q1FY25	q-o-q (%)
Bengaluru park	28.2	31.0	-9.1	63.8	-55.8
Kochi park	19.6	24.6	-20.3	42.5	-53.8
Hyderabad park	13.4	15.9	-15.7	52.9	-74.7
Bhubaneshwar park	2.5	0.0	-	9.1	-72.4
Bengaluru resort	3.7	3.7	-1.3	4.6	-20.0
Total	**67.4**	**75.2**	**-10.4**	**172.9**	**-61.0**

Source: Company, Sharekhan Research

Total footfalls fell by 9%

Particulars	Footfalls ('000)				
	Q2FY25	Q2FY24	y-o-y (%)	Q1FY25	q-o-q (%)
Bengaluru park	196	207	-5.3	358	-45.3
Kochi park	139	184	-24.5	275	-49.5
Hyderabad park	92	105	-12.4	299	-69.2
Bhubaneshwar park	24	0	-	69	-65.2
Total footfalls	**451**	**496**	**-9.1**	**1,001**	**-54.9**

Source: Company, Sharekhan Research

ARPUs across parks

Particulars	ARPU (Rs.)				
	Q2FY25	Q2FY24	y-o-y (%)	Q1FY25	q-o-q (%)
Bengaluru park	**1,438**	**1,500**	**-4.1**	**1,783**	**-19.3**
Average ticket revenue	1,010	1,096	-7.8	1,323	-23.7
Average Non-Ticket Revenue	428	404	5.9	460	-7.0
Kochi park	**1,410**	**1,332**	**5.9**	**1,544**	**-8.7**
Average ticket revenue	1,009	986	2.3	1,170	-13.8
Average Non-Ticket Revenue	401	346	15.9	374	7.2
Hyderabad park	**1,457**	**1,517**	**-4.0**	**1,769**	**-17.6**
Average ticket revenue	983	1,064	-7.6	1,288	-23.7
Average Non-Ticket Revenue	474	453	4.6	481	-1.5

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector view - Times of high footfalls ahead

The amusement park industry continued strong momentum in FY2024 after delivering a strong comeback in FY2023, post two years of a pandemic-led lull. The global amusement parks industry is expected to grow at CAGR of ~5% during 2022-27. According to the Indian Brand Equity Foundation, the Indian amusement and theme park industry continues to be at ~1% of the global amusement park industry. However, it is expected to grow at faster rate of 10% CAGR till 2027 aided by increase in per capita income, favourable demographics, shift in spending patterns on more experience-based entertainments, infrastructure developments and increasing focus of government to promote domestic tourism hubs. Thus, footfalls across the parks are expected to be higher in the coming years.

■ Company outlook - Eyeing aggressive geographical expansion

In H1FY2025, WHL's revenue declined in high single-digits, while sharp decline in EBITDA margin led to ~40% y-o-y decline in PAT. The company continues to focus on innovative marketing activities, event-based campaigns, addition of new attractions, and improved traction on its digital platform to support footfalls across the parks. The expected opening of the Chennai Park in FY2026 and few more parks in the next 3-5 years will further boost revenue growth in the years to come. WHL aims to increase its presence to 10 cities in the next few years. Margins are likely to be impacted in the near term due to opening of new parks but are expected to normalise with scaling up of the parks. We expect WHL's revenue and PAT to post a CAGR of 15% and 11%, respectively, over FY2024-FY2027E.

■ Valuation - Maintain Buy with a revised price target of Rs. 991

WHL delivered weak performance in H1FY2025 with footfalls impacted by multiple headwinds, while margins declined due to expenses towards launch of Bhubaneshwar park and higher spends for supporting expansion plans. However, management is optimistic about the medium-term outlook and expects consistent rise in footfalls in the coming years. Focus on an asset-light model of entering new markets and improving business model to international standards of a 60:40 mix between ticketing and non-ticketing revenue (from 72:28 currently) provides a huge scope for strong earnings growth in the coming years. The stock is trading at 22x, 17x and 13x its FY25E, FY26E and FY27E EV/EBIDTA, respectively. We maintain Buy with a revised PT of Rs. 991.

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, Hyderabad and Bhubaneshwar. It also owns a resort near its Bengaluru Park. The company has an in-house facility in Kochi for manufacturing rides and attractions. WHL's portfolio comprises of four parks and one resort with 189 rides, 18 restaurants, 5 banquet halls, 6 food courts and 2 lounge bars.

Investment theme

WHL is one of the top entertainment companies in India, with three amusement parks, one each in Kochi, Bengaluru, and Hyderabad (new park in Bhubaneshwar to open soon). 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. 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
Saji K Louiz	Chief Financial Officer
Srinivasulu Raju Y	Company Secretary & Compliance Officer

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Tata Asset Management Pvt Ltd	3.17
2	Investment Trust of India	0.66
3	Dimensional Fund Advisors LP	0.39
4	Union Mutual Fund	0.36
5	Mirae Asset Global Investments Co Ltd	0.33
6	BlackRock Inc	0.21
7	Teachers' Retirement System of the State of Illinois	0.19
8	SEI Invesmtents Co	0.08
9	American Century Cos Inc	0.07
10	ODIN Forvaltning AS	0.07

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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