Stock Update

Result Update

MIRAE ASSET Sharekhan

Wonderla Holidays Ltd

Weak Q3

Consumer Discretionary	Sharekhan code: WONDERLA

Reco/View: Buy	↔	CMP: **Rs. 716**	Price Target: **Rs. 890**	↓

↑ 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. 4,538 cr
52-week high/low:	Rs. 1,107/700
NSE volume: (No of shares)	1.1 lakh
BSE code:	538268
NSE code:	WONDERLA
Free float: (No of shares)	2.4 cr

Shareholding (%)

Promoters	62.3
FII	9.1
DII	12.1
Others	16.6

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	-3.7	-16.3	-18.9	-17.3
Relative to Sensex	-0.2	-11.2	-12.2	-22.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Wonderla Holidays Ltd's (WHL's) Q3FY25 numbers were weak, as a sharp contraction in EBITDA margin led to a ~42% y-o-y decline in the adjusted PAT. Revenue fell by 1.7% y-o-y with footfalls lower by 3% y-o-y.
- Footfalls would be muted in FY25 but sharply improve in coming years aided by scaling up of Bhubaneshwar park, opening of the Chennai park, addition of new attractions and restaurants in the existing parks and marketing strategies. Management expects EBITDA margins to be at 35-40% in the near term.
- Soft launch of Chennai park is expected by Q3FY26-end (likely in December 2025). Management guided that it will announce finalisation of one more location in the coming months.
- Stock has corrected by 20% from its recent high and trades at 20x, 16x and 12x its FY25E, FY26E and FY27E EV/EBIDTA, respectively. We maintain a Buy with a revised PT of Rs. 890.

WHL's Q3FY25 performance was weak, missing estimates on all fronts owing to lower footfalls and sharp decline in EBITDA margins which led to a sharp decline in the PAT. Muted discretionary spending, natural disruptions (cyclones in Bhubaneshwar and unexpected rainfall in Bengaluru) and lower group bookings in Kochi hit footfalls, which fell by 3% y-o-y to 3.28 lakh. Revenues declined by 1.7% y-o-y to Rs. 122 crore. Adjusted EBITDA margins (excluding ESOP costs of Rs. 2 crore) fell to 32.2% versus 44.1% in Q3FY24 mainly due increased marketing expenses, higher employee costs and negative operating leverage. Adjusted EBITDA decline of 28.1% y-o-y to Rs. 39 crore and higher depreciation charges (up by 47% y-o-y) led to a 41.6% y-o-y decline in the adjusted PAT to Rs. 21.8 crore. Reported PAT came in at Rs. 20.3 crore. In 9MFY25, revenue declined by 5.6% y-o-y to Rs. 362 crore, EBITDA margin shrunk to 37.9% versus 50.0% in 9MFY24 and adjusted PAT fell by 39.9% y-o-y to Rs. 81 crore.

Key positives

- Hyderabad park recorded 10.8% y-o-y footfall growth to 3.28 lakhs (highest ever footfalls since inception).

Key Negatives

- Footfalls in Bengaluru/Kochi parks fell by 15%/14% y-o-y, respectively.
- Adjusted EBITDA margin plunged to 32.2% versus 44.1% in Q3FY24.

Management Commentary

- Footfalls were lower by 3% in Q3 owing to cyclones in Bhubaneshwar, lower group footfalls in Kochi and unexpected rains in Bengaluru (2-weeks impact). Footfall growth in Hyderabad was aided by group bookings. Footfalls to be muted FY25, see growth from FY26 onwards.
- WHL relaunched its mascot Chikku, with the opening of Adventures of Chikku Wild Ride at the Kochi Park. Management plans to add it to the Bengaluru and Hyderabad park soon.
- Chennai park to be operational by Q3FY26-end. Management guided that it will announce finalisation of one more location in the coming months. Increasing geographical presence will help WHL to hedge against regional weather issues and improve footfalls.
- Management stated that it plans to add new restaurants to older parks (Kochi and Bengaluru) and all parks would see new attractions by summer, which will help to attract more footfalls.
- Company recently concluded QIP of Rs. 540 crore. A large part of the QIP proceeds are planned to be utilised for the Chennai park (~Rs. 390 crore) and the remaining funds would be utilised for Bengaluru park (~Rs. 55 crore), new projects and corporate purposes.

Revision in earnings estimates - We have reduced our estimates for FY25 to factor in weak performance in 9MFY25 and for FY26 and FY27 to factor in delay opening of Chennai park and lower EBITDA margins than earlier expected.

Our Call

View - Retain Buy with a revised PT of Rs. 890: WHL delivered weak performance in 9MFY25 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 has corrected by 20% from its recent high and is trading at 20x, 16x and 12x its FY25E, FY26E and FY27E its EV/EBIDTA, respectively. We maintain a Buy with a revised PT of Rs. 890 (rolling over to FY27 earnings).

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	484	562	682
EBITDA margin (%)	49.3	47.0	36.5	37.9	39.8
Adjusted PAT	149	158	97	116	158
Adj. diluted EPS (Rs.)	23.5	24.9	15.3	18.2	24.9
P/E (x)	30.5	28.7	46.7	39.3	28.8
P/B (x)	4.3	3.7	2.6	2.5	2.3
EV/EBITDA (x)	18.0	16.9	20.4	16.3	12.3
RoNW (%)	17.0	15.5	6.8	6.4	8.2
RoCE (%)	21.0	19.1	8.7	8.3	10.6

Source: Company; Mirae Asset Sharekhan estimates

Weak Q3

WHL's revenues declined by 1.7% y-o-y to Rs. 122 crore, with footfalls declining by 3% y-o-y, while APRU improved by 1.3% y-o-y to Rs. 1,272. Revenue lagged our expectation of Rs. 135 crore. Expense of ~Rs. 2 crore towards ESOPs, which is considered in exceptional items. Adjusted EBITDA margin declined to 32.2% from 44.1% in Q3FY24, much lower than our expectation of 41.6%, mainly due increased marketing expenses, higher employee costs and negative operating leverage. Adjusted EBITDA fell by 28.1% y-o-y to Rs. 39 crore. This coupled with higher depreciation charges (up by 47% y-o-y) led to 41.6% y-o-y decline in the adjusted PAT to Rs. 21.8 crore (versus expectation of Rs. 33.4 crore). Considering exceptional items, reported PAT declined by 45.6% y-o-y to Rs. 20.3 crore. In 9MFY25, revenue declined by 5.6% y-o-y to Rs. 362 crore, EBITDA margins contracted to 37.9% versus 50.0% in 9MFY24 and adjusted PAT fell by 39.9% y-o-y to Rs. 81 crore.

Results (Standalone) — Rs cr

Particulars	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	q-o-q (%)
Revenue	**121.5**	**123.6**	**-1.7**	**67.4**	**80.3**
Raw material	14.6	13.8	5.9	7.8	86.1
Employee Cost	19.0	14.9	27.3	18.1	4.7
Other expenses	48.8	40.4	20.7	40.6	20.1
Total expenditure	82.3	69.1	19.2	66.6	23.7
EBITDA	**39.2**	**54.5**	**-28.1**	**0.8**	**-**
Other income	5.0	6.0	-16.4	3.8	29.8
Interest cost	0.2	0.2	-11.3	0.2	-27.0
Depreciation	14.6	9.9	47.1	14.6	-0.1
Profit before tax	**29.4**	**50.3**	**-41.6**	**-10.2**	**-**
Tax	7.6	13.0	-41.5	-2.2	-
Adjusted PAT	**21.8**	**37.3**	**-41.6**	**-8.0**	**-**
Extraordinary item	-1.5	0.0	-	22.7	-
Reported PAT	**20.3**	**37.3**	**-45.6**	**14.7**	**38.0**
EPS (Rs.)	3.4	6.6	-47.9	-1.4	-
			bps		**bps**
GPM (%)	88.0	88.8	-86	88.4	-37
EBITDA margin (%)	32.2	44.1	-	1.2	-
NPM (%)	17.9	30.2	-	-11.8	-
Tax rate (%)	25.8	25.8	4	22.0	383

Source: Company; Mirae Asset Sharekhan Research

Revenue performance across parks

Particulars	Revenue (Rs. crore)				
	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	q-o-q (%)
Bengaluru park	42.0	48.2	-12.8	28.2	49.1
Kochi park	31.8	34.6	-7.9	19.6	62.5
Hyderabad park	39.4	35.9	9.6	13.4	193.9
Bhubaneshwar park	3.7	0.0	-	3.1	17.1
Bengaluru resort	4.8	4.9	-0.8	3.7	31.0
Total	**121.5**	**123.5**	**-1.7**	**68.0**	**80.3**

Source: Company; Mirae Asset Sharekhan Research

Total footfalls fell by 3%

Particulars	Footfalls ('000)				
	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	q-o-q (%)
Bengaluru park	299	352	-15.1	196	52.6
Kochi park	257	297	-13.5	139	84.9
Hyderabad park	328	296	10.8	92	-
Bhubaneshwar park	34	2	-	24	41.7
Total footfalls	**918**	**947**	**-3.0**	**451**	**103.5**

Source: Company; Mirae Asset Sharekhan Research

ARPUs across parks

Particulars	ARPU (Rs.)				
	Q3FY25	Q3FY24	y-o-y (%)	Q2FY25	q-o-q (%)
Bengaluru park	**1,405**	**1,368**	**2.7**	**1,438**	**-2.3**
Average ticket revenue	986	995	-0.9	1,010	-2.4
Average Non-Ticket Revenue	419	373	12.3	428	-2.1
Kochi park	**1,239**	**1,164**	**6.4**	**1,410**	**-12.1**
Average ticket revenue	885	837	5.7	1,009	-12.3
Average Non-Ticket Revenue	354	327	8.3	401	-11.7
Hyderabad park	**1,201**	**1,214**	**-1.1**	**1,457**	**-17.6**
Average ticket revenue	791	817	-3.2	983	-19.5
Average Non-Ticket Revenue	410	397	3.3	474	-13.5

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

Sector Outlook – 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 9MFY25, WHL's revenue declined by 5.6% y-o-y, while sharp decline in EBITDA margin led to ~40% y-o-y decline in the adjusted 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 FY26 and few more parks in the next 3-5 years will 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 19% and 27%, respectively, over FY25E-27E.

Valuation – Maintain Buy with a revised price target of Rs. 890

WHL delivered weak performance in 9MFY25 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 has corrected by 20% from its recent high and is trading at 20x, 16x and 12x its FY25E, FY26E and FY27E its EV/EBIDTA, respectively. We maintain a Buy with a revised PT of Rs. 890 (rolling over to FY27 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, 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 four amusement parks, one each in Kochi, Bengaluru, Hyderabad and Bhubaneshwar. 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 and Compliance Officer

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Tata Asset Management Pvt. Ltd.	6.66
2	SBI Funds Management Ltd.	2.79
3	Sumitomo Mitsui Trust Group Inc.	2.20
4	ODIN Forvaltning AS	1.66
5	ODIN Emerging Markets	1.66
6	Nippon Life India Asset Management Ltd.	1.01
7	Mirae Asset Financial Group	0.49
8	Dimensional Fund Advisors LP	0.38
9	Blackrock Inc.	0.22
10	Motilal Oswal Asset Management Co. Ltd.	0.10

Source: Bloomberg

Understanding the Mirae Asset 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: Mirae Asset Sharekhan Research

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