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Strong quarter for multiplexes!

For multiplexes, strong box office collections of movies such as *KGF 2*, *Bhool Bhulaiyaa 2*, etc, is expected to result in a robust performance on topline and profitability front. For broadcasters, while ad growth will be seen on benign base, margins will be lower amid higher content costs.

Multiplex: Strong box office collections to boost performance

The top contributor to collections were *KGF 2* (~₹ 435 crore – Hindi), *Bhool Bhulaiyaa 2* (~₹ 185 crore), *Doctor Strange* (₹ 127 crore) and *RRR* (residual collections during April). Furthermore, *Vikram* (in Tamil) did stupendous business. Thus, we expect net box office collections in Q1FY22 to be largely similar to pre Covid (Q1FY20) with strong movies such as *Avengers: Endgame*, *Kabir Singh*, *Bharat*, *De De Pyar De* like hits in the base. In terms of Q1 performance, we expect footfalls at ~18 mn and ~24 mn for Inox and PVR, up ~64% QoQ and 68% QoQ, respectively. We expect spends per head (SPH) for food and beverage for multiplexes to remain robust with Inox and PVR expected to report SPH of ₹ 95, ₹ 123, respectively. Ad revenues, however, would be lower at 55-60% of pre-Covid levels. We estimate EBITDA (ex-Ind-AS) of ₹ 175 crore for PVR (margins of 19%) while bake in EBITDA (ex-Ind-AS) of ₹ 102 crore for Inox (~18.8% margins). We highlight that coupled with strong topline performance, relatively lower than pre-Covid costs, will boost the margins during Q1. **With strong content line-up in H2CY22, we expect strong collection momentum to continue and believe pre-Covid run rate will be attained quicker than anticipated.**

Broadcasters: Mixed bag...

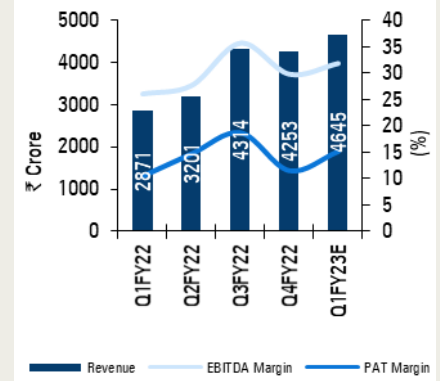
Q1FY23 is again expected to reflect a divergent performance among broadcasters with Zee relatively underperforming in ad growth amid impact of free to Airt (FTA) channel pullout from DD Free Dish.

Sun TV's ad revenues are likely to witness growth of 14% YoY, on a benign base. Subscription revenues are expected to be muted (up 1.5% YoY) amid NTO 2 implementation led pricing restrictions. We expect EBITDA margins at 58.6%, down 150 bps YoY, due to higher content cost. Zee ad revenue is expected to witness ~9% YoY growth on a benign base with lower growth owing to loss of ad revenues as it pulled out its GEC channels from DD Free Dish. The reported subscription growth, is expected to be muted at ~2% YoY. We expect margins at 15.9%, down 350 bps YoY, given the higher content costs and muted topline show. For TV Today, we expect ~9% YoY growth in TV and digital revenues. EBITDA margins at 24% are expected to be down 170 bps YoY, with higher production costs. PAT at ₹ 39.7 crore, is likely to grow 6% YoY.

Company	Revenue		Change (%)		EBITDA		Change (%)		PAT		Change (%)	
	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ
Inox Leisure	542.3	2,331	70.7	182.3	LP	133.7	32.4	LP	LP			
PVR	921.8	1,452	71.6	324.6	LP	225.0	26.5	LP	LP			
Sun TV	1,046.5	29.2	25.6	612.9	23.8	10.8	406.2	4.2	0.4			
TV Today	224.2	10.0	-7.4	53.8	2.9	10.4	39.7	6.3	10.6			
Zee Ent.	1,910.0	7.6	-17.8	303.7	-11.7	-37.6	198.0	-7.4	8.8			
Total	4,644.7	61.8	9.2	1,477.4	97.3	16.6	702.7	134.9	43.9			

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



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Exhibit 2: Company Specific view - Media

Company	Remarks
Inox Leisure	We bake in overall footfall of 18 mn, up 64% QoQ and SPH of ₹ 95, with ad revenues recovery lagging (~54-55% of pre Covid levels). Consequently, we expect overall revenues of ₹ 442 crore in Q1. EBITDA (ex-Ind-AS) is expected at ₹ 102 crore, margins of ~18.8%. Key Monitorable: Content performance ahead, Merger approvals
PVR	We bake in overall footfall of 24 mn, up 68% QoQ, and SPH of ₹ 123, with ad revenues recovery being slower (~65% of pre-Covid levels). Consequently, we expect overall revenues of ₹ 922 crore in Q1. With higher rentals QoQ and relatively muted footfall vis-a-vis Inox, we expect EBITDA (ex-Ind-AS) at ₹ 175 crore (margins of ~19%). Key Monitorable: Content performance ahead, Merger approvals
Sun TV	We expect ad revenues to increase ~14% YoY, on a benign base. Subscription revenues are expected to be muted and up 1.5% YoY, as NTO 2 implementation overhang has restricted tariff increase. We bake in IPL revenues/EBITDA of ₹ 250 crore, ₹ 100 crore and film revenues of ₹ 70 crore. We expect EBITDA margins (ex-IPL) at 64.4%, down 100 bps YoY, owing to higher content costs. Key Monitorable: Tamil market viewership, SunNXT traction
TV Today Network	TV Today is expected to report TV broadcasting and digital revenue growth of ~9% YoY to ₹ 219 crore. Radio business is estimated to be up 82% on a depressed base at ₹ 5.5 crore. We expect EBITDA of ₹ 53.8 crore with EBITDA margin of 24% for the quarter down 170 bps YoY with higher production costs. PAT at ₹ 39.7 crore, is likely to grow 6% YoY. Key Monitorable: TV broadcasting revenue growth, digital revenue growth
Zee Ent.	Zee's ad revenue is expected to witness ~9% YoY growth on a benign base. Compared to pre-Covid levels, however, ad revenues are likely to be ~15% lower owing to Zee's lagging market share and impact of FTA channels exit from DD freedish. The reported subscription growth, is expected at ~2% YoY, with NTO 2 led price restriction. We expect EBITDA margins at 15.9%, down 350 bps YoY, owing to sub-optimal revenues and higher content costs, Key Monitorable: Sony Zee merger update

Source: Company, ICICI Direct Research

Exhibit 3: Media Coverage Universe

Sector / Company	CMP (₹)	TP (₹)	Rating	M Cap (₹ cr)	EPS			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
					FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Inox Leisure	515	670	Buy	6,302	-19.6	7.1	15.5	NM	72.2	33.3	124.1	13.1	10.3	-50.6	11.6	20.8	-5.4	10.2	13.2
PVR	1,867	2,240	Buy	11,391	-80.0	25.7	42.8	NM	72.6	43.6	151.4	11.8	10.0	-2.8	10.7	30.9	-35.6	10.4	14.8
Sun TV	421	460	Hold	16,573	41.7	41.9	46.3	10.1	10.0	9.1	5.4	4.7	3.9	27.2	24.7	24.6	20.1	18.4	18.3
TV Today	263	375	Buy	1,572	30.5	33.4	37.7	8.6	7.9	6.6	5.6	4.3	3.2	20.8	19.9	19.6	15.7	14.9	14.7
ZEE Ent.	218	315	Buy	20,891	10.0	12.4	15.7	21.7	17.5	12.2	11.4	10.6	8.4	14.6	13.9	16.2	9.7	10.3	12.0

Source: Company, ICICI Direct Research, Reuters

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