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Weak quarter!

For multiplexes, weak box office collections of major movies are expected to result in a sharp decline in topline and marginal losses on the EBITDA front. For broadcasters, Q2 is anticipated to be a weak quarter on ad front.

Multiplex: Flop show during quarter!

Q2 was a weak quarter with major big budget/starrer movies such as *Laal Singh Chaddha*, *Raksha Bandhan*, *Shamshera*, *Liger* etc, turning flop. Given the weak movies collection with only two movies (Brahmastra and Thor) crossing ₹ 100 crore during the quarter, **multiplexes are expected to witness ~35-40% QoQ decline in box office revenues with weak footfall (down 26-36% QoQ) and average ticket price (ATP) decline ranging from 5-12% QoQ for Inox and PVR**. PVR, is expected to relatively witness less decline of ~26% QoQ in footfall, aided by south movies footfall, albeit same will result in lower ATP at ₹ 220, down ~12% QoQ, given the movie mix and promotional discounts offered by the company. **Advertisement remains at ~65% of pre Covid for both multiplexes**. We expect both PVR and Inox to report marginal EBITDA losses (ex-Ind-AS) given the weak content performance. With a strong content line-up in H2FY22, we expect strong collection momentum to return from Q3.

Broadcasters: Ad weakness likely!

During Q2FY23, GEC broadcasters are expected to witness a weak quarter with low to mid-single digit YoY ad decline owing to a) exit of free to air channel by Zee; b) weak ad spending in July, August and c) overall weak seasonality.

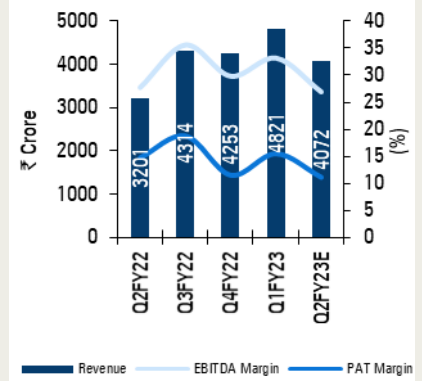
Sun TV's ad revenues is likely to witness decline of 2% YoY, given the weak ad spends and seasonality. Subscription revenues are expected to be muted (up 1% YoY) amid NTO 2 implementation led pricing restrictions. We expect EBITDA margins at 66%, up 320 bps YoY, due to revenue mix (base quarter had IPL revenues). Bottomline, however, is expected to fall ~5% YoY, given higher amortisation. Zee ad revenue is expected to witness ~5% YoY decline growth owing to loss of ad revenues as it pulled its GEC channels from free dish and weak ad spending. The reported subscription growth is expected to be muted at ~1% YoY growth. We expect margins at 13.5%, down 730 bps YoY, given the higher content costs and muted topline show. For TV Today, we expect ~2% YoY growth in TV and digital revenues, with growth largely driven by digital segment and TV, being muted. EBITDA margins at 24.5% are expected to be down 190 bps YoY, with higher production costs. PAT, at ₹ 41.3 crore, is likely to decline ~12% YoY.

Going ahead, we expect an ad revenue recovery from Q3 onwards led by festive spends. The ad recovery would also bring in a margin improvement for broadcasters, going ahead.

Company	Revenue		Change (%)		EBITDA		Change (%)		PAT		Change (%)	
	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ	Q2FY23E	YoY	QoQ
Inox Leisure	375.0	691	-35.6	77.0	LP	-63.4	-41.8	NA	PL			
PVR	680.6	466	-30.6	135.0	LP	-60.5	-78.6	NA	PL			
Sun TV	855.1	3.2	-28.4	564.4	8.4	-26.1	372.1	-5.4	-24.3			
TV Today	231.0	2.2	5.9	56.6	-5.0	19.7	41.3	-12.1	17.8			
Zee Ent.	1,930.7	-2.4	4.6	260.1	-36.9	10.3	158.1	-41.5	48.3			
Total	4,072.4	27.2	-15.5	1,093.0	23.4	-31.6	451.0	-4.0	-39.4			

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



Research Analyst

Bhupendra Tiwary, CFA

bhupendra.tiwary@icicisecurities.com

Exhibit 2: Company Specific view - Media

Company	Remarks
Inox Leisure	Given the weak content performance, overall performance is likely to be weak. ATP at ₹ 218, is expected to be down 5% QoQ, given the weak content performance and promotional offers given during Q2. We bake in overall footfall of 11.7 mn, down 36% QoQ and SPH of ₹ 106, with ad revenue recovery lagging (~65% of pre-Covid levels). Consequently, we expect overall revenues of ₹ 375 crore in Q2. EBITDA (ex-Ind AS) loss is expected at ₹ 6 crore. Key Monitorable: Content performance ahead
PVR	We expect a weak performance by multiplexes including PVR given the content performance disappointment, during the quarter. Lower ATP, is expected, at ₹ 220, down ~12% QoQ, given the movie mix and promotional discounts offered by the company. We bake in overall footfall of 18.6 mn, down 26% QoQ and SPH of ₹ 125, with ad revenues recovery being slower (~65% of pre Covid levels). Consequently, we expect overall revenues of ₹ 681 crore in Q2. We expect a marginal EBITDA loss (ex-Ind AS) at ₹ 13 crore. Key Monitorable: Content performance ahead
Sun TV	We expect ad revenues to witness a decline of 2% YoY, given the weak ad spends and seasonality. Subscription revenues are expected to be muted (up 1% YoY) amid NTO 2 implementation led pricing restrictions. We bake in film revenues of ₹ 90 crore, as it had one release during the quarter. We expect EBITDA margins at 66%, up 320 bps YoY, due to revenue mix (base quarter had IPL revenues). Bottomline, however, would decline by ~5% YoY, given higher amortisation. Key Monitorable: Tamil market viewership, SunNXT traction
TV Today Network	TV Today is expected to report TV broadcasting and digital revenue growth of ~2% YoY to ₹ 227 crore, with growth largely driven by digital segment and TV, being muted. Radio business is estimated at ₹ 3.5 crore, up ~13% YoY on a benign base. EBITDA margins at 24.5% are expected to be down 190 bps YoY, with higher production costs. PAT at ₹ 41.3 crore, is likely to decline ~12% YoY. Key Monitorable: TV broadcasting revenue growth, digital revenue growth
Zee Ent.	Zee's ad revenue is expected to witness ~5% YoY decline growth owing to loss of ad revenues as it pulled put its GEC channels from free dish and weak ad spending. The reported subscription growth, is expected to be muted at ~1% YoY growth. We expect margins at 13.5%, down 730 bps YoY, given the higher content costs and muted topline show. 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	720	Buy	6,300	-19.6	16.4	24.9	NM	31.3	20.7	140.8	12.0	9.7	-50.6	23.2	26.7	-5.4	14.2	16.9
PVR	1,752	2,300	Buy	10,687	-80.0	36.2	51.5	NM	48.5	34.0	144.7	10.7	9.0	-2.8	12.2	32.2	-35.6	14.0	16.7
Sun TV	539	515	Hold	21,239	41.7	46.6	51.3	12.9	11.6	10.5	7.4	6.1	5.1	27.2	26.8	26.1	20.1	20.0	19.5
TV Today	275	350	Buy	1,640	30.5	30.8	35.0	9.0	8.9	6.9	5.9	5.1	3.7	20.8	18.6	18.6	15.7	13.9	13.9
ZEE Ent.	281	300	Buy	26,990	10.0	11.3	15.0	28.0	24.9	15.9	14.9	15.0	11.6	14.6	13.0	15.7	9.7	9.5	11.6

Source: Company, ICICI Direct Research, Reuters

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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