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Weak quarter for broadcasters; multiplexes to witness recovery!

For broadcasters, Q3 will be a weak quarter on the ad front given the weak ad spending by FMCG as well as key sporting events garnering higher ad share. For multiplexes, a relatively decent November and December box office collection is expected to drive a footfall and profitability recovery.

Multiplex: Decent box office to aid recovery!

Q3 was a decent quarter with a box office recovery aided by movies such as *Avatar 2*, *Drishyam 2* and *Kantara*. Thus, **multiplexes are expected to witness ~35-40% QoQ growth in box office revenues with a footfall recovery (up 22-30% QoQ) and average ticket price (ATP) growth at ~7% QoQ for Inox and PVR. PVR, relatively will witness less QoQ growth of ~22% QoQ in footfall as its Q2 base was better. Advertisement remains at ~60-64% of pre-Covid for Inox, PVR, respectively. We expect both PVR and Inox to witness a recovery in profitability with 14% and 13%, ex-Ind AS margins vs. losses in Q2. With a decent content line-up ahead, we expect box office collection momentum to remain healthy.**

Broadcasters: Weak performance likely on ad front!

During Q3FY23, GEC **broadcasters are expected to witness a weak quarter with YoY ad decline owing to a) exit of free to air channel by Zee; b) weak ad spending by FMCG as well as key sporting events such as T20 World Cup, Football World Cup etc. garnering higher ad share.**

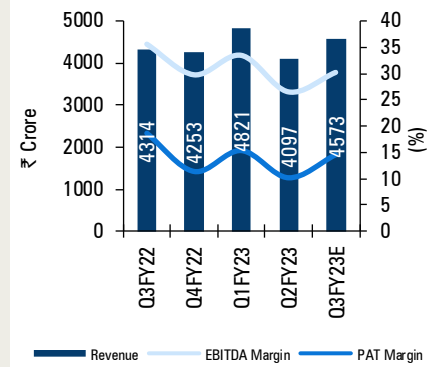
Sun TV's ad revenues is likely to see a decline of 5% YoY, given weak ad spends. Subscription revenues are expected to be muted (down 3% YoY) amid NTO 2 implementation led pricing restrictions. We expect EBITDA margins at 66.5%, down 350 bps YoY, due to weak revenues performance. Bottomline may decline ~14% YoY to ₹ 395 crore. Zee's ad revenue is expected to witness ~11% YoY decline owing to loss of ad revenues as it pulled out its GEC channels from free dish and weak ad spending. Reported subscription growth is expected to be modest at ~4% YoY. We expect margins at 16%, down 670 bps YoY, given the higher content costs and weak topline show, albeit better QoQ. For TV Today, we expect ~2% YoY decline in TV and digital revenues, with growth in the digital segment (low double digit YoY) and TV segment witnessing a decline amid lower ad spends. EBITDA margins at 22% are expected to be down ~11 percentage points YoY, with higher production costs and lower revenues.

Going ahead, TV ad recovery would hinge on resumption of ad spends by FMCG players. An ad recovery would also be key in margin improvement for broadcasters, going ahead.

Company	Revenue			EBITDA			PAT		
	Q3FY23E	YoY	QoQ	Q3FY23E	YoY	QoQ	Q3FY23E	YoY	QoQ
Inox Leisure	507.5	71	35.7	167.4	99.4	97.3	19.7	LP	LP
PVR	897.2	46	30.6	277.6	68.4	80.7	8.7	LP	LP
Sun TV	823.3	-20.3	3.4	547.5	-24.2	4.3	395.1	-13.6	-1.4
TV Today	250.4	-2.9	18.3	55.1	-35.7	107.5	40.1	-34.8	103.2
Zee Ent.	2,094.6	-0.9	3.3	335.1	-30.1	12.7	205.8	-31.1	82.3
Total	4,573.0	6.0	11.6	1,382.7	-10.0	27.2	669.4	-17.0	58.7

Source: Company, ICICI Direct Research

Topline & Profitability (Coverage Universe)



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Exhibit 2: Company Specific view - Media

Company	Remarks
Inox Leisure	Given the decent content performance, the overall performance is likely to witness a recovery. ATP at ₹ 231, is expected to be up 7% QoQ, given the healthy content performance and mix (Avatar 2 being 3D). We bake in overall footfall of 15.1 mn, up 30% QoQ and SPH of ₹ 131, with ad revenue recovery lagging (~60% of pre Covid levels). Consequently, we expect overall revenues of ₹ 508 crore in Q3. EBITDA (ex-Ind-AS) is expected at ~₹ 71 crore with margins of 14% vs. loss in Q2. Key Monitorable: Content performance ahead
PVR	We expect a recovery by multiplexes including PVR given the content performance recovery, during the quarter. Higher ATP is expected at ₹ 240, up ~7% QoQ, given the movie mix and content performance. We bake in overall footfall of 22 mn, up 22% QoQ and SPH of ₹ 1, with ad revenue recovery being slower (~64% of pre Covid levels). Consequently, we expect overall revenues of ₹ 897 crore in Q3. EBITDA (ex-Ind AS) is expected at ~₹ 117 crore with margins of 13% vs. loss in Q2. Key Monitorable: Content performance ahead
Sun TV	We expect ad revenues to witness a decline of 5% YoY, given the weak ad spends by key categories such as FMCG. Subscription revenues are expected to be muted (down ~3% YoY) amid NTO 2 implementation led pricing restrictions. We expect EBITDA margins at 66.5%, down 350 bps YoY, due to a weak revenue performance. Bottomline is expected to decline ~14% YoY to ₹ 395 crore. Key Monitorable: Tamil market viewership, SunNXT traction
TV Today Network	TV Today is expected to report TV broadcasting and digital revenue decline of ~2% YoY to ₹ 247 crore, with growth in the digital segment (low double digit YoY) and TV segment witnessing a decline amid lower ad spends. EBITDA margins at 22% are expected to be down ~11 percentage points YoY, with higher production costs and lower revenues. PAT at ₹ 40 crore is likely to decline ~35% YoY. Key Monitorable: TV broadcasting revenue growth, digital revenue growth
Zee Ent.	Zee's ad revenue is expected to witness ~11% YoY decline owing to loss of ad revenues as it pulled out its GEC channels from free dish and weak ad spending. The reported subscription growth is expected to be modest at ~4% YoY growth. We expect margins at 16%, down 670 bps YoY, given the higher content costs and weak topline show, albeit better QoQ. 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	475	675	Buy	5,815	-19.6	9.1	23.3	NM	52.4	20.4	125.2	12.9	9.0	-50.6	14.3	27.6	-5.4	11.2	16.6
PVR	1,627	2,130	Buy	9,922	-80.0	11.7	47.7	NM	139.1	34.1	137.5	12.6	8.9	-2.8	9.1	14.0	-35.6	5.0	17.1
Sun TV	480	555	Hold	18,916	41.7	44.7	51.6	11.5	10.7	9.3	6.4	5.5	4.4	27.2	25.9	26.4	20.1	19.4	19.8
TV Today	245	290	Hold	1,462	30.5	23.7	29.0	8.0	10.3	6.1	5.2	5.9	4.2	20.8	14.9	16.3	15.7	11.0	12.2
ZEE Ent.	238	310	Buy	22,841	10.0	8.4	14.1	23.7	28.5	13.4	12.5	14.5	10.1	14.6	11.0	15.4	9.7	7.7	11.2

Source: Company, ICICI Direct Research, Reuters

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