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Weak quarter overall...

For broadcasters, Q4 is expected to be a weak quarter on the ad front given the muted ad spending by FMCG and impact of free to air channel exit. For multiplexes, *Pathaan* headlined the box office amid a muted quarter.

Multiplex: PVR Inox merged entity to report first quarter

Q4 was a relatively weak quarter for the box office barring *Pathaan*, which emerged a blockbuster with ~₹ 500+ crore, net box office collection. Thus, PVR Inox (combined entity) is likely to witness ~15% QoQ decline (up 26% YoY) in footfall at 31.8 mn. The average ticket price (ATP) is expected at ₹ 239, flat QoQ. Consequently, box office revenues at ₹ 636 crore are likely to decline ~13% QoQ (up 28% YoY). Advertisement remains at ~76% of pre-Covid for the company. We expect the company to report ex-Ind As EBITDA margins of 3.5% in Q4FY23 (vs. ~14% in Q3 and loss in base quarter). With a decent content line-up ahead, box office collection momentum is a key monitorable ahead. Another key monitorable is fructification of synergy benefits for PVR Inox (targeting EBITDA levels benefit of ₹ 225 crore over 12-18 months).

Broadcasters: Weak performance likely on ad front!

During Q4FY23, 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 key categories including FMCG and c) Zee channels not being present on some cable networks amid New Tariff Order implementation for a couple of weeks in February, 2023 (now resolved).

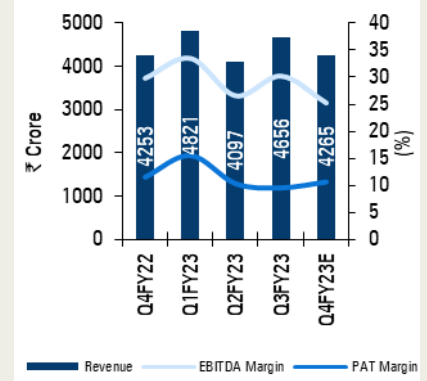
Sun TV's ad revenues are likely to see a decline of ~2% YoY, given weak ad spends. Subscription revenues are expected to be muted (down 0.4% YoY). We expect EBITDA margins at 65.5%, down 90 bps YoY, due to a weak revenue performance. Bottomline may decline ~6% YoY to ₹ 381 crore. Zee's ad revenue is expected to witness ~12% YoY decline owing to loss of ad revenues as it pulled out its GEC channels from free dish. The channels were not present on some cable networks amid New Tariff Order implementation for a couple of weeks in February, 2023, while weak ad spending also weighed on revenues. Reported subscription growth is expected to be modest at ~1% YoY decline. We expect margins at 10.5%, down 550 bps QoQ, given the higher content costs and weak topline show. 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 18% are expected to be down ~200 bps 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. Zee Sony merger completion would be another key development to watch.

Company	Revenue		Change (%)		EBITDA		Change (%)		PAT		Change (%)	
	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ
PVR	1,212.3	NA	NA	304.4	NA	NA	-54.9	NA	NA			
Sun TV	786.8	-5.5	-8.2	515.4	-6.9	-10.1	380.7	-5.9	-8.6			
TV Today	234.7	-3.1	1.4	42.0	-13.9	16.5	27.0	-24.8	-2.2			
Zee Ent.	2,031.1	-12.6	-3.8	213.3	-56.2	-36.9	100.3	-44.9	312.4			
Total	4,264.9	0.3	-8.4	1,075.0	-15.1	-23.5	453.0	-7.3	2.0			

Source: Company, ICICI Direct Research *PVR will report combined entity numbers which are not comparable

Topline & Profitability (Coverage Universe)



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Exhibit 2: Company Specific view - Media

Company	Remarks
PVR	PVR Inox (combined entity) is likely to witness ~15% QoQ decline (up 26% YoY) in footfall at 31.8 mn. The average ticket price (ATP) is expected at ₹ 239, flat QoQ. The box office revenues at ₹ 636 crore, to decline ~13% QoQ (up 28% YoY). Advertisement remains at ~76% of pre-Covid for the company. We expect the company to report ex-Ind As EBITDA margins of 3.5% in Q4FY23 (vs. ~14% in Q3 and loss in base quarter). We have not built in merger related expenses. Key Monitorable: Content performance ahead, synergy benefits fructification
Sun TV	We expect ad revenues to witness a decline of ~2% YoY, given the weak ad spends by key categories like FMCG. Subscription revenues are expected to be muted (down ~0.4% YoY) amid NTO 2 implementation led pricing restrictions. We expect EBITDA margins at 65.5%, down 90 bps YoY, due to a weak revenue performance. The bottomline may decline ~6% YoY to ₹ 381 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 ₹ 232 crore, with growth in the digital segment (low double digit YoY) and TV segment witnessing a decline amid lower ad spends. EBITDA margins at 18% are expected to be down ~200 bps YoY, with higher production costs and lower revenues. PAT at ₹ 27 crore is likely to decline ~25% YoY. Key Monitorable: TV broadcasting revenue growth, digital revenue growth
Zee Ent.	Zee's ad revenue is expected to witness ~12% YoY decline owing to loss of ad revenues as it pulled out its GEC channels from free dish. The channels were also not present on some cable networks amid New Tariff Order implementation for a couple of weeks in February, 2023, while weak ad spending also weighed on revenues. Reported subscription growth is expected to be modest at ~1% YoY decline. We expect margins at 10.5%, down 550 bps QoQ, given the higher content costs and weak topline show. Key Monitorable: Sony Zee merger update

Source: Company, ICICI Direct Research

Exhibit 3: Media Coverage Universe

Sector / Company	CMP (₹)	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
PVR	1,530	Buy	14,985	-80.0	1.8	45.2	NM	860.0	33.8	131.9	13.2	8.7	-2.8	7.9	13.9	-35.6	0.8	16.9
Sun TV	423	Hold	16,670	41.7	43.2	48.8	10.2	9.8	8.7	5.4	4.8	3.8	27.2	25.3	25.7	20.1	18.8	19.0
TV Today	196	Hold	1,169	30.5	19.3	25.9	6.4	10.1	4.8	4.0	6.0	3.7	20.8	17.7	20.8	15.7	13.2	15.8
ZEE Ent.	212	Buy	20,406	10.0	4.8	10.5	21.2	44.0	11.9	11.1	14.7	11.3	14.6	9.3	12.2	9.7	6.5	8.9

Source: Company, ICICI Direct Research, Reuters

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