

## Business recovery to get delayed; B/S to remain firm

Wonderla Holidays reported a subdued set of Q4FY20 numbers. Revenues declined 30% YoY to ₹ 42.4 crore led by a 31% drop in overall footfalls. Park wise, the Bengaluru park witnessed a 38% drop in footfalls to 1.37 lakh, Kochi Park saw a decline of 31% YoY to 1.33 lakh footfalls and Hyderabad park saw footfalls decline 22% YoY to 1.35 lakh during the quarter. Kochi park was closed from March 11 while the Bengaluru Park (along with the resort) and Hyderabad Park were shut from March 14 and March 15, respectively. Average revenues per footfall increased marginally by 1.2% YoY to ₹ 1,048. As majority of the company's cost are fixed in nature, as revenues declined 30%, negative operating leverage came into play and led to 72% YoY decline in EBITDA to ₹ 5 crore. EBITDA margins contracted 1750 bps YoY to 11.9%. PBT saw a sharp drop of 96% YoY while PAT declined 77% YoY to ₹ 1.6 crore (led by write-back of tax provisions). The company at the end of FY20 had ₹ 123 crore of liquidity in its books.

## Full recovery expected only by FY23E

Wonderla's business is expected to be severely hit in FY21E as people are expected to cut down on discretionary spending and also avoid public places to follow social distancing norms. While amusement parks in China have been opened, they were allowed only to operate at one-third capacity. The Wonderla management has approached respective state governments to allow operating parks (excluding waterpark and wet rides). However, with people expected to be cautious, H1FY21E is expected to be a washout. We model a decline of 54%, 44%, 55% and growth of 35%, 75%, 40% for the Bengaluru, Kochi, Hyderabad parks in FY21E, FY22E, respectively. Thus, revenue numbers of FY20 would be crossed only in FY23.

## Focus on cost reductions to help sail through ongoing crisis

Once allowed to reopen, the company intends to take the deep discounting route to lure customers and will gradually reduce the quantum of discounts. During the lockdown, it has been able to bring down its monthly expense from ₹ 14-15 crore per month to ₹ 4.5 crore per month. With reduction in certain controllable expenses (marketing, repairs, retail outlets), the company expects monthly expense rate to settle around ₹ 7-8 crore. This would provide some cushion to the falling profits. Zero debt and sufficient liquidity of ₹ 123 crore would help Wonderla comfortably fund its expenses.

## Valuation & Outlook

Wonderla Holidays is comfortably placed on the balance sheet front, led by debt-free status and strong liquidity. Its business is expected to take a strong hit both in revenue and profitability terms in the ongoing financial year. Recovery is also expected to be delayed as public would exercise caution and discretionary spending would also be reduced. Hence, we take a cautious stance and assign a **REDUCE** rating to Wonderla Holidays with a target price of ₹ 110/share (DCF based).



### Stock Data

Particular	Amount
Market Capitalisation	₹ 667 crore
Debt (FY20)	₹ 4 crore
Cash & cash equivalent(FY20)	₹ 135 crore
EV	₹ 536 crore
52 week H/L	₹ 342/232
Equity Capital	₹ 56.5 crore
Face value	10.0

### Key Highlights

- Overall footfall saw a 30% YoY decline in Q4FY20
- Balance sheet strong with liquidity of ₹ 123 crore
- Profitability to nosedive in FY21E and begin to recover from FY22E
- Downgrade from HOLD to REDUCE

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### Key Financial Summary

Key Financials	FY18	FY19	FY20E	FY21E	FY22E	CAGR (FY20-22E)
Net Sales	270	282	271	121	188	-16.7%
EBITDA	89	114	104	29	56	-26.4%
EBITDA (%)	32.9	40.5	38.4	24.0	30.0	
PAT	39	56	65	(1)	16	-51.0%
EPS (₹)	6.8	9.8	11.5	(0.2)	2.7	
P/E	18.0	12.5	10.7	(635.6)	44.7	
RoNW (%)	5.0	6.8	7.5	(0.1)	1.8	
RoCE (%)	7.2	9.5	7.9	(0.1)	2.3	

## Financial Summary

Exhibit 1: Profit and loss statement					₹ crore
Year-end March	FY19	FY20P	FY21E	FY22E	
<b>Total Operating Income</b>	<b>282.0</b>	<b>270.7</b>	<b>121.3</b>	<b>187.7</b>	
Growth (%)	4.3	(4.0)	(55.2)	54.8	
RM costs	29.9	28.6	8.5	13.1	
Employee Expenses	38.1	40.4	27.9	41.3	
Other Expenses	99.6	97.7	55.8	76.9	
Total Operating Expenditure	167.7	166.8	92.2	131.4	
<b>EBITDA</b>	<b>114.3</b>	<b>103.9</b>	<b>29.1</b>	<b>56.3</b>	
Other income	9.8	12.2	9.0	5.0	
Interest	0.4	0.7	0.4	0.6	
PBDT	123.7	115.4	37.7	60.7	
Depreciation	39.5	41.8	39.2	39.9	
PBT	84.2	73.7	(1.5)	20.8	
Total Tax	28.6	27.8	(0.4)	5.2	
<b>PAT</b>	<b>55.6</b>	<b>45.9</b>	<b>(1.1)</b>	<b>15.5</b>	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					₹ crore
Year-end March	FY19	FY20P	FY21E	FY22E	
<b>Profit before tax</b>	<b>84.2</b>	<b>92.6</b>	<b>(1.5)</b>	<b>20.8</b>	
Depreciation	39.5	41.8	39.2	39.9	
Interest	0.4	0.7	0.4	0.6	
Other income	(9.8)	(12.2)	(9.0)	(5.0)	
Cash Flow before WC changes	114.3	122.8	29.1	56.3	
Net Increase in Current Assets	(3.4)	4.3	13.9	(3.0)	
Net Increase in Current Liabilities	(0.6)	(1.9)	(36.5)	19.2	
Taxes Paid	(28.6)	(27.8)	0.4	(5.2)	
<b>Net CF from Operating activ</b>	<b>80.5</b>	<b>97.4</b>	<b>6.9</b>	<b>67.3</b>	
(Purchase)/Sale of Fixed Assets	(27.7)	(50.7)	16.9	(153.0)	
(Purchase)/Sale of Investments	(37.9)	(65.0)	(20.0)	97.0	
Other Income	9.8	12.2	9.0	5.0	
<b>Net CF from Investing activ</b>	<b>(55.8)</b>	<b>(103.5)</b>	<b>5.9</b>	<b>(51.0)</b>	
Inc / (Dec) in Loan	1.0	3.3	(0.9)	0.9	
Interest	(0.4)	(0.7)	(0.4)	(0.6)	
Dividend paid incl of taxes	(17.0)	(17.0)	(5.7)	(11.3)	
Changes in equity	7.2	(0.0)	(0.0)	0.0	
<b>Net CF from Financing Activ</b>	<b>(9.1)</b>	<b>(14.3)</b>	<b>(6.9)</b>	<b>(11.0)</b>	
Net Cash flow	15.5	(20.3)	5.8	5.3	
Opening Cash/Cash Equivalent	24.9	40.4	20.0	25.9	
<b>Closing Cash/ Cash Equivalent</b>	<b>40.4</b>	<b>20.0</b>	<b>25.9</b>	<b>31.1</b>	

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet					₹ crore
Year-end March	FY19	FY20P	FY21E	FY22E	
Equity Capital	56.5	56.5	56.5	56.5	
Reserve and Surplus	762.0	809.9	803.1	807.3	
Total Shareholders funds	818.5	864.0	859.6	863.8	
Total Debt	1.0	4.3	3.4	4.3	
Deferred Tax Liability	69.9	69.9	69.9	69.9	
Long-term provisions	1.4	1.4	1.4	1.4	
<b>Total Liabilities</b>	<b>890.8</b>	<b>939.6</b>	<b>934.3</b>	<b>939.4</b>	
Net Block	798.1	825.7	764.7	747.7	
Capital WIP	33.6	15.0	20.0	150.0	
Total Fixed Assets	831.8	840.7	784.7	897.7	
Intangible assets	3.2	3.2	3.2	3.2	
Non current asset	9.3	9.2	7.7	8.4	
Inventory	6.2	6.0	2.7	4.1	
Debtors	1.5	1.4	0.6	1.0	
Loans and Advances	0.6	0.6	0.3	0.4	
Other Current Assets	28.9	25.0	17.0	17.3	
Current investments	50.1	115.1	135.1	38.1	
Cash	42.8	20.0	25.9	31.1	
Total Current Assets	130.1	168.1	181.5	92.1	
Current Liabilities					
Trade payables	12.9	11.4	6.3	9.0	
Provisions	59.3	58.9	32.6	46.4	
Other current liabilities	11.4	11.3	6.2	8.9	
Total Current liabilities	83.5	81.7	45.1	64.3	
Net Current Assets	46.6	86.4	136.4	27.7	
<b>Total Assets</b>	<b>890.8</b>	<b>939.6</b>	<b>931.9</b>	<b>937.0</b>	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY19	FY20P	FY21E	FY22E
<b>Per Share Data (₹)</b>				
EPS	9.8	11.5	(0.2)	2.7
Cash EPS	16.8	18.9	6.7	9.8
BV	144.9	153.3	152.1	152.9
<b>Dividend Per share</b>	<b>3.0</b>	<b>3.0</b>	<b>1.0</b>	<b>2.0</b>
<b>Operating Ratios (%)</b>				
EBITDA Margin	40.5	38.4	24.0	30.0
EBIT margin	26.5	23.0	(8.3)	8.7
PAT Margin	19.7	23.9	(0.9)	8.3
Inventory days	8.1	8.1	8.1	8.1
Debtor days	1.9	1.9	1.9	1.9
Creditor days	28.1	25.0	25.0	25.0
<b>Return Ratios (%)</b>				
RoE	6.8	7.5	(0.1)	1.8
RoCE	9.5	7.9	(0.1)	2.3
RoIC	9.8	7.9	(1.3)	2.3
<b>Valuation Ratios (x)</b>				
P/E	12.0	10.3	(609.8)	42.9
EV / EBITDA	5.0	5.2	17.5	10.7
EV / Net Sales	2.0	2.0	4.2	3.2
Market Cap / Sales	2.4	2.5	5.5	3.6
Price to Book Value	0.8	10.3	(609.8)	42.9
<b>Solvency Ratios (x)</b>				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	0.6	0.5	0.6	0.5
Quick Ratio	0.5	0.4	0.6	0.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## Financial Summary

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