

Robust margin performance...

About the stock: Matrimony.com (Matrimony) is one of the leading provider of online matchmaking services. The company also provides post marriage services.

- Apart from a common website, the company operates ~300 community matrimony sites and 15 regional matrimony sites
- Net debt free and only profitable player among its peers

Q1FY22 Results: Matrimony reported robust Q1FY22 results.

- Revenues increased 4.3% QoQ (21.5% YoY) to ₹ 105 crore
- EBITDA margins improved 399 bps QoQ to 21.1%
- Billing increased 29% YoY (down 1.4% QoQ) to ₹ 105 crore

What should investors do? Matrimony's share price has grown by ~1.4x over the past four years (from ~₹ 821 in September 2017 to ~₹ 1,128 levels in August 2021).

- We continue to remain positive and retain our BUY rating on the stock

Target Price and Valuation: We value Matrimony at ₹ 1,350 i.e. 36x P/E FY23E EPS

Key triggers for future price performance:

- Market leadership in an underpenetrated online matchmaking segment
- Transition to online from offline, healthy subscriber addition, increased penetration in north, introduction of new products and inorganic opportunity key revenue drivers (17% CAGR over FY21-23E)
- Expectation of stable advertising expenses and operating leverage benefit to lead to healthy margins (up 608 bps to 24% over FY21-23E)

Alternate Stock Idea: Apart from Matrimony, in our IT coverage we also like Affle.

- Key beneficiary of advertising shift to digital medium and rising online shopper penetration
- BUY with a target price of ₹ 5,635

Key Financial Summary

₹ Crore	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	2 Year CAGR (FY21-23E)
Net Sales	348	372	378	8.1%	450	515	16.8%
EBITDA	74	54	68	56.3%	100	123	35.2%
EBITDA Margins (%)	21.3	14.7	17.9		22.2	24.0	
Net Profit	42	30	41	NA	66	85	44.2%
EPS (₹)	18.6	13.0	17.8		28.7	37.1	
P/E	60.7	86.8	63.0		39.2	30.3	
RoNW (%)	21.0	12.9	15.5		22.6	26.2	
RoCE (%)	25.9	16.2	19.0		27.6	32.1	

Source: Company, ICICI Direct Research



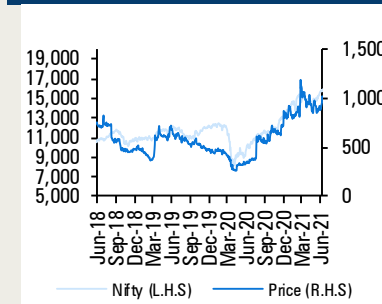
Particulars

Particular	Amount
Market Cap (₹ Crore)	2,564.7
Total Debt	-
CC&E (₹ Crore)	284.9
EV (₹ Crore)	2,279.8
52 week H/L	1242 / 511
Equity capital	11.4
Face value	5.0

Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoter	50	50	50	50
FII	22	23	23	23
DII	22	21	19	19
Public	5	5	7	8

Price Chart



Recent event & key risks

- Billing remains robust
- **Key Risk:** (i) Deceleration in billing, (ii) Inability to sustain margins

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Key takeaways of recent quarter & conference call highlights

Q1FY22 Earnings Conference Call highlights

- The company's matchmaking revenues increased 4.2% QoQ to ₹ 104.9 crore. In addition, its marriage service increased 19.1% QoQ to ₹ 0.6 crore
- Matchmaking margins increased 430 bps QoQ to 28%. Marriage services loss was at ₹ 2.1 crore
- Matrimony.com has acquired 100% stake in Boatman Tech Pvt Ltd, which does business under the brand ShaadiSaga. Founded in 2015, ShaadiSaga is a wedding services company providing a one-stop platform for customers in India to discover and decide on vendors in the context of organising their weddings. Revenues were at ₹ 2.11 crore in FY21
- In the current quarter, the company witnessed a decline in billing due to Covid related challenges. The billing trajectory improved in June after witnessing challenges in April and May. The company has higher percentage of three month billing
- This has given the company the confidence of achieving double digit YoY growth & single digit QoQ growth in Q2FY22E in the matchmaking services. The company expects margins to improve in Q2FY22E YoY & QoQ. In addition, higher conversion of free to paid subscribers and investing in new product areas to drive long term growth
- In terms of margins, the company's matchmaking EBITDA margins improved 430 bps QoQ to 28%. The company aims to achieve 30% margins in this segment in the long run
- In marriage services, we expect improvement led by organic and inorganic growth. The company expects leadership of acquired entity to help drive growth in overall marriage services segment
- The company incurred corporate social responsibility (CSR) expense of ₹ 50 lakh and ₹ 20 lakh as Covid related expenses

Peer comparison

Exhibit 1: Peer Comparison

Company	Cmp (₹)	TP (₹)	Rating	Mcap (₹ Cr)	Revenue growth				Margins				P/E		
					FY20	FY21	FY22E	FY23E	FY19	FY20	FY21	FY20	FY21	FY22E	FY23E
Affle	4,161	5,635	Buy	11,088	34	55	77	41	28	26	25	164	103	77	48
Matrimony	1,128	1,350	Buy	2,564	7	2	19	15	21	15	18	87	63	39	30
Just Dial	959	1,250	Buy	6,017	7	(29)	15	29	26	29	23	23	29	36	20

Source: Company, ICICI Direct Research,

Financial summary

Exhibit 2: Profit and loss statement ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	372	378	450	515
Growth (%)	6.7	1.6	19.0	14.6
COGS (employee expenses)	153	127	139	155
Other expenses	164	183	210	237
Total Operating Expenditure	317	310	350	392
EBITDA	54	68	100	123
Growth (%)	(26.6)	23.9	48.2	23.4
Depreciation	28	26	26	26
Other income (net)	13	13	14	17
PBT	39	54	88	114
Total Tax	10	13	22	29
PAT	30	41	66	85
Growth (%)	(30.4)	38.1	60.6	29.4
Diluted EPS (₹)	13.0	17.8	28.7	37.1
Growth (%)	(30.3)	37.8	60.6	29.4

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit	39	54	88	114
Add: Depreciation	28	26	26	26
Others	(7)	(10)	(14)	(17)
Inc/(dec) in working capital	5	13	19	17
Taxes paid	(7)	(13)	(22)	(29)
CF from operating activities	57	70	96	111
(Inc)/dec in Fixed Assets	(12)	(10)	(22)	(13)
Others	(23)	(33)	19	22
CF from investing activities	(34)	(43)	(3)	9
Dividend paid & dividend tax	(4)	(8)	(39)	(51)
Others	(19)	(15)	(15)	(15)
CF from financing activities	(24)	(23)	(54)	(66)
Net Cash flow	(1)	4	39	54
Exchange difference	0	(0)	-	-
Opening Cash	5	5	9	48
Closing cash balance	5	9	48	102

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Equity Capital	11	11	11	11
Reserve and Surplus	217	252	278	312
Total Shareholders funds	228	263	289	323
Total Debt	-	-	-	-
Lease liability	46	48	48	48
Provisions	-	-	-	-
Other non current liabilities	0	0	0	0
Total Liabilities	275	311	338	372
Assets				
Property, plant and equipment	73	70	82	85
Investments	6	6	6	6
Intangibles	3	3	3	3
Right-of-use assets	57	53	48	42
Other non current assets	16	15	16	18
Cash & bank balance	115	200	239	293
Current Investments	120	85	85	85
Trade receivables	2	7	9	10
Security deposits	3	4	5	6
Other financial assets	5	6	7	8
Other current assets	5	4	5	6
Total Current Assets	250	306	349	407
Trade payables	33	39	47	53
Lease liability	15	12	12	12
OCL & provisions	82	91	108	124
Total Current Liabilities	130	142	167	189
Net Current Assets	120	165	183	218
Application of Funds	275	311	338	372

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios ₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
Diluted EPS	13.0	17.8	28.7	37.1
Cash EPS	25.3	29.3	40.1	48.6
BV	100	115	127	142
DPS	1.8	3.5	17.2	22.3
Cash Per Share	50	88	105	129
Operating Ratios (%)				
EBITDA margin	14.7	17.9	22.2	24.0
PBT Margin	10.5	14.2	19.5	22.1
PAT Margin	7.9	10.8	14.6	16.5
Debtor days	2	7	7	7
Creditor days	33	38	38	38
Return Ratios (%)				
RoE	12.9	15.5	22.6	26.2
RoCE	16.2	19.0	27.6	32.1
Valuation Ratios (x)				
P/E	86.8	63.0	39.2	30.3
EV / EBITDA	42.7	33.7	22.3	17.7
EV / Net Sales	6.3	6.0	5.0	4.2
Market Cap / Sales	6.9	6.8	5.7	5.0
Price to Book Value	11.2	9.8	8.9	7.9
Solvency Ratios				
Debt/EBITDA	-	-	-	-
Debt / Equity	-	-	-	-
Current Ratio	0.1	0.1	0.1	0.1
Quick Ratio	0.1	0.1	0.1	0.1

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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