PVRINOX Ltd. (PVRINOX)

Film Exhibition | 4QFY24 Result Preview

April 03, 2024

Much worse than we anticipated

Key Points

- After 2QFY24 turned out to be the best quarter in the Indian multiplex history, 3QFY24 saw a sharp QoQ dip (despite a strong December 2023) and believe that the trend continued in 4QFY24 on a QoQ basis as content (both Bollywood and Hollywood) was not strong enough to pull the audiences in. While we were expecting a weak 4QFY24 (see our post 3Q note: Result Update) the numbers were likely much weaker. We believe that 4QFY24 occupancy was likely ~21-22% compared to 32.3% in 2QFY24, 25.2% in 3QFY24 and ~22% in 4QFY23. The key Bollywood movies for the quarter included 'Fighter' (~Rs2.6bn GBOC), 'Shaitaan' (~Rs1.65bn), 'Article 370' (~Rs900mn) and 'Teri Baaton Mein Aisa Uljha Jiya' (~Rs700-800mn). In the regional genre 'Hanu-man' (Telugu and Hindi versions) at ~Rs1.65bn and 'Manjummel Boys' (Malayalam & Tamil) at Rs1.5bn delivered strong numbers.
- Hollywood content did not fire. 'Dune: Part 2' and 'Kung Fu Panda 4' delivered GBOC of ~Rs350-400mn each. We had highlighted that due to the strike by Hollywood writers and actors, film production had come to a halt in 2H2023 and that would hit availability of Hollywood content in 1H2024. We think this weak Hollywood content situation will continue in the June 2024 quarter too before improvement in 2H2024. PVR Inox has a much higher share (~50-70%) of Hollywood box office revenue in India compared to Bollywood (30-40%) and regional movies (10-25%).
- We understand that the lack of big blockbuster movies both on the Bollywood and the Hollywood side led to weaker ATP on both QoQ (more so) as well as YoY basis. While SPH likely held up, advertising revenue likely saw a significant dip QoQ and hit margins. We project a breakeven level of EBITDA for 4QFY24 (pre-Ind-AS 116).
- PVR Inox has been conservative in capital deployment with just 38 net screens added in FY24 (with 10 in 4QFY24). We expect a flat net debt level on QoQ basis due to the breakeven EBITDA number, which we believe will be a good outcome post a very bad quarter.
- Things to focus on the call: (1) To what extent have merger-related revenue and cost synergies been extracted compared to the initially budgeted number? (2) When can advertising revenue cross pre-pandemic levels? (3) Have ad rates been raised at Inox Leisure properties? - these used to be at 30-40% discount to the PVR rates (4) Details about its ongoing efforts to make the entity asset light by focusing on management contracts (5) Revised expansion plans and by when will net debt become zero? (6) Update on its experiments on ticket pricing and its new 'passport' initiative to increase occupancies during weekdays.

Exhibit 1: Summary of financial performance by PVR-INOX for 4QFY24E

Company	Net sales		EBITDA		*EBITDA margin (%)*		PAT	
(Rsmn)	4QFY24E	*YoY (%)*	4QFY24E	*YoY (%)*	*4QFY23*	*4QFY24E*	4QFY24E	*YoY (%)*
PVR-INOX	12,467	*9.1*	111	*110.8*	0.5	0.9	-1,017	*NA*

*Source: Company, Nirmal Bang Institutional Equities. *Reported EBITDA numbers could be different, as IndAS116 has been implemented from 1QFY20. Our EBITDA numbers are pre-IndAS 116. The PVR and INOX numbers were merged from 4QFY23.*

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