

Media & Entertainment

Blockbuster for multiplex; broadcasters in recovery mode

Sector Report

Quarterly Preview

October 8, 2023

NIFTY 50: 19,654

PVR Inox is likely to book an exceptional performance, in Q2FY24, championed by net box-office collections. More importantly, Bollywood, which was going through a lean patch, has staged a recovery, endorsed by multiple genre movies finding favor with audiences and Regional/Hollywood cinema making a significant contribution. Operational parameters—ATP and SPH—should improve, with advertising revenue also likely to bounce back. Broadcasters' recovery is expected to be gradual, as advertisers step up spends. Subscription growth is expected to remain stable while both, Zee and Sun TV, would clock benefit from the performance of their movies *Gadar 2* and *Jailer*.

Pulkit Chawla

pulkit.chawla@emkayglobal.com

+91 22 6624 2458

Multiplex

PVR Inox should report a standout quarterly performance, with a slew of Bollywood, Hollywood, and Regional movies firing this quarter. *Jawan* and *Gadar 2* have become the highest-ever Bollywood offerings, grossing more than Rs5bn each (Hindi NBOC). Among regional movies, *Jailer* was the standout performer, collecting in excess of Rs3bn. Other movies that crossed the Rs1-billion NBOC mark include *Dream Girl 2*, *OMG 2*, *Rocky Aur Rani Kii Prem Kahaani*, *Oppenheimer*, and *Mission Impossible: Dead Reckoning*.

Owing to better box office performance, we expect footfalls to sharply improve 38% QoQ to 46.8mn. ATP is also expected to see a surge, to Rs262 (from Rs246 in Q1FY24), aided by a higher proportion of blockbuster Bollywood/Hollywood movies. SPH should show steady growth of 2% QoQ to Rs132, after striding ahead by 9% QoQ in Q1FY24, as realization of synergies endures. Better box-office performance should also result in improved ad revenue, which has been muted post-Covid. We estimate the company to report EBITDA (pre-IndAS) margin of 18.8%, led by operating leverage. The multiplex chain has opened 37 new screens in the quarter.

Broadcasters

Broadcasters are likely to see a gradual recovery in their advertising revenue, as FMCG companies have started ramping up spending, while new-age companies remain under pressure. Zee's advertising revenue should grow sequentially on a weak base of Q1FY24, but continue to decline on a YoY basis. Sun TV should report a small uptick of 2% YoY in its advertising revenue. Subscription revenue for both should be aided by the implementation of NTO3.0. Zee and Sun TV should also benefit from the production of blockbuster movies *Gadar 2* and *Jailer*, respectively. After reporting a single-digit EBITDA margin in the last couple of quarters, Zee's margin should improve to 11.4%, albeit remain well below its normalized level.

Outlook

Performance of movies seems to have finally turned a corner, after prolonged inconsistency. Back-to-back hits have resulted in revival of footfalls at theatres, with all three—Bollywood, Hollywood, and Regional movies—contributing to the success. The Q3 pipeline also appears strong, though bigger movies are bunched for release in the second half of the quarter. The strike in Hollywood (the Writer's Guild of America; WGA), which lasted for nearly five months, is likely to have some impact on the pipeline of international movies for the next couple of quarters. For broadcasters, recovery has been gradual and should continue going ahead. Spending in the upcoming festive season will be keenly watched. After a significant delay, Zee has received necessary approvals from the NCLT, regarding ZEE's merger with Sony. We now expect relisting of the merged entity around mid-December 2023.

Exhibit 1: Key Trends and Assumptions

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24E	YoY growth	QoQ growth
Zee Ent (Z IN)							
Total revenue	20,284	21,112	21,121	19,838	21,970	8%	11%
Ad revenue	10,128	10,638	10,058	9,409	9,771	-4%	4%
Subscription	8,219	8,944	8,474	9,075	8,699	6%	-4%
Domestic	7,159	7,875	7,428	8,013	7,660	7%	-4%
International	1,060	1,069	1,046	1,062	1,039	-2%	-2%
Sun TV -SA (SUNTV IN)							
Total revenue	7,964	8,575	8,135	13,178	10,780	35%	-18%
Ad revenue	3,445	3,819	3,384	3,411	3,514	2%	3%
Subscription	4,210	4,290	4,260	4,610	4,467	6%	-3%
Domestic	3,970	4,040	4,010	4,350	4,207	6%	-3%
International	240	250	250	260	260	8%	0%
Multiplex							
PVR-Inox (PVRINOX IN)							
Total revenue	6,867	9,406	11,432	13,049	18,473	169%	42%
Ticket revenue	3,268	4,355	6,016	6,945	10,336	216%	49%
F&B revenue	2,303	2,884	3,520	4,277	5,809	152%	36%
Ad revenue	572	792	907	893	1,150	101%	29%

Source: Company, Emkay Research. PVR Inox revenue is of the merged entity for Q1FY24 and Q2FY24 only.

Exhibit 2: Net Box-Office Collections in Q2FY24

Q2FY24		
Film	Release date	Box Office Collection (Rs mn)
Bollywood		
Satyaprem ki Katha	29-Jun-23	676
Rocky aur Rani Kii Prem Kahaani	28-Jul-23	1,536
OMG 2	11-Aug-23	1,508
Gadar 2	11-Aug-23	5,248
Ghoomer	18-Aug-23	50
Dream Girl 2	25-Aug-23	1,064
Jawan	07-Sep-23	5,955
The Great Indian Family	22-Sep-23	68
Fukrey 3	28-Sep-23	283
Hollywood		
Indiana Jones and the Dial of Destiny	29-Jun-23	74
Insidious: The Red Door	06-Jul-23	181
Mission Impossible: Dead Reckoning	12-Jul-23	1,102
Barbie	14-Jul-23	455
Oppenheimer	14-Jul-23	1,317
Meg 2: The Trench	03-Aug-23	195
The Nun 2	07-Sep-23	448
Regional		
Maamannan	29-Jun-23	385
Carry on Jatta 3	29-Jun-23	381
Spy	29-Jun-23	60
Baipan Bhari Deva	30-Jun-23	763
Baby	14-Jul-23	640
Maaveeran	14-Jul-23	535
Hostel Hudugaru Bekagiddare	21-Jul-23	113
DD Returns	28-Jul-23	319
Voice of Sauthyanathan	28-Jul-23	143
Bro	28-Jul-23	827
Jailer	10-Aug-23	3,445
Bhola Shankar	11-Aug-23	306
King of Kotha	24-Aug-23	175
Subheddar	25-Aug-23	141
3 Ekka	25-Aug-23	289
Mastaney	25-Aug-23	263
RDX	25-Aug-23	468
Bedurulanka 2012	25-Aug-23	120
Sapta Sagaradaache Ello (Side A)	01-Sep-23	216
Kushi	01-Sep-23	483
Miss Shetty Mr Polishetty	07-Sep-23	276
Mark Antony	15-Sep-23	672
Chandramukhi 2	28-Sep-23	177
Skanda	28-Sep-23	209
Kannur Squad	28-Sep-23	81

Source: Sacnilk, Emkay Research; Note: Movies collecting more than Rs100mn have been included

Exhibit 3: Q2FY24 Preview

Name		Sep-23E	Jun-23	Sep-22	YoY	QoQ	Comments
Zee Enterprises							
CMP (Rs/sh)	260	Net Sales (Rs mn)	21,970	19,838	20,284	8.3%	10.7%
Mkt Cap (Rs bn)	250	EBITDA (Rs mn)	2,507	1,549	2,973	-15.7%	61.8%
Rating	BUY	EBITDA Margin (%)	11.4	7.8	14.7	(325) bps	360 bps
		PAT (Rs mn)	1,206	-534	1,129	6.8%	NM
		EPS (Rs)	1.3	-0.6	1.2	6.8%	NM
Sun TV Network							
CMP (Rs/sh)	630	Net Sales (Rs mn)	10,780	13,178	7,964	35.4%	-18.2%
Mkt Cap (Rs bn)	248	EBITDA (Rs mn)	6,352	7,865	5,248	21.0%	-19.2%
Rating	HOLD	EBITDA Margin (%)	58.9	59.7	65.9	(697) bps	(76) bps
		PAT (Rs mn)	4,655	5,828	4,007	16.2%	-20.1%
		EPS (Rs)	11.8	14.8	10.2	16.2%	-20.1%
PVR Inox							
CMP (Rs/sh)	1,707	Net Sales (Rs mn)	18,473	13,049	6,867	169.0%	41.6%
Mkt Cap (Rs bn)	167	EBITDA (Rs mn)	6,103	3,525	1,537	297.2%	73.1%
Rating	BUY	EBITDA Margin (%)	33.0	27.0	22.4	1,066 bps	602 bps
		PAT (Rs mn)	1,203	-816	-712	NM	NM
		EPS (Rs)	12.3	-8.3	-11.7	NM	NM

Source: Company, Emkay Research; Note: PVR's financials for Q2FY23 are on a standalone basis and, hence, YoY numbers are not comparable

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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