

Wonderla Holidays

Reco: Buy

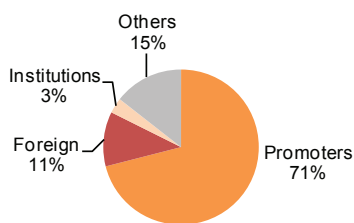
Stock Update

Long-term fundamentals intact; upgrade to Buy
CMP :Rs342

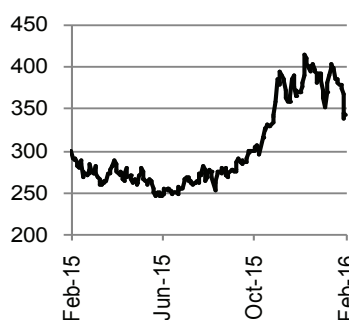
Company details

Price target:	Rs450
Market cap:	Rs1,932 cr
52-week high/low:	Rs430/242
NSE volume: (No of shares)	1.1 lakh
BSE code:	538,268
NSE code:	WONDERLA
Sharekhan code:	WONDERLA
Free float: (No of shares)	1.64 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-11.5	0.3	30.4	16.8
Relative to Sensex	-5.0	12.8	55.6	44.4

Key points

- Q3 performance marred by unseasonal rains in south India and higher ticket prices:** The unseasonal torrential rains in south India affected the business performance of Wonderla Holidays Ltd (WHL) in Q3FY2016 (affecting 20-25 days of Bengaluru and Kochi parks' business in the midst of peak festive season). Also, a 20% hike in ticket price affected the visits of school and college groups (forms 50% of the visits in holiday season). WHL's total revenues grew by 6.5% YoY to Rs50.4 crore largely driven by 22% growth in average realisation (as footfalls were down by 12% during the quarter). The OPM was down to 36% in Q3FY2016 from 45% in Q3FY2015 on the back of lesser footfalls, higher employee cost (up by 26% YoY; includes new hiring for Hyderabad facility) and provision for service tax of Rs4.8 crore.
- Non-ticketing revenues grew above 30%; likely to contribute 30% in next two years:** WHL's average non-ticketing (contributes 22% to total revenues) revenue per visitor was up by 33% to Rs230.4 per visitor. The Bengaluru park's non-ticket revenue per visitor grew by 31%, while that of Kochi grew by 47%. The strong growth can be attributable to new offerings (especially in the food segment) in both the parks during the quarter. The management expects the non-ticket revenues to maintain the strong growth momentum and expect it to contribute about 30% over the next two to three years. The non-ticket revenues have higher margins than the ticketing revenues and hence increase in contribution would add-on to the overall OPM of the company in near to medium term.
- Hyderabad park to be operational as per plan; boost footfalls in FY2017:** The unseasonal rains affected the business in two peak quarters (of Q1FY2016 and Q3FY2016), which would result in flat/marginal decline in footfalls in FY2016. However, the footfalls in FY2017 will get a boost by the opening of a new theme park in Hyderabad from April 2016. Also, the management is planning to re-define its pricing strategy to improve the footfalls from schools and colleges, which are key drivers of footfalls for the company. We expect the footfalls of Bengaluru and Kochi parks to gradually improve and get back in double digits in the coming quarters, as we don't expect another round of double-digit ticket price hike.
- Stock corrects by 20% from high; upgrade to Buy:** We have broadly maintained our earnings estimates for FY2017 and FY2018. Despite an asset-heavy model, WHL has stable balance sheet with no debt on books and steady cash flows. This regains our confidence in the company and we expect the cash generation to further improve with growing footfall environment. The stock has corrected by 20% from its high (15% since our last update on December 23, 2015), which provides lower downside risk from the current level. In view of a strong business model, better cash flows and strong upside, we have upgraded our rating from Hold to Buy with an unchanged price target of Rs450.

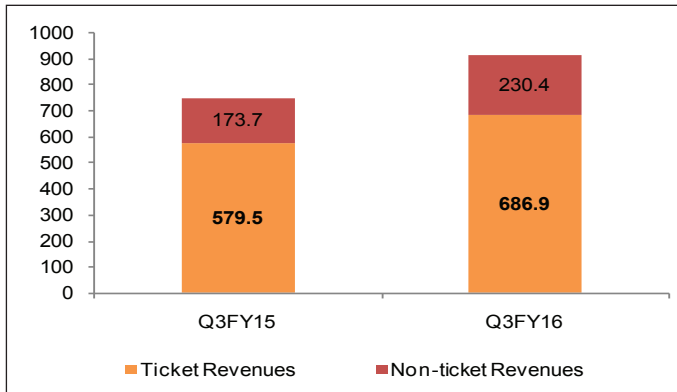
Results (stand-alone)

Particulars	Q3FY16	Q3FY15	YoY (%)	Q2FY16	QoQ (%)	Rs cr
Net sales	50.4	48.3	4.4	44.8	12.5	
Total expenditure	32.2	26.5	21.7	28.5	13.0	
Operating profit	18.2	21.8	-16.5	16.3	11.6	
Other income	2.7	1.2	121.7	4.0	-33.3	
Interest cost	0.3	0.4	-23.9	0.4	-6.5	
Depreciation	2.8	4.0	-30.3	3.9	-28.4	
PBT	17.7	18.5	-4.4	16.0	10.7	
Tax	5.4	5.8	-5.3	4.1	34.4	
Reported PAT	12.3	12.8	-4.0	11.9	2.6	
OPM (%)	36.1	45.2	-	36.4	-29	
EPS (Rs)	2.2	2.3	-4.0	2.1	2.6	

Other key highlights of the quarter

- ◆ **Food segment grew by above 20%:** The food segment registered a growth of 24% and 25% for Q3FY2016 and M9FY2016 respectively, which remains one of the key drivers of non-ticketing revenues. The average non-ticketing revenue grew by 33% in Q3FY2016 supporting the overall realisation per visitor of the company (up by 20%) during the quarter.

Average revenue per visitor



- ◆ **Footfalls witnessed a drop; higher ticket prices supported the revenues:** The unseasonal torrential rains in south India affected the business performance of WHL in Q3FY2016 (affecting 20-25 days of Bengaluru and Kochi parks' business in the midst of peak festive season). Also, a 20% hike in ticket price affected the visits of school and college groups (forms 50% of visits in holiday season). The footfalls of Bengaluru and Kochi parks were down by 14.4% and 9.1% respectively in Q3FY2016. The average realisation per visitor for Bengaluru and Kochi parks was up by 26% and 19% respectively during the quarter. This was driven by a double-digit price hike in FY2016 and strong growth in the non-ticket revenues.

Performance of Bengaluru park

Particulars	Q3FY16	Q3FY15	YoY (%)
Revenues (Rs cr)	26.8	25.0	7.4
Footfalls (000s)	266.1	311.0	-14.4
Avg. realisation (Rs)	1,007.1	802.0	25.6
Avg. ticket rev. per visitor (Rs)	813.1	653.9	24.3
Avg. non- ticket rev. per visitor (Rs)	193.8	148.5	30.5

Performance of Kochi park

Particulars	Q3FY16	Q3FY15	YoY (%)
Revenues (Rs cr)	22.2	20.5	8.2
Footfalls (000s)	300	330	-9.1
Avg. realisation (Rs)	740	622	19.0
Avg. ticket rev. per visitor (Rs)	570.4	509.4	12.0
Avg. non- ticket rev. per visitor (Rs)	165.3	112.3	47.2

Outlook and valuation

We have broadly maintained our earnings estimates for FY2017 and FY2018. Despite an asset-heavy model, WHL has stable balance sheet with no debt on books and steady cash flows. This regains our confidence in the company and we expect the cash generation to further improve with growing footfall environment. The stock has corrected by 20% from its high (15% since our last update on December 23, 2015), which provides lower downside risk from the current level. In view of the strong business model, better cash flows and strong upside, we have upgraded our rating from Hold to Buy with an unchanged price target of Rs450.

Valuations (stand-alone)

Particulars	FY14	FY15	FY16E	FY17E	FY18E
Net sales (Rs cr)	153.6	181.9	206.4	301.8	385.1
Operating profit (Rs cr)	70.3	80.6	86.9	123.3	173.1
OPM (%)	45.8	44.3	42.1	40.9	45.0
PAT (Rs cr)	39.9	50.6	56.8	71.0	96.8
EPS (Rs)	7.1	9.0	10.1	12.6	17.1
P/E(x)	48.5	38.2	34.0	27.2	20.0
EV/EBIDTA (x)	27.5	21.6	22.2	15.4	10.6
RoE (%)	29.5	20.0	15.8	18.6	22.3
RoCE (%)	37.7	27.6	22.1	26.7	32.4

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