

Wonderla Holidays

Performance Highlights

Quarterly Data

(₹ cr)	2QFY16	2QFY15	% yoy	1QFY15	% qoq
Revenue	43	34	25.9	67	(35.7)
EBITDA	15	11	36.6	40	(63.5)
Margin (%)	34.0	31.4	265bp	59.9	(2,591bp)
Reported PAT	12	6	85.5	28	(57.4)

Source: Company, Angel Research

Wonderla Holidays' 2QFY2016 results have come in ahead of our expectations. The top-line growth was strong due to healthy growth in footfalls and increase in average realization. Further, a favorable operating performance led to a higher PAT growth for the quarter.

Strong top-line performance, led by healthy growth in footfalls: The company's top-line for the quarter grew by a healthy ~26% yoy to ₹43cr, mainly due to healthy growth in footfalls. Overall park footfalls grew by 7% yoy. An increase in average realization also contributed to the revenue growth.

Higher PAT on back of strong operating performance: The company reported a robust PAT growth of ~86% yoy to ₹12cr, on the back of strong top-line and operating performance. The operating performance was aided by lower advertising and marketing expenses, which declined by 19% yoy. This expense head benefitted from the base effect as the festival season (when promotional expenses tend to be higher) falls in the third quarter this year while it fell in the later part of the second quarter last year. Lower other expenditure also contributed towards better margins, during the quarter.

Outlook and valuation: India's young demographic profile and increasing discretionary spends are expected to benefit the entertainment industry in the country. Also, the addition of a new park in the company's portfolio and expected increase in contribution from other segments like F&B, resort, etc will drive growth for the company, going forward. Further, the company has negative working capital and negligible debt on its balance sheet. However, we believe that with the recent up move in the stock, all the positives have been captured. **Hence, we recommend a Neutral rating on stock.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
Net Sales	154	182	208	311
% chg	11.4	18.4	14.6	49.2
Net Profit (Adj.)	40	51	60	73
% chg	18.8	27.0	17.8	22.1
EBITDA margin (%)	46.0	44.3	44.0	43.6
EPS (₹)	7.1	9.0	10.6	12.9
P/E (x)	44.6	35.1	29.8	24.4
P/BV (x)	11.9	5.0	4.7	4.3
RoE (%)	26.6	14.2	15.7	17.5
RoCE (%)	33.1	17.3	18.8	24.3
EV/Sales (x)	11.6	8.8	8.4	5.6
EV/EBITDA (x)	25.2	19.8	19.2	12.9

Source: Company, Angel Research; Note: CMP as of October 27, 2015

NEUTRAL

CMP	₹316
Target Price	-

Investment Period	12 months
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Stock Info

Sector	Amusement Parks
Market Cap (₹ cr)	1,765
Net Debt (₹ cr)	(187)
Beta	1.0
52 Week High / Low	349 / 242
Avg. Daily Volume	23,866
Face Value (₹)	10
BSE Sensex	27,253
Nifty	8,233
Reuters Code	NA
Bloomberg Code	WONH@IN

Shareholding Pattern (%)

Promoters	71.0
MF / Banks / Indian Fls	3.3
FII / NRIs / OCBs	9.1
Indian Public / Others	16.5

Abs. (%)	3m	1yr	3yr
Sensex	(4.1)	1.9	46.3
Wonderla	21.1	(0.4)	NA

3-year price chart



Source: Company, Angel Research

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Exhibit 1: Quarterly performance

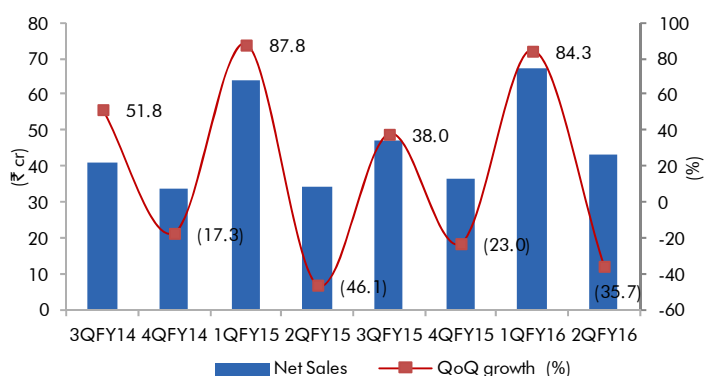
Y/E March (₹ cr)	2QFY16	2QFY15	% yoy	1QFY16	% qoq	FY2015	FY2014	% chg
Net Sales	43	34	25.9	67	(35.7)	182	154	18.4
Consumption of RM	12	2	463.3	4	196.4	11	9	18.7
(% of Sales)	27.5	6.1		6.0		6.2	6.1	
Staff Costs	8	7	9.5	7	5.5	27	25	7.1
(% of Sales)	17.5	20.1		10.7		14.9	16.5	
Ad. & Marketing Expenses	3.51	4.32	(18.9)	5	(26.4)	18	17	7.8
(% of Sales)	8.1	12.6		7.1		9.8	10.8	
Operating Expense	5.6	10		11.0		45	32	
(% of Sales)	12.9	29.7		16.3		24.9	20.9	
Total Expenditure	29	24	21.1	27	5.9	101	83	21.6
Operating Profit	15	11	36.6	40	(63.5)	81	70	14.5
OPM (%)	34.0	31.4		59.9		44.3	45.8	
Interest	0	0	(1.6)	0	(4.2)	2	2	
Depreciation	4	4	(5.2)	4	(10.6)	16	13	22.7
Other Income	6	3	98.1	7	(24.9)	10	2	325.3
PBT	16	9	76.4	43	(62.7)	73	58	26.0
Ext Income/(Expense)		-		0.0		-	-	
PBT (incl. Ext Items)	16.0	9		43.0		73	58	
(% of Sales)	37.0	26.4		63.9		40.1	37.7	
Provision for Taxation	4	3	54.1	15	(72.8)	22	18	23.8
(% of PBT)	25.3	29.0		34.7		30.6	31.1	
Minority Interest						0	0	
Recurring PAT	12	6	85.5	28	(57.4)	51	40	26.9
PATM	27.6	18.8		41.7		27.8	26.0	
Exceptional items								
Reported PAT	12	6	85.5	28	(57.4)	51	40	26.9
Equity shares (cr)	5.7	5.7		5.7		5.7	5.7	
FDEPS (₹)	2.1	1.1	85.5	5.0	(57.4)	9.0	7.1	26.9

Source: Company, Angel Research

Strong top-line performance, led by healthy growth in footfalls

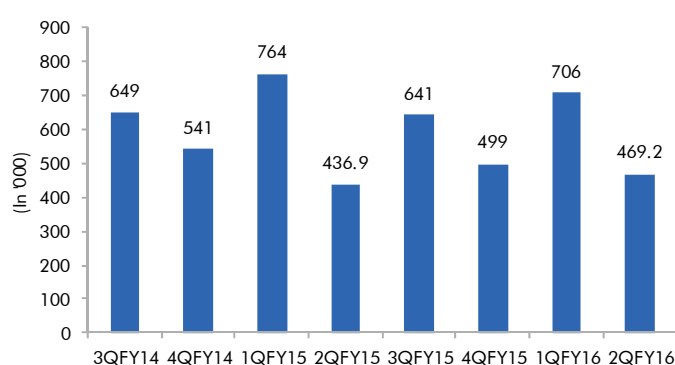
The company's top-line for the quarter grew by a healthy ~26% yoy to ₹43cr (vs our estimate of ₹38cr), mainly due to healthy growth in footfalls. Overall park footfalls grew by 7% yoy. An increase in average realization also contributed to the revenue growth. During the quarter, the Bangalore Park witnessed ~12% yoy growth in average ticket revenue and ~21% yoy growth in average non-ticket revenue. Footfalls at the Bangalore Park grew by ~4% yoy. Further, the Kochi park witnessed a ~21% increase in average ticket revenue, ~35% yoy increase in average non-ticket revenue, and ~4% yoy increase in footfalls.

Net Sales Growth Trend



Source: Company, Angel Research

Footfalls Trend

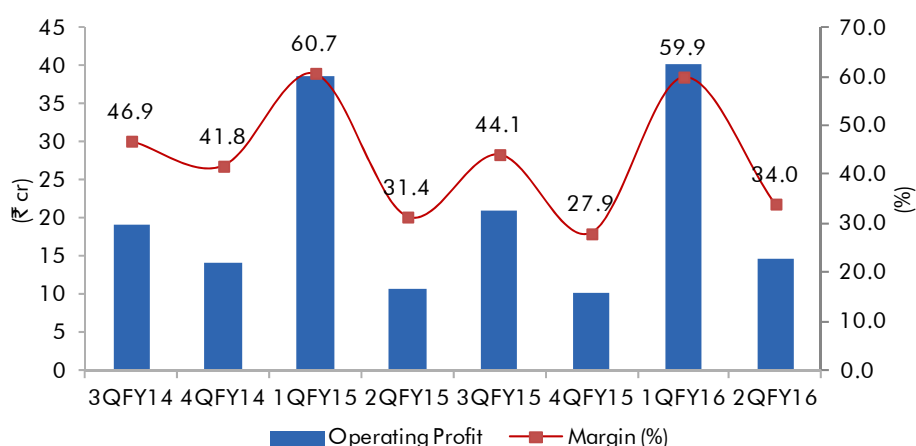


Source: Company, Angel Research

Improvement in operating margin boosts operating profit

For the quarter, the company reported an improvement in the OPM by 265bp yoy to 34%, primarily on account of lower employee, advertisement and other expenses. Other expenses included provisions of ~₹3cr on account of service tax.

Exhibit 4: Operating profit and margin trend

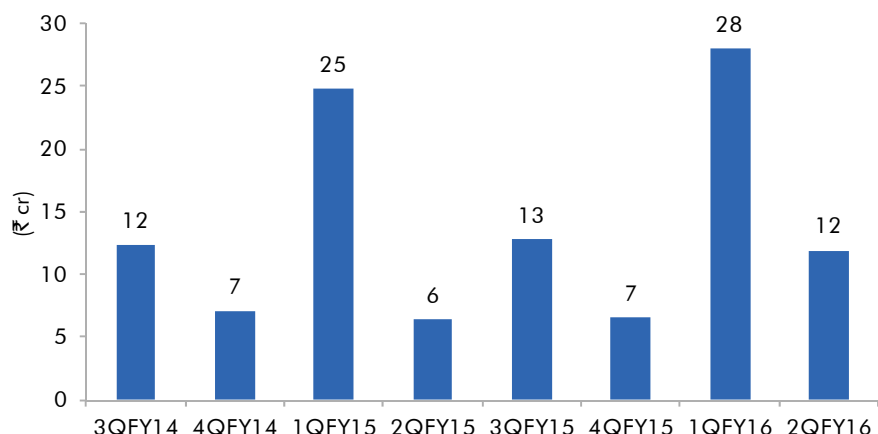


Source: Company, Angel Research

Higher PAT growth on back of strong operating performance

For the quarter, the company's PAT grew by ~86% yoy to ~₹12cr, on the back of a strong operating performance and higher other income.

Exhibit 5: Net Profit trend



Source: Company, Angel Research

Investment rationale

New amusement park at Hyderabad to boost footfalls: We expect Wonderla Holidays to report a healthy growth in footfalls (~18% CAGR over FY2015-17E) with it setting up a new amusement park in Hyderabad, which would be operational in FY2017. The company also has plans to venture across other parts of India to cater to a wider audience. In its first year of operation in Hyderabad, we expect the company to achieve ~7 lakh footfalls with lower utilisation of ~19%. Going forward, we expect the company to be able to report strong footfalls growth on back of increase in utilisation. Further, we expect the existing parks in Kochi and Bengaluru to post a ~4% CAGR over FY2015-17E. Moreover, the company has a proven track record and is expected to consistently increase its average realisation (realisation CAGR of ~10% over FY2009-15). The company is expected to incur strong cash flows and achieve higher assets turnover due to lower capex requirement, as most of the rides are manufactured at the in-house plant.

Huge potential for F&B segment to grow: Apart from ticket sales, the company also generates income from food and beverage (F&B) sales, and product sales at its amusement parks, which contribute by almost 25% to the company's total revenue. As per a report by CARE Ratings, global amusement parks draw 60-65% of their revenues from other segments (non-ticket sales). Since FY2009, the company's revenue from other segments has increased from 15% to 25% and we expect such contribution to rise further.

Company to benefit from higher occupancy rate at Wonderla Resort and turnaround at the operating level: Over the last three years, Wonderla Resort's occupancy rate has increased significantly from ~30% to ~45%. Also, Wonderla Resort has turned around at the operating level in FY2015. Increase in footfalls at the Bengaluru Park is likely to further boost growth for Wonderla Resort. Moreover, we expect occupancy rate as well as profitability to rise, going forward.

Outlook and valuation

India's young demographic profile and increasing discretionary spends are expected to benefit the entertainment industry in the country. Also, the addition of a new park in the company's portfolio and expected increase in contribution from other segments like F&B, resort, etc will drive growth for the company, going forward. Further, the company has negative working capital and negligible debt on its balance sheet. However, we believe that with the recent up move in the stock, all the positives have been captured. **Hence, we recommend a Neutral rating on stock.**

Company Background

Wonderla Holidays Ltd (Wonderla), founded in 2002, is one of the largest amusement park operators in India. The company currently owns and operates two amusement parks under the brand name 'Wonderla'. The company also owns and operates a resort besides an amusement park in Bengaluru under the brand name 'Wonderla Resort', which has been operational since March 2012. Wonderla is promoted by Mr Kochouseph Chittilappilly (promoter of V-Guard Industries) and Mr Arun Kochouseph Chittilappilly.

The promoters of the company launched the first amusement park in Kochi in 2000 with the name 'Veegaland' and the second amusement park in Bengaluru in 2005 with the name Wonderla. Veega Holidays and Parks Pvt Ltd, which owned and operated Veegaland, was merged with Wonderla Holidays Ltd with effect from April 1, 2008. Consequently, both amusement parks are being operated under the name Wonderla. Wonderla has a proven track record of managing amusement parks with established brand equity. The company has been able to maintain high standards of safety and hygiene, which has been able to attract organized visits from schools, colleges and corporate segment.

Profit and Loss Statement

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
Total operating income	113	138	154	182	208	311
% chg	26.2	21.9	11.4	18.4	14.6	49.2
Total Expenditure	57	75	83	101	117	175
Personnel Expenses	21	22	24	27	32	48
Others Expenses	37	53	59	74	85	127
EBITDA	56	63	71	81	92	136
% chg	21.4	12.7	12.5	14.0	13.6	48.0
(% of Net Sales)	49.3	45.6	46.0	44.3	44.0	43.6
Depreciation & Amortisation	12	12	13	16	17	30
EBIT	44	51	57	64	74	105
% chg	29.6	15.4	12.7	12.1	15.3	41.7
(% of Net Sales)	39.1	37.0	37.4	35.4	35.6	33.8
Interest & other Charges	1	2	2	2	2	2
Other Income	1	2	2	10	15	4
(% of PBT)	3.1	3.0	4.1	14.0	17.1	3.3
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	44	50	58	73	88	107
% chg	4.4	12.6	15.7	26.0	20.2	22.1
Prior Period & Extraord. Exp./ (Inc.)	-	-	-	-	-	-
PBT (reported)	44	50	58	73	88	107
Tax	14	16	18	22	28	34
(% of PBT)	32.4	32.9	31.1	30.6	32.0	32.0
PAT (reported)	30	34	40	51	60	73
Add: Share of earnings of asso.	-	-	-	-	-	-
Less: Minority interest (MI)	-	-	-	-	-	-
PAT after MI (reported)	30	34	40	51	60	73
ADJ. PAT	30	34	40	51	60	73
% chg	0.9	11.8	18.8	27.0	17.8	22.1
(% of Net Sales)	26.6	24.4	26.0	27.8	28.6	23.4
Basic EPS (₹)	5.3	5.9	7.1	9.0	10.6	12.9
Fully Diluted EPS (₹)	5.3	5.9	7.1	9.0	10.6	12.9
% chg	0.9	11.8	18.8	27.0	17.8	22.1

Balance sheet

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
SOURCES OF FUNDS						
Equity Share Capital	42	42	42	57	57	57
Reserves & Surplus	52	78	108	300	323	361
Shareholders Funds	94	120	150	356	379	417
Total Loans	22	21	24	15	15	15
Deferred Tax Liability	3	5	4	-	-	-
Total Liabilities	120	145	178	372	394	433
APPLICATION OF FUNDS						
Gross Block	208	242	255	270	290	490
Less: Acc. Depreciation	87	98	110	130	147	178
Net Block	121	144	145	139	142	312
Capital Work-in-Progress	4	6	20	40	180	-
Investments	-	-	-	194	14	14
Current Assets	14	16	35	23	72	126
Inventories	2	3	3	4	7	11
Sundry Debtors	0	0	0	1	1	1
Cash	2	3	20	8	25	37
Loans & Advances	1	3	4	10	21	40
Other Assets	8	8	7	0	19	37
Current liabilities	20	21	23	26	15	21
Net Current Assets	(6)	(5)	12	(3)	57	106
Deferred Tax Asset	-	1	1	1	1	1
Total Assets	120	145	178	372	394	433

Cash Flow

Y/E March (₹ cr)	FY12	FY13	FY14	FY15	FY16E	FY17E
Profit before tax	44	50	58	73	88	107
Depreciation	12	12	13	16	17	30
Change in Working Capital	2	(0)	(2)	(2)	(43)	(37)
Interest / Dividend (Net)	1	2	1	(6)	2	2
Direct taxes paid	(14)	(15)	(20)	(25)	(28)	(34)
Others	-	0	0	1	-	-
Cash Flow from Operations	45	49	50	56	35	68
(Inc.)/ Dec. in Fixed Assets	(39)	(37)	(26)	(29)	(185)	(40)
(Inc.)/ Dec. in Investments	-	-	-	(194)	180	-
Cash Flow from Investing	(39)	(37)	(26)	(223)	(5)	(40)
Issue of Equity	-	-	-	170	-	-
Inc./(Dec.) in loans	5	(2)	3	(3)	-	-
Dividend Paid (Incl. Tax)	(7)	(7)	(7)	(10)	(12)	(15)
Interest / Dividend (Net)	(1)	(2)	(3)	(2)	(2)	(2)
Cash Flow from Financing	(4)	(11)	(7)	156	(13)	(16)
Inc./(Dec.) in Cash	2	0	17	(12)	17	11
Opening Cash balances	(0)	2	2	19	8	25
Closing Cash balances	2	2	19	8	25	37

Key ratios

Y/E March	FY12	FY13	FY14	FY15	FY16E	FY17E
Valuation Ratio (x)						
P/E (on FDEPS)	59.2	53.0	44.6	35.1	29.8	24.4
P/CEPS	42.8	39.2	33.5	26.6	23.1	17.2
P/BV	19.0	14.8	11.9	5.0	4.7	4.3
Dividend yield (%)	2.0	2.0	2.7	2.7	3.8	4.6
EV/Sales	15.9	13.0	11.6	8.8	8.4	5.6
EV/EBITDA	32.3	28.6	25.2	19.8	19.2	12.9
EV / Total Assets	12.9	10.8	8.9	4.0	4.3	3.8
Per Share Data (₹)						
EPS (Basic)	5.3	5.9	7.1	9.0	10.6	12.9
EPS (fully diluted)	5.3	5.9	7.1	9.0	10.6	12.9
Cash EPS	7.4	8.0	9.4	11.8	13.6	18.3
DPS	6.3	6.3	8.5	8.5	11.9	14.6
Book Value	16.6	21.2	26.5	63.1	67.1	73.9
Returns (%)						
RoCE	38.0	36.2	33.1	17.3	18.8	24.3
Angel RoIC (Pre-tax)	38.8	36.9	37.4	38.1	20.9	27.5
RoE	32.0	28.0	26.6	14.2	15.7	17.5
Turnover ratios (x)						
Asset Turnover	0.5	0.6	0.6	0.7	0.7	0.6
Inventory / Sales (days)	6	7	8	8	12	13
Receivables (days)	1	1	1	1	1	1
Payables (days)	12	13	10	7	8	7
Net WC (days)	(5)	(4)	(1)	2	5	7

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Disclosure of Interest Statement	Wonderla Holidays
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%) Reduce (-5% to -15%)	Neutral (-5 to 5%) Sell (< -15%)
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