

Discussions ongoing for Paytm's events & movies business

Zomato and Paytm (SELL; TP INR 300) in their respective filings with the exchanges have confirmed [media reports](#) that they are in active discussions for transfer of the latter's movies and events business to the former. However, both mentioned that currently there is no binding agreement that would necessitate additional disclosures or board approval. As per the aforementioned media reports, the potential deal value could be ~INR 15bn-20bn, which, as per our estimates, would value Paytm's movies and events business at 5x-7x FY24 sales. Successful closure of such a deal will likely strengthen Zomato's Going-out business, which includes Zomato Live that competes with Paytm's events ticketing vertical. The deal could catapult Zomato to second position in the events & movie ticketing space, behind only Bookmyshow. [Media reports](#) had earlier indicated that the company was planning to invest INR 1bn in its wholly-owned subsidiary Zomato Entertainment Pvt. Ltd. that operates its live events and ticketing business. JM's BFSI analyst Sameer Bhise says that for Paytm the development is in line with its stated strategy of focussing on the payments and financial services business. Incrementally, cash realisation from this sale should aid Paytm as it re-energises its marketing spends.

- Understanding Zomato's current exposure to entertainment market:** Zomato's Going-out segment consists of two sub-segments (a) dining-out business in India and UAE and (b) Zomato Live ticketing business, that enables discovery and ticketing of outdoor events such as Food Carnivals, Music Concerts and other live events in India. [In the past](#), the management had indicated that Going-out could be the 4th large business coming out of Zomato. While both these businesses are currently offered through a separate tab embedded in the Zomato app, the company has been contemplating spinning out the Going-out business into a separate app, as part of its strategy of building super brands (and not super apps).
- Deal rationale:** The M&A in discussion with Paytm will likely help bolster Zomato's presence in the events ticketing space as Paytm offers broadly similar services to Zomato Live through its Paytm Insider platform (through its wholly-owned subsidiary Wasteland Entertainment Pvt. Ltd.). In fact, in FY23, Paytm Insider was >3.5x the size of Zomato Live in revenue terms (refer [exhibit 1](#)), likely due to access to a wider range of events as well as event genres such as sports, theatre & art, and workshops among others. Moreover, Paytm operates TicketNew, an online movie ticketing platform (through a wholly-owned subsidiary Orbgen Technologies Pvt. Ltd.) where Zomato has no comparable offering at the moment.
- Deal valuation and impact on financials:** Media reports are speculating a deal value of ~INR 15bn-20bn. While Paytm in its quarterly filings does not disclose revenue or profitability of its events and movie verticals, JM's BFSI analyst Sameer Bhise estimates total revenue of INR 2.75bn-INR 3.0bn for the verticals in FY24. This implies a likely valuation of 5x-7x FY24 sales. Note that the deal would potentially add only c.2.5% to Zomato's FY24 consol. revenue. On the other hand, the impact on profitability is difficult

Financial Summary	(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	70,794	1,21,140	1,82,401	2,42,360	3,04,946
Sales Growth (%)	68.9	71.1	50.6	32.9	25.8
EBITDA	-12,103	420	10,130	23,206	34,725
EBITDA Margin (%)	-17.1	0.3	5.6	9.6	11.4
Adjusted Net Profit	-9,708	3,510	12,140	25,461	31,134
Diluted EPS (INR)	-1.2	0.4	1.3	2.7	3.3
Diluted EPS Growth (%)	0.0	0.0	223.3	109.7	22.3
ROIC (%)	-27.1	-7.4	4.6	18.2	25.9
ROE (%)	-5.4	1.8	5.7	10.6	11.2
P/E (x)	-157.7	461.3	142.7	68.0	55.6
P/B (x)	7.9	7.9	7.3	6.4	5.5
EV/EBITDA (x)	-125.8	3,614.4	148.3	63.2	41.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 14/Jun/2024

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	250
Upside/(Downside)	34.2%
Previous Price Target	250
Change	0.0%

Key Data – ZOMATO IN

Current Market Price	INR186
Market cap (bn)	INR1,643.9/US\$19.7
Free Float	100%
Shares in issue (mn)	8,819.8
Diluted share (mn)	9,314.0
3-mon avg daily val (mn)	INR8,484.8/US\$101.5
52-week range	207/73
Sensex/Nifty	76,993/23,466
INR/US\$	83.6

Price Performance

%	1M	6M	12M
Absolute	-4.4	50.7	150.2
Relative*	-8.2	39.9	105.9

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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to ascertain at the moment as annual subsidiary level disclosures come with a lag. Zomato's balance sheet remains healthy to facilitate the deal with net cash balance of INR 122bn as of Mar'24.

- **What is Zomato Live?** Zomato Live is a ticketing business that enables discovery and ticketing of events such as Food Carnivals, Music Concerts and other live events in India. Revenue streams include (1) take-rate from third-party event organisers on sale of tickets through Zomato platform (2) ticket sale collections for events managed by Zomato (e.g., Zomaland) (3) sponsorship revenue relating to Zomato live events and (4) rentals and commission charged on sale of food & other products from restaurants / merchants participating in Zomato managed live events. In FY23, the business sold a total of 190k tickets on its platform and reported revenue of INR 529mn.
- **What is Paytm Insider?** Paytm Insider is a market place through which Paytm sells online tickets for live events and offers digital marketing, on-ground technology-led crowd management solutions, and fan-club management to event partners. The company also provides event partners' insights that help them decide location, pricing and the size of events.
- **Competitive dynamics:** Founded in 1999, Mumbai-based Bookmyshow is the largest events and movie ticketing platform in India. The company offers online ticketing services for movies and events to customers through its entertainment ticketing platform namely www.bookmyshow.com. It is also engaged in providing turnkey ticketing solutions for events. In FY23, Bookmyshow reported Consol. Revenue/EBITDA/PAT of INR 9.76bn/INR 793mn/INR 857mn. Reliance (BUY; TP INR 3,320) through Network18 Media & Investments Ltd. is the largest shareholder in Bookmyshow with 39.3% stake on a fully diluted basis as of Mar'23.

Exhibit 1. Key financials of events and movie ticketing platforms in India

	FY20	FY21	FY22	FY23
Zomato Entertainment Pvt. Ltd. (Zomato Live)				
Revenue (INR mn)	103	8	-	529
EBITDA (INR mn)	na	-44	-37	-51
PAT (INR mn)	-53	-44	-26	-51
Wasteland Entertainment Pvt. Ltd. (Paytm Insider)				
Revenue (INR mn)	401	221	466	1,912
EBITDA (INR mn)	-237	-199	-226	-138
PAT (INR mn)	-280	-244	-261	-192
Orbgen Technologies Pvt. Ltd. (Paytm Movie ticketing)				
Revenue (INR mn)	78	74	139	154
EBITDA (INR mn)	-229	-110	-16	-42
PAT (INR mn)	-236	-114	-20	-46
Paytm (Paytm Insider + Paytm Movie ticketing)				
Revenue (INR mn)	479	294	604	2,066
EBITDA (INR mn)	-465	-309	-242	-180
PAT (INR mn)	-516	-359	-281	-238
BookMyShow (Consol.)				
Revenue (INR mn)	7,014	740	2,771	9,755
EBITDA (INR mn)	-1,750	-1,955	-736	793
PAT (INR mn)	-2,116	-2,223	-922	857

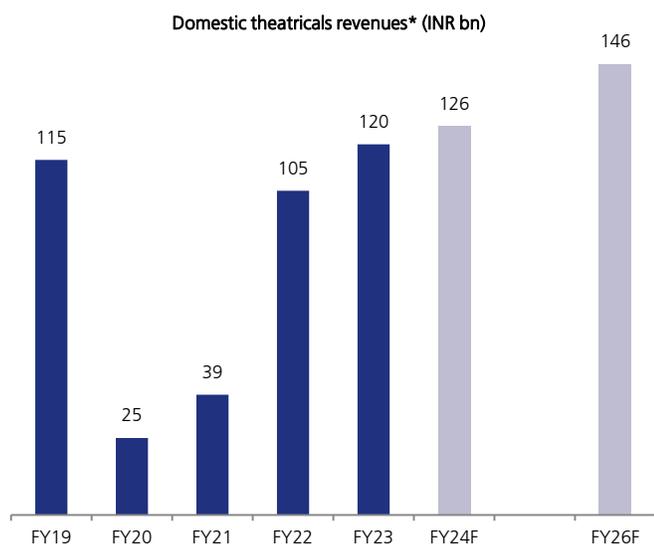
Source: VCC Edge, Company, JM Financial

Exhibit 2. Management commentary on Zomato Live business

Date	Comment by	Comment
3QFY24	Deepinder Goyal (Founder and CEO)	"On Going-out, we have launched our events ticketing platform in nine cities in India - we now have a separate 'Events' tab on our Zomato app in these cities." - Shareholders' letter
	Akshant Goyal (CFO)	"There are two pieces to Going-out business segment - dining out business and also the events and ticketing business (Zomato Live). We are in a build-out phase here. Idea is both acquiring restaurants & creating supply of events and onboarding ticketing partners - all of that requires investment. We're also building a team here. So, there is also going to be an element of increase in employee cost over the next few months and quarters. So therefore, while the top line, which is measured by GOV here, we expect that to continue to grow. But both monetization in terms of revenue growth and eventually profitability growth, will take some time, and grow with the lag. That's the plan for now." - Earnings call
1QFY24	Deepinder Goyal (Founder and CEO)	The 'Others' segment in our P&L also includes our nascent Zomato Live (events and ticketing) business – the vertical which hosts food carnivals called "Zomaland". Our exposure to the live events space, and Zomaland's success has us excited about how the live-events space in India is evolving. Dining-out + Live = "Going-out". We believe this combo could be the 4th large business coming out of Zomato, that powers India's changing lifestyles. Next quarter onwards, we are going to report 'Going-out' as a separate business segment in our financials. We are also contemplating spinning out our Going-out business into a separate app, in-line with our so-far-successful strategy of building super brands (and not super apps)." - Shareholders' letter
	Deepinder Goyal (Founder and CEO)	"Today, as we are scaling the dining-out business, we are seeing another opportunity to build an events and ticketing business (Zomato Live), alongside the dining-out business." - Shareholders' letter

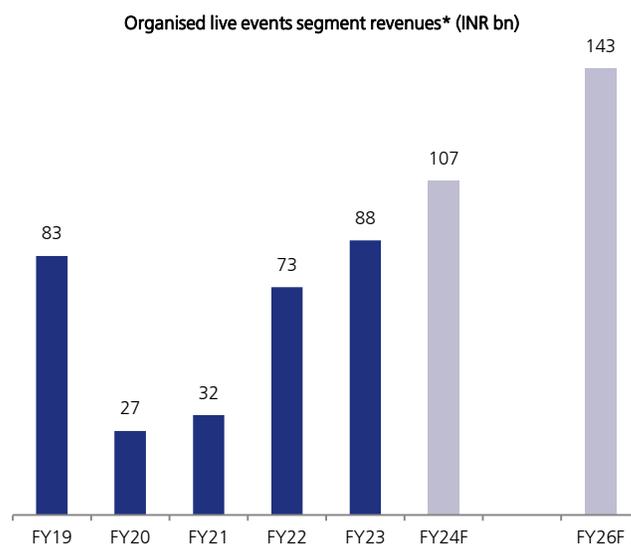
Source: Company, JM Financial

Exhibit 3. Domestic theatricals market size in India



Source: EY report on India's media & entertainment sector (March 2024), JM Financial. Note: *gross of taxes

Exhibit 4. Organised live events market size in India



Source: EY report on India's media & entertainment sector (March 2024), JM Financial. Note: *gross of taxes

Exhibit 5. Going-out = Dining-out + Zomato Live

- Going-out comprises of two key segments –
 - (a) Dining-out – discovery, table reservation and transactions for dining-out across restaurants in India and the UAE
 - (b) Zomato Live – discovery and ticketing of events such as food carnivals, music concerts and other live events in India

Dining-out



Large opportunity to monetize dining-out spends

Customers can access exclusive offers by paying dining-out bills through the Zomato app

Restaurants get measurable ROI on marketing spends with flexibility to customize offers real-time

Zomato Live

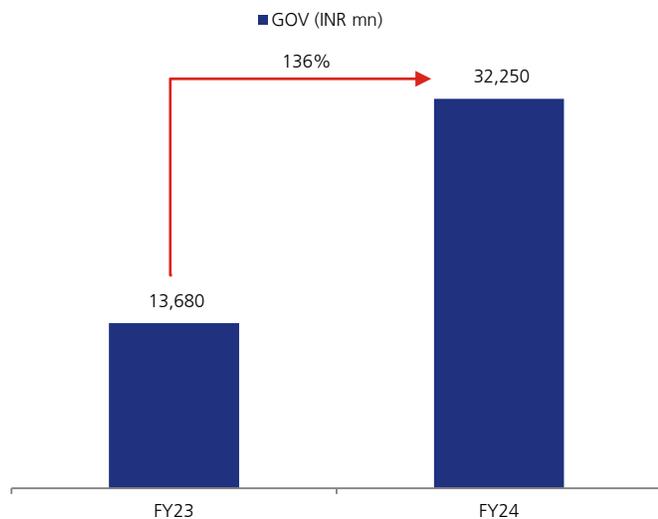


Tap into growing demand for outdoor entertainment in India

Zomato Live complements the dining-out business and enables discovery of options for "Going-out"

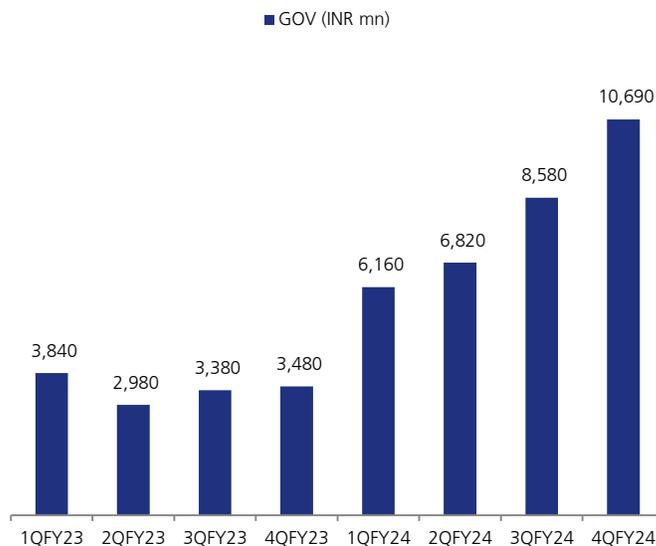
Source: Company Presentation

Exhibit 6. Going-out: GOV grew 136% YoY in FY24 primarily driven by growth in the India Dining-out business



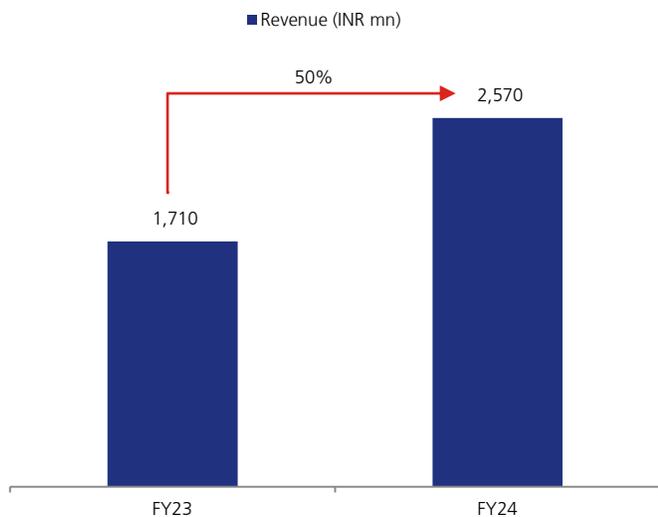
Source: Company, JM Financial

Exhibit 7. Going-out: Quarterly GOV trends



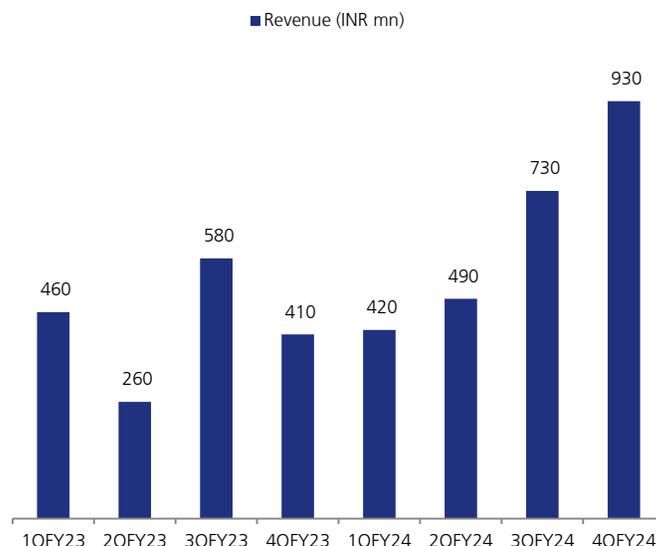
Source: Company, JM Financial

Exhibit 8. Going-out: Revenue grew relatively slower at 50% YoY in FY24



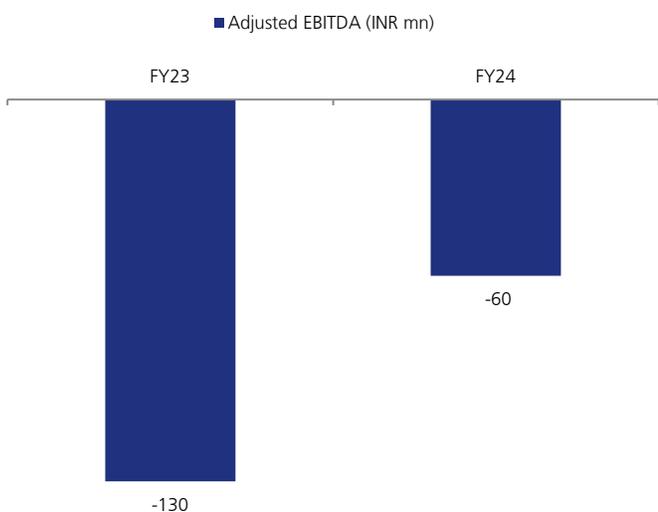
Source: Company, JM Financial

Exhibit 9. Going-out: Quarterly revenue trends



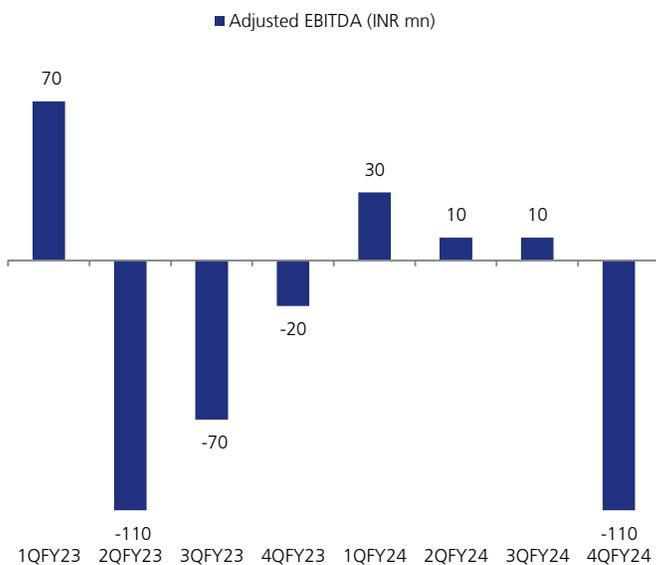
Source: Company, JM Financial

Exhibit 10. Going-out: Adjusted EBITDA loss narrowed 54% YoY in FY24



Source: Company, JM Financial

Exhibit 11. Going-out: Quarterly Adjusted EBITDA trends



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	70,794	1,21,140	1,82,401	2,42,360	3,04,946	
Sales Growth	68.9%	71.1%	50.6%	32.9%	25.8%	
Other Operating Income	0	0	0	0	0	
Total Revenue	70,794	1,21,140	1,82,401	2,42,360	3,04,946	
Cost of Goods Sold/Op. Exp	0	0	0	0	0	
Personnel Cost	14,650	16,590	21,733	24,993	28,242	
Other Expenses	68,247	1,04,130	1,50,538	1,94,161	2,41,979	
EBITDA	-12,103	420	10,130	23,206	34,725	
EBITDA Margin	-17.1%	0.3%	5.6%	9.6%	11.4%	
EBITDA Growth	0.0%	0.0%	2,312.0%	129.1%	49.6%	
Depn. & Amort.	4,369	5,260	6,085	6,134	6,243	
EBIT	-16,472	-4,840	4,045	17,073	28,483	
Other Income	6,328	7,750	8,733	11,217	13,140	
Finance Cost	0	0	0	0	0	
PBT before Excep. & Forex	-10,144	2,910	12,779	28,290	41,623	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	-10,144	2,910	12,779	28,290	41,623	
Taxes	-436	-600	639	2,829	10,489	
Extraordinary Inc./Loss(-)	-1	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-6	0	0	0	0	
Reported Net Profit	-9,707	3,510	12,140	25,461	31,134	
Adjusted Net Profit	-9,708	3,510	12,140	25,461	31,134	
Net Margin	-13.7%	2.9%	6.7%	10.5%	10.2%	
Diluted Share Cap. (mn)	8,232.7	8,705.8	9,314.0	9,314.0	9,314.0	
Diluted EPS (INR)	-1.2	0.4	1.3	2.7	3.3	
Diluted EPS Growth	0.0%	0.0%	223.3%	109.7%	22.3%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	-10,146	2,910	12,779	28,290	41,623	
Depn. & Amort.	4,369	5,260	6,085	6,134	6,243	
Net Interest Exp. / Inc. (-)	-4,840	-5,790	-8,733	-11,217	-13,140	
Inc (-) / Dec in WCap.	-1,759	1,180	-4,744	-3,204	-14	
Others	4,244	3,950	7,210	8,292	9,121	
Taxes Paid	-308	-1,050	-1,347	-3,788	-11,490	
Operating Cash Flow	-8,440	6,460	11,249	24,505	32,342	
Capex	-1,014	-2,020	-2,173	-1,883	-1,895	
Free Cash Flow	-9,454	4,440	9,075	22,622	30,447	
Inc (-) / Dec in Investments	8,794	-7,630	0	0	0	
Others	-3,207	6,180	9,703	12,112	14,110	
Investing Cash Flow	4,573	-3,470	7,529	10,229	12,215	
Inc / Dec (-) in Capital	38	220	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	-884	-1,690	-1,609	577	466	
Others	-428	-600	-969	-895	-970	
Financing Cash Flow	-1,274	-2,070	-2,578	-318	-504	
Inc / Dec (-) in Cash	-5,141	920	16,200	34,417	44,053	
Opening Cash Balance	7,322	2,171	3,091	19,291	53,708	
Closing Cash Balance	2,181	3,091	19,291	53,708	97,761	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	1,94,598	2,03,814	2,23,480	2,57,232	2,97,487	
Share Capital	8,364	8,364	8,680	8,680	8,680	
Reserves & Surplus	1,86,234	1,95,450	2,14,800	2,48,552	2,88,807	
Preference Share Capital	0	0	0	0	0	
Minority Interest	-66	-70	-70	-70	-70	
Total Loans	404	0	0	0	0	
Def. Tax Liab. / Assets (-)	-1,161	-2,210	-2,918	-3,878	-4,879	
Total - Equity & Liab.	1,93,775	2,01,534	2,20,491	2,53,284	2,92,537	
Net Fixed Assets	59,231	57,655	56,143	54,417	52,846	
Gross Fixed Assets	3,628	5,313	7,486	9,369	11,264	
Intangible Assets	57,071	54,710	51,910	49,390	47,122	
Less: Depn. & Amort.	1,543	2,443	3,433	4,522	5,720	
Capital WIP	75	75	180	180	180	
Investments	1,15,956	1,19,320	1,19,320	1,19,320	1,19,320	
Current Assets	39,639	54,270	74,141	1,12,786	1,61,806	
Inventories	827	880	1,611	1,486	2,210	
Sundry Debtors	4,569	7,940	10,895	14,131	17,358	
Cash & Bank Balances	2,181	3,090	19,291	53,708	97,761	
Loans & Advances	0	0	0	0	0	
Other Current Assets	32,062	42,360	42,345	43,461	44,478	
Current Liab. & Prov.	21,051	29,500	29,112	33,237	41,434	
Current Liabilities	14,003	18,260	21,276	23,309	28,942	
Provisions & Others	7,048	11,240	7,837	9,928	12,492	
Net Current Assets	18,588	24,770	45,029	79,548	1,20,372	
Total - Assets	1,93,775	2,01,745	2,20,492	2,53,285	2,92,538	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		-13.7%	2.9%	6.7%	10.5%	10.2%
Asset Turnover (x)		0.4	0.6	0.8	1.0	1.1
Leverage Factor (x)		1.0	1.0	1.0	1.0	1.0
RoE		-5.4%	1.8%	5.7%	10.6%	11.2%

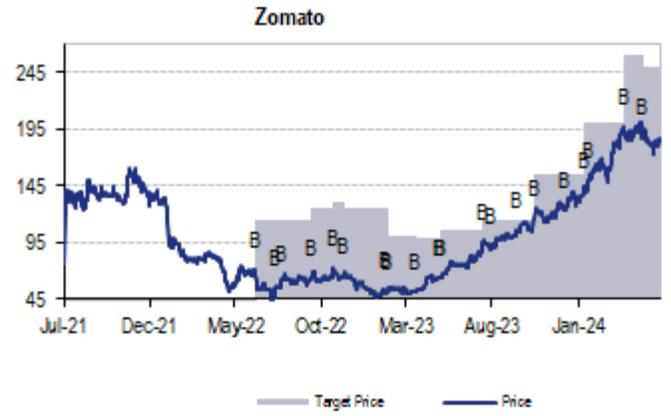
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		23.6	23.4	25.3	29.1	33.7
ROIC		-27.1%	-7.4%	4.6%	18.2%	25.9%
ROE		-5.4%	1.8%	5.7%	10.6%	11.2%
Net Debt/Equity (x)		-0.6	-0.6	-0.6	-0.7	-0.7
P/E (x)		-157.7	461.3	142.7	68.0	55.6
P/B (x)		7.9	7.9	7.3	6.4	5.5
EV/EBITDA (x)		-125.8	3,614.4	148.3	63.2	41.0
EV/Sales (x)		21.5	12.5	8.2	6.1	4.7
Debtor days		24	24	22	21	21
Inventory days		4	3	3	2	3
Creditor days		30	27	29	25	27

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
26-Jun-22	Buy	115	
2-Aug-22	Buy	115	-0.4
11-Aug-22	Buy	115	0.6
4-Oct-22	Buy	125	8.6
12-Nov-22	Buy	130	3.7
30-Nov-22	Buy	126	-3.2
10-Feb-23	Buy	126	0.0
16-Feb-23	Buy	100	-20.3
6-Apr-23	Buy	100	-0.5
17-May-23	Buy	100	0.0
21-May-23	Buy	105	5.6
4-Aug-23	Buy	115	8.8
17-Aug-23	Buy	115	0.0
3-Oct-23	Buy	115	0.1
4-Nov-23	Buy	155	35.1
28-Dec-23	Buy	155	0.0
1-Feb-24	Buy	200	29.2
9-Feb-24	Buy	200	0.1
11-Apr-24	Buy	260	29.8
14-May-24	Buy	250	-3.8

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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