

# UFO Moviez India

## BUY

Good start for FY18

### Summary

- UFO Moviez Q1FY18 advertisement revenue growth of 24% YoY beat our forecast. So did the over-all revenue growth of 14% YoY, due to higher hardware sales. The latter, resulted in EBITDA margin missing our forecast. However, EBITDA (Rs402, +9.4% YoY) and EPS (Rs5, +83% YoY) was inline with our forecast.
- UFO Moviez has maintained its FY18 advertisement revenue growth guidance of 30% YoY, in-line with our expectation.
- We largely maintain our FY18/19 revenue/EBITDA/EPS forecast. We maintain BUY with TP of 690 based on EV/EBITDA of 8x FY19E.

### Key Highlights and Investment Rationale

- Q1FY18 advertisement revenue grew by 24% YoY despite headwinds**  
Integration of UMW screens for part of the quarter added ~1.3% to the growth. CARAVAN business saw strong traction and surpassed FY17 revenue in Q1FY18 itself. In-Cinema advertisement revenue grew 19% YoY lead by Corporate & Hyperlocal segment which grew by ~29% YoY.
- Maintains FY18 advertisement revenue growth of 30% YoY**  
This is in-line with our forecast. UFO Moviez is seeing good traction in CARAVAN business and is confident that Q3FY18 will have more than 67 vans operational, which was the peak utilization in Q1. Further, UFO Framez would continue to see QoQ improvement. While UFO Moviez expects a soft Q2FY18 post a strong growth in Q2FY17, it expects growth to pick-up in H2. We are confident of UFO Moviez achieving its guidance and forecast 31.7% growth in FY18 and 33.7% in FY19.
- Maintain BUY and TP of Rs690 based on EV/EBITDA of 8x FY19E**  
We maintain that UFO Moviez has significant re-rating opportunity given - 1) healthy earnings growth (we forecast FY17-19E CAGR of 19%), 2) improving RoCE (20.6% in FY19E vs. 14.7% in FY17) and RoE (17.2% in FY19E vs. 11.8% in FY17), 3) FCF yield of ~10% in FY18E and 4) net cash B/S.

<b>TP</b>	<b>Rs690</b>
<b>CMP</b>	<b>Rs403</b>
Potential upside / downside	+71%
Previous Rating	BUY

### V/s Consensus

EPS (Rs)	FY18E	FY19E
IDBI Capital	28.3	33.0
Consensus	28.2	31.2
% difference	0.4	5.7

### Shareholding Pattern (%)

Promoters	28.1
FII	3.6
DII	23.3
Public	45.0

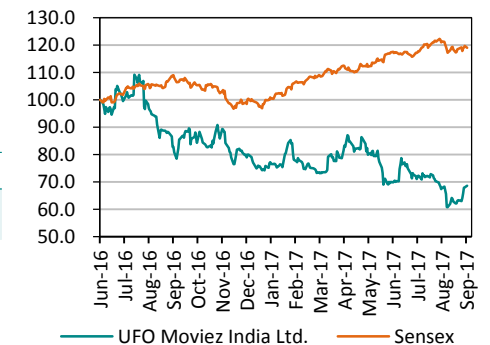
### Price Performance (%)

	-1m	-3m	-12m
Absolute	24.4	7.6	(6.4)
Rel to Sensex	23.1	5.5	(17.3)

### Key Stock Data

Bloomberg / Reuters	UFOM IN/UFOM.BO
Sector	Media
Shares o/s (mn)	28
Market cap. (Rs mn)	11,122
Market cap. (US\$ mn)	173
3-m daily average value (Rs mn)	390
52-week high / low	Rs503 / 316
Nifty / Sensex	10,006 / 31,882

### Relative to Sensex (%)



### Financial snapshot

Year	FY15	FY16	FY17	FY18E	FY19E
Revenue	4,758	5,701	5,990	6,420	6,924
EBITDA	1,488	1,938	1,852	2,006	2,231
EBITDA (%)	31.3	34.0	30.9	31.2	32.2
Adj. PAT	442	745	605	782	910
EPS (Rs)	17.1	27.1	21.9	28.3	33.0
EPS Growth (%)	(7.2)	58.6	(19.1)	29.2	16.3
PE (x)	23.6	14.9	18.4	14.2	12.2
Dividend Yield (%)	-	2.0	2.5	3.0	3.5
EV/EBITDA (x)	7.4	5.8	5.7	4.9	4.1
RoE (%)	10.7	15.7	11.3	14.6	17.2
RoCE (%)	11.6	18.2	13.9	17.9	20.6

Source: Company; IDBI Capital Research

**Table 1: Financial snapshot\***

(Rs mn)

Year-end: March	Q1FY18E	Q1FY17	YoY (%)
<b>Revenues</b>	<b>1,537</b>	<b>1,349</b>	<b>13.9</b>
COGS	957	797	20.2
Gross profit	580	553	4.8
SG&A	178	186	(4.1)
<b>EBITDA</b>	<b>401</b>	<b>367</b>	<b>9.4</b>
Depreciation & amortization	205	246	(16.5)
EBIT	196	121	62.0
Other income	30	33	(8.2)
Interest cost	26	39	(32.4)
PBT	200	115	73.8
Tax	71	61	16.8
Adjusted net profit	129	54	137.5
Minority interest	(8)	(21)	n.m.
<b>Reported net profit</b>	<b>137</b>	<b>75</b>	<b>82.7</b>
<b>Diluted EPS (Rs)</b>	<b>5.0</b>	<b>2.7</b>	<b>82.7</b>
<b>As % of net revenue</b>			
Gross profit	37.7	41.0	
SG&A	11.6	13.8	
EBITDA	26.1	27.2	
EBIT	12.8	9.0	
Reported net profit	8.9	5.6	
Tax rate	35.5	52.8	

Over-all revenue growth of 13.9% YoY was driven by a 24% growth in advertisement revenue and hardware sales growing 1.2x.

EBITDA margin decline by 110bps YoY as hardware sales has lower margin.

Lower depreciation and interest cost resulted in EPS seeing a sharp growth of 83% YoY.

Source: Company; IDBI Capital Research. \*As per Ind AS.

While Q1FY18 revenue was a beat, EBITDA and EPS was in-line with our forecast.

**Table 2: Actual vs. estimates**

Year to March	Q1FY18	Q1FY18E	Variance (%)
Revenue (Rs mn)	1,537	1,353	13.5
EBITDA (Rs mn)	401	402	(0.1)
EBIT margin (%)	26.1	29.7	(358)bps
PAT (Rs mn)	137	133	3.6
PAT margin (%)	8.9	9.8	(85)bps
EPS (Rs)	5.0	4.8	3.6

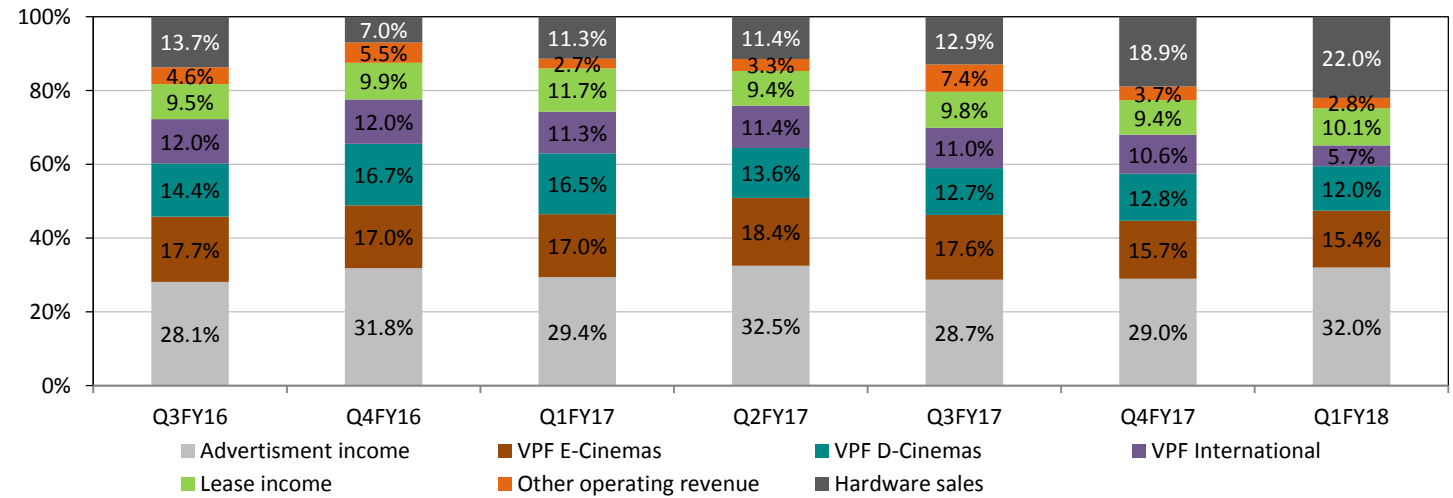
Source: Company; IDBI Capital Research

**Table 3: Change in forecast**

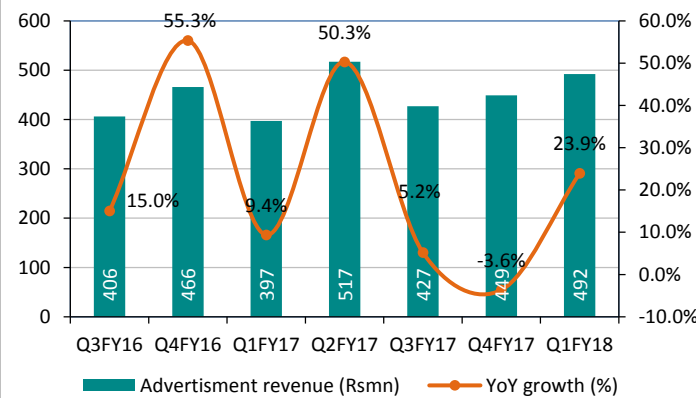
(Rs mn)

Year to March	FY18E			FY19E		
	Revised	Previous	Change (%)	Revised	Previous	Change (%)
Revenue (Rs mn)	6,420	6,323	1.5	6,924	6,779	2.1
EBITDA (Rs mn)	2,006	2,021	(0.8)	2,231	2,212	0.9
EBITDA margin (%)	31.2	32.0	(72)bps	32.2%	32.6%	(41)bps
EPS (Rs)	28.3	28.6	(1.0)	33.0	32.4	1.7

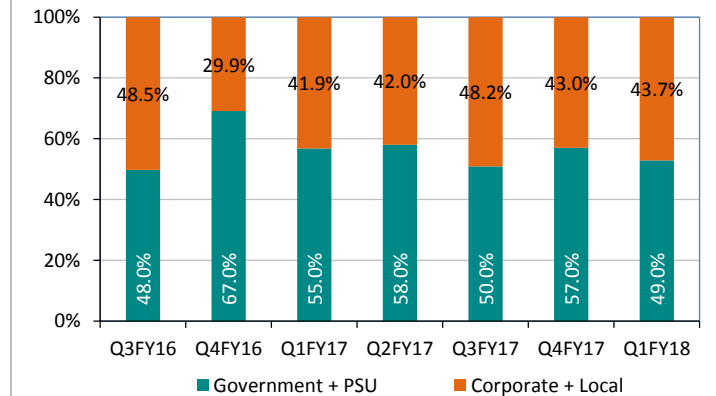
Source: IDBI Capital Research

**Figure 1: Revenue mix trend**


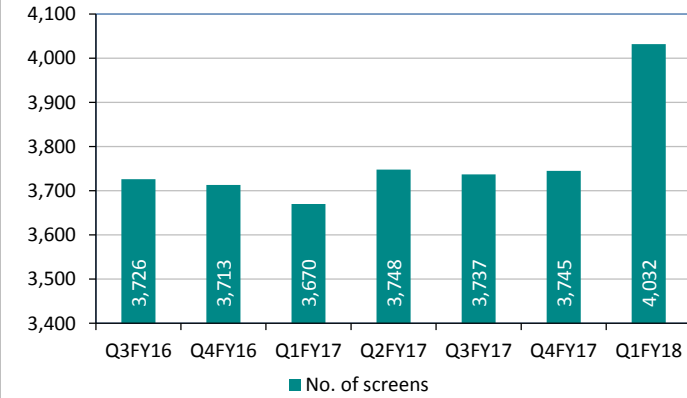
Source: Company; IDBI Capital Research

**Figure 2: Advertisement revenue trend**


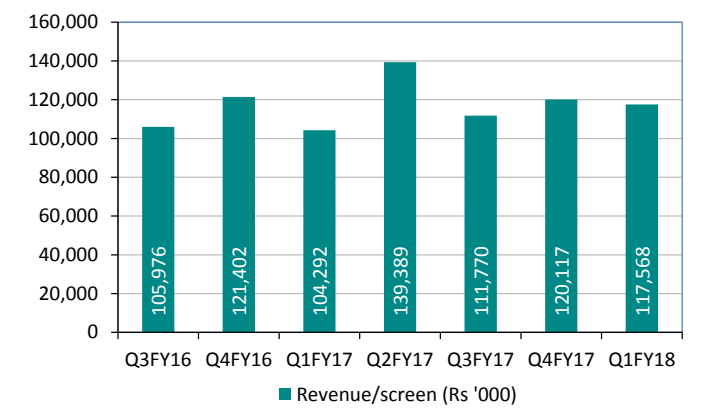
Source: Company; IDBI Capital Research

**Figure 3: Advertisement revenue mix trend**


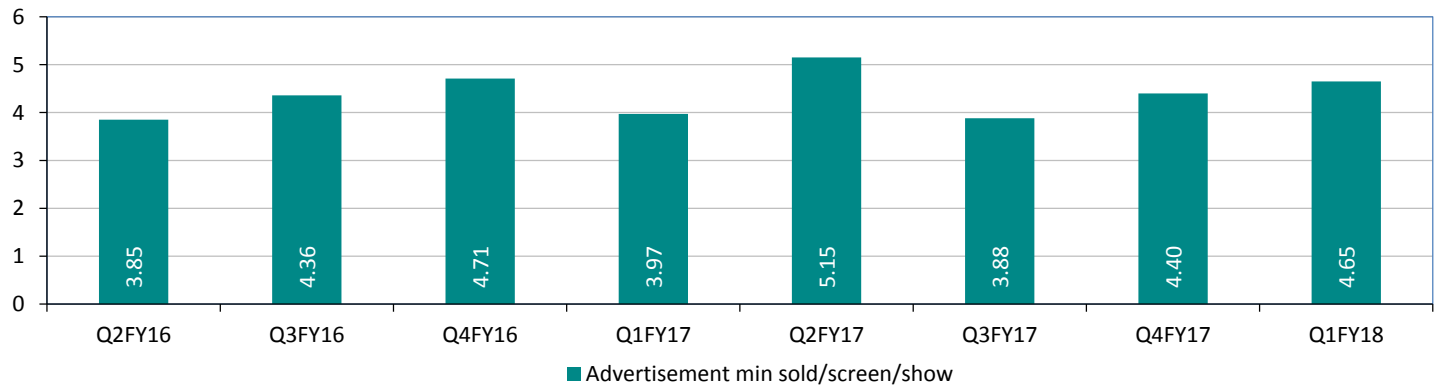
Source: Company; IDBI Capital Research

**Figure 4: In-cinema advertisement trend**


Source: Company; IDBI Capital Research

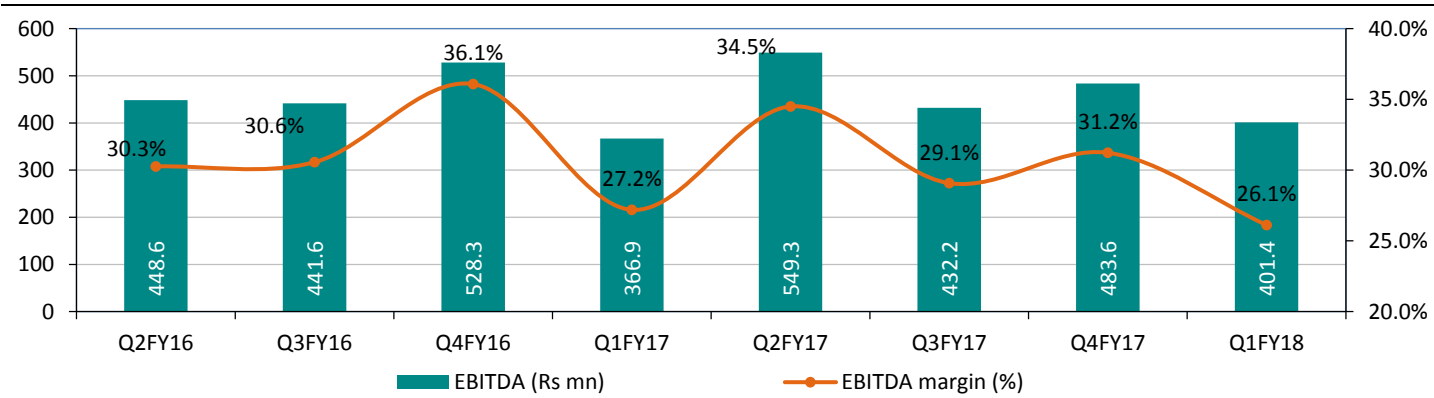


Source: Company; IDBI Capital Research

**Figure 5: Advertisement inventory utilisation trend**


Source: Company; IDBI Capital Research

**Figure 6: EBITDA margin trend**



Source: Company; IDBI Capital Research

## Financial Summary

Profit & Loss Account					(Rs mn)
Year-end: March	FY16	FY17	FY18E	FY19E	
<b>Net sales</b>	<b>5,701</b>	<b>5,990</b>	<b>6,420</b>	<b>6,924</b>	
<i>Growth (%)</i>	<i>19.8</i>	<i>5.1</i>	<i>7.2</i>	<i>7.8</i>	
Operating expenses	(3,763)	(4,138)	(4,415)	(4,692)	
<b>EBITDA</b>	<b>1,938</b>	<b>1,852</b>	<b>2,006</b>	<b>2,231</b>	
<i>Growth (%)</i>	<i>30.2</i>	<i>-4.4</i>	<i>8.3</i>	<i>11.2</i>	
Depreciation	(774)	(916)	(824)	(893)	
<b>EBIT</b>	<b>1,164</b>	<b>936</b>	<b>1,181</b>	<b>1,338</b>	
Interest paid	(140)	(137)	(97)	(97)	
Other income	67	97	101	159	
<b>Pre-tax profit</b>	<b>1,091</b>	<b>896</b>	<b>1,185</b>	<b>1,400</b>	
Tax	(346)	(362)	(424)	(490)	
<i>Effective tax rate (%)</i>	<i>31.7</i>	<i>40.4</i>	<i>35.8</i>	<i>35.0</i>	
<b>Net profit</b>	<b>745</b>	<b>534</b>	<b>761</b>	<b>910</b>	
<b>Adjusted net profit</b>	<b>745</b>	<b>605</b>	<b>782</b>	<b>910</b>	
<i>Growth (%)</i>	<i>68.4</i>	<i>(18.8)</i>	<i>29.2</i>	<i>16.3</i>	
<i>Shares o/s (mn nos)</i>	<i>27</i>	<i>28</i>	<i>28</i>	<i>28</i>	

Cash Flow Statement					(Rs mn)
Year-end: March	FY16	FY17	FY18E	FY19E	
Pre-tax profit	1,091	896	1,185	1,400	
Depreciation	792	767	974	893	
Tax paid	(428)	(433)	(424)	(490)	
Chg in working capital	(204)	5	50	(12)	
Other operating activities	(56)	388	(41)	(41)	
<b>Cash flow from operations (a)</b>	<b>1,195</b>	<b>1,623</b>	<b>1,745</b>	<b>1,750</b>	
Capital expenditure	(661)	(573)	(631)	(600)	
Chg in investments	(19)	(75)	-	-	
Other investing activities	-	-	-	-	
<b>Cash flow from investing (b)</b>	<b>(680)</b>	<b>(648)</b>	<b>(631)</b>	<b>(600)</b>	
Equity raised/(repaid)	249	1	-	-	
Debt raised/(repaid)	(228)	(117)	-	-	
Dividend (incl. tax)	(265)	(332)	(398)	(465)	
Chg in minorities	33	79	-	-	
Other financing activities	-	-	-	-	
<b>Cash flow from financing (c)</b>	<b>(211)</b>	<b>(369)</b>	<b>(398)</b>	<b>(465)</b>	
<b>Net chg in cash (a+b+c)</b>	<b>304</b>	<b>606</b>	<b>715</b>	<b>685</b>	

**Balance Sheet**

(Rs mn)

Year-end: March	FY16	FY17	FY18E	FY19E
Net fixed assets	4,712	4,518	3,175	2,881
Investments	80	155	155	155
Other non-curr assets	517	387	422	455
<b>Current assets</b>	<b>2,899</b>	<b>3,519</b>	<b>4,407</b>	<b>5,260</b>
Inventories	115	135	150	161
Sundry Debtors	1,515	1,482	1,601	1,726
Cash and Bank	948	1,554	2,270	2,955
Loans and advances	255	247	281	304
<b>Total assets</b>	<b>8,209</b>	<b>8,579</b>	<b>8,159</b>	<b>8,752</b>
<b>Shareholders' funds</b>	<b>5,165</b>	<b>5,785</b>	<b>5,168</b>	<b>5,613</b>
Share capital	275	276	276	276
Reserves & surplus	4,890	5,508	4,892	5,337
<b>Total Debt</b>	<b>1,040</b>	<b>923</b>	<b>923</b>	<b>923</b>
Secured loans	1,040	923	923	923
Unsecured loans	-	-	-	-
Other liabilities	219	93	93	93
<b>Curr Liab &amp; prov</b>	<b>1,679</b>	<b>51</b>	<b>1,882</b>	<b>2,030</b>
Current liabilities	1,534	-	1,724	1,859
Provisions	146	51	158	171
<b>Total liabilities</b>	<b>2,938</b>	<b>2,680</b>	<b>2,898</b>	<b>3,045</b>
<b>Total equity &amp; liabilities</b>	<b>8,209</b>	<b>8,579</b>	<b>8,159</b>	<b>8,752</b>
<b>Book Value (Rs)</b>	<b>188</b>	<b>210</b>	<b>187</b>	<b>203</b>

Source: Company; IDBI Capital Research

**Financial Ratios**

Year-end: March	FY16	FY17	FY18E	FY19E
Adj EPS (Rs)	27.1	21.9	28.3	33.0
Adj EPS growth (%)	58.6	-19.1	29.2	16.3
EBITDA margin (%)	34.0	30.9	31.2	32.2
Pre-tax margin (%)	19.1	15.0	18.5	20.2
ROE (%)	15.7	11.3	14.6	17.2
ROCE (%)	18.2	13.9	17.9	20.6
<b>Turnover &amp; Leverage ratios (x)</b>				
Asset turnover (x)	0.7	0.7	0.8	0.8
Leverage factor (x)	1.7	1.6	1.6	1.6
Net margin (%)	13.1	10.1	12.2	13.1
Net Debt / Equity (x)	0.0	-0.1	-0.3	-0.4
<b>Working Capital &amp; Liquidity ratio</b>				
Inventory days	7	8	9	9
Receivable days	97	90	91	91
Payable days	87	84	84	86

**Valuation**

Year-end: March	FY16	FY17	FY18E	FY19E
P/E (x)	14.9	18.4	14.2	12.2
Price / Book value (x)	2.1	1.9	2.2	2.0
PCE (x)	7.3	7.3	6.9	6.2
EV / Net sales (x)	2.0	1.8	1.5	1.3
EV / EBITDA (x)	5.8	5.7	4.9	4.1
Dividend Yield (%)	2.0	2.5	3.0	3.5





# Notes

Dealing	(91-22) 6637 1150	dealing@idbicapital.com
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**BUY:** Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto  $\pm 5\%$ ; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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#### Equity Research Desk

3rd Floor, Mafatlal Centre, Nariman Point, Mumbai – 400 021. Phones: (91-22) 4322 1212; Fax: (91-22) 2285 0785; Email: info@idbicapital.com

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**Compliance Officer:** Christina D'souza; Email: compliance@idbicapital.com; Telephone: (91-22) 4322 1212

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