
Media & Entertainment

3QFY11 Results Preview

Executive Summary

Expect a Strong show across the board

The overall ad environment continues to witness buoyancy across sub-segments backed by consumption growth led ad spends by advertisers.

Oct-Dec is seasonally the best quarter for Media & entertainment (M&E) companies due to festivals (Dussehra, Diwali, Christmas) that attract high ad spends from advertisers. Q3FY11 will also have the additional ad push of Dussehra that was in Q2 in FY10.

We expect robust numbers from M&E companies under our coverage with Revenue growth likely to be above 20% for most. Overall revenues of the companies under Spark Media Universe (excluding Hathway, as Q3FY10 numbers not available) are estimated to increase by 33% yoy and 16% qoq and net profits are estimated to increase by 64% yoy and 22% qoq.

Print Media: The topline numbers for all three print companies Jagran Prakashan, DB Corp and HT Media will be driven by 20-30% ad revenue growth yoy. HT Media is likely to face the highest impact of increase in newsprint price and in newsprint consumption leading to relatively subdued bottomline. DB Corp's entry in Jharkhand (Ranchi/ Jamshedpur) and the corresponding gestation/ launch costs should impact the operating profitability. Jagran Prakashan should lead the pack in earnings growth as strong revenue increase should flow to the net profit levels.

TV Distribution: Dish TV continues to show hefty subscriber additions and crossed a 9mn subscriber base during the quarter. Hefty growth in subscription revenues and scale benefits should translate into a further 180bps improvement in ebidta margins. Losses are likely to halve yoy. Hathway 's performance is likely to be flattish qoq as the company is going slow on LCO acquisitions as it awaits regulatory orders on mandatory digitisation. Installation of Set top boxes though is likely to have picked up pace post a dismal show in H1.

Broadcasting: Sun TV is likely to continue the strong show witnessed in H1 with hefty growth in ad & subscription revenues. Revenues and profits from the blockbuster *Endhiran* should further strengthen the performance for the quarter.

Remain Positive on the sector: We maintain our positive stance on the sector and remain bullish especially on Regional Print/ Broadcasting and TV distribution companies. We continue to like Sun TV, Dish TV, DB Corp among stocks in our coverage. We believe execution of digitisation opportunity remains a key factor to watch out for in Hathway .Jagran Prakashan promises good returns on absolute basis from current levels given steady profit growth and ~3% dividend yield, but lacks aggression compared to DB Corp. We continue to have a Reduce/ underperform rating on HT Media as we opine that latest gains in Mumbai readership are not conclusive of a turnaround in Mumbai operations and see structural risk to its supremacy in Bihar/ Jharkhand markets.

Date	Jan 13, 2011
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Market data	
SENSEX	19183
Nifty	5752

Companies under coverage			
	TP (Rs.)	Recommendation	
		Absolute	Relative
SUNTV	616	BUY	OPF
DITV	76	ADD	OPF
HATH	213	BUY	OPF
DBCL	307	BUY	OPF
JAGP	144	ADD	UPF
HTML	142	REDUCE	UPF

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3QFY11 Earnings Preview Snapshot

Media & Entertainment - All numbers in Rs mn except per share data								
	Quarter			Change		Comments/Watch out for	Recommendation	
	Dec-09	Sep-10	Dec-10	yoy	qoq		Absolute	Relative
Sun TV								
Net sales	3951	4248	6058	53%	43%	Near 30% yoy ad revenue increase, 50%+ subscription revenue growth coupled with Endhiran collections to bolster topline.	BUY	O-PF
EBITDA	3125	3323	4928	58%	48%			
PAT	1519	1674	2144	41%	28%			
EPS	3.9	4.2	5.4	41%	28%	Strong trend in bottomline growth to continue.		
Dish TV								
Net sales	2775	3261	3716	34%	14%	Likely 1mn new subscriber adds during the quarter, expect Monthly ARPUs to increase to Rs143 against Rs139 in previous quarter	ADD	O-PF
EBITDA	116	498	633	445%	27%			
PAT	-762	-452	-404	-	-	- Driven by strong growth in subscription income (and scale benefits) ebitda margins expected at		
EPS	-	-	-	-	-	- 17% vs 4.2% in Q3FY10 (qoq improvement of 180bps)		
Hathway								
Net sales	-	2,265	2,318	-	2%	A less eventful quarter on LCO acquisitions, though digitisation of analogue subscribers is expected to be faster than in H1. qoq revenues and profits are likely to be flattish.	BUY	O-PF
EBITDA	-	502	510	-	1%			
PBT*	-	118	121	-	2%	Voluntary digitisation though has picked up, wait continues for Ministry's acceptance of TRAI proposal for compulsory addressability which should be a big trigger for Hathway.		
EPS	-	0.6	0.7	-	3%			
DB Corp								
Net sales	2,814	3,010	3,325	18%	10%	Ad spend growth in DBCL's markets is on sound traction, dussehra ad spends in Q3 in FY11 vs all of it in Q2 in FY10 should lead to an additional fillip in yoy ad revenue growth.	BUY	O-PF
EBITDA	959	951	1,046	9%	10%			
PAT	506	551	613	21%	11%	Gestation costs of the recent launches in Jharkhand should likely pin down yoy ebitda margins by		
EPS	2.8	3.0	3.6	28%	18%	~250bps. Net profit growth how ever should outpace ebitda growth due to lower interest outgo.		
Jagran Prakashan								
Net sales	2269	2769	2819	24%	2%	Strong revenue growth bolstered by fillip from festive ad spends by advertisers, circulation revenues likely to be flattish yoy & qoq	ADD	U-PF
EBITDA	653	908	897	37%	-1%			
PAT	397	555	552	39%	-1%	Despite higher new sprint costs ebitda margins should expand ~300bps yoy. Net profit growth to be highest among print media peers.		
EPS	1.3	1.8	1.8	39%	-1%			
HT Media								
Net sales	3661	4455	4595	26%	3%	Revenue growth for the quarter to be strong across businesses at 26% partially aided by a bad base quarter.	REDUCE	U-PF
EBITDA	745	791	838	12%	6%			
PAT	358	388	410	14%	6%	How ever, higher new sprint cost and significant increase in circulation should squeeze the ebitda margins by ~210bps yoy. Thus net profit growth is likely to be muted compared to print peers.		
EPS	1.5	1.7	1.7	14%	6%			

*Notes:Hathway reports PBT and not PAT on a consolidated basis

All figures are in Rs. mn, barring EPS, which is in Rs.

Valuation Matrix

Company	Sales (Rs. mn)			EBITDA (Rs. mn)			PAT (Rs. mn)			EPS (Rs.)			EBITDA Margin		
	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E
Sun TV	19,320	22,762	26,413	14,889	17,658	20,548	7,464	8,994	10,768	18.9	22.8	27.3	77.1%	77.6%	77.8%
Dish TV	14,306	18,733	22,757	2,563	5,099	6,943	-1,965	-628	348	-	-	0.3	17.9%	27.2%	30.5%
Hathway	8,766	10,066	11,408	1,933	2,479	3,015	338	686	985	2.4	4.8	6.9	22.0%	24.6%	26.4%
DB Corp	12,906	14,890	17,446	4,386	4,580	5,145	2,853	2,720	3,183	15.6	14.8	17.4	34.0%	30.8%	29.5%
Jagran Prakashan	12,029	14,037	16,301	3,799	4,497	5,254	2,257	2,682	3,221	7.1	8.5	10.2	31.6%	32.0%	32.2%
HT Media	17,486	20,425	23,420	3,249	3,658	4,057	1,706	2,081	2,435	7.3	8.8	10.4	18.6%	17.9%	17.3%

Company	P/E (x)			EV/EBITDA (x)			EV/Sales (x)			CMP (Rs)	Mkt Cap (Rs. mn)	Target *		Rating	
	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E	FY11E	FY12E	FY13E			P/E	Price	Absolute	Relative
Sun TV	26.4	21.9	18.3	12.8	10.6	8.8	9.9	8.2	6.8	500	197,198	27x	616	BUY	OPF
Dish TV	-	-	188.9	28.4	14.3	10.4	5.1	3.9	3.2	62	65,689	DCF	76	ADD	OPF
Hathway	64.4	31.8	22.1	6.8	5.2	3.9	1.8	1.5	1.2	153	21,786	12x EV/EBITDA	213	BUY	OPF
DB Corp	16.3	17.1	14.6	10.4	9.6	8.1	3.5	2.9	2.4	254	46,087	20.7x	307	BUY	OPF
Jagran Prakashan	17.3	14.6	12.1	10.0	8.2	6.7	3.2	2.6	2.2	124	37,240	17x	144	ADD	UPF
HT Media	21.1	17.3	14.8	9.8	8.1	6.6	1.8	1.4	1.2	153	35,978	16x	142	REDUCE	UPF

* Target price multiples are on FY12E

Absolute Rating Interpretation	
BUY	Stock expected to provide positive returns of > 15% over a 1-year horizon
ADD	Stock expected to provide positive returns of <=15% over a 1-year horizon
REDUCE	Stock expected to fall <=15% over a 1-year horizon
SELL	Stock expected to fall >15% over a 1-year horizon
Relative Rating Interpretation	
OUTPERFORM	Stock expected to outperform sector index /sector peers in our coverage
UNDERPERFORM	Stock expected to underperform sector index/ sector peers in our coverage

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