



“Wonderla Holidays Limited
Q1 FY2020 Earnings Conference Call”

August 09, 2019



ANALYST: MR. RAHIL JASANI - ICICI SECURITIES LIMITED

MANAGEMENT: MR. GEORGE JOSEPH – JOINT MANAGING DIRECTOR –
WONDERLA HOLIDAYS LIMITED
MR. JACOB KURUVILLA – INTERIM CHIEF FINANCIAL OFFICER
- WONDERLA HOLIDAYS LIMITED
MR. SATHEESH SESHADRI – NEW CHIEF FINANCIAL OFFICER -
WONDERLA HOLIDAYS LIMITED



*Wonderla Holidays Limited
August 09, 2019*

Moderator: Ladies and gentlemen, good day and welcome to the Wonderla Holidays Limited Q1 FY2020 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahil Jasani from ICICI Securities Limited. Thank you and over to you Sir!

Rahil Jasani: Good afternoon everyone. We would like to thank the management of Wonderla Holidays for giving us this opportunity to host this call. The management is represented by Mr. George Joseph, the Joint Managing Director, Mr. Jacob Kuruvilla, the erstwhile interim CFO and Mr. Satheesh Seshadri, the new CFO. Without further ado, I would like to hand over the floor to the management for their opening comments and then we can start the Q&A session. Thank you and over to you Sir!

George Joseph: Thank you very much and good afternoon to you all. We extend a warm welcome to all to discuss the earnings of Wonderla Holidays Limited for the first quarter for FY2019-2020. Wonderla Park is the destination where wonders never cease. Our visitors come to our park to escape the monotony of their regular life, to get an immersive experience and to make memories to cherish forever. We strive to make the visit a safe and pleasant affair and offer a venue for all round joy. To extend the experience, the visitors have an option to stay in our resort at Bangalore Park, which now comes with the WonderClub membership benefits. Typically, during the first quarter as the exam season ends, families make it a priority to visit our park and take advantage of the interactive all day action filled activities. The highlight of the first quarter was a significant growth achieved under all revenue segments such as ticket revenue, food and beverages and merchandise contributed by about 9 lakh guest who visited our park. This is a testimony of our initiatives and increased efforts taken to drive footfall growth.



*Wonderla Holidays Limited
August 09, 2019*

Coming to the financial performance during the quarter, Q1 of FY2020 revenues increased by 13.2% Y-o-Y from Rs.103.8 Crores to Rs.117.6 Crores driven by 8.2% Y-o-Y growth in footfalls across all three parks. Ticket revenue grew by 14% and non-ticket revenue grew by 11% during Q1 of FY2020. Footfalls in Kochi, Bengaluru and Hyderabad Park grew by 12%, 9% and 4% respectively. Q1 FY2020 EBITDA increased by 19% Y-o-Y from Rs. 57.5 crore to Rs.68.6 Crores and EBITDA margin increased by 300 basis points from 55.3% to 58.3% on account of the revenue increase and cost efficiency initiatives on a continuous basis.

Q1 FY2020 PBT increased by 25% from Rs.49.5 Crores to Rs.61.6 Crores. PBT margin increased from 47.6% in Q1 FY2019 to 52.4% in Q1 FY2020. The PAT increased by 27.5% Y-o-Y from Rs.32.9 Crores to Rs.42 Crores, PAT margin increased from Rs.31.7% to 35.7%. Cash PAT, that is PAT plus depreciation increased by 22% from Rs.42.9 Crores in FY2019 Q1 to Rs.52.5 Crores in Q1 FY2020 indicating continued generation of healthy cash flows. We have done extremely well in the Wonderla resort, its room occupancy has gone up from 45% in Q1FY19 to 62% this quarter. Revenue from resort increased by 32% from Rs.2.86 Crores during the previous year to Rs.3.78 Crores during the current year. With that I would now like to open the call for question and answer session. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohith Potthi from Marshmallow Capital. Please go ahead.

Rohith Potthi: Thank you for the opportunity and congratulations on an exceptional performance by the entire team. My first question is on the Hyderabad park, it has been three years since the park has been launched. Can you share your comments if the park has progressed as expected?

George Joseph: In Hyderabad, the footfall was not on expected lines, the footfall growth is only about 4% and revenue growth is about 7%. I have mentioned in the last concall Hyderabad witnessed unbearable temperature in summer, Q1 temperatures went up to 48 degree Celsius. There were public advisory in media to not come



*Wonderla Holidays Limited
August 09, 2019*

out, there will be sun stroke etc. Thereafter during the rainy season it is windy and cold, hence people are refusing to come out. This year in Hyderabad during the peak season we experimented with uniform pricing instead of having a weekend pricing, which has probably affected the footfall. It was an experimentation. However we found that our Hyderabad customers have not accepted this pricing strategy. These are the reasons why Hyderabad had muted growth, but we are increasing market activation via ad campaign, the BDP setup and other initiatives are in place. We are sure Hyderabad will catch up.

Rohith Potthi: Got it. Thank you. The next question is if you could give us if any update on the Chennai Park?

George Joseph: We have no new updates on Chennai park. The file is with the authorities and we expect clearance at any time. But we are still hopeful of a resolution soon as the Vellore by-election is now over and the ministers will be back. But we have taken some strategic decisions. We might go ahead and start work on plan approvals instead of waiting for the LBT exemption notification. Because in short term it has no impact on us. It will impact us only when we have the park operational. We are sure that much before that a favourable decision will be forthcoming from the Government Authorities. Right now we are in the process of uploading the documents for relevant approvals.

Rohith Potthi: If I remember correctly, the reason you were not beginning work on the Chennai park was that you did not want a case where one state levies an extra tax over GST like LBT in Chennai that would encourage other states to follow suit and you wanted to avoid that because that would make some of your parks unviable. Why has there been a change in that particular thought process?

George Joseph: There are certain things, which are beyond our control. Since last year we have been hopping that Tamil Nadu will withdraw the LBT and we are still hoping for the same. The project is already delayed and we have already invested Rs.105 Crores. Considering the opportunity cost on the investment already made, we thought it is not prudent to wait further. We will go ahead with the construction, subject to the approval of our plans.



*Wonderla Holidays Limited
August 09, 2019*

Rohith Potthi: One more question on Chennai, over the last four, five years Tamil Nadu has been seen an acute water shortage. Do you see this impacting your park in any way? Especially when people don't have water for the necessity Sir?

George Joseph: This year water shortage is very acute in Chennai, however we have good ground water potential in Chennai land. We have dug a rainwater harvesting tank in about 2.75 acres which has water levels of about six to eight feet during summer. However, we have to be very frugal as far as water consumption is concerned. Our water park in Chennai will be designed in such a way to reduce water consumption. We are also looking at some international models, where water parks consume lesser water. Our Executive Director, Ms. Priya has already visited a few parks abroad and she has brought certain models whereby the water consumption in Water Park will be the least.

Rohith Potthi: Understood Sir that was very helpful and one last question. Around a year back Mr. Arun Chittilappilly took break from the business, so I was wondering if there is any development on that front.

George Joseph: We understand that Arun's Son who is attending a special School in Canada has to continue his Program in the same School for some more time. Mr. Arun is in active discussions with us on a regular basis and he is actively involved in all the technical issues relating to the existing parks and the forthcoming park. We hope his handholding will continue.

Rohith Potthi: Understood. As always you have been very detailed and transparent with your answers. Thank you.

Moderator: Thank you. The next question is from the line of Prateek Barsagade from Edelweiss. Please go ahead.

Prateek Barsagade: Thanks for the opportunity. My first question is for the non-ticket revenue part. While we have seen the ticketing revenue grow well this quarter, we have seen the non-ticket revenue across parks languishing. Do you have any kind of strategy to increase that?



*Wonderla Holidays Limited
August 09, 2019*

George Joseph: As I mentioned in the last call, we are looking at various options like encouraging the breakfast, dinner, introducing buffet across all parks. One reason for muted growth in non-ticket revenue is the sale of products like mineral water, chocolates etc at the normal MRP unlike multiplexes which sell the same at a premium. There is a growth of 11% in F&B and 9% retail and the same growth would continue. We are also looking at other income streams which can increase the non-ticket revenue. We are exploring the possibility of managing third party parks as an operator, especially parks which are not running well due to various reasons.

Prateek Barsagade: How has your strategy of wonder pass worked so far in terms of repeat footfalls, in terms of the people who have subscribed to that kind of service?

George Joseph: Wonder pass has been doing very well. All the parks are issuing about 3000 cards wonder pass per month. The redemption rate is around 10%. The scheme has started only a year back and the redemption will catch up in the days to come.

Prateek Barsagade: Post the small accident which happened in June, is everything back to normalcy? Did it have any impact on the footfall?

George Joseph: The Bengaluru incident was a small accident wherein only one guest had a hairline fracture on the toe. Somehow the social media has blown it out of proportion. There was a media propaganda that 26 guests had suffered multiple fractures in the Bangalore park accident, which is not at all true. There is no significant impact on footfalls on account of the accident. We have reported the incident to the police. We are revamping our safety aspects even though we have one of the best security protocol in the Indian amusement park industry. We are revamping it, doing extra mock drill, ERT etc. We have a detailed manual containing all information about the operations of a particular ride, which is scrupulously followed. Every morning we have a preopening check wherein the operator checks the ride in detail before opening the ride to the public. There is a random check by the supervisor in addition to the preopening check by the operator. In addition to the daily check there is a monthly check where all these safety aspects are taken care of. In addition we have yearly



*Wonderla Holidays Limited
August 09, 2019*

shutdown maintenance and an NDT which means Non Destructive Tests, wherein the integral parts of the rides are subjected to a sort of scanning. If any untoward results are seen, immediately we undertake shutdown maintenance. A reputed international agency, TUV Germany, comes to our parks every year and in rotation they check all high thrill rides. They have till date checked 28 rides across all three parks. We also have the ISO 14001 and OHSAS certification & Veritas, also an international agency who certified our integrated management system and their certification is valid upto 2020. Then we have our own internal checks, our own internal auditor, a technical guy going and checking the rides and reporting any issues to the top management and actions are initiated immediately. We have paramedics managed first aid, we also have an AED machine, which will take care of any possibility of a heart attack before the victim is rushed to the hospital. We have a doctor in Bangalore, we are going to have a doctor in Hyderabad as well. We always have two well-equipped ambulance vans in each park ready to rush to the hospital in the case of an emergency. Recently a major accident occurred in a park in Ahmedabad (not related to Wonderla). Such accidents taking place in any park in any part of the Country will have an impact on all amusement parks. Therefore we are taking a lead along with the Industry Association to highlight the need for having adequate safety protocol in all Amusement parks, so as to eliminate the chances of such accidents.

Prateek Barsagade: You have covered everything very comprehensively. When do you expect Chennai park to be operational?

George Joseph: In about 18 to 20 months from the date of commencement of construction, so hopefully FY2021.

Prateek Barsagade: Okay Sir. That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: My question pertains to what is the capex that we are looking for Chennai Park?



*Wonderla Holidays Limited
August 09, 2019*

Jacob Kuruvilla: Rs.365 Crores is the total capex we plan, out of which we have already spent Rs.105 Crores, so the balance to be spent would be around Rs.260 Crores. We already have around Rs.150 Crores in short-term investments and the balance will be taken care by internal accruals during construction period.

Pankaj Kumar: So balance Rs.250 Crores capex is already there in the books and another Rs.100 Crores will be funded through the internal generation next year?

Jacob Kuruvilla: As already mentioned Rs. 150 Crores is already in our books and the balance Rs. 100 Crores will be funded through internal accruals.

Pankaj Kumar: And Sir regarding Kochi, so do you see any impact of the rainfall in Kerala, in this quarter?

George Joseph: The severity of the rain and the flood, which we are experiencing in the last two days is not as much we have witnessed last year. I do not think it will be impacting the footfall like last year. It was the combination of many things last year, Nipah virus scare which was totally ruled out as far as this state is concerned, the Sabarimala issue, it is a chaotic situation last year as we lost almost about 90 days in Kerala on account of the issue and consequent hartal. This year, there is a control on the call of hartal, so I do not think that the situation we had in Kochi last year will be repeated in the current year.

Pankaj Kumar: Footfall guidance for FY2020?

George Joseph: I think we expect footfall growth be around 8% to 10%, Kochi footfall should come back, last year we lost about Rs.1.6 lakhs, which come back in the current year and in upcoming quarters we have festival season including Onam, Dussehra, Diwali.

Pankaj Kumar: And how about Hyderabad park, it is in low single digit 4%?

George Joseph: 4% in Hyderabad also should increase, since the group footfalls will start now. The first quarter was basically for the families and we have seen good walk in, On account of various activities we have done like revamping the BDP setup, now BDPs are all in place across Telangana and Andhra Pradesh and we are



*Wonderla Holidays Limited
August 09, 2019*

confident that they will be able to do well. Dussehra season will be a good crowd pull in season. Hyderabad should see a growth of around 8% to 10%.

Pankaj Kumar: And any take on the price increase?

George Joseph: We have taken 5% increase in the ticket price and F&B in the current year. Going forward, to commensurate the inflation there will be minimum increase of 5%. We will review the cost of raw material as far as F&B is concerned and wherever midterm correction is required we are doing that. In fact we have already started that midterm correction in the resort as well as in Hyderabad park by increasing the F&B prices.

Pankaj Kumar: Okay and regarding this Bengaluru resort, we have seen good growth in the number on Y-o-Y basis and the occupancy has improved. What is the outlook for the year?

George Joseph: Outlook is also bright because long stays, which we had almost dried up last year, from 117 in the first quarter, have gone up to 719 in the first quarter of the current year. We could bring back long stays on account of certain initiatives we are looking at an occupancy of 48% to 50% in the current full year. Even though in the first quarter we had a wonderful occupancy of 62%, for the full year we are expecting around 48% to 50%. We have initiated WonderClub to increase the occupancy. In addition to the resort in Bengaluru, we have entered into a tie up with five star property, Four Points by Sheraton in Kochi. So our WonderClub cardholders can now enjoy the stay at Sheraton along with the Kochi park to stay & play as currently being done in Bengaluru.

Pankaj Kumar: So is this on a revenue sharing basis?

George Joseph: It is not on a revenue sharing basis, we have taken a number of rooms for the entire year at a predetermined price. In addition to the WonderClub, certain promotional offers are live in Bengaluru. One day stay & play offer for Rs 5999 where the guest gets one room night stay and park entry, Rs 9999 offer in which guests get two room nights stay and two day park entry. These will be replicated in Kochi and we are going for a similar tie up in Hyderabad with a



*Wonderla Holidays Limited
August 09, 2019*

property closer to our park. We have plans to construct our own resort in Hyderabad.

Pankaj Kumar: Okay, so what will be the size of this investment?

George Joseph: It will be like Bengaluru resort which has 84 rooms. Hyderabad resort will also have 84 rooms, but we may not make the entire 84 rooms operational at the beginning. Depending upon the occupancy the superstructure will be constructed, but we will not be furnishing all the rooms. The architectural plans are in process and upon finalisation, we will immediately take up construction of the Hyderabad resort.

Pankaj Kumar: What investment it would require?

George Joseph: It will be around Rs.30 - Rs.32 Crores.

Pankaj Kumar: Cumulatively, how much investment we have done in Hyderabad park?

George Joseph: Rs.275 Crores in Hyderabad at the beginning, so this add about Rs.30 - Rs.32 Crores and total will be above Rs 300 crore. As per our study, Hyderabad will have a better occupancy because the location is very close to the airport, we are within about 15 minutes from the airport. Whereas it takes about two hours from the airport to reach our Bangalore Park. We are located on the outer ring road whereas in Bengaluru we are 1.5 kilometers away from main road. Hyderabad park has a lot of tech companies around it and also lot of land deals are going on wherein new construction is coming, so it will have a better potential than Bengaluru.

Pankaj Kumar: There has been overall slowdown in consumption in lot of other sectors, so how do you see the impact on theme parks?

George Joseph: Overall if you look at the industry there is a slowdown in the country, the impact is also seen in theme parks, in the amusement park industry. We only have the listed company's numbers available and those numbers reveal that the footfall is coming down slightly.



*Wonderla Holidays Limited
August 09, 2019*

Pankaj Kumar: Okay, you are saying that in theme park we have not seen that kind of impact as of now?

George Joseph: Yes.

Pankaj Kumar: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Nitin Awasthi from ITI Securities. Please go ahead.

Nitin Awasthi: Just two quick questions, one was regarding the Chennai park once you start the construction of the Chennai park would you also be constructing a resort in Chennai?

George Joseph: Not immediately, as I mentioned we will have a resort in Hyderabad now, after completing 3 years of operations. Only after we start the park in the Chennai and after seeing a couple of years performance we will take a decision on whether to have a resort in Chennai. As of now we have no plans for resort in Chennai.

Nitin Awasthi: Okay Sir, the second part was regarding the restaurant revenue, could we have a figure of what was the revenue from the restaurants this quarter and correspondingly the previous quarter previous year?

Jacob Kuruvilla: Last year it was Rs 11.28 million and this year it was Rs 12.39 million.

Nitin Awasthi: There was a strategy put in place and the restaurants were taken over by the company and a lot of revamping of operations was done on that front. Are we already seeing results of that? What will be the results of the initiatives that the company is taking, will the margins expand or will the absolute number of revenue earned from the restaurant business increase?

George Joseph: Now almost all restaurants are run by us except a few like the pizza and fried chicken. Definitely the margin should be higher and we are able to take care of the quality and margins are 8% to 10% higher than what it was before.

Nitin Awasthi: Thank you Sir.



*Wonderla Holidays Limited
August 09, 2019*

Moderator: Thank you. The next question is from the line of Nemish Shah from Emkay Investment Managers. Please go ahead.

Nemish Shah: Thanks for the opportunity and congratulations on a great set of numbers. Can you explain again what was this experimental rate pricing that was taken in Hyderabad?

George Joseph: Normally in the first quarter peak season we have a differential pricing for the weekend and the week day. Week day price is slightly lesser and weekend price is higher. Peak season weekend price is the highest. In Hyderabad we experimented with the Peak weekend rate for the entire peak period including week days. That means we have no differential pricing during first quarter peak season. This resulted in reduction in footfalls during week days.

Nemish Shah: So what was the rationale behind us?

George Joseph: We thought that Hyderabad is not very price sensitive. But in reality it is found otherwise and we have taken corrective measures.

Nemish Shah: What will be the total capex for this financial year?

George Joseph: Excluding Chennai, capex will be around Rs.22 Crores. We already spent about Rs 5 Crores in the first quarter across all parks for new rides.

Nemish Shah: When will you incur the capex for the resort in Hyderabad?

George Joseph: We are going to start it immediately once drawings & architectural plans are approved by the authorities. We will start immediately and we will incur that capex in about 18 to 20 months.

Nemish Shah: So that is not included in this Rs.22 Crores?

George Joseph: That is not budgeted, that is not included, and it is a decision which was taken recently.

Nemish Shah: Okay and one more thing what will be the tax rate for the year?



*Wonderla Holidays Limited
August 09, 2019*

Jacob Kuruvilla: For companies with turnover between Rs.250 to Rs.400 Crores; the rate has been reduced to 25%, so we will be getting that benefit.

George Joseph: The total tax will be around 29.12% compared to 34.94% last year.

Nemish Shah: So going forward you will take a lesser tax provision?

George Joseph: Yes.

Moderator: Thank you. The next question is from the line of Rohith Potthi from Marshmallow Capital. Please go ahead.

Rohith Potthi: Thanks once again for the opportunity. This is a follow-up to what you mentioned about probably taking over the operations of a park for a fee. Wonderla is the most profitable operator in India by far, so if there is a scenario where you would be open to acquisition of a park?

George Joseph: There are no plans for an outright acquisition. We want to develop our own model and we are not keen to acquire Company and turn it around. However as already mentioned we have plans to take up management of third party parks which are found to be a proper fit for us. We have a big talent pool with us and we want to leverage the talent pool to manage the third party parks which are not running on profitable lines due to various reasons. We will negotiate for appropriate fee based income as a percentage of the total revenue or EBITDA or a combination of both as mutually agreed upon.

Jacob Kuruvilla: No decision has been taken, just discussing as an option, and we are looking if there is an opportunity in that field.

Moderator: The next question is from the line of Rahil Jasani from ICICI Securities. Please go ahead.

Rahil Jasani: Just a couple of questions. What is the expected approval time for Chennai park plans once we submit the papers?

Jacob Kuruvilla: Let us say in six months time if we take a decision and move ahead we will be starting by at least by January 2020 the then it may extend to FY2022.



*Wonderla Holidays Limited
August 09, 2019*

- George Joseph:** The Hyderabad Park was completed in 15 months.
- George Joseph:** Compaction, the land leveling, the compound wall, the road, etc., are ready. We have some rides ready for installation and we are parallely appointing three to four contractors who will simultaneously start the civil construction. So it will be like Hyderabad park which we were able to complete in a record time.
- Rahil Jasani:** That is right Sir and secondly on the Hyderabad park, can I know what were the margins last year and how do you expect the margins going forward in the next one or two years if the footfall growth steps up?
- Jacob Kuruvilla:** For the last year 2018-2019, EBITDA margin was 46% and we expect it to go in the similar trend.
- George Joseph:** And for the first quarter we had a footfall growth of 4% and the revenue growth of 7%, EBITDA margin increased to 65%, and the PBT increased 12% in Hyderabad.
- Rahil Jasani:** That is it from my side. Thank you so much.
- Moderator:** Thank you. As there are no further questions, I will now hand over the conference to Mr. Rahil Jasani for closing comments.
- Rahil Jasani:** Thank you so much for the concall. I would like to thank again for your valuable time.
- George Joseph:** The first quarter has been great experience to us by way of the revenue growth and the profit growth and going forward we would like to continue the same trend. But there are lot of challenges. We are all aware of the slowdown of the economy and this might affect the footfall and the revenue of the amusement parks. The re-engineering, which we are doing in our organization will definitely help us to be ahead of other parks as exhibited in Q1. We hope the year will end in a similar trend of Q1. About 36% to 38% of the full year's revenue comes in the first quarter, second quarter and fourth quarters are relatively lean and contribute 18% and 23% respectively. The third quarter is the second best quarter. We hope that we will be able to maintain the growth



*Wonderla Holidays Limited
August 09, 2019*

momentum achieved in the first quarter. Thank you very much for your time and the insightful questions.

Jacob Kuruvilla: Thank you.

Moderator: Thank you very much. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.