



"Wonderla Holidays Limited
Q3 FY2019 Earnings Conference Call"

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ANALYST: **MR. RAHIL JASANI – ICICI SECURITIES**

MANAGEMENT: **MR. GEORGE JOSEPH - JOINT MANAGING DIRECTOR - WONDERLA
HOLIDAYS LIMITED**
**MR. JACOB KURUVILA - CHIEF FINANCIAL OFFICER - WONDERLA
HOLIDAYS LIMITED**
MR. RAJAGOPAL – ADVISOR - WONDERLA HOLIDAYS LIMITED



Moderator: Good day, ladies and gentlemen, welcome to the Wonderla Holidays Limited Q3 FY2019 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 evening 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, Joint Managing Director and Mr. Jacob Kuruvila, Chief Financial Officer. Without further ado I would like to handover 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 Rahul. Good afternoon everyone. On behalf of the Board of Directors and management of the Company, we extend a warm welcome to all of you to discuss the Q3 earnings of Wonderla Holidays Limited. In addition to Mr. Jacob Kuruvila, I also have Mr. Rajagopal with me, who has been appointed as the Advisor of the Company. We are happy to present the snapshot of the stellar performance achieved during the Q3 of the current year.

In our last call, we listed out the initiatives which we have undertaken to achieve an accelerated growth. We are happy to inform you that these initiatives have started showing positive results. The initiatives taken to improve our market penetration, change of media mix, focus on digital marketing, tie-up with online portals and enhancing the customer experience etc., have paid off in the form of increase footfalls seen in Bengaluru and Hyderabad at 22.5% and 11.7% on a year on year basis respectively.

In the previous quarter we dealt with the calamity of floods in Kerala, which affected the footfall at our Kochi Park adversely. We are happy to report

that we have since then recovered well over the course of Q3 and clocked 20% year-on-year growth in terms of footfalls at Kochi during the month of November and December. We continued to witness growth in our in-park spends, which led to further expansion in our non-ticket revenues, which have grown by 10% on a year-on-year basis.

Coming to our financial performance during Q3, the revenues increased 19.1% year-on-year from 63.8 Crores to 76 Crores on the back of healthy footfall growth. While the average ticket revenue per visitors increased by 8.7% year-on-year, we saw gross growth of 8.2% year-on-year in average non-ticket spends per visitor in Q3 FY2019. EBITDA improved substantially by 56.3% year-on-year, from 19 Crores to 29.7 Crores. Consequently, the EBITDA margin expanded by 930 basis points to 39.1%.

PBT has more than doubled from 10.5 Crores to 22.4 Crores. In this quarter, we produced a PAT of 14.5 Crores, up from 6.5 Crores, up by 122% year on year. Most significantly, our PAT margin improved significantly by 884 basis points, from 10.2% to 19.1%. Our Cash PAT, that is cash plus depreciation, increased by 49.4% year-on-year from 16.31 Crores to 24.37 Crores indicating continued generation to healthy operational cash flow. As some of our initiatives have succeeded in increasing footfalls, we continue to explore further avenues to keep building traffic to our parks, while also delivering a joyful experience to our visitors. With this, I now like to open the call for question and answer session. Thank you very much.

Moderator: Thank you. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir congrats on very good recovery after many quarters. My first question is the APRU growth was 6% to 9% in the three parks. What has worked here essentially the ticket rack rate increased or it is just that because footfalls are high you have managed some value additions also, could you explain that?

- George Joseph:** In fact, the rack rates have not been increased. We mentioned during the previous call that we have rationalised the rates, thereby bringing some reduction in the rates. Increased market penetration helped us in getting the higher footfalls. Last year, Dussehra season was in Q2, while in the current year it came in Q3. We have higher rate in peak season, which has helped us to improve our ARPU. in the current quarter.
- Abneesh Roy:** Any more impact of the Sabarimala issues in Kochi, or the worst is the behind us?
- George Joseph:** I think the worst is over, but we cannot predict. As you may be aware, Kerala is a very hartal sensitive state where every year we lose about 70 to 90 days in hartals of different type-. the state wide hartal, district wide hartal, etc. It is a very sensitive state, but I think for the time being we will see a normalcy over the Sabarimala issue.
- Abneesh Roy:** I see that the ARPU in Hyderabad park is still almost 15% below that of Bengaluru Park. I understand the lifecycle of the two parks are different, but I do remember that the earlier comments from management were that eventually Hyderabad ARPU will converge with Bengaluru?
- George Joseph:** Yes, it will take some more time. In fact, we had some setbacks in the Hyderabad due to unseasonal winter rains. Hyderabad being a hot/humid place, when it rains people do not step out of the house so that has affected the footfall during Q3. In addition, there was an election in Hyderabad(Telangana) during the peak season which has also affected the footfalls vis-a-vis revenue.
- Abneesh Roy:** Sir but Hyderabad footfall growth is 11%, are you saying it is much lower than what was seen in Bengaluru?
- George Joseph:** Yes, the initial expectation was that we will have an equal number of footfalls in Hyderabad & Bengaluru, which did not happen.
- Abneesh Roy:** Sir my question was not on footfall at all. My question was on the ARPU. Do you see Hyderabad's 15% difference converging with Bengaluru ARPU?
- George Joseph:** It will definitely take some time.

Jacob Kuruvila: As you may know Bengaluru park was opened in 2005 whereas Hyderabad park in 2016, so it will take some time to mature. Bengaluru is already a matured market and growth in the city has also been very high. So, it may take some time for Hyderabad to reach the levels of Bengaluru.

Abneesh Roy: How has the emphasis on digital marketing & online portal helped more this time, compared to our previous approach?

Jacob Kuruvila: Yes, you know the digital drive of the government is also helping our overall industry to have better digital revenues coming in. Yes, it will improve going forward.

Abneesh Roy: That is all from my side.

Moderator: Thank you. The next question is from the line of Kaustav Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Good afternoon Sir. Thanks for giving me the opportunity and congrats for good set of numbers. Sir my question is again on the digital platform, you said that online helped you to clock good footfalls for both Bengaluru and Hyderabad. Now how much is online contributing to your overall footfall?

George Joseph: Online portal partners like Paytm, Cleartrip etc have helped us generate footfalls of 98,000 at Bengaluru Park, 50,000 at Hyderabad and 18,000 in Kochi. Our direct online booking has gone up by 134% in the current year

Kaustubh Pawaskar: Okay so that is really a strong number so do you expect it to continue?

George Joseph: Yes, it is strong and it is growing very fast. We are very extremely happy about it.

Kaustubh Pawaskar: Right Sir. My second question is on the Hyderabad park. We have seen only 11% growth in the footfall, despite it being a newer park. Do you expect the growth rate in footfalls in Hyderabad to improve further?

George Joseph: The elections in Telangana has affected the footfall because all the transport operators have diverted the buses for election purposes. As a result, groups of people were not able to get proper travel and accommodation facilities. Secondly, when it rains in winter, people tend not step out of their house. We had number of days where rain affected the

footfall in Q3, especially in December. But, going forward, we definitely see good growth prospects in Telangana and Andhra Pradesh, because these are unexploited markets. We have carried out market penetration in the form of appointing new business development executives, and business development partners, who are going to the villages, towns, holding awareness meets for informing them about Wonderla. Earlier we had a multi-tasking in the marketing. Like Mr. Rudresh, in addition to his responsibility as the Head of the Bengaluru Park, he was also looking after the market expansion. Now we have made him exclusively responsible for marketing. We have put Mr. Mahesh as the Head of Bengaluru Park, so there is an exclusive marketing head and, as a result, the marketing function is therefore getting a very big thrust. We are hopeful of now scaling up Hyderabad.

Kaustubh Pawaskar: So that is good about marketing initiatives and promotional activities. But Sir, as you said, the election has had an impact. So should we expect that national election in May will also have an impact?

George Joseph: That is how going to be tough for all, because Q1 being an important and a very big quarter for us. The national election might upset the activities a little bit.

Kaustubh Pawaskar: Right, but while there would not be any decline, would the growth still be lower compared to what it was in the earlier Q1?

George Joseph: Yes. In the current year's Q1, in April and May we did not get expected footfalls. We only spent about 88 lakhs for media penetration in Q4 last year. But, in the current year, we have a big budget for media. So after the media spend in the upcoming quarter, we may get a higher footfall in April and May.

Kaustubh Pawaskar: Thank you. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Thanks for the opportunity and congrats on a very good set of numbers. Sir just couple of questions, so though the numbers have been very good but there is also base effect which helped us because of shift in Diwali and also

the base had lot of one-off items. So just wanted to know are you seeing any structural change in the growth drivers or you will still not call it out as momentum in sales is in our favour for good now?

George Joseph: If you look at the Bengaluru Park the proportion of the group footfalls was relatively low. It was only around 45% against 60-70% in other two parks like Kochi and Hyderabad. This was on account of the fact that earlier we did not have a full-fledged marketing set up in the form of our own dedicated partners. Instead we were only working with the tour operators and travel agents. That did not work well and they were not loyal to us, they were not exclusively dealing for Wonderla. So we have removed that setup, now we have appointed strong BD partners in Bengaluru In the current quarter there has been a turnaround, the groups are coming in large number at the simultaneously with the walk-ins which were strong in Bengaluru. The structural change has happened this way. Also, because of the digital penetration & boost provided by our online partners, footfalls will go up.

Tejas Shah: Sir when you say digital penetration what exactly it means you have now partnered with portals like Bookmyshow?

George Joseph: Yes, we have PayTM, Bookmyshow, Nearbuy then Cleartrip and all of them and as I mentioned earlier, in the current year we had 98,000 in Bengaluru 50,000 in Hyderabad and Kochi 18,000 footfall on account of the portals.

Tejas Shah: Sir, a lot of these portals have a business acquisition cost, where they must be offering your tickets at a discount, which obviously would not be showing up in your P&L. So would you say that that is also contributing to revival? Are you witnessing that - or is that not the case?

George Joseph: Yes, that is a factor because the ticket prices at lesser than what we can offer. It is a general phenomenon over which we have no control. But then 40% of the entry are by repeat visitors. Once the customer is acquired, then we are confident that these customers will continue to come again. We have also developed a product by name "Wonder Pass" which was mentioned in the last conference call. It is a loyalty program wherein the customer will be given a card, and on next visit they get a 20% discount on entry fee, additional discount on F&B, discount on locker rate etc. So even

though the online portals are giving at a discount, I think the repeat crowd will happen even without the discount as the days go by.

Tejas Shah: Sir, do online portals book minimum slot or minimum capacity in advance or is it on real time basis?

George Joseph: It is more or less on real time basis.

Tejas Shah: You do not have any say in how they price as long as your realisation is intact?

George Joseph: Yes, exactly. Also, on our website we give discount of 5% if they book one day in advance, and 10% if they book one week in advance.

Tejas Shah: Sir, after many quarters, the margins were actually very healthy this quarter. Obviously there was an operating leverage that also which came into play, but where would you like the business to operate at? Assuming that Chennai Park does not come up, and its related costs do not hit the P&L for next four quarters, at what level of margins would the business operate?

Jacob Kuruvilla: We are expecting the EBITDA margin will be at least at 40% level, which we have been able to achieve recently. In current year and in the coming years, without the Chennai Park, will we be able to operate at 40% EBITDA margins.

Tejas Shah: And Sir, lastly, any update on Chennai Park?

George Joseph: For Chennai, we are yet to get the notification exempting the amusement park from the LBT. We are pursuing the matter. We thought it will be announced in GIM. GIM was over on 23rd and 24th of this month. Nothing has happened yet. We are in touch and we hope it will come soon. But the land levelling has been done. We spent about 100 Crore in Chennai in land acquisition, land levelling and building the compound wall. So everything is ready.

Tejas Shah: Sure, great and all the best Sir.

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

Sidharth Shah: Thank you for taking my question. Sir I had question on the long-term footfalls in Kochi and Bengaluru. Now I understand that Kochi being a very mature market, the footfalls might be declining but what would be the steady state footfall in Kochi, Bengaluru and with now Hyderabad coming up?

George Joseph: As for Kochi, as I mentioned, the footfall has revived in November and December. In fact, against our own internal budget of 1,23,000, they have done 1,24,000 in November and in December. Against our budget of 85,000, they have done 91,000. But then January was not that great. We had done some very innovative media exercises in Kochi like the Onam. Then we did the Christmas carnival, where our own staff members go in our decorated bus to all parts of the state and every district. They spend about two-three days travelling and speak about Wonderla, play games and then distribute prizes, creating awareness. The media exercise we have done in Kochi will help scale up footfalls over a period of time. We have removed the BDs Calicut and Kannur because they were underperforming. We have appointed new people, then we are tracking the activities of business executives on a daily basis. Through the CRM, we are not only tracking our BD executives, but also our business development partners and their executives. We insist that everyone should visit at least eight to ten corporates or individuals in a day, and that they should record the name of the people whom they have visited, their telephone number, email ID, what is the follow up call date. The system automatically will pop up tasks on the follow up days, and this is doing very well. Coming to the Hyderabad park, in addition to Telangana, we are now concentrating on Andhra Pradesh. Andhra Pradesh also has a big market, but the distance between locations such as Guntur, Vijayawada and our park, is about 600 to 500 kilometres. We have one shortcoming in Hyderabad in the sense that we do not have a dormitory. So, right now, visitors come and freshen up in the dormitory of the Ramoji Film City or some other location. In the current year we have budgeted for making a dormitory at Hyderabad, so we hope to get in groups from far off places like Guntur, Vijayawada, Vizag etc. So what I mean to say is that in every corner of the location, we are doing direct marketing in addition to the indirect marketing by way of media blast. We

are confident that the current development will be continued, and things will be better in coming quarters. But I should also warn you that the Q4 is not a very robust quarter as far as we are concerned. It is a lean quarter.

Sidharth Shah: Sir, with respect to advertising and sales promotion, at what times do we run the promotion schemes? Do we primarily run discounts? What kind of promotions do we run?

George Joseph: Discounts, which we have been giving to schools, colleges and corporates will continue. We have brought down the highest discount from 30% to 25% which would be effective from April 1st. As I mentioned earlier, in addition, we are giving Wonder Pass, which offers a discount of up to 20% on a repeat visit.

Sidharth Shah: So within the advertising and sales promotion expenditure heads, is it basically just discounts or do you have anything else also?

Jacob Kuruvilla: Yes, we have the advertisement budgeting also.

Sidharth Shah: Could you have the split between the two advertising and sales promotion?

George Joseph: Yes. On the advertisement front, we have budgeted about 22 Crores in the current year, and so the next year it will also be around 22 Crores. The sales promotion depends upon the BDP performance, that is the commission linked to their numbers, which is around 7% to 10% of the revenue generation. This year we have made a small shift in the basis of commission, earlier we were giving them commission on the basis of footfalls. Now they will get the commission on the basis of the revenue targets, and not the footfall targets.

Sidharth Shah: Okay. Sir one last question if I can squeeze in I wanted to ask so the number of employees that we have, do they stay the same across the year, or do they change on a quarterly basis?

George Joseph: Now we have two set of employees; one is our on-roll employees - they are the permanent employees of the company. The other set is our off-roll employees. Off-roll head-count changes as per our requirements. During the lean season, we scale down the employee head count. Or, in the peak season, if we have more requirements, we recruit more. We have

contractors who supply as per our requirement, so we have the flexibility of shedding them or taking them on as and when we need.

Sidharth Shah: Thank you very much. I will get back to the queue.

Moderator: Thank you. The next question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar: Sir what would be the difference in realisation between your own portal versus online partners?

Jacob Kuruvilla: On our website, as we said earlier, it is only 5% or 10% depending upon when they book it. In the case of portals, from our side we offer some 7.5% to 9%, upon which they may offer additional discounts.

Nitin Gosar: Got it. So when we talk about market penetration, are we talking about online partners recruitment? Or are we talking about new areas where we were in approaching the customer base?

George Joseph: It is both. Basically, I mentioned about the market penetration - I mean more districts are covered by our own business development executives, who are on-roll employees. Plus the business development partner that are employed. We insist that the partners employ a minimum of two executives .Earlier they were concentrating on schools and colleges, now we have told them that in addition to the schools and colleges, also go to the corporates working in that area, or small establishments like petrol pumps, hotels etc.

Jacob Kuruvilla: We have a robust CRM package, which we have given to our BDP partners. Through the CRM system, we can find out where have they visited and what kind of response they have received from the corporates etc. We get an idea how active they are, and based on the activities and on the effort they are taking, we also tend to regulate them. If there are inefficient people, we will remove them. We will appoint the new partners, thereby we are aiming at penetration to the highest levels possible.

Nitin Gosar: How do we monitor the conversion, for example a business partner is approaching a set of SME?

George Joseph: Normally we tell them that they should visit about 8 to 10 per day. So we give them a monthly target of number of visits, and then track the number of visits and how many conversions have taken place. Usually the

conversions are less than 10%, and in some case it is less than 5%. So we tell them to go for repeat calls. When a new BDP is appointed, or new BDP executives are appointed, we bring them to our park and give them two day's training in the product as well as selling techniques. We also give them training on the CRM model, and we tell them about the adequacies of the products - not only the ticket entry, but also the breakfast and dinner packages. We are also considering whether we could give our costumes to the BDP so that they can sell it directly to the schools so that the children come prepared. Otherwise they take a long time in distribution of the costumes at the park.

Nitin Gosar: But giving those costumes at dealer level or BD level will only take up the inventory unnecessarily?

George Joseph: In fact, we are selling to them we are not giving. Depending upon their confidence level they will be buying from us and they will be stocking.

Nitin Gosar: Okay. Thank you Sir.

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

Rahil Jasani: Two three small questions, one is I wanted to ask is there any ex-provision in the base year Q3 FY2018 with respect to the tax refunds?

Jacob Kuruvilla: Yes, if you are talking about the service tax provision, we have already done it. In the case of income tax we have made advance tax provisions needed by the I.T. department up to December '18.

Rahil Jasani: Yes Sir. So with respect to the service tax provision, I just wanted to know the quantum of the provision?

Jacob Kuruvilla: It is about 45 Crores, which we have already provided during the previous year. Only the interest is being added every quarter.

Rahil Jasani: So in the base year there will be a provision of around 10 Crores or something?

Jacob Kuruvilla: No, not that much. It may be around Rs 1 Crore.

George Joseph: Every year we provide only interest additionally. That comes to about 40 to 42 lakhs in a quarter.

George Joseph:

Rahil Jasani: Right, got it Sir. Secondly, I wanted to ask about the progress on the Wonder pass program, which was started in September 2018. Can you attribute some part of the higher footfall growth in this quarter to the Wonder Pass program?

George Joseph: We had given a target of 5000 wonder passes to each per park to be completed by March but most of the parks have done almost 10,000 by now, so we are expecting increased repeat footfalls as an outcome.

Rahil Jasani: I understood Sir. Great to hear that, and Sir just one last question, GST was reduced in January last year. So is the realisation per visitor impacted by the change, or is it higher because of that?

Jacob Kuruvilla: When the GST was reduced to 28% to 18% rate, we have reduced the rates and passed on the benefit to the visitors.

Rahil Jasani: That is it from my side.

Moderator: Thank you. The next question is from the line of Hardik Bohra from Union Mutual Fund. Please go ahead.

Hardik Bohra: Thank you for the opportunity. Could you just tell me that what is the cash on books as on December end?

Jacob Kuruvilla: We have got around 98 Crores, which is kept in mutual funds and bank deposits, because as you may know, we are investing in our Chennai Park progressively. We have already invested about 100 Crores in the land and development and we have got around 98 to 100 Crores cash available with us.

George Joseph: It is a zero-debt company.

Hardik Bohra: Sure. Clarification on the 100 Crore spend for levelling of land in Chennai - that capex was in FY2018?

Jacob Kuruvilla: Yes, the land was purchased earlier, but this current year we have spent around another 10 Crores for the land levelling, fencing etc.

Jacob Kuruvilla: Once we are close to launching the park, we will be taking the rides there and install them.

Hardik Bohra: Sir once you get the approval for Chennai Park how much capex will we be doing, how much more is left to start the park?

George Joseph: Yes, we expect it to be around 350 to 380 Crores. We have already invested 100 Crores, and we have another 100 Crores on our books, that accounts for about 200 Crores. Then during the construction period, on-going cash generation from the business will be about 125 to 150 Crores, so we may have to borrow around 50 Crores.

Hardik Bohra: We have been hearing that you had a strategy to open one park in every two to three years. Since the last park was opened in financial year 2017, so shortly after the Chennai Park is up & running, could we see one more park planned in the outlay? Could you just guide us on that?

George Joseph: Yes, definitely. Once we are able to start up the Chennai Park, we will start looking for the next destination. There are invitation from many quarters like Goa, Chattisgarh, Jharkhand, Amaravathi etc. We are aware that many existing parks are for sale, which people are not able to run profitably. We are not very keen on the parks which are not well-maintained. Once we start the Chennai Park we will definitely look at the next destination, but not right now.

Hardik Bohra: If I can squeeze one more question, the EBITDA margins for the company before the Hyderabad Park came online was about 45% so could we reach that number again in the distant future?

Jacob Kuruvilla: We can look at that, as I said current year we are hoping that we can have about 40% EBITDA margin. Going forward we can look at better margins, aiming for 45%. Once Chennai park is open it will take some time to stabilize, so it may bring down our EBITDA , but still we hope to maintain 40% EBITDA margin.

Hardik Bohra: But excluding that Chennai Park operationalisation cost in FY2021 remaining three can touch 45% by that time?

Jacob Kuruvilla: Not 45%, 42% may be the figure we can look at.

Hardik Bohra: Thank you. I will come back if I have more questions.

Jacob Kuruvilla: Thank you.

- Moderator:** Thank you. The next question is from the line of Sidharth Shah from Solidarity Investment Managers. Please go ahead.
- Sidharth Shah:** Most of my questions have been answered. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.
- Pankaj Kumar:** Most of the questions are answered. Just one clarification earlier we were expecting a 13% to 15% kind of growth in footfalls in Hyderabad and 8% to 9% for Bengaluru that is what we had guided earlier, so are we on track to achieve it?
- George Joseph:** In Hyderabad we grew by around 12% this quarter, in Bengaluru by almost 23%. So only in Kochi there was a mismatch due to the lag effect which gave a negative growth of 1%, but I think, 13% overall could be fine.
- Pankaj Kumar:** 13% overall is for the company?
- George Joseph:** Yes.
- Pankaj Kumar:** Thank you.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Rahil Jasani for the closing comments.
- Rahil Jasani:** Thank you for the opportunity Sir and I handover to you for the closing comments.
- George Joseph:** Thank you Mr. Rahil. As I mentioned in the beginning it has been an extremely rewarding quarter for the company and I would also like to add that the upcoming quarter, Q4, is a non-peak quarter. We may not be able to repeat the performance we delivered in Q3. We will continue to improve upon the initiatives we have taken. Thank you very much for this conference call. We received a lot of apt questions, which will further strengthen and enhance our resolve to improve. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.