MATRIMONY

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CONTENTS

INVESTMENT PHILOSOPHY

- Market only prices what's predictable so investing for unpredictability.
- E.g. Excel and Analysts projecting Sales and Margin.
- Embracing volatility aka non-linearity . Preferring lumpy 25% over smooth 15.
- Investing in opportunity where prices reflect only linearity and non-linearity is not priced as its unknowable. Benefitting from uncertainty.
- Small losses and big gains. Playing reverse turkey of Nassim Taleb.

IF WE TAKE CARE OF LOSERS, WINNERS CAN TAKE CARE OF THEMSELVES.

-HOWARD MARKS

ABOUT COMPANY- MATRIMONY

History	Sector	Market cap	Market leader	Platform play
Founded in 2000 by Murugavel Janakiraman. Started as site for NRI but later expanded in India.	Present in matchmaking and now dabbling around various initiatives.	Mkt cap- 1100crs Net cash- 325crs. Company is thus available for 775 crores.	Company is market leader in niche market of matchmaking holding market share of 60%.	Network effects business model. More profiles- more matches- more customers- flywheel.

ABOUT MATCHMAKING SECTOR & COMPANY

Matchmaking

- Majority marriages in India still are arranged marriages.
- Again, in that majority of them wants to marry in their own community.

Solution

- Micro based strategy for e.g. Community matrimony, Rajasthani Matrimony, Bihari Matrimony & doctor or IIMIIT matrimony for profession-based slicing.
- Also Elite for rich guys.
- Jodi app for vernacular languages matchmaking.

Current situation

- This led to them being leader in space due to providing solution to relevant problems.
- Also expanding TAM by entering into serious dating, astrology, wedding services platform, wedding loans and blue-collar job platform.

ABOUT SECTOR

Matchmaking

- Sector is quite churning in nature due to exit of married and look outs for new profiles acquisition.
- Mandatory to have some basic level of spending on keeping brand & for new customer acquisition.
- Winner takes it all sector with 3 major players- Matrimony, Info-edge and Shaadi.com

Narrative fallacy

- Increasing the advertisement spends one can become leaders.
- Result- More than doubling of market spends on sectoral level, sub-par revenue growth compared to spends, as result decline in profitability & return metrics.

Current situation

- All other companies other than matrimony are losers- or they like to use term cash burn for growth.
- Now after all these rounds in fundings they are refocusing on getting profitable e.g. Jeevansathi (Info-edge) on earnings concalls said they reduced marketing spends by 27% y-o-y & Cash outflow reduced to 9 crores from 46 crores earlier for 9MFY25.

SUMMARY OF COMPANY

History	Prospects	Optionality	New Ventures	Reported no's
Revenue growth around 7% CAGR from 2017 till today. PAT nil growth due to increase in spends	Better due to lowering of spends by competition. Now inverse of history can happen.	Can playout after 3-5 years if any of new initiatives scale up to provide new growth vector.	Serious dating platforms. Marriage services. Astrology. Loan & Blue - collar jobs.	Cashflow will be around 55 crores due to blend of other loss-making initiatives.

DOOMSDAY ANALYSIS

- Reduction in marketing costs & existing 315 cash in balance sheet is spent on new ventures as cash burn.
- Operating cashflow of matchmaking along with all leveraging platform business usually exhibits grow at lines of inflation i.e. 4%. (lower than historical of 7% of top line growth)
- All other ventures have zero value and closed in future.
- So, valuation using simple cashflow perpetuity model with following inputs,

Current free Cashflow= 50 crores, Cost of equity= 8% (FD Rate), Growth= 4% (Inflation rate), we get

57/(0.08-0.04)= 1,425 crores which is around 30% more than the current market cap.

SCENARIO ANALYSIS

- Rational bear:

1. Ventures don't exhaust the cash on balance sheet.
2. Incremental cashflow from growth in matchmaking, savings in marketing costs and investment income from cash sitting on balance sheet generated are spit away.
3. Valuation will be calculated on last slide 1425 plus 325 crores we get 1750 odd crores giving upside of 60%.

- Rational bull:

1. Next 5 years any one of investment increases TAM & growth along with some longevity of growth.
2. Valuations can't be measured but is significantly higher than what its currently trading for that's for sure. (Easy triple).

- Irrational Bull:

1. Most ventures stick, runway becomes longer and compounding shows magic in all vectors. Well you can be next big bull if you bet big enough with conviction.

CONCLUSION

So, my take on Howard Marks quote from beginning is:

"After the downside being priced in there is only one thing left which is upside".

THANK YOU

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