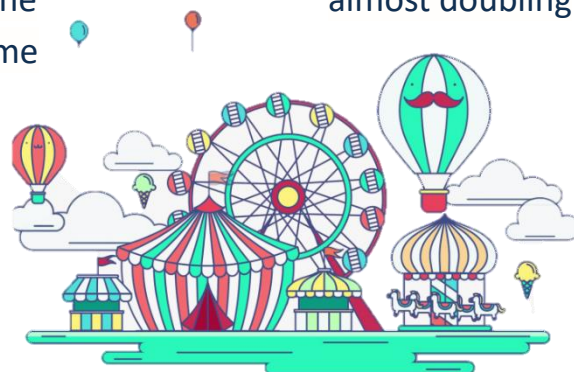


# WONDERLA

## PARKS AND RESORTS

~ Romil Savaliya

The current market size of amusement/theme parks in India is estimated at **\$ 0.5 bn** compared to **\$ 49 bn worldwide** in 2021. Given the expected increase in the per capita income in the country, the young demographic, and the almost doubling of the upper middle class by 2030, it is fair to assume that the **2-3% annual spend on entertainment** is likely to move up closer to 11% in China and 16% in the USA. Therefore, it can be estimated that this market is likely to grow **3-4x in the next 6-7 years**.



Wonderla is the largest chain of amusement parks in India. It is the owner and operator of three amusement parks in **Kochi, Bengaluru and Hyderabad**.

### About Parks:

| Parks (9MFY23)                         | Units        | Kochi | Bengaluru | Hyderabad |
|--|--------------|-------|-----------|-----------|
| Start year                             | Year         | 2000  | 2005      | 2016      |
| Capex                                  | INR in mn    | 650   | 900       | 2500      |
| Revenue                                | INR in mn    | 951   | 1269      | 926       |
| Footfall                               | in thousands | 836   | 936       | 735       |
| Total ARPU                             | INR          | 1140  | 1,366     | 1269      |
| Ticket ARPU                            | INR          | 871   | 1020      | 922       |
| Non-ticket ARPU                        | INR          | 269   | 346       | 347       |
| Tourist footfalls % of total footfalls | FY20         | 33%   | 28%       | 6%        |
| Total land available                   | Acres        | 93    | 82        | 50        |
| Developed land                         | Acres        | 29    | 39        | 27        |
| Land for future development            | Acres        | 64    | 43        | 23        |
| Dry rides                              |              | 33    | 40        | 28        |
| Wet rides                              |              | 21    | 21        | 18        |
| Total rides                            |              | 54    | 61        | 46        |

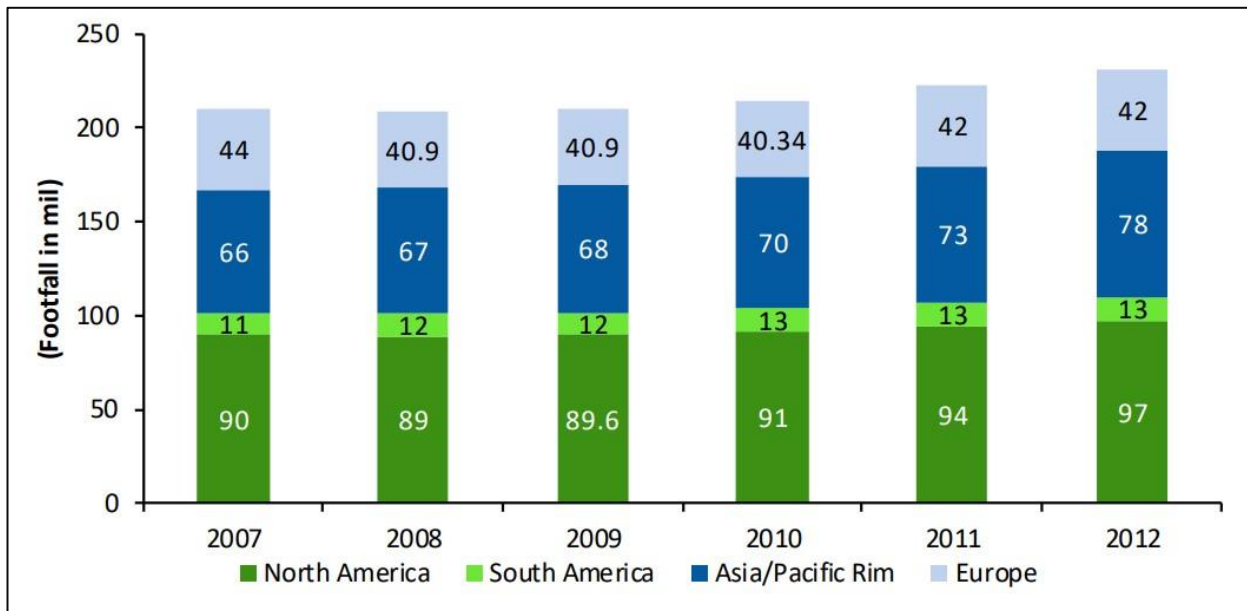
Source: Company, MNCL research

## Recession resilient Industry:

The world's theme parks have survived the recession and seen an increase in visitors throughout that time. Despite the **global economic slowdown**, the top 10 amusement theme parks in North America, South America, Asia, and Europe saw an increase in overall foot traffic from 211 million visitors in **2007 to 231 million** visitors in 2012, representing a **1.8% CAGR**. All regions, except for Europe, saw an increase in traffic. During the same time, the top ten amusement/theme park chains recorded 358 million visitors overall in CY12, a **5% footfalls CAGR** between CY07 and CY12.



## Region-wise top 10 amusement/theme parks footfalls:



## Footfalls Dynamics for Wonderla:

Wonderla's existing parks have a capacity of **10,000 to 12,000 guests** per day. However, in FY20 (Pre COVID), the daily average number of visitors **was only 2,174**, resulting in a utilization rate of around **18%**.

The management expects to boost the number of daily visitors by implementing strategies like dynamic pricing, add-on park events, shift to digital marketing, and the use of data analytics, to reach an average of **more than 4,000** visitors per day.



In the add-on park events strategy, the company has also run **various campaigns** and successful events like Women’s Day, Navratri, Sunburn Festival, New-year event, etc. to attract crowd after regular park visiting hours at an additional ticket price Result that company expected to achieve **approx 2,900-3,000 Avg. footfalls per day in FY23**.

The Company is also making efforts to **grow footfalls from ~3 million in FY23 to ~5 million in FY26**. With every rising footfall, benefit of **Operating leverage** will work in favour of Company.

## Asset Light Model:

Management has stressed that all future parks will follow the same **asset light model**. New upcoming The **Bhubaneswar Park** will be on an asset-light model, where the Odisha state government has provided the **land on a long-term lease** at a reasonable price to promote tourism. This will **reduce the upfront capex cost by ~40%** as the company will save on land costs, and this will help to cater to a larger audience with a value-based offering.



**Over 40%** of the total capex in setting up an amusement park goes in acquiring and developing land.

| Exhibit 16: Detailed breakup of Hyderabad park       |             |                 |
|--|-------------|-----------------|
| INR in millions                                      | Cost        | % of total cost |
| <b>Land, land development and civil construction</b> | <b>994</b>  | <b>39%</b>      |
| Amusement rides                                      | 1067        | 42%             |
| Machinery and equipment                              | 261         | 10%             |
| Furnishing and vehicles                              | 114         | 4%              |
| Consultant fees                                      | 24          | 1%              |
| Pre-operative expenses                               | 63          | 2%              |
| Contingencies  | 38          | 1%              |
| <b>Total</b>   | <b>2561</b> | <b>100%</b>     |

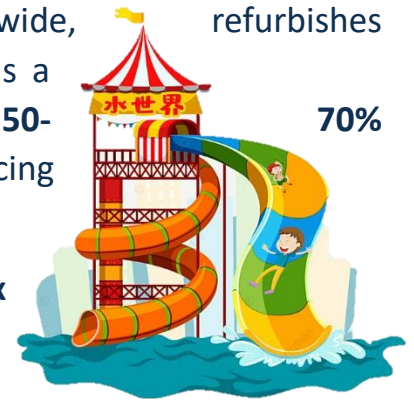
Source: DRHP; INR in millions

## Cost saving due to in-house manufacturing facility:

A dedicated manufacturing facility in Kochi where it builds some of the rides for its amusement parks. The facility has produced over **42 out of the 160+ rides** and attractions at the company's three functioning parks as of FY22. According to management, domestically produced rides **cost 1/3rd of the cost** of imported ones.

WONH also buys used rides from amusement parks worldwide, refurbishes them at its Kochi facility, and installs them in its parks. This is a significant competitive advantage as it allows Wonderla to **save 50-on the cost** of rides and allows for in-house maintenance, reducing downtime, expenses and operational costs.

Compared to its peers, **WONH requires lower maintenance capex** due to its in-house ride manufacturing plant.



We expect the **asset light model to have a payback period of 6 years** (excluding 2 years to build the park) with estimated capital expenditure of INR 1250 million to build a park on 50 acres of land taken on lease. In contrast, **a standard park will take 7-9 years of payback** (excluding 3 years for land acquisition and building the park). As per our estimates, we expect the park (including the upcoming Chennai park) to **be EBITDA-positive from the first full year** of operations and start earning positive cash profits. The **asset light model will be value accretive** for the company and improve its return ratios going forward.

Source: Monarch Capital

## location and connectivity:

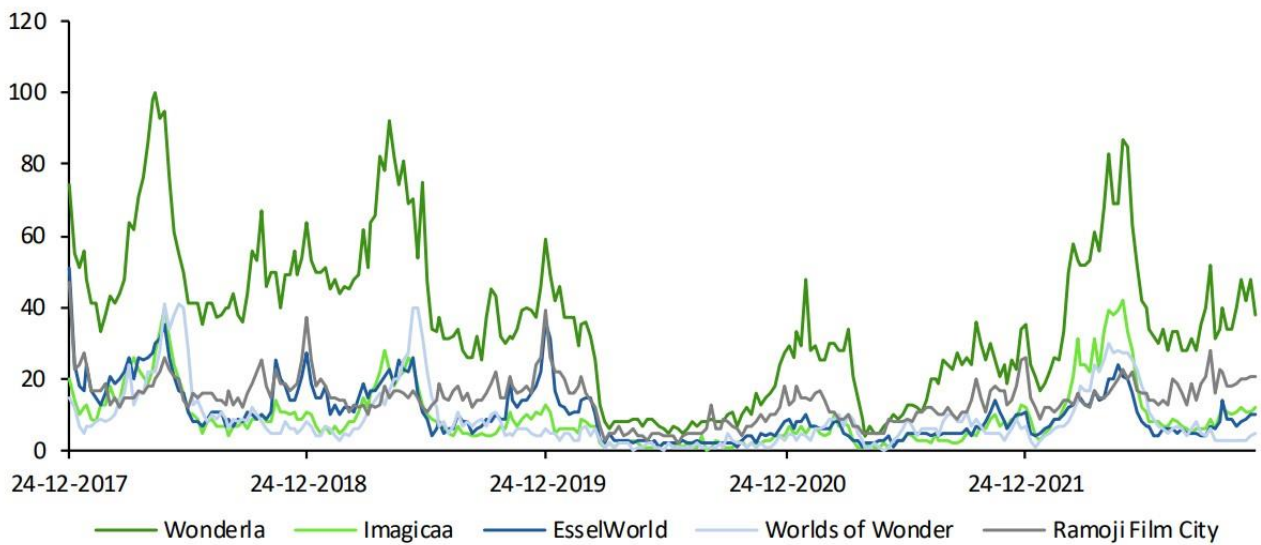
All the three parks are situated **between 15-25 kms** from the main city premise and good connectivity to the main highway. Even the upcoming two parks (Chennai and Bhubaneswar) are within the same distance from the main city and close to the highway.

## Shift from traditional marketing to digital marketing:

Wonderla spends over **8-12% of its total sales** on advertising and marketing. Post-covid, company has shifted its focus from traditional marketing to digital marketing. Company has experienced increase in retail traffic from increased social media content, the involvement of social media influencers, Park-plus events and enhanced online marketing strategies.



**Exhibit 23: Google Trends – ‘Wonderla’ brand searched 2x more than its next peer**



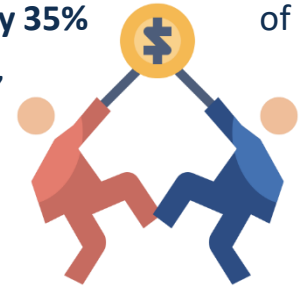
Source: Google Trends, MNCL research

Over 19 states and union territories in India have **40% share** of interest in Wonderla than Imagicaa, EsselWorld, Worlds of Wonder and Ramoji Film city.

## No competition from foreign players:

Internationally, amusement parks are dominated by **large US players** like Disney World, Universal Studios, Six Flags & Sea World. Most of them have used their intellectual property rights in the form of major film franchises, characters and other entertainment to their advantage.

The economics of the park also differ; the international parks **make only 35%** of their revenues **from entry fees**, while the rest are from resorts, foods, and merchandising. In **India, the economics are: 75% from entry fees**, while services like food and merchandising **account for 25%**. The difference is largely due to the lower discretionary spending power of the target audience.



*As per our internal calculations, if Disney decides to setup an amusement park in India, it will take over 30 years of payback period which will not be a feasible investment. Thus, we don't expect any competition from foreign players in the short to medium term.*

Source: Monarch Capital

Hence, it is unlikely that a Disney or Universal Park would be a threat to them in the short to medium term.

## Affordability:

**Company's focus** is on offering **value-for-money** offering and targeting middle class. Typical middle-class family spends over **INR 5000 per trip**. All three parks have an average ticket price in the reasonably priced range of **INR 800-1200** for one day experience and the customer can enjoy both water and land rides on the same ticket. Low asset cost due to in-house manufacturing and adopting asset light model will allow WONH to charge low entry fees and make it value for money offering to its visitors.



## Efficient and proven management:

The Company is promoted by the **V-Guard Industries family**. Arun Chittilappilly is the Managing Director in charge of the business and is actively involved in running the business and strategizing and conceptualizing the new parks. He has been responsible for the growth of the Company and developed the Bangalore and Hyderabad parks.

## Thesis:

**Coming Q1 FY24 tends to be strong quarter for Amusement Parks:** With that, Structural cost changes during tough COVID time given much improvement in EBITDA % margins (Q1 FY23: 61%) from historical levels.

With increase in Digital marketing & Dynamic ticket pricing + Current supportive summer season, Both Companies: **Wonderla Holidays & Imagicaa Worlds** sets to Gain momentum from here onward.

**Satheesh Seshadri:** See, the leanest quarter is normally -- Q2 is the leanest quarter because it's a monsoon period. And Q3, sometimes we get good response because many of the corporates and the schools and colleges wants to close the budget, okay? And also we have got some good seasons during the Q4 to in terms of Sankranti, Republic Day, Women's day and also the Holi and other things coming up, some seasons not there during the Q4. Q2 is normally the weakest of the quarter.

**D Kanoria:** Probably Q1 is the best because of holidays?

**Satheesh Seshadri:** Q1 is the best quarter from the footfall and the ARPU perspective because we have got the best rates during that time.

Source: Wonderla's Concall