matrimony.com

August 19, 2022

Corporate Relationship Department BSE Ltd., Phiroze Jeejheebhoy Towers Dalal Street, Mumbai – 400 001

Dear Sir/Madam,

Sub: Call transcript of Investor/Analyst conference call under regulation 30(6) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

Ref: BSE Scrip code: 540704 / NSE Symbol: MATRIMONY

Pursuant to Regulation 30(6) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the call transcript of Investor/Analyst Conference call with the Company held on 12th August 2022 is attached herewith.

The aforesaid information is also being hosted on the website of the Company viz., www.matrimony.com.

Submitted for your information and records.

Thanking you

Yours faithfully,

For **Matrimony.com Limited**

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“Matrimony.com Q1 FY23 Earnings Conference Call”

August 12, 2022

MANAGEMENT:	**MR. MURUGAVEL JANAKIRAMAN – PROMOTER & MANAGING DIRECTOR, MATRIMONY.COM** **MR. SUSHANTH PAI – CHIEF FINANCIAL OFFICER, MATRIMONY.COM**
MODERATOR:	**MR. AMIT CHANDRA – HDFC INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Matrimony.com Q1 FY'2023 Earnings Conference Call hosted by HDFC Securities. 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, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Chandra from HDFC Institutional Equities. Thank you. And over to you, sir.

Amit Chandra: Thank you, operator. Good evening, everyone. On behalf of HDFC Securities, I would like to welcome you all to the matrimony.com Q1 FY'23 Earnings Call.

We have with us today, Mr. Murugavel Janakiraman, Promoter and Managing Director; and Mr. Sushanth Pai -- Chief Financial Officer.

So, without further delay, I would like to hand over the call to Mr. Murugavel to provide a brief overview of the quarter gone by and then we can open the floor for question-answer session. Thank you and over to you, sir.

M Janakiraman: Thank you, Amit. Good evening, everyone. I hope all of you are continuing to stay safe and healthy. I take this opportunity to share you on Advanced Wishes for the 75th Year of Indian Independence Day. I would like iterate our purpose is to build a better Bharat with happy marriages.

Last year in FY'22, we reported a double-digit billing growth in billing and revenue. We continue with the trend. I am happy to report another quarter of double-digit billing and revenue growth.

Also, it is heartening to see that our paid subscriptions grew by 13.8% and have reached 2.5 lakhs in the quarter and taking it to an annual run rate of million paid subscriptions. This also signifies that we are making good progress with our strategic priorities.

Now, let me come to the results: In Q1, on a consolidated basis, we have achieved Rs.116.5 crores in billing which is a 10.8% year-on-year growth, revenues were Rs.116 crores, which is 10% year-on-year growth.

Let me share the key highlights for the match making business which are as follows: In Q1, billing was at Rs.114.64 crores, a growth of 1.2% quarter-over-quarter and 9.4% year-on-year, just shy of double-digit growth. Revenue at Rs.114.24 crores, a growth of 4.8% quarter-over-quarter and 8.9% year-on-year. We added 2.5 lakh paid subscriptions during the quarter. We had good growth of 7.2% quarter-over-quarter and 13.8% year-on-year. Average transaction value for the matrimony business declined 5.6% quarter-over-quarter and 4% year-on-year. And this is in line with our paid subscription acquisition strategy. We continue to track the impact that we create for our customers and we are happy to state that we have created about 23,000 success stories in Q1.

Now, coming to the marriage solutions business, revenue was Rs.1.8 crores, a growth of 26% quarter-over-quarter and 227% year-on-year. The loss in the quarter was Rs.3.4 crores compared to Rs.3.1 crores in the previous quarter.

We have completed integration of ShaadiSaga and we expect the growth momentum in wedding services to further enhance.

We have launched the "Be Choosy," new TV campaign, that explore the bias against women, who want to be choosy when it comes to finding their right life partner and that has been received very well.

At the recent Kyoorius Creative Awards, BharatMatrimony's, "Pehle Padhai Phir Shaadi," a social initiative which empowers girls to choose education over marriage has bagged 14 awards. The awards are a celebration of the most outstanding and innovative work in advertising and the marketing, communications.

On the billing and revenue outlook for Q2, the Q2 is seasonally a weak quarter. Due to this on a consolidated basis, we expect that we may fall slightly short of double-digit year-on-year growth. On wedding services, the momentum is expected to continue and losses to be at a similar level of Q1.

Let me pass on to Sushanth to comment on the few profitability highlights. Sushanth, over to you.

Sushanth Pai: Thanks, Muruga. Our EBITDA margin for the matchmaking business in Q1 is at 23.5% as compared to 22.7% in Q4 and 27.7% a year ago. Marketing expenses are at Rs.43.5 crores as compared to Rs.42.7 crores in Q4 and Rs.37.3 crores a year ago. Excluding marketing expenses, our margins in matchmaking are stable at 62%. In this quarter, we have salary increments for people; average salary increment was in the range of 9% to 10%. On a consolidated basis, our EBITDA margins in Q1 are at 17.6% as compared to 18.1% in Q4 and 21.6% a year ago.

The tax rate in the quarter is at 21% as compared to 26% in Q4. The tax rate is reduced due to lower tax on realized gains on mutual funds which were redeemed to fund the initial buyback amount of Rs.18.75 crores.

PAT excluding Astro is at Rs.12.1 crores, an increase of 2.1% quarter-on-quarter and decline of 14% year-on-year. Share of loss from Astro is Rs.16.3 lakhs.

Net profit margin has been stable at 10%-plus levels for the last three quarters. Our free cash generation has been robust at about Rs.22 crores for the quarter signifying free cash flow conversion from EBITDA at 1.06. Return on capital employed for the quarter is at 15.7%.

On the outlook for Q2 margins, based on what Muruga said about the revenue and billing achievement, we expect EBITDA and PAT to be slightly lower than Q1 levels as it is a seasonal quarter.

I would like to end with a customary safe harbor statement. Certain statements during this call could be forward-looking statements on our business. These involve a number of risks and uncertainties that could cause actual results to differ materially from such forward-looking statements. We do not undertake to update any such forward-looking statements, that may be made from time-to-time by or on behalf of the company unless it's required by law.

Moderator: Ladies and gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Deep Shah from B&K Securities. Please go ahead.

Deep Shah: Sir, my first question is around the ATV. So, it's actually very heartening to see paid subscription going up. Now, this ATV, would you say is a function of increasing competitive intensity we saw some concessional offerings being introduced or is it just a function of this quarter being generally a soft quarter and therefore we have reduced prices? Second question was if you could give us some more update on your new initiatives how have they panned out and what is the traction there?

M Janakiraman: ATV is a function of various things. It's a combination of pricing strategy which we deployed for various segments. We are continuing to figure out various segments, continue to offer different pricing strategies to increase the monetization. So, that's one of the reasons. Another also, we launched a new initiative. It's a combination of all these factors that has contributed to the reduction in ATV; however, that has contributed increase in the volume growth. So, we do expect the ATV at a similar level. We continue to figure out or continue to employ various strategies, operating strategies to drive the growth. So, in terms of the new initiatives, we are still in the early stages, nothing significantly to comment at this point of time. So, both the new initiatives what we launched is a vernacular matchmaking app and also the Global Matchmaking initiative.

Deep Shah: Just as a follow-up, we see that our investments is gradually increasing in ShaadiSaga, if I compare even the marketing spends is gradually improving. So, have we now fully integrated ShaadiSaga and what is the traction there, have you introduced differential plans there, any update on that would be very helpful?

M Janakiraman: Yes, we have fully integrated ShaadiSaga platform to WeddingBazaar.com and not only the platform listings, everything are being integrated, today, that makes us the largest player in the wedding services space, WeddingBazaar has over 100,000 listing, even Mandap.com has around 40,000 plus listing. We are the largest player in terms of wedding services in terms of listing. And we could able to leverage some of the good things of ShaadiSaga in terms of the value building platform and large social media followers. Everything was being successfully integrated to WeddingBazaar. In terms of pricing, we have the pricing strategy and again it's a subscription basis model and our objective is to get more number of listing and try to get more people to go for a paid subscription. We see the traction happening; however, this business is still in the early stages, but good to see that the business is growing and at a faster pace. We expect the growth momentum to continue. In terms of pricing agenda, there are multiple segments, multiple categories, photographer, makeup artist, various categories we have various pricing, because the pricing is not same for a project category, varies from category-to-category and there are multiple packages as well, there is no one standard package. So, to respond, it's different prices and the different pricing strategy because the nature of the business have multiple categories, we have multiple prices. What we charge for a photographer is not the case for makeup artist. Again, it varies from cities, various pricing for various categories.

Moderator: We have the next question from the line of Prakash Kapadia from Anived Portfolio. Please go ahead.

Prakash Kapadia: A couple of questions from my end. One of the competitors, the number three player had mentioned about a change in business model in terms of giving free listings and maybe reducing ad spends on a going forward basis. So, in that context, we see ad spends being lower for us for the coming quarters because currently they don't seem to be trending down per se. Any thoughts on how will ad spend shape up for us and the industry?

M Janakiraman: But at this point of time we continue to see increase in the competitors spend as we speak also, we see that the marketing spend on an higher side at an elevated levels. If we see that on a steady basis, the marketing spends come down at the industry level, then we definitely look at lower than marketing cost because as we communicated in the past, obviously we are spending much more than what is required because of the increased competitive activities and marketing at elevated level. If that industry sort of realize that, the increased marketing spends not helping, maybe there is some kind of reduction in marketing spend, yes, we will definitely take a look into it and take necessary steps at that point of time. But as we speak, this marketing spend is still at an elevated level for the industry.

Prakash Kapadia: Despite a three player market, the online matchmaking doesn't seem to be inching at a higher pace. So, is it some of the pricing issues, is it conversion because given the base and the industry size growth doesn't seem to be being faster on a lower base also. So, what is really affecting the growth because you're just three players and the market itself is so small, so just wondering what is still affecting the growth because now everything seems to be opening up, things are normal, so I would have expected may be the industry as well as us would have grown at a faster pace, so any thoughts for that?

M Janakiraman: It's a combination of multiple things. One is that the increased marketing spend and discounting and all these factors in a way also contribute to some extent the growth also. So, one is acquiring a free member and converting him to pay. So, probably that would have contributed to the growth. However, while we continue working on our strategies, we are more than double-digit growth. We continue to work on our strategy to take the growth better than the 10% growth and higher level. And we continue working on execution of our strategy. Hopefully, as you progress, we may be able to move to better growth rates. Again, it's a combination of pricing, all in a way plays in the growth, discounting, higher marketing spends, prices and all.

Prakash Kapadia: Typically, Q3 is the best quarter for us from a seasonality perspective?

M Janakiraman: Typically, we see that Q4 is a quarter where normally the growth is better over the previous quarter, because the Q1 is normal and Q2 is seasonally weak quarter, Q3 is bouncing back and Q4 to the next level. Yes, at this point, we sort of at a double digit growth more or less and we expect to even complete the year with a double digit growth. But as I said we are kind of working on our strategies to get the growth to that level.

Prakash Kapadia: And lastly, what was the final buy back subscription number if you have it handy, Sushant?

Sushanth Pai: The final subscription number was about 763%, somewhere in that range.

Moderator: We have the next question from the line of Amit Chandra. Please go ahead.

Amit Chandra: Sir, my first question is on the market share. As we all are aware that there is an increasingly competitive intensity and the competitor is providing packages for free. So, are we seeing any loss of market share in the south market which is our dominant market? And also if you can throw some light on what are plans to increase our share in the north market, on the market share how we are seeing it mostly on a geographical basis? And also on the ATV decline that we are seeing for the last two quarters, is it because of pricing discount which is similar to what the competition is giving in the north market or is it because of change in mix as you mentioned because the base prices have not come down, but is there a significant change in the mix that is happening that will kind of bring the ATV down?

M Janakiraman: In terms of adding our market share, we continue to remain strong in the strong market and continue to grow. In terms of the strategy to grow north and again, it's more of product improvements and kind of stepping up marketing. We continue to spend less compared to other players in north, continue to increase marketing. And the third is that again the various products and the pricing strategy as well. So, ATV is a combination of the various packages on our discount to operate to multiple segments and we've also launched a new product. It's a combination of all these factors, have contributed in ATV. We expect ATV sort of may remain at this level or may go down also, and again we are looking at how to get more people to go for paid subscriptions and grow that.

Amit Chandra: On the ATV, the decline is because of the mix change, so maybe people with lower value contracts are higher in the mix versus historically or is there any change in trend that we are seeing?

M Janakiraman: It's not that we're not seeing any significant change in the mix and all, because most of it will go for three months package. That continues to remain at that level. And as I told within three months, there are multiple segments, multiple regions and so you have a pricing strategy, there's also a new initiative, combination of all these factors lowered the ATV, but no significant change in it now.

Amit Chandra: In terms of our advertising expenses, as you mentioned that obviously it's going to continue. So, what will actually make us think on our advertising expenses, so maybe we are seeing good growth in profiles, so what are the three to four main parameters that you track in terms of benefits that we are achieving from the marketing spend, so obviously one is the profile growth, but apart from that are you seeing some increase in the addressable market or maybe more investments into technology which can drive more penetration, maybe conversion from free to paid profiles? So, if you can throw some light also in terms of technology what you're doing?

M Janakiraman: The marketing again, it's a combination of our strategy to grow the profiles and also in a way there is increased competitive activities and we also need to prepare marketing to defend our market share or grow our market share. So, it's a combination of our strategy and also how it's getting played in the market, that tells our marketing thing. In terms of the technology thing, we migrated to the cloud platform early this year, that's one thing has happened, we are just kind of working to integrate all our applications within the platform that will help us to be faster. So, these are some of the technological things also happening. As we progress, it gives a better capability to execute our products and other things in a better manner or in a faster manner. So, these are some technology things happening and so we expect once all is being done, our execution team may look at it.

Amit Chandra: Obviously, the offline, everything is open now. In terms of our offline retail stores, are we seeing some traction there, how we are seeing the online versus offline mix and what are our expansion plans in the offline side?

M Janakiraman: It's predominantly online. Retail is set up to complement the core markets. We do not see any significant traction in retail, but again, it complements well for us, it's a small per cent of the business. So, at this point of time, we are not looking at any significant addition to our retail.

Moderator: We have the next question from the line of Sonal from Precision. Please go ahead.

Sonal: I just wanted to understand from a little longer-term perspective. The way the incremental marketing burn and the way the incremental top line goes in sync, I understand the competition is intense and maybe at times we're not caring about the P&L, but when you make your plans, is there like a top line incremental number you have in mind, then you say like if I want to put one rupee extra on marketing, I expect so much of sales or else in the next quarter, I will not try what I wanted to try what I have tried this quarter. So, typically in marketing, people say if I put a rupee in marketing, expect let's say four to five times of that in incremental sales. So, just trying to understand that from you what is the internal metrics for that?

M Janakiraman: Marketing is a tricky question. There is a performance marketing , there is a brand marketing. Obviously, there are multiple performance marketing, Google and various other marketing things, social media marketing. With the online marketing obviously, we are able to measure the ROI. When it comes to brand marketing, I want to quote one of the famous quote, I forgot the name. He said, “I know 50% marketing works. I don't know which 50%.” When we come to the branding marketing, we definitely look at how it's contributing to our profile and other things. However, today, marketing is in a way combination of multiple things, our strategy, what's going on the market and also the consumer intense category, again we don't have kind of something like permanent customers. So, some bit of marketing is necessary. But today the related marketing system necessary, no, it's not necessary. Sometimes, when the competitors are spending more than required, when we spend one rupee, the competitor spending Rs.3, we forfeit the market. What is required, sometimes you have to have necessary share of visibility also, we can't go down on visibility beyond the maximum. It's a combination of multiple things. That way when come to brand marketing, again, , if we look at the marketing spend prior to our IPO, we were doing Rs.50 crores in marketing, now we are doing Rs.150 crores, because the marketing spend at that point of time was Rs.100 crores for the category. Now, the marketing spend has gone up Rs.400 crores in four years. When the marketing spend gone up from 100 to 400 crores, obviously, growth is expected, because we are leading player and all. So, that we continue to defend well, continue to grow and we continue to widen the gap with the other players. Yes, it's a long-term. We continue to do what is the right thing. So, maybe a few progress, when things really come to normal, then we may get benefits at that point of time. But at this point of time, I don't know how long it will continue. We are a leading player, large player, continue to do what is right for us.

Sonal: Just a more theoretical question, just trying to understand the adoption of the category by customers in the end, so let's say hypothetically I think you roughly spend Rs.45 crores this quarter. If this number was let's say Rs.50 crores or maybe 10% higher is the point I'm trying to make. Would your top line would have gone in a commensurate manner or is it at a better point where there is no elasticity in demand and it will be rather a wasted marketing than actually adding to the top line, so just stretching the marketing up and down a little bit to understand the demand in the market?

M Janakiraman: There are necessary marketing, there are brand marketing. Necessary marketing largely on display side. So, obviously today we need to again depend on our brands. People are looking for brands. Today, they become synonymous with the category, is this BharatMatrimony or TamilMatrimony or MarathiMatrimony, , we advertise for those brands. So, it's a trade mark and against that we have to bid and put up our brand and a large number of registrations on digital side mainly get their brand.. To increase the marketing, our contribution to the growth, yes, if we take Rs.45 and Rs.60 crores, there is some additional benefit that will come. What is the incremental cost and incremental sales? Even today, our marketing spend is much more what it is required for the current level of the revenue. But give you more money, yes, it may contribute a little bit, but again, there is incremental benefit. Today, we spend what is required for some market, we are spending less, because obviously we want to operate at certain threshold and all that. But those things can add to incremental piece. So, today is only the marketing spend. Nothing has happened in the short term and brand marketing. But over a time it will have an impact on all these, possibly in all these, won't be any brand marketing. But some amount of brand marketing is required .

Sonal: With top line growth, that should come down, that's like a fixed cost which should taper off over time as you grow.

M Janakiraman: Exactly.

Sonal: How are you doing in non-Indian markets, Bangladesh, just trying to take an update from you on that front?

M Janakiraman: Bangladesh is a long-term for us.. We are a leading player, number one player, again, it's a small market for us at this point, we started investing in the market and small team, start advertising and we are seeing the traction in our very early stage. It's going in the right direction, but again Bangladesh become better than India, it's a one-sixth of India population. We look at long term and may play out in long term. So, some of the initiatives are long-term initiatives for us.

Moderator: We have the next question from the line of Swapna Kamath from NSFO. Please go ahead.

Swapna Kamath: I have a question on marketing expense only. Now our run rate of marketing expense has gone up significantly. So, I just wanted to understand that where will be the tipping point where the marketing expense will start looking like it will stagnate as a percentage of the sales and where it will become like an operating leverage for us that we don't have to spend more on marketing expense, so you think it is too early now and this will continue because of the competitive intensity?

M Janakiraman: At this point of time, it's difficult to say because we see an increase in marketing spend to have gap with the competitors. It's difficult to say whether we could operate at this level. So, it's depend upon as I told you based on what happened in the market, our strategy. So, it may go up also and it may come down, depends on how the environment gets played out. But I at this point I'm not in a position to say that we have reached a threshold and will operate at this threshold. So, probably I don't know, may be achieve the progress, then you have the clarity of the position to say, may be we will communicate at that point of time. But at this point of time, not in a position to clearly say that the marketing has reached a level or not. But however, the thing is that today, most of our marketing is brand marketing expense. So, at that point of time of the marketing expense, that comes close to the bottom line for us. That's a good thing, the brand and the things going on in the brand market.

Swapna Kamath: So, you see it's not on discounting, it's more on branding?

M Janakiraman: Marketing expense is advertisement; marketing is not a discount. In pricing, we are completely excluding all the discount and all that, because in ATV, we don't put the discount in the marketing by the way. All the marketing spends are TV advertisement and digital advertisement. So, discount is not coming to the marketing.

Swapna Kamath: If we have to look at the company like a little longer from two, three or five years perspective, then what is your internal target as to what kind of penetration levels or numbers? If you could just give us an idea about how this ATV will look like or how our subscription will look like in terms of overall company, what are we targeting as a CAGR or when -?

M Janakiraman: In the next three, four years, we want to become a Rs.1,000 crores company, I think that's next milestone and the immediate milestone is that we are kind of getting closer to Rs.500 crores run rate. So, once we reach a Rs.500 crores run rate, when we start working towards the Rs.1,000 crores milestone, it may happen in four years and three years or something we are working towards it. In terms of paid transaction for the first time we reached a million plus the paid transaction volume run rate for the year. I think that's a good milestone. Probably, next milestone is to reach a 1.5 million paid transaction, I think we may get to closer to our Rs.1,000 crores benchmark. And ATV, it's difficult to say it will stay at this level or go down, I don't have that kind of forward-looking, many things contribute to the ATV, depends on how some of the things going to play out or our initiatives and our pricing strategy. But on the revenue side, we have that milestone for the organization, that first hitting the Rs.500 crores run rate, then working towards Rs.1,000 crores benchmark.

Swapna Kamath: With similar profitability or a better profitability?

M Janakiraman: Obviously. Even today, we are operating at 62% gross margin on the matchmaking business. So, at this level, obviously, we have a strong leverage because the consumer internet company like this, we have very limited capital expenses and EBITDA margin continue to get better. So, we will definitely have a Rs.300 crores of EBITDA and PAT also possible at Rs.1,000 crores.

Moderator: As there are no further questions, I would like to hand the conference back to the management for closing comments. Please go ahead.

Sushanth Pai: Thanks, Melissa. Thanks, Amit and HDFC for hosting us. If you have any further questions please do write to us and we'll be happy to answer them. Have a good weekend and have a Good 75th Independence Day Thank you all for joining.

M Janakiraman: Thank you so much and thanks for your interest in Matrimony.com.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of HDFC Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability)

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