

Makemytrip Limited

Travel demand steady, MMYT competitively well placed to capitalize

Maintain Rating: BUY | PO: 40.00 USD | Price: 25.33 USD

Travel demand robust; no slowdown indications yet

Our recent channel checks indicate that domestic travel demand remains steady (and has not slowed down), particularly driven by continued pent-up demand in the business segment. While the retail pent-up demand appears to be moderating, consumers are still travelling and not slowed down their travel spends. Airline traffic demand in FY24 is expected to show c.10% growth driven by post Covid recovery. Airlines are also offering select discounts to attract users given the **1)** lower oil price benefit; **2)** engine part shortages are resolved; **3)** more supply in international flights. We expect some rationalization of ticket prices, which would attract more demand. However, airline capacity additions still remains an issue and would likely be resolved in FY25.

On the hotels front, ARR are still holding high and not reducing, given the demand. The hotels appear to be focusing on their yields as occupancy is in 70s. Our recent checks indicate that budget categories (Rs 1,500-2500 per night) are recovering well but super budget (below Rs 1,500) recovery is still slow. Competitive intensity remains benign in hotel with companies like Oyo focusing on faster monetization. Our checks indicate slightly higher aggression by Cleartrip but that is largely limited on the air-front.

MMYT well placed; remain bullish; India listing over time...

We remain optimistic on MMYT's fundamentals given steady revenue growth and expected margin improvement led by lower competition/scale benefits. Our checks indicate MMYT's market share in air is holding up well and hotel business momentum is steady. Infact, GoStays (budget accommodations) traction has been strong off-late. Mgmt has indicated in past of potential listing in India over time with focus more on price discovery. In our view, likely areas of further investment could be 1) enterprise; 2) expansion in Middle-eastern markets (already present in UAE, expanding in KSA) and 3) Redbus international expansion. **Catalysts:** 1) Stronger margin expansions; 2) potential buyback; **Risks:** 1) Spend slowdown in Apr-Jun qtr; 2) Higher prices impacting demand. We consider recent underperformance unwarranted. Reit. Buy on favorable risk-reward.

Estimates (Mar) (US\$)	2021A	2022A	2023E	2024E	2025E
Net Income (Adjusted - mn)	(56)	(46)	(18)	42	85
EPS	-0.5	-0.4	-0.2	0.4	0.8
EPS Change (YoY)	88%	20%	61%	NM	99%
Dividend / Share	0	0	0	0	0.077
Free Cash Flow / Share	0.5	-0.2	-0.7	-0.1	0.4
Valuation (Mar)					
P/E	NM	NM	NM	66.4x	33.4x
Dividend Yield	0%	0%	0%	0%	0.304%
EV / EBITDA*	45.9x	20.2x	12.5x	10.2x	7.3x
Free Cash Flow Yield*	2.3%	-0.7%	-3.3%	-0.4%	1.9%

* For full definitions of *IQmethod*SM measures, see page 6.

10 March 2023

Equity

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Stock Data

Price	25.33 USD
Price Objective	40.00 USD
Date Established	30-Aug-2022
Investment Opinion	C-1-9
52-Week Range	21.00 USD-34.68 USD
Mrkt Val / Shares Out (mn)	2,426 USD / 95.8
Average Daily Value (mn)	8.63 USD
Free Float	70.0%
BofA Ticker / Exchange	MMYT / NAS
Bloomberg / Reuters	MMYT US / MMYT.OQ
ROE (2023E)	-2.0%
Net Dbt to Eqty (Mar-2022A)	-29.41%

[La test high frequency data: Limited slowdown trends; MAUs holding on](#)

Abbreviations

ARR: average room rates

MMYT: Makemytrip

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.

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Timestamp: 10 March 2023 03:38AM EST

iQprofileSM Makemytrip Limited

Key Income Statement Data (Mar)

(US\$ Millions)

	2021A	2022A	2023E	2024E	2025E
Sales	184	356	645	1,034	1,367
Gross Profit	NA	NA	NA	NA	NA
Sell General & Admin Expense	NA	NA	NA	NA	NA
Operating Profit	(71)	(34)	18	67	130
Net Interest & Other Income	(39)	(63)	(84)	(58)	(64)
Associates	0	0	0	0	0
Pretax Income	(61)	(47)	(18)	57	113
Tax (expense) / Benefit	5	1	0	(14)	(28)
Net Income (Adjusted)	(56)	(46)	(18)	42	85
Average Fully Diluted Shares Outstanding	107	108	111	111	111

Key Cash Flow Statement Data

Net Income	(56)	(46)	(18)	42	85
Depreciation & Amortization	33	29	28	32	37
Change in Working Capital	65	(27)	(54)	(30)	(13)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	22	49	0	0	0
Cash Flow from Operations	65	6	(44)	44	109
Capital Expenditure	(9)	(23)	(35)	(53)	(64)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	(110)	(55)	0	0	0
Cash Flow from Investing	(119)	(78)	(35)	(53)	(64)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	(8)
Cash Flow from Financing	219	(10)	3	0	(8)
Free Cash Flow	55	(17)	(80)	(10)	45
Net Debt	(223)	(264)	(184)	(175)	(212)
Change in Net Debt	15	94	79	9	(37)

Key Balance Sheet Data

Property, Plant & Equipment	22	19	26	48	74
Other Non-Current Assets	786	712	712	712	712
Trade Receivables	25	36	62	93	124
Cash & Equivalents	425	477	401	392	429
Other Current Assets	51	78	116	145	191
Total Assets	1,309	1,323	1,317	1,390	1,530
Long-Term Debt	202	214	217	217	217
Other Non-Current Liabilities	22	21	21	21	21
Short-Term Debt	NA	NA	NA	NA	NA
Other Current Liabilities	194	191	201	231	295
Total Liabilities	418	426	439	469	533
Total Equity	891	896	878	921	997
Total Equity & Liabilities	1,309	1,323	1,317	1,390	1,530

iQmethodSM - Bus Performance*

Return On Capital Employed	2.5%	7.4%	13.1%	13.0%	17.6%
Return On Equity	-6.4%	-5.1%	-2.0%	4.7%	8.8%
Operating Margin	-42.5%	-10.0%	3.0%	7.0%	10.2%
EBITDA Margin	26.8%	31.4%	28.1%	21.4%	22.7%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	NM	NM	NM	1.0x	1.3x
Asset Replacement Ratio	0.3x	0.8x	1.2x	1.7x	1.7x
Tax Rate (Reported)	7.4%	2.4%	NM	25.0%	25.0%
Net Debt-to-Equity Ratio	-25.1%	-29.4%	-21.0%	-19.0%	-21.2%
Interest Cover	3.4x	3.1x	3.0x	8.8x	9.7x

Key Metrics

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Internet/e-Commerce

Company Description

MMYT is India's No 1 online travel agent by its market share of bookings. The three key lines of revenue for the company are airline, hotel, and booking of packages. Some of the key acquisitions made in the past include Hotel Travel Group in Southeast Asia, Easytobook in Amsterdam, and c.20% stake in Ixigo, a meta-search engine.

Investment Rationale

We have a Buy rating as we find the company well placed to balance revenue rebound along with margin improvement. On the ground, we are seeing pent-up demand in travel pick-up as economy reopens and users look for meaningful travel after two years. We expect uptake to further improve as ticket prices normalize and international travel opens up. Apart from revenue uptake, we find MMYT well placed also to show margin improvement on the back of fixed costs going down & operational leverage.

Stock Data

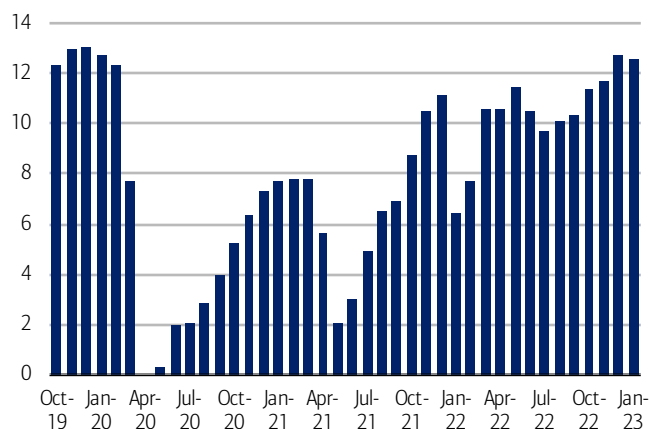
Price to Book Value

2.8x

Key charts

Exhibit 1: Domestic air passenger traffic (mn)

Robust demand, no slowdown indications yet

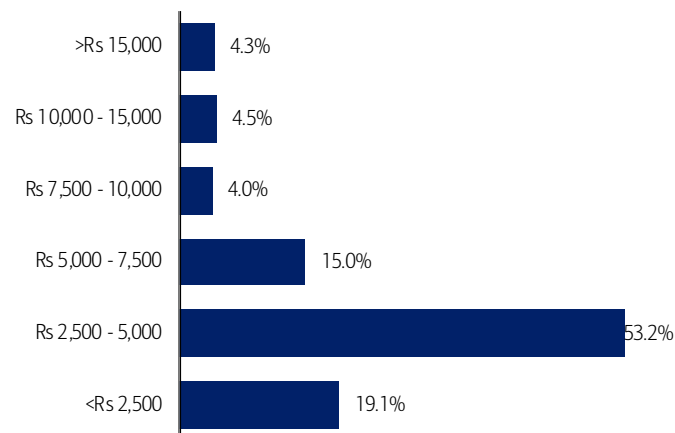


Source: DGCA

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Exhibit 2: Nationwide hotels avg daily rate breakdown – 2021/22

Up to Rs 5K daily rates hotel category from the largest pool

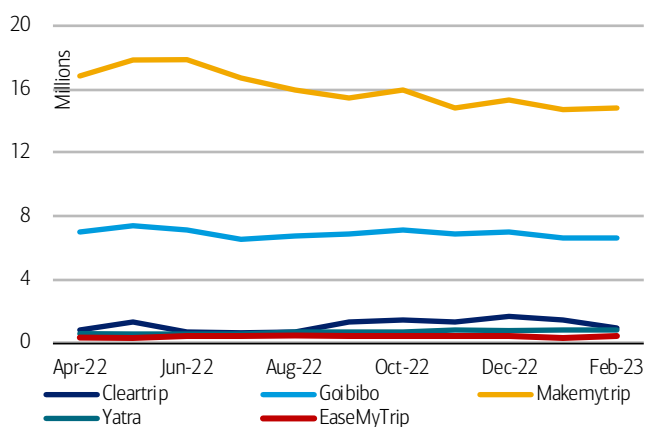


Source: Hotelivate

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Exhibit 3: Travel- Monthly active users (mn)

MMYT clearleader in MAUs

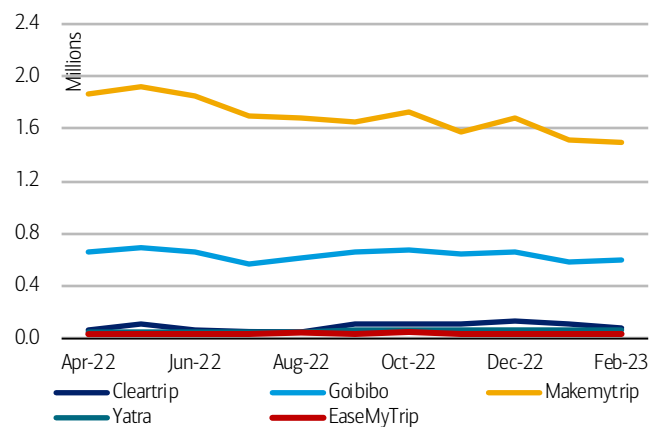


Source: Sensor Tower

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Exhibit 4: Travel- Avg. Daily active users (mn)

Stable DAU trends across apps



Source: Sensor Tower

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Price objective basis & risk

Makemytrip Limited (MMYT)

Our price objective is US\$40. We value MMYT using a 10-year discounted cash flow (DCF) model. We use a weighted-average cost of capital (WACC) of 10.4% and a TGR of 5%.

Downside risks: i) Higher competition, ii) slower recovery & more Covid surges.

Upside risks: 1) Stronger-than-expected recovery, (2) a material reduction in competition, (3) faster margin uptake.

Analyst Certification

I, Sachin Salgaonkar, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agora	API	API US	Daley Li, CFA
	AiHuiShou	REER	REER US	Joyce Ju
	Alibaba Group	BABA	BABA US	Joyce Ju
	Alibaba Group	BABAF	9988 HK	Joyce Ju
	Alibaba Health	ALBHF	241 HK	Miranda Zhuang, CFA
	Baidu.com	BIDU	BIDU US	Miranda Zhuang, CFA
	Baidu.com	BAIDF	9888 HK	Miranda Zhuang, CFA

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Chinasoft International	CFTLF	354 HK	Paul Dewberry
	Cloud Music	XWJF	9899 HK	Lei Zhang
	Dada Nexus	DADA	DADA US	Lei Zhang
	DBAPPSecurity	XDBAF	688023 CH	Daley Li, CFA
	Dingdong	DDL	DDL US	Joyce Ju
	East Money	XEQTF	300059 CH	Eddie Leung
	Glodon Company	XGCOF	002410 CH	Daley Li, CFA
	Grab Holdings	GRAB	GRAB US	Sachin Salgaonkar
	Hello Group	MOMO	MOMO US	Lei Zhang
	iQIYI	IQ	IQ US	Lei Zhang
	JD Health	JDHIF	6618 HK	Miranda Zhuang, CFA
	JD.com	JD	JD US	Joyce Ju
	JD.com	JDCMF	9618 HK	Joyce Ju
	JYP Entertainment	ALNNF	035900 KS	Susie Lee
	Kingdee International Software	KGDEF	268 HK	Daley Li, CFA
	Kuaishou	KUASF	1024 HK	Lei Zhang
	Makemytrip Limited	MMYT	MMYT US	Sachin Salgaonkar
	Meituan	MPNGF	3690 HK	Lei Zhang
	Naver Corporation	NHNCF	035420 KS	Susie Lee
	NCSOFT	NCSCF	036570 KS	Susie Lee
	NetEase	NETTF	9999 HK	Lei Zhang
	NetEase, Inc	NTES	NTES US	Lei Zhang
	Nine Entertainment Company	NNMTF	NEC AU	Ware Kuo
	Nykaa	XQQGF	NYKAA IN	Sachin Salgaonkar
	PB Fintech	XPFXF	POLICYBZ IN	Sachin Salgaonkar
	Pinduoduo Inc.	PDD	PDD US	Joyce Ju
	PT Bukalapak.com	BKLPF	BUKA IJ	Sachin Salgaonkar
	PVR Ltd.	PVRLF	PVRL IN	Sachin Salgaonkar
	Qi An Xin	XQTFD	688561 CH	Daley Li, CFA
	REA Group	RPGRF	REA AU	Ware Kuo
	Seek Limited	SKLTF	SEK AU	Ware Kuo
	Tencent Holdings	TCTZF	700 HK	Miranda Zhuang, CFA
	Tencent Music	TME	TME US	Lei Zhang
	Tencent Music	XWFWF	1698 HK	Lei Zhang
	ThunderSoft	XSTS	300496 CH	Daley Li, CFA
	Trip.com Group	TCOM	TCOM US	Joyce Ju
	Trip.com Group	TRPCF	9961 HK	Joyce Ju
	Vipshop Holdings	VIPS	VIPS US	Joyce Ju
	Weibo Corporation	WB	WB US	Miranda Zhuang, CFA
	Weibo Corporation	WEIBF	9898 HK	Miranda Zhuang, CFA
	YG Entertainment	XYEIF	122870 KS	Susie Lee
	Yonyou Network	XYNIF	600588 CH	Daley Li, CFA
	YY	YY	YY US	Lei Zhang

NEUTRAL

	AfreecaTV	WNTHF	067160 KS	Susie Lee
	Autohome	ATHM	ATHM US	Miranda Zhuang, CFA
	Autohome	XXYZF	2518 HK	Miranda Zhuang, CFA
	Baozun	BZUN	BZUN US	Joyce Ju
	Bilibili	BILI	BILI US	Lei Zhang
	Bilibili	BLBLF	9626 HK	Lei Zhang
	Carsales	CSSSF	CARAU	Ware Kuo
	Coupang	CPNG	CPNG US	Susie Lee
	Delhivery	XDVL	DELHIVER IN	Sachin Salgaonkar
	Huya	HUYA	HUYA US	Lei Zhang
	HYBE	XBGOF	352820 KS	Susie Lee
	Kakao Corp.	DAUCF	035720 KS	Susie Lee
	KE Holdings	BEKE	BEKE US	Miranda Zhuang, CFA
	KE Holdings	XSQRF	2423 HK	Miranda Zhuang, CFA
	Krafton	XKINF	259960 KS	Susie Lee
	NavInfo	XWLHF	002405 CH	Daley Li, CFA
	Paytm	XUXBF	PAYTM IN	Sachin Salgaonkar
	Plan B Media PCL	XMKT	PLANB TB	Thititthep Nophaket
	PropertyGuru	PGRU	PGRU US	Sachin Salgaonkar
	Sea Limited	SE	SE US	Sachin Salgaonkar
	Seven West Media	WANHF	SWM AU	Ware Kuo



APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	The ONE Enterprise	XUFCF	ONEE TB	Thititthep Nophaket
	VGI Public Company Limited	XZQHF	VGI TB	Thititthep Nophaket
	WiseTech Global Limited	WTCHF	WTC AU	Ware Kuo
	XD Inc.	XDNCF	2400 HK	Lei Zhang
	Zomato Limited	XMWRF	ZOMATO IN	Sachin Salgaonkar

UNDERPERFORM

	Altium Limited	ALMFF	ALU AU	Ware Kuo
	Appen Ltd	APPEF	APX AU	Ware Kuo
	BEC World	XBJHF	BEC TB	Thititthep Nophaket
	CJ ENM	CJHOF	035760 KS	Susie Lee
	Com2uS Corp	XOYAF	078340 KS	Jeehoon Jeong, CFA
	Douyu	DOYU	DOYU US	Lei Zhang
	Indiamart Intermesh Limited	XEITF	INMART IN	Sachin Salgaonkar
	Info Edge	IFOEF	INFOE IN	Sachin Salgaonkar
	Kakao Games	XKKGf	293490 KS	Susie Lee
	Ming Yuan Cloud	XWTAF	909 HK	Daley Li, CFA
	Netmarble	XLGHF	251270 KS	Susie Lee
	Pearl Abyss Corp	XEPAF	263750 KS	Susie Lee
	Ping An Healthcare and Technology	PANHf	1833 HK	Miranda Zhuang, CFA
	Technology One Limited	THNOF	TNE AU	Ware Kuo
	Weimob	WEMXF	2013 HK	Daley Li, CFA
	Xero Limited	XROLf	XRO AU	Ware Kuo
	Zip Co Limited	ZIZTF	ZIP AU	Ware Kuo

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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Makemytrip Limited (MMYT) Price Chart



MMYT — PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	216	50.35%	Buy	113	52.31%
Hold	119	27.74%	Hold	58	48.74%
Sell	94	21.91%	Sell	31	32.98%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2022)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1853	52.58%	Buy	1040	56.13%
Hold	840	23.84%	Hold	493	58.69%
Sell	831	23.58%	Sell	404	48.62%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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