

Zee Entertainment Enterprises (Z) - REDUCE

Result Update

Current Market Price (CMP) Rs. 88	Fair Value (FV) Rs.84
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Rationale:

- Zee reported 3.5% yoy decline in ad revenues, partly impacted by the Middle East crisis.
- Adjusted EBITDA declined 51% yoy, due to adverse operating leverage and higher A&P/legal expenses.
- FMCG ad spends are likely to remain under pressure due to high RM inflation.
- We cut estimates by 16-19% and revise FV to Rs84 (~11X June 2028E PE).
- Adverse operating leverage and higher operating expenses drives EBITDA cuts.
- We would wait for a recovery in linear ad spends, stability in core profitability and sustained improvement in Zee5.
- We expect earnings to grow 156.5% in FY27E and 18.2% in FY28E.
- We roll over and revise FV to Rs84, on the basis of 11X June 2028E PE. Maintain REDUCE.

👍 Positives:

- Subscription revenue grew by 3.9% yoy.
- Zee5 revenues grew by 71% yoy.

👎 Negatives:

- Zee's ad revenues declined ~3.5% yoy to Rs810 cr (~3% miss).
- Other sales declined 47% yoy, due to a high base (movies).
- PBT/recurring PAT loss stood at Rs240 cr/Rs120 cr.
- Significant deterioration in linear business, even as Z5 topline improves further.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto & Auto Ancillary, Building Material,
Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Analyst
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 5498

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

Gaurav Bhandari
Research Analyst
bhandari.gaurav@Kotak.com
+91 22 6218 6440

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350

Sayed Haider
sayed.haider@kotak.com
+91 22 62185458

DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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