

Pick *of the* Week

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For Private Clients



PB Fintech Ltd

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Private & Confidential

PB Fintech Ltd

CMP: 732

Target: 805-835
(6-7 mth)

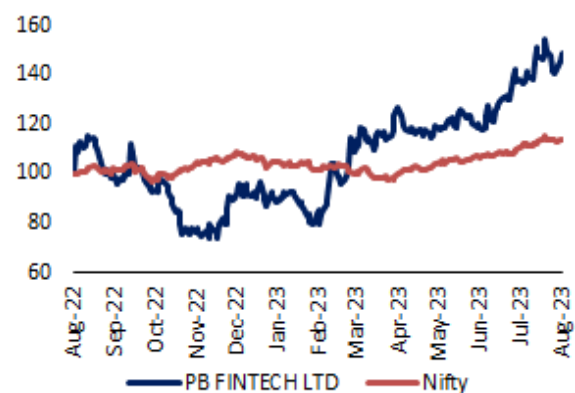
Stop Loss: 665

PB Fintech Ltd
(POLICYBZ IN EQUITY)

Internet

Stock Rating	BUY
CMP (Rs)	732
Target (Rs)	805 – 835
Upside Target (%)	9.97% – 14.07%
52 Week High/Low	Rs.782.15 / 356.2
Market Cap (Rs mn)	Rs.337.6 / US\$ 4.1
3-mon avg. daily val (mn)	Rs.1398.1 / US\$ 17
Sensex/Nifty	66906 / 19804
Rs./US\$	82.03

Relative Price Performance



Source: Bloomberg, JMFS Research

PB Fintech (Policybazaar) is one that has delivered faster-than-expected revenue growth while also turning profitable (adj. EBITDA basis), as guided.

We expect Insurance premium / Loan disbursements to grow 40.3%/56.0% YoY as the company continues to grow 2-3x the industry growth rate.

Overall revenue is expected to grow 47%/-15% on YoY/QoQ basis. With management guidance to turn PAT profitable in FY24, we expect group contribution margin to reach 30%+ but wage hikes would still result in sequential adj. EBITDA margin decline by 155bps. This would be led by Policybazaar showing improvement in contribution margin driven by better conversions and rising renewals mix and continued rationalising of PoSP commissions lowering loss in new initiatives. Going forward, we expect new initiatives to become contribution profitable in FY25.

We forecast the company to deliver insurance premium/loan disbursements/revenue CAGR of 32%/29%/32% over FY23-26E period with adjusted EBITDA margin expected to reach 10% in FY26E.

Financial Summary

(INR mn)

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	14,249	25,578	34,171	45,579	59,654
Sales Growth (%)	60.7	79.5	33.6	33.4	30.9
EBITDA	-9,023	-6,616	-2,056	747	3,577
EBITDA Margin (%)	-63.3	-25.9	-6.0	1.6	6.0
Adjusted Net Profit	-8,329	-4,869	293	2,739	5,339
Diluted EPS (INR)	-19.8	-10.0	0.6	5.6	10.9
Diluted EPS Growth (%)	0.0	0.0	0.0	835.7	94.9
ROIC (%)	-362.0	-144.8	-38.2	-1.2	25.5
ROE (%)	-22.5	-8.9	0.5	4.5	7.9
P/E (x)	-31.3	-62.0	1,032.2	110.3	56.6
P/B (x)	4.7	5.1	4.7	4.4	3.9
EV/EBITDA (x)	-25.3	-34.8	-110.7	298.7	60.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

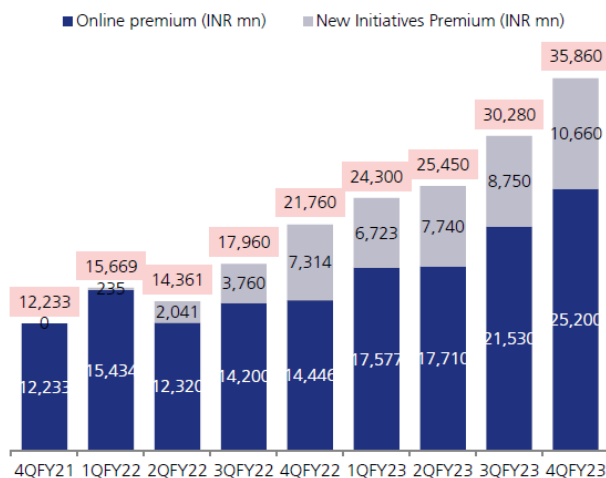
Source: Company data, JM Financial. Note: Valuations as of 22/May/2023

Q1FY24 estimate

Policybazaar (INR mn)	1QFY23	4QFY23	1QFY24E	QoQ	YoY	Comments
Revenue	5,052	8,691	7,416	-14.7%	46.8%	<ul style="list-style-type: none"> We expect Insurance premium / Loan disbursements to grow 40.3%/56.0% YoY as the company continues to grow 2-3x the industry growth rate. We expect Policybazaar to decline sequentially by 18.2% in 1QFY24 due to Q4FY23 benefitting from seasonality as well as investment policies sales due to the change in taxation, whereas Paisabazaar is expected to improve by 7.1% QoQ. We expect overall revenue growth at 46.8% YoY (-14.7% QoQ owing to March seasonality). Adjusted EBITDA margin could improve 1498bps YoY but decline 155bps sequentially due to operating deleverage and wage hikes.
Policybazaar	4,212	7,491	6,131	-18.2%	45.6%	
Paisabazaar	840	1,200	1,285	7.1%	53.0%	
EBITDA	-2,343	-681	-846	-24.3%	63.9%	
EBITDA Margin (%)	-46.4%	-7.8%	-11.4%	-357bp	3497bp	
Adjusted EBITDA	-673	278	123	NA	NA	
Adjusted EBITDA Margin (%)	-13.3%	3.2%	1.7%	-155bp	1498bp	
PAT	-2,043	-93	-235	-151.0%	88.5%	
Diluted EPS (INR)	-4.19	-0.19	-0.48	-151.0%	88.5%	
Total Insurance Premium	24,300	35,860	34,102	-4.9%	40.3%	
Total Disbursal	23,200	33,569	36,197	7.8%	56.0%	

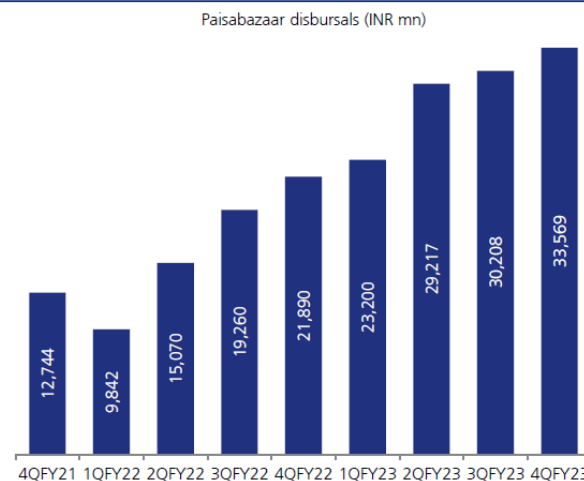
Source: Company, JM Financial

Offline insurance continues to gain higher mix



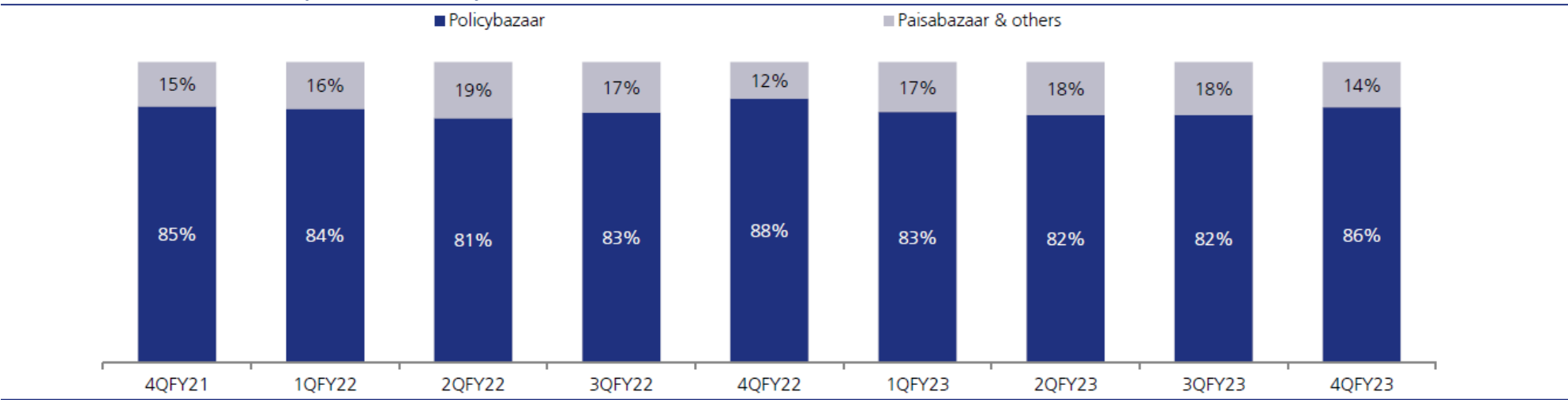
Source: Company, JM Financial

Strong growth of 53% YoY in disbursements



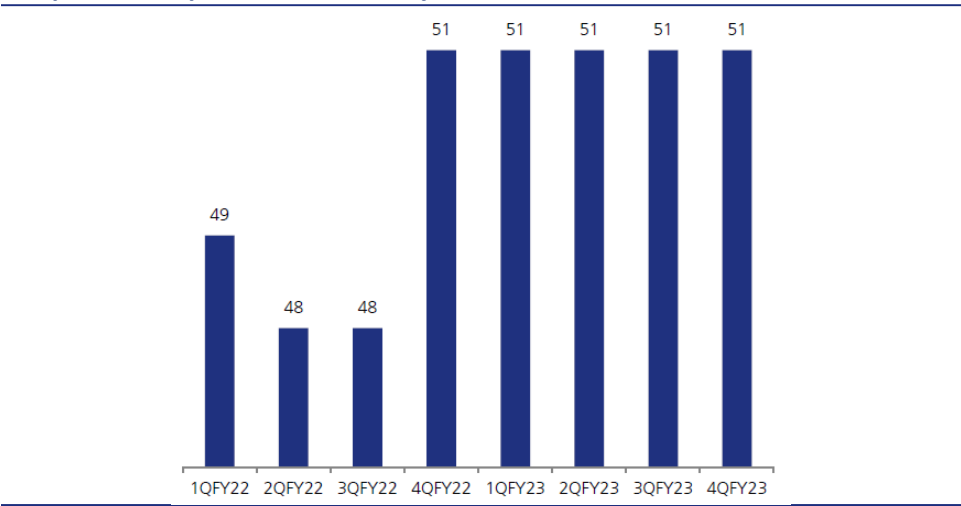
Source: Company, JM Financial

Revenue mix for consolidated operations of Policybazaar



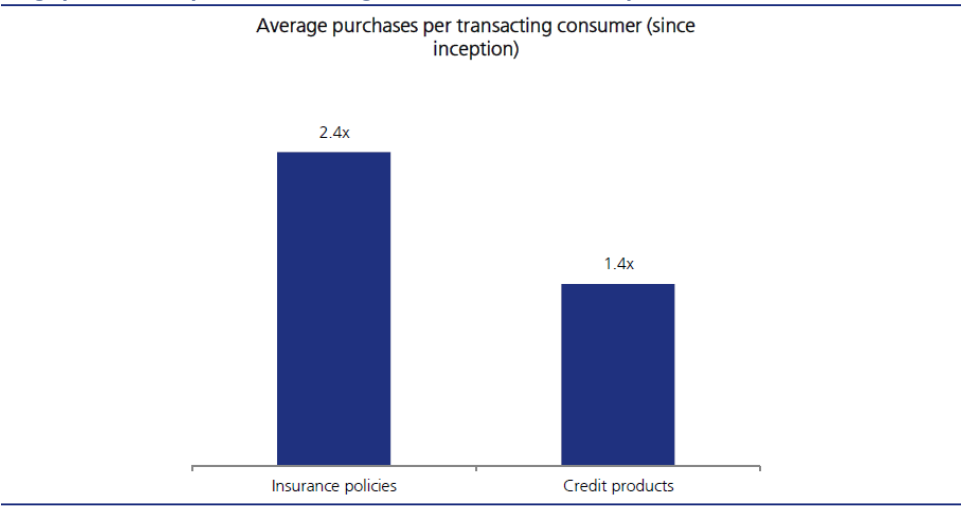
Source: Company, JM Financial

Unique Insurer partners with Policybazaar



Source: Company, JM Financial

Avg. purchases per transacting consumer since inception



Source: Company, JM Financial

Financial snapshot – P&L Statement and Balance sheet

Income Statement (INR mn)					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	14,249	25,578	34,171	45,579	59,654
Sales Growth	60.7%	79.5%	33.6%	33.4%	30.9%
Other Operating Income	0	0	0	0	0
Total Revenue	14,249	25,578	34,171	45,579	59,654
Cost of Goods Sold/Op. Exp	3,255	9,073	10,068	13,315	18,544
Personnel Cost	12,555	15,396	16,132	19,087	22,349
Other Expenses	7,462	7,726	10,027	12,430	15,184
EBITDA	-9,023	-6,616	-2,056	747	3,577
EBITDA Margin	-63.3%	-25.9%	-6.0%	1.6%	6.0%
EBITDA Growth	0.0%	0.0%	0.0%	0.0%	378.8%
Deprn. & Amort.	428	628	768	862	974
EBIT	-9,452	-7,244	-2,825	-115	2,603
Other Income	1,254	2,590	3,337	3,560	3,925
Finance Cost	136	214	203	221	245
PBT before Excep. & Forex	-8,334	-4,868	310	3,224	6,283
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	-8,334	-4,868	310	3,224	6,283
Taxes	-5	0	15	483	942
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	-2	-2	-2	-2
Reported Net Profit	-8,329	-4,869	293	2,739	5,339
Adjusted Net Profit	-8,329	-4,869	293	2,739	5,339
Net Margin	-58.5%	-19.0%	0.9%	6.0%	8.9%
Diluted Share Cap. (mn)	421.0	488.1	488.1	488.1	488.1
Diluted EPS (INR)	-19.8	-10.0	0.6	5.6	10.9
Diluted EPS Growth	0.0%	0.0%	0.0%	835.7%	94.9%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Shareholders' Fund	54,117	54,848	58,666	63,696	70,639
Share Capital	899	900	900	900	900
Reserves & Surplus	53,218	53,948	57,766	62,796	69,739
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	-792	-1,289	-1,289	-1,289	-1,289
Total - Equity & Liab.	53,324	53,559	57,377	62,407	69,350
Net Fixed Assets	2,049	3,133	3,770	4,157	4,631
Gross Fixed Assets	973	1,538	1,939	2,430	3,005
Intangible Assets	1,690	2,449	2,966	3,197	3,494
Less: Deprn. & Amort.	614	854	1,135	1,471	1,868
Capital WIP	0	0	0	0	0
Investments	15,014	43,175	43,175	43,175	43,175
Current Assets	41,299	14,943	19,059	26,113	35,585
Inventories	0	0	0	0	0
Sundry Debtors	3,609	6,773	6,694	8,804	11,359
Cash & Bank Balances	37,002	7,627	9,905	14,483	21,124
Loans & Advances	0	0	0	0	0
Other Current Assets	688	543	2,460	2,826	3,102
Current Liab. & Prov.	5,038	7,692	8,628	11,038	14,041
Current Liabilities	3,576	5,327	5,381	6,594	8,075
Provisions & Others	1,463	2,365	3,246	4,444	5,965
Net Current Assets	36,261	7,251	10,431	15,075	21,544
Total - Assets	53,324	53,559	57,377	62,407	69,350

Source: Company, JM Financial

Financial snapshot – Key Ratios, Dupont Analysis & Valuations

Cash Flow Statement					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Profit before Tax	-8,334	-4,880	308	3,222	6,281
Depn. & Amort.	428	638	338	392	454
Net Interest Exp. / Inc. (-)	-897	-1,996	-3,134	-3,339	-3,680
Inc (-) / Dec in WCap.	-1,294	-1,340	-789	-262	-80
Others	5,917	5,086	3,525	2,291	1,604
Taxes Paid	-238	-498	-15	-483	-942
Operating Cash Flow	-4,416	-2,990	233	1,822	3,637
Capex	-311	-637	-458	-548	-631
Free Cash Flow	-4,727	-3,627	-225	1,274	3,006
Inc (-) / Dec in Investments	-33,230	-1,145	0	0	0
Others	1,013	2,197	3,337	3,560	3,925
Investing Cash Flow	-32,529	414	2,879	3,012	3,294
Inc / Dec (-) in Capital	36,453	1	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	0	0	0	0	0
Others	-239	-426	-835	-256	-290
Financing Cash Flow	36,214	-425	-835	-256	-290
Inc / Dec (-) in Cash	-731	-3,001	2,278	4,578	6,641
Opening Cash Balance	4,388	11,351	7,627	9,905	14,483
Closing Cash Balance	37,002	8,351	9,905	14,483	21,124

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	-58.5%	-19.0%	0.9%	6.0%	8.9%
Asset Turnover (x)	0.3	0.4	0.5	0.6	0.7
Leverage Factor (x)	1.1	1.1	1.1	1.2	1.2
RoE	-22.5%	-8.9%	0.5%	4.5%	7.9%

Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	132.2	122.0	130.5	141.7	157.2
ROIC	-362.0%	-144.8%	-38.2%	-1.2%	25.5%
ROE	-22.5%	-8.9%	0.5%	4.5%	7.9%
Net Debt/Equity (x)	-0.9	-0.9	-0.9	-0.9	-0.9
P/E (x)	-31.3	-62.0	1,032.2	110.3	56.6
P/B (x)	4.7	5.1	4.7	4.4	3.9
EV/EBITDA (x)	-25.3	-34.8	-110.7	298.7	60.6
EV/Sales (x)	16.0	9.0	6.7	4.9	3.6
Debtor days	92	97	72	71	70
Inventory days	0	0	0	0	0
Creditor days	31	35	33	35	36

Source: Company, JM Financial

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Rating	Meaning
Buy	Total expected returns of more than 15%. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 15% upside from the current market price.
Sell	Price expected to move downwards by more than 10%

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