



Pick of the week

Zee Entertainment Enterprises Limited. (ZEE)

Recommendation: **BUY**

Current Price: ₹319

Potential Upside: **25.4%**

Time Period: **12 Month**

Target Price: ₹400

Why invest?

- 📌 Zee Board has approved a non-binding term sheet from Sony Pictures Network India (SPNI) for a potential merger of Zee and SPNI (subject to due diligence and regulatory approvals) as per the following terms: (1) indicative merger ratio of 47.07%/52.93% (Zee: SPNI) post capital infusion of US\$1.575 bn by SPNI; this deal values Zee at Rs250/share, (2) SPNI would be promoter of the MergeCo and have the right to nominate the majority of board members.
- 📌 This deal would put an end to governance concerns and improve probability of success in digital. Revenue and cost synergies could be in the range 5-7% each over 2-3 years in our view.
- 📌 The MergeCo would become India's #1 broadcaster with about 30% viewership market share and a portfolio with meaningful strength in Hindi and regional entertainment, and presence in sports genre and digital.
- 📌 We raise FV to Rs400 valuing the business at about 22X 2-yr FY2024E potential earnings (including synergies).
- 📌 Key risk to our call— deal not fructifying due to SPNI's change in view post due diligence or lack of regulatory approvals. Even then, we expect shareholder activism to end governance concerns.