

## Televisa

# 4Q23 Review: Some positive points, but trends remain pressured

Reiterate Rating: BUY | PO: 15.00 MXN | Price: 10.94 MXN

## Slightly better than our conservative numbers

TV reported better 4Q results than our conservative estimates but still showing pressured trends. Revenue was 1% above BofAe, down 4% YoY. EBITDA mg remained pressured at 32%, but was up 210bps QoQ, 50bps above vs BofAe. Excluding the impact from other operating income however (tax recoveries and end of lawsuits), margin would have been 60bps below BofAe. Net income came in at -MXN8.6bn, negatively impacted by -MXN6.9bn from losses of associates mostly due to an impairment loss in TV+UNI and a higher- than-expected income tax at MXN 1.6bn (likely one-off). We reiterate our Buy rating and PO of MXN15, as we see an appealing valuation at 3.8x EV/EBITDA 24E.

## Cable: Some recovery after a soft 3Q

Cable had in line figures, with close to 10k net adds, with close to zero on broadband Vs -350k in 3Q and -40k in 2Q. We highlight net adds should still be impacted by the segment's recent restructuring but showed some sequential pick up. Revenue came in 1% above BofAe, down 2% YoY, hampered by a soft performance in enterprise. EBITDA margin remained pressured at 38%, down 220bps YoY, but was 90bps above BofAe.

## Sky: Difficult operational scenario persists

Sky had another difficult quarter. Although Net revenue came in line with BofAe, it was still down 15% YoY, negatively impacted by significant net disconnections, which reached -160k, vs -230k in 3Q and -190k in 2Q. EBITDA margin came in at 27.3%, 80 bps above BofA and up 400bps YoY (easy comp) but is still pressured.

## Others: Solid performance; Spin-off happened this week

Other businesses had a solid performance, with revenues 5% above BofAe and up 6% YoY. EBITDA margin came in at 22%, in line with our number. We highlight that the spin-off for most of the operations under other businesses into Ollamani happened this week and it started trading in the Mexican stock exchange on Tuesday (21).

Estimates(Dec) (MXN)	2021A	2022A	2023E	2024E	2025E
EPS	1.94	(4.57)	(0.43)	0.67	1.12
GAAP EPS	1.50	(4.78)	(0.45)	0.55	0.92
EPS Change (YoY)	304.2%	NM	90.6%	NM	67.2%
Consensus EPS (Bloomberg)			(0.44)	0.51	0.95
DPS	0	0	0.07	0.34	0.56
ADR EPS (US\$)	0.10	(0.23)	(0.03)	0.04	0.07
ADR DPS (US\$)	0	0	0	0.02	0.03
<b>Valuation (Dec)</b>					
P/E	5.6x	NM	NM	16.3x	9.8x
GAAP P/E	7.3x	NM	NM	19.9x	11.9x
Dividend Yield	0%	0%	0.6%	3.1%	5.1%
EV / EBITDA*	2.4x	4.1x	4.2x	4.2x	4.0x
Free Cash Flow Yield*	-43.7%	153.6%	44.5%	16.7%	13.9%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

23 February 2024

### Equity

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### Stock Data

Price (Common / ADR)	10.94 MXN / 3.20 USD
Price Objective	15.00 MXN / 4.40 USD
Date Established	9-Jan-2024 / 9-Jan-2024
Investment Opinion	B-1-7 / C-1-7
52-Week Range	7.25 MXN - 20.13 MXN
Market Value (mn)	30,467 MXN
Free Float	100.0%
Average Daily Value	3.15 USD
Shares Outstanding (mn)	2,784.9 / 2,784.9
BofA Ticker / Exchange	GRPFF / MEX
BofA Ticker / Exchange	TV / NYS
Bloomberg / Reuters	TLEVICPO MM / TLEVISACPO.MX
ROE (2023E)	-0.8%
Net Dbt to Eqty (Dec-2022A)	45.1%

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**Refer to important disclosures on page 7 to 10. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.**

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Timestamp: 23 February 2024 02:27AM EST

# iQprofile<sup>SM</sup> Televisa

## iQmethod<sup>SM</sup> – Bus Performance\*

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	4.7%	1.5%	1.1%	1.3%	2.2%
Return on Equity	5.9%	-10.9%	-0.8%	1.3%	2.2%
Operating Margin	21.4%	5.8%	4.4%	5.1%	8.2%
Free Cash Flow	(13,318)	46,804	13,550	5,100	4,224

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	-2.5x	NM	NM	2.7x	1.4x
Asset Replacement Ratio	0x	0x	0x	0x	0x
Tax Rate	53.3%	7.3%	NM	NM	6.6%
Net Debt-to-Equity Ratio	116.6%	45.1%	45.0%	42.4%	39.7%
Interest Cover	2.6x	0.6x	0.7x	0.8x	1.1x

## Income Statement Data (Dec)

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Sales	103,522	75,527	73,903	74,176	75,626
% Change	6.6%	-27.0%	-2.1%	0.4%	2.0%
Gross Profit	43,960	26,719	25,569	25,972	28,127
% Change	9.5%	-39.2%	-4.3%	1.6%	8.3%
EBITDA	43,602	25,505	24,462	24,692	25,667
% Change	10.7%	-41.5%	-4.1%	0.9%	4.0%
Net Interest & Other Income	(8,111)	(17,649)	(3,572)	(1,935)	(2,272)
<b>Net Income (Adjusted)</b>	<b>5,429</b>	<b>(12,932)</b>	<b>(1,202)</b>	<b>1,879</b>	<b>3,124</b>
<b>% Change</b>	<b>295.7%</b>	<b>NM</b>	<b>90.7%</b>	<b>NM</b>	<b>66.3%</b>

## Free Cash Flow Data (Dec)

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	5,387	(12,912)	(1,202)	1,879	3,124
Depreciation & Amortization	21,418	21,117	21,191	20,919	19,459
Change in Working Capital	(2,778)	22,753	(2,923)	(1,166)	(209)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(37,345)	15,846	(3,516)	(16,532)	(18,150)
Capital Expenditure	0	0	0	0	0
<b>Free Cash Flow</b>	<b>-13,318</b>	<b>46,804</b>	<b>13,550</b>	<b>5,100</b>	<b>4,224</b>
<b>% Change</b>	<b>-597.9%</b>	<b>NM</b>	<b>-71.0%</b>	<b>-62.4%</b>	<b>-17.2%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	(186)	(940)	(1,562)
Change in Debt	3,725	(22,134)	(15,814)	0	0

## Balance Sheet Data (Dec)

(MXN Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	25,790	51,131	35,389	38,557	41,578
Trade Receivables	31,059	8,760	9,579	10,133	10,360
Other Current Assets	16,110	21,642	21,178	21,171	21,156
Property, Plant & Equipment	130,178	123,360	119,538	113,509	109,247
Other Non-Current Assets	89,764	92,812	91,335	94,302	97,447
<b>Total Assets</b>	<b>292,901</b>	<b>297,705</b>	<b>277,020</b>	<b>277,672</b>	<b>279,787</b>
Short-Term Debt	7,617	4,134	12,584	12,584	12,584
Other Current Liabilities	48,882	30,563	25,633	25,014	25,015
Long-Term Debt	129,888	111,237	86,972	86,972	86,972
Other Non-Current Liabilities	10,727	9,380	9,128	9,128	9,128
<b>Total Liabilities</b>	<b>197,114</b>	<b>155,313</b>	<b>134,317</b>	<b>133,698</b>	<b>133,700</b>
<b>Total Equity</b>	<b>95,787</b>	<b>142,392</b>	<b>142,703</b>	<b>143,974</b>	<b>146,087</b>
<b>Total Equity &amp; Liabilities</b>	<b>292,901</b>	<b>297,705</b>	<b>277,020</b>	<b>277,672</b>	<b>279,787</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Cable TV

## Company Description

Grupo Televisa is the largest cable operator in Mexico, the leading content provider in the Spanish-speaking world, and the largest DTH platform in Mexico, Central America and the Caribbean.

## Investment Rationale

We see a difficult landscape for Televisa on the broadband market as both Mega and TotalPlay have aggressive expansion plans, and in regions where Televisa has most subscribers Total Play is also strong. Despite that, we believe this negative scenario is already priced in, while a limited value is given to the company's stake in TV+UNIL (content business), with a relevant upside potential from its streaming product Vix.

## Stock Data

Average Daily Volume	4,925,993
Shares / ADR	1.00

## Quarterly Earnings Estimates

	2022	2023
Q1	NA	NA
Q2	NA	NA
Q3	NA	NA
Q4	NA	NA

# Conference Call to be hosted Feb 23 at 10am EST

The Company will host its 4Q23 conference call on Friday (Feb 23) at 10am EST time.  
To access the Conference you can dial-in on numbers below.

USA: +1 (877) 883 0383 before 09:45 A.M. ET

Other: +1 (412) 902 6506

Conference ID: 2709545

## Exhibit 1: TV reported mixed results, with revenues 1% above BofAe and EBITDA margin 50bps above our numbers.

Televisa's Review table

In MXNm, except stated otherwise	4Q23	4Q23e	Consensus	A/E	A/C	4Q22	YoY	3Q23	QoQ
<b>Revenue</b>	<b>18,412</b>	<b>18,177</b>	<b>18,117</b>	<b>1.3%</b>	<b>1.6%</b>	<b>19,132</b>	<b>-3.8%</b>	<b>18,316</b>	<b>0.5%</b>
Operating segments expenses	(12,737)	(12,279)		3.7%	-	(13,247)	-3.8%	(12,131)	5.0%
Other operating income/(expense)	214	(182)		NM	-	(346)	NM	(717)	NM
<b>EBITDA</b>	<b>5,889</b>	<b>5,716</b>	<b>5,741</b>	<b>3.0%</b>	<b>2.6%</b>	<b>5,539</b>	<b>6.3%</b>	<b>5,467</b>	<b>7.7%</b>
<b>% EBITDA margin</b>	<b>32.0%</b>	<b>31.4%</b>	<b>31.7%</b>	<b>53.7bps</b>	<b>29.5bps</b>	<b>29.0%</b>	<b>303.3bps</b>	<b>29.8%</b>	<b>213</b>
Depreciation and amortization	(5,344)	(5,477)		-2.4%		(5,703)	-6.3%	(5,544)	(3.6%)
<b>EBIT</b>	<b>545</b>	<b>239</b>		<b>127.8%</b>	<b>-</b>	<b>(163.9)</b>	<b>NM</b>	<b>(77)</b>	<b>NM</b>
<b>EBIT margin</b>	<b>3.0%</b>	<b>1.3%</b>		<b>164.3bps</b>	<b>-</b>	<b>-0.9%</b>	<b>381.6bps</b>	<b>-0.4%</b>	<b>338</b>
Net financial results	(1,086)	(870)		24.9%	-	(2,214)	-50.9%	(588)	84.8%
Other pre-tax non-op. results	(6,921)	490		NM	-	(13,713)	-49.5%	589	NM
<b>Pre-tax profit</b>	<b>(7,462)</b>	<b>(141)</b>		<b>NM</b>	<b>-</b>	<b>(16,091)</b>	<b>-53.6%</b>	<b>(76)</b>	<b>NM</b>
Income tax expense	(1,560)	233		NM	-	1,952	NM	(975)	60.0%
Minority interest	360	(14)		NM	-	(70)	<b>NM</b>	133	170.7%
<b>Net profit (reported)</b>	<b>(8,662)</b>	<b>78</b>	<b>(145)</b>	<b>NM</b>	<b>NM</b>	<b>(14,209)</b>	<b>-39.0%</b>	<b>(918)</b>	<b>843.1%</b>
<b>EPS</b>	<b>(3.1)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>NM</b>	<b>NM</b>	<b>(5.0)</b>	<b>-38.1%</b>	<b>(0.3)</b>	<b>843.1%</b>
<b>Sky</b>									
Sky RGUs	6,115	6,098	-	0.3%	-	6,913	-11.5%	6,276	-2.6%
Sky ARPU (MXN)	195	224	-	-12.9%	-	231	-15.5%	224	-12.8%
<b>Sky revenue</b>	<b>4,182</b>	<b>4,162</b>	<b>-</b>	<b>0.5%</b>	<b>-</b>	<b>4,937</b>	<b>-15.3%</b>	<b>4,297</b>	<b>-2.7%</b>
Sky opex	(3,041)	(3,059)	-	-0.6%	-	(3,785)	-19.7%	(2,763)	10.0%
<b>Sky EBITDA</b>	<b>1,141</b>	<b>1,103</b>	<b>-</b>	<b>3.5%</b>	<b>-</b>	<b>1,152</b>	<b>-0.9%</b>	<b>1,533</b>	<b>-25.6%</b>
<b>Sky EBITDA margin</b>	<b>27.3%</b>	<b>26.5%</b>	<b>-</b>	<b>78.4bps</b>	<b>-</b>	<b>23.3%</b>	<b>395.6bps</b>	<b>35.7%</b>	<b>-840bps</b>
<b>Cable</b>									
Video RGUs	4,059	4,079	-	-0.5%	-	4,458	-8.9%	4,059	0.0%
Broadband RGUs	5,678	5,685	-	-0.1%	-	5,984	-5.1%	5,678	0.0%
Voice RGUs	5,351	5,351	-	0.0%	-	5,234	2.2%	5,351	0.0%
<b>Cable RGUs</b>	<b>15,397</b>	<b>15,440</b>	<b>-</b>	<b>-0.3%</b>	<b>-</b>	<b>15,916</b>	<b>-3.3%</b>	<b>15,387</b>	<b>0.1%</b>
Cable ARPU (MXN)	265	262	-	1.0%	-	261	1.5%	263	0.7%
<b>Cable revenue</b>	<b>12,240</b>	<b>12,130</b>	<b>-</b>	<b>0.9%</b>	<b>-</b>	<b>12,463</b>	<b>-1.8%</b>	<b>12,148</b>	<b>0.8%</b>
Cable opex	(7,539)	(7,581)	-	-0.6%	-	(7,404)	1.8%	(7,827)	-3.7%
<b>Cable EBITDA</b>	<b>4,702</b>	<b>4,549</b>	<b>-</b>	<b>3.4%</b>	<b>-</b>	<b>5,059</b>	<b>-7.1%</b>	<b>4,321</b>	<b>8.8%</b>
<b>Cable EBITDA margin</b>	<b>38.4%</b>	<b>37.5%</b>	<b>-</b>	<b>91.2bps</b>	<b>-</b>	<b>40.6%</b>	<b>-218.1bps</b>	<b>35.6%</b>	<b>284.4bps</b>
<b>Publishing &amp; Other</b>									
<b>Publishing &amp; Other revenue</b>	<b>2,128</b>	<b>2,022</b>	<b>-</b>	<b>5.2%</b>	<b>-</b>	<b>2,002</b>	<b>6.3%</b>	<b>1,975</b>	<b>7.8%</b>
Publishing & Other opex	(1,665)	(1,577)	-	5.5%	-	(1,503)	10.8%	(1,414)	17.8%
<b>Publishing &amp; Other EBITDA</b>	<b>463</b>	<b>445</b>	<b>-</b>	<b>4.1%</b>	<b>-</b>	<b>499</b>	<b>-7.2%</b>	<b>561</b>	<b>-17.5%</b>
<b>Publishing &amp; Other EBITDA margin</b>	<b>21.8%</b>	<b>22.0%</b>	<b>-</b>	<b>-23.6bps</b>	<b>-</b>	<b>24.9%</b>	<b>-316.7bps</b>	<b>28.4%</b>	<b>-664.5bps</b>

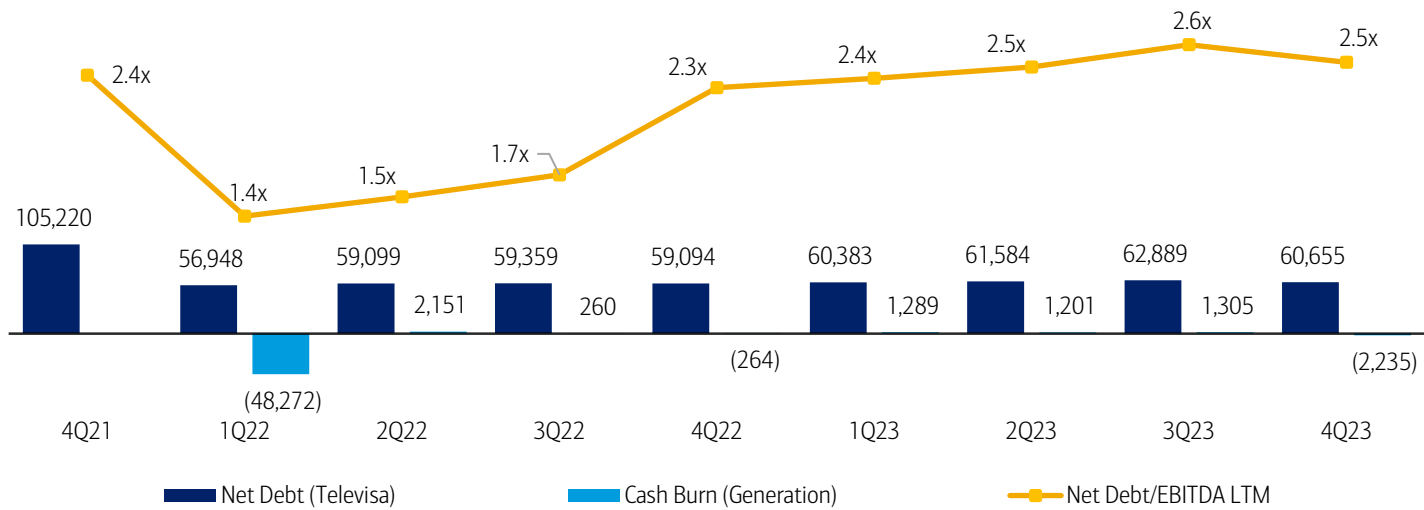
Source: Company data; Bloomberg; BofA Global Research

BofA GLOBAL RESEARCH



Exhibit 2: TV generated cash for the first time since 4Q22

TV's cash generation and net debt evolution (MXNmn)

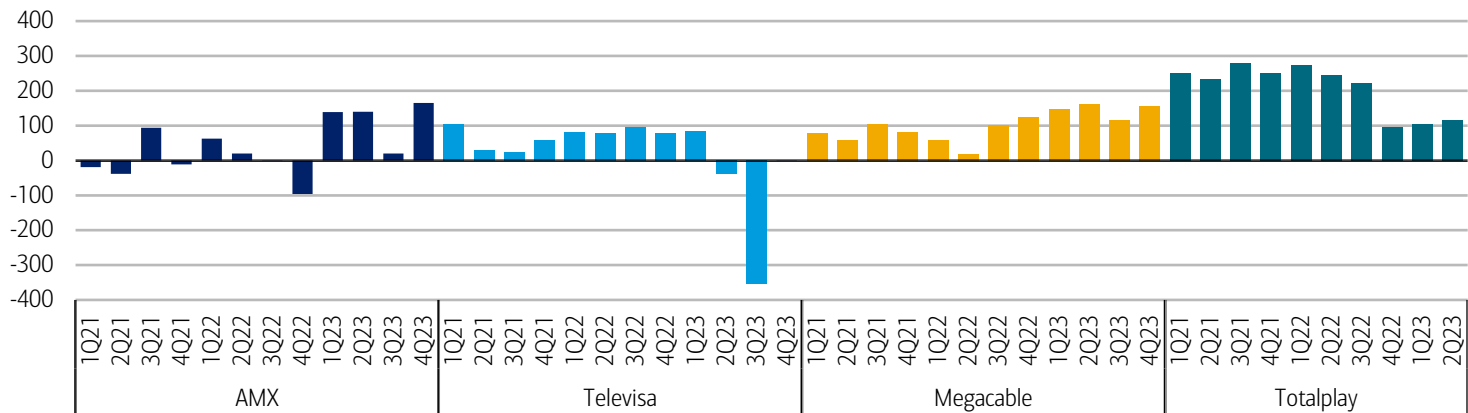


Source: Company data; BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 3: TV recorded 1k net adds for the 4Q and -306k net disconnections for 2023.

Net adds for MX broadband companies (000's users)



Source: Company data; BofA Global Research

BofA GLOBAL RESEARCH



## Price objective basis & risk

### Televisa (GRPFF / TV)

Our price objective of MXN15/US\$4.4 per share is based on a 10-year DCF-to-Firm, discounted at a WACC of 10.5%, assuming a capital structure of 80% equity / 20% debt in the long term. Our cost of equity (Ke) is composed of a Beta of 1.1, a risk-free rate of 3%, a market risk premium of 6% and a country risk in Mexico of 150bps. We use cost of debt of 4.2% and terminal growth rate of 3%. We also add to our DCF an additional MXN15 regarding Univision deal at a 9.5x EV/EBITDA multiple.

Downside risks: (i) execution risks, (ii) lower-than-expected demand for the streaming service, given strong competition from other international players, (iii) higher competition in broadband segment as MX competitors accelerate on its FTTH strategy.

Upside risks: (i) better performance on streaming, (ii) higher net adds on fiber, (iii) potential M&A activity, (iv) potential spin-off of other businesses.

## Analyst Certification

We, Fred Mendes, CFA, Gustavo Tiseo, Lucca R Brendim and Mirela Oliveira, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### Latin America - Telecom Services and Information Technology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	America Movil	AMX	AMX US	Fred Mendes, CFA
	America Movil	AMXVF	AMXB MM	Fred Mendes, CFA
	Desktop S.A	XNUKF	DESK3 BZ	Fred Mendes, CFA
	Eletromidia	XSUHF	ELMD3 BZ	Fred Mendes, CFA
	Locaweb	XZVMF	LWSA3 BZ	Fred Mendes, CFA
	Telefonica Brasil	XCPTF	VIVT3 BZ	Fred Mendes, CFA
	Telefonica Brasil	VIV	VIV US	Fred Mendes, CFA
	Televisa	TV	TV US	Fred Mendes, CFA
	Televisa	GRPFF	TLEVICPO MM	Fred Mendes, CFA
	TIM Brasil	TIMB	TIMB US	Fred Mendes, CFA
	TIM Brasil	XZUAF	TIMS3 BZ	Fred Mendes, CFA
	TOTVS	XBEGF	TOTS3 BZ	Fred Mendes, CFA
	VTEX	VTEX	VTEX US	Fred Mendes, CFA
<b>NEUTRAL</b>				
	Intelbras S.A.	XLTXF	INTB3 BZ	Fred Mendes, CFA
<b>UNDERPERFORM</b>				
	Brisanet	XNHKF	BRIT3 BZ	Fred Mendes, CFA
	Megacable Holdings SAB	MHSDF	MEGACPO MM	Fred Mendes, CFA
	Unifiqu S.A	XFYDF	FIQE3 BZ	Fred Mendes, CFA



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### Quality of Earnings

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

### Valuation Toolkit

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

### Numerator

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$   
Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

### Numerator

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

### Numerator

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$   
Enterprise Value

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

### Denominator

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

### 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

Basic EBIT + Depreciation + Amortization

iQmethod<sup>SM</sup> is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

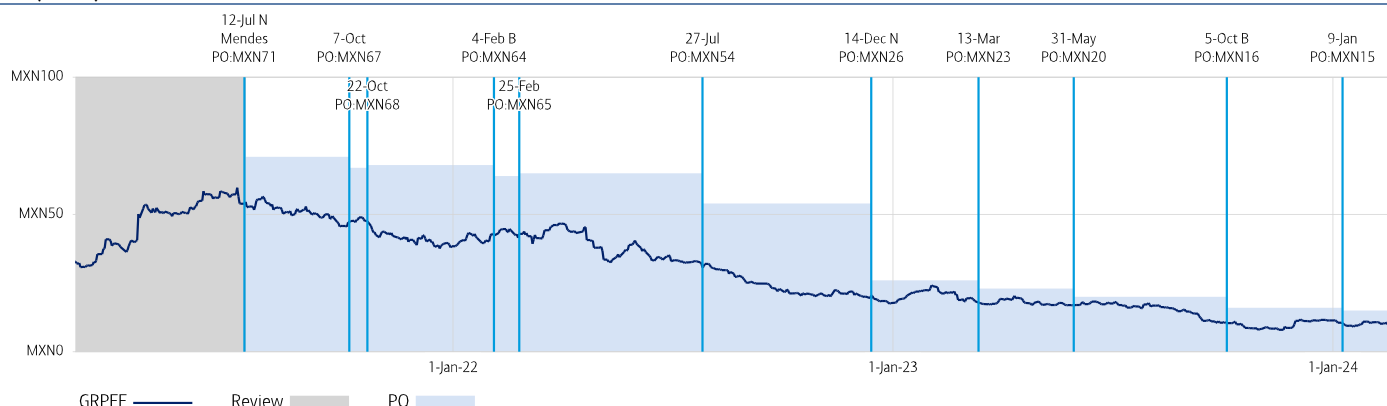
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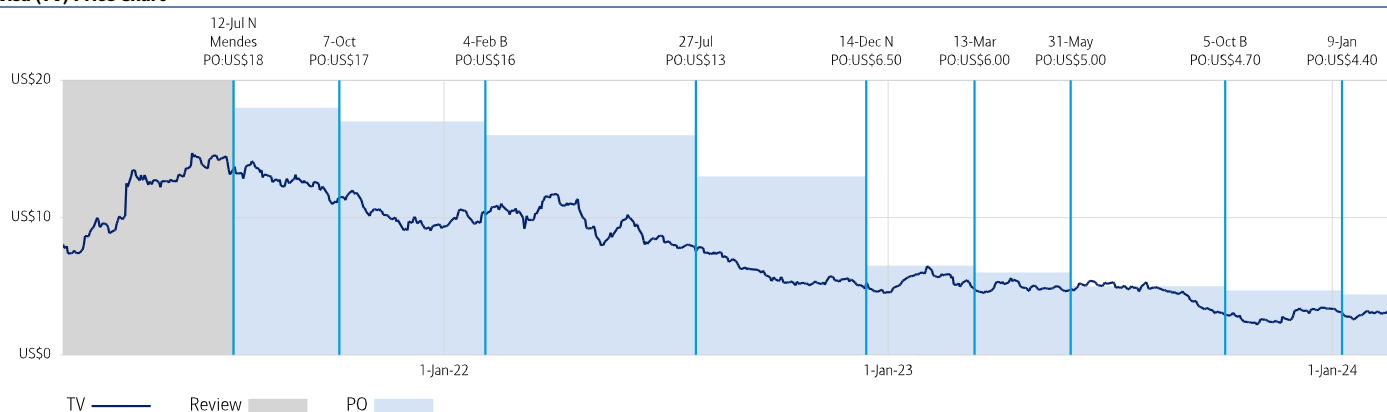
### Televisa (GRPFF) Price Chart



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.

### Televisa (TV) Price Chart



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

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### Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>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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