

Televisa

TMT Morning Radar: Televisa announces update on spin-off

Maintain Rating: BUY | PO: 15.00 MXN | Price: 10.32 MXN

Share emission will have par value with TV shares

Yesterday (13), Televisa (TV) provided an update regarding the planned spin-off of its other businesses. In it, the company stated that the National Banking and Securities Commission (CNBV) had authorized the registration of (i) the Series A, B, D and L nominative shares, representative of the capital stock of Ollamani and (ii) the ordinary participation certificates (CPOs) issued based on Ollamani shares. Holders of shares of any Series will be entitled to receive one Ollamani share for their respective Televisa once distribution takes place on February 20.

Our take: Avenue to unlock value, but relatively small size

We believe the spin-off could be a way to unlock value for shareholders given TV's discounted valuation, but it still should have somewhat of a limited impact given its small size. We highlight the NewCo will comprise most of TV's business excluding Cable, Sky and its stake in TelevisaUnivision. In addition, the NewCo should also have a very limited net debt. We reiterate our Buy rating and PO of MXN15 for TV.

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)	(0.02)	0.04	0.07
ADR DPS (US\$)	0	0	0	0.02	0.03
Valuation (Dec)					
P/E	5.3x	NM	NM	15.4x	9.2x
GAAP P/E	6.9x	NM	NM	18.8x	11.2x
Dividend Yield	0%	0%	0.6%	3.3%	5.4%
EV / EBITDA*	2.3x	4.0x	4.2x	4.1x	4.0x
Free Cash Flow Yield*	-46.3%	162.9%	47.1%	17.7%	14.7%

* For full definitions of *IQmethod*SM measures, see page 4.

14 February 2024

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Stock Data

Price (Common / ADR)	10.32 MXN / 3.02 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	7.63 MXN - 22.52 MXN
Market Value (mn)	28,740 MXN
Free Float	100.0%
Average Daily Value	2.88 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 5 to 8. Analyst Certification on page 3. Price Objective Basis/Risk on page 3.

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Timestamp: 14 February 2024 06:57AM EST

iQprofileSM Televisa

iQmethodSM – 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

iQmethodSM – 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)
Net Income (Adjusted)	5,429	(12,932)	(1,202)	1,879	3,124
% Change	295.7%	NM	90.7%	NM	66.3%

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
Free Cash Flow	-13,318	46,804	13,550	5,100	4,224
% Change	-597.9%	NM	-71.0%	-62.4%	-17.2%
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
Total Assets	292,901	297,705	277,020	277,672	279,787
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
Total Liabilities	197,114	155,313	134,317	133,698	133,700
Total Equity	95,787	142,392	142,703	143,974	146,087
Total Equity & Liabilities	292,901	297,705	277,020	277,672	279,787

* For full definitions of iQmethodSM measures, see page 4.

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+UNI (content business), with a relevant upside potential from its streaming product Vix.

Stock Data

Average Daily Volume	4,821,558
Shares / ADR	1.00

Quarterly Earnings Estimates

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

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

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Latin America - Telecom Services and Information Technology Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	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	VVT3 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
NEUTRAL				
	Intelbras S.A.	XLTXF	INTB3 BZ	Fred Mendes, CFA
UNDERPERFORM				
	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



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

Basic EBIT + Depreciation + Amortization

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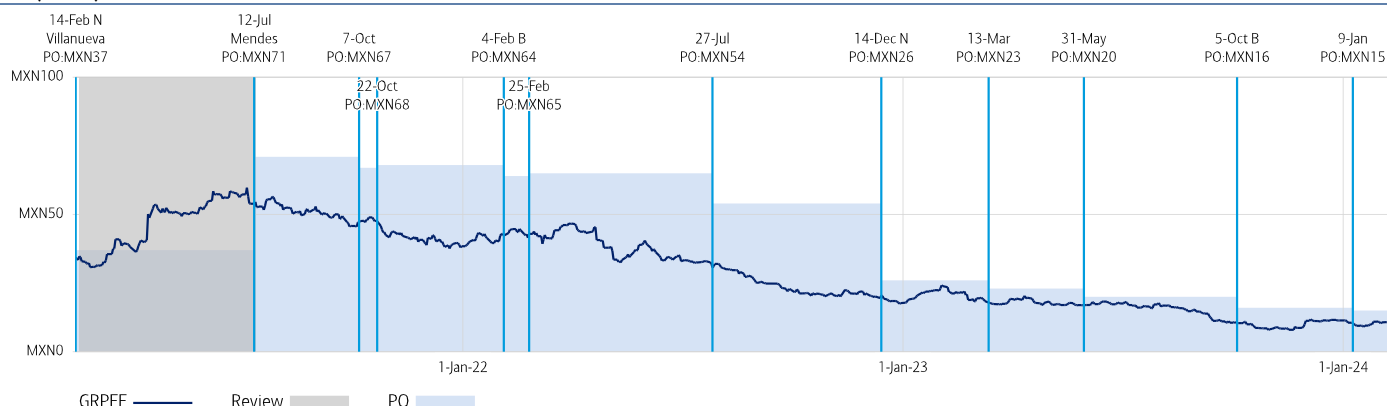
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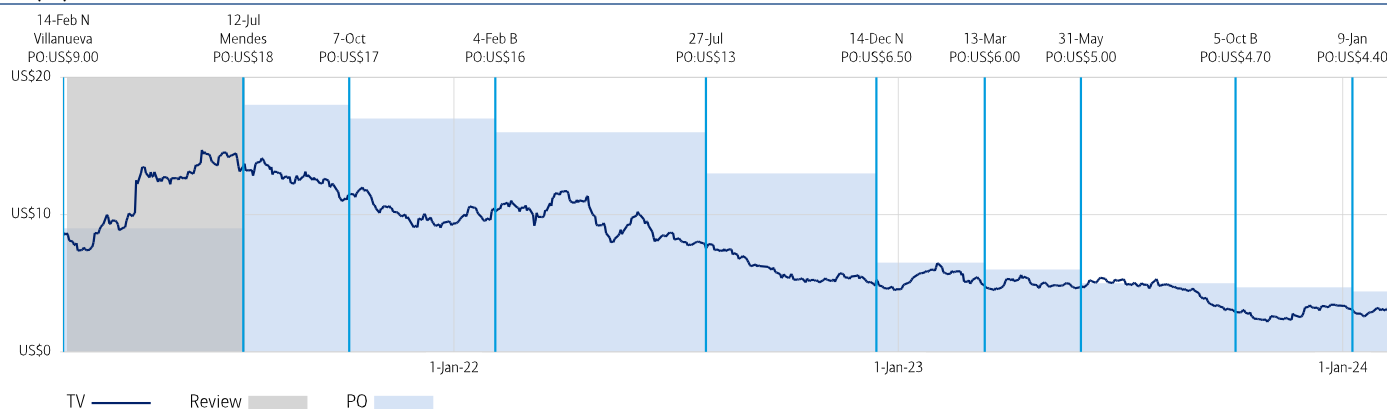
Televisa (GRPFF) Price Chart



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 ^{R1}	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 ^{R1}	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%

^{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}
Buy	≥ 10%	≤ 70%
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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