

# TLEVISA

Quarterly Report

April 29, 2021

## Advertising virtually at pre-pandemic levels

- **Televisa reported in line with expectations, confirming a strong recovery in Advertising sales, while Pay TV maintained the favorable performance seen in recent quarters**
- **Once again, Content's aggressive cost and expense reduction plan boosted profitability, while focus will continue on [the recently announced merger of Content with Univision](#)**
- **Assuming a higher value for Televisa-Univision, we raised our PT to MXN 61.00 from MXN 47.00 per CPO. Cable and its capital structure's strengthening potential lead us to reiterate our BUY rating**

**Good start of the year, in line with expectations.** Increased advertisers' activity, in light of the economic recovery, was reflected in Advertising sales practically reaching 2019 levels (+28.1% y/y and -8.3% vs. 1Q19), which boosted Content revenues year-over-year by 10.2%. Meanwhile, connectivity and entertainment needs remained latent with the net addition of 200,000 RGUs in Pay TV (151k in Cable and 49k in satellite TV), offsetting slight ARPU pressures from demand for more affordable packages. As a result, Izzi and Sky sales increased 7.9% and 4.1%, respectively, offsetting the 50% decline in Other Businesses and bringing the consolidated indicator to MXN 23.829 billion (+2.6% y/y). Again, efficiencies and improved operating leverage in Content led to an 810 bps expansion in the respective margin to 32% (even higher than pre-pandemic levels), which offset 0.3pp in Sky and 10 bps in Cable, as well as the impact of having Other Businesses barely surpassing the break-even point. That said, consolidated EBITDA grew 6.9% y/y to MXN 8.863 billion and EBITDA margin improved 1.5pp to 37.2%. Finally, lower FX losses and a slight profit at associates (vs. strong losses a year ago) drove the company to cut its net loss to -MXN 584 million, comparing very favorably vs. the -MXN 9.652 billion reported in 1Q20.

www.banorte.com  
@analisis\_fundam

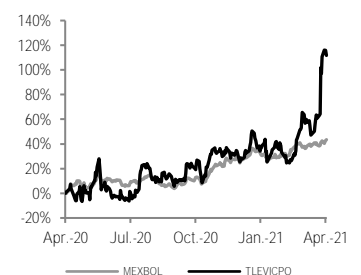
Consumer and Telecom

Valentin Mendoza  
Senior Strategist, Equity  
valentin.mendoza@banorte.com

Juan Barbier, CFA  
Analyst  
juan.barbier@banorte.com

BUY	
Current Price	\$52.38
PT	\$61.00
Dividend	\$0.35
Dividend Yield (%)	0.7%
Upside Potential	17.1%
ADR current price	US\$13.03
PT ADR	US\$15.00
# Shares per ADR	5
Max - Min LTM (\$)	54.00 - 22.70
Market Cap (US\$m)	7,334.17
Shares Outstanding (m)	2,786.3
Float	80%
Daily Turnover US\$m	130.7
Valuation metrics LTM	
FV/EBITDA	6.8xx
P/E	17.8x
MSCI ESG Rating*	CCC

Relative performance to Mexbol LTM



### Financial Statements

	2019	2020	2021E	2022E
Revenue	101,492	97,362	103,360	108,236
Operating Income	17,209	17,549	18,757	20,809
EBITDA	39,313	38,553	40,448	42,678
EBITDA Margin	38.7%	39.6%	39.1%	39.4%
Net Income	4,722	-892	3,372	2,839
Net Margin	4.7%	-0.9%	3.3%	2.6%
Total Assets	290,422	271,985	287,275	303,128
Cash	27,452	29,169	30,674	43,319
Total Liabilities	184,922	183,675	193,645	204,230
Debt	133,568	133,780	134,636	142,894
Common Equity	105,500	88,311	93,630	98,898

Source: Banorte

### Valuation and Financial metrics

	2019	2020	2021E	2022E
FV/EBITDA	6.9x	6.9x	6.6x	6.2x
P/E	32.0x	-163.6x	43.2x	51.3x
P/BV	1.7x	2.0x	1.9x	1.8x
ROE	4.5%	-0.9%	3.7%	2.9%
ROA	1.6%	-0.3%	1.2%	0.9%
EBITDA/ interest	3.8x	3.7x	4.5x	4.5x
Net Debt/EBITDA	2.7x	2.7x	2.6x	2.3x
Debt/Equity	1.3x	1.5x	1.4x	1.4x

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Publicidad prácticamente en niveles pre-pandemia" was released on April 22, 2021. Document for distribution among public

## TLEVISA – Results 1Q21

MXN, million

Concept	1Q20	1Q21	Var %	1Q21e	Diff% vs Estim.
Revenue	23,229	23,829	2.6%	23,785	0.2%
Operating Income	3,427	3,540	3.3%	3,544	-0.1%
Ebitda	8,293	8,863	6.9%	8,923	-0.7%
Net Income	-9,652	-584	-93.9%	32	N.A.

### Income Statement (Million pesos)

Year	2020	2020	2021	Change	Change
Quarter	1	4	1	% y/y	% q/q
Net Revenue	23,229	27,783	23,829	2.6%	-14.2%
Costs of goods sold	13,738	15,439	13,885	1.1%	-10.1%
Gross profit	9,491	12,344	9,944	4.8%	-19.4%
General expenses	6,349	6,084	6,251	-1.5%	2.8%
Operating Income	3,427	5,860	3,540	3.3%	-39.6%
Operating Margin	14.8%	21.1%	14.9%	0.1pp	(6.2pp)
Depreciation	5,152	5,639	5,170	0.4%	-8.3%
EBITDA	8,293	11,900	8,863	6.9%	-25.5%
EBITDA Margin	35.7%	42.8%	37.2%	1.5pp	(5.6pp)
Interest Income (Expense) net	(8,708)	2,386	(4,022)	-53.8%	N.A.
Interest expense	2,528	2,280	2,302	-8.9%	1.0%
Interest income	224	181	121	-45.8%	-32.9%
Other income (expense)	2,198	(1,847)	(117)	N.A.	-93.7%
Foreign exchange gain (loss)	(8,601)	6,332	(1,723)	-80.0%	N.A.
Unconsolidated subsidiaries	(5,349)	(439)	52	N.A.	N.A.
Income before taxes	(10,629)	7,807	(429)	-96.0%	N.A.
Income taxes	(1,726)	3,859	(104)	-94.0%	N.A.
Discontinued operations					
Consolidated Net Income	(8,904)	3,949	(326)	-96.3%	N.A.
Non-controlling interest	748	278	259	-65.4%	-7.1%
Net Income	(9,652)	3,670	(584)	-93.9%	N.A.
Net Margin	-41.6%	13.2%	-2.5%	39.1pp	(15.7pp)
EPS	(3.421)	1.317	(0.210)	-93.9%	N.A.

### Balance Sheet (Million pesos)

Total Current Assets	96,147	69,519	82,147	-14.6%	18.2%
Cash & Short Term Investments	44,940	29,169	28,862	-35.8%	-1.1%
Long Term Assets	213,316	202,466	206,840	-3.0%	2.2%
Property, Plant & Equipment (Net)	83,329	83,284	84,101	0.9%	1.0%
Intangible Assets (Net)	28,919	28,608	28,563	-1.2%	-0.2%
Total Assets	309,463	271,985	288,987	-6.6%	6.3%
Current Liabilities	51,257	44,039	59,878	16.8%	36.0%
Short Term Debt	4,171	3,829	3,779	-9.4%	-1.3%
Accounts Payable	44,735	36,131	53,289	19.1%	47.5%
Long Term Liabilities	176,276	139,636	140,411	-20.3%	0.6%
Long Term Debt	166,448	129,951	131,987	-20.7%	1.6%
Total Liabilities	227,533	183,675	200,289	-12.0%	9.0%
<b>Stockholders' Equity</b>	81,930	88,311	88,698	8.3%	0.4%
Non-controlling interest	15,871	14,510	14,782	-6.9%	1.9%
Total Equity	66,059	73,800	73,916	11.9%	0.2%
Liabilities & Equity	309,463	271,985	288,987	-6.6%	6.3%
Net Debt	125,678	104,611	106,904	-14.9%	2.2%

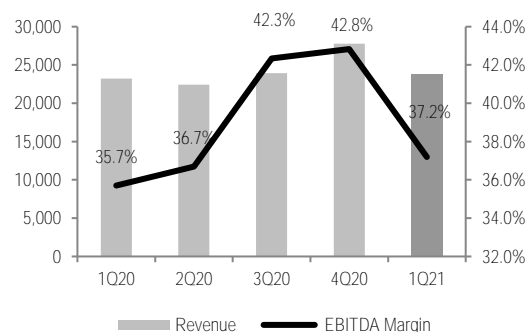
### Cash Flow

CF from Operating Activities	10,476.2	6,520.5	7,531.0
CF from Investing Activities	(4,118.8)	(3,849.7)	(4,487.3)
CF from Financing Activities	10,752.2	(18,145.5)	(3,272.1)
FX effect on cash	378.6	(208.5)	32.6
Change in Cash Balance	17,488.3	(15,683.2)	(195.9)

Source: Banorte, MSE.

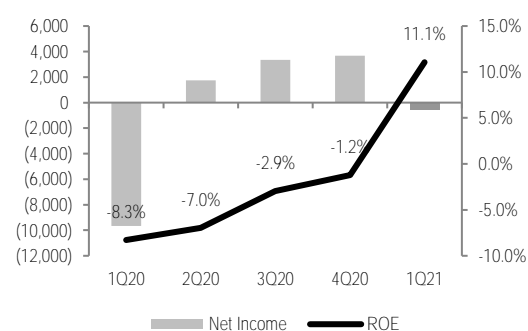
## Revenue & EBITDA Margin

MXN, million



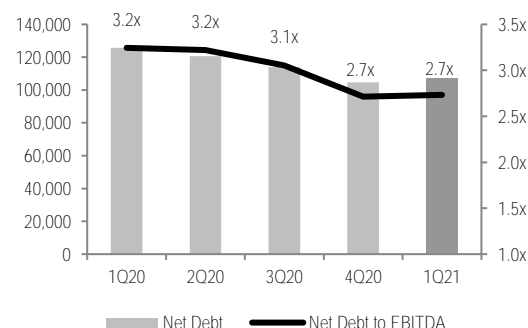
## Net Income & ROE

MXN, million



## Net Debt & Net Debt to EBITDA ratio

MXN, million



## Valuation and PT of MXN 61.00

We updated our sum-of-the-parts valuation model, now assuming the combination of the Content business with Univision and incorporating information included in the recently disclosed [corporate restructuring prospectus](#). Upon completion of the transaction, Televisa would no longer consolidate this business segment (32.1% of consolidated EBITDA in 2020) and the company will receive US\$3 billion in cash –less taxes generated by the transaction, being able to collect ~US\$2.85 billion on a net basis– for its contribution of these assets to the new company. At the same time, it will increase its stake to 45%, from its current 36% holding in Univision, in a now valued position of US\$2.7 billion (+US\$1.5 billion) and remaining as the largest shareholder. With this in mind, we raised our PT to MXN 61.00 per CPO from [MXN 47.00 pre-merger](#), primarily reflecting increased value of its investment in Televisa-Univision. We currently assume US\$2.7 billion at 1.0x P/B, as we now consider this valuation to be at market value following *Softbank's* US\$1 billion capitalization, being higher than the US\$626 million that we previously considered at 0.6 P/B. In addition, we have incorporated the MXN 57.57 billion cash inflow from the asset disposal.

Finally, the potential strengthening of the Telecom business and its capital structure (Televisa mentioned that the resources would be used to pay down debt to continue developing its Cable business), make us reiterate our BUY rating, remembering that this business has a positive medium-term outlook and also pays at higher valuations of ~7.0x FV/EBITDA, compared to 5.0x for Content.

### Sum-of-the-Parts Valuation (SOTP)

Segment	EBITDA 2021E \$m	FV/EBITDA	Firm Value	\$/share
SKY	9,160	4.0x	36,639	\$ 13.17
Cable	20,068	7.0x	140,476	\$ 50.49
Other Businesses	303	3.0x	909	\$ 0.33
Corporate	(1,837)		(1,837)	-\$ 0.66
SOTP value	27,694	6.4x	176,187	\$ <b>63.33</b>
		(-) Net Debt	(103,963)	-\$ 37.37
		(+) Resources for Content assets	57,570	\$ 20.69
		(-) Minority interest	(16,731)	-\$ 6.01
		(-) Total TELEVISA	113,063	\$ 40.64
		(+) Televisa-Univision	54,540	\$ 19.60
		(+) Other Investments (0.6x P/B)	1,385	\$ 0.50
		(-) Equity Value TELEVISA	168,988	
		CPOs outstanding	2,782	
		PT	\$ 60.74	
		Current Price	\$ 52.38	
		Upside Potential	16.0%	

Source: Banorte

## Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

## Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

## Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

## Last-twelve-month activities of the business areas.

**Grupo Financiero Banorte S.A.B. de C.V.**, through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

## Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

## Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

## Guide for investment recommendations.

	Reference
<b>BUY</b>	When the share expected performance is greater than the MEXBOL estimated performance.
<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

## Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

**The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.**

## History of PT and ratings

Stock	Date	Rating	PT
Tlevisa CPO	22/04/2021	Buy	\$61.00
Tlevisa CPO	21/12/2020	Buy	\$47.00
Tlevisa CPO	07/07/2020	Buy	\$30.00
Tlevisa CPO	22/01/2019	Hold	\$57.00

## MSCI ESG Rating scale

CCC	B	BB	BBB	A	AA	AAA
LAGGARD	AVERAGE			LEADER		

\*MSCI ESG Rating is an indicator that evaluates companies in Environment, Social and Governance (ESG) metrics.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katía Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.ceballos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454