

TLEVISA

Quarterly Report

May 02, 2019

Acquisitions outweigh a drop in advertising

- Grupo Televisa's 1Q19 results stood in line with our forecasts at operating level but fell short in terms of net profit. The Cable business managed to offset the erosion of the Content Segment
- The sale of advertising presented a 13.8% decline in view of a reduction in government spending while private sector advertising decreased 2% due to an economic slowdown
- The implementation of IRFS 16 standards increased interest-bearing liabilities by MXN\$4.5 billion, increasing the ND/EBITDA ratio to 2.9x from 2.6x in 4Q18. We will incorporate these results into our projections and PT 2019

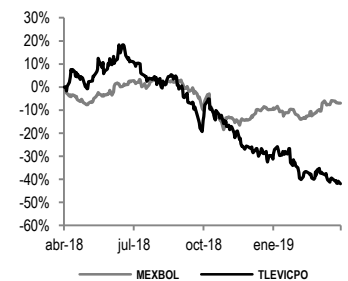
Cable partially compensated the profitability decline of the Content segment. In 1Q19, the company generated MXN\$23.3 billion in revenue (+2.6% yoy). Breaking this figure down by segment, we observe the following variations: Contents -9%, SKY -3.5%, Cable +14.2% and others +27.1%. Cable expanded revenue from the acquisition of the Axtel's residential fiber-to-the-home business last December and the incorporation of 285 thousand net additions to the RGU base (+17% yoy). Contents reported a 13.8% decline in the sale of advertising and a 6.7% reduction in the sale of licenses due to a drop of royalties from Univision. At EBITDA level, Televisa reported MXN\$8.8 billion, +3.5% yoy, equaling a 37.9% margin, up 30bps yoy. The Content business underwent a sharp profitability downturn (31.6% vs 35.7% in 1Q18) from a lower operating leverage derived from the reduction in government spending. Conversely, Cable posted an 110bp margin addition from the creation of synergies and improved profitability in corporate operations. Televisa generated MXN\$542 million in net profit, down 20% yoy derived from an increase in depreciation and a higher tax effective rate.

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HOLD

Current Price	\$38.93
PT 2019	\$57.00
Dividend 2019e	\$0.35
Dividend Yield (%)	0.9%
Upside Potential	47.3%
ADR current price	US\$10.20
ADR PT2019	US\$13.38
Shares per ADR	5
Max – Min LTM (P\$)	79.43 – 38.93
Market Cap (US\$m)	5,914
Shares Outstanding (m)	2,892
Float	80%
Daily Turnover (P\$ m)	114
Valuation metrics TTM	
FV/EBITDA	6.1x
P/E	19.2x

Relative performance to Mexbol
LTM

Financial Statements

	2017	2018	2019E	2020E
Revenue	93,697	101,282	99,461	101,817
Operating Income	14,243	20,253	15,262	16,300
EBITDA	35,175	38,524	37,030	39,034
EBITDA Margin	37.5%	38.0%	37.2%	38.3%
Net Income	4,193	6,009	2,441	2,907
Net Margin	4.5%	5.9%	2.5%	2.9%
Total Assets	297,220	297,842	306,367	311,495
Cash	38,735	32,068	32,191	35,790
Total Liabilities	197,563	193,061	201,893	204,415
Debt	133,404	131,135	138,207	139,628
Common Equity	99,657	104,781	104,474	107,080

Source: Banorte

Valuation and Financial metrics

	2017	2018	2019E	2020E
FV/EBITDA	6.3x	5.9x	6.3x	5.9x
P/E	27.2x	18.7x	46.1x	38.7x
P/BV	1.3x	1.3x	1.3x	1.2x
ROE	4.9%	6.7%	2.7%	3.2%
ROA	1.4%	2.0%	0.8%	0.9%
EBITDA/ Interest	3.8x	4.0x	3.6x	3.6x
NetDebt/EBITDA	2.7x	2.6x	2.9x	2.7x
Debt/Equity	1.3x	1.3x	1.3x	1.3x

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Document for distribution among public

TLEVISA –Results 1Q19

MXN million

Concept	1Q18	1Q19	Var %	1Q19e	Diff% vs Estim.
Revenue	22,812	23,395	2.6%	23,291	0.4%
Operating Income	3,624	3,470	-4.2%	3,312	4.8%
Ebitda	8,579	8,875	3.5%	8,530	4.0%
Net Income	678	542	-20.0%	614	-11.8%
Margins					
Operating Margin	15.9%	14.8%	-1.1pp	14.2%	0.6pp
Ebitda Margin	37.6%	37.9%	0.3pp	36.6%	1.3pp
Net Margin	3.0%	2.3%	-0.7pp	2.6%	-0.3pp
EPS	\$0.23	\$0.19	-19.9%	\$0.27	-30.6%

Income Statement (Million pesos)

Year	2018	2018	2019	Change	Change
Quarter	1	4	1	% YoY	% QoQ
Net Revenue	22,812.0	26,735.3	23,395.2	2.6%	-12.5%
Costs of goods sold	13,060.6	15,490.4	13,264.0	1.6%	-14.4%
Gross profit	9,751.4	11,244.8	10,131.2	3.9%	-9.9%
General expenses	5,973.1	6,491.5	6,660.8	11.5%	2.6%
Operating Income	3,624.2	3,664.2	3,470.4	-4.2%	-5.3%
Operating Margin	15.9%	13.7%	14.8%	(1.1pp)	1.1pp
Depreciation	4,800.8	5,147.5	5,216.0	8.6%	1.3%
EBITDA	8,579.1	9,900.8	8,875.3	3.5%	-10.4%
EBITDA Margin	37.6%	37.0%	37.9%	0.3pp	0.9pp
Interest Income (Expense) net	(2,200.7)	(2,314.5)	(2,274.1)	3.3%	-1.7%
Interest expense	2,289.3	2,670.4	2,406.7	5.1%	-9.9%
Interest income	304.1	405.1	296.5	-2.5%	-26.8%
Other income (expense)	(1,209.3)	253.8		-100.0%	-100.0%
Foreign exchange gain (loss)	993.8	(303.0)	(163.8)	-116.5%	-45.9%
Unconsolidated subsidiaries	107.1	(378.0)	165.8	54.8%	-143.9%
Income before taxes	1,530.6	971.8	1,362.1	-11.0%	40.2%
Income taxes	535.7	591.8	504.0	-5.9%	-14.8%
Discontinued operations					
Consolidated Net Income	994.9	380.0	858.1	-13.7%	125.8%
Non-controlling interest	317.3	323.5	316.4	-0.3%	-2.2%
Net Income	677.6	56.5	541.7	-20.0%	859.3%
Net Margin	3.0%	0.2%	2.3%	(0.7pp)	2.1pp
EPS	0.234	0.020	0.187	-19.9%	859.3%

Balance Sheet (Million pesos)

Total Current Assets	76,242.5	72,139.0	72,496.5	-4.9%	0.5%
Cash & Short Term Investments	37,705.5	32,068.3	23,563.0	-37.5%	-26.5%
Long Term Assets	213,163.9	225,703.4	228,634.0	7.3%	1.3%
Property, Plant & Equipment (Net)	84,176.9	87,342.5	83,691.8	-0.6%	-4.2%
Intangible Assets (Net)	21,369.6	28,949.9	28,587.1	33.8%	-1.3%
Total Assets	289,406.3	297,842.4	301,130.5	4.1%	1.1%
Current Liabilities	49,870.9	48,952.9	53,805.6	7.9%	9.9%
Short Term Debt	3,953.5	4,196.7	5,739.7	45.2%	36.8%
Accounts Payable	43,737.8	41,699.8	45,924.3	5.0%	10.1%
Long Term Liabilities	138,219.4	144,108.5	143,560.1	3.9%	-0.4%
Long Term Debt	122,557.6	126,938.2	128,810.8	5.1%	1.5%
Total Liabilities	188,090.3	193,061.4	197,365.7	4.9%	2.2%
Common Stock	101,316.0	104,781.0	103,764.8	2.4%	-1.0%
Non-controlling interest	15,034.5	15,070.3	13,755.1	-8.5%	-8.7%
Total Equity	86,281.5	89,710.7	90,009.7	4.3%	0.3%
Liabilities & Equity	289,406.3	297,842.4	301,130.5	4.1%	1.1%
Net Debt	88,763.3	99,066.6	110,987.4	25.0%	12.0%

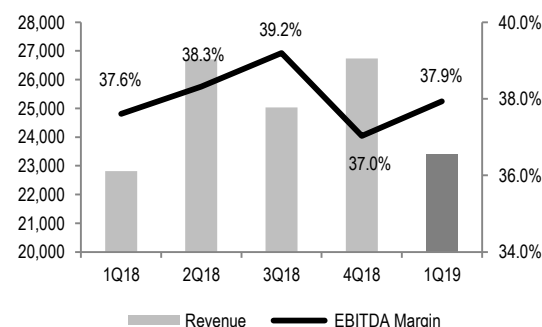
Cash Flow

CF from Operating Activities	6,256.6	10,671.6			
CF from Investing Activities	(2,848.3)	(16,975.8)	2,938.8		
CF from Financing Activities	(4,290.1)	(4,178.8)	(4,596.3)		
Difference in change of cash	(147.7)	124.6	(4,750.4)		
Change in Cash Balance	(1,029.5)	(10,358.5)	(8,489.7)		

Source: Banorte, MSE

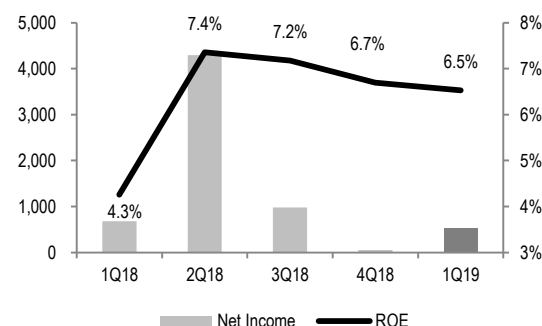
Revenue & EBITDA Margin

MXN, million



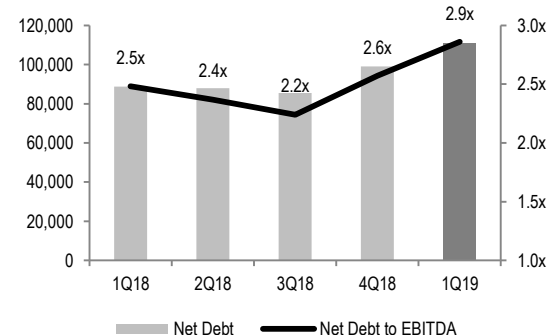
Net Income & ROE

MXN, million



Net Debt & Net Debt to EBITDA ratio

MXN, million



Certification of Analysts.

We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldívar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer, Francisco José Flores Serrano, Francisco Duarte Alcocer and Leslie Thalía Orozco Vélez, 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.

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BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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PT and recommendation history

Stock	Date	Rating	PT
Tlevisa CPO	22/01/2019	Hold	\$57.00
Tlevisa CPO	26/04/2018	Buy	\$81.00
Tlevisa CPO	20/02/2018	Hold	\$88.00
Tlevisa CPO	26/10/2017	Hold	\$97.00

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