

TV Today Network (TVTNET)

CMP: ₹ 280

Target: ₹ 350 (25%)

Target Period: 12 months

BUY

August 13, 2022

Higher employee cost impacts margins...

About the stock: TV Today Network (TV Today) is a leading news company engaged in broadcasting operations. Part of the India Today Group, the company operates mainly in three segments—digital, television and radio broadcasting

- It has consistently maintained its leadership in the Hindi new segment across the last two decades

Q1FY23 Results: TV Today's performance was weak.

- Topline came in at ₹ 218.2 crore, up 7% with TV and other media (clubbed segment of broadcasting and digital) revenues at ₹ 214.6 crore (up 7% YoY). While TV broadcasting revenues would have been muted YoY due to lower ad inventory, growth would have been led by digital segment (~30%+ growth as per our computation)
- Reported EBITDA came in at ₹ 47.3 crore, down 9.6% YoY with EBITDA margins at 21.7% (down 399 bps YoY), impacted by higher employee costs (up 27% YoY) led by front loading of costs for digital segment expansion
- Reported PAT at ₹ 35.1 crore was down 6.1% YoY with lower margins dragging the bottomline

What should investors do? TV Today's share price has underperformed with a stock price return of merely ~16% over the past five years.

- We maintain **BUY** as we believe that with stable double digit growth, healthy return ratio and current valuations provides a margin of safety. Any announcement of cash utilisation like dividend/digital asset acquisition (which company is contemplating) will also be a key trigger

Target Price and Valuation: We value TV Today at ₹ 350 i.e. 10x FY24E P/E.

Key triggers for future price performance:

- Viewership trend over the medium term as this will drive the ad revenue growth trajectory
- Digital segment expansion with new properties/inorganic acquisition

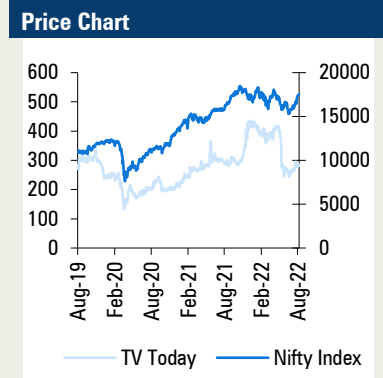
Alternate Stock Idea: Besides TV Today, we like Inox Leisure in the media space.

- A play on strong content and consolidation
- BUY with a target price of ₹ 720



Particulars	
Particulars	Amount
Market Capitalization	₹ 1668 Crore
Total Debt (FY22)	₹ 0 Crore
Cash & Current Inv. (FY22)	₹ 811 Crore
EV	₹ 857 Crore
52 week H/L	460/ 236
Equity capital	29.8
Face value	5.0

Shareholding pattern				
	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	58.5	58.5	58.5	58.5
DII	13.6	15.3	15.7	15.7
FII	6.0	4.7	4.4	4.1
Other	22.0	21.6	21.5	21.7



Key risks

Key Risk: (i) Loss in market leadership, (ii) Any slowdown in ad market

Research Analyst

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Key Financial Summary

(Year-end March)	FY20	FY21	FY22	5 yr CAGR (FY17-22)	FY23E	FY24E	2 CAGR (FY22-24E)
Net Sales (₹ crore)	857.2	783.0	930.1	7.4	1,010.7	1,124.6	10.0
EBITDA (₹ crore)	215.9	199.1	246.3	8.7	253.0	292.7	9.0
Net Profit (₹ crore)	139.4	131.5	181.7	12.2	183.8	209.0	7.2
EPS (₹)	23.4	22.0	30.5		30.8	35.0	
P/E (x)	12.0	12.7	9.2		9.1	8.0	
Price / Book (x)	1.9	1.7	1.4		1.3	1.1	
EV/EBITDA (x)	7.1	7.1	6.0		5.2	3.8	
RoCE (%)	24.7	19.5	20.8		18.6	18.6	
RoE (%)	16.0	13.3	15.7		13.9	13.9	

Source: Company, ICICI Direct Research

Key performance highlight and outlook

Restricted inventory impacted growth

We note that ad inventory at 14.5 minutes/hour remained lower (from ₹ 17,5 minutes/hour earlier) to improve viewership experience and stickiness. The company also awaits stabilisation in BARC rating. TV and other media (clubbed segment of broadcasting and digital) revenues at ₹ 214.6 crore (up 7% YoY). While TV broadcasting revenues would have been muted YoY due to lower ad inventory, growth would have been led by digital segment (~30%+ growth as per our computation). Going ahead, we bake in ~8% and 11% revenue growth in TV and other media for FY23E and FY24E, respectively. We expect EBITDA margins at 25%, 26% for FY23E, FY24E, respectively. We will watch out for increase in competitive intensity in the Hindi news space.

TV rating resumes but not yet stabilised

TV ratings for news channels have resumed from March 17, 2022. It is pertinent to note that post resumption, various different channels have emerged as the new No. 1, including *Aaj Tak*. However, the News Broadcasters and Digital Association (NBDA) has raised concerns about glitches and irregularities in the viewership ratings released by BARC, as per [media reports](#). Thus, going ahead, key monitorable will be overall acceptance of the rating.

Digital segment remains robust; radio recovers on low base

While the company did not share the digital and broadcasting breakup, we believe the digital pie continued to grow at 30%+. We note that TV Today continues to add digital properties and employee costs was front ended. However, this would provide further tailwind to its growth. Radio revenues were at ₹ 6.1 crore, up 18.5% YoY growth on a washout base. We bake in 6.5% CAGR revenue growth in the radio business over FY22-24.

When BARC resumed currency data for viewership, the acceptance, going ahead, will be key. We await stabilisation of the same. We maintain BUY as we believe that stable double digit growth, healthy return ratio and current valuations provides a margin of safety. Any announcement of cash utilisation like dividend/digital asset acquisition (which the company is exploring) will also be a key trigger. We value TV Today at ₹ 350 i.e. 10x FY24E P/E.

Exhibit 1: Variance Analysis

	Q1FY23	Q1FY23E	Q1FY22	Q4FY22	YoY (%)	QoQ (%)	Comments
Revenue	218.2	224.2	203.9	242.3	7.0	-10.0	Lower revenue growth as that ad inventory at 14.5 min/hr was remained lower (from ₹ 17,5 min/hr) to improve viewership experience
Other Income	10.9	11.0	8.6	10.5	27.0	4.3	
Employee Expenses	80.1	73.1	63.3	72.4	26.7	10.7	
Advertising and Promotion expense	0.0	0.0	0.0	0.0	0.0	0.0	
Other Expenses	69.2	74.7	69.1	90.2	0.1	-23.3	
Production Cost	21.6	22.6	19.2	30.9	12.3	-30.2	
EBITDA	47.3	53.8	52.3	48.8	-9.6	-3.1	
EBITDA Margin (%)	21.7	24.0	25.7	20.1	-399 bps	154 bps	Margins decline owing to higher employee costs (up 27% YoY) led by front loading of costs for digital segment expansion
Depreciation	10.2	11.0	10.1	11.0	0.9	-7.7	
Interest	0.8	0.8	0.5	0.6	55.8	26.6	
Exceptional Items	0.0	0.0	0.0	0.0	NM	NM	
Total Tax	12.1	13.4	12.9	11.7	-6.3	3.9	
Adj PAT	35.1	39.7	37.3	35.9	-6.1	-2.3	

Source: Company, ICICI Direct Research

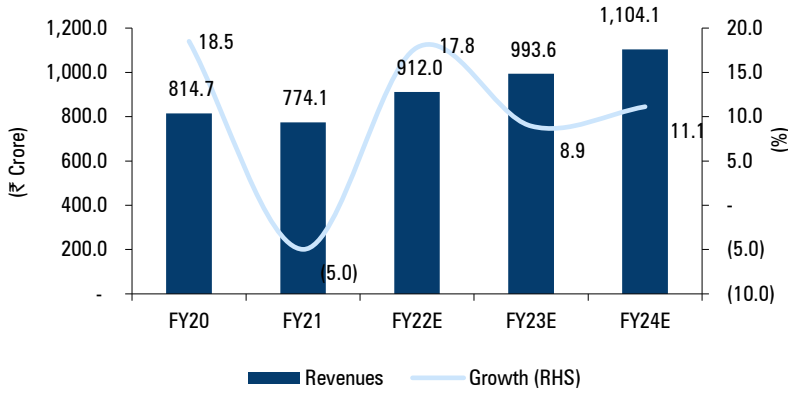
Exhibit 2: Change in estimates

₹ Crore	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,032.7	1,010.7	-2.1	1,144.3	1,124.6	-1.7	Realign estimates
EBITDA	275.2	253.0	-8.1	309.2	292.7	-5.4	
EBITDA Margin (%)	26.7	25.0	-162 bps	27.0	26.0	-100 bps	
PAT	199.9	183.8	-8.1	225.2	209.0	-7.2	
EPS (₹)	33.5	30.8	-8.1	37.7	35.0	-7.2	

Source: Company, ICICI Direct Research

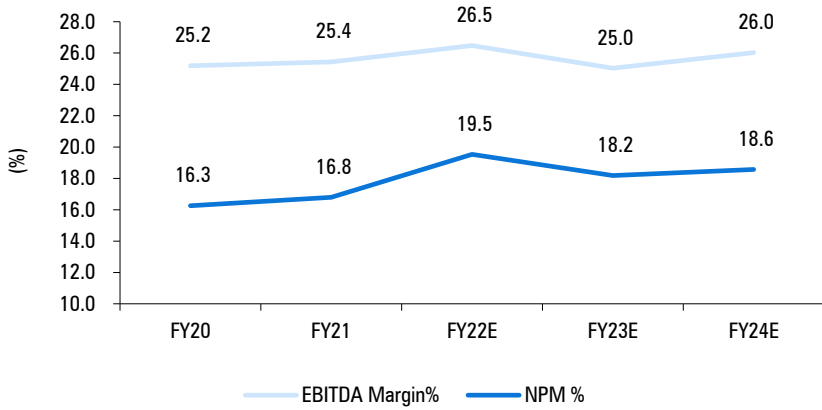
Story in charts

Exhibit 3: TV and other media revenue trend



Source: Company, ICICI Direct Research

Exhibit 4: EBITDA and PAT margin trend



Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Total operating Income	783.0	930.1	1010.7	1124.6
Growth (%)	(8.7)	18.8	8.7	11.3
Employee Expenses	242.2	278.2	323.7	347.2
Production Cost	76.7	92.6	100.8	112.5
Other Expenses	264.8	313.0	333.1	372.2
Total Operating Expenditure	583.7	683.8	757.6	831.9
EBITDA	199.1	246.3	253.0	292.7
Growth (%)	-7.8	23.7	2.7	15.7
Depreciation	40.1	42.3	44.5	49.5
Interest	2.4	2.6	3.1	3.2
Other Income	37.1	42.2	42.4	42.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	193.6	243.5	247.9	282.0
Minority Interest	0.0	0.0	0.0	0.0
PAT from Associates	0.0	0.0	0.0	0.0
Total Tax	62.1	61.8	64.1	73.0
PAT	131.5	181.7	183.8	209.0
Growth (%)	-5.6	38.2	1.2	13.7
Adjusted PAT	131.5	181.7	183.8	209.0
Growth (%)	-5.6	38.2	1.2	13.7
EPS (₹)	22.0	30.5	30.8	35.0

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	131.5	181.7	183.8	209.0
Add: Depreciation	40.1	42.3	44.5	49.5
Add: Interest Paid	2.4	2.6	3.1	3.2
(Inc)/dec in Current Assets	8.6	1.0	-24.2	-31.8
Inc/(dec) in CL and Provisions	4.7	22.8	19.6	27.7
Others	0.0	0.0	0.0	0.0
CF from operating activities	187.4	250.5	226.7	257.5
(Inc)/dec in Investments	-33.7	-304.0	0.0	0.0
(Inc)/dec in Fixed Assets	-23.5	-45.5	-25.0	-25.0
Others	5.5	36.5	0.0	0.0
CF from investing activities	-51.7	-313.1	-25.0	-25.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Less: Interest Paid	2.4	2.6	3.1	3.2
Less: Dividend and dividend tax	-13.4	-14.9	-17.9	-29.8
Others	-4.5	-4.8	-6.1	-6.4
CF from financing activities	-15.5	-17.1	-21.0	-33.0
Net Cash flow	120.3	-79.7	180.7	199.5
Opening Cash	140.2	260.5	180.8	361.5
Closing Cash	260.5	180.8	361.5	561.0

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Liabilities				
Equity Capital	29.8	29.8	29.8	29.8
Preference Share Capital	0.0	0.0	0.0	0.0
Reserve and Surplus	960.7	1,128.0	1,293.8	1,473.0
Total Shareholders funds	990.5	1,157.8	1,323.7	1,502.8
Total Debt	0.0	0.0	0.0	0.0
Others	14.6	27.6	27.6	27.6
Total Liabilities	1,005.2	1,185.4	1,351.3	1,530.4
Assets				
Gross Block	408.9	454.6	479.6	504.6
Less: Acc Depreciation	187.1	229.4	273.9	323.3
Net Block	221.9	225.2	205.7	181.2
Capital WIP	1.3	1.2	1.2	1.2
Total Fixed Assets	223.2	226.4	206.9	182.5
Investments	369.9	673.9	673.9	673.9
Inventory	0.0	0.0	0.0	0.0
Debtors	199.4	192.0	210.4	234.2
Loans and Advances	3.1	0.6	0.6	0.7
Other Current Assets	56.5	65.4	71.1	79.1
Cash	260.5	180.8	361.5	561.0
Total Current Assets	519.4	438.7	643.6	874.9
Creditors	82.4	102.7	111.6	124.2
Provisions	4.0	2.1	2.3	2.6
Other current liabilities	116.9	121.1	131.6	146.5
Total Current Liabilities	203.2	226.0	245.6	273.2
Net Current Assets	316.2	212.7	398.1	601.7
Other non current assets	95.8	72.3	72.3	72.3
Application of Funds	1,005.2	1,185.4	1,351.3	1,530.4

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	22.0	30.5	30.8	35.0
Adjusted EPS	22.0	30.5	30.8	35.0
BV	166.0	194.1	221.9	251.9
DPS	2.3	2.5	3.0	5.0
Cash Per Share	43.7	30.3	60.6	94.0
Operating Ratios (%)				
EBITDA Margin	25.4	26.5	25.0	26.0
PBT / Total Operating income	20.3	21.9	20.6	21.6
PAT Margin	16.8	19.5	18.2	18.6
Inventory days	0.0	0.0	0.0	0.0
Debtor days	92.9	75.3	76.0	76.0
Creditor days	38.4	40.3	40.3	40.3
Return Ratios (%)				
RoE	13.3	15.7	13.9	13.9
RoCE	19.5	20.8	18.6	18.6
RoIC	20.8	19.4	19.9	23.3
Valuation Ratios (x)				
P/E	12.7	9.2	9.1	8.0
EV / EBITDA	7.1	6.0	5.2	3.8
EV / Net Sales	1.8	1.6	1.3	1.0
Market Cap / Sales	2.1	1.8	1.7	1.5
Price to Book Value	1.7	1.4	1.3	1.1
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.0	2.5	2.5	2.5
Quick Ratio	3.0	2.5	2.5	2.5

Source: Company, ICICI Direct Research

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