

Ad spends outlook challenging in near term!

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

Q2FY23 Results: TV Today's performance was impacted by weak ad spends and lower ad inventory resulting in topline and bottomline decline.

- Topline came in at ₹ 211.6 crore, down 6.4% with TV and other media (clubbed segment of broadcasting and digital) revenues at ₹ 209 crore (down 6.1% YoY). While TV broadcasting revenues would have declined sharply YoY due to weak ad spends by advertisers as well as lower ad inventory; digital segment would have grown, as per our understanding
- EBITDA at ₹ 26.5 crore, was down 55.4% YoY with margins at 12.5%, down ~14 percentage points YoY, impacted by negative operating leverage
- Reported PAT at ₹ 19.7 crore was down 58% YoY with weak operating performance dragging the bottomline

What should investors do? TV Today's share price has underperformed with the stock price declining ~30% over the past five years.

- We downgrade from BUY to **HOLD** as ad spends outlook remains challenging in the near term. Soft ad momentum will also translate into margin softness, in our view

Target Price and Valuation: We value TV Today at ₹ 290 i.e. 10x FY24E P/E

Key triggers for future price performance:

- Viewership trend over the medium term as this will drive 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 ₹ 675



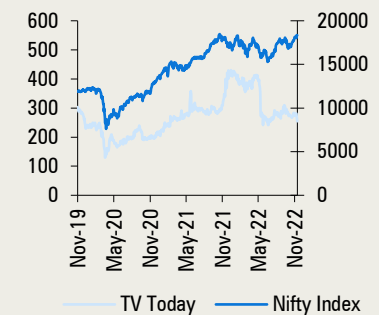
Particulars

Particulars	Amount
Market Capitalization	₹ 1518 Crore
Total Debt (FY22)	₹ 0 Crore
Cash & Current Inv. (FY22)	₹ 811 Crore
EV	₹ 707 Crore
52 week H/L	460/ 236
Equity capital	29.8
Face value	5.0

Shareholding pattern

	Dec-21	Mar-22	Jun-22	Sep-22
Promoters	58.5	58.5	58.5	58.5
DII	15.3	15.7	15.7	15.6
FIs	4.7	4.4	4.1	3.8
Other	21.6	21.5	21.7	22.2

Price Chart



Key risks

Key Risk: (i) Loss in market leadership, (ii) Quicker than anticipated recovery

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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	

Key performance highlight and outlook

Restricted ad spends, inventory impact growth

The company indicated that the ad environment remained challenging and there was restricted spends by key segments. We also note that ad inventory at 14.5 minutes/hour remained lower (from ₹ 19 minutes/hour last year) 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 ₹ 209.3 crore, were down 6.1% YoY. While TV broadcasting revenues would have been sharply YoY due to lower ad inventory and challenging ad environment, digital segment would have grown, as per our understanding. **TV Today has indicated that it expects some recovery by Q4 but the near term outlook remains challenging. Going ahead, we bake in ~3% and 12% revenue growth in TV and other media for FY23E and FY24E, respectively. We expect EBITDA margins at 20.3%, 22.3% for FY23E, FY24E, respectively.** We will watch out for increase in competitive intensity in the Hindi news space.

Digital segment remains resilient; radio weakens

While the company did not share the digital and broadcasting breakup, we believe the digital pie would have continued to grow. We note that the company continues to add digital properties, which would provide tailwinds to their growth. Radio revenues were at ₹ 2.3 crore, down ~25% YoY growth on a high base. We bake in flattish revenues in the radio business over FY22-24.

When currency data for viewership is resumed by BARC, the acceptance, going ahead, will be key. We downgrade from BUY to HOLD as ad spends outlook remains challenging in the near term. Soft ad momentum will also translate into margin softness, in our view, for a couple of quarters. Thus, we cut our earnings estimates and target price. **We value TV Today at ₹ 290 i.e. 10x FY24E P/E (vs. ₹ 350, earlier)**

Exhibit 1: Variance Analysis

	Q2FY23	Q2FY23E	Q2FY22	Q1FY23	YoY (%)	QoQ (%)	Comments
Revenue	211.6	231.0	226.0	218.2	-6.4	-3.0	Revenue declined as ad spends were lower by advertisers and inventory at 14.5 min/hr remained lower from earlier year to improve viewership experience
Other Income	11.8	10.9	14.3	10.9	-17.6	8.3	
Employee Expenses	82.0	78.5	72.7	80.1	12.8	2.4	
Advertising and Promotion expense	0.0	0.0	0.0	0.0	0.0	0.0	
Other Expenses	75.5	72.8	75.6	69.2	-0.2	9.2	
Production Cost	27.6	23.1	18.1	21.6	52.3	27.7	
EBITDA	26.5	56.6	59.6	47.3	-55.4	-43.8	
EBITDA Margin (%)	12.5	24.5	26.4	21.7	-1381 bps	-912 bps	Margins decline owing to negative operating leverage
Depreciation	10.5	11.0	10.2	10.2	2.1	2.8	
Interest	1.0	0.8	0.5	0.8	94.0	19.8	
Exceptional Items	0.0	0.0	0.0	0.0	NM	NM	
Total Tax	7.2	14.4	16.2	12.1	-55.5	-40.7	
Adj PAT	19.7	41.3	47.0	35.1	-58.0	-43.7	

Source: Company, ICICI Direct Research

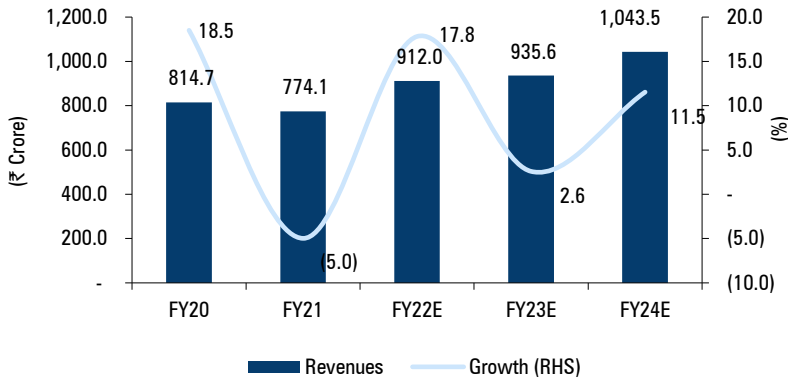
Exhibit 2: Change in estimates

(₹ Crore)	FY23E			FY24E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	1,010.7	949.5	-6.1	1,124.6	1,061.5	-5.6	Lower estimates as ad outlook is benign in near
EBITDA	253.0	192.6	-23.9	292.7	236.5	-19.2	
EBITDA Margin (%)	25.0	20.3	-475 bps	26.0	22.3	-374 bps	
PAT	183.8	141.4	-23.1	209.0	173.2	-17.2	
EPS (₹)	30.8	23.7	-23.1	35.0	29.0	-17.2	

Source: Company, ICICI Direct Research

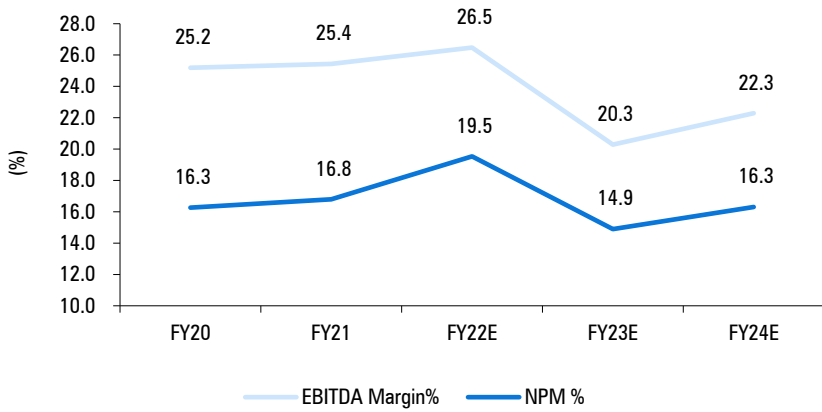
Story in charts

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	949.5	1061.5	
Growth (%)	(8.7)	18.8	2.1	11.8	
Employee Expenses	242.2	278.2	328.5	347.3	
Production Cost	76.7	92.6	108.9	126.3	
Other Expenses	264.8	313.0	319.5	351.3	
Total Operating Expenditure	583.7	683.8	756.9	824.9	
EBITDA	199.1	246.3	192.6	236.5	
Growth (%)	-7.8	23.7	-21.8	22.8	
Depreciation	40.1	42.3	41.8	45.6	
Interest	2.4	2.6	3.5	3.2	
Other Income	37.1	42.2	43.7	46.0	
Exceptional Items	0.0	0.0	0.0	0.0	
PBT	193.6	243.5	191.0	233.7	
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	49.6	60.5	
PAT	131.5	181.7	141.4	173.2	
Growth (%)	-5.6	38.2	-22.2	22.4	
Adjusted PAT	131.5	181.7	141.4	173.2	
Growth (%)	-5.6	38.2	-22.2	22.4	
EPS (₹)	22.0	30.5	23.7	29.0	

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	141.4	173.2	
Add: Depreciation	40.1	42.3	41.8	45.6	
Add: Interest Paid	2.4	2.6	3.5	3.2	
(Inc)/dec in Current Assets	8.6	1.0	-7.1	-31.3	
Inc/(dec) in CL and Provisions	4.7	22.8	4.7	27.2	
Others	0.0	0.0	0.0	0.0	
CF from operating activities	187.4	250.5	184.3	217.9	
(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	3.5	3.2	
Less: Dividend and dividend tax	-13.4	-14.9	-17.9	-29.8	
Others	-4.5	-4.8	-7.1	-6.4	
CF from financing activities	-15.5	-17.1	-21.4	-33.0	
Net Cash flow	120.3	-79.7	137.9	159.9	
Opening Cash	140.2	260.5	180.8	318.7	
Closing Cash	260.5	180.8	318.7	478.6	

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	1,251.5	1,394.8	
Total Shareholders funds	990.5	1,157.8	1,281.3	1,424.6	
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	1,308.9	1,452.2	
Assets					
Gross Block	408.9	454.6	479.6	504.6	
Less: Acc Depreciation	187.1	229.4	271.2	316.8	
Net Block	221.9	225.2	208.4	187.8	
Capital WIP	1.3	1.2	1.2	1.2	
Total Fixed Assets	223.2	226.4	209.6	189.0	
Investments	369.9	673.9	673.9	673.9	
Inventory	0.0	0.0	0.0	0.0	
Debtors	199.4	192.0	197.7	221.0	
Loans and Advances	3.1	0.6	0.6	0.6	
Other Current Assets	56.5	65.4	66.8	74.7	
Cash	260.5	180.8	318.7	478.6	
Total Current Assets	519.4	438.7	583.7	774.9	
Creditors	82.4	102.7	104.9	117.2	
Provisions	4.0	2.1	2.2	2.4	
Other current liabilities	116.9	121.1	123.7	138.2	
Total Current Liabilities	203.2	226.0	230.7	257.9	
Net Current Assets	316.2	212.7	353.0	517.0	
Other non current assets	95.8	72.3	72.3	72.3	
Application of Funds	1,005.2	1,185.4	1,308.9	1,452.2	

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	23.7	29.0	
Adjusted EPS	22.0	30.5	23.7	29.0	
BV	166.0	194.1	214.8	238.8	
DPS	2.3	2.5	3.0	5.0	
Cash Per Share	43.7	30.3	53.4	80.2	
Operating Ratios (%)					
EBITDA Margin	25.4	26.5	20.3	22.3	
PBT / Total Operating income	20.3	21.9	15.9	18.0	
PAT Margin	16.8	19.5	14.9	16.3	
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	11.0	12.2	
RoCE	19.5	20.8	14.9	16.3	
RoIC	20.8	19.4	14.5	18.4	
Valuation Ratios (x)					
P/E	11.5	8.4	10.7	8.8	
EV / EBITDA	6.3	5.4	6.2	4.4	
EV / Net Sales	1.6	1.4	1.3	1.0	
Market Cap / Sales	1.9	1.6	1.6	1.4	
Price to Book Value	1.5	1.3	1.2	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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