

TV Today Network

Performance Update

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY17	% qoq
Net sales	174	141	23.2	144	20
EBITDA	57	42	36.5	48	20
EBITDA margin (%)	32.9	29.7	320bp	33.1	(18bp)
Adjusted PAT	36	26	35.7	30	21

Source: Company, Angel Research

For 3QFY2018, TV Today Network Ltd (TTNL) posted results in-line with our expectations on both top-line as well as bottom-line fronts. Revenue grew by ~23% yoy to ₹174cr driven by higher growth in ad revenue segment. On the operating front, margins improved by 320bp yoy, which resulted in strong PAT growth of ~36% yoy to ₹36cr.

Top-line driven by strong ad revenue growth: The company's top-line grew by ~23% yoy to ₹174cr on the back of strong growth in ad revenue segment (higher ~21% yoy to ₹167cr). Further, the company has also reported strong growth in radio segment (₹7cr vs. ~₹3cr in 3QFY17).

Profitability propelled by strong operating performance: On the operating front, margins improved by 320bps yoy, which resulted into strong PAT growth by ~36% yoy to ₹36cr. Segment wise, advertisement business witnessed strong EBIT margin improvement of 374bps. However, radio business reported EBIT level loss of ₹6cr vs. ₹6cr (loss) in 3QFY17.

Outlook and Valuation: Going forward, we expect TTNL to report net revenue CAGR of ~17% over FY2017-19E to ~₹779cr and net profit CAGR of ~22% over the same period to ₹139cr on the back of (a) No.1 leadership position in Hindi news genre (for the 14th consecutive year) and (b) No.2 leadership position in English news genre. TTNL is a debt free company with ₹235cr cash on balance sheet. At the current market price of ₹477, the stock trades at a PE of 23.4x and 20.4x its FY2018E and FY2019E EPS of ₹20.3 and ₹23.3, respectively. **We recommend BUY with target price of ₹560.**

Key financials

Y/E March (₹ cr)	FY2016	FY2017	FY2018E	FY2019E
Net sales	582	608	689	779
% chg	22.0	4.6	13.3	13.0
Net profit	62	99	121	139
% chg	(3.6)	19.8	29.7	14.7
EBITDA margin (%)	22.6	26.2	28.6	29.0
EPS (₹)	13.1	15.7	20.3	23.3
P/E (x)	36.4	30.4	23.4	20.4
P/BV (x)	6.0	5.0	4.2	3.6
RoE (%)	13.1	17.4	17.9	17.4
RoCE (%)	19.4	21.6	23.3	23.0
EV/Sales (x)	4.7	4.3	3.7	3.1
EV/EBITDA (x)	20.7	16.4	13.0	10.9

Source: Company, Angel Research, Note: CMP as of February 9, 2018

BUY

CMP	₹477
Target Price	₹560
Investment Period	12 Months

Stock Info

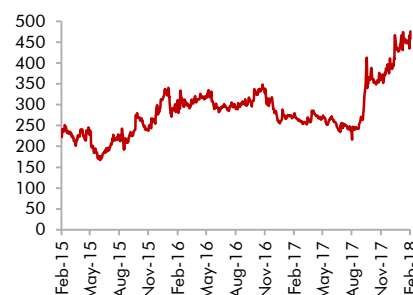
Sector	Media
Market Cap (₹ cr)	2,839
Net Debt (₹ cr)	(235)
Beta	1.3
52 Week High / Low	493/211
Avg. Daily Volume	30,429
Face Value (₹)	5
BSE Sensex	34,006
Nifty	10,455
Reuters Code	TVTO.BO
Bloomberg Code	TVTN.IN

Shareholding Pattern (%)

Promoters	57.4
MF / Banks / Indian Fls	10.5
FII / NRIs / OCBs	13.2
Indian Public / Others	18.9

Abs.(%)	3m	1yr	3yr
Sensex	2.3	20.0	20.5
TTNL	29.2	74.4	110.0

3-year price chart



Source: Company, Angel Research

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Exhibit 1: 3QFY2018 Performance

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq	9MFY18	9MFY17	% chg
Net Sales	174	141	23.2	144	20.3	469	408	14.9
Raw Material Consumed	16	15		12		42	42	
Staff Costs	44	36	20.1	41	5.9	124	110	13.3
(% of Sales)	25.2	25.9	(66)	28.7	(343)	26.5	26.9	(38)
Other Expenses	57	47	19.7	43	31.6	152	141	7.7
(% of Sales)	32.7	33.7	(96)	29.9	283	32.4	34.5	(219)
Total Expenditure	116	99	17.6	97	20.6	318	292	8.8
Operating Profit	57	42	36.5	48	19.6	151	116	30.5
OPM	32.9	29.7		33.1		32.2	28.3	
Interest	0	0	355.8	0	261.3	1	0	184.6
Depreciation	8	7	10.9	8	(3.1)	23	22	6.8
Other Income	6	5	7.5	5	3.0	16	15	7.8
PBT (excl. Ext Items)	55	40	36.5	45	21.1	143	109	31.8
Ext (Income)/Expense	-	-		-		13.8	-	
PBT (incl. Ext Items)	55	40	36.5	45	21.1	129	109	19.1
(% of Sales)	31.5	28.4		31.2		27.6	26.6	
Provision for Taxation	19	14		15		45	37	19.4
(% of PBT)	34.6	34.2		34.2		34.5	34.4	
Reported PAT	36	26	35.7	30	20.5	85	71	18.9
PATM	20.6	18.7		20.5		18.1	17.5	

Source: Company, Angel Research

Exhibit 2: 3QFY2018 Segment Revenue Performance

Y/E March (₹ cr)	3QFY18	3QFY17	% yoy	2QFY18	% qoq	9MFY18	9MFY17	% chg
Segment Revenue								
Television broadcasting	167	138	20.8%	140	19.4%	451	403	12.0%
Radio broadcasting	7	3	150.3%	4	47.3%	18	5	236.3%
Net Sales	174	141	23.2%	144	20.3%	469	408	14.9%
Less: inter Segment Revenue	0	0		0		0	0	
Net Segment Revenue	174	141	23.2%	144	20.3%	469	408	14.9%

Source: Company, Angel Research

Key investment arguments

Strong viewership in Hindi and English news genre

TTNL has strong viewership ranking among the Hindi and English news channels. The company's Hindi news genre – Aaj Tak, continued to maintain its leadership position for several consecutive years, ranks No. 1 in its viewership ranking. Aaj Tak continues to dominate by being the channel of choice during key events like national and international events, etc. Further, TTNL's English news genre - India Today has been continuously gaining viewership ranking. Currently, the company has reached No. 2 ranking from the previous ranking of No. 4. Moreover, the company's other channels like Dilli Aaj Tak & TEZ are also popular among the viewers. The company's more than 90% revenue comes from Aaj Tak and India today channel.

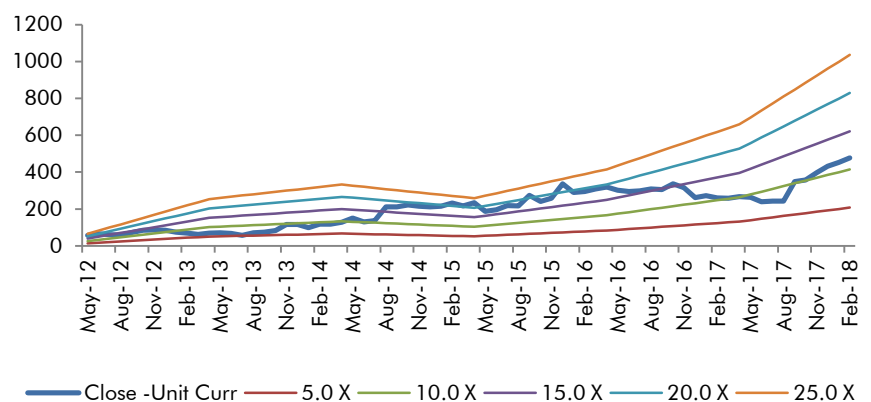
TV industry growth of ~16% CAGR over CY14-19E to aid TTNL's performance

Going forward, we expect the TV ad growth to report 16% CAGR over CY14-19E on the back of an increase in ad spends by corporate sector, government and emergence of e-commerce as a significant new category coupled with an improvement in subscription revenue (due to digitization of phase 3 & 4). From last 6-7 quarters, FMCG and automobile companies are not performing well due weak consumer buying sentiment in the rural areas due to poor monsoon. However, we can see some improvement in the performance of these companies in the anticipation of good monsoon. Considering that the FMCG and automobile companies are spending higher amounts on TV ads, we believe that TTNL stands to benefit from the growth in the TV industry.

Outlook and Valuation

Going forward, we expect TTNL to report net revenue CAGR of ~17% over FY2017-19E to ~₹779cr and net profit CAGR of ~22% over the same period to ₹139cr on the back of (a) No.1 leadership position in Hindi news genre (for the 14th consecutive year) and (b) No.2 leadership position in English news genre. TTNL is a debt free company with ₹235cr cash on balance sheet. At the current market price of ₹477, the stock trades at a PE of 23.4x and 20.4x its FY2018E and FY2019E EPS of ₹20.3 and ₹23.3, respectively. **We recommend BUY with target price of ₹560.**

Exhibit 3: One year forward PE Chart



Source: Company, Angel Research

Risks

- 1) Losing leadership position in viewership rating could affect the company's advertisement revenue and hence pose a downside risk to our estimates.
- 2) Overall slowdown in the Indian economy could impact the advertisement spend which could be negative for TTNL.
- 3) Delay in digitalization could impact the company's subscription revenue growth.

Company Background

TV Today Network (TTNL) is one of the leading Indian Hindi and English news television networks. The company's operating segments include television (TV) broadcasting and radio broadcasting. The company operates four news channels, which include Aaj Tak, India Today (earlier know as Headlines Today), TEZ and Dilli Aaj Tak. The company is also engaged in publishing, and its publications include India Today, Business Today, etc. Moreover, TTNL is associated with well know anchors like Rajdeep Sardesai and Karan Thapar. Living Media India Limited is the holding company of TTNL.

Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2014	FY2015	FY2016	FY2017	FY2018E	FY2019E
Total operating income	389	477	582	608	689	779
% chg	24.6	22.4	22.0	4.6	13.4	13.0
Total Expenditure	280	345	450	448	492	553
Employee Cost	93	117	153	157	179	203
Selling & Administrative Expenses	86	102	-	-	-	-
Others Expenses	101	126	297	292	313	351
EBITDA	109	132	131	160	197	226
% chg	216.0	20.5	(0.2)	21.5	23.5	14.6
(% of Net Sales)	28.1	27.6	22.6	26.2	28.6	29.0
Depreciation & Amortisation	24	30	31	29	31	34
EBIT	85	102	100	131	166	192
% chg	528.0	19.5	(1.1)	30.0	27.2	15.4
(% of Net Sales)	21.8	21.3	17.3	21.5	24.1	24.6
Interest & other Charges	4	1	6	8	5	4
Other Income	12	23	21	31	20	20
(% of PBT)	12.6	18.5	18.0	20.2	11.0	9.6
Share in profit of Associates	-	-	-	-	-	-
Recurring PBT	93	123	115	153	181	208
% chg	430.0	31.8	(6.7)	33.6	18.2	14.7
Prior Period & Extraordinary Expense/(Inc.)	-	-	-	-	-	-
PBT (reported)	93	123	115	153	181	208
Tax	32	42	53	54	60	69
(% of PBT)	34.2	34.1	46.1	35.3	33.0	33.0
PAT (reported)	61	81	62	99	121	139
Add: Share of earnings of associate	-	-	-	-	-	-
ADJ. PAT	61	81	62	99	121	139
% chg	361.1	32.1	(3.6)	19.8	29.7	14.7
(% of Net Sales)	15.7	17.0	10.6	16.3	17.6	17.9
Basic EPS (₹)	10.3	13.6	13.1	15.7	20.3	23.3
Fully Diluted EPS (₹)	10.3	13.6	13.1	15.7	20.3	23.3
% chg	361.1	32.1	(3.6)	19.8	29.7	14.7

Consolidated Balance Sheet

Y/E March (₹ cr)	FY2014	FY2015	FY2016	FY2017	FY2018E	FY2019E
SOURCES OF FUNDS						
Equity Share Capital	30	30	30	30	30	30
Reserves & Surplus	349	420	442	540	647	770
Shareholders Funds	379	450	472	570	677	799
Total Loans	17	7	46	35	35	35
Deferred Tax Liability	3	5	7	8	8	8
Total Liabilities	399	462	525	613	720	842
APPLICATION OF FUNDS						
Gross Block	394	438	245	257	282	312
Less: Acc. Depreciation	179	203	30	59	90	124
Net Block	215	235	214	199	193	188
Capital Work-in-Progress	2	3	5	3	3	3
Investments	46	46	7	6	6	6
Current Assets	220	283	406	525	648	793
Sundry Debtors	110	141	151	163	198	226
Cash	57	95	170	263	321	421
Loans & Advances	47	41	57	61	79	90
Other Assets	6	6	27	36	48	55
Current liabilities	102	126	130	143	153	172
Net Current Assets	118	157	277	382	495	622
Deferred Tax Asset	18	21	22	23	23	23
Mis. Exp. not written off	-	-	-	-	-	-
Total Assets	399	462	525	613	720	842

Consolidated Cashflow Statement

Y/E March (₹ cr)	FY2014	FY2015	FY2016	FY2017	FY2018E	FY2019E
Profit before tax	93	123	115	153	181	208
Depreciation	22	24	31	29	31	34
Change in Working Capital	(8)	(27)	(147)	(98)	(56)	(26)
Interest / Dividend (Net)	(1)	(6)	(6)	(10)	5	4
Direct taxes paid	(32)	(42)	(57)	(59)	(60)	(69)
Others	6	7	29	(2)	-	-
Cash Flow from Operations	81	78	(36)	14	102	151
(Inc.)/ Dec. in Fixed Assets	(3)	(49)	39	4	(25)	(30)
(Inc.)/ Dec. in Investments	-	-	38	1	-	-
Cash Flow from Investing	(3)	(49)	0	3	(25)	(30)
Issue of Equity	0	1	0	-	-	-
Inc./(Dec.) in loans	(43)	(11)	-	0	-	-
Dividend Paid (Incl. Tax)	(4)	(6)	(9)	(10)	(15)	(17)
Others	(4)	24	120	86	(5)	(4)
Cash Flow from Financing	(52)	9	111	76	(20)	(21)
Inc./(Dec.) in Cash	26	37	75	93	57	100
Opening Cash balances	31	57	95	170	263	321
Closing Cash balances	57	95	170	263	321	421

Key ratios

Y/E March	FY2014	FY2015	FY2016	FY2017	FY2018E	FY2019E
Valuation Ratio (x)						
P/E (on FDEPS)	46.4	35.1	36.4	30.4	23.4	20.4
P/CEPS	33.3	25.6	30.7	22.2	18.7	16.4
P/BV	7.5	6.3	6.0	5.0	4.2	3.6
Dividend yield (%)	0.2	0.3	0.3	0.4	0.5	0.6
EV/Sales	7.1	5.7	4.7	4.3	3.7	3.1
EV/EBITDA	25.3	20.6	20.7	16.4	13.0	10.9
EV / Total Assets	5.5	4.6	4.1	3.5	2.9	2.4
Per Share Data (Rs)						
EPS (Basic)	10.3	13.6	13.1	15.7	20.3	23.3
EPS (fully diluted)	10.3	13.6	13.1	15.7	20.3	23.3
Cash EPS	14.3	18.6	15.5	21.5	25.5	29.1
DPS	1.0	1.5	1.6	1.9	2.4	2.8
Book Value	63.5	75.4	79.1	95.6	113.5	134.0
Returns (%)						
ROCE	21.5	22.3	19.4	21.6	23.3	23.0
Angel ROIC (Pre-tax)	29.0	32.1	29.5	39.0	43.2	47.1
ROE	16.2	18.0	13.1	17.4	17.9	17.4
Turnover ratios (x)						
Asset Turnover (Gross Block)	1.0	1.1	2.4	2.4	2.4	2.5
Inventory / Sales (days)	-	-	1	1	1	1
Receivables (days)	103	108	95	98	105	106
Payables (days)	48	52	46	52	53	53
Working capital cycle (ex-cash) (days)	55	56	50	47	53	54

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1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹ 1 lakh for Angel, its Group companies and Directors