# Univision may face even tougher market for postponed IPO

**by David B. Wilkerson in Chicago and Antonita Madonna in New York, analytics by Elizabeth Lim and Aram Hovsepian**
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**Univision**, the Latino-focused media company which postponed its IPO last year because of poor market conditions, may find 2016 even more hostile amid growing uncertainty about the rapidly-shifting television landscape, industry sources told this news service.

The company may have "missed its window", a source familiar with the deal said.

Declining ratings at cable channels; an effort to reform the retransmission consent process, which could curtail an important revenue stream for broadcasters; and the increasing transition to the on-demand offerings of **Netflix**, **HBO Now**, **Hulu** and **Amazon** (NASDAQ:AMZN) Prime Video have all hit traditional media stocks.

The Dow Jones US Media Index (INDEXDJX: DJUSME) is down just over 8% since the end of October, when the overall IPO market collapsed, forcing Univision to begin internal discussions on opting out of the 2015 timeframe.

As more consumers expect the ability to pay for only the channels they want -- rather than being forced to buy traditional cable packages that can be as high as USD 200 per month -- even the biggest channels like ESPN could be forced to unbundle their core channels. That has raised doubts about Univision's continued growth, the source said.

Univision's holdings include the flagship broadcast TV network, Univision, seen in about 93% of US Hispanic TV households; a second broadcast entity, UniMás; a variety of cable channels including Galavisión, the sports outlet Univision Deportes Network, Univision telenovelas, and international news channel ForoTV.

It also owns 59 TV stations, 67 radio stations, and has a joint venture with **Walt Disney** (NYSE: DIS)/ABC that operates Fusion, an English-language network aimed at young, bilingual, US-born Latino audiences, that may be in trouble.

Reports in December said Walt Disney/ABC was looking to sell its stake after the company had lost more than USD 64m in the two-year 2012 to 2014 period. CFO Frank Lopez-Balboa declined to answer an analyst's question about the reports when Univision reported fourth-quarter results on 23 February.

The company is making moves to adapt launching Web-based series aimed at the young, bicultural audience, said Liz Castells-Heard, CEO of Hispanic ad agency Castells & Associados. "The Bodega," is the story of two Dominican brothers who try to work various get-rich-quick schemes at their father's bodega in New York; and "Heads of Space" is an animated satire based on the 2016 US presidential elections.

"They have been brilliant at, every year, coming out with two or three things," Castells-Heard said. "Expanding the cable offerings – whether its Spanish or English, or a fusion of the two; a deal with T-Mobile; doing a deal with Snapchat; having Univision Deportes get into fantasy soccer -- they really try to touch all the bases."

The company, in January, also said it was paying USD 27.1m for a 40% stake in the satirical publication *The Onion*, whose website receives about 25m visitors. Univision, last spring, acquired *The Root*, a website aimed at African-Americans.

"The challenge is, how they are going to be able to change their positioning from the No. 1 Hispanic media company in the country to being something else," said Lee Vann, president of Hispanic-focused digital ad agency Captura Group. "Will that be a holding company with a lot of different assets? Are they the media company for millennials? Multicultural audiences?"

Vann went on to say that because digital advertising is increasingly driven by programmatic buying – with online ads aggregated and purchased through demand-side software and algorithms – having more inventory available for advertisers to buy, regardless of the target audience, is where the more likely incremental revenue resides.

Castells-Heard emphasized that whatever bets Univsion makes on the broader US culture, the focus remains on the Latino consumer. “Though they do things in English, it's still about trying to leverage the core Hispanic audience,” she said. “If they do a general market deal, it'll be something relatively small, and they'll see what happens.”

A fund manager said, the market – fairly or not – is likely to assess Univision for what it was around the turn of the century – a provider of telenovelas (roughly the Spanish-language equivalent of the soap opera) that appeals primarily to a Latino audience aged 50 and over. “There's a perception that the telenovela is kind of a 1980s, 1990sconcept,” the fund manager said, “and that the younger Hispanic viewers are not inclined to tune into them on their iPhones.”

Univision’s debt is another concern, the fund manager said. As of 31 December 2015, Univision’s total net debt was USD 9.3bn, while EBITDA totaled USD 782.1m. According to *Mergermarket* research, this gave Univision a net debt-to-EBITDA ratio of 12 times for the year.

According to *Mergermarket* data, the average 2015 net debt-to-EBITDA ratio among six Univision rivals – **CBS** (NYSE: CBS), **Meredith** (NYSE: MDP), **Sinclair Broadcast Group** (NASDAQ: SBGI), **Twenty-First Century Fox** (NASDAQ: FOXA), **Viacom** (NASDAQ: VIA.B) and **Comcast** (NASDAQ: CMCSA) - was 2.8 times.

**CBS**, a company with a USD 25bn market cap, has a net debt-to-EBITDA ratio of only 3 times. Meredith a TV broadcaster with the added burden of magazine publishing properties, has a ratio of 2.6 times.

“I think it’s a tough sale,” the fund manager said. “This smacks of a bailout attempt by the owners, who paid too much for it originally, and took on too much debt.”

Univision was acquired for USD 13.7bn in 2007 by a consortium of private equity fund that included, Providence Equity Partners and TPG.

Univision declined comment.



330 Hudson Street, FL 4, New York, NY 10013 USA tel: +1 212-686-5606 www.mergermarket.com