

North Media

***NORTH MEDIA A/S**

Market: OMXC Mid cap

Ticker: NORTHM

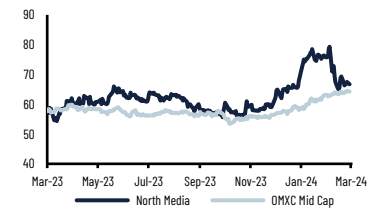
Share price (DKK): 66.7

Market cap (DKK): 1.3bn

Net cash (DKK): 658.5m

Enterprise value (DKK): 681.1m

Share information



Ytd: 2.6% 1 year: 17.0%
1 month: -12.7% 3 year: -32.4%

Note: We apply the closing price from 18 March 2024 (Source: Refinitiv)
The graph is rebased to North Media's share price on 20.03.2023.

Financials

DKKm	2022	2023	2024E*
Revenue	995.3	949.1	1,310-1,375
Revenue growth	-3.7%	-4.6%	38% - 45%
EBITDA	219.2	176.9	170-210
EBITDA margin	22.0%	18.6%	13%-16%
EBIT	191.5	149.9	110-150
EBIT margin	19.2%	15.8%	8-12%
Net income	2.1	264.4	N/A
Net income margin	0.2%	27.9%	N/A
Net cash	650.9	658.5	N/A

Note: *North Media's own 2024 guidance

Valuation multiples

	2022	2023	2024E*
P/S (x)	1.1	1.4	1.0
EV/Sales (x)	0.5	0.7	0.5
EV/EBITDA (x)	2.2	3.6	3.2-4.0
EV/EBIT (x)	2.6	4.3	4.5-6.2
P/E (x)	570	4.9	N/A
P/B (x)	1.1	1.1	N/A
P/CF (x)	6.0	10.3	N/A

Note: Multiples for 2022 and 2023 are based on historical numbers
*Multiples in 2024 are based on North Media's own guidance

Company description

North Media connects businesses with customers through its Last-mile packing and distribution network and Digital Services. Its Last-mile segment (FK Distribution and SDR Svensk Direktreklam) packs and distributes printed matter e.g., leaflets and newspapers, reaching 80% of Danish and 90% of Swedish Households. Its Digital Services include BoligPortal, Ofir, and Bekey. BoligPortal and Ofir provide platforms for the rental and employment markets, respectively, while Bekey provides digital access solutions. Furthermore, Karman Connect (50% owned fintech company) matches borrowers and lenders.

Investment case

North Media's FK Distribution generates strong cash flows relative to North Media's valuation; and while its industry faces structural decline, FK Distribution maintains a leading market share in Denmark. End-2023 SDR Svensk Direktreklam, Sweden's largest private distributor of unaddressed leaflets and newspapers, was acquired, providing potential for mutual development of products and infrastructure in the two markets. The positive cash flows are used to return dividends to shareholders and support the development of North Media's Digital Services, whose long-term growth potential may partially offset declines in FK Distribution.

FY 2023 group revenues declined 4.6% (FK Distribution: -6.2%; Digital Services +3.6%), while EBIT margin contracted 3.3pp due to lower last-mile revenues and acquisition costs. Dividends of DKK 4.0 per share will be paid, reflecting a 6.2%* dividend yield. BoligPortal continued driving growth in North Media's Digital Services from greater advertising revenues, while Ofir and Bekey lagged, facing lower volumes and slow sales development, respectively. A turnaround in Bekey is currently initiated.

North Media continues generating significant operating cash flows, with a 10.3% cash flow yield FY 2023. Its valuation relative to peers is most pronounced on an EV/EBIT basis, as seen below in the peer group below.

Note: Dividend yield and cash flow yield calculated using closing prices at year-end 2023

Peer group

Company	Price (local)	Total return Ytd	Market cap (EURm)	Latest net debt (EURm)	EV/EBITDA 2023E	EV/EBITDA 2024E	EV/EBIT 2023E	EV/EBIT 2024E	Price/EPS 2023E	Price/EPS 2024E	EBIT margin 3-yr avg	EBIT margin TTM	FCF yield 2023E
Average of publishers		0.9%	866	194	6.6x	7.4x	13.8x	11x	15.3x	13.4x	9.4%	9.5%	13.8%
Average of platform companies		-3.1%	8,772	836	16.7x	13.7x	34.4x	19.9x	33.2x	21.3x	18.9%	20.3%	4.5%
Weighted peers (94% / 6%)					7.3x	7.8x	15.1x	11.6x	16.4x	13.9x	10.0%	10.2%	13.2%
North Media A/S	DKK 66.7	2.6%	180	-88	3.6x	3.1x	5.3x	4.2x	4.7x	5.3x	20.3%	15.8%	9.5%
Premium (+) / Discount (-) to peers					-65%	-61%	-79%	-80%	-51%	-76%			

Note: Data from 19/03/24

Source: Refinitiv

Appendix – Peer Group

Estimates and Assumptions: Data in the peer group has not been calculated by HC Andersen Capital but is instead composed of consensus analyst estimates from Refinitiv. Some peers have no or limited analyst cover; hence N/A shows for some data points. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers Refinitiv a credible source of information. It is worth noting that no perfect peers for North Media exist, and therefore, direct comparisons may not be appropriate.

Weighting Assumptions: The peer group has been weighted with a 94% to 6% split between publishing and platform peers, to reflect North Media's FY 2023 EBIT split between its Last Mile (publishing) and Digital Services.

Selected publishing and platform companies overview:

Alma Media: is a Finland-based digital media company focusing on digital services and journalistic content. Alma Media has divested its printed newspaper publishing business and has only its digital media arm now.

PunaMusta Media: is a Finland-based communications group that owns companies engaged in publishing and printing newspapers in Eastern Finland, including one company that operates printing plants. The company also provides services in graphic design and is a suitable peer to FK Distribution.

Sanoma Oyj: is a Finnish media group with physical and digital media brands. The company also develops printed and digital learning materials for teachers.

TX Group AG: is a Swiss media group that hosts the largest editorial network in Switzerland, publishing and printing Sunday newspapers and magazines, as well as hosting digital marketplaces and digital media brands.

Adevinta ASA: is a leading global operator of digital marketplaces with activities in 15 countries, connecting buyers and sellers from real estate, automobiles, consumer goods and more.

Seek Ltd: is an online employment marketplace with international activities primarily based in APAC. Seek Ltd operates on a larger scale than North Media's Ofir, but can be considered an appropriate peer.

Scout24 SE: is a German-based digital marketplace for residential and commercial real estate. It has also launched activities in Austria and is a suitable peer to North Media's BoligPortal.

Ziprecruiter Inc: is US-based online employment marketplace that also has activities in the UK. The company operates on a larger scale than North Media's Ofir, but can be considered an appropriate peer.

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/EBITDA		EV/EBIT		Price/EPS		EBIT margin		FCF yield 2024E
					2024E	2025E	2024E	2025E	2024E	2025E	3-yr avg	TTM	
Alma Media Oyj	EUR 9.8	2.1%	809	145	10.3x	10x	12.9x	12.2x	14.7x	13.8x	23.3%	23.9%	6.4%
PunaMusta Media Oyj	EUR 2.6	-8.3%	33	36	3.9x	7.7x	N/A	N/A	N/A	N/A	-1.4%	-0.2%	27.5%
Sanoma Oyj	EUR 6.4	-8.3%	1,043	640	5.2x	4.7x	12.2x	10.4x	15.6x	12.6x	11.1%	9.6%	8.1%
TX Group AG	CHF 143.0	18.4%	1,578	-44	7.1x	7.1x	16.2x	10.4x	N/A	13.7x	4.5%	4.8%	13.2%
Average of publishers		0.9%	866	194	6.6x	7.4x	13.8x	11x	15.3x	13.4x	9.4%	9.5%	13.8%
Adevinta ASA	NOK 113.7	1.2%	23,372	1,723	17x	14.4x	24.3x	19.2x	24.3x	19.2x	16.9%	19.5%	4.2%
Seek Ltd	AUD 25.6	-4.3%	5,470	765	21.1x	17.8x	29x	23.6x	24.0x	29x	32.5%	29.2%	1.6%
Scout24 SE	EUR 69.0	7.6%	5,178	N/A	15.6x	14.1x	17.7x	15.9x	17.7x	15.9x	N/A	N/A	3.8%
Ziprecruiter Inc	USD 11.7	-15.8%	1,066	20	13.3x	8.6x	66.6x	20.9x	66.6x	20.9x	7.3%	12.3%	8.2%
Average of platform companies		-3.1%	8,772	836	16.7x	13.7x	34.4x	19.9x	33.2x	21.3x	18.9%	20.3%	4.5%
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<i>Premium (+) / Discount (-) to peers</i>					-50%	-60%	-65%	-64%	-71%	-62%			

Note: Data from 19/03/24 ; No adjustments made for Seek Ltd skewed reporting season which runs from 1 July 2023 - 30 June 2024

Source: Refinitiv