

North Media

***NORTH MEDIA A/S**

Market: OMXC Mid Cap

Ticker: NORTHM

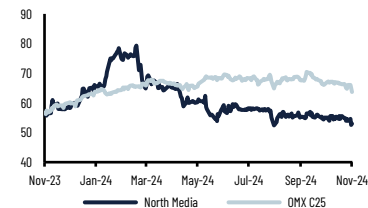
Share price (DKK): 53.0

Market cap (DKK): 955m

Net cash (DKK): 790m

Enterprise value (DKK): 165m

Share information



Ytd -18.5% 1 year: -6.2%
1 month: -3.6% 3 year: -53.8%

Note: We apply the closing price from 06 November 2024. Index rebased to November 2023. Source: S&P Capital IQ

Financials

DKKm	2022	2023	2024E*
Revenue	995.3	949.1	1,315-1,340
Revenue growth	-3.7%	-4.6%	39% - 41%
EBITDA	219.2	176.9	140-160
EBITDA margin	22.0%	18.6%	11%-12%
EBIT	191.5	149.9	65-85
EBIT margin	19.2%	15.8%	5-6%
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. North Media guides for absolute numbers, growth/margins are implied. 0224 guidance: Revenue DKK 1320-1365m; EBITDA DKK 150-175m; EBIT DKK 75-100m

Valuation multiples

	2022	2023	2024E*
P/S (x)	1.1	1.4	0.9
EV/Sales (x)	0.5	0.7	0.2
EV/EBITDA (x)	2.2	3.6	2.1-2.3
EV/EBIT (x)	2.6	4.3	3.9-5.1
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 a structural decline, FK Distribution maintains a leading market share in Denmark. The acquisition of SDR Svensk Direktreklam (SDR) end-2023, Sweden's largest private distributor of unaddressed leaflets and newspapers provides synergy potential via the mutual development of products and infrastructure. 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.

Following Q3 2024 guidance was reduced (see financials), primarily driven by further investments in SDR, larger wage costs, and further revenue declines in Ofir and Bekey. Positive development in BoligPortal continued, but was offset by Ofir and Bekey. North Media seeks to deploy its capital reserves towards acquisitions, which may add to North Media's long term growth outlook, and is investing in digital infrastructure to streamline operations across business units and facilitate integration of new companies.

North Media continues generating significant operating cash flows, with the single analyst estimate for a 9.1% cash flow yield FY2024e. Valuation multiples trade significantly below its peer group average, particularly on an EV basis.

Key investment reasons

FK Distribution continues generating strong cash flow, and can continue to do so, despite a structurally declining market. Additionally, integrating acquired SDR Svensk Direktreklam (Sweden's largest distributor of unaddressed leaflets) and realizing mutual development of products and infrastructure may support earnings growth. North Media's high capital reserves (cash & securities DKK 924m) may support additional acquisitions.

North Media's policy is to pay a dividend that reflects the operating profit before the return on securities, which can be supported by FK Distribution's ongoing cash generation, paying DKK 4.0 per share FY 2023, reflecting a 6.2% dividend yield, (DKK 4.0 in 2022).

North Media trades at a very low valuation on an enterprise value (EV) basis, given that cash and securities reflect around 80-85%* of its market value. Therefore, the earnings power of the business can be acquired at a low multiple adjusted for cash and securities.

Note: *based on latest share prices and securities portfolio value from 31.10.2024, as per North Media's Q3 2024 report.

Key investment risks

North Media's Last Mile segment will likely continue facing structural decline due to digitalization. While its Digital Services offer the potential to partially offset the decline, Ofir and Bekey have struggled to reach consistent profitability. Additionally, realizing synergies in SDR, may take longer than expected, and an impairment of DKK 14.4m YTD 2024 relating to its IT system impacted earnings in 2024.

North Media holds most of its liquid reserves in a securities portfolio, worth DKK 856m as of 31.10.2024, ~75-80% of the market cap. While the portfolio value has appreciated significantly since 2015, the direct link to broader equity prices deters some investors.

Denmark's ruling to maintain its Nej Tak scheme for receiving leaflets eliminates tail risk of large volume declines from a Ja Tak scheme. However, the environmental impact of leaflets remains a discussed topic and may resurface as a debate in the future.

Peer group

Company	Price	Total return	Market cap	Net debt	EV/EBITDA		EV/EBIT		P/E		EBIT margin	
	(local)	YTD	(EURm)	(EURm)	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	3-yr avg	LTM
Median of publishers		15.2%	1,046	90	7.5	6.9	12.9	10.7	15.6	13.4	6.4%	5.4%
Median of platform companies		-5.4%	5,427	165	16.5	14.4	19.4	21.7	29.8	32.4	33.4%	27.6%
Weighted peers (94% / 6%)					8.0	7.4	13.3	11.4	16.5	14.5	8.0%	6.7%
North Media A/S	DKK 53.0	-13.3%	128	-88	1.7	1.6	2.0	1.8	4.9	7.3	20.2%	7.2%

Premium (+) / Discount (-) to peers

Note: Data from 07/11/2024

Source: S&P Capital IQ



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Investment Case
One-pager

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 S&P Capital IQ. 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 S&P Capital IQ 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.

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.

	Price (local)	Total return YTD	Market cap (EURm)	Net debt (EURm)	EV/EBITDA		EV/EBIT		P/E		EBIT margin	
					FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	3-yr avg	LTM
Alma Media Oyj	EUR 11.1	20.6%	908	145	10.4	10.3	12.9	12.7	13.9	14.1	23.5%	23.8%
Rebl Group Oyj	EUR 1.4	-52.4%	17	36	6.3	6.5	NM	NM	NM	NM	-1.4%	-6%
Sanoma Oyj	EUR 7.2	9.9%	1,184	640	6.1	5.4	11.5	10.7	15.6	12.7	8.5%	5.3%
TX Group AG	CHF 147.4	27.2%	1,661	-76	8.8	7.3	12.9	10.5	17.2	13.4	4.3%	5.6%
Median publishing peers		15.2%	1,046	90	7.5	6.9	12.9	10.7	15.6	13.4	6.4%	5.4%
SEEK Limited	AUD 24.9	-5.4%	5,427	757	19.7	17.2	25.2	21.7	38.9	38.9	33.4%	27.6%
Scout24 SE	EUR 83.5	32.3%	6,078	165	16.5	14.4	19.4	16.7	25.6	25.6	40.6%	45.1%
ZipRecruiter, Inc.	USD 9.9	-28.6%	919	32	8.6	9.8	18.0	27.0	29.8	29.8	8.1%	6.7%
Median platform peers		-5.4%	5,427	165	16.5	14.4	19.4	21.7	29.8	32.4	33.4%	27.6%
North Media A/S	DKK 53.0	-13.3%	128	-88	1.7	1.6	2.0	1.8	4.9	7.3	20.2%	7.2%
<i>Premium (+) / Discount (-) to peers</i>					-89.7%	-88.9%	-89.7%	-91.7%	-83.6%	-77.5%		

Note: Data from 07/11/2024

Note: No adjustments made for Seek Ltd skewed reporting season which runs from 1 July 2023 – 30 June 2024

Source: S&P Capital IQ