NEW ZEALAND EQUITY RESEARCH | MEDIA | PUBLISHING, RADIO & ONLINE
31 JULY 2024

NZME Limited
Editing Expectations

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Recent data points suggest the economic backdrop in New Zealand has deteriorated, which is likely to contribute to softer trading for NZME (NZM) in FY24. NZM is highly exposed to the domestic economy, with advertising contributing ~70% of total revenue. As such, we lower our earnings estimates for FY24, with reduced Publishing and Audio expectations partially offset by a stronger contribution from OneRoof. Property listing volumes have rebounded in FY24, providing a strong tailwind for OneRoof's performance alongside successful strategic initiatives undertaken by NZM. In aggregate, our FY24 EBITDA estimate falls -NZ$2.3m to NZ$57.9m, near the bottom of management's guidance range of NZ$57m to NZ$61m. We now anticipate a level of conservatism from NZM's board as it reviews the capital position, potentially delaying capital returns until the NZ economy and advertising markets have settled. Our blended spot valuation falls -4cps to NZ$1.16.

NZX Code	NZM
Share price	NZ$1.07
Spot Valuation	NZ$1.16 (from 1.20)
Risk rating	Medium
Issued shares	183.9m
Market cap	NZ$197m
Avg daily turnover	116.4k (NZ$102k)

Financials: Dec/	23A	24E	25E	26E
Rev (NZ$m)	347.6	353.9	356.9	361.3
NPAT* (NZ$m)	12.2	15.9	17.0	20.4
EPS* (NZc)	6.7	8.5	9.1	10.9
DPS (NZc)	9.0	9.0	9.0	9.0
Imputation (%)	100	100	100	100

*Based on normalised profits

Valuation (x)	23A	24E	25E	26E
PE	16.0	12.6	11.8	9.8
EV/EBIT	11.9	10.3	9.9	8.8
EV/EBITDA	5.5	5.0	4.8	4.7
Price / NTA	n/a	n/a	n/a	n/a
Cash div yld (%)	8.4	8.4	8.4	8.4
Gross div yld (%)	11.7	11.7	11.7	11.7

What's changed?

- **Earnings:** EBITDA estimates over FY24/FY25/FY26 fall -4%, -5% and -4%, respectively and with EPS down -9%, -11%, and -8%.
- **Spot valuation:** Our blended spot valuation falls -3% to NZ$1.16.

Advertising likely to have weakened since ASM

At its 11 April 2024 ASM, NZM noted group advertising revenues had lifted +4% in 1Q24 versus the prior comparable period, which partially reflected market share gains. Economic conditions have weakened since this update, and as such, this growth is likely to moderate through the remainder of FY24. On our revised forecasts, we expect NZM's total advertising revenue to be essentially flat from FY23 (aided by market share gains), with increased OneRoof revenue offsetting a decline in physical print advertising revenue. The tough economic environment may also impact NZM's ability to push through price rises for its subscription-based services. We also note the potential for further weakness in our Publishing subscriber estimates (digital +12% and print -8%) in FY24.

We now expect EBITDA to track towards the bottom end of management's guidance

Despite the challenging economic environment, NZM has thus far retained its FY24 EBITDA guidance range of between NZ$57m and NZ$61m. While we have downgraded our EBITDA estimate for FY24 to NZ$57.9m, we still expect NZM to remain within this guidance range, reflecting a strong contribution from OneRoof and continued cost-out efforts from management. Although cost-out efforts are hard to forecast accurately, management has a solid track record of managing costs to offset revenue declines.

OneRoof's property outlook looks to improve on pending rate cuts

Despite a challenging year, there are signs of recovery for NZM's property platform, OneRoof. Anticipated rate cuts are likely to stimulate the property market, leading to an increase in real estate listings and transactions. Increased market activity should improve OneRoof's performance as it capitalises on its digital growth and increases market upsell of listing tiers, leveraging improved conditions to boost revenues and profitability. OneRoof reported EBITDA of +NZ$1.2m in 1Q24, after reporting a loss of -NZ$1.3m for FY23. Management noted that the improved trend in OneRoof's performance was likely to persist for the remainder of FY24.

FORSYTH BARR

MST Access

NZME Limited (NZM)

Market Data (NZ$)	
Priced as at 30 Jul 2024	**1.07**
52 week high / low	1.08 / 0.81
Market capitalisation (NZ$m)	196.8

Spot valuation (NZ$)	**1.16**
Peers comparable	1.23
DCF	1.24
Dividend Discount Model	1.02

Carbon and ESG (CESG)**	
CESG rating	n/a
CESG score	n/a
Sector average CESG score	n/a
NZ average CESG score	n/a

Key WACC assumptions	
Risk free rate	5.00%
Equity beta	1.16
WACC	10.2%
Terminal growth	1.5%

Profit and Loss Account (NZ$m)	2022A	2023A	2024E	2025E	2026E
Revenue	365.9	347.6	353.9	356.9	361.3
Normalised EBITDA	**64.7**	**54.6**	**57.9**	**59.2**	**60.5**
Depreciation and amortisation	(27.4)	(28.6)	(28.9)	(29.8)	(27.6)
Normalised EBIT	**37.3**	**26.0**	**29.0**	**29.3**	**32.9**
Net interest	(5.7)	(7.7)	(6.3)	(5.2)	(4.0)
Associate income	(0.2)	(0.6)	(0.6)	(0.6)	(0.6)
Tax	(8.6)	(5.6)	(6.2)	(6.6)	(7.9)
Minority interests	0	0	0	0	0
Normalised NPAT	**22.9**	**12.2**	**15.9**	**17.0**	**20.4**
Abnormals/other	(0.3)	0	0	0	0
Reported NPAT	**22.7**	**12.2**	**15.9**	**17.0**	**20.4**
Normalised EPS (cps)	12.3	6.7	8.5	9.1	10.9
DPS (cps)	9.0	9.0	9.0	9.0	9.0

Valuation Ratios	2022A	2023A	2024E	2025E	2026E
EV/Sales (x)	0.8	0.9	0.8	0.8	0.8
EV/EBITDA (x)	4.5	5.5	5.0	4.8	4.7
EV/EBIT (x)	7.9	11.9	10.3	9.9	8.8
PE (x)	8.7	16.0	12.6	11.8	9.8
Price/NTA (x)	n/a	n/a	n/a	n/a	n/a
Free cash flow yield (%)	7.6	8.0	9.4	9.4	9.6
Adj. free cash flow yield (%)	7.6	8.0	9.4	9.4	9.6
Net dividend yield (%)	8.4	8.4	8.4	8.4	8.4
Gross dividend yield (%)	11.7	11.7	11.7	11.7	11.7

Capital Structure	2022A	2023A	2024E	2025E	2026E
Interest cover EBIT (x)	6.6	3.3	4.5	5.5	8.0
Interest cover EBITDA (x)	11.4	7.1	9.2	11.4	15.0
Net debt/ND+E (%)	12.6	13.6	12.6	11.3	9.6
Net debt/EBITDA (x)	0.3	0.3	0.3	0.2	0.2

Growth Rates	2022A	2023A	2024E	2025E	2026E
Revenue (%)	0.1	-5.0	1.8	0.8	1.2
EBITDA (%)	-2.0	-15.5	6.0	2.2	2.3
EBIT (%)	1.0	-31.5	11.7	1.2	12.5
Normalised NPAT (%)	-5.1	-46.8	30.3	6.7	20.2
Normalised EPS (%)	-33.2	-45.8	27.3	6.7	20.2
Ordinary DPS (%)	12.5	0.0	0.0	0.0	0.0

Key Ratios	2022A	2023A	2024E	2025E	2026E
Return on assets (%)	12.1	8.8	10.5	11.5	13.8
Return on equity (%)	18.8	10.7	14.1	15.0	17.4
Return on funds employed (%)	8.7	4.9	7.1	8.4	11.1
EBITDA margin (%)	17.7	15.7	16.4	16.6	16.8
EBIT margin (%)	10.2	7.3	8.0	8.1	9.0
Capex to sales (%)	2.9	3.2	3.2	3.4	3.5
Capex to depreciation (%)	-53	-56	-61	-66	-72
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	73	135	106	99	82

Cash Flow (NZ$m)	2022A	2023A	2024E	2025E	2026E
EBITDA	**64.7**	**54.6**	**57.9**	**59.2**	**60.5**
Working capital change	(8.6)	0.6	(1.6)	(2.0)	(1.2)
Interest & tax paid	(18.2)	(19.3)	(12.5)	(11.8)	(12.0)
Other	(0.4)	4.0	0	0	0
Operating cash flow	**37.5**	**40.0**	**43.8**	**45.4**	**47.4**
Capital expenditure	(10.7)	(11.0)	(11.3)	(12.0)	(12.7)
(Acquisitions)/divestments	(3.6)	0	0	0	0
Other	(11.3)	(13.1)	(13.9)	(14.9)	(16.0)
Funding available/(required)	**11.9**	**15.8**	**18.6**	**18.5**	**18.8**
Dividends paid	(25.4)	(16.6)	(16.8)	(16.8)	(16.8)
Equity raised/(returned)	(17.6)	0	0	0	0
(Increase)/decrease in net debt	**(31.0)**	**(0.7)**	**1.8**	**1.7**	**2.0**

Operating Performance	2022A	2023A	2024E	2025E	2026E
Audio					
External customers revenue	113.5	113.3	117.6	118.9	120.5
Operating EBITDA	22.8	23.3	24.7	24.4	24.3
Operating EBITDA margin	20%	21%	21%	21%	20%
Publishing					
External customers revenue	216.8	204.3	205.6	204.5	203.6
Operating EBITDA	47.4	38.7	34.0	34.9	34.8
Operating EBITDA margin	22%	19%	17%	17%	17%
OneRoof					
External customers revenue	22.9	20.8	27.6	30.4	34.0
Operating EBITDA	-1.4	-1.4	3.5	4.1	5.6
Operating EBITDA margin	-6%	-7%	13%	13%	16%

Balance Sheet (NZ$m)	2022A	2023A	2024E	2025E	2026E
Working capital	1.9	1.3	2.9	5.0	6.1
Fixed assets	23.1	20.3	15.0	11.8	9.1
Intangibles	141.5	142.4	140.0	136.8	136.0
Right of use asset	63.7	58.2	48.0	37.7	27.5
Other assets	17.9	13.7	13.7	13.7	13.7
Total funds employed	**248.1**	**236.0**	**219.7**	**205.0**	**192.4**
Net debt/(cash)	17.5	18.0	16.2	14.5	12.5
Lease liability	91.2	84.7	72.0	58.3	43.5
Other liabilities	13.3	13.5	13.5	13.5	13.5
Shareholder's funds	127.0	119.9	118.0	118.8	122.9
Minority interests	(0.8)	0	0	0	0
Total funding sources	**248.1**	**236.0**	**219.7**	**205.0**	**192.4**

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend** Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at www.forsythbarr.co.nz/corporate-news-events/cesg-report

1. Earnings revisions

We make minor downward revisions to our revenue forecasts across FY24, FY25, and FY26, reflecting weaker advertising markets but partially offset by increased OneRoof revenues. Operating de-leverage leads to EBITDA declines across the forecast period and -9%, -11%, and -8% EPS downgrades for FY24, FY25, and FY26, respectively. We retain our DPS forecast of 9cps for the next three years, however, this sees high or above the top end of the targeted range of payout ratios across the period against NZM's policy of 30% to 80% of free cash flow. This may be one method of returning capital, but we note risk to the downside on DPS expectations.

Figure 1. Earnings revisions

	FY24E			FY25E			FY26E		
NZ$m	**Old**	**New**	**Change**	**Old**	**New**	**Change**	**Old**	**New**	**Change**
Revenue (from external customers)	**352.0**	**347.4**	**-1%**	**356.8**	**350.2**	**-2%**	**361.1**	**354.4**	**-2%**
Finance and other income	6.5	6.5	+0%	6.7	6.7	+0%	6.9	6.9	+0%
Total revenue and other income	358.5	353.9	-1%	363.4	356.9	-2%	367.9	361.3	-2%
Opex	(298.3)	(296.0)	-1%	(301.4)	(297.7)	-1%	(304.8)	(300.7)	-1%
EBITDA	**60.2**	**57.9**	**-4%**	**62.0**	**59.2**	**-5%**	**63.1**	**60.5**	**-4%**
Total depreciation and amortisation	(29.0)	(28.9)	-0%	(29.9)	(29.8)	-0%	(27.7)	(27.6)	-0%
Share of JV and associates net loss after tax	(0.6)	(0.6)	n/a	(0.6)	(0.6)	n/a	(0.6)	(0.6)	n/a
EBIT (before significant items)	30.7	28.4	-7%	31.5	28.8	-9%	34.9	32.3	-7%
Significant items	-	-		-	-		-	-	
EBIT	30.7	28.4	-7%	31.5	28.8	-9%	34.9	32.3	-7%
Net interest	(6.3)	(6.3)	+0%	(5.2)	(5.2)	+0%	(4.0)	(4.0)	+0%
Profit / (loss) from discontinued operations	-	-		-	-		-	-	
Pre-Tax Profit	24.4	22.1	-9%	26.3	23.6	-11%	30.8	28.3	-8%
Taxation	(6.8)	(6.2)	-9%	(7.4)	(6.6)	-11%	(8.6)	(7.9)	-8%
Profit / (loss) for the year	**17.5**	**15.9**	**-9%**	**19.0**	**17.0**	**-11%**	**22.2**	**20.4**	**-8%**
Basic EPS (cps)	9.4	8.5	-9%	10.2	9.1	-11%	11.9	10.9	-8%
DPS (cps)	9.0	9.0	+0%	9.0	9.0	+0%	9.0	9.0	+0%

Source: Forsyth Barr analysis

2. Reviewing the OneRoof opportunity

We view OneRoof as the key value-creation opportunity for NZM. While OneRoof is currently the smallest of NZM's segments (~6% of revenue), its two closest listed comparables, REA Group (REA) and Domain Holdings (DHG), trade on 12-month forward EV/EBITDA multiples of 28.3x and 14.3x, respectively. These multiples represent a significant premium to (1) the median 12-month forward EV/EBITDA multiples for NZM's Publishing (5.7x) and Audio (5.8x) peers and (2) NZM's own 12-month forward EV/EBITDA multiple of 5.0x. Based on our scenario analysis, we estimate that OneRoof could deliver ~NZ$6.7m of EBITDA in FY26 (versus a loss of -NZ$1.3m in FY23) if NZM hits its strategic targets. This could create a meaningful uplift for NZM's sum-of-the-parts valuation, even assuming a conservative EV/EBITDA multiple relative to OneRoof's peers.

The pathway to growing OneRoof's earnings

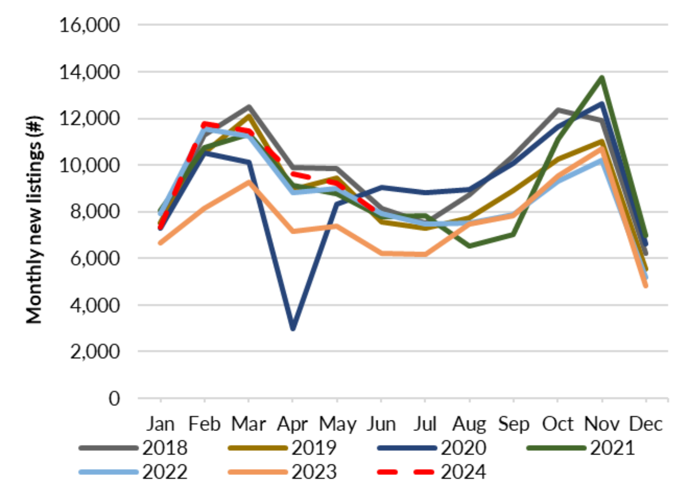
OneRoof has already achieved a >90% share of total residential property listing volumes in NZ. Therefore, there are now three key drivers of future earnings: (1) the volume of NZ residential property listings, (2) the percentage of OneRoof listings which are upgraded to premium packages and (3) the yield on upgraded listings. Recent data suggests the trends for all three of these drivers are constructive for OneRoof's short-term earnings outlook. New residential listings in NZ were up +28% in the six months to June 2024 versus the same (very depressed) period in 2023. Additionally, the average level of upgraded listings and implied yield on upgraded listings strengthened in 1Q24. While the long-term outlook for listings is uncertain, we see clear opportunities for OneRoof to deliver earnings growth via improving the level of upgraded listings in regional areas and upselling upgraded listings onto higher value packages.

Listings in New Zealand's property market have rebounded from depressed levels but sales have not

Data from realestate.co.nz shows there were ~57,000 new listings in the first six months of 2024, +28% ahead of depressed levels in 2023. The increase in listings in 2024 represents a return-to-trend rather than a positive step change, with listings just +2% ahead of 2022 at the same point in the year (see Figure 2). Nevertheless, the strong rebound in listing activity is a positive for OneRoof's short-term earnings trajectory. The outlook for listings in 2H24 is mixed. A high level of existing housing inventory could be a headwind for new listings, but a rate cut(s) from the RBNZ should be a catalyst for increased activity.

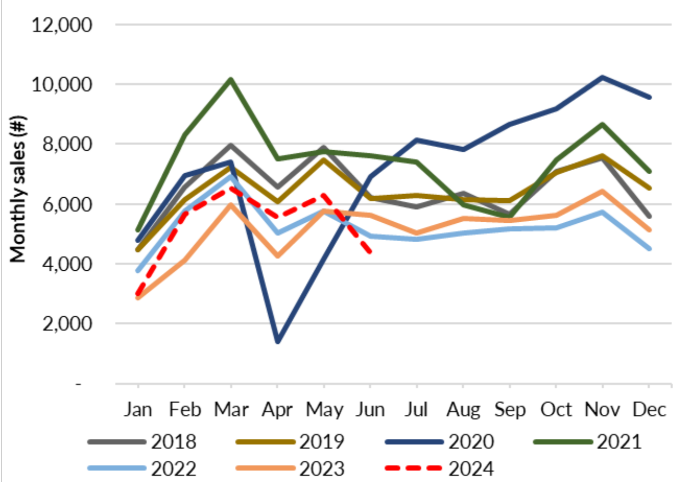
- **Housing inventory elevated:** While listings have recovered in 2024, sales continue to track at anaemic levels (June 2024 was the lowest June sales in over a decade). The divergence between listings and sales has led to housing stock rising +29% in 2024 to date, with the total inventory of listings at 31,745 as of June 2024. Total housing stock has now been above 30,000 for five consecutive months, having last been above 30,000 in October of 2015. The high level of existing stock on the market implies a smaller pool of potential new listings heading into 2H24.
- **RBNZ rate cut(s) on the horizon:** The Reserve Bank of New Zealand (RBNZ) took on a dovish tone at its July Monetary Policy Review (MPS) and we now expect multiple rate cuts in 2024. Lower interest rates should stimulate activity in the property market and could lead to sustained listings momentum in 2H24. We note, much depends on the key summer activity period.

Figure 2. New residential listings have rebounded strongly so far in 2024 and are back to more normal levels



Source: Realestate.co.nz, Forsyth Barr analysis

Figure 3. Residential sales activity continues to be extremely muted, as the market waits for rate cuts to arrive

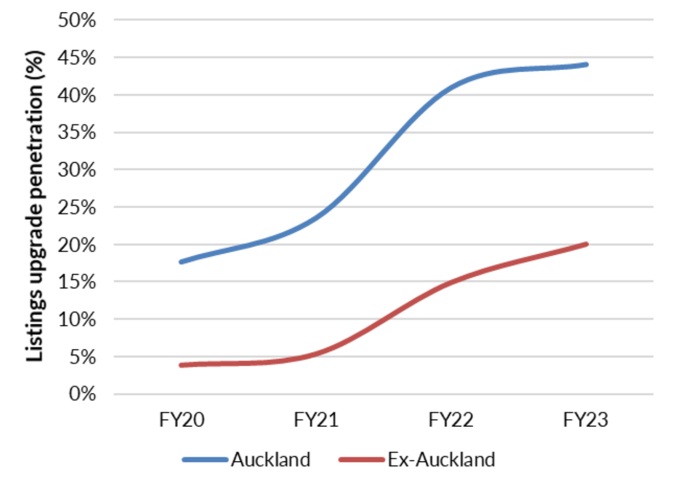


Source: Realestate.co.nz, Forsyth Barr analysis

Listings upgrades outside of Auckland have been lagging

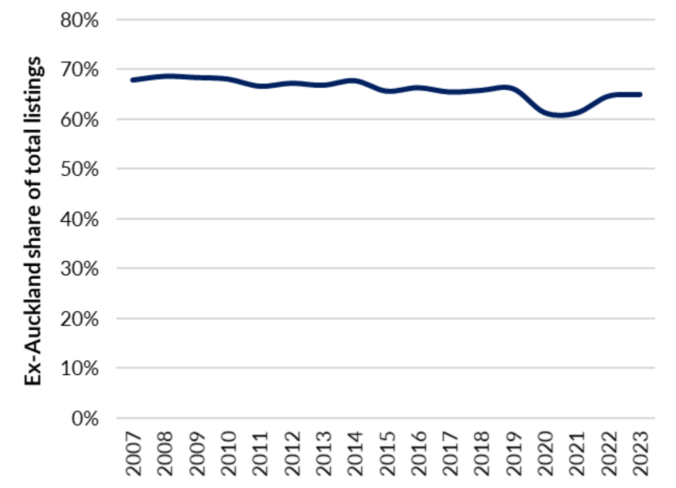
OneRoof earns revenue on listings when real estate agents 'upgrade' a listing. Upgraded listings receive increased exposure on OneRoof and NZM's other platforms including the NZ Herald. The proportion of upgraded OneRoof listings exhibits a clear upwards trend over the last four years as the platform has established itself in the market (see Figure 4). NZM has prioritised the Auckland market for OneRoof, which has resulted in listing upgrades lagging in other regions of the country. While we view targeting Auckland as a rational strategy, given it is NZ's largest market with some of the most expensive prices in the country, ~2/3 of listings in NZ came from outside of Auckland in 2023. There is a significant opportunity for NZM to increase the number of ex-Auckland listings upgrades from the current level of ~20% towards the ~44% level it has already achieved in Auckland.

Figure 4. Listing upgrades outside of Auckland have lagged



Source: Company, Forsyth Barr analysis

Figure 5. Ex-Auckland listings are ~2/3 of national listings

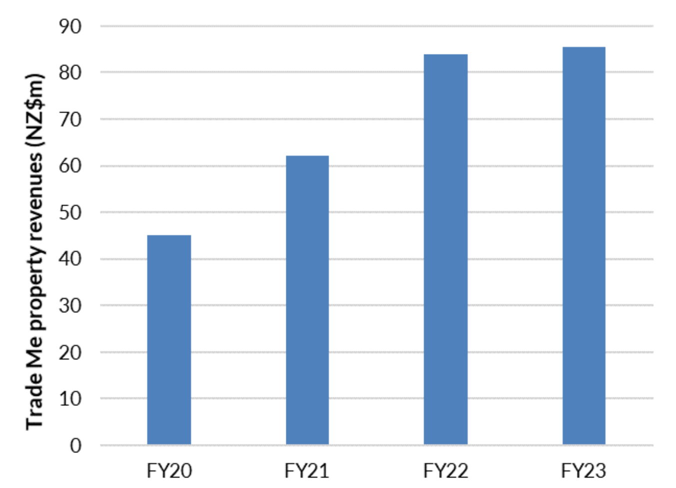


Source: Realestate.co.nz, Forsyth Barr analysis

OneRoof's yield on listings is significantly lower than market leader Trade Me

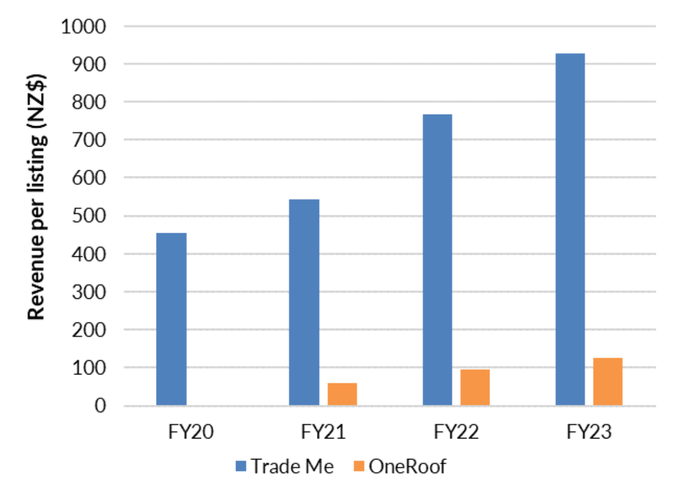
Trade Me is the market leader in online property portals, with revenue of NZ$85m in FY23 (June 2023 balance date). Although OneRoof carries >90% of the listings on Trade Me, its digital revenue (NZ$10.1m) was just 12% of Trade Me's FY23 revenue in the equivalent period. Given the material revenue gap to Trade Me, we see increasing the yield on upgraded listings as a significant opportunity for OneRoof. The key driver of improving yield will be upselling agents on to higher-value listing packages. OneRoof has a unique value proposition relative to its competitors, Trade Me and realestate.co.nz, as it can leverage NZM's network to provide exposure to a wider, more passive potential buyer pool. Our channel checks suggest Trade Me has aggressively raised prices in the last twelve months, improving the relative value proposition of higher level OneRoof listings packages.

Figure 6. Trade Me's property revenue was NZ$85m in FY23 and has almost doubled over four years



Source: Companies Office, Forsyth Barr analysis

Figure 7. Trade Me's revenue per listing is significantly higher than OneRoof's in equivalent periods*



Source: Companies Office, Company, Forsyth Barr analysis *periods = Trade Me financial years

OneRoof could deliver NZ$6.7m of EBITDA in FY26 if NZM achieves its targets

NZM has set FY26 targets for OneRoof around four key metrics: (1) engagement, (2) percentage of listing upgrades, (3) revenue mix and (4) EBITDA margin. If OneRoof can hit the targets presented in Figure 8, we estimate it could deliver NZ$6.7m of EBITDA (post-IFRS) in FY26. OneRoof's EBITDA loss was -NZ$1.3m in FY23 but improved markedly to a positive +NZ$1.2m in the first quarter of FY24.

Figure 8. NZM's FY26 targets for OneRoof

Metric	2023 Performance	2026 target
Engagement	▪ Audience gap to Trade Me Property of 187k	▪ Reduce audience gap to Trade Me Property ▪ Increase listing enquiries by 100%
Listings upgrades	▪ 44% of Auckland listings upgraded ▪ 20% of ex-Auckland listings upgraded	▪ 60% of Auckland listings upgraded by end of year ▪ 40% of ex-Auckland listings upgraded by end of year
Revenue mix	▪ Digital revenue: 54% ▪ Print revenue: 46%	▪ Digital revenue: 78% of revenue ▪ Print revenue: 22% of revenue
EBITDA margin (pre IFRS 16)	▪ EBITDA margin of -10%	▪ EBITDA margin of 15% to 25%

Source: Company, Forsyth Barr analysis

Outlining our other assumptions

Alongside the targets set by NZM, we make the following assumptions:

- Total Auckland and ex-Auckland listing volumes return to FY22 levels.
- OneRoof's market share of listings in Auckland is flat. OneRoof's ex-Auckland market share of listings improves to 90%.
- The yield on upgraded OneRoof listings increases by +10% per year in Auckland and ex-Auckland.
- Digital revenue ex listing fees is equal to the average of FY21, FY22 and FY23 (~NZ$2.9m).
- Other revenue and the IFRS 16 adjustment are flat on FY23 levels.

Figure 9. OneRoof could achieve NZ$6.7m of EBITDA in FY26 under our assumptions

	FY23A	FY26	Comment
Auckland:			
Listings	31,884	36,632	Return to FY22 level
OneRoof listing market share (%)	95%	95%	Flat on FY23
Percentage of upgraded OneRoof listings (%)	44%	60%	NZM target
Average yield on upgraded listing (NZ$)	425*	567	+10% growth per year
Listing revenue (NZ$m)	**5.7***	**11.8**	
Ex-Auckland:			
Listings	59,347	67,205	Return to FY22 level
OneRoof listing market share (%)	87%	90%	Greater regional focus
Listing upgrade (%)	20%	40%	NZM target
Average yield on upgraded listing (NZ$)	255*	339	+10% growth per year
Listing revenue (NZ$m)	**2.6***	**8.2**	
Total listing revenue (NZ$m)	**8.3**	**20.0**	
Other digital revenue (advertising) (NZ$m)	2.5*	2.9	Average of FY21/FY22/FY23
Total digital revenue (NZ$m)	**10.8**	**22.9**	
Print revenue (NZ$m)	9.6	6.5	22% of digital + print revenue
Other revenue (NZ$m)	0.4	0.4	Flat on FY23
Total OneRoof revenue (NZ$m)	**20.8**	**29.8**	
Pre IFRS 16 EBITDA (NZ$m)	**-2.0**	**6.0**	
EBITDA margin	*-10%*	*20%*	Midpoint of NZM's target
Add IFRS 16 adjustment (NZ$m)	0.7	0.7	Flat on FY23
Post IFRS 16 EBITDA (NZ$m)	**-1.3**	**6.7**	

Source: Company, Realestate.co.nz, Forsyth Barr analysis

*Values are estimates

Sensitivity analysis

While we view the assumptions made in our prior analysis as relatively conservative, we acknowledge there is a range of possible outcomes. Additionally, the targets set by NZM are not without execution risk. We have performed sensitivity analysis on key variables to assess the FY26 opportunity for OneRoof in different scenarios.

Figure 10. OneRoof FY26 EBITDA — Sensitivity to NZ residential listing volume

NZ$m		Auckland				
		31884	34258	36632	39006	41380
	59347	6.0	6.2	6.4	6.6	6.8
	63276	6.1	6.3	6.5	6.7	6.9
Ex-Auckland	67205	6.3	6.5	6.7	6.9	7.1
	71134	6.4	6.6	6.8	7.0	7.2
	75063	6.5	6.7	6.9	7.1	7.3

Source: Forsyth Barr analysis

Figure 11. OneRoof FY26 EBITDA — Sensitivity to listing upgrade percentage

NZ$m		Auckland				
		44%	52%	60%	68%	76%
	20%	4.8	5.2	5.6	6.0	6.4
	30%	5.3	5.7	6.1	6.5	6.9
Ex-Auckland	40%	5.9	6.3	6.7	7.1	7.5
	50%	6.4	6.8	7.2	7.6	8.0
	60%	6.9	7.3	7.7	8.1	8.5

Source: Forsyth Barr analysis

Figure 12. OneRoof FY26 EBITDA — Sensitivity to yield on upgraded listings

NZ$m		Auckland				
		425	492	567	646	734
	255	5.4	5.7	6.1	6.6	7.0
	295	5.6	6.0	6.4	6.8	7.3
Ex-Auckland	339	5.9	6.3	6.7	7.1	7.6
	388	6.2	6.6	7.0	7.4	7.9
	441	6.5	6.9	7.3	7.7	8.2

Source: Forsyth Barr analysis

OneRoof could create a meaningful valuation uplift for NZM

Comparable listed companies to OneRoof (online property classifieds) trade on 12-month forward EV/EBITDA multiples of ~14x to ~33x. These businesses command significantly higher multiples than relevant Publishing and Audio peers, primarily due to vastly superior growth prospects. The divergence between peer multiples for OneRoof and NZM's other divisions means that as OneRoof's contribution to group profitability grows, NZM's sum-of-the-parts valuation should increase.

Figure 13. Online property classifieds trade on 12-month forward EV/EBITDA multiples of ~14x to ~33x

Ticker	Company	Market capitalisation (NZ$m)	Operations	Geographies	12m forward EV/ EBITDA multiple
DHG.AX	Domain Holdings Australia Ltd	$2,204	Online classified, property data, financial services, newspapers and magazines	Australia	14.3x
REA.AX	REA Group Ltd	$29,506	Online classified, property data, financial services,	Australia, India, US, South East Asia	28.3x
ZG.O	Zillow Group Inc	$19,628	Online classifieds, property data, financial services	US	18.9x
PGRU.N	PropertyGuru Group Ltd	$1,764	Online classifieds, property data, financial services	South East Asia	33.1x
RMV.L	Rightmove PLC	$9,684	Online classifieds, property data,	UK, Europe	15.1x

Source: Various sources, Forsyth Barr analysis

We view Domain Holdings (DHG) as the closest comparable

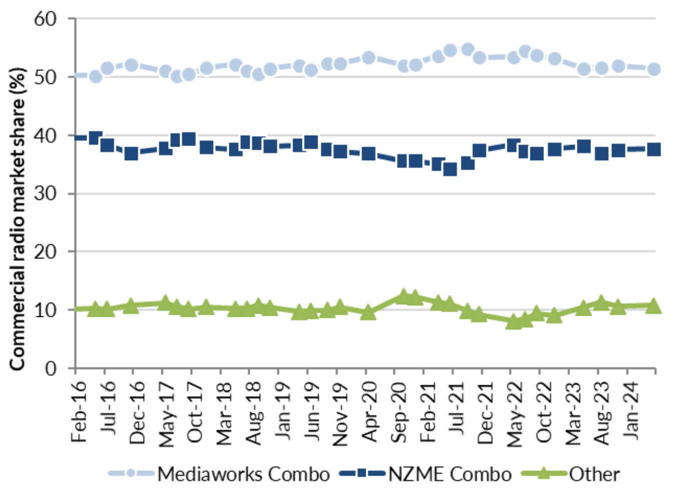
Domain Holdings (DHG) is the closest listed comparable for OneRoof in our view. DHG has a similar market position in Australia as OneRoof in NZ, given REA Group (REA) is the clear market leader. Additionally, the Australian property market is relatively homogeneous to the NZ property market. Applying DHG's EV/EBITDA multiple of ~14x, would imply a ~+NZ$95m uplift to NZM's enterprise value if OneRoof can achieve NZ$6.7m in EBITDA in FY26. However, we acknowledge there are significant differences between the two companies and a discounted multiple is likely more appropriate.

3. Audio update

NZM's Audio division features a lineup of radio brands along with its digital audio platform, iHeartRadio. Its portfolio of 11 audio brands is headlined by Newstalk ZB, NZs most listened-to radio channel (with 14.0% May 2024 market share). The talk show channel, most well known for Mike Hosking's Breakfast Show, is joined on the NZM network by other stations, including ZM, Radio Hauraki, Flava, Coast, and The Hits, among others. Cumulatively, NZM's radio brands command a ~37.7% audience share of the market (May 2024 GFK data). NZ's commercial radio market is dominated by NZM and its larger rival, Mediaworks, which has a ~51.5% audience share. Mediaworks owns 12 stations with well-known brands such as The Breeze, The Edge, The Sound, The Rock, and More FM.

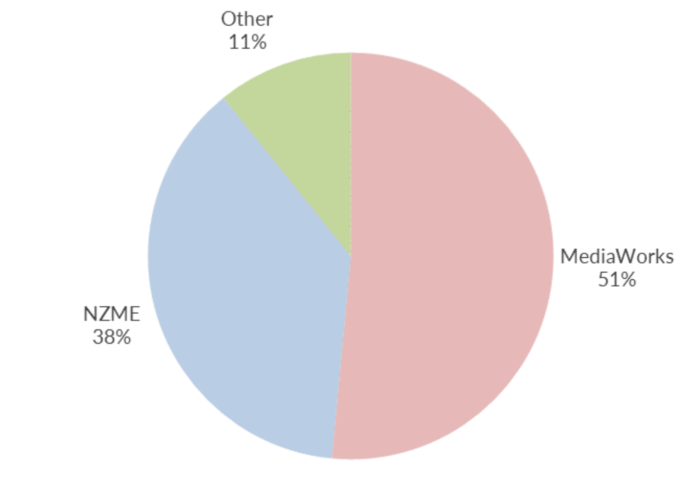
Although >90% of NZM's Audio revenue still comes from radio advertising, the company has made significant strides into digital audio. iHeartRadio, the audio streaming app that NZM licenses in NZ continues to grow. The iHeartRadio app offers users a seamless way to enjoy a vast array of music and radio stations in one free application, including all NZME radio stations. iHeartRadio facilitates digital scalability in NZ, with development costs borne by its larger, globally dispersed owners, while NZME incurs only the ongoing operational expenses within NZ.

Figure 14. Audience share of NZ radio by owner (%)



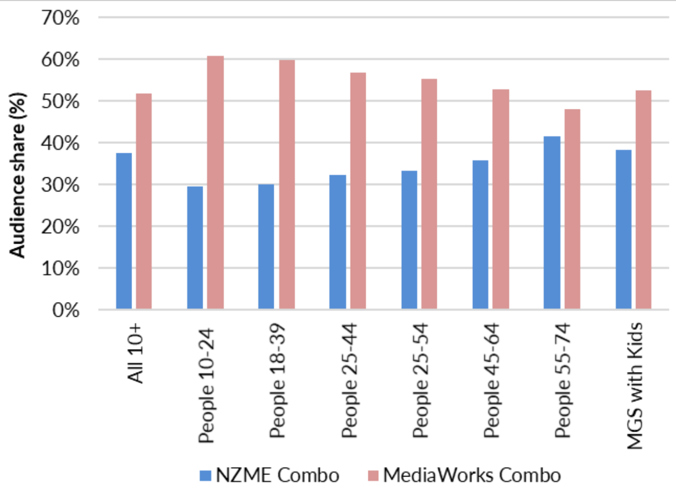
Source: GFK, Forsyth Barr analysis

Figure 15. Market share of NZ radio by owner (May 2024)



Source: GFK, Forsyth Barr analysis

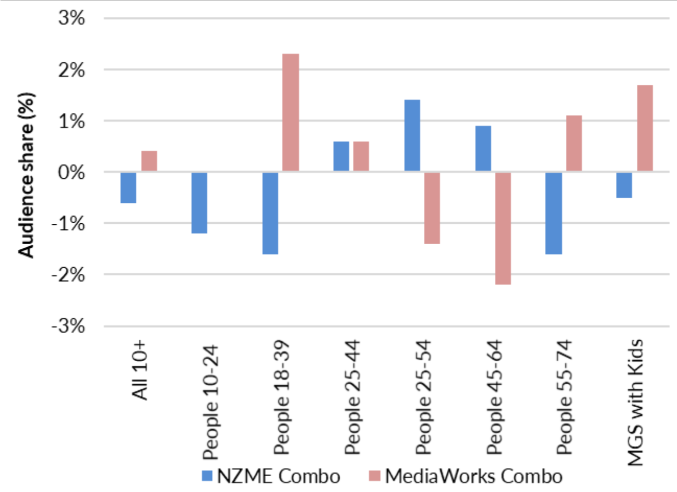
Figure 16. Audience share of NZ radio by owner (May 2024)*



Source: RBA, GfK, Forsyth Barr analysis

* Station Share (%) by Demographic... Mon-Sun 12mn-12mn... All 10+ share

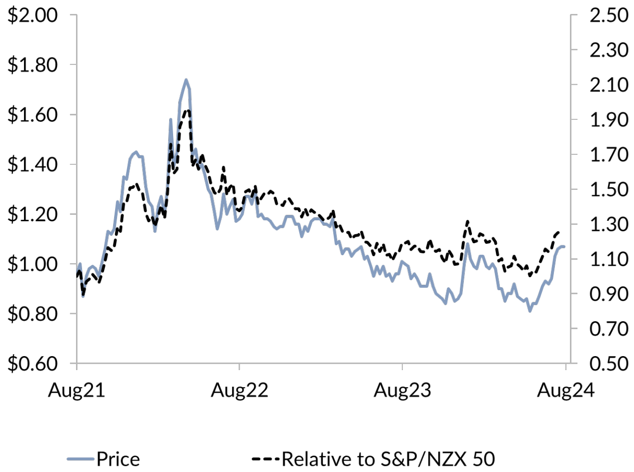
Figure 17. One-year change in audience share (May 2024)*



Source: RBA, GfK, Forsyth Barr analysis

* Station Share (%) by Demographic... Mon-Sun 12mn-12mn... All 10+ share

Figure 18. Price performance



Source: Forsyth Barr analysis

Figure 19. Substantial shareholders

Shareholder	Latest Holding
Spheria Asset Management	19.1%
Repertoire Partners LP	10.1%
Pinnacle Investment Management	9.8%
Osmium Partners LLC	7.6%
Nomura Holdings Inc	5.0%

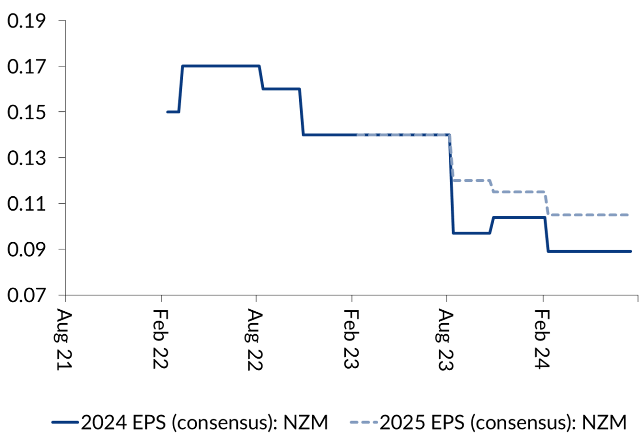
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 20. International valuation comparisons

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
(metrics re-weighted to reflect NZM's balance date - December)			(m)	2024E	2025E	2024E	2025E	2024E	2025E	2025E
NZME	**NZM NZ**	**NZ$1.07**	**NZ$197**	**12.6x**	**11.8x**	**5.0x**	**4.8x**	**10.3x**	**9.9x**	**8.4%**
Nine Entertainment Co Holdin	NEC AU	A$1.39	A$2,196	12.0x	10.7x	6.0x	5.6x	8.6x	7.9x	6.5%
Seven West Media	SWM AU	A$0.17	A$262	3.2x	3.3x	3.5x	3.6x	4.4x	4.5x	8.2%
New York Times Co-A	NYT US	US$53.87	US$8,851	30.1x	27.2x	18.4x	16.5x	21.9x	19.0x	1.0%
Reach Plc	RCH LN	£1.02	£323	4.6x	4.5x	3.2x	3.2x	3.7x	3.7x	7.4%
Gannett Co Inc	GCI US	US$4.84	US$714	<0x	50.4x	6.8x	6.3x	42.2x	15.2x	0.0%
Arn Media	A1N AU	A$0.68	A$213	7.7x	6.8x	4.6x	4.1x	6.8x	6.1x	11.0%
Southern Cross Media Group L	SXL AU	A$0.65	A$156	9.2x	7.1x	5.6x	5.2x	9.2x	8.0x	9.8%
Sirius Xm Holdings Inc	SIRI US	US$3.72	US$14,309	12.3x	11.5x	8.8x	8.7x	12.3x	11.8x	3.2%
Cumulus Media Inc-Cl A	CMLS US	US$2.05	US$35	<0x	<0x	8.4x	9.0x	33.6x	38.8x	n/a
Domain Holdings Australia Lt	DHG AU	A$3.07	A$1,939	34.7x	29.7x	14.9x	13.5x	21.5x	19.1x	2.1%
Rea Group	REA AU	A$195.32	A$25,805	51.2x	42.8x	29.9x	25.8x	34.9x	29.9x	1.3%
			Compco Average:	**18.3x**	**19.4x**	**10.0x**	**9.2x**	**18.1x**	**14.9x**	**5.1%**
EV = Mkt cap+net debt+lease liabilities+min interests-investments			**NZM Relative:**	**-31%**	**-39%**	**-50%**	**-48%**	**-43%**	**-34%**	**66%**

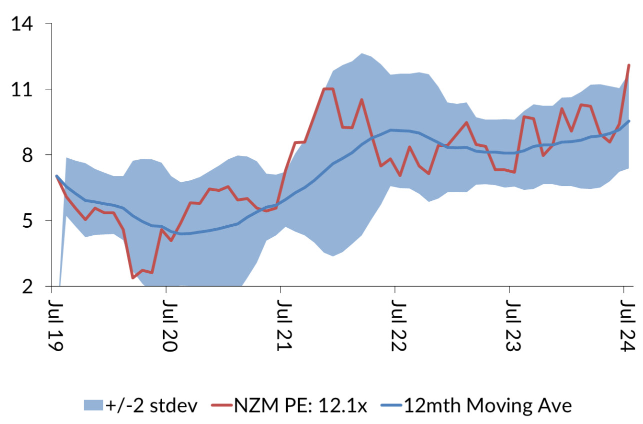
Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (NZM) companies fiscal year end

Figure 21. Consensus EPS momentum (NZ$)



Source: Forsyth Barr analysis

Figure 22. One year forward PE (x)



Source: Forsyth Barr analysis

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