

# NZME Limited

## FY24 Result—No Longer Under OneRoof?

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NZME's (NZM) FY24 result was in line with our expectations at an operational level, a solid outcome given the challenging economic and industry backdrop. Operating EBITDA declined -4% year-over-year, with a strong contribution from OneRoof offset by weaker earnings in Audio and Publishing. While advertising market conditions were difficult in FY24, revenue trends have improved in 1Q25 and NZM expects to deliver a stronger operational result in FY25. NZM has commenced a strategic review of its OneRoof ownership, with a goal of 'value recognition and monetisation'. A divestiture could generate a significant capital return for NZM given OneRoof's robust operational momentum and the valuation of Australian peers (the closest comparable Domain Holdings now trades on ~18x EV/EBITDA). Our blended spot valuation rises +17cps to NZ\$1.25 due to operational earnings upgrades in our DCF and a roll forward of our peers valuation.

NZX code	NZM	Financials: Dec/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$1.20	Rev (NZ\$m)	350.6	359.7	364.4	366.3	PE	n/a	15.8	11.7	12.1
Spot Valuation	NZ\$1.25 (from 1.08)	NPAT* (NZ\$m)	8.7	14.3	19.2	18.6	EV/EBIT	n/a	12.1	9.8	10.2
Risk rating	Medium	EPS* (NZc)	-8.5	7.6	10.2	9.9	EV/EBITDA	6.5	5.6	5.2	5.2
Issued shares	183.9m	DPS (NZc)	9.0	9.0	9.5	9.0	Price / NTA	n/a	n/a	n/a	n/a
Market cap	NZ\$221m	Imputation (%)	100	100	100	100	Cash div yld (%)	7.5	7.5	7.9	7.5
Avg daily turnover	147.4k (NZ\$134k)	*Based on normalised profits					Gross div yld (%)	10.4	10.4	11.0	10.4

### What's changed?

- **Earnings:** Operating EBITDA rises +5% in FY25 and +3% in FY26 on modestly higher revenue and cost out
- **Spot valuation:** We raise our blended spot valuation +16% to NZ\$1.25.

### Operational result in line with expectations, dividend maintained ahead of our forecasts

Divisionally, NZM's FY24 result was largely in line with our expectations. OneRoof was the standout performer, benefitting from a recovery in property listings, increased listings upgrades and improved penetration of high-tier listings. It reported EBITDA of NZ\$2.7m in FY24, a significant reversal from a -NZ\$1.3m loss in FY23. Audio EBITDA declined -6% from FY23 to NZ\$21.9m, primarily due to higher sales and marketing costs linked to one-off promotional activity. EBITDA in NZM's Publishing division fell -11% year-over-year to NZ\$34.5m, as difficult market conditions led to a -4% decline in total advertising revenue. NZM declared a 6cps fully imputed final dividend, bringing total dividends for FY24 to 9cps, in line with FY23 and ahead of our 8cps estimate.

### Advertising and operational trends improving

After a challenging 2Q24 and 3Q24 (cumulative EBITDA was -NZ\$7.4m lower than the comparable period in FY23), NZM's 4Q24 EBITDA was +NZ\$0.9m ahead of 4Q23. Improving performance has carried through into solid January and February trading. NZM expects to deliver +4% advertising revenue growth for 1Q25, adjusting for the recent exit of some community papers. No quantitative guidance for FY25 was provided, but NZM expects improved operational results, subject to advertising market conditions.

### OneRoof strategic review announced

NZM announced a strategic review of its OneRoof ownership. The review will explore the potential for separation 'to enable raising external capital (public or private) to surface value'. However, all options remain on the table. NZM will provide an update on the strategic review at its 1H25 result in August 2025. OneRoof's closest Australian peer, Domain Holdings (DHG.AX), recently received a A\$2.7b bid representing ~17x 1H25 annualised EBITDA. Applying that multiple to our OneRoof FY26 EBITDA forecast implies an EV of around half NZM's current market capitalisation. We forecast OneRoof's EBITDA rising at a >30% CAGR from FY24 to FY29.

**NZME Limited (NZM)**

<b>Market Data (NZ\$)</b>						<b>Spot valuation (NZ\$)</b>						
Priced as at 26 Feb 2025						1.20	Peers comparable					1.27
52 week high / low						1.09 / 0.81	DCF					1.35
Market capitalisation (NZ\$m)						220.7	Dividend Discount Model					1.05
<b>Carbon and ESG (CESG)**</b>						<b>Key WACC assumptions</b>						
CESG rating	n/a					Risk free rate	5.00%					
CESG score	n/a					Equity beta	1.16					
Sector average CESG score	n/a					WACC	10.2%					
NZ average CESG score	n/a					Terminal growth	1.5%					
<b>Profit and Loss Account (NZ\$m)</b>						<b>Valuation Ratios</b>						
	2023A	2024A	2025E	2026E	2027E		2023A	2024A	2025E	2026E	2027E	
Revenue	347.6	350.6	359.7	364.4	366.3	EV/Sales (x)	1.0	0.9	0.9	0.9	0.9	
<b>Normalised EBITDA</b>	<b>54.6</b>	<b>50.1</b>	<b>57.3</b>	<b>61.0</b>	<b>60.9</b>	EV/EBITDA (x)	6.0	6.5	5.6	5.2	5.2	
Depreciation and amortisation	(28.6)	(29.9)	(30.5)	(28.3)	(29.5)	EV/EBIT (x)	12.8	n/a	12.1	9.8	10.2	
<b>Normalised EBIT</b>	<b>26.0</b>	<b>20.2</b>	<b>26.8</b>	<b>32.7</b>	<b>31.3</b>	PE (x)	17.9	n/a	15.8	11.7	12.1	
Net interest	(7.7)	(7.8)	(6.7)	(5.8)	(5.3)	Price/NTA (x)	n/a	n/a	n/a	n/a	n/a	
Associate income	(0.6)	(0.2)	(0.2)	(0.2)	(0.2)	Free cash flow yield (%)	7.2	5.1	7.4	8.3	7.9	
Tax	(5.6)	(3.5)	(5.6)	(7.5)	(7.2)	Adj. free cash flow yield (%)	7.2	5.1	7.4	8.3	7.9	
Minority interests	0	0	0	0	0	Net dividend yield (%)	7.5	7.5	7.5	7.9	7.5	
<b>Normalised NPAT</b>	<b>12.2</b>	<b>8.7</b>	<b>14.3</b>	<b>19.2</b>	<b>18.6</b>	Gross dividend yield (%)	10.4	10.4	10.4	11.0	10.4	
Abnormals/other	0	(24.7)	0	0	0							
<b>Reported NPAT</b>	<b>12.2</b>	<b>(16.0)</b>	<b>14.3</b>	<b>19.2</b>	<b>18.6</b>	<b>Capital Structure</b>						
Normalised EPS (cps)	6.7	(8.5)	7.6	10.2	9.9	Interest cover EBIT (x)	3.3	n/a	4.0	5.6	5.9	
DPS (cps)	9.0	9.0	9.0	9.5	9.0	Interest cover EBITDA (x)	7.1	6.4	8.6	10.4	11.6	
						Net debt/ND+E (%)	13.6	22.0	22.9	22.1	21.3	
						Net debt/EBITDA (x)	0.3	0.5	0.4	0.4	0.4	
<b>Growth Rates</b>						<b>Key Ratios</b>						
	2023A	2024A	2025E	2026E	2027E		2023A	2024A	2025E	2026E	2027E	
Revenue (%)	-5.0	0.9	2.6	1.3	0.5	Return on assets (%)	8.8	-1.8	10.9	13.9	13.8	
EBITDA (%)	-15.5	-8.3	14.2	6.6	-0.3	Return on equity (%)	10.7	10.2	17.2	22.5	21.3	
EBIT (%)	-31.5	n/a	n/a	22.5	-4.3	Return on funds employed (%)	4.9	4.1	7.1	10.0	10.2	
Normalised NPAT (%)	-46.8	-28.7	64.7	34.2	-3.1	EBITDA margin (%)	15.7	14.3	15.9	16.7	16.6	
Normalised EPS (%)	-45.8	n/a	n/a	34.2	-3.1	EBIT margin (%)	7.3	-1.3	7.4	8.9	8.5	
Ordinary DPS (%)	0.0	0.0	0.0	5.6	-5.3	Capex to sales (%)	3.2	3.6	3.4	3.6	3.7	
						Capex to depreciation (%)	-56	-69	-67	-72	-77	
						Imputation (%)	100	100	100	100	100	
						Pay-out ratio (%)	135	-106	118	93	91	
<b>Cash Flow (NZ\$m)</b>						<b>Operating Performance</b>						
	2023A	2024A	2025E	2026E	2027E		2023A	2024A	2025E	2026E	2027E	
<b>EBITDA</b>	<b>54.6</b>	<b>50.1</b>	<b>57.3</b>	<b>61.0</b>	<b>60.9</b>	<b>Audio</b>						
Working capital change	0.6	1.7	(1.4)	(0.6)	(0.6)	External customers revenue	113.3	116.0	119.5	119.8	120.2	
Interest & tax paid	(19.3)	(11.3)	(12.2)	(13.3)	(12.5)	Operating EBITDA	23.3	21.9	24.1	23.0	21.7	
Other	4.0	(2.6)	0	0	0	Operating EBITDA margin	21%	19%	20%	19%	18%	
<b>Operating cash flow</b>	<b>40.0</b>	<b>37.9</b>	<b>43.6</b>	<b>47.2</b>	<b>47.7</b>	<b>Publishing</b>						
Capital expenditure	(11.0)	(12.7)	(12.3)	(13.0)	(13.6)	External customers revenue	204.3	199.9	204.8	203.8	203.0	
(Acquisitions)/divestments	0	0	0	0	0	Operating EBITDA	38.7	34.5	36.3	36.1	36.2	
Other	(13.1)	(13.8)	(15.0)	(15.8)	(16.6)	Operating EBITDA margin	19%	17%	18%	18%	18%	
<b>Funding available/(required)</b>	<b>15.8</b>	<b>11.3</b>	<b>16.3</b>	<b>18.3</b>	<b>17.5</b>	<b>OneRoof</b>						
Dividends paid	(16.6)	(16.8)	(16.9)	(17.9)	(16.9)	External customers revenue	20.8	27.1	32.7	38.1	40.3	
Equity raised/(returned)	0	0	0	0	0	Operating EBITDA	-1.4	2.7	4.8	7.0	8.1	
<b>(Increase)/decrease in net debt</b>	<b>(0.7)</b>	<b>(5.5)</b>	<b>(0.6)</b>	<b>0.5</b>	<b>0.6</b>	Operating EBITDA margin	-7%	10%	15%	18%	20%	
<b>Balance Sheet (NZ\$m)</b>												
	2023A	2024A	2025E	2026E	2027E							
Working capital	1.3	(0.4)	1.0	1.6	2.2							
Fixed assets	20.3	18.2	16.3	14.9	14.0							
Intangibles	142.4	115.8	112.4	111.4	109.3							
Right of use asset	58.2	54.7	49.8	45.1	40.5							
Other assets	13.7	17.2	17.2	17.2	17.2							
<b>Total funds employed</b>	<b>236.0</b>	<b>205.5</b>	<b>196.8</b>	<b>190.2</b>	<b>183.3</b>							
Net debt/(cash)	18.0	24.1	24.7	24.2	23.7							
Lease liability	84.7	79.8	72.4	64.4	55.8							
Other liabilities	13.5	14.1	14.1	14.1	14.1							
Shareholder's funds	119.9	87.6	85.5	87.5	89.7							
Minority interests	0	0	0	0	0							
<b>Total funding sources</b>	<b>236.0</b>	<b>205.5</b>	<b>196.8</b>	<b>190.2</b>	<b>183.3</b>							

\* 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](http://www.forsythbarr.co.nz/corporate-news-events/cesg-report)

## Earnings revisions

We increase our near-term revenue forecasts by ~+1% to reflect: (1) solid advertising trends in 1Q25, and (2) the resilient sales performance of NZM's legacy Publishing revenue streams in FY24. Print subscription revenue, in particular, continues to decline slower than anticipated, with NZM able to offset volume losses through yield. In the opex line, we make adjustments for NZM's editorial restructure, which is expected to deliver annualised cost savings of NZ\$4m. In FY25, this is partially offset by ~NZ\$3m of restructuring charges, which we exclude from our operating EBITDA. We raise our DPS back to 9cps across FY25, FY26 and FY27, reflecting management's confidence in sustaining the dividend at this level.

Figure 1. Earnings revisions (NZ\$m)

NZ\$m	FY25E			FY26E			FY27E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue (from external customers)	351.4	354.6	+1%	356.3	359.3	+1%		361.0	
Finance and other income	6.7	5.1	-24%	6.9	5.2	-25%		5.3	
Total revenue and other income	358.0	359.7	+0%	363.2	364.4	+0%		366.3	
Opex	(301.0)	(302.4)	+0%	(304.0)	(303.4)	-0%		(305.4)	
<b>EBITDA</b>	<b>57.0</b>	<b>57.3</b>	<b>+0%</b>	<b>59.1</b>	<b>61.0</b>	<b>+3%</b>		<b>60.9</b>	
Total depreciation and amortisation	(29.9)	(30.5)	+2%	(27.6)	(28.3)	+2%		(29.5)	
Share of JV and associates net loss after tax	(0.6)	(0.2)	n/a	(0.6)	(0.2)	n/a		(0.2)	
<b>EBIT</b>	<b>26.6</b>	<b>26.6</b>	<b>-0%</b>	<b>30.9</b>	<b>32.5</b>	<b>+5%</b>		<b>31.1</b>	
Net interest	(5.3)	(6.8)	+29%	(4.4)	(5.9)	+36%		(5.4)	
<b>Pre-Tax Profit</b>	<b>21.3</b>	<b>19.8</b>	<b>-7%</b>	<b>26.6</b>	<b>26.6</b>	<b>+0%</b>		<b>25.8</b>	
Taxation	(6.0)	(5.5)	-7%	(7.4)	(7.4)	+0%		(7.2)	
<b>Profit / (loss) for the year</b>	<b>15.3</b>	<b>14.2</b>	<b>-7%</b>	<b>19.1</b>	<b>19.1</b>	<b>+0%</b>		<b>18.6</b>	
Operating EBITDA	57.0	59.9	+5%	59.1	60.7	+3%		60.5	
DPS (cents per share)	8.0	9.0	+13%	8.0	9.0	+13%		9.0	

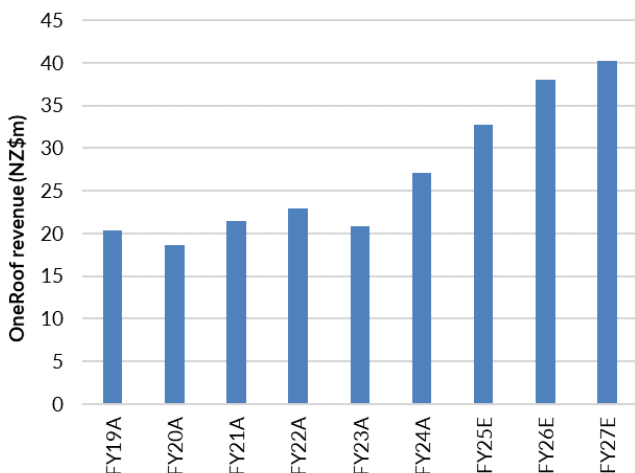
Source: Forsyth Barr analysis

## OneRoof strategic review

NZM has commenced a strategic review of its OneRoof ownership with a goal of value realisation and monetisation. The review likely stems from management's view that the value of OneRoof is not currently reflected in NZM's share price. We see OneRoof as a major opportunity for NZM, given the size of the market and the revenue gap to Trade Me Property, the number one player in the market.

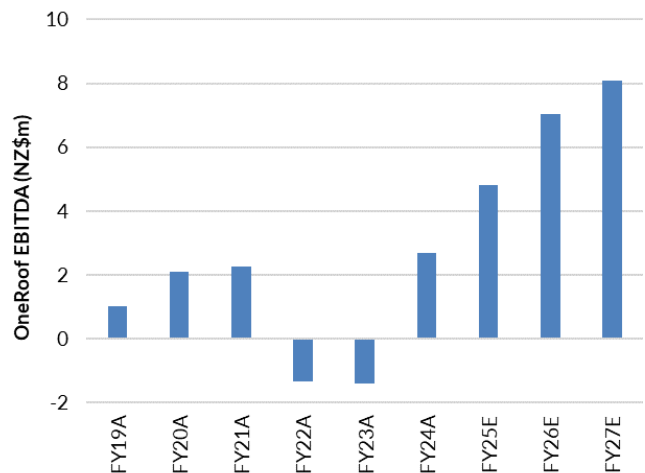
Further, OneRoof's key Australian comparable, Domain Holdings (DHG.AX), recently received a A\$2.7b takeover bid at ~17x EBITDA when annualising DHG's 1H25 results. As a scenario, applying this multiple to our FY26 OneRoof EBITDA (NZ\$7m) would yield an EV of ~1/2 NZM's current market capitalisation. We expect OneRoof's EBITDA to grow at >30% CAGR from FY24 to FY29.

Figure 2. OneRoof—revenue



Source: Company, Forsyth Barr analysis

Figure 3. OneRoof—EBITDA



Source: Company, Forsyth Barr analysis

## FY24 result summary

NZM delivered an in-line FY24 result at the operating EBITDA line. Reported NPAT of -NZ\$16.0m was impacted by: (1) non-operating adjustments relating to restructuring charges of NZ\$4.5m, and (2) NZ\$24.7m in non-cash asset impairments. Stripping out these items, operating NPAT of NZ\$12.1m was -8% below our estimate of NZ\$13.3m.

### Key points of interest:

- **Audio:** revenue rose +3% while EBITDA fell -6% to NZ\$21.9m (versus FB estimate NZ\$21.1m) due to higher selling and marketing and content costs. Digital revenue growth was +32%, with podcast revenue jumping +67% to NZ\$3.7m. NZM's revenue market share increased +10 bp to 44.6% while its audience share declined -90 bp to 36.6%.
- **Publishing:** revenue fell -3%, primarily reflecting weaker advertising revenue. EBITDA declined -11% to NZ\$34.5m (FB: NZ\$34.5m) due to operating deleverage. Digital only subscribers rose +16% to 151k, while print subscribers fell -8% to 85k. NZM continues to partially offset the secular decline in print circulation numbers by increasing yield.
- **OneRoof:** revenue grew +31% and EBITDA came in at a profit of NZ\$2.7m against our estimate of NZ\$3.0m. NZM made solid progress against its strategic initiatives for OneRoof, including improving engagement and driving a higher percentage of listings upgrades. OneRoof also benefitted from a +20% rebound in market listings during FY24.
- **Digital:** the digital transition continues with 31% of FY24 revenues from digital formats, up from 28% in FY23.
- **Balance Sheet:** NZM had net debt of NZ\$24.1m at FY24 balance date, up from NZ\$18.0m in FY23. Net debt to EBITDA of 0.7x is near the middle of management's target range of 0.5x to 1.0x.
- **Dividends:** NZM declared a fully imputed final dividend of 6cps, with total dividends of 9cps declared in FY24, in line with FY23.
- **Non-operating adjustments:** included NZ\$4.5m of non-recurring expenses relating to restructuring activity in 2H25.
- **Impairments:** NZM recognised impairments of: (1) NZ\$24.0m for intangible assets (predominantly mastheads and brands) in its Publishing division, and (2) NZ\$0.7m for equity accounted investments.

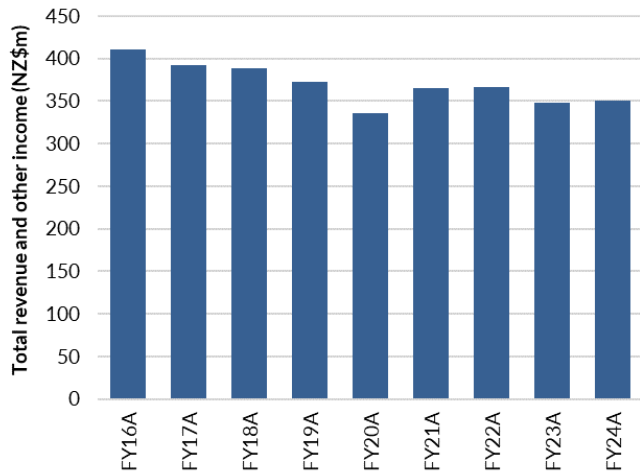
Figure 4. FY24 result summary

NZ\$m	FY23	FY24	Change	FY24E	Deviation
Revenue (from external customers)	340.8	345.9	+2%	346.7	-0%
Finance and other income	6.9	4.7	-32%	6.5	-28%
<b>Total revenue and other income</b>	<b>347.6</b>	<b>350.6</b>	<b>+1%</b>	<b>353.2</b>	<b>-1%</b>
Opex	(293.0)	(300.5)	+3%	(299.0)	+1%
EBITDA	54.6	50.1	-8%	54.2	-8%
<b>Operating EBITDA</b>	<b>56.2</b>	<b>54.2</b>	<b>-4%</b>	<b>54.2</b>	<b>-0%</b>
Total depreciation and amortisation	(28.6)	(29.9)	+4%	(28.9)	+3%
Share of JV and associates net loss after tax	(0.6)	(0.2)	n/a	(0.6)	-64%
EBIT (before significant items)	25.4	20.0	-21%	24.7	-19%
Significant items	-	(24.7)	n/a	-	n/a
<b>EBIT</b>	<b>25.4</b>	<b>(4.7)</b>	<b>n/a</b>	<b>24.7</b>	<b>n/a</b>
Net interest	(7.7)	(7.8)	+2%	(6.3)	+25%
Pre-Tax Profit	17.8	(12.5)	n/a	18.4	n/a
Taxation	(5.6)	(3.5)	-37%	(5.2)	-32%
<b>Profit/(loss) for the year</b>	<b>12.2</b>	<b>(16.0)</b>	<b>n/a</b>	<b>13.3</b>	<b>n/a</b>
Basic EPS (cps)	7.0	(8.6)	n/a	7.1	n/a
DPS (cps)	9.0	9.0	+0%	8.0	+13%

Source: Company, Forsyth Barr analysis

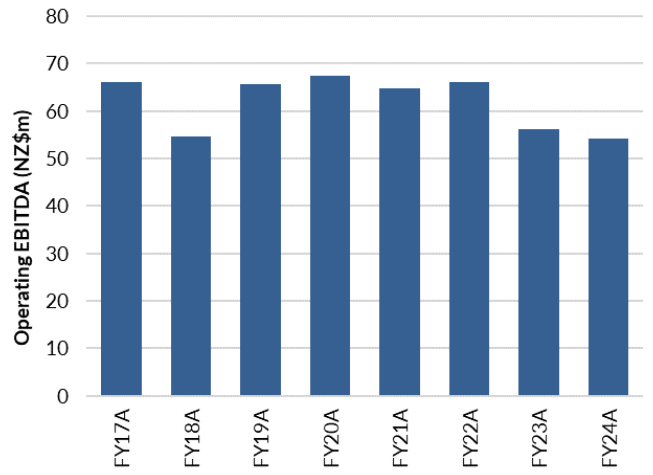
## Key charts from the FY24 result

Figure 5. Total revenue rose modestly in FY24



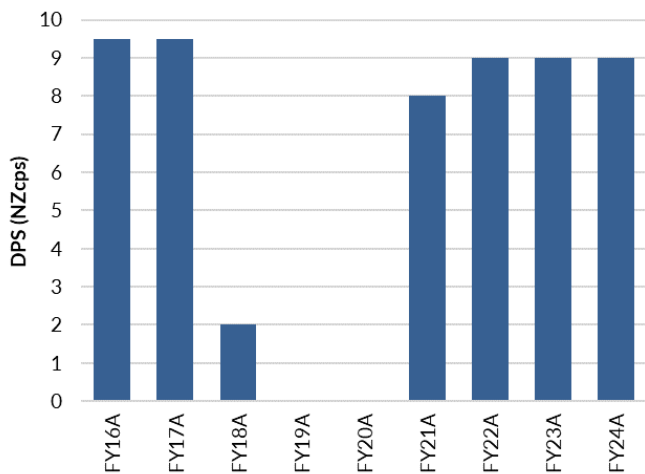
Source: Company, Forsyth Barr analysis

Figure 6. Operating EBITDA fell -4% in FY24



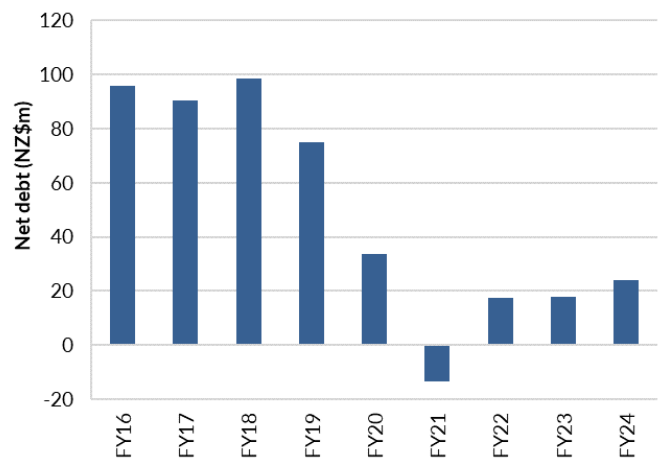
Source: Company, Forsyth Barr analysis

Figure 7. NZM maintained its 9cps of dividends



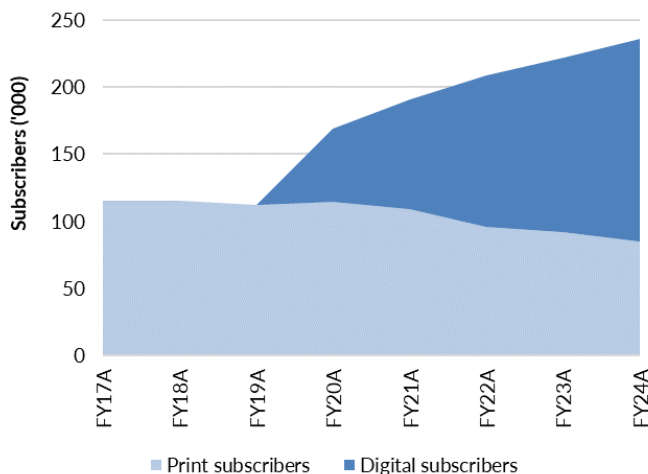
Source: Company, Forsyth Barr analysis

Figure 8. NZM has NZ\$24.1m of net debt



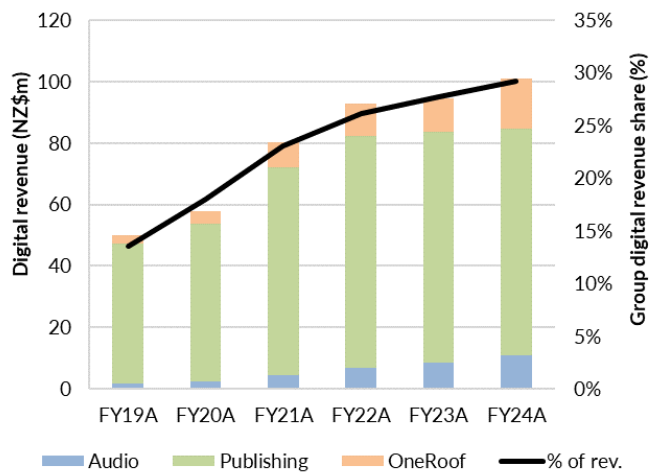
Source: Company, Forsyth Barr analysis

Figure 9. Digital-only subscribers grew strongly in FY24



Source: Company, Forsyth Barr analysis

Figure 10. Digital revenue is now ~30% of NZM's total revenue



Source: Company, Forsyth Barr analysis

## Additional data

Figure 11. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 12. Substantial shareholders

Shareholder	Latest Holding
Spheria	19.0%
Pinnacle	10.9%
Repertoire Partners	6.7%
Osmium Partners	6.5%
Nomura	5.3%

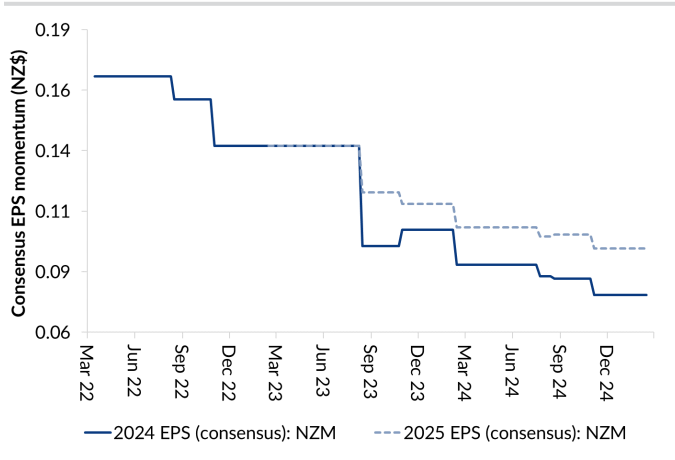
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 13. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 1yr
				1yr	2yr	1yr	2yr	1yr	2yr	
NZME	NZM NZ	NZ\$1.20	NZ\$225	12.1x	10.6x	6.3x	6.0x	12.2x	10.9x	7.6%
Nine Entertainment	NEC AT	A\$1.70	A\$2,696	15.7x	13.6x	8.2x	7.5x	12.1x	10.7x	4.6%
Seven West Media	SWM AT	A\$0.18	A\$269	4.6x	4.6x	5.4x	5.4x	7.2x	7.2x	0.6%
New York Times	NYT US	US\$47.88	US\$7,850	22.1x	20.3x	13.4x	12.2x	15.9x	14.4x	1.5%
Reach	RCH LN	£86.80	£276	>75x	>75x	2.9x	2.9x	3.5x	3.5x	0.1%
Gannett	GCI US	US\$4.04	US\$595	<0x	37.1x	6.7x	6.4x	18.9x	14.3x	0.0%
Arn Media	A1N AT	A\$0.62	A\$196	7.8x	n/a	4.3x	n/a	8.5x	n/a	7.2%
Southern Cross Media Group	SXL AT	A\$0.66	A\$160	10.2x	8.8x	7.2x	7.2x	12.6x	12.2x	6.9%
Cumulus Media	CMLS US	US\$0.87	US\$15	<0x	<0x	11.7x	8.8x	>75x	25.5x	0.0%
Domain Holdings Australia	DHG AT	A\$4.34	A\$2,741	42.1x	38.4x	19.0x	17.3x	25.8x	23.2x	1.5%
REA GROUP	REA AT	A\$233.88	A\$30,900	48.0x	40.5x	29.3x	25.5x	34.1x	29.4x	1.2%

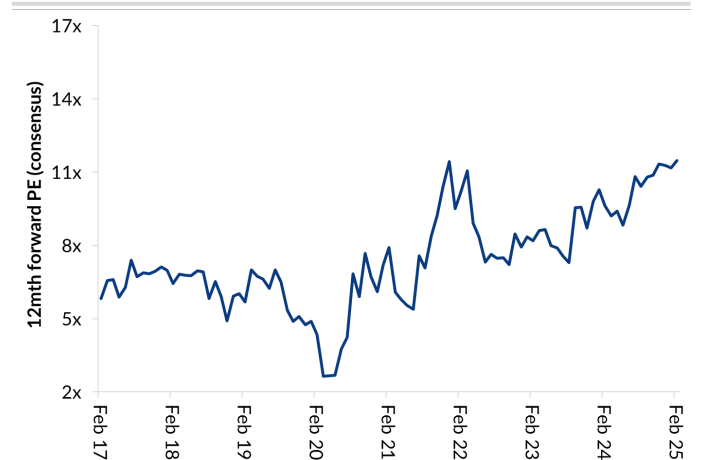
Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

Figure 14. Consensus EPS momentum (NZ\$)



Source: Bloomberg, Forsyth Barr analysis

Figure 15. Consensus one year forward PE (x)



Source: LSEG, Forsyth Barr analysis, NOTE: Data excluded when PE<0x or >75x

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