



BRILLIANT KNOWLEDGE

MediaWatch | April 2023

VISION ON

EDISON THEMES

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Sentiment has been fairly stable across the full-year reporting season, with a decent Q422 performance despite tougher comparatives, providing full-year numbers with relatively few surprises. Outlook narratives have remained circumspect, though, with macroeconomic uncertainties tempering the more buoyant expectations. On our valuation screens, many media stocks continue to trade at substantial discounts to their long-term averages, suggesting that prices may have further to recover or that there are downgrades yet to come (or both). The widest discounts are in European cable and satellite, US interactive media and services and European interactive home entertainment.

MediaWatch: Introduction

This second edition of MediaWatch (the inaugural version was published in January 2023) looks at performance and changes to consensus forecasts for companies in the media sector across the UK, European and US markets. We highlight the direction of travel of revenue and EBITDA (as a proxy for earnings) estimate changes across the seven constituent subsectors, as defined by the MSCI's Global Industry Classification Standard (GICS), for CY23 and CY24. We then look at the individual stock level to see where current valuations are compared to their long-term averages, using values back to 2006 to smooth out the cycle. On the basis of our screens, a large majority of stocks are trading at substantial discounts to their long-term average ratios, which indicates that pricing remains too low or that market earnings estimates are too high, or both.

Q123: CAUTIOUS AND STEADY

Household discretionary spending remains constrained by higher housing and utility costs, emphasising the need for media companies to deliver value, which is key to staying part of households' budgets. Advertising spend expectations are also reflecting this, with brands keen to stay relevant and present. We are seeing this in the media sector numbers, with limited top-line growth expected but slightly better margins, as management teams focus on cost containment in the face of continuing input inflation. Off-shoring and near-shoring trends look set to continue.

The general tenor of management FY23 outlook statements so far has been that year-to-date operating performance has been in line with internal and market expectations (which aligns with our broad observations on consensus estimate revisions), with the rider that visibility is not necessarily good. There should be a clearer view when Q123 statements are published later in April and in May.

Hot topics...

There are some particular themes exercising media sector observers at the moment, which represent both opportunities and threats to participants. These include:

- **Artificial intelligence (AI).** The adoption of AI is already significant but in limited applications. There is considerable excitement about the potential for AI and machine learning to help automate processes and identify inefficiencies, allowing greater resource to be focused on creativity. There is acknowledgment that 'giving AI the keys' could be a major risk for brand equity and the creative industries, and that there are needs for clearly defined limits. These boundaries will be increasingly tested, with the current debate over AI-generated music learning from copyright material and the place of such content on streaming platforms just one example.
- **Retail media.** Retail media has been a major revenue generator for Amazon for some time but is now gaining ground across the piste, facilitated by the shifting privacy environment. This is highlighting the value of the first-party data owned by retailers, which enables them to segment and access audiences for others – effectively realising the value of the 'real estate' on their consumer websites. Some commentators are suggesting that the value of this marketing channel will exceed the spend on TV by FY25.

...and cooling topics

Other topics are cooling because people have probably grown tired of talking about them, rather than them losing relevance.

- **Digital transformation** remains a major impetus, but the hype around it has mutated and the associated valuation premium has, to some extent, dissipated. The business need for external input around the repositioning of operational activities to cater for changed patterns of interaction remains pivotal. Improving understanding of the value of having an attractive and intuitive user experience should keep demand for advice and implementation assistance robust. After all, the risk of annoying or alienating potential customers is simply not worth taking when their alternatives are seconds and clicks away. Transformation projects of scale can be a mixed blessing, with the inherent risks in managing the cost base and deliverables. There are still attractive opportunities, though, in associated recurring revenues driving continuous improvement, as customers have come to expect.
- **Inflation** has clearly not gone away but, as the year progresses, the comparators will inevitably start to ease. The underlying skills shortages, particularly in data science and engineering, are still there, but the particular squeezes in developed markets have been somewhat eased by some of the tech majors having reversed their earlier hiring sprees, with the net result of less overheated specialist labour markets.

Exhibit 1: Regional media consensus

Region	Market value change	Revenue growth		EBITDA growth			EBITDA margin	
	Q123	CY23e	CY24e	CY23e	CY24e	CY22e	CY23e	CY24e
United Kingdom	8%	(2%)	5%	4%	6%	21%	23%	23%
Continental Europe	3%	3%	4%	(6%)	9%	19%	18%	21%
North America	19%	5%	8%	11%	14%	27%	29%	31%

Source: Edison Investment Research, Refinitiv

MACRO AND STRATEGY OVERVIEW

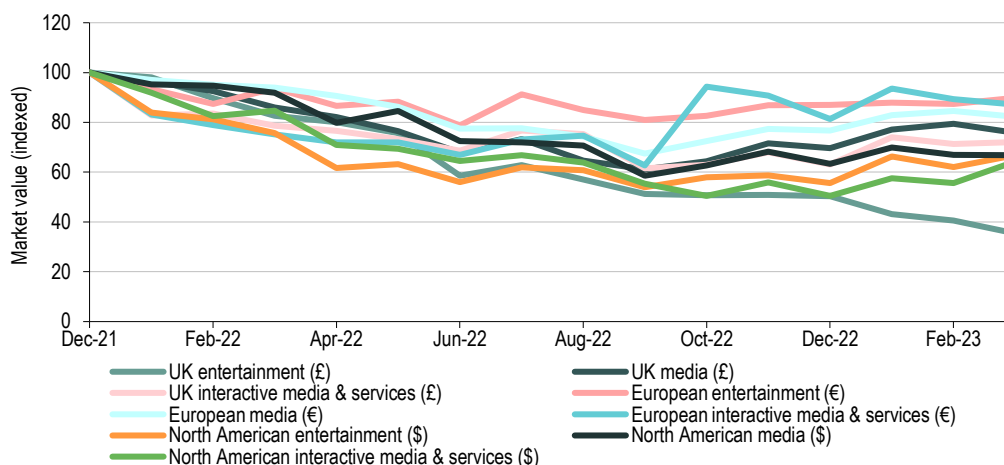
Hope may conquer

Our most recent global equity strategy and market outlook can be found [here](#).

The year started well, with positive returns for the equity indices of the major economies through Q123. The strong rally during February demonstrated that following a period of pessimism the mere absence of negative news can be sufficient to drive a powerful rally. However, these strong initial returns in the quarter were subsequently dampened by the banking mini-crisis in March.

In Exhibit 2 we show how the media subsectors performed in the main geographic markets. With the exception of the UK entertainment sector (which accounts for just 1% of the UK media sector), the other segments all increased in market value across the quarter, with the largest gains in the North American market, buoyed by the improved sentiment for major players such as Alphabet, Meta Platforms, Pinterest and Snap.

Exhibit 2: Performance of media subsectors (indexed to December 2021)

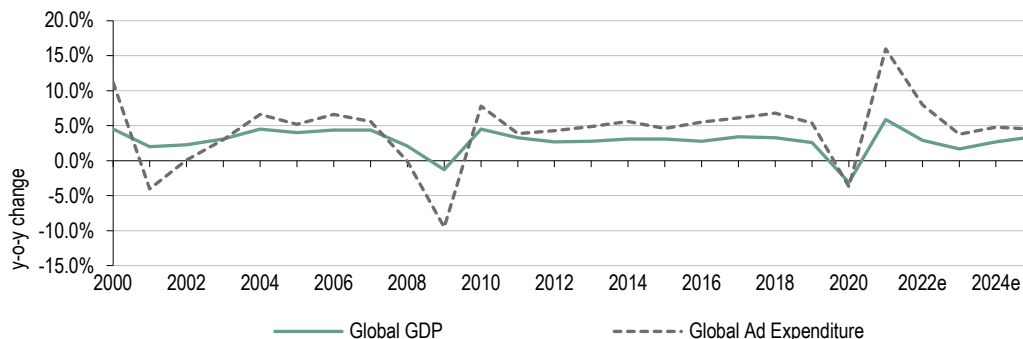


Source: Edison Investment Research, Refinitiv

As we entered 2023, most commentators were expecting lower economic growth than in 2022, at best. With what the International Monetary Fund (IMF) refers to as ‘stubbornly high inflation’ despite the reductions in energy prices and other commodity prices and taking into account the recent turmoil in the financial sector, in April 2023 the IMF downgraded its projections for global GDP growth in 2023 and 2024, albeit only marginally, by 0.1% from its January 2023 update, to 2.8% and 3.0%, respectively, following 3.4% growth in 2022. While global growth is still expected in both years, among the advanced economies the IMF forecasts 2023 declines for Germany (-0.1% versus growth of 0.1% in January 2023) and the UK (-0.3% compared to -0.6% in January 2023) and downgraded growth estimates for Japan (by 0.5% to 1.3%). In contrast, there were some rays of sunshine with upgrades for the United States and Continental Europe, despite the latter including the above downgrade to Germany’s outlook. The IMF points to a ‘rocky recovery’, with stated forecast risk to the downside given debt levels and that geopolitical tensions remain high.

It is worth noting in this context the relationship between GDP and advertising spend, a key metric underpinning earnings across much of the media sector. The long-term pattern, as illustrated below, shows the correlation between the two (an instinctive conclusion), with advertising spend underperforming in the downturns and outperforming in periods of stronger economic growth. In the depths of the 2020 lockdowns, the contrast was less pronounced, with ad spend retrenching 3.7% while GDP fell 3.1%. The bounce back in 2021 was more dramatic, as shown in Exhibit 3.

Exhibit 3: Long-term global GDP and advertising spend



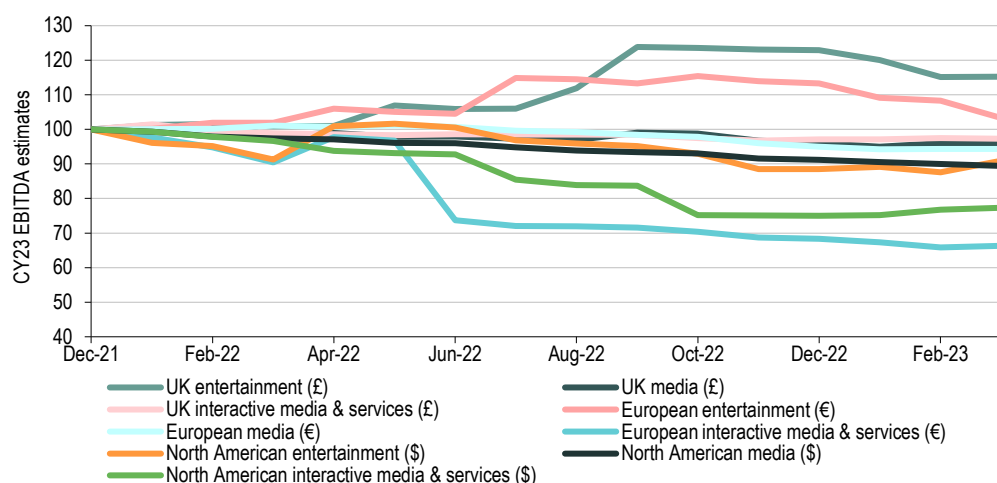
Source: World Bank, Dentsu

Turning to the UK outlook, in its March 2023 Economic and fiscal outlook, the UK’s Office for Budget Responsibility (OBR) continued to paint a bleak picture for UK consumer income and spending, albeit not quite as bleak as in the previous, November 2022 update. The OBR’s new forecast for the cumulative decline in real household disposable income per person over the financial years 2022–23 and 2023–24 was reduced to 5.7%, which, however, still represents the largest two-year fall since records began in the mid-1950s.

Most earnings estimates remain on a downward track

As per our most recent equity strategy and market outlook, we believe that 2023 earnings forecasts remain on a downward [track](#), which is set to accelerate given the recent stresses in the banking system. The declines are evident at a global level and are widely spread across the sectors, including some, but not all, of the media subsectors, as shown in Exhibit 4.

Exhibit 4: CY23 EBITDA estimates of media subsectors (indexed to December 2021)



Source: Edison Investment Research, Refinitiv

Relative sector valuations

In Exhibit 5 we show the valuations of the subsectors across all geographies at 31 March 2023, ordered by the greatest discount to long-term aggregate EV/EBITDA multiples, to highlight the relative valuations across geographies and subsectors.

We show for the individual subsectors:

- Consensus CY23 revenue and profit estimates.
- How the growth rate of the consensus CY23 revenue estimates have changed during Q123 and the absolute change in margin between Q422 and Q123. The changes can reflect a combination of: a new base year figure, eg reporting of actual CY22 revenues versus a prior estimate; the introduction/deletion of estimates for an individual company that was not/was included previously; underlying changes to estimates; and changes in foreign exchange rates during the period for those companies with overseas earnings.

- The prospective EV/sales and EV/EBITDA multiples for CY23e, priced as at the end of March 2023, and how they compare with the long-term average multiples. The long-term average covers the period from 2006–22 so that we include the changes over the most recent cycle (ie including the global financial crisis of 2007–08). Unlike in the company-specific screens, we have included EBITDA lossmakers within the aggregate multiple to reflect fully the forecast profitability and subsequent ratings of the subsectors. Our enterprise value calculation includes the IFRS 16 accounting changes, effective from 1 January 2019. As such, it will affect the comparability of EV/EBITDA multiples either side of that date given that it affects both the numerator and the denominator of the multiple. The subsectors are sorted by ascending order of the discount/premium to their long-term average.
- The CY23e EBITDA margin relative, which shows how the subsector's prospective margin compares with the range of reported profit margins between 2006 and 2022. A negative percentage indicates an expected margin that is below those achieved between 2006 and 2022; a percentage between 0–100% indicates where the expected margin is within the historical range; and a percentage greater than 100% indicates an expected margin that is greater than the subsector has historically achieved between 2006 and 2022. Comparison of relative margins over time is helpful in providing some context for the prospective EV/sales multiples versus historical multiples.

Fifteen of the 20 subsectors were trading at a discount to their long-term average EV/EBITDA multiple at the end of Q123. Consensus is now forecasting CY23e sales growth in eight of the 15 subsectors and EBITDA growth in seven of the 15 subsectors trading at discounts to their long-term average EV/EBITDA multiple, versus the previous quarter in which consensus expected sales growth in all but one subsector and EBITDA growth in 17 of the 20 subsectors.

In contrast, we note, is the improvement in the forecast CY23e EBITDA margins in four of the six North American subsectors, as inflation in North America slowed more than expected in Q123 and the outlook for inflationary pressures in 2023 has improved. We show in Exhibit 5, below, the quarterly change in the CY23e sales growth rate alongside the quarterly change in CY23e EBITDA margin to highlight the drivers behind the changes to the margins. Where there has been a fall in the forecasted CY23e EBITDA margin in Q123 and the subsector remains at a significant discount to its long-term average multiple, we believe the market is already discounting further expected downgrades as CY23 progresses. Two sectors, European cable and satellite and European interactive home entertainment, have seen declines in EBITDA margin expectations and are trading at discounts to their long-term average EV/EBITDA multiple of more than 30%.

Exhibit 5: Relative subsector valuations

Regional sub-sectors	Sales growth CY23e	EBITDA growth CY23e	Change in CY23e sales growth in Q1	Change in CY23 EBITDA margin (bp)	EV/Sales CY23e (x)	Premium/ (discount) to long-term average EV/Sales	EV/EBITDA CY23e (x)	Premium/ (discount) to long-term average EV/EBITDA
European cable & satellite	4%	(2%)	0%	(1%)	2.4	(60%)	5.6	(45%)
US interactive media & services	5%	30%	2%	2%	3.8	(37%)	10.1	(41%)
European interactive home entertainment	13%	12%	6%	(1%)	2.1	(22%)	6.3	(37%)
US interactive home entertainment	11%	86%	1%	2%	3.7	(1%)	17.2	(33%)
UK broadcasting	0%	(19%)	1%	(0%)	1.0	(48%)	6.7	(25%)
UK interactive media & services	9%	10%	(0%)	1%	7.2	(14%)	15.9	(24%)
European broadcasting	1%	(4%)	0%	1%	0.9	(46%)	6.3	(21%)
European interactive media & services	12%	(49%)	1%	(1%)	3.8	(30%)	13.4	(18%)
US cable & satellite	(0%)	1%	0%	(1%)	2.5	(14%)	7.7	(16%)
UK advertising	(4%)	12%	12%	(0%)	1.4	(11%)	8.3	(13%)
European publishing	5%	(8%)	1%	(1%)	0.9	(16%)	8.3	(11%)
European advertising	(1%)	(8%)	5%	(0%)	1.2	(14%)	7.5	(9%)
US broadcasting	(1%)	(22%)	1%	(1%)	1.3	(39%)	7.8	(4%)
US advertising	(2%)	17%	3%	0%	1.8	21%	9.9	(4%)
UK publishing	(1%)	3%	4%	(1%)	1.4	33%	5.5	(2%)
US publishing	(0%)	3%	1%	(0%)	1.2	7%	8.1	1%
UK movies and entertainment	2%	(0%)	14%	1%	1.1	(36%)	5.4	6%
European movies and entertainment	3%	17%	(2%)	(0%)	1.8	47%	11.2	6%
UK interactive home entertainment	1%	(36%)	13%	(2%)	2.0	(96%)	6.9	12%
US movies and entertainment	12%	(26%)	(5%)	0%	2.4	(16%)	13.8	26%

Source: Edison Investment Research, Refinitiv. Note: At 31 March 2023.

Conclusion: Valuation opportunities remain

While we believe earnings forecasts remain vulnerable to further downgrades, our valuation screens for the media subsectors continue to identify a large number of companies that are trading below their long-term average EV/sales multiples, and many of these are also trading at a discount to their long-term EV/EBITDA multiples, providing a favourable risk/reward for investors. The majority of consensus estimates for these companies assume that CY23 EBITDA margins are within their historical ranges, potentially highlighting a degree of conservatism.

UNITED KINGDOM

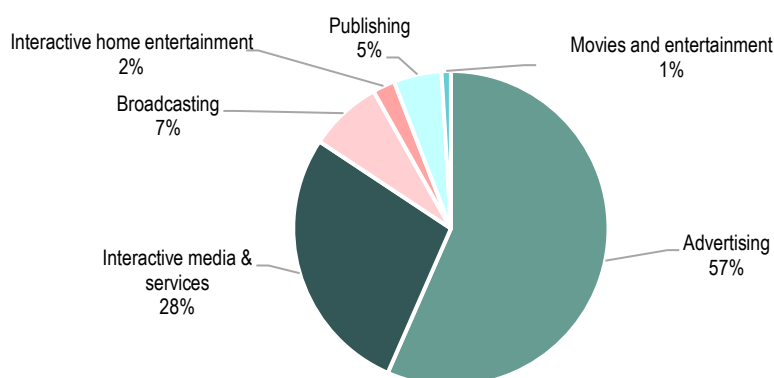
The UK media sector outperformed the wider market in the first quarter of 2023, driven by the market-beating returns of its two largest subsectors, advertising and interactive media & services.

Despite little change to CY23e aggregate revenue forecasts in Q123, there were net downgrades to EBITDA estimates (Exhibit 9) because of the significant downgrades in the interactive home entertainment and movies and entertainment sectors. Consensus continues to forecast a CY23e sales decline of 2% before growing 5% in CY24e. Due to the net downgrades to the sector, consensus now expects a slower rate of EBITDA growth in CY23e of 4%, versus 9% at the end of 2022, followed by greater growth, 6%, in CY24e.

We have identified 36 companies that are forecast to deliver positive free cash flow in both CY23e and CY24e that were trading at a discount to their long-term average EV/EBITDA multiple at 31 March 2023.

In Exhibit 6 we show the breakdown of the UK media GICS subsectors by market capitalisation. In doing so, we aim to provide a clearer picture of the drivers behind the aggregation movements of each region. As per Exhibit 6, the UK has a heavy weighting to the advertising sector, which includes large companies such as WPP and Informa (although this categorisation is questionable), while interactive media and services account for just over a quarter of the total market value.

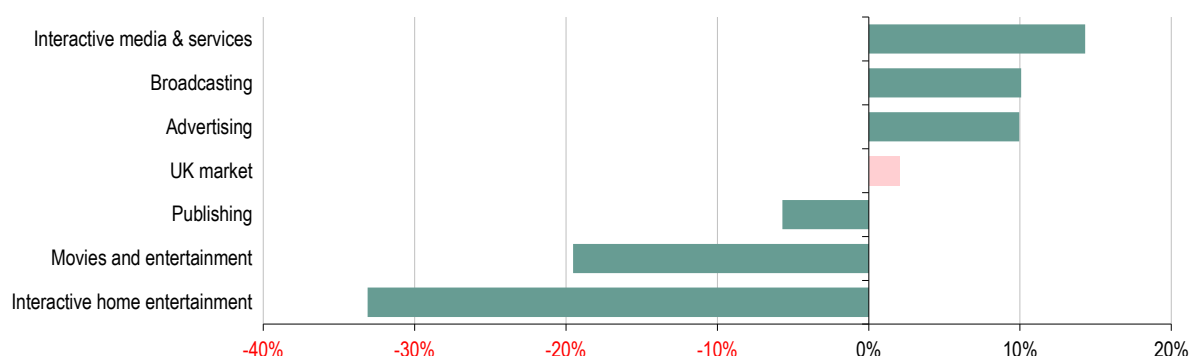
Exhibit 6: UK GICS subsector breakdown by market value



Source: Edison Investment Research, Refinitiv (31 March 2023)

The UK market continued its strong performance from Q422 into Q123, with a smaller positive return of 2% versus 8% in Q422. On a cumulative 12-month basis, the UK market has posted a similar return of 2% as in Q123, with declines through Q2–Q322 being more than compensated for by the recovery since October 2022. Over the last 12 months, the UK has performed in line with Continental Europe but outperformed North America's decline of 10%.

Exhibit 7: UK media market value change in Q123 (£)



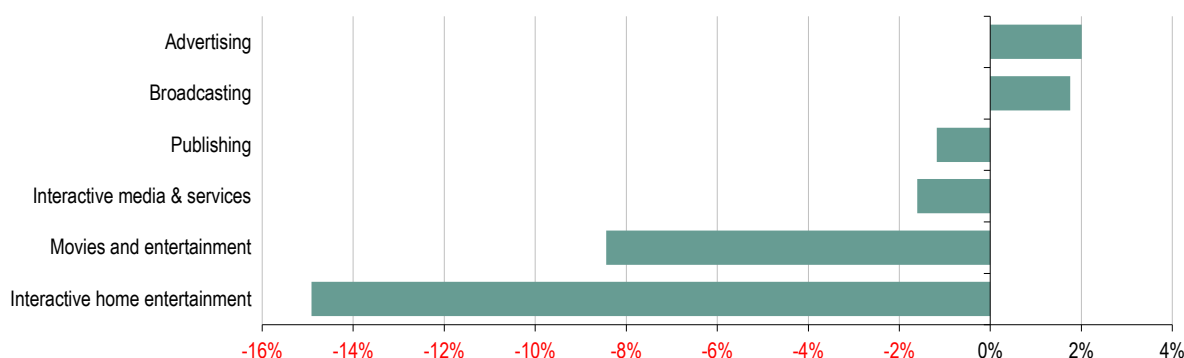
Source: Edison Investment Research, Refinitiv (31 March 2023)

The UK media subsectors were evenly split with regards to both relative performance versus the market and delivering positive absolute returns. Given the absence of the cable and satellite sector from the UK market, the number of subsectors is lower than the other geographies in our report. The aggregate quarterly media market value rose by 8%, ahead of the UK market, resulting from the strong performances in the subsectors with the largest aggregate weightings: interactive media and services (+14%), advertising (+10%) and broadcasting (+10%). All three sectors continued the momentum picked up in Q422, a quarter in which all delivered market-beating returns. The negative returns in the publishing and movies and entertainment sectors saw a reversal from the positive returns delivered in Q422, while interactive home entertainment continued to underdeliver as it remained the UK's worst-performing media subsector.

Despite unchanged aggregate revenue forecasts in Q123...

The UK media aggregate's CY23e sales forecasts remained broadly unchanged in the quarter, following on from the 9% upgrade seen in 2022. That said, consensus continues to forecast a net year-on-year fall of 2% to UK media aggregate sales in CY23e. Two sectors saw upgrades versus four that experienced downgrades in the quarter.

Exhibit 8: Consensus UK media CY23e revenue forecast changes in Q123 (£)



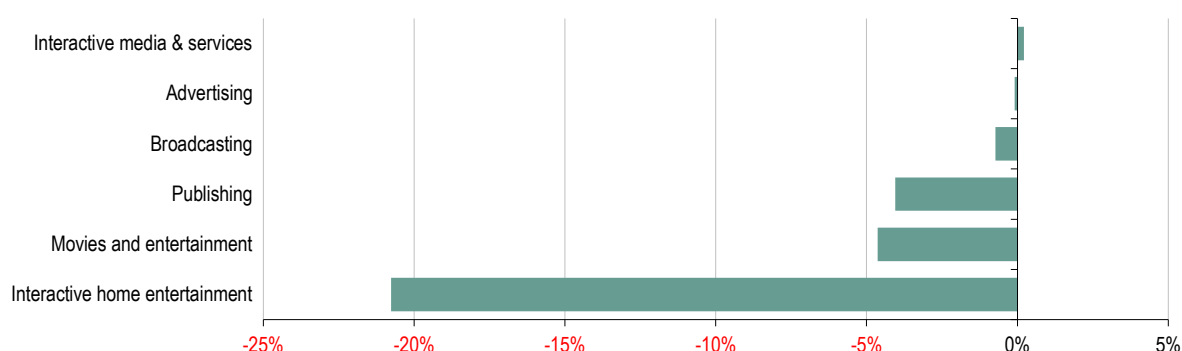
Source: Edison Investment Research, Refinitiv (31 March 2023)

Reversing the pattern of downgrades to all sectors in Q422, the advertising and broadcasting sub-sectors both enjoyed small but positive upgrades to revenue growth estimates of c 2% each. This more than offset the 15% downgrade to interactive home entertainment sales estimates, primarily driven by the 20% revenue downgrade from one its largest constituents, Devolver Digital. Movies and entertainment also saw a notable net downgrade of 8% to CY23 sales estimates due to the 9% downgrade to the largest company in the subsector, Cineworld Group.

CY24 aggregate sales estimates were downgraded 2% in the quarter, as a 1% upgrade to advertising was not enough to offset greater downgrades to other sectors.

... there were aggregate profit downgrades

Exhibit 9: Consensus UK media CY23e EBITDA forecast changes in Q123 (£)



Source: Edison Investment Research, Refinitiv (31 March 2023)

Despite little movement in CY23 revenue estimates in the quarter, aggregate CY23 EBITDA estimates saw a 2% downgrade in the quarter, reversing the trend in 2022 when a 9% upgrade to CY23 sales estimates was accompanied by a 3% upgrade to CY23 EBITDA forecasts. As such, the expected aggregate UK media CY23e EBITDA margin was 22.6% at the end of Q123, down 0.4pp q-o-q. Interactive media and services and advertising both saw negligible movement in profit expectations, while all other sectors witnessed downgrades in the quarter.

Interactive home entertainment's sales downgrade was followed by a larger downgrade to CY23 EBITDA estimates, as two of its larger constituents, Devolver Digital and Frontier Developments, saw EBITDA downgrades of 35% and 42%, respectively. There were notable falls in EBITDA expectations in the publishing sector of 4% and movies and entertainment of 5%.

Aggregate UK media CY24 EBITDA estimates saw a larger downgrade in Q123 than CY23 forecasts, down 4% q-o-q, versus a 2% downgrade at end Q422.

Outperformers in Q123

Interactive media and services delivered the strongest performance of the UK subsectors in Q123, viewed favourably by investors, as it saw a 14% market increase even with a 2% downgrade to aggregate CY23e sales. The sector heavyweights, Auto Trader Group, Moneysupermarket.com Group and Rightmove, all enjoyed positive double-digit market returns despite little change to both revenue and earnings forecasts.

The UK broadcasting sector performed well in the quarter, with the aggregate market value up 10% q-o-q. The sector's bellwether, ITV (market capitalisation £3.3bn and 95% of the broadcasting sector) enjoyed 11% growth in market value as investors reacted positively to the launch of its new online platform, ITVM. A 1% downgrade to ITV's CY23e EBITDA was despite a CY23 revenue estimate upgrade of 2%.

Good momentum in the advertising sector continued into Q123 as it delivered a market return of 10% in the quarter. Performance was driven by good market movements from its two largest constituents, Informa (+10%) and WPP (+17%), as well as favourable market returns from 4imprint (+13%) and Ascential (+20%). CY23e profits at the sector level were downgraded by 1% despite a 2% upgrade to CY23e revenue, although this masks a strong profit upgrade for 4imprint of 13%.

Underperformers in Q123

As the worst-performing sector in the quarter, interactive home entertainment's negative market return of 33% followed on from 2022, when it was the second-worst performing sector in the year, down 49%. Just two companies in the sector (Gaming Realms and Streaks Gaming) saw positive market movements in the period, with the larger companies in the sector seeing double-digit negative market returns. Downgrades to CY23e sales and EBITDA of 15% and 21%, respectively, were driven by downgrades to Devolver Digital and Frontier Developments following profit warnings in early January from both companies.

Following net downgrades to both CY23e sales and EBITDA, the UK movies and entertainment sector underperformed the wider UK market with a negative return of 20%. Several companies including Cineworld, Guild Esports, Live Company and One Media IP saw double-digit declines in their market values despite negligible movements in CY23 estimates. Cineworld Group, the largest company in the sector at the end of March by enterprise value (£4.2bn excluding leases, but with a market capitalisation of just £40m) and which accounts for 92% of sales and 96% of profit forecasts, saw mid-to-high single-digit downgrades on the back of its ongoing Chapter 11 filing. The market value of LBG Media, the sector's largest company by market capitalisation at £164m, fell 34% on the back of a 3% downgrade to CY23 EBITDA estimates.

Publishing's poor quarterly performance came as its larger constituents delivered below market returns, including Bloomsbury Publishing, Future and Reach. At the sector level, CY23e sales were downgraded by 1% and EBITDA by 4% in the period, driven by downgrades to Future and Reach's forecasts, which collectively account for c 81% of the sector's revenue and c 89% of the sector's forecasted EBITDA. Despite 9% upgrades to both CY23e revenue and EBITDA, Bloomsbury Publishing's market value fell 1% in the quarter.

Sector forecasts and valuations

Having looked at the key changes to UK media sector valuations and estimates during Q123, we turn our attention to assessing where consensus estimates were at the end of March 2023, and how EV/EBITDA multiples for the sectors compare to their long-term (2006–22) historical average valuations. We note that consensus is forecasting a fall in revenue of 2% in CY23 before rebounding 5% in CY24. When looking at profits, the market expects 4% growth in EBITDA in CY23 and a further 6% in CY24 as sales recover.

We provide two screens below, which show that 36 companies are trading at discounts to their long-term average EV/EBITDA multiple. We have included companies trading at discounts and premiums to their long-term average multiples to show the full range of valuations. The first (Exhibit 10) highlights companies that are expected to be free cash flow positive in CY23e. The second (Exhibit 11) looks at companies that are either forecast to be free cash flow negative or where there is no estimate for free cash flow. We have also looked at where CY23e EBITDA margins are relative to their long-term range to provide an idea of how consensus is forecasting profitability relative to the company's own history.

As with the relative sector valuations, we have included the IFRS 16 accounting changes, effective from 1 January 2019, in our enterprise value calculation. We have excluded lossmaking years at the company level for the long-term multiple, however we have included years in which the average company enterprise value was negative. In the case where there are average negative enterprise values within the average, this will bring down the average long-term multiple.

Exhibit 10: UK valuation screen – companies ranked by CY23e EV/EBITDA versus long-term average

Company	Ticker	Market value 31 March 2023 (£m)	Sales growth CY23e	EBITDA growth CY23e	EV/EBITDA CY23 (x)	Premium/(discount) to long-term average EV/EBITDA	CY23e EBITDA margin relative
Celtic PLC	CCP	109	7%	87%	2.9	(92%)	90%
Tinybuild Inc	TBLD	97	10%	(4%)	3.5	(81%)	(13%)
Centaur Media PLC	CAU	72	8%	33%	5.5	(80%)	100%
Audioboom Group PLC	BOOMA	65	12%	(626%)	18.1	(78%)	100%
Tremor International Ltd	TRMR	298	28%	57%	1.9	(74%)	98%
XLMedia PLC	XLM	36	(1%)	34%	2.1	(71%)	29%
Frontier Developments PLC	FDEV	185	(2%)	(8%)	5.1	(71%)	60%
S4 Capital PLC	SFOR	934	12%	23%	7.0	(69%)	51%
Gaming Realms PLC	GMRG	76	22%	38%	7.1	(66%)	100%
System1 Group PLC	SYS1	20	9%	37%	6.0	(65%)	45%
LBG Media PLC	LBG	164	11%	n/a	8.5	(63%)	(4%)
Onthemarket PLC	OTMPO	54	12%	49%	4.4	(63%)	107%
Ascential PLC	ASCL	1,061	9%	28%	9.7	(54%)	51%
M&C Saatchi PLC	SAA	235	5%	11%	5.0	(44%)	107%
Merit Group PLC	MRIT	7	6%	25%	5.8	(42%)	81%
Team17 Group PLC	TM17	553	1%	(9%)	10.4	(41%)	(10%)
Future PLC	FUTR	1,401	(0%)	3%	6.3	(39%)	103%
Reach PLC	RCH	239	(6%)	(2%)	2.1	(38%)	29%
Baltic Classifieds Group PLC	BCG	771	17%	17%	18.9	(35%)	(0%)
Pebble Group PLC	PEBB	193	5%	13%	9.8	(34%)	92%
Eagle Eye Solutions Group PLC	EYE	167	23%	43%	17.5	(33%)	104%
STV Group PLC	STVG	116	16%	(10%)	5.5	(31%)	62%
ITV PLC	ITV	3,347	(0%)	(19%)	6.7	(24%)	21%
Auto Trader Group PLC	AUTOA	5,661	10%	7%	16.6	(19%)	27%
Rightmove PLC	RMV	4,631	8%	8%	17.3	(18%)	91%
WPP PLC	WPP	10,266	(14%)	1%	6.9	(15%)	105%
Devolver Digital Inc	DEVO	145	(5%)	(79%)	4.4	(15%)	49%
4imprint Group PLC	FOUR	1,355	15%	7%	13.6	(14%)	92%
Mission Group PLC	TMGT	47	(54%)	14%	4.9	(11%)	230%
Bloomsbury Publishing PLC	BLPU	364	6%	6%	8.7	(8%)	93%
YouGov PLC	YOU	999	17%	18%	12.3	(7%)	62%
Moneysupermarket.Com Group PLC	MONY	1,337	6%	8%	10.9	(4%)	44%
Informa PLC	INF	9,684	24%	39%	12.4	(2%)	49%
Next Fifteen Communications Group PLC	NFC	825	13%	16%	6.1	(2%)	106%
Hyve Group PLC	HYVE	328	29%	39%	12.3	3%	37%
One Media IP Group PLC	OMIP	13	12%	(20%)	9.3	56%	75%

Source: Edison Investment Research, Refinitiv (31 March 2023). Note: In this screen we include only companies with forecast positive free cash flow in CY23 and CY24.

Exhibit 11: UK valuation screen – companies ranked by CY23e EV/EBITDA versus long-term average

Company	Ticker	Market value 31 March 2023 (£m)	Sales growth CY23e	EBITDA growth CY23e	EV/EBITDA CY23 (x)	Premium/(discount) to long-term average EV/EBITDA	CY23e EBITDA margin relative
Dianomi PLC	DNM	23	3%	7%	7.8	(96%)	105%
Everyman Media Group PLC	EMANE	61	20%	n/a	3.5	(88%)	95%
Digitalbox PLC	DBOX	9	3%	15%	6.1	(75%)	101%
Ebiquity PLC	EBQ	61	29%	24%	4.9	(73%)	95%
Jaywing PLC	JWNG	4	6%	35%	4.8	(45%)	58%
Cineworld Group PLC	CINE	40	1%	(1%)	5.4	(32%)	99%
NAHL Group PLC	NAH	17	7%	0%	5.1	(18%)	(3%)
National World PLC	NWOR	57	(1%)	(13%)	3.5	25%	(12%)
Brave Bison Group PLC	BBSN	37	47%	11%	10.5	37%	99%
Zinc Media Group PLC	ZIN	19	5%	55%	13.5	68%	73%

Source: Edison Investment Research, Refinitiv (31 March 2023). Note: In this screen we include companies with forecast negative or no forecasts for free cash flow in CY23 and CY24.

CONTINENTAL EUROPE

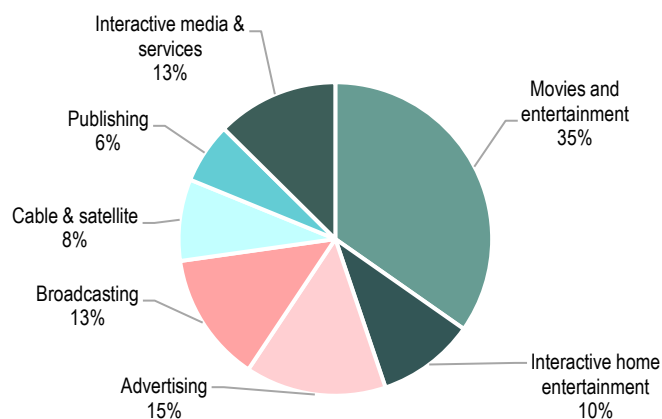
The European market delivered the strongest performance in the quarter of the regions featured; however, just one media subsector, advertising, outperformed the wider market. The make-up of European media is the most diverse of all the regions, and as such the total was not dominated by one single subsector, as with the UK and North America.

CY23 aggregate revenue estimates were downgraded by 2% in the quarter, which fed through to a larger downgrade to EBITDA estimates of 3%. At the end of Q123, despite consensus forecasting CY23 sales growth of 3%, profits are expected to fall 6% y-o-y. Consensus anticipates 4% growth in revenue in CY24 coupled with 9% growth in EBITDA.

Exhibit 16 highlights 98 companies that were trading with a CY23e EV/EBITDA multiple below their long-term averages at the end of the period, and for which positive free cash flow is expected in CY23e and CY24e.

In Exhibit 12 we show the breakdown of the European media GICS subsectors by market capitalisation. There was greater diversification between the subsectors than in the UK, with a heavy weighting towards the movies and entertainment sector given the inclusion of large companies such as Universal Music Group and Bolloré.

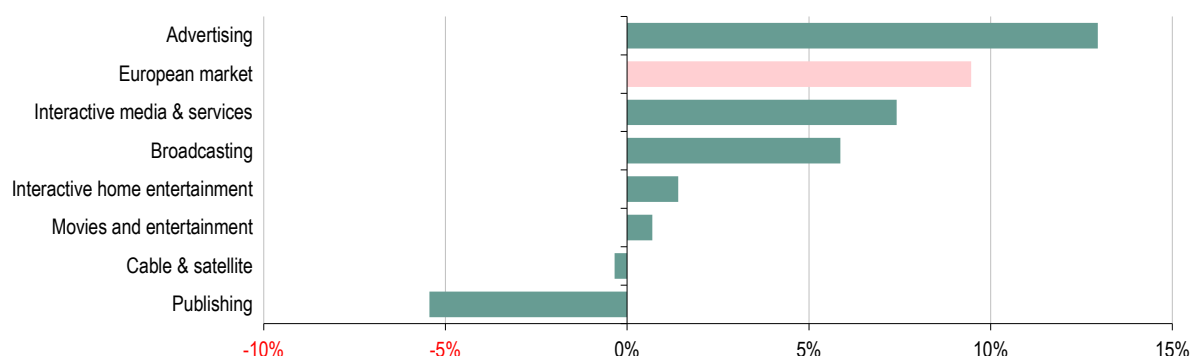
Exhibit 12: European GICS subsector breakdown by market value



Source: Edison Investment Research, Refinitiv (31 March 2023)

The European market (excluding the UK) continued to rally in Q123, up 9% q-o-q, following on from its positive 10% uplift in Q422. It outperformed both the UK and North American markets in the quarter, while on a cumulative 12-month basis it has outperformed the North American market and performed in line with the UK, up 2%.

Exhibit 13: European media market value changes in Q123 (€)

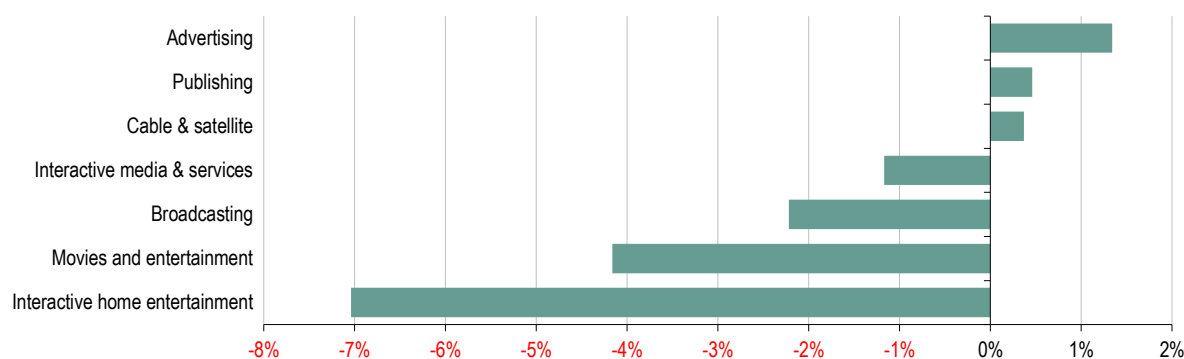


Source: Edison Investment Research, Refinitiv (31 March 2023)

Just one sector, advertising (+13%), outperformed the market in the quarter, despite five of the sectors delivering positive market returns. Two sectors, cable & satellite and publishing, delivered negative returns in the quarter. There were a few quarterly reversals in the period with regards to market return, as interactive home entertainment and interactive media & services went from a negative in Q422 to a positive return in Q123, while cable & satellite and publishing went from a positive in Q422 to a negative return in Q123. As such, the media sector underperformed the wider market, delivering a market return of just 3%.

Quarterly revenue downgrades...

Exhibit 14: European media consensus CY23e forecast revenue changes in Q123 (€)

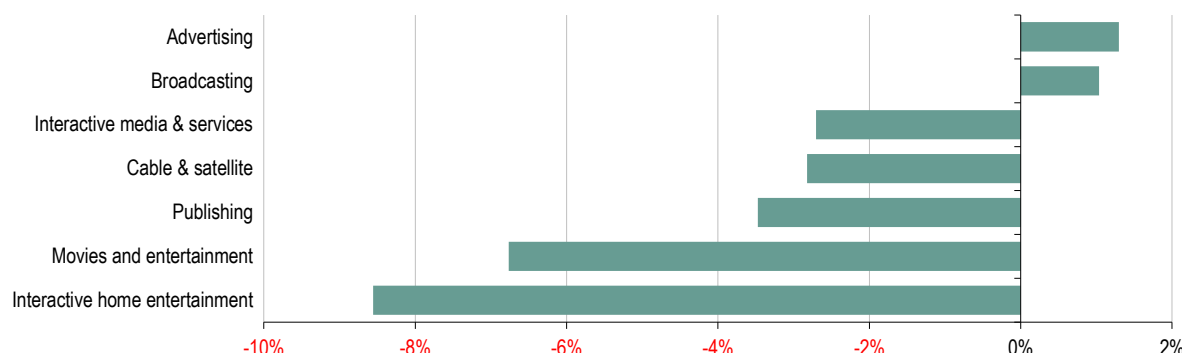


Source: Edison Investment Research, Refinitiv (31 March 2023)

CY23 revenue estimates were downgraded by 2% for the European media sector, following Q422 in which they remained broadly unchanged. Only one sector, advertising, received a net upgrade to CY23 sales estimates in the period, while four sectors saw net downgrades in the quarter. Given that three sectors (movies and entertainment, advertising and broadcasting) accounted for c 71% of the total CY23e sales forecasts, their performances drove the aggregate to a large extent. Despite the upgrade in the advertising sector, movies and entertainment and broadcasting saw sales downgrades of 4% and 2%, respectively, resulting in the overall net downgrade. Despite the downgrade, consensus continues to indicate sectoral combined revenue growth in CY23e of 3%.

... fed through to further profit downgrades

Exhibit 15: European media consensus CY23e EBITDA forecast changes in Q123 (€)



Source: Edison Investment Research, Refinitiv (31 March 2023)

Downgrades to net sales estimates resulted in a larger net EBITDA downgrade of 3%. As a result, consensus now expects total combined EBITDA to grow 11% in CY23e. Two sectors, advertising and broadcasting, enjoyed c 1% profit upgrades, which for broadcasting was despite a 2% downgrade to its sales forecasts. Interactive home entertainment saw a substantial downgrade of 9% as the sector leaders, Embracer and Ubisoft, received EBITDA downgrades of 15% and 11%, respectively. Movies and entertainment also saw a noticeable profit downgrade of 7% in the quarter, having been broadly unchanged in the previous quarter.

Outperformers in Q123

As the only sector to outperform the market in the quarter, the advertising sector's positive performance was predominantly driven by market value uplifts to some of its largest constituents. Publicis Groupe (c 59% of the aggregate subsector market value) continued the momentum picked up in Q422 into 2023 as it rose 18% in the quarter on the back of robust FY22 results and upgrades of 2% and 1% to CY23e revenue and EBITDA, respectively. Other large companies in the sector – Stroeer & Co and JCDcaux – saw upgrades to revenue and profits rewarded with market-beating returns. Reworld Media was the only company in the sector to see a fall in its market value despite an upgrade to EBITDA forecasts of over 5%.

Underperformers in Q123

Publishing posted the worst European performance in the quarter, with a negative return of 5%, in part undoing the 13% rally seen in Q422. The negative return was disproportionate to the 3% downgrade to CY23 EBITDA estimates as sales estimates were broadly unchanged quarter-on-quarter. Performance was driven by significant falls from large companies such as TX Group (-32%) and Sanoma (-19%). TX Group's poor market performance was despite a 5% upgrade to EBITDA estimates, while Sanoma saw a downgrade of 10% to profit estimates. The sector's largest constituents, Schibsted and Lagardere, did relatively little in the quarter. The lack of movement in Schibsted's market performance was despite the 9% downgrade to CY23 EBITDA estimates.

The continued underperformance of the cable and satellite sector was a result of varying performances of its underlying constituents. Telenet Group and Tele Columbus delivered market-beating returns of 35% and 14%, respectively. These positive movements were not enough to offset declines from Eutelsat Communications (-15%), Cyfrowy Polsat (-11%), SES (-6%) and Kabel Deutschland (-1%). Telenet Group was the only underlying company to enjoy notable upgrades to CY23e sales (+7%) and EBITDA (+1%) in the period.

Movies and entertainment delivered a small positive return of 1% in the quarter, underperforming the market as its constituents provided a mixed bag of performances. There was little change to CY23 revenue and EBITDA forecasts across the sector at the company level, however downgrades to CY23 estimates for Bolloré, one of the largest constituents, of 7% in sales and 13% in EBITDA, drove the aggregate downgrades for the subsector. Two companies in the sector, Mondo TV and Squirrel Media, saw falls in their market values in the quarter despite significant net upgrades to profits in the same period.

Although the interactive home entertainment sector saw the largest downgrades to both CY23 revenue and EBITDA estimates, the sector posted a small market return of 1%, as underperformance from a few of the larger companies including CD Projekt, Embracer Group, Modern Times Group and Ubisoft Entertainment was offset by robust double-digit returns from a number of companies, including Paradox Interactive. CD Projekt's underperformance came despite a 14% upgrade to CY23 EBITDA estimates. As mentioned previously, both the downgrades were predominantly driven by Embracer and Ubisoft Entertainment, which combined accounted for c 58% of forecasted sales and c 60% of forecasted EBITDA. Swedish gaming company Enad Global 7 saw a negative market return despite material upgrades to sales and EBITDA estimates in the quarter.

Broadcasting's 6% market return in Q123 came despite a 1% upgrade to EBITDA profit estimates, given the varied performances of the underlying companies. The underperformance meant broadcasting reverted from its position as the best-performing sector in Q422. A number of companies (RTL Group, MFE-MEDIAFOREUROPE, Viaplay Group and Television Francaise) delivered double-digit market-outperforming returns in the period. These were offset, however, by the underperformances of Vivendi and Prosiebensat 1 Media, which saw CY23e revenue downgrades of 5% and 1%, respectively.

Interactive media and services delivered the most robust performance of all the subsectors that underperformed the wider European market, delivering a positive market return of 7% in the quarter versus the wider market increase of 9%. Many of the smaller constituent companies enjoyed strong double-digit market returns despite little change to consensus estimates. The subsector's three largest companies by market value, Adevinta, TaTaTu and Scout24, experienced market returns at or above the wider market. Of those, it was just Adevinta that had a noticeable movement in its forecasts, seeing a 3% downgrade to CY23e EBITDA consensus expectations. Given that Adevinta accounted for 41% of the aggregate CY23 EBITDA estimates, it went some way in influencing the 3% downgrade to aggregate estimates seen in the period. Polish e-commerce business Wirtualna Polska Holding was the only company in the subsector that witnessed a fall of 2% in market value despite seeing an upgrade to EBITDA estimates in the quarter of over 5% (+21%).

Sector forecasts and valuations

Notwithstanding the positive rally in the wider European sector in the year-to-date, consensus is currently forecasting a 6% decline in aggregate EBITDA in CY23e despite expected revenue growth of 3%. With regards to CY24 estimates, we note that consensus expects a strong aggregate recovery in EBITDA estimates, anticipating growth of 9% coupled with 4% sales growth.

We have highlighted 98 companies in Europe that are trading at a discount to their long-term average EV/EBITDA multiples as at 31 March 2023 and had positive free cash flow forecast in CY23e (Exhibit 16). Again, we show all companies with positive free cash flow trading at either a discount or premium to their long-term average multiple.

Exhibit 16: Continental Europe valuation screen – companies ranked by EV/EBITDA CY23e versus long-term average

Company	Ticker	Market value 31 March 2023 (€m)	Sales growth CY23e	EBITDA growth CY23e	EV/EBITDA CY23 (x)	Premium/(discount) to long-term average EV/EBITDA	CY23e EBITDA margin relative
Kinepolis Group NV	KIPO	1,174	17%	22%	11.0	(97%)	99%
Nepa AB	NEPA	18	(8%)	42%	3.1	(96%)	93%
Tourn International AB (publ)	TOURN	14	36%	(414%)	6.1	(95%)	109%
Starbreeze AB	STZEB	115	644%	445%	3.2	(94%)	81%
Enad Global 7 AB (publ)	EG7	211	5%	13%	3.4	(93%)	102%
Kahoot ASA	KAHOT	971	17%	376%	20.8	(93%)	113%
Mondo TV SpA	MTV	19	85%	131%	1.0	(91%)	106%
Flexion Mobile PLC	FLEXM	75	(5%)	(8%)	6.6	(90%)	99%
Casta Diva Group SpA	CDGI	14	5%	6%	2.1	(87%)	100%
Modern Times Group MTG AB	MTGb	848	(5%)	(9%)	4.3	(87%)	76%
Dont Nod Entertainment SA	ALDNE	116	255%	n/a	7.5	(87%)	322%
Pantaflix AG	PALG	17	109%	232%	1.6	(85%)	58%
Nvp SpA	NVPP	26	21%	117%	3.2	(84%)	157%
Yoc AG	YOCG	44	25%	34%	9.4	(83%)	102%
Mondo TV Suisse SA	MSU	4	(4%)	130%	6.5	(82%)	93%
EverySport Group AB (publ)	EVERY	6	9%	227%	3.5	(82%)	99%
Fragbite Group AB (publ)	FRAGBI	24	7%	127%	10.0	(81%)	10487%
Meglioquesto SpA	1CALL	55	47%	77%	3.0	(80%)	1745%
Believe SA	BLV	944	20%	n/a	15.6	(79%)	54%
Azerion Group NV	AZRN	271	24%	45%	5.9	(79%)	17%
Vocento SA	VOC	86	6%	2%	2.1	(78%)	84%
Cts Eventim AG & Co KgaA	EVDG	5,243	1%	20%	10.3	(74%)	85%
Making Science Group SA	MAKS	101	16%	55%	10.0	(73%)	69%
Sg Company SpA	SGCO	6	21%	120%	6.3	(72%)	103%
Television Francaise 1 SA	TFFP	1,649	(2%)	(23%)	2.1	(71%)	72%
Triboo SpA	TB	28	24%	71%	2.1	(70%)	76%
Digital Bros SpA	DIB	287	15%	21%	4.7	(69%)	105%
CD Projekt SA	CDR	2,454	7%	4%	18.6	(65%)	94%
North Media A/S	NORTHM	149	(4%)	(19%)	2.6	(64%)	64%
Zordix AB (publ)	ZORDIXb	52	5%	32%	4.7	(64%)	3%
Mediaset Espana Comunicacion SA	TL5	928	(1%)	(41%)	2.3	(64%)	(27%)
NRJ Group SA	SONO	503	(5%)	(8%)	3.2	(61%)	57%
Solocal Group SA	LOCAL	55	(1%)	(9%)	2.7	(59%)	18%
G5 Entertainment AB (publ)	G5EN	161	(3%)	7%	4.7	(59%)	32%
Ten Square Games SA	TENP	184	(1%)	17%	5.6	(59%)	20%
Bilendi SA	ALBLD	67	7%	n/a	4.9	(56%)	87%
Bolloré SE	BOLL	16,455	(0%)	n/a	6.0	(56%)	113%
Catena Media PLC	CATME	184	14%	(7%)	4.8	(55%)	(1%)
Atresmedia Corporacion de Medios de Comunicacion SA	A3M	760	(1%)	(9%)	5.0	(55%)	31%
MOBA Network AB	MOBA	27	(0%)	7%	7.5	(53%)	2%
11 Bit Studios SA	11B	341	225%	542%	8.5	(53%)	78%
Adevinta ASA	ADEA	7,951	10%	(72%)	15.8	(53%)	7%
Embracer Group AB	EMBRACb	5,347	21%	25%	6.2	(49%)	3%
Karnov Group AB (publ)	KARNO	490	105%	192%	12.1	(49%)	29%
New Work SE	NWOn	926	8%	7%	8.1	(46%)	64%
Stillfront Group AB (publ)	SFRG	887	(1%)	(44%)	5.0	(45%)	35%
Bastei Luebbe AG	BST1	63	3%	(5%)	4.7	(44%)	43%
Scout24 SE	G24n	4,118	10%	15%	14.8	(42%)	93%
Ilkka Oyj	ILKKA2	99	(1%)	56%	11.9	(42%)	22%

Cont.

Exhibit 16: Continental Europe valuation screen – companies ranked by EV/EBITDA CY23e versus long-term average cont.

Company	Ticker	Market value 31 March 2023 (€m)	Sales growth CY23e	EBITDA growth CY23e	EV/EBITDA CY23 (x)	Premium/(discount) to long-term average EV/EBITDA	CY23e EBITDA margin relative
Websolute SpA	WEBO	22	10%	40%	6.0	(40%)	100%
Awardit AB publ	AWRD	110	25%	28%	7.2	(39%)	2%
Arnoldo Mondadori Editore SpA	MOED	505	1%	4%	4.8	(39%)	104%
Focus Entertainment SA	ALFOC	316	20%	29%	4.5	(38%)	111%
Koninklijke Brill NV	BRIL	40	12%	n/a	4.7	(36%)	46%
Promotora de Informaciones SA	PRS	249	8%	18%	6.7	(36%)	48%
Iervolino & Lady Bacardi Entertainment SpA	IE	25	(4%)	(23%)	0.5	(36%)	(19%)
Borussia Dortmund GmbH & Co KGaA	BVB	446	13%	21%	4.1	(36%)	85%
Leone Film Group SpA	LFG	31	90%	23%	2.3	(35%)	39%
News55 AB	N55	2	47%	(584%)	14.4	(34%)	97%
Ubisoft Entertainment SA	UBIP	2,795	10%	12%	3.6	(33%)	88%
PunaMusta Media Oyj	PUMU	49	2%	30%	7.0	(33%)	7%
SES SA	SESFd	2,638	4%	(3%)	5.7	(33%)	(7%)
Llorente & Cuenca SA	LLYC	117	9%	15%	6.8	(33%)	232%
Xilam Animation SA	XIL	125	29%	n/a	2.9	(31%)	1%
Vivendi SE	VIV	10,041	3%	7%	9.4	(31%)	9%
Cyfrowy Polsat SA	CPS	2,151	2%	(1%)	5.5	(30%)	(3%)
TX Group AG	TXGN	1,083	9%	26%	4.8	(30%)	51%
Eutelsat Communications SA	ETL	1,472	(1%)	(6%)	5.3	(30%)	(4%)
RTL Group SA	AUDK	6,856	0%	8%	5.9	(29%)	51%
Telenet Group Holding NV	TNET	2,310	6%	1%	5.8	(29%)	38%
Ipsos SA	ISOS	2,522	5%	9%	6.5	(27%)	106%
Wirtualna Polska Holding SA	WPPL	619	25%	22%	7.1	(27%)	3%
Huuuge Inc	HUGP	499	(8%)	(16%)	5.1	(26%)	78%
Hemnet Group AB (publ)	HEM	1,484	10%	7%	33.5	(25%)	82%
Reworld Media SA	ALREW	318	8%	n/a	4.2	(24%)	69%
Metropole Television SA	MMTP	1,858	(1%)	(15%)	4.4	(23%)	59%
Universal Music Group NV	UMG	41,220	5%	17%	18.3	(21%)	1062%
Digital360 SpA	DIGT	100	50%	69%	7.0	(21%)	91%
Prosiebensat 1 Media SE	PSMGn	2,063	(3%)	(8%)	6.1	(20%)	3%
Better Collective A/S	BETCO	941	12%	14%	11.5	(20%)	8%
Portobello SpA	PORTO	79	35%	33%	4.0	(17%)	53%
Paradox Interactive AB (publ)	PDXI	2,475	11%	22%	15.5	(15%)	143%
Sanoma Oyj	SANOMA	1,307	6%	(3%)	6.2	(12%)	77%
Stroeer SE & Co KGaA	SAXG	2,761	5%	2%	7.9	(12%)	66%
APG SGA SA	APGN	515	4%	13%	10.7	(9%)	32%
Publicis Groupe SA	PUBP	17,863	(9%)	2%	6.8	(1%)	136%
Italian Exhibition Group SpA	IEG	79	10%	140%	4.5	1%	95%
Rovio Entertainment Oyj	ROVIO	628	(0%)	27%	9.6	8%	55%
Lagardere SA	LAGA	2,834	9%	(24%)	9.2	12%	33%
High Co SA	HIGH	101	(0%)	n/a	4.2	17%	80%
Alma Media Oyj	ALMAC	758	(1%)	(6%)	10.6	19%	90%
Schibsted ASA	SCHA	4,111	(8%)	(2%)	19.5	21%	36%
FL Entertainment NV	FLE	3,692	2%	(2%)	9.0	21%	91%
MFE-MEDIAFOREUROPE NV	MFEB	1,373	(2%)	(10%)	5.8	44%	(8%)
JCDecaux SE	JCDX	4,107	15%	(51%)	13.5	50%	5%
Smartbroker Holding AG	SB1G	133	2%	n/a	35.0	120%	56%
MGI Media & Games Invest SE	M8G	199	5%	35%	5.8	273%	96%
Netmedia Group	ALNMG	41	10%	n/a	103.5	529%	94%

Source: Edison Investment Research, Refinitiv (31 March 2023). Note: We only include companies with forecast positive free cash flow in CY23 and CY24.

NORTH AMERICA

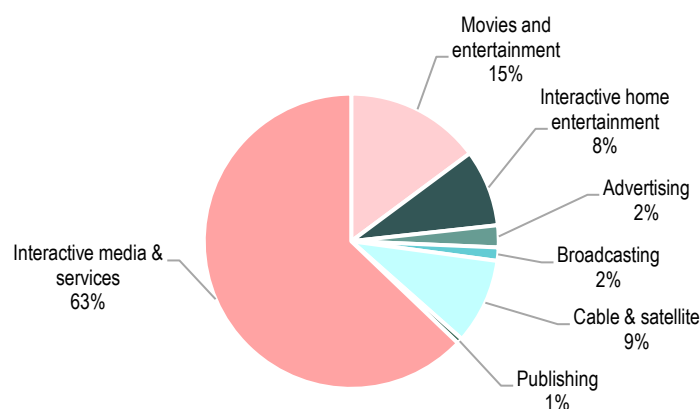
The North American media sector outperformed its local market by the greatest margin of the regions due to its heavy weighting to the interactive media and services subsector, which includes Alphabet and Meta Platforms. Both companies delivered returns ahead of the market in Q123, with Meta in particular witnessing a strong rebound following a disappointing 2022 in which its market value fell 64%.

Advertising was the only subsector to see a net upgrade to CY23 revenue estimates in the quarter. This was not enough to offset the combined total, which saw a net downgrade of 1%. Consensus was more positive with regards to profit expectations, with a net upgrade to CY23 aggregate EBITDA estimates of 2%. This upgrade to profit estimates took the expected CY23e profit growth rate up from 5% at Q422 to 11% at Q123, while the CY23e revenue growth rate remained flat at 5%. With regards to CY24e, consensus is forecasting revenue growth of 8% coupled with EBITDA growth of 14%.

We highlight 103 companies in Exhibit 21 that were trading at a discount to their long-term average EV/EBITDA multiples at end-Q123 and are forecasted to deliver positive free cash flow in both FY23e and FY24e.

The North American media sector is heavily weighted to the interactive media and services subsector, which includes the two sector heavyweights Alphabet and Meta Platforms. While other subsectors make up modest proportions of the market, the North American aggregate is predominantly driven by this subsector.

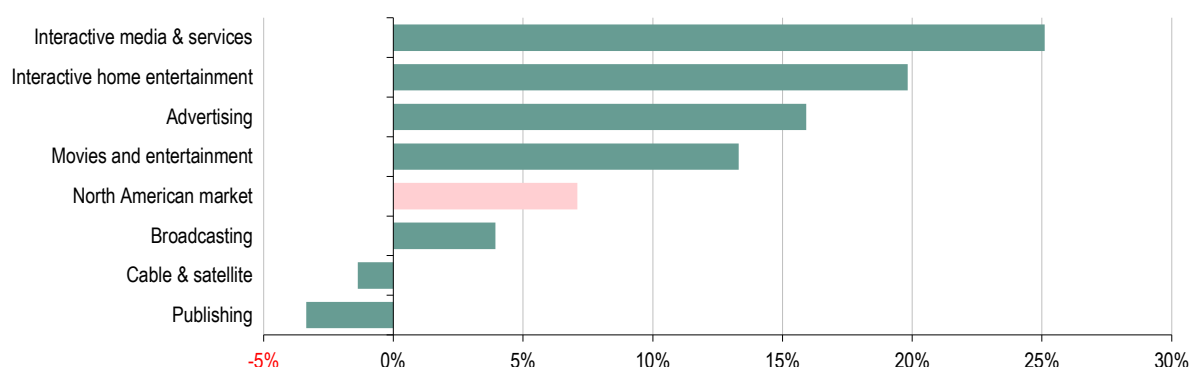
Exhibit 17: North American GICS subsector breakdown by market value



Source: Edison Investment Research, Refinitiv (31 March 2023)

The North American market delivered a modest return in the quarter of 7%, as it continued from the 7% increase seen in Q422. On a 12-month cumulative basis, however, the market has underperformed both the UK and European markets, posting a negative return of 10%.

Exhibit 18: Market value change in Q123 (\$)



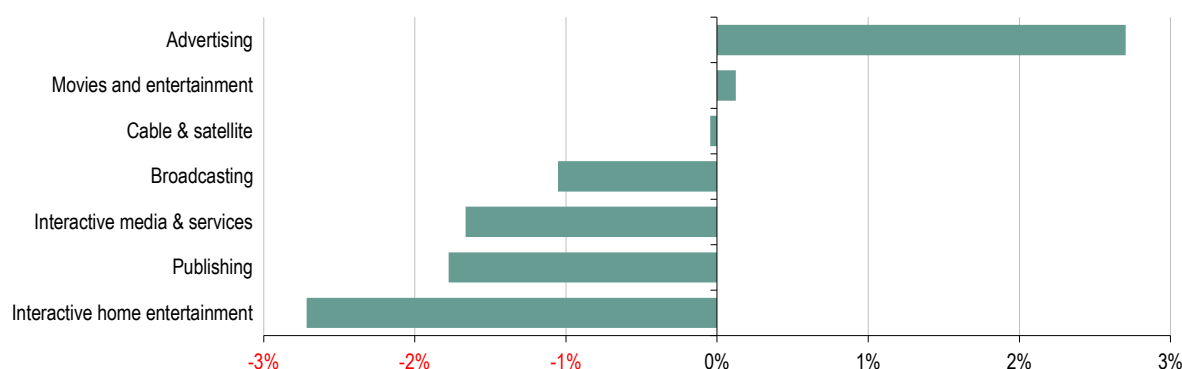
Source: Edison Investment Research, Refinitiv (31 March 2023)

The North American combined media sector significantly outperformed the wider market in Q123, up 19%, driven predominantly by the recovery in interactive media and services, as Alphabet, Baidu, Meta Platforms, Pinterest and Snap all saw rallies in their market values ahead of the wider market. Four of the seven subsectors outperformed the market in the quarter, up from just two outperforming sectors in Q422. Of the three that underperformed the market, just cable & satellite and publishing delivered negative market returns, having witnessed strong growth of 12% and 15%, respectively, in the prior quarter.

Further sales downgrades...

The North American aggregate saw a downgrade of 1% to CY23 sales estimates in the quarter, which was a result of the varied upgrades and downgrades between the subsectors as seen in Exhibit 19.

Exhibit 19: North America media consensus CY23e revenue changes in Q123 (\$)

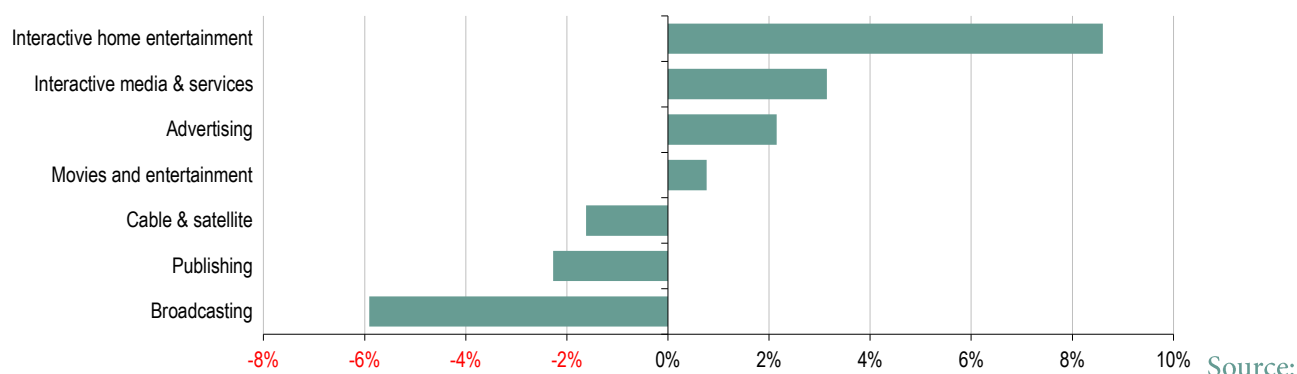


Source: Edison Investment Research, Refinitiv (31 March 2023)

Five of the seven subsectors saw net downgrades to CY23 estimates in Q123, with just advertising delivering a notable net upgrade of 3%. Despite being one of the strongest performing sectors in the period, interactive home entertainment saw the largest net downgrade to consensus CY23 sales estimates of 3%. When compared with the prior quarter where all subsectors saw net downgrades to sales estimates, upgrades to two of the sectors could signal a shift in market sentiment.

... were coupled with mixed changes to profit estimates

Exhibit 20: Market value change in Q123 (\$)



Edison Investment Research, Refinitiv (31 March 2023)

Profit estimate changes were more varied in the quarter, with the North American aggregate experiencing the only net upgrade to CY23 EBITDA estimates of the three regions. Four of the seven subsectors saw net upgrades, including 9% in interactive home entertainment and 3% in interactive media and services, which, given its relative size, drove the aggregate performance. As a result, the CY23e profit growth rate for the region increased by 6pp from 5% at end-Q422 to 11% at end-Q123. Broadcasting saw the largest downgrade to profit estimates in the period, as its largest constituents, Fox Corp and Paramount Global, both saw CY23e EBITDA downgrades of 1%.

Outperformers in Q123

The strong rebound of 25% in the performance of interactive media and services comes after having been the worst-performing sector in the prior quarter. As mentioned previously, the bounce back has come from the sector's largest constituents, predominantly Alphabet and Meta Platforms, which accounted for c 92% of the subsector's total market value at end-Q123. Meta Platforms, in particular, enjoyed a 67% rise in its market value to US\$526bn in the quarter coupled with a 16% upgrade to EBITDA estimates, as the company focuses on efficiencies in 2023 with a further cut of 10,000 jobs announced in March. The Q422 results in early February exceeded market expectations, triggering a rally in the shares. Alphabet's 15% market value rise came despite net downgrades of 2% to both CY23e revenue and EBITDA estimates amid a general rally in the large US tech stocks in the quarter following a year of widespread deratings. Despite a 15% upgrade to CY23 EBITDA estimates, online insurance company EverQuote's market value fell by 10% in Q123.

Interactive home entertainment's 20% market return in Q123 came as some of its largest companies (Activision Blizzard, NetEase, Roblox Corp, Sea and Take-Two Interactive Software) delivered double-digit market-beating returns, growing as much as 60% in the quarter. Despite a CY23e sales downgrade of 3%, profit estimates were upgraded by 9%. Aggregate profit estimates benefited from upgrades to NetEase (+5%, 26% of aggregate CY23 EBITDA estimates) and a swing in expectations for Sea as consensus now expects it to be EBITDA positive versus a loss in prior quarter expectations. Playstudios delivered a disappointing market return in the quarter of -3% despite receiving a strong quarterly upgrade to CY23 EBITDA estimates of +30%.

As with the UK and Europe, advertising in North America enjoyed a robust rebound in market performance in the first quarter of the new calendar year, having fallen 2% in Q422. The sector's largest constituent also delivered one of the strongest performances, as Trade Desk rose 34% to \$29.4bn at period-end, although it remains down 13% on a 12-month basis. The two largest advertising agencies, Interpublic Group (+6%) and Omnicom Group (+7%), delivered performances that were broadly in line with the market despite both receiving upgrades to sales and profit estimates. The large contribution of these two businesses to aggregate CY23e sales (c 55%) and profit (c 53%) estimates helped deliver upgrades to aggregate sales and profits of 3% and 2%, respectively. Canadian company Playmaker Capital witnessed a 4% fall in market value despite receiving a 12% upgrade to CY23e EBITDA forecasts.

The positive 13% return for the media and entertainment sector came on the back of market-beating rallies from its two largest constituents, Netflix (+11%) and Walt Disney (+10%). There were notable increases in other large stocks in the sector from companies such as Spotify (+64%) and Warner Bros (+52%). Netflix and Spotify saw earnings upgrades of 7% and 4% in the quarter, respectively, although the aggregate was offset by a modest 1% upgrade to Walt Disney's EBITDA estimates, the largest component of forecasted combined sector EBITDA. Tencent Media Entertainment Group's market value fell 7% in the quarter despite upgrades to CY23 EBITDA consensus estimates of 7%.

Underperformers in Q123

Publishing's relative performance against the other subsectors reversed in the new year, going from the best-performing sector in Q422 to the worst in Q123. The strong 15% return from New York Times Company was more than offset by the 10% decline in News Corp's market value, which saw downgrades to CY23 sales and EBITDA estimates of 3% and 5%, respectively. There were other double-digit declines in market value across other companies in the subsector, as aggregate sales and profit expectations were both downgraded by 2%.

There was a mixed bag with regards to the performances within the cable and satellite subsector, as the large weighting of Comcast Corp (+2%) helped to offset double-digit declines elsewhere, with the subsector as a whole falling just 1%. Few companies saw earnings upgrades in the period, and downgrades received generally fell through to market value falls, the exception being Comcast Corp (2% downgrade to CY23e EBITDA).

Broadcasting delivered a more positive performance in Q123, having shed 5% in market value in Q422. Performances ahead of the market from Paramount Global (+23%) and Fox Corp (+9%) were despite slight downgrades to estimates for both companies. Elsewhere, there were sharp declines in market values that resulted in the underperformance of the subsector, including from Tegna (-24%), which were coupled with widespread downgrades to both aggregate CY23e revenue (-1%) and EBITDA (-6%) consensus forecasts.

North America sector forecasts and valuations

Consensus continues to forecast relatively robust levels of revenue growth at the sector level of 5% in CY23e and 8% in CY24e, predominantly driven by the weighting to interactive media and services. Profit growth is expected to exceed revenue growth in both years, with current combined sector EBITDA growth estimates at 11% and 14% in CY23e and CY24e, respectively. This is predominantly driven by the strong expected profits increase in the interactive media and services sector, for which consensus expects EBITDA growth of 30% in CY23e and 16% in CY24e.

In Exhibit 21 we highlight 103 companies that are trading at discounts to their long-term average EV/EBITDA multiples and are forecast to generate free cash flow in 2023. It is worth noting that the only company with a negative CY23e EV/EBITDA multiple among all regions is JOYY, which comes out as the stock trading at the largest discount to its long-term average. This negative multiple is driven by a negative enterprise value (greater net cash than market capitalisation) rather than negative EBITDA, as we have excluded all companies that are EBITDA lossmaking from the company screen.

Exhibit 21: North American valuation screen – companies ranked by CY23e EV/EBITDA vs long-term average

Company	Ticker	Market value 31 March 2023 (\$m)	Sales growth CY23e	EBITDA growth CY23e	EV/EBITDA CY23 (x)	Premium/(discount) to long-term average EV/EBITDA	CY23e EBITDA margin relative
JOYY Inc	YY	2,093	2%	94%	(4.2)	(134%)	86%
Yalla Group Ltd	YALA	588	3%	n/a	1.3	(99%)	110%
National Cinemedia Inc	NCMI	10	21%	n/a	0.1	(99%)	79%
Yelp Inc	YELP	2,103	9%	166%	5.6	(96%)	180%
Hello Group Inc	MOMO	1,583	(4%)	19%	1.4	(95%)	86%
Bumble Inc	BMBL	4,009	18%	67%	15.3	(92%)	152%
PopReach Corp	POPR	50	58%	40%	5.7	(92%)	44%
Clear Channel Outdoor Holdings Inc	CCO	516	6%	5%	0.9	(92%)	46%
Trivago NV	TRVG	513	21%	17%	1.8	(92%)	98%
Comscore Inc	SCOR	108	4%	109%	2.2	(92%)	91%
AdTheorent Holding Company Inc	ADTH	147	2%	105%	3.9	(89%)	148%
Stagwell Inc	STGW	2,027	7%	15%	6.3	(89%)	108%
IAC Inc	IAC	4,450	(11%)	103%	14.6	(88%)	65%
Electronic Arts Inc	EA	32,534	4%	14%	13.2	(88%)	106%
Angi Inc	ANGI	1,070	(12%)	(40788%)	16.2	(87%)	85%
Autohome Inc	ATHM	3,806	3%	37%	2.5	(87%)	18%
Mediaalpha Inc	MAX	931	11%	(223%)	30.5	(87%)	59%
Creative Realities Inc	CREX	15	25%	758%	3.8	(86%)	105%
CarGurus Inc	CARG	2,104	(45%)	(24%)	14.0	(81%)	46%
VerticalScope Holdings Inc	FORA	89	(6%)	63%	5.6	(80%)	1487%
Live Nation Entertainment Inc	LYV	15,537	9%	26%	10.2	(77%)	101%
Magnite Inc	MGNI	1,237	(6%)	63%	9.2	(75%)	126%
Spark Networks SE	LOV	25	8%	38%	5.9	(72%)	62%
Integral Ad Science Holding Corp	IAS	2,133	13%	138%	15.7	(71%)	1561%
Pinterest Inc	PINS	19,196	9%	(1634%)	31.0	(71%)	103%
Chicken Soup for The Soul Entertainment Inc	CSSE	58	98%	155%	5.2	(70%)	39%
Baidu Inc	BIDU	53,394	9%	(10%)	8.4	(70%)	6%
Match Group Inc	MTCH	11,265	7%	31%	12.0	(69%)	147%
Tripadvisor Inc	TRIP	2,612	15%	86%	7.3	(68%)	63%
AcuityAds Holdings Inc	AT	88	1%	(3362%)	7.4	(67%)	82%
Criteo SA	CRTO	1,691	(50%)	106%	4.7	(65%)	348%
Madison Square Garden Entertainment Corp	MSG	1,868	24%	99%	16.8	(65%)	107%
PubMatic Inc	PUBM	720	3%	7%	6.8	(64%)	16%
Endeavor Group Holdings Inc	EDR	10,813	12%	35%	11.9	(63%)	134%
Liberty Broadband Corp	LBRDA	11,659	3%	0%	52.8	(62%)	100%
Imax Corp	IMAX	985	21%	86%	9.3	(60%)	97%
WildBrain Ltd	WILD	289	4%	0%	9.5	(59%)	74%
Gambling.com Group Ltd	GAMB	355	24%	254%	9.9	(59%)	87%
TechTarget Inc	TTGT	1,009	(13%)	16%	12.2	(57%)	135%
Meta Platforms Inc	META	525,891	5%	34%	8.8	(57%)	68%
Trade Desk Inc	TTD	29,399	20%	326%	39.0	(57%)	139%
Madison Square Garden Sports Corp	MSGS	4,544	3%	(1%)	60.1	(56%)	90%
Warner Music Group Corp	WMG	16,438	3%	10%	15.9	(56%)	111%
System1 Inc	SST	380	7%	19%	5.1	(55%)	130%
Tencent Music Entertainment Group	TME	13,069	2%	47%	13.4	(54%)	93%
WideOpenWest Inc	WOW	908	(0%)	35%	5.6	(54%)	137%
Shutterstock Inc	SSTK	2,666	2%	26%	11.4	(51%)	146%
Cumulus Media Inc	CMLS	67	(7%)	(23%)	5.6	(49%)	20%

Cont.

Exhibit 21: North American valuation screen – companies ranked by CY23e EV/EBITDA vs long-term average cont.

Company	Ticker	Market value 31 March 2023 (\$m)	Sales growth CY23e	EBITDA growth CY23e	EV/EBITDA CY23 (x)	Premium/(discount) to long-term average EV/EBITDA	CY23e EBITDA margin relative
Cinedigm Corp	CIDM	81	5%	1%	22.8	(47%)	18%
Cinemark Holdings Inc	CNK	1,658	13%	48%	7.6	(46%)	92%
TVA Group Inc	TVAAb	60	(8%)	93%	2.6	(46%)	24%
E W Scripps Co	SSP	772	(5%)	(25%)	8.2	(46%)	68%
Playtika Holding Corp	PLTK	3,981	(1%)	17%	6.9	(46%)	150%
Stingray Group Inc	RAYa	217	3%	3%	5.9	(40%)	69%
Cable One Inc	CABO	3,947	(2%)	4%	8.1	(38%)	126%
Gannett Co Inc	GCI	265	(6%)	24%	4.6	(38%)	53%
Sirius XM Holdings Inc	SIRI	14,589	0%	3%	8.9	(37%)	97%
Cineplex Inc	CGX	382	18%	55%	6.7	(35%)	98%
iHeartMedia Inc	IHRT	615	(3%)	(8%)	7.0	(34%)	35%
Alphabet Inc	GOOGL	1,315,786	6%	27%	10.6	(32%)	75%
Entravision Communications Corp	EVC	515	10%	11%	6.1	(31%)	0%
Charter Communications Inc	CHTR	58,913	2%	5%	7.0	(30%)	119%
AMC Networks Inc	AMCX	709	(6%)	(10%)	4.2	(30%)	(4%)
John Wiley & Sons Inc	WLY	2,040	5%	4%	6.7	(28%)	21%
Advantage Solutions Inc	ADV	564	5%	(1%)	6.1	(27%)	(6%)
Townsquare Media Inc	TSQ	147	1%	(9%)	6.0	(22%)	74%
Liberty Media Corp	FWONA	27,754	30%	36%	39.7	(20%)	78%
Vivid Seats Inc	SEAT	1,407	(1%)	20%	12.6	(18%)	100%
Altice USA Inc	ATUS	1,432	(4%)	(4%)	7.8	(17%)	3%
Quinstreet Inc	QNST	839	9%	108%	19.6	(17%)	42%
Taboola.com Ltd	TBLA	757	3%	(9%)	10.0	(15%)	44%
Fox Corp	FOXA	17,427	2%	(0%)	6.7	(13%)	(2%)
Tegna Inc	TGNA	3,613	(6%)	(24%)	7.1	(13%)	30%
Cars.com Inc	CARS	1,207	5%	19%	8.6	(12%)	29%
News Corp	NWSA	9,509	(0%)	(2%)	7.5	(11%)	98%
Comcast Corp	CMCSA	153,464	(1%)	(1%)	6.9	(11%)	3%
Cogeco Communications Inc	CCA	2,029	(2%)	(2%)	5.2	(10%)	99%
Corus Entertainment Inc	CJRb	231	(7%)	(55%)	4.0	(8%)	(45%)
Sciply Corp	SCPL	2,132	6%	14%	9.0	(6%)	71%
Walt Disney Co	DIS	174,679	8%	27%	13.2	(2%)	25%
Omnicom Group Inc	OMC	17,829	3%	2%	7.7	(2%)	87%
Lions Gate Entertainment Corp	LGFa	2,207	8%	(38%)	15.7	(1%)	30%
Nexstar Media Group Inc	NXST	6,188	(1%)	(22%)	7.8	(1%)	(5%)
Gray Television Inc	GTN	806	(10%)	(39%)	8.6	(0%)	(1%)
Cogeco Inc	CGO	571	(1%)	0%	3.7	1%	104%
Yellow Pages Ltd	Y	179	(9%)	(8%)	2.7	1%	42%
Interpublic Group of Companies Inc	IPG	13,675	(11%)	4%	7.7	1%	118%
Activision Blizzard Inc	ATVI	66,138	25%	75%	15.8	1%	88%
World Wrestling Entertainment Inc	WWE	6,504	4%	6%	16.3	5%	92%
NetEase Inc	NTES	58,028	7%	9%	12.3	8%	3%
Salem Media Group Inc	SALM	29	(2%)	(32%)	9.7	14%	(30%)
Quebecor Inc	QBRb	5,281	(4%)	(1%)	7.0	16%	96%
Direct Digital Holdings Inc	DRCT	44	35%	(0%)	7.4	20%	(26%)
Sinclair Broadcast Group Inc	SBGI	1,066	(19%)	(57%)	7.9	20%	(45%)
Shaw Communications Inc	SJRb	14,270	n/a	n/a	9.9	23%	89%
Take-Two Interactive Software Inc	TTWO	19,732	23%	31%	18.6	35%	80%
Manchester United PLC	MANU	3,671	7%	42%	23.8	39%	43%

Cont.

Exhibit 21: North American valuation screen – companies ranked by CY23e EV/EBITDA vs long-term average cont.

Company	Ticker	Market value 31 March 2023 (\$m)	Sales growth CY23e	EBITDA growth CY23e	EV/EBITDA CY23 (x)	Premium/(discount) to long-term average EV/EBITDA	CY23e EBITDA margin relative
New York Times Co	NYT	6,161	4%	8%	15.7	45%	56%
Warner Bros Discovery Inc	WBD	34,927	29%	(41%)	7.1	47%	45%
Thunderbird Entertainment Group Inc	TBRD	123	8%	(27%)	9.2	90%	(32%)
Perion Network Ltd	PERI	1,819	14%	23%	9.2	94%	21%
Thryv Holdings Inc	THRY	787	(25%)	(44%)	6.7	105%	12%
Netflix Inc	NFLX	145,922	9%	(62%)	20.4	136%	0%

Source: Edison Investment Research, Refinitiv (31 March 2023). Note: We only include companies with forecast positive free cash flow in CY23 and CY24.

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