EDISON

BRILLIANT KNOWLEDGE

MediaWatch | February 2024

RINSE AND REPEAT

EDISON THEMES

As one of the largest issuer-sponsored research firms, we are known for our bottom-up work on individual stocks. However, our thinking does not stop at the company level. Through our regular dialogue with management teams and investors, we consider the broad themes related to the companies we follow. Edison themes aims to identify the big issues likely to shape company strategy and portfolios in the years ahead.

EDISON CLIENTS MENTIONED IN THIS REPORT

4imprint Group
Centaur Media
MGI - Media & Games Invest
The Pebble Group

ANALYSTS

Fiona Orford-Williams
Milo Bussell
Russell Pointon
Alastair George

media@edisongroup.com

edisongroup.com

+44 (0) 20 3077 5700

Rinse and repeat? The old adage on the back of the shampoo bottle seems currently applicable to the media sector's performance and outlook. Once again, we are seeing a difficult trading backdrop to the sector, with weak underlying confidence at the consumer and corporate levels. At the time of writing, it looks as if there has been no notable further deterioration in Q423 trading, but nor are there any strong signs that the mood has turned. The market's naturally inherent optimism indicates that revenue and profits are set to grow in FY24, with an expansion in margin, but that – once more – the benefits will be felt more in the second half. Although elections in the United States and probably in the UK in H2 may influence underlying confidence, they will doubtless also draw attention to the use and importance of media.

MediaWatch: An introduction

This is our fifth edition of MediaWatch, so we have now lapped the original. As we build the data, we believe it delivers increasing value. The premise remains the same: we look 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 for revenue and EBITDA (as a proxy for earnings) by looking at estimate changes across the seven constituent subsectors, as defined by the MSCI 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 continue to trade at a substantial discount to their long-term average ratios, which indicates that pricing remains too low or that market earnings estimates are still too high, or both. In this edition, we have included the absolute numbers of upgrades and downgrades in each of the subsectors, information sometimes swamped by movements in the dominating stocks.

KEY THEMES

And the award goes to…

…Netflix. No real surprise there. Earlier market pearl clutching about the price increases seems to have evaporated as subscriber numbers have defied the naysayers and the availability of the ad-supported lower-price-point option broadens potential reach. We would expect to see further uplifts in subscription pricing as the company's ability to grow penetration tails off in its more mature markets. After all, and as we've said before, to grow the top line there are only two levers: increase the number of subscribers or make them pay more, ie push average revenue per unit (ARPU) ahead. Given the relative maturity of the US market and the high existing levels of penetration, it will be the latter strategy that is likely to predominate.

Other streamers increasingly look like also-rans in the US market, with their capitulation on the licensing of library content allowing Netflix to broaden its offering. It would be a mistake to write off Disney or Amazon as competitors, the former for its depth of content, the latter for its sophisticated advertising expertise, increasingly being leveraged across its Prime offering.

The deal with WWE is undoubtedly interesting. Does it signal further expansion into live sports? We're not so sure. WWE is definitely at the entertainment end of the sporting spectrum, and our feeling is that Netflix is more at home here, rather than competing for high-ticket auctions in the live sports market. The exact wording may prove important. In its Q4 statement, the group states its major opportunities are to:

- increase its value to members by further improving the core (series and film), while broadening its offering (games, live and sports-adjacent programming).
- tap into a significant new long-term revenue and profit pool by scaling its ads business; and
- deepen its connection with fans through its marketing, consumer products and innovative new live experiences.

This last point also chimes with the potential for growth in Netflix's games offering, particularly where engagement can be enhanced through leveraging content across different delivery platforms. It's insignificant at the moment, compared with the subscription streaming revenues, but gradually the market may recognize Netflix as a provider of a bundled broad range of entertainment services, rather than simply as a streamer.

Increasing the range of content through bundling ought to allow ARPU to increase and should help with stickiness.

Goodbye holding company, hello platform company

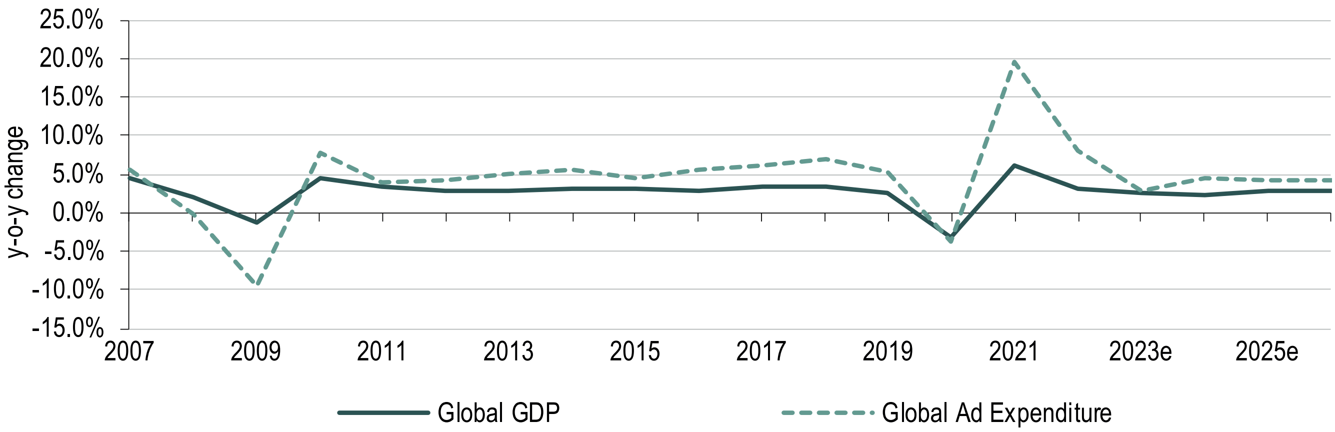
Realistically, holding company isn't a categorisation that inspires much in the way of excitement or enthusiasm. Maybe a new description will provide greater inspiration.

The theme is a common one. Publicis has the Power of One, WPP has merged its agencies into six, larger groupings (VML and Burson being the latest examples) on a unified platform 'WPP Open', Dentsu Group has one Dentsu having merged multiple agencies. Omnicom is now bringing together behavioural and audience data in its Omni operating system, with production and transaction data coming into the group with the acquisition of Flywheel Digital from Ascential.

So, the overarching message is that it's not enough to have the data within the group – it has to be accessible to all aspects of an operation and not siloed. To do that, it requires a move away from the traditional sector holding company mentality. This only becomes effective if clients are travelling the same path. Again here, the larger (holding) companies are singing the same tune; clients are seeking solutions to their problems holistically and not necessarily looking for one party to provide media buying, another to do creative and a third to cover off social or retail media, etc. Bundling is turning into another theme for 2024.

A possible repercussion of this may be a change in how work is priced, which involves a considerable cultural shift in an industry where timesheets are the norm. At its recent CMD, WPP indicated that up to 25% of its business is now based on outcomes rather than full-time equivalent hourly-based pricing. Any change across the industry will need to ensure that transparency is at its heart and that key performance indicators are measurable, relevant and achievable.

Exhibit 1: Correlation between global ad spend and GDP



Source: Dentsu Group, World Bank

The weak economic background certainly dilutes the attractiveness of this group of companies, but it is always worth remembering how levels of ad spend reflect real world activity and we make no apology for repeating this chart, now updated out to 2026. Put simply, ad spend outperforms upturns and underperforms downturns.

It is also easy to lose sight of the sector's positive attributes: low fixed cost base/relatively high variable costs; relatively low capital expenditure requirements; relatively low working capital movements; operating margins in a range of roughly 13–18%; and attractive cash generation.

AI usage broadens out

No discussion about industry prospects for 2024 would be complete without reference to the influence of artificial intelligence (AI) and large language models. AI has been in use across the marketing segment for years, primarily in the context of planning, insight and research development. The objective has been to speed up existing processes and make them more efficient.

More recently, the conversation has turned to using AI to facilitate mass personalisation and then for its use in fuelling creative conceptualisation – making ideas that still require human assessment.

Harnessing data, platform and AI is now the main competitive arena for larger companies (previously known as holding companies). Publicis certainly views it as a key differentiator, setting out the concept of CoreAI in its recent trading update. This involves a three-year programme, building on the Epsilon, Sapient and Marcel initiatives, with an investment of €300m: €100m in the first year split roughly equally between people and equipment. WPP has just held a capital markets day on a similar theme (WPP CMD presentation), highlighting its common technology platform, WPP Open, and how it facilitates delivery of AI-powered services, driven by proprietary, platform-level and market-level data resources.

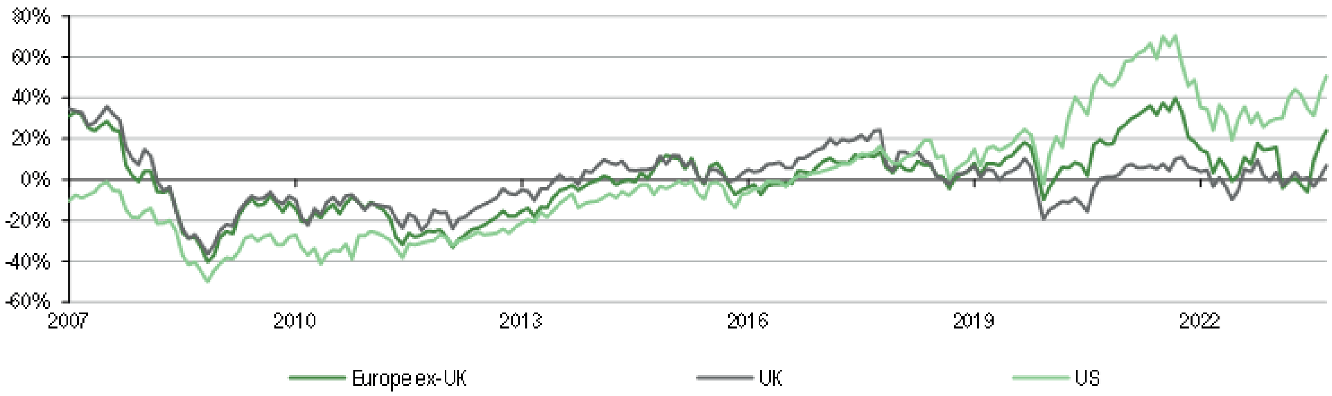
It will be interesting to see how the other companies frame their narratives on this issue over the forthcoming results season.

MACRO AND STRATEGY OVERVIEW

January's reversal in global bond markets follows Q423's extraordinary rally, which may have spooked central bank policymakers into guiding markets to moderate expectations for early interest rate cuts. Nevertheless, US 10-year Treasury bonds now yield 4.1%, down 100bp from the high of 5% recorded in mid-October, which represents a significant easing of financial conditions.

Last summer's rise in long-term yields was counter-intuitive in our view, given slowing labour markets and declining inflation. It now seems that bond markets first overshot significantly to the upside in terms of yield, creating the conditions for a powerful rally in Q4 as the impact on the real economy of central banks' monetary tightening became more evident, with manufacturing purchasing managers' indices (PMIs) dipping well below 50 on both sides of the Atlantic, before recovering in January.

Exhibit 2: Forward price/book valuations for the US, UK and Europe ex-UK



Source: Refinitiv, Edison calculations. Note: Chart shows premium to 15-year average price/book.

Combined with a dovish pivot in US interest rate policy in December, financial conditions have eased considerably over the past quarter. During December's Federal Open Market Committee press conference, Fed Chair Powell struck a dovish tone by indicating that policymakers' discussions have turned towards the timing of rate cuts, with three rate cuts expected during 2024.

Provided inflation continues to fall towards central bank targets, this still represents a constructive foundation for global equity markets for the remainder of 2024, which had been held hostage over the last 18 months on the fears of ever-increasing interest rates.

Nevertheless, bullish equity views also need to account for the strong performance of the equities market in the final quarter of 2023. This leaves US valuations over-extended in our view.

Despite the very strong profitability of the US corporate sector over the past decade, we note that the US market is now trading at a 51% premium to its long-run price/book multiple, Exhibit 2. Such an overvaluation would be easier to rationalise in the context of expectations for a long period of ultra-loose monetary policy, which is clearly not our or the market's base case at present. We expect interest rates and long-term bond yields to be materially higher in future, compared to the prior decade. US long-term rates are in our view likely to stabilise only a little lower than current levels.

Therefore, to justify current US valuations. investors are required to assume that an above-average period of profits growth lies ahead. However, consensus expectations currently remain relatively modest, with a forecast for 0.7% US earnings growth in 2023 once Q423 earnings reports are in, followed by 11.1% earnings growth in 2024. A mid-single-digit compound average growth rate for the two years combined would appear to be insufficient to justify the current enthusiasm for US equities in aggregate. We therefore believe upward revisions to US equities may be required during the year to maintain the recent market momentum.

Earnings forecasts at the market level for 2024 are currently stable, even if below-50 readings for manufacturing PMIs in developed markets suggest that manufacturing activity is for now on a declining trend, following the imposition of restrictive monetary policies. We expect economic activity indicators to improve as the impact of lower rates across the yield curve and the first interest rate cuts stimulate activity, particularly in investment-sensitive sectors within the real economy such as housing. Due to the lags involved, any significant upgrades to earnings forecasts are, however, more likely in H224, compared to H1.

Geopolitical risks: Losing the capacity to shock?

As of the beginning of 2024, the front line in Ukraine remains relatively static. There is no sign of a military breakthrough by either side. As the line of contact is increasingly fortified, disproportionate losses appear to be associated with any offensive.

Politically, both Ukrainian President Zelenskyy and Russian President Putin have been obliged to maintain their existing stances in public. Putin, heading into an election year, has continued to rally support for the war to emphasise Russian solidarity and resilience. Internationally, diplomatic alliances have been formed and there is little apparent external pressure on either side to shift position and resolve the conflict.

The likelihood of a ceasefire or other diplomatic breakthrough therefore appears little changed compared to the position as long as 12 months ago. Neither side appears willing to cede any currently controlled territory, with Russia maintaining its stance that Western military support will wane over time.

Nevertheless, from an investment perspective as the conflict mourns its second anniversary in February, it has lost the power to shock markets in the short term. Gas supplies in Europe have been plentiful during the winter, with prices a mere fraction of those prevailing at the start of the conflict.

While it is tempting to believe the stalemate and military losses might put pressure on the parties to negotiate, there is little sign of compromise on either side and Russia continues to push an aggressive narrative inconsistent with Western concepts of preserving the existing international order. Russia may just be aiming to hold its positions until after the US election, when a Trump administration could be more amenable to a ceasefire agreement that halts the flow of US arms to the region.

Nevertheless, a Russian political or military challenge to the notion that other small states in Eastern Europe have sovereignty would prove highly problematic for Western nations and NATO, even if it is a medium-term risk rather than one which may occur during 2024.

Furthermore, the effective closure of the Red Sea route to commercial shipping and the diversion of container ships around Africa represents an immediate impact of conflict on global supply chains and has already been highlighted in a UK retailer's results. Even in the event of Red Sea security being restored, which is appearing less likely as attacks and defensive operations continue, the effects on shipping are likely to persist for months.

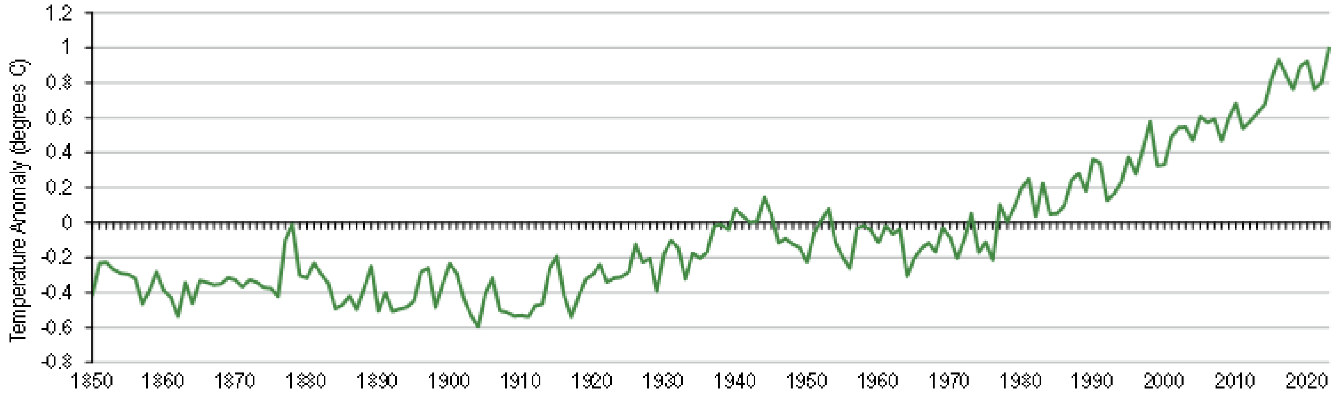
Furthermore. while the main protagonists in the Israel/Gaza conflict appear to be reluctant to expand the conflict at present, despite recent provocations, the risk of escalation is likely to remain elevated for as long as Israel pressures Iran's political allies in the region.

While investors have largely ignored geopolitical risks during 2023, we believe Western rearmament remains a long-running trend, both to replace depleted stocks from the current conflict in Ukraine and to project much greater military power to dissuade Russia from further opportunistic expansion.

Climate change: The big 'E' in ESG

Even as the initial ESG investment craze has diminished in recent years, the actual economic disruption caused by climate change is increasingly evident, with various sectors such as agriculture, energy, transport and property being adversely affected. As global mean temperatures rise, these impacts become more pronounced. Academic literature suggests that for every 0.5-degree centigrade increase in temperature there is a 0.7% cost to GDP. This economic impact is also unevenly distributed, with equatorial and coastal regions expected to face substantial detrimental effects from higher temperatures, increased storm damage and sea-level increases.

Exhibit 3: Global record-high temperature in 2023



Source: UK Met Office

According to the US National Oceanic and Atmospheric Administration, the United States experienced a record-breaking 23 separate disasters between January and August 2023. With each disaster reporting damages exceeding $1bn, this represented a total economic cost of more than $50bn, the costliest year on record.

In Europe in 2023, extreme weather events have also led to significant insured losses. Furthermore, rising temperatures and frequency of extreme weather events in Europe have significant implications for various sectors, including tourism. Exhibit 3 shows that 2023 was the warmest year on record and the tourism industry may face significant challenges from changes in travel patterns and the seasonality of activities.

For example, in Europe, Mediterranean destinations are experiencing a decrease in visitors during peak seasons due to the risk of wildfires and heatwaves. In response, some regions are adapting by offering low-carbon holidays and focusing on sustainability to attract tourists during 'shoulder seasons' or planning outdoor activities outside of the hottest periods.

From an investment perspective, the risks from climate change are multi-faceted and long-term. Industries reliant on fossil fuels are at risk of increased regulation, taxation and waning consumer demand. However, while the initial impact on the property insurance sector may be negative if climate risks are initially underpriced, higher climate volatility may even benefit this sector in the longer term. Extreme weather events are disruptive to business and leisure activities and ultimately may even affect supply chains and the outlook for inflation.

In a hotter climate, we believe even institutional investors who do not have a specific ESG mandate have a duty to assess future policy and economic disruption risks within portfolios. Assessing risk does not necessarily mean avoiding it; there are also likely to be opportunities where fear has overcome economic reality. Nevertheless, we believe investments in carbon-emitting sectors are likely to attract further negative sentiment in the event of 2024 continuing the trend of hotter global temperatures and numerous extreme weather events.

Conclusion

We believe global equity investors still have a solid foundation in terms of the outlook for developed market interest rates and long-term government bonds, despite the most recent increase in yields. Bond yields are in our view set to remain significantly lower than the peak levels seen during 2023. However, the most rapid period of yield compression appears to be over and 10-year US government bonds appear to be close to likely long-term levels. If sustained, easier financial conditions are likely to improve prospects for economic activity during the course of 2024, raising the prospect of earnings upgrades.

Balanced against the improving outlook for monetary policy are relatively high US equity valuations. Following the rally of Q423, US equity markets in particular appear to be fully priced at present and upward revisions to earnings estimates may be required to sustain the current market momentum.

Provided inflation continues to decline, we would expect increased corporate activity in terms of mergers and acquisitions from depressed levels, as financing becomes cheaper and more readily available as interest rates fall later in the year.

Recovering PMI data indicate that a period of subdued economic growth is coming to an end. We believe this will not have a material impact on expectations for a loosening of monetary policy later this year, provided there is no re-acceleration of inflation. Equity investors' focus is instead likely to be on the potential for a re-acceleration of the global economy in the second half of 2024.

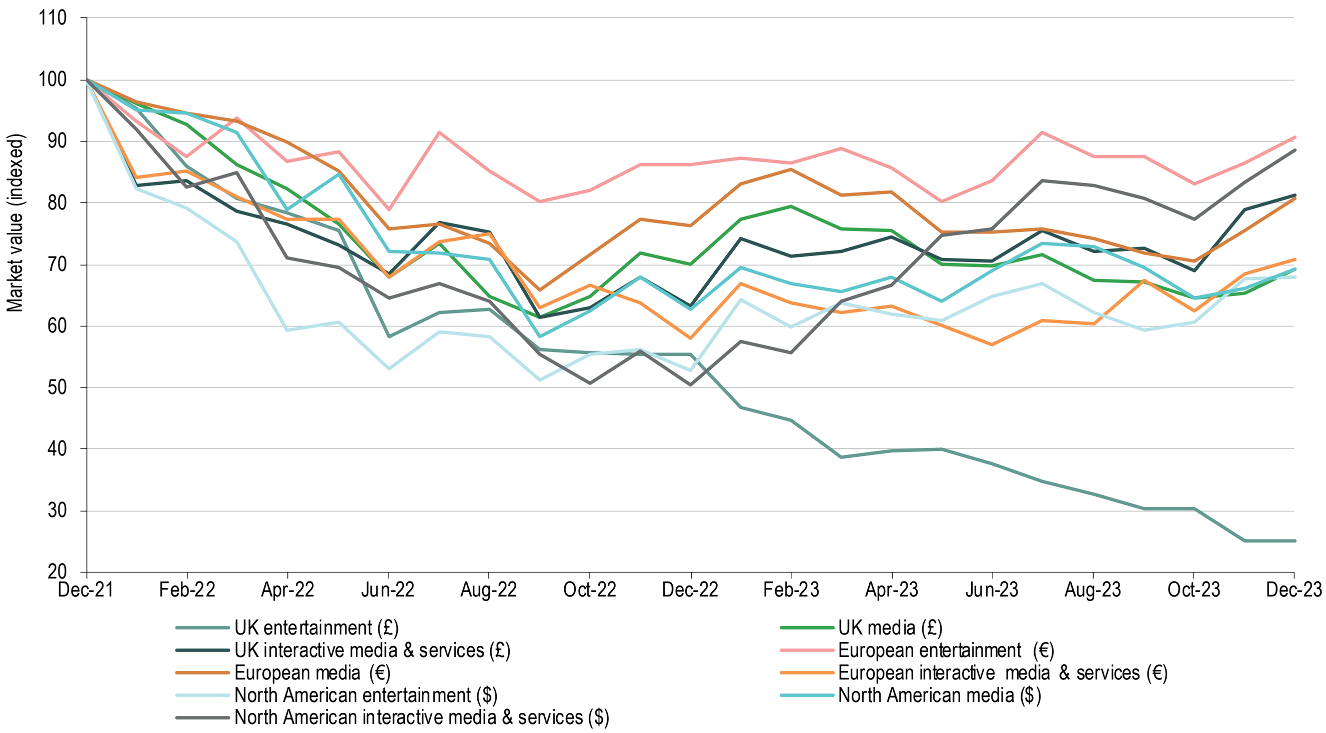
The key uncertainty for 2024 remains geopolitical risk, both in Ukraine and the Middle East, with its direct impacts on the cost of energy and food. A significant escalation in either region may have a significant impact on either energy prices or supply chains, and the consequent rebound in inflation would present challenges both to monetary policymakers and financial markets.

MEDIA IN Q423: NOT AS BAD AS FEARED

With no major negative shocks and some small positive signals, such as entertainment service subscriber numbers holding up more robustly than had been expected, the general mood across media has been better. Revisions to forecasts have moved very marginally downwards overall and share prices have improved very modestly.

By sector, the only underperformer in terms of valuation was UK entertainment (which consists of the movies and entertainment, and interactive home entertainment subsectors), but this only accounts for around 2% of the overall UK media sector (see Exhibit 11). As shown in Exhibit 4, below, other sectors all moved ahead.

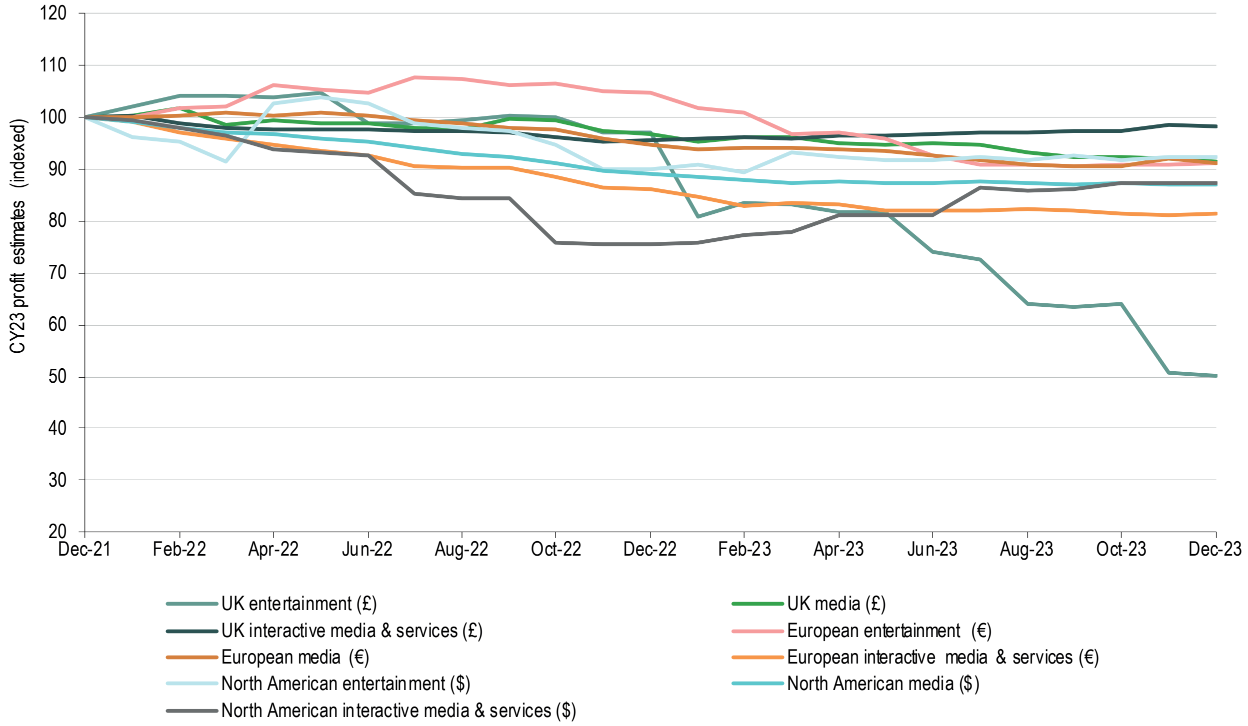
Exhibit 4: Performance of media sectors (indexed to December 2021)



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

In terms of the direction of travel in estimate changes in Q423, the main downgrades by sector were in UK media but, as described above, this is a very small grouping. Overall and underlying changes to the aggregated forecasts were very modest (there is an apparent slightly larger change in the European numbers, which we have traced to a gremlin in one stock in the Refinitiv forecasts at end-September).

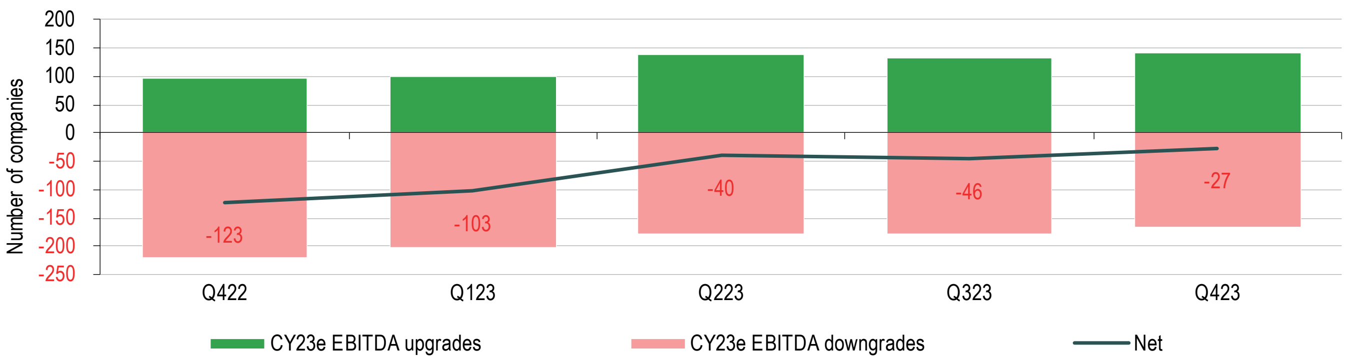
Exhibit 5: CY23e EBITDA estimates of media sectors (indexed to December 2021)



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

Looking back to the position at end December 2022, it is interesting to note that the largest divergences from the performance that was then expected are in terms of revenue growth in the UK market and in the degree of margin recovery in the US. More striking is that the growth rates expected to be achieved for CY24 are pretty much unchanged on those projected a year earlier.

Exhibit 6: Quarterly progression in upgrades or downgrades to CY23e profit

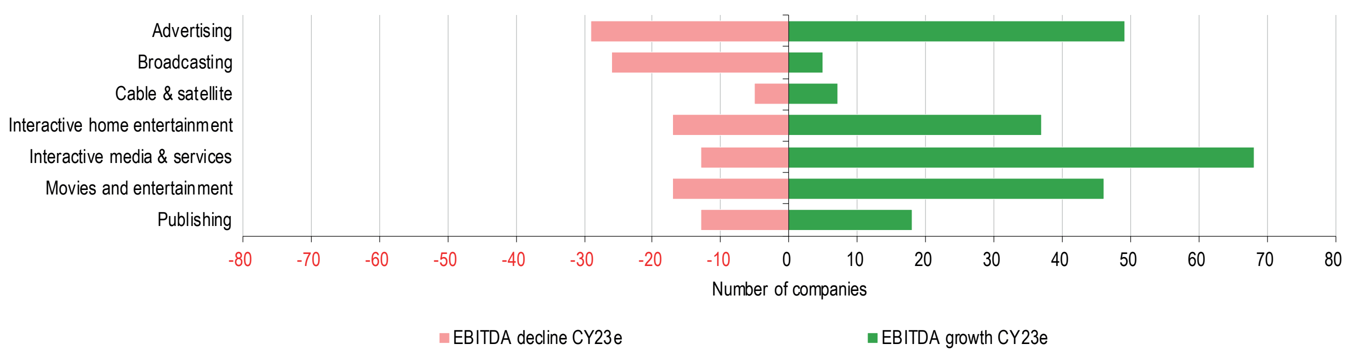


Source: Edison Investment Research, Refinitiv (31 December 2023)

Exhibit 6 shows us that the number of net downgrades to upgrades has reduced across the year. There ought to be an inevitability about this, as management teams will mechanistically have better visibility over the outturn for the year as its close draws nearer. However, there will inevitably be some offsetting of hope over experience, particularly for those businesses whose revenues are weighted to the weeks or days before Christmas, giving a highly geared impact on profits. Nevertheless, the position is a big improvement on the position in Q422.

Looking at the effect on profitability by sector, those with the highest proportion of companies with lower CY23 forecasts are in advertising and broadcasting. This should not be surprising, given that advertising markets have stayed soft through the second half of the year and that broadcasters have been at the sharp end of the advertising slowdown.

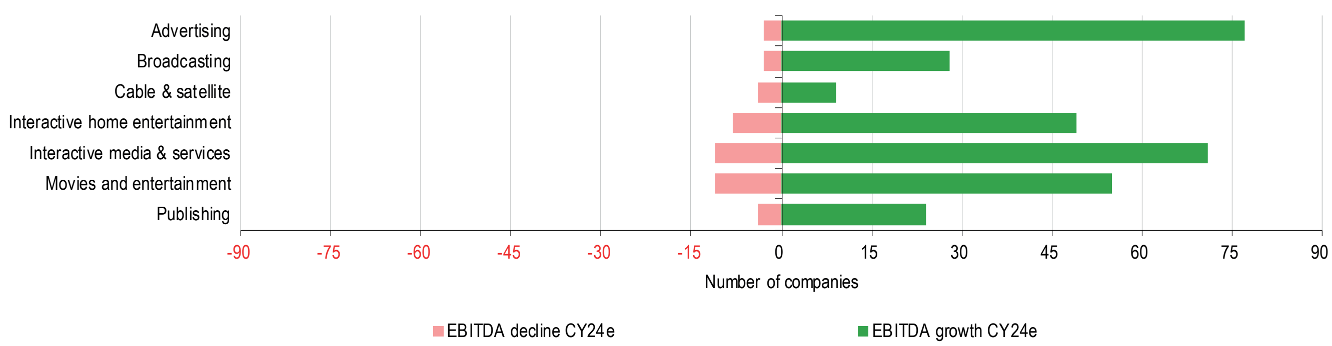
Exhibit 7: Number of companies with higher/lower CY23e profit than CY22



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

One would always hope to start the year looking for progress and this is what is currently showing through in the underlying numbers. A bounceback is clearly anticipated in both advertising and broadcasting, although it is worth noting that these charts show the absolute number of companies, rather than having any weighting by size. The more detailed analysis below gives a clearer, aggregated picture.

Exhibit 8: Number of companies with higher/lower CY24e profit than CY23e



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

The summary figures in Exhibit 9 below pull together all these moving parts. The standout figure is the change in market value of the North American sector of +55%, which reflects the gains in the two dominant constituents: Alphabet and Meta, which were up by 53% and 188%, respectively, over the course of the year.

Looking out into CY24, the market is expecting to see revenue growth a little ahead of GDP, with faster growth in EBITDA of high single digit, low double digits, driven largely by the scale companies leveraging their platforms and continuing their caution on overheads.

Exhibit 9: Regional media consensus

Region	Market value change		Revenue growth		EBITDA growth		EBITDA margin		
	Q423	CY23	CY23e	CY24e	CY23e	CY24e	CY22	CY23e	CY24e
United Kingdom (£)	5%	4%	(6%)	4%	1%	8%	19%	20%	21%
Continental Europe (€)	7%	8%	8%	5%	4%	9%	19%	19%	20%
North America (US$)	9%	55%	6%	8%	18%	13%	27%	30%	32%

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

RELATIVE SECTOR VALUATIONS

In Exhibit 10, we show the valuations of the subsectors across all geographies at 31 December 2023, ordered by the greatest discount to long-term aggregate EV/EBITDA multiples, to highlight the relative valuations across the geographies and subsectors.

We show the following for the individual subsectors:

- Consensus CY24 revenue and profit estimates.
- How the growth rates of the consensus CY24 revenue estimates have changed during Q423 and the absolute change in margin between Q323 and Q423. The changes can reflect a combination of the introduction/deletion of estimates for an individual company that was included/excluded 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 CY24, priced as at end December 2023, and how they compare with the long-term average multiples. The

long-term average covers the period 2006–22, so that we include changes over the most recent cycle (ie including the global financial crisis of 2007–08). Unlike the company-specific screens, we have included EBITDA loss makers within the aggregate multiple to fully reflect 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.

- For the company screens, we have excluded companies that are either currently EBITDA loss-making or where their long-term average EV/EBITDA multiple is negative. As such, not every company in each region is shown in our company screens.
- The CY24e 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% and 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 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.

At the end of Q423, 16 of the 20 subsectors were trading at discounts to their long-term average EV/EBITDA multiple. For 18 of the 20 subsectors, consensus was forecasting CY24 sales and profit growth.

EBITDA margins were broadly unchanged in the quarter, although the European interactive home entertainment subsector saw a notable 9pp increase in its margin. Two subsectors, UK interactive home entertainment and European cable & satellite, witnessed a margin squeeze of 3pp in Q423. In Exhibit 10 below, the quarterly change in the CY24e sales growth rate is shown alongside the quarterly change in CY24e EBITDA margin to highlight the drivers behind the changes to the margins. Where there has been a fall in the forecast CY24 EBITDA margin in Q423 and the subsector remains at a significant discount to its long-term average multiple, we believe the market is already discounting further expected downgrades in CY24. As shown below, the majority of subsectors across all three geographies continue to trade at significant discounts to their long-term average EV/sales and EV/EBITDA multiples.

Exhibit 10: Relative subsector valuations in Q423

Regional subsectors	Sales growth CY24e	EBITDA growth CY24e	Change in CY24e sales growth in Q4	Change in CY24 EBITDA margin (pp)	EV/Sales CY24e (x)	Premium/ (discount) to long-term average EV/Sales	EV/EBITDA CY24e (x)	Premium/ (discount) to long-term average EV/EBITDA
UK movies and entertainment	33%	43%	(16%)	(0%)	0.8	(39%)	6.3	(83%)
NA interactive home entertainment	12%	25%	(1%)	(0%)	2.9	(12%)	14.0	(54%)
EU interactive home entertainment	8%	12%	6%	9%	1.9	(29%)	5.7	(44%)
NA interactive media & services	12%	15%	0%	0%	4.7	(20%)	11.2	(34%)
UK broadcasting	1%	5%	3%	(1%)	0.8	(55%)	5.9	(34%)
EU cable & satellite	3%	(1%)	(0%)	(3%)	2.2	(55%)	5.8	(28%)
EU broadcasting	3%	10%	0%	(1%)	0.9	(47%)	5.8	(28%)
NA broadcasting	6%	27%	1%	(0%)	1.1	(45%)	6.1	(25%)
UK interactive home entertainment	5%	40%	2%	(3%)	1.0	(98%)	4.7	(23%)
UK interactive media & services	9%	9%	(0%)	(0%)	7.8	(8%)	16.3	(22%)
NA cable & satellite	2%	3%	0%	0%	2.5	(20%)	7.7	(20%)
UK advertising	4%	9%	1%	0%	1.4	(11%)	8.0	(16%)
EU publishing	3%	12%	1%	0%	1.0	(9%)	8.4	(14%)
UK publishing	(0%)	(4%)	1%	(2%)	1.2	8%	5.1	(8%)
EU advertising	6%	9%	(1%)	(0%)	1.3	(5%)	7.8	(5%)
EU interactive media & services	12%	19%	(1%)	1%	4.6	(5%)	14.6	(3%)
NA advertising	5%	8%	1%	(0%)	2.1	37%	11.2	10%
EU movies and entertainment	6%	10%	(0%)	(0%)	1.9	50%	11.5	13%
NA publishing	1%	10%	1%	(0%)	1.5	35%	9.7	20%
NA movies and entertainment	7%	16%	1%	(0%)	2.5	(11%)	13.3	22%

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

UNITED KINGDOM

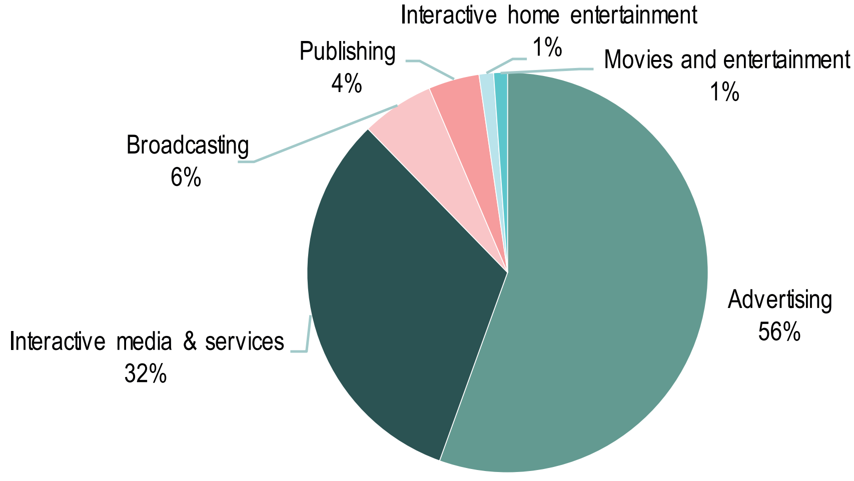
The UK market was the weakest of the three regions, up 2% in Q423. However, the UK media sector was the only region to outperform its local market despite just two of the six subsectors generating above-market returns.

Revenue estimates were broadly unchanged in the quarter, while profits received a 1% downgrade in Q423. A disappointing 2023 was compounded in the final quarter for the interactive home entertainment subsector, as its market value fell 26% following a 31% downgrade to CY23 EBITDA estimates. Consensus estimates for the media sector point to a decline in CY23 sales of 6% before returning to growth by 4% in CY24. Looking towards expected profit growth, consensus was forecasting modest growth in CY23 of 1% before accelerating in CY24 by 8%.

We have identified 32 companies forecast to generate positive free cash flow in CY24 that were trading at a discount to their long-term average EV/EBITDA multiple at 31 December 2023.

In Exhibit 11 we show the breakdown of the UK media GICS subsectors by market capitalisation at end December. We aim to provide a better idea of the drivers behind the media sector movements in each region at the aggregate level. As shown in Exhibit 11, the UK media sector is heavily weighted towards the advertising (56%) and interactive media & services (32%) subsectors. Broadcasting is the next largest subsector and accounts for 6% of the UK media market, while the remaining sectors account for less than 5%.

Exhibit 11: UK GICS media subsector breakdown by market value

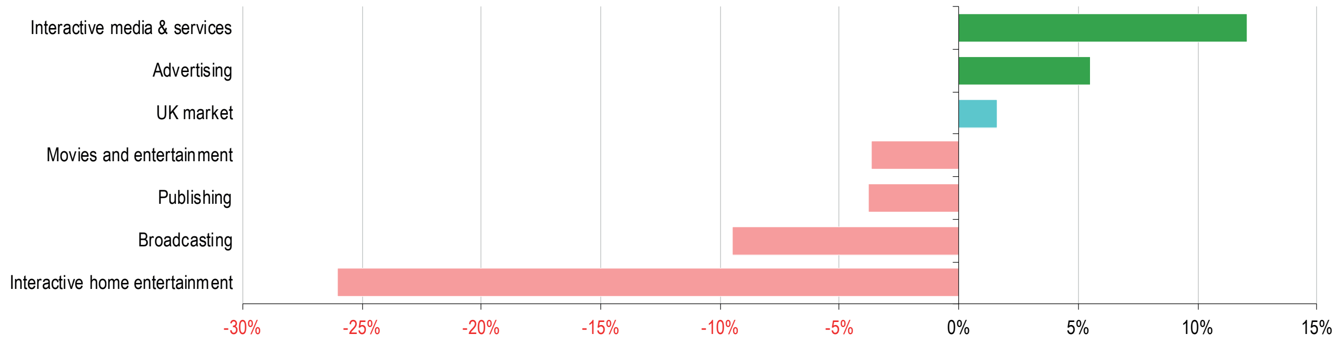


Source: Edison Investment Research, Refinitiv (31 December 2023)

The local UK market delivered a positive performance in the final quarter of 2023, up 2%. Consequently, in 2023 the UK market generated growth of 3%. The UK market underperformed both the Continental European and North American markets in Q423 and 2023, having outperformed both in the previous quarter.

The UK media market witnessed a rally in Q423, outperforming the wider market with a return of 5%. Given the absence of the cable & satellite sector from the UK market, the number of subsectors is lower than the other geographies in our report. The underlying subsectors saw much greater variation in performance in the quarter, ranging from an increase of 12% in the interactive media & services subsector to a 26% fall in the market value of the interactive home entertainment subsector. Importantly, those sectors that are meaningful from a contribution perspective generated a market outperformance.

Exhibit 12: UK media market value change in Q423 (£)



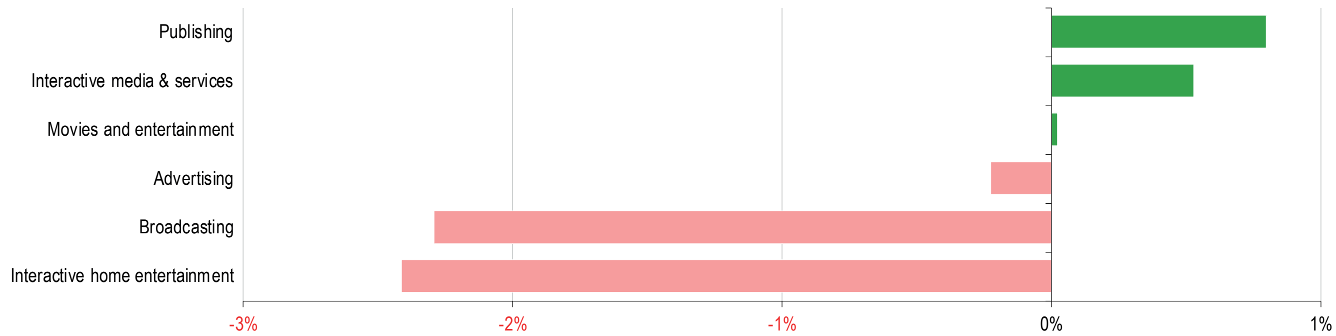
Source: Edison Investment Research, Refinitiv (31 December 2023)

Looking at 2023, just one subsector (interactive media & services) outperformed the wider market's return of 3%, with a 29% increase in the market value. Advertising was the only other subsector to generate a positive return. The remaining subsectors all saw double-digit declines in their market values, with interactive home entertainment finishing the year 67% below where it had started 2023.

Revenue forecasts

Aggregate revenue forecasts were broadly unchanged in the quarter, with few changes across the subsectors. For 2023, aggregate media sales estimates were downgraded by 1%. Consensus continues to forecast a year-on-year fall in media sectors sales in 2023 of 6%.

Exhibit 13: Consensus UK media CY23e revenue forecast changes in Q423 (£)



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

Interactive home entertainment's 2% downgrade to CY23 sales estimates in Q423 added to what has been a poor year for the subsector, with the largest downgrade to revenue estimates in 2023. Broadcasting also witnessed a notable downgrade of 2% in the quarter. Both publishing and interactive media & services witnessed net upgrades of 1% each.

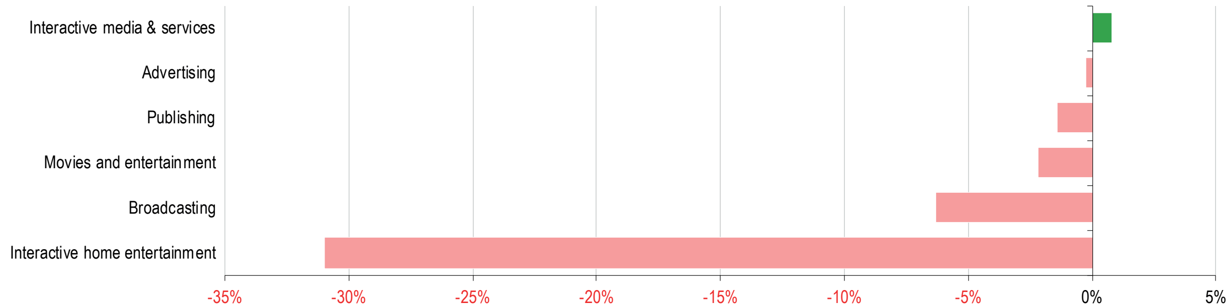
Media CY24 estimates were downgraded by 2% in Q423, resulting in a consecutive slowdown in the expected sales growth rate to 4% (end Q323: 5%, end Q223: 6%).

Profit estimates

The media sector witnessed a further downgrade to EBITDA CY23 estimates in Q423 of 1%. This highlights the gradual decline in UK media sector profit estimates in 2023, bringing the total downgrade for 2023 to 6%. As profit expectations were downgraded to a greater extent than sales estimates, this resulted in a dip in the aggregate margin of 0.2pp to 20.1% (Q323: 20.3%).

As Exhibit 14 highlights, the interactive home entertainment subsector witnessed a material downgrade to CY23 profit estimates in Q423, concluding what has been a poor year for the sector, which received a total downgrade of 62% in 2023. The only other sector to see a notable downgrade to profit estimates in the quarter was the broadcasting subsector. The remaining subsectors all experienced changes to profit forecasts of less than 3%.

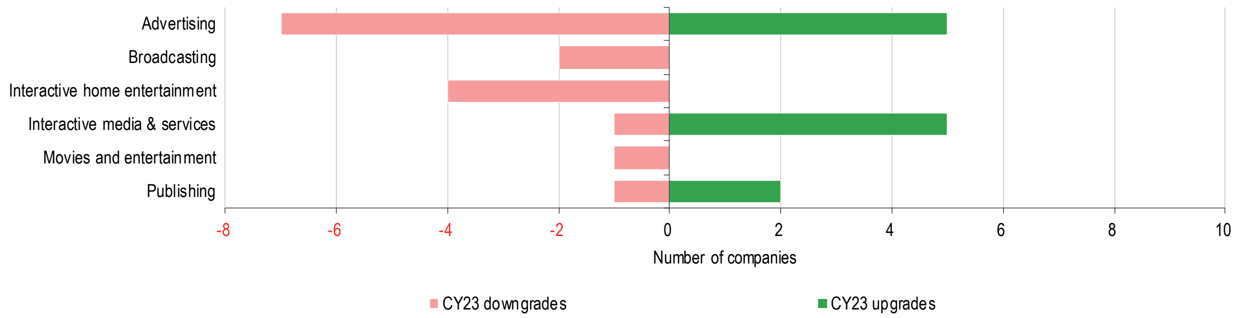
Exhibit 14: Consensus UK media CY23e EBITDA forecast changes in Q423 (£)



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

This was emphasised at the individual company level, where more companies received downgrades than upgrades in Q423.

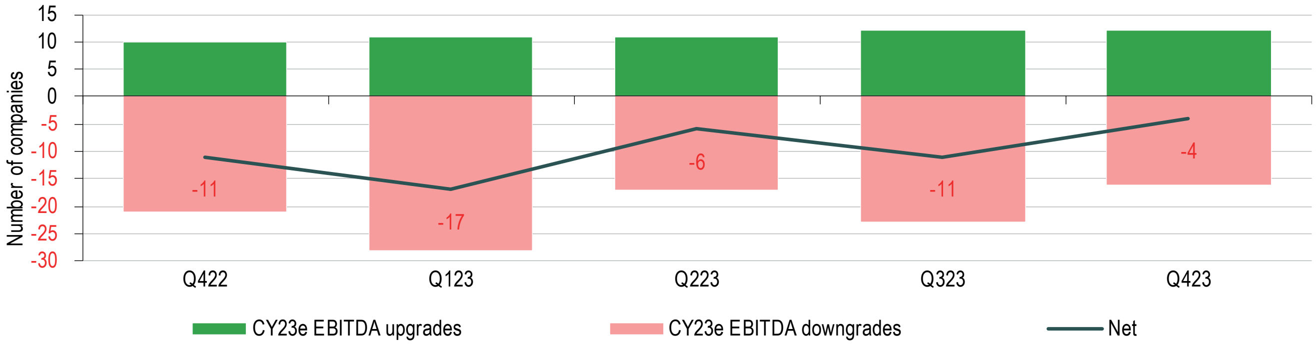
Exhibit 15: Number of companies to receive upgrades or downgrades to CY23e profit forecasts in Q423



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

Although a larger number of companies received downgrades than upgrades, Q423 saw an improving trend, as the net number of companies downgraded was four versus 11 in Q323. As Exhibit 16 highlights, this trend improved through 2023, following a tough Q123 for media companies in the UK.

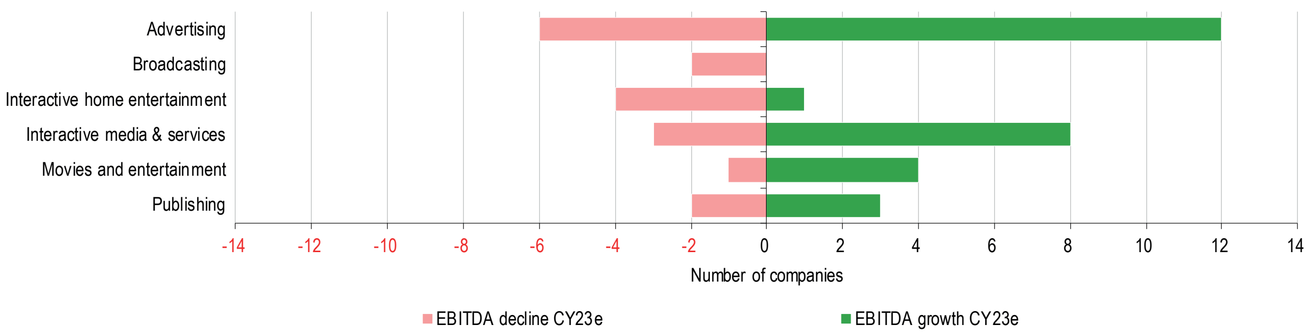
Exhibit 16: Quarterly progression in upgrades or downgrades in CY23e profit forecasts



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

Given the net downgrades experienced in Q423 and 2023, consensus is forecasting a slower rate of EBITDA growth than at Q323, albeit still in positive growth at 1%. Note that our calculation of underlying growth includes only those companies for which there were results/estimates for both CY22 and CY23e on Refinitiv. The aggregate growth rate is heavily influenced by a limited number of subsectors, which in turn can be reliant on the performance of a small number of companies or even one company. To provide a better view of the health of individual companies in the subsectors, Exhibit 17 shows the number of companies within each subsector which, at the end of December 2023, were expected to report lower and higher profits in CY23 than in CY22. Despite the downgrades in the quarter, a substantial number of companies are expected to deliver higher profits or lower losses in CY23 than in CY22.

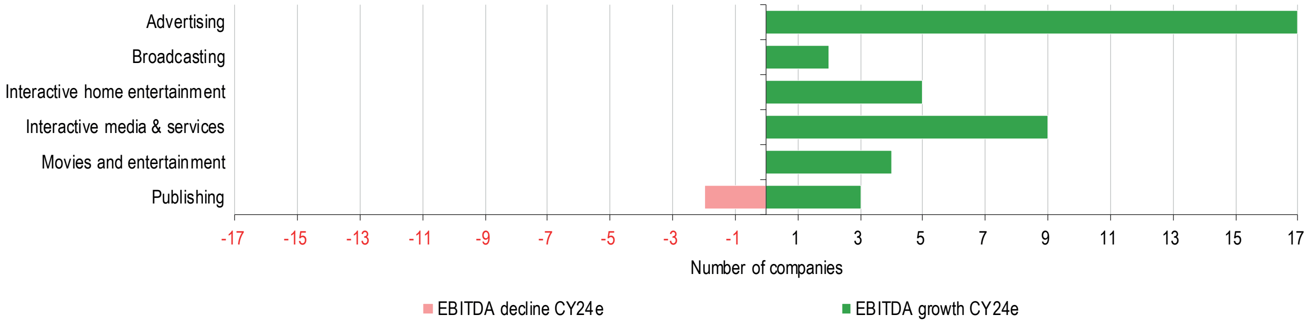
Exhibit 17: Number of companies with higher/lower CY23e profit estimates than CY22



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

Continued market uncertainty regarding CY24e profits was reflected in a 2% downgrade in Q423. Consequently, in 2023 estimates for CY24 saw a larger downgrade than CY23 estimates at 7%. Despite this, consensus continues to anticipate a modest profit improvement of 8% in CY24. Just two companies in the media sector, Bloomsbury Publishing and Future, are expected to deliver lower profits in CY24 than in CY23 (the former due to a boosted level of profitability in CY23).

Exhibit 18: Number of companies with higher/lower CY24e profit than CY23e



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

Outperformers in Q423

Interactive media & services delivered another good quarter of growth in Q423, up 12% as the best performing UK media subsector in the quarter. The subsector was also the only one in the UK to outperform the wider market in 2023 by a considerable margin, up 29%. As the second largest subsector in the UK media universe, its rally helped the media sector outperform the wider market. This was coupled with the largest upgrade to CY23 profit estimates of 1%. At the individual company level, strong quarters from Auto Trader (+16%), Baltic Classifieds (+21%), Moneysupermarket.com (+16%) and Trustpilot (+45%) ensured that the subsector outperformed the wider market. Consensus forecasts for the subsector to deliver an EBITDA margin of 47.3%, which has improved 2.1pp from the start of 2023 and sits at 79% of the subsector's long-term EBITDA margin range.

Advertising, the largest UK media subsector, also saw a market-beating return of 6%, which helped to recover what had been a challenging 2023 as many agencies witnessed cuts to client budgets. Robust quarters from Ascential, Next 15 and YouGov helped boost performance from a contribution perspective. The two sector heavyweights, Informa and WPP, also generated quarters slightly ahead of the market, both by 3%. There was little movement in CY23 subsector estimates. As such, consensus is forecasting a subsector EBITDA margin of 18.4%, which is towards the top end of the long-term margin range.

Underperformers in Q423

Compounding what has been a very challenging 2023 for the subsector, interactive home entertainment was the worst performing UK media subsector, down 26%. This brings the 2023 market decline to 67%. Coupled with a weak market performance, the subsector received the greatest downgrades to CY23e revenue and profits in Q423 and 2023. Companies had a poor quarter across the board, with just one company, Gaming Realms, seeing a positive market return of 1%. Profit warnings from Frontier Developments in November and tinyBuild in December highlight the current pressures facing the subsector.

As a subsector with just three constituents, the performance of broadcasting is very much determined by its largest company, ITV. The UK broadcaster suffered a weak quarter, falling 10% alongside downgrades to CY23e revenue and profits of 2% and 6%, respectively. Q423 was a more positive quarter for STV Group, up 9% in what to date had been a challenging year for the company.

The underperformance of the publishing subsector was driven by its largest constituent company, Future, which was down 13% despite the company buying back shares. This very much distorted what had been a much-improved quarter for many of the other companies, with double-digit returns for Bloomsbury Publishing, Centaur Media, Merit Group, Quarto Group and Time Out. Bloomsbury in particular enjoyed further upgrades to sales and profit estimates in Q423.

Movies and entertainment's 4% decline in Q423 was despite fairly mixed performances from its underlying companies. The sector is relatively small as a contributor to the total, at just over 1% of the UK media sector. Sales estimates were left unchanged while absolute profits were only downgraded by £1m due to LBG Media. The forecast CY23 EBITDA margin of 19.3% would be the highest margin delivered by the subsector in its long-term history.

Sector forecasts and valuation

Having looked at the key changes to UK media sector valuations and estimates during Q423 and CY23, we turn our attention to assessing where consensus estimates were at the end of December 2023, and how EV/EBITDA multiples for the sectors compare to their long-term (2006–22) historical average valuations. We note that consensus continues to forecast a 6% decline in media revenue in CY23 following negligible movement in estimates in Q423. Growth is expected to return in CY24, at 4%, a slower rate than the 5% forecast at end Q323. Turning to profits, the market now expects growth of 1% in CY23, a slightly lower rate than the 2% expected at end Q323. Consequently, the CY23 media aggregate EBITDA margin estimate declined by 0.2pp in the quarter to 20.1%. For CY24, EBITDA growth is expected to rebound strongly by 8%.

We provide two screens below, which show that 44 companies are trading at discounts to their long-term average EV/EBITDA multiples. 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 19) highlights 32 companies that are expected to be free cash flow positive in CY24. The second (Exhibit 20) looks at the 12 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 CY24e EBITDA margins are relative to their long-term range to provide an idea of how consensus forecasts profitability relative to the company's own history. The only company with a negative CY24e EV/EBITDA multiple in the UK screen is tinyBuild, which is trading at the greatest discount to its long-term average. This negative multiple is derived from a negative enterprise value (greater net cash than market capitalisation) rather than negative EBITDA, as we have excluded all companies that are EBITDA loss-making from the company screens.

In addition to the companies shown in our screens, we also look for those whose valuation has not reflected upgrades to profit estimates (we look for upgrades of more than 5%) in Q423 and through 2023. In Q423, the only company in the UK media sector was Team Internet Group, while the only company through 2023 was Devolver Digital.

Exhibit 19: UK valuation screen – companies with forecast positive free cash flow in CY24e

Company	Ticker	Share price 31 December 2023 (p)	Market value 31 December 2023 (£m)	Sales growth CY24e	EBITDA growth CY24e	EV/EBITDA CY24 (x)	Premium/ (discount) to long-term average EV/EBITDA	CY24e EBITDA margin relative
Devolver Digital	DEVO	20	86	21%	878%	5.0	(94%)	48%
Time Out Group	TMOT	54	181	n/a	n/a	15.8	(87%)	143%
S4 Capital	SFOR	53	311	3%	36%	3.7	(81%)	45%
Centaur Media	CAU	47	68	6%	6%	5.8	(77%)	100%
Team17 Group	TM17	185	270	3%	46%	5.5	(68%)	33%
Team Internet Group	TIG	125	333	8%	5%	4.9	(68%)	(2%)
LBG Media	LBG	81	168	31%	33%	5.8	(67%)	69%
Gaming Realms	GMRG	35	103	18%	29%	7.4	(60%)	100%
Tremor International	TRMR	204	296	4%	22%	3.1	(57%)	80%
Eagle Eye Solutions Group	EYE	490	144	17%	24%	11.3	(54%)	102%
Pebble Group	PEBB	61	101	2%	2%	6.4	(53%)	73%
System1 Group	SYS1	295	37	12%	31%	8.6	(49%)	59%
Future	FUTR	796	922	1%	(7%)	5.2	(48%)	92%
Ascential	ASCL	293	1,304	9%	13%	10.4	(46%)	49%
M&C Saatchi	SAA	160	196	4%	17%	5.0	(43%)	113%
STV Group	STVG	197	92	9%	6%	4.8	(38%)	41%
ITV	ITV	63	2,565	1%	5%	5.9	(32%)	17%
4imprint Group	FOUR	4,570	1,288	6%	7%	10.9	(31%)	101%
Reach	RCH	75	238	(3%)	2%	2.4	(30%)	41%
Facilities By ADF	ADFF	58	47	66%	101%	4.3	(27%)	21%
Mission Group	TMGT	22	20	6%	46%	4.0	(27%)	175%
Brave Bison Group	BBSN	2	28	4%	2%	5.6	(24%)	100%
Rightmove	RMV	576	4,614	8%	4%	16.4	(22%)	82%
Auto Trader Group	AUTOA	721	6,558	9%	11%	16.8	(17%)	56%
WPP	WPP	753	8,094	2%	3%	6.7	(16%)	95%
Baltic Classifieds Group	BCG	237	1,165	17%	18%	22.7	(13%)	83%
Informa	INF	781	10,689	9%	15%	11.0	(12%)	71%
YouGov	YOU	1,180	1,362	29%	30%	11.5	(12%)	64%
Bloomsbury Publishing	BLPU	470	384	(1%)	(1%)	8.5	(9%)	97%
Trustpilot Group	TRST	149	623	16%	50%	58.5	(4%)	108%
Moneysupermarket.com Group	MONY	280	1,504	7%	10%	10.8	(4%)	53%
Next 15 Group	NFGN	832	828	5%	5%	6.1	1%	100%

Source: Edison Investment Research, Refinitiv (31 December 2023). Note: Sorted by discount to long-term average EV/EBITDA multiple.

Exhibit 20: UK valuation screen – companies with negative or no forecast for free cash flow in CY24e

Company	Ticker	Share price 31 December 2023 (p)	Market value 31 December 2023 (£m)	Sales growth CY24e	EBITDA growth CY24e	EV/EBITDA CY24 (x)	Premium/ (discount) to long-term average EV/EBITDA	CY24e EBITDA margin relative
tinyBuild	TBLD	5	11	7%	2%	(0.1)	(100%)	(5%)
Live Company Group	LVCG	2	5	n/a	246%	1.6	(98%)	n/a
Dianomi	DNM	45	14	7%	(3,767%)	5.9	(97%)	97%
Digitalbox	DBOX	3	4	7%	1826%	4.5	(95%)	95%
Frontier Developments	FDEV	131	52	(6%)	11%	2.1	(87%)	36%
Ebiquity	EBQ	33	44	4%	10%	3.9	(77%)	104%
Celtic	CCP	119	112	n/a	n/a	8.5	(75%)	49%
Everyman Media Group	EMANE	65	59	21%	12%	9.0	(64%)	92%
National World	NWOR	14	37	13%	23%	1.5	(60%)	25%
Audioboom Group	BOOMA	303	50	12%	117%	45.3	(51%)	100%
Merit Group	MRIT	66	16	10%	20%	5.2	(45%)	112%
NAHL Group	NAH	62	29	7%	30%	5.1	(14%)	15%

Source: Edison Investment Research, Refinitiv (31 December 2023). Note: Sorted by discount to long-term average EV/EBITDA multiple.

CONTINENTAL EUROPE

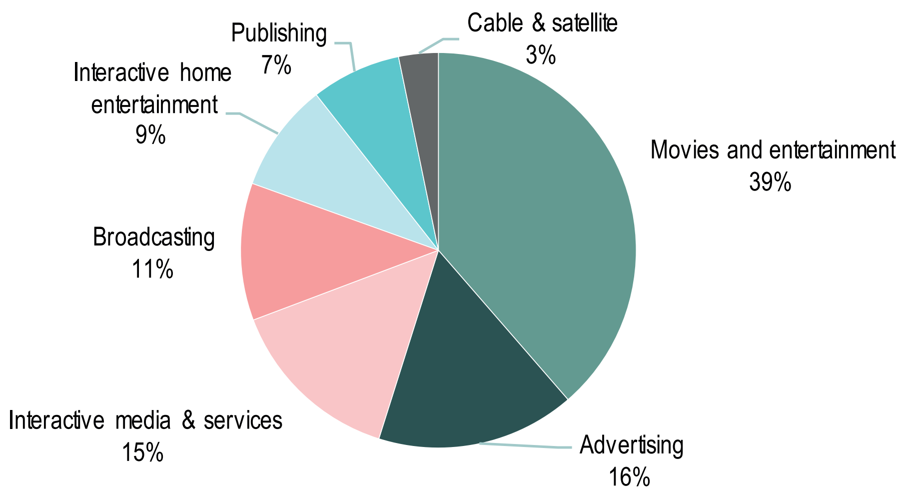
The European index saw a modest return in the final quarter of 2023, increasing by 7%. The European media sector performed broadly in line with the wider market, with three subsectors outperforming and just one generating a negative return. The advertising subsector in particular saw a strong quarterly rally of 17%.

Both CY23 revenue and profit estimates were broadly unchanged in Q423. Cable & satellite enjoyed upgrades of 5% to sales and 2% to profits in Q423, although as a small contributor it had little impact on the aggregate movements. Consensus was forecasting sales growth of 8% in CY23 and 5% in CY24. EBITDA is expected to grow at a slower rate of 4% in CY23, before accelerating to 9% in CY24.

In Exhibit 29 we highlight 80 companies that were trading with a CY24e EV/EBTIDA multiple below their long-term average at end Q423. These companies were also expected to generate positive free cash flow in CY24e.

Exhibit 21 shows the breakdown of the European media GICS subsectors by market capitalisation. The spread of contribution among the subsectors is much greater than in the UK. The largest subsector is movies and entertainment (39% of the total), due to the presence of large companies including Universal Music Group and Bolloré. Three of the remaining subsectors account for 10% or more of the total.

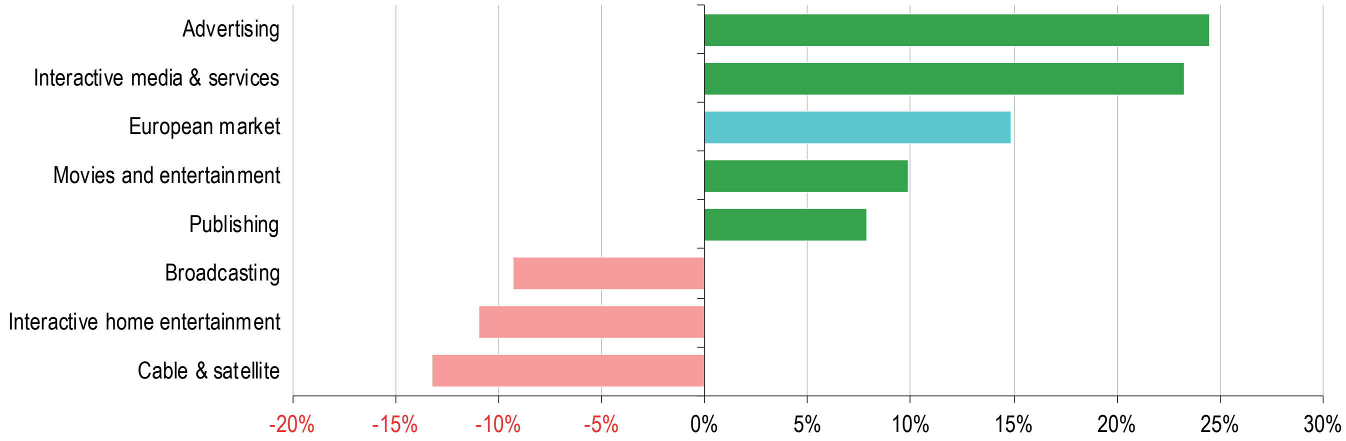
Exhibit 21: European GICS subsector breakdown by market value



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

The European (ex-UK) market rallied by 7% in the final quarter of the year following a strong first half and weaker Q323. The region outperformed the UK but underperformed the North American index. In 2023, the European index rose 15%, again ahead of the UK but subpar relative to the strong rebound in North America.

Exhibit 22: European media market value changes in Q423 (€)



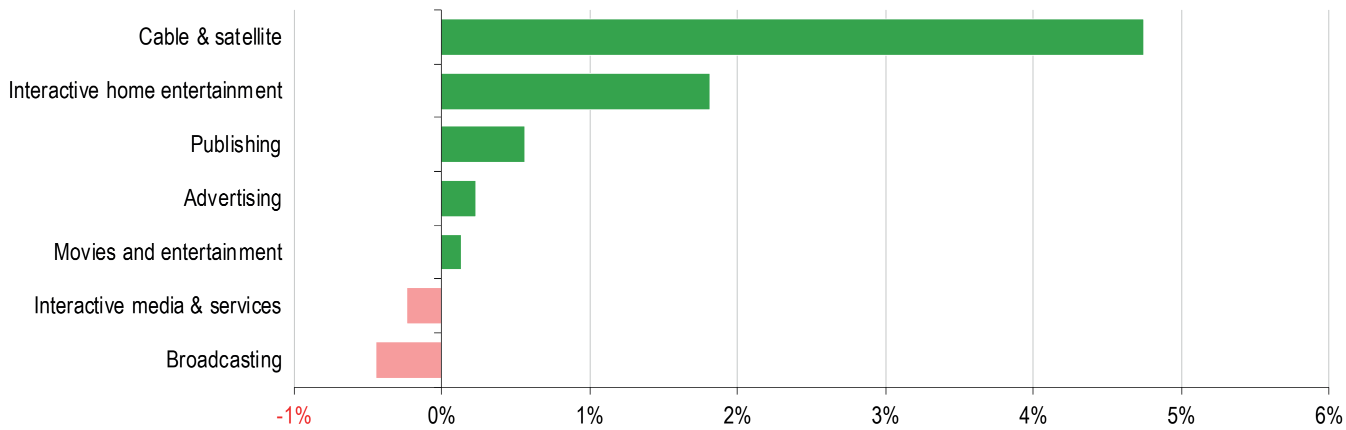
Source: Edison Investment Research, Refinitiv (31 December 2023)

The absolute performance of the European media subsectors was much improved in Q423, with six of the seven generating a positive return. On a relative basis, more subsectors outperformed the wider market than underperformed, with advertising, cable & satellite and publishing all delivering double-digit market returns. Just one sector, interactive home entertainment, saw a negative return. That said, the media aggregate performed in line with the wider market with a 7% rise.

Revenue forecasts

Revenue estimates were upgraded by less than 0.5% in the quarter, which brings the total downgrade for 2023 to 3%. Despite the downgrade across the year, consensus continues to forecast growth of 8% in CY23. However, this is slower than the expected 12% forecast in our last MediaWatch report at end Q323.

Exhibit 23: European media consensus CY23e forecast revenue changes in Q423 (€)



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

There was little movement from the larger sectors from a contribution perspective. Just two subsectors witnessed notable changes to revenue estimates in Q423: cable & satellite (+5%) and interactive home entertainment (+2%), although both account for less than 10% of total European media sales.

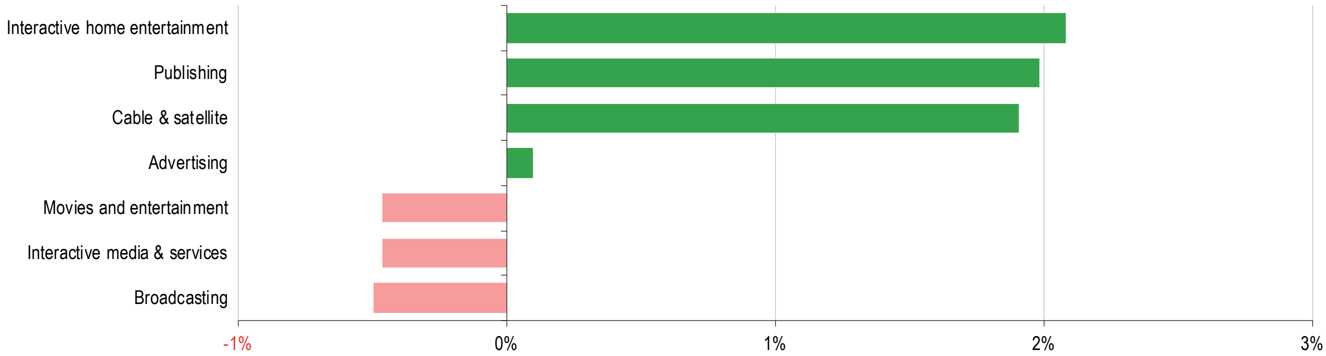
Consensus was slightly more positive on CY24 revenue estimates, with a net upgrade of 1%, although the growth rate slows to 5% from the 8% forecast for CY23.

Profit forecasts

For the first time since the first MediaWatch in January 2023, European CY23 EBITDA estimates were not downgraded. Following suit with revenue forecasts, CY23e net profits received a small upgrade of less than 0.5%.

The publishing, interactive home entertainment and cable & satellite sectors received notable upgrades of c 2%. However, these are not the largest contributors to the aggregate, with the remaining subsectors seeing insignificant movements in EBITDA forecasts.

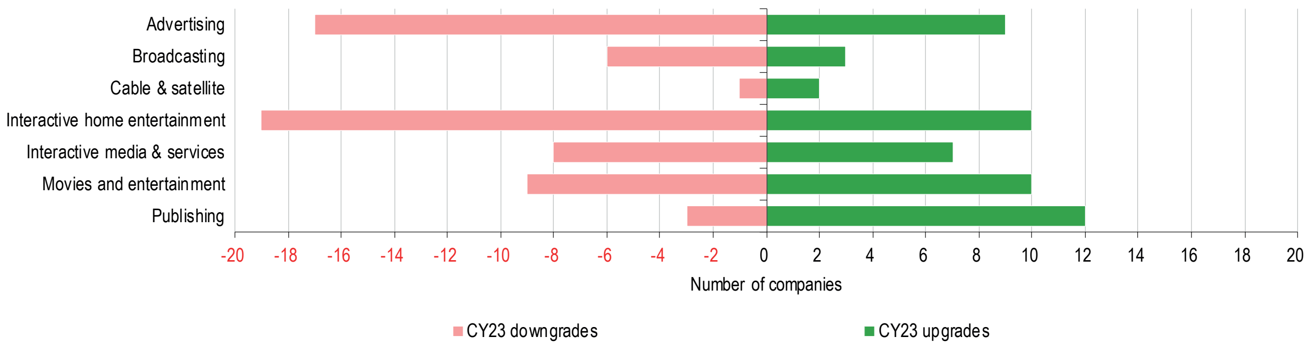
Exhibit 24: European media consensus CY23e forecast EBITDA changes in Q423 (€)



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

Looking at the underlying constituent companies, a greater number received downgrades than upgrades in Q423.

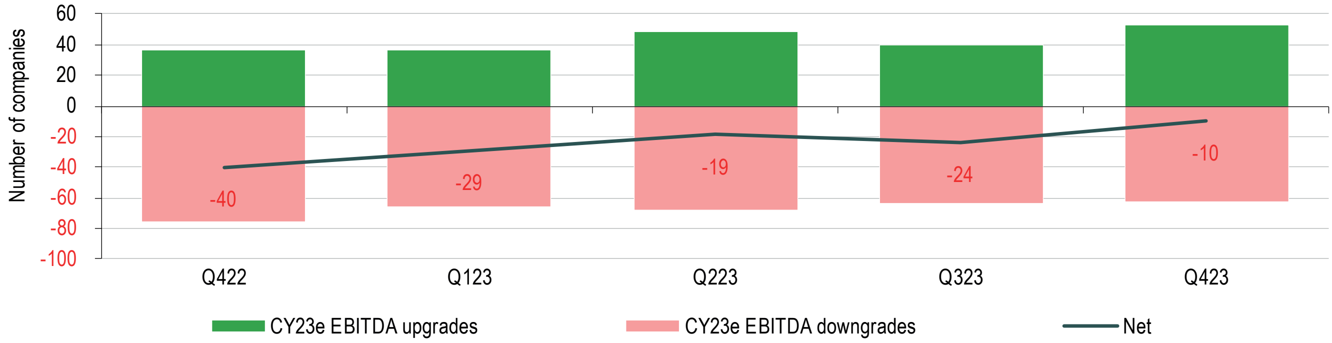
Exhibit 25: Number of companies to receive upgrades or downgrades to CY23e profit estimates in Q423



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

The final quarter showed an improvement in more companies receiving downgrades than upgrades, which was present throughout 2023 despite the slight dip in Q323.

Exhibit 26: Quarterly progression in upgrades or downgrades to CY23e profit estimates



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

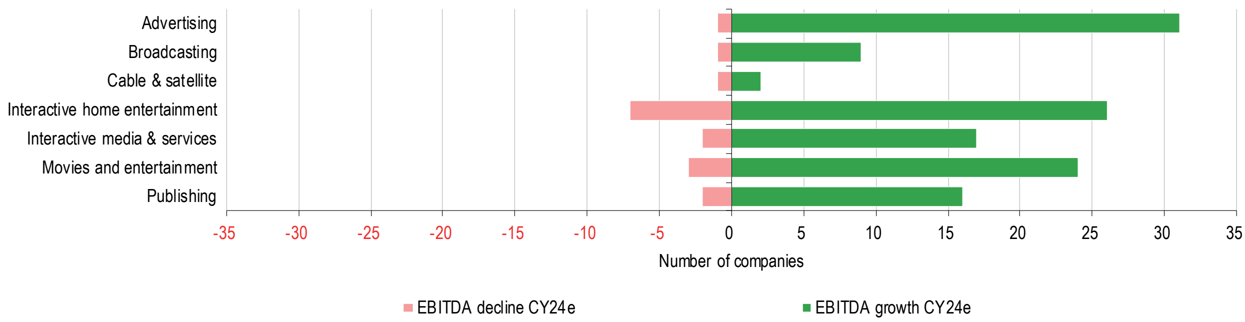
Despite the net downgrades to CY23 EBITDA estimates, consensus continues to forecast EBITDA growth of 4%. The expected growth is despite consensus anticipating lower profits for four of the seven subsectors. This is predominantly due to the expected profit growth of 44% for the movies and entertainment sector, which from an absolute level of profit improvement is the largest contributor. Turning to individual companies, more were expected to deliver profit growth or lower losses in CY23 than not at end Q423, with the net number at 35 (total companies with forecast CY23 EBITDA growth was 87).

Exhibit 27: Number of companies with higher or lower CY23e profit estimates than CY22

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

In line with the UK media sector, there was greater optimism with regard to CY24e profit growth, with only 13 out of 142 companies forecast to generate a decline in profits or higher losses. This is reflected in the acceleration in the growth rate in CY24e to 9%.

Exhibit 28: Number of companies with higher or lower CY24e profit estimates than CY23e



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

Outperformers in Q423

The robust 17% rally in the European advertising subsector in Q423 resulted in it being the best performing media subsector in the region, finishing the year up 24%. The sector's heavyweights all enjoyed strong double-digit performances in the final quarter of 2023, including Ipsos (+28%), JCDecaux (+14%), Publicis Groupe (+17%) and Stroeer SE & Co (+28%). The rally in the subsector was despite little change to CY23 revenue and profit estimates in the quarter. For the year, although revenue estimates ended 2023 with an upgrade of 2%, EBITDA was downgraded by 1%, highlighting the continuing cost pressures facing the advertising subsector. Despite this, the forecast CY23 EBITDA margin sits at about the halfway point of its long-term range.

Cable & satellite, the smallest subsector by number of constituent companies in the European media sector, received a final quarter boost from investors following a challenging year. Despite the 12% return in Q423, the subsector remains the worst performing in Europe in 2023, down 13%. The rally was accompanied by upgrades of 5% to revenue and 2% to CY23 profit estimates in Q423. At an absolute level, this was driven by upgrades to Polish telecommunications company, Cyfrowy Polsat.

Publishing also enjoyed a double-digit finish to the year, up 11%, bringing the total 2023 rise to 8%. The sector enjoyed net upgrades of 1% and 2% to revenue and EBITDA, respectively, in the quarter. Despite receiving the largest upgrade in the European media sector in 2023, profits were downgraded by 4%. The sector's largest company, Schibsted (38% of the sector's total market capitalisation), rose 21%, offsetting the 4% decline in Lagardère's market value.

Broadcasting's 8% bounce marginally outperformed the broader local market, although it was not enough to salvage what has been a disappointing 2023 for the subsector, ending the year down 9%. The increase in market value was despite very little changes to estimates. There were market-beating returns from some of the larger companies, including Metropole Télévision, MediaForEurope, RTL Group and Vivendi. Viaplay saw the largest fall in its market value, down 85% in the quarter following a profit warning and a recapitalisation.

Underperformers in Q423

Interactive home entertainment was the only media subsector in Europe to see a negative return in Q423, down 4%. The poor performance in the final quarter compounded a weak year in which it was the second worst media performer in Europe. In step with the other regions, many of those companies related to the video game industry continued to struggle in Q423 following a challenging year. However, several companies bucked the trend in the quarter, including Embracer Group (+30%) and Modern Times Group (+21%), although this only went some way in recovering a disappointing year. The subsector ended the year with downgrades of 10% and 14% to CY23 revenue and profit estimates from where they started in 2023.

The European interactive media & services subsector's 5% return slowed its progress in 2023, as it finished the year up 23% as the second-best performing subsector. Most of the companies that have had a stellar year from a market capitalisation perspective saw growth slow in Q423, including Adevinta, Better Collective, Hemnet Group and Scout24.

The European movies and entertainment subsector's 6% return was not enough to outperform the market in Q423. Market outperformance from Bolloré and Cts Eventim was not enough to offset the 5% return from the subsector's behemoth, Universal Music Group. In 2023, from a contribution perspective, the CY23e downgrades of 14% to revenue and 20% to profit for Bolloré essentially drove the entire subsector's downgrades.

Sector forecasts and valuation

The European media sector finished 2023 up 8%, ahead of the UK but below the strong rally in the North American media sector. Consensus forecasts sales growth of 8% in CY23, slowing to 5% in CY24, while for EBITDA CY23 growth was expected at 4%, before accelerating by 9% in CY24, hinting at expected margin expansion. We note that these growth rates vary from those cited in the last edition of MediaWatch. This is due to an error in the Refinitiv data for Vivid Games, a Polish mobile game developer, for which consensus estimates previously were multiplied by 1,000x, while in this most recent edition its estimates had been pulled. This has resulted in a relatively notable impact from a contribution perspective and consequently the aggregate estimated growth rate for Continental European has moderated in this edition of MediaWatch.

We have identified 80 companies that were trading at discounts to their long-term average EV/EBITDA multiples at 31 December 2023, with positive free cash flow forecast in CY24 (Exhibit 29). We show all companies that are expected to generate positive free cash flow, trading at both a discount and premium to their long-term average multiples.

In addition to this valuation screen, we look for companies whose share price has not benefited (ie whose share price fell in Q423) from upgrades to profit estimates – and we look for upgrades of more than 5% – in Q423 and 2023. In relation to Q423, companies include Artifex Mundi, CD Projekt, Enad Global 7, Huuuge, Maximum Entertainment, PunaMusta Media, Società Editoriale Il Fatto, Squirrel Media and Syzygy. With regard to 2023, these companies include CD Projekt, Cyfrowy Polsat, Enad Global 7, Karnov Group, Lagardère, Media & Games Invest, Modern Times Group, Nepa, PunaMusta Media, Sanoma, Splendid Medien, Storytel, Squirrel Media, Syzygy, TX Group and Ubisoft Entertainment.

Exhibit 29: Continental Europe valuation screen – companies with forecast positive free cash flow in CY24e

Company	Ticker	Share price 31 December 2023 (€)	Market value 31 December 2023 (€m)	Sales growth CY24e	EBITDA growth CY24e	EV/EBITDA CY24 (x)	Premium/ (discount) to long-term average EV/EBITDA	CY24e EBITDA margin relative
Kinepolis Group	KIPO	45	1,226	8%	16%	9.9	(97%)	98%
Squirrel Media	SQRL	1	135	25%	52%	4.3	(97%)	16%
Enad Global 7 (publ)	EG7	19	151	(6%)	(16%)	2.7	(93%)	53%
Tourn International (publ)	TOURN	11	10	27%	(200%)	9.4	(93%)	105%
Flexion Mobile	FLEXM	9	45	23%	63%	4.9	(91%)	102%
Kahoot	KAHOT	34	1,507	19%	48%	23.3	(89%)	104%
Roularta Media Group	RLRT	13	167	3%	9%	3.3	(87%)	73%
SG Company SB	SGCO	0	5	32%	233%	2.6	(87%)	116%
Bloober Team	BLOP	28	123	28%	101%	7.9	(85%)	87%
Modern Times Group MTG	MTGb	86	972	14%	3%	4.9	(85%)	81%
Casta Diva Group	CDGI	1	26	9%	29%	2.6	(82%)	105%
11 Bit Studios	11B	541	303	441%	2255%	4.8	(81%)	78%
Nvp	NVPP	3	21	19%	23%	3.1	(80%)	82%
Digital Bros	DIB	11	154	21%	48%	3.1	(79%)	112%
Meglioquesto	1CALL	0	23	36%	46%	3.0	(79%)	71%
Embracer Group	EMBRACb	27	3,134	8%	11%	4.1	(76%)	35%
MGI Media & Games Invest	M8G	12	168	7%	9%	0.6	(76%)	99%
Azerion Group	AZRN	2	233	16%	19%	4.9	(76%)	43%
Storytel (publ)	STORYb	40	279	13%	32%	8.0	(75%)	100%
Obiz	ALBIZ	7	39	47%	68%	11.4	(75%)	119%
Television Francaise 1	TFFP	7	1,508	2%	1%	1.9	(72%)	72%
Making Science Group	MAKS	10	84	15%	70%	9.2	(72%)	70%
Cts Eventim AG & Co	EVDG	63	6,022	4%	4%	10.5	(72%)	86%
Believe	BLV	11	1,020	22%	41%	12.4	(70%)	139%
Pantaflix	PALG	2	41	(2%)	(12%)	2.8	(69%)	95%
New Work	NWOn	79	444	2%	(2%)	4.5	(69%)	58%
North Media	NORTHM	65	175	(3%)	8%	2.3	(68%)	74%
G5 Entertainment (publ)	G5EN	156	118	(1%)	1%	3.7	(67%)	28%
Syzygy	SYZG	3	44	9%	45%	3.0	(66%)	63%
Playway	PLWP	320	489	19%	31%	7.2	(62%)	86%
Remedy Entertainment	REMEDY	25	343	105%	(191%)	19.5	(62%)	86%
Awardit (publ)	AWRD	93	73	19%	40%	4.7	(61%)	6%
Ten Square Games	TENP	96	164	3%	12%	5.9	(56%)	16%
Stillfront Group (publ)	SFRG	12	567	5%	7%	4.0	(55%)	39%
NRJ Group	SONO	7	573	2%	12%	3.6	(54%)	74%
Atresmedia Corporacion de Medios de Comunicacion	A3M	4	813	1%	0%	5.0	(53%)	34%
Artifex Mundi	ARTP	17	47	22%	35%	4.9	(53%)	96%
Società Editoriale Il Fatto	SEIFT	0	7	13%	100%	2.0	(53%)	47%
Bollore	BOLL	6	16,689	2%	3%	6.8	(48%)	101%
Fenix Entertainment	FNX	0	1	(2%)	3%	1.9	(48%)	17%
Mondo TV	MTV	0	18	9%	12%	5.4	(48%)	92%
Triboo	TB	1	22	10%	25%	3.4	(48%)	39%
Bilendi	ALBLD	16	71	8%	26%	5.9	(47%)	79%
Adevinta	ADEA	112	11,643	12%	18%	17.5	(46%)	122%
Leone Film Group	LFG	2	26	16%	15%	1.8	(46%)	41%

Cont.

Exhibit 29: Continental Europe valuation screen – companies with forecast positive free cash flow in CY24 cont.

Company	Ticker	Share price 31 December 2023 (€)	Market value 31 December 2023 (€m)	Sales growth CY24e	EBITDA growth CY24e	EV/EBITDA CY24 (x)	Premium/ (discount) to long-term average EV/EBITDA	CY24e EBITDA margin relative
Iervolino & Lady Bacardi Entertainment	IE	1	21	1%	0%	0.4	(44%)	(1%)
Creepy Jar	CRJ	598	97	45%	45%	10.5	(43%)	1%
High Co	HIGH	4	77	(1%)	(2%)	2.1	(43%)	62%
Promotora de Informaciones	PRS	0	293	2%	16%	5.8	(42%)	55%
Llorente & Cuenca	LLYC	8	97	13%	11%	5.4	(41%)	28%
Scout24	G24n	64	4,812	12%	13%	14.5	(40%)	104%
MCH Group	MCHN	4	139	12%	87%	4.7	(40%)	64%
Notorious Pictures	NPI	1	28	37%	28%	2.4	(40%)	35%
CD Projekt	CDR	115	2,658	(32%)	(45%)	30.7	(39%)	89%
Bastei Luebbe	BST1	6	78	5%	8%	5.1	(38%)	48%
Huuuge	HUGP	27	416	(4%)	(11%)	3.7	(37%)	88%
RTL Group	AUDK	35	5,421	4%	13%	5.3	(35%)	50%
ISPD Network	ALISP	3	49	11%	46%	6.0	(35%)	33%
Karnov Group (publ)	KARNO	56	539	4%	12%	14.2	(34%)	18%
Paradox Interactive (publ)	PDXI	225	2,143	13%	24%	11.9	(32%)	101%
Ilkka Oyj	ILKKA2	3	82	2%	0%	14.4	(32%)	6%
Arnoldo Mondadori Editore	MOED	2	562	3%	(1%)	5.4	(30%)	95%
Vivendi	VIV	10	9,986	3%	6%	9.5	(29%)	10%
Ubisoft Entertainment	UBIP	23	2,951	10%	14%	3.8	(29%)	107%
Prosiebensat 1 Media	PSMGn	6	1,292	3%	5%	5.3	(29%)	2%
Sanoma	SANOMA	7	1,137	(1%)	25%	5.2	(26%)	78%
Metropole Télévision	MMTP	13	1,639	1%	(5%)	4.2	(26%)	49%
ATM Grupa	ATGP	4	69	7%	4%	5.6	(25%)	27%
SES	SESFd	6	2,662	(4%)	(5%)	6.2	(25%)	(1%)
Ipsos	ISOS	57	2,457	4%	7%	6.5	(24%)	101%
Eutelsat Communications	ETL	4	2,024	9%	2%	5.5	(24%)	(6%)
Better Collective	BETCO	257	1,278	26%	35%	10.5	(20%)	33%
Reworld Media	ALREW	4	202	3%	16%	4.5	(20%)	64%
Italian Exhibition Group	IEG	3	95	3%	5%	3.7	(19%)	99%
Stroeer SE & Co	SAXG	54	3,000	8%	12%	7.4	(16%)	74%
PunaMusta Media	PUMU	3	36	1%	0%	8.7	(16%)	8%
TX Group	TXGN	121	1,374	2%	17%	5.8	(15%)	92%
Universal Music Group	UMG	26	47,115	9%	12%	18.6	(13%)	137%
Hemnet Group (publ)	HEM	241	2,027	28%	31%	35.3	(10%)	115%
APG SGA	APGN	183	589	2%	11%	11.2	(5%)	39%
Lagardère	LAGA	18	2,599	4%	9%	8.7	5%	32%
MFE-MEDIAFOREUROPE	MFEB	3	1,557	0%	27%	4.2	6%	12%
Alma Media	ALMAC	10	791	2%	1%	10.2	15%	99%
Publicis Groupe	PUBP	84	21,362	5%	5%	7.9	18%	100%
IMS	IMS	5	38	14%	13%	8.1	22%	81%
FL Entertainment	FLE	8	3,584	11%	9%	8.1	22%	96%
JCDecaux	JCDX	18	3,888	8%	16%	11.2	27%	7%
Schibsted	SCHA	293	5,823	6%	21%	23.8	46%	46%

Source: Edison Investment Research, Refinitiv (31 December 2023). Note: Sorted by discount to long-term average EV/EBITDA multiple.

NORTH AMERICA

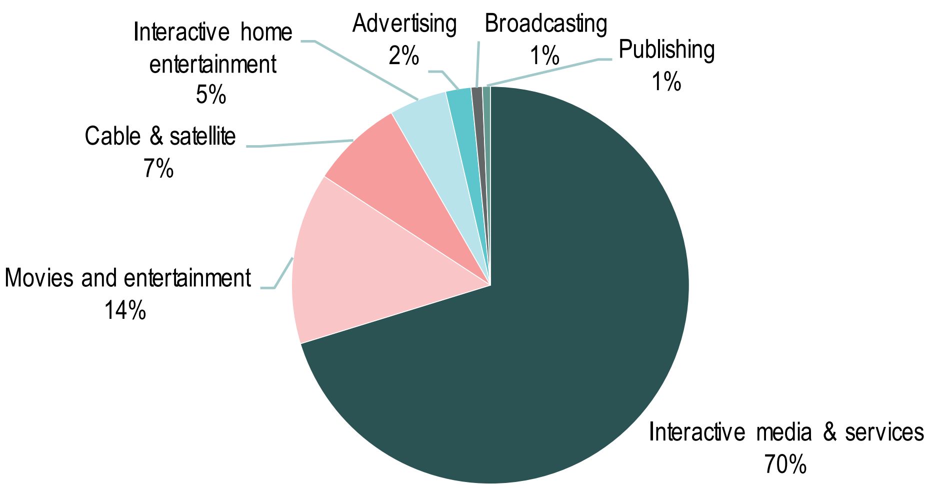
The North American market delivered the strongest return of the three regions, up 11% in Q423. Consequently, although the North American media sector saw the strongest percentage increase in Q423, it underperformed its local index. Just two subsectors outperformed the wider market, with the important interactive media & services subsector seeing a sub-par 10% rise.

As with the other regions, CY23 revenue estimates were unchanged in the quarter. The media sector received a 1% upgrade to profits, driven by the interactive media & services subsector. Looking at CY23e sales, consensus estimates imply growth of 6% before accelerating to 8% in CY24e. Consensus is more bullish regarding EBITDA, anticipating growth of 18% in CY23e before slowing to 13% in CY24e.

We highlight 82 companies in Exhibit 38 that are forecast to deliver positive free cash flow in CY24e and that were trading at a discount to their long-term average EV/EBITDA multiple at 31 December 2023.

The North American media sector is heavily weighted towards interactive media & services, as it makes up 70% because it includes two global heavyweights: Alphabet and Meta Platforms. Although other subsectors make up modest proportions of the market, the North American media sector is predominantly driven by this subsector.

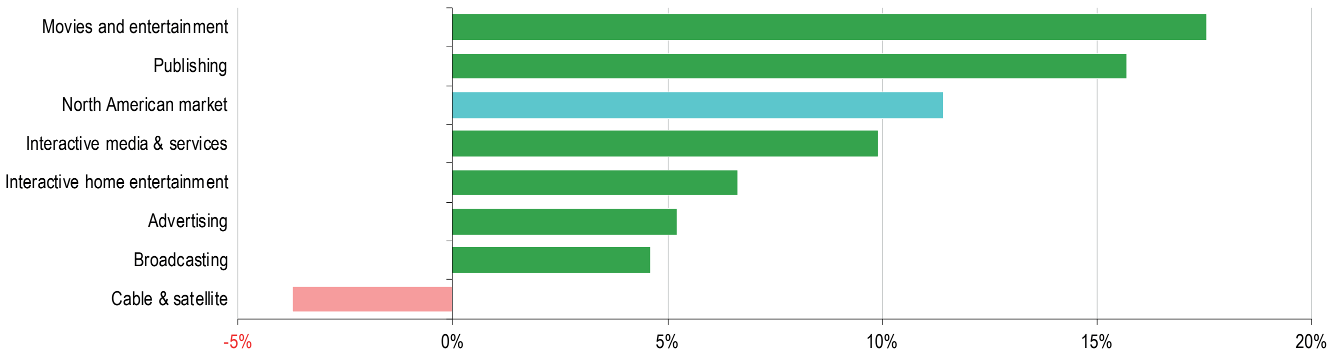
Exhibit 30: North American GICS subsector breakdown by market value



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

The North American market delivered the best performance of all the regions in both Q423 and 2023, increasing 11% and 24%, respectively.

Exhibit 31: North American media market value changes in Q423 ($)



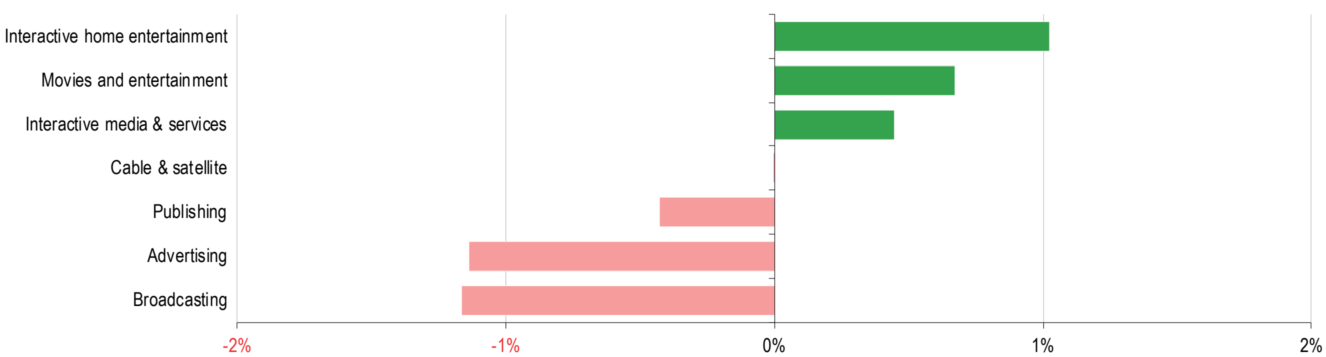
Source: Edison Investment Research, Refinitiv (31 December 2023)

The North American media sector underperformed the wider market in Q423 with a market uplift of 9%, having outperformed in the previous two quarters. That said, it generated the strongest uplift in its market value of the regions. The sector ended 2023 55% ahead of where it started, highlighting how far the sector had been sold off towards the end of 2022. Given the strong rally in the wider local index, just two subsectors outperformed in Q423, although just one saw a fall in its market value.

Revenue forecasts

There was little change to North American CY23 revenue estimates in Q423, with a change to the aggregate of less than 0.5%. This was predominantly due to the minimal change to revenue forecasts in the heavily weighted interactive media & services subsector. The 1% upgrade to interactive media & services CY23 revenue estimates across 2023 was not enough to offset downgrades to five of the remaining subsectors. Consequently, CY23 sales forecasts remained broadly flat in 2023. As such, consensus continues to forecast growth of 6% in CY23e, accelerating by 8% in CY24e.

Exhibit 32: North American media consensus CY23e revenue changes in Q423 ($)

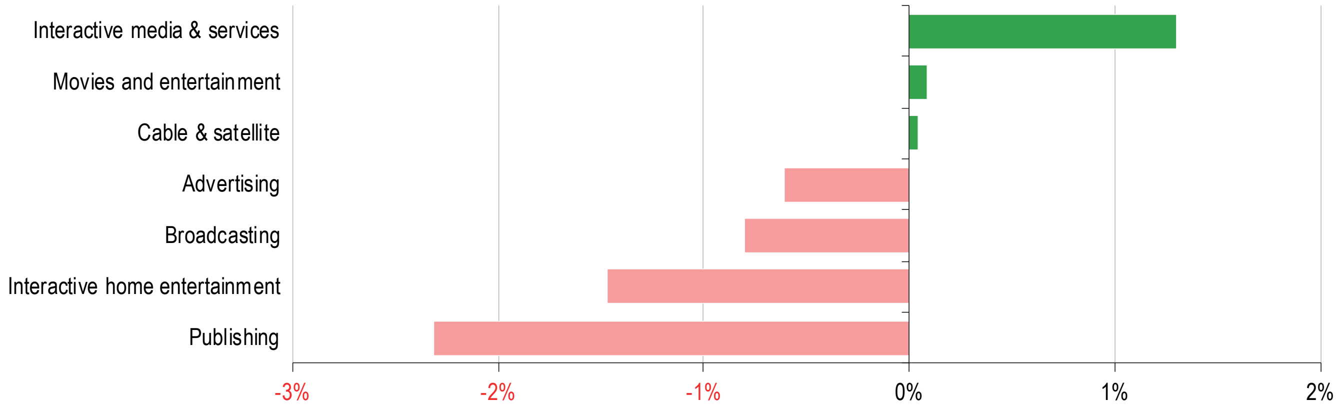


Source: Edison Investment Research, Refinitiv (31 December 2023)

Profit forecasts

CY23e EBITDA estimates enjoyed another upgrade of 1% in Q423, taking the total upgrade for the year to 8%. This was again driven by the 1% upgrade to the interactive media & services subsector, which received the largest upgrade in the region. Four subsectors witnessed downgrades in the quarter.

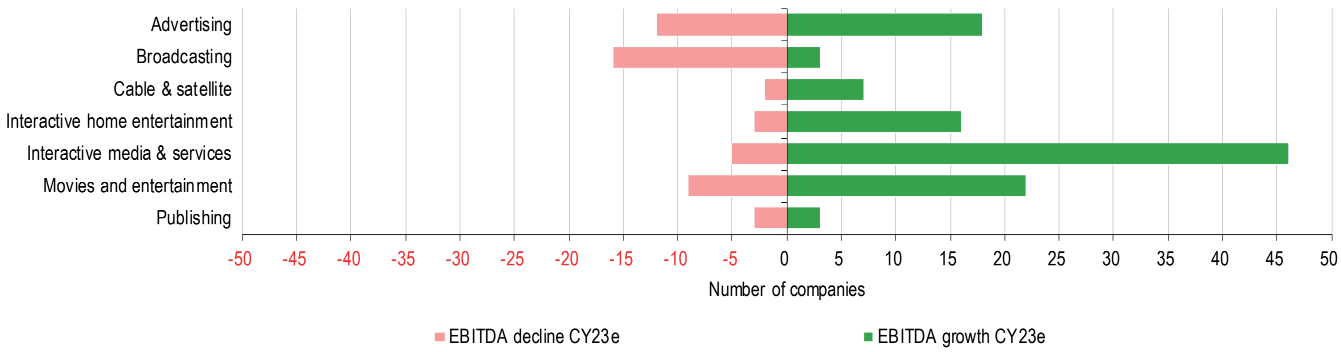
Exhibit 33: North American media consensus CY23e profit estimate changes in Q423 ($)



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

Two subsectors, movies and entertainment and interactive media & services, received more upgrades to the underlying companies than downgrades. Despite this there continued to be a greater number of downgrades than upgrades in the North American media sector, predominantly due to the broadcasting subsector and publishing, in which no companies received a profit upgrade.

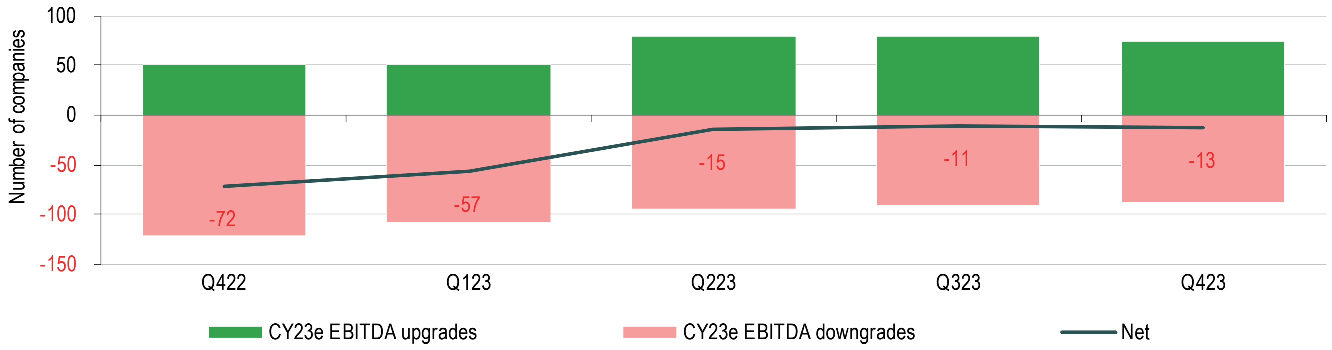
Exhibit 34: Number of companies to receive upgrades or downgrades to CY23e profit estimates in Q423



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

Contrasting to the UK and European media sectors, the relative number of companies receiving upgrades versus downgrades in Q423 slightly deteriorated, from 11 in Q323 to 13 in Q423.

Exhibit 35: Quarterly progression in upgrades or downgrades to CY23e profit estimates



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

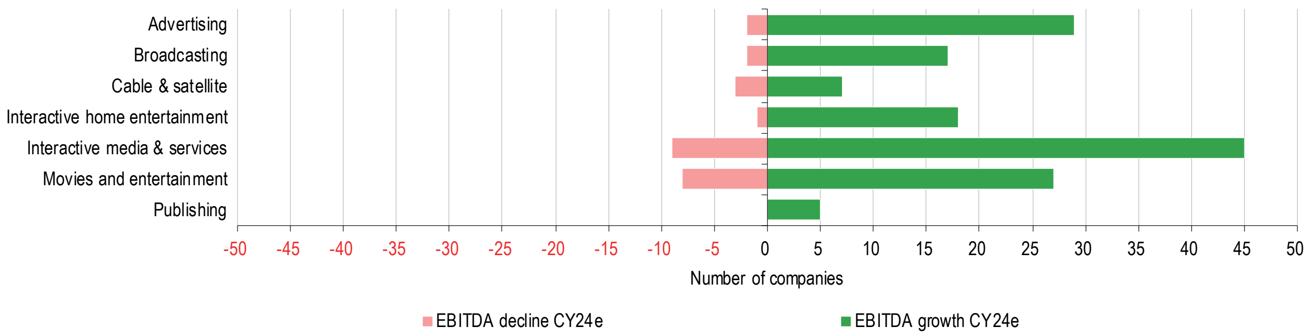
Consensus continues to forecast 18% growth in CY23e EBITDA for the North American media sector. Beyond the total, 70% of companies that had consensus estimates for CY23 were expected to deliver profit growth or lower losses in CY23. As in Q323, broadcasting was the only subsector at Q423-end in which consensus was anticipating more companies to report lower profits or a worsening of losses than growth.

Exhibit 36: Number of companies with higher/lower CY23e profit estimates than CY22

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

Turning to CY24e, consensus continues to forecast strong double-digit profit growth for the North American media sector, although at a slower rate of 13%. As in the UK and Europe, the market is more bullish on CY24e, with 86% of companies expected to deliver year-on-year growth.

Exhibit 37: Number of companies with higher/lower CY24e profit estimates than CY23e



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

Outperformers

The robust 18% return to the movies and entertainment subsector in Q423 resulted in it taking the spot as the best-performing subsector in North America in the quarter. The boost in the final quarter also meant it was the second-best performing subsector in 2023. These results were both despite minimal changes to consensus estimates across Q423 and 2023. The two sector heavyweights, Netflix and Walt Disney, enjoyed market-beating quarters. Netflix in particular enjoyed a 67% increase in its market value in 2023 despite putting through price increases, increased competition from other streaming providers and the Hollywood strikes slowing the flow of new television and film content. Several companies related to the music industry experienced robust double-digit growth in Q423, including Live Nation Entertainment, Spotify Technology, Tencent Music Entertainment and Warner Music Group. The subsector's CY23e EBITDA margin is expected to be at the bottom end of its long-term range at 17.4%.

North American publishing was the only other subsector to outperform the regional index, with a return of 16%. Q423 concluded what has been a strong 2023, as it ended with an increase of 29% to its market capitalisation. Despite the strong market return, the subsector witnessed the second largest downgrades to both CY23e sales and profits in 2023. Given that the subsector has a relatively small number of companies, the market performance is driven by three companies: News Corp, New York Times and John Wiley & Sons. Both News Corp and New York Times enjoyed strong quarters, offsetting the 15% decline to John Wiley & Sons. The forecasted CY23e EBITDA margin of 14.2% sits at just over the midpoint of the subsector's long-term margin range.

Underperformers

Cable & satellite was the only North American media subsector to generate a negative return in Q423. Another relatively small subsector by the number of constituent companies, the aggregate was driven by the 4% decline to the largest company, Comcast. Other relatively large companies saw double-digit declines in Q423, including Cable One, Charter Communications and Liberty Broadband. Consensus is anticipating the CY23e EBITDA margin to come in at the low end of the long-term range at 32.6%.

Despite the positive 5% return of broadcasting in Q423, it remained the only North American subsector to see a fall in the absolute level of its market capitalisation in 2023, down 18%. This was coupled with the largest downgrade to profits in 2023 of 13%. In the quarter, a better performance from Paramount Global was offset by a decline in Fox Corp's market value. Good performances were hard to come by across the subsector in 2023, with plenty of double-digit declines.

Advertising also delivered a 5% return in Q423, although it fared better across 2023, as it rose 25%, finishing the year ahead of the North American index. Both CY23 sales and EBITDA estimates received downgrades of 1% in the quarter, which for the year means sales estimates were broadly flat and profits were downgraded by 2%. Strong quarters from the two large global advertising agencies, Interpublic and Omnicom, were offset by an 8% decline from the subsector's largest company, Trade Desk. The forecasted CY23 EBITDA margin of 17.6% will be equal to the subsector's highest long-term margin.

The performance of the interactive home entertainment subsector is effectively determined by five companies: Electronic Arts, NetEase, Roblox, Sea and Take-Two Interactive Software. It was a tale of two stories among these, as the double-digit increases for Electronic Arts, Roblox and Take-Two Interactive Software were offset by the declines to NetEase and Sea. Across 2023, interactive home entertainment received the largest downgrade to CY23 sales estimates but the second largest upgrade to profit estimates in the same period. The expected CY23 EBITDA margin of 18.3% is about the midpoint the long-term range.

Interactive media & services, the largest media subsector in North America by a considerable margin, generated a modest absolute return of 10% although it lagged the wider market. The subsector has been the best performer in North America by a distance in 2023, up 76% versus the wider market's return of 24%. The performance was driven by the two sector giants, Alphabet and Meta Platforms. Alphabet saw a modest uptick in its market value of 6%, bringing the 2023 increase to 53%. In contrast, Meta Platforms' growth in Q423 accelerated to 18%, taking the total 2023 rise to a meteoric 188%, reflecting the extent to which the shares plummeted towards the end of 2022. In 2023 Meta received upgrades of 10% to CY23e sales and 49% to EBITDA, reflecting the company's efforts to cut costs and focus on profitability. Two other ordinarily large companies that are dwarfed by Alphabet and Meta, Pinterest (+38%) and Snap (+93%), witnessed large growth in their market values in Q423. The strongest market performance in 2023 was coupled with the greatest upgrade to CY23e EBITDA estimates. The subsector's forecasted EBITDA CY23 margin of 41.1% would be the highest margin achieved over the long term.

Sector forecasts and valuations

Consensus continues to forecast modest growth of 6% in CY23 for the North American media sector, accelerating further to 8% in CY24. Three subsectors are expected to deliver revenue growth in CY23: movies and entertainment (+12%), interactive media & services (+9%) and interactive home entertainment (+3%). Profits in CY23 are expected to grow by 18% and by 13% in CY24. Four of the subsectors are expected to generate EBITDA growth in CY23, with profits for the interactive home entertainment subsector estimated to grow at 117%.

In Exhibit 38 we highlight 82 companies that are trading at discounts to their long-term average EV/EBITDA multiples and that are forecast to generate free cash flow in CY24. As with tinyBuild in the UK, there are two companies in the screen with negative EV/EBITDA multiples – Trivago and JOYY. These negative multiples are derived from the negative enterprise value rather than a negative EBITDA, as those have been removed from the screen. Consequently, both companies come out as trading at a discount of greater than 100% as the long-term EV/EBITDA multiple excludes loss-making years, and hence a negative multiple is being divided by a positive multiple.

Companies that did not see a market value rise despite an upgrade of 5% or more to CY23 EBITDA estimates in Q423 included: BuzzFeed, Imax, Marcus, National CineMedia, NetEase, VerticalScope and Yalla Group. With the same criteria but relating to 2024, the companies include Beasley Broadcast Group, Bumble, BuzzFeed, Criteo, Cumulus Media, East Side Games Group, Hello Group, Kanzhun, PropertyGuru Group, Sinclair, System1, VerticalScope, Vivid Seats and Ziprecruiter.

Exhibit 38: North American valuation screen – companies with forecast positive free cash flow in CY24e

Company	Ticker	Share price 31 December 2023 ($)	Market value 31 December 2023 ($m)	Sales growth CY24e	EBITDA growth CY24e	EV/EBITDA CY24 (x)	Premium/ (discount) to long-term average EV/EBITDA	CY24e EBITDA margin relative
Trivago	TRVG	2	169	4%	(93%)	(36.3)	(293%)	46%
JOYY	YY	40	2,414	2%	(26%)	(2.5)	(121%)	86%
Kanzhun	BZ	17	7,309	27%	44%	14.9	(99%)	108%
Ziprecruiter	ZIP	14	1,374	(8%)	(10%)	9.5	(99%)	97%
Yalla Group	YALA	6	806	7%	(2%)	2.2	(98%)	91%
Bumble	BMBL	15	2,016	13%	16%	6.9	(95%)	103%
Yelp	YELP	47	3,242	9%	10%	7.9	(94%)	100%
Spotify Technology	SPOT	188	36,669	17%	(409%)	58.3	(93%)	118%
Hello Group	MOMO	7	1,310	(1%)	(2%)	2.0	(93%)	89%
Autohome	ATHM	28	3,514	4%	1%	1.5	(93%)	8%
PopReach	INIK	0	43	22%	53%	4.3	(92%)	50%
AdTheorent Holding Company	ADTH	1	128	10%	17%	2.4	(92%)	104%
Angi	ANGI	2	1,263	(2%)	22%	10.9	(92%)	92%
Mediaalpha	MAX	11	726	24%	40%	25.4	(89%)	61%
IAC	IAC	52	4,497	(0%)	37%	12.3	(89%)	81%
Stagwell	STGW	7	1,805	9%	16%	6.9	(87%)	107%
Electronic Arts	EA	137	36,797	5%	13%	13.0	(87%)	106%
Zoominfo Technologies	ZI	18	7,207	3%	4%	14.7	(84%)	101%
CarGurus	CARG	24	2,712	9%	9%	11.2	(83%)	96%
Roku	ROKU	92	13,061	11%	(375%)	121.8	(82%)	68%
Baidu	BIDU	119	41,634	9%	6%	5.1	(81%)	10%
VerticalScope Holdings	FORA	5	75	8%	15%	5.2	(77%)	114%
Pinterest	PINS	37	24,978	17%	33%	25.4	(76%)	102%
Live Nation Entertainment	LYV	94	21,558	8%	11%	10.8	(74%)	100%
Magnite	MGNI	9	1,288	8%	11%	8.6	(74%)	101%
Shutterstock	SSTK	48	1,724	6%	4%	6.7	(70%)	97%
Match Group	MTCH	37	9,921	8%	8%	10.0	(70%)	101%
Integral Ad Science Holding Corp	IAS	14	2,278	16%	17%	12.7	(68%)	102%
Criteo	CRTO	25	1,429	5%	7%	4.1	(68%)	102%
Endeavor Group Holdings	EDR	24	11,099	28%	48%	8.1	(67%)	124%
Tripadvisor	TRIP	22	2,982	10%	22%	7.3	(67%)	63%
Playstudios	MYPS	3	363	4%	8%	3.6	(66%)	101%
Imax Corp	IMAX	15	820	0%	(6%)	7.7	(66%)	95%
WildBrain	WILD	1	170	(0%)	5%	7.7	(65%)	82%
Chicken Soup for The Soul Entertainment	CSSE	0	7	13%	42%	5.4	(64%)	41%
Quinstreet	QNST	13	700	12%	71%	18.7	(62%)	39%
Madison Square Garden Sports Corp	MSGS	182	4,352	2%	(2%)	48.9	(61%)	95%
E W Scripps	SSP	8	676	11%	53%	5.8	(60%)	95%
Gambling.com Group	GAMB	10	366	17%	19%	7.9	(58%)	88%
PubMatic	PUBM	16	828	10%	17%	7.8	(57%)	22%
Trade Desk	TTD	72	35,282	20%	19%	37.4	(55%)	98%
Emerald Holding	EEX	6	376	12%	30%	4.6	(55%)	12%
Cinemark Holdings	CNK	14	1,714	(1%)	(11%)	6.5	(52%)	93%
Warner Music Group Corp	WMG	36	18,467	7%	10%	15.0	(51%)	105%
Taboola.com	TBLA	4	1,291	33%	156%	6.1	(48%)	240%

Cont.

Exhibit 38: North American valuation screen – companies with forecast positive free cash flow in CY24e cont.

Company	Ticker	Share price 31 December 2023 ($)	Market value 31 December 2023 ($m)	Sales growth CY24e	EBITDA growth CY24e	EV/EBITDA CY24 (x)	Premium/ (discount) to long-term average EV/EBITDA	CY24e EBITDA margin relative
Playtika Holding Corp	PLTK	9	3,202	3%	3%	5.6	(48%)	98%
Vivid Seats	SEAT	6	1,340	18%	25%	7.7	(47%)	100%
Tencent Music Entertainment Group	TME	9	15,462	1%	9%	13.6	(47%)	116%
Cumulus Media	CMLS	5	88	6%	37%	5.6	(46%)	19%
TechTarget	TTGT	35	989	1%	2%	15.4	(46%)	100%
Meta Platforms	META	354	909,629	13%	15%	10.4	(46%)	94%
Cable One	CABO	557	3,126	(1%)	(1%)	7.2	(42%)	102%
iHeartMedia	IHRT	3	386	7%	30%	6.0	(41%)	39%
Gannett Co	GCI	2	342	(2%)	3%	4.5	(40%)	82%
Gray Television	GTN	9	852	21%	77%	5.0	(39%)	51%
Tegna	TGNA	15	3,014	14%	44%	5.1	(37%)	47%
Stingray Group	RAYa	6	233	4%	7%	5.8	(36%)	75%
Ziff Davis	ZD	67	3,090	4%	5%	6.7	(36%)	26%
Cineplex	CGX	8	401	(9%)	(4%)	6.7	(31%)	101%
Charter Communications	CHTR	389	57,494	2%	4%	6.8	(30%)	113%
Nexstar Media Group	NXST	157	5,319	14%	52%	5.5	(29%)	63%
TVA Group	TVAb	1	40	(8%)	449%	3.8	(29%)	37%
AMC Networks	AMCX	19	818	(3%)	3%	4.1	(29%)	6%
Alphabet	GOOGL	140	1,755,459	11%	16%	11.7	(24%)	99%
Liberty Media Corp	FWONA	58	27,455	12%	23%	36.4	(23%)	77%
Sinclair	SBGI	13	828	14%	57%	5.0	(22%)	19%
Sirius XM Holdings	SIRI	5	20,999	3%	1%	10.8	(21%)	97%
Lions Gate Entertainment Corp	LGFa	11	2,454	4%	16%	11.7	(21%)	34%
Yellow Pages	Y	11	159	(10%)	13%	2.2	(20%)	55%
John Wiley & Sons	WLY	32	1,745	(8%)	3%	7.3	(20%)	40%
Walt Disney	DIS	90	165,259	4%	16%	10.8	(20%)	36%
Fox Corp	FOXA	30	13,849	1%	(1%)	6.0	(20%)	(3%)
NetEase	NTES	93	60,084	11%	13%	9.4	(18%)	19%
Townsquare Media	TSQ	11	174	3%	7%	5.9	(17%)	82%
Corus Entertainment	CJRb	1	105	(3%)	(1%)	3.6	(14%)	1%
TKO Group Holdings	TKO	82	14,112	6%	9%	13.8	(12%)	104%
Cars.com	CARS	19	1,256	7%	9%	7.9	(12%)	32%
Altice USA	ATUS	3	1,478	(2%)	(1%)	7.4	(10%)	22%
Comcast Corp	CMCSA	44	176,500	2%	3%	7.0	(8%)	19%
Cogeco Communications	CCA	59	1,996	1%	2%	5.2	(6%)	94%
Advantage Solutions	ADV	4	1,182	2%	1%	7.0	(5%)	(1%)
Salem Media Group	SALM	0	11	7%	125%	8.4	(0%)	18%
Omnicom Group	OMC	87	17,123	4%	4%	7.9	1%	88%
Interpublic Group of Companies	IPG	33	12,501	2%	4%	7.7	2%	102%
Paramount Global	PARA	15	9,833	5%	18%	8.5	3%	6%
Perion Network	PERI	31	1,452	19%	9%	5.0	5%	22%
mdf Commerce	MDF	4	138	3%	38%	13.6	6%	29%
Manchester United	MANU	20	3,359	9%	18%	17.8	8%	50%
National CineMedia	NCMI	4	401	(3%)	(9%)	10.1	10%	57%
Getty Images Holdings	GETY	5	2,116	1%	5%	11.1	11%	145%

Cont.

Exhibit 38: North American valuation screen – companies with forecast positive free cash flow in CY24e cont.

Company	Ticker	Share price 31 December 2023 ($)	Market value 31 December 2023 ($m)	Sales growth CY24e	EBITDA growth CY24e	EV/EBITDA CY24 (x)	Premium/ (discount) to long-term average EV/EBITDA	CY24e EBITDA margin relative
iQIYI	IQ	5	4,669	7%	23%	10.3	12%	4%
News Corp	NWSA	25	14,268	2%	12%	9.5	14%	110%
Audacy	AUDA	0	1	1%	85%	13.8	23%	19%
Atlanta Braves Holdings	BATRA	43	2,482	6%	(0%)	42.9	28%	(6%)
Take-Two Interactive Software	TTWO	161	27,372	35%	77%	18.9	33%	84%
Warner Bros Discovery	WBD	11	27,751	1%	1%	6.6	39%	44%
New York Times	NYT	49	8,054	6%	11%	18.0	62%	81%
Thunderbird Entertainment Group	TBRD	2	88	6%	4%	9.7	64%	(2%)
Thryv Holdings	THRY	20	716	(8%)	(6%)	6.1	95%	14%
Netflix	NFLX	487	213,097	14%	27%	23.4	156%	6%
Direct Digital Holdings	DRCT	15	212	32%	38%	11.2	195%	12%

Source: Edison Investment Research, Refinitiv (31 December 2023). Note: Sorted by discount to long-term average EV/EBITDA multiple.

General disclaimer and copyright

Australia

New Zealand

United Kingdom

United States

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom