NEW ZEALAND EQUITY RESEARCH | MEDIA | PUBLISHING, RADIO & ONLINE
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NZME Limited
Navigating Media's Digital Wave

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NZME Limited (NZM) is an integrated media company with operations across three divisions: Audio, Publishing, and OneRoof. The group's two trophy assets are The NZ Herald, anchoring its Publishing division as NZ's leading masthead, and its Newstalk ZB radio station as part of its Audio assets. OneRoof, NZM's real estate arm, offers comprehensive property insights, services, and classified advertising. The digital transition across these platforms continues. NZM is navigating the challenges well, relative to peers, albeit with more required to compete against global competitors. Management's focus on cost efficiencies and maintaining a conservative balance sheet have offset some revenue pressures arising from economic weakness, consumer changes, and inflationary impacts. This puts NZM in an strong position, relative to domestic peers struggling with both financial and operational leverage. While this year has seen ongoing economic softness, business/ consumer confidence should recover post-election and assist 2H23 advertising revenues, with the company saying it is seeing the first green shoots of recovery. Our EBITDA forecast for FY23 (NZ$57.2m) is at the lower end of management's updated guidance range of NZ$57m to NZ$59m. Our blended spot valuation is NZ$1.25.

NZX Code	NZM
Share price	NZ$0.90
Spot Valuation	NZ$1.25
Risk rating	Medium
Issued shares	183.9m
Market cap	NZ$166m
Avg daily turnover	59.8k (NZ$62k)

Financials: Dec/	22A	23E	24E	25E
Rev (NZ$m)	365.9	349.7	359.5	363.5
NPAT* (NZ$m)	22.9	17.3	19.6	20.6
EPS* (NZc)	11.7	9.4	10.6	11.2
DPS (NZc)	9.0	9.0	9.0	9.0
Imputation (%)	100	100	100	100

*Based on normalised profits

Valuation (x)	22A	23E	24E	25E
PE	7.7	9.6	8.5	8.0
EV/EBIT	7.0	8.7	7.8	7.7
EV/EBITDA	4.0	4.7	4.3	4.2
Price / NTA	n/a	n/a	n/a	n/a
Cash div yld (%)	10.0	10.0	10.0	10.0
Gross div yld (%)	13.9	13.9	13.9	13.9

The digital transformation continues—with still more to do

NZM's ongoing digital transition has stabilised revenues via: 1) growing digital subscriptions, 2) Oneroof/radio market share gains, and 3) yield management, mirroring successful initiatives by international players like the New York Times (NYT). With an estimated 27% of FY23 revenues being digital, we view NZM's digital transition as part way through. Further platform investment will be needed to offset traditional revenue decline and compete against global technology companies already leveraging superior data and AI tools. Given that NZM now produces content almost primarily for digital mediums, the print business is more of a distribution channel. We see the print business operating beyond FY30.

Unlocking the potential of OneRoof remains the key opportunity for creating value

OneRoof's insights and lead generation make it a valuable resource for property buyers, sellers, agents and renters alike. Innovations are attracting customer visitation, with OneRoof now listing an estimated ~90% of market leader Trade Me's listings. However, OneRoof is around one-quarter the revenue base of Trade Me. We see OneRoof as the key value creation opportunity for NZM.

NZME Limited (NZM)

Market Data (NZ$)	
Priced as at 08 Nov 2023	**0.90**
52 week high / low	1.21 / 0.83
Market capitalisation (NZ$m)	165.5

Spot valuation (NZ$)	**1.25**
Peers comparable	1.18
DCF	1.32
n/a	n/a

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

Key WACC assumptions	
Risk free rate	5.25%
Equity beta	1.16
WACC	10.2%
Terminal growth	1.5%

Profit and Loss Account (NZ$m)	2021A	2022A	2023E	2024E	2025E
Revenue	365.6	365.9	349.7	359.5	363.5
Normalised EBITDA	**66.0**	**64.7**	**57.2**	**61.0**	**62.4**
Depreciation and amortisation	(26.3)	(27.4)	(26.5)	(27.4)	(28.4)
Normalised EBIT	**39.7**	**37.3**	**30.7**	**33.6**	**34.0**
Net interest	(7.3)	(5.7)	(6.5)	(6.3)	(5.2)
Associate income	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)
Tax	(7.8)	(8.6)	(6.7)	(7.6)	(8.0)
Minority interests	0	0	0	0	0
Normalised NPAT	**24.2**	**22.9**	**17.3**	**19.6**	**20.6**
Abnormals/other	10.3	(0.3)	0	0	0
Reported NPAT	**34.4**	**22.7**	**17.3**	**19.6**	**20.6**
Normalised EPS (cps)	18.5	11.7	9.4	10.6	11.2
DPS (cps)	8.0	9.0	9.0	9.0	9.0

Valuation Ratios	2021A	2022A	2023E	2024E	2025E
EV/Sales (x)	0.8	0.7	0.8	0.7	0.7
EV/EBITDA (x)	4.2	4.0	4.7	4.3	4.2
EV/EBIT (x)	7.6	7.0	8.7	7.8	7.7
PE (x)	4.9	7.7	9.6	8.5	8.0
Price/NTA (x)	64.8	n/a	n/a	n/a	n/a
Free cash flow yield (%)	22.0	9.0	11.7	11.9	12.8
Adj. free cash flow yield (%)	22.0	9.0	11.7	11.9	12.8
Net dividend yield (%)	8.9	10.0	10.0	10.0	10.0
Gross dividend yield (%)	12.3	13.9	13.9	13.9	13.9

Capital Structure	2021A	2022A	2023E	2024E	2025E
Interest cover EBIT (x)	5.1	6.6	4.7	5.3	6.5
Interest cover EBITDA (x)	9.1	11.4	8.7	9.7	12.0
Net debt/ND+E (%)	-10.6	12.6	10.7	8.4	5.0
Net debt/EBITDA (x)	n/a	0.3	0.3	0.2	0.1

Growth Rates	2021A	2022A	2023E	2024E	2025E
Revenue (%)	9.1	0.1	-4.4	2.8	1.1
EBITDA (%)	8.4	-2.0	-11.6	6.7	2.2
EBIT (%)	35.6	1.0	-17.8	9.6	1.1
Normalised NPAT (%)	35.6	-5.1	-24.7	13.3	5.4
Normalised EPS (%)	>100	-36.4	-20.0	13.3	5.4
Ordinary DPS (%)	n/a	12.5	0.0	0.0	0.0

Key Ratios	2021A	2022A	2023E	2024E	2025E
Return on assets (%)	11.8	12.1	10.1	11.6	12.5
Return on equity (%)	17.1	18.8	14.1	15.6	15.9
Return on funds employed (%)	9.0	8.7	6.6	8.1	9.3
EBITDA margin (%)	18.1	17.7	16.4	17.0	17.2
EBIT margin (%)	10.1	10.2	8.7	9.3	9.3
Capex to sales (%)	1.3	2.9	3.1	3.3	3.4
Capex to depreciation (%)	-24	-53	-57	-63	-69
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	43	77	96	85	80

Cash Flow (NZ$m)	2021A	2022A	2023E	2024E	2025E
EBITDA	**66.0**	**64.7**	**57.2**	**61.0**	**62.4**
Working capital change	8.2	(8.6)	(1.2)	(2.4)	(1.3)
Interest & tax paid	(14.5)	(18.2)	(13.3)	(13.9)	(13.2)
Other	(7.9)	(0.4)	0	0	0
Operating cash flow	**51.8**	**37.5**	**42.7**	**44.7**	**47.8**
Capital expenditure	(4.7)	(10.7)	(10.9)	(11.7)	(12.4)
(Acquisitions)/divestments	17.5	(3.6)	0	0	0
Other	(11.4)	(11.3)	(12.5)	(13.3)	(14.1)
Funding available/(required)	**53.3**	**11.9**	**19.3**	**19.7**	**21.3**
Dividends paid	(5.9)	(25.4)	(16.6)	(16.6)	(16.6)
Equity raised/(returned)	0	(17.6)	0	0	0
(Increase)/decrease in net debt	**47.4**	**(31.0)**	**2.8**	**3.1**	**4.7**

Operating Performance	2021A	2022A	2023E	2024E	2025E
Audio					
External customers revenue	106.6	113.5	112.4	119.5	120.9
Operating EBITDA	20.9	22.8	22.6	25.2	25.0
Operating EBITDA margin	20%	20%	20%	21%	21%
Publishing					
External customers revenue	211.6	216.8	213.2	212.4	211.8
Operating EBITDA	45.4	47.4	39.9	38.7	38.8
Operating EBITDA margin	21%	22%	19%	18%	18%
OneRoof					
External customers revenue	21.5	22.9	22.9	26.0	29.3
Operating EBITDA	2.1	-1.4	0.4	2.7	4.1
Operating EBITDA margin	10%	-6%	2%	10%	14%

Balance Sheet (NZ$m)	2021A	2022A	2023E	2024E	2025E
Working capital	(6.7)	1.9	3.2	5.6	6.9
Fixed assets	27.0	23.1	19.1	15.7	12.8
Intangibles	138.2	141.5	141.3	140.6	139.0
Right of use asset	67.5	63.7	53.8	44.0	34.2
Other assets	19.1	17.9	17.9	17.9	17.9
Total funds employed	**245.1**	**248.1**	**235.3**	**223.8**	**210.9**
Net debt/(cash)	(13.5)	17.5	14.7	11.6	6.9
Lease liability	96.8	91.2	80.3	68.7	56.3
Other liabilities	16.0	13.3	13.3	13.3	13.3
Shareholder's funds	145.9	127.0	127.8	131.0	135.2
Minority interests	(0.1)	(0.8)	(0.8)	(0.8)	(0.8)
Total funding sources	**245.1**	**248.1**	**235.3**	**223.8**	**210.9**

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

Executive summary

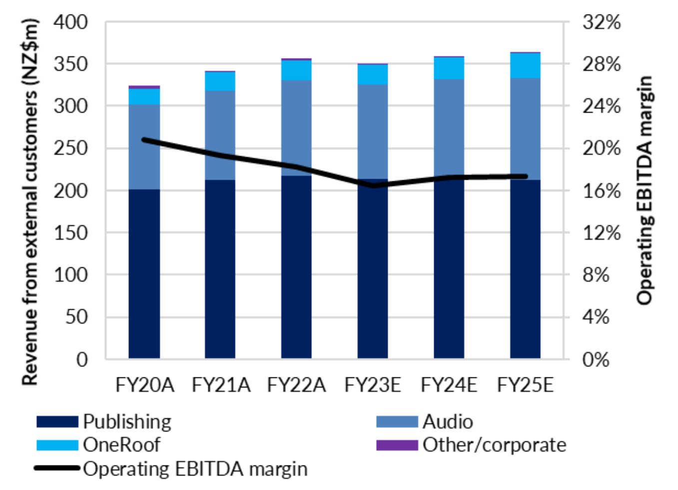
NZM is a significant player in NZ's media landscape, operating across multiple segments including traditional print, digital publishing, radio broadcasting, podcasting, and online/print property listings. The company has managed to maintain a strong brand presence, mainly through its flagship publication, the NZ Herald, its market-leading Newstalk ZB radio station, and its OneRoof property offering. NZM faces challenges that mirror global trends, with the ongoing digital transformation and changing consumer behaviours disrupting traditional media channels, leading to a decline in advertising revenue as dominant global platforms like Google and Meta (Facebook) take share. These shifts, combined with the proliferation of on-demand content and fragmentation of audiences, have reshaped the media landscape, necessitating new strategies and models for sustainability. We recognise that NZM is positioned better than its domestic peers, who are generally under financial stress.

The impacts of recent economic weakness have exacerbated these trends. NZM's 1H23 was weak, and, while 2H23 will be better, we expect the effects of weak consumer spending, elevated interest rates affecting the property market, and poor business sentiment all contribute to a challenging environment. These factors see our EBITDA estimate at the low end of management's updated guidance.

We see NZM as undervalued by the market. Our NZ$1.25 blended spot valuation is +39% above the market price, representing a PE of 13.3x or 5.7x EV/EBITDA on our FY23 estimates. This valuation reflects a view that:

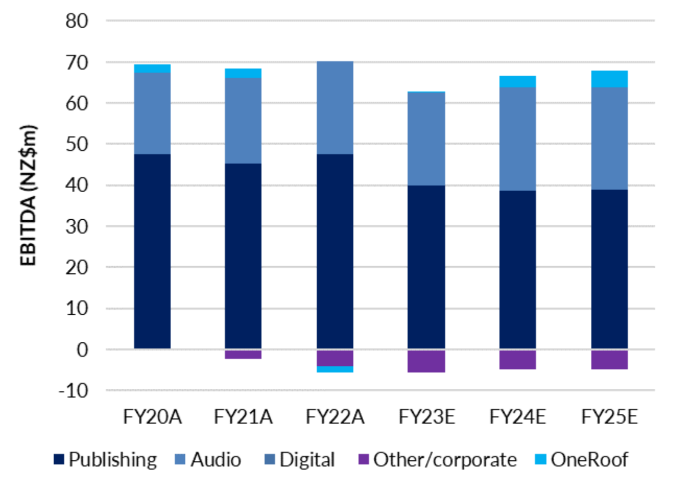
1. There are opportunities to increase yield and up-sell Herald subscribers.
2. The print business will likely operate beyond FY30, given its move to a distribution model but depending on market dynamics.
3. NZM has more to do in transitioning into a digital franchise, with growing investments in technology, brands, and content being required to ensure the business can transition entirely to a digital format.
4. There is real option value of the OneRoof property business. We expect it to breakeven at the EBITDA line in FY23.
5. There is positive leverage to a recovery in activity over coming years, with a revival of property listings, assisted by NZ's high levels of migration.

Figure 1. NZM—Revenue stack and EBITDA margin (incl IFRS)



Source: Company data, Forsyth Barr analysis

Figure 2. NZM—Segment EBITDA stack



Source: Company Data, Eikon, Forsyth Barr analysis

Advertising markets have fundamentally changed as global players dominate industry revenues

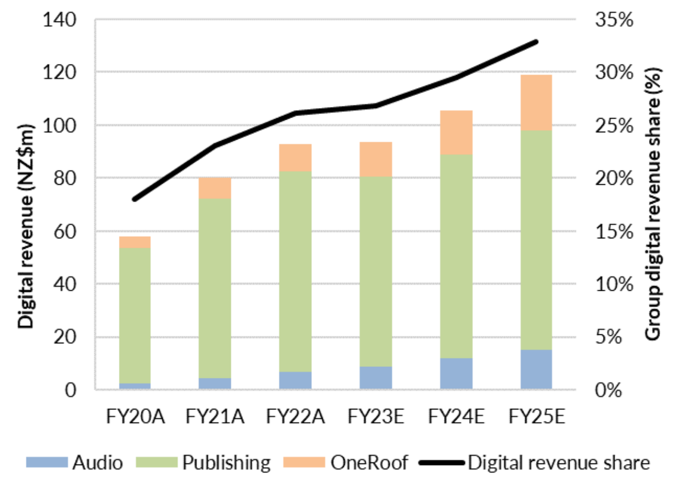
Global technology behemoths, like Google and Meta (Facebook), have radically altered the advertising landscape, capturing an estimated ~60% share of digital ad spending (see section *3.5 The influence of Google and Meta (Facebook) and growing influence of other platforms*) via unparalleled user reach, sophisticated data-driven targeting capabilities, and integrated advertising ecosystems. However, both organisations have paid NZM for utilising its content over recent years. In line with global trends, Meta has now pulled away from its agreement, while Google and NZM's relationship is ongoing.

Navigating the shift from traditional media to digital

The local media sector has been grappling with challenges similar to global peers, with falling print circulation and lower advertising revenue trends not unique to NZM or NZ. However, NZM has shown resilience and adaptability by driving its digitisation strategies in Publishing, and recovering its market share in radio while containing costs. Compared with many local and global players struggling with transitioning to a digital-first approach, and with much higher leverage, NZM has had reasonable success. While NZM has made headway, we estimate that NZM is circa five years behind international peers like NYT, which have been successfully monetising digital platforms and growing subscribers. On our FY23 estimates ~27% of group FY23 revenues are digital (see Figure 3).

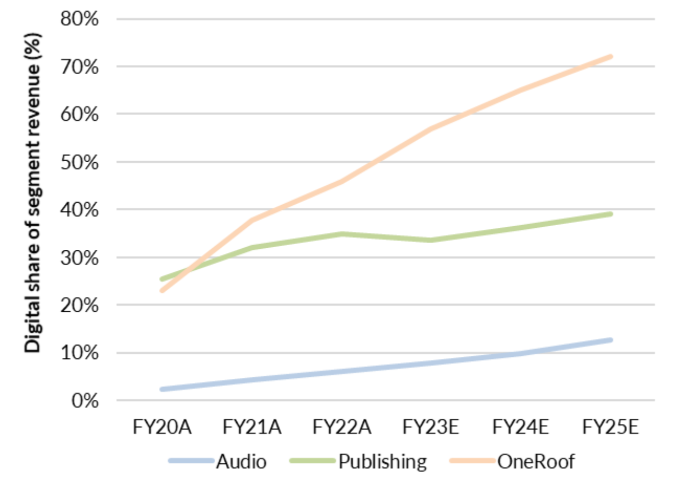
Given the company now primarily produces content for digital channels and utilises print as another form of distribution, we expect the print business to operate for many years to come and foresee expected revenue declines as manageable. While we anticipate continued falls in print distribution volumes, we forecast average revenue per user (ARPU) to grow over time, especially for the print business, as NZM harvests the trophy NZ Herald brand. Its partnership efforts with global media companies, like The Wall Street Journal, should assist the company in developing a bundled product, building loyalty and extending digital ARPU if it can position itself as an aggregator of domestic and international news/content targeted to specific customers. To compete with global and domestic peers, and as the group becomes more of a digital play, we forecast NZM needing to grow its capex/technology spending over time. This same dynamic has been witnessed at the NYT.

Figure 3. NZM—Digital revenue stack



Source: Company data, Forsyth Barr analysis

Figure 4. NZM—Digital share of segment revenues



Source: Company data, Forsyth Barr analysis

Audio/radio share returning to near ten year highs—with competitors financially weak

NZM's radio business has regained some lost ground in recent years. The NZM combo of stations achieved 37.0% audience share in the latest GFK survey (August 2023), up from a low of 34.3% in June 2021. However, NZM had a 42.4% market share by revenue (for 12 months to 30 June 2023). It has succeeded in growing its reach and investing in content development, and is the strong #2 player. At the same time, its main competitor (with ~51.7% August 2023 share), MediaWorks, appears to be struggling financially and may be broken up. NZM's Podcast business has also garnered solid early momentum. These factors have allowed NZM's Audio business to marginally grow revenues in a challenging market. Within Audio, digital revenue grew +28% in 1H23 versus 1H22 but still accounted for only ~8% of total segment revenues. Over time, we forecast relatively flat Audio revenues, with podcast and digital growth offsetting traditional radio advertising revenue weakness.

OneRoof has gained ground in property—now to capturing the opportunity

NZM's OneRoof platform now virtually matches the market leaders Trade Me's and realestate.co.nz property listings by volume but falls short in revenue terms. The OneRoof ecosystem encompassing property listings, news, and analytics has successfully achieved agent support and customer awareness for listings. However, interest rates and economic weakness have pressured listing volumes, impacting short-term performance. In its 1H23 result, OneRoof's digital listing revenues grew +13% year-on-year, while print revenues were down -7% in an environment where total new residential real estate listings fell -20%. The result was a testament to OneRoof's market share gains and the shifting of spend online. We anticipate a 2H23 recovery in OneRoof's revenues, with ~55% coming from digital. Nonetheless, we see OneRoof requiring increasing technological investment to fulfill its long-term potential. We anticipate a recovery in 2H23 property listings, and see OneRoof offering the potential to create substantial value over time.

Part 1: Investment thesis

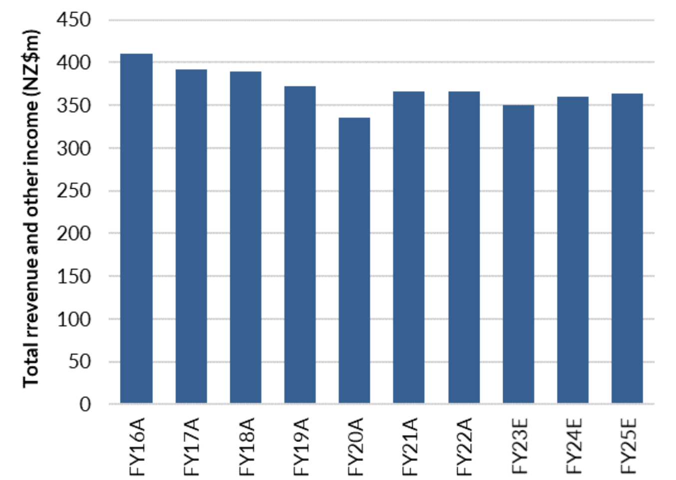
Our **blended spot valuation for NZM is NZ$1.25**. This is derived from our blended valuation methodology, including: 1) a discounted cash flow (DCF) valuation (50%), and 2) a peer relative valuation using comparable listed media and property peers (50%).

1.1 Discounted cash flow

Utilising a discounted cash flow (DCF) model, we thoroughly analysed NZM's financials, expansion opportunities, and future development to arrive at a DCF valuation of NZ$1.32. This valuation uses a weighted average cost of capital (WACC) of 10.2%, an asset beta of 1.05, risk-free rate (Rfr) of 5.25% and a terminal growth rate of +1.50% per year. Our key forecast assumptions include:

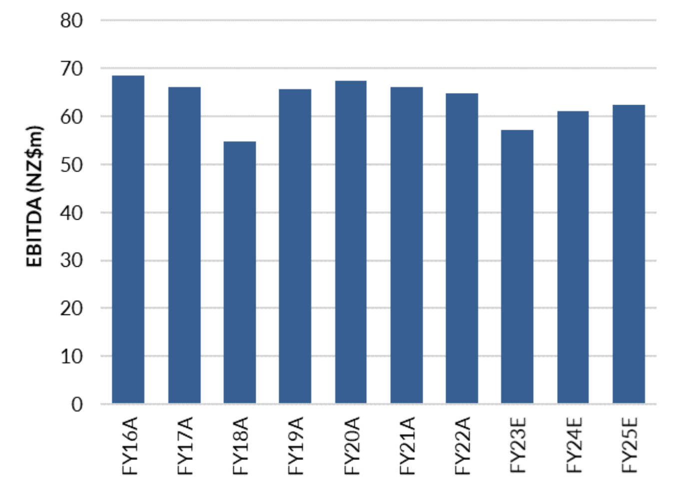
1. **Audio:** revenues and earnings relatively flat over time as podcast and digital revenues offset slow declines in traditional radio.
2. **Publishing:** growth in digital subscriptions and advertising offsets the secular decline of traditional print subscribers. The traditional print business remains operational past FY30 (despite falling print subscriptions and advertising revenue aided by cover price increases) due to its transformation into a cost-effective distribution channel for existing online content.
3. **OneRoof:** sees solid revenue growth, returning it to EBITDA positive and contributing meaningfully to group earnings by FY30.
4. **Capex:** growing investment in digital capabilities and AI, to help compete with global competitors and develop the offering.

Figure 5. NZM—Total revenue and other income



Source: Company data, Forsyth Barr analysis

Figure 6. NZM—Operating EBITDA



Source: Company data, Forsyth Barr analysis

Figure 7. Results summary

(NZ$m)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue (from external customers)	**322.1**	**348.6**	**355.4**	**343.8**	**353.1**	**357.1**
Finance and other income	13.1^	17.1*	10.5	5.9	6.5	6.4
Total revenue and other income	335.2	365.6	365.9	349.7	359.5	363.5
Opex	(274.3)	(286.9)	(301.4)	(292.5)	(298.5)	(301.2)
Operating adjusted EBITDA	**67.3**	**66.7**	**64.5**	**57.2**	**61.0**	**62.4**
Total depreciation and amortisation	(30.2)	(26.3)	(27.4)	(26.5)	(27.4)	(28.4)
Share of joint ventures and associates net loss after tax	(0.4)	(0.5)	(0.2)	(0.2)	(0.2)	(0.2)
EBIT (before significant items)	30.3	52.0	36.9	30.5	33.4	33.8
Significant items	(3.1)	(2.5)	-	-	-	-
EBIT	27.1	49.5	36.9	30.5	33.4	33.8
Net interest	(8.3)	(7.3)	(5.7)	(6.5)	(6.3)	(5.2)
Profit / (loss) from discontinued operations	-	-	-	-	-	-
Pre-Tax Profit	18.9	42.3	31.2	24.0	27.2	28.6
Taxation	(4.6)	(7.8)	(8.6)	(6.7)	(7.6)	(8.0)
Profit / (loss) for the year	**14.2**	**34.4**	**22.7**	**17.3**	**19.6**	**20.6**
Basic EPS (cps)	7.2	17.4	11.7	9.4	10.6	11.2
Declared DPS (cps)	-	8.0	9.0	9.0	9.0	9.0

Source: Company data, Forsyth Barr analysis

^Includes NZ$8.6m in government subsidies, * Includes sale of GrabOne

1.2 FY23 outlook

NZM's FY23 guidance implies a cautiously optimistic view. The company recorded a post-tax profit of nearly NZ$2m for the first half of 2023, a significant dip from just under NZ$8.5m during the same period in 2022. This was coupled with a -6% reduction in operating revenue to NZ$166m. Our FY23 estimated EBITDA of NZ$57.2m is at the lower end of the updated guidance range of NZ$57m to NZ$59m provided on 7 November 2023. At its 1H23 result, NZM said, 'it expects to be at the lower end of the EBITDA range previously provided'. However, ongoing advertising softness in 2H23 led to a small guidance downgrade.

Management's push for cost efficiencies and sector recovery must counterbalance the revenue challenges instigated by the economic downturn, election hiatus, shifting consumer behaviours and inflationary pressures. A generally sluggish economy, with some advertisers '*put off by the election noise*' and wavering business/consumer confidence, have likely suppressed advertising revenues. The -7% year-on-year decline in 1H23 advertising revenues to NZ$116m highlights the challenging market conditions, with NZM's CEO Michael Boggs commenting, '*It's been a difficult year from a market perspective, and there's been a big reduction in what larger customers are spending on advertising.'* He added, '*We're seeing green shoots and some improvement in consumer confidence, especially in the property market.'* Furthermore, the digital advertising segment saw a -12% downturn (versus 1H22) in 1H23, with Boggs noting that it is '*the easiest advertising to turn off when businesses aren't doing that well'*. OneRoof also suffered due to the economic downturn and suppressed property listing volumes, evidenced by a decrease in advertising revenue year-on-year, which is likely to bounce back in 2H23.

Following the general election, there has been a marked resurgence in business confidence, with a significant uptick in the ANZ business confidence index (see Figure 18), reflecting a collective optimism for a National-led government which historically aligns with business interests. The bounce in confidence, with the index leaping +21 points to a positive 23, suggests a revitalising effect on businesses' future activity expectations, even as the Reserve Bank of New Zealand awaits further economic indicators to inform its monetary policy stance. Improved business confidence should stimulate advertising activity, boosting the final quarter of the year for NZM.

Further, NZM is restructuring its editorial operations to accelerate digital growth while sustaining a healthy print business. NZM's new Publishing operational model will 'focus on stories for a digital-first environment' based on a deep understanding of audience needs. NZM is set to update stakeholders on trading conditions at its **2023 strategy day, to be held on 15 November 2023**, where updated three-year strategic priorities are anticipated — continuing the themes and priorities seen in prior years.

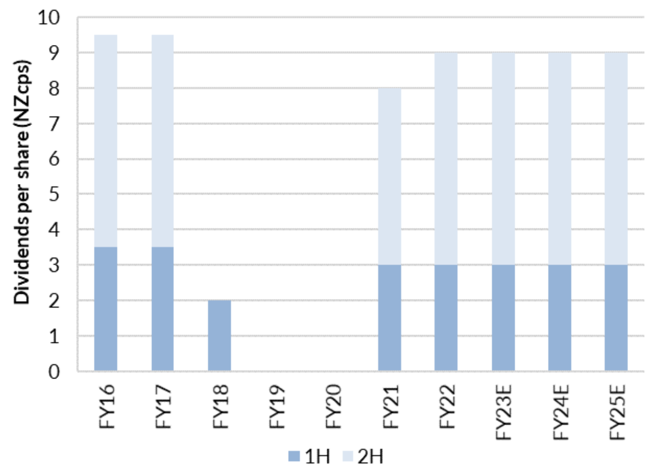
Figure 8. NZM—Half year results summary

NZ$m	1H22	1H23	Change	2H22	2H23E	Change
Revenue (from external customers)	**173.3**	**163.3**	**-6%**	**182.1**	**180.5**	**-1%**
Finance and other income	3.6	2.9	-19%	6.9	3.0	-56%
Total revenue and other income	176.9	166.2	-6%	189.0	183.5	-3%
Opex	(149.3)	(145.7)	-2%	(152.1)	(146.8)	-3%
EBITDA	**27.6**	**20.5**	**-26%**	**36.8**	**36.7**	**-0%**
Total depreciation and amortisation	(13.0)	(13.8)	+6%	(14.4)	(12.7)	-12%
Share of joint ventures and associates net loss after tax	0.0	(0.2)	n/a	(0.2)	(0.0)	n/a
EBIT (before significant items)	**14.7**	**6.6**	**-55%**	**22.2**	**24.0**	**+8%**
Significant items	-	-		-	-	
EBIT	**14.7**	**6.6**	**-55%**	**22.2**	**24.0**	**+8%**
Net interest	(2.9)	(3.7)	+29%	(2.8)	(2.9)	+2%
Profit / (loss) from discontinued operations	-	-		-	-	
Pre-Tax Profit	11.8	2.9	-76%	19.5	21.1	+9%
Taxation	(3.3)	(0.9)	-73%	(5.2)	(5.8)	+11%
Profit / (loss) for the year	**8.5**	**2.0**	**-77%**	**14.2**	**15.3**	**+7%**
Basic EPS (cps)	4.4	1.3	-70%	7.3	8.1	+11%
DPS (cps)	3.0	3.0	+0%	6.0	6.0	+0%

Source: Company data, Forsyth Barr analysis

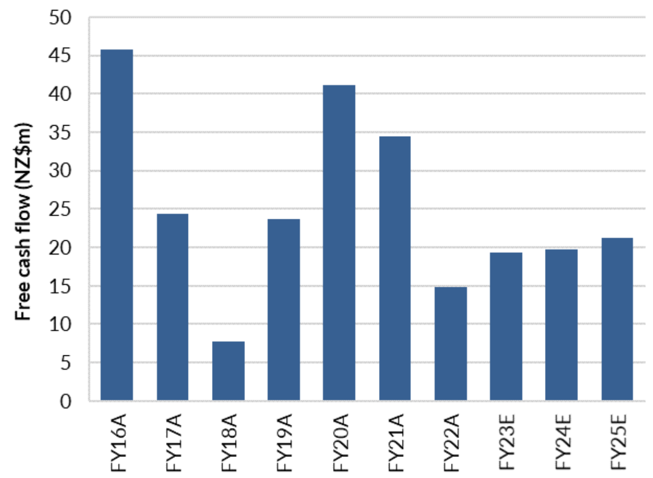
For 2H23 we estimate a fully imputed final dividend of 6.0cps, inline with the 6.0cps declared in 2H22. With the fully imputed 1H23 dividend of 3.0cps, we forecast 9.0cps in total dividends for FY23 inline with the 9.0cps in FY22. Regarding NZM's capital position, we estimate net debt will fall from NZ$31.6m as at 30 June 2023 to ~NZ$15m by the end of FY23, with the rebound in 2H23 earnings. This will see net debt below management's target range of 0.5x to 1.0x net debt to EBITDA.

Figure 9. NZM—Dividends per share (NZcps)



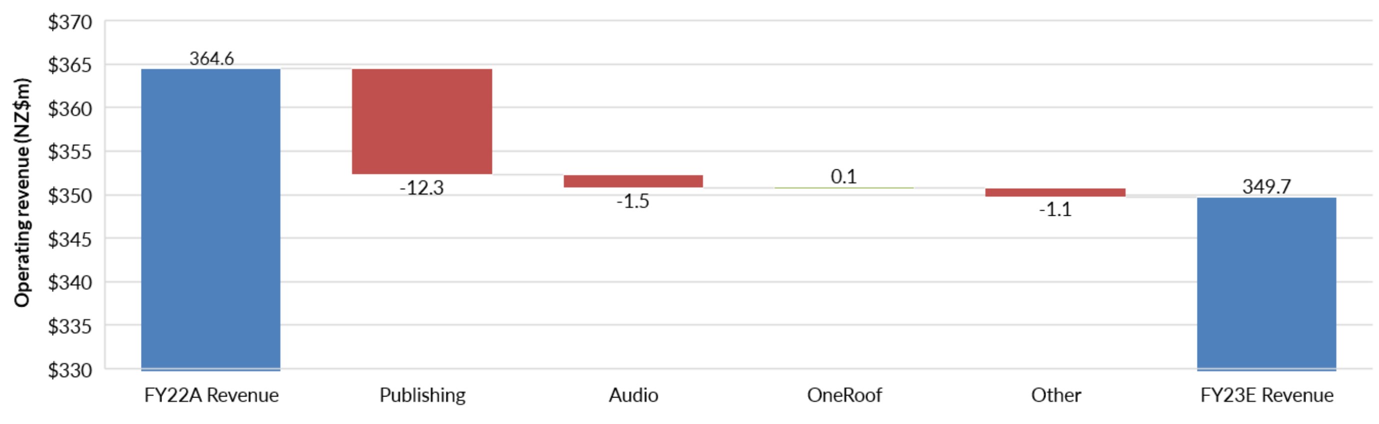
Source: Company data, Forsyth Barr analysis

Figure 10. NZM—Operating free cash flow (NZ$m)



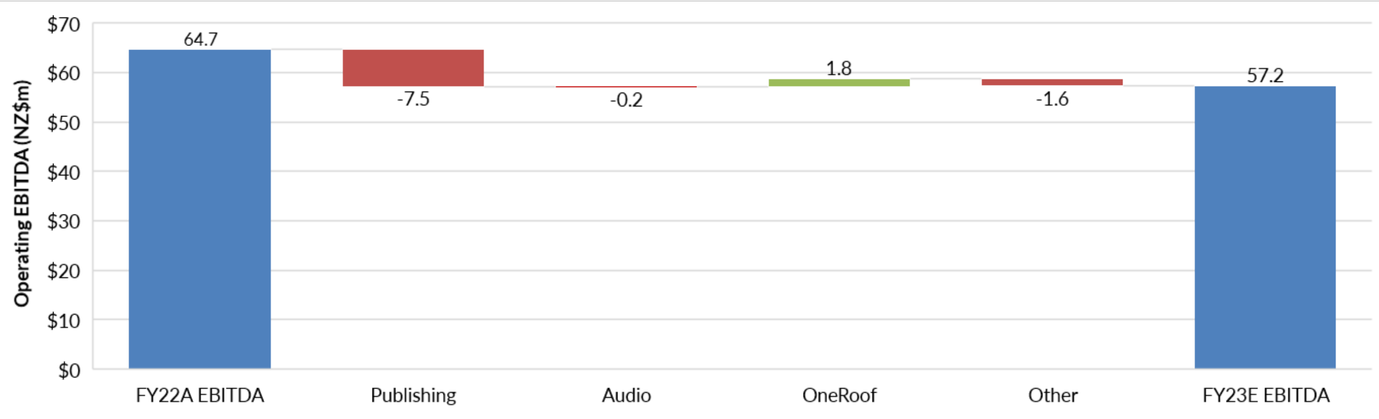
Source: Company data, Forsyth Barr analysis

Figure 11. NZM—Operating revenue bridge from FY22 to FY23E



Source: Company data, Forsyth Barr analysis

Figure 12. NZM—EBITDA bridge from FY22 to FY23E



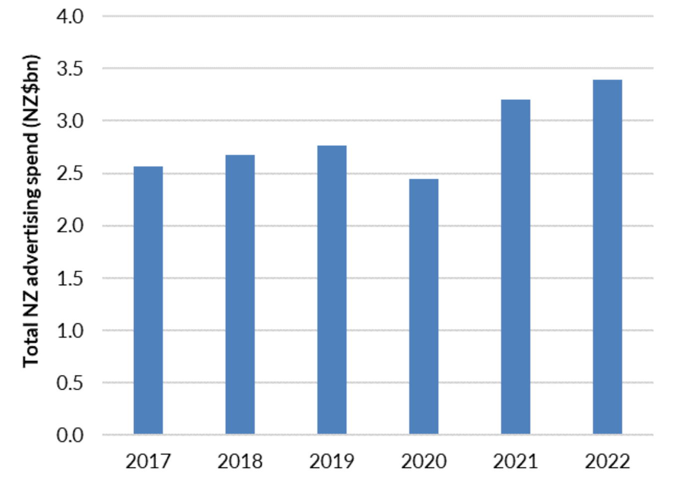
Source: Company data, Forsyth Barr analysis

1.3 Highlighting factors contributing to our forecasts for FY23 and beyond, below:

a) Advertising conditions

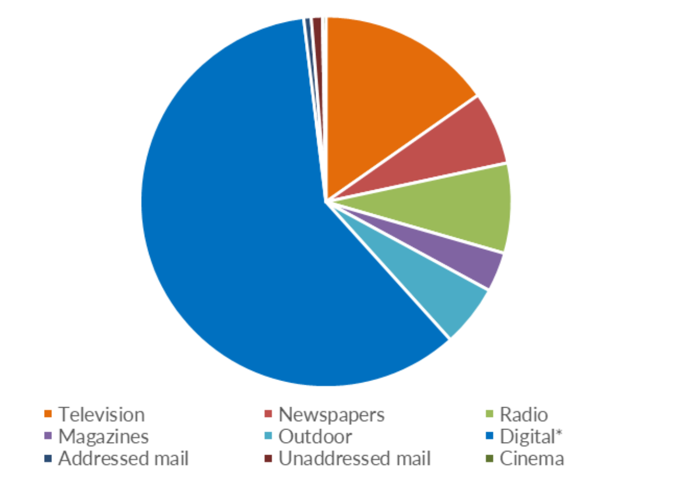
The NZ advertising landscape has witnessed several years of change. According to the Advertising Standards Authority (ASA), digital advertising revenue grew by +6% year-on-year in 2022, totalling NZ$3.4bn (see Figures 13 and 14). During this time, global technology platforms, like Google and Meta (Facebook), have solidified their positions in the NZ advertising market, taking significant share of advertising spend as it has done digital.

Figure 13. Total NZ ad spend (NZ$bn)



Source: ASA, Forsyth Barr analysis

Figure 14. NZ media turnover 2022 by type



Source: ASA, Forsyth Barr analysis

* Digital includes Digital only and all other digital (e.g. 'Digital television', 'Digital radio' etc.)

Growth in NZ's economy dipped into negative territory in 2Q23. The advertising sector has grappled with a challenging market due to low business and consumer confidence, which saw a drop in the real estate sector (among other industries). These impacts were widespread and we expect difficult trading conditions for all industry participants. NZM's management has noted 3Q23 advertising revenue was down -2% year-on-year and October advertising revenue growth was +1% year-on-year.

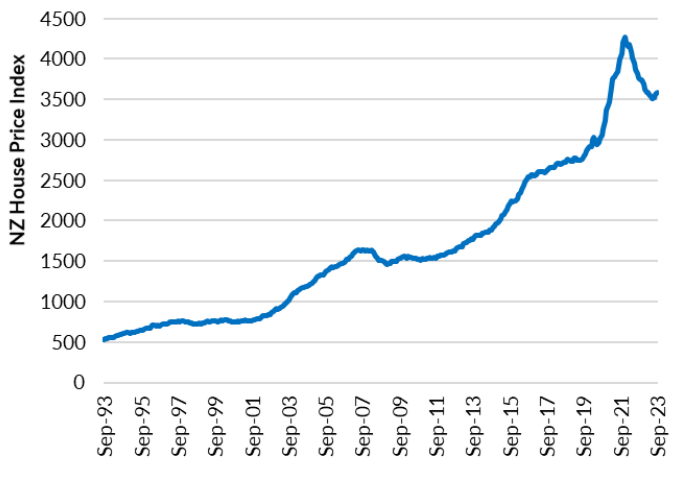
b) Property listings

There is now clear evidence that leading indicators in the property market are showing improvements. Auction clearance rates are steadily improving after bottoming in June 2022 (see Figure 15). Further, house prices have turned the corner, with the NZ house-price-index (HPI) rising +0.7% in September 2023, after also rising +0.3% in June, +1.1% in July, and +0.9% in August. However, the HPI index remains -16% below its peak (Figure 16).

Figure 15. Auckland monthly auction clearance rates

Source: REINZ, Forsyth Barr analysis

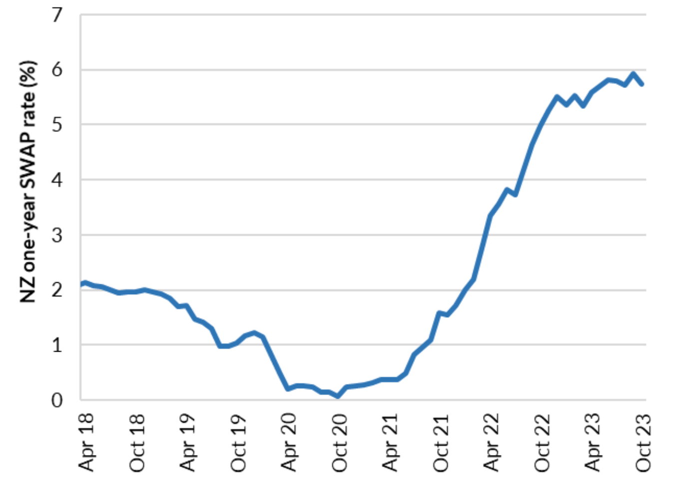
Figure 16. NZ house price index (HPI)



Source: REINZ, Forsyth Barr analysis

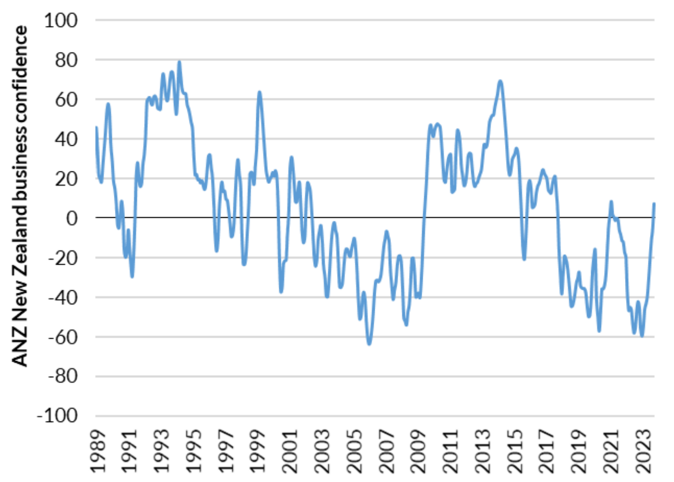
OneRoof's financials have shown sensitivity to the economic environment as rising interest rates (see Figure 17) and consumer and business sentiment (see Figure 18) weakness have suppressed property listing volumes, impacting sales. Still, OneRoof's overall revenue has grown, led by digital revenue rising from NZ$2.8m in FY19 to NZ$10.5m in FY22, while print revenue has fallen. We consider reduced listing volumes as temporary, and expect an uplift in listings and a lift in revenue growth in FY24 and FY25. The anticipated recovery in listings is predicated on the view that consumer/business confidence rebounds after the election under a National led government. Market conditions for investors are likely to improve, especially if interest deductibility is reinstated.

Figure 17. NZ one-year swap rate



Source: Refinitiv, Forsyth Barr analysis

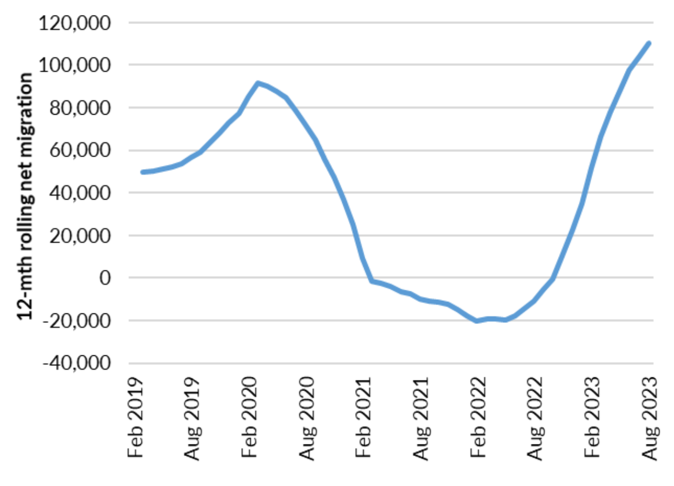
Figure 18. ANZ NZ business confidence (rolling 3mth-avg.)



Source: ANZ, Forsyth Barr analysis

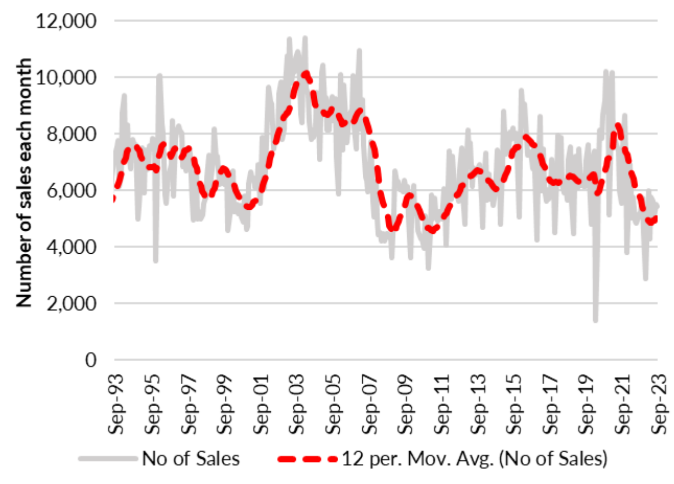
Further, high net migration (see Figure 19) into NZ and stabilisation of, or recovery in, house prices with the peaking of interest rates could act as catalysts for stimulating volumes (see Figure 20) in the housing market, and thereby OneRoof listings. This, combined with strategic initiatives and digital integration, positions the segment for a promising year ahead after two years of stagnant growth.

Figure 19. NZ 12-month rolling net migration



Source: Stats NZ, Forsyth Barr analysis

Figure 20. Number of residential sales each month (#)



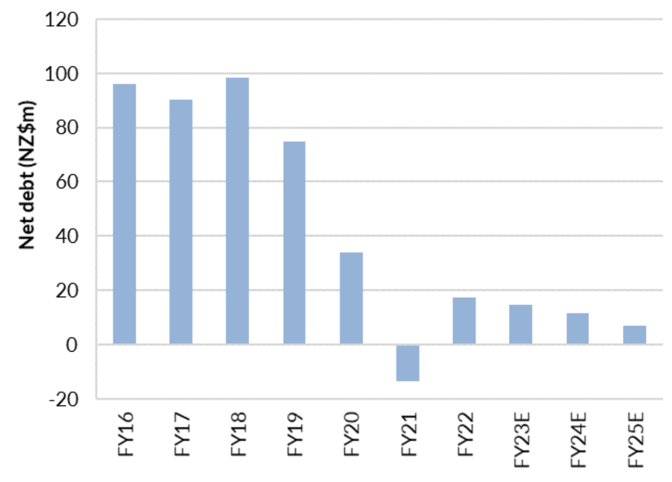
Source: REINZ, Forsyth Barr analysis

We view the growth runway for OneRoof as significant and believe it can close the gap towards Trade Me: the number one player by revenue with ~NZ$83.9m in FY22 versus NZM at NZ$23m. OneRoof already has a similar listing share to its competitor at ~90%, so further revenue growth must be driven by: 1) higher listing volumes across the market, 2) up-selling customers to more premium packages, or 3) higher yield per listing. Our analysis suggests activity should rebound from the currently depressed level, with several factors suggesting OneRoof is well positioned to grow yield. We estimate OneRoof's highest tier of listing is priced at a ~40% discount to Trade Me, providing scope to raise prices. In the last two years Trade Me has passed on aggressive price increases of +38%. OneRoof also has a unique value proposition relative to Trade Me and RealEstate.co.nz. While Trade Me and RealEstate.co.nz can capture 'active' real-estate engagement, i.e. people actively looking to buy or sell, OneRoof can leverage NZM's network and audience to generate 'passive' leads. In our view, OneRoof's unmatched passive reach is helping drive broader property enquiry and could be a key differentiator in ensuring OneRoof remains a core part of any sales process.

c) Balance sheet

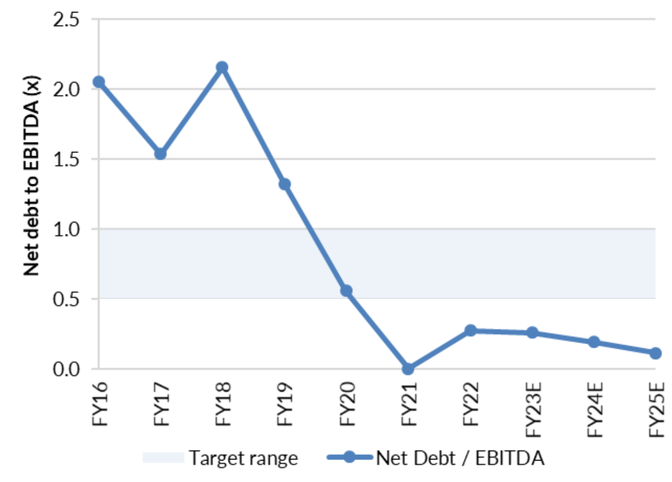
NZM's management and Board have successfully returned the balance sheet to a much more conservative position via: 1) the near cessation of dividends during 2018/2019/2020, 2) the NZ$17.5m sale of GrabOne in 2021, and 3) a reduction in capex and technology investments. This allowed for a NZ$30m capital return via the buyback of shares and the payment of a 5.0cps special dividend in July 2022. We estimate NZM will have ~NZ$15m in net debt (see Figure 21) at the end of FY23 (31 December 2023), leaving it well under management's 0.5x–1.0x net debt to EBITDA target range (see Figure 22). This positions NZM well compared with peers struggling with high gearing levels — Trade Me has NZ$1.54bn in net debt (7.2x EBITDA in FY22) and MediaWorks has NZ$98m (2.9x EBITDA in FY22). We believe NZM should remain more conservatively geared than its targeted range.

Figure 21. NZM—Net debt (cash) in NZ$m



Source: Company data, Forsyth Barr analysis

Figure 22. NZM—Ratio of net debt to EBITDA

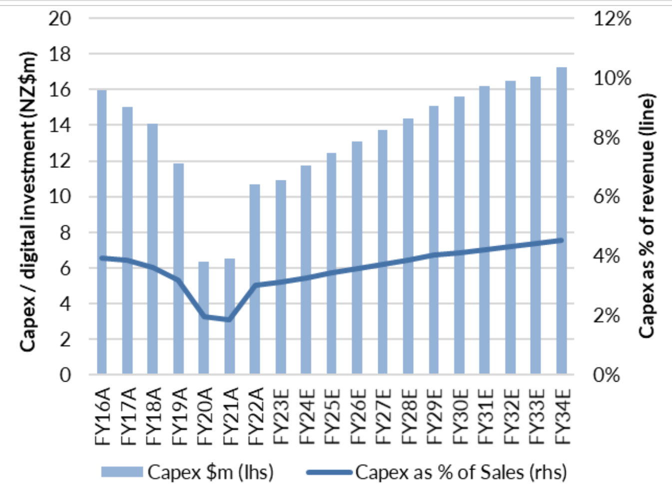


Source: Company data, Forsyth Barr analysis

d) Investments in technology and AI capability

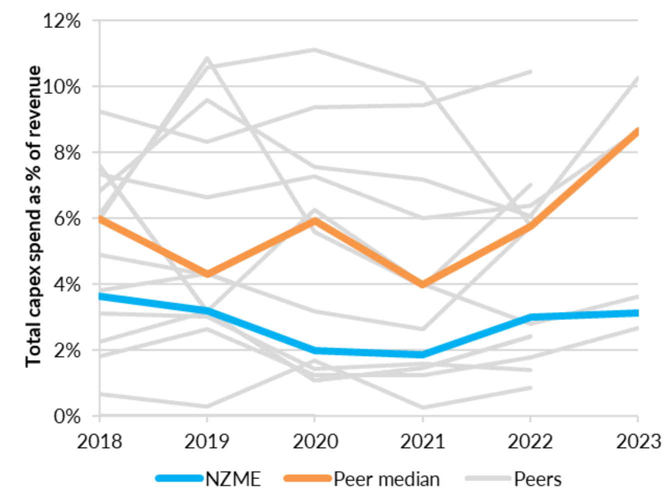
NZM's international peers are investing in technology and AI capability, with companies like NYT allocating significant (~9% of sales in FY22) and growing resources to product and technology development (see Figure 24). For NZM to remain competitive in the long term, gradually increasing investment in technological capability is a necessity. We acknowledge that NZM's licensing agreement with iHeartRadio reduces the capex needed in the Audio division as NZM practically outsources development to iHeartMedia. Despite this, our analysis suggests a growing need for NZM to invest in: 1) personalised user experiences driven by data and AI capabilities, 2) partner connections offering additional services, and 3) optimisation of its paywall for improved revenue generation. NZM will require further investment to pursue other opportunities, e.g. expanding the OneRoof product suite to include finance or insurance. Figure 23 shows our estimates of NZM's technology investment.

Figure 23. NZM—Capex/technology spend (NZ$m)



Source: Company data, Forsyth Barr analysis

Figure 24. NZM—Total capex as % of revenue versus peers

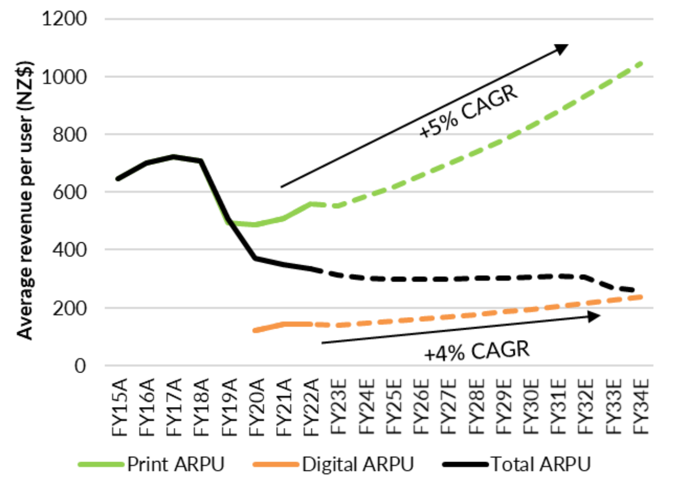


Source: Company data, Forsyth Barr analysis. Peers assessed: Mediaworks, Stuff, Radio NZ, Sky TV, TVNZ, Nine, Seven West, Southern Cross, ARN Media, REA, Domain, NYT and Rightmove.

e) Publishing—Print closure some way off and ARPU uplift potential

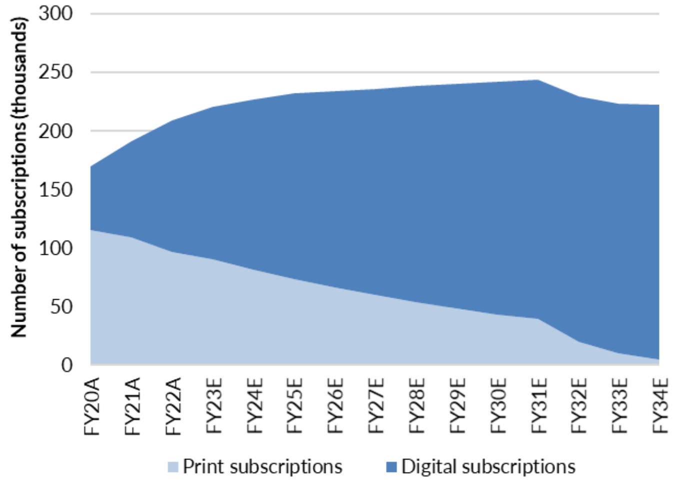
Somewhat controversially, we anticipate NZM's print business will operate for some time and any closure of print will likely occur beyond FY30, but is dependant on market dynamics. The primary factor underpinning this projection is the strategic pivot the company has taken in recent times, positioning the print business as a supplementary distribution channel for content now almost exclusively produced for online platforms. The Herald's success in maintaining print subscribers is likely due to management's focus on retaining the segment, whereas other publishers have walked away from print possibly too early. NZM's lease at its Auckland print facility expires in January 2029 with a three-year right of extension (at NZM's discretion). As such, we assume that NZM can extend its operations beyond FY30. It remains a possible scenario that NZM seeks a further lease extension.

Figure 25. NZM—Publishing subscriber ARPU for Print/Digital



Source: Company Data, Forsyth Barr analysis

Figure 26. NZM—Print and digital subscriber numbers



Source: Company data, Forsyth Barr analysis

Additionally, we envisage opportunities to increase yield at the NZ Herald. A seven day NZ Herald print subscription (including Weekend Herald and Herald on Sunday) costs $24 per week, delivered. However, the retail price of a Premium digital subscription is NZ$6 per week (NZ$2.87 weekly on an annual subscription), leaving room for an uplift. Further, we see opportunities for NZM to bundle more products with the Herald with BusinessDesk, Viva, The Listener, the Wall Street Journal, and ZM Plus as current offerings. The New York Times (NYT), in its 2Q23 result said, '*more than half of our digital starts taking the bundle for the second quarter in a row. More than a third of our nearly 10 million subscribers are now bundle or multiproduct subscribers*'. We understand that less than <2% of NZ Herald subscribers take a bundle, providing a significant longer-term upside opportunity. The NYT offers a sports bundle (The Athletic), cooking, and puzzles subscription as add-ons, allowing NZM to opportunistically create similar offerings that replicate successes seen at the NYT.

Figure 27. NZ Herald subscriber costs (NZ$)

	Weekly price	Annual price (first year)	Weekly equivalent (annual/52)	Annual price (renewal)	Weekly equivalent (renewal/52)
Digital subscriptions					
Herald Premium	$6.00	$149	$2.90	$199	$3.80
Viva Premium	$3.00	$50	$1.00	$99	$1.90
The Listener^	$3.50	$80	$1.50	$99	$1.90
Business Desk	$10.20*	$349	$6.70	n/a	n/a
ZBPlus	$3.30	$129	$2.50	n/a	n/a
Digital bundle subscriptions					
Herald + Viva Premium	$6.50	$179	$3.40	$250	$4.80
Herald Premium + Business Desk	$8.50	$299	$5.80	$379	$7.30
Herald Premium + The Listener	$8.50	$199	$3.80	$249	$4.80
Print subscriptions					
NZ Herald (Mon-Sun)	$24.00	n/a	n/a	n/a	n/a
NZ Herald (Mon-Sat)	$22.0	n/a	n/a	n/a	n/a
NZ Herald (Mon-Fri)	$22.5	n/a	n/a	n/a	n/a
NZ Herald (Sat-Sun)	$9.4	n/a	n/a	n/a	n/a

Source: Company website, Forsyth Barr analysis. ^ The Listener partnership is a revenue share agreement * Business Desk bills monthly (NZ$44 per month)

2. Comparables multiple valuation

Our sum-of-the-parts (SOTP) comparable valuation for each of NZM's core segments — Audio, Publishing, and OneRoof — analyses a group of relevant global peers to achieve a blended multiple for FY23, FY24, and two years forward. Given the significant value of NZM's leases we utilise EV/EBITDA multiples for Audio, Publishing, and OneRoof, and apply the average of Audio and Publishing multiples in the corporate segment to account for head office costs. We then aggregate segment values to arrive at a firm value before subtracting net debt and leases, which yields a comparables multiple valuation of NZ$1.18 per share.

Figure 28. Table of comparative multiples

Ticker	Company Name	Balance Date	Share Price	Market Cap (NZ$m)	P/E (x)			EV/EBITDA (x)		
					Current Year	Next year	2 Yr Fwd	Current Year	Next year	2 Yr Fwd
NZM.NZ	**NZME Ltd**	**31/12/2023**	**0.90**	**$168**	**10.6x**	**9.4x**	**8.0x**	**5.0x**	**5.0x**	**4.4x**
Publishing peers										
NEC.AX	Nine Entertainment Co*^	30/06/2024	1.92	$3,396	8.6x	8.2x	7.9x	5.1x	4.9x	4.8x
SWM.AX	Seven West Media Ltd*	30/06/2024	0.28	$484	4.0x	3.6x	3.6x	3.7x	3.6x	3.6x
NWSA.O	News Corp*^	30/06/2024	21.43	$20,959	18.1x	12.8x	12.5x	3.9x	3.5x	3.5x
NYT	New York Times Co	31/12/2023	41.61	$11,524	28.4x	26.4x	23.3x	16.6x	15.1x	13.6x
DBCL.NS	DB Corp Ltd	31/03/2024	304.75	$1,098	14.7x	12.7x	11.1x	9.5x	8.4x	
RCH.L	Reach PLC	31/12/2023	77.95	$515	3.5x	3.5x	3.4x	2.5x	2.4x	2.4x
GCI	Gannett Co Inc	31/12/2023	1.95	$489	12.1x	325.0x	6.9x	4.3x	4.7x	
	Total peer median				12.1x	12.7x	7.9x	4.3x	4.7x	3.6x
	Close group median				8.6x	8.2x	7.9x	3.9x	3.6x	3.6x
	Total harmean				9.0x	8.9x	7.6x	5.1x	4.9x	4.5x
	Publshing Multiple applied							**4.4x**	**4.4x**	**3.9x**
Audio peers										
A1N.AX	ARN Media Ltd*	31/12/2023	0.84	$286	8.1x	7.5x	7.3x	5.2x	5.1x	4.5x
SXI.AX	Southern Cross Media *	30/06/2024		$247	10.8x	8.9x	8.7x	6.1x	5.6x	5.4x
SIRI.O	Sirius XM Holdings Inc*	31/12/2023	4.71	$30,471	15.4x	15.0x	13.9x	10.0x	9.9x	9.5x
AUDK.LU	RTL Group SA	31/12/2023	33.94	$9,483	10.0x	8.4x	7.7x	6.3x	5.7x	
CMLS.O	Cumulus Media Inc	31/12/2023	4.91	$137				7.5x	5.4x	5.0x
	Total peer median				10.4x	8.6x	8.2x	6.3x	5.6x	5.2x
	Close group median				10.8x	8.9x	8.7x	6.1x	5.6x	5.4x
	Total harmean				10.5x	9.3x	8.8x	6.7x	6.0x	5.6x
	Audio Multiple applied							**6.4x**	**5.7x**	**5.4x**
OneRoof peers										
DHG.AX	Domain Holdings Australia*	30/06/2024	3.62	$2,535	41.9x	33.6x	31.0x	18.0x	16.0x	13.7x
REA.AX	REA Group Ltd*	30/06/2024	158.88	$22,647	44.5x	37.6x	35.2x	26.4x	22.9x	19.2x
ZG.O	Zillow Group Inc	31/12/2023	36.95	$14,741	31.0x	27.1x	20.4x	19.1x	15.2x	8.7x
PGRU.N	PropertyGuru Group Ltd	31/12/2023	3.77	$1,133				47.3x	18.4x	7.1x
RMV.L	Rightmove PLC	31/12/2023	465.40	$7,806	18.8x	17.7x	15.6x	14.0x	13.3x	10.8x
	Total peer median				36.4x	33.6x	31.0x	19.1x	16.0x	10.8x
	Close group median				43.2x	35.6x	33.1x	22.2x	19.4x	16.4x
	Total harmean				30.3x	33.1x	28.7x	21.0x	16.6x	10.6x
	OneRoof Multiple applied							**20.8x**	**17.3x**	**12.6x**

Source: Refinitiv, Forsyth Barr analysis

Companies marked with * are considered close peers to NZM in the respective segments

Companies marked with ^ (Nine Entertainment Co and News Corp) have had multiples adjusted for ownership stakes in REA and DHG respectively, which inflate valuations

Note: In the above table News Corp (NWS) and Nine (NEC) have been adjusted to remove NWS's 61.4% holdings in REA Group and NEC's 60% shareholding in Domain. This adjustment allows for a more useful comparative multiple for the remaining publishing assets.

Figure 29. Segment valuation methodology

NZ$m	Publishing			Audio			OneRoof			Corporate		
	Current year	Next year	2 yr fwd	Current year	Next year	2 yr fwd	Current year	Next year	2 yr fwd	Current year	Next year	2 yr fwd
Segment EBITDA	39.9	38.7	38.8	22.6	25.2	25.0	0.4	2.7	4.1	-5.6	-4.8	-4.9
Multiple applied	**4.4x**	**4.4x**	**3.9x**	**6.4x**	**5.7x**	**5.4x**	**20.8x**	**17.3x**	**12.6x**	**5.4x**	**5.1x**	**4.7x**
Implied segment EV	176.4	170.1	150.9	143.6	144.5	135.8	7.5	47.0	51.6	-30.2	-24.1	-22.0
Average segment EV		**165.8**			**141.3**			**35.4**			**-25.7**	

Source: Forsyth Barr analysis

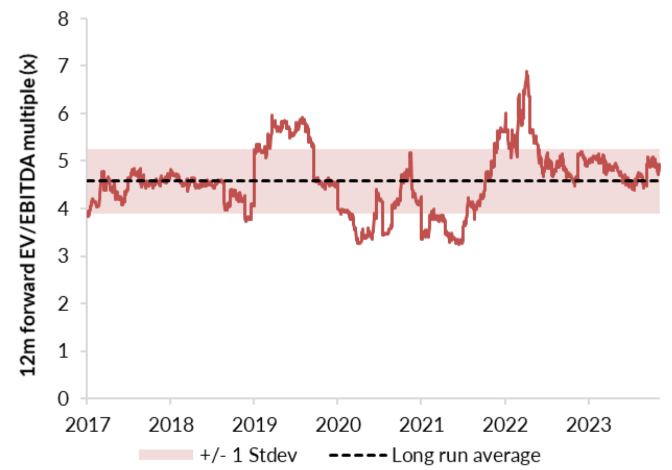
Our SOTP comparables valuation yields an implied price of NZ$1.18 per share for NZM. On our estimates this represents a group EV/EBITDA multiple of 5.5x, 5.1x, and 5.0x EBITDA in FY23, FY24, and two years forward respectively. On a PE basis this represents a group multiple of 12.6x, 11.1x, and 10.7x earnings in FY23, FY24, and two years forward respectively. As seen in Figures 31 and 32, these multiples are at the higher-end of where NZM has historically traded.

Figure 30. Comparables multiple valuation

Implied total firm EV (NZ$m)	**316.7**
Less net debt, leases	(98.8)
Implied equity value (NZ$m)	**217.9**
Shares outstanding (m)	183.9
Implied NZ$ per share	**1.18**
Upside to current price	31%

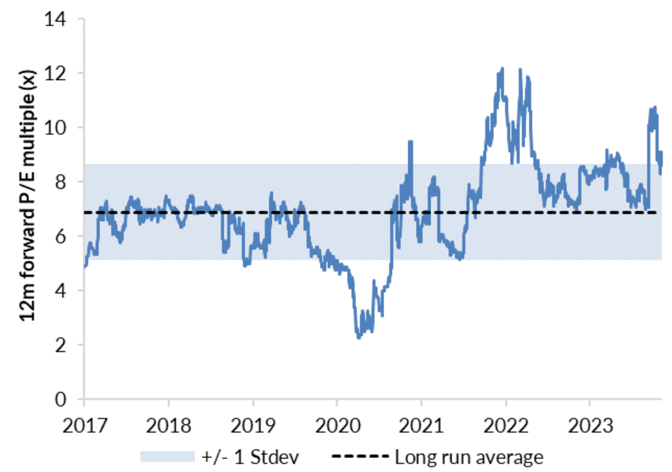
Source: Forsyth Barr analysis

Figure 31. NZM—Historical EV/EBITDA movements



Source: Refinitiv Datastream, Forsyth Barr analysis

Figure 32. NZM—Historical PE movements



Source: Refinitiv Datastream, Forsyth Barr analysis

Our current comparable valuation for NZM reflects an earnings mix that is heavily weighted towards its Publishing and Audio segments. NZM's Publishing and Audio peers trade on modest multiples, reflecting market expectations of industry tailwinds and challenging growth outlooks. By contrast, OneRoof's peers trade on much higher multiples. Stocks like REA and DHG are expected to achieve robust revenue growth at high margins, driving premium valuations. Given the disparity between multiples, growing the proportion of EBITDA contributed by OneRoof (and thereby reducing the relative contribution of Publishing and Audio) should be accretive for NZM's valuation. However, the market will likely need to see consistent execution in the OneRoof division for a significant re-rating to occur.

Part 2: NZME Limited

2.1 Overview

NZME Limited (NZM) is a NZ based integrated media company with a diverse portfolio that spans news, entertainment, and real estate across a range of digital, print, and audio platforms. The company is listed on the NZX and ASX exchanges (NZM.NZ and NZM.AX). NZM's operations are divided into three main divisions: Audio, Publishing, and OneRoof. Each division contributes to the company's extensive market reach and multiple revenue streams, keeping it at the forefront of NZ's media landscape.

In the **Audio** division, NZM owns well-known radio stations like Newstalk ZB and ZM, offering a dynamic mix of news, talk, and entertainment. The division sits as a number two player in the radio market behind MediaWorks. The **Publishing** arm is headlined by The New Zealand Herald, NZ's main masthead offering in-depth local journalism and news coverage, along with regional/community newspapers, and national editorials and magazines. Meanwhile, **OneRoof** has emerged as a solid number two player in property listings: bridging buyers, sellers, and agents while offering invaluable market insights and news.

Figure 33. NZM's portfolio of brands

Source: Company

A house of brands—where trust will grow in importance

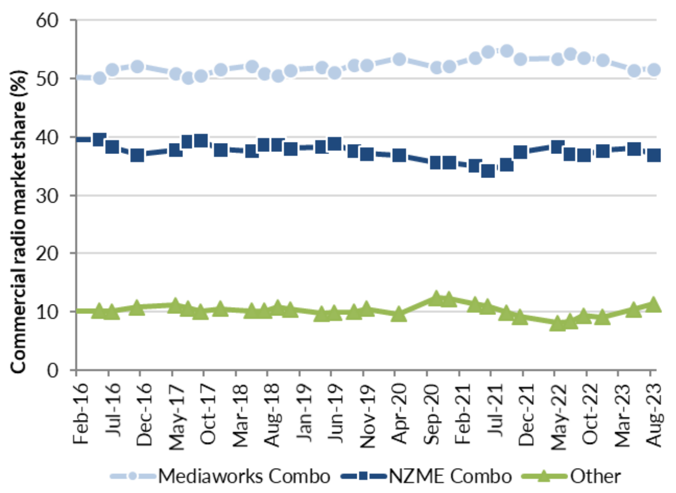
NZM's diverse house of brands make it synonymous with the media landscape of NZ. With a portfolio encompassing radio, print, and digital platforms, NZM can leverage its network to create engagement with its audiences. Its flagship brands, such as The New Zealand Herald, Newstalk ZB, and OneRoof are among the most well known in New Zealand. As the proliferation of fake news and misinformation continues, NZM's reputation as a trusted source of information and connection to its audience will grow in value.

2.2 Audio/radio

NZM's Audio division features a robust lineup of radio brands along with its digital audio platform, iHeartRadio. Its portfolio of 11 audio brands is headlined by Newstalk ZB, New Zealand's most listened to radio channel (with 14.5% August 2023 market share). The talk show channel, most well known for Mike Hosking's *Breakfast* show, is joined on the NZM network by other stations, including ZM, Radio Hauraki, Flava, Coast, and The Hits among others. Cumulatively, NZM's radio brands command a ~37% audience share of the market (August 2023 GFK data). NZ's commerical radio market is dominated by NZM and its larger rival, Mediaworks, which has a ~52% audience share. Mediaworks owns 12 stations with well known brands such as The Breeze, The Edge, The Sound, The Rock, and More FM.

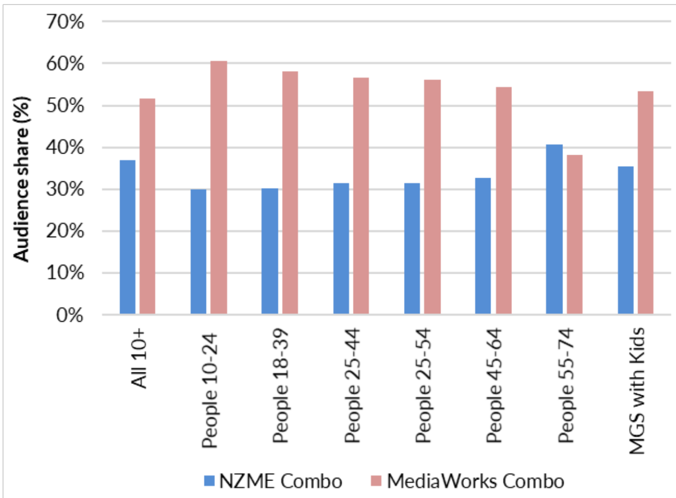
Although >90% of NZM's Audio revenue still comes from radio advertising, the company has made significant strides into digital audio. iHeartRadio, the audio streaming app that NZM licenses in NZ, continues to grow and averages more than 6.3m hours of listening on a monthly basis. NZM has built an impressive podcast network, with a mix of shows curated specifically for the podcast format along with repackaged radio content. Its podcast network remains the top podcast network in the country, with one million monthly listeners delivering more than 44 million downloads for the first half of this year.

Figure 34. Market audience share of NZ radio by owner (%)*



Source: GFK, Forsyth Barr analysis
* Station Share (%) by Demographic... Mon-Sun 12mn-12mn... All 10+ share

Figure 35. Radio audience demographics by owner (Aug 2023)*



Source: GFK, Forsyth Barr analysis
* Station Share (%) by Demographic... Mon-Sun 12mn-12mn

Thanks largely to the success of Newstalk ZB, NZM enjoys a strong audience share in older demographics, eclipsing MediaWorks in the 55–74 age bracket. In younger demographics, ZM and The Hits consistently rank in the top 10 for NZM; however, its overall audience share is markedly weaker than Mediaworks. MediaWorks owns seven of the top ten radio stations by audience share in NZ (August 2023), including the six highest ranking music radio stations.

Figure 36. Top-ten commerical radio stations share in NZ and by owner (August 2023)*

Rank	Station	Owner	Share (%)
1	Network Newstalk ZB	NZME	14.5
2	Network Breeze	MediaWorks	9.4
3	Network More FM	MediaWorks	8.1
4	Network The Rock	MediaWorks	7.8
5	Network Mai FM	MediaWorks	6.0
6	Network The Sound	MediaWorks	6.0
7	Network The Edge	MediaWorks	5.9
8	Network Magic	MediaWorks	5.6
9	Network ZM	NZME	5.6
10	Network Coast	NZME	5.5

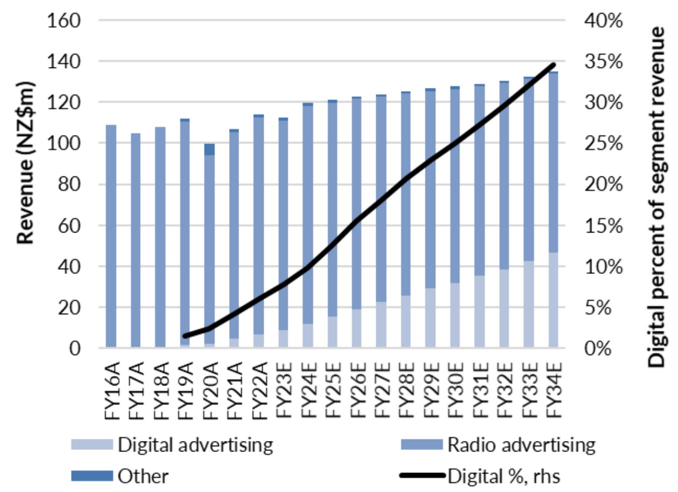
Source: GFK, Forsyth Barr analysis
*Station Share (%) by Demographic... Mon-Sun 12mn-12mn

Radio New Zealand, the state funded broadcaster, is also an important player in the market (although not commercially run) and operates four stations, including RNZ National, RNZ Concert, the AM network (which relays Parliamentary proceedings) and RNZ Pacific. Its RNZ National morning show was the most popular for over a decade, before being over taken by Newstalk ZB.

2.2a Financials and forecasts

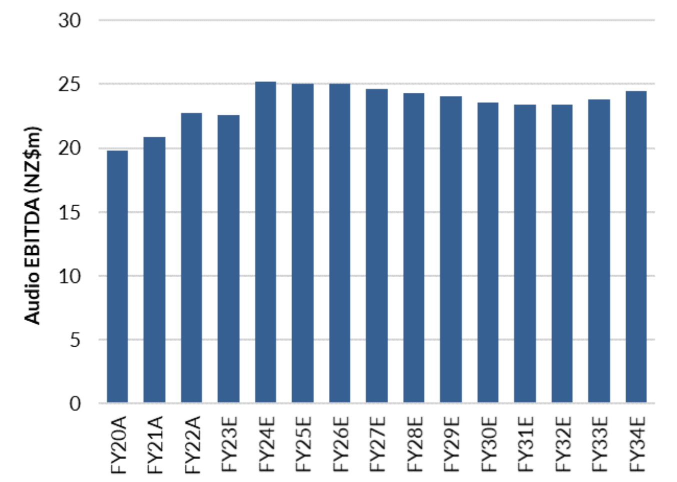
The Audio division contributed ~32% of revenue (NZ$113.5m) and ~35% of group EBITDA (NZ$22.8m) in FY22. A challenging radio advertising backdrop has yielded flat-to-down revenues over a 5+ year period, whilst the fledgling digital advertising is yet to make meaningful contributions despite strong growth. Over time, we expect digital audio advertising growth to more than offset traditional radio advertising declines, leading to modest revenue growth for the division. Our EBITDA projection is relatively flat, increasing to NZ$27.2m by FY34. A summary of our key assumptions is provided below.

Figure 37. NZM—Audio revenue stack



Source: Company Data, Forsyth Barr analysis

Figure 38. NZM—Audio EBITDA



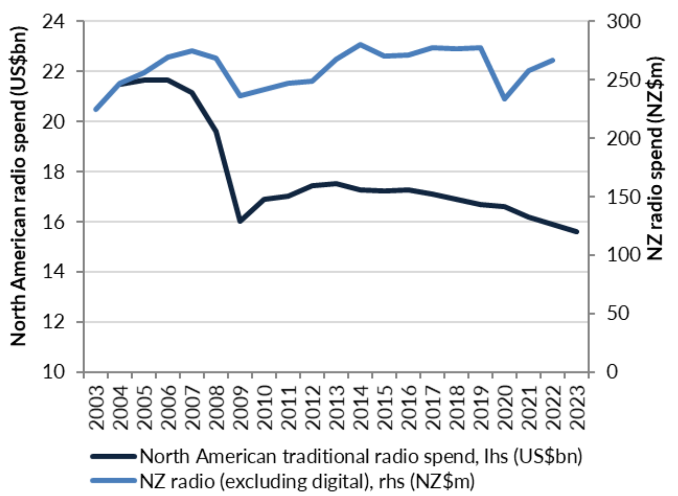
Source: Company Data, Forsyth Barr analysis

1) Digital advertising enjoys a strong growth runway

Unlike radio advertising, advertising spend on digital radio has exploded globally in the last decade, growing at a +17% CAGR in the US market to US$1.8bn in 2022, according to The Radio Advertising Bureau. While the NZ market has been a laggard in adopting digital audio, potentially due to NZ's older vehicle fleet, momentum has accelerated recently, with advertising spend doubling from 2020 to 2022. NZM has capitalised on this trend, growing digital revenue by +300% since it first reported digital revenue in FY19.

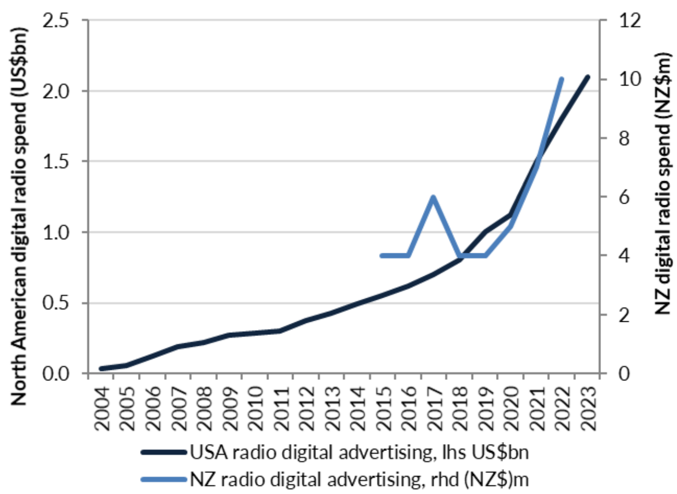
We expect a robust growth runway for digital advertising in the Audio division, and forecast that NZM will be able to grow digital revenue at a CAGR of +18% to NZ$48.2m in our terminal year. Underpinning this forecast is: 1) NZM growing its successful podcast network, 2) a snowball effect of residual income as the existing content base grows, and 3) the NZM network driving increased traffic through iHeartRadio.

Figure 39. Traditional radio spend (USD and NZD)



Source: The Radio Advertising Bureau, Bloomberg, Statista, ASA, Forsyth Barr analysis

Figure 40. Digital radio spend (USD and NZD)



Source: The Radio Advertising Bureau, Statista, ASA, Forsyth Barr analysis

2) Traditional radio advertising conditions remain challenging

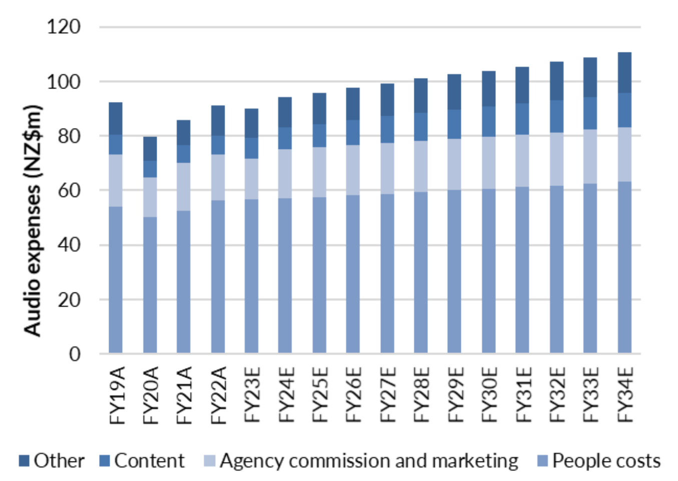
We view the radio advertising market as challenging, especially given the proliferation of audio content available to modern consumers. The percentage of New Zealanders who listen to commercial radio every week has declined from 77% in September 2019 to 74% in May 2023, as platforms like Spotify and Apple Music have grown in popularity. Shrinking audiences have meant stagnant industry revenues. NZ radio advertising spend fell -1.5% from 2015 to 2022, while total NZ advertising spend rose +32%, according to data from the ASA. In line with the industry, NZM's radio advertising revenue fell -7.5% from FY15 to FY22.

We expect a continuation of the decline in traditional radio over the forecast period, with a -1.6% CAGR in radio advertising revenue. Our view is that a steady decline rather than a steep drop-off in revenue is likely, predicated on: 1) the continued viability of radio as a source of live news and information, 2) radio's human connection value relative to other sources of media, with morning radio shows a different form of entertainment other than just music, and 3) the ongoing relevance of radio as an in-car media source. Risks to our forecasts include a severe loss of market share to Mediaworks or another competitor, however, we are confident that NZM can protect its share. Radio audiences are generally sticky (Mediaworks' and NZM's total audience shares have moved in a 4% to 5% range over an ~eight year period). Talent movements can sometimes drive major market share shifts, although the impact can also be more muted. We acknowledge significant key person risk exists for some of NZM's key personnel, but understand long-term deals are in place. Additionally, given its financial position, NZM is better placed than its peers to retain this talent moving forward.

3) Modest cost growth, driven by marketing and content

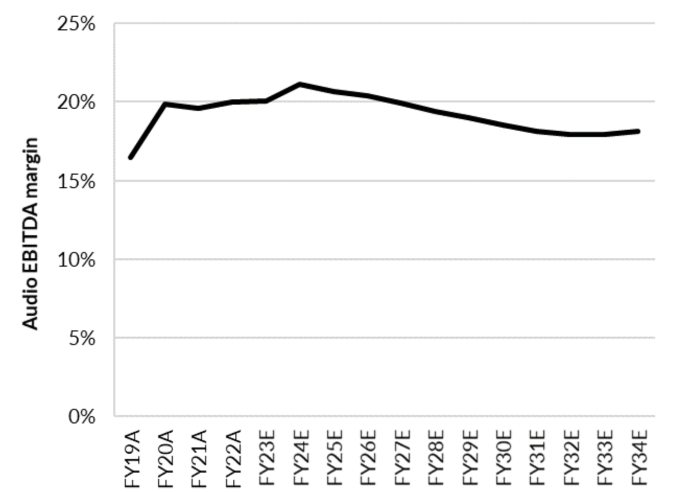
Since FY19 (when NZM changed its segment reporting) costs in the Audio division have declined by -1.3% to NZ$91.2m in FY22. While this is a commendable result, given the inflationary environment, it must be viewed in the context of a -14% fall in costs in FY20 due to the wind down of Radio Sport during the early outbreak of COVID-19. Since the trough in FY20, costs in the division increased by +7% and +6% in FY21 and FY22 respectively. Evidenced by a -2% fall in costs in 1H23, management remains committed to cost discipline. We assume this continues and forecast Audio expenses to grow at a +1.6% CAGR. The main drivers of growth are agency, commission, and marketing costs, which we assume will grow in line with revenues and content.

Figure 41. NZM—Audio expense stack



Source: Company Data, Forsyth Barr analysis

Figure 42. NZM—Audio EBITDA margin (including IFRS)



Source: Company Data, Forsyth Barr analysis

4) iHeartRadio

The integration of advanced technologies like Apple CarPlay and Spotify in new vehicles threatens traditional radio by offering drivers and passengers a more personalised, ad-free, listening experience. We see this as leading to declining traditional radio listenership in cars, impacting advertising revenues over the long term, but slowed by NZ's old car fleet. However, NZM's digital radio and podcast technology, iHeartRadio, allows full integration within modern vehicles via an app. iHeartRadio has successfully expanded its global footprint by offering a diverse range of live radio stations, podcasts, and on-demand content that has made it a competitive player in the digital audio market worldwide. iHeartRadio is now one of the most popular free digital audio platforms globally, with over ~150m active monthly users in the US, Australia, Canada, Mexico, and NZ. iHeartRadio is owned by iHeartMedia, the largest commercial radio broadcaster in the US. As the owner, it is the US company's responsibility to spend capex on developing the platform to improve its features and functionality, thereby substantially reducing the requirement for NZM to develop and innovate the platform itself.

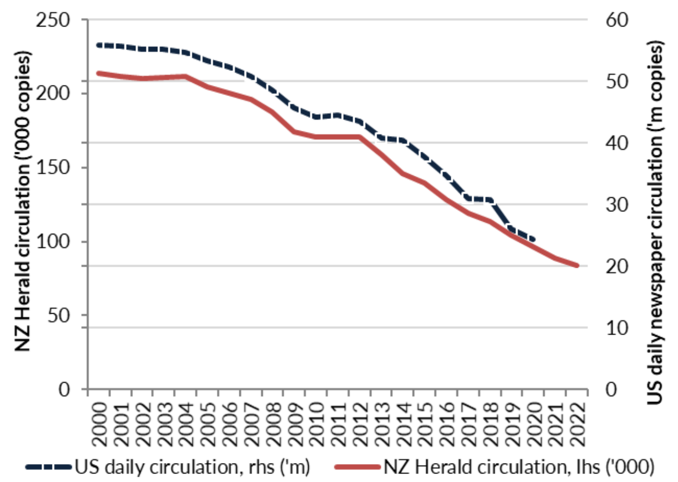
2.3 Publishing

NZM is the leading player in NZ's publication market and produces one metro daily, five regional daily, 15 weekly community newspapers, and a series of national editorials. Its flagship brand, The New Zealand Herald, was founded in 1863 and is the most widely circulated daily print newspaper in the country, with ~90k subscribers (June 2023). NZM complements The NZ Herald with additional brands that focus on key lifestyle verticals like Travel, Canvas, and Viva. In 2021 NZM broadened its coverage further with the acquisition of Business Desk, NZ's pre-eminent online business site.

NZM is successfully transitioning its print business into a digital one, with roughly half of its advertising revenue coming from digital advertising in FY22. Behind Stuff.co.nz (40.4m page visits in October 2023), NZHerald.co.nz (38.8m visits) is the second most popular online news site in NZ, according to data from similarweb. In April 2019 NZM launched Herald Premium, a subscription based model that put ~30% of its online content behind a paywall. This 'freemium' model enabled NZM to retain strong advertising revenue streams while building a new subscription business. To date, Herald Premium has garnered over 122k paid digital subscribers along with approximately 60% of its print subscribers also 'digitally enabled' (meaning they access digital as well). Continuing to grow the digital subscriber base and digital advertising revenues will be crucial to counteracting the secular decline in physical print.

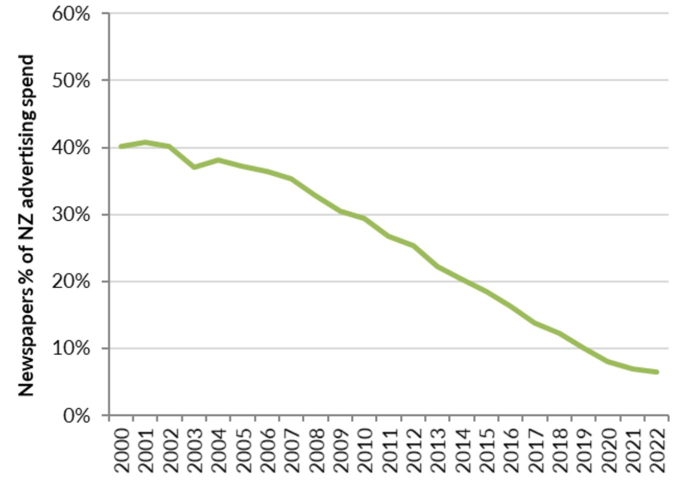
Despite its strong market position, NZM has been battling global trends of declining revenues from print as consumption of media continues to transition into a digital format. Similar to other western markets, print subscriptions and circulation numbers have been in a structural downtrend for over two decades. The NZ Herald (-4.2% CAGR decline in circulation since 2000) has experienced a comparable fall to the US market (-4.1% CAGR decline) but a less dramatic decline than seen in the UK and Australian markets. In the UK, some of the annualised falls in circulation seen over the last 15 to 20 years include: -5% at the Daily Mail; -9% at the Mirror; -6% at the Telegraph; and -5% at the Sun. In Australia circulation data ceased to be collected post 2018. However, CAGR declines at major newspapers until that point included: -5% at the Herald Sun; -5% at The Daily Telegraph; and -5% at The Australian Financial Review. Advertising spend in NZ directed towards physical print has also dwindled from >40% in 2000 to only 6% in 2022 (ASA).

Figure 43. US v. NZ Herald daily circulation (000)



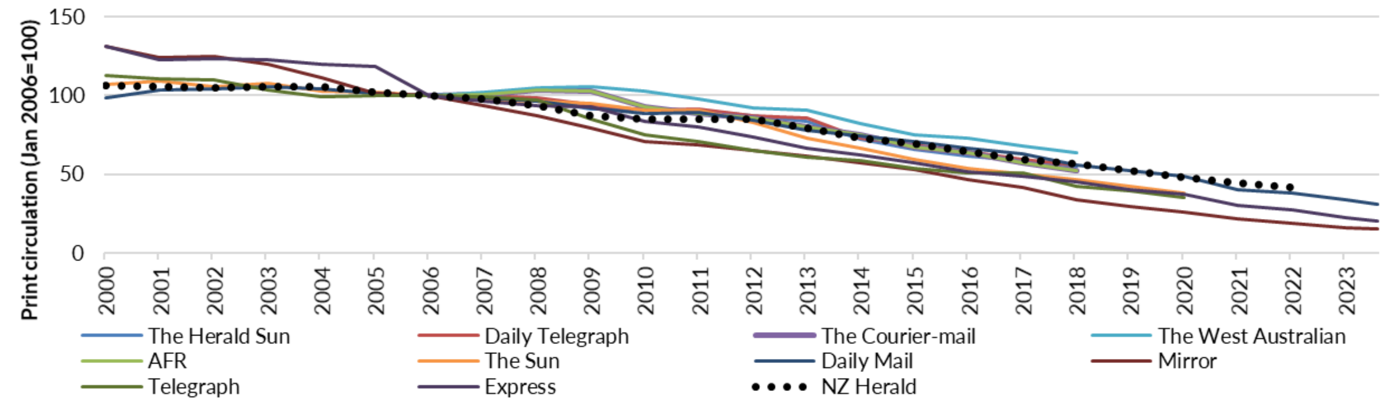
Source: Statista, Company Data, Forsyth Barr analysis

Figure 44. Newspaper share of NZ advertising spend (%)



Source: ASA, Forsyth Barr analysis

Figure 45. Global print circulation trends (rebased so Jan 2006 = 100)

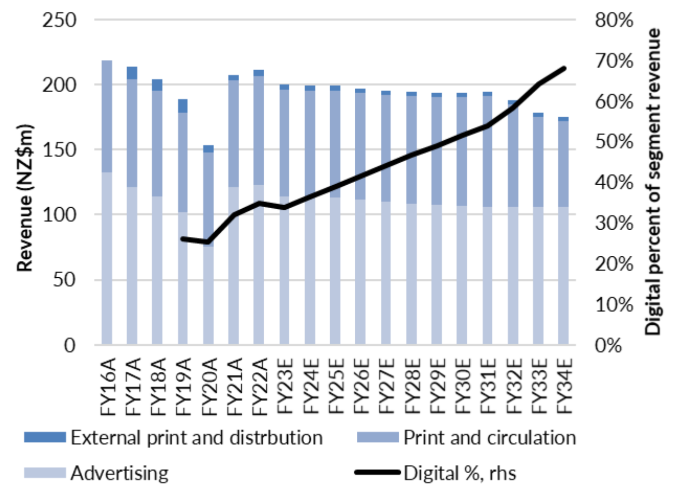


Source: Local Audit bureaus, Forsyth Barr analysis

2.3a Financials and forecasts

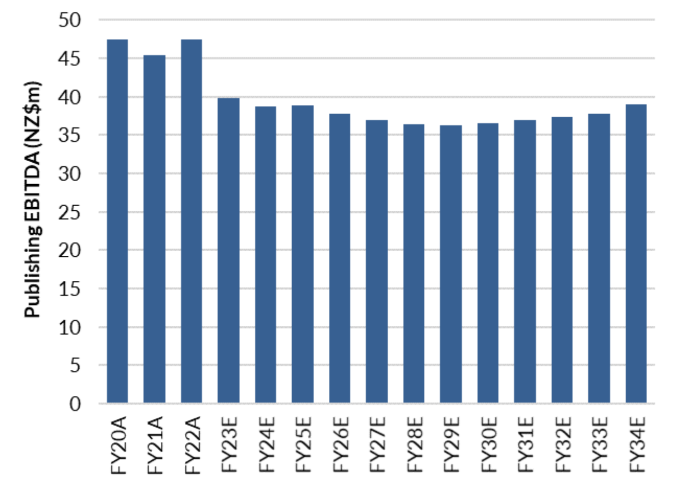
While the decline of traditional print has pressured revenues, the Publishing segment is still NZM's biggest earnings contributor. In FY22, the division contributed ~61% of revenue (NZ$216.8m) and ~73% of EBITDA (NZ$47.4m) However, the secular decline of print subscriptions and advertising revenues will continue to create a challenging backdrop for Publishing. We estimate that revenues will fall marginally in the near term before recovering to FY22 levels in the medium to long term, as growth in digital revenues offsets declines in print subscribers and advertising. We forecast divisional EBITDA to trough in FY29 before growing until the end of the forecast period. A summary of our key assumptions is provided below.

Figure 46. NZM—Publishing revenue stack



Source: Company Data, Forsyth Barr analysis

Figure 47. NZM—Publishing EBITDA

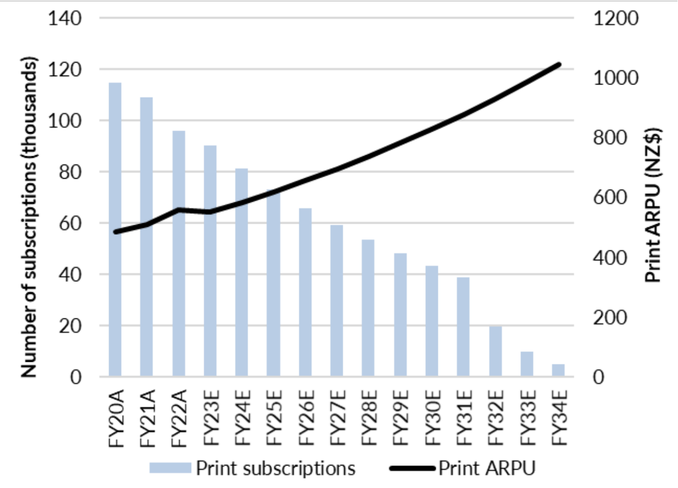


Source: Company Data, Forsyth Barr analysis

1) The decline in print is unavoidable but yield management will help

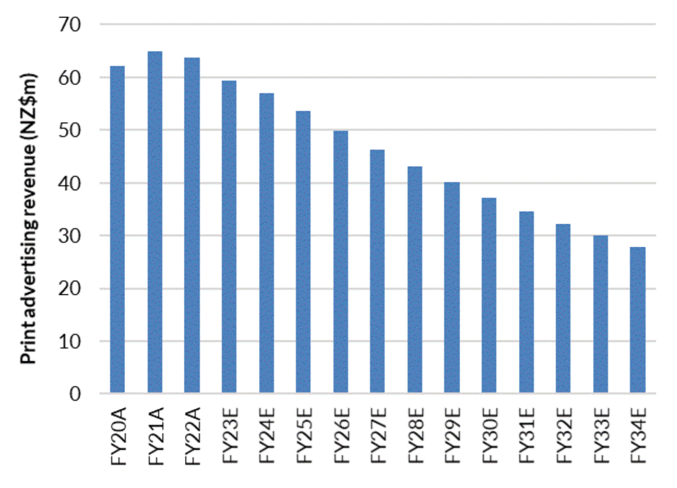
With few signs that the decline in print is moderating, we assume significant falls in both print subscription numbers and print advertising revenues. Over the forecast period, we estimate print subscriptions by number will fall at a -9.6% CAGR until FY31 before seeing more dramatic declines. Similarly, we forecast print advertising revenues will decline at a -6.7% CAGR through to FY34. Despite this, we remain of the view that the traditional print business will remain economically feasible until at least FY30 for two reasons. First, NZM has shown intent to price its print subscriptions aggressively and we expect this to continue (+5.4% ARPU CAGR). Secondly, the re-positioning of print as a distribution channel (with the majority of editorial costs covered by the digital business) has reduced the cost base, with the digital business covering the vast majority of the editorial costs.

Figure 48. NZM—Print subscriber numbers and ARPU



Source: Company data, Forsyth Barr analysis

Figure 49. NZM—Print advertising revenue



Source: Company data, Forsyth Barr analysis

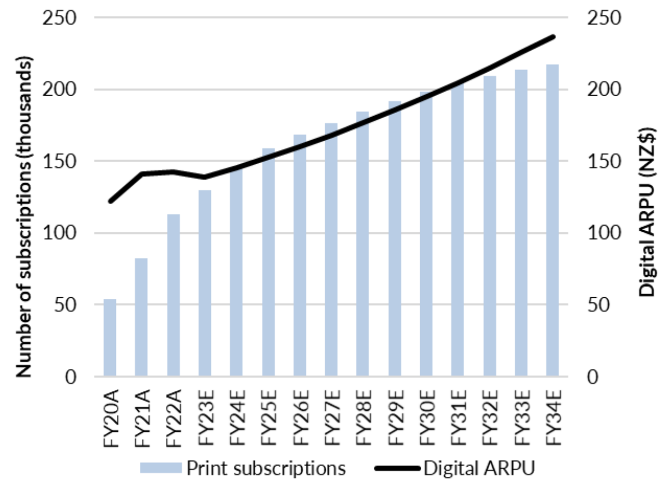
2) Growth in digital subscriptions and advertising revenues eventually outpace declines in traditional print

NZM's two digital revenue streams in the Publishing division, subscriptions and advertising, have both performed strongly in recent years. Since the establishment of Herald Premium, NZM has garnered ~122,000 digital subscribers (June 2023) and generated NZ$16.1m in digital subscription revenues in FY22. Digital advertising revenues have grown at a +7.9% CAGR from FY19 and now represent ~48% of total Publishing advertising revenue (up from ~34% in FY19). While we forecast continued momentum in digital publishing, it will likely be some time before growth can fully offset traditional print declines (our modelling suggests a return to divisional growth in FY28).

We estimate that NZM will be able to grow its digital subscriber base at a +5.6% CAGR by: 1) growing its audience by expanding into regional areas and through key verticals like business and lifestyle, 2) improving the value proposition of its offering through partnerships and bundling, and 3) capitalising on the maturing of the NZ online subscription market as other publishers shift to a subscription model. We also see opportunity for NZM to increase the ARPU of its digital subscriptions. At a weekly price of NZ$6, the digital subscription is priced at a significant discount to an equivalent weekly print subscription at NZ$24. Our view is that NZM will capture some of this latent value gap between its digital and print subscriptions, driving a +4.3% ARPU CAGR. A recent price increase of NZ$1 per week (+20%) was passed through and subscribers have continued to grow, affirming our perspective. However, we are wary that challenging economic conditions will be impacting the resilience of consumers to price increases.

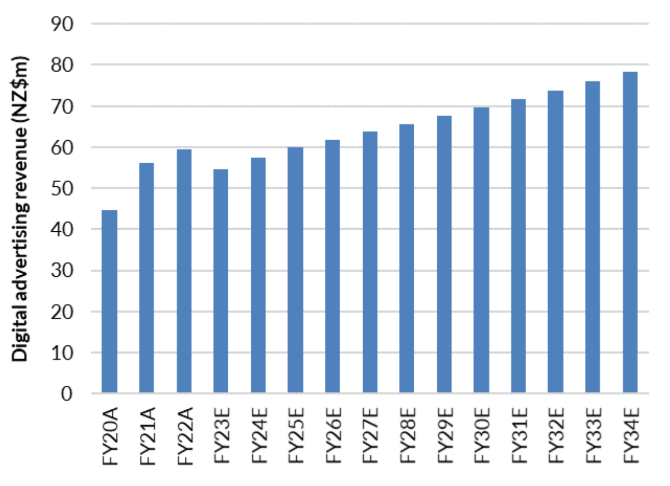
While we believe NZM can continue to grow digital advertising revenues, we think the rate of growth will moderate from elevated levels over the last four years. NZM is well placed to take advantage of growing spending on digital advertising because of its strong premium publisher offering and first-party data offering. However, competition in digital advertising is likely to intensify as global giants like Meta (Facebook) and Google cannibalise audiences, and other international news outlets extend their reach into New Zealand.

Figure 50. NZM—Digital subscriber numbers and ARPU



Source: Company Data, Forsyth Barr analysis

Figure 51. NZM—Digital advertising revenue



Source: Company Data, Forsyth Barr analysis

High quality partnerships

NZM has developed strong partnerships with key global and local publishers to grow its content offering and subscriptions business. Its recent partnership with the Wall Street Journal (WSJ) adds WSJ's business and financial analysis to its BusinessDesk offering. In addition, the partnership offers BusinessDesk annual subscribers the opportunity to bundle in a full WSJ subscription to drive increased retention and acquisition. Furthermore, corporate subscribers will be able to enhance subscription packages to incorporate the WSJ's offerings over coming months. An interesting facet of this collaboration is the inclusion of BusinessDesk's news content in Factiva, Dow Jones' business intelligence tool.

In July of 2023, NZM partnered with NZ magazine publisher Are Media to launch a new digital subscription product under the well known Listener Brand. The new WSJ and Listener partnerships are in addition to existing partnerships with the NYT (for content), Microsoft Start (for distribution of content), and Google News Showcase.

For NZM, partnerships appear to be a strategic move to bolster average revenue per user (ARPU) in both Digital and traditional print domains, lower churn, and develop the content offering to build loyalty and the value proposition.

Changes at Stuff.co.nz

As part of its evolving strategy, Stuff has introduced a paywall for specific regional papers, hinting at a broader emphasis on premium content in the future. The shift towards paywalls is a growing trend in New Zealand's media industry; the NZ Herald, Gisborne Herald, Ashburton Guardian, Whakatane Beacon and the Otago Daily Times have all taken steps towards monetising online content. The change appears in direct response to the evolution of the digital ad revenue model, where once-expected revenues from online advertisements have not materialised due to the dominance of Google and Meta (Facebook).

As the first mover in implementing paid news content, NZM (and the NZ Herald) likely lost some of its audience as some users migrated to Stuff and other platforms with entirely free content. However, with Stuff now also transitioning to a paywall model, and few alternatives for quality national coverage, we expect to see the addressable market for paid online news in NZ grow. Consumers now face paying a subscription fee or missing full news access. Given modern consumers are well acquainted with holding multiple subscriptions for video, streaming and other media, many will choose to pay rather than lose coverage. NZM should be well positioned, relative to Stuff, to capture this opportunity given: 1) it has had several years to refine its premium product, 2) it already has strong penetration in corporate subscriptions, and 3) it benefits from the NZ Herald's status as NZ's leading masthead.

3) Cost control provides some insulation against revenue weakness

As in the Audio division, cost control in Publishing has helped to insulate it from weaker revenue periods. At the 1H23 result expenses fell -2% versus the prior comparable period, showing that NZM continues to have success with cost out initiatives. We forecast similar discipline over the forecast period, with costs falling due to a wind down of print and distribution costs.

4) AI innovation may assist content moderation and speed up non-investigative reporting

NZM is utilising Coral AI (https://coralproject.net/) to enhance its content moderation processes, leveraging machine learning and natural language processing to automate the initial screening of user-generated content, flagging questionable material for human review, and refining the moderation model through continuous learning.

Within the NZ Herald's Business Desk operation, NZM utilises AI to auto-write NZX market releases and articles. We see this development increasing. Nevertheless, at the core of journalism in the future will be investigative reporting, something that NZM continues to pride itself and focus on.

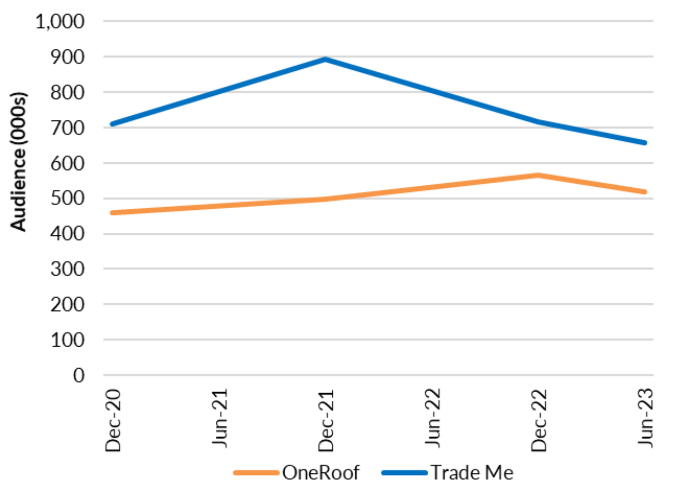
5) Enhanced collective offering

While NZM does have some integration between its online publishing brands, there is still significant runway to streamline user experiences. Some of its brands (e.g. BusinessDesk) operate essentially independently. This approach does have benefits, but can also create challenges for users. For example, a different log-in is required to access premium content on the NZHerald and BusinessDesk. We expect this to be addressed in NZM's pipeline of development, simplifying navigation between the umbrella of brands. This should: 1) improve user experiences, potentially driving higher retention and less churn, and 2) create further opportunities to bundle and upsell.

2.4 OneRoof

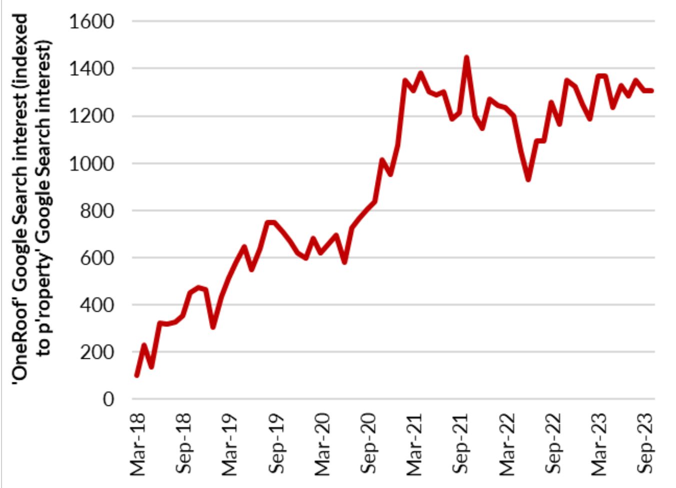
OneRoof is a comprehensive property platform providing listings, insights/market trends and tools for buyers, sellers, and real estate professionals for both residential and commercial real estate. OneRoof has built a strong position in NZ's property market with an estimated 90% of listings being presented on the platform. Its two main competitors are Trade Me (bought by British private equity firm Apax Partners for NZ$2.6b in 2019) and industry owned realestate.co.nz, which both provide somewhat similar offerings. We estimate that around 5% of listing are private sales, which OneRoof and realestate.co.nz do not pursue. The key value proposition for sellers and agents using OneRoof is access to a wider 'passive viewer' coming from the NZ Herald website delivering unique enquiries. We see OneRoof as providing good option value for NZM, especially when the recent downturn ends and listing volumes rebound, with more positive sentiment returning to the property market.

Figure 52. OneRoof and Trade Me Property Audiences



Source: Nielsen Online ratings, Forsyth Barr analysis

Figure 53. OneRoof Google Search interest over time (adjusted)



Source: Google Search interest, Forsyth Barr analysis

A review of the NZ property platforms

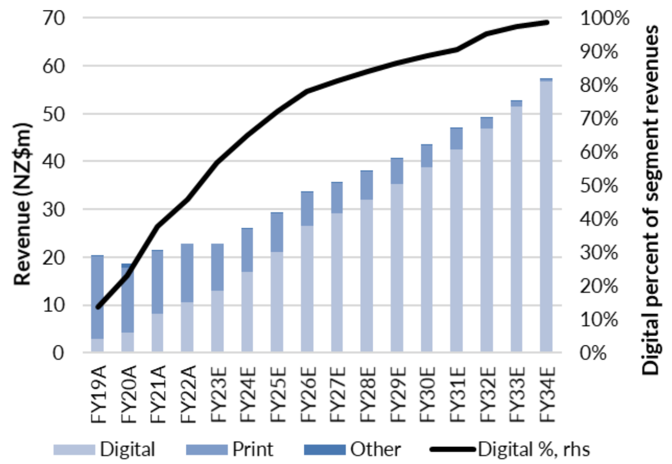
Anecdotal evidence of relevant offerings of Trade Me, OneRoof, and realestate.co.nz. suggests agents consider leads, communication and flexibility as adding value; the use of all three websites at the highest end, for premium listings, is commonplace. Most vendors will accept the advice of the agent to list everywhere. At an estimated combined cost of ~NZ$4k to ~NZ$5k with a premium listing on all three platforms, online advertising is still a relatively small cost when considering agent sales fees.

- **OneRoof**: provides three packages ranging from an estimated ~NZ$750 for its Basic offering and up to ~NZ$1,300 for its Super package. One prominent feature is the marketing available on NZ Herald's and OneRoof's home page using a carousel feature. Social media boosts can be added to listings and this is seen as a positive by agents, as are features like the NZ Herald carousel. OneRoof is perceived to be more innovative than the other two platforms and with a better search function. Its reach is seen as superior when considering the passive viewers of property the site brings and better access to an international pool of buyers via the NZ Herald (the Herald is a popular way for NZers living abroad to keep up to date with news at home). While different for various agents, OneRoof is seen as providing the second-highest level of viewership/lead generation. Given the value being perceived from a OneRoof listing, we expect that price rises to catch up with Trade Me are possible.
- **Trade Me**: is still considered the must-have online channel for property marketing by agents. It offers three packages costing from ~NZ$600 to ~NZ$2,300, albeit before agent discounts or an estimated top end at ~NZ$1,600 post discount. Trade Me is the only site that offers vendor-owned private sales (~4–5% of listings). The company sells its own offering as reaching two audiences with Trade Me Property and homes.co.nz. Users and agents have commented that the site could be modernised as one drawback. Agent feedback is that it provides outstanding 'active' buyer (actively searching for property) enquiries more than any other site, providing the best audience reach. The platform also offers a robust set of features like social boosts and agent branding. Trade Me has put through two substantial price increases during 2022/2023, raising the cost of its Premium offering by +38%. In the market, Trade Me is known to increase its fees regularly; however, it actively works on communication with agents and pitches value well.
- **realestate.co.nz**: offers the simplest and cheapest offerings in the market with three packages starting from ~NZ$350 and ranging up to ~NZ$1,100 for its Platinum offering. Its products appear to lack additional services like lead generation tools and market reports, however, anecdotal evidence says it does provide very good reach and results for total property views, albeit in third place.

2.4.a Financials and forecasts

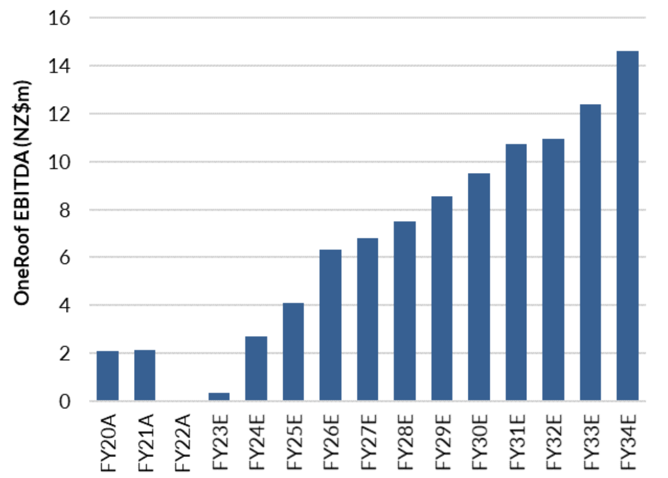
Since its launch, OneRoof has grown its listings share to a level comparable to its competitors, but its contribution to NZM remains small at this stage. In FY22 OneRoof represented ~6% of group revenue (NZ$22.9m) and made a loss of -NZ$1.4m at the EBITDA line. However, its future prospects appear appealing. In the near term, a property market recovery should bring more listings to market, providing a boost to earnings. While over the long term, improving yields per listing (via both price and package up-sell) and closing the revenue gap to Trade Me (NZ$83.9m revenue from property in FY22) are key opportunities. By the end of the forecast period, we think OneRoof could contribute >20% of group EBITDA. Our key assumptions are provided below.

Figure 54. NZM—OneRoof revenue stack



Source: Company data, Forsyth Barr analysis

Figure 55. OneRoof EBITDA

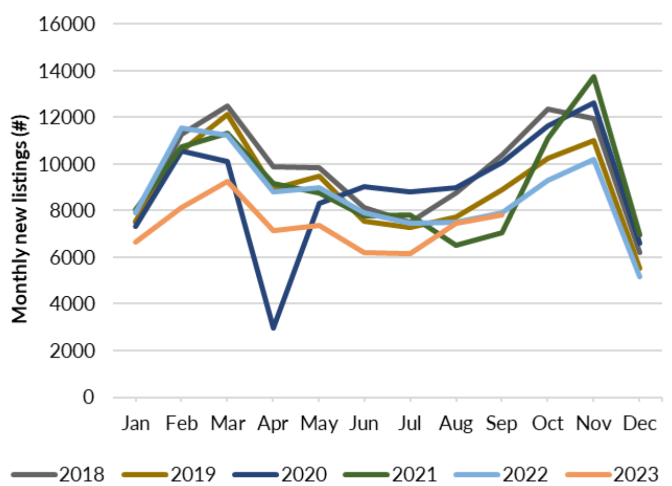


Source: Company data, Forsyth Barr analysis

1) Listings to rebound from suppressed levels, driving a near-term earnings boost

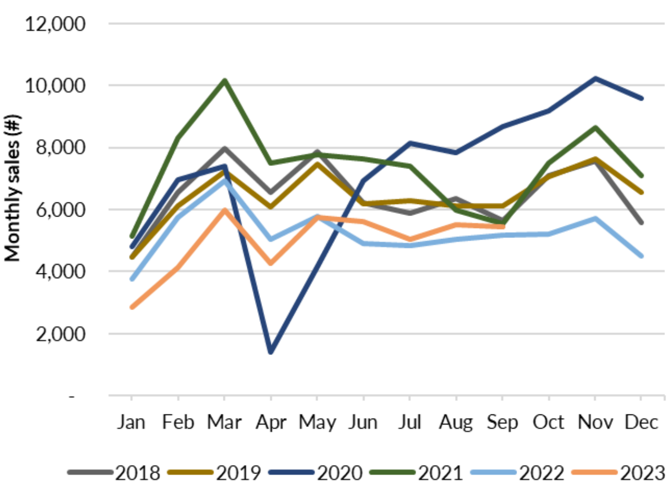
Activity in the NZ property market has been subdued on the back of falling house prices, rising interest rates, and uncertainty surrounding the 2023 general election. NZ property sales were down -11% over the first half of 2023 as compared with the same period last year (see Figure 57). On a sequential basis 1H23 was -6% versus 2H22. Fewer listings have been coming to market, with new listings in the nine months to September 2023 down -16.5% versus the prior comparable period, according to data from realestate.co.nz (see Figure 56). Auckland property inventory remains elevated (see Figure 59). While the significant fall in listings in 2023 is a headwind for OneRoof, we still expect the division to achieve EBITDA breakeven in FY23. Several indicators point to a property market recovery in FY24 including: 1) a stabilising House Price Index (HPI), 2) the likely OCR peak, and 3) the election of a National-led government with a more supportive stance to the sector. If positive sentiment returns and new listings bounce back to FY22 levels it could imply a ~20% revenue gain for OneRoof, ceteris paribus. While the extent of a property revival remains to be seen, it appears increasingly likely that we will see a comeback to some degree, boosting OneRoof's prospects.

Figure 56. NZ residential property listings by month



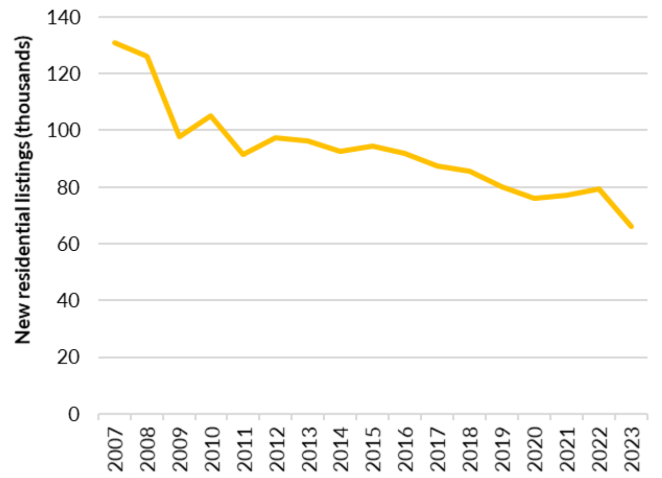
Source: realestate.co.nz, Forsyth Barr analysis

Figure 57. NZ residential property sales by month



Source: REINZ, Forsyth Barr analysis

Figure 58. NZ new residential listings YTD to September



Source: realestate.co.nz, Forsyth Barr analysis

Figure 59. Auckland listing inventory

Source: realestate.co.nz, Forsyth Barr analysis

2) Yield improvements drive robust revenue and EBITDA growth

OneRoof has successfully caught up to its established peers from a listings perspective but lags behind market leader TradeMe from a monetisation perspective. Part of this is attributable to OneRoof not taking on private sales. We see a significant opportunity to close the revenue gap to TradeMe and believe OneRoof is well positioned to do so. OneRoof can improve the yield of its product by: 1) increasing price, and 2) upselling the tier of listing purchased.

On the price side of the equation, OneRoof has historically priced its packages at a material discount to TradeMe as it built its reputation in the market. Now that it is an established player this gap should diminish over time. TradeMe has passed through major price increases in the last twelve months, providing scope for OneRoof to follow suit. We think there is still ample room for collective price increases by TradeMe, realestate.co.nz, and OneRoof as most real estate agents view the visibility these platforms provide as a must-have. The combined cost of listing on all three platforms is still relatively small in the context of other costs associated with selling a house. In a case where price increases force agents to choose between listing on two of the three sites, we see OneRoof's passive reach as unique and may differentiate it from its peers.

We are also confident that OneRoof can improve its monetisation by increasing the average tier of listing purchased. OneRoof has grown the proportion of Auckland residential listings to purchase a listings upgrade from 17.6% in FY20 to 42.6% in June 2023. Increased conversion has been achieved by improving the value proposition of higher-tier listings (listing views and enquiries have increased +64% and +35%, respectively, in 2023) and building strong relationships with agents. Its success in Auckland reflects a deliberate strategy to focus on NZ's property epicentre as it has built its network. Therefore, the percentage of regional listings to purchase a listing upgrade (16.8% in June 2023) lags behind Auckland. Still, this proportion has grown steadily, from just 3.9% in FY20, as OneRoof has invested in strengthening its regional relationships. We expect the gap to Auckland to narrow over time, driving higher yield and revenue from regional listings. Data from realestate.co.nz shows ~65% of new residential listings YTD in 2023 have been outside of Auckland, making this a significant opportunity. OneRoof's track record of improving conversion in Auckland, the opportunity to drive higher regional conversion, and compelling optionality for creating value at premium tiers through leveraging the NZM network reaffirms our view that it can generate higher listing yield over time.

In aggregate, these factors see OneRoof revenue grow at a +8% CAGR and produce ~NZ$15m of EBITDA in FY34 on our estimates.

3) Traditional property print business remains but becoming less important for agents

The decline in traditional print advertising for property can be attributed to the real-time accessibility and broader reach of digital platforms, which offer targeted, data-driven marketing options that are more cost-effective. However, we do not expect a complete transition from print to digital to happen overnight. This is because older demographics, a cafe and coffee viewing of property magazines, and those accustomed with traditional media still value print. Further, premium markets and listings still view print advertising as a premium service.

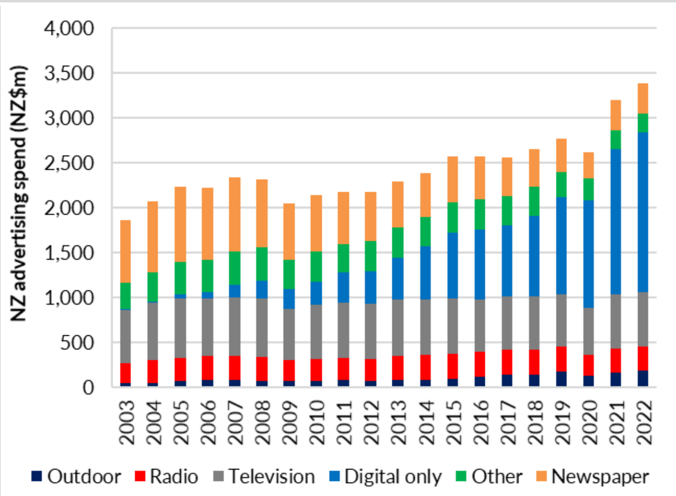
Part 3: The media landscape—local and global trends

3.1 Overview

NZ's media industry echoes broader global trends while maintaining unique local characteristics. The decline in traditional media outlets, such as print and terrestrial broadcast television, primarily due to the proliferation of digital platforms, has redefined the industry. The nation's media ecosystem is consolidated into a handful of key players dominating various segments, including NZME, Stuff, MediaWorks, SkyTV, Warner Bros. Discovery (TV3/Newshub) and state broadcasters TVNZ/Radio NZ and global powerhouses Netflix, Disney+, Google News, YouTube, Meta (Facebook), Apple TV+/Apple Music, Amazon Prime, Spotify and BBC Studios. According to the Advertising Standards Authority (ASA) the media sector saw NZ$3.4b in total ad spending in 2022, a +6% increase against the prior year. By component, digital TV rose by +15%, outdoor grew by +13%, digital news media was up +6%, radio lifted by +4%, newspapers were down -1% and TV fell by -3%. While growth rates for NZ's digital media are promising at +10% in 2022 they come with challenges, not least being the outsized influence of international giants like Meta (Facebook) and Google which claim a substantial share of digital ad revenue in this country.

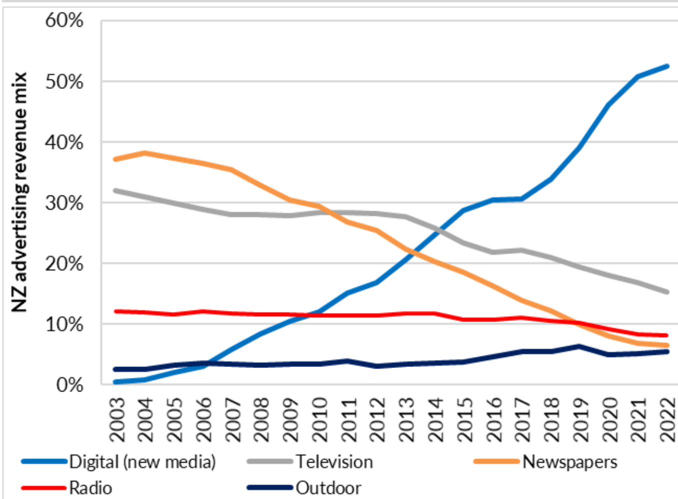
NZ has adopted modern advertising techniques like programmatic (automated buying and selling of ad space) and native advertising ('sponsored' content and stories that blend in with the platform's regular content), influencer marketing, content marketing (blog posts, articles, videos, infographics etc.) and data-driven marketing (analytics to derive insights into customer behaviours and preferences) seen extensively in offshore markets. This may be one reason international companies like Meta (Facebook) and Google, which heavily utilise these new techniques, have taken share. However, these techniques also provide opportunities for local players to improve monetisation and user engagement. Regulatory frameworks around data privacy have also started making global waves. NZ will likely follow suit with NZ's Department of Internal Affairs (DIA) public proposals and subsequent submissions, which closed on 31 July 2023, representing both a challenge and an opportunity for advertisers and publishers.

Figure 60. Share of spend by media type (NZ$m)



Source: ASA, Forsyth Barr analysis

Figure 61. Segment share of ad spend (%)



Source: ASA, Forsyth Barr analysis

3.2 Major challenges and opportunities for the media sector

The challenges

Digitisation is a disruptive force the sector has been dealing with for some time with substantial changes over several key areas:

- Like other global markets, the media industry faces multifaceted challenges in NZ. Perhaps the most pressing is the struggle to maintain profitability in the face of **shrinking advertising revenue**. Traditional print media has suffered the most, mirroring trends in countries like the US and the UK. According to the NZ Herald, print advertising revenue declined by approximately NZ$171m from 2012 to 2017, forcing a drive to digitisation. This has necessitated cost-cutting and caused financial stress among some industry players as customers moved to Google and Meta (Facebook).
- The audience for traditional media is **fragmenting** as people increasingly consume news and information from various sources, including social media, online platforms and streaming services.
- Another challenge that has a global echo is the '**fake news**' phenomenon. Misinformation undermines the credibility of media organisations and has even led to legislative action in countries like Germany and Singapore. For NZ, the challenge is to maintain quality and factual media—with the role of regulatory bodies in ensuring accurate reporting.
- **Social media** platforms are increasingly becoming the primary source of news and information for people, making it more difficult for media companies to control messaging and reach a large audience with their content.
- **Economic** activity is currently subdued and offers a significant headwind to overcome. With high costs in an inflationary market and lower demographic usage, the propensity of younger audiences to pay for online content is at risk.
- The **cost of producing high-quality content** is increasing as media companies compete for talent and resources. This makes it more difficult for media companies to make a profit.
- Media companies with **overleveraged balance sheets** often lack the financial flexibility to invest rapidly in emerging technologies and platforms, potentially ceding ground to more agile competitors.
- The often-muddied integration of **sponsored content** raises concerns about objectivity between genuine editorial content and paid advertorials, which may erode audiences' trust in media institutions. It could also prompt calls for media companies to more conspicuously acknowledge the nature of such content to audiences.
- Balancing the prevention of **hate speech and online harassment** with maximising engagement poses a significant challenge to media companies.

Emerging opportunities

These challenges are accompanied by emerging opportunities, including:

- The first being the potential for **greater collaboration**. For example, media houses have partnered for content sharing and advertising from global giants like Google and Meta (Facebook). This is helping them to reach a wider audience and to reduce costs.
- **Multi-tier subscription-based models** offer another avenue of opportunity. The New York Times in the US has set the standard with its successful digital subscription model, recently reaching 10m subscribers.
- The push towards **niche journalism** represents another untapped opportunity. In other markets they have successfully monetised in-depth sports journalism, demonstrating a market for specialised content. NZ's rich sporting culture could be a starting point for such ventures.
- With increased digital consumption there is a wealth of user data that can **target content creation and personalisation via advancements in technology.** This makes news more engaging and provides new revenue streams through interactive advertisements and premium content while widening audience reach.
- With advancements in **artificial intelligence (AI)** opportunities exist to deeper integrate into newsrooms and apply to **content moderation** (checking content for spam, hate speech and other inappropriate or harmful material). AI is already being used for content creation at NZM's Business Desk and at The New York Times.
- Media companies are building relationships with their audiences through social media, email and other channels by using data and analytics to understand audiences and to **create content tailored** to their interests.
- **Gamified experiences** and interactive video may deepen user engagement and open new monetisation strategies.
- Advanced algorithms facilitate more efficient, **targeted advertising** which optimises revenues.
- The digital media sector can seize the opportunity to **increase pricing** by emphasising the advanced analytics, broader reach and higher engagement rates of digital platforms, offering potentially superior value to traditional media channels.

3.3 The changing landscape of media regulation in NZ

NZ's media and online content regulation environment will soon experience a pivotal transformation. The nation's regulatory framework currently sits under the Films, Videos and Publications Classification Act 1993 and the Broadcasting Act 1989. Both Acts were written with traditional categories of analogue media in mind. However, this regulatory approach has aged as the media world has rapidly evolved, driven by global digital platforms. The Department of Internal Affairs (DIA) has recognised this. In 2021 it embarked on a comprehensive review to overhaul the system to make it modern, flexible and more aligned with the current digital landscape.

DIA's proposed regulatory model

The DIA's recommendations revolve around a single, technology-neutral framework encompassing traditional and social media platforms. This unified approach is expected to streamline the currently fragmented regulatory environment and make it more navigable for content providers and consumers alike. The new framework will:

1. Adopt an '*industry regulation model*' with primary legislation establishing overarching consumer safety goals while industry-developed codes of practice define the detailed standards and processes.
2. Establish a new, independent regulator to oversee compliance, approve industry codes and issue penalties for non-compliance.
3. Expand the take-down notice system to cover a broader spectrum of illegal content.
4. Prioritise consumer awareness and education, enabling them to make informed content consumption decisions.

Effectiveness and implementation of the new regulatory model

The success of such a principles-based, industry-regulated approach remains to be determined, especially given NZ's unique position in the global market. However, the key to its success will hinge on clear guidance from regulators, proactive enforcement and penalties proportionate to the violation. Flexible regulations often tread the line of ambiguity, and without crystal-clear guidance and proactive enforcement, businesses might grapple with understanding their exact obligations. On the other hand, proportionate penalties are vital to ensure that larger platforms are sufficiently deterred from violations, setting an example for smaller entities.

Evolving privacy regulation

Impending data privacy regulations are being rewritten in many countries, such as the General Data Protection Regulation (GDPR) in Europe and the California Consumer Privacy Act (CCPA) in California. New Zealand's Privacy Act 2020, which came into effect on 1 December 2020, introduced several substantial changes to the country's privacy landscape that aligned it more closely with international standards, particularly in light of the EU's General Data Protection Regulation (GDPR). The Act emphasises the importance of protecting personal information in an increasingly digital age. Among its key features are mandatory reporting of privacy breaches, stricter controls over the disclosure of personal information overseas, and new powers for the Privacy Commissioner. While the act primarily focuses on data privacy and the rights of individuals, its implications extend to New Zealand's digital markets by enforcing accountability on digital platforms and service providers to safeguard user data, ensuring that they maintain transparent data practices and foster a more secure and trustworthy digital economy.

Personalised ad blocking

Apple has implemented several controversial ad-blocking measures on its devices in recent years, including the App Tracking Transparency (ATT) feature in iOS and the Intelligent Tracking Prevention (ITP) feature in Safari. At its core, Apple suggested that users should have control over their data and be able to opt out of tracking. These features make it more difficult for advertisers to track users across apps and websites and have significantly impacted the personalised advertising businesses of Google and Meta (Facebook). ATT requires apps to ask users for permission to track their activity across other apps and websites. Many users have chosen to opt out of tracking, limiting the amount of data advertisers have to target ads. ITP prevents third-party cookies from being tracked across websites, making targeting ads more difficult. First-party data collected directly from users becomes more critical in this environment. At the same time, publishers argue that they reduce the amount of revenue that they generate from advertising. However, large incumbent operators may benefit from these ad-blocking measures. They are also developing new ways to target ads without relying on third-party tracking.

3.4 Global media companies: A deeper dive into digital transition success stories globally

The media landscape has experienced substantial shifts over the past few decades, primarily driven by digitisation. With print revenues dwindling, several global newspaper companies have had to pivot sharply towards digital to survive and thrive. Below we examine how some of the global industry's leaders outperformed during this transition. We start with the New York Times which stands out as a beacon for traditional media's possible resurgence in the digital age.

a) The New York Times (NYT)

The New York Times

The NYT's transformation has resulted from a well-thought-out strategy, management's foresight and the relentless execution of digital initiatives. Under the leadership of A.G. Sulzberger, chairman of The New York Times Company, and Meredith Kopit Levien, CEO, the management has consistently emphasised the need for digital transformation. In a shareholders' meeting in 2H21, Sulzberger noted, '*Our ambition is to make our report indispensable by being relentlessly relevant and available to our readers everywhere.*' This sentiment encapsulates the strategic push towards digitisation. In her 1H22 commentary, Levien highlighted, '*Our aim is not just to navigate the digital transformation but to lead it.*' This proactive approach underscored the company's goal to be ahead of the curve, not merely catching up.

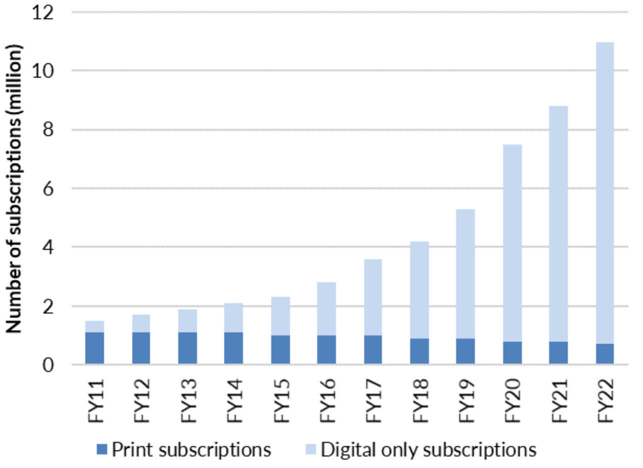
See https://www.nytimes.com/ for more information.

The parts of the transformation were:

- **Digital subscription model**: NYT boasts 10m digital-only subscribers and is well ahead of its target to reach 10m by the close of FY25, set only a few years ago. The paper introduced various digital subscription tiers catering to diverse reader needs, from 'Basic' to 'All Access'. Adding a separate 'Crosswords' and 'Cooking' subscription tapped new audience segments to drive incremental revenue.
- **Innovative content platforms**: 'The Daily', a NYT podcast, garnered millions of listeners, becoming a prominent news source for many. Management, recognising this success, further expanded its audio offerings. Features like 'The 1619 Project', which married rich multimedia content with in-depth journalism, showcased the company's innovation in storytelling.
- **Technology and personalisation**: Utilising advanced AI algorithms, the NYT started offering readers a customised content feed. As Levien mentioned in a 3Q21 conference, '*By understanding our reader's habits, we can offer stories that matter most to them.*' Continuous refinements, based on user feedback and engagement metrics, have made the mobile app more intuitive, driving a +12% increase in user sessions year-on-year in 1H23.
- **Diversifying revenue streams**: While many papers saw a decline in digital advertising, the NYT's strategy to focus on high-quality, non-intrusive ads paid off. Branded content, through 'T Brand Studio', provided advertisers with a platform for storytelling, boosting ad revenues in FY22 by +9%. 'Wirecutter', a product recommendation service, has added a new revenue stream. By integrating these recommendations into related articles the NYT ensures a seamless user experience while driving affiliate sales.
- **Global expansion**: Recognising the global appeal of its content, the NYT launched a dedicated international digital edition. Management's commentary in 2H22 highlighted a +15% subscriber growth in international markets against the prior year. To resonate with global readers the paper introduced region-specific content, enhancing its relevance to a broader audience.

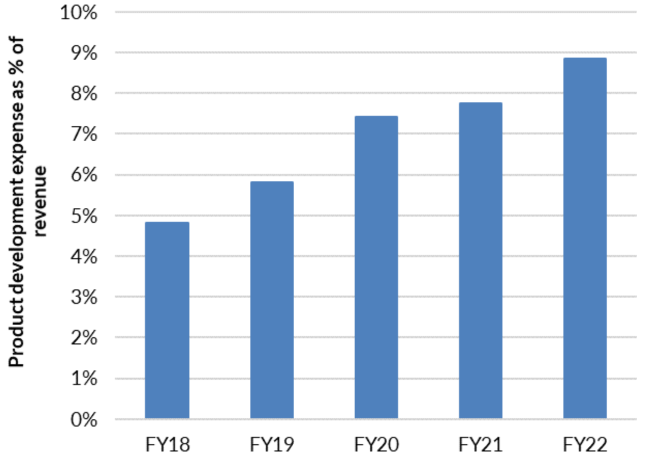
Despite the impressive strides, challenges like managing the print-to-digital revenue transition and combatting digital misinformation persist. Management, however, remains optimistic. Levien, in a recent commentary, acknowledged these challenges but reinforced, '*Our commitment to truth, integrity, and reader trust will guide us through these challenges.*' The NYT's journey exemplifies that, even in a digitally disruptive environment, quality content backed by strategic innovations can drive success. Management's forward-looking vision and the company's relentless execution have not only navigated the tumultuous waters of digital transition but have also set a benchmark for global media enterprises.

Figure 62. NYT—Number of print and digital subscriptions



Source: NYT, Forsyth Barr analysis Forsyth Barr analysis

Figure 63. NYT—Product development as a % of revenue



Source: NYT, Forsyth Barr analysis

NYT's recent financial performance

The NYT has showcased financial resilience amidst industry upheavals. For the quarter ending in June 2023, the company witnessed a solid rise in its adjusted operating profit to US$92.2m, a +21% lift from US$76.2m in the same period last year. Total revenue rose +6% from the previous year to US$590.9m. It was helped by the +7% lift in revenue from digital and print subscriptions, which amounted to US$409.6m. While digital advertising increased by +7%, reaching US$73.8m, its print counterpart experienced a downturn of -9%, down to US$44m. A noteworthy development has been the increasing prominence of NYT's product recommendation website, Wirecutter, which contributed to the uptick in revenue from other sources.

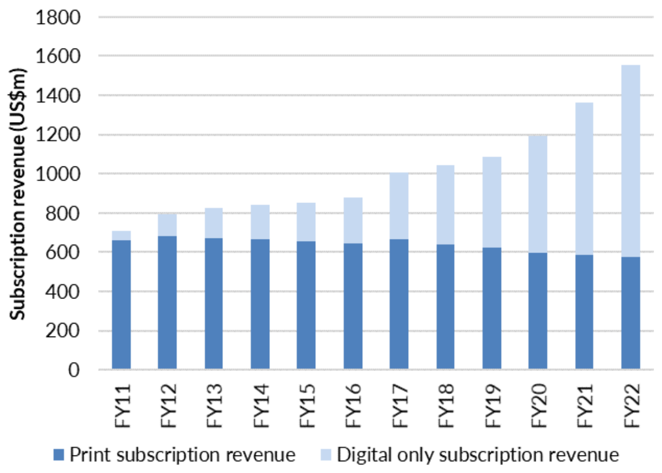
In the company's 8 August 2Q23 earnings conference call, CEO Meredith Kopit Levien emphasised the tangible successes of the company's core subscription strategy. Notably, this strategy has facilitated subscriber volume and ARPU growth, fostered enhanced engagement that spurs growth across diverse revenue avenues and granted the company leverage in cost control. These accomplishments underpin the organisation's expansion into a larger, more profitable entity, reinforcing its commitment to producing premier, wide-ranging journalism across various topics and mediums. Regarding subscription metrics, as of the end of June 2023, NYT boasted nearly 9.9m subscribers encompassing both print and digital realms, with 9.2m being exclusive to digital. Adding +780k net digital-only subscribers in the preceding 12-months underscores the brand's growing digital footprint. The CEO highlighted that a significant portion of this burgeoning subscriber base is now affiliated with multiple NYT products. This multi-faceted portfolio includes core news, Cooking, Games, Wirecutter and The Athletic. Notably, The Athletic, acquired for US$550m in 2022, although incurring a US$7.8m loss this quarter, depicted a significant reduction from last year's US$12.6m loss, with its revenue surging +55% to US$30.4m.

On assuming his new role as CFO, Will Bardeen underscored the organisation's leadership in the global market and the promising opportunities ahead. Bardeen acknowledged a harmonious relationship between the company's journalistic endeavours and its financial prosperity. Detailing 2Q23 key results, Bardeen mentioned the rise in digital-only subscription revenues stemmed from a substantial cohort of: 1) subscribers paying premium rates in conjunction with, 2) acquiring +180k new digital subscribers in 2Q23. The firm now boasts over 3m digital-only bundle and multi-product subscribers, marking a twofold growth against the previous year.

The digital transition

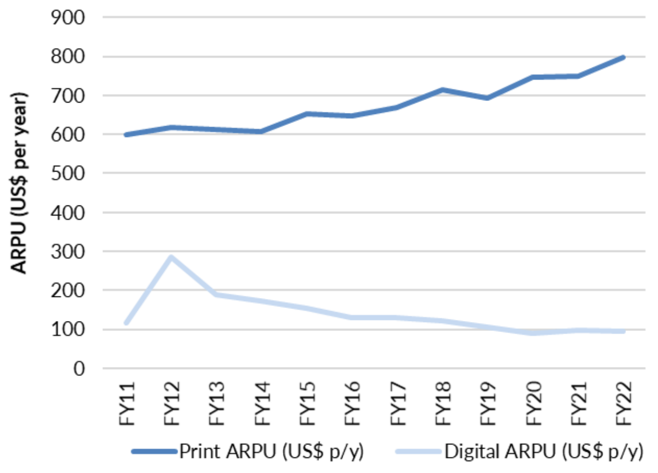
Digital-only average revenue per customer (ARPU) for the quarter was US$9.15, a +1.2% sequential rise and +3.6% year-on-year increment, primarily due to price hikes for long-standing single-product subscribers. The overall ad revenue remained stable for the quarter, with digital advertising revenue marking a +7% uptick to US$74m. This lift was due to first-party data products across The Athletic and The New York Times Group. Contrarily, print advertising saw a decline of -9%. 'Other revenues' surpassed expectations, growing by +16% to US$64m, attributed to unanticipated Wirecutter affiliate revenue, and TV and film income. Bardeen stated that adjusted operating cost growth was +4% for the quarter—with investments in journalism and product innovation. The reported adjusted operating profit (AOP) for the quarter was US$92m, up +US$16m against the prior year. The company's business model yielded an impressive free cash flow, amounting to almost US$109m in 1H23.

Figure 64. NYT—Print and digital subscription revenues



Source: NYT, Forsyth Barr analysis

Figure 65. NYT—Print and digital ARPU



Source: NYT, Forsyth Barr analysis

Figure 66. NYT—Income statement (US$m)

	FY18	FY19	FY20	FY21	FY22
Revenues					
Digital	401	460	598	774	979
Print	642	623	597	588	574
Subscription revenues	1043	1084	1195	1362	1552
Digital	259	260	229	309	318
Print	299	270	164	189	205
Advertising revenues	558	531	392	498	523
Other	148	198	196	215	233
Total revenues	**1749**	**1812**	**1784**	**2075**	**2308**
Operating costs					
Cost of revenue	(948)	(989)	(960)	(1040)	(1209)
Sales and marketing	(271)	(273)	(229)	(295)	(268)
Product development	(84)	(106)	(132)	(161)	(204)
General and administrative	(197)	(207)	(224)	(250)	(289)
Depreciation and amortisation	(59)	(61)	(62)	(58)	(83)
Total operating costs	**(1559)**	**(1635)**	**(1607)**	**(1803)**	**(2053)**
Other operating adjustments	0	(2)	0	(4)	(54)
Operating profit	190	176	176	268	202
Other components of net periodic benefit costs	(8)	(7)	(89)	(10)	(7)
Gain from joint ventures	11		5		
Interest income and other, net	(17)	(4)	23	33	41
Income from continuing operations before income taxes	176	164	115	291	236
Income tax expense	(49)	(24)	(15)	(71)	(62)
Net income	**127**	**140**	**101**	**220**	**174**
Non-controlling interest	(2)	0	(1)	0	0
Net income to shareholders	126	140	100	220	174

Source: NYT, Forsyth Barr analysis

Looking ahead to 3Q23, the company anticipates an +8% to +10% rise in total subscription revenues, with digital-only subscription revenue projected to ascend between +14% to +17%. Advertising revenues were likely to remain flat, while other revenues are expected to lift by +13 to +16%. Operating costs are expected to grow by approximately +5 to +7%, with adjusted operating costs increasing by +5 to +8%.

b) The Guardian—UK

Guardian News & Media (GNM) is one of the world's leading English-language news websites and a six-day-a-week newspaper. It controversially has adopted a voluntary membership model. By the end of FY23, it successfully generated significant revenue through this strategy, with readers contributing regularly (from just £2 a month). Digital master classes, webinars and live events have been instrumental in offsetting print revenue declines. Its in-house branded content team, The Guardian Labs, has collaborated with major brands, further boosting revenues. Real-time updates, live blogs and interactive opinion polls reflect The Guardian's prioritisation of its online platform. The newspaper had ~1.1 million digital subscribers in 2023, +16% from the year prior. In 2023, digital subscription revenue grew +8%, accounting for ~70% of the newspaper's total revenue. The Guardian no longer publishes its print circulation numbers but will be sub 100k. Total revenue was UK£264.4m, +3%, and it produced an operating profit of UK£24m. Its CEO commented, '*The Guardian is becoming a truly global news organisation with more than one million paying digital supporters in addition to our print subscribers and one-off contributions. In a difficult economic climate we have continued to invest in quality journalism and in our digital business capabilities to advance this strategy which has brought revenue growth and a continued rise in digital reader revenues from across the globe. Despite challenges across the global media industry, we will continue to invest and build a platform for long-term success.*'

See more at www.theguardian.com/

c) Dagens Nyheter—Sweden

Dagens Nyheter (DN) is a Swedish daily newspaper widely considered to be Sweden's leading newspaper. DN's adoption of data analytics tools provides insights into trending topics and reader habits, enabling timely content curation. This data-centric approach yielded a +15% rise in daily page views in FY23. 'DN Ung' is a dedicated section that caters to Gen Z readers with content tailored to their interests. Collaborations with influencers and youth icons further cement its appeal. DN's contemporary digital layout and consistent branding, from newsletters to social media, resonate with a digitally native audience.

See more at www.dn.se

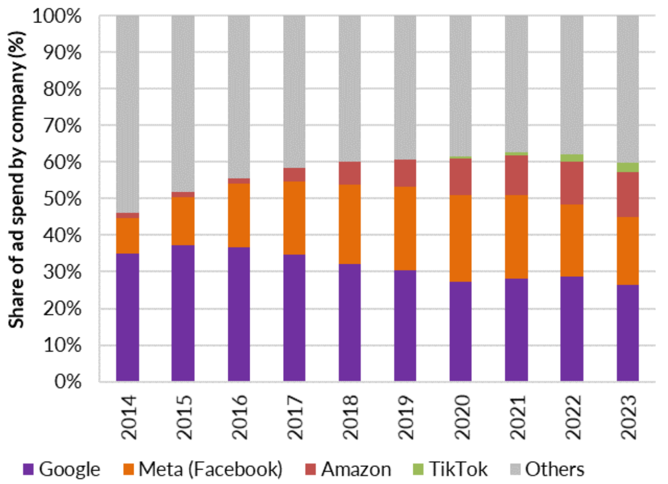
3.5 The influence of Google and Meta (Facebook) and growing influence of other platforms

The influence of global tech giants, notably Google (also owner of YouTube) and Meta (owner of Facebook, Instagram and WhatsApp) have been profoundly reshaping the media landscape globally. These platforms have transformed how news/information is consumed and disseminated, posing ever-increasing competition for local media companies. While traditional media outlets in NZ have grappled with changing consumer behaviour and declining revenues, Meta and Google have capitalised on these shifts, capturing significant advertising revenues and data. In response, traditional media companies have pivoted toward subscription models and diversifying income streams to supplement declining advertising revenue. Despite pivots to subscription models by traditional media, the unparalleled scale, data analytics and algorithmic targeting of these tech giants present a formidable challenge in the battle for advertising revenue.

The 2023 Reuters Digital News Report illustrates the evolving landscape of the news industry and the profound impact of tech giants like Facebook and Google on how news is consumed and distributed. While Facebook has strategically reduced its news content, it remains a key player in viewership. However, it faces emerging competition from more recent platforms like TikTok, which are rapidly gaining popularity among younger demographics. With its search algorithms, Google is hugely influential. These global platforms have now become the modern gatekeepers of information, a role that has led to declining trust in traditional media outlets, as noted in the Reuters report. As such, these tech giants face increasing public scepticism about their role in news dissemination.

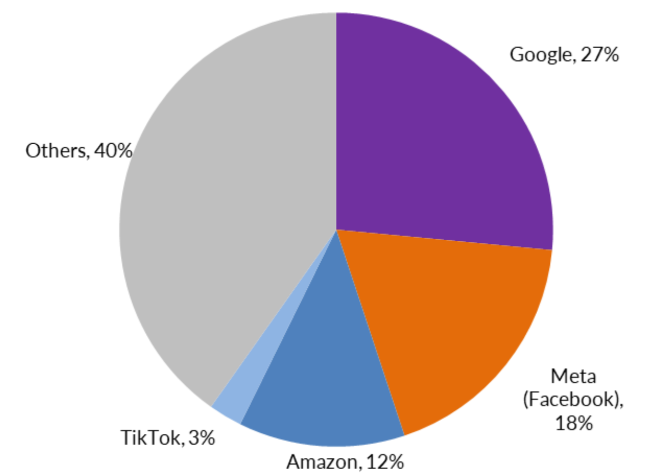
In 2023, research from Insider Intelligence showed that Google, Meta, Amazon and TikTok had captured a staggering 60% of the US's digital ad market (see Figure 67).

Figure 67. Share of US digital agency spend



Source: Interactive Advertising Bureau, Forsyth Barr analysis

Figure 68. Share of US digital ad spend by company



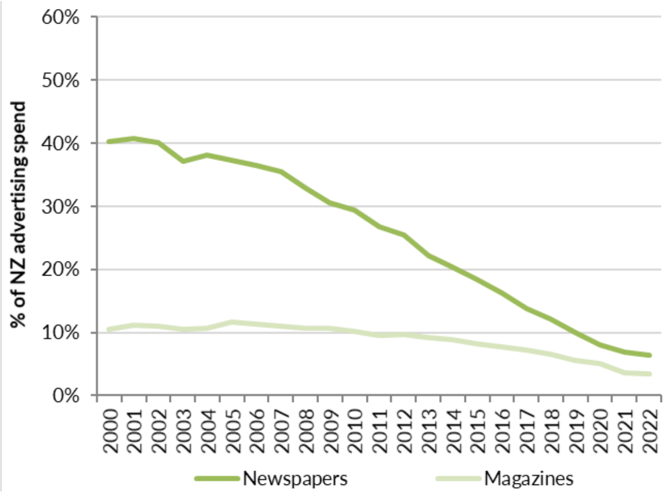
Source: Interactive Advertising Bureau, Forsyth Barr analysis

3.6 Segments of the media and advertising markets

a) Print/publishing media

NZM and Stuff lead NZ's traditional print market. As in international markets, there has been a steady decline in print readership and advertising revenue. Few players have pivoted effectively in this challenging landscape; however, the New York Times is an example of a company that has focused heavily on digitisation, premium content and a subscription-based model to meet the challenge. NZM launched digital subscriptions for the NZ Herald in 2019, with premium content locked behind a paywall. The goal is to add a revenue stream that is not solely dependent on ads, which is increasingly moving to fragmented digital platforms. Many have also tried to diversify their portfolios by starting to offer ancillary services—to mixed success. Thus, while print media in NZ faces existential threats, the sector is far from conceding defeat, looking to successful models overseas for survival and growth. Traditional print as a segment (newspapers/magazines) represents ~9% of the NZ ad market (see Figure 69).

Figure 69. Newspaper and magazine share of NZ ad spend (%)



Source: ASA, Forsyth Barr analysis

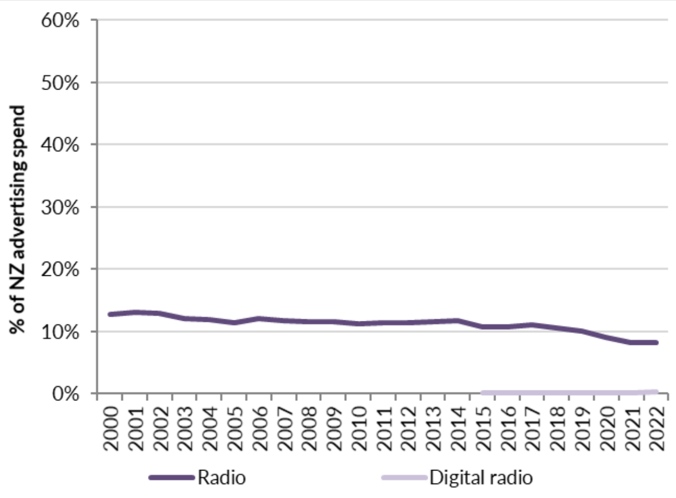
In no other media segment is digital disruption more evident than in the traditional print/publishing segment—driven by the decline in ad revenue and the rise of fragmented digital media. While some media companies are successfully transitioning to digital subscriptions, many struggle to replace revenues dollar for dollar along with the increasing cost of producing content. Companies can choose either an ad-driven offering, paywall path or commonly, a blend of the two. However, three challenges come from this: 1) the overwhelming share of ad revenue taken offshore by Google and Meta (Facebook), 2) digital subscription ARPU is lower than for print subscriptions, and 3) audiences are fragmented with numerous ways to access free digital content. Despite these challenges, the transition is necessary for the traditional publishing media industry to survive. The NZ Herald has done better than its local and international peers in holding up circulation numbers (see Figures 43 and 45), although data in the last few years is no longer available or being collected.

In digital news newshub.co.nz (owned by Warner Bros Discovery) comes in third place behind Stuff and the NZ Herald site. Newshub enjoys reasonable share of social referral traffic—predominantly from Meta (Facebook). However, lags behind Stuff and the NZ Herald in terms of engagement.

b) Radio

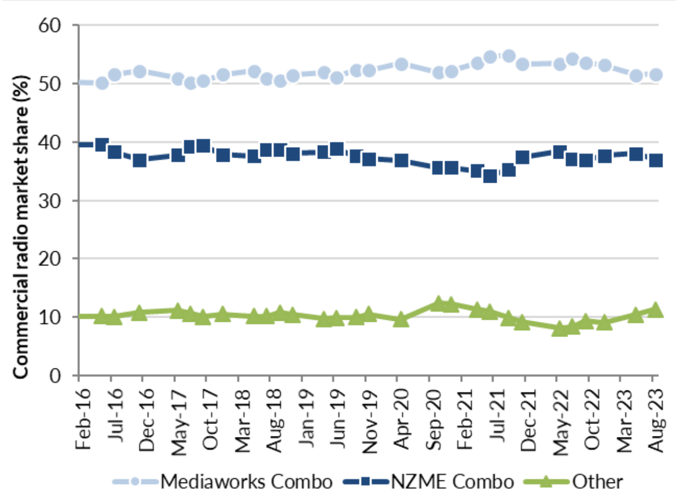
Radio broadcasting in NZ is dominated by key players NZM and MediaWorks. While radio's demise has been predicted for years, it still remains a potent medium for local advertising. Australian radio has successfully integrated digital platforms to create brand personalities, podcasts and live-streaming services, thereby supplementing their traditional income streams. NZM and MediaWorks are following suit. Both have made concerted efforts to go beyond mere broadcasting, including a foray into interactive digital platforms that offer a more holistic brand experience. Similar to how Australian radio stations have embraced social media for real-time engagement, NZ companies are also engaging listeners across multiple touchpoints. While traditional radio broadcasting faces challenges from streaming services like Spotify and Apple Music, the integration of digital and interactive elements ensures that radio remains a relevant and effective entertainment medium in the modern media landscape. Radio is estimated to represent ~8% of the NZ ad market.

Figure 70. Radio share of NZ advertising spend (%)



Source: ASA, Forsyth Barr analysis

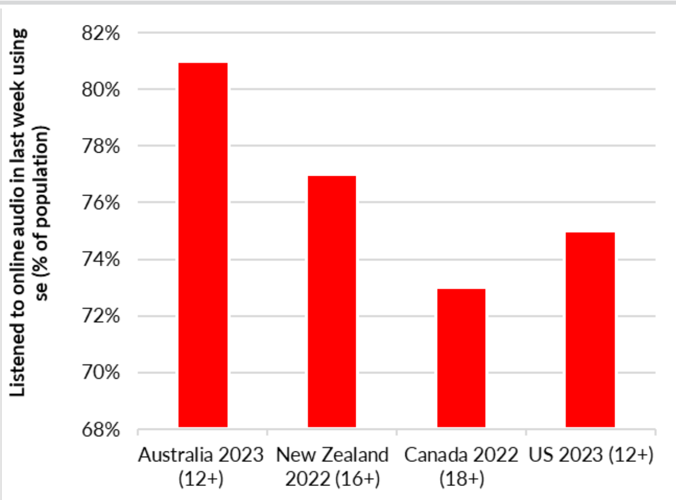
Figure 71. Market share of NZ radio by owner (%)



Source: GFK, Forsyth Barr analysis

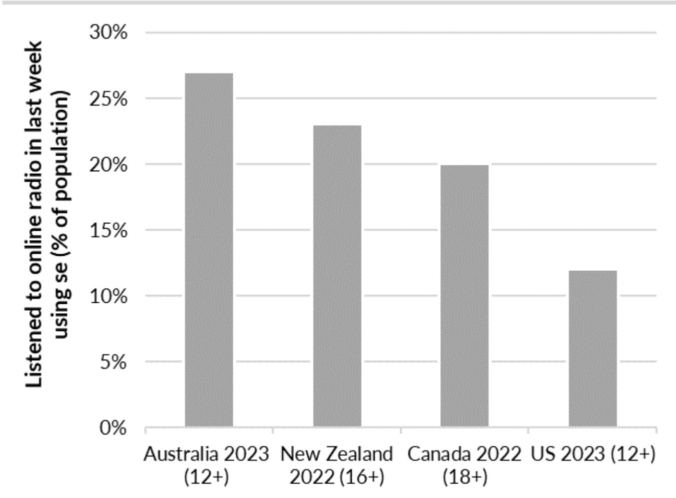
As with other media types, radio is also transitioning to a digital world. This is due to the increasing popularity of digital platforms, such as Spotify and Apple Music. According to the International Music Summit Business Report 2023, Spotify commands ~31% of the global streaming market while Apple Music follows with 14%. Globally, listenership remains solid with high levels of weekly terrestrial (AM/FM) radio listening despite the hours listened to falling. People increasingly use smartphones and other devices such as smart speakers to listen to music, podcasts and other audio content. Despite the decline in radio listening, there are still some positive trends for the industry. The number of people listening to digital radio is increasing and the transition provides new opportunities for radio broadcasters. For example, digital radio allows broadcasters to offer more personalised content and target specific audiences. Additionally, digital radio can deliver live news and information, which is desired in the digital age.

Figure 72. Global online audio audiences



Source: CRA, Forsyth Barr analysis

Figure 73. Global online radio audiences



Source: CRA, Forsyth Barr analysis

In the constantly evolving radio landscape one noteworthy shift has occurred with Radio New Zealand (RNZ) seeing a pronounced decline in its listenership. In 2020 it was NZ's highest audience station with a national audience of 654,306. Since then RNZ has descended to fifth (now with three music stations ahead of it), registering 532,351 listeners. In contrast, Newstalk ZB, owned by NZM, has risen from 536,499 listeners in 2020 to secure the top position in 2023 with 677,643 listeners. MediaWorks also briefly entered the news/talkback segment with its 21 March 2022 launch of Today FM. However, the station was taken off the air one year later, on 30 March 2023, with industry talk of heavy losses following already diminishing audience trends. Radio New Zealand's decline and Today FM's exit have solidified Newstalk ZB's market position.

The financial position of RNZ appears increasingly precarious, as detailed in letters from the outgoing Labour government that reveal the looming fiscal strain for these public entities. RNZ, grappling with increased staff costs, is forecast to close the 2022/23 financial year with a considerable deficit. This is despite a NZ$118m governmental lifeline spread over four years aimed primarily at service maintenance and digital platform innovation. This forecast deficit contrasts with the previous year's surplus, which included a windfall gain on a property valuation rather than operational profitability.

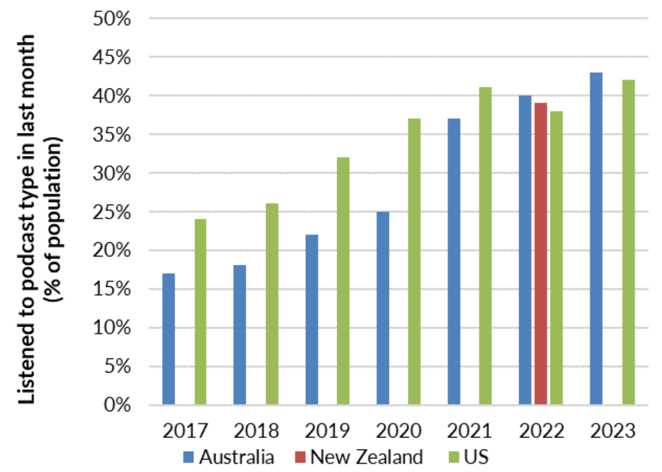
c) Podcasts and audio streaming

While international platforms like Spotify, Apple Music, YouTube and Google Podcasts dominate this space, a growing number of local providers offer curated content specific to the NZ market (NZM's iHeartRadio is an example where users can listen to music, radio and podcasts, all for free). This segment offers advertisers a platform to connect with targeted audiences given the demographic and psychographic (classifications according to attitudes, aspirations and other psychological criteria) data that these platforms can provide. The segment allows for sponsored content, native advertising and traditional ad spots. What makes it particularly lucrative is the intimate nature of audio consumption. Listeners often form a connection with podcasts and their hosts, resulting in higher levels of trust and engagement compared with other forms of media. This allows brands to integrate themselves more subtly into content, providing value rather than merely pushing sales messages.

Offshore markets, particularly the US, offer a model of the future for NZ. In the US, podcasts are increasingly used for storytelling by brands, political campaigns and even for educational purposes, extending the medium's reach beyond mere entertainment. There are also trends of podcasts adapting into other formats like books, television shows and live events, widening the scope for tie-in advertising and sponsorship deals. The increasing competition from Australian players entering the NZ market is worth noting, offering high-quality content with an already established following. Brands must navigate this competitive landscape by leveraging unique local content and effectively utilising audience data for targeted advertising.

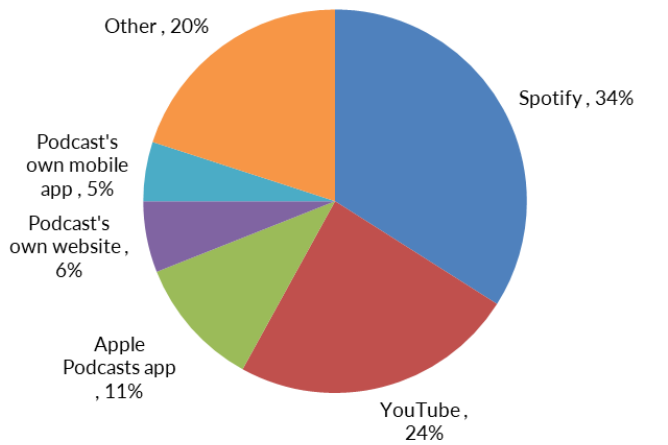
However, industry challenges do exist, especially in the form of **ad-blocking technologies** and **data privacy concerns**. Advertisers must tread carefully to ensure they are not intrusive, aligning their messaging with the content to enhance listener experience rather than disrupt it.

Figure 74. Global podcast listening



Source: CRA, Forsyth Barr analysis

Figure 75. Services most used to consume podcasts (Australia)

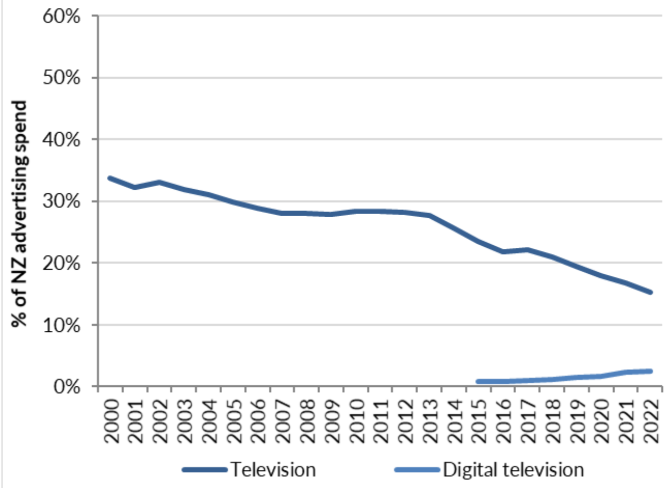


Source: CRA, Forsyth Barr analysis

d) Television broadcasting, pay-TV and subscription video-on-demand (SVOD)

Locally produced terrestrial television broadcasting in NZ is a oligopoly with TVNZ, Warner Bros Discovery (that owns TV Three) and Sky TV offering paid TV services. However, platforms like Netflix, Amazon Prime, AppleTV+ and YouTube, to name a few, have revolutionised content consumption globally, encouraging a shift towards on-demand viewing. TVNZ has responded to these global shifts by launching TVNZ OnDemand, and TVNZ+, offering free and on-demand content akin to the successful models in other markets. Warner Bros Discovery has also entered the streaming wars with its ThreeNow platform. While TV audiences decline, the role of quality content and its delivery method has never been more critical. The lessons from offshore markets make it abundantly clear that the future lies in digital, on-demand services and NZ sector players are attempting to adapt. We estimate that TV represents around 15% of the NZ ad market, down from more than 30% twenty years ago (see Figure 76).

Figure 76. Television share of NZ advertising spend (%)



Source: ASA, Forsyth Barr analysis

In October 2023, TVNZ released its results for the year to June 2023, with revenue of NZ$327.6m (-4% on FY22) and an NPAT of NZ$1.7m (down -78%). Digital revenue, however, grew by +14% year-on-year. TVNZ will not pay a dividend. TVNZ anticipate a loss of ~NZ$15.6m for the FY24 fiscal year. Investment in the broadcaster's capabilities to deliver content over the internet will place significant pressure on TVNZ's bottom line in the coming years, as the group's new IP platform, involving a shift to a cloud-based engine, and its more comprehensive digital transformation programme are projected to cost more than NZ$100m over four years. In early November 2023, TVNZ consolidated its executive structure, reducing from ten to seven members, resulting in the departure of three top executives amidst a strategic shift towards a sustainable digital-first business model. This was part of the ongoing financial strain from a decline in ad revenue, as TVNZ signalled plans to cut content production, programming and operational spending.

The **subscription video-on-demand (SVOD)** segment has been the rapid growth segment of the landscape in NZ, mirroring trends seen in international markets. This sector has attracted a mix of players, both local and international. Global giants like Netflix, Amazon Prime and Disney+ have a substantial footprint, while local services like TVNZ OnDemand and Sky Network Television's (SKT) Neon operate as local aggregators. For advertisers, SVOD presents both challenges and opportunities. The paid nature of these platforms generally means they are ad-free, but some hybrid models incorporate some advertising. Hulu in the US offers ad-supported and ad-free subscriptions. Also noteworthy is the trend of product placements within the shows, offering a subtler form of advertising. The insights from overseas markets show an increasing trend of disaggregated platforms catering to specialised interests, from sports, to specific genres of movies and shows.

This segmentation offers brands opportunities for highly targeted advertising, albeit in different formats. These platforms can collect richer data on user behaviour, used to leverage highly targeted, less intrusive advertising. Australian media companies' experiences have shown that local content is a significant factor for success in SVOD, even when competing with international behemoths. Exclusive rights to popular shows or sports events can act as a differentiator, pulling in a specific audience that advertisers can tap into. This underlines the need for collaboration between content creators, platforms and advertisers to create mutually beneficial ecosystems. However, the SVOD market is not without its challenges, the biggest of which is 'subscription fatigue', as consumers find themselves overwhelmed by the range of choices at a time when economies and consumers' wallets worldwide are under pressure.

Piracy is another concern; with easier access to high-quality illegal streams, not all potential viewers will opt for legitimate channels. This is something Netflix is endeavouring to manage by limiting the use of passwords at different locations.

Owner of Newshub and TV Three, Warner Bros Discovery's financial performance has been poor, reporting a NZ$35m loss last year. It bought the television assets of MediaWorks in 2020 and then merged with Discovery in April 2022. The company is undertaking a major strategic review, which saw it close two more Newshub shows ('AM Early' and the '11.30am' weekday news bulletin following the closure of its '8pm bulletin' on the 'Eden channel' earlier in 2023). In October 2023, it was announced the popular weekday news show '*The Project*' would be axed, with 24 jobs affected. Management has been quoted as saying, '*We need the newsroom to be stronger, in the digital and social space*', and the '*trends aren't changing; we see just this continual decline in what we call traditional linear audiences*'. On the shift to digital, it said, '*Everything we see about the streaming world gives us a lot of buoyancy and optimism for the future. That's where our energy and attention is going*', with its ThreeNow platform expected to be refreshed shortly to compete more effectively and may bring its international streaming service 'Max' to NZ.

Meanwhile, TVNZ faces a daunting investment exceeding NZ$100m to revamp its internet broadcasting capabilities, a cost to be shouldered by its balance sheet amid a challenging economic climate.

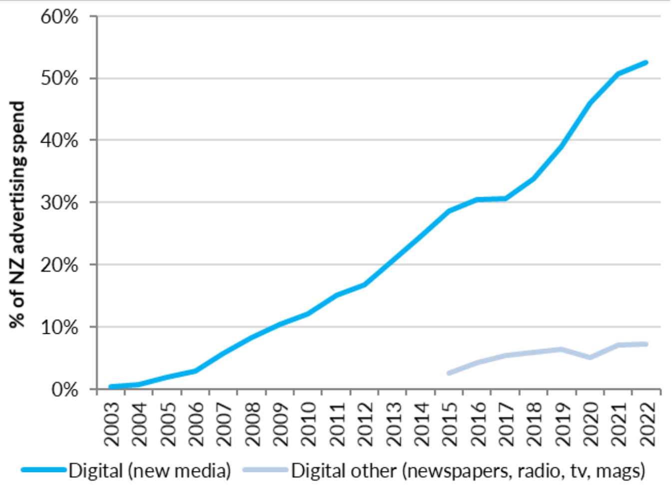
e) Online and digital media

NZ's online and digital media landscape mirrors international trends, reflecting a constantly evolving sector. Significant players include media companies like NZM and Stuff and international giants such as Meta and Google, who command a significant advertising market share. These companies compete fiercely with traditional media platforms, offering scalable, data-driven solutions that increasingly attract advertisers. Like its global counterparts, NZ's digital media is grappling with fake news, privacy and data security issues. However, the market is learning from experiences in the US and Europe, where stringent regulations like GDPR set the bar for data protection. This increasingly regulated environment is compelling NZ companies to invest in more responsible data handling and transparency measures. We estimate that online and digital media represents around 52% of the NZ ad market (see Figure 77) with the digitisation of traditional media (newspapers, radio, tv, mags) contributing another 7%.

Across the industry, digital subscriptions and ARPUs are increasing but have yet to be at a rate to counter revenue falls in consumer choice from traditional methods of delivery and the inflationary costs of producing content.

In contrast with larger markets, NZ's online media landscape faces the added challenge of a smaller consumer base, limiting the scale at which businesses can operate. Advertising within the digital realm is also evolving, moving from mere banner and video ads to more sophisticated methods like native advertising and programmatic buying. These developments are opening doors for machine learning and AI to play a more significant role in customising user experiences, thus making advertising more effective.

Figure 77. Digital and digitisation of traditional media share



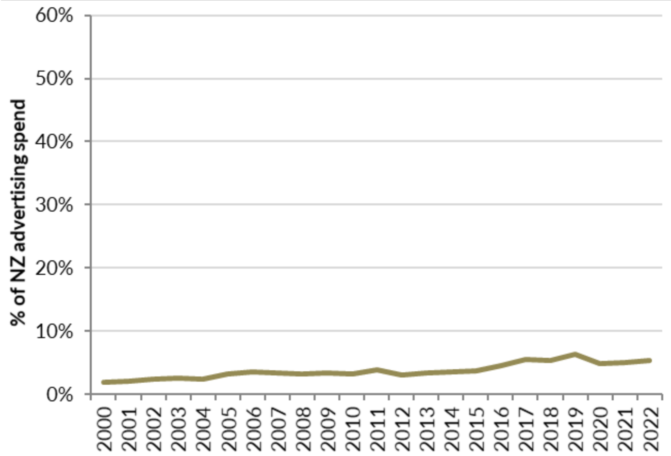
Source: ASA, Forsyth Barr analysis

f) Outdoor/out-of-home advertising

NZ's Outdoor/out-of-home (OOH) advertising sector includes billboards, transport advertising and digital signage. Significant players market leader oOh!media (OML.AX), Go Media (priviately owned by Mike Gray, Andrea Rongonui and Dean Shaw), JCDecaux/APN Outdoor (a French-based outdoor advertising company), Clear Channel Outdoor (a subsidiary of US iHeartMedia, Inc.) and MediaWorks (as a result of QMS stake taken in Mediaworks in 2019). We estimate that outdoor represents around 5% of the NZ ad market (see Figure 78).

As with international trends towards digitising billboards and interactive installations in NZ, industry players are embracing digital advancements to remain competitive and invest in data analytics to deliver more targeted advertising. This transforms static billboards into dynamic, interactive installations, allowing the ability to adapt in real–time and providing a highly targeted approach that can be instantly modified based on analytics, much like online advertising. The challenge for outdoor in NZ remains the smaller scale of the market compared with international counterparts. While high-traffic urban areas offer excellent exposure many of these sites are already filled out.

Figure 78. Outdoor share of NZ advertising spend (%)

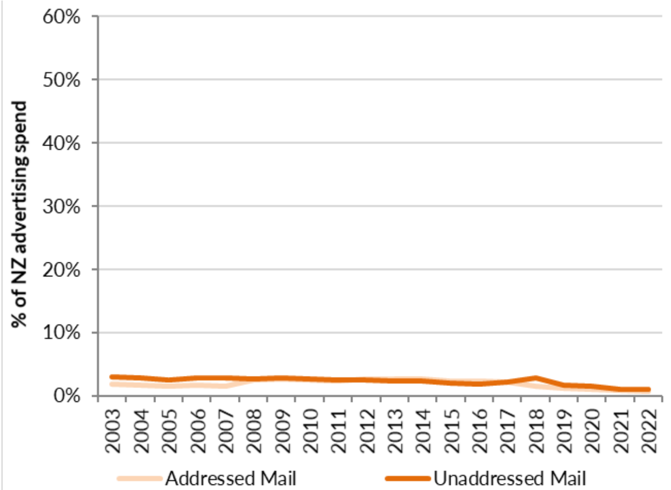


Source: ASA, Forsyth Barr analysis

g) Other segments

Influencer marketing: With the growth of social media platforms, influencers play an increasingly crucial role in shaping public opinion and consumer behaviour. **Gaming and eSports**: With gaming now mainstream, in-game advertising and sponsorships in eSports events are promising and developing markets. **Direct mail and print media**: Although declining, this traditional form remains relevant in certain demographic and geographic areas (see Figure 79). **Virtual and augmented reality** (VR & AR): As emerging technologies, they offer innovative ways to engage audiences, although they are still in a very early stage of advertising adoption. **Event sponsorship**: In-person events, which allow for interactive brand experiences, form another important segment. **B2B and trade Media**: Often overlooked, these specialised media avenues target professionals and businesses and carry industry-specific advertising. **Community and local media**: Local newspapers, community boards and even local online forums can offer targeted advertising opportunities in smaller communities.

Figure 79. Mail share of NZ advertising spend (%)



Source: ASA, Forsyth Barr analysis

Appendices

Appendix 1: Competitor and sector player analysis

This section details a selection of NZM's competitors and other relevant industry players across different markets. While not intended to be an exhaustive list, this provides further context and relevance for trends that are occurring at NZM.

This analysis covers:

- **NZ**: Publishing peer: 1) Stuff. Audio peers: 2) MediaWorks, 3) Radio NZ. Plus other media companies: 4) Sky TV and 5) TVNZ
- **Australia**: Publishing peers*: 6) Nine Network, 7) Seven West Media Publishing. Audio peers: 8) Southern Cross Media Group, 9) ARN Media. OneRoof peers: 10) REA Group and 11) Domain Holdings
- **ROW**: Publishing peers: 12) The New York Times (US) covered earlier (see Section 3.4.a). OneRoof peers: 13) Zillow Group (US) and 14) Rightmove (UK).

* It is worth noting that some of these companies earnings are from TV, not just publishing.

Stuff

Stuff

Stuff — Overview

Stuff Limited, transitioned to local ownership in May 2020 when CEO Sinead Boucher acquired it for NZ$1 from Australia's Nine Entertainment Co.

See more information at https://www.stuff.co.nz/

Flagship brands and products

Stuff's premier offering is stuff.co.nz, a leading news website in NZ. Additionally, the company holds an array of regional newspapers, the Neighbourly community platform and ventures into e-commerce and internet service domains. After offering its news online for free for over two decades, Stuff has initiated subscription-based platforms for its major daily publications. Stuff's move also coincides with decreased print sales and an initiative to gain support through donations. Moreover, while the newspaper has seen a dip in sales, the focus on digital content is deemed positive by other publishers, citing increased traffic and unique visitors. Looking forward, Stuff has plans to assess the potential of paywalls for its regional titles. Although there is uncertainty about the longevity of print newspapers, Stuff remains optimistic, pointing to stable subscriptions and advertising, especially during the Covid era, and envisions further growth in the digital realm.

Principles and values

Stuff operates with a commitment to journalistic integrity and transparency. The organisation prides itself on delivering accurate, impartial news, fostering community engagement and prioritising sustainable practices. It believes in creating an inclusive workspace that mirrors the diverse voices of NZ.

Strategy, funding and financials

Under local leadership, Stuff's strategy emphasises digital growth while valuing its print heritage. Diversifying revenue streams, the firm has ventured into sectors beyond media. Financially, its shift to NZ ownership signalled a refocus on local content and community engagement, leveraging its strong brand and vast reach for sustainable growth. In response to a challenging market environment, Stuff is reportedly implementing cost-cutting measures by downsizing certain teams, notably the investigative, visual and data journalism departments. This restructuring might lead to the dissolution of the national correspondents' team, which has been in place since 2017. Adding to these changes, the company's projects team, responsible for data-driven visual journalism since 2012, is also believed to be at risk of disbandment.

MediaWorks

MediaWorks—Overview

Founded in 1989 by entrepreneur Craig Heatley, MediaWorks (MWL) is an important component in NZ's media landscape. It initially garnered attention for its innovative radio stations and television channels. In 1996, the company caught the eye of Australian media conglomerate Publishing and Broadcasting Limited (PBL), which subsequently acquired it. PBL itself was bought by News Corporation in 2007. MediaWorks underwent another change in ownership in 2011 when News Corporation divested it to a group of investors spearheaded by US-based Oaktree Capital Management and Australian firm Quadrant Private Equity as owner of QMS (taking a 40% stake in August 2019), a specialist in out-of-home advertising. MWL employs around 1,400 people in NZ with its headquarters in Auckland. It is a member of the New Zealand Association of Broadcasters and has won numerous awards for its journalism, programming and marketing.

MWL's management includes Wendy Palmer (confirmed CEO on 25 August 2023), Liz Fraser (Commercial Director who has resigned), Leon Wratt (Director of Content), Rachel Callaghan (General Counsel), Brad Morgan (Outdoor Director) and Paul Hancox (starting a newly-created position of Chief Growth Officer in 2024).

See more information at https://www.mediaworks.co.nz

Flagship brands and products

- **Radio network,** the largest in NZ, boasting a diverse portfolio of radio brands such as Mai FM, The Edge, George FM, More FM, The Breeze, The Rock, The Sound, Magic, Tarana, Channel X and Humm FM
- **Digital streaming** service called 'rova'
- **Outdoor** advertising assets in NZ across Auckland, Christchurch and Wellington including 500 billboards, 4k buses and bus shelters and 86 large format digital screens across the country (within commuter hubs, airports, roadside, etc)
- **Other services** including Passionfruit, which is MWL's in-house creative studio (brand strategy, asset production across digital, print, audio and video) and Insights on audience and consumer across multiple industries.

Principles and values

At the core of MWL's mission are values of innovation, quality and community service. The organization is deeply committed to delivering reliable and high-calibre journalism alongside engaging entertainment content. As a member of the New Zealand Association of Broadcasters, MWL adheres to high standards of broadcast integrity and ethics, striving for responsible reporting and balanced perspectives. One of the primary principles driving the company is audience-first thinking, aiming to provide New Zealanders with media content that informs, entertains and connects. Despite facing financial hardships in recent years, MWL has remained steadfast in its commitment to quality and community service. It takes pride in having won numerous awards in journalism, programming and marketing, underlining the company's influence and quality in the NZ media landscape.

Strategy, funding and financials

The company has faced financial turbulence in recent years. On 7 September 2020, it announced the sale of its television division, including TV3, C4 and Newshub, to Discovery which was completed on 1 December 2020. Today FM, the radio station developed to compete with NZM's Newstalk ZB, abruptly closed its operations in March 2023 due to fiscal setbacks from the previous year, resulting in ~90 job losses as a cost-saving measure. The company's financial stability was called into question as it missed several deadlines to submit its FY22 financial accounts for the year ending 31 December 2022 to MBIE. Once the FY22 accounts to 31 December were released, it revealed an operating loss of -NZ$10m and a net loss of -NZ126m due to a major writedown. Auditor PWC stated that *'a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.'*

Speculation suggests a significant loss for the FY23 financial year, exacerbated by a weak advertising market, reduced revenue and costs linked to Today FM's downfall. Interestingly, Wayne Stevenson, the Chair, resigned in March 2023, and its CFO resigned in May 2023 pointing to diminishing prospects of an IPO. The company's immediate future remains to be determined. After a financially challenging year and many years of ongoing losses, which included a failed bid to merge with/sell itself to Sky Network Television (SKT), the idea of going public on the NZX has been set aside. With private equity backers like Oaktree and Quadrant Private Equity evaluating exit options, industry speculation is that the business may potentially be broken up. Rumours circulate that the outdoor advertising segment may be sold to QMS, leaving the radio division to stand alone.

Radio NZ

Radio NZ—Overview

Radio New Zealand (RNZ) stands as a cornerstone in the public broadcasting landscape of NZ, dedicated to providing comprehensive, unbiased news and entertainment to its nationwide audience. With its focus on journalistic integrity and public service, RNZ enjoys a unique place in NZ's media sphere as a trusted source of information and culture. RNZ's CEO and Editor in Chief is Paul Thompson.

See more information at www.rnz.co.nz

Flagship brands and products

RNZ operates multiple platforms to engage its audience, including radio channels, podcasts and an online presence. Known for its reputable news services, the broadcaster also offers a broad array of programming such as talk shows, documentaries and cultural segments. Its brands extend from RNZ National and RNZ Concert to online platforms where it delivers news, articles and audio-visual content.

Principles and values

RNZ operates under core principles that prioritize public service, impartiality and editorial independence. Committed to high standards of journalism, the organization's focus is on the dissemination of accurate, unbiased information. With its mission rooted in serving the public interest, RNZ is also dedicated to fostering NZ's cultural heritage and diversity, thus working towards building an informed and cohesive society.

Strategy, funding and financials

As a public broadcaster, RNZ is primarily funded through government allocations, making it relatively immune to the pressures of advertising revenue. The organization's strategy revolves around expanding its digital footprint, enriching content diversity and engaging younger as well as more diverse demographics. Financial stability, owing to government backing, allows RNZ to invest in long-term projects that are aligned with its core mission, as opposed to chasing short-term profits. The role of RNZ in NZ's media environment is significant, marked by its commitment to public service and its multifaceted approach to information dissemination and cultural promotion.

Sky Network Television Limited (SKT.NZ)

Sky Television—Overview

Sky Network Television Limited (SKT) is a NZ-centric media enterprise that delivers a combination of sports, entertainment and telecommunications services both locally and internationally. Operating primarily as a single entity, it focuses on offering a comprehensive range of media and telecommunications services to its customer base in NZ. SKT is the only other listed NZ media company, other than NZM.

See more information at www.sky.co.nz

Flagship brands and products

The company operates multiple subsidiaries, each offering unique services, thereby diversifying its media portfolio. Other noteworthy branches include Sky DMX Music Limited, specializing in commercial music and Sky Network Services Limited, which provides broadband services. SKT also has a foothold in the streaming industry through NEON. In addition, it extends its reach to data analytics for sports through Sports Analytics Pty Limited and engages in entertainment quizzes via Believe It Or Not Limited.

Principles and values

At the core of SKT's ethos are customer service, quality and a commitment to innovation. The company aims to provide high-quality and varied content that caters to the diverse entertainment and information needs of New Zealanders. Its principles focus on maintaining ethical business practices and contributing to the community through its range of sports and educational programmes. This reorganised and rewritten profile aims to encapsulate the diverse range of services and the strong business principles that SKT stands for.

Strategy, funding and financials

In FY23 SKT exhibited strong financial and operational performance. The company met its projected revenue and EBITDA targets whilst concurrently maintaining a focused approach on strategic cost and margin management, all aimed at fuelling future growth. Specifically, Sky realised a revenue of NZ$754.1m, marking a growth of +2.4% against the prior year. In line with expectations, the company's EBITDA and adjusted net profit after tax (NPAT) were consistent with the provided guidance. Notably, capital expenditure slightly outpaced expectations, mainly attributed to the company's investment in the new Sky Box and Sky Pod technologies. Sky's customer relationships also saw growth, reaching a total of 1,015,125, an increase of +2.5% compared with the same period last year. Furthermore, the adjusted NPAT increased by +15.2%. SKT's balance sheet position was boosted by an NZ$14m sale of a property in Mt Wellington. Growing costs of sporting and other rights and the threat of online streaming have created an overhang to SKT's performance. However, the FY23 result demonstrated the company's resilience.

Sky's Chief Executive Sophie Moloney remarked, '*I am pleased to be sharing a solid set of results with you, following a year of significant transformation and the delivery of major initiatives at Sky. These results demonstrate that we are continuing to deliver today whilst also investing in areas that will see us benefit in future years.*' Moloney also added, '*The launch of our new Sky experience was a key milestone, and the positive feedback we have received from many customers enjoying the new experience confirms our plans to expedite its rollout in the 2024 financial year.*'

The Board declared a final dividend of 9 cents, bringing the total dividend for the financial year to 15 cents per share, which represents 89% of the adjusted free cash flow. Chairman Philip Bowman stated, *'Sky's Board has continued to adopt a disciplined capital management strategy that balances the need for investment in growth with delivering value back to shareholders.'* Looking forward, Moloney concluded, '*While there are clear economic headwinds in the current financial year, we are looking with confidence to the 2024 financial year and beyond, and positioning the business to capture the opportunities that are firmly within our sights.*'

Television New Zealand

Television New Zealand—Overview

Television New Zealand (TVNZ) is a prominent NZ-based public broadcaster, offering a mix of news, entertainment and digital media services. As a crucial player in the country's media landscape, TVNZ aims to provide high-quality content that engages a wide array of audiences, from local to international.

See more information at https://www.tvnz.co.nz/

Flagship brands and products

TVNZ operates multiple channels, each targeting different viewer preferences. TVNZ 1, TVNZ 2 and TVNZ Duke are some of the main channels that are part of its broadcasting network. Each channel offers a curated mix of local and international content, including news programmes, dramas, reality TV and sports. Its online platform, TVNZ OnDemand, allows viewers to catch up on missed episodes and stream exclusive content.

Principles and values

TVNZ is committed to journalistic integrity, impartial reporting and high-quality content creation. As a public broadcaster, it emphasizes the values of accountability and transparency. The organization also strives to represent the diversity of NZ, ensuring that its content is both reflective and inclusive of the country's multifaceted society.

TVNZ has experienced some controversy recently over its use of sponsored content. In November 2022, it faced scrutiny for producing a NZ$300k sponsored content package for the Energy Efficiency and Conservation Authority (EECA), a government agency. Although much of this content was marked as sponsored, specific segments aired on the Breakfast programme were criticised for not being sufficiently separated from regular editorial content. This muddying of the waters between advertorial and editorial has led to accusations of a lack of transparency and underscores the need for clearer demarcation and transparency in sponsored content, especially involving state entities.

Strategy, funding and financials

Although TVNZ is a public broadcaster, it operates on a hybrid funding model, relying both on government funding and commercial advertising. This allows the organization greater flexibility in its operational strategies which include expanding its digital footprint through online platforms like TVNZ OnDemand. In terms of financial health, the mixed revenue stream aids the broadcaster in maintaining its competitive edge while fulfilling its public service commitments. TVNZ holds a unique position in New Zealand's media sector, combining commercial success with public service obligations. This dual role enables the broadcaster to produce a wide range of content that not only entertains but also informs and educates the public.

In response to the diminishing advertising expenditures from commercial clients, TVNZ announced in September 2023 it was implementing a series of austerity measures. These include significant reductions in content production and operational expenses. Both local and international content budgets have been cut and the remuneration reviews for the executive team and top earners have been stopped. All existing projects are being critically assessed to determine their continuity, postponement or termination for the current financial year. Furthermore, TVNZ is putting stringent controls on capital spending, actively seeking ways to diminish costs associated with casual labour and contractors. Vacant role recruitments are on hold until 2024, with some roles remaining unfilled and others facing deferred starting dates. Additionally, specific allowances and benefits, such as the annual allowance of NZ$350, which acted as a COVID-19 relief initiative, have been revoked for the year. The memo also indicates that TVNZ will cut back on social media marketing, online promotions and market research expenses. Despite the forecast loss, TVNZ's CEO reassured staff of TVNZ's robust audience share, revenue position, and the promising growth trajectory of its online platform, TVNZ+.

In its latest statement of performance expectations, TVNZ produced a reduced NZ$1.7m profit for FY23 and anticipate a -NZ$15.6m loss for FY24. It expects to incur >NZ$100m in costs over several years to develop its IP platform.

Seven West Media (SWM.AX)

SWM—Overview

Seven West Media Limited is a multifaceted media company based in Australia, with a focus on content production for broadcast television, publishing and digital platforms. Established in 1991 and listed in 1992, it operates through three distinct segments: Television, The West and Other Business and New Ventures. The Television segment focuses on creating and running commercial TV shows and stations. It also distributes this content globally. The West segment publishes newspapers and magazines in Western Australia and includes various sub-entities like Colourpress and West Australian Publishers. The Other Business and New Ventures segment involves stakeholding in other companies and alternative investments. Core media operations include the Seven Network and its affiliated channels.

See more information at https://www.sevenwestmedia.com.au/

Flagship brands and products

The company's television segment is involved in the production and operation of commercial television programming and stations. It distributes content both domestically in Australia and internationally. Some of the television segment's flagship brands include Seven Network and its affiliate channels, which offer popular shows like 'Big Brother', 'SAS Australia' and 'Farmer Wants a Wife'. The West segment focuses on publishing newspapers and insert magazines predominantly in Western Australia, and it has sub-brands such as Colourpress, West Australian Publishers and Community Newspaper Group. The company's digital brand portfolio also includes iconic news programmes like '7NEWS' and 'Sunrise'.

Principles and values

SWM is dedicated to high-quality content production, maintaining ethical practices and responsible journalism. The company is guided by principles of transparency, social responsibility and a commitment to engaging communities.

Strategy, funding and financials

SWM wrapped up the fiscal year with an EBITDA of A$280m and an EBIT of A$238m, down -18% and -23% year-on-year respectively, amidst a challenging market landscape. The company also reported a group revenue of A$1.5b and a statutory net profit after tax of A$146m, marking a -27% decrease from the previous year. The figures partially counterbalanced a -7.9% downturn in the overall TV advertising market, thanks in part to Seven's expansive national TV reach and robust digital offerings. In a contracting market, SWM met its revenue share goal of over 39% for the first half of 2023 and the fourth quarter. The firm's underlying revenue share saw a year-on-year boost of +1.2 percentage points, propelled by its strong news offerings and long-running productions. Operational costs were kept in check as per guidance, resulting in a year-on-year cost growth of under 1%. Digital earnings, bolstered by NBCUniversal content and newly acquired sports rights, grew an impressive +17%, accounting for more than 49% of the company's underlying earnings.

The company's balance sheet remained steady with a net debt of A$249m and a leverage ratio of 0.9x net debt/EBITDA. During the year, Seven repurchased A$15m worth of shares but opted to withhold the dividend in light of the prevailing market conditions. Looking into FY24, the company aims for a total TV revenue share exceeding 40% and is set to continue investing in its digital offerings. The company also expects market stabilization in Q2 and early trading indicators look promising.

Managing Director and CEO James Warburton commented, '*In a challenging economic backdrop, we've solidified our status as the number one national TV network. Our focus on digital is bearing fruit, significantly contributing to our top line. In fact, our share in total TV revenue has surpassed our own targets in key quarters.*' He added, '*We've been prudent with costs, while still securing critical digital and content rights that set the stage for future growth. Our landmark deals with the AFL and Cricket Australia signify a game-changing moment in Australian streaming.*' In conclusion, Warburton stated, '*As we venture into FY24, our clear yet ambitious strategy, robust balance sheet, and disciplined approach to investment and cost management position us well for leveraging future market upticks. Our objective is to emerge as Australia's most connected platform for news, sports, and entertainment, while hastening our digital evolution.*'

Southern Cross Media Group (SXL.AX)

Southern Cross Media Group—Overview

Southern Cross Media Group (SXL.AX) or Southern Cross Austereo (SCA) stands as a media powerhouse in Australia, reaching an extensive 95% of the Australian populace through its diverse assets in radio, television and digital platforms. With a presence that spans virtually every corner of the nation, SCA serves as a critical channel for both entertainment and information.

See more information at https://www.southerncrossaustereo.com.au/

Flagship brands and products

SCA is renowned for its rich portfolio of radio stations operating under the brands of Triple M and Hit network. These networks comprise 99 FM, AM and DAB+ radio stations across the country. Additionally, the company represents 34 regional radio stations in national sales. On the television front, SCA broadcasts 93 free-to-air TV signals, which attract 2.7 million viewers weekly. These broadcasts include Ten Network in specific regional areas and Seven Network in others like Tasmania and Darwin. Sky News Regional is also part of SCA's TV lineup, reaching several regional markets. Beyond traditional media, SCA runs LiSTNR, a free audio service offering radio, podcasts, music and news.

Principles and values

SCA prides itself on delivering high-quality content to its diverse Australian audience. The company places strong emphasis on local and national entertainment and news content, leveraging its extensive network to provide tailored experiences to different regions. Ethical journalism and customer satisfaction are core values that drive the company's operations.

Strategy, funding and financials

SCA has navigated a challenging fiscal environment as highlighted in its financial results for the year ended 30 June 2023, that were released 17 August 2023. The company reported an annual revenue of A$505.6m, marking a -3.7% decline from the prior year. Despite this, SCA has managed to decrease group expenses by -2% to A$428.4m through prudent and targeted cost management. One of the major milestones was the steady performance of SCA's audio revenue, which amounted to A$397.2m.

The digital audio arm, LiSTNR, saw an impressive growth of +36% in revenue to A$21.3m. LiSTNR is expected to reach an EBITDA breakeven run rate by the fourth quarter of FY24. On the downside, regional television revenues contracted by -14% to A$107.8m, chiefly due to a -20% dip in national revenues.

Capital management has been robust with a fully franked final dividend of A2.20 cents per share, taking the full year dividends to A6.80 cents per share. The company also completed a share buy-back programme costing A$26.m, resulting in a higher net debt of A$105m at year-end. Nonetheless, the debt facilities are committed until January 2026, and the leverage ratio remains within comfortable covenants. Looking ahead, CEO John Kelly emphasised that SCA is well-positioned to benefit from anticipated improvements in advertising markets. A strategic cost review is underway to eliminate A$12m to A$15m in annualised costs. Capital expenditures were cut by -30% in FY23 and are expected to see a further modest reduction in the year ahead. In summary, despite some financial setbacks, the company has a multi-pronged strategy focusing on cost reduction, capital management and revenue diversification, particularly through digital audio platforms like LiSTNR. In October 2023, ARN Media made a A$225m for SCA. See the ARN Media section for more detail.

Nine Entertainment (NEC.AX)

Nine Entertainment—Overview

NEC is a prominent media company based in Australia, with its primary focus on delivering a diverse range of content across news, sport, lifestyle and entertainment sectors. Established in 1956 and listed since 2013, NEC operates four segments: Broadcasting, Digital and Publishing, Domain Group (60% holding) and Stan. The Broadcasting segment includes free to air television activities, 9Now and metropolitan radio networks in Australia. The Digital and Publishing segment includes Nine Digital (Nine.com.au and other digital activities) and Metropolitan Media (metropolitan news, sport, lifestyle and business media across various platforms). It has a 60% shareholding in Domain Group (DHG), the A$2.5b property and services marketplace. The Stan segment includes a subscription video on demand service.

See more information at www.Nine.com.au

Principles and values

Nine Entertainment maintains a commitment to ethical journalism and diverse programming that informs, entertains and engages the Australian populace. Guided by principles of integrity, fairness and respect, the company aims to serve its audience through high-quality and responsible media content.

Strategy, funding and financials

NEC's fiscal year to 30 June 2023 showed a strong financial performance, reporting a revenue of A$2.7b and a NPAT of A$195m. This NPAT figure includes a post-tax Specific Item expense of A$85m. In line with the guidance issued in May, the Group's EBITDA, before Specific Items, reached A$591m. The Profit After Tax and Minorities, calculated before Specific Items, was A$262m. Key financial highlights included a +115% surge in digital revenues in the Radio segment and a +9% increase in subscription revenues, which now make up ~28% of the company's total revenue. The streaming service Stan saw a +12% growth in revenue, buoyed by a +9% growth in Average Revenue Per User (ARPU). However, Domain experienced a -15% decline in EBITDA, mainly due to a softer property market, although this was partially offset by better-than-expected cost performance.

Chairman Peter Costello remarked, '*Through FY23, Nine continued to solidify its position at the forefront of media in Australia. While we faced tougher economic conditions impacting the broader industry, Nine rose to the challenge by driving audience and revenue share and focusing on cost efficiency.*' CEO Mike Sneesby added, '*Media in Australia is evolving rapidly. Through Nine's premium content, broad distribution capabilities, and strong balance sheet, we intend to remain at the forefront of that evolution. Our Total Television business has had* *an extraordinary year, achieving record revenue share results as our content strategy and investment continues to further strengthen our relative position.'*

Nine has maintained a strong balance sheet, with a net debt standing at A$339m and a net leverage at ~0.7x. The company announced a final dividend of A5.0cps and confirmed the continuation of its share buy-back programme. During the fiscal year, Nine invested A$154m to purchase around 78m of its own shares. Looking ahead to FY24, despite a subdued advertising market, Nine aims to continue its out-performance across all operating segments. The company stressed that it remains focused on targeted investments in key content to ensure a continuing strong position in the market. The firm's strong cash flow and balance sheet enable the continuation of the buyback and a 60–80% dividend payout, as well as providing the flexibility for strategic and targeted investments that will underpin long-term growth.

ARN Media Limited (A1N.AX)

ARN Media Limited—Overview

ARN Media Limited (A1N), formerly HT&E Limited, is an Australian-based broadcast and on-demand audio company. It owns approximately 58 radio stations across 33 markets plus 46 digital audio broadcasting (DAB+) stations nationwide.

See more information at https://arn.com.au/

Flagship brands and products

A1N's portfolio of brands includes KIIS Network, Pure Gold Network, CADA, Regional, iHeartRadio, and iHeartPodcast Network. KIIS Network includes KIIS stations, KIIS 1065, KIIS 101.1 and KIIS 97.3. Pure Gold Network delivers a combination of music, intelligent content and timeless entertainment to the Gen X audience. Its digital entertainment platform iHeartRadio app is an all-in-one radio, music streaming, podcast, and live events platform available to Australians in every state. Audiences can also access their favourite stations in Australia from ARN, Special Broadcasting Service (SBS) and stations from New Zealand and the United States. Its iHeartPodcast Network Australia is the pre-eminent podcast destination for creators, brands and audiences. ARN reaches over 5 million Australians weekly and is the country's No. 1 commercial radio network. It is also the leader in digital audio, with over 1.5 million active users of its iHeartRadio app.

Principles and values

ARN's core values are its passion for audio and its commitment to delivering the best possible experience for its listeners. It attempts to constantly innovate to find new ways to connect with its listeners and deliver the content they want. A1N believes in the power of collaboration and works closely with its partners to create the best possible audio products and experiences. It wants to make a positive impact on the communities it serves and uses its platform to amplify important voices and stories.

Strategy, funding and financials

In its 1H23 results, released on 24 August 2023, A1N exhibited good growth across its audio platforms, lifting its leading position in Australia's metro AM/FM stations in the most recent survey (+4%). Despite facing headwinds from a subdued economic climate, impacting revenues, A1N's resilient performance is evident in its monthly podcast listenership surge by +23% to 6.6 million, making it the #1 ranked podcast publisher nationwide. While radio advertising revenues experienced a -4% downturn due to decreased consumer spending and significant reductions in government expenditure, the company still managed to post a total revenue of A$165.9 million, a -2% or -A$6.1m decline year-on-year. Digital revenues grew +13% to A$52m and saw a +37% growth in digital audio advertising revenues. It has said it expects to be break-even from a cash flow perspective by the end of FY24. Its iHeartRadio platform's registrations grew by +12%, and the company's balance sheet remained robust, with manageable debt levels at A$52.4m. Following its strategic investments and acquisitions, ARN's optimistic outlook for the coming quarters is underscored by its digital audio revenues' growth projections and the consistent performance of radio revenues. It secured ~A$2m out of its A$5m target for national revenue synergies and 1H23 margins were 28%. EBITDA was A$35.5m, down -19%. It completed the sale of Soprano for A$66m and continues to buy back stock.

In October 2023, ARN launched an A$225m bid for Southern Cross Media. The move, which Southern Cross Media described as 'unsolicited, complex and highly conditional', would spin out the combined radio and television assets. Under the proposed deal, ARN would operate metro stations KIIS and Triple M as well as an additional 88 regional stations. Anchorage Capital Partners, the private equity backers of ARN, would operate the Hit Fm and Gold FM metro stations and 35 regional stations as well as regional television assets. ARN and Anchorage would then split the ownership of iHeartRadio and LiSTNR 50:50.

REA (REA.AX)

REA Group

REA Group—Overview

REA Group Ltd is a company that offers a range of property-related services through its digital platforms in both Australia and India. Operating various websites and mobile applications, it provides tools, data and information to those with a vested interest in property. The company's operations can be divided into three segments: Australia, India and International. It is Australia's #1 property portal with 2.7m Australians visiting realestate.com.au every day1, while its Housing.com is India's #1 property website.

See more information at www.rea-group.com

Flagship brands and products

Within Australia REA Group delivers online property advertising and financial services. Its advertising assets include residential and commercial property sites such as *realestate.com.au* and *realcommercial.com.au* but also integrate specific sites like *flatmates.com.au* and *property.com.au*. It has equity investments in Ignite, Campaign Agent, Realtair, PropTrack Pty leading vendor paid advertising and home preparation financial solutions, Managed Platforms, Simpology Pty Limited, equity stakes in enterprises like Move Inc. and PropertyGuru Group Ltd and owning mortgage broking franchise Mortgage Choice. The company's operations in India are owned via REA India Pte Ltd and the Housing.com flagship site, plus realtor.com.

The new REA Pro Subscription Product, priced at $599/month, offers agents enhanced features, including graded leads from the REA ecosystem, comparative market analysis tools and additional branding opportunities, representing an incremental cost of approximately A$350–A$400/month compared with the base 'flexi' subscription.

Principles and values

Central to REA Group's operations is its people. The firm prides itself on a workforce that is not only talented but also purpose-driven. Each day, these individuals collaborate in an inventive atmosphere, leveraging the latest technology to drive innovation in the property sector. The company's primary purpose transcends beyond mere property transactions; it aims to transform the overall property experience by furnishing users with rich content, critical data, and insights, valuation estimates and financing solutions.

Strategy, funding and financials

REA's FY23 result to 30 June 2023, released on August 2023, produced A$1.1b in revenue, representing a lift of +1% on FY22. EBITDA fell -3% to A$651m while its reported NPAT fell -9% to A$356m. Net debt was A$59m, while the company had A$260m in cash. The result was affected by interest rate uncertainty and limited stock impacting new listings, despite underlying market strength. Active members grew by +18% over the year. The company is leveraging AI opportunities to deliver unique consumer experiences — with personalised recommendations and suggestions plus more accurate and informed property valuations. There were 35 new features added in the period as part of capex being 10% of revenue at ~A$100m. Despite continued domestic inflationary pressures, operating cost growth was limited to +2%.

Domain Holdings (DHG.AX)

Domain

Domain—Overview

Domain Holdings (DHG) is a leading Australian-based property technology and services marketplace. DHG aims to provide comprehensive solutions encompassing property search, listing and data. Its broad reach targets a diverse group of customers, providing tools and information for property decisions. Operating primarily in the digital space, it also has a footprint in the print media sector, offering real estate newspaper and magazine publishing.

See more information at www.domain.com.au

Flagship brands and products

The strength of Domain Holdings lies in its diverse portfolio of property brands, making it a one-stop solution for many property-related needs. Among its flagship brands is Domain, a recognised name in the property listing and search domain. Allhomes is another major brand under its banner, further solidifying its position in the property search market. Additionally, Domain Holdings has expanded its services to include Domain Insure, offering insurance solutions; MarketNow and Pricefinder, for real-time market insights; Homepass, a tool for property professionals; and several others. These brands offer a cohesive ecosystem for property seekers, agents and other stakeholders.

Principles and values

Domain Holdings showcases its commitment to providing value at every touchpoint and prioritising the consumer's journey and experience by connecting consumers with services across different property lifecycle stages.

Strategy, funding and financials

DHG's FY23 result saw revenue from continuing operations fall -0.5% but management was able to get costs down -6.5%; however, this flowed through to EBIDA down -13% to A$108.6m. EBITDA margin fell from 35.9% in FY22 to 31.4% in FY23. DHG produced A$38.6m at the NPAT line, which was down 28.2% from the prior year. Within the segments, Core digital revenues rose +1% to A$329m (residential revenue fell -7%, media/developers/commercial fell 3%, agent solutions rose +86% and Domain Insight lifted +16%), while Print fell 24% to A$17m in revenue.

At its ASM on 8 November 2023, DHG reported robust 1Q24 trading conditions, with digital revenue increasing by approximately +8% and total revenue by +7% year-on-year, driven by a surge in high-value 'for sale' listings in Sydney and Melbourne. The uptick was held back by a national volume decline due to weaker markets in Queensland and Western Australia. The period also saw a +21% rise in residential Average Revenue Per Sale Listing. October's digital revenue grew by around +12% year-on-year, as 2Q24 began with a softer comparison base. Despite the volatility in national listings, Domain remains committed to cost discipline, with FY24 cost projections holding steady and is poised to continue EBITDA margin expansion, bolstered by rising listings, strategic price increases and the adoption of new products.

Figure 80. Domain is using AI to drive capabilities

Source: Company

Zillow Group

Zillow Group—Overview

Zillow Group, Inc. (ZG.0) stands as a formidable player in the digital real estate industry, with a US$11b market capitalisation. Owning and managing a suite of real estate brands, the company operates across mobile applications and websites. ZG effectively splits its operational footprint into several segments: 1) Homes, 2) Internet, Media & Technology (IMT), and 3) Mortgages. While it is predominantly known in the United States, its influence and services span various markets due to its comprehensive portfolio. The company has ~6k employees.

See more information at www.zillowgroup.com

Flagship brands and products

ZG boasts an extensive portfolio of renowned real estate brands. Foremost among them is 'Zillow', recognised for its real estate marketplace and the innovative 'Zillow Offers', where homes can be bought and sold directly. The 'Zillow Premier Agent' allows realtors to connect with potential buyers and sellers. The company's portfolio includes several other notable brands, such as 'Trulia', known for its detailed neighbourhood insights, and 'StreetEasy', catering to New York's dense property market. 'HotPads' aids in the rental property search, while 'dotloop' provides a seamless transaction experience, and 'ShowingTime' ensures efficient scheduling and management of property showings.

Principles and values

ZG Group's underpinning philosophy revolves around empowering consumers. It aims to streamline the traditionally arduous real estate process, making it transparent, accessible, and efficient. By leveraging technology, it offer users comprehensive data and insights, ensuring well-informed property decisions. Integrity, innovation, and customer-centricity stand at the core of its values, driving its commitment to reshape real estate for the better.

Strategy, funding and financials

During 2Q23, ZG's financial performance surpassed its own revenue and adjusted EBITDA expectations. The reported Q2 revenue was US$506m, exceeding the company's forecast midpoint by US$41m. From a GAAP standpoint, the net loss for Q2 stood at -US$35m. Meanwhile, the Q2 Adjusted EBITDA reached US$111m, +US$40m above the midpoint of the company's outlook range, primarily driven by the higher-than-expected residential revenue. The company's cash and investments were at US$3.3b at the close of 2Q23, a minor decrease from US$3.4b at the end of 1Q23 after a share repurchase of US$150m in 2Q23. An additional repurchase authorisation of US$750m was announced, bringing the total allowable buyback to US$1.0b. As for digital footprint, traffic to ZG's mobile apps and websites in 2Q23 averaged 226 million unique users monthly, a decline of -3% year-on-year. Visits during 2Q23 totalled 2.7 billion, an -8% year-on-year reduction. On a segment basis:

- **Residential revenue**: There was a -3% downturn year-on-year to US$380m in residential revenue. This outperformed the broader industry's transaction value drop of -22%. The resilience was attributed to a higher-than-anticipated connection volume with Premier Agent partners and favourable macroeconomic conditions despite a challenging housing market.
- **Rentals revenue**: The company saw robust growth in the rental segment, up +28% year-on-year or revenue of US$91m. This lift was accredited to sustained high traffic and expansion in multifamily property listings.
- **Mortgage revenue**: The mortgage sector declined by -17% year-on-year, coming in at US$24m of revenue. The main factor for this drop was the rise in interest rates, dampening demand and reducing the mortgage marketplace's revenue.

Rightmove

Rightmove Plc—Overview

Rightmove Plc (RMV.L) stands as one of the leading property portals in the United Kingdom. The company serves as a significant digital bridge between property sellers and potential buyers, offering a comprehensive platform where various stakeholders in the property market can converge. While it primarily focuses on the UK property scene, Rightmove's influence extends to overseas properties, positioning itself as a vital resource for UK-based property hunters interested in international real estate.

See more information at www.rightmove.co.uk

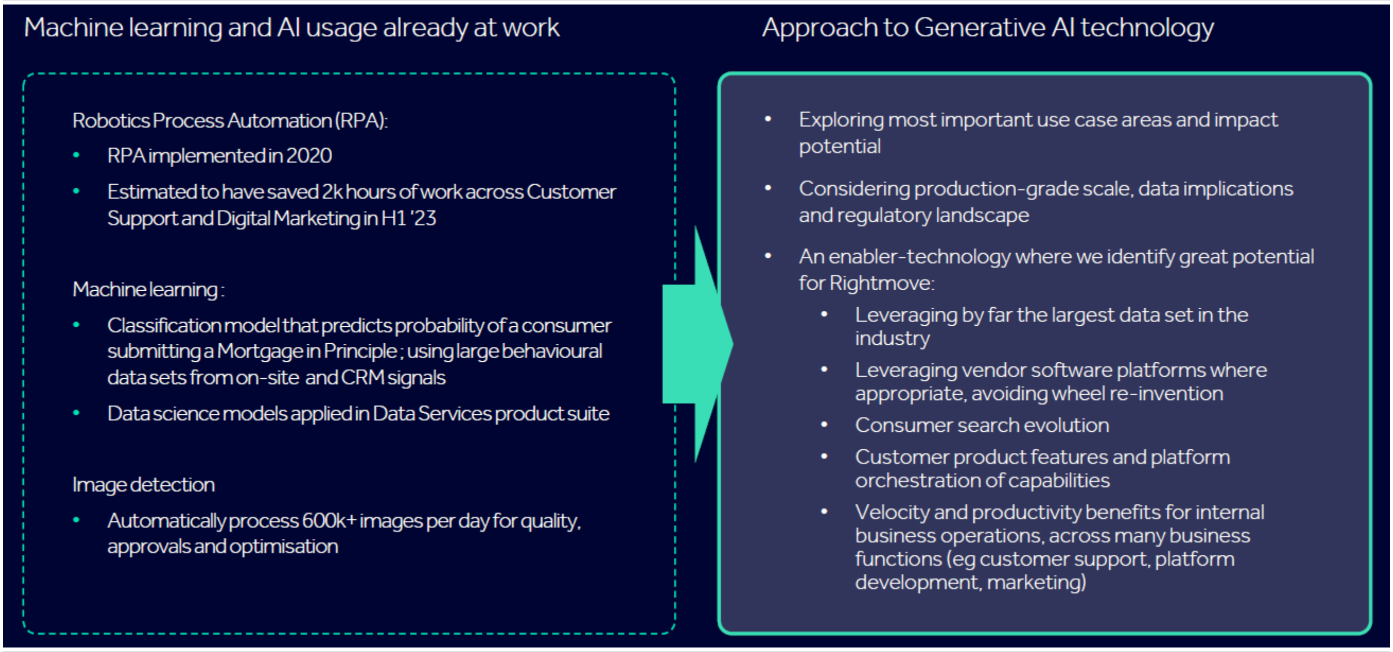
Flagship brands and products

Rightmove's core service revolves around its digital platforms where properties are listed, viewed and sought after. These platforms are divided into distinct segments to cater to diverse market needs. The *Agency* segment is the backbone of its operations, providing resale and lettings property advertising services. To cater to the burgeoning demand for newly developed properties, the *New Homes* segment ensures new home developers and housing associations have a dedicated space to advertise. The *Other* segment is multifaceted, including overseas property advertising for those interested in reaching UK-based property seekers, commercial property advertising, and a range of non-property advertising services. Moreover, Rightmove has ventured into the mortgage domain, further enhancing its offerings.

Strategy, funding and financials

Rightmove's 1H23 result saw revenue lift +10% to UK£179.5m, while underlying profit rose +9%, has segmented its operations to serve distinct market segments, namely Agency, New Homes and Other. Its Agency revenues grew +6% and New Homes lifted +23%. The company saw increased advanced product uptake. Within Other, commerical rose +14%, mortgages were +150% with overseas operations +11%. Costs in 1H23 were +15% with most new headcount going into the product development and data teams. The company ended the period with UK£43.2m in cash. Rightmove anticipates a continuation of its strong first-half revenue performance into H2, with full-year Average Revenue Per Account (ARPA) growth surpassing UK£100 and cost growth aligning with expectations, maintaining a 2023 margin guidance of 73%. With plans for a modest increase in investment from 2024 to boost both revenue and profit growth, while upholding an underlying operating margin of 70–72%, the Board remains optimistic about Rightmove's outlook for 2023 and the subsequent years.

Figure 81. Rightmove sees AI as a big opportunity



Source: Company

Appendix 2: 1H23 result highlights

NZM's 1H23 financial results for the period ending 30 June 2023 were released on 25 August 2023. NPAT was NZ$2m with operating revenues of NZ$166m, a decrease of -6% against 1H22. This decline is attributed mainly to the prevailing challenging economic conditions—the impacts of inflationary pressures, weak consumer/business confidence and a depressed real estate market. Reported EBITDA was NZ$21.3m, down -24% compared with NZ$28.1m in the same period last year.

The company saw a -7% decline in overall ad revenue, or NZ$116.4m compared with NZ$125m in 1H22. This dip in revenue stems from reduced advertising across various sectors, including real estate, government, retail and travel. The company's Audio business maintained stable ad revenue year on year and digital audio revenues saw robust growth of +28%. Furthermore, NZM's overall Publishing subscriptions grew, increasing from 209,000 at the end of 2022 to 218,000, with 123,000 being digital-only subscribers. Other highlights include growth in radio revenue market share to 42.4%, a +1% increment against 2022, the OneRoof platform's solid performance with a +64% surge in visits to its for-sale listings and a +25% hike in enquiries on listings year-on-year.

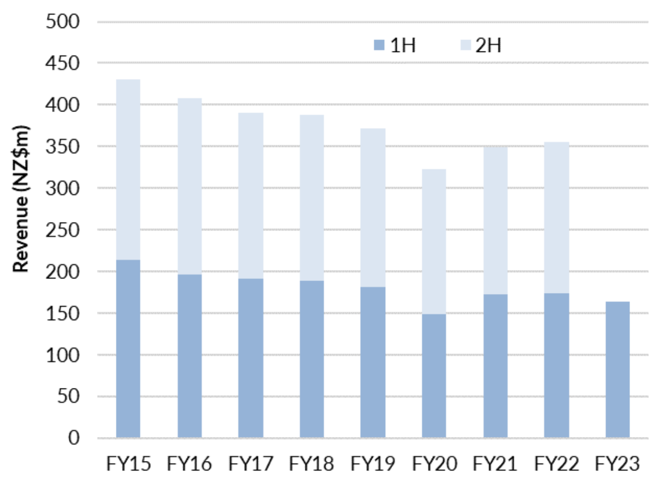
NZM's management was optimistic for 2H23, with signs of recovery in ad revenue, lower print subscription losses and the OneRoof platform poised to benefit from the improving real estate sentiment. The CEO said, '*quarter four is typically our largest quarter. 2023 will be influenced by many things, especially the New Zealand election, the Rugby World Cup and the partial recovery of the real estate market.*' Projecting the future performance, NZM expects to be at the lower end of the previously issued EBITDA range of NZ$59m–NZ$64m for FY23, and added, '*the second half of the year is already starting to show positive signs of growth*'.

Figure 82. NZM—Income statement 1H22 vs 1H23 Actual

	1H22 Actual NZ$m	1H23 Actual NZ$m	Change %
Revenue (from external customers)	173.3	163.3	-6%
Finance and other income	3.6	2.9	-19%
Total revenue and other income	**177.0**	**166.2**	**-6%**
Opex	(149.3)	(145.7)	-2%
EBITDA	**27.6**	**20.5**	**-26%**
Total depreciation and amortisation	(13.0)	(13.8)	+6%
Share of joint ventures and associates net loss after tax	0.0	(0.2)	n/a
EBIT (before significant items)	14.7	6.6	-55%
Significant items	-	-	
EBIT	14.7	6.6	-55%
Net interest	(2.9)	(3.7)	+29%
Profit/(loss) from discontinued operations	-	-	
Pre-Tax Profit	11.8	2.9	-76%
Taxation	(3.3)	(0.9)	-73%
Profit/(loss) for the year	**8.5**	**2.0**	**-77%**

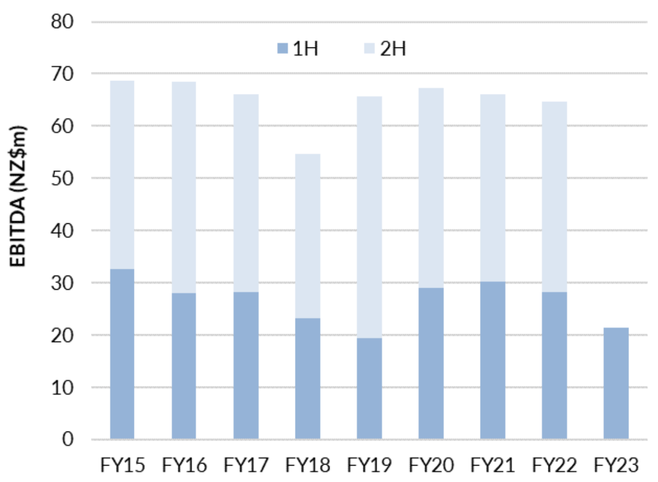
Source: Company data, Forsyth Barr analysis

Figure 83. NZM—External customer revenues (half years)



Source: Company data, Forsyth Barr analysis

Figure 84. NZM—Operating EBITDA (half years)



Source: Company data, Forsyth Barr analysis

Appendix 3: SWOT analysis

Figure 85. NZM: Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis

Strengths	Weaknesses
▪ As one of NZ's leading media companies, NZM can leverage its significant footprint in print, radio and digital platforms to expand its reach and value proposition for advertisers. ▪ NZM's brands, including The New Zealand Herald and Newstalk ZB are some of the most well-known and respected in New Zealand. ▪ Strong in-house journalism and content creation capabilities that are already fully incorporated as a digital team. ▪ Localised content enables deep connections with various communities and differentiates NZM from global competitors. ▪ Seen as a trusted source of content. ▪ Strong cost discipline demonstrated by management, helping to offset declines in revenue. ▪ Conservative balance sheet provides protection from cyclical economic impacts and flexibility to make bolt-on acquisitions.	▪ Like its global counterparts, NZM faces challenges from declining print media readership and advertising revenues. ▪ While digital engagement is growing, monetising online content remains a challenge. The yield from digital subscriptions is magnitudes below the yield from traditional print subscribers. ▪ The immense amount of media accessible has dislocated audiences and heightened competition for engagement. NZM Faces competition from digital-first platforms and alternative media sources. ▪ NZM is reliant on advertising revenues, making it susceptible to economic downturns.
Opportunities	**Threats**
▪ Further investment in digital platforms could capitalise on the shift in consumer preferences. ▪ Scope for acquisitions, especially with competitors potentially facing financial hardship. ▪ Expansion or refinement of paid content strategies, leveraging premium content. ▪ New revenue streams, such as events, e-commerce, or niche content platforms. ▪ Collaboration with tech companies, content creators, or international media for mutual benefits. ▪ Potential to use yield management (both in print and digital) to offset print subscription losses. ▪ Significant opportunity to leverage OneRoof's passive viewers of property into raising returns within property.	▪ The shift in how consumers access news and entertainment can outpace NZM's adaptations. ▪ New regulations, such as stricter privacy laws, can impact operations. ▪ Economic downturns directly influence advertising spending. ▪ Rapid tech advancements might make current platforms or practices obsolete. ▪ The retirement/loss of key talent who command major audiences.

Source: Forsyth Barr analysis

Appendix 4: Company history

Figure 86. Company history

Date	Event
1856	The Whanganui Chronicle, NZM's flagship daily regional paper and New Zealand's oldest newspaper, was founded.
1996	Publicly owned Radio New Zealand Commercial became privately owned and was renamed The Radio Network. In the same year, it purchased Prospect Media Limited and its stations. The Radio Network became part of the Australian Radio Network due to buyouts and partnerships.
1998 (June)	The Radio Network launched the Community Radio Network, combining local names and live shows with networked broadcasts.
2000 (December)	Stations under the Community Radio Network joined the Classic Hits programme from Auckland, further consolidating brands.
2004	Brand consolidation continued with several radio stations getting rebranded.
2014	NZM was formed as a merger of APN New Zealand, The Radio Network (part of the Australian Radio Network), and GrabOne, a leading New Zealand ecommerce website. The merger fueled speculation that APN News & Media might separate its New Zealand operations or launch an initial public offering on the NZX. NZM brands included national newspaper The New Zealand Herald, regional newspapers, and multiple radio networks.
2016 (June)	APN News & Media completed the demerger of NZM, which was then listed on the New Zealand Exchange on 27 June 2016.
2016-2018	NZM and Fairfax Ltd. made efforts to merge their operations in New Zealand. However, the proposed merger faced regulatory hurdles and was ultimately rejected by the New Zealand Court of Appeal in September 2018. The companies abandoned the merger attempt in October 2018.
2018	The OneRoof digital platform is launched.
2019	Some NZM content goes behind a paywall for the first time with the launch of NZ Herald Premium.
2019 (November)	NZM entered into negotiations with Stuff's new Australian owners, Nine Entertainment, to acquire Stuff. They proposed a "Kiwishare" arrangement to protect local journalism.
2020 (April)	Due to the economic effects of the coronavirus pandemic, NZME announced a reduction of 15% in its workforce.
2020	NZM releases its three-year strategy. The three overarching objectives are titled 'New Zealand's leading audio company', 'New Zealand's Herald' and 'OneRoof – your complete property destination'.
2020 (May)	NZM attempted to purchase media company Stuff for NZ$1, but negotiations were terminated by Nine Entertainment. NZM sought a court injunction to force Nine Entertainment back into negotiations but was unsuccessful.
2021	NZM acquired business news site BusinessDesk from publisher Content Limited for NZ$3.5m including a NZ$1.5m earn out provision.
2021	NZM announced a buyback programme of >21m shares (representing approximately 11% of issued capital) for an aggregate purchase price of up to NZ$30m.
2022	A deal with global tech giant Google is signed, setting out the key terms for the proposed supply by NZM of news content for Google's News Showcase.

Source: Company Records, Forsyth Barr analysis

Appendix 5: Board and management profiles and remuneration

Figure 87. Board of director profiles

Board member	Position	Description
Barbara Chapman	Independent Chairman	Barbara Chapman served as Chief Executive and Managing Director of ASB Bank Limited from 2011 until February 2018. She has extensive business experience gained through a successful career in banking and insurance. During her career she has held a number of senior and executive roles in retail banking, marketing, communications, human resources and life insurance. Barbara is passionate about people and culture, and promoting best practice in community, governance and sustainability. She is the Chairman of Genesis Energy Limited and holds an independent directorship on the board of Fletcher Building Limited and Bank of New Zealand. She is also Deputy Chair of The New Zealand Initiative and Patron of the New Zealand Rainbow Excellence Awards. Barbara was appointed Chairman of the NZM Board in June 2020.
Carol Campbell	Independent Director	Carol Campbell is a Chartered Accountant and Fellow of CAANZ, and Chartered member of the Institute of Directors. Carol was a partner at Ernst & Young for over 25 years and has been a professional director for the last 10 years. Carol has extensive financial experience and a sound understanding of efficient board governance and chairs NZM's Audit and Risk Committee. Carol is chair of NZ Post Limited and Kiwibank Limited, and a director of T&G Global Limited, Asset Plus Limited, Chubb Insurance Limited.
David Gibson	Independent Director	David Gibson has a strong background in strategy and finance with over 20 years investment banking experience, including as Co-Head of Investment Banking in New Zealand for Deutsche Bank and Deutsche Craigs. During his finance career David has advised on many of New Zealand's largest capital market transactions, including within the media industry. David is director of Freightways Limited, Goodman (NZ) Limited and Rangatira Limited.
Sussan Turner	Independent Director	For the past 25 years Sussan has held senior leadership roles across media companies, including Group CEO of MediaWorks, Managing Director of Radio Otago and CEO of RadioWorks. She is currently Group CEO and Director of Aspire2 Group Limited, one of the leading private tertiary education groups in New Zealand and is passionate about building executive teams and company cultures. Sussan has extensive experience as a director and is currently Pro-chancellor of Auckland University of Technology.
Guy Horrocks	Independent Director	Guy established himself as an early pioneer of the mobile app industry, co-founding the world's first commercial iPhone app company in 2007, Polar Bear Farm. He is one of a number of high powered, experienced New Zealand entrepreneurs who've built internationally successful digital enterprises. With clients including Expedia, DreamWorks, HBO, OREO, CNN, Time Magazine as well as NZ Herald, Horrocks helped launch over 100 mobile apps with his award winning mobile agency Carnival Labs, many of which were featured by Apple. Guy Horrocks has since launched a new real-time data warehouse called SOLVE and is also a director of New Zealand Mint Limited, New Zealand's only precious metal mint, and an advisor to Tracksuit Limited.

Source: Company records, Forsyth Barr analysis

Figure 88. Remuneration of board of directors

Name	Category	FY22 remuneration	Shares	% of shares
Barbara Chapman	Independent chariman	$175,000	73,000	0.04%
Carol Campbell	Independent director	$120,000	150,000	0.08%
David Gibson	Independent director	$130,000	50,000	0.03%
Susan Turner	Independent director	$100,000		
Guy Horrocks	Independent director	$110,000		
Total		**$635,000**	**273,000**	**0.15%**

Source: Company records, Forsyth Barr analysis

Figure 89. Remuneration of executive directors

Name	Position	FY22 total remuneration
Michael Boggs	CEO	$2,150,771

Salary	STI	LTI	Benefits	Total
$880,454	$428,820	$802,218	$39,278	$2,150,770
	48.7%	187.1%	4.9%	% of base

Source: Company records, Forsyth Barr analysis

Figure 90. Management profiles

Management	Position	Description
Michael Boggs	CEO	Michael was appointed CEO of New Zealand Media and Entertainment in March 2016. Prior to that he held the Chief Financial Officer position at NZM. Michael's core focus at NZM has been to develop and implement a group wide strategy to accelerate growth across NZM's brands particularly in the areas of subscription and classified offerings, digital and video content, while ensuring the sustainable growth of the company's traditional print and radio platforms. Michael has extensive senior executive experience including as Chief Financial Officer at leading insurance company Tower Limited. While at Tower, Michael managed the company's multibillion-dollar assets, its Pacific Islands operations, earthquake recovery programme and the sale of Tower's life insurance, health insurance and investment management businesses. This industry leading work was recognised in 2014 when Michael was awarded CFO of the year at the annual New Zealand CFO Awards. Michael also has significant background in the telecommunications and technology sectors with executive roles in the finance, commercial and business functions of major organisations including Telstra's New Zealand operations.
David Mackrell	CFO	David was appointed Chief Financial Officer of NZM in March 2019, leading NZM's Finance, Technology and Strategy functions. He moved to NZM from Heartland Bank where he was their Chief Financial Officer. David started his professional career at Ernst & Young as an Auditor before joining Air New Zealand in 1992. His career at Air New Zealand spanned 25 years and a large gamut of senior finance and commercial roles, finishing with the company as Deputy Chief Financial Officer.
Jason Winstanley	Chief Radio Officer	Jason is one of New Zealand's most experienced audio executives with extensive experience across music and talk radio. He has led high profile and successful music radio brands including 7 years as Assistant Content Director at ZM and 5 years as Content Director of The Hits. He also led the successful transition of 'Classic Hits' to the 'The Hits' brand in 2014. In his most recent role as Head of Talk for NZME, Jason has led Newstalk ZB to record audience growth and continued commercial success. Jason's role includes responsibility for the radio business and the content delivery to support audience and revenue growth across NZME's radio networks.
Greg Hornblow	Chief of OneRoof	Greg was appointed as the acting Chief of OneRoof in January 2023. Greg has an incredibly strong commercial background, with more than 30 years of experience working alongside real estate professionals in a variety of roles and in advertising and marketing, including previously at NZM. His passion for the real estate industry and proven track record will ensure OneRoof is well placed to create further value for our agent partners.
Carolyn Luey	Chief Digital and Publishing Officer	Carolyn was appointed Chief Digital and Publishing Officer in August 2021. After five years at NZM, Carolyn left as Chief Operating Officer in December 2016. She then went on to senior transformational roles at MYOB and Vodafone where she was Chief Consumer Officer. With extensive experience as a strategic business leader in large New Zealand telecommunications, technology and media companies, Carolyn brings a wealth of knowledge and understanding of how best NZM can deliver growing digital audience engagement for our commercial partners.
Katie Mills	Chief Marketing Officer	Katie joined the NZM Executive Team in December 2018 assuming leadership of the company's Marketing and Communications functions. Immediately prior, Katie held the role of Group Marketing Director at Aspire2 Group Limited and was previously General Manager (Global) Marketing & Communications at Opus International Consultants. Along with Katie's wide marketing industry experience, she also brings to her role, more than 20 years of media-specific experience. 15 of those years were spent at MediaWorks in senior leadership positions including as Head of Marketing, successfully developing and delivering marketing and brand strategies for a portfolio of radio, digital, event and television ventures.
Tracey Taylor	Chief People Officer	Tracey brings a background of 20-plus years in multi-channel operations, business and people management across media, sales/marketing agencies and professional services, at C level both internationally and here in Aotearoa. Leading with aroha and a cohesive, people-first approach woven into commercial strategy, Tracey has been a catalyst for the tremendous foundational shift in business across Aotearoa, forging equity and intentional diversity throughout. Stepping into transformation, having meaningful conversations, and sharing experiences is how Tracey forms the bonds of whānau and community that she is so proud to hold dear. Tracey is on the board for Diversity Works New Zealand, Anthem and Co. Of Women where she has a huge passion for the social change and growth mindset mahi that these businesses drive across our motu.

Source: Company records, Forsyth Barr analysis

Figure 91. FY22 employee remuneration and incentives in excess of $100,000 pa

Remueration (NZ$)	Number of employees
100,001-110,000	73
110,001-120,000	63
120,001-130,000	46
130,001-140,000	52
140,001-150,000	36
150,001-160,000	24
160,001-170,000	27
170,001-180,000	19
180,001-190,000	13
190,001-200,000	6
200,001-210,000	8
210,001-220,000	9
220,001-230,000	12
230,001-240,000	6
240,001-250,000	4
250,001-260,000	8
261,001-270,000	4
270,001-280,000	4
280,001-290,000	4
290,001-300,000	4
300,001-310,000	2
310,001-320,000	3
320,001-330,000	3
330,001-340,000	3
340,001-350,000	2
350001-360,000	1
390,001-400,000	1
410,001-410,000	1
420,001-430,000	2
470,001-480,000	1
500,001-510,000	1
510,001-520000	3
530,001-540,000	1
540,001-550,000	1
600,001-610,000	1
610,001-620,000	1
660,001-670,000	1
980,001-990,000	1
2,150,001-2160000	1
Total	**452**

Source: Company records, Forsyth Barr analysis

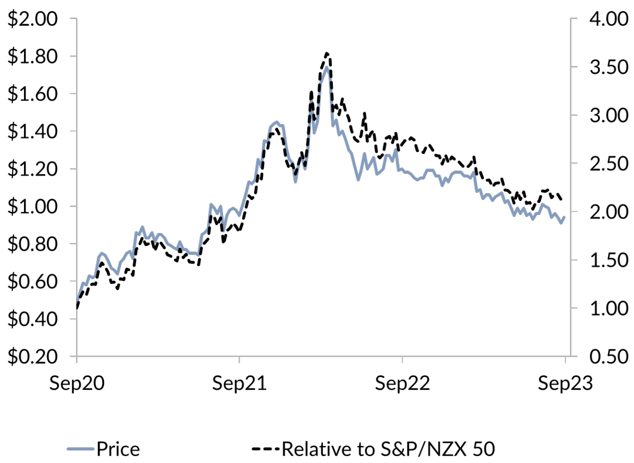
Appendix 6: Key terms and definitions

Figure 92. Key terms and definitions

Term	Definition
AI	Artifical Intelligence
ARPU	Average revenue per user
AR	Augmented reality
ASA	Advertising Standards Authority
B2B	Business to business
CAGR	Compound annual growth rate
CCPA	California Consumer Protection Act
COGS	Cost of Goods Sold
DCF	Discounted cash flow
DIA	Department of Internal Affairs
DPS	Dividend per share
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPS	Earnings per share (EPS) describes the amount of profit a company makes per outstanding share of common stock. EPS is indicative of the profitability of a company
ESG	Environmental, Social and Governance
EV	Enterprise value
EV/ EBITDA	Enterprise value-to-EBITDA is a financial ratio that measures how much it would cost to purchase a company's value in terms of its EBITDA
EV/Sales	Enterprise value-to-sales is a financial ratio that measures how much it would cost to purchase a company's value in terms of its sales
Fake news	Information that is clearly and demonstrably fabricated and that has been packaged and distributed to appear as legitimate news
GDPR	General Data Protection Regulation
HPI	The REINZ House Price Index
NPAT	Net profit after tax
NYT	The New York Times Company
NZM	New Zealand Media and Entertainment (NZME)
PE	Price-to-Earnings is a financial ratio measuring a company's current share price to its EPS
R&D	Research & Development expenses
Rfr	Risk free rate
ROI	Return on investment
SAM	Serviceable Addressable Market
SOM	Serviceable Obtainable Market
SVOD	Subscription video on demand
TAM	Total Addressable Market
WACC	Weighted average cost of capital
VR	Virtual reality

Source: Forsyth Barr analysis

Figure 93. Price performance



Source: Forsyth Barr analysis

Figure 94. Substantial shareholders

Shareholder	Latest Holding
Repertoire Partners LP	19.9%
Spheria Asset Management	13.4%
Osmium Partners LLC	9.3%
Pinnacle Investment Management	5.2%
Nomura Holdings Inc	5.0%

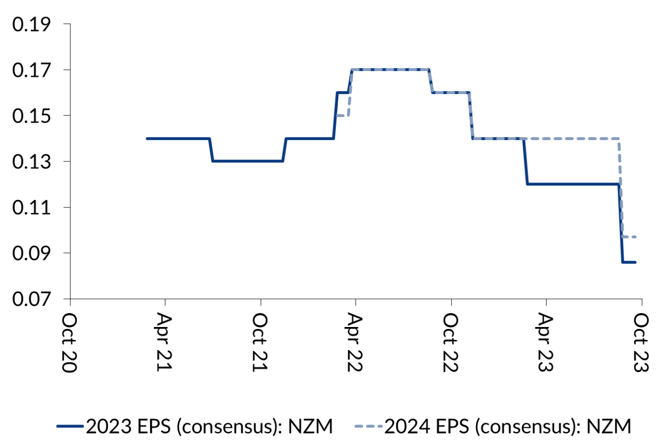
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 95. International valuation comparisons

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
(metrics re-weighted to reflect NZM's balance date - December)			(m)	2023E	2024E	2023E	2024E	2023E	2024E	2024E
NZME	**NZM NZ**	**NZ$0.90**	**NZ$166**	**9.6x**	**8.5x**	**4.7x**	**4.3x**	**8.7x**	**7.8x**	**10.0%**
Nine Entertainment Co Holdin	NEC AU	A$1.92	A$3,114	15.3x	12.7x	7.8x	6.8x	11.3x	9.5x	5.7%
Seven West Media	SWM AU	A$0.27	A$419	3.4x	3.8x	3.0x	3.7x	4.1x	4.4x	4.6%
New York Times Co-A	NYT US	US$42.01	US$6,904	28.9x	26.6x	16.6x	15.1x	20.0x	17.7x	1.1%
Reach Plc	RCH LN	£0.80	£254	3.6x	3.5x	2.5x	2.5x	3.0x	2.9x	9.3%
Gannett Co Inc	GCI US	US$1.96	US$292	11.5x	18.8x	5.0x	5.4x	12.6x	11.6x	0.0%
Arn Media	A1N AU	A$0.83	A$252	7.8x	7.4x	4.7x	4.6x	6.4x	6.2x	9.9%
Southern Cross Media Group L	SXL AU	A$0.93	A$222	11.2x	9.7x	6.2x	5.8x	10.1x	9.1x	7.7%
Sirius Xm Holdings Inc	SIRI US	US$4.95	US$19,003	16.0x	15.2x	10.4x	10.3x	14.4x	13.9x	2.2%
Audio King Corp	AUDK US	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cumulus Media Inc-Cl A	CMLS US	US$4.91	US$83	<0x	<0x	9.2x	6.6x	29.0x	13.6x	n/a
Domain Holdings Australia Lt	DHG AU	A$3.60	A$2,274	64.9x	37.9x	21.1x	16.6x	32.8x	23.5x	1.8%
			Compco Average:	**18.1x**	**15.1x**	**8.7x**	**7.7x**	**14.4x**	**11.2x**	**4.7%**
EV = Mkt cap+net debt+lease liabilities+min interests-investments			**NZM Relative:**	**-47%**	**-44%**	**-46%**	**-45%**	**-39%**	**-31%**	**112%**

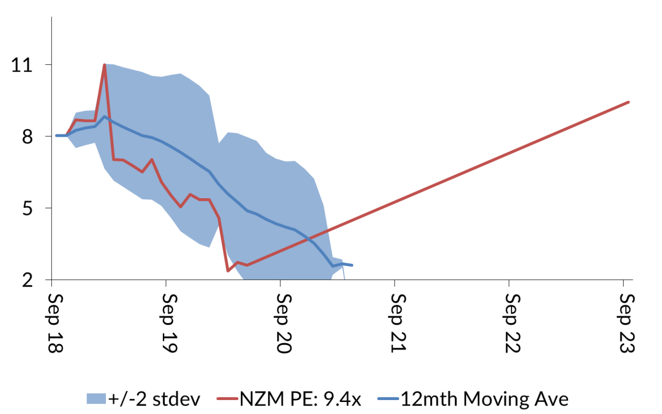
Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (NZM) companies fiscal year end

Figure 96. Consensus EPS momentum (NZ$)



Source: Forsyth Barr analysis

Figure 97. One year forward PE (x)



Source: Forsyth Barr analysis

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