

North Media

ABGSC's investor day seminar feedback

- BoligPortal's new product offering set to release potential
- Remains on the lookout to acquire new IT companies
- Capital structure remains solid, room for distributions

Milestone already achieved 6 months into 3-year strategy

Today's ABGSC seminar saw North Media represented by the group executive director/CFO and CEO of North Media Online. The company is 6 months into its 2021-23 strategy and has already achieved several key strategic milestones. These include increasing the product mix in FK Distribution by expanding the partnership with Deutsche Post and further explore the potential to pack leaflets for 2m German households (albeit the limited revenue impact thus far). This remains a small market for now, but it is an important milestone in terms of North Media's ability to engage new markets. The Digital Services segment has rolled out a number of new products, most notably in BoligPortal where a new SaaS platform has increased its revenue streams from 1 to 4. The company now provides a full 'moving tool' that includes partnerships with electrical (EWII), insurance (Tryg) and internet (Telenor) companies, making it convenient to rent or lease an apartment. Ofir continues to experience high growth in the Danish job market and is strengthening its data capabilities for job providers. Bekey has faced some phasing delays for its HomeCare market and COVID-19 reduced the speed of the digital locks' installation and roll-out in the Copenhagen Stairwell segment.

Conservative capital structure leaves room for distributions

North Media targets a dividend of DKK 5/share for 2021-24 if it achieves its strategic ambitions. We believe this is low, given that the company plans to increase its earnings by at least 3% per year during this period and has only earmarked DKK 200m of the DKK 800m net cash position (which is invested in a diversified portfolio of equities). The DKK 200m selected for M&A will target companies that complement the current market offering of high-volume digital services in the Nordic area, although it appears there are no companies on the immediate horizon.

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Fast comment

Company-sponsored research: Not rated

Share price (DKK)	13/09/2021	123.6
Media, Denmark		
NORTHM.COF/NORTHM:DC		
MCap (DKKm)		2,219
MCap (EURm)		298
Net debt (EURm)		-116
No. of shares (m)		18.0
Free float (%)		36
Av. daily volume (k)		33
Next event		Q3 report: 03 Nov

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Selected slides from today's seminar

A focused value and growth company

Last Mile	Digital Services		
<ul style="list-style-type: none"> • Market leading position • Attractive, predictable earnings 	<ul style="list-style-type: none"> • Annual revenue growth ≥20% 	<ul style="list-style-type: none"> • Increasing earnings 	<ul style="list-style-type: none"> • Scalability
			
<p>Retail, other advertisers and local newspapers</p> <p>Nationwide distribution of -1.3 billion leaflets, local newspapers and direct mail</p> <p>Digital platform with >100 million views of leaflets and catalogs</p> <p>Consumers in a broad sense</p>	<p>Letting agents and landlords</p> <p>Mediation of >100,000 rented housing</p> <p>Home seekers</p>	<p>Employers</p> <p>Dissemination of >33,000 job postings</p> <p>Job seekers</p>	<p>Distributors and homecare</p> <p>Digital access solutions >10 million number of doors opened annually</p> <p>Households</p>

Q2 Group highlights

Overall results as expected - guidance upgraded

DKK 259m revenue

- Up 2% following markets have normalised after COVID-19 lockdowns

DKK 68m EBIT

- Margin up 4pp to 26.1%, progress in both business areas

DKK 51m net profit, excl. return on securities

- Up 9%, mainly due to higher operating earnings

Strategic priorities progressing well



2019 figures restated to reflect effect of discontinued operations

Update on Strategy 2021-23

Value creation by investing in digital transformation and profitable growth

Development of Last Mile

Optimizations, new products, packaging for adjacent markets

Status Q2 2021

FK Distribution

- Expansion of relationship with Deutsche Post
- Exploring potential for packing for up to 2 million households in Germany

Digital Services growth and acquisitions

Scaling and acquisition of commercially validated activities

Status Q2 2021

BoligPortal

- Roll-out of new SaaS based platform with additional revenue streams

Ofir

- Solid growth in job ads from private employers
- Strengthening of data and research capabilities

Bekey

- Agreements to help build critical mass in the stairwells segment

North Media A/S ambitions

Revenue

- ~3% annual organic growth rate
- Stable revenue in Last Mile
- ~20% annual growth in Digital Services

EBIT margin

- ~24% by 2023 (excl. acquisitions)

Investments/acquisitions

- Up to DKK 200m

Dividend

- Ambition to pay DKK 5 per share for each financial year 2021-2023

Investment highlights

	Solid revenue development in H1 and > DKK 1 billion expected for the full year
	On track to deliver all time high full year EBIT > DKK 250 million
	Last Mile - Predictable earnings and market stabilization
	Digital Services - growth and improving earnings
	Good strategic progress towards financial ambitions for 2022-2023
	H1 cash position of DKK ~800 million provides flexibility
Attractive shareholder returns - dividend of DKK 5 per share	

Source: ABG Sundal Collier, company data

North Media

DKK m	2019	2020	2021e	2022e	2023e
Sales	1,130	1,045	1,039	1,068	1,101
<i>Sales growth (%)</i>	-1.3	-7.5	-0.7	2.8	3.1
EBITDA	191	270	292	303	316
<i>EBITDA margin (%)</i>	16.9	25.9	28.1	28.4	28.7
EBIT adj	160	240	262	272	284
<i>EBIT adj margin (%)</i>	14.2	23.0	25.2	25.5	25.8
Pretax profit	266	388	296	309	324
EPS rep	11.33	17.22	12.87	13.44	14.08
<i>EPS growth (%)</i>	192.4	52.0	-25.3	4.5	4.7
EPS adj	6.23	10.42	11.18	11.63	12.14
DPS	2.00	5.00	5.00	5.00	5.00
EV/EBITDA (x)	2.0	2.9	4.6	3.5	2.5
EV/EBIT adj (x)	2.4	3.3	5.1	3.9	2.8
P/E (x)	3.7	4.6	9.6	9.2	8.8
P/E adj (x)	6.8	7.7	11.1	10.6	10.2
EV/sales (x)	0.3	0.8	1.3	1.0	0.7
<i>FCF yield (%)</i>	15.8	12.3	8.8	9.5	9.9
<i>Dividend yield (%)</i>	4.7	6.3	4.0	4.0	4.0
Net IB debt/EBITDA	-1.8	-2.3	-3.0	-3.7	-4.4
<i>Lease adj. FCF yld (%)</i>	15.8	12.3	8.8	9.5	9.9
Lease adj. ND/EBITDA	-1.8	-2.3	-3.0	-3.7	-4.4

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