

6 November 2020

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## News Corp (NWS)

### Media

### Buy

NWS A\$20.60

TARGET PRICE A\$23.21

News Corp is a global diversified media and information services company. Its business segments comprise digital real estate services, subscription video services in Australia, news and information services and book publishing. It operates under some of the world's most recognisable brands, include The Wall Street Journal, Barron's, Dow Jones, The Australian, Herald Sun, The Sun, the Times, HarperCollins Publishers, Foxtel, FOX SPORTS Australia, realestate.com.au, realtor.com, talkSPORT and more.

### Company Data

Number of shares	199.6M
Market Capitalisation	\$ 3,788.0M
Free float (%)	86.2%
12-month high/low	\$22.74/\$13.10
Average Daily Turnover (\$m)	2.9621
% S&P/ASX200	0.22%
DDM Ranking	174
% All Ordinaries	N/A
GICS Industry Group	Media

Source: FactSet, Barclay Pearce Capital

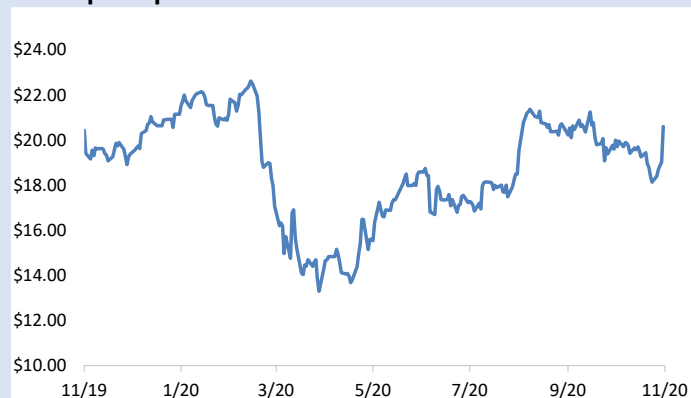
### Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	12,550.3	12,489.6	12,836.2	13,061.6
Reported NPAT (\$M)	-1,768.0	229.7	410.7	500.3
Adjusted NPAT (\$M)	179.7	235.1	394.7	488.3
Reported EPS (c)	-300.9	35.1	65.0	85.1
Adjusted EPS (c - FD)	30.7	40.9	68.6	83.9
Adjusted EPS growth (%)	-54.7	33.3	67.9	22.3
Adjusted P/E (x)	62.1	46.6	27.7	22.7
Dividend (c/sh)	27.9	30.0	31.3	32.6
Gross yield (%)	1.5	1.5	1.5	1.6
Net yield (%)	1.5	1.5	1.5	1.6
ROIC (%)	1.7	2.1	3.8	4.8

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

### Share price performance



Source: FactSet, Barclay Pearce Capital

## Q1 FY21 Earnings Release

On 6 November 2020 News Corp (NWS) announced its results for the three months ended 30 September 2020 with the following highlights:

- Revenues of USD\$2.12 billion, representing a 10% decline compared to USD\$2.34 billion in the prior year, primarily driven by the sale of News America Marketing;
- Net income of \$47 million compared to a net loss of USD\$211 million in the prior year, which included a non-cash impairment of USD\$273 million;
- Total EBITDA of USD\$268 million compared to USD\$221 million in the prior year;
- Reported EPS of USD\$0.06 compared to negative USD\$0.39 in the prior year;
- Adjusted EPS of USD\$0.08 compared to USD\$0.04 in the prior year;
- EBITDA growth of 45% in the Digital Real Estate Services segment, with record revenue and profit contribution by Move, the operator of realtor.com, led by its referral model;
- EBITDA growth of 47% in the Dow Jones segment, driven by record average consumer product subscriptions of 3.88 million, led by 29% growth in digital-only subscriptions; and
- Revenue and EBITDA growth of 13% and 45% respectively in the Book Publishing segment, which continues to benefit from strong digital sales.

### Outlook

Chief Executive Robert Thomson said:

*"News Corp has started the fiscal year strongly, with higher revenue in many of our segments during the first quarter, and a 21 percent increase year-on-year in profitability, despite the disruptive economic consequences of COVID-19"*

*"It is clear that the digital landscape is changing fundamentally, and the Company has been an important catalyst for that change. The principle of a premium for premium content is now recognised, and there will inevitably be further developments in algorithmic transparency and the digital advertising market, two areas in which News Corp has been a leading advocate."*

*"We are continuing our drive to be a more focused, more digital company and we believe the positive results of that strategy are already clear. Our aim is to generate enhanced returns for our investors in the months, quarters and years to come."*

## Earnings changes

NWS reported adjusted EPS for Q1FY21 of USD\$0.08, compared to adjusted EPS of USD\$0.04 in the PCP. The market was expecting adjusted EPS of \$0.00. As such, we expect positive earnings revisions of 5.0%-10.0% for future periods.

We are initiating on NWS with a 12-month price target of \$23.21 and a BUY recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Speculative Buy	0.2%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.6%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	41.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)