Initiation of Coverage

GTN Limited

Cost out, utilisation recovery and capital management

Media

12 December 2024

GTN Limited (ASX:GTN) provides traffic information reports and cash compensation to radio and television stations, and in return gets a guaranteed number of commercial advertising spots adjacent to traffic, news and information reports. The group provides these reports to a number of affiliate stations in both metro and regional locations which both increases reach and reduces ratings risk. In Australia, GTN has further security with its largest affiliate Southern Cross Media (ASX:SXL), having a 30-year agreement (22 years remaining) with a number of material guarantees attached (discussed further in the report). GTN was severely affected by COVID-related lockdowns and associated work-from-home (WFH) orders between FY20 and FY22, with lower traffic volumes reducing the importance of traffic reports. Adjusted EBITDA has recovered slowly in FY23 (+13.5%) and FY24 (+15%) but the utilisation rate of advertising spots remains well below pre-pandemic levels. We believe further improvements in utilisation together with some stock-specific cost reductions will drive EBITDA 31% higher in FY25, placing the group on very attractive multiples relative to peers. We think peer comparisons are further boosted by a superior cash position, capex/revenue and working capital/revenue metrics, and the possibility of a significant lift in dividend payments and/or a meaningful capital return over FY25.

Business model

GTN has a unique niche advertising business model, providing traffic information reports and cash compensation to predominantly radio stations (97% of revenue, the remaining 3% being television) in return for a guaranteed number of commercial advertising spots adjacent to traffic, news and information reports. Such advertising spots are spread across a range of affiliates on a national, regional and specific market basis in Australia, Canada, the UK and Brazil, and they are bundled together by GTN and sold to advertisers accordingly. This spread of affiliates reduces the risk of specific station ratings and key talent costs and/or movements. Because GTN commits to these radio spots in advance for periods of one-three years, the utilisation of these spots is a key driver of revenue and earnings.

Solid growth in FY24 but we expect acceleration in FY25

While FY24 adjusted EBITDA increased 15% yoy to $22.3m, RaaS estimates a starting base for FY25 of $26.6m when one-off costs, lower drone losses and further cost reductions are considered. A solid start to FY25 (revenue growth >5% in the four months to October) despite weakness in Canada implies a continued improvement in Australian utilisation rates, placing GTN on-track to achieve our $29.2m FY25 forecast. Capital management is also likely to be a feature in FY25 with the Board exploring a 'meaningful' one-off capital return or special dividend. Under the current dividend policy RaaS estimates a FY25 dividend yield of 9.0% using statutory NPAT.

Starting valuation of $0.81/share or $159m market cap

A peer EV/EBITDA multiple comparison and DCF valuation are both possible for GTN. For EV/EBITDA we use both the RaaS selected FY25 peer average of 5.0x to derive $0.81/share and suggest premiums of 10% ($0.88/share) and 20% ($0.95/share) to the peer average as potential values to reflect superior metrics across working capital and capex to revenue, the net cash position and CAGR EPS growth. As a sense check our DCF valuation is $1.34/share, with low medium-term growth assumptions and utilisation rates still below pre-pandemic levels. Key risks include the future of live radio, utilisation rates and the price of media spots.

Historical earnings and RaaS' estimates (in A$m unless otherwise stated)

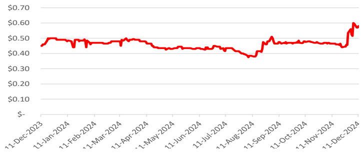
Year end	Revenue	EBITDA adj.	NPAT adj.	NPAT rep.	EPS adj. (cps)	EV/EBITDA (x)	Yield (%)
06/23a	177.1	19.4	7.2	2.6	0.034	6.2	0.02
06/24a	184.2	22.3	10.8	5.7	0.054	4.4	0.05
06/25f	193.6	29.2	14.4	9.9	0.073	3.0	0.09
06/26f	202.6	32.7	17.4	12.9	0.089	2.4	0.11

Source: FY23 and FY24 actual, RaaS estimates FY25f and FY26f

Share Details

ASX code	GTN
Share price (11-Dec)	$0.58
Market capitalisation	$114.0M
Shares on issue	196.0M
Net cash at 30-Jun-24	$20.0M
Free float	~25%

Share Performance (12 Months)



Upside Case

- Utilisation rates approach pre-pandemic levels
- New regional success in Brazil
- Capital management

Downside Case

- Decline in radio ad markets
- Adverse affiliate contract negotiations
- Illiquidity in share trading

Catalysts

- Capital management
- H1 FY25 result
- Peer group re-rating

Board of Directors

Peter Tonagh	Ind. Non-Executive Chair
Craig Coleman	Non-Ind. Non-Exec. Dir.
Corinna Keller	Ind. Non-Executive Dir.
Jason Korman	Non-Ind Non -Exec. Dir.
Robert Martino	Non-Ind. Non-Exec. Dir.

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*The analyst owns shares

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RaaS Research as a Service

GTN Limited

GTN Limited (ASX:GTN) has delivered a solid EBITDA recovery in FY23 (+13.5%) and FY24 (+15%) post-COVID disruptions which severely affected the value of live traffic updates on radio. With a refreshed and flatter management structure and cycling some one-off costs in FY24 with further cost-out opportunities available, RaaS is forecasting 31% EBITDA growth in FY25 vs. FY24. We expect growth at the pre-tax profit line to be closer to 100%, aided by lower interest and depreciation expenses. This has positive implications for dividends under the current payout policy, with RaaS forecasting a yield of 9% (unfranked) in FY25. The Board says it is also exploring a meaningful one-off capital return or special dividend.

Investment Case

We detail our short- and medium-term investment case for GTN below:

- **Strong balance sheet provides optionality**. GTN ended FY24 with $20m in net cash (including $11.6m debt), with all debt intended to be repaid by December 2024. This provides significant optionality with regards to capital management, with the Board currently exploring 'tax effective capital management options' including a 'meaningful one-off capital return or special dividend'.

  This contrasts with RaaS selected media peers which all have debt/EBIT ratios of 1.0x or above.

- **Latent capacity across key markets**. COVID had a marked effect on capacity utilisation across key GTN regions between FY20 and FY22 due to rolling lockdowns and work-from-home orders (limiting the need for traffic reports).

  While utilisation rates have improved from COVID lows we still view the rates exiting FY24 as below trend based on historical numbers, offering significant upside potential to future earnings.

- **Invigorated and flatter management team/structure**. We believe a raft of long-serving management changes in FY23 and FY24 has resulted in a flatter and more invigorated management team based on recent company commentary. We expect cost savings from the flatter structure going forward.

- **Growth likely in FY25 from lower costs, lower drone losses and higher utilisation**. From a base of $22.3m adjusted EBITDA in FY24, RaaS estimates a starting adjusted EBITDA base of $26.6m in FY25 if we adjust for $2.1m in redundancies, a forecast $1.2m less in drone losses and a forecast $0.5m less in helicopter maintenance costs following the sale of a helicopter. Improved utilisation rates in Australia offer further operating leverage and we forecast FY25 adjusted EBITDA of $29.2m.

- **Exposure to the relatively stable radio media without the ratings risk**. GTN is exposed to the relatively stable radio sector without the risk of changes in ratings and/or key talent changes as it has affiliate agreements across most key players in their markets. This is a key differentiator relative to most peers in radio and television.

- **Value relative to peers.** Using an adjusted EV/EBITDA multiple for the RaaS selected peer group using LSEG consensus estimates GTN is currently trading at a 33% discount to peers, who themselves are trading on a >50% discount to the market.

Valuation

From a peer comparison basis there are a number of listed small cap radio/media stocks that can be compared to GTN for a multiple valuation. Our starting point is simply applying the RaaS selected peer group average (5.0x) to our forecast of GTN's FY25 EBITDA, resulting in a **valuation of $0.81/share**. We think GTN deserves a premium to this peer group (CAGR EPS growth, net cash, working capital and capex ratios), with a 10% premium implying an $0.88/share valuation and a 20% premium $0.95/share.

Business Overview

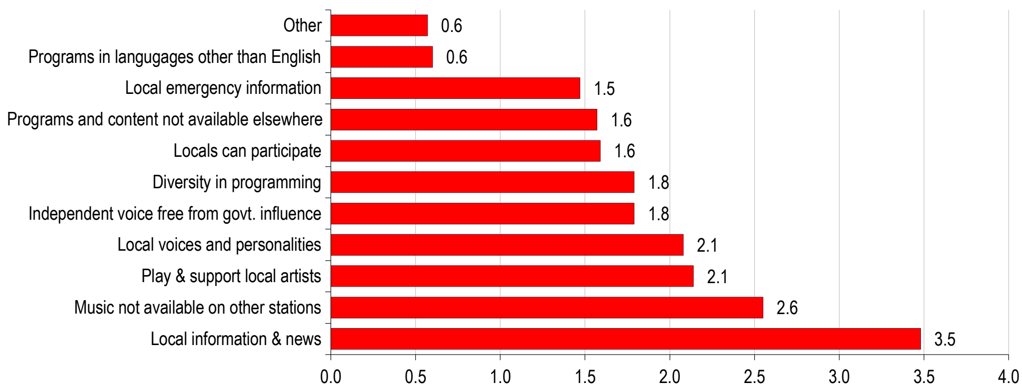
GTN has a unique niche advertising business model, providing traffic information reports and cash compensation to predominantly radio stations (97% of revenue, the remaining 3% being television) in return for a guaranteed number of commercial advertising spots adjacent to traffic, news and information reports.

Such advertising spots are spread across a range of affiliates radio stations on a national, regional and specific market basis, and they are bundled together by GTN and sold to advertisers accordingly. This spread of affiliates reduces the risk of specific station ratings and any associated key talent movements.

iHeartMedia (NASDAQ:IHRT) operates a similar business (Total Traffic & Weather Network) as part of its portfolio across the US and Mexico, employing 700 reporters across 230 markets using a mix of information sources to distribute to >2,500 radio and TV affiliates.

A recurring question in today's world is why an audience would still want to access traffic information from the radio when there is google and apps such as Waze. The answer can be found in Exhibit 1 below which summarises the responses from 16k people 15 years and older from a telephone interview in 2023, with local information and news the number one reason. GTN's traffic reports fit these criteria, providing not only live updates but also often the reasons why, something which the local audience is interested in.

Exhibit 1: Reasons for audience to listen to radio in Australia (No. of listeners in millions)



Source: Statista as at July 2023

The group has operations in four of the world's 10 largest advertising markets, being Australia, the UK, Canada and Brazil. We discuss each of these regional exposures below.

Australian Traffic Network (ATN)

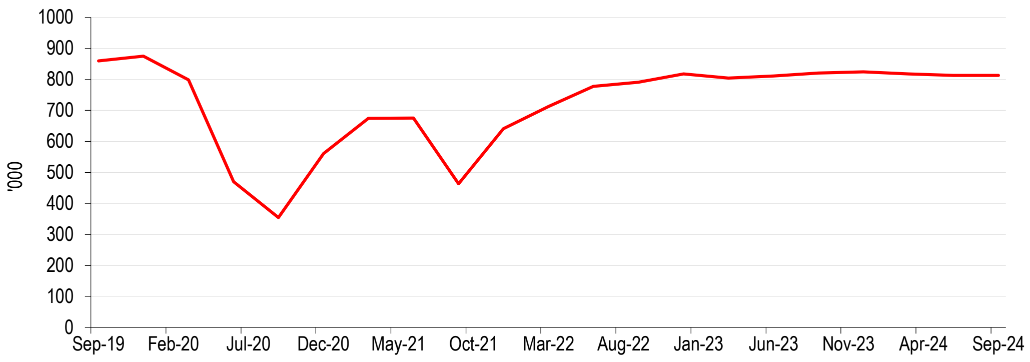
Key facts for ATN include:

- Founded in 1997, operating for 27 years in Australia;
- Represented 47% of FY24 GTN revenue and 70% of EBITDA (pre-corporate costs);
- Management estimates an audience of 11.7m in radio and 3.5m in television across key affiliates ARN Media, Southern Cross Media and Nova Entertainment;
- Had 1.1m in radio spots or inventory in FY24 with a utilisation rate of 61%; and
- These inventory spots were spread across 152 radio stations and eight TV stations in metropolitan and regional locations.

Recent trading observations include:

- Strong utilisation rates (73-81%) were achieved during FY17 and FY18;
- EBITDA weakness in FY19 as a result of higher station compensation costs due to the multi-year renewal of a key affiliate contract;
- COVID severely affected utilisation rates between FY20 and FY22, with rolling lockdowns and work from home orders reducing the need for live traffic updates, which can be seen from the Transurban (ASX:TCL) quarterly transaction data for their CityLink toll road asset in Melbourne (Exhibit 2); and
- We have seen a slow recovery in GTN utilisation rates over FY23 (56%) and FY24 (61%) as traffic and work-from-home orders normalise, but TCL transaction volumes are still 6% below the traffic levels seen pre-COVID.

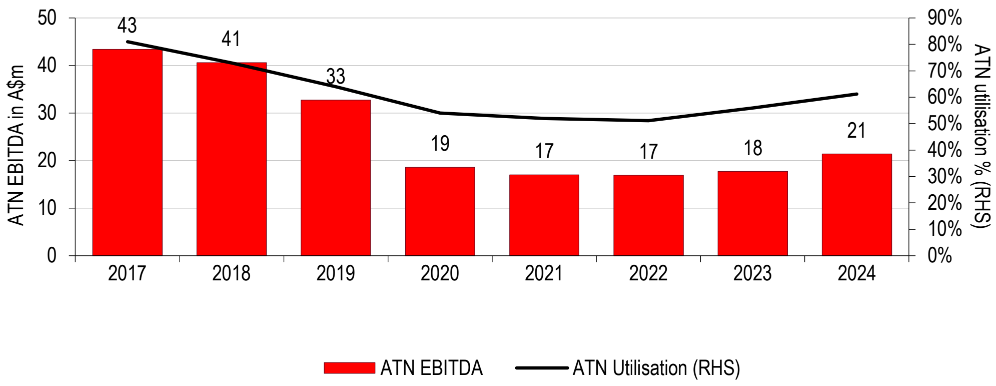
Exhibit 2: Transurban CityLink (Melbourne) quarterly traffic transactions Sep-19 to Sep-24



Source: TCL company website and presentations

Given the fixed-cost nature of both Cost of Goods Sold (COGS) and operating costs, ATN is highly leveraged to changes in utilisation rates. Exhibit 3 plots the historical relationship between ATN EBITDA and inventory utilisation rates.

Exhibit 3: ATN EBITDA vs. inventory utilisation



Source: Company data

The 2016 SXL Affiliate Contract

In February 2016, ATN entered into a new affiliate contract with Southern Cross Media Group (ASX:SXL) , with the key financial features including:

- A $100m upfront prepayment providing a fixed number of radio spots over the life of the agreement;
- An agreement term of 30 years, with a 20-year contract and 10-year extension at ATN's option; and
- Recurring annual cash payments of $2.75m indexed to the lower of CPI and 2.5%.

The accounting treatment for the deal treats the $100m prepayment as a financing arrangement with SXL and reduces over time as the prepayment is amortised. GTN will also record station compensation expense over the contract period equal to the $100m prepayment plus the total non-cash interest income recognised over the 30-year contract term.

Other material terms of the contract include:

- ATN has exclusivity for traffic reports and traffic information across the SXL stations;
- The parties must negotiate in good faith if a 'material adverse event' arises, defined as any event which has a material adverse effect on the rights of ATN, SXL's ability to perform its obligations and SXL ceasing to have direct or indirect control over ANY radio station;
- Audience testing every four years, with SXL agreeing to provide additional spots where the audience is below certain thresholds;
- In the event of a transferred station SXL must require any assignee or acquirer to accept the obligations of the SXL affiliate contract with ATN; and
- ATN may terminate the agreement if SXL breaches any provision of the agreement or is insolvent. Where ATN has terminated the agreement, it shall be entitled to a refund equal to (360 – the number of months from commencement / 360 * $100m).

  As at the date of this report, a termination would require the repayment of $71m (360 – 103 months = 257 / 360 *$100m) by SXL to GTN.

We believe this affiliate deal should be seen as a key strategic asset of ATN/GTN, providing 22 more years of radio spot security across the SXL affiliate radio stations either under the control of SXL or a new owner, or a material cash payment equal to the current enterprise value for the loss of these radio spots.

Canada Traffic Network (CTN)

Key facts for CTN include:

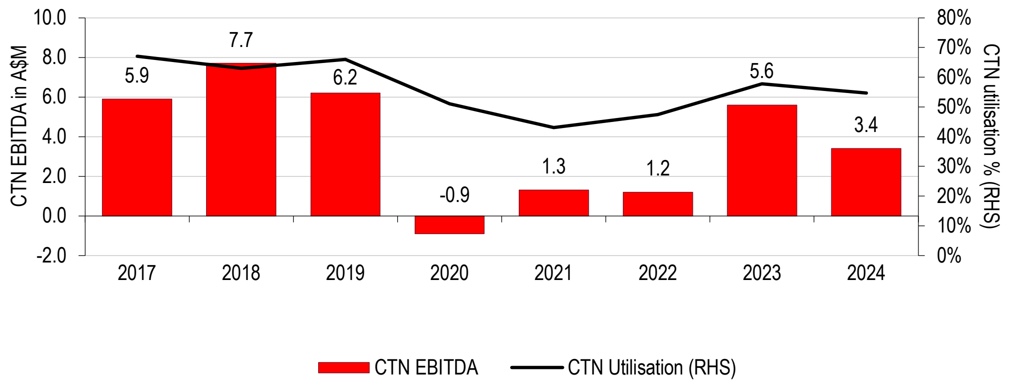
- Founded in 2005, GTN has been operating in Canada for 19 years;
- Represented 17% of FY24 revenue and 11% of EBITDA (pre-corporate costs);
- Management estimates an audience of 13.8m in radio and 8.1m in television across key affiliates;
- Had 639k radio spots in FY24 with a utilisation rate of 55%; and
- These inventory spots were spread across 109 radio stations and six TV stations in metropolitan and regional locations.

Recent trading observations include:

- Achieved strong utilisation rates of between 63% and 67% between FY17 and FY19;
- Covid severely affected utilisation rates between FY20 and FY22, with rolling lockdowns and work-from-home orders reducing the need for live traffic updates;
- There was a solid recovery in utilisation rates in FY23 (58%) as traffic and work-from-home orders normalised; and
- FY24 saw a reduction in utilisation rates on the back of tough economic conditions, declining to 55% (and 50% in H2 FY24).

Given the fixed-cost nature of both Cost of Goods Sold (COGS) and operating costs, CTN is highly leveraged to changes in utilisation rates. Exhibit 4 plots the historical relationship between EBITDA and inventory utilisation rates.

Exhibit 4: CTN EBITDA vs. inventory utilisation



Source: Company data

UK Traffic Network (UKTN)

UKTN operates a different model to ATN, CTN and BTN (Brazil Traff Network) as it is more of a profit-share model than a prepaid inventory and inventory utilisation model. It is also measured on 'impacts' rather than inventory spots, with an impact the equivalent of a thousand listener impressions.

Key facts for UKTN include:

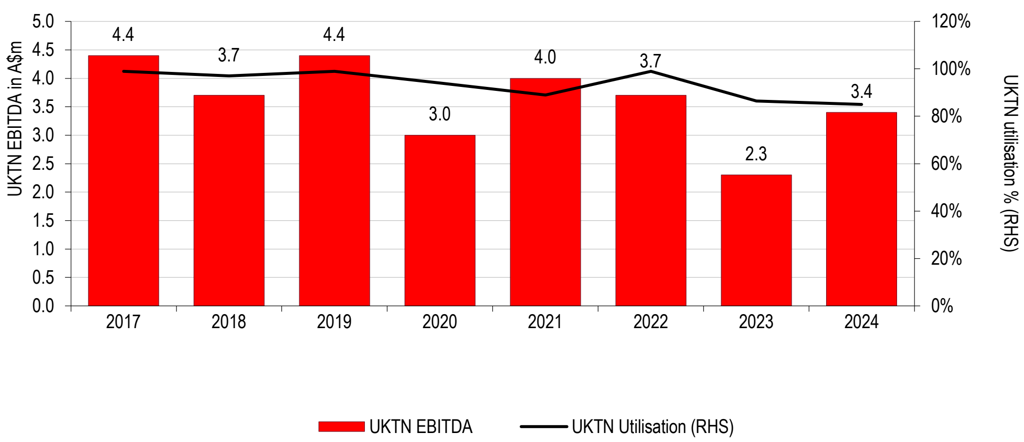
- Purchased in 2009, GTN has been operating in the UK for 15 years;
- Represented 28% of FY24 revenue and 11% of EBITDA (pre-corporate costs);
- Management estimates an audience of 31.2m in radio across key affiliates;
- Had 26.5m impacts in FY24 with a utilisation rate of 85%; and
- These impacts were spread across 241 radio stations in metropolitan and regional locations.

Recent trading observations include:

- The UK has far less movement in utilisation rates given the nature of impacts, and therefore far less volatility in EBITDA, with EBITDA ranging from $3.0m to $4.4m between FY17 and FY24.

Exhibit 5 plots the historical relationship between UKTN EBITDA and utilisation rates.

Exhibit 5: UKTN EBITDA vs. inventory utilisation



Source: Company data

Brazil Traffic Network (BTN)

Brazil Traffic Network (BTN)

Key facts for BTN include:

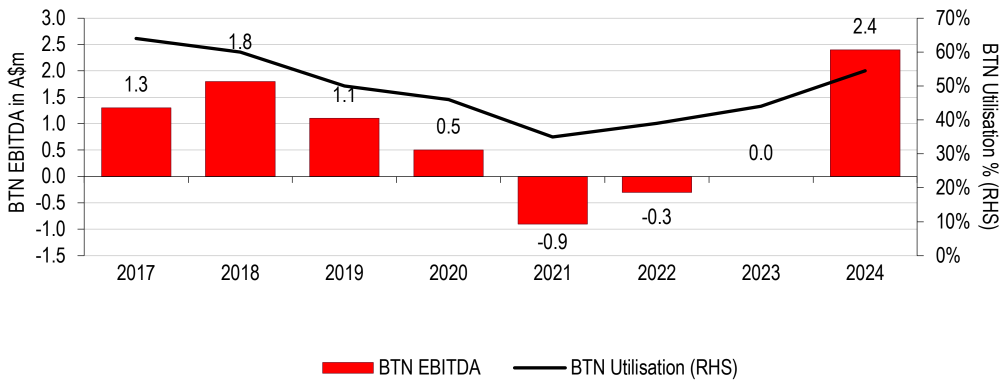
- Founded in 2011, GTN has been operating in Brazil for 13 years;
- Now operates in eight regions comprising Rio de Janeiro, Sao Paulo, Belo Horizonte, Port Alegre, Brasilia, Campinas and Salvador;
- Represented 9% of FY24 revenue and 8% of EBITDA (pre-corporate costs);
- Management estimates an audience of 27m in radio across key affiliates; and
- Had 0.5m radio spots in FY24 with a utilisation rate of 54%.

Recent trading observations include:

- Strong utilisation rates (60%-64%) were achieved during FY17 and FY18;
- Weakness in FY19 due to the opening of the Brasilia and Campinas markets, which added costs over the period;
- COVID severely affected utilisation rates between FY20 and FY22, with rolling lockdowns and work-from-home orders reducing the need for live traffic updates;
- We have seen a slow recovery in utilisation rates since the low of FY21 (35%), recovering to 54% in FY24 as traffic and work-from-home orders normalise; and
- BTN is expanding into the new regions of Recife and Florianopolis, which is likely to increase radio inventory by 20-25% and provide the sales team with a greater national footprint. This move is being funded by the sale of a helicopter in Brazil.

Given the fixed-cost nature of both Cost of Goods Sold (COGS) and operating costs, BTN is highly leveraged to changes in utilisation rates. Exhibit 6 plots the historical relationship between EBITDA and utilisation rates for BTN.

Exhibit 6: BTN EBITDA vs. inventory utilisation



Source: Company data

Drone lightshows

GTN entered the drone lightshow business in FY22 under previous management. The thinking was to provide complementary advertising/promotional opportunities for GTN's larger customers to complement radio spots. From market entry in FY22 up until FY24:

- Drones have generated total revenue of $1.5m;
- Generated EBITDA losses of $5.0m including $2.6m in FY23 and $1.7m in FY24;
- Required capex of >$5.0m to establish and maintain/replace the fleet; and
- Accounted for depreciation of ~$0.7m per annum.

Management says the drone business will be scaled down in FY25, with the Canadian operations already closed and drones sold for a profit on sale of $0.5m in FY25.

Management has guided to a ~$1.2m reduction in operating losses for FY25 (implying a loss of $0.5m, down from $1.7m), with only select shows at the right terms to be undertaken with larger clients in Australia.

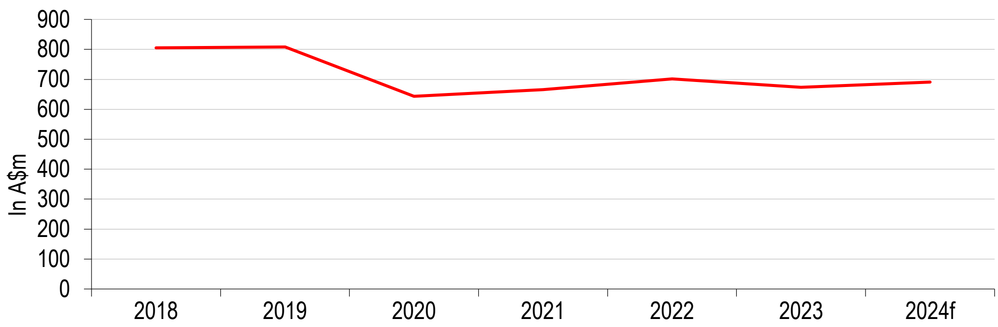
Radio Market by Region

While not claiming to present a comprehensive view of the radio markets in which GTN operates globally, we provide a snapshot of recent data and commentary to provide an insight into the current state of the key radio markets in which GTN operates.

Australia

The Australian radio market has been relatively resilient compared to television and print over recent years, growing at a CAGR 2% between FY21 and FY24f (using growth to June 30, 2024, as a guide for the full year).

Exhibit 7: Total commercial radio ad revenue – Australia (A$m)



Source: Commercial Radio Australia

Both SXL and A1N have quoted commercial radio audiences at an all-time high with 12.2m people estimated to be listening each week to metro radio and 7.6m in regional areas.

SXL states that audio accounts for 34% of total media consumption but only 8% of advertising spend[1], while A1N estimates audio accounts for 23% of media consumption and only 9% of advertising spend.

A1N estimated a metro radio market decline of 2.7% in the June 2024 half with A1N stations declining 2.5% over the same period, while regional markets increased 1.6% against a 15.3% increase in ARN regional stations.[2]

A1N has the number one network in Sydney and Melbourne with 21.7% and 19.7% audience share respectively.

SXL lays claim to the highest share of people between 25-54 with a 36.9% share, with its HIT network strong in women between 25-54 and its Triple M network strong in men between 25-54.

[1] Pg 23 of SXL's FY24 result presentation
[2] Pg 5 of A1N's H1 FY24 result presentation

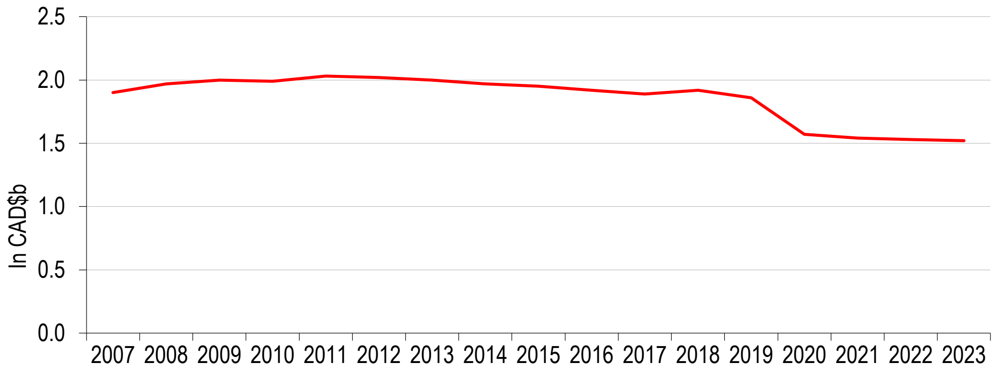
Canada

The Canadian radio market has been particularly weak in recent years, affected by a combination of economic conditions and loss of revenue to the streaming market according to IBISWORLD[3]. As a result, the market has declined at a CAGR 9.3% between 2018 and 2023.

Industry players such as Bell Media Inc., Rogers Media Inc. and Cogeco Media Inc. are responding by focusing on value-added talk show formats and acquiring independent stations.

Ontario, Quebec/Montreal are the key markets in Canada due to population density and language diversity, with other regions including British Columbia and Alberta.

Exhibit 8: Canadian radio industry revenue (C$b)



Source: Statista

UK

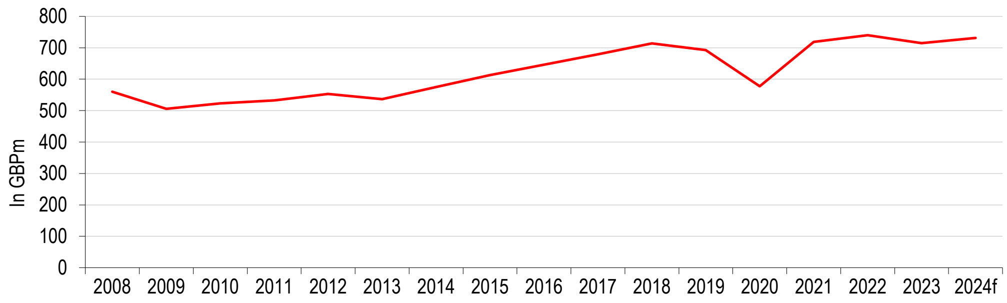
Total commercial radio revenue has also been resilient in the UK, with CAGR growth of 2% between 2020 and 2024. Following a weak 2023 (-3%), Q1 FY24 has turned positive with growth of 3.9%, with local (+13.8%) outperforming national (+7.0%).

For the balance of 2024 industry body AA/WARC is forecasting 2.3% growth in total commercial radio revenues, which we have used as our guide to 2024 growth.

The National Lottery is the largest advertiser on UK radio representing ~2.7% of ad spend.

[3] Ibisworld.com/Canada/market-reseach-reports/radio-broadcasting-industry/

Exhibit 9: Total annual commercial radio revenue UK (GBPm)



Source: Statista and Radiocentre

Brazil

Data on Brazil is harder to source, but according to Statista radio's share of the total advertising market is 4.0% against 9.0% in Australia. Free TV dominates at 40% followed by the internet at 38%.

Statista suggests radio has a 61% audience reach across Brazil compared to the high 80s for the likes of Australia and the UK.

Based on a survey by Statista of 994 respondents aged 18-64 the preferred radio content is news and talk at 42%, followed by pop/adult contemporary music (38%) and rock/alternative music (36%).

Brazil has been identified as a growth market for audio consumption, reporting the second-highest growth in the recorded music industry worldwide in 2023, according to Statista.

Key GTN Financials

Revenue

GTN revenue is a function of the number of inventory spots purchased, the utilisation of these spots over a given period, the price per inventory spot and exchange rate fluctuations outside of Australia. We detail our revenue assumptions by region below.

- **Australia (ATN)**. ATN ended H2 FY24 with a utilisation rate of 63% (and FY24 at 61%), the highest since FY19, the year before Covid. With this momentum and a renewed management team we forecast a utilisation rate of 65% in FY25.
  By FY28 we forecast utilisation rates of 68%, still below FY19 levels (73%), while radio inventory and spot rates are forecast to remain relatively flat.
- **Canada (CTN).** CTN ended H2 FY2 with a utilisation rate of 50%, the lowest since H2 FY22 due to a tough radio market. RaaS has forecast a decline in H1 FY25 relative to FY24, then a recovery in H2 FY25 off the low FY24 base, with utilisation rates over the year around the same.

  By FY28 we forecast utilisation rates of 60%+, above FY23 but below FY19 levels (66%), while radio inventory and spot rates are forecast to remain relatively flat.
- **UK (UKTN)** revenue is forecast to grow by 4-5% due to solid utilisation rates but has less leverage on the EBITDA line as other divisions.

- **Brazil (BTN)** is expected to see radio spots for two new regions added to the portfolio, with an ultimate increase of ~20-25% of existing inventory, on our forecast.

  We forecast flat utilisation and spot rates in FY25 and FY26 as the new regions are bedded down but revenue growth from the new inventory. FY28 utilisation rates are forecast at 63%, the highest since FY17 (64%).

  The Brazilian real has depreciated ~15% against the AUD over the last 12 months, which is likely to impact the reported revenue in AUD over FY25.

Management has stated group revenue growth for the four months to October 2024 was >5.0%, with growth in all regions outside of Canada. RaaS forecasts call for H1 FY25 revenue growth of 3.9%.

Cost of Goods Sold (COGS)

COGS is a combination of

- **The radio spots paid for across each region; and**
- **The cost of operating the traffic network across the four regions, mainly related to the 15 strong helicopter fleet (six in Brazil, five in Canada and four in Australia).**

We have assumed that 80% of COGS relates to radio spots and the remaining 20% operating the traffic network.

Using the previous fluctuations between regional utilisation rates and EBITDA we have pieced together the cost of inventory spots by region which we carry forward with 2.5-3.0% price increases per annum. This analysis helps us with upside/downside leverage to changes in utilisation rates, which is a key driver for GTN earnings.

We expect traffic network operating costs to be marginally lower in FY25 on the back of the sale of a helicopter in Brazil, hence the fleet requiring less maintenance overall.

Combined with higher utilisation rates, we forecast COGS as a percentage of revenue as a result to increase from 30.5% in FY24 to 31.4% in FY28.

Operating costs

Much like COGS, GTN's operating costs are fixed in nature and spread across selling, general and marketing expenses, predominantly employee costs.

FY24 operating costs included:

- $2.1m in redundancy costs relating to the previous management structure;
- $1.7m in drone losses; and
- ~$1.0m in costs relating to the previous management structure relative to the flatter current structure.

As a result, RaaS has forecast the FY25 operating cost base to be $2.0m or 5% below FY23, with more cost-out opportunities possible. We have operating cost growth of 4.0% thereafter.

A full financial summary by division for GTN to FY27 is presented in Exhibit 10 below.

Research as a Service

Exhibit 10: GTN P&L summary FY23-FY27f (A$m unless specified)

Year-ended June	2023a	2024a	2025f	2026f	2027f
Revenue	**177.1**	**184.2**	**193.6**	**202.6**	**210.1**
Australia (ATN)	88.6	85.8	89.2	91.9	94.7
Canada (CTN)	34.2	30.5	30.9	31.8	32.7
UK (UKTN)	42.4	51.0	55.6	58.2	60.5
Brazil (BTN)	11.9	16.9	17.9	20.7	22.2
Gross profit	**54.3**	**54.2**	**59.2**	**63.0**	**65.8**
GP%	31	29	31	31	31
Operating costs	34.9	32.0	29.9	30.3	31.6
EBITDA	**19.4**	**22.3**	**29.2**	**32.7**	**34.2**
PP&E depn.	4.4	5.2	4.5	4.6	4.5
RoU depn.	1.6	1.7	1.7	1.8	1.8
Amortisation	6.3	6.4	6.4	6.4	6.4
EBIT	**7.0**	**9.0**	**16.6**	**19.9**	**21.4**
Net Interest expense	1.5	0.8	(0.3)	(1.2)	(1.5)
Pre-tax profit	**5.6**	**8.2**	**16.9**	**21.1**	**22.9**
Tax expense	2.9	1.9	7.0	8.3	8.8
Abnormals	(0.1)	(0.7)	0.0	0.0	0.0
Reported NPAT	**2.6**	**5.7**	**9.9**	**12.9**	**14.1**
Adjustments (tax adj. amort)	4.5	5.2	4.5	4.5	4.5
Adjusted NPATA	**7.2**	**10.8**	**14.4**	**17.4**	**18.6**

Source: Company data for actuals, RaaS estimates for FY25f-FY27f

The jump from FY24 to FY25f PBT looks substantial at first glance, but we believe on closer examination the uplift is not unrealistic when considering the following table.

Exhibit 11: Reconciliation of FY24 adjusted PBT to FY25f adjusted PBT

Line item	A$m
FY24 PBT base	**8.2**
add redundancy costs	2.1
add drone loss reduction	1.2
add lower interest expense (lower average debt levels)	1.1
add lower depreciation on fewer drones	0.7
add lower helicopter maintenance at COGS	0.5
Starting base for FY25f	**13.8**
RaaS implied FY25f organic growth	3.1
Implied growth rate FY25f on FY24	23%

Source: Company data and RaaS estimates

Other Financial Commentary

Cash flow

Working capital light model with GTN metrics well below the RaaS selected peer group average presented in Exhibit 14, with GTN FY24 working capital/revenue of -2% against the selected RaaS peer average of 10%.

Capex is minimal, and predominantly relates to the maintenance of the group's helicopter fleet (15 in total). We forecast capex in FY25 to be lower than FY22 through FY24 due to the absence of drone fleet spend and associated replacements.

GTN FY24 capex/revenue was 2% against the selected RaaS peer average of 4%.

Tax paid has been low in recent years but we forecast it to increase as tax losses are fully utilised, presenting the opportunity to frank dividends.

Balance sheet

Net cash at bank was $20.0m as of June 2024, with cash of $31.6m and debt of $11.6m. All bank debt is expected to be repaid by December 2024.

Goodwill of $96m.

Intangibles of ~$20.7m.

Other non-current assets of $89.3m relates to the SXL affiliate contract struck in 2016, reducing at around $1.4m per year in-line with the 30-year term.

Current dividend policy

It is worth spending some time on the current GTN dividend policy as it is important going forward in the light of RaaS earnings assumptions. The current exploration of tax effective capital management options by the Board may result in a change to this policy, but the current dividend policy can be summarised as follows:

- 100% payout of STATUTORY NPAT.
- 50% of the H1 statutory NPAT will be paid in H1.
- The balance will be paid in H2.

Exhibit 12 below looks at the historical half-yearly dividend payments in FY23 and FY24, and RaaS assumptions out to FY26.

What is important to understand is the inclusion of drone losses, redundancy costs and the loss on sale of drones in the FY23 and FY24 statutory results, and the forecast for materially lower drone losses, no abnormals, lower interest expense and lower depreciation into FY25.

This should lead to materially higher dividend payments in FY25 and FY26 under the current policy using current RaaS assumptions.

Exhibit 12: GTN dividends by half year – FY23a-FY27f

Period	FY23	FY24	FY25f	FY26f
Statutory NPAT (A$m)				
H1	3.00	4.40	5.63	7.88
H2	(0.23)	1.25	4.29	6.16
FY	2.76	5.66	9.92	14.04
Dividend declared (cps)				
H1	0.014	0.011	0.014	0.020
H2	0.000	0.017	0.036	0.051
Total	0.014	0.028	0.050	0.071
Yield at $0.57/share	**2.5%**	**4.9%**	**9.0%**	**12.1%**

Source: Company announcements and RaaS estimates for FY25f and FY26f

The above payout policy still allows for both debt reduction and share buybacks without the need to draw down bank debt.

Should GTN move to a 100% payout of NPATA (the adding back to reported NPAT of tax adjusted amortisation charges totalling $4.5m per annum), RaaS estimate a dividend yield closer to 12.8% in FY25f and 15.7% in FY26f using the above assumptions.

Full tax paying status should allow GTN to generate franking credits for future dividends.

Shareholders

GTN has the opposite problem to most companies with a market cap ~$120m, that is its register is dominated by institutional/family office shareholders and as a result has a very small retail shareholder base.

The absence of retail investors reduces liquidity and the GTN share price is therefore prone to move on small trades in market.

There have been significant movements in the register over the last quarter as Viburnum Funds increased its stake from 35.6% to 46.3% and with it launched an off-market bid for GTN at $0.465/share, as required by Chapter 6 of the Corporations Act if increasing a stake with a shareholding between 20% and 90%[4]. This resulted in Viburnum securing 80% of the register.

Believing GTN continued to be relevant in a listed context, Viburnum on-sold 25% of its stake to a number of family offices including the Terrace Tower Group (TTG) which took a 19.9% stake at $0.465/share.

Exhibit 13: GTN major shareholders as at December 2024

Holder	% total
Virburnum Funds	54.6
TTG Group	19.9
Athos Capital	6.7
Top-3 holders	**81.2**

Source: Company announcements

[4] The 20% Prohibition

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Listed Peer Analysis

Peers for GTN are small listed Australian/New Zealand media businesses operating in the broader media space. We think radio peers are most relevant given GTN effectively advertises on radio, but in our view the out-of-home sector is also relevant.

Media peers used for our peer comparison are:

Southern Cross Media Group (ASX:SXL)

SXL has a network of 99 Hit and Triple M radio stations around Australia, together with a digital audio network with LiSTNR, and sales representation across 34 regional stations, SoundCloud and Sonos Radio.

Key radio talent includes Carrie and Tommy, Fifi, Fev and Nick (Hit), and Marty Sheargold and Dave Gleeson (Triple M).

SXL also represents Network 10, Channel Seven, Nine and Sky News Regional across a range of regional TV networks covering cities including Gold Coast, Canberra, Newcastle, Wollongong, Hobart and Darwin.

SXL is believed to be GTN's largest affiliate and has a unique affiliate deal with GTN described previously. SXL was the subject of a proposal to acquire 100% of the shares for a mix of scrip and cash by a consortium led by A1N and Anchorage Capital Partners but following the withdrawal of the offer in May 2024 SXL is conducting a strategic review of its regional television networks[5].

ARN Media Limited (ASX:A1N)

ARN has ownership of 58 radio stations across 33 markets in Australia together with 46 DAB+ stations nationwide in addition to digital entertainment platform, iHeartRadio (92% of revenue), with an audience reach estimated by the company of ~6.2m weekly. A1N also owns Cody Outdoor in Hong Kong (6% of revenue).

Key stations are the KIIS network (including Mix102.3 in Adelaide and 96FM in Perth) and Pure Gold (including WSFM in Sydney and Cruise 1323 in Adelaide).

Key radio talent includes Kyle & Jackie 0, Will & Woody (KIIS), and Jonesy, Amanda and Christian O'Connell (Gold).

A1N delivered H1 CY24 revenue growth of 10%, adjusted EBITDA growth of 10% and an EBIT decline of 5%.

oOh!media Limited (ASX:OML)

OML is Australia and New Zealand's largest out-of-home company operating >35k sites.

OML says out-of-home (OOH) advertising now represents a record 15% of agency media spend, up from COVID lows of 11.2% in FY21.

OML continues to invest in digital formats and the retail media market (street furniture within retail stores via its reooh brand).

In H1 CY24 OML experienced a 2% decline in revenue as it lost share and exited low-margin contracts. The company has guided capex spend to $45-$55m in CY24 or 8% of revenue, which is at the high end of recent years.

New Zealand Media and Entertainment (NZME) (ASX:NZM)

NZME is an integrated New Zealand media company, with a portfolio of market-leading newspapers, radio stations and digital platforms.

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[5] 29 August 2024 result release

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Print and digital brands include the NZ Herald and property platform OneRoof, radio stations including Newstalk ZB, which has been the number-one station in New Zealand since 2008, ZM and The Hits, with digital distribution via iHeartRadio.

NZME claims to reach nine out of 10 New Zealanders including a radio audience of 1.9m, digital publishing reach of 2.0m and OneRoof audience of 0.7m.

H1 CY24 results were generally flat in a tough New Zealand economy, with revenue +3%, EBITDA +1% and EPS -6%. The following table summarises the key financial metrics of selected peers for FY25 which we use to select the appropriate multiples for comparison with GTN

Exhibit 14: GTN peer group FY25 financial comparison (in A$m unless otherwise stated)

Company name	Ticker	Share price (cps)	Mkt. cap.	Net debt (cash) @ Jun-24	Adj. EBITDA#	Revenue	WC/Rev (%)	EV/adj EBITDA (x)	PER	Debt/ EBITDA (x)
oOh!media Limited	OML	1.17	630	125.0	128.9	639.2	9	5.9	11.7	1.0
NZME Limited (NZD)	NZM	1.08	202	30.0	44.1	349.5	0	5.3	12.9	0.7
ARN Media	A1N	0.75	235	64.0	61.2	362.8	11	4.9	8.4	1.0
Southern Cross Media	SXL	0.57	137	107.0	57.5	494.7	13	4.2	7.4	1.9
						AVERAGE	8	5.1	10.1	1.1
GTN Limited	GTN	0.58	114	-19.9	27.5	193.6	(2)	3.4	7.9	-0.7

Sources: LSEG consensus, RaaS estimates (GTN); Prices as of 11 December 2024. # Pre-AASB16

Looking at GTN (RaaS estimates) relative to the peer group (LSEG consensus estimates) using forecast FY25 multiples we would highlight the following:

- GTN is the only peer with net cash, with the balance having an average debt/EBITDA ratio of 1.1x;
- GTN had the lowest working capital/revenue multiple in FY24 at -2% against the peer average of 8%;
- GTN had the lowest capex/revenue multiple of the peer group at 2.0% against a peer average of 5.0%; and
- GTN trades at a 35% discount to the peer average on an adjusted EV/EBITDA multiple and 23% on a PER basis.

Valuation

Peer multiples

The first observation around peer average multiples is that they are extremely low relative to the Australian market at 10.0x PER and 5.0x adjusted EV/EBITA against a market average of ~18.0x and ~11.5x respectively[6].

Given the net cash position of GTN relative to the net debt positions of the peers we view a PER comparison as less relevant.

Using the EV/adjusted (and pre-AASB16) EBITDA multiple we present three alternatives for valuating GTN on a peer multiple basis, one against the peer group average and the other two at a 10% and 20% premium to the peer average, with RaaS believing the GTN business model and financial position of GTN is superior to peers. We arrive at this view by ranking GTN and the peer group (from 1 to 5, with 1 being the best) across four variables, being:

- FY24 debt/EBITDA for balance sheet health;
- FY24 working capital/revenue for capital intensity;
- FY24 capex/revenue for capital intensity; and
- FY23-FY26f CAGR EPS growth, capturing two years historical and two years forecast.

[6] Macquarie Equities estimates

GTN comes out clearly ahead on all metrics, warranting a peer premium in our view before even considering the remaining 22-year contract with key affiliate SXL.

Exhibit 15: Peer rankings across key financial variables (1 lowest to 5 highest)

	CAGR EPS (FY23-FY26f)	FY24 Debt/EBITDA	FY24 working capital/revenue	Capex/revenue	Total
OML	2 (+8.4%)	3	3	5	13
NZM	3 (-1.3%)	2	2	3	10
A1N	5 (-11.4%)	4	4	4	17
SXL	4 (-13.0%)	5	5	2	16
GTN	1 (+27.2%)	1	1	1	4

Source: LSEG consensus, RaaS estimates (GTN)

Using the peer group average, we derive a value of $0.81/share for GTN.

A 10% premium would see a valuation of $0.88/share and a 20% premium $0.95/share.

Exhibit 16: GTN peer multiple analysis (A$m unless otherwise stated)

	Peer avg.	10% premium	20% premium	Comments
EV/EBITDA multiple (x)	5.1	5.6	6.1	All well below market
RaaS GTN adj. EBITDA	27.5	27.5	27.5	Adjusted for lease expenses
GTN net cash	19.9	19.9	19.9	FY24 year-end net cash
Valuation	158.9	172.8	186.7	
Shares on issue (m)	196.0	196.0	196.0	Adjusted for the buyback
Value/share	**$0.81**	**$0.88**	**$0.95**	

Source: LSEG and RaaS estimates

The independent expert report conducted by RSM as part of Viburnum's off market takeover undertook a similar valuation approach and arrived at a preferred valuation of $0.898 using a maintainable EBITDA of $28m and an assessed EBITDA multiple of 5.75x.

The assessed EBITDA multiple was based on an historic multiple for comparable listed companies (post AASB16) of 6.75x, adding a 33% control premium (8.94x) and subtracting a 'size and business specific discount' of 35% (to arrive at 5.75x).

DCF valuation

We have constructed a DCF valuation driven by our earnings estimates out to FY28 and modest medium-term growth assumptions thereafter. The result is a valuation of $1.34/share.

We would highlight the following as being key drivers/assumptions of this valuation:

- 10.5% discount rate incorporating a beta of 1.0x, RFR 4.0% and equity risk premium of 6.5%;
- Medium-term growth beyond the forecast period of 2.2% pa;
- Perpetuity growth rate of 2.2% pa;
- Peak utilisation rates of 68% in Australia (against 61% in FY24), 58% in Canada (against 55% in FY24) and 64% in Brazil (against 54% in FY24);
- Full tax paying from FY25; and
- No capital management assumptions.

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Exhibit 17: GTN base-case DCF valuation (A$m unless otherwise stated)

Parameters	Outcome
Discount rate /WACC	10.5%
Beta	1.0x
Terminal growth rate assumption	2.2%
Sum of PV	133.4
PV of terminal value	109.4
PV of enterprise	242.8
Debt (cash) @ June 2024	(19.9)
Net value – shareholder	262.8
No. of diluted shares on issue (m)	196
NPV ($/share)	**$1.34**

Source: RaaS estimates

SWOT Analysis

We believe the strengths and opportunities for GTN outweigh its weakness and threats. Our Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis is summarised below.

Exhibit 18: Strengths, Weaknesses, Opportunities, Threats

Strengths	Opportunities
High-impact spots adjacent to news	Grow regions in Brazil
SXL affiliate contract provides long-term security	Recovery to pre-pandemic utilisation levels at ATN, CTN and BTN
Low capex and low working capital business model	Capital management
Represents a meaningful % of affiliate revenue	
Net cash position provides optionality	
Not reliant on ratings or talent	
Weaknesses	**Threats**
Share register is tight	Change in transport habits/modes
Market cap is small relative to affiliates	Change in affiliate ownership
Highly leveraged to changes in utilisation rates	Use of radio as a medium

Source: RaaS analysis

Key Sensitivities & Risks

Media inventory utilisation

The utilisation of inventory spots is the key sensitivity for GTN earnings. Exhibit 19 below summarises the estimated EBITDA sensitivity to a +/-1% change in the current FY25 RaaS forecasts for utilisation rates across regions. Utilisation in the UK is not as relevant and therefore is not considered.

Exhibit 19: Regional sensitivity to a +/-1% change in media spot utilisation rates

Region	+/- % CHG	Current Utilisation (%)	+/- Change ($m)	+/- % Change
Australia	+/- 1%	0.650	1.40	0.05
Canada	+/- 1%	0.545	0.60	0.02
Brazil	+/- 1%	0.573	0.40	0.01

Source: RaaS estimates

Price per media spot

The price per media spot is also a key sensitivity for GTN earnings. Exhibit 20 below summarises the estimated EBITDA sensitivity to a +/- 1% change in the current FY25 RaaS forecasts for media spots across regions.

Exhibit 20: Regional sensitivity to a +/-1% change in the price per media spot

Region	+/- % CHG	Current price/spot (A$)	Change ($m)	% Change
Australia	+/- 1%	126	1.30	0.04
UK *	+/- 1%	2.75	0.60	0.02
Canada	+/-1%	85	0.40	0.01
Brazil #	+/- 1%	54.3	0.05	0.00

Source: RaaS estimates; *Per 10k impacts; # After estimated agency fees

Cost per media spot

Depending on the affiliate agreement the cost and quality of media spots are negotiated every one-three years. The longer the period, the more risk GTN takes regarding economic conditions in future years. Affiliate fee negotiations (higher prices) were attributed to the decline in FY19 ATN EBITDA as an example.

Exhibit 21 looks at the estimated EBITDA sensitivity to a +/- 1% change in the current FY25 RaaS forecasts for media spot costs across regions.

Exhibit 21: Regional sensitivity to a +/-1% change in the cost of a media spot

Region	+/- % CHG	Current cost/spot (A$)	Change ($m)	% Change
Australia	+/- 1%	44.6	0.46	0.02
UK *	+/- 1%	1.6	0.36	0.01
Canada	+/-1%	28.1	0.16	0.01
Brazil	+/- 1%	10.3	0.06	0.00

Source: RaaS estimates; *Per 10k

The future of live radio

While not wanting to sound overly dramatic, the radio industry much like the free-to-air and print industries are navigating a switch to digital formats while continuing to operate legacy formats.

Live radio and the streaming of live radio across the internet support the GTN live traffic offering. Podcasts and catch-up content are not supportive of GTN live traffic offerings.

Radio market share of the advertising dollar

GTN derives 96% of revenue from advertising spots acquired on radio. The attraction and relevance of radio as a medium for ad agencies relative to other media formats is key for GTN. To date radio has shown resilience, and as both SXL note radio represents 34% of media consumption in Australia but just 8% of ad spend[7].

Board and Management

Directors

Peter Tonagh, Independent Non-Executive Chairperson. Peter has a background as a C-Suite executive in large Australian media companies, including as CEO of Foxtel and News Corp Australia, interim-CEO of REA Group and Chairman of MCN (MultiChannel Network).

Peter is a former partner of the Boston Consulting Group where he led the Asia Pacific Organisation Practice and worked across media, consumer and financial services businesses. Peter is currently Deputy Chair of the Australian Broadcasting Corporation (ABC) and Chair of Quantium Group Holdings Pty Ltd.

Craig Coleman, Non-Independent Non-Executive Director. Craig is an experienced senior executive and director, with a 30-year career spanning banking and finance corporate advisory, and funds management, with roles including Managing Director of ASX-listed Home Building Society.

Craig is Co-Founder and managing Partner of major shareholder Viburnum Funds where he has primary responsibility for the management and performance of the Strategic Equites Fund.

Jason Korman, Non-Independent Non-Executive Director. Jason joined Viburnum in 2020. Prior to joining Viburnum, Jason spent 10 years in the private equity industry, most recently at BGH Capital, the largest domestic private equity fund in Australia.

Prior to BGH Capital, Jason was a Principal at Argand Partners, a New York based, Industrials focused private equity firm and before this he worked for CHAMP Private Equity (now known as CPE Capital) in Sydney.

Corinna Keller, Independent Non-Executive Director. Corinna is the former Vice President of Advertising for the Americas for CNN International Commercial, which she joined in 2016.

7 SXL's FY24 result presentation

From 1999-2015, Corinna was with Viacom in various roles, her last as Vice President, International Marketing Partnerships and Pan-regional ad sales, running the pan-regional advertising business for Nickelodeon, MTV, Comedy Central, Paramount Channel, VH1 and a diverse digital portfolio.

Robert Martino, Non-Independent Non-Executive Director. Robert has over 18 years' experience across investment banking, institutional equity research and funds management.

Robert joined Viburnum in 2014. Prior to joining Viburnum, Rob was an Associate Director at Euroz Securities within their corporate finance and equity research teams. Before Euroz Securities, Rob was a co-founding equity partner and Executive Director of Perth-based wealth management and investment advisory firm Blackswan Equities.

Management

Brent Hanley, Global Chief Financial Officer. Brent is responsible for Finance, capital management and investor relations at GTN Limited in its four operating markets being Australia, Canada, the UK and Brazil.

Prior to joining Global Traffic Network, Brent was the CFO of ASX listed Bravura Solutions. From 2016-2022 Brent was the Group CFO of Macquarie Technology Group (ASX: MAQ), before moving into a Group Executive and Chief Commercial Officer role within the group.

Victor Lorusso, Chiel Executive Officer, ATN. Vic Lorusso has over 20 years of experience in the media industry, all of those with ATN in various operational and management positions, joining in 1999.

Vic is also an airborne traffic reporter for the Ten Network and various radio stations. In addition to his role with ATN, Vic is associated with a number of charities throughout the country.

John Quinn, Chief Operating Officer, UKTN. John has over 30 years of experience in the radio and media industry, joining GTN in 2009 following its acquisition of UBC Media's commercial division

Prior to the acquisition, John was the Chief Operating Officer and a director of UBC Media (a company listed on AIM, a sub-market of the London Stock Exchange) and has held numerous other sales and management positions within the United Kingdom commercial radio industry.

Donna Gardner, President, CTN. Donna has over 25 years of advertising and marketing experience, including operating her own advertising and marketing consulting business, DG Consulting.

Donna was VP, Sales & GM for Trico Evolution, a printing and packaging company in Ottawa, Ontario from 2017-2018. From 2014-2017, Donna was the VP, Sales for TC Media Newspapers (a division of Transcontinental Printing) managing the advertising sales teams across Atlantic Canada.

Fabio Menezes, County Head, BTN. Fabio has over 20 years of experience in the media and advertising sector, bringing extensive knowledge gained from working at major advertising agencies across Brazil, and 10 years as Sales Director at BTN before assuming the Country Head role.

Sophie Jackson, Global General Counsel. Sophie has over 25 years of experience in the media and digital industry with substantial in-house legal experience in both the UK, as Head of Legal at Sky Active, a division of Sky, and in Australia, as Principal Legal Counsel at Foxtel. Her expertise spans legal, compliance, corporate governance, regulatory and policy.

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Exhibit 22: GTN Financial Summary

GTN Limited (GTN.ASX)					
Profit and Loss (A$m)					
Y/E 30 June	**FY22A**	**FY23A**	**FY24A**	**FY25F**	**FY26F**
Revenue	**160.1**	**177.1**	**184.2**	**193.6**	**202.6**
Gross Profit	43.3	54.3	54.2	59.2	63.0
Operating costs	26.1	34.9	32.0	29.9	30.3
Underlying EBITDA	**17.1**	**19.4**	**22.3**	**29.2**	**32.7**
Depreciation	(4.3)	(6.0)	(6.9)	(6.2)	(6.4)
Amortisation	(6.4)	(6.3)	(6.4)	(6.4)	(6.4)
EBIT	**6.5**	**7.0**	**9.0**	**16.6**	**19.9**
Interest (expense)/income	(1.3)	(1.5)	(0.8)	0.3	1.2
Tax	(2.4)	(2.9)	(1.9)	(7.0)	(8.3)
NPAT	**2.8**	**2.7**	**6.4**	**9.9**	**12.9**
Adjustments	4.4	4.4	4.5	4.5	4.5
NPATA	**7.3**	**7.2**	**10.8**	**14.4**	**17.4**
Abnormals	0.0	(0.1)	(0.7)	0.0	0.0
NPAT (reported)	**2.8**	**2.6**	**5.7**	**9.9**	**12.9**
Cash flow (A$m)					
Y/E 30 June	**FY22A**	**FY23A**	**FY24A**	**FY25F**	**FY26F**
EBITDA (inc cash rent)	15.6	17.7	20.6	27.5	30.9
Interest	(1.3)	(1.5)	(0.8)	0.3	1.2
Tax	(0.8)	(0.9)	(0.6)	(7.0)	(8.3)
Working capital/Other	(3.5)	2.0	7.0	(2.3)	0.1
Operating cash flow	**10.0**	**17.4**	**26.2**	**18.5**	**23.9**
Capex	(4.1)	(5.7)	(4.3)	(3.8)	(3.9)
Other	0.0	0.0	0.0	0.0	0.0
Free cash flow	**5.9**	**11.7**	**21.9**	**14.7**	**20.0**
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0
Share buybacks	0.0	0.0	(1.9)	(1.5)	0.0
Cash flow pre financing	**5.9**	**11.7**	**20.0**	**13.2**	**20.0**
Equity Issues	0.0	0.0	0.0	0.0	0.0
Debt	(20.0)	(6.0)	(16.0)	(10.1)	0.0
Net Dividends paid	0.0	(5.8)	(2.2)	(6.2)	(11.1)
Change in cash	**(14.1)**	**(0.1)**	**1.8**	**(3.1)**	**8.9**
Balance sheet (A$m)					
Y/E 30 June	**FY22A**	**FY23A**	**FY24A**	**FY25F**	**FY26F**
Cash	34.8	30.6	31.6	28.4	37.4
Accounts receivable	37.8	41.2	39.2	43.7	45.7
Inventory	0.0	0.0	0.0	0.0	0.0
Other current assets	7.8	9.3	8.0	8.0	8.0
Total current assets	*80.4*	*81.1*	*78.7*	*80.1*	*91.1*
Plant & Equipment	9.7	10.7	9.3	8.6	7.9
Intangibles	33.2	27.1	20.7	14.3	7.9
Goodwill	96.0	96.4	96.3	96.3	96.3
Other	97.9	95.7	94.3	92.9	91.5
Total non current assets	*236.8*	*229.9*	*220.6*	*212.1*	*203.6*
Total Assets	317.2	311.0	299.3	292.2	294.7
Accounts payable	35.1	39.2	42.9	45.1	47.2
Borrowings	1.4	1.2	1.5	1.5	1.5
Lease liabilities	1.0	1.2	1.6	1.6	1.6
Other	1.2	1.6	1.4	1.4	1.4
Total current liabilities	*38.7*	*43.2*	*47.4*	*49.6*	*51.7*
Borrowings	32.1	25.9	10.1	(0.0)	(0.0)
Deferred tax liability	22.4	24.1	23.4	23.4	23.4
Other	0.4	0.4	0.5	4.0	5.1
Total long term liabilities	*55.0*	*50.4*	*34.0*	*27.4*	*28.5*
Total Liabilities	93.6	93.6	81.4	77.1	80.2
Net Assets	**223.6**	**217.4**	**217.9**	**215.2**	**214.5**
Share capital	437.5	432.1	430.3	428.8	428.8
Reserves	10.2	8.2	6.4	6.4	6.4
Retained Earnings	(224.2)	(222.9)	(218.9)	(220.0)	(220.8)
Minorities	0.0	0.0	0.0	0.0	0.0
Total Shareholder funds	**223.6**	**217.4**	**217.9**	**215.2**	**214.4**

Share price (11 December 2024)					A$	0.580
Interim (A$m)	**H123**	**H223**	**H124**	**H224**	**H125F**	**H225F**
Revenue	90.3	86.8	94.8	89.4	98.5	95.1
EBITDA	12.0	7.4	13.3	9.0	16.7	12.5
EBIT	6.2	0.9	6.8	2.2	10.5	6.2
NPATA (adjusted)	5.2	2.0	7.3	3.5	8.6	5.8
Adjustments	2.2	2.2	2.9	2.2	2.2	2.2
NPAT (reported)	3.0	(0.2)	4.4	1.3	6.4	3.6
EPS (normalised)	0.025	0.009	0.036	0.017	0.044	0.030
EPS (reported)	0.014	(0.001)	0.022	0.006	0.032	0.018
Dividend (cps)	0.014	0.000	0.011	0.017	0.014	0.037
Operating cash flow	3.8	15.2	1.2	26.5	na	na
Divisionals	**H123**	**H223**	**H124**	**H224**	**H125F**	**H225F**
Revenue	**90.3**	**86.8**	**94.8**	**89.4**	**98.5**	**95.1**
ATN	45.8	42.8	43.9	41.9	45.8	43.4
CTN	17.7	16.5	17.0	13.5	16.0	14.9
UKTN	21.4	21.0	24.5	26.5	27.2	28.4
BTN	5.4	6.5	9.4	7.5	9.5	8.4
Operating Costs						
COGS	60.8	62.0	64.1	65.9	66.4	68.0
Selling, General & Admin	21.2	21.3	21.0	18.3	19.2	18.4
Other	0.3	0.1	0.3	0.2	0.2	0.2
Interest Income adj.	- 4.0	- 4.0	- 3.9	- 3.9	- 4.0	- 4.0
Total costs	**78.3**	**79.4**	**81.4**	**80.5**	**81.8**	**82.6**
EBITDA	**12.0**	**7.4**	**13.3**	**9.0**	**16.7**	**12.5**
EBITDA margin	13.3%	8.6%	14.1%	10.0%	16.9%	13.2%
D&A	-5.8	-6.6	-6.5	-6.7	-6.2	-6.4
EBIT	**6.2**	**0.9**	**6.8**	**2.2**	**10.5**	**6.2**
Margins, Leverage, Returns		**FY22A**	**FY23A**	**FY24A**	**FY25F**	**FY26F**
EBITDA margin %		10.7%	10.9%	12.1%	15.1%	16.2%
EBIT margin %		4.1%	4.0%	4.9%	8.6%	9.8%
NPAT margin (pre significant items)		4.5%	4.0%	5.9%	7.4%	8.6%
Net Debt (Cash)		-1.3	-3.5	-19.9	-26.9	-35.8
Net debt/EBITDA (x)	(x)	-0.1 x	-0.2 x	-0.9 x	-0.9 x	-1.1 x
ND/ND+Equity (%)	(%)	0.6%	1.6%	8.4%	11.1%	14.3%
EBIT interest cover (x)	(x)	0.2x	0.2x	0.1x	0.0x	-0.1x
ROA		4.1%	4.3%	5.1%	7.8%	9.0%
ROE		1.6%	0.8%	1.2%	1.7%	2.0%
ROIC		11.4%	6.0%	6.7%	9.6%	10.7%
NTA (per share)		0.44	0.44	0.50	0.53	0.57
Working capital		2.6	2.0	-3.8	-1.4	-1.5
WC/Sales (%)		1.6%	1.1%	(2.0%)	(0.7%)	(0.7%)
Revenue growth		11.7%	10.6%	4.0%	5.1%	4.6%
EBIT growth pa		110.4%	8.3%	28.2%	84.0%	20.1%
Pricing		**FY22A**	**FY23A**	**FY24A**	**FY25F**	**FY26F**
No of shares (y/e)	(m)	215.3	211.9	202.0	196.0	195.0
Weighted Av Dil Shares	(m)	215.3	211.9	202.0	196.0	195.0
EPS Reported	cps	0.013	0.012	0.028	0.051	0.066
EPS Adjusted	**cps**	**0.034**	**0.034**	**0.054**	**0.073**	**0.089**
EPS growth (norm/dil)		#REF!	0%	59%	37%	21%
DPS	cps	0.000	0.014	0.028	0.051	0.066
DPS Growth		n/a	n/a	100%	81%	31%
Dividend yield		0.0%	2.4%	4.8%	8.7%	11.4%
Dividend imputation		0	0	0	0	0
PE (x)		17.2	17.1	10.8	7.9	6.5
PE market		18.0	18.0	18.0	18.0	18.0
Premium/(discount)		(4.4%)	(4.7%)	(39.9%)	(56.1%)	(63.8%)
EV/EBITDA		7.2	6.2	4.4	3.0	2.4
FCF/Share	cps	2.72	5.54	10.85	7.49	10.26
Price/FCF share		21.33	10.48	5.35	7.75	5.65
Free Cash flow Yield		5.1%	10.3%	19.3%	12.9%	17.6%

Source: Company data for actuals, RaaS estimates (FY25f-FY27f)

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

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