Nexstar Media Group, Inc. (NXST)

Updated August 6th, 2022, by Ian Bezek

Key Metrics

Current Price:	$194	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$7.6 B
Fair Value Price:	$196	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	08/10/22
% Fair Value:	99%	**5 Year Valuation Multiple Estimate:**	0.2%	**Dividend Payment Date:**	08/25/22
Dividend Yield:	1.9%	**5 Year Price Target**	$301	**Years Of Dividend Growth:**	9
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

Nexstar is a media conglomerate focused on broadcast television and digital media assets. It owns and operates 199 television channels across 116 markets in 39 states and Washington D.C. The stations are affiliated with a variety of networks including ABC, NBC, FOX, and CBS. Nexstar's channels reach 39% of all U.S. households. The company also operates 120 local websites along with national properties such as *The Hill* and *NewsNation*.

Free broadcast television is often perceived to be a stagnant or declining industry. However, Nexstar has been able to grow tremendously by rolling up a variety of channels and digital media sites acquired from other owners. Recent acquisitions have included Media General in 2017 and Tribune Media in 2019. There are often a significant number of redundant costs across media operations, giving Nexstar considerable cost savings as it purchases additional smaller operators.

Nexstar has grown its earnings dramatically over the past few years, and that has continued into 2022. In its Q2 earnings released August 4th, 2022, Nexstar reported that revenues grew 11% year-over-year to $1.25 billion. Earnings of $5.56 per share far exceeded the analyst consensus and rose dramatically from $4.51 per share in the same quarter of 2021. While a slowing economy could ding Nexstar's operating results going forward, the company should enjoy a solid finish to 2022 thanks to political advertising associated with upcoming midterm elections. To that end, the company noted that political advertising in Q2 of 2022 was up fourfold versus the comparable period of 2020.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$0.95	-$0.06	$2.02	$2.42	$2.89	$3.24	$8.21	$4.80	$17.37	$18.98	***$23.00***	***$35.39***
DPS	---	$0.48	$0.60	$0.76	$0.96	$1.20	$1.50	$1.80	$2.24	$2.80	***$3.60***	***$5.54***
Shares	29	31	31	31	31	46	46	46	43	41	***39***	***37***

Nexstar has generated tremendous earnings growth over the past decade. From essentially breaking even a decade ago, Nexstar has grown earnings to $18.98 per share in 2021. Over the past five years, earnings grew at an outstanding 46.7% compound annual rate. There had been some concern that 2020's earnings were unsustainably elevated thanks to historic levels of advertising revenues associated with the 2020 Presidential Election. However, Nexstar managed to grow earnings again in 2021 despite not having a similar political advertising tailwind. Furthermore, Nexstar's first-half of 2022 earnings managed to sustain substantial further growth.

Nexstar has become an under-the-radar dividend growth story as well. As recently as 2012, Nexstar paid no dividend at all. However, it has now grown its payout to $3.60 per share annually. Over the past five years, Nexstar has increased its dividend at a 24.6% compound growth rate.

Nexstar substantially grew its share count in 2017 as part of its Media General acquisition. However, that acquisition has paid off in spades in terms of growing the firm's profits. Otherwise, Nexstar has done an admirable job of growing its television and digital media operations without having to dilute shareholders. Additionally, on July 28th, the company announced a new $1.5 billion share buyback program.

Nexstar Media Group, Inc. (NXST)

Updated August 6th, 2022, by Ian Bezek

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	9.1	---	22.1	22.3	17.7	19.9	9.1	21.2	5.3	7.7	***8.4***	***8.5***
Avg. Yld.	0.0%	1.5%	1.3%	1.4%	1.9%	1.9%	2.0%	1.8%	2.4%	1.9%	***1.9%***	***1.8%***

Nexstar's P/E ratio has fluctuated dramatically over the past decade. It has gone as low as 5 in 2020 and up to the 20s at other times. For now, it appears that investors are not going to assign Nexstar a high P/E multiple due to concerns about the longevity of the broadcast television industry.

Nexstar does not have that long a track record of paying dividends. That being the case, the company's yield so far has historically settled around the 2.0% mark, on average, and we project it will remain around that level going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	---	---	30%	31%	33%	37%	18%	38%	13%	15%	***16%***	***16%***

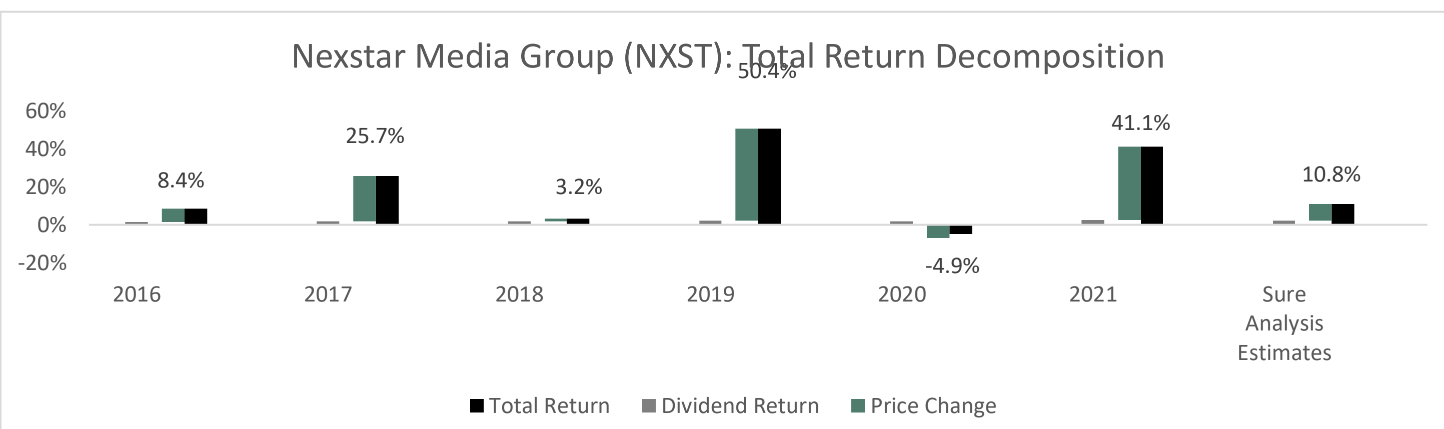
Nexstar's current dividend is well-covered out of present earnings and the low payout ratio leaves considerable room for future dividend hikes. If Nexstar were to slow down its spending on acquisitions, in fact, it could support a substantially higher dividend payment in the future.

That said, the company's balance sheet carries more than $7 billion in long-term debt, with $4.4 billion coming due within the next five years. This is a large debt position in comparison to the company's market cap. If interest rates continue to rise, higher interest payments could considerably curtail Nexstar's free cash flow generation. For now, the company's debt load is manageable, but it's worth watching interest coverage in future quarters.

Final Thoughts & Recommendation

Nexstar has done a tremendous job growing its earnings and dividend despite operating in a challenging industry. Management has proven adept at making strategic acquisitions. There are some concerns such as the company's debt load and its exposure to slowing marketing spend if the economy tips into a recession. However, these are arguably fully priced into Nexstar shares with the P/E ratio being just 8.4 today. Nexstar could produce double-digit total returns from this starting price even without a meaningful uplift in valuation. Shares earn a buy rating.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.]

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Nexstar Media Group, Inc. (NXST)

Updated August 6th, 2022, by Ian Bezek

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	379	502	631	896	1,103	2,432	2,767	3,039	4,501	4,648
Gross Profit	287	355	444	594	721	1,439	1,649	1,691	2,781	2,786
Gross Margin	75.8%	70.6%	70.3%	66.3%	65.4%	59.2%	59.6%	55.6%	61.8%	59.9%
SG&A Exp.	118	152	175	232	264	605	580	730	912	1,024
D&A Exp.	55	76	73	118	120	323	321	409	565	589
Operating Profit	100	103	173	206	303	468	748	552	1,304	1,173
Op. Margin	26.5%	20.6%	27.4%	23.0%	27.4%	19.2%	27.0%	18.2%	29.0%	25.2%
Net Profit	182	(2)	65	78	92	475	389	230	811	835
Net Margin	48.2%	-0.4%	10.2%	8.7%	8.3%	19.5%	14.1%	7.6%	18.0%	18.0%
Free Cash Flow	63	8	146	176	252	37	631	220	1,037	1,064
Income Tax	(132)	3	46	49	78	(234)	145	137	297	263

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	946	1,164	1,414	1,835	2,966	7,482	7,062	13,990	13,404	13,264
Cash & Equivalents	69	40	132	43	88	116	145	232	153	191
Acc. Receivable	75	109	128	193	218	563	547	884	905	1,021
Goodwill & Int.	491	650	773	1,255	1,341	5,492	5,438	9,178	8,833	8,679
Total Liabilities	944	1,177	1,358	1,749	2,682	5,900	5,193	11,936	10,867	10,407
Accounts Payable	13	10	17	26	20	31	68	157	218	248
Long-Term Debt	858	1,071	1,220	1,476	2,342	4,362	3,981	8,493	7,668	7,415
Total Equity	2	(13)	53	81	169	1,571	1,853	2,031	2,518	2,850
LTD/E Ratio	383.05	(80.96)	23.23	18.30	13.85	2.78	2.15	4.18	3.04	2.60

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	23.9%	-0.2%	5.0%	4.8%	3.8%	9.1%	5.4%	2.2%	5.9%	6.3%
Return on Equity	---	---	328%	117%	73.3%	54.6%	22.8%	11.9%	35.7%	31.1%
ROIC	27.7%	-0.2%	5.5%	5.5%	4.4%	11.1%	6.6%	2.8%	7.8%	8.2%
Shares Out.	29	31	31	31	31	46	46	46	43	41
Revenue/Share	12.32	16.80	19.73	27.93	34.84	53.15	58.35	63.42	96.35	105.69
FCF/Share	2.04	0.28	4.57	5.49	7.97	0.80	13.30	4.59	22.20	24.19

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.