



Nexstar Media Group, Inc. (NXST)

Updated November 15th, 2024, by Ian Bezek

Key Metrics

Current Price:	\$162	5 Year CAGR Estimate:	9.2%	Market Cap:	\$5.3 B
Fair Value Price:	\$192	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	11/15/24
% Fair Value:	84%	5 Year Valuation Multiple Estimate:	3.5%	Dividend Payment Date:	11/29/24
Dividend Yield:	4.2%	5 Year Price Target	\$211	Years Of Dividend Growth:	11
Dividend Risk Score:	C	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

Nexstar is a media conglomerate focused on broadcast television and digital media assets. It owns and operates 200 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 approximately 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. The company remains active in M&A, buying 2 San Diego stations in May of 2023 for \$35 million.

Nexstar has grown its earnings dramatically over the past five years. After an uneven 2023, Nexstar has returned to a more favorable trajectory in 2024. Nexstar reported Q3 earnings on November 7th, 2024. EPS of \$5.27 soared from \$0.70 in the same period of 2023, but missed expectations slightly. The company has delivered record revenues in 2024 and it is also improving its profitability thanks in large part to cost-cutting at its money-losing CW Network division.

Nexstar bounced back from a lackluster 2023, and is on pace to generate near-record results in 2024. However, we have trimmed our expectations slightly following Q3 results. Political advertising revenues up through election day were \$491 million. This slightly exceeded the \$479 million recorded during the 2020 presidential election cycle. However, we had been expecting an even larger number. And now that the election catalyst has passed, Nexstar will find it more challenging to grow its business heading into 2025.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.02	\$2.42	\$2.89	\$3.24	\$8.21	\$4.80	\$17.37	\$18.98	\$24.16	\$9.64	\$24.00	\$26.50
DPS	\$0.60	\$0.76	\$0.96	\$1.20	\$1.50	\$1.80	\$2.24	\$2.80	\$3.60	\$5.40	\$6.76	\$8.63
Shares	31	31	46	46	46	46	43	41	37	34	33	31

Nexstar has generated tremendous earnings growth over the past decade. From essentially breaking even a decade ago, Nexstar has increased earnings per share to \$24.16 in 2022 before last year's significant decline. The company has benefited from both record political ad spending and the booming economy of the past few years. Nexstar is aggressively repurchasing shares, which allows for higher EPS even if net income growth stalls out.

Nexstar has delivered rapid dividend growth. It gave investors another large dividend increase in January 2024, raising the annual payment by 25%. The dividend remains well-supported by earnings even after these outsized hikes.

Current Federal Communications Commission (FCC) policy limits broadcast TV owners to reaching no more than 39% of all American households. Given that Nexstar is already at this cap today, we believe its opportunities for internal reinvestment in the business are more limited, and as such, Nexstar will continue to return capital to shareholders aggressively via dividends and buybacks.

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 November 15th, 2024, by Ian Bezek

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	22.1	22.3	17.7	19.9	9.1	21.2	5.3	7.7	6.6	16.7	6.8	8.0
Avg. Yld.	1.5%	1.3%	1.4%	1.9%	1.9%	2.0%	1.8%	2.4%	1.9%	3.4%	4.2%	4.1%

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 just emerged as a meaningful dividend payer over the past decade. However, it has continued to raise its payouts over time, and shares now offer their highest starting dividend yield to date.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	30%	31%	33%	37%	18%	38%	13%	15%	15%	56%	28%	33%

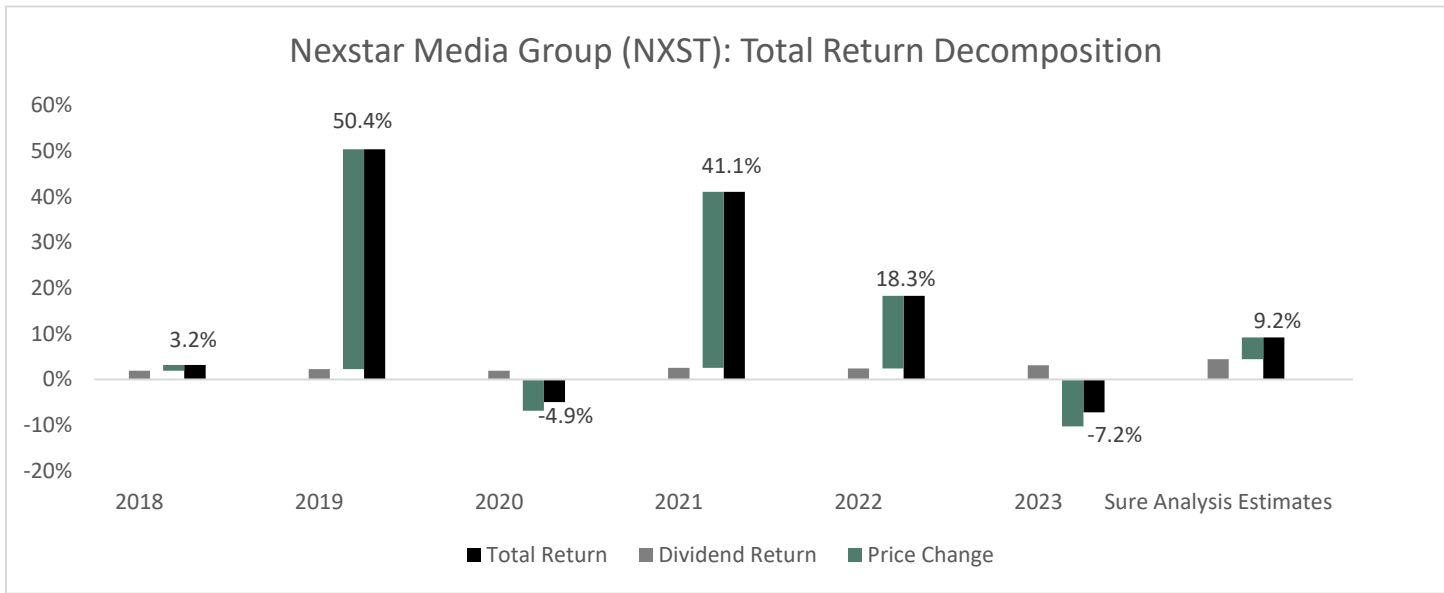
Nexstar’s current dividend is well-covered out of present earnings and the low payout ratio leaves considerable room for future dividend hikes. Management has demonstrated its commitment to generous dividend payments.

That said, the company’s balance sheet carries \$6.6 billion in long-term debt, with a sizable portion coming due within five years. This is a large debt position in comparison to the company’s market cap. If interest rates remain elevated, higher interest payments could considerably curtail Nexstar’s free cash flow generation. Nexstar has enjoyed a strong 2024 driven by political advertising, but 2025’s results will be key in determining its longer-term outlook.

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. That said, the CW acquisition may have been a misstep, and weakness in the non-political ad market has been an issue over the past 18 months. Shares have rallied a bit since our last report, while the 2024 political advertising haul wasn’t quite as robust as anticipated. These factors have pushed down future total returns slightly. We see 9.2% annualized returns from here, and shares earn a hold rating today.

Total Return Breakdown by Year



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 November 15th, 2024, by Ian Bezek

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	631	896	1,103	2,432	2,767	3,039	4,501	4,648	5,211	4,933
Gross Profit	444	594	721	1,439	1,649	1,691	2,781	2,786	3,206	2,780
Gross Margin	70.3%	66.3%	65.4%	59.2%	59.6%	55.6%	61.8%	59.9%	61.5%	56.4%
SG&A Exp.	175	232	264	605	580	730	912	1,024	1,102	1,096
D&A Exp.	73	118	120	323	321	409	565	589	662	941
Operating Profit	173	206	303	468	748	552	1,304	1,173	1,445	743
Op. Margin	27.4%	23.0%	27.4%	19.2%	27.0%	18.2%	29.0%	25.2%	27.7%	15.1%
Net Profit	65	78	92	475	389	230	811	835	971	346
Net Margin	10.2%	8.7%	8.3%	19.5%	14.1%	7.6%	18.0%	18.0%	18.6%	7.0%
Free Cash Flow	146	176	252	37	631	220	1,037	1,064	1,246	850
Income Tax	46	49	78	(234)	145	137	297	263	274	131

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,414	1,835	2,966	7,482	7,062	13,990	13,404	13,264	12,680	12,080
Cash & Equivalents	132	43	88	116	145	232	153	191	204	135
Acc. Receivable	128	193	218	563	547	884	905	1,021	1,079	1,095
Goodwill & Int.	773	1,255	1,341	5,492	5,438	9,178	8,833	8,679	8,305	7,999
Total Liabilities	1,358	1,749	2,682	5,900	5,193	11,936	10,867	10,407	9,910	9,765
Accounts Payable	17	26	20	31	68	157	218	248	198	235
Long-Term Debt	1,220	1,476	2,342	4,362	3,981	8,493	7,668	7,415	6,952	6,837
Total Equity	53	81	169	1,571	1,853	2,031	2,518	2,850	2,741	2,299
LTD/E Ratio	23.23	18.30	13.85	2.78	2.15	4.18	3.04	2.60	2.54	2.97

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.0%	4.8%	3.8%	9.1%	5.4%	2.2%	5.9%	6.3%	7.5%	2.8%
Return on Equity	328%	117%	73.3%	54.6%	22.8%	11.9%	35.7%	31.1%	34.7%	13.6%
ROIC	5.5%	5.5%	4.4%	11.1%	6.6%	2.8%	7.8%	8.2%	9.7%	3.7%
Shares Out.	31	31	31	46	46	46	43	41	40	36
Revenue/Share	19.73	27.93	34.84	53.15	58.35	63.42	96.35	105.69	129.67	137.66
FCF/Share	4.57	5.49	7.97	0.80	13.30	4.59	22.20	24.19	31.00	23.72

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.