

Nexxen International: CTV advertising growth and ACR data

Company:	Nexxen International (NEXN LN)	Market Cap:	\$370mio
Industry:	Video advertising	Net Cash:	\$95mio
Country:	US	Revenue:	\$320mio
Date:	1 st March 2024	Net Income:	-
Dividend:	-	Free cash flow:	\$35mio (14%)*
Entry:	\$370mio	Target:	\$500mio (+35%)

*estimated based on \$85mio guided adjusted EBITDA

Why Nexxen International?

- Attractive valuation with 3.2x EV/adj. EBITDA
- Alphonso settlement provides cash and access to LG's premium advertising inventory
- SSP competitors Magnite and PubMatic reported Q4 results and are up 30% since then, yet Nexxen is up 5% and results are due on Wednesday
- Competitors saw CTV growth of 20% and indicated a recovery in advertising. Nexxen generates over 20% of revenues from CTV, which have high CPMs

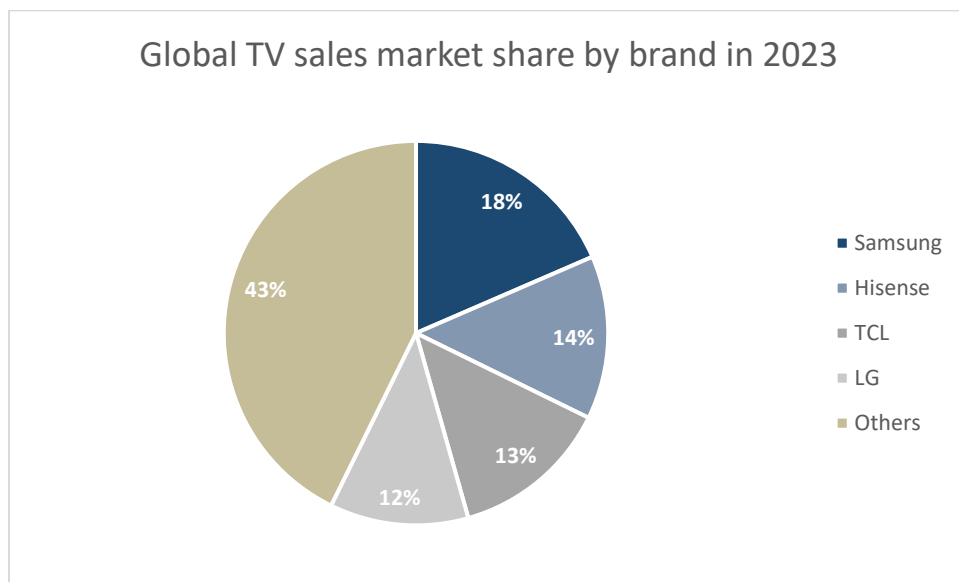
Risks

- Nexxen's CEO indicated in January 2024 that a recovery in advertising is not taking place yet
- Magnite and PubMatic might have taken market share from Nexxen as a result of their growth
- Downturn in advertising led by problems in US commercial real estate for example

Given that I have written on Nexxen (back then [Tremor International](#)) before, this note will purely focus on what happened over the last few months.

Nexxen's ACR

With the demise of the cookie, advertising companies are increasingly searching for alternative automatic content recognition (ACRs). On the one hand, alternative IDs are being used. On the other hand, exclusive ACRs are becoming more valuable, and Nexxen has had success in securing exclusive ACRs with HiSense, TCL and now LG, to name a few. Combined, this gives Nexxen access to 39% of global TV viewers' data when considering 2023 global TV sales by brand (although details on the LG agreement are sparse so far). While Magnite is still ahead in overall exclusive ACRs, including Samsung, Nexxen is still their most significant competitor in the CTV SSP space.



Source: DisplayDaily.com

Relative value

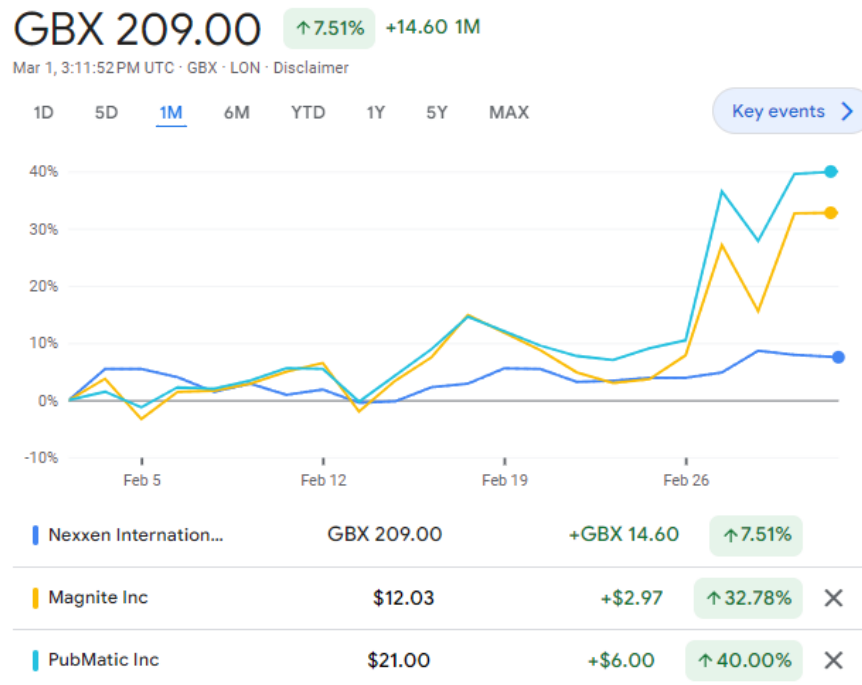
While the Q4 2023 earnings from Nexxen are not out yet (to be published on Wednesday 7th March 2024), its SSP competitors Magnite and PubMatic have released their results, which led to an increase in their share price of nearly 30%. Specifically, Magnite touted CTV ad spend growth of over 20% for the full year and EBITDA slightly exceeding their Q4 guidance¹. However, Nexxen's share price is almost unaffected. At the same time, Nexxen had unfavourable working capital cash flows in 2023, which should reverse or stabilize in 2024. In a direct comparison with PubMatic, Nexxen's cash flow doesn't appear too different

¹ <https://investor.magnite.com/news-releases/news-release-details/magnite-reports-fourth-quarter-and-full-year-2023-results>

to PubMatic's in the 9M 2023 when taking out the working capital part (net payables/receivables), yet PubMatic is valued at nearly 3x Nexxen's valuation.

Valuation change: Nexxen vs. Magnite and Pubmatic

Nexxen International Ltd



Source: Google Finance

Valuation difference: Nexxen vs. Pubmatic

Indicator	Nexxen International (NEXN LN)	PubMatic (PUBM US)
Market cap	\$385mio	\$1.05bn
9M 2023 operating income (making payables/ receivables cash flow = 0)	\$41mio	\$40mio
9M 2023 Leases	\$12mio	-
9M 2023 Net cash	\$99mio	\$24mio
9M 2023 Revenue	\$236mio	\$182mio
9M 2023 Net current assets	\$205mio	\$170mio
FY Adj. EBITDA Outlook	\$80-85mio	\$71-74mio

Source: 3Q 2023 results PubMatic, Nexxen



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