



Fox Corp. (FOXA)

Updated November 23rd, 2024 by Felix Martinez

Key Metrics

Current Price:	\$47	5 Year CAGR Estimate:	8.5%	Market Cap:	\$20.8 B
Fair Value Price:	\$53	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	02/28/25 ¹
% Fair Value:	89%	5 Year Valuation Multiple Estimate:	2.4%	Dividend Payment Date:	03/29/25
Dividend Yield:	1.4%	5 Year Price Target	\$67	Years of Dividend Growth:	3
Dividend Risk Score:	A	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

Fox Corp. is a television broadcasting company with a \$20.8 billion market cap. The company, known among insiders as "New Fox," was spun off from the former 21st Century Fox when The Walt Disney Co. (DIS) acquired most of its assets in 2019, including its cinema entertainment business. Since the spinoff, Fox Corp. has been a much more focused company, with its operations centered on Cable Networks & Television. For Fiscal Year (FY)2024, the company generated \$13.9 billion in revenue.

On November 4th, 2024, Fox Corp. reported first quarter results for Fiscal Year (FY)2025. The company fiscal year ends at the end of July. The company reported strong growth across key revenue streams. Total revenues reached \$3.56 billion, an 11% increase from the prior year, driven by a 6% rise in affiliate fees and an 11% increase in advertising revenue. Political advertising, improved ratings, and higher ad pricing at FOX News Media and FOX Sports contributed significantly, alongside growth at Tubi and sports events like the UEFA European Championship. Quarterly net income nearly doubled to \$832 million, with adjusted net income rising 25% to \$672 million (\$1.45 per share). Adjusted EBITDA grew 21% to \$1.05 billion, reflecting revenue gains offset by higher programming and operational expenses.

The Cable Network Programming segment reported revenues of \$1.6 billion, a 15% increase, fueled by higher affiliate fees, strong digital advertising growth, and increased sports sublicensing revenues. Segment EBITDA rose 23% to \$748 million, driven by revenue growth despite rising programming costs and election-related newsgathering expenses at FOX News Media. The Television segment saw a 10% revenue increase to \$1.95 billion, supported by political ads, additional NFL broadcasts, and international soccer coverage. Segment EBITDA increased 6% to \$372 million, with higher revenue partially offset by elevated costs at Tubi and sports programming expenses.

Fox continued its shareholder-focused strategy, repurchasing \$250 million in Class A common stock during the quarter, bringing total repurchases to \$5.85 billion with \$1.15 billion in remaining authorization. CEO Lachlan Murdoch highlighted robust audience growth, record political advertising, and accelerating Tubi performance as drivers of the strong financial start to FY2025. The company emphasized its focus on delivering value for stakeholders through strategic investments and market-leading content offerings.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	---	---	---	---	\$2.63	\$2.48	\$2.88	\$2.79	\$3.51	\$3.43	\$4.06	\$5.18
DPS	---	---	---	---	\$0.23	\$0.46	\$0.46	\$0.48	\$0.50	\$0.52	\$0.54	\$0.63
Shares²	---	---	---	---	621.0	621.0	621.0	621.0	531.0	480.0	480.0	480.0

Fox Corp. is a more focused company following the asset sale. Fox News, Fox Business, Fox Sports, Fox Broadcasting, and other TV assets will remain highly relevant. It helps that Fox News has no mainstream competition in the conservative news arena. The assets that Fox retained are not very cyclical or vulnerable to recessions, compared to, for example, the more cyclical filmed entertainment business. However, we expect a positive, but slower earnings growth of 5% for the

¹ Ex-Dividend and Dividend Payment Dates are Estimates.

² Share count in millions

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next five years. Because of the recent dividend increase, we are now anticipating a 3% annual dividend increase for the next five years.

Currently, Fox's most significant growth prospects are with FOX Bet. Analysts expect the sports betting industry to generate \$9 billion in gambling revenue over the next few years. Fox Corp. is in an excellent position to grab a chunk of that. In the immediate term, Fox should see growth as more and more events and businesses start to be fully operational, bringing improved ratings to its news network.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	---	---	14.4	16.4	12.9	11.8	9.7	10.0	11.5	13.0
Avg. Yld.	---	---	---	---	0.6%	1.7%	1.3%	1.5%	1.5%	1.5%	1.2%	0.9%

We think that a 13x valuation is fair for this company. Currently, the company is trading hands for a PE multiple of 11.5x. This PE provides a moderate valuation multiple expansion of 2.4%. Also, the company's current stock price is under our fair price of \$53. The company dividend yield is fairly mediocre considering that the S&P 500 current dividend yield is 1.3%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	---	8.7%	18.5%	16.0%	17.2%	14.2%	15.2%	13%	12%

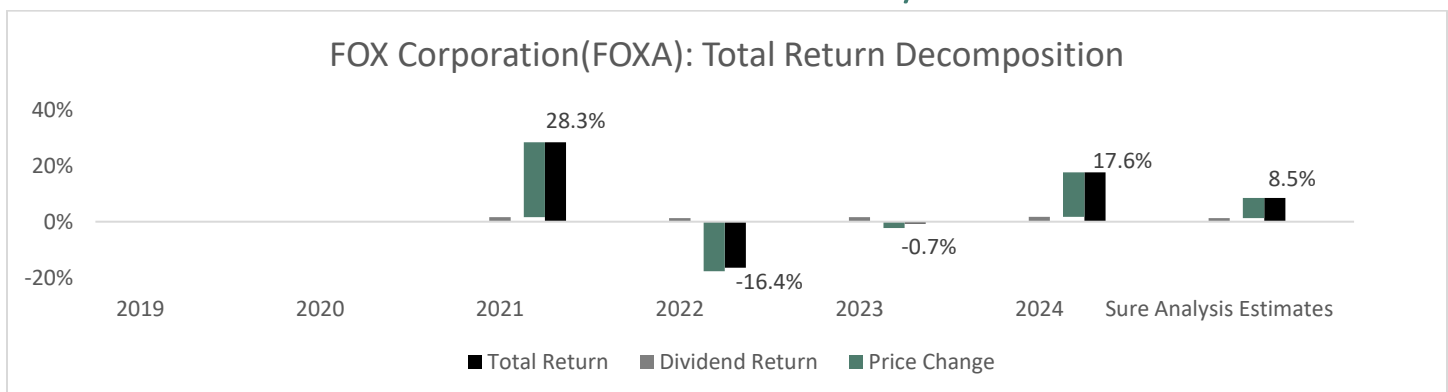
21st Century Fox paid out ~20% of its net profits in the form of dividends throughout most of the last decade. The payout ratio has been even lower during some of the previous years. Fox Corp. paid 16% of its profits in 2021, with an estimated 2029 payout conservatively around 15%. The low payout ratio means that the dividend looks very safe, although the low dividend yield is not especially attractive for income-focused investors.

According to peers, Fox Corp's most influential position has always been in its news channels and sports programming – assets The Company continues to own after the deal with Disney. The sale of some assets could improve Fox's position in the long run, as it allows The Company to focus on the businesses it is best at, Cable & TV broadcasting. The TV business is not very cyclical, so Fox Corp. will likely be less vulnerable in future recessions. The company currently has a debt-to-equity ratio of 0.7 and an Interest Coverage ratio of 7.4. Thus, the company has an excellent balance sheet.

Final Thoughts & Recommendation

Based on our estimates, shares are currently undervalued, but we estimate the following five-year projected returns to be only 8.5%. Thus, we rate FOXA a hold at the current price because of the expected return over the next five years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue		8,894	9,921	10,153	11,389	12,303	12,909	13,974	14,910	13980
SG&A Exp.		1,191	1,117	1,262	1,419	1,741	1,807	1,920	2,049	2024
Operating Profit		170	169	171	212	258	300	2,574	2,764	2478
Op. Margin		1.9%	1.7%	1.7%	1.9%	2.1%	2.3%	18.4%	18.5%	17.7%
Net Profit		1,974	2,535	2,215	2,431	2,497	2,765	1,205	1,239	1501
Net Margin		22.2%	25.6%	21.8%	21.3%	20.3%	21.4%	8.6%	8.3%	10.7%
Free Cash Flow		1,072	1,372	2,187	1,595	999	2,150	1,577	1,443	1495
Income Tax		990	1,464	1,102	2,289	2,006	2,155		483	550

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets			10,348	13,121	19,509	21,750	22,926	22,185	21,870	21970
Cash & Equivalents			19	2,500	3,234	4,645	5,886	5,200	4,272	4319
Acc. Receivable			1,693	1,833	1,967	1,888	2,029	2,128	2,177	2364
Inventories			1,052	1,180	1,129	856	729	791	543	626
Goodwill & Int.			5,871	5,613	5,542	6,607	6,589	6,711	6,643	6582
Total Liabilities			4,255	3,527	9,551	11,639	11,801	10,810	11,210	10920
Long-Term Debt			0	0	6,751	7,946	7,951	7,206	7,210	7197
Total Equity			6,093	9,594	9,947	10,094	11,123	11,339	10,380	10710
LTD/E Ratio			0	0	0.68	0.79	0.71	0.64	0.69	0.67

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets				18.6%	9.8%	4.8%	9.6%	5.3%	5.6%	6.9%
Return on Equity				27.9%	16.3%	10.0%	20.3%	10.7%	11.4%	13.8%
ROIC				27.9%	12.1%	5.7%	11.6%	6.4%	6.8%	8.3%
Shares Out.					621.0	621.0	621.0	570	531	480
Revenue/Share		14.35	16.00	16.38	18.34	19.97	21.70	24.52	28.08	29.12
FCF/Share		1.60	2.36	1.78	3.69	3.26	3.62	2.77	2.72	3.12

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

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