

# Madison Square Garden Entertainment

## Beat and raise

Maintain Rating: BUY | PO: 41.00 USD | Price: 34.60 USD

### F2Q: revenue and AOI beat; guidance raised

MSG Entertainment (MSGE) delivered better than projected F2Q top-line and adjusted operating income (AOI) results and raised its FY24 guidance ranges. Total MSG revenue of \$402.7mn (+13% Y/Y vs. reported results) grew 16% vs. our PF estimate for the prior year period of \$382mn estimate. The higher than forecasted revenue was driven by record results for the company's *Christmas Spectacular* production, strong performance from its family business (including Cirque du Soleil's *Twas the Night Before* events) and solid concert bookings. These strong results were partially offset by an expected decrease in advertising commission sales revenue (\$8.4mn) post the termination of representation for MSG Networks in 12/2022 and nine fewer Knicks and Rangers home games in the Q – which is just a matter of timing. Higher than forecast F2Q revenue more than offset slightly higher than estimated direct operating expenses leading to AOI of \$151mn a significant beat vs. our \$130.8mn estimate. In our view, these results reflect the demand of the MSGE offerings and continued strength of demand for live events more generally. Notably, the company remains on track for a low double-digit increase in bookings in FY24.

### All guidance raised; AOI guidance midpoint now \$175mn

MSGE raised its guidance ranges across the board including revenue guidance now of between \$930mn to \$950mn (from between \$900mn-\$930mn and our prior \$915mn est.) and AOI guidance of \$170mn to \$180mn (vs. \$160mn-\$170mn previously and our \$168mn estimate prior to F2Q results). The company also updated its operating income guidance and now expects OI of between \$95mn and \$105mn.

### Maintain Buy and \$41 PO

Better than forecast reported revenue and AOI for F2Q24 reflects the strength in demand for MSGE's holiday offerings and is a very positive sign considering this is the quarter that has the largest impact on the overall fiscal year. With MSGE raising its revenue and AOI guidance, affirming strong visibility in its events calendar, maintaining its outlook for a low double-digit increase in events we believe the rest of FY24 sets up well for solid results. We continue to view MSGE as an attractive opportunity to own a growth-oriented, pure-play live entertainment company and maintain our Buy and \$41 PO.

07 February 2024

#### Equity

**Peter Henderson**  
Research Analyst  
BofAS  
+1 646 855 4564  
[peter2.henderson@bofa.com](mailto:peter2.henderson@bofa.com)

**Jessica Reif Ehrlich**  
Research Analyst  
BofAS  
+1 646 855 2921  
[jessica.reif@bofa.com](mailto:jessica.reif@bofa.com)

**Brent Navon, CFA**  
Research Analyst  
BofAS  
+1 646 855 3827  
[brent.navon@bofa.com](mailto:brent.navon@bofa.com)

**David Plaus**  
Research Analyst  
BofAS  
+1 646 855 1572  
[david.plaus@bofa.com](mailto:david.plaus@bofa.com)

#### Stock Data

Price	34.60 USD
Price Objective	41.00 USD
Date Established	22-Aug-2023
Investment Opinion	C-1-9
52-Week Range	27.55 USD - 40.81 USD
Mrkt Val (mn) / Shares Out (mn)	1,793 USD / 51.8
Free Float	82.8%
Average Daily Value (mn)	17.55 USD
BofA Ticker / Exchange	MSGE / NYS
Bloomberg / Reuters	MSGE US / MSGE.N
ROE (2024E)	NA
Net Dbt to Eqty (Jun-2023A)	NA
ESGMeter™	Medium

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Timestamp: 07 February 2024 09:18AM EST

**Exhibit 1: Madison Square Garden Entertainment F2Q24 results summary**

MSGE reported better than projected revenue and AOI driven by the strength of its *Christmas Spectacular* production

Fiscal Year Ends 06/30		Current Quarter					
		Act.	Act.	Old			
MSGE: Variance Table (000s)		2Q23A	2Q24A	Y/Y	2Q24E	Y/Y	D
Revenues		\$347,480	\$402,666	15.9%	\$382,803	10.2%	\$19,863
Operating Income		\$99,813	\$137,423	37.7%	\$120,136	20.4%	\$17,287
% Margin		28.7%	34.1%	5.4%	31.4%	2.7%	2.7%
Adjusted Operating Income		\$112,680	\$150,960	34.0%	\$130,882	16.2%	\$20,078
% Margin		32.4%	37.5%	5.1%	34.2%	1.8%	3.3%
Net Income (Loss) Attributable to Common		\$88,337	\$125,249	41.8%	\$81,076	-8.2%	\$44,173
Diluted EPS to Common Shares		\$1.71	\$2.59	51.8%	\$1.68	-1.3%	\$0.91

Source: BofA Global Research estimates, company report

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## Price objective basis & risk

### Madison Square Garden Entertainment (MSGE)

To derive our \$41 PO, we apply a 13x multiple to our CY24E AOI. The 13x reflects structural live entertainment tailwinds and is in line with peers Endeavor (EDR) and Live Nation (LYV), but a discount to Formula One (FWONK).

Downside risks: an economic downturn could negatively impact consumer spending, reducing demand for live events and lowering per cap spending at events, inefficient secondary offering from Sphere particularly if Sphere does not attract audiences and needs multiple rounds of funding, a re-emergence of COVID-19 or other type of pandemic, a loss in appeal of Christmas Spectacular, a sharp increase in interest rates prior to MSGE de-levering, a change in Madison Square Garden's tax-advantaged position.

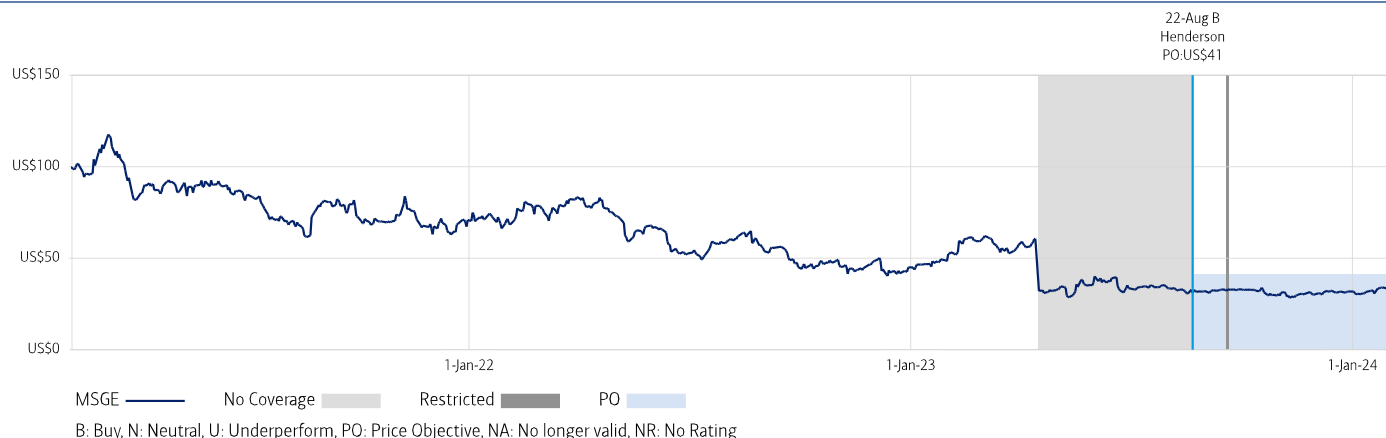
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Sell	6	20.69%	Sell	4	66.67%

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