

## EMEA Internet

## US Investor highlights – Gaming &amp; Food Delivery

Price Objective Change

**Focus on gaming special situations**

We spent last week in the US and met with 30+ investors to discuss the Gaming and Food Delivery space. Gaming remains the core focus, although interest in the Food Delivery space seems to be increasing slightly. The key areas of focus for Gaming were: (1) Flutter's potential US primary listing – timeline, implications and relative valuation; (2) Entain's optionality with BetMGM, activist intentions and organic growth; (3) Evolution's 2024 catalyst pipeline and upside; and (4) US sports betting market competition and outlook.

**Flutter: all eyes on a potential primary list in the US**

Investors were interested in the potential US primary listing timeline and the possible associated index implications, i.e., if inclusion in exiting indices could create a particularly good buying opportunity. US GAAP figures are expected to facilitate easier valuation comparisons vs. DKNG (DraftKings, covered by BofA analyst Shaun Kelley).

We also refresh our valuation for latest estimates, notably a higher multiple assumption for the US business in our sum-of-the-parts. We believe that with the now completed US secondary listing and the likely upcoming US primary listing, the US business (Fanduel) should trade at a higher multiple. Incorporating a new higher EV/EBITDA multiple we arrive at a new PO of 19500p (17000p previously), suggesting 14% upside potential, which equates to a 10% 25E EV/sales premium vs. DraftKings. FLTR's published figures reflect prior period results in US GAAP. The key standout in the FLTR/DraftKings comparison was the stark difference in between Flutter's US business and that of its listed peer, DraftKings. In 2022, Fanduel had SBC of \$84m (2.6% of revenues) while it was \$579m for DraftKings (26% of revs). We rate Flutter Buy.

**Entain & Evolution: activists, US valuation & iGaming**

The focus for Entain was largely on what changes the activist shareholders may request. Largely it is expected that fixing Entain's organic growth issues may take a while to correct, so strategic solutions for BetMGM are seen as more likely in the near term. There remains debate about whether MGM would be interested in purchasing BetMGM, and if so how technology would be managed, and also whether there would be interest in Entain overall. When positive organic growth can resume following the pullback over 2023 remains a question.

We found growing interest about Evolution into 2024, with a focus on catalysts. The name is seen to benefit from (1) a strong games pipeline; (2) ongoing balance sheet strength and so scope for further cash return; (3) support for the top line via the recent step-up in recruitment; and 4) the potential for both faster growth and greater investor interest resulting from further iGaming legalisation in the US over the next 24 months.

**Food Delivery: events & growing EBITDA**

Enthusiasm appears still low, although with slight growing interest in Food Delivery. The events angle is a focus, with some expecting more M&A in 2024. Growing profitability of the models, higher EBITDA growth and valuation implications were also topics raised.

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**Refer to important disclosures on page 5 to 9. Analyst Certification on page 4. Price Objective Basis/Risk on page 4.**

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FLTR: Flutter

DKNG: Draftkings

SBC: Share based compensation

# Flutter valuation

We take a closer look at Flutter's valuation following the recent uptick and secondary listing in the US. The US secondary listing has already sparked greater interest, whilst recently announced US GAAP figures have also made valuation comparisons with its listed US peer, DraftKings, easier.

We believe the US business deserves to trade at a higher multiple due to greater growth potential. We use a 15x EV/EBITDA multiple (previously 13x), which places its 25E EV/sales value at a c10% premium to DraftKings.

We raise our Flutter PO to 19500p from 17000p and accordingly our US secondary list PO to \$246.68 from \$107.53.

## Exhibit 1: Flutter SOTP

PO to 19500p

	2024E EBITDA (£m)	Multiple	EV (£m)
UK&I online	752	12.2x	9172
UK&I retail	50	6.1x	305
International	590	12.2x	7203
Australia	255	12.2x	3115
US	525	0.0x	0
Corporate	-136	10.7x	-1452
US: FanDuel Group (95%)			20833
EV (£m)			39176
Net Debt (£m)			4684
Minorities & other			43
Equity			34449
NOSH			177
<b>Eq value per share (£)</b>			<b>195</b>

Source: BofA Global Research estimates, company report

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## Exhibit 2: US valuation

We value Fanduel at c £21bn EV (for the 95% stake)

<b>Base Case EBITDA (GBP m)</b>	<b>2590</b>				
Multiple	13.0x	14.0x	15.0x	16.0x	17.0x
US Business Implied Valuation	33669	36259	<b>38849</b>	<b>41439</b>	<b>44029</b>
Discount Rate	10%	10%	10%	10%	10%
Discount Factor	56%	56%	56%	56%	56%
PV of US EV (100%)	19005	20467	21929	23391	24853
<b>PV of US EV (95%)</b>	<b>18055</b>	<b>19444</b>	<b>20833</b>	<b>22222</b>	<b>23610</b>
<b>Share price sensitivity</b>	<b>179</b>	<b>187</b>	<b>195</b>	<b>202</b>	<b>210</b>

Source: BofA Global Research estimates

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**Exhibit 3: US valuation – EV/sales sensitivity**  
We are currently valuing FLTR at a c10% premium to DKNG’s 25E EV/sales multiple

	DKNG implied (current)	BofA PO			
25E EV/sales multiple	3.5x	3.9x	4.0x	4.5x	5.0x
FanDuel Group Implied Valuation	19911	21929	22595	25419	28243
95% shareholding	18916	20833	21465	24148	26831
Share price sensitivity	184	195	198	213	229
Upside potential	7%	14%	16%	25%	34%

Source: BofA Global Research estimates

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**Exhibit 4: Stocks mentioned**

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
GMVHF	ENT LN	Entain	830.4p	B-1-7
EVGGF	EVO SS	Evolution Gaming	SEK 1323.2	B-1-7
EVVTY	EVVTY US	Evolution	US\$ 128.81	C-1-7
XZMVF	FLTR LN	Flutter	17155p	B-1-9
FLUT	FLUT US	Flutter	US\$ 220.12	C-1-9

Source: BofA Global Research

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**Price objective basis & risk****Flutter (XZMVF / FLUT)**

We use an adjusted SOTP valuation to derive our 12-month price objective (PO) of 19,500p (ADR/secondary list: US\$246.68)

We take the historic average 12 month EV/EBITDA multiples for Flutter at a 20% discount to reflect the change in the business post the Stars acquisition. For retail we apply a 50% discount to our online multiple to reflect the relatively lower growth of the business.

Our SOTP makes the following assumptions:

- We use 6.1x 24E EV/EBITDA multiple for retail.
- We use EV/EBITDA 24E of 12.2x for UK&I online, International and Australia (a 20% discount to FLTR's LR 12 & 24m average multiples).
- We use 0.0x EV/EBITDA for the existing US business
- We also add an EV valuation for its US opportunity. We arrive at this using a 15x EV/EBITDA multiple for for FanDuel group.

Risks to our PO: 1) harsher than expected UK regs changes announced following consultation, 2) slow US legalisation of sports betting, which could limit growth and contribution of the US business, 3) macro environment weighing on customer demand, 4) slower than expected adoption of online gaming in growth markets, 5) weakening of market share in the US

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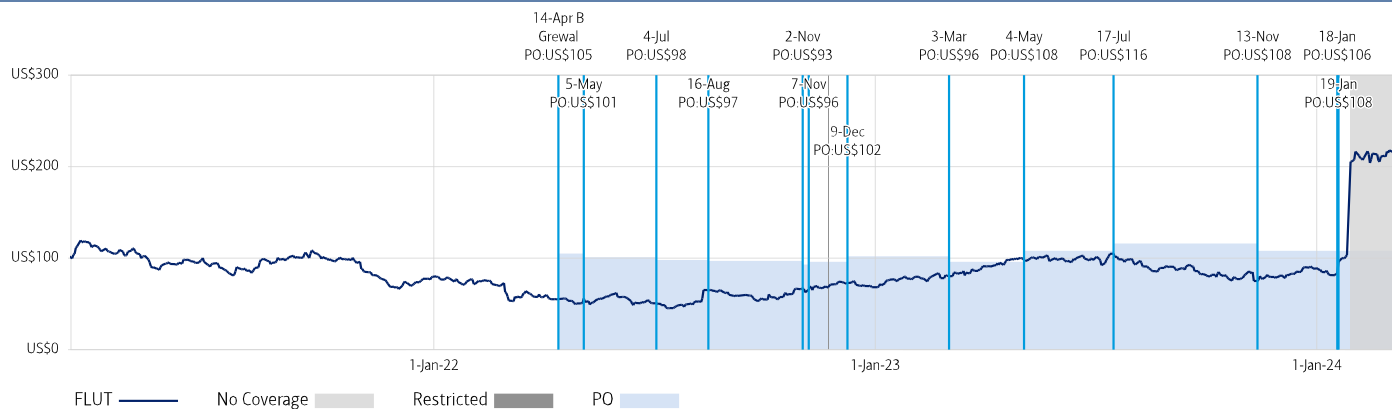
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<b>BUY</b>				
	Auto Trader	ATDRF	AUTO LN	David Amira, CFA
	Deliveroo	DROOF	ROO LN	Kiranjot Grewal
	Entain	GMVHF	ENT LN	Kiranjot Grewal
	Evolution	EVVY	EVVY US	Kiranjot Grewal
	Evolution Gaming	EVGGF	EVO SS	Kiranjot Grewal
	Flutter	XZMVF	FLTR LN	Kiranjot Grewal
	Flutter	FLUT	FLUT US	Kiranjot Grewal
	Informa	IFPJF	INF LN	David Amira, CFA
	Interpublic	IPG	IPG US	Adrien de Saint Hilaire
	JCDecaux	JCDXF	DEC FP	Adrien de Saint Hilaire
	Just Eat Takeaway	TKAYF	TKWY NA	Kiranjot Grewal
	Just Eat Takeaway	JTKWY	JTKWY US	Kiranjot Grewal
	Playtech	PYTCF	PTEC LN	Kiranjot Grewal
	Publicis	PUBGY	PUBGY US	Adrien de Saint Hilaire
	Publicis Groupe	PGPEF	PUB FP	Adrien de Saint Hilaire
	RELX	XFAFF	REN NA	David Amira, CFA
	RELX	RLXXF	REL LN	David Amira, CFA
	RELX	RELX	RELX US	David Amira, CFA
	Schibsted	SBSNF	SCHA NO	Adrien de Saint Hilaire
	Schibsted	SBBTF	SCHB NO	Adrien de Saint Hilaire
	Scout24	SCOTF	G24 GY	David Amira, CFA
	Universal Music Group	UMGNF	UMG NA	Adrien de Saint Hilaire
	Vivendi	VIVEF	VIV FP	Adrien de Saint Hilaire
	Vivendi	VIVHY	VIVHY US	Adrien de Saint Hilaire
<b>NEUTRAL</b>				
	Ascential	AIAPF	ASCL LN	David Amira, CFA
	AUTO1 Group	ATOGF	AG1 GY	David Amira, CFA
	Baltic Classifieds Group	XZXXF	BCG LN	David Amira, CFA
	Chegg Inc.	CHGG	CHGG US	David Amira, CFA
	Delivery Hero	DLVHF	DHER GY	Kiranjot Grewal
	La Francaise Des Jeux	LDJF	FDJ FP	Kiranjot Grewal
	Pearson	PSORF	PERSON LN	David Amira, CFA
	Pearson	PSO	PSO US	David Amira, CFA
	Wolters Kluwer	WOLTF	WKL NA	David Amira, CFA
	Wolters Kluwer	WTKWY	WTKWY US	David Amira, CFA
<b>UNDERPERFORM</b>				
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	HelloFresh	HLFFF	HFG GY	Kiranjot Grewal
	ITV	ITVPF	ITV LN	Adrien de Saint Hilaire
	Omnicom	OMC	OMC US	Adrien de Saint Hilaire
	ProSiebenSat.1	PBSFF	PSM GY	Adrien de Saint Hilaire
	Rightmove	RTMVF	RMV LN	David Amira, CFA
	Rightmove	RTMVY	RTMVY US	David Amira, CFA
	RTL Group	ZRLQF	RRTL GY	Adrien de Saint Hilaire
	Ubisoft	UBSFF	UBI FP	Adrien de Saint Hilaire
	Ubisoft	UBSFY	UBSFY US	Adrien de Saint Hilaire
	WPP	WPPGF	WPP LN	Adrien de Saint Hilaire
	WPP	WPP	WPP US	Adrien de Saint Hilaire

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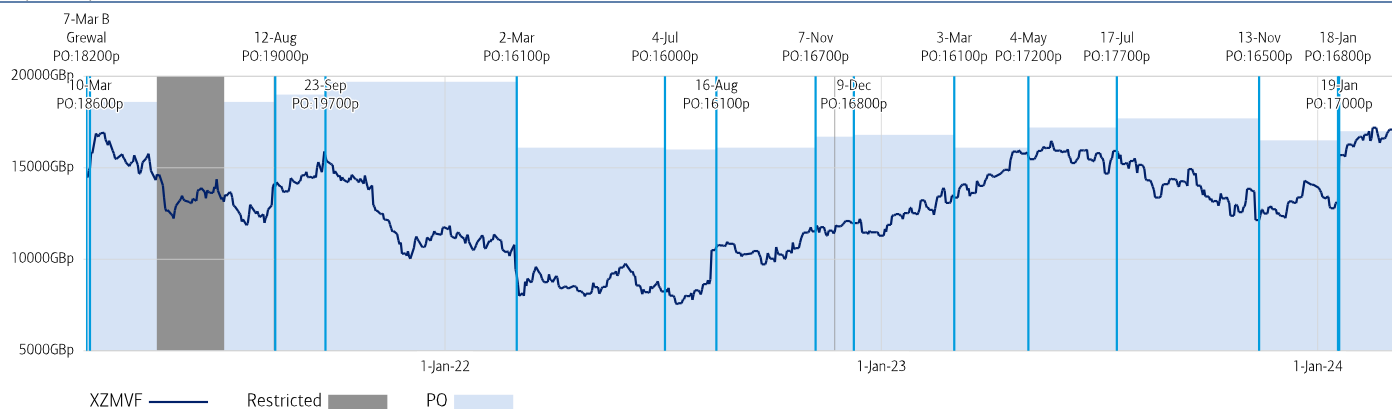
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## Flutter (FLUT) Price Chart



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## Flutter (XZMVF) Price Chart



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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	22	50.00%	Buy	10	45.45%
Hold	12	27.27%	Hold	6	50.00%
Sell	10	22.73%	Sell	3	30.00%

## Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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