

# Endeavor Group Holdings, Inc.

## All eyes on next move for EDR

Maintain Rating: BUY | PO: 32.00 USD | Price: 24.44 USD

### EDR 4Q: Several moving parts heading into CY24

Endeavor (EDR) reported 4Q total revenue of \$1.583bn and adj. EBITDA of \$293mn. Notably, EDR's 4Q contains the first full quarter of TKO financials in the OSP segment, which, given their 51% ownership stake, is now fully consolidated into EDR's income statement and segment reporting. The company did not take questions on its earnings call, and this will likely be EDR's last earnings call.

### Results by segment

By segment, key drivers of EDR's performance were as follows: (1) OSP revenue of \$642.8mn, reflecting \$331.2mn in revenue from the acquisition of WWE (OSP revenue increased ~3% in 4Q Y/Y excluding WWE). EDR noted that CY23 OSP revenue increased partially due to higher media rights fees at UFC, including an additional PPV event. (2) EE&R revenue of \$414.5mn. Notably, EDR called out a decrease in On Location's music touring business in CY23. (3) Rep revenue of \$427.4mn, reflecting continued impact from the talent strikes (for CY23, EDR noted that strike-related impact was more than offset by growth in WME's music, sports and fashion divisions). (4) Sports Betting revenue of \$113.6mn (+5% versus 4Q22). Total adj. EBITDA for 4Q was \$293mn, reflecting an 18.5% margin (versus 19.0% margin in 4Q22).

### Outlook for CY24

For CY24, drivers include the following: (1) in OSP, continued integration of TKO, growth from partnerships and renewal of licensing agreements for UFC in certain international markets and continued strength in live events; (2) in EE&R, continued growth from owned events, including Barrett-Jackson and the Miami Open, along with executing on its investment in the IOC initiative and benefits from the Super Bowl for On Location; (3) in Rep, agency business growth driven by continued post-strike recovery of TV and Film as well as growth in the sports and music divisions; and (4) in Sports Data & Tech, continued focus on optimizing products and services and driving operating efficiencies.

### Strategic review in motion

In October of last year, EDR management announced the initiation of a formal review to evaluate strategic alternatives for the company, and private equity firm Silver Lake, which holds the majority of EDR voting rights, has announced that it is considering a proposal to take EDR private. This morning (February 28), CNBC reported that Silver Lake is still expected to make a bid for EDR but not for "at least another month" (timing not confirmed by either party, to our knowledge). We believe that there is a disconnect between the value that public markets are ascribing to EDR's asset base and what public/private transactions would suggest EDR's assets are worth ([see our October 2023 report](#)). We await further detail on the results of the strategic review and Silver Lake's due diligence.

### Maintain Buy and \$32 PO

We continue to view EDR as a collection of highly compelling assets that, individually, have exposure to favorable secular tailwinds within Media and Entertainment. Upcoming catalysts include (1) updates on EDR's strategic review, (2) new capital return plans now that UFC/WWE merger has closed, and (3) re-acceleration in Rep business.

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Timestamp: 28 February 2024 01:21PM EST

28 February 2024

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#### Stock Data

Price	24.44 USD
Price Objective	32.00 USD
Date Established	26-Apr-2023
Investment Opinion	B-1-7
52-Week Range	17.65 USD - 26.26 USD
Mkt Val (mn) / Shares Out (mn)	7,424 USD / 303.8
Free Float	46.3%
Average Daily Value (mn)	72.39 USD
BofA Ticker / Exchange	EDR / NYS
Bloomberg / Reuters	EDR US / EDR.N
ROE (2023E)	8.9%
Net Dbt to Eqty (Dec-2022A)	143.0%
ESGMeter™	Medium

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EE&R: Events, Experiences & Rights  
IOC: International Olympic Committee  
OSP: Owned Sports Properties  
PO: price objective  
PPV: Pay-per-view  
UFC: Ultimate Fighting Championship  
WWE: World Wrestling Entertainment

## Price objective basis & risk

### Endeavor Group Holdings, Inc. (EDR)

Our price objective of \$32 is based on the sum of current implied value of TKO to EDR shareholders and roughly 7x 2024E EV/EBITDA for Remainco. We believe that 7x is a fair valuation (and could be conservative), given recent press reports indicated competitor CAA was bought for \$7bn (which would imply mid-teens EBITDA multiple) and EE&R public comparisons trade at low-mid teens EBITDA multiples.

Downside risks to our price objective are (1) meaningful slowdown in content spending growth, (2) lower-than-expected demand for UFC rights in the upcoming renewal, (3) the departure of key talent in the Representation business and UFC, (4) an increase in fighter compensation alongside potential rights increases, (5) execution risks associated with a pivot into sports betting, (6) high leverage in a rising interest rate environment, (7) the proposed WWE/UFC merger does not close, and (8) general macro exposure.

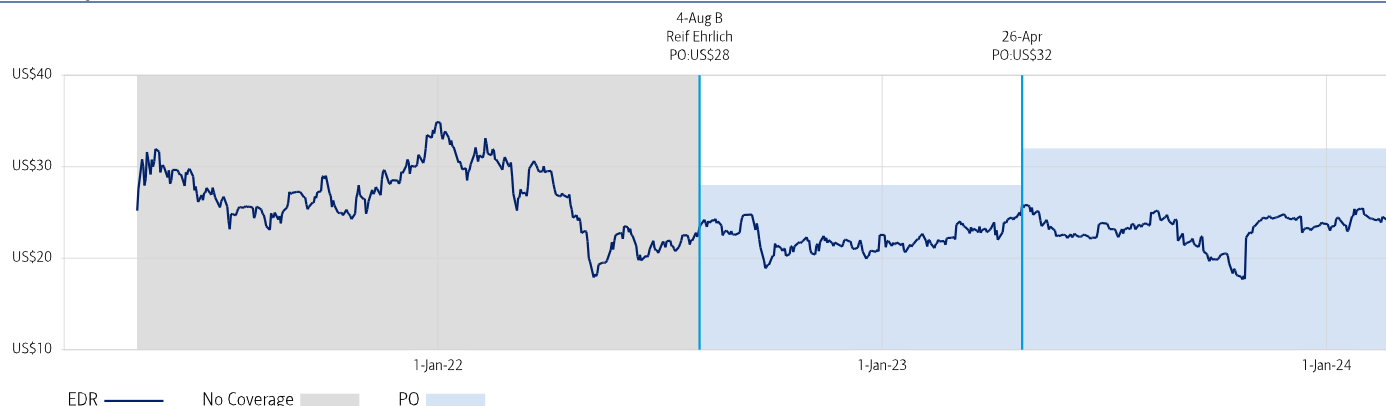
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### Endeavor Group Holdi (EDR) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Media & Entertainment Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	35	53.85%	Buy	15	42.86%
Hold	15	23.08%	Hold	8	53.33%
Sell	15	23.08%	Sell	7	46.67%

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

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%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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