

Sphere Entertainment Co.

It's an absolute ball, but not quite a slam dunk; Initiate at Neutral with \$43 PO

Initiating Coverage: NEUTRAL | PO: 43.00 USD | Price: 38.83 USD

Significant potential yet still many unknowns

We initiate coverage of Sphere Entertainment Co. (SPHR) with a Neutral rating and price objective (PO) of \$43. We believe there could be significant upside potential for Sphere – eventually. However, given the uniqueness and novelty of its offering, it is difficult to fully handicap the financial outcome and timing. Disruptive tech threads the fine line of big opportunities and big risks. What gives us pause, however, is MSG Networks, which accounts for 50% of FY24E revenue. That business is under intense pressure as viewers abandon linear TV, while rights fees are contracted. As a result, we think Sphere shares accurately reflect the proper balance between risk and reward.

An iconic entertainment venue is born

Sphere opened in Las Vegas in Sept. 2023, instantly becoming an iconic venue. Aided by social buzz, its unique capabilities for artists as well as initial financial success, Sphere is already a leader in live entertainment. We estimate Sphere can generate ~\$500k and ~\$1.8mn (~\$150 ticket price) in revenue per show for its originals and residencies.

Sphere: Structured for expansion

Sphere is structured for global expansion, with ~50% of SG&A aimed toward future venues. We believe the goal of creating a network of venues has the potential for success. But several questions remain including the total capital investment, proper return model, and timing. Further, if Sphere doesn't establish partners or franchises, we believe it will need to right-size its cost structure to be in line with limited development.

MSG Networks is challenged, rebound unlikely

MSG Networks is facing significant sub declines (~10% annually), escalating rights fees (estimate ~75% of direct operating expense is contracted) and a non-recourse term loan (~\$900mn) maturing in Oct. '24. The segment has taken some positive steps, including forming a JV, Gotham Advanced Media and Entertainment (GAME) with YES Network. However, it will be difficult to counteract further subscriber declines. Another risk: Pay-TV distributors looking to limit programming expense growth and affiliate fee increases.

Two distinct segments, two divergent multiples

Our \$43 PO is derived using a sum-of-the-parts (SOTP) framework and applying a 17x EV/FY26 AOI multiple for the Sphere segment and 4x EV/FY26 AOI multiple for MSG.

07 February 2024

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Stock Data

Price	38.83 USD
Price Objective	43.00 USD
Date Established	7-Feb-2024
Investment Opinion	C-2-9
52-Week Range	20.69 USD - 43.93 USD
Mkt Val (mn) / Shares Out (mn)	1,098 USD / 28.3
Free Float	98.1%
Average Daily Value (mn)	25.49 USD
BofA Ticker / Exchange	SPHR / NYS
Bloomberg / Reuters	SPHR US / SPHR.N
ROE (2024E)	-5.6%
Net Dbt to Eqty (Jun-2023A)	29.9%

Estimates (Jun) (US\$)	2023A	2024E	2025E	2026E
EPS	11.57	(3.87)	(2.15)	(2.04)
EPS Change (YoY)	NA	NM	44.4%	5.1%
Consensus EPS (Bloomberg)		(0.12)	(1.51)	(1.39)
DPS	0	0	0	0
Valuation (Jun)				
P/E	3.4x	NM	NM	NM
EV / EBITDA*	NM	NM	14.3x	13.8x
Free Cash Flow Yield*	-91.8%	-24.9%	-3.2%	3.0%

* For full definitions of *IQmethod*SM measures, see page 18.

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Timestamp: 07 February 2024 06:00AM EST

iQprofileSM Sphere Entertainment Co.

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024E	2025E	2026E
Return on Capital Employed	NA	-2.7%	0.7%	0.8%
Return on Equity	31.2%	-5.6%	-3.3%	-3.2%
Operating Margin	-53.9%	1.4%	1.4%	1.9%
Free Cash Flow	(1,007)	(273)	(35)	33

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.1x	NM	NM	NM
Asset Replacement Ratio	10.2x	1.6x	0.5x	0.5x
Tax Rate	NM	40.1%	NM	NM
Net Debt-to-Equity Ratio	29.9%	33.7%	37.0%	36.5%
Interest Cover	NM	-6.8x	0.2x	0.3x

Income Statement Data (Jun)

(US\$ Millions)	2023A	2024E	2025E	2026E
Sales	574	1,051	1,228	1,290
% Change	NA	83.2%	16.8%	5.0%
Gross Profit	232	505	611	658
% Change	NA	117.9%	21.1%	7.7%
EBITDA	(148)	(48)	167	173
% Change	NA	67.8%	NM	4.2%
Net Interest & Other Income	552	(13)	(80)	(84)
Net Income (Adjusted)	404	(137)	(77)	(74)
% Change	NA	NM	43.6%	4.4%

Free Cash Flow Data (Jun)

(US\$ Millions)	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	404	(137)	(77)	(74)
Depreciation & Amortization	103	169	149	149
Change in Working Capital	101	(110)	(82)	(13)
Deferred Taxation Charge	0	(107)	0	0
Other Adjustments, Net	(556)	183	56	51
Capital Expenditure	(1,059)	(270)	(80)	(80)
Free Cash Flow	-1,007	-273	-35	33
% Change	NA	72.9%	87.3%	NM
Share / Issue Repurchase	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0
Change in Debt	0	0	(229)	0

Balance Sheet Data (Jun)

(US\$ Millions)	2023A	2024E	2025E	2026E
Cash & Equivalents	429	592	278	311
Trade Receivables	112	140	216	230
Other Current Assets	82	108	111	119
Property, Plant & Equipment	3,307	3,254	3,185	3,116
Other Non-Current Assets	1,042	717	717	717
Total Assets	4,973	4,811	4,506	4,492
Short-Term Debt	83	890	0	0
Other Current Liabilities	610	582	588	625
Long-Term Debt	1,118	493	1,134	1,134
Other Non-Current Liabilities	579	498	472	477
Total Liabilities	2,389	2,464	2,194	2,236
Total Equity	2,584	2,347	2,312	2,256
Total Equity & Liabilities	4,973	4,811	4,506	4,492

* For full definitions of iQmethodSM measures, see page 18.

Company Sector

Entertainment

Company Description

Sphere Entertainment is a premier live entertainment and media company comprised of two segments, Sphere and MSG Networks. Sphere is a next-generation entertainment venue powered by cutting-edge technologies. Sphere features original immersive productions, residencies from artists and sporting and corporate events. Additionally, the company operates two regional sports networks, MSG Network and MSG Sportsnet, as well as a DTC streaming product, MSG+, through its MSG Networks division.

Investment Rationale

While we believe there may be significant future potential for Sphere, the success of the venue will be highly dependent on the success of its Sphere Experience, an original content offering. Due to the uniqueness and novelty of this offering, as well as the lack of clarity around timing and model for expansion, it is difficult to handicap. Meanwhile, MSG Networks will likely remain challenged due to declines in the linear TV ecosystem. As a result, we view risk/reward as balanced.

Stock Data

Average Daily Volume 656,530

Quarterly Earnings Estimates

	2023	2024
Q1	NA	1.90E
Q2	NA	-4.91E
Q3	NA	0.02E
Q4	NA	-0.89E

Sphere: Getting the ball rolling

We initiate coverage of the Sphere Entertainment Corp. (SPHR) with a Neutral rating and a 12-month PO of \$43. We believe that there may be significant upside potential for the Sphere, but due to the uniqueness and novelty of its offering, it is difficult to handicap the outcome and timing. Meanwhile, MSG Networks will likely remain challenged due to declines in the linear TV ecosystem. As a result, we believe shares accurately reflect the proper risk/reward.

Sphere of influence: The Sphere Experience to comprise majority of revenue

Sphere segment's operations consist of its: (1) Sphere Experience (~60% of Sphere segment revenue), which will be a year-round original program utilizing the Sphere's ground-breaking technology; (2) artist residencies (e.g. U2, Phish, Dead & Company) and other large venue events which will account for ~25% of segment revenue; (3) Sponsorship and "takeover" days and (4) sponsorship and the Exosphere advertising. Currently, the only Sphere venue is in Las Vegas, Nevada, however the company is actively pursuing other locations and plans to develop multiple Spheres across the globe. If successful, these efforts to create additional Spheres will enable the company to scale its current cost structure more properly, including operating expenses for content creation, technology development, advertising, Exosphere and sponsorship sales. Currently, more than 50% of the company's estimated ~\$100mn quarterly SG&A budget is geared towards additional Sphere development. Importantly, we believe the company can pull back significantly from its current expense structure if interest in developing additional Spheres fails to materialize.

MSG Networks: slam dunks and slap shots

MSG Networks encompasses the company's regional sports networks, namely the MSG Network and MSG Sportsnet as well as its recently introduced direct-to-consumer (DTC) offering, MSG+. These networks cater to audiences across the New York area, including New York City, areas in New Jersey, Connecticut and Pennsylvania. The bulk of Networks' revenue is generated through affiliate fees collected as part of multi-year (three-to-five-year contracts) cable and other linear TV distributors (AT&T/Optimum, Verizon FiOS, Spectrum, DIRECTV and Fubo) who pay for the ability to carry and transmit MSG Networks' content. MSG Networks' programming consists of live sports programming (NBA and NHL primarily) centered on the local games from the NY Knicks, NY Rangers, NY Islanders, NJ Devils and Buffalo Sabres. In addition to affiliate fees (~80% of revenue), MSG Networks also generates revenue (~20%) from ads.

Exhibit 1: Sphere consolidated financial summary (FY2024E-2027E)

We project \$195mn in total company AOI in FY2025

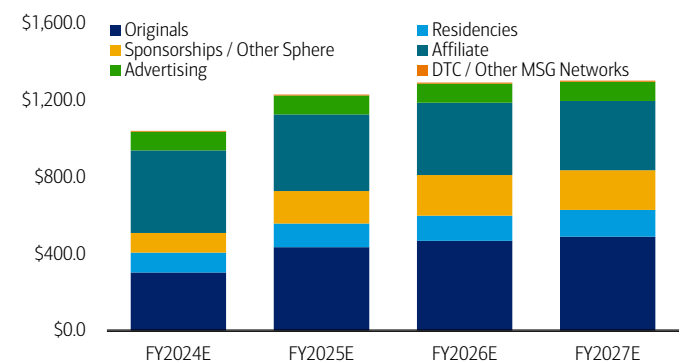
SPHR	FY2024E	FY2025E	FY2026E	FY2027E	CAGR
Revenues	\$1,051.5	\$1,228.5	\$1,290.5	\$1,300.7	7%
% Chg. (YOY)	83%	17%	5%	1%	
Adj. OI	\$101.6	\$194.7	\$197.5	\$184.7	22%
% Chg. (YOY)	nm	92%	1%	-6%	
% Margin	10%	16%	15%	14%	
FCF	-\$272.9	-\$34.7	\$33	\$72.2	
% Chg. (YOY)		nm	-249%	118%	
Net Debt: Adj. OI	7.8x	4.4x	4.2x	4.1x	
Capex % of Rev.	26%	7%	6%	6%	

Source: BofA Global Research estimates, company report

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Exhibit 2: Sphere revenue composition (FY2024E-FY2027E)

We estimate original Sphere shows and MSG Network affiliate fees are the largest drivers of revenue



Source: BofA Global Research estimates, company report

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Become immersed in Sphere

Sphere may not be a crystal ball, but you can still see the future inside it. The building has already established itself as an iconic structure and a must-see attraction located just off the Las Vegas Strip. In addition to being an architectural marvel, Sphere is a visual, auditory and entertainment wonderworld standing 366 feet tall and 516 feet wide. The inside of Sphere consists of a 16k-by-16k incredibly vivid 160k square foot screen. The screen envelopes 17,500 audience seats and a general admission area that can host up to 2,500 customers.

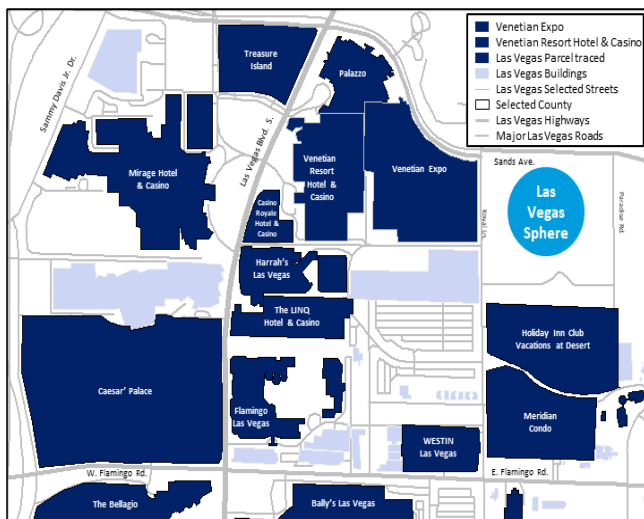
The dynamic display is accompanied by Sphere Immersive Sound which delivers crisp, concert quality audio via innovative beamforming and other technological advancements. These best-in-class elements are enhanced by 4D multi-sensory technology which introduces physical sensations for attendees, including vibrations, wind, scents and temperature adjustments for the audience. Sphere has an array of patents that the company utilizes to provide its unique immersive experience.

The outside of Sphere, or the Exosphere, covers 580k square feet with 1.2mn LED pucks that are fully programmable. This enables the world's largest screen to be utilized for branding efforts and other marketing campaigns, which are developed by the advertising companies in tandem with Sphere production personnel.

After many unexpected delays, partially due to the COVID and supply chain delays during construction, the Exosphere was displayed to the world in July 2023 and the Sphere opened for its first U2 shows in late September 2023. The first Sphere Experience show, *Postcard from Earth*, debuted in early October 2023. Partially due to the construction delays, the budget to build the Sphere grew from an original cost to build of \$1.2 to \$2.35bn.

Exhibit 3: Map of the Las Vegas Strip and Sphere

Sphere is located just off the Las Vegas Strip

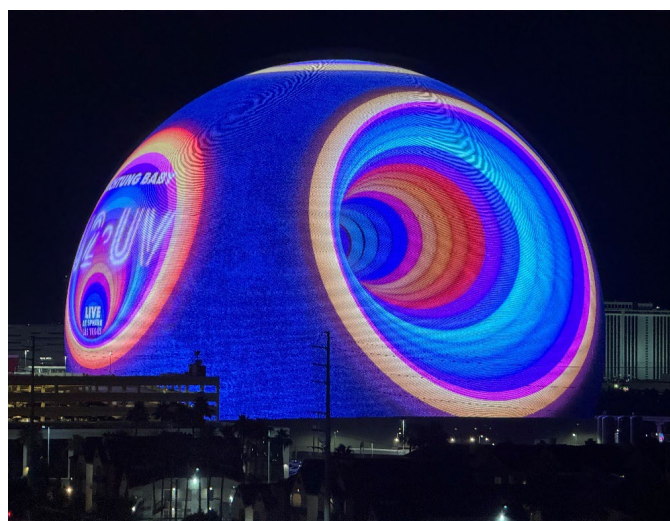


Source: BofA Global Research

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Exhibit 4: Sphere illuminates the night through its Exosphere

The Exosphere covers 580k square feet with 1.2mn LED pucks that displays a range of content and advertisements



Source: BofA Global Research

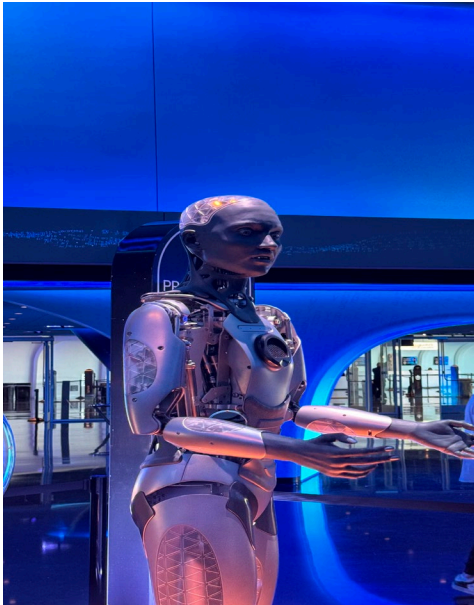
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The Sphere Experience

In our view, a major element for Sphere's success will be The Sphere Experience, a 110-minute, two-part event. The first part of the program includes an opportunity to tour Sphere's atrium, which includes holographic art installations, interactive AI based robots which customers can converse with, an avatar capture and other "22nd century technology". Following the atrium tour, attendees are guided into Sphere's massive auditorium for a 50-minute immersive multi-sensory film, currently Darren Aronofsky's *Postcard from Earth*.

Exhibit 5: Several AI robots greet guests in Sphere's Atrium

The AI robots are part of the Atrium tour

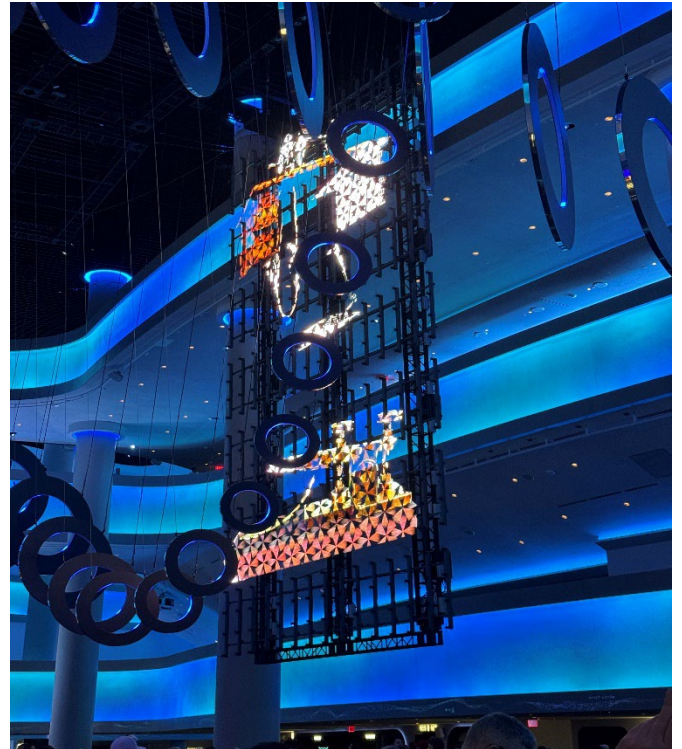


Source: BofA Global Research

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Exhibit 6: Sphere's Atrium includes a massive holographic display

The holographic display is another piece to the Atrium tour



Source: BofA Global Research

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Over time this content will be refreshed with the hopes of eventually having a library of content that can circulate through various eventual Spheres around the world. That content will be developed using Sphere Studios, which is dedicated to creating original immersive content exclusively for Sphere. Sphere Studios is set on a campus in Burbank, California and includes a "mini-sphere" (28k square feet and 100-foot-high dome) that has a quarter-size version of the Las Vegas screen.

The Sphere segment's current cost structure is set-up to develop additional venues around the world. In addition to content development from Sphere Studios, there are also expenses related to driving further technological enhancements, construction and sponsorship sales.

In Exhibits 7 and 8, we model various potential illustrative scenarios for The Sphere Experience. We believe that Sphere will be able to consistently offer 3 original shows per day. The success of the show will be highly dependent on the ~40mn visitors to Las Vegas each year and ~10mn annual first-time visitors. Assuming just under 900 shows

per year, we estimate total ticket sales would amount to 34% of Las Vegas' first time visitor count.

Exhibit 7: Illustrative original ticket sales & revenue (ex-fees) quarterly sensitized for shows per day

Ticket sale revenue will depend significantly on the number of shows per day

Original Ticket Revenue Build	Low	Mid	High
Shows per available days	2	3	4
No. of Shows	142	213	284
Capacity (000s)	5.125	5.125	5.125
x % of Full Capacity	75%	70%	60%
Tickets Sold per Show (000s)	3.84	3.59	3.08
x Avg. Ticket Price	98.8	98.8	98.8
Ticket Revenue per Original Show (\$000s)	405.1	354.4	303.8
x No. of Shows	142	213	284
Ticket Sale Revenue ex-fees (mns)	\$57.5	\$75.5	\$86.3
Total Ticket Sales (000s)	582.2	764.1	873.3

Source: BofA Global Research estimates, company report

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Designed to maximize utilization

An important aspect of Sphere versus other venues is the focus and ability to be able to transition between audiences and events quickly. This helps to drive numerous original shows per day and we believe that Sphere will be able to sustain three original shows per day. Indeed, presently Sphere offers three shows (4:30, 7:00 and 9:00 PM) across most weekdays and four shows on Thursday (including a 2PM showing). While adding shows will drive higher revenue (as shown in Exhibit 7), we also believe that there is offset to attendance for more numerous available shows. As such we believe that ticket sales per show would decline with sell-out likely decreasing from the ~75% to 80% sell-out of the first 111 shows.

On average we estimate there will be ~235 shows per quarter, though the figure will depend on the number of residencies and other events (e.g. corporate takeovers) as well as management's and artist's comfort levels with potentially having Experience showings the same day as a concert event. Notably, on its recent earnings call Sphere management indicated that they are planning to offer The Sphere Experience during the day even with a residency act planned in the evening on that date.

Importantly, these shows are very high margin as Sphere captures all the revenue (as opposed to with residencies) and we estimate a gross margin of ~70% as venue operations and other day of the event expenses are just 25% of ticket sales, while Food & Beverage costs and ticketing fee margins are each ~50%.

Rocking Residencies

In addition to hosting its proprietary original content shows, the Las Vegas Sphere will also employ a conventional rental approach for various events, including musical acts, comedians and other events (NHL draft, MMA, F1). In Exhibit 9, we provide an illustrative example for the revenue build of a musical residency, such as U2. We estimate there will be 15 residency acts per quarter, with the addition of between another 5 other types of events per quarter.

These figures may vary significantly depending on Sphere's ability to attract acts, however given the massive success of U2 (residency expanded from 25 to 40 shows due to demand), the venues best-in-class visual and sound capabilities and the overall "coolness" factor of the venue we believe that acts are likely clamoring to play the venue. Indeed, after announcing an 18-show residency, Dead & Company expanded the number of shows to 24 after just a couple of days due to strong initial advanced

Exhibit 8: Illustrative original ticket sales & revenue (ex fees) annually sensitized for sell-out

We estimate ~75% sell-out would equate to ~1/3 of Las Vegas' first time visitors viewing the show

Original Ticket Rev. Build	Low	Mid	High
Shows per available days	3	3	3
No. of Shows	870	870	870
Capacity (000s)	5.125	5.125	5.125
x % of Full Capacity	50%	75%	100%
Tickets Sold per Show (000s)	2.56	3.84	5.13
x Avg. Ticket Price	98.8	98.8	98.8
Ticket Revenue per Original Show (\$000s)	253.2	379.8	506.4
x No. of Shows	870	870	870
Ticket Sale Rev. ex-fees (mns)	\$220.3	\$330.4	\$440.5
Total Ticket Sales (mns)	2.2	3.3	4.5
First time Visitors to Las Vegas	9.8	9.8	9.8
Sales as % of First Time Visitors	23%	34%	45%

Source: BofA Global Research estimates, company report

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registration demand. Further, due to Sphere's unique structure and seating arrangements it has more available seats than other venues as every seat in the house has a direct line of seat to the stage. In other arenas, during concerts and other events typically an area of the arena is closed off to accommodate the stage. While artists will have to develop content for the Sphere's massive screen at an expense, we believe the attractive overall economics will be an additional draw for acts. Notably, the necessity of developing original content for a show limits the ability of touring bands to utilize Sphere as part of their tour as the costs to develop the content would not justify a one or two night stop at the venue. On average, we project that Sphere residencies will generate ~\$1.8mn in revenue per show. While Sphere Experience enjoys ~70% gross margins, we believe that residencies have a gross margin closer to 40%.

Exhibit 9: Residency Revenue Build

The U2 residency has averaged ~\$1.8mn per show in revenue for Sphere

	Low	Mid	High
Event Capacity	20000	20000	20000
Tickets Sold	15000	16500	17000
% Sell-Out	75%	83%	85%
Rent per show (000s)	600	700	800
x No. of Residency Shows	10	15	20
Rental Revenue (mns)	\$6.0	\$10.5	\$16.0
Average Retail Ticket Price	\$125.0	\$150.0	\$175.0
x Ticket Fees (15% of gross)	15%	15%	15%
Fee per Ticket	\$18.8	\$22.5	\$26.3
x Tickets Sold	15000	16500	17000
Ticketing Fees Per Show	\$281.3	\$371.3	\$446.3
x No. of Residency Shows	10	15	20
Total Ticket Fee Revenue (mns)	\$2.8	\$5.6	\$8.9
Food & Beverage per Cap	\$45.0	\$47.5	\$50.0
x Tickets Sold	15000	16500	17000
x Attendance	95%	95%	95%
Food & Beverage Revenue Per Shows	\$641.3	\$744.6	\$807.5
x No. of Residency Shows	10	15	20
Food & Beverage Revenue (mns)	\$6.4	\$11.2	\$16.2
Total Residency Revenue (mns)	\$15.2	\$27.2	\$41.1
Residency Rev. per Show (mns)	\$1.5	\$1.8	\$2.1

Source: BofA Global Research estimates, company report

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Sphere of Spheres

In our view, another key element to Sphere upside will be the success and timing of additional Spheres across the globe. The current cost base is meant to support further Sphere expansion across the globe. In our view, there is a strong likelihood that other Spheres will be announced in due time with the potential for multiple simultaneous developments.

The company had bought land and taken other steps which indicated the development of a second Sphere would likely occur in London. However, after London mayor Sadiq Khan rejected plans for the Sphere, management has stated that it is no longer interested in pursuing a Sphere at the location and the company has written down assets (land) related to the London venture. While we believe there are plenty of locations across the globe where Sphere's massive Exosphere would not drive similar "significant light intrusion", we also recognize there is a risk of development being stalled by certain zoning and regulatory conditions.

Nevertheless, considering the initial success of Sphere we believe there is a strong likelihood that other Sphere developments will come to fruition. With management



indicating it would favor development at lower costs, one strong possibility for future development appears to be smaller spheres and a franchise type model. Indeed, on its F2Q earnings call Sphere CEO, Jim Dolan, discussed the future developments as a potential franchise model.

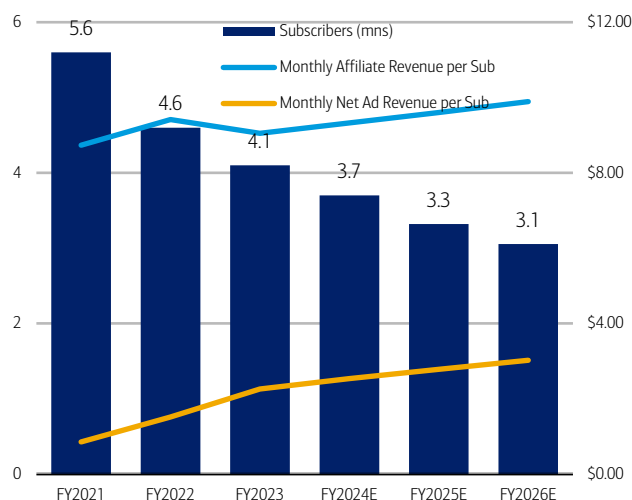
We estimate that a pure royalty model could generate an incremental ~\$40mn in revenue, utilizing a 5% royalty rate and assuming similar revenue to the Las Vegas Sphere. Given the very high margin nature of a royalty model, we assume a 75% margin which would drive an incremental ~\$30mn in AOI. In aggregate, utilizing a 20x multiple the additional upside from a Sphere built using a royalty model could equate to roughly \$600mn in incremental value creation.

MSG Network Overview

MSG Networks consists of two regional sports networks, the MSG Network and MSG Sportnet. The segment also recently launched a direct-to-consumer (DTC) offering, MSG+. These networks cater to audiences across the New York area, including New York City, areas in New Jersey, Connecticut and Pennsylvania. The bulk of Networks' revenue is generated through affiliate fees collected as part of multi-year (three-to-five-year contracts) cable and other linear TV distributors (ATUS/Optimum, Verizon FiOS, Spectrum, DIRECTV and Fubo) who pay for the ability to carry and transmit MSG Networks' content. MSG Networks' programming consists of live sports programming (NBA and NHL primarily) centered on the local games from the NY Knicks, NY Rangers, NY Islanders, NJ Devils and Buffalo Sabres. In addition to affiliate fees (~80% of revenue), MSG Networks also generates revenue (~20%) from ads.

Exhibit 10: MSG Networks revenue drivers

We project subs 3.3mn subs in FY25 and 3.1mn sub in FY26

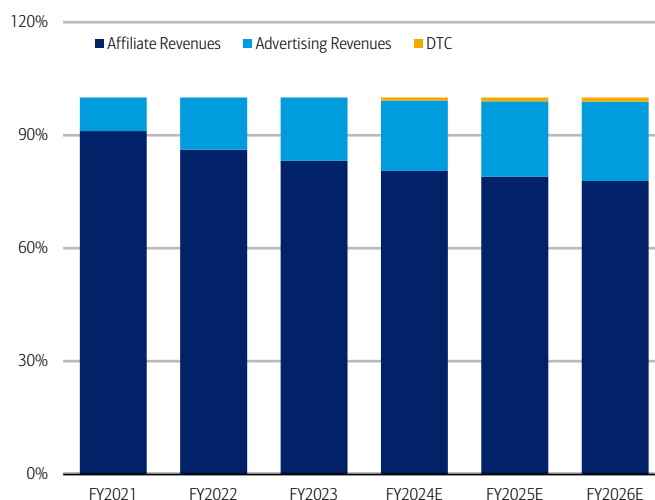


Source: BofA Global Research estimates, company report

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Exhibit 11: Affiliate fees account for ~80% of MSG Network revenue

We estimate affiliate fees will decline at ~7% CAGR from FY23-FY26E



Source: BofA Global Research estimates, company report

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By far the most significant expense for MSG Networks is the cost of the sports rights fees for the various team programming. We estimate the rights for the NY Knicks represent nearly 50% of total rights fees. Notably, post a 20-year contract that ends in 2024, MSG was able to negotiate more favorable terms for the NJ Devils as part of its next rights agreement.

The direction is towards direct-to-consumer; MSG+ recently launched

In June 2023, MSG Networks launched its DTC offering, MSG+ with multiple different subscription options, including a monthly subscription for \$29.99, an annual subscription for \$309.99 as well as single game option for \$9.99. Those fees compare to the

combined monthly affiliate rate for MSG Networks that we estimate is between \$9 and \$10 per month currently. The significantly higher price point ensures that MSG Networks linear channels are not being underpriced which could potentially cause distribution partners (Optimum, Verizon, Charter) to sever ties and drop distribution.

In our view, one of the major challenges for MSG networks and other regional sports networks is the lack of year-round programming. While MSG's combined carriage offers content from multiple leagues (NBA, NHL) across a variety of teams, the season for those leagues largely overlap. As such, in season programming for MSG Networks typically begins in late September/early October and ends in April. Therefore, there is a considerable period over the year where there are no games for subscribers to view. This limits the attractiveness of annual subscriptions and enables subscribers to churn away from MSG+ for roughly half of the year.

GAME on – joint venture with YES a positive step

On January 4, MSG Networks signed an agreement with the YES Network, which provides programming for the NY Yankees and Brooklyn Nets to Gotham Advanced Media and Entertainment (GAME). The 50/50 joint venture initially will be focused technical and operating synergies for each of the parties' streaming services. In our view, this is a positive step and ultimately could help to drive year-round programming by combining programming and offering local games for NBA, NHL and MLB teams. However, pricing would be a major consideration as the combined service would need to offset significant lost linear revenues for the YES Network as well as for MSG Networks.

The course on non-recourse

MSG Network has ~\$900mn remaining on a non-recourse term loan that matures in October 2024. As such, the loan is less than the value we ascribe to MSG Networks of roughly \$300mn utilizing our 4x EV/FY26 AOI multiple. While the nature of the debt and the overall value of MSG Networks may result in the company walking away from the debt to the potential benefit of equity holders, we believe there are several complications to that scenario.

Perhaps most importantly is that the ownership/management of MSG Networks has multiple other public entities, including Sphere, which will likely require significant debt financing in the future. Walking away from the debt could result in banks treating those entities with significantly more caution, potentially complicating financing actions in the future. Beyond that, a default would also result in the local media rights for the Knicks and Rangers to be transferred to creditors (until 2035). We assume that MSG Networks will refinance the debt at a significantly lower level of principal.

Investment Positives

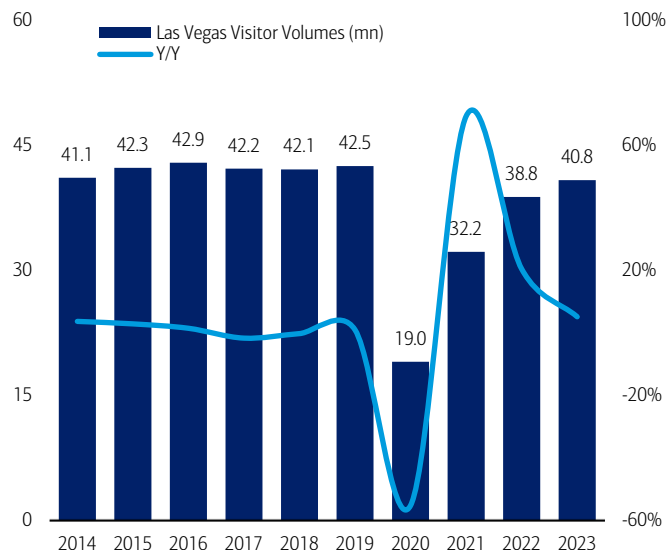
- **Strong secular trends in live entertainment.** The live event industry is benefiting from significant artist supply and consumer demand trends. Consumer demand for live events and experiences remains strong post the COVID pandemic, while demographic trends and the influence of social media provide structural tailwinds. On the supply side, artists/performers have strong financial incentives to tour and offer residencies, particularly after the hiatus created by the COVID pandemic.
- **Sphere of influence.** Live entertainment has become part of the zeitgeist and the Sphere has attracted the attention of the world. Indeed, the company estimates that the Sphere receives nearly 5mn impressions daily, including 4.4mn from social media. In our view, in this age of social media influence Sphere is the new, new thing which has become a must-visit destination for worldwide audiences.



- **Technological superiority.** Inside the Sphere is a 160k square foot display with incredible 16k x 16k resolution that wraps around and over the audience. The experience is unique and offers cutting-edge Sphere immersive sound powered by HOLOPLOT (Sphere owns a 25% stake in HOLOPLOT) that delivers concert-grade sound and acoustics to every seat with beamforming technology and 160k individual speakers. In addition to incredible visual and auditory effect, the Sphere also offers “4D” technology, including wind and other effects to further enhance the experience.
- **Viva Las Vegas – world class market for entertainment.** The Las Vegas market is one of the largest entertainment markets in the world, attracting ~40mn visitors annually, in addition to 2mn+ local residents. Importantly, of the approximately 40mn visitors per year, roughly 25%, are first-time visitors equating to ~10mn new visitors each year to the city. We believe these visitors provide ample potential audiences for Sphere’s various events, which we estimate will draw roughly 3mn customers per year to its original Sphere Experience. Despite being only the #40 media market in the US, Las Vegas is the nation’s third largest concert market.

Exhibit 12: Nearly 41mn people visited Las Vegas in 2023

While it has grown in recent years, 41mn visitors is still below pre-pandemic levels

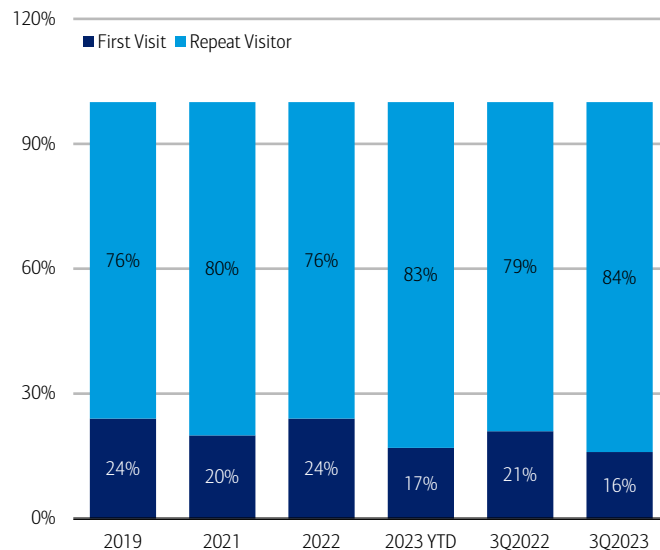


Source: BofA Global Research estimates, company report

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Exhibit 13: First time vs. repeat visitors to Las Vegas

In 2022, nearly a quarter of all visitors to Las Vegas were first time visitors



Source: BofA Global Research estimates, company report

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- **Pricing power.** The Sphere is poised to command premium pricing to other similarly sized venues considering its vast technological superiority, position as a must-play venue for artists and a must-visit venue for fans. In our view, artists will want to follow on the success of U2 and utilize the Sphere’s vast capabilities to demonstrate their creativity and showcase their talents.
- **Sphere around the world.** Sphere’s management intends to build a worldwide network of Sphere’s. After significant upward cost revisions and construction delays due to COVID, we believe that the company has developed a unique knowledge to develop additional Sphere venues around the globe.
- **Highly fixed cost base.** The Sphere’s operational foundation is designed for scalability and growth as we believe that roughly half of its SG&A expenses, covering areas such as corporate operations, Sphere Studios, and construction planning are geared to further development. Our analysis suggests that the Las

Vegas Sphere could contribute approximately \$470 million to the contribution margin during its first full fiscal year with an Adjusted Operating Income (AOI) of around \$100 million. Excluding the additional costs for incremental development, the Las Vegas Sphere would be able to achieve a substantially higher AOI – potentially as more than \$200 million annually.

- **Strong management team.** Management offers deep industry relationships and has a long-track record of delivering value.

Investment Risks

- **Highly dependent on original content with limited content diversity.** The failure to produce popular Sphere Experience content poses a risk. We estimate that the original content *Postcard from Earth* experience accounts for approximately 65% of revenue and will be an important element to drive development of future Spheres and growth. While the Sphere has already become a world-renowned attraction, the average cost of \$100 per ticket for a tour of the Sphere's atrium and a 50-minute movie is a new and unproven model. Additionally, management has indicated it would like to reduce the cost of future original content which could lead to lesser-known attached talent and lower quality output.
- **High leverage** with FYE25 net debt/ AOI ratio of ~4x and \$1.4bn in existing debt (including ~\$900mn remaining term loan at MSG Networks vs. ~\$300mn EV for that entity).
- **Lower impressions for Exosphere.** Current estimates indicate the Sphere reaches 4.4mn daily social media impressions in addition to 300k local impressions. In the near term, particularly with support from the upcoming Super Bowl in Las Vegas, the Exosphere will continue to generate significant impressions. Indeed, Sphere has been an instant hit. However, over time there is the potential for that popularity to wane and for social media impressions to decline significantly.
- **Exposure to linear TV through regional sports networks.** National linear TV subscribers have declined at a 8% CAGR since 2015. Declines have accelerated in recent years as consumers continue to shift viewing towards streaming platforms. MSG Networks' combined average subscribers have declined at a similar 7% CAGR over this timeframe, including Comcast which dropped coverage entirely. Further, as an owner of regional sports network MSG Networks has benefited from higher affiliate fees historically relative to general entertainment cable networks. In our view, this makes the transition to streaming more difficult as it must charge a significantly higher DTC rate to consumer to offset the loss of higher effective subsidization through linear carriage.
- **Controlled company.** With ~72% of voting power held by the Dolan family, SPHR is a controlled company. Its Class A shareholders have little-to-no say on important business matters. While the Dolan family has overseen billions of value creation in the US media industry, led by Charles F. Dolan's creation of HBO, Cablevision and AMCX, the family's investment strategy may ultimately differ from that of the public minority and may be more long term in nature.

Live Entertainment Overview

The Media and Entertainment industry has been under significant secular pressure for many years with cyclical concerns also developing more recently due to the pandemic and its aftermath. As previously discussed, the video ecosystem is undergoing an



enormous transformation as distribution methods evolve, which is having downstream impacts on broadcasters, general entertainment cable networks, regional sports networks, and the broader studio and film businesses. Similarly, many aspects of the music industry have been pressured as old business models were transformed and replaced with less profitable distribution. Recorded music sales have only recently surpassed previous peaks, which were established in 1999. However, one area in the Media and Entertainment universe that remains resilient is Live Entertainment

Funflation in full force

In our view, there are several sustainable and longer-term key drivers that will fuel solid growth for a number of years, namely: (1) continued consumer spending shifts toward services due to favorable demographic trends and the continued rise of the “experience” economy; (2) healthy pricing power given the robust demand and opportunity to better implement dynamic pricing; (3) positive supply and demand trends as artist and event discovery is enhanced by social media and new platforms (e.g. TikTok), while artists are becoming more global and developing markets (e.g. Latam) offer new avenues of fan growth; (4) live is a relatively disruption proof business as virtual methods to generate similar experiences will likely remain incomparable to actual live events; and (5) sponsorship and the advent of experiential marketing. On the risk side, we see the macro environment/consumers’ willingness to spend during a potential downturn and regulatory as the two biggest overhangs in the near term.

The show is just getting started

The Live Entertainment industry has been one of the most robust growth engines of the music industry over the past 20+ years. While, unsurprisingly, live events were dramatically impaired by COVID-19, consumer demand for Live Entertainment has come roaring back since exiting the pandemic. Driven by the pent-up demand for experiences, consumers have flocked in droves toward live events and concerts—the top 100 music tours generated a massive ~\$9.2bn in 2023, 46% higher than 2022 and 65% higher than 2019, the last pre-pandemic year. In addition, the proliferation of streaming along with new social media platforms (e.g. TikTok) has accelerated artist discovery and have provided new mediums for artists to grow their fan bases globally.

Exhibit 14: Worldwide Top 100 Tours Total Gross (in millions)

Total gross of the Top 100 tours surged 46% Y/Y in 2023, even following a very strong 2022



Source: Pollstar

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This backdrop has supported supply and demand tailwinds which all appear to be sustainable over the next several years. We view several of these intermediate to longer term drivers as sustainable and believe this sub-segment of the music industry should continue to outperform driven by: 1) Consumer spending shifts toward services and away from goods, 2) demographic shift in preferences toward experiences among the younger millennial and Gen Z population – which are also becoming more important

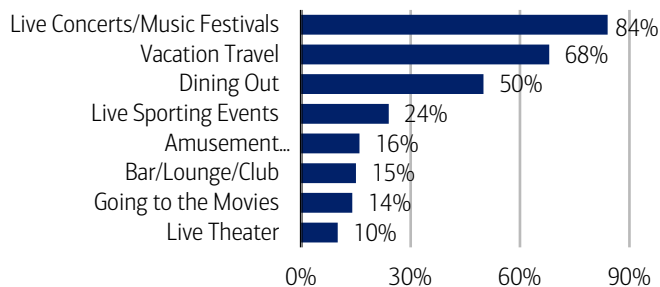
elements of the workforce with increasing incomes and wealth as a result, and 3) the intersection between social media and music which is driving artist and event discovery, and also helping to drive demand by enabling experience sharing.

Live demand trends remain exceedingly strong

The live event/concert space will benefit from both improving supply trends (i.e. more artists willing to tour) and consumer demand trends for a number of years, in our view. Indeed, the demand side of the equation has a number of elements which will drive continued interest: (1) the continued rise of the "experience" economy as approximately 75% of younger demographics (Gen-Z and Millennials) express they prefer to spend on experiences over tangible products in various recent surveys, (2) of all experiences, live concerts are a top priority—a survey from Live Nation points to live concerts and music festivals as consumer's number one experience priority and the last experience they'd cut back spending on (Exhibits 15 & 16). (3) the continued impact of social media as surveys have indicated that ~60% of Millennials prefer to engage in experiences for the sole purpose of sharing them through social media and (4) the increased purchasing power of both Millennials and Gen-Z as they become more important members of the workforce and receive concomitant increases in income.

Exhibit 15: Survey question: "Please rank the following types of experiences from the experience you prefer to spend on from the most to least"

Consumers rank live concerts/music festivals as their top priority experience



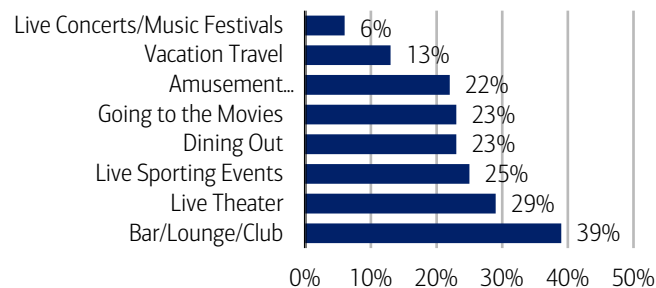
Source: Live Nation, 2022 Survey

Note: Percentages are the share of users who ranked category in the Top 3

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Exhibit 16: Survey question: "If you had to cut back on spending, where would you first cut back"

Consumers rank live concerts/music festivals as the last experience they'd want to cut back



Source: Live Nation, 2022 Survey

Note: Percentages are the share of users who ranked category in the Top 3

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Supply side and artist discovery

Live music plays an outsized role in an artist's overall strategy today versus the past, as touring has supplanted album sales as the main driver of revenue for top artists. When studying the top 20 highest paid artists of 2021 (the most recently available data), touring accounted for ~73% of overall earnings for the median artist. That number has likely grown in 2022 and 2023 given pandemic-era touring challenges in 2021. Additionally, artists are eager to get back on tour after years of being sidelined during the pandemic. Notably, Live Nation recently called out a growing pipeline for early 2024 in arena/amphitheater/stadium shows, while MSGE management noted on its F3Q23 earnings call that the company expects to generate a double-digit percentage increase in events in FY24 vs. FY23.

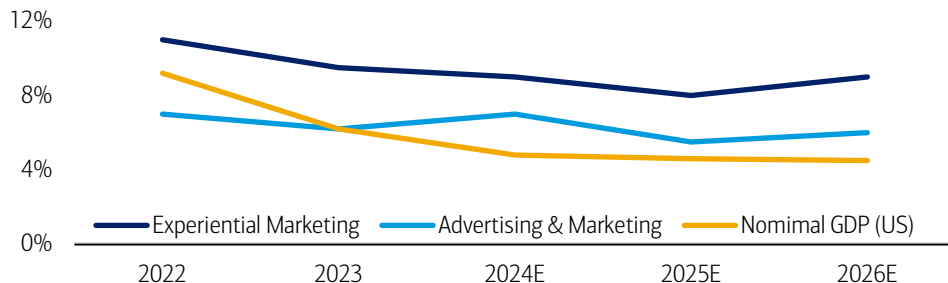
Experiential advertising increasingly important for brands

Live music provides a unique opportunity for advertisers to connect their brand to a coveted, generally positive consumer experience. More specifically, experiential advertising is becoming a more important tool for marketers and its growth is projected to outpace overall US advertising and marketing spend by three to six percentage points from 2022-2026, according to PQ Media. Additionally, experiential marketing posted consistent growth for two decades leading into the pandemic, despite strong headwinds

negatively impacting other digital and traditional media. Another benefit of experiential marketing is that it helps to reach demographics (Millennials, Gen-Z) which are difficult to reach through traditional advertising methods (e.g. linear TV, radio). From 2019-2022, Live Nation points to a 37% increase in onsite sponsorship per fan driven by enhanced brand integrations at its events.

Exhibit 17: Experiential marketing vs. overall advertising and marketing in the US

Experiential marketing is expected to outpace overall advertising growth



Source: PQ Media, BofA Global Research

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Valuation

Sphere and MSG Networks are distinct segments with very different business characteristics and prospects. As such, we utilize a sum-of-the-parts framework employing EV/FY26E AOI for both segments which we discount back at our estimate 10% WACC. We believe this best reflects the operating results for Sphere's future performance.

For the Sphere segment, we utilize a 17x EV/AOI, a premium to our 13x multiple for MSGE due to the considerable growth potential for the venue, its ability to host multiple daily events across 365 days and upside opportunity from the creation of different Spheres, including a franchise model.

For MSG Networks, we utilize a 4x multiple which is in-line with the multiples that we use for linear networks assets across our coverage universe.

Utilizing this framework, we derive a \$43 price objective.

Exhibit 18: Sphere Entertainment Sum-of-the-Parts Valuation

We derive a \$43 price objective which implied 11% upside from the current share price

Fiscal Year Ends 06/30 (\$mns except per share amounts)				
Sphere Entertainment Co. SOTP Valuation	Ownership	Multiple	FY'26 AOI	Valuation
Sphere	100%	17x	\$128	\$2,174
MSG Networks	100%	4x	\$70	\$278
Asset Value				\$2,452
SACO Technologies Inc.	30%			\$20
Holoplot	25%			\$1
Holoplot Loan				\$22
Other				\$9
Value of Equity Investments				\$51
Total Asset Value				\$2,503
Net Debt				(\$790)
Sphere Equity Value				\$1,713
Diluted S/O				36
Discount Rate				10%
SPHR Price Objective				\$43
Current Share Price				\$38.83
Upside/Downside from Current Price				11%

Source: BofA Global Research estimates, company report

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Exhibit 19: Sphere Entertainment Co. Income Statement (\$mns except per share amounts)

We project \$1.2bn in consolidated revenue and \$195mn in consolidated AOI in FY25

Fiscal Year Ends 06/30	Fiscal Year - 2024					FY2024E	FY2025E	FY2026E
	FY2023A	Q1A	Q2A	Q3E	Q4E			
SPHR: Income Statement	Fiscal Year - 2023	2024.1	2024.2	2024.3	2024.3	Fiscal Year - 2024	Fiscal Year - 2025	Fiscal Year - 2026
Operating Financials								
Revenues								
Sphere	\$2.6	\$7.8	\$167.8	\$173.9	\$169.3	\$518.8	\$725.9	\$808.5
MSG Networks	\$571.2	\$110.2	\$146.4	\$152.9	\$123.1	\$532.6	\$502.6	\$482.0
TOTAL	\$573.8	\$118.0	\$314.2	\$326.9	\$292.4	\$1,051.5	\$1,228.5	\$1,290.5
% Chg. (YOY)	--	-4.2%	96.9%	101.7%	126.6%	83.2%	16.8%	5.0%
Direct Operating Expenses								

Exhibit 19: Sphere Entertainment Co. Income Statement (\$mns except per share amounts)

We project \$1.2bn in consolidated revenue and \$195mn in consolidated AOI in FY25

Fiscal Year - 2024

Sphere	\$5.5	\$7.8	\$67.3	\$64.2	\$64.6	\$204.0	\$270.0	\$280.4
MSG Networks	\$336.7	\$26.7	\$92.4	\$92.5	\$81.0	\$342.7	\$347.3	\$352.1
TOTAL	\$342.2	\$84.5	\$159.8	\$156.8	\$145.7	\$546.7	\$617.3	\$632.4
% Chg. (YOY)	132.8%	-7.5%	30.0%	51.0%	47.7%	59.8%	12.9%	2.5%
S, G & A			S, G & A					
Sphere	\$325.7	\$84.2	\$97.8	\$95.0	\$95.0	\$372.0	\$385.5	\$424.3
MSG Networks	\$126.5	\$3.0	\$17.7	\$16.8	\$19.9	\$57.4	\$59.2	\$60.3
TOTAL	\$452.2	\$87.1	\$115.5	\$111.8	\$114.9	\$429.4	\$444.7	\$484.6
% Chg. (YOY)	--	--	--	--	--	-5.0%	3.6%	9.0%
D & A			D & A					
Sphere	\$24.0	\$12.4	\$78.0	\$35.2	\$35.2	\$160.9	\$140.9	\$140.9
MSG Networks	\$6.7	\$1.9	\$2.0	\$2.0	\$2.0	\$7.8	\$7.9	\$7.9
TOTAL	\$30.7	\$14.3	\$80.0	\$37.2	\$37.2	\$168.7	\$148.9	\$148.9
% Chg. (YOY)	--	781.3%	4788.9%	2103.3%	2058.6%	450.1%	-11.8%	0.0%
Other Gains								
Sphere	\$36.2	\$1.5	(\$117.2)	\$0.0	\$0.0	(\$115.7)	\$0.0	\$0.0
MSG Networks	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL	\$36.2	\$1.5	(\$117.2)	\$0.0	\$0.0	(\$115.7)	\$0.0	\$0.0
% Chg. (YOY)	--	--	--	--	--	-419.5%	-100.0%	--
Restructuring								
Sphere	\$16.9	\$3.4	\$1.3	\$1.3	\$1.3	\$7.3	\$0.0	\$0.0
MSG Networks	\$4.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL	\$21.7	\$3.4	\$1.3	\$1.3	\$1.3	\$7.3	\$0.0	\$0.0
% Chg. (YOY)	--	--	-67.7%	--	60.9%	-66.6%	-100.0%	--
Operating Income	(\$251.2)	(\$69.8)	(\$159.7)	\$19.8	(\$6.6)	(\$216.3)	\$17.6	\$24.6
% Chg. (YOY)	70.9%	-331.3%	-556.6%	-65.0%	-123.2%	-13.9%	-108.2%	39.5%
Margin %	-43.8%	-59.1%	-50.8%	6.1%	-2.3%	-20.6%	1.4%	1.9%
Share-Based Compensation			Share-Based Compensation					
Sphere	\$39.1	\$3.9	\$11.0	\$8.0	\$8.0	\$30.9	\$24.0	\$24.0
MSG Networks	\$6.4	\$1.0	\$0.9	\$0.9	\$0.9	\$3.8	\$4.2	\$0.0
TOTAL	\$45.6	\$4.9	\$11.9	\$8.9	\$8.9	\$34.7	\$28.2	\$24.0
% Chg. (YOY)	--	-57.5%	-8.9%	-14.3%	-15.5%	-23.9%	-18.5%	-15.0%
Other Adjustments		(\$9.1)	\$0.6	\$0.0	\$0.0	(\$8.5)	\$0.0	\$0.0
% Chg. (YOY)	--	--	--	--	--	--	-100.0%	--
AOI	(\$175.0)	(\$57.9)	\$51.4	\$67.2	\$40.8	\$101.6	\$194.7	\$197.5
% Chg. (YOY)	19.0%	-233.7%	3.5%	-2.2%	-0.5%	-158.0%	91.7%	1.4%
Margin %	-30.5%	-49.0%	16.4%	20.6%	13.9%	9.7%	15.9%	15.3%
Non Operating Items			Non-Operating Items					
Interest income	\$13.3	\$4.4	\$5.9	\$6.2	\$6.0	\$22.5	\$15.1	\$11.7
Interest expense	(\$1.7)	\$42.2	(\$25.8)	(\$24.2)	(\$23.9)	(\$31.7)	(\$95.1)	(\$96.0)
Miscellaneous	\$539.9	\$0.0	(\$1.1)	(\$1.1)	(\$1.1)	(\$3.4)	\$0.0	\$0.0
Net Income			Net Income					
Income (loss) from operations before income taxes	\$300.3	(\$23.2)	(\$180.7)	\$0.6	(\$25.6)	(\$228.9)	(\$62.4)	(\$59.6)
Tax Rate	34.4%	388.9%	4.1%	24.0%	24.0%	NA	24.0%	24.0%
Income tax benefit (expense)	\$103.4	\$90.3	\$7.5	\$0.2	(\$6.2)	\$91.8	(\$15.0)	(\$14.3)
Net income (loss)	\$403.7	\$67.1	(\$173.2)	\$0.8	(\$31.8)	(\$137.2)	(\$77.3)	(\$73.9)
EPS	\$11.57	\$1.90	(\$4.91)	\$0.02	(\$0.89)	(\$3.87)	(\$2.15)	(\$2.04)
% Chg. (YOY)	--	--	--	--	--	--	--	--
Fully Diluted Shares	34.9	35.2	35.3	35.6	35.8	35.5	35.9	36.3

Source: BofA Global Research estimates, company report

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Price objective basis & risk

Sphere Entertainment Co. (SPHR)

Our PO of \$43 is based on a sum-of-the-parts framework employing EV/FY26E AOI for the distinct Sphere and MSG Networks segments, which have very different business characteristics and prospects. We discount at our estimated WACC of 10%.

1) Sphere segment: we utilize a 17x EV/AOI, a premium to our 13x multiple for MSGE due to the considerable growth potential for the venue, its ability to host multiple daily events across the full 365 day calendar and upside potential from the creation of different Spheres, including a potential franchise model.

2) MSG Networks, we utilize a 4x multiple which is in-line with the multiples that we use for linear networks assets across our coverage universe given the challenging environment for linear Pay-TV platforms and regionals sports networks.

Downside risks: (1) a weakening of the economic environment impacting consumer spending and demand for live events, (2) further acceleration in cord-cutting, (3) demand for Sphere's original content begins to wane, and (4) visitation to Las Vegas slows from current levels reducing demand audience for Sphere's events.

Upside risks: (1) cord-cutting trends moderate resulting in significantly better operating results for MSG Networks, (2) demand for Sphere's original shows exceeds our projections, (3) Sphere announces additional developments at a lower cost of capital with higher margin and shorter timeline for construction completion, (4) sponsorship demand is higher than currently modeled.

Analyst Certification

I, Peter Henderson, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Cable, Entertainment and Satellite Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Comcast Corp	CMCSA	CMCSA US	Jessica Reif Ehrlich
	Endeavor Group Holdings, Inc.	EDR	EDR US	Jessica Reif Ehrlich
	Madison Square Garden Entertainment	MSGE	MSGE US	Peter Henderson
	Netflix, Inc.	NFLX	NFLX US	Jessica Reif Ehrlich
	Spotify Technology	SPOT	SPOT US	Jessica Reif Ehrlich
	Walt Disney Co.	DIS	DIS US	Jessica Reif Ehrlich
	Warner Bros. Discovery	WBD	WBD US	Jessica Reif Ehrlich
NEUTRAL				
	Charter Communications	CHTR	CHTR US	Jessica Reif Ehrlich
	Fox Corporation	FOXA	FOXA US	Jessica Reif Ehrlich
	Fox Corporation	FOX	FOX US	Jessica Reif Ehrlich
	Sphere Entertainment Co.	SPHR	SPHR US	Peter Henderson
	Warner Music Group Corporation	WMG	WMG US	Jessica Reif Ehrlich
UNDERPERFORM				
	Altice USA, Inc.	ATUS	ATUS US	Jessica Reif Ehrlich
	iHeartMedia, Inc.	IHRT	IHRT US	Jessica Reif Ehrlich
	Paramount Global	PARA	PARA US	Jessica Reif Ehrlich
RSTR				
	Liberty SiriusXM Group	LSXMA	LSXMA US	Jessica Reif Ehrlich
	Liberty SiriusXM Group	LSXMK	LSXMK US	Jessica Reif Ehrlich
	Sirius XM Holdings Inc	SIRI	SIRI US	Jessica Reif Ehrlich



US - Cable, Entertainment and Satellite Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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 ^{R1}	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%

^{R1} 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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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