



LONG: TKO (NYSE)

Current Price: \$145.15

Target Price: \$205.46

42% Upside

Company Overview

What is TKO?

Company Overview

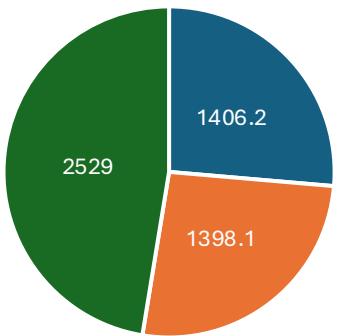
TKO Group Holdings, Inc. (TKO) is a premier American media conglomerate specializing in sports entertainment. Established on September 12, 2023, TKO emerged from the strategic merger of World Wrestling Entertainment, Inc. (WWE) and Zuffa, LLC—the parent company of the Ultimate Fighting Championship (UFC). This consolidation positioned TKO as a dominant force in the global combat sports industry, leveraging the rich legacies of both WWE and UFC.

- **WWE:** A global leader in professional wrestling, known for its flagship events like WrestleMania.
- **UFC:** The premier mixed martial arts organization, hosting international events and boasting a diverse roster of fighters.
- **IMG:** A global sports, events, and talent management company.
- **On Location Events:** Specializes in premium experiential hospitality services.
- **Professional Bull Riders (PBR):** The leading bull riding organization.

Financial Snapshot

Operating Metrics	'24 (Millions)	Trading Metrics	03/10/25
Revenue	\$2804.3	Shares Outstanding	\$11,589,886,000
EBIT	\$282.9	52-WK High Low	\$72.39-\$179.03
EBITDA	\$675.7	Market Cap	\$11.72B
EBITDA Margin	24%	EV/Revenue	5.07

Revenue Breakdown

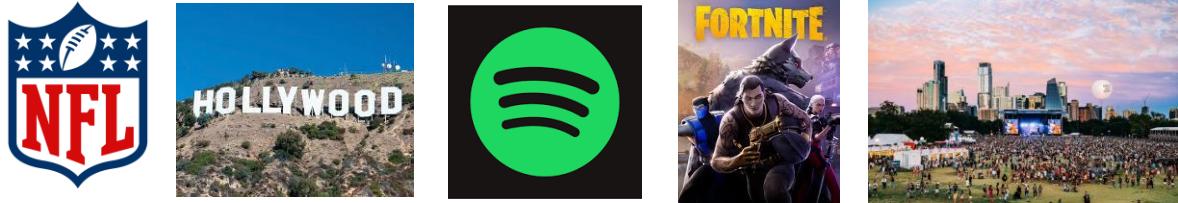


■ UFC ■ WWE ■ OTHER

Industry Overview

TKO operates in the Entertainment industry, specifically in the sports and live entertainment sector

Major Segments



Sector Analysis

Threat of New Entrants (Low): High brand loyalty to WWE & UFC and high capital and relational barriers to entry.

Threat of Substitutes (High): Possibility for other combat sports leagues (ONE championship, Bellator), traditional sports, social media and influencer boing (Jake Paul)

Bargaining Power of Suppliers (Moderate): Top fighters may demand higher payouts. Unionization efforts to push for better contracts historically. Medea companies hold distribution power.

Bargaining Power of Buyers (High): Fans have many entertainment alternatives, Streaming model gives consumers flexibility and unpredictable demand.

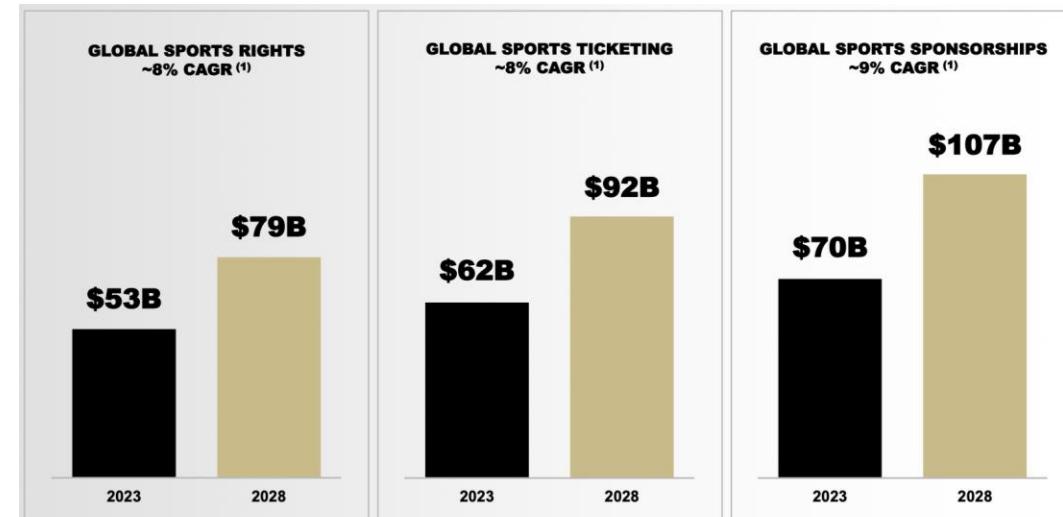
Competitor Rivalry (Low): Limited direct competitors. Growing competition from other sports & media. Competition for exclusive streaming rights.

Industry Trends

- Streaming and digital broadcasting
- AI emergence
- Growth of live events
- Increased sports betting
- Globalization of experiences



It's all about consumer demand



Why This Opportunity Exists

Compounding factors have caused the market to underappreciate growth

TKO Driving Shareholder Value Through Strategic Acquisitions and Strong Performance



Strategic Expansion and Diversification

In October 2024, TKO Group Holdings expanded its portfolio by acquiring IMG, On Location Experiences, and Professional Bull Riders from Endeavor for \$3.25B in stock. This acquisition enhanced TKO's presence in sports management and experiential hospitality, diversifying revenue streams and strengthening its position in the sports and entertainment industry.

Robust Financial Performance

In the third quarter of 2024, TKO reported a 52% year-over-year increase in sales, reaching \$681.2 million. The company projected full-year sales at the upper end of its forecast, reflecting strong operational execution and market demand. These financial results underscore TKO's successful integration of acquired assets and its ability to capitalize on growth opportunities in the sports and entertainment sectors.

Thesis Overview

TKO is strategically securing lucrative boxing and media deals and investing in IP protection to stimulate growth.

Variant View

Thesis #1

By owning UFC, WWE, and expanding into boxing, TKO diversifies its revenue streams, reducing reliance on a single source and positioning itself across various market segments in sports and entertainment.

Thesis #2

The forthcoming media rights negotiations offer TKO the chance to secure lucrative partnerships, potentially enhancing global reach and revenue through competitive bidding and a shift to streaming platforms.

Thesis #3

TKO's proactive investment in technologies to combat illegal streaming demonstrates a commitment to protecting intellectual property and revenue streams and aiming to reduce piracy-related losses.

Catalyst Overview

2025

TKO's media rights deal with ESPN expires in 2025, with TKO seeking over \$1B per year in the next agreement. Recent streaming issues during UFC 313 have strained relations, potentially impacting negotiations.

2026

TKO, in partnership with Turki Al-Sheikh and Sela, is launching a boxing promotion aiming to replicate the UFC's success by developing new talent and hosting major fights, with the first event scheduled for 2026.

2025

Investments in digital watermarking and AI scanning technologies are TKO's strategy to combat illegal streaming, aiming to protect content and enhance revenue retention in the face of piracy-related losses.

Thesis 1 – International Expansion

Majority acquisitions focused in other Sports sectors boost revenue and market reach

Building Connected Global Network

Well Positioned Across Fast-Growing End Markets



By 2025, the company projects a **15% increase in European revenue**, driven by higher ticket sales and more extensive media rights deals. With new localized content, TKO expects a **10-15% growth in viewership** across Europe, boosting brand recognition and fan engagement in the region.

Acquisitions and Opportunities

European Expansion through Professional Bull Riding and IMG



IMG, a powerhouse in global media rights and event management, strengthens TKO's position in the premium sports content space, giving it direct control over lucrative broadcasting, sponsorships, and event operations. This move reduces TKO's reliance on third-party distribution, allowing greater monetization of UFC and WWE media assets through strategic negotiations.

PBR, which hosts over 200 annual events with millions of dedicated fans, expands TKO's footprint into Western sports—a growing niche with strong brand loyalty. PBR's established media partnerships and grassroots following create a new revenue stream through broadcast rights, live event sales, and brand sponsorships. Additionally, cross-promotion with UFC and WWE could drive audience crossover and digital engagement, maximizing TKO's multi-sport entertainment model.

Opportunity in Asia – Capitalizing on Relationships in the Area

TKO Group Holdings is targeting a **30% revenue growth** in Asia over the next two years. The company plans to significantly increase the number of live events in major Southeast Asian cities, aiming to hold over **20 events annually** by 2026.

2nd
Largest Sports market in the world

Thesis 2 – Media Rights Deal

WWE and UFC new deals double the monetary value of past ones and start this year

UFC

Impact

The move to ESPN took UFC to new heights, because it legitimized MMA as sport and eased promotion concerns. UFC COO also noted the better exposure on ESPN platform.

Current

Current contract with ESPN is worth \$1.5 billion over 5 years, ending in 2025. UFC wants next deal to be worth over \$1B per year.

Negotiation

ESPN had exclusive negotiating from January to April. There are least 4 or 5 other buyers (including Amazon, Netflix, WBD). They are also open to having multiple streaming partners.

WWE

2X

Growth in Value of Media Rights per year

\$5B

Total Value over 10 years

Linear
Television



Streaming
Service

Shifting flagship product of Monday Night Raw off linear television for the first time since it launched 31 years ago is a significant change. However, it comes with the promise of global reach, with Netflix's millions of subscribers across the globe.

Inaugural Event: 2.6M Household average (116% increase from 2024). Doubled A18-49 audience vs. last year.

Netflix also gains control of WWE programming outside the US (includes major shows and events like Smackdown, WrestleMania, etc.)



Thesis 3 – Illegal Streaming

Investors overlook the turning point in protecting intellectual property

Anti-Piracy Technology

Embed Digital Watermarks

Digital watermarking embeds invisible, unique codes into UFC and WWE video streams without affecting video quality. These codes are subtly altered pixels or metadata that can't be seen by the human eye but are detectable by anti-piracy software. This ensures that even if a stream is copied or compressed, the watermark remains embedded in the content.

AI Rapid Monitoring

AI scanning technology continuously monitors the internet for unauthorized UFC and WWE streams by analyzing video, audio, and metadata. Machine learning algorithms detect pirated content across social media, websites, and IPTV services. Once identified, AI can automatically issue takedown requests and block illegal streams faster than manual detection.

Direct Platform Access



Quantifying Losses

Drawing conclusions from the industry

Global Sports Losses

\$28.4B

"Illegal streaming and piracy cost the global sports industry an estimated \$28.4 billion in lost revenue per year."

TKO Market Share

0.28%

TKO's 2024 revenue was \$2.8 billion while the estimated yearly revenue of the global sports industry is \$1 trillion. (GSI)

Estimated Losses

\$79.5M

2X
Growth in FLOPS
(floating-point operations per second)
per year

Faster AI computing speeds will enable TKO to detect and remove illegal streams in real time, scanning the internet within seconds. As AI models improve, they will automate takedowns more efficiently, shutting down pirated UFC and WWE content before it spreads.

Valuation Model

Significant upside potential creates a favorable risk-reward set up

Unlevered Free Cash Flow (mm)								
Fiscal Year	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue	1,140	1,675	2,804	3,926	4,711	5,418	5,960	6,556
COGS	326	515	900	1,196	1,435	1,571	1,669	1,836
Gross Profit	814	1,160	1,904	2,730	3,276	3,847	4,291	4,720
Operating Expenses								
Selling, General, Administrative	209	410	765	917	1,101	1,266	1,392	1,532
Total Operating Expenses	209	410	765	917	1,101	1,266	1,392	1,532
EBITDA	605	751	1,140	1,813	2,176	2,581	2,899	3,189
Depreciation & Amortization	60	165	393	423	486	558	642	737
Operating Profit (EBIT)	545	586	747	1,390	1,690	2,023	2,257	2,451
Operating Taxes	14	31	26	292	355	425	474	515
NOPAT (Net Operating Profit After Taxes)	531	555	721	1,098	1,335	1,598	1,783	1,936
(+) Depreciation & Amortization	60	165	393	423	486	558	642	737
(-) Capital Expenditures	12	49	75	80	92	106	122	140
(-) Change in NWC	(173)	(18)	179	(50)	30	27	21	23
NWC	38	20	199	149	179	206	226	249
Current Assets	268	492	870	--	--	--	--	--
Current Liabilities	230	472	671	--	--	--	--	--
Unlevered Free Cash Flow	752	689	861	1,491	1,699	2,024	2,283	2,511

Assumptions								
Fiscal Year	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Revenue Growth		46.9%	67.4%	40.0%	20.0%	15.0%	10.0%	10.0%
COGS % of Revenue	28.6%	30.7%	32.1%	30.5%	30.5%	29.0%	28.0%	28.0%
SG&A % of Revenue	18.4%	24.5%	27.3%	23.4%	23.4%	23.4%	23.4%	23.4%
Tax % of EBIT	2.6%	5.4%	3.4%	21.0%	21.0%	21.0%	21.0%	21.0%
NWC % of Revenue	3.3%	1.2%	7.1%	3.8%	3.8%	3.8%	3.8%	3.8%

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Unlevered Free Cash Flow (mm)								
Fiscal Year	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Unlevered Free Cash Flow	752	689	861	1,491	1,699	2,024	2,283	2,511
Projection Year				1	2	3	4	5
Present Value of Free Cash Flow				1,378	1,452	1,600	1,568	1,697

Implied Share Price Calculation		Sensitivity Table						
		Growth Rate		WACC		Terminal Value		
Sum of PV of FCF	7,796		205.46	2.50%	2.75%	3.00%	3.25%	3.50%
Growth Rate	3%		7.95%	195.59	205.19	215.76	227.45	240.45
WACC	8.15%		8.05%	191.19	200.40	210.52	221.70	234.11
Terminal Value	50,224		8.15%	186.93	195.78	205.49	216.19	228.04
PV of Terminal Value	33,944		8.25%	182.83	191.34	200.65	210.90	222.22
Enterprise Value	41,741		8.35%	178.87	187.05	196.00	205.82	216.65
(+) Cash	525							
(-) Debt	2,732							
(-) Minority Interest	4,605							
Equity Value	34,929							
Diluted Shares Outstanding (mm)	170							
Implied Share Price	205.46							

Summary

Why TKO?

Thesis Recap

TKO is uniquely situated within the rapidly growing sports & entertainment industry. With already strong analyst outlooks, we believe it will grow even more than projected. Specifically, continued market expansion, new media deals, and prevention of illegal streaming will lead to greater revenue growth numbers contributing to bottom line growth. Ultimately, we believe TKO is well-positioned for long term success.

Base Returns

Implied Upside

Target Price

42% ↑

\$205.46

Risks & Mitigants

Risk – Competitors capture consumer demand

Mitigan – Strategic acquisitions will diversity revenue streams, reaching consumers with varying interests and geographies

Risk – Slower than expected revenue growth from anti-piracy

Mitigan – Partnerships with streaming platforms and revenue growth from media rights deals can offset workarounds

Risk – Achieve less than expected synergies from acquisitions

Mitigan – Cross promote the acquired brands to increase sales and combine customer bases

Catalysts

Media Rights Deal With ESPN

2025

Provides credibility and legitimacy, increasing global presence, and growing consumer base

Implement AI To Prevent Pirating

2025

Prevents illegal viewing, drives revenue due to pay-per-view model

Partner with Turki Al-Sheikh

2026

New market in Saudi Arabia drives revenue & increase Middle East customer base

Appendix 1 – WACC Calculation & FA Schedule

Weighted Average Cost of Capital (WACC)	
Equity (mm)	8,696
Debt (mm)	2,732
Cost of Debt	9.1%
Tax Rate	21%
D/(D+E)	23.9%
After Tax Cost of Debt	7.2%
Risk Free Rate (10-Yr Treasury Yield)	4.26%
Expected Market Return	10%
Market Risk Premium	5.7%
Levered Beta	0.73
E/(D+E)	76.1%
Cost of Equity	8.5%
WACC	8.2%

Fixed Assets Schedule							
Fiscal Year	2023A	2024A	2025E	2026E	2027E	2028E	2029E
Beginning PP&E	175,408	608,416	533,757	613,398	704,922	810,102	930,975
D&A	165	393	423	486	558	642	737
CapEx	48,633	74,949	80,064	92,010	105,738	121,515	139,646
Ending PP&E	608,416	533,757	613,398	704,922	810,102	930,975	1,069,884

Assumptions							
Fiscal Year	2023A	2024A	2025E	2026E	2027E	2028E	2029E
D&A as a % of Beginning PP&E	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
CapEx as a % of Beginning PP&E	27.7%	12.3%	15.0%	15.0%	15.0%	15.0%	15.0%