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UPDATE: Madison Square Garden Entertainment Corp.

MSGE Completes Spin-Off of Live Entertainment Business; Rate MSG Sphere Co. at BUY with a \$38 FVE, Rate New MSGE at NEUTRAL with a \$31 FVE

- Madison Square Garden Entertainment Corp. (NYSE: MSGE) has completed the spin-off of its traditional live entertainment business. New Madison Square Garden Entertainment Corp. now trades on the NYSE under the ticker “MSGE”. The parent company has adopted the corporate moniker MSG Sphere Co. and trades on the NYSE under the ticker “SPHR”.
- Shareholders of record as of April 14, 2023, received one share of New MSGE for every share of Madison Square Garden Entertainment Corp. owned. SPHR retained a 33% ownership stake in New MSGE.
- Based on the initial trading prices, incorporating net debt as well as the implied market capitalization of New MSGE, we calculate shares of SPHR have an adjusted market capitalization of just \$306 million and an enterprise value of \$1.4 billion.
- Notably, the implied valuation is in stark contrast to our valuation of MSG Networks and the Sphere venue, which we value at approximately \$1.8 billion on an enterprise value basis. Incorporating net debt of \$1.0 billion, we fairly value shares of SPHR at \$38 per share and assign a BUY rating to MSG Sphere Co.
- In terms of New MSGE, the current pricing is roughly in line with our \$31 fair value estimate, as such we assign a NEUTRAL rating to MSGE.
- For more details, please refer to The Spin Off Report dated March 20, 2023, and UPDATES dated March 30, 2022, and April 18, 2022.

MSG Sphere Co. (post-spin) - BUY

Current Share Price: (4/21/23): \$24.15

Ticker: SPHR

Fair Value Estimate: \$38 per share

Shares Outstanding: 34.6 million

Market Capitalization: \$1.3 billion

Madison Square Garden Entertainment Corp. - NEUTRAL

Current Share Price: (4/17/23): \$31.07

Ticker: MSGE

Fair Value Estimate: \$31 per share

Shares Outstanding: 51.6 million

Market Capitalization: \$1.6 billion

Post-spin market capitalization at fair value estimate.

Current coverage and research archive is available online at spinoff.report



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		MSG Sphere Co.		New MSGE	
		<u>Parent Co.</u>		<u>Spin Co</u>	
SPHR Price	\$ 24.15	Networks	\$ 725.1	Entertainment	385.0
<u>SPHR Shares Outstanding</u>	<u>34.6</u>	Sphere	1,100.0	MSG Building	1,800.0
SPHR Market Capitalization	834.5	<u>33% of SpinCo</u>	<u>528.8</u>	<u>Equity Stakes</u>	<u>40.9</u>
		Enterprise Value	2,353.9	Enterprise Value	2,225.9
MSGE Price	\$ 31.07	<u>SPHR Net Debt</u>	<u>1,042.6</u>	<u>Net Debt</u>	614.7
<u>New MSGE Shares Outstanding</u>	<u>51.6</u>	Market Capitalization	1,311.3	Market Capitalization	1,611.3
New MSGE Market Capitalization	1,602.4	<u>Shares Outstanding</u>	<u>34.6</u>	<u>Shares Outstanding</u>	<u>51.6</u>
		FVE \$ / Share	\$ 37.95	FVE \$ / Share	\$ 31.24
<u>SPHR Ownership of New MSGE</u>	<u>33.0%</u>	SPHR Price	\$ 24.15	MSGE Price	\$ 31.07
Value to SPHR	528.8	Implied Upside	57.1%	Implied Upside	-11.9%
Adjusted SPHR Market Cap.	305.7				
Adjusted SPHR Price	\$ 8.85				
SPHR Net Debt	1,042.6				
Adjusted SPHR Enterprise Value	1,348.3				

Disclosures

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