

# BERNSTEIN

SOCIETE GENERALE GROUP



## Bernstein University US 2025

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The anatomy of a superfan

17 October 2025

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**See Disclosure Appendix of this report for important Disclosures and Analyst Certifications**

First Published: 13 Oct 2025 03:10 UTC Completion Date: 13 Oct 2025 03:10 UTC

# Executive Summary

We initiated at a transformational time for US Entertainment. When Laurent Yoon launched on large cap media over a year ago, distribution appeared to be winning & content was under pressure. Then, premium content got back in the driver's seat. Concerts, sports, music, and online sports betting (OSB) platforms are the primary beneficiaries of the cyclical and structural tailwinds that come with that, and **we believe the next phase of growth for the industry will be driven by optimally monetizing superfans.**

Live music & sports must focus not only on creating a compelling experience that attracts listeners & viewers toward in-person attendance but also on offering a significant value-add for VIPs. Early next year, music streaming platforms will begin pushing users from basic subscriptions toward higher-priced pro tiers. Similarly, OSB platforms must focus on enabling their most engaged users to bet live during games.

When evaluating investments in the US entertainment sector, we primarily consider 1) **pricing power**, 2) if **Ari Emanuel** would own it, and 3) if **Bob Iger** would be happy in charge.

For the next 3-5 years, we forecast mid-teens top-line growth for the OSB & iGaming subsector, low double-digits for experiences, and high single-digits for digital audio.

We rate **LYV, DKNB, SPOT, TKO & WMG Outperform, FWONK & FLUT Market-Perform.**

# US Entertainment

Company	Ticker	Thesis	Rating	Bern PT (\$)	Implied Upside (%)	Price (\$)	Mkt Cap (\$B)	EV (\$B)	Blended NTM + 1 P/E (BernE)	Blended NTM + 1 P/E (CONS)	Blended NTM+1 EPS		Rev CAGR ('24-'27)	
											BernE	CONS	BernE	CONS
Live Nation	LYV	It isn't a fad, and profitability just keeps getting better	OP	\$185	21%	\$153	\$36	\$39	51.6x	53.0x	\$ 3.59	\$ 3.33	11.6%	10.3%
TKO Group	TKO	Dominant combat sports IP with multiple levers to grow	OP	\$230	23%	\$187	\$37	\$40	34.2x	37.8x	\$ 6.73	\$ 5.66	29.2%	28.3%
Liberty F1	FWONK	Still a massive US opportunity, measured in FYs not Qs	MP	\$110	7%	\$103	\$26	\$25	29.5x	47.6x	\$ 3.73	\$ 2.50	10.5%	9.7%
Spotify	SPOT	Underappreciated pricing power and superfan upside	OP	\$840	23%	\$685	\$143	\$134	52.3x	51.8x	€ 16.06	€ 14.32	15.7%	13.1%
Warner Music Group	WMG	A catch-up trade wrapped in a turnaround story	OP	\$35	9%	\$32	\$17	\$21	22.3x	21.7x	\$ 1.57	\$ 1.70	4.8%	4.5%
DraftKings	DKNG	Excelling at getting the right people in the door	OP	\$55	68%	\$33	\$16	\$16	21.6x	21.7x	\$ 2.55	\$ 2.43	25.7%	22.0%
Flutter	FLUT	A lot to like, but with caution around parlays & UK taxes	MP	\$340	40%	\$242	\$43	\$43	23.8x	22.2x	\$ 14.31	\$ 15.10	16.0%	16.1%

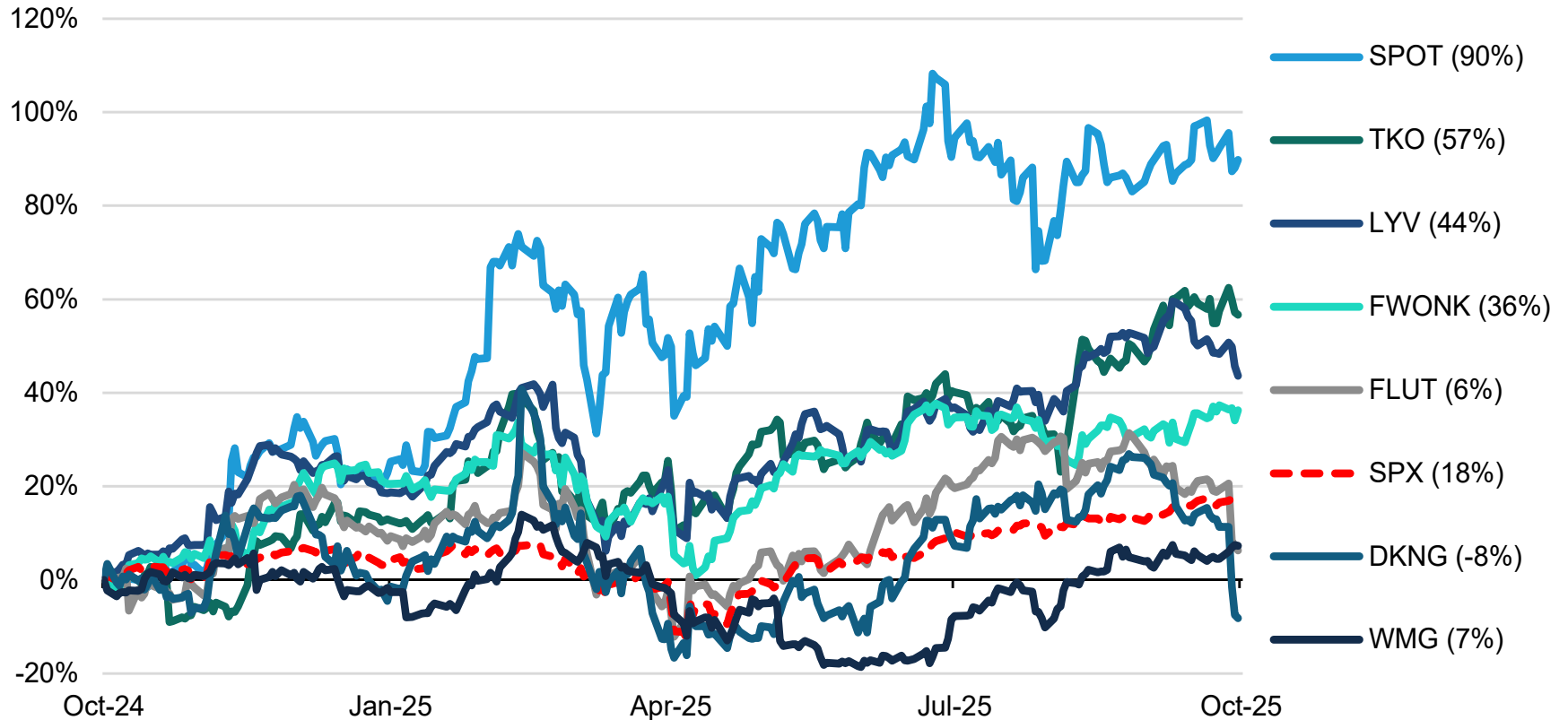
Data as of market close on 10/10/2025.

Subsectors: **(1) Experiences** – LYV, TKO, FWONK, **(2) Music** – SPOT, WMG, **(3) Online Sports Betting (OSB) & iGaming** – DKNG, FLUT

- Growth strategies around the most engaged users/customers (“superfans”)
- Generally high-growth & trade above market multiple
- A combination of online platform, event promotion, and content businesses

# US Entertainment

Equity price performance, TTM



# Team

## *Ian Moore, Analyst*

- Harvard physics major with a peer-reviewed cancer paper in Lasers in Surgery & Medicine ([Hyperspectral imaging in automated digital dermoscopy screening for melanoma](#)) and was looking for an RTAPS at Harvard's Hoffman Lab before it was cool ([What SK-99 could mean for lead and copper demand](#)).
- Have been with Bernstein since 2018 learning from the best, Bob Brackett & Harshita Rawat. Most recently, led the **initiations on the integrated oil companies**, ExxonMobil & Chevron (>\$0.6T of market cap), and what many consider the only exciting shaleco left, **Diamondback**. Some of my other oil highlights were the Fresh Eyes Blackbook and the Green Wolf long-view & sector upgrade. Within Payments, made significant contributions to the **fintechs/merchant acquirers'** initiation (FIS, Fiserv, Global Payments).
- As Bernstein's first Gen Z analyst, instead of talking oil services or payment processors, you'll get more out of me on music & sports (& I won my fantasy football league this year)

## *Nosher Ali Khan, Associate*

- Harvard Econ/CS grad, alternative data enthusiast, Guinness World Record holder for the highest altitude DJ set

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## Industry Overview

Subsector 1: Experiences

Subsector 2: Music

Subsector 3: OSB & iGaming

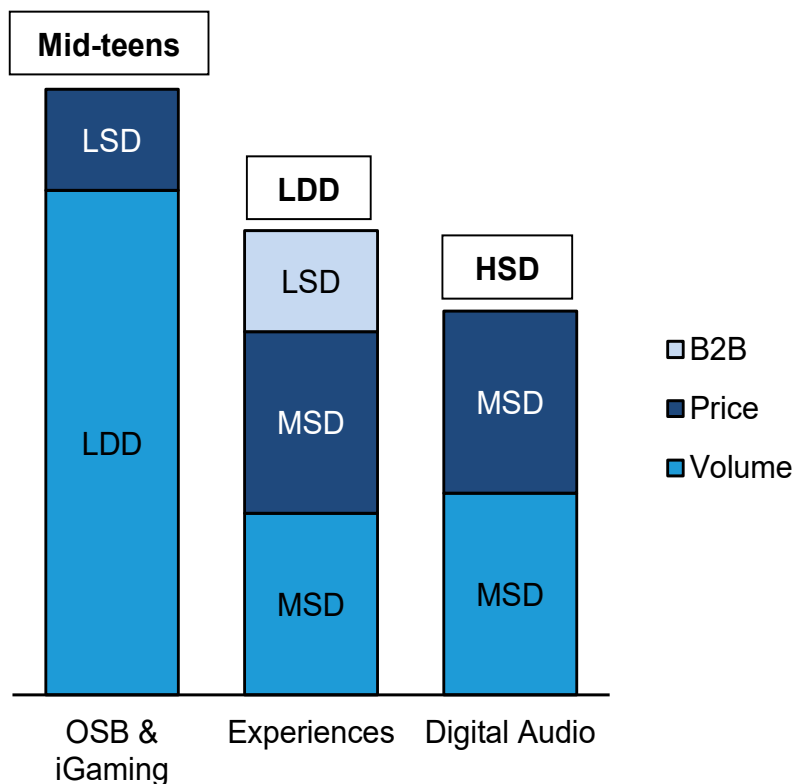
## 5 key takeaways on the Industry

- **Superfans** will drive the next phase of Entertainment industry growth
- Look for scarcity, uniqueness, and stable competitive dynamics to identify **pricing power**
- Think like Ari Emanuel to identify which part of the ecosystem has **leverage**
- Ask if Bob Iger would be happy running the business to assess **quality**
- **Growth** will vary across Experiences (LDD), Music (HSD) & OSB & iGaming (mid-teens)

# All three subsectors offer strong outlooks with a mix of drivers that should provide sustained HSD to mid-teens growth over 3-5 years

Core user & engagement growth enhanced by pricing power & B2B opportunity in experiences

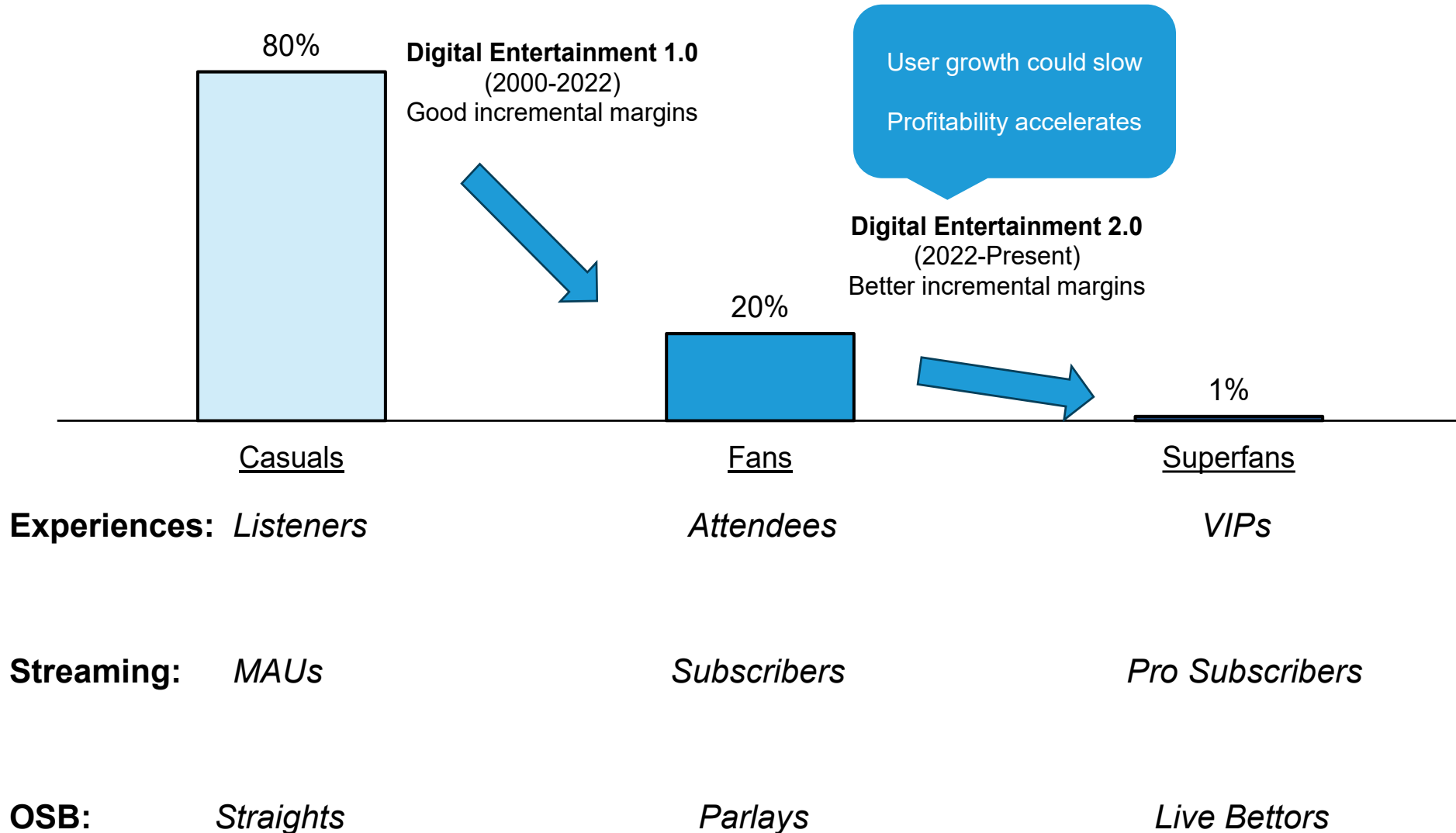
## 3-5Y top-line growth algorithm



- **OSB & iGaming: Mid-teens**
  - Live better acquisition & handle growth
  - Some pricing (hold) opportunity at the top
- **Experiences: Low double-digits**
  - Balanced mix of attendance growth & pricing
  - B2B media rights & sponsorship tailwinds
- **Music (Digital Audio): High single-digits**
  - Solid user acquisition & solid pricing

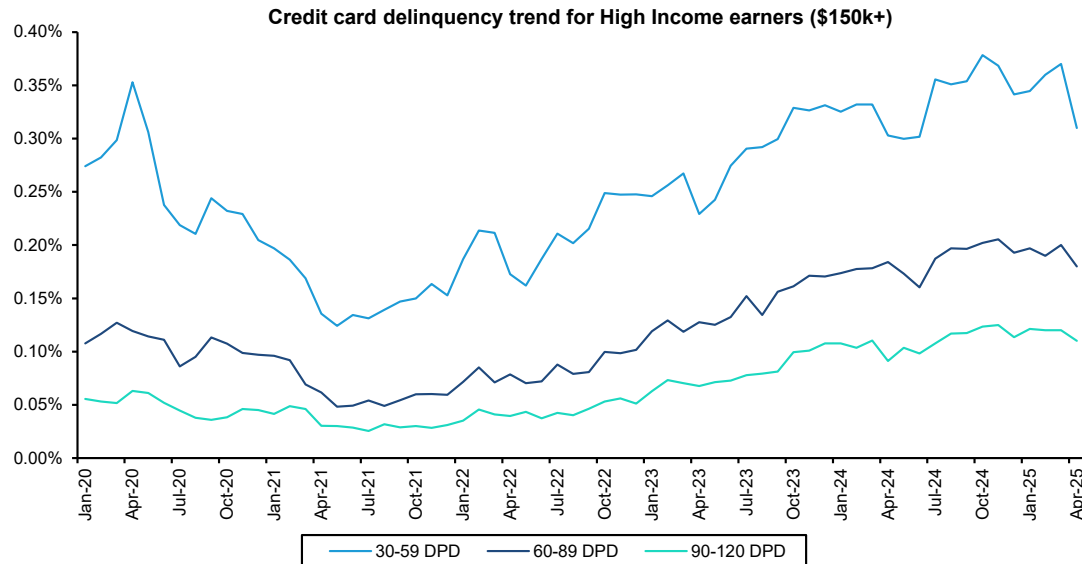


# Funneling & monetizing superfans will drive the next phase of top-line growth & margin expansion for the Entertainment industry



# Superfans include high-earning individuals, are less sensitive to price increases, and exhibit resilient spending habits during recessions

We are not seeing signs of financial stress among high earners. The superfans are okay for now



- Despite reports that 60%+ of Coachella tickets were purchased through buy-now-pay-later services this year, credit card **delinquency rates among high earners have not risen dramatically in recent months**
- Superfans take different forms across the live experiences, music, and OSB & iGaming subsectors but are key to our three-to-five-year growth outlook for each

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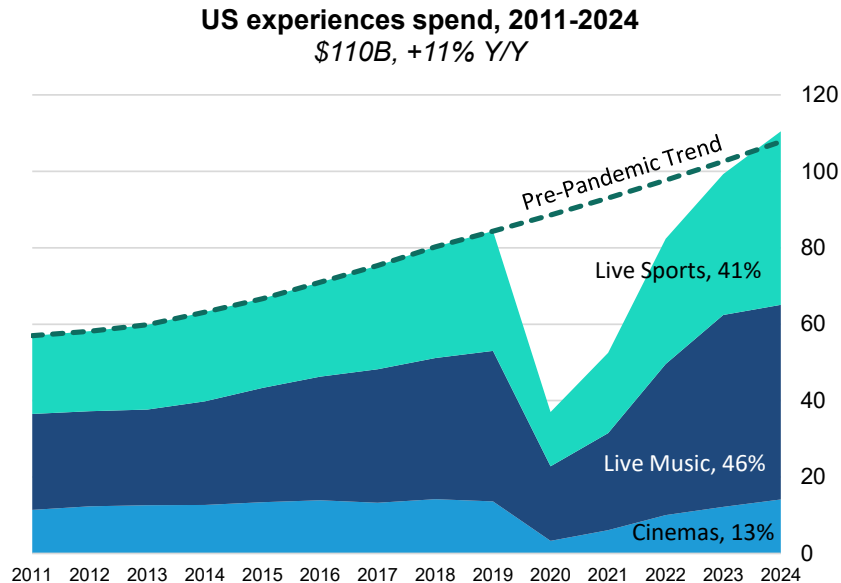
**Subsector 1: Experiences**

Subsector 2: Music

Subsector 3: OSB & iGaming

# We believe experiences can continue to deliver double-digit growth as price offsets decelerating attendance growth coming out of 2020

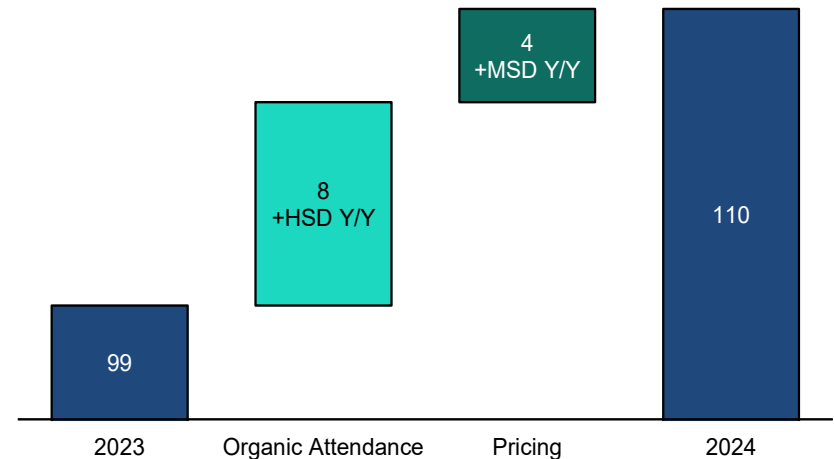
US experience spend is higher than ever and now above pre-pandemic trend



- Experiences spend was a high-single-digit growth business in the 2010s
- Scarcity economics allowed live entertainment to recover quickly after the pandemic
- Consensus within the entertainment industry is that live's moment has now passed and growth should return to business as usual

We expect that demand for live experiences will continue to outpace supply, driving MSD attendance & pricing growth

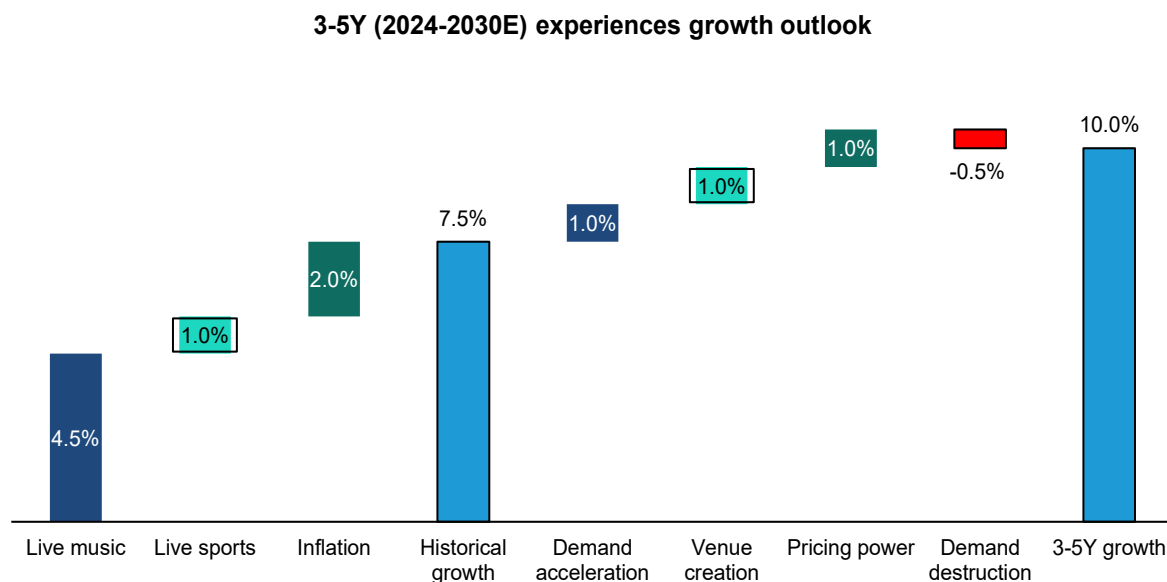
**US experiences spending growth (\$B), 2023-24**



- The truth is that the pandemic hastened a generational transformation in music discovery & sports consumption
- Experiences spend grew double-digits last year
- We believe growth in experiences spend has structurally accelerated to low-double-digits

# Why we still believe in live: The core growth algorithm is stronger than ever

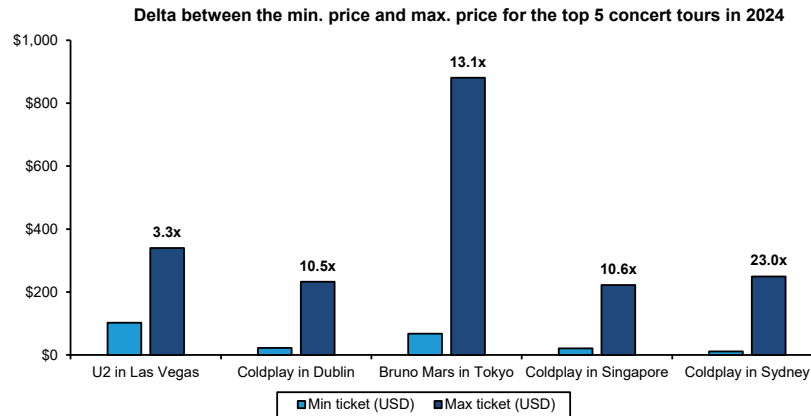
Accelerating engagement, fewer supply constraints, and pricing power



- Live entertainment was a high-single-digit grower in the 2010s
- We expect changes in consumer behavior to drive a 1% acceleration from the demand side
- We believe an uptick in new venue creation to drive further demand from artists for tour destinations and from new sports leagues to deliver an additional 1%
- Scarcity economics around live events should allow teams and artists to exercise pricing power on the order of 1%
- Demand destruction related to consumer fatigue around higher prices could haircut estimates by around 50bps driving 10% growth at the sector level

# Superfan spending is becoming the primary driver of growth in live experiences, as pricing power and premium tiers take charge

The gap between VIP and entry-level ticket prices often exceeds 10x, demonstrating the spending elasticity and willingness to pay among superfans



Mean maximum ticket prices across top global tours have risen sharply, reflecting an industry-wide pivot toward superfan-driven pricing segmentation

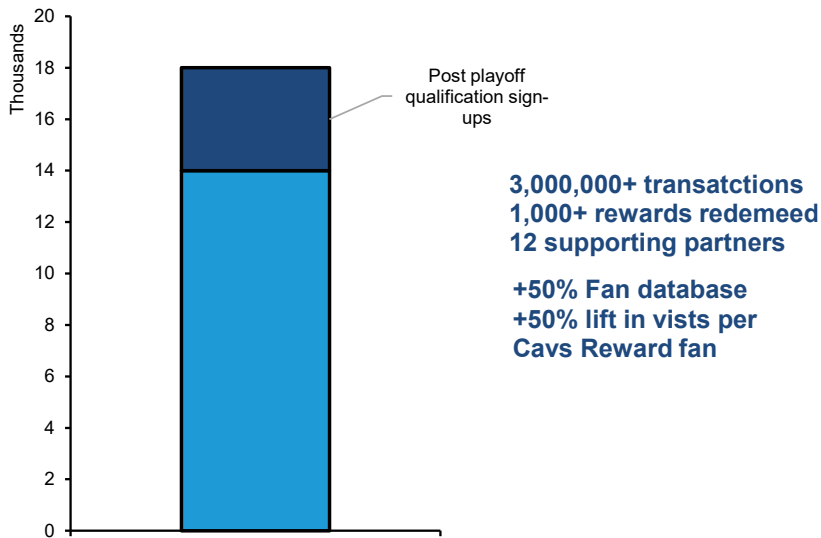


# Brands are allocating more toward live experiences as superfans drive higher on-site spend and premium demand

Early iterations of superfan activations have seen spending at brand partners rise significantly

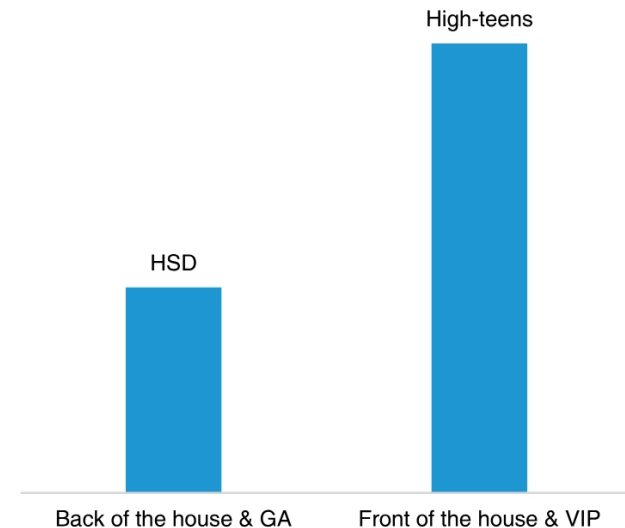
Going forward, we expect superfans & VIPs continue to underwrite attractive double-digit fan spending growth

Cleveland Cavaliers Loyalty Program Breakdown



- Superfan activations are driving **double-digit increases in brand partner spend**, with advertisers seeking access to affluent, culturally influential audiences.
- Rising **female sports engagement** adds a second underappreciated tailwind to sponsorship growth across live music and sports.

Fan on-site spend growth, Y/Y



- Superfans and VIPs are driving double-digit on-site spend growth as venues increase the availability of differentiated offerings like clubs, viewing decks, rock boxes, premium parking, and higher-quality F&B options.

# Live Nation – It isn't a fad, and profitability just keeps getting better

LYV (Outperform), 12-mo. target: \$185/sh

Implied upside: +21%

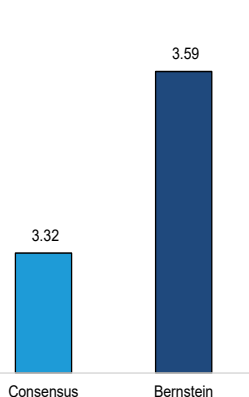
2025E EPS: \$1.84

## Thesis

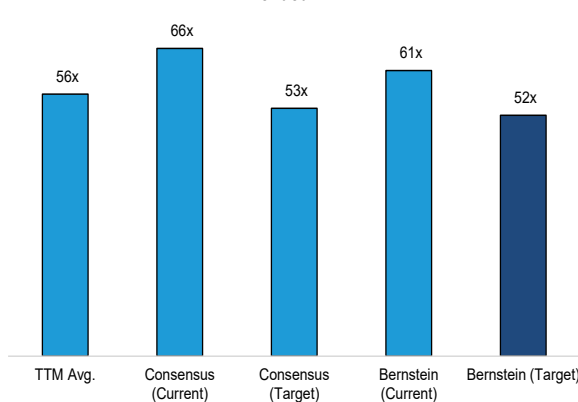
- We expect demand for live experiences outpaces supply, yielding 11% **Ticketmaster** volume growth (+LSD vs. cons)
- We believe **sponsorships** will accelerate meaningfully with scale, driving mid-teens segment AOI growth (vs. LDD cons)
- We forecast **concert margins** up 50bps+ post-'25 on favorable venue mix
- We forecast \$3.03/sh in 2026E EPS (LDD ahead of cons.)

Valuation: \$185/sh, 52x on \$3.59/sh of blended '26/'27E EPS

LYV Blended NTM+1 EPS



LYV Blended NTM P/E



## Trends & milestones

- Venue Nation expansion
- New international artists
- 2025 touring success (esp. Oasis, Kendrick, Beyonce)
- New sponsors & expanded relationships

## Risks

- Decelerating GTV (gross transaction value) growth
- International expansion falters
- FTC anti-trust determination
- CMA investigation

## Bernstein vs. Consensus

		2024A	2025E	2026E	2027E
Fee Bearing GTV	BERN	34,657	39,165	42,744	48,028
	CONS	34,657	38,095	41,899	45,927
Attendees	BERN	151	165	180	191
	CONS	151	165	176	187
Ticketing AOI	BERN	1,124	1,204	1,392	1,618
	CONS	1,124	1,188	1,311	1,462
Concerts AOI	BERN	535	721	809	926
	CONS	535	687	798	908
Sponsorship AOI	BERN	764	848	1,006	1,154
	CONS	764	840	947	1,059
EPS	BERN	\$2.67	\$1.84	\$3.03	\$3.96
	CONS	\$2.67	\$0.98	\$2.82	\$3.48

✓ Brand Improvement

✓ Leading Technology

✓ Global Expansion



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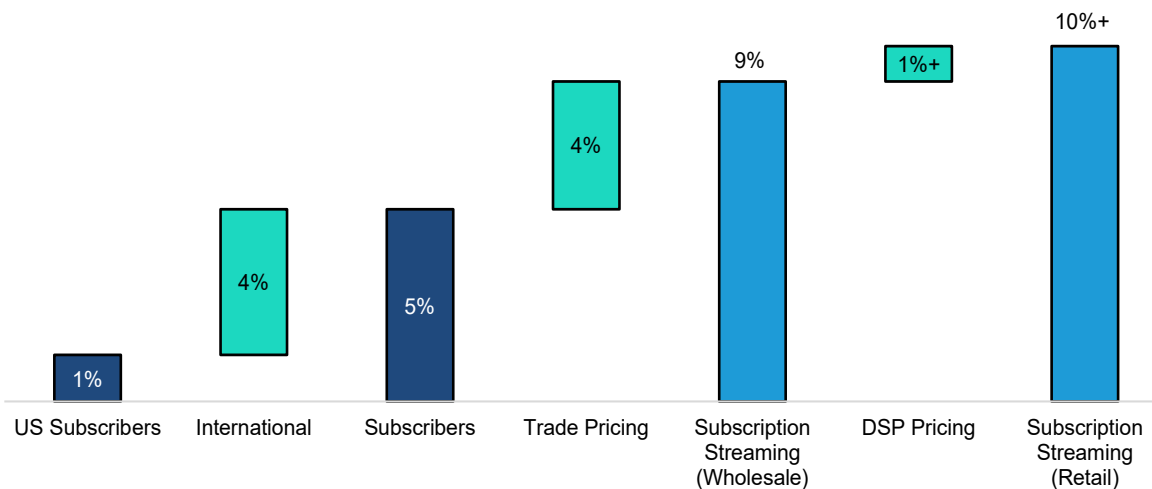
# Music sector controversies: Evolving from subscribers to pricing to superfans

- Can digital service providers (DSPs) reach **1B subscribers by 2027**?
  - Industry insider view: Emphatically yes, with US, Europe, and new markets
  - Consensus view: Mixed
  - **Bernstein** view: **Maybe**, but the US & Europe are mature, so it will take a lot of lifting from the RoW
- How much can **pricing** drive growth now that streaming adoption is slowing?
  - Consensus view: LSD
  - **Bernstein** view: **MSD**
- What impact will a no-sale **TikTok ban** have on discovery and who will be the winners?
  - Consensus view: More engagement on Snapchat, maybe
  - **Bernstein** view: More engagement for **Spotify** (& Snapchat) & better economics for **music labels**

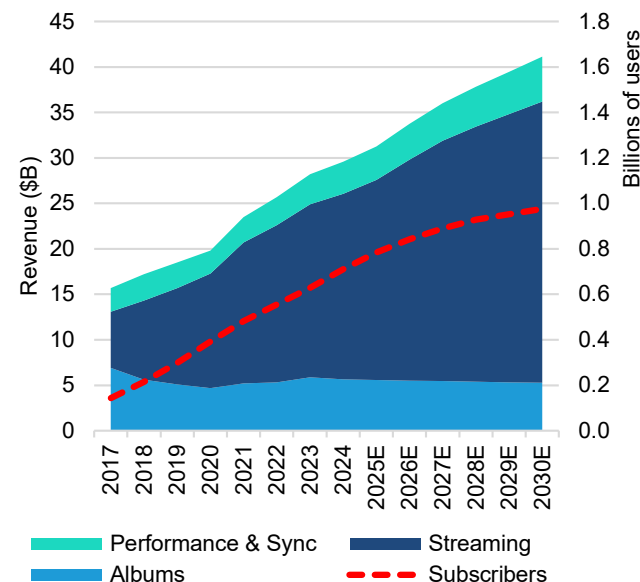
# As subscriber acquisition slows for the industry, we expect price to enable sustained high-single-digit subscription streaming growth

9% growth = 5% volume + 4% price

3-5Y Music Subscription Streaming Growth Outlook



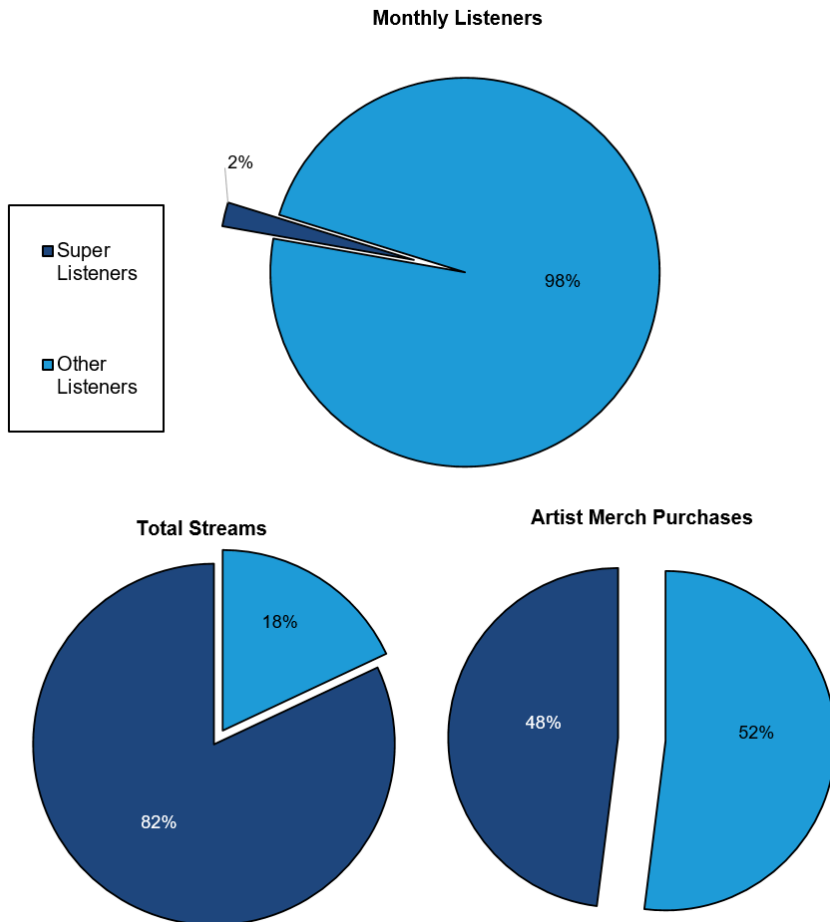
Global Recorded Music Sales



- We expect US subscriber growth to slow meaningfully after this year from MSD to LSD
- We believe international growth will average HSD through 2030
- Higher-priced subscription tiers and regular price increases are key to bridging the industry's value target

# Superfans are most engaged and price insensitive cohort of content consumers, and are the key drivers of growth and profitability

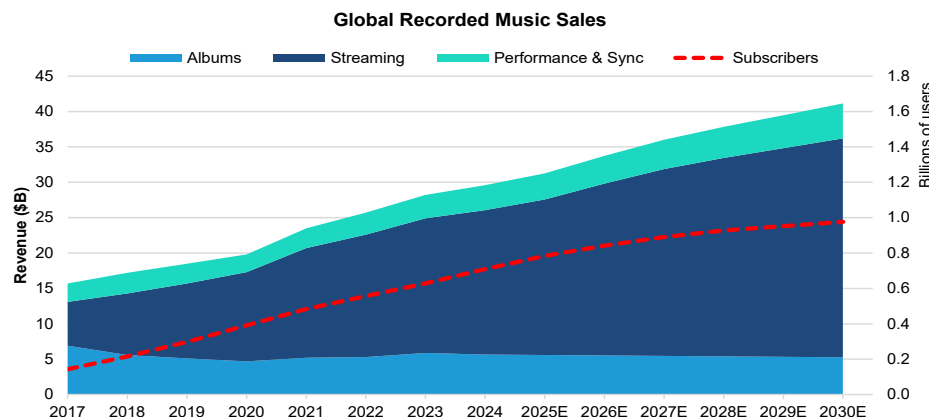
The top 2% of Spotify listeners generate more than half of artist merch sales and generate ~18% of all streams



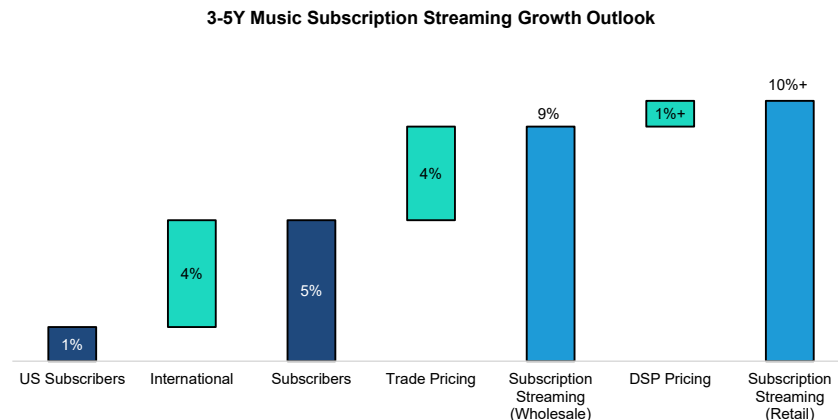
- **Music consumption and spend follow a power-law.** A small cohort of superfans drives the majority of streams, merch, and live revenue.
- This cohort monetizes across every layer of the value chain: premium subscriptions, vinyl and merch purchases, and repeat live attendance. Their participation **creates a measurable LTV uplift and a data advantage** for platforms and rights-holders pursuing direct-to-fan models.
- **Superfans display low churn, high price tolerance, and strong advocacy.** They behave more like members of a brand ecosystem than passive consumers, amplifying reach and forming the foundation for differentiated pricing tiers.

# We believe that streaming's next leg of growth will come from monetizing depth. Superfans will drive ARPU and pricing power

We believe subscriber volume will fall short of industry expectations and incremental value now comes from higher engagement and monetization of existing users.



With penetration maturing, we expect pricing tiers and superfan spend become the key levers for high-single-digit revenue expansion



# Spotify – Underappreciated pricing power and superfan upside

SPOT (Outperform), 12-mo. target: \$840/sh

Implied upside: +23%

2025E EPS: €5.13

## Thesis

- We see upside to revenue as **pricing** overcomes slowing subscriber growth (Premium ARPU +MSD vs. Consensus)
- We forecast **gross margins** modestly above expectations on greater alternative content consumption (+50bps/yr vs. Cons)
- We are expecting a strong launch for the **Music Pro** tier in early 2026 with upside if market conditions allow for earlier
- We are +5% vs. Cons on 2026E gross profit & +15% on EPS

Valuation: \$840/sh, 46x on €16.06 of blended '26/'27E EPS

## Trends & milestones

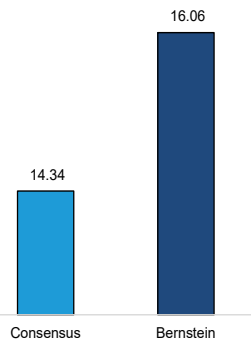
- Southern hemisphere premium subscriber funnel
- Expanding creator network
- Introduction of “superfan” tier
- Marketplace adoption & digital ad turnaround

## Risks

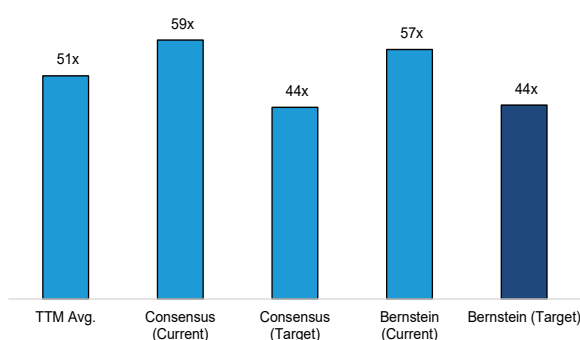
- Delayed superfan launch
- Slow creator adoption
- Higher churn on price hikes
- Currency fluctuations
- Geopolitical risk

## Bernstein vs. Consensus

SPOT Blended NTM+1 EPS



SPOT Blended NTM P/E



		2024A	2025E	2026E	2027E
Premium Subscribers (EOP)	BERN	263	293	318	339
	CONS	263	290	314	338
Premium ARPU	BERN	€ 4.69	€ 4.68	€ 5.34	€ 5.67
	CONS	€ 4.69	€ 4.75	€ 5.09	€ 8.20
Gross Margin	BERN	30%	32%	34%	35%
	CONS	30%	32%	33%	35%
EPS	BERN	€ 5.50	€ 5.13	€ 14.02	€ 17.56
	CONS	€ 5.50	€ 5.41	€ 12.10	€ 15.37

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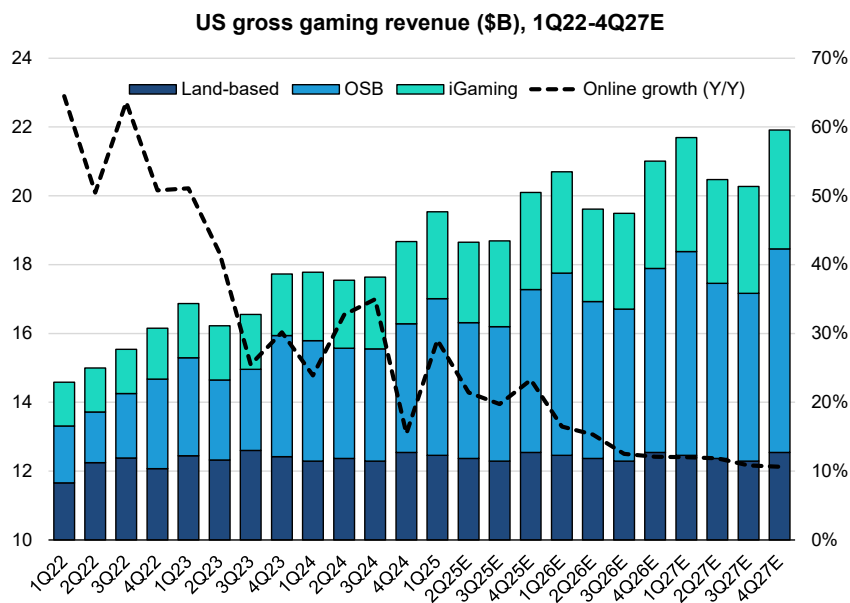
# OSB & iGaming sector controversies: Markets seeking clarity on the legalization pathway and product evolution

- How quickly will **OSB & iGaming regulation** be approved in the remaining US states?
  - Consensus view: Mixed
  - **Bernstein** view: **OSB could take longer** than anticipated, and **iGaming should move more quickly** than expected; **taxation is a wildcard** that will be a state-by-state decision
- How large is the growth opportunity for **live betting** penetration in the US?
  - Consensus & industry view: Live betting a cultural phenomenon specific to the UK
  - **Bernstein** view: **Tons of runway** to expand live betting in the US, and **DKNG** a primary beneficiary
- Are OSB platforms at risk from the proliferation of **prediction markets**?
  - Consensus view: Mixed
  - **Bernstein** view: Futures represent a **meaningful growth opportunity** for nimble OSBs



# We expect solid growth in US gross gaming revenue overall, but all the incremental value should accrue to OSB & iGaming

DraftKings & FanDuel represent 70%+ of US OSB and ~40% of iGaming, which drive a combined \$22B in GGR



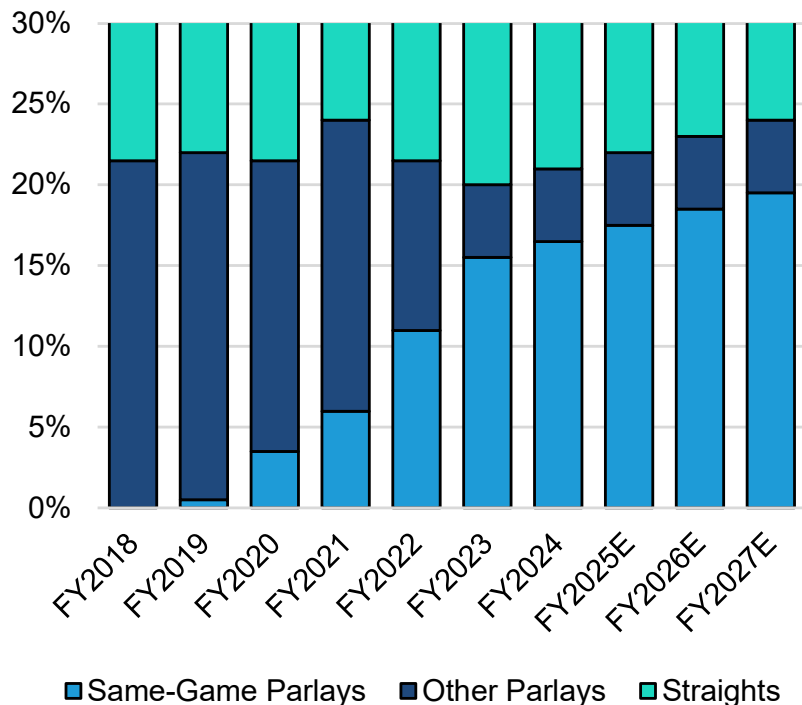
- **Land-based has become a zero-sum game** on GGR as industry growth has shifted toward hospitality and services
- **The pipeline for future OSB & iGaming growth is strong** with sports betting regulated in 37 states (34 online), while just 7 allow iGaming
- **Tribal and other local interests are a major hurdle** to potential users in TX, CA, GA & FL
- **iGaming's popularity is pushing users toward unregulated online casinos** especially around crash games, which we believe should force legislators to act more quickly than investors expect

# Live bettors function as OSB's superfans and are set to drive the next leg of revenue growth as parlay momentum eases

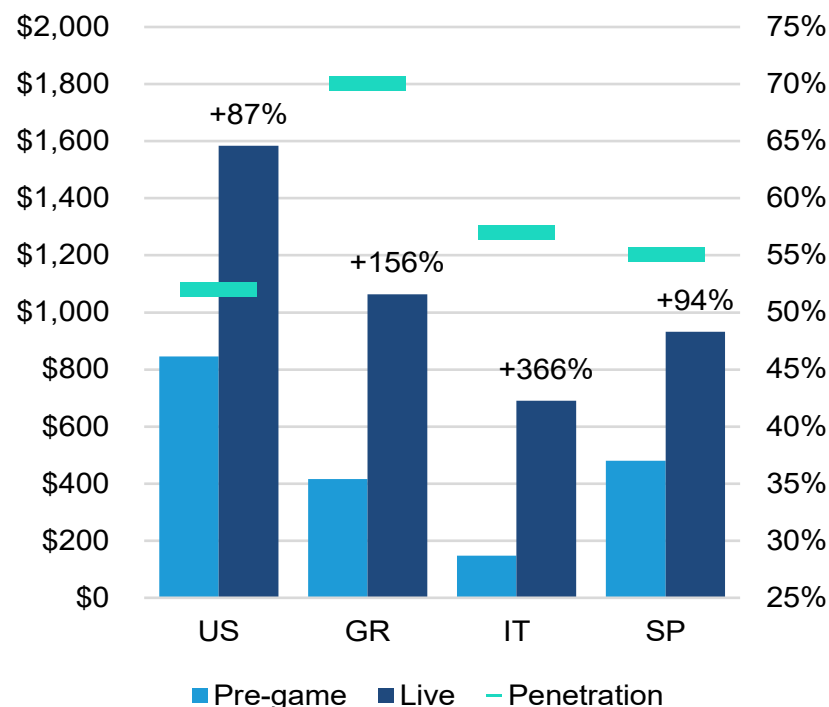
Rate of same-game parlay penetration is slowing

2 ways to win on live betting that will drive growth: 1) Live penetration upside, 2) stakes per wager upside

FanDuel parlay penetration (% handle)  
2018-2027E

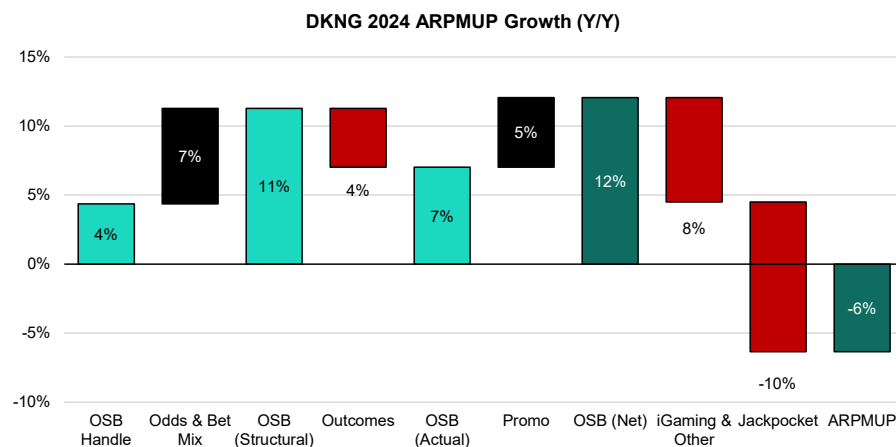


Live betting monthly stakes per user



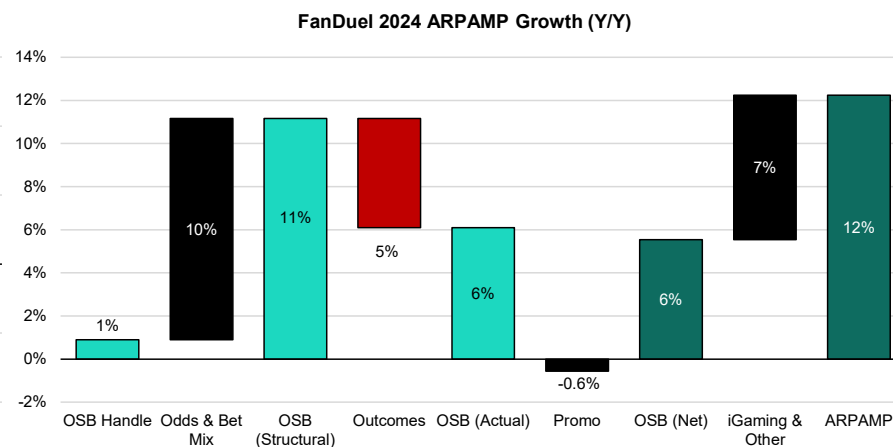
# Despite their identical business models, DraftKings and FanDuel took very different approaches to monetizing their users last year

**DraftKings – live bettors higher handle drove half of 13% structural OSB revenue growth**



- DraftKings grew GGR by attracting live-bettors to the OSB platform which yielded an increase in average handle per user
- DraftKings also maximized NGR by pulling on promotional efficiency

**FanDuel – same-game parlays' higher hold drove nearly all of 10% structural OSB revenue growth**



- FanDuel grew GGR via improved odds-making (structural hold percentage expanded >100bps Y/Y) via increased SGP penetration among the average user
- GGR and NGR grew at nearly identical rates as FanDuel maintained promotional intensity in order to attract more casual users

# DraftKings – Excelling at getting the right people in the door

DKNG (Outperform), 12-mo. target: \$55/sh

Implied upside: +68%

2025E EPS: \$1.28

## Thesis:

- We expect the dominant position in **live betting** provides an underappreciated profitability boost (ARPU +MSD vs. Cons)
- We believe video **streaming's push into live sports** will drive live bettor acquisition ahead of expectations
- Jackpocket** a steady tailwind to profitability (& live bettors)
- We forecast 2026E adj. EBITDA of \$2.2B (~20% ahead of cons)

## Trends & milestones

- State legalization/expansion pipeline (*esp. TX* but also CA & FL)
- OSB hold improvements
- Live betting penetration
- Expansion into futures?

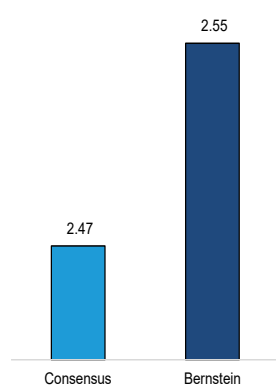
## Risks

- Hurdles to US legalization
- Sportsbook taxes
- Disruption
- Reputational risk
- Execution

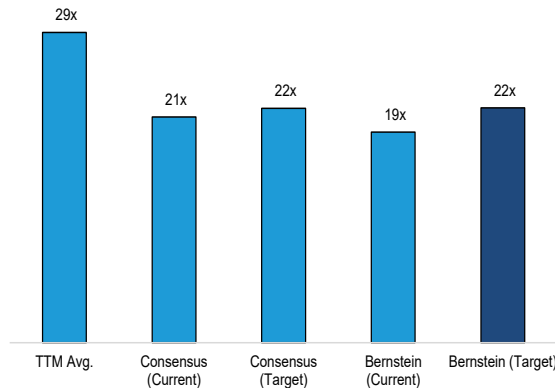
Valuation: \$55/sh, 22x on \$2.55 of blended '26/'27E EPS

## Bernstein vs. Consensus

DKNG Blended NTM+1 EPS



DKNG Blended NTM P/E























		2024A	2025E	2026E	2027E
MUPs	BERN	3.7	4.3	4.9	5.4
	CONS	3.7	4.4	5.1	5.6
ARPMUP	BERN	107	125	135	146
	CONS	107	122	124	130
Adj. EBITDA	BERN	181	876	1,550	2,059
	CONS	181	879	1,393	1,865
Adj. Diluted EPS	BERN	\$0.21	\$1.28	\$2.18	\$2.79
	CONS	\$0.21	\$1.19	\$1.79	\$2.54

✓ Brand Improvement

✓ Leading Technology

× Global Expansion

# US Entertainment Investment Matrix

Subsector	Ticker	$\Sigma$	Pricing Power		Leverage		Quality	
Experiences	LYV (O)	3		<ul style="list-style-type: none"> <li>• Live music S/D</li> <li>• Top platform</li> <li>• Top artists</li> </ul>		<ul style="list-style-type: none"> <li>• Digital distro</li> <li>• Platform</li> <li>• Relationships</li> </ul>		<ul style="list-style-type: none"> <li>• Leading brand</li> <li>• Leading tech</li> <li>• Going global</li> </ul>
	TKO (O)	2.25		<ul style="list-style-type: none"> <li>• Live strategy</li> <li>• Unique IP</li> <li>• Star power</li> </ul>		<ul style="list-style-type: none"> <li>• Digital leader</li> <li>• Relationships</li> <li>• Distribution</li> </ul>		<ul style="list-style-type: none"> <li>• Leading brands</li> <li>• Improving tech</li> <li>• LATAM &amp; Asia</li> </ul>
	FWONK (M)	2		<ul style="list-style-type: none"> <li>• LVGP promo</li> <li>• CPI or MSD</li> <li>• Media rights</li> </ul>		<ul style="list-style-type: none"> <li>• Film &amp; TV</li> <li>• Creators</li> <li>• Expansions</li> </ul>		<ul style="list-style-type: none"> <li>• Leading brand</li> <li>• Strong in DTC</li> <li>• US &amp; China</li> </ul>
Music	SPOT (O)	2.75		<ul style="list-style-type: none"> <li>• Stable share</li> <li>• Platform model</li> <li>• Premium + Pro</li> </ul>		<ul style="list-style-type: none"> <li>• Alt. content</li> <li>• New features</li> </ul>		<ul style="list-style-type: none"> <li>• Strong brand</li> <li>• Embrace tech</li> <li>• South Asia</li> </ul>
	WMG (O)	2.25		<ul style="list-style-type: none"> <li>• Tied to DSPs</li> <li>• Escalators</li> </ul>		<ul style="list-style-type: none"> <li>• Star-making</li> <li>• Distribution</li> </ul>		<ul style="list-style-type: none"> <li>• Improve brand</li> <li>• Embrace tech</li> <li>• Africa &amp; S.A.</li> </ul>
OSB & iGaming	DKNB (O)	2.25		<ul style="list-style-type: none"> <li>• Risk lost share</li> <li>• Live up-time</li> </ul>		<ul style="list-style-type: none"> <li>• New products</li> <li>• Live betting</li> <li>• Live events</li> </ul>		<ul style="list-style-type: none"> <li>• Strong brand</li> <li>• Improving hold</li> <li>• Int'l opportunity</li> </ul>
	FLUT (M)	2		<ul style="list-style-type: none"> <li>• Risk lost share</li> <li>• Promotions</li> </ul>		<ul style="list-style-type: none"> <li>• New products</li> <li>• Flex promos</li> <li>• RSN model</li> </ul>		<ul style="list-style-type: none"> <li>• Local heroes</li> <li>• Leading hold</li> <li>• US, BRA, ITA</li> </ul>

## The call to make tomorrow

- Incremental evidence of **optimized superfan growth** will lead these names to outperform
- The names with the **greatest near-term exposure** are **LYV, DKNG & SPOT**
- We also like **TKO & WMG** for their **uniquely attractive IP & growth algorithms**
- We recommend investors be **opportunistic** around **FWONK & FLUT** over the NTM

# Ticker Table

## BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	10 Oct 2025		TTM	Reported EPS				Reported P/E (x)		
			Closing	Price	Rel.	Cur	2024A	2025E	2026E	2024A	2025E	2026E
			Price	Target	Perf.							
LYV	O	USD	152.96	185.00	22.4%	USD	2.67	1.84	3.02	57.3	83.0	50.6
DKNG	O	USD	32.69	55.00	(27.4)%	USD	0.21	1.28	2.18	157.0	25.4	15.0
SPOT	O	USD	685.29	840.00	67.9%	EUR	5.50	5.13	14.02	107.3	115.0	42.1
TKO	O	USD	187.05	230.00	34.0%	USD	0.05	2.99	5.94	N/M	62.5	31.5
WMG	O	USD	32.08	35.00	(9.9)%	USD	1.39	1.21	1.44	23.1	26.5	22.3
FWONK	M	USD	103.20	110.00	20.2%	USD	(0.12)	3.54	3.52	(835.9)	29.2	29.3
FLUT	M	USD	242.18	340.00	(12.7)%	USD	7.27	9.10	12.30	33.3	26.6	19.7
SPX			6,552.51									

### COVERAGE INITIATION

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

DKNG, WMG, FLUT estimate is Adjusted EPS; DKNG, WMG, FLUT valuation is Adjusted P/E (x);

Source: Bloomberg, Bernstein estimates and analysis.

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Neutral (Autonomous Brand)					
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