BLUEGRASS CAPITAL RESEARCH

TKO Group Holdings

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Entertainment | Sports & Media

May 15th, 2026

$TKO: From Octagon to Empire

$TKO has rapidly evolved from a combat sports company into a diversified global sports and entertainment platform following the acquisitions of IMG, On Location, and PBR. While investors remain concerned about media fragmentation and spending pressure, TKO's expanding international events business, growing media rights portfolio, and improving operating leverage position the company for sustained earnings acceleration. As TKO continues to synergize these businesses and higher-margin revenue streams continue to scale, we believe TKO is entering a period of margin expansion and global growth. **Initiate with a BUY rating and a one-year price target of $215.7**

Thesis 1 UFC's exclusive distribution through Paramount+ could expand its audience by making fight nights more affordable, accessible, and giving fans a one-stop place to watch UFC alongside other entertainment they love. **Starting in 2026, all UFC events in the U.S. will be exclusively on Paramount+.** Previously, fans paid **$80-$100 per pay-per-view event**, but a Paramount+ subscription is significantly cheaper, lowering the cost for casual viewers. UFC also expanded its Paramount+ rights to Latin America and Australia. Paramount+ recently has gotten shareholder approval to acquire Warner Bros., which strengthens its streaming library with popular franchises (like DC), news (CNN), and original content. By embedding UFC into a huge streaming platform, TKO can increase recurring subscription revenue, increase fanbase internationally (60% of fighters are international), and bring in lots of casual viewers, expanding the overall audience.

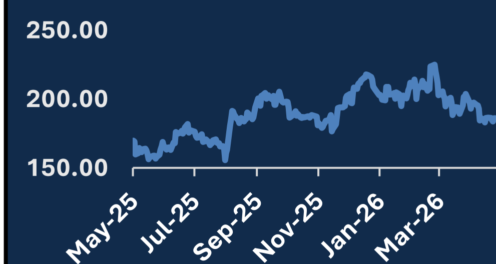
Thesis 2 TKO's **earnings are likely to grow faster than its revenue** as the company becomes more cost efficient and benefits from operating leverage following the Endeavor asset acquisition. Following the acquisition, **EBITA increased from approximately 1081.9 in 2024 to 1585.3 in 2025,** while net income margin improved from -5% to 12%. At the same time, **direct operating costs declined by 27%** and SG&A expenses decreased by 15%. Notably, although IMG revenue declined during the year, its direct operating costs fell by an even greater amount, highlighting management's ability to control expenses. If this cost discipline continues, earnings growth should outpace revenue growth, **supporting stronger EPS expansion**.

Thesis 3 TKO's **expanding international live events and global partnerships** position it to capture **new revenue streams** and grow its brand globally. In 2025, **UFC increased international fights from 11 to 14**, WWE hosted three events in Saudi Arabia versus one the prior year, and PBR expanded its international tours**. These events drive higher site fees, ticket sales, and hospitality revenue**, while IMG and On Location support premium packages and sponsorships worldwide. By continuing to scale live events internationally, TKO can **monetize new markets**, strengthen global brand recognition, and benefit from sponsorships and hospitality offerings that often carry higher margins than domestic events.

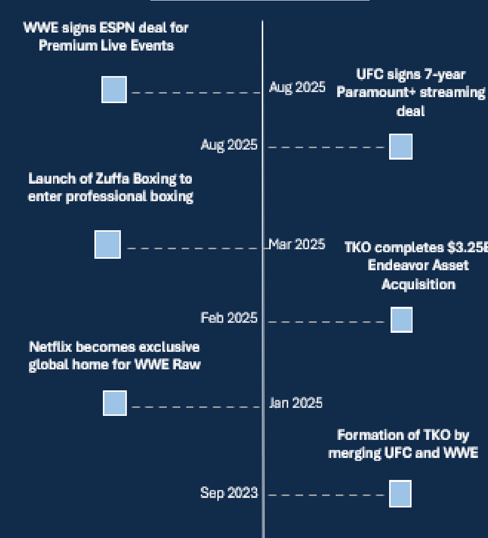
Company Overview TKO Group Holdings was formed in September 2023 through the merger of UFC and WWE, combining two of the leading global combat sports and sports entertainment brands under a unified ownership structure. In February 2025, TKO expanded its platform through the $3.25 billion acquisition of IMG, On Location, and PBR, opening its capabilities across media rights distribution and premium live event hospitality. The company sources its revenue from media rights and content distribution, live events and hospitality, partnerships and sponsorships, and consumer products licensing. Unlike traditional sports leagues that operate through independently owned franchises, TKO maintains full control over its brands, media rights, and event production. This structure allows for year-round event planning, more efficient international expansion, and flexible event scheduling.

TICKER:	$TKO
RATING:	BUY
PRICE:	$187.84
PRICE TARGET:	$215.70
MARKET CAP:	$14.40bn/m
52-W RANGE:	$152.29 - $226.94
LTM P/E:	85.2x
IMPLIED UPSIDE:	13.48%

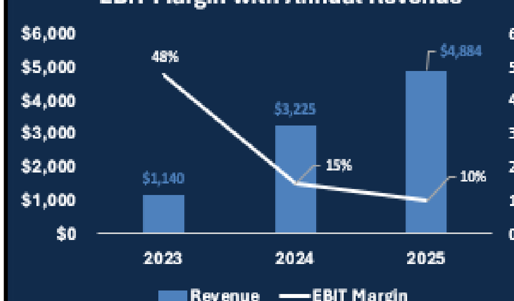
1 Year Price History



Recent Events Timeline



EBIT Margin with Annual Revenue



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Risk 1 TKO's international events strategy exposes it to geopolitical risks, regulatory challenges, and possible event disruptions. The company frequently hosts international events that require athletes to travel, acquire visas, and government approvals. Geopolitical tensions (e.g., conflicts in the Middle East or Eastern Europe), changes in immigration policy, or security concerns could disrupt events, limit market access, or increase costs. Additionally, cancellations or postponements due to international or geopolitical factors could result in lost revenue and unrecovered upfront expenses.

Risk 2 TKO remains highly dependent on media rights agreements, and any collapse in the value or structure of these deals could negatively impact revenue and profitability. A significant portion of the company's revenue is derived from long-term agreements with media distributors and streaming platforms. While the current renewals may provide near-term stability, there is no guarantee that future negotiations will sustain current pricing levels, especially among evolving industry dynamics such as "cord-cutting" and increased competition from digital platforms. A decline in the value of sports media rights or unfavorable renegotiations could materially impact TKO's financial performance.

Catalysts The upcoming UFC Freedom 250, which is a fight event that is being hosted by the White House with many UFC superstars and fan favorites, could act as a catalyst by driving record viewership, sponsorship demand, and global attention. Under the new Paramount+ distribution model, such high-profile events have the potential to significantly increase subscriber growth, engagement, and platform visibility by attracting both core and casual fans. If these events generate more engagement or commercial success than anticipated, it would reinforce UFC's pricing power, strengthen its negotiating leverage in future media rights deals, and highlight the scalability of its global streaming platform.

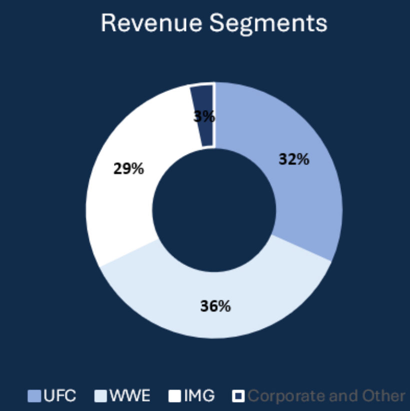
Valuation – Price Target: $215.70

Our base-case DCF assumes TKO continues scaling its global sports and entertainment platform through expanding media rights agreements, international live events, sponsorship growth, and premium hospitality offerings.

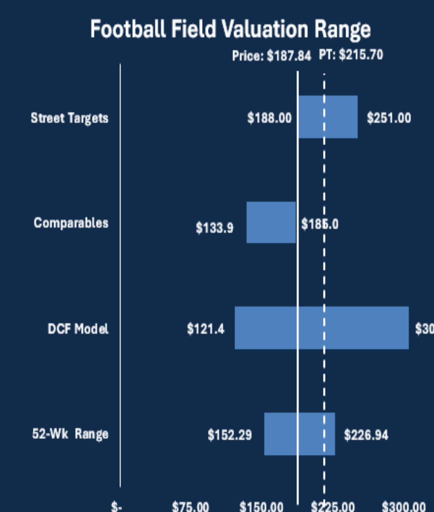
DCF Analysis ($mm)	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/30/2030	FY2031 12/31/2031
Revenue	52,461	62,010	73,816	88,500	106,876	130,018
Revenue Growth	*14%*	*18%*	*19%*	*20%*	*21%*	*22%*
Defense & Propulsion	11,789	13,204	14,821	16,674	18,800	21,244
Commercial Engines	40,672	48,806	58,995	71,826	88,077	108,775
EBIT	10,280	12,712	15,686	19,470	24,314	30,554
EBIT Margin	*20%*	*21%*	*21%*	*22%*	*23%*	*24%*
Tax Expense	1,420	1,602	2,169	2,930	3,957	5,347
Effective Tax Rate	*14%*	*13%*	*14%*	*15%*	*16%*	*18%*
NOPAT	8,860.00	11,110.35	13,517.30	16,539.74	20,357.22	25,207.32
D&A	1,321	1,649	1,971	2,372	2,875	3,510
Capex	1,492	1,736	2,264	2,951	3,850	5,032
Changes in NWC	695	868	1,052	1,283	1,576	1,950
UFCF	7,994	10,155	12,172	14,677	17,806	21,736
PV of FCF	7,777	9,237	10,226	11,388	12,761	14,388

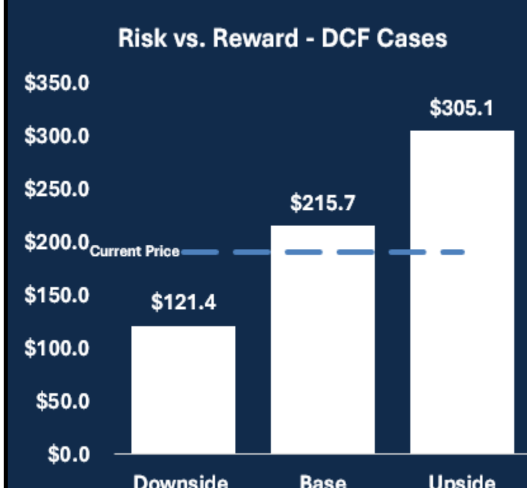
The model projects revenue increasing from approximately $5.1B in FY2026 to $7.9B by FY2031, representing a revenue CAGR of roughly 9%. We expect profitability to improve as integration synergies from IMG, On Location, and PBR continue to materialize, with EBIT margins expanding from 32.0% in 2026 to 33.7% by 2031. A WACC of 6.9% was applied alongside valuation multiples in line with comparable sports and entertainment companies. Given TKO's ownership of globally recognized brands, recurring live-event demand, and growing international footprint, we believe the company warrants a premium valuation relative to traditional entertainment peers.

Conclusion TKO Group Holdings offers investors a compelling combination of expanding global reach and improving profitability. As integration synergies continue to improve margins and operating leverage accelerates earnings growth, we believe TKO is positioned for sustained long-term growth. We initiate TKO Group Holdings with a BUY rating and a price target of $215.7 representing 14.9% upside. Investors may still have a front-row seat to TKO's next main event!



Terminal Value	
Exit Multiple Method	
2034 EBIT	$2,646
EV/EBIT Exit Multiple	17.8x
Terminal Value	$47,095
PV of Terminal Value	$33,455
PV of Projection Period	$10,772
PV of Terminal Value	$33,455
Implied TEV	$44,227
(-) Debt	$4,063
(+) Cash	$831
Implied Equity Value	$40,995
Diluted Shares Outstanding	191
Implied Share Price	$214.49
Upside/Downside	13.9%





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Income Statement ($mm)	2025A	2026E	2027E	2028E	2029E	CAGR%
Revenue	4,735	5,149	5,180	5,521	6,043	6.3%
EBITDA	1,376	2,137	2,067	2,239	2,487	16.0%
EBIT	891	1,648	1,522	1,684	1,909	21.0%
NOPAT	817	1,428	1,324	1,415	1,547	17.3%

Margin & Growth Data	2025A	2026E	2027E	2028E	2029E	AVG%
EBITDA Margin	29.1%	41.5%	39.9%	40.5%	41.2%	38.4%
EBIT Margin	18.8%	32.0%	29.4%	30.5%	31.6%	28.5%
Revenue Growth	-3.1%	8.7%	0.6%	6.6%	9.5%	4.5%
EBIT Growth	89.0%	85.0%	-7.6%	10.6%	13.4%	38.1%

Valuation Metrics	2025A	2026E	2027E	2028E	2029E	AVG%
P/FCF	36.3x	20.5x	17.9x	17.5x	16.7x	21.8x
EV/Sales	8.6x	7.9x	7.4x	7.0x	6.4x	7.5x
EV/EBITDA	28.7x	18.5x	19.1x	17.7x	15.9x	20.0x
FCF Yield	2.8%	4.9%	5.6%	5.7%	6.0%	5.0%

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	evenue LT	EBITDA LTM
Formula One Group (NasdaqGS:FWON.	$22,315	$27,077	41.1x	$4,482	$997
Atlanta Braves Holdings, Inc. (NasdaqG:	$3,200	$3,957	-134.9x	$733	$91
Sphere Entertainment Co. (NYSE:SPHR	$4,661	$5,114	177.4x	$1,220	$182
Live Nation Entertainment, Inc. (NYSE:L'	$36,270	$41,128	-650.3x	$25,201	$1,963
TKO Group Holdings	$14,400	$23,145	81.7x	$4,735	$1,376

Ticker	.TM EV/EBITD/	Gross Margi	BITDA Marg	EBIT Margin	r Rev Growth Rate
Formula One Group (NasdaqGS:FWON.	27.2x	33.7%	22.2%	13.5%	22.7%
Atlanta Braves Holdings, Inc. (NasdaqG:	43.6x	30.2%	12.4%	2.5%	10.5%
Sphere Entertainment Co. (NYSE:SPHR	28.1x	52.2%	14.9%	(12.6%)	7.9%
Live Nation Entertainment, Inc. (NYSE:L'	21.0x	25.5%	7.8%	5.3%	8.8%
TKO Group Holdings	16.8x	59.8%	29.1%	18.8%	(3.1%)

High	43.58x	59.8%	29.1%	18.8%	22.7%
75th Percentile	28.05x	52.2%	22.2%	13.5%	10.5%
Average	27.31x	40.3%	17.3%	5.5%	9.4%
Median	27.16x	33.7%	0.0%	5.3%	8.8%
25th Percentile	20.95x	30.2%	12.4%	2.5%	7.9%
Low	16.82x	25.5%	7.8%	-12.6%	-3.1%

TKO Group Holdings		
Implied Enterprise Value (25th Percentile)	$	28,825
Implied Enterprise Value (Median)	**$**	**37,364**
Implied Enterprise Value (75th Percentile)	$	38,598
Implied Share Price (25th Percentile)	$	133.91
Implied Share Price (Median)	**$**	**178.58**
Implied Share Price (75th Percentile)	$	185.04

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.60
Risk Free Rate	4.60%
Cost of Equity	6.07%
Weighted Average Cost of Debt	6.89%
Tax Rate	13.00%
Cost of Debt	0.94%
Total Equity	$36,327
Total Debt	$3,232
Equity/Total Capitalization	84.39%
Debt/Total Capitalization	15.61%
WACC	7.01%

Downside Case: Our downside case assumes weaker consumer spending, slower international event expansion, and softer media rights growth across UFC and WWE. We also assume integration synergies from IMG, On Location, and PBR materialize more slowly than expected, limiting margin expansion. We apply a more conservative 12.0x EV/EBITDA exit multiple with a 2.0% terminal growth rate, resulting in a downside valuation of $120.15 per share.

Upside Case: Our upside case assumes stronger-than-expected international expansion, accelerating media rights monetization, and increased profitability from premium hospitality and sponsorship offerings. We project operating leverage and acquisition synergies drive EBIT margins toward 35% by 2031. Applying a 19.0x EV/EBITDA exit multiple and a 3.5% terminal growth rate, we arrive at an upside valuation of $301.78 per share.