

Madison Square Garden Co. (NYSE: MSG)

Sector: Consumer Discretionary



Target Price	Current Price	52 Week High	52 Week Low	P/E	Market Cap.	Dividend Yield	Beta
\$329.04	\$275.64	\$327.30	\$208.74	54.86	\$6.7 B	N/A	.65

Business Description

Madison Square Garden Co is a leader in the sports and entertainment market. The company is divided into two segments: MSG Sports and MSG Entertainment. MSG Sports includes the ownership of the New York Knicks and New York Rangers. Also, they own minor league teams affiliated with their NBA and NHL teams, along with a WNBA team. Finally, they acquired Counter Logic Gaming, an esports organization, in July of 2017.

MSG Entertainment owns facilities such as Madison Square Garden, the Hulu Theater at MSG, The Forum, and the Chicago Theater. They also operate Radio City Music Hall and the Beacon Theatre through leasing agreements

Industry Trends

Overall, Consumer Discretionary has a positive outlook as consumer confidence has remained high. There has, however, been a negative effect on companies that sell their products in a traditional retail fashion. This has forced companies to adapt, and it has allowed new companies to emerge and capture a strong market share. This past holiday season has confirmed this trend.

With a company that largely relies on disposable income, the companies in this sector can be more heavily affected by economic downturn. This could become more of a concern as we continue and possibly transition into the later stages of an economic cycle.

Investment Thesis

Madison Square Garden will provide long term sustainable growth through (1) new venues and organizations, (2) the potential to sell their sports franchises, and (3) the growth in global ticket and television revenue. MSG is opening two new venues between 2021-2023 in Las Vegas and London called MSG Sphere. Their two main sports franchises, the Knicks and Rangers, have the highest value out of any team in their respective leagues, according to Forbes. Finally, ticket sales in general have consistently been growing, and the average ticket price has increased

Valuation Assumptions

WACC: 9.00%

Terminal FCF Growth Rate: 3.5%

Upside: 19.37%

Sources: Bloomberg, Value Line, Annual Reports

Key Financials

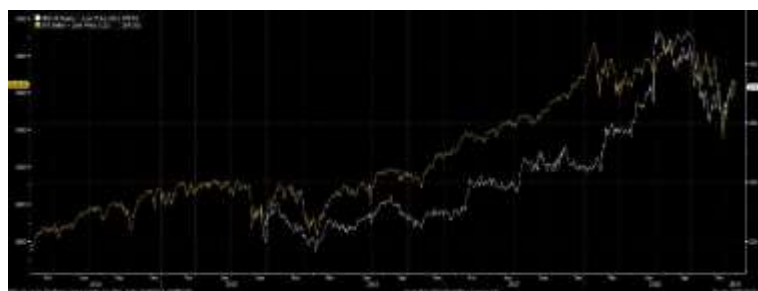
Current stock price: \$ 275.64

Intrinsic Value: \$329.04

Corporate Social Responsibility

Madison Square Garden Co owns and operates a non-profit 501(c)(3) organization named the Garden of Dreams. This organization works with 30 partners throughout the Tri-State area to help underprivileged families, and especially with children. They strive to reach children who experience extreme poverty, illness, homelessness, and those who are in foster care. They hold an average of 500 events annually, and have interacted with over 375,000 families since 2006

5-Year Stock Performance



Competitive Analysis

Some of Madison Square Gardens' key competitors include other predominant sports franchises in the New York and Tri-State area. These teams include the Brooklyn Nets in the NBA. It also includes The New York Islanders and the New Jersey Devils in the NHL. Competitors of their entertainment division include Las Vegas hotels and casinos as they expand into the area with their MSG Sphere project.

Competitive Advantages

Madison Square Garden Co has a competitive advantage with their MSG sports segment because of the popularity of their sports team. The Knicks and Rangers are the most popular team in the region in their respective leagues, and both have the highest value in them. With their MSG Entertainment segment, their state-of-the-art facilities (MSG sphere), in Las Vegas and London, will attract many top concerts for years to come. Also, recent renovations to Madison Square Garden have improved recent sales and attendance.

Risks

- High levels of competition (especially with their sports teams)
- Rely on consistent performance and popularity of their sports organizations
- MSG is affected by decisions made by sports leagues they are franchised in which are beyond their control

Report Prepared By:

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