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Sony Group (6758) | Japan

Small Group Meeting with Sony Pictures Entertainment

SPE management expressed confidence in medium- to long-term growth opportunities, citing improving market conditions in the film and television production industry.

Key Takeaways

- SPE management expressed confidence in mid- to long-term growth opportunities, citing improving market conditions in the film & television production industry.
- SPE expects to release the next installment in the Spider-Man series around 2029–30.
- Crunchyroll remains a key growth driver, with management expecting revenue growth to continue at a pace similar to historical levels.
- Looking ahead to Sony Group's next mid-term plan, SPE does not see a need for huge amount of capital investment to grow its existing film and TV businesses.

On October 13, we attended a small-group meeting with Ravi Ahuja, Chairman and CEO of Sony Pictures Entertainment (SPE): Below is a summary of management's comments, based on our understanding.

Industry outlook: Market conditions in the film and television production industry have improved compared with the past several years, and SPE sees medium- to long-term growth opportunities despite ongoing industry consolidation. Box-office performance remains solid, with particularly strong demand from younger audiences, which management views as a positive indicator for the industry's longer-term prospects. Other favorable developments include reduced strike risks following the renewal of contracts with major labor unions, improving profitability among streaming platforms, and potential gains in production efficiency from AI.

***Spider-Man: Brand New Day*:** The film generated about $2.5bn in global box-office revenue, significantly exceeding SPE's initial expectations. After revenue sharing with movie theaters, SPE typically retains less than half of gross box-office receipts, while profit-sharing arrangements with actors and other participants also apply.

Nevertheless, the film's record-breaking success is clearly positive. Beyond its earnings contribution in the current fiscal year, the success could generate additional benefits, including increased interest in *Spider-Man: Beyond the Spider-Verse*, scheduled for release in June 2027, as well as medium- to long-term earnings contributions through streaming and library revenues.

SPE expects to release the next installment in the Spider-Man series around 2029–30. The success of *Brand New Day* could also have positive implications for the next film and subsequent installments in the franchise.

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Sony Group (6758.T, 6758 JT)

Consumer Electronics | Japan

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	¥5,000
Up/downside to price target (%)	31
Shr price, close (Oct 13, 2026)	¥3,814
Mkt cap, curr, basic (bn)	¥22,397.6
Div yld (03/27e) (%)	0.9

Fiscal Year Ending	03/26	03/27e	03/28e	03/29e
Revenue, net (¥bn)	12,479.6	13,364.2	13,127.1	14,737.4
Operating profit (¥bn)*	1,448	1,843	1,993	2,042
Net income (¥bn)*	(327)	1,403	1,526	1,562
EPS, basic (¥)*	(54.7)	240.2	264.2	270.4
Prior EPS, basic (¥)*	-	-	-	-
EPS (¥)**	(54.4)	237.6	262.1	268.3
Prior EPS (¥)**	-	-	-	-
P/E, basic*	NM	15.9	14.4	14.1
P/BV, basic	2.3	2.5	2.2	1.9
ROE (%)*	(4.0)	17.3	17.3	15.4
EV/EBITDA, basic	4.5	4.6	4.1	3.6

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
* = GAAP or approximated based on GAAP
e = Morgan Stanley Research estimates

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Crunchyroll: With more than 21mn paid subscribers, Crunchyroll remains one of SPE's key growth drivers. Management expects revenue to continue growing at a pace broadly consistent with historical levels (high-teens to around 20% annually, based on our understanding). Key growth drivers include new subscribers outside the US, expansion of content offerings, broader distribution channels, and service enhancements.

SPE expects the majority of new subscribers to come from international markets, with countries such as South Korea offering significant growth potential. On the content side, Crunchyroll benefits from its extensive catalog, which covers approximately 70–80% of anime titles produced in Japan. It is also expanding original content production through collaboration with Aniplex, a subsidiary of Sony Music Entertainment.

In terms of profitability, Crunchyroll's margins are below those of the leading US streaming platform, but above the levels achieved by the streaming operations of other entertainment companies. However, management is prioritizing reinvestment in content and marketing over maximizing near-term margins. As a result, future profit growth is expected to be driven primarily by top-line expansion.

Immersive, location-based entertainment: Cosm, an immersive entertainment venue operator in which SPE invested $100mn in June, currently operates four venues in the US (Exhibit 2). SPE sees potential for the business to expand to 20–40 locations over time. Cosm's immersive experiences are differentiated by proprietary technology, which management believes would be difficult for competitors to replicate. Location-based entertainment could become a meaningful growth area with the potential to reshape SPE's business mix over the longer term, although a significant expansion of the business could require substantial additional investment.

Synergies within Sony Group: SPE continues to pursue business expansion by leveraging IP across Sony Group's gaming, music, and anime businesses. In gaming, SPE is pursuing film and television adaptations of PlayStation IP, including new projects such as *God of War*. In music, the company is strengthening its collaboration with Sony Music through projects including the Beatles film project scheduled for release in 2028. *Demon Slayer* is another successful example of cross-group collaboration, combining production by Aniplex, international marketing by Crunchyroll, and theatrical distribution by SPE. Management intends to continue actively pursuing opportunities for collaboration across Sony Group.

Next mid range plan: Regarding Sony Group's next mid-term management plan, which begins in FY3/28, SPE believes that substantial incremental capital investment will not be necessary to grow its existing film and television businesses. The company aims to drive earnings growth through further monetization of its existing content library and improvements in cost efficiency, while selectively investing in growth opportunities, including IP acquisitions such as Peanuts and businesses such as Cosm. Management views earnings growth as a key driver of improvement in ROIC.

Our take: We view management's comments as encouraging, particularly the visibility provided on the next Spider-Man film and the expectation that Crunchyroll will sustain its strong revenue growth. We also believe that Sony's ability to leverage its IP across film, gaming, music, anime, and streaming represents a key competitive advantage, enabling the group to extend and diversify the monetization opportunities associated with individual titles over a longer period.

In FY3/27, we expect the success of Spider-Man: Brand New Day to drive significant upside to operating profit in the Pictures segment. While a YoY earnings decline in FY3/28 appears unavoidable, we see potential for strong profit growth over the three-year period of the next mid-term management plan, supported by (1) what we believe is a robust pipeline of content and software titles across Sony's entertainment businesses, and (2) continued growth at Crunchyroll, which we expect to make an increasingly meaningful contribution to Pictures segment earnings.

Exhibit 1: Sony Group: Entertainment catalyst roadmap

	FY26 (FY3/27)			FY27 (FY3/28)				FY28 (FY3/29)
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Game software								
1st-party	・MARVEL Tokon (8/7) **▪ Marvel's Wolverine (9/15)**		**▪ God of War Laufey (2/16)**		*・Until Dawn 2（2027）*			
3rd-party	・Phantom Blade Zero (10/29) ・Silent Hill (9/24)	**▪ GTA VI (11/19)** ・CoD MW4 (10/23)	・Tomb Raider: Legacy of Atlantis (2/12)	*FF7 Revelation (Spring-27)*	・Kingdom Hearts IV (CY27 2H)			
Music								
Anime			・Mashle: Magic and Muscles S3 (Jan-27)	・Kagurabachi (Apr-27)	*・Ghost of Tsushima (2027) (e)*			**▪ Demon Slayer: Kimetsu no Yaiba Infinity Castle Part2 (e)**
Pictures								
Motion Pictures	**▪ Spider-Man: Brand New Day (7/31)** ・Resident Evil (9/18)	**▪ Jumanji: Open World (12/25)**	・The Nightingale (2/12)	・The Legend of Zelda (4/30) **▪ Beyond the Spider-Verse (6/18)**		・Helldivers (11/10) ・The Haunting of Hotel Transylvania (10/8)	・Grandgear (2/18)	・The Beatles – A Four-Film Cinematic Event (Apr-28)
Crunchyroll	・AKIRA 4K/IMAX re-releasing in the US (9/4)	・Aoashi Season 2 (10/4)	・Shangri-La Frontier S3 (Jan-27)	・Fate Rewinder (Apr-27)	・Ghost of Tsushima (2027) (e)			**▪ Demon Slayer: Kimetsu no Yaiba Infinity Castle Part2 (e)**

Source: Company data, Morgan Stanley Research. e = Morgan Stanley Research estimates

Exhibit 2: Cosm Los Angeles



Source: Company data (Cosm website)

Valuation Methodology and Risks

Sony Group (6758.T)

Using a sum-of-the-parts valuation, our price target is based on a fair EV/EBITDA of 10.0x on our FY3/28 earnings estimates, which corresponds to 19x our FY3/28 EPS forecast.

Segment EV/EBITDA multiples are as follows: 13.0x for G&NS, 10x for Music, 6.8x for Pictures, 6.0x for ET&S, 9.0x for I&SS, and 5.0x for Others.

Risks to Upside

- Stronger than expected growth of software and network services in the G&NS business.
- Stronger than expected demand for CIS in target markets, increased market share.

Risks to Downside

- Competition intensifies more than expected, and slower growth than expected in the G&NS business.
- Smartphone market slows more than expected, and competition in image sensors intensifies.



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Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1599	43%	455	48%	28%	783	44%
Equal-weight/Hold	1563	42%	394	42%	25%	763	43%
Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	96	10%	17%	227	13%
Total	3,734		946			1774	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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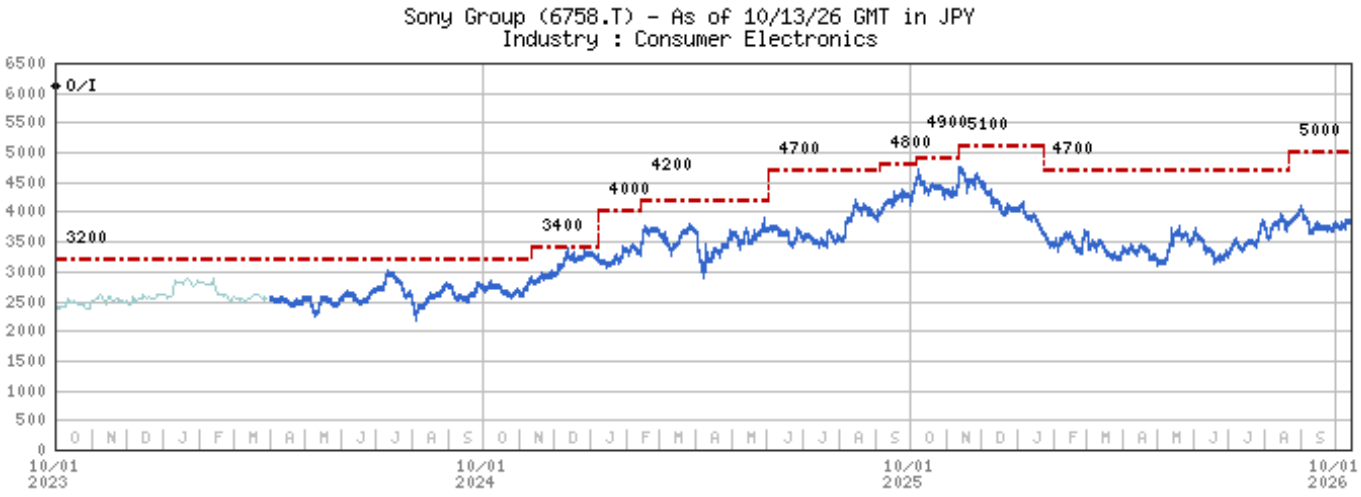
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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 10/1/21 : O/I

Price Target History: 7/28/21 : 3200; 1/14/22 : 3600; 2/25/22 : 3000; 11/30/22 : 3200; 11/11/24 : 3400; 1/8/25 : 4000; 2/13/25 : 4200; 6/2/25 : 4700; 9/5/25 : 4800; 10/6/25 : 4900; 11/11/25 : 5100; 1/23/26 : 4700; 8/21/26 : 5000

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -·- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ▬
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INDUSTRY COVERAGE: Consumer Electronics

COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/13/2026)
Kazuo Yoshikawa, CFA		
Nintendo (7974.T)	E (01/20/2025)	¥8,172
Panasonic Holdings (6752.T)	E (06/03/2026)	¥4,366
Sony Group (6758.T)	O (07/28/2021)	¥3,814

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.

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