

Liberty Braves Group (BATRA - \$26.48 - NASDAQ)

Sports Overview - Buy

Year	EBITDA	EV/EBITDA	PMV	Dividend:	None	Current Return:	Nil
2021P	\$94M	18.1x	\$45	A Shares		10.2 million	
2020P	92	18.4	43	B Shares		1.0 "	
2019E	94	18.0	42	K Shares		48.8 "	
2018A	94	18.0	38	52-Week Range:		\$29.66 - \$23.54	

COMPANY OVERVIEW

The Atlanta Braves were founded in 1871 and are the oldest continuously operating professional sports franchise in America. The Liberty Braves Group moved to the new 41.5K seat SunTrust Park, Cobb County from Atlanta in February 2017. Liberty Media Corporation recapitalized the Atlanta Braves as a tracking stock in April 2016 along with Liberty SiriusXM and Liberty Formula One. Assets include the Braves Major League Baseball club, the Braves' stadium and Battery real estate, a 66 acre mixed use development which feeds off the stadium (16 acres) with final completion in 2022. We calculate a PMV of \$42 per share in 2019.

Reason for Comment

- We hosted a fireside chat at our 11th Entertainment & Broadcasting Symposium last week to discuss sports economics with Mike Ozanian, Managing Editor at Forbes, and Sal Galatioto, President of Galatioto Sports Partners, a sports investment banking firm. In summary, sports team valuations should continue to increase as there is a shortage of teams and these trophy assets remain critical to live viewing in a fragmented digital world. The repeal of PASPA which banned sports betting in the US, except for Nevada, should drive ratings and keep interest in live games. Viacom sold Madison Square Garden for 36x EBITDA / \$1.075 billion in 1994 to help pay for Paramount Communications acquisition. In retrospect keeping the Knicks/Rangers - valued at \$4/\$1.6 billion, respectively, by Forbes might have generated a stronger return compared to our current of Viacom's Paramount Studio at \$5 billion. ([See our Conference Takeaways from Viacom.](#))
- Attendance is not a major driver of valuation – but overall sports viewing is. The new level of TV contracts makes it hard for teams to lose money. The timing and scale of new entrants – Amazon and Facebook should only improve the market. The next NFL broadcast deal could be as much as 50% higher, albeit not the double from the last cycle - broadcast rights from 2014 to 2022 cost \$39.6 billion up from \$20.4 billion.
- Football continues to be leading US sport with the Dallas Cowboys worth an estimated \$5 billion. Even the very rich have liquidity issues and a new owner/general partner must put up at least 30% cash with debt capped at \$350 million. A minority position still entails a significant amount of cash and no corporate ownership is allowed.
- The NBA is an increasingly international sport and continued diversification of where the players come from should bode well for valuations. The LA Dodgers sale of minority stakes is speculated to be at a \$3 billion valuation – a small discount to Forbes recent 10% increase in valuation to \$3.3 billion (6x 2018/19 revenue) but still an attractive number given the minority position.
- eSports is highly unpredictable as technology keeps changing so fast. Forbes currently values Cloud9 at \$310 million. The risk is that fans are more attached to individual players as opposed to a team.
- We continue to recommend the Liberty Braves as one of the few ways to play the increasing value of team ownership in the US. ([See our latest note on Forbes' Braves valuation.](#)) The Braves home attendance in the third year at their new stadium has slipped to 30,355 from 31,553 so far this season but their return to first in the NL East after a slow start bodes well.

Investment Case

The Braves are beachfront property which should continue to increase in value with: 1) new buyers, 2) new revenue streams, and 3) increased rights fees.

Table 1

Liberty Braves Group Earnings Model 2016A-2023P

(in millions, except per share data)

FYE 12/31	2016	2017	2018A	2019E	2020P	2021P	2022P	2023P	'18-'23 CAGR
Revenue	\$262	\$386	\$442	\$461	\$471	\$484	\$497	\$512	3.0%
EBITDA	(16)	7	94	94	92	94	95	99	1.1
TEV / EBITDA	NM	NM	18.0x	18.0x	18.4x	18.1x	17.8x	17.1x	
Capex	(\$360)	(\$219)	(\$35)	(\$130)	(\$156)	(\$22)	(\$22)	(\$22)	

Source: Public data and g.research estimates; 2017 adds back \$13M contractual write-off

Table 2 **Liberty Braves Group Private Market Value Analysis**
2017A-2023P

(in millions, except per share data)

FYE 12/31	<u>2017</u>	<u>2018A</u>	<u>2019E</u>	<u>2020P</u>	<u>2021P</u>	<u>2022P</u>	<u>2023P</u>
Atlanta Braves							
Gate Receipts	\$108	\$121	\$128	\$133	\$139	\$144	\$150
Concessions	63	69	76	79	83	87	92
TV	146	155	166	166	168	169	172
Sponsorship	<u>53</u>	<u>59</u>	<u>63</u>	<u>65</u>	<u>65</u>	<u>66</u>	<u>67</u>
Revenue	\$371	\$404	\$433	\$443	\$455	\$467	\$481
Valuation Multiple	<u>5.0x</u>	<u>5.0x</u>	<u>5.2x</u>	<u>5.2x</u>	<u>5.2x</u>	<u>5.2x</u>	<u>5.2x</u>
Segment Value	1,854	2,016	2,254	2,306	2,367	2,429	2,504
Property - The Battery Atlanta							
Commercial		\$11	\$12	\$13	\$13	\$14	\$14
Retail		5	7	7	7	8	8
Entertainment		2	2	3	3	3	3
Omni hotel		<u>6</u>	<u>7</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>9</u>
EBITDA	\$0	\$23	\$29	\$30	\$31	\$32	\$33
Valuation Multiple	<u>0.0x</u>	<u>20.0x</u>	<u>20.0x</u>	<u>20.0x</u>	<u>20.0x</u>	<u>20.0x</u>	<u>20.0x</u>
Segment Value	558	440	458	476	495	515	515
A-Loft Hotel			70	140	146	151	157
thysennkrupp Elevator/building			60	125	130	135	141
less Minority	<u>(68)</u>	<u>(57)</u>	<u>(107)</u>	<u>(147)</u>	<u>(152)</u>	<u>(158)</u>	<u>(164)</u>
Equity Private Market value	490	383	481	594	618	643	649
Total Private Market Value	\$2,344	\$2,399	\$2,735	\$2,900	\$2,985	\$3,072	\$3,152
Plus: Net Cash (Debt)	(585)	(387)	(495)	(607)	(573)	(559)	(522)
Less: Options Payments	10	13	16	19	20	21	22
Plus Hidden Assets	<u>225</u>	<u>236</u>	<u>243</u>	<u>251</u>	<u>258</u>	<u>266</u>	<u>274</u>
Equity Private Market Value	1,994	2,261	2,500	2,563	2,690	2,800	2,927
Shares Outstanding (year-end)	60	60	60	60	60	60	60
PMV per share	\$33	\$38	\$42	\$43	\$45	\$47	\$49
<i>Current Market - Discount to PMV</i>	20.8%	30.1%	36.8%	38.4%	41.3%	43.6%	46.0%

Source: Public data and g.research estimates

Other Companies Mentioned:

Amazon	(AMZN – NASDAQ)
Facebook	(FB – NASDAQ)
Liberty Sirius	(LSXMA – NASDAQ)
Liberty Formula One	(FWONA – NASDAQ)
Madison Square Garden	(MSG – NYSE)
Viacom	(VIAB – NASDAQ)

Liberty Braves Price Performance

Source: Public data. As of September 16, 2016 BATRA had a BUY recommendation

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Analysts' ratings are largely (but not always) determined by our "private market value," or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.

A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.

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As of May 31, 2019, our affiliates beneficially own on behalf of their investment advisory clients or otherwise approximately 17.71% of Liberty Braves Group A, 6.85% of Liberty Braves Group C, 1.69% of Liberty Formula One A (FWONA), 1.00% of Liberty Sirius Group C, and less than 1% of all other companies mentioned in this report. Because the portfolio managers at our affiliates make individual investment decisions with respect to the client accounts they manage, these accounts may have transactions inconsistent with the recommendations in this report. These portfolio managers may know the substance of our research reports prior to their publication as a result of joint participation in research meetings or otherwise. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. The analyst, who wrote this report, or members of his household, owns 2,900 shares of Liberty Sirius LSXMA and 5,560 LSXMK, 725 Liberty Formula One FWONA and 1,450 FWNK shares, 290 share of Liberty Braves BATRA and 580 BATRK.; and 400 shares of Facebook.