

# The Madison Square Garden Company

(MSG - \$75.22 - NYSE)



1:3

1:1

The Madison Square  
Garden Company  
(MSG - \$166.11 - NYSE)

MSG Networks Inc.  
(MSGN - \$19.90 - NYSE)





**Madison Square Garden, Inc. (MSG - \$75.22 - NASDAQ)**

**Buy**

<u>FYE 6/30</u>	<u>EBITDA</u>	<u>EV/EBITDA</u>	<u>PMV</u>		
2018P	\$465 m	10.6x	\$100	Dividend: None	Current Return: Nil
2017P	455	10.7	93	A Shares O/S: 62.2 million (1 vote)	(a)
2016P	430	11.4	86	B " " : 13.6 " (10 votes)	
2015A	435	11.2	80	52-Week Range: \$87.27 - \$58.56	

(a) The Dolan family collectively owns 2.2 and 13.6 million class A & B shares, respectively, representing 20.9% economic and 70% voting interest

**COMPANY OVERVIEW**

The Madison Square Garden Company (MSG), based in New York, NY, is an integrated media, entertainment and sports company. The company is organized into three segments: 1) Media operates regional sports networks MSG/MSG+ (the MSG nets) and the fuse music network, 2) Entertainment produces and/or presents concerts and shows including the *Radio City Christmas Spectacular*, and 3) Sports owns the NY Knicks (NBA), NY Rangers (NHL) and NY Liberty (WNBA).

**Reason For Comment**

This month, MSG is set to complete its planned spin-off of The Madison Square Garden Company which will include the sports and entertainment businesses. When-issued trading began on September 17, 2015. The distribution will take place on September 30, 2015, with the record date as of the close of business on September 21, 2015. Investors will receive 3 shares of MSGN and 1 share of "new" MSG for every three shares of "old" MSG held. In this report we review the transaction and review our PMV analysis for each component:

- The Madison Square Garden Company (NYSE:MSG-WI/MSG) will be comprised of the entertainment and sports business which will include: the sports teams (Knicks, Rangers, Liberty and Wolf Pack), the venues (The Garden, Radio City Music Hall, The Forum, Beacon, Wang and Chicago Theater); MSG bookings (the concert business); MSG productions (Xmas Spectacular); and the strategic joint ventures (Azoff-MSG, Tribeca Film Festival and Brooklyn Bowl). The entertainment business will be capitalized with \$1.45 billion of net cash giving the company the ability to pursue strategic and bolt-on acquisitions as well as buyback stock. We calculate a 2016 PMV of \$165 per share.
- MSG Networks (NYSE:MSGN-WI/MSGN) primary asset will be the regional sports network (RSN) MSG and MSG+. MSG/MSG+ broadcast Knicks (NBA), Rangers, Islanders, Devils & Sabres (NHL), and Liberty (WNBA) games in addition to self-produced content to ~7.5 million subscribers in the New York Metro Area and upstate New York. Contractually recurring subscription fees from MVPDs (cable, telco and satellite TV distributors) will account for ~85% or ~\$540 million of the company's revenue. Following the spin, MSGN will be levered ~5.0x and use its stable cash flow to de-lever. We calculate a 2016 PMV of \$28 per share and believe MSGN could be an acquisition candidate for a larger media conglomerate such as FOX or CMCSA.

**Table 1**

**Transaction Overview**

<u>Capitalization</u> (in millions, except per share data)	<u>Old MSG</u>		<u>Consolidated</u> Pro Forma 6/30/15	<u>New MSG</u>	
	<u>6/30/15</u>	<u>Debt</u> <u>Financing</u>		<u>Spin Co</u> Madison Square Garden Company	<u>Remain Co</u> MSG Network
Balance Sheet as of:					
Class A -- 1 Vote	62.2		62.2	20.7	62.2
Class B -- 10 votes	13.6		13.6	4.5	13.6
Options (a)	1.2		1.2	0.4	1.2
Fully Diluted Shares	77.0		77.0	25.7	77.0
Market Price	\$75.22		\$75.22	\$166.11	\$19.90
Equity Market Capitalization	\$5,788		\$5,788	\$4,261	\$1,531
Plus: Debt	0	1,550	1,550	0	1,550
Less: Cash	(219)	(1,550)	(1,769)	(1,460)	(309)
Net Debt (Cash)	(\$219)		(\$219)	(\$1,460)	\$1,241
Less: Hidden Assets	(674)		(674)	(654)	(20)
<b>Total Capitalization</b>	<b>\$4,896</b>		<b>\$4,896</b>	<b>\$2,147</b>	<b>\$2,753</b>

Source: Company reports, Gabelli & Company estimates.

**Other Companies Mentioned:**

21<sup>st</sup> Century Fox (FOXA - NASDAQ)  
 CBS Corp. (CBS - NYSE)  
 Time Warner Inc. (TWX - " )  
 Walt Disney Co. (DIS - " )

**Madison Square Garden - Price Performance**



Source: Public data. As of September 22, 2012 MSG was rated BUY.

I, **Brett Harriss**, the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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**Important Disclosures**

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**Ratings**

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.

A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.

A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

We prepared this report as a matter of general information. We do not intend for this report to be a complete description of any security or company and it is not an offer or solicitation to buy or sell any security. All facts and statistics are from sources we believe to be reliable, but we do not guarantee their accuracy. We do not undertake to advise you of changes in our opinion or information. Unless otherwise noted, all stock prices reflect the closing price on the business day immediately prior to the date of this report. We do not use "price targets" predicting future stock performance. We do refer to "private market value" or PMV, which is the price that we believe an informed buyer would pay to acquire 100% of a company. There is no assurance that there are any willing buyers of a company at this price and we do not intend to suggest that any acquisition is likely. Additional information is available on request.

As of August 31, 2015, our affiliates beneficially own on behalf of their investment advisory clients or otherwise approximately 9.74% of CBS Corp. Class A, 6.92% of Madison Square Garden and less than 1% of CBS Corp. Class B, Twenty-First Century Fox, Time Warner and Walt Disney. One of our affiliates serves as an investment advisor to CBS Corporation or an affiliated entity and has received compensation within the past twelve months for these non-investment banking securities-related services. 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 no shares of the above mentioned companies.

**New Madison Square Garden, Inc. (MSG'I - \$166.11 - NYSE)**

**Buy**

<u>FYE 6/30</u>	<u>EBITDA</u>	<u>EV/EBITDA</u>	<u>PMV</u>		
2018P	\$156 m	13.8x	\$190	Dividend: None	Current Return: Nil
2017P	156	15.8	183	A Shares O/S: 20.7 million (1 vote)	(a)
2016E	136	15.5	165	B " " : 4.6 " (10 votes)	
2015A	139	nm	151	52-Week Range: \$180.00 - \$167.20	

(a) The Dolan family collectively owns .73 and 4.6 million class A & B shares, respectively, representing 20.9% economic and 70% voting interest

**COMPANY OVERVIEW**

The Madison Square Garden Company (MSG WI) owns a collection of truly unique assets, (sports franchises, iconic venues and real estate) that benefit from sustainable barriers to entry and the potential long-term asset growth. We estimate 2016E revenue of \$1.1 billion and EBITDA of \$136 million.

**Reason for comment**

Following the spin-off scheduled for September 30, 2015, "new" MSG will own assets in three categories: 1) sports teams, 2) venues, and 3) investments and joint ventures. We are initiating coverage with a BUY recommendation.

- The sports teams include the Knicks, Rangers, Liberty and Wolf Pack. The teams signed a renewed intercompany TV license agreement with MSG Networks such that Networks will pay New MSG \$100 million per year for the Knicks and \$30 million for the Rangers. The agreement will last 20 years and includes undisclosed annual escalators.
- MSG owns or leases an iconic collection of venues which will include the eponymous Madison Square Garden ("The Garden"), Radio City Music Hall, The Forum, Beacon, Wang and Chicago Theater. This segment includes the MSG bookings business and MSG productions which operates the Christmas Spectacular and New York Spring Spectacular. The 20K capacity Garden completed the \$1.1 billion Transformation project in 2014 adding a collection of revenue generating luxury suites, seating areas and sponsorship opportunities. The Forum, located in Inglewood, CA, was acquired for \$20 million, completed a \$100 million renovation and reopened in January of 2014.
- MSG will hold the collection of joint ventures and investments that include: Azoff-MSG, the 50-50 joint venture with talent manager and former Live Nation Co-CEO Irving Azoff; 50% ownership of the Tribeca Film Festival; and development rights (air rights) attached to the Garden which we value at ~\$450 million.

The entertainment business will be capitalized with \$1.45 billion of net cash which represents ~35% of the company's market capitalization. MSG will be spun with a \$525 million share repurchase authorization giving management the ability to immediately execute an aggressive share repurchase program. We also expect the company to pursue acquisitions of venues and entertainment related businesses that complement the company's existing asset portfolio.

**Table 1 The Madison Square Garden Company Projections**

(in millions, except per share data)

<u>FYE 6/30</u>	<u>2011A</u>	<u>2012A</u>	<u>2013A</u>	<u>2014A</u>	<u>2015A</u>	<u>2016E</u>	<u>2017P</u>	<u>2018P</u>	<u>2019P</u>	<u>2020P</u>	<u>'15A - '20P</u> <u>CAGR</u>
<b>Projections</b>											
Revenue	\$693	\$729	\$722	\$913	\$1,071	\$1,102	\$1,149	\$1,183	\$1,227	\$1,272	3.5%
% growth	4.9%	5.1%	(0.9%)	26.4%	17.3%	3.0%	4.2%	3.0%	3.7%	3.7%	
Adj. EBITDA	22	66	48	14	139	136	156	156	164	167	3.8
% margin	3.2%	9.1%	6.6%	1.5%	13.0%	12.3%	13.5%	13.2%	13.4%	13.2%	
TEV / EBITDA	97.1x	32.5x	45.0x	155.5x	15.5x	15.8x	13.8x	13.8x	13.1x	12.8x	
Capex	\$170	\$392	\$218	\$304	\$63	\$37	\$35	\$35	\$35	\$35	
Net cash					1,460	1,287	1,198	1,078	852	617	
<b>PMV</b>					<b>\$151</b>	<b>\$165</b>	<b>\$183</b>	<b>\$190</b>	<b>\$201</b>	<b>\$210</b>	

Source: Company reports, Gabelli & Company estimates.

**Valuation: Sum of the Parts**

MSG owns a collection of highly valuable and severable asset. At first glance, the company lends itself to a sum of the parts analysis: we estimate a liquidation value between \$195-330 per share. However, our sum of the parts valuation is not supported by the current cash flow of the company, but rather reflects the scarcity value of trophy properties, most notably the sports teams.

- In our bear case, we estimate the company could be worth ~\$5 billion in a liquidation scenario. We mark the Knicks at one-half the value of the Clippers, the Rangers at a slight premium to the NJ Devils and the venues at cost: the Transformation project cost \$1.1 billion; the Forum \$120 million. Our downside valuation for the Rockets Christmas spectacular is 6x our \$40 million estimate of EBITDA.
- In our bull case, we mark the Knicks at a premium to the Clippers as 1) New York is a larger market than Los Angeles, and 2) The Knicks are the market’s premier team. We expect the Rangers could receive as much as \$1.1 billion in a competitive sale. The Hudson Yard redevelopment project has the potential to dramatically improve the west side and thus we mark The Garden at \$1.5 billion and the air rights at \$450 per SQFT.

**Table 2** **Sum of the Parts Analysis**  
 (\$ millions, except per share data)

Sum-of-the-parts	Low		High		Notes
	Value	Share	Value	Share	
<b>Sports Teams</b>					
Knicks	\$1,000	\$39	\$2,500	\$98	Clippers sold for \$2 billion
Rangers	400	16	1,100	43	New Jersey Devils \$320 million
Liberty	<u>50</u>	<u>2</u>	<u>125</u>	<u>5</u>	
Total Teams Value	\$1,450	\$57	\$3,725	\$145	
<b>Venues</b>					
Garden	\$1,100	\$43	\$1,500	\$59	\$1.1 billion cost of Transformation
Forum	120	5	240	9	\$20 million acquisition plus \$100 million renovation
Chicago Theater	<u>10</u>	<u>0</u>	<u>20</u>	<u>1</u>	
Total Venue Value	\$1,230	\$48	\$1,760	\$69	
<b>Other</b>					
Christmas Spec.	\$260	\$10	\$360	\$14	Christmas spec valued at 6.5-9.0x \$40 million EBITDA
Air rights	450	18	1,013	40	\$200-\$450/sqft for 50% share of 4.5 million sqft
Azoff-MSG Joint Venture	176	7	176	7	Marked at cost
Tribeca Film Festival	23	1	23	1	" " "
Brooklyn Bowl	5	0	5	0	" " "
Net Cash	<u>1,460</u>	<u>57</u>	<u>1,460</u>	<u>57</u>	Estimated cash at 6/30/2015
Total valuation	\$5,054	\$195	\$8,521	\$330	

Source: Company reports, Gabelli & Company estimates.



**Valuation: Cash Flow**

We do not expect the Dolans are likely sellers. Ultimately, this collection of assets should be valued on traditional cash flow metrics. We use an 10x multiple for the entertainment businesses and 13x for the sports business to estimate a 2016 PMV of \$165 per share.

**Table 3** **The Madison Square Garden Company**  
**Private Market Value**  
**2011-2020P**

(in millions, except per share data)

FYE 6/30	2011A	2012A	2013A	2014A	2015A	2016E	2017P	2018P	2019P	2020P	'15A - '20P CAGR
<b>Private Market Value Analysis</b>											
<u>Entertainment</u>											
Revenue	\$294	\$264	\$252	\$301	\$414	\$435	\$457	\$479	\$503	\$529	5.0
EBITDA	(11)	5	(10)	(4)	32	44	48	52	57	61	nm
Valuation Multiple	nm	nm	nm	nm	10.0x	10.0x	10.0x	10.0x	10.0x	10.0x	
Segment Value	\$231	\$240	\$250	\$260	\$323	\$444	\$482	\$523	\$566	\$611	13.6
<u>Sports</u>											
Revenue	\$399	\$465	\$470	\$612	\$657	\$668	\$692	\$704	\$723	\$743	2.5
EBITDA	47	69	67	44	137	119	136	134	139	139	0.3
Valuation Multiple	nm	nm	nm	nm	10.5x	13.0x	13.0x	13.0x	13.0x	13.0x	
Segment Value	\$986	\$1,085	\$1,193	\$1,312	\$1,444	\$1,545	\$1,767	\$1,739	\$1,808	\$1,812	
Total PMV	\$1,217	\$1,325	\$1,443	\$1,572	\$1,767	\$1,989	\$2,249	\$2,261	\$2,373	\$2,423	6.5
Plus: Hidden Assets					\$654	\$667	\$680	\$694	\$707	\$722	
Plus: Hidden Assets & Cash					1,460	1,287	1,198	1,078	852	617	
Equity Private Market Value					\$3,880	\$3,942	\$4,126	\$4,033	\$3,933	\$3,762	
Shares Outstanding (year-end)					26	24	23	21	20	18	(6.9)
<b>PMV per share</b>					<b>\$151</b>	<b>\$165</b>	<b>\$183</b>	<b>\$190</b>	<b>\$201</b>	<b>\$210</b>	6.8
Current Discount to PMV					(9.8%)	(0.5%)	9.1%	12.4%	17.5%	20.8%	
Capex	\$170	\$392	\$218	\$304	\$63	\$37	\$35	\$35	\$35	\$35	

Source: Company reports, Gabelli & Company estimates.

**Other Companies Mentioned:**

Live Nation Entertainment Inc. (LYV - NYSE)

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I, **Brett Harriss**, the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

**Brett Harriss (914) 921-8335**

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**Important Disclosures**

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As of August 31, 2015, our affiliates beneficially own on behalf of their investment advisory clients or otherwise approximately 6.92% of Madison Square Garden and 1.18% of LYV. 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 no shares of the above mentioned companies.

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**MSG Networks, Inc. (MSGN'I - \$19.90 - NYSE)**

**Buy**

<u>FYE 6/30</u>	<u>EBITDA</u>	<u>EV/EBITDA</u>	<u>PMV</u>		
2018P	\$298 m	9.2x	\$32	Dividend: None	Current Return: Nil
2017P	291	9.4	30	A Shares O/S: 62.2 million (1 vote)	(a)
2016E	285	9.6	28	B " " : 13.6 " (10 votes)	
2015A	288	9.5	26	52-Week Range: \$24.20 - \$19.00	

(a) The Dolan family collectively owns 2.2 and 13.6 million class A & B shares, respectively, representing 20.9% economic and 70% voting interest

**COMPANY OVERVIEW**

MSG Networks, Inc., located in New York, NY, operates the regional sports network (RSN) MSG and MSG+. We estimate 2016 revenue of \$3.1 billion and EBITDA of \$290 million.

- MSG/MSG+ delivers live broadcasts of Knicks (NBA), Rangers, Islanders, Devils & Sabres (NHL), and Liberty (WNBA) games in addition to original content which includes: local sports news, sports talk shows, sport & Madison Square Garden themed documentaries.
  - As part of the spin, MSG Networks signed a 20-year agreement with MSG to air Knicks and Rangers games for \$130 million per year, vs. the previous contract which valued the rights at ~\$80 million per year. MSG will also have the exclusive right and obligation to sell MSG Networks' advertising for seven years; MSG should generate an additional ~\$10 million in commissions from the ad sales arrangement.
- The networks serve ~7.5 million subscribers in the New York Metro Area and upstate New York and generate ~\$6.00 per subscriber per month in subscription fees from MVPDs (cable, telco & satellite TV distributors) such as Cablevision, Time Warner Cable, AT&T and Comcast. These contractually recurring subscription fees will account for ~85% or ~\$530 million of the company's revenue.
- Following the spin, MSGN will be levered ~5.0x and use its stable cash flow to de-lever. We expect the company to ultimately maintain its leverage at ~3.0x EBITDA.

**Valuation**

Competition from over the top (OTT: Netflix, Amazon, Hulu, Sling, etc.) is putting pressure on the traditional pay-TV bundle. As a result, MSG network has been losing subscribers. While we expect this trend to continue, we do not expect subscriber losses to accelerate. With sports programming (ESPN, FS1, retransmission and RSNs) driving pay-TV price increases, we expect RSNs generally and MSGN in particular to face increased terminal value risk.

Industry bias towards size should encourage continued consolidation within content and expect there could be a number of strategic acquirers for MSGN, notably FOX and CMCSA. While precedent transactions range from 13-15x for RSNs, our 11x PMV multiple reflects increased concerns over the stability of the traditional Pay-TV. We estimate a 2016 PMV of \$28 per share and could be an acquisition candidate for a larger media conglomerate such as FOX or CMCSA.

**Table 1** **MSG Networks Projections & Valuation**

(in millions, except per share data)

<u>FYE 6/30</u>	<u>2010A</u>	<u>2011A</u>	<u>2012A</u>	<u>2013A</u>	<u>2014A</u>	<u>2015A</u>	<u>2016E</u>	<u>2017P</u>	<u>2018P</u>	<u>2019P</u>	<u>2020P</u>	<u>'15A - '20P</u> <u>CAGR</u>
Revenue	\$476	\$494	\$524	\$575	\$605	\$631	\$622	\$639	\$657	\$675	\$694	1.9%
% growth		3.7%	6.2%	9.8%	5.2%	4.3%	(1.4%)	2.8%	2.8%	2.8%	2.8%	
Adj. EBITDA	156	176	207	298	289	288	285	291	298	304	310	1.5
% margin	32.8%	35.6%	39.5%	51.8%	47.8%	45.7%	45.8%	45.6%	45.3%	45.0%	44.7%	
<b>TEV/ EBITDA</b>	<b>17.6x</b>	<b>15.6x</b>	<b>13.2x</b>	<b>9.2x</b>	<b>9.5x</b>	<b>9.5x</b>	<b>9.6x</b>	<b>9.4x</b>	<b>9.2x</b>	<b>9.0x</b>	<b>8.9x</b>	
Capex	\$16	\$15	\$9	\$12	\$2	\$6	\$4	\$4	\$4	\$4	\$4	
Net Debt						1,241	1,113	973	895	903	918	
<b>PMV</b>						<b>\$26</b>	<b>\$28</b>	<b>\$30</b>	<b>\$32</b>	<b>\$37</b>	<b>\$42</b>	

Source: Company reports, Gabelli & Company estimates.

**Table 2** **MSG Networks Projections & Valuation**

(in millions, except per share data)

FYE 6/30	2010A	2011A	2012A	2013A	2014A	2015A	2016E	2017P	2018P	2019P	2020P	'15A - '20P CAGR
<b>Private Market Value</b>												
Affiliate fees	\$416	\$429	\$449	\$495	\$520	\$523	\$528	\$543	\$559	\$575	\$592	2.5%
Advertising	<u>60</u>	<u>65</u>	<u>75</u>	<u>80</u>	<u>85</u>	<u>108</u>	<u>94</u>	<u>96</u>	<u>98</u>	<u>100</u>	<u>102</u>	(1.2)
Revenue	\$476	\$494	\$524	\$575	\$605	\$631	\$622	\$639	\$657	\$675	\$694	1.9
EBTIDA	158	178	209	300	293	294	290	296	303	309	316	1.5
Valuation Multiple	<u>10.0x</u>	<u>10.0x</u>	<u>14.4x</u>	<u>11.0x</u>	<u>11.0x</u>	<u>11.0x</u>	<u>11.0x</u>	<u>11.0x</u>	<u>11.0x</u>	<u>11.0x</u>	<u>11.0x</u>	
MSG/MSG+ Value	\$1,577	\$1,782	\$2,995	\$3,295	\$3,228	\$3,230	\$3,188	\$3,261	\$3,332	\$3,403	\$3,473	1.5
Total PMV	\$1,577	\$1,782	\$2,995	\$3,295	\$3,228	\$3,230	\$3,188	\$3,261	\$3,332	\$3,403	\$3,473	1.5
Less: Net Debt						(\$1,241)	(\$1,113)	(\$973)	(\$895)	(\$903)	(\$918)	
Plus: Hidden Assets						<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	
Equity Private Market Value						\$2,008	\$2,096	\$2,308	\$2,457	\$2,520	\$2,575	5.1
Shares Outstanding (year-end)						76	76	76	76	69	62	
<b>PMV per share</b>						<b>\$26</b>	<b>\$28</b>	<b>\$30</b>	<b>\$32</b>	<b>\$37</b>	<b>\$42</b>	9.5
Current Discount to PMV						25%	28%	35%	39%	46%	52%	
Capex	\$16	\$15	\$9	\$12	\$2	\$6	\$4	\$4	\$4	\$4	\$4	

Source: Company reports, Gabelli & Company estimates.



**Table 3** **Network Precedent Transactions**

(\$ millions)

Buyer	Property	Seller	Date	Trailing			Per sub
				EV	EBITDA	EV/EBITDA	
Scripps Networks	TVN	TF1 Group	Mar-15	€ 1,548	€ 134	11.6x	NA
Discovery	The Hub	Hasbro	Sep-14	\$640	-	-	\$8.86
Liberty Global	ITV	BSkyB	Jul-14	£7,549	£620	12.2x	na
Viacom	Channel 5	Richard Desmond	May-14	\$757	84	9.0x	"
SiTV (NUVOtv)	fuse	Madison Squar Garden	Sep-14	266	5	nm	4.15
FOX	YES Network	Yankees, Goldman, Providence	Jun-14	3,797	300	12.7x	475
Discovery	Eurosport	TF1 Group	Jun-14	€ 900	€ 82	11.0x	6.77
AMC Networks	Chellomedia	Liberty Global	May-13	1,035	95	10.9x	3.45
Kroenke Sport & ent	Outdoor Channel	OUTD	May-13	205	10	21.4x	5.42
CBS	TV Guide	One Equity Partners	May-13	200	20	10.0x	2.50
Discovery	SBS Nordic	ProSiebenSat.1	Apr-13	1,736	176	9.9x	-
Al Jazeera	Current TV	Current TV	Jan-13	500	-	-	8.33
Comcast	NBCU JV	GE	Feb-13	34,082	3,588	9.5x	-
Discovery	Eurosport	TF1 Group	Dec-12	1,105	96	11.6x	-
News Corp	YES Network	Goldman, Providence	Nov-12	3,000	200	15.0x	200
Disney/Hearst	A&E	Comcast	Jul-12	19,146	1,500	12.8x	-
Scripps	UK TV	Virgin Media	Aug-11	1,106	98	11.3x	-
Sony	GSN	DirecTV	May-11	1,200	-	-	16
Scripps	Travel Channel	Travel Channel	Nov-09	975	89	11.0x	11
Comcast	NBCU JV	NBCU JV (post-RSN)	Dec-09	34,743	3,380	10.3x	-
Comcast	NBCU JV	NBCU JV (post-RSN)	Dec-09	34,743	3,380	10.3x	-
NBCU JV	RSNs	Comcast	Dec-09	8,946	572	15.6x	-
A&E networks	Lifetime	Hearst & Disney	Aug-09	-	-	-	-
Hasbro	Discovery Kids	Discovery	May-09	600	-	-	10

Source: Company reports, Gabelli & Company estimates.

**Other Companies Mentioned:**

21st Century Fox, Inc.	(FOXA - NASDAQ)	Liberty Global plc	(LBTYA - NASDAQ)
Amazon.com Inc.	(AMZN - " )	Live Nation Entertainment Inc.	(LYV - NYSE)
AMC Networks Inc.	(AMCX - " )	Netflix, Inc.	(NFLX - NASDAQ)
AT&T, Inc.	(T - NYSE)	News Corp.	(NWS - " )
Cablevision Systems Corp.	(CVC - " )	ProSeibenSat1 Media	(PSM - Paris)
CBS Corp.	(CBS - " )	Scripps Networks Interactive	(SNI - NYSE)
Comcast Corp.	(CMCSA - NASDAQ)	Sony Corp.	(SNE - " )
Discovery Communications Inc.	(DISCA - " )	TF1 Group	(TF - Paris)
General Electric Company	(GE - NYSE)	Time Warner Cable Inc.	(TWC - NYSE)
Goldman Sachs	(GS - " )	Time Warner Inc.	(TWX - " )
Hasbro Inc.	(HAS - NASDAQ)	Viacom, Inc.	(VIA - NASDAQ)
		Walt Disney Co.	(DIS - NYSE)

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I, **Brett Harriss**, the Research Analyst who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analyst has not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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**Important Disclosures**

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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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