Boyar Asset Management

Unlocking value on behalf of our clients since 1983.

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In 2019 MAPFRE Asset Management and Boyar Asset Management created a strategic alliance to partner on the MAPFRE US Forgotten Value Fund.

The fund consists of high conviction U.S. equities, without sector and capitalization limitations of any kind. However, the fund has a SMID bias as that has been the traditional sweet spot for The Boyar Value Group.

The anticipated time horizon for a typical investment is ~2-3 years (and in many instances significantly longer).

Investment Philosophy

We take a private equity approach to stock market investing

We analyze each investment from the point of view of a potential acquirer to ascertain its intrinsic value

We seek investments with identifiable catalysts whose intrinsic value is likely to be realized within ~2–3 years

Investment Process

We seek to invest only in businesses and industries that we know and understand

- Assessing its performance over a full market cycle
- Conducting a thorough analysis to minimize downside risk
- Estimating how much cash flow a company can potentially generate under normal market conditions
- Utilizing recent comparable transactions (what other businesses in similar industries have recently sold for) to help determine how much a particular business is worth

Investment Process

We seek to invest only in businesses and industries that we know and understand

- Cyclical businesses
- Commodity-oriented businesses
- Businesses that require intense specialization (e.g., biotech)

Value Investing

One big tent with many seats

- Net-Nets
- Deep Value
- Traditional Value (fair companies at wonderful prices)
- Asset Plays
- Special Situations
- Growth at a Reasonable Price (GARP)
- Quality (great companies at fair prices)
- Compounders

How Boyar Value picks its seats:

- ✓ High-quality business +
- ✓ Currently selling at a significant discount to what an acquirer would pay +
- ✓ Has a catalyst for capital appreciation

If you buy the same securities everyone else is buying,
you will have the same results as everyone else.
–Sir John Templeton

Investment Process

We seek to invest only in businesses and industries that we know and understand

- The Business Value Method
- “Hidden” Assets
- Well Recognized Consumer Franchises
- Spinoffs/Post-Bankruptcy Opportunities
- Fallen Angels

The Business Value Method

When an industry or company falls out of favor with the investment community, investors sometimes “throw the baby out with the bathwater.” Despite having solid long-term prospects, companies in an out-of-favor industry can sell for significantly less than what a knowledgeable private investor would pay for the entire business.

By contrast, when employing “the business value method”, we consider a company’s:

- Capital Allocation Decisions
- Financial Strength
- Long-Term Earnings Power
- Competitive Advantages
- Prices for which other companies have been acquired in the recent past

The "Hidden" Asset Approach

Accounting principles require the depreciation of certain assets that, in fact, often increase in value over time.

These type of assets include

Accordingly, we tear apart a company's balance sheet and assign our own value to such assets.

Well Recognized Consumer Franchises

We often find value in consumer franchises, especially when they are “masked” by a corporate name.

A corporate name can “mask” a well-known consumer franchise, potentially causing valuation discrepancies to occur

Fallen Angels

We look for "fallen angels."

These are companies that have fallen out of favor on Wall Street, but

Whose fundamentals (in our opinion) are not permanently impaired

Whose stock is selling at a significant discount to our estimate of their intrinsic value

Which have an identifiable catalyst for capital appreciation

Investment Process

Recent spinoffs can be a rich source of mispriced investments

- Wall Street analysts often provide little coverage to newly spun-off companies.
- Shareholders of the parent company may be forced by their investment mandate to sell their shares in the spun-off company.

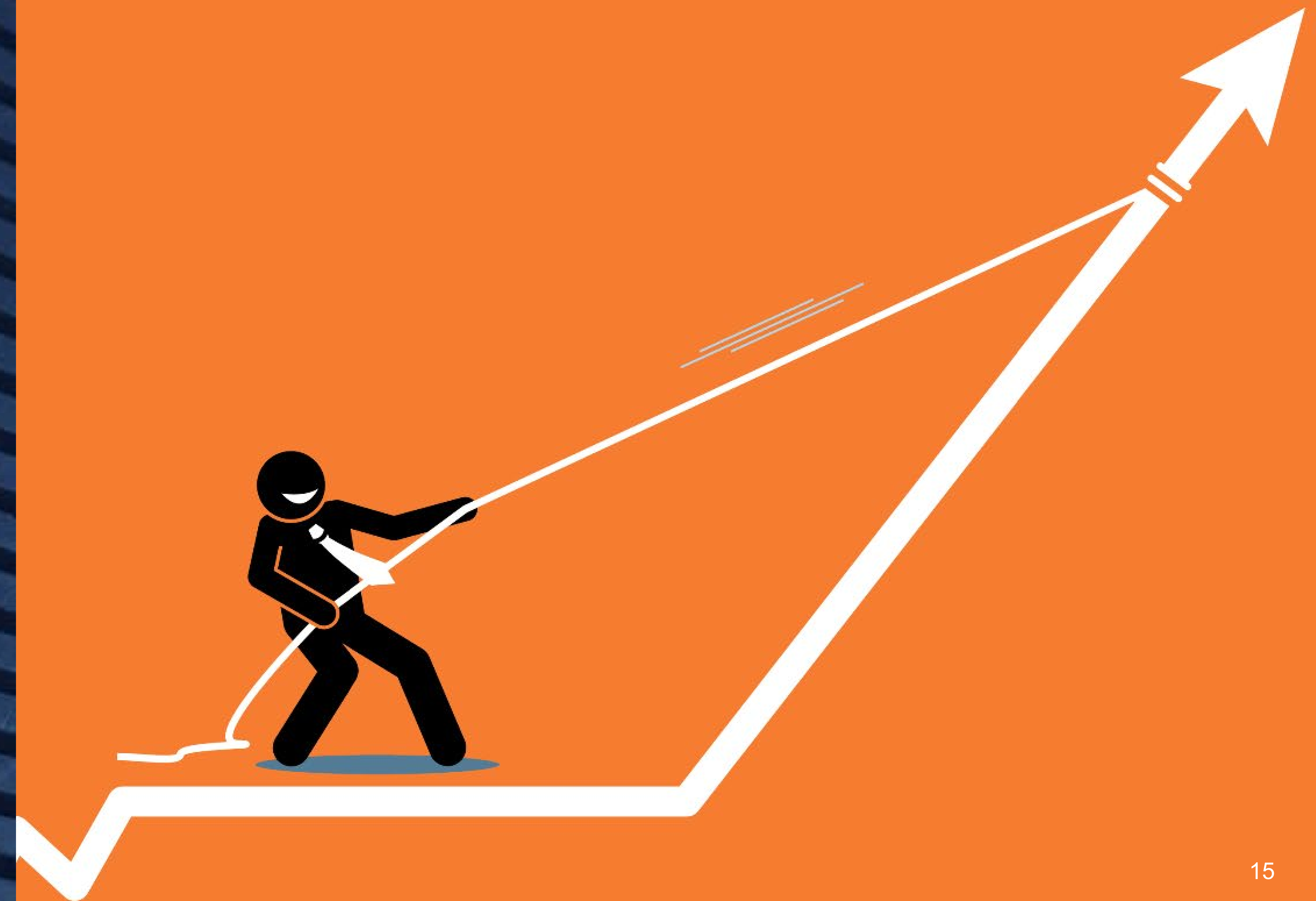
Companies emerging from bankruptcy can also be a source of undervalued situations

- Such companies often suffer from a lack of analyst coverage, as well as a general stigma. This can cause them to temporarily sell below their intrinsic value.
- However, these situations can be quite profitable for long-term patient investors.

CATALYSTS FOR CAPITAL APPRECIATION

An inexpensive stock is not enough—we also look for an **identifiable catalyst that can boost a company's stock price** within a *reasonable* period of time:

- Presence of excessive cash or financial capacity that could lead to capital being returned to shareholders
- Potential management changes
- Accretive acquisitions
- A company controlled by an octogenarian who has no heir apparent



Competitive Advantage

- Our proprietary research publications drive the investment process*
  - *Asset Analysis Focus*
  - *Boyar's Micro Cap Focus*

- For over four decades, we have composed detailed investment theses for the consumption of (and scrutiny by) highly sophisticated investors

Boyar's Intrinsic Value Research LLC. Publishes *Asset Analysis Focus* & *Boyar's Micro Cap Focus.*

The
Scotts Miracle-Gro
Company

(SMG, $102.89)*

Estimate of Intrinsic Value: $192
Upside: 87%

*closing price as of 5/09/22

Scotts Miracle-Gro (SMG, $102.89)

Estimate of Intrinsic Value: $192 Upside: 87%

Sales	$4.92B
Market Cap	$5.63B
EV	$9.42B
EBIT	$932.6B*

*pre corporate amount

Scotts Miracle-Gro (SMG, $102.89)

Estimate of Intrinsic Value: $192 Upside: 87%

US Consumer Business 78%

Hawthorn 18%

Other 4%

% of 2021 EBIT *

*pre corporate amount

Scotts Miracle-Gro

Competitive Advantage/Demographic Trends

Pandemic Beneficiary

Shares Under Pressure

Capital Allocation

Potential Catalysts

Valuation

Strong market shares and brand recognition for their traditional business driven by years of advertising support.

Traditional consumer business should be aided by increased millennial home ownership.

Hawthorne is their business in indoor/hydroponic gardening primarily geared towards the cannabis business. They are the #1 player and proprietary products expected to generate 70% of sales shortly.

Scotts Miracle-Gro

Competitive Advantage/Demographic Trends
Pandemic Beneficiary
Shares Under Pressure
Capital Allocation
Potential Catalysts
Valuation

During FY 2020, the "mature" U.S. consumer segment reported a whopping 24% increase in sales, well above the Company's 1%-3% long-term growth expectations for the business while sales at Hawthorne increased by 61%. The strong momentum continued into FY 2021.

SMG estimates that over 20 million new consumers have entered the lawn and garden category during the pandemic. SMG surveys suggest that 86% of these new consumers intend to stay in the category, with the majority of returning new customers planning to spend more. (Consumers who built raised bed gardens in their back yards will continue to have these gardens residing in their yards.)

Scotts Miracle-Gro

Competitive Advantage/Demographic Trends

Pandemic Beneficiary

Shares Under Pressure

Capital Allocation

Potential Catalysts

Valuation

Shares have declined by ~ 59% since April 2021 due to

1. Increased capital investment
2. Gross margin pressure
3. Capital allocation uncertainty
4. Poor performance of Hawthorne due to cannabis oversupply issues
5. Difficult comparisons
6. Poor weather has resulted in a slow start to the 2022 gardening season

Scotts Miracle-Gro

Competitive Advantage/Demographic Trends
Pandemic Beneficiary
Shares Under Pressure
Capital Allocation
Potential Catalysts
Valuation

The CEO and his family own ~26% of the company.

SMG’s strong cash flow has enabled them to delever significantly.

Has a history of paying special dividends and opportunistically buying back shares.

Scotts Miracle-Gro

Competitive Advantage/Demographic Trends

Pandemic Beneficiary

Shares Under Pressure

Capital Allocation

Potential Catalysts

Valuation

- Spinout of Hawthorne
- Prospect for outsized buybacks as Hawthorne stabilizes
- Prospect for cannabis banking reform

Scotts Miracle-Gro

Competitive Advantage/Demographic Trends

Pandemic Beneficiary

Shares Under Pressure

Capital Allocation

Potential Catalysts

Valuation

SMG- Estimate of Intrinsic Value

	Value ($MM)
U.S. Consumer @ 14x 2024E EBITDA	$10,981
Hawthorne @ 15x 2024E EBITDA	$4,000
Other @ 10x 2024E EBITDA	$219
Corporate Expense @ 8x 2024E Amount	($1,602)
2024E Net Debt (average amount)	($2,050)
Equity Value	$11,548
2024E Shares Outstanding	59.9
Estimate of Intrinsic Value (Per Share)	**$192**
Implied Upside to Intrinsic Value Estimate	**~87%**

Warner Bros. Discovery

(WBD, $17.10)*

Estimate of Intrinsic Value: $45.52
Upside: 166%

*closing price as of 05/09/22

Warner Bros. Discovery (WBD, $17.10)

Estimate of Intrinsic Value: $45.52 Upside: 166%

Sales	$45.5B
Market Cap	$42.36B
EV	$54.15B
Adj. EBITDA	$10.85B

Warner Bros. Discovery

Attractive Business Model
A Compelling Collection
Shares Under Pressure
Contrarian Viewpoint
Global Linear Business
Potential Catalysts
Valuation

- Consumers have proven to value and pay for TV and film content over long periods of time.
- WBD boasts first rate IP across genres that gives it a competitive advantage in both traditional and modern distribution channels.
- The costs and challenges of running a global IP company limits the number of operators with sufficient scale, which should reduce future competition and improve pricing dynamics.
- Multiple monetization methods (advertising/subscription etc.) reduces the consumer cost and increases the market size

Warner Bros. Discovery

Attractive Business Model
A Compelling Collection
Shares Under Pressure
Contrarian Viewpoint
Global Linear Business
Potential Catalysts
Valuation

- Largest library with ~200k hours of video content.
- Leading content portfolio, both scripted and unscripted.
- Available in 50 languages across 220+ countries and territories.
- High quality production capabilities of Warner Bros Studio.
  - #1 TV studio by revenue and volume.
  - #2 movie studio by box office 11 of the last 12 years.
- Premium sports rights in U.S., Europe, and Latin America.

Warner Bros. Discovery

Attractive Business Model
A Compelling Collection
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Contrarian Viewpoint
Global Linear Business
Potential Catalysts
Valuation

- Former AT&T shareholders received ~73% of the combined company (Discovery share count increased ~3.6x) and many have no interest in owning a company that does not pay a dividend (indiscriminate selling).

- WarnerMedia previously undermanaged and there may be challenges for a successful integration following AT&T's ownership.

- Concern over escalating content costs, increasing competition in non-fiction and uncertainty about streaming market size and profitability (Netflix).

- High leverage (~4.6x gross debt/EBITDA) coupled with outsized exposure to linear networks that are experiencing subscriber declines.

Warner Bros. Discovery

Attractive Business Model
A Compelling Collection
Shares Under Pressure
Contrarian Viewpoint
Global Linear Business
Potential Catalysts
Valuation

- Discovery's management has demonstrated disciplined high-ROI content spend and ability to use multiple monetization methods (advertising, affiliate, subscription etc.).
- Well-regarded long-term media investors John Malone (former Discovery Chairman) and Advance/Newhouse agreeing to collapse their voting/preferred stock to support the merger.
- Netflix's growth challenges are unique given its high penetration and its margin targets (~20% EBITDA for the next 24 months) will reduce competitive content spending pressures.
- WBD's streaming penetration is low and ad-supported increases the market opportunity.
- WBD's linear networks are highly profitable and can offset the impact of subscriber declines given negotiating leverage with distributors and low advertising CPMs (~30% below broadcast).
- WBD's financing terms are very attractive (~80% fixed rate, 4.5% cost of debt, weighted average maturity ~14 years) and management has a successful de-leveraging history (Scripps).

Warner Bros. Discovery

Attractive Business Model
A Compelling Collection
Shares Under Pressure
Contrarian Viewpoint
Global Linear Business
Potential Catalysts
Valuation

- News, sports, scripted and unscripted - combined portfolio addresses key programming genres of the linear ecosystem.
- Significant overlapping and duplicative expense base can be rationalized to drive efficiency.
- Portfolio positioned as stronger partner to distribution partners, with significant negotiating leverage for affiliate increases.
- Combined company pay TV portfolio reach can compete with the reach of broadcast networks at a substantial CPM discount.

Warner Bros. Discovery

Attractive Business Model
A Compelling Collection
Shares Under Pressure
Contrarian Viewpoint
Global Linear Business
Potential Catalysts
Valuation

- WBD is "very confident" in achieving leverage target of 2.5-3x gross debt/EBITDA within 24 months.
- Continued DTC subscriber growth, including successful launch of comprehensive "ad-lite" and advertising-supported services.
- Realization (and surpassing) $3 billion cost synergy target.
- Resumption of share buybacks as leverage approaches targeted levels.

Warner Bros. Discovery

- Attractive Business Model
- A Compelling Collection
- Shares Under Pressure
- Contrarian Viewpoint
- Global Linear Business
- Potential Catalysts
- **Valuation**

	Amount ($MM)
Linear @ 8x 2023E EBITDA	$78,446
Warner Bros. @ 10x 2023E EBITDA	$25,664
Direct-to-Consumer @ 3x 2023E Revenue	$44,545
Minority Interest @ 10x 2023E Distributions	$(2,540)
Cash (2023E)	$6,041
Debt (2023E)	$(41,916)
Equity Value	$110,240
Diluted Shares (2023E)	2,422
Intrinsic Value per Share	$45.52
% Upside	166%
Implied P/FCF ($8.4 billion guidance)	13.1x

Bank of America (BAC, $36.37*)

52-Week High: ($50.11)

Below 52-Week High: (27%)

Valuation: 1.7X TBV

Upside to Intrinsic Value: 57%

- Leading domestic market share in consumer banking deposits ($1+ trillion) allows for low-cost funding source (0.02% rate paid on deposits in 1Q 2022).
- *Responsible Growth* strategy has resulted in excellent credit quality and the lowest loan charge-off rate in 50 years.
- Return of loan growth (+8% YoY in 1Q 2022) and net interest income (NII) growth (+13% YoY), combined with a stabilizing expense base, leads to increasing operating leverage.
- BAC capital levels have remained strong and allow for outsized share repurchases and dividend increases.

*priced on 5/09/2022

Comcast Corporation (CMCSA, $39.76*)

52-Week High: ($61.80)

Below 52-Week High: (35%)

Valuation: **7.3x EV/EBITDA**

Upside to Intrinsic Value: **106%**

- Shares have faced pressure as investors have been focused on slowing broadband net additions, which were strong during the pandemic as demand was pulled forward.
- Comcast has recently reached its targeted leverage levels (net debt/EBITDA) of ~2.3x and we would expect share repurchases to be outsized due to the Company's strong free cash flow generation with $15.5 billion expected to be generated during 2022.
- Comcast's various non-cable businesses (theme parks, film studio, Sky) were pressured during the pandemic, but should be aided going forward as conditions begin to normalize.
- At current levels, investors are effectively acquiring a top-notch cable business at a heavily discounted valuation (~8.0x 2023E EBITDA), and are being paid ~$14 a share in addition to receiving an additional ~$30 a share in additional value, representing the Company's NBCU and Sky businesses, for free.
- Comcast has increased its dividend for 14 straight years including an 8% increase in January 2022. We believe dividend increases are likely going forward.

*priced on 5/09/2022

Levi Strauss & Co. (LEVI, $17.25*)

52-Week High: ($30.47)

Below 52-Week High: (43%)

Valuation: 8.2x EV/2022E EBITDA

Upside to Intrinsic Value: 91%

- LEVI has successfully diversified its business into higher margin categories and distribution channels including women's and direct-to-consumer (DTC) via company stores and online.
- Management has made a concerted effort to expand its business with financially healthy retailers (Target, Amazon, etc.) and/or ones where it can sell premium-priced products (Dick's Sporting Goods, Nordstrom, Bloomingdales', etc.).
- Recent cost actions during the pandemic ($100 million in annual savings) coupled with increased sales from higher margin categories and distribution channels enabled LEVI to reach its 12%+ operating margin objective in 2021 (ahead of schedule) and we believe further margin expansion is likely.
- LEVI will likely be the beneficiary of a new denim cycle (looser, baggier fits) and the fact that nearly 40% of consumers experienced a waist size change during the pandemic (both up and down).
- Ongoing selling by descendants of Levi Strauss in the wake of the company's 2019 IPO, ostensibly due to diversification purposes, has increased liquidity of the Company's publicly traded class A shares and should enable LEVI to attract a wider investor base.
- LEVI's boasts an extremely strong balance sheet, with leverage (total debt/EBITDA) of just 1.2x, which should enable it to both invest for long-term growth and facilitate outsized returns to shareholders via dividends (current yield 2.1%) and share buybacks.

*priced on 5/09/2022

Callaway Golf Company (ELY, $18.32*)

52-Week High: ($37.75)
Below 52-Week High: (51%)
Valuation: 9.9x EV/2022E EBITDA
Upside to Intrinsic Value: 107%

- ELY completed the acquisition of the remainder of TopGolf, a fast-growing entertainment concept, that it didn't already own (~85%) at a very favorable valuation during the middle of the pandemic.
- TopGolf operates an attractive business model with numerous growth opportunities including international expansion that should generate a high-margin licensing revenue stream and a high-margin and capital light business (TopTracer) that offers its technology to driving ranges for a fee where there is a long runway for future growth.
- Callaway should be the ongoing beneficiary of the golf industry's resurgence during the pandemic, which has had a favorable impact on attracting new golfers and increasing participation.
- Callaway's golf ball business, an attractive consumable business within its golf equipment segment, has boosted its market share to over 20%, up from less than 10% over the past 10 years under current management.
- Recent share repurchases ($25 million completed in 1Q 2022) and a second round of insider purchases by key executives in March 2022 including CEO Brewer ($345k; $21.50/share) and CFO Lynch ($326k; $21.73/share) reinforce our view that Callaway's shares are trading at an attractive valuation.

*priced on 5/09/2022

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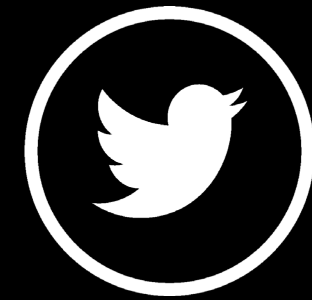

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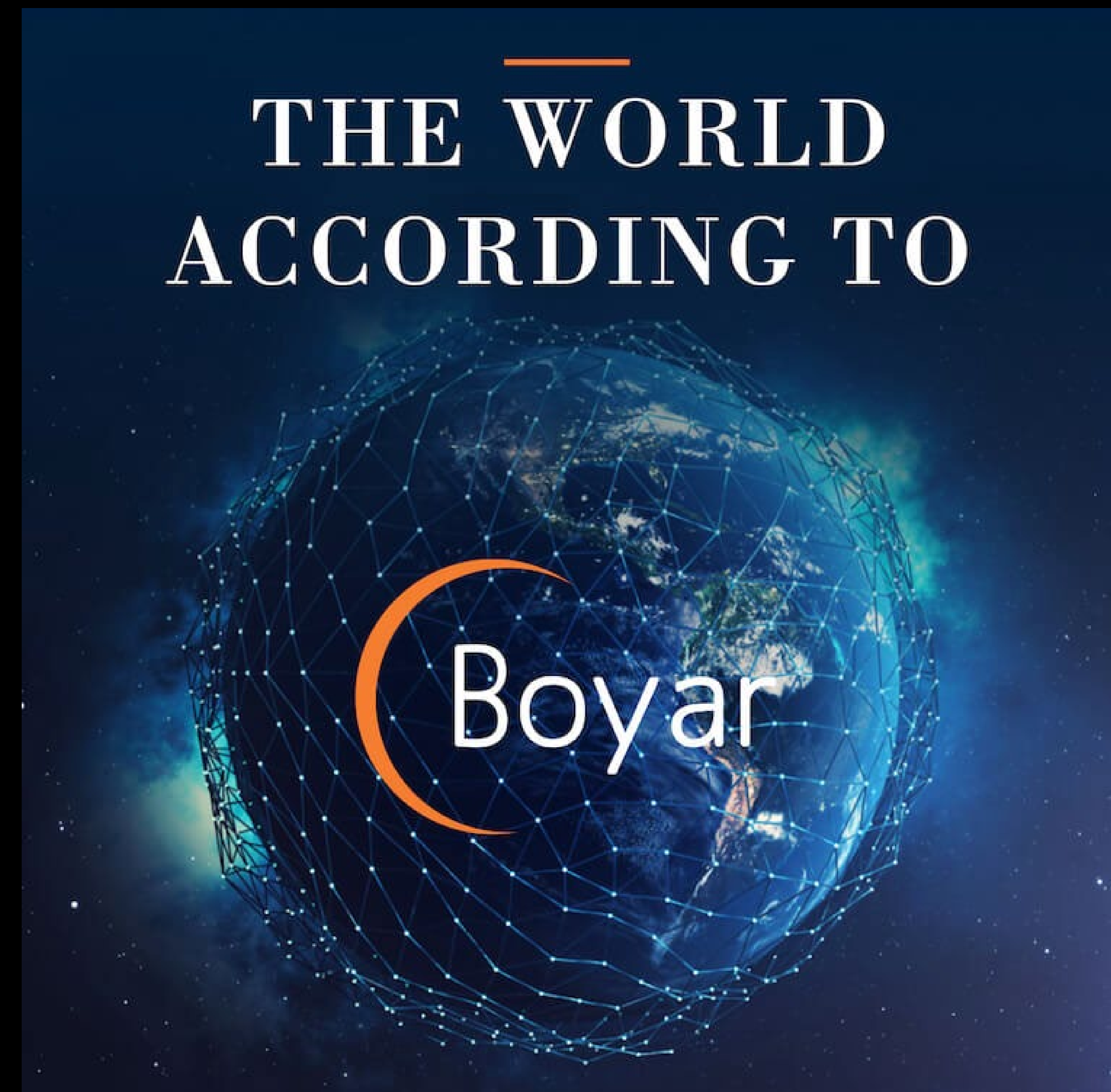

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