AGORA FINANCIAL

MAYER'S 100x CLUB

— Searching for Stocks That Could Return 100-to-1 —

Boyar: Great Businesses + Patience = Strong Returns

Dear Member,

You know how I like to talk to other investors I respect and admire. I like to see what they're thinking and what their favorite ideas are.

Well, last week, I spoke with Jonathan Boyar, the president of Boyar's Intrinsic Value Research. He gave me a few ideas and also offered to give readers of *Mayer's 100x Club* a discount on their coveted *Forgotten Forty* report.

If you are a longtime reader, this may ring a familiar bell.

Back in December 2013, I interviewed and wrote about Jonathan's dad, Mark Boyar. Mark has been at the investing game since 1968. He's been publishing his *Asset Analysis Focus* since 1975 and managing money since 1983.

As I wrote back then, Mark is an inspiration to me in my own efforts. (Next time I head to New York, I plan to get together with him.)

And you might remember the idea the Boyars gave us back then: Madison Square Garden. That stock has since more than doubled.

There is quite a bit of overlap in how they think about investing and how we think about it. As Mark summed it up recently: "We look for great businesses that have temporarily lost their way, as opposed to looking for cyclical stocks that are cigar butts that are not really great businesses but get mispriced…"

"We are reluctant sellers," Mark told me in 2013. "We sell only when things really eclipse the valuation we put on these companies." (And he's not kidding. The turnover in his fund was just 5% a year. This implies an average holding period of 20 years! Unrealized gains represented about 70% of the value of the fund at the time.)

In short, great businesses mixed with time equals outstanding returns.

The hardest part of that is giving stocks time. People are impatient, and their emotions make them trade more than they should. In his Q3 letter to shareholders of his Boyar Value Fund, Mark shared some wisdom on this front amid the market's August/September swoon.

"On an emotional level, nobody likes stock market corrections," he wrote. "However, they are an integral part of the investing process, and without them, one could never experience outsized future gains. How deep and long the current slide will be is anybody's guess, but we have learned the prudent approach is to stay the course, have ample cash reserves and the courage to use them when stocks go on sale."

As Mark put it, "An investor should remember it is time in the market and not market timing that counts." Watching stock prices melt can be intolerable and draining. The easy way to stop the pain is to sell, which is often a mistake.

"Missing just a handful of days can be injurious to your long-term financial well-being," Mark wrote. He notes how costly it can be to miss the up days. If you started with $100,000 and missed just the five top-performing days in the market over the 20-year period from 1994-2013, your $100,000 would've turned into $386,550. Not bad, but if you stayed put, you would've had $582,287.

One more excerpt from Mark's letter, which covers an important idea:

> "Remember that the price of a stock on any given day is merely what someone is willing to pay for it. It has nothing to do with the true value of the company. So you buy regardless of what is happening in the world. In most instances, you will never buy at the low, but if you are valuing the business accurately and buy it at a steep enough discount to its private market value, over time you will compound at a very satisfactory rate. Investors eventually recognize business value, and if not, a buyer of the entire enterprise will emerge."

Patience is the key to the kingdom of investing heaven.

Now back to Jonathan.

***** Another Double in the Making**

Jonathan and I talked about the market and lots of ideas. I'll share one of his favorites with you here: Tribune Media Co. (TRCO).

Yes, that Tribune. After emerging from bankruptcy in 2012, Tribune spun off its publishing business in the summer of last year. Tribune reminds me a lot of the setup with Madison Square Garden. You have a pile of assets and many ways to increase value.

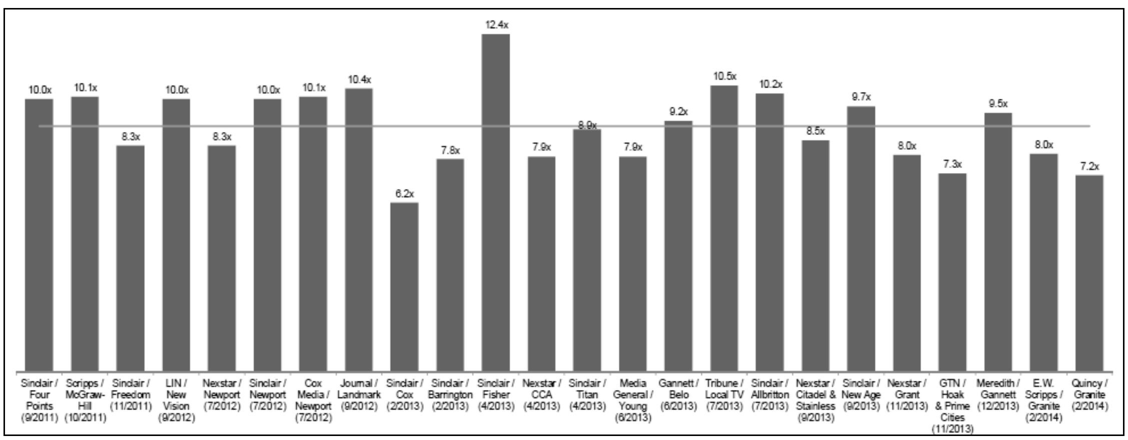
Tribune is a holding company that owns a portfolio of media assets. It has TV stations (39 owned), which reach 44% of U.S. households. It owns WGN, a cable network reaching 73 million. It also stakes in the Food Network (31%), CareerBuilder (32%) and Gracenote (a subscription-based business). And to cap it off, Tribune owns a large real estate portfolio (8 million square feet) and valuable wireless spectrum.

Boyar estimates that the intrinsic value of all these assets, net of debt, is about $85 per share. The stock is just $37.50 today.

I won't share all the details of this estimate. Suffice it to say there is much support in their valuations of each of the pieces. (Their report runs 24 pages.) The TV stations are the most important driver and make up most of that value estimate. Boyar values the networks at 9x average estimated EBITDA for 2016/17. (EBITDA is a broad earnings measure and good for comparing firms across the same industry.)

This 9x figure is based on transactions over the last four years. This next chart may be hard to read, but it gets the point across.

Average Blended Seller EBITDA Multiple of ~9.0x



Source: Company filings, SNL Kagan and Wall Street research via Gray Television, Inc., March 2013

By Boyar's estimate, Tribune should generate strong free cash flow. About half of this will go toward debt reduction and half for share repurchases. Boyar estimates that Tribune could deploy nearly $600 million in share buybacks, retiring 9% of the shares.

Based on Boyar's track record, I would pay careful attention to this idea. Boyar has more than a triple in Madison Square Garden and still owns it. Tribune, in some ways, looks like Madison Square Garden all over again.

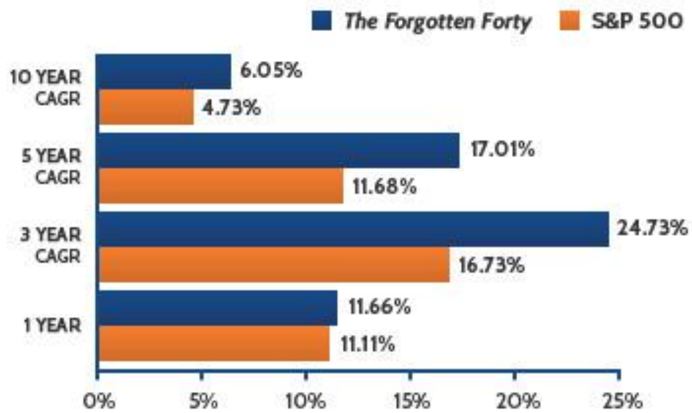
As a footnote to Madison Square Garden, Boyar finds greater upside in the spinoff of MSG Networks (MSGN), which trades for around $20 per share. In their October update, Boyar estimated MSGN would generate $480 million in free cash flow over the next three years (over 30% of its current market cap). It will use these cash flows to retire debt and repurchase shares. They peg intrinsic value at $35 per share. The stock is just $20.

Now we get to the *Forgotten Forty*…

***** The Forgotten Forty**

This is an annual report that Boyar puts together every year. It includes the 40 most attractive stocks in Boyar's investment universe. This report has a tremendous track record. This year, the Forgotten Forty are up over 7% through Nov. 20, well ahead of the market.

Here's the track record over the last 10-, five-, three- and one-year periods against the market (S&P 500):



This is why I'm happy to share their work with you.

Jonathan has kindly agreed to give readers of *Mayer's 100x Club* a 15% discount on the price of the upcoming *Forgotten Forty* Report, which covers the best stocks to own for 2016. You can claim that discount here.

This offer expires Dec. 16, so act soon.

If you can't swing that, please at least take advantage of the three free reports Jonathan agreed to make available to you. All you need to do is give him your name and email address here.

I hope you enjoy the ideas he shared, the free goodies and the Forgotten Forty! I'm working through TRCO and MSGN myself. And I await, like a little kid eager to unwrap a Christmas present, the new *Forgotten Forty*.

Thanks for reading.

Sincerely,

Chris Mayer