Liberty Braves Tracking Stock (BATRK)

A Marriage of Professional Sports and Real Estate, Trading at ~86% of NAV

Expected Returns from $15.50 Share Price (as of 7/19/16)

Target Date	*Target Price*	*Total Return*	*CAGR*
YE 2017	21.30	37%	23.6%
YE 2019	23.12	49%	12.1%
YE 2021	23.76	53%	8.1%
YE 2026	34.26	121%	7.8%

(See Section V.A herein for calculations; excludes potential dividends or share repurchases)

Ever wanted to own a professional sports team? How about a professional sports team with a brand new stadium and multipurpose real estate development project attached? There's no way a random Joe off the street would be able to get in on such an opportunity, normally reserved for the likes of Jerry Jones or the Steinbrenners, correct? And even if such an opportunity somehow arose, it would only be offered well above the price any rational person would pay. Right?

Wrong.

Meet BATRK, the tracking stock issued by Liberty Media Corporation with respect to its ownership interest in Major League Baseball's (MLB) Atlanta Braves and associated assets. BATRK is one of three separate tracking stocks issued by Liberty Media to its shareholders in April 2016 (the other two tracking (i) Liberty's holdings of SiriusXM stock and (ii) the remainder of Liberty Media's holdings, mainly consisting of its substantial stake in Live Nation). Specifically, BATRK consists of the following: (x) Liberty Media's 80% ownership of the Atlanta Braves National League baseball club (note that 20% remains with LMCA), (y) the Braves' 30-year rights to use the new stadium opening next season in Cobb County, GA, called SunTrust Field (along with a below market purchase option for same at the end of lease term) and (z) the Braves' joint venture ownership interest in a mixed-use real estate development that will be situated adjacent to SunTrust Field.

What is truly notable about BATRK is not just that it consists of the above-mentioned unique assets. What is notable is that anyone with an online trading account can become a part owner of these assets at just under 86% of their actual value. Talk about a home run… a veritable steal (sorry, couldn't resist). BATR up!

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I. Investment Highlights

A. Liberty Media Tracking Stocks

In late 2015, Liberty Media Corporation (or LMC; see SEC filings here) decided to issue three tracking stocks, or trackers, to each of which specific assets and liabilities of the overall corporate entity would be attributed. The stated rationale was to separately highlight the value of LMC's underlying assets and thus reduce the discount in the company's market value to the sum of the constituent parts. As CEO Greg Maffei stated at Liberty Media's November 2015 Investor Day:

> We're going to create through the attribution of certain assets in LMC, three tracking stocks: *first*, the Liberty SiriusXM group, which will track our 60.7% interest [in SiriusXM]; [*second*, the] Liberty Braves Group, which will track the Atlanta Braves and include a bunch of associated real estate developments, including the stadium and a mixed use facility…. And [*third*] will be the Liberty Media Group, which will track our remaining assets, including our roughly 34.4% interest in Live Nation and…a 20% inter-group interest in the Liberty Braves. So, effectively we're only going to track 80% [at the Liberty Braves Group] and keep 20% over on this side of the ledger [at Liberty Media Group].

On April 15, 2016, each holder of old LMC stock (which had three outstanding series of common shares) received one newly issued share of the corresponding series of Liberty SiriusXM common stock (tickers LSXMA, LSXMB and LSXMK, respectively); one-tenth of a newly issued share of the corresponding series of Liberty Braves common stock (tickers BATRA, BATRB and BATRK, respectively); and one-quarter of a newly issued share of the corresponding series of Liberty Media common stock (tickers LMCA, LMCB and LMCK, respectively). Please note that the pros and cons of tracking stocks generally and the respective series of Liberty trackers are discussed in more depth in subsection C below and Section VI (Risk Factors) herein. For simplicity's stake, references herein will be to BATRK, since it is the most liquid of the three Liberty Braves trackers.

Upon issuance, BATRK shares took an abrupt dive from $27 to around $14 within 8 trading days, as holders of old LMC shares, who apparently were in the stock for its SiriusXM stake, decided to divest themselves of the sports-related and other assets (note that LSXMK shares actually increased from $28 to around $33 during the same period). Following this initial liquidation, shareholders seem to have settled down and BATRK has rebounded to around $15.50, despite undergoing a $200 million rights offering in June at a 20% discount to the then market value of the stock.

B. Current Valuation based on Sum of the Parts (SOTP)

The Liberty Braves Group can relatively easily be valued based on the sum of its constituent parts. Rather than reinventing the wheel, inserted below is just such a SOTP calculation provided by Liberty Media in preparation for the distribution of the BATRK tracking shares.

Introducing the Liberty Braves Group

- What are we tracking?
  - Atlanta Braves baseball team
    - Liberty Media took ownership in 2007
      - Exchanged 68.5m shares of TWX for the Atlanta Braves, Leisure Arts and $960m in cash
      - Forbes value $458m at time of exchange; Liberty's basis inherited from Time Warner Inc.
  - SunTrust Park
    - $672m ballpark to be built in Cobb County, GA
  - The Battery Atlanta
    - Mixed-Used Development Project to drive incremental traffic
      - $558m mixed-use complex featuring:
        - Up to 400,000 square feet of restaurant and retail space
        - 600 upscale residences
        - 265-room Omni hotel
        - Nine-story regional headquarters for Comcast that will employ more than 1,000 people
- Tracking stocks distributed April 15th
  - Trading under ticker symbols BATRA/B/K
  - Each holder of Liberty Media Corporation common stock received 0.1 of a share of corresponding series of Liberty Braves Group
- Planned $200m rights offering for BATRK common stock

LIBERTY Braves GROUP

Liberty Braves Group at Project Completion

Atlanta Braves valuation(1) = $1,175
Mixed-Use, Net Equity(2) = $200
Cash(3) = $96
PF Debt (ex Mixed Use)(4) = $(347)
____
Gross Asset Value = $1,124
Liberty Media Group 20% Interest(5) = $(225)
____
NAV = $899

1. *For illustrative purposes, Forbes enterprise valuation as of March 2016. Includes value of new ballpark, but excludes equity in non-baseball assets (i.e. Mixed-Use development).*
2. *Pro-forma for proposed $200m Rights Offering.*
3. *Includes $61m in attributed cash per Liberty Media Corporation's proxy materials filed 2/18/16; adjusted for $200m in proceeds from Rights Offering less repayment of $165m Inter-Group Note.*
4. *12/31/15 debt balance excluding ballpark/mixed-use of $17m plus ballpark debt at completion.*
5. *Inter-Group Interest not reflected in outstanding share count of Liberty Braves Group.*

(Source: Liberty Braves 2016 Investor Day Presentation, page 3).

As can be seen above, if one adds the current value of the Braves (including the new stadium) with the Liberty Braves Group's equity investment (at cost) in the mixed-use JV development and the Liberty Braves Group's cash on hand, we get $1.471 billion. Subtract the Liberty Braves Group's aggregate debts of $347 million and the value of the 20% stake in the Braves retained at LMCK, and we arrive at a net asset value (NAV) of just about $900 million.

C. Margin of Safety Calculation

So far, so good. But how does the $900 million NAV compare with the market value of the Liberty Braves Group stock? Do we actually have any margin of safety in the event that the NAV is overstated by the company?

The market capitalization of the Liberty Braves Group as of the close of business on July 19, 2016 was as follows:

BATR Series	O/S Shares	Share Price ($)	Pro Forma Capitalization ($)
BATRA	10,227,693	16.00	163,643,088
BATRB	987,096	16.15	15,941,600
BATRK	38,117,167	15.50	590,816,089
			770,400,777

(Share count: See LMC's 2016 proxy statement, page 5, and LMC 6/24/16 press release regarding rights offering)

Thus one may currently purchase an equity interest in the Liberty Braves Group (BATRK) at a 14.3% discount to the Liberty Braves NAV of $899,000,000, calculated on a *pro forma* basis for the recently completed rights offering.

But is this discount justified? Some might argue that BATRK deserves a conglomerate discount, a tracking stock discount or a tax leakage discount. To take these one at a time:

- A conglomerate discount may exist when too many disparate assets are housed under one roof, creating an information vacuum regarding the individual assets and/or a lack of confidence that the assets will be managed properly (thus preventing a full valuation based on the sum of the parts). However, Liberty Media specifically meant to address the conglomerate discount through the issuance of the three separate trackers. Going forward, Liberty Media's financials will break out each tracked group separately, providing investors with more granular detail on what they own. In addition, most of the assets owned Liberty Media (excepting the Liberty Braves assets) are passive equity stakes in other publicly-traded companies, minimizing the risk of mismanagement due to lack of focus, as each such holding has its own management team and board of directors.
- A tracking stock discount can exist because the assets attributed to each tracked group within a single corporate structure are not legally separate. This means that creditors of the assets of one tracked group could potentially seize the assets attributable to another tracked group. With total equity of $18 billion versus total liabilities of $12.2 billion, however, LMC's balance sheet as of the end of Q1 2016 does not reflect an overly levered capital structure. In addition, LMC's equity-method investee companies have been consistent cash generators with relatively low capex requirements, and therefore are not likely to experience financial distress anytime soon (see LMC's most recent consolidated cash flow statements here and here).
- Finally, a tax leakage discount to NAV might exist if the underlying assets held by an entity have a low tax basis, causing large capital gains taxes if and when the assets are eventually sold. Liberty Media acquired the Braves in 2007 from Time Warner, but inherited Time Warner's tax basis via a tax-advantaged asset exchange (see here and here for details). As Time Warner

had acquired the team from Turner Broadcasting in 1996, this means that Liberty's current tax basis is likely quite low. However, Liberty Media's controlling shareholder John Malone has proven quite an expert over the years at avoiding taxes (see here for one recent example) and would likely utilize every legally permissible measure to do the same with respect to any sale of the Braves. In addition, any such sale is likely years into the future (certainly at least until 2018 when the mixed-use real estate development becomes fully stabilized), reducing the impact of any tax payment on a present value basis.

In sum, while under normal circumstances discounts to NAV of 15% or more might be reasonable for a plodding conglomerate, the current ~15% NAV discount for the Liberty Braves seems excessive given the unique factors at play (tracking stock issuance, largely passive equity holdings, strong balance sheet and cash flows and Malone tax-avoidance dexterity). Should either a conglomerate discount or tracking stock discount persist with respect to LMC's trackers, though, CEO Maffei would likely exploit the situation for the benefit of shareholders by repurchasing the undervalued shares using LMC's ample cash flows.

II. Description of NAV Individual Components

A. Atlanta Braves Baseball Franchise

Forbes recently valued the Atlanta Braves at $1.175 billion:

Atlanta Braves

Team Value[1] **$1,175 M**

Team Value calculated March 2016

At a Glance

Owner: **Liberty Media**

Championships: **3**

Price Paid: **$400 M**

Year Purchased: **2007**

Revenue[2]: **$266 M**

Operating Income[3]: **$27.8 M**

Debt/Value[4]: **0%**

Player Expenses[5]: **$125 M**

Gate Receipts[6]: **$49 M**

Wins-to-player cost ratio[7]: **87**

Revenue per Fan[8]: **$35**

Forbes Lists

#13 MLB Team Valuations

Numbers

Valuation Breakdown

Sport[9] **$334 M**

Market[10] **$507 M**

Stadium[11] **$201 M**

Brand[12] **$139 M**

Source: Forbes. Revenue and operating income are for 2015 season and net of revenue sharing and stadium debt service.

1. *Value of team based on current stadium deal (unless new stadium is pending) without deduction for debt (other than annual stadium debt).*
2. *Net of stadium revenues used for debt payments.*
3. *Earnings before interest, taxes, depreciation and amortization.*
4. *Includes stadium debts.*
5. *Includes benefits and bonuses.*
6. *Includes club seats.*
7. *Compares the number of wins per player payroll relative to the rest of the MLB.*
8. *Local revenues divided by metro population with populations in two-team markets divided in half.*
9. *Portion of franchise's value attributable to revenue shared among all teams.*
10. *Portion of franchise's value attributable to its city and market size.*
11. *Portion of franchise's value attributable to its stadium.*
12. *Portion of franchise's value attributable to its brand.*

Assuming Forbes is accurate, the value of the franchise has nearly tripled over the past 9 years, from $458 million when Liberty purchased the team (see here) to $1.175 billion, representing a CAGR of 11% during that period. A separate data point confirmatory of such a valuation would be Nintendo's recent sale of a majority interest in the Seattle Mariners at a valuation of approximately $1.4 billion. Given that Nintendo purchased the Mariners in 1992 for $100 million, the sale price indicates that the Mariners' franchise value has increased by 11.6% per annum during the past quarter century, slightly above the 11% CAGR for the Braves. Even if one excludes the Mariner's ownership interest in the Seattle regional sports network (RSN), the team is still estimated to be worth $1.2 billion, representing a CAGR of 10.9% since 1992. (Note that the Braves games are televised on Fox Sports South, which is 100% owned by 21st Century Fox (FOXA).) Atlanta represents the 11th largest metropolitan area with over 6 million residents (expected to increase to over 7 million over the next decade), while Seattle is 13th with around 4.5 million residents. Thus, it would be reasonable to assume that the Braves are indeed worth at least as much as the $1.2 billion ascribed to the Mariners (ex- its RSN ownership stake). Note also the sale of the Dodgers in 2012 for $2 billion to a group including Magic Johnson and former Braves president Stan Kasten as reflective of the increased value of MLB teams (Forbes now places the team's valuation at $2.5 billion).

Interestingly, while most teams have seen their payrolls increase dramatically over the past 15 years (as an example, the Dodgers' payroll rose from $88 million in 2000 to $273 million in 2015, a CAGR of 7.8%), the Braves' payroll has barely budged, increasing just $19 million during that timespan, from $85 million to $98 million, a CAGR of just 1% (see historical payroll data here). Of course, in 2000 the Braves went 95-67 and won their division, whereas in 2015 they finished the mirror opposite at 67-95, just 4 games out of last place (thanks Phillies!). Unsurprisingly, attendance at Braves games has plummeted, dropping from about 40,000 per game in 2000 to 25,000 per game last year, and down a further 3,266 fans per game through the 2016 All Star break (as of this writing, the Braves were 31-60, dead last and 24.5 games behind first place Washington). The combination of a terrible team and lame duck stadium has caused many fans to throw in the towel over the past few years. The team's payroll will obviously need to increase in order for the Braves to become competitive after the new stadium opens next year. However, the renewed budgetary discipline evidenced under Liberty's ownership should allow the team to become quite profitable once SunTrust Park is finished and the real estate development is up-and-running.

In addition, the Braves were previously hampered by a dreadful local television contract signed back in 2007. Here is one journalist's description of the deal (from the Atlanta Journal Constitution (AJC) in 2013):

> The Braves deal, negotiated as the team was being sold by Time Warner to Liberty Media in 2007, is believed to be worth less than $20 million annually to the team. Some have said that figure is closer to $10 million annually, which would place it at the bottom of the major league scale.

Fortunately, the team was able to renegotiate its TV contract starting with the 2014 season. Again as per the AJC:

> "Through some good work at the management of the Braves and a confluence of events, [the Braves] were able to renegotiate positively

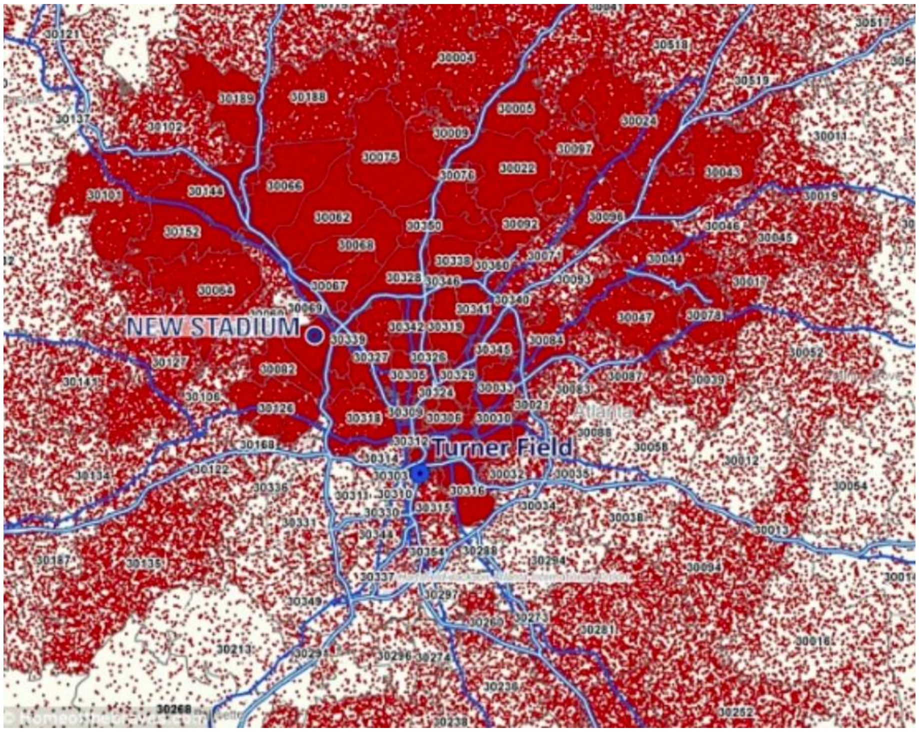
> a bunch of those (TV) rights and receive probably in the order of $500 million of incremental revenue over the life of the contracts," [Liberty Media CEO] Maffei said. "So that's been very positive. ... That adds a lot of value, even on a present value basis, to the Braves." Maffei said the Braves' TV deals originally ran through 2027, but he didn't say how long the renegotiated deals run.

If we simplistically assume that the renegotiated TV deal raised the Braves' television revenues by an incremental $35 million per year from 2014 through 2027 ($500 million divided by the 14 seasons remaining on the contracts—note that in all likelihood the increases were probably more back-end weighted), this would still have left their recent local TV revenues well below league average. Adding $35 million to the $10 to $20 million estimate above would result in $45 to $55 million per year in 2014. In comparison, the Astros in 2013 were receiving approximately $80 million per year under their local TV contract, while the Padres were receiving $60 million annually (per the first AJC article linked above). Taking the $70 million midpoint of these two contracts as representative of what the Braves *should* have been receiving by 2014, this means the Braves were (and probably still are) approximately $15 to $25 million per year undercompensated.

Next, assuming a 5% CAGR for MLB local TV revenues from 2013 going forward (which does not seem out of the question, considering that advertisers in a DVR-, OTT- and multi-screen saturated world increasingly value live sports), one can project what a new Braves local television contract might look like when the team's existing deal ends (for simplicity, it is assumed the end date did not change due to the above-mentioned renegotiation). By 2027, the Braves should garner around $140 million per year ($70 million increasing by 5% per annum from 2013 to 2027), more than 3X what they likely received in 2014. Viewed as a $140 million annuity growing at 5% annually, this amount could reasonably be capitalized at 20X (10% cost of capital less 5% growth rate), or $2.8 billion in aggregate. Discounting back from 2027 to the present at a 10% rate, this revenue stream alone would be worth nearly $1 billion, or fairly close to current Forbes valuation for the entire team.

B. SunTrust Park

The Braves are building a brand new baseball stadium in Cobb County, GA, called SunTrust Park, at a total cost of over $650 million. The stadium will (i) be ideally situated within the team's fan base, as opposed to 20-year-old Turner Field, which is located in Atlanta proper (at the southern tip of the fan base), and (ii) have advanced seating and entertainment options, each as shown below.



(Source: Liberty Braves 2016 Investor Day Presentation, pages 30-31).

Furthermore, the Braves will benefit from extensive taxpayer-financed infrastructure improvements around the stadium:

(Source: [Liberty Braves 2016 Investor Day Presentation](), page 31).

In addition, the new stadium will boast 3,800 premium seats (out of 41,500 total), versus just 163 such seats at Turner Field. Sponsors will include such blue-chip companies as SunTrust, Coca-Cola, Chik-fil-A and Delta. The team will have a 30-year lease on SunTrust Field, with the right to purchase the stadium at the end of the lease term for 50% of its fair market value.

The key terms of the lease are set forth in the bullet points below:

Lease Structure

Term/Extension Rights
- Term of the Stadium Operating Agreement ("SOA") is 30-years through 2046
- Braves have right to extend term for an additional five years through 2051

Operating Rights
- Subject to Cobb County's rights to conduct up to three special events per year, Braves have exclusive right to use, manage and operate SunTrust Park and the right to retain all revenues in connection therewith
- Braves rights include the rights to sell all tickets, merchandise, suites, concessions, sponsorships, advertising, naming rights and all other revenue streams associated with SunTrust Park

License Fee
- Braves pay to the Authority an annual license fee of $3m and an additional $3.1m to the Authority which may be used by the Authority solely to fund debt service on its bond debt for SunTrust Park
  - Braves obligation to pay the $3.1m fee goes away when the bond debt is retired.

Capital Maintenance Fund
- Braves and Authority agree to fund capital repairs on SunTrust Park on a 50/50 basis subject to Authority cap
  - Annual limit of $1.59m and aggregate limit of $35m over 30-year term on Authority's obligations to fund capital repairs

Option to Purchase
- County does not have right to sell SunTrust Park without Braves' consent
- During the Term, Braves have right to purchase SunTrust Park (subject to repayment of the County Bonds) from the County at a to be negotiated price
  - Braves also have option to purchase SunTrust Park at the end of the term for 50% of the then current fair market value

Non-Relocation
- In consideration of the rights granted to the Braves under the SOA, the Braves have agreed to play all of its home games at SunTrust Park for 30 years

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(Source: Liberty Braves 2016 Investor Day Presentation, page 28).

C. Mixed Use Development

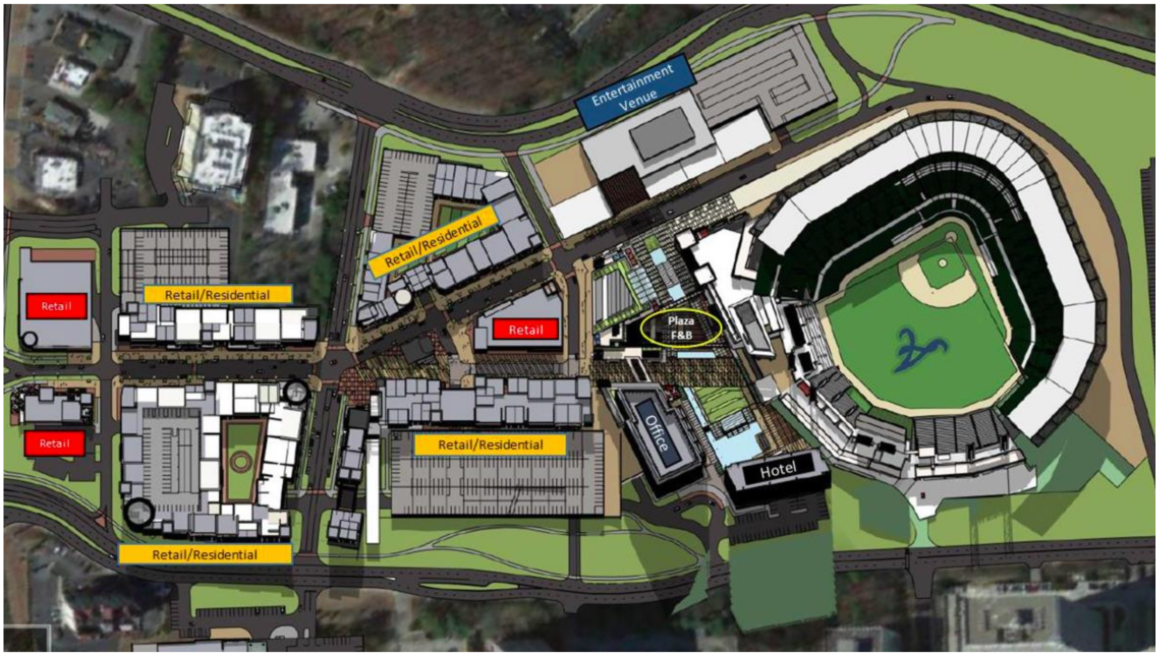
Finally, the $899 million NAV calculation includes $200 million for the Braves' equity interest in a mixed-use real estate development in the area surrounding SunTrust Field, called "The Battery Atlanta". This development will include a hotel, shopping, office space and residential real estate, as shown in the overview below:

The Battery Atlanta Overview

- The new home of the Braves will be located in a brand new mixed-use development that will feature SunTrust Park as its central fixture
- The Braves envision the development as a sought-after location delivering unique shops, restaurants and entertainment venues, that fans can enjoy throughout the year
- Potential for significant off-season revenue streams from major events that could be staged at SunTrust Park including concerts, speeches and festivals
- The mixed-use community is planned to consist of:
  - Up to 400,000 square feet of restaurant and retail space
  - Approximately 600 upscale residences
  - A 265-room hotel
  - A nine-story Comcast office tower that will employ more than 1,000 individuals

(Source: Liberty Braves 2016 Investor Day Presentation, page 36).

Below is an aerial view of the layout of the development:



(Source: [Liberty Braves 2016 Investor Day Presentation](), page 39).

The Braves organization will own 86% of the retail and residential space, 100% of the office space (to be tenanted by Comcast) and 50% of the hotel (an Omni). Also included in the development will be a live event entertainment venue in partnership with Live Nation (also a Liberty investee), with the Braves organization retaining a 100% ownership interest therein.

III. No, Baseball Is Not Dying

A. Assessment of Baseball's Popularity in Recent Years

Much has been made of the fact that the NFL is now the most popular professional sports league in North America. This is indisputable. For example, Bloomberg ran a poll in 2015 that concluded that two-thirds of Americans believe that football, rather than baseball, is the country's new "national pastime". However, does that mean that baseball is a permanently dying sport? As evidence that it may be, a 2013 Wall Street Journal article entitled "Why Children Are Abandoning Baseball" detailed that youth participation in baseball declined from 8.8 million to 5.3 million from 2000 to 2013, a massive drop of 40%. Based on this statistic, one could logically conclude that in 50 years major league baseball will simply cease to exist (no interest = no players = no professional league). However, it appears that the decline in youth participation is more the result of the specialization of skills among young athletes (i.e., focusing on a single sport at an early age, rather than playing multiple sports) than an overall lack of interest in the game. As the WSJ article notes, the number of youths on *travelling* teams, or those with higher skill levels, has increased dramatically in recent years:

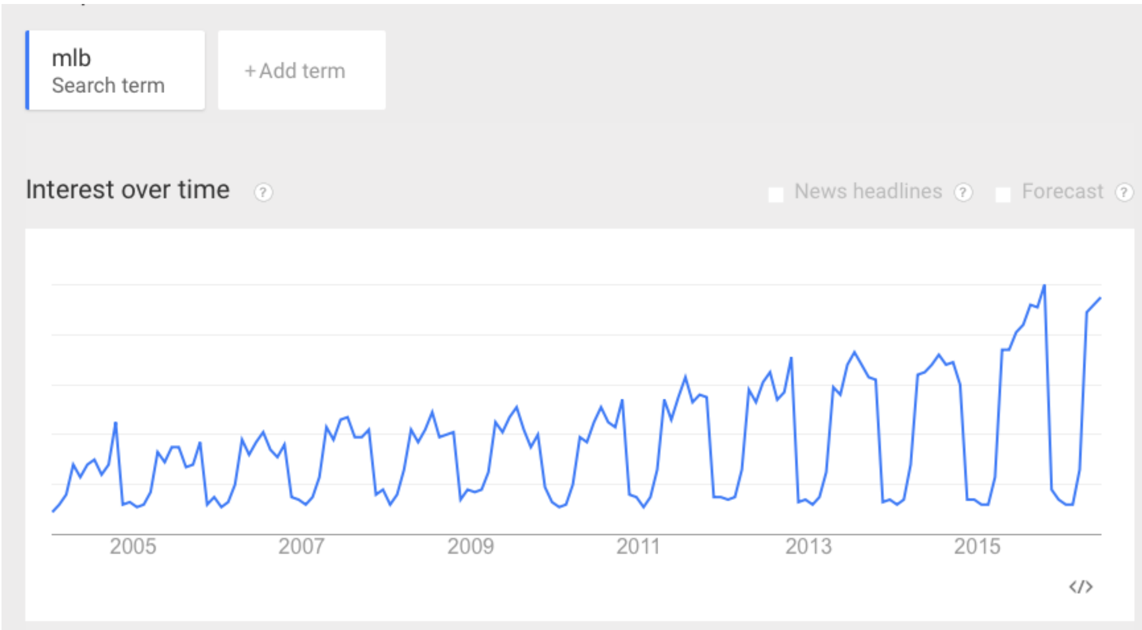
> While neighborhood games become increasingly scarce, year-round travel teams have never been more prevalent. The U.S. Specialty Sports Association, the dominant organizing body for travel baseball, said it has around 1.3 million players spread across 80,000 teams, *more than double what it had 10 years ago*. The company's website includes national rankings for teams in age groups that begin at "4 and under." *(emphasis added)*

But what about the fan base? Given the fall in youth participation rates since 2000, one might expect to see a consequent decline in attendance at MLB stadiums. Based on actual attendance figures, though, no such decline has occurred. Compare the attendance numbers from 2000 with the attendance numbers from 2015:

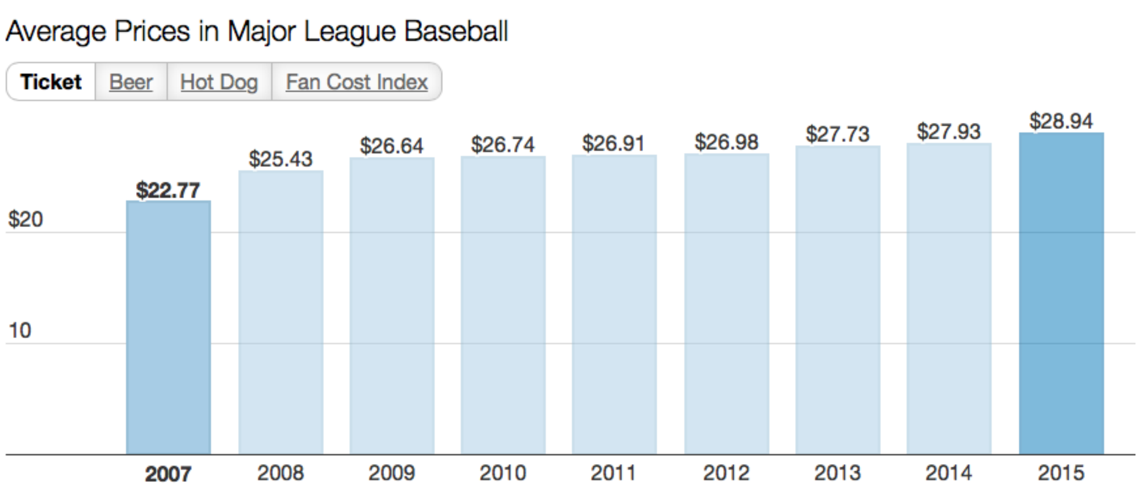
- In 2000, the team with the highest average attendance was Cleveland with 42,670 per game, the team with the lowest average attendance was Montreal with 11,435 per game, total attendance was 71.4 million and the average attendance was 29,377.

- In 2015, the team with the highest average attendance was the Dodgers with 46,479 per game, the team with the lowest average attendance was Tampa Bay with 15,322 per game, total attendance was 73.7 million and the average attendance was 30,362.

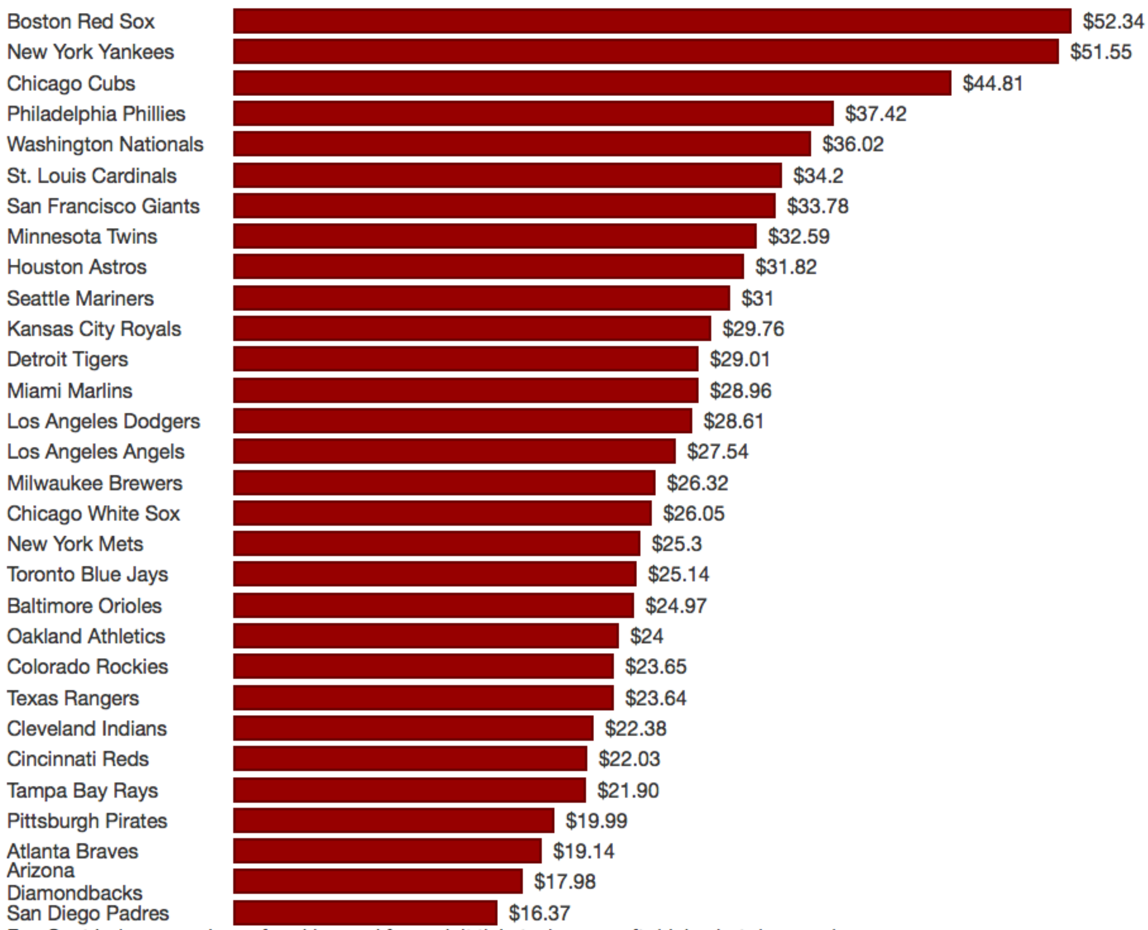
Thus it appears that attending live MLB games has actually increased in popularity over the past decade and a half, indicating that interest in the sport is far from waning. Anecdotally, a search on Google Trends for "MLB" also shows a gradual increase in interest in major league baseball in recent years, at least within the digital realm:



Baseball has also been relatively recession-proof. Average attendance in 2009 was 30,223, about 6.7% below the average attendance for 2008 of 32,380 and barely below 2015's figure of 30,362. Significantly, this was not the result of discounted ticket prices; as shown below, prices actually *increased* 4.75% from 2008 to 2009 (and have further increased since then) *(source)*:



Baseball's pricing power is key. But it is even more important for the Braves because they currently languish near the bottom of the majors in ticket price. The opening of SunTrust Park next year should be a huge revenue boost for the team. Below is the 2015 average ticket price by team, excluding premium seating—just getting up to the Angels' price level would increase the Braves' non-premium ticket revenues by a whopping 44% (not even accounting for higher expected attendance levels at the new stadium):



B. Demographics Favor Baseball

Baseball is increasingly becoming an international game. As of opening day 2015, over a quarter of active MLB players (230 out of 868) were born outside the United States (*source*), led by the Dominican Republic with 83 players and Venezuela with 65. With population growth approximately 75% higher than that of the United States, the DR and Venezuela should be a plentiful source of baseball talent for many years to come. A showcase for the international appeal of the game will occur next March, when the fourth World Baseball Classic will be held. While currently a small event compared to, say, the Ryder Cup for golf or the Olympics for basketball, the World Baseball Classic provides an interesting opportunity for the game to further increase its appeal globally.

In addition, the large representation of Latino players in the majors (estimated at 29% in 2015) bodes well for the sport's long-term health, given the increasing Hispanic population in the United States generally. This stood at 53 million in 2014, up from 47.7 million just four years earlier. Moreover, the Hispanic population is expected to double over the next 35 years, to 106 million (*source*). Importantly (for both teams and advertisers), Hispanics represent a younger demographic than other ethic groups. According to Pew Research Group, "Hispanics, with a median age of 29 years, are younger than most other racial or ethnic groups. By comparison, the median age for non-Hispanic blacks is 34; it's 43 for non-Hispanic whites and 36 for Asians". The growth of the Hispanic population in the United States is actually quite negative for football (of all sports), since among that demographic football is much less popular than among non-Hispanics, per the table below (*source*):

Americans' Favorite Sport, by Race/Ethnicity

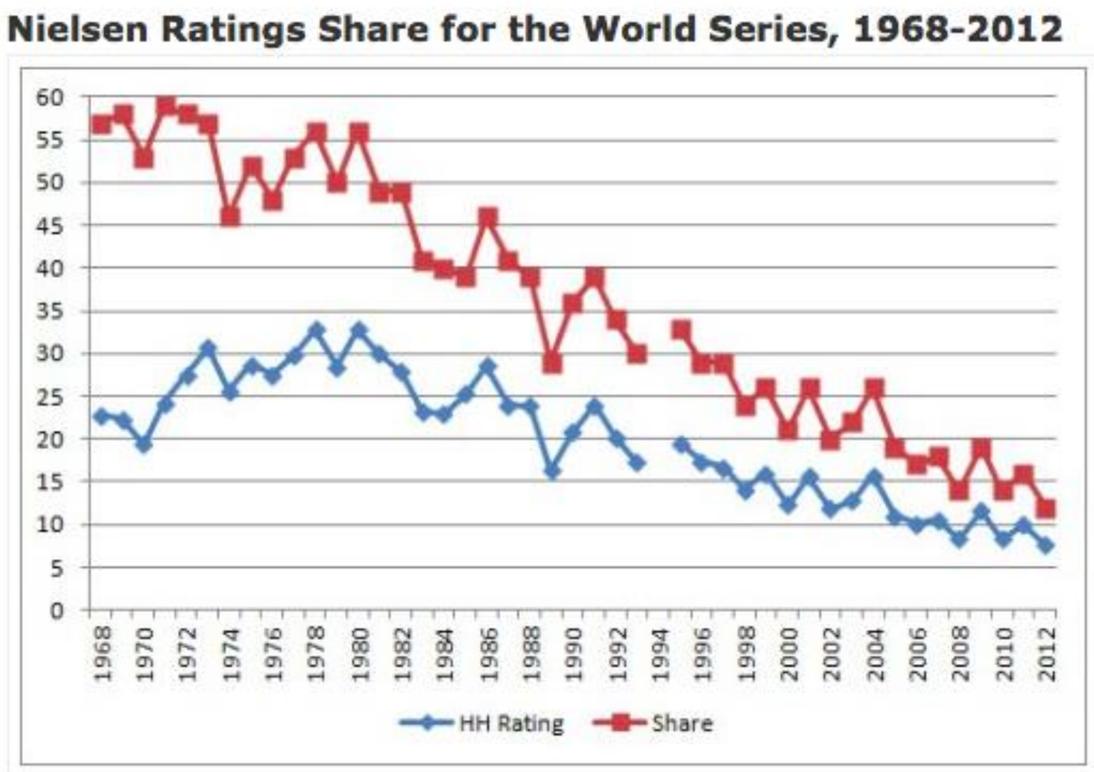
What is your favorite sport to watch, if any?

	All Americans	White, non-Hispanic	Black, non-Hispanic	Hispanic
	N= 1,009	*675*	*132*	*114*
Football	**38**	**43**	**44**	14
Basketball	11	8	29	15
Baseball	9	10	4	11
Soccer	8	3	5	**28**
Ice hockey	5	6	1	2
Auto racing	6	8	0	6
Tennis	1	1	3	*
Golf	1	1	0	0
Boxing	1	1	1	2
Something else	5	3	4	8
None/Don't watch sports	13	15	10	13
Don't know/Refused	1	1	0	*
Total	100	100	100	100

Source: January 2016 PRRI/RNS Survey.

C. Television Contracts / Ratings "Decline"

Much ink has also been spilled describing the seemingly inexorable decline in television ratings for baseball (see, for example, here, here, here and here). The ratings declines appear to confirm the "Baseball Is Dying" thesis. One chart summarizes the thesis succinctly:



(Source)

Clearly, baseball is a dying sport if its share of the TV audience for World Series games has plummeted from 60% in the early 1970s to just 10% recently, right?

Not necessarily. Obviously, in an era before cable, when viewers had just three or four choices on a single screen, one would logically expect the ratings to be much higher than in an era where viewers have hundreds of channels—not to mention multiple other screens (such as smartphones, laptops and tablets)—to choose from in their leisure hours. Unlike the NFL, baseball has largely migrated from the national networks and ESPN to the various regional sports networks. And on the RSNs, baseball ratings have been increasing, not decreasing. One article from Forbes last year noted that "25 of the 29 [domestic MLB teams] rated #1 on cable while one-third of the league ranked #1 across all networks during the season in prime time, making baseball the key summer content for advertisers". So while ratings for national events like the World Series and All-Star Game are clearly down, the underlying strength in regular season games in local markets is undeniable, as these games dominate the cable ratings.

IV. Professional Sports & Real Estate = Wide Moat Investing

A. Buffett on Monopolies

As a famous investor once noted, "in an inflationary world…a toll bridge would be a great thing to own if it was unregulated…because you have laid out the capital costs. You build the bridge in old dollars, and you don't have to keep replacing it." In such an ideal scenario, the monopolist may consistently raise prices, because the consumer *must* use the monopolist's product (in the case of a toll bridge, because it is the only means for a commuter of getting from point A (home) to point B (work), and back again). The lack of competition is key, allowing for windfall profits for the monopolist. Buffett has similarly extolled this kind of pricing power with respect to Berkshire Hathaway holding See's Candies:

> "What we did know was that [See's] had share of mind in California. There was something special. Every person in California has something in mind about See's Candy and overwhelmingly it was favorable...If we can get that in the minds of people, *we can raise prices*." *(emphasis added)*

Such is the case with major league baseball. The league is a giant toll bridge that any person wanting to watch professional baseball in the United States or Canada, either in person or on television, must pay to cross. Due to its 140-year history and its tradition as the "national pastime", baseball obviously has "share of mind" in North America with respect to sports. For the baseball fan there is no alternative to choose from, hence it is a legal, unregulated monopoly (obviously, minor league baseball is available in certain markets, but this—by definition, being "minor" versus "major"—is not a comparable product). There is also little overlap between the schedules of MLB and those of the NFL, NBA and NHL; for the most part, MLB has the summer sports calendar largely to itself, except for every four years when the Olympics are held.

Most monopolies are hated by their customers, and for good reason. Consider your local cable company: the service is usually quite bad, the employees never seem to have any motivation, and there is simply nothing you can do about it. If you want to watch cable television and you don't have access to satellite television, you have just one choice and have to pay up. Now consider baseball. It is a monopoly that is actually loved by its customers. In fact, it is so beloved that its customers give it large amounts of free advertising, through word of mouth and by wearing MLB-logoed clothing. In fact the "share of mind" of baseball is so strong in this country that the greatest NBA player in history, Michael Jordan, decided to give up his own sport at the height of his powers in order to try to become a professional baseball player. He did this, he said, because it was always his father's dream for him to become a professional baseball player. This evidences that the MLB is not just a toll road, its emotional ties run much deeper than that.

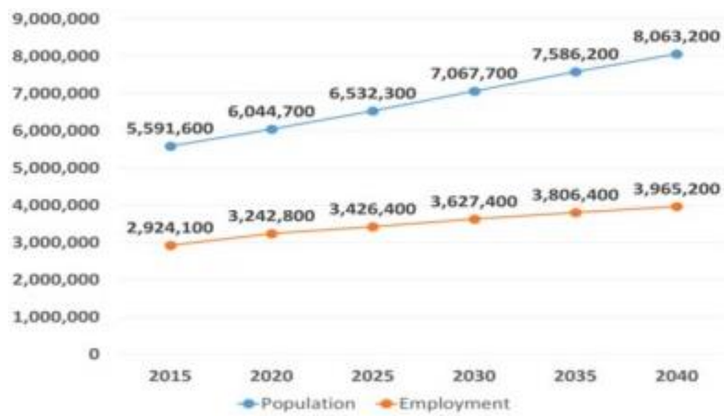
B. Professional Baseball is a Legally Sanctioned Monopoly

The MLB has enjoyed a legal protection from antitrust laws courtesy of Supreme Court decisions dating back to 1922 (see Federal Baseball Club v. National League), with the most recent affirmation of that precedent coming in the 1972 case of Flood v. Kuhn. In *Flood*, the Court stated that "[t]he longstanding exemption of professional baseball from the antitrust laws…is an established aberration…that is entitled to the benefit of *stare decisis*. Removal of the resultant inconsistency at this late date is a matter for legislative, not judicial, resolution". Moreover, even if the MLB did not enjoy a legal monopoly, it is highly unlikely that a rival league would be able to threaten it (in fact, none has successfully since 1901, when the American League officially became a "major league"). Would Cubs fans suddenly start rooting for the Chicago Baracks (to coin a team name)? Would Yankee fans suddenly start rooting for the New York Trumpians? Impossible. Anyone doubting this should observe the fate of the last professional sports league that threatened one of the "Big Three" (NFL, MLB and NBA), the USFL. It folded after only three seasons, even while winning its antitrust case against the NFL. A rival professional baseball league, in fact, has not threatened Major League Baseball since 1960, when the nascent Continental League was formed; significantly, this league never completed a single game. Thus, the odds that another professional baseball league will seriously threaten the MLB in the foreseeable future are basically zero. Besides, what star player currently making $10 million a year or more would risk such a sure thing to gamble on an upstart league that might go bust at any moment and start bouncing paychecks?

As one example of the power inherent in Major League Baseball's monopoly position (and hence its business model), take the case of the Washington Nationals. MLB had a floundering franchise in Montreal for many years. Instead of tolerating endless losses in this part of the business, MLB simply moved the franchise from Montreal to Washington, DC and rechristened it the Washington Nationals. The Nationals are now a thriving and very popular franchise, after just one decade of existence (Forbes values the team at $1.3 billion). In essence, MLB was able to turn one of its weakest points into a strong point. And they basically did it overnight.

C. Demographics of Atlanta / Cobb County

Below is the projected population and employment growth for the Atlanta metro region through 2040:



(Source)

The new stadium will be situated in Cobb County, GA, a fairly affluent county. Below are select demographics for Cobb County as of the 2010 census, per Wikipedia:

> "As of the 2010 United States Census, there were 688,078 people, 260,056 households, and 175,357 families residing in the county. The racial makeup of the county was 62.2% white, 25.0% black or African American, 4.5% Asian, 0.3% American Indian, 0.1% Pacific islander, 5.3% from other races. Those of Hispanic or Latino origin made up 12.3% of the population. The median income for a household in the county was $65,522 and the median income for a family was $78,920. About 7.6% of families and 10.6% of the population were below the poverty line."

A median family income of around $79,000 bodes well for the success of the new stadium, as a family of four should easily afford a night out at the new stadium (for around $200 total) several times per year. In addition, the mixed-use development should be an additional draw for even non-baseball fans.

D. Revenue & Valuation Uplift From New Stadiums / Mixed Use Developments

New stadiums typically result in substantial team revenue increases, as can be seen from the following examples:

Recent MLB Stadium Rebuilds

Stadium	Team	Year Built	Cost ($m)	Yr 1 Revenue Uplift[2]
Marlins Park	Marlins	2012	$515	32%
Target Field	Twins	2010	$435	31%
Citi Field	Mets	2009	$688	3%
Yankee Stadium	Yankees	2009	$1,100	18%
Nationals Park	Nationals	2008	$611	20%
Busch Stadium	Cardinals	2006	$365	12%
Average				**19%**

Recent NFL/NHL Stadium Rebuilds

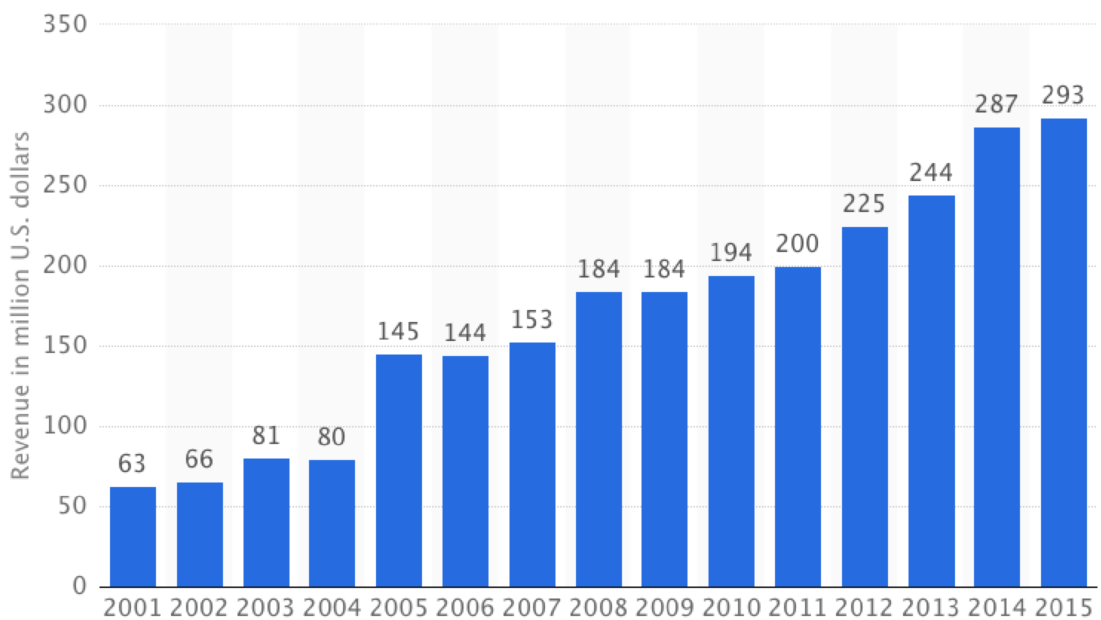
Stadium	Team	Year Built	Cost ($m)	Yr 1 Revenue Uplift[2]
Levi's Stadium	49ers	2014	$1,200	58%
MetLife Stadium[1]	Giants & Jets	2010	$1,400	21%
Cowboys Stadium	Cowboys	2009	$1,200	50%
Consol Energy Center	Penguins	2010	$321	21%
Prudential Center	Devils	2007	$375	49%
Average				**28%**

Note: Data sourced from Forbes and reflects their estimates and methodology
(1) Represents combined Giants and Jets revenue.
(2) Total team revenue uplift according to Forbes data, calculated net of arena revenues used for debt payment.

6

(Source: [Liberty Braves Investor Day Presentation](), p.6)

Nationals Park, which opened in 2008, offers one data point to consider. The team had moved to DC from Montreal three years earlier and was sold to the Lerner family in 2006 for $450 million. The new stadium improved the club's revenues by 20% in the first year it was opened. Even though the stadium opened on the eve of the Great Recession, there has been no drop in overall team revenues in any year since 2008:



([Source]())

In addition, the area around the stadium has become much more valuable. [According to the Washington Post](), what used to be "a mix of industrial facilities, after-hours clubs and vacant lots" transformed into a gentrified urban neighborhood within just four years of the stadium's opening:

Now the restaurants and attractions are coming, and quickly. Construction is underway at the waterfront development of old Navy Yard facilities known as the Yards, and nearly a dozen restaurants are on the way: Austin Grill Express, Buzz Bakery, Brb (Be Right Burger), Huey's 24/7 Diner, Kruba Thai & Sushi, Potbelly Sandwich Works, Willie's Brew & 'Que and a brew pub called Bluejacket by the Neighborhood Restaurant Group, operators of Vermilion, Churchkey and Rustico. All of them should be open by this fall.

Next year, Harris Teeter will open a grocery store at Fourth and M streets, with 220 apartments on top. The developer, Forest City Washington, is one of a number of companies planning or building high-end apartments in the area, such as its 170-unit Foundry Lofts. Two-thirds of the neighborhood's residents are renters, according to the Business Improvement District, and more than half of residents are ages 22 to 35.

E. Potential Valuation for Mixed-Use Real Estate Development

The Braves joint venture will control 74 acres contiguous to SunTrust Field. Should the mixed-use development evolve in a manner similar to the area around Nationals Park, it would be likely to appreciate substantially above its $558 aggregate million cost basis. Using a conservative 6% cap rate, The Battery Atlanta on a stabilized value basis in 2018 could be worth an incremental $4/share to the Liberty Braves valuation (or even higher, using a lower cap rate):

Category	Estimated Cost	Braves Ownership	Estimated NOI	Cap Rate	Stabilized Value (SV)	Braves Share of SV
Retail	120,000	85%	10,000	0.06	166,667	141,667
Multifamily	120,000	85%	10,000	0.06	166,667	141,667
Office	150,000	100%	15,000	0.06	250,000	250,000
Hotel	120,000	50%	10,000	0.06	166,667	83,333
Entertainment Venue	48,000	100%	4,000	0.06	66,667	66,667
TOTAL	**558,000**		**49,000**	0.06	816,667	683,333
Debt funding	290,000				Braves Share Minus Debt	393,333
Equity funding	200,000				Minus Cost Basis	193,333
Third party funding	68,000				Upside / Braves Share	3.94

Note: Dollars in thousands. Numbers may not sum due to rounding. Cost and Estimated NOI amounts are estimates by Seven Corners. Cap rates are illustrative of those attributable to a successful mixed use development—note that according to this source, Q1 2016 actual cap rates for commercial real estate averaged 4.54%, or ~1.5% lower than Seven Corners' example (the lower the cap rate, the higher the stabilized value).

V. Valuation Analysis

A. Historical Financial Data

Below are the attributed financial results of operations and statement of cash flows for the respective Liberty Media tracked groups for the 9 months ending September 30, 2015 (as per the Form S-4 issued for the tracking stocks).

STATEMENT OF OPERATIONS INFORMATION
September 30, 2015
(unaudited)

	Attributed (note 1)			
	SiriusXM Group	Braves Group	Media Group	Consolidated Liberty Media
	amounts in millions			
Revenue:				
Subscriber revenue	$ 2,812	—	—	2,812
Other revenue	548	227	—	775
Total revenue	3,360	227	—	3,587
Operating costs and expenses, including stock-based compensation (note 5):				
Cost of subscriber services (exclusive of depreciation shown separately below):				
Revenue and share royalties	783	—	—	783
Programming and content	191	—	—	191
Customer service and billing	280	—	—	280
Other	98	—	—	98
Subscriber acquisition costs	392	—	—	392
Other operating expenses	53	173	—	226
Selling, general and administrative	511	45	52	608
Depreciation and amortization	240	25	7	272
	2,548	243	59	2,850
Operating income (loss)	812	(16)	(59)	737
Other income (expense):				
Interest expense	(229)	(2)	(13)	(244)
Share of earnings (losses) of affiliates, net	(3)	6	(11)	(8)
Realized and unrealized gains (losses) on financial instruments, net	—	—	(188)	(188)
Other, net	—	—	12	12
	(232)	4	(200)	(428)
Earnings (loss) from continuing operations before income taxes	580	(12)	(259)	309
Income tax (expense) benefit	(252)	3	99	(150)
Net earnings (loss)	328	(9)	(160)	159
Less net earnings (loss) attributable to the noncontrolling interests	139	—	—	139
Net earnings (loss) attributable to Liberty Media stockholders	$ 189	(9)	(160)	20

STATEMENT OF CASH FLOWS INFORMATION
September 30, 2015
(unaudited)

	Attributed (note 1)			
	SiriusXM Group	Braves Group	Media Group	Consolidated Liberty Media
		amounts in millions		
Cash flows from operating activities:				
Net earnings (loss)	$ 328	(9)	(160)	159
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization	240	25	7	272
Stock-based compensation	115	5	27	147
Excess tax benefit from stock-based compensation	(18)	—	—	(18)
Share of (earnings) loss of affiliates, net	3	(6)	11	8
Realized and unrealized (gains) losses on financial instruments, net	—	—	188	188
Losses (gains) on dilution of investment in affiliate	—	—	1	1
Deferred income tax expense (benefit)	225	(5)	(122)	98
Intergroup tax allocation	(3)	2	1	—
Intergroup tax (payments) receipts	—	1	(1)	—
Other charges (credits), net	(5)	2	22	19
Changes in operating assets and liabilities				
Current and other assets	(154)	12	1	(141)
Payables and other liabilities	134	(7)	15	142
Net cash provided (used) by operating activities	865	20	(10)	875
Cash flows from investing activities:				
Cash proceeds from dispositions of investments	—	24	151	175
Proceeds (payments) from settlement of financial instruments, net	—	—	(88)	(88)
Capital expended for property and equipment	(91)	(84)	(1)	(176)
Purchases of short term investments and other marketable securities	—	—	(51)	(51)
Sales of short term investments and other marketable securities	—	—	231	231
Other investing activities, net	—	(10)	(30)	(40)
Net cash provided (used) by investing activities	(91)	(70)	212	51
Cash flows from financing activities:				
Borrowings of debt	1,579	200	—	1,779
Repayments of debt	(688)	(130)	—	(818)
Repurchases of Liberty Media common stock	—	—	(303)	(303)
Contributions (to) / from parent	9	—	(9)	—
Shares repurchased by subsidiary	(1,648)	—	—	(1,648)
Taxes paid in lieu of shares issued for stock-based compensation	(39)	—	(12)	(51)
Excess tax benefit from stock-based compensation	18	—	—	18
Other financing activities, net	—	—	4	4
Net cash provided (used) by financing activities	(769)	70	(320)	(1,019)
Net increase (decrease) in cash and cash equivalents	5	20	(118)	(93)
Cash and cash equivalents at beginning of period	148	11	522	681
Cash and cash equivalents at end of period	$ 153	31	404	588

B. Financial Projections and Intrinsic Value Analysis

Below are calculations of how a new stadium could increase the Braves' ticket revenues over the next decade and a half. Using relatively conservative assumptions, gate receipts should reach the $100 million mark within the next 15 years.

Year	Attendance	Average Ticket	Ticket Revenues
2015	2,001,392	24.50	49,000,000
2016	1,801,253	25.00	45,000,000
2017	2,835,000	27.50	77,962,500
2018	2,693,250	28.19	75,915,984
2019	2,693,250	28.89	77,813,884
2020	2,693,250	29.61	79,759,231
2021	2,693,250	30.35	81,753,212
2022	2,693,250	31.11	83,797,042
2023	2,693,250	31.89	85,891,968
2024	2,693,250	32.69	88,039,267
2025	2,693,250	33.51	90,240,249
2026	2,693,250	34.34	92,496,255
2027	2,693,250	35.20	94,808,662
2028	2,693,250	36.08	97,178,878
2029	2,693,250	36.98	99,608,350
2030	2,693,250	37.91	102,098,559
2031	2,693,250	38.86	104,651,023

Note: 2015 attendance figures are actual amounts per Forbes (see here); 2016 attendance estimated to fall 10% from 2015; for 2017, assumes average attendance of 86% of 41,500 capacity for SunTrust Park and average ticket price of $27.50 (5% below the average 2015 MLB ticket price of $29); for 2018 onwards, assumes average attendance of 80% of 41,500 capacity and a 2.5% annual increase in ticket prices (note that average MLB ticket prices increased at a CAGR of 3% between 2007 and 2015—see Section III.A above).

Next are calculations of how the Braves' local television revenues could develop over the next decade and a half. As indicated in Section 2.A above, the Braves existing local TV contract likely paid the team around $55 million in 2014, with a new, more lucrative contract expected to begin in 2027.

Year	Base TV Revenues	Inflation / Year	Notes
2014	55,000,000	N/A	First year of renegotiated television contract
2015	57,200,000	1.04	
2016	59,488,000	1.04	
2017	61,867,520	1.04	
2018	64,342,221	1.04	
2019	66,915,910	1.04	
2020	69,592,546	1.04	
2021	72,376,248	1.04	
2022	75,271,298	1.04	
2023	78,282,150	1.04	
2024	81,413,436	1.04	
2025	84,669,973	1.04	
2026	88,056,772	1.04	
2027	140,000,000	N/A	First year of new television contract
2028	147,000,000	1.05	
2029	154,350,000	1.05	
2030	162,067,500	1.05	
2031	170,170,875	1.05	

Triangulating the above tables with the fact that, as mentioned above, the team had $243 million in total revenues in 2015, the following is an educated guess at the possible development of aggregate revenues by year through 2031:

Year	Local TV Revenues	Ticket Revenues	Other Revenues	Total Revenues
2015	57,200,000	49,000,000	136,800,000	243,000,000
2016	59,488,000	45,000,000	143,640,000	248,128,000
2017	61,867,520	77,962,500	150,822,000	290,652,020
2018	64,342,221	75,915,984	158,363,100	298,621,305
2019	66,915,910	77,813,884	166,281,255	311,011,049
2020	69,592,546	79,759,231	174,595,318	323,947,095
2021	72,376,248	81,753,212	183,325,084	337,454,543
2022	75,271,298	83,797,042	192,491,338	351,559,678
2023	78,282,150	85,891,968	202,115,905	366,290,022
2024	81,413,436	88,039,267	212,221,700	381,674,403
2025	84,669,973	90,240,249	222,832,785	397,743,007
2026	88,056,772	92,496,255	233,974,424	414,527,451
2027	140,000,000	94,808,662	245,673,145	480,481,807
2028	147,000,000	97,178,878	257,956,803	502,135,681
2029	154,350,000	99,608,350	270,854,643	524,812,993
2030	162,067,500	102,098,559	284,397,375	548,563,434
2031	170,170,875	104,651,023	298,617,244	573,439,142

Note: Amounts in "Other Revenues" column assumed to grow at 5% per annum. Other revenues consist of national TV revenues (including revenues attributable to MLB Network), national and local radio revenues, licensing revenues, digital revenues, concessions, etc. Potential sources of revenue growth include over-the-top (OTT) digital packages and other interactive content, such the MLB Advanced Media initiative.

Using the above calculations we can then project how the team's operating income, and hence its intrinsic enterprise value, might develop over time:

Year	Total Revenues	Player Salaries	Other Opex	Total Opex	Operating Income	Multiple	FCF	Valuation
2015	243,000,000	97,443,604	167,756,396	265,200,000	-22,200,000	-53	-16,930,000	1,175,000,000
2016	248,128,000	86,580,792	159,368,576	245,949,368	2,178,632	562	1,307,179	1,225,000,000
2017	290,652,020	91,775,640	151,400,147	243,175,787	47,476,233	29	18,485,740	1,376,810,760
2018	298,621,305	100,000,000	151,400,147	251,400,147	47,221,157	29	20,332,694	1,369,413,565
2019	311,011,049	106,000,000	151,400,147	257,400,147	53,610,901	28	25,766,541	1,501,105,235
2020	323,947,095	112,360,000	155,942,152	268,302,152	55,644,943	28	28,266,966	1,558,058,403
2021	337,454,543	119,101,600	160,620,416	279,722,016	57,732,527	27	29,159,516	1,558,778,232
2022	351,559,678	126,247,696	165,439,029	291,686,725	59,872,953	26	30,923,772	1,556,696,771
2023	366,290,022	133,822,558	170,402,200	304,224,757	62,065,265	26	32,239,159	1,613,696,888
2024	381,674,403	139,175,460	175,514,266	314,689,726	66,984,677	27	35,190,806	1,808,586,274
2025	397,743,007	144,742,478	180,779,694	325,522,172	72,220,835	28	43,332,501	2,022,183,377
2026	414,527,451	150,532,178	186,203,084	336,735,262	77,792,189	30	46,675,313	2,333,765,673
2027	480,481,807	156,553,465	191,789,177	348,342,642	132,139,166	20	79,283,499	2,642,783,313
2028	502,135,681	162,815,603	197,542,852	360,358,456	141,777,225	22	85,066,335	3,119,098,950
2029	524,812,993	169,328,227	203,469,138	372,797,365	152,015,627	22	91,209,376	3,344,343,804
2030	548,563,434	176,101,357	209,573,212	385,674,569	162,888,865	22	97,733,319	3,583,555,038
2031	573,439,142	183,145,411	215,860,408	399,005,819	174,433,322	22	104,659,993	3,837,533,095

*Note: Amounts in "Opex" column is a combination of player salaries (assumed to jump to $100 million in 2018 and thereafter to grow at 6% per annum through 2023 and 4% per annum after 2023, versus an actual MLB annual increase of 5.34% between 2000 and 2015) plus other expenses (assumed to decline due to completion of the new stadium, before rising 3% per year from 2020 onwards). While the figures in the "Multiple" column are admittedly highly subjective, Forbes values the Cardinals at 27X operating income, the Angels at 32X, the Mets at 35X, the Giants at 31X, the Padres at 27X and the Astros at 16X (for an average of 28X), so the 22X to 30X multiples assigned to the Braves from 2017 to 2031 do not seem to be excessively optimistic (source). Also note that the 30X multiple for 2026 anticipates the improved local TV contract beginning in 2027. Free cash flow = Operating Income * 0.60 (to account for taxes, interest and maintenance capex) minus permanent debt reduction.*

Finally, putting all of the above information together, we obtain the following potential intrinsic valuation calculations for Liberty Braves stock on a year-by-year basis:

Year	80% Share	O/S Net Debt	Outstanding Shares	Intrinsic Value / Share
2015	940,000,000	50,000,000	49,000,000	18.16
2016	980,000,000	50,000,000	49,331,000	18.85
2017	1,101,448,608	40,000,000	49,824,310	21.30
2018	1,095,530,852	32,000,000	50,322,553	21.13
2019	1,200,884,188	25,600,000	50,825,779	23.12
2020	1,246,446,722	20,480,000	51,334,036	23.88
2021	1,247,022,586	15,000,000	51,847,377	23.76
2022	1,245,357,417	10,000,000	52,365,851	23.59
2023	1,290,957,510	5,000,000	52,889,509	24.31
2024	1,446,869,020	0	53,418,404	27.09
2025	1,617,746,701	0	53,952,588	29.98
2026	1,867,012,538	0	54,492,114	34.26
2027	2,114,226,650	0	55,037,035	38.41
2028	2,495,279,160	0	55,587,406	44.89
2029	2,675,475,043	0	56,143,280	47.65
2030	2,866,844,030	0	56,704,712	50.56
2031	3,070,026,476	0	57,271,760	53.60

Note: Liberty Braves tracking stock entitled to 80% ownership interest in franchise; net debt equal to $347 million debt minus $96 million cash minus $200 million equity stake in real estate JV (rounds to $50 million), per Liberty Braves 2016 Investor Presentation; net debt assumed to reduce to zero by 2023; share count assumed to grow at 1% per year; Intrinsic Value / Share = (80% Share of EV minus O/S Net Debt) divided by outstanding shares.

Thus, even without assuming any share repurchases, using reasonable assumptions regarding revenue and expense growth over time and also conservatively assuming that the Liberty Braves equity interest in The Battery Atlanta stays constant at $200 million over time (see Section IV.E above for potential upside here), the intrinsic value of Liberty Braves shares should appreciate from just under $19 by year end 2016 to $53.60 by year end 2031, a CAGR of 7.2%. Based on the market price for BATRK shares of ~$15.50 as of the date of this report, one would expect annual appreciation in the value of the stock to be 7.8% through the end of 2026. In a ZIRP world, this represents an impressive return. Moreover, the Liberty Braves could pay an increasing dividend out of operating cash flows, as there will be minimal capex requirements from 2018 onwards.

But what if instead of paying a dividend the Braves use operating cash flows to repurchase one million shares per year beginning in 2017? Then we would obtain the following results:

Year	80% Share	O/S Net Debt	Outstanding Shares	Intrinsic Value / Share
2015	940,000,000	50,000,000	49,000,000	18.16
2016	980,000,000	50,000,000	49,331,000	18.85
2017	1,101,448,608	40,000,000	48,331,000	21.96
2018	1,095,530,852	32,000,000	47,331,000	22.47
2019	1,200,884,188	25,600,000	46,331,000	25.37
2020	1,246,446,722	20,480,000	45,331,000	27.04
2021	1,247,022,586	15,000,000	44,331,000	27.79
2022	1,245,357,417	10,000,000	43,331,000	28.51
2023	1,290,957,510	5,000,000	42,331,000	30.38
2024	1,446,869,020	0	41,331,000	35.01
2025	1,617,746,701	0	40,331,000	40.11
2026	1,867,012,538	0	39,331,000	47.47
2027	2,114,226,650	0	38,331,000	55.16
2028	2,495,279,160	0	37,331,000	66.84
2029	2,675,475,043	0	36,331,000	73.64
2030	2,866,844,030	0	35,331,000	81.14
2031	3,070,026,476	0	34,331,000	89.42

Including the assumed level of share repurchases, the intrinsic value of Liberty Braves shares should appreciate from just under $19 in 2016 to over $89 in 2031, a CAGR of 10.9%. Based on the market price for BATRK shares of ~$15.50 as of the date of this report, one would expect annual appreciation in the value of the stock to be 11.2% through the end of 2026.

C. Catalyst to Unlock Value—The Malone Factor

While an undervalued security is normally attractive to so-called "value investors", many market participants would consider such a stock "dead money" without a definable catalyst to unlock intrinsic value. Do the Liberty Braves shares possess any such catalyst? Enter John Malone. Malone is the beneficial owner of nearly 3 million shares, per the most recent proxy statement:

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class (%)	Voting Power (%)
John C. Malone	LSXMA	1,202,487(1)	1.2	47.6
c/o Liberty Media Corporation	LSXMB	9,455,341(1)	95.8	
12300 Liberty Boulevard	LSXMK	18,840,628(1)	8.5	
Englewood, CO 80112	BATRA	120,246(1)	1.2	
	BATRB	945,532(1)	95.8	
	BATRK	1,884,062(1)	8.5	
	LMCA	300,619(1)	1.2	
	LMCB	2,363,837(1)	95.8	
	LMCK	4,710,156(1)	8.5	

(Source)

Clearly, with a net worth of $7.3 billion, Malone is not the type to sit around idly holding "dead money" assets. The fact that Liberty Media issued the three tracking stocks in April demonstrates this fact. Indeed, Malone and his team are experts at creating and unlocking value (for example, see here and here). Should the market fail to give proper credit to Liberty Braves stock, Malone (due to his voting control of ~48%) could obviously decide to sell the team and its assets to the highest bidder or implement another value enhancing tactic, such as the aforementioned share repurchases. Pursuant to the terms of the tracking stock and Section 2(f)(ii) of Liberty Media's restated certificate of incorporation, if Liberty Media were to dispose of all or substantially all of the assets attributed to the Liberty Braves (which means, for this purpose, assets representing 80% of the fair market value of the total assets of the Liberty Braves, as determined by Liberty Media's board of directors), Liberty Media would be required, so long as the disposition is not an exempt disposition under the terms of the restated charter, to choose one or more of the following three alternatives:

- declare and pay a dividend on the disposing group's common stock;
- redeem shares of the disposing group's common stock in exchange for cash, securities or other property; and/or
- convert all or a portion of the disposing group's outstanding common stock into common stock of another group.

Note also that Malone appears to be bullish on Liberty Braves shares over the long-term. As he stated this past April *(source)*:

> Now keep in mind, the Braves now are a fairly major real estate business, as opposed to just a baseball club. I think these are good assets. It does give the team more heft. It gives the vision more heft, than just the club itself.

If the market fails to agree over time, look for Malone to act to close the discount.

VI. Risk Factors

Below are some key risk factors involved in an investment in BATRK shares (investors should carefully review all of the risk factors set forth in Liberty Media's SEC filings, for example here):

- Tracking stock risk – BATRK is a tracking stock, which means that although it tracks the ownership of specific assets within a larger corporate structure, Liberty Media Corporation (or LMC) retains legal title to all such assets and the tracking stock structure does not limit LMC's legal responsibility, or that of LMC's subsidiaries, for the liabilities included in any set of financial statement schedules. In other words, the Atlanta Braves organization is not legally separate from, for example, LMC's stake in Sirius (SIRI), which is attributable to the Liberty SiriusXM (LSXMA) tracking stock. Thus, holders of Liberty SiriusXM common stock, Liberty Braves common stock and Liberty Media common stock will not have any legal rights related to specific assets attributed to their associated group and, in any liquidation, holders of Liberty SiriusXM common stock, holders of Liberty Braves common stock and holders of Liberty Media common stock will be entitled to receive a *pro rata* share of LMC's available net assets based on their respective numbers of liquidation units. Moreover, the assets attributed to one group are potentially subject to the liabilities attributed to another group, even if those liabilities arise from lawsuits, contracts or indebtedness that are attributed to such other group. Finally, LMC's board of directors retains the right to reattribute assets between the respective tracking stocks or sell assets attributable to a tracking stock without shareholder approval (so long as such assets represent less than 80% of the fair market value of the total assets attributable to such tracking stock).

- MLB collective bargaining risk – Labor relations between MLB clubs and their players have, in the past, been contentious, with strikes and lockouts occurring in each of the 1970s, 1980s, and early 1990s negatively impacting the financial performance of MLB clubs, including the Braves. For more than two decades, the MLB's Commissioner's Office and the Major League Baseball Players Association (the Players Association), have successfully negotiated successive CBAs, which have prevented significant disruptions to operations while, at the same time, being conducive to the continued growth in the value of MLB franchises generally. The CBA currently in effect is set to expire on December 1, 2016. Protracted or contentious negotiations between MLB and the Players Association, or failure by the parties to reach satisfactory agreement on a new CBA, could detrimentally impact the Liberty Braves Group's financial results. Furthermore, player salaries could rise significantly under a new CBA, resulting in personnel cost inflation for the Braves.

- Braves Team Performance: The financial results of the Liberty Braves Group depend in large part on the ability of the Braves to achieve on-field success. The team's successes in the 1990s and early 2000s generated significant fan enthusiasm, resulting in sustained ticket, premium seating and concession and merchandise sales, and greater shares of local television and radio audiences during that period. Furthermore, during the 15 seasons between 1991 and 2005, success in the regular season permitted participation in MLB's postseason 14 times, which provided the franchise with additional revenue and income. More recently, however, the Braves' onfield performance has been dreadful, with a 67-95 record in 2015 and a 31-60 record year-to-date. This has resulted in attendance decreases at Turner Field. If the performance of the team does not improve, the organization's financial results would continue to be hampered.

VII. Conclusion

The best way to think about an investment in a major league baseball team is as a disguised bond. This is because historically the value of an MLB franchise has increased at a compound annual growth rate of 10% or more over the past four decades. See, for example, the growth in the valuation of the Seattle Mariners described in Section II.A above. The New York Yankees, to take another example, were purchased by George Steinbrenner in 1973 for $8.7 million. Today Forbes values the team at $3.4 billion. This represents a CAGR of 15%; however, even if a willing buyer would only pay $1.7 billion for the franchise, that still represents a 13% CAGR. If one assumes that a 10% CAGR over the long term is reasonable, then the Liberty Braves can be considered as a disguised bond that pays (and automatically reinvests in the business) 10% per annum on one's principal amount. Not only that, today one can purchase such a bond at just ~86% of its par value. Is there anywhere else a relatively safe bond with a 10% coupon is available for purchase at ~86% of par value? But wait, it gets even better. Because taxes on the 10% annual coupon are not payable as current income, as with a bond, an investment in BATRK is similar to owning a relatively safe taxable bond paying around 15% interest per annum (for someone in the 35% tax bracket).

Warren Buffett has stated that in investing there are no called strikes. You can let pitch after pitch go over the plate and you will never strike out. You simply need to wait for the fat pitch down the middle, when all the fielders are asleep, to swing. Leaving aside the fact that the greatest investor ever chose a baseball analogy to illustrate how to invest, BATRK represents such an opportunity. In the aftermath of the issuance of the tracking stock and the rights offering, many investors have jettisoned their BATRK shares, perhaps because they originally purchased Liberty Media stock for ownership of SiriusXM or other (non-Braves) assets. BATRK hence trades at depressed levels. This, however, creates an opportunity for those wishing to purchase an asset with a wide moat at a discount to intrinsic value. In short, the pitch is coming right down the middle and the fielders are asleep—time to swing!

VIII. Disclaimer

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