

Boyar Asset Management, Inc.

Making Smart Choices

Mark Boyar

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Mark Boyar has been publishing independent research since 1975 under the moniker *Asset Analysis Focus* (AAF). His \$25,000 per-year subscription based publication is considered a must read by many of the world's most highly recognized and regarded value investors.

Shortly after he commenced publishing AAF he began managing money for family and friends utilizing the same methodology his research publication employs. In 1983 he established Boyar Asset Management Inc., a registered investment advisor to provide asset management services to both individuals and institutions. What differentiates Boyar from the vast majority of the investment advisors is the depth and quality of the research that he and his analytical team employ when ferreting out portfolio selections.

Boyar Asset Management (BAM) will only invest in businesses that are selling well below their intrinsic or private market value. To put it simply, Boyar is in the business of purchasing a dollar for fifty cents.

BAM evaluates a company and the assets it owns in the same manner a businessman or a potential acquirer would evaluate them. Boyar and his team take a company's balance sheet and tear it apart, reconstructing it in accordance with economic reality as opposed to generally accepted accounting principles (GAAP). Boyar believes that if he can purchase assets at significant discounts to their intrinsic values, over time, either the market will accurately reflect those values, or the assets of the corporation will be acquired by a third-party. It is interesting to note that approximately 40% of all the companies that Boyar and his team have profiled in his research publication since 1975 have been acquired, merged or liquidated, the vast majority

at significantly higher prices than when originally probed.

Boyar and his team utilize a variety of approaches in their stock selection process; one of his favorite methods is the “Hidden Asset Method.” Generally accepted accounting principles mandate companies to list the real estate on their balance sheet at historical cost minus depreciation rather than at its current market price. (I.e. what a willing buyer would actually pay for those assets). Therefore, a company's balance sheet may significantly underestimate a business's true worth. That is where in-depth research can reveal these enormous discrepancies.

An early example of Boyar utilizing this method occurred in 1975. At that time, he walked past 5th Avenue and 57th Street on his way to work and passed Tiffany & Company's flagship store. His research revealed that Tiffany owned that trophy location and Tiffany's balance sheet significantly undervalued the building's true worth. At that time Tiffany's entire market capitalization approximated \$24 million. However, the real estate Tiffany owned was worth more than the entire market capitalization of the company; effectively, the stock market was valuing Tiffany's business at zero! Boyar thought this made no sense and started accumulating shares. In 1978 Avon products knocked on Tiffany's door and purchased the entire company for an approximate 450% premium to when Boyar originally profiled the company in AAF.

Fast-forward to March 2009 and Boyar experienced a case of déjà vu with the retailer Saks. Saks was a company he already owned and he and his team had written extensively about through the years. In March 2009, with the stock market in free-fall, the company's shares plummeted to \$1.85.





At that time Boyar wrote another research report on Saks and shortly thereafter dramatically increased his stake in the company. His contention was Saks, like Tiffany, owned real estate including its flagship store on Fifth Avenue, in addition to real estate on Wilshire Boulevard in Beverly Hills, California, that was worth more than the \$885 million enterprise value of the company, giving him what savvy investors like to call a “margin of safety”. Today Saks trades for \$8.54 per share.

Boyar is hesitant to give individual stock picks as he is a believer in having a diversified portfolio. His belief is that if you are a good stock picker you can be well diversified with only twenty or thirty names in a portfolio. Boyar does, however, have two stocks that he thinks are particularly intriguing. Interesting enough the two companies are essentially controlled by the same family. Cablevision (CVC), controlled by Charles and James Dolan, is one of the best run cable companies in the country, and has the highest revenue per subscriber of any cable operator in the United States. Cablevision recently spun out Madison Square Garden (MSG).

Boyar thinks MSG was spun off partially to make it a more attractive acquisition candidate. He also believes that Cablevision would be an ideal acquisition for Time Warner

Cable, which has overlapping subscriber areas. A sale of Cablevision raises the possibility that the Dolan family, which would be flush with cash, would be in a position to take MSG private at a significant premium to its current market value. Boyar does not believe the younger Dolan (who Boyar notes was conspicuously absent from MSG’s first quarterly earnings call as a public company) would miss fulfilling his obligations to shareholders if MSG was not publicly traded.

Absent a Dolan takeout, Boyar considers that the wide discount (Boyar’s MSG intrinsic value estimate is approximately 112% above current levels) between MSG’s market and intrinsic value will sooner or later catch the attention of a potential acquirer. MSG owns many valuable assets including the Knicks, Rangers, the MSG Television Network, and Madison Square Garden and the air rights associated with it. These are trophy properties that he imagines a potential acquirer would pay a handsome price for.

As a successful money manager and the publisher of AAF, Boyar is interviewed and quoted regularly in such publications as *Barron’s*, *Business Week*, *Financial World*, *Forbes*, *Money Magazine*, *The Wall Street Journal*, *USA Today*, *The International Herald Tribune*, and *The New York Times*. He also frequently appears on the CNBC television network, and has been a guest on “Wall Street Week” with Louis Rukeyser. Additionally, Boyar speaks frequently on the valuation of corporate assets as well as on stock selection. He has spoken at the Cleveland and Milwaukee Societies of Security Analysts, the Chase Exchange, the SIRE Club, the Ceil Walzer Memorial Lecture Series at The New School for Social Research, The Canadian Life and Health Insurance Association, Inc., Annual Investment Conference, and The New York Bankers Association among others. He has also taught a course on mergers and acquisitions at The New School for Social Research. !

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