



Nathaniel Leach

Portfolio Manager, LBW Wealth Management



Wide-Moat Investing Summit 2018

Hosted by MOI Global

Nathaniel Leach, Co-Founder & Portfolio Manager

LBW Wealth Management

DISCLOSURES

- This presentation has been prepared by Leach, Bickmore & Weiss Wealth Management, LLC (“LBW”), a registered investment adviser with the State of Wisconsin. LBW only transacts business in states where it is properly registered, or is excluded or exempted from registration requirements. The securities identified do not represent all of the securities purchased, sold, or recommended for LBW’s advisory clients.
- This presentation is for informational purposes only and should not be construed as investment, legal, tax or other advice. Information presented is believed to be factual and up-to-date, but we do not guarantee its accuracy and it should not be regarded as a complete analysis of the subjects discussed. All expressions of opinion reflect the judgment of the author as of the date of publication and are subject to change.
- This confidential document has been prepared solely for the information of the person to whom it has been delivered and may not be reproduced or used for any other purpose. This confidential document is believed to be accurate as of its date, and no representation or warranty is made as to its accuracy after that date.
- Past performance may not be indicative of future results.
- Information, including market data, provided as of June 12, 2018.

LBW WEALTH MANAGEMENT

- Nathaniel Leach, Co-Founder & Portfolio Manager
- Fee-based¹, Independent, Registered Investment Advisor, (RIA) based out of Madison, WI
- Services offered:
 - Financial Planning
 - Estate Planning
 - Investment Management
 - Business Consulting
 - Other



FORMULA ONE GROUP (FWONA/B/K)

A Liberty Media Corporation tracker stock

WHY ARE WE LOOKING AT THIS?

- Play on Formula One (“F1”; ticker: FWONA/B/K) & Live Nation (“Live”; ticker: LYV)
- Classic Liberty story of an underinvested and underutilized asset that management is now making the proper investments in
- Sum of the Parts (SOTP) play = non-indexed, underfollowed opportunity
- F1’s economics: predictable revenue stream and cash flows, capex-lite asset, revenues fairly diversified amongst four segments, newly-created segments that will be monetized, efficient tax rate, possibility of new teams’ agreement coming online in 2021.

LIBERTY MEDIA & F1 GROUP: History & Management

- John Malone
- Tele-Communications, Inc. (TCI)
- Greg Maffei
- Liberty Media
- Formula One Group tracker
- Chase Carey

F1 TRANSACTION

Transaction Summary Terms

Overview	<ul style="list-style-type: none"> Liberty Media Corporation (“Liberty Media”) has agreed to acquire all outstanding shares⁽¹⁾ of Delta Topco, the holding company for the Formula One business (“F1”) <ul style="list-style-type: none"> Delta Topco to be subsidiary of Liberty Media and will be attributed to Liberty Media Group tracking stock (expected to be renamed Formula One Group at second closing)
Terms	<ul style="list-style-type: none"> Total enterprise value ~\$8.0b⁽²⁾ and equity value of ~\$4.4b⁽³⁾ Transaction execution in two separate phases: <ul style="list-style-type: none"> First closing: On 9/7/16, Liberty Media closed on acquisition of 18.7% interest in F1 for \$746m in cash (inclusive of \$75m discount to be repaid at second closing) Second closing: Liberty Media to increase ownership to 100% of F1⁽⁴⁾ Selling shareholders (the “Sellers”) to receive mix of cash, subordinated exchangeable note issued by Delta Topco and LMCK⁽⁴⁾ shares <ul style="list-style-type: none"> Sellers to execute Lock-up and Coordination Agreements at time of second closing
Financing	<ul style="list-style-type: none"> \$4.1b of existing F1 debt will remain outstanding (non-recourse to Liberty Media) \$1.1b in cash <ul style="list-style-type: none"> \$746m for first closing funded with cash on-hand at Liberty Media Group Remaining cash proceeds to be funded with cash on hand and potential liquidity/financing from Liberty Media Group’s portfolio of public securities (e.g. LYV, VIAB etc.) 138m LMCK shares <ul style="list-style-type: none"> Represents \$2.9b equity value at transaction announcement based on share price of \$21.26 (the “Reference Price”)⁽⁵⁾ Represents ~65%⁽⁶⁾ of PF outstanding shares of Liberty Media Group Liberty Media will seek to raise funds from outside investors on best efforts basis between first and second closing to reduce equity to Sellers \$351m Subordinated Exchangeable Notes issued by Delta Topco <ul style="list-style-type: none"> 30 month maturity, 2% PIK interest, exchangeable for LMCK at 105% of Reference Price
Leadership	<ul style="list-style-type: none"> Chase Carey to assume role of Chairman of F1 at first closing and Bernie Ecclestone to remain CEO For up to 30 months following second closing, F1 Board to consist of: <ul style="list-style-type: none"> 3 directors nominated by Liberty Media, 3 directors nominated by holders of Subordinated Exchangeable Notes, 3 directors nominated by F1 racing teams, 3 representatives of Executive Management, 2 independent directors and Chase Carey
Timing	<ul style="list-style-type: none"> Second closing will require (i) anti-trust approval, (ii) Liberty Media Corporation shareholder vote and (iii) certain third party consents, including approval of FIA (F1 governing body) Expected second closing Q1-17

(1) Other than nominal number of shares held by certain teams.

(2) Calculated at time of transaction announcement.

(3) Represents \$8.045b enterprise value less \$3.4b net debt and \$0.2b in deal-related adjustments; excludes up to \$51m in contingent receivable assets. Consideration paid to selling shareholders to be increased if contingent assets are recovered by F1.

(4) Ticker symbol expected to become FWONK at second closing

(5) Reference Price of \$21.26 calculated based on 5-day VWAP ending second trading day pre-signing date.

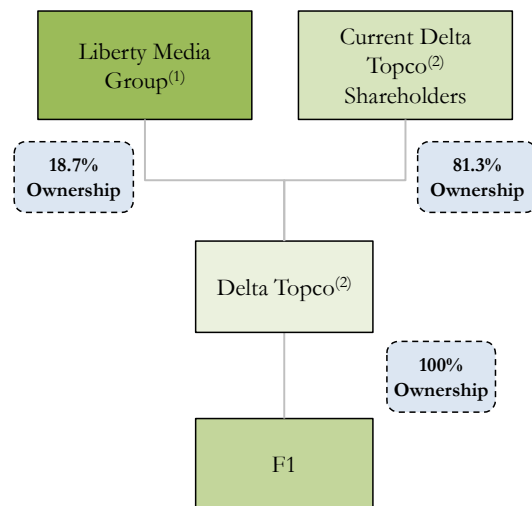
(6) Based on undiluted share count as of 7/31/2016 and pro forma for dilutive impact of the \$351m LMCK exchangeable security.



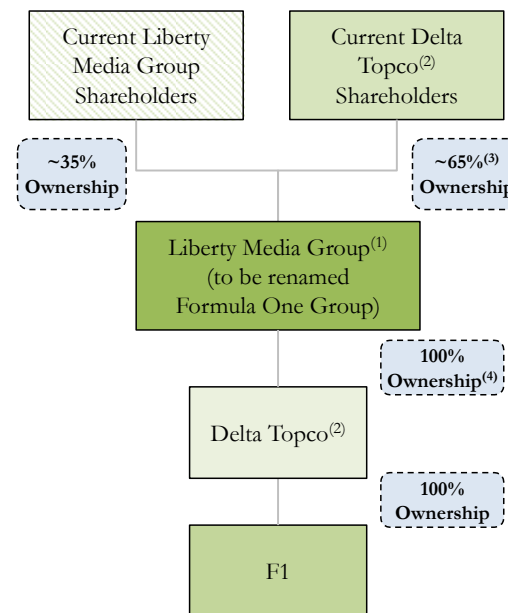
F1 Operating-only¹ Pro-Forma Structure

Transaction Structure Overview

Post First Closing



Post Second Closing



- (1) Liberty Media Group is one of three tracking stocks of Liberty Media Corporation. Liberty Media Corporation is legal entity with ownership interest in Delta Topco; assets and liabilities of Delta Topco attributed to Liberty Media Group (expected to become Formula One Group post Second Closing).
- (2) Delta Topco is parent company of F1.
- (3) Based on undiluted share count as of 7/31/2016 and pro forma for dilutive impact of the \$351m LMCK exchangeable security.
- (4) Other than a nominal number of shares held by certain teams.

23



F1 GROUP Capitalization

Pro Forma Formula One Group Capitalization

(\$ in millions)

Capitalization Summary		Total Debt Summary ⁽⁷⁾		
	Amount		Amount	% of Asset Value
F1 Enterprise Value ⁽¹⁾	8,045	Revolving Credit Facility ⁽⁸⁾	--	--
Live Nation (69.6m shares, \$27.07 / share)	1,885	First Lien Term Loan due 2021	3,145	27.5%
Time Warner (4.3m shares, \$78.53 / share)	334	Second Lien Term Loan due 2022	1,000	8.8%
Liberty Braves Inter-Group Interest (15.6%) ⁽²⁾	154	Operating Company Debt (F1)	4,145	36.3%
Other Public Holdings ⁽³⁾	110	1.375% Convertible Notes due 2023 ⁽⁹⁾	1,000	8.8%
Private Assets ⁽⁴⁾	159	2.25% TWX Exchangeable Notes due 2046 ⁽⁹⁾	445	3.9%
F1 Cash ⁽⁵⁾	627	Liberty Media Group Equity Portfolio Financing	212	1.9%
Cash Attributable to Formula One Group ⁽⁶⁾	104	Other Debt ⁽¹⁰⁾	37	0.3%
Total Cash	731	Non-F1 Debt Attributed to Formula One Group	1,694	14.8%
Total Formula One Group Asset Value	11,419	Total Formula One Group Debt	5,839	51.1%
F1 Total Debt	4,145	<i>Memo:</i>		
Debt Attributable to Formula One Group	1,694	F1 Net Debt ⁽⁵⁾	3,518	30.8%
Total Debt ⁽⁷⁾	5,839	Net Debt Attributable to Formula One Group	1,590	13.9%
Total Formula One Group Net Asset Value	5,580	Total Formula One Group Net Debt	5,108	44.7%

Note: Share prices as of 9/2/16.

(1) Based on Reference Price of LMCK shares of \$21.26 and F1 cash balance as of 7/31/16 of \$691m.

(2) Represents 9.1m BATR shares at \$16.94 per share.

(3) Includes holdings in Time, Inc., Ideiasnet and Viacom as of 9/2/16 and other debt securities as of 6/30/16.

(4) Based on analyst estimates.

(5) Includes \$691m F1 cash balance as of 7/31/16 less deal fees.

(6) Liberty Media Group cash balance as of 6/30/16 (pro forma for TWX Exchangeable and other Liberty Media Group Equity Portfolio Financing) less cash paid to sellers.

(7) Pro Forma for exchange of \$351m exchangeable security for LMCK shares.

(8) Capacity of \$75m.

(9) Principal amount of Notes with no fair value adjustment.

(10) Represents other corporate level debt attributed to Liberty Media Group as of 6/30/16.

22



F1 GROUP (FWONA/B/K)

- History
- Business Segments
- Attributes
- Opportunities
- Risks
- Valuation Overview
- Investment Summary

F1 GROUP (FWONA/B/K): History

- Started in 1950
- Bernie Ecclestone
- 1980's: FIA, FISA, FOCA, and FOPA
- 1981: 1st Concorde Agreement
- CVC ownership
- Today's structure

F1 GROUP: Business Segments

Segment	Description	Time	Contracts' Details
Promotions: 30-35% of Revenues	<ul style="list-style-type: none"> cities / racing circuits pay F1 to host, stage, and promote events Promotors make money from selling events' tickets 	<ul style="list-style-type: none"> 5-7 yrs with 5-yr extension options exercisable by F1 for more established Events = variable lengths 	flat fee, or based upon escalators from either selected CPIs or fixed rates, with a max of 5%
Broadcasting: 30-35% of Revenues	<ul style="list-style-type: none"> Global broadcasting TV rights worldwide mix of Free-to-air and Pay TV 	3-5 yrs	flat fee, or based upon escalators from either selected CPIs or fixed rates, with a max of 10%
Advertising/Sponsorships: ~15% of Revenues	<ul style="list-style-type: none"> Global Partner or Official Suppliers: estimate currently have 5, and 2, respectively¹ Race title sponsorship track-side advertising 	3-5 yrs	<ul style="list-style-type: none"> paid either multi-race or single-race basis flat fee, or based upon escalators from either selected CPIs or fixed rates, with no max cap in place Global Partner or Official Suppliers: similar terms apply
Hospitality / Other: 20% of Revenues	<ul style="list-style-type: none"> Paddock Club offer logistics services to teams 	N/A	N/A

NEW SEGMENTS

Segment	Opportunity
Digital / OTT	D2C product for the hardcore F1 fans
Merchandising / Licensing / Gaming	begin selling merchandise at events, license out content to multiple platforms, potential Gaming possibilities
New Markets	viewer growth in US, China
Unique Events	1-time events like 2017's event held in London's Trafalgar Square

F1 GROUP: Attributes

- Unique opportunity to own an entire sport
 - commercial IP rights locked up till 2110
- Contracted Revenue streams (All Segments ex-Hospitality)
- Cost structure:
 - low fixed + high variable -> administration + team payouts
 - Pre-Team EBITDA = 76-77% of Revenues
 - Currency risk mitigated: most revenues and costs are USD-denominated
- Attendance and Viewership
 - F1 British Grand Prix's average attendance = 135K+ -> compare to NFL's Super Bowl = 70K+ -> nearly double!
 - ~352 MM unique viewers (2017) -> compare to NFL's Super Bowl = 111 MM -> triple!
- Core Segments + Teams
 - Sponsors (Ads/Sponsors) pay teams based on viewership (Broadcasting).
 - Location and # of Events (Promotions) increases F1's negotiation Broadcasting leverage.
 - Hospitality: on-site value-add to fans
 - Teams: Prestige, brand, R&D investment

F1 GROUP: Opportunities

- Increase Core Segments' Revenues:
 - Promotion
 - Broadcasting
 - Advertising / Sponsorships
 - Hospitality / Other
- Monetize New Segments:
 - Digital / OTT
 - Merchandising / Licensing / Gaming
 - New Markets
 - Unique Events

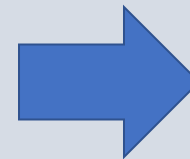
F1 GROUP: Risks

- Concorde Agreement negotiations' misfire – now till 2020
- Dilution of the brand, “Nascarization”
- Fail in monetization efforts, execution risks
- Debt

F1 GROUP: Valuation Overview

- Valuation:
 - What is the best way to value F1?
 - Factors to consider
- Possible Valuation Methods

Method	Mult.
MC F1-only / F1 FCF	11.0
MC LYV-only / LYV FCF	18.1
MC ex-F1 / LYV FCF	24.9
MC FWONA / LYV + F1 FCF	16.4
MC ex-LYV / F1 FCF	15.3
MC ex-FWONA's cash & debt / LYV + F1 FCF	19.0
MC F1-only (minus NAV) / F1 FCF	19.6



MC F1-only (minus NAV) / F1 FCF | 19.6

F1 GROUP: Valuation Overview

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
% Race Promotion Fees	0.0%	3.0%	3.0%	3.0%	5.0%	5.0%
% Broadcasting	0.0%	3.0%	3.0%	3.0%	5.0%	5.0%
Broadcasting re-rate Multiple	1.5x	1.5x	1.5x	1.5x	1.8x	1.8x
% Advertising / Sponsorships	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%
% Hospitality / Other Services	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%
% Digital / OTT penetration	0%	0%	0.5->2% (2019-22)	0.5->2% (2019-22)	0.5->2% (2019-22)	0.5->2% (2019-22)
% Team Allocation	68%	68%	65% in 2021	63% in 2021	63% in 2021	60% in 2021
Debt Payment	minus 0 MM/yr	minus 200 MM/yr	minus 200 MM/yr	minus 200 MM/yr	minus 200 MM/yr	minus 200 MM/yr
\$ Absolute FCF growth	>2023 = 0% gr	>2023 = 0% gr	>2023 = 0% gr	>2023 = 0% gr	>2023 = 0% gr	>2023 = 0% gr
DCF 10-yr gr %	4%	9%	18%	20%	26%	30%
DCF 10-yr multiple	11.1	15.3	28.2	32.0	48.9	64.8

F1 GROUP: Valuation Overview

- Scenarios
 - Worst Case = Scenario 1
 - Conservative Case = Scenario 2
 - Base Case = Scenario 3
 - Optimistic Case = Scenario 5
 - Extremely Optimistic Case = Scenario 6
- Odds
 - Scenario 5 vs 1 = 3 to 1
 - Scenario 5 vs 2 = 6 to 1
- Verdict

F1 GROUP: Investment Summary

- Own an entire sport
- Cost structure leads to high FCF
- Multiple opportunities to grow revenues
- Management = excellent capital allocators and heavily experienced

NON-GAAP FINANCIAL METRICS & OTHER DISCLOSURES

- EBITDA is defined as net income (loss) plus net interest expense, income taxes, depreciation and amortization.
- OpEx is defined as operating expenses.
- Capex is defined as capital expenditures.
- Levered free cash flow (FCF) is defined as net cash flows from operating activities, minus capital expenditures.
- Unlevered free cash flow (UFCF) is defined as net cash flows from operating activities, minus capital expenditures, plus after-tax net interest expense.
- Market Capitalization (MC) is defined as multiplying a company's current market price by the company's outstanding share count.
- Enterprise Value (EV) is defined as the market capitalization plus debt, minority interest, and preferred shares, minus total cash and cash equivalents.

THANK YOU

Q&A

Learn More

Contact Information

Nathaniel M Leach

O: 608-286-1323

nmleach@lbw-wealth.com

www.lbw-wealth.com