

TRIAL VERSION

Formula One (“FWONA/K”)

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Snapshot: FWONA/B/K

Ticker	FWONK	FWONA	FWONB	Total Shares
Series	C	A	B	
Votes per Share	0	1	10	
Votes	0	25.837	24.45	50.287
Voting Power		51%	49%	

Shares Pre-Trx 2016	55.7	25.6	2.5	83.8
Shares Post-Deal	202.7	25.6	2.5	230.8
Shares (04/30/21)	203.573	25.837	2.445	231.9

Malone Ownership	4.403	0.286	2.364	
% of Shares	2%	1%	97%	
Malone Voting Power	0	0.286	23.64	47.6%

Stock Performance (FWONK)

YTD	3.8%
1 Year	46.0%
3 Year CAGR	12.8%
5 Yr. CAGR	19.1%

Valuation

EV / 2021 EBITDA	36.0 x
EV / 2022 EBITDA	20.2 x

Share Class	Shares (m)	Price	Market Value
FWONA	25.837	39.47	\$ 1,019.8
FWONB	2.445	39.24	\$ 95.9
FWONK	203.573	43.99	\$ 8,955.2
F1 Market Cap (\$m)			\$ 10,070.9

Other Holdings

11.1% Interest BATR (6.8m shares BATRK)	\$ 178.5
LYV Call Spread	\$ 384.0

Undrawn Revolver Capacity	\$ 500.0
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Cash at F1	\$ 429.0
Cash at F1 Group	\$ 1,354.0
Cash as of 3/31/2021	\$ 1,783.0

Debt

1.00% FWONK Convertible Notes	\$ 536.0
2.25% AT&T Exchangeable Bonds	\$ 210.0
Other Corporate Debt	\$ 73.0
F1 Operating Debt	\$ 2,902.0
F1 Debt (3/31/2021)	\$ 3,721.0

Net Debt - Investments	\$ 1,375.5
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Enterprise Value (FWON) (\$m)	\$ 11,446.4
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F1 – At a Glance

- F1 (FWONA/B/K) is a tracking stock of Liberty Media, and the primary asset is Formula 1, a motorsport consisting of 10 teams, 20 drivers, racing on a global basis at ~23 “Grand Prix”.
- In 2019, F1 generated \$2.0bn in revenue and over \$400m in pre-tax FCFF. The global shutdown due to COVID resulted in a shortened season in 2020, with minimal fan attendance, and concessions to both race promoters and sponsors. Revenue fell to \$1.15bn in 2020 with F1 barely breaking even, thanks to the stability of the broadcast revenues.
- The largest cost item is variable – the team payments, which are paid out as a % of pre-team share EBITDA (total revenue – non-team payment costs) at around ~68% historically. Management has alluded to the 2020 Concorde Agreement with the teams resulting in more upside for F1 as revenues expand.



Overview

- **Iconic sport**
 - Global sports franchise, with races hosted all over the world
 - International fan base of ~ 450m unique viewers watching F1 each year
 - Multiple revenue streams with upside optionality as the engagement and interest continues to improve
- **Strategic, experienced media / sports shareholder**
 - Liberty Media, John Malone, Greg Maffei have long-term experience in the financial markets, deep pockets, and generally high investor interest in their owned businesses
 - Liberty Media has a history of being successful shareholders, influencing the right change
 - *However, they often do well from investing in an underinvested business (CHTR, LYV, SIRI, BATRA) and hiring the right people to run those businesses (Rutledge, Jim Meyer) while being de-facto capital allocators versus operators*
 - *However, both Malone and Maffei have extensive history also running businesses and they have positions on the BOD of the companies they own or invest in*
 - *They also invest their own capital alongside public shareholders*
 - “Deep pockets” and LMC’s experience in financial markets allowed them to access capital in 2020 due to COVID, by doing asset/liability re-attributions with other LMC businesses, in order to provide more cash on the balance sheet. They also adjusted debt covenants.

Overview

- Stage 1 of transformation near completion (2017-2020) – *“Stabilizing the brand”*
 - From the acquisition in 2016 through to 2020, it was about re-focusing the brand, investing in the business, increasing fan engagement and interest, and listening to feedback from fans
 - What resulted was:
 - More races added to the calendar, including one in the U.S., and eventually another one in 2022 in Miami, FL
 - Increased regulations to align the teams spending such that the races would see more competition (historically only 2-3 teams win out of the 10)
 - More shared data – partnered with AMZN AWS, created F1 TV Pro
- Stage 2 – *“laying the foundation for improved long-term economics”*
 - With F1 surviving COVID, with the help of Liberty Media’s savviness and access to financial assets / markets, creating a new Concorde Agreement (2020) was of utmost importance
 - Over the last year +/-, Formula 1 has worked on the contracts for iconic races like the British Grand Prix, such that they can continue to be host events, adjusted promotion fee contracted for other races, and have worked on a new foundation for making F1 more engaging all around for the fans, as well as economically sustainable for all teams participating
 - Other initiatives (discussed later) should improve the competitiveness amongst the teams and outcomes, which would bode very well for overall interest in the sport

Investment Story

- Beneficiary of multiple themes
 - Live entertainment – sports, concerts, experiences
 - Return of live events in a post-COVID world
 - Sponsorships, advertising, and broadcast contracts moving continually towards “live events”
 - Inflation in sports media rights
 - Interest in Formula 1 due to the Netflix series, eSports
- Fairly predictable revenue streams, as it is dependent on races held in a season, which even in 2020 was at 17; going forward, it’s clear they will do their best to have at least 16 races due to broadcast and sponsorship contracts
- Expanding the race calendar is certain, but there can only be so many races given the calendar, off-season, and geographical limitations due to cost of travel, freight, and going from one location to the next, very logistically challenging to add too many races. Often times a ~2 week break is a necessity in order to have races at certain locations
- Appetite for live entertainment (including F1) is very strong
 - Bahrain (first event in March) was sold out
 - 3 day grandstands, bleachers in Austin (October) sold out
 - Silverstone British Grand Prix (July) GA sold out- “demand for tickets is at a level we have never seen before”
- In my opinion, the story is more of a long-term asset / levered equity share repurchase play, as the ultimate growth of F1 is limited due to scale. Specifically, # of races is limited, and much of the revenues are based around the # of races held. There can only be so many due to logistical reasons.

Investment Story

- Building more fandom globally in non-European countries, where the economics are more lucrative given less legacy sweetheart deals and contracts
- Getting a Chinese driver – Guanyu Zhou – currently competing for GIA Formula2, working on getting enough points to secure F1 Superlicense
 - "The country is supporting me to achieve my dream and the Chinese motorsport fans' dream as well.
 - "It would get a lot of people knowing about it – not just the people who follow sports but people everywhere.
 - "It has happened before in China — when someone first achieves something good, people start following that sport a lot more. Hopefully I can also be that person."
- Only been one F1 Chinese driver – Ma Qinghua – who only participated in an F1 practice sessions from 2012-2013, no one since then
- American driver success
 - Been 43 years since an American driver won in F1 – Mario Andretti – but he wasn't American born. He was in 1978 Dutch Grand Prix
 - The reason American's don't make it to F1 is you have to go to Europe to learn to race. It is more common for drivers to go to the US or Japan, and it is more centralized geographically, less difficult on the driver from a lifestyle standpoint. Majority of F1 drivers live in Europe / Monaco, due to the sport being more European or due to the appealing tax laws in Monaco
 - Last American to race was Rossi in 2015, but he left F1 instead to focus on IndyCar











About Formula 1



Formula 1™



The 10 F1 Teams

1 Mercedes Valtteri BOTTAS Lewis HAMILTON 	2 Red Bull Racing Sergio PEREZ Max VERSTAPPEN 	5 AlphaTauri Pierre GASLY Yuki TSUNODA 	6 Aston Martin Sebastian VETTEL Lance STROLL 
3 McLaren Daniel RICCIARDO Lando NORRIS 	4 Ferrari Carlos SAINZ Charles LECLERC 	7 Alpine Fernando ALONSO Esteban OCON 	8 Alfa Romeo Racing Kimi RÄIKKÖNEN Antonio GIOVINAZZI 
9 Williams George RUSSELL Nicholas LATIFI 	10 Haas F1 Team Mick SCHUMACHER Nikita MAZEPIN 		

The FIA F1 World Championship

- Ramping up to 23-24 races over the next year and more, probably peaking out around 24-25 races in a calendar year, due to the logistics, the summer time having more races in Europe due to soccer “off season” and its easier on freight/traveling race to race.
- The World Championship is contested over the race calendar, with 10 teams competing, each having 2 drivers (as shown on previous slide). Utilizes a point system based on each Grand Prix race, is cumulative throughout the ~ 9 month season.
- There is also an annual Constructors’ Championship based on team performance which influences the distribution of team payments for the following season, and an Annual Drivers’ Championship
- Part of the issue is that, since 1990 the top f1 drivers wins an average of 47% of Grand Prix Races in a season, and a lack of competitiveness hurts overall engagement as F1 is a sport and sports are built around competition.

Round ↕	Grand Prix ↕	Circuit ↕	Race date
1	Bahrain Grand Prix	 Bahrain International Circuit, Sakhir	28 March
2	Emilia Romagna Grand Prix	 Imola Circuit, Imola	18 April
3	Portuguese Grand Prix	 Algarve International Circuit, Portimão	2 May
4	Spanish Grand Prix	 Circuit de Barcelona-Catalunya, Montmeló	9 May
5	Monaco Grand Prix	 Circuit de Monaco, Monte Carlo	23 May
6	Azerbaijan Grand Prix	 Baku City Circuit, Baku	6 June
7	French Grand Prix	 Circuit Paul Ricard, Le Castellet	20 June ^[d]
8	Styrian Grand Prix	 Red Bull Ring, Spielberg	27 June
9	Austrian Grand Prix		4 July
10	British Grand Prix	 Silverstone Circuit, Silverstone	18 July
11	Hungarian Grand Prix	 Hungaroring, Mogyoród	1 August
12	Belgian Grand Prix	 Circuit de Spa-Francorchamps, Stavelot	29 August
13	Dutch Grand Prix	 Circuit Zandvoort, Zandvoort	5 September
14	Italian Grand Prix	 Monza Circuit, Monza	12 September
15	Russian Grand Prix	 Sochi Autodrom, Sochi	26 September
16	Singapore Grand Prix	 Marina Bay Street Circuit, Singapore	3 October
17	Japanese Grand Prix	 Suzuka International Racing Course, Suzuka	10 October
18	United States Grand Prix	 Circuit of the Americas, Austin, Texas	24 October
19	Mexico City Grand Prix	 Autódromo Hermanos Rodríguez, Mexico City	31 October
20	São Paulo Grand Prix ^[e]	 Interlagos Circuit, São Paulo	7 November ^[f]
21	Australian Grand Prix	 Albert Park Circuit, Melbourne	21 November ^[g]
22	Saudi Arabian Grand Prix	 Jeddah Street Circuit, Jeddah	5 December ^[h]
23	Abu Dhabi Grand Prix	 Yas Marina Circuit, Abu Dhabi	12 December ^[i]

Thank You

- Thank you for viewing this short deck on Formula 1 (FWONA/K)
- If you have any questions, please contact me – findmevalue@gmail.com, or via Twitter @Find_Me_Value