

Unraveling the Plot

The corporate machinations over the past year involving Swedish media-entertainment powerhouse Modern Times Group haven't always been easy to follow. Therein lies opportunity, says Evermore Global Advisors' David Marcus.

Investing in “special situations” has come to mean many things, but it often involves sifting through potentially mis-priced securities resulting from things like corporate spinoffs, recapitalizations and even bankruptcies. The more complicated or obscure the better – or at least the more likely it is to be misunderstood.

Consider the recent corporate history of Sweden's Modern Times Group. Long held by venerable Swedish holding company Kinnevik AB, MTG became expendable last year when Kinnevik wanted to merge another of its holdings with a competitor, and gaining regulatory approval required selling at least the core Swedish television production and distribution assets of MTG. After multiple fits and starts, Kinnevik in August of last year spun off all of MTG, which then in April of this year split again into two publicly traded entities: Nordic Entertainment Group [NENTB], consisting of the television and entertainment assets, and Modern Times Group [MTGB], which focuses primarily on producing, managing and investing in live events, professional leagues and international tournaments in the budding e-sports industry.

Following all these machinations from afar, David Marcus of Evermore Global Advisors – who served on MTG's board of directors at an earlier point in his career – started to take notice. He believed that in its legacy business the company had navigated well the changing competitive and distribution dynamics of at-home entertainment in Europe and now as a stand-alone company was even more likely to translate its broad-based expertise in both content and distribution into better-than-

expected growth. Evermore purchased 1.6% of MTG's outstanding shares, and now after the early-April split owns the same share in Nordic Entertainment.

With Nordic Entertainment, the stock at a recent 242 Swedish kroner trades at

10x his 2019 estimate of earnings before interest, taxes and amortization. That's well below the 14-15x multiple paid in relevant deals, Marcus says, for a company likely to generate at least mid-single-digit bottom-line growth and that intends

INVESTMENT SNAPSHOT

Nordic Entertainment Group

(Stockholm: NENTB)

Business: Development, production and distribution through multiple platforms of primarily televised entertainment for Nordic markets.

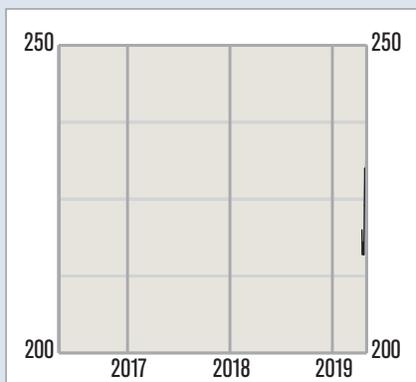
Share Information

(@4/29/19, Exchange Rate: \$1 = 9.51 SEK):

Price	SEK 242.00
52-Week Range	SEK 210.00 – SEK 242.00
Dividend Yield	0.0%
Market Cap	SEK 16.30 billion

Valuation Metrics (@4/29/19):

	NENTB	S&P 500
P/E (TTM)	12.6	22.0



Bottom Line: David Marcus doesn't believe the market has "figured out yet" the strength of the newly independent company's European franchises in the production and distribution of televised entertainment content.

Sources: Company reports, other publicly available information

Modern Times Group

(Stockholm: MTGB)

Business: Owns, operates and invests in e-sports and other gaming related events, leagues and tournaments worldwide.

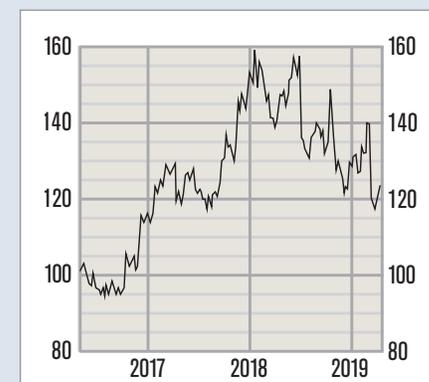
Share Information

(@4/29/19, Exchange Rate: \$1 = 9.51 SEK):

Price	SEK 122.35
52-Week Range	SEK 111.60 – SEK 162.86
Dividend Yield	0.0%
Market Cap	SEK 8.28 billion

Valuation Metrics (@4/29/19):

	MTGB	S&P 500
P/E (TTM)	n/a	22.0



Bottom Line: Now a pure-play company with attractive assets in a fast-growing industry, David Marcus considers it and its former corporate sibling Nordic Entertainment Group to be "kind of sitting ducks."

to pay at least a 3% dividend yield.

For Modern Times Group, while he admits “we’re not normally early-stage people,” he believes the company has an impressive array of investments and operations in a global e-sports industry that has been growing at a 50% annual clip. At

today's roughly \$870 million market cap, the company trades at about 2x enterprise value to sales, which he says is the low end of where acquisitions in the industry have been done. Even if that multiple just held, a year or two of growth would result in a much higher MTG share price.

Deal comps are relevant for both stocks, he says. “We don't think the market has figured them out yet, but these are pure-play businesses with attractive assets in attractive industries. We generally don't buy stocks to have them taken out, but these are both kind of sitting ducks.” ^{vii}



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Enterprise Value to Sales (EV/Sales) is a valuation measure that compares the enterprise value (EV) of a company to its annual sales.

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