



# US Spinoff Report<sup>TM</sup>

Valuations of Corporate Divestitures

## Parent: Cablevision Systems Corp

Sector: Cable &amp; Satellite TV

## Spinoff Entity: Madison Square Garden

Sector: Professional Sports

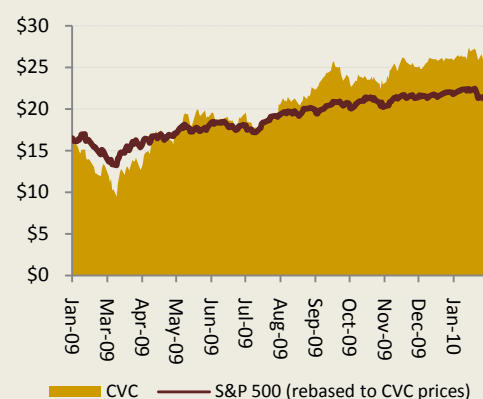
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### Target Price & Risk-CVC

Target price	\$33/ \$25 (Ex-Spinoff)
Share price (last close)	\$25.64
Horizon (months)	12
Risk	Low

### Performance & EV-CVC



Return 5d/YTD/1Y (%)	-3.5/-0.7/55.2
Volatility 30d/90d/200d (%)	28.7/33.4/42.6
High/Low 1Y (\$)	27.73/9.34
Avg d turn 30d/90d (\$ m)	39.3/35.2
Market Cap (\$ m)	7,738
Net IB Debt (\$ m)	11,854
Enterprise value (\$ m)	19,603

### Miscellaneous-CVC

Spinoff announcement date	July ,2009
Forthcoming Event Date	Feb 09,2010
Majority shareholder	Charles F. Dolan
Listing Exchange	NYSE
Ticker/Bloomberg	CVC US equity
O/S shares m	302
Div Yield FY09 in%	1.56
Free float in % (Class A)	96.7

## Spinoff addresses Cash flow Concerns for CVC, but MSG's Lackluster Opening Ignores Key Trophy Assets

*Cablevision Systems' board of directors set Feb 9, as the date for the planned spinoff of its Madison Square Garden assets. CVC first announced its plan to spinoff the unit in July 09, including its Madison Square Garden arena, its professional sports teams (e.g. NY Knicks & NY Rangers), its Theaters (e.g. Radio City Music Hall and the Chicago Theater), its MSG regional sports networks and cable music channel Fuse. Shareholders will receive 1 share of MSG Class-A common stock for every 4 shares of CVC Class-A common stock they hold. The Spinoff entity will begin trading regularly on Feb 10, under the symbol "MSG."*

### CVC – Improved Cash Flow Profile and Lower Capex a Big Positive

Cablevision will be re-rated following the Spinoff of the MSG, which requires a high capex of \$850m during the next three years without generating adequate returns over which the shareholders were apprehensive. We like CVC as it has the most loyal and profitable subscriber base in the US, residing in the affluent New York metro area suburbs. It has strong network assets, with industry-leading penetration rates result in the lowest capital expenditure as compared to any other major operator, which we believe places the company in dominant position to generate strong free cash flows. **We recommend a Buy rating on CVC with a one year target price of \$33 and \$25 (Ex-MSG), which implies an upside potential of 29% from its current stock price and 21% from its technical split price.**

### Madison Square Garden – Trophy Assets to be in Focus

MSG's significant collection of trophy assets will gain better traction in the market post Spinoff and the company will gain from increased focus and a strong balance sheet. The Company's trophy assets, including the Madison Square garden, the NY Knicks and the NY Rangers franchises are valued at \$1.56bn (Private market value) will be in focus. MSG Media, which has a strong mix of media properties, including MSG networks, MSG Plus and Fuse provides stable revenue, operating profit and positive adjusted operating cash flows. The Media business gives the company unique opportunity to leverage on its trophy assets (Venues, Sports team and Entertainment segment). **We recommend an Absolute Buy rating on MSG stock with a target price of \$29, implying an upside potential of 48% from the current "when-issued" trading price of \$19.6 per share.**

### Key figures and ratios (\$ m)

Estimate	CVC (Ex-Spinoff)			MSG		
	2010E	2011E	2012E	2010E	2011E	2012E
Operating revenues	6,950	7,210	7,496	1,111	1,178	1,272
Revenue growth (%)	4.4%	3.7%	4.0%	3.7%	6.0%	8.0%
EBITDA	2,367	2,415	2,480	121	152	182
EBITDA (%)	34%	33%	33%	11%	13%	14%
Adj. EBIT	1,437	1,505	1,591	55	82	112
EBIT (%)	21%	21%	21%	5%	7%	9%
Net income	372	437	484	31	45	65
Adj. Diluted EPS (\$)	1.2	1.5	1.8	0.4	0.6	0.9
Return on Assets (%)	3.9%	4.5%	4.7%	1.6%	2.2%	3.0%
Return on Equity (%)	NA	NA	NA	3%	4%	5%
Return on Capital Employed (%)	14.3%	14.6%	15.1%	4.0%	5.7%	7.3%
EV/EBITDA	7.1x	2.5x	2.5x	9.9x	9.7x	8.1x
P/E	16.9x	13.5x	11.5x	47.8x	32.9x	22.8x