Boyar research

Forgotten FORTY 2022

SAMPLE REPORTS

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INTRODUCTION

Dear Valued Investor,

The Boyar Value Group has always searched for value outside of the mainstream or in ideas that are contrarian in nature. We are known for being long-term patient investors. In fact, Barron's once referred to our founder Mark Boyar (my father) as "*The World's Most Patient Investor.*" However, we realize many investors have a shorter time horizon. So, for almost three decades, towards the end of the year our team of analysts start to think about which stocks could outperform the major indices in the year ahead. We painstakingly narrow that list to forty.

Forty stocks. Forty reports. Each report focuses on not only what we believe the stock is worth, but more importantly, **the stock's catalyst—the reason we believe it will go up in the year ahead and why we believe someone should consider owning it.**

Not all are traditional value stocks, but they're all companies we've previously written full-blown research reports on. They're all names we believe in. They're names whose "value" we know inside and out and, for very specific reasons, feel comfortable stating that we believe will outperform in 2022.

Forty ideas. And just two or three of those—or just one—could mean a great deal of value now and potential success for many years to come.

We hope that you enjoy this sample report showing off some of this year's picks. **We've even included a special offer in this publication that we hope you'll consider.**

If you have any questions about what to expect in this year's Forgotten Forty, please do not hesitate to reach out to myself or our team.

Sincerely,

JONATHAN BOYAR | President Boyar's Intrinsic Value Research LLC

Chubb Limited

Capitalization Summary ($MM)	
Price	$193.96
Diluted Shares (MM)	438.4
Market Cap	$85,032
Total Debt	N/A
Cash	N/A
Enterprise Value	N/A

Share Ownership and Trading Data	
Average Daily Trading Volume (MM)	1.8
52-Week Price Range	$197.92-$144
Short % of Float	0.5%
Major Shareholders	Insiders: <1%

CB
NYSE

Valuation and Misc. Stats ($MM) 9/30/21	
Book Value per Share	$137.67
Price/Book Value	1.4x
EPS (ttm)	$19.67
Price/Earnings	9.9x
EBITDA (ttm)	N/A
EV/EBITDA	N/A
Dividend Rate/Yield	$3.20/1.6%

P&L Analysis ($MM)

Fiscal Year Ending December 31,	2018	2019	2020	2021E*
Revs, Inv. Inc., G/Ls	$32,717	$34,186	$35,994	$40,013
Profit before tax	$4,657	$5,249	$4,162	$4,049
Return on Equity	*7.8%*	*8.4%*	*6.2%*	*8.8%*
Book Value Per Share	$109.56	$122.42	$131.98	$139.03
Tangible BVPS	$65.89	$78.14	$87.69	*$91.48*

**FactSet Consensus Estimates*

Catalysts/Highlights

- Leading underwriter of property and casualty risks
- Excellent capital allocator due to opportunities presented by its breadth of product lines and global presence (54 countries)
- Continued “hard” insurance market (increasing prices) driving higher ROE and valuation

INVESTMENT RATIONALE

Chubb Limited was created when ACE Limited acquired The Chubb Corporation in 2016 for $29.5 billion in cash and stock. Chubb, which operates in 54 countries, is one of the world’s largest insurance companies and the leading U.S. commercial P&C insurer. The merger combined the complementary strengths of each company, with ACE a leading large company and global commercial P&C insurer and Chubb’s P&C commercial business serving the middle market. Chubb also offered personal P&C insurance, including its well-known offerings to high-net-worth individuals. Chubb does business with 94% of the *Fortune* 1000, aided by its large international presence, which enables it to better serve multinational companies.

Chubb reports in six business segments. Net premiums earned, percent of total segment income, and combined ratio* (except for the Life segment) by segment for the 9/M/E September 2021 were North America Commercial P&C: 42% of net premiums earned, 53% of total segment income, 87.9% combined ratio; North America Personal P&C: 13%, 10%, 90.0%; North America Agricultural: 7%, 4%, 89.6%; Overseas General: 29%, 24%, 88.3%; Global Reinsurance: 2%, 4%, 102.2%; and Life Insurance: 7%, 5%.

In our view, Chubb is built around two disciplines. First, and foremost, is underwriting discipline. For many years, ACE, now as Chubb, has been known for its excellent underwriting capabilities, with its combined ratio having averaged ~6 percentage points less than its peers’ over 3-, 5-, and 10-year periods. These results reflect a willingness to give up market share in product lines deemed to offer less-than-acceptable returns for the risks involved. In the current low-interest-rate environment, producing consistent underwriting profits is important to supplement lower investment income. The second discipline, capital allocation, takes advantage of Chubb’s global breadth of product offerings and its ability to pull back capital from lower-return categories to redeploy into favorable ones.

After many years of a “soft” insurance market, in late 2017 insurance prices started to rise after years of prices’ not rising as quickly as loss cost trends. Many have blamed “social inflation,” which covers a wide range of rising costs, such as increases in litigation (especially class-action suits), plaintiff-friendly legal decisions, larger jury awards, broadening of the definitions of liability, and litigation funding by third parties. Additionally, 2017 brought the highest amount of global insured catastrophe losses, amounting to ~$135 billion, which combined with fears of the effects of global warming have made insurers reexamine pricing models to account for increasing numbers and types of costly catastrophic events. After almost 4 years of rising insurance rates, we can confidently say this is the first sustained “hard” market since the early 2000s. We estimate, from Chubb’s quarterly commentary, that overall commercial P&C premium rates increased ~10%-12% during 2020 and accelerated in 2021 to a low-/mid-teens percentage. With excess capital, Chubb was well positioned to take advantage of the increased prices, as evidenced by its 9.5% YoY increase in commercial P&C net written premiums in 2020 (despite adverse impacts on businesses from the pandemic), followed by an 18.1% increase for the 9/M/E September 30, 2021.

Chubb has consistently sported a strong balance sheet and maintained a net debt/total capital ratio of approximately 20%. The Company currently pays a $3.20 annual dividend (1.6% yield), with a targeted 30% dividend payout ratio. Additionally, share repurchases in the first 9 months of 2021 totaled ~$4 billion (average cost ~ $173 per share).

In March 2021, Chubb proposed an acquisition of Hartford Financial Services (for ~$23 billion) but ended its pursuit after three rebuffs. In October 2021, Chubb announced an agreement to acquire Cigna’s accident, supplemental health, and life insurance businesses in seven Asia-Pacific countries for $5.75 billion in cash. The businesses generate ~$3 billion in revenue, which is ~80% A&H (accident and health) and will grow Chubb’s Asia Pacific business to ~$7 billion in premiums—representing ~20% of Chubb’s premium revenue. Chubb estimates a pro forma purchase price P/E of ~9.5x 2022E earnings and expects $80 million in cost synergies. The deal is expected to close in 2022 and be accretive to EPS by 6% and ROE by 55 basis points in 2023. In our view, the deal, in addition to being accretive, gives Chubb’s A&H business a needed increase in size and reduces Chubb’s surplus capital position.

Chubb trades at ~1.4x book value, approximately in line with its peers. At current levels, we believe that Chubb’s valuation does not reflect its superior underwriting capabilities, financial strength, broad-based commercial P&C offerings, unique high-net-worth personal lines, and growing international business. We also believe that little credit is being given for the sustainable hard market, with pricing having increased since 4Q 2017. We value Chubb utilizing a price/book approach. We assume an average annual ROE of 10% (ROE was 14.4% for first 9 months of 2021) through 2023 (normal economic environments usually yield 9%-10% ROEs), which we believe will prove conservative should the hard market continue and/or interest rates begin to rise. Notably, Chubb has stated that its surplus capital understates its ROE by ~200 basis points and that every 1% rise on its investment portfolio produces ~150 basis point increase in ROE. Utilizing a 1.6x BVPS multiple (at the higher end of its historical 0.9x-1.8x range but below its prior hard market peak of 1.8x) and our 2023E BVPS, we derive an intrinsic value of $260 a share, representing 34% upside from current levels.

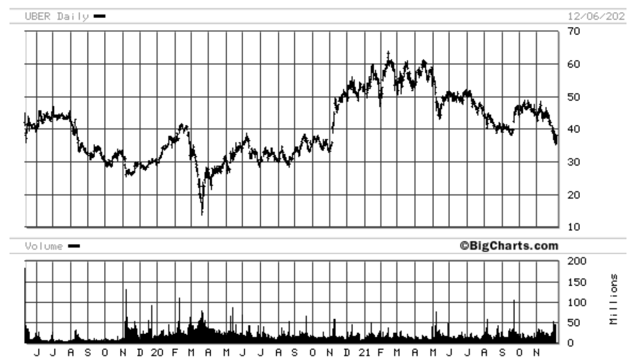
*Combined ratio is the sum of losses, loss expenses, policy acquisition costs, and administrative expenses divided by earned premiums.

Uber Technologies, Inc.

Capitalization Summary ($MM)	
Price	$37.83
Diluted Shares (MM)	1,940
Market Cap	$73,395
Total Debt	$9,279
Cash	($6,482)
Enterprise Value	$76,192

Share Ownership and Trading Data	
Average Daily Trading Volume (MM)	28.7
52-Week Price Range	$64.05-$34.88
Short % of Float	4.5%
Major Shareholder	Tiger Global: ~1.1%

UBER
NYSE



Valuation and Misc. Stats ($MM) 9/30/21	
Book Value	N/A
Price/Book Value	N/A
EPS (ttm)	($1.30)
Price/Earnings	N/A
Adj. EBITDA (ttm)	($1,314)
EV/EBITDA	N/A
Dividend Rate/Yield	N/A

P&L Analysis ($MM) *Fiscal Year Ending December 31,*	2018	2019	2020	2021E*
Gross Bookings (GBs)	$49,791	$64,926	$57,871	$90,168
Net Revenue	$10,297	$12,897	$11,139	$17,152
Take rate	*20.7%*	*19.9%*	*19.2%*	*19.0%*
EBITDA	($1,847)	($2,725)	($2,528)	($800)
Margin	*N/A*	*N/A*	*N/A*	N/A

**FactSet Consensus Estimates*

Catalysts/Highlights

- Continued recovery in Mobility should boost growth and drive operating leverage (35% 2023E adjusted EBITDA margin)
- Stability and even growth in Delivery despite the economic reopening should solidify the Delivery model in investors' minds
- After achieving adjusted EBITDA profitability, a faster-than-expected ramp in profitability could surprise investors

INVESTMENT RATIONALE

Uber Technologies operates ubiquitous ride hailing (Mobility) and Delivery businesses (Uber Eats) that are global leaders. After rapid scaling of Delivery ($51 billion in 2021E GBs) during the pandemic, the two businesses should generate GBs of ~$85 billion in 2021 and ~$100 billion on a normalized basis (56% above prepandemic levels). Uber achieved its first positive adjusted EBITDA quarter in 3Q 2021, and profitability should scale significantly, but shares are down 41% from the highs, and Uber is currently trading for just ~13x 2023E Mobility EBITDA after adjusting for ~$12 billion in equity stakes. CEO Khosrowshahi believes shares are undervalued, recently saying "we've never been in a better position" after purchasing 200,000 shares in the open market for ~$45/share.

Ride volumes have continued to recover faster than other modes of transport, as demand is back above prepandemic levels in many markets, and the Halloween weekend in particular saw global GBs exceed 2019 levels. Overall, however, October 2021 GBs were 85% of October 2019 levels. (Volumes were down more given that pricing is higher today.) Driver supply has lagged, and Uber aggressively leaned into jumpstarting supply growth. The number of drivers is up 65% since January (>20% since June), average wait times in October stood at 4.5 minutes in the U.S. (down from ~6-7 minutes in the summer), and 25% of trips faced surge pricing (down from ~30%-40%). In NYC, the respective metrics were nearly 2 minutes (from ~4 minutes) and 18% (from 50%), respectively. Mobility has already returned to prepandemic profitability, achieving ~25% adjusted EBITDA margins in 3Q 2021 ($544 million). The highly variable cost structure should enable Mobility to scale profitability quickly alongside further recovery and growth. We project that the unit will generate adjusted EBITDA of ~$3.2 billion in 2022 (excl. ~$1 billion in unallocated overhead) and $5 billion in 2023. The 2023 level assumes a 35% margin, still below its earnings power (~40% today), with ample room for 20%+ annual top-line growth.

In our 2021 FF profile, we noted that despite difficult pandemic comps, there was plenty of growth left for Delivery. This has largely played out during 2021, as the unit has continued to generate sequential and YoY organic growth until 3Q 2021, when it posted a modest sequential decline of less than 1%. New verticals (now ~6%-7% of GBs) are supporting growth, with grocery a particularly attractive market that management is focusing on through its Cornershop business. While Instacart is a major grocery delivery platform in the U.S., there is no such leader elsewhere, leaving significant greenspace for Uber to extend its already strong brand and local market scale. The playbook is familiar for Uber, as it missed out on becoming the #1 U.S. player in food delivery to rival DoorDash but leveraged its reach in other markets to secure leading positions elsewhere. In fact, Uber's rest-of-world business (excl. U.S. and Canada), at ~$25 billion in GBs, is roughly the same size as US&C and would be the third-largest non-US&C competitor in the world as well as the fastest-growing, with 104% YoY growth during 2Q 2021. We see public market valuations as ignoring Uber's global reach.

Delivery essentially broke even on an adjusted EBITDA basis during 3Q 2021, but core Eats business was profitable, with those profits being reinvested for growth. We believe that Mobility should generate significant profitability, leaving room for management to operate Delivery at break-even or modest profitability. In addition, like the Amazon model, high-margin advertising and subscription offerings should bolster the economics. As of 3Q 2021, Uber had 6 million subscribers, who accounted for 20% of GBs during the quarter and ordered 50% more often, with basket sizes 10% larger than nonsubscribers'. Uber recently launched a new subscription offering at a price point in line with DoorDash that also offers rides perks, making it a compelling product that should resonate with users. Uber is already seeing attractive cross-platform behavior, with 25% of first-time Eats users coming from Rides and 20% of Rides first trips coming from Eats customers (40% in the UK). Advertising is still early in its opportunity, but there is ample room for growth, particularly as grocery scales. (Advertising is similar to paying for shelf space in a store.) Mobility also has an advertising opportunity, as restaurants and stores can advertise and sell to riders along their journey (similar to the role a roadside billboard serves today).

After years of exiting money-losing markets/businesses (accumulating equity stakes in leading competitors along the way), Uber is leaner and focused on massive opportunities in Mobility, Delivery, and Freight, and deal-making has shifted to offense. The late 2020 acquisition of Postmates ($2.7 billion in stock) was followed by the acquisitions of alcohol delivery startup Drizly in October 2021 ($1.1 billion in stock), the remaining interests in grocery company Cornershop, and logistics company Transplace (~$2.3 billion in cash and stock) to support Uber Freight. Uber also entered a partnership with startup GoPuff, which sells convenience items to consumers through its own "dark stores" (fulfillment centers specifically built for delivery).

We believe that the current valuation is overly punitive of regulatory and competitive concerns, with leading competitors trading for higher multiples. DoorDash and Lyft, smaller NA-specific competitors, are trading for 12.7x and 4.5x revenue, respectively, compared with 4.6x for Uber, a global leader in both businesses. We value Uber on a sum-of-the-parts basis, employing a multiple of 7.5x 2022E revenue for Delivery (implies ~23x the EBITDA power of the business), the same 7.5x revenue for Mobility (~27x 2022E EBITDA), and 7x EBITDA for Corporate expense. Summing these components with Freight valued at its recent private funding round ($3.3 billion) and the equity stakes (~$12 billion) results in an intrinsic value estimate of $79/share (108% upside).

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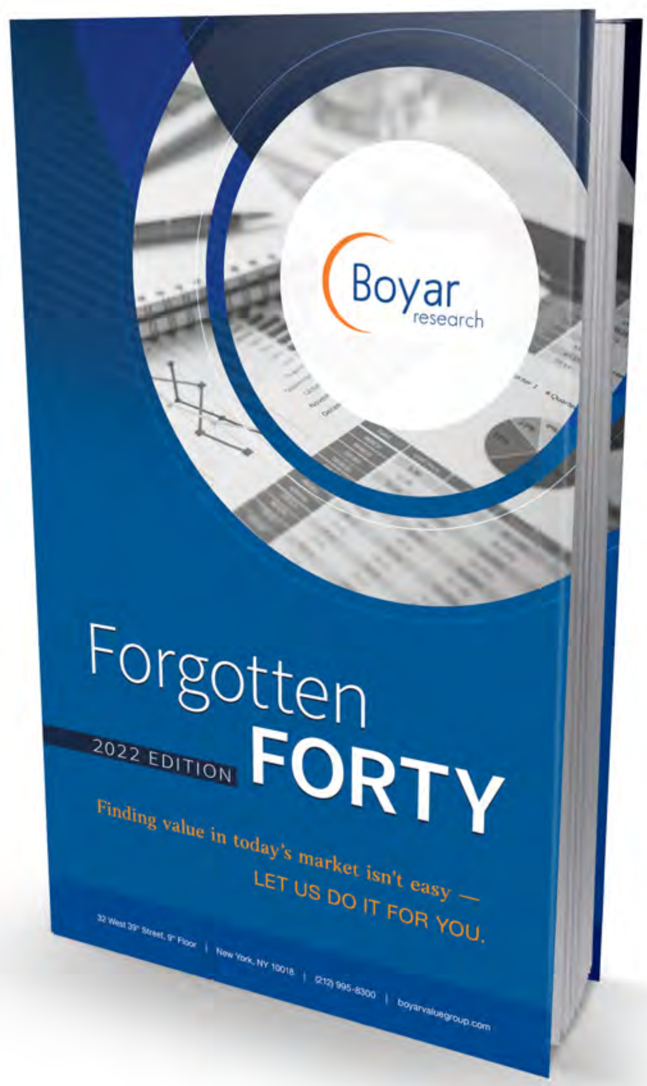

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  Our November 2021 issue of *Asset Analysis Focus* (featuring three full-length reports on companies we believe to be undervalued)

- **Bonus Download 2**

  Our special *Attractively Priced Stocks in a Challenging Market* report (featuring reports on 8 companies selling below our estimate of intrinsic value)

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MarketWatch | May 29, 2021

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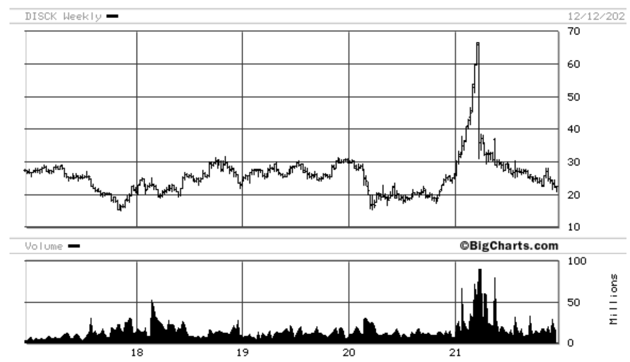
Discovery, Inc.

Capitalization Summary ($MM)	
Price (Series C)	$21.75
Diluted Shares (MM)	663
Market Cap	$14,420
Total Debt	$14,785
Cash	($3,116)
Enterprise Value	$26,089

Share Ownership and Trading Data	
Average Daily Trading Volume (MM)	3.7
52-Week Price Range	$66.70-$20.86
Short % of Float	4.4%
Major Shareholders	John Malone: ~3.0%, voting 28% Advance/Newhouse: ~27%, voting 24%

DISC A/K
NASDAQ



Valuation and Misc. Stats ($MM) 9/30/21	
Book Value	$11,611
Price/Book Value	1.2x
Adj. EPS ttm	$3.26
Price/Earnings	6.7x
Adj. EBITDA ttm	$3,682
EV/EBITDA	7.1x
Dividend Rate/Yield	Nil

P&L Analysis ($MM) *Fiscal Year Ending December 31,*	2018	2019	2020	2021E*
Revenues	$10,553	$11,144	$10,671	$12,137
Operating Income	$1,934	$3,009	$2,515	$2,179
Margin	*18.3%*	*27.0%*	*23.6%*	*18.0%*
EBITDA	$4,188	$4,671	$4,196	$3,707
Margin	*39.7%*	*41.9%*	*39.3%*	*30.5%*

*FactSet Consensus Estimates

Catalysts/Highlights

- Discovery's pending merger with WarnerMedia will be transformational and presents meaningful synergies (+$3 billion)
- In April, DISCK noted that the discovery+ L-T EBITDA margin forecast (~20%+) was looking "incredibly conservative"
- DISCK is projecting $2.1 billion in FCF in 2021 (FCF yield: 15%), with FCF/EBITDA conversion ahead of guidance (~50%)

INVESTMENT RATIONALE

Discovery is a global media company that provides content across multiple distribution platforms (linear, free-to-air, digital, DTC, etc.) to 3.7 billion cumulative subscribers and viewers worldwide across various genres, including general entertainment, food and travel, crime and investigation, sports, and kids. Key networks include the flagship Discovery Channel, TLC, and Animal Planet.

Discovery shares have declined 11% from last year's Forgotten Forty but are down nearly 70% from (somewhat artificial) 2021 highs reached while being propped up—along with a number of other media companies'—by Hedge fund Archegos, which used a massive amount of leverage to acquire shares before being forced to unwind its trades. The other big news for Discovery in 2021 was a proposed merger with AT&T's WarnerMedia, announced in May. Discovery CEO Zaslav has been adamant in recent years that DISCK can navigate the changing media landscape as a standalone entity, but it has become apparent that the future media winners will be the ones that have the scale and resources, unique IP, and breadth of content needed to build a formidable direct-to-consumer service.

As part of the proposed transaction, DISCK shareholders will own ~30% of the combined company, Warner Bros. Discovery (WBD), versus AT&T shareholders' ~70%. WBD is expected to generate $52 billion in revenues and $14 billion in adjusted EBITDA in 2023, versus the $11 billion and $4 billion in revenues and EBITDA, respectively, that DISCK generated in 2020. Importantly, WBD will have the resources to spend over $20 billion annually on content (more than most of its peers) as it pursues its direct-to-consumer ambitions (expected to generate 2023 DTC revenue of ~$15 billion). The resulting company will have one of the deepest content libraries in the world, with genres ranging from kids, crime, and sports to documentaries and superheroes. WBD will assume a decent amount of leverage but should be able to quickly delever after the close of the merger. Indeed, when the merger was announced, gross leverage (debt/EBITDA) at closing (expected 2H 2022) was expected to be ~5x, but DISCK recently stated that WBD will likely begin life closer to ~4.5x, reflecting contractual adjustments to working capital and, to a lesser extent, Discovery's improved operating performance. Thus, Discovery is increasingly confident about reaching the higher end of its leverage target (2.5x-3.0x) "meaningfully sooner" than originally expected, and we expect it to deploy the playbook from its Scripps acquisition to extract more than $3 billion in estimated cost savings. (DISCA achieved >$1 billion in cost savings after acquiring Scripps, 3x the amount initially forecast.) Media mogul John Malone, who controls a significant amount of Discovery stock, recently stated that cost and revenue synergies from the combination will "easily" exceed $3-$4 billion a year.

Combinations this large present challenges, but multiple factors give us confidence in the merger's potential for success. WBD will be led by Discovery's current CEO, David Zaslav, a proven media executive who successfully oversaw the acquisition and integration of Scripps and who recently stated, "If we're successful, and I believe we will be, there will be Harvard Business School case studies on this deal." John Malone and Advance/Newhouse, both of which have been involved in the media industry for decades, collapsed their voting stakes in Discovery as part of the merger agreement—another very compelling argument for the combination.

Discovery's U.S. and International businesses have been performing well, with revenues in U.S. Networks and International Networks increasing by 12% and 44%, respectively, during 3Q 2021. Key contributors to DISCK's revenue growth have been the launch of discovery+, the Company's streaming service, and a robust advertising market. discovery+ helped drive 21% distribution revenue growth at U.S. Networks during 3Q, adding 3 million subscribers (for 20 million total). In early 2021, DISCA noted that its L-T EBITDA margin target of 20%+ for the service was looking "incredibly conservative." Key metrics for discovery+ have been very favorable, with conversion from trial to paying subscribers of ~75%, churn approaching peer group lows, and monetization and engagement exceeding expectations. The pending combination could help sustain its strong streaming momentum, with DISCA noting that less than half of discovery+ subscribers are HBO Max customers (offering cross-selling opportunities). discovery+ is also helping bolster advertising, with the ad-lite version of the service commanding significant advertiser demand. (From its 2020 launch through 2Q 2021, over 800 advertisers bought inventory on the platform, more than 4x the targeted amount.) Advertising markets are healthy in the U.S. and in international markets, with U.S. scatter pricing up 40% in 3Q and expected to be up 30%-35% in 4Q versus up-front and prior-year scatter levels. Advertising revenues were up 26% at International Networks in 3Q, with all international regions up meaningfully. DISCK expects to generate $2.1 billion in FCF in 2021 (FCF yield: 15%), with FCF/EBITDA conversion ahead of its prior 50% outlook.

At current levels, investors are presented with the opportunity to own WBD at just 7.2x its 2023E pro forma EBITDA, with cost and revenue synergies likely to drive the multiple lower. We value DISCK by estimating the value of WBD on 2023 EBITDA projections. At a discounted (vs. precedent industry transactions) 10x multiple, we estimate the intrinsic value of WBD to be $40 a share, for 84% upside. We believe that multiple items could drive upside to this projection, including greater-than-anticipated cost savings, faster-than-anticipated streaming growth, and outsized return to shareholders.

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