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Quitting the Hedge Fund Game - Mark Sellers
Oct. 11, 2008 8:20 AM ET | 14 comments | Includes: AXP, BRK.A, BRK.B, FXEN, JNJ, PEP, PRXI, UPS, VMC

This I can understand:

For some, the volatile market has been too much. Such is the case for Mark Sellers, who runs a small energy fund Sellers Capital.

After posting eye-popping returns of 65 percent in the first half of the year, the 40-year-old Sellers alerted investors last month he was closing shop and retiring from the profession.

"I truly love the art of investing, but managing people's money has taken a large toll on my demeanor and psyche," Sellers said in a letter obtained by The Post. "I feel downright miserable."

Managing a hedge fund is a high-stress activity at the best of times. And given the quantum leap in stress that all hedge-fund managers have experienced in recent weeks, it's hardly surprising that at least one energy hedge-fund manager has decided to call it quits.

The next sentence, however, makes less sense to me:

Sellers, who put a lock on redemptions, plans to liquidate the fund over the next year or two.

The only reason to spend a year or two liquidating your fund is if it has very illiquid investments. I'm not sure that the NYP's characterization of Sellers Capital as an "energy fund" is correct, but if it is, then energy investments are nearly always very liquid.

I suspect that in reality Sellers Capital has lost a lot of money in the second half of this year, and he's decided to hold and pray rather than liquidate at a loss. Here's a Sellers Capital presentation from May. It says that the fund likes to "make big bets", and it says that its guiding philosophy is Warren Buffett's: "Rule #1: Don't lose money. Rule #2: see Rule #1".

I do believe Mark Sellers when he says that he feels downright miserable. But I think the reason is simple: he violated his Rule #1. And, for that matter, his Rule #2.

"We buy two types of companies," says the presentation. The first type is out-of-favor large-caps: it cites Johnson & Johnson (JNJ), Wrigley (WWY), and Pepsico (PEP). Wrigley had already been bought at the time of the presentation; the other two companies are down about 17% since the beginning of May.

Most of the presentation is about an example of the other kind of company Sellers likes: small-caps selling near liquidation value. He picked Vulcan Materials (VMC), which was selling at $70 per share. If he was unlucky, he said, VMC would go to $60. Most likely, it would go to $90. If he was lucky, it would go to $105.

Within two months, VMC was at $50. It then rebounded, but it still closed today at $54.50.

Elsewhere online, TickerSpy has a list of what it says are Sellers Capital's holdings, which include VMC and which generally look like a pretty standard value-investor portfolio -- Berkshire Hathaway (BRK.A), UPS, American Express (AXP), that kind of thing. Over the past six months, one of the 15 stocks is up: FX Energy (FXEN). The rest are down, with Premier Exhibitions (PRXI) doing particularly badly, off 77%.

Now I'm not saying that the hold-and-pray decision was the wrong one to take. Investors in hedge funds have a lot of money, they don't *need* to liquidate now. So if you're holding companies which are worth more than anybody's willing to pay right now, it makes sense to unwind slowly, rather than throwing up your hands and taking large losses.

But I do think that Sellers is underwater. It's clearly not a position he's used to, and not one he likes, either.

http://longtermvalue.wordpress.com/2010/10/08/2q-2011-updatepremier-exhibitions-prxi/

Premier Exhibitions (PRXI):2Q 2011 Update

October 8, 2010

The second quarter 2011 (August 31st) results have been reported by PRXI. Nothing particularly interesting on the operating side except that higher exhibition bookings were more than offset by lower attendance, perhaps due to the lingering effects of the recession, and the company was nearly break-even on a GAAP basis. You can get the full story from the company's press release via EDGAR or some greater color from the **transcript of management's 2Q call on Seeking Alpha.**

The most important information reported, however, was that Sellers Capital is no longer looking to monetize its stake in PRXI by wind-down of the fund in July 2011. They are not interested in selling at current prices (and apparently can't find anyone who is willing to purchase their 46% stake at above market prices, strange as that may seem). Although this means that there will be no catalyst for value realization in the short-term, I actually think this is good news because it means that Sellers will remain on the board to guide the company's capital allocation. I am always a little wary of 'story stock' management; they need to be good promoters for the initial capital raise, but then they begin to drink their own kool-aid and don't tend to be very shareholder friendly even when they, themselves, are big shareholders. Here, we have the best of both worlds, management with a 'story' vision and a great capital allocator and shareholder advocate holding the reins. There was some hint that there might be acquisitions in the near future, but I'm confident that they will be strategic and cash flow accretive given the overall team. I still like the stock and think that there is long-term value that will be realized eventually. You just need the value investor's most powerful ally – PATIENCE. I will be buying more shares if the price drifts down to the buy targets outlined in my initial post. And, in a way, I am more enthusiastic than ever about this stock because the lack of an immediate catalyst may even allow me to grow my position and average down my cost. I am reminded of something I read recently that resonated with me about a not-too-recent study that Prof. Greewald did on Paul Sonkin's purchases for the micro-cap Hummingbird Fund. The study found that most of the gains from his positions came not from the initial investments, but from follow-on purchases when the share price had declined dramatically. This kind of investing requires both conviction and patience. I am trying to build both.

http://www.fatpitchfinancials.com/1289/mark-sellers-letter-to-premier-exhibitions-shareholders/

http://whopperinvestments.wordpress.com/2014/07/09/pfho-still-cheap-after-a-10x-run/#more-125

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2013 article on Mark Seller's investment in Premier:

http://www.mlive.com/business/west-michigan/index.ssf/2013/02/mark_sellers_on_titanic.html

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PREMIER EXHIBITIONS INC(PRXI) - $1.70 on Jun 30, 2013 by PSVR

			2014	2015
Price:	$1.70	EarningsPerShare:	$0.00	$0.00
Shares Outstanding (in M):	49	P/E:	0.0x	0.0x
Market Cap (in $M):	84	P/FCF:	0.0x	0.0x
Net Debt (in $M):	0	EBIT (in $M):	$0	$0
TEV (in $M):	0	TEV/EBIT:	0.0x	0.0x

Long: Premier Exhibitions (NASDAQ: PRXI)

Current Price: $1.70

Fair Value: $2.71

Summary

Premier Exhibitions is no stranger to VIC. Now that the stock price has fallen significantly and irrational selling has taken/will take place, I believe it is worth another look. The current price offers a nice margin of safety in a broad range of scenarios.

Premier is a profitable international presenter of exhibitions that trades at a discount to the sum of the fair values of its two subsidiaries. This discrepancy should be resolved in time as the company is in the process of selling its most valuable subsidiary and has promised to direct the proceeds toward shareholders.

Background

Premier's predecessor, Titanic Ventures, was formed in 1987 to explore the Titanic wreck site. When the company went public in 1993, it was renamed RMS Titanic (RMST). A year later, it entered the exhibition business by displaying recovered Titanic artifacts from its numerous dives. In 2004, RMST reorganized as Premier Exhibitions with RMST as a subsidiary, so the company could expand its exhibition business beyond the Titanic. In 1994, RMST was declared the salvor-in-possession of the Titanic wreck site by a federal district court, making it the only entity allowed to recover artifacts from the ship wreck. However, the court later restricted the sale of such artifacts, claiming Premier had to receive a salvage award. In 2010, RMST was awarded such a salvage award, equal to the fair market value of the recovered artifacts, to be paid via cash or title. On 8/15/11, the court made its decision to grant the salvage award in the form of title to the artifacts. Premier currently has two subsidiaries—RMST and Premier Exhibition Management (PEM). RMST contains the Titanic artifacts and the related intellectual property, and PEM operates the exhibition business of Premier.

Management

In response to a 95% drop in the stock price and missteps by management, the hedge fund Sellers Capital ran a proxy contest to replace a majority of the board of directors. After winning in 2009, Sellers replaced the management team and was responsible for placing eight out of the nine directors. Sellers committed to turning the company around and developing a plan to monetize the Titanic assets. Initially, the turnaround efforts fell flat, but recently, operations have begun to pick up steam.

Sellers Capital, which is now in liquidation, owns 44% of the company. Premier is the fund's only position. The head of the firm, Mark Sellers, is a well-respected value investor who has spoken several times at the Value Investing Congress. The CEO of Premier is Sam Weiser, the former COO of Sellers Capital. After speaking with him on several occasions, Weiser appears very intelligent and capable. In addition, he has recently recruited a CFO/COO with significant experience in the live entertainment business.

Current Situation

In October 2012, Premier announced that it had entered into an LOI with a consortium of entities to sell the Titanic assets for $189MM. During the FQ4'13 earnings release on 5/28/13, the company announced that the consortium had still not been able to secure financing. Even worse, the consortium appears to be essentially begging for money from governments and charities. This information makes it seem like the consortium is not a serious buyer. The company recognizes the uncertainty with this deal and is now considering other paths to monetize the Titanic assets. The stock dropped significantly on this news.

Shortly thereafter on 5/31/13, Mark Sellers sent an update to his LPs explaining that he is accepting withdrawal requests for the end of Q2'13 for the first time in years. The majority, if not all, of the consideration for the redemptions will be satisfied in shares of Premier (see the letter here: http://www.princehenrygroup.com/Sellers%20Capital%20Fund%20Update%20May%2031%202013.pdf). Because Sellers Capital owns 44% of the company, this has put further pressure on the stock resulting in a drop of 27% from the day FQ'13 earnings were released. Premier may suffer further pressure as the LPs who requested redemptions sell their shares when they get them in the next few days. Given this, it may be wise to wait until July to purchase shares. To make matters worse still, Premier is being kicked out of the Russell 2000 at the end of June. The above events describe investors who are selling without regard to the fundamentals. This irrational selling and artificially low stock price offer a terrific entry point for levelheaded investors. Premier did announce a small share repurchase plan on 6/17/13. The stock initially reacted positively but has since retraced the move. This may be a sign the company agrees the stock is cheap down here; however, the skeptic in me wonders if it was orchestrated to help the LPs of Sellers Capital sell their shares.

Valuation

RMST

Given the uncertainty of the LOI and the difficulty in valuing the assets, I don't think it is wise to hang your hat on a single number for the valuation. However, for the sake of simplicity and instructiveness, I will estimate a fair value. Below I present sensitivity tables with different sale prices of the Titanic artifacts. The highest number is the $189MM agreed on with the consortium. I assume RMST is worth $129MM or 68% of the original $189MM. My estimate of fair value before the auction process began (along with the estimates of others) is already posted in the comments of the last PRXI idea, so I won't go over any of that again. In his 5/31/13 letter, Sellers commented: "The company remains in discussions with parties about a sale of the Titanic assets. While I expect a sale of these assets will occur, there remains uncertainty about the ultimate timing of a transaction closing." The timeframe of a transaction is extended because the court has to approve any sale since the government wants to ensure the assets are properly preserved and publicly displayed. Before the company settled on the consortium, they mentioned they were "in discussions with multiple parties for the purchase of its Titanic artifacts collection." Notably, Sellers is not withdrawing any of his own capital. He is committed to seeing the monetization through until the end. Some may think the company has exaggerated the amount of interest it has received for the Titanic assets. Although the fact that Premier chose to enter into an LOI with what seems like an implausible buyer hints at exaggeration, the company has no incentive to exaggerate. Sellers is seeing the process through, so he shouldn't care what the stock price does in the meantime. If the company is being promotional, they surely aren't doing it elsewhere. On the FQ4’13 call, at least four separate investors complained about Premier’s lack of communication and investor relations efforts.

PEM

Historically, Premier has only presented Bodies, Titanic, and Dialog in the Dark exhibitions. In April 2012, PEM acquired the right to exhibit four other exhibitions for five years. In this transaction, the seller received a 10% stake in PEM valued at $4.8MM, implying a $43MM valuation for Premier’s PEM stake. However, in a restatement of the acquisition announced on 5/2/13, PEM’s value was lowered to $30.180MM. This implies a $27.162MM valuation for Premier’s stake. Since the deal was executed, PEM appears to be performing better than expected. In FY13, PEM generated $6.698MM in Adjusted EBITDA (per the company’s definition) and $5.832MM in adjusted EBITDA after subtracting stock-based compensation. Premier disclosed a cash balance of $8.4MM on 4/30/13 vs $6.4MM on 2/28/13, which hints to a robust FQ1’14. Lastly, Premier is opening new exhibits in multiple locations this year. Given these points, it makes sense to add a 20% premium and thus value Premier’s PEM stake at $32.594MM, which is only 5.6X my adjusted EBITDA.

STOCK PRICE						
		37%	52%	68%	84%	100%
		Sale price of RMST before any fees				
	PEM	**69,000**	**99,000**	**129,000**	**159,000**	**189,000**
60%	**16,162**	1.42	1.90	2.38	2.86	3.34
80%	**21,662**	1.53	2.01	2.49	2.97	3.45
100%	**27,162**	1.64	2.12	2.60	3.08	3.56
120%	**32,662**	1.74	2.23	2.71	3.19	3.67
140%	**38,162**	1.85	2.34	2.82	3.30	3.78

RETURN						
		37%	52%	68%	84%	100%
		Sale price of RMST before any fees				
	PEM	**69,000**	**99,000**	**129,000**	**159,000**	**189,000**
60%	**16,162**	-17%	12%	40%	68%	97%
80%	**21,662**	-10%	18%	46%	75%	103%
100%	**27,162**	-4%	25%	53%	81%	110%
120%	**32,662**	3%	31%	59%	88%	116%
140%	**38,162**	9%	37%	66%	94%	123%

Adding together the values I assigned to the two subsidiaries, Premier is worth $2.71/diluted share. However, as I stated earlier, I believe acknowledging the range of possible outcomes is more important. You can see that only in certain scenarios where the Titanic assets sell for $69MM do you lose money. Even then, the downside is modest.

To get from the sale price of RMST to the stock price, I subtract 7.5% of the sale price for investment banking fees. Premier said they are likely to hire an investment bank in their last earnings release. I also subtract $4.85MM for the unfunded portion of the Titanic trust account Premier will fund. Lastly, I discount the proceeds from the sale of RMST at 15% for one year as I assume it will take some time for Premier to actually close on the deal. I also add a conservative $2MM for the PV of NOLs. All other assets and liabilities at the corporate level are immaterial.

I do not adjust for taxes because it appears that by selling the stock of RMST, Premier is somehow avoiding taxes. Management has said on multiple occasions that the deal is “tax-efficient” and has confirmed they understand the tax consequences. Taxes are an important consideration given the low basis of the Titanic assets. I assume that any other deals will follow this structure. Although I am not sure how they can structure the deal without taxes, if they couldn’t, it would make far more sense to sell the company’s stock or sell PEM and then the company’s stock.

This is because the tax bill of selling the Titanic assets will be much higher than any discount the buyer puts on PEM or the tax bill on PEM. Because Premier is not taking either of these approaches and has confirmed they understand the two approaches are far superior if taxes are not unavoidable, I assume the current deal will not be taxable. Assuming management is not imbecilic, the worst case scenario would have Premier selling the company and the buyer not fully valuing PEM.

Risks

1. There are no buyers for RMST even at a price that is half the currently contemplated price.
2. Management does not complete a transaction in a tax-efficient manner.

Catalysts

1. Premier sells RMST and proceeds are directed toward shareholders. When asked on the FQ1'13 earnings call what Premier will do with the proceeds from a sale of the Titanic assets, Sam Weiser said, "…we do intend to direct substantially all of the net proceeds to shareholders."
2. Cessation of and recovery from irrational selling due to Sellers Capital allowing LPs to withdraw their capital accounts for the first time in three years.
3. After the RMST sale, PEM will become a standalone company, making it easier for the market to fully appreciate its value.
4. After the RMST sale closes, PEM is sold. Mark Sellers is eagerly awaiting the appropriate time to exit his fund's final position, and the ideal time to do so is quickly approaching. On 9/18/08, he announced that he would be liquidating his fund and retiring from the profession. He was quoted as saying, "…managing people's money has taken a large toll." Additionally, on 6/21/10, Sellers informed Premier that he was looking for a single investor to purchase his stake. But on 10/7/10, he announced that he would continue to hold until he could obtain a better price for his shares. The above actions make clear that Sellers wants to liquidate his fund as soon as practically possible and exit the investment management business. He has said that after he is done with Premier, he does not intend to ever invest in public equities again. Given it has been over three years since the dissolution announcement, Sellers and his LPs are undoubtedly eager to see their capital and move on. The most reasonable way for Sellers to exit his position in Premier is to sell the company. Since RMST is in the process of being sold, he only needs to sell PEM. Selling PEM after RMST makes sense because Premier will be able to sell it tax efficiently by selling Premier's stock.
    1. Private investor Greggory Schneider filed a 13D on 11/14/12 disclosing a 6.0% position (which he has since increased to 6.33%) and urging management to initiate a formal process to privatize or sell PEM. He is even more bullish on the subsidiary, believing it could "easily fetch $75MM."

Variant View

1. As a result of the disparate nature of the two subsidiaries and relatively small size of PEM, market participants are not fully appreciating PEM's turnaround and value.
2. Market participants are incorrectly assuming taxes will be paid at the corporate level on the sale of RMST.
3. Market participants are incorrectly interpreting the lack of guidance concerning the company's future after the sale of RMST as an unwillingness to sell PEM. By reviewing Mark Sellers's actions over the past several years, his desire to fully monetize his position is clear.

Conclusion

Premier Exhibitions represents a relatively simple, compelling, and timely investment opportunity. It is currently trading at a material discount to its fair value with a catalyst to close this disconnect likely occurring within the next year. Furthermore, the stock is in the midst of irrational selling allowing for a prime entry point. After the sale of RMST is completed, it is likely that Sellers sells PEM as his fund is in dissolution and there is an activist clamoring for such a move. If Premier does not sell PEM, at least the market will be able to better value the remaining business after RMST is sold.

Catalysts

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#	Author	Date	Subject
3	sunshine	11/13/13 10:42 AM	RE: RE: Update?

Thanks. Seems like Management is beyond inept, if that is possible! Interesting to see
if any shareholders get involved here and replace management and / or BoD.

#	Author	Date	Subject
2	sunshine	11/11/13 11:55 AM	Update?

Anyone following this Company?

#	Author	Date	Subject
1	oliver1216	07/01/13 03:37 PM	RE: RE: RE: RE: Good update

We are hearing conflicting things about whether Sellers is actually returning shares to his LPs.
Yes, we have seen his letter, but we believe there are some LPs who have not been told if/when
they will actually receive the shares they had requested. Does anyone know an LP in Sellers fund
who can confirm if he/she received a confirmation from Sellers saying when the shares would be delivered.
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PREMIER EXHIBITIONS INC(PRXI) - $1.84 on Dec 28, 2011 by bruin821

			2014	2015
Price:	$1.84	EarningsPerShare:	(.27)	$0.01
Shares Outstanding (in M):	49	P/E:	0.0x	0.0x
Market Cap (in $M):	89	P/FCF:	0.0x	0.0x
Net Debt (in $M):	5	EBIT (in $M):	$0	$0
TEV (in $M):	84	TEV/EBIT:	0.0x	0.0x

Description...

With a clear catalyst in place PRXI should appreciate 50-200% in the next 3.5 months. The PRXI story has been rehashed multiple times on VIC, but now it is a simple story that should generate substantial returns in a very short period of time with very little downside risk.

This is due to the December 23rd announcement that an auction house has been retained to sell the artifacts of the Titanic and related IP. The winning bid will be announced on April 15, 2012, one day prior to the 100 year anniversary of the sinking of the ship. For the past two decades PRXI has been exhibiting the artifacts of the Titanic, while preserving them and fighting numerous court battles on the actual ownership of the artifacts.

In 1994 the courts deemed PRXI as salvor in possession of the artifacts. This means they had the exclusive rights to exhibit the artifacts and do dives to the site, in exchange for the responsibility of maintaining them with the highest amount of care.

In August of this year, the courts awarded the artifacts to PRXI with certain stipulations. They must maintain the same standard of care. Importantly, they are allowed to sell the artifacts and related IP, but they must keep the entire collection together and can only be sold to a suitable buyer who will provide for their long term protection.

On December 23rd, the company announced that Guernsey, a top five auction house has been retained to sell the assets and the winning bidder will be announced on April 15th. Guernsey will receive a $5mm fee and 8% of the gross proceeds.

So what the artifacts and related IP worth? That is the big question. In 2007 the court appointed appraisers valued the artifacts at $189 mm. This excludes the 2010 dive and related IP, as well as the salvor in possession rights. It is important to note that historically court appointed appraisals are very conservative and in almost every case art, collectables, etc. are sold for more than their appraisals. Also, the appraisals are based on what the experts think the asset will sell for in an auction.

The company also has a small exhibition business (The Bodies, Dialogue in the Dark, etc) which does about $30mm in annual revenues.

In a baseline valuation case:

Artifacts and related IP	$189mm
Salvor in possession rights	$0
2010 dive and IP	$0
Exhibition business	$30mm (one times revenues)
Total	$219mm
(Auction fees)	($23mm)
Net value	$196mm

There are 48.5 mm fully diluted shares so $196mm/48.5=$4.04 per share.

The auction fees are actually paid by the buyer, but I am assuming they will be reflected in the value.

If the artifacts are worth more than $189mm and you assign some value to the 2010 dive and the salvor in possession rights you could get easily get more than $4.04 per share. If you want to assign no value to the other assets and discount the core artifacts by a large factor you would still get a significant premium to today's price. Given the announcement date is only 3.5 months away, investors from here should earn an extremely attractive IRR in a very short period of time with little downside risk.

Results of auction announced on April 15, 2011

Messages...

#	Author	Date	Subject
83	bruin821	10/17/12 12:16 PM	RE: LOI is su

You have absolutely no evidence that the buyer is sophisticated or unsophisticated, not do you have any reasons to say they should be able to pay less. This is just baseless speculation. i would suggest you cover your short because when it closes the stock will trade above $4.

82	jwright44	10/17/12 08:10 AM	LOI is suspec

The consortium buyer has emerged as I had predicted in January but I am unclear as to why the letter would enumerate $189m. In offering the previous appraised value, it suggests that the buyer is not sophisticated. The auction has been in process now for the past 11 months and it is clear that a consortium should be able to pay less than $189m for the assets.

81	bruin821	10/16/12 01:08 PM	RE: RE: PRX LOI

Thanks.

80	bruin821	10/16/12 12:36 AM	PRXI signs L Titanic assets $189mm

PRXI announced this afternoon that they have signed an LOI with a consortium of buyers for $189 mm in stock which equates to about $3.75 per share.

The operating business also reported an extraordinary quarter earning 4.3mm in EBITDA and announced they will have the long term rights to exhibit the artifacts.

Of course the transaction has to close, but the enterprise will have a value above $4 with the artifacts worth $3.75 and the operating business worth at least .50 to $1.

79	bruin821	09/25/12 11:50 AM	PRXI

After 110 posts in nine months, there is not much left to say, but per the last few questions-

1) I am not sure if the stock is a raging buy, but at the write market cap of $88 mm I feel there was a sufficient margin of safety. I do feel, that being short here is extremely dangerous as an announcement could come anyday and the market cap operating business has put up some some very profitable quarters recently and is probably worth more. than I originally estimated.

2) Utah, the court appraisal was the summation of the work of multiple appraisers hired by the court. I do not believe their work has become publically available, I have not

3) The $500k commission has already been paid and would be deducted from the puchase price. The commission is currently 4% and drops to 2% on October 10th. Also, i July 1oth.

4) Saying the reserve has not been met is pure speculation and inconsistent with the company's very explicit statements referring to the sale of the Titanic assets. I am pretty disclose if the reserve hasn't been met and they are saing the opposite. I doubt their legal counsel and board of directors would allow them to make those sort of statements if

5) At this point there isn't much more to say about the PRXI story and we will just have to wait and see what happens.

78	cuyler1903	09/24/12 03:05 PM	RE: RE: Court/Apprais

I thought jwright asked some good questions and made some new points in his last post. Why wouldn't you respond to his perfectly reasonable questions? If the situation is raging buy right here, but being that this increasingly seems to be a binary outcome, it would seem honest debate of the auction status is merited.

Cuyler

77	bruin821	09/24/12 02:48 PM	RE: RE: RE: Comps / No S Probability

The auction did happen, we just don't know the results. As I said, there is no evidence the reserve wasn't met, it probably was or the company would need to disclose it.

76	bruin821	09/24/12 02:46 PM	RE: Court/Ap

I think the topic has been pretty well hashed and rehashed, here. Will just say not sure the court appraisal is stale or opaque. At the time of the write-up the market cap was margin of safety, doesn't include all the assets and the operating business which has reported a few very good quarters since then.

#	Author	Date	Subject
75	jwright44	09/24/12 12:33 PM	RE: RE: RE: Comps / No Probability

Bruin821, please provide more detail as to what you believe is accurate in my post.

We have no evidence of a bid and we have no evidence that a reserve was met even if there was a bid. The bid submission deadline was extended from April 1st to April 9th April 15th. The auction in New York never happened. Let me repeat, the auction never happened! Any bids received in the book, if any, before the live auction were obvious

From the consignment agreement:

"Applications to bid, with a minimum credit prequalification, with such amount to be agreed upon by Guernsey's and Consignor, shall be solicited and accepted up until mid will be pre-qualified by Guernsey's in accordance with the Terms and Conditions of the sale and who confirm in writing that they will comply with the Covenants and Cond require that a plan for compliance with the Covenants and Conditions in Exhibit A shall be submitted with each application. Applications will be reviewed by Consignor for Conditions. All acceptable bidders shall thereafter participate in an auction of the Property to be held on April 15, 2012 at an appropriate New York City venue. Consignor a specific place and date of the auction."

Then, we get the following press release on April 10th.

"The Company announced today that it is in discussions with multiple parties for the purchase of its Titanic artifacts collection. In order for the Company to settle on the mos ultimate value of the artifacts for shareholders, it will conduct these negotiations and due diligence in confidence."

I don't believe that not having the reserve met in any way cancels the consignment agreement. It is very common for auctions to fail and that is where there is an extensive po and for Guernsey's to be paid.

I have recited the commission structure from the agreement. What part of the structure did I misinterpret?

I believe that if Premier failed to pitch Sotheby's and Christie's, the worlds leading auction houses, that would be a serious breach of fiduciary duty given their own appraised

I do need to modify the 425 day deadline that I had set in the previous post. Since the live auction has been officially postponed, the following provision still applies:

"6. Pre-Auction Negotiated Sale. All interest in the Property prior to auction and during the post auction period described in paragraph 7 shall be referred to Guernsey's for h of your consigned Property prior to auction, either by you or by us, there will be due and owing from the proceeds to Guernsey's an amount equal to the commission Guerns the sale if completed through the auction process plus the buyer's premium that we would have received from the winning bidder. Payment of all amounts shall be made to C accordance with paragraph 5. Your obligations to us are the same in all other respects as if the Property had been sold by bid. Notwithstanding the forgoing, nothing herein s offer of purchase presented by Guernsey's."

Also, note that Premier retains no right of withdrawal:

"14. Withdrawal. You may not withdraw the Property after the date of this agreement without written approval from Guernsey's or if required by the Covenants and Conditio

In fact, this may have been a bad agreement for both Guernsey's and Premier. It all comes back to a faulty appraisal which was triggered in part by the uniqueness of the asse unusual for Guernsey's to find itself in a no-bid situation where the real market value for the assets is so much lower than the appraised value.

#	Author	Date	Subject
74	bruin821	09/23/12 11:10 PM	RE: RE: Bidd Comps / No S Probability

This post is filled with inaccuracies-

There is no evidence the reserve was not met, in fact it probably was met because if it wasn't met that would be a material event that the company would have to report.

The commission structure Is wrong.

There is no evidence Sotherbys was offered the auction and no evidence they turned it down.

If the buyer did not come through Guersney they would not get paid anything.

#	Author	Date	Subject
73	jwright44	09/23/12 11:07 AM	RE: RE: Bidd Comps / No S Probability

Mr. Stock Market appears to think differently than Mr. Memorabilia Market.

Mr. Memorabilia Market seems to think that the $189m ask or the lower "auction reserve" ask is nuts.

Sell PRXI.

#	Author	Date	Subject
72	jwright44	09/23/12 10:53 AM	RE: Bidders / No Sale Proba

It is time to re-read the consignment agreement, in particular Item 7 "Post-Bid Negotiated Sale" and Item 12 "Reserves."

http://www.sec.gov/Archives/edgar/data/796764/000119312511351838/d273557dex101.htm

Per item 12, It appears that Premier already paid Guernsey's $500k due to lack of sale at 60 days post auction. Premier is not obligated to make any additional payments to G

Per item 7, it appears that Guernsey's right to further fees in the event of a any sale will cancel 425 days (60 + 365) or June 15, 2013. Note that Guernsey's commission has fa
this point, Guernsey's is primarily holding out for the right on the buyers premium which is $5m. However, Guernsey's will likely want to retain this right assuming that they
as insurance or storage. Moreover, given the notoriety of the objects, Guernsey's will likely incur few additional marketing costs and simply wait for a buyer to show up.

My guess is that this agreement will be amended or cancelled soon. Since any bids were below the reserve, the buyers premium is potentially an impediment to the sale since
to wait until June 15th or until the consignment is cancelled in order to avoid this fee.

The wording of Item 7 would appear to provide PRXI a pass on announcing a material change in the asset sale process up until June 15, 2013, at which point they would nee
Guernsey's. Unfortunately, I'm confident that any other major auction house would not touch this with a ten foot pole. They already passed on the consignment in Dec 2011 l
was going to be difficult to sell. Sotheby's had no trouble moving the $120m Munch this year, but they were keen to pass on supposed $189m of memorbilia taken from a gra

#	Author	Date	Subject
71	bruin821	09/21/12 03:33 PM	RE: Making r versus being r

best post in the history of VIC

#	Author	Date	Subject
70	zzz007	09/20/12 05:09 PM	RE: RE: Mak money versus right

Fair point...I haven't looked at bruin's history with the company, i.e. multiple write-ups, etc. However, we probably have to agree to disagree about what constitutes a "value
simply as buying assets at a discount to intrinsic value, with some margin of safety attached. It's that margin of safety, just as much as "luck", that either limits capital impai
where a thesis is incorrect. Yes, for any given position, I hope to learn from my mistakes and iteratively improve my investment process. But I'll stand by my assertion that
about is making money, with little regard for how I get there.

My larger point was that to utah's earlier post, it sometimes (often?) seems as if contributors are arguing for the sake of arguing, when they don't have any stake in the outcor
name). In my opinion, that creates an atmosphere that may incent users to limit their constructive contributions, which doesn't benefit any of us.

I'll shut up now, and thereby limit my non-constructive contributions.

#	Author	Date	Subject
69	GideonMagnus	09/20/12 04:14 PM	RE: Making r versus being r

zzz007, I could not disagree more. That is a short-term trader's mentality, not a value investor. A value investor should be focused on the decision process, not a particular tra
that if you get lucky and make money on a trade where your thesis is wrong, it means nothing about how you will successful in the future. Are you going to count on getting
sure that you actually have good ideas?

I don't know what PRXI will get for the Titanic, but it has clearly been a failure to execute by the company. Bruin821 is a permabull on Titanic and has pitched this stock fou
$10.94, so I don't really consider his "it has worked out so far" response to be of any value. Today's price is irrelevant unless you are trading it today and Bruin has not closed
value hinges on the Titanic sale, so the stock price is likely to move significantly one way or the other when an announcement is finally made.

#	Author	Date	Subject
68	bruin821	09/20/12 04:00 PM	RE: patience?

My take-

Company screwed up badly by saying announce the results on a certain day.

Usually these things take a long time and delays are due to legal agreements, court approval, government approvals, multiple lines of business, etc

Company has not been promotional at all, in fact they have been very quiet.

No idea how much longer it will take.

QE3 has nothing to do with anything.

In the original write up I said my expected return was 50-200%, and still feel that way.

#	Author	Date	Subject
67	zzz007	09/20/12 03:51 PM	Making mone being right

Anybody in this business who cares more about whether their thesis is "right" than about whether they made money on their position should go into academia.

Nobody on this board is obligated to answer questions from somebody who clearly doesn't have a constructive interest in their position (on either the same side, or potentially th
merely posting comments to be annoying or effectively say "ha ha, I told you so."

Sorry, but asking "Did they ever sell Titanic?" is puerile. It took as much time to type that question in as it would have to pull up the most recent earnings press release and div
you're going to be an ass, don't try and hide behind some feigned interest. Just state "I'm an ass, and I noticed that they haven't sold the artifacts yet. You were definitely wrong

#	Author	Date	Subject

probably wrong on your entire thesis."

Being a dick just makes people less likely to want to engage in discussions, and lessens the value of the VIC resource. I'm not exempt. I've been a thin-skinned dick in the past

66	GideonMagnus	09/20/12 02:38 PM	RE: Patience grasshoppers, nearly 50%

Unless you are closing the trade today, your thesis is dependent on the value of the Titanic.

65	bruin821	09/20/12 02:32 PM	RE: RE: Patie grasshoppers, nearly 50%

Never declared vicory, simply said it has worked out fine so far.

64	GideonMagnus	09/20/12 02:20 PM	RE: Patience grasshoppers, nearly 50%

Considering that no Titanic sale has occurred, isn't it premature to call this a victory? What if they announce that it was sold for half of appraisal value?

[Logout]

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PREMIER EXHIBITIONS INC(PRXI) - $1.67 on Aug 24, 2010 by AAOI

			2014	2015
Price:	$1.67	EarningsPerShare:	$0.00	$0.00
Shares Outstanding (in M):	47	P/E:	0.0x	0.0x
Market Cap (in $M):	78	P/FCF:	0.0x	0.0x
Net Debt (in $M):	0	EBIT (in $M):	$0	$0
TEV (in $M):	62	TEV/EBIT:	0.0x	0.0x

Description...

Probably only appropriate for PA accounts given the company's size/liquidity, but I figured it was worth posting given the attractiveness of the opportunity and the likely small window investors have at this point to invest before Mr. Market wakes up and comes to his senses. Below is some updated commentary on top of an older thesis...

Update August 24, 2010:

PRXI Letter to Shareholders

http://www.prxi.com/pdf/082310A.pdf

Put together this "pitch" last night and figured I would post it as an update. I would argue that at today's price of $1.67 PRXI is more attractive than its ever been and would advise reading the court opinion and the letter to shareholders (that the company released this morning) for some further color. Fwiw I think that Sellers and his turnaround team deserve a standing ovation for their efforts here. Anyhow, the quick and dirty pitch is below.

"I have to say this is the first time I have witnessed the intrinsic value of a company roughly triple overnight, and where the market greeted the news with nothing more than a yawn. Sure, the stock closed up some 40% on the news and clearly there is some uncertainty regarding the monetization of the Titanic assets, but given the federal court ruling granted the company an award equal to almost three times its EV at the time of the announcement - one would think at least a double would be in order. God knows the market isn't efficient, but still...this is ridiculous. Regardless, its clear from experience that Mr. Market can be a little slow but typically he comes to his senses given time and for this I am thankful - especially in this case as its providing investors with an absolutely incredible opportunity in my opinion to generate spectacular returns over the next year or so with very little risk.

Let's do a quick and dirty valuation for PRXI:

Value of the Assets:

Value of original Titanic artifacts = $35m
Value of newly awarded Titanic artifacts = $110m
Value of Digital archives, etc. = $44m

Note the values above where computed on a liquidation basis by a variety of independent, company, and court appointed appraisers.

Total Value of Titanic Assets = $189m

Its important to keep in mind that the NAV above is for the first time in PRXI's history completely solid. The Federal court has ruled, meaning their will be no appeal. It's over, case closed. The only issue at the moment is wether the court will pay PRXI cash of $110m by next August or the company will receive the in specie award. Sure, their remains uncertainty regarding what these assets will ultimately garner when sold (or what happens to the rest of the company if they get the cash award) but with the current EV of the whole company standing at roughly $60m that's a pretty steep haircut, no? I mean I am as skeptical as the rest, but given all of the new information that has come to light since the ruling I just can't imagine how this company isn't worth north of $3 (or double the current price) at an absolute minimum.

Value of the operating business (exhibitions/merchandise):

Looking out over the next couple of years, the question is how much is PRXI's core business worth? Well, if we assume last quarters revenue run rate of roughly $45m and a 20% EBIT Margin (in line with what history would suggest is achievable post turnaround) the core business would generate roughly $8m in EBIT. At a reasonable multiple of 6x, the business is worth roughly $54m (or right around the company's current EV). Granted it will likely be another year or two before this company's turnaround is complete but as of today their is still no compelling reason Im aware of that would lead me to think that this business won't be able to generate similar revenues and/or a similar level of profitability that it had pre-blow up (in fact, a significant amount of progress turnaround wise has already been made but due to various restructuring charges it remains masked). Notably with the significant costs associated with the court battle now finally behind them, my guess is that progress will only accelerate from here.

Anyhow, add the $8m in excess cash on the balance sheet that is not needed to run the business and we have everything that we need....

Value of Titanic Assets = $189m
Value of PRXI's operating business = $54m
Value of PRXI's excess cash = $8m

Note that the above valuation does not assign any value to any future potential recoveries (which could be sizable) nor to any improved performance ticket sales wise from the upcoming 100th anniversary of the sinking (which could certainly increase public interest and hence sales as it draws near).

Total Value = $251m or roughly $5/share vs. the current price of roughly $60m or $1.60/share.

In sum, I'm not sure exactly what PRXI is worth at the moment, although I think its pretty safe to say its worth a lot more than its current price (paraphrasing Buffett, you don't need a scale to tell a man's fat!). Seems like an easy lay-up that will likely generate an outsized return over the next six months with very little risk (and better yet regardless of what the general market does as a whole). That said, its possible an investment today may require some patience but given Sellers commitment to monetizing his stake in the near-term, the significant and undisputed embedded value in the titanic assets and the progress to-date regarding the company's turnaround efforts, my guess is that good things will happen sooner rather than later."

Below is a great question I received earlier today, so I figured I would go ahead and post it along with my answer if anyone else would like to chime in with their own thoughts:

Q - Thanks for the update. Will the company have to pay taxes on the reward from the court ruling? If yes then the NAV should be adjusted. Also, suppose they get the artifacts (not the cash). They may be "worth" $110M, but how do they get monetized or generate any cash flow for shareholders?

A - great point. I don't know for sure, although for conservatism's sake we should probably expect that they would (considering that any sale would likely include all of the assets, one could apply a 36% tax rate to the $189m number above, which would in turn reduce the total value by roughly $68m). As to how they get monetized, I wouldn't think it would be two difficult to sell the collection (all things considered) given their archaeological, historical and cultural significance. Granted, I don't have any unique insights into this but according to the court appointed appraiser there would be multiple bidders for the assets (at 110m) if they were to go to auction today (Fwiw this has been echoed by management and Sellers). This gives me some comfort given his independence and expertise.

Outside of an outright sale (and given they now have full rights to the assets) I could see how the ruling could also result in additional revenue streams through film expeditions, artifact retrieval, TV royalty's from Discovery or National Geographic, etc., but thats just me thinking out loud here. I would imagine they might be able to pull some sort of sale leaseback as well.

Any thoughts on all of the above would be greatly appreciated

Note:

For those not familiar with Premier and its "story," and that are interested in some further background and excellent analysis, I recommend reading John Reardon's recent write-up on Premier from October 15, 2009 here on SZ, and the recent 5-part case study on Premier and turnaround investing at www.variantperceptions.wordpress.com.

Thesis:

Premier Exhibitions (PRXI) is a high quality, deeply discounted business that is currently in the midst of moving past the multitude of temporary issues that have plagued its results over the recent past. Admittedly there is still much to be done, but evidence is building that this turnaround has already turned and a favorable ruling in a crucial court case is just around the corner. We believe that for investors who purchase Premier at or around today's price the stars are aligning to earn potentially spectacular returns with relatively little risk, in a relatively short period of time.

Why is it Mis-priced?

Premier is an illiquid micro cap, in the early stages of a turnaround undergoing significant litigation. In an environment where bargains have become increasingly scarce, we are glad to say we can still count on the markets discounting mechanism to get wildly out of whack when attempting to properly price problem-plagued, micro-cap turnarounds.

A Favorable, High Probability Outcome In An Uncertain Environment

At the current price we believe that Premier is cheap enough that investors are more than compensated for bearing the risks and uncertainty associated with this investment. Considering today's uncertain environment and the myriad of risks/headwinds that still face both the public and private sectors of our economy, we think it makes sense to look for investments with certain defensive characteristics should the market make a significant pullback over the coming year.

We feel that by purchasing a high quality business like Premier at deep discounts on an absolute basis and relative to the market as a whole – where current value is safeguarded/backed by tangible assets and where a variety of internal and external catalyst(s) are in place to bring about the realization of underlying value – one goes a long way towards ensuring a positive outcome.

In Premiers case, part of why we feel it offers such an attractive investment opportunity revolves around the fact that the catalysts for PRXI are relatively agnostic to the market, and that the unlocking of embedded value will primarily be a matter of decision-making at the executive level and/or the outcome of the court case, and less a function of what happens in the general debt/equity markets.

Framing the Opportunity

Essentially, we view the present opportunity with Premier to be similar in a multitude of ways to fellow "fallen angel" Steak N Shake, which in our opinion is a great example/case study of a successful turnaround. With turnarounds, investors need to be able to both imagine/gain conviction in a future that looks nothing like the recent past. In order to do that they need to have a good understanding of why the underlying business in question performed so poorly, firm conviction that the problems that caused it are temporary, and eventually solid evidence that those problems have been solved, before we feel it is wise to invest. By examining the underlying characteristics of SNS, we feel one can get a good idea of how we think about this opportunity as well as why we think it will result in a similarly successful outcome.

With that said, let's consider for a moment the similarities between the two situations. Both of these high quality businesses (at least up until the last few quarters) had been dramatically underperforming there potential. Primarily because both were being run by incompetent management teams that didn't understand basic finance and/or care about shareholder value. Both teams employed failed "Field of Dreams" (if you build it, they will come) strategies in an undisciplined, unorganized manner with a focus on growth at all costs (instead of cash flows and ROIC), which in both cases eventually lead to disastrous results, and a decimated stock price.

Also, in both situations high profile value activists started building positions and eventually took control, seeing underperforming but fundamentally good businesses with solvable problems trading at significant discounts to their intrinsic business values. After all, both companies generated consistently high margin cash flows, had strong, defensible competitive positions, possessed high-quality tangible assets, attractive longer-term growth prospects, not to mention significant "optionality" to unlock additional value by operating the businesses in a more intelligent manner going forward – the only thing that was needed was essentially the replacement of existing management with a team that had the desire, strategy, and know how to run the business intelligently.

The key point to takeaway here is that the problems and poor results of both SNS and PRXI were not cases of good businesses becoming poor – in both cases the core earnings power and long term potential of the businesses in question remain firmly in tact – but primarily a function of gross incompetence at the executive level. The combination of allowing costs to spiral out of control relative to the size and earning power of the businesses in question coupled with atrocious capital allocation created a temporary situation that nearly destroyed two fundamentally good businesses. As Buffett says, "A great investment opportunity occurs when a marvelous business encounters a one-time, but solvable problem. You just need to know the business to recognize this."

Turnaround Specific Issues/Concerns

With a candid, capable new management team and a proven jockey at its helm for nearly a year now, the foundation for positive change in our opinion is firmly in place. We think that for most turnarounds to succeed, the old management must go. The changing of management was, more than any other aspect, was necessary for us to consider making this investment.

The odds of this business getting back to business as usual were improved at this point, but personally we still wanted to see firm evidence that the underlying operating performance of its core business had stabilized before we decided to build a position. The results of the last few quarters have convinced us that an operational inflection point has finally been reached (i.e., margins and revenues have not only stabilized but begun to improve). For evidence of this all one needs to do is take a look at the dramatic improvements in costs, operating cash flow, and long-term planning that has taken place over the last few quarters.

Additionally , before establishing a position in any turnaround, especially in the relatively early stages where new management has "gone dark" so to speak and there is minimal information available to assess the progress being made in stabilizing the core business, it is usually wise to wait for management to provide a meaningful signal that things are coming along as hoped. In the case of Premier the fact that Sellers bought a million shares in the open market this July, followed by the company itself authorizing a million share buyback in September,is a signal worth paying attention to.

Thoughts on Upcoming Court Ruling and its Implications

The upcoming court ruling regarding the titanic assets will have a tremendous impact on the value of the company. There are two sets of Titanic artifacts, the first group is owned outright by Premier and was independently appraised at $47 million. The ownership of the second group is whats at stake, and according to recent court testimony (per the appraiser) the liquidation value of these assets is 110m and that even in today's environment they wouldn't have trouble finding potential buyers.

In our opinion the most likely outcome is that the court awards Premier ownership of the assets but with certain covenants in place. Probably with the restriction that Premier can only sell the entire set all at once (instead of being able to monetize individual pieces at auction). The judge has stated in the past that one of her fundamental goals in the resolution of this case is ensuring that the collection stays together for the benefit of the public. If awarded ownership of the second group of assets (with the covenants/restrictions) the results would be game changing for the company and its valuation. First, the uncertainty regarding the ownership of the Titanic assets would cease. Second, because the ownership issue is cleared up, Premier would now be able to effectively sell itself. Third, it will finally bring an end to the huge legal expenses of fighting this long running court battle. Think about the implications of this - even if Sellers and co. were to turn around tomorrow and conduct a fire sale on these assets, Premier would likely receive proceeds worth twice its current market cap!

Again, because we think the odds strongly favor a favorable court ruling (regarding the second group of titanic assets), we think the most likely outcome for someone making an investment in Premier today is they end up paying roughly $43.5m to recieve a $100m (at minimum), at some point within the next few years when the titanic business is sold - keep in mind they would still own a valuable franchise with the Bodies exhibits.

Premier recently filed an 8k with the SEC stating that they would create a trust - assuming they recieved a favorable ruling - for "the sole purpose of providing a performance guarantee for the maintence and preservation of the Titanic collection for the public interest".

Valuation

In our opinion, today's price simply doesn't make sense considering the qualitative and quantitative characteristics the business. In fact, it's difficult to imagine a scenario/outcome where investors who get in around today's level could lose money as the current valuation places absolutely no value on the non-earning titanic assets and implies that Premier will not only never return to its normalized eanings capacity (which we feel will happen in relatively short order), but that the business in general is terminal.

Yet, as of today, we can find absolutely no good reason to believe that Premier won't be in business 5 years from now, and better yet, why it could not generate the level of revenue, at similar margins, that it has been able to historically (with a similar level of exhibits in operation). Keep in mind, that this is an inherently high return, low cap-ex business with ridiculously high gross margins, so as long as the management team in charge can manage to keep SG & A at a sane level (and not reinvest the excess cash in value destroying investments), Premier will once again become the cash machine it has been in the past. If the previous self-dealing management team, who was clearly incompetent could do so well for so long, imagine what Sellers & co. could accomplish given time. The previous team sowed the seeds of their own destruction in a unique, and difficult to replicate way (again, the two sets of analysis mentioned at the beginning of this write-up tell the tale beautifully). Their demise (and recent poor performance) comes down to the fact that they tried to take on a variety of initiatives all at once, instead of one at a time, and the result was they stretched themselves to thin. They ended up burning through roughly 20 million in cash in a handful of quarters attempting to do a variety of things that they did not have the competence to do individually, let alone all at once (for a much more in depth analysis of the underylying dyanamic at work here visit www.variantperceptions.wordpress.com).

PRXI is currently trading hands at only 5x our estimate of the roughly 10m in free cash we feel its core business should be able to generate in a normal environment - making this business dramatically undervalued even if we assume no value to their other non-core, non-earning assets (which again, are likely worth a multiple of the current EV – at least according to the independent appraisals that have been done on the assets in question in the past).

In our experience it's pretty hard to lose money paying roughly 5x FCF for a business possessing 1) a dominant competitive position, 2) the ability to generate unlevered returns on invested capital north of 20% on a sustained basis, 3) attractive growth prospects, 4) a candid, fully incentivized management team focused on the right things, and 5) tremendous hidden assets likely worth 100m +.

To reiterate, around current levels (in our base case scenario), investors are essentially paying 55 million for

1 - An unimpaired franchise, run by a candid, capable, fully incentivized management team with a dominant competitive position and attractive longer-term growth prospects. Again, Premiers core business should conservatively generate somewhere between 8-10 million in FCF in a normal environment on its existing asset base.

2 - Unique, impossible to replicate tangible assets worth at least 110 million

Relevant Risks

Obviously, if the upcoming court decision regarding some of Premiers Titanic assets goes against them (an outcome I find unlikely considering it would guarantee the only outcome the judge has explicitly stated she wants to avoid), they would still own out-right the entire collection of artifacts used in their existing exhibits (which were independently valued at $47m in ’87).

Again, there is no current dispute regarding the titanic assets that Premier utilizes in its core titanic exhibits. It’s not as if the core earnings power of their Titanic business would be permanently impaired assuming the worst case outcome. The litigation risk concerns the ownership of non-earning assets, a detail I am not sure many understand. It would be a blow in the sense that a multi-bagger is no longer in the cards - but our conservative base-case scenario values the existing operating assets (and the high margin cash flows they generate) at twice what we are paying for the business as a whole - so the outcome here isn’t material to our investment thesis.

Another risk worth keeping an eye on is the possibility that the legal and other non-operating costs of fixing legacy issues and continuing to defend their ownership of their assets is larger than what they can earn in the short-term - causing management to raise equity at an inopportune time and at high cost (i.e., that dilutes existing shareholders meaningfully). The fact that Premier has over 10 million in cash, is unlevered, and is on the cusp of returning to profitability (according to recent results) makes us feel that the probability of such an outcome is very unlikely. Assuming a positive ruling regarding their non-earning titanic assets, we feel that the risk of a dilutive equity raise at any point going forward goes away entirely. At that point they would be able to either borrow against them and/or simply monetize them if they needed cash.

Conclusion

The bottom line here is that after taking into account the qualitative and quantitative characteristics of Premiers business, the fact that the fundamental issues that were responsible for previous problems/results are essentially a non-issue going forward and the clear, tangible evidence that an effective turnaround is already under way - and last but not least, the potential for various catalysts (one of which is an imminent) to bring about the realization of underlying value - we feel that investors have a short window of time to purchase an unimpaired franchise with attractive growth prospects at a fraction of its intrinsic value and in turn the opportunity to generate outsized returns (potentially multiples of the current price) with very low risk.

Catalyst...

Value

Sale of the whole company

Improving operating performance

Functions...

Expand All

Collapse All

Messages...

#	Author	Date	Subject
10	AAOI	10/13/10 08:38 PM	RE: Q2 results?
9	skyhawk887	10/08/10 10:20 AM	Q2 results?
8	AAOI	09/15/10 04:14 PM	RE: Additional Questions
7	bentley883	09/10/10 11:42 AM	Additional Questions
6	AAOI	08/30/10 05:46 PM	RE: Sellers is a seller
5	ndn86	08/27/10 01:37 PM	Sellers is a seller
4	AAOI	08/26/10 04:09 PM	RE: questions
3	skyhawk887	08/26/10 01:00 PM	questions
2	AAOI	08/25/10 06:32 PM	RE: RE: Cash award probability
1	neo628	08/25/10 01:18 PM	RE: Cash award probability