



Rating
Hold

North America
United States

TMT
Cable & Satellite

Company
Liberty Media

Reuters
LMCA.OQ

Bloomberg
LMCA US

Exchange
NMS

Ticker
LMCA

Date
4 March 2015

Initiation of Coverage

Price at 3 Mar 2014 (USD)	40.28
Price target	43.00
52-week range	40.28 - 32.23

Initiating at HOLD

Initiating Coverage with a HOLD rating, \$43 PT

The 7% potential upside we are estimating comes from two sources: (1) A narrowing of the net asset value (NAV) discount to 7.5%, from an estimated 12%, and (2) The upside implied by our price targets for TWX (\$83.16, PT \$100) and VIAB (\$71.48, PT \$83). Given the limited upside and absence of clear catalysts for a narrowing of the NAV discount, we rate LMCA HOLD.

Our 7.5% NAV discount comprises a 5% discount on SIRI and the Braves because LMCA controls these companies. We assume a 10% NAV discount on Live Nation Entertainment (LYV, \$26.19), because it is strategic, but Liberty doesn't control it. We don't expect tax leakage around LYV, but a path to control is unclear. Finally, we assume a 20% discount on all of the other assets, which represent about 6% of the NAV. It is worth highlighting that management seems very focused on narrowing the discount to NAV.

We are also initiating coverage of Sirius XM (SIRI, \$4.00), LMCA's largest holding, which represents 80% of LMCA's NAV, with a Hold rating and \$4 PT.

The Unquantifiable Potential Upside

Our PT only implies 7% upside, which we find to be too limited, but we do point out that Liberty and its related companies have historically created significant value through making wise investments, effective capital allocation, financial engineering, and tax structuring.

Risks to Our PT

Risks include a widening of the NAV discount, declines in portfolio asset values, tax leakage, and John Malone's disproportionate voting rights in the company. To the upside, risks revolve primarily around the potential value of SIRI and LYV.

How Will the SIRI Stake Ultimately be Rationalized?

Liberty's attempt to merge with SIRI last year was complicated by the fact that the Charter Communications (CHTR) stake was still part of LMCA, which made LMCA a far less streamlined portfolio than it is today and raised concerns among SIRI shareholders over capital allocation. Subsequent to withdrawing the merger proposal, LMCA has said it would consider another merger proposal under the right circumstances, and we see narrowing the NAV discount as the key to this. However, we expect LMCA to be patient, and in the meantime, SIRI share repurchases will accrete LMCA's ownership, which could, mathematically speaking, reach 100% by YE18 if liquidity in SIRI shares did not become a constraint. However, once LMCA's ownership reaches 80%, it will be able to receive dividends from SIRI tax-free, giving LMCA less incentive to share the economics of closing the NAV discount with SIRI shareholders. As the public float shrinks, the NAV discount should be eliminated as LMCA becomes the more liquid vehicle for investing in SIRI.

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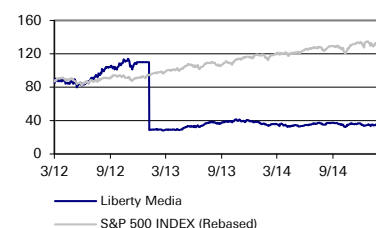
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Price/price relative



Performance (%)	1m	3m	12m
Absolute	13.1	9.9	12.9
S&P 500 INDEX	2.8	1.6	14.2

Source: Deutsche Bank



Investment Thesis

Outlook

LMCA shares have two clear, quantifiable drivers. The first is a narrowing of the NAV discount and the second is appreciation in LMCA's stakes in Sirius XM (SIRI, \$4.00), Time Warner (TWX, \$83.16), and Viacom (VIAB, \$71.48) based on our PTs for these stocks. We estimate LMCA's current NAV discount at 12%. We believe it should narrow to the 7.5% range (detailed below) and we think management is focused on driving it downward to the best of its ability. However, given the limited upside to our estimates, we rate the shares HOLD.

Valuation

Our PT is based on a detailed Net Asset Value calculation, applying our price targets on SIRI, TWX, and VIAB to LMCA's respective ownership stakes. For other publicly traded assets, we are using current market values. Finally, for private assets, we're assuming a \$1B valuation for the Atlanta Braves. Furthermore, we applied a 5% discount to the SIRI and Braves assets as LMCA has control of them and we do not think there will be tax leakage. We applied a 10% discount to the stake of Live Nation Entertainment because it is strategic and we expect no tax leakage, but there's no clear path to control either. Finally, we applied a 20% discount to all of the other assets, resulting in a total discount to NAV of 7.5%.

Risks

Accounting for nearly 80% of LMCA's NAV, the value of SIRI is the predominant risk factor for LMCA shares. For LMCA specifically, risks include: (1) Declines in portfolio asset values, (2) A widening of the NAV discount, (3) inability to effectively and tax-efficiently monetize the value of non-strategic assets or tax leakage related to strategic assets, and (4) a corporate governance structure in which John Malone has disproportionate voting rights relative to his economic stake, and his interests could differ from the interests of public shareholders. To the upside, the major risks revolve around the potential value of LMCA's strategic stakes in SIRI and LYV.



Liberty Media

A tax-efficient, media focused investment vehicle

Tracing its roots back to TCI in the early 90's and with iterations, tracking stocks, spin-offs, splits, and a litany of related names and corporate structures, Liberty Media is effectively a concentrated, media-focused investment vehicle led by CEO Greg Maffei and Chairman John Malone.

Over time, Malone and his lieutenants have created a remarkable amount of value for investors through opportunistic deal-making, creative and innovative use of corporate action/structure, financial engineering, and making wise investments.

We can remember a time when Liberty Capital, the predecessor company of Liberty Media, was considered little more than an alphabet soup consisting of the residual assets left over from decades of John Malone's deal-making. Even with an NAV discount in excess of 20%, Liberty Capital was a tough sell for many investors because there was a sense that Liberty just wasn't motivated to really manage the portfolio and rationalize the assets.

Over time, however, especially since the arrival of Greg Maffei in 2006 and subsequent investments in DirecTV (DTV, not covered), SiriusXM, Live Nation, Charter Communications, etc., Liberty has become much more active and engaged in directing new strategic investments and initiatives, and rationalizing its asset portfolio, particularly through tax-efficient spin-offs.

Today, Liberty Media is principally a holding company with strategic assets in Sirius XM Holdings and Live Nation Entertainment. Several smaller stakes in Time Warner Viacom, and other public investments contribute approximately \$750M in asset value. Finally, private investments - most notably the Atlanta Braves - contribute ~\$1.2B in incremental value, or about 8% of NAV.

Figure 1: LMCA NAV

Liberty Media Corporation
Net Asset Valuation
in Millions, except per share statistics

	Stock Price as of	Shares Held	Current Market Value	DB Price Target	Value @ DB Target	Per LMCA Share	Discount
Publicly Traded Strategic Assets							
	3/3/2015						
Sirius XM Radio	\$4.00	3,162.2	12,649	\$4.00	12,649	\$ 36.61	5%
Live Nation Entertainment	\$26.19	53.7	1,408	NA	1,408	\$ 4.07	10%
Live Nation Entertainment Debt Securities			24	NA	24	\$ 0.07	10%
Total			14,080		14,080	\$ 40.76	
Publicly Traded Non-Strategic Assets							
Time Warner Inc.	\$83.16	4.3	354	\$100.00	425	\$ 1.23	
Viacom	\$70.75	3.6	257	\$83.00	301	\$ 0.87	
Mobile Streams plc	\$0.15	5.9	1	NA	1	\$ 0.00	
Crown Media Holdings, Inc.	\$3.44	10.8	37	NA	37	\$ 0.11	
Ideiasnet	\$0.44	6.1	3	NA	3	\$ 0.01	
Barnes & Noble	\$25.13	1.1	28	NA	28	\$ 0.08	
Other Equity Assets			7	NA	7	\$ 0.02	
Other available securities, debt and other			65	NA	65	\$ 0.19	
Total			751		867	\$ 2.51	20%
Private Assets - Consolidated							
Atlanta National League Baseball Club			1,000	NA	1,000	\$ 2.89	5%
Other Assets			231	NA	231	\$ 0.67	20%
Total			1,231		1,231	\$ 3.56	
Private Assets - Passive Minority Interest							
Kroenke Arena Company			12	NA	12		
Total			12		12	\$ 0.03	20%
Total Debt			(1,741)		(1,741)	\$ (5.04)	
Vivendi Lawsuit Award (65% Credit)			687		687	\$ 1.99	
Cash & Equivalents (incl. Restricted Cash)			732		732	\$ 2.12	
Net Asset Value			15,752		15,868	\$ 45.93	

	Market Value	DB Estimates
Net Asset Value	15,752	15,868
per Diluted Share	\$45.59	\$45.93
LMCA Share Price as of Mar 03, 2015	\$40.28	\$40.28
NAV Discount	-11.6%	-12.3%

Assigned Disc.	\$ 3.03
PT	\$ 43
Upside	7%
PT NAV Disc.	7.5%

Source: Deutsche Bank



Figure 2: LMCA Model Summary

Liberty Media Corporation
Income Statement

	2011	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	2016	2017	2018
Revenue	1,409	368	4,002	4,450	1,102	1,256	1,285	1,191	4,835	5,117	5,383	5,656
Operating expenses	800	360	2,680	3,033	759	847	843	792	3,242	3,399	3,563	3,724
Adj. EBITDA	609	8	1,322	1,417	343	409	442	399	1,593	1,718	1,820	1,931
D&A	53	42	315	359	95	95	95	95	382	374	300	279
Stock-based compensation	25	46	193	217	50	50	50	50	200	200	200	200
Other	—	—	—	—	—	—	—	—	—	—	—	—
Non-cash operating expenses	78	88	508	576	145	145	145	145	582	574	500	479
Operating income	531	(80)	814	841	198	264	296	253	1,011	1,144	1,320	1,452
Interest expense	(16)	(7)	(132)	(255)	(78)	(82)	(86)	(91)	(337)	(408)	(468)	(515)
Interest income (expense)	—	—	—	—	—	—	—	—	—	—	—	—
Share of earnings (losses) of affiliates	87	1,346	(32)	(113)	3	3	3	3	12	16	20	24
Realized & unrealized gains (losses) on financial instruments	70	230	295	38	—	—	—	—	—	—	—	—
Gains (losses) on dispositions, net	1	22	7,978	—	—	—	—	—	—	—	—	—
Other income (expense)	85	118	(67)	(50)	—	—	—	—	—	—	—	—
Earnings before income taxes	758	1,629	8,856	461	123	185	213	165	687	752	872	961
Income tax (expense) benefit	(165)	(469)	135	(66)	(43)	(65)	(75)	(58)	(240)	(263)	(305)	(336)
Disc. Operations (net)	239	252	—	—	—	—	—	—	—	—	—	—
Net earnings	832	1,412	8,991	395	80	120	139	108	446	489	567	625
Earnings (loss) attributable to non-controlling interests	(4)	(2)	211	217	59	64	66	63	252	267	281	301
	836	1,414	8,780	178	21	56	72	45	194	222	286	324
WAVG Shares Out.												
Basic			118	341.6	342.4	342.0	341.6	341.2	341.8	340.2	338.9	337.7
Diluted			120	345.7	345.8	345.4	345.0	344.6	345.2	343.6	342.3	341.0
EPS												
Basic				\$0.52	\$0.06	\$0.17	\$0.21	\$0.13	\$0.57	\$0.65	\$0.84	\$0.96
Diluted				\$0.51	\$0.06	\$0.16	\$0.21	\$0.13	\$0.56	\$0.65	\$0.84	\$0.95
Effective Tax Rate	21.8%	28.8%	-1.5%	14.3%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%

Source: Deutsche Bank, company data



Figure 3: LMCA Model Summary (Balance Sheet)

Liberty Media Corporation
Balance Sheet

	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	2016	2017	2018
Current Assets:											
Cash and equivalents	603	1,088	681	839	849	855	855	855	895	925	953
Trade and other receivables, net	25	206	235	250	250	250	250	250	250	250	250
Deferred income tax assets	13	916	931	931	931	931	931	931	931	931	931
Other current assets	198	284	497	497	497	497	497	497	497	497	497
Assets of disc. operations	1,372	—	—	—	—	—	—	—	—	—	—
Total current assets	2,211	2,494	2,344	2,517	2,527	2,533	2,533	2,533	2,573	2,603	2,631
Investments in AFS securities and other cost investments	1,392	1,324	816	816	816	816	816	816	816	816	816
Investments in affiliates, equity method	3,341	3,299	851	854	857	860	863	863	879	899	923
Net PP&E	157	1,808	1,756	1,728	1,700	1,671	1,643	1,643	1,514	1,504	1,500
Goodwill	200	14,365	14,345	14,345	14,345	14,345	14,345	14,345	14,345	14,345	14,345
FCC licenses	—	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600
Other	144	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Intangibles not subject to amortization	344	24,038	24,018	24,018	24,018	24,018	24,018	24,018	24,018	24,018	24,018
Intangibles subject to amortization	108	1,200	1,096	1,063	1,030	997	964	964	836	781	741
Other assets	32	379	326	326	326	326	326	326	326	326	326
Assets of disc. operations	740	—	—	—	—	—	—	—	—	—	—
Total assets	8,325	34,542	31,207	31,322	31,274	31,222	31,164	31,164	30,962	30,946	30,955
Current Liabilities:											
Accounts payable and accrued liabilities	34	670	712	675	675	675	675	675	675	675	675
Current portion of debt	—	777	257	257	257	257	257	257	402	257	257
Deferred revenue	24	1,575	1,641	1,850	1,850	1,850	1,865	1,865	1,900	1,925	1,975
Other current liabilities	33	150	40	40	40	40	40	40	40	40	40
Liabilities of disc. operations	294	—	—	—	—	—	—	—	—	—	—
Total current liabilities	385	3,172	2,650	2,822	2,822	2,822	2,837	2,837	3,017	2,897	2,947
Long-term debt	—	4,778	5,595	5,874	6,216	6,531	6,861	6,861	7,814	8,754	9,461
Deferred revenue	37	164	—	—	—	—	—	—	—	—	—
Deferred income tax liabilities	817	2,312	2,438	2,438	2,438	2,438	2,438	2,438	2,438	2,438	2,438
Other liabilities	89	234	348	348	348	348	348	348	348	348	348
Liabilities of disc. operations	565	—	—	—	—	—	—	—	—	—	—
Total liabilities	1,893	10,660	11,031	11,482	11,824	12,139	12,484	12,484	13,617	14,437	15,194
Stockholders' equity											
Total LMCA equity	6,440	14,081	11,398	11,003	10,549	10,116	9,649	9,649	8,049	6,932	5,882
Noncontrolling interest	(8)	9,801	8,778	8,837	8,901	8,967	9,030	9,030	9,297	9,578	9,879
Total equity	6,432	23,882	20,176	19,840	19,450	19,083	18,679	18,679	17,345	16,510	15,761
Total liabilities and equity	8,325	34,542	31,207	31,322	31,274	31,222	31,164	31,164	30,962	30,946	30,955

Source: Deutsche Bank, company data



Figure 4: LMCA Model Summary (Cash Flow Statement)

Liberty Media Corporation
Statement of Cash Flows

Cash from Operations

	2011	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	2016	2017	2018
Net earnings	832	1,412	8,991	395	80	120	139	108	446	489	567	625
Adjustments												
D&A	53	42	315	359	95	95	95	95	382	374	300	279
Stock-based comp	25	46	193	217	50	50	50	50	200	200	200	200
Noncash interest	2		(62)	(34)								
Share of earnings of affiliates	(87)	(1,346)	32	113	(3)	(3)	(3)	(3)	(12)	(16)	(20)	(24)
Realized and unrealized (gains) losses on financial instruments, net	(70)	(230)	(295)	(38)								
Losses (gains) on disposed assets	(1)	(22)	(7,978)									
Losses (gains) on early extinguishment of debt			21									
Deferred income tax expense	42	465	(172)	92	84	90	94	89	357	377	397	426
Change in working capital												
Current and other assets	(52)	18	187	(74)	(15)				(15)			
Payable and other current liabilities	47	33	(78)	33	172			15	187	35	25	50
Other	(869)	(447)	82	62								
Net cash provided by operating activities	(78)	(29)	1,236	1,125	463	353	375	354	1,545	1,459	1,469	1,557
<u>Cash flow from investing activities</u>												
Cash (paid) for acquisitions, net of cash acquired			(117)	(47)								
Cash proceeds from dispositions	17	766	80	247								
Proceeds (payments) from settlement of financial instruments		(9)	(59)	(72)								
Investments in and loans to cost and equity investees	(350)	(1,716)	(2,585)	(183)								
Repayment of loans by cost and equity investees	217	110	81	42								
Return of investment in equity method affiliate		165										
Capital expended for property and equipment	(7)	(16)	(207)	(194)	(34)	(34)	(34)	(34)	(137)	(116)	(235)	(236)
Purchases of ST investments and other marketable securities	(732)	(393)	(178)	(360)								
Sales of ST investments and other marketable securities	1,009	625	229	176								
Net (increase) decrease in restricted cash	(157)	700										
Reattribution of cash to Liberty Interactive	(264)											
Other investing activities, net	(3)	(8)	(8)	(20)								
Net cash provided (used) by investing activities	(270)	224	(2,764)	(411)	(34)	(34)	(34)	(34)	(137)	(116)	(235)	(236)
<u>Cash from financing activities</u>												
Net flows from Debt		(750)	3,144	822	279	341	315	331	1,266	1,097	795	707
Repurchases of Liberty common stock	(465)	(323)	(140)	(25)								
Cash included in exchange transaction			(429)									
Shares issued by subsidiary			21									
Shares repurchased by subsidiary			(1,602)	(2,157)	(550)	(650)	(650)	(650)	(2,500)	(2,400)	(2,000)	(2,000)
Proceeds (payments) from issuances and settlements of financial instruments, net	4	(54)	(299)									
Issuance of warrants			170									
Taxes paid in lieu of shares issued for stock-based comp	(9)	(181)	(51)									
Excess tax benefit from stock-based comp	9	142	6									
Other financing activities, net	6	4	(7)	239								
Net cash provided (used) by financing activities	(455)	(1,162)	813	(1,121)	(271)	(309)	(335)	(319)	(1,234)	(1,303)	(1,205)	(1,293)
Disc. Ops												
Cash from operating	354	265										
Cash from investing	(4)	(10)										
Cash from financing	433	(5)	550									
Other	(783)	350	650									
Net from disc. Ops		600	1,200									
Total change in Cash	(803)	(367)	485	(407)	158	10	6	0	174	40	29	28
Begin Cash	1,773	970	603	1,088	681	839	849	855	681	855	895	925
End Cash	970	603	1,088	681	839	849	855	855	855	895	925	953

Source: Deutsche Bank, company data





Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Liberty Media	LMCA.OQ	40.28 (USD) 3 Mar 15	1,2,6,7,8
SiriusXM	SIRI.OQ	4.00 (USD) 3 Mar 15	1,2,7,8
Time Warner	TWX.N	83.16 (USD) 3 Mar 15	1,7,8,14,15,17
Viacom	VIAB.OQ	71.48 (USD) 3 Mar 15	1,2,6,7,8,14,15

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

Important Disclosures Required by U.S. Regulators

Disclosures marked with an asterisk may also be required by at least one jurisdiction in addition to the United States. See Important Disclosures Required by Non-US Regulators and Explanatory Notes.

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1. Within the past year, Deutsche Bank and/or its affiliate(s) has managed or co-managed a public or private offering for this company, for which it received fees.
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Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Bryan Kraft

Equity rating key

Buy: Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.

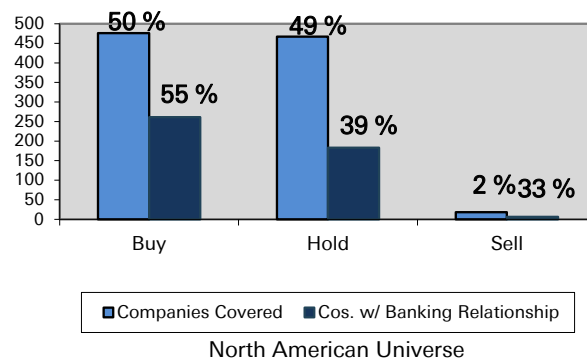
2. Ratings definitions prior to 27 January, 2007 were:

Buy: Expected total return (including dividends) of 10% or more over a 12-month period

Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period

Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships





Regulatory Disclosures

1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at <https://gm.db.com/equities> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

2. Short-Term Trade Ideas

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