

London Value Investing Club

TIXC - a high dividend value opportunity

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The most important investing rule

- Warren Buffett: „Rule No. 1: Never lose money. Rule No. 2: Never forget rule No. 1.“ *



- Ben Graham is the father of value investing
- Warren Buffett, one of Ben Graham's students and later one of his employees, is considered the most successful long term investor
- According to various academic research, value investing works over long periods of time (i.e. buying stocks that are „cheap“ on certain metrics – P/E, P/B etc. outperforms)

* The Tao of Warren Buffett by Mary Buffett and David Clark, Pocket Books, 2008, page 3

Tix Corporation

- Ticker: TIXC
- Share price: \$2.23 (2/6/2016)
- Market cap: ~\$40 million
- Business: Tix Corporation is an entertainment company providing discount ticketing and discount dinner reservations
- Low to mid teens cash flow yield
- Dividend yield: 9.8% (last quarterly dividend: \$0.055, the dividends for the four quarters before that: \$0.05 each quarter)
- EV/EBITDA: 5.5x

Sources: Google Finance

<http://www.irdirect.net/pr/release/id/1821656>

Tix Corporation



TIX4TONIGHT

**#1 VEGAS
TICKET
SELLER**

**HALF PRICE SHOW
TICKETS**

**100 SHOWS
DAILY
(ALL TOP SHOWS)**

**PERSONAL
SERVICE**

ALSO DISCOUNT RESTAURANTS & BUFFETS

11 CONVENIENT VEGAS BOOTHS



BALLY'S GRAND BAZAAR SHOPS



PLANET HOLLYWOOD



SHOWCASE MALL



CASINO ROYALE



FASHION SHOW MALL



COKE BOTTLE AT
SHOWCASE MALL



HAWAIIAN MARKETPLACE



CIRCUS CIRCUS



SLOTS-A-FUN



FOUR QUEENS



TOWN SQUARE MALL

CONTACT TIX4TONIGHT
(877) 849-4868

Source: <http://www.tix4tonight.com/>

Tix Corporation

- Share price Chart



Source: Google Finance

How to find this investment idea

Stock Screener

United States ▼ All exchanges ▼ All sectors ▼ US Dollar (\$) ▼

Criteria

Market cap [?]	20M		559.66B	X
P/E ratio [?]	0		10	X
Div yield (%) [?]	5		40001	X
Net profit margin (%) [?]	20		88301	X
Total debt/assets (Recent yr) (%) [?]	-3.42		20	X
Return on investment (5 yr avg) (%) [?]	20		22420	X

[+ Add criteria](#) | [Reset](#)

1 - 8 out of 8

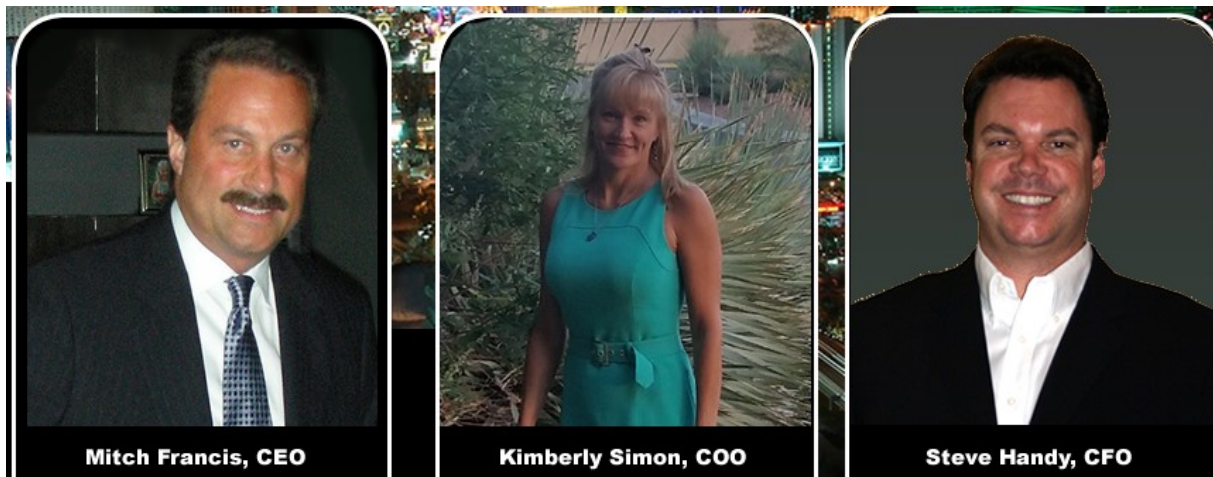
Company name	Symbol	Currency	Market cap	P/E ratio	Div yield (%)	Net profit margin (%)	Total debt/assets (Recent yr) (%)	Return on investment (5 yr avg) (%)
BP Prudhoe Bay Royalty Trust	BPT	\$	312.09M	3.68	20.25	98.29	0.00	22,419.96
MV Oil Trust	MVO	\$	69.40M	7.36	9.78	91.26	0.00	118.56
North European Oil Royalty	NRT	\$	83.68M	8.12	11.67	93.29	0.00	20,612.30
Qivi PLC	QIWI	\$	817.78M	9.42	7.01	29.77	5.40	45.73
Sandridge Mississippian Trust I	SDT	\$	65.54M	1.84	24.17	91.92	0.00	23.38
Tekla Healthcare Investors	HQH	\$	976.74M	9.16	7.75	2,220.11	0.00	21.04
Tix Corp.	TIXC	\$	37.88M	8.10	9.87	21.36	7.81	24.99
VOC Energy Trust	VOC	\$	64.88M	8.43	8.71	90.11	0.00	25.08

Source: Google Finance, accessed in May 2016

Show rows: 20 ▼ 1 - 8 of 8 rows

High insider ownership, good margins and low leverage

- Ownership: 29% management



- Operating profit (EBIT) margin over 20%
- ROA: ~40% 5y average
- ROE: ~60% 5y average

Sources: Google Finance
<http://www.tixcorp.com/>

Margin of Safety

- \$8 million cash, only \$0.2 million long term debt and \$2.5 million current liabilities, current ratio > 3x
- Two previous buyout offers were on the table:
 - \$2.10 per share proposal by Baker Street Capital in 2011
 - \$2.25 per share by CEO Mitch Francis (who currently holds 19%) in 2012

Sources:

<http://www.streetinsider.com/Corporate+News/Baker+Street+Capital+Sends+Letter+to+Tix+Corp.+%28TIXC%29+Board;+Feels+%242.10Share+Offering+Should+Be+Evaluated/6405476.html>

<http://www.marketwired.com/press-release/tix-corporation-receives-letter-from-mitch-francis-withdrawing-his-proposal-acquire-otcqx-tixc-1675310.htm>

Potential catalysts

- Tix4Tonight will serve as official Las Vegas Guest Partner for Expedia, concierge services, potential additional revenues (announced in May 2016)
- Continued dividend and/or increased dividend payments and/or stock buybacks
- Take private/management buyout similar to the situation in 2012

Risks/negatives

- App based same day ticket sales could be developed, creating an app based competition
- Economic downturn reducing consumer discretionary spending
- Realisation of upside could take time and sustainability of high dividend yield
- Microcap with poison pill against anyone trying to build more than a 4.95% position, at which point the new investor's holding can be diluted

Valuation: 20-40% potential upside - from \$2.23 to \$2.70-3.20 per share

- Using Earnings Power Value (EPV)
 - Average Operating Income (EBIT) of 2014 and 2015 is \$5 million, revenues for last five years were relatively stable (between \$22-26 million 2011-2015). The interest expenses are negligible.
 - Taxes: Q1 2016 34%, would imply a normalised net income of \$3.3 million
 - 10y UST yield 1.8%, long term Equity Risk Premium 5%, so cost of equity 6.8% = WACC (as no debt)
 - $EPV = \$3.3 \text{ million} / 6.8\% = \48.5 million (ca. 20-25% upside); adding 1% growth would imply \$57 million EPV (ca. 40-50% upside)
- EV/EBITDA expansion to half of the total market or 70% of the entertainment sector to ca. 7.3x would give 33% upside
- A revaluation to a still attractive 7% dividend yield would give 40% upside

Source:

http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/vebitda.html

Appendix - TIXC Balance Sheet

In Millions of USD (except for per share items)	As of 2015-12-31	As of 2014-12-31	As of 2013-12-31	As of 2012-12-31
Cash & Equivalents	-	-	-	-
Short Term Investments	-	-	0.00	2.99
Cash and Short Term Investments	7.92	4.87	3.18	9.01
Accounts Receivable - Trade, Net	0.05	0.05	0.06	0.04
Receivables - Other	-	-	-	-
Total Receivables, Net	0.05	0.05	0.06	0.04
Total Inventory	-	-	-	-
Prepaid Expenses	0.12	0.15	0.27	0.42
Other Current Assets, Total	-	-	-	-
Total Current Assets	8.09	5.07	3.51	9.47
Property/Plant/Equipment, Total - Gross	-	3.73	3.18	2.71
Accumulated Depreciation, Total	-	-2.81	-2.30	-1.67
Goodwill, Net	3.12	3.12	3.12	3.12
Intangibles, Net	0.02	0.15	0.50	1.01
Long Term Investments	-	-	-	-
Other Long Term Assets, Total	11.60	0.07	0.07	0.19
Total Assets	23.40	9.33	8.08	14.83
Accounts Payable	1.14	0.94	0.69	2.44
Accrued Expenses	-	-	-	-
Notes Payable/Short Term Debt	0.18	0.18	3.73	0.00
Current Port. of LT Debt/Capital Leases	-	-	-	-
Other Current liabilities, Total	0.03	0.11	0.11	0.36
Total Current Liabilities	2.73	2.46	5.47	3.73
Long Term Debt	0.38	0.55	0.73	0.88
Capital Lease Obligations	-	-	-	-
Total Long Term Debt	0.38	0.55	0.73	0.88
Total Debt	0.55	0.73	4.45	0.88
Deferred Income Tax	-	-	-	-
Minority Interest	-	-	-	-
Other Liabilities, Total	0.06	0.21	0.29	0.40
Total Liabilities	3.17	3.22	6.49	5.01
Redeemable Preferred Stock, Total	-	-	-	-
Preferred Stock - Non Redeemable, Net	-	-	-	-
Common Stock, Total	2.71	2.67	2.69	2.69
Additional Paid-In Capital	94.22	91.72	91.27	90.33
Retained Earnings (Accumulated Deficit)	-48.58	-62.81	-66.96	-68.53
Treasury Stock - Common	-28.11	-25.46	-25.41	-14.65
Other Equity, Total	-	-	0.00	-0.02
Total Equity	20.24	6.11	1.59	9.82
Total Liabilities & Shareholders' Equity	23.40	9.33	8.08	14.83
Shares Outs - Common Stock Primary Issue	-	-	-	-
Total Common Shares Outstanding	17.28	17.86	18.22	23.67

Source: Google Finance

Appendix - TIXC Income Statement

In Millions of USD (except for per share items)	12 months ending 2015-12-31	12 months ending 2014-12-31	12 months ending 2013-12-31	12 months ending 2012-12-31
Revenue	23.42	22.70	22.15	24.32
Other Revenue, Total	-	-	-	-
Total Revenue	23.42	22.70	22.15	24.32
Cost of Revenue, Total	9.39	9.44	9.37	10.38
Gross Profit	14.03	13.26	12.79	13.94
Selling/General/Admin. Expenses, Total	7.90	7.83	8.09	8.50
Research & Development	-	-	-	-
Depreciation/Amortization	0.60	0.85	1.14	1.15
Interest Expense(Income) - Net Operating	-	-	-	-
Unusual Expense (Income)	-	0.11	1.87	2.27
Other Operating Expenses, Total	-	-	-	-
Total Operating Expense	17.89	18.24	20.47	22.30
Operating Income	5.53	4.46	1.69	2.02
Interest Income(Expense), Net Non-Operating	-	-	-	-
Gain (Loss) on Sale of Assets	-	-	-	-
Other, Net	0.01	0.00	-0.07	-
Income Before Tax	5.52	4.25	1.58	1.95
Income After Tax	16.79	4.15	1.57	1.92
Minority Interest	-	-	-	-
Equity In Affiliates	-	-	-	-
Net Income Before Extra. Items	16.79	4.15	1.57	1.92
Accounting Change	-	-	-	-
Discontinued Operations	-	-	-	-
Extraordinary Item	-	-	-	-
Net Income	16.79	4.15	1.57	1.38
Preferred Dividends	-	-	-	-
Income Available to Common Excl. Extra Items	16.79	4.15	1.57	1.92
Income Available to Common Incl. Extra Items	16.79	4.15	1.57	1.38
Basic Weighted Average Shares	-	-	-	-
Basic EPS Excluding Extraordinary Items	-	-	-	-
Basic EPS Including Extraordinary Items	-	-	-	-
Dilution Adjustment	0.06	-	-	0.00
Diluted Weighted Average Shares	17.74	18.35	23.64	24.37
Diluted EPS Excluding Extraordinary Items	0.95	0.23	0.07	0.08

Source: Google Finance

Appendix - TIXC Cash Flow Statement



In Millions of USD (except for per share items)	12 months ending 2015-12-31	12 months ending 2014-12-31	12 months ending 2013-12-31	12 months ending 2012-12-31
Net Income/Starting Line	16.79	4.15	1.57	1.36
Depreciation/Depletion	0.46	0.51	0.63	0.63
Amortization	0.14	0.34	0.51	0.51
Deferred Taxes	-	-	-	-
Non-Cash Items	0.39	0.45	1.16	1.64
Changes in Working Capital	-11.21	0.67	-1.64	0.50
Cash from Operating Activities	6.56	6.12	2.24	4.67
Capital Expenditures	-0.12	-0.54	-0.64	-0.28
Other Investing Cash Flow Items, Total	-	0.00	2.98	-3.01
Cash from Investing Activities	-0.12	-0.54	2.34	-3.29
Financing Cash Flow Items	-0.36	-0.09	-0.21	-1.06
Total Cash Dividends Paid	-2.56	-	-	-
Issuance (Retirement) of Stock, Net	-0.47	-0.05	-7.22	-0.02
Issuance (Retirement) of Debt, Net	0.00	-3.74	0.00	-2.36
Cash from Financing Activities	-3.39	-3.88	-7.43	-3.44
Foreign Exchange Effects	-	-	-	-
Net Change in Cash	3.06	1.69	-2.84	-2.06
Cash Interest Paid, Supplemental	0.00	0.19	0.00	0.00
Cash Taxes Paid, Supplemental	0.25	0.00	0.08	0.21

Source: Google Finance