Some things and ideas: July 2020

Some random thoughts on articles that caught my attention in the last month. Note that I try to write notes on articles immediately after reading them, so there can be a little overlap in themes if an article grabs my attention early in the month and is similar to an article that I like later in the month. That's a particular challenge for an environment as wild as this one; for example, if I link something from early April like "Apple tells staff stores closed until early May or "Equinox won't pay April rent," by the time I post those articles in late April the information is wildly out of date (people will be more concerned with Equinox paying May rent!) even though it's super interesting!

Premium / word of mouth

- I launched a premium YAVB in April (announcement / overview here). I've had a lot of fun doing the site so far, and I think it's worth subscribing if you enjoy the free blog.
    - The general goal of the premium site is to post one deep look at a company and/or investment idea each month (you can view some historical case studies here), and then do a monthly general update post (kind of like this post, but with a heavier focus on investing specific things, individual investment updates, and my thoughts on them), but it's still a work in progress!
- Don't feel like subscribing? No worries! However, one of the reasons frequency of posts / podcasts / other public stuff can fall off is because I look at them and wonder: "Is it really worth my time doing these for this small an audience?" A lot of work goes into all of these, and I hope that the output is generally of interest / high

quality. If it is and there's someone you think would like this blog, please share it with them. It would mean a lot; positive feedback / increased readership is what keeps the public posts coming!

    - This isn't meant to be a threat or anything! It's just frustrating to spend lots of time on something that you think is decently high quality and consistently see viewership numbers that would rival a local high school's newspaper or a North Korea / South Korea soccer match or an Italian soccer match during a pandemic.
    - And a big thank you to everyone who reached out expressing how much they liked the blog. Honestly it means a lot to me!
- One thing I realized after putting this request up for a few months: it's kind of rude for me to be asking people to share my blog without highlighting some other blogs I enjoy. So here's a special shout out to some fellow bloggers whose posts I enjoyed this month
    - The Great European Dividend Futures Caper (fun name, better article)
    - If I ruled the tweets (from the Not Boring Newsletter; mentioned in my own post on Twitter)
    - Clark Street on GLIBA / LBRDA (disclosure: long both)
        - When one of my favorite bloggers posts on one of my favorite stocks, it's a given I'm going to link to it.... but having a shout out in the post is certainly a nice cherry on top!
        - PS- I co-sign with most of what he says. I think LBRDA is getting a slightly better deal, but it's probably not worth splitting hairs over.
    - The future of OTC Adventures
        - I love this site and hope it continues publishing!

- Search for less competitive games
- Liberty's highlights
    - New blog / substack, but I really like the first post!
- Still day 1 for ISRG
- Rackspace rises again
- Some posts on seeking alpha
    - I did two posts on seekingalpha: a write up on Worthington, and a quick follow up on Nikola.
- Premium service recommendation of the month: DeepFin: eSports & Gaming Deep Dive
    - This is.... not the most in depth dive I've ever seen. I thought about not recommending. But for $5, I got three things:
        1. A piece that I left with a bit better of an understanding of a space I'm intensely interested in.
        2. Multiple points that made me think and question my own beliefs about a space I'm intensely interested in.
            1. Why did that quote in particular strike me? Players seem to have a lot more leverage in eSports than in normal sports; I'm not sure why they shouldn't extract more than their fair share of value. For example, Ninja noted he was losing money by going to tournaments versus streaming. The alternatives for monetization are just so much higher and easier in eSports.
            2. Let me try another angle on this: single players sports (golf, tennis) have the vast majority of their monetization

go to the superstars (Federer, Woods, etc.) versus the sport or the venues. It'll depend on the game, but most games tend to have much smaller teams than something sports. Fortnite is single player, League of Legends and most shooters are ~5 players, etc. When I think back to the bidding war for ninja and all the alternate ways superstars can monetize, I tend to think the superstars are going to grab a huge slice of the pie here.

3. One last thought: in sports, if a player tries to play a game outside the league, they'll get banned (i.e. Lebron can't play for the NBA and TBT at the same time; the NBA won't let him). Platforms and such can't do that in eSports (ie. Ninja could be on Mixer and Twitch and YouTube, and he can play fortnight and any other game he wants). I tend to think that freedom means he'll take a lot of the economics. I could be wrong!

3. Several investment / stock suggestions in the eSports space I had never heard of before

- If that's not worth $5, seriously what is?

- PS- if there's a blog or service you like that you think I should follow / potentially recommend, please let me know. I'm always looking for good new sites to read and highlight!

    - Seriously, no one has taken me up on recommendations yet. I am near begging here: if you have a blog you think I'd like or a service you think I'd enjoy, please highlight it for me. I'm always desperate for new things to read and use, and while I can't promise tons of traffic for your website or product, previous rececs have seemed pretty happy with the traffic sent their way.
    - A note for readers: I don't get paid or anything for these recs. I just like finding new and interesting sources of information, and if people are bringing them to me hopefully it's of help when I bring them to you!

Monthly pondering: Video Game pricing; shouldn't they be free?

- I've long been intrigued by video games. I always thought the pricing dynamics of a video game suggested they had significant pricing power as they significantly undercharged versus other forms of entertainment. An example might show this best; consider the Witcher 3. The game had near endless game play; I believe the main story alone would take ~50 hours to play and that's assuming you ignored all of the side quests. I played the game a bit and had to quit because I'm a complete completionist (meaning I HAD to do all the side quests) and the enormity of the side quests meant I would have had to spend upwards of 200 hours (or more) trying to beat the game. If you needed to buy the Witcher the day it came out, it would cost ~$60, and if you waited a year or two the price would drop to around $20. So, depending on how soon you bought it and how much of a completionist you were, The Witcher was priced at somewhere between $1/hour to $0.10/hour for each hour of entertainment. What else gives that much value? A movie ticket costs $10-20 and gives two hours of entertainment (plus some time for traveling from your house, parking, etc.). Obviously not apples to apples, but I use that just to show how good the value of a video game was. Over time, I expected that the great price/value of video games meant their publishers would have significant pricing power.

  - And that analysis is for a "story driven" game. An online game (a shooter like Call of Duty or a strategy game like Starcraft II) offers literally infinite hours of play as they have competitive online ranked modes that you can spend as much time as you want trying to climb.

- That line of thinking changed for me as micro-transactions grew. Fortnite is the headliner here, but games like Candy Crush and Pokemon Go stand out too. These games were free to play and only charged for micro-transactions. Initially, I thought that was crazy: making a title like Call of Duty involves an investment that rivals Marvel movies (i.e. tens of millions of dollars); why would the studios give something like that away for free. But Fortnite has proved the model out: give the game away for free, attract as large a base as possible, and monetize through micro-transactions. The base becomes a moat in and of itself: once you've invested the time to learn Fortnite, you're less likely to invest the time to learn another game, and if all of your friends are on Fortnite, there's no reason to switch to another game anyway.
- Why mention this? 2k games is experimenting with increasing the price of NBA 2k from $60/unit to $70, and I can't help but wonder if that's a bad idea.
  - I'll caveat this by noting that 2k is in a slightly unique place: a basketball game that licenses NBA characters has an enormous moat and a huge fixed cost base. If I'm getting into a

shooting game for the first time, I probably don't have much of a preference between Call of Duty or Fortnite. All else equal, I'd probably pick Fortnite over Call of Duty just because it's free. That's not the case for a basketball game: if you gave me the choice between playing a basketball game with NBA players or a basketball game with just random players, I'm willing to pay up to play a game with my favorite players.

- Despite that, I wonder if it's a bad idea. An NBA game doesn't exist in a vacuum; it competes for time with a variety of other things and games. And while, as an NBA fan, I may be willing to pay up for a game that features my favorite players, casual fans are going to be evaluating NBA2k versus other things that have effectively zero marginal cost (Fortnite, playing other games they already own, watching Netflix). By raising price, NBA2k losses some of those casual fans who they could monetize through micro-transactions.
- Maybe you'll argue that doesn't matter. Sure, NBA2k might sell 3% fewer titles, and yeah maybe they lose a couple of extra micro-transactions, but they just pushed through a 20% price increase, so net-net they've maximized revenue and profits, right? In the short run, absolutely! In the long run, I'm not so sure. Remember, a big part of a game ecosystem these days is having a thriving online community. Maybe this year NBA2k losses its most casual fans. That actually slightly hurts their overall network effect: fewer players playing online games means slightly longer load times to match up online, and fewer players means I'm less likely to have friends playing the game. That means I'm less likely to enjoy the game, less likely to spend as much time in the game (and thus less likely to do micro-transactions), and

slightly less likely to purchase next year's game. A gaming ecosystem (or any network) is a delicate thing, and small changes now can have huge impacts on the long term size and network effects. I'm sure the people at 2k know what they're doing, but if I was a video game publisher right now every decision I made would be viewed through the lens of lowering every barrier possible for people to get / play my game. Raising prices is the opposite of that.

Other things I liked

- Dog Influencers take over instagram after pandemic puppy boom
    - Somewhat guilty
- Larry Brilliant on How well We are fighting Covid-19
    - First, it's a great article (which is why I shared it!)
    - Second, Larry Brilliant is an absolutely ridiculous name for a scientist. Having an epidemiologist named Larry Brilliant basically confirms my conspiracy theory that we are living in a very sloppily built simulation. Seriously, if I wrote a movie script with a scientist named "Larry Brilliant", I'd get laughed out of the room for being too lazy (or the movie would have to just be over the top campy).
    - Third, the interview is reasonably bearish given how poorly we've handled Covid, but it actually makes me a little bullish to see how far the science around it has come. That said, it did make me bearish on humanity just to see that some people actually believe conspiracy theories that masks are designed to make you impotent.
- Pfizer CEO raises expectations that pharma giant can deliver Covid vaccine by fall

    - Speaking of conspiracy theories, this would be great news but I worry that there is going to be a ton of pressure to get something (anything!) approved before November. A pandemic is scary, but you know what's potentially worse? Rushing approval on a vaccine before the science supports it, and then finding out the vaccine was both dangerous and ineffective after tens of millions of people have been vaccinated and presumably gone about living their normal lives again.
- Fox stashes cash for NFL Rights with move to drop golf
    - I think a lot of people were surprised how bearish my post on sports investing post-COVID was. Perhaps it was too bearish; in the long run, I have trouble seeing any future where sports don't remain a huge piece of our lives and a dominant driver of TV ratings (and thus suck up a huge amount of TV cash). And even if the short term is murkier / worse because there is no live attendance and the medium term is worse because networks have to pay dramatically less for rights due to increased cord cutting, the end game for league's has likely always been going direct to consumers so maybe the super increase in cord cutting concerns are overblown? All of that seems directionally correct to me, though I'm willing to be convinced otherwise
    - Anyway, this article leaves me torn. On the downside, Fox paying basically half their contract value to not air something seems like a disaster for sports rights. On the other hand, Fox focusing on freeing up cash for a ginormous bid on footballs suggests that the super premium draws may be getting even more important / valuable, not less.
    - Just one data point, but the article certainly left me thinking!

- Off to the races: Powerful group launching new auto racing circuit to debut next year on CBS
    - The base rate for any new league is failing, so take all this with a grain of salt.
    - But I do think there is something legacy leagues can learn from what SRX is trying here. Much of the opportunity they're targeting seems to exist because NASCAR has stuck with tradition and hasn't evolved in a model more optimal for today's media / consumer landscape; for example, NASCAR races are still run during the day even though night / prime-time would be more optimal for a host of reasons.
    - Other sports where I could see some weakness? F1 is the first that comes to mind; the huge technology disparity between teams creates enormous inbalances that makes the sport more pre-determined / less exciting (note that F1 knows this and is working to reduce the disparity). Baseball is such a traditionalist sport with a long history it's tough to imagine it changing much, but games are way too long for today's world.
- Graham Holdings is a cheaper Berkshire Hathaway
    - I agree with much of what the article says, but I do think it's a mistake to overlook that recent capital allocation at GHC has been extremely subpar and calls into question just how shareholder friendly the company is.
- The Grifters, Chapter 1- Kodak
    - Mentioned here
- Executives are selling stock as the market experiences its epic rebound
- Gap claims it doesn't have to pay rent at any of Brookfield's malls
- From 1720 to Tesla, FOMO Never Sleeps
- Multiple NBC affiliates won't air 30 rock special due to

all the peacock promos

- The master thief
- The meltdown at the museum of ice cream
- A 28 year old with no degree became a must read on the economy
- The world's cruise ships can't sail. Now, what to do with them?
  - It's impossible for me to read those articles without thinking cruise companies are all zeros. Maybe my biases are coming out- I like cruising, but I couldn't imagine going on a cruise for years now. I understand the market is looking long term and demand for cruises will almost certainly return at some point (heck, it may have never left!), but I feel like the cruise ship products will have all wasted away long before I would be ready to go on a cruise again.
- Missing the partner you see 24/7
- Empty Manhattan apartments reach record levels, landlords slash rent
- Has Sardar Biglari lost his touch?
- America is on a lumber binge
- How the mafia infiltrated Italy's hospitals and laundered the profits globally
- SAAS valuations: compare and contrast
- Media and tech companies are having an identity crisis
- What counts as a streaming hit? A start up (Parrot) may have answers
- From payments to armaments: the double life of Wirecard's Jan Marsalek
- Very cool thread on white claw's history
  - Obvious takeaway from this thread: easy SPAC candidate
- Blank-cheque blitz: Michael Klein leads Wall St. charge into SPACs
- A&E has lost half its viewers since dropping Live PD
  - Wild