Some things and ideas: November 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. Writing earlier in the month is a particular challenge for an environment as wild as COVID; 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early May or "Equinox won't pay April rent," by the time I post those articles in late April the information is wildly out of date (people will be more concerned with Equinox paying May rent!)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), and we updated it (and the rest of the website) with version 2.0 in August. I've had a lot of fun doing the premium site so far; if you enjoy the free blog, I think you'll love the premium site, so I'd encourage you to subscribe.
    - The general goal of the premium site is to post one deep look at a company and/or investment idea each month, 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:
    - Premium recommendation of the month: Liberty's Highlights
        - Look, I'll admit it: I've got a bone to pick with Liberty. He's had an open invite on my podcast for months, and he goes and does someone else's podcast without telling me. And special edition #1 of his newsletter was an interview with David Kim / Scuttleblurb (friend of the podcast!), and I'd be lying if I said I wasn't a little insulted by that too!
        - But you know what? I forgive him for all of that. I absolutely love his service, and

it's completely free. You should 100% subscribe right now; again, it's free and I love it. Other super smart investors do too (including Minion Capital and Elliot Turner, both friends of the pod as well!); if the combination of free plus a bunch of recs doesn't do it for you, I'm not sure what will!

  - Here's the best recommendation I think I can give: one of the criteria I judge my own podcast by is if Liberty links to it with a nice blurb. If he does that, I know I just did a good podcast. If he doesn't, I assume that he just hasn't had time to listen to it yet because the alternative is too terrifying to contemplate.

Does Spotify increase ad loads on podcasts?

- This is just an observation, but I feel like podcasts that Spotify acquires have a significantly increased ad load after a few months of Spotify ownership.
- Again, perhaps that's just my gut / observation fooling me. But if Spotify does increase ad load on podcasts, I think it's interesting for two reasons.
  1. Spotify has incredible viewership data. If they're increasing ad loads on podcasts, it's because their data suggests that the financial trade off between increased ad load and lost listenership skews heavily in favor of increased ad load. I already feel like ads are too long on podcasts..... but I also have yet to shut off a podcast or stop listening to one because of ads. So I would guess Spotify's data is right.
  2. Perhaps more interestingly- if Spotify has more

accurate data on how many ads can go into a podcast, that makes them an incredible acquirer of content. I don't have ads on Yet Another Value Podcast, but let's say I ran one ad every fifteen minutes (4 ads per hour) and a few months from now I was looking to sell the podcast. Spotify would have data that would determine the exact right number of ads for a podcast with my following. Let's say the exact right number for my podcast was an ad every five minutes (12 ads per hour). Spotify would have line of sight into tripling my revenue just from optimizing the ads / hour (assuming the cost/ad stayed constant). That makes them an unbelievable acquirer; they could pay a revenue multiple that other companies wouldn't dream of simply because they had such good line of sight to tripling revenue (and this ignores other benefits of Spotify owning podcasts, like increased data, potential to dynamically insert ads at better rates, etc.).

- Anyway, this was just my observation; I can't guarantee they increase ad load. But it's an interesting though, and it was a nice way to show how much value Spotify's content acquisition strategy can create.

Nintendo sold out: bull or bear case?

- For Black Friday, I wanted to treat myself to one thing: a Nintendo Switch so that I could play Mario Kart and Mario Party with my wife / friends. But I couldn't get one; the MSRP is ~$300, and the cheapest one I could find on Amazon Prime was ~$529. It was a similar story at every other site I looked at; the system was either sold out or you needed to pay a huge premium to get one delivered in the near future.

- There's something for both the bulls and bears in that sold out status.
    - Bulls will look at the sell out of the Switch and see huge demand for the platform and the continued strength of the Nintendo brand / platform. And I think there's something to that.
    - Bears will look at it and say "this is a console that is more than three years old. We're more than nine months into the pandemic; how the heck can Nintendo not be making enough of these platforms to fulfill demand?"
    - Bulls might respond to the bears: "Well, the new XBOX and PlayStation 5 are sold out; why is the Switch selling out a big deal?" The issue is the Switch is more than three years old! How can Nintendo not have their supply chain in enough order to meet demand at this point? Remember, the whole point of a platform is that once someone gets on it, you control them and can sell them high margin upsells (digital games, subscriptions, etc.). Even if it would cost Nintendo a little extra to rush produce ten million switches to meet current demand, the NPV of that cost would be incredible. If I had a Switch right now, I guarantee you I would immediately buy three Mario games and all of their add ons. How would the gross margin from that not be worth Nintendo spending an extra twenty or fifty or a hundred dollars to get the Switch in my hands right now? I'm (probably) not going to buy a Switch next year; getting one now is much more about having something to do in small groups for the long COVID winter. If I can't find one in the next day or three, I won't ever get one. That's a lot of sacrificed NPV for Nintendo!
- My big pushback on the Nintendo bull thesis has always been "this company doesn't care about making money." If

you told me they were going to run this business with some semblance of caring about making money, I would tell you their assets are worth multiples of the current share price. But I don't think they ever will. And I worry that, because they don't care about making money, they are actually hurting their asset values in the long term. Imagine if Disney+ launched and limited themselves to ten million subs. That would crush their brand value; millions of fans would miss out on the Mandalorian and all sorts of other stories (plus the ability to re-engage with old favorites!), and the Star Wars brand value would diminish over time. That's exactly what is happening with Switch right now; millions of fans want one and can't get one. Sure, a lot might buy a switch in time, but a significant number will not. That's a significant number of fans who aren't deepening their connection to Nintendo, and that's a huge missed opportunity.

Hollywood's new multi-million dollar sports vehicle / Deadpool star Ryan Reynolds wins aproval to buy U.K. Soccer team

- Two thoughts on this:
  - First, I think it shows where a lot of sports / media is going. Fame becomes something of an ecosystem / mini-flywheel. If you have it, you have huge synergies for the right type of purchases, because you can use your fame to propel a lot more eyeballs on to the purchase than previously. This purchase is a great example of that: I can near guarantee Wrexham is going to get viewership / attention that is multiples of the levels of much large / bigger clubs because of its new owners' fame. That's an incredible edge; the extra attention means larger sponsorship money,

and it means players will favor signing with Wrexham over other teams because it helps their brand in a lot of other ways.

    - Second, I needed to talk about Ryan Reynolds. When he joined Match's board, I saw people talking dunking on the appointment like it was a joke or a vanity appointment by Match. To those people I say one thing: get the fudge out of here. Yes, he's the most handsome and funny man in the world (I may have some bias), but he's a legit entrepreneur and any board would be lucky to have him. Look at his plan for Wrexham; that's incredibly original, and he could make multiples of the purchase price of Wrexham on the documentary alone. And, again, doing the documentary and all the attention he'll bring to Wrexham will be a huge edge in signing players and getting sponsorships, so in all likelihood just buy buying Wrexham he's increased it's value significantly over its purchase price! I would be happy to have the man on the board of any company I had invested in.

Podcasts:

- I launched the Yet Another Value Podcast in August. They've been a blast so far. You can follow on Spotify, iTunes, or YouTube (and please be sure to subscribe and rate them if you enjoy them!). This month's pods:
    - Mike Melby from Gate City Capital on Amrep (AXR)
    - Boyar Value Group on MSGE, MSGS, IAC, and ANGI
    - Chris Colvin from Breach Inlet Capital on Apollo's attempt to steal Great Canadian Gaming (GC)
    - Tim Bergin from On Beyond Investing on Global Value and $FCNCA / $CIT merger

    - Zack Silver on Liberty Investor Day and CuriosityStream (CURI)
- One other podcast rec while I'm here: friend of the podcast Bill Brewster recently launched The Business Brew. I'm more than a little jealous of how easily Bill's first and last name can fit into finance puns, but I'm willing to forgive him. If you like my podcast, I suspect you will like his as well! Even if you don't like my podcast, his first two episodes are so good you'll probably like his anyway!

Other things I liked

- The Overton window
    - I didn't love the stuff on the Fed, but I thought the look at the 7 day period in the crisis was one of the best ways I've seen how people's thinking evolved laid out.
- The Tiny Fund that's loved on twitter and now backed by Greenlight
- The economics of vending machines
- CABO not losing sleep over TMUS fixed wireless plans
- Masa again pulled Softbank from the brink. This time he had help
- ESPN shutting down eSports division
    - This just seems like a hopelessly shortsighted decision. There's no doubt that eSports is going to be huge; I'm not sure why ESPN wouldn't want to extend their brand to have a big piece of that market.
    - Imagine how silly it would seem now if ESPN said, "we're going to stop covering fantasy football so we can just focus on the actual sport of football." It would be financial suicide. Esports are still up and coming, but they will be massive.

It's a loose analogy, but ESPN not covering eSports now is as short sighted as ESPN shutting down fantasy football coverage would be.

- Malone on pushing DTV to buy Netflix, supporting Susan Collins, and his favorite stocks
    - CNBC's full Malone interview
- Disney mulls pivot of Pinnochio, other films from theatrical to Disney+
    - To take on Netflix, Disney's next Act should be rated R
    - HBO Max hopes flight attendant will land viewers
- Alcohol delivery company Drizly sees sales Jump Amid Election Wait
    - Not sure how to read that data
- Betting integration could solve Regional Sports Network (RSNs) troubles
- WWE replaces arena merchandise loss with e-commerce gains
- Virtual influencers make real money while covid locks down human stars
- Judge Judy headed to Amazon
- Gary Kasparov interview on Queen's Gambit
- Can Shopify compete with Amazon without becoming Amazon
- IAC stock is too cheap, analyst says
    - I co-sign this, even though I think they're too conservative!
    - Diller humbled by election
    - COVID of not, here comes Vimeo
- People are dying to get on cruise ships
    - Ok, fine, I'm linking to my own tweet. Whatever. But I remain obsessed with cruise ships. I am convinced of two things: 1) the demand for cruising returns literally the second someone gets the vaccine and 2) given the cash burn required to get to that demand state plus all the of expensive financing / equity raise that they've done this year, the valuation of the cruise stocks makes

little sense.

- Another crazy thing? Might not even take a vaccine for the cruising demand to return. 100k people signed up for a free cruise to test COVID protocols!