

Mossberg's Investor Digest

Best Idea Profile

Dover Motorsports (NYSE: DVD)

DESCRIPTION:

Headquartered in Dover, Delaware, Dover Motorsports owns and operates four motorsport tracks in three states. The company's facilities host more than 300 races annually, reaching more than 100 million racing fans in 29 of the top U.S. markets. During 2009, the company is scheduled to promote the following 14 major events including 2 NASCAR Sprint Cup Series events; 6 NASCAR Nationwide Series events; 4 NASCAR Camping World Truck Series events; and 2 NHRA events. The company's 40-year-old Dover International Speedway, also known as "The Monster Mile", is by far the company's most significant track, as it hosts 2 Sprint Cup races, NASCAR's premier racing series. The facility has seating capacity of 135,000.

KEY INVESTMENT CONSIDERATIONS:

Sale of money-losing Midwest track – With the exception of the Dover International Speedway, the company's other three tracks have generated negative cash flows for several years. So much so, that at the end of last year, the company recorded a \$13 million impairment on the carrying value of these facilities, representing roughly 18% of their original recorded book value. In January 2009, DVD agreed to sell its Memphis race track to privately-held Gulf Coast Entertainment, LLC for \$10 million in cash and two percent interest in Gulf Coast. Financing has been delayed and the closing date has been extended until the end of September, 2009. If successful, not only would a sale bolster the balance sheet, removing a nonperforming asset will also improve overall profitability and returns of the company.

VALUATION:

With 70% of revenue derived from NASCAR-sanctioned events at Dover International Speedway, clearly the value of DVD is primarily derived from its oldest and most profitable track. If we look at recent transactions of race tracks that host Sprint Cup Races, it's possible to make a strong case that DVD's enterprise value of \$92 million does not reflect the true value of the franchise. Here are a few examples of recent transactions:

1Q2008 - Speedway Motorsports (NYSE: TRK) acquired New Hampshire International Speedway for \$340 million in cash. This track seats 92,000 and hosts 2 Sprint Cup Races each year.

February 2007 - International Speedway (Nasdaq: ISCS) acquired the remaining 62.5% of the Chicagoland Speedway that it did not already own for \$102 million in cash and the assumption of \$40 million in debt. This gave the assets an implied value of over \$225 million. This track hosts one Sprint Cup race each year and seats 75,000 people.

December 2008 - Speedway Motorsports (NYSE: TRK) acquired Kentucky Speedway and recorded a value of approximately \$137 million on their balance sheet. This track hosts one Sprint Cup event and seats 66,000.

These comparable transactions point to a value that is several times the current valuation of DVD. Given the recent decline in revenue at NASCAR events, it is fair to assume a discount on these comparable transactions. However, these tracks are smaller and less popular venues. For patient investors, the stock offers significant upside potential. However, it may be a while before the value is realized. An outright sale of the company could provide immediate upside, but it appears that will be the decision of insiders. Insiders control more than 50% of the voting power of the company and there is a poison pill in place that would keep an outsider from forcing a sale. In the near term, additional sales of underperforming assets could bolster profitability and returns and potentially garner some attention from investors. At current levels, there is limited downside risk.

(NYSE: DVD)

Investment Data (as of 8/30/09)

Recent Price	\$1.49
52-Week Range	0.98 - 6.29
Fiscal Year End	December
Shares Outstanding	37 MM
Average Trading Volume (3 mos)	54,000
Market Capitalization	54 MM
Cash	0.5 MM
Long Term Debt	38 MM
Enterprise Value (EV)	92 MM
LT Debt/ Equity	0.6
Tangible BV/ Share	1.82
TTM Revenue	78 MM
P/ Revenue	0.7x
TTM EPS	-0.23
P/ EPS	N/A
TTM EBITDA	11.81
EV/ EBITDA	7.8x

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