



March 29th, 2021

Mr. James L. Dolan
c/o MSG Networks Inc.
2 Pennsylvania Plaza
New York, NY 10121

Dear James,

Despite Wall Street perpetually assigning the so-called “Dolan Discount” to entities you and your family control, we have found you to be an extraordinarily good partner to invest alongside. That is why we were extremely disappointed in the March 26th, 2021 announcement that Dolan-controlled Madison Square Garden Entertainment (MSGE) had agreed to acquire MSG Networks (MSGN), which is **also Dolan-controlled, at a price that can only be described as a takeunder.**

Clients of Boyar Asset management own shares of MSGN, MSGE, and Madison Square Garden Sports (MSGs). In addition, our institutional research service, Boyar’s Intrinsic Value Research, has written favorably on the above-referenced entities over many decades. In fact, clients of our research service collectively own more than 15% of both MSGN and MSGE.

We object to the proposed transaction for three reasons:

- 1) **The proposed purchase price grossly undervalues MSGN.** The price being offered values MSGN at just 5.1x MSGN’s FY 2020 adjusted operating income and just 4.5x its FY 2020 free cash flow.¹ In our view, the implied multiple of the proposed transaction is wholly inadequate, as it does not reflect MSGN’S strong fundamentals and cash-generating abilities, represents a meaningful discount to publicly traded cable network comps and precedent industry transactions, and does not adequately compensate MSGN for its increasingly valuable sports media rights, which includes local broadcast rights to both the Knicks and Rangers. Both teams were listed as the most valuable sports franchises in *Forbes*’ recent ranking for NBA and NHL teams. We currently value MSGN at 9.0x our estimated 2022 EBITDA projection, an amount we view as extremely conservative (our estimate of EBITDA is more than 30% below what was generated in FY 2020) and which yields an intrinsic value of approximately \$25 per share. In addition, **our projections do not fully reflect the substantial likelihood that online sports gambling will be legalized throughout New York over the next few years.** Legal gambling should cause revenue to grow substantially through increased advertising, affiliate fee revenue, and the prospect of meaningful ancillary revenues associated with online wagering.

¹ Note that the values used for AOI, which is the Company’s preferred method for EBITDA, along with free cash flow were the values calculated by MSG Networks and included in the 3/26/2021 merger press release.

The YES network, the broadcast home of The New York Yankees, was recently sold by Disney at ~8.5x times. It should be noted that the transaction was a “forced sale,” as Disney needed to sell the network to consummate the Fox transaction. One only needs to look at the latest NFL media rights deals to see the value of the intellectual property that MSGN controls (through its rights to broadcast both the Knicks and the Rangers). Shareholders deserve to be properly compensated.

- 2) **There is absolutely no strategic rationale for MSGE to purchase MSGN.** There are no aspects of the “synergies” created by the transaction (other than perhaps the reduction of public company costs) that cannot be accomplished via a contractual relationship between both entities (not dissimilar to the contractual relationships in place for company/personal use of Dolan family aircraft.) The company cites using MSGN’s robust free cash flow to help fund MSGE’s growth initiatives as a reason for the merger. **Funding a separate entity's capital needs by purchasing another related entity (at a bargain basement price) that produces robust free cash flow is not a legitimate reason for a transaction.** Besides, MSGE has a cash rich balance sheet that should be more than enough to fund future expansion. With currently low interest rates and the valuable real estate MSGE controls, there are alternative ways to fund MSGE’s growth. We believe that MSGN shareholders should be appropriately compensated for the strong free cash flow generating abilities it brings to the table. **As the transaction is currently structured, MSGE and its shareholders are positioned as the primary beneficiary of MSGN’s future free cash flow generating abilities.**

- 3) This transaction also negatively impacts the value of Madison Square Garden Sports, which owns the Knicks and the Rangers. As Liberty Media CEO Greg Maffei has said, the two logical owners of a regional sports network are the sports team it broadcasts and the cable operators that carry the networks.

You’ve previously stated you would potentially be open to a sale of the Knicks and/or Rangers at the right price. In our view, the correct/logical buyer for MSGN should be MSGS, as it will make that entity more attractive to a potential suitor in the future. We believe that potential suitors of professional sports franchises such as the Knicks or the Rangers would also want to control and/or have a meaningful interest/stake in the network that broadcasts team games locally to fully capitalize on future opportunities such as sports betting and alternative distribution (e.g., the Yankees recently announced a deal that provides incremental distribution via Amazon).

Conclusion

Because your family controls both entities in the proposed transaction, it is of the utmost importance, not to mention good corporate governance, that minority shareholders are treated fairly. **In fact, the best precedent of what should be done to ensure minority shareholders are protected is what the Dolan Family did when it attempted to take Cablevision private in 2007.** As I am sure you recall, because the Dolan Family controlled the company through super voting shares, the minority shareholders were given the opportunity to decide if the transaction was in their best interest (it was not, and the transaction was not consummated after being voted down by minority shareholders). We strongly believe that the same standard should be followed in this case.

As mentioned earlier, MSGN owns valuable intellectual property that many suitors would covet. The best thing for all shareholders would be to open the transaction to other bidders (including Madison Square Garden Sports) and let the market decide the fair price for MSGN.

We look forward to your response.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jon Boyar".

Jonathan Boyar