

# PLAYBOY

INVESTMENT ANALYSIS GROUP

MARCH 28, 2003

**MARK BRANDEN**  
**VICKY BATHIJA**  
**AKSHAY VENKATARAMANAN**

## Agenda

---

Background

Business

Competitors

Risk

Financials



## History and Corporate Overview

---

### Background

- First magazine published on October 1, 1953
- Playboy club closed in 1986
- International editions launched 25 years ago
- Rabbit Head Logo – designed by Arthur Paul 1953
- Playboy Foundation – activist arm of Playboy Philosophy
- Playboy mansion
- Head office – Chicago, IL

### Corporate Officers

- Hugh Hefner – Founder and Editor-in-Chief
- Christie Hefner – Chairman of the Board / Chief Executive Officer
- James Kaminsky – Editorial Director



## Business Segments

---

**Entertainment**

**Playboy Online**

**Publishing**

**Licensing Businesses**



## **Entertainment**

---

### **Production / Marketing programming**

- Domestic TV networks, international TV, and worldwide home video markets

### **Television Programming**

- Eros collection – HBO / Showtime networks
- Hot Network / The Hot Zone networks
- Vivid TV
- Spice
- Spice II
- Home videos



## **Playboy Online Group**

---

### **Playboy.com**

#### **Pay-per-view lingerie fashion shows**

- Mardi Gras
- Parties at the Playboy Mansion
- Playboy Cyber-club (100,000 subscribers - 2001)
- Live-chats

### **Playboystore.com**

### **Online Gaming**

### **SpiceTV.com**



## **Publishing**

---

### **Playboy magazine**

- Best selling monthly men's magazine
- 1 in 7 seven men aged 18 to 34

### **In-depth intellectual interviews / articles**

### **Magazine rate base larger than some reputed magazines**

- Newsweek, Cosmopolitan, Maxim
- Combined Rate of Rolling Stone / GQ / Esquire



## **Licensing Business Group**

---

### **Formally called Other Businesses Group**

### **Licenses Playboy and Spice names / Rabbit Head Design**

### **Playboy Jazz Festival**

### **Alta Loma**

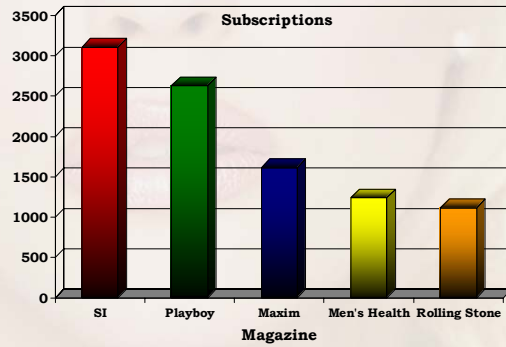
### **Playmate Promotions**



## Competitors

---

**Maxim**  
**Men's Health**  
**Rolling Stone**  
**GQ**  
**Esquire**  
**Men's Journal**  
**Sports Illustrated**



## Risks

---

### **Advertising**

- **Bottom-line effected by advertising slump**

### **Competition**

- **Increase number of Men's Magazines**
- **On-line material highly saturated**

### **Cultural**



# Financials

---

## Company Quickie

<b>Stock Price High</b>	<b>16.75</b>
<b>Stock Price Low</b>	<b>7.48</b>
<b>Current Debt/Equity</b>	<b>.85</b>
<b>Gross Margin</b>	<b>42.30%</b>
<b>Shares Outstanding</b>	<b>26MM</b>
<b>Market Capitalization</b>	<b>185MM</b>
<b>Beta</b>	<b>.90</b>



# Financials (cont.)

---

## Assumptions

- Growth Rates
  - Growth Phase – 5.0%
  - Stable Phase – 3.5%
- Cost of Capital
  - Cost of Equity – 8.44% (9.00% - Stable)
  - Cost of Debt – 7.50%
- Intrinsic Value
  - Of Equity – \$266,408,000
  - Per Share – \$10.91



## **Conclusion**

---

### **Recommendations**

#### **Overall**

#### **Buy**

- Short Term Conservative Estimates
- Long Term Growth from Online Division and Licensing Business

