

Case

Distressed M&A and corporate strategy: lessons from Marvel Entertainment Group's bankruptcy

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As the current recession unfolds, indications are that corporate executives and strategists will be making decisions in an economically distressed environment for some time to come.[1] Historically, investment and M&A activity tend to decline during periods of economic distress. However, a specialty form of acquisition, known pejoratively as “vulture investing” has flourished during such times. Perhaps because it has been practiced as a specialty by financiers accustomed to balancing high risks for quick rewards, acquiring distressed companies has not been widely viewed as a corporate strategic opportunity. Recently, however, distressed M&A has become more common:

- as of April of 2009, there were 60 distressed M&A deals for the year including Valero Energy Corporation's purchase of VeraSun Energy Corporation's assets in bankruptcy;
- in 2008, there were 220 distressed deals; and
- in 2007, there were 134.[2]

When assessing distressed M&A opportunities, corporate strategists should leverage their industry knowledge and expertise to search for hidden value, and also to select qualified industry experts to validate strategic and valuation assumptions. The interesting bankruptcy of Marvel Entertainment Group, Inc. (Marvel) demonstrates the kind of hidden value-based opportunities that are sometimes found in distressed M&A. The Marvel bankruptcy also answers a number of distressed M&A questions such as:

- How does a firm with a great performance record like Marvel become a distressed investment? (Marvel was acquired in 1989 for \$82.5 million; in 1996, the day before its first bankruptcy reorganization plan was announced, it had a market value of approximately \$471 million.[3])
- How should a distressed firm be valued in a bankruptcy proceeding – on a liquidation basis or a going-concern basis?
- What are distressed-related risks,[4] and how should they be examined in the context of recommendations for pursuing corporate distressed M&A opportunities?
- In such deals, what are the advantages that corporate strategists have over investors focused on quick returns?

Distressed M&A can also be strategically risky, for example, when seeking to achieve synergies. However, if properly evaluated, carefully selected distressed M&A opportunities could become a valuable corporate strategy alternative, especially during troubled economic times.

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Marvel: the back story

At its core, Marvel is a publisher of comic books featuring proprietary characters such as Spider-man, X-Men, etc. In terms of popularity and creativity the “Golden Age of Comics” was the late 1930s to the late 1940s and the “Silver Age of Comics” was the late 1960s to the early 1970s. Comic books experienced another era of popularity in the mid-1980s to approximately 1993, and publishers took note and began flooding the market with new issues, which resulted in a boom-bust market cycle.

During the boom phase of the cycle, financier Ron Perelman acquired Marvel in 1989 for \$82.5 million in a leveraged buyout. He quickly set about improving the firm’s performance and building a diversified youth entertainment company. For example, he subsequently acquired a trading card company, a manufacturer of sports and entertainment stickers, and other comic book companies. He also acquired a significant interest in Toy Biz, a children’s toy company, which would manufacture Marvel-based action figures.[5] Initially, Perlman’s strategy seemed to work, but the speculative boom in comics and trading cards went bust in the mid-90s. The downturn quickly became a crisis for Marvel because it was burdened by the heavy debt Perelman had assumed to diversify the company. As a result, Marvel filed for Chapter 11 bankruptcy in December of 1996.[6]

Liquidation value

In bankruptcy proceedings a firm’s management has the exclusive right, for a limited period of time, to file a “reorganization plan,” which “is essentially a proposal to exchange the firm’s existing financial claims for a new basket of claims, possibly including cash. The firm’s immediate objective is to reduce the total amount of debt in the capital structure.”[7]

In the Marvel bankruptcy, Perelman filed a reorganization plan that contained three parts. This case focuses on one of the parts: Perelman’s offer to invest \$350 million in Marvel so long as he maintains at least 80 percent ownership of it, which is strategically significant because that level of ownership allows him to utilize Marvel’s valuable net operating loss carry-forwards (NOLs).[8] In evaluating Perelman’s plan it is important to distinguish between liquidation and going concern values, which are important concepts in distressed M&A.

If a firm is deemed not viable it will be liquidated under Chapter 7 of the bankruptcy code. A test of whether this should occur involves an analysis of a firm’s liquidation and going concern values. “Going concern value” in this context refers to the value of a bankrupt firm that emerges successfully from Chapter 11. Applying this test to evaluate Perelman’s plan, we valued Marvel from a liquidation basis. (See the detailed liquidation valuation in Section 1, “Liquidation Value.”)

Our liquidation value comes to \$424.7 million; at this value, the majority of the proceeds would be utilized to pay off Marvel’s debt-holders (the nominal value of their claims being \$654.5 million (or the sum of note (9L) line items in Exhibit 1). Perelman’s offer implies a value of Marvel’s equity at only \$0.85/share = \$350 million equity injection/410 million of new shares,[9] which equals a value of \$86.5 million given share levels at the time.[10]

Exhibit 1 Marvel's liquidation value

<i>Liquidation value</i>	<i>Sep-96</i>	<i>\$ in millions Adjustment (%)</i>	<i>Value</i>	<i>Notes</i>
Cash	35.9	100	35.9	
Accounts receivable	257.2	85	218.6	(1L)
Inventory	99.1	50	49.6	(2L)
Deferred income tax	32.5	0	0.0	(3L)
Income tax receivable	18.2	100	18.2	
Prepaid expenses and other current assets	58.2	0	0.0	(4L)
Current assets	501.1		322.3	
Property, Plant & Equipment (net)	87.7	50	43.9	(5L)
Goodwill and other intangibles (net)	595.7	50	297.9	(6L)
Investment in subsidiaries	3.2	0	0.0	(7L)
Deferred charges and other assets	72.7	0	0.0	(7L)
Total assets	1,260.4		664.0	
Accounts payable	95.8	90	86.2	(8L)
Accrued expenses and other current liabilities	170.1	90	153.1	(8L)
Short-term borrowings	28.7	0	0.0	(9L)
Current portion of long-term debt	625.8	0	0.0	(9L)
Current liabilities	920.4		239.3	
Long-term debt	0.0	0	0.0	(9L)
Other long-term liabilities	56.6	0	0.0	(10L)
Total liabilities	977.0		239.3	
Minority interest in Toy Biz	102.9	0	0.0	(11L)
Liquidation value	180.5		424.7	(12L)

Note: All adjustments are the author's. The valuation is prepared from the standpoint of 1996 throughout this article

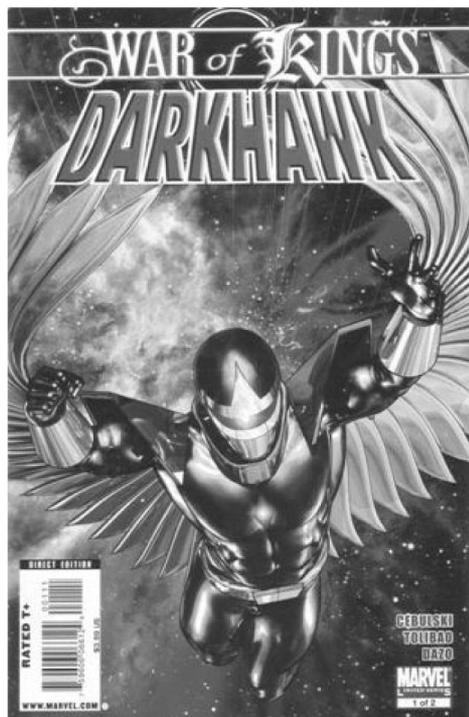
Source: Jason Auerbach and Benjamin Esty, *Bankruptcy and Restructuring at Marvel Entertainment Group*, HBS Case Services, #9-298-059, 7/2/1998, p. 11

Going concern value

Perelman's offer was greeted with consternation by Marvel stockholders; in short, "The investors felt ripped off." [11] To understand why, consider that the day before Perelman's plan was announced Marvel equity was selling for \$4.625/share. [12] This value disconnect is important because if Perelman is able through the bankruptcy process to maintain control of Marvel at essentially its liquidation value, and the firm turns out to be a viable going concern, he would be able to profit by the difference in the two values. However, if the firm was not a viable going concern then it technically should be liquidated (via Chapter 7). To assess whether Marvel was a going concern we value it utilizing the modern Graham and Dodd approach. [13]

The first step in Graham and Dodd-based valuation is to reconstruct the balance sheet on a reproduction basis to derive a more economically consistent Net Asset Value (NAV). Our NAV of Marvel is presented in detail in Section 2, "Net asset value," and produces a value of \$469 million or \$4.61/share. [14] which suggests that Marvel was a viable going concern and seemingly valued at the level of the stock price the day before Perelman's plan was announced – \$4.625/share. To confirm this, we proceed to the next level of Graham and Dodd value, Earnings Powers Value (EPV).

EPV differs from traditional discounted cash flow (DCF) in that it estimates income or earnings expected to be sustainable into perpetuity, and as such does not consider growth. Earnings are estimated based on the historical record under the assumption that if a firm earned a level of income in the past its operations should be able to earn it again, all else equal. However, in a bankruptcy all else is not equal: a firm has defaulted on its financial obligations and filed a legal proceeding to either restructure those obligations or liquidate if a



restructuring cannot be accomplished equitably. With this introduction, our Marvel EPV is presented in Section 3, “Earnings power value,” which derived a value of \$844.8 million.

Our EPV is substantially larger than our NAV even though it was formulated conservatively; therefore, it identifies the existence of a possible “franchise,” or a firm operating with a sustainable competitive advantage. The foundation of Marvel's operations is its portfolio of proprietary characters, which had generated substantial levels of income prior to its bankruptcy. These characters are owned by Marvel, so anyone who wants to make a Spiderman movie, for example, must obtain Marvel's permission and pay royalties. While there are substitute characters, most prominently Superman and Batman of rival DC Comics, the Earnings Power generated by Marvel's characters in the past, and the high probability of future Earnings Power, qualified the firm as a

franchise, assuming it is managed properly after it emerges from bankruptcy. In practice, assumptions like this could be validated through consultation with marketing/brand experts.

Having established the firm's franchise status, we proceed to the final level of Graham and Dodd value, growth. While it may seem strange that we are considering growth for a firm that filed for bankruptcy, recall that most firms' “immediate objective [in a bankruptcy proceeding] is to reduce the total amount of debt in the capital structure.” In short, many viable firms suffer distress due to financial issues rather than operational issues, which is a reason why bankruptcy can generate corporate strategy opportunities. Identifying such opportunities frequently requires a multi-layered valuation approach, such as the one utilized here.

Our growth valuation is presented in Section 4, “Growth value,” which produces a value of \$1,607.1 million. Therefore, based on the four levels of our going concern valuation (NAV, EPV, Franchise Value, and Growth Value) Perelman's \$86.5 million implied value did not accurately reflect Marvel's worth at the time even though it was in bankruptcy. In the next section, we discuss how the Marvel bankruptcy concluded and we provide suggestions for corporate strategists to consider in evaluating future distressed M&A opportunities.

Lesson's from the Marvel fray

One of loudest opponents of Perelman's plan was financier Carl Icahn. The story of these two financial titans slugging it out during bankruptcy was superbly captured by Dan Raviv in his incredibly well titled book, “Comic Wars.” However, at the end of this bankruptcy neither Perleman nor Icahn gained control of Marvel. Isaac Perlmutter, the largest stockholder of Toy Biz, the minority interest of which we wrote off in our NAV (note (7A) in Exhibit 2), emerged as the owner.

Perlmutter was willing to offer a more lucrative deal to Marvel stakeholders to gain control of the firm because he likely understood Marvel's business better than either financiers Perelman or Icahn. Significantly, Perlmutter's key advisor on this deal was Avi Arad who in all likelihood better appreciated the potential Earnings Power of the Marvel characters, especially with respect to media (movie and television) income. A key lesson here is that

Exhibit 2 Marvel's NAV

	Sep-96	\$ in millions Adjustment (%)	Value	Notes
Cash	35.9	100	35.9	
Accounts receivable	257.2	100	257.2	
Inventory	99.1	100	99.1	
Deferred income tax	32.5	0.910	29.6	(1A)
Income tax receivable	18.2	100	18.2	
Prepaid expenses and other current assets	58.2	100	58.2	
Current assets	501.1		498.2	
Property, plant & equipment (net)	87.7	125	109.6	(2A)
Goodwill and other intangibles (net)	595.7	98.2	693.9	(3A)
Investment in subsidiaries	3.2	100	3.2	
Deferred charges and other assets	72.7	100	72.7	
<i>Total assets</i>	<i>1,260.4</i>		<i>1,377.6</i>	
Accounts payable	95.8	100	95.8	
Accrued expenses and other current liabilities	170.1	100	170.1	
Short-term borrowings	28.7	100	28.7	
Current portion of long-term debt	625.8	-625.8	0.0	(4A)
Current liabilities	920.4		294.6	
Long-term debt	0.0	563.2	563.2	(5A)
Other long-term liabilities	56.6	90	50.9	(6A)
<i>Total liabilities</i>	<i>977.0</i>		<i>908.8</i>	
Minority Interest in Toy Biz	102.9	0	0.0	(7A)
NAV	180.5		468.8	(8A)

Note: All adjustments are the author's

Source: Auerbach and Esty (1998, p. 11)

business understanding in distressed M&A can be crucial, not only from a business risk management perspective but also from a liquidation risk perspective.

Firms without a viable value-proposition or business plan should be liquidated; conversely, viable firms should be reorganized and returned to the marketplace. Corporate strategists can have an advantage assessing distressed firm viability if they focus on deals within their areas of expertise. Doing so will enable them to efficiently leverage their specialized knowledge in a field widely considered a specialty due to its unique valuation and negotiation dynamics.

Distressed M&A also contains a number of legal risks, such as the risk that a bankruptcy judge will "cram down" a reorganization plan on stakeholders, and tax risks (especially with respect to NOLs). Such risks should be assessed and managed with the assistance of experienced counsel. Corporate strategists could work with General Counsel's office to retain the necessary level of expertise to effectively assess and manage these risks.

In addition to specialized knowledge and General Counsel's assistance, strategists can have another advantage in distressed investments: a longer time frame over which to operate. Many investors seek relatively quick rates of return so they can move on to the next deal. Corporate strategists, on the other hand, generally work with 5 to 10 year corporate plans, enabling them to capture significantly more of a deal's value. For example, Toy Biz acquired control of Marvel for \$238 million in October of 1998.[15] On December 31, 2008, Marvel stock sold for \$30.75/share with a value of \$2,397.9 million,[16] which exceeds our growth value as illustrated in Exhibit 3. Over those 10 years Marvel's value appreciation equates to an impressive compounded return of approximately 26 percent.[17] Perhaps more impressive, however, is the possibility for future growth at Marvel as its characters develop into the 21st Century via print, movies (such as the 2008 blockbuster *Iron Man*), and animated television series (such as *Wolverine and the X-Men* in 2009).

As this case shows, distressed M&A could offer substantial corporate strategy opportunities in the troubled economic times that likely lie ahead. The Marvel case also dramatically illustrates how lucrative those opportunities could be; however, the value of such opportunities is often hidden amidst the confusion and distress of bankruptcy. Fortunately, it can often be identified through an integrated financial and strategic valuation, such as the one illustrated in the sections below.

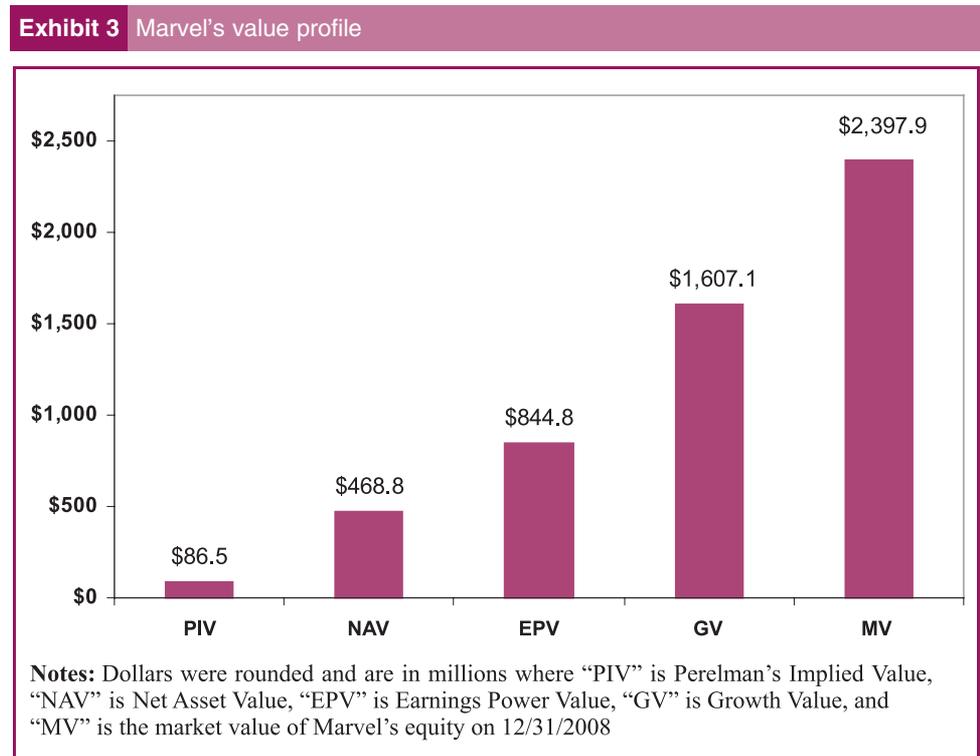
Section 1 – liquidation value

This valuation uses data from a popular case study that was prepared at the time, and is presented in Exhibit 1.

Cash (the first balance sheet entry) is \$35.9, which when adjusted at 100 percent obviously equals \$35.9. The second balance sheet entry (Accounts Receivable) is \$257.2, which was adjusted at 85 percent – which is a “rule of thumb” based distressed adjustment – for a value of \$218.6. Because this entry was adjusted it is identified in the exhibit by a parenthetical note (1L). Given this background, the valuation is relatively easy to follow:

- Notes (3L), (4L), (7L), (9L), [18] (10L), and (11L) identify line items written down to zero for liquidation purposes.
- Accounts Receivable (note (1L)), Inventory (2L), Property, Plant and Equipment (5L), Accounts Payable, and Accrued Expenses and Other Current Liabilities (both designed by note (8L)) were adjusted downward to “rule of thumb” based liquidation values. In practice, expert appraisers could be consulted to more accurately quantify these types of adjustments.
- Goodwill and other intangibles (note (6L)) were written down by 50 percent, rather than to zero, due to the perceived value of Marvel’s character portfolio. This is another area that could require expert input to more accurately quantify, possibly from a marketing/consulting firm.

Subtracting liabilities from assets in Exhibit 1 gives a liquidation value of \$424.7 million (note (12L)).





Section 2 – net asset value

Our NAV of Marvel is presented in Exhibit 2, and is based on the same balance sheet that was employed in our liquidation value (see Section 1 above), but it utilizes different adjustments (all of which are identified by a parenthetical note).

Note (1A) discounts the deferred tax asset by Marvel's estimated discount rate, which is discussed in Section 3 below.

Note (2A) subjectively increases net Property, Plant and Equipment so that it more accurately reflects reproduction value. If this was an actual valuation, this adjustment could be based on the findings of professional real estate appraisals.

Note (3A) pertains to "Goodwill," which in a Graham and Dodd refers to the intangible assets a firm utilizes to create value such as its product portfolio,

customer relationships, licenses, etc. When estimating the value of intangible assets the modern Graham and Dodd approach, "add[s] some multiple of the selling, general, and administrative line, in most cases between one and three year's worth, to the reproduction cost of the assets." [19] In this valuation, we evaluated Marvel's Goodwill at three times its 1995 SG&A of \$231.3 million based on the historical strength of its product portfolio, which includes popular characters such as Spider-man, X-men, etc.

Note (4A) eliminates the current portion of short-term debt and transfers it to long-term debt (note (5A)) at 90 percent of value. Other long-term liabilities (note (6A)) were reduced by the same percentage. These adjustments were subjectively derived based on typical outcomes of bankruptcy restructuring negotiations. Were this an actual valuation, bankruptcy advisors could assist in formulating these estimates.

Note (7A) eliminates Marvel's minority interest in Toy Biz based on a valuation prepared at the time from the perspective of Marvel acquiring Toy Biz. In sum, that valuation estimated the worth of the Toy Biz minority interest at \$159.5 million, which was less half of the total purchase price of that interest (or \$361.5 million) and as such it was written off [20].

Subtracting the reproduction value of assets from the reproduction value of liabilities gives a NAV of \$469 million (note (8A)) or \$4.61/share.

Section 3 – earnings power value

Our EPV is presented in Exhibit 4, which we divided into three sections to make it easier to follow. We begin with the first section (encompassing notes (1E) to (3E)). As noted above, the objective of EPV is to estimate earnings based predominantly on the historical record that are sustainable on a non-growth basis into perpetuity. Making such estimates is not easy and prone to error, and therefore should be formulated conservatively especially when the firm being valued is distressed. To begin this process, we graphed Marvel's revenue and margin from 1991-to-1995, and present the results in Exhibit 5.

If Marvel emerges from bankruptcy we assume that its operations will focus on its core comics business in a cost effective manner and leverage Marvel characters to generate revenue through media and derivative toy sales. To quantify this, we conservatively estimated Marvel's level of sustainable operating earnings at \$128.3 (= \$415.2 * 30.9

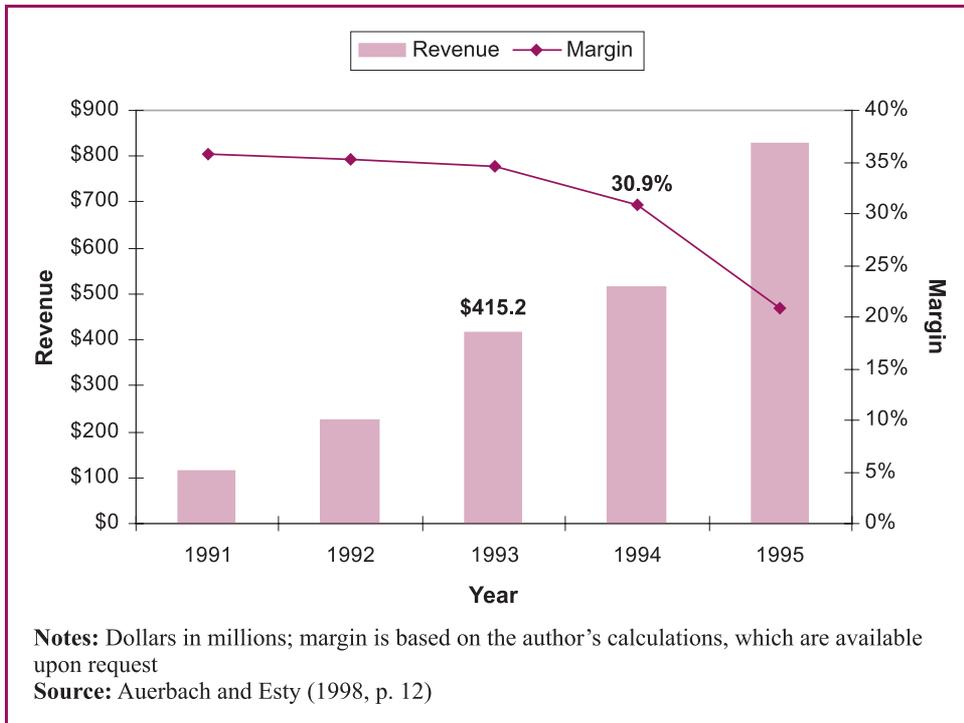
Exhibit 4 Marvel's EPV

	1997	\$ in millions 1998	1999	Notes
Expected sustainable operating earnings			128.3	(1E)
Interest income			1.8	(2E)
Sustainable pre-tax earnings before NOLs			<u>126.5</u>	(3E)
Percent of sustainable realized	33	67	100	(4E)
Pre-tax earnings	42.2	84.3	126.5	(5E)
NOL carry-forwards	42.2	57.8	0.0	(6E)
Taxes	<u>0.0</u>	<u>8.0</u>	<u>38.0</u>	(7E)
Preliminary earnings	42.2	76.4	88.6	(8E)
Discount rate (%)	9.9	9.9	9.9	(9E)
Earnings	42.2	76.4	891.9	(10E)
Present value factor	0.910	0.827	0.753	(11E)
Present value of earnings	<u>38.4</u>	<u>63.2</u>	<u>671.4</u>	(12E)
Earnings power			<u>773.0</u>	(13E)
EPV			844.8	(14E)

Note: All calculations are the author's and once again, the valuation is prepared from the standpoint of 1996

Source: Auerbach and Esty (1998, cited above, p. 12)

Exhibit 5 Marvel's historical earnings



percent) or the product of Marvel's mid-level margin and revenue performance over the past five years, as illustrated in Exhibit 5 (note (1E)). Subtracting interest earned on Marvel's cash of \$1.8 (based on an assumed 5 percent interest rate, note (2E)) gives a conservative estimate of Marvel's "Sustainable Pre-Tax Earnings before NOLs" (note (3E)).

Turning to the second EPV section (notes (4E) to (8E)), we first estimate the expected development of Marvel's Pre-Tax Earnings until they become sustainable in 1999. Working backwards from Sustainable Pre-Tax earnings like this is more conservative than

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approaches typically utilized in DCF-based valuation. For simplicity, we assume it will take two years for Marvel's Earnings to become sustainable and therefore we assigned a development rate of one-third per year (note (4E)). Multiplying these rates by \$126.5 (note (3E)) gives “Pre-Tax Earnings” per year (note (5E)).

Note (6E) applies Marvel's \$100 million in “NOL Carry-forwards” to the valuation. Under Perelman's plan that was profiled above he would maintain at least 80 percent control of Marvel thereby securing the right to utilize Marvel's approximate \$100 million of NOLs.[21] Therefore, in valuing his plan it is important to consider NOLs, which we accomplish under the simplifying assumption that the NOLs will be fully utilized in two years. In practice, NOLs should be applied in consultation with experienced bankruptcy/tax counsel.

Note (7E) refers to taxes calculated by multiplying the difference of Pre-Tax Earnings (note (5E)) and NOLs (note (6E)) by 30 percent.

Note (8E) refers to Marvel's “Preliminary Earnings,” which were derived by subtracting taxes (note (7E)) from Pre-Tax Earnings (note (5E)).

We now proceed to the third and final section (notes (9E) to (14E)). First, we estimated Marvel's discount rate at 1.5 times the risk-free rate at the time (note (9E)),^[22] and capitalized Marvel's Preliminary Earnings at this rate as a simple, non-growth perpetuity for the year 1999 (note (10E)). Earnings for 1997 and 1998 were simply brought down from note (8E).

Note (11E) pertains to the present value discount factor, which is based on our 9.9 discount rate (note (9E)).^[23] When multiplied by Earnings (note (10E)) this factor gives the “Present Value of Earnings” (note (12E)). Earnings Power, note (13E), is simply the sum of the three yearly Present Value Earnings' figures while EPV (note (14E)) is the sum of Earnings Power and cash of \$35.9 on the balance sheet for a total of \$844.8 million.

Section 4 – growth value

Our growth valuation of Marvel is presented in Exhibit 6, and is based on variables from Marvel's NAV and EPV. For example, note (a) pertains to an EPV variable, “Sustainable Pre-Tax Earnings before NOLs” (note (3E)), which when divided by NAV (note (d)) on an after tax basis gives Marvel's estimated Return on Net Asset Value (or RNAV, note (e)). Dividing RNAV by Marvel's discount rate (note (f)) gives a growth multiple (note (g)), which when multiplied by our EPV derives a growth value of \$1,607.1 (note (i)).

Exhibit 6 Marvel's growth value

	<i>\$ in millions</i>	<i>Notes</i>
Sustainable pre-tax earnings before NOLs	126.5	(a) = (3E)
Tax rate (%)	30.0	(b)
Sustainable earnings before NOLs	88.6	(c) = (a) * [1 - (b)]
NAV	468.8	(d) = (8A)
RNAV (%)	18.9	(e) = (c)/(d)
Discount rate (%)	9.9	(f) = (6E)
Growth multiple	1.9	(g) = (e)/(f)
EPV	844.8	(h) = (14E)
<i>Growth value</i>	<i>1,607.1</i>	<i>(i) = (g) * (h)</i>

Notes

1. "Economic focus – diagnosing depression," *The Economist*, January 3-9, 2009, p. 57.
2. Jessica Hall, "Distress M&A not for faint of heart," Thomson Reuters, April 3, 2009, www.reuters.com/article/reutersEdge/idUSTRE53255220090403
3. \$471 million = 101.8 million shares outstanding * \$4.625/share. *Data source*: Jason Auerbach and Benjamin Esty, *Bankruptcy and Restructuring at Marvel Entertainment Group*, HBS Case Services #9-298-059, 7/2/1998, pp. 5 and 9.
4. For more information see Auerbach and Esty (1998).
5. Gilson (1995), cited above, p. 23.
6. There is obviously a great deal more to this bankruptcy than we can cover in this overview. Interested readers are strongly referred to Dan Raviv, *Comic Wars* (NY: Broadway, 2002).
7. Gilson (1995), cited above, p. 10.
8. According to *Wikipedia*, "Under US Federal income tax law, a net operating loss (NOL) occurs when certain tax-deductible expenses exceed taxable revenues for a taxable year." Those losses can be carried forward to some extent to reduce future tax liabilities. As noted later in this article, NOLs should be assessed in consultation with experienced counsel as there is a statutory annual limit on NOL usage.
9. *Data source*: Auerbach and Esty (1998), p. 5.
10. The value was derived by multiplying \$0.85 by the 101.8 million shares outstanding at the time (*Data source*: *Ibid*, p. 9).
11. Raviv (2002), cited above, p. 59.
12. *Data source*: Auerbach and Esty (1998), p. 5.
13. This follows earlier work on Graham and Dodd-based valuation such as Joseph Calandro, Jr, "Lessons for strategists in Graham and Dodd's 'Security Analysis,' 6th edition," *Strategy & Leadership*, Vol. 37 No. 2, 2009, pp. 45-9 and Joseph Calandro, Jr, *Applied Value Investing* (NY: McGraw-Hill, 2009 (forthcoming)).
14. \$4.61/share = \$469 million/101.8 million shares outstanding.
15. "Comic book publisher Marvel emerges from bankruptcy," *Los Angeles Times*, October 2, 1998, p. D-5, <http://articles.latimes.com/1998/oct/02/business/fi-28533> The settlement included a mix of warrants and cash.
16. *Data source*: www.wsj.com, calculations are the author's.
17. This is a simple calculation that is based on Perlmutter's \$238 million deal price and the market value of Marvel as of December 31, 2008. The return could change if either of these assumptions is modified to reflect ownership percentage.
18. Marvel's long-term debt became current (reflected in note (9L) entries) upon violation of its debt provisions, which led to its bankruptcy filing.
19. Bruce Greenwald, Judd Kahn, Paul Sonkin, and Michael van Biema, *Value Investing – From Graham to Buffett and Beyond* (NY: Wiley, 2001), pp. 61-2.
20. Auerbach and Esty (1998), p. 15-16.
21. The exact ownership percentage was 81.2 percent per *Ibid*, p. 9.
22. The 10-Year T-Note was yielding 6.62 percent at the time per Auerbach and Esty (1998), p. 18.
23. The equation for calculating the factors is: $1/(1 + 0.099)^{\text{Year}}$

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