



Media

## Potential Short Exhibit A: Premier Exhibitions (PRXI)

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Glancing at the seemingly booming business of **Premier Exhibitions'** (PRXI), a developer of museum-quality touring exhibitions, one would think its stock looks rather undervalued here at \$14.59, but if you take a lesson from the company's popular "Bodies" exhibits that schoolkids often visit on field trips, you'll find that the complexities of this company do much to dispel all the optimism.

First, let's look at this company's positives, of which there are many:

- A new CEO, Bruce Eskowitz, who was formerly the head of North America music at **Live Nation** (LYV)
- Thousands of artifacts from the Titanic purposely undervalued on its balance sheet
- Extreme analyst and institutional investor optimism
- A high-margin exhibit business
- Revenue is expected to surge 134% from \$30 million to \$70.5 million this year and another 60% to \$113.5 million next year. Estimated earnings of 68 cents this year and 1.13 next -- giving PRXI a current PE of 21 and a forward PE of 13

Wow. What's not to love? The qualities are incredibly impressive and have definitely helped the stock surge 700% over the past two years, but I'm a cynical short-seller, so let's try to pick all these positives apart -- one by one -- it'll be fun!

A new big-time CEO. Hmm, what does that remind me of? How about Mel Karmazin of **Sirius Satellite Radio** (SIRI) or Mark Shapiro of **Six Flags** (SIX). Both came aboard with great fanfare, and yet both stocks are down substantially after initial run-ups. Eskowitz wants to expand PRXI's business into licensing, merchandising and international markets -- all of which carry lower margins and substantially greater risks than the business that has helped make PRXI so successful in the past.

If you listen to the PRXI conference calls, as I have, you'd hear management talking about how the true value of their Titanic assets is substantially, potentially exponentially, greater than what is reflected on their balance sheet. The possibilities have gotten a lot of analysts and institutional investors excited. And while it could turn out to be true, for now, its refusal to put an exact value on these assets has led to excessive hype, and it will continue for as long as it proves useful to the company.

But I see the real risk here being the company's core business, the "Bodies" exhibits themselves, which, by now, 3.5 million people have visited. I went to one of the exhibits and enjoyed it, but it's not like a museum featuring great works of art -- once you've seen this, you probably won't go back. Company chairman Arnie Geller says it has new exhibits under development, but these guys are masters of hype, so talk is cheap, and until proven otherwise, they're just a one-hit wonder.

I'm not the only non-believer out there, as there are now more than 4.5 million shares short, and the stock has been stuck between \$14 and \$18 over the past five months. If it breaks under \$14, which it has barely hung onto, it's a perfect head-and-shoulders chart pattern, a clear sign the hype has worn off and further downside is likely.

*Please note that due to factors including low market capitalization and/or insufficient public float, we consider Premier Exhibitions to be a small-cap stock. You should be aware that such stocks are subject to more risk than stocks of larger companies, including greater volatility, lower liquidity and less publicly available information, and that postings such as this one can have an effect on their stock prices.*

*At the time of publication, Sykes had no positions in the stocks mentioned, although positions may change at any time.*

*Timothy Sykes trades for his own account. He managed the Cilantro Fund, starred in the reality show Wall Street Warriors, and authored [An American Hedge Fund](#). Currently he also writes the blog [timothysykes.com](http://timothysykes.com). Under no circumstances does the information in this column represent a recommendation to buy or sell stocks. Sykes appreciates your feedback; [click here](#) to send him an email.*

### Premier Exhibitions

### BEARISH

Price: \$14.07 | 52-Week Range: \$5.82-\$18.62

- This company specializes in museum-quality traveling exhibitions, like the 'Bodies' exhibit.
- There are a number of factors to like about them, including an expected surge in revenue and a high-margin business.
- I see the business as a one-trick pony and am not optimistic about its outlook.

Position: **No positions.**