THOUGHTS FROM THE FRONTLINE

ME

What Billionaires Know About Investing

By John Mauldin | May 09, 2026

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"To the extent we have been successful, it is because we concentrated on identifying one-foot hurdles that we could step over rather than because we acquired any ability to clear seven-footers."

~ Warren Buffett

This is the Strategic Investment Conference week, and I and our attendees are drinking through a fire hose. There have been some surprises that we will go into as I start reviewing the SIC next week, and frankly the reviews so far are very good. As I have done every year for many years, I get a guest author to write for me this one week when I am basically overwhelmed.

My friend David Bahnsen of The Bahnsen Group wrote a piece for his weekly *Dividend Café* letter that resonated with me. Essentially, he explores two different avenues for investing, both valid, but with significantly different risk parameters and potential outcomes. This essay will make you a better investor. Additionally, it will make you better able to analyze the risks that your investment advisors are taking on your behalf.

There is still time to join us at the SIC. All the presentations are online, already transcribed as well and available for audio podcasts. You can catch up quickly or at your leisure, and catch Monday and Wednesday's sessions live. With that, let's jump into David's *Dividend Café*.

What Successful Billionaires Know About Investing

By David Bahnsen

One of the questions I get asked most as a dividend growth investor is not about the high-level advantages to the strategy, but the down and dirty particulars that drive investment selection. I have written books about the philosophy of dividend growth investing (with the second one set to be released in just a few months!) [I was honored to write the forward to the second book], but understandably many want to better understand the *particulars* of how actual companies get selected.

Ironically, the story I want to discuss today involves two companies we do not own and never have owned. Though they are household names, and this transaction is one of the most significant acquisitions in business history, the Disney purchase of the lion's share of entertainment assets owned by Rupert Murdoch's Fox in 2019 is not necessarily known or understood by most casual observers (sidebar: thank you to those who appreciated the "lion's share" reference in talking about 20th Century Fox).

However, I believe this transaction provides a glimpse into a *mentality* that is integral to how we do *selection* when it comes to dividend growth. At the end of the day, many investing approaches today are "long duration" and many are "capital intensive." What I hope you will see after reading this piece is that capital intensity and long duration can be a bad combination for value creation, at least adjusted for the risk that goes therewith. The selection of names that make sense for a dividend growth investor require a free cash flow generation that is not often available, even for very good, well-run companies. And it requires a durability and repeatability that investors should be yearning for, even if it keeps them from accessing some of the shiniest objects out there.

I recently watched a four-part documentary on Netflix called *Dynasty: The Murdochs*, and read Gabriel Sherman's little 200-page ditty, *Bonfire of the Murdochs*. I read the book first and largely did so out of curiosity regarding the complexity of the internal family estate dispute, but then that drove me to watch the documentary (which also is what I do for fun on weekends, in case you are jealous of my view of an exciting nightlife). The book was a great and informative read, and the documentary was very well done and loaded with interesting information.

What the book and documentary did that inspired today's *Dividend Café* was cause me to look deeper into a certain business strategy and decision and to decipher what it has to teach us about dividend growth, about cash flow generative businesses, about capital intensity, about risk/reward trade-offs, and yes, about business models in this era in which we are living and investing.

It is one of the most significant transactions in American business in the last 25 years, and today, it is the source of our *Dividend Café* message. Let's jump in to the *Dividend Café*...

A Controversial And Reviled Guy, But as a Businessman ...

I am sure readers of the book and viewers of the documentary will be tempted to do their own psychoanalysis of the family and of Rupert Murdoch himself, and obviously plenty of people have strong opinions (in favor of or in opposition to) the media empire that Murdoch has built. If the *Dividend Café* ever becomes a place offering you juicy takes on what media figure should we idolize or demonize this week, something has gone drastically wrong. It is not that I am unaware of all the controversy around Rupert Murdoch, or the Fox News brand, or anything else - it is just that here in the *Dividend Café*, I do not care.

Putting aside all of the drama around Rupert, his family, their internal squabble, and yes, the highs and lows and goods and bads of the Fox News empire, Rupert Murdoch executed one of the most significant business transactions in media history in March of 2019. Disney acquired a significant amount of content from Murdoch's 21st Century Fox and paid $71.3 billion for it. I should probably mention that that price tag was much higher than originally bid, because as we have well-documented in the *Dividend Café*, all media transactions seem to come with a bidding war, and God forbid anyone ever walk away without being bid up into the stratosphere by a competitor.

In this case, Comcast was the competitive bidder, and Disney wasn't having it. But Rupert was having the $71.3 billion Disney paid for these assets. Anyways, the major film and TV studios of Fox were sold to Disney encompassing the lion's share of the entertainment assets. The news and sports networks were spun off separately and became a separate company (Fox Corporation) that the Murdoch family still controlled.

I want to suggest in this week's *Dividend Café* that there was embedded in this transaction something very particular about investing, and how it might even apply to us. I am happy to say that I am not writing with any skin in the game about these two companies, per se. We do not own Disney and did not own it when this transaction took place. We do not own Fox or News Corp, either, and never have. I do not have a positive or negative thing to say about any of the stocks that I mention in this commentary - and if I did, those positive or negative things are not the subject of this week's piece. Rather, I want to extract lessons from a given strategy or mentality that I consider instructive.

My ask of you is to put aside your opinions of Rupert Murdoch the man, whether you love him or hate him, and to put aside your feelings about Fox News (which you may have heard generates a lot of intense feelings in both directions) and to allow me to simply use Rupert's story for analysis into a business direction, totally divorced from the content that is involved. I think it is a fascinating story, an informative and illustrative one, and one that has a lot to teach us as investors as we think about the years ahead in this present investing landscape.

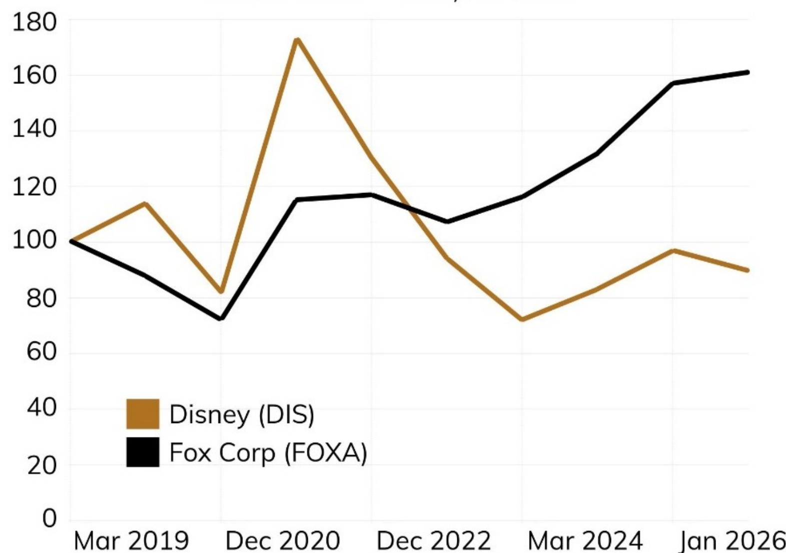
The Easy Part

It is not accurate to say that this transaction was simply a matter of Murdoch selling at the top, or getting out of the content business. The story is just as much about what Murdoch *kept* as it is about what he *sold*. But yes, the 2019 transaction saw Murdoch fetch $71 billion for the movie studio (an iconic and legendary studio founded in 1915), their stake in Hulu, FX Networks, National Geographic magazine, and a plethora of regional sports networks. The intellectual property included in these business assets covered everything from Avatar, the Marvel characters, The Simpsons, the Planet of the Apes, and distribution rights for Star Wars. But what was not included in the deal was Fox News, Fox Business, and the Fox broadcast network (which included significant sports rights with the NFL and Major League Baseball).

The easiest way to summarize the deal is that **resilient content believed to be durable was kept (news, live sports, opinion)** while the most **vulnerable, cyclical, and entertainment-oriented was sold.** This is not about the nature of the content, per se, but the business perspective associated with the content. Allow me to put it this way: *For right or for wrong, Murdoch believed that sports and news were less disruptable than scripted content and the entertainment that filled American living rooms.* That strategic consideration was then applied as a business decision that we will unpack at greater length.

Before We Evaluate Why

We can look at why this seems to have been such a prescient move and what it means for us as dividend growth investors, but let's first look at how the transaction has played out in stock prices. Seven years later in a time where the stock market is up over 250%, Disney is down since the transaction occurred. The spun-off Fox assets holding those news and sports assets Murdoch wanted to keep are up substantially. The comparison between the buyer (Disney) and the seller (Fox) is clear as can be.



Source: FactSet, May 6, 2026

But why?

(Note: For those who might suggest that Disney's challenges in this period may have been COVID related since, you know, they shut the world down, please re-look at the chart; paradoxically the one period where Disney appeared to be the relative winner in all of this was in the height of all the COVID shutdowns).

Inside This Particular Industry

No one can really argue with the success Disney has largely enjoyed buying intellectual property over the last few decades. What seemed like very expensive acquisitions when they happened (Pixar, Marvel, and Lucasfilm) became wildly profitable moves that gave Disney huge integration advantages in their media empire but also their theme parks. The value Disney has generated off those high-profile acquisitions in toy licensing, merchandising, theme park expansion, and box office exploitation is no lower than 3x (Lucasfilm) and closer to 6x (Pixar). The late Sumner Redstone said "content is king" and Disney has proven it, albeit in a vastly more profitable way than Redstone ever did. But there is nothing so permanent as change when it comes to the media and entertainment sector, and Murdoch seems to have understood that better than Disney did in this particular transaction.

At the end of the day, the old cable economics that drove so much of home entertainment were completely upended and disrupted by the streaming revolution of the last 10-15 years. Murdoch and Disney both knew that, and ironically it drove both of them in this transaction. How could two parties understand the same thing but draw opposite applications and decisions? Disney believed the shifting grounds meant they needed more scale and more content to survive and thrive in the new streaming world. Murdoch believed that everyone pushing for more scale and content would (a) Give a price premium to him to sell it, and (b) Put downward pressure on the profitability of said streaming, and (c) Create a feedback loop of capital intensity that would be extremely unattractive.

In other words, the changing business dynamic that was making Disney want more content was exactly what would pay Murdoch the most for it, all the while creating a new paradigm where the cost of surviving in new media entertainment creation was going to explode. This capital intensity was exactly what Murdoch wanted to avoid.

And it may very well take more money than ever to make the next blockbuster sci-fi movie, or to create a new series or fictional series that will be worthy of binge-streaming. But what content was not going to explode in capital intensity and had a far more reliable and predictable market than any scripted entertainment content? News and Sports. It is less shiny, that is true - but the cost of production is pretty well known, the audience loyalty is extremely high (and less fickle), and the exposure to disruption and disintermediation via streaming much more muted.

In other words, Murdoch could **keep the assets he liked best anyways, which happened to be the ones most durable and repeatable, operationally simple, and were also the least capital intensive,** and at the same time receive a massive premium on **the assets that were most fickle, complex, and generationally unpredictable.**

It is not accurate to say that this was all a "no brainer." Disney could not have known how quickly and dramatically streaming economics would blow up nor how weak theater business would become. I have to think they knew how much more expensive content creation was going to be, and it is quite clear that Murdoch knew it, but one can sympathize with their strategic thinking that "content had to be bought to achieve scale, no matter what the price."

But the "no matter what the price" part of that is problematic, as history has taught us over and over again.

Where Are We Now

The "real time attention" nature of news and sports creates different economics and assumptions than everything else that demands our attention these days. There may very well be a reward in the future for the higher risk profile of entertainment (legacy content and the burden of new content creation), but it is much more subjected to the volatility of technological disruption and certainly economic turbulence. Where we are now is that one bucket of assets has great IP value that may be able to be monetized over time (I would not bet against Disney doing this), but lacks durability, predictability, consistency, and is exposed to a wide variety of risks and interruptions along the way (economics, capital intensity, technology, and shifting preferences) ... And then another bucket of assets that is not entirely de-risked (even Murdoch's side of this ledger was not immune from an intense internal family drama as well as the famous Dominion lawsuit) but is removed from many of the deteriorations and risks of the entertainment business while spinning off extraordinary cash flows without a need to feed the dragon more and more capital to keep it all coming.

Disney’s revenue is 6x higher than Fox's. Their revenues were $69 billion in 2019 and are $95 billion now. Fox, on the other hand, did $11bn (top line) in 2019 and is doing $16bn now. The difference? Disney functions at an operating margin just a bit over half of Fox's due to the aforementioned cost realities of their respective businesses. And more importantly, the Free Cash Flow margins are nearly double, as well. The streaming buildout, massive content spending needs, and, of course, debt service, has created an extremely expensive business to build, run, and maintain. It is worth mentioning that this is hardly because of excessive debt on Disney's part. Compared to other media peers I have highlighted over the years, Disney is a beacon of financial responsibility when it comes to their debt profile. The challenges for Disney's Return on Equity entirely lie with capex - the need for more and more of their cash flow to be used for the business.

Applying It To Us

The lighter asset base Fox carries with higher free cash flow generation and substantially higher cash flow productivity is a by-product of a conscious decision made by Rupert Murdoch. Higher margins, a lighter equity base, and a strong ability to produce cash flow available to the owners of a business - these were the things Murdoch envisioned in selling the crown jewel Fox assets at a massive premium, while keeping the assets he believed were more insulated from the disruptions taking place inside the media and entertainment world he had spent decades in. .

The summary here is NOT that Disney made a bad decision and Fox made a good one. Disney made a long duration decision, that's for sure. They made a very, very expensive decision, and that is also true. They made one that requires heavy reinvestment, likely for years and years to come. And they made a risky one. They have to execute to achieve the scale they are after, and they have to compete against formidable competitors, while continuing to spend massive amounts of money. But there very well could be a payoff for Disney, though the longer the time it takes to capture ROI, the lower the internal rate of return will be (because of math). Murdoch has already done what he wanted to do for himself and his family (and therefore for his shareholders). My concern here is not what this transaction meant for investors in this transaction, but what it tells us about the very pursuit of investing we crave at The Bahnsen Group.

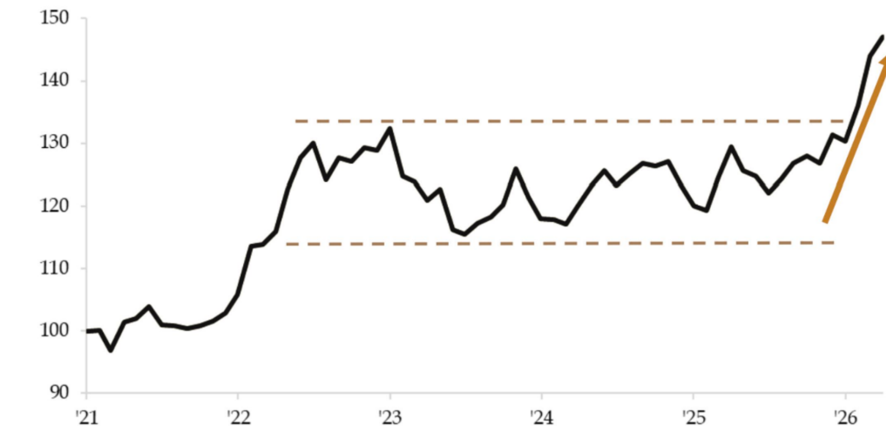
Long duration growth plays can pay off well for investors. And they can end terribly. What cash flow generative investment stories do is shorten duration, which intrinsically means reduce risk. Here I actually mean risk in the way it should be used - the actual risk of failure or a sub-optimal outcome - but I also mean risk in the way it is most often used - volatility along the way.

Every investing decision we make contains risk. Every business decision large operators like Disney and Murdoch make contains risk. What we are after as investors is a return of our cash in a way that meets our own goals, and can be done reliably, dependably, and with a growth rate that satisfies our needs and wants.

Sometimes we like chasing a blockbuster. Hit movies are a lot of fun.

But when it comes to investing, sometimes we just need the news and our favorites sports teams. They can be fun, too, and those dividend checks don't ever get lost in a box office flop.

Our investment philosophy is not merely about those who pay a dividend, but rather those who have the ability to pay one that they can grow year over year over year. That said, the ability of a company to pay one at all - and in some cases, not the ability but the simple decision to do so - is becoming more and more of an indicator of the quality worth owning in this environment.



Source: Stategas, FactSet

John here: This is the type of thinking I want in someone who manages my money. As I've written, The Bahnsen Group is my personal money manager, in large part because they are better at it than I am and if, God forbid, something happens to me, Shane (my wife) is taken care of. They are a big part of my plan to get through what I think of as the coming crisis.

You should read David's *Dividend Café*, which gives you a weekend recap every Monday, short daily commentaries and updates on the markets, and then the Friday *Dividend Café*, which is content like you just read. I think David is one of the truly outstanding investment analysts in the country, and there is a reason he is on TV almost every day on some business show. You can subscribe to *Dividend Café* here.

If you would like to know more about dividend investing, and talk to one of their associates from one of their 10 offices around the country, you can click on this link. Ask the associate to send you my white paper on why I am letting The Bahnsen Group manage my personal portfolio. I also did several videos with David, and they will send you the links. I can't stress enough how you need to learn more about the strategy and how they combine it with alternative investments to smooth out your portfolio. I believe it is the best opportunity to get through what I think is the coming crisis.

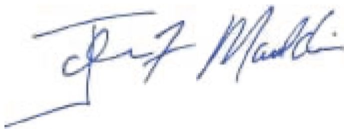
Boston and ??

After a great deal of back-and-forth, I'm going to put off for a year going to China because of scheduling, etc. I will still be in Boston in early June. I need to get to DC and New York. But right now I'm focused on absorbing and helping to run the SIC. And my book.

Teaser: next week I will start doing a review of what we learned at the SIC. You will be astonished to find out that one of the country's most significant bond bulls has turned bearish after 40 years. And even more to learn why. This was a shock to me, but it makes sense. There is a story there that I will tell next week.

And with that, I will hit the send button and wish you a great week.

Your getting ready to hit the gym analyst,



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