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July 16, 2017 12:01 a.m. Updated 07/17/2017

Letter to the Editor

Taxi medallions worth half a mil? No chance

Basic math and the market's behavior show the right to own a yellow cab is not worth \$500,000

[13](#) Comments

To the Editor:

In May 2015, under the headline “Why the NYC Medallion is Alive and Well, and Will Survive!”, Matthew Daus [wrote](#) that “despite Uber and Lyft’s onslaught of the industry by predatory pricing techniques, there has been a very nominal decrease in taxi ridership and revenue in the taxi industry, attesting to the health and well-being of New York City’s economy and the survival of the medallion.” He went on to state erroneous and misleading Taxi and Limousine Commission data, failing to acknowledge the role the 2012 fare increase had on ridership, and thus declaring that the rate of ride-hail share gains was falling. At best, this logic was sloppy. But these conclusions have since been proven diametrically wrong. Why does he remain so optimistic about the future of the medallion system now, when trips and fares are falling faster than any time in the industry’s history?

More importantly, his recent op-ed, "[The real story of taxi medallions](#)," should have provided the basic inputs he used to determine that a New York City medallion is worth \$500,000. I don't believe one can get there without unreasonable assumptions unsupported by current market conditions.

ADVERTISING

If he knows of even one management company in the city willing to take on new medallions, he should name it. The range of monthly fees among the management companies still paying lease fees to passive medallion owners is \$1,200 to \$1,500, with perhaps an outlier or two at \$1,900. These payments are related to longstanding relationships, not current market conditions as evidenced by companies' refusal to take on new medallions at any lease price. If medallion

owners refuse to take on any new medallions, that implies free cash flow of a medallion is currently zero.

Even using the midpoint of the payments still being made between insiders (ignoring the clear market signal that free cash flow is zero), \$18,000 per year in free cash flow for 25 years (a long time given the end of yellow cabs' oligopoly), discounted at the 9% yield on MFIN's 2016 bond, equals less than \$177,000 per medallion. Since taxi trips and cash flows are falling faster in 2017 than ever before, as Daus acknowledged, it stands to reason there is still downward pressure on lease payments.

It would require an increase in lease payments and cash flows despite the ongoing free-fall, and some very low discount rate, to produce a value of \$500,000. Even if we discount the \$18,000 for 25 years at 2%—a nonsensically low rate, given the risk—the value would be \$350,000. Daus should provide his assumptions on the math behind \$500,000 or stop stating that indefensible number publicly.

The op-ed said “discounted cash-flow analysis accepted by courts and banking regulators [is] \$500,000,” citing that figure as if it were reasonable. What is Daus' explanation? The only non-foreclosure medallion transfers in June were priced at \$230,000, \$165,000 and \$150,000. These figures make far more sense and help corroborate the math I provided.

The only way medallions recover is if supply caps are forced on the entire ride-hailing universe, and those caps probably need to be below the current number of operating vehicles. Customers—many registered voters—and the vehicle drivers forced off the road would be in full-throated protest.

James F. Hickman

The writer is a professional investor and analyst who recommended the short sale of Medallion Financial, a medallion lender, in December 2014 and has written extensively on the likely impact of ride-hailing on taxi medallion economics and loan performance in the asset class. He has no current positions.



[abienyc](#) • [2 months ago](#)

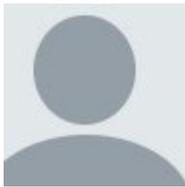
Below is Hickmans ID as published by Crain's in an article Hickman wrote in 2015 betting against Medallion Lenders. It is articles like the ones he writes that has lead to panic selling of the stock and panic selling of medallions at the low undervalued prices that these medallions have sold for. He continues to create more panic that is just imagined. Hickman shorts the

stock then writes articles to encourage the panic selling. When the stock falls he wins huge sums of money.

Matthew Daus is a very intelligent ex Taxi Commissioner who knows more about the way the industry works than any outsider can imagine. The truth is that the medallions have value and when this storm is finally over it will be the medallion taxis that will be standing tall and still making money as they continue to do.

The following is from the Crain's article:

James F. Hickman, a former research analyst at Credit Suisse, is the chief investment officer of HVM Capital, an investment fund that publishes activist research on the taxicab medallion industry and capital markets. He currently has a short position in Medallion Financial Corp.



[ifhboston](#) [abienyc](#) • [2 months ago](#)

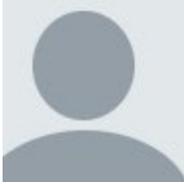
My positions, as always, are fully disclosed, Abe. You have not questioned any of my arguments, but instead resorted to the "attack the messenger and ignore the message" Alinsky approach. I have and continue to make economic arguments. You are not making an argument, just an emotional outburst.



[abienyc](#) [jfboston](#) • [2 months ago](#)

You are right I am emotional. But the fact still remains that the money on the streets is still there for the yellows. The UBER drivers are starving and returning in droves to the yellows and to doubt the opinion of Matt Daus is blind sided. I know Matt and he is as honest a person as I've ever met in the position he is in. I trust his opinion 100%, Matt has

nothing to gain or lose. He is not invested in the industry. He is an expert in how things work. He was TLC Commissioner for many years and if anyone can predict the future in this industry he can.



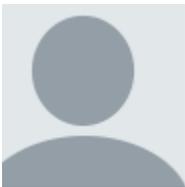
[jfhboston abienyc](#) • [2 months ago](#)

Matt "has nothing to gain or lose." Really? He is an attorney whose clients include Big Taxi players. "... if anyone can predict the future in this industry, he can." He has been diametrically wrong for over two years on what is happening in the industry. Why should my views be discounted because I once had a short position - but at same time, my predictions of future have been spot on, but Matt, whose law firm is paid by taxi medallion stakeholders, and who's been dead wrong for two years, be "trusted" 100%? I understand why you are emotional, but it's unwise to let your emotions trump cold reasoning.



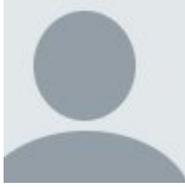
[abienyc jfhboston](#) • [2 months ago](#)

I heard enough of you.....I said what I have to say. And judging by what others are saying it seems the verdict is "Guilty as Charged" You have nothing to lose but everything to gain with this B.S.



[Floren Peremen](#) • [2 months ago](#)

The writer of this article made (and judging by the article above, continues to make) money betting against lenders of medallions. He should state that to the readers so that readers know that this isn't just someone stating facts. The writer has a personal agenda and that agenda is to make money.

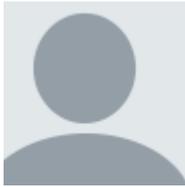


[jfhboston Floren Peremen](#) • [2 months ago](#)

Mr Peremen,

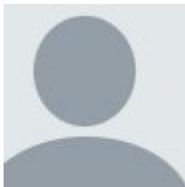
I have consistently disclosed my position. Yes, I did make money in the short sale of MFIN - it went from \$10.44 to \$2. My conclusion led to the short position, not the other way around. Can you say the same? I have been correct in y thesis, first proposed in Dec 2014. Why would you cite my analytical accuracy as reason to be suspicious of my arguments now? I have not had any position for some time, btw, as fully disclosed.

Of far greater importance, why don't you challenge my logic or facts rather than shoot from the hip w a blanket dismissal that I "have a personal agenda"? Even if that silly and flaccid assertion were true, what does it have to do with the merits of the arguments?



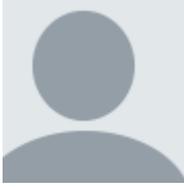
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Mr. Hickman, you state that no management company in NYC is taking on new medallions. That is false. There are several management companies taking on medallions, myself included.



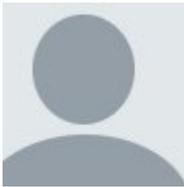
[jfhboston Floren Peremen](#) • [2 months ago](#)

Mr Peremen, what are you offering per month to manage medallions? Who else is making such an offer? I spoke to 5 management companies who all say they are not. Are you offering to manage as part of the "no money down, cashless" transfer schemes offered by yourself, MFIN and the CUs? What is the lowest price paid for a medallion that your company agreed to manage in the last 12 months?



[Floren Peremen](#) [jfhboston](#) • [2 months ago](#)

There are at least 60 licensed medallion management companies in NYC. You called 5 of them.

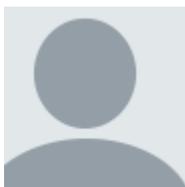


[jfhboston](#) [Floren Peremen](#) • [2 months ago](#)

Floren, 5 for 5, and the feedback made sense given the TLC data. You're saying the random 5 all giving the same answer and same reasons gave a false understanding of the overall? Your denial that management companies are refusing to take on new medallions, and refusal to answer my questions about whether or not any you might have taken on in last year were arm's length, suggests you are being less than forthright.

You were an early source for disgraced shill, Larry Meyers, whose shoddy articles promoting taxi medallion interests have all been removed for "violation of terms" and he was banned from multiple, reputable publishing outlets. You also had, last I checked, at least \$7 mm of loans w Medallion Financial. You were party to 100% financing of Chicago medallion sales in March 2015, along w MFIN, at prices nearly double those available at the time. Is it fair to say you have a dog in this fight that has tended to influence your opinion on what is happening in the industry?

I have been right on my predictions for your industry, and I have not had a dog in the fight for some time. I wish I believed the worst was behind you and that there was an opportunity to go long taxi medallions at this point. I honestly don't think that.

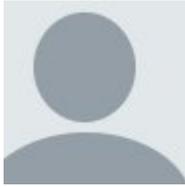


[Steve Hirsch](#) [Floren Peremen](#) • [2 months ago](#)

SICK BURN.

You can always tell a Hickman screed. His pieces go on and on and on and on.....

Hickman is a liar who has lied about everything he's ever done. Why does Crain's even publish him?



[jfhboston](#) [Steve Hirsch](#) • [2 months ago](#)

"Steve", you expose yourself as a liar. I predicted Chicago medallion write downs, a dividend cut, a spike in LTVs, delinquencies and TDRs, a collapse in medallion prices in all markets, and acceleration in declines of taxi trips and farebox. All of these things have come to pass. Do you know what a lie is?