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Media & Entertainment Today and Tomorrow: Getting from Here to Where?

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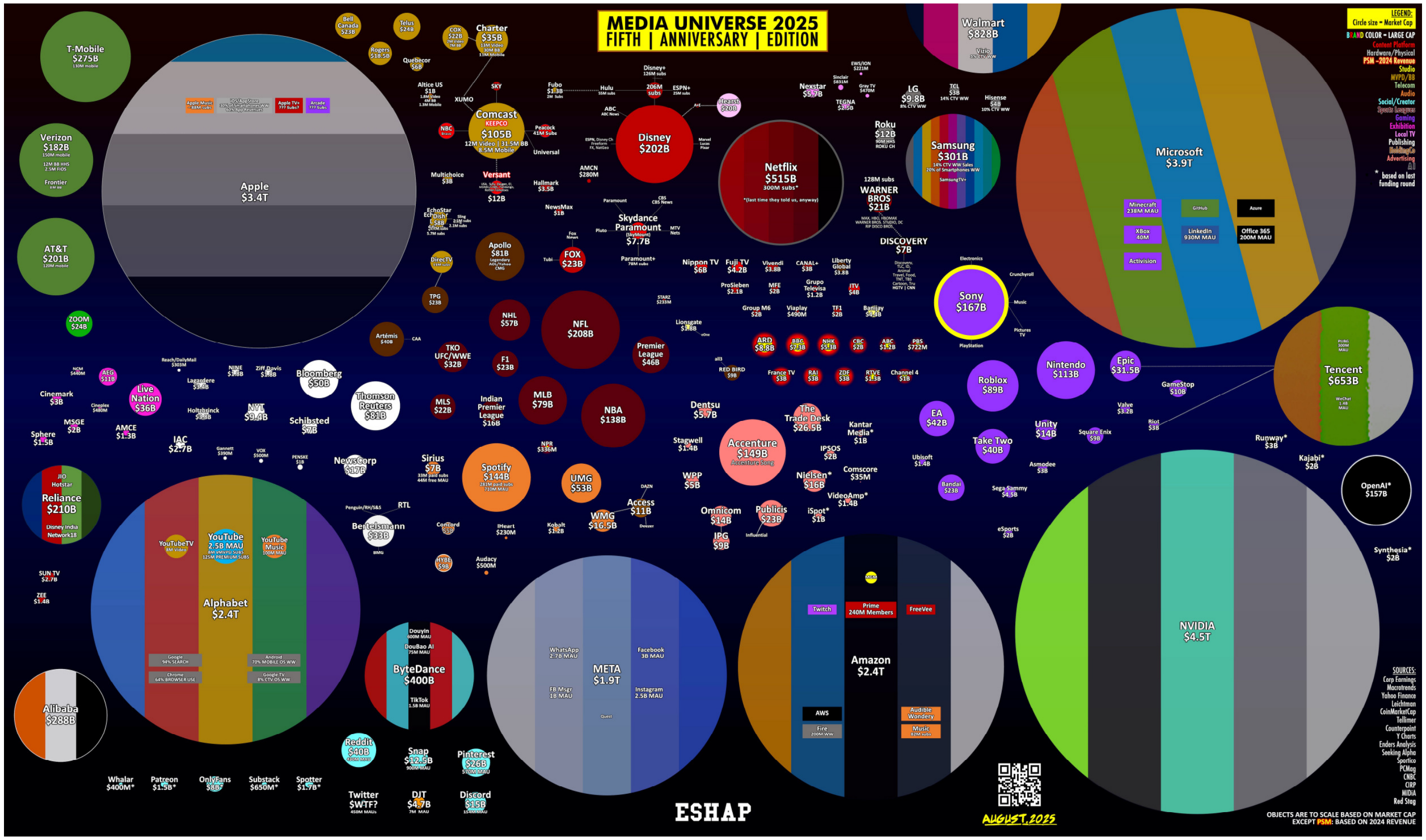
The Media Universe Today



The “In-Between Years”

“The old is dead, but the new has not yet been born: In the interregnum, the most varied morbid phenomena occur.”

- Antonio Gramsci (1891-1937)

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How did we get here?

- Technology Innovation
- Growth, Fragmenting of Platforms, Content, Audiences
- Consumers Exercising Newfound Power

Breakdown of Traditional Business Models

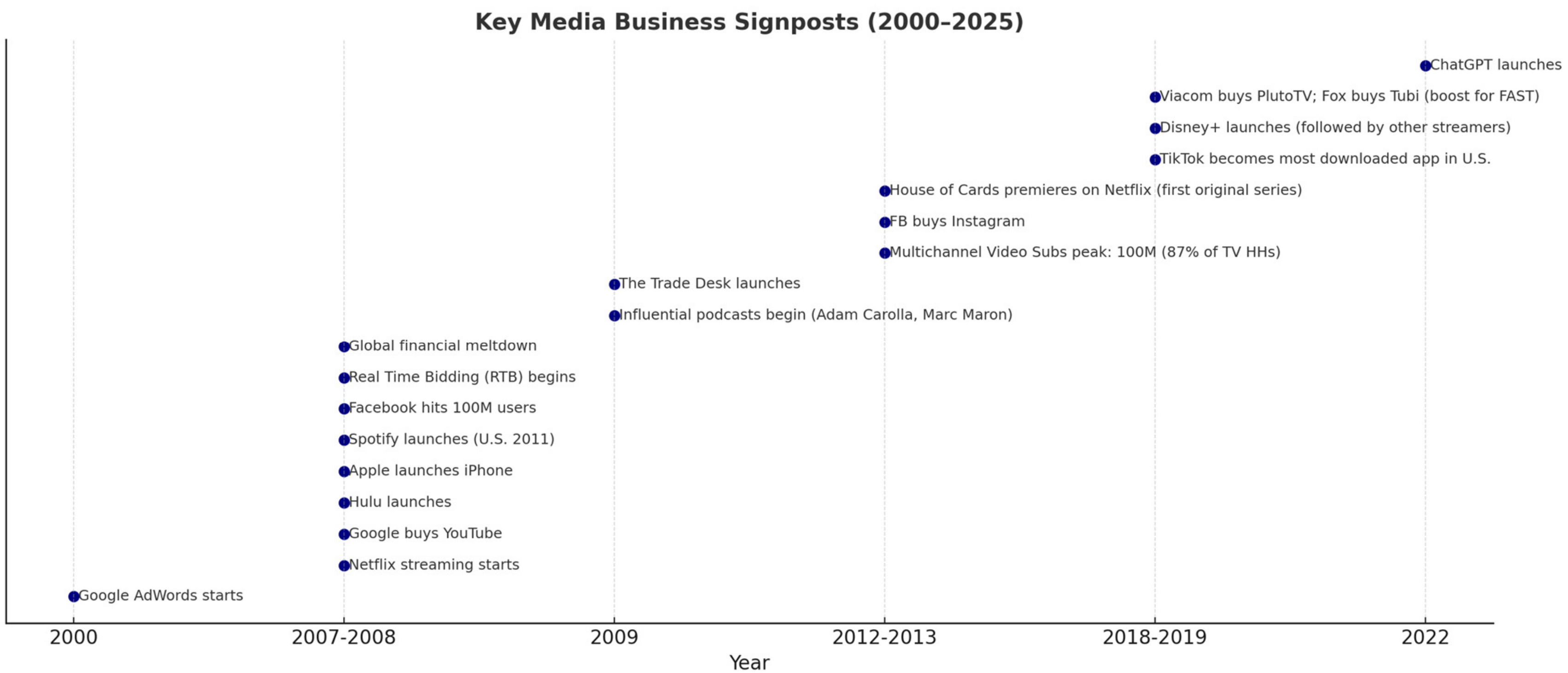
- Canaries in the digital coalmine – Print publishing and music
  - **Publishing – devastation of circulation *and* ad revenues**
  - **Music – shift from physical to digital formats – years to reset**

- Cable/Broadcast TV
  - Hits to dual revenue source – subs and ads

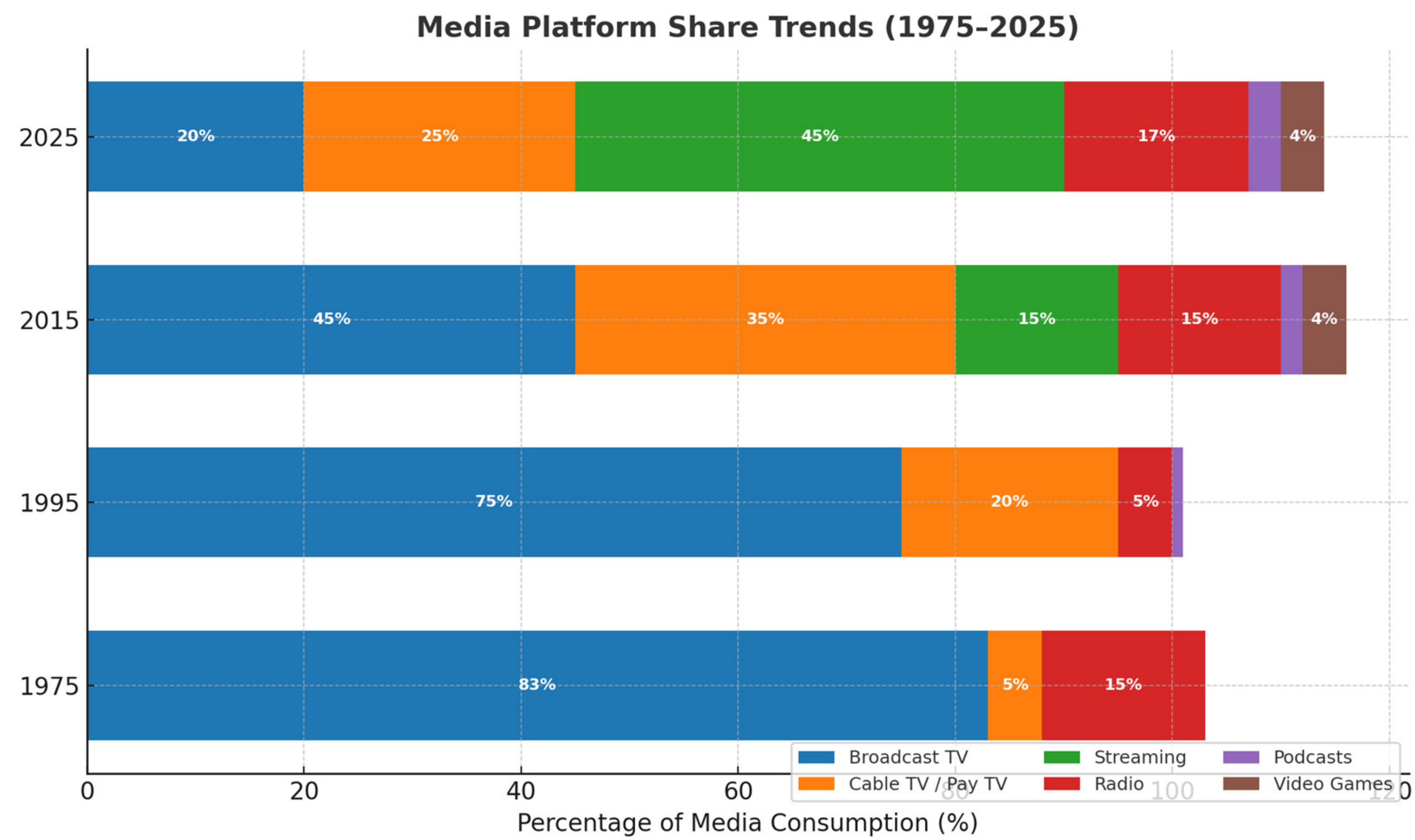
- Motion pictures
  - End of predictable windows, home video revenues

- Radio
  - Competition from ad-supported satellite radio and web

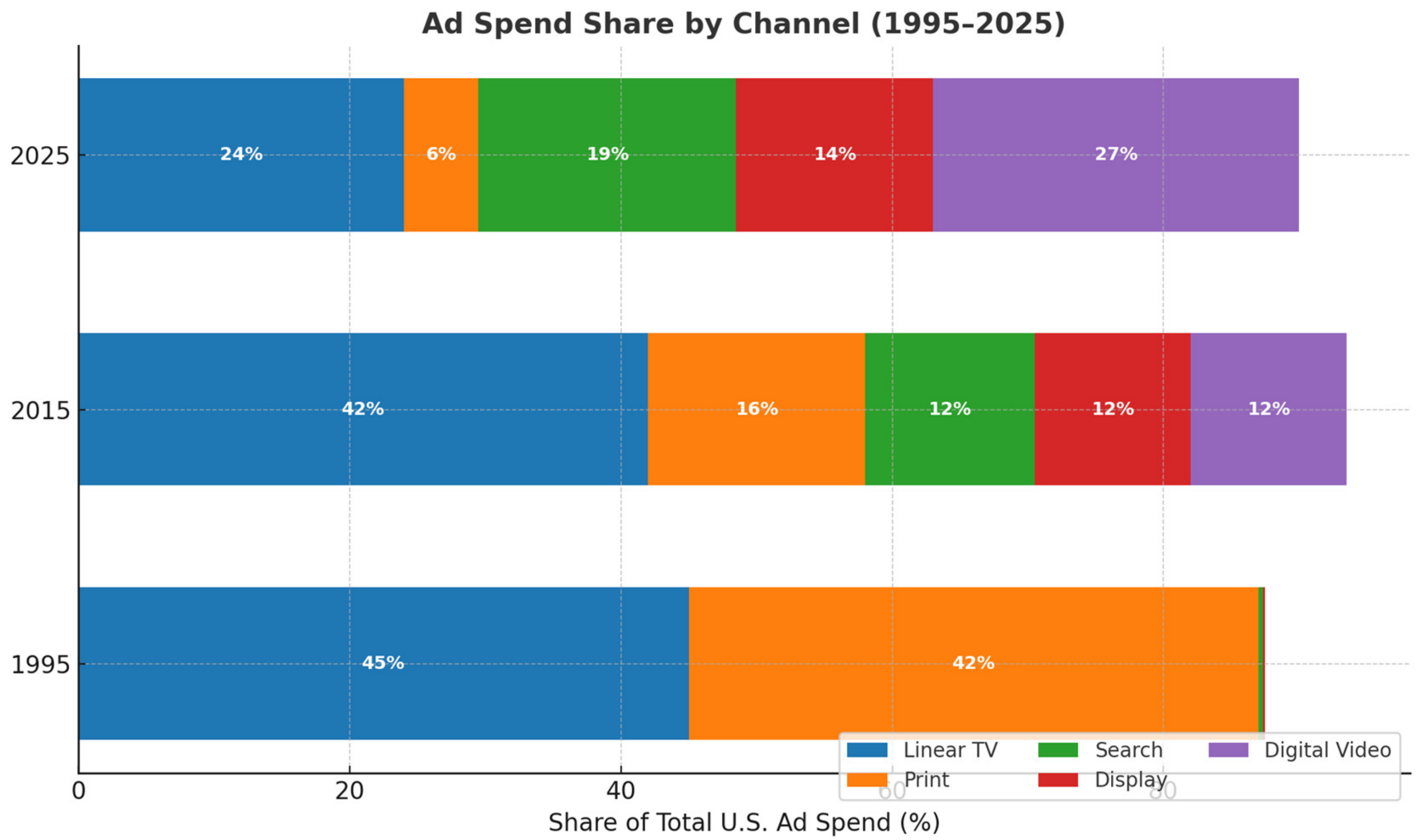
Building Blocks to Media Today



Where Have Audiences Gone?



Where Have Ad Dollars Gone?



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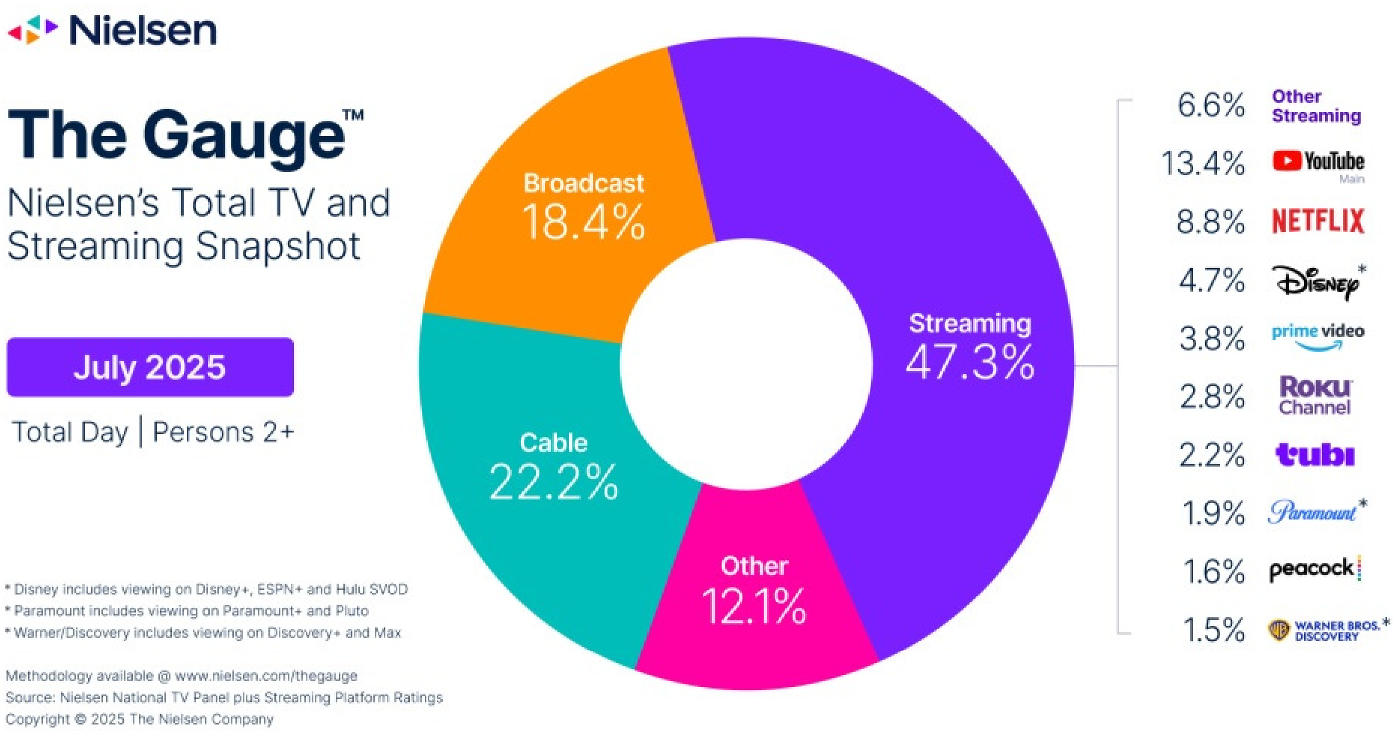
Where We Are: Streaming TV's Ascent



Media – And Tech – 2025 Layoffs Proliferate

Mark Zuckerberg (Meta): “we’re repositioning for AI, scale, efficiency.”

- Media – 100K job losses since 2022
  - Paramount – 1-2K jobs
  - Charter Communications – 1K
  - NBC News – 150 (7%)
  - Warner Bros. – 10% of film group
  - CNBC, Lionsgate, Lifetime, Disney, etc.

- Tech – 500K job losses since 2022; 80K in 2025
  - Amazon – 14K (4%)
  - Microsoft – 9K (4%)
  - Meta – 600 from AI unit

Media Company Financial Impacts Emerging

- Credit issues impacted
  - One-time cash outlays – layoffs driving severance (will AI accelerate?)
  - Synergy savings timing vs. debt paydown
  - Covenant headroom flexibility and availability
  - Liquidity buffers – rapid change responsiveness

- Ratings Agency Changes
  - Warner Bros. Discovery – Fitch downgrades bonds to junk status in June
  - Paramount-Skydance – Post-deal Fitch issues first-time 'BBB-' IDR in September – Negative Outlook with long and short-term credit concerns

Does Anybody Have a Strategy? Will it Work?

- “Arms dealer” strategy: License content to Netflix
- Go your own way: Building Direct-to-Consumer streaming platforms
- It’s all about subscriptions…I mean advertising…I mean both
- Cut, cut, cut
- M&A will set us free

Today’s M&A Deal Strategies Playbook

- Mergers & acquisitions
- Spin-offs
- Asset sales
- Joint ventures/new partners
- Private equity

Deal Playbook Today: Mergers & Acquisitions

- Warner Bros. Discovery – Sales process underway

- Skydance Paramount (and Skydance Paramount-WBD?)
  - Can tech (and tech dollars) save linear world?

- Nexstar-TEGNA
  - Seeking old-fashioned scale in fragmented local media; will regs permit?

- Gray Media – series of station acquisitions
  - Another scale play in traditional broadcasting, with streaming ambitions

- Omnicom-IPG
  - Can scale solve ad industry structural challenges, especially AI?

Deal Playbook: Spin-offs (Reversing M&A moves)

- Comcast - Versant
  - Cable networks, limited digital properties
  - NBC News no longer owner of CNBC, MSNBC (MS NOW)

- **Warner Bros. Discovery – Warner Bros. and Discovery Global**
  - Splitting HBO from rest of cable properties
  - Future uncertain with exploration of “strategic alternatives”

- Question Time:
  - Can Versant, Discovery Global survive as publicly traded companies?
  - What are growth scenarios?

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Deal Playbook: JVs/Strategic Partnering

- Disney-NFL
  - NFL takes 10% of ESPN (including new ESPN Direct-to-Consumer App)
  - Disney takes control of NFL Network, NFL RedZone and NFL Fantasy

- **Venu Sports – Cautionary Tale**
  - 2024: Joint ownership of sports streaming platform: Disney, Fox, WBD
  - FuboTV halts venture – antitrust litigation
  - Endgame: Disney buys Fubo; commits $200 million

Deal Playbook: Private Equity's Rising Power

Sports

- Personal PE wealth and firms
  - NBA: Josh Harris (Apollo) – 76ers, Commanders; Bill Chisholm (Symphony Tech Group) – Boston Celtics (Sixth Street Partners w/$1B of $6B price]
  - NFL opens PE doors; Areas, Arctos, Sixth Street, Carlyle Group; 10% cap/team

Music

- Catalog sales (Springsteen, Simon, Dylan); Going private (Hipgnosis)

Kids and other content

- Candle Media (Hello Sunshine], Moonbug (CoComelon, Blippi)

Ad tech consolidation – up 73% in 2024 YOY

- MediaOcean/Innovid – Linear meets digital TV advertising

Creator economy

- Kajabi –$10 billion total creator revenue from thousands of creatives

THANK YOU

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