H1: 2018

MEDIA*talk*

THE SHORT REPORT

FRANCE: A LEADER IN THE MEDIA RENAISSANCE

INTRODUCTION

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Global media M&A is booming. Combined deal values were hovering around the US$80 billion mark at the halfway point in the year. All indicators suggest that 2018 is likely to be the third year in succession in which total deal values for the sector exceed US$100 billion.

In many ways the media sector is living through a "renaissance". The French word means "rebirth" and that is precisely what we see happening across the globe. Technology is driving that process of new birth through re-invention, re-packaging and re-presenting. It affects media players, clients and audiences alike and it is driving deal flow.

No doubt the year ahead will continue to hatch surprises.

To read the full edition of this report please **click here.**

AT A GLANCE

AN INCREASE IN EVENTS MANAGEMENT DEALS PUSHED IT UP TO JOINT **FOURTH PLACE** (8%) FOR MOST **POPULAR** SUBSECTOR FOR UK MEDIA M&A H1

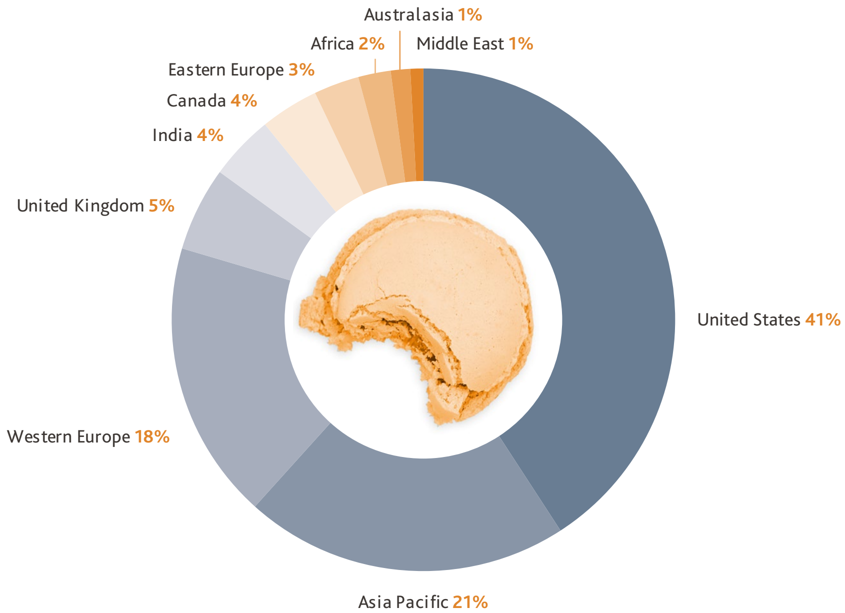
US DEAL ACTIVITY WAS **BOOSTED** BY CONSOLIDATION IN H1 2018 SUCH THAT IT DOMINATED ON BOTH THE **TARGET (41%)** AND **ACQUIRER (43%)** SIDE OF M&A

THE NUMBER OF GLOBAL MEDIA M&A DEALS HELD UP WELL IN THE FIRST SIX MONTHS OF 2018, MARGINALLY **OUTPACING** THE SECOND HALF OF 2017 BY **1%**

TRENDS AND ANALYSIS
GLOBAL TRENDS

Deals targeting Western Europe (excluding the UK) retained the 18% market share seen in 2017, dropping by 3% to 15% on the buy-side of deals. France was the most popular target country within Western Europe in H1. While Brexit concerns may have reduced the UK market share of deals in the first half of 2018, it retained its position as a central hub for media M&A. The UK was still the fourth most prolific overall country as both a target and a bidder domicile, even when comparing at a regional level.

FIGURE 1: GLOBAL MEDIA M&A DEALS BY TOP TARGET REGION IN H1 2018 (ACQUIREE)



IN H1 2018 US MEDIA SECTOR CONSOLIDATION HELPED TO INCREASE ITS SHARE OF GLOBAL DEALS BY 12% FROM 2017. THE INCREASE IN ACTIVITY TARGETING THE US CAME AT THE EXPENSE OF ASIA PACIFIC AND THE UK, DOWN BY 5% AND 7% RESPECTIVELY.

TRENDS AND ANALYSIS

FOUR KEY TRENDS EMERGE

NEW KIDS CUT OUT THE MIDDLEMEN AND FORCE CONSOLIDATION

The new streaming kids are growing up fast, cutting out the middlemen and signing the deals and buying businesses that will ensure they create, own and control their own content. Wherever they touch production, industries start to boom.

MUSIC STREAMING

Thanks to the streaming services provided by companies like Spotify and Apple, the music business is hitting the high notes again. Sony recently confirmed its ranking as the largest music publisher in the world by splashing out US$2.3 billion to take control of EMI Music Publishing. Streaming is the key driver of growth representing 43% of all revenues in the global music publishing market.

REGULATORY GREEN LIGHT SPURS CONSOLIDATION

Conditions for global media consolidation distinctly improved in June when Judge Richard Leon threw out US government objections to AT&T's US$85 billion takeover of Time Warner. The outcome is likely to spur dealmakers on in the bid to consolidate and face off the threat posed by the new streaming kids on the block.

AGENCY E-VOLUTION

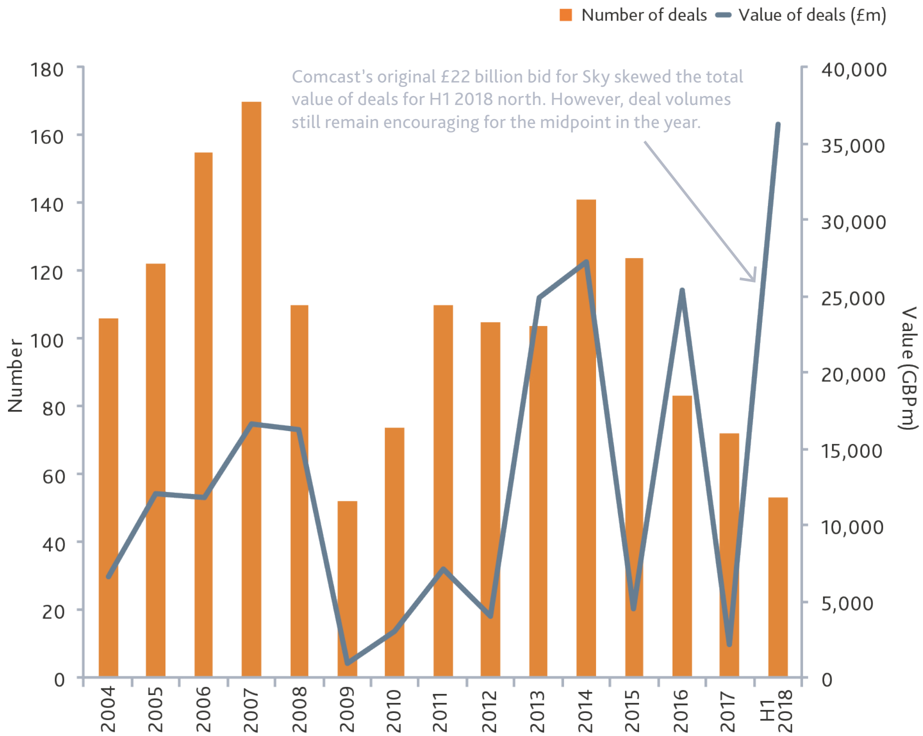
The convergence of consultancies and traditional ad agencies experienced further twists and turns in the year to-date. Having spent 33 years transforming the company from a maker of wire supermarket baskets into the largest agency of its kinds, the departure of one of the sectors most iconic figures, Sir Martin Sorrell, evoked a chilling metaphor of the struggles faced by the big agency holding company model.

UK MEDIA SECTOR
M&A TRENDS

Despite the marginal decline of the UK share of global media M&A in H1, the period saw good levels of relative deal flow and has set records for the value of media M&A in the UK.

Thanks to US cable giant Comcast's £22 billion offer for Sky, the first six months of 2018 has skewed the value of UK media M&A higher than any full year on record for at least the last twenty years. The effects of the scramble for global consolidation also meant that media was the top M&A sector by value in the UK at the half-year.

FIGURE 3: UK M&A VOLUMES AND VALUES (MEDIA SECTOR 2004 – H1 2018)

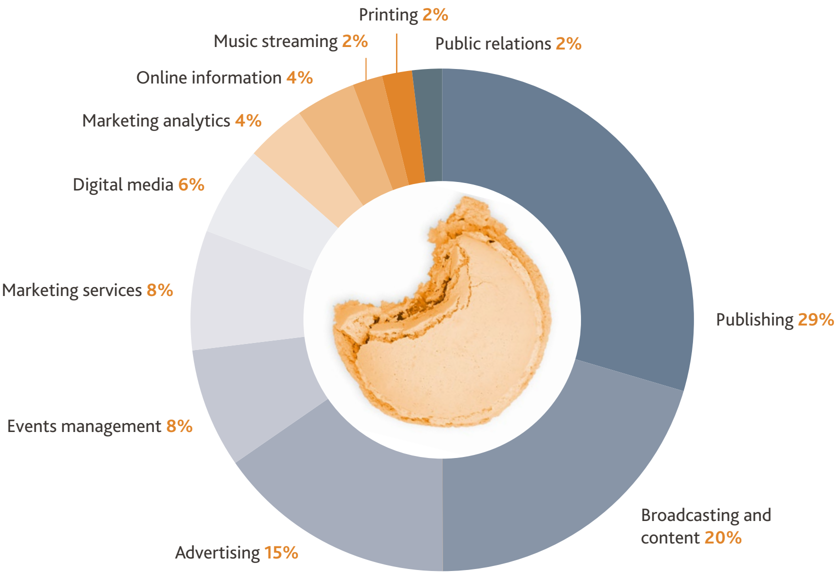


AS COMCAST'S ORIGINAL £22 BILLION BID FOR SKY SKEWED TOTAL VALUE FOR H1 2018 NORTH, THE HALF YEAR SAW AGGREGATE DEAL VALUES PERFORMING AT RECORD LEVELS. DEAL VOLUMES ALSO HELD UP WELL IRRESPECTIVE OF A DIP IN UK GLOBAL MARKET SHARE.

MEDIA M&A
HOT SECTORS

At the midpoint of 2018 publishing still led the pack for deal activity. However, consolidation and appetite for new content drove broadcasting and content deals up into second place. Consolidation also boosted events management deals, while tech-driven media continued to make inroads on transaction share.

FIGURE 4: UK MEDIA M&A TRANSACTIONS BY SUBSECTOR H1 2018



Publishing remained the largest subsector for UK media M&A in the first half of the year. One household name securing investment to maximise the potential of its portfolio was Time Inc. (UK), the publisher of print and digital magazine content. In February, Epiris, a UK-based private equity firm, agreed to acquire the company from US-based Meredith Corporation. Epiris teamed up on the deal with investor Bernard Gray, who is currently a Chairman of New Scientist. Time Inc. (UK) was originally IPC Media, which Time Inc. acquired from Time Warner in 2014.

Broadcasting and content accounted for 20% of deals in H1 2018, leaping up the rankings from fourth in 2017 to second so far this year. Apart from Comcast's offer for Sky, North American interest in UK targets in the subsector was hot in the year-to-date. For example, Sony Pictures Television, a subsidiary of Sony Pictures Entertainment acquired an undisclosed stake in Left Bank Pictures. Sony Pictures Television had already acquired a majority stake in the television and film production company back in 2012. However, the thirst for content also saw acquisitions pursued by bidders from a variety of locations. In March, BBC Worldwide sold Greenbird Media, a producer of owned and internationally distributed television content, to Keshet Broadcasting International of Israel.

TRENDS AND ANALYSIS
SPOTLIGHT ON FRANCE

The past four full calendar years have seen instances of media M&A deals involving France return to and exceed levels of deal making not seen since the pre-financial crisis peak of 2007. The first half of 2018 has posted a positive start to the year and the evidence suggests that the media sector in France is changing fast.

The strong domestic market has also seen plenty of outbound M&A activity in the sector. In the past five years, for example, France has been the top European bidder location for the acquisition of UK media businesses, behind only the US on a global basis and ahead of Canada and Germany.

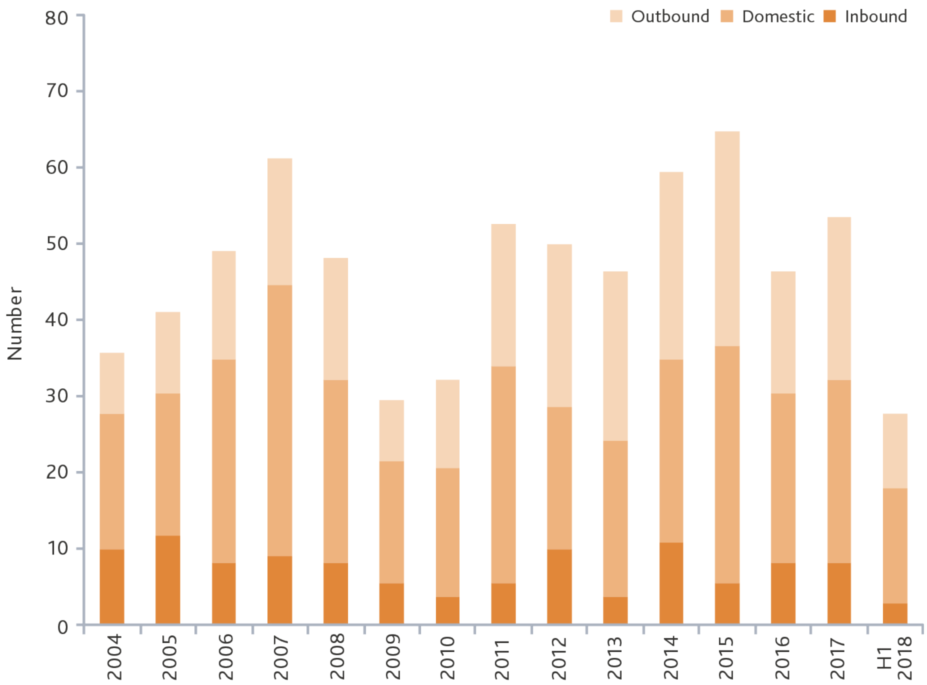
TRENDS AND ANALYSIS

SPOTLIGHT ON FRANCE

The recent landscape of M&A activity in France in the media sector reflects the prevailing global trend in which the players are reshaping their business strategy and operations. A good example is Alpha Networks' recent acquisition of HUBEE. BDO France undertook the buy side due-diligence for Alpha Networks on the deal. The target, HUBEE, specialises in over the top (OTT) services and constitutes a relevant example of the changes that are sweeping through the TV industry.

The second main feature characterising media M&A in France is the segues that transactions make between different subsectors within TMT. Consolidation across a range of subsectors is a strategy that sees multi-media offerings brought in under one umbrella. The buy-out of Auféminin.com by TF1 (Bouygues Group) is an example of the concentration of the sector. TF1 is a television broadcaster and communications group, while Auféminin is an operator of a women's website that is also engaged in the sale of advertising space, and the technology and management of online advertising.

FIGURE 5: ANNOUNCED MEDIA M&A DEALS INVOLVING FRANCE-BASED MEDIA BUSINESSES 2004 – H1 2018



SINCE 2014 MEDIA M&A INVOLVING FRANCE HAS SEEN SOMETHING OF A RENAISSANCE, RETURNING TO PRE-FINANCIAL CRISIS LEVELS IN RECENT YEARS.

FINAL WORD

No doubt several surprises lie ahead for global media in the remainder of the year. Economic and political stability, Mr Trump's trade wars, Brexit negotiations and the flow of Chinese credit may all have a hand in determining how the year wraps up. The underlying health of the sector for revenue generation is in excellent condition. Part of the reason is that the media sector is as well positioned as any to ride the technological wave successfully and meaningfully.

To read our full **MEDIA***talk* H1 report and for more in depth analysis of the sector please **click here.**

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