

Delivering deal value

Get more from M&A

Many entertainment and media companies are finding it difficult to build the required capabilities needed to capitalise on new market opportunities in the digital space. Acquisition may provide a swifter and more effective solution.



The rise of digital M&A

Companies often face a difficult choice between 'build, partner or acquire' as they seek to exploit opportunities in new and complementary markets opening up with the rise of digital media.

Many companies initially opted for the 'build' option to meet their requirements. However, developing capabilities and assets in new and unfamiliar areas has required a considerable amount of trial and error, and money, and the results have not always lived up to expectations. The digital revolution is far from over and the pace of change has proven too quick for some companies who have seen their digital investments stranded or insufficient to meet the competition.

Partnering and acquisition are therefore becoming increasingly popular as companies seek to accelerate the realisation of strategic objectives and bring-in digital operations with a track record and the scale to keep pace with the dynamic market.

Balancing the options

M&A can provide a fast and effective way to equip a company for digital transformation, however, the targeting, valuation and integration of acquisitions opens up particular risks and challenges for entertainment and media companies.

One of the key considerations is deciding between a 'giant leap' or 'stepping stone' deal. Large acquisitions can provide ready-made solutions, enabling companies to quickly scale up their capabilities and develop opportunities.

However, such deals come with heightened financial and strategic risks. Smaller deals can help companies extend their presence into niche areas, improve technical and customer management capabilities or build social networks around their content. However, it is difficult to target and value companies that may still be in the early stages of development and have yet to be fully tested in the marketplace. It therefore pays to look at such start-ups through a venture capital lens, recognising the importance of careful nurturing and the inevitable risk that some purchases may not pay off.



Getting the benefits

We have found that a key issue for digital M&A is the challenge of ensuring continued innovation and growth in the acquired company, while at the same time realising synergies from economies with operations with the new parent. There is a particular risk of integrating smaller start-up operations into company-wide management structures and performance objectives too quickly as this can stifle the autonomy, innovation and entrepreneurial drive that gave the acquired business its value. It is critical to build into investment cases a plan for how the acquired business will be run and integrated with its new parent to

understand the key drivers and risks to value.

Delivering value

PwC is helping entertainment and media companies to identify growth opportunities, formulate strategies for digital transformation and develop road maps for execution. Our comprehensive experience across strategy, financial due diligence and post deal support, enables buyers to make informed M&A decisions and ensure the objectives of the deal, including synergies and the strengthening of revenues, are realised as quickly as possible.

PwC stands out as an advisor to companies engaged in digital M&A with its deep industry expertise and a track record of providing companies with continuous support from strategic evaluation, due diligence, through to integration.

Contact us

To find out more, please contact one of our Entertainment and Media M&A experts:

Hein Marais

+44 (0) 20 7212 4854
hein.a.marais@uk.pwc.com

Darren Waterman

+44 (0) 20 7213 5023
darren.waterman@uk.pwc.com

www.pwc.co.uk/eandm

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No republication or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2010 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity. Design: 1000794_pic_lj/aa