# *Momentum builds*

## US *entertainment, media and communications deal insights*

## Year-end 2014 edition

*February 2015*

*A publication from PwC's Deals practice*

### *At a glance*

***Year in review***
*890 deals, up 3%*

***Wait and see***
*Megadeals slow down*

***Cable consolidation*** *in high gear*

***Advertising & Marketing*** *gobble up new media and analytics competencies*

*Spotlight article:*

***Integrating cybersecurity in M&A transactions***
*Attacks are more frequent and sophisticated; what buyers and sellers should know.*

# Introduction

Reflecting on 2014, we saw numerous transformational deals announced which will likely serve as a catalyst to reshape the future Entertainment, Media & Communications ("EMC") landscape across several sub-sectors, the impact of which will be felt by consumers for a long time to come; all in the face of significant legislative and regulatory matters surrounding spectrum, net neutrality, ownership rules, and other considerations.

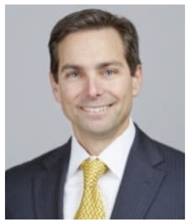
What does this tell us? M&A in the EMC space will continue to be active as market participants take risks to position themselves for the future EMC marketplace which focuses on subscriber stickiness, efficient and well optimized networks and creating and maintaining the rights to compelling content.

Additionally, EMC Companies are reinventing the way they deliver to meet customers' changing expectations and habits, resulting in partnerships/mergers across industries, often with emerging technologies and distribution platforms. Companies will continue to engage in landscape shifting deals as they figure out their digital strategy and how to remain relevant to the digital consumer.

Simply put, they are spending time, effort and money on their strategy and relative position in the digital value chain.

But the action isn't limited to our borders. This is a global quest which encompasses identifying those markets where opportunities exist and partnerships can be forged. A rising middle class across the globe equates to commercial opportunities on an unprecedented scale for traditional and new media players both here in the US and abroad. Creating a first mover advantage becomes exponentially more important to solidify your brand and lock in customers for years to come.

With that being said, we have provided a summary of 2014 deal activity and our 2015 outlook for key sub-sectors, and as always, welcome your feedback.



Best regards,

Bart Spiegel
Partner, Entertainment,
Media & Communications Deals, PwC

## PwC 2014 Deals: At a glance

*By the numbers*

▲3%

Overall increase in deal volume versus 2013

*All eyes on me*

$94B

Two transformative Cable deals account for over 50% of the total deal value announced in 2014

*Megadeal slowdown*

Deals >$1B dropped significantly from 90% of deal value in the first half of 2014 to just 60% in the second half

*Foreign favorites*

▲19%

Increase in outbound deal volume in 2014 vs 2013, primarily for UK and Canada based targets

*Spotlight article: Integrating cybersecurity in M&A transactions*

Cyber due diligence—A modern necessity to protect deal value and capital investment

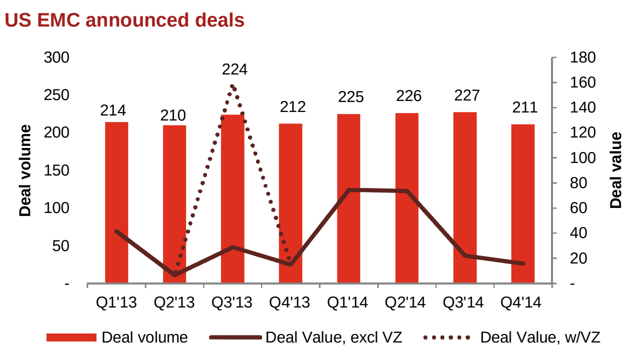
# 2014 Year-end M&A trends

## *Overall deal values increased over 90% in FY14 despite consistent deal volume year over year.*

Full-year 2014 announced deal values increased versus the prior year, generally driven by two significant transformative deals in the cable sub-sector accounting for $94B in total deal value and Facebook's announced purchase of WhatsApp for $19.5B.

While overall deal volumes remained steady through 2013 and 2014, we did see a shift in deal activity by subsector with increases in Publishing and Advertising deals offset by declines in Broadcasting and Communications.

**US EMC Announced deals steady through 2013-2014**




*Source: Thomson Reuters*

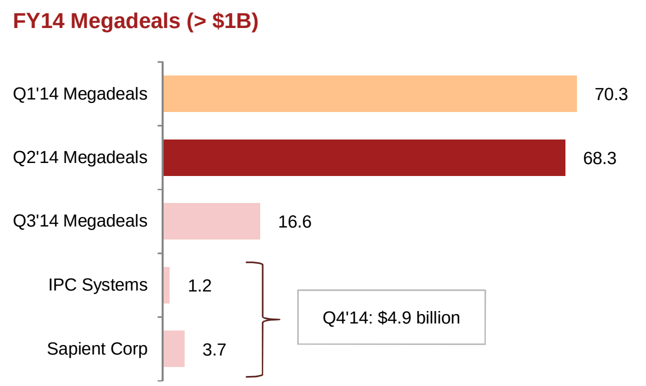
## *Megadeal slowdown*

Megadeals (in excess of $1B) drove overall value in the first two quarters of 2014 representing over 90% of total deal value in the first half of 2014. But, the momentum of megadeals has slowed in the back half of 2014 with only nine megadeals which represented 60% of total deal value in the second half of 2014. We believe this slowdown in megadeals could be attributed to (i) market reaction to the transformative deals announced and their related timing , (ii) overall wait and see approach to see if the deals obtain all necessary approvals to close and (iii) companies focus on re-evaluating their digital strategies. Below are the Q4'14 billion dollar megadeals:

- ***Publicis Groupe SA/Sapient Corp*** – The acquisition of Sapient Corp allows Publicis to enhance their digital position, increasing revenue from digital and technology to 50% by 2015, ahead of their pre-existing strategic plan. [1]

- ***Centerbridge Partners/IPC Systems*** – Centerbridge acquired IPC, provider of network services and trading communication technology, from former private equity owner, Silver Lake Partners.

**Billion-dollar megadeals**




Source: Thomson Reuters

[1] Sapient Corp. Nov. 3, 2014 press release. http://www.sapient.com/en-us/global-markets/news/press-releases/year2014/publicis-acquisition.html. Accessed on Feb. 9, 2015.

## *Top 10 US EMC deals announced in FY14*

| | Announce Date | Acquiror | Target | Target Industry | $ Transaction Value* (billions) |
|---|---|---|---|---|---|
| 1 | 5/18/2014 | AT&T Inc | DirecTV Inc | Cable | 48.1 |
| 2 | 2/13/2014 | Comcast Corp | Time Warner Cable Inc | Cable | 46.2 |
| 3 | 2/19/2014 | Facebook Inc | WhatsApp Inc | Internet & Information | 19.5 |
| 4 | 6/16/2014 | Level 3 Communications Inc | TW Telecom Inc | Communications | 7.3 |
| 5 | 7/16/2014 | GTECH SpA | International Game Technology | Casinos & Gaming | 6.3 |
| 6 | 11/3/2014 | Publicis Groupe SA | Sapient Corp | Advertising & Marketing | 3.7 |
| 7 | 8/1/2014 | Scientific Games Corp | Bally Technologies Inc. | Casinos & Gaming | 3.3 |
| 8 | 1/29/2014 | Lenovo Group Ltd | Motorola Mobility Holdings Inc | Communications | 2.9 |
| 9 | 9/11/2014 | Alliance Data Systems Corp | Conversant Inc | Advertising & Marketing | 2.3 |
| 10 | 5/30/2014 | Steven Anthony Ballmer | Los Angeles Clippers | Recreation & Leisure | 2.0 |

** Represents transaction value and not enterprise value (excludes deals where deal value is not disclosed)*
*Source: Thomson Reuters, PwC analysis*

# Year in review: Active sub-sectors

## Internet & Information and Advertising & Marketing lead the way

**US EMC announced deals by sub-sector**

| | Deal Volume | | | Deal Value* | | |
|---|---|---|---|---|---|---|
| $ in billions | 2013 | 2014 | Variance | 2013 | 2014 | Variance |
| Advertising & Marketing | 181 | 202 | 21 | 20.4 | 12.3 | (8.1) |
| Internet & Information | 154 | 170 | 16 | 3.3 | 26.1 | 22.8 |
| Publishing | 129 | 161 | 32 | 1.2 | 1.9 | 0.7 |
| Telecommunications | 151 | 107 | (44) | 33.4 | 16.1 | (17.3) |
| Recreation & Leisure | 73 | 85 | 12 | 1.4 | 3.4 | 2.0 |
| Broadcasting | 87 | 59 | (28) | 26.3 | 4.0 | (22.4) |
| Film/Content | 46 | 55 | 9 | 0.5 | 3.6 | 3.1 |
| Cable | 16 | 21 | 5 | 5.0 | 95.0 | 90.0 |
| Casinos & Gaming | 17 | 15 | (2) | 0.9 | 14.4 | 13.5 |
| Music | 7 | 10 | 3 | 0.2 | 0.0 | (0.2) |
| Video Games | 4 | 2 | (2) | - | - | - |
| **Total excluding Charter/Verizon** | **865** | **887** | **22** | **92.6** | **176.8** | **84.1** |
| Verizon Communications | 1 | - | (1) | 130.1 | - | (130.1) |
| Charter Communications purchases of Time Warner Cable assets from Comcast | - | 2 | 2 | | 9.4 | 9.4 |
| **Total including Charter/Verizon acquisitions** | **866** | **889** | **23** | **222.7** | **186.2** | **(36.6)** |

** Represents transaction value and not enterprise value (excludes deals where deal value is not disclosed)*
*Source: Thomson Reuters, PwC analysis*

# Subsector commentary

## New media leads the pack

### Advertising & Marketing

**2014 M&A activity:** Advertising & Marketing announced deal values declined by $8.1B, from $20.4B in 2013 to $12.3B in 2014, largely due to the absence of the FY13 proposed merger between Omnicom and Publicis (abandoned in May-14). Key Factors noted include:

i. Advertising and Marketing has seen continued interest in agencies that service the digital, mobile or social media landscape with approximately 60 deals announced in both 2013 and 2014 related to those target markets.

ii. Large advertising holding companies remained active in 2014 with IPG, WPP and Publicis involved in 11 deals in FY14 versus only seven in the prior year including Publicis' announced $3.7B acquisition of digital ad firm Sapient.

While not included in 2014's disclosed deal value, two significant PE-backed transactions occurred, including the purchase of a majority interest in Acosta Sales & Marketing by the Carlyle Group and the separate purchase of Advantage Sales & Marketing by an entity controlled by CVC Capital and Leonard Green & Partners.

**2015 Outlook:** Advertisers will continue to invest in building a core competency in analytics-driven insights that connect consumers' behavior, expectations, buying intentions, and media platforms. Marketers may find the most value in M&A targets that successfully link ad content with digital/mobile viewers' interests and lifestyles.

## Private equity pounces

### Internet & Information

**2014 M&A activity:** Announced deal values increased significantly over 2013 primarily driven by Facebook's $19.5B acquisition of mobile messaging software provider WhatsApp and Gannett's $2.5B acquisition of the remaining interest it did not previously own in e-commerce information services provider Classified Ventures.

We noted significantly increased interest in this sub-sector from Private Equity acquirors, with nine additional PE deals announced versus the prior year. The interest in this sector remains varied across many types of businesses including website operators, ecommerce software developers and search engines.

**2015 Outlook**: We expect this sector to continue to remain active with the constant addition of web-based information sources and business solutions. Key factors contributing to this likely include:

i. Continued Private Equity interest in the sector both in the US and globally in certain areas such as information and online sites.

ii. The proliferation of various apps in our daily lives and increasing valuations for the developers underlying those solutions.

## *Give me a piece of that spectrum*

### Telecommunications

**2014 M&A activity:** Total deal volume was down 30% from prior year - most evident in telecom equipment, telecom services and wireless deals, historically the most active deal types in this subsector. US dealmakers may be stepping back to identify the best path forward amidst a dynamic M&A environment which continues to attract intense regulatory focus. Despite the decline in volume, there were 16 inbound deals in both 2013 and 2014, indicating continued interest in the US market by foreign investors (primarily from Europe and Canada).
Deal value reached $16.1B in 2014, led by four mega deals. Compared to prior year, deal value was down $17.3B as a result of having fewer megadeals (4 in FY14 vs. 6 in FY13).

**2015 Outlook**: Telecom players will continue to look to M&A as a means to overcome current market constraints through the following avenues:

i. Acquiring internationally in the face of a saturated domestic subscriber base.

ii. Direct ownership of content to battle the disruption in distribution channels (e.g. direct to customer offerings by content owners).

iii. Exploring consolidation to manage the increase in mobile data consumption and rising spectrum bids. The immense opportunity is evident in the Advanced Wireless Services (AWS-3) auction results of $44.9B as released by the FCC. [2]

## *Reshuffling continues*

### Publishing

**2014 M&A activity:** Announced deal volumes increased by approximately 25% between FY13 and FY14 with deal values up nearly $0.7B to $1.9B for the year. Online based publication platforms saw the largest increase with five more deals than the prior year (with 14 total for the year). Traditional newspaper/book/magazine remained increasingly active with approximately 60 total transactions, eight over the prior year.

From a transformation perspective, the year saw two additional transactions where established multi-platform media conglomerates spun off their legacy print newspaper businesses. Journal Communications planned to spin off its legacy newspaper business. The remaining business would be primarily focused on Broadcast TV. Gannett Co. also announced in 2014 it would spin off its publishing business, similarly leaving assets focused on Broadcasting.

**2015 Outlook:** With a projected slowdown in internet advertising revenue growth – up 17% in FY13 and projected to have increased 11% in FY14 according to PwC's Global Entertainment and Media Outlook 2014 – 2018 – it will no longer be enough for publishers just to have a strong digital presence. Going forward, attractive M&A targets will have to embrace new advertising technologies that promote better usage measurement and explore new content marketing and payment schemes to continue to drive revenue growth. Key factors continuing the trend of Publishing M&A:

i. Look for legacy media businesses to continue to shed their print publishing assets through spin-offs or other divestiture activity.

ii. We expect continued geographic consolidation as legacy print publishers seek greater printing economies of scale.

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[2] FCC. Summary for Auction 97. http://wireless.fcc.gov/auctions/default.htm?job=auction_summary&id=97, accessed on Feb. 9, 2015

iii. Continued interest by Private Equity seeking consistent cash flow generation and subscription business models.

## *Local leverage*

### Broadcasting

**2014 M&A activity:** Announced deal volume declined 28 deals or 32% from 2013 to 2014. The overall slowdown was due to a very active market in 2013 where we saw significant consolidation of local TV stations. The contribution of Strategic buyers in this subsector may have reached a tipping point as the FCC has significantly increased scrutiny of proposed transactions and existing station groups reach the maximum number of affiliates they are allowed to control in a given geographic market.

**2015 outlook:** We expect strategic buyers (where allowable under existing FCC regulations) to continue to expand their television platforms to gain leverage in retransmission fee negotiations. There is potential for increased activity from private equity buyers in this space as strategic buyers start to bump up against ownership limits.

## *Mega consolidations*

### Cable

**2014 M&A activity:** The consolidation of AT&T with DirecTV and Time Warner Cable with Comcast in the first half of 2014 set the tone for the cable subsector and the overall deal landscape this year with a combined deal value of $94 billion. Absent these two mega-transactions, cable deal volume was relatively flat, driven mostly by the consolidation of local cable TV systems.

**2015 Outlook**: Given the regulatory attention consolidation in this market draws, market participants will remain cautious to see whether transformative deals will be approved and what impact, if any, the ultimate ruling on Net Neutrality may have on cable companies' revenue streams and their further growth.

## *In search of a jackpot*

### Casinos & Gaming

**2014 M&A activity:** Historically dominated by acquisitions of casino properties and other brick & mortar gaming locations, 2014 saw significant mega deals in casino equipment with GTECH SpA's $6.3B announced acquisition of International Game Technology and Scientific Game Holdings' $3.3B acquisition of Bally Technologies.

The year also saw Blackstone's $1.7B purchase of The Cosmopolitan hotel and casino and MGM's sale of two of their properties Railroad Pass and Gold Strike.

**2015 outlook:** The casino gaming industry continues on a path of recovery with improvement in certain KPIs including total visitation in Las Vegas; however gaming revenue is expected to be flat in 2014 with low single digit revenue and visitation growth may continue over the next two to three years. With respect to Casinos, we expect gaming companies to continue to divest of some of their smaller assets as well as those assets whose brand is not integral to the company's overall brand strategy. We also anticipate an increase in inbound deals as certain independent, boutique, and some small chain hotels overseas may look to develop operating agreements with US casino companies and rebrand under some of the larger casino hotel brand names

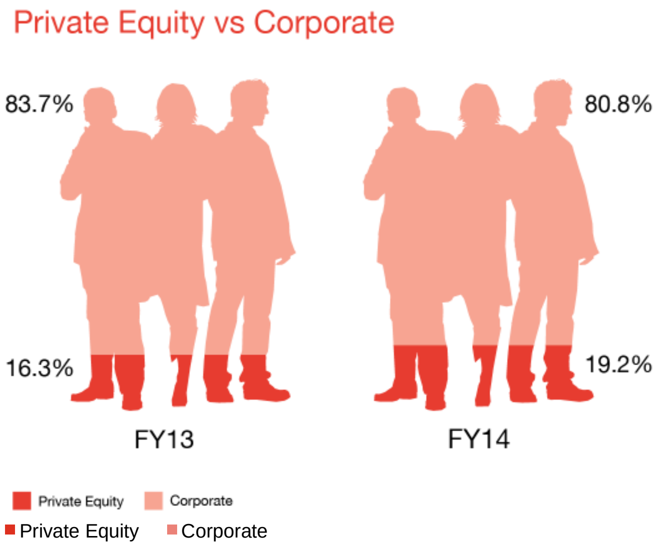
## *Private equity activity up over 2013*

In 2014, private equity backed announced deals represented ~19% of total EMC deals. This represents a significant step up from the corresponding period in 2013, where only 16% of US EMC deals were PE backed. Private equity acquisitions were prevalent across a number of EMC subsectors, but were most active in the Advertising & Marketing, Publishing, and Internet related/Information Services sector.

With debt terms continuing to remain attractive to financial buyers, private equity interest in transactions should remain strong.

**Private Equity remains active in ~20% of US EMC deals**

**US EMC deals: corporate vs. private equity mix**




*Source: Thomson Reuters*

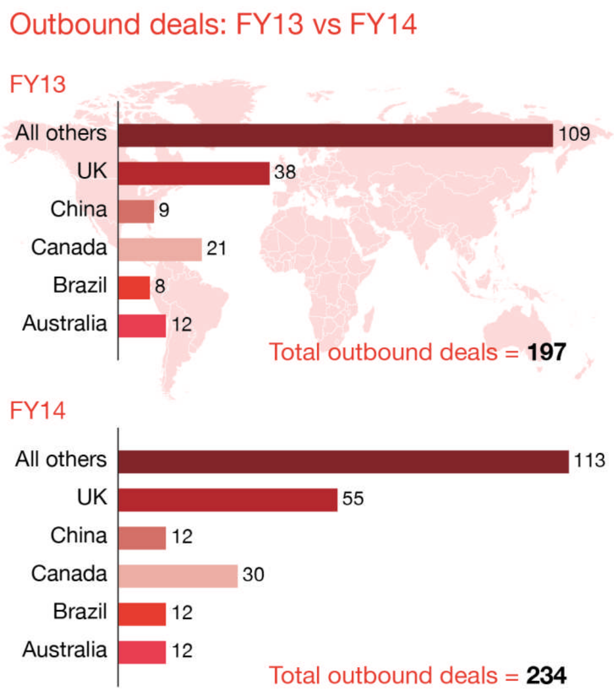
## *Outbound deals*

The number of announced deals by US companies acquiring overseas targets ("outbound deals") increased almost 20% to 234 deals in 2014 compared to prior year. With the strengthening of the dollar, foreign markets are becoming more and more attractive, especially for subsectors facing saturated market conditions in the US.

- Five top territories represented 52% of outbound deals in 2014, with UK leading the pack at 24%. Canada followed at 13% of total outbound deals, with Australia, Brazil and China equally accounting for the remaining 15%. European territories outside of the UK accounted for another 30% of outbound deal activity in the period.
- The rise in number of outbound deals from prior year was driven by internet related/information services and advertising & marketing which together accounted for 95% of outbound deal volume increase.

**Double digit growth for outbound deals**

**EMC cross-border deals by US acquirers**




*Source: Thomson Reuters*

# *Spotlight: Integrating cybersecurity in M&A transactions*

*Over the last 18 months, cyber attacks and public disclosures of them have been an all too common occurrence. The frequency and scale of such attacks reached unprecedented levels in 2014. As one much written about incident in late 2014 demonstrated, the EMC industry has been far from immune to such threats.*

*Knowing that security measures are more open during integration, dealmakers should assess the dimension of cybersecurity in governance, risk management, infrastructure and critical asset protection. Cyber due diligence could estimate the investment necessary to mitigate cyber risks and help reduce unexpected variable costs associated with cybersecurity issues and events.*

Technology-led innovation, among other factors, has enabled organizations to evolve. The extended enterprise has moved beyond value chain and consumer integration, where connectivity and collaboration now extends to all facets of business.

Attackers have successfully targeted security gaps in this modern extended business model to obtain large quantities of aggregated customer transactions, personal information and transaction histories, and intellectual property. Some attacks have caused the complete disruption of 'business as usual' and have forced businesses to allocate significant resources towards identification of the breaches, responding to them and remediation activities to recover from their impact.

There are five key learning points from the analysis of recent cyber security events:

1. **Attacks are more sophisticated.** Attackers are organized and their coordinated efforts exploit known technical vulnerabilities in the fundamental infrastructure. They test and enhance their approach over the course of months before executing their campaigns. In addition, the motivations behind these attacks are varied. The threat from employees and contractors has also been steadily rising.
2. **Defences are immature.** Technical indicators of an attack frequently go undetected during the attack sequence. Additionally, third parties, such as law enforcement or the banks are frequently the ones to detect the compromise, not the company.
3. **Compliance does not equal security.** The companies who were known to be compromised were assumed to be compliant with industry standards (e.g. PCI DSS, ISO 27001).
4. **The financial cost of security incidents is increasing and rising.** As security incidents grow in frequency, the costs of managing and mitigating breaches also are rising. Part of this is due to the nature of the attacks becoming more sophisticated, but perhaps a larger reason is due to the inability to detect and react to breaches quickly.
5. **Industry-wide exposure.** Attacks are often not limited to a single company. Many companies within an industry sector share the same/similar profile and it is highly likely there are other targets and victims.

The results of PwC's Global State of Information Security Survey 2015 shows that detected security incidents have increased, as has the cost of breaches.

Hot-button technologies like cloud computing, mobility, and bring-your-own-device are often implemented before they are secured. If few organizations have kept pace with today's escalating risks, fewer still are prepared to manage future threats.

**Impact on M&A**

Having a cybersecurity plan during M&A is becoming more critical in the EMC industry. Knowing that security measures are more open during integration, a technique used by today's threat actors is to penetrate the Seller's network so that they will have access to the Buyer after integration – when networks are connected.

Buyers and sellers should consider these cyber risks during the life-cycle of the deal. On the buy side, a misunderstanding of the cyber risk of a potential acquisition can significantly impact the value of the planned investment and expected return. Without clear visibility into the cyber risk of the acquisition, management's plan to mitigate those risks – including investments, critical asset protections, active threat monitoring and integrated cyber response, the acquiring company may be taking on an asset or brand that has less value than expected or have limited ability to maintain security over short-term.

### Cybersecurity: Potential areas of value erosion

| Sell side | Buy side |
| --- | --- |
| • Maturity of the cybersecurity program<br>• Threat actor landscape<br>• Detected or undetected breach activity<br>• Ability to lock down intellectual property and other critical assets immediately upon deal closure<br>• Misaligned valuation due to unexpected cybersecurity costs | • Loss/theft/impairment of critical assets<br>• Exposure of legacy companies to immature Cyber practices<br>• Misalignment between business drivers, cybersecurity capabilities and retained critical assets |

On the sell side – depending on the transaction type (e.g., carve-out, spin-off or divestiture) – various cyber risks are present in the deal life-cycle through the conclusion of Transition Services Agreements (TSA). For those managing a spin-off, building the Spin Co. cybersecurity function should be a high priority while maintaining existing cybersecurity services from the Old Co. For those managing a divestiture, managing secure TSA's and instituting cyber protections for the critical company assets that are retained needs to be a high priority. Threat actors are highly aware of the inconsistent cybersecurity measures that exist during these types of deals and while not frequently publicized, the number of companies exploited in these scenarios is steadily increasing.

**A cutting edge approach to cyber risk in deals**

The risk associated with almost any deal today also has an inherent cybersecurity component impacting brand, competitive advantage, and transaction value. Strategic and financial buyers at the forefront of the market have already recognized the value and importance to address this type of risk early on in the transaction process.

Cyber Due Diligence is an assessment of the cyber risk of the Target in the context of a transaction aimed at identifying potential impacts to the deal's value. Cyber Due Diligence focuses on the maturity of cybersecurity capabilities of the Target and their alignment with business needs. The results of the due diligence provide a high level view of the existing cyber risks, an estimate of the investment necessary to mitigate them and help reduce unexpected variable costs associated with cybersecurity issues and events.

Cyber Due Diligence addresses the following critical questions, thus enabling better modelling of deal value and ultimately improving the decision making process:

## Five questions to ask yourself

1. Can the cybersecurity controls meet the current and future needs of the Company?
2. What is the maturity level of the Company's cybersecurity controls and countermeasures?
3. Is the Target Co. introducing unknown cyber risks? Do they have the ability to detect and identify breaches? Have they been breached? Do they remain breached?
4. Is the intellectual property of the Company secure or has it been impaired?
5. What would it take to secure the Target Co. to a standard that is acceptable to the acquirer and commensurate with the overall risk profile?

Leading companies are embedding Cybersecurity Due Diligence into their pre-deal diligence processes. This includes analysis of the following:

- **Cyber governance** Understanding of risk by sector, geography and business strategy; management's plan to address known risks; and alignment of policies and security spend to business needs; and regulatory compliance.
- **3rd party risk management** Understanding the Target's policies and procedures for managing the risk of all those entities part of its ecosystem, including suppliers, service providers, JV/partners and customers.
- **Infrastructure and operations security** Assessing the security of back office and front-office applications, network and systems, physical security and operations.
- **Critical assets protection** Evaluating the level of cybersecurity protection implemented around critical assets such as intellectual property (IP), personally identifiable information (PII), business intelligence (BI), proprietary source code, and any other firm's specific information playing a role in the valuation process.

**The value of Cyber Due Diligence**

Potential buyers benefit from a deeper understanding of the cybersecurity implications of the proposed transaction, and are able to quantify the potential risks and their impacts on the valuation process. This information is pertinent to the transaction as well as future cyber risk mitigation efforts and expenditures, and integration planning.

For example, during a recent Cyber Due Diligence a potential buyer identified security gaps in the target company with potential impacts on the confidentiality of customer information and the protection of its application source code. Those gaps were then further assessed with potential impacts quantified in $2m worth of capital investments and almost $1m of operational expenses.

Cyber Due Diligence helps the potential buyer to identify an estimated investment necessary to safeguard a target company's critical assets, intellectual property and identify potential impacts on deal value; Cyber Due Diligence also provides an initial plan based on identified cyber risks and the maturity of existing cybersecurity program. This plan can be further developed in full scale integration and implementation plans for the Target cybersecurity program, with key milestones associated to Day One, TSA period, and post-TSA.

For more information about Cybersecurity and related services, please visit http://www.pwc.com/security

For The Global State of Information Security® Survey 2015, please visit http://www.pwc.com/gx/en/consulting-services/information-security-survey/

# About PwC's Deals practice

Smart deal makers are perceptive enough to see value others have missed, flexible enough to adjust for the unexpected, aggressive enough to win favorable terms in a competitive environment, and circumspect enough to envision the challenges they will face from the moment the contract is signed. But in a business environment where information can quickly overwhelm, many smart deal makers look to experienced advisors to help them fashion a deal that works.

PwC's Deals group can advise Entertainment, Media & Communications (EMC) companies and EMC-focused private equity firms on key M&A decisions, from identifying acquisition or divestiture candidates and performing detailed buy-side diligence, through developing strategies for capturing post-deal profits, to exiting a deal through a sale, carve-out, or IPO. With more than 9,800 deals professionals in 75 countries, we can deploy seasoned deals teams that combine deep entertainment, media & communications industry skills with local market knowledge virtually anywhere and everywhere your company operates or executes transactions.

Although every deal is unique, most will benefit from the broad experience we bring to delivering strategic M&A advice, due diligence, transaction structuring, M&A tax, merger integration, valuation, and post-deal services.

In short, we offer integrated solutions tailored to your particular deal situation and designed to help you complete and extract peak value within your risk profile. Whether your focus is deploying capital through an acquisition or joint venture, raising capital through an IPO or private placement, or harvesting an investment through the divesture process, we can help.

For more information about M&A and related services in the entertainment, media & communications industry, please visit *www.pwc.com/us/deals*, and for industry research and insights visit *www.pwc.com/us/em* or *www.pwc.com/us/comms*.

## About the data

Our analysis highlights the on-going changes in the EMC industry due to technology advances, the convergence of traditional and new media, and ever-shifting consumer preferences. For purposes of our publication, we have focused on the following sectors:

- Communications
- Recreation & Leisure
- Film/Content
- Cable
- Broadcasting
- Internet Related/Information Services
- Publishing
- Advertising & Marketing
- Casinos & Gaming
- Music
- Video Games

Our analysis was based primarily on individual EMC sectors as defined by ThomsonReuters, with the exception of Telecommunications and Internet Software & Services and E-Commerce, which we have renamed as Communications and Internet Related/Information Services, respectively, for the purpose of our analysis. In addition, all deal values disclosed, unless otherwise noted, were determined using transaction value. While in certain cases, enterprise value may exceed transaction value, it has not been considered in our analysis.

We define US EMC transaction activity as acquisitions, mergers, consolidation of minority interests, shareholder spin-offs, divestitures and restructurings. Acquisition targets are defined as US companies acquired by either domestic or foreign acquirers (both corporate and private equity). Cross-border deals in this publication have been limited to announced acquisitions of targets located outside of the United States by US acquirers. Deal value is transaction value as reported. Private equity transactions are defined as acquisitions of initial platform companies only. Subsequent add-on acquisitions by private-equity-controlled platform companies are herein classified as corporate transactions.

As has been the case over each of the past several years due to undisclosed deal activity, FY13 and FY14's disclosed deal volume was significantly lower than total EMC deal volume. Although transactions with disclosed deal values are indicative of overall EMC sector trends, the high volume of undisclosed deal activity is also indicative of growing middle-market deal activity in the space.

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