Executive summary
2018 was another strong year for M&A in the US Media & Telecom sector, with 870 deals and over $122B of announced deal volume. Deal activity in 2018 was spurred by industry consolidation, loosening regulations, and the digitization of the media industry.

Looking ahead to 2019, expect M&A to be driven by the continued convergence of media & technology, direct-to-consumer capabilities, the emergence of supercompetitors, and the continued demand for data and AI.

“2019 will represent a historic inflection point in the Media & Telecom sector, as several vertically integrated players look to finalize their transformational deals and launch service offerings – such as OTT platforms that go direct to consumer – aimed at competing with the established SVOD players and disrupting the traditional business models.”
— Bart Spiegel, US Technology, Media & Telecommunications Deals Partner

Trends and highlights
- Deals volumes remained relatively flat from 2017 to 2018 with a total of 870 deals in 2018.
- Announced deal values decreased by 12% in 2018. Megadeals accounted for approximately 55.7% of announced deal value.
- 18 deals greater than $1 billion in value were announced during 2018, led by T-Mobile’s announced acquisition of Sprint Corp for $26.8 billion. This volume aligns with the prior year which also had 18 deals greater than $1 billion in value, led by The Walt Disney Company’s acquisition of 21st Century Fox for $68.4B.
- Advertising & Marketing and Internet & Information sub-sectors continue to lead in deal volume in 2018, with 284 and 215 announced deals, respectively.
Highlights of 2018 deal activity

Deal value and volume overview

2018 deal volume was consistent with 2017. Deal volumes followed the same seasonal trends across both years, but experienced greater volatility in 2018. Announced deal values also declined in 2018 by 12% to $122.3B. Both 2018 and 2017 had 18 deals with transaction values greater than $1.0B, but the blockbuster Walt Disney and 21st Century Fox transaction in Q4 2017 of $68.4B drove the prior year to a higher overall value.

Largest transaction

The merger of T-Mobile and Sprint, the country’s third and fourth largest wireless carriers, was the largest transaction with disclosed deal value in 2018. The merger positions the combined company to better compete against competitors Verizon and AT&T, particularly in the roll-out of their 5G network.

Megadeals ($5B and over)

There were five announced deals in 2018 in excess of 5 billion dollars, accounting for 55.7% of deal value, compared to three megadeals in 2017 that accounted for 62.9% of deal value. Additionally, there were 13 other significant deals between $1 billion and $5 billion during 2018, accounting for 21.9% of total announced deal value.

$26.8B

5 mega deals

Listing of Megadeals ($5B and over)

<table>
<thead>
<tr>
<th>Announced</th>
<th>Target</th>
<th>Target industry</th>
<th>Acquirer</th>
<th>Transaction value ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/8/2018</td>
<td>Altice USA, Inc.</td>
<td>Cable</td>
<td>Altice Shareholders</td>
<td>10,522</td>
</tr>
<tr>
<td>1/29/2018</td>
<td>Thomson Reuters Corp-F&amp;R</td>
<td>Internet software</td>
<td>Investor Group led by Blackstone Group, Inc.</td>
<td>17,025</td>
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<tr>
<td>4/29/2018</td>
<td>Sprint Corp.</td>
<td>Telecom</td>
<td>T-Mobile US, Inc.</td>
<td>26,761</td>
</tr>
<tr>
<td>11/8/2018</td>
<td>Arris International Plc</td>
<td>Telecom</td>
<td>CommScope Holding Co, Inc.</td>
<td>7,400</td>
</tr>
<tr>
<td>12/3/2018</td>
<td>Tribune Media Co.</td>
<td>Broadcasting</td>
<td>Nexstar Media Group, Inc.</td>
<td>6,400</td>
</tr>
</tbody>
</table>

Megadeals (over $5B) 68,107

Other significant ($1B-$5B) 26,767

All other 27,385

Total 122,259
Highlights of 2018 deal activity (continued)

Key announced transactions

There were 18 announced deals in 2018 in excess of a billion dollars, including 3 in Q4 2018:

1. **CommScope Holding Co Inc. / Arris International Plc** *(Telecommunications)* ($7.4B): CommScope Holding’s announced acquisition of Arris International combines CommScope’s infrastructure solutions for communications networks with Arris’ entertainment and communications solutions.

2. **Nexstar Media Group Inc. / Tribune Media Co.** *(Broadcasting)* ($6.4B): Nexstar Media Group’s announced acquisition of Tribune Media expands Nexstar’s broadcasting and media presence.

3. **Investor Group / Epic Games** *(Video Games)* ($1.25B): An investor group comprised of seven firms acquired an undisclosed stake in Epic Games, a developer of gaming software, illustrating private equity’s continued interest in the video games sub-sector.

Deal value and volume as percent of total

![Pie charts showing deal value and volume as percent of total]

### Deal size for 2018

- Deals with announced value of $100m or less represented a significant portion of overall deals, contributing 68% to total deal volume in 2018. This is a consistent theme within the Media and Telecom sector, where a large number of deals either have no disclosed deal value, or are smaller, more speculative deals across a diverse group of sub-sectors.

- Although deals exceeding $1B represented only 7% of deal volume during the year, they contributed to 78% of announced deal value in 2018.

### Private equity highlights

Private equity interest in the sector picked up in 2018, with deals with a private equity purchaser representing 24% of deal volume, an increase from 22% in 2017. Private equity deals represented 31% of announced deal value, a significant increase from 2017 when private equity only comprised 8% of total deal value. Of the $37.9B of private equity deal value, $31.2B fell within the **Internet & Information** subsector, which is consistent with the continued interest in online platforms as attractive acquisition targets. Private equity investment in specific sub-sectors mirrored Corporate trends, with the highest volume sub-sectors being Advertising & Marketing and Internet & Information.

### Private equity vs. corporate deals

![Pie charts showing private equity and corporate deal value and volume]

**FY18**
- Private equity: 211
- Corporate: 659

**FY17**
- Private equity: 191
- Corporate: 685
Sub-sector and regional deal trends in 2018

Announced deal volume and value by sub-sector

- **Advertising & Marketing** and **Internet & Information** continued an established trend of being the most active sub-sectors in terms of volume, representing 33% and 25% of total deal volume, respectively.
- **Internet & Information, Telecommunications, and Broadcasting** were the leading sub-sectors in terms of announced deal value, primarily driven by the previously mentioned megadeals.
- **Cable, Video Games** and **Music / Audio content** had increases in both deal volume (71%, 150% and 45%, respectively) and deal value (71%, 22% and 92%, respectively) in 2018. The latter being a recently introduced sub-sector to capture the surge in podcast and other audio / music streaming deals.

Regional analysis for 2018

**Inbound deals**

- Inbound deals increased 2% in 2018 to 125 deals, and represented 12% of total deal volume. However, inbound deal value decreased 59% in 2018 to $5.3B, representing only 4% of total announced deal values.
- Spain-based Amadeus’ acquisition of TravelClick for $1.5B was the most significant announced inbound deal of the year, followed by an Investor group’s acquisition (led by Japan-based Softbank Vision Fund), of DoorDash for $0.5B.
- Canada was the most active country in terms of inbound deal volume, as global buyers mirrored their domestic counterparts in terms of sub-sector interest, with Advertising & Marketing and Internet & Information representing over half of the inbound deals.

**Outbound deals**

- In contrast to the increase in inbound deals, outbound deals of foreign targets by US-based acquirers decreased 6% to 186 deals in the 2018. Announced values of outbound deals, however, skyrocketed to $62.0B in 2018, compared to $17.2B in the prior year.
- The largest outbound deal value in 2018 was Comcast’s acquisition of Sky Plc (Broadcasting) for $30.8 billion. A combination of the Comcast / Sky transaction along with three other outbound deals in excess of $1B drove the significant increase year over year.
2019 outlook

Key themes that will not only continue to drive trends in M&A in 2019 but also create new waves in the sector:

• **The next wave of convergence:** Over the last few years, we have seen the once thick border that separated the traditional Technology and Media players in this space dissolve. Companies have integrated both vertically and horizontally. Many of the distinctions that had once defined a company’s strategy (print vs. digital, video games vs. sports, pay-TV vs. over-the-top) are now not so clear. The upside to all this change? Companies are no longer burdened by these narrow definitions and can look across the field and outside of their comfort zone for potential acquisition targets that create space and opportunity for new revenue streams, greater positioning in the value chain, and more relevant scale.

• **Get me that consumer, now:** We know that consumers and their devices are always on. For years the focus was on providing an ever-expanding supply and diversity of content and then enhancing the consumer experience and overall engagement. With quality content and experience under their belt, it’s no surprise that many players have shifted their focus to building a relationship directly with the consumer, tapping into the value of their fanbase. We expect that companies will be looking to not only bolster their content offerings, but also to seek out incremental capabilities to enhance their ability to deliver digitally and directly to consumers.

• **The rise of supercompetitors:** With the growing pace of convergence comes the emergence of supercompetitors: global players with similar businesses that when knitted together cover much of the entire TMT ecosystem (from content, to technology, to advertising and distribution) under a single corporate roof with an abundance of resources. We expect this deep-pocketed class of market participants to continue to make big plays in content, investments in startups, and serve as buyers for maturing businesses. We also predict many other players may assume they have no choice but to follow suit.

• **More data, more AI:** Those who have it, have the upper hand. Access to data and analytics (“D&A”) and the use of artificial intelligence is not only important in supporting better decision making, but is vital in the battle to own the consumer and thus more of the digital value chain. It allows companies to not only build but also measure consumer engagement and satisfaction – driving efficiencies in monetization and increasing relevance to consumers. See our AI predictions for 2019.

Sub-sector highlights

Telecommunications

While Telecommunications deal volume dropped by 27% to 215 deals, announced deal value increased by almost 70%, driven by a number of megadeals; the most significant of which was the merger of T-Mobile and Sprint. This deal, along with others in the sub-sector, continued the trend of consolidation related M&A. How the combination of Sprint and T-Mobile impacts Verizon and AT&T remains to be seen, with conflicting views on how this merger will flow on to pricing, and 5G deployment. Other significant deals in the space have been about combining infrastructure to allow the acquirer to offer a broader range of services, or better position itself to take advantage of emerging technologies.

Broadcasting

Broadcasting deal volume increased by 30% in 2018, with the first three quarters of the year being particularly active. Announced deal value dropped by a similar percentage to $13.0B. Volume increases appear to be driven by a loosening of regulation that has allowed media companies to own multiple properties in the same market. This has also opened the door for newly combined companies to jointly sell local advertising. We would expect the trend to continue into 2019, as players in the sub-sector strive to enhance their competitive advantage through scale.

Internet & Information

The Internet & Information sub-sector showed no signs of slowing down in 2018, with deal volumes up 14%, and announced deal values increasing an impressive 361% to $43.5B. The most significant acquisition during the year was an investor group led by Blackstone’s acquisition of the Financial & Risk business of Thomson Reuters, in a deal valued at $17B. While this was the leader in terms of deal size, there were a significant number of consumer facing website deals around the $1B mark. We do not expect this trend to slow down in 2019, with more big names in the Internet & Information sub-sector likely to attract interest from potential acquirers.
About PwC Deals

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, the smartest deal makers look to experienced advisors to help them fashion a deal that works. PwC’s Deals group can advise entertainment, media and telecommunications companies and private equity firms on key M&A decisions, from identifying acquisition or divestiture candidates and performing detailed buy-side diligence, to developing strategies for capturing post-deal profits and exiting a deal through a sale, carve-out, or IPO. With more than 20,000 deals practitioners worldwide, we can deploy seasoned teams that combine deep 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 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 divestiture process, we can help.

For more information about M&A and related services in the entertainment, media & telecommunications industry, please visit pwc.com/us/tmtdeals and for industry research and insights visit pwc.com/us/tmt.

About the data

Our analysis highlights the on-going changes in the Media & Telecommunications industry due to technology advances, the convergence of traditional and new media, and ever-shifting consumer preferences.

Our analysis was based primarily on individual Media & Telecommunications sectors as defined by Thomson Reuters, with the exception of Telecommunications and Internet Software & Services and E-Commerce, which we have renamed as Telecommunications and Internet & Information, 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 Media & Telecommunications 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.

For transactions where the buyer and target are in different industries, the announced acquisition is counted in both industry deal reports. To combine deal value or volume across reports, one should eliminate the double-counted deals.