

NeoMedia Capital

Hollywood is back: TV series production is invading the world and crowding internet cables

SEA Partners

Mission Team Composition

NeoMedia Capital



Ms. Rowe



Mr. Pennarola



Ms. Dunstan

SEA Partners



Tongyu Wang



Ludivine Doncques



Gefei Xu

- US based private equity company
- Long tradition of investing in the movie industry
- Structured many funds by purchasing Hollywood firm's shares

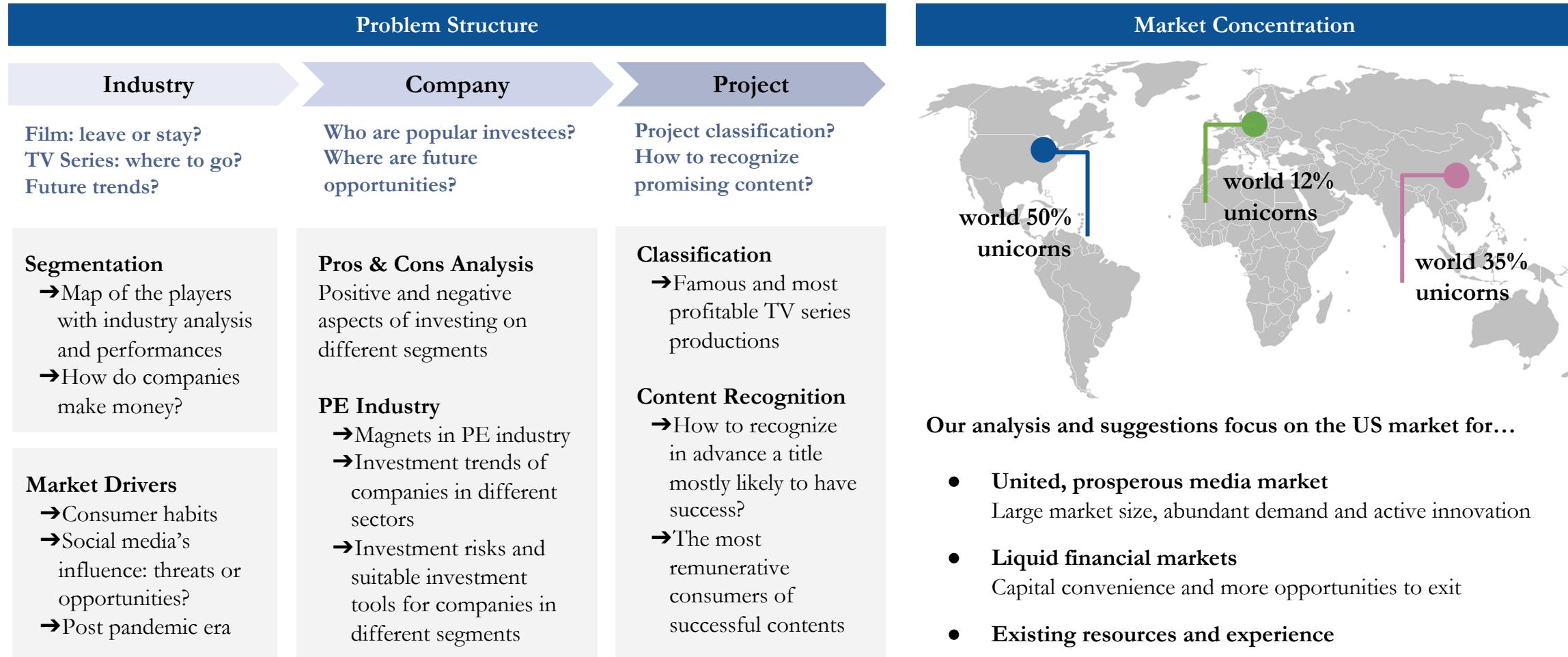
- Strategy boutique
- Specialized in private equity
- We are present on five continents

Agenda

- › **Problem Definition**
- › **Industry Overview**
 - › Finance
 - › Production
 - › Exhibition
 - › Consumption
- › **Future trends and opportunities**
 - › Social Media
 - › Trends in the Value Chain
- › **Investment Strategies and Conclusion**

Problem Definition: Three-fold Structure and Market Concentration

We frame the problem into a “three-fold, macro to micro” structure, including industry insights, company analysis and project recognition. Our following analysis focuses on the US market. The final investment strategies and deal-sourcing proposals will also concentrate on the US market.

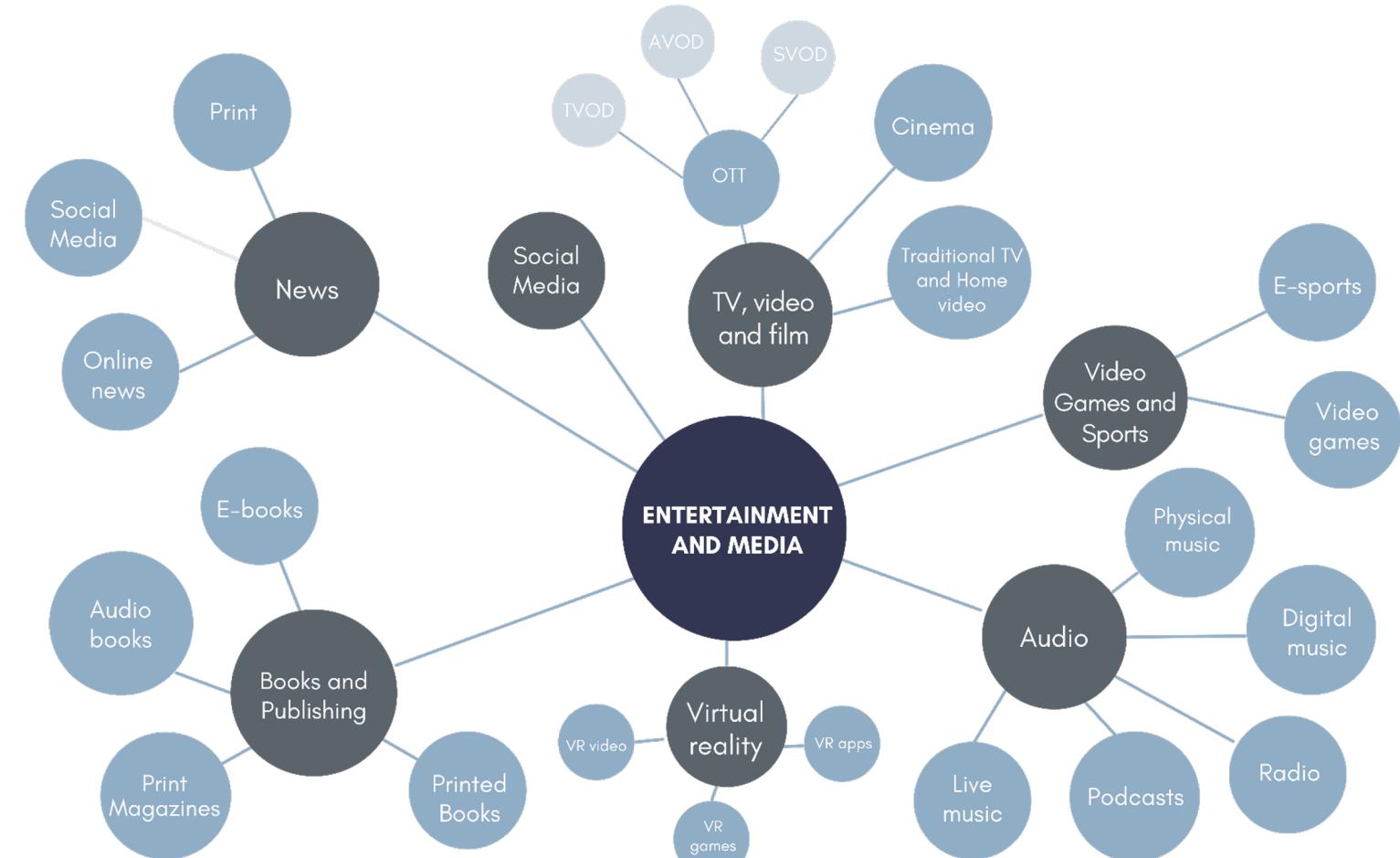


Industry Overview

Entertainment and Media Industry Overview

The entertainment and media industry has gone through significant changes in the past few years. To understand the market and how it is connected with film and series scenario, we elaborated an overview of the main segments and sub-segments of this industry.

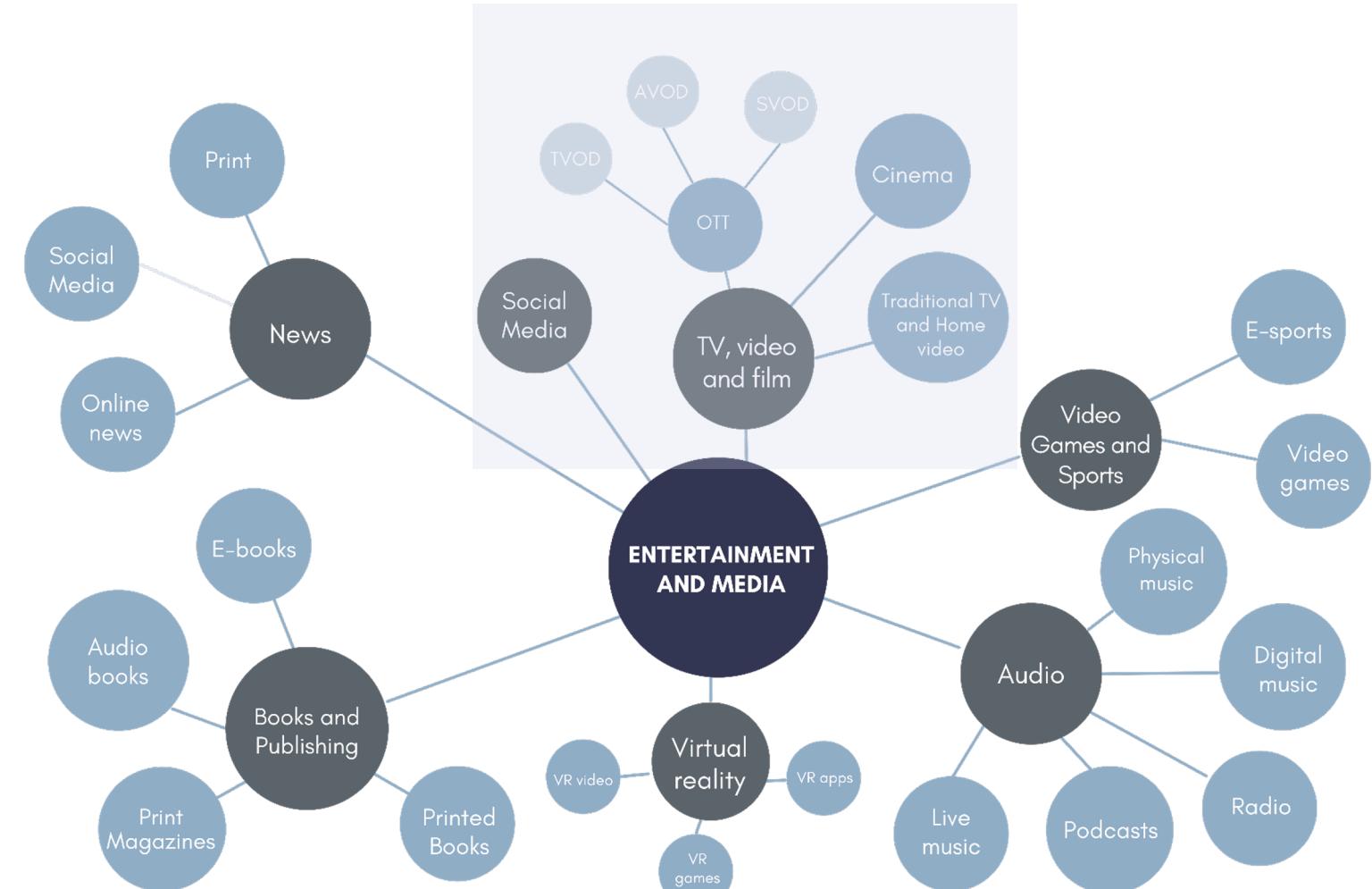
- The Entertainment Market Industry is made up of different sub-segments that compete for consumers' time and attention.
- The industry has been facing big changes in the past years, mainly due to internet spread and rise of new technology solutions.
- After 2019 it is possible to notice even deeper transformation, pushed by the new habits imposed by COVID-19 pandemic.



Entertainment and Media Industry Overview

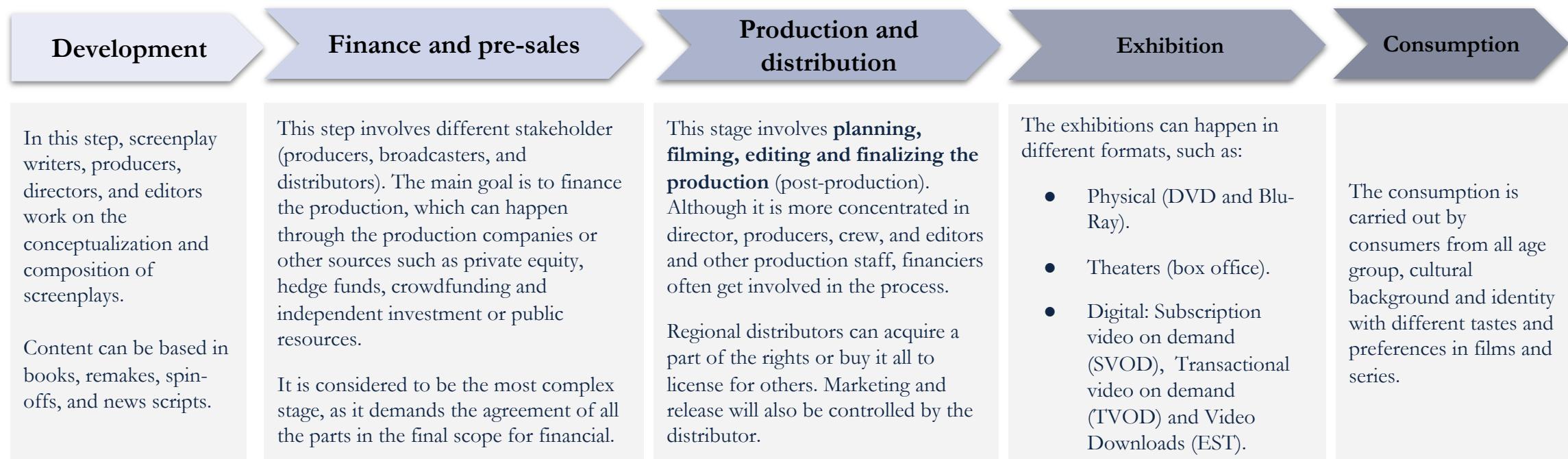
Here we focus on the film and series industry value chain and consider the TV, video and film branch

- The Entertainment Market Industry is made up of different sub-segments that compete for consumers' time and attention.
- The industry has been facing big changes in the past years, mainly due internet spread and rise of new technology solutions.
- After 2019 it is possible to notice even deeper transformation, pushed by the new habits imposed by COVID-19 pandemic.



Value Chain in Movies and TV Series Industry

After thorough research and analysis, we divide the movie and TV series value chain into five main phases, base on different players, challenges, and opportunities.

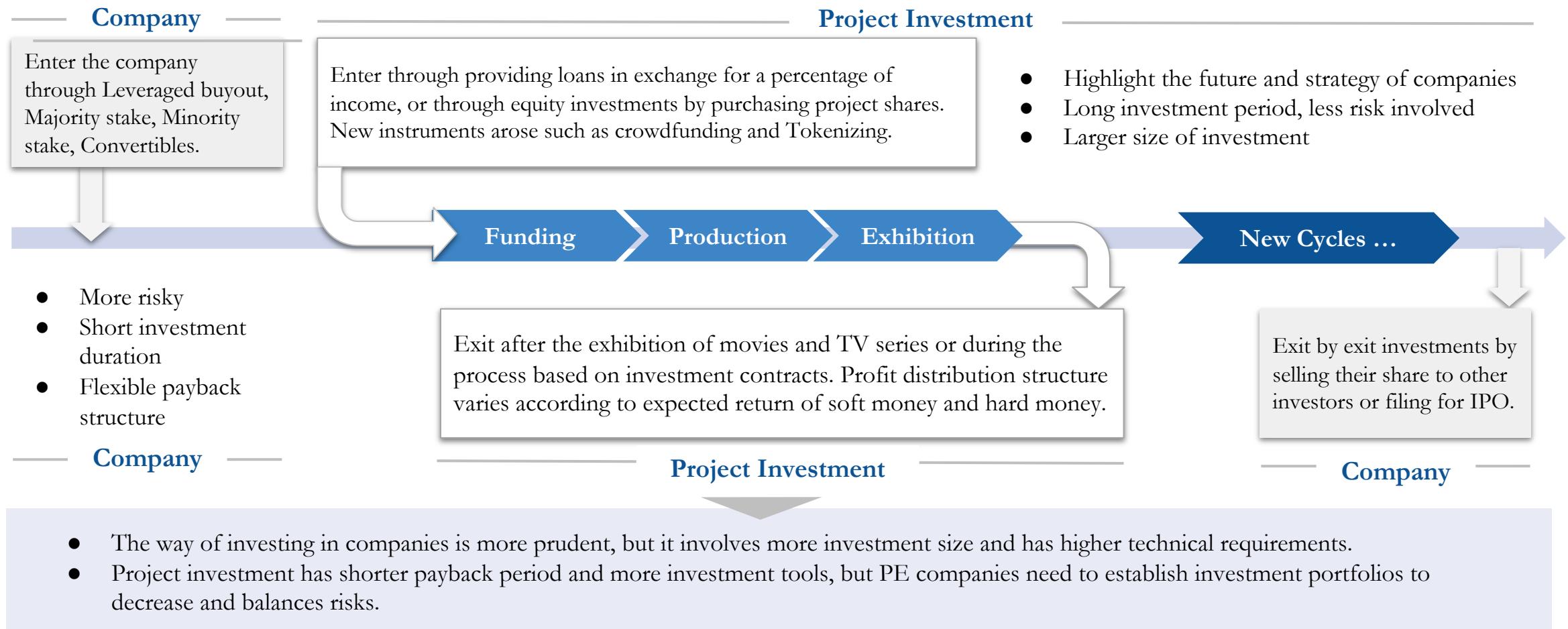


Investment should be carried out only after careful examination of consumer behaviours

Finance

Investment Tools: Company versus Project Concentration

Through the production timeline, we classified the common investment tools in the movie and TV series market, and summarized the distribution structure of profits linked to these tools, and also the advantages and disadvantages.



Production and distribution

The Big 5 Movie Production Firms: Performance and Platforms

Production and distribution stages are deeply entrenched when talking about the “big 5” major studios. These companies have displayed a sustainable competitive advantage for decades. Being built to last, they relied on mergers and acquisition to prosper over the years.

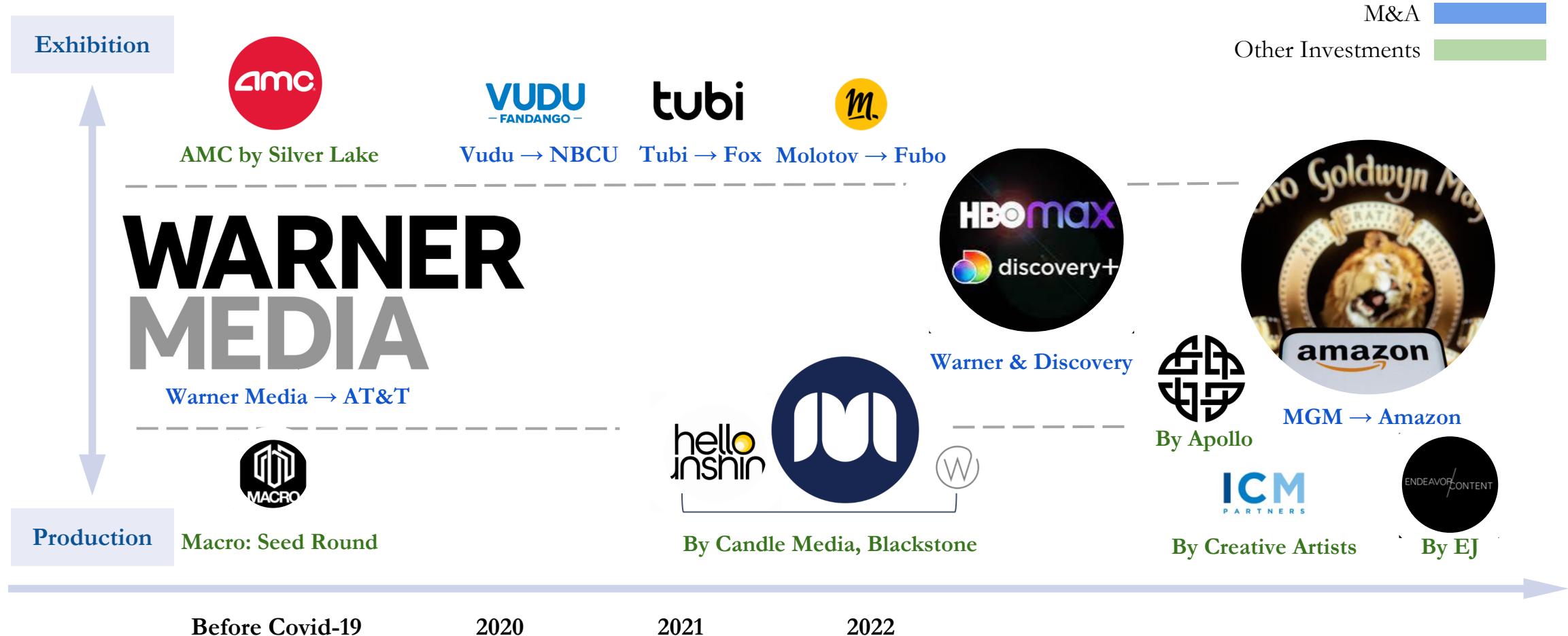
Financial indicators of top five movie producers

	Content Spending	Advertising revenue	Segment Revenue	Platform
Disney	\$25 billion	\$8.85 billion	\$8.1 billion	Disney +
Paramount	\$2.2 billion	\$5.38 billion	\$3.1 billion	Paramount +
Sony	\$2.7 billion	-	\$4.2 billion	Crackle
Universal	\$17.8 billion	\$10.3 billion	\$10.2 billion	Amazon Prime Partnership
Warner Bros	\$20 billion	\$6.2 billion	\$15 billion	Discovery +

- They are **traditional** movie companies: they were all founded in the 1910s and 1920s, with the only exception of Sony, founded in 1946.
- Together they have a market share of **80%** in the American movie industry.
- They are **huge conglomerates** involved in every phase of movie production, distribution and exhibition.
- Recently they have been involved in a process of **platformization**, earning wider margins on their products.

Fast Pace of Consolidation in Exhibition Side

Mergers and acquisitions have been taking place intensively on the exhibition side since 2020; PE crowded into the production side in the past two years. Big deals appeared among large players engaged in various businesses.



Quantitative Bottom-up Approach: movie success linked with genres

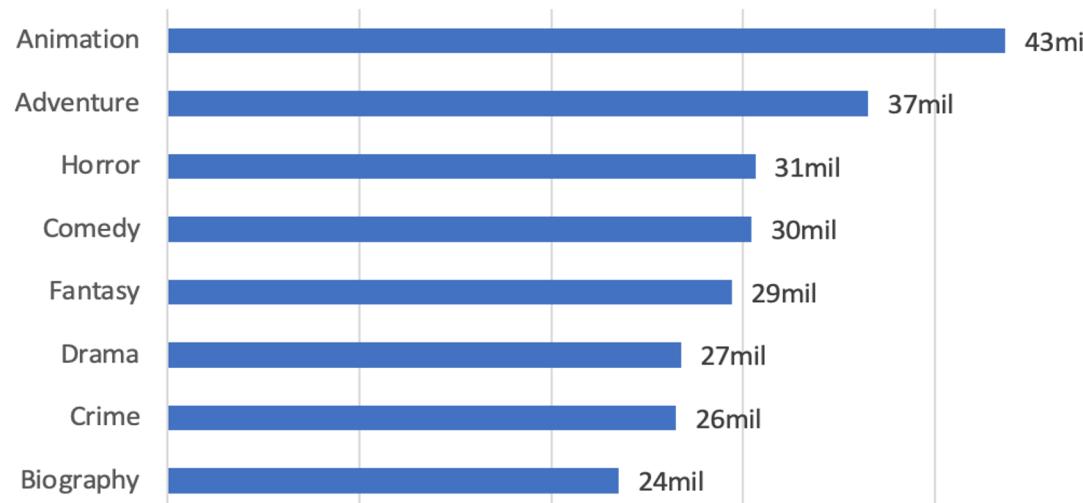
Our **bottom-up approach** started from movies. Regression model is applied to understand their **profitability** with respect to several variables. The model can be used before the release date to evaluate movies' financial success in advance.

Quantitative Bottom-up Approach

$$\text{Profit} = \beta_0 + \beta_1 \times \text{Runtime} + \{\beta_n\} \times \{\text{Genres}_n\}$$

The top three genres display a coefficient of 131153200 (Animation), 18982109 (Adventure), -40006474 (Horror)

Profitability of genres



Key Observation

Besides Genres including Animation, Adventure, and Horror, other significant variables taken into consideration where:

- **Length** of a movie
- Level of a **star**, based on his/her number of movies, number of awards, rating on IMDB and top grossing movie.
- Whether the actor/actress or director was ever nominated or won an **Oscar**.

They all proved to have a positive estimate, meaning that as they increase, so will profits.

Looking at the graph on the left, **animation and adventure** displayed remarkable values. Having this in mind, the next slide analysis the deals notably related to these two genres.

Investors Seek New Techniques and Uniqueness in Producers

Large film production companies have set up their own venture capital subsidiaries and industrial investment funds in the past ten years to invest in high-tech film studios and innovative contents, so as to increase their technical level, establish brand cluster effect and achieve sustainable growth

New Techniques					Innovative Contents				
Investees	Investors	Type	Size	Highlight	Investees	Investors	Type	Size	Highlight
Magic Leap	Legendary	Series B	540 M	AR technology	Hello Sunshine	Blackstone	Maj Stake	900 M	Women targeted
Pixomondo	Sony	Acq.	Undisclosed	VR technology	Moonbug	Blackstone	Maj Stake	1 B	Children media
Base FX	CMC Inc.	Min Stake	Undisclosed	Animation	Westbrook	Blackstone	Min Stake	90 M	Multimedia company
Ek	Sony	Min Stake	Undisclosed	Digital Media	Macro	Emerson Collective	Seed	150 M	Black households targeted

- The channel market shows a trend of consolidation, most of the deals have a high price.
- The production market is still attracting investments concentrating on new producing techniques and specific topic of contents.
- Companies tend to acquire the target company. They acquire the targets mainly for the right of original franchise and the technology.

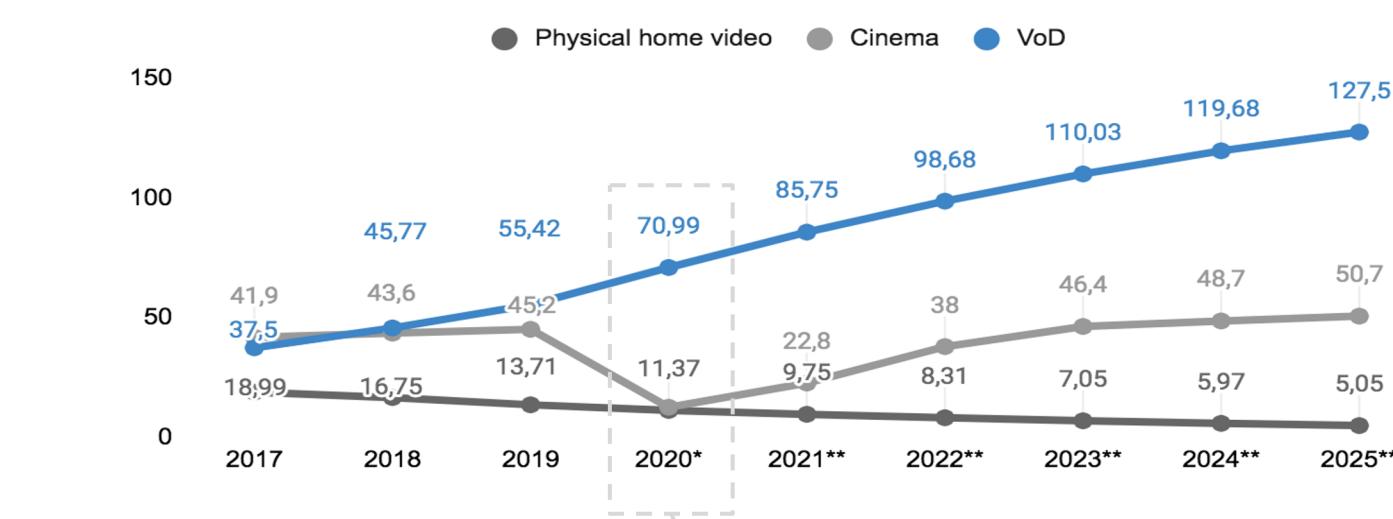
Exhibition

Video Entertainment Market

Distribution channels for series and movies can be divided into three segments: digital, box office (cinema) and physical (DVD, Blue-ray). While physical revenues are decreasing year after year (\$19.7 billion in 2015 and \$5 billion in 2020), there is a trend reversal between box office and digital.

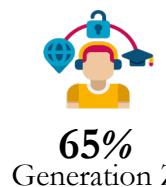
- The video entertainment market has undergone major changes in recent years, with a constant decline in physical media (such as Blu-ray and DVD) and the rise of video on demand.
- Cinema was the main one affected by COVID-19, with a drop of more than 75% in 2021. Despite the expectation of a recovery in 2023, the theater will still represent less than half of the value projected for digital media.

Global revenue of video entertainment market from 2015 to 2025 (exp) in \$billion



COVID-19 insights

51%
of consumers affirmed to have
watched more shows and
films on streaming services
due the coronavirus outbreak.



SVOD Big Players: Performance and Content Expenditure

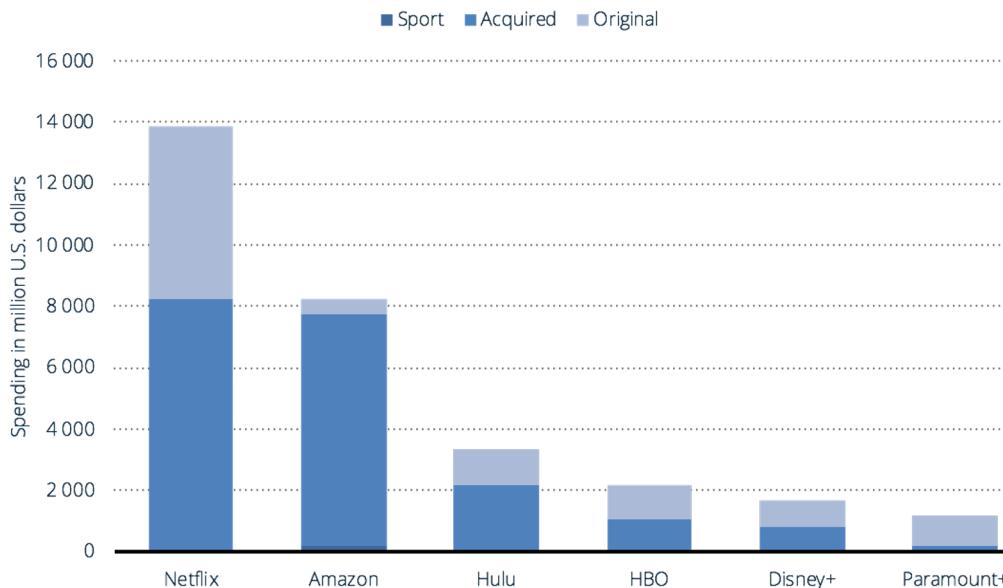
The term SVOD (subscription video on demand) is used to describe online platforms that offer access to a video catalog in exchange for a monthly or annual payment. Now SVOD accounts for the highest revenue share of the ever-increasing global over-the-top video market.

	Revenue	Subscribers	Subscriptions price	With Ads' plan	Content spend	Content spend forecast (2026)
	\$29.69 billion	223 million	\$9.9 - \$15.49 - \$19.99	\$6.99	\$18 billion	\$22 billion
	\$31.77 billion	200 million	\$14.99	-	\$16 billion	\$21 billion
	\$5.2 billion	137 million	\$8.99	-	\$6.8 billion	\$21 billion
	\$3.8 billion	81 million	\$14.99	\$9.99	\$2 billion	\$10 billion
	\$2.2 billion	75 million	\$4.99	-	\$6 billion	\$10 billion
	\$863 million	46 million	\$9.99	\$4.99	\$1.3 billion	\$6.6 billion
	\$ 2 million	13 million	\$9.99	\$4.99	\$3 billion	\$5 billion

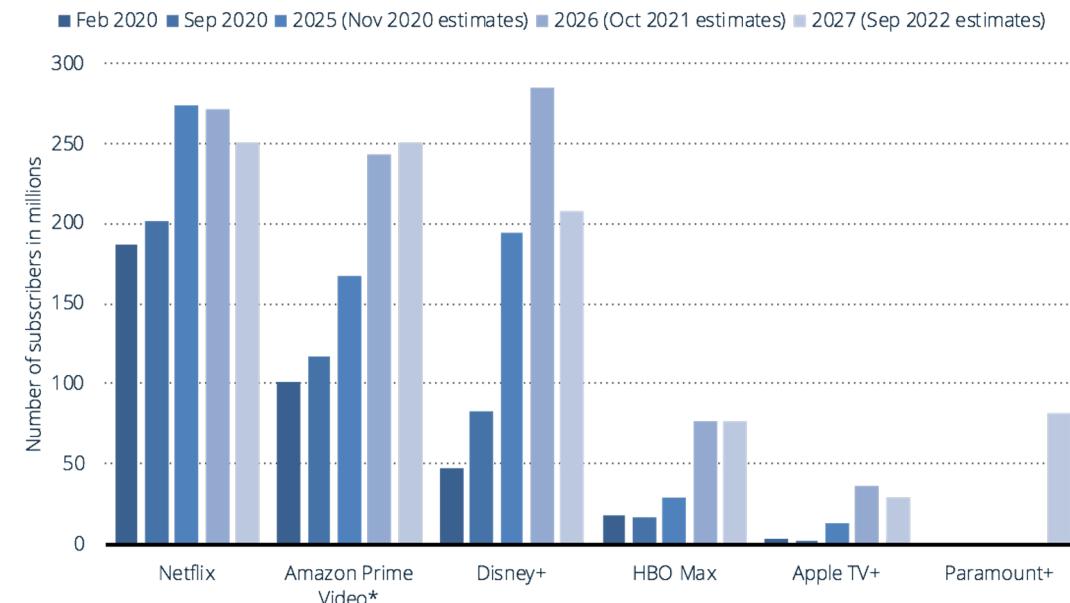
Digital Platforms Overview

Facing the challenges of Covid-related delays in production and a competitive market, it is now increasingly important for streaming services to gain new and retain existing subscribers. Netflix is still leading the industry, but other providers, especially Disney+, could outpace others sooner rather than later.

Number of distinct titles from platform - 2020



Number of subscribers from platform - 2020-2027



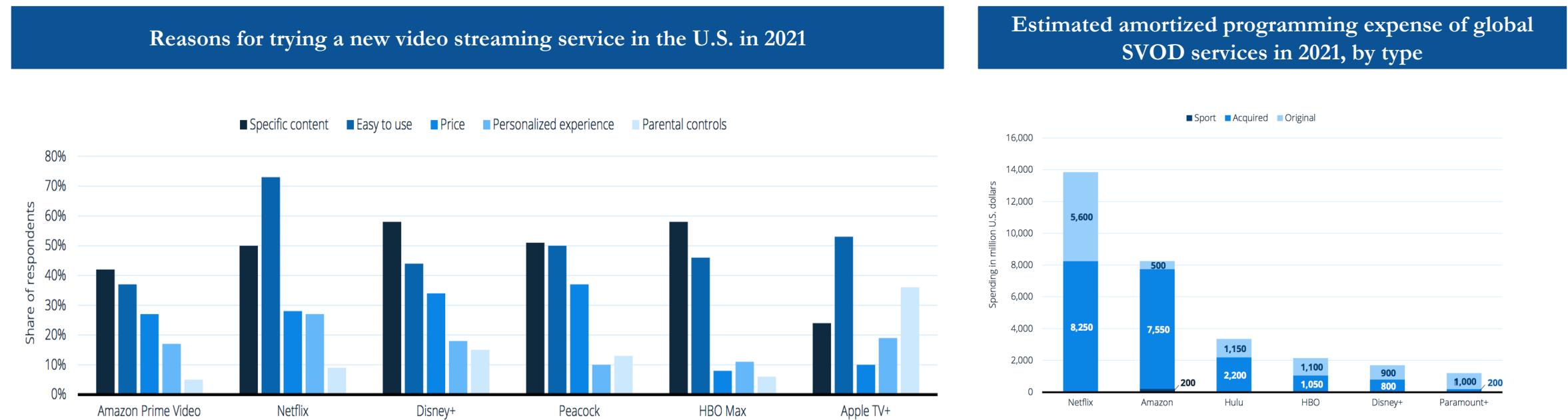
Even though Amazon Prime Video offers significantly more titles, especially Movies, than its competitors, in 2020 its subscriptions accounted for less than half of Netflix's.

However, Amazon's subscribers are expected to grow substantially in the coming years, reaching the same level as its main competitor in 2027.

Like Amazon, Disney Plus has an aggressive growth projection, even surpassing the level of the others in 2026.

Consumer Consideration for New SVOD Platforms

Consumers are significantly more interested if they see the word “original” in the franchise, and new and original content is the second most important reason to subscribe for a streaming service according to Statista. And SVOD service and producers are keep up.



- The main reason why a consumer subscribes to an SVOD platform is its original and/or exclusive content.
- SVOD platforms such as Netflix and Prime Video know that they need to increase the amount of original production of series and films in order not to be dependent on other productions. Indeed, if all the traditional production studios have their own SVOD platform, there will be less exclusive content for players such as Netflix and Prime Video.
- Netflix has been preparing for this trend since it entered the originals market in 2012. In 2014, about 6.8% of spending came from new commissions and grew to about 37.8% of the budget in 2020. As the service becomes more focused on new content, it's expected to be closer to 50% by 2025.
- The budget for original content production is therefore expected to increase.

What Impact Will the Streaming War Have on Investing?

In this section, we explain the internal logic of the why analysing streaming service have important implications for our client when making investment decisions.

Streaming War Impacts

› Increase Subscribers

The sinews of war are the subscribers. Subscribers create demand with their activities on SVOD, which is valuable reference for players on the financing and production side of the value chain.

› Content Expenditure

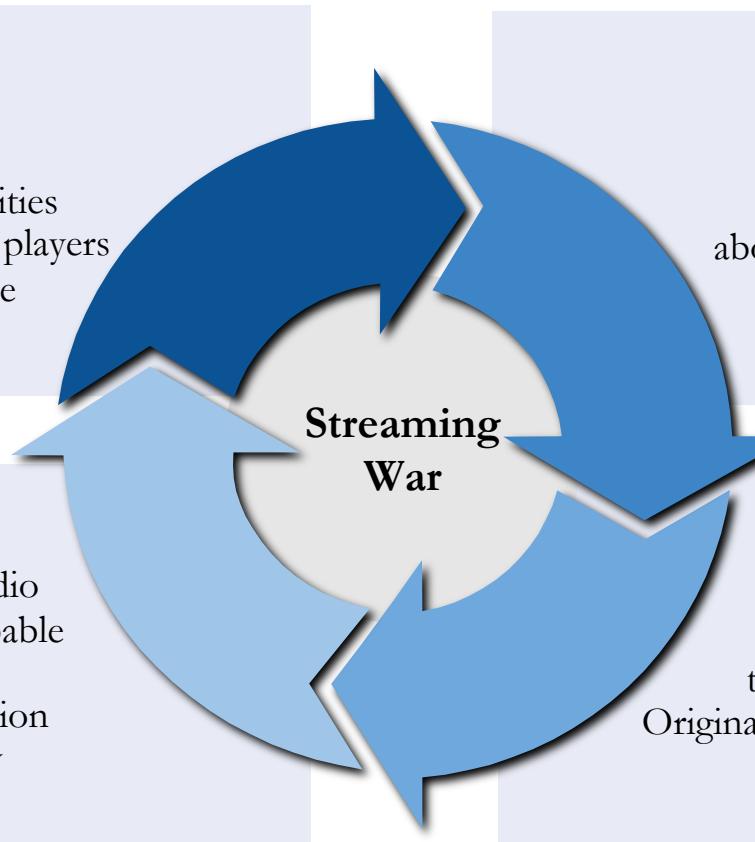
To keep their subscribers and win new ones, SVOD platforms are betting on their contents above all other aspects of the service, since content quality is among the top concerns of their customers.

› Studios Producing Original Content

These platforms either have their own studio but they work with production studios capable of creating a good series. So the focus should be on smaller production studios, special effects companies and new technologies companies.

› Original Content Trend

They plan to invest in original contents that play up to the preference of their customers. Originality in storyline especially, is what the consumers care about the most.

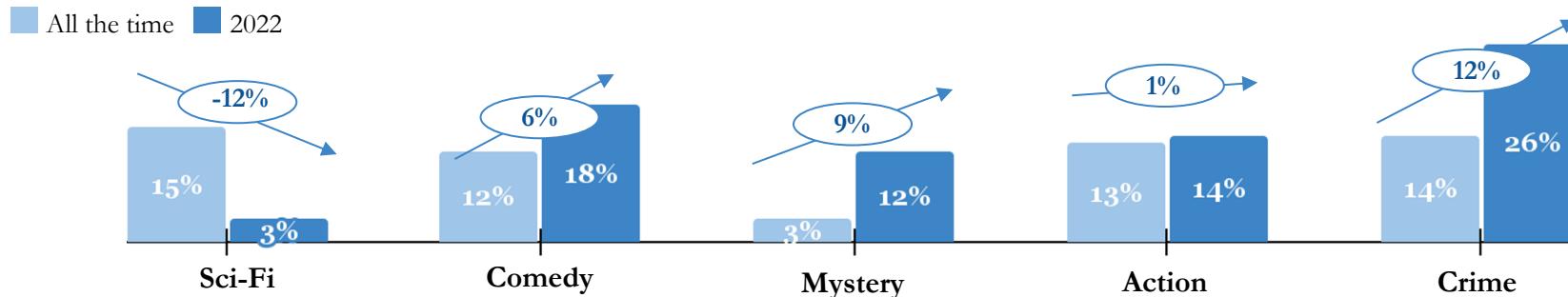


Consumption

Consumer habits: popular genres and demand of diversity

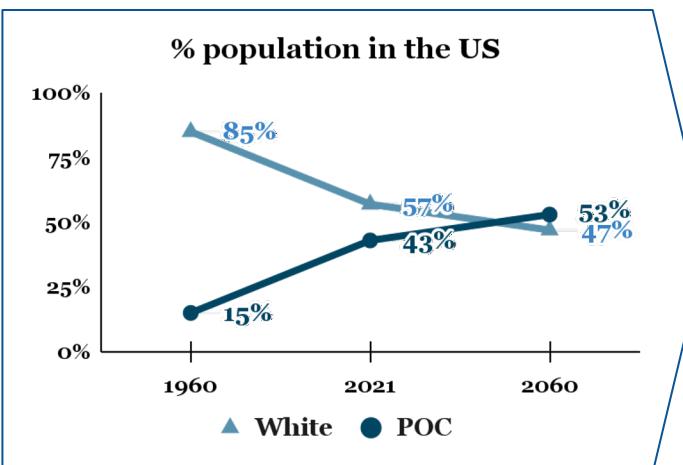
According to the statistics of the top 100 most popular TV series of all time, it is found that consumers' preferences are relatively fixed. The most popular themes are crime, action and mystery. Consumers also showed their demand for contents focusing on racial minority and LGBTQ+ diversity.

1 Percentage of Genres Among the Top 100 Most Popular TV Series of all time and in 2022



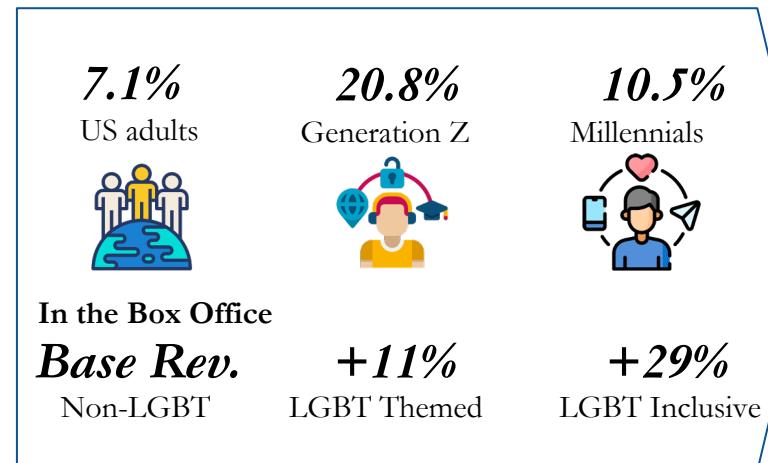
- Crime, Action, Sci-Fi, and Comedy are most popular genres for TV series of all time.
- 2022 becomes the year of crime and mystery.
- Sci-Fi series lost its position in 2022; while action and comedy series hold a strong and steady market share.

2 Emerging demand for contents with diversity



Racial Minorities

- In 2060, More than 50% of Americans will be POC.
- POC has a buying power of \$4.9 trillion, largest increase arises in the Asian market.
- Black adolescents report higher exposure to black-oriented movies targeted at black audience.



LGBTQ+

Favourable LGBT attitude → intention to watch LGBT movies. Portraying LGBT characters as from higher social class is associated with improved box office revenue.

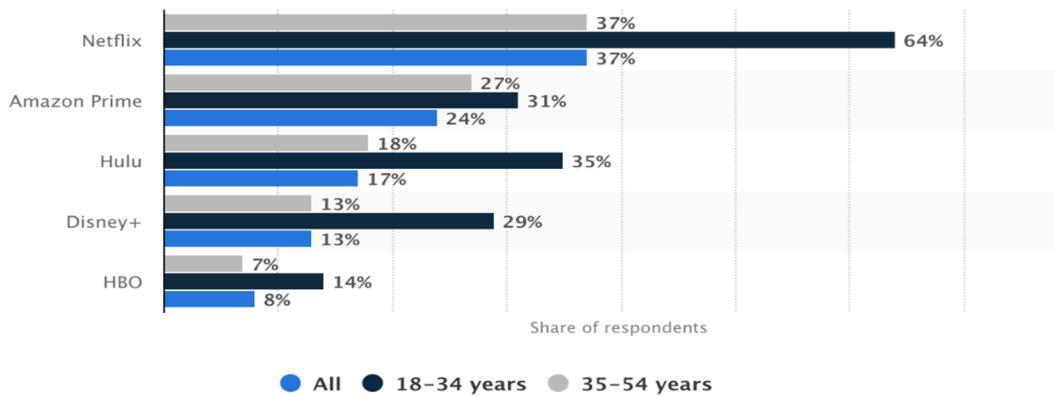
Most remunerative consumers for SVOD Platforms and box office

According to the Statista, the most remunerative consumers for SVOD platforms are younger adults aged between 21 and 34 years old, while the most remunerative consumers in the box office are younger adults aged between 25 and 35 years old, especially men with lady friends.

1 Most Remunerative Consumers for SVOD Platforms

Combining the average age of platforms' users with consumer preferences by generations, we realized that young generations, especially the age group between 21 and 34, are **subscribing to more streaming platforms**.

As youngsters are variety-seekers, subscribing to different services makes them the most remunerative consumers to look at.



2 Most Remunerative Consumers for Box Office

Moviegoers

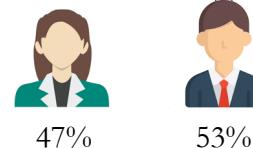
- The 25-35 years old consumers are the most remunerative for box office. They represent 26% of people who go to the cinema.
- Men buy more tickets than women.

Moviegoers by age

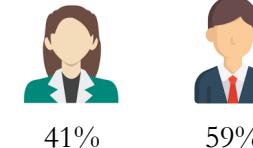
2.6 million 5.3 million 5.4 million 10.7 million 6.3 million 4.2 million 5.5 million

16%	12%	14%	26%	13%	9%	10%
2-11	12-17	18-24	25-39	40-49	50-59	60+

Moviegoers

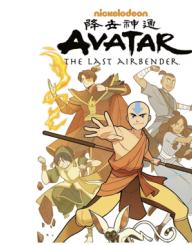
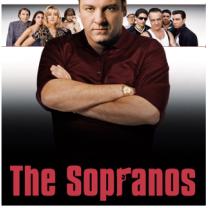


Tickets sold



Top 7 Popular Series: crime and animation domination

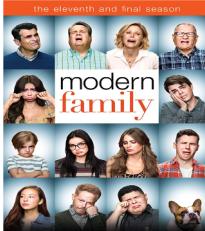
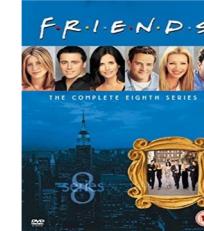
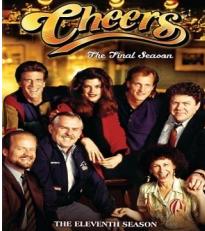
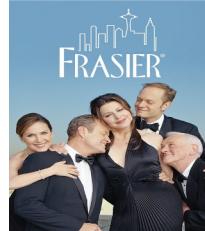
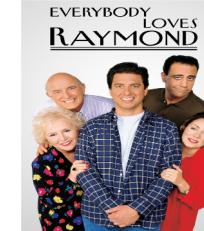
Top seven most popular TV dramas are collected on IMDb. We summarized their production companies, investment scale and production cycle, and analyzed their genres.

	Breaking Bad	The Wire	Avatar	Game of Thrones	Rick and Morty	The Sopranos	Sherlock
							
Genres	Crime	Crime	Animation	Fantasy	Animation	Crime	Crime
Years on Air	5 years	6 years	3 years	8 years	9 years	8 years	6 years
Main Production Companies	High Bridge, Sony Picture	Blown Deadline, HBO	Nickelodeon Animation Studios	HBO, Television 360, Grok!	Williams Street, Rick and Morty	Chase Films, Brad Grey, HBO	Hartswood, BBC Wales, WGBH
Budget/Episode	\$3 million	\$1.5 million	\$15 million	\$10 million		\$2 million	
Avg. Production cycle	7 months	8 months	12 months	12 months	11 months	5 months	

- The top seven most popular TV series are mainly crime dramas and animation. The average time on air is 6.4 years.
- The production cycle of these TV series giants is relatively long, and some even last for one year each season.
- Among these TV series, animation and fantasy series have largest per-episode budget.

Top 7 Profitable Series: comedy domination and long-running time

Top seven most popular TV dramas are collected on IMDb. We summarized their production companies, investment scale and production cycle, and analyzed their genres.

	Modern Family	Friends	The Big Bang Theory	Cheers	Frasier	Seinfeld	Everybody Loves Raymond
							
Genres	Comedy	Comedy	Comedy	Comedy	Comedy	Comedy	Comedy
Years on Air	11	10	12	11	11	9	9
Main Production Companies	Lloyd-Levitin, Picador, Fox	Bright, Kauffman, Crane, Warner Bros	Chuck Lorre, Warner Bros	Bright, Kauffman, Crane, Paramount	Grubstreet, Grammnet, Paramount	Giggling Goose, Fred Barron	Where's Lunch, HBO Independent
Budget/Episode	\$3.5 million	\$10 million	\$9 million	\$4 million	\$7.3 million	\$2 million	\$2.5 million
Revenue/Season	Ad revenue \$0.5 M per min	\$4.8 billion for Warner Bros	Ad revenue \$0.5 M per min	Ad revenue \$0.7 M per min	\$1.5 billion	\$3.1 billion	Ad revenue \$2 M per min

- The top seven most profitable TV series are all comedies.
- Their have longer lasting time on air compared with the most popular ones, on average they lasted for 10.4 years and 10 seasons.

Quantitative methods cross-verified the high profitability of the Animation, Comedy and Crime TV series

Based on the analysis of top 7 most profitable TV series, the duration of TV series becomes a significant indicator for project's profitability. Based on big data regression and descriptive statistics, we summarized the types of TV series with the longest running time.

Cross verification by regression analysis and descriptive statistics

Quantitative Test between Duration and Genres

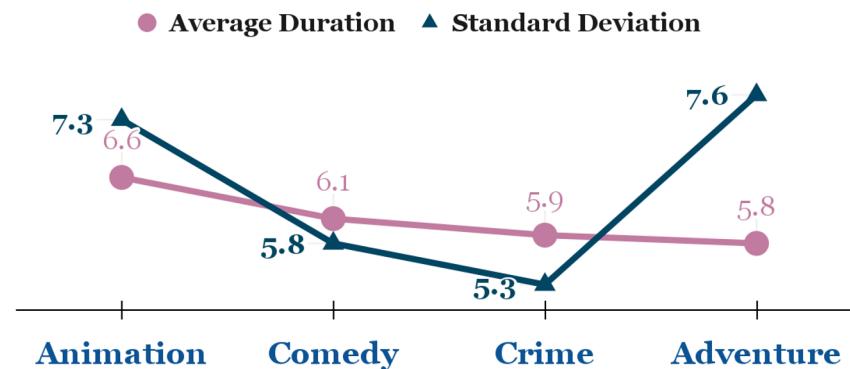
- using 2000 pieces of TV Series Data

$$\text{Duration} = \beta_0 + \{\beta_n\} \times \{\text{Genres}_n\} + \text{ControlVariables}$$

Genres	Animation	Comedy	Crime	Adventure
Coefficient	2.20	1.71	1.47	1.50
T value	4.48	3.99	2.82	1.88

Statistical Result of Average Genres

- using 1943 pieces of TV Series Data

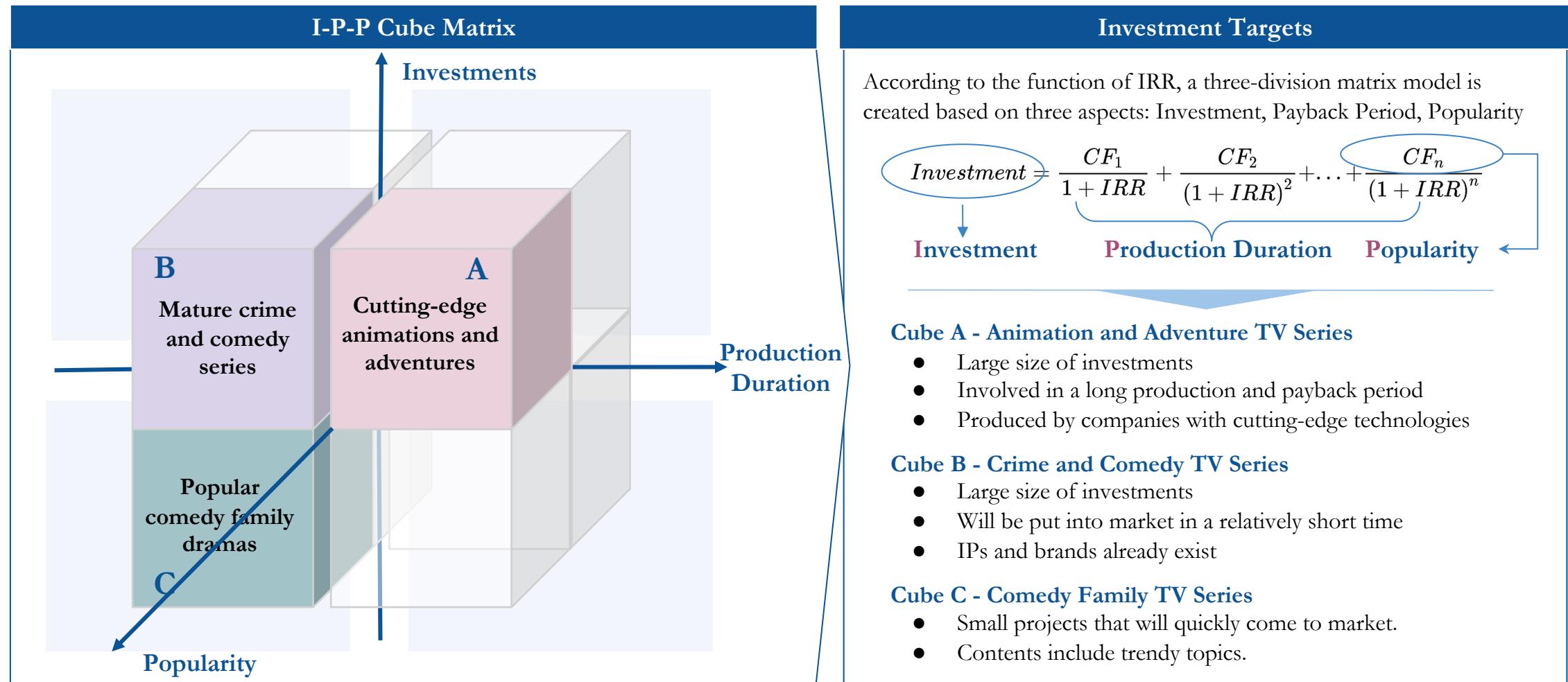


Key Observation

- The result of regression is consistent with the one of descriptive statistics. Animation, Comedy, Crime, and Adventure have largest coefficient with high significance, indicating that these genres have longest running time.
- The standard deviation of adventure dramas is significantly greater than that of other genres, indicating that this kind of TV series has obvious polarization in terms of running time.

I-P-P Cube Matrix: TV series investment targets based on three dimensions

Based on the IRR formula, a Cube Matrix is established to determine the investment target in TV series industry through three dimensions: Investment, Payback duration and Popularity, together combined with our previous analysis of the popularity and profitability of different genres.



Future Threats & Opportunities

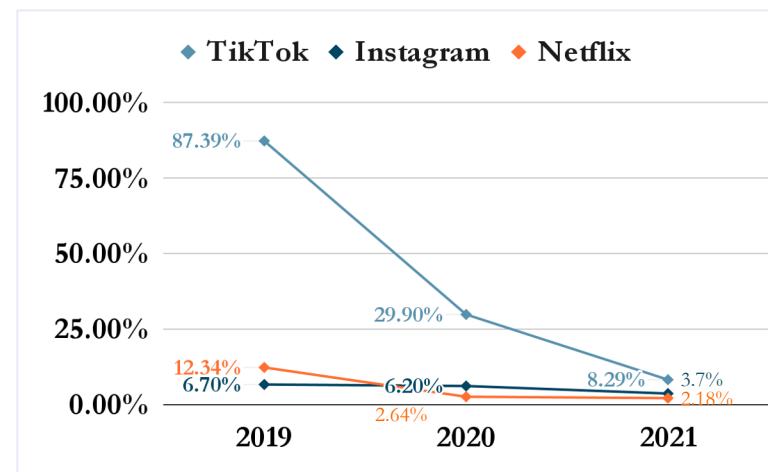
Social Media: Threats and investment strategies

On the one hand, social networks may pose a threat or even become substitutes for SVOD platforms because they take up leisure time and social network users are more numerous. On the other hand, the film and series companies uses social networks as a communication and marketing tool.

Threats

1 Social media users growth in US

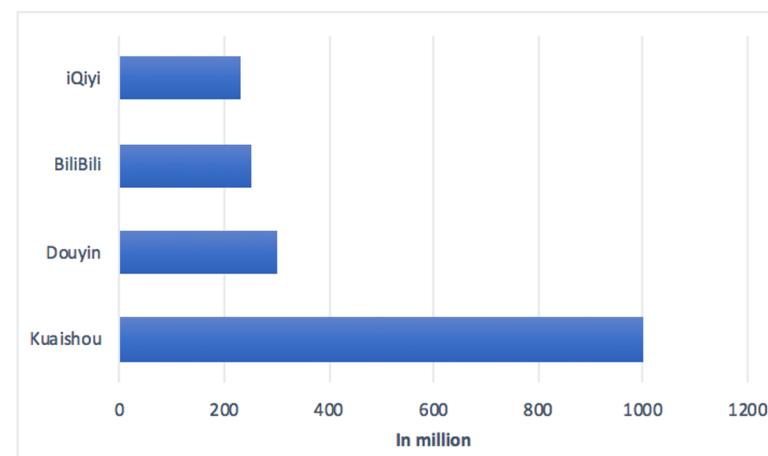
Growth Rate of Social Media Giant vs. SVOD Giant



Over the years, growth rate of number of users for Netflix has been way lower than that of TikTok and Instagram.

2 What is happening in China...

Most popular Chinese Live Streaming Apps



iQiyi, the largest SVOD platform in China, is coming after TikTok in terms of audience shares.

Opportunities

3 Social Media as a Marketing Tool

- A **communication Tool**
- A way to **understand Consumer Behavior**
- A way to **influence Consumer Behavior**
 - Ads
 - Youtube Video partnerships
 - Virality (TikTok short videos, Instagram reels)

Trends in the Value Chain

In this section, we highlight two trends going on in the financing, production and consumption segments of the value chain: tokenization and metaverse. These trends are developing at a fast pace and are expected to change the future of film and series industry.

Tokenization

Tokenization is the process of converting an asset into its digital counterpart and manage it on a blockchain platform. The market of Security Token Offerings (STO) has grown from \$65 million in 2017 to nearly \$19 billion in 2022.

Benefits:

- **Fractional ownership over film rights**, no need for high capital to make an investment.
- **Gain instant liquidity from selling movies**, similar to a stock market.
- **Transparency & Efficiency**. Multiple stakeholders share a common database, making Hollywood accounting easier and efficient.

Risk:

- **Regulation**: mature policies and regulations are very much needed and not yet formed, which poses **instability** on crypto-investment.
- Security: the issuance and maintaining of security tokens can be exposed to **hacker attacks**.

Metaverse Movement

The new online socialisation became significantly relevant during the pandemic, specially in the Americas. This trend open a space for developing new ways to interact to consume immersive experiences.

Benefits:

- Immersive experience for **consuming media content**
- Enables interactive and fluid **production process** especially for animations. With the increasing sophistication of the technology, metaverse avatars can also be used as **digital stand-in** for real people or dead actors.

Risk:

- **Competition for consumers' attention and time from other industry with metaverse**: ie. gaming, social media, and the music industry, etc.

Black Mirror



Baba Yaga



Gloomy Eyes



Lustration



Takeaways and conclusion

Industry Analysis Summary and Conclusion

The analysis of the industry and film value chain allowed us to draw conclusions on the investments to be made in this industry. Here is a summary of what we saw.

Storyline

General Map of Media



Main players and value chain

Talk about segments

Funding Identified the common investment tools in the movie and TV series market

- Producers
1. The Big 5 movies companies
 2. M&A Consolidation for traditional movies companies
 3. Drivers of Movie success
 4. Investors seek new techniques and uniqueness in producers

- Exhibition
1. Video Entertainment Market
 2. SVOD Big players
 3. Impacts of the Streaming War on investing

- Consumption
1. Consumer habits
 2. Most remunerative consumers
 3. Most Popular series

- Trends
1. Social Media
 2. Tokenization & Metaverse

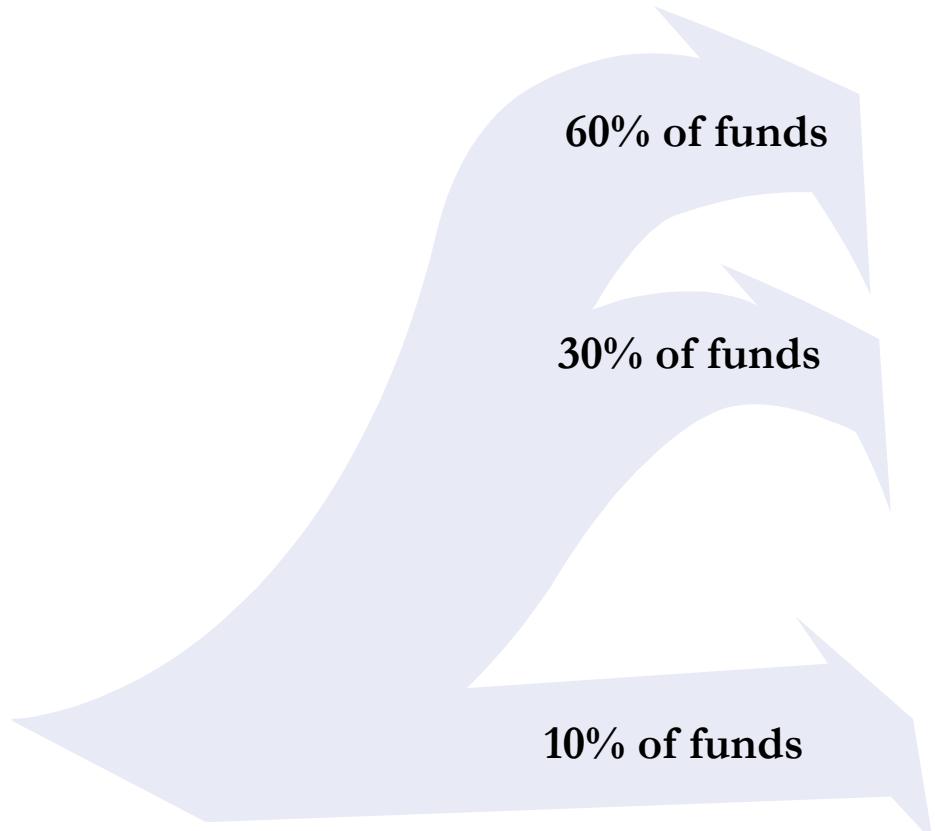
Conclusion

Most promising segments

- Methods:
- company investment
 - project investment
 - Invest in Animation movies.
 - Invest in techs companies and independent brands.
 - No investment opportunity because public equity.
 - More attention to firms cooperating closely with these giant platforms.
 - Focus on crime, action, and animation projects.
 - Consider the possibility to invest in metaverse productions and to invest using tokenized methods.

Proposed Investment Strategies

A three-fold investment strategy has been put forward based on our former analysis of industry, entities and projects. Investment in tech producers and animation projects is highly recommended for their high potential of growth



Method Strategies	Target Strategies
Equity Investment to Production Companies	<ul style="list-style-type: none"> • Middle size production companies with advanced technology for movie and TV series production. • Middle size production companies making innovative contents or for specific group of consumers.
Debt Investment in Film and TV Series Projects	<ul style="list-style-type: none"> • Animation movies produced by large producers. • Large, cutting edge animation and adventure TV Series projects by large producers; large, mature crime and comedy TV series projects that can quickly come into market; small and trendy comedy dramas projects.
Portfolio based on new instruments	<ul style="list-style-type: none"> • Use convertible bond for small producers; use tokens to invest in small production projects. • Construct projects portfolio to balance risks.

Thank You

Q&A