NYU/Stern

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Mergers & Acquisitions

Spring 2023

DRAFT

Schedule: January 30 – March 22, Monday and Wednesday, 9:00-10:20am (13 sessions)

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Course Description:

This is a transaction-centric course, designed to do a deep dive into M&A strategies, structures and techniques as applied to the rapidly evolving, transforming and consolidating EMT (Entertainment, Media and Technology) sectors. EMT companies have experienced dramatic change over the last 20 years. Rapid technological developments, shifts in consumer behavior, and the invention of entirely new media ecosystems have been major drivers of this change. Some companies, like Netflix, have essentially evolved and grown organically. Most though, have looked to M&A as an important element of their corporate strategy.

Students will explore a variety of M&A constructs and issues, including public auctions, spinoffs, take-privates, SPACs, hostile takeovers, activist roles, merger of equals, cash vs stock as consideration, special committees, anti-trust, Reverse Morris Trust and partial buyouts. While there will be some quantitative and valuation analysis, the emphasis of the course will be on real-world, qualitative strategy and decision making – assessing and considering a company's M&A alternatives in realizing its short-term and long-term goals.

Students will analyze a series of completed M&A transactions in the EMT space, and will develop skills with real-world applications in such fields as investment banking, corporate strategy and EMT management. Students will gain a deep understanding of how M&A strategies helped transform a highly vibrant industry.

Course Material:

SEC filings (primarily merger proxies), HBS case studies, Wall Street research reports, financial news articles. Links for all readings will be provided.

Assignments and Grading:

For each class, students will prepare short Briefs, answering four or five factual questions about the reading. Briefs, combined with class participation, will account for 25% of the grade. Class attendance will be mandatory, other than for health reasons, family emergency, religious observance or civic duty. For two out of the 12 sessions, students, in groups of three, will prepare Transaction Write-ups, which should be roughly 3-5 pages in length. Certain Thought Starters will be provided in advance for each Transaction. Students will consider various alternatives available to that transaction participant, and provide an in-depth explanation and analysis of the path taken, as against the alternatives. It will be critical NOT to just summarize the facts of the transaction. Transaction Write-ups will account for 40% of the grade. A Final Exam on the last class session, accounting for 35% of the grade, will test students on the M&A concepts covered in the course.

Instructor Profile:

Eran Ashany is an Adjunct Assistant Professor of Finance at NYU Stern. He is currently a Managing Director and Partner at Allen & Company, a boutique investment bank that specializes in the EMT sector. Professor Ashany primarily focuses on M&A, IPOs, private placements and principal investments in the media, entertainment and consumer internet sectors. Professor Ashany joined Allen in 1988, and has been a Managing Director and Partner since 2001.

Professor Ashany's clients have included Nielsen, IAC, Disney, Fox, News Corp, Viacom, Netflix, Hearst, National Geographic, DreamWorks, Match, Expedia, Weather Company, Madison Square Garden, Indy 500, New York Knicks and Rangers, Rodale, The Knot, Complex, Clear, Quicken, Lending Tree, Graham, Youku and Chris-Craft.

Week 1: (a) Introduction: Twenty years of evolution and revolution in the EMT space. Which players have emerged, which have faded. Has M&A played a primary role, or secondary to innovation and organic growth. What has motivated buyers vs sellers, and to what degree have individual egos and personalities driven the transaction activity. How have transaction outcomes been influenced by different constituencies (control shareholders, public shareholders, management, Boards of Directors, Special Committees, activists)?

(a) and (b) Barry Diller and the transformation of IAC: How did a prominent film and television executive pivot a cable network/TV station operator into a leading e-commerce company? Through dozens of transactions (acquisitions, divestitures, spin-offs, IPOs) over 25 years, IAC has continually evolved its operating focus and financial structure. Its businesses have included USA/Sci-Fi Cable Networks, Universal Television, Expedia, Match, Tinder, HSN, Ticketmaster, Lending Tree, Vimeo, Angie's List, Ask.com and Meredith Publishing. Students will examine a wide range of M&A and spinoff structures, and explore issues and analyze techniques relating to governance agreements, dual class stocks, special committees, shareholder litigation, conglomerate discounts and sum-of-the-parts valuation.

Week 2: (a) Disney vs. Netflix: M&A vs organic growth, two contrasting approaches to building dominant video streaming platforms. Students will compare and contrast differing strategies to building brands, content libraries and distribution channels. Disney has a long history of doing substantial acquisitions (ABC, ESPN, Pixar, Marvel, Star Wars), culminating in the $73 billion Fox acquisition. Students will explore how M&A has been central to Disney's strategy of developing valuable content franchises and cross-selling their content across multiple channels and platforms. And then how Disney responded when it saw the rapid and dramatic change in video consumption behavior. Netflix, on the other hand, has does almost no M&A. Students will compare its strategy to Disney's in scaling and building library, user platforms, distribution channels, geographic reach and brand value.

(b) Deep dive into Disney's acquisition of Fox. Why did Disney choose to do by far the largest acquisition in its history? Why did Rupert Murdoch switch from a life-long consolidator of media businesses into a seller? Understanding takeover battles, auction dynamics, use of premium pricing and different forms of consideration, as Disney and Comcast compete for Fox, BskyB and Hulu. Why is Fox still a public company? Students will analyze bidding and negotiating strategies between three of the industry's biggest competitors, as well as how anti-trust issues may have impacted the outcome.

Week 3 (a) and (b): Horizontal mergers, Viacom-CBS, Discovery-Scripps, Live Nation-Ticketmaster. What do companies do if the stock market perceives that they are being "left behind." Is this a defensive or offensive strategy? Impact of stock prices on M&A strategy, and vice-versa. Students will analyze how cost synergies, market share expansion and new geographic and product opportunities impact valuation. Students will examine merger-of-equals transactions, stock vs. cash as consideration, role of family trusts and control stock, and anti-trust issues.

Week 4: Vertical Acquisitions: Big, new entrants into the media space, and the U.S. government doesn't like it!

(a) **AT&T acquires Time Warner**, the largest media transaction in history (as well as DirecTV). Why did a phone company try to turn itself into the world's largest media company, and did this influence the M&A strategy of other industry players? Why did the U.S government challenge the transaction (did CNN have something to do with it)? And why did AT&T change its mind merely three years later, selling Time Warner and DirecTV? Students will explore these issues, as well as compare AT&T's approach to Verizon's media strategy. Did AT&T influence the M&A strategy of other industry players? Students will also examine the Discovery-Time Warner merger, learning about Reverse Morris Trust structures.

(b) **Amazon acquires MGM**, the first major M&A foray of the digital giants into the entertainment industry. Why was Amazon willing to pay more than other industry players who could potentially benefit from consolidation economics? How did MGM emerge from bankruptcy and in about a decade realize an $8.5 billion valuation? Is this the beginning of a trend…could we see companies like Apple, Google and Facebook also buy their way into the entertainment industry…or will they take the Netflix approach, choosing to grow organically? What does it mean that the deal is completed, but that the FTC might still challenge the transaction? Students will examine these issues, as well as compare and contrast this vertical acquisition to AT&T-Time Warner, as far as potential strategic benefits.

Week 5: The role of financial buyers in fueling the growth (and valuations) of consumer internet companies.

(a) **Private equity buyers.** Since the 1980's, these financial buyers have generally acquired highly profitable companies using significant leverage. How then, over the last decade, have they become major buyers of consumer internet companies that are unprofitable? Students will learn about the shift from Enterprise Value/EBITDA and PE multiples to Revenue and Monthly Active User (MAU) multiples as key valuation metrics. How do these buyers realize their target IRRs while utilizing less debt? Students will do a deep dive into Permira's and Spectrum's acquisition and combination of XO Group (fka The Knot) and Wedding Wire. Students will gain an understanding of private equity's role in creating a major e-commerce company in a niche vertical (online wedding planning).

(b) **Special Purpose Acquisition Companies (SPACs)** – What are they, where did they come from, what role do they play? SPACs have gone in and out of favor for the last 30 years, continually dying away, only to be resuscitated by Wall Street in a different form. 2020 and 2021 were record years for SPACs, both in terms of money raised and deals completed, but in 2022, they have again fallen out of favor. Many independent digital media companies (BuzzFeed, Vice, Vox, Group Nine) were rumored to be exploring selling themselves to SPACs, but only BuzzFeed completed its transaction. Students will gain an understanding of these complex acquisition vehicles, including such aspects as trust accounts, sponsors, warrant structures and PIPEs, as well as the various economic incentives they create. Using BuzzFeed as a case study, students will learn why SPACs seemed appealing to many EMT companies, and understand the pros and cons of selling to a SPAC.

Week 6 (a) and (b): The role of the activist in instigating and accelerating change in the EMT space. Students will examine a wide range of tools that activists use, including proxy contests, pushing for asset sales or spinoffs, calling for management changes and putting forth acquisition proposals. Are activists like the hostile takeover artists of old? Are they value-added to the Company and its shareholders, or are they just benefitting themselves? Students will examine Elliott Management's four-year involvement with Nielsen, where Elliott deployed the full activist tool chest, culminating in its $16 billion acquisition of Nielsen. Did Nielsen consider takeover defense strategies? How did Elliott influence and impact Nielsen's efforts to transform itself from a linear into a digital-oriented media company? Did Elliott aggravate or alleviate some of the operating challenges that Nielsen was facing?

(b)Course conclusion – Looking back and looking forward. What does today's media landscape look like relative to 20 years ago, and what might it look like 10 years from now? Students will have a chance to apply what they learned, and make their own predictions about who the winners and losers may be, and what major M&A transactions we may see down the road.

Week 7(a): Final Exam