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Media & Entertainment
Global Capital Confidence Barometer

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A note from Will Fisher, EY Global Media & Entertainment Transaction Advisory Services Leader

The 18th Media & Entertainment Capital Confidence Barometer reveals a significant focus on acquisitions, supported by releasing capital via divestments

Media and entertainment executives remain focused on M&A in 2018, driven by confidence in business fundamentals and the near-term performance outlook, along with a longer-term need to strategically position the portfolio for future growth.

Dramatic increase in dealmaking intentions

In EY's 18th Media & Entertainment Global Capital Confidence Barometer, respondents are positive about the M&A market, with 72% expecting it to improve in the next 12 months, up dramatically from 47% six months ago. Respondents also cite strong expectations for dealmaking, with 60% expecting their M&A pipeline to increase over the next 12 months and 63% expecting a greater number of deal completions, compared with the previous 12 months. Among midsize and larger media and entertainment companies, the strategic imperative to pursue acquisitions remains strong. Approximately 55% of companies with revenues of $1B or more intend to pursue acquisitions in the year ahead. Generally, media and entertainment companies' targets today are businesses that add scale, differentiate their content portfolio, or fill gaps in their technology, talent or content.

At the same time, 74% of executives say that their last portfolio review identified an asset to divest. They are looking to shed businesses that no longer fit their core strategy, have slower growth profiles than their core assets or require significantly more capital allocation than core assets.

Confidence in performance

Executives remain highly confident in their current performance – 100% expect improving or stable corporate earnings in the sector. What's more, 100% also see the global economy in which they operate as stable or improving. From a position of confidence, media and entertainment executives are exercising deal discipline on the buy side and exploiting opportunity on the sell side – engaging more tactically above the fray of heated M&A competition and heightened regulatory and political uncertainty.

Heated competition

The number of media and entertainment executives who see an increase in dealmaking competition in this Barometer (88%) has almost doubled in six months – mainly (67%) because of a surge in activity by private equity funds. Three-quarters (75%) say they have failed to complete a deal or have walked away from one in the past 12 months – mainly (61%) because of competition from other buyers or disagreement on price/valuation.

Changing boardroom agenda

Portfolio transformation is the top priority for boardrooms, with 73% of respondents identifying it as one of their top three concerns for the next six months. At the same time, boards' attention has pivoted somewhat toward increasing economic and political uncertainty (now up 25 points in six months, to 40%), and regulatory and government intervention (now up 18 points in six months, to 21%). Digital transformation and shareholder activism remain important, with 21% and 38%, respectively, of boards citing them as important.

Media & Entertainment highlights

M&A outlook

72%
see the M&A market as improving

60%
plan to increase their M&A pipeline

75%
have failed to complete a deal or have walked away from one in the past 12 months

Portfolio transformation

73%
say that portfolio transformation is at the top of their boardroom agenda

74%
identified an at-risk or underperforming asset to divest during their most recent portfolio review

67%
expect increased competition for assets from private equity

Macroeconomic environment

70%
see the global economy as improving

87%
expect improving corporate earnings globally

52%
see geopolitical tensions as a key risk to their business, and a similar number cite political uncertainty

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