

Mediawan & Leonine Studios – Streaming United for Global Competition

The alliance of two European content powerhouses, Mediawan of France and Leonine of Germany, presents exciting investment opportunities as spending by streaming platforms rises to meet the surging demand for local premium content.



Sami Favre

Vice President
Petiole USA Limited



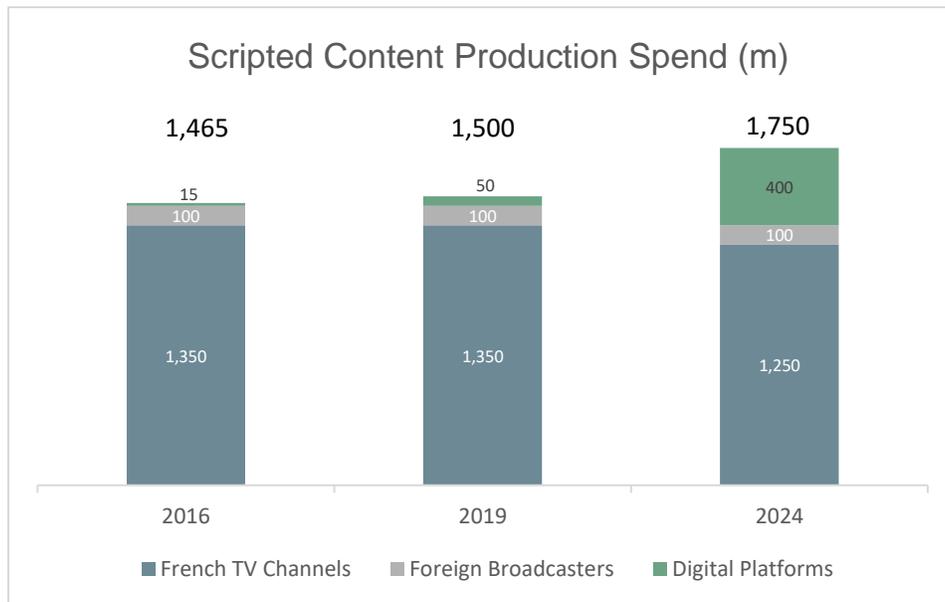
Karma Istanbuli

Analyst
Petiole USA Limited

Accelerating Content Demand Fuels Streaming Wars

Amidst the COVID-19 pandemic last year, major over-the-top (OTT) [1] streaming platforms were launched, including Disney+, Apple TV+, and Peacock, and quickly dominated video consumption alongside PayTV and conventional broadcast services. The increased usage of smartphones, smart TVs and 5G boosted digital consumption and shifted global consumer preferences from traditional media to digital platforms. According to Park Associates, the average monthly US consumer spending on OTT services doubled from \$8 in 2018 to \$16 in 2020, while the Motion Picture Association noted that worldwide streaming subscriptions rose to more than \$1.1 billion in 2020 from less than \$400 million in 2016.

Due to the rising demand for premium digital content, streaming platforms are boosting spending on production to meet demand and compete with thousands of new entrants. The Walt Disney Company remains the biggest global spender on content in 2020, spending a gross total of \$28.6 billion. Netflix announced it will spend over \$17 billion on content in fiscal 2021. The Digital Entertainment Group estimates that consumer spending on OTT platforms grew 21% in the first half of 2021 to \$12.2 billion.



Source: McKinsey

Structural Growth in the European Content Market

As the US market became saturated and global viewers sought more locally relevant content, streaming giants like Netflix, Amazon, and Disney allocate billions of dollars to produce original content overseas, targeting the masses of potential international subscribers.

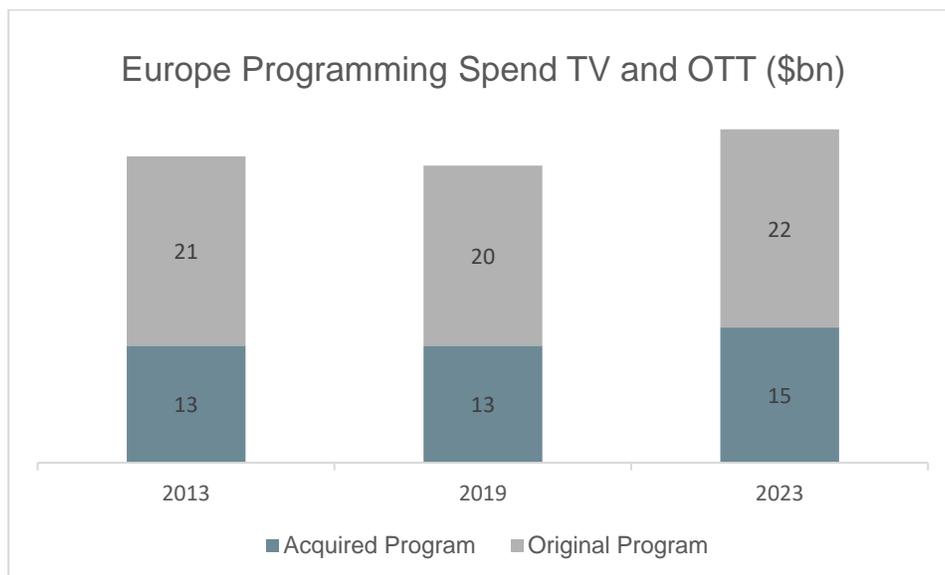
In 2020, Netflix became the largest producer of original content in Europe, which prompted regulations on global OTT players in the region to protect established local broadcasters and distributors. The Audiovisual Media Services Directive allows each European country to implement laws that require OTT platforms to spend up to 30% of their revenue on the production of local original content, with France expected to be among the first in Europe to enact legislation that would require OTT players to spend 25% and grow from €50 million in 2019 to €400 million by 2024 in digital platform spending. Similarly, demand for local content in Germany is growing as US content becomes less relevant to German viewers.

The rise in audio-visual content consumption, fragmented demand, and growing interest in local content is accelerating production globally and in Europe.

Mediawan & Leonine Studios

Against a backdrop of surging demand, massive spending, and regulatory tailwinds, Petiole invested alongside KKR in the alliance of Mediawan and Leonine, clear market leaders in France and Germany respectively, to establish a leading European content platform.

TV production in France is quite fragmented across more than 20 production houses. Mediawan has been a leading independent French content platform operating the entire value chain including producing, distributing, and publishing audio-visual content across Europe, and is best known for producing the hit Netflix show Call My Agent. Through mergers and acquisitions, Mediawan owns strong brands in France, Italy, Spain, the Netherlands, Finland, and Senegal. The company leads in the number of hours produced for TV movies and series, and with its leading capabilities, strong reputation and high-quality shows, Mediawan is well-positioned to achieve above-market growth.



Source: KKR

Back in 2019, Petiole co-invested with KKR in the consolidation of four leading German media companies - Tele München Group, Universum Film, Wiedemann & Berg Film, and Information & Unterhaltung TV Produktion - to form the company Leonine, an integrated content production, distribution, and licensing company that is best known for the highly praised Netflix original series Dark.

Mediawan & Leonine Studios transform two leaders in their respective national markets into a leading media content platform across Europe with scale benefits and exciting growth prospects. The combined portfolio of 61 production houses in Europe will internationally expand the development of intellectual property (IP) through co-productions and co-financings. The consolidated platform will attract more talent and develop a stronger library of rights, allowing Mediawan and Leonine to co-finance more productions in-house and retain profitable IP rights.

Mediawan and Leonine collaborate on European and international co-production, theatrical production, licensing, and animation. Together, they already have 500-600 hours of annual fiction production, 2,000 hours of non-fiction production and more than 500 creative talents.²

Unlimited Content Consumption and Spending

The rapid trend towards online media consumption has only been accelerated by COVID-19 lockdowns and stay-at-home orders. A London-based research company predicts spending of \$250 billion on content from global streaming services by end of 2021.

In addition, the pandemic has demonstrated that content demand is non-cyclical while content consumption is counter-cyclical. Daily online content consumption worldwide has spiked since the start of COVID-19, driven largely by OTT platforms.

Despite speculation that the industry may be near its peak in terms of content, the boom in the number of streaming services and their users is only accelerating the industry growth further with ample opportunities for expansion.

¹ OTT is any online content provider that offers streaming through the internet. Examples include Netflix, Hulu, Amazon Prime Video.

² Variety. Keslassy, Elsa. July 8 2021

Disclaimer

This presentation was issued by Petiole Asset Management AG (“PAM”) on October 15, 2021 and is provided to you for informational purposes only and contains proprietary information that may not be reproduced, distributed to, or used by, any third parties without PAM’s prior written consent.

This presentation is not intended for citizens or residents of the United States of America or “US Persons” as that term is defined in “Regulation S” of the US Securities Act of 1933. If any, no investment products presented here are permitted for sale under the Securities Act of 1933 or any other regulation applicable in the United States. Accordingly, no investment product may be offered or sold directly or indirectly in the United States of America to residents and citizens of the United States of America or to “US Persons”.

All information, figures, calculations, graphs and other numerical representations appearing in this presentation have not been audited and may be subject to change over time. Furthermore, certain valuations (including valuations of investments) appearing in this presentation are subject to change as they may be based on either estimates or historical figures that do not reflect the latest valuation. Although all information and opinions expressed in this presentation were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is made as to their accuracy or completeness. The information contained herein is not a substitute for a thorough due diligence investigation. Past performance is not indicative of and does not guarantee future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units. Exit timelines, prices and related projections are estimates only, and exits could happen sooner or later than expected, or at a higher or lower valuation than expected, and are conditional, among other things, on certain assumptions and future performance relating to the financial and operational health of each business and macroeconomic conditions.

PAM makes no representation or warranty, express or implied, with respect to any statistics or historical or current financial data, whether created by PAM through its own research or quoted from other sources. With respect to any such statistics or data delivered or made available by or on behalf of PAM, it is acknowledged that (a) the investor takes full responsibility for making its own evaluation of the materiality of the information and the integrity of the quoted source and (b) the investor has no claim against PAM.

To the extent this presentation contains any forecasts, projections, goals, plans and other forward-looking statements, such forward-looking statements are inherently subject to various parameters, most of which are difficult to predict and many of which are beyond PAM’s control and may cause actual performance, financial results and other projections in the future to differ materially from any projections of future performance, results or achievements expressed or implied by such forward-looking statements.

Investors should not place undue reliance on these forward-looking statements. PAM undertakes no obligation to update any forward-looking statements to conform to actual results or changes in PAM’s expectations, unless required by applicable law.

PAM makes no representation or warranty, express or implied, with respect to any financial projection or forecast. With respect to any such projection or forecast delivered or made available by or on behalf of PAM, it is acknowledged that (a) there are uncertainties inherent in attempting to make such projections and forecasts, (b) the investor is familiar with such uncertainties, (c) the investor takes full responsibility for making its own evaluation of the adequacy and accuracy of all such projections and forecasts so furnished to it and (d) the investor has no claim against PAM.

This presentation represents a summary of certain information, the full terms of which are contained in a Private Placement Memorandum that should be reviewed for a more complete understanding of the investments and their risks. In addition, this presentation does not constitute and should not be construed as investment advice, tax or legal advice, an offer to sell, or a solicitation to buy, any instrument or other financial product, nor does it amount to a commitment by PAM to make such an offer at present or an indication of PAM’s willingness to make sure an offer in the future.

Petiole Asset Management AG is a company limited by shares with registered address at Bahnhofstrasse 64, 8001 Zurich, Switzerland and is authorized as investment manager by the Swiss Financial Market Supervisory Authority FINMA.

All rights reserved. Copyright © 2021 Petiole Asset Management AG