Business Development in Media and Entertainment

Spring 2016
Thursday, 2nd half
Room: TBD

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COURSE BACKGROUND

The course is designed to provide students with an understanding of the business development process in the media, information and entertainment industries. The course explores the intersection of strategy, corporate finance, sales/marketing and executive/board decision-making in media enterprises. Specifically, we will examine how media businesses develop new market and product strategy, how they evaluate the market potential for new business opportunities, finance them and measure results.

The course is intended to provide practical exposure to the fundamental skills required of professionals in media and entertainment business development. Students will be expected to be reasonably facile with straightforward applications of basic corporate finance concepts such as Discounted Cash Flow, ROIC, comparable company analysis, valuation, income statement forecasting, etc.

The course will include several guest speakers who will share their experiences in conceiving, developing, acquiring, financing and executing business development projects in various media markets. Each session will involve a mixture of discussion, speakers and case analysis. Students will be expected to participate actively in class discussions.

COURSE REQUIREMENTS

Grading
Cases 30%
Class Participation 40%
Final Project 30%

INSTRUCTOR POLICIES

Attendance: As there are only 6 sessions in the course, students are expected to attend each session and participate actively.
Cases: Students are expected to fully prepare all assignments in advance of class and be prepared to discuss them in detail. Three of four “write-up” cases must be submitted in writing at the beginning of the class in which it was assigned.

READINGS:
- Cases to be distributed/posted
- Public company filings, news articles, research reports to be distributed/posted

GUIDELINES FOR WRITTEN CASES
1. All cases write-ups are to be typed, double-spaced, 12-point font. Maximum length 2 pages of text plus one additional page of analysis/exhibits if needed.
2. Poor, disorganized writing will diminish your grade
3. Analyze, don’t summarize
4. Use data from within and out of the case materials to support conclusions
5. Support your conclusions by examining alternatives and describing the pros and cons of each

ASSIGNMENTS
1. Students are not required to purchase the assigned textbook and other articles, however they are required to complete the assigned readings.
2. Each student will be required to submit three of four case write-ups
3. Final Project / Case
SESSION 1, April 2 – Introduction – What Exactly IS Business Development?
The opening session will develop a framework for understanding the various elements of the business development process, roles within the organization, and the interaction of the elements and participants in the creation and evaluation of new ventures. We will explore entrepreneurship within media businesses. We will discuss how risk is allocated within large organizations.

Readings:
- Sorensen, Preface, Chapters 1,2 and 4

Time Warner, Disney, CBS, Viacom and News Corp. – Review most recent 10Ks and/or annual reports and corporate websites for case

Case: Business Development in Big Media (No write-up required)

SESSION 2, April 9 – New Products, Services and Markets
This session will explore the role of the business development professional in translating a media business’ objectives and strategy into practical solutions. We will look at how new business development ideas are evaluated against a company’s strengths and capabilities and within its market. Focus will be on financial analysis of new markets, expansion in existing markets and new product or service launches.

Readings:
- Sorensen, Chapters 3,5 and 10

Netflix documents
LA Times 20 September 2011;
Barclays Capital 10 October 2011 Research Report - posted

TWTR
S-1 filing (especially Our Market Opportunity, Growth Strategy and Management’s Discussion and Analysis) – find online

Discussion Questions:
1. Is TAM (total addressable market) important to new business development?
   a. How is TAM measured in the context of Media and Entertainment?
   b. How big is TWTR’s TAM?
2. How are budgets and financial forecasts developed – does the process work generally?
   a. What do you think TWTR’s budget looks like?
   b. When will TWTR turn profitable?

Case: Netflix (write-up)
In this session, we will examine the strategic and financial analysis of internally developed new business ventures, especially in the entertainment industries. We will explore internal evaluation and investment criteria and analysis, benchmarking and results measurement.

Readings:
- Sorensen, Chapter 13
- Pro-Music, Investing In Music (posted)

Discussion Questions:
1. Which analytical approaches are most relevant to evaluating new business ventures?
2. Which are least relevant/informative?
3. As a senior executive, what are the most important things you want to understand about the financial impact of a new venture?
4. What other impacts (reputational, organizational, etc.) do you consider important?

Case: Recorded Music Case – The Stern Looks (write-up)

Speakers: TBD (Last year: John Hadity, EVP, Entertainment Partners)

SESSION 4, April 23 – Strategy and Financial Analysis Part II – Tactical Acquisitions
This session will delve further into the analysis and financial decision-making processes of business development, particularly in the context of acquisitions. We will look at the various analyses employed and their interpretation. We will focus on small “tuck-in” or tactical acquisitions, as opposed to large-scale transformational deals. Analysis will include DCF, ROIC and accretion/dilution analysis. We will go into the thought process senior management uses to evaluate acquisitions in the context of financial forecasting.

Readings:
- Sorensen, Chapter 12 (skip section 3)

McGraw-Hill Companies/Capital IQ documents – posted ex. 10-Q
Press Release – 8 September 2004;
Equity Research – 9 September 2004, Bear Stearns, Michael Meltz;
McGraw-Hill Companies Form 10-Q, 30 September 2004
Summary Financial Spreadsheet
Discussion Questions:
1. What analytical approaches are most relevant to evaluating acquisitions?
2. Which are least relevant/informative?
3. What analyses are most relevant to media companies?
4. As a senior executive, what is the most important thing you want to know about the financial impact of an acquisition?
5. What other impacts (reputational, organizational, etc.) do you consider important?

Case: McGraw-Hill’s Acquisition of CapitalIQ (write-up)

Speaker: TBD (Last year: Alex Berkett, EVP of Business Development and M&A, Townsquare Media)

SESSION 5, April 30 – Strategy & Financial Analysis Part III – Divestitures and JVs
This session will explore divestitures and joint ventures in the context of business development. Students will analyze the effect of divestitures on the value and financial performance of media businesses. The session will also explore the structure of media JVs and how these can affect value creation.

Readings:
- Time Warner Spin-off of Time Inc.
  Equity Research – 3 December 2013, Wells Fargo
  Time Inc. Form 10-12B/A; 31 December 2014

- Penguin – Random House Joint Venture
  Press Release – 1 July 2013
  News – 29 October 2012 Bloomberg.net, Amy Thomson

Discussion Questions:
1. How do divestitures enhance shareholder value?
2. What criteria should be employed to (i) identify divestiture targets and (ii) determine when to divest?
3. How do divestitures affect a company’s market position and relationships with customers?
4. What are the key issues related to the formation of joint ventures?
5. Why are JVs particularly well or ill suited to the media industry?

Cases: Spin of Time Inc. from Time Warner (write-up)

Speakers: Philip Hoffman, EVP Strategy and Business Development, Pearson
Charlie Engros, Senior Partner, Head of Media Practice, Morgan Lewis
SESSION 6, May 7
We will wrap up the course with an extensive case study. The case will provide students an opportunity to perform an in-depth analysis of a business development project in a large media enterprise. Students will choose between two media companies and will be tasked with identifying and evaluating a logical business development project for their chosen company – whether an acquisition, new venture, JV, or divestiture. Any relevant and appropriate analyses should be incorporated. Critical to the analysis will be (i) an argument for the logic of the project in the context of the acquirer’s overall strategy and (ii) a convincing argument for why the project creates long-term shareholder value. Final submissions will include a written evaluation of the case. Students will also be required to make a brief presentation “pitching” their proposals to the instructor and guest evaluator(s).

Written case analysis should be no longer than 6 pages. In addition, students may prepare a slide presentation of no more than 5 pages for their presentation to the panel. Depending on the number of students in the class, students should form teams of 3-5 members for this final assignment.

Case: Business Development Proposal for Twitter or Viacom

Executive Panel: TBD (Last year: Scott Flanders, CEO, Playboy Enterprises; Josh Epstein, Head of Strategy, Viacom)
INSTRUCTOR

John Fargis is a Managing Director and Head of the Media Investment Banking Group for Jefferies LLC, the global investment banking company within Leucadia Group. At Jefferies, Mr. Fargis leads the firm’s global coverage of Media, Information and Entertainment companies. Mr. Fargis advises senior media management, business development and operating executives on all aspects of their corporate and financial strategy and execution. With over 15 years experience banking the media industries, Mr. Fargis has worked with companies such as Time Warner, Hearst, Thomson Reuters, Reed Elsevier, McGraw-Hill, Manchester United, News Corporation, Springer Science, Pearson, DreamWorks, Miramax, Playboy Enterprises, TV Azteca and American Media, as well as with numerous media-focused private equity sponsors. He has executed merger and acquisition transactions and public and private equity and debt financings with aggregate value of well in excess of $100 billion.

Prior to joining Jefferies in 2008, Mr. Fargis was a Senior Managing Director at Bear Stearns for fourteen years in the Media Investment Banking Group, where he was responsible for coverage of publishing, advertising and information clients. Mr. Fargis also previously worked in Bear Stearns’ Technology Group as co-head of Software investment banking and in the Financial Sponsor coverage group. Before Bear Stearns he was employed by BlackRock Financial Management and Chase Manhattan Bank. Mr. Fargis received an MBA in Finance and Entrepreneurial Studies from UCLA/Anderson in Los Angeles, CA and a BA in International and Comparative Political Studies from Hamilton College in Clinton, NY.