NEW YORK UNIVERSITY
Stern School of Business

Spring Term 2011
Investment Banking and Private Equity in Media and Entertainment Finance

Instructors:
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Course Description:

The past decade has been a period of dynamic transformation for the media and entertainment industry. Due to the advent of new technologies and content distribution platforms, volatile and active capital markets, shifts in the global landscape, and changing strategic direction, the media and entertainment industry has continued to evolve. New players have emerged and consolidation has changed the face of the industry.

In 2006 and 2007, the media and entertainment industry became a prime target for private equity companies, with key players including Univision and Clear Channel acquired in multi-billion dollar leveraged buyouts. This phenomenon introduced a new facet to deal making and continues to impact the media and entertainment landscape today. From 2008 through 2010, the meltdown and subsequent recovery of the credit markets once again completely altered the deal making environment. The impact of the boom and bust in private equity transactions is only partially underway and will continue to take shape over the course of the semester. This course will cover the changes that occur real time as the semester unfolds and the market continues to evolve.

Another key trend this class will explore is the impact of Internet and new media companies on the traditional media and entertainment industry. The continuing shift of media and advertising consumption to online platforms and the convergence of new and traditional media platforms has caused a shakeup in the media and entertainment industry and posed great challenges for the traditional players. The continued development of content creation and delivery vehicles online, the emergence of leading cross-over media and technology players such as Google, and the impact of strategic tie-ups is shifting the media landscape at an unforeseen pace.

This course will focus on the role of investment banking and private equity in impacting the evolving media and entertainment industry. The course will analyze the fundamental tools of investment banking and private equity, including company and sector valuation techniques, leveraged buyout, and merger and acquisition analysis, with a specific focus on how these tools are applied to the media and entertainment industry. Based upon an understanding of these fundamental tools, the course will examine the major sectors of media and entertainment, including radio and TV broadcasting, outdoor advertising, publishing, cable distribution and cable networks, internet, and general entertainment. Many of the classes will involve a discussion of business and operating strategy, valuation, the players, competition, and recent and prospective consolidation of the sectors. Through the use of case studies on major transactions that have occurred in recent past, students will be provided with an in-depth view of the role of investment
banking and private equity in transforming the media and entertainment industry.

Professors Finkel and Grovit specialize in the areas of media and entertainment investment banking and private equity. They have provided strategic advisory services to, and participated in significant financing transactions for many of the leading media companies in the U.S. and abroad during the past decade. They have extensive experience with mergers and acquisitions, venture capital, private equity and public financing for a broad range of companies in the media and entertainment sector.

**Spring 2008 Course Outline**

**Overview of Class Sessions:**

1. **Class Introduction**
   The class will provide an overview of the subjects to be covered during each week of the semester. Students will discuss their objectives for taking the class, their background in media (if any) and their level of financial training, enabling the professors to better tailor the class. The class will also provide an overview of the primary trends impacting the media and entertainment industry today. Topics discussed will include the growth of new media and Internet, the impact of new technologies on traditional media, the importance of content vs. distribution, vertical integration vs. asset separation, consolidation, and advertising fragmentation. The class will also include a discussion of diversified media conglomerates and an introduction to particular media sectors.

2. **Financial Valuation Part I: Fundamentals of Media and Entertainment Companies**
   The class will provide a framework for understanding how media and entertainment companies are valued by public and private investors. Techniques that will be covered include common stock comparisons, acquisition comparables, discounted cash flow, free cash flow and sum of the parts analyses.

3. **Financial Valuation Part II: Fundamental of Media and Entertainment Companies**
   The class will focus on the financial tools used by private equity investors, with particular emphasis on leveraged buyout analyses. It will also discuss the private equity deal process, including due diligence, projection analysis, financial exit considerations, deal tactics and financing sources. We will also discuss the role of the mega private equity funds, their impact on the media and entertainment industry and an overview of how private equity firms are investing in distressed debt.

4. **Media Sectors Overview: Distribution**
   The class will involve a review of the movie theater exhibition, radio broadcasting, outdoor, cable and satellite television industries, including evolution of the industries during the past decade, analysis of major players, valuation particular to the industry, recent and prospective consolidation, regulation, current trends and new technologies. We will discuss stock price performance, business fundamentals, recent and prospective financial growth, and financing considerations.
5 Media Sectors Overview: Content
The class will involve a review of the cable networks, publishing, advertising, music and film industries, including evolution of the industries during the past decade, analysis of major players, valuation particular to the industry, recent and prospective consolidation, regulation, current trends and new technologies. We will discuss stock price performance, business fundamentals, recent and prospective financial growth, and financing considerations.

6 Guest Speaker
During this session, we will bring into class an executive from the media and entertainment industry to provide real world insights into the challenges of managing and developing a business in today’s environment.

7 Restructuring of Capital Structures
The class will discuss current techniques that private equity firms and media CEOs are using to fix the capital structures of many of their companies. Tactics that will be discussed include equity cures, bond refinancings, amend and extend agreements with senior lenders, debt exchanges and in some instances in and out of court bankruptcy negotiations.

8 Univision Case Study
This class will be devoted to a detailed analysis of the $14 billion leveraged buyout of Univision by a group of private equity sponsors announced in 2006. Univision is the dominant Spanish-language media company in the U.S. (television, radio, music and Internet) and its acquisition by private equity sponsors represented the largest media LBO ever when announced. This class will discuss Univision’s business segments and financial performance, as well focus on the specifics of the leveraged buyout (including competition for the acquisition, interest of other strategic actors, impact of foreign ownership laws, valuation of the acquired company, deal tactics, structure of the acquisition, and financing sources). We will also discuss key developments from the date of the LBO to today.

9 Guest Lecturer
During this session, we will bring into class an executive from the media and entertainment industry to provide real world insights into the challenges of managing and developing a business in today’s environment.

10 Wrap-Up Class
This class will provide a review of everything that has been discussed throughout the semester. We will also use this class to discuss any topics that were not covered in previous classes and that students would like to discuss.

11 Student Final Presentations
12 Student Final Presentations

Course Grading

Final presentation: 75%
Class participation: 25%