DRAFT

NYU STERN

UB68 | Financial Analysis in Entertainment, Media & Technology

THE EMT PROGRAM

Schedule: Wednesdays 4:55 pm ~ 6:10 pm (14 sessions)
Location: Tisch Hall (TBD)
Instructors: Tom Cha, CFA, Adjunct Assistant Professor
Office Hours: 6:15 pm Wednesday and/or by appointment at Tisch Hall 803
E-mail: tcha@stern.nyu.edu

Course Description:
This course is designed for students who intend to pursue careers across the investment banking industry as well as those exploring careers in marketing, corporate strategy and management. Students will analyze recent and ongoing transactions to make the material topical and relevant.

This course provides analytical tools that reinforce and build upon concepts learned in introductory corporate finance by applying them to recent and ongoing transactions in entertainment, media and technology (EMT). Areas covered include equity and debt analysis, mergers and acquisitions, and corporate development.

The course exposes students to a broad array of corporate transactions, some of which have been highly successful, while others have proven challenging. We examine each of the nine cases from the vantage point of company management, shareholders and debt holders. Cases discussed/analyzed include:

- **Snapchat vs. Facebook vs. Twitter**: IPOs in Social Media
- **Activision Blizzard King**: M&A in Video Games
- **NFL**: New Digital Media Initiatives and Economics
- **Apple vs. Samsung**: Financial Analysis in Technology
- **Alphabet vs. Apple**: Equity Analysis & Investing in Technology
- **Hulu vs. Netflix**: Business Analysis in Internet Media
- **CBS & Viacom**: Equity Analysis in Media Entertainment
- **Comcast vs. Charter**: M&A Analysis in Cable
- **AT&T & DirecTV**: Debt Analysis and Debt Capital Markets in Communications

Guest Lecturers:
Guest lecturers are integral part of the course. Executive level guest lecturers will share their insights and behind-the-scene stories to bring the cases studies to life.

- **Blake Stuchin, Vice President, NFL:** Discuss digital media and sports rights
- **Sandeep Gupta, Executive Director, Barclays:** Discuss behind-the-scene stories on M&A
- **Allyn Arden, Executive Director, S&P:** Discuss ratings discussion with debt issuers
- **Edmund Lee, Managing Editor, Re/Code:** Discuss a broad range of topics in technology
- TBD: Media/Internet Equity Analyst

Prerequisites:
Corporate Finance required

Course Material:
Lecture notes (will be handed out in class in advance)
Related news articles (links provided)

Grading:

Category	Weight (%)
Class Attendance/Participation	35%
Final Project	65%

Module 1: Overview – Understanding the distinctive characteristics of EMT sectors

Discussion Points:

- Explore the business and financial models across the value chain
- Learn critical components of analysis (industry, company, competitive, financial, regulation, egos)
- Learn financial and operating metrics used to analyze EMT companies
- Understand the regulatory climate and the key players that shape the agenda
- Multiple revenue streams and ARPU
- Competition
- Egos of media moguls and corporate governance
- Illustration of revenue flows in the ecosystem

Module 2 : CBS & Viacom: Equity Analysis in Media Entertainment

In 2004, Sumner Redstone decided to split Viacom into Viacom ("GrowthCo") and CBS ("DividendCo") to provide alternative investments that would be more appealing to investors: CBS was a high cash flow, mature, low growth company that would pay a significant dividend while Viacom would have greater investment opportunities and grow shareholder value.

After more than 10 years since the split, the fortunes of the two companies have reversed. Viacom is struggling to grow and CBS is steadily growing while paying a significant dividend. During this module, students will:

- Understand the factors that drive equity valuations and movements in earnings
- Examine revenue profile and assess revenue and earnings growth forecast
- Examine advertiser mix to assess revenue and earnings volatility
- Understand key valuation metrics such as cash flow multiples and sum-of-the-parts
- Explore the relationship between public and private market valuations
- Understand the factors that drive corporate decisions

Module 3: Comcast vs. Charter Communications: M&A in Cable

In this module, we will develop analytical tools to assess feasibility of M&A proposals while discussing the takeover of Time Warner Cable by Charter Communications. We will highlight unique analytical factors in the cable business and financial models so that you will be able to evaluate the implications of merger and potential merger synergies. We will use the interactive models to see how different financial and valuation metrics are being factored into merger proposals.

Discussion Points:

- History of the cable industry and the mid-term outlook on cord cutting and cord shaving
- Competition
- Drivers for consolidation
- Evaluating merger synergies
- Scale & scope in the cable business model
- Regulatory environment & constraints on consolidation
- Shareholder and bondholder interests
- M&A scenario analysis

Module 4: Snapchat vs. Facebook vs. Twitter: IPOs in Social Media

In February 2017, Snapchat filed its plans for an IPO that could value it at $25 billion or more. In this module, we will examine three social media IPOs to understand the underlying business models and factors so that you will be able to evaluate the IPO valuations. In this module, students will:

- Explore the evolution of social media
- Learn the operating and financial metrics to analyze social media companies
- Understand the mechanics of IPO and IPO valuation

Discussion Points:

- Social media industry, including competition and anticipated impact on market share
- Social media operating and financial metrics
- User growth trends and TAM analysis
- Snap's growth strategy and future
- IPO Valuation scenarios, peer/comp analysis

Module 5: Hulu vs. Netflix: Business Analysis in Internet Media

Hulu is a joint venture of Disney, FOX, NBC Universal and Time Warner and is an online video streaming service offering a selection of TV shows, clips, movies, and other streaming media on Hulu.com. Hulu subscribers have access to episodes from ABC, FOX, NBC and CW the day after they air. During this module, students will:

- Understand the evolution of disruptive innovations
- Assess the impact on incumbents and consumer behavior
- Examine challenges of allocating financial resources to emerging platforms in a rapid paradigm shift
- Revolution in home entertainment industry and disruptive technologies impacting the incumbent's business
- The Innovator's Dilemma: The Disruptive Innovation
- Content obligations and accounting implications

Module 6: NFL: New Digital Media Initiatives and Economics

This module is designed to study the economics of National Football League to understand financial dynamics involving sports media rights in the context of evolving digital media landscape.

Discussion Points:

- History and background of NFL
- League economics/ecosystem and franchise value

- Media rights across multi-platforms
- NFL on Twitter
- Future of NFL

Module 7: Activision Blizzard King: M&A in Video Games

Activision, which is known for the Call of Duty and World of Warcraft games, has positioned to capitalize on fast-growing smartphone-based mobile gaming through acquisition of King Digital Entertainment, the maker of Candy Crush Saga. The $5.9 billion acquisition not only gave it access to the fast-growing mobile gaming industry, but also helped save $ 1 billion in taxes by using $3.6 billion of offshore cash to fund the acquisition of King Digital Entertainment Plc. In this module, students will:

- Explore the video game industry's present and future opportunities, including e-sports
- Learn the operating and financial metrics to analyze video game companies
- Understand the mechanics of merger transactions and merger valuation analysis

Module 8: AT&T: Debt Analysis & Capital Markets in Telecom

Faced with a changing media ecosystem and growing dividend burden, AT&T agreed to acquire DirecTV for $48.5 billion, or $67.1 billion including debt. The acquisition increased AT&T's scale and scope in the pay-TV market and gave AT&T access to fast-growing Latin American markets. During this module, students will:

- Explore DirecTV acquisition and examine merits of the acquisition
- Understand the current trend in the debt capital markets such as syndication and execution
- Understand the perspective of credit rating agencies and debt investors
- Learn the methods used by rating agencies to assess financial risks
- Understand the relative credit profile and value of comparable debt instruments

Module 9: Apple vs. Samsung: Financial Analysis in Technology

As society evolves into a mobile-centric society, Apple and Samsung have grown at an exponential pace and now dominate the mobile devices market. However, despite their leading positions, the valuation of both Apple and Samsung trade on relatively low multiples. In addition, as mid-range and low-end devices gain share, their competitive positions are changing. During this module, students will:

- Understand the factors that drive growth
- Compare and contrast R&D, manufacturing and the impact on cost structure, profitability and sustainability
- Assess long term competitive advantages and financial growth potential

Module 10: Apple vs. Alphabet: Equity Analysis in Technology

In terms of total market value, Alphabet and Apple are two of the most valuable companies in the U.S. However, in relative value terms, Apple is half as cheap as Alphabet. During this module, students will:

- Understand the factors that drive equity valuations in technology
- Compare and contrast the valuations of Alphabet and Apple in the context of respective business strategies and technology obsolescence risk
- Understand key valuation metrics such as earnings multiples that are different from media and entertainment industries