

M&A Update June 2020-June 2021

Telecom & Media



Table of Contents

Summary:	3
M&A drives investment in media and telecommunications	

Total Transactions by Company:	4 - 5
By volume and by value	

Impacts of COVID-19 and Valuations:	6 - 7
Investments fuel innovation and growth	

Conclusion:	8
Media giants continue to battle for market share	

Summary

Changing Trends in Media and Telecom Will Drive M&A Volume

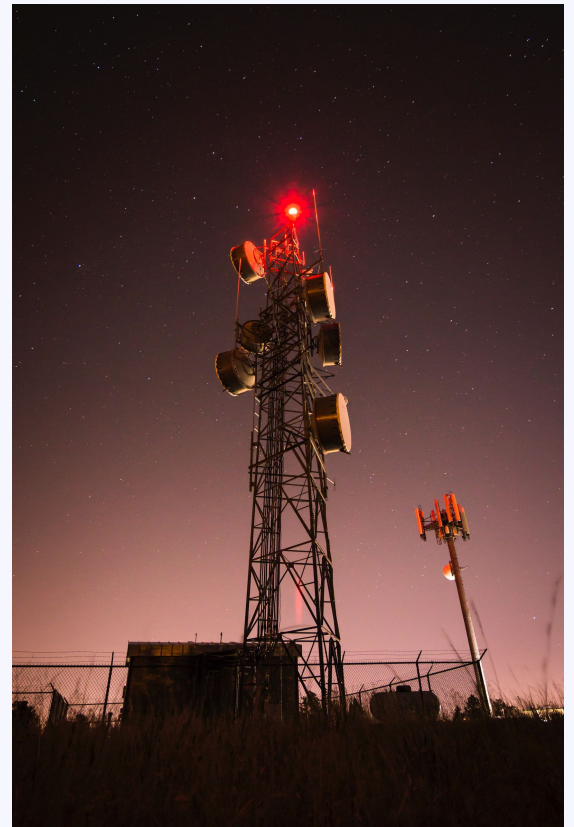


Media Landscape Adapts and Changes

Telecom and media took off as a result of people turning to in-home entertainment during lockdowns. Media giants were able to utilize their large cash balances to take advantage of this opportunity to acquire more content and market share. Coming out of the pandemic, there will be hotter competition as more players infiltrate the media space with new acquisitions and larger catalogs. Even as lockdowns are lifted, streaming will continue to play an integral role in entertainment consumption. Disney and Warner Bros. Discovery have announced intention to release new titles on their respective streaming platforms as well as in theaters.

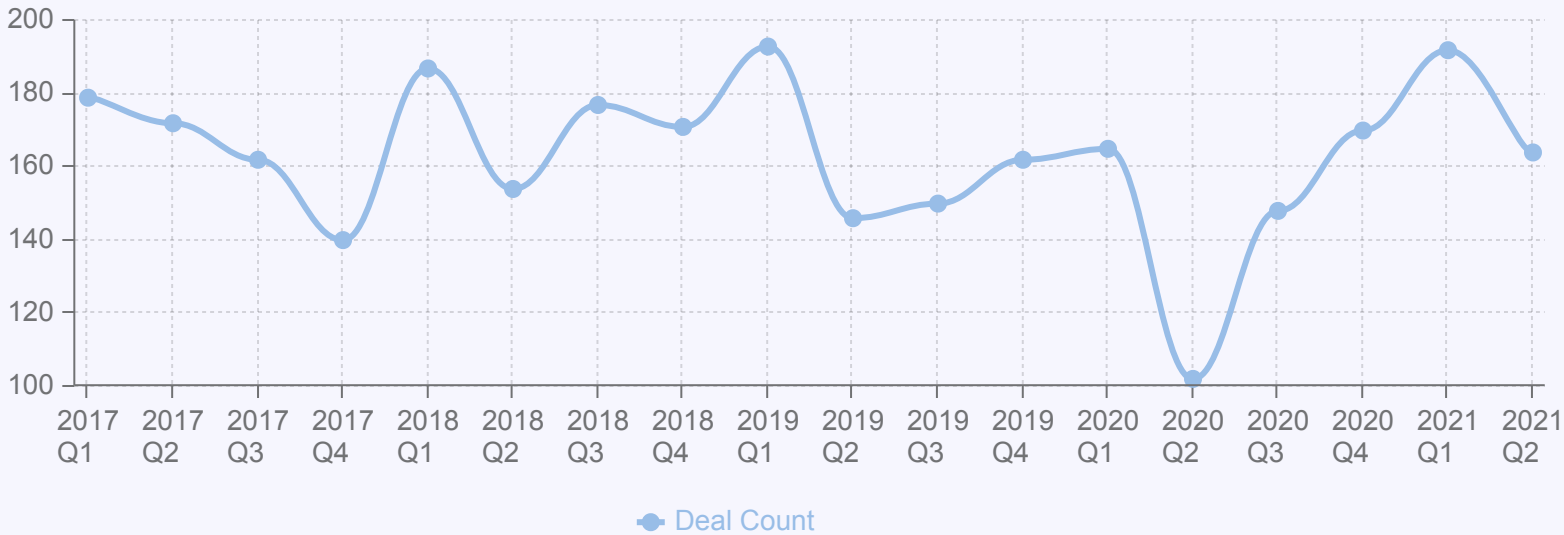
Faster Internet Requires Updated Infrastructure

With entertainment and communications relying on internet connection more heavily than ever, infrastructure to supply faster and more reliable upload and download speeds will play a crucial role in developing the future of the media and telecom industries. Telecommunication companies (telcos) are undergoing a transformational phase of development with 5G, fiber optic, and Internet of Things (IoT) technologies. M&A activities are expected to increase as telcos enlarge network capacities and accelerate the rollout of 5G. This transition also means telcos will need to reevaluate asset portfolios and identify opportunities for divestment of non-synergistic and non-accreditve business units.



TOTAL TRANSACTIONS: 2020-2021

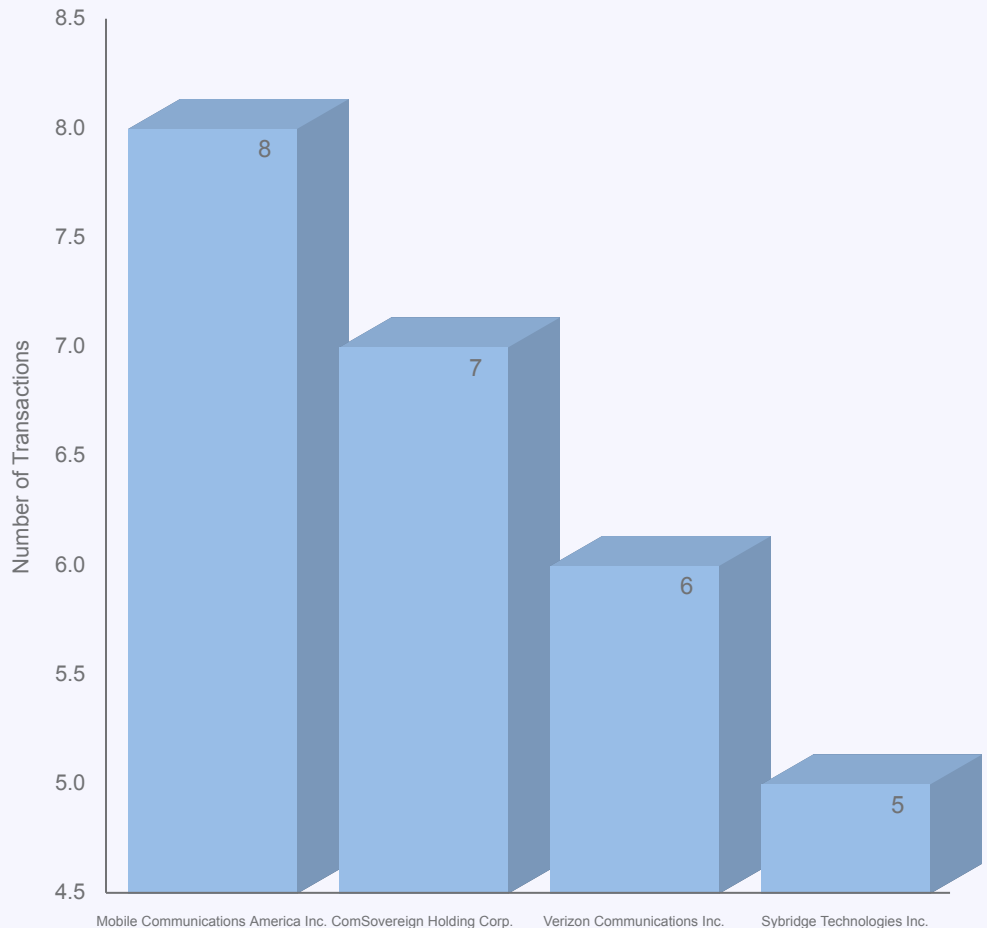
Global M&A Deal Volume: Number of Transactions Per Quarter Telecommunications and Media Industries



Wireless Communications Expansion

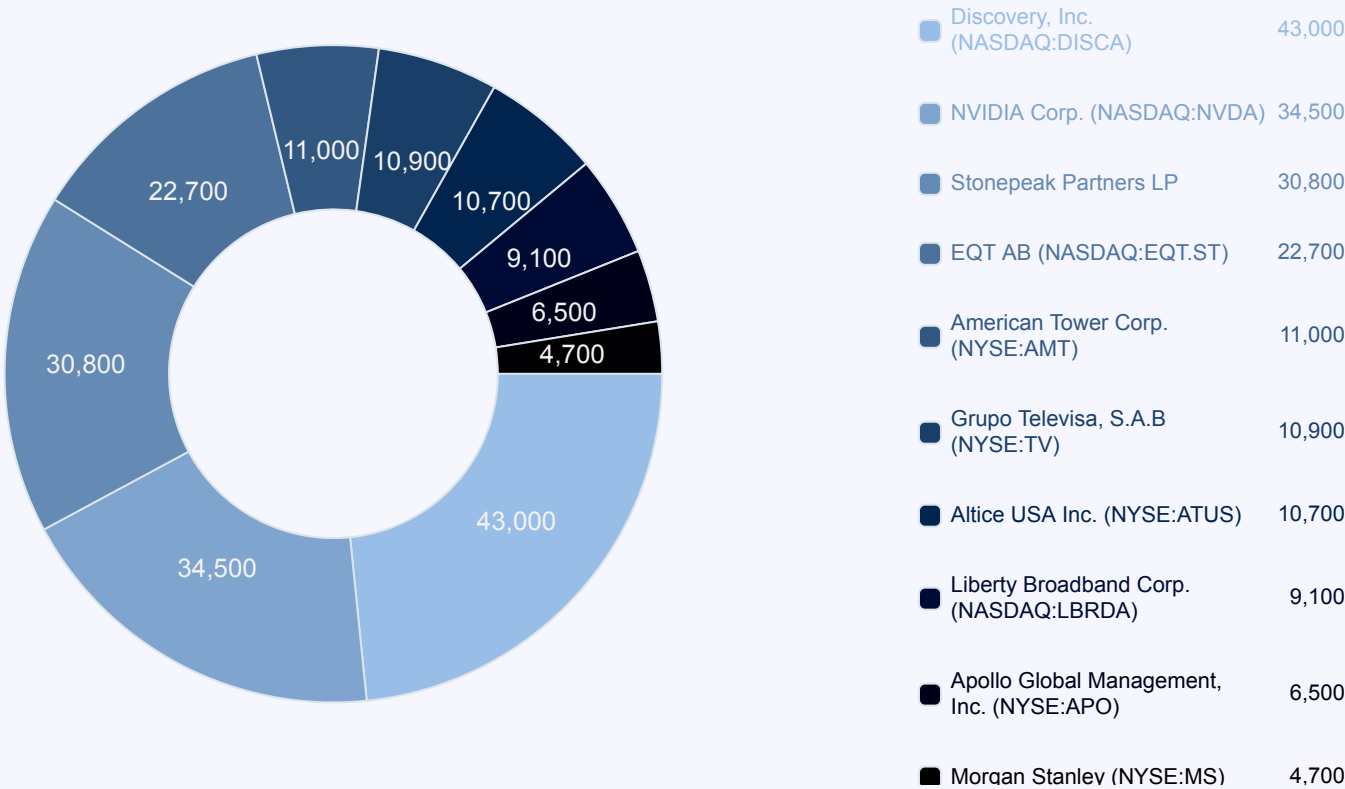
Mobile Communications America, Inc. (MCA) led the telecommunications and media M&A the past year with the largest number of transactions. MCA is one of the largest voice, data, and video solutions providers and is Motorola's most trusted partner. MCA's recent acquisitions have been targeted at expanding its security network, with recent purchases of intrusion detection and video surveillance software company CodeLynx Inc., as well as security system service S3 Integration, LLC. These acquisitions will allow MCA to continue to enhance the core services of the business: safety, security, and operating efficiency of modern workplaces.

Most Active Investors by Number of Transactions (U.S. 2020-2021)



TOTAL TRANSACTION VALUE BY COMPANY: 2020-2021

Most Active Investors by Transaction Size
Values in Millions (\$)



Media Giants Continue to Expand

The global media war heats up as telecom giant AT&T has announced a \$43 billion deal to combine its content unit TimeWarner Media with Discovery, Inc. The merger will create a new media company under the name of Warner Bros. Discovery to rival Netflix and Disney. The new media giant would create new business separate from AT&T's mobile internet service at a value upwards of \$150 billion including debt.

The Future of Telecommunications Technology

NVIDIA Corp. and SoftBank Group Corp. have entered into a definitive agreement under which NVIDIA will acquire ARM Ltd. in a transaction valued at just under \$35 billion. This acquisition will create a premier computing company for the age of artificial intelligence and communication while expanding into large high-growth markets.

COVID-19 Recovery

Telecom and Media Experience Major Shifts Towards the Future

5G Building the Infrastructure for the Future

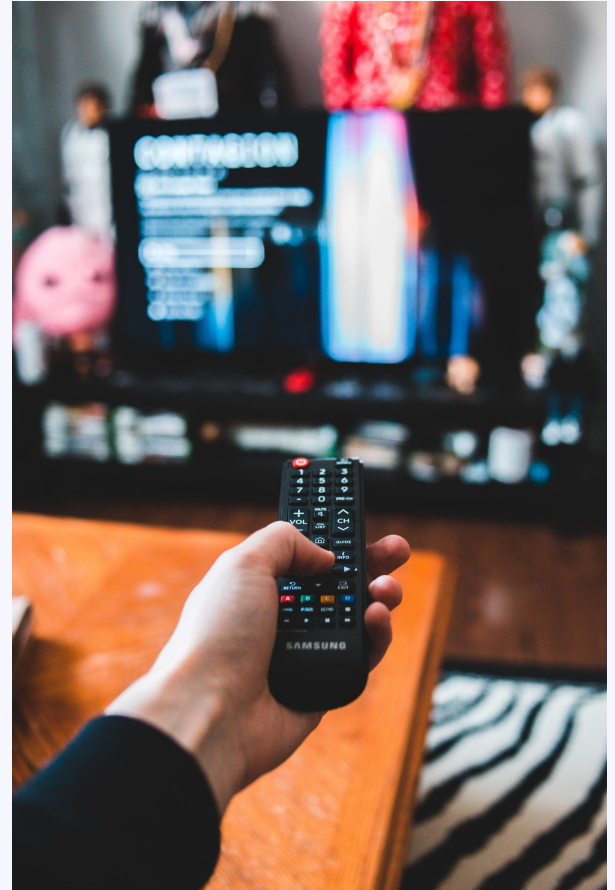
The pandemic sped the technological innovation in internet connectivity out of necessity, but as infection rates slow across the globe, the dependence on faster internet speeds both at home and away increases. Companies are investing in 5G technologies to supply the demand for better connectivity, as this will be the backbone for emerging sectors such as streaming and videoconferencing. Significant investment will be necessary to develop 5G, fiber, and broadband infrastructure to support growing consumer demand for faster internet. Many companies will utilize M&A to make these investments in coming years.

Streaming Wars Heat Up

Broadcasting and cable deals have declined as consumer preferences shift to the rise of streaming services. Large media companies have utilized M&A to bolster their libraries of online content in order to gain market share in this increasingly competitive environment. While large companies like Amazon and AT&T look to acquire companies like MGM Studios and Discovery Inc. respectively, media giant Netflix is looking to expand its entertainment capabilities by adding video games into its product line. Netflix has hired a former Electronic Arts (EA) and Facebook executive to lead the effort.

Private Equity Storms the Market

Typically in the past, private equity has accounted for a fraction of over deal volume, but in the past firms have taken a much more active role in M&A in the telecom and media industries. In the second half of 2020, 171 private equity deals were made, along with 176 in the past six months. Special purpose acquisition companies (SPACs) have taken a more active approach as well, with major deals including TPG's investment in DirectTV and Apollo's purchase of Yahoo/AOL. Private equity will likely play an integral role in these industries as companies reevaluate business models and sell non-core assets.



Valuations

Over \$250 Billion
of Disclosed Deal
Value: June 2020-
June 2021

Average Deal Value (Millions of \$)	1,200
Average TEV/Revenue	1.83
Average TEV/EBITDA	7.88

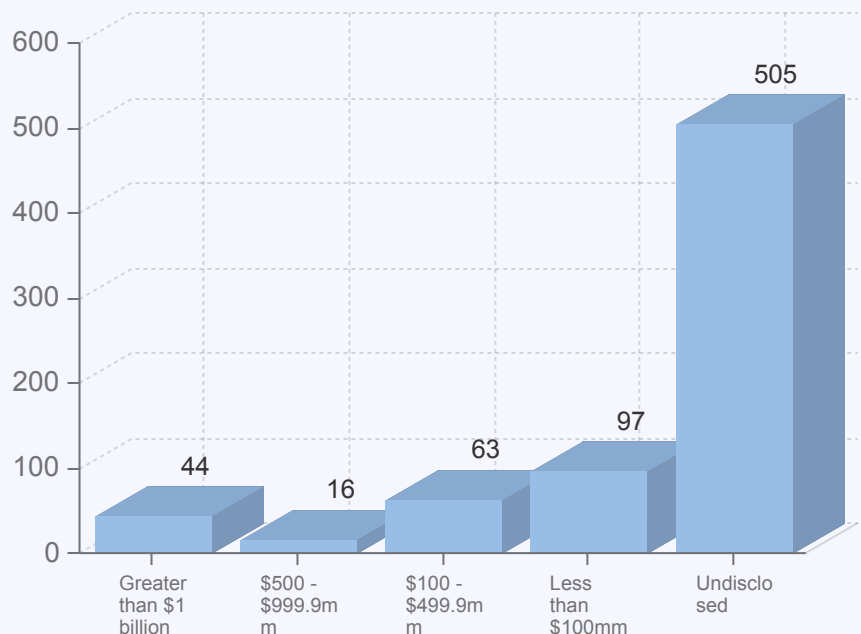
Fluctuating Deal Volume and Rebounding Deal Count

Deal volume in the telecommunications and media industry M&A space has remained relatively low compared to the highs from 2017-2018. Q2 of 2020 saw the lowest deal volume since the aftermath of the 2008 financial crisis with only about \$3 billion of deal value closed. Q3 2020 saw a significant rebound to almost \$90 billion for the quarter, but then fell again to \$50 billion and \$25 billion for Q4 2020 and Q1 2021, respectively. Q2 2021 subsequently saw another significant rebound to almost \$100 billion in deal value for the quarter. Despite this, the number of deals closed over the past twelve months has continued to increase since Q2 of 2020, returning to normal levels seen before the pandemic of between 150 to 200 deals closed per quarter. Average valuations have declined recently for companies in these industries. Total Enterprise Value (TEV)/EBITDA for companies closing deals from 2017-2020 was 10.21, indicating a 23% decline over the past year. TEV/Revenue has not changed significantly in the past four years, hovering right under the 2x range.

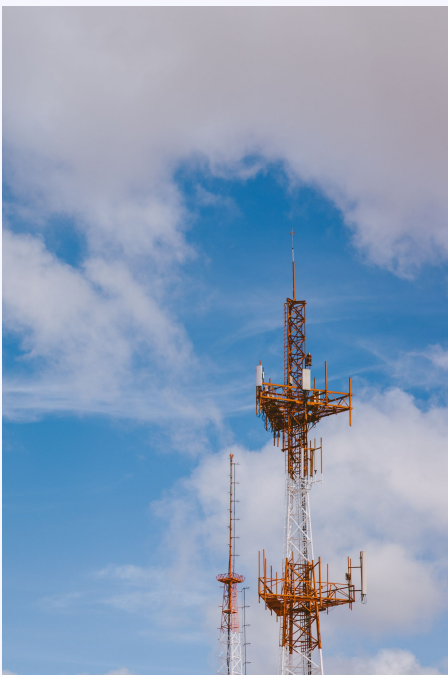
Megadeals Pave Way For Growth

The past year following the onset of the pandemic was a defining event for many companies in the telecom and media industries for whether or not they had the capacity to adapt to such drastic change. In terms of M&A, many large companies used the period of uncertainty to acquire assets which would not only help them overcome obstacles but grow as well coming out of lockdown. Megadeals (over \$1 billion in value) occupied a larger proportion of disclosed deal value, with a 7% increase as large media streaming services utilized their cash reserves to invest in online content. These large deals have helped bolster the average deal value by keeping it relatively consistent with previous years even through the pandemic when deal count fell.

Number of Telecom and Media M&A Deals by Transaction Range



Conclusion



Media Wars Wage On

Large media companies like Disney, AT&T, Amazon, and Netflix will continue to battle over market share ownership with large content purchases. M&A will be in the spotlight of these activities with many more megadeals likely in the future.



5G is the Future of These Industries

As 5G consumer devices start to roll out to the majority of the public, large investments in building the infrastructure are still necessary and will require significant amounts of capital. Telecom companies may shift their focus away from media temporarily to develop the infrastructure necessary to expand other industries in the future.



M&A Rebounds and Will Likely Stay High

M&A volume took a huge hit as a result of the pandemic, with record lows in deal activity during Q2 of 2020. Since then, there has been a significant rebound both in terms of value and volume, and new emerging industries will likely fuel deal activity and keep valuations relatively high in the media and telecommunications industries.

Senior Management Team



Jim Audette is a founding partner and President of ASA Ventures. He has broad experience in building high performance companies as a C-level executive and strategist. In addition, his experience includes M&A, debt and equity financings, and corporate restructurings, in a wide range of industries including technology, consumer products, promotional products, healthcare, manufacturing, energy and industrials.

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John Allen is a Managing Director, founding partner of ASA Ventures and is a CPA. He brings over 30 years of direct P&L and general management experience. His diverse background includes a unique combination of operations, financial and sales management, which has enabled him to lead companies to dramatic increases in revenue and profitability. He has served as President, General Manager, and Chief Financial Officer. He has an extensive sales background, has closed numerous transactions in the technology sector, as well as, integrating acquisitions.

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Bill Schloth is a Managing Director and founding partner of ASA Ventures. Bill has significant experience in mergers and acquisitions. He has worked on transactions in many sectors including renewable energy, cloud computing, data analysis, construction and manufacturing. These transactions have ranged in enterprise value from \$5 million to \$200 million. His focus has always been on exceeding client expectations through detail-oriented due diligence, transparency and thorough marketing efforts.

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ASA Ventures Group

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