Media-Primer: Recession Analysis
Blue Tree Group – Investment Banking
October 2019

Please subscribe to our frequently updated valuation snapshots for selected TMT sectors:
https://master.d3c7j4n57wz2s9.amplifyapp.com/

BLUE TREE GROUP
INVESTMENT BANKING

Snapshot on Blue Tree Group and Recent Deal Announcement

- Recently closed m&a transaction in the consumer products and retail sector

- Cross-border disposal transaction of the leading online retailer for party goods and dirndl in the German-speaking countries

- 2nd m&a transaction in the Ecommerce space in the LTM

BLUE TREE GROUP
INVESTMENT BANKING

advised the shareholders of

Olivario

in its disposal to the
US listed PartyCity Inc.

Party City

**M&A Advisory
TMT Sector**

- **Blue Tree Group** is an investment banking boutique focussing on debt financing, growth capital and m&a advisory services for mid-sized and fast growing companies.

- **Technology Investment Banking:** Frequently, our transactions deal with technology-enabled business models along all industry sectors.

- **Our TMT core sectors:**
  - Internet services, software and media;
  - Technology-enabled business services; and
  - Technology-enabled consumer products and retail.

- **Our services:**
  - M&A Advisory
  - Debt Advisory
 - Growth Capital Advisory

- **Typical m&a advisory situation**:
  - Mid-sized or fast growing companies based in the German-speaking countries;
  - Sales of EUR 30m – EUR 50m;
  - Strong niche market position;
  - Shareholder is either a family office or managing partner; and
  - Clients' motivation is growth capital, succession or recapitalisation.

BLUE TREE GROUP
INVESTMENT BANKING

Development of the Media Space Nov. 2014 – Juni 2019

Sales Multiple Develpment (30% discount on peer groups)

Legend: Social Media · Broadcasting · Agencys · Publishing · Advertising · Digital Media/on Demand

Chart axis labels: 14,0 x; 12,0 x; 10,0 x; 8,0 x; 6,0 x; 4,0 x; 2,0 x; 0,0 x

X-axis: Nov.14 | May.15 | Nov.15 | May.16 | Nov.16 | May.17 | Nov.17 | May.18 | Nov.18 | Mar. 19 | Jun. 19

End values: 4,6 x · 3,6 x · 1,0 x
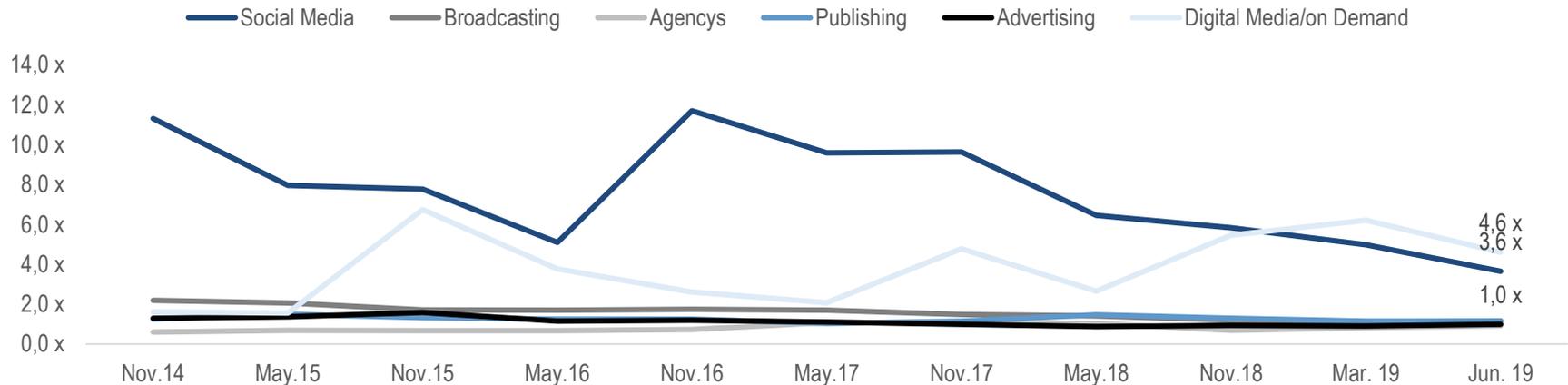
Selected Transaction in the Media Space

| Date	Target	Status	Target Geography	Acquirer	Value in €
Sep 19	Visual Art Sweden AB	Closed	Europe	Ocean Outdoor Limited (LSE:OOUT)	0,63 bn
Sep 19	Grupo Media Capital, SGPS, S.A.	Closed	Europe	Cofina, SGPS, S.A. (ENXTLS:CFN)	0,2 bn
Aug 19	Viacom Inc.	Announced	USA	CBS Corporation	19,034 bn
Jun 19	Axel Springer SE	Announced	Germany	KKR & Co. Inc.	5,878 bn
Apr 19	Fox Sports Net LLC	Announced	USA	Sinclair Broadcast Group	9,632 bn
Apr 19	Audio Network Limited	Closed	UK	Entertainment One UK Holdings Ltd	0,2 bn
Mar 19	21 Century Fox Inc.	Closed	USA	The Walt Disney Company	82,305 bn
Feb 19	Youthstream Media SA	Closed	Europe	Infront Sports & Media AG	1,3 bn
Jan 19	Scout24 AG	Announced	Germany	The Blackstone Group	5,75 bn
Jan 19	Gannett Co. Inc.	Announced	USA	Media News Inc.	1,39 bn
Dec 18	Tribune Media Company	Announced	USA	Nexstar Media Group	6,26 bn
Dez 18	iHeart Media Inc.	Closed	USA	Abrams Capital LLC	18,02 bn
Nov 18	Massive Interactive, Inc.	Closed	UK	Deltatre Limited	0,1 bn
Nov 18	Nova TV d.d.	Closed	Europe	Slovenia Broadband S.a r.l.	0,1 bn

BLUE TREE GROUP
INVESTMENT BANKING

How will revenue growth and EBITDA develop?

Revenue Growth in current forecast and in case of recession

■ Growth Current Forecast ■ Growth in Case of Recession
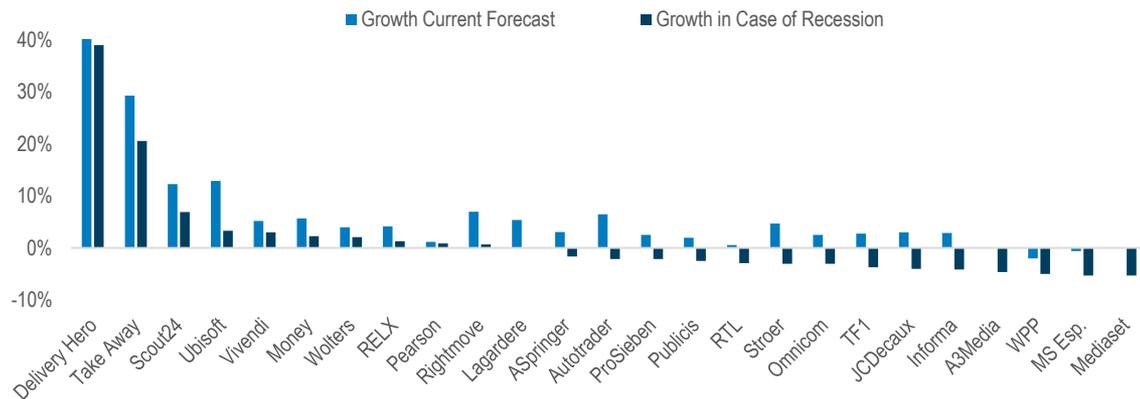
Difference between EBITDA in recession case and current forecasts
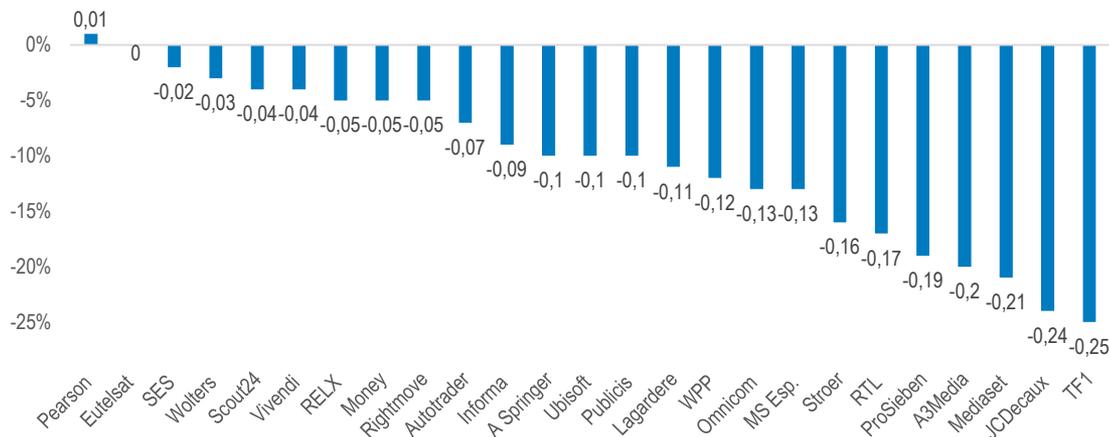
Revenue projection

- Applying the recession downfall to current forecasts, we find a especially high fall in revenue growth for advertising and broadcasting industry
- Traditional publishing seems to be rather defensive
- Internet companies continue to grow due to their high growth environment

EBITDA-impact

- For the impact on EBITDA, internet companies, as part of the media space here, Delivery Hero and Takeaway are not considered since they are currently not generating positive EBITDA;
- This companies are valued solely on revenues and EV/Sales multiples; and
- For all other firms, we consider revenue downfall and drop-through rates to calculate expected downfall of EBITDA in comparison to current forecasts.

BLUE TREE GROUP
INVESTMENT BANKING

How do investors value media-stocks in downturn?

EV contraction in last downturn

22,9 x

11,3 x -49% 5,7 x — Agencies
10,8 x -47% 5,7 x — Broadcasting
11,3 x -46% 6,1 x — Outdoor
12,1 x -39% 7,3 x — Publishing
10,0 x -52% 4,8 x — Div. Consumers
-70% 6,9 x — Internet

■ 2007 Peak   ■ 2009 Trough
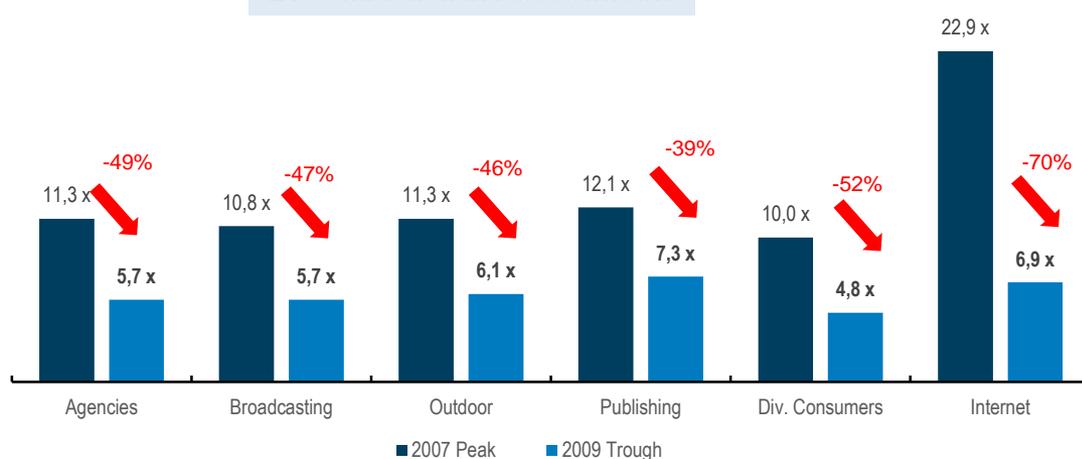
EBITDA contraction in last downturn

RTL	-70,00%
Lagardere	-68,00%
Rightmove	-61,00%
ProSieben	-55,00%
Omnicom	-54,00%
TF1	-51,00%
ASpringer	-50,00%
Informa	-49,00%
JCDecaux	-46,00%
WPP	-43,00%
Wolters	-43,00%
Ubisoft	-38,00%
Mediaset	-37,00%
Publicis	-36,00%
Pearson	-35,00%
Vivendi	-24,00%
Autotrader	NA
Money	NA
Scout24	NA
Stroer	NA
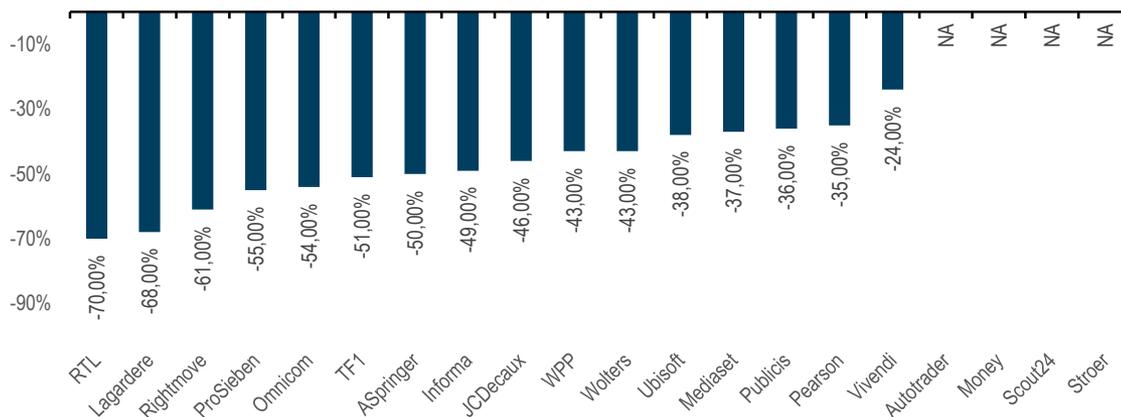
Investors Valuation:

- Media seems to be a sector where investors don´t expect earnings to recover;
- Alternatively, low pricing of stocks could also be used as incentive to intensive buying;
- This would result in a higher multiple on stocks' performance data; and
- In this sector we find a big contraction of multiples showing little confidence of investors in short term regeneration of the media industry after potential downfall.

Assessing the Downside (1/2)

Methodology 1: Contraction applied to Peak in May 2018

Companies	Peak in May 2018	Expected Contraction	Recession Trough	Today	Downside
Agencies					
Omnicom	7,9 x	45,00%	4,3 x	8,5 x	-48,88%
Publicis	8,8 x	45,00%	4,8 x	7,9 x	-38,73%
WPP	9,1 x	45,00%	5,0 x	7,9 x	-36,65%
Average	**8,6 x**	**45,00%**	**4,7 x**	**8,1 x**	**-41,42%**
Publishing					
Pearson	9,6 x	35,00%	6,2 x	9,2 x	-32,17%
Informa	11,3 x	45,00%	6,2 x	10,7 x	-41,92%
RELX	13,3 x	35,00%	8,6 x	13,5 x	-35,96%
ASpringer	11,3 x	45,00%	6,2 x	10,3 x	-39,66%
Lagardere	6,8 x	35,00%	4,4 x	7,3 x	-39,45%
Wolters	11,3 x	35,00%	7,3 x	13,0 x	-43,50%
Average	**10,6 x**	**45,00%**	**6,5 x**	**10,7 x**	**-38,78%**
Broadcasting					
ProSieben	7,8 x	45,00%	4,3 x	6,2 x	-30,81%
RTL	8,5 x	45,00%	4,7 x	6,5 x	-28,08%
Mediaset	10,4 x	45,00%	5,7 x	10,3 x	-44,47%
MS Espana	8,3 x	45,00%	4,6 x	7,3 x	-37,47%
TF1	7,0 x	45,00%	3,9 x	4,0 x	-3,75%
A3Media	9,7 x	45,00%	5,3 x	6,1 x	-12,54%
Average	**8,6 x**	**45,00%**	**4,7 x**	**6,7 x**	**-26,18%**
Internet					
Autotrader	15,7 x	45,00%	8,6 x	17,2 x	-49,80%
Money	12,1 x	45,00%	6,7 x	11,5 x	-42,13%
Scout24	16,7 x	45,00%	9,2 x	15,1 x	-39,17%
Average	**14,8 x**	**45,00%**	**8,2 x**	**14,6 x**	**-43,70%**

General:
The Methodology to assess the downside in case of recession is to apply expected multiple contraction to the projected revenue and EBITDA calculated before.

Methodology 1:

First, we apply the contraction to the peak in May 2018.
This seems to be the most intuitive way of calculating share price downturn.

Methodology 2:

Secondly, we will use today`s rating as a starting point of multiple contraction.
We expect this methodology to have a much bigger impact on the downside of share prices since many investors are already pricing in a downturn in revenues.

BLUE TREE GROUP
INVESTMENT BANKING

Assessing the Downside (2/2)

Methodology 2: Contraction applied to today's rating

Companies	Peak in May 2018	Expected Contraction	Recession Trough	Today	Downside
Agencies					
Omnicom	7,9 x	45,00%	4,7 x	8,5 x	-45,00%
Publicis	8,8 x	45,00%	4,3 x	7,9 x	-45,00%
WPP	9,1 x	45,00%	4,3 x	7,9 x	-45,00%
Average	**8,6 x**	**45,00%**	**4,5 x**	**8,1 x**	**-45,00%**
Publishing					
Pearson	9,6 x	35,00%	6,0 x	9,2 x	-35,00%
Informa	11,3 x	45,00%	5,9 x	10,7 x	-45,00%
RELX	13,3 x	35,00%	8,8 x	13,5 x	-35,00%
ASpringer	11,3 x	45,00%	5,7 x	10,3 x	-45,00%
Lagardere	6,8 x	35,00%	4,7 x	7,3 x	-35,00%
Wolters	11,3 x	35,00%	8,5 x	13,0 x	-35,00%
Average	**10,6 x**	**38,33%**	**6,6 x**	**10,7 x**	**-38,33%**
Broadcasting					
ProSieben	7,8 x	45,00%	3,4 x	6,2 x	-45,00%
RTL	8,5 x	45,00%	3,6 x	6,5 x	-45,00%
Mediaset	10,4 x	45,00%	5,7 x	10,3 x	-45,00%
MS Espana	8,3 x	45,00%	4,0 x	7,3 x	-45,00%
TF1	7,0 x	45,00%	2,2 x	4,0 x	-45,00%
A3Media	9,7 x	45,00%	3,4 x	6,1 x	-45,00%
Average	**8,6 x**	**45,00%**	**3,7 x**	**6,7 x**	**-45,00%**
Internet					
Autotrader	15,7 x	45,00%	9,5 x	17,2 x	-45,00%
Money	12,1 x	45,00%	6,3 x	11,5 x	-45,00%
Scout24	16,7 x	45,00%	8,3 x	15,1 x	-45,00%
Average	**14,8 x**	**45,00%**	**8,0 x**	**14,6 x**	**-45,00%**

General:
The Methodology to assess the downside in case of recession is to apply expected multiple contraction to the projected revenue and EBITDA calculated before.

Methodology 1:

First, we apply the contraction to the peak in May 2018.
This seems to be the most intuitive way of calculating share price downturn.

Methodology 2:

Secondly, we will use today`s rating as a starting point of multiple contraction.
We expect this methodology to have a much bigger impact on the downside of share prices since many investors are already pricing in a downturn in revenues.

BLUE TREE GROUP
INVESTMENT BANKING