



HOULIHAN LOKEY

PODCAST INDUSTRY

MARKET OVERVIEW | SUMMER 2019



Houlihan Lokey Podcast Industry Market Update

Dear Clients and Friends,

Houlihan Lokey is pleased to present its Podcast Industry Summer 2019 Market Overview.

We have included industry insights and select recent transaction announcements to help you stay ahead in this dynamic and constantly evolving sector of the audio entertainment industry. Driven by rapidly growing levels of consumer consumption and evolving business models, H1 2019 saw significant M&A activity (such as Spotify's acquisition of Parcast) and continued investment in new podcast content creators and platforms. We expect activity to remain high for the foreseeable future as the sector continues its rapid growth trajectory and the key players refine their strategic goals.

We hope you find this update to be informative and that it serves as a valuable resource to you in staying abreast of the market. If there is additional content you would find useful for future updates, please don't hesitate to call or email us with your suggestions. We look forward to staying in touch with you.

Regards,



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Media and Telecom Subverticals Covered


Adventure Tours
Advertising Services
Audio Entertainment
B2B Events
Broadcasting
Casino Gaming
Digital Content
Digital Marketing
Digital Music
Digital Publishing
Digital Signage
eGaming

eSports
Fiber Networks
Fixed and Mobile Broadband
Hosting and Data Centers
Leisure, Entertainment, and Lodging
Live Entertainment
Music B2B Services
Music Recording and Publishing
Online Casino Technology
OTT Video
Out-of-Home Entertainment
Out-of-Home Advertising

Podcasting
Sports Betting
Sports Leagues, IP, and Content
Sports Franchises and Venues
Sports Data and Technology
Satellite Communications
Talent Agencies
Theme Parks
Video Content and Entertainment
Video Games
Wholesale and B2B Telecom Services

M&A Powering Spotify's "Audio First" Strategy

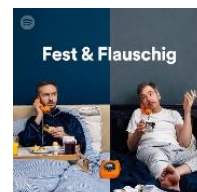
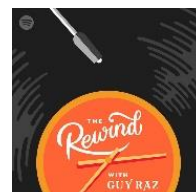
Recent Acquisitions

		
<p>Rationale: Anchor provides podcast tools and a way to capture new podcasters, leading them to enter the Spotify ecosystem.</p> <p>Employees: 150+</p> <p>Date of Acquisition: Feb 2019</p> <p>Enterprise Value: ~\$140M⁽¹⁾</p>	<p>Rationale: Provides Spotify an exclusive library of premium content targeting highly coveted monetizable demographics.</p> <p>Employees: 20+</p> <p>Date of Acquisition: April 2019</p> <p>Enterprise Value: Confidential</p>	<p>Rationale: Provides an umbrella brand for a growing stable of exclusive narrative podcasts.</p> <p>Employees: 80+</p> <p>Date of Acquisition: Feb 2019</p> <p>Enterprise Value: ~\$230M⁽¹⁾</p>

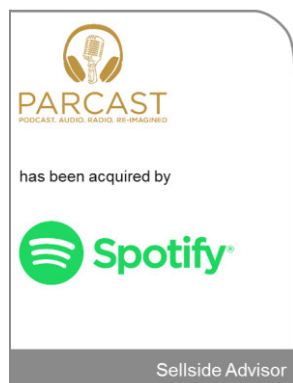
Why Is Spotify Acquiring Firms?

- Spotify sees podcasts as the next phase of its growth, and a key component of its "Audio First" strategy
- Podcasts have led to significantly higher engagement, with listeners spending ~2x the time on the Spotify platform as well as more time listening to music; this is why exclusives are becoming more important
- Podcasting has opened up the funnel to new user demographics allowing Spotify to expand its user base
- With a large variety of third-party exclusives and now original content, Spotify can leverage content to make its ads more valuable to advertisers

Exclusive Podcasts Driving Users to Spotify



Parcast Acquisition by Spotify



Client Profile

Founded in Los Angeles in 2016 by Max Cutler, Cutler Media LLC (Parcast) is the premier storytelling podcast network focused on creating scripted, story-driven audio programming that is engaging, informative, and entertaining. With expertise in genres touching mystery, crime, science fiction, and history, the company has developed large and highly engaged audiences across its robust network. Since inception, Parcast titles have been downloaded more than 150 million times, with over 100 million downloads in 2018. The company has had significant success creating hit series (including *Cults*, *Serial Killers*, and *Mythology*) while building a loyal and growing fan base, with 18 original titles to date and 20 new titles expected to launch this year. Unique among leading podcast networks, Parcast creates, develops and produces all its shows in-house, with a team of writers, researchers, and hosts, and owns all of its intellectual property.

Our Role

Houlihan Lokey served as the exclusive financial advisor to Parcast and assisted in structuring and negotiating the transaction with Spotify Technology S.A. (NYSE:SPOT; Spotify) on behalf of Parcast. Houlihan Lokey led the negotiations and managed the process on a tight timeline to achieve an exceptional outcome for Parcast.



Transaction Snapshot

Parcast was acquired by Spotify, the world's most popular and largest music streaming service with a community of more than 207 million users (including over 96 million Spotify Premium subscribers, across 79 markets worldwide) for undisclosed terms. Parcast will bring to Spotify its curated library of highly produced shows and its engaged, loyal audiences. The acquisition is a key part of Spotify's Audio First strategy, strengthening Spotify's position as a premier producer of podcasts and accelerating its path to becoming the world's leading audio platform.

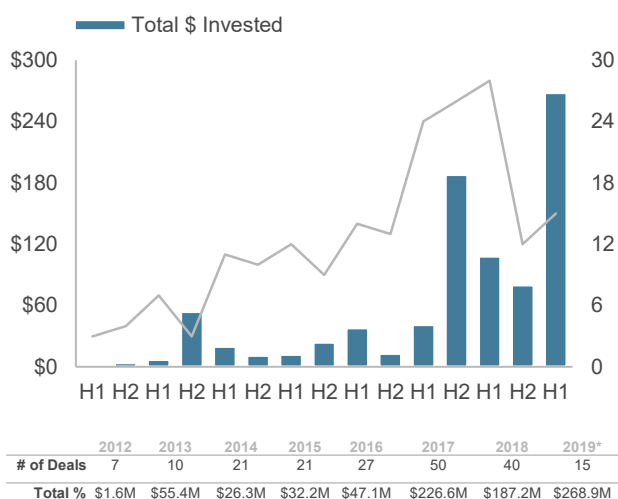
Deal Activity in Podcasting Sector Has Grown Significantly

Increasing M&A in the Podcast Landscape

Date	Acquirer	Target	EV \$M	EV/Rev
Jun-19	OmnyStudio	TRITON	--	--
Mar-19	Spotify	PARCAST	--	--
Feb-19	Spotify	Gimlet	\$230.0	~10.0x
Feb-19	Spotify	Anchor	\$110.0	--
Sep-18	iHeart MEDIA	MEDIA CREATURES	\$55.0	--
Nov-18		THE PODCAST FACTORY	--	--
Oct-18	SCRIPPS	TRITON	\$150.0	3.8x
Sep-18	iHeart MEDIA	STUFF MEDIA	\$55.0	--
Aug-18	FRANT PORCH	PIT PASS MOTO THE INSIDE LINE TO MOTORCYCLE RACING	--	--
May-18	HUGH FIVE MEDIA	SPOKE	--	--
May-18	WVBC WBEZ 91.5 THIS MORNING	Pocket Casts	--	--
Dec-17	Apple	popUP archive	--	--
Oct-17	Google	60 dB	--	--
Oct-17	cinchcast	Spreaker	--	--
Jul-17	Medium	Talkshow	--	--

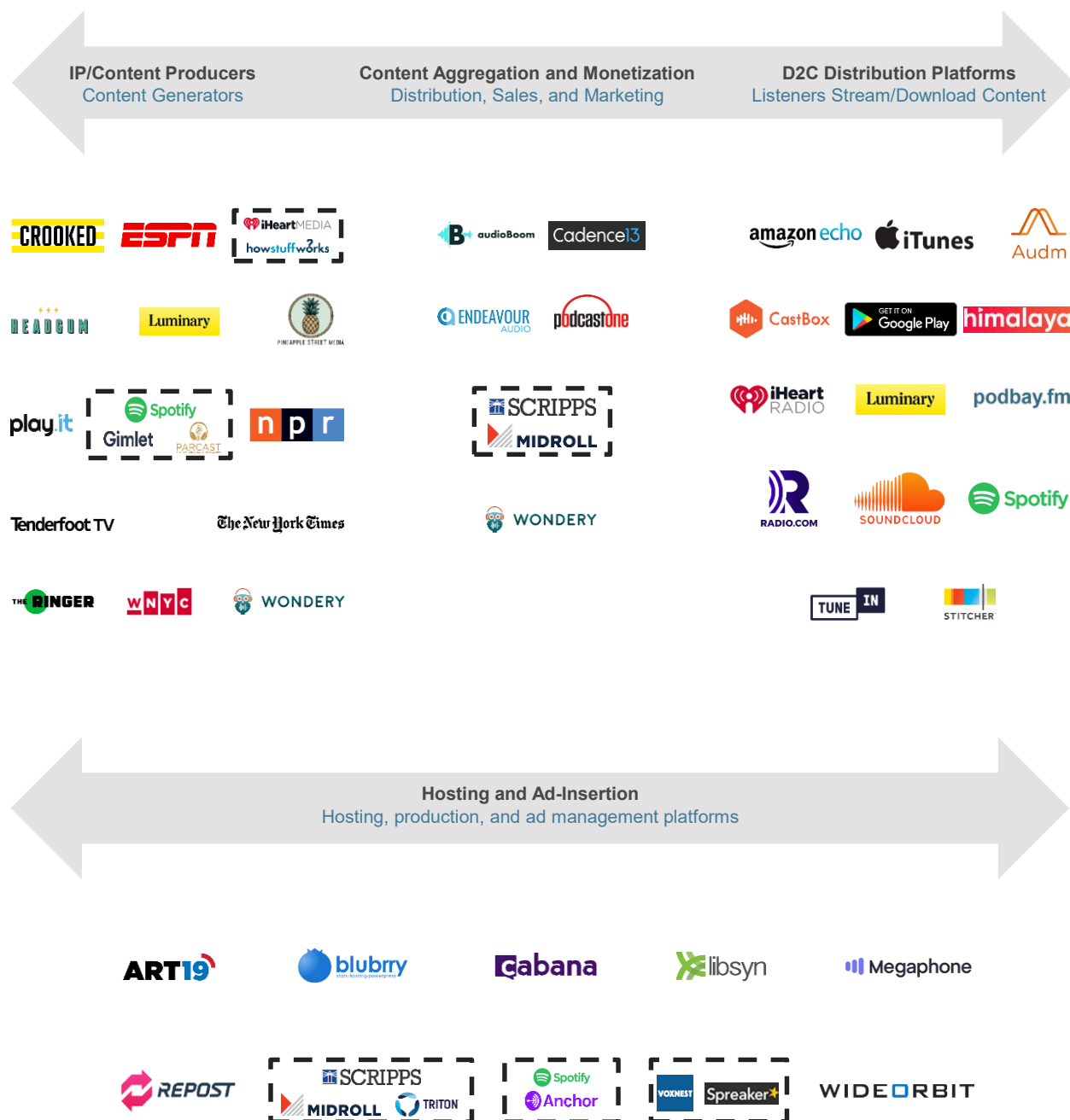
Record-Breaking Investment Levels

Date	Lead Investor	Target	\$ Inv	Valuation
Jun-19	ADVANCIT CAPITAL	WONDERY	\$10.0	\$125.0
Mar-19	NEA	Luminary	\$60.0	--
Feb-19	GENERAL ATLANTIC 喜马拉雅FM	himalaya	\$100.0	\$3.6B
Dec-18	FÖRSTA AP-FONDEN	acast	\$35.0	--
Jun-18	Cornick CAPITAL VENTURES	PODCHASER	--	--
May-18	NEA	Luminary	\$40.0	--
Apr-18	GSR VENTURES 金沙江创投	Castbox	\$13.5	--
Mar-18	ADVANCIT CAPITAL	WONDERY	\$5.0	\$23.0M












Acquisitions Are Driving Change in an Evolving Ecosystem

The podcast industry has reached a scale where acquisitions are creating powerhouses. Who is next to be acquired?



Where Is Podcast Discovery Happening?

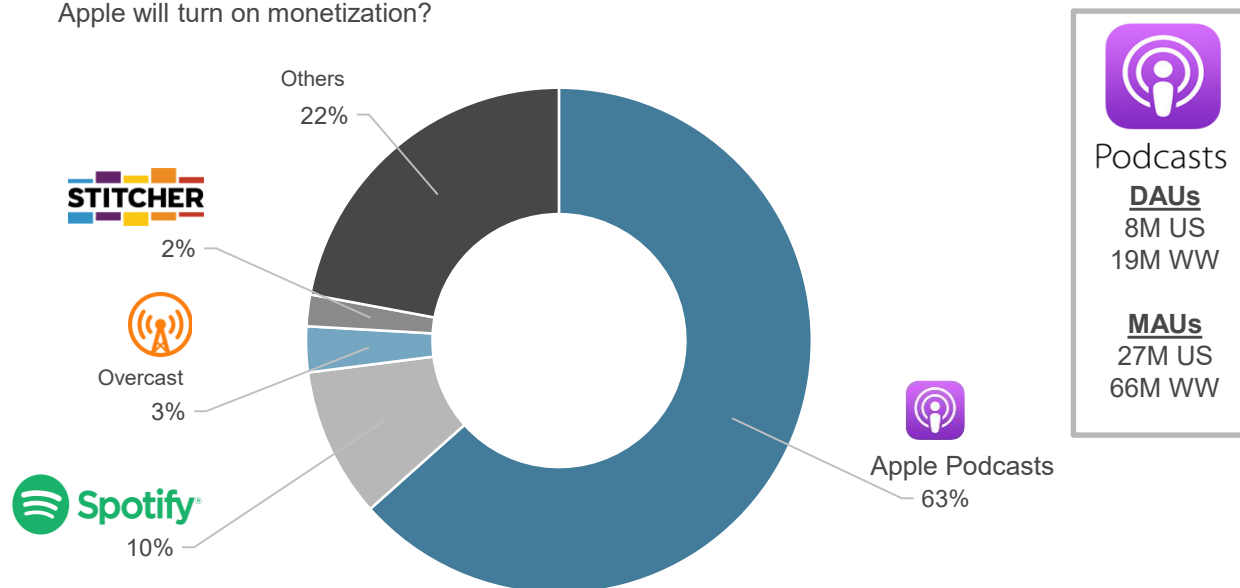
Apple is the dominant podcast app leader with more than 500,000 podcasts, but other apps are gaining market share.

Music/Free Tier	Device (Preloaded Apple)	Device (Preloaded Android)	Free Music	Live Radio
 Podcasts	 Google Play Music	 SOUNDCLOUD	 iHeart RADIO	Google Podcasts 
Device (Preloaded Android)	Internet Radio	Internet Radio	Live Radio and Podcast Content	Exclusive Content
 TUNE IN	 Slacker RADIO	 npr one	 STITCHER	 Spotify

How Will Apple Respond?

Share of Traction by Top Listener Apps (Feb 2019)⁽¹⁾

- While Apple has seen Spotify challenge its dominant market position, Apple remains the most popular platform for users to get their podcasts
- Apple just announced plans to fund podcasts that will be exclusive to the Apple ecosystem to fight back against its aggressive competitors
- The next key question, with wide ranging impacts for the podcasting ecosystem, is how and when Apple will turn on monetization?













(1) Chart Source: Libsyn, Feb 2019 Apple Podcast traction data from App Annie, as of Feb 2019

News, Sports, and Entertainment Drive Audience

Podcast Industry Ranking Highlights (Top 10 Podcast Publishers)

U.S. Audience: April 2019

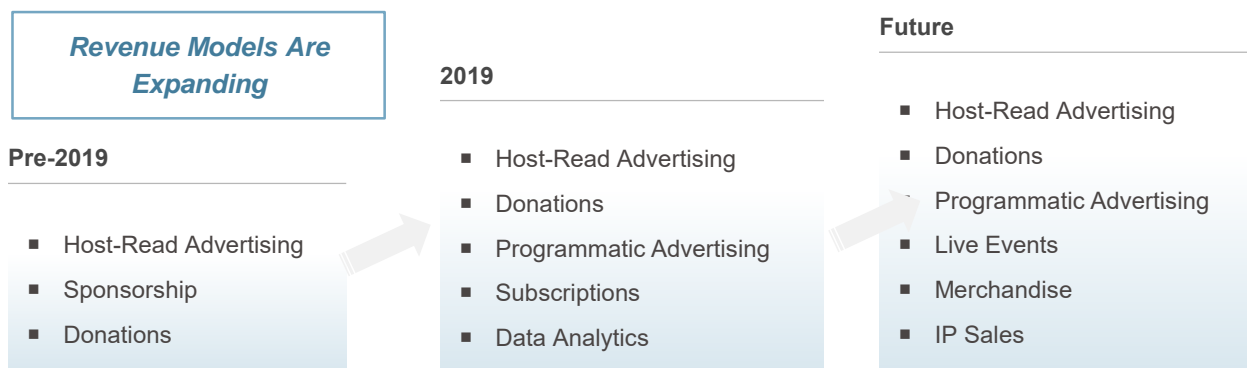
Rank	Podcast Publisher	U.S. Unique Monthly Audience	Global Downloads and Streams	Active Shows
1		19,385,000	143,287,000	55
2		18,448,000	123,785,000	165
3		8,171,000	59,085,000	70
4		7,412,000	37,547,000	66
5		7,362,000	49,617,000	9
6		6,280,000	27,885,000	28
7		6,166,000	23,779,000	2
8		5,414,000	40,636,000	62
9		5,168,000	24,025,000	53
10		3,929,000	22,848,000	5

Total mobile and desktop U.S. podcast audience.

Subscription and Other Revenue Models Have Started to Emerge

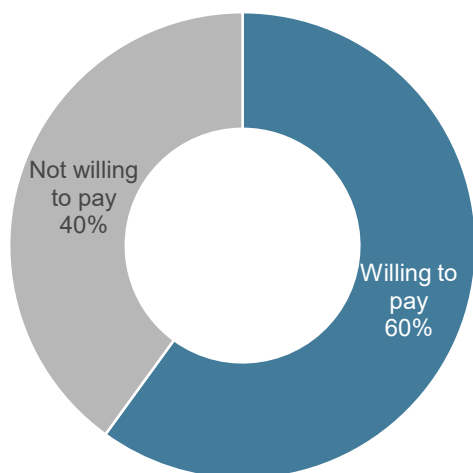
In 2019, some publishers have started to “pivot to paid” (i.e., they are prioritizing other listening revenues over traditional advertising).

- Many creators have relied solely on advertisement revenue to support content development, but a number of entrants such as PodcastOne, Luminary, Slate, and Quake Media are testing premium subscription models and experimenting with other models—such as live events—as data shows a high proportion of consumers are willing to pay.



Consumer Willingness to Pay for Podcasts

2017 percent of U.S. adult population willing to pay for podcast content



Examples of Podcast Subscription Services



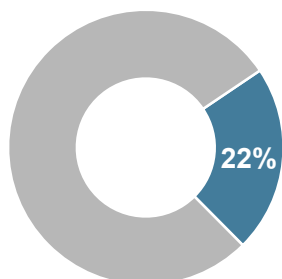
Live Events Helping to Increase Engagement With Fans

Podcasters are beginning to experiment with live events to engage with the most loyal fans and create a new revenue source.

- Podcasters with large and loyal audiences are now regularly going on city tours and charging anywhere up to \$100 per ticket at venues that can hold a few hundred to a few thousand seats.

Live Podcast Recording Attendance/Listening

U.S., % Adult Population



22% of U.S. adult population has attended/listened to a live podcast

Live will drive consumer engagement and spend through:



Tickets



Special Events
(e.g., Meet and Greet)



Merchandise




On-site Marketing/
Promotion

Example of Podcasts With Live Recordings

Comedy			Politics			Business		
Horror/True Crime			Pop Culture			Sports		
Food								


Leading Track Record in Audio Entertainment

Deep expertise across music, podcasting, and digital audio.




PARCAST
PODCAST AUDIO RADIO REVENUE

has been acquired by




Spotify

Sellside Advisor




Slacker
RADIO

has been acquired by



LIVE X LIVE

Sellside Advisor




PLAYNETWORK

has been acquired by


TouchTunes

A portfolio company of



SEARCHLIGHT


Sellside Advisor



sfx


has confirmed a Chapter 11 Plan of Reorganization, restructuring approximately \$450 million of debt

Second Lien Noteholder Advisor




townsquare
radio

has exchanged stations with




CUMULUS

Financial Opinion




Songza

has been acquired by




Google

Financial Advisor*



SpiritMusic
GROUP

\$50,000,000
Financing




FORTRESS

Financial Advisor*

VIACOM

has divested its equity stake in



Rhapsody

to

ColumbusNova

Financial Advisor*




downtown

investment from




RELATIVITY

Financial Advisor*




MOG

has been acquired by




b

Financial Advisor*



dmx

has been acquired by



mood media

Sellside Advisor



WIND-UP
RECORDS

has been acquired by



BICYCLE

Financial Advisor*



CONCORD BICYCLE
MUSIC

has completed a financing transaction in connection with its acquisition of



IMAGEM

Fairness Opinion



metroleap
media

has been acquired by



CBS

Financial Advisor*



mmn
MOG MUSIC NETWORK

has been acquired by



Townsquare
Media

Financial Advisor*



WOODCREEK
CAPITAL MANAGEMENT

has acquired



COINCORID
MUSIC GROUP

Financial Advisor*

*Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey or by professionals from a Houlihan Lokey joint venture company. Tombstones included herein represent transactions closed from 2011 forward.



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- **1,300+** Employees
- **24** Offices Globally
- **~\$1 Billion** of Revenue
- **~\$3.0 Billion** Market Cap

Corporate Finance

2014-2018 M&A Advisory Rankings U.S. Transactions Under \$1 Billion

	Advisor	Deals
1	Houlihan Lokey	898
2	Goldman Sachs & Co	455
3	Stifel/KBW	448
4	JP Morgan	442
5	Jefferies LLC	436

Source: Thomson Reuters

No. 1 U.S. M&A Advisor

Top 10 Global M&A Advisor

Leading Capital Markets Advisor

Financial Advisory

1999 to 2018 U.S. M&A Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	909
2	JP Morgan	638
3	Duff & Phelps	596
4	Bank of America Merrill Lynch	456
5	Stifel/KBW	435
5	Goldman Sachs & Co	420

Source: Thomson Reuters. Announced or completed transactions.

No. 1 Global M&A Fairness Opinion Advisor
Over the Past 20 Years

1,000+ Annual Valuation Engagements

Financial Restructuring

2014-2018 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	295
2*	Lazard	174
2*	Rothschild & Co.	174
4	PJT / Blackstone	152
5	Moelis & Co.	144

Source: Thomson Reuters

* Denotes tie

No. 1 Global Restructuring Advisor

1,000+ Transactions Completed Valued At
More Than \$2.5 Trillion Collectively

TMT

2014-2018 M&A Advisory Rankings U.S. Technology, Media, Entertainment & Telecommunications Transactions Under \$1 Billion

	Advisor	Deals
1	Houlihan Lokey	171
2	Morgan Stanley	138
3	Goldman Sachs & Co	131
4*	Evercore Partners	115
4*	Moelis & Co	115

Source: Thomson Reuters

* Denotes tie

No. 1 No. 1 U.S. TMET Advisor Under \$1
Billion

170+ Completed Transactions Since 2014

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