



HOULIHAN LOKEY

CREATOR TOOLS

MARKET UPDATE | WINTER 2021



Houlihan Lokey Creator Tools Market Update

Dear Friends and Partners,

In recent years, independent content creators have emerged as a growing force across digital channels and social media platforms. As barriers to entry fall and the content pie continues to grow, the number of creators wanting a piece of it grows even faster. To address this market, new, emerging models serve these creators' needs in helping to produce and monetize content.

In the following pages, we will discuss several takeaways that we have seen from recent events:

- The demand for engaging content across digital channels has been growing rapidly and will continue to accelerate.
- Technology improvements have lowered barriers to entry for creators, while user-generated-content (UGC) driven platforms have enabled creators to monetize in new and unprecedented ways.
- As UGC grows in demand on channels such as YouTube, Instagram, and TikTok, tools and platforms have emerged to enable creators to produce content more efficiently and receive a fair share of the economics, leading to a “democratization” of content creation on digital channels.
- With roughly 50 million video creators and 15 million music creators, the market for these enabling tools is large and growing.
- As a result of these growth drivers, M&A and financing activity has been robust, which is highlighted by Artlist's acquisition of Motion Array; Beatport's acquisition of Loopmasters; Francisco Partners acquisition of Native Instruments; and Thrive Capital/GIC's investment in Vimeo ahead of its planned spinoff from IAC.

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. Given the fast-changing market in this current environment, we would be happy to discuss these developments in real time and look forward to staying in touch with you.



Roy Kabla

Managing Director
Global Co-Head of TMT
Group
RKabla@HL.com
212.497.4193



Josh Rothstein

Vice President
JRothstein@HL.com
310.788.5388



Kendra Boyle

Associate
KBoyle@HL.com
415.273.3624



Andy Shu

Financial Analyst
AShu@HL.com
310.789.5780

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NYSE

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

- **1,500+** Employees
- **23** Offices Globally
- **\$1+ Billion** of Revenue
- **~\$5 Billion** Market Cap



2020 TMT Investment Bank of the Year

Corporate Finance

2020 M&A Advisory Rankings All U.S. Transactions

	Advisor	Deals
1	Houlihan Lokey	210
2	Goldman Sachs & Co	172
3	JP Morgan	132
4	Evercore Partners	126
5	Morgan Stanley	123

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 U.S. M&A Advisor

Top 5 Global M&A Advisor

Leading Capital Markets Advisor

Financial and Valuation Advisory

2001 to 2020 Global M&A Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	956
2	JP Morgan	876
3	Duff & Phelps	802
4	Morgan Stanley	599
5	BofA Securities Inc	542

Refinitiv (formerly known as 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

2020 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	Houlihan Lokey	106
2	PJT Partners Inc	63
3	Lazard	50
4	Rothschild & Co	46
5	Moelis & Co	39

Source: Refinitiv (formerly known as Thomson Reuters)

No. 1 Global Restructuring Advisor

1,400+ Transactions Completed
Valued at More Than \$3.0 Trillion
Collectively

TMT

2018 to 2020 M&A Advisory Rankings U.S. Technology, Media, Entertainment & Telecom Transactions Under \$5 Billion *


	Advisor	Deals
1	Houlihan Lokey	133
2	Goldman Sachs & Co	123
3	Raymond James Financial Inc	110
3	Morgan Stanley	110
5	JP Morgan	108

Source: Refinitiv (formerly known as Thomson Reuters)

43 Completed Transactions in 2020

* Includes acquired firm transactions.


Deep Experience on All Sides of Content Creation Ecosystem




has been acquired by



Sellside Advisor



has acquired




supported by the successful placement of a senior secured credit facility


Buyside Advisor & Placement Agent

Motion Array


has been acquired by




a portfolio company of




Sellside Advisor




has been acquired by




Sellside Advisor




a subsidiary of




has been acquired by




Sellside Advisor




has been acquired by




Sellside Advisor



has been acquired by



Sellside Advisor



has successfully completed the spin-off of



Houlihan Lokey provided financial opinions to the Board of Directors of both Twenty-First Century Fox and Fox Corporation.


Financial Opinion




\$28 million financing led by




Financial Advisor




has been acquired by




Sellside Advisor




has been acquired by



Financial Advisor*



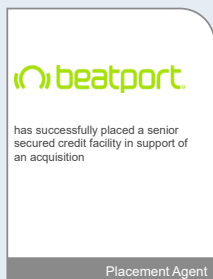
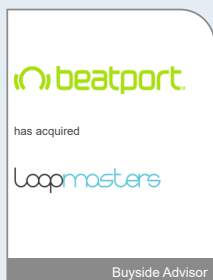
has been acquired by



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 2014 forward.

Beatport Acquisition of Loopmasters



Client Profile

Beatport is the leading B2B provider of electronic dance music to approximately 500,000 DJs globally. It offers a comprehensive, cloud-based library of approximately 11 million commercially licensed songs across more than 75,000 content suppliers and 36 genres and has been the go-to source for producers, DJs, performers, and their fans to share and discover new music for more than 15 years. Beatport also offers robust, cloud-enabled library management and performance technology that integrate directly with all leading DJ hardware and brings streaming to the DJ booth for the first time.

U.K.-based Loopmasters operates two divisions: Loopmasters and Plugin Boutique. Loopmasters offers a vast selection of royalty-free sample packs, loops, and short audio clips in a large variety of genres and formats. Plugin Boutique is the leading marketplace for virtual studio technology (VST), offering virtual instruments, synthesizer presets, and software plugins that simulate traditional recording studio hardware in software, which allows producers to create music outside of the traditional studio setting.

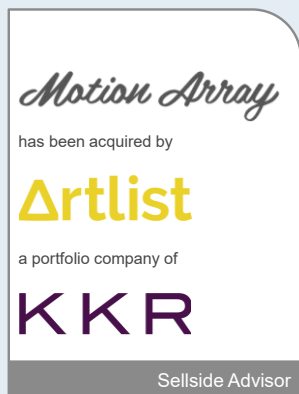
Our Role

Houlihan Lokey served as Beatport's exclusive financial advisor for the acquisition of Loopmasters and exclusive placement agent for the financing associated with the transaction, assisting in marketing, arranging, structuring, and negotiating the transactions on Beatport's behalf.

Transaction Snapshot

After a review of potential acquisitions, the opportunity with Loopmasters to create a market-leading, vertically integrated music platform became highly strategic. The combination of Beatport and Loopmasters provides an end-to-end ecosystem for music creation, distribution, discovery, and library management. As the only marketplace of scale for plugins, samples, and produced content, the combination will have a leading position within the music creation space and enhance the loyalty and stickiness of its combined c. 50 million unique visitors and 830,000 active customers. The robust combined product and service offerings will also allow for continued growth across the customer spectrum, including the fast-growing amateur DJ market.

Sale of Motion Array to Artlist



Client Profile

Motion Array, based in Georgia, is a membership-based resource for downloading premium After Effects templates, stock music, stock motion graphics, and stock video elements. The company offers subscription-based access to an unlimited-download stock media marketplace in addition to video creation tools. Motion Array curates a high-quality, impressive marketplace of stock content from third-party contributors, setting its marketplace apart from competitors. In conjunction with the marketplace, the company's tools enable creators to make engaging video content for a broad range of use cases in a more productive and collaborative manner.

Our Role

Houlihan Lokey served as the exclusive financial advisor to Motion Array and assisted in marketing, structuring, and negotiating the transaction on its behalf.

Transaction Snapshot

On November 9, 2020, Artlist, a leading provider of high-quality royalty-free music for videos, YouTube, advertising, and films, completed the acquisition of Motion Array. The acquisition supports Artlist's mission to provide stock content for the video creation process.

Prior to the process, the company received inbound interest from a number of parties, including one preemptive offer. The Houlihan Lokey team advised the company to run a process. Over the course of the process, the team helped maximize value by generating significant interest in the company through a competitive dual-track process. They also created materials, engaged in targeted negotiations, and streamlined diligence so that the management team and its staff could remain focused on operating the business with continued performance accomplished in support of, and parallel to, the process. The outcome was an offer over 150% higher than the initial preemptive offer that the company received.

Demand for Content Creates Opportunity for Disruption

Independent artists generated approximately 30% of music revenue.

Six out of 10 people would rather watch online videos than television.

YouTube's top five earners took home **more than \$98 million** in 2019.

Mobile video consumption projected to drive growth in data traffic **2017–2022 CAGR: 46%.**



Content Creators

Film/
Video

Advertising

COMCAST



P&G

SAMSUNG

verizon

Mobile Internet Video Advertising

\$23.9 Billion Revenue
21% CAGR (2018–2023)

Digital/Social



Digital Video Advertising

\$14.8 Billion Revenue
9% CAGR (2018–2023)

OTT



HBO

hulu

NETFLIX

VUDU

OTT Content

\$38.2 Billion Revenue
14% CAGR (2018–2023)

Music

Streaming



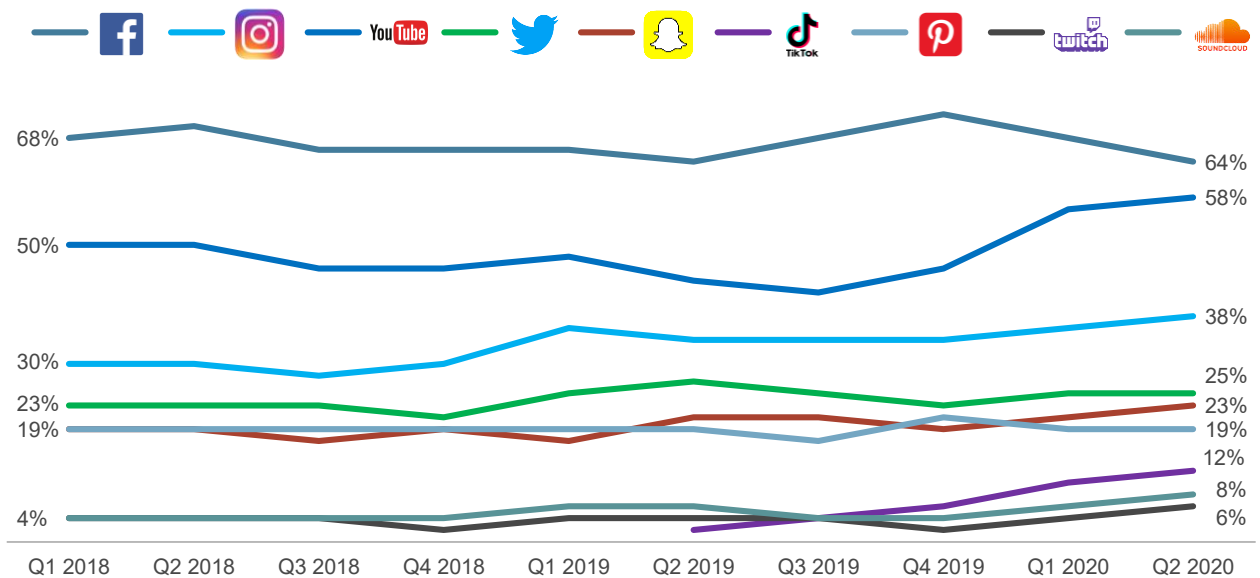
Digital Music Streaming

\$13.5 Billion Revenue
12% CAGR (2018–2023)

UGC Drives Engagement on Social Platforms

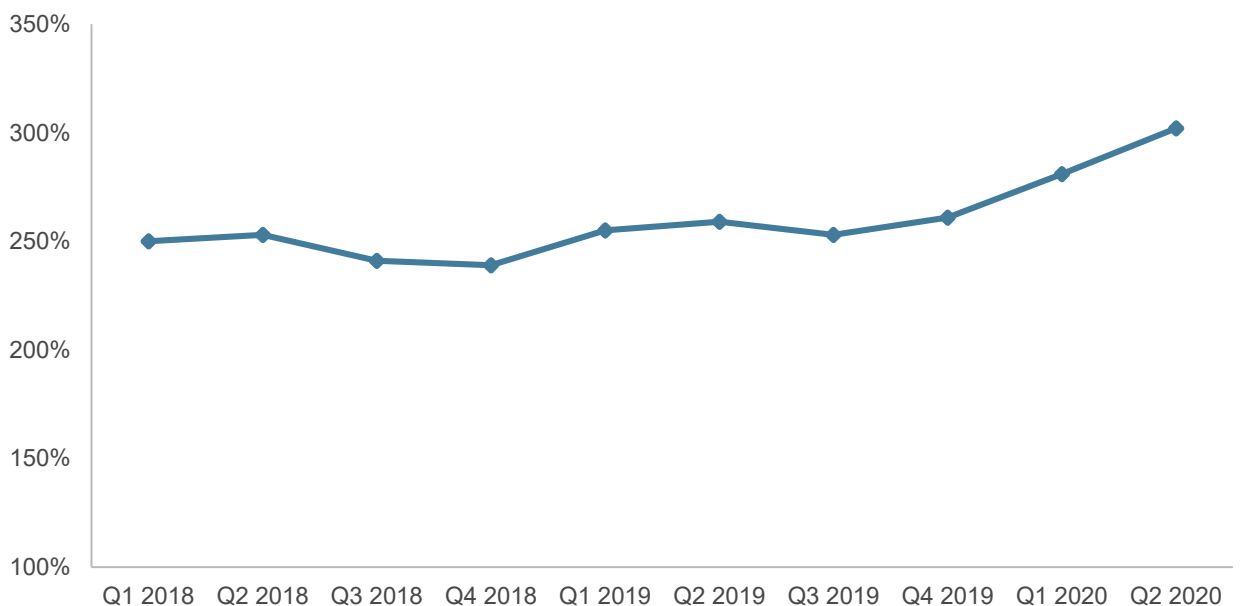
Competition for Eyeballs Is Fierce, Providing Incentives for Platforms to Help Users Monetize

Weekly Active Use (WAU) Penetration Across Leading UGC Apps



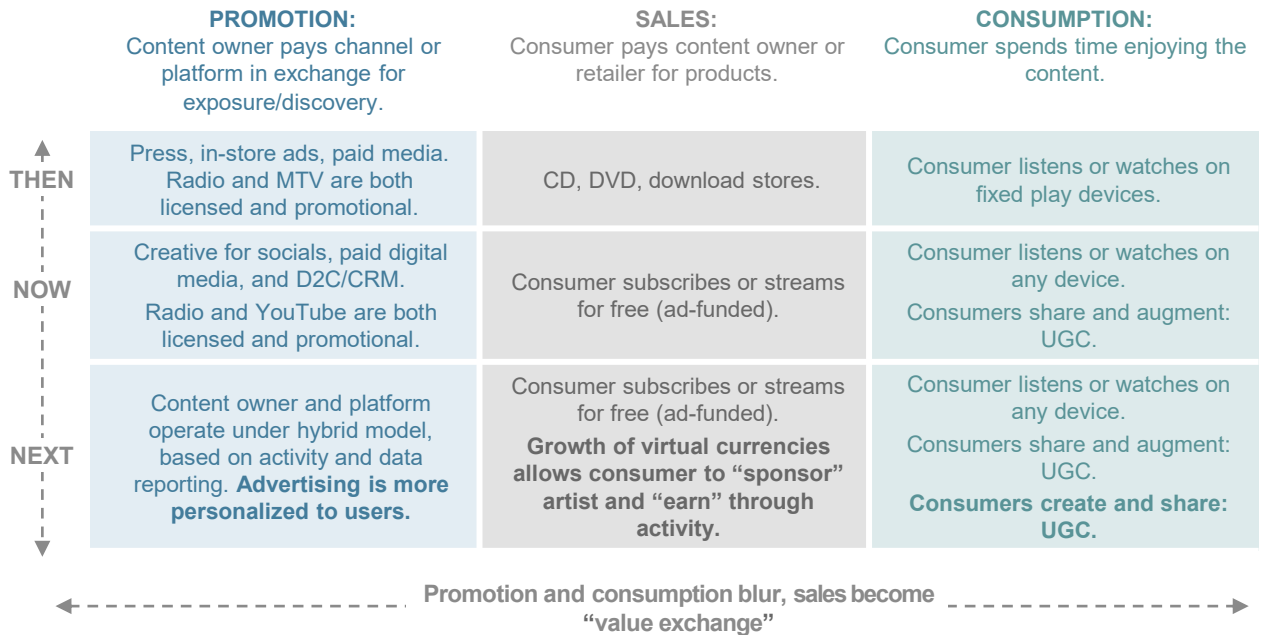
Use of UGC Apps Rose During COVID-19, Largely Driven by TikTok

Gross Cumulative UGC WAU Penetration Across Select Apps



Getting Creators Paid Is the Next Big Thing in Media

There has been a wave of new platforms that generate, optimize, and increase revenue streams for content creators.





Landscape of Select Creator Tools Companies

	Music	Video	Photo
SELECT PLATFORMS	 	 	
SELECT TOOLS	 	 	

New Models Power Growth, With “Artist-First” Economics


DTC, ad-driven models provide an alternative to streaming economy dominated by larger players.

Streaming—A Song Economy for Rights Holders

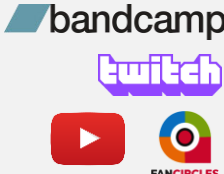


Large-scale listener revenue split many ways, but scale only truly benefits those with scale of catalogue (i.e., rights holders or superstars).

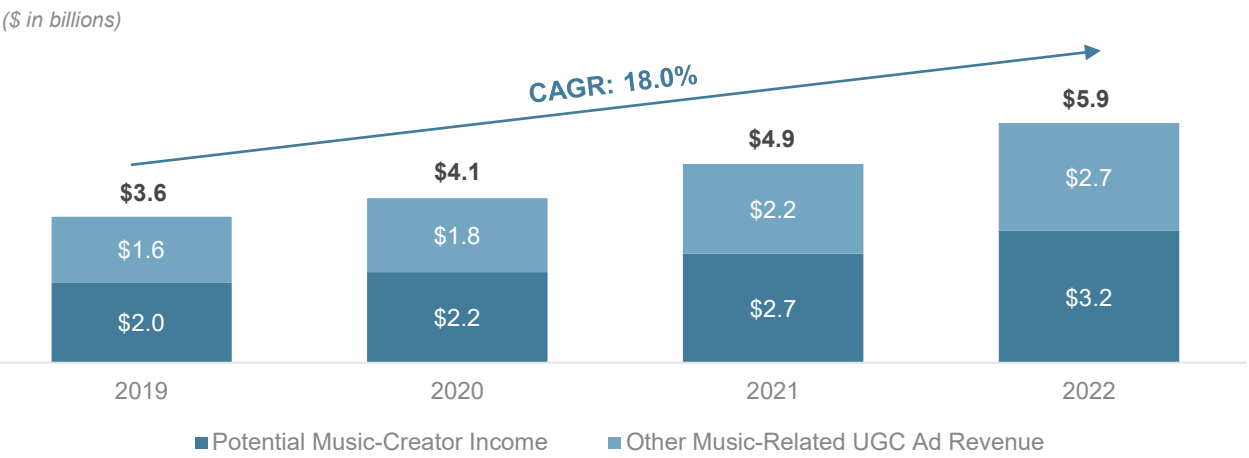
Micro-Communities—A Fan Economy for Creators



Smaller-scale fan revenue from micro-communities goes directly to the artist, resulting in more income per artist.



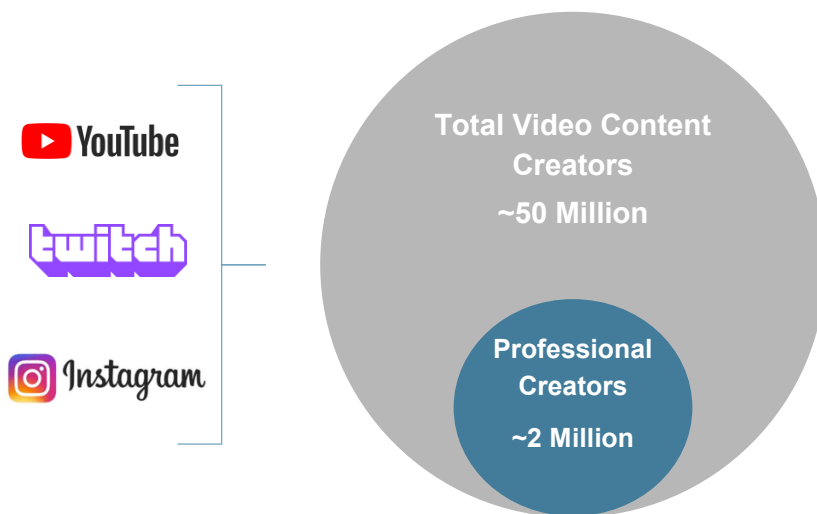
Music Creators Stand to Receive Approximately 55% of Fast-Growing, Music-Related UGC Ad Revenue as of 2020



“Prosumer” Creators Are a Large and Growing Market...

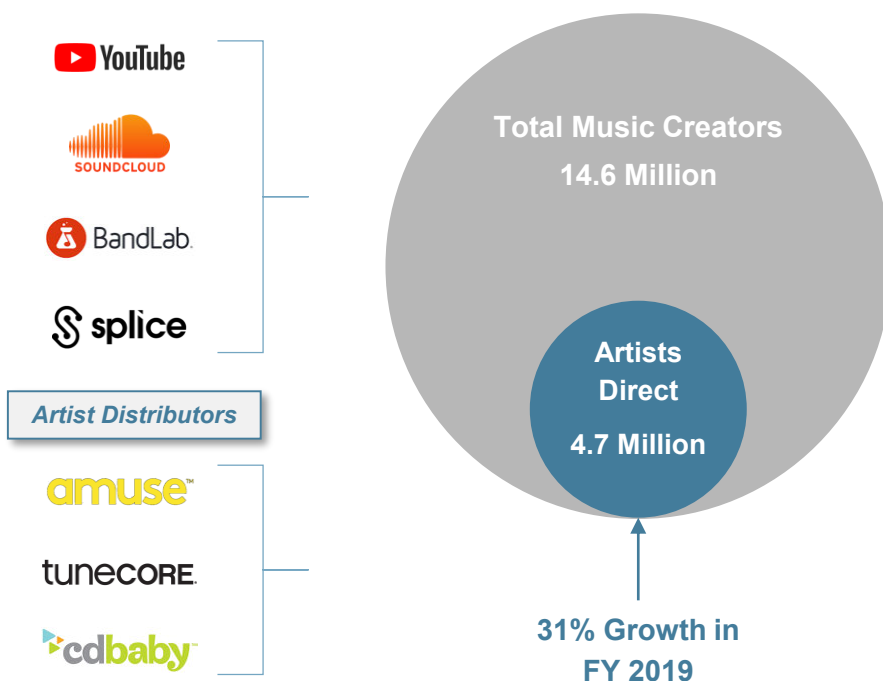
Nonprofessional creators now account for a majority of users across social video and digital music.

Video Content Creators Reach Approximately 50 Million



UGC Defining the Evolving Music Artist Ecosystem

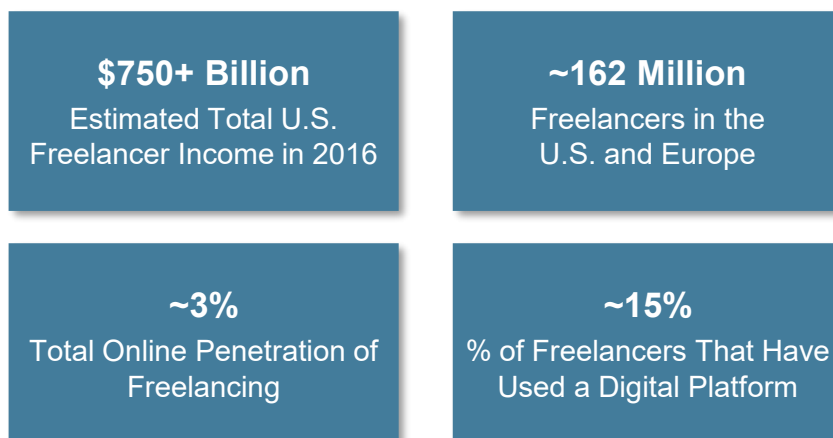
Artist Creator Tools and Artist Direct Distribution Platforms



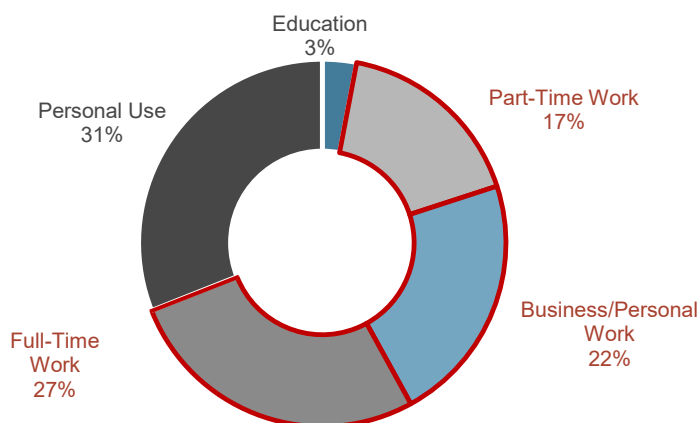
...and Need Solutions...

The total addressable market of creator tools users continues to grow as creative professionals are no longer the only people creating content.

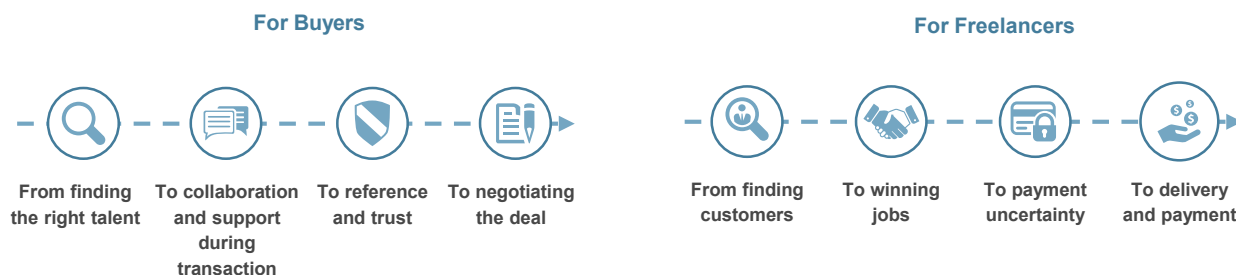
Freelancing Market Overview



63% of YouTube Creators Are Paid to Create Content



Traditional Freelancing Business Riddled With Inefficiencies and Friction

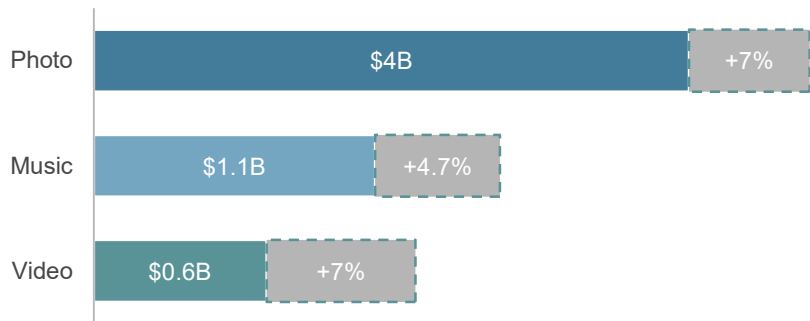


...and Content to Help Them Monetize

While music and video continue to demonstrate strong growth, stock photo content remains the category leader.

Photo Remains the Largest Category by Total Addressable Market

Total addressable market for 2019 and 2018–2019 growth:

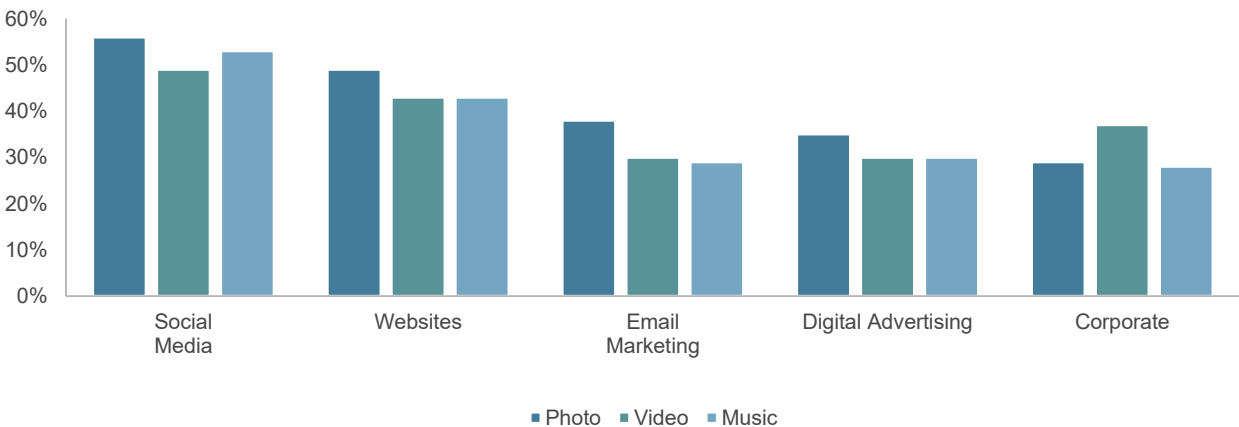


Global Stock Images Market Growth Over 2020–2024



Photo Is the Most Popular Asset Category Across a Broad Range of Use Cases

Utilization of stock content extends across a diverse set of media types, as follows:



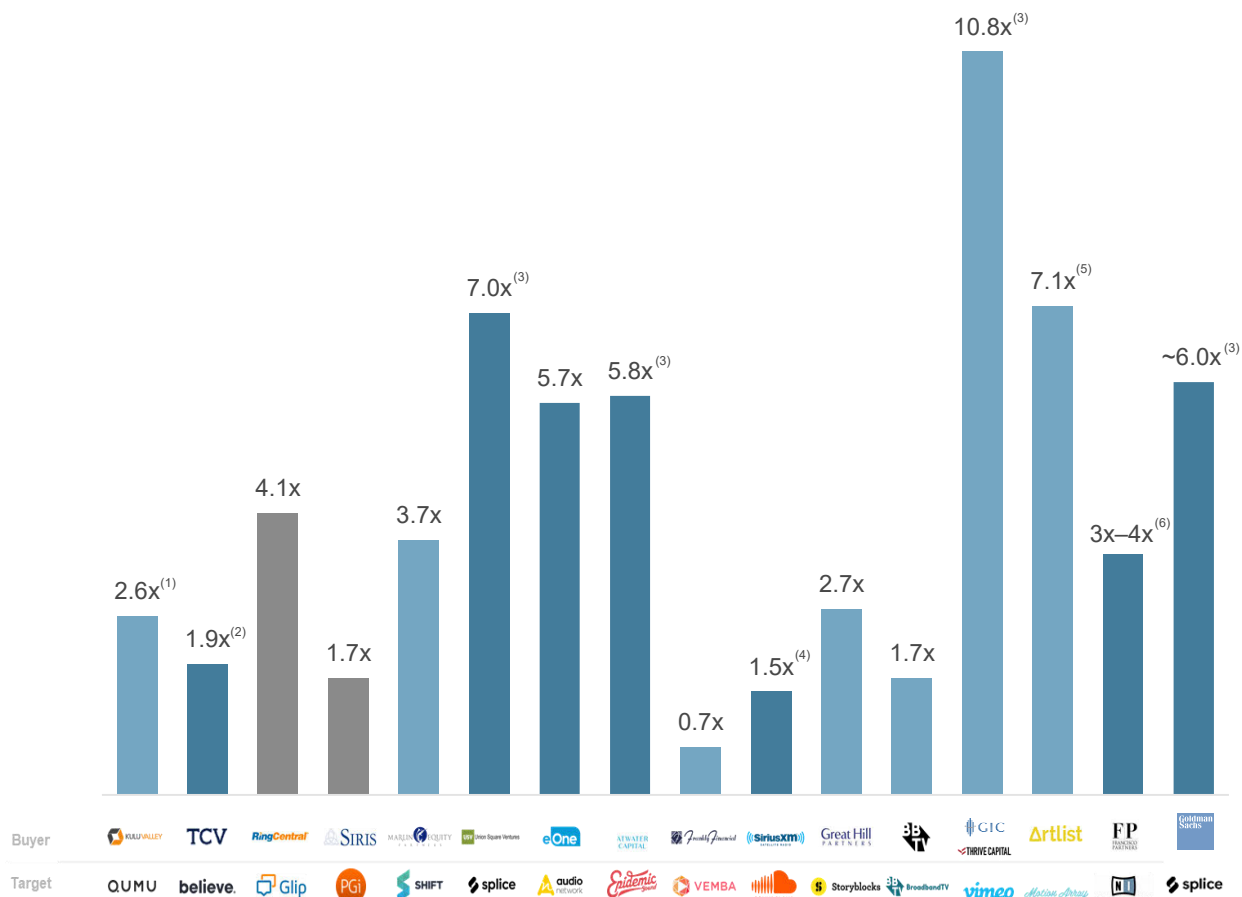
Sector M&A Activity

TEV/LTM Revenue

(\$ in millions)

Date	Oct-14	Jun-15	Jun-15	Sep-15	Nov-18	Mar-19	Apr-19	Jul-19	Jul-19	Feb-20	Jun-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Target TEV	\$15	\$140	\$8	\$976	\$70	\$228	\$215	\$370	\$1	\$240	\$95	\$234	\$2,750	\$65	NA	~\$500

■ Music Tools Mean: 4.5x ■ Video Tools Mean: 4.2x ■ Other Creator Tools Mean: 2.9x



Sources: S&P Capital IQ, 451Research, public filings, and other publicly available information.

(1) Revenue multiple represents midpoint of estimated range of 1.8–2.0x.

(2) Reflects multiple on average of CY2018 revenue and 4Q19 run rate revenue per public reports.

(3) Represents pre-money valuation.

(4) Based on BTV Holdings Inc. 51% stake acquisition in BroadbandTV Corp. from RTL Group S.A. CAD 160 million.

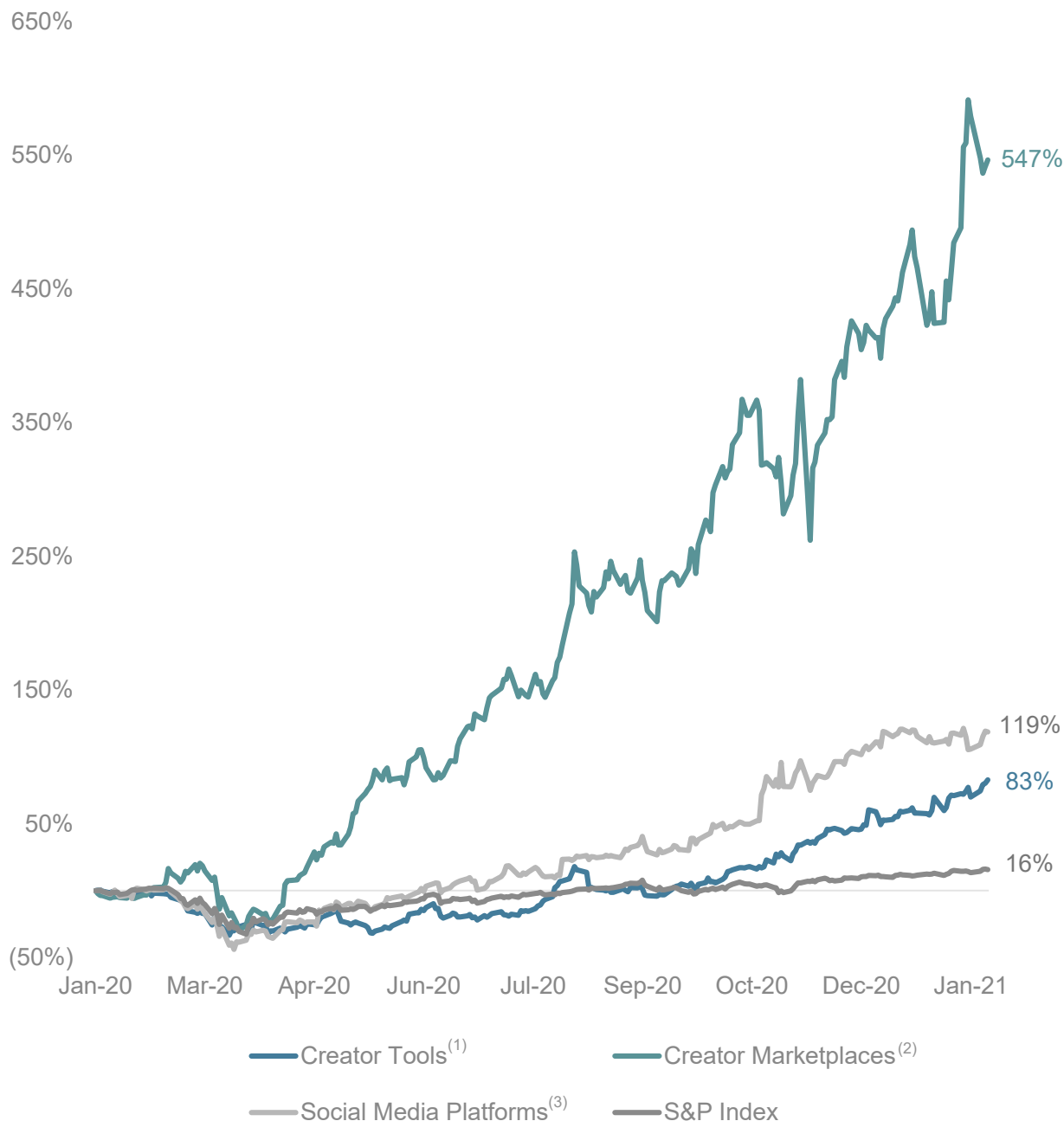
(5) Multiple based on Net Revenue.

(6) EBITDA multiple is estimated to be 18x–19x.

The Street Has Been Bullish on UGC-Driven Stories

As the stock market rallies to all-time highs, the UGC ecosystem has outperformed the S&P 500.

Select LTM Share Price Performance



Source: S&P Capital IQ, data as of 1/22/2021.

(1) Comprises AVID and Shutterstock.

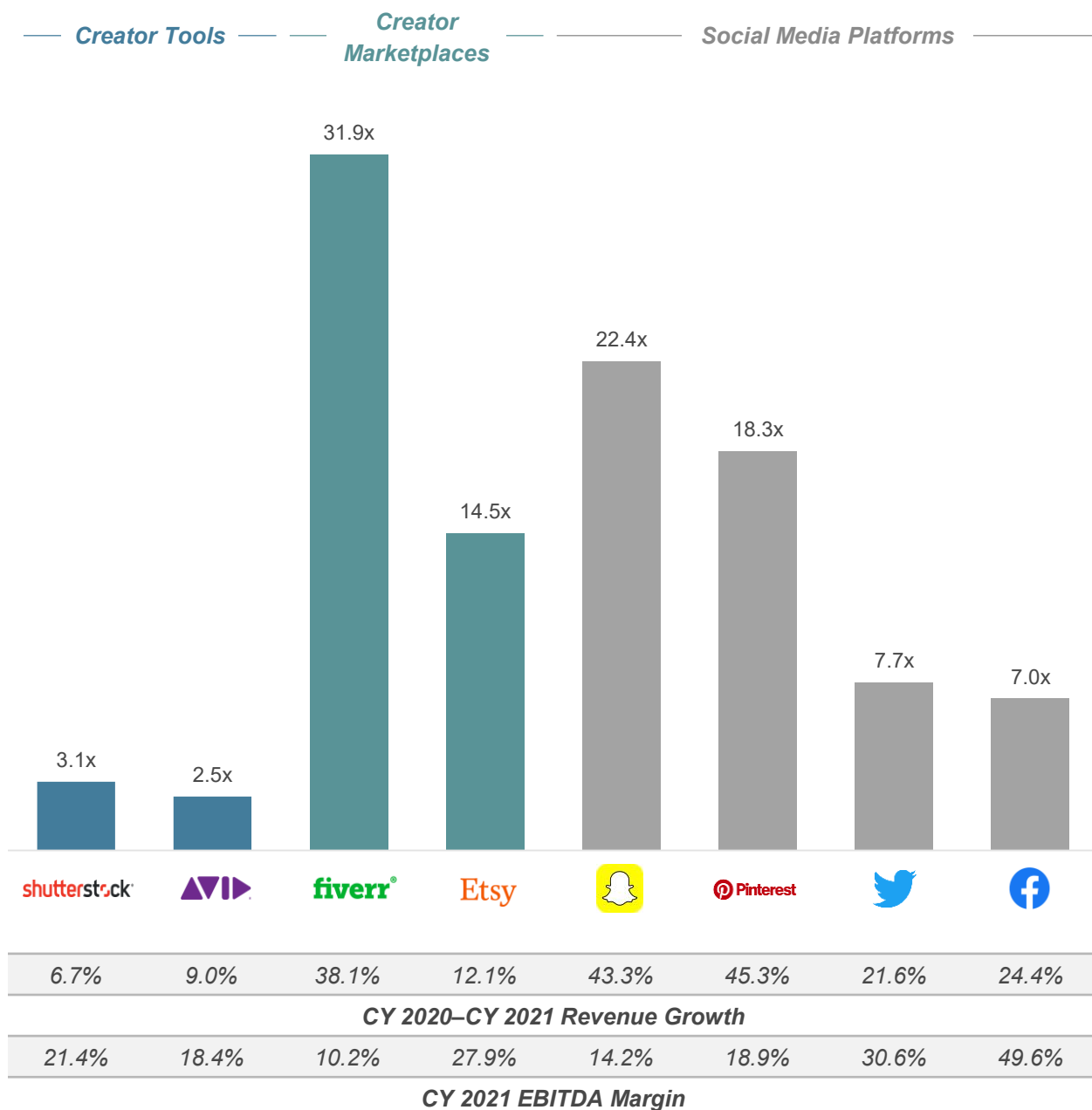
(2) Comprises Fiverr and Etsy.

(3) Comprises Snapchat, Pinterest, Twitter, and Facebook.

Public Market Benchmarking

While there are no direct public comparables for creator tools platforms, the ecosystems they serve are characterized by high-forward-revenue multiples due to significant growth potential.

Implied TEV/CY 2021E Revenue Multiples



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