A Data-Driven Analysis of the Media, Entertainment, and Gaming Industry

(2024 Mid-Year Update)

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Introduction

Only a few months have passed since we explored the dynamic $2+ trillion global Media, Entertainment, and Gaming (MEG) industry in our comprehensive 2023 MEG report. As we move through 2024, the relentless pace of change persists, driven by evolving consumer preferences, business model innovation, and flows of capital.

In this collaborative mid-year update from Crunchbase and Alignment Growth, we revisit the themes from our prior report, examining how these trends have developed. We also review how the activity across private and public capital markets and M&A has trended year-to-date, highlighting notable transactions across the global MEG landscape.

We welcome comments and feedback on our analysis and observations. Please do not hesitate to contact us at info@alignmentgrowth.com.

About Crunchbase

Crunchbase is an AI-powered platform that helps over 75 million dealmakers — including entrepreneurs, investors, market researchers, and salespeople — discover and prioritize the right opportunities using proprietary company data.

Companies all over the world rely on us to power their applications, making over a billion calls to our API each year.

About Alignment Growth

Alignment Growth is an investment manager focused on growth-stage companies across media, entertainment, and gaming. With its team's multi-decade track record of senior executive operating, strategy, and deal making experience at global Fortune 500 companies, Alignment Growth provides value-added capital solutions to help its portfolio companies achieve their growth ambitions.

MEG outlook update

As we reach the middle of 2024, the strong momentum of the public equity markets from 2023 has continued into this year, with several global benchmark indices reaching all-time highs. Recession concerns are receding, and the possibility of near-term Fed rate cuts is becoming more visible. The market rally has been broadening beyond the concentrated leadership of select large-cap stocks into other sectors and SMID caps. The improving market environment and increased confidence among investors and corporate boards are also contributing to an uptick in private market funding and M&A following a weak 2023.

The themes and predictions mentioned in our 2023 MEG report appear to be in-line with current developments:

AI-driven productivity gains

According to Crunchbase data, AI emerged as the largest VC sector in Q2'24, with $24 billion raised[1]. Several early-stage AI startups aiming to make traditional MEG business processes more efficient have attracted substantial venture funding since the beginning of the year.

Notable examples include ElevenLabs, which raised $80 million in January for its AI voice generation tools used in film, TV, games, and other applications, and Pika, which announced an $80 million raise in June to develop foundational AI models for video creators.

Further, it is not surprising that the MEG industry is at the forefront of emerging case law on IP rights and copyright protection related to generative AI. For instance, in June, the three major record labels filed lawsuits alleging copyright infringement 'at an almost unimaginable scale' against AI music startups Suno and Udio[2], both of which also attracted substantial venture funding this year.

As AI use cases and tools continue to develop and gain industry adoption, we expect resulting productivity gains to continue to benefit multiple MEG sectors.

Accelerated M&A activity

The first half of 2024 continued a positive trend in the recovery of MEG M&A activity. The announced global M&A dollar volume increased 100% year-over-year, although declining 5% from H2'23. Large-scale MEG transactions have made a comeback with as many $1+ billion deals announced in H1'24 (21 deals) as in the entire years of 2022 (21) and 2023 (22).

The second half of 2024 appears to be off to a strong start: in early July, Paramount announced its on-again-off-again merger with Skydance, valuing the combined company at $28 billion[3].

Reshaping of Big Media conglomerates

Our 2023 MEG report anticipated that Big Media conglomerates would be forced to pursue structural changes due to diverging market forces and the cash flow characteristics of their business segments. These changes could involve divestitures or spin-offs of declining linear TV network segments, mergers/JVs of higher-growth content businesses and direct-to-consumer streaming offerings, and non-core asset disposals.

Lagging share prices have contributed to an acceleration of Big Media's strategic activity year-to-date. In addition to the announced Paramount-Skydance merger, Lionsgate completed the first step of separating its film/TV production businesses from Starz[4], while Disney and Reliance have agreed to merge their content platforms in India[5]. A wave of streaming partnerships aimed at reducing subscriber churn has been announced in short order, including ESPN/Fox/Warner Bros. Discovery's Venu Sports JV for streaming sports[6], as well as Peacock/Netflix/Apple+[7] and Disney+/Hulu/Max bundled offerings[8].

As audience preferences for leisure time spending increasingly shift away from watching TV and movies, pressures on diversified media conglomerates are unlikely to abate[9]. Consequently, we expect Big Media's strategic repositioning to continue.

Increasing proliferation of transmedia IP

Amazon's April release of the *Fallout* TV series has put another spotlight on the power of well-executed film/TV adaptations of gaming IP. 65 million viewers tuned in after the release[10], and the game's publisher, Microsoft/Bethesda, collected an estimated $80 million in high-margin incremental catalog sales and licensing fees[11]. In June, Netflix re-affirmed its commitment to gaming by announcing over 80 projects in development[12], and in July, Warner Bros. Games acquired Player First Games[13], developer of the *MultiVersus* game featuring popular characters from Warner Bros. franchises.

Holistic franchise management is increasingly adopted as an integral part of strategic planning for IP across video games, film/TV, music, consumer products, and live experiences, and we expect this trend to persist.

Looking ahead

As we look ahead, the complex interplay of the ongoing recovery in risk appetite and deal activity with the central banks' monetary policy changes, the global election 'super-cycle,' and ongoing geopolitical conflicts, among other factors, will surely make for an eventful second half of 2024.

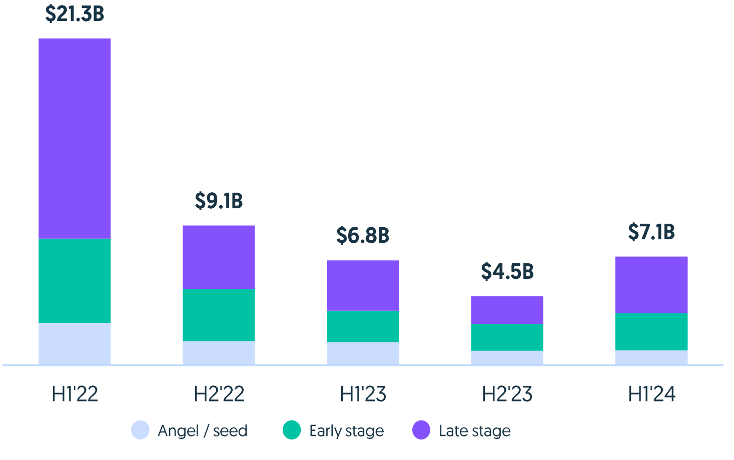
MEG venture funding activity

58% global MEG venture funding increase from H2'23, significantly outpacing the broader market

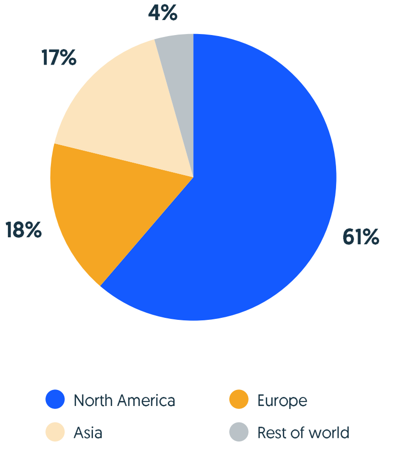
H1'24 global MEG venture funding reached $7.1 billion, increasing 58% from H2'23 and 4% YoY, with volumes stabilizing near the 'pre-bubble' levels in 2019-2020. The MEG funding rebound was significantly stronger than the 1.4% growth from H2'23 and 5% YoY decline across the broader global venture funding deal volume levels, according to Crunchbase data.

Geographically, North America led the increase, with dollar volume up 137% from H2'23 and 44% YoY. Disney's $1.5 billion strategic investment in Epic Games accounted for a significant portion of the increase. MEG funding activity in Asia also picked up 15% from H2'23, although declining 52% YoY. European activity levels remained subdued, with dollar volume further declining 13% from H2'23 and 2% YoY.

Global MEG funding dollar volume

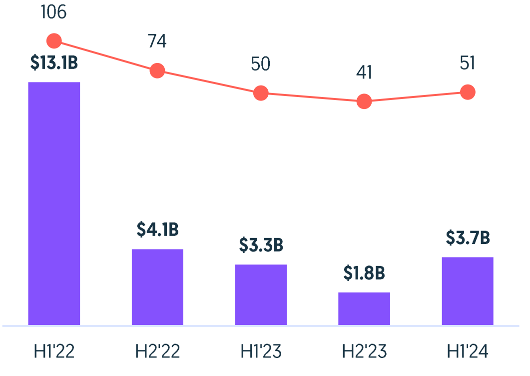


H1'24 MEG funding dollar volume by geographic market

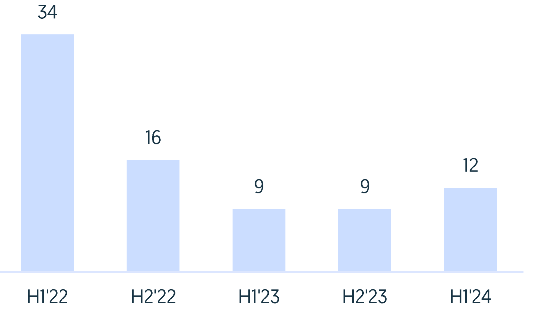


Late-stage MEG activity significantly upticked from a slow H2'23, with H1'24 deal volume improving 105% from H2'23 and 12% YoY. The number of MEG mega rounds also increased 33% both from H2'23 and YoY, reflecting investor sentiment shift towards more scaled assets.

Global late-stage MEG funding volume



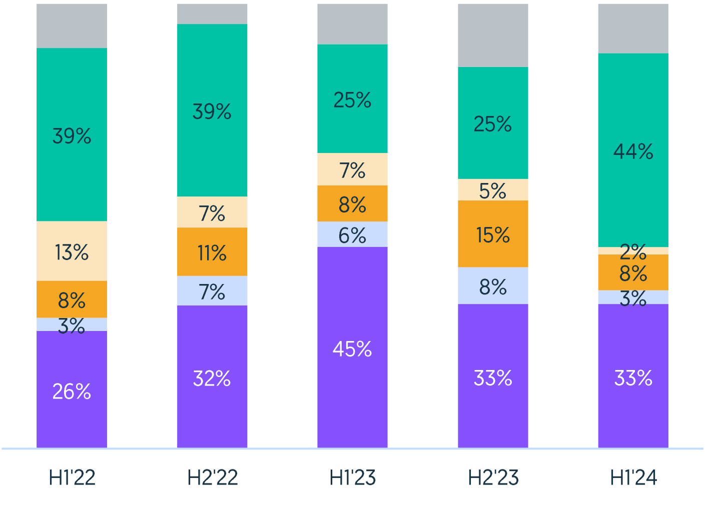
Number of $100M+ MEG mega-rounds



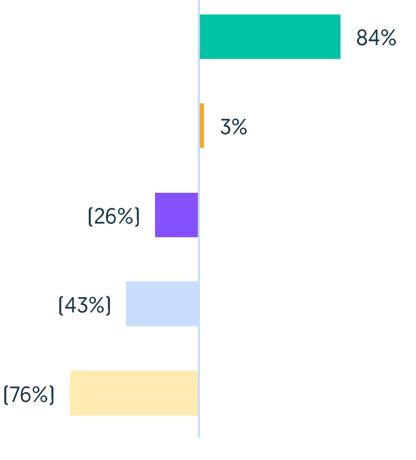
Capital flows to the gaming sector have rebounded the most, with notable mega-rounds including the Disney/Epic Games investment, Zentry's $140 million strategic financing, and Build A Rocket Boy's $110 million Series D round, which was announced in January 2024[i].

AdTech/MarTech dealmaking activity has remained sluggish, reflecting an uncertain outlook for digital advertising growth and evolving privacy policies of tech platforms, among other factors.

Global MEG funding dollar volume by sector



H1'24 YoY change in global MEG funding dollar volume by sector



Content & distribution* Experiences* Sports* Marketing & advertising* Gaming Other

*Sectors with partial overlap

[i] An Alignment Growth managed fund is an investor in Build a Rocket Boy

Some of the largest late-stage MEG funding rounds announced in H1'24 are listed below:

Top 5 H1'24 MEG late-stage mega-rounds

Company	HQ location	MEG sector	Amount	Investor(s)
Epic Games	USA	Gaming	$1,500M	Disney
Cinq Music	USA	Music	$250M	GoDigital Media Group
Create Music Group	USA	Music	$165M	Flexpoint Ford
Bending Spoons	Italy	Enablers	$156M	Durable Capital Partners
Flip	USA	Digital Media	$144M	Streamlined Ventures

MEG M&A market activity

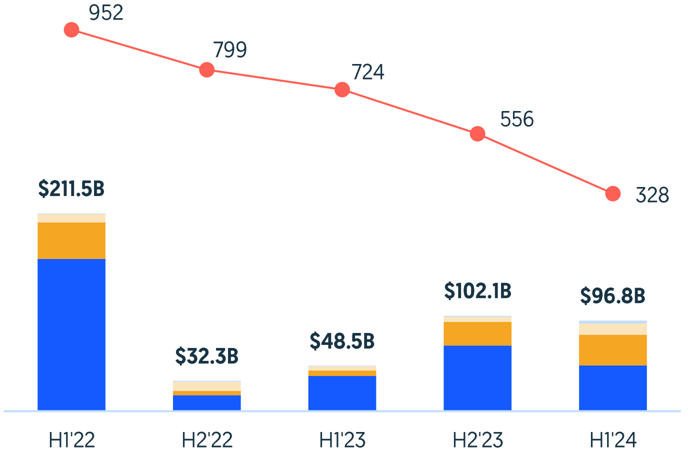
Global MEG M&A deal volume increased **2x** from H1'23

Global MEG M&A dealmaking continued to recover in H1'24, showing a dollar volume increase of 100% YoY despite a decline in the number of announced transactions. This YoY trend has significantly outpaced the dollar volume of deals in the overall global M&A market, which increased 5% YoY[14].

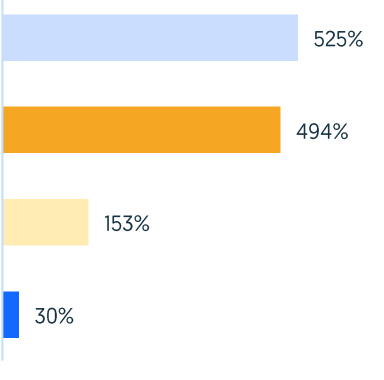
Large-scale MEG transactions have made a comeback with as many $1+ billion deals in H1'24 (21 deals) as in the entire years of 2022 (21) and 2023 (22).

Take-private activity accounted for the majority of the $1+ billion MEG deals, as financial sponsors took advantage of improved financing conditions and valuation multiples that, in many cases, were below the peak levels of late 2021. Notable take-private transactions by financial sponsors included Silver Lake's $25 billion acquisition of Endeavor, Permira's $6.9 billion acquisition of Squarespace, and EQT's $2.8 billion acquisition of Keywords Studios.

Global MEG announced M&A by geography



H1'24 YoY change in global MEG announced M&A dollar volume



North America · Europe · Asia · Rest of world · # of deals

Some of the largest MEG M&A deals announced in H1'24 are listed below:

Top 5 H1'24 announced MEG M&A transactions

Target	HQ location	MEG sector	Acquiror(s)	Transaction	Deal value
Endeavor*	USA	Sports	Silver Lake	Take private	$25.0B
Star India	India	Film/TV	Viacom18	Joint venture	$8.5B
Squarespace*	USA	Digital media	Permira	Take private	$6.9B
Yandex*	Russia	Digital media	Private equity consortium	Take private	$5.2B
Dorna Sports	USA	Sports	Liberty Media*	Acquisition	$4.5B

* Denotes public companies

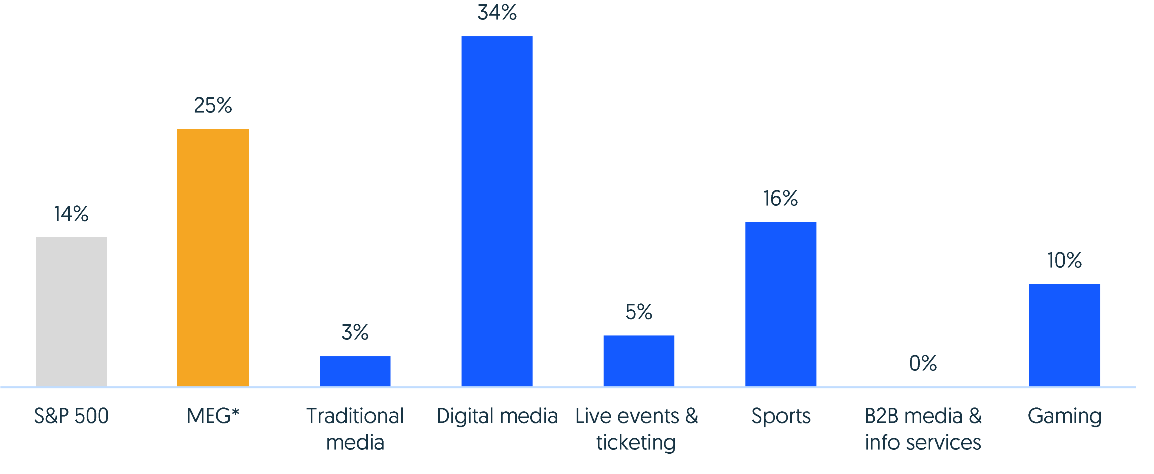
MEG public market update

$1.1 trillion market cap gain by Digital Media companies in H1’24[15]

The strong share price momentum of Digital Media companies in 2023 carried into the first half of 2024. Collectively, since the beginning of the year, these companies have gained $1.0 trillion in market cap, led by Alphabet ($544 billion gain) and Meta ($405 billion). As the market rally continued to broaden over the course of the year, other companies in the Digital Media group tracked by Alignment Growth also posted solid gains, with the group strongly outperforming the S&P 500 index in H1’24[15]. A significant re-rating of TKO (+4.4x) contributed to the outperformance of the sports group.

Other MEG sectors have generally lagged behind the broader market performance in H1’24. Sony was the highest detractor, with a $13 billion market cap loss and a 10% decline in share prices after announcing a softer outlook for the PlayStation segment.

H1’24 percent change in total market capitalization by sector[15]

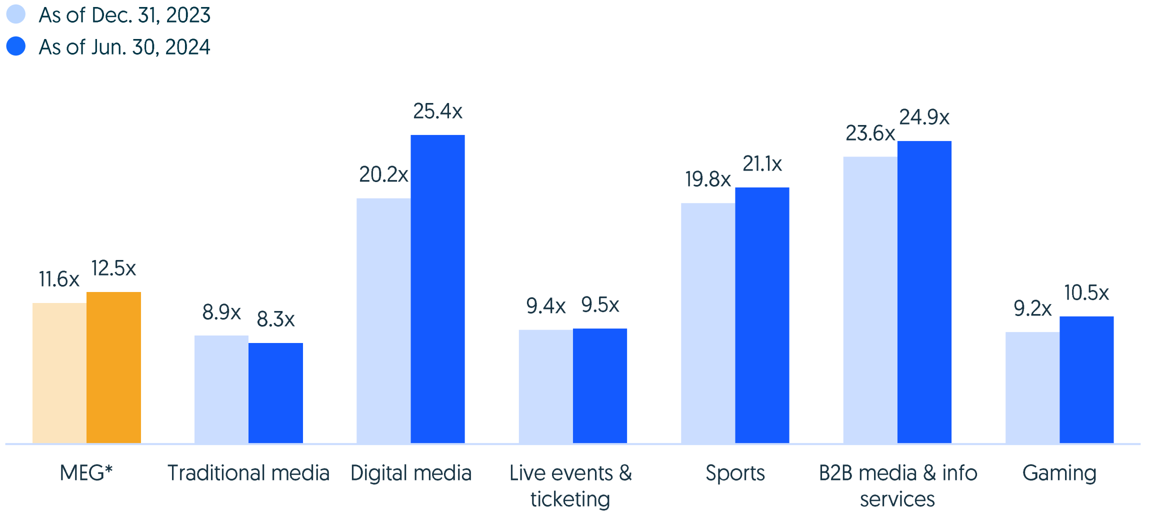


* Total percentage change of market cap for all companies listed in Endnote 15

Despite the relative share price underperformance of some MEG sectors in comparison to benchmark indices, valuation multiples have generally upticked. At the end of Q2, the median 2024E EBITDA multiple for MEG companies in our database increased to 12.5x from 11.6x at the end of 2023[15].

Traditional Media was the exception: the group's multiples compressed slightly as the sector has remained out of favor with investors.

Median Enterprise Value to consensus 2024E EBITDA multiples by sector[15]

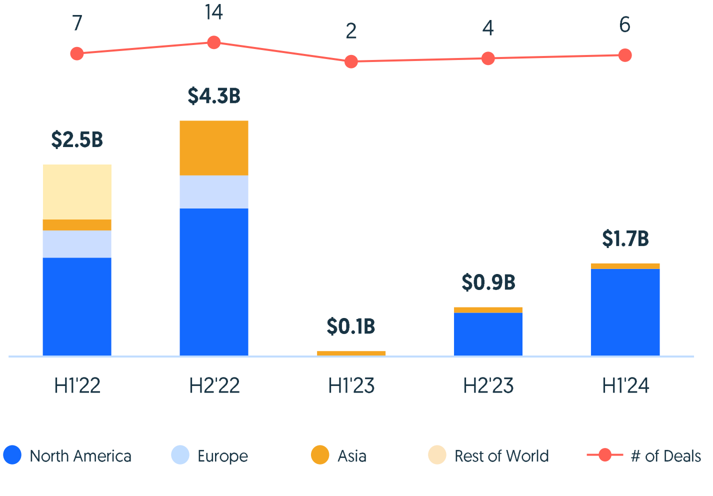


Note: Calculations exclude negative multiples and multiples greater than 50x
* Median Enterprise Value to consensus one-year forward EBITDA multiples of all companies listed in Endnote 15

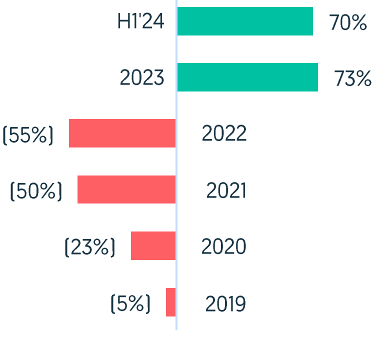
IPO activity begins to show signs of recovery

As the equity markets continued their strong upward momentum and volatility remained subdued throughout H1'24, select issuers opted to test the IPO markets. While global IPO volumes remained below historical averages, particularly in Asia, the solid performance of the 2023-H1'24 IPO cohort sets a positive backdrop for the second half of 2024[16].

Global MEG IPO volume by geographic market[17]



Global MEG average IPO returns by annual cohort[17] to Jun. 30, 2024



Notable debuts in the first half of 2024 included Reddit, a highly anticipated IPO of a social network and news aggregation platform, which raised $860 million in gross proceeds to the company and selling shareholders and surged 48% on its first day of trading on the NYSE[18], and a corporate carveout of Lionsgate Studios through a de-SPAC transaction, which raised $350 million in gross proceeds[4].

Some of the largest MEG IPOs completed in H1'24 are listed below:

Top 5 H1'24 MEG IPOs[17]

Company	HQ location	MEG sector	Listing exchange	Transaction	Proceeds raised	Δ Share price (IPO to 6/30/23)
Reddit	USA	Digital Media	NYSE	IPO	$860M	88%
Lionsgate Studios	USA	Content	NASDAQ	de-SPAC	$350M	(19%)
Webtoon Entertainment	USA	Content	NASDAQ	IPO	$315M	9%
Ollamani	MX	Sports	BMV	IPO	$80M	236%
Qunabox	China	AdTech	HKEX	IPO	$63M	114%

Endnotes

Sources: analysis by Alignment Growth based on the data from Crunchbase, company filings, press articles, and Factset

1. "Global Funding and M&A Picked Up in Q2, While AI Funding Mushroomed" by Crunchbase (2024)
2. "Major Labels Sue AI Firms Suno and Udio for Alleged Copyright Infringement" by Billboard (2024)
3. "Skydance Media and Paramount Global Sign Definitive Agreement to Advance Paramount as a World-Class Media and Technology Enterprise" by Paramount (2024)
4. "Lionsgate Studios to Launch Tuesday, May 14" by Lionsgate (2024)
5. "Reliance and Disney Announce Strategic Joint Venture to Bring Together the Most Compelling and Engaging Entertainment Brands in India" by Disney (2024)
6. "ESPN, Fox, and Warner Bros. Discovery Forming Joint Venture to Launch Streaming Sports Service in the US" by Disney (2024)
7. "Comcast to Launch Peacock, Netflix, Apple TV+ Bundle at a 'Vastly Reduced Price'" by Variety (2024)
8. "Disney Entertainment and Warner Bros. Discovery Announce Disney+, Hulu, Max, Bundle" by Disney (2024)
9. "YouTube, TikTok Eroding Viewing Time Spent Streaming TV & Movies" by Variety (2024)
10. "Fallout Nabs 65 Million Viewers in First Two Weeks of Availability, Amazon Claims" by Variety (2024)
11. "VG Insights: Fallout TV Show Might Bring Bethesda $80 Million in Additional Game-Related Revenue" by Game World Observer (2024)
12. "80+ Netflix Stories Games in Development and Plans to Release 'About One New Title per Month'" by GamesIndustry.biz (2024)
13. "Warner Bros. Games Acquires 'MultiVersus' Developer Player First Games" by Variety (2024)
14. "2024 Mid-Year Outlook: Global M&A Industry Trends" by PwC (2024)
15. Sector groups referred to in this section are comprised of the following companies:
    a. **Traditional media**: Disney, Sony, Warner Bros Discovery, Paramount, Fox, Endeavor, Lionsgate Entertainment, Lionsgate Studios
    b. **Digital media**: Alphabet, Meta, Netflix, Spotify, Snap, Pinterest, Reddit, Roku, New York Times
    c. **Live events & ticketing**: Live Nation, CTS Eventim, Vivid Seats, Eventbrite
    d. **Sports**: Formula One, TKO, MSG Sports, Manchester United, Atlanta Braves
    e. **B2B media & info services**: S&P Global, Thomson Reuters, Verisk, CoStar Group, Hubspot, FactSet, Morningstar, Klaviyo, ZoomInfo, Sprout Social, Semrush, Similarweb
    f. **Gaming**: Electronic Arts, Take-Two Interactive, Roblox, Unity, Playtika, Ubisoft, Embracer Group, CD Projekt RED, Paradox Interactive, Keywords Studios, Stillfront, Krafton, Netmarble, NCsoft, Pearl Abyss, Nintendo, Nexon, Capcom, Konami, Square Enix, Sega, Tencent, Netease, Perfect World, Yoozoo Games

    For additional information, please visit alignmentgrowth.com/monthly-newsletter/
16. "EY Global IPO Trends Q2 2024" by EY (2024)
17. Excludes SPAC IPOs, direct listings, and transactions with less than $50M in gross proceeds
18. "Reddit Shares End Trading Up 48% in Market Debut" by Reuters (2024)

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