



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

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Introduction

The global \$2+ trillion Media, Entertainment & Gaming ("MEG") industry has no shortage of attention and analyses. After all, MEG stands at the forefront of cultural influence: [nearly] everyone is a consumer of MEG, and millions of people worldwide participate in the creation of content and experiences.

As industry observers and investors, we cannot help but marvel at the relentless pace of innovation and disruption across MEG sectors. Evolving consumer preferences, tools, technologies, distribution channels, and business models make it an intricate industry for investors.

While no one can hold all the answers, we aim to dissect the data and anticipate challenges beyond the surface of conventional analyses. In this collaborative report from Crunchbase and Alignment Growth, we use Crunchbase data and other sources to dive into an industry where technological innovation drives cultural evolution.

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 on a global scale. 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.

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



MEG outlook

AI-driven productivity gains provide lasting tailwinds for MEG growth

2023 was the year of generative AI. The AI story provided a much-needed catalyst to reignite investor interest in tech stocks after the Fed's aggressive rate hikes deflated the tech valuation 'bubble' of 2021. The AI frenzy propelled the 'Magnificent Seven' to an astonishing \$5.4 trillion increase in combined market cap while also contributing to solid gains for the broader stock market indices. In private markets, generative AI and AI-related startups attracted nearly \$50 billion in venture funding in 2023, according to Crunchbase data.

AI and machine learning applications within MEG are already wide-ranging, spanning areas like real-time photorealistic de-aging of Hollywood stars, fraudulent click detection for ad campaigns, dynamic ticket pricing for live events, and intelligent matchmaking for multiplayer games.

We also believe that [AI is poised to provide a lasting tailwind for the MEG industry](#) due to its anticipated substantial impact on our productivity.

According to McKinsey², combining generative AI with other technologies may contribute as much as 3.3% annually to global productivity growth between 2023 and 2040. Considering compounding effects, this could drive up to a 17-hour, or over 40%, boost to a typical work week.

[Higher labor productivity](#) is associated with fewer working hours³ and, consequently, more leisure time, which [should result in increased MEG consumption](#).

Tidal wave of MEG M&A to follow the “year of efficiency”

In 2023, the MEG industry embraced the “year of efficiency⁴” after the era of cheap capital and heightened consumer demand for entertainment during COVID. As access to capital dried up, the ‘growth at all costs’ philosophy gave way to a renewed focus on the bottom line.

According to [The Crunchbase Tech Layoffs Tracker](#), the US tech sector had over 191,000 layoffs in 2023, and we estimate that the **job losses across MEG exceeded 45,000⁵**.

Unsurprisingly, cutbacks in spending and investment correlate with slower growth. As of the date of this report, global GDP growth is expected to decelerate into 2024⁶, while the **top-line growth for public MEG companies in our database is projected to decline by 2% in 2024 vs. 2023, on average⁷**.

In this challenged macro environment, the pressure on management teams to drive shareholder value creation through M&A will intensify. Moreover, after a years-long lull in ‘exit’ activity across both private and public markets, investors will need to return to dealmaking to demonstrate realizations and redeploy capital.

The era of cheap capital and ‘platforms wars’ gave rise to numerous independent content companies and tech enablers within the MEG ecosystem: over 10,000 MEG companies raised more than \$100 billion in venture funding between 2019 and 2022, according to Crunchbase. Over the past year, many of these companies have been contending with a funding drought exacerbated by weaker demand for their products and services and by other operational challenges. At the same time, scale benefits have become more important than ever in driving operating efficiencies and improving negotiating leverage with platforms and distributors.

As a result, we anticipate an accelerated pace of MEG M&A heading into 2024, including **consolidation among smaller, privately-held players** and potential **transformative Big Media M&A activity** (more on that below).

'Good Bank / Bad Bank' for media conglomerates

2023 accentuated the 'bear case' for media conglomerates. Viewership of linear TV networks, historically their highest cash flow contributors, fell below 50% for the first time⁸. Concurrently, media companies also had to contend with a softer ad market, talent strikes, and tough negotiations with their distributors, among other challenges.

At the same time, media companies' growing streaming services have yet to compensate for declining linear profits amid unabating spending on content and subscriber churn. During 2023, the average performance of Big Media stocks lagged behind the S&P 500 index by more than 15%⁹.

Consolidation rumors propelled the shares of Paramount and Warner Bros. Discovery to solid gains in December, as the potential for value creation from significant cost synergies is well-proven. However, in the long run, cost-cutting alone cannot deliver the sustained earnings growth the markets expect.

Ultimately, we anticipate that **media conglomerates will be compelled to pursue structural separations of Good Bank segments of their businesses** (such as streaming services or content pure-plays) **from those with Bad Bank characteristics** (like linear TV networks and other no-growth segments), **each catering to different groups of shareholders.**

A recent example emblematic of such a strategy is Lionsgate's announcement to separate its Film/TV Studio from STARZ networks¹⁰, contributing to a 23% gain for its shareholders in December 2023.

Subsequently, further consolidation among Bad Banks is likely to unfold, extracting additional cost savings in the face of declining revenues and driving future cash flows in excess of currently discounted expectations (akin to the consolidation of newspaper companies).

Likewise, M&A or partnerships between the Good Bank segments could pave the path for sustainable future earnings growth through operating leverage and reduced subscriber churn via bundling. The February 2024 announcement of ESPN, Fox, and Warner Bros. Discovery forming a joint venture to launch a bundled streaming sports service¹¹ is likely to foreshadow additional similar strategic actions by media companies.

The age of brands for video games

Despite one of the most exciting new game release slates in recent years, the global video game industry grew a mere 0.6% in 2023¹², continuing its post-COVID slump. Adjusted for inflation, consumer spending on games actually declined in 2023. While we remain optimistic about the industry's longer-term prospects, near-term headwinds – including a weaker announced line-up of new games, regulatory uncertainty in China¹³, ongoing geopolitical conflicts, and a cloudy outlook for consumer spending – suggest a difficult 2024. Gaming appears to have matured outside of a few high-growth 'frontier' markets – SEA, MENA, and LatAm.

As competition for consumer attention and spending among the various MEG options continues to intensify (e.g., over 1,200 games were released on Steam in December 2023 alone, up nearly 2x from December 2019¹⁴), the MEG industry's existing challenges of new content discovery and user acquisition are unlikely to ease. Launching a blockbuster original IP has never been more difficult!

However, 2023 brought a few unexpected successes of traditionally non-gaming brands crossing over from film (Hogwarts Legacy), board games (Monopoly GO!), and toys (LEGO in Fortnite) into hit game experiences, and several highly successful game IP adaptations into film/TV (Super Mario Bros., The Last of Us, and Gran Turismo, to name a few).

Transmedia has been an industry buzzword for the past few years. The benefits of film/TV releases for game sales have been well-documented and prompted several collaborations between game developers and streaming platforms¹⁵.

The trend of brand crossovers from game IPs into other areas of consumer spending and vice versa will likely accelerate.

After all, leveraging brands with cultural significance can help drive new user acquisition and provide exciting re-engagement opportunities with existing ones in a maturing industry.

Disney's recent announcement in February 2024 of its \$1.5 billion strategic investment in Epic Games, aimed at developing new entertainment experiences connected to Fortnite and leveraging Disney IP¹⁶, underscores the importance of transmedia strategies in a highly competitive environment for consumer time spend and share of wallet.

Best of MEG 2023

2023 worldwide box office

Title	Studio	Worldwide box office
Barbie	Warner Bros.	\$1,446M
The Super Mario Bros. Movie	Universal	\$1,362M
Oppenheimer	Universal	\$953M
Guardians of the Galaxy Vol. 3	Disney	\$846M
Fast X	Universal	\$705M

Source: BoxOfficeMojo.com as of Jan 21, 2024

2023 worldwide top music tours

Artist (Title)	Worldwide box office
Taylor Swift (The Eras)	\$1,039M
Beyoncé (Renaissance)	\$580M
Bruce Springsteen and E Street Band	\$379M
Coldplay (Music of the Spheres)	\$325M
Harry Styles (Love on Tour)	\$291M

Source: Pollstar

2023 US most-watched non-sports telecasts

Title	Network	Viewers
The Oscars	ABC	19.4M
Next Level Chef: S2/E1 (A Next Level Welcome)	Fox	16.9M
Grammy Awards	CBS	13.4M
60 Minutes: S55/E17 (Prince Harry)	CBS	12.5M
60 Minutes: S56/E1 (President Zelenskyy)	Universal	12.4M

Source: "The 100 Most-Watched Telecasts of 2023..." by Variety (December 2023)

H1 2023 worldwide top Netflix titles

Title	Hours viewed
The Night Agent S1	812M
Ginny & Georgia S2	665M
The Glory S1	623M
Wednesday S1	508M
Queen Charlotte: A Bridgeton Story	503M

Source: "What We Watched: A Netflix Engagement Report" by Netflix (December 2023)

2023 US top-selling video games

Title	Publisher
Hogwarts Legacy	Warner Bros. Games
Call of Duty: Modern Warfare III	Activision Blizzard
Madden NFL 24	Electronic Arts
Marvel's Spider-Man 2	Sony
The Legend of Zelda: Tears of the Kingdom*	Nintendo

Source: Circana
* Digital sales not included

2023 US top-grossing mobile games

Title	Publisher	Unified revenue
Monopoly GO!	Scopely	\$632M
Candy Crush Saga	Activision Blizzard	\$472M
Roblox	Roblox	\$408M
Royal Match	Dream Games	\$389M
Coin Master	Moon Active	\$246M

Source: SensorTower

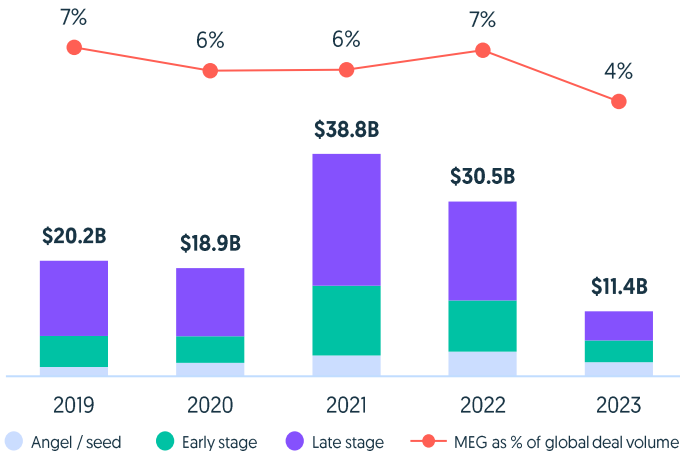
MEG venture funding activity

After a 22% decline in 2022, global MEG venture funding plummeted an additional **62%** in 2023

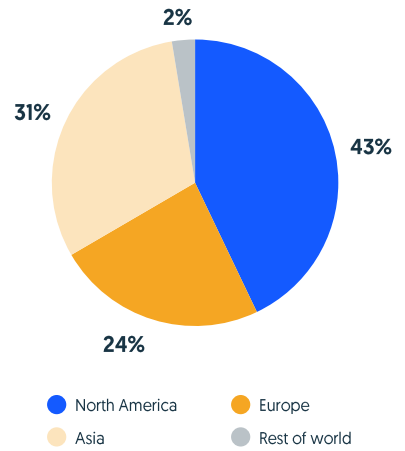
2023 concluded with the global MEG venture funding at \$11.4 billion, significantly below even the 'pre-bubble' activity levels of 2019-2020. This downward trend was pervasive across all geographic markets, with North America experiencing a 67% drop, Europe at 40%, Asia at 67%, and other geographies at 63%, per Crunchbase data.

Declines in MEG venture funding were steeper than the overall global venture funding market, which declined by 38% in 2023, reflecting investors' cooling enthusiasm for the industry's growth prospects. Notably, in 2023, MEG declined to a mere 4% of the total capital inflows, down from 7% in 2022.

Global MEG funding dollar volume

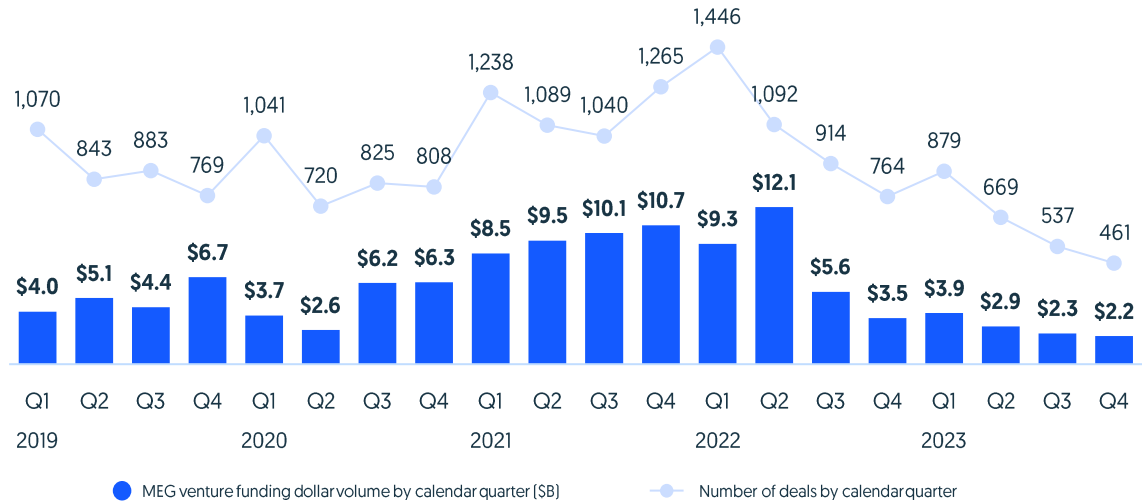


2023 MEG funding dollar volume by geographic market



Even the typically seasonally strong Q4 failed to reignite momentum amid lingering concerns over the impact of macroeconomic headwinds and post-COVID normalization on consumer/MEG spending and sector-specific challenges noted above.

Global MEG funding volume by calendar quarter

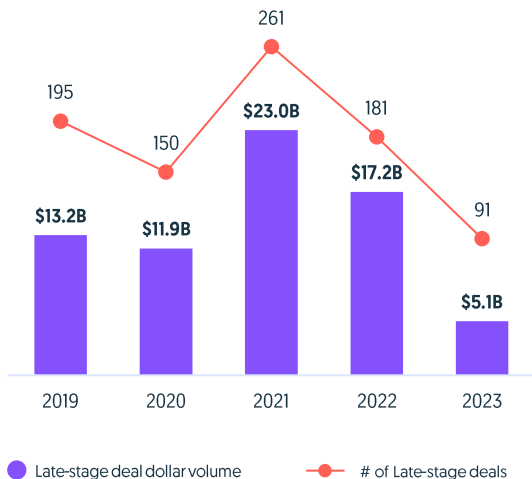


Late-stage capital drought

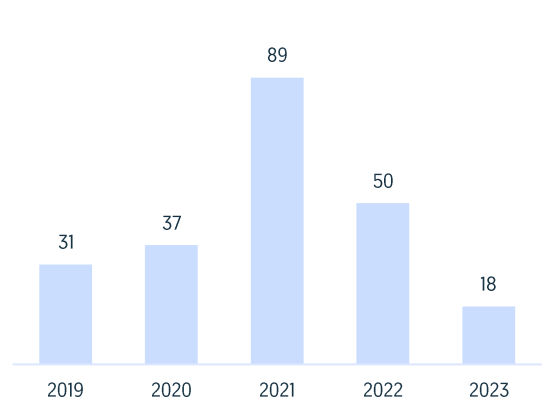
The capital drought was particularly pronounced for late-stage companies: fewer than 100 late-stage MEG deals were completed in 2023. According to Crunchbase data, the late-stage MEG venture funding dollar volume fell 70%, significantly worse than the 37% decline across all late-stage funding volumes.

After peaking at \$95 million in 2022, the average late-stage round size shrank to \$56 million, reflecting reduced activity from non-traditional and cross-over investors, who typically contribute larger ‘checks,’ and a restrained pace of capital deployment across the VC industry. Consequently, mega-rounds (that raise \$100 million+ in proceeds) have become increasingly rare, with only 18 such transactions reported in 2023.

Global late-stage MEG funding volume



Number of \$100M+ MEG mega-rounds



2023 MEG late-stage mega-rounds

Company	HQ location	MEG sector	Amount	Investor(s)
Kakao Entertainment	South Korea	Entertainment	\$966M	PIE , PWARP (GIC)
Madhive	USA	Adtech	\$300M	Goldman Sachs
VSPO	China	Gaming (esports)	\$265M	Savvy Games Group
Klook	Hong Kong	Experiences	\$210M	Bessemer , BPEA EQT , Atinum , others
Beyond Music	South Korea	Music Content	\$170M	Praxis Capital
Runway	USA	Enablers (AI)	\$141M	Google , Nvidia , Salesforce Ventures
Barça Vision	Spain	Sports	\$132M	LIBERO football finance AG
Fever*	USA	Experiences	\$110M	Goldman Sachs , Eurazeo , Convivialité , others
Bending Spoons	Italy	Enablers	\$110M	NB Renaissance
Urban Sports Club	Germany	Sports	\$104M	Verdane , HV Capital , ProSiebenSat1
TOKHIT	Romania	Social Media	\$101M	N/A
Candivore	Israel	Gaming (mobile)	\$100M	Haveli , Union Tech Ventures , OG Venture Partners
PFL	USA	Sports	\$100M	SRJ Sports Investments
Vox Media	USA	Digital Media	\$100M	Penske Media

* Alignment Growth is an investor in Fever

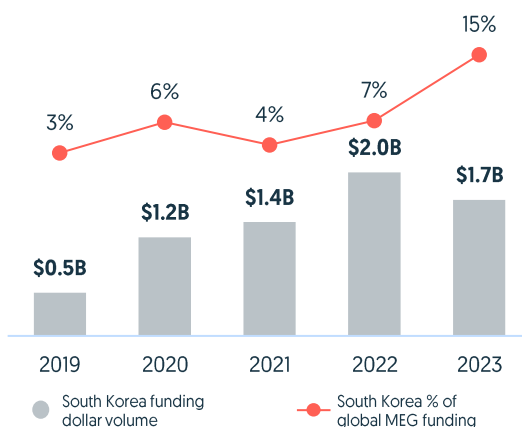
MEG venture funding activity: South Korea country spotlight

South Korean content is attracting global investor demand

South Korea has become a hotbed for investment in content companies, contributing to an uptick in capital allocation to the Content & Distribution sector in 2023.

The MEG industry ecosystem in South Korea has consistently attracted over \$1 billion in venture funding per year since 2020, with strong appetite from global investors.

South Korea: MEG funding dollar volume



Notably, in January 2023, [Kakao Entertainment](#), a South Korean conglomerate which operates global webtoon and web novel publishing platforms, Korea’s largest music platform [Melon](#), and several film, television and K-pop talent management businesses, raised a \$966 million financing round from sovereign wealth funds [PIF](#) (Saudi Arabia) and an affiliate of [GIC](#) (Singapore)¹⁷.

2023 notable MEG funding rounds for South Korean MEG companies are listed below:

2023 select MEG funding rounds in South Korea

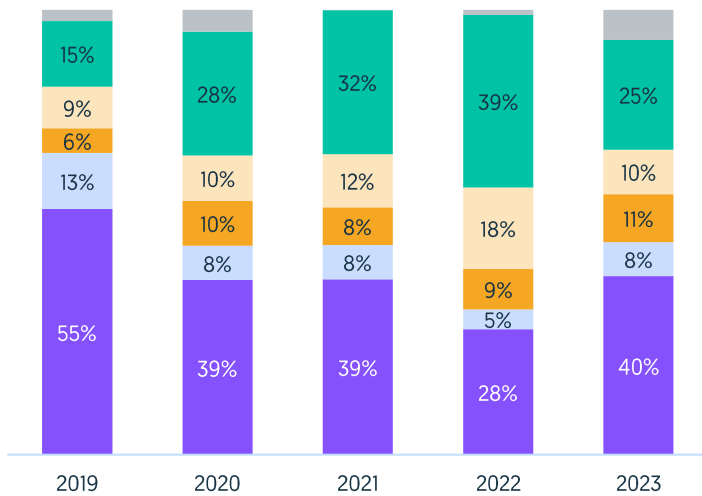
Company	Summary description	MEG sector	Amount
Kakao Entertainment	Entertainment, mass media, and publishing company	Entertainment	\$966M
Beyond Music	Capital provider for the Asian music industry	Music	\$170M
IPX	Digital IP company, best known for Line Friends	Content	\$90M
D'Strict	Design and digital media art studio	Experiences	\$80M
Musicow	Music copyright trading platform	Music	\$46M

MEG venture funding activity: Sector spotlights

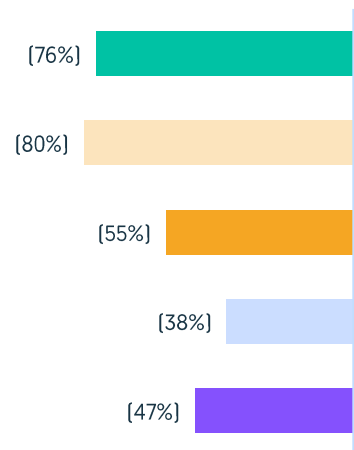
All sectors of MEG posted steep declines in funding activity, with gaming and AdTech/MarTech most heavily affected.

All sectors within MEG have experienced a significant year-over-year decline in VC funding activity in 2023. AdTech/MarTech, among all sectors, has been hit the hardest with an 80% drop in dollar volume of funding. This decline has been influenced by the choppy advertising demand, uncertain discretionary spending outlook, and increased scrutiny from regulators and tech platforms over consumer privacy, among other factors. Investment in the gaming sector has also declined sharply, while companies in the experience economy have seen more resilient investor interest (more on these sectors below).

Global MEG funding dollar volume by sector



2023 global MEG funding dollar volume decline by sector



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

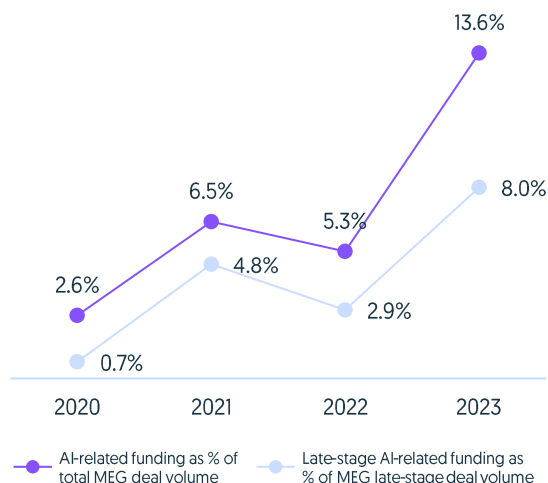
* Sectors with partial overlap

AI momentum on the rise

Applications of generative AI have the potential to disrupt the entire MEG value chain, from content creation and personalization to marketing and distribution. While optimism related to generative AI has not reversed the overall declines in MEG funding, the share of AI-related companies that raised capital increased sharply in 2023.

Per Crunchbase data, 13.6% of global MEG venture funding in 2023 was for AI-related companies, marking a sharp increase from 5.3% in 2022.

AI-related funding as % of MEG funding



We expect this trend to continue: e.g., [ElevenLabs](#), a startup that uses AI for film dubbing and audio content, became one of the first Unicorns of 2024, with an \$80 million Series B round completed in January¹⁸. Some of the largest AI-related MEG rounds of 2023 are listed below:

2023 select funding rounds for AI-related MEG companies

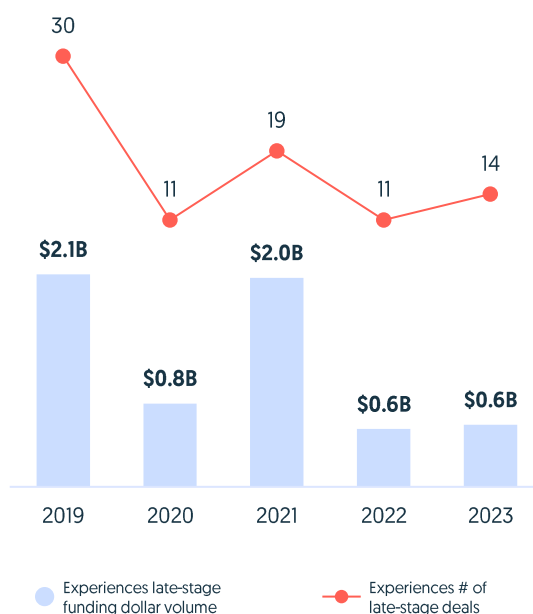
Company	Summary description	HQ location	Stage	Amount
Runway	Generative AI tools for video content creation	USA	Series C	\$141M
Prins AI	Service platform focused on AI digital human training	USA	Series B	\$100M
Writer	Large language model for AI-generated written content	USA	Series B	\$100M
Typeface	Enterprise-grade gen AI platform for personalized content creation	USA	Series B	\$100M
Synthesia	AI text-to-video generation	UK	Series C	\$90M

Resilient capital flows to the experience economy

As the world emerged from the COVID-19 pandemic, consumers eagerly flocked to travel and live experiences, propelling many companies in the experience economy to record revenues in 2022¹⁹. Entering 2023, a lingering question remained: was this robust growth merely a short-lived consequence of post-COVID ‘revenge spending’?

By most accounts, 2023 proved that the tailwinds of evolving consumer demographics and preferences powering the experience economy are here to stay, as attendance at sporting events, music concerts, amusement parks, and Broadway shows continued to climb.

Experiences: late-stage funding by year



This was not unnoticed by investors: the experience economy was one of the very few sectors with resilient late-stage funding activity in 2023.

Below, we list select late-stage deals in the experience economy sector announced in 2023.

2023 select experience economy late-stage funding rounds

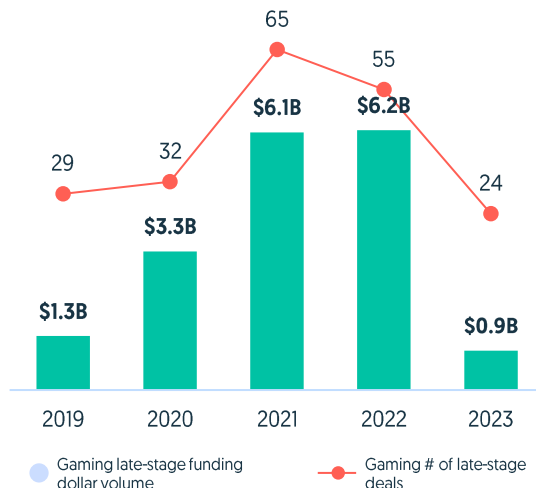
Company	Summary description	HQ location	Stage	Amount
Klook	Asia-focused platform for experiences and travel services	Hong Kong	Series E	\$210M
Fever*	Global live-entertainment discovery platform	USA	Series E	\$110M
GetYourGuide	Online marketplace for booking tours, attractions, and excursions	Germany	Series F	\$85M
DICE	Independent music ticketing platform	UK	Series D	\$65M
ROLLER	Cloud-based venue management software	Australia	N/A	\$50M

* Alignment Growth is an investor in Fever

Capital flows to gaming sharply decline

The surge in gaming during the COVID lockdowns²⁰ and the mania surrounding blockchain and NFTs brought massive capital flows into the gaming sector during 2020-2022. More than 2,500 game companies received funding during that time frame, or over two companies per day, on average! Investors optimistically poured capital into upstart development studios, Web3/crypto infrastructure providers, and similar ventures, with the expectation that consumer demand will follow.

Gaming: late-stage funding by year



In 2023, the industry faced a reckoning. Despite an impressive slate of new games, the global consumer spending on games declined in real terms (i.e., when adjusted for inflation)¹². Furthermore, Web3/NFT games failed to break into the mainstream, and the industry grappled with execution and operating challenges, including game delays and escalating labor and marketing costs. News of layoffs and studio closures became a regular occurrence²¹, as only a few companies have been able to attract funding.

As a consequence, during 2023, the global venture funding for gaming companies fell 76%, while the late-stage financing volume plummeted by 85%. Although some positive signs began to emerge in early 2024, such as Scottish game developer Build A Rocket Boy's \$110 million Series D mega-round²², it is unlikely that the gaming industry will return to the buoyant activity levels seen in 2020-2021 anytime soon.

Select late-stage fundings for companies in the gaming sector announced in 2023 are listed below:

2023 select gaming late-stage funding rounds

Company	Summary description	HQ location	Stage	Amount
<u>VSPO</u>	eSports tournament operator	China	Series C	\$265M
<u>Candivore</u>	Mobile multiplayer game developer	Israel	Series C	\$100M
<u>Veloce Media</u>	Media ecosystem across eSports, gaming, and racing	UK	N/A	\$50M
<u>CCP Games</u>	Developer of massively multiplayer online games	Iceland	N/A	\$40M
<u>Strikerz</u>	Developer of free-to-play football game UFL	Cyprus	N/A	\$40M

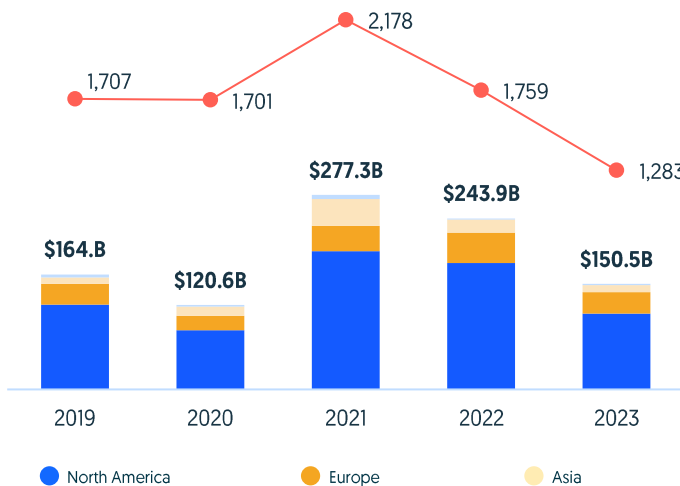
MEG M&A market activity

Global MEG M&A deal volume declined after blockbuster deals in 2021-2022 **38%**

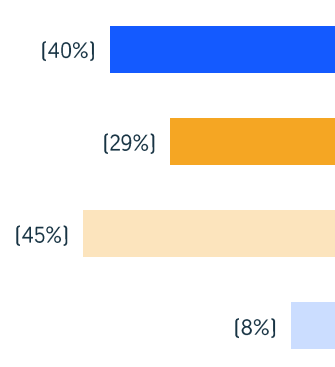
The era of cheap capital, SPAC mania, and expectations of unabating post-COVID growth in consumer spending on streaming services, games, and other entertainment contributed to an outsized wave of MEG M&A beginning in mid-2020. The first half of 2022 saw several MEG mega-M&A transaction announcements, including Microsoft's most significant acquisition to date, a \$69 billion takeover of Activision Blizzard, and one of the largest-ever take-privates, Elon Musk's \$44 billion acquisition of X (formerly Twitter). As the Fed began tightening in March 2022, deal-making activity in MEG and other industries retreated in response to the rising cost of capital and adjusting valuations. This trend continued into 2023, with the total number of announced MEG M&A transactions worldwide declining by over 27%, and the announced dollar volume falling by 38% and underperforming the broader market decline of 15%²³.

The number of announced transactions has declined to multi-year lows across all geographies. However, the dollar volume of deals in North America and Europe was similar to that of 2019. On the other hand, MEG dealmaking in Asia has experienced a dramatic decline, with the number of announced deals decreasing by 42% from 2022 and 20% from 2019 levels. This pullback was led by China, which recorded its lowest deal volume in nine years due to ongoing geopolitical tensions with the US and weak domestic stock market performance, among other reasons²⁴.

Global MEG announced M&A by geography



2023 YoY global MEG announced M&A dollar volume decline



As a consequence of valuations remaining below their prior peak levels across many MEG sectors and higher financing costs, some of 2023's biggest deals were stock-for-stock mergers, go-private transactions, and divestitures from larger conglomerates that sought to unlock value, strengthen balance sheets, and/or dispose of non-core businesses.

A selection of the largest announced MEG M&A transactions of 2023 are listed below:

2023 select announced MEG M&A transactions

Target	HQ location	MEG sector	Acquiror(s)	Transaction	Deal value
<u>DISH Network</u> *	USA	Distribution	<u>EchoStar</u> *	Merger	\$25.8B
<u>Adevinta</u> *	Norway	Online classifieds	Private equity consortium	Take private	\$15.3B
<u>WWE</u> *	USA	Sports	<u>Endeavor</u> *	Merger with <u>UFC</u>	\$9.3B
<u>Hulu</u>	USA	Streaming	<u>Disney</u> *	33% stake	\$8.6B
<u>Six Flags</u> *	USA	Theme parks	<u>Cedar Fair</u> *	Merger	\$8.0B
<u>CAA</u>	USA	Talent agency	<u>Artémis</u>	Majority stake	\$7.0B
<u>Washington Commanders</u>	USA	NFL franchise	<u>J. Harris</u> , others	Acquisition	\$6.1B
<u>Scopely</u>	USA	Video games	<u>Savvy Games Group</u>	Acquisition	\$4.9B
<u>Cvent</u> *	USA	Experiences	Private equity consortium	Take private	\$4.6B
<u>Lionsgate Studios</u>	USA	Film/TV	Screaming Eagle SPAC*	Corporate carve-out	\$4.4B

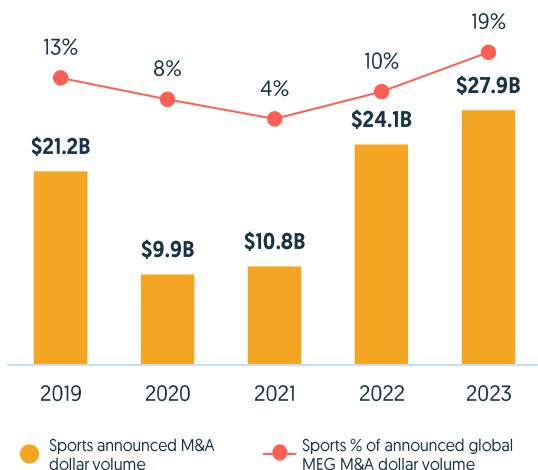
* Denotes public companies

MEG M&A market activity: Sector spotlights

Sports dealmaking on the rise

The proliferation of entertainment options for consumers has resulted in increasing media fragmentation and a steady decline in live TV viewership over the past two decades. In 2003, a top-rated broadcast TV show [Survivor on CBS] routinely gathered close to 20 million viewers in real-time. In contrast, Yellowstone on Paramount Network, America's most-watched series of the 2022-23 season, averaged 11.6 million within 7 days of each episode's airing²⁵.

Sports: Announced M&A deal volume



Live sports remain one of the last bastions of live viewing, with 96 of the top 100 and 181 of the top 200 telecasts in 2023²⁶. As sports programming has become essential for advertisers and marketers looking to reach live audiences at scale, the value of sports media rights and franchises continues to appreciate.

After a slowdown during the COVID pandemic, sports has become one of the more active sectors of MEG deal-making, with total deal volume increasing 16% year-over-year in 2023 and representing 19% of the global MEG dollar volume. Some of the largest M&A transactions in the sports sector announced in 2023 are listed below:

2023 select sports M&A transactions

Target	HQ Location	League / Sport	Acquiror(s)	Transaction	Deal Value
<u>WWE*</u>	USA	Wrestling	<u>Endeavor*</u>	Merger with <u>UFC</u>	\$9.3B
<u>Washington Commanders</u>	USA	NFL franchise	<u>J. Harris</u> , others	Acquisition	\$6.1B
<u>Dallas Mavericks</u>	USA	NBA franchise	<u>Adelson family</u>	Majority stake	\$3.5B
<u>Charlotte Hornets</u>	USA	NBA franchise	<u>G. Plotkin</u> , <u>R. Schnall</u> , others	Majority stake	\$3.0B
<u>Ottawa Senators</u>	Canada	NHL franchise	<u>M. Andlauer</u> , others	Majority stake	\$1.0B

* Denotes public companies

MEG public market update

\$1.6
trillion²⁷

Publicly listed MEG companies collectively gained in market cap in 2023

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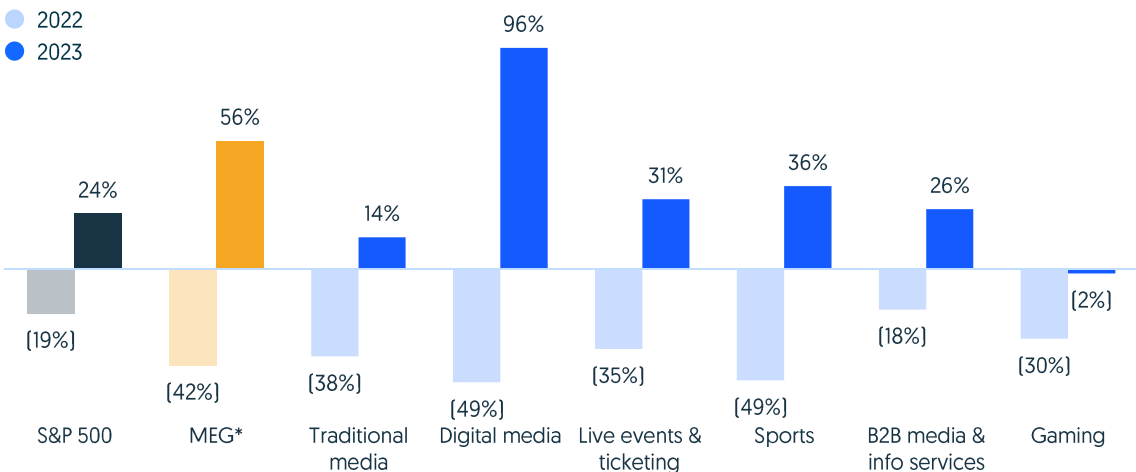
MEG IPOs listed in the US in 2023²⁸

In 2023, the publicly listed MEG companies tracked by Alignment Growth²⁷ posted a total market cap increase of 56%, outperforming the S&P 500's gain of 24%. The cumulative market capitalization of these companies increased by \$1.6 trillion.

The highest individual positive contributor was Meta, a member of The Magnificent Seven¹, with a \$639 billion market cap increase and 194% share price appreciation. Meta also drove the relative outperformance of the digital media sector, which gained \$1.5 trillion in market cap, erasing the same \$1.5 trillion loss in 2022.

Tencent was the highest detractor, with a \$53 billion market cap loss and a 12% share price decline for the year, as the uncertainty over increased regulatory scrutiny in gaming and other sectors impacted capital flows from China stocks. Tencent's under-performance also contributed to the weaker relative performance of the gaming sector, which finished 2023 down 2%, marking the sector's second consecutive year of market cap declines.

Percent change in total market capitalization by sector²⁷



* Total percentage change of market cap for all companies listed in Endnote 27

EBITDA growth expectations remain steady into 2024

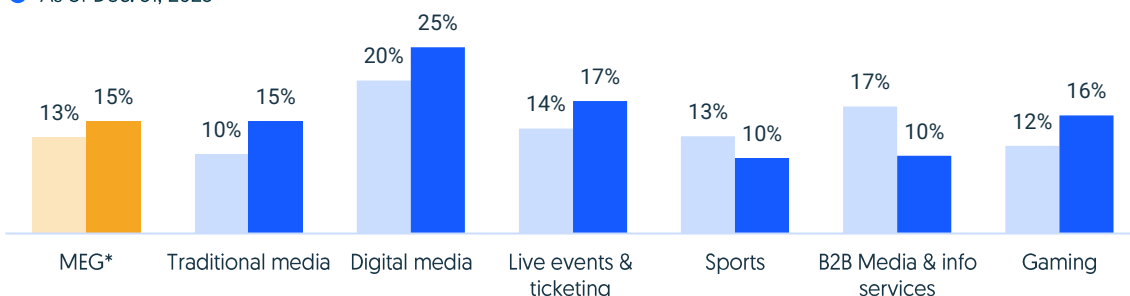
As of December 31, 2023, the median consensus estimates for 2024 EBITDA growth of publicly listed MEG companies tracked by Alignment Growth²⁷ has remained relatively stable compared to a year ago.

Among all MEG sectors, digital media is projected to have the highest EBITDA growth in 2024. The sector has also seen the most significant increase in consensus EBITDA growth expectations compared to a year ago due to signs of rebound in the digital ad market, cost-cutting measures, and the potential upside from generative AI, among other drivers.

The growth expectations for the B2B media & information services sector have declined the most due to a softer outlook for enterprise spending. This sector presently has one of the lowest median EBITDA growth forecasts among all MEG sectors, as the tightening of corporate budgets and job cuts continue to present headwinds for vendor spending.

Median 2024 EBITDA growth consensus estimates by sector²⁷

- As of Dec. 31, 2022
- As of Dec. 31, 2023



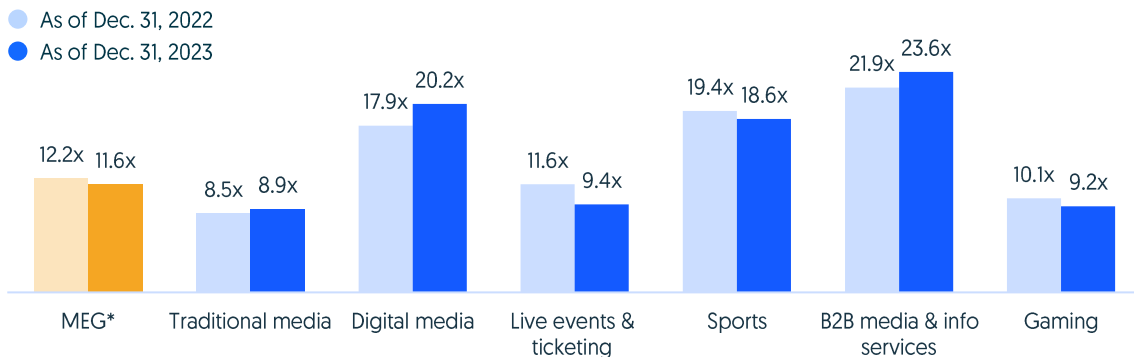
* Median of 2024 EBITDA growth consensus estimates for companies listed in Endnote 27

Valuation multiples remained stable despite a significant run-up in share prices

Despite a significant run-up in share prices throughout 2023, the trading multiples for public MEG companies²⁷ have remained relatively stable. At the end of 2023, the median one-year forward EBITDA multiple for all companies in our database was 11.6x compared to 12.2x one year ago.

Digital media has seen the largest multiple expansion among all sectors, partly due to significant re-ratings of [Meta](#) (+4.9x) and [Netflix](#) (+1.5x). On the other hand, the median multiple for the live events & ticketing sector has compressed, as the post-COVID normalization of revenues and earnings played out over the course of 2023. Gaming companies have also been affected by concerns over slower earnings growth and, in the case of [Tencent](#) and other gaming companies exposed to China, regulatory uncertainty, among other factors.

Median Enterprise Value to consensus one-year forward EBITDA multiples by sector²⁷



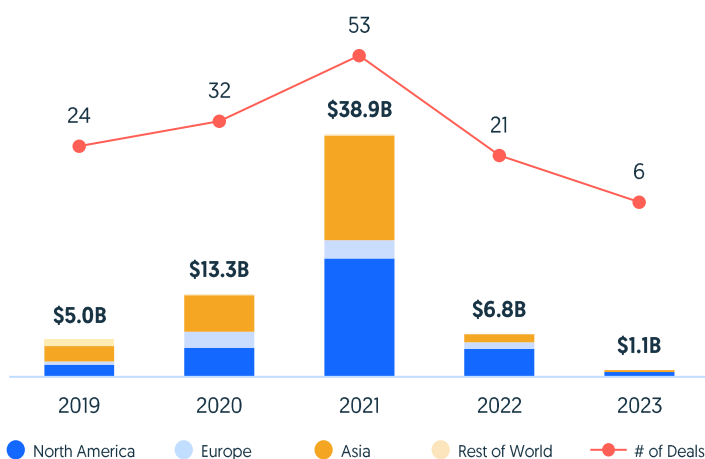
Note: Calculations exclude negative multiples and multiples greater than 50x
 * Median Enterprise Value to consensus one-year forward EBITDA multiples of all companies listed in Endnote 27

IPO activity remained anemic in 2023

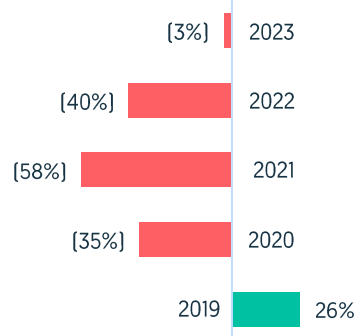
Despite the strong performance of equity indices, the anemic IPO activity experienced across major stock exchanges worldwide in 2022 persisted into 2023.

Investor demand for new listings remained tepid, as nearly 90% of MEG companies that went public between 2020 and the first half of 2022²⁸ were still trading below their IPO prices as of year-end 2023. In addition, several listings of VC-backed tech unicorns attempted in the Fall of 2023 posted a mixed performance in the public market.

Global MEG IPO volume by geographic market²⁸



Global MEG average IPO returns by annual cohort²⁸ to Dec. 31, 2023



Consequently, only three MEG companies went public in the US in 2023²⁸, of which only one was a conventional IPO process, as shown below, while numerous companies in the IPO backlog have postponed their listing plans until 2024.

Notably, in September, Endeavor's UFC and WWE finalized their merger²⁹ and the shares of the combined entity, TKO, debuted on the NYSE under the ticker "TKO." Cinema XXI, an Indonesian movie theater chain, publicly listed on the IDX exchange in August, raising \$145 million in total proceeds³⁰.

2023 Select MEG IPOs²⁸

Company	HQ location	MEG sector	Listing exchange	Transaction	Proceeds raised	Δ Share price (IPO to 12/31/23)
<u>Klaviyo</u>	US	Marketing	NYSE	IPO	\$576M	[15%]
<u>TKO Group Holdings</u>	US	Sports	NYSE	Spin-off	N/A	[21%]
<u>Falcon's Beyond</u>	US	Content	NASDAQ	de-SPAC	\$222M	[29%]
<u>Cinema XXI</u>	Indonesia	Experiences	IDX	IPO	\$145M	[15%]
<u>Cover Corp</u>	Japan	Content	TSE	IPO	\$71M	96%

Endnotes

Sources: analysis by Alignment Growth based on the data from [Crunchbase](#), company filings, press articles, and Factset

1. “Magnificent Seven” refers to Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, and Tesla
2. “The economic potential of generative AI” by McKinsey & Company [2023]
3. “Working hours” by C. Giattino, E. Ortiz-Ospina, and M. Rozer, published at OurWorldInData.org [2020]
4. A reference to [Mark Zuckerberg’s letter](#) to Meta employees [2023]
5. Analysis by Alignment Growth based on data from Layoffstracker.com
6. See, e.g., “Global Economic Outlook” by The Conference Board [2024]
7. Calculated as the average of consensus revenue growth forecasts for companies listed in Footnote 23 on this page for calendar years 2023 vs. 2022, not pro forma adjusted for acquisitions completed during these years
8. “Streaming grabs a record 38.7% of total TV usage in July...” by Nielsen [2023]
9. Calculated as the difference of the average share price performances of Comcast, Disney, Fox, Paramount, and Warner Bros. Discovery from January 1 to December 31, 2023, vs. the S&P 500 index
10. “Lionsgate Studios to launch as a separately traded public company” by Lionsgate [2023]
11. “ESPN, Fox and Warner Bros. Discovery Forming Joint Venture to Launch Streaming Sports Service in the U.S.” by ESPN, Fox and Warner Bros. Discovery [2024]
12. “Newzoo’s year in review: the 2023 global games market in numbers” by Newzoo [2023]
13. See, e.g., “China announces rules to reduce spending on video games” by Reuters [2023]
14. Source: SteamDB.info
15. See, e.g., “Netflix’s ‘The Witcher’ helps fuel 554% growth in The Witcher 3 sales” by VentureBeat [2020]
16. “Disney and Epic Games to Create Expansive and Open Games and Entertainment Universe Connected to Fortnite” by Disney and Epic Games [2024]
17. “Kakao Entertainment lands \$966M from sovereign wealth funds, including Saudi Arabia’s PIF” by TechCrunch [2023]
18. “Voice AI startup ElevenLabs gains unicorn status after latest fundraising” by Reuters [2024]
19. “Roaring 2022 for Experience Economy: A Post-COVID ‘Bump’ or Secular Growth Tailwinds?” by Alignment Growth [2023]
20. See, e.g., “Over Two-thirds of U.S. Adults Increase Time Spent Gaming” by Future plc [2022]
21. “The Biggest Gaming Disappointments of 2023” by Kotaku [2023]
22. “Build a Rocket Boy, a game studio from former Grand Theft Auto developer, raises \$110M” by TechCrunch [2024]; Alignment Growth is an investor in Build a Rocket Boy
23. “Looking back at M&A in 2023: Who Wins in a Down Year” by Bain & Company [2024]
24. “China M&A activity is set for a rebound in 2024 amid renewed overseas interest, but it won’t be business as usual” by South China Morning Post [2023]
25. “100 Most-Watched TV Series of 2022-23: This Season’s Winners and Losers” by Variety [2023]
26. “College sports, NBA find success outside top 100 telecasts” by Sports Business Journal [2024]
27. 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
 - b. **Digital media:** Alphabet, Meta, Netflix, Spotify, Snap, Pinterest, 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
28. Excludes SPAC IPOs, direct listings, and transactions with less than \$50M in gross proceeds
29. “Endeavor announces close of UFC and WWE transaction to create TKO Group Holdings, a premium sports and entertainment company” by Endeavor [2023]
30. “IPO of Indonesia’s Biggest Cinema Chain Mints a New Billionaire” by Forbes [2023]

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