

MediaTainment Finance *The Bulletin*

Who is investing in what in the creative industries?

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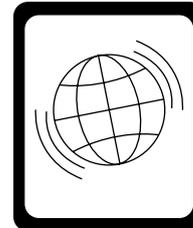
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ADVERTISING/MARKETING

CREATIVE VENTURE: MDC Partners Inc.

Background info: global advertising/marketing agency based in New York City, US, North America

Investor/s: The Stagwell Group

Amount invested: Undisclosed

Seller/s: MDC was NASDAQ-listed

Financial lowdown: Stagwell, a private-equity group focusing on investments in digital-first marketing services has agreed to take over NASDAQ-listed MDC, a leading global creative-centred marketing agency network. MDC will be delisted and converted into a limited liability company comprising MDC and Stagwell's portfolio of subsidiaries. That limited liability company will become the subsidiary of a new NASDAQ-quoted company called MDC. Stagwell's original shareholders will own 74% of the new MDC. The merger aims to create a new Top 10 global marketing conglomerate that hopes to speed up growth, boost market share and triple MDC's digital marketing business. Stagwell's Stagwell Media LP fund invested US\$100m in MDC in March 2019.

Buyer's gain: Stagwell becomes a fierce competitor against creative-centric ad giants like WPP and IPG.

Seller's gain: MDC gains the financial and tech infrastructure to compete against new-generation tech-centric ad agencies like Accenture Interactive, which have been launched by multinational consultancies such as Accenture.

Industry takeaway: The deal injects new competitive fire into an industry accused of complacency and even indifference to changes in society worldwide.

Other creative sectors impacted: Media; Digital media; Television

More info: <https://www.mdc-partners.com/>

ARCHITECTURE/DESIGN

CREATIVE VENTURE: Scott Carver

Background info: architectural firm based in Sydney, New South Wales, Australia, Asia-Pacific

Investor/s: Century

Amount invested: A\$11.5m (US\$8.9m)

Seller/s: N/A

Financial lowdown: Scott Carver, the architectural creative behind the Sydney Opera House's Joan Sutherland Theatre, is tasked with making 18th-century Victoria Theatre, New South Wales' oldest functioning heritage theatre, 21st century-ready. Commissioned by the venue-operations arm of Australian live-entertainment group Century, privately owned Scott Carver will turn the neo-Grecian building into a 900-capacity multi-functional entertainment venue. The completion date is yet to be confirmed. In addition to being a theatre, it has previously been used as a cinema and retail outlet. Century has registered the project as a trust entitled to receive government and private-investment funding.

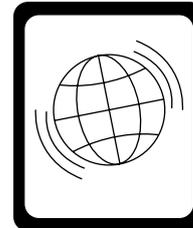
Buyer's gain: Century retains its status as a protector of the architectural heritage in a young country like Australia.

Seller's gain: Scott Carver maintains its leadership in cultural and arts-focused architecture.

Industry takeaway: Architectural value is not all about what is brand new.

Other creative sectors impacted: Out-of-home entertainment; Music; Design; Cultural preservation

More info: <https://www.scottcarver.com.au/>



AUDIO

CREATIVE VENTURE: Wondery

Background info: podcast network based in West Hollywood, California, US, North America

Investor/s: Amazon.com, Inc.

Amount invested: US\$300m

Seller/s: Venture capital from, among others, Advancit Capital, Bertelsmann's BDMI, Greycroft, Lerer Hippeau, Powerhouse Ventures, Waverley Capital and entrepreneur Edgar Bronfman Jr.

Financial lowdown: The US\$300m is what Amazon has reportedly agreed to pay for Wondery, the US' biggest independent podcast publisher and the nation's fourth largest overall. The advertising and subscription-funded venture will be merged with Amazon Music, currently the toughest rival for Spotify, the world's largest streaming-music service and a massive investor in podcast services. Wondery will equally become a sister company for Audible, Amazon's popular audio-books subsidiary. Wondery also adapts its titles for TV, and has sealed a music-licensing deal with Universal Music Group, the world's largest recorded-music label.

Buyer's gain: This combination in audio media should give Amazon a place at the large US podcast industry's table, currently dominated by iHeartRadio, NPR, the New York Times and Sirius XM.

Seller's gain: Should be profitable for VC investors as Wondery had raised US\$15m (source: Crunchbase).

Industry takeaway: Audio is considered the Next Big Thing in media, spurring podcasting's international growth and making radio sexy all over again.

Other creative sectors impacted: TV; Film; In-flight entertainment; Music; Book publishing

More info: <https://wondery.com/>

BOOKS/PRINT MEDIA

CREATIVE VENTURE: Simon & Schuster (S&S)

Background info: global book publisher, headquartered in New York City, New York, US, North America

Investor/s: Bertelsmann

Amount invested: US\$2.17bn

Seller/s: ViacomCBS Inc.

Financial lowdown: German media behemoth Bertelsmann, which already owns the world's largest book publisher Penguin Random House (PRH), won the negotiations for S&S following a fierce fight against Rupert Murdoch's News Corp (owner of publisher HarperCollins). Adding S&S, which includes Stephen King, Hillary Clinton, Jackie Collins and Bob Dylan among its authors, to PRH would give Bertelsmann a significant chunk of the global book-publishing market. But CEO Thomas Rabe has told media that with a less than 20% market share in the US, the deal should get antitrust regulators' approval. The investment also continues Bertelsmann's pledge to invest up to €6bn (US\$7.1bn) annually in content.

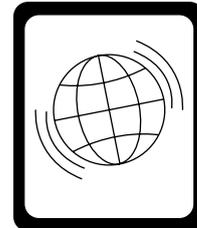
Buyer's gain: Bertelsmann consolidates its lead in the global book-publishing industry.

Seller's gain: NASDAQ-listed ViacomCBS is free to focus on its TV, movie and digital media operations.

Industry takeaway: Still unclear but consolidation will reduce the long-running Big Six publishers that once dominated the international market (Hachette; HarperCollins; Macmillan; Penguin Group; Random House; S&S) to the Big Four (PRH/S&S; HarperCollins; Macmillan; Hachette). Experts also believe bigger publishers will be stronger during negotiations with tech-giant book retailers like Amazon.

Other creative sectors impacted: Audio; TV; Film

More info: <https://www.simonandschuster.com/>



FASHION/LUXURY

CREATIVE VENTURE: KKW Beauty (20% stake)

Background info: US beauty company, based in New York City, New York, US, North America

Investor/s: Coty Inc.

Amount invested: US\$200m

Seller/s: KKW

Financial lowdown: KKW, the luxury-beauty venture owned by reality-TV celebrity Kim Kardashian is now minority owned by Coty, the debt-laden global cosmetic-and-beauty giant. Products at KKW, said to be worth US\$1bn following the deal, include cosmetics, skincare, fragrance and make-up tools that will now be sold at high-end department stores and the two companies' digital outlets. Coty will take over development of all KKW's range of products, adding its innovative tech and scientific know-how. KKW brings Kardashian's powerful brand image and millions in social-media following, including 198 million on Instagram alone.

Buyer's gain: KKW's popularity should help boost revenues for the mighty Coty, which needs to slash debts, as seen when it sold a majority of its haircare products unit Wella last year for US\$3bn to private-equity group KKR.

Seller's gain: Kardashian joins her sister Kylie Jenner, whose Kylie Cosmetics company was valued at US\$1.2bn when she sold 51% to Coty in 2020.

Industry takeaway: 117-year-old brand owner meets 21st-century social-media icon to reach new generation of consumers.

Other creative sectors impacted: Television; Media; Entertainment

More info: <https://kkwbeauty.com/>

FILM/VIDEO

CREATIVE VENTURE: GHY Culture & Media Co Ltd

Background info: film and entertainment conglomerate based in Singapore, Asia-Pacific

Investor/s: Singapore Exchange-listed

Amount invested: IPO

Seller/s: Founder/CEO Guo Jingyu

Financial lowdown: GHY Culture & Media, an ambitious filmmaking company, has launched on the Singapore Exchange to raise a reported S\$121m (US\$91m) from institutional investors and the public. Other new shareholders include Singapore tycoon Ron Sim and Chinese live-streaming platform iQIYI. Founder/CEO Guo Jingyu, a renowned writer/producer, remains the majority shareholder with a 59% stake.

Money gained from the IPO, which values GHY at S\$709m (US\$534m), will be used to reinvest in its strong businesses in the Asia-Pacific: Singapore, Australia, China and Malaysia. The company's other interests in TV production, concert promotion and talent management will also benefit from the funds raised.

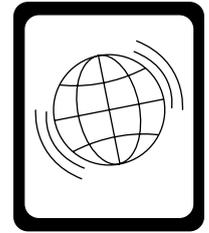
Buyer's gain: Singapore retains its reputation as a major Asian film market.

Seller's gain: GHY will use the money to invest in original movie production, acquisitions, joint ventures, strategic partnerships and organic growth.

Industry takeaway: Asia's film market gains a new potential success story.

Other creative sectors impacted: Television; Music; Live Entertainment

More info: <https://ghyculturemedia.com/>



GAMING

CREATIVE VENTURE: Wizard Games Global Ltd

Background info: video-game developer/publisher based in Hangzhou, Zhejiang, China, Asia

Investor/s: Tencent Holdings Ltd

Amount invested: Undisclosed

Seller/s: Zhejiang Wooduan Technology Co Ltd (aka Zhejiang Wudu Technology)

Financial lowdown: Privately owned by Zhejiang Wooduan Technology Co Ltd (aka Zhejiang Wudu Technology), Wizard Games is the latest creative venture to benefit from the largesse of Tencent, the highly acquisitive Chinese tech conglomerate. Although the exact amount invested is unknown, a Wizard Games press release indicates it is “several million RMB”. The company is most famous for its Battle Teams, a shooter-genre game that boasts more than 30 million monthly active users and 500 million-plus registered users worldwide. Battle Teams 2, the sequel, is scheduled for 2021.

Buyer’s gain: The move boosts the growing international dominance of the Tencent Games subsidiary, which already owns or has stakes in global hit game-makers like Riot Games, Epic Games, and Activision Blizzard in the US, France’s Ubisoft Entertainment, Finland’s Supercell and Bluehole in South Korea.

Seller’s gain: Wizard Games will be able to use funding to fulfil its plans to grow internationally and develop new original titles for online, PC, mobile and console-game players.

Industry takeaway: Tencent’s interest confirms the growing share of games in the global entertainment space, although its dominance should eventually raise anti-trust questions.

Other creative sectors impacted: Entertainment; Film/Video; Television; Music

More info: <http://www.wooduan.com/?lang=en>; <http://www.wizardgames.cn/?lang=en>

MUSIC

CREATIVE VENTURE: Universal Music Group (UMG)

Background info: major multinational music label, based in Santa Monica, California, US, North America

Investor/s: Tencent Holdings Ltd-led consortium

Amount invested: Undisclosed

Seller/s: Vivendi SA

Financial lowdown: A consortium led by Chinese tech conglomerate Tencent has agreed to snap up another 10% of UMG, the world’s largest recorded-music company by revenue. The move will see the share of the consortium, which also happens to include Tencent subsidiary Tencent Music Entertainment (TME), grow to 20%. TME accounts for 10% of the consortium. The deal gives UMG a €30bn (US\$36bn) valuation before its owner, the Euronext Paris-listed Vivendi, attempts to take it public on the stock exchange. That IPO is reportedly expected this year.

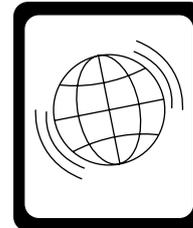
Buyer’s gain: Tencent continues its march to be a dominant player in the global entertainment industry (also see **Gaming** above). It happens to also have interests in UMG rival Warner Music Group and Spotify, the world’s biggest streaming-music service.

Seller’s gain: Vivendi is also globally ambitious and needs cash to reduce debts.

Industry takeaway: Tencent’s aggressive move into the global music market is raising anti-trust eyebrows in an already highly consolidated sector.

Other creative sectors impacted: Games; Esports; Television; Film/Video

More info: <https://www.universalmusic.com/>



OUT-OF-HOME ENTERTAINMENT

CREATIVE VENTURE: Fantawild Holdings Inc. theme parks

Background info: amusement-park conglomerate based in Chongqing, China, Asia

Investor/s: subsidiary of Shenzhen Huaqiang Holdings Ltd

Amount invested: RMB10bn (US\$1.5bn)

Seller/s: N/A

Financial lowdown: Fantawild is building four amusement and theme parks in China: three in the city of Shaoxing, Zhejiang province; and a fourth in the Wudang Mountains, Hubei province. It has received permission to launch Boonie Bears Land for RMB1.3bn (US\$200m) and Boonie Bears Wild Waters for RMB500m (US\$76m), which are based on Fantawild-owned animated TV and movie characters, in Shaoxing. The Shaoxing Cultural Park will cost RMB3.1bn (US\$476m). Combined, they are forecast to attract more than 4.5 million visitors annually. The fourth venture is an “eco-friendly” theme park located in the Wudang Mountains. There is no official brand name yet, but it has a RMB5.1bn (US\$783m) budget and has been authorised by the Shiyuan municipal government.

Buyer’s gain: Fantawild aims to fulfil a pledge to double its theme parks in up to 10 years. It has 30 now.

Seller’s gain: N/A

Industry takeaway: Despite the presence of the world’s biggest theme-park operator The Walt Disney Company in China (Shanghai Disney Resort via a joint venture with Shanghai Shendi Group), it is the domestic operators that continue to rule the roost.

Other creative sectors impacted: Film/Video; Television; Animation

More info: <https://www.fantawild.com/en>

PHOTOGRAPHY/ART

CREATIVE VENTURE: The Finding of Moses

Background info: early 17th-century oil-on-canvas painting by Italian Mannerist painter Orazio Gentileschi

Investor/s: UK’s The National Gallery

Amount invested: UK£22m (US\$30.6m)

Seller/s: UK business mogul Graham Kirkham

Financial lowdown: After borrowing this masterpiece for 20 years-plus, the UK-based state-owned national art gallery decided to raise the UK£22m (US\$30.6m) required to own it. The biggest contributors include The American Friends of the National Gallery, London, which donated UK£8.5m (US\$11.8m); The National Gallery Trust (UK£5m/US\$6.9m); and The National Heritage Memorial Fund (UK£2.5m/US\$3.4m). Another UK£2m (US\$2.7m) came from public donations, individual contributions and fund-raising campaigns. Gentileschi created the painting during his last years in England, when he was working for King Charles I.

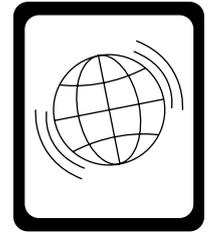
Buyer’s gain: The National Gallery retains one of the 17th century’s most glorious paintings in its collection.

Seller’s gain: £22m (US\$30.6m)

Industry takeaway: State-owned institutions continue to compete against private collectors to own artistic gems.

Other creative sectors impacted: N/A

More info: <https://www.nationalgallery.org.uk/paintings/orazio-gentileschi-the-finding-of-moses>



SPORTS

CREATIVE VENTURE: PRO14 (28% stake)

Background info: five-nation annual rugby union tournament

Investor/s: CVC Capital Partners

Amount invested: UK£120m (US\$167m)

Seller/s: Celtic Rugby DAC

Financial lowdown: Private-equity group CVC will own 28% of PRO14, one of the most popular international rugby competitions, comprising 14 clubs from Ireland, Italy, Scotland, South Africa and Wales. Shareholders of PRO14's owner, Celtic Rugby DAC, include the Scottish Rugby Union, the Welsh Rugby Union, the Irish Rugby Football Union and the Italian Rugby Federation. ProRugby Wales and the South African Rugby Union are also represented on the board of DAC's directors.

Buyer's gain: CVC continues its drive to own significant sports rights, which currently include English Premiership rugby and international volleyball, as well as Formula One motor racing in the past.

Seller's gain: Decent cashflow at a time when Covid-triggered decline in ticket sales and media-rights value is creating financial losses for several sports-event owners.

Industry takeaway: Keep an eye out for more private-equity and private-investment entities entering the currently financially precarious sports sector.

Other creative sectors impacted: Any creative enterprise known for its premium content but struggling because of the pandemic.

More info: <https://www.pro14.rugby/>

TELEVISION

CREATIVE VENTURE: Global Format Fund

Background info: TV-industry content fund based in the UK, Europe

Investor/s: Channel 4 Television Corporation

Amount invested: UK£30m (US\$41.7m)

Seller/s: N/A

Financial lowdown: This two-year scheme (for 2021 and 2022) by the publicly owned advertising-funded broadcaster Channel 4, will be used to support TV formats (usually reality TV, game shows, sitcoms that are structured to be replicated in other languages, countries while retaining the original concept) created by UK-based independent producers. The money aims to offer minimum guarantees to support each production's growth as long as the format is scalable, exportable and is aimed at a mass audience. This fund is the latest Channel 4 investment initiative, following the Indie Growth Fund launched in 2014, and Channel 4 Ventures in 2015.

Buyer's gain: Channel 4 adds this fund to its Future4 strategy to boost its access to independent content creators and content for its growing All4 on-demand digital platform.

Seller's gain: Independent producers and talent gain access to much needed funding.

Industry takeaway: Traditional broadcasters have seen investment in digital-first content pay off (for Netflix and Amazon Prime, among others) and want a piece of the action.

Other creative sectors impacted: Digital-first video entertainment

More info: <https://www.channel4.com/commissioning/global-format-fund>

MediaTainment Finance the Bulletin is the crossing where cash and creativity meet. An offshoot of MediaTainment Finance (MTF), the business journal focusing on investments in the media, entertainment and creativity sectors, MTF the Bulletin keeps track of where investors are focusing their attention on the media, entertainment, creative and pop-culture businesses.

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MediaTainment Finance readers:

Media, entertainment and tech decision-makers seeking a snapshot of the new developments catapulting the creative businesses further into the 21st century.

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