

DREAMWORKS ANIMATION

MERGERS AND ACQUISITIONS

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CLASSIC MEDIA

- Classic Media acquired for \$155 million
- Classic Media has one of the most robust portfolios of intellectual property featuring many of the best known and most enduring franchises in all of family entertainment
- The acquisition combines DWA's hit driven business and Classic Media's extensive and sustainable library revenue stream

CLASSIC MEDIA

- It seems too early to tell if the \$155 million price tag was too high; however, it seems favorable to shareholder value for many reasons.
 - Classic Media is one of the largest libraries of animated characters. This brings revenue opportunities in form of character recreation, licensing, merchandise, and adaptations.
 - In addition, the library of characters is expected to rise revenue stream during the holiday season, which is a great asset in such a volatile industry.
- It seems too early to value because only one holiday season has passed since the acquisition. Their stock price took a sharp decline following the acquisition and has slowly increased since then.

CLASSIC MEDIA

- A studio's biggest asset is their library of content
- The advantage of having a the entire library of Classic Media comes from a new revenue creation opportunity from streaming services
- This is especially important in the new streaming model of Netflix, Hulu, Amazon, Vudu, etc. It is very significant in an era where all the streaming companies are all competing to have exclusive access to library content

ORIENTAL DREAMWORKS

ORIENTAL DREAMWORKS

- This joint venture is too early to tell but should be positive for shareholders.
- China has strong box office revenues and is fairly untapped in the Hollywood market.
- Partners have also been proven to be leading entertainment firms in Chinese market.

DREAMWORKS ORIENTAL DREAM CENTER

Partners additionally agreed on development of Dream Center in August 2012, a Shanghai Entertainment District project costing \$3.1 billion.

- Dream Center will cover six large city blocks and will strengthen the nation's media industry while satisfying the demanding tastes of the growing middle class.
- It will become an entertainment zone featuring the world's largest IMAX, and a multitude of theaters

DREAMWORKS ORIENTAL DREAM CENTER

- It is too early to express the benefits of this venture due to the project completion in 2016. However, DreamWork's partners, as well as the Chinese government, are enthusiastic for this new entertainment zone.
- The city has attracted millions of visitors and has spent billions on infrastructure, a good forecast for Dream Center's consumer traffic

FLUCTUATIONS IN STOCK PRICE AFTER CLASSIC MEDIA

PROFITABILITY IMPROVEMENT THROUGH ACQUISITIONS

- The Classic Media acquisition will bring recurring revenue each holiday without additional costs. New graphic technology adoption will save DWA \$120 M per movie + decreased service and overhead labor.
- Classic Media as well as potential TV licensing revenue in future years estimates fair value to \$20 per share from \$18 after making positive adjustments for future cash flow.