Introduction

As inflation falls and expectations of lower interest rates grow, deal activity in the media industry is also coming back to life. In Q2'24, media deal value jumped 141 percent from the previous quarter to $27.2 billion—the highest tally since Q4'22 when it hit $30.8 billion.[1]

One area that could soon see a flurry of dealmaking is television. With viewing habits rapidly changing, consolidation of both the proliferating streaming services and the traditional television (TV) providers may continue as distribution continues to migrate from linear (cable plus broadcast) TV to streaming. Content remains king and will attract the greatest buyer interest: witness the recent proposed merger of the storied film studio Paramount with Skydance[2] or the acquisition of MGM by Amazon[3] in 2021. But in the coming reshaping of the sector, there will also be opportunities for savvy buyers to acquire legacy assets and content libraries to generate new value from them.

In this briefing paper, we analyze the current TV landscape and the prospects for M&A in the near future. We then discuss how media dealmakers can best position themselves now to seize the most promising opportunities.

A new era for TV

Only three years ago, streaming services accounted for 26 percent of all TV viewing time, according to Nielsen.[4] By June 2024, the figure had jumped to a record 40.3 percent whereas the share for cable TV was 27.2 percent and for broadcast TV, 20.5 percent.[5] The number of streaming services has multiplied during this span. In 2021, Nielsen tracked five of them individually; this year, it is tracking 14. Driven by younger viewers, streaming surpassed cable TV in 2022 in viewing time and looks likely to continue its seemingly unstoppable rise at the expense of linear TV.

With viewership rising, streaming services continue to invest in developing hotly anticipated original content. The buzz surrounding hit shows such as Netflix's Bridgerton and Max's House of the Dragon is often much louder than that for offerings from their linear TV competitors. Native broadcast and cable TV providers still own the broadcasting rights to many top live sports events such as the Super Bowl and NBA playoffs. But the cost of retaining them is soaring as native streaming services increasingly spark bidding wars. In July, a $76 billion,

[1] "Encouraging signs: M&A trends in technology, media, and telecom," KPMG LLP, 2024. The spike in media deal value for Q2'24 was driven by two large deals: Silver Lake's $13 billion take-private deal for Endeavor and Permira's $6.9 billion acquisition of Squarespace.

[2] "Skydance Media and Paramount Global Sign Definitive Agreement to Advance Paramount as a World-Class Media and Technology Enterprise" Paramount, July 2024

[3] "Amazon and MGM have signed an agreement for Amazon to acquire MGM", Amazon, May 2021

[4] "The Gauge Shows Streaming is Taking a Seat at the Table," The Nielsen Company, June 2021

[5] "Time Spent Streaming Surges to Over 40% in June, the Highest Share of TV Usage in the History of Nielsen's The Gauge," The Nielsen Company, July 2024

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11-year NBA media rights deal went to Disney, NBC, and Amazon Prime Video—the NBA's previous deal with ABC, ESPN, and TNT was $24 billion for nine years.[6] In fact, fueled by increasing viewership and their "appointment viewing" nature, live sports are becoming an even more important key differentiator for many media companies trying to stand out from the competition.

Streaming is clearly in the driver's seat to shape the future of TV distribution. However, it has its own challenges. Too many service providers selling too many subscriptions at cutthroat prices have led to large losses, although several have recently begun generating small profits. Simply put, the recent pace of expansion and cutthroat prices for streaming services is unsustainable. Consolidation of the sector is already underway, and the realignment of the current TV landscape is likely to involve assorted transactions by multiple players in both streaming and linear TV.

A market ripe for deals

The fragmentation of the TV market presents various M&A opportunities. Both to survive and take advantage of evolving viewing trends, dealmakers will be looking at various targets. Media companies will likely focus on realigning their content portfolio to maximize growth prospects, while private equity (PE) firms may be keenly interested in acquiring mature businesses with upside cash-generating potential. We believe the most likely transactions will revolve around the following themes:

Streaming consolidation:
Existing streaming services will seek strategic opportunities to expand digital footprints and diversify content offerings.

Regional strategies:
Some media companies and PE firms will build a portfolio of local and regional TV stations to gain market share in specific geographies and derive greater value from these still profitable businesses.

Vertical integration:
Media companies will compete to acquire production studios or distribution networks to gain more control over the entire value chain and increase operational efficiency.

Digital transformation:
Media companies (but also growth-focused PE buyers) will target streaming platforms or technology companies to enhance digital capabilities.

International expansion:
Larger media companies will look to acquire TV distribution and content companies globally to access new markets, including those with live sports broadcasting rights.

Portfolio optimization:
Large media conglomerates may shed certain brands deemed noncore to enhance profitability or to prioritize capital allocation to higher potential opportunities.

Strategic partnerships:
To the extent an acquisition is not possible or practical, media companies may instead opt to expand subscriber bases (or reduce churn) by bundling offerings with other complimentary TV media providers.

Media consumption patterns will continue to shift with technological advances and diverging preferences of younger and older TV viewers. But therein lies real opportunities to capture value by anticipating emerging trends (e.g., the soaring value of live sports content) and moving faster than the competition to monetize them. We believe M&A will be an essential business strategy for all TV companies and media-focused PE firms seeking to shape the future of this dynamic industry.

[6] "NBA, ESPN renew deal; NBC returns, while Amazon replaces WBD," ESPN News Services, July 24, 2024

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How KPMG can help

Whether you are evaluating your portfolio, assessing emerging M&A opportunities, identifying new avenues for organic growth, or looking to optimize organizational efficiency and profitability, KPMG can support your organization with a flexible and scalable approach that is grounded in a deep understanding of the ever-changing media landscape.

We can collaborate with your teams to help you define and deliver:

Our experienced professionals create practical approaches that help clients achieve their business ambitions, while balancing the challenges and risks inherent in designing and implementing strategies. With fully integrated, cross-functional teams, we are well-positioned to provide meaningful insights on the opportunities and challenges that the shifting media landscape brings for your business.

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