

Acquisition: Film Streaming Fuels Panavision Deal

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Panavision Chief Executive **Kim Snyder** and Chief Financial Officer **Bill Roberts** will serve in those same positions for the combined company.

In a conference call on Sept. 14 to discuss the deal, **Adam Chesnoff**, chief executive of Saban Capital, said the deal is an opportunity to capitalize on increasing spending for content creation by film and television production companies. Panavision rents cameras to filmmakers, while Sim is a post-production house.

"The combination provides a great end-to-end service offering with the benefit of being able to cross-sell across different business lines while backing a management team that has a track record of executing successfully and that we feel strong about," Chesnoff said.

Marty Shindler, of media consultancy **Shindler Perspective Inc.**, said that what this deal means is that Panavision and Sim can capture a lot of business all at once.

"Combining those two companies gives them a one-stop shop for cameras, post-production and other tools that they can sell," said Shindler, who has done work for Panavision in the past.

Complementary companies

Saban Capital is financing the transaction with \$250 million in cash, a \$55 million private placement of common stock at \$10 a share from a mix of institutional investors and an affiliate of **Saban Sponsor LLC** as well as newly raised debt.

Founded in the early 1950s, Panavision has been a pioneer in 35mm cameras and lenses. It later branched into digital cameras, starting with the Genesis model in 2004. The Millennium DXL digital camera was introduced in 2016, and early this year the company made available the Millennium DXL2 8K large format digital camera.

In late 2014, the company acquired Light Iron, a post-production house with locations in Los Angeles, New York, Atlanta, Chicago and other cities where Panavision has a presence.

The footprint of Sim overlaps with that of Panavision, with locations in New York, Atlanta, Los Angeles, Vancouver and Toronto. The company rents cameras, lenses and lighting equipment and provides post-production services as well as studio space in Vancouver.

"The resulting scale of the new combined enterprise will better serve our clients and help shape the content-creation landscape," said Sim Chief Executive **James Haggarty** in a statement.

According to information provided by Saban Capital, revenue for Sim for this year was fore-

cast at \$117 million while Panavision revenue was expected to reach about \$282 million.

Combined, the companies employ more than 1,700 workers in 80 facilities in 15 countries, although staffing cuts and consolidation of locations could follow the acquisitions.

According to Saban Capital, up to \$12 million in annual cost savings will be achieved from eliminating positions due to overlapping duties, moving Panavision's Vancouver camera operations into Sim's facility, and streamlining the camera rental component of the business. An additional \$1.3 million to \$4.5 million in costs can be reduced by eliminating overlapping facilities and more staffing cuts.

Snyder said that the deal brings together two complementary businesses that subscribe to a strategic vision of a beginning-to-end portfolio of services.

"This vision is deeply engrained in both companies, which will benefit us as we go through the integration process and look ahead to the future," Snyder said during the conference call.

Content creation growth

Growth in spending on content creation figured large in Saban Capital's strategy for pursuing Panavision and Sim.

Between 2013 and this year, the compound annual growth rate in content spending was 7 percent for traditional broadcasters and cable networks. More striking was the 55 percent increase in that five-year period for digital streaming companies such as **Netflix Inc.**, **Amazon.com Inc.**, **Apple Inc.**, **Facebook Inc.**, and joint venture **Hulu LLC**, according to the Saban Capital.

Just this year alone, Netflix is expected to spend about \$8 billion, primarily on original content, Snyder said during the conference call.

"We believe that Amazon and Hulu are also looking to spend several billion dollars this year," she added.

The combined operations of Panavision and Sim may prove to be an incentive to studios and production companies to work with the company, Shindler said.

"Adding more people and more equipment makes it conducive for the streamers in particular to do business with them," he explained.

Traditional feature films are also growing with the number of domestic releases increasing by 2.8 percent between 2012 and 2017. Last year there were 777 domestic film releases, compared with 678 in 2012.

All this creates a larger pool of productions for which Panavision and Sim can make their equipment and services available. As a vendor to the production companies, the new Panavision has the benefit of not taking any risk with the



On Set: Cinematographer John Schwartzman with Panavision Millennium DXL camera.

productions or having to worry about box office numbers, ratings or subscriptions, both Chesnoff and Snyder said during the conference call. They added that the company will be agnostic when it comes to distribution outlets.

"How the content is consumed will be less relevant to our business," Chesnoff said. "Whether it is streamed as a subscription video-on-demand platform or viewed on a traditional cable network, we like the fact there is no distribution risk."

Saban brings to the table its extensive relationships with media companies, both the well-known broadcasters and studios as well as the new digital entrants to the market.

"One of the reasons we are excited about our partnership with the Saban Capital Acquisition management team is their network of connections at the highest executive levels from these companies," Snyder said.

Valley headquarters

While the new company anticipates consolidation of facilities in cities where both Panavision and Sim are located, the headquarters will remain in Woodland Hills.

"Panavision Woodland Hills will be the corporate headquarters," Snyder wrote in an email

to the Business Journal.

For Shindler, it makes sense that Panavision would stay in the San Fernando Valley. After all, it has a great network of locations that works for the business it is in, he said.

"If you are going to shoot a movie in Australia, you don't need to pick up a camera in Woodland Hills and bring it to Australia," Shindler added. "They have a facility there to make sure that the camera is available for you."

While organic growth for Panavision and Sim is expected to increase, acquisitions are also a possibility.

During the conference call, both Snyder and Chesnoff discussed how fragmented the entertainment industry is with a wide variety of service providers that exist from production to post-production.

"Looking and thinking about future acquisitions, we anticipate future opportunities to broaden the product offering and enhance the combined companies' role as a one-stop shop," Chesnoff said.

"From larger media company acquisitions to deals that we might characterize as tuck-ins, we think the combined platform is well positioned for any external opportunities," Snyder added.

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Robert Soto has joined **Sharpe Interior Systems** as a Client Relations Manager. He brings 22 years of experience serving as District Manager of Kelly Paper. He will be assisting with day-to-day operations and will serve as an additional layer of executive support for Sharpe's project teams. Sharpe is excited to add another team member who shares their vision of being "the best working for the best" in Southern California.

STAFFING



Von Tiergarten

rh Robert Half

Robert Half, the world's first and largest specialized staffing firm, is proud to announce that **Alexandra Von Tiergarten** has joined the company as regional vice president overseeing San Fernando Valley and Ventura County operations. Alexandra will manage staffing, recruitment and business development for the Accountemps, OfficeTeam and Robert Half Finance & Accounting divisions.