CONFIDENTIAL

JUNE 2021

CONSUMER SUBSCRIPTION ECONOMICS REPORT

LAZARD

Executive Summary

- **Over the last decade, digital consumer subscription ('DCS') businesses have expanded well beyond their initial media roots**
  - Accompanied by an increasing willingness of consumers to pay for services, ranging from dating apps and health and wellness tools to surf forecasts and other niche services
- **The sector has attracted growing attention from investors who are long familiar with the favorable attributes of B2B software-as-a-service ("SaaS") businesses**
  - Many companies with traditional advertising or transactional business models are seeking to pivot to subscriptions, enticed by the favorable economics and premium multiples investors have awarded DCS businesses
  - Large players have demonstrated their ability to scale these services quite quickly
- **However, despite some similarities, there are important differences between B2B SaaS and DCS economics, most notably gross margins, customer acquisition costs, churn rates, and lifetime customer values**
  - At present, B2B SaaS businesses trade on average at ~17x their forward revenue multiple, while their DCS counterparts trade ~8x
  - While DCS valuations are not likely to outperform B2B SaaS, the gap between DCS businesses and the S&P 500 will continue to widen if the durability and strength of this business model for consumer-facing companies can be demonstrated
- **As competition and knowledge of the space continues to increase, DCS businesses will face more pressure to disclose information and justify their strategic choices**
  - Key metrics of leaders in the sector can inform other DCS businesses on areas for improvement as they grow
  - Median gross margins currently ~50%, churn ~3%, and sales & marketing payback period ~6 months
- **To sustain growth and improve unit economics, we expect to see consolidation and new revenue drivers among DCS businesses**
  - Increased market consolidation and international expansion as DCS businesses look to solidify their presence and increase their target audience reach
  - Companies will increasingly take advantage of e-commerce marketing and revenue crossover opportunities to grow

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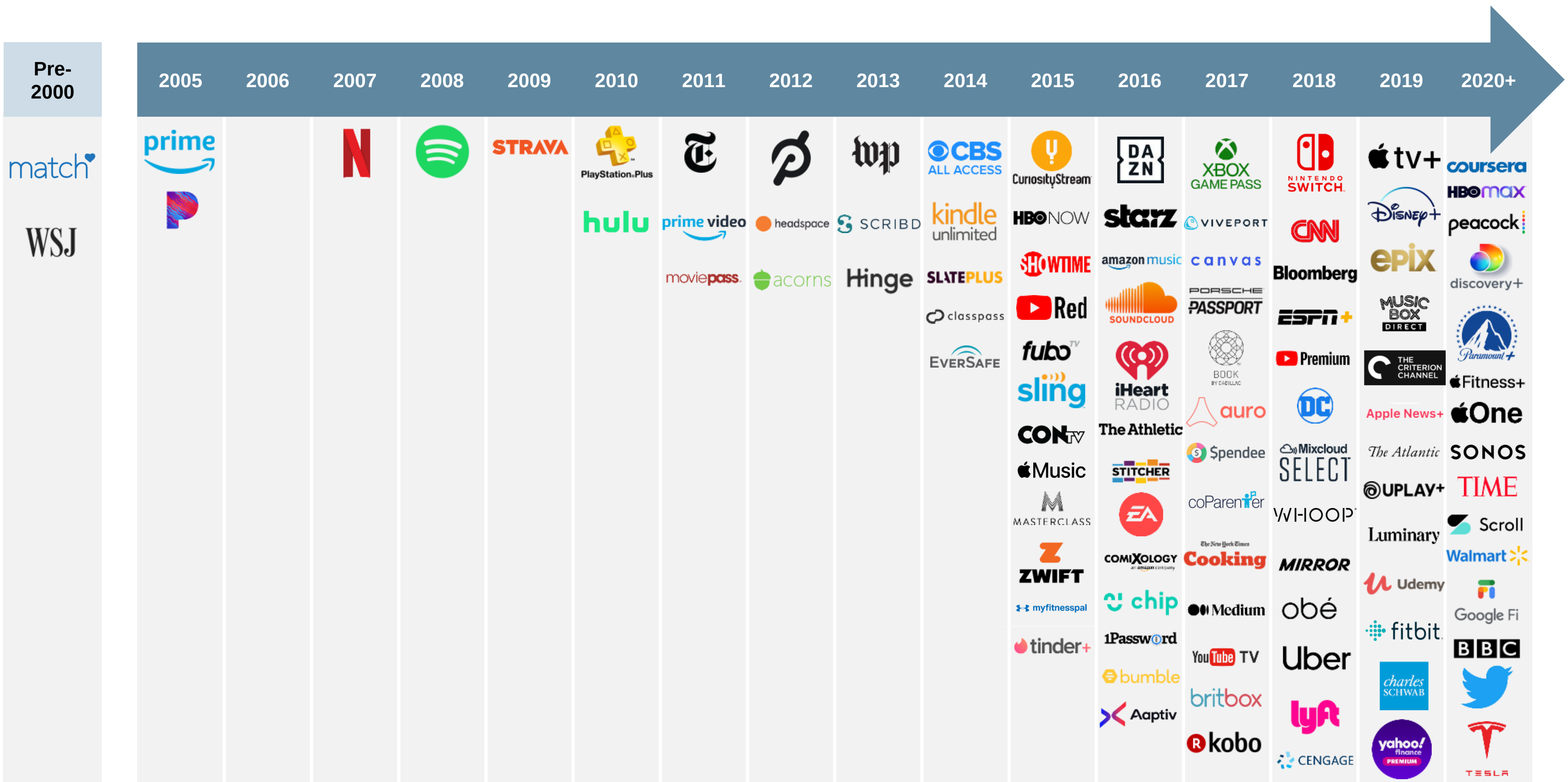
I DCS Industry Overview

Increasing Number of Digital Subscription Businesses

The mass adoption and success of media subscription businesses, such as Netflix and Spotify, were pivotal in laying the groundwork for the growing digital subscription economy



Source: Company filings and publicly available information.

Digital Subscription Business Models Create Value for Consumers and Businesses in a Number of Ways

The best DCS businesses use all levers available to them to produce a superior customer experience relative to the incumbent business model

Benefits to:	1	2	3	4	5
Consumers	**Lower Upfront Costs**	**Reduce Cognitive Burden of Repeat Decisions**	**Preference for All-You-Can-Eat**	**Access On Demand**	**Better Product Through Constant Iterations**
Businesses	**Larger Customer Funnel**	**Recurring Revenue**	**Higher Margins**	**Customer Insights / Data**	**Increased Customer Loyalty**
Observations	• **Lower upfront investment reduces fear of sunk costs and initial financial burden** • *Whoop switched to $30/month membership from its original $500/device business model*	• **Consumers would prefer to set it and forget it vs. undertaking a cost benefit analysis for every purchase decision** • *ShopRunner allows people to not think about shipping costs for a year*	• **Predicting usage and optimizing spend is time consuming; consumer preference on the margin to overpay for all-you-can-eat vs. a la carte** • *Average person does not listen to the number of Spotify songs they effectively pay for*	• **Ongoing digital relationship generates a wealth of information on consumer behavior and preferences** • *Netflix is able to surface the most relevant shows to each subscriber*	• **Value proposition is continually enhanced through faster rollout of new features and updates, eliminating long waiting periods between product iterations** • *Codecademy continually updates lessons and adds new courses*

DCS Public Comparables: Operational Metrics Across Consumer Sectors

($ in millions, except ARPU, Lifetime Value and Customer Acquisition Cost)

		Netflix	Spotify	Roku	match	SiriusXM	Peloton	Dropbox	Chegg	bumble	vimeo	T	coursera	WW	fubo	The Beachbody Company [1]	CuriosityStream	Median
Valuation	EV	$227,445	$44,825	$43,351	$41,470	$36,396	$30,423	$12,281	$10,790	$10,645	$6,399	$6,369	$6,033	$4,076	$3,780	$2,970	$653	
	Market Cap	$218,110	$46,317	$45,000	$38,471	$27,122	$31,652	$11,727	$10,861	$9,170	$6,716	$6,940	$5,827	$2,604	$3,919	$3,425	$755	
	EV / '21E Revenue	7.7x	3.9x	15.7x	14.5x	4.3x	6.5x	5.8x	13.6x	14.6x	16.2x	3.2x	15.9x	2.9x	7.1x	2.7x	9.2x	**7.4x**
	EV / '21E EBITDA	34.0x	n.m.	n.m.	39.0x	13.9x	n.m.	16.6x	38.9x	n.m.	n.m.	20.7x	n.m.	12.0x	n.m.	n.m.	n.m.	**20.7x**
Operations	LTM Revenue	$26,392	$9,559	$2,032	$2,514	$8,146	$3,692	$1,971	$711	$582	$316	$1,813	$328	$1,310	$330	$920	$42	
	% Revenue from Subscription	100.0%	90.1%			78.5%	19.3%	100.0%	82.0%		100.0%	68.3%		87.2%	55.8%	39.9%	42.6%	
	Monthly ARPU	$11.53	$5.00	$8.90		$14.30	$38.59 [3]	$11.05	$10.62 [3]	$18.89	$19.42	$8.82 [3]		$19.55 [3]	$60.70	$8.25	$1.96	**$11**
	Monthly Churn	~3.0% [2]	4.0%		16.2% [4]	1.6%	0.7%	1.3% [3]				2.8% [3]		10.0% [3]	7.2% [3]	4.0%	2.6%	**3.0%**
	Lifetime Value	$158	$32			$389	$2,338	$694				$136		$118		$146	$60	**$146**
	Customer Acquisition Cost [5]	$23	$13		$26	$89	$460	$94				$52		$115	$69		$51	**$60**
	Unit Economics (LTV / CAC)	6.9x	2.4x			4.4x	5.1x	7.4x				2.6x		1.0x			1.2x	**3.5x**
	S&M Payback Period (in Months) [6]	1.98	2.62			6.23	11.92	8.49				5.87		5.86	1.14		26.02	**5.87**
	S&M / Revenue	9%	14%	18%	21%	11%	18%	21%	11%	31%	39%	14%	33%	20%	24%	56%	105%	**20%**
	LTM Gross Margin [7]	41%	25%	47%	72%	44%	40%	79%	67%	53%	70%	43%	53%	60%	n.m.	71%	79%	**53%**
	LTM EBITDA Margin	63%	n.m.	8%	33%	30%	9%	16%	20%	26%	n.m.	15%	n.m.	22%	n.m.	4%	n.m.	**20%**
Growth	'20-'22 Sub. CAGR	10%	16%	21%	11%	1%	58%	6%	28%	18%	18%	14%	22%	10%	47%	41%	41%	**18%**
	'20-'22 Revenue CAGR	17%	20%	47%	19%	4%	45%	10%	22%	25%	38%	9%	27%	4%	79%	31%	78%	**24%**
	'20-'22 EBITDA CAGR	27%	n.m.	63%	20%	3%	89%	19%	29%	23%	n.m.	19%	8%	4%	n.m.	44%	n.m.	**21%**

Source: Company filings, FactSet and Wall Street research.
Note: Market data as of June 15, 2021. Blanks indicate lack of available data.
1 Beachbody LLC and Myx Fitness LLC entered into a merger agreement on 2/9/21 with SPAC Forest Road Acquisition Corp. The merger is intended to complete in Q2 2021. Equity value based on pro forma valuation with an illustrative share price of $10.00.
2 Netflix stopped reporting churn in 2012 and now only comments on the directionality of the metric. ~3.0% is an estimate based on Wall Street research.
3 Estimate based on Wall Street research; metric not released in company filings.
4 Match does not disclose customer churn or retention; conservative estimate based on online dating annual retention figures.
5 Calculated as Sales & Marketing Expense / Gross Adds in same period. Where Gross Adds are not disclosed, estimated based on net change in subscribers and churn.
6 Calculated as Customer Acquisition Costs / ARPU.
7 Includes D&A to fully capture content cost amortization as well as software and technology amortization.

Video Streaming / OTT Services: Operational Metrics

($ in millions, except ARPU)

	NETFLIX	prime video	Paramount+ / SHOWTIME / BET+ / noggin	fubo TV	CuriosityStream	YouTubeTV	ROKU	Disney+	tv+	HBO max	peacock	discovery+
Subscription Revenue	$26,392	$23,183	$1,302 [1]	$184	$18	[2]	[3]	$8,865 [4]	[5]	$6,493	$209	
% Total Revenue	*100.0%*	*6.6%*	*5.1%*	*55.8%*	*42.6%*			*14.6%*		*3.8%*	*0.2%*	
Monthly ARPU	$11.53		$4.99	$60.70	$1.96		$8.90	$4.03		$14.99	$4.99	$5.00 [6]
Monthly Churn	~3.0% [9]				2.6%							[10]
Subscribers ('000s)	203,663	200,000	35,900	548	16,000	3,000 [7]	51,200	100,000	40,000	64,000	42,000	15,000
Streaming Service Launch Date	Jan-07	Feb-11	Oct-14	Jan-15	Mar-15	Apr-17 [8]	Jan-19	Nov-19	Nov-19	May-20	Jul-20	Jan-21
Parent Co.	N/A	Amazon	ViacomCBS	N/A	N/A	Alphabet	N/A	Disney	Apple	AT&T [11]	Comcast	Discovery

Source: *Company filings, FactSet and Wall Street research.*
Note: Market data as of June 15, 2021. Blanks indicate lack of publicly available data.
1 Includes revenue from Paramount+ (previously CBS All Access), Showtime OTT, BET+ and Noggin streaming services.
2 Google reports YouTubeTV subscription revenue within its Services segment under 'Google Other' revenue; this also includes Google Play and hardware.
3 Roku reports subscription revenue within its Platform segment, which also includes advertising revenue and content distribution revenue.
4 Disney reports total subscription revenue derived from Disney+, Hulu and ESPN+. Disney's subscription revenue increased by over 250% since adding Disney+.
5 Apple reports Apple TV+ subscription revenue within its Services segment, which also includes revenue from advertising, AppleCare, digital content and other services.
6 Global blended ARPU; blended U.S. ARPU is ~$7.
7 YouTubeTV subscribers only; does not include the 30mm YouTube Music and Premium subscribers.
8 Launched to select markets in April 2017; launched nationally in January 2019.
9 Netflix stopped reporting churn in 2012 and now only comments on the directionality of the metric. ~3.0% is an estimate based on Wall Street research.
10 Discovery has not disclosed churn, however they have indicated that monthly churn is trending towards low single digits.
11 HBO to become part of the new WarnerMedia Discovery merged company (Warner Bros Discovery), announced May 17, 2021.

Gross Margins Are Lower on Average Than SaaS Peers But DCS Companies Require Less Investment and Sales & Marketing as a Share of Revenues

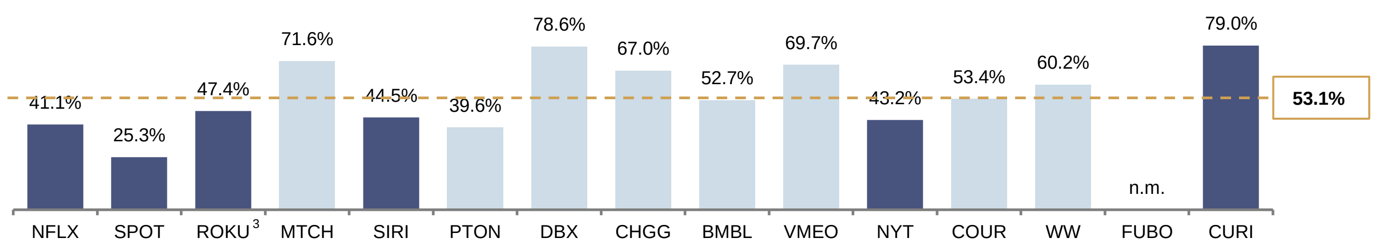
Media | Other | DCS Median

Observations

Customer Monetization

(Gross Margin[1] % LTM Revenue)

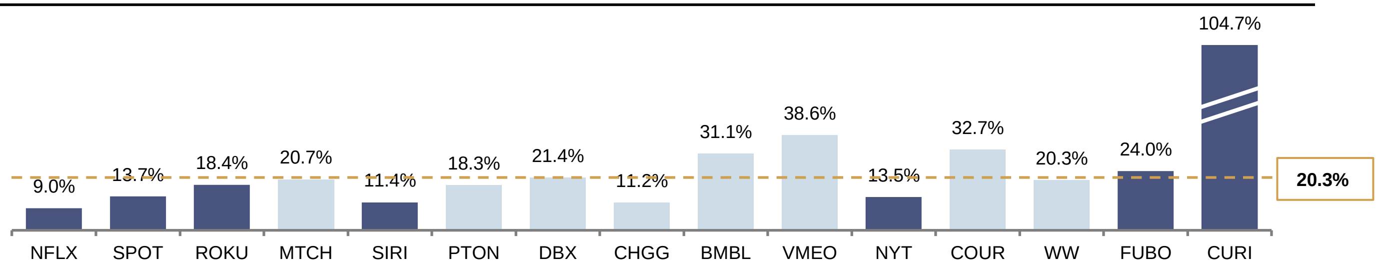
- Structurally lower than SaaS businesses (~80%) given additional product costs (e.g., hardware and content licensing) and employee costs (e.g., editorial staff)
- Spotify pays ~70% of revenue in royalties



Customer Investment

(S&M % LTM Revenue)

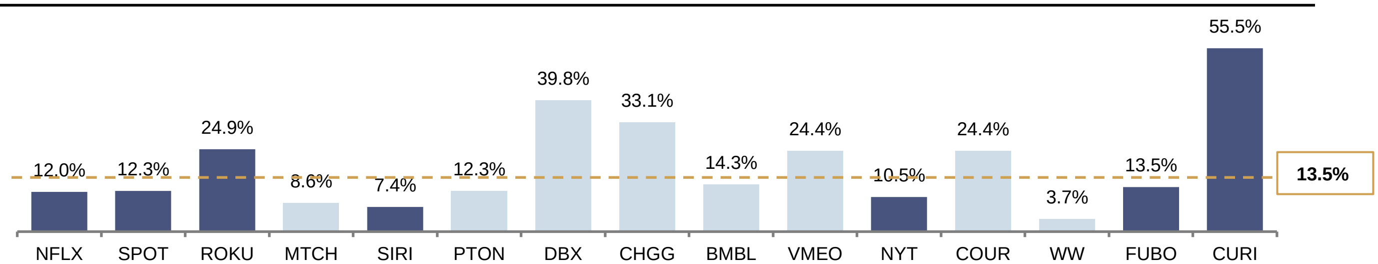
- Lack of sales force leads to much lower S&M cost base than SaaS businesses (~40%)



Product Investment

(Capex + R&D + Content Investment[2] % LTM Revenue)

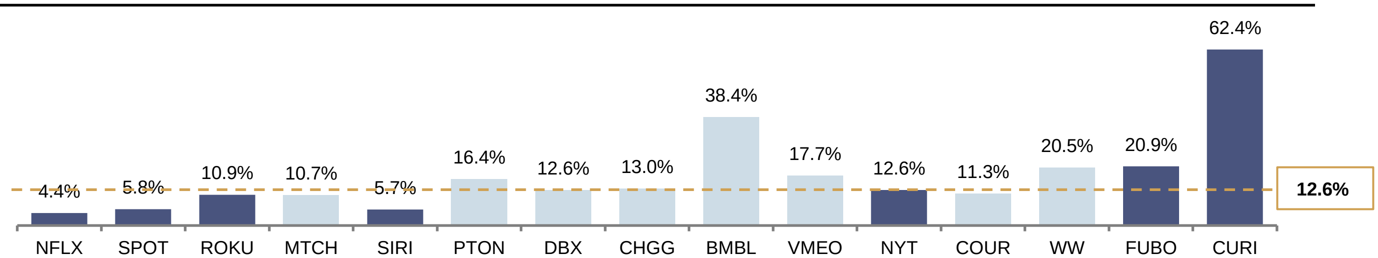
- SaaS businesses tend to have higher levels of investment (+30%) given the R&D and technology required for software development



Overhead

(G&A % LTM Revenue)

- Trends towards mid-single digits as companies reach scale
- Largely dependent on the size of the business



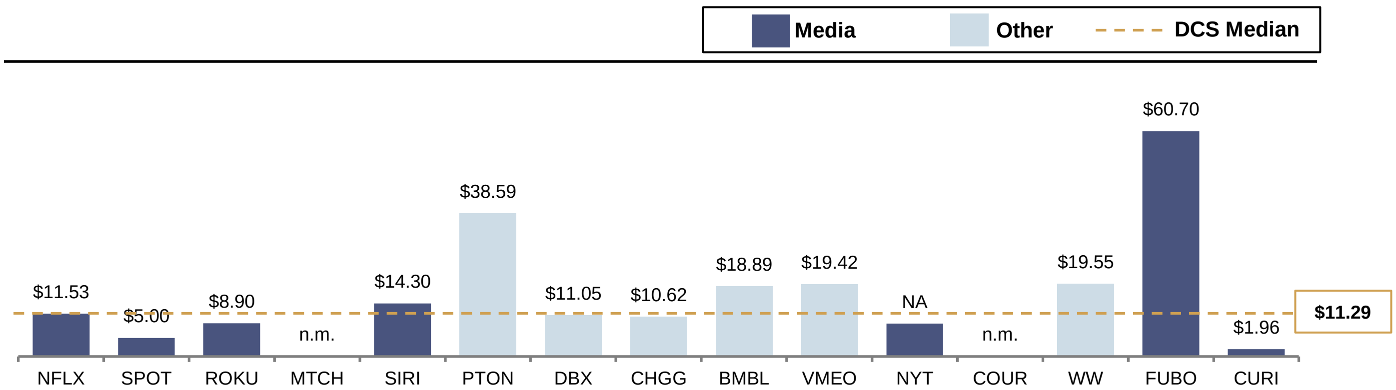
Source: *Company filings, FactSet and Wall Street research.*
Note: Market data as of June 15, 2021.
1 Includes D&A; Content Amortization is a significant cost for content-forward companies such as Netflix.
2 Product investment includes investment in content assets (excluding content cost amortization) and capitalized software costs.
3 Roku's media business has a gross margin of ~60% while their hardware business has a gross margin of ~9%.

Generally Consistent ARPUs; Churn and CAC Metrics Vary Widely and Are Typically Offsetting

Observations

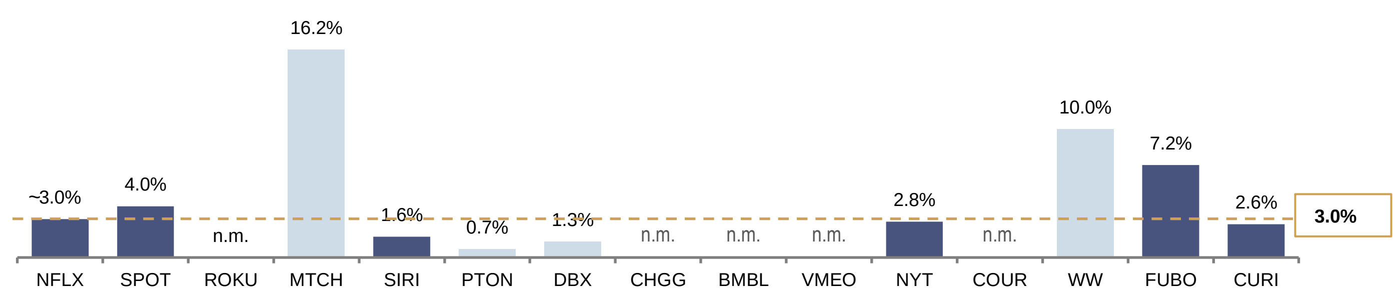
ARPU
(Monthly)

- Consumer willingness to pay and the price of DCS services are increasing
- Can command higher ARPU when offering is broad (FuboTV) or tied to large upfront cost (PTON)



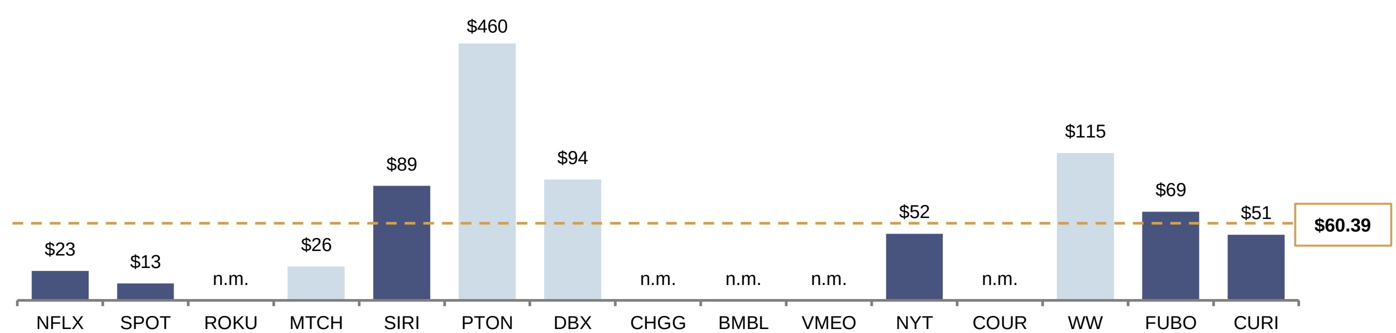
Churn
(Monthly)

- Upfront investments in the service (PTON) or switching costs (DBX) minimizes churn; e.g. wireless carriers have <1% post-paid churn
- Cyclical activities (dating, weight loss) have significantly higher churn levels



CAC

- High churn levels need to be offset by low CACs in order for the unit economics to still work
- Low churn players can, all else being equal, afford to spend more to acquire customers



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Source: *Company filings, FactSet and Wall Street research.*
Note: Market data as of June 15, 2021.

Measuring Profitability

The ratio of customer lifetime value to customer acquisition costs is a key metric in determining profitability and sustainability of a digital consumer subscription business

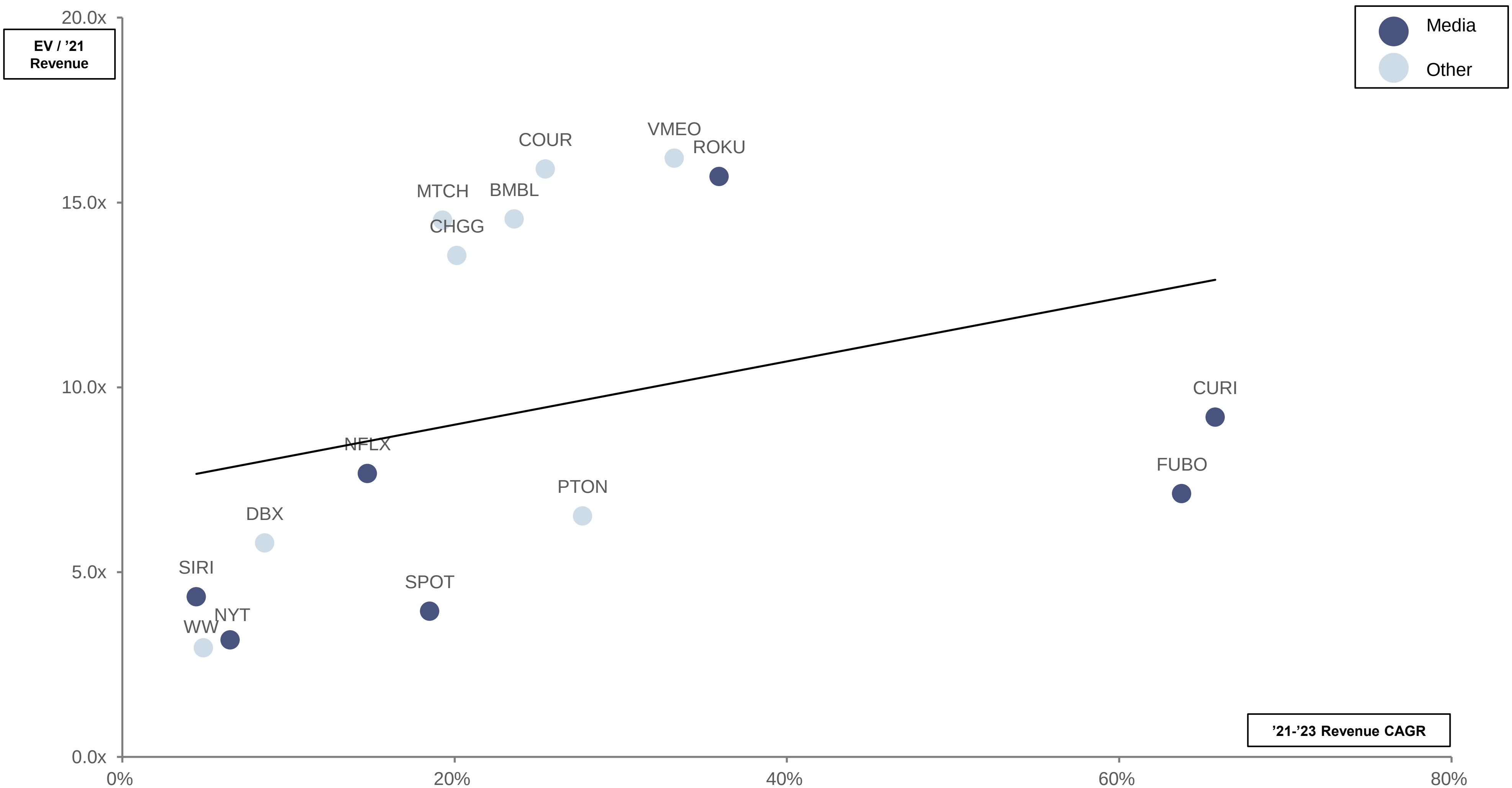
Customer Profitability = Lifetime Value ÷ Customer Acquisition Cost

LTV = ARPU x Gross Margin ÷ Churn

CAC = Sales & Marketing ÷ Gross Adds

Public Markets Value Profitable Growth…

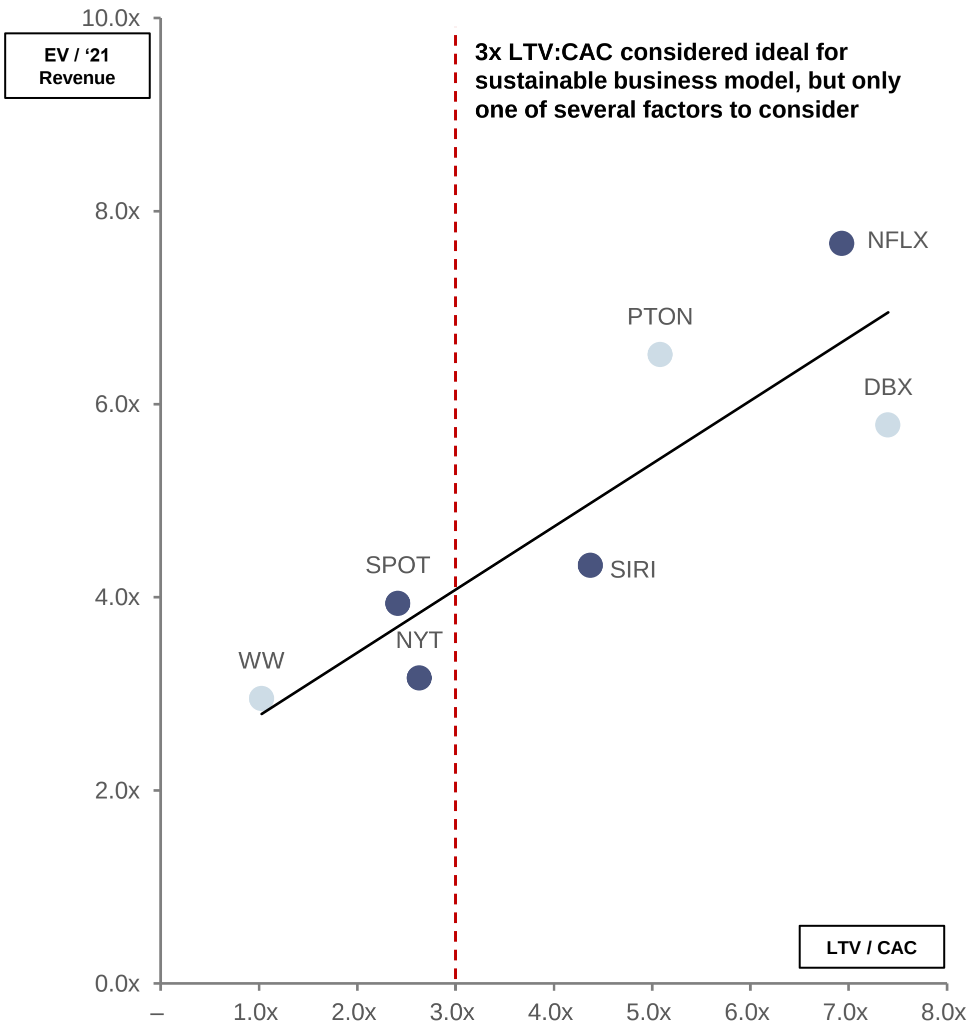
EV / ’21 Revenue vs. ’21-’23 Revenue CAGR



Source: *FactSet, company filings and Wall Street research.*
Note: Market data as of June 15, 2021.

Public Markets Value Profitable Growth…(cont'd)

EV / '21 Revenue vs. LTV / CAC[1]



EV / '21 Revenue vs. '20-'22 Subscriber Growth

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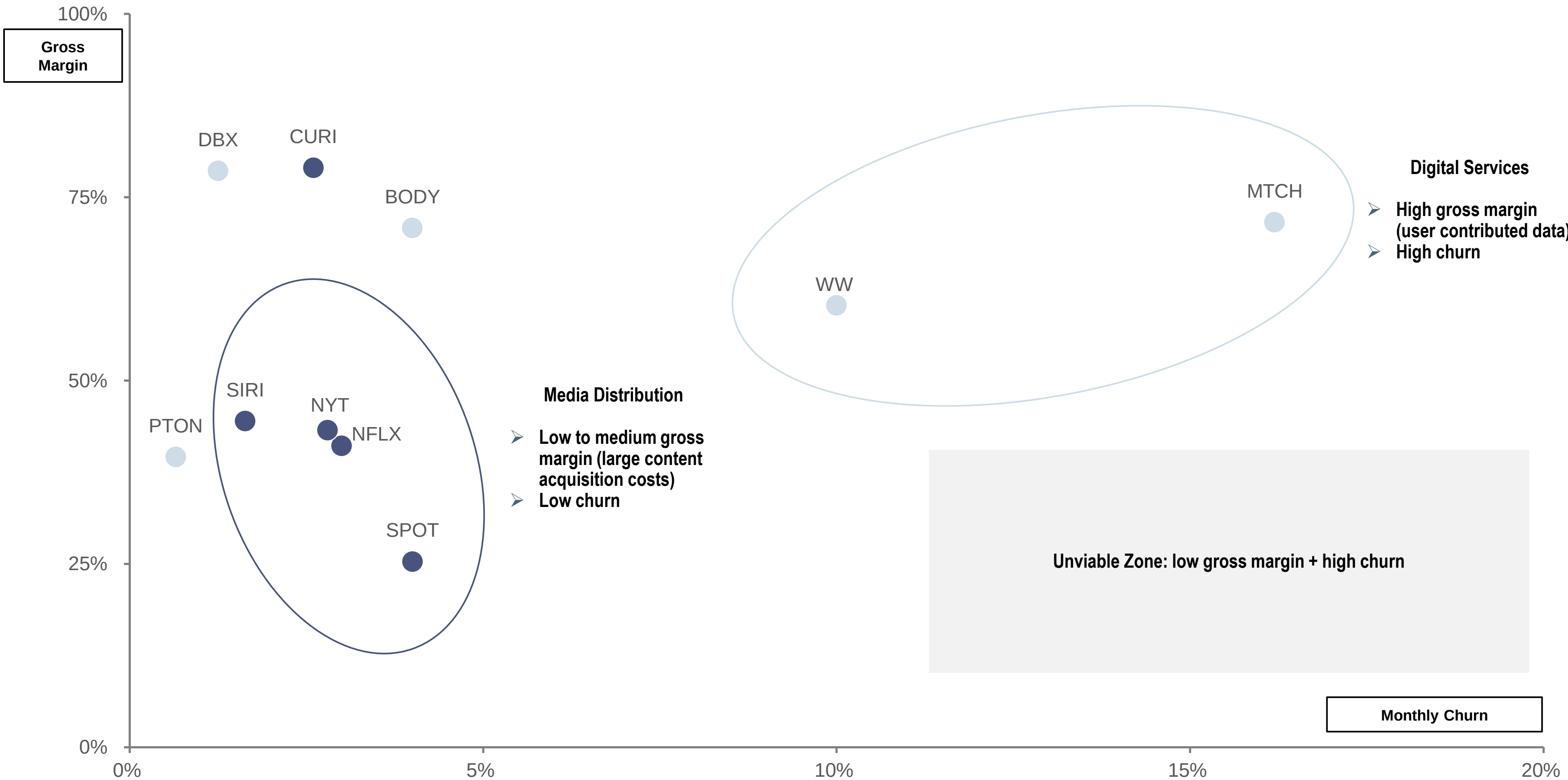
Source: FactSet, company filings and Wall Street research.
Note: Market data as of June 15, 2021.
1 CuriosityStream excluded as company is very early stage.

Gross Margin vs. Churn

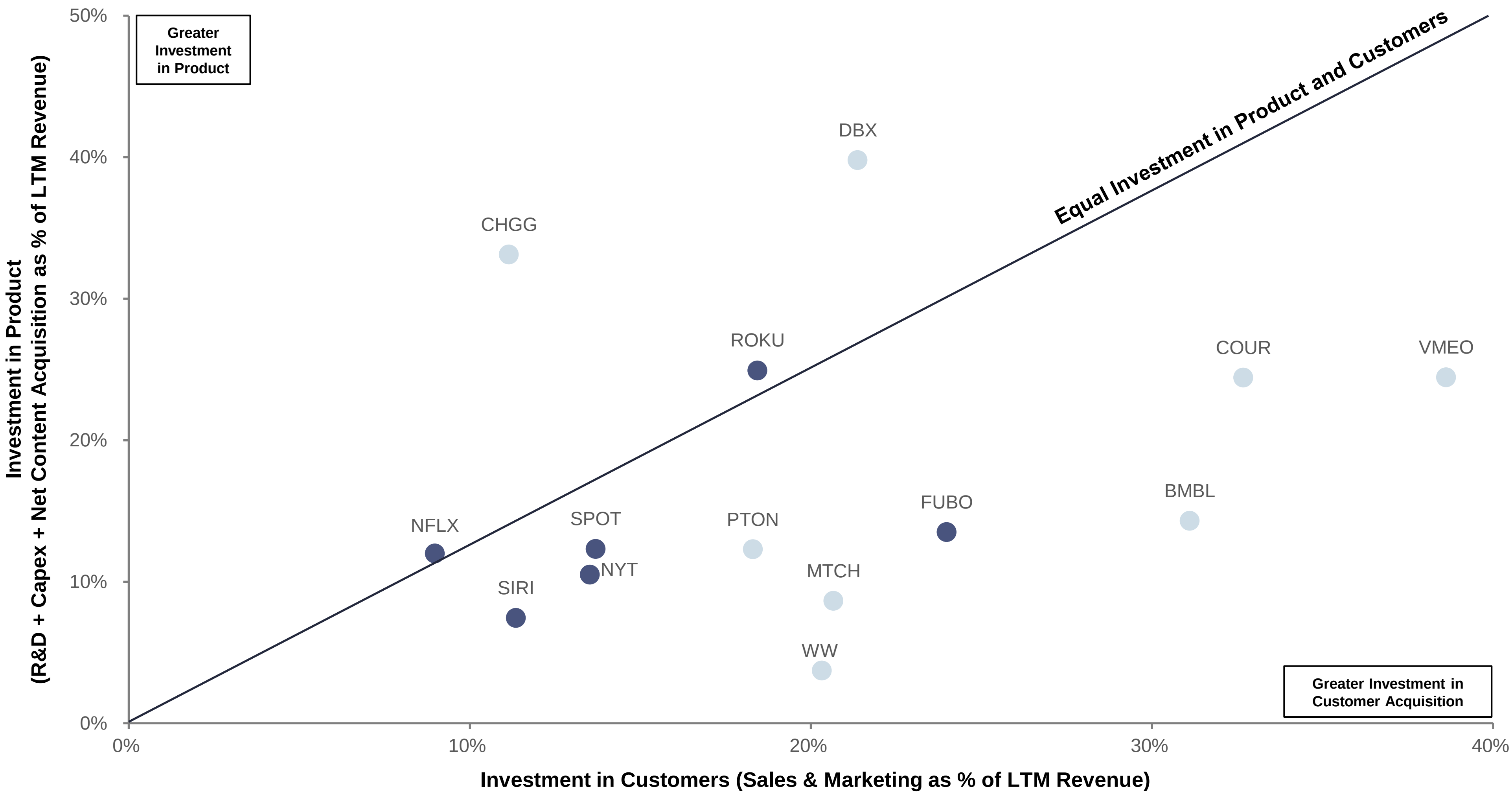
Churn rates for product segments can vary significantly. Business models in segments with higher churn rates can be viable only if gross margins are sufficiently high to accommodate the persistent need to reacquire new customers



Source: *FactSet, company filings and Wall Street research.*
Note: Market data as of June 15, 2021.

Investment Spending Mix

To grow their business, DCS companies need to allocate between investing in product and investing in customer acquisition

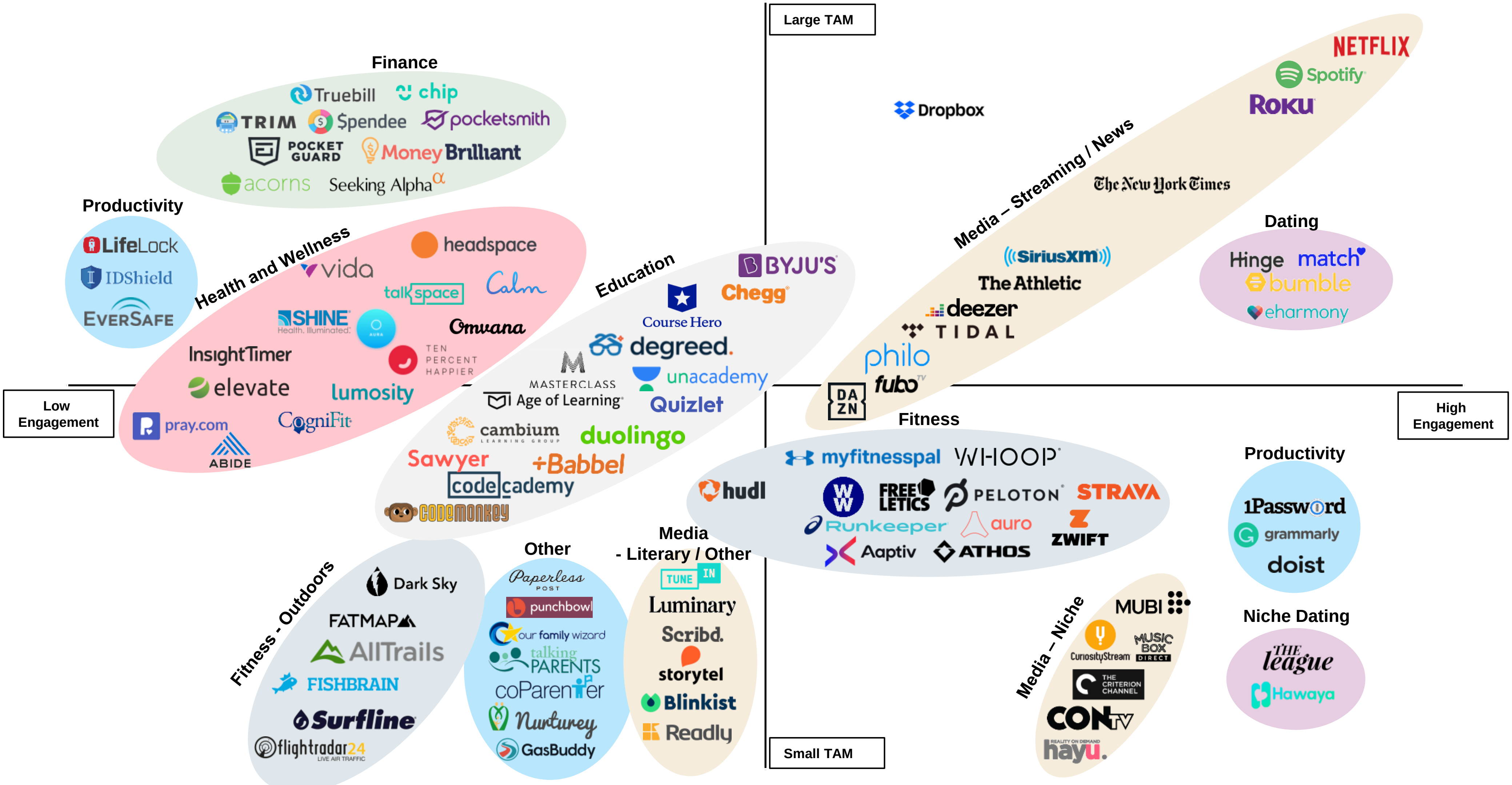


Source: FactSet, company filings and Wall Street research.
Note: Market data as of June 15, 2021.

Key Investment Criteria for a DCS Business to Attract Investors

	Investment Criteria	Observations	Illustrative Metrics: Good	Better	Best
1	TAM	• Assuming product/market fit, where is the ceiling? • Function of ARPU x Subs x Market Share • Increasing one variable allows the others to be lower (e.g., \$500mm in revenue, requires ~4mm subs at \$10/month vs. ~1mm subs at \$40/month)	***+\$1mm ARR*** *(Feature)*	***+\$10mm ARR*** *(Product)*	***+\$100mm ARR*** *(Company)*
2	Retention	• Short term churn can be driven by factors unrelated to the quality of the product/market fit • Asymptote retention point (long-term churn) is the most important metric • Usage is often a leading indicator (exception for aspirational subscriptions)	***+50%*** *(12-Month Customer)*	***+60%*** *(12-Month Customer)*	***+70%*** *(12-Month Customer)*
3	Unit Economics	• Sustainable customer acquisition costs (CAC) based on lifetime customer values (LTV) and payback period • Over time, LTV will generally decline and CAC will generally increase; early adopters often represent the best potential customers	**LTV:CAC 2:1**	**LTV:CAC 3:1**	**LTV:CAC 4:1**
4	Defensibility	• Achieved through network effects, product differentiation and product improvement • When deployed effectively, may succeed in counteracting the typical LTV/CAC trend	***No single benchmark*** *– evidence may include increasing organic customers, customer engagement, cohort retention, and switching costs*		

DCS Companies' Placement on the TAM and Engagement Scale May Impact Investor Appetite



 Source: Lazard estimates.

To Date, Most DCS Exits Have Come Via M&A, Not IPOs, Driven by a Variety of Buyer Strategic Priorities

M&A Strategic Priority	*Commentary*	*Illustrative Examples*
"Outsider" Entry	• Companies with advertising / transactional business models interested in developing a more direct ongoing relationship with their customers • May offer the ability to accelerate the growth of the DCS business through their existing customer relationships • Often begins with partnership or minority investment	| MIRROR ProSiebenSat.1 Media SE | & PARSHIP ELITE Group Square | TIDAL
Combine for Scale	• Synergies and scale to address highly competitive dynamics of DCS markets and increased investor focus on path to profitability • May attract regulatory scrutiny depending on industry concentration	SiriusXM | pandora BuzzFeed | The Huffington Post WarnerMedia | Discovery
Acquire Users / Brands	• Winner-takes-most dynamics favor large horizontally integrated firms • Large incumbents will be willing to acquire smaller rapidly growing competitors at significant premiums if viewed as existential threats	match | Hinge cambium learning group | Rosetta Stone
Acquire Capabilities	• For tuck-in acquisitions, companies may be valued based on the quality/differentiation of their software and engineering teams, not necessarily their financials • For more transformational deals, often significant overlap in target customer demos, providing opportunities for cross-sell • Premium placed on target's alignment with acquirer's strategic roadmap	LiveXLive | Slacker Radio amazon | WONDERY LinkedIn | lynda.com

Likely to see increased number of public exits given: (1) investor appetite (as expressed by valuation levels), (2) proliferation of SPACs, and (3) supportive capital markets

II DCS Industry Trends

Observations on Selected DCS Industry Trends

1. **Influx of Capital**
   - Significant public market enthusiasm; growing area of focus for venture capital / private equity funds

2. **Reaching Maturity**
   - Numerous companies valued at over $1bn representing a deep pipeline of likely IPO candidates and SPAC targets

3. **High Valuations**
   - Public and private valuations reaching historic levels; still a discount to SaaS businesses

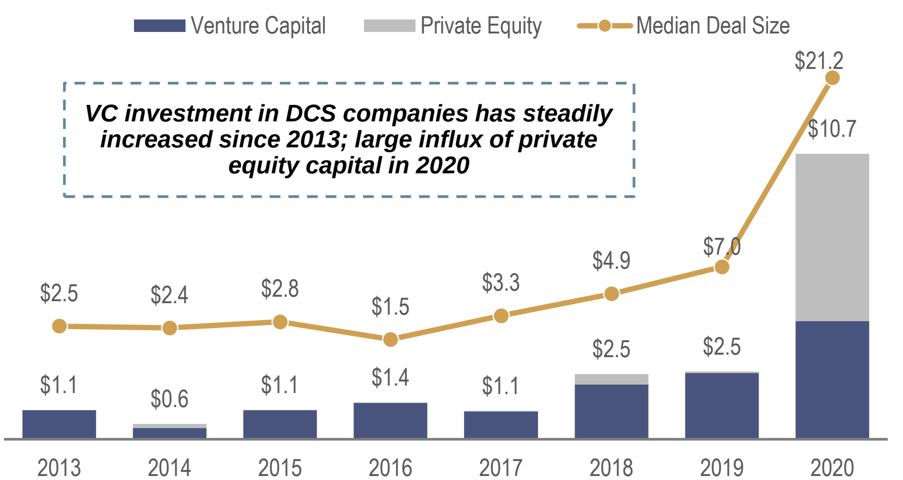
4. **COVID Acceleration**
   - Pandemic has pulled forward subscriber additions and led to more widespread adoption of digital services

5. **Race to Reduce Churn**
   - Increased focus on methods to improve customer stickiness, such as product bundling, incorporation of ecommerce, and stronger content libraries

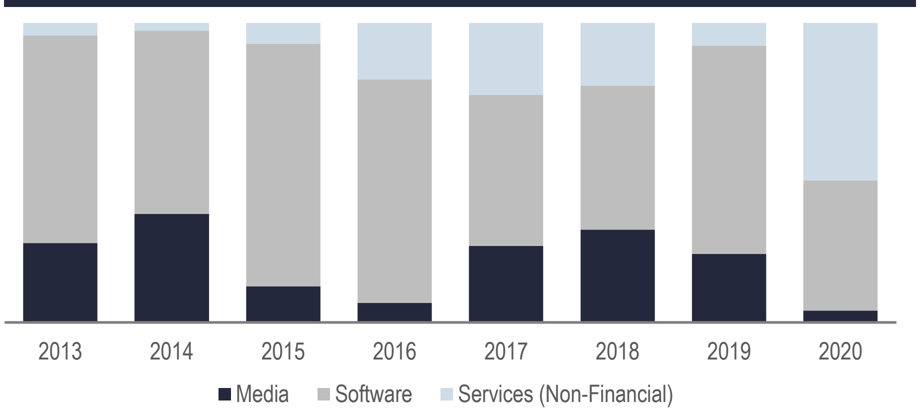
1 Capital Influx: *DCS Companies Experienced an Influx of Private Capital in 2020*

The DCS sector has benefited from shifting consumer habits (increasing willingness to pay) and a return by venture capital to the consumer space more generally; investment moving from media and software towards services

DCS Private Capital Invested ($bn) and Median Deal Size ($mm)



Percentage of DCS Private Capital Invested by Sector



Most Active DCS Investors Over the Last Five Years

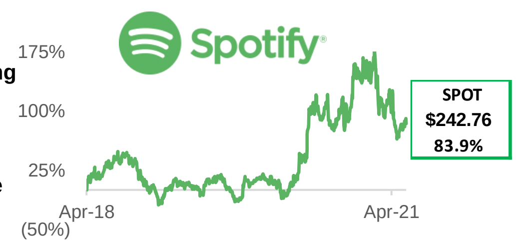
Investor	# of Investments	Preferred Investment Amount ($mm)
Y Combinator	16	0.15
General Atlantic	15	50 – 500
Insight Partners	10	3 – 500
Owl Ventures	10	
500 startups	8	0.1 – 0.30
Blume Ventures	8	0.05 – 1.5
EMC	8	
GSV Ventures	8	
Sequoia	8	0.10 – 100
Accel	7	1 – 30
Courtside VC	7	0.10 – 2.5
Elevation	7	
NEA	7	0.05 – 50
nexus venture partners	7	0.50 – 10
Powerhouse Capital	7	
Comcast Ventures	6	
Founders Fund	6	0.50 – 150

Source: PitchBook Data, Inc.

2 Reaching Scale: *The DCS Sector Is Reaching Maturity, With an Increasing List of Unicorns and Recent Highly Successful Public Market Debuts*

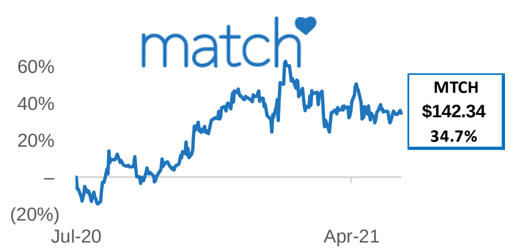
Stock Price Performance Post Public Market Debut

- **Stock price up over 80% since April 2018 direct listing**
- **Experienced a surge from pivot into podcasts in June 2020, indicating richer and more diversified experience for subscribers**

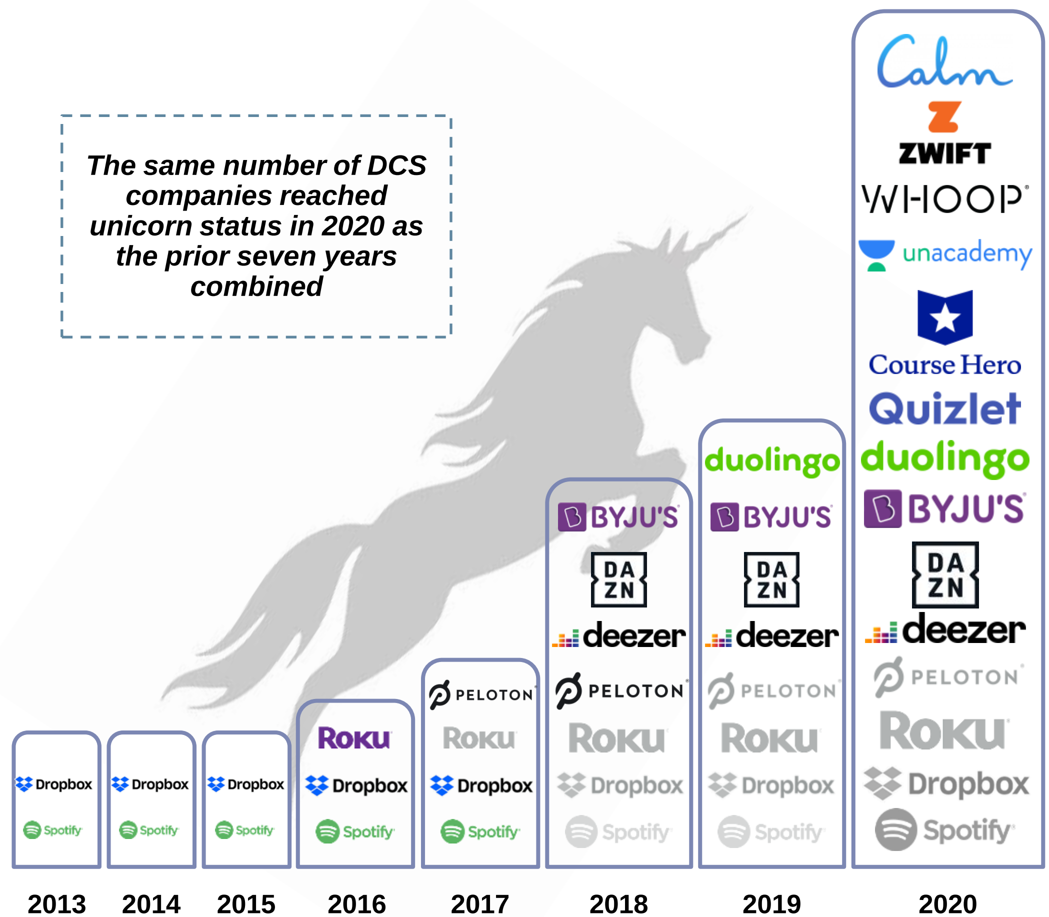


- **Stock price up ~265% since September 2019 IPO**
- **Propelled in particular by the fast adoption of digital subscription fitness since the start of COVID-19**
- **Impacted by recent equipment issues**

- **Match Group spun off from digital media conglomerate IAC in July 2020**
- **More impacted by COVID than DCS peers**



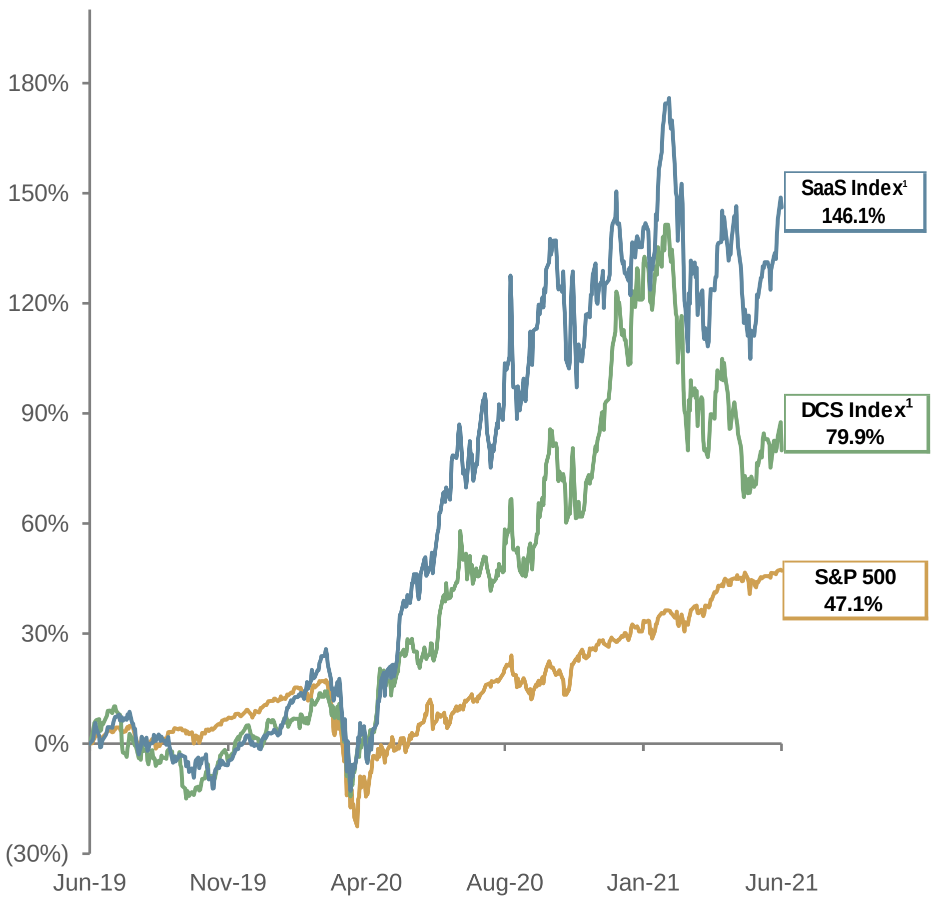
DCS Unicorns



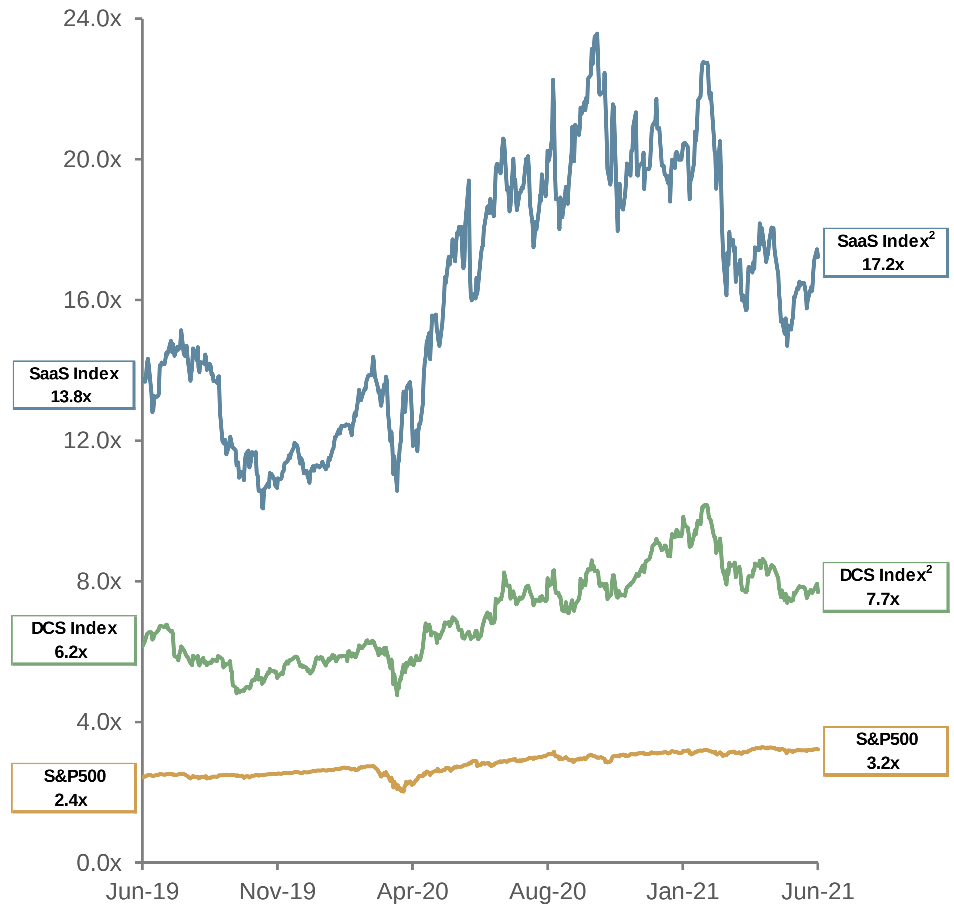
Source: *FactSet, company filings and Wall Street research.*
Note: Market data as of June 15, 2021.
Grey logos represent listed companies.

3 DCS Businesses Trade at a Premium to the Market but a Discount to B2B SaaS Peers

Last Two Years Indexed Share Prices



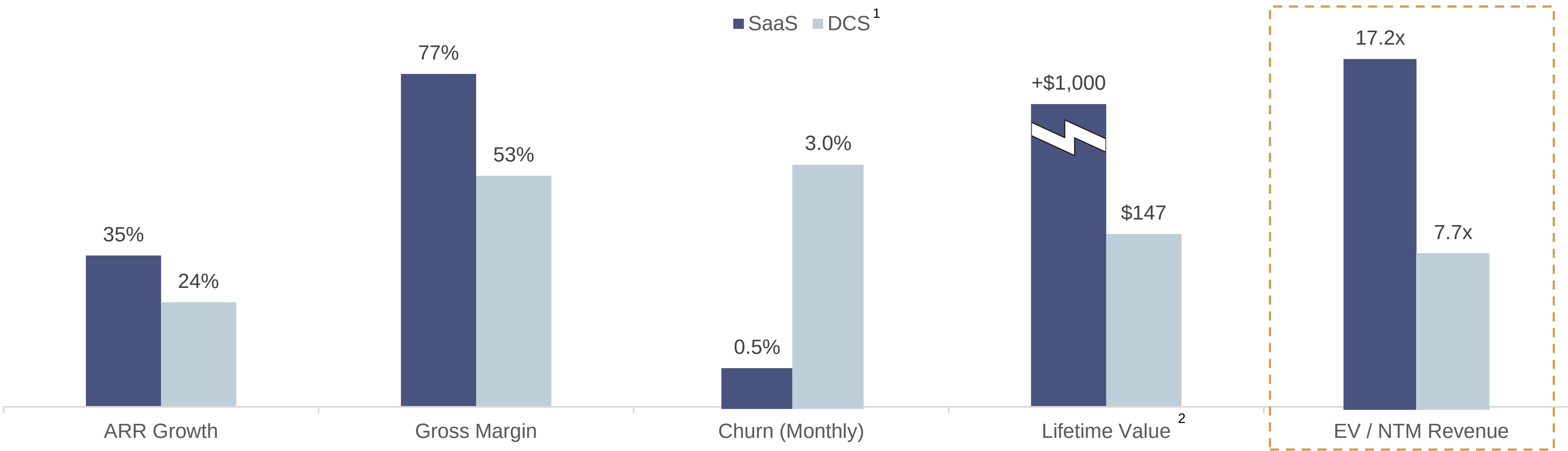
Last Two Years EV / NTM Revenue



Source: *FactSet, company filings and Wall Street research.*
Note: Market data as of June 15, 2021.
DCS Index includes Netflix, Dropbox, Spotify, Match Group, SiriusXM, Peloton, New York Times, Roku, IAC/InteractiveCorp, Chegg, WW International, CuriosityStream, FUBO, Bumble, Coursera, and Vimeo. Peloton included in index from September 26, 2019 onward (date of listing; indexed against IPO price of $29/share); Match Group and IAC included from July 1, 2020 onward (date of spin-off); CuriosityStream included from October 14, 2020 (date of SPAC merger); Bumble included from February 11, 2021 (date of listing; indexed against IPO price of $43/share); Coursera included from March 31, 2021 onward (date of listing; indexed against IPO price of $45/share); Vimeo included from May 25, 2021 onward (date of spin-off from IAC).
SaaS Index based on the Bessemer Venture Partners Emerging Cloud Index.
1 Weighted average by relative market caps.
2 Weighted average by relative EV.

3 Will the Significant Gap Between B2B SaaS and DCS Valuations Converge?

Comparing DCS to SaaS



Similarities

- **Immediate Global Scale**
  - Service delivered via the internet
- **Recurring Revenue and Negative Working Capital**
  - Customers billed upfront on a monthly or yearly basis
- **Iterative Product Innovation**
  - Customers receive product upgrades as they occur
- **Low Marginal Costs / Winner Take Most**
  - Fixed upfront costs amortized over a large number of users
  - Cost structure favors large scaled players

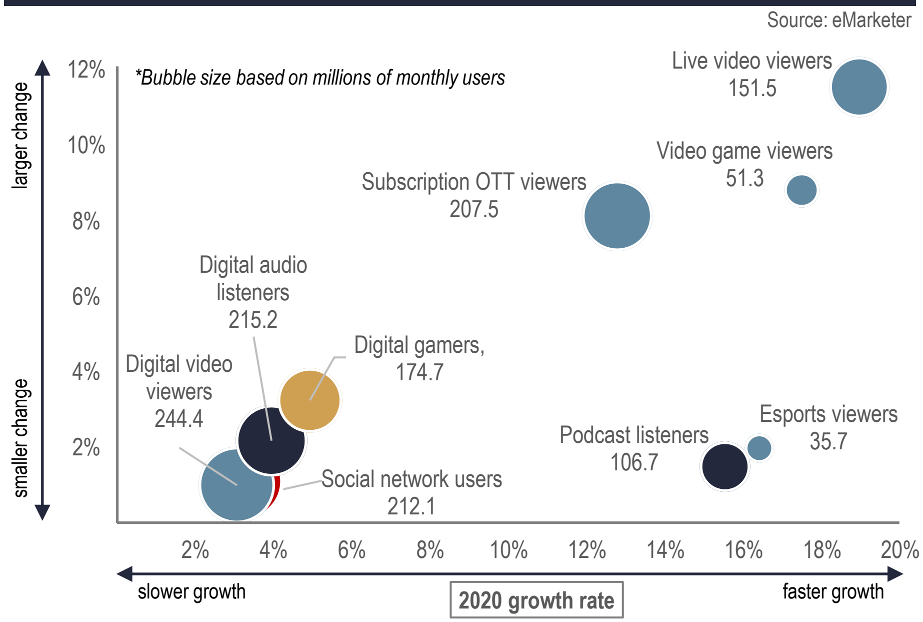
Differences

- **Size of Customer Base**
  - DCS businesses can have millions of customers
- **User Growth Curve**
  - DCS businesses can exhibit exponential user growth
- **CAC**
  - DCS businesses commonly have no sales team and low CAC
- **ARPU**
  - DCS services typically cost small amounts
- **Churn**
  - DCS businesses often have high churn
- **Expansion Revenue**
  - DCS businesses have relatively limited upsell opportunities

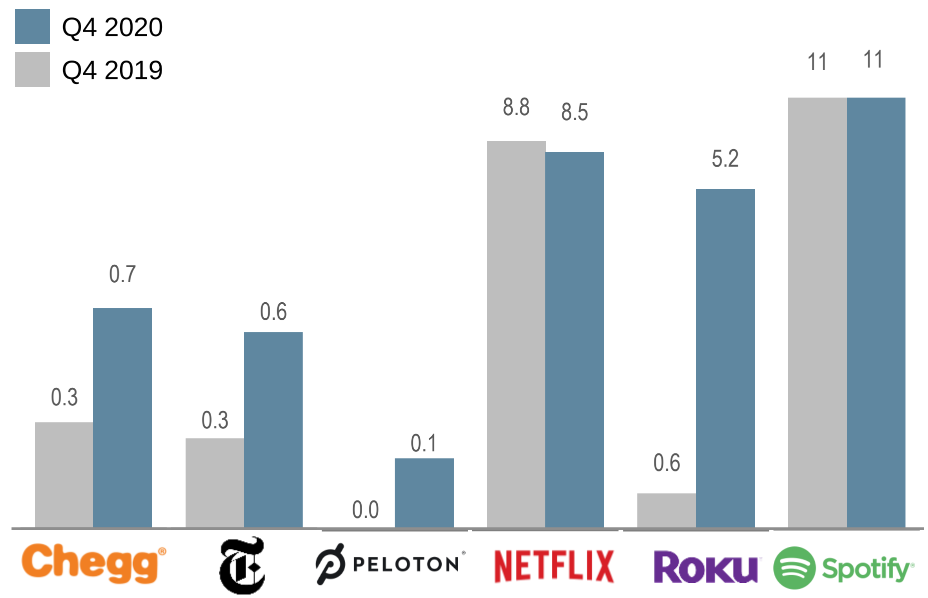
Source: *FactSet, company filings, publically available sources and Wall Street research.*
Note: Market data as of June 15, 2021. SaaS benchmarks based on Meritech Public SaaS and Cloud Company Index, except for Churn (BVP acceptable benchmark for enterprise SaaS) and LTV.
1 DCS includes Netflix, Dropbox, Spotify, Match Group, SiriusXM, Peloton, NYT, ROKU, Chegg, WW International, Bumble, FuboTV, Coursera, BeachBody Co., CuriosityStream and Vimeo. ROKU, Chegg, Bumble, Coursera and Vimeo excluded from Churn, LTV and Payback Period as Churn is not disclosed; ROKU, FuboTV, Coursera, Bumble, and Match also excluded from ARR growth as company does not disclose subscription revenue (or in the case of Fubo, not enough data to measure ARR at this point in time).
2 Calculated as ARPU / Monthly Churn * Gross Margin.

4 COVID Acceleration: *The Pandemic Accelerated the Adoption of Digital Services; Most Expect to Maintain Their Subscriptions Post-Pandemic*

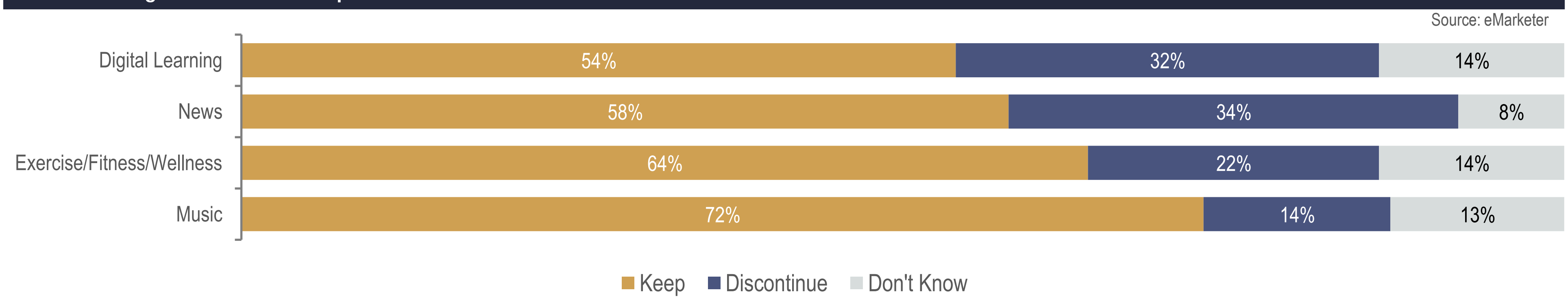
COVID Impact: 2020 Growth Rate vs. Change in Forecast



Net Subscriber Additions Q4 2019 vs. Q4 2020 (mm)



U.S. Adults Digital Service Subscription Intent Post Pandemic



Source: *FactSet, company filings, Wall Street research and publicly available sources.*

5 Race to Reduce Churn: *Increasing Number of Strategies Implemented to Improve Customer Stickiness*

Bundling

- Cross-product and cross-company bundling is being used to increase offerings by industry stalwarts and bespoke players

Cross-Firm Bundling

Spotify + hulu

T Mobile + NETFLIX

verizon + Music + Disney+

Single Firm Multi-Product Bundling

amazon: prime reading, amazon music, prime video

One

Disney: Disney+, hulu, ESPN+

E-Commerce Crossover

- Pairing of subscription with physical product offering to increase product switching costs and user engagement, thus decreasing likelihood of churn

MIRROR

WHOOP

fitbit

SONOS

XBOX GAME PASS

PlayStation Now

NINTENDO SWITCH

Content / IP 'Arms Race'

- Race to build or buy exclusive content as differentiator for platform adoption and customer retention

amazon / Metro Goldwyn Mayer	Discovery Communications / Warner Media	Roku / This Old House / Quibi	ViacomCBS / Miramax Films
May 2021	May 2021	January – March 2021	March 2020

III DCS Outlook

So What's Next? Observations and Outlook Going Forward

CONTINUED SHIFT TO SUBSCRIPTIONS	Attracted by valuation multiples on subscription revenue, established consumer companies will continue to shift to subscription business models
NUMBER OF PUBLIC DCS COMPANIES WILL DOUBLE	Continued surge in SPAC and IPO activity driven by investor appetite for growth
INCREASING VALUATIONS VS. S&P 500	Valuation gap between DCS businesses and the S&P 500 will widen but B2B SaaS will remain in a category unto itself; improved investor understanding of the long-term DCS financial profile with more public data
INTERNATIONAL EXPANSION	U.S. focused players will start targeting international markets due to investor preference for low penetration / large TAM vs. market dominance / smaller TAM
MARKET CONSOLIDATION	Buyers are looking for scale to increase profitability or bundling to minimize churn
CROSSOVER BETWEEN DCS AND ECOMMERCE	Digital subscriptions increase marketing opportunities through which to monetize products and increase customer value
DECONSOLIDATION OF CONTENT FROM NETWORK	Companies that previously looked for complete vertical integration are reconsidering their economics and core businesses

Implications for DCS Startups

CONTINUED SHIFT TO SUBSCRIPTIONS	Increased universe of potential acquirers…but also competitors…
NUMBER OF PUBLIC DCS COMPANIES WILL DOUBLE	Unique opportunity for smaller high-growth companies to access the public markets
INCREASING VALUATIONS VS. S&P 500	Ability to raise more capital with less dilution
INTERNATIONAL EXPANSION	Larger fundraising rounds to accelerate geographic expansion
MARKET CONSOLIDATION	Are you a consolidator or a target? What happens if your competitors get bigger?
CROSS-OVER BETWEEN DCS AND ECOMMERCE	Increasing importance of capital efficiency as competitors may have multiple ways to monetize customers
DECONSOLIDATION OF CONTENT FROM NETWORK	Opportunities for other players to acquire increased scale and subscription assets through M&A

Appendix

Lazard Key Contacts

Dennis K. Berman

Managing Director, Telecom, Media and Entertainment Group

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Office: (212) 632-6624

Dennis K. Berman joined Lazard in 2018, after spending 17 years as Financial Editor of the *Wall Street Journal.* Dennis advises corporate and financial clients in the telecom, media and entertainment sectors on M&A, shareholder advisory and other strategic and financial matters.

Representative transactions include advising:

- Meredith on its $2.85bn divestiture of its Local Media Group
- ICM Partners on its growth capital investment from Crestview Partners
- Special Committee of Papa John's International in its interaction with its founder and the eventual convertible-preferred investment from Starboard Value
- Macquarie Korea Infrastructure Fund in its proxy fight against Platform Partners
- Express Scripts and Cigna in their challenge from Carl Icahn
- The Republic of Argentina on its $68bn debt restructuring
- Teladoc Health on its $18.5bn acquisition of Livongo Health
- Macquarie Infrastructure Corp. on its $2.7bn sale of its IMTT unit to Riverstone Holdings

Dennis shares the 2003 Pulitzer Prize for explanatory journalism and the 2009 and 2016 Gerald Loeb Awards for excellence in business journalism.

Dennis received a B.A. from the University of Pennsylvania (*magna cum laude*).

Marshall Phelps

Managing Director, Telecom, Media and Entertainment Group

Email: marshall.phelps@lazard.com

Office: (212) 418-3204

Marshall Phelps has 15+ years of experience providing strategic advice to public and private companies, private equity funds, and entrepreneurs regarding critical M&A and corporate finance transactions, long-term growth strategies, market trends, and competitive positioning. Marshall is a leading advisor to global media, sports, entertainment, and related technology companies.

Representative transactions include advising:

- This Old House Ventures on its sale to Roku
- ICM Partners on its growth capital investment from Crestview Partners
- William F. White International Inc. on its sale to Sunbelt Rentals
- Providence Equity Partners on its investment in TAIT
- BestReviews, on the sale of majority interest to Tronc
- Competitor Group, on its sale to World Triathalon Corporation
- The Pac-12 Conference (strategic advisory)
- SportsMEDIA Technology on its acquisition of Sportvision
- Freedom Scientific
- Qualspec Group (Clearview portfolio company) on sale to Team
- SDI Media on its sale to a Japanese consortium of Japanese led by Imagica Robot Holdings

Marshall received a Juris Doctorate from Fordham University School of Law and a B.A. from Colgate University. In 2016, he was recognized as a "40 Under 40 Dealmaker" by the M&A Advisor.

John Gnuse

Managing Director, Technology Investment Banking Group

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Office: (415) 623-5016

John Gnuse has been with Lazard for over 25 years and serves as Head of Strategy for Lazard's Technology Investment Banking Group. He has been based in Lazard's San Francisco office for over 20 years where he has advised many of the leading technology and digital media companies on a variety of strategic transactions.

Representative transactions include advising:

- Google on the acquisition of Fitbit, Looker, Apigee, Motorola Mobility and Nest
- Amazon on the acquisition of Zappos and Audible.com
- Apple on the sale of PowerSchool
- IBM on the acquisition of Red Hat, The Weather Company, Turbonomic, Cognos, Telogic, and pending spin-off of Kyndryl
- VMware on its spin-off from Dell Technologies and on the acquisition of Pivotal
- Microsoft on its investment in Dell, acquisition of aQuantive and Great Plains and the sale of Expedia
- SAP on the acquisition of Hybris, Sybase, and Crossgate
- HP on the sale of Exstream and TeamSite to OpenText and the sale of ExcelerateHRO to Xerox.

Prior to Lazard John worked on venture capital and privatization assignments in Poland and in the People's Republic of China.

John received a B.A. in Physics and Philosophy from Yale University, an M.Phil from the University of Cambridge and an MBA (with distinction) from INSEAD.

Elizabeth Goodman

Associate, Telecom, Media and Entertainment Group

Elizabeth Goodman joined Lazard in 2020. Elizabeth received an MBA from Columbia Business School and a Juris Doctorate from The University of Melbourne.

Francesca LaBianca

Analyst, Telecom, Media and Entertainment Group

Francesca LaBianca joined Lazard in 2020. Francesca received a B.S.B.A. in Accounting and International Political Economy and Business From Georgetown University (*summa cum laude*).

Note: Includes transactions executed by Lazard deal team members prior to joining Lazard.

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