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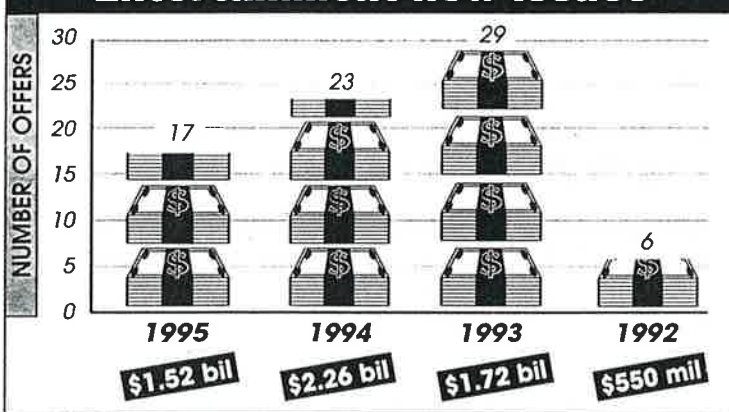
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Entertainment new issues



Media companies going public find tough road

33% drop in IPO financing from '94

By Jeffrey Daniels

Wall Street's interest in media-entertainment initial public offerings waned in 1995, resulting in fewer companies going public and a 33% drop in dollar volume from 1994's tally.

"You're looking at a year when mergers and acquisitions took center stage, not companies going public," said Lloyd Greif, President of the Los Angeles-based investment bank of Greif & Co. "Entertainment lagged its IPO performance last year, more so than other industries."

A total of 17 media-related companies went public for the first time in 1995, raising about \$1.52 billion. That compares with 1994 when 23 new issues generated \$2.26 billion.

The new-issue study by The Hollywood Reporter includes companies whose core business is in entertainment, but excludes Netscape Communications Corp. — an Internet software company regarded as one of the year's most successful deals after having jumped 398% through Friday. Foreign company offerings include only shares sold in the United States.

Independent movie company Skouras Pictures Inc.'s initial offering was rescinded by its underwriter Baraban Securities Inc. in February, soon after it sold stock. Skouras later agreed to sell a major chunk of its 110-title film library to Dove Audio Inc., which itself was taken public in late 1994.

Greif said entertainment was impacted more than the overall new-issue market because of the poor performance of some notable movie deals in past years, including Savoy Pictures Entertainment Inc. and Cinergi Pictures Entertainment Inc. The two film producers have fallen 60% or more from their original offering price and Savoy is now being acquired by ex-studio chief Barry Diller.

"Savoy is getting picked up at bargain basement value, and all the guys who originally invested in it are shaking their heads and wondering what hit them," said Greif of the Savoy IPO, which was managed by Allen & Co. These high-profile casualties have clouded the outlook for independents, but Greif believes Hollywood companies with a technology bent such as Pixar Inc. are welcome on Wall Street.

John Fitzgibbon, editor of the IPO Aftermarket newsletter in New York, attributed Pixar's success to a combination of factors,

including its controlling shareholder Steve Jobs, who co-founded Apple Computer and the computer-animation studio's relationship with the Walt Disney Co.

Disney is distributing Pixar's "Toy Story," which has been at the top of the boxoffice for the last month.

"You had two legends coming together and a boxoffice smash hit," said Fitzgibbon. "It lit a very explosive fuse in the stock."

Investors who were able to get stock in the deal on the Nov. 29 offering at \$22 a share could have made a gain of 85% on their money if they sold the same day when the shares hit \$40.75 apiece. The stock closed at \$25.75 on Friday.

Most of the revenue from "Toy Story" will go to Disney, analysts note. And they caution that Pixar's next film isn't expected to show in theaters until 1998.

"Pixar became popular and is selling like every movie they're working on will be just as successful as 'Toy Story,'" said Lee Isgur, a San Francisco-based managing director and media analyst for the investment firm Jefferies & Co. "I have yet to see someone come along to make every film a hit."

Cary Thompson, a managing director in Los Angeles for investment banker NatWest Markets, said that Pixar's stock sale "overhyped." He added, however, that the company had "perfect timing" because of the technology sector's strength this year.

"Technology stayed hot," said Thompson, whose firm was lead manager of last year's Cinergi offering. "Media companies wanting to raise money this year went to the debt market."

Discreet Logic Inc., the Montreal visual effects systems company planning to relocate to Boston, received a warm welcome when it came public June 30 at \$21 a share. It sold more shares than originally planned and well ahead of its anticipated range of \$15 to \$17 a share. The stock closed Friday at \$24.50, a 17% advance from its offer price.

The Canadian company's decision to list its stock in the United States was intended to give it a higher profile in Hollywood, where its software has been used in films and videos, including "Forrest Gump" and "True Lies." Its offering mirrors the successful debut several years ago of SoftIm-

1995 initial public offerings

(ranked by deal size)

Company	Issue date	Offer size*	Business
Tele-Communications Int'l	7/13	\$320.0	Cable TV
Nynex CableComms Group	6/9	266.1	Cable TV
Videotron Holdings PLC	3/30	140.9	Cable, telephony
Pixar Inc.	11/29	132.0	Computer animation
Portugal Telecom SA	6/1	112.4	Cable, telephony
Sinclair Broadcast Group Inc.	6/7	105.0	TV stations
Katz Media Group Inc.	4/10	88.0	Media buying
American Radio Systems Corp.	6/9	82.5	Radio stations
Ascent Entertainment Group	12/31	75.0	Film production
Discreet Logic Inc.	6/30	65.1	Visual effects
Argyle Television Inc.	10/23	60.0	TV stations
Mooovies Inc.	8/4	37.8	Video retailing
Triathlon Broadcasting Co.	9/7	11.0	Radio stations
CinemaStar Luxury Theaters	2/7	7.5	Movie theaters
Hungarian Broadcasting Corp.	12/20	5.0	TV licenses
Tel-Com Wireless Cable TV	5/3	5.0	Wireless cable TV
Netter Digital Entertainment	11/21	4.3	Sci-fi programming

*In millions of dollars. Foreign company offerings include only shares sold in the United States.



age, another Montreal company that was later snapped up by Microsoft Corp.

Tele-Communications Inc. created a new public entity for its international subsidiary that had a rough start. TCI was flat after its July 13 debut at \$16 a share, although it has since ignited to show a nearly 47% gain.

The parent owns about 83% of the international cable unit's outstanding stock. The TCI subsidiary's assets include a stake in TeleWest Communications PLC, the cable and telephone joint venture with U S West Inc.

Other international companies listing stock on U.S. exchanges were Videotron Holdings PLC, the U.K. cable and telephony affiliate of the Canadian cabler. Videotron Holdings has slipped 26% from its March 30 offering, while another U.K. cable offering from Nynex Corp.'s Nynex CableComs Group PLC is off 20% from its June 9 inaugural stock issue.

Portugal Telecom SA, the European cable and telephony concern, is changing hands 1% below its June 1 initial offering, which raised \$112.4 million from American investors. The global offering was valued above \$1 billion when including shares sold abroad.

Among broadcasters, Triathlon Broadcasting Co. of San Diego has seen its stock price double in value since going public at \$5.50 per share. The radio company closed Friday at \$11 a share. It had traded as high as \$13 a share in mid-September.

Boston-based radio station concern American Radio Systems Corp. also is a winner, having risen 53% through Friday since its June 9 debut at \$16.50.

Hungarian Broadcasting Corp., a TV station license concern, went public Wednesday at \$5 a share and closed last week at \$8.125, giving original investors a nearly 63% gain.

Investors in Argyle Television Inc. have watched the issue slip about 7% below its Oct. 23 offering price of \$17 a share. The San Antonio-based TV owner's stock closed Friday at \$15.875. Argyle simultaneously floated public debt at the same time it issued new equity.

Elsewhere, Ascent Entertainment Group Inc. commenced its initial offering Dec. 13, putting the entertainment businesses of Comsat Corp. into the new public entity.

The Comsat spinoff was down 3% as of Friday from its \$15 offering price.

San Diego-based exhibitor CinemaStar Luxury Theaters recovered after a slow start from its Feb. 7 IPO. It sold stock on the offering at \$5 a share, dipped under \$3 in early May and closed Friday at \$6.75.

Moovies Inc., a video retailing chain, is flat since hitting the public market Aug. 4. The Taylors, S.C.-based company had been up nearly 90% before being pummeled by profit-taking during September. □