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CORPORATE

DreamWorks to acquire online TV network AwesomenessTV

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LOS ANGELES — DreamWorks Animation SKG Inc. has agreed to purchase teen-oriented YouTube network AwesomenessTV for roughly \$33 million in cash.

The network, represented by Irell & Manella LLP and Ziffren Brittenham LLP, could earn up to an additional \$117 million over the next two years if earning goals are met — making for a deal potentially worth up to \$150 million.

Founded by Brian Robbins, an executive producer of such popular TV shows as “One Tree Hill” and “Smallville,” AwesomenessTV originated in 2010 and is a network of YouTube channels that feature talk shows, sketch comedy and scripted and reality series aimed at teens. The network currently has approximately 14 million subscribers.

The deal is one of the first of its kind and may be the biggest. Last June, Alloy Digital bought Clevver Media, and a month later, Legendary Entertainment bought Nerdist Industries. Each of the two YouTube networks was purchased for an undisclosed amount.

The AwesomenessTV deal could further herald an era of studios acquiring YouTube networks and distributing content through a digital space. According to a 2010 survey by the National Cable and Telecommunications Association, roughly 61.8 million people in the United States had cable, compared to the 14 million who currently subscribe to AwesomenessTV. Doing business online allows studios to distribute their product globally, as well as save money.

“My sense is that you’re going to see more of these types of deals,” said Greg Klein, head of Irell’s transactions practice group and lead counsel for AwesomenessTV on the acquisition. “People are interested in creating a digital platform.”

Another rarity in the deal was the time frame in which the parties operated. Attorneys at Irell said that the first rumblings of the deal occurred as late as mid-April.

“The deal went from a basic understanding of what the economics would be to completely done in two weeks,” said Michael W. Kaplan, counsel at Irell. “That is very rare for a deal of this magnitude and complexity — and for

the public interest involved.”

Dreamworks Animation has typically relied on one or two big-budget animation movies per year for revenue — it has released just 26 films since 1998. The most profitable of the films have been “Kung Fu Panda” and its sequel, the “Shrek” franchise and the “Madagascar” franchise. Those nine films together have grossed more than \$6 billion.

The acquisition of AwesomenessTV, however, allows the animation giant a foray into television — albeit through the Internet as opposed to over cable or satellite. Dreamworks CEO Jeffrey Katzenberg talked about starting a family-themed cable network shortly after the studio acquired the rights to characters such as Lassie and Casper the Friendly Ghost as part of its acquisition of Classic Media last July.

United Talent Agency helped Robbins develop AwesomenessTV in 2010 by securing venture capital funding. YouTube has spent more than \$100 million to help roughly 150 media partners create and promote specialized video channels.

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