

J&A Sell-Side M&A Report

# Costume Manufacturing for Film and Theater M&A Transactions and Valuations

October 2024

## AUTHORS

---



### JOSHUA JAHANI

Joshua Jahani is a managing director at Jahani and Associates. He is based in the New York City office. He leads the firm's global expansion and client service activities. He has been featured in over 20 publications such as the BBC, Newsweek, International Business Times, NBC, and more about investment banking and global trade. Joshua is a lecturer at Cornell University and New York University.



### GARETH WALDECK

Gareth Waldeck is a member of the investment banking and global trade team at J&A. He is based in Abu Dhabi. He is originally from South Africa and studied Economics at Fordham University. He has served as a panelist for multiple forums such as the Diversity Dividend: Why Equality Benefits Us All, and regularly publishes in the space of cross border capital markets.



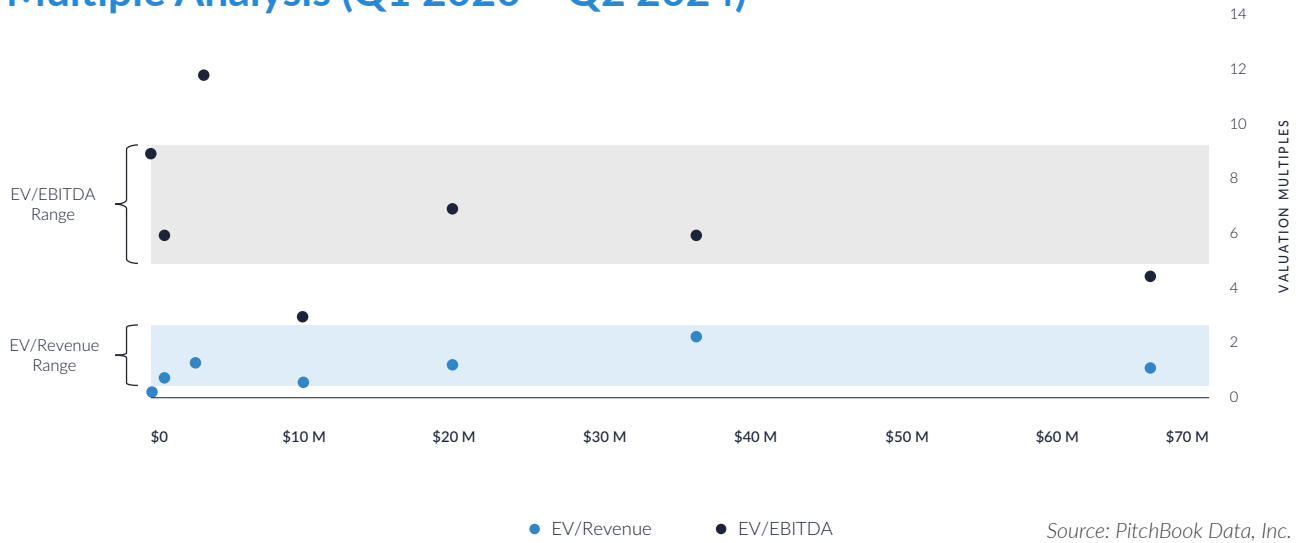
Between Q1 2020 and Q2 2024, \$800 million was deployed by acquirers in the costume manufacturing for film and theater industry. The sector includes all aspects of wardrobe design and creation for film productions, which could include animation as well as theater.

The costume manufacturing for film and theater sectors have experienced turbulent macroeconomic conditions caused by the global pandemic, widespread industry strikes, and lockdowns. Despite this, significant M&A activity has occurred. EBITDA multiple in the sector ranged between 5x and 8x in the period, with technology and intellectual property contributing significant increases in multiples.

Most transactions conducted and capital invested in the costume manufacturing for film and theater sectors were by US-based acquirers. Additionally, strategic acquirers deployed over 56% of the transactions conducted.

Founders and shareholders of firms that manufacture costumes for film and theater should be aware of exit opportunities presented by strategic acquirers from the US.

## Costume Manufacturing for Film and Theater Valuation Multiple Analysis (Q1 2020 – Q2 2024)



EV / REVENUE		
RANGE	MEAN	MEDIAN
0.5 X - 3 X	1.2 X	1.6 X

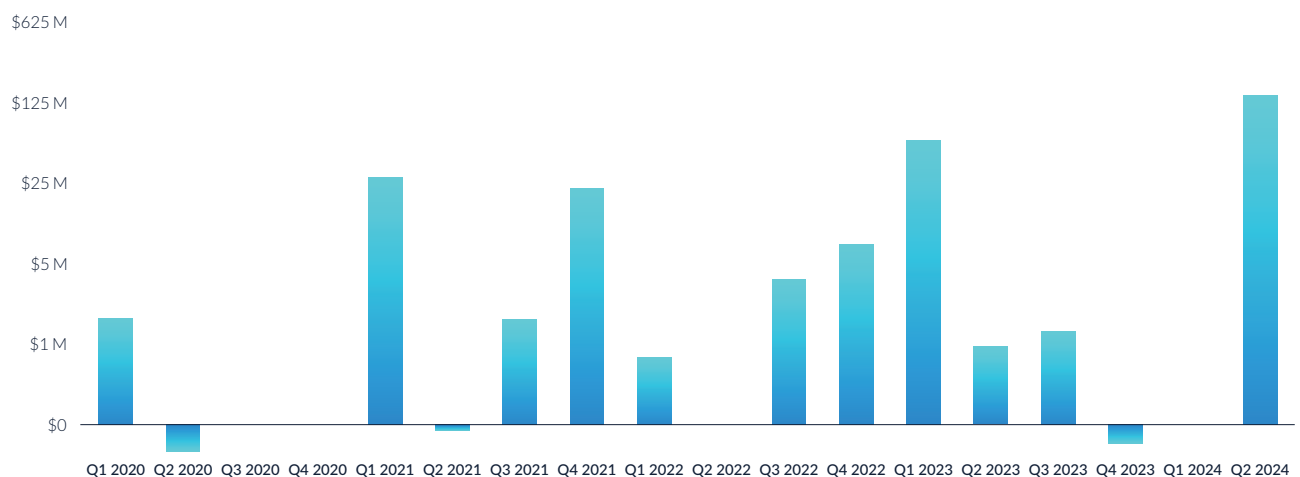
  

EV / EBITDA		
RANGE	MEAN	MEDIAN
5 X - 8 X	6.4X	6.2 X

- The valuation multiples are based on a sample set of M&A transactions in the costume manufacturing for film and theater sector. The data was collected on September 26, 2024.
- The sample set trades at an enterprise value to EBITDA multiple range of between 5x and 8x with an increase in average multiples as the enterprise value increases.
- Average enterprise value to revenue multiples ranged from 0.5x to 3x.



## Costume Manufacturing for Film and Theater Median Transaction Size (Q1 2020 – Q2 2024)

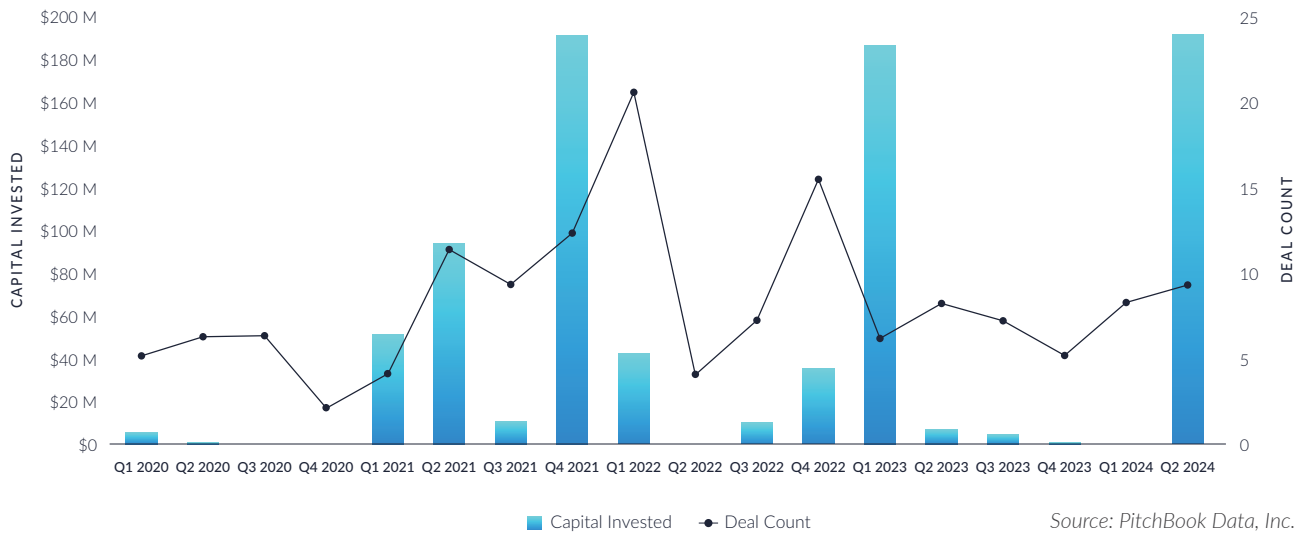


Source: PitchBook Data, Inc.

Note: Data on the Y axis is shown on a logarithmic scale for better graphic representation; this does not impact the median transaction size.

- The median transaction size has ranged significantly with a peak of over \$100 million seen in Q2 2024. This was driven by large transactions conducted by private equity firms.
- Q3 2020, Q4 2020, Q2 2022, and Q1 2024 saw the lowest median deal size, as none of the transactions completed disclosed the deal value.
- The largest median deal size occurred since the start of 2023, indicating a potential uptick in M&A activity.

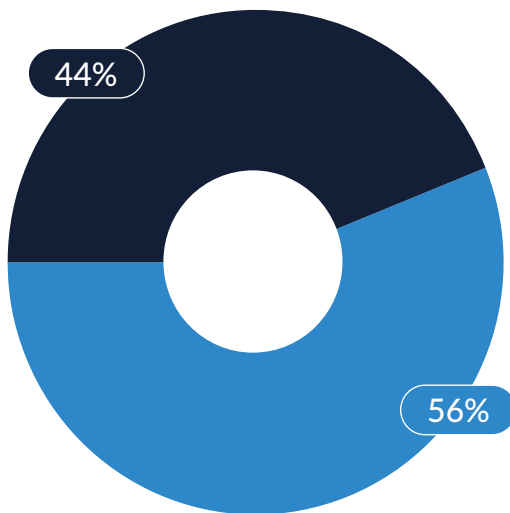
## Costume Manufacturing for Film and Theater M&A Transactions (Q1 2020 – Q2 2024)



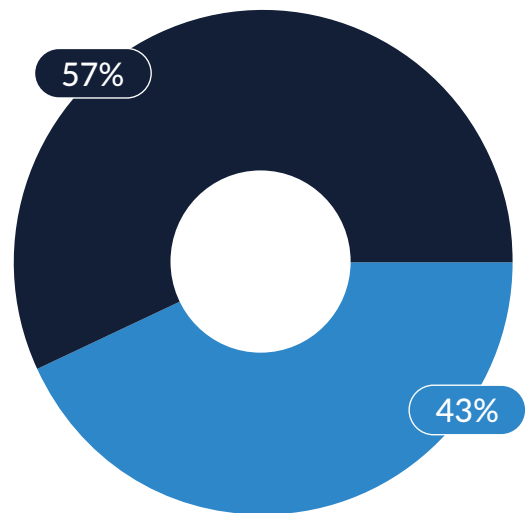
- Between Q1 2020 and Q2 2024, \$809 million was deployed across 46 costume manufacturing for film and theater acquisitions. The average transaction value was \$18 million, highlighting the volume of transactions in lower and lower-middle markets.
- The most significant deployment of capital, \$186 million, occurred in Q2 of 2021. Many of the transactions in the sector did not disclose the acquisition size, so the data may be under reported.
- The capital deployment and deal count was low in 2020, which corresponds to the initial impact of the pandemic and the shutdowns of movie productions and theaters globally.
- The Writers Guild of America (WGA) strike, which occurred between May 2023 and September 2023, similarly correlated with a lower period of capital market activity in the costume manufacturing for film and theater sector.
- Deal count peaked in Q4 2021 and has steadily increased since the start of 2023. The Fed's reduction of interest rates in September 2024 may lead to an increase in capital market activity in the sector.

## Breakdown of Announced Costume Manufacturing for Film and Theater M&A Transactions by Deal Type (Q1 2020 – Q2 2024)

CAPITAL INVESTED



DEAL COUNT



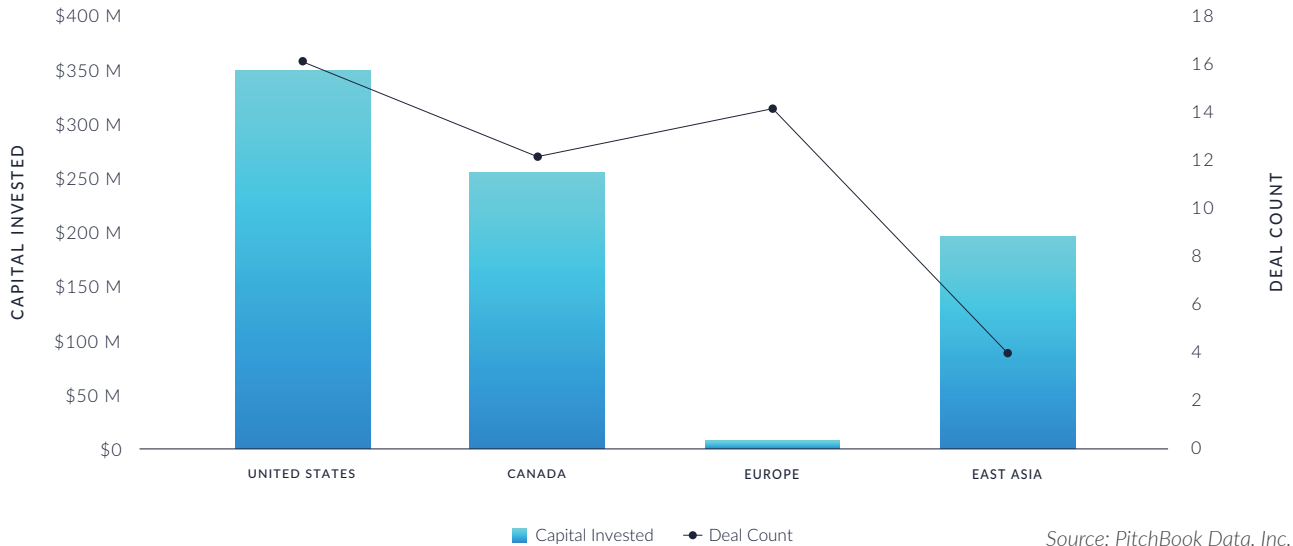
■ STRATEGIC ACQUISITIONS

■ FINANCIAL ACQUISITIONS

Source: PitchBook Data, Inc.

- Transactions by strategic acquirers in M&A transactions were dominated by capital deployed in the sector. They contributed 56% of all capital in the sectors while conducting 20 transactions. The average transaction size of \$22 million highlights the appetite for larger acquisitions.
- Buyouts and leveraged buyouts accounted for \$358 million of capital invested across 26 M&A transactions in the costume manufacturing for film and theater industry. The average transaction size of 13 million indicates the appetite for private equity acquisitions in the lower middle market.

## Breakdown of Announced Costume Manufacturing for Film and Theater by Region (Q1 2020 – Q2 2024)



- US-based acquirers dominated the capital invested in the costume manufacturing for film and theater sectors, with over \$350 million across 17 transactions in the category. This could be due to a variety of factors, including the historical dominance of the Hollywood film industry and the abundance of larger companies in the sector.
- European acquirers conducted a significant number of transactions in the sector, 15,

but a small fraction of the capital deployed in the sector, \$11 million. The significant deal count indicates an appetite for smaller costume manufacturing for film and theater acquisitions and the abundance of smaller and independent companies in the industry.

- Acquirers from Canada and East Asia contributed significantly to deal count and capital invested in the sector. No announced transactions were conducted by acquirers in other geographic regions.

## ACQUIRER SPOTLIGHT: PROVIDENCE EQUITY



### THE COMPANY

Providence Equity Partners is a private equity investment firm based in Providence, Rhode Island. The firm seeks to invest in companies operating in the media, finance, telecommunication, education, and technology sectors based in Europe and North America.

Providence has 23 active media portfolio companies and has conducted several add-ons and leveraged buyouts in the sector.

For more information on how transaction structures impact seller liquidity, see Jahani and Associates' article [here](#).

#### ENTITY TYPE

---

PRIVATE EQUITY

#### PREFERRED TRANSACTION

---

BUYOUT

#### YEAR FOUNDED

---

1989

#### ASSETS UNDER MANAGEMENT

---

\$24.63 BILLION

Costume manufacturing for film and theater companies have endured challenging macroeconomic conditions. Acquisitions within the sector have been effected by shutdowns to the film and theater industries caused by the WGA strike and the global pandemic. Transactions and capital invested increased sharply in Q2 2024, and this trend could continue given the lowering of interest rates.

Companies that manufacture costumes for film and theater should be mindful of exit opportunities. EBITDA multiple in the sector ranged between 5x and 8x in the period with technology and intellectual property contributing significant increases in multiples.