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Starz Leads Investment Round in Indie Film Streaming Service Fandor

Investment marks Starz's first foray into direct-to-consumer streaming in the U.S.



Starz CEO Chris Albrecht (second from right) with the cast of the premium network's show "Ash vs. Evil Dead" in October 2015. PHOTO: ASSOCIATED PRESS

By **SHALINI RAMACHANDRAN**

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Starz LLC led a \$7 million investment round in independent film streaming service Fandor, the premium TV network's first foray into direct-to-consumer streaming in the U.S.

Fandor is a subscription streaming service that offers about 7,000 independent films to subscribers, for plans ranging from \$7.50 to \$10 a month.

"At a moment in time when Starz is aggressively extending its brands—geographically

and technologically—we are excited to invest in Fandor,” Starz Chief Executive Chris Albrecht said in a statement.

Starz has been under pressure in its domestic pay TV business, and it lost subscribers at its flagship premium networks, Starz and Encore, in the third quarter. On an earnings conference call last week, Mr. Albrecht said “it has become clear to us the importance of Starz unlocking opportunity to distribute our content beyond the traditional cable bundle.”

While Fandor isn’t the answer to Starz’s larger worries given its small size, Starz Chief Revenue Officer Michael Thornton said it’s a “strategic investment” to get more insights about business models in the streaming marketplace. Starz has already taken steps into international streaming via a minority stake in Starz Play Arabia, a \$7.99-a-month service in the Middle East.

Unlike competitors HBO and Showtime, Starz hasn’t branched out into offering a streaming version of its network directly to consumers in the U.S.

Other investors who participated in the funding round for Fandor include LionTree Advisors, a merchant bank and advisory firm focused on media and telecommunications, and DNS Capital, the investment firm of Gigi Pritzker, the billionaire heiress who founded film production company OddLot Entertainment.

Fandor has been available to customers since 2011, receiving the vast majority of its seed funding from its chairman Chris Kelly, a former Facebook executive, active angel investor and co-owner of the Sacramento Kings basketball team. The company only has in the “many tens of thousands” of subscribers to date, according Mr. Kelly, though it hopes to grow to “hundreds of thousands” soon through distribution deals on the horizon.

Fandor recently signed distribution deals with Verizon’s Go90 mobile video service and Vessel, and it’s in talks with other streaming services and traditional pay TV providers, said Fandor Chief Executive Larry Aidem.

Fandor is already up against fierce competition. The much-larger Netflix, Amazon.com Inc. Prime Instant Video and Hulu carry many indie movies, and Netflix and Amazon are plowing into original indie films as well. Tribeca Enterprises, the company behind the namesake film festival, and Lions Gate Entertainment Corp. operate the Tribeca Shortlist, a \$4.99-a-month independent film streaming service. There are other networks that are also built around indie fare, like the Sundance Channel and IFC.

“As all these guys become incredibly focused on signature original programming, their focus on film has declined, which creates a great opportunity for people like us,” said Mr. Aidem, a longtime media veteran and former HBO and Sundance Channel executive.

Mr. Aidem acknowledged the growing pains of running a direct-to-consumer streaming service, including the higher rates of subscriber turnover. But he expressed confidence for growth through new distribution relationships and international expansion.

The streaming service, which is available across North America, plans to expand to Europe, Latin America and Asia starting next year. The company is already in talks with some international investors about a Series B round of funding, Mr. Aidem said, which is likely to be in the “tens of millions” of dollars.

“I think you’ll see a lot more of the media companies have to be innovative and extend their footprint into the digital space as they continue to support their core businesses,” said Aryeh Bourkoff, chief executive of LionTree.

Corrections & Amplifications:

An earlier version of this article incorrectly said the price of Starz Play Arabia is \$13.99 a month. The company recently discounted it to \$7.99 a month.

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