RTL Group acquires majority in StyleHaul

A BEAUTIFUL NETWORK

EXCLUSIVE INTERVIEW WITH
STEPHANIE HORBACZEWSKI
CEO of StyleHaul
QUICK VIEW

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On 3 November 2014, RTL Group announced that it will acquire a controlling stake in StyleHaul for US-$107 million (around €85 million), valuing the company at US-$151.4 million (around €121 million). RTL Group will also invest US-$20 million into StyleHaul in order to fund the company’s growth plan.
This transaction, which is expected to close by the end of November 2014, will increase RTL Group’s shareholding from 22.3 per cent to 93.6 per cent (on a fully diluted basis). Under the terms of the deal, RTL Group has the opportunity to acquire the remaining equity, owned by StyleHaul’s management and employees.

With this agreement, RTL Group further accelerates its rapidly growing presence in the online video space and its position in North America – the largest and most innovative media market worldwide. For the full year 2014, RTL Group expects to more than double its online video views to around 40 billion.

Joint statement by Anke Schäferkordt and Guillaume de Posch, Co-CEOs of RTL Group: “The acquisition of StyleHaul is another major strategic step in developing RTL Group into a global powerhouse in the rapidly growing market for online video. StyleHaul has a first-class management team that built up the only multi-channel network of scale with a clear focus on the fashion and beauty segment, and has a highly engaged audience – a very compelling proposition for major brand advertisers. StyleHaul is an excellent fit with our digital portfolio, complementing our recent, technology-focused acquisitions BroadbandTV and SpotXchange. With its strong advertising sales team, impressive track record in producing web content and the synergy potential with RTL Group’s broadcasters and producers, StyleHaul has the ideal foundations for continued strong growth.”

Stephanie Horbaczewski, Founder and CEO of StyleHaul, says: “For the past two years the partnership between StyleHaul and RTL Group has played an integral role in our success and growth. We are thrilled to be deepening that relationship and play a significant role in their emergence as a leader in the digital landscape. We are very thankful for all the support we received from my co-founders Allen and Aaron DeBevoise and our other investors RezVen and Bertelsmann Digital Media Investments. This opportunity allows the unwavering passion and dedication of the StyleHaul team and ground-breaking community of influencers to accelerate all aspects of our business and we are very excited about what we will accomplish together with RTL Group.”

In 2013, RTL Group made initial investments in StyleHaul resulting in a current 22.3 per cent shareholding in the company (on a fully diluted basis), following a funding round led by Bertelsmann’s digital investment fund BDMI. Since then, StyleHaul has worked closely with RTL Group’s content production arm, FremantleMedia, whose North-American digital studio, Tiny Riot, produces exclusive premium content for StyleHaul, including the talk show The Crew. With more than 4.5 million views to date, The Crew is currently the most-watched original series on StyleHaul.
StyleHaul is a perfect fit for RTL Group’s online video strategy.

StyleHaul’s growing roster of talent is driving exceptional growth.
In late September, Backstage had an opportunity to visit StyleHaul’s New York City office and interview its CEO and co-founder, Stephanie Horbaczewski. Besides talking about the business, Stephanie also gave an insight into who she is as a CEO and as a person.

RTL Group first made a minority investment in StyleHaul in May 2013. How has this helped the development of StyleHaul to date?

If you look at our business, you can see two areas where the investment made perfect sense: international and content. We now have a presence in Singapore, we have a huge presence in Brazil and we also have a London office, which we didn’t have before the investment. And on the content side, RTL Group helped facilitate the meeting with FremantleMedia, which has already resulted in two shows. These are the two areas where we felt there was a synergy, and you can see the immense impact the investment has had for StyleHaul in a very short period of time.

After FremantleMedia, which other business units do you hope to collaborate with?

So far, working with RTL Group – which has such a large international footprint – has had a substantial influence on our expansion outside the US. The plan...
now is to expand further through Europe: Germany and France, as well as to continue with our Asian expansion. We’ve also started doing tests with some RTL Group entities. We provided them with video assets to be added on their platforms, and we’d like to continue the testing.

There is a perfect synergy between RTL Group and StyleHaul. When you combine RTL Group’s ability to do traditional broadcasting globally with our ability to do what we do and our massive online base, you get an even more powerful media group. Today, you need to merge the two worlds to continue to be successful; all the big media groups have understood this. Being part of RTL Group will help both of us understand what the opportunities are on each side.

How do you recruit the channels and the Youtube celebrities that are part of StyleHaul? Who spots them?

Well, we are almost entirely response-based now. We get thousands of inbound enquiries about joining the network every month. We then use our process to vet each channel in order to see if they fulfill the criteria to be part of this community. Their content has to speak to their audience. We mainly look for engagement, meaning highly engaged channels where people are liking, favouring, sharing or commenting on the content. Besides this, on the operational side, they also have to meet certain metric criteria. However, sometimes we do spot a talent with a real passion, and where we think they could be a good fit with a brand or as far as content is concerned, and we invite them to join the network.

“We WORK WITH ALL THE MAJOR CONSUMER PRODUCTS AND FASHION BRANDS YOU CAN THINK OF”

What are the main brands you work with?

Two of the major brands we work with are Maybelline and L’Oréal. L’Oréal has been a pioneer in the digital space, and it’s thrilling to work with companies that are truly cutting-edge like that. I think that other brands are following their leadership in getting more innovative with online content. More generally, we work with all the major consumer products and fashion brands you can think of. For them we develop huge, year-round multiplatform marketing campaigns. We mainly work with people that are stepping up to be present in the digital space.

Is branded content still the company’s core revenue driver? Or are you looking for additional possibilities for monetisation?

We have been leading the way to diversify our monetisation possibilities. The sales team is currently testing the first truly new revenue sources. We still have a start-up mentality and as such we keep trying a lot of new things. We do expect the revenue sources to diversify quite a bit in the next couple of years. There are so many opportunities and it’s just a question of drawing a line from here to where you want to go, and if a dot pulls you off the line, how far off the line do we go to reach the end dot. There are dots everywhere, but it’s crucial to decide which ones we follow to get to that end point faster.

STEPHANIE AS CEO

How would you describe your management style? How would you define “good leadership”?

I’m an innovator. I think that in an ever-evolving environment like the one we operate in, you have to be. Despite the numerous challenges, to make it work you need to be supportive and understand that everything is new for everybody. Everyone is learning all the time, not just us at StyleHaul but also our partners — the consumers of our content, the advertisers and creators. Support and patience are key. You also have to be decisive and willing to accept that you’re going to make mistakes. You have to be willing to break things every day, put them back together, keep going and be fine with that. So we are definitely pushed to be brave here and accept the start-up mind-set even within your own role. And as a leader it is important to make sure this culture is maintained.

Do you think this approach could to some extent also be applied to big corporations? What could bigger international media companies learn from start-ups in terms of corporate culture, innovation, risk taking?

Well, I think that RTL Group as a big corporation is definitely asking the right questions. They’ve been very active and supportive with us; they challenge us a lot and invite us to dialogue about how things can be changed for better. Unlike other big media companies that are only watching this eco-system, RTL Group is not just a passive observer. Overall, I think that you cannot run a big corporation like you run a start-up, but what you can do is help start-ups move forward.

Stephanie Horbaczewski, CEO of StyleHaul.
What are your top five apps?

It’s quite difficult to stick to only five… I would say all the social media related apps such as Youtube, Instagram and Twitter. Waze (traffic app) is a big part of my life, Uber (taxi ordering app), and on the more fun side there is Delectable Wines (wine label scanner, ratings and reviews) which is a great app for budding wine enthusiasts to learn about wines, and finally Make-Up Genius, a L’Oréal app that enables you to see how a certain type of make-up or colour would look on you by using a picture of your face as a model.

Let’s say you’re allowed to take two items with you on a deserted island. What would these be?

I would take my phone and my Ray Bans. I hesitated at first between a bikini and the Ray Bans, but since it is a deserted island, the Ray Bans might be more useful! I can’t live without my smartphone – I need to be connected all the time -- and my Ray Bans, anyway.

What’s your favourite fashion brand?

Givenchy. I am constantly wowed by them, they take fantastic risks in what they do and I especially love their accessories. For my birthday, the team got me a cake that was shaped just like my Givenchy handbag, that’s how much they know I love the brand. I also like Alice + Olivia, they do a good job in creating wearable clothes that are very fresh.

Would you rather attend a fashion show or spend an hour with an internet programmer?

That’s not an easy one to answer, but if I have to be really honest: I’ve been to a lot of fashion shows during my career and over the years, they are always amazing, but I think I would now prefer spending the hour with the programmer if I had to pick.

If you hadn’t created StyleHaul, what would you be doing now?

I cannot imagine doing anything else. If StyleHaul hadn’t happened, I know for sure that I would be doing something in the marketing space. My obsession with short-form online video actually got me to meet my co-founders and start this company. I think I would be doing something similar like pioneering in the social media space, most probably related to fashion and beauty as I have trouble imagining not working in that eco-system. I know that this is what I was meant to do; this is where my passion is.
WHAT THE PRESS SAYS…

On 3 November, RTL Group announced the acquisition of a majority in StyleHaul. Backstage takes a look at the press coverage of the deal.

The announcement of the acquisition of a majority in StyleHaul reached broad coverage in international and German media – national newspapers in Germany, Luxembourg and France as well as news agencies and trades.

Many articles focus on the trend of digital – a focus of RTL Group’s strategy. Reuters writes that the acquisition is a step to “reach younger audiences less attracted to traditional media”, while Henry Mance at FT.com writes that broadcasters are “looking to engage with young audiences and hedge against the potential decline of live viewing.” In Süddeutsche Zeitung, Caspar Busse writes that RTL Group invests in North America as the online video market is further advanced and has a bigger volume compared to Europe. The journalist also highlights that RTL Group continues to focus on its core business linear TV, quoting Anke Schäferkordt that linear TV is and will remain, for the foreseeable future, RTL Group’s dominant business model.

FT.com also highlights the implications for the financial markets, quoting an analysis by Deutsche Bank: “RTL’s acquisition spending this year remained in line with previous guidance of €250 million, meaning that the broadcaster could still pay out an extraordinary full-year dividend”. Dow Jones quotes an anonymous analyst, saying the acquisition is “a strategically smart move: StyleHaul as commercial network connects entertainment and advertising, thus becoming a trendsetter for the convergence of TV, online video and in this come fashion and life style.” Handelsblatt writes: “Stylehaul is a bargain, even if the earn-out component might increase the price.” FT.com, SZ and Handelsblatt pick up Deutsche Bank’s revenue estimate for StyleHaul of €25 million for the full year 2014.

In the US, portals like The Hollywood Reporter, Variety, Tubefilter and Worldscreen reported very prominently on the acquisition. Especially, HollywoodReport.com reports comprehensively, featuring exclusive quotes by Stephanie Horbaczewski, such as “RTL has been an incredible supporter of me and my team for the last year. It’s the right home for the company” or “We all know content is king and RTL has proven dominance across the content landscape. As much as we’ve grown, to be able to be plugged into such a fantastic global force that RTL is will be game changing for us.”

Süddeutsche Zeitung
RTL investiere in Nordamerika, weil dort der Onlinevideo-Markt weiter entwickelt sei als in Europa und schon ein deutlich größeres Volumen habe.

FINANCIAL TIMES
...reach younger audiences less attracted to traditional media...
looking to engage with young audiences and hedge against the potential decline of live viewing.

Horbaczewski says,
“it’s the right home for the company.”
RTL Television’s midday journal *Punkt 12* is conducting an unusual experiment with a school class in Lower Saxony: for one week, the students live as people did in the German Democratic Republic.

Germany – 3 November 2014

In the week-long project ‘Back to the past. One week in the GDR’ they live, as authentically as possible, the everyday school routine of a 9th-grade class at a polytechnic high school in former East Germany.

During the experiment, the 22 students live at a rural boarding school near Leipzig, led by RTL Television reporter and temporary ‘Matron’ Susanne Ungrad. The living conditions and contents are modelled on those of 25 years ago – there are no mobile phones, washing or make-up utensils, only original soap and shampoo from the GDR. In the evenings, the students don’t get to watch *Who Wants To Be A Millionaire* on TV, but an edition of the official GDR news *Aktuelle Kamera* from October 1989.
Susanne Ungrad says: “Of course the GDR cannot be properly experienced in a week. But it was important to us to show as many aspects of it as possible. What constraints, what pressure people lived under, what that means for each individual personally and professionally, but also that young people also had fun with a lot of things even in those days. We took great care to stay close to contemporary history with the students within the possibilities we have today. In other words, not to embellish anything, but also not to overdo it.”

The 14- and 15-year-olds’ daily programme includes a flag ceremony while wearing FDJ shirts, with poetry and song recitals, military physical education, lesson in civics and geography, and a campfire. To put everyday life in the GDR in context, the Punkt 12 week-long series also draws on original recordings and academic opinions. Contemporary witnesses and celebrities who grew up in former East Germany provide commentary on the experiment and talk about their own experiences.

The weekly series was developed in cooperation with the Federal Agency for Civic Education, and will air during Punkt 12 from 3 to 7 November 2014.
RTL Belgium will continue to offer its viewers Europa League football matches on Club RTL for the period 2015 to 2018, after Uefa granted the exclusive rights to RTL Belgium.

Belgium – 4 November 2014

Club RTL will, however, continue to broadcast the best matches in this prestigious competition which brings together the top Belgian clubs alongside the biggest European sides until 2018. The RTL Sport team which is part of Club RTL will screen two live matches for football fans (at 19:00 and at 21:00) every Thursday during the competition, as well as the highlights from the other games.

With the recent extension of the broadcasting rights to the Champions League, RTL Belgium is confirming its huge, long-term presence within top level football. This represents a total of 59 live matches per season for Club RTL.
Continuing their long collaboration, Lalux Assurances, a leader in the Luxembourg insurance market, commissioned BCE to produce a new viral advertising campaign.

Luxembourg – 4 November 2014

Like the last spot produced by BCE to promote ‘Lalux easy-protect’ service in 2011, the new campaign has two new videos shot entirely in first person – the viewer is placed at the centre of the storyline and gets a protagonists’-eye view.

The new scenario and idea for the web campaign by Thomas Neunreither (‘Is it true what they say about Luxembourg’), (‘Luxembourg Stock Exchange anniversary’) led to the production team coming up with a new camera helmet. Fully engineered by BCE, the helmet places a Pocket Cinema Camera on the front of the helmet and Zeiss Cinemizer glasses directly connected to the camera, which allow the cameraman to see exactly what the viewer will see. This innovative system weighs less than two kilos and enables immersive style productions.

For the viral twist, BCE teamed up with Wonderlandmovies. Based in Germany, the company created a system that allows viewers to upload their photo and name so that they appear directly on the actor’s face and in special spaces for the text in the video clips. Viewers can create their own video on the website easydate.lu and send it to their friends via email or social networks.

“It was great to work with Lalux Assurances again. The partnership with Wonderlandmovies made a real difference to the final project” says Xavier Thillen, Head of Production and Postproduction at BCE. “The campaign was produced and the viral mechanism developed in less than three months”.

The new camera helmet fully engineered by BCE
On 29 October Georges Lang received Jimmy Page from Led Zeppelin in the studios of RTL Radio (France) on the occasion of the reissue of two of the bands newly remastered albums. The rock icon chatted with listeners during an amplified live conference.
SHORT NEWS

Girondins de Bordeaux Training Centre in the European top 10
Groupe M6
A recently published study ranks the training centre of the football club that has belonged to Groupe M6 since 1999, ninth in Europe.
France – 31 October 2014

6play, catch-up leader with the under 50s
M6 Digital Advertising
Médiamétrie recently published the latest wave (14 April to 29 June 2014) of the Global TV survey: 6play, the unique video platform for Groupe M6 channels, confirms its position as France’s most popular television catch-up service amongst the under 50s.
France – 5 November 2014

François Hollande faces the French public
RTL
On 6 November 2014 at 20:30, François Hollande will be making a guest appearance on the programme En direct avec les Français produced in collaboration with RTL Radio (France) and broadcast on TF1 and RTL.fr. To mark the occasion, RTL is proposing a special day reviewing the President’s first half term in office.
France – 6 November 2014

A new documentary series
RTL Télé Lëtzebuerg
The association of writer-directors “Kollektiv 13” has just won the call for ideas launched by the Fonds national de soutien à la production audiovisuelle and RTL Télé Lëtzebuerg. This association will complete, as of 1 February 2015, a monthly series of documentaries on Luxembourg society; a series entitled Routwäissgro (redwhitegrey).
Luxembourg – 6 November 2014
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