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## Online Video Biz Moves Into Merger Phase

### Anystream Acquisition of Cauldron Signals a New Wave of Consolidation

[By Daisy Whitney](#)

Online video's consolidation phase has begun.

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Anystream, which helps media companies publish content in new media venues, is poised to announce this week that it has acquired software firm Cauldron Solutions, a company that helps TV networks manage rights and revenues for digital content.

The combination of the two companies will provide content owners with a one-stop solution for formatting their programs for delivery across any new media form and keeping track of the rights issues and finances. Anystream did not disclose financial details of the transaction.

Though both companies are relatively small, the union is likely a prologue to a period of financial deal-making in the online video realm. After Google acquired YouTube last fall for \$1.65 billion, investment bankers predicted that a new wave of consolidation would likely kick in after the dust had settled.

The Anystream-Cauldron deal is part of a fast start to 2007 on the financial side of the online video business. In January, Internet TV firm Brightcove landed \$59.5 million in venture funding and News Corp. bought 10 percent of ROO Media, which also delivers online video.

These are the companies that do the heavy lifting in online video to make it possible for TV networks to get their shows online. They're all angling for a piece of the fast-growing Web-video ad market. Research firm eMarketer predicts that online video ad spending will grow 89 percent this year to \$775 million, up from \$410 million last year.

A period of heightened financial activity is typical of the early days in a high-growth industry, said Damian Riordan, director of media and entertainment for investment bank HT Capital Advisors. "These guys are all essentially in a race to obtain critical mass. The faster these companies can establish a firm hold on a piece of that makes them more attractive as a target or creates an opportunity for them to be the acquirers. No one will stand pat at the current levels," he said.

Indeed, every major media firm is debating how to produce video online and whether to build, license or buy, said Tolman Geffs, managing director of investment bank The Jordan, Edmiston Group. "[They] are figuring out what are the distinctive elements they need to control versus what can they use off the shelf or allow a Google/YouTube to run with," he said.

Companies such as Anystream and Cauldron are a natural fit to join forces because they are "the guts and glue" of online video and other new media venues, Mr. Riordan said. This year he expects to see additional strategic investments and mergers that unite companies that have different tools for online video. "At the end of this year you will see one-third [fewer] independent companies doing what they are doing with respect to online video," he said.

Anystream provides software that lets content owners format their programs for online, mobile, VOD or any other new media form, said Geoff Allen, chairman and founder of Anystream. The challenge for networks, he said, is that each new media outlet requires different file formats and rights management.

Content owners use Cauldron to ensure they deliver programs in the right format at the right time to the different outlets.

"Every single one is materially different in terms of rights, revenues, formats, devices and timing," Mr. Allen said. While Anystream can encode content quickly and easily into the different formats, the partnership with Cauldron means Anystream can now also keep track of the rights and financial performance of each outlet.

"So if no one is buying from the Google Video store, maybe there will be more emphasis on a programming deal with Comcast, for instance," Mr. Allen said. "We can provide information into assets that are maybe going underutilized."

Mr. Allen said he expects the union to reduce the amount of time networks spend getting their content ready for new outlets. Rainbow Media, a Cauldron client for several years, agrees. Rainbow Media's IFC releases movies simultaneously in movie theaters and on VOD.

Greg Varhely, director of on-demand services for Rainbow Networks, expects to cut down prep time from a few days to a few hours now that the companies are combined.

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