

MEASURE WHAT MATTERS:

**ASSESSING THE FINANCIAL HEALTH
OF RIGHTS MANAGEMENT VENDORS**



With the M&E sector continuing to evolve at a rapid pace, businesses are turning to technology providers to help them manage their rights, royalties, and participations.

Every business-vendor relationship comes with potential risks — but not all risks are created equal.



Why assess financial stability?

There are myriad benefits to outsourcing aspects of the intellectual property lifecycle — from real-time access to mission-critical data to end-to-end visibility and streamlined workflows. But if a vendor is not financially stable, your business has the potential to be exposed to operational and reputational risk.

The consequences of failing to vet vendors

There are tangible consequences for ineffectively managing vendor risk, which can potentially threaten business profitability and sustainability.

In the media & entertainment sector, these are the common potential risks of working with a financially unstable third-party vendor:

- 1.** Limited bandwidth to properly service a global customer base
- 2.** Failure to grow the functional capabilities of their product suite
- 3.** Inability to invest in proper data security protocols & certifications
- 4.** Bankruptcy, resulting in an unsupported software platform



Performing Financial Diligence

The larger the cost and the longer the term of the agreement, the more important financial diligence becomes.

When you're benchmarking a public company, it's much easier to gain access to key financial data, including:



When it comes to tech companies, however, the majority are privately held. As a result, an otherwise standard analysis proves much more difficult – completing financial diligence requires help from the vendor's accounting department.

Many software vendors in the M&E space claim that they have the wherewithal to support the changing industry landscape; in reality, many fail to measure up. Therefore, it's important to ask the right risk management questions to determine whether their service and technology solution will actually live up to its hype.

A hand holding a glowing lightbulb against a sunset background. The hand is positioned in the lower-left quadrant, with the lightbulb held between the thumb and index finger. The background is a gradient of colors from light blue at the top to bright orange at the bottom, suggesting a sunset or sunrise. The lightbulb is illuminated from within, casting a warm glow.

8 QUESTIONS TO ASK WHEN ASSESSING A RIGHTS MANAGEMENT VENDOR

- 01** ARE THEY INSTITUTIONALLY BACKED?
- 02** HOW MANY PAYING CUSTOMERS DO THEY HAVE?
- 03** DO THEY HAVE A HISTORY OF BANKRUPTCY?
- 04** ARE THEY PROFITABLE?
- 05** WHAT PERCENT OF REVENUE IS REINVESTED INTO R&D ANNUALLY?
- 06** WHAT'S THE CAPITAL STRUCTURE (DEBT & EQUITY)?
- 07** DO THEY HAVE AUDITED FINANCIAL STATEMENTS?
- 08** ARE THEY SOC 1 AND SOC 2 COMPLIANT?

The bottom line is simple: in order to minimize overall business risk, it's essential for media & entertainment companies to assess vendor financial stability. Blindly entering into a partnership can expose your company to various consequences such as cybersecurity breaches, supply chain disruption, and severe financial distress, including lost revenue for your own business.



By evaluating the financial health of an organization, you are taking the often most overlooked but most important step in risk mitigation.

Sam Sippl, Chief Financial Officer of FilmTrack.

But risk analysis doesn't stop there; ongoing evaluations are crucial to the success of your business. Don't be afraid to ask the hard questions. Because at the end of the day, it's your job to ensure that the vendor you've entrusted to manage your intellectual property is well-equipped to get the job done — today and for years to come.



FilmTrack

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For over two decades, FilmTrack has been recognized as the leading rights management solution for the media and entertainment industry. The company's cloud-based platform streamlines the complex intellectual property lifecycle, providing the necessary tools to manage mission-critical data, including contracts, rights, financials, royalties, and related assets.

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