

3 Possible Relativity Media Buyers Now That the Studio Is For Sale Again

Ryan Kavanaugh's baby could be the next Hollywood studio to go Chinese

Matt Pressberg | October 3, 2016

After stumbling out of its re-emergence from bankruptcy with two box-office duds, Ryan Kavanaugh is putting his Relativity Media up for sale.

The studio has bled tens of millions of dollars over the last couple years, according to publicly available bankruptcy documents. Its latest film, "Masterminds," sputtered to just \$6.6 million across 2,170 theaters during its opening weekend. But given the fact that there are only so many full-fledged distributors in Hollywood, plenty of people will line up to take a look.

"Lots of folks that were circling the wagons at Paramount [will be interested]," Lloyd Greif, the CEO of boutique investment bank Greif & Co., told TheWrap. "But this is clearly what you would call a 'booby prize.'"

On the plus side, Relativity has fairly lucrative output deals that distribute its content in more



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than 110 countries, and Greif said its pipeline of movies, or "merchandise," in his words, still has value. And as Relativity prepares to go on the auction block once again, three names jump out as potential buyers.

Dalian Wanda Group

China's would-be entertainment juggernaut has splashed out plenty of cash in 2016, scooping up Legendary Entertainment for \$3.5 billion in January and working on a \$1 billion pur-

chase of Dick Clark Productions. Wanda also teamed up with Sony to invest and market some of the studio's films in China.

Wanda's founder — and China's richest man — Wang Jianlin has made no secret of his ambitions to own a major Hollywood studio, and Wanda was the leading candidate to acquire 49 percent of Paramount Pictures before Shari Redstone won a power struggle with former

Viacom CEO Philippe Dauman, which put an end to those talks. Relativity isn't a major player like Paramount, but neither was Legendary. However, while Legendary films such as "Jurassic World" and "Warcraft" were huge hits in China, Relativity's fare hasn't made as much of an impact on the world's second-largest — and fastest-growing — box office.

Alibaba

The E-commerce giant's Alibaba Pictures opened a Southern California office last year and invested in two of Paramount's summer blockbusters: "Teenage Mutant Ninja Turtles: Out Of The Shadows" and "Star Trek Beyond." Alibaba also participated in the financing of Paramount's "Mission Impossible: Rogue Nation" in 2015.

With Wanda's Legendary move and Chinese tech and internet conglomerate Tencent making a strategic investment in STX in August, Alibaba's lack of a Hollywood studio or production company under its wing has become somewhat conspicuous. Alibaba hasn't been as aggressive as Wanda in terms of writing big checks for entertainment assets, but Relativity should go for much more of a

bargain price, Greif said, now that "the bloom is off the rose."

Netflix

Relativity and Netflix have some contentious history, as the studio won a battle over the streaming provider which wanted to put its two latest films, "Masterminds" and "The Disappointments Room," on its platform after Relativity pushed back their release dates. Relativity has a lucrative exclusive output deal with Netflix that guarantees the studio millions in revenue. The deal has proven to be favorable to Relativity, and Netflix sought to get out of it when Relativity was going through the bankruptcy process.

Dana Brunetti, Kevin Spacey's right hand man and the producer of "House of Cards," the Netflix series Spacey stars on, became president of Relativity earlier this year — and called Netflix "overvalued" during a CNBC interview.

While acquiring Relativity outright would take care of the output deal, Netflix appears likelier to be the target of an acquisition rather than the acquirer. Apple and Amazon have been mentioned as possible landing spots for Netflix, and Netflix shares hit a four-month high Monday

on rumors that Disney might be interested.

Other than those three, Greif tossed out Lionsgate as a potential — if less likely — buyer, given the fact that it is expected to be more sensitive on price than Wanda or Alibaba. MGM had been bandied about when Relativity first entered bankruptcy, but after its "Ben-Hur" box office bomb — the studio reduced its revenue forecast by \$50 million after the mega-budget epic failed to connect with audiences — any acquisition seems far-fetched, Greif said. Greif also doesn't see an independent billionaire with Hollywood dreams, such as supermarket magnate Ron Burkle or Trump finance chairman Steven Mnuchin taking a shot at Relativity.

To him, the obvious place to look for Relativity's next owner is east.

"I think game, set and match, it's going to be a Chinese buyer," he said.