THE WRAP

Where Does the Weinstein Co. Go After Harvey Weinstein's Exit?

Could a fire sale be in the cards for the independent studio?

Matt Pressberg | October 9, 2017

What's to become of The Weinstein Company now that Harvey Weinstein, one of the brothers for whom its named, is gone?

The Weinstein Company is already looking into changing its name and removing Harvey Weinstein's credit from several upcoming TV series in an effort to scrub part of the stain from its its brand going forward. But how does that work when he essentially is the brand?

"Maybe him not calling the shots anymore is a good thing," Lloyd Greif, the president and CEO of investment bank Greif & Co., told TheWrap. "But when Harvey's not there, what do you really have at The Weinstein Company?"

With his force of personality and Oscar track record, Harvey Weinstein in many ways is Weinstein Company, which he and Bob own an estimated 42 percent stake in. His loss leaves the independent studio, which has already shed numerous senior executives and significantly trimmed its yearly film slate, almost rudderless at a time when the tide in Hollywood is shifting.

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Rather than try to turn that ship around under new leadership while dealing with a mountain of debt, the Weinstein board may end up looking to cut bait.

"I don't know where this company goes right now," Greif said, suggesting the board has likely spoken to investment bankers. "It probably goes into play again. This time around, it's probably a fire sale. Does it command sufficient value to cover the debt? Doubtful."

The Weinstein Company did not immediately respond to TheWrap's request for comment. The board fired Harvey Weinstein Sunday, three days after a New York Times report disclosed that he had made payments to eight women in an attempt to resolve sexual misconduct accusations. Weinstein said it contained inaccuracies, but admitted he needed to change.

Ross Gerber, the president and CEO of wealth management firm Gerber Kawasaki Inc., believes that with the company's suffocating debt, diminished output — and now loss of its visionary leader, whom he called "a phenomenal picker of art," the Weinstein Company will now seek to sell off its assets to get something for its shareholders.

TWC has had its TV business on the block for years. British broadcaster ITV had agreed to acquire Weinstein's TV business in 2015 in a deal that would have valued the division at $950 million, but pulled out. But time could be increasingly of the essence.

"I think they go bankrupt in six months without a TV sale," Gerber told TheWrap. "Maybe even with the TV sale. There is no company without Harvey."

"Clearly the person who is the guiding light is no longer there," Greif said. "You can change the name, God bless you, but it's not going to fool anybody."

Two individuals with knowledge of the situation estimated TWC's total debt at about $900 million, however insiders pegged it at closer to $300 million outstanding. TWC re-upped a $500 million senior credit facility with a variety of institutions last year, which carries a 4 percent interest rate. And the company is only releasing about six to eight movies a year.

According to a prospectus from investment bank Moelis & Co. obtained by Deadline earlier this year when the company was seeking an investor to take a stake, TWC's TV division earned earnings before interest, taxes, depreciation and amortization (or EBITDA, a common measure of a business' core profitability) of $31.6 million in 2015 with an estimated $50.6 million in 2016 and $75.2 million projected for 2017 — a healthy margin, but not enough to overcome its debt.

Another individual close to the film finance industry told TheWrap he had heard TWC was looking to raise even more debt, this time in a fourth lien position — an extremely rare and almost certainly very expensive financing arrangement that would indicate cash pressures.

The bondholders control TWC's assets, including its library, and will likely want $1 billion or more to be made whole. However, the longer they wait — and opportunistic investors watch TWC squirm under its debt load — that price could go down.

"I think the idea was to sell TV to get the bondholders off them," Gerber said.

But such a sale could be easier said than done, especially now. While its TV business generates tens of millions of dollars after operating expenses, the company's debt payments are a huge burden. And with Harvey Weinstein's old relationships with A-list talent in serious jeopardy, at best, that selling point has also evaporated.

Because Chinese money has largely run dry in Hollywood, Greif said any purchaser of all or parts of TWC at this point would likely be a distress buyer who would look for a big discount.

TWC's film business, which Harvey is known for, hasn't exactly been on fire the last few years as it finds itself increasingly muscled out of the way by the deep pockets of competitors like Amazon, Netflix and Annapurna.

The Matthew McConaughey-starring "Gold" grossed just $7.3 million on an estimated $20 million budget. Of the independent distributor's 25 highest-grossing films, only one, last year's Best Picture nominee "Lion," was released after 2015. TWC is set to release "The Current War," starring Benedict Cumberbatch as Thomas Edison, on November 24.

"It's not the company it was four or five years ago," Greif said. "It's gotten a hell of a lot more competitive out there with the likes of Amazon and Netflix. You've got the other independents — Searchlight, Annapurna. All of these indies have basically taken a page from Harvey's book and done it much better."

The Weinstein Company may finally be freed of a domineering leader who was under a cloud of sexual assault allegations — but now it faces a new identity crisis, and likely impatient lenders.

"It's a mixed bag that he's no longer part of the company," Greif said. "In some respects he was an asset, in other respects he's distinctly a liability. They basically traded one turmoil for another turmoil."