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Is MGM Really for Sale or Just Testing the Market?

[Diane Haithman](#) | December 23, 2020

Is MGM really for sale, or is the studio just looking to boost its value at a time when disruption has roiled Hollywood?

An insider confirmed that the movie studio, which has a market value of about \$5.5 billion, “is in play.” The Wall Street Journal, which broke the news on Monday, reported that MGM has hired Morgan Stanley and LionTree LLC to launch a formal sale process. But entertainment industry watchers are divided over whether the storied studio will go through with a sale as the streaming competition is at a fever pitch, or is instead looking to increase the perceived value of its individual assets, including the lucrative James Bond franchise.

The timing is certainly fortuitous, as entertainment conglomerates and tech players are expanding into the streaming space, and



MGM

could help drive up the value of MGM. Of particular interest to buyers: a library of 4,000 film titles and 17,000 hours of TV programming that includes the “Rocky” movie franchise and the Emmy-winning “The Handmaid’s Tale.”

“It’s all-out streaming wars now, and exclusive content is the primary differentiator and marketing calling card,” said Peter Csathy, founder and chairman of Creatv Media, an entertainment and technology M&A advisory firm located in West Hollywood.



Gary Barber (left) and Anchorage Capital CEO Kevin Ulrich

“But the secret weapon in the content exclusivity game is the content franchise, particularly evergreen franchises. And MGM has that in spades with James Bond at the top, of course. MGM’s rich library — which holds the potential to be re-imagined time and time again — is something most streaming giants simply don’t have, no matter how much they spend.”

Legacy studios like Disney, Universal and Warner Bros. have their own libraries — and are less flush with cash — which leaves the door open for newer entrants in the entertainment space such as Netflix, Apple and Amazon. “Why spend billions to risk trying to create lasting franchises when a rare library of proven franchises is available at this crucial moment in time?” Csathy said. “That’s the

reality all major streamers now face — and they will pay up to win. Don’t be surprised if Silicon Valley-inspired tech — most notably Apple or Amazon, which are both flush with cash — make that move.”

But attorney Jamice Oxley, a member of New York-based Pryor Cashman’s Intellectual Property, Media and Entertainment and Digital Media Groups, said MGM could be floating the idea of a sale mid-pandemic to “make some noise” that the studio remains a player among more high-profile competitors such as Disney+ and WarnerMedia, which recently rocked the movie world by announcing it would release all of its 2021 movies concurrently in theaters and on HBO Max. “When I saw (the MGM sale news) I thought, ‘What a distraction from

the WarnerMedia noise, they are competing with the noise by saying they’re going to enter into sales talks again,’” Oxley said.

Oxley pointed to recent reports that MGM had talks to sell its upcoming Bond film “No Time to Die” to a streaming service, including Apple, Netflix and others, for a whopping \$600 million. The movie, starting Daniel Craig as Bond, has been postponed multiple times due to coronavirus concerns, at a reported loss of \$30 million to \$50 million on a film with a budget of \$250 million. It is now planned to open in theaters on April 2.

Oxley noted that MGM’s biggest shareholder is Anchorage Capital, a New York-based hedge fund that assumed control of the studio after it filed for bankruptcy in 2010. “These folks are completely thinking about the bottom line,” she said. “They’re not interested in the creative medium of filmmaking and production. They are just looking at the dollars.”

Anchorage initially planned to license the studio’s library content and boost its value with a series of new hits, often based on existing properties — like two successful “Rocky” spinoffs starring Michael B. Jordan as the son of Rocky Balboa’s boxing rival Apollo Creed. But last year, the studio grossed just over \$227 million at the domestic box office, led by an animated remake of “The Addams



"No Time to Die" (MGM)

Family" that just crossed the \$100 million threshold. This year's releases mostly have been delayed by the pandemic, although another franchise reboot, "Bill and Ted Face the Music," managed to gross \$3.4 million this fall.

The studio has also been without a CEO since Gary Barber was ousted in 2018 at the direction of MGM chairman and Anchorage CEO Kevin Ulrich. And last month Ulrich was accused of sexual assault by Jennifer Perry, who filed and then withdrew a lawsuit. (How Perry and Ulrich knew one another was not stated in court filings.) And a recent New York Times report took a swing at MGM Television Chairman and "Survivor" producer Mark Burnett for "losing his touch" — failing to create any new TV hits since selling his company to MGM in 2014.

Still, MGM reported \$181 million in adjusted EBITDA for the first three quarters of 2020, up from \$123 million in 2019, thanks mostly to revenues from TV licensing and lower marketing expenses. And last month, the studio announced that Oprah Winfrey and Brad Pitt would produce a film adaptation of Ta-Nehisi Coates' novel "The Water Dancer," as well as a reboot of "The Pink Panther," among other high-profile projects. Discussing a studio sale "reminds people that there is money attached to relationships with people like Brad Pitt ... and Oprah Winfrey," Oxley said.

For some industry observers, MGM's predicament owes less to its future prospects than to the grim realities that it has been unable to release new films — and generate new film revenue —

amid the ongoing pandemic. "Waiting for the release of 'No Time To Die' was a bridge too far for MGM," Lloyd Greif, president and CEO of Greif & Co., said. "They have a lot riding on the success of the film, and if it's not going to be released theatrically anytime soon — along with other films MGM has in the can — then putting itself up for sale to the highest bidder in the streaming wars makes excellent sense. The sheer ferocity of competition for content for OTT consumption keeps getting greater and greater."

Greif noted that MGM's content library makes it extremely attractive to buyers. "Thanks to the current fever-pitch of the streaming wars, content is king once again, and MGM's cup runneth over tentpole-quality-content-wise. I believe the most likely winner will be a strategic buyer, who could readily outbid a financial buyer, no matter how much they may be enamored with owning a Hollywood studio," he said. "MGM has already tried being owned by financial institutions for the past decade — it's time for a more savvy, seasoned industry player to maximize the value of these attractive assets."