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A Merger Wave Sped Up by the Pandemic Will Transform Hollywood

A paradox: The number of companies that distribute mass entertainment is shrinking even as the volume of content is exploding

By [Sharon Waxman](#) | June 1, 2021

The change that has come to Hollywood is speeding up, not slowing down.

Two mega-mergers in rapid succession — Discovery merging with WarnerMedia in a \$40 billion deal and Amazon buying MGM for \$8.45 billion, both in the month of May — should tell you something about the velocity of change that is underway.

Here's an interesting paradox: The number of companies that distribute mass entertainment is dwindling even as the volume of entertainment content being made is exploding.

Technology companies that once had no interest at all in entertainment content now run the ta-



Photo illustration by TheWrap (Getty Images)

ble. Apple, Amazon, Facebook and Google have the cash to do just about any deal they can dream up, if they want to.

Other leading players like Netflix and Disney are now left to figure out how they will compete

considering the ongoing possibility that the tech giants may continue to grow their footprints in entertainment.

And there aren't that many chess pieces left on the board. I am of course wondering about Li-

onsgate. And Sony. And AMC Networks.

It is absolutely dizzying to look backward and realize that we only just emerged from a significant wave of mergers a few years ago. In August of 2019, I wrote: “In the last two years alone, Disney swallowed Fox. AT&T ingested Time Warner. Discovery ate Scripps Network. Comcast, which already owns NBCUniversal, inhaled Sky. And now Viacom has melded with CBS. The result is a vastly reduced entertainment landscape, even as the technology giants — principally Netflix and Amazon — have entered the arena. Entertainment brands that were dominant for half a century or more are being reduced to divisions of larger consumer brands.”

But what at the time we called a “resting point” for media mergers to settle in never really emerged. The pandemic stirred up all the underlying problems with legacy entertainment companies, creating opportunity for still another wave of mergers. The explosion of exclusive theatrical windows, the faster and more ambitious launch of new streaming services all played a role in this shift. The changes wrought by COVID-19 have seen the winners winning

bigger, as smaller companies have fewer options other than getting absorbed. And tech companies have the resources to get those deals done.

In a conversation last week with my colleague Diane Haithman, investment banker Lloyd Greif of Greif & Co. recalled that back in January he thought the reported \$5.5 billion asking price for MGM was too low. At the time, he said a buyer would come in at “as much as \$9 billion” — very close to the price that Amazon is paying for the legacy studio. And, by the way, he thinks that’s a fair price given the value of the asset to Amazon.

Like others I’ve spoken to, Greif thinks this merger mania is speeding up, not slowing down — and the biggest players may soon be entering bidding wars for a dwindling number of assets. “It’s getting hotter in the kitchen,” he said.

Analyst Rich Greenfield told me he’s also focused on tech companies and how they’ll choose to spend their vast mountains of cash. “We’re in a world where content and IP is getting more and more valuable,” he told me. “Not just in video streaming. Everyone is focused on the streaming wars, but

it’s also podcasting, video games with gaming experiences like Roblox, this is also YouTube.”

He added: “The ways of exploiting and creating value of great IP are growing by the day.” Even if Amazon overpaid for MGM as some analysts have argued, Greenfield said, that’s just a signal that “tech companies are prepared to invest ever greater amounts in content.”

But Greenfield thinks Apple is unlikely to make a play for one of the few remaining standalone content studios — despite its \$200 billion-plus of cash on hand. Apple has not publicly disclosed its content budget since committing a reported \$6 billion on original programming two years ago, but Greenfield thinks the tech giant is currently spending more than the \$17 billion that Netflix shelled out last year. I’ve reached out to Apple to get clarity on this since — interestingly — nothing beyond the 2019 figure has been released and this 2020 report of huge spending is unverified.

“Apple is ramping their spend faster than anyone in the media business,” Greenfield said. “I don’t think any attention is being paid to it. They do not need to buy anyone.”