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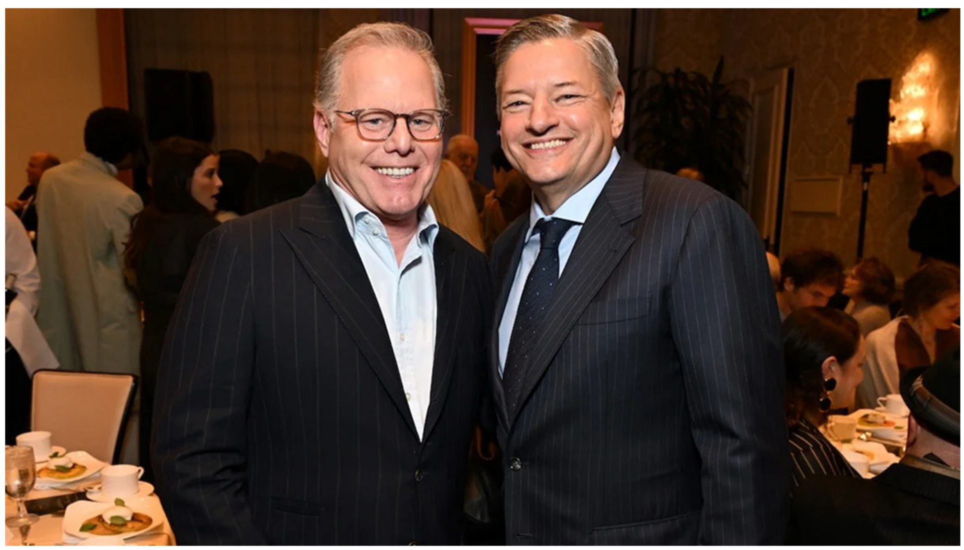
# Netflix Faces Tough Regulatory Mountain to Climb in Getting Warner Bros. Deal Done

The eye-popping $82.7-billion deal could face scrutiny from the Justice Department and Federal Trade Commission to state attorneys general and regulators overseas

By Lucas Manfredi | December 5, 2025

In a call with investors on Friday morning, Netflix co-CEO Ted Sarandos went into hard-sell mode, saying management was "highly confident in the regulatory process" and "running full speed" toward approval of its $82.7 billion deal to acquire Warner Bros. Discovery's studio and streaming businesses.

"This deal is pro-consumer, pro-innovation, pro-worker, it's pro-creator, it's pro-growth, and our plans here are to work really closely with all the appropriate governments and regulators, but we're really confident that we're going to to get all the necessary approvals that we need," Sarandos added. "These two businesses are complementary, and they're also loved businesses, which is really fantastic."



*David Zaslav, CEO, Warner Bros. Discovery and Ted Sarandos, CEO, Netflix attend the AFI Awards on Feb. 6, 2025 in Los Angeles. (Credit: Michael Kovac/Getty Images)*

Sarandos and Netflix could be alone in that opinion.

That's because Netflix will almost certainly face antitrust scrutiny from the Department of Justice or the Federal Trade Commission, with the president largely favoring Paramount Skydance as the acquirer.

Also in play are European regulators who could throw up roadblocks and the potential for a legal challenge from state attorneys general on opposite sides of the political spectrum in key states like California, New York, Georgia and Texas, underscoring the potentially wide coalition of parties opposing the deal.

This regulatory scrutiny would come on top of an already vocal opposition from those in the Hollywood community who expressed their fears to TheWrap that Netflix's takeover of Warner Bros. and HBO could pose an existential threat to the theatrical business and lead to fewer opportunities in a business already decimated by consolidation.

"A very strong regulatory challenge is inevitable here," Third Bridge analyst John Conca told TheWrap. "With so many different stakeholder groups pushing back against this, from competitors to exhibitors, Netflix faces an uphill battle convincing regulators to approve a deal like this. There are definitely concerns about Netflix's ability to integrate these assets given they have never made a major acquisition like this in the past."

When asked about the prospect of a WBD sale in November, a spokesperson for California Attorney General Rob Bonta exclusively told TheWrap that "further consolidation in markets that are central to American economic life — whether in the financial, airline, grocery or broadcasting and entertainment markets — does not serve the American economy, consumers or competition well."

"We are committed to protecting consumers and California's economy from consolidation we find unlawful," the spokesperson added.

Despite the hurdles, some experts argued that the court system, which has previously demonstrated a willingness to rule against what the Trump administration has to say, is the final arbiter as to whether a deal gets done. In addition, there are ways for Netflix to placate antitrust regulators and Trump himself to successfully close the deal.

"Netflix has already proven that the leopard can change it's spots by going after this acquisition to begin with. Historically they've been builders, not buyers, and now, all of a sudden, they're probably making the biggest buy in the industry, certainly in recent years. So that is very much an about-face," Lloyd Greif, the president and CEO of investment bank Greif & Co, told TheWrap. "Who says they can't do an about-face on theatrical distribution? Who says they can't do an about face on releasing content outside of their system? So there's things that they can agree to do to try and mitigate the antitrust concerns."

Sarandos previously met with Trump for dinner at Mar-a-Lago prior to the beginning of his second term. When asked about it during a Paley Media Center event earlier this year, Sarandos said that the pair didn't "talk any shop," but that the president mentioned that "Melania and Barron were big fans" of the streamer. He added at the time that Netflix had no plans of changing its content strategy in light of the administration and is "programming exactly the same." It remains to be seen how much that changes to not only get a deal done but appease all sides.

A spokesperson for Bonta's office deferred TheWrap to its previous statement. Representatives for New York attorney general Letitia James, the White House, the DOJ, the FTC and the European Commission did not immediately return TheWrap's request for comment.

**Consolidating power**

If approved, the deal would give Netflix control of HBO, HBO Max and Warner Bros. film and TV studio and a treasure trove of IP such as "Harry Potter" and "Game of Thrones" after the assets are split from the company's linear networks business in the third quarter of 2026. More importantly, it consolidates its hold over the subscription streaming business.

Netflix, which no longer releases quarterly subscriber figures, last reported over 300 million subscribers globally, while WBD reported a total of 128 million streaming subscribers globally in its third quarter of 2025. Netflix alone has more than 100 million more subscribers than the No. 2 player, Disney.

"Netflix's stranglehold on the streaming market will become even tighter, as there is now a lack of scaled M&A options that will be able to challenge their leader-

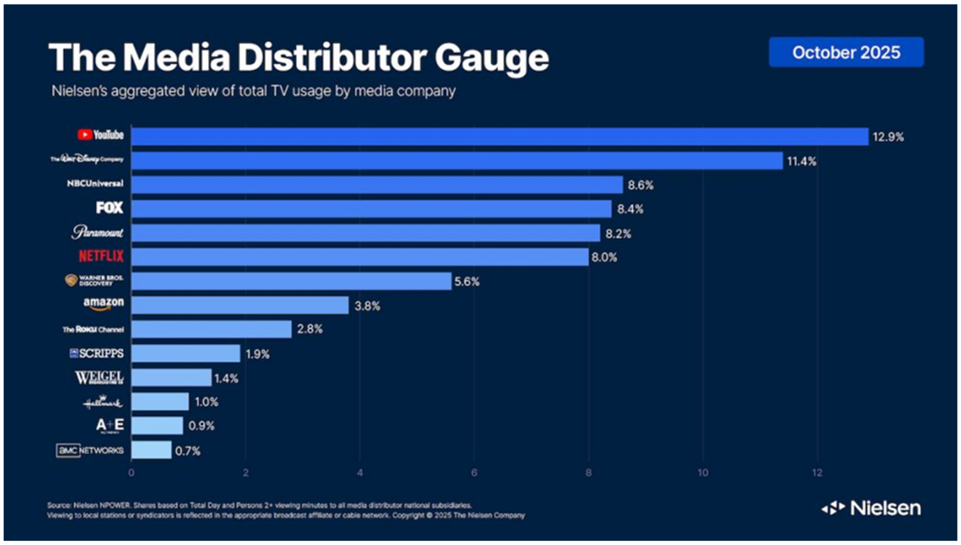



*Photo courtesy of Nielsen*

ship position," Conca said. "With Comcast and Paramount missing out, it raises serious concerns about their abilities to remain viable, given the scale disadvantages when it comes to acquiring must-have content."

In Nielsen's latest media distributor gauge report for October, Netflix finished sixth on the list with 8% of TV viewership, while Warner Bros. Discovery finished in sixth at 5.6%. When looking closer, Warner Bros. made up just 1.6% of the streaming category's 45.7% share for the month.

Still, Corey Martin, managing partner of Granderson Des Rochers LLP's entertainment finance practice, told TheWrap there's "quite a legitimate argument to be made that this deal would result in a streaming monopoly."

"You're not just acquiring HBO Max," he said. "You're acquiring the studios and 100 years of legacy IP and an engine to create future IP."

**Theatrical concerns**

Then there's the theatrical business, a source of a lot of concern for people in Hollywood, with the prospect of Netflix's perspective on theaters potentially hurting the industry.

Netflix is inheriting a studio that has had at least a 10% market share of the domestic box office every year for at least the past three decades. While the impending release of "Avatar: Fire and Ash" is likely to cut into that share, Warner is on course to finish 2025 with a market share of at least 20% with a 2026 slate that includes "Supergirl," "Dune: Part Three," "The Bride!" and "The Cat in the Hat," the latter of which was intended to mark the relaunch of Warner's theatrical animation division. Warner Bros. was the first studio to hit a $4-billion box office in 2025 and has released around 11 films so far in 2025.

Meanwhile, Netflix has released 30 films into theaters this year, although almost all in a limited capacity with little to no exclusive window for theaters. Sarandos said that the company does not oppose movies in theaters and that his pushback has been related to long exclusive windows, which Netflix doesn't think are "consumer friendly."

"When we talk about keeping HBO operating largely as it is, that also includes their output movie deal with Warner Bros., which in-

*Some in Hollywood question whether a film like "Sinners" would be made under Netflix control. (Credit: Warner Bros.)*

cludes a life cycle that starts in the movie theater, which we're going to continue to support," Sarandos added. "I wouldn't look at this as a change in approach for Netflix movies or for Warner movies for that matter."

Regulators will likely be looking at the ramifications of how Netflix approaches theatrical releases, with theater owners already sounding the alarm and calling the deal an "unprecedented threat."

**Defining the market**

When it comes to regulatory approval, New Street Research analyst Blair Levin told TheWrap he believes the DOJ is "more likely than not" to challenge the deal. He added that the European Union will have a problem with market dominance under a standard antitrust review and will likely want more locally produced content.

But the fight will ultimately come down to how regulators — and the courts — define the "product market." That is, whether or not they include YouTube, Amazon, and other digital players like TikTok and social media as Netflix's competitors in the entertainment landscape.

"This is a constantly evolving marketplace where technology and innovation continue to come up with new ways to capture eyeballs. Why shouldn't that definition be broad? I think it's intuitive that it would be," Greif added. "It's all about viewership and where consumers are spending their time and you can't tell me they're not spending their time on TikTok and YouTube, because they are."

Martin, however, doesn't believe regulators will buy the argument that YouTube and TikTok are true competitors to Netflix, calling their content offerings "apples and oranges" due to the latter's lack of short-form and user-generated content.

Approval may also depend on what Netflix is willing to pay in what Levin has referred to as a "Trump transaction tax." He suggested Netflix could offer a guarantee that subscribers to both Netflix and HBO could receive a price cut, as well as a "made in America" pledge to commit to make movies and series in the U.S.

Ultimately, Greif and Levin expect the regulatory process could take two to three years in the event of a challenge from the Trump administration, which could be extended if there is an appeal to the Supreme Court. Netflix has offered a $5.8-billion breakup fee in the event the transaction is not completed.

WBD shares closed up 6.2% at the end of Friday's trading session following the deal, while Netflix shares tumbled 2.9%.