

Paramount was poised to buy Warner Bros. Discovery. What went wrong?



Tech titan Larry Ellison has been called the “Oracle of Oracle.” (Eric Risberg / AP)

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- Paramount’s \$30-per-share bid for Warner Bros. Discovery, backed by tech billionaire Larry Ellison, lost Friday when Netflix swooped in with a competing \$82.7-billion deal.
- Analysts and multiple auction insiders told The Times several factors complicated the process, including Paramount’s low-ball offers and hubris.
- Paramount is accusing Warner Bros. of rigging the auction and is expected to urge regulators to block the Netflix deal as anti-competitive.

Oracle founder Larry Ellison was on the cusp of conquering Hollywood.

Just four months earlier, he had bankrolled his son David’s \$8-billion acquisition of the storied Paramount Pictures.

Now the Ellison family had designs on scooping up Warner Bros. Discovery, too, offering to buy the entire company for at least \$60 billion. The bold play had suddenly thrust this Silicon Valley titan and his son, David — chief executive of the newly-merged Paramount Skydance — into one of the most powerful positions in the film and TV industry.

By most outward appearances, Warner Bros. Discovery was theirs for the taking. Wall Street analysts, Hollywood insiders and even some of the other bidders expected Paramount to prevail. After all, it was backed by one of the world's richest men. And it even had the blessing of President Trump, who openly expressed his preference for the Paramount bid.

But Ellison's crowning moment was ruined when Netflix swooped in Friday announcing its own blockbuster deal.

The streamer snapped up Warner Bros. in a \$82.7-billion deal for the Burbank-based film and television studios, HBO Max and HBO, delivering a massive blow to Ellison and his son, David.

In the Paramount bid, Larry Ellison was once again the primary backer. But the Warner Bros. Discovery board believed the Netflix offer of \$27.75 a share, which

did not include CNN or other basic cable channels, was a better deal for shareholders.

The announcement stunned many who had predicted that Paramount would prevail in the contentious auction. It also marked a rare defeat for Ellison, who was outmaneuvered by none other than Netflix's co-Chief Executive Ted Sarandos and his team.

Analysts and multiple auction insiders told The Times several factors complicated the process, including Paramount's low-ball offers and hubris.

"This is a bad day for Paramount and for the Ellisons," said Lloyd Greif, president and chief executive of Greif & Co., a Los Angeles-based investment bank. "They were overconfident and underestimated the competition."

Representatives of Paramount and Warner declined to comment. A representative for Ellison at Oracle did not respond to requests for comment.

Characteristically, Ellison is not backing down, say sources close to the tech mogul who were not authorized to comment. Paramount — whose chief legal counsel is the former head of the U.S. Justice Department's antitrust division during the first Trump term — is preparing for a legal battle with Warner Bros. over the han-

dling of the auction. They are expected to urge the Securities & Exchange Commission and the Department of Justice to investigate claims that the Netflix deal would be anticompetitive and harmful to consumers and theater owners.

Paramount's lawyers sent Warner Bros. Discovery Chief Executive David Zaslav a blistering letter Wednesday, accusing the studio of rigging the process in favor of a "single bidder" and "abdicating its duties to stockholders."

What went wrong

Several sources said Paramount's first mistake was making low-ball offers.

Paramount submitted three unsolicited bids by mid-October, the first for \$19 a share. Warner's board of directors unanimously rejected all of the bids as too low.

Top Warner Bros. executives were incensed, feeling that the Ellisons had just shown up in Hollywood and now were throwing their weight around to take advantage of Warner Bros.' struggles.

Paramount had Larry Ellison guaranteeing its Warner bid with \$30 billion of his Oracle stock, according to one knowledgeable person who was not authorized to comment.

But as the price of Warner went higher, Paramount needed considerably more money. It turned to private equity firm Apollo Global Management.

In late October, Warner opened the bidding to other suitors. Netflix and Comcast jumped in. Paramount's leaders seemed to underestimate Netflix, according to several people close to the auction. A senior Netflix executive had publicly downplayed its interest.

"Maybe Netflix was playing possum," said Paul Hardart, a professor at New York University's Stern School of Business.

Paramount "thought they were the only game in town," said a person close to the auction who was not authorized to comment.

At one point, Paramount's team seemed more concerned about the movements of Comcast Chairman Brian Roberts, who had visited Saudi Arabia, reportedly on theme park business.

David Ellison and RedBird's Gerry Cardinale were scrambling to line up Middle Eastern sovereign wealth funds to provide more financing for their offer.

"They were going around trying to get money from elsewhere and that probably sowed some doubts among the board at Warner Bros. Discovery," Hardart said.

Paramount's negotiations with wealth funds for Saudi Arabia,

Qatar and the United Arab Emirates were widely noted, people close to the auction said.

"It invited skepticism of the strength of the Paramount commitment," said C. Kerry Fields, a business law professor at the USC Marshall School of Business.

When Oracle stock started dropping amid concerns of an AI bubble, it left Paramount's bid in a more precarious position.

Worries over Trump ties

In Hollywood, Larry Ellison's close ties to Trump dampened enthusiasm for Paramount's bid.

Oracle is among a group of U.S. investors expected to hold a majority stake in the U.S. business of TikTok, after the hugely popular video sharing app is spun out from Chinese parent company ByteDance — in no small part due to the influence and support from Trump.

This summer, Paramount agreed to pay \$16 million to settle Trump's lawsuit against CBS for its edits of a "60 Minutes" interview with Kamala Harris, as it was seeking to gain regulatory approval for the Ellison Skydance takeover. Days later, Paramount's CBS announced that it was ending Stephen Colbert's late-night talk show, citing its financial losses.

David Ellison in October made a controversial hire of the Free

Press founder Bari Weiss to run CBS News — which delighted the president.

"Larry Ellison is great, and his son, David, is great," Trump told reporters in mid-October.

"They're big supporters of mine."

After Trump's reported intervention, Paramount agreed in late November to distribute Brett Ratner's "Rush Hour 4," a project that had been shelved amid sexual assault allegations against the director highlighted in a Los Angeles Times report. Ratner has disputed all the allegations against him.

"They were in the pole position with the Trump administration, but then that [position] started to be not as appealing to people," Hardart said.

Last month, there was a meeting at the White House to discuss Paramount's bid and the threat of Netflix, sources said. That same week, David Ellison was among the guests at a White House dinner hosted by Trump for Mohammed bin Salman, the crown prince of Saudi Arabia.

A report in the Guardian also raised alarm bells among some foreign regulators, one knowledgeable person said. The newspaper reported, citing anonymous sources, that White House officials had informally discussed with Larry Ellison several female



Larry Ellison, third from right at the White House with President Donald Trump, Soft-Bank CEO Masayoshi Son and OpenAI CEO Sam Altman, appears to announce Star-gate, a new AI infrastructure investment. (Andrew Harnik / Getty Images)

CNN anchors whom Trump disliked and wanted fired should Paramount succeed in buying Warner.

People close to Paramount contend that Zaslav and his mentor, John Malone, who serves as a Warner board member emeritus, were biased against Paramount and that Zaslav is angling to retain his mogul status.

Paramount ultimately submitted six offers to Warner, including a final \$30 a share offer, but none were as strong as Netflix's proposal, said two people involved with the auction.

Paramount executives knew last Monday that they had been bested, according to people close to the company. Two days later, they lobbed a missive at Warner: "WBD appears to have abandoned the semblance and reality of a fair

transaction process," Paramount's lawyers wrote.

Netflix said Friday its deal won't close for a year to 18 months, the anticipated time it will take to win regulatory approval. That's far from guaranteed, however, given possible antitrust concerns over Netflix's market dominance.

Now Warner Bros. Discovery is girding for a fight over its handling of the auction.

Playing himself in 'Iron Man 2'

Until recently, Larry Ellison was perhaps best known in Hollywood circles for playing himself in an "Iron Man 2" cameo during which Tony Stark refers to him as the "Oracle of Oracle" — and as the father who quietly bankrolled the film business careers of his children, David and Megan.

Those who know Larry Ellison say he should not be counted out.

At 81, a determined and resolute Ellison has shown no signs of slowing down. Although he stepped down as Oracle's CEO in 2014, he remains its executive chairman and chief technology officer — and continues to be deeply involved in the company and its growing tentacles.

"He keeps reinventing the company. Right when you think that they can't figure it out, they figure it out and they're pretty resilient," said Brent Thill, a tech analyst at Jefferies.

The son of a 19-year-old unwed mother, Ellison grew up in a modest walk-up apartment on Chicago's South Side, where he was raised by her aunt and uncle.

As he told Fox Business, "I had all the disadvantages necessary for success."

Smart and headstrong, Ellison attended the University of Chicago, but dropped out and drove to California in a used Thunderbird. He got a job as a bank computer programmer, the first of several computer jobs at various companies.

In the early 1970s, Ellison began working on early databases for a company called Ampex. As the story goes, it became the precursor to Oracle's systems.



Larry Ellison at the Oracle OpenWorld 2018 conference in San Francisco. (Bloomberg via Getty Images)

By 1977, Ellison co-founded Oracle with \$1,200 and ideas deeply inspired by an IBM research paper. The start-up transformed how companies and organizations stored, managed and retrieved huge volumes of data. The software company quickly became an influential tech giant. Oracle's first contract was with the CIA.

In 1986, Oracle went public and seven years later Ellison landed for the first time on Forbes billionaire's list, with a net worth of \$1.6 billion.

Even among the ego-driven billionaire eccentrics of Silicon Valley, Ellison stood out. "The Difference Between God and Larry Ellison" is the title of a 1997 biography — one of at least 10 tomes examining the life of Larry.

Unlike many of his tech titan peers, who preferred quiet pursuits

and carefully crafted public personas, Ellison reveled in his flamboyant escapades and the attention it attracted.

Ellison has flown fighter jets for fun, won the America's Cup, twice (in 2010 and 2013), collected super yachts, mansions and samurai swords.

As both Oracle's and Ellison's fortunes swelled, he earned a reputation for ruthlessness. For years, his archnemesis was Microsoft founder Bill Gates. During the rival's antitrust trial in 2000, Ellison not only admitted to hiring private investigators to go through Microsoft's garbage but he also defended his actions, calling the move his "civic duty."

Mike Wilson, one of Ellison's biographers, called him "the Charles Foster Kane of the technological age."

At Oracle, Ellison pushed to expand into cloud computing, healthcare and, more recently, artificial intelligence, forging close partnerships with AI chipmaking behemoth Nvidia, Meta and xAI.

Hollywood, however, was the domain of Ellison's children, David and Megan, whom he had with his third wife, Barbara Boothe. They divorced shortly after Megan was born.

The Ellison scions grew up with their mother on a horse farm in Woodside, in the San Francisco Bay Area, and spent time with their father during school breaks, sailing around the world on one of his super yachts.

Early on, the tech entrepreneur set up trusts for his children with large tranches of stock in Oracle and later NetSuite, an enterprise software company he helped finance, that went public in 2007. Over time, the trusts, in addition to their independent holdings, have made David and Megan phenomenally wealthy.

With Ellison's deep pockets, both pursued filmmaking. Megan launched Annapurna, an indie production company behind such acclaimed movies as "Zero Dark Thirty" and "Her." David, after a brief, unsuccessful stint as an actor and producer of the 2006 flop "Flyboys," established Skydance Media, bankrolling a slew of mas-



Larry Ellison and his children, the producers Megan Ellison and David Ellison. (Lester Cohen / WireImage)

sive box office and television hits such as “Top Gun: Maverick,” “Star Trek” and “Grace and Frankie,” later broadening into animation, sports and gaming.

“David made money, his sister made the art,” said Stephen Galloway, dean of Chapman University’s Dodge College of Film and Media Arts.

And Larry Ellison often stepped in.

In 2018, he shepherded a major reorganization of Annapurna after the company stumbled into hundreds of millions in losses amid several box office misfires.

It was Ellison who put up the bulk of his son’s \$8-billion bid to buy Paramount, the iconic studio,

as well as CBS, MTV and other properties — and he holds nearly 78% of the newly formed company’s stock, making him its largest shareholder.

The Ellison family announced plans to remake the fabled Paramount studio through major investments, leveraging technology and building on popular franchises including “Top Gun,” “Star Trek” and “Yellowstone.”

And they aren’t ready to walk away from Warner Bros.

If history has proven anything, Ellison is always up for a fight.