

Chinese tech firm LeEco agrees to buy Vizio TV maker for \$2B

July 26 2016, by Ryan Nakashima



In this photo provided by LeEco, LeEco CEO Jia Yueting, left, and Vizio CEO William Wang shake hands at a news conference where it was announced that LeEco had acquired Vizio for \$2 billion, Tuesday, July 26, 2016, in Los Angeles. (Jeff Lewis/LeEco via AP)

Chinese video streaming company LeEco is breaking into the U.S. TV market by buying Vizio, a manufacturer of budget-priced sets. The combination promises a marriage of hardware and content as tightly

linked as your smartphone is to your monthly voice and data plan.

The \$2 billion purchase announced Tuesday marks another ambitious foray by LeEco. The company's chairman and CEO, billionaire Jia Yueting, is also behind Faraday Future, an electric car company building a massive plant near Las Vegas.

At an event in Los Angeles, Jia promised "disruptive pricing" reminiscent of how it bundles video subscriptions with smartphone and smart TV purchases in China. He also said the company would launch its U.S. presence in a few months with an event in Silicon Valley, where it has opened its U.S. headquarters in San Jose.

Vizio is based in Irvine, California, and has been the No. 2 TV brand in North America behind Samsung for the past seven years, according to research firm IHS Markit. Vizio will continue to operate as an independent subsidiary, and its brand will remain. Vizio founder and CEO William Wang will leave to run a spun-off data company called Inscape. The deal is to close by year's end.

The deal will help Vizio expand to markets beyond the U.S., Canada and Mexico. Meanwhile, with some 24 million internet-connected TVs combined, including some 8 million LeEco has sold in China, LeEco gains a larger audience for movies and TV shows that it produces or licenses. It is sometimes called the "Netflix of China," although it plans to allow U.S. customers to access Netflix on its smart TVs.

Winston Cheng, LeEco's global head of corporate finance and development, said in an interview that the company will need to expand its content offering to appeal to non-Chinese customers.

IHS Markit analyst Paul Gagnon says he's not convinced the strategy of linking LeEco's content to its hardware will work as well in the U.S. as it

has in China, where LeEco claims to be the No. 1 TV brand.

"One of the reasons LeEco is so successful in China is there isn't so much competition in terms of companies doing a good job selling movies and TV shows," Gagnon said. "In the U.S. we have companies like Netflix and Hulu and ESPN and HBO. There's already built-in competition. It's not going to be easy."

Jia owns half of LeEco. One of its businesses, LeVision Pictures, is co-financing "The Great Wall," a blockbuster starring Matt Damon. After the theatrical run, the movie will likely be offered for free streaming to LeEco and Vizio TV owners, but this is just one piece of a larger strategy to marry video subscriptions and hardware, Cheng said.

In a sign of its deepening relationship with moviemakers, the company brought on stage both "Great Wall" director Zhang Yimou and former Paramount Pictures president Adam Goodman.

Cheng said LeEco is also planning an initial public offering of stock in the U.S. within four years to raise money for video content and research and development.

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