

# Disney buying large part of 21st Century Fox in \$52.4B deal

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In this Aug. 8, 2017, file photo, The Walt Disney Co. logo appears on a screen above the floor of the New York Stock Exchange. Disney is buying a large part of the Murdoch family's 21st Century Fox in a \$52.4 billion deal, announced Thursday, Dec. 14, including film and television studios, cable and international TV businesses as it tries to meet competition from technology companies in the entertainment business. (AP Photo/Richard Drew, File)

Disney is buying the Murdoch family's Fox movie and television studios

and some cable and international TV businesses for about \$52.4 billion, as the home of Mickey Mouse tries to meet competition from technology companies in the entertainment business.

Disney's all-stock deal for 21st Century Fox gives it the studios that produce the Avatar movies, "The Simpsons" and "Modern Family," though Murdoch will form a new company to keep the U.S. television networks, including Fox News Channel, Fox Business Network and Fox Broadcasting. "The Simpsons" will continue to air on Murdoch's Fox stations. The deal also brings Marvel characters such as X-Men and The Avengers under one roof—Disney's.

Murdoch's new company will get national rights to Major League Baseball, the NFL, NASCAR and college sports through the Fox TV network and cable networks FS1, FS2 and Big Ten Network. Disney is getting Fox's regional sports networks, including the Yes Network showing the New York Yankees.

In owning these properties, Disney will be in a better position to compete with the likes of Netflix when it launches ESPN- and Disney branded streaming services in the coming years.

That Rupert Murdoch and his sons were willing to sell off much of the business that has been built up over decades came as a shock to the entertainment industry.

Murdoch, who built a global media and entertainment empire out of an inheritance from his father in Australia, said what remains of his family's business will be able to focus on American news and sports. During a call with investors Thursday, Murdoch and his sons described the move as a return to the company's lean and aggressive roots.

## BATTLING NETFLIX

The deal—announced Thursday on the eve of a major "Star Wars" movie release from Disney—comes as the entertainment business goes through big changes. TV doesn't have a monopoly on home entertainment anymore. There's Netflix, which is spending up to \$8 billion on programming next year. Amazon is building its own library, having splashed out on global TV rights to "Lord of the Rings." Facebook, Google and Apple are also investing in video.



This Friday, July 25, 2014, file photo shows a view of the headquarters of the Italian Sky television broadcaster in Milan, Italy. Disney announced Thursday, Dec. 14, 2017, that it is buying a large part of Fox. Under the deal, Disney will get at least a 39 percent stake in European satellite-TV and broadcaster Sky. Fox is hoping to acquire the remainder of Sky before the deal closes, giving Disney full control. (AP Photo/Luca Bruno, File)

As consumers spend more time online, TV's share of U.S. ad spending is

shrinking. Advertisers are following consumer attention to the internet, where Google and Facebook win the vast majority of advertisers' dollars.

To combat this trend, Disney is launching its own streaming services. It could beef them up with some of the assets it's acquiring from Fox, making them exclusive to its services and sharpening its ability to compete with Netflix for consumer dollars.

Disney CEO Robert Iger said many Fox properties will fit with the new service, including National Geographic and additional Marvel productions. In some cases, though, Disney will have to wait for existing Fox deals to expire. Fox movies are exclusive to HBO through 2022, for example.

"We've been talking about cord cutting for the better part of a decade. But now it's real," USC Annenberg communications professor Chris Smith said. The media companies have to compete with the internet giants for consumers' attention—and the younger generations pay more attention to YouTube, Facebook and other "platforms" than traditional TV, Smith said.

## THE MECHANICS

Iger will continue as chairman and CEO of The Walt Disney Co. through the end of 2021. Disney said Thursday that it anticipates at least \$2 billion in efficiencies and other cost savings from the acquisition. Both companies' boards have approved the deal. It still needs approval from Disney and 21st Century Fox shareholders.

Before the buyout, 21st Century Fox will separate the businesses it's keeping into a newly listed company that will be spun off to its shareholders. It will also include the company's studio lot in Los Angeles and equity investment in Roku.

Fox is also selling to Disney its substantial overseas operations. Disney will get at least a 39 percent stake in European satellite-TV and broadcaster Sky. Fox is hoping to acquire the remainder of Sky before the deal closes, so that it could give Disney full control after the sale. Disney is also acquiring Star India, a major media company with dozens of sports and entertainment channels.



In this Tuesday, May 7, 2013, file photo, an entrance to a parking garage at 20th Century-Fox studios, an entity owned by News Corporation, is seen in Los Angeles. Disney announced Thursday, Dec. 14, 2017, that it is buying a large part of Fox, but the Fox studio lot in Los Angeles will remain with the Murdoch family. (AP Photo/Reed Saxon, File)

Disney will also win majority control of Hulu, both its live-TV service and the older service with a big library of TV shows.

Not everyone thinks this is a good bet by Disney, though. Rich Greenfield, a longtime Disney critic, thinks the deal is a bad idea that ties Disney to older TV-distribution systems—cable and satellite TV—rather than helping it look toward the future.

He also notes that regulators may not like the idea of combining two major movie studios. The Justice Department surprised many in the industry and on Wall Street when it sued to block another media megamerger, AT&T's acquisition of Time Warner, in November.

## MURDOCH FAMILY TAKES A BOW

Murdoch built his empire by buying a string of papers in Australia, the U.K. and the U.S., building an influential platform for his views. He expanded into TV and movies, launching the Fox network and Fox News and changing the face of American news and entertainment.

"Rupert has spent many, many years assembling the components of his empire," said NYU business professor Samuel Craig, who specializes in the entertainment industry.

Rupert Murdoch has ostensibly already handed the reins over to a new generation at Fox. His son James is CEO, while his other son, Lachlan, like Rupert, has the title of executive chairman.

The Murdoch empire has already been divided. After a phone-hacking newspaper scandal in the U.K., News Corp. was split off into a separate company for the publishing and newspaper businesses, which include the New York Post, The Wall Street Journal, The Sun and The Times in the U.K., and book publisher HarperCollins. Now, Fox is slimming down, with the bulk of the company going to Disney.



In this Wednesday, April 19, 2017, file photo, a security guard looks out of the the News Corp. headquarters in Midtown Manhattan, in New York. Disney announced Thursday, Dec. 14, 2017, that it is buying a large part of Fox, but Fox News Channel and other U.S. television businesses are staying with the Murdoch family. (AP Photo/Mary Altaffer, File)

"The Murdochs realize they don't have the same kind of leverage Disney has, the same kind of brand power," Smith said.

It would be harder to launch a Fox-branded streaming service that attracts lots of the new generation of consumers, for example. Smith said that makes it a great time to sell off the entertainment business.

Fox will be left with the live events, news and sports that are key parts of the traditional TV bundle. There is speculation that the Murdochs would want to recombine the slimmed-down Fox with News Corp., though Murdoch told investors Thursday, "We haven't thought about combining

with News Corp."

## MIGHTIER MOUSE

The Disney-branded service, expected in 2019, will have classic and upcoming movies from the studio, shows from Disney Channel, and the "Star Wars" and Marvel movies.

Disney could continue to add movies and TV shows from Fox's library to its services, making them more attractive compared with Netflix's offerings. The combined libraries of the Disney and Fox movie and TV studios could have more titles than Netflix, Barclays analyst Kannan Venkateshwar said. Buying Fox's FX networks will add edgy TV shows that complement Disney's long list of kid-friendly series and films, he said.

Disney also plans an ESPN Plus service for next year. It isn't a duplicate of the ESPN TV network, but it will stream tennis matches along with major-league baseball, hockey and soccer games, as well as college sports. It might be able to add more sports through Fox's regional sports networks—cable channels that show popular sports in the viewer's region.

Disney also owns Marvel, but not all the Marvel characters. It's made movies starring Thor, Doctor Strange and Captain America and the Avengers crew. But the X-Men are at Fox. Bringing them home under one roof could mean movies with more of the characters together. Sony will still have rights to Marvel's Spider-Man, though a deal with Disney lets Spider-Man appear in Disney movies.

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