Market Talk

Netflix + Warner Bros.: A Strategic Acquisition That Could Redefine Entertainment

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Netflix – the giant that disrupted the whole movie industry with its streaming platform – shocked Hollywood again announcing on Friday December 5th that it had agreed to acquire Warner Bros and HBO for US$72 billion (US$27.75/share, 84% in cash and 16% in Netflix' stocks), and an enterprise value of US$82.7 billion. After the entertainment company splits its studios and HBO Max streaming business from its cable networks. The deal surprised many in Hollywood, which expected Paramount, who had also placed an even higher bid to acquire all of WB at US$30/share (100% cash).

How Netflix Could Reshape Entertainment

From a strategic perspective, the acquisition marks a significant milestone for Netflix. What began as a DVD online rental service that disrupted the traditional movies rental market has evolved into a major and dominant player in the entertainment business. Netflix transformed not only the way that customers consume media content but also redefined industry standards. Currently, the company is the largest distributor of media content through its streaming platform - a business model that gives them significant competitive advantages. Its direct and stable connection to the end consumer has made it the most effective distribution channel for studios and movie producers to monetize their content.

The acquisition of Warner Bros. represents a strategic move to extend Netflix's reach in the industry's value chain by owning one of the largest producers of movies and TV Shows in the US. The combination of a massive distribution platform with a powerhouse content creator will create an industry giant that will be hard to challenge. It will allow the new company to dominate the industry and extract value from its commanding position.

Regulatory Roadblocks: The Challenges Facing Netflix's Acquisition

There are some obstacles to overcome for the deal to settle. the most pressing challenge is the regulatory approval for such a massive acquisition. Both Netflix and Warner Bros. said they expect the regulatory review process to last at least one year. Even President Trump expressed concerns about the impact of the deal on the competitiveness of the industry, stating he intends to be involved in the decision.

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He argued that the market share of the combined entity could be high enough to raise concerns about their capacity to exert market power over competitors, content creators and workers in the industry. Combined, Netflix and HBO Max would control around 30% of the US subscription streaming marketplace – which Netflix argues does not include free video platforms such as Youtube. The deal is expected to be investigated by the Justice Department, which has already launched an investigation into whether the acquisition can further cement Netflix's dominance in the industry.

Paramount Strikes Back

Second, other important players in the industry are already working to interfere with the deal, mainly Paramount. Until recently, Paramount was the front runner in the race to acquire Warner Bros. with an offer valued at approximately US$100 billion dollars. On Monday December 8th, the company responded to Netflix by launching a hostile takeover offer for Warner Bros., taking its case to acquire the company directly to the shareholders.

Paramount contends that its proposal offers greater value to shareholders, emphasizing that it seeks to acquire the entire company rather than just a portion, and that its bid is both higher and fully in cash. This decision can set up a public battle over Warner Bros. depending on how shareholders react to the competing bids.

Industry Transformation and Market Opportunities

All in all, the deal announced on Friday is a major transaction involving at least three of the largest corporations in the US – each owning brands that are household names. Beyond that, it is an acquisition with the potential to significantly reshape an industry that is already going through deep transformations.

For all those reasons, it is a topic worth monitoring. It could lead to interesting investment opportunities both in equities and in the fixed income space as all the processes surrounding the deal unfold. The transaction is expected to close in 12 to 18 months, following the completion of the Discovery Global spin-off (now expected in Q3 2026), and remains subject to regulatory and shareholder approvals.

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