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Ready, Set, Go: Hollywood Is Poised for M&A Mania in 2025 | Analysis

From Paramount-Skydance to Endeavor going private and AT&T's sale of its DirecTV stake, TheWrap rounds up the major deals

By Lucas Manfredi | December 30, 2024

As Hollywood and Wall Street brace for a new wave of mergers and acquisitions in 2025 under a Trump administration, eyes are trained on Lionsgate, AMC Networks and Roku as potential acquisition targets.

"I wouldn't be surprised to see a double-digit percentage increase in the number of deals in 2025 relative to 24," KPMG U.S. media industry leader Scott Purdy told TheWrap. "We're hopeful it's going to be a strong year."

The year 2025 is already proving to be a busy one for M&A activity, with Paramount Global's $8 billion merger with David Ellison's Skydance Media and Silver Lake's $13 billion deal to take Endeavor Group Holdings private among the deals on track to close in the new year.

TheWrap/Chris Smith)

But Comcast's plans to spin off its cable network portfolio, Warner Bros. Discovery's restructuring and Lionsgate's split from Starz suggest even more dealmaking could be imminent, Lloyd Greif, president and CEO of the Los Angeles-based investment firm Greif & Co. told TheWrap.

"A lot of M&A is going to occur over the four-year period [of Trump] and a lot of it is going to be front-end loaded over the first year or two," Greif said. "Look for a new, headline-grabbing deal to be announced sometime in the first half of Trump's administration, because you want to make sure you're in and out of regulatory review before there would be a potential change in administration."

Major entertainment and tech industry dealmaking slowed down during the Biden administration, as regulators at the FCC and DOJ fostered an environment that was largely unfavorable to big deals that could create larger companies with more concentrated industry power. Some legacy studios struggling with the transition to streaming — particularly WBD — have suggested that industry consolidation is a necessary path to righting the financial ship.

M&A in media and entertainment peaked in 2021 with a total of 3,679 deals at an aggregate value of around $234 billion, according to S&P Capital IQ. In 2024, volume dropped to 2,221 total deals with an aggregate value of $119.2 billion, compared to 3,242 deals at an aggregate value of $175.4 billion in 2022 and 2,558 deals totaling $101.4 billion in 2023.

Donald Trump's second term in the White House is widely expected to support a more favorable environment for M&A, analysts and investment bankers have told TheWrap. Other factors that may push Hollywood dealmaking forward in 2025 and beyond include a decline in interest rates, the continued deterioration of the linear TV business, the ongoing push to achieve streaming profitability and pent-up demand over the past two years, especially on the private equity side, Purdy said.

However, not all analysts agree that big deals are in the offing. S&P Global expressed skepticism that many sizable deals will materialize in 2025. The firm's Media & Entertainment Managing Director Naveen Sarma cited a "wide difference in perceived value" between potential buyers and sellers, as well as a lack of capital among potential strategic buyers.

New potential acquisition targets

Lionsgate, AMC Networks and Roku could be potential acquisition targets in 2025 and beyond, experts predicted.

Lionsgate recently entered talks with an activist investor about potential strategic options, including a possible sale following its separation from Starz around mid-January. In May, Lionsgate launched the company's Motion Picture Group and Television Studio segment under its new publicly traded Lionsgate Studios division.

Anson Funds, a top five shareholder in Lionsgate Studios, believes the company is undervalued and would be an appealing takeover target for both traditional and digital media companies and tech startups and touted the studio's revenue and content library, an individual familiar with the matter previously told TheWrap. Anson said Lionsgate could also consider divestitures of its unscripted television and 3 Arts businesses.

"We always welcome the ideas and input of our shareholders," a Lionsgate spokesperson told TheWrap.

Back in February 2023, The Wall Street Journal reported AMC Networks had been approached by larger media companies such as Lionsgate and Sony Pictures, private equity players like Blackstone and Apollo, and by Roku in partnership with Providence Equity Partners. At the time, representatives for Roku and Lionsgate declined to comment, while the other suitors didn't return TheWrap's request for comment.

AMC Networks' non-executive chairman James Dolan said during its quarterly earnings call at the time that he didn't "get the rationale for pursuing a consolidation strategy," adding that he didn't expect it until the media industry could better figure out how to monetize their content.

Greif predicted that Comcast, WBD and private equity firms will all be "active" in the M&A space in 2025 and beyond. Even Netflix, he said, could leverage its "powerful position" and fund an acquisition to further boost growth. He believes Warner Bros. Discovery could potentially go after AMC Networks to bulk up its content library, Greif said.

As for Roku, Comcast had reportedly considered buying the streaming device maker as far back as 2021. It could also be an opportunity for Netflix, or for connected TV ad buyers like The Trade Desk, retailers like Target and tech giants like Amazon, Microsoft or Alphabet, said Needham analyst Laura Martin in a recent note to clients.

There also may be room for partnerships or consolidation of subscale streaming platforms, Bank of America analyst Jessica Reif Ehrlich said in a recent note, citing Peacock, Max and Paramount+ as good candidates. Though she warned it would be an uphill battle to get government approval, she also sees a window of opportunity for cable M&A, such as a Comcast-Charter merger.

"It's open hunting season for deals across the gamut from a size standpoint," Greif said. "I don't think anything would be dismissed out of hand. This is the moment."

Spinoffs and separations

The latest talk of M&A chatter comes amid a "determined effort" by media companies to separate areas of their portfolio that are growing from the parts that are declining and shrinking, Purdy said.

In November, Comcast announced it would spin off its cable network portfolio — including MSNBC, CNBC, USA, Oxygen, E!, Syfy and Golf Channel — into a standalone, publicly traded company. That portfolio generated an estimated $7 billion in revenue for the 12-month period ending Sept. 30.

The spun-off entity, which is expected to reach 70 million U.S. households, will also include digital assets Fandango, Rotten Tomatoes, Golf Now and Sports Engine. Bravo, which is known for reality TV series such as "The Real Housewives," will stay with Comcast, along with Peacock and the NBC broadcast network. The spinoff will be tax free to Comcast shareholders and is expected to take around a year to complete.

Warner Bros. Discovery CEO David Zaslav, who has previously expressed a need for industry consolidation, also took a step towards future dealmaking by announcing plans to restructure into two divisions — Global Linear Networks and Streaming & Studios — by mid-2025. The structure is designed to bolster its "strategic flexibility and create potential opportunities to unlock additional shareholder value," Zaslav said.

Analysts and industry executives have previously told TheWrap that SpinCo could serve as a roll-up vehicle for other companies' distressed linear TV assets, such as Paramount Global or WBD.

Starz CEO Jeff Hirsch recently told a UBS investor conference that he sees an opportunity following the split from Lionsgate to expand the company's revenue base by acquiring other companies' linear networks that "aren't getting the focus that they deserve." Following the separation, Starz will trade on the NASDAQ under the ticker symbol STRZ.

Paramount-Skydance

While new M&A deals may or may not materialize in the years ahead, some are already on track to close in the new year. After months of twists and turns, Paramount Global's deal to merge with Skydance Media is expected to close in the first half of 2025.

The David Ellison-owned studio will acquire Paramount's iconic film and television portfolio — which includes Paramount Pictures, MTV, Nickelodeon and CBS. Skydance is known for TV projects such as "Jack Reacher," "Cross" and "The Big Door Prize" and films like "Top Gun: Maverick" and the "Mission Impossible," "Star Trek" and "Terminator" franchises, as well as its Skydance Animation and Skydance Sports divisions.

The deal is under review by the Federal Communications Commission, with the agency's incoming chairman Brendan Carr poised to be a potential hurdle. Carr recently told Fox News that a news distortion complaint over CBS' "60 Minutes" interview with Kamala Harris is "something that is likely to arise in the context of the FCC's review of that transaction." Several parties have already filed petitions with the agency, including the Center for American Rights – who filed that complaint against CBS – and Paramount shareholder Mario Gabelli, who is investigating whether the deal has resulted in potential securities violations against minority shareholders.

If a transaction does not occur before April 7, subject to two automatic 90-day extensions, or if a regulator blocks the merger, both Paramount and Skydance can terminate the deal, according to an SEC filing. Exercising that option would leave Paramount on the hook to pay Skydance a $400-million breakup fee.

AT&T sells DirecTV stake to TPG

AT&T is also bidding farewell to the remaining 70% stake in DirecTV, giving TPG full control once the deal closes sometime in the second half of 2025 as it shifts its focus to 5G and fiber connectivity.

The telecommunications giant originally acquired DirecTV in 2015 for $49 billion, or $67 billion when including debt. By 2021, AT&T had taken a $15.5 billion write-down on the video business, announced plans to spin off its WarnerMedia unit and merge it with Discovery Inc. and divested a 30% stake in the satellite TV operator for $16.25 billion to the private equity firm.

AT&T previously agreed not to sell its stake in DirecTV for a three-year period, which expired on July 31. In that period, the company "achieved financial outcomes consistent with its expectations that underpinned its decision to retain a 70% financial interest in DIRECTV," AT&T said in a statement.

Since forming the joint venture in the third quarter of 2021, AT&T expects to report a total of about $27 billion in cash payments, including $7.6 billion in cash received upon its initial formation, $11.4 billion in quarterly cash contributions through the second quarter of 2024 and another $7.6 billion of additional cash payments from now until the end of 2029.

Endeavor Group Holdings goes private

The talent and media agency holding company led by Ari Emanuel is on track to be acquired and taken private by its majority owner Silver Lake by the end of the first quarter of 2025.

Under the terms of the agreement, the private equity firm, which holds 71% of Endeavor's voting power, will acquire 100% of the outstanding shares it does not already own, other than rolled interests. Endeavor stockholders will receive $27.50 per share in cash, representing a 55% premium to the unaffected share price of $17.72 per share at market close on Oct. 25, the last full day of trading prior to the company announcing a review of strategic alternatives.

When consolidating TKO's value into Endeavor, the private equity firm estimates the company has a total enterprise value of $25 billion, making the deal the largest private equity sponsor public-to-private investment transaction in over a decade — and the largest ever in the media and entertainment sector.

The transaction will be financed through a combination of new and reinvested equity from Silver Lake and additional capital from Mubadala Investment Company, DFO Management, LLC, Lexington Partners, and funds managed by Goldman Sachs. It will also include equity rolled over by Endeavor management, including Emanuel, Executive Chairman Patrick Whitesell and President and Chief Operating Officer Mark Shapiro.

Upon completion, Endeavor's common stock will no longer be listed on any public market. TKO is not a party to the transaction and will remain a publicly traded company.

As part of the closing of the Silver Lake deal, Endeavor will sell OpenBet and IMG Arena to OB Global Holdings LLC in a management buyout backed by Emanuel and executives from OpenBet, including CEO Jordan Levin, for about $450 million. The buyout, which will be financed through a mix of cash and debt, is expected to close prior to the Endeavor take-private, subject to approval by gaming regulatory authorities.

Endeavor will continue to market IMG Arena for sale to third-party purchasers. TKO also plans to acquire On Location, IMG and Professional Bull Riders for $3.25 billion from Endeavor in the first half of 2025.