Amazon to acquire MGM Studios for $8.45 billion

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Amazon announced on Wednesday that it had reached a deal to acquire the media and entertainment giant Metro-Goldwyn-Mayer Studios (MGM) for $8.45 billion.

In a joint press release, the two publicly traded corporations—MGM's Wall Street market capitalization is $21 billion and Amazon's is $1.65 trillion—said they entered "a definitive merger agreement" and emphasized how MGM's "nearly a century of filmmaking history" is complimentary to "the work of Amazon Studios, which has primarily focused on producing TV show programming."

The press statement also said that Amazon would "help preserve MGM's heritage and catalog of films" and "empower MGM to continue to do what they do best: great storytelling."

MGM is one of the world's oldest film studios—itself the product of entertainment industry consolidation in the 1920s—and has a catalog of 4,000 films and 17,000 TV shows. Considered among the most valuable in its collection are the James Bond series of movies, *Twelve Angry Men* (1957), *Rocky* (1977), *Raging Bull* (1980), *Moonstruck* (1987), *Thelma & Louise* (1991) and *Silence of the Lambs* (1991). MGM had previously relinquished ownership of *Gone with The Wind* (1939), *The Wizard of Oz* (1939) , *Singin' in the Rain* (1952) and *2001: A Space Odyssey* (1968) among others in a series of deals involving Sony and Warner Brothers.

Senior Vice President of Prime Video and Amazon Studios Mike Hopkins bluntly explained the interests motivating the deal, "The real financial value behind this deal is the treasure trove of IP in the deep catalog that we plan to reimagine and develop together with MGM's talented team." IP is corporate-speak for intellectual property.

Kevin Ulrich, Chairman of the Board of Directors of MGM, said, "The opportunity to align MGM's storied history with Amazon is an inspiring combination."

Amazon's CEO Jeff Bezos said during the company's annual shareholder meeting on Wednesday that he was "really excited about MGM." Also using business lingo in reference to the purchase of a century of Hollywood filmmaking, Bezos went on, "The acquisitions thesis here is really very simple: MGM has a vast, deep catalog of much beloved intellectual property and with the talented people at MGM and the talented people at Amazon Studios, we can reimagine and develop that IP for the 21st century."

It was widely known that executives at MGM had been shopping around for a buyer and that Ulrich was asking $10 billion in discussions with Apple Inc. and Sony Group. In the end, according to the *Wall Street Journal*, the Amazon offer "has an equity value of $6.5 billion, people familiar with the matter said," with the balance of the deal—$1.95 billion—paying off MGM's debt.

The *Wall Street Journal* reported the agreement was reached on Monday, but the companies decided "to hold the announcement for Wednesday out of sensitivity that Tuesday was the first anniversary of George Floyd's murder by a police officer in Minneapolis."

For Amazon, which reportedly has $71 billion in cash, the higher-than-market purchase price is seen as a necessary step to bolster its Amazon Prime Video content library in the expanding and highly competitive streaming video industry. With a reported 175 million Prime members streaming shows and movies in the last year, Amazon is chasing Netflix (208 million subscribers) and attempting to stay ahead of Disney+ (100 million subscribers).

All of the other competitors in the content streaming industry—Apple TV+, Paramount+, Peacock, Hulu and HBO Max—have between 33 and 44 million subscribers.

Despite Amazon executive's claims of fealty to "great storytelling," the commitment to the Prime Video platform is based on a strategy of solidifying memberships—$12.99 per month or $119 per year—that now stand at 200 million globally. Last year Amazon spent $11 billion on video and music content, up from $7.8 billion in 2019, in order to reinforce what Jeff Bezos refers to as the "flywheel effect," in which video subscribers also spend more money on consumer goods from the e-commerce site.

Amazon also announced in early May an $11 billion deal with the National Football League to exclusively broadcast the 15-game "Thursday Night Football" package for eleven years beginning in 2022.

More broadly the Amazon acquisition of MGM is part of the further consolidation and monopolization of both the entertainment content and direct-to-consumer streaming services. For example, AT&T Inc. said earlier this month that it would spin off its WarnerMedia assets and merge them with Discovery Inc. In 2019, Disney bought most of the content assets of 21st Century Fox, and Viacom Inc. merged with CBS Corp.

The Amazon-MGM deal is subject to regulatory approval. On Wednesday, Representative Ken Buck, Republican of Colorado and a senior member of the House antitrust subcommittee, said he was "deeply concerned" and "It's critical that mergers and acquisitions involving monopoly companies experiencing tremendous and exponential growth are met with a greater level of scrutiny."

Senator Amy Klobuchar (Democrat from Minnesota) said Wednesday that the MGM deal should be subject to an investigation. She said, "This is a major acquisition that has the potential to impact millions of consumers. The Department of Justice must conduct a thorough investigation to ensure that this deal won't risk harming competition."

Of course, neither Buck nor Klobuchar made any reference to how capitalist enterprises such as Amazon have benefited while the working class has suffered during the coronavirus pandemic. Due in part to the unprecedented rise in the stock market fueled by Treasury and Federal Reserve resources being poured into Wall Street as part of the government economic stimulus, Amazon's share values have nearly doubled since the beginning of 2020. Meanwhile, Amazon's e-commerce business also benefited from the self-isolation of the public during the pandemic, with revenue reaching record numbers including a 44 percent increase in the first quarter of 2021 to $108.5 billion, the company's fastest rise in almost 10 years.