Disney, a Foretold Takeover Bid
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The bid that Comcast, the cable operator, has just launched to buy the Walt Disney group is no surprise. Thanks to its succulent assets, Mickey Mouse has become an important attraction for a company like Comcast, which aspires to being the next huge media empire. Apart from that its scarce profitability makes Disney especially vulnerable; to a hostile takeover bid. Indeed, in spite of the fact that the production company has had a growth of more than $1 billion this term, its operating profits are the same as in 1999 and it has maintained the same dividend for the last five years. The reason for this stagnation can be found in the growing business diversification that the flagship of family entertainment has been undergoing for some time. Traditionally, the Disney case has been used in business schools as an example of a company that has known how to take advantage of the synergies created from its children’s characters. Since the nineties, The Walt Disney Company has invested in films like the crude Pulp Fiction through Miramax studios and has acquired the ABC network and the ESPN cable sports TV channel. This diversification strategy doesn’t seem to be working for the company that, moreover, has just broken its agreement with the Pixar animation studios, a significant source of income.

Thus, in the case the sale is completed—this will require an increase in the initial bid—more than likely Comcast will focus on the Disney core business, leaving aside businesses such as properties and even going as far as selling off the European Disneyland in Paris. In that event, we will see if Comcast is able, as Disney was so successfully, to take advantage of synergies between a creation and distribution content business.

Highlights
1 This is Comcast’s second large purchase because back in 2001 it bought the cable division of AT&T for 56,700 million euros to become the cable TV operator in the USA. If they acquire Disney, they will get a company that last year earned 538 million euros and had a turnover of 6,643 millions thanks to the results of its film studios.

2 The value of the company after the acquisition would be 125,000 million dollars and it would employ 179,000 people. They would have 21.5 million cable subscribers and the largest number of subscribers to high speed Internet. Besides, they would be the owners of the ABC TV channel network, ESPN, the sports cable channel, Disney’s thematic parks, the Miramax film studios, as well as other channels that belong to Disney.

3 The most recent mergers between media empires are better-known for their failures than for their successes, like the marriage in 2002 between America Online and Time Warner or the merger between the French holding Vivendi and Universal film studios. However, News Corp, Rupert Murdoch’s TV channel, has recently purchased the satellite operator Direct TV.

4 Although satellite TV is their biggest rival, the cable operators must also deal with the local phone, mobile and Internet operators. To gain a competitive advantage over their competitors, cable operators are obliged to invest in content companies. Viacom, for instance, has passed from cable operator to media group that ranges from MTV to CBS.