**5/2/24; Paramount’s looking for a deal they can’t refuse**

**[HALF SECOND OF SILENCE]**

**[BILLBOARD]**

SCORING <CBM\_CBM\_0119\_02601\_Carefree\_Kitsch\_B\_APM>

NOEL KING (HOST): Paramount is a media behemoth, a movie studio, a TV studio

MATTHEW BELLONI (CO-FOUNDER, REPORTER, HOST, PUCK): It also owns CBS, the broadcast network, as well as a bunch of cable channels that once were very meaningful, but these days, while still profitable, are making a lot less money and have a lot less impact. Nickelodeon, MTV,

*<CLIP> BOY GEORGE: I want my MTV.*

MATTHEW: Comedy Central,

*<CLIP> COMEDY CENTRAL ANNOUNCER: The only all comedy network.*

MATTHEW: BET,

*<CLIP> A. J. CALLOWAY: What up y’all?! Welcome back! 106 & Park, BET’s top 10 live!*

MATTHEW: VH1 and a few others that don't really matter.

NOEL: Paramount is in disarray. The CEO is out as of this week. Chairwoman Shari Redstone wants to sell it, why?

MATTHEW: This is really a story about old media colliding with the future, and ultimately it is taken down one of the great media companies that is now fighting for survival.

NOEL: Coming up on *Today, Explained*.

**[THEME]**

NOEL: I’m Noel King - tell me who you are and what you do.

MATTHEW: My name is Matthew Belloni. I'm a founding partner at Puck, the digital media startup. And I'm the host of ‘The Town’ podcast for The Ringer Podcast Network.

NOEL: Matt, you’ve been covering Paramount for a long time. What’s been going on at the company this week?

MATTHEW: The big news this week is that the company fired its CEO of the past seven years, a guy named Bob Bakish,

*<CLIP> CBS CEO BOB BAKISH: We’re really excited about what we’re doing in the streaming space. And in fact, as you know, we’re the only company that’s embracing an ecosystem in streaming that spans free, pay and premium…*

MATTHEW: and the reason it fired the CEO. Two separate reasons. One, he just didn't do a very good job. I mean, Paramount is markedly smaller than a lot of its rivals. Its foray into streaming, into the Netflix competition business. Paramount+ has not been going great.

*<CLIP> PARAMOUNT+ AD PATRICK STEWART: Not built for the moment i see.*

MATTHEW: They've lost billions of dollars trying to compete with Netflix in the general interest streaming market.

*<CLIP> BOB BAKISH: We’re just not seeing that improvement that we hoped.*

MATTHEW: They have had opportunities to sell assets that they own, like the Showtime network. And instead of taking billions of dollars for those assets, he instead, has sort of managed it into the ground. And Bob has lost the confidence of the owner of Paramount, which is a woman named Shari Redstone.

*<CLIP> SHARI REDSTONE: We all want different content. And we’re all ultimately going to put together, not one bundle, but probably two or three or four to get what we want. We are going to be one of those bundles as we go forward.*

MATHEW: So that's one reasons. The other is a very Machiavellian reason. He was standing in the way, or trying to stand in the way of a potential sale of the company. For the past 3 or 4 months, Shari Redstone, who controls Paramount, has been trying to sell her company and merged Paramount into a company called Skydance. Now there's a whole bunch of complications with that deal and who benefits and who doesn't. But Bob Bakish, the CEO of Paramount, was decidedly in the anti Ellison camp. He did not want this company to be sold to the Ellisons. And lo and behold, he's now out.

NOEL: Because there's such drama here. I want to, I want to ask you about something. I'm noticing that in some of the coverage, some reporting says that Bakish stepped down. Is that the same thing as saying he was fired? But we're agreeing on a nice way of putting it.

MATTHEW: In Hollywood no one has ever fired.   
  
NOEL: Uh huh! <laughs>

MATHEW: Everyone always steps down or segues into a producer position, or is spending more time with their family or whatever. Technically, he stepped down. So when you see the coverage, you know, you have to kind of say that he resigned. But this is an exit by force. He was asked to resign.

NOEL: Okay, I gotcha. So let's go back in time to Paramount's decline. At one point, Paramount is doing really well. And then at some point in recent history, things start to go wrong. When did Paramount start to move down hill? Start to decline?

MATTHEW: You can absolutely trace the decline of Paramount to the rise of the internet.

*<CLIP> AdventuresinHD, AOL Dial Up Internet Connection Sound + You've Got Mail*

MATTHEW: Viacom was home to media brands that young people cared about… MTV, *VH1, Nickelodeon, Comedy Central,* to Gen-X people, like me, these are brands that are super meaningful and played a large part in my upbringing, and the kind of pre-internet entertainment that my generation loved. And then after that, they slowly started to slip. And why did they slip? Because they unlike any other television company out there, they appeal to younger audiences. Those cable channels that were king in the 80s and 90s. They started to slip in the 2000s because kids weren't watching MTV anymore to find out what was cool and music. They were watching YouTube. They were listening to Apple Music and then Spotify. One after another, these cable networks started to struggle and now the entire cable television landscape is in trouble. But but Paramount was first because it had these brands that appeal to young people. And it's really just a sad and very interesting business debacle that this great Hollywood studio company has been reduced to essentially fighting for survival.

NOEL: So there's a business story here, which is Paramount did some things that were incredibly foolish and incredibly shortsighted. There also seems to be a personal story here. There is. The company’s leader Sumner Redstone, and at a certain point, his health begins to decline. And from there it seems like Paramount is always in the news for just like, mess.

MATTHEW: <chuckles>  
  
NOEL: Can you tell us about Sumner Redstone and what happened around, I guess about eight years ago, to kind of make him such a main character.

MATTHEW: Sumner Redstone, in addition to being one of the most influential media moguls of the 20th century. He was, I'll be honest, not a very good person.

SCORING in <TGO\_TGO\_0130\_01601\_Piano\_Tickler\_APM>

MATTHEW: He pitted people against each other. He would use racist jokes. He was absolutely obsessed with his stock prices and nothing else.

*<CLIP> CHARLES OSGOOD: Is there some point in which you are big enough and don't need to grow?*

*SUMNER REDSTON: I used to say that it was over. But I’ve lived with myself too long to say that it’s ever over.*

MATTHEW: And he had these two girlfriends

*<CLIP> RACHEL ABRAMS: Manuela Hertzog and Sydney Holland.*

MATTHEW: that even in his 80s, in the late 2000 and early 2010s, he had two girlfriends that lived with him in his mansion above Beverly Hills.

*<CLIP> RACHEL ABRAMS: These two women who at times were romantic partners or companions, maybe caregivers.*

MATTHEW: And he would sort of lord over his properties and his studio with these two girls living there, and his mental capacity started to decline, and then all hell broke loose.

*<CLIP> RACHEL ABRAMS: They isolate him from his family. They tell him his family doesn't love him, and they siphon away millions of dollars from him in one afternoon. Each one of them was wired $45 million. And these two women got very close to having Sumner add them to the trust controlling his empire…*

MATTHEW: His CEO, who was running Viacom, it was called at the time, he started a scheme against him. He wanted to sell assets. He was managing the companies so that he would get incredible bonuses and mortgaged the future. Sumner himself was taking huge dividends out of the company every time it would make a profit. Sumner would take the money out billions of dollars and they were not looking at the future.

SCORING OUT

MATTHEW: This is a company that distributed the Indiana Jones movies.

NOEL: Mmhmm!

*<CLIP> INDIANA JONES: I CAME HERE TO SAVE YOU!*

*HENRY JONES, SR.: Oh yea? And who’s gonna come to save you junior?!*

MATTHEW: It distributed the Marvel movies when Marvel started to make movies,

*<CLIP> TONY STARK: I am Iron Man*

MATTHEW: and they lost both of those franchises to Disney because Disney was better managed, looked at the franchises, came in and said, oh, we'll buy Marvel and we'll start making these Marvel movies on our own. Thanks for launching the franchise, Paramount, the Indiana Jones movies as well. Lucasfilm sold not to Paramount. It sold to Disney, which then had the right to make Star Wars movies and Indiana Jones movie.

*<CLIP> George Lucas: It’s like poetry, sorta, they rhyme. Every stanza kind of rhymes with the last one*.

MATTHEW: one after another, the owner of Viacom, then, now Paramount, he was distracted. He was aging. His mental capacity was declining, and all of these sharks in his orbit started to make their play.

NOEL: And so he steps away in 2016. And my understanding is that has to do with his declining health, is that right?

MATTHEW: Yes. There. There was a whole legal and boardroom saga that ensued when Sumner's mental health got to the point where his girlfriends were trying to take control of his life. And that's when Shari Redstone emerges.

*<CLIP> SHARI REDSTONE: I don’t really wanna talk about succession, but I love my role at Viacom and CBS. I think they’re great companies…*

MATTHEW: She is Sumner's daughter, and he had had a very fraught relationship with her over the years. At one point, he said publicly that he didn't want her to take over the company.

*<CLIP> MICHAEL EISNER: Are you the boss now or is your daughter–*

*SUMNER REDSTONE: yes. I’m the boss. She works–*

*EISNER: the boss? She’s the CEO? And you’re the CEO?*

*REDSTONE: I’m the CEO. She’s <inaudible>*

*EISNER: You won't even give her the CEO job?*

*REDSTONE: No.*

*EISN ER: Why?*

*REDSTONE: I’m still very active. I work very hard. I travel the world for viacom. I’m not about to give up control.*

MATHEW: They didn't speak for long periods of time. She didn't approve of his lifestyle, did not approve of the girlfriends. All that stuff was in the background. But when her father clearly was having trouble, she stepped in and ended up doing battle in the courtroom with both Phillipe Dauman, who was the CEO of Viacom at the time, one of the companies, and Leslie Moonves, who was the CEO of CBS at the time. She was openly at war with them because they didn't want to listen to her. They had it pretty good. They were running these companies. They were making tens of millions of dollars every year. They didn't really care about the future of those companies. They wanted to manage them right now. And ultimately she had to step in and ultimately take the company back.

NOEL: And she did. And then what does she do when she takes over,

MATTHEW: <Laughs> Well, she looks at the landscape and she decides to combine Viacom and CBS. They were combined in the past. Her father had split them up, and she combines them, and she decides that this company can be a player to compete against Netflix and Disney and all these big media companies that are positioning themselves for the streaming age. So she and her CEO decide to launch a general interest streaming service called Paramount Plus.

NOEL: And that CEO is Bob Bakish.

*<CLIP> CBS CEO BOB BAKISH: We’re really excited about what we’re doing in the streaming space.*

MATTHEW: Yes, that CEO is Backish   
  
NOEL: uh oh <laughs>

MATHEW:And I've written in my Puck newsletter that Sumner Redstone surrounded himself with lots of yes men and cronies. That kind of cheered him on over the years. Well, Bob Backish was a crony and a yes man for Shari Redstone.

*<CLIP> SHARI REDSTON: he embraces change and innovation he knows how to build teams and get people to have a vision that everybody can buy into he understands that it's all about the brand back to what you said and being a very brand centric content company…*

MATHEW: They decided that a general interest streaming service, where they would have to spend billions of dollars on content to try to generate subscribers. That that was the way to go. Rather than slimming the company down and selling content to other streaming services like Netflix, they did some of that on their own as well. But for the most part, they're making shows for their own platforms, and Paramount just at that point was too small.

NOEL: When and how did the relationship between Bakish and Shari Redstone start to go awry?

MATTHEW: According to my sourcing, about a year ago, Shari Redstone really started to get the picture that this was not working out.

SCORING IN <TRL\_TRL\_0171\_00401\_Bumbling\_Bee\_APM >

MATTHEW: There was an instance where the dividend that pays her family company was slashed. By Bob Bakish because of the financial situation of the company. And when you start hitting somebody in the pocketbook, they start to notice what's going on. There was a downgrade of the company's debt to junk status, which caused all kinds of problems. There were a number of deals that were put on the table for potentially selling off assets, like Showtime and Bet for billions of dollars. Those deals were rejected by Bob Bakish, and she started to question why that was happening. And she essentially looked at the landscape and said, you know what, I might want to get out of this, and this guy is not helping my cause. And that relationship started to really fray.

NOEL: Matt Belloni. Matt’s back, coming up. Can Shari find a buyer?

**[BREAK]**

**[BUMPER]**

*<CLIP> IzuDoesAcapellas, Paramount Pictures*

NOEL: It’s *Today, Explained* we’re back with Matt Belloni…Earlier in the show, you told us that Paramount Global's value has been plummeting under Shari Redstone's watch. Now the CEO is out. Shari Redstone would like to cash out. She would like to make a deal. But let me ask you first whether or not Shari Redstone needed to be making a deal from a place of such desperation? Over the past eight or so years, has anyone approached Paramount previously and said, ‘hey, we've got an idea for you’, or ‘we could make a deal here’ or ‘we can buy you?’

MATTHEW: Paramount has been approached a number of times over the years, not necessarily for a full takeover, but to buy specific assets. The problem Paramount has, once its great strength, is now its great weakness. It has all of these cable networks that nobody wants to buy because they're not the future. Netflix was interested in buying just the studio, and they wanted the lot in Hollywood.   
  
NOEL: hmm!

MATTHEW: There's a beautiful studio lot in Hollywood. The last major studio actually located in Hollywood is Paramount, and Netflix wanted to buy that lot and move into the property. They wouldn't sell. Netflix was interested in buying the film studio because they're franchises like Mission Impossible,

*<CLIP> Mission Impossible - Main Theme Danny Elfman*

MATTHEW: Transformers,

*<CLIP> Transformers - Transformers transforming!*

MATTHEW: The Godfather,

*<CLIP> MICHAEL CORLEONE: Don’t ever take sides with anyone against the family again*

MATTHEW: a lot of iconic movies that Paramount has made. Netflix would love to own those. They had offers for Showtime. There was an offer on the table, apparently in 2021, $5.5 to $6 billion from a private equity firm.

NOEL: Oh

MATTHEW: for just Showtime. And they have always said no. And you know, when Shari was taken over, she said, we're not for sale. And nobody wanted to buy the full company because of the television networks.

NOEL: And now we have Bob Bakish out after those opportunities passed Paramount/Shari Redstone by. Bob Bakish is out. And who's taking over for him?

MATTHEW: Now that Bakish is out there is a what they're calling an office of the CEO,

*<CLIP> BLOOMBERG HOST: I don’t even know what that means*

MATTHEW: Which is comprised of three executives.

*<CLIP> BLOOMBERG TELEVISION HOST: basically talking about Greg Cheeks who is running CBS. Talking about Chris McCarthy who is running Showtime and MTV networks. And then they’re bringing in Bryan Robbins who I guess is heading up Nickelodeon and some of the kids programming.*

MATTHEW: And the three of them were reporting to Bakish. And now they've just been elevated up to the CEO role. You know, any student of corporate governance will tell you…

*<CLIP> CHARLIE BOBRINSKOY, ARIEL INVESTMENTS VICE CHAIRMAN: it’s like having two starting quarterbacks, you have no starting quarterbacks. When you have three CEOs, you don’t have any CEO.*

MATTHEW: Now they're describing this as a temporary situation. Maybe they'll bring in another CEO. Maybe one of these three guys will get elevated above the others. If a sale doesn't happen to one of the suitors that are out there. But for now, it's very unclear who is setting the strategic direction of the company. They have this three headed monster. They have not articulated what their plan is, they say they have one and they've presented it to the board, but they've not said it publicly. And we're all just kind of sitting around waiting to see what the direction of this company is if it's not sold.

NOEL: Okay. So if it's not sold, that's that's one issue. But it might be. Shari Redstone seems to really want out. Do we know what is likely to happen next?

MATTHEW: Well, there are a couple scenarios on the table. One is the Skydance deal, which is currently being negotiated, and then that would buyout Shari Redstone for $2 billion.

*<CLIP> CNBC HOST: they’ve already agreed is my understanding, i think others may have reported this, to a price there.*

MATTHEW: It would then merge Paramount with Skydance, valuing Skydance at $5 billion.

*<CLIP> CNBC HOST: that was done. That was done months ago.*

MATTHEW: That has faced resistance from some of the Paramount shareholders, because that deal would be good for Shari Redstone, but not necessarily good for the common shareholders of the company.

*<CLIP> CNBC HOST: investors who are common shareholders, not a huge fan of this deal because of the dilution.*

MATTHEW: There is a second offer that is potentially on the table. We don't know as many details about that. That is coming from a private equity firm called Apollo.

*<CLIP> CNBC HOST: shares of movie and tv company Paramount rallying right now, they’re up 8%. The top gun franchise owner flying on the back of a New York Times report that says Sony and Apollo are talking about making a joint bid to buy the company.*

MATTHEW: It's a $26 billion offer just for Paramount to take over the Paramount company. Now, obviously, Shari Redstone, as the controller, would have to approve that and allow it to happen, but that is a very separate deal that would take care of all those shareholders. But Shari doesn't want that deal, and she controls Paramount. And when you're dealing with a company that is controlled by one shareholder, that shareholder has a lot of power. There's a third scenario where someone comes in, potentially, and buys out Shari Redstone's interests in her own company and becomes the controlling shareholder of Paramount, but doesn't actually buy Paramount. And that's we haven't gotten there yet.

NOEL: Okay, so the attractive thing about the Skydance deal is that Shari Redstone would walk away with $2 billion. Would she also just completely lose control? She would have no more like no more influence or no more job at Paramount.

MATTHEW: She would not have control over the company anymore. And that's the key that Ellison is buying here. There is a scenario where she would keep a small stake. They call it schmuck insurance. So if Paramount somehow becomes the biggest company in the world, she would then benefit at least a little bit from that. But she would not be the controlling shareholder. And that is what matters. The controlling shareholder makes the decision, gets to decide what's going on, and that's what David Ellison wants.

NOEL: You've talked about the, the nostalgic appeal of Paramount. This company was responsible for a lot. And, and the more you listed, the more I could feel what it was responsible for. What is all of this disarray? However it ends. What does this mean for audiences? Is it going to affect what we see from Paramount at all?

MATTHEW: The outcome here absolutely could affect what we see from Paramount. This is an iconic Hollywood studio, home of everything from Titanic

*<CLIP> Titanic*

*JACK: I`m the king of the wor–*

MATTHEW: to The Godfather to Forrest Gump,

*<CLIP> Forrest Gump:*

*Gump: I was running!*

MATTHEW: Mission Impossible, all of those great Paramount movies. There's a real chance here that Paramount could go away,

SCORING IN <KPM\_KPM\_2280\_01201\_The\_Don\_APM>

MATTHEW: If Apollo gets this studio and combines it with Sony Pictures, Paramount could go the way of what Fox as a movie studio went

NOEL: Oh.

MATTHEW: Where Fox was essentially absorbed by Disney. The Fox News network stayed as it is with the Murdochs, but the Fox movie studio basically doesn't exist anymore. It's just a label within Disney, and that means fewer movies for consumers. So if Sony is combined with Paramount and Paramount goes away, that's bad for consumers. It's also bad for Hollywood talent because as a creative person, you want multiple outlets to sell your creative output to you. And going from five down to four in the traditional studio space really would hurt the amount of projects that get made. Now, obviously, if Paramount is not a going concern on its own and it's not able to stay in business as a studio on its own, that it would go out of business anyways. And that's sort of how the world works. And there's plenty of people in Hollywood who think that the industry absolutely needs consolidation right now, because it's really tough to make any money in streaming. So perhaps Paramount does need to go away, but I would hope that there's a path to keep it alive. And David Ellison, with the pocket book that he has, seems to want and be able to keep that studio alive.

NOEL: That was Puck’s Matt Belloni. He hosts The Town podcast. The town he’s referencing is Hollywood. Hady Mawajdeh produced this episode and Amina al-Sadi edited. Rob Byers engineered and Matthew Collette fact-checked. I’m Noel King. It’s *Today, Explained*.

**[10 SECONDS OF SILENCE]**