

### Warning Brothers?

9 December 2025

**The streaming wars have turned into a bidding war between Netflix and Skydance Paramount for parts or all of Warner Brothers Discovery – could this signal a peak in the stock market? There may be echoes of past market tops, but there are also crucial differences.**

The (seemingly desperate) search for an event that signals the top of the market goes on. Sometimes, the candidates are somewhat off-the-wall, such as when chip designer Nvidia's CEO Jensen Huang was photographed signing a female 'fan's' undergarment... while she was still wearing it! That was in June 2024. Since then, Nvidia's shares have risen by 56%, while the total return of the MSCI All-Countries World Index has been 31%.

The latest 'bellringers' are Netflix, which last week agreed an \$82bn bid for Warner Brothers' film studios and streaming business, and Skydance Paramount, which has made a competing offer of \$108bn for all of Warner Brothers Discovery. It's possible that neither deal will be consummated, either for anti-trust reasons in the case of Netflix or owing to the structure of the deal in the case of Paramount (more on that below). But the fact that they are on the table illustrates confidence on the part of the bidders and their backers. Or, possibly, an element of desperation on the part of Paramount, which has fallen behind in the streaming wars and needs to make itself relevant.

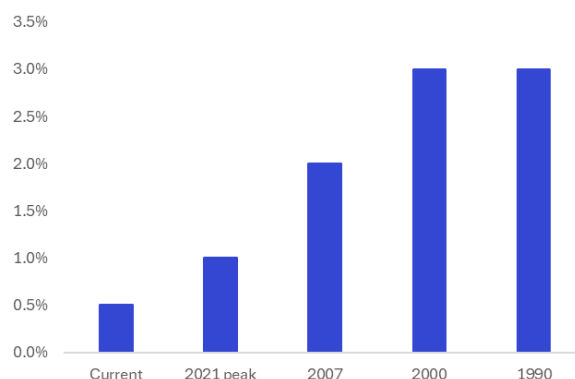
This comes just a few weeks after a \$55bn bid for gaming company Electronic Arts. Even so, merger and acquisition (M&A) activity remains relatively subdued relative to past booms. As a percent of

#### Quick take

- M&A activity has heated up, with competing bids for Warner Brothers (in whole or part).
- But we don't think this is the signal of a market top investors might be searching for.
- The outcome for the bidders (and wider markets) depends on plenty of factors outside their control.

the value of all shares listed in the US market, M&A peaked at 3% ahead of both the 1990 and 2000 market crashes, 2% in 2007 ahead of the global financial crisis and 1% at the last market top in 2021. Our research suggests that this year it accounts for no more than 0.5%.

**Figure 1: M&A activity % of total US market value**  
Some past peaks have coincided with market tops



Source: LSEG, Rathbones, as of 9 Dec

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### Echoes of the past

Still, there are plenty of historic examples of 'top of the market' deals. The peak of Japan's 1980s boom, which its stock market indices have only recently regained, was marked by Sony's bid for Columbia Pictures. The deal cost Sony just \$3.4bn, to give some idea of how asset prices have inflated over the last thirty-six years. It had previously bought CBS (former Columbia) Records in 1987. (Interestingly, CBS Broadcasting, a separate entity but from the same original stable, is today part of Skydance Paramount – plus ça change.) These were examples of Sony trying to create synergies between two different types of business, which is always a dangerous gambit. Sony was a consumer device manufacturer (from televisions and VCRs to Walkmans and then compact disc players) while Columbia was a producer of 'content'. The thesis was that having control of exclusive content would drive demand for the devices you needed in order to watch it, a shift that never caught on.

Warner Brothers was also part of the Time Warner group that was bought by internet service provider AOL in 2000, a deal that ended up destroying billions of dollars of value for Time Warner's shareholders. Again, the mantra of 'content is king' drove this deal, to no ultimate avail. Around the same time, Vodafone embarked on a customer land grab with the acquisition of Germany's Mannesmann, a deal destined to disappoint owing to a combination of over-optimistic expectations, unexpectedly high mobile spectrum costs and intense competition. Vodafone's shares peaked at 568p (in their current form) in March 2000 and today trade at just 94p. Even accounting for the reinvestment of (generous) dividends, the shares have delivered a total return of -25%. By issuing shares and overpaying for this deal, they massively diluted shareholders (although if they'd done it with debt, the company probably wouldn't exist today).

### Confidence or hubris?

Jump forward to 2007, and we had Royal Bank of Scotland's hubristic bid for Dutch Bank ABN Amro, one of the factors that led to the meltdown of the UK financial sector in 2008. As the value of its

assets collapsed during the global financial crisis, the only viable solution was a taxpayer-funded government buyout, another massively dilutive deal for existing shareholders. Again, the bank still exists today, now under the banner of the NatWest Group (which RBS had purchased earlier), although having delivered a total return of -83% from its March 2007 peak.

**Figure 2: RBS and Vodafone share prices**

Examples of M&A signalling the peak



Source: Factset, Rathbones, as of 9 Dec

I'm not authorised to offer a public opinion on Netflix's shares, but I would observe that at least it's (potentially) buying something that fits well with the existing business, even if it does go more aggressively down the content creation route. It's far too early to tell whether either bid will be a good deal or not. Much will depend on the price paid and how the financing is structured between equity and debt.

Netflix has the greater muscle by far, with total outstanding shares (market capitalisation) worth \$410bn. So a failure would not necessarily be an existential threat, even if it is planning to issue around \$55bn of debt to fund the prospective acquisition. Skydance Paramount, on the other hand, has a starting market capitalisation of just \$16bn. Even allowing for the \$41bn of new equity that is being provided by an interesting group of players, its planned assumption of \$54bn of debt is a much bigger deal. These investors include Middle East sovereign wealth funds (with the Saudi fund already part of the bidding consortium for EA),

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private equity backers, and an investment company run by Donald Trump's son-in-law.

There is also a big chunk (\$12bn) coming from the family of Skydance Paramount CEO David Ellison. Yes, it helps if your dad is none other than Larry Ellison, the founder and CEO of Oracle, the tech company that recently signed a deal to construct datacentres for ChatGPT creator OpenAI. Oracle's shares have given back their initial gains when the deal was announced on concerns about debt levels, but Ellison Sr is still worth around a quarter of a trillion dollars thanks to his 40.6% stake in Oracle. There's a TV show to be made about this, surely!

### Entertaining ourselves to death

And once any deal is sealed, what then happens? Will the winner offer viewers more content for the same price, raise the monthly subscription or wall some of the new content off (pay-per-view)? And a lot will also depend on the competitive response. Any sort of 'fight to the death' for market share could end up being a losing proposition for everyone, although other players such as Disney and YouTube are not short of funds to keep the fight going.

A lot, too, will depend on plenty of factors outside Netflix or Paramount's own hands, such as underlying consumer behaviour and, dare I say, Presidential whim. In any event, there is limited evidence suggesting that this deal signals a market top.

Finally, we might also recall another sign of the times, when a minnow tried to swallow a whale. It was 1987, and the advertising agency Saatchi & Saatchi, famed for creating the campaign that helped to bring Margaret Thatcher to power, launched a bid for... Midland Bank! Midland was at the time the smallest of the 'Big Four' UK Banks (after NatWest, Barclays and Lloyds) and was later acquired by HSBC. I'm sure they thought it was a great opportunity at the time, although the whole affair still leaves me scratching my head almost four decades later. It was, quite obviously, doomed to failure and marked the peak of the fortunes of the Saatchi Brothers in the advertising industry.

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## Economic highlights

**UK.** Data on consumer credit balances for October showed there was limited appetite to take on new debt ahead of the Budget. The £1.1bn rise was well below the 6-month average of £1.5bn.

Precautionary savings rose, with £6.8bn more cash going into bank accounts against the 6-month average increase of £5.9bn. With taxes in the Budget having risen less than expected (in aggregate), although with some households being squeezed more than others, there is potential for a bit of relief spending in the run up to Christmas. September mortgage approvals held steady at 65,018, suggesting some support from lower mortgage rates. More rate cuts are expected in 2026.

**US.** We're still catching up with US data that was delayed by the government shutdown. Consumer spending rose 0.3% in September, in line with expectations. Real (inflation-adjusted) personal spending was flat, reflecting a 0.3% increase in real services spending but a 0.4% decline in real goods spending. The Federal Reserve's preferred inflation measure, the core PCE index of prices (excluding volatile food and energy prices), slowed to 2.83% in September. That's still well above the Fed's 2% target, and will be a key factor in this week's policy deliberations. The University of Michigan's index of consumer sentiment increased by 2.3 points to 53.3 in the December preliminary report, somewhat above expectations. The survey's current economic conditions component ticked down 0.4 to 50.7, the lowest reading in the survey's history, while the consumer expectations component increased by 4.0 to 55.0. The University of Michigan noted that the increase in the expectations component was "led by a 13% rise in expected personal finances, with improvements visible across age, income, education, and political affiliation," while "[labour] market expectations improved a touch but remained relatively dismal."

**Europe.** The latest European data has been more encouraging. While the PMI index of activity in the manufacturing sector (49.6) remains just below the 50 level that demarcates growth from recession, services are more robust at 53.6. And the eurozone has much less of an inflation problem than, for example, the US or the UK, with core CPI running at 2.4% (and headline CPI at 2.2%). Citigroup's Economic Surprise Index reading of +32 is close to this year's high and the best of the main economic

regions. While markets had got to the point of not expecting the European Central Bank to cut its deposit rate below the current 2%, it was a surprise to hear ECB board member Isabel Schnabel suggesting that the next move could be an increase, although not for some time yet. Pricing of interest-rate futures now indicates the very small probability of a rise within the next year.

**China.** Exports increased by 5.9% year-on-year in November, beating expectations for 4.0% growth, and bouncing from an unexpected -1.1% decline in October. Imports rose by 1.9%, below the expected 3.0% increase, with the long-term housing downturn and rising job insecurity hindering domestic consumption. China's annual trade surplus in goods has broken through the \$1 trillion barrier for the first time, an indication of its apparently successful pivot away from the US to other export markets.

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