More from The Hollywood Reporter

www.hollywoodreporter.com/movies/movie-news/warner-bros-merger-movie-theaters-1236444439/

December 9, 2025

Movie Theaters Dread Any Warner Bros. Merger, Fear “Tipping Point” Where Whole System “Crumbles”

Cinema owners oppose a megadeal that would see one of the last Hollywood legacy studios snapped up only five years after the demise of 20th Century Fox: "We have fixed costs."

Ted Sarandos at The Egyptian Theatre Hollywood on November 11, 2025. *Emma McIntyre/Getty Images*

Netflix co-CEO Ted Sarandos extended an olive branch to theater ownerson Monday after rival David Ellison and his mega billionaire father, Larry Ellison, launched a $108.4 billion hostile bid that could derail the streamer’s $82.7 billion deal to buy Warner Bros., home of one of the few remaining iconic Hollywood movie studios.

Speaking at an investor’s conference Monday in New York City, Sarandos made it clear that Warner Bros. will remain in the business of releasing movies theatrically (conversely, original films made for Netflix will stick to their gameplan). “We have not talked a lot about in the past about wanting to do theatrical, because we’ve never been in that business. When this deal closes, we be will in, and we’re going to do it,” said Sarandos, indicating that all of the studio’s box office this year, including *A Minecraft Movie*, *Weapons* and *Sinners*, wouldn’t have driven the same value without a proper release, with the implication being a robust marketing spend, something Netflix is loathe to do for its fare. “We didn’t buy this company to destroy that value,” he concluded.

While Sarandos makes for an easy punching bag because of his long issue with theatrical windows, exhibition sources tell *The Hollywood Reporter* that the personalities involved — whether Sarandos or Ellison or Comcast’s Brian Roberts, whose company was the third bidder for Warner Bros. — isn’t the most pressing issue. Rather, it is a continuing decrease in the number of movies released and the demise of another major legacy Hollywood studio only five years after 20th Century Fox was absorbed by Disney as part of the larger Disney-Fox merger. The sale process to Netflix could take 12 to 18 months, or longer to close.

The pipeline slowdown ground to a halt a year later when the pandemic struck, which saw theatrical windows shrink dramatically all on their own. The historic labor strikes of 2023 compounded production and post-production delays, which impact the release calendar to this very day. Box office experts say 15 to 20 percent of regular moviegoers have simply never returned, reflected in the fact that domestic box office revenue in the post-pandemic era has barely cracked $9 billion in any given year, compared to $11 billion prior to COVID. This year, revenue is expected to come in on par with last year’s $8.8 billion.

“Further consolidation in the industry, no matter who is bringing studios together, is a real threat and potentially existential threat to cinemas,” Mike Bowers, who runs Harkins Theatres and is chairman of Cinema United’s executive board. “And I would say beyond that, it’s not just to cinemas, it’s to the whole ecosystem. I think there’s a misunderstanding. That’s not the way the industry works. We have fixed costs. You reach a tipping point there where it doesn’t just continue to get smaller, it crumbles. And at that point you don’t have an ecosystem that can support it.”

Sarandos has a long and complicated relationship with theater operators. His philosophy: Netflix is about serving its subscribers, even if at the expense of the theatrical experience, a point of ongoing friction with filmmakers. While the streamer has been willing to give certain movies an exclusive run in theaters before hitting the service, it’s generally only for one or two weeks (and to guarantee it can get screens, it helped save the Egyptian Theatre in Los Angeles and bought the historic Paris Theatre in New York City). Martin Scorsese’s Oscar contender *The Irishman* even got a four-week exclusive limited run. And earlier this year, Sarandos irked many when saying that taking a trip to a cinema was an outdated mode of entertainment for many consumers, who prefer watching a title at home (he isn’t wrong, necessarily). At the same time, the service has booked 30 titles this year, including cinematic sensation *KPop: Demon Hunters*, which grossed an impressive $24 million in only two weekends (Netflix doesn’t report grosses, so that’s an educated guess). There’s also a new *Knives Out* movie, but most circuits — including heavyweights AMC Theatres, Cinemark Theatres and Regal Cinemas — are refusing to play it since it is also on the service.

Like all of Hollywood, exhibitors around the globe were stunned last week when Netflix prevailed in a heated contest to buy Warner Bros. The Ellisons were widely viewed as the frontrunners, and certainly acted as such. At least part of the reason was their close ties to President Donald Trump. As it turns out, Sarandos was also quietly working the room, and had a recent sit down with Trump at the White House. (The veteran Netflix executive took a far more low-key approach; much as NBCUniversal Entertainment chair Donna Langley did when wooing *Yellowstone* showrunner Taylor Sheridan away from his TV deal at Ellison's Paramount at the end of 2028).

In the hours after the Netflix news was announced, theater owners quickly mobilized via Cinema United, the largest trade org for exhibitors. Several sources tell *THR* that opinion within the group was divided during the Fox-Disney merger, so there were no public statements. That wasn't the case this time.

Cinema United CEO Michael O'Leary issued a terse warning saying the proposed acquisition by Netflix "poses an unprecedented threat to the global exhibition business."

Continuing he said, "Cinema United stands ready to support industry changes that lead to increased movie production and give consumers more opportunities to enjoy a day at the local theatre. But Netflix's stated business model does not support theatrical exhibition. In fact, it is the opposite. Regulators must look closely at the specifics of this proposed transaction and understand the negative impact it will have on consumers, exhibition and the entertainment industry."

Also on Monday, Ellison reiterated that the movie studios at Paramount and Warner Bros. would release more than 30 movies a year should he ultimately win. "We're going to satisfy the appetite of the moviegoing public," he said.

Ellison and Sarandos may be well intentioned in their statements regarding theatrical, but the recent past shows that consolidation — even when it involves legacy studios committed to theatrical — results in fewer films being made for theatrical distribution. In 2016, Disney and 20th Century Fox released 26 new titles in more than 2,000 domestic theaters each. This year, the combined total is 14, a 46 percent decline. The impact of this drop on domestic box office is that 20th Century titles (Fox is no longer part of the title) are projected to gross $900 million less this year than in 2016, a drop of 63 percent.

"The negative impact of this acquisition will impact theatres from the biggest circuits to one-screen independents in small towns in the United States and around the world," O'Leary said in his Dec. 5 statement.

Sarandos countered this on Monday: "I think it's important to note that what we are going to do with this is we are deeply committed to releasing those movies exactly the way they're releasing the movies today."

An exhibition executive who wanted to remain anonymous added to *THR* that this will require Netflix to make a true commitment to a robust slate with a meaningful period of exclusivity supported by marketing. And one studio chief believes Netflix will ultimately eliminate windows, even on Warners titles. “That’s what this merger is all about, getting content and doing away with windows,” the exec said, citing Sarandos’ comment to an analyst on Dec. 5 that window would continue to evolve to be more consumer friendly.

Wall Street analyst Eric Handler of Roth Capital Partners puts it another way. “Since Warner Bros. is locked in contractually to release its movies into theaters through 2029 that’s not really a near-term risk,” Handler said. “I think the big question is how much marketing support will Netflix be willing to provide to the studio’s titles? Are they going to spend 1:1 in terms of budget to P&A that many other studios use as a guide? That could be a big concern.”