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Dalian Wanda of China May Buy Majority Stake in Legendary Entertainment

By **BROOKS BARNES** and **MICHAEL FORSYTHE** JAN. 5, 2016

LOS ANGELES — The Chinese conglomerate Dalian Wanda Group, which already owns the AMC chain of multiplex cinemas, is poised to buy a majority stake in a Hollywood production company that makes blockbuster-style movies, giving the politically powerful company with close ties to the Communist Party's ruling elite a foothold in the heart of America's entertainment industry.

Investors in the production company, Legendary Entertainment, have agreed to sell Wanda their stakes in a deal that values Legendary at about \$4 billion, according to people with knowledge of the matter, who spoke on the condition of anonymity to discuss a transaction that was not yet public. The investors cashing out of Legendary own a little more than 50 percent of the company, these people said.

The rest of Legendary will continue to be owned by its management, including Thomas Tull, a former laundromat owner who founded the production company in 2000 and turned it into a Hollywood powerhouse. Legendary's hits include "Godzilla" and "Pacific Rim." It has also been trying,

with limited success, to develop a television division.

Industry experts say the deal makes sense for both Wanda and Legendary, which tends to produce the type of big-budget, special-effects-driven movies that Chinese audiences like. In addition to owning AMC, Wanda controls the biggest cinema chain in China, where box office receipts are set to eclipse the North American market in coming years. Wanda, a company owned by China's richest man, can provide Mr. Tull with money, a growing audience and a champion in China that can get more of his films into the tightly controlled market.

“Wanda represents a good source of funding for him,” Peter Schloss, managing partner of CastleHill Partners, a merchant bank specializing in the media and sports industries, said by telephone from Beijing. “Wanda likes the deal because it segues into the approach that they are using to build themselves into a multifaceted entertainment conglomerate.”

The deal, earlier reported by Reuters, deepens Wanda's foray into the movie production business. Wanda made a splash in 2013 when it announced the construction of a mammoth, \$8.2 billion studio in eastern China, flying in stars like Leonardo DiCaprio and Nicole Kidman for the occasion. Last year, Wanda helped produce “Southpaw,” a boxing movie starring Jake Gyllenhaal and Rachel McAdams, which was released by the Weinstein Company. Wanda bought the AMC chain for \$2.6 billion in 2012, including \$2 billion in assumed debt.

Wanda's investment also makes sense politically for its chairman, Wang Jianlin, a former military officer who is carrying out the Communist Party's goal of deepening China's influence in the global entertainment industry. As many of China's most powerful families, including relatives of President Xi Jinping, have bought shares in Wanda, the Legendary purchase furthers Mr. Wang's importance to the country's political elite at a time when some of the country's richest businessmen are falling victim to Mr. Xi's anticorruption

campaign, now entering its fourth year.

“He’s basically putting himself in such an important position that makes it really difficult for the government to go after him, because he’s actually carrying the water for the government in terms of making inroads into Hollywood,” said Stanley Rosen, a professor of political science at the University of Southern California who studies China’s film industry. “That’s an important aspect of government policy.”

Still, Mr. Rosen said that the deal was best explained in business terms for Wanda, a private company, allowing it to leap over competitors like Alibaba, which is also expanding its presence in Hollywood. And since Legendary’s primary focus is on American-style action movies, the opportunities for China to use the deal to increase its global “soft power” are limited. “If you’re not promoting Chinese values and not promoting Chinese films overseas, how will this help Chinese power?” Mr. Rosen asked by telephone.

Ticket sales in China grew nearly 50 percent in 2015, to \$6.78 billion, according to government data. (“Pacific Rim,” for instance, collected \$112 million in China in 2013.)

Coming Legendary films include a “Godzilla” sequel that pairs the radioactive lizard with King Kong, and “Warcraft,” an expensive adaptation of the popular video game. Legendary releases its films in partnership with Universal Pictures, a division of the Comcast-owned NBCUniversal.

A spokeswoman for Legendary declined to comment. A spokesman for Wanda, David Connolly, did not respond to an emailed request for comment and did not answer his phone.

Brooks Barnes reported from Los Angeles, and Michael Forsythe from Hong Kong.

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