Disney-Pixar: It's a Wrap

The deal would make Steve Jobs the Mouse House’s biggest shareholder, and it could shake up the industry

The merger of high tech and entertainment seems to have arrived. At an all-day meeting on Jan. 23, Walt Disney’s (DIS) board of directors agreed to buy Steve Jobs’s Pixar Animation (PIXAR) powerhouse for about $7 billion, BusinessWeek Online has learned. Jobs, who’s also chief executive of Apple Computer (AAPL), would become Disney’s largest shareholder and take a seat on the Disney board, according to sources with knowledge of the deal.

The transaction could transform Disney, whose own animated films have been less than spectacular in recent years, into the animation dynasty it was during the early 1990s, when it turned out such hits as Beauty and the Beast and Lion King. But just as important, the acquisition will usher in a new era in which Disney, with Jobs and Disney CEO Bob Iger allied, could rewrite the rules of how entertainment is distributed digitally via new consumer technologies.

Additional specifics about the deal aren’t yet clear. As of late Jan. 23, the agreement still had to be approved by Pixar’s board of directors, the sources say. Disney’s board approved the transaction with the expectation that it could be announced on Jan. 24. The terms include giving Jobs an estimated 7% stake in Disney and letting Pixar’s top creative executive, John Lasseter, have a key role in advising Disney in creative matters. It’s expected that Pixar, which made such animated blockbusters for Disney as Toy Story, Monsters, Inc., and The Incredibles, would continue to work from its Northern California headquarters.
MORE CORDIAL NOW. An immediate announcement of the deal was held up so that Jobs and Pixar top officials could personally tell Pixar executives, presumably on the morning before the announcement was made public. A Disney spokeswoman declined to comment beyond denying that a deal had been reached.

If completed, the agreement would end a long and initially stormy negotiating process between the two companies (see BW Online, 1/20/06, "Will Steve Jobs Be Disney's Big Cheese?"). The companies' existing agreement, in which Disney and Pixar share the cost of making the films while Disney releases them, was scheduled to end this summer when Pixar delivers the final film, Cars, under that agreement. Since then, Jobs has been talking to other studios about doing a distribution deal, but he has kept open the lines of communication with Disney executives. Relations between the two companies improved last year, when Disney CEO Michael D. Eisner, with whom Jobs often sparred, resigned.

Jobs's relationship with Eisner's successor, Bob Iger, is much more cordial, and Iger nurtured their ties by making Disney TV shows like Desperate Housewives and Lost available for the video iPod that Apple began selling last year. Moreover, Iger and Jobs get along well on a personal level, as co Jobs with Disney studio chief Dick Cook, the initial architect for the Disney side.

FORWARD THINKER. Whether or how quickly Jobs can push Disney further into digital distribution for films is unclear. But analysts have long predicted that Apple will eventually introduce living room gear to make that more feasible. Many Apple rumor sites have suggested that Jobs & Co. are working on a version of the Mac Mini that would be designed to connect to the TV and could be operated via Apple's Front Row software and Apple Remote, which are already available on the iMac desktop PC. Such a machine would let customers who download movies via Apple's iTunes Music Store watch them on their TVs.

Iger, who's an early adopter for many new technologies, is considered among the most forward thinking of media executives and is likely to welcome accelerated delivery of entertainment over the Web and through wireless means, if safeguards could be worked out to secure the content.