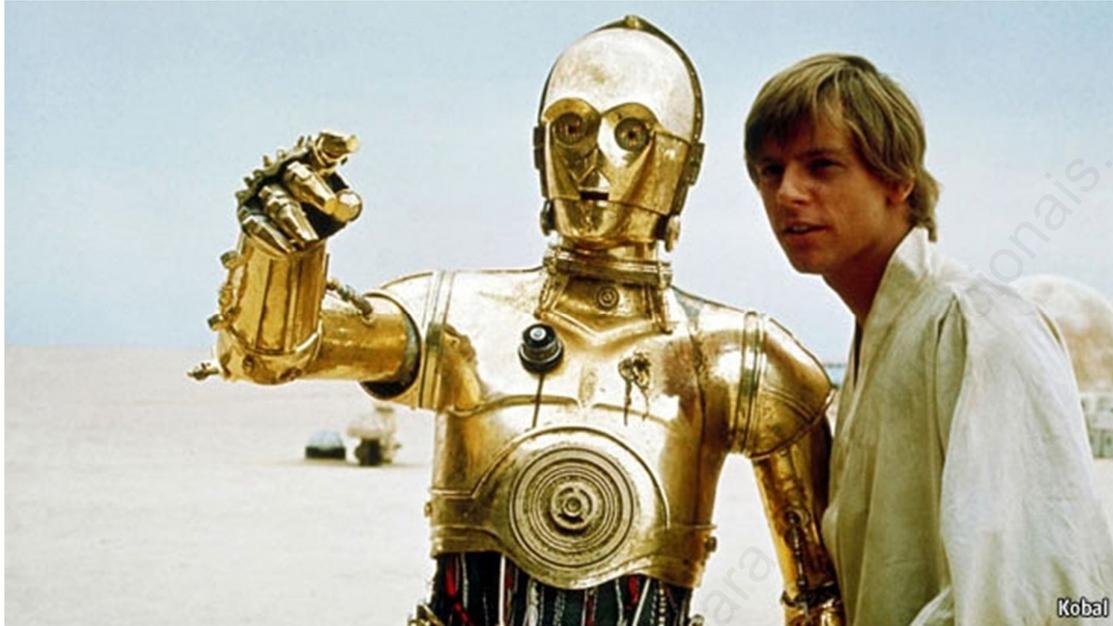


Wishing upon a Death Star

Disney buys out George Lucas, the creator of "Star Wars"



Is that Pluto?

Star Wars fans raised their light sabres to rejoice. Yet another whizz-bang, good-versus-evil trilogy looms, starting in 2015. And it's all thanks to the darkest force in the galaxy: Mickey Mouse. On October 30th Disney agreed to buy Lucasfilm, the production company behind "Star Wars", for \$4 billion in cash and stock. The entire bounty goes to George Lucas, the creator of Star Wars, who owns 100% of Lucasfilm. It cements his reputation as the most financially canny film-maker alive.

Mr Lucas, who is 68, is expected to retire. Kathleen Kennedy, a business partner of Steven Spielberg and producer of hits such as "ET" and "Jurassic Park", was appointed co-head of Lucasfilm only four months ago, perhaps with this transition in mind. Yet Mr Lucas will remain a forceful presence. He will be one of Disney's largest shareholders, and he is sure to advise it on the new Star Wars films.

For Disney, buying another mega-franchise makes sense. Disney has been doing well. Its share price has risen to an all-time high of \$53 on strong growth in its theme-park, TV and movie businesses. As of June, it had around \$4.4 billion in cash on hand. But analysts recently started to downgrade Disney's shares, doubting that its stellar recent performance would continue.

Lucasfilm gives Disney material for fresh hits in tough times. Studio bosses complain that the only films that pull crowds to cinemas are familiar franchises such as Batman or James Bond. People are spending more time watching small screens and shelling out less to watch features on large ones, even when studios are spending more to make them. Around 1.28 billion movie tickets were sold in America last year, the fewest since 1995. This summer would have been dismal without the success of "The Avengers" and "The Dark Knight Rises". Studios have kept revenues stable only by raising ticket prices.

What's more, few people buy films on DVD these days, which has hit studios hard. They are scaling back the number of films they make by around a third. If Disney is going to place fewer bets, it makes sense for "Star Wars" to be one of them.

Since 2005, when Bob Iger replaced Michael Eisner as boss, Disney has been good at empire-building. In 2006 it paid \$7.4 billion for Pixar, an animation studio co-created by Steve Jobs of

Apple that made hits such as “Toy Story” and “Finding Nemo”. In 2009 Disney bought Marvel Entertainment for \$4.2 billion, thus recruiting an army of comic-book heroes to cast in blockbusters such as “The Avengers”, which has grossed more than \$1.5 billion worldwide this year.

Both were tricky deals. Disney’s rivals, such as NewsCorp or Sony, might well have messed them up. But Disney found synergies with the new firms, while allowing their creative types the freedom to carry on with what they do well.

Disney knows that big hits can help it make big sums on toys, T-shirts and other products. This year a quarter of Lucasfilm’s revenue—around \$200m—will come from licensing toy droids, Sith Lord helmets and the like. That is not bad for a year which has not, alas, seen a new “Star Wars” film. Disney hopes to help expand Lucasfilm’s global reach and integrate its characters into its cable networks and theme parks.

But the real prize in Lucasfilm may be its technology. Hollywood today is in a “special effects arms race”, says the boss of a major studio. Lucasfilm’s THX sound systems and Industrial Light & Magic special-effects unit are regarded as the best in the business. (Pixar sprang from Lucasfilm’s animation technology.) Video games, which rely on special effects, are a bigger part of the business than ever.

Jeffrey Katzenberg, who co-founded DreamWorks Animation with Mr Spielberg and David Geffen after being forced out of Disney in 1994, recently described new animation technology as “maybe the most powerful paintbrush ever put in the hands of artists”. In the past four years, Dreamworks, whose hits include “Shrek” and “Madagascar”, has joined forces with Intel, a chipmaker, to devise even zappier technology. The empty theatres playing “John Carter”, a sci-fi flop, reminded Disney that live-action films are less predictable hits than animated ones. Animated films are also easier and cheaper to tweak if test audiences hate them.

In 2005, when the last “Star Wars” film was released, Lucasfilm generated around \$550m in operating profit. Disney is hoping for similarly vast rewards. And indeed, there is plenty of life left in old franchises. Sony’s “Skyfall”, the latest instalment of a franchise that began even far, farther back than Star Wars, is expected to be the most lucrative yet. As Yoda might have put it: “Dollars, billions you will make.”

Into the Mouse’s maw
Selected Walt Disney Company acquisitions

Date	Company	Value, \$bn	Comment
Oct 2012	Lucasfilm	4.1	A stellar franchise at a galactic price
Aug 2009	Marvel Entertainment	4.2	A comic-book company; Iron Man meets silver screen
Jan 2006	Pixar	7.0	The animation studio co-founded by Steve Jobs; Disney gains toys, bugs and computer-animation skills
July 2001	ABC Family Worldwide	5.2	A family television network
July 1995	Capital Cities /ABC	19.5	With this Disney became the world’s largest media company; it still is

Sources: Bloomberg; *The Economist*

Fonte: *The Economist*, London, v. 405, n. 8809, p. 65, 3 a 9 Nov. 2012.