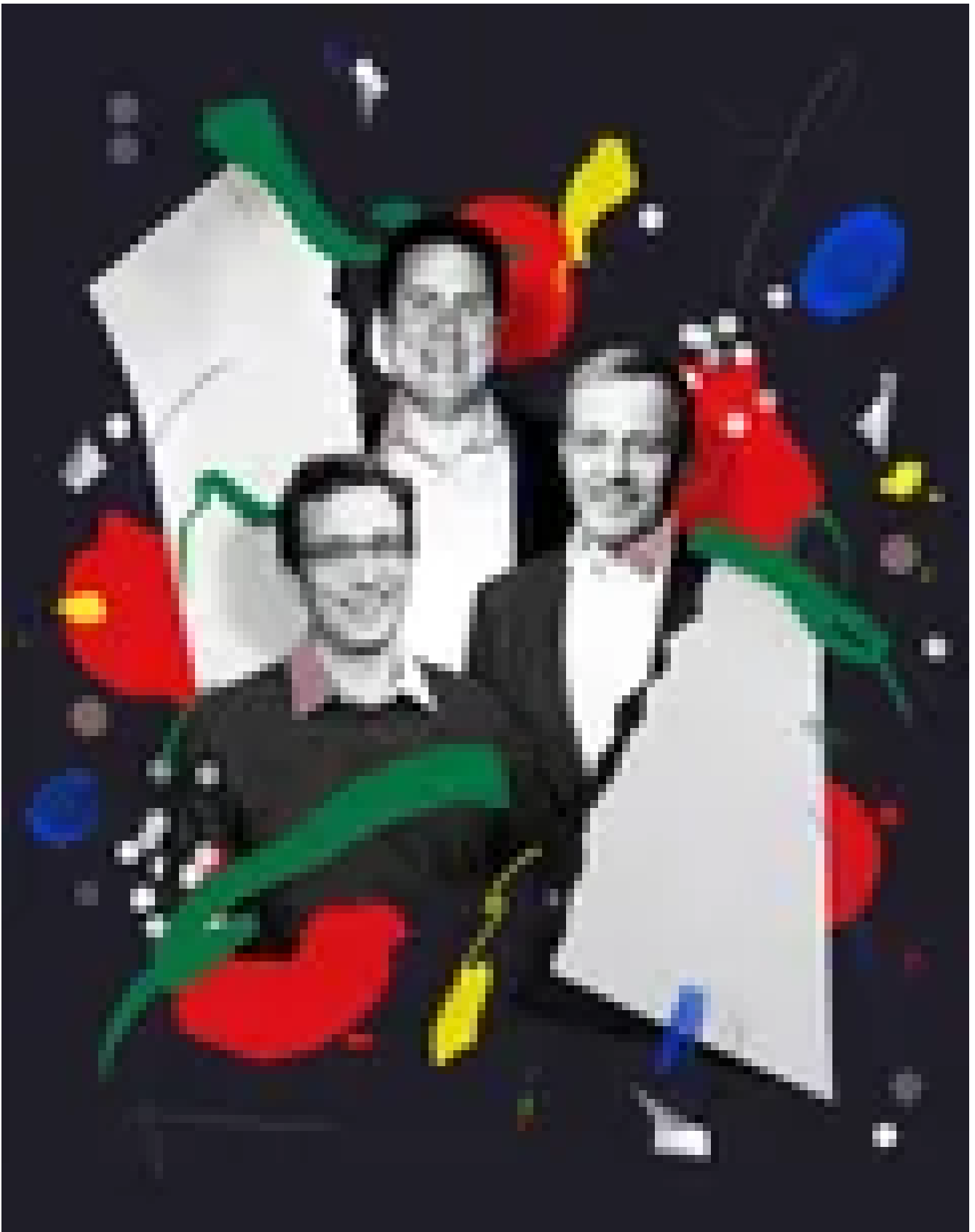


“F--k Him, He Loses”: The Inside Story of How Disney’s Attempt to Buy BuzzFeed Fell Apart

In an excerpt from his new book, *Traffic*, former BuzzFeed editor in chief Ben Smith reports how Jonah Peretti enraged Bob Iger by turning down a half-billion-dollar offer a decade back—and kept riding the digital media wave until it crashed.

BY BEN SMITH

APRIL 23, 2023



Jonah Peretti, Ben Smith, and Bob Iger couldn't make this megadeal a reality. ILLUSTRATION BY SELMAN HOSGÖR.

By the end of 2013, BuzzFeed was having it all. Our traffic hit 130 million unique visitors a month, riding Facebook's relentless growth. Some of our competitors had begun to imitate everything we did, which mostly amounted to making lists. Others promised to do the same thing we were, but without the embarrassing memes. In Silicon Valley, an ambitious former Goldman Sachs banker named **Carlos Watson** persuaded an old friend, **Laurene Powell**

Jobs, to finance a website called Ozy that would aim to be a smarter, slicker, more socially conscious BuzzFeed. And in that frothy moment, it seemed to make sense for America's best media company, and its safest brand, to buy us.

Disney, to the degree it had been aware of BuzzFeed at all, had noticed the rather generous interpretation of fair use of its copyrights in items like "Which Disney Princess Are You?" But Disney was also scrambling to figure out how it fit into a rapidly changing digital world, and in the spring of 2013, **Ben Sherwood**, the former wunderkind producer turned president of ABC News, which Disney owned, sat with the company's chief executive, **Bob Iger**, at the Coral Tree Café in Brentwood and asked him if he'd ever heard of BuzzFeed. Iger said he had but hadn't really looked deeply into it. Sherwood explained that ABC News, in his view, had fallen dangerously out of sync with the times as corporate media lumbered toward what would be referred to in conference room PowerPoints as "digital transformation." What the place really needed, he said, was a DNA transfer.

ADVERTISEMENT

THE HIVE NEWSLETTER

Daily updates from Washington, Wall Street, and Silicon Valley.

Your email _____

Enter your email

SUBMIT

BY SIGNING UP YOU AGREE TO OUR USER AGREEMENT AND PRIVACY POLICY & COOKIE STATEMENT

BuzzFeed was the mid-aughts brainchild of **Jonah Peretti**, an online culture jammer turned business operator who had already cofounded left-leaning juggernaut The Huffington Post with **Arianna Huffington**, **Kenneth Lerer**, and the late Andrew Breitbart. When I joined BuzzFeed as editor-in-chief in 2011, it was a popular destination for videos of cuddly critters and viral memes. I was tasked with building a news operation propelled by the social web, and as the Twitter-fueled 2012 election got going, we were competing with legacy media stalwarts and newcomers like my former employer, Politico, and getting on the radar of behemoths like Disney.

TRAFFIC

BEN SMITH

CONTROL, REVELRY,
AND DELUSION IN THE
BILLION-DOLLAR RACE
TO GO VIRAL

Available for pre-order on [Amazon](#) and [Bookshop](#).

If Disney bought BuzzFeed, the entertainment giant could massively increase the internet company's value by juicing its ad sales—and meanwhile, BuzzFeed would BuzzFeed-ify ABC News's website and reverse its aging audience demographics. Iger liked what he saw, and he knew he could get in touch with Lerer, with whom he'd discussed a Huffington Post investment in 2008 and who was now BuzzFeed's chairman. Iger's deal guy, **Kevin Mayer**, a rangy, gregarious executive whom many saw as the next CEO, liked it too. Disney needed a way to deliver its shows on the internet and to circumvent the movie theaters and television stations that represented the dying 20th century.

Peretti huddled with Lerer and, on September 30, emailed him a long list of the things that would make him want to do the deal—at a price, he proposed, of \$600 million. “I want to chase Yahoo and MSN in scale and the NYT in quality,” Peretti wrote. He proposed developing a “new cast of online only Disney characters in collaboration with Disney team.... One of them should be gay, all of them should be inspiring, have good values, and a contemporary, positive style.” Plus, he would insist on “continued editorial independence for Ben Smith.” He and I were in the middle of recruiting a star investigative editor, **Mark Schoofs**, from the nonprofit ProPublica, and he had an inkling of how hard it would be to make money in that line of work, so he proposed asking for \$5 million a year for investigative journalism. Through the fall of 2013, Iger talked to Peretti and Lerer as Disney accountants and strategists quietly examined BuzzFeed's books, and on October 24, we were invited to the House of Mouse.

We traveled to Los Angeles with a pretext: BuzzFeed was opening a cavernous new office, a former soap factory on Beverly Boulevard. But the real point of the trip was the meeting at Disney's studios in Burbank, a set of old Hollywood buildings designed by Walt himself. Iger met us at the top of the elevator in the softly lit executive floor. He was alone, relaxed, wearing a sweater, and acting like an uncle who was thrilled you'd made it in time for Thanksgiving dinner. Peretti was wearing a button-down shirt with three shades of brown checks, crisp but not tucked in. The event had the false informality of all contemporary business meetings. Iger had just gotten back from Washington, he mentioned, and was so grateful we'd been able to make time for him. (He didn't mention he'd been meeting with President **Barack Obama**.) I sat on one side of the long table with Peretti, BuzzFeed president **Jon Steinberg**, and **Ze Frank**, Peretti's old internet friend who had started BuzzFeed's fast-growing video arm. A half dozen Disney executives sat on the other.

From the perspective of a MEDIA COMPANY, an offer from Disney was like getting into Harvard. From the perspective of a venture-backed start-up, THE DEAL WAS A NO-BRAINER.

Iger and Peretti each delivered long speeches laying out the companies' value to each other. Peretti had been making a study of Iger and had come to understand that the role of a CEO at that level was twofold: Iger was a banker, deciding where to allocate resources, and a politician, finessing personal relationships and a public message. I watched Peretti imitate Iger, then watched Iger mirror Peretti's own speech back to him, structuring his discussion of Disney's plans to match Peretti's monologue on BuzzFeed's aspirations. To Peretti, this was Disney's most compelling aspect—the chance to study a true master and to learn from him, to be one of 13 people reporting directly to the most successful CEO in modern media.

1 year for just ~~\$29.99~~ \$8 + a free tote.

1 year for just ~~\$29.99~~ \$8 + a free tote.

Subscribe Now ▶

We drove back from the lot to Palihotel, a slick-looking but inexpensive spot on Melrose, where Peretti's room had a balcony over an alley. Steinberg had finagled a prescription for legal marijuana, then a novelty, and while we smoked, Peretti solicited our input. I told him that we were building something great at BuzzFeed, that we were just getting started, that Disney's corporate culture would stifle us. Frank had already told him the same. Steinberg was shocked we'd consider saying no. He'd left the meeting with Iger on a high, believing that his longtime dream was coming true. Steinberg had loved Disney since he was a 15-year-old intern there: He had spent the best summer of his life working on the *Aladdin* virtual reality attraction, and he still took his family to the theme parks every year. From the perspective of a media company, an offer from Disney was like getting into Harvard, Steinberg said. And from the perspective of a venture-backed start-up, the deal was a no-brainer too. Steinberg's father was a top Manhattan real estate broker, and he'd taught his son the industry wisdom that the first offer you get is probably the best one. Steinberg got down on his knees on the balcony to plead with Peretti to take the deal.

While I receded into a corner, alternately spaced out and laughing hysterically, and while Steinberg begged, Peretti grew even more abstracted than usual. He conducted a kind of Socratic dialogue with Steinberg in which he seemed at times to be talking to himself. He asked why Steinberg really wanted to do the deal, and Steinberg scrambled to give whatever answer would push Peretti toward yes. You just want money, right? Yes, Steinberg said. But is it really money you want? Or is it status? You don't just want a house—you want it in the right part of the Hamptons, right? Sure, yes, status. Steinberg tried to lead Peretti back toward the wisdom of the deal—but Peretti seemed to be exploring his own motives, wondering what he actually wanted as he towered over Steinberg, laughing. Peretti didn't seem to care about money, and

he had a kind of reverse snobbery about the status money would buy. He didn't even like the theme parks, Peretti told his appalled deputy. Steinberg was crushed and furious at me and at Frank; he believed, probably rightly, that if the three of us had been unified, we could have brought Peretti along. Steinberg and I both stumbled to bed, convinced Peretti would turn the deal down.

Back in New York, when the details came in, it became clear that this was an offer that Peretti, almost, couldn't refuse. Disney was the most admired media company in the world, with a record of well-managed acquisitions like Marvel and Pixar. The price on offer was \$450 million with the potential of earning \$200 million more, an extraordinary sum for a company that had priced itself at less than half that just nine months earlier, and whose connection to Disney—a company obsessively protective of its image and its wholesome brands—was just a series of posts like “21 Completely Bizarre Moments in Disney History” (number five: “When Donald Duck promoted condoms during WWII”). Iger was persuasive. Peretti, Steinberg, and Lerer met nightly in the latter's Upper West Side living room, and Lerer heard them both make their cases—Steinberg's to sell, Peretti's about the risks of being stifled by Disney and the potential upside he still saw in the company's independence. Lerer knew Peretti would bridle at being pushed too hard, so he tried to nudge his protégé toward saying yes. The deal really was, by any normal standard, a no-brainer. On October 29, Peretti and Lerer flew back to Los Angeles, this time staying in Lerer's preferred hotel, the Chateau Marmont. At nine the next morning, they met Iger and Mayer to go back over the details we'd discussed in the same building five days earlier. Then they all shook hands, and at least some of the men left the room thinking the deal was done. And then, on the flight back, Peretti turned to his seatmate: He didn't think he could do it. Lerer, incredulous and quietly furious, told Peretti to call Iger and end the talks that day.

Peretti had never gotten fewer laughs in his life. He had a VISION OF HIMSELF having to explain the internet to these suits for THE REST OF HIS CAREER.

Peretti thought it would be more honorable to call it off in person, and so he instead called Iger to say that he wasn't committed and he'd like to meet again—and suggested they talk after Peretti's planned speech to Disney's management retreat in Orlando 12 days later. Peretti was still feeling his old partner Lerer's anger when he traveled to Disney World in Orlando on November 13 to speak to the company. The event was, for some 250 Disney higher-ups—the people who get to skip the lines at the theme parks—a nearly sacred gathering, running Thursday to Sunday at the sumptuous Grand Floridian Resort. Iger's smooth public persona

dominated the gathering. Executives worked out at 4 a.m. in hopes of running into him at the gym and, if they didn't see him, returned at 6 a.m. They were the people who ran theme parks in Asia and cruise lines in Europe, and sold content in Latin America and Australia. They signed up for essentially mandatory and strangely competitive sporting events like softball. When Peretti looked down at them from the stage in the grand ballroom, he saw people dressed like their boss, strenuously casual in shorts and collared T-shirts, ready to pretend to be relaxed.

As they gathered, Mayer mentioned to Sherwood that Peretti had asked to meet privately after the speech, shooting his colleague a quizzical look that said "weird guy." But if that was how he wanted the signing ceremony to go, that was fine. As they watched Peretti deliver his speech, trepidation grew for the executives who had worked on the deal. While Iger had staged Peretti's speech in a marquee slot to welcome him to the family, the BuzzFeed founder didn't seem to have prepared with any special care. There were no particular references to Disney, to his audience, his future colleagues. Those who had watched his speeches on YouTube recognized recycled jokes—his yarns about the Nike email and Black People Love Us! and his slides of corgis. As Peretti delivered one of his standard, edgy monologues—he liked to ask whether Mormons were better than Jews and explain that the real difference was about the quality of their distribution networks—an HR executive blanched and told the person sitting next to her that they might have a problem.

"Fuck him, he loses, that company WILL NEVER BE WORTH what it would have been worth with us," Bob Iger told an executive.

Peretti knew he could make himself, his investors, and many of the people who worked for him rich. He knew that the decision was still his to make, and while he was leaning against accepting Disney's offer, he took the stage without quite having decided. But the reception of his speech confirmed his decision. Peretti had never gotten fewer laughs in his life. He had a vision of himself having to explain the internet to these suits for the rest of his career while they stared blankly back at him and missed his jokes. The thing he had valued from the start when he built a company in his own image was freedom—his own and others', sometimes to a fault. Peretti couldn't see himself as an officer on this tight ship. He thought of something his old friend and investor Chris Dixon once said to him: Do you know how many lame rich guys there are, and how few people who really build something? Peretti just couldn't do it. He walked offstage and into a room with Iger and Mayer. There, he told them apologetically that his heart wasn't in it. The deal was off. There had been a car ready to take him to celebrate; Peretti took it to the airport.

Iger, who could blow up and regain his cool within seconds, was furious that Peretti had walked away from the deal—and equally puzzled that Peretti had accepted the speaking invitation first.

“Fuck him, he loses, that company will never be worth what it would have been worth with us,” he said to another executive. But there was no looking back. Four months later, Disney announced it would buy Maker Studios, which helped YouTube stars like the gamer PewDiePie sell advertising, for roughly the same \$500 million it had considered spending on BuzzFeed.

For Lerer, Peretti's theatrical decision marked the first break with his protégé. Steinberg was heartbroken. He thought Peretti was out of his mind and realized simultaneously that BuzzFeed was Peretti's company. The next thing Steinberg did, he vowed, would be entirely his own. He started racking up appearances on CNBC, studying how business news got made. Frank and I were relieved by Peretti's decision, which meant we could go back to making videos and breaking news. We fully believed that the winds of history were at our backs, and that we'd look down at the pittance Disney offered us one day and laugh. And Frank and I weren't the only ones who admired Peretti's balls. In Silicon Valley, that self-effacing boldness and egotism were catnip. And the charts of traffic and revenue pointed ever upward. Facebook's **Mark Zuckerberg**, legendarily, had turned down a \$1 billion offer from Yahoo! in 2006, defying many of his advisers. Peretti could now go and tell his Disney story to the same people, show off his traffic, take their money, and keep growing.

Peretti's decision didn't look like a mistake at first. BuzzFeed and its generation of media—Gawker, Vice, Vox—kept growing, playing central roles in the decade's culture and news. Even as their revenue numbers began to miss their targets, the growth fueled by Facebook and the sheer sense of destiny kept the hot financial markets open to raise more money, in retrospect, than they'd be worth.

As their businesses weakened and their brands aged, they rode different paths down the hype cycle. **Hulk Hogan** and **Peter Thiel** destroyed **Nick Denton's** Gawker empire. Vice, the best brand and the least credible business of the group, has collapsed under the sheer weight of its own \$5.7 billion valuation and appears to be ready to be sold off for parts. Vox has steered carefully through the wreckage and recently raised \$100 million on terms similar to the ones it was offering in 2014.

BuzzFeed, which had by then swallowed HuffPost, was the only one to make it to the public markets, riding the very end of the SPAC craze in 2021 to a messy public offering. I'd spent eight years leading a newsroom that, at its best, broke some of the biggest, most serious stories