

Paramount Acquire Warner Bros. Discovery in a US\$110bn Deal

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Transaction Summary

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|---------------------|----------------------------------------------------------------|
| Announcement Date | Feb 27, 2026 |
| Transaction Size | US\$110bn (US\$31 per share) |
| Premium / Discount | 114% |
| Expected Close Date | 3Q'26 (Requires supervision and shareholder approval) |
| Deal Structure | All-cash acquisition (US\$47bn equity + US\$54bn financing) |

Acquirer Profile – Paramount Skydance Corp.



Paramount is a next-generation global media and entertainment company, comprised of three business segments: Studios, Direct-to-Consumer, and TV Media.

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| Founded Year | May, 8, 1912 |
| HQ | Broadway, New York, USA |
| Sector | Media & Entertainment |
| Market Cap | \$10.18 Billion |
| LTM Revenue | \$28.89 Billion |
| LTM EBITDA | \$3.04 Billion |
| EV/LTM EBITDA | 7.5x |
| Advisor | Centerview Partners, RedBird Advisors |

Target Profile – Warner Bros. Discovery, Inc.



WBD was formed by the 2022 merger of WarnerMedia and Discovery. It operates across three segments, Studios, Streaming, and Networks, and owns a powerful IP portfolio including HBO, CNN, DC Comics,

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|---------------|------------------------------|
| Founded Year | April 8, 2022 |
| HQ | New York City, United States |
| Sector | Media & Entertainment |
| Market Cap | \$68.02 Billion |
| LTM Revenue | \$37.29 Billion |
| LTM EBITDA | \$7.36 Billion |
| EV/LTM EBITDA | 13.6x |
| Advisor | Allen & Company, J.P. Morgan |

Deal Background

The transaction, announced on February 27, 2026, involves Paramount-Skydance acquiring Warner Bros. Discovery (WBD) for \$110 billion in an all-cash deal, representing a 114% premium. Amid slowing growth and rising content costs in the "streaming wars," this merger signifies a shift from competition to consolidation as legacy media companies unite against Netflix and Big Tech. Paramount successfully outbid Netflix's asset-stripping proposal by offering to maintain WBD's business integrity through \$54 billion in financing. The deal aims to merge Paramount+ and Max into a single platform with 210 million subscribers, seeking \$500 million in annual synergies. The closing is expected in 3Q 2026.

Synergies & Upsides

- Operational Structure Optimization:** Annual savings of \$6 billion are expected within three years. This will be achieved by consolidating the technical backends (cloud and IT) of Paramount+ and Max, eliminating redundant administrative personnel (SG&A), and integrating real estate assets like production studios. The merger leverages economies of scale to significantly increase bargaining power with suppliers.
- Scalability and IP Monetization:** By integrating top-tier IP likes Harry Potter and Mission Impossible into a single platform with 200 million subscribers, the company aims to reduce churn and increase ARPU. Combining sports broadcasting rights with big data will enhance advertising precision and content licensing value, creating a multiplier effect for revenue across all media channels.

Potential Risks

- Antitrust & Regulatory Risk:** The merger faces intense scrutiny from the DOJ and global regulators due to increased market concentration in content production and streaming, potentially leading to delays, required divestitures, or deal blockage.
- High Leverage Risk:** The combined entity is expected to carry a highly leveraged balance sheet (~6.5x debt-to-EBITDA, ~\$50B+ new debt), significantly increasing debt servicing pressure and limiting financial flexibility.
- Integration & Execution Risk:** Combining two large-scale media organizations with distinct corporate cultures may result in delayed synergies, operational inefficiencies, and potential execution failure.

Our Team Insights

- Industry Impact:** Paramount's acquisition of WBD push the streaming industry toward a more concentrated, IP-driven market. Studios would likely focus on established franchises over original content, reducing creative diversity. At the same time, greater control over exclusive content would strengthen pricing power, making it harder for consumers to switch platforms and increasing the risk of higher prices.
- Capital Strengthening:** The Ellison family trust and RedBird Capital injected up to \$47 billion in new equity into Paramount. This strengthened the company's capital base and prevented bankruptcy caused by taking on too much debt.
- Default Risk Elimination:** Regarding WBD's original \$15 billion bridge loans and other debts, Paramount secured \$54 billion in full debt financing from BofA, Citi, and Apollo. Out of this, \$38.6 billion is new debt and \$15 billion is for refinancing. This ensures that all maturing debt can be seamlessly extended or paid off at closing, eliminating the risk of default.

Precedent Transaction

| Date | Target | Acquirer | Transaction Value | LTM EBITDA | EV/EBITDA | PE Ratio |
|------------|------------------|-----------|-------------------|-----------------|-----------|----------|
| 03/17/2022 | MGM Studios | Amazon | US\$8.5 billion | US\$0.9 billion | 9.4x | 18x-22x |
| 15/17/2021 | Warner Media | Discovery | US\$43 billion | US\$8.3 billion | 5.2x | 10x-14x |
| 09/03/2021 | 21st Century Fox | Disney | US\$71.3 billion | US\$7.8 billion | 9.1x | 18x-24x |
| Mean | - | - | US\$40.9 billion | US\$5.7 billion | 7.9x | ~16x |
| Median | - | - | US\$43 billion | US\$7.8 billion | 9.1x | ~20x |