Transaction Analysis

# Paramount and Warner Bros.

*The $110 billion takeover that will reshape Hollywood closes on 6 October. A look at how the deal was won, how it is financed, what the regulatory settlement costs, and whether the combined company can carry its debt.*

Global Markets Research · Corporate Finance Desk Prepared for internal & client distribution by **Andra Markets**

**Coverage summary.** On 30 September a federal judge in California approved the settlement that resolved the last legal challenge to Paramount Skydance's acquisition of Warner Bros. Discovery, and on the same day Paramount priced around $42 billion of new notes to help pay for it. The deal, an all-cash offer of $31 per share valuing Warner Bros. Discovery at roughly $110 billion, is expected to close on 6 October and will combine two of the five historic Hollywood studios, HBO Max and Paramount+, CBS and CNN under the control of the Ellison family. This note reviews how Paramount won a contested auction against Netflix, how the purchase is funded, the operating commitments it accepted to secure approval, and the central question for investors: whether a company that is adding around $52 billion of new debt to a balance sheet carrying close to $80 billion of net debt can deleverage on the timetable it has promised.

| Offer price | Transaction value | New debt priced | Leverage at close |
|---|---|---|---|
| **$31.00** | **~$110bn** | **~$52bn** | **~4.4-4.9x** |
| *per share, all cash* | *enterprise value* | *notes plus term loan* | *net debt to EBITDA* |

*Exhibit A. The transaction at a glance (approximate)*

| Item | Detail |
|---|---|
| Acquirer / target | Paramount Skydance (PSKY) / Warner Bros. Discovery (WBD) |
| Consideration | $31.00 per share in cash, for the whole company |
| Equity backing | Ellison family guarantee of ~$46.7bn; ~$24bn from Gulf sovereign funds |
| New debt | $30bn first lien, $11.4bn and €885m second lien, $9.35bn term loan |
| Net debt at close | ~$79bn |
| Pro forma revenue / EBITDA | ~$69bn / ~$16bn to $18bn |
| Cost synergy target | ~$6bn |
| Leverage target | ~3x within three years of closing |
| Expected closing | 6 October 2026 |

*Figures are rounded and drawn from company announcements, regulatory filings and press reports; pro forma figures are company projections as reported, not Andra Markets estimates. Colour convention (charts only): green marks the final outcome or the deleveraging target, red marks the debt burden. All body and table text is set in black.*

## 1.0 Executive Summary

*Key takeaways*

**Paramount won by paying more, in cash, for everything.** Warner Bros. Discovery originally agreed in December 2025 to sell only its studios and streaming business to Netflix for $27.75 per share. Paramount countered with a hostile,

all-cash bid for the entire company, including the cable networks Netflix did not want, and raised it until the board declared it superior at $31 in February 2026. Netflix declined to match. The outcome turned on two things shareholders valued: a higher headline price, and the certainty of cash for the whole company rather than a split that would have left them holding a declining cable business.

**The financing is the story now.** The deal is funded with a large equity commitment from the Ellison family and Gulf sovereign wealth funds, and around $52 billion of new secured debt priced this week at coupons from 6.3 to over 9 per cent. That debt is close to five times Paramount's current equity market value of about $11 billion (before the new equity is issued at closing), and it was raised with ten-year Treasury yields at their highest since 2002. Net debt at close of around $79 billion implies leverage of roughly four and a half to five times EBITDA, against a company target of three times within three years. The credit market has accepted the deal at high-yield prices; the equity market, with Paramount shares down five per cent on the day and a quarter this year, is visibly less convinced.

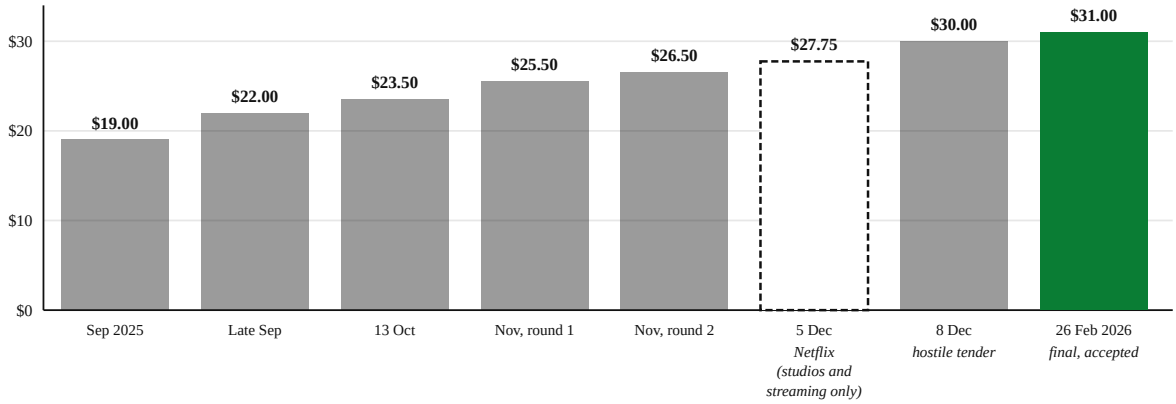
**The settlement makes deleveraging harder.** To resolve the lawsuit brought by California and eleven other states, Paramount accepted five years of operating commitments: minimum annual film releases, a 45-day theatrical window, an extra $300 million a year of US production spending, a ban on selling either studio lot and independent negotiation for the cable networks. These are precisely the levers a heavily indebted media company would normally pull to cut costs and raise cash. The deal therefore rests on a narrow path: delivering most of the $6 billion synergy target through overlap in streaming, technology and corporate costs, while the legacy cable business that generates much of the cash flow continues to shrink.

## 2.0 Transaction Overview

*From auction to closing*

The sale process began with a plan not to sell. In June 2025 Warner Bros. Discovery announced it would split into two listed companies, one holding the studios and HBO Max, the other the global cable networks. Paramount Skydance, itself newly formed from the August 2025 merger of Paramount and Skydance under David Ellison, approached in September with an offer of $19 per share, part cash and part stock, and raised it twice to $23.50 by mid-October. All three proposals were rejected, but they put the company in play, and by November the board had opened a formal auction that drew Netflix and Comcast as well as Paramount.

**Exhibit 1. The bidding: offers for Warner Bros. Discovery, $ per share**




*Source: Andra Markets; company announcements and press reports (September 2025 to February 2026). Solid bars are Paramount Skydance offers for the whole company; the dashed bar is Netflix's agreed price for the studios and streaming business only. Early Paramount offers mixed cash and stock. Green marks the winning bid.*

On 5 December 2025 the board chose Netflix, which agreed to pay $27.75 per share for the studios and HBO Max, with the cable networks to be spun off to shareholders beforehand, a transaction valued at about $83 billion including debt. Three days later Paramount went directly to shareholders with a hostile tender offer of $30 per share in cash for the whole company, worth about $108 billion. The board rejected it twice, citing the certainty of the Netflix agreement, but large shareholders including Pentwater, Ancora and GAMCO pressed for engagement and threatened a proxy contest. In

February Netflix allowed a short window for talks, Paramount lifted its offer to $31, and on 26 February the board declared it superior. Netflix declined to match, describing the deal as no longer financially attractive, and collected a $2.8 billion break fee.

The remaining months were spent on approvals. Warner Bros. Discovery shareholders approved the transaction on 23 April, while voting against the executive exit packages attached to it. The US Department of Justice cleared the deal in June and the European Commission in July, and in total it was approved in some 68 jurisdictions. The final obstacle was an antitrust suit filed in July by California and eleven other states, resolved by the consent decree approved on 30 September.

## 3.0 Strategic Rationale

*Scale, library and streaming*

The industrial logic is scale in a business where scale increasingly determines survival. The combined group will own Paramount Pictures and Warner Bros., DC, HBO, Nickelodeon and a library that runs from Harry Potter, Game of Thrones and Batman to Top Gun, Mission: Impossible and Yellowstone. In streaming, HBO Max and Paramount+ together reach more than two hundred million subscribers, a base large enough to compete for attention and pricing power with Netflix, Disney and Amazon, rather than as one of several sub-scale services that have struggled to earn a return. Management has signalled the direction by naming HBO’s Casey Bloys as head of streaming, which points to a single service built around the HBO brand over time.

The second element is the part Netflix did not want. Warner Bros. Discovery’s cable networks, CNN, TNT, TBS, Discovery, Food Network and others, sit alongside Paramount’s CBS, MTV and Comedy Central. These businesses are in structural decline as households cancel pay television, but they still generate substantial cash, carry valuable sports rights and give the group bargaining weight with distributors and advertisers. Paramount’s wager is that it can run the linear portfolio for cash while it shrinks, using that cash to service debt and fund the transition to streaming. Pro forma, the company projects revenue of roughly $69 billion, and a free cash flow ambition of more than $10 billion a year by 2030.

Leadership reflects the integration challenge. David Ellison will serve as co-chief executive alongside Ynon Kreiz, who will lead operations and integration, while David Zaslav, who built Warner Bros. Discovery through the 2022 merger of WarnerMedia and Discovery, departs on closing. The integration task is considerable: two studios, two streaming platforms, two news organisations and two sets of cable networks, combined under a timetable that the debt load leaves little room to extend.

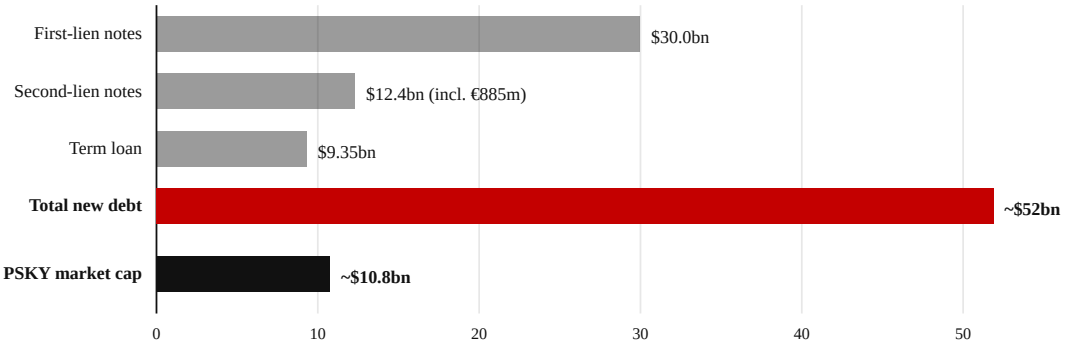
## 4.0 Financing Structure

*Equity backstop and secured debt*

The financing has two layers. The first is equity, and it is unusually concentrated. Larry Ellison has personally guaranteed around $46.7 billion, the Ellison family and RedBird Capital provide the core of the equity, and sovereign wealth funds from Saudi Arabia, the United Arab Emirates and Qatar have committed around $24 billion. The Gulf investors agreed to forgo board seats, which kept the transaction outside a review by the Committee on Foreign Investment in the United States. The scale of the Ellison guarantee was central to winning the auction, because it gave the board confidence that an all-cash offer for the whole company could actually be funded.

The second layer is debt, and its size relative to the acquirer is what has drawn the market’s attention. On 30 September Paramount priced $30 billion of first-lien secured notes in eight tranches maturing between 2028 and 2066, $11.4 billion and €885 million of second-lien secured notes maturing between 2031 and 2036, and a term loan of around $9.35 billion. Together with previously arranged facilities and cash on hand, the proceeds will pay the purchase price and refinance existing Warner Bros. Discovery debt.

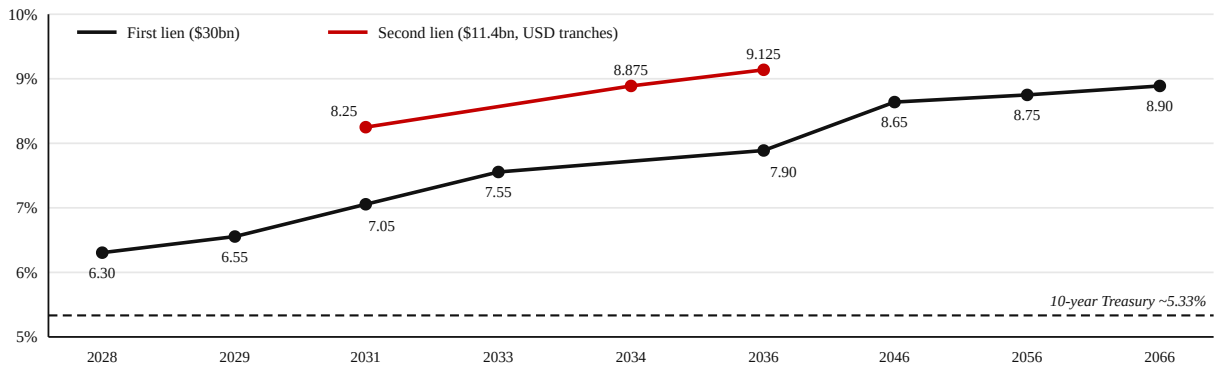
**Exhibit 2. New acquisition debt versus the acquirer’s equity market value ($bn)**




*Source: Andra Markets; Paramount Skydance pricing announcement and press reports (30 September 2026). Euro tranches converted at an approximate rate; market capitalisation at the 30 September close, before the equity financing is issued at closing. Red marks the new debt burden.*

The pricing tells you how the credit market views the risk. Before this offering Fitch had already moved the expected rating to high-yield territory, and the coupons are consistent with that. The first-lien notes carry a weighted average coupon of about 7.5 per cent, the second-lien notes about 8.6 per cent, and the term loan floats at SOFR plus 2.75 per cent. Across the $41.4 billion of notes, the blended coupon is close to 7.8 per cent, or roughly $3.2 billion of annual interest before the term loan, which adds perhaps another $0.6 billion at current rates. The curve below sets those coupons against the ten-year Treasury yield on the day of pricing.

**Exhibit 3. Coupons on the new notes by maturity, versus the 10-year Treasury yield (%)**




*Source: Andra Markets; Paramount Skydance pricing announcement (30 September 2026). Maturities on a categorical axis. The euro second-lien tranche (7.00%, 2031) is not shown. Red marks the subordinated, higher-cost debt.*

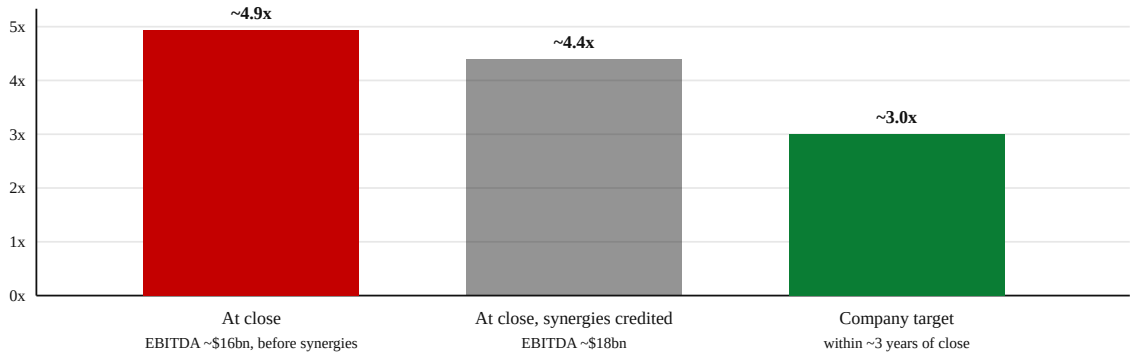
The spread over Treasuries, roughly one to four percentage points depending on maturity and seniority, is wide but not distressed, which reflects the security package and the scale of the asset base. What matters as much as the spread is the timing. The debt was priced with the ten-year Treasury at about 5.33 per cent and the thirty-year near 5.67 per cent, the highest levels in almost a quarter of a century. Paramount has locked in long-dated financing at what may prove to be the most expensive moment of this cycle, which raises the cost of carrying the deal but also removes refinancing risk on most of the stack for years.

## 5.0 Leverage and Credit Profile

*The deleveraging path*

On the company’s own figures, net debt at closing will be around $79 billion. Against pro forma EBITDA of roughly $16 billion before synergies, that is close to five times; if the full $6 billion synergy target is credited, as some projections that put EBITDA near $18 billion do, it falls to about four and a half times. Management has committed to bringing leverage down to around three times within three years of closing, which on a constant debt load would require EBITDA of about $26 billion, or on constant EBITDA would require debt repayment of more than $25 billion. In practice the plan relies on both: cost synergies lifting earnings while free cash flow is directed to paying down debt.

**Exhibit 4. Net debt to EBITDA: at close versus the company target (x)**




*Source: Andra Markets calculations on reported net debt at close (~$79bn) and reported pro forma EBITDA ranges; company leverage target as reported. Illustrative. Red marks the starting point, green the target.*

The arithmetic is demanding but not implausible, and the main variable is the pace at which the linear business declines. Interest on the new debt of close to $4 billion a year consumes a large share of current free cash flow, and the free cash flow ambition of more than $10 billion is a 2030 figure, not a 2027 one. If cable cash generation erodes faster than synergies arrive, the gap would have to be filled by asset sales, and the settlement has closed off some of the most obvious candidates for at least five years. For bondholders the protection lies in the security package and the depth of the asset base; for shareholders, with creditors holding a large claim on enterprise value, small changes in that value translate into much larger changes in equity value, in both directions.

## 6.0 Regulatory Settlement

*The price of approval*

The consent decree that resolved the states' lawsuit is behavioural rather than structural: no business had to be sold, but the company accepted five years of conditions supervised by the court. The combined studio must release at least 30 films a year in cinemas for two years and at least 32 a year for the following three, with a 45-day exclusive theatrical window and a 90-day gap before films reach streaming; shortfalls carry a penalty of $30 million per missing film and could ultimately force the divestment of Miramax. The company must also raise US production spending by at least $300 million a year, keep both the Paramount and Warner Bros. studio lots operating, have its cable networks negotiate carriage independently rather than as a bundle, and establish an editorial independence board overseeing CBS News and CNN. A separate settlement with the Writers Guild added a contribution of $17.5 million to the guild's health fund.

For the financial case, these commitments matter because they remove options. The usual playbook for a leveraged media merger is to cut overlapping output, consolidate production, sell real estate and bundle networks for distributors. The decree restricts each of these, which means synergies must come mainly from streaming technology and marketing, overlapping corporate functions and back-office integration. The $6 billion target remains plausible in that frame, but the margin for error is narrower than in a conventional deal, and the commitments also fix a floor under production spending at a time when cash is most needed for debt service.

The political dimension is harder to price. The deal attracted opposition from guilds, cinema owners and lawmakers of both parties, and drew scrutiny over the administration's involvement in the review and over the future of CNN. The editorial board is the settlement's answer to the latter concern; whether it proves effective will matter for the reputational and regulatory risk around the combined news businesses for years.

## 7.0 Market Reaction and Valuation

*Credit accepts, equity hesitates*

The market's response to this week's milestones split along the capital structure. Warner Bros. Discovery shares closed at $30.96 on 30 September, about four cents below the $31 offer, a merger spread that signals near-total confidence the deal will close on schedule. Paramount Skydance shares, by contrast, fell about five per cent to around $9.80, taking the decline this year to roughly a quarter, and the equity is valued at about $10.8 billion against the $52 billion of new debt

raised to complete the purchase. The comparison overstates the gap somewhat, since the equity financing will add substantially to the share count and equity base at closing, but it explains the market's focus on leverage. Netflix shares also eased, as investors weighed a larger and better-capitalised competitor for content and talent.

Sell-side opinion on Paramount is cautious: the majority of analysts rate the shares a hold, with price targets spread widely from around $10 to $20, which captures how much of the equity case depends on execution. Valuation models that assume modest revenue growth and a gradual recovery in margins produce only mid-single-digit annual returns to 2030, while the upside cases require synergies delivered early and a slower decline in cable. The equity is effectively a leveraged claim on integration, and its sensitivity cuts both ways: with net debt of around $79 billion absorbing a large share of enterprise value, any change in the value of the combined business is magnified several times in the value of the equity.

## 8.0 Risk Considerations

*Where the case could break*

The first risk is the pace of linear decline. The cable networks are the largest source of cash today, and cord-cutting, advertising softness or the loss of a major sports right would hit cash flow directly at the moment it is most needed for interest and repayment. The second is execution: merging two streaming platforms without losing subscribers, integrating two studios under output commitments and combining two newsrooms are each complex, and they must be done at once. A third is the rate environment. Most of the new debt is fixed and long-dated, which limits refinancing risk, but the term loan floats, and persistently high yields would weigh on the valuation multiples that a future equity raise or asset sale would depend on.

Further risks relate to governance and concentration. The Ellison family's control and personal guarantee give the company a deep-pocketed backer, but also concentrate decision-making, and the Gulf sovereign funds' large economic stake without board representation is an unusual arrangement whose long-term implications are untested. Finally, the settlement's five-year enforcement by the court means that operating flexibility will remain constrained through at least 2031, and any breach of the theatrical commitments carries financial penalties and the possibility of a forced divestment.

## 9.0 Outlook and Monitoring Points

*What to watch after closing*

The first test comes quickly: the initial guidance from the combined company, expected with its first quarterly results after closing, will show how management frames the synergy timetable, the integration costs and the path to three times leverage. Beyond that, the indicators that matter most are the trajectory of combined streaming subscribers and revenue per user once the services are merged, the rate of decline in cable affiliate and advertising revenue, the pace of actual debt repayment against the target, and the trading level of the new bonds, whose spreads will offer a continuous market verdict on the plan. Rating agency actions and any early asset disposals that fall outside the settlement's restrictions would also be informative. The combined company has the library, the scale and the backers to succeed; the debt means that it has to.

## Methodology and Source Notes

**Method.** This note analyses the Paramount Skydance acquisition of Warner Bros. Discovery on the basis of company announcements, regulatory filings, court documents as reported and press coverage up to 1 October 2026. Debt tranche details are taken from the pricing announcement; blended coupons and leverage ratios are Andra Markets calculations on those figures and on reported pro forma projections, and are approximate. Pro forma revenue, EBITDA, synergy and leverage targets are company projections as reported and have not been independently verified. This note is analysis, not investment advice.

**Principal sources.** Paramount Skydance pricing announcement and related filings (30 September 2026); court ruling and consent decree coverage (Forbes, Law Commentary, 30 September 2026); 24/7 Wall St., on market reaction (1 October 2026); Investing.com and

StockTitan, on the debt tranches; Fortune and Britannica, on the auction and Netflix's withdrawal (February 2026); CNBC and Axios, on the shareholder vote and regulatory approvals (April to July 2026); TIKR, on pro forma projections and analyst views.


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