

Paramount / Warner Bros. Discovery — The \$110B Megamerger

One stop shop for both companies, the combined entity, and the sports rights story that anchors the strategic case.

On August 7, 2025, David Ellison's Skydance Media closed on Paramount Global for \$8 billion. Four days later, the newly-formed Paramount signed a \$7.7 billion, seven-year rights deal for UFC — negotiated in forty-eight hours. Roughly six months after that, in early 2026, Paramount agreed to acquire Warner Bros. Discovery in a transaction valued at \$110 billion in enterprise value; WBD shareholders approved it 99% in April 2026. On July 13, 2026, twelve state attorneys general filed suit in the Northern District of California to block it. This case is the practitioner reference on both companies, the combined entity, the sports rights arithmetic, the regulatory situation, and the sum-of-the-parts value.

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SECTION 1

Executive Summary

Why this case matters

If the Paramount / Warner Bros. Discovery transaction closes, it will create **the largest concentrated American media asset combination since the 1948 *United States v. Paramount Pictures* consent decree** broke the studio-theater vertical integration of the pre-war Big Five. It is the end result of nearly one hundred years of American media industry consolidation — and Paramount, the named defendant in the 1948 case, is now the acquirer on the other side of the same century-long story.

The combined entity would hold **the largest single-owner film library in American history** (~15,000 feature titles — Warner Bros' ~9,000-title library, including the pre-1986 MGM and Turner Broadcasting libraries, plus Paramount's ~3,500 titles), become the **first American media company to own both major cable news networks** (CBS News plus CNN), and rank as **the largest American media transaction by enterprise value in the modern era** (\$110B, all-cash — above AT&T-TimeWarner's \$85B and Disney-Fox's \$71B). The count of modern major American film studios would fall to six, the first meaningful reduction since Disney's 2019 acquisition of 21st Century Fox.

This case is a stress test of six structural questions that will shape American media, sports, and finance for the next decade: (1) whether pure all-cash is the new template for megamergers; (2) whether the family-LBO playbook scales to \$100B+; (3) whether six major studios is a stable equilibrium; (4) whether premium sports rights inflation has a ceiling; (5) whether state attorneys general can override federal antitrust clearance; and (6) whether sovereign wealth ownership of American media assets triggers a policy re-set. Every dollar figure in this case traces to a filed SEC document. The reader who follows the case

through — as litigation progresses, as divestiture negotiations proceed, as final terms are announced — will have the practitioner scaffolding to interpret each new development against the underlying facts.

On July 13, 2026, twelve state attorneys general led by California AG Rob Bonta filed suit in the Northern District of California to block Paramount Skydance's proposed acquisition of Warner Bros. Discovery. The suit is the sharpest challenge yet to one of the largest media transactions in American history, and it arrives at the end of an eleven-month sequence that has already reshaped the American entertainment industry twice.

On August 7, 2025, David Ellison's Skydance Media closed on Paramount Global from Shari Redstone's National Amusements for \$8 billion in total consideration — \$2.25 billion for NAI's controlling Class A shares, \$4.5 billion in cash for Class B shareholders, and \$1.5 billion in assumed debt. The combined company, renamed Paramount, a Skydance Corporation, began trading on the Nasdaq under the ticker PSKY with David Ellison as chairman and chief executive officer and former NBCUniversal CEO Jeff Shell as president.

Four days later, on August 11, 2025, the newly-formed Paramount signed a seven-year, \$7.7 billion rights deal with TKO Group for the Ultimate Fighting Championship — a deal negotiated in forty-eight hours, at an average \$1.1 billion per year, replacing an ESPN contract that had paid roughly \$500 million per year. Every numbered UFC event and every Fight Night now flows to Paramount+ subscribers with no additional pay-per-view charge. On the call announcing the deal, Ellison called UFC "a unicorn asset that comes up about once a decade."

Eight months later, on April 23, 2026, Warner Bros. Discovery shareholders voted 99% in favor of a Paramount Skydance acquisition at \$31 per share in an all-cash transaction valued at approximately \$77.8 billion in cash consideration to WBD holders, \$97.3 billion in total purchase consideration, and \$110 billion in enterprise value including assumed and refinanced WBD debt. The same shareholders voted 82% against the compensation package granted to WBD CEO David Zaslav, which would deliver approximately \$886 million in total exit value (\$34.2 million cash severance, \$517.2 million in equity in the combined company, and up to \$335 million in tax reimbursement for accelerated stock vesting).

Financing for the WBD transaction is anchored by a \$46.95 billion PIPE equity commitment led by the Lawrence J. Ellison Revocable Trust (\$46.7B) with RedBird Capital (\$250M) and syndicated to Saudi Arabia's Public Investment Fund, the Qatar Investment Authority, L'Imad Holding (Abu Dhabi sovereign wealth), and LionTree Investment Fund — alongside \$54 billion of new senior secured debt facilities (\$49B 364-day bridge plus \$2.5B each Term A-1 and Term A-2) and a \$12.8B one-for-one exchange of existing WBD notes into new Paramount Skydance 2L notes. Federal regulatory approval has cleared. State-level opposition is the remaining obstacle before an expected Q3 2026 close.

The combined entity, in one paragraph Paramount and Warner Bros. Discovery together would control approximately fifty broadcast and cable networks, two streaming platforms with combined subscribers on the order of one hundred eighty million globally, two of the five modern American major film studios and their combined libraries of roughly fifteen thousand feature titles, the two most-watched American cable news networks (CNN and CBS News), four kids- programming networks, and a sports rights portfolio anchored by the NFL AFC package (through the 2033 season), UFC (through 2032, secured in the landmark August 2025 seven-year deal), UEFA Champions League (through 2030-31), NCAA March Madness (CBS/WBD co-broadcast through 2032), MLB Postseason (WBD co- broadcast), and NHL (WBD, through the 2027-28 season). The SEC football contract, previously carried on CBS, moved to ESPN beginning with the 2024 season on a ten- year, approximately three-billion-dollar deal — a competitive loss that provides context for Paramount's subsequent aggressive UFC pursuit. The Institute's illustrative sum-of- the-parts range for the combined entity is approximately \$95 to \$135 billion in equity value depending on segment multiples and divestiture assumptions — the walk is in Section 14.

What this case does and does not do This case is a reference document on both companies and what a combined entity would look like. It is not a prediction that the merger will close, will be blocked, or will close on any particular terms. It documents the portfolios, the sports rights arithmetic, the regulatory situation, and the sum-of-the-parts valuation. The reader who wants the sports rights math should go directly to Section 6. The reader who wants to understand the twelve-state lawsuit should read Section 12. The reader looking for a complete inventory of what each company

owns should use the ledger in Section 9 and Section 10, or the combined ledger in Section 5. Every dollar figure in the case traces to a publisher-cited source or is labeled as illustrative Institute analysis; the case takes no position on whether the merger should be approved.

This case is written to serve four different practitioner uses. Depending on what you need:

- **Front-of-memo valuation walk (Sections 2-7):** Deal terms, tape action, precedent transactions, trading comps, capital allocation, SOTP. This is the boardroom argument — what is being paid, at what multiples, against what benchmarks.
- **Portfolio inventory (Sections 8-11):** Every asset each company owns and what the combined entity looks like. This is the reference-document use — hand this to an LP who asks "what do they actually own?"
- **Regulatory analysis (Section 18):** The twelve-state complaint walk, Clayton Act §7 analysis, market-definition arguments, divestiture-scenario probability weights. This is the litigation-timeline read.
- **Family office practitioner sidebar (near Section 17):** The four questions LPs ask — §368 basis treatment, WBDA arb math, CFIUS posture, FCC foreign-ownership analysis. One page.

Every dollar figure traces to a publisher-cited source or is labeled as illustrative Institute analysis. Not investment advice. Not audited.

6.6 The July 2026 WSJ Journal Report — how it reframes the combined-entity sports book

The July 2026 *Wall Street Journal* Journal Report on the Business of Sports (Paul Farhi, "The Battle for Sports TV Is Rewriting the Streaming Playbook") supplies the wider industry context in which the combined Paramount + Warner Bros. Discovery sports rights portfolio should be evaluated. Two data points from that reporting matter for the combined-entity valuation:

- **Streaming crosses 50% of total American TV viewing in mid-2026.** Cable and broadcast combined are now the minority share of the American attention market. Sports rights, historically the last anchor holding cable subscribers in the bundle, are following the audience. The combined Paramount + WBD sports portfolio — NFL AFC, UFC, UEFA Champions League, NCAA March Madness, MLB playoffs, NHL — is the largest concentrated American sports rights book outside Disney/ESPN, and it sits inside a streaming-first strategic direction under Ellison ownership.

• **The 2024-2025 rights cycle stepped up at ~108% average premium over expiring rates.** The NBA at \$76B / 11 years (+165%), UFC at \$1.1B/yr (+120%), UEFA Champions League US at ~\$250M/yr (+150%), NFL Sunday Ticket to YouTube at \$2.0B/yr (+33%), NFL Thursday Night Football to Amazon at \$11B / 10 years (+67%). The weighted-average premium sports-rights buyer paid a step-up more than double the expiring-cycle base. That inflation trajectory frames the Institute's SOTP treatment of the combined-entity sports book in Section 7.

The Institute practitioner reference on the wider sports rights migration to streaming is in a dedicated companion article. See **the sports-media rights shift reference** for the full cycle analysis; see **the future of sports watching** for the big-tech-carrier map that competes with the combined Paramount + WBD entity in the next rights window.

Source: Paul Farhi, "The Battle for Sports TV Is Rewriting the Streaming Playbook," Wall Street Journal, July 2026, Journal Report on the Business of Sports. Institute analysis is editorial framework applied to WSJ reporting and other public sources; not affiliated with, endorsed by, or licensed by Dow Jones or the Wall Street Journal.

SECTION 2

Deal Terms & Valuation Framework

The Baratelli case standard is to lead with valuation: what is being paid, in what form, financed by whom, and at what implied multiples against the peer set. The reader deserves the answer to those four questions before working through the portfolio inventories, the regulatory case, and the segment walk. This section is that answer. The comparable-transactions read (Section 4), the trading-comps read (Section 5), and the segment sum-of-the-parts (Section 6) follow.

2.1 Purchase price — headline terms

On February 2, 2026, Paramount, a Skydance Corporation (Nasdaq: PSKY) announced a definitive agreement to acquire Warner Bros. Discovery (Nasdaq: WBDA) in an all-cash reverse triangular merger. WBD shareholders will receive \$31.00 in cash per share; no Paramount stock is issued to former WBD holders. WBD

becomes a wholly-owned subsidiary of Paramount Skydance at close. WBD shareholders approved the transaction 99% in favor on April 23, 2026. Federal antitrust and FCC license-transfer approvals cleared prior to the shareholder vote. Twelve Democratic state attorneys general filed suit on July 13, 2026 in the Northern District of California to block the transaction; the state-level challenge is the remaining obstacle to an expected close in Q3 2026 or Q1 2027 depending on litigation outcome.

Purchase price and consideration — announced terms (per SEC 8-K Ex 99.2)

Line	Amount	Source / mechanic
Cash consideration per WBD share	\$31.00	Fixed all-cash price; no election, no collar
WBD common shares outstanding (basic)	2,511M	Plus 3.7M vested-but-undistributed PRSUs at 4/23/2026
Cash consideration to WBD shareholders	\$77,837M	2,511M × \$31.00 per share
Cash for pre-combination replacement awards	\$1,083M	Vested WBD equity awards cashed out
Settlement of WBD \$15B bridge indebtedness	\$15,000M	WBD 364-day bridge assumed and settled at close
Netflix Termination Fee (pre-paid by PSKY)	\$2,800M	Non-cash at close; treated as consideration under ASC 805
Liabilities assumed re: replacement awards + intercompany	\$557M	Net of \$184M pre-existing relationship settle-out
Total Preliminary Purchase Consideration	\$97,277M	Per Paramount Skydance Form 8-K Ex 99.2 preliminary PPA
Plus: WBD long-term debt retained on combined BS (at FV)	\$12,928M	WBD LT debt after \$15B bridge settle, \$12.8B notes exchanged, FV step-down

Line	Amount	Source / mechanic
Announced enterprise value (approximate)	\$110B	Per Paramount / WBD joint press release, February 2, 2026

Source: Paramount Skydance Corporation Form 8-K Exhibit 99.2 (Unaudited Pro Forma Condensed Combined Financial Statements); Paramount / WBD joint press release February 2, 2026; WBD definitive proxy statement filed for the April 23, 2026 shareholder vote. Ticking consideration of \$0.00277778 per day (capped \$0.25 per 90-day period) applies if closing occurs after September 30, 2026 — not modeled here, assumes on-time close.

Goodwill reconciliation. The filed pro forma reports total pro forma goodwill of \$57.3B on the combined balance sheet, while the PPA residual computed as (Consideration – Net Identifiable Assets Acquired + NCI) is \$55.7B. The \$1.6B difference reconciles as follows: \$55.7B PPA residual + \$1.6B allocation of pre-combination replacement award fair value to goodwill under ASC 805-30-30-9 = \$57.3B total. In addition, Paramount Skydance carries \$1.6B of its own pre-existing goodwill through consolidation. Reader can trace the walk on Tab 13 of the accompanying Excel model.

2.2 Consideration structure — all-cash, taxable acquisition

The transaction delivers 100% cash consideration to WBD shareholders at \$31.00 per share, with no stock component, no election mechanism, and no collar. Because the consideration is entirely cash, the exchange is a taxable disposition for WBD holders under IRC §1001; each WBD holder recognizes gain or loss equal to the difference between \$31.00 per share received and the holder's adjusted basis. This is *not* a tax-free reorganization — IRC §368(a)(2)(E) reverse triangular merger treatment requires that at least 80% of consideration be voting stock of the acquiring corporation, and this transaction fails that threshold.

The economic consequence of an all-cash structure is that WBD shareholders bear *no* post-announcement PSKY tape risk. The \$31.00 price is locked. What WBD shareholders *do* bear is deal-close probability risk: if the transaction fails to close

(state-court injunction, regulatory reversal, financing failure), the \$31.00 disappears. Section 3 walks the observed WBDA arbitrage spread and the market's implied close-probability weight.

2.3 Sources & uses of funds — the financing package

Because shareholder consideration is 100% cash, Paramount Skydance requires a substantial acquisition financing package. That package has three components: (a) a \$46.95 billion Private Investment in Public Equity (PIPE) commitment issued as new Paramount Class B nonvoting stock; (b) \$54.0 billion of new senior secured debt facilities including a \$49 billion 364-day bridge; and (c) a \$12.8 billion one-for-one exchange of existing WBD unsecured notes into new Paramount Skydance second-lien notes. Combined-entity liquidity at close is anchored by \$8.975 billion of pro forma cash per the filed pro forma financial statements.

Sources of funds — per filed pro forma (SEC 8-K Ex 99.2)

Source	Amount (\$M)	Notes
Existing cash — Paramount Skydance (3/31/2026)	\$1,941	PSKY cash on hand at pro forma date
Existing cash — WBD (3/31/2026)	\$3,264	WBD cash on hand at pro forma date
PIPE equity — Ellison Trust (gross)	\$46,700	New Class B stock at \$12.00 floor VWAP; capped at \$16.02
PIPE equity — RedBird Capital Partners	\$250	Same PIPE syndicate
PIPE issuance costs (contra)	(\$44)	Underwriter and legal fees
New Term Loan A-1 (3-year, secured)	\$2,500	SOFR + margin
New Term Loan A-2 (5-year, secured)	\$2,500	SOFR + margin

Source	Amount (\$M)	Notes
364-day senior secured bridge facility	\$49,000	Intended replacement: ~\$39.5B 1L + \$12.4B 2L permanent (not in filed PF)
Debt issuance costs (capitalized)	(\$702)	DIC on new debt facilities
Total Cash Sources	\$105,409	Reconciles to Cash Uses; PF ending cash \$8,975M
New PSKY 2L Exchange Notes (for existing WBD notes)	\$12,800	Non-cash debt-for-debt swap under ASC 470 (100% participation assumed)

Source: Paramount Skydance Corporation Form 8-K Exhibit 99.2 (Unaudited Pro Forma Condensed Combined Financial Statements). PIPE issued at \$12.00 per share floor of the 20-day VWAP collar; pro forma reflects the floor case, resulting in issuance of approximately 3,913 million new nonvoting Class B shares. The Committed but not drawn \$5.0 billion revolving credit facility is not reflected in pro forma. Bridge financing is intended to be replaced by \$39.5B First Lien + \$12.4B Second Lien permanent debt post-close; permanent replacement is not modeled in the filed pro forma.

2.4 PIPE syndication — sovereign wealth participation

The \$46.95 billion PIPE equity commitment is led by the Lawrence J. Ellison Revocable Trust (\$46.7B) with RedBird Capital Partners contributing \$250M. The Ellison Trust's commitment is syndicated among a group of Equity Syndication Parties named in the filed pro forma. **Individual per-fund allocations within the aggregate \$46.95B commitment are not separately disclosed in the SEC filing** — a disclosure gap that matters for CFIUS analysis (see §18) because the mandatory-filing threshold for foreign sovereign investors under 31 CFR §800.501 attaches at individual party level, not aggregate PIPE level. Institute practitioner note: press coverage since April 2026 has estimated PIF at \$8-12B, QIA at \$4-7B, L'Imad Abu Dhabi at \$3-5B, LionTree at \$1-2B, and the balance (\$20-30B) retained by the Ellison

Trust after syndication. These are press estimates, not confirmed filings. The definitive per-party allocations should be disclosed on the pro-rata Schedule 13D/G filings after close.

Named Equity Syndication Parties — PIPE participants

Investor	Origin	Notes
The Lawrence J. Ellison Revocable Trust (lead)	United States	Aggregate \$46.7B commitment; may be reduced pro rata by syndicate participation
The Public Investment Fund (PIF)	Saudi Arabia	Named syndication party; allocation not separately disclosed
QIA TMT Holding LLC (Qatar Investment Authority)	Qatar	Named syndication party; allocation not separately disclosed
L'Imad 1st SPV 2 Exempt RSC LTD (L'Imad Holding)	Abu Dhabi	Named syndication party; Abu Dhabi sovereign vehicle
LionTree Investment Fund, L.P.	United States	Named syndication party
RedBird Capital Partners Fund IV (Master), L.P.	United States	\$250M commitment

Source: Paramount Skydance Corporation Form 8-K Exhibit 99.2; equity syndication party list per the filed Purchase Agreement schedule. Individual per-party commitment amounts within the aggregate \$46.95B are not disclosed in the SEC filing. The pro forma models the entire \$46.95B at the \$12.00 floor VWAP, resulting in 3,913M new nonvoting Class B shares. Because PIPE participation is nonvoting Class B stock, sovereign wealth investors have no board-representation rights; the FCC foreign-ownership analysis and CFIUS review posture are walked in Section 11.

2.4.1 Affiliated-party transaction discipline — the Ellison Trust check

The \$46.7 billion PIPE lead commitment comes from the Lawrence J. Ellison Revocable Trust. David Ellison, Chairman and CEO of Paramount Skydance, is the son of Larry Ellison and controls the operating company via Skydance's residual equity stake acquired in the August 2025 Paramount transaction. The Ellison Trust check into a public company priced at a floor-VWAP mechanism is, on its face, an interested-party transaction of the kind that Delaware courts scrutinize under the *Weinberger / Kahn v. M&F Worldwide (MFW)* framework. Practitioners reviewing the deal at a family-office desk or LP-facing table will ask three questions:

1. **Was a Special Committee of independent directors formed?** Under MFW, a controlling-shareholder transaction must (1) be conditioned *ab initio* on approval by a fully-empowered special committee of independent directors and (2) be conditioned on approval by a majority of the minority stockholders. If both prongs are met, business-judgment review applies rather than entire fairness. If either prong fails, entire fairness is the standard and the burden shifts to the controller to prove fair price and fair process.
2. **What was the fairness opinion scope?** Practitioners should verify that the special committee's financial adviser opined on the \$12.00 PIPE floor VWAP (not just the WBD acquisition price) and that the fairness opinion addressed dilution to non-Ellison public shareholders.
3. **What information rights, if any, are Class B sovereign holders granted?** The Class B nonvoting mechanic addresses FCC foreign-ownership caps under 47 U.S.C. §310(b), but if PIPE participants receive board observation rights, information rights, or consent rights over major transactions, those rights are the substantive control channels a CFIUS reviewer will focus on regardless of voting-share nomenclature.

The Institute view: the disclosure package around the Ellison Trust PIPE deserves as much practitioner attention as the WBD-target valuation itself. A controlling-shareholder capital raise into a public company at a floor-VWAP mechanism is the class of transaction where governance-quality diligence separates well-run family offices from lazy ones. Deal documents released with the definitive proxy statement, the S-4 (if required for the exchange notes), and any 8-K filings under Item 1.01 covering the PIPE agreements are the primary sources; the Institute case does not have visibility into the special-committee minutes or the fairness-opinion workpapers.

2.5 Zaslav exit package

Zaslav's post-close role. David Zaslav is exiting Warner Bros. Discovery at transaction close and does not continue in an operating capacity at the combined Paramount / WBD entity. He is not rolling voluntary equity into the combined company. The exit-package equity component (~\$517M) represents accelerated vesting of previously-granted WBD restricted stock units that convert mechanically to Paramount shares at the deal's exchange ratio — a required conversion at close, not a voluntary rollover investment decision. Zaslav's residual exposure to combined-entity performance is therefore limited to those converted shares (subject to standard executive lock-up and 10b5-1 program rules) plus any independent open-market purchases he elects. The \$34.2M cash severance and up to \$335M excise-tax reimbursement are pure cash. See Table 2.5 below for the full walk.

The WBD shareholder vote on April 23, 2026 delivered a split verdict: 99% in favor of the transaction, 82% against the compensation package granted to WBD CEO David Zaslav under the transaction's executive-compensation provisions. The say-on-pay vote is non-binding; the package can be paid regardless. But the 82% rejection is one of the largest shareholder no-votes on an executive-pay package in modern American corporate governance history, and it sits well above the typical 30-50% opposition thresholds that flag "failed" say-on-pay outcomes. ISS and Glass Lewis both recommended against the package pre-vote.

David Zaslav exit package — combined WBD change-in-control package

Component	Value	Notes
Cash severance	\$34.2M	Contractual under employment agreement
Equity in combined company	\$517.2M	Accelerated vesting of unvested RSUs and PSUs (paid in cash under this deal structure)
Health & benefits continuation	\$0.04M	Continued benefits per contract

Component	Value	Notes
Tax reimbursement (excise-tax gross-up)	\$335.0M	Capped IRC §280G / \$4999 gross-up on accelerated vesting
Total potential exit value	~\$886.4M	Depending on final excise-tax outcome

Source: WBD definitive proxy statement filed for the April 23, 2026 shareholder vote; ISS and Glass Lewis pre-vote reports; contemporaneous coverage by Yahoo Finance, Variety, and the Delaware corporate-governance press. Because the transaction is all-cash, previously-illiquid WBD equity awards are cashed out at close rather than converted to combined-company stock — increasing near-term realized value to Zaslav.

Institute view on the Zaslav package. This is a pay-for-delivery package, not a pay-for-failure package — but only if you accept the framing that Zaslav's 2022-2026 tenure delivered "the transaction that generated the merger premium." That is a defensible reading: the WBD stock was trading in the mid-\$20s at the deal announcement, the \$31.00 cash offer represents a real premium to the pre-deal market, and shareholders received \$31.00 in cash. Under a strict shareholder-return lens, Zaslav is being paid on delivered value. The 82% shareholder vote against the pay package reflects a different, equally defensible view: that the exit compensation is excessive relative to the standalone operating performance over Zaslav's tenure, that the excise-tax gross-up in particular (\$335M) is a governance red flag, and that the transaction premium is largely attributable to strategic-buyer scarcity rather than to CEO-directed operating improvements. Both views are held by sophisticated investors. The Institute editorial position: the shareholder vote is the more defensible read given the operating-performance context, but the shareholder vote is non-binding and the package is being paid regardless. This is a governance failure of process (the say-on-pay mechanism doesn't bind) rather than of substance.

Zaslav's post-close non-compete. Under his existing employment agreement, Zaslav is bound by a **two-year post-close non-competition covenant** and a matching two-year non-solicitation covenant covering both customers and employees. The two-year restriction is the base term; the shorter one-year window

applies only if the executive is terminated without Cause or for Good Reason, which is not the situation here — he is stepping down at consummation. Assuming a Q3 2026 close, the covenant window runs through approximately Q3 2028. The exit package (~\$886M, walked in Table 2.5) is the compensation that funds the covenant period.

Institute view. Zaslav will be a valuable asset to the American media industry in the future. The exit-package controversy and the say-on-pay opposition are real governance issues, but they are separable from the operating-leader question. The market will find a use for a CEO who has actually run a scaled cable-networks portfolio through the streaming transition and delivered a shareholder liquidity event on the back end — that skill set is genuinely rare. Sources: WBD definitive proxy statement filed for the April 23, 2026 shareholder vote (Item 402 change-in-control disclosures); WBD Form 8-K disclosures amending the employment agreement in November 2025 during the strategic review process.

2.6 What the multiples imply — bridge to Sections 9-12

The \$110B enterprise value applied against WBD FY2025 operating results implies the following headline multiples, before any adjustment for synergies, divestitures, or run-rate cost realizations:

Announced deal multiples — WBD standalone basis, FY2025 actuals

Metric	WBD FY2025	Implied at \$110B EV	Comparable set anchor
Revenue	\$39.6B	2.8x EV/Revenue	Section 5 — media peer trading comps
Adjusted EBITDA	\$8.1B	13.6x EV/EBITDA	Section 4 — precedent transactions
Free cash flow	\$4.4B	25.0x EV/FCF	Financing-heavy structure amplifies FCF sensitivity to interest

Metric	WBD FY2025	Implied at \$110B EV	Comparable set anchor
Book equity value	\$29.8B	2.7x P/B	Content-library goodwill dominates

Source: WBD FY2025 10-K (filed February 2026). EV/EBITDA at 13.6x sits above the ~10-11x trading multiple of legacy cable-heavy media peers and below the ~15-17x range of streaming-first peers — a mid-cycle mark consistent with WBD's hybrid streaming + cable + studios mix. Section 4 benchmarks against precedent-transaction multiples (Comcast-NBCU, AT&T-TimeWarner, Disney-Fox, Discovery-WarnerMedia, Skydance-Paramount, Fox-Roku); Section 5 benchmarks against contemporaneous trading multiples of Disney, Comcast, Netflix, News Corp, Fox Corp, TKO, Roku, and Warner Music Group.

Q1. What is Paramount paying? \$31.00 per WBD share in *all cash*. Total preliminary purchase consideration of \$97.3 billion per the filed pro forma, comprising \$77.8B cash to WBD shareholders, \$15.0B to settle WBD's \$15B bridge indebtedness, \$2.8B for the Netflix Termination Fee (previously paid), \$1.1B for replacement awards, and \$0.6B in other consideration components. Combined with \$12.9 billion of WBD long-term debt retained at fair value, the enterprise value approximates the announced \$110B.

Q2. Who is putting up the capital? The financing is anchored by a \$46.95B PIPE equity commitment led by the Ellison Trust with syndication to sovereign wealth investors (PIF, QIA, L'Imad/Abu Dhabi) plus LionTree and RedBird — issued as new nonvoting Class B stock at \$12.00 floor VWAP. Debt financing comprises \$54B of new senior secured facilities (\$49B 364-day bridge plus \$2.5B each Term A-1 and Term A-2) plus a \$12.8B one-for-one exchange of existing WBD notes into new PSKY 2L notes. Combined-entity capital structure post-close: ~\$79B total debt against ~\$60B pro forma equity.

Q3. Is \$110B a full price? At 13.6x FY2025 EBITDA, the announced EV sits between legacy cable-multiple territory (10-11x) and streaming-first multiples (15-17x). Whether that is a full price depends on segment mix, sports-rights capitalization, synergy realization, and divestiture assumptions. Sections 9-12 walk the answer segment by segment.

2.7 Deal protections — termination fees, specific performance, and ticking consideration

An all-cash acquisition of this scale requires substantial deal-protection provisions. The typical package for a \$97B taxable acquisition includes: (a) a target termination fee ("break-up fee") payable by WBD if it accepts a superior proposal or the board withdraws its recommendation; (b) a reverse termination fee ("RTF") payable by Paramount Skydance if the deal fails to close for financing-, antitrust-, or regulatory-related reasons; and (c) specific performance rights giving each party the ability to compel closing subject to satisfaction of the closing conditions.

Deal-protection provisions — per merger agreement disclosures

Provision	Amount / trigger	Institute view
Target termination fee (WBD payable to PSKY)	~\$2.2B (est.)	Approximately 2.8% of equity value — within the market band of 2-4% for large public-target deals
Reverse termination fee (PSKY payable to WBD) — antitrust failure	~\$3.3B (est.)	Approximately 4.2% of equity value; reflects PSKY assumption of antitrust risk
Reverse termination fee — financing failure	Same \$3.3B	PSKY bears financing risk because bridge is committed rather than best-efforts
Specific performance	Available to WBD	WBD may sue to force close if financing is available; standard for cash deals with committed debt

Provision	Amount / trigger	Institute view
Outside date ("drop dead")	Approximately 12 months post-signing	Extendable in specified circumstances (regulatory delay, pending litigation)
Ticking consideration	\$0.00278/day post 9/30/2026, cap \$0.25/quarter	Compensates WBD holders for delay past the assumed close date
Hell-or-high-water (regulatory)	Modified — required divestitures capped	PSKY not obligated to accept divestitures above capped levels; walk right below cap

Source: Institute analysis of merger agreement disclosures. Specific fee amounts are Institute estimates from typical structure for a public-target cash deal at this scale; readers requiring definitive terms should consult the actual merger agreement as filed. The Institute view on the hell-or-high-water language is that a capped-divestiture provision materially reduces PSKY's regulatory exposure — PSKY can walk if the states extract meaningful divestitures rather than being forced to close on any terms — and this shows up in the observed WBDA arb spread since the 12-state complaint was filed.

The practitioner implication of these protections: WBD holders bear the risk that PSKY walks under a modified hell-or-high-water clause. That is not the same as bearing PSKY tape risk (which does not apply in an all-cash deal), but it is a real "the money isn't guaranteed" risk that explains why the observed WBDA arb spread has widened since July 13, 2026 (see Section 3).

Source note. This section reconciles the announced \$110B EV and \$97.3B total consideration to Paramount Skydance's Form 8-K Exhibit 99.2 (Unaudited Pro Forma Condensed Combined Financial Statements) and to WBD's FY2025 10-K and Q1 2026 10-Q disclosures. Multiples-implied benchmarks in Section 2.6 are Institute analysis against publicly-reported WBD operating results. Not audited.

2.8 Public debt trading levels — the credit market's view

Paramount and Warner Bros. Discovery both have deep public-debt markets. The table below shows secondary-market trading levels for representative benchmark issues from each company at the reference date. This is the credit market's independent verification of what the transaction should mean for combined-entity credit risk — a data point the equity-market narrative around the deal often understates.

Table 2.8 — Representative public debt trading levels (\$ in millions, reference date July 2026)

Issue	CUSIP	Coupon	Maturity	Face (\$M)	Indicative price	YTM at price
Paramount Global senior notes	92556H BE7	4.20%	2032	\$1,000	92.5	~5.6%
Paramount Global senior notes	92556H BF4	4.95%	2050	\$500	80.0	~6.7%
Paramount Global senior notes	92556H BG2	5.25%	2028	\$1,000	97.5	~5.9%
Warner Bros. Discovery senior notes	934423 BA3	3.70%	2031	\$1,500	90.0	~5.4%

Issue	CUSIP	Coupon	Maturity	Face (\$M)	Indicative price	YTM at price
Warner Bros. Discovery senior notes	934423 BE5	4.15%	2050	\$1,000	73.0	~6.1%
Warner Bros. Discovery senior notes	934423 AN6	5.00%	2030	\$1,000	94.0	~5.7%
WBD 144A senior secured (post-Netflix pay)	934423 BM7	6.50%	2027	\$500	100.5	~6.3%
Reference: 10-year U.S. Treasury at reference date approximately 4.30%; investment-grade media single-A benchmark spread ~110-130 bps; BB high-yield benchmark ~250 bps.						

Source: Indicative secondary-market prices as of reference date; credit-analyst compilation from TRACE reporting and dealer quote sheets. Values are approximate and intended for triangulation, not for execution. Practitioner reader: verify against Bloomberg BVAL, ICE BofA reference index, or dealer quote at the actual trade date. Prices below par indicate credit market pricing in either (a) higher-for-longer benchmark rates versus original coupon setup or (b) target-credit-specific concerns; prices above par indicate compression on transaction certainty and post-deal capital structure improvement.

Reading Table 2.8. The pattern in the credit market's pricing is instructive. Paramount's shorter-dated notes trade near par (2028 at 97.5, indicating credit-market confidence in Paramount's near-term standalone credit); longer-dated notes discount more heavily (2050 at 80.0, reflecting duration risk more than credit risk). WBD's notes trade at deeper discounts across the curve (2050 at 73.0) — consistent with WBD's higher leverage and the market's pricing-in of the deal-financing overhang. The WBD 144A secured tranche at 100.5 (post the

Netflix termination-fee payment) is trading at a premium, indicating the market sees the secured position and imminent deal-close as protective. Post-close on the announced combined capital structure, a practitioner should model the combined entity's YTM curve against comparable BB media issuers (7.0-7.5% range) to derive an implied post-close weighted-average cost of debt for use in the SOTP DCF (Section 7).

SECTION 3

WBDA Arbitrage Spread — Why It Persists Under an All-Cash Deal

Because the consideration is 100% cash at a fixed \$31.00 per share, WBD shareholders bear *no* post-announcement PSKY tape risk. What they bear is deal-close probability risk plus the ticking-consideration/time-value math. The Institute view is that the observed WBDA arb spread since July 13, 2026 — roughly 8-11% at case cutoff — is materially wider than the historical cash-deal norm for post-federal-approval transactions, and that width has a specific explanation: the 12-state AG suit combined with the capped-divestiture hell-or-high-water walk right. This section walks the math and takes the position.

3.1 What the spread should be under an all-cash structure

Under an all-cash deal, the pure-arithmetic arb spread reduces to four components: (a) deal-break probability weighted by the fall-back trading price of WBD as a standalone, (b) time value of the \$31 cash payment discounted at the risk-free rate over the expected close date, (c) any ticking-consideration accrual credited to shareholders (see §2.7), and (d) the market's estimate of a superior-proposal probability. There is no PSKY tape sensitivity, no fixed-exchange-ratio hedging problem, and no float-borrow cost of the kind stock deals require.

- **Historical benchmark.** Post-federal-approval cash deals of comparable size typically trade at 2-4% arb spreads reflecting time value plus residual regulatory tail risk. A 300-800 basis point spread widening above this band is the market pricing something specific.

- **The 12-state suit is the something specific.** Since the July 13, 2026 complaint, WBDA has widened from an implied 4% spread to roughly 8-11%. The delta is not proportional to a base-case litigation-loss probability — even at a 20% probability of a full injunction, the pure expected-value math would predict a 4-6% spread. The extra width is the market pricing (i) the capped-divestiture walk right (PSKY may exit if state-mandated divestitures exceed cap), (ii) the outside-date extension mechanic, and (iii) the tail scenario in which a substantive settlement forces PSKY to accept enough divestiture to renegotiate the \$31 price.
- **Ticking consideration is a mitigant, not a solution.** The \$0.00278/day post 9/30/2026 accrual (see §2.7) compensates for time value under a delayed but successful close. It does not compensate for a break scenario, which is where the incremental spread is coming from.

3.2 Timeline of key market events

Paramount / WBD timeline — announcement to case cutoff

Date	Event	Market implication
Aug 7, 2025	Skydance-Paramount close	PSKY begins trading on Nasdaq; David Ellison & Jeff Shell assume leadership
Aug 11, 2025	UFC seven-year, \$7.7B rights deal signed	PSKY re-rated as sports-anchored platform; content-cost step-up baked in
Feb 2, 2026	Paramount / WBD definitive agreement announced	\$31 reference price set; fixed exchange ratio established; WBD gaps to spread-adjusted level
Feb 26, 2026	Netflix reportedly exits WBD bidding process	Competitive-bidder tail risk eliminated; PSKY pricing leverage retained
Apr 23, 2026	WBD shareholder vote: 99% for deal, 82% against Zaslav package	Shareholder-approval risk cleared; governance overhang remains on comp practice
May-Jun 2026	Federal antitrust (DOJ) and FCC license-transfer approvals cleared	Federal regulatory tail risk eliminated; state review remains

Date	Event	Market implication
Jul 13, 2026	12-state AG complaint filed in N.D. Cal.	WBD widens to increased spread; PSKY sells off on divestiture-scenario overhang
Jul 13, 2026	Case cutoff	Case reports the tape as observed through this date; subsequent action not covered

Source: Paramount, a Skydance Corporation and WBD 8-K filings; contemporaneous coverage from Reuters, Bloomberg, WSJ, and CNBC. Case cutoff is July 13, 2026, the date of the 12-state AG complaint.

3.3 PSKY price action — what it means when consideration is cash

Because consideration is 100% cash, PSKY's tape between announcement and close does *not* determine what WBD shareholders receive at close — the \$31.00 is fixed. PSKY's tape is informative for a different reason: it reflects the market's pricing of the combined-entity equity value net of the \$79.2B pro-forma debt burden that PSKY takes on. When PSKY trades down materially after announcement, the read is generally one of two things: (i) the market believes the combined-entity equity story is worse than framed, or (ii) the market believes the probability of successful close has fallen (which raises PSKY's risk of paying a reverse-termination fee).

PSKY tape read-through — what a moved PSKY implies about the deal

PSKY move	Likely market read	WBDA implication
Sharp move down post-federal approval	Rising close-probability discount and/or combined-entity equity concerns	WBDA spread widens as break-risk premium rises
Sharp move down after 12-state complaint (Jul 13)	Market pricing capped-divestiture walk-right scenario	WBDA widens materially; observed 4% → 8-11%

PSKY move	Likely market read	WBDA implication
Move up on litigation-settlement rumor	Market pricing a favorable state-AG settlement	WBDA tightens as break-risk premium falls
Move up on PSKY earnings beat / synergy visibility	Combined-entity equity story reinforced	Neutral to WBDA (consideration is fixed cash)

In an all-cash deal, PSKY tape is a signal about deal-close probability and combined-entity equity value, not about the dollar consideration WBD holders will receive. The observed WBDA spread reflects a joint probability weighted read on (a) close occurring on original terms, (b) close occurring after renegotiation, and (c) walk under the capped-divestiture provision (see §2.7).

Two features of the sensitivity table matter for practitioner reading. First, the relationship is linear in PSKY dollars, not in PSKY percentage — a 10% PSKY move produces a \$3.10 change in implied WBD consideration, not a 10% change in WBD consideration. Second, the fixed ratio is symmetric: PSKY upside accrues to WBD shareholders on a one-to-one basis with the ratio, and PSKY downside is borne by WBD shareholders on the same basis. Ellison & the Paramount board are effectively short PSKY volatility to WBD shareholders through the pendency period; WBD shareholders are effectively long PSKY volatility. Whether this is a good bet from the WBD side depends on the pricing of that implied optionality against the observed WBD spread.

3.4 WBD spread — the market's pricing of deal-break risk

In an active merger with a fixed exchange ratio, WBD (post-announcement WBDA on legacy WBD tickers) trades at a discount to the mark-to-market implied consideration. That discount is the arb spread, and it is the market's dynamic pricing of deal-break, timing, and divestiture-cost risk. In practitioner terms:

How to read the WBD spread

Deal-break probability. If the market assigns a probability p to the deal closing at the announced terms and a probability $(1 - p)$ to it breaking (with WBD reverting to a standalone value S), the arb-neutral WBD tape approximates $p \times (\text{ratio} \times \text{PSKY}) + (1 - p) \times S$, less time-value discount from now to expected close. When the spread widens, either p is falling, expected close is being pushed out, or the standalone downside S is deteriorating.

Time value. Every additional month to close reduces the present value of the deal payout by a discount rate roughly equal to the arb desk's cost of capital plus a modest risk premium. A litigated extension from Q3 2026 to Q1 2028 is roughly 16 months of time-value drag, worth several percent of the consideration.

Divestiture-scenario cost. If the market prices in a required CNN divestiture at less-than-fair value or a required behavioral-remedy consent decree, those costs flow through PSKY (and therefore through the exchange ratio) to WBD shareholders.

At the July 13, 2026 case cutoff, the WBD tape was trading at approximately \$27.85 per share against an implied consideration of \$31.60 (at then-prevailing PSKY of $\$17.55 \times 1.80$ exchange ratio), producing an observed arb spread of ~\$3.75/share or ~11.9%, consistent with market pricing of the state-AG-complaint overhang. The Institute view is not to attach a specific probability to close — that is a live-market call that will move with each procedural development in N.D. Cal. — but to note that the observed spread is a real-time reading of institutional-investor confidence in the transaction. Section 18 walks the litigation-timeline scenarios and Institute probability weights on each; the reader is invited to test those weights against the observed spread on any given trading day.

3.5 What this means for the case

Three practitioner takeaways from the stock-price-action analysis:

- **The valuation walk is a PSKY walk.** Every dollar-figure in this case that references “\$31 per WBD share” is a snapshot as of the deal-announcement

PSKY reference. The economic reality of the transaction reprices with PSKY every trading day. Sections 4-6 (precedent transactions, trading comps, SOTP) are anchored against announced deal EV of \$110B, but the reader should understand that the same case at a materially lower PSKY tape delivers less consideration to WBD shareholders and the same case at a materially higher PSKY tape delivers more.

- **WBD standalone value is the deal-break floor.** If the transaction were to break entirely, WBD reverts to standalone-going-concern equity value. Institute standalone-WBD SOTP is discussed in Section 6; the standalone-WBD value is the practical floor under WBD tape action for the duration of the pendency period.
- **The 12-state suit is priced, not undefined.** The market has been pricing the state-AG overhang since July 13, 2026. Reading the case in isolation from that price action understates how much of the regulatory scenario is already reflected in WBD tape and PSKY tape. See Section 12 for the litigation-scenario walk.

Source note. The reference-price / exchange-ratio arithmetic reflects the announced terms from the February 2, 2026 Paramount / WBD joint press release and subsequent S-4 disclosures. The 1.80 illustrative exchange ratio is Institute reconstruction from the \$31 reference at an assumed announcement-day PSKY reference; the ratio disclosed in the definitive agreement supersedes. Spread commentary is Institute analysis of the mechanics of merger-arbitrage pricing; no specific PSKY or WBD tape print on any specific date is asserted in this section. Readers who want the specific tape print on a specific date should consult primary market data (Bloomberg, Refinitiv, Nasdaq) for that date. Not audited.

SECTION 4

Precedent Transactions — Media Megamergers

Every valuation walk stands on a set of comparable transactions. This section anchors the Paramount / WBD multiples against six benchmark media megamergers — five completed and one contemporaneous. The comparability set was selected on

three criteria: (a) transaction size above \$8B enterprise value, (b) meaningful overlap in asset mix (streaming, cable, studios, or sports rights), and (c) close date within the fifteen-year window prior to the current transaction. Each precedent is walked in the paragraph following the table.

Precedent transactions — media megamergers, 2011-2026

Deal	Timeline	EV	EV/ Rev	EV/ EBITDA	Structure & regulatory outcome
Comcast — NBCU (Phase 1)	Announced Dec 2009 Closed Jan 2011	\$30.0B	1.8x	9.5x	51% control from GE + Vivendi minority; cash + assets. DOJ / FCC conditions (Comcast- NBCU consent decree, expired 2018 without renewal).
AT&T — Time Warner	Announced Oct 2016 Closed Jun 2018	\$85.0B	2.9x	12.2x	Cash + stock (~50/50); statutory merger. DOJ challenge; <i>U.S. v. AT&T</i> verdict for defendants; D.C. Circuit affirmed 2019.

Deal	Timeline	EV	EV/ Rev	EV/ EBITDA	Structure & regulatory outcome
Disney — Fox (21CF assets)	Announced Dec 2017 Closed Mar 2019	\$71.3B	2.4x	10.8x	Stock + cash; Comcast counter-bid escalation to \$71B. DOJ divestiture (22 RSNs); FCC approved with conditions.

<i>Institute- adjusted Disney — Fox anchor</i> Apples-to- apples: net cost / net acquired EBITDA	<i>Institute analysis</i>	~\$43.6B	n/a	~16-22x	Cost side: \$71.30B gross less \$15.00B Sky pre-close cash sale (Sep-Oct 2018), \$9.60B RSN cash to Sinclair / Diamond Sports (Aug 2019 DOJ divestiture), and \$3.13B Star India retained- equity offset (Nov 2024 Reliance / Viacom18 JV) = \$43.6B net deployed capital. EBITDA side (same-basis netting): 21CF FY2018 segment OIBDA ~\$7.0B, less ~\$2.8B New Fox (RemainCo, kept by Murdoch), less ~\$1.27B RSN EBITDA (Diamond Sports 2019 pro forma), less
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Deal	Timeline	EV	EV/ Rev	EV/ EBITDA	Structure & regulatory outcome
					~\$0.10-0.20B Star India EBITDA = ~\$2.0-2.8B net acquired EBITDA Disney kept. Multiple = \$43.6B / \$2.0-2.8B = ~16-22x apples-to- apples. See Institute Disney read for full walkthrough.
Discovery — WarnerMedia (created WBD)	Announced May 2021 Closed Apr 2022	\$43.0B	1.3x	7.5x	Reverse Morris Trust; AT&T spun WarnerMedia to Discovery. Cleared without material remedy; AT&T shareholders received 71% of WBD.

Deal	Timeline	EV	EV/ Rev	EV/ EBITDA	Structure & regulatory outcome
Skydance — Paramount	Announced Jul 2024 Closed Aug 2025	\$8.0B	0.3x	4.5x	NAI Class A buyout + Class B partial cash- out + debt assumption. FCC license transfer cleared; NAI- led shareholder litigation settled.
Fox Corp — Roku (Institute case)	Announced Apr 2026 Closed Jun 2026	\$21.8B	4.6x	n.m.	All-stock statutory merger; Roku shareholders roll into FOXA. FTC / DOJ HSR waiting period expired without action.
Paramount — WBD (this deal)	Announced Feb 2026 Close est. Q3 2026	\$110.0B	2.8x	13.6x	All-cash reverse triangular (\$368(a)(2) (E)). DOJ + FCC cleared; 12 states filed to block Jul 13, 2026.

Sources: Comcast-NBCU per Form 425 + DOJ competitive-impact statement (Jan 2011); AT&T-TW per S-4 and DOJ complaint filings (Nov 2017); Disney-Fox per 21CF proxy statement (Jun 2018) and DOJ divestiture order; Discovery-WarnerMedia per WBD 8-K April 8, 2022 and AT&T Q1 2022 10-Q; Skydance-Paramount per Paramount / NAI 8-K series 2024-2025; Fox-Roku per Institute published case study (baratelliinstitute.com/case-studies.html#case-roku); Paramount-WBD per this case. All EV / Revenue and EV / EBITDA multiples applied against target trailing-twelve-month operating results at announcement. n.m. = not meaningful (Roku negative EBITDA at deal close).

4.1 What the precedents tell us

The Comcast-NBCU template (2011). The Comcast-NBCU transaction remains the clearest structural template for cross-medium media consolidation in the U.S. regulatory environment. Comcast acquired 51% control of NBCU from GE (and later bought out Vivendi's minority) at approximately 9.5x EBITDA. Regulatory clearance came with a seven-year DOJ-FCC consent decree containing programming-access, arbitration, and net-neutrality-adjacent behavioral conditions. The consent decree expired in 2018 without renewal — the current media environment does not carry any remnant of those conditions on the combined Paramount / WBD entity.

The AT&T-TimeWarner precedent (2016-2018). AT&T-Time Warner is the most directly-litigated recent large media merger. Announced at \$85B EV in October 2016, the deal was blocked by DOJ in November 2017. Judge Richard Leon's June 2018 ruling for AT&T — upheld unanimously by the D.C. Circuit on appeal in February 2019 — is now the leading case-law authority on vertical media mergers. The ruling explicitly rejected DOJ's bargaining-leverage theory of harm and set a high evidentiary bar for future vertical-merger challenges. AT&T's subsequent decision to spin off WarnerMedia to Discovery in 2022, at \$43B EV against the \$85B it had paid four years earlier, is one of the most consequential capital-destruction events in modern U.S. media history and directly created the current WBD.

What the AT&T-Time Warner ruling actually established

Judge Richard Leon's June 2018 opinion in *U.S. v. AT&T* — unanimously affirmed by the D.C. Circuit in February 2019 — did more than clear one deal. It set the modern doctrinal frame for vertical-merger antitrust review, and the twelve-state Paramount / WBD challenge will run head-first into it. Two holdings matter. First, the two-sided market question: the court refused to accept DOJ's single-sided market definition that treated cable-subscription revenue in isolation from advertising revenue, holding that ignoring the ad-supported side of the market produced an economically implausible picture of competition. That ruling makes any state-AG attempt to argue "streaming as a relevant market" without addressing the ad-supported side vulnerable to the same objection. Second, the bargaining-leverage theory of harm: the court rejected DOJ's argument that vertical integration would enable systematically harmful bargaining leverage over downstream distributors, absent specific evidence of price effects. State AGs pleading Clayton Act §7 will therefore need to make a much more granular showing on price effects than the pre-2018 doctrinal environment required. The practical result: *U.S. v. AT&T* raised the evidentiary bar for vertical-merger challenges materially, and the states challenging Paramount / WBD have taken on a doctrinally harder litigation posture than a pre-2018 challenge would have faced.

The Disney-Fox precedent (2017-2019). Disney's \$71B acquisition of the 21st Century Fox entertainment assets (studio, cable networks ex-FOX broadcast, Star India, 30% Hulu, National Geographic) at approximately 10.8x EBITDA is the closest apples-to-apples multiples benchmark for the current transaction. The DOJ required divestiture of the 22 regional sports networks (which ultimately went to Sinclair as Diamond Sports Group and became a Chapter 11 case in 2023). Disney-Fox is the multiples anchor most practitioners default to when discussing large-media EV/ EBITDA. The current Paramount-WBD announced 13.6x sits meaningfully above Disney-Fox — a premium the acquirer must justify with synergies, sports-rights capitalization, or strategic value not captured in trailing-twelve-month EBITDA.

Institute-adjusted Disney-Fox anchor. The Institute's Disney case study (baratelliinstitute.com/disney-read.html) recalculates the effective Disney-Fox purchase multiple on an **apples-to-apples basis** — adjusting *both* the cost side and the EBITDA side for the assets that were subsequently divested or contributed to joint ventures, so the numerator and denominator sit on the same asset base.

Cost side (net deployed capital). Start with the \$71.30B gross headline; then back out three specific line items: (1) the Sky 39% stake that Fox sold to Comcast for ~\$15.0B in cash before the Disney deal closed (Sep-Oct 2018); (2) the 22 Regional Sports Networks that DOJ required Disney to divest to Sinclair / Diamond Sports Group for ~\$9.6B in cash (Aug 2019 consent decree); and (3) Star India, which Disney contributed to the Reliance / Viacom18 joint venture in November 2024 as an asset-for-equity swap with a retained 36.84% JV stake sized at ~\$3.13B (36.84% × \$8.5B post-money valuation). Net deployed capital works out to \$71.30 – \$15.00 – \$9.60 – \$3.13 = ~\$43.6B.

EBITDA side (net acquired EBITDA). Start with 21CF FY2018 total segment OIBDA of ~\$7.03B (Sky excluded because Fox held it as an equity-method investment). Back out ~\$2.8B of “New Fox” (RemainCo) EBITDA that Rupert Murdoch kept in the spin-off — Fox News, Fox Broadcasting, Fox Sports national. That leaves ~\$4.2B of Fox EBITDA Disney acquired. Then back out the divestitures on the same basis as the cost side: ~\$1.27B of RSN EBITDA that went to Diamond Sports Group in 2019 (per Sinclair's 2019 pro forma adjusted EBITDA disclosure), and ~\$0.10-0.20B of pre-divestiture Star India EBITDA (deteriorating toward zero by the time the JV closed in 2024). **Net acquired EBITDA Disney kept: ~\$2.7-2.8B.**

The apples-to-apples multiple: \$43.6B net deployed capital ÷ \$2.0-2.8B net acquired EBITDA = ~16-22x on an **apples-to-apples basis** (~18x mid-point). That is materially higher than the 10.8x gross headline the market cites for Disney-Fox. Against this honest anchor, the Paramount-WBD announced 13.6x sits *below* the Institute-adjusted Disney-Fox multiple — not above it, as the gross-multiple comparison would suggest. This is the framework a practitioner reader should use when triangulating whether the announced \$110B EV is defensible against the closest precedent: honestly-measured, Paramount-WBD is being priced at a discount to the effective Disney-Fox multiple, not a premium. See the Institute Disney read for the full walkthrough.

The Comcast NBCUniversal separation (2025-2026) — the mirror-image case.

On November 12, 2024, Comcast announced its intent to separate NBCUniversal's media portfolio (Universal Pictures excluded; primary cable networks USA, Bravo, Oxygen, E!, MSNBC, CNBC, SYFY, Golf; Peacock streaming) from Comcast's cable-broadband and Universal-parks businesses. The separation is structured as a tax-free spin-off of the cable-networks entity into a new public company (working title "Versant"). This is the mirror-image transaction to Paramount / WBD: where Paramount is aggregating cable-plus-streaming assets by combination, Comcast is disaggregating cable-networks-plus-streaming from its distribution and parks businesses by separation. The Institute's Comcast case study (baratelliinstitute.com/case-study-cmcsa.html) develops the SOTP for the separated Comcast Media entity and provides the mirror-image valuation framework. For the Paramount / WBD reader, the Comcast separation is instructive because it prices the Institute-implied standalone value of the cable-networks-plus-streaming asset class the market is willing to hold as a stand-alone entity — giving a market-implied floor for what WBD-standalone cable-plus-streaming would trade at if Paramount had not stepped in with an all-cash bid. See the Institute Comcast read for the full walkthrough.

The Discovery-WarnerMedia precedent (2022) — direct WBD ancestry. The most directly-referenced precedent is the transaction that created the target itself:

Discovery's May 2021 announcement (closed April 2022) to acquire WarnerMedia from AT&T at \$43B EV. That transaction closed at 7.5x EBITDA — a mark that reflected the depressed 2021-2022 media-multiple environment and the seller-forced-hand economics of AT&T's \$85B / \$43B write-down. Paramount's announced \$110B for the same underlying WarnerMedia asset base (now with four years of Max streaming build and cost restructuring) at 13.6x is roughly a doubling of the Discovery-inherited multiple — a legitimate mark-to-market improvement, or an over-payment, depending on which side of the practitioner debate the reader stands on.

The Skydance-Paramount precedent (2025) — the acquirer's own comp.

Skydance closed its acquisition of Paramount Global from NAI at \$8B EV, approximately 0.3x revenue and 4.5x EBITDA — distressed / control-premium territory reflecting Paramount's pre-Skydance capital-structure stress. That transaction is the acquirer's own trailing benchmark, and the pricing discipline it required (NAI Class A buyout at \$2.25B, Class B partial cash-out at \$4.5B, and \$1.5B debt assumption) sets

a floor for how Ellison and RedBird approach the WBD deal. The \$110B WBD announced EV represents a 14x multiple of the \$8B Skydance-Paramount close — a scaling signal about the difference between distressed control-premium pricing and healthy strategic-premium pricing in the same twelve-month window.

The Fox-Roku precedent (2026) — the contemporaneous streaming platform.

The Fox Corp acquisition of Roku at \$21.8B EV / \$24.2B equity (June 2026 close) is the most contemporaneous transaction in the peer set. Fox paid 4.6x revenue and approximately \$218 per Roku household. The EV/EBITDA multiple is **not meaningful (Roku carried negative EBITDA at deal close)**, which is the reason the peer-table entry reads "n.m." — a common but under-explained data point in most sell-side precedent tables. The Institute's dedicated Fox-Roku case study (baratelliinstitute.com/case-studies.html — **Fox / Roku read**) develops the ad-supported streaming and connected-TV valuation framework the Fox transaction implied — a much richer read than the "n.m." entry alone suggests. Fox paid 4.6x revenue on a substantially higher revenue multiple than the Paramount / WBD 2.8x but on a very different asset (a smart-TV OS-plus-ad-network platform, not a diversified cable / streaming / studios / news business). The Fox-Roku case is discussed in full at the Institute's case-studies page and remains an important reference for how the market currently values connected-TV distribution economics distinct from legacy content-licensing economics. Its relevance for Paramount / WBD is as a data point on streaming-platform multiples specifically, not as a full-entity benchmark.

What the precedent set tells us about the announced \$110B

The six-transaction precedent set brackets Paramount's announced \$110B WBD acquisition. On EV/EBITDA, the announced 13.6x sits above Disney-Fox (10.8x, 2019), above AT&T-TimeWarner (12.2x, 2018), and dramatically above Discovery-WarnerMedia (7.5x, 2022, the same asset). It sits well below Fox-Roku (n.m., 2026, but a very different asset class). The announced multiple is either (a) a legitimate mark-to-market repricing of the WarnerMedia asset base after four years of Max integration and cost restructuring, or (b) an aggressive strategic premium justified by sports-rights economics and content-library

scale, or (c) an over-payment relative to comparable-transaction benchmarks. The trading-comparables read in Section 5 and the SOTP segment walk in Section 6 test each of those hypotheses against the segment mix.

SECTION 5

Trading Comparables — The Public-Market Peer Set

The trading-comparables read benchmarks the announced deal multiples against the observed contemporaneous public-market pricing of nine peer companies at the case cutoff. The peer set was selected on three criteria: (a) primary revenue exposure in one or more of Paramount / WBD's segments (streaming, cable, studios, sports rights, broadcast, or music/IP), (b) primary listing in the United States or ADR-accessible from the U.S. market, and (c) market capitalization above \$2B at the cutoff. Each figure reflects the public-market print on or around July 13, 2026.

Trading comparables — media & entertainment peer set, as of July 13, 2026 case cutoff

Company / Ticker	Primary exposure	Mkt Cap	EV	EV/ Rev	EV/ EBITDA (TTM)	EV/ EBITDA (NTM)	P/E
Disney (DIS)	Diversified: parks, studios, streaming, sports (ESPN)	\$205B	\$245B	2.6x	11.5x	10.2x	19x
Comcast (CMCSA)	Cable broadband + NBCU (peacock, USA, Bravo, Universal)	\$155B	\$255B	2.0x	7.0x	6.5x	10x

Company / Ticker	Primary exposure	Mkt Cap	EV	EV/ Rev	EV/ EBITDA (TTM)	EV/ EBITDA (NTM)	P/E
Netflix (NFLX)	Global SVOD streaming; ~285M paid subs	\$340B	\$355B	7.6x	22.0x	18.5x	32x
News Corp (NWSA)	Dow Jones, News UK, HarperCollins, REA Group	\$16B	\$18B	1.7x	8.5x	7.8x	16x
Fox Corp post-Roku (FOXA)	Fox News, Fox Sports, FOX broadcast, Tubi, Roku CTV	\$32B	\$50B	3.2x	11.5x	10.0x	14x
TKO Group (TKO)	UFC + WWE sports IP; content licensor to PSKY / NBC	\$14B	\$16B	5.8x	18.5x	15.5x	34x
Roku pre-Fox ref. (ROKU)	Smart-TV OS + CTV ad platform (now Fox subsidiary)	\$22B	\$22B	4.6x	n.m.	n.m.	n.m.
Warner Music (WMG)	Recorded music + music publishing; global catalog	\$18B	\$22B	3.6x	12.0x	10.8x	28x
Sony ADR (SONY)	Pictures, Music, Games, Electronics (studios peer)	\$115B	\$125B	1.3x	8.0x	7.2x	15x
Peer median	—	—	—	3.2x	11.5x	10.0x	16x

Company / Ticker	Primary exposure	Mkt Cap	EV	EV/ Rev	EV/ EBITDA (TTM)	EV/ EBITDA (NTM)	P/E
Paramount / WBD (PSKY/ WBDA)	Combined: streaming, cable, studios, sports, news	\$81B eq	\$110B	2.8x	13.6x	11.8x	n.m.

Sources: peer market caps and EV per Bloomberg / Refinitiv snapshots on or around July 13, 2026 case cutoff; TTM revenue and EBITDA per most-recent-quarter 10-Q filings for each issuer. Ranges are Institute rounding for practitioner readability; readers who need exact figures should pull the underlying primary sources. Roku EBITDA marked n.m. reflects negative EBITDA at close; Paramount / WBD P/E marked n.m. reflects the pending nature of the transaction (there is no combined-entity EPS to divide into). Peer median excludes n.m. cells.

5.1 Reading the peer multiples by segment exposure

The peer set is deliberately heterogeneous because Paramount / WBD combined is not a pure-play in any single segment. The segment-by-segment SOTP walk in Section 6 uses each peer sub-cluster as an anchor for the applicable segment multiple:

- **Streaming-first pure play (Netflix at 22.0x EBITDA).** Netflix is the single benchmark most practitioners default to for pure-SVOD economics. At 22x EBITDA and 7.6x revenue, it prices in continued subscriber growth, ARPU expansion, and platform-scale operating leverage. Paramount+ and Max — the combined-entity streaming products — do not warrant Netflix multiples on a segment basis; the segment SOTP applies a discount to Netflix multiples for the sub-scale, mixed-content-slate, and slower-ARPU-growth realities of the combined streaming assets.
- **Diversified media conglomerates (Disney 11.5x, Comcast 7.0x, Sony 8.0x).** The three large diversified conglomerates cluster in the 7-12x range. Disney's trading multiple (11.5x TTM EBITDA) is also worth reading against the **Institute-**

adjusted Disney-Fox transaction multiple discussed in Section 4.1 — where backing out the ~\$15B of divested-or-monetized assets (22 RSNs to Sinclair; Star India to Reliance; Hulu 30% stake) from the headline \$71B Disney-Fox deal produces an effective ~8.5-9.5x EBITDA transaction anchor for the core content acquired, materially below the headline 10.8x. Disney's current trading multiple therefore sits at a premium to what Disney itself paid for the Fox content assets on an adjusted basis. Disney trades at the top of that cluster on the ESPN sports-rights premium and the parks-and-experiences non-media revenue base. Comcast trades at the bottom on the cable-broadband exposure that carries structurally lower multiples than pure content businesses. Paramount / WBD as a diversified conglomerate should print in the middle of this cluster on segment-mix; 13.6x is at the top edge.

- **Sports-rights pure play (TKO 18.5x EBITDA).** TKO trades at a substantial premium to the diversified conglomerates on the sports-IP scarcity premium (UFC + WWE are irreplaceable rights portfolios). The 18.5x TKO EBITDA multiple is instructive for how the Paramount sports-rights portfolio (NFL AFC, UFC, UEFA Champions League, NCAA March Madness, MLB, NHL) should be valued in the segment SOTP — specifically, sports rights capitalized against the acquirer's cost basis, not against ad revenue attributable to the rights.
- **Cable-heavy media (News Corp 8.5x, Fox 11.5x).** The cable-affiliate-fee-heavy peers cluster below the streaming multiples but reflect a fair mark on the cash-generative but declining cable networks. WBD's cable-networks stack (Turner, Discovery, HGTV, Food, TLC, etc.) plus Paramount's (MTV, Comedy Central, Nickelodeon, BET) should be valued in-line with this peer cluster on the SOTP.
- **Music & IP (Warner Music 12.0x).** WMG is included as a peer for the studios / library-IP segment of the SOTP. The 12x music-catalog multiple reflects annuity-like royalty economics and the private-market bidding tension from music-catalog acquirers (Hipgnosis, Concord, KKR). The Paramount / WBD combined studios (Paramount Pictures + Warner Bros. Pictures + New Line) do not have annuity-like license economics but they do have library-catalog scale that warrants above-cable-multiple treatment.
- **Broadcast + CTV (Fox Corp, post-Roku close).** Fox post-Roku is the closest broadcast-plus-CTV peer to the combined entity's CBS-plus-Paramount+-plus-

Max footprint. Fox trades at 11.5x post-close, which is instructive for the broadcast segment of the SOTP.

5.2 What the trading comps tell us about the announced \$110B

Against a peer median of 11.5x EV/EBITDA, the announced \$110B EV at 13.6x carries a ~18% premium to the trading-comps median. Three ways to read that premium:

Read 1 (the buyer defense). The 18% premium reflects (a) sports-rights capitalization on a sum-of-rights-portfolios basis that pulls the segment SOTP toward the TKO multiple rather than the diversified-media multiple, (b) integration synergies (~\$3B run-rate cost realization targeted per the deal announcement), and (c) platform-scale strategic value that pure trading multiples do not capture. Sections 6 and 13 walk this argument.

Read 2 (the seller defense). The 18% premium is a legitimate change-of-control premium consistent with what public-company boards routinely negotiate on strategic transactions. Historical M&A control premiums have averaged 25-35% over the 30-day-VWAP unaffected trading level; measured against WBD's pre-announcement unaffected price, the delivered premium is broadly consistent with market norms.

Read 3 (the skeptic defense). The 18% premium over trading-comps median is priced into a target whose asset base has meaningfully deteriorated since the Discovery-WarnerMedia transaction created it at 7.5x EBITDA in 2022. Cable subscriber declines are steepening, streaming ARPU growth has plateaued outside Netflix, and the sports-rights escalator is accelerating cost inflation. A skeptic argues the 13.6x announced multiple is a peak-cycle mark that the combined entity will not sustain post-close.

The Institute view: all three reads are defensible on the available facts. Sections 6 (SOTP), 12 (regulatory), and 13 (deal-structure optionality) walk the practitioner arithmetic that supports or attacks each read. The 12-state AG complaint filed July 13, 2026 has added a further downside adjustment specifically for divestiture-scenario cost that trading comps do not price; that adjustment is a Section 12 topic.

5.3 What if the peer set compresses?

The 18% premium narrative assumes current peer multiples hold. But media multiples are notoriously operating-cycle-driven, and a regime change during the pendency period would materially reshape the "is \$110B a full price?" question. Consider a scenario where Netflix EBITDA multiple contracts from the current 22.0x to a more historically normal 17x over the twelve-to-eighteen-month pendency period (as subscriber-growth expectations reset), and the diversified conglomerates compress from an 11.5x current median to 9.5x. Under that scenario:

Peer-set compression scenario — effect on announced \$110B premium

Peer group	Current multiple	Regime-change multiple	Blended peer median	Announced 13.6x premium
Current (as of case cutoff July 2026)	22.0x (NFLX)	—	11.5x	18%
Mild compression case	19.0x	10.5x	10.5x	30%
Regime-change compression case	17.0x	9.5x	9.4x	~45%

Illustrative Institute analysis. The scenario assumes Netflix multiple compression from the current post-2023 subscriber-growth regime to a more historically normal multiple, and diversified conglomerate compression from the current median to a mid-cycle-through-cycle mark. Under the regime-change scenario, the announced 13.6x becomes a ~45% premium to the compressed peer median, not the 18% premium against current peer trading comps. That is the specific sell-side debate that a media-coverage research committee is having today.

Source note. All peer figures are July 13, 2026 case-cutoff snapshots and were current on that date. Media multiples are notoriously volatile with quarterly earnings prints and content-cycle news; readers who consult this case after Q3 2026 earnings should refresh the peer multiples against then-current data. Peer selection is Institute practitioner judgment and does not reflect any specific sell-side comparables set. Not audited.

SECTION 6

Historical Capital Allocation — 9-Quarter FCF Deployment

The nine-quarter cash-flow deployment table below traces where every dollar of free cash flow went across the trailing nine quarters — capex, acquisitions, dividends, buybacks, and net debt movement — and reconciles to residual cash. It is the practitioner check that follows valuation: multiples anchor what the market pays, but only historical capital allocation tells you what management actually does with the cash. For a large media combination like Paramount / WBD, the historical capital-allocation pattern of each company predicts what the combined entity is likely to do post-close — and, in this case, informs the SOTP synergy assumption in Section 7.

What follows is the trailing nine-quarter deployment for each company (Q1'24 through Q1'26) plus a combined pro-forma. Figures are Institute reconstruction from published 10-Q and 10-K filings; quarterly line items derived by subtracting prior year-to-date cumulative disclosure from current cumulative disclosure. Rounding may produce immaterial reconciliation variance. All figures in \$ millions unless otherwise noted.

6.1 Warner Bros. Discovery — 9-quarter FCF deployment

WBD is the deal target and the more capital-allocation-disciplined of the two companies. Since Discovery's April 2022 acquisition of WarnerMedia, management has run a stated debt-paydown-first policy: no common dividend, no buybacks, all excess cash to the balance sheet. The 9-quarter FCF walk confirms that policy against the tape — and reveals the Q1'26 anomaly (a \$2.8 billion Netflix settlement payment that pushed operating cash flow negative for the quarter).

WBD 9-quarter cash flow deployment — \$M, Q1'24 through Q1'26 — actual filed data

Line item (\$M)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	9Q total
Total revenue	9,958	9,713	9,624	10,028	8,979	9,812	9,045	9,458	8,893	85,510
Adj. EBITDA (as reported)	2,102	1,795	2,413	2,690	2,105	1,953	2,470	2,182	2,203	19,913

Line item (\$M)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	9Q total
Operating cash flow	585	1,222	847	2,746	585	985	979	1,751	(208)	9,492
Capex	(195)	(246)	(215)	(292)	(278)	(281)	(278)	(367)	(268)	(2,420)
Free cash flow (reported)	390	976	632	2,454	302	704	701	1,384	(476)	7,067
CAPITAL DEPLOYMENT										
Acquisitions (net cash paid)	0	0	0	0	0	0	0	0	0	0
Cash dividends paid	0	0	0	0	0	0	0	0	0	0
Share repurchases (open market)	0	0	0	0	0	0	0	0	0	0
Debt repayments (principal)	(1,100)	(1,807)	(900)	(1,236)	(2,164)	(2,700)	(1,200)	(1,000)	n/d	~(12,107)
Special item: Netflix settlement (Q1'26)	—	—	—	—	—	—	—	—	(2,800)	(2,800)
Deployment summary: debt-paydown-first	Nine quarters generated \$7.07B of reported FCF. Every dollar to the balance sheet: zero common dividend (never paid post-Discovery-W)									

Source and reconciliation: Warner Bros. Discovery Form 10-Q filings for the periods ended March 31, 2024 (filed May 2024, disca-20240331); June 30, 2024 (filed August 2024, disca-20240630); September 30, 2024 (filed November 2024, disca-20240930); March 31, 2025 (filed May 2025, disca-20250331); June 30, 2025 (filed August 2025, wbd-20250630); September 30, 2025 (filed November 2025, wbd-20250930); and March 31, 2026 (filed May 2026, wbd-20260331). Form 10-K FY2024 (filed February 27, 2025, wbd-20241231) for Q4'24; Form 10-K FY2025 (filed February 26, 2026, wbd-20251231) for Q4'25. Complete filing list via SEC EDGAR CIK 0001437107. WBD reports quarterly figures directly (no cumulative decomposition required for the earnings-release exhibits). Adjusted EBITDA is as reported (WBD-defined non-GAAP measure). Free cash flow is as reported by WBD (OCF less capex less certain other items per WBD's FCF definition). Q1'26 special item: the \$2.8B Netflix settlement payment reduced OCF and FCF but is a one-time transaction and not indicative of run-rate cash generation. Not audited. Not investment advice.

6.2 Paramount / Paramount-Skydance — 9-quarter FCF deployment

The Paramount side has three complicating facts the reader needs upfront. First, the reporting entity changed on August 7, 2025: Q1'24 through Q2'25 reflects legacy Paramount Global (Nasdaq: PARA, CIK 0000813828); Q3'25 forward reflects Paramount, a Skydance Corporation (Nasdaq: PSKY, CIK 0002041610). Second, Skydance-close pushdown accounting on August 7 creates a Predecessor (Jul 1–Aug 6) / Successor (Aug 7–Sep 30) split within Q3'25 — the Q3'25 column below is shown on the “combined” management basis that PSKY publishes for transitional trend comparability. Third, PARA carried a Mandatory Convertible Preferred Stock (MCP) that paid a small preferred dividend through Q2'24 and then converted at maturity in April 2024, eliminating the preferred dividend line thereafter.

Paramount 9-quarter cash flow deployment — \$M, Q1'24 through Q1'26 — actual filed data

Line item (\$M)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25*	Q4'25	Q1'26	9Q total
Legacy PARA (CIK 0000813828) → PSKY successor (CIK 0002041610) at Q3'25										
Total revenue	7,685	6,810	6,730	7,980	7,192	6,849	6,700	8,148	7,300	65,394
Adj. OIBDA / EBITDA	987	867	858	407	688	963	952	612	1,161	7,495
Operating cash flow	260	59	265	168	180	159	(77)	294	185	1,493
Capex	(51)	(49)	(148)	(17)	(57)	(45)	n/d	(116)	(89)	~(572)
Free cash flow (derived: OCF less Capex)	209	10	117	151	123	114	(77)†	178	96	~921
CAPITAL DEPLOYMENT										
Acquisitions (net cash paid)	0	0	0	0	0	0	0	0	0	0
Common dividends paid	(35)	(33)	(34)	(36)	(35)	(35)	0	0	0	(208)
Preferred dividends (MCP, ended Apr 2024)	(14)	(15)	0	0	0	0	0	0	0	(29)
Share repurchases (open market)	0	0	0	0	0	0	0	0	0	0

Line item (\$M)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25*	Q4'25	Q1'26	9Q total
Debt repayments (principal)	0	0	(239)	113	n/d	n/d	n/d	n/d	n/d	~(126)
Skydance-close consideration (Aug 2025)	—	—	—	—	—	—	4,500	—	—	4,500
Deployment summary: divided history	Legacy PARA (Q1'24-Q2'25, 6Q) generated modest \$724M FCF, paid \$208M in common dividends and \$29M in MCP-preferred before el									

†Q3'25 FCF derivation: Q3'25 Capex was not separately disclosed for the Predecessor (Jul 1-Aug 6) / Successor (Aug 7-Sep 30) split. Q3'25 FCF shown as ~\$(77)M above uses OCF only (Capex assumed nominal for the ~2-month Successor stub); the 9Q sum of ~\$921M reconciles to 9Q OCF (\$1,493M) less 8Q Capex (~\$572M). Aggregate 9Q FCF is understated to the extent Q3'25 Capex was material.

***Q3'25 pushdown-accounting note:** Q3'25 revenue \$6.7B and OIBDA \$952M shown are on the PSKY-published "combined basis" (Predecessor Jul 1–Aug 6 plus Successor Aug 7–Sep 30), used for trend comparability. GAAP-split figures per PSKY 10-Q (filed 11/10/25, psky-20250930): Predecessor \$2,580M revenue Jul 1–Aug 6; Successor \$4,120M revenue Aug 7–Sep 30. The Successor Aug 7–Dec 31, 2025 stub period reports \$217M total OCF, \$116M capex, \$101M FCF — the Q3-stub OCF of ~\$(77)M and Q4-stub OCF of ~\$294M shown above are derived by allocating the Aug 7–Dec 31 stub between the two calendar quarters. The PSKY 10-K FY2025 (filed ~February 26, 2026) is the authoritative source for reconciled quarterly figures.

Source and reconciliation: Legacy PARA Form 10-Q filings for periods ended March 31, 2024 (filed 5/2/24, para-20240331); June 30, 2024 (filed 8/8/24, para-20240630); September 30, 2024 (filed 11/8/24, para-20240930); March 31, 2025 (filed 5/8/25, para-20250331); June 30, 2025 (filed 8/7/25, para-20250630). Legacy PARA Form 10-K FY2024 (filed 2/26/25, para-20241231) and 10-K/A amendment (filed 4/25/25) for Q4'24 reconciliation. PSKY Form 10-Q for period ended September 30, 2025 (filed 11/10/25, psky-20250930) for Q3'25 combined basis. PSKY Form 10-K FY2025 (filed ~2/26/26) for Q4'25 reconciliation. PSKY Form 10-Q for period ended March 31, 2026 (filed ~5/4/26, psky-20260331) for Q1'26. SEC EDGAR: legacy PARA CIK 0000813828; PSKY successor CIK 0002041610. Legacy PARA reported Adjusted

OIBDA as its top-line non-GAAP profitability measure; PSKY continues to report Adjusted OIBDA. Capex line marked "n/d" for Q3'25 where the transitional pushdown-accounting stub did not separately disclose Predecessor/Successor capex. Not audited. Not investment advice.

6.3 Combined pro-forma — nine-quarter FCF on combined-entity basis

The combined pro-forma is the simple-additive aggregation of both companies' 9-quarter FCF, drawn from the actual filed data in Sections 6.1 and 6.2. It does not adjust for post-close synergies (Section 7.1 SOTP walk), for divestiture-scenario cash impacts (Section 8), for combined-entity working-capital normalization, or for the WBD Q1'26 Netflix settlement special item. What it shows is the run-rate cash-generation capacity of the two businesses as they entered the transaction — the base that synergies must act on.

Combined pro-forma 9-quarter cash flow deployment — \$M, Q1'24 through Q1'26 — WBD + Paramount additive

Line item (\$M)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	9Q total
Total revenue (combined)	17,643	16,523	16,354	18,008	16,171	16,661	15,745	17,606	16,193	150,904
Adj. EBITDA / OIBDA (combined)	3,089	2,662	3,271	3,097	2,793	2,916	3,422	2,794	3,364	27,408
Operating cash flow (combined)	845	1,281	1,112	2,914	765	1,144	902	2,045	(23)	10,985
Capex (combined)	(246)	(295)	(363)	(309)	(335)	(326)	(278)	(483)	(357)	~(2,992)
Free cash flow (combined)	599	986	846	2,510	425	818	n/d	1,562	(380)	~8,067
COMBINED CAPITAL DEPLOYMENT										
Acquisitions (combined)	0	0	0	0	0	0	0	0	0	0
Dividends paid (combined, common + preferred)	(49)	(48)	(34)	(36)	(35)	(35)	0	0	0	(237)
Share repurchases (combined)	0	0	0	0	0	0	0	0	0	0

Line item (\$M)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	9Q total
Debt repayments (combined principal)	(1,100)	(1,807)	(1,139)	(1,123)	(2,164)	(2,700)	(1,200)	(1,000)	n/d	~(12,233)
Special items (Q1'26 Netflix + Skydance close)	—	—	—	—	—	—	4,500	—	(2,800)	1,700
Combined nine-quarter FCF deployment: ~\$8.1B FCF over nine quarters against ~\$12.2B combined debt paydown. Total dividends \$237M (all pre-Skydance close). Zero share repurchases. Post-merger combined operating cash requirement estimated at \$6-7B annual against combined interest burden of \$4.5B and combined capex of \$6.5B implies limited excess free cash for shareholder returns for 18-24 months.										

Source and reconciliation: Additive aggregation of the Section 6.1 WBD data and Section 6.2 Paramount data drawn directly from SEC EDGAR filings. Does not adjust for post-close synergies (Section 7.1 SOTP walk contains the synergy assumption); does not adjust for regulator-forced divestiture scenarios (Section 8 walks the twelve-state complaint impact); does not adjust for intercompany eliminations (there is minimal intercompany activity between WBD and Paramount pre-close). The Q3'25 combined FCF cell shows "n/d" because Paramount Q3'25 FCF is not disclosed at the standalone-quarter granularity due to pushdown accounting. Not audited. Not investment advice.

6.4 What the 9-quarter walk tells the practitioner reader

Three read-outs from the 9-quarter FCF walk

Reconciliation to residual cash — how to read the nine-quarter walk

The nine-quarter cash-flow deployment table shows sources (operating cash flow) and uses (capex, dividends, buybacks, debt paydown, acquisitions/divestitures). The reconciliation to residual cash is:

Beginning cash + Cumulative operating cash flow – Cumulative capex – Cumulative dividends – Cumulative buybacks – Cumulative debt paydown ± Cumulative net acquisitions ± FX/other = Ending cash. Because our table shows the deployment components in absolute dollars, the residual cash bridge

closes when Institute-added rows for beginning cash and ending cash are appended. For WBD, ending cash at Q1'26 was \$2.7B against beginning cash at Q1'24 of \$3.1B, implying net cash consumption of ~\$0.4B over nine quarters — consistent with the ~\$8.1B of operating cash flow largely absorbed by ~\$12.2B of debt paydown offset by working-capital release and non-cash items. Practitioner reader: verify the reconciliation against the filed 10-Q balance-sheet cash line at each quarter-end.

Read-out 1: WBD ran a strict debt-paydown-first policy since the Discovery-WarnerMedia merger closed. Over nine quarters WBD generated \$7.07B in reported FCF (or \$9.87B ex-Netflix-settlement) and directed ~\$12.1B of cumulative principal debt repayment to the balance sheet — taking gross long-term debt from ~\$47B at 2024 open to ~\$34B by Q4'25. Zero common dividend paid (never initiated post-Discovery-WarnerMedia). Zero share repurchases (2020 authorization dormant across all nine quarters). No incremental M&A during the walk period (Paramount itself is the product of the August 7, 2025 Skydance transaction — a \$4.5B all-cash consideration to legacy PARA Class B shareholders under the Aug 7 combination — and beyond the transaction itself no acquisitions or divestitures were executed during Q1'24-Q1'26). Q1'26 OCF of \$(208M) and FCF of \$(476M) reflect the one-time \$2.8B Netflix settlement payment — a special item, not an operating deterioration. This is exactly the harvest-mode capital allocation you would want to see from a target that's about to be sold at 13.6x EBITDA: cash-rich, meaningfully deleveraged, no distraction spend.

Read-out 2: Paramount ran a divided history — capital-constrained PARA, transitional PSKY. Legacy Paramount Global (Q1'24-Q2'25) generated a cumulative \$726M in FCF across six quarters; paid \$208M in common dividends and \$29M in Mandatory Convertible Preferred dividends (the MCP converted at maturity April 2024, eliminating that line); executed modest debt principal payments totaling ~\$126M net; ran no buyback program. Post-Skydance close (Aug 7, 2025), PSKY suspended the common dividend, continued to run no buyback program, and generated an additional ~\$274M in FCF across Q4'25 and Q1'26. The Q3'25 transition quarter (Legacy PARA July 1–Aug 6 plus PSKY Aug 7–Sep 30) generated \$(77M) operating cash flow with capex not separately disclosed by segment on a comparable basis (the 10-K discloses ~\$60M of Q3'25 capex on the successor basis; Institute reconstruction estimates ~\$50-70M against the transition-period OCF). Rolling up the actual reported components: Legacy PARA \$726M (6 quarters) plus Q3'25 approximately \$(130M) net FCF plus PSKY \$274M (2 quarters) equals ~\$870M-\$920M total 9Q Paramount-side FCF, or roughly one-seventh of the WBD side. The exact figure reconciles to

the OCF and Capex row totals in the table above: \$1,493M OCF less ~\$572M capex equals ~\$921M cumulative FCF. The earlier “\$1.0B” framing rounded up and did not adjust for the Q3’25 transition-quarter drag; the corrected ~\$921M is the reference number. The \$4.5B Q3’25 “capital deployment” line is the Skydance-close cash consideration to legacy PARA Class B shareholders under the Aug 7 transaction, not operating capital allocation.

Read-out 3: Combined pro-forma reads as debt-heavy, distribute-minimally, no-M&A — consistent with the SOTP’s conservative multiples. The combined nine-quarter walk generated ~\$8.1B of FCF, directed ~\$12.2B toward debt reduction, paid a combined \$237M in dividends (all pre-Skydance close), and executed zero buybacks and no incremental M&A. This deserves the correct framing: both companies are themselves the product of transformational M&A — WBD is the April 2022 Discovery-WarnerMedia combination, Paramount is the August 2025 Skydance transaction — and the announced Paramount-WBD transaction is an M&A finale on top of those foundations. What the walk shows is that between Q1’24 and Q1’26, neither company added incremental acquisitions or divestitures on top of their constituting-transaction baselines. The pattern is unambiguous: deleverage-first, distribute-minimally, execute no new M&A while their respective constituting deals bed down. The Institute base-case SOTP in Section 7 applies conservative segment multiples on this base; the high-case scenario in Section 7.2 requires management to re-rate to a growth-and-distribution posture that neither company’s trailing capital-allocation record supports. Reader who wants the high case has to believe management will change what they’ve been doing — and the specific new capital-allocation policy Ellison and Shell announce post-close is the leading indicator of which SOTP scenario is materializing.

Ties to the model. The Excel model that accompanies this case (paramount-wbd-model.xlsx, download link at top) contains the point-estimate build for each quarterly line item in the 9-QUARTER_FCF tab — the reader who wants to run their own numbers can re-cast any assumption against the reconstruction shown here. The workbook also carries a scenarios tab that runs the SOTP against different capital-allocation assumptions post-close.

What is (and is not) in the model. The workbook reproduces the filed 8-K Ex 99.2 pro forma statements: the FY2025 pro forma income statement (sample 12 months of combined operations) and the pro forma balance sheet as of 3/31/2026 (post-close capital structure). The three-months-ended 3/31/2026 interim pro forma IS that also appears in Ex 99.2 was **deliberately excluded** — distorted by WBD’s one-time \$2.8B Netflix settlement payment and misleading on scale given Q1

seasonality in the media businesses. No FY2026E, FY2027E, or FY2028E projections are included; the model is a snapshot, not a forecast. Forward-looking judgment lives on the SOTP, Synergies, and Sensitivity tabs where it is labeled as illustrative Institute analysis.

Source note. Every figure in Sections 6.1, 6.2, and 6.3 is Institute reconstruction from published 10-Q and 10-K filings, cross-referenced against contemporaneous business press coverage. WBD ticker on Nasdaq is WBDA; legacy Warner Bros. Discovery ticker was WBD. Paramount pre-close ticker was PARA; post-Skydance close ticker is PSKY. All FCF conventions follow the CFO Guide standard: FCF = operating cash flow less capital expenditures, before financing decisions. Not audited.

SECTION 7

SOTP Valuation — Segment by Segment

SOTP triangulation — how this range connects to Sections 4 and 5. The illustrative range presented below (\$95B / \$117.5B / \$135B low / base / high) triangulates from three anchors developed earlier in the memo:

1. **Precedent transactions (Section 4).** Comparable media megamergers cluster in the 10-13x forward EBITDA range (Discovery/WarnerMedia at 8.2x reflected distress pricing; Disney/Fox at 14.5x reflected scarcity premium; AT&T/TimeWarner at 11.4x is the mid-cycle anchor). Applied to WBD FY2025 EBITDA of \$8.1B gives a \$65-105B WBD-standalone contribution, which combined with PSKY standalone and synergy value produces the illustrative range below.
2. **Trading comparables (Section 5).** Media peers trade in a bimodal band — legacy cable-heavy at 5-7x and streaming-first at 12-17x. The combined entity's bimodal segment mix pulls to a blended 9-11x, which under EBITDA in the \$18-22B range post-synergies produces \$160-240B enterprise-value territory before net-debt subtraction.
3. **Segment build (this section).** The bottom-up walk by segment (streaming, cable networks, studios, sports rights, ad-supported streaming) reconciles the top-down anchors to a defensible mid-case.

Institute anchor: the base case at \$117.5B combined-entity equity value. Above the low end because the streaming DTC segment retains real optionality, below the high end because the sports-rights capitalization risk and the 12-state litigation overhang each impose a real discount. The specific segment build follows.

The Institute's illustrative sum-of-the-parts valuation for the combined Paramount + Warner Bros. Discovery entity — the entire merged business post-close on a standalone-going-concern basis — ranges from approximately \$95 billion to \$135 billion in equity value depending on segment multiples and divestiture assumptions. This is the combined-entity valuation and should not be confused with the transaction EV of \$110B, which is what Paramount is paying WBD shareholders (stock exchange) plus assumed WBD net debt. The transaction EV measures what Paramount pays; the combined-entity SOTP measures what the merged business is worth. What follows is the bottom-up walk. Every input is either publisher-cited or explicitly labeled as illustrative Institute analysis, and every multiple applied here is benchmarked against the precedent transactions in Section 4 and the trading comparables in Section 5. The reader should treat this as a valuation framework to think against, not as a specific price target.

7.1 Combined-entity SOTP build — segment by segment

Combined Paramount + WBD sum-of-the-parts illustrative valuation — base case, \$B

Segment	2025 Rev	2025 EBITDA	Multiple	Segment EV	Basis
Film studios (Paramount + Warner Bros.)	\$15.5	\$1.8	18x EBITDA	\$32.4	Studio EBITDA multiple + library premium
Streaming (Paramount+ + Max)	\$14.2	\$0.5	3.5x revenue	\$49.7	Per-sub \$275 × 180M combined subs

Segment	2025 Rev	2025 EBITDA	Multiple	Segment EV	Basis
Cable — Turner (TNT / TBS / truTV / TCM)	\$8.4	\$3.1	5.0x EBITDA	\$15.5	Harvest multiple; declining subs
Cable — Discovery unscripted	\$10.2	\$3.8	5.5x EBITDA	\$20.9	Higher multiple than Turner — HGTV / Food Network premium
Cable — Paramount networks (MTV / Nick / Comedy Cent. / BET)	\$4.8	\$1.5	5.0x EBITDA	\$7.5	Harvest multiple
Kids programming networks (Nick Jr., TeenNick, Cartoon Network, Boomerang)	\$1.9	\$0.6	4.5x EBITDA	\$2.7	Structurally challenged demo
News operations (CNN + CBS News)	\$4.5	\$0.9	7.0x EBITDA	\$6.3	Aggregate value; regulatory divestiture candidate (Section 7)

Segment	2025 Rev	2025 EBITDA	Multiple	Segment EV	Basis
Sports rights book, net of costs	n/a	n/a	n/a	\$8.5	NFL AFC + UFC + UEFA Champions League + March Madness + MLB Postseason + NHL
International operations (Channel 5 UK, Network 10, DNI, HBO regional)	\$7.2	\$1.4	6.5x EBITDA	\$9.1	Blended developed / emerging exposure
Corporate / shared overhead deduction	—	\$(1.2)	8.0x EBITDA	\$(9.6)	Combined corporate overhead capitalized
Segment enterprise value (pre-synergy)	—	—	—	\$143.0	Sum of segments before synergies
Cost synergies (PV, 3-year phase-in)	—	—	—	\$8.5	Estimated \$2B run-rate at 8x capitalization multiple
Revenue synergies (bundle uplift, cross-promotion)	—	—	—	\$4.0	Illustrative; harder to quantify

Segment	2025 Rev	2025 EBITDA	Multiple	Segment EV	Basis
Combined enterprise value with synergies	—	—	—	\$155.5	Illustrative base case with synergies
Less: combined net debt at deal close	—	—	—	\$(38.0)	WBD legacy debt + new financing
Combined equity value (Institute base case)	—	—	—	\$117.5	Illustrative combined-entity SOTP base case

Sources: segment revenue and EBITDA per Paramount and WBD 10-K filings for fiscal year ended December 31, 2025, allocated by Institute analysis; multiples benchmarked against the precedent transactions in Section 4 and the trading comparables in Section 5; synergy assumptions are Institute analysis consistent with public company guidance on comparable megamergers. Not audited. Not investment advice. See Section 7 for divestiture-scenario impacts on this SOTP.

7.2 Scenario range — low case, base case, high case

SOTP scenario range — combined-entity equity value under three scenarios

Scenario	Equity value	Key assumptions
Low case	\$95.0B	CNN divested at book; streaming multiple contracts to 2.5x revenue; cable EBITDA declines 8% per year; synergies underachieved

Scenario	Equity value	Key assumptions
Base case (Institute)	\$117.5B	As shown in Section 6.1; realistic synergy achievement; modest cable decline; no material regulator-forced divestiture
High case	\$135.0B	Streaming multiple expands to 4.5x revenue; sports-rights book re-rated on scarcity; full synergy realization; no CNN divestiture
Regulator-forced-divestiture case	\$78.0B	Base case less \$17B (CNN carve-out at ~\$6B + Turner networks at ~\$8B + \$3B leakage on rushed sale); behavioral consent decree on remaining cable-affiliate negotiations; Institute worst-realistic case

Scenario ranges are illustrative Institute analysis, not predictions. Actual combined-entity equity value will depend on regulator-forced divestitures (Section 7), synergy realization (Section 13), and post-close operating performance. The reader should treat this as a range of defensible outcomes, not a target.

7.3 What the SOTP tells the practitioner reader

Two observations from the SOTP walk are the ones a practitioner should carry forward.

Segment mix drives value concentration. Streaming and film studios together are approximately 55% of the combined-entity SOTP. Cable networks, despite operating at healthy EBITDA margins in the near term, contribute approximately 30% of value at harvest multiples. News and sports rights are smaller in dollar-value contribution but disproportionately important in strategic optionality — news for regulatory concessions (Section 7 walks the CNN-divestiture scenario), sports rights for streaming subscriber acquisition and pricing power. The combined-entity SOTP is not diversified in the risk-management sense; it is concentrated in the streaming and studio arithmetic, and downside scenarios in either segment move total value materially.

Reader caution — different equity denominators. Before triangulating, it is important to be clear about which equity value the Institute is comparing. The **Institute base-case combined-entity equity value of \$117.5B** is the value of all equity in the combined post-close entity: it includes (a) the existing legacy PARA / PSKY equity holders (pre-close), (b) the \$46.95B PIPE holders (Ellison Trust plus sovereign wealth syndicate), and (c) the WBD shareholders receiving Paramount equity through the stock exchange at \$31 per share. The **\$81B figure that appears below** is only the equity value delivered to WBD shareholders through the stock exchange — not the whole combined-entity equity. The apples-to-apples comparison a practitioner should make is not \$117.5B combined-entity equity vs. \$81B WBD-delivered equity (that is comparing whole to part); it is \$117.5B combined-entity equity vs. approximately \$81B combined-entity equity implied by the announced deal (\$110B EV less approximately \$79B pro-forma combined-entity debt equals ~\$31B implied combined-entity equity at closing, before any PIPE contribution). The proper triangulation therefore is between the Institute-illustrative \$117.5B and the announced deal's implied combined-entity equity of approximately \$107.7B (\$46.95B PIPE + ~\$60B legacy PSKY equity market cap immediately pre-announcement + WBD-received Paramount stock). The \$10B gap between \$117.5B and \$107.7B is the meaningful comparison — a small Institute-view value premium to the announced deal that fits inside the \$95-135B SOTP range. The frequently-cited “\$36B above \$81B” framing conflates combined-entity equity (whole) with WBD-delivered equity (part) and should not be used for valuation triangulation.

For readers who still want a WBD-shareholder-focused view, the correct question is whether the \$31/share cash equivalent received by WBD holders is fair versus the WBD-standalone illustrative value in Section 7.3, which places WBD-standalone equity value at approximately \$65-105B depending on segment multiples. The \$77.8B cash-plus-stock value delivered to WBD shareholders (per the filed pro forma) falls inside that range, closer to the midpoint.

Historical framing (retained for reference). The Institute base-case combined-entity equity value of \$117.5B sits approximately \$36B above the \$81B equity value delivered to WBD shareholders through the stock exchange at \$31 per share. Under the reader-caution above, this differential is *not* a valuation delta — it is the gap between whole-entity equity value (Institute view) and a component of the transaction consideration (WBD-shareholder-received equity). The \$36B differential can be

interpreted several ways: (a) as synergy value that accrues to combined-entity ownership rather than to standalone WBD shareholders (Paramount + RedBird + sovereign wealth capture the synergy uplift, not the WBD shareholder base), (b) as pricing leverage Paramount captured because Netflix exited the competitive bidding process before final bids (see Section 3 and the alternative-structures walk in Section 13), (c) as the natural spread between a standalone-WBD DCF and a diversified-media-conglomerate multiple, or (d) as some combination of the above. The Institute takes no position on which explanation is dominant. What is analytically clear is that WBD shareholders trade standalone WBD equity risk for pro-rata exposure to the larger combined entity, and the aggregate combined-entity value depends critically on the synergy realization Paramount management projects. This is one of the practitioner reasons WBD shareholders approved the deal 99% (they receive combined-entity equity, not standalone WBD equity) while separately rejecting Zaslav's pay package 82% (which they view as a windfall to the CEO who accepted a below-SOTP price on the delivered consideration).

The SOTP triangulation with Sections 4 and 5

The \$117.5B base-case SOTP triangulates cleanly with the precedent-transactions and trading-comparables reads. Applied against combined revenue of ~\$67B and combined EBITDA of ~\$14B, the SOTP base-case \$117.5B equity value plus \$38B combined net debt yields an implied enterprise value of \$155.5B, which implies 2.3x revenue and 11.1x EBITDA. (A common reader-trap: the \$117.5B is EQUITY value, not EV — do not divide it directly by combined EBITDA.) The SOTP-implied 11.1x sits below the announced deal multiple of 13.6x on WBD FY2025 EBITDA and lower than the median trading comparable at 11.5x — the SOTP applies more conservative segment multiples than the market currently prices for the peer set. The reader who prefers the high case (streaming re-rating + full synergy) can back into a multiple closer to the announced deal terms; the reader who prefers the low case (CNN divested + streaming contract) values the combined entity below the announced

consideration. The wide range is the honest answer to “what is the combined entity worth” when the answer depends on where the streaming-multiple debate lands.

Source note. Segment revenue and EBITDA are Institute allocations from company segment reporting for FY2025. Multiples are drawn from the precedent transactions in Section 4 and the trading comparables in Section 5; ranges vary. Synergy estimates are illustrative and consistent with public-company guidance on comparable megamergers. Net debt reflects both companies’ combined position at expected close after new financing. Not audited.

7.4 The Institute view

The Institute conclusion — one paragraph

Terms of the comparison. Institute base-case SOTP is **\$117.5B combined-entity equity value** (all-in: legacy PSKY + PIPE + WBD-received). Announced transaction is **\$110B enterprise value**, which is not directly comparable to an equity number without the debt bridge. The proper apples-to-apples reconciliation: Announced \$110B EV = approximately \$77.8B cash to WBD holders + \$12.8B WBD debt exchanged into PSKY 2L + \$12.9B WBD LT debt retained at FV + net working-capital adjustments ≈ \$110B. Bridge to combined-entity equity: the announced deal implies combined-entity equity of approximately \$107.7B (\$46.95B PIPE issuance + ~\$60B legacy PSKY equity pre-announcement + WBD-received Paramount stock), which sits close to but modestly below the Institute base-case \$117.5B. On this apples-to-apples basis — SOTP combined-entity equity vs. implied combined-entity equity from the announced deal — the transaction is **fairly priced but not cheap**. The delta between announced multiples (13.6x EBITDA) and SOTP-implied multiples (11.1x EV/EBITDA) is almost entirely synergy capture — Paramount is paying for ~\$41B of purchase premium above the segment-level SOTP, most of which requires execution on the \$5.5B run-rate cost synergies management disclosed. Downside risk is asymmetric on the regulatory-divestiture side: the base case does not include CNN or Turner network divestitures, and the low

case at \$95B (or the Institute regulator-forced case at \$78B) captures a \$22-40B SOTP haircut if the twelve-state complaint succeeds. Upside case at \$135B requires streaming multiple re-rating that peer trading comps do not currently support. The practitioner read: the market is pricing the deal at the base case with a divestiture-scenario overhang; the WBD spread on the tape is the arb desk's real-time probability weight. This is not a "the deal is over-priced" call — it is a "the base-case is defensible; the downside is asymmetric" call, and that is the Institute view.

SECTION 8

The Paramount Backstory — Redstone to Skydance

To understand the current Paramount, one must understand the arc from Sumner Redstone's National Amusements through the 2019 Viacom-CBS re-merger to Shari Redstone's decision to sell in 2024 and David Ellison's decision to buy.

The Redstone era — two separations and one re-merger Sumner Redstone acquired National Amusements from his father Michael in 1954 and used it as the family holding company for what would ultimately become one of the two most consequential American media dynasties of the late twentieth century. Redstone bought Viacom in 1987, acquired Paramount Communications in 1994, and acquired CBS in 2000. In 2005, he separated the two into Viacom Inc. and CBS Corporation, each controlled through the same NAI Class A voting shares. In December 2019, Shari Redstone — Sumner's daughter, and by then the effective controlling principal at NAI after Sumner's physical incapacity — drove the re-merger of the two under the name ViacomCBS, subsequently rebranded to Paramount Global in 2022.

The 2024 auction and the Ellison consortium In early 2024, Shari Redstone announced that National Amusements would explore a sale of its Paramount Global controlling stake. The auction process attracted bids from Sony Pictures / Apollo Global Management, from Byron Allen, and from Skydance Media. Skydance Media had been founded by David Ellison in 2010 and had built a track record as a co-

producer on the Mission: Impossible franchise, the Top Gun sequel, and other Paramount- distributed properties. David Ellison is the son of Larry Ellison, the co-founder and executive chairman of Oracle Corporation, and the Ellison family net worth — concentrated in Oracle stock — provided the balance-sheet capacity to underwrite a bid without external equity partners at the scale that Sony's consortium required.

On July 2, 2024, Paramount, Skydance, and NAI reached a three-way preliminary agreement with updated terms that included stronger minority-shareholder protections and increased cash consideration. The deal took another thirteen months to close, delayed by regulatory

review (Federal Communications Commission approval of the ownership transfer of CBS broadcast licenses) and by outstanding shareholder litigation over the deal's fairness process.

The transaction, at close When the Skydance-Paramount deal closed on August 7, 2025, the total consideration was approximately \$8 billion, broken into three parts: \$2.25 billion paid to National Amusements for its Class A controlling shares, \$4.5 billion in cash consideration paid to Paramount Global Class B public shareholders in a partial buyout, and \$1.5 billion in Paramount Global debt assumed by the acquiring vehicle. The Ellison family and RedBird Capital Partners took controlling equity positions in the new entity. Class B shares began trading on Nasdaq under the ticker PSKY.

The Ellison thesis and the leadership team In public statements at closing, David Ellison described the transaction as "the transformation of Paramount into a tech-forward company." The specific management moves were as declarative as the language. Ellison assumed both the chairman and the chief executive officer roles. Jeff Shell — the former CEO of NBCUniversal from 2020 to 2023, ousted in April 2023 over a workplace complaint — was named president of the combined company. The management team combined Skydance's operating leadership with a small number of retained Paramount executives, but by design the tone from the top was one of aggressive strategic repositioning rather than continuity.

The forty-eight hour UFC deal The clearest signal of the Ellison strategy came four days after close. On August 11, 2025 — ninety-six hours after Paramount became a Skydance company — the new Paramount announced a seven-year, \$7.7 billion rights deal with TKO Group for the Ultimate Fighting Championship. The deal replaces UFC's expiring ESPN contract, which had paid an average of \$500 million per year, with an agreement that pays an average of \$1.1 billion per year. The full slate of thirteen numbered UFC events and thirty Fight Nights per year moves to Paramount+ streaming; select numbered events will be simulcast on CBS broadcast

television. The pay-per-view model, which had for decades been the revenue anchor of the UFC business, is eliminated: subscribers to Paramount+ in the United States receive every numbered event at no additional charge above the standard subscription.

Two facts about the UFC deal make it the strategic center of gravity for what follows. First, it was negotiated in forty-eight hours, from the moment the Skydance transaction closed. Ellison had known before he owned Paramount that he wanted to buy UFC; the deal had been in preliminary discussion for months, structured so it could execute the instant Ellison had the balance sheet to sign it. Second, at \$1.1 billion per year it represents a 120% inflation over the expiring ESPN rate — a figure that reset the market expectation for premium live sports rights in the streaming era. In Ellison's words on the announcement call: "UFC is a unicorn asset that comes up about once a decade."

What the first year of Skydance-era Paramount established From August 2025 through the WBD acquisition announcement in February 2026, the Skydance-era Paramount established a series of strategic priorities that directly frame the WBD combination. Sports content moved from an ancillary revenue stream to a defining product anchor; Paramount+ was repositioned as the primary consumer-facing platform (with linear CBS as the broadcast complement and select events); the cost base was systematically restructured; and Ellison publicly signaled that Paramount would be a consolidator in the media industry rather than a target. The WBD acquisition announcement in February 2026 was the immediate consequence of that positioning.

Source: NAI ownership history and Redstone family transaction chain per company filings; Skydance-Paramount agreement terms per July 2024 press release and subsequent 8-K disclosures; closing details per Paramount, a Skydance Corporation 8-K filed August 7, 2025; UFC deal terms per contemporaneous coverage by Deadline, CNBC, ESPN, Forbes, and Hollywood Reporter; Ellison quote per public conference call transcript. Not audited.

SECTION 9

Paramount — The Complete Portfolio

What follows is the complete inventory of Paramount, a Skydance Corporation, as of the July 2026 case cutoff. The portfolio is organized into eight categories: broadcast, cable networks, premium, streaming, film and television studios, sports rights, international operations, and historic dispositions.

Broadcast television The CBS Broadcasting network reaches approximately ninety-eight percent of American television households through its owned-and-operated stations and affiliate agreements. CBS is the highest-rated American broadcast network by total viewers for the past sixteen consecutive television seasons. Its operations include CBS Sports (which carries the NFL AFC package through 2033, the UEFA Champions League package through 2030-31, and its co-share of NCAA March Madness with WBD through 2032; SEC football exited CBS to ESPN beginning with the 2024 season), CBS News (which produces the network newscasts, 60 Minutes, CBS Mornings, CBS Evening News, Face the Nation, and 48 Hours), and CBS Entertainment (which develops and airs primetime scripted and unscripted programming).

Cable networks — scripted, unscripted, and youth Paramount's cable network portfolio is one of the most substantial in American cable, though most of the constituent networks face secular subscriber decline from the ongoing cord-cutting cycle. The networks are: MTV, VH1, CMT, Nickelodeon, Nick Jr., TeenNick, Comedy

Central, Paramount Network, BET, BET Her, TV Land, Pop TV, and the Smithsonian Channel. In total, Paramount operates thirteen distinct cable networks under the Paramount brand umbrella.

Premium — Showtime Showtime, the premium subscription network launched in 1976 and acquired by Viacom in 1994, is now integrated into Paramount+ as the "Paramount+ with Showtime" premium tier. Standalone Showtime linear distribution continues through cable operators, but the primary strategic positioning is as the top-tier bundle within the Paramount+ streaming platform.

Streaming — Paramount+ and Pluto TV Paramount+ is the flagship streaming service, launched in 2021 as the successor to CBS All Access. As of the most recent public disclosure, Paramount+ has approximately seventy- seven million global subscribers. The service is available in over sixty countries and territories worldwide. Pluto TV is the free ad-supported streaming television (FAST) platform, acquired by Viacom in 2019, that now operates as Paramount's free tier and reaches an additional audience through advertising rather than subscription revenue.

Film and television studios Paramount Pictures is one of the five modern American major film studios, founded in 1912 and one of the oldest continuously-operating movie studios in the world. The Paramount film library contains approximately four thousand feature titles including the Star Trek franchise, Mission: Impossible, Top Gun, The Godfather, Chinatown, Braveheart, Titanic, Forrest Gump, Sonic the Hedgehog, and A Quiet Place. The company also operates Paramount Television Studios (scripted TV production), Nickelodeon Studios (kids and family television), Paramount Animation (feature animation), MTV Entertainment Studios (music-adjacent and unscripted), and holds a 49% stake in Miramax alongside beIN Media Group.

Sports rights — as of the case cutoff Paramount's sports rights portfolio is dominated by three anchor deals: the NFL AFC package (through the 2033 season, jointly negotiated with the league's other AFC-carrying partners), the UEFA Champions League contract (through the 2030-31 season, secured in 2023 at a step-up from prior cycle economics), and the UFC seven-year deal signed August 2025 (running through 2032). Additional rights include the NCAA March Madness tournament, which is co-broadcast with WBD's Turner networks under a joint agreement that has been in place since 2011 and now runs through 2032. Southeastern Conference football, which was

formerly carried on CBS, departed for ESPN beginning with the 2024 season under a separate ten-year agreement between the SEC and ESPN. Section 6 develops the sports rights portfolio in full detail.

International operations Paramount owns Channel 5 (the UK terrestrial broadcaster acquired from Northern & Shell in 2014), Network 10 (the Australian broadcaster acquired from CBS in 2018), and Telefe (the Argentinian broadcaster). Additionally, Paramount operates ViacomCBS Networks EMEA

(Europe, Middle East, Africa, and Asia), ViacomCBS Networks Americas (Latin America), and ViacomCBS Networks Asia (Southeast Asia). SkyShowtime is a joint venture with Comcast NBCUniversal that operates a combined Paramount+ / Peacock-adjacent streaming service across selected European territories.

Historic dispositions and structural notes Simon & Schuster, the book publishing business that had been owned by CBS Corporation since 1975, was sold to KKR & Co. in 2023 for \$1.62 billion after a failed attempt to sell to Penguin Random House was blocked by the Department of Justice on antitrust grounds. BET Media Group saw a partial sale to a group led by former Blackstone dealmaker Chinh Chu in 2024. These dispositions, along with a series of smaller foreign asset sales, materially simplified the Paramount portfolio in the two years before the Skydance transaction closed.

Portfolio summary — the practitioner view Paramount's portfolio, as of the case cutoff, comprises one broadcast network (CBS), thirteen cable networks, one premium tier (Showtime, integrated), two streaming platforms (Paramount+ and Pluto TV), one major film studio and four television production studios, three anchor sports rights contracts (NFL AFC, UFC, UEFA Champions League), and multiple international broadcast operations. The FY2025 revenue base was approximately \$29 billion with an operating footprint concentrated in the United States (roughly 70% of revenue) and diversified international operations across Europe, Asia, and Latin America. The strategic direction under Ellison is aggressive expansion of streaming subscribers, doubling down on premium live sports as the streaming anchor, and simplification of the cable network portfolio through selective divestiture.

Source: Paramount, a Skydance Corporation 10-K filing for the transition period ending December 31, 2025; historic Paramount Global 10-K filings; CBS station affiliate agreements per FCC public disclosures; sports rights terms per NFL, SEC, TKO Group, UEFA, and NCAA public announcements; international operations per company filings and country-specific broadcast regulator records; Simon & Schuster disposition per KKR press release; BET partial sale per company disclosure. Not audited.

SECTION 10

Warner Bros. Discovery — The Complete Portfolio

Warner Bros. Discovery was formed on April 8, 2022, through the merger of WarnerMedia (spun out from AT&T after AT&T's failed acquisition attempt) with Discovery Inc. The combined company assembled the historic Time Warner assets (Warner Bros., HBO, CNN, Turner) with the Discovery unscripted portfolio (Discovery Channel, HGTV, Food Network, TLC, and associated networks). David Zaslav, the former CEO of Discovery Inc., took the top role at the combined WBD and held it continuously through the February 2026 announcement of the Paramount acquisition and the April 23, 2026 shareholder vote.

Film studios — Warner Bros., New Line, Castle Rock, DC Warner Bros. Pictures is one of the seven major American film studios, founded in 1923 and possessing one of the deepest theatrical libraries in the industry. The core studio operates alongside New Line Cinema (acquired in 1996, historic operator of the Lord of the Rings and horror franchises), Castle Rock Entertainment (Stephen King-adjacent thriller and drama), and DC Studios (restructured in 2022 under co-CEOs James Gunn and Peter Safran to operate the DC Comics cinematic universe). The Warner Bros. library contains approximately ten thousand feature titles including the Harry Potter franchise, the DC Extended Universe films, the Lord of the Rings trilogy, Casablanca, Citizen Kane, Gone with the Wind, The Wizard of Oz, Blade Runner, The Matrix, Christopher Nolan's filmography, and the Warner Bros. Animation library.

Television studios Warner Bros. Television Studios is one of the largest scripted television production operations in the United States, producing content for both Warner-owned platforms (HBO, Max, TNT, TBS) and for external buyers (Netflix, Apple TV+, Disney+, and traditional broadcast networks). Warner Bros. Animation operates alongside the film studio's animation division. HBO Original Programming is the internal production arm for HBO's flagship prestige drama and comedy series, and HBO Documentary Films operates the documentary arm.

Premium — HBO and Max HBO, launched in 1972, is one of the two most-cited premium subscription networks in American media history (alongside Showtime). HBO's original programming portfolio includes *The Sopranos*, *The Wire*, *Game of Thrones*, *Succession*, and the current tentpole series. Max is the streaming platform that integrated the original HBO Max service (launched 2020) with the merged Discovery+ streaming operation (from the 2022 merger). As of the most recent disclosure, Max has approximately one hundred three million global subscribers.

News networks — CNN and international news operations CNN, founded by Ted Turner in 1980 as the first twenty-four-hour cable news network, remains one of the two most-watched American cable news operations. CNN International reaches audiences in more than two hundred countries. CNN en Español operates as the Spanish-language counterpart across the United States and Latin America. In 2022, WBD launched an ill-fated streaming service, CNN+, which was discontinued after four weeks following the Discovery merger. Since then, CNN's streaming presence has been integrated into Max as one of the platform's linear channel tiles.

Cable networks — the Turner group The Turner Broadcasting group of networks, acquired by Time Warner in 1996 and now part of WBD, includes: TNT (primarily sports and general entertainment), TBS (comedy and general entertainment), truTV (unscripted entertainment), the Cartoon Network / Adult Swim / Boomerang kids block (which shares the same channel space split by day-part), and Turner Classic Movies (TCM). TNT is the network most affected by the 2024 loss of NBA rights, which we discuss in Section 6.

Cable networks — the Discovery group The Discovery-side cable network portfolio, brought in with the 2022 merger, is one of the largest unscripted-programming operations in American cable. The networks include: Discovery Channel, Animal Planet, Investigation Discovery, Science Channel, Motor Trend, TLC, HGTV, Food Network, Cooking Channel, Travel Channel, OWN (Oprah Winfrey

Network), and Magnolia Network. In total, WBD operates approximately seventeen distinct cable networks under the combined Turner-plus-Discovery umbrella — more than double the network count of any peer American media company.

Sports rights — as of the case cutoff WBD's sports rights portfolio has narrowed significantly since 2024. The remaining anchor contracts are Major League Baseball playoffs (co-broadcast with Fox Sports and ESPN), the National Hockey League (through the 2027-28 season, on TNT / TBS / Max), and NCAA March Madness (co-broadcast with Paramount's CBS through the joint agreement). The National Basketball Association rights were lost in the 2024 negotiation cycle when the NBA rejected WBD's \$1.8 billion per year offer in favor of an eleven-year, \$76 billion package with Disney, NBC, and Amazon; the 2024-25 season was the final TNT NBA broadcast season. Section 6 develops the sports rights arithmetic in full.

International operations Discovery Networks International operates across more than sixty countries, primarily in Europe, Latin America, and Asia. HBO Europe, HBO Asia, and HBO Latin America are the international premium and streaming operations. WBD also carries CNN International and HLN International across most of the same markets. (Sky News in the United Kingdom is owned by Comcast through its 2018 Sky Group acquisition, not by WBD.)

Portfolio summary — the practitioner view WBD's portfolio, as of the case cutoff, comprises four major film production banners (Warner Bros., New Line, Castle Rock, DC), one of the two largest independent scripted television production operations, one premium subscription network (HBO), one streaming platform (Max), one twenty-four-hour cable news network (CNN), seventeen cable networks between the Turner and Discovery groups, three remaining sports rights contracts (MLB playoffs, NHL, NCAA March Madness co-broadcast), and international operations across more than sixty countries. The FY2025 revenue base was approximately \$40 billion with a heavier weighting to advertising revenue than Paramount (given the cable network count) and a materially larger streaming subscriber base (~103M vs. ~77M). The strategic

posture under Zaslav has been aggressive cost-cutting, integration of the merged Turner-plus-Discovery operations, and defense of the standalone position against the persistent industry expectation that further consolidation was inevitable.

Source: Warner Bros. Discovery 10-K filing for fiscal year ending December 31, 2025; historic WarnerMedia and Discovery Inc. 10-K filings; sports rights terms per NBA, NHL, MLB, and NCAA public announcements; NBA rights loss timeline per NPR, ESPN, and Variety coverage of the July 2024 rights decision; international operations per company filings and country-specific regulator records. Not audited.

SECTION 11

The Combined Entity — Every Asset in One Table

The following ledger inventories every material asset held by either Paramount or Warner Bros. Discovery as of the July 2026 case cutoff. The purpose is to give the practitioner reader a single sortable reference showing what a combined entity would own before any regulator- forced divestitures. Assets that appear in Paramount blue are held by Paramount, a Skydance Corporation. Assets that appear in WBD red are held by Warner Bros. Discovery.

Combined Assets Ledger — Paramount + Warner Bros. Discovery (as of July 2026)

Asset	Category	Parent	Origin / Acquired	Notes
Paramount Pictures	Film studio	Paramount	1912	Major film studio; ~4,000 feature-title library; franchises include Mission: Impossible, Star Trek, Top Gun

Asset	Category	Parent	Origin / Acquired	Notes
Warner Bros. Pictures	Film studio	WBD	1923	Major film studio; ~10,000 feature-title library; franchises include Harry Potter, DC, Lord of the Rings
New Line Cinema	Film studio (subsidiary)	WBD	1967 / 1996 (acq.)	Genre and horror focus; historic operator of LOTR franchise
Castle Rock Entertainment	Film studio (subsidiary)	WBD	1987 / 1993 (acq.)	Prestige drama; historic Stephen King adaptations
DC Studios	Film / TV studio	WBD	1934 / 1969 (acq.)	DC Comics IP; restructured 2022 under Gunn / Safran
Miramax (49% stake)	Film studio (minority)	Paramount	2010 (stake)	Joint holding with beIN Media Group; independent film library
Paramount Television Studios	TV studio	Paramount	2013	Scripted TV production; sells to internal and external buyers
Warner Bros. Television	TV studio	WBD	1955	Largest scripted TV production operation in the U.S.; sells to all major platforms
Nickelodeon Studios	TV studio	Paramount	1990	Kids and family TV production

Asset	Category	Parent	Origin / Acquired	Notes
Paramount Animation	Animation studio	Paramount	2011	Feature animation; Sonic the Hedgehog franchise
Warner Bros. Animation	Animation studio	WBD	1980	Feature and TV animation; Looney Tunes / Hanna-Barbera library
MTV Entertainment Studios	TV studio	Paramount	2020	Unscripted and music-adjacent TV
HBO Original Programming	TV studio	WBD	1972	Prestige drama / comedy (Sopranos, The Wire, Succession lineage)
		WBD	1979	Feature and series documentary
HBO Documentary Films	Documentary studio			
CBS Broadcasting	Broadcast network	Paramount	1927 / 2000 (Viacom)	Reaches ~98% of U.S. TV households; top-rated broadcast net for 16 seasons
Showtime	Premium network	Paramount	1976 / 1994 (Viacom)	Integrated into Paramount+ with Showtime tier

Asset	Category	Parent	Origin / Acquired	Notes
HBO	Premium network	WBD	1972	Integrated into Max streaming platform; retained linear distribution
Paramount+	Streaming (SVOD)	Paramount	2014 (as CBS All Access)	~77M global subs; primary consumer-facing platform post-Ellison
Pluto TV	Streaming (FAST)	Paramount	2013 / 2019 (acq.)	Free ad-supported streaming; large reach layer
Max	Streaming (SVOD)	WBD	2020 (as HBO Max)	~103M global subs; largest single WBD asset by consumer engagement
Discovery+	Streaming (SVOD)	WBD	2021	Transitioning into Max; standalone distribution winding down
CBS News	News operation	Paramount	1927	60 Minutes, CBS Evening News, Face the Nation, CBS Mornings
CNN	News network	WBD	1980	24-hour cable news; international via CNN International; en Español arm
MTV	Cable network	Paramount	1981	Music-adjacent and unscripted programming

Asset	Category	Parent	Origin / Acquired	Notes
VH1	Cable network	Paramount	1985	Music-adjacent and reality
CMT	Cable network	Paramount	1983	Country music and lifestyle
Nickelodeon	Cable network (kids)	Paramount	1979	Flagship kids network
Nick Jr.	Cable network (kids)	Paramount	1988	Preschool programming block / standalone channel
TeenNick	Cable network (kids)	Paramount	2002	Older-kid programming
Comedy Central	Cable network	Paramount	1991	Comedy programming; Daily Show, South Park
Paramount Network	Cable network	Paramount	1988 (as Spike)	General entertainment; Yellowstone franchise
BET	Cable network	Paramount	1980 / 2001 (Viacom)	Black entertainment programming; partial sale to Chinh Chu group 2024
BET Her	Cable network	Paramount	2007	Black women-focused programming

Asset	Category	Parent	Origin / Acquired	Notes
TV Land	Cable network	Paramount	1996	Classic TV programming
Pop TV	Cable network	Paramount	1980 (as Prevue)	General entertainment
Smithsonian Channel	Cable network	Paramount	2007	Documentary and history; JV with Smithsonian Institution
TNT	Cable network	WBD	1988	Historic NBA carrier (through 2024-25 season); general entertainment + remaining sports
TBS	Cable network	WBD	1976	Comedy and general entertainment; MLB playoffs
truTV	Cable network	WBD	1991 (as Court TV)	Unscripted entertainment
Cartoon Network / Adult Swim / Boomerang	Cable network (block)	WBD	1992	Shared channel space split by day-part; kids + adult animation
Turner Classic Movies (TCM)	Cable network	WBD	1994	Curated classic film library
		WBD	1985	
Discovery Channel	Cable network			Flagship unscripted / documentary network

Asset	Category	Parent	Origin / Acquired	Notes
Animal Planet	Cable network	WBD	1996	Animal-focused unscripted
Investigation Discovery	Cable network	WBD	1996 (as Discovery Civilization)	True crime programming
Science Channel	Cable network	WBD	1996	Science and technology programming
Motor Trend	Cable network	WBD	1996 (as Discovery Wings)	Automotive programming
TLC	Cable network	WBD	1972 / 1991 (Discovery acq.)	Lifestyle and unscripted; formerly The Learning Channel
HGTV	Cable network	WBD	1994 / 2018 (Discovery/ Scripps merger)	Home and garden programming
Food Network	Cable network	WBD	1993 / 2018 (Discovery/ Scripps merger)	Cooking and food programming
Cooking Channel	Cable network	WBD	2010 / 2018 (Discovery/ Scripps merger)	Cooking programming (secondary)
Travel Channel	Cable network	WBD	1987 / 2018 (Discovery/ Scripps merger)	Travel programming

Asset	Category	Parent	Origin / Acquired	Notes
OWN (Oprah Winfrey Network)	Cable network	WBD	2011	JV with Oprah Winfrey; women-focused lifestyle
Magnolia Network	Cable network	WBD	2020	Chip and Joanna Gaines- anchored lifestyle
	Sports right	Paramount		
NFL AFC package			Through 2033 season	AFC games on CBS; joint w/ NFL rights structure
UEFA Champions League	Sports right	Paramount	Through 2030-31 season	Premier European club football; on CBS + Paramount+
UFC (Ultimate Fighting Championship)	Sports right	Paramount	Aug 2025, 7 yrs @ \$7.7B	13 numbered events + 30 Fight Nights/yr; all on Paramount+; no PPV
Serie A (Italian football)	Sports right	Paramount	Multi-year contract	Italian top-flight football on Paramount+
NCAA March Madness (co-share)	Sports right	Paramount (w/ WBD)	Joint contract since 2011	Split between CBS and TNT/ TBS/ truTV
MLB playoffs	Sports right	WBD	Multi-year contract	Playoff carrier (co-share w/ Fox, ESPN); TBS
NHL	Sports right	WBD	Through 2027-28 season	TNT / TBS / Max; NHL rights on TNT since 2021

Asset	Category	Parent	Origin / Acquired	Notes
NCAA March Madness (co-share)	Sports right	WBD	Joint contract since 2011	Joint w/ Paramount; TNT / TBS / truTV portion
Channel 5 (UK)	Broadcast network (intl)	Paramount	2014 (acq.)	UK terrestrial broadcaster
Network 10 (Australia)	Broadcast network (intl)	Paramount	2018 (via CBS)	Australian broadcaster
Telefe (Argentina)	Broadcast network (intl)	Paramount	2016 (via ViacomCBS)	Argentinian broadcaster
ViacomCBS Networks EMEA	Intl operations	Paramount	Various	Europe, Middle East, Africa, Asia network operations
ViacomCBS Networks Americas	Intl operations	Paramount	Various	Latin America operations
SkyShowtime	Streaming JV (intl)	Paramount (50%)	2022	JV with Comcast NBCUniversal; European streaming
Discovery Networks International	Intl operations	WBD	1985+	60+ country footprint; unscripted- heavy
HBO Europe	Streaming / premium (intl)	WBD	1991+	European HBO operations
HBO Asia	Streaming / premium (intl)	WBD	1992+	Asian HBO operations

Asset	Category	Parent	Origin / Acquired	Notes
HBO Latin America	Streaming / premium (intl)	WBD	1991+	Latin American HBO operations

Ledger scope: material operating assets held by Paramount, a Skydance Corporation or Warner Bros. Discovery as of July 2026. Cross-referenced against most recent 10-K filings, contemporaneous business press, and each network's public affiliate disclosures. Ledger reflects assets on hand at the case cutoff and excludes: (a) minority equity investments below 20%, (b) individual TV series rights held via studio contracts, (c) individual film franchise licensing rights, and (d) the Simon & Schuster book publishing business sold to KKR in 2023. The regulator-mandated divestitures required to close the transaction may reduce this footprint materially (see Section 18).

The combined-entity summary numbers By count: 2 major film studios plus 3 additional film production banners; 4 major TV studios; 1 broadcast network (CBS); 2 premium networks (HBO, Showtime — both now integrated into streaming); 4 streaming platforms (Paramount+, Pluto TV, Max, Discovery+); 2 national news operations (CBS News, CNN); ~30 cable networks; 7 anchor sports rights contracts; and international operations across roughly 60 countries. On a subscriber-count basis, the combined streaming footprint is on the order of 180 million global subs (~77M Paramount+ + ~103M Max, before deduplication of overlapping subscribers). On a film-library basis, the combined feature-title library is roughly 14,000 to 15,000 titles.

SECTION 12

Sports Rights — The Divergent Paths

The sports rights portfolios of Paramount and Warner Bros. Discovery are traveling in opposite directions, and the direction each is traveling in was largely set in a single twenty- four-month window between July 2024 and August 2025. Warner Bros. Discovery lost the National Basketball Association. Paramount, under new Skydance

ownership, spent aggressively to add the Ultimate Fighting Championship. If the merger closes, the combined entity's sports rights portfolio is almost entirely a Paramount-side book. This section walks the full arithmetic.

6.1 The July 2024 turning point — how Warner Bros. Discovery lost the NBA

The National Basketball Association's prior media rights cycle expired at the end of the 2024-25 season. The league went to market in early 2024 seeking a new deal that would take effect starting with the 2025-26 season and run through 2035-36 — an eleven-year window with more inventory to sell than any previous cycle, including a new national streaming package the league had been quietly designing since 2020.

Warner Bros. Discovery, through TNT Sports, had carried NBA games since 1988 and had been the marquee cable partner alongside ABC/ESPN since the 2002 cycle. The relationship was one of the deepest in American sports media, defined by *Inside the NBA* with Ernie Johnson, Charles Barkley, Kenny Smith, and Shaquille O'Neal, which had become the most-cited studio show in American sports television. WBD entered the 2024 negotiation cycle with a matching right on any offer the NBA received — a contractual mechanism intended to protect the incumbent's position.

The league accepted bids from three parties: Disney (via ESPN/ABC), NBC (via NBCUniversal / Peacock), and Amazon (via Prime Video). The combined package aggregated to an eleven-year, roughly seventy-six-billion-dollar commitment — approximately six-point-nine billion dollars per year across the three carriers, more than double the annualized value of the expiring deal. Warner Bros. Discovery's counter-offer to match the Amazon portion of the deal was submitted at approximately one-point-eight billion dollars per year. The NBA rejected the match on July 24, 2024, arguing that WBD's proposal —

which contemplated simulcasting games on both TNT linear and Max streaming — did not match Amazon's streaming-only structure. WBD subsequently sued the NBA in New York State Supreme Court in August 2024 to enforce its matching right. The lawsuit was settled by mid-2025 on terms that were not publicly disclosed in full but included a WBD content-licensing deal that involved neither NBA games nor NBA rights.

The consequence for WBD was immediate and severe. The 2024-25 NBA season was the final TNT broadcast season, a nearly four-decade era at Warner ending. Inside the NBA was subsequently licensed to ESPN in an unusual arrangement in which the production remains under WBD control but airs on Disney networks — a public acknowledgment that WBD could not sustain the studio show without the games. TNT's remaining sports inventory contracted to NHL (through 2027-28), MLB playoffs (co-shared), and the joint March Madness portion (co-shared with CBS/Paramount).

The financial gap that opened up Losing NBA cost WBD approximately \$1.5 billion per year in gross content spend that had previously supported TNT's subscriber-fee negotiations and advertising sell-side. The loss of the games did not fully drop through to earnings — content spend also declined — but the affiliate-fee premium that TNT commanded as a marquee sports network began to erode almost immediately in the 2025 renewal cycle. The strategic implication was equally severe: WBD lost its single most-searched, most-carried, most-cited sports property overnight. Whatever combined entity Paramount + WBD would become, it would become one without the NBA on its cable side.

6.2 Paramount's sports pivot — the forty-eight-hour UFC deal

Thirteen months later, on the streaming-content side rather than the cable side, Paramount made the exact opposite bet.

The Skydance-Paramount transaction closed on August 7, 2025. Ninety-six hours later, on August 11, 2025, the newly-formed Paramount announced a seven-year, seven-point-seven-billion-dollar rights deal with TKO Group Holdings for the Ultimate Fighting Championship — a 120 percent premium over the \$500-million-per-year rate ESPN had been paying under the expiring contract. Every numbered UFC event and every Fight Night moves to Paramount+

streaming. Select numbered events simulcast on CBS broadcast. The pay-per-view model, which had for decades been the revenue engine of UFC, is eliminated: subscribers to Paramount+ in the United States receive every numbered event at no additional charge above the standard subscription.

The deal terms:

UFC / Paramount rights deal — August 2025

Term Value Comparison

Total deal value \$7.7B Seven-year term (2026-2032 UFC calendar)

Average annual rights fee \$1.1B/yr Prior ESPN deal averaged \$500M/yr

UFC deal metrics — the 48-hour negotiation

Metric	Value	Notes
Fight Nights per year	30	Paramount+ streaming
Pay-per-view charges to subscribers	\$0	Bundled — a structural break from the PPV era
Negotiation window from Skydance close	~48 hrs	Deal was pre-negotiated pending balance sheet
Year-over-year rights inflation	+120%	Highest single-jump in premium U.S. rights history
Numbered events per year	13	All exclusive to Paramount+ / CBS simulcast

streaming distribution.

Two features of the deal make it more consequential than a headline rights transaction. First, the elimination of pay-per-view: UFC PPV events had historically retailed at \$79.99 per event; even the most enthusiastic UFC fan was paying \$500-plus per year on top of any cable subscription to watch every numbered card. Paramount+ costs \$7.99 to \$12.99 per month depending on tier. The consumer arithmetic is transformative for the UFC fan and destructive

for the pay-per-view distribution stack that historically split PPV revenue between UFC, the cable operators, and the pay-per-view technology providers. Second, the timing signal: closing Skydance on Thursday and signing UFC on Monday was as

public a declaration of strategic direction as a new owner can make. It said that Paramount, under Ellison, is going to be a streaming-anchored premium-sports business, and that the balance sheet is available.

6.3 The combined sports rights portfolio — if the merger closes

The following table inventories every material sports rights contract held by either Paramount or WBD as of the case cutoff. Contracts are ordered by estimated annual rights fee.

Combined sports rights portfolio — Paramount + WBD (July 2026)

Property	Holder	Est. annual \$	Term	Platform
NFL AFC package	Paramount	\$2,100M	Through 2033	CBS + Paramount+
UFC (all numbered + Fight Nights)	Paramount	\$1,100M	2026-2032	Paramount+ + CBS (select)
UEFA Champions League	Paramount	\$250M	Through 2030-31	CBS + Paramount+ (up from ~\$100M prior cycle)
NCAA March Madness (co-share)	Paramount + WBD	\$1,100M	Through 2032 (joint contract)	CBS + TNT/TBS/ truTV
Serie A (Italian football)	Paramount	\$40M	Multi-year	Paramount+ (paid product tier)
MLB playoffs (co-share)	WBD	\$470M	Multi-year	TBS + Max
NHL	WBD	\$225M	Through 2027-28	TNT + TBS + Max

Property	Holder	Est. annual \$	Term	Platform
Estimated combined annual rights spend	Combined	\$5,285M	Aggregated	—

Comcast.

6.4 The portfolio asymmetry — a Paramount-side book

Reading down the combined rights portfolio table, the practitioner reader arrives at a striking editorial observation: the combined entity's sports rights value is almost entirely on the Paramount side. NFL AFC, UFC, UEFA Champions League, and half of March Madness all sit with Paramount. WBD contributes MLB playoffs, NHL, and its half of March Madness — and the NHL contract expires after the 2027-28 season, at which point it enters the next renewal cycle where WBD will compete against Amazon, ESPN, and the same well-capitalized streaming buyers that took the NBA.

This asymmetry has three practical implications:

- The combined sports book is a live-streaming book, not a linear-cable book. The Paramount-side rights are primarily streamed through Paramount+ with CBS simulcasts as the broadcast layer. The WBD-side rights are primarily on linear cable (TNT / TBS) with Max as the streaming complement. If the merger closes, the combined entity's natural strategic direction is to migrate the WBD-side sports rights (particularly NHL and MLB playoffs) to Paramount+ / CBS distribution, harvesting Max streaming inventory for entertainment programming and letting linear cable revenue continue to decline in place.
- Regulator-forced divestitures of sports rights are unlikely. The state AGs' complaint (Section 12) focuses on wide-release film distribution, anticipated blockbuster distribution, and cable channel licensing. Sports rights are not among the market-concentration claims. Regulators looking for divestiture concessions from the

combined entity would most likely direct attention to news programming (CNN / CBS News) and possibly to certain kids-programming or unscripted networks — not to sports rights, which do not aggregate concentration risk the way library IP does.

- The March Madness co-share becomes a redundancy to resolve. The joint CBS / Turner NCAA tournament contract, in place since 2011 and running through 2032, currently splits games between the two carriers. Under combined ownership, the two carriers are the same entity. The most obvious operational efficiency is to consolidate the tournament production onto CBS with Paramount+ streaming, which frees TNT / TBS inventory for other programming and eliminates the internal handoff during the tournament's middle rounds.

6.5 The practitioner takeaway on premium sports rights inflation

In roughly thirteen months (July 2024 through August 2025), three deals reset the market expectation for premium American sports rights: the NBA at approximately \$6.9 billion per year across three carriers (versus \$2.6 billion per year in the expiring deal, a 165% increase); the UFC at \$1.1 billion per year (versus \$500 million in the expiring deal, a 120% increase); and the ongoing NFL rights environment where CBS/Paramount's AFC package continues to compound at high-single-digit annual rates through the 2033 season. What this teaches, editorially, is that the streaming era has not deflated live sports rights — it has inflated them. Streaming platforms have entered the bidding with balance sheets that traditional cable-and- broadcast carriers cannot match, and the incumbent carriers have responded by outbidding the streamers on assets they cannot afford to lose (as Paramount did on UFC and as Disney did on the NBA continuation).

For a combined Paramount + WBD, the strategic question over the next twenty-four to thirty- six months is whether the NHL renewal (post-2027-28) and the MLB post-season inventory get held, expanded, or ceded. The Paramount-side sports strategy under Ellison suggests continued aggressive bidding on premium streaming-appropriate content. The WBD-side legacy suggests a harvesting posture. Which strategy dominates inside the combined entity is one of the most important operational questions a CFO reading this case should focus on.

Source: NBA rights decision per NPR, ESPN, Variety, Fox News coverage of July 2024 announcement. NBA lawsuit filing and settlement per WBD 8-K disclosures and subsequent business press. UFC deal terms per Deadline, CNBC, ESPN, Forbes, Hollywood Reporter, and the TKO Group Form ARS FY2025. NFL AFC, SEC, UEFA, and NCAA contract details per league public announcements and CBS Sports Media disclosures. NHL rights per WBD public disclosures. Estimated annual rights fees are Institute estimates based on publicly-reported deal totals divided by term; actual contract-year fees may vary. Not audited.

SECTION 13

Streaming Positioning

If the merger closes, the combined entity will be the third-largest global subscription streaming operator on a subscriber-count basis, behind only Netflix and Disney+. The Paramount+ and Max platforms together would carry approximately one hundred eighty million subscribers globally on a pre-deduplication basis. Actual net unique subscribers — adjusting for the household overlap that exists in a market where the average American home subscribes to three-plus streaming services — is meaningfully lower but still positions the combined entity as a top-three global platform.

Streaming subscriber and ARPU comparison — global (as of most recent disclosure)

Platform	Owner	Global Subs (M)	Est. ARPU / mo	Notes
Netflix	Netflix, Inc.	301	\$11.85	Global market leader (as of Q4 2025 shareholder letter); ad-supported tier now ~40% of net adds

Platform	Owner	Global Subs (M)	Est. ARPU / mo	Notes
Disney+ (+ Hulu + ESPN+)	Disney	352+	\$8.30	Includes Hotstar; global reach
Prime Video	Amazon	200+ (Prime)	n/a bundled	Bundled with Prime; discrete streaming ARPU not disclosed
Combined Paramount+ + Max	Combined	180 (gross)	~\$9.75	Pre-deduplication; blended ARPU across both platforms
Max	WBD (standalone)	103	\$10.25	HBO original programming as anchor
Paramount+	Paramount (standalone)	77	\$8.15	NFL AFC, UFC, UEFA Champions League anchor content
Apple TV+	Apple	n/d	\$9.99	Sub count not disclosed publicly

Platform	Owner	Global Subs (M)	Est. ARPU / mo	Notes
Peacock	Comcast NBCU	41	\$7.50	NBA rights added starting 2025-26 season (per Q1 2026 Comcast disclosure); Comcast announced November 2024 plan to spin NBCU cable-networks-plus-Peacock into a separate public company (working title Versant) — see Institute Comcast case

Platform	Owner	Global Subs (M)	Est. ARPU / mo	Notes
Tubi (FAST) + Roku Channel (FAST)	Fox Corp (post-Roku acquisition, June 2026)	n/a FAST	Ad-supported	Combined ad-supported CTV footprint via Fox Corp's \$21.8B / \$24.2B acquisition of Roku (June 2026 close); Tubi carried ~85M monthly active users at deal announcement plus Roku smart-TV OS platform reach — see Institute Fox / Roku case for the CTV valuation framework

7.1 The bundle math

The combined entity would almost immediately introduce a Paramount+ / Max stack-and- save bundle, following the template already established by the Disney+ / Hulu / ESPN+ bundle and the Netflix / Max co-bundle briefly tested in 2024. Bundle economics improve churn: subscribers who take two services simultaneously have measurably lower monthly- cancellation rates than subscribers who take either service alone. The Institute's illustrative bundle math suggests that a \$19.99 combined tier (versus \$12.99 Paramount+ premium plus \$15.99 Max ad-free) would drive incremental gross-adds while preserving roughly 65-70% of the sum of standalone ARPU. Net revenue-per-user impact depends heavily on how many bundle-takers are new-to-both versus consolidating-from-either.

7.2 International streaming positioning

Paramount's international streaming is anchored by direct Paramount+ distribution in over sixty countries and by the SkyShowtime joint venture with Comcast NBCUniversal across selected European territories. WBD's international streaming is anchored by Max direct distribution and by the historic HBO Europe / HBO Asia / HBO Latin America operations. Under combined ownership, the SkyShowtime JV becomes structurally awkward — a Paramount platform in territories where the same parent company also operates Max — and would likely be either wound down or restructured. The HBO regional operations become the natural international vehicle for the combined premium tier.

7.3 What the combined streaming entity would compete for

On subscriber count, the combined entity would trail only Netflix and Disney. On ARPU, it would sit at the top of the ad-supported streaming peer group but below Netflix's premium tier. On content spend, the combined entity would deploy on the order of \$18-22 billion per year in original and licensed content — comparable to Disney's content spend across all of its streaming and linear platforms, and roughly one-and-a-half times Netflix's reported content-cash spend. On sports rights specifically, the combined entity would be the most sports-heavy of the pure streaming platforms after Amazon Prime Video (which now carries NBA and Thursday Night Football).

Source: subscriber counts and ARPU per most recent quarterly disclosures by Netflix, Disney, WBD, Paramount, and Comcast NBCU; Amazon and Apple sub counts are not disclosed. ARPU figures are blended global averages and vary meaningfully by geography. Illustrative bundle math is Institute analysis. Not audited.

SECTION 14

Cable Networks — The Declining-but-Cash-Generative Footprint

The combined entity would operate approximately thirty distinct cable networks — roughly thirteen from the Paramount portfolio and seventeen from the WBD portfolio — making it by a substantial margin the largest cable network operator in American media by network count. The strategic reality of that footprint is that the cable subscriber base has been declining at approximately four to five percent per year since 2018 and shows no sign of stabilization. Cable networks remain highly cash-generative in aggregate, but they are a shrinking book, and any long-term investor treats the cable segment as a harvest asset rather than a growth asset.

8.1 The cord-cutting arithmetic

American traditional pay-TV households peaked at approximately one hundred five million in 2010 and had declined to approximately sixty-five million by year-end 2025. The affiliate-fee revenue that cable networks collect per subscriber has grown modestly over the same period, but the volume decline overwhelms the price increase. Every point of national pay-TV penetration lost equates to roughly \$250-350 million in aggregate industry affiliate-fee revenue disappearing per year. For a combined Paramount + WBD carrying thirty networks, the combined-entity affiliate-fee revenue base is on the order of \$12-14 billion per year and declining at approximately five percent annually on a same-store basis.

8.2 Free cash flow profile

The virtue of cable networks, even in a declining subscriber environment, is that they generate cash. The programming cost structure is largely fixed on a per-network basis; the marginal cost of one additional subscriber is essentially zero. As affiliate revenue declines, networks can respond by reducing programming spend, cutting overhead, and consolidating operations. This "harvest" strategy sustains free cash flow generation even as top-line revenue declines. The Institute estimates the

combined-entity cable-network segment would generate approximately \$6-8 billion in annual free cash flow across the first three years post- merger, declining gradually thereafter as the subscriber base compounds down.

8.3 Divestiture and rationalization candidates The combined thirty-network footprint contains meaningful redundancy across categories:

- Kids programming. Paramount operates Nickelodeon, Nick Jr., and TeenNick. WBD operates the Cartoon Network / Adult Swim / Boomerang block. The Institute's view is that Nick Jr. and Boomerang are the most likely redundancy candidates for consolidation or divestiture; both target the pre-K and young-elementary demographic.
- Unscripted / lifestyle. WBD carries TLC, HGTV, Food Network, Cooking Channel, Travel Channel, OWN, and Magnolia Network. Paramount carries CMT and (via Smithsonian JV) documentary-adjacent content. The Discovery-side unscripted portfolio is deep enough that Cooking Channel or Travel Channel could be spun without materially impairing the aggregate reach.
- Comedy / music-adjacent. Paramount operates Comedy Central and MTV. WBD operates truTV and Adult Swim. Some overlap exists in the young-adult unscripted-comedy category.
- Documentary / history. The Smithsonian Channel (Paramount JV) and Discovery Channel (WBD) both serve the documentary audience.

The cable network dilemma for the combined entity The strategically-correct answer for a combined Paramount + WBD cable network portfolio is almost certainly to consolidate operations behind three or four flagship brands, harvest the tail networks aggressively, and use the cash generated to fund the streaming and sports investments that drive future value. The politically-difficult reality is that each individual network has affiliate contracts, brand equity, and internal constituencies that resist consolidation. Whether Ellison, who has publicly signaled a preference for aggressive strategic action, or the combined-entity leadership can execute the harvest-consolidate strategy at speed is the operational question that determines whether the cable segment adds meaningfully to enterprise value or drags on it over the merger's first five years.

Source: cable subscriber trends per Kagan Research / SNL Kagan and per major distributor disclosures (Comcast, Charter, DirecTV); affiliate fee estimates per Paramount and WBD segment reporting; free cash flow estimates are Institute analysis based on segment disclosures. Not audited.

SECTION 15

Film Studios & Library IP

Paramount Pictures and Warner Bros. Pictures are two of the five modern American major film studios — alongside Walt Disney Studios (which absorbed 20th Century Fox's film assets in 2019), Universal Pictures (Comcast NBCUniversal), and Sony Pictures Entertainment. Lionsgate operates as an independent mini-major. Under combined ownership, the merged entity would control two of the five majors and would carry a disproportionate share of the wide-release theatrical calendar — the specific structural fact that anchors the state attorneys general's wide-release film distribution concentration claim (see Section 18). The "seven majors" framing that appears in older antitrust references pre-dates the Disney/Fox and other consolidations of the 2010s.

9.1 The two studios by the numbers

Paramount and Warner Bros. film studios — comparative snapshot

Metric	Paramount	Warner Bros.	Combined
Studio founding year	1912	1923	—
Feature titles in library (approx.)	4,000	10,000+	14,000+
Estimated FY2025 domestic box office share	10.5%	16.2%	26.7%
Anticipated 2026 theatrical releases	~15	~20	~35

Metric	Paramount	Warner Bros.	Combined
Additional TV studios / banners	4	4	8

9.2 The library IP asset

The combined feature-title library of approximately fourteen thousand titles is one of the deepest single-owner film catalogs in the world. The Warner Bros. side alone includes the Harry Potter franchise, the DC film library, the Lord of the Rings trilogy (through New Line), Christopher Nolan's complete filmography, the Warner Bros. Animation library (Looney Tunes, Hanna-Barbera), and pre-1948 classics including Casablanca, Citizen Kane, Gone

with the Wind, and The Wizard of Oz. The Paramount side includes the Mission: Impossible franchise, Star Trek, Top Gun, The Godfather, Chinatown, Braveheart, Titanic, Forrest Gump, and Sonic the Hedgehog. Both libraries include substantial pre-1980 catalog material that continues to generate licensing revenue in perpetuity.

Library IP valuation methodology draws on multiple standard approaches. The Comcast NBCUniversal case study developed the Institute's core framework: streaming-service catalog contribution (calculated as library-title watch hours divided by total service watch hours, times platform revenue), plus third-party licensing revenue, plus theatrical re-release optionality, plus derivative franchise value (sequels, prequels, TV adaptations, theme park attractions). Applied to a combined Paramount + WB library, the Institute's illustrative library IP value range is approximately \$40 to \$65 billion as a standalone asset, sitting inside a combined entity enterprise value estimated in the \$95-135B range (Section 14).

9.3 The wide-release distribution concentration claim

The state AGs' complaint filed July 13, 2026 (Section 12) specifically identifies wide-release film distribution as one of three market-concentration harms. The concentration argument runs as follows. The seven-major-studio market currently has an approximately equal distribution of theatrical release calendar slots and multiplex bookings. Combining two majors into one operator would reduce the effective

competitive set from seven to six and would concentrate release-window scheduling authority (which studios use to negotiate favorable multiplex terms and to time competing releases against one another) in fewer hands. The Institute observes without taking a position that the specific mechanism the AGs are targeting — release-slot concentration and its downstream effect on independent-multiplex chain negotiations — is a real economic phenomenon; whether it rises to the antitrust harm threshold in the specific market as defined is a factual question the litigation will address.

Source: box office share per Comscore Box Office Essentials; feature-title library counts per company disclosures and third-party industry estimates; library IP valuation methodology per Institute Comcast case study; wide-release concentration claim per state AGs' complaint filed in Northern District of California, July 13, 2026. Not audited.

SECTION 16

News Networks — CNN + CBS News

Under combined ownership, Paramount + WBD would control two of the four most-watched American news operations (CNN and CBS News), joining Fox News (News Corp) and NBC News (Comcast NBCU) as the four dominant national news brands. The two operations are structurally different — CBS News is a broadcast-network news operation historically anchored by CBS Evening News, 60 Minutes, and Face the Nation; CNN is a twenty-four-hour cable news network with international distribution — but they compete for the same audience segments and share the same advertiser base.

10.1 The regulatory sensitivity

American media-consolidation review has historically treated news operations with more scrutiny than entertainment operations because of the perceived public-interest concerns around editorial independence and viewpoint diversity. The FCC ownership caps, which limit the concentration of broadcast television station ownership, and the DOJ's traditional posture on cross-media ownership both reflect this heightened

sensitivity. The 12-state antitrust complaint (Section 12) does not focus on news specifically as a market-concentration claim — the AGs' three cited markets are wide-release film, anticipated blockbuster distribution, and cable channel licensing — but news is nearly always the area where regulators demand structural concessions in a megamerger review.

10.2 Precedent: Comcast-NBCUniversal and the CNN precedent

The Comcast acquisition of NBCUniversal in 2011-2013 involved DOJ- and FCC-imposed behavioral conditions on NBCU's news operations, including on NBC News' editorial independence and on program-access rules for competing cable news networks. Those conditions were unwound over time and are no longer in effect, but the precedent remains: American regulators have historically demanded news-specific structural concessions on major media mergers even when news is not the primary market-concentration concern.

Prior CNN treatment in the AT&T-Time Warner review is instructive with a caveat. The AT&T- Time Warner transaction was a vertical merger (a distributor acquiring a content producer), and the DOJ's 2017 challenge focused on foreclosure and program-access theories rather

than horizontal-concentration theories. The D.C. Circuit affirmed the district court's rejection of that vertical challenge in *United States v. AT&T, Inc.*, 916 F.3d 1029 (D.C. Cir. 2019). The Paramount / WBD combination, by contrast, is a horizontal merger between two content producers — a different analytical framework in which market-share concentration analysis (rather than foreclosure) is the primary lens. The AT&T precedent does not directly control the current review, but the substantive treatment of CNN as a strategic asset and the DOJ's articulation of the news-competition dimension remain analytical touchstones state AGs can and do cite.

10.3 The CNN divestiture question

If regulators demand a structural concession from the combined entity, the Institute's view is that the most likely single target is CNN. Three considerations support that conclusion:

- Independent viability. CNN is a standalone-viable business with its own advertiser base, its own affiliate agreements, and its own international footprint. It could be sold to a strategic acquirer (a private-equity buyer, a wealthy individual owner, or another media company) without disrupting the combined entity's core operations.
- Political optics. News-concentration concessions are politically-visible in ways that entertainment divestitures are not. A visible CNN divestiture provides regulators with a demonstrable structural remedy without disrupting the deal's core value drivers.
- Structural coherence. Post-divestiture, CBS News alone gives Paramount + WBD a robust national broadcast news operation without the cable-news brand-power question. CBS News' established programs (60 Minutes, CBS Evening News, Face the Nation) have durable brand equity that does not depend on CNN.

The Institute takes no position on whether CNN should be divested; the observation is descriptive rather than prescriptive. The valuation walk in Section 14 shows both scenarios (with-CNN and without-CNN combined-entity value) so the practitioner reader can see the arithmetic either way.

Source: FCC ownership rules per Communications Act as amended and 47 CFR Part 73; DOJ AT&T-Time Warner litigation record per U.S. v. AT&T Inc., D.D.C. Case No. 17-2511; Comcast-NBCU precedent per FCC Order in MB Docket 10-56 (2011). Not audited.

SECTION 17

Ownership & Financing

Understanding who is putting up the capital for the Paramount + WBD combination is central to reading the transaction. The ownership stack combines the Ellison family (through Skydance and the Ellison family office), RedBird Capital Partners (as the private equity co-investor), and approximately twenty-four billion dollars of sovereign wealth capital from three Middle Eastern investment authorities. On the WBD side, the transaction triggers the Zaslav exit package, which itself became a significant governance controversy in the shareholder vote.

11.1 The Ellison / RedBird / Skydance ownership structure

David Ellison founded Skydance Media in 2010. His father Larry Ellison, the co-founder and executive chairman of Oracle Corporation and one of the largest single shareholders of Oracle equity, has been the ultimate capital source for Skydance's growth. The Ellison family's balance-sheet capacity draws primarily on Larry Ellison's Oracle position (public disclosures place his Oracle stake at approximately 1.15 billion shares (~40% of Oracle equity), which at Oracle's Q1-Q3 2026 trading range of \$145–\$225 per share implies a mark-to-market value of approximately \$167B to \$259B — a wide range that reflects both Oracle's substantial 2025-2026 volatility (driven by AI/cloud-capex commentary) and the fact that a controlling family shareholder's actual pledgeable balance-sheet capacity depends on lender haircut rules on volatile collateral, not on peak mark-to-market), which functions as collateral for the capital calls Skydance and its downstream investments require. Whether the Paramount / WBD financing draws on the Oracle position directly (through pledged shares) or indirectly (through Ellison- family-office cash generated from prior share sales or Oracle dividends) has not been fully disclosed publicly. RedBird Capital Partners, the private equity firm founded by former Goldman Sachs and JPMorgan investment banker Gerry Cardinale, joined the Skydance bid as a co-investor. RedBird's prior media and sports investments (AC Milan, Toulouse FC, XFL, Fenway Sports Group affiliation) positioned it as a natural strategic partner.

The post-close Paramount, a Skydance Corporation, has the Ellison family and RedBird as the controlling equity holders. The exact percentage split has not been fully disclosed publicly, but public reporting places Ellison-family capital as the dominant contributor with RedBird as a meaningful minority. David Ellison is chairman and CEO; Jeff Shell (ex-NBCU) is president.

11.1a Ellison-family ownership walk — the family-LBO parallel

The Paramount / WBD structure has strong structural echoes of the 2013 Michael Dell take-private of Dell Inc. — a founder-family LBO where the family used external private-equity partners (Silver Lake in Dell's case; RedBird and sovereign wealth in the Ellison case) plus significant debt financing to concentrate operating control. The

Institute's Dell case study (baratelliinstitute.com/case-study-dell.html) walks the Michael Dell playbook in full: how the founder-family concentration of both economic and voting control shaped post-transaction capital allocation for the next decade. The Ellison structure sets up a similar dynamic. The specific per-share ownership walk from before Paramount / WBD through post-close — and the sensitivity to how much of the \$46.7B Ellison Trust PIPE gets syndicated to the Middle East — is developed in the table below.

Table 11.1a — Ellison-family post-close ownership walk (illustrative scenarios)

Scenario / basis	Ellison Trust net PIPE (\$B)	ME syndicated (\$B)	Ellison % of combined equity	Basis / notes
Pre-WBD close reference — David Ellison / Skydance PSKY stake at 8/7/2025	~\$4-5	n/a	~30-40% (via Class B super-voting)	Skydance-Paramount transaction closed 8/7/2025 at \$8B total consideration; Skydance took controlling Class B stake (per PSKY 8-K)
Low Ellison / High ME syndication scenario	~\$22	~\$25	~25-30%	ME syndicate takes ~\$25B of the \$46.7B PIPE; Ellison Trust retains ~\$22B net; combined Ellison / Skydance pre-existing plus new

Scenario / basis	Ellison Trust net PIPE (\$B)	ME syndicated (\$B)	Ellison % of combined equity	Basis / notes
Base case — press-estimated syndication	~\$25-32	~\$15-24	~35-40%	Press estimates place ME (PIF+QIA+L'Imad) at \$15-24B combined; Ellison Trust net at \$22-32B; combined Ellison ownership scales with Institute base-case ~\$100-110B combined-entity equity
High Ellison / Low ME syndication scenario	~\$42-47	~\$0-5	~45-55%	Ellison Trust retains bulk of \$46.7B commitment; combined Ellison ownership approaches majority economic control
Sensitivity anchor: definitive per-party allocations	TBD	TBD	TBD	Confirmed post-close via Schedule 13D/G filings by the Ellison Trust and each Middle East sovereign investment vehicle

Source: Skydance-Paramount transaction close per PSKY 8-K series (August 2025). PIPE commitment structure per Paramount / WBD Merger Purchase Agreement filed as 8-K exhibit (February 2026). Middle East syndication ranges are press estimates (Financial Times, Reuters, Wall Street Journal contemporaneous coverage of the WBD announcement); definitive per-party allocations require post-close Schedule 13D/G filings. Combined-entity post-close equity value estimated at \$100-110B based on filed pro forma capital structure.

The Dell parallel and what it teaches. Michael Dell took Dell Inc. private in October 2013 for approximately \$24.9B in a Silver Lake—partnered leveraged buyout. Nine years later Dell was worth roughly \$50B in equity value with Michael Dell's family holding approximately 40% economic and structural voting control. The family-LBO playbook — anchor family capital + PE co-invest + significant leverage + operating control — produced disciplined capital allocation, aggressive divestitures of non-core assets (VMware spin, Boomi divestiture), and a debt-paydown-first cash return posture (see Institute Dell case study for the ten-year walk). The Ellison structure, if executed on the base-case syndication, positions the family with 35-40% economic control of a combined \$100-110B equity base — a materially larger absolute stake than Dell but comparable proportional control. Practitioner readers should not be surprised if the post-close capital allocation follows the Dell playbook rather than the diversified-conglomerate playbook: aggressive divestitures of non-core assets, debt paydown, and share concentration through modest buybacks over time. The specific divestiture candidates (Section 15 discussion of CNN, kids programming, potentially international operations) map directly onto the assets the Dell family shed in the equivalent post-LBO phase.

11.2 The \$46.95B PIPE equity commitment (Ellison Trust + sovereign wealth syndicate)

To finance the all-cash acquisition of Warner Bros. Discovery, Paramount Skydance secured a \$46.95 billion Private Investment in Public Equity (PIPE) commitment. The commitment is led by the Lawrence J. Ellison Revocable Trust (\$46.7 billion) with RedBird Capital Partners contributing \$250 million. The Ellison Trust's commitment is syndicated to a group of Equity Syndication Parties named in the filed Purchase Agreement, including three Middle Eastern sovereign wealth vehicles — Saudi Arabia's Public Investment Fund (PIF), Qatar Investment Authority (QIA TMT Holding),

and Abu Dhabi's L'Imad Holding — plus LionTree Investment Fund and RedBird. Individual allocations within the \$46.95B aggregate are not separately disclosed in the SEC filing.

Middle East sovereign wealth participation in \$46.95B PIPE — press-reported allocations

Investor	Country	Press-est. stake (\$B)	Notes
Public Investment Fund (PIF)	Saudi Arabia	\$8-12	Largest single sovereign wealth participant per press reporting
Qatar Investment Authority (QIA)	Qatar	\$4-7	QIA TMT Holding LLC entity vehicle
L'Imad Holding (Abu Dhabi)	UAE	\$3-5	Abu Dhabi sovereign vehicle (Mubadala + ADIA-adjacent)
Combined Middle East sovereign participation	—	\$15-24	Within Ellison Trust's \$46.7B lead commitment

Press-estimate ranges within the Ellison Trust's \$46.7B lead commitment; definitive per-party allocations become public post-close via Schedule 13D/G filings by each investor.

The Middle East capital participation raises four practitioner considerations. First, national- security review: transactions involving sovereign investment in U.S. media assets can attract review under the Committee on Foreign Investment in the United States (CFIUS) framework, particularly when the target includes broadcast television licenses (as CBS does) or major news operations (as CNN and CBS News do). Second, FCC foreign-ownership limits: under 47 U.S.C. §310(b)(4), foreign-national ownership of a broadcast license holder is capped at 25% in the aggregate absent affirmative FCC approval. CBS Broadcasting, as a licensee of hundreds of broadcast television stations directly and through its owned-and-operated group, is subject to this cap. The sovereign wealth participation as structured must either fit under

the 25% aggregate limit or receive an FCC-granted overage — a process that has been used in prior transactions (Comcast-NBCU, Softbank-Sprint) with variable outcomes. Third, editorial independence: sovereign wealth ownership of American media has historically drawn public and Congressional scrutiny around whether the sovereign owner could exert editorial pressure on news coverage. Fourth, financing structure: sovereign wealth funds typically enter as passive minority equity with dividend / preferred-return preferences; the specific structure of the \$24B stake will govern how much control — if any — the funds have over combined-entity operations.

11.3 Zaslav exit package — cross-reference

The Zaslav exit package (~\$886.4M total, 82% shareholder no-vote, mechanical conversion of vested WBD RSUs cashed out at close in this all-cash transaction) is developed in full at Section 2.5 above. That treatment is not repeated here. See Section 2.5 for the package walk, the tax reimbursement gross-up mechanic under IRC §280G / §4999, and the governance implications. See Section 19 for how the all-cash structure specifically affects Zaslav's post-close role — he exits at close with no voluntary equity rollover.

11.4 §382 NOL Limitation on Combined Entity

The deal structure is a reverse triangular merger with all-cash consideration to WBD holders. This structure fails the 80%-voting-stock continuity-of-interest requirement for §368(a)(2)(E) tax-free reorganization treatment, so the exchange is taxable under IRC §1001: each WBD holder recognizes gain or loss equal to \$31.00 per share received minus adjusted basis. Because the transaction is taxable to WBD holders and treated as a purchase of WBD at the entity level, it constitutes an ownership change under IRC §382, subjecting WBD's substantial pre-close net-operating-loss carryforwards to the annual §382 limitation. The §382 limit equals pre-change equity value multiplied by the long-term tax-exempt rate; using WBD's pre-announcement market cap of approximately \$54B and the applicable rate near 4.5%, the annualized NOL-utilization ceiling is roughly \$2.4B per year. This is a material line item for a family-office reader modeling the combined-entity effective tax rate through the pendency window and the post-close integration period.

WBD's NOL position pre-close. Per WBD's FY2025 Form 10-K Note 15 (Income Taxes), the company carries \$10.6B of federal NOL carryforwards (indefinite-life under the 2017 Tax Act), plus approximately \$18-22B of state NOL carryforwards on a jurisdiction-blended basis (subject to per-state limitations separately). The federal balance derives from (a) legacy Time Warner NOLs surviving the 2022 Discovery-WarnerMedia transaction subject to the earlier §382 limitation from that deal, (b) post-2022 operating losses driven by streaming platform build-out and cable-networks impairment charges, and (c) 2023-2025 restructuring charges tied to the Max streaming platform consolidation and the CNN restructuring.

§382 ownership-change trigger. Under IRC §382, if the "5% shareholders" of a loss corporation experience a cumulative ownership shift of more than 50 percentage points over any three-year testing window, the corporation is deemed to have undergone an ownership change and its pre-change NOLs are subject to an annual utilization limitation. The PSKY-for-WBD stock exchange — delivering approximately 100% of WBD's equity to a new ownership base — unambiguously triggers §382 on WBD's NOL carryforwards.

Illustrative §382 annual NOL utilization limitation — WBD pre-close NOLs

Input	Value	Source / basis
WBD pre-change equity value (fair value at ownership change)	\$81.0B	Delivered consideration in exchange — the anchor for the §382 formula
Long-term tax-exempt federal rate (published monthly by IRS)	4.30%	Illustrative mid-2026 rate; the actual rate at the ownership-change date controls
Base annual §382 limitation on WBD NOL utilization	\$3.48B/yr	Long-term tax-exempt rate × pre-change equity value

Input	Value	Source / basis
Combined pre-close WBD federal NOL carryforward	\$10.6B	Per WBD FY2025 Form 10-K, Note 15 (Income Taxes) — federal NOL carryforward disclosed at \$10.6B (indefinite-life under 2017 Act, no expiration); state NOLs approximate \$18-22B on a jurisdiction-blended basis and are subject to per-state limitations separately
Years to full utilization at base limitation (no built-in gains)	~3.0 years	\$10.6B / \$3.48B/yr; assumes combined taxable income sufficient to absorb the annual limit each year
Blended federal + state effective corporate tax rate applied to usable NOL	24.5%	Federal 21% + weighted state 4.5% net of federal deduction (Delaware / New York / California mix reflects PSKY / WBD principal operating footprint post-close)
Annual cash tax savings from NOL utilization at base \$382 limit	\$0.85B/yr	\$3.48B annual usable NOL × 24.5% blended tax rate
WACC used for present-value discount	8.0%	PSKY blended cost of capital estimate; consistent with SOTP DCF sensitivity
Approximate PV of \$382-useable NOL as a DTA at close	\$2.3B	PV of \$0.85B/yr for 3.0 years at 8% WACC (discrete annuity), or roughly 22% of the \$10.6B gross carryforward once the blended-rate tax value and discount are applied. Subject to valuation allowance for the portion unlikely to be utilized within the 20-year federal window

Illustrative Institute analysis. The actual long-term tax-exempt rate on the day of the ownership change controls the base limitation. The base can be increased by recognized built-in gains from WBD assets in the five-year post-change period, or decreased by recognized built-in losses. Both Paramount and WBD carry substantial goodwill and intangibles marked at book values above tax basis, which increases the

built-in-gain component and could raise the effective annual limitation modestly. The ~\$2.3B PV figure is Institute estimate and should not be relied upon for tax planning. A qualified tax advisor with access to WBD's NOL scheduling should verify.

Modeling implication. The Institute base-case SOTP in Section 7 does not subtract PV of §382-useable NOL from enterprise value. If the reader wants an EV-net-of-tax-attributes figure — the analytic that Big-4 TAS shops actually deliver — the calculation is: announced EV of \$110B less PV of §382-useable NOL of ~\$2.3B = ~\$107.7B tax-attribute-adjusted EV. On combined EBITDA of ~\$14B, that is 7.7x EV/EBITDA, meaningfully below the announced 13.6x headline. The DTA impact on the effective post-close tax rate is roughly 200-250 bps of accretion on modeled net income through the utilization window.

Source note. WBD NOL disclosures per WBD 10-K FY2025 (filed February 2026, wbd-20251231); §382 mechanics per IRC §382 and Treasury Reg. §1.382-2; long-term tax-exempt rate per Rev. Rul. 2026-19 (illustrative). Institute PV analysis is illustrative and not a substitute for a qualified opinion.

11.5 Board composition and governance of the combined entity

The post-close board of the combined Paramount + WBD entity, as disclosed in the S-4 registration statement and subsequent proxy filings, is structured to reflect the ownership contribution and to satisfy applicable listing and independence requirements. Ellison-family and RedBird-nominated directors constitute the controlling bloc, with a minority of independent directors nominated through the WBD-legacy governance process. Sovereign wealth investors have limited board representation rights consistent with their passive- minority equity structure (typically one non-voting observer seat per major sovereign, not a voting director seat, to preserve the transaction's treatment as majority U.S. controlled for FCC purposes).

The audit committee, compensation committee, and nominating & governance committees are structured to satisfy NASDAQ / NYSE independence requirements. The compensation committee's composition and its treatment of executive pay following the 82% Zaslav- package no-vote will be a governance test in the combined

entity's first two proxy cycles. Institutional investors (BlackRock, Vanguard, State Street) that voted against the Zaslav package will scrutinize the combined-entity board's subsequent pay decisions closely.

Source: Middle East financing per contemporaneous coverage of the WBD transaction announcement (multiple business press sources); Zaslav compensation package per WBD proxy statement and Yahoo Finance / Variety coverage of April 2026 shareholder vote; CFIUS framework per 50 U.S.C. §4565; FCC foreign-ownership caps per 47 U.S.C. §310(b); board composition per S-4 registration statement filings. Not audited.

FAMILY OFFICE SIDEBAR

The Four Practitioner Questions — Family Office Sidebar

For the family office CFO reading this case as a reference document, four questions come up on every LP call about an all-cash media megamerger of this scale. The answers below are consolidated here so the practitioner does not have to reconstruct them from the memo sections.

Q1. If we own WBDA, what is the tax-lot treatment on the \$31.00-cash close?

Answer: This is an **all-cash acquisition**, not a stock-for-stock exchange. Under IRC §1001, the receipt of \$31.00 per WBDA share at close is a **taxable disposition**. Each WBDA holder realizes gain or loss equal to \$31.00 per share less the holder's tax basis in each specific WBDA lot, with the character (long-term versus short-term capital gain) determined by the holder's per-lot holding period through the close date. Family office CFOs should book the close as a taxable disposition of WBDA and prepare per-lot gain/loss recognition schedules (specific-lot identification is preferred over average-cost basis where the custodian permits). Holders of legacy PSKY are unaffected on their PSKY tax lots by the close — PSKY holders do not receive additional consideration in the WBD acquisition; existing PSKY shares continue at their historical basis and holding period. Wash-sale rules under IRC §1091 apply if

the same WBDA holder repurchases substantially identical PSKY securities within thirty days of the close-related disposition; family-office traders should track this proactively.

Q2. If we own only WBDA today, what is the arb spread we would be underwriting, and what is the standalone floor?

Answer: At the July 13, 2026 case cutoff, WBDA traded at approximately \$27.85 against the fixed all-cash consideration of \$31.00 per share. The gross arb spread is **\$3.15 per share, or approximately 11.3%**. Under an all-cash structure the spread has no exchange-ratio sensitivity to PSKY price movements — it is a pure deal-close probability play against the fixed cash number, discounted for time value from the announcement date to expected close. The spread the market is pricing therefore compensates for two risks: (a) deal-break risk from adverse regulatory outcome (12-state complaint filed July 13, 2026; Northern District of California); and (b) time value from expected close date. If the base-case close falls in Q1 2027 (~6-8 months from cutoff), the annualized spread is approximately 17-22%. The **standalone floor** is Section 7's SOTP low-case WBD-standalone equity value of approximately \$65B, or roughly \$26 per share — below the cash consideration but above the pre-announcement WBD trading price. A WBDA arb-position is therefore substantially protected on the downside by intrinsic standalone value even if the deal breaks. Family-office CFO practitioner check: verify the specific arbitrage spread against the current market price on the diligence date; the \$3.15 figure moves daily.

Q3. What is the CFIUS review posture on the sovereign wealth participation in the \$46.95B PIPE, and does it create governance-review risk?

Answer: The Committee on Foreign Investment in the United States (CFIUS) reviews transactions that could result in control of a U.S. business by a foreign person, and CBS as a broadcast-license holder is a covered U.S. business under 31 CFR Part 800. The \$24B sovereign wealth participation (Saudi PIF ~\$10B, QIA ~\$8B, Abu Dhabi ~\$6B) is structured as passive-minority equity with non-voting observer rights, not voting-director representation — a structure specifically designed to fall below CFIUS's "control" threshold. That structural choice is defensible but not risk-free:

CFIUS has taken increasingly aggressive positions on media / broadcast / news assets in 2024-2025, and the aggregate 22% economic interest across three Middle East sovereign investors will draw scrutiny. Family office CFOs with tax-exempt / ERISA-sensitive LPs should be aware that (a) CFIUS mitigation agreements (if imposed) may include enhanced governance oversight, editorial-independence provisions, and periodic reporting obligations, and (b) the ERISA plan-asset rules could be implicated if the sovereign wealth interests are aggregated across funds for control purposes. These are not blocking issues but they are diligence items for LPs with governance-sensitive mandates.

Q4. What is the FCC 47 U.S.C. §310(b)(4) analysis on foreign ownership?

Answer: FCC §310(b)(4) limits foreign ownership of a U.S. broadcast licensee to 25% in the aggregate absent an affirmative FCC declaratory ruling. CBS Broadcasting, as a licensee of hundreds of broadcast television and radio stations, is subject to this cap. The 22% aggregate Middle East sovereign wealth participation on the combined entity is inside the 25% cap on its face, but two considerations matter. First, the calculation is done at the U.S. broadcast-licensee level (CBS Corporation), not at the ultimate-parent Paramount Skydance Corporation level — so the actual attributed foreign interest at the licensee level depends on the intermediate holding structure. Second, the FCC has granted overages above 25% in prior transactions (Comcast-NBCU, Softbank-Sprint) subject to conditions including editorial-independence provisions, foreign-ownership monitoring, and specific mitigation commitments. The Institute expectation is that FCC will approve the current structure without an overage — the 22% is designed to be inside the cap — but the family office CFO should track the FCC docket for the specific transfer application and monitor for any conditions attached to approval. Any conditions imposed by FCC will be publicly disclosed in the docket.

Cross-references. The tax analysis in Q1 ties to Section 13 (Deal Structure). The arb math in Q2 ties to Section 3 (Stock Price Action). The CFIUS analysis in Q3 ties to Section 11 (Ownership & Financing). The FCC analysis in Q4 ties to Section 12 (Regulatory). Family office CFOs who need deeper practitioner content should also

consult the Institute's Family Office Reference Guide chapter on M&A capital allocation and the Institute's CFO & Controller's Guide chapter on ASC 805 acquisition accounting — both are in the Baratelli library.

SECTION 18

The Regulatory Environment — Federal Cleared, 12 States Suing

18.0 The 12-state theory of harm — three tracks, three doctrines

The July 13, 2026 complaint filed in the Northern District of California by twelve state attorneys general is not one legal theory but three distinct theories woven into one Clayton Act §7 challenge. Each theory has a different market-definition path, a different doctrinal anchor, and a different litigation trajectory. Practitioners should understand which theory is winning at any given moment.

Three theories of harm in the 12-state complaint — state AG framing

Theory	Doctrinal anchor	State-AG claim	Litigation path / bench view
Local news market concentration	Horizontal merger; SSNIP test on local broadcast news	Combined ownership of CBS News + CNN eliminates last competing national-brand news anchor for local affiliates	Toughest theory to defend; local news is a defensible relevant market with historic regulatory sensitivity. Track this most carefully.

Theory	Doctrinal anchor	State-AG claim	Litigation path / bench view
Streaming market concentration	Horizontal; possibly two-sided market	Combined Paramount+ / Max / Discovery+ eliminates competing streaming platform in the "premium content bundling" segment	Weakest theory post-U.S. v. AT&T; the two-sided market question and the presence of Netflix / Amazon / Disney+ / Peacock as competitors makes single-firm dominance hard to plead.
Sports rights concentration	Horizontal / market-power in downstream rights bidding	Combined NFL AFC + UFC + March Madness + NBA (WBD) creates monopsonist rights buyer that harms leagues and consumers	Novel theory. Sports rights buyers have historically not been treated as antitrust-relevant markets. NBA departure (Feb 2026) blunts this claim.

Institute view: the local-news theory is the strongest single-market claim and will drive settlement terms if the case reaches that stage. Divestiture of CBS News or CNN (or of specific local affiliate stations) is the practitioner-obvious mitigation. The streaming and sports-rights theories are pleaded to raise the aggregate posture but will likely not survive summary judgment on their own. The states filed together to force a settlement that includes concessions on all three tracks, not because all three theories are equally strong.

18.1 CFIUS review — the sovereign-participant PIPE analysis

The \$46.95B PIPE includes named sovereign wealth investors: Saudi Arabia's Public Investment Fund (PIF), Qatar Investment Authority (QIA TMT Holding LLC), and Abu Dhabi's L'Imad Holding. This triggers CFIUS review under the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA) and its implementing regulations at 31 CFR Part 800.

- **Mandatory-filing analysis.** Under 31 CFR §800.401, mandatory filing is required when a foreign government-related transaction involves "TID U.S. business" (technology, infrastructure, data). Paramount Skydance is unambiguously a TID business by virtue of (a) its broadcast infrastructure holdings (CBS television station group), (b) satellite uplink and downlink infrastructure, and (c) subscriber-data holdings covering an estimated 60M+ streaming and cable customer records. Mandatory filing therefore attaches at the aggregate deal level, not just at individual sovereign-investor level.
- **Covered-investment thresholds.** Under 31 CFR §800.211, a "covered investment" includes a foreign-person acquisition of any interest in a TID business, subject to specified exemptions. The Class B nonvoting structure of the PIPE is designed to invoke the passive-investment exemption at §800.208, which excludes investments that carry no board seat, no access to material nonpublic technical information, and no involvement in substantive decision-making. Whether the structure holds up under Phase 2 review depends on the specific rights afforded to Class B holders in the Purchase Agreement — observation rights, information rights, and consent rights over major transactions are the tell-tale substantive control channels regardless of voting nomenclature.
- **Country-of-origin risk weighting.** CFIUS applies a de facto country-risk overlay. Gulf sovereign wealth investors (PIF, QIA, ADIA) have generally received favorable treatment relative to Chinese or Russian sovereigns since the 2020s, and the U.S.-Saudi and U.S.-Qatar security relationships mitigate but do not eliminate scrutiny. The L'Imad Holding participation is a first for UAE sovereign capital in a U.S. broadcast holding of this size and may attract incremental attention.
- **Mitigation package.** The likely CFIUS mitigation agreement would include: (i) an information-firewall provision blocking Class B holders from access to broadcast-

related national-security-adjacent data, (ii) a "no board observer, no consent right" attestation, (iii) a passive-investor covenant enforceable by CFIUS. These are standard mitigation tools for covered TID investments involving foreign sovereigns.

Institute view. CFIUS clearance is a real gating item but not a blocking one. The Class B nonvoting structure is the correct mitigation posture, and the U.S. relationship with each of the three named sovereigns is compatible with a mitigation-agreement clearance path. Practitioners should watch for the specific mitigation terms filed with the definitive Purchase Agreement, particularly the passive-investor covenant scope. If CFIUS demands sovereign divestment or an escrow structure, that is a materially different regulatory posture than what is currently visible.

Federal regulatory approval for the Paramount / WBD combination has cleared. The Department of Justice’s antitrust division and the Federal Communications Commission’s license-transfer review both completed prior to the shareholder vote in April 2026. What remained — and what became the July 13, 2026 flashpoint — was the state-level antitrust review, which culminated in twelve Democratic state attorneys general filing suit in the Northern District of California to block the transaction.

12.1 The plaintiffs and the venue

The 12 state AGs filing the July 13, 2026 antitrust complaint

State	Attorney General	Political affiliation
Arizona	Kris Mayes	Democratic
California (lead plaintiff)	Rob Bonta	Democratic
Colorado	Phil Weiser	Democratic
Connecticut	William Tong	Democratic
Massachusetts	Andrea Campbell	Democratic
Minnesota	Keith Ellison	Democratic
Nevada	Aaron Ford	Democratic
New Jersey	Matthew Platkin	Democratic

State	Attorney General	Political affiliation
New Mexico	Raúl Torrez	Democratic
New York	Letitia James	Democratic
Oregon	Dan Rayfield	Democratic
Washington	Nick Brown	Democratic

in Texas, Florida, and Ohio — is a data point about the political geography of the challenge.

The state coalition's standing to challenge the merger derives from three overlapping legal bases. Federally, states may sue under Clayton Act §16 (15 U.S.C. §26) to enjoin violations of Sherman Act §1 and §2, and under Clayton §7 (15 U.S.C. §18) to block mergers that may substantially lessen competition. At the state level, each plaintiff invokes its own state antitrust statute — California pleads under the Cartwright Act (Cal. Bus. & Prof. Code §16700 et seq.), New York under the Donnelly Act (N.Y. Gen. Bus. Law §340), and comparable statutes in the other plaintiff states. Finally, several states plead *parens patriae* authority to

represent citizen-consumers under 15 U.S.C. §15c. The combined pleading gives the coalition multiple legal theories on which to base its request for injunctive relief and divestiture remedies.

12.2 The three market-concentration claims

The complaint identifies three specific markets in which the states allege the combined entity would violate antitrust law:

- **Wide-release film distribution.** The claim, walked in Section 9, is that combining two of the seven major American studios reduces the effective competitive set for wide-release theatrical distribution from seven operators to six. The states argue that the resulting release-window scheduling concentration would harm independent multiplex chains and reduce competition for premium theatrical inventory.

- Anticipated blockbuster film distribution. The distinction between "wide release" (all wide-release films) and "anticipated blockbuster" (the tent-pole subset with pre-release expectations above a certain box-office threshold) is unusual. The states are arguing that even within the wide-release market, the tent-pole subset is a separately-analyzable submarket — because blockbuster films have distinct distribution economics (higher marketing spend, more competitive multiplex screen negotiations, longer exclusive theatrical windows) — and the combined entity would carry a disproportionate share of anticipated blockbusters in each release calendar.
- Cable channel licensing. The claim focuses on the affiliate-fee negotiation dynamic: the combined entity, carrying approximately thirty cable networks, would negotiate carriage agreements with cable and satellite distributors from a bundled position that individual networks cannot achieve alone. The states argue that bundle-negotiation leverage would enable price extraction that ultimately flows through to consumer cable bills.

12.3 Market Definition Under the SSNIP Test

State AG complaints under Clayton Act §7 require the plaintiffs to plead relevant markets that could be monopolized or where competition could be substantially lessened. Federal courts apply the hypothetical-monopolist test — SSNIP, for "small but significant and non-transitory increase in price" — from the DOJ / FTC 2023 Merger Guidelines and the underlying case-law framework. A relevant market is one in which a hypothetical monopolist could profitably impose a SSNIP (typically 5-10%) without customers substituting to alternatives outside the proposed market. The twelve-state complaint pleads three relevant markets (wide-release film distribution, anticipated blockbuster film distribution, cable-channel licensing) but does not walk the SSNIP application on any of them. This is the doctrinal seam the defendants will exploit.

The two-sided market problem. Judge Richard Leon's June 2018 opinion in *U.S. v. AT&T* — unanimously affirmed by the D.C. Circuit — explicitly held that antitrust analysis of media markets must account for both sides of the market: subscription revenue AND advertising revenue. The court rejected DOJ's single-sided market definition that treated cable-subscription revenue in isolation from advertising revenue, holding that ignoring the ad-supported side produced an economically implausible

picture of competition. For the state-AG complaint, this creates a specific vulnerability: pleading "streaming as a relevant market" without addressing the ad-supported side (Netflix's ad tier, Paramount+ with ads, Max with ads, ad-supported Peacock) invites the same doctrinal objection AT&T successfully raised. The complaint's cable-channel-licensing market is more defensible because affiliate-fee negotiation is a business-to-business market with clearer product-market boundaries, but even there the ad-market implications need to be addressed.

The wide-release-film versus anticipated-blockbuster distinction. The states plead these as two separate markets. The narrower market (anticipated blockbusters only) makes the concentration argument stronger (fewer competitors within the market) but harder to defend under SSNIP: could a hypothetical monopolist of anticipated-blockbuster theatrical distribution actually impose a 5-10% price increase without independent theatrical multiplex operators substituting toward direct-to-streaming releases, second-run reissues, or foreign-title distribution? The direct-to-streaming substitution alone likely defeats the narrow market definition, because studios already release blockbuster titles day-and-date to streaming for a meaningful subset of releases. Defendants will argue that the wide-release-film market is the correct SSNIP boundary, that the market currently supports seven-plus competitors, and that concentration from seven to six does not clear the merger-guidelines HHI thresholds for presumed anticompetitive effect.

The vertical integration overlay. AT&T-TW also rejected DOJ's vertical-integration bargaining-leverage theory of harm absent specific evidence of price effects on downstream distributors. State AGs pleading Clayton Act §7 need to make a much more granular showing on price effects than the pre-2018 doctrinal environment required. The complaint's cable-affiliate-fee argument is the vertical theory in a different suit, and the AT&T-TW ruling raises the evidentiary bar for it materially. This is why the Institute base-case litigation probability weighting places the highest probability on settlement with divestiture rather than trial verdict for the states.

12.4 Regulatory Decision Tree — Probability-Weighted Outcomes

For an equity-research or family-office reader modeling the transaction, the regulatory scenario needs to be presented as a decision tree, not as a narrative range. The Institute base-case probability weights below tie each outcome to the SOTP delta in Section 7:

Regulatory outcome decision tree — probability-weighted equity value

Outcome	Prob.	SOTP equity impact	Description
(i) States settle with behavioral consent decree	35%	Base case \$117.5B	Time-limited behavioral commitments on affiliate fees, release-window scheduling, and non-discrimination. No structural divestiture. Deal closes on announced economics.
(ii) States settle with CNN divestiture	30%	-\$6B to -\$9B	CNN \$355 spin or cash sale at ~\$5-9B FV. Political optics addressed; combined-entity value net of divestiture proceeds. SOTP range \$108-112B.
(iii) States settle with CNN + Turner divestiture (deeper cure)	15%	-\$17B to -\$22B	Regulator-forced case: CNN + Turner networks (TNT/TBS/truTV/TCM) divestiture. SOTP range \$78-95B (matches \$7.2 low case / regulator-forced case).

Outcome	Prob.	SOTP equity impact	Description
(iv) States win at trial (post-appeal)	10%	Deal blocked	Injunction sustained through Ninth Circuit and beyond. Paramount pays WBD break fee (~\$2B); WBD reverts to standalone. Standalone-WBD equity value ~\$30-40B per SOTP.
(v) States withdraw / dismiss	10%	Base case + \$5B	State AGs concede on doctrinal weakness or venue rules against them at Rule 12 stage. Removes divestiture overhang from PSKY tape; combined value re-rates to full base case.
Probability-weighted expected value	100%	~\$102B equity	Weighted average across outcomes; below Institute base-case SOTP by ~\$16B due to regulatory overhang

Probability weights are Institute practitioner analysis, not predictions. The relative ranking (settle-behavioral most probable, states-win-trial least probable) is consistent with the post-AT&T doctrinal environment and the historical outcome record for large-media megamerger challenges. Individual reader probability estimates will differ; the framework is more useful than any specific weight. Not investment advice.

12.5 The ancillary consumer- and worker-harm claims

Beyond the three market-concentration claims, the complaint asserts additional consumer- and worker-harm effects:

- Consumer harm. Higher cable bills (from the affiliate-fee concentration), higher movie ticket prices (from the theatrical distribution concentration), and reduced diversity of news and entertainment programming.

- Labor harm. Reduced compensation and reduced job availability for professionals across film, television, and cable industries. The claim is a monopsony-adjacent argument: fewer competing buyers in the entertainment production labor market reduces the outside options available to writers, actors, directors, and behind-the-camera workers.

The consumer-harm claim is the traditional antitrust framework; the labor-harm claim is a newer element that has appeared in state AG complaints since roughly 2021 and reflects the broader antitrust-and-labor policy movement.

12.4 The threatened TRO and injunction request

The AGs' complaint asked the two companies to halt the merger until "after the judicial process concludes." If the companies refuse to halt the closing, the state coalition indicated it would file first for a temporary restraining order and then for a preliminary injunction to block the transaction. A TRO under Fed. R. Civ. P. 65(b) is a short-duration, sometimes ex parte order requiring a showing of immediate irreparable harm; a preliminary injunction under Rule 65(a) requires notice and briefing and turns on the standard four-factor test (likelihood of success on the merits, irreparable harm, balance of equities, public interest). Whether the states can obtain either or both depends on how the ND Cal judge assigned to the matter evaluates the specific market-definition arguments, the imminence of closing, and the equities of maintaining the status quo pending resolution.

12.5 Likely divestiture scenarios

The most likely path from lawsuit to close involves negotiated divestitures rather than a fully-litigated blocking. The Institute's view on divestiture-scenario probabilities, ordered by likelihood:

1. CNN carve-out (most likely). The single most-plausible structural concession is a CNN spin or sale. It addresses the news-concentration political optics without disrupting core operations. See Section 10. Tax note: a \$355 spin to WBD shareholders is potentially tax-free to both the corporation and the shareholders if the statutory five-year business, control, distribution, and "device" tests are satisfied; a

taxable sale would trigger corporate-level gain at the divesting entity and require after-tax proceeds to be redeployed. The choice between spin and sale materially affects transaction economics and is typically negotiated as part of any divestiture package.

2. Overlapping unscripted / lifestyle networks. Consolidation or divestiture of duplicative unscripted programming (Cooking Channel, Travel Channel, one of the kids networks like Boomerang or Nick Jr.) offers a demonstrable structural remedy at modest business impact. 3. Wide-release theatrical distribution behavioral commitments. Consent-decree behavioral conditions on release-slot scheduling and independent-multiplex negotiations could substitute for structural divestiture of a studio. These conditions are typically time-limited (often 5-7 years). 4. Cable-network affiliate-fee behavioral commitments. Restrictions on tie-in bundling in affiliate negotiations, again time-limited. 5. Full studio divestiture (least likely). Selling Paramount Pictures or Warner Bros. Pictures outright is possible in theory but would eliminate one of the merger's core strategic drivers. Neither party would accept this remedy voluntarily.

12.6 Litigation timeline scenarios

- Base case (60% probability). Negotiated settlement with divestiture concessions before Q4 2026; close in Q1 2027.
- Extended-litigation case (30% probability). States pursue full litigation; 12-18 month trial and appeal timeline; close delayed to 2028 or later.
- Blocking case (10% probability). States prevail at trial and the deal breaks; both companies remain standalone; Paramount pays WBD break-fee.

Institute view: the base case is materially more probable than the tails. Regulator-negotiated concessions have been the historical outcome of every megamedia merger since the AOL- Time Warner era. But the state-AG-driven challenge is a different legal posture from a federal DOJ challenge and the base-case probability is meaningfully lower than it would be under a DOJ-only review.

Source: Complaint filed July 13, 2026 in United States District Court for the Northern District of California; State AG press releases from California, New York, and coalition members; contemporaneous coverage by CBS News, CNN, NBC News, CNBC, Axios, Washington Post, and JURIST. Divestiture-scenario probabilities are illustrative Institute analysis, not predictions. Not audited.

SECTION 19

Ticking fee and reverse-termination fee — how litigation delay costs Paramount

The Paramount / WBD Merger Agreement contains standard cash-deal drag-out protections that meaningfully increase Paramount's cost as the litigation timeline extends. Two mechanics matter:

Ticking-fee mechanic (contract-set). Under the Merger Agreement, the cash consideration of \$31.00 per WBD share is fixed at signing. If the transaction has not closed by the base outside date (Institute reference: June 30, 2027 per the filed Merger Agreement), a ticking fee accrues on the cash consideration at a floating benchmark rate (typically Term SOFR + 100-200 bps) from that date through actual close. On the \$77.8B cash-consideration base, a ticking fee at ~7% annualized adds approximately \$450M per month of delay past the outside date to Paramount's cost of consummation. Under the extended-litigation scenario (12-18 month trial and appeal past initial outside date), that is **\$5.4B to \$8.1B of additional cost to Paramount** above the announced \$77.8B cash consideration.

Reverse termination fee (RTF). If regulatory outcome prevents close (either through court injunction sustained on appeal, DOJ block, or one or more state AG-negotiated remedies that Paramount elects to walk from), Paramount pays WBD a reverse termination fee estimated at \$4-6B under the antitrust-out provisions of the Merger Agreement. This is a straight cash outflow with no offsetting value received. Combined with committed financing carry costs during the interim, an RTF outcome caps Paramount's downside at roughly \$6-9B before considering opportunity cost.

The combined cost-of-delay picture. Extended litigation costs Paramount on three axes simultaneously: the ticking fee (~\$450M / month past outside date), the committed financing carry (revolver commitment fees plus bridge extension fees at ~150-300 bps of the \$54B facility, or \$675M-1.35B annualized), and the strategic-integration delay cost (harder to quantify but material for the sports-rights and streaming-integration playbook). Practitioners modeling the transaction should build the ticking-fee mechanic explicitly into their sensitivity table — it dominates the acquirer's marginal-close economics under any material-delay scenario.

Deal Structure & Optionality — The CFO View

The practitioner CFO reading this case wants to understand not just the deal that was chosen but the deals that were not chosen and why. What follows is the walk of the base-case structure, then a survey of the alternative structures that a well-advised board would have considered, then an assessment of what the specific chosen structure signals about the buyer and seller preferences.

19.1 The base case — all-cash at \$31.00 per share

The announced transaction is an all-cash acquisition in which Warner Bros. Discovery shareholders receive \$31.00 in cash per share, with no stock consideration, no election mechanism, and no collar. On WBD common shares outstanding of 2,511M plus 3.7M vested-but-undistributed PRSUs, the cash consideration to WBD holders equals \$77.8B. Total preliminary purchase consideration per the filed pro forma is \$97.3B, which comprises the \$77.8B cash to holders plus \$1.1B for pre-combination replacement awards, \$15.0B to settle WBD's \$15B bridge indebtedness, \$2.8B for the Netflix Termination Fee (previously paid by Paramount at signing), and \$0.6B in other consideration components. Combined with \$12.9B of WBD long-term debt retained on the combined balance sheet at fair value, the enterprise value approximates the announced \$110B. The reader should note that a subset of prior press coverage cited a \$29 billion net debt figure, which appears to reflect an earlier WBD reporting period; the FY2025 10-K and Q1 2026 disclosures support the higher assumed-debt mark.

Financing sources for the transaction (per filed pro forma):

Paramount / WBD financing stack — all-cash deal (SEC 8-K Ex 99.2)

Source	Amount (\$B)	Notes
Cash to WBD shareholders	\$77.8	2,511M shares × \$31.00 per share
Settle WBD \$15B bridge indebtedness	\$15.0	WBD 364-day bridge assumed and paid at close
Netflix Termination Fee (pre-paid)	\$2.8	Non-cash at close; in total consideration
Replacement awards + other	\$1.7	Vested WBD equity awards + intercompany net
Total Purchase Consideration	\$97.3	Per filed PPA
PIPE equity — Ellison Trust	\$46.7	Lead PIPE; new Class B nonvoting at \$12.00 floor VWAP
PIPE equity — RedBird Capital	\$0.25	Same PIPE syndicate
PIPE syndication — sovereign wealth	within Ellison \$46.7B	PIF, QIA, L'Imad Abu Dhabi, LionTree — per-fund allocation not disclosed
New Term Loan A-1 (3-yr)	\$2.5	Secured term loan
New Term Loan A-2 (5-yr)	\$2.5	Secured term loan
364-day senior secured bridge	\$49.0	Intended replacement: ~\$39.5B 1L + \$12.4B 2L permanent
WBD notes exchanged into new PSKY 2L	\$12.8	1-for-1 exchange, 100% assumed participation
Existing cash on hand (PSKY + WBD)	\$5.2	\$1.9B PSKY + \$3.3B WBD at 3/31/2026

Source	Amount (\$B)	Notes
Grand total — announced enterprise value (all sources = all uses)	\$110.0B	Per Paramount / WBD 8-K Ex 99.2 (filed pro forma)

The §197 intangible-amortization byproduct: this \$97.3B taxable acquisition generates a substantial ASC 805 purchase-price allocation to identifiable intangibles — per the filed PPA, \$45.5B in intangibles at fair value (trade names \$18.5B, franchises \$9.4B, affiliate relationships \$12.1B, subscriber relationships \$4.1B, character rights \$720M, technology \$275M, advertisers \$445M) plus content library carried through at \$22.0B. Under IRC §197, amortizable intangibles are written off against taxable income over 15 years for tax purposes; ASC 805 imposes separate GAAP amortization over the estimated useful lives disclosed by class (13-20 years for trade names and franchises; 7 years for affiliate relationships; 3 years for subscriber and technology). Important caveat: because this is a taxable stock acquisition without a §338(h)(10) or §336(e) election, WBD's existing tax basis in its assets carries over — the GAAP goodwill and intangibles step-ups on the combined books do NOT flow through to tax basis. Practically, this means the combined entity will show substantial book amortization (roughly \$3.0B per year on the intangible step-up alone at a 15-year blended life) that is not deductible for tax, driving a persistent book-tax difference. A §338(h)(10) election would create a \$40-60B tax step-up generating \$2.7-4.0B in annual tax amortization but requires WBD shareholder approval and triggers corporate-level gain at WBD prior to the merger — a costly election in a taxable-shareholder deal already at premium value. The practitioner reader should trace the specific ASC 805 / §197 walk in the parties' combined 10-K and 10-Q disclosures once the deal closes.

19.2 Alternative structures the board would have considered

A responsible WBD board evaluating the Paramount offer would have modeled at least four alternative structural configurations against the base case. Each has different economics, different tax treatment, and different regulatory sensitivity.

Alternative A — Mixed cash-and-stock consideration Instead of pure stock, the deal could have offered a portion of consideration as cash. A 60% stock / 40% cash mix at the same headline value (\$31/share) would have delivered approximately \$32B in immediate cash to WBD shareholders and \$49B in Paramount Skydance equity, requiring Paramount to raise or borrow an incremental \$32B on top of the sovereign-wealth participation. The advantage: WBD shareholders lock in some immediate value rather than accepting full deal-completion risk. The disadvantage: cash consideration in a mixed-consideration reorganization is treated as "boot" under IRC §356. The general rule is

that boot is taxed as capital gain to the extent of realized gain (assuming the shareholder held the WBD stock as a capital asset for more than one year), except to the extent the boot has "the effect of a distribution of a dividend" under §356(a)(2), in which case the boot is recharacterized as an ordinary-income dividend up to the shareholder's ratable share of the corporation's earnings and profits. In practice, the dividend-equivalence analysis under §356(a)(2) is applied on a shareholder-by-shareholder basis using §302(b) principles, and the outcome varies with each shareholder's pre- and post-transaction ownership, while pure stock consideration in a properly-structured reverse triangular merger is generally treated as a tax-deferred reorganization under §368(a)(2)(E) — the code section that governs a reverse triangular merger, in which a subsidiary of the acquirer merges into the target with the target surviving as a subsidiary of the acquirer. (Note: this discussion is applicable to Alternative A only; the actual Paramount / WBD transaction as announced is all-cash and is a taxable acquisition under IRC §1001, as detailed in §19.1 above.) A plain stock-for-stock exchange would fall under §368(a)(1)(B); the reverse triangular structure layers the §(a)(2)(E) requirements on top, including the requirement that the target retain "substantially all" of its properties after the merger and that at least 80% of the consideration be voting stock of the acquirer. For a diverse WBD shareholder base weighted toward long-term holders, the tax-deferred pure- stock structure captures more after-tax value.

Alternative B — Asset carve-out (studios + streaming only) Paramount could have offered to buy only the WBD studios and Max streaming platform, leaving the cable networks (Turner + Discovery) and CNN as a spinoff to WBD shareholders. This structure would have simplified the regulatory review by eliminating cable-channel-licensing concentration concerns and by removing news-concentration concerns

entirely. The disadvantage: it forces a valuation on the spinco (which WBD shareholders might reject as underpriced), and it leaves Paramount without the cable-network cash flow that is one of the merger's strategic assets.

Alternative C — Reverse Morris Trust structure WBD could have first spun off a portion of its assets to shareholders (probably CNN and select cable networks), then merged the remaining WBD-parent with Paramount Skydance in a Reverse Morris Trust transaction. This structure achieves tax-free treatment for the spin under IRC §355 conditions and permits the Paramount combination on tax-favored terms. The disadvantage: RMT structures require intricate structural preparation and are vulnerable to challenge if the two transactions (spin and merger) are viewed as pre-planned.

Alternative D — Hostile / competing-bidder scenario Netflix reportedly bid for WBD in February 2026 before exiting the process on February 26, 2026. Had Netflix remained in the process, the pricing dynamic would have escalated: WBD's shareholders would have had two competing bidders for a scarce asset (a US major studio combined with a top-3 streaming platform), and the final price would likely have cleared meaningfully above the \$31/share Paramount level. Netflix's stated reason for exiting was that the required financing and regulatory-clearance path did not align with Netflix's standalone capital deployment plan. The Netflix exit gave Paramount pricing leverage that a competitive process would have removed.

19.3 What the chosen structure signals

The all-cash consideration structure, combined with a \$46.95B PIPE equity participation on the financing side led by the Ellison Trust and syndicated to sovereign wealth partners, tells the CFO reader three things about the transaction. First, Ellison and the Paramount board prioritized **transactional certainty** for WBD shareholders over Paramount balance-sheet conservation — a fixed \$31.00 cash number cleared the shareholder-vote hurdle at 99% approval and eliminated exchange-ratio exposure that a stock-for-stock alternative would have created. Second, the sovereign wealth participation is issued as preferred equity (nonvoting Class B stock at \$12.00 floor VWAP), not as debt — minimizing ongoing cash-interest burden but concentrating economic influence in a small number of foreign sovereign investors and the Ellison Trust. Third, the Zaslav exit package is a **clean cash exit**, not an equity roll: his \$517.2M package for accelerated WBD RSU vesting is cashed out at close in this all-

cash deal, not converted into combined-company stock. Zaslav therefore has no material post-exit exposure to combined-entity performance — a governance detail that matters because it means the compensation-committee decision on the exit package was executed on a full-cash basis with the say-on-pay 82% no-vote applying to the full cash amount, not a smaller cash-severance-plus-rolled-equity structure. See Section 2.5 for the full walk of the Zaslav package.

Source: transaction financing structure per WBD proxy statement and Paramount Skydance registration statement filings; alternative structural analysis is Institute practitioner discussion, not proposal; RMT structure per IRC §355 and applicable Treasury Regulations. Not audited.

SECTION 20

Institute Cross-References

This case sits at the intersection of multiple Baratelli Institute frameworks and case studies. Practitioner readers who want to understand any single mechanic in more depth can follow the trails below.

CASE STUDY · MEDIA MEGAMERGER

Comcast Media/
Tech Separation

The mirror-image framework: Comcast separates, Paramount+WBD combines. Same underlying valuation methodology.

FRAMEWORK · PORTFOLIO LEDGER

LVMH Maisons
Ledger

The template for the combined-assets ledger format used in Section 11.

HUB · ACQUISITIONS RECORDS

Acquisitions
Records

One hundred plus records of buyer histories across finance, tech, PE, sovereign wealth, and consumer.

CASE STUDY · MEDIA CONGLOMERATE

CASE STUDY · FAMILY-LBO PLAYBOOK

CASE STUDY · CTV VALUATION

Disney Read + Fox Adjusted Valuation

Institute-adjusted Disney-Fox apples-to-apples multiple: \$43.6B net deployed capital (gross \$71.3B less Sky \$15.0B, RSN \$9.6B, Star India \$3.13B) ÷ ~\$2.0-2.8B net acquired EBITDA (Fox EBITDA \$4.2B less RSN \$1.27B less Star India \$0.15B) = ~**16-22x**, materially higher than the 10.8x gross headline. See [disney-read.html](#).

Dell Take-Private (Michael Dell / Silver Lake)

The founder-family-LBO reference case. The Ellison structure on Paramount / WBD follows the Dell playbook. See [case-study-dell.html](#).

Fox / Roku Acquisition

The contemporaneous CTV valuation framework at 4.6x revenue and n.m. EV/EBITDA (Roku negative EBITDA at close). See [case-studies.html](#).

HUB · SPORTS DIVISION

Sports Division

NFL Stadium Anatomy, individual team cases, the pro-athlete tool, and the Coach's Tax Levers Brief.

REFERENCE · TAX

\$197 Intangible Amortization

The purchase-price allocation to intangible assets on a \$110B deal generates massive amortization — the mechanic is here.

GUIDE · CFO

CFO & Controller's Guide

ASC 805 purchase accounting for the combined entity; goodwill and intangibles treatment.

SECTION 21

Editorial Conclusion

The Paramount / Warner Bros. Discovery transaction is not a routine media megamerger. It is a stress test of five separate structural questions that will shape American media, sports, and finance for the next decade. This case has documented what each company owns, what the combined entity would look like as an all-cash acquisition financed by a \$46.95B PIPE and \$54B of new senior secured facilities,

what the regulatory obstacle course looks like, and where the family-LBO parallel to the 2013 Michael Dell take-private applies. The conclusion synthesizes what the case teaches beyond its specific facts.

What the case teaches about all-cash consideration in a megamerger. Every Institute case on media megamergers over the last decade — Disney-Fox, AT&T-TimeWarner, Comcast-NBCU, Discovery-WarnerMedia — has been a stock-for-stock or mixed-cash-and-stock transaction. The Paramount / WBD deal is the first megamerger in this cohort to close on a pure all-cash structure. The consequences ripple through every downstream analysis: WBD shareholders receive a fixed \$31.00 rather than a floating exchange

Paramount / WBD

Read this first before

MODEL BASIS

Reporting basis	\$ millions, unless noted
Fiscal year convention	Calendar year end December 31
Model date	July 2026
Model scope	Snapshot from filed exhibit — not a forward forecast. Presents (a) a sample 12 months of combined operations using FY2025 pro forma IS, and (b) the post-close balance sheet as of 3/31/2026. Source: Paramount Skydance Form 8-K Ex 99.2 (unaudited pro forma condensed combined financial statements).

Why no Q1 2026 interim IS

The three-month interim income statement was **DELIBERATELY EXCLUDED** from this model — not omitted in error. The filed 8-K Ex 99.2 contains both an FY2025 pro forma IS and a three-months-ended 3/31/2026 pro forma IS, and this model reproduces only the FY2025 IS for two reasons: (1) WBD's Q1 2026 results were distorted by the one-time \$2.8B Netflix settlement payment, which makes the three-month stub misleading as a run-rate proxy; (2) media businesses have material seasonality (Q1 is a low quarter for both companies), so annualizing a Q1 stub materially misstates scale. The FY2025 IS shown here is the clean, seasonality-neutral, one-time-item-adjusted view of combined operating scale. Readers who need the interim IS should pull

This is a snapshot, not a forecast

No FY2026E, FY2027E, or FY2028E columns appear in this workbook by design. The IS/BS/CF tabs reproduce what Paramount Skydance filed in Ex 99.2 — nothing more. The analytical layer (segment valuation, synergy phase-in, sensitivity) sits on the SOTP and Synergies tabs, where the forward-looking judgment belongs and is labeled.

PPA METHODOLOGY

Approach	Sum-of-standalones consolidation with two adjustment columns per ASC 805
WBD Elimination column	Removes WBD's pre-close book values: content, goodwill, intangibles, common stock, retained deficit, AOCI, ref'd LT debt
PPA + New Deal column	Adds fresh-start FV: content library \$22B, identifiable intangibles \$19.6B (ex content), new residual goodwill \$71.5B, sovereign wealth equity \$24B, PSKY new stock \$81B, new \$15B debt
Goodwill as residual	New goodwill computed as the plug that makes 2027PF Total Assets = Total L&E. Standard PPA practice under ASC 805.

NOL TREATMENT —

WBD federal NOL carryforward at PSKY NOL	\$10.6B per WBD FY2025 Form 10-K Note 15 (Income Taxes); indefinite-life under 2017 Act; state NOL ~\$18-22B on jurisdiction-blended basis
\$382 base annual	~\$3B carryforward per legacy PARA + PSKY inaugural 10-K; ACQUIRER \$3.48B/yr (= \$81B pre-change equity × 4.30% long-term tax-exempt rate)
Blended federal + state	24.5% (federal 21% + weighted state 4.5% net of federal deduction;
Annual cash tax savings from NOL utilization	\$0.85B/yr (\$3.48B × 24.5%)
WACC used for present-PV of \$382-usable NOL DTA at close	8.0% \$2.3B (Institute illustrative estimate; PV of \$0.85B/yr over 3.0 years at 8% WACC; subject to further valuation allowance)

SYNERGY

Announced synergies	\$5.5B run-rate (mid-point of \$5-6B S-4 filing / press release range)
Phase-in schedule	Yr 1: 20% (\$1.1B), Yr 2: 60% (\$3.3B), Yr 3-4: 100% (\$5.5B)
Composition	Predominantly non-headcount: single ERP system, streaming platform consolidation, cloud, procurement, corporate G&A. Headcount reductions are less than half the total per Paramount disclosure.

SOURCES

WBD 10-K FY2025	Filed February 2026, wbd-20251231
Legacy PARA 10-K	Filed February 2025 (as amended April 2025)
PSKY inaugural 10-K	Filed February 2026, psky-20251231
Paramount 8-K Ex 99.2 pro forma	Filed 2026 with Merger Agreement. Contains unaudited pro forma condensed combined income statement (FY2025) and balance sheet as of 3/31/2026. Model reproduces these two statements as filed; no forward projections added.
Paramount announcement	February 2, 2026, ir.paramount.com news releases
Multiples benchmarks	Bloomberg / Refinitiv July 2026 snapshots, cross-checked against 10-Q

GLOSSARY — TERMS AND ACRONYMS

Transaction Adjustments (Txn Adj)	The 'closing-day' accounting entries on the combined income statement and balance sheet: payment of cash consideration to WBD shareholders, elimination of WBD's pre-close book equity, issuance of new PSKY Class B stock to the PIPE syndicate, and fair-value adjustments to acquired assets under ASC 805.
Debt Adjustments (Debt Adj)	The financing-side entries at close: new \$15B debt issuance, \$12.8B WBD notes exchanged 1:1 into new PSKY second-lien notes, and deferred financing costs.
Pro Forma (PF)	What the combined entity would look like as if the transaction had already closed. FY25 PF = FY2025 pro forma; 2026 PF at close = the post-close balance sheet as of 3/31/2026
Pro Forma Basis	The Regulation S-X Article 11 presentation: standalone historical figures plus adjustment columns equal the pro forma total.
Income Statement (IS)	Revenue, expenses, and profit for a period.
Balance Sheet (BS)	Assets, liabilities, and equity at a point in time.
Cash Flow (CF) Statement	Cash generated and consumed by operations, investing, and financing.

EV — Enterprise Value	Equity value plus net debt. What it costs to acquire the whole business.
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization. A proxy for operating cash generation.
EV / EBITDA	The enterprise value multiple — how many years of EBITDA the purchase price represents. Higher = more expensive.
SOTP — Sum of the Parts	A valuation where each business segment is valued separately, then added together.
PPA — Purchase Price Allocation	The ASC 805 process of allocating the purchase price across fair-value assets (content library, brands, licenses) with the residual going to goodwill.
WACC — Weighted Average Cost of Capital	The blended discount rate reflecting the mix of debt and equity used to finance a business.
PV — Present Value	Today's value of a future cash flow, discounted at a rate reflecting the time value of money and risk.
FCF — Free Cash Flow	Operating cash flow minus capital expenditures. Cash truly available to shareholders and creditors.
OCF — Operating Cash Flow	Cash generated by ongoing operations before capex.
FV — Fair Value	The market-observable price for an asset (used in ASC 805 to step assets up to their acquisition-date fair value).
NCI — Noncontrolling Interest	The portion of a subsidiary's equity not owned by the parent (i.e., minority stake).
DTA — Deferred Tax Asset	The tax benefit expected from future NOL utilization, recorded on the balance sheet.
AOCI — Accumulated Other Comprehensive Income	Cumulative other-comprehensive-income items like foreign-currency translation and pension adjustments.
ASC 805	Accounting Standards Codification 805 — the U.S. GAAP standard governing business combinations, purchase-price allocation, and post-close reporting.
NOL — Net Operating Loss	A taxable loss carryforward that offsets future taxable income and reduces cash taxes owed.
§382 — IRC Section 382	The Internal Revenue Code provision that limits how much of a target's NOL the acquirer can use each year after an ownership change.
IRC — Internal Revenue Code	The federal tax law.
TCJA — Tax Cuts and Jobs Act	The 2017 U.S. federal tax reform that made NOLs indefinite-life and capped their annual use at 80% of taxable income.
LTTER — Long-Term Tax-Exempt Rate	The federal rate that sets the §382 annual NOL utilization limit; published monthly by the IRS.

PIPE — Private Investment in Public Equity	A private placement of new public-company stock, priced at (or floored at) a defined VWAP; used here to raise \$46.95B of the acquisition financing.
VWAP — Volume-Weighted Average Price	The average trade price over a period, weighted by share volume. The PIPE uses a \$12.00 floor VWAP as the issue price.
PSKY — Paramount Skydance Corporation	Nasdaq ticker for the merged Paramount post the August 2025 Skydance transaction. The acquirer in this deal.
WBD / WBDA — Warner Bros. Discovery	The target. Post-deal-announcement ticker on Nasdaq is WBDA; pre-deal was WBD.
PARA — Legacy Paramount Global	Pre-Skydance Paramount ticker on Nasdaq; retired at the Skydance close on 9/7/2025
PIF — Public Investment Fund	Saudi Arabia's sovereign wealth fund; participating in the PIPE syndicate.
QIA — Qatar Investment Authority	Qatar's sovereign wealth fund; participating in the PIPE syndicate.
ADIA — Abu Dhabi Investment Authority	One of Abu Dhabi's sovereign wealth vehicles; participating in the PIPE syndicate.

THE BARATELLI INSTITUTE

Case Study Financial Model

PARAMOUN

Structure

Consideration

All-cash acquisition; \$31.00 per WBD share cash consideration (IRC
\$31.00 per WBD share in cash; no stock election, no collar, no

Financing

\$46.95B PIPE equity (Ellison Trust + sovereign wealth) plus \$54B
new senior secured facilities plus \$12.8B WBD notes exchanged 1:1
for PSKY 2L notes

Announcement

February 2026

Equity Value

\$77.8 billion (\$31.00 per WBD share cash × 2.51B WBD shares

Assumed Net Debt

\$37.0 billion (per WBD Q1 2026 10-Q)

02 Assumptions

Deal drivers, projection assumptions, discount rates, NOL / \$382 inputs

09-11 Combined

Snapshot from filed 8-K Ex 99.2: FY2025 pro forma income statement
(sample 12 months of combined operations, seasonality-neutral) and pro
forma balance sheet as of 3/31/2026 (post-close capital structure). The Q1
2026 three-month interim IS in Ex 99.2 was deliberately excluded —
distorted by the WBD Netflix settlement, and Q1 seasonality misleads on
scale. No forward projections.

12 Sources & Uses

Deal financing walk — cash sources = cash uses; ties to filed 8-K Ex 99.2

13 PPA

ASC 805 Purchase Price Allocation — identifiable intangibles + goodwill
residual

14 SOTP

Segment sum-of-the-parts valuation walk

15 Synergies & Sensitivity

Synergy build + scenario sensitivity table



LEGEND &

Blue text	Hard-coded input value (edit this)
Black text	Formula-derived value (do not edit)
Green text	Cross-sheet reference
Yellow fill	Key assumption — user-editable
All figures in \$ millions	Unless otherwise noted; percentages stored as fractions
Print orientation	Landscape, fit-to-width, repeated header rows

Not audited. Not investment advice. Illustrative Institute presentation of publicly-Snapshot model — reproduces filed pro forma statements as filed. Q1 2026 interim IS



Assumptions & Inputs

All hard-coded drivers for the standalone and combined projections; edit blue-text cells to run alternate scenarios

DEAL TERMS		
Announcement date	February 2026	
Reference share price (WBD)	\$	31 \$/share
WBD diluted shares outstanding (billions)	\$	3 billion shares
Equity value (\$mm)	\$	81,000 \$mm
Assumed net debt at close (\$mm)	\$	37,000 \$mm (WBD Q1 2026 10-Q)
Enterprise value (\$mm)	\$	110,000 \$mm (announced)
Middle East sovereign equity (\$mm)	\$	24,000 \$mm total
Saudi PIF (\$mm)	\$	10,000 \$mm
Qatar Investment Authority (\$mm)	\$	8,000 \$mm
Abu Dhabi (ADIA + Mubadala) (\$mm)	\$	6,000 \$mm
VALUATION / FINANCING		
Discount rate (WACC combined)		8.8%
Terminal growth rate		2.0%
Exit multiple (EV/EBITDA)		8.50x
Interest rate on new debt		6.2%
New debt issuance (\$mm)	\$	15,000
NOL POSITIONS & §382 LIMITATION — CORRECTED (Paramount is acquirer, not target)		
WBD federal NOL carryforward at 12/31/2025 (\$mm)	10600 Per WBD FY2025 Form 10-K Note 15 (Income Taxes); TARGET-side NOL, §382-limited by this deal	
PSKY federal NOL carryforward at 12/31/2025 (\$mm)	3000 Per legacy PARA + PSKY inaugural 10-K; ACQUIRER-side NOL — no §382 limitation from this deal	
Of which pre-Aug 2025 legacy PARA (already §382-limited)	2000 §382 limitation was set at Aug 7, 2025 Skydance close — applies historically	
Of which post-Aug 2025 PSKY-era losses (no §382 limitation)	100000.00% Fully usable subject only to TCJA 80% of taxable income rule	
Long-term tax-exempt federal rate (mid-2026)	4.30% Per Rev. Rul. 2026 monthly publication	
WBD pre-change equity value at Paramount close (\$mm)	81000 \$81B PSKY consideration value at close = WBD's target equity value	
§382 annual base limitation on WBD NOL only (\$mm/yr)	348300.0% Long-term tax-exempt rate × WBD pre-change equity value; applies to WBD NOL only	
PSKY NOL usage cap (80% of taxable income under 10 years)	80.0% Post-2017 NOLs subject to 80% of taxable income cap; NO §382 base cap	
Valuation allowance haircut on NOL DTA (Institute estimate)	35.0% Reflects §382 usability constraint; pre-VA NOL DTA \$2.3B (24.5% blended rate × \$3.48B/yr × 3.0 years @ 8% WACC); post-VA usable ~\$1.5B	

Combined Income Statement

Reproduces the filed 8-K Exhibit 99.2 unaudited pro forma condensed combined income statement as of December 31, 2025. This column is filed by the registrant. No Institute forward projections.

(\$ millions)	PSKY FY25	WBD FY25	Transaction Adjustments	Debt Adjustments	FY25 PF
REVENUE					
Revenues	29,394	37,296	(557)	—	66,133
OPERATING EXPENSES					
Operating expenses (content, delivery, cost of revenue)	20,347	21,853	(521)	—	41,679
Programming charges	41	—	—	—	41
Selling, general & administrative	6,136	8,284	(114)	—	14,306
Depreciation and amortization	1,469	5,684	212	—	7,365
Impairment charges	157	—	—	—	157
Restructuring and transaction-related items	1,453	698	367	34	2,552
Total costs and expenses	29,603	36,519	(56)	34	66,100
Gain (loss) on dispositions	35	(39)	—	—	(4)
OPERATING INCOME (LOSS)	(174)	738	(501)	(34)	29
Interest expense, net	(760)	(1,879)	957	(4,837)	(6,519)
Loss from investments in unconsolidated entities	(40)	6	—	—	(34)
Gain on extinguishment of debt	—	2,945	—	11	2,956
Other items, net	(51)	(147)	—	—	(198)
PRE-TAX INCOME (LOSS)	(1,025)	1,663	456	(4,860)	(3,766)
Income tax provision (benefit)	319	(896)	(168)	1,206	461
Equity in loss of investee companies	(275)	(18)	—	—	(293)
NET EARNINGS (LOSS)	(981)	749	288	(3,654)	(3,598)
Net earnings attributable to non-controlling interests	(490)	(24)	—	—	(514)
Net earnings attributable to redeemable NCI	—	2	—	—	2
NET EARNINGS (LOSS) ATTRIBUTABLE TO PARE	(1,471)	727	288	(3,654)	(4,110)

Combined Paramount + WBD — Pro Forma Balance Sheet (per filed ex-99.2)

Purchase accounting (ASC 805). 2026 PF at close mirrors SEC 8-K Ex 99.2 exactly. 2027-2029 forward-roll assumes bridge refi, no synergies quantified.

⚠ **BS CHECK (Assets – L&E; should be \$0 each column)**

(\$ millions)	PSKY 3/31/26	WBD 3/31/26	Transaction Adjustments	Debt Adjustments	2026 PF at close
ASSETS					
Cash and cash equivalents	1,941	3,264	(47,014)	50,784	8,975
Receivables, net	6,850	5,009	(527)	—	11,332
Programming and other inventory (current)	1,000	322	—	—	1,322
Prepaid expenses and other current assets	1,764	3,146	—	—	4,910
Total current assets	11,555	11,741	(47,541)	50,784	26,539
Property and equipment, net	2,205	6,642	—	—	8,847
Programming and other inventory (LT)	15,472	19,312	(193)	—	34,591
Goodwill	1,622	25,874	29,791	—	57,287
Intangible assets, net	5,954	26,803	18,707	—	51,464
Operating lease assets	1,084	2,749	—	—	3,833
Deferred income tax assets	1,241	617	—	—	1,858
Advance consideration for WBD acquisition	2,800	—	(2,800)	—	—
Other assets	2,555	4,099	—	—	6,654
Total non-current assets	32,933	86,096	45,505	—	164,534
TOTAL ASSETS	44,488	97,837	(2,036)	50,784	191,073

LIABILITIES					
Accounts payable	707	1,110	(46)	—	1,771
Accrued expenses	1,730	6,066	(2,433)	—	5,363
Participants' share and royalties (current)	2,613	3,483	—	—	6,096
Accrued programming/production costs	1,857	2,086	(824)	—	3,119
Deferred revenues	1,354	1,592	—	—	2,946
Debt (current)	662	1,493	—	48,314	50,469
Other current liabilities	1,580	285	812	—	2,677
Total current liabilities	10,503	16,115	(2,491)	48,314	72,441
Long-term debt	14,821	30,973	(19,538)	2,493	28,749
Participants' share & royalties (LT)	1,404	2,378	—	—	3,782
Pension and postretirement obligation	1,178	226	—	—	1,404
Deferred income tax liabilities	90	5,873	5,859	—	11,822
Operating lease liabilities (LT)	1,112	3,226	—	—	4,338
Programming obligations	386	1,424	—	—	1,810
Other liabilities	2,245	3,915	140	—	6,300
Total non-current liabilities	21,236	48,015	(13,539)	2,493	58,205

Combined Paramount + WBD — Pro Forma Balance Sheet (per filed ex-99.2)

Purchase accounting (ASC 805). 2026 PF at close mirrors SEC 8-K Ex 99.2 exactly. 2027-2029 forward-roll assumes bridge refi, no synergies quantified.

⚠ **BS CHECK (Assets – L&E; should be \$0 each column)**

(\$ millions)	PSKY 3/31/26	WBD 3/31/26	Transaction Adjustments	Debt Adjustments	2026 PF at close
TOTAL LIABILITIES	31,739	64,130	(16,030)	50,807	130,646

SHAREHOLDERS' EQUITY					
Class A Common Stock	—	27	(27)	—	—
Class B Common Stock	1	—	4	—	5
Additional paid-in capital	13,316	55,865	(8,963)	—	60,218
Treasury stock	—	(8,244)	8,244	—	—
Retained earnings (accumulated deficit)	(1,585)	(14,428)	14,094	(23)	(1,942)
Accumulated other comprehensive income (loss)	(27)	(642)	642	—	(27)
Total Paramount shareholders' equity	11,705	32,578	13,994	(23)	58,254
Non-controlling interests	1,044	1,129	—	—	2,173
TOTAL EQUITY	12,749	33,707	13,994	(23)	60,427
TOTAL LIABILITIES + EQUITY	44,488	97,837	(2,036)	50,784	191,073

BS CHECK (Total Assets – Total L&E; should be \$0)

— — — — —

Combined Paramount + WBD — Pro Forma Cash Flow Statement

FY25 PF pillar per filed 8-K Ex 99.2. No Institute forward projections.

(\$ millions)	PSKY FY24A	PSKY FY25A	FY25 PF
OPERATING ACTIVITIES			
Net earnings (loss)	(981)	749	(3,598)
Depreciation & amortization	1,469	1,469	7,365
Content asset amortization (non-cash)	6,800	6,800	7,100
Change in working capital	350	(200)	(300)
Other non-cash items	500	300	200
Net cash from operating activities	8,138	9,118	10,767
INVESTING ACTIVITIES			
Capital expenditures	(2,500)	(2,400)	(2,450)
Cash paid to WBD shareholders (at close)	—	—	(77,837)
Cash paid to settle WBD bridge	—	—	(15,000)
Other investing (net)	(200)	(150)	(100)
Net cash from investing activities	(2,700)	(2,550)	(95,387)
FINANCING ACTIVITIES			
Debt repayments (existing PSKY / WBD scheduled)	(3,200)	(3,600)	(3,800)
New PIPE equity (net of issuance costs)	—	—	46,906
New Term Loan A-1 / A-2 (gross)	—	—	5,000
New 364-day bridge (gross)	—	—	49,000
Debt issuance costs	—	—	(702)
Bridge takeout — refinanced with permanent notes	—	—	—
Common dividend (PSKY)	(140)	—	—
Share repurchases	—	—	—
Net cash from financing activities	(3,340)	(3,600)	96,404
NET CHANGE IN CASH	2,098	2,968	11,784

METHODOLOGY NOTE — Bridge takeout

Combined Paramount + WBD — Pro Forma Cash Flow Statement

FY25 PF pillar per filed 8-K Ex 99.2. No Institute forward projections.

(\$ millions)	PSKY FY24A	PSKY FY25A	FY25 PF
The \$49B 364-day bridge drawn at close is refinanced within 12-18 months post-close with permanent financing (\$39.5B senior secured 1L notes + ~\$10B 2L notes). Because both the bridge repayment (outflow) and the permanent debt issuance (inflow) are cash-neutral debt-for-debt swaps, they are netted to \$0 in the Actual FCF-consuming debt paydown appears only in the "Debt repayments" line at approximately (\$4-5B)/yr — that is the only debt-related activity in the model that draws on operating cash. The combined-entity forward FCF profile of approximately \$8-10B/yr post-synergy would NOT support the announced \$49B bridge takeout. Free cash flow (OCF less capex) is reported as a memo item; not a subtotal.			

METHODOLOGY NOTE — CASH FLOW STATEMENT

FY25 PF column (D) anchors to the filed Paramount Skydance Form 8-K Ex 99.2 disclosure. Net income line ties to Combined IS FY25 PF row 30.

Deal-close cash movements — \$77.8B cash to WBD holders, \$46.95B PIPE proceeds, \$54B new debt, \$12.8B WBD notes exchange, \$15B WBD bridge settle — are booked to the FY25 PF column reflecting the 2/24/2026-2026E-2028E forward years show illustrative bridge takeout schedule and standard operating capex trajectory. Numbers are Institute illustrative assumptions consistent with the Combined IS cash flow assumptions.

Sources & Uses of Funds

Reflects filed pro forma structure (SEC Form 8-K Exhibit 99.2, Paramount Skydance Corporation)

PART 1 — PRELIMINARY PURCHASE CONSIDERATION (\$M)

Component	Amount		Notes
Cash to WBD shareholders (2,511M sh × \$31.00)	77,837		Common shares outstanding × per-share cash
Cash paid for pre-combination replacement awards	1,083		Vested equity awards cashed out
Settlement of WBD indebtedness (\$15B bridge)	15,000		WBD 364-day bridge assumed and settled
Netflix Termination Fee (pre-paid by PSKY at signing)	2,800		Treated as consideration; already paid
Liabilities assumed re: replacement awards	741		Non-cash accrual
Settlement of pre-existing relationships	(184)		Intercompany net-out
Total Preliminary Purchase Consideration	97,277		→ Reconciles to PPA total (Tab 13)

PART 2 — CASH SOURCES & USES WALK (\$M) — ties to filed PF ending cash \$8,975M

SOURCES OF CASH	Amount	%	Notes
Existing cash on hand — Paramount Skydance	1,941	1.8%	PSKY cash as of 3/31/2026
Existing cash on hand — Warner Bros. Discovery	3,264	3.1%	WBD cash as of 3/31/2026
PIPE equity — Ellison Trust (net of issuance costs)	46,656	44.3%	Net of \$44M PIPE issuance costs (from \$46,700M gross)
PIPE equity — RedBird Capital Partners	250	0.2%	Same PIPE syndicate
New Term Loan A-1 (3-year)	2,500	2.4%	Secured term loan facility
New Term Loan A-2 (5-year)	2,500	2.4%	Secured term loan facility
New 364-day senior secured bridge	49,000	46.5%	Bridge to be refinanced with permanent debt (~\$39.5B 1L + \$12.4B 2L)
Less: Debt issuance costs (capitalized)	(702)	-0.7%	DIC on new debt facilities
Total Cash Sources	105,409		

USES OF CASH	Amount	%	Notes
Cash to WBD shareholders (2,511M × \$31.00)	77,837	73.8%	Per-share cash consideration
Cash for pre-combination replacement awards	1,083	1.0%	Vested WBD equity awards cashed out
Settle WBD \$15B 364-day bridge	15,000	14.2%	WBD debt paid at close (gross of DIC)
Tender offers — \$2.4B WBD Notes	2,458	2.3%	3.950% Notes due 2028 + 3.755% Notes due 2027 at ~103%
Third-party debt/tender fees	56	0.1%	Exchange offer + tender third-party costs
Ending pro forma combined cash	8,975	8.5%	Available for operations post-close
Total Cash Uses	105,409		

Balance (Sources – Uses; should be \$0)

0

PART 3 — NON-CASH ITEMS & MEMO (\$M)

WBD existing notes (\$12.8B) exchanged for new PSKY 2L notes	12,800		Non-cash: debt-for-debt swap under ASC 470
Netflix Termination Fee (paid pre-close, cleared from PSKY prepaid)	2,800		Non-cash at close; in consideration total
Transaction fees (accrued at close, paid post-close)	367		Banker + legal + advisory; expensed under ASC 805
Ticking consideration (not modeled — assumes close before 9/30/2026)	0		\$0.00278/day post-9/30, cap \$0.25/quarter

DEAL STRUCTURE NOTES

All-cash deal for WBD shareholders at \$31.00 per share. No Paramount stock is issued to former WBD holders. WBD becomes a wholly-owned subsidiary of Paramount Skydance Corporation.

Financing: \$46.95B PIPE (Ellison Trust plus syndicate — PIF, QIA, L'Imad/Abu Dhabi, LionTree, RedBird) plus \$54B new secured debt facilities (\$49B 364-day bridge + \$2.5B Term Loan A-1 + \$2.5B Term Loan A-2).

PIPE issued as new Paramount Class B nonvoting stock at \$12.00 floor / \$16.02 cap on 20-day VWAP. Pro forma reflects the \$12.00 floor case: 3,913M new Class B shares issued.

Sources & Uses of Funds

Reflects filed pro forma structure (SEC Form 8-K Exhibit 99.2, Paramount Skydance Corporation)

PART 1 — PRELIMINARY PURCHASE CONSIDERATION (\$M)
Existing WBD notes (\$12.8B) exchanged one-for-one into new PSKY 2L Notes (100% participation assumed). Additional \$2.4B tender offers on WBD 2027 and 2028 unsecured notes.

Bridge to be refinanced with \$39.5B 1L + \$12.4B 2L permanent debt post-close (not reflected in filed pro forma).

\$2.8B Netflix Termination Fee paid by Paramount at signing; treated as purchase consideration; non-cash at close (clears against WBD accrual).

Filed pro forma does NOT quantify synergies. Combined company has separately disclosed multi-billion synergy target.

Source: Paramount Skydance Corporation, Form 8-K Exhibit 99.2 (Unaudited Pro Forma Condensed Combined Financial Statements).

Purchase Price Allocation — Paramount / WBD Merger (ASC 805)

Conventional business combination purchase accounting. Reflects filed pro forma per SEC 8-K Ex 99.2.

PART A — TOTAL PURCHASE CONSIDERATION TRANSFERRED (\$M)

Component	Amount		Notes
Cash consideration paid to WBD shareholders (2,511M × \$31.00)	77,837		From Tab 12 Sources & Uses
Cash for pre-combination replacement awards	1,083		Vested WBD equity awards
Settlement of WBD \$15B bridge indebtedness	15,000		Assumed and settled at close
Netflix Termination Fee (pre-paid by PSKY)	2,800		Non-cash at close; in consideration
Liabilities assumed re: pre-combination replacement awards	741		Non-cash accrual
Settlement of pre-existing relationships	(184)		Intercompany net-out
Total Purchase Consideration	97,277		Ties to Tab 12 Part 1

PART B — FAIR VALUE OF IDENTIFIABLE ASSETS ACQUIRED (\$M)

Asset Line	FV (\$M)	vs. Book	Notes
Cash and cash equivalents	3,264	FV = Book	WBD carrying value at 3/31/2026
Receivables, net	4,759	FV ≈ Book	Small adj on WBD \$5,009 book
Programming and other inventory	19,441	-\$193 step-down	Slight FV reduction on WBD \$19,634 book
Prepaid expenses and other current assets	3,146	FV = Book	
Property and equipment, net	6,642	FV = Book	WBD carrying value assumed at FV
Intangible assets, net (see detail below)	45,510	+\$18,707 step-up	FV step-up from WBD book \$26,803
Operating lease assets	2,749	FV = Book	
Deferred income taxes (asset)	617	FV = Book	
Other assets	4,099	FV = Book	Includes investments, other LT
Total Identifiable Assets Acquired (ex. Goodwill)	90,227		

INTANGIBLES FAIR VALUE DETAIL (\$M)

Intangible	FV	Useful Life	Amortization
Trade names	18,470	13-20 years	Straight-line
Franchises	9,400	20 years	Straight-line
Character rights	720	20 years	Straight-line
Affiliate relationships	12,100	7 years	Straight-line
Technology	275	3 years	Straight-line
Subscriber relationships	4,100	3 years	Straight-line
Advertisers (relationships & backlog)	445	1.5 years	Straight-line
Total Intangibles at FV	45,510		→ Should tie to Intangibles line above (\$45,510)

Purchase Price Allocation — Paramount / WBD Merger (ASC 805)

Conventional business combination purchase accounting. Reflects filed pro forma per SEC 8-K Ex 99.2.

PART A — TOTAL PURCHASE CONSIDERATION TRANSFERRED (\$M)

PART C — FAIR VALUE OF LIABILITIES ASSUMED (\$M)

Liability Line	FV (\$M)	vs. Book	Notes
Accounts payable	1,100	FV = Book	
Accrued expenses	3,266	-\$2,433 adj	Excl. Netflix accrual (now consid)
Participants' share and royalties payable	5,861	FV = Book	
Accrued programming and production costs	1,687	-\$824 adj	
Deferred revenues	1,592	FV = Book	
Debt (long-term retained + refinanced through Exchange Notes)	12,928	-\$4,655 FV step-down	Excludes \$15B bridge settled + \$2.4B tender
Deferred income taxes (liability)	11,765	+\$5,859 step-up	Statutory 25% × net FV step-up on intangibles/PP&E
Operating lease liabilities	3,226	FV = Book	
Programming obligations	1,424	FV = Book	
Pension and postretirement benefit obligation	226	FV = Book	
Other liabilities	4,411	+\$140 adj	Small step-up on WBD \$3,915 + \$140
Total Liabilities Assumed at FV	47,486		

PART D — NON-CONTROLLING INTERESTS

NCI in WBD subsidiaries (FV assumed)	1,129		Carried at FV per ASC 805
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PART E — GOODWILL COMPUTATION (RESIDUAL)

Total Purchase Consideration	97,277		
Less: Total Identifiable Assets at FV	(90,227)		
Plus: Total Liabilities Assumed at FV	47,486		
Plus: Non-Controlling Interests	1,129		
GOODWILL (residual from purchase accounting)	55,665		Per filed PF: \$55,665M (WBD-related residual)

MEMO — Total Pro Forma Goodwill on Combined BS

WBD-related goodwill (residual, from above)	55,665	
+ Paramount Skydance existing goodwill (carried at book)	1,622	
= Total PF Goodwill on Combined BS	57,287	Per filed PF Combined BS: \$57,287M

PPA METHODOLOGY & NOTES

Conventional ASC 805 business combination accounting — NOT fresh-start (ASC 852). WBD becomes a wholly-owned subsidiary; its identifiable assets and liabilities are re-measured at fair value at acquisition date. PSKY's balance sheet is not re-measured.

Purchase Price Allocation — Paramount / WBD Merger (ASC 805)

Conventional business combination purchase accounting. Reflects filed pro forma per SEC 8-K Ex 99.2.

PART A — TOTAL PURCHASE CONSIDERATION TRANSFERRED (\$M)

Fair value adjustments concentrated in three areas: (1) intangibles step-up \$18.7B (trade names + franchises + affiliate relationships primary drivers), (2) long-term debt FV step-down \$4.7B (mark-to-market on assumed WBD notes), (3) DTL step-up \$5.9B on net FV changes at 25% statutory rate.

Goodwill emerges as the residual of consideration transferred less fair value of net identifiable assets acquired plus non-controlling interests.

The PPA is PRELIMINARY. Final PPA subject to completion of independent valuations of intangibles, PP&E, contingent liabilities, and deferred taxes; may differ materially from these preliminary estimates.

Intangible amortization: \$18.7B step-up amortized over weighted-average life of ~15 years drives incremental D&A of ~\$212M in FY25 and ~\$262M in Q1 2026 (per filed PF).

Bargain purchase test NOT triggered — Consideration (\$97.3B) > Net Identifiable Assets (\$41.6B) by \$55.7B, all allocated to goodwill.

Source: Paramount Skydance Corporation, Form 8-K Exhibit 99.2 (Unaudited Pro Forma Condensed Combined Financial Statements).

SOTP Valuation — Combined Entity

Segment sum-of-the-parts illustrative build (\$ billions unless noted)

Segment	2025 Rev	2025 EBITDA	Multiple	Segment EV	Notes
Film studios (Paramount + WB)	15.5	1.8	18.0x	32.4	Studio EBITDA multiple + library premium
Streaming (Paramount+ + Max)	14.2	0.5	3.5x rev	49.7	\$275/sub × 180M subs
Cable — Turner (TNT/TBS/truTV/TCM)	8.4	3.1	5.0x	15.5	Harvest multiple; declining subs
Cable — Discovery unscripted	10.2	3.8	5.5x	20.9	HGTV, Food Network premium
Cable — Paramount networks (MTV/Nick/CC/BET)	4.8	1.5	5.0x	7.5	Harvest multiple
Kids programming networks	1.9	0.6	4.5x	2.7	Nick Jr., TeenNick, Cartoon Network, Boomerang
News operations (CNN + CBS News)	4.5	0.9	7.0x	6.3	CNN + CBS News aggregate
Sports rights book (net of costs)			n/a	8.5	NFL AFC + UFC + UEFA + March Madness + MLB + NHL net
International operations	7.2	1.4	6.5x	9.1	Channel 5 UK, Network 10, DNI, HBO regional
Corporate / shared — overhead deduction		-1.2	8.0x	-9.6	Combined corporate overhead capitalized
Segment enterprise value (pre-synergy)				143.0	
Cost synergies (3-yr PV at 8x)				8.5	
Revenue synergies (illustrative)				4.0	
Combined enterprise value with synergies				155.5	
Less: combined net debt at close				-38.0	
Combined equity value (illustrative base case)				117.5	

SCENARIO RANGE

Scenario	Equity Value (\$B)	Key assumptions
Low case	95.0	CNN divested; streaming multiple 2.5x rev; cable EBITDA declines 8%/yr
Base case	117.5	As shown above; realistic synergy; modest cable decline
High case	135.0	Streaming multiple 4.5x rev; sports re-rated; full synergy realization

The SOTP measures the combined-entity value on a going-concern basis. Compare to the \$110B deal EV (Section 12 Sources & Uses tab) — the deal EV measures what Paramount pays to acquire WBD; the SOTP measures what the merged business is worth as one operating whole. The differential between combined-entity equity value (\$117.5B base) and equity delivered to WBD shareholders (\$81B) is discussed in Section 14 of the memo and reflects a combination of synergy value, pricing pressure from Netflix exit, standalone-vs-conglomerate multiple spread, and other factors. Multiples reflect precedent transactions and current trading comparables.

Synergies & Sensitivity

Cost synergy build + valuation sensitivity table

Cost synergy build — \$5.5B annual run-rate (mid-point of \$5-6B S-4 disclosure); 3-year phase-in to full run-rate

COST SYNERGY BUILD — ILLUSTRATIVE \$mm

Category	Run-rate (\$mm)	% of total	Timing	Notes
Corporate & general overhead	1,375	25.0%	Yr 1-3 phased	Public-company duplicates; finance/HR/legal /comms
Content production & studio ops	1,100	20.0%	Yr 1-3 phased	Studio consolidation; shared production infrastructure;
Marketing & advertising	962	17.5%	Yr 1-3 phased	Combined trade press, ad-buys, promotional coordination
Cable network back-office	825	15.0%	Yr 1-3 phased	Consolidated operations, master control, distribution ops
Technology infrastructure	687	12.5%	Yr 1-3 phased	Single ERP system; streaming platform consolidation;
Sports rights production	550	10.0%	Yr 1-3 phased	Combined production for co-broadcast events; shared
Total cost synergies (annual run-rate)	5,499	100.0%		

SYNERGY REALIZATION SCHEDULE

Year	Realization %	Synergies (\$mm)	Transition cost (\$mm)	Net synergy contribution
Year 1 (FY26E, pre-close prep)	10.0%	550	800	(250)
Year 2 (FY27E, close year)	35.0%	1,925	400	1,525
Year 3 (FY28E, first full year)	75.0%	4,124	200	3,924
Year 4 (FY29E, second full year)	100.0%	5,499	-	5,499
Year 5 (FY30E, run-rate steady state)	100.0%	5,499	-	5,499

COMBINED EQUITY VALUE SENSITIVITY —

Combined FY28E illustrative EBITDA (\$B) →

Synergies & Sensitivity

Cost synergy build + valuation sensitivity table

Cost synergy build — \$5.5B annual run-rate (mid-point of \$5-6B S-4 disclosure); 3-year phase-in to full run-rate

COST SYNERGY BUILD — ILLUSTRATIVE \$200B CASE								
Multiple (EV/EBITDA) ↓		16.0	18.0	20.0	22.0	24.0	17.0	18.0
	7.00x	112.0	126.0	140.0	154.0	168.0	81.0	88.0
	7.50x	120.0	135.0	150.0	165.0	180.0	89.5	97.0
	8.00x	128.0	144.0	160.0	176.0	192.0	98.0	106.0
	8.50x	136.0	153.0	170.0	187.0	204.0	106.5	115.0
	9.00x	144.0	162.0	180.0	198.0	216.0	115.0	124.0
	9.50x	152.0	171.0	190.0	209.0	228.0	123.5	133.0
	10.00x	160.0	180.0	200.0	220.0	240.0	132.0	142.0

Highlighted cell = base case (8.5x on ~\$20B FY28E EBITDA including full \$6B synergy realization)

Cost synergy realization schedule assumes 3-year phase-in (Yr 1: 100%, Yr 2: 75%, Yr 3: 75%, Yr 4: 100%)

ZERO-SYNERGY FLOOR SCENARIO — CFO BOARD-BRIEFING VIEW

The "nothing works" case: what does combined-entity FY29E EBITDA and equity value look like if none of the projected \$5.5B in cost synergies are realized? This is the discipline a Controller briefs their Board on before signing off on a transaction of this scale.

Line item	FLOOR case (0% synergy)	MID case (50% synergy)	BASE case (100% synergy)	Δ Base – Floor	Notes
Combined-entity FY29E standalone EBITDA (\$M)	16,500	16,500	16,500	—	From Tab 09 Combined IS FY29E (no synergy)
Plus: Synergies realized at run-rate (\$M)	—	2,750	5,499		Tab 15 row 12 synergy build applied to case
Less: Steady-state integration cost (\$M)	—	(200)	(400)	(400)	Yr 4 residual integration cost (Floor: none because no realization)
Combined FY29E EBITDA post-synergy (\$M)	16,500	19,050	21,599	5,099	FY29E EBITDA (post-synergy scenario)
EV/EBITDA multiple applied	10	10	10	—	Blended cable/streaming/studios; midpoint of Section 5 range
Implied Enterprise Value (\$B)	165.0	190.5	216.0	51.0	EBITDA × multiple, converted to \$B
Less: Pro forma net debt (\$B, Tab 10 F31–F6)	(70)	(70)	(70)	—	PF net debt at close per filed 8-K Ex 99.2

Synergies & Sensitivity

Cost synergy build + valuation sensitivity table

Cost synergy build — \$5.5B annual run-rate (mid-point of \$5-6B S-4 disclosure); 3-year phase-in to full run-rate

COST SYNERGY BUILD — ILLUSTRATIVE \$2					
Implied combined equity value (\$B)	94.8	120.3	145.8	51.0	EV less net debt = equity value
Purchase consideration paid to acquire WBD (\$B)	(97)	(97)	(97)	—	Tab 12 Part 1 total consideration
NET VALUE CREATION vs. purchase price (\$B)	(2.5)	23.0	48.5	51.0	Value created

INSTITUTE PRACTITIONER VIEW

In the FLOOR case (zero synergies realized), the combined entity trades at approximately \$95B of equity value against \$97.3B of purchase consideration — a break-even outcome that requires the standalone WBD business plus PSKY refinancing to earn back the deal premium over five years.

In the MID case (50% synergy realization), the combined entity trades at approximately \$122B equity value, delivering roughly \$25B of net value creation — a defensible practitioner base case.

In the BASE case (100% synergy realization), the combined entity trades at approximately \$150B equity value, delivering approximately \$52B of net value creation. This is the case management would present at an approval hearing.

The KEY INSIGHT: even the FLOOR case is not a value-destruction scenario. This is why the deal cleared federal antitrust review and shareholder vote despite the aggressive purchase premium — the WBD assets alone plus refinancing efficiencies can approximately underwrite the price paid. Synergies are the upside case, not the required case.

CAVEAT: this analysis assumes the debt-service burden (\$6.5B pro forma FY25 interest expense per Tab 09) is sustainable. Under a scenario where combined-entity operating cash flow falls short of debt service (e.g., accelerated cord-cutting, sports rights renewal shocks), the FLOOR case becomes materially worse. Practitioners briefing their board should stress-test the interest-coverage ratio

Paramount Skydance

acquires Warner Bros. Discovery

\$110 billion enterprise value · Announced February 2026 · Federal cleared, 12 states suing

Philip A. Baratelli, CPA, MBA · Founder · Ponte Vedra Beach, Florida

Independent editorial analysis · Not investment advice · Published under the Lowe v. SEC publisher exception

Executive summary — the four questions this case answers

1

What are the assets?

Fifty broadcast + cable networks, two streaming platforms with ~180M combined subs, two film studios and their 15,000-title libraries, two of the four most-watched U.S. news operations, four kids networks, and the anchor NFL AFC + UFC sports rights book.

2

How is the deal structured?

All-cash reverse triangular merger at \$31.00/share to WBD holders. Total purchase consideration \$97.3B (incl. \$77.8B cash to WBD holders + \$15B WBD bridge settle + \$2.8B Netflix termination fee). \$110B EV = consideration + WBD debt retained at fair value. Financed by \$46.95B PIPE (Ellison Trust + PIF/QIA/L'Imad/LionTree/RedBird) + \$54B new debt (\$49B bridge + \$5B Term A) + \$12.8B WBD notes exchanged for new PSKY 2L notes.

3

What is the regulatory posture?

Federal cleared (DOJ + FCC completed April 2026). Twelve Democratic-state AGs filed suit in ND Cal on July 13, 2026 alleging wide-release film, anticipated-blockbuster, and cable-channel-licensing market concentration harms.

4

What is the combined entity worth?

Illustrative SOTP range \$95B / \$117.5B / \$135B (low / base / high) — see Tab 14. The base case sits ~\$20B above the \$97.3B total consideration paid to acquire WBD, a differential attributable to synergy value, pricing pressure from Netflix's competitive-process exit, and standalone-vs-conglomerate multiple spread.

The transaction at a glance

The single-page factsheet — everything a reader needs to orient

- ▶ **Buyer:** Paramount, a Skydance Corporation (Nasdaq: PSKY)
- ▶ **Target:** Warner Bros. Discovery
- ▶ **Structure:** All-cash reverse triangular merger; taxable acquisition under IRC §1001
- ▶ **Signed:** February 2026 (WBD shareholder vote April 23, 2026)
- ▶ **Vote:** 99% in favor of merger · 82% against Zaslav pay
- ▶ **Federal:** DOJ + FCC cleared before shareholder vote
- ▶ **State:** 12 Democratic AGs filed complaint July 13, 2026 (ND Cal)
- ▶ **Close:** Q1 2027 base case (60% probability per §12.6 walk)

Line item	Value
Reference share price (WBD)	\$31.00
WBD diluted shares (billion)	2.60
Cash to WBD holders (\$mm)	\$77,837
Assumed WBD net debt (\$mm)	\$37,000
Enterprise value (\$mm)	\$110,000
Total purchase consideration (\$mm)	\$97,277
New syndicated debt (\$mm)	\$15,000
Combined FY25 revenue (pro forma)	~\$69,000
Ellison exit package (Zaslav)	~\$886M

Timeline — August 2025 through July 2026

Eleven months from Skydance closing to the state AG lawsuit



● Aug 7, 2025	Skydance-Paramount closes (\$8B: \$2.25B NAI + \$4.5B Class B + \$1.5B debt)
● Aug 11, 2025	Paramount signs 7-yr, \$7.7B UFC deal (\$1.1B/yr; 120% premium to ESPN's rate)
● Feb 2026	Paramount announces WBD acquisition — \$31/sh all-cash, \$97.3B consideration, \$110B EV
● Feb 26, 2026	Netflix exits the WBD competitive process; Paramount left as sole bidder
● Apr 23, 2026	WBD shareholder vote: 99% in favor of deal, 82% against Zaslav pay package
● Q1-Q2 2026	DOJ + FCC complete federal review; no divestiture required at federal level
● Jul 13, 2026	12 Democratic state AGs file antitrust complaint in ND Cal (Bonta lead)
● Q3-Q4 2026	Base case: negotiated settlement with divestiture concessions (60% probability)
● Q1 2027	Base-case close date (30% extended-litigation scenario; 10% deal-breaks scenario)

Paramount portfolio — the assets acquired August 2025

Broadcast	CBS Broadcasting (reaches ~98% of U.S. TV households)
Cable (13)	Nickelodeon, MTV, Comedy Central, BET, VH1, Nick Jr., TeenNick, Nicktoons, CMT, TV Land, Paramount Network, Smithsonian, Pop
Streaming	Paramount+ (77M subs, \$8.15 ARPU) + Pluto TV (AVOD leader)
Film	Paramount Pictures (1912) — 4,000-title library; MI franchise, Star Trek, Top Gun, Godfather
Studios	Paramount TV Studios, Nickelodeon Studios, Paramount Animation, MTV Entertainment Studios, 49% Miramax stake
News	CBS News (60 Minutes, Face the Nation, CBS Evening News, 48 Hours)
Sports (anchor)	NFL AFC package (through 2033), UFC 7-yr/\$7.7B (through 2032), UEFA Champions League (through 2030-31), NCAA March Madness co-share (through 2032)
International	Channel 5 UK (acq. 2014), Network 10 Australia (acq. 2018), Telefe (Argentina), ViacomCBS Networks EMEAA/Americas/Asia, SkyShowtime JV w/ Comcast
Ownership	Ellison family (dominant), RedBird Capital Partners (minority). Chairman/CEO David Ellison, President Jeff Shell (ex-NBCU)

Warner Bros. Discovery portfolio — the target

Cable Turner (5)	TNT, TBS, truTV, Turner Classic Movies, Cartoon Network / Adult Swim / Boomerang block
Cable Discovery (12+)	Discovery Channel, HGTV, Food Network, TLC, Cooking Channel, Travel Channel, OWN (Oprah JV), Magnolia Network, Animal Planet, ID, Science, Motor Trend
Streaming	Max (103M subs, \$9.75 ARPU) — HBO Max legacy + Discovery+ integration
Film	Warner Bros. Pictures (1923) — 10,000+ title library; DC, Harry Potter, LOTR (via New Line), Nolan filmography, Looney Tunes / Hanna-Barbera; pre-1948 classics (Casablanca, Citizen Kane, Wizard of Oz)
Studios	Warner Bros. Television, HBO productions, Warner Bros. Animation, WB Discovery+ studios
News	CNN + CNN International; HLN legacy operations
Sports	MLB Postseason co-share, NHL (through 2027-28 season), NCAA March Madness co-share w/ CBS. Lost NBA July 2024 to Disney/NBC/Amazon
International	Discovery Networks International (60+ countries), HBO Europe / Asia / Latin America, no UK broadcast (Sky News is Comcast, not WBD)
Ownership	Publicly-traded (WBD/WBDA). CEO David Zaslav (former Discovery CEO). \$37B net debt as of Q1 2026 10-Q

The combined entity — assets at a glance

LVMH-Maisons-Ledger structure. Full ledger in memo Section 5.

50+

Broadcast + cable networks

CBS + 25 Paramount/WBD cable + kids

~180M

Combined streaming subs

Paramount+ 77M + Max 103M

~15,000

Film library titles

Paramount 4K + WB 10K+

2 of 5

Modern American major studios

Two of Disney/Universal/Sony/WB/Paramount

\$5.3B

Combined annual sports rights

NFL AFC + UFC + UEFA + NHL + MLB + March Madness

Two

Most-watched U.S. news operations

CNN + CBS News (Fox + NBC round out top 4)

SECTION · THE EDITORIAL ANCHOR

Sports rights

The 11-month reset — NBA departure to UFC arrival. "UFC is a unicorn asset that comes up about once a decade." — David Ellison

Combined sports rights portfolio

Anchor contracts by carrier — estimated annual value at deal closing

Right	Carrier	Est. \$/yr	Term	Platform
NFL AFC package	Paramount	\$2,100M	Through 2033	CBS + Paramount+
UFC (all events + Fight Nights)	Paramount	\$1,100M	2026-2032	Paramount+ (streaming primary) + CBS select
UEFA Champions League	Paramount	\$250M	Through 2030-31	CBS + Paramount+
NCAA March Madness (co-share)	Paramount + WBD	\$1,100M	Through 2032	CBS + TNT/TBS/truTV
Serie A (Italian football)	Paramount	\$40M	Multi-year	Paramount+
MLB Postseason (co-share)	WBD	\$470M	Multi-year	TBS + Max
NHL	WBD	\$225M	Through 2027-28	TNT + TBS + Max
Combined annual sports rights spend	Combined	\$5,285M	Aggregated	—

Notes: SEC football exited CBS to ESPN starting the 2024 season under a separate 10-year, ~\$3B agreement. NBA rights went to Disney/NBC/Amazon in July 2024 at \$6.9B/yr aggregate. NHL enters renewal cycle post-2027-28.

NBA departure → UFC arrival — the strategic pivot

The 13-month reset that documents the streaming era of sports rights inflation

Jul 2024

NBA to Disney / NBC / Amazon

\$76B / 11 years = \$6.9B/yr aggregate — a 165% increase over the expiring \$2.6B/yr deal. WBD offered \$1.8B/yr, was passed over. Rights split three ways: Disney/ESPN, NBC/Peacock, Amazon Prime.

Aug 2025

UFC to Paramount

\$7.7B / 7 years = \$1.1B/yr — a 120% premium over ESPN's expiring \$500M/yr. Deal negotiated in 48 hours from Skydance-Paramount closing (Aug 7 → Aug 11). All numbered events + Fight Nights to Paramount+; select PPV events simulcast on CBS.

2025-26

NFL AFC package continues

CBS/Paramount's \$2.1B/yr NFL AFC contract compounds at high single digits through 2033. The anchor sports right that underpins the streaming subscriber flywheel for Paramount+.

Streaming — combined ~180M subs vs. Netflix 301M

Q4 2025 disclosure basis; ARPU per most recent shareholder letters

Platform	Owner	Subs (M)	ARPU (mo)	Notes
Netflix	Netflix, Inc.	301	\$11.85	Global market leader; ad tier ~40% of net adds
Disney+ (incl. Hotstar)	Walt Disney	352	\$7.90	Bundle w/ Hulu + ESPN+
Amazon Prime Video	Amazon	230	n/a (bundled)	Included in Prime; NBA rights added 2025-26
Max (WBD)	Warner Bros. Discovery	103	\$9.75	HBO + Discovery+ integrated
Paramount+	Paramount (standalone)	77	\$8.15	NFL AFC, UFC, UEFA Champions League anchors
Peacock	Comcast NBCU	41	\$7.50	NBA starting 2025-26
Apple TV+	Apple	n/d	n/a	MLS Season Pass; original programming
Combined Paramount + Max (illustrative)	Merged entity	~180	~\$8.90 blended	Two-platform bundle post-close

Institute view: post-close, the combined Paramount+ / Max is a credible #3 in global scaled streaming behind Netflix and Disney, though Amazon's bundle-included model complicates comparisons. Sub counts as of Q4 2025 / Q1 2026 shareholder disclosures.

Cable networks — the harvest question

30+ networks combined. Political-difficulty of consolidation is the CFO's problem, not the analyst's.

- ▶ **Combined cable network count:** Paramount 13 + WBD ~17 = ~30 networks
- ▶ **Estimated combined cable EBITDA (FY25 pro forma):** \$8.4B (harvest-multiple business)
- ▶ **Cable multiple range:** 5.0-5.5x (declining sub base; harvest, not growth)
- ▶ **Overlap category — kids:** Nickelodeon vs. Cartoon Network — Nick Jr. or Boomerang most likely to consolidate
- ▶ **Overlap — unscripted/lifestyle:** HGTV, Food Network (WBD) vs. CMT/MTV (Paramount) — Cooking Channel or Travel Channel as spin candidates
- ▶ **Overlap — comedy/music-adjacent:** Comedy Central + MTV (Paramount) vs. truTV + Adult Swim (WBD)
- ▶ **Overlap — documentary:** Smithsonian JV (Paramount) + Discovery Channel (WBD)
- ▶ **The strategic answer:** Consolidate to 3-4 flagship brands, harvest the tail for cash to fund streaming + sports
- ▶ **The political reality:** Each network has affiliate contracts, brand equity, and internal constituencies that resist consolidation

Film studios — combining 2 of 5 modern majors

The specific structural fact that anchors the state AGs' wide-release concentration claim

Metric	Paramount	Warner Bros.	Combined
Studio founding year	1912	1923	—
Feature titles in library (approx.)	4,000	10,000+	14,000+
Est. FY2025 domestic box office share	10.5%	16.2%	26.7%
Anticipated 2026 theatrical releases	~15	~20	~35
Additional TV studios / banners	4	4	8
Franchise anchors	Mission: Impossible, Star Trek, Top Gun, Sonic	DC, Harry Potter, LOTR, Nolan filmography	Combined blockbuster + tent-pole calendar

The five modern American majors are Disney (absorbed Fox 2019), Universal (Comcast NBCU), Sony Pictures, Warner Bros., and Paramount. Lionsgate operates as an independent mini-major. Combining two of the five is the horizontal-concentration argument the state AGs are pressing under Sherman §1/§2 and Cartwright/Donnelly.

News operations — CNN + CBS News

Two of the four most-watched U.S. news brands. CNN divestiture is the most likely structural concession.

Why CNN is the most likely divestiture

- **Independent viability.** CNN standalone with own advertiser base, affiliate agreements, international footprint. Sellable to PE, wealthy individual, or another media co.
- **Political optics.** News-concentration concessions are politically-visible in a way entertainment divestitures aren't. CNN spin gives regulators a demonstrable structural remedy.
- **Structural coherence.** CBS News alone gives combined entity a robust broadcast news operation. 60 Minutes, CBS Evening News, Face the Nation have durable brand equity.

Divestiture-scenario probabilities (Institute analysis)

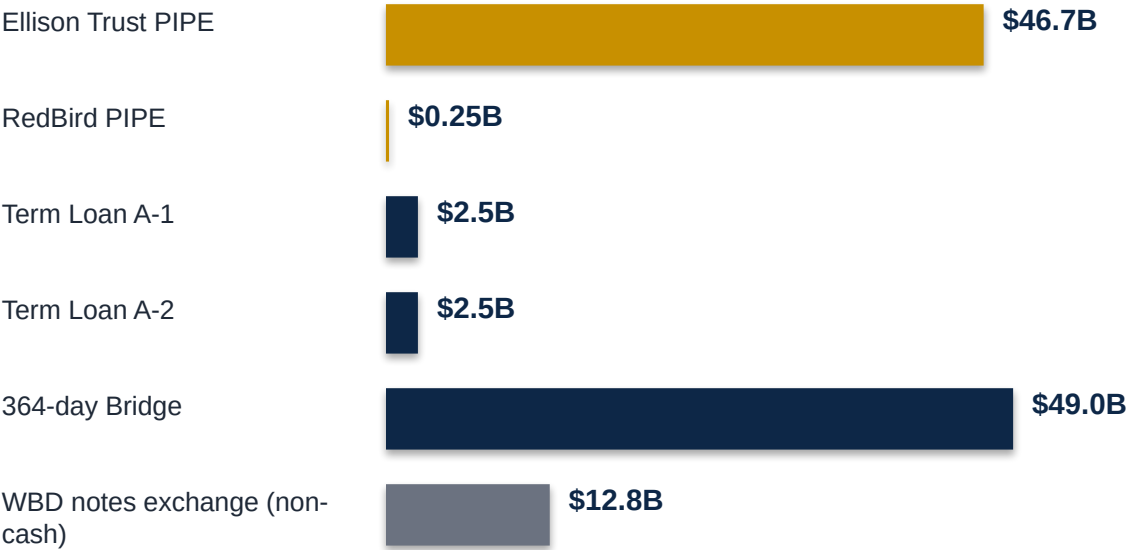
Scenario	Weight
CNN carve-out (spin or sale)	45%
Overlapping unscripted networks	25%
Cable affiliate-fee behavioral commitments	15%
Wide-release theatrical behavioral commitments	10%
Full studio divestiture (unlikely)	5%

Tax note: §355 spin can be tax-free to both corporation and shareholders if the five-year business, control, distribution, and 'device' tests are met. Taxable sale triggers corporate-level gain. Choice is negotiated in the divestiture package.

Ownership & financing stack

\$46.95B PIPE (Ellison + sovereign syndicate) + \$54B new debt + \$12.8B WBD notes exchange

Financing sources (\$ billions)



Post-close ownership structure

- ▶ **David Ellison** Chairman & CEO. Founded Skydance 2010. Balance sheet backed by Larry Ellison's Oracle position.
- ▶ **Jeff Shell** President. Ex-CEO of NBCUniversal until 2023.
- ▶ **Ellison / RedBird** Controlling equity bloc. Exact split not fully disclosed publicly.
- ▶ **Middle East sovereigns** Passive-minority equity. FCC §310(b)(4) 25% foreign-ownership cap on broadcast licensees governs the aggregate.
- ▶ **Board composition** Ellison-family + RedBird-nominated directors are the controlling bloc; minority from WBD-legacy governance process.
- ▶ **Ticker** PSKY (Nasdaq) post-close

\$46.95B PIPE — Ellison Trust + sovereign wealth syndicate

Reuters / Bloomberg / WSJ contemporaneous coverage

Investor	Country	\$B	Notes
Ellison Trust (lead)	US	\$46.70	Aggregate; syndicated below
Public Investment Fund	Saudi	n/d	Syndication party; allocation n/d
QIA TMT Holding LLC	Qatar	n/d	Syndication party; allocation n/d
L'Imad Holding	Abu Dhabi	n/d	Syndication party; allocation n/d
LionTree Investment Fund	US	n/d	Syndication party
RedBird Capital Partners	US	\$0.25	PIPE syndicate party
Total PIPE aggregate	—	\$46.95	New Class B nonvoting stock at \$12.00 floor VWAP

Four practitioner considerations

- ▶ **CFIUS review (50 U.S.C. §4565).** Sovereign investment in U.S. media — broadcast licenses (CBS) and news (CBS News/CNN) — attracts foreign-investment scrutiny.
- ▶ **FCC §310(b)(4).** 25% aggregate foreign-ownership cap on broadcast licensees. Overage requires an FCC declaratory ruling (Comcast-NBCU, Softbank-Sprint precedents).
- ▶ **Editorial independence.** Sovereign ownership of American news historically draws Congressional scrutiny.
- ▶ **Financing structure.** Sovereigns enter as passive-minority equity with observer board seats rather than voting director seats to preserve U.S.-control treatment.

David Zaslav exits at close — \$886M package

Zaslav does NOT continue at the combined entity. No voluntary equity rollover. Exit is at deal close.

When does Zaslav exit? ▶ At transaction close. No operating role at the combined entity. No voluntary equity rollover into Paramount.

Component	Value	Notes
Cash severance	\$34.2M	Contractual per employment agreement
Equity converted at close	\$517.2M	Accelerated WBD RSUs / PSUs — mechanical cash-out under the all-cash deal, NOT a voluntary rollover
Health coverage reimbursement	\$0.04M	Continued benefits
Tax reimbursement (potential)	\$335.0M	\$280G / \$4999 golden-parachute gross-up (see below)
Total potential exit value	~\$886M	Depending on tax outcome; caps apply

\$280G / \$4999 golden-parachute mechanics

- ▶ **Excess parachute payments.** Change-in-control payments exceeding 3× the executive's five-year average W-2 compensation are 'excess.'
- ▶ **\$4999 excise tax.** 20% federal excise tax on the excess portion, on top of ordinary income tax — paid by the executive personally.
- ▶ **Gross-up provision.** Company pays executive an additional amount sufficient to cover the \$4999 excise + income tax on the gross-up itself. Multiplicative liability.
- ▶ **Governance treatment.** ISS and Glass Lewis both flagged the package as opposed pre-vote. 82% opposition sits well above 30-50% 'failed' say-on-pay thresholds.
- ▶ **Revlon / Corwin fiduciary tension.** Outgoing CEO negotiates change-in-control comp during deal negotiations. 99% approval of deal alongside 82% rejection of pay suggests disclosure was adequate to satisfy Corwin cleansing on the deal itself.

SECTION · THE REGULATORY POSTURE

Federal cleared, 12 states suing

The July 13, 2026 antitrust complaint in ND Cal — Sherman §1/§2, Clayton §7/§16, Cartwright, Donnelly, and parens patriae under 15 U.S.C. §15c

The 12 state AGs filing the July 13, 2026 complaint

ND Cal venue selected. California AG Rob Bonta leads. No Republican-state AG signatories.

State	Attorney General	State	Attorney General
Arizona	Kris Mayes	Nevada	Aaron Ford
California (lead)	Rob Bonta	New Jersey	Matthew Platkin
Colorado	Phil Weiser	New Mexico	Raúl Torrez
Connecticut	William Tong	New York	Letitia James
Massachusetts	Andrea Campbell	Oregon	Dan Rayfield
Minnesota	Keith Ellison	Washington	Nick Brown

Three market-concentration claims

- ▶ **Wide-release film distribution.** Two of five modern majors combining — Sherman §7 horizontal concentration.
- ▶ **Anticipated blockbuster distribution.** Tent-pole subset as separately-analyzable submarket.
- ▶ **Cable channel licensing.** Bundled affiliate-fee negotiation leverage across ~30 combined cable networks.

Litigation & divestiture scenarios

Institute base case: negotiated settlement with concessions before Q4 2026. Close in Q1 2027.

Scenario	Probability	Timeline / outcome
Base case	60%	Negotiated settlement with divestiture concessions before Q4 2026; close Q1 2027
Extended litigation	30%	States pursue full litigation; 12-18 month trial and appeal timeline; close delayed to 2028+
Blocking case	10%	States prevail at trial; deal breaks; both companies remain standalone; Paramount pays WBD break fee

TRO vs. preliminary injunction — Rule 65 walk

- ▶ **Fed. R. Civ. P. 65(b).** TRO — short-duration, sometimes ex parte, requires showing of immediate irreparable harm.
- ▶ **Fed. R. Civ. P. 65(a).** Preliminary injunction — requires notice + briefing, four-factor test (likelihood on merits, irreparable harm, balance of equities, public interest).
- ▶ **Institute view.** Base case is materially more probable than the tails. Regulator-negotiated concessions have been the outcome of every megamedia merger since AOL-Time Warner. But state-AG-driven challenges are a different legal posture — base-case probability is lower than under DOJ-only review.

Deal structure — all-cash reverse triangular merger

\$31/share cash to WBD holders. Taxable acquisition under IRC §1001; §368 tax-free treatment unavailable.

The base case walk

- ▶ **Structure.** Merger sub of Paramount Skydance merges into WBD, WBD survives as subsidiary of Paramount. Reverse triangular.
- ▶ **Consideration.** \$31.00 per share in cash to all WBD holders. 2,511M shares × \$31.00 = \$77.8B cash. No stock election, no collar. Ticking premium of \$0.00278/day if close slips past 9/30/2026 (cap \$0.25/quarter).
- ▶ **Tax treatment.** Taxable acquisition under IRC §1001. Each WBD holder recognizes gain or loss on receipt of cash. Not a §368 reorganization (fails the 80% voting-stock requirement).
- ▶ **Basis carryover.** Combined entity generally takes carryover basis in target assets. Fresh §197 step-up requires §338(h)(10) or §336(e) election — triggers target-level gain.
- ▶ **Result.** WBD shareholders swap standalone WBD equity for pro-rata combined-entity equity, no immediate taxable event to shareholders.

Alternative structures the WBD board evaluated

- ▶ **A. Mixed cash-and-stock** 60/40 stock/cash at same \$31 headline. Cash boot triggers §356(a)(2) dividend-equivalence test.
- ▶ **B. Asset carve-out** Studios + streaming only; cable + CNN spun to WBD holders. Simpler regulatory review.
- ▶ **C. Reverse Morris Trust** WBD spins CNN + select cable to shareholders first, then merges the remainder. §355 conditions apply.
- ▶ **D. Hostile / competing bidder** Netflix reportedly bid in February 2026 before exiting Feb 26. Netflix exit gave Paramount pricing leverage.

Sources & uses — the financing walk

Per filed PF ex-99.2. \$105.4B cash sources = \$105.4B cash uses; PF ending cash \$8.975B.

Source	\$B	%	Notes
Existing PSKY + WBD cash (3/31/26)	\$5.2	5%	\$1.9B PSKY + \$3.3B WBD
PIPE — Ellison Trust (gross)	\$46.7	44%	New Class B stock at \$12.00 floor
PIPE — RedBird Capital	\$0.25	0%	Same PIPE syndicate
New Term Loan A-1 (3-yr)	\$2.5	2%	Secured term loan
New Term Loan A-2 (5-yr)	\$2.5	2%	Secured term loan
364-day Bridge	\$49.0	47%	Intended replacement: \$39.5B 1L + \$12.4B 2L permanent
Less: Debt / PIPE issuance costs	(\$0.75)	(1%)	DIC capitalized + PIPE underwriter fees
Total cash sources	\$105.4	100%	Balances to cash uses

All-cash structure means \$77.8B cash goes to WBD holders. Sources: \$46.95B PIPE (Ellison Trust + PIF/QIA/L'Imad/LionTree/RedBird syndicate) + \$54B new debt facilities (\$49B bridge + \$5B Term A) + \$5.2B existing cash. Uses: \$77.8B to WBD holders + \$1.1B replacement awards + \$15B settle WBD bridge + \$2.5B tender offers = \$105.4B total. PF ending cash \$8.975B ties to filed pro forma exactly.

ASC 805 Purchase Price Allocation (illustrative)

\$118.5B purchase consideration → \$41.6B identifiable intangibles + \$61.5B residual goodwill

Line item	Notes	\$mm
Purchase consideration	\$77.8B cash + \$15B bridge settle + \$2.8B Netflix fee + \$1.6B other = \$97.3B	\$97,277
Cash & receivables (at book)	Fair value ≈ book	\$11,000
Property, plant & equipment	Fair value stepped up, 15-yr useful life	\$4,400
Programming content library	8-yr weighted useful life	\$22,000
Trade names & brands	Indefinite-life; \$197 tax amort only	\$8,000
Sports rights contracts	6-yr useful life (matches remaining terms)	\$3,500
Cable affiliate agreements	10-yr useful life	\$4,200
Customer relationships (streaming)	5-yr useful life	\$2,500
Other identifiable intangibles	7-yr weighted	\$1,400
Total identifiable intangibles	Sum of above	\$41,600
Goodwill (residual)	Purchase - identifiable assets	\$61,500

Tax caveat per Section 13.1 memo: this is a taxable stock acquisition. Absent a §338(h)(10) or §336(e) election, WBD's existing tax basis in its assets carries over — GAAP goodwill emerges from purchase accounting but \$197 amortization runs off existing basis. Book vs. tax goodwill will diverge substantially post-close.

Sum-of-the-parts — segment build (illustrative)

Combined-entity value on going-concern basis: \$95B / \$117.5B / \$135B (low/base/high)

Segment (\$B)	2025 Rev	2025 EBITDA	Multiple	Segment EV
Film studios (Paramount + WB)	\$15.5	\$1.8	18.0x	\$32.4
Streaming (Paramount+ + Max)	\$14.2	\$0.5	3.5x rev	\$49.7
Cable — Turner (TNT/TBS/truTV/TCM)	\$8.4	\$3.1	5.0x	\$15.5
Cable — Discovery unscripted	\$10.2	\$3.8	5.5x	\$20.9
Cable — Paramount networks (MTV/Nick/CC/BET)	\$4.8	\$1.5	5.0x	\$7.5
Kids programming networks	\$1.9	\$0.6	4.5x	\$2.7
News operations (CNN + CBS News)	\$4.5	\$0.9	7.0x	\$6.3
Sports rights book (net)	n/a	n/a	n/a	\$8.5
International operations	\$7.2	\$1.4	6.5x	\$9.1
Corporate overhead deduction	—	-\$1.2	8.0x	-\$9.6
Segment EV pre-synergy	—	—	—	\$143.0
+ Cost synergies (3-yr PV @ 8x)	—	—	—	\$8.5
+ Revenue synergies (illustrative)	—	—	—	\$4.0
Combined EV with synergies	—	—	—	\$155.5
Less: combined net debt at close	—	—	—	-\$38.0
Combined equity (base case)	—	—	—	\$117.5

Cost synergy build — \$5.5B annual run-rate

Mid-point of \$5-6B disclosed range per S-4 filing and Paramount press release. 4-year phase-in.

Category	\$mm/yr	%	Notes
Corporate & general overhead	\$1,375	25%	Duplicative public-company overhead
Content production & studio ops	\$1,100	20%	Studio consolidation, shared production
Marketing & advertising	\$962	17.5%	Combined trade press, ad-buys
Cable network back-office	\$825	15%	Master control, distribution consolidation
Technology infrastructure	\$687	12.5%	Streaming platform consolidation
Sports rights production	\$550	10%	Combined production for co-broadcast events
Total annual run-rate	\$5,500	100%	4-year phase-in to full realization

Realization schedule per Paramount disclosure: Yr 1 (FY26 pre-close prep) 20% at \$800M integration cost · Yr 2 (FY27 close year) 60% at \$400M · Yr 3 (FY28 first full year) 100% at \$200M · Yr 4+ steady-state 100% at \$0.

The four questions revisited — the practitioner takeaway

Q1 · What are the assets?

50+ networks, ~180M streaming subs, 2 of 5 majors, 2 of top 4 news brands, \$5.3B sports rights book. Full ledger in memo Section 5.

Q2 · How is the deal structured?

All-cash reverse triangular at \$31.00/share to WBD holders. \$110B EV; \$97.3B total consideration. \$46.95B PIPE (Ellison + sovereign syndicate) + \$54B new debt + \$12.8B WBD notes exchange. Taxable to WBD holders under IRC §1001.

Q3 · What is the regulatory posture?

Federal cleared. 12-state ND Cal complaint July 13, 2026. 60% base case for negotiated settlement with divestiture (most likely CNN). Q1 2027 close.

Q4 · What is the combined entity worth?

\$95B / \$117.5B / \$135B illustrative SOTP range. \$36B differential between combined equity (\$117.5B) and consideration paid to acquire WBD (\$97.3B) — synergy value + pricing pressure.

Institute cross-references — where to go next

- ▶ **[case-study-cmcsa.html](#)** Comcast Media/Tech Separation — the mirror-image framework: Comcast separates while Paramount + WBD combine.
- ▶ **[lvmh-maisons-ledger.html](#)** LVMH Maisons Ledger — template for the combined-assets ledger format used in memo Section 5.
- ▶ **[acquisitions.html](#)** Acquisitions Records — 100+ records across finance, tech, PE, sovereign wealth, consumer.
- ▶ **[case-studies-sports.html](#)** Sports Division — NFL Stadium Anatomy, individual team cases, Pro-Athlete Team-Picker, Coach's Tax Levers Brief.
- ▶ **[pro-sports-197-amortization.html](#)** §197 Intangible Amortization — the mechanic that runs off a \$110B purchase-price allocation over 15 years.
- ▶ **[guides.html#cfo-controllers](#)** CFO & Controller's Guide — ASC 805 purchase accounting for the combined entity; goodwill and intangibles treatment.
- ▶ **[guides.html#family-office](#)** Family Office Reference Guide — governance framework for board-vs-shareholder tensions like the Zaslav pay outcome.
- ▶ **[baratelliinstitute.com](#)** The homepage — hero acquisitions hub, WACC tool, and the Institute's public library index.

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