THE BARATELLI INSTITUTE

Case Study Practitioner Deck · Entertainment Division

Paramount Skydance

acquires Warner Bros. Discovery

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

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Executive summary — the four questions this case answers

1

What are the assets?

Fifty broadcast + cable networks, two streaming platforms with 200M+ 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?

Institute SOTP: $77B / $109B / $125B combined equity (skeptic / base / management-case synergies) vs. $108B deal-implied combined equity. Our base case CONFIRMS the reasonableness of the announced valuation — the deal is priced approximately at fair value under 65% synergy realization. See slide 14.

What's inside — a practitioner's roadmap

Thirty-three slides walking the transaction across five practitioner-relevant blocks. Each section is designed to be usable as a standalone reference.

HOW TO USE THIS REFERENCE. Read the executive summary (slide 2) and the four-questions takeaway (slide 30) for the fast pass. Read the financials block (slides 10–15) for the numbers with GAAP and non-GAAP side by side. Read the regulatory block (slides 26–29) if you're modeling divestiture scenarios or litigation timing. Every quantitative claim is tied to a filed source — the memo carries the full citations.

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
Zaslav exit package	~$886M
Purchase multiple — WBD TEV / 2026E Adj EBITDA (post-syn)	7.5x

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 WBD process; Paramount pays Netflix $2.8B termination fee (per 8-K Ex 99.2 "Advance consideration"), 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)

SECTION · DEAL MECHANICS & FINANCING

How the deal is structured and funded

All-cash reverse triangular merger. $77.8B cash to WBD holders funded by $46.95B PIPE (Ellison Trust + sovereign wealth) + $54B new senior secured debt + $12.8B WBD notes exchange.

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.

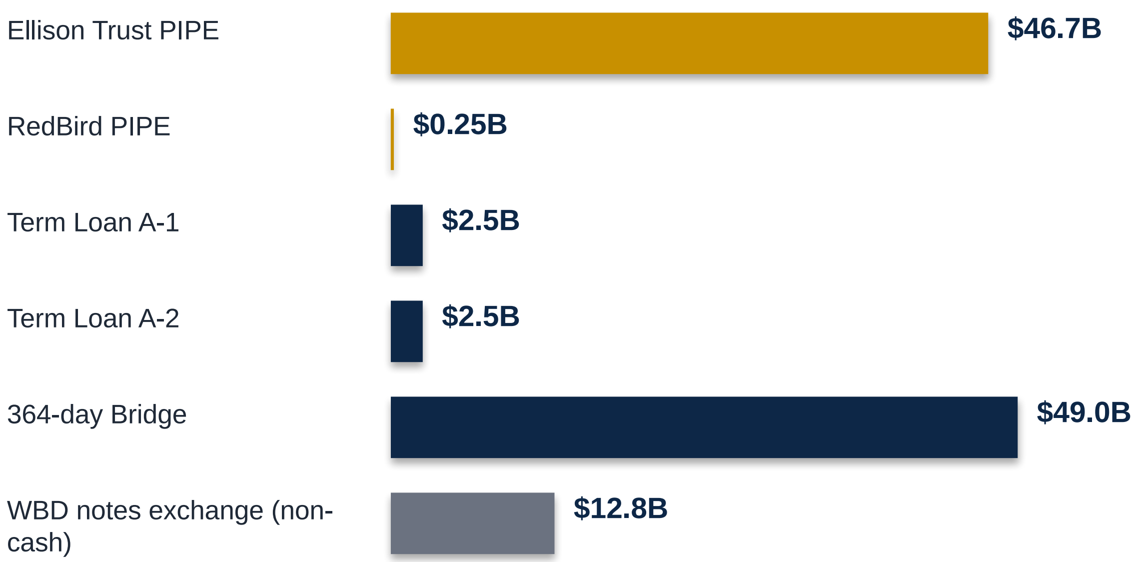
Source	$B	%	Notes
Existing PSKY + WBD cash (3/31/26)	$5.2	5%	$1.9B PSKY + $3.3B WBD
PIPE — Ellison Trust (gross)	$46.7	44%	New Class B stock at $12.00 floor
PIPE — RedBird Capital	$0.25	0%	Same PIPE syndicate
New Term Loan A-1 (3-yr)	$2.5	2%	Secured term loan
New Term Loan A-2 (5-yr)	$2.5	2%	Secured term loan
364-day Bridge	$49.0	47%	Intended replacement: $39.5B 1L + $12.4B 2L permanent
Less: Debt / PIPE issuance costs	($0.70)	(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.

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

WBD purchase-price walk (per PSKY IR pg 12)

Line item ($B)	Value
WBD purchase price per share	$31.00
× WBD fully-diluted shares (billions)	2.6
WBD EQUITY PURCHASE PRICE	**$80.9**
+ Funding of Netflix break fee	2.8
+ Minimum balance sheet cash at close (committed)	5.0
− Cash from combined balance sheet	(3.1)
− New PSKY bridge (new transaction debt)	(38.6)
EQUITY INVESTMENT — Ellison Family + RedBird	**$47.0**
÷ New PSKY investor subscription price	$16.02
NEW PSKY SHARES ISSUED (billions)	**2.9**

PIPE syndicate — who supplies the $47B

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**

▸ Management commits to holding a minimum $5B operating cash on balance sheet at close (per IR pg 12) — the ~$9B filed 8-K PF cash includes this floor + $4B excess buffer. ▸ $16.02 PIPE price was set by a Special Committee of the Board, comprised of independent directors, with independent financial + legal advisors.

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.

SECTION · PRO-FORMA FINANCIALS & VALUATION

What the combined entity looks like on paper

Filed 8-K Ex 99.2 pro forma income statement and balance sheet, ASC 805 purchase price allocation, sum-of-the-parts segment build, and disclosed $6B+ cost synergy build.

Pro-forma financials — GAAP filing vs. Non-GAAP company guidance

Left: filed 8-K Ex 99.2 (GAAP FY2025 PF — mandatory step-up amortization & full-period new-money interest). Right: PSKY IR investor deck (Non-GAAP Adj. EBITDA — management add-backs). The two frameworks do not reconcile line-by-line — that is by design.

GAAP PF Income Statement (per filed 8-K)	FY2025 PF
Revenues	66,133
Operating expenses	(41,679)
Programming charges	(41)
Selling, general & administrative	(14,306)
Depreciation & amortization	(7,365)
Impairment charges	(157)
Restructuring & transaction-related	(2,552)
Gain (loss) on dispositions, net	(4)
Operating income	**29**
Interest expense, net	(6,519)
Loss from investments (cost method)	(34)
Gain on extinguishment of debt	2,956
Other items, net	(198)
Pre-tax loss	**(3,766)**
Income tax provision	(461)
Net loss (consolidated)	**(4,227)**
Equity in loss of investees, net of tax	(293)
Less: net loss attributable to NCI	514
Less: net earnings attributable to redeemable NCI	(2)
Net loss attributable to combined entity	**(4,008)**

Non-GAAP forward metrics — PSKY IR investor deck

Metric	Value
WBD VALUATION MULTIPLE (per PSKY deck pg 11)	
WBD TEV / 2026E Adj. EBITDA (pre-syn)	**13.3x**
WBD TEV / 2026E Adj. EBITDA (post-syn)	**7.5x**
PRO FORMA LEVERAGE (per PSKY deck pg 11)	
Net debt at close	**~$79B**
Net debt / 2026E Adj. EBITDA (pre-syn)	**6.5x**
Net debt / 2026E Adj. EBITDA (post-syn)	**4.3x**
Target within 3 years of close	**~3.0x**
2026E PRO FORMA (per PSKY deck pg 13)	
2026E PF Revenue	$69B
2026E PF Adj. EBITDA (incl. $6B syn.)	**$18B**
Cost synergies target (3-yr run-rate)	$6B+
MEDIUM-TERM TARGETS (per PSKY deck pg 14)	
Revenue CAGR (2026E–2030E)	Mid-SD%
2030E Adj. EBITDA margin	Mid-20%
2030E FCF conversion	~50%
FY25 PF DILUTED EPS (per filed 8-K)	**$(0.80)**

GAAP vs. Non-GAAP bridge: The filed 8-K PF must reflect strict GAAP treatment — full purchase-accounting step-up amortization on ~$45.5B of intangibles, full-period interest expense on the $79B PF debt stack, and no adjustments for management-defined "one-time" costs. This produces the $(4,227) GAAP net loss. PSKY's Adj. EBITDA excludes D&A, purchase-accounting effects, restructuring/integration costs, stock-based compensation, and other management-defined items — producing the $18B Non-GAAP 2026E figure. Both are correct within their own frameworks; they measure different things.

Pro-forma balance sheet — 3/31/2026 combined

Per filed PF ex-99.2. All figures $ millions. Total assets $191.1B; L+E ties.

Line item ($M)	PSKY	WBD	Txn Adj	Debt Adj	3/31/26 PF
ASSETS					
Cash & cash equivalents	1,941	3,264	(47,014)	50,784	8,975
Receivables, net	6,850	5,009	(527)	—	11,332
Programming & other inventory (current + LT)	16,472	19,634	(193)	—	35,913
Prepaid, PP&E, op leases, DTA, other	11,649	17,870	—	—	29,519
Goodwill	1,622	25,874	29,791	—	57,287
Intangible assets, net	5,954	26,803	18,707	—	51,464
Advance consideration for WBD	2,800	—	(2,800)	—	—
TOTAL ASSETS	**47,288**	**98,454**	**(2,036)**	**50,784**	**191,073**
LIABILITIES					
Accounts payable & accrued	4,294	9,262	(3,303)	—	10,253
Participants share & prog obligations (all)	6,260	9,371	(824)	—	17,933
Deferred revenue & other current	2,934	1,877	812	—	5,623
Debt — current	662	1,493	—	48,314	50,469
Long-term debt	14,821	30,973	(19,538)	2,493	28,749
Pension, op lease liab, DTL, other	4,625	13,240	5,999	—	23,864
TOTAL LIABILITIES	**33,596**	**66,216**	**(16,854)**	**50,807**	**130,646**
EQUITY					
Common stock & APIC	13,317	55,892	(8,986)	—	60,223
Treasury stock	—	(8,244)	8,244	—	—
Retained earnings & AOCI	(1,612)	(15,070)	14,736	(23)	(1,969)
Non-controlling interests	1,044	1,129	—	—	2,173
TOTAL EQUITY	**12,749**	**33,707**	**13,994**	**(23)**	**60,427**
TOTAL LIABILITIES & EQUITY	**46,345**	**99,923**	**(2,860)**	**50,784**	**191,073**

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)

OUR ANSWER: Institute base-case SOTP of $109B combined equity CONFIRMS the reasonableness of the announced deal price at ~$108B implied combined equity. Range: $77B skeptic / $109B base / $125B management-case. The deal is fairly priced at 65% synergy realization.

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 PV @ 8x — 65% realization ($4B/yr × 8x)	—	—	—	$32.0
+ Revenue synergies (illustrative)	—	—	—	$4.0
Combined EV with synergies	—	—	—	$179.0
Less: combined PF net debt (per slide 24)	—	—	—	-$70.0
Combined equity (base case)	—	—	—	$109.0

Cost synergy build — $6B+ annual run-rate

Per PSKY IR deck pg 10 and March 2, 2026 investor call: five levers, $6B+ within 3 years of close. Bucket-level dollar allocations are Institute illustrative — PSKY does not disclose per-lever breakdowns.

Category (per PSKY IR deck pg 10)	$mm/yr	%	Notes
Consolidating streaming technology stacks	$1,500	25%	Merge P+ and HBO Max onto unified tech stack
Global business services & procurement	$1,200	20%	Vendor rationalization, shared services scale
Real estate + corporate overhead	$1,200	20%	Consolidate offices, dedup C-suite/legal/HR
Marketing / agency / tooling optimization	$1,000	17%	Combined trade press, ad-buy leverage, MarTech dedup
ERP + corporate IT systems integration	$1,100	18%	Single ERP, single IT platform stack
Total annual run-rate ($6B+)	**$6,000+**	**100%**	**3-year phase-in, per management guidance**

Realization schedule per PSKY IR deck and management call: 3-year phase-in to full $6B+ run-rate. Management notes majority of synergies are non-labor sources; no reductions to production capacity contemplated.

Source crosswalk: $6B+ is per Paramount management public disclosure (IR deck pg 10 + March 2, 2026 M&A call). NOT included in the 8-K Ex 99.2 pro forma income statement or balance sheet on slides 11-12 — those are mechanical PSKY + WBD additive combinations with transaction and debt adjustments only, no synergies. Non-GAAP Adj. EBITDA measure adds back D&A, restructuring, purchase-accounting effects, SBC, and other management-defined items. Institute-adjusted "run-rate" combined Adj. EBITDA per PSKY guidance = $18B (2026E, incl. synergies) vs. $12B pre-synergy standalone base. Reader should treat as management target, not filed number.

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

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

200M+

Combined streaming subs

Paramount+ + HBO Max + Discovery+ (per PSKY IR pg 3)

~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)

Pro-forma financial profile — per Paramount Skydance IR investor deck

$18B
2026E PF Adj. EBITDA
Includes $6B+ run-rate synergies (per PSKY IR pg 13)

4.3x
Net Debt / EBITDA at close (post-syn)
Target ~3x within 3 years of close (per PSKY IR pg 11)

$10B+
2030E annual FCF target
~50% FCF conversion by 2030 (per PSKY IR pg 14)

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 200M+ subs vs. Disney 352M and 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: Disney leads global scaled streaming (352M incl. Hotstar); Netflix follows at 301M. Post-close, the combined Paramount+ / Max at 200M+ is a credible #3 alongside Amazon's bundle-included Prime Video, though Amazon's bundle model complicates direct 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

30+ films/year committed on March 2 call — anchors the state AGs' wide-release concentration claim

MANAGEMENT COMMITMENT — 30+ theatrical films annually

THE COMMITMENT

Ellison publicly committed on the March 2, 2026 M&A call to 15 theatrical films per year per studio — 30+ total annually across Paramount Pictures + Warner Bros. Pictures. Explicit statement: combined production capacity will NOT be reduced as part of the $6B+ synergy program.

Paramount 2026 slate: 15+ dated films (up from 8 in 2025). WBD 2025 slate: Superman + Minecraft + Sinners drove the studio past $4B in box office.

WHY IT MATTERS

The "no cuts to production" commitment is management's response to the core industry concern about studio consolidation. Historical precedent — Disney-Fox (20th Century Fox) and Warner-Discovery — both saw material reductions in wide-release slates within 2-3 years of close. Ellison is publicly committing NOT to repeat that pattern.

Also commits to minimum 45-day theatrical windows globally before PVOD.

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.

SECTION · GOVERNANCE & REGULATORY POSTURE

CEO exit, federal cleared, 12 states suing

Zaslav exits at close with $886M package. Federal antitrust review cleared. Twelve Democratic state AGs filed complaint July 13, 2026 in ND Cal. Straight-to-trial strategy per July 31, 2026 WSJ.

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.

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
Arizona	Kris Mayes
California (lead)	Rob Bonta
Colorado	Phil Weiser
Connecticut	William Tong
Massachusetts	Andrea Campbell
Minnesota	Keith Ellison

State	Attorney General
Nevada	Aaron Ford
New Jersey	Matthew Platkin
New Mexico	Raúl Torrez
New York	Letitia James
Oregon	Dan Rayfield
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.

The four questions revisited — the practitioner takeaway

Q1 · What are the assets?

50+ networks, 200M+ 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?

Institute SOTP: $77B / $109B / $125B combined equity (skeptic / base / management-case synergies) vs. ~$108B deal-implied combined equity. Our base case CONFIRMS the reasonableness of the announced valuation — the deal is priced approximately at fair value under 65% synergy realization.

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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The case takes no position on whether the merger should be approved by regulators; it documents the mechanics, the portfolios, the arithmetic, and the arguments on both sides. Not affiliated with, endorsed by, or connected to Paramount Skydance, Warner Bros. Discovery, Skydance Media, RedBird Capital, TKO Group Holdings, Oracle Corporation, the Ellison family, or any of the state attorneys general who filed the complaint on July 13, 2026.