

# Netflix-Warner Bros. Discovery- Paramount M&A Landscape

Strategic Feasibility, Regulatory Analysis &  
Valuation Scenarios

Researched and Prepared by Yash Agrawal

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**NETFLIX**

**WARNER BROS. DISCOVERY**

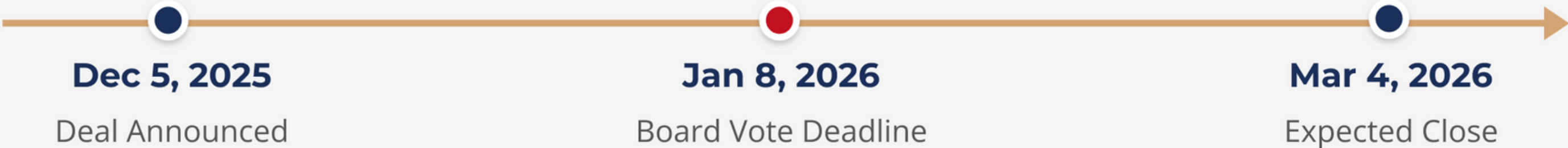
***Paramount***



# Deal Overview & Strategic Context

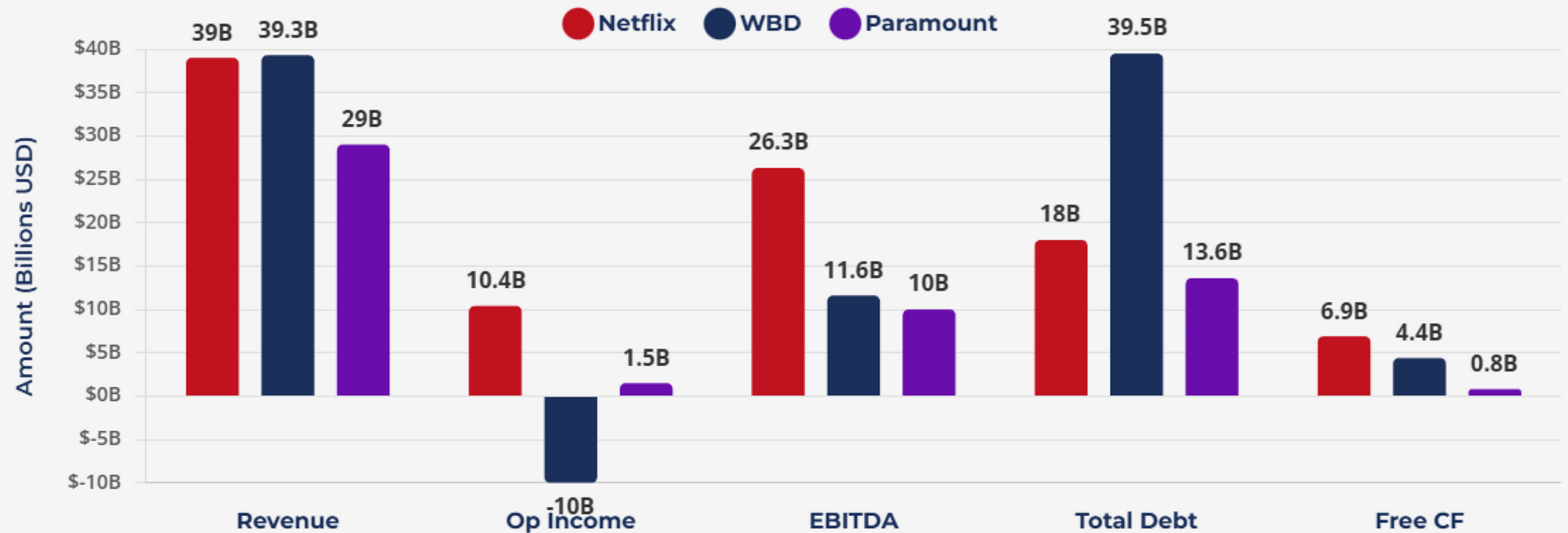
NETFLIX OFFER	ANNOUNCED	EXPECTED CLOSE	PARAMOUNT HOSTILE BID
<b>\$27.75</b> /share \$82.7B EV	<b>December 5</b> 2025	<b>Q2 2026</b> Regulatory Dependent	<b>\$30.00</b> /share \$108.4B Total

Netflix acquisition of WBD studio, HBO Max, and HBO represents largest media consolidation since AT&T-Time Warner; Paramount's hostile counterbid forces regulatory reassessment of streaming vs. broadcast integration.






# Financial Profile Comparison (2024)



**Netflix: 26.7% operating margin, \$6.9B FCF | WBD: -25.5% operating margin, \$4.4B FCF**



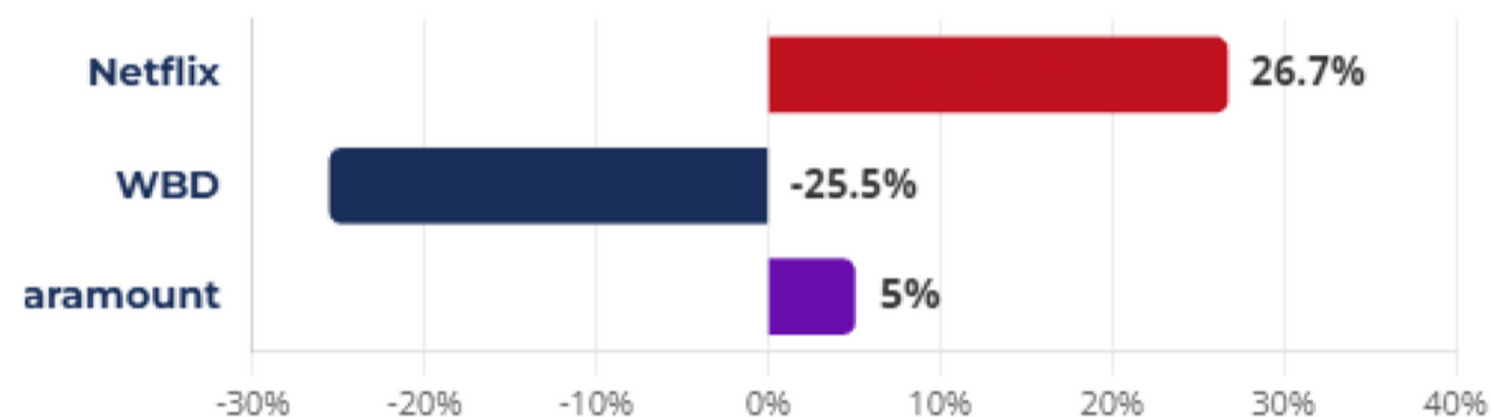
# Deal Structure & Key Terms

NETFLIX OFFER	PARAMOUNT BID	KEY TIMELINE
<div>OFFER PRICE</div> <div>\$27.75 / share</div>	<div>OFFER PRICE</div> <div>\$30.00 / share</div>	<div>ANNOUNCEMENT</div> <div>Dec 5, 2025</div>
<div>CONSIDERATION MIX</div> <div>\$23.25 Cash   \$4.50 Stock</div>	<div>CONSIDERATION MIX</div> <div>Mostly Cash</div>	<div>VOTE DEADLINE</div> <div>Jan 8, 2026</div>
<div>ENTERPRISE VALUE</div> <div>\$82.7 Billion</div>	<div>TOTAL VALUE</div> <div>\$108.4 Billion</div>	<div>EXPECTED CLOSE</div> <div>Mar 4, 2026</div>
<div>PREMIUM</div> <div>100% to unaffected price</div>	<div>DEAL TYPE</div> <div>Hostile Bid (30% prem.)</div>	<div>REVERSE FEE / RISK</div> <div>\$5.8B   HIGH RISK</div>
NETFLIX	Paramount	<div>REGULATORY TIMELINE</div>

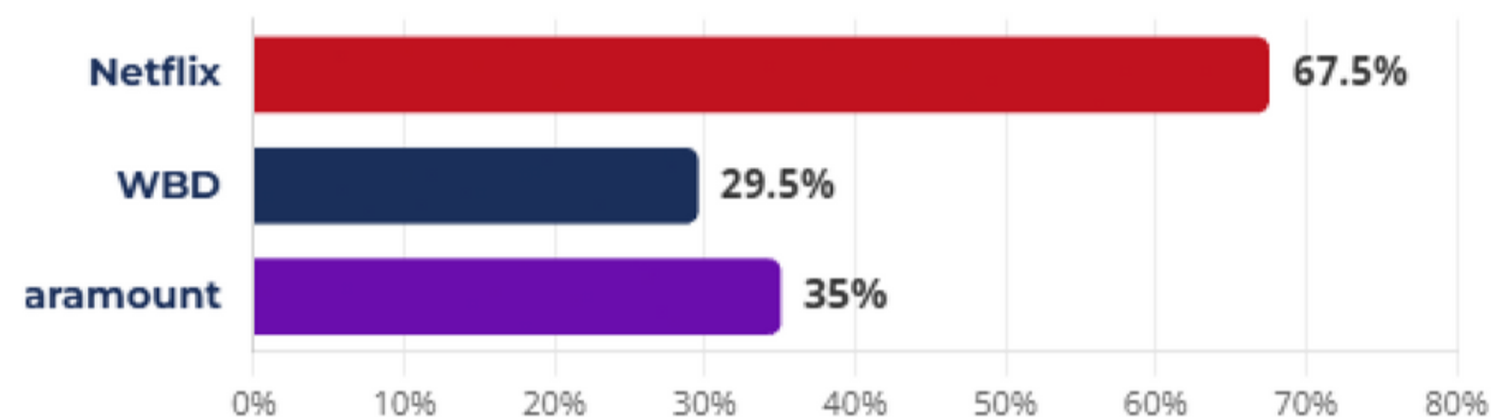


# Profitability Gap: Netflix's Structural Advantage

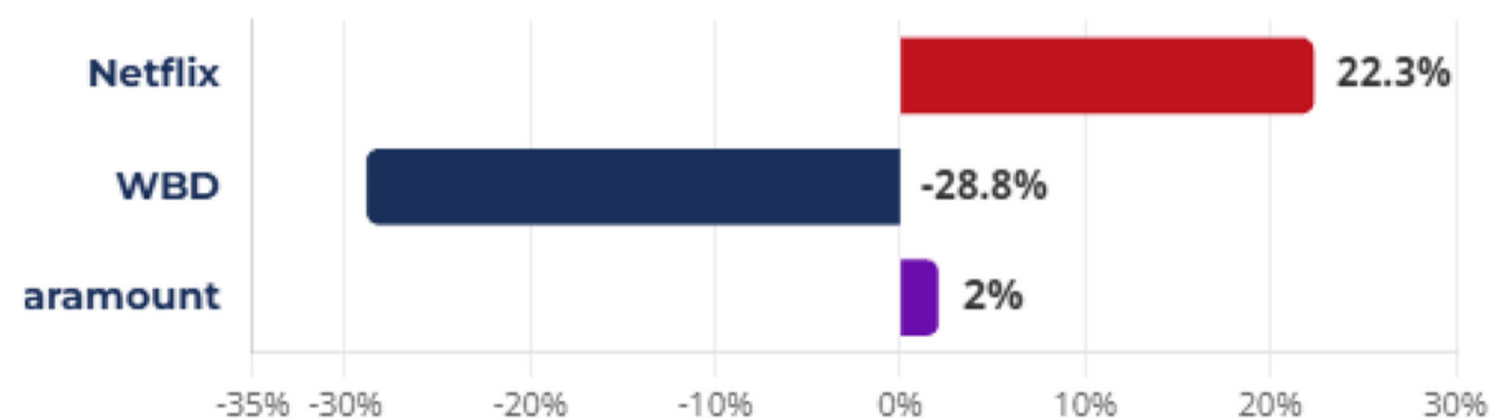
OPERATING MARGIN %



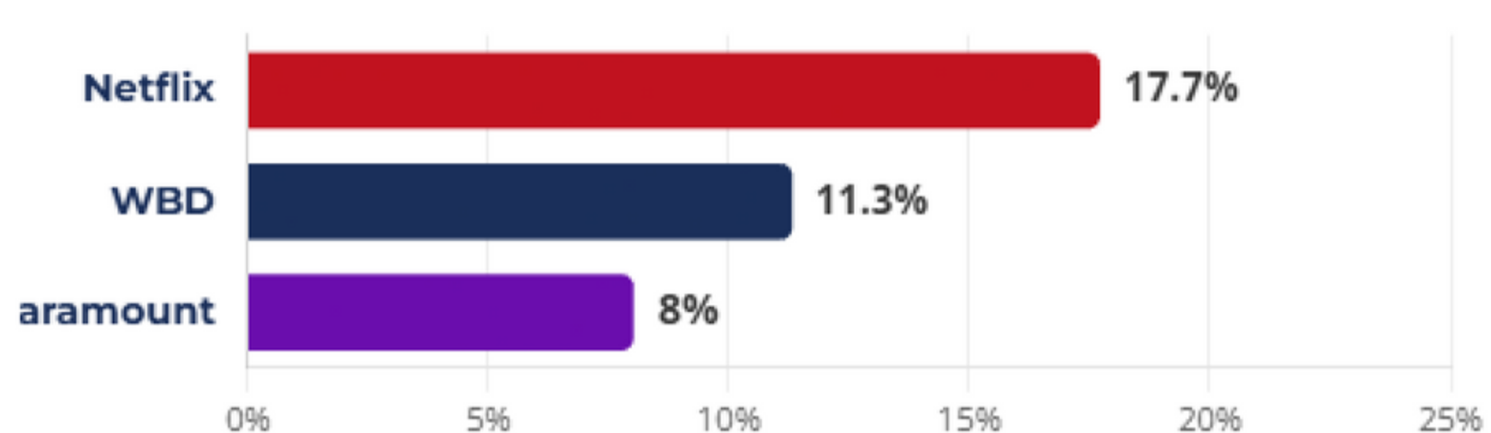
EBITDA MARGIN %



NET PROFIT MARGIN %



FCF MARGIN %

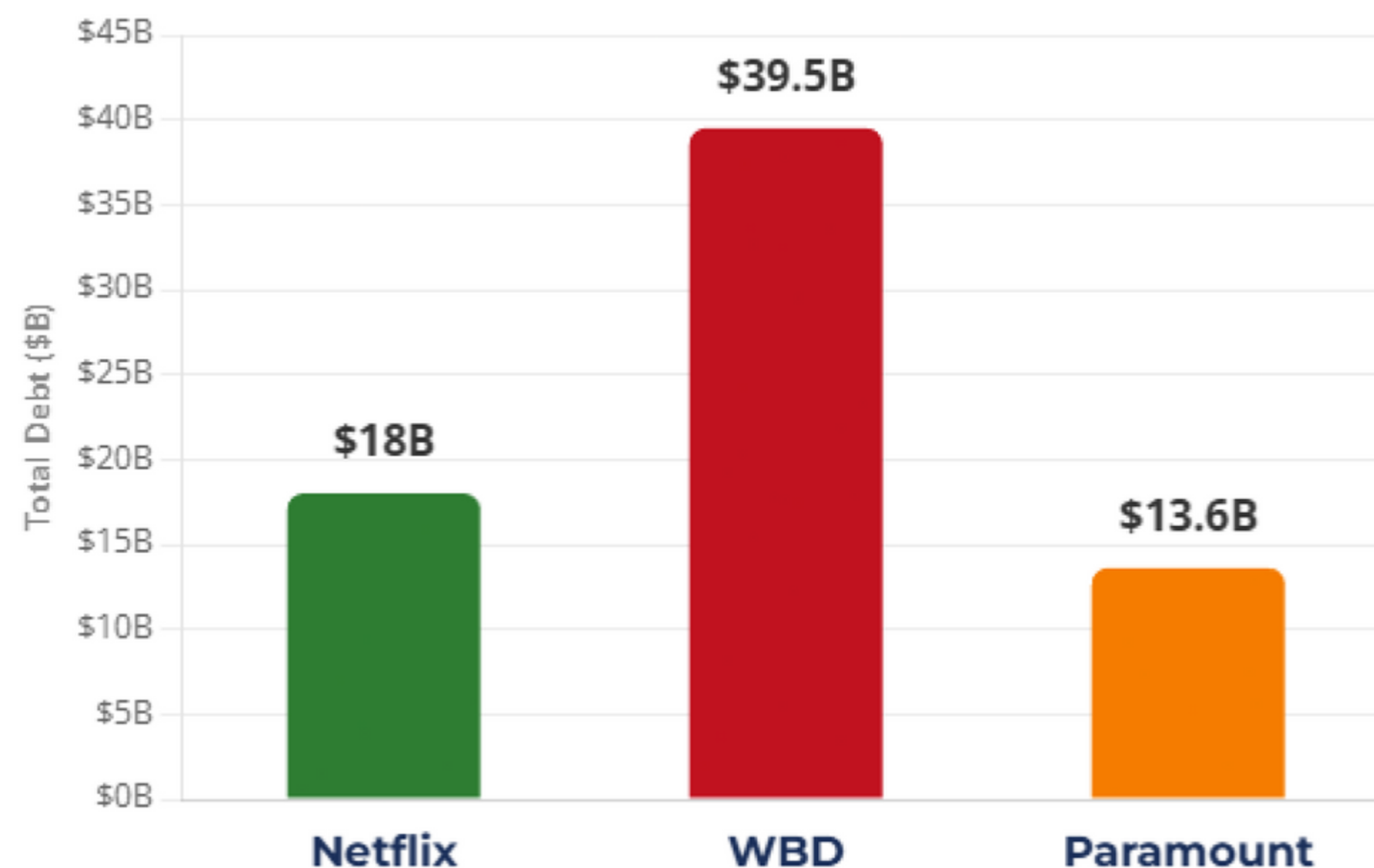


**Netflix's profitability advantage (26.7% op margin vs. WBD's -25.5%) is NOT reflected in deal multiples—WBD trades at discount due to structural linear TV decline.**



# Debt Burden & Financial Distress Risk

Total Gross Debt Comparison (Billions USD)



**Netflix D/E: 0.73x**

✓ Healthy Balance Sheet



**WBD D/E: 1.13x**

⚠ Stressed Legacy Debt



**Paramount Bid: 4.5x Lev.**

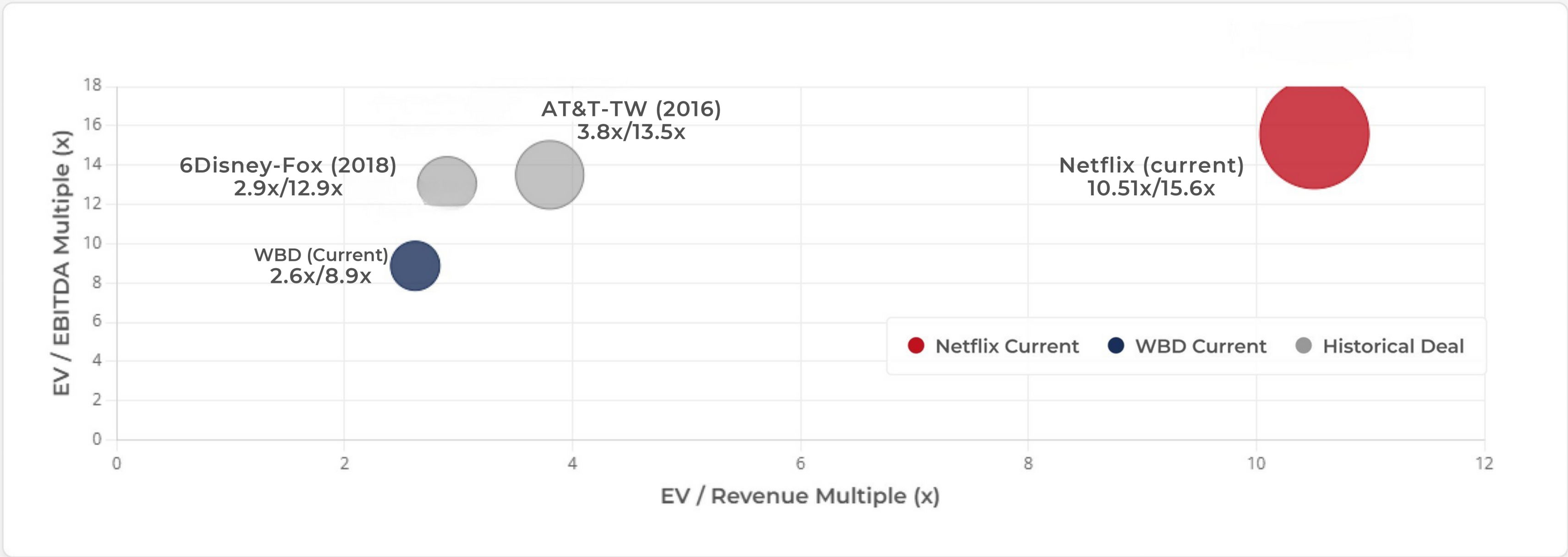
✗ Distressed Post-Deal Profile



**Paramount's \$108.4B bid would breach investment-grade thresholds, requiring massive deleveraging.**



# Valuation Multiples vs. Historical Precedents

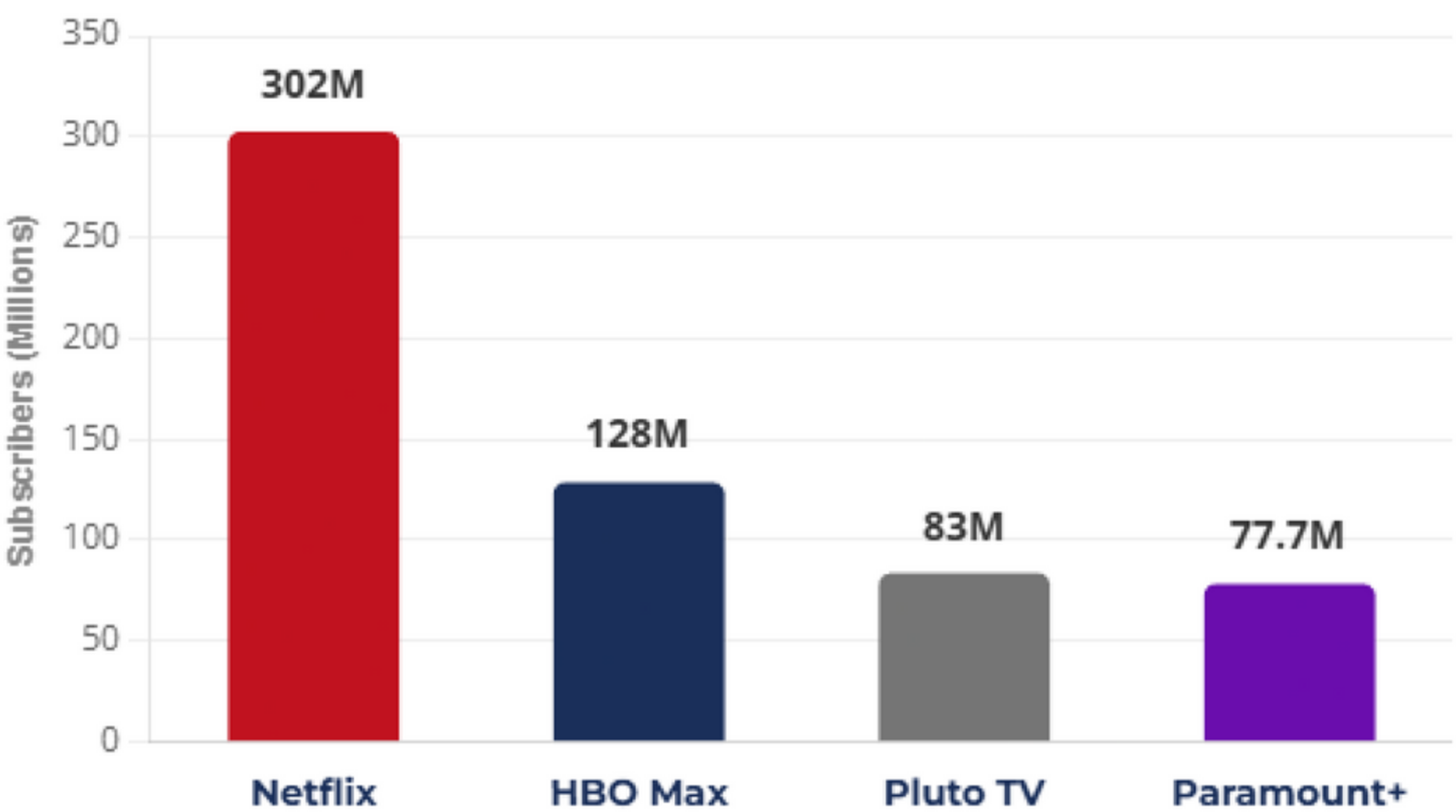


Netflix commands **3-4x premium** over content peers due to 26.7% operating margin and positive free cash flow generation, significantly outpacing historical media deal precedents.

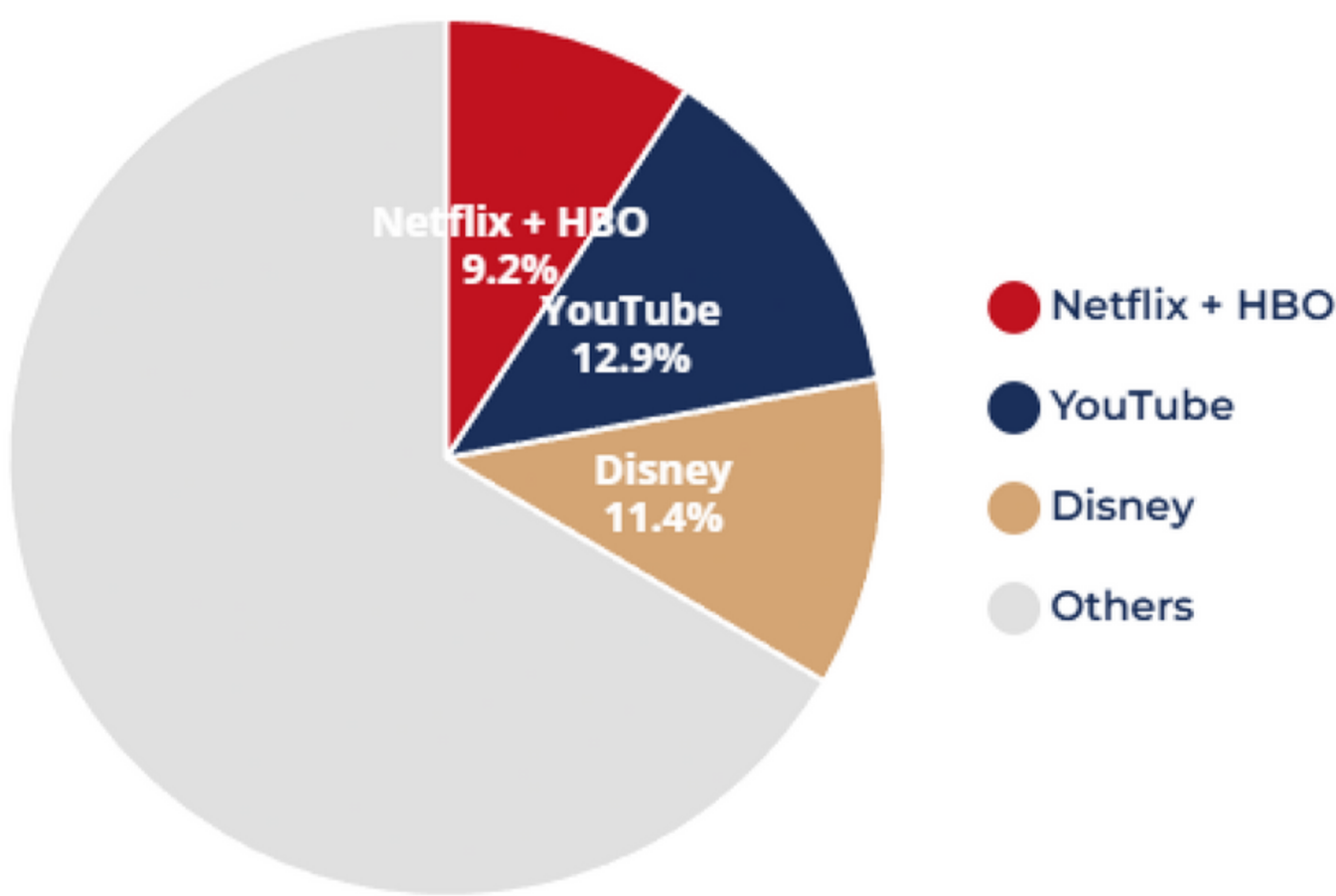


# Streaming Market Position & Subscriber Concentration

Global Subscriber Base (Millions)

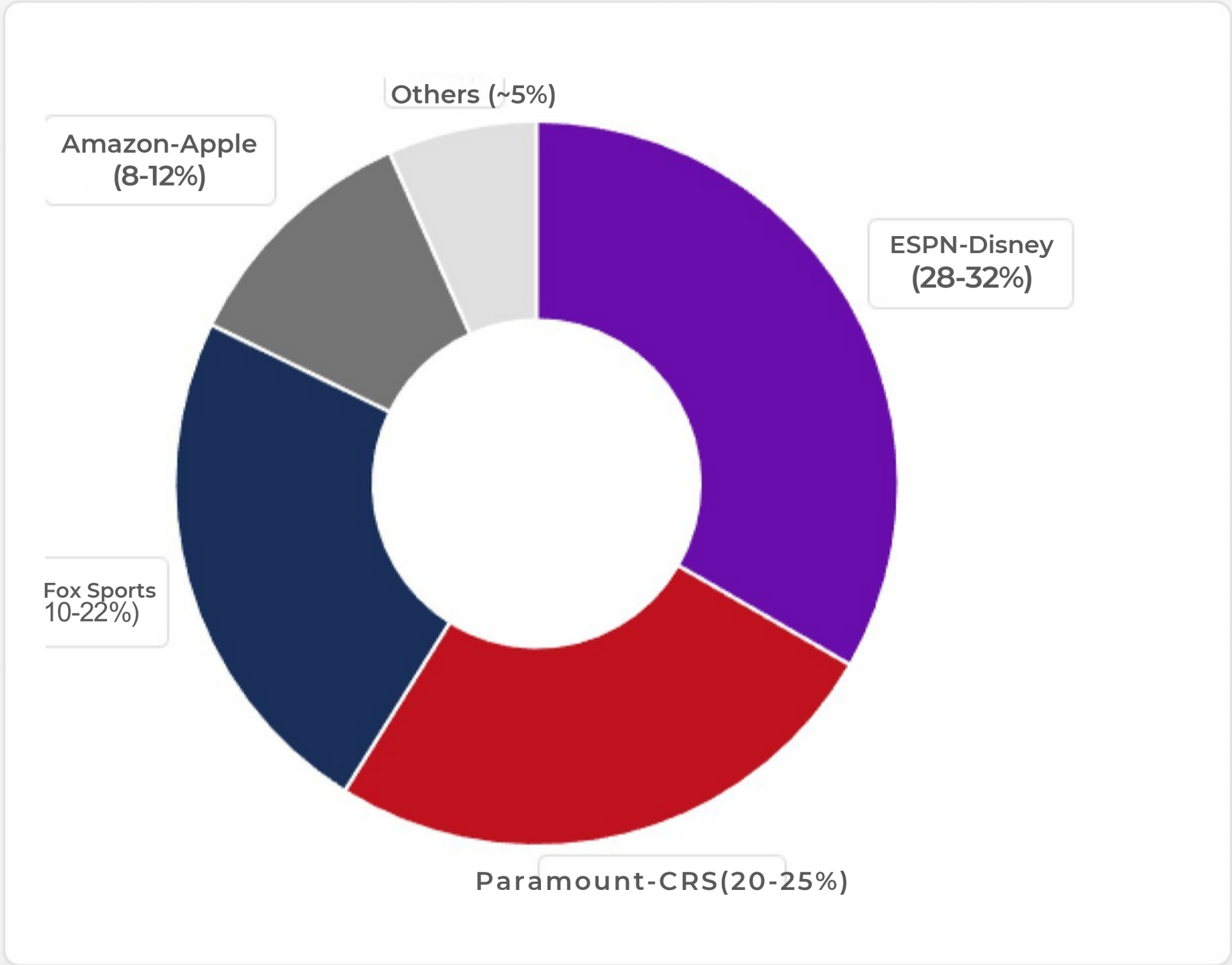


U.S. TV View Share %




**75% subscriber overlap between Netflix-HBO Max indicates minimal new subscriber acquisition value. Deal rationale: Content library consolidation, not user base growth.**

# Sports Rights: Paramount's Regulatory Vulnerability



**PER SE ANTITRUST RISK**

Sports concentration at 25% likely triggers mandatory divestiture under DOJ guidelines.

**CONTENT LEVERAGE**

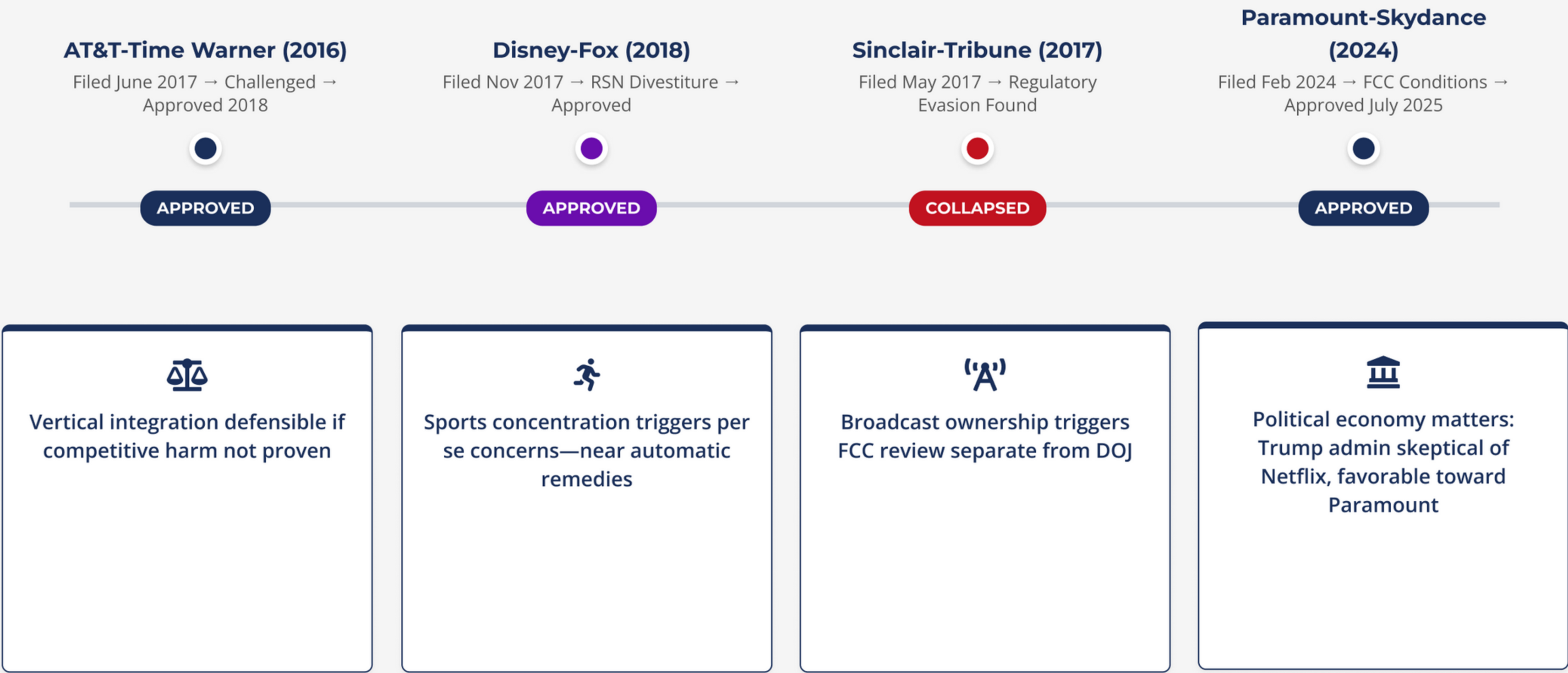
Sports bundling with broadcast network enables predatory carriage practices.

**VALUATION IMPACT**

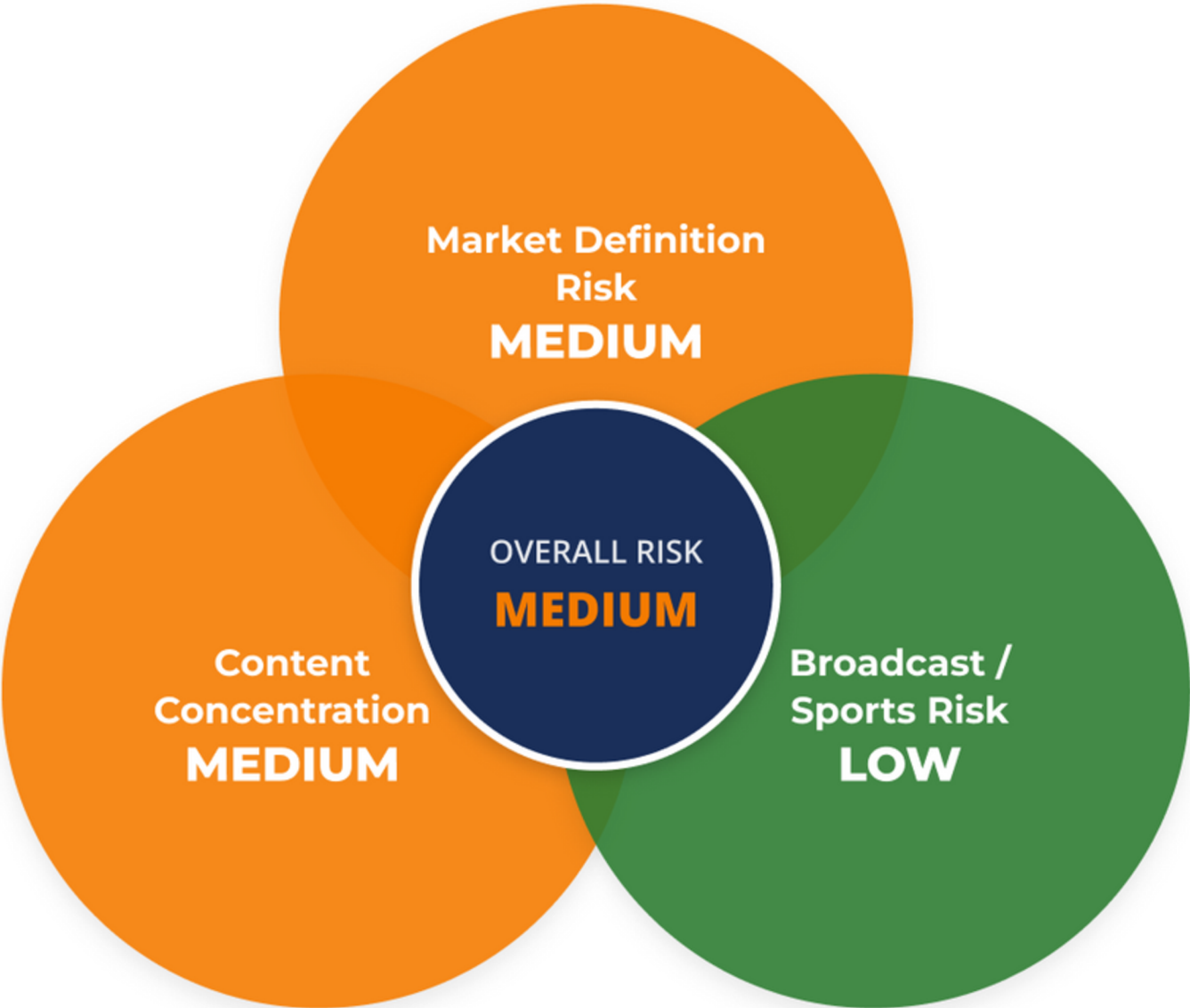
Forced sports separation could reduce deal value by estimated \$8-12B.



# Antitrust Precedents: What History Tells Us



# Netflix Deal: Regulatory Risk Profile



## Likely Remedies & Impact:

✓ Theatrical windows: 45-60 days **MODERATE COST**

⚠ Content licensing: 10-15% to rivals **HIGH COST**

✓ Pricing restrictions: 18-24 months **LOW COST**

⚠ Data firewall: Separate analytics **MODERATE COST**

✗ Synergy reduction: -30% to -50% **VALUE IMPACT**





**Regulatory Approval Probability: 55-65%**



# Paramount Deal: Structural Regulatory Barriers



Result: Longer timeline + more stringent conditions than Netflix deal






 <b>Broadcast Station Divestitures</b> 15-25 Stations  <b>VALUE LOSS:</b> -\$5-8B	 <b>Sports Rights Carve-out</b> Independent Subsidiary  <b>VALUE LOSS:</b> -\$8-12B	 <b>Editorial Independence</b> 10-Year Monitoring  <b>VALUE LOSS:</b> -\$2-3B	 <b>Pricing &amp; Bundling Restrictions</b> Licensing Mandates  <b>VALUE LOSS:</b> -\$3-5B
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<b>TOTAL REMEDY VALUE DESTRUCTION</b>  <b>-\$18-28B</b> (25-35% of deal)	<b>REGULATORY APPROVAL PROBABILITY</b>  <b>25-35%</b>
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# Three Competing Scenarios: Probability & Outcomes






## NETFLIX APPROVES

Probability: 50%

-  **Timeline**  
Q2-Q3 2026
-  **Conditions**  
Theatrical windows + licensing mandates
-  **Synergies**  
\$1.2-1.5B / year
-  **Stock Impact**  
Netflix +5-10%
-  **Outcome**  
Streaming consolidation model accepted






## NETFLIX BLOCKED

Probability: 25%

-  **Timeline**  
2027 (Litigation)
-  **Conditions**  
DOJ Challenge / Suit
-  **Outcome**  
Deal terminates; \$5.8B breakup fee paid
-  **WBD Future**  
Breakup or Independent
-  **Market**  
Distributed ownership model prevails

## PARAMOUNT WINS

Probability: 15%

-  **Timeline**  
2026-2027
-  **Conditions**  
Heavy structural remedies
-  **Outcome**  
Value erodes 25-35%
-  **Integration**  
Likely operational failure
-  **Market**  
Strategic failure / Forced sales



# Conclusions: Evidence-Based Forecast

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1

Netflix acquisition most likely to close (**55-65% probability**) with regulatory approval by Q2 2026. Behavioral remedies (theatrical windows, licensing, pricing) manageable and already priced into stock valuation.

2

Paramount functions as 'regulatory circuit-breaker' rather than viable acquirer. Broadcast + sports concentration creates structural antitrust concerns; approval probability only **25-35%**. Deal would destroy **\$18-28B** in value through forced remedies.

3

Regulatory timeline (12-18 months) creates material optionality. Investors should monitor FTC market definition disputes, state AG filings, and Congressional pressure as leading indicators of approval probability shifts.



**RECOMMENDATION: Netflix deal most likely outcome. WBD shareholders should tender. Monitor regulatory milestones for approval probability updates.**

# Thank You

Researched and Prepared by

**Yash Agrawal**

Finance | Equity Research | M&A Strategy

 [linkedin.com/in/yaashagrl-dhrn](https://www.linkedin.com/in/yaashagrl-dhrn)

 [yashagrawal587@gmail.com](mailto:yashagrawal587@gmail.com)

**WARNER BROS.**

**NETFLIX** **DISCOVERY**

**Paramount**