



WARNER BROS. DISCOVERY ACQUISITION ANALYSIS

MAR 2026 - MAY 2026

PRESENTED BY

Starting Finance Club Bocconi
Finance Area - M&A Division



MEET THE TEAM



FINANCE AREA - M&A DIVISION



FRANCESCO LAURIA

Head of M&A
AFC – 2nd Year



FELICE BOTTIGLIERI

Head of M&A
IM Conc. – 1st Year



ROSSELLA MITA

Vice-Head of M&A
AFC – 2nd Year



RICCARDO CAIOFERRI

M&A Associate
CLEAM – 2nd Year



EMMA CORTINOVI

M&A Associate
BIEM – 2nd Year



ALESSIO ITALIANO

M&A Associate
TS – 1st Year



CLAUDIO MONTUORI

M&A Associate
CLEAM – 1st Year



ALBERTO NANNETTI

M&A Associate
DD CHINA MIM – 1st Year



FRANCESCO OLIVERIO

M&A Associate
AFM – 1st Year



NICOLÒ RE

M&A Associate
CLEAM – 2nd Year



ELISA VERNA

M&A Associate
AFM – 1st Year



GIULIO VEZZI

M&A Associate
CLEAM – 2nd Year

TRANSACTION TIMELINE



Dec. 8, 2025 Initial PSKY Offer

WBD disclosed receipt of an unsolicited tender offer from Paramount Skydance

Dec. 23, 2025 DD Kick-off

WBD established a Special Committee and launched formal due diligence discussions with PSKY

Feb. 17-23, 2026 Final Negotiations

Competitive bidding phase between Paramount and Netflix

Feb. 26, 2026 Binding Offer

PSKY submitted a binding merger proposal valuing WBD at ~\$110B EV

Feb. 27, 2026 Signing

WBD and PSKY signed a definitive merger agreement, following the rejection of Netflix's competing bid

Apr. 23, 2026 Shareholders' Approval

WBD shareholders approved the transaction

Est. Q3 2026 Expected Closing

Expected transaction closing, subject to remaining antitrust and regulatory approvals

COMPANIES OVERVIEW

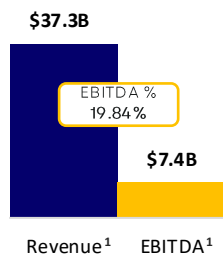


HQ
New York

Headcount¹
~35,000

Subs¹
~131.6M

NFP¹
\$28.2B



Warner Bros. Discovery, Inc.

Warner Bros. Discovery (WBD) is a leading global media and entertainment company operating across film, television, streaming, sports, news, and gaming.

Formed through the 2022 merger of WarnerMedia and Discovery, WBD owns a portfolio of premium brands including HBO, Max, Warner Bros. Pictures, DC Studios, CNN, and Warner Bros. Games, supported by globally recognized franchises such as Harry Potter, DC, and Game of Thrones.



David Zaslav
CEO



Gunnar Wiedenfels
CFO



JB Perrette
Chairman & CEO
Global Streaming
& Games



James Gunn
Co-Chairmen & CEOs
DC Studios & DC Universe



Peter Safran



Casey Bloys
Chairman & CEO
HBO & HBO Max

Paramount Skydance

Paramount Skydance (PSKY) is a leading media and entertainment company operating across broadcast television, streaming, and filmed entertainment.

Formed through the 2025 merger of Skydance Media and Paramount Global, its portfolio includes CBS, Paramount Pictures, Nickelodeon, MTV, Comedy Central, Paramount+, and Pluto TV, supported by globally recognized franchises such as Mission: Impossible, SpongeBob SquarePants, and Top Gun.

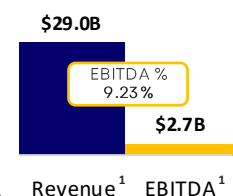


HQ
New York

Headcount¹
~17,600

Subs¹
~77.5M

NFP¹
\$12.3B



David Ellison
CEO



Dennis Cinelli
CFO



George Cheeks
Chair of TV Media
(former CBS CEO)

¹ All figures refer to 2025A

STRATEGIC ANALYSIS



CONTEXT ANALYSIS

TECHNOLOGY

The entertainment industry is undergoing a significant technological transformation driven by the rise of **on-demand consumption**, **audience fragmentation**, and **advances in digital infrastructure**. Media companies are increasingly investing in streaming technologies, **cloud-based platforms**, **data analytics**, and **AI** to improve content delivery, personalize user experiences, optimize advertising and reduce production costs. In the merger context, technological integration is expected to generate substantial synergies through the **consolidation of Enterprise Resource Planning systems** and the adoption of a **unified Oracle Cloud Infrastructure**, which will support content distribution, data storage and the use of **Generative AI** for enhanced ad targeting and content customization.

LEGAL

The proposed acquisition is **under investigation** by the Department of Justice and California state authorities, despite taking place in a relatively favorable regulatory environment for domestic media consolidation. Critics argue that the merger could reduce competition, weaken consumer choice and increase the market power of the combined company. Concerns have also been raised about the projected **\$6B in cost synergies**, as such savings are often achieved through workforce reductions, supplier cuts and stricter contract renegotiations, which could negatively affect employment and the broader California economy. In response, Paramount has stated that the expected synergies will primarily come from **company-wide efficiencies** and **optimization of technology infrastructure** rather than large-scale job cuts.

MARKET SENTIMENT

POSITIVE OUTLOOK

Potential to create a larger and more competitive media company with greater **scale in content, franchises, distribution, and streaming**, strengthening the position against major industry players such as Netflix, Amazon, and Disney. The merged entity would benefit from a **broader portfolio of franchises**, **stronger bargaining power with distributors**, and the **ability to spread content production costs** across a larger subscriber base, potentially improving long-term competitiveness and profitability.

NEGATIVE OUTLOOK

- **Brand dilution risk:** the differences in **brand positioning** create **uncertainty** about how the combined company would define its **value proposition**. This issue is relevant in the streaming market, where brand identity influences subscriber acquisition and retention
- **Execution risks:** integrating large media organizations is complex due to **differences in corporate culture, content libraries, and business models**, raising doubts about whether projected synergies can be fully realized

Overall, while the merger may strengthen the company in the long term, **short-term market sentiment remains cautious** because of integration costs, restructuring challenges, and the risk of subscriber churn during the transition period.

STRATEGIC ANALYSIS



PORTER'S FIVE FORCES

COMPETITOR RIVALRY – HIGH



- **Pre-Merger:** the market was a two-tier system: **Netflix and Disney** led at scale, while **4-5 mid-range players** (Max, Paramount+, etc.) burned cash competing for the same subscribers with redundant content strategies
- **Post-Merger:** consolidation narrows the field to a "**Big 3,**" stabilizing market pricing. By unifying premium sports (NFL, NBA, March Madness), the new entity creates a dominant **ad-revenue engine** second only to Disney

THREAT OF NEW ENTRANTS – MODERATE



- **Pre-Merger:** **Big Tech** disrupted the industry by using premium content as a loss leader to support their core ecosystems, forcing traditional media into an unsustainable race
- **Post-Merger:** the combined entity builds a **defensive moat** by consolidating elite IP (HBO, DC, Harry Potter) and **essential live sports**. This scale creates a barrier to entry that is virtually impossible for competitors to replicate quickly or affordably

BARGAINING POWER OF BUYERS – HIGH



- **Pre-Merger:** low switching costs and narrow content libraries led to a **high churn rate** as users "service-hopped" between Paramount+ and Max. Operating independently, neither service could secure a permanent spot in household budgets or maximize ad revenue
- **Post-Merger:** a unified library creates diverse retention hooks that **stabilize the subscriber base**. The merger enables tiered pricing strategies and consolidated ad inventory, providing superior market leverage and enhanced audience data insights

BARGAINING POWER OF SUPPLIERS – HIGH



- **Pre-Merger:** **aggressive competition** for content inflated the bargaining power of creative talent and sports leagues. Operating separately, Paramount and WBD lacked the scale to resist skyrocketing costs, exemplified by the multi-billion-dollar surge in media rights
- **Post-Merger:** as a top-tier employer with a massive production scale, the combined entity gains **monopsony power to stabilize talent costs**. A diversified sports portfolio further strengthens its hand, providing the leverage to walk away from excessive rights demands by any single league

THREAT OF SUBSTITUTES – HIGH



- **Pre-Merger:** the attention economy is highly fragmented as **TikTok, gaming, and the creator economy drain time and revenue from conventional media**. Generative AI further accelerates this shift, challenging traditional entertainment's dominance
- **Post-Merger:** while the merger offers little defense against these **broad technological shifts**, it **consolidates iconic franchise IP** that AI and user-generated content cannot easily replicate. This deep cultural resonance remains the entity's primary competitive moat

STRATEGIC ANALYSIS



SWOT ANALYSIS

STRENGTHS

- Global TV brand portfolio led by Discovery Channel, HGTV, Food Network, CNN and Max
- 116.9M D2C subscribers at year-end 2024
- Focused niches across lifestyle, sports, travel, and entertainment
- Strong franchises: Gold Rush, Naked and Afraid, Deadliest Catch and Fast N' Loud
- International reach across the US, UK, Canada, Chile, Japan, Poland and New Zealand
- Diversified revenue: distribution, advertising, content licensing and subscriptions

WEAKNESSES

- 2024A revenue: \$39.3B vs \$41.3B in 2023A, down 4.8%
- Pressure across core streams: distribution -1%, advertising -8%, content -18%
- Content revenue down 53%; operating loss reached \$9.4B in 2024A
- Net loss of \$11.3B in 2024A vs \$3.1B in 2023A
- Structural linear TV decline and ongoing US pay-TV subscriber erosion
- Heavy debt load from the Discovery-WarnerMedia merger

OPPORTUNITIES

- US advertising market: \$299.2B in 2023, projected \$374.8B by 2028
- Digital and mobile spend continues to rise; CTV adoption unlocks targeted formats
- Sports rights tailwind: Olympics, Tour de France and Giro on Eurosport, TNT Sports, Max
- New bundle momentum: Max + Discovery+ with Red Bull Soapbox Race and NASCAR content
- Global expansion of Max as a premium D2C platform
- Under-served nonfiction niches with limited mainstream competition

THREATS

- Piracy and IP theft threaten brands, TV networks and digital distribution value
- Legal protections need rigorous contracts, safeguarding and distribution controls
- Foreign exchange risk across international subsidiaries and operations
- Content rights acquisition competition vs global studios
- Satellite and cable distribution decline as CTV and mobile rise
- Key rivals: Netflix, Disney, Amazon, Charter, and Nexstar

STRATEGIC ANALYSIS



VRIO FRAMEWORK

V

VALUE

Both Paramount and WBD possess highly valuable resources, particularly in terms of **intellectual property (IP)** and **content libraries**. Franchises such as Harry Potter, Game of Thrones, DC Universe, Mission: Impossible, and Top Gun constitute **globally recognized assets** capable of generating **long-term revenue streams** across multiple platforms (cinema, streaming, licensing). These assets are critical in a media environment where content differentiation is a primary driver of consumer engagement and subscription retention.

R

RARITY

Few competitors in the entertainment industry can match the combined **depth and diversity of IP portfolios** held by Paramount and WBD. While companies like Disney or Netflix also possess strong content capabilities, the merged entity would create one of the largest and most diversified content ecosystems globally, spanning film, television, news, and streaming.

I

INIMITABILITY

Content franchises and brand equity are built over decades through **creative investment, cultural relevance, and audience loyalty**. This creates **high barriers to imitation** due to causal ambiguity and historical path dependence, as competitors cannot easily replicate iconic storytelling assets or global brand recognition.

O

ORGANIZATION

The merger's success hinges on **effective resource integration** and **structural alignment**. Historically, large media consolidations, such as the failed AOL-Time Warner deal, have struggled with cultural clashes and bureaucratic inefficiencies that stifle the exploitation of rare assets. **Execution risk** is further heightened by **leadership uncertainty**, as David Ellison's experience is limited to running the independent studio Skydance rather than a large-scale media conglomerate. Additionally, the significant debt burden from the transaction may severely limit future strategic flexibility and investment capacity.

STRATEGIC ANALYSIS



M&A INTEGRATION MATRIX



WHERE THE PARAMOUNT-WBD DEAL SITS

The deal does not sit in a single quadrant because it is structurally dual-headed: official communications reveal two overlapping integration logics pulling in opposite directions.

- **CREATIVE LAYER (SYMBIOSIS LOGIC)**

Paramount explicitly stated its intention to maintain both studios, with the goal of producing 15 movies per year per studio. Warner Bros. and Paramount Pictures are not being merged into a single studio, remaining separate entities, with distinct brands, independent development pipelines and their own production cultures. The Symbiosis logic suggests that both retain identity and autonomy, yet operate within a shared ecosystem that benefits each: common access to budgets, unified global distribution agreements, and a single streaming platform.

- **TECHNOLOGY AND OPERATIONS LAYER (FULL ABSORPTION LOGIC)**

Expected synergies exceed \$6B, driven by technology integration and corporate-wide efficiencies, procurement savings, optimization of the combined real estate footprint and operational rationalization: a single ERP, a single streaming platform, a single back-office. The management overseeing these layers will have no autonomy but will follow a centralized integration plan.

VALUATION



DCF | INCOME STATEMENT PROJECTIONS

The model values Warner Bros. Discovery using a Discounted Cash Flow approach. We project five years of cash flows (2026F-2030F), then estimate a terminal value capturing everything that comes after. Adding them together gives an **enterprise value of ~\$106B**, which translates into an **equity value of ~\$76B**, or **~\$31 per share**. The valuation sits meaningfully above the unaffected trading level, suggesting the market is pricing WBD conservatively relative to its long-term cash-generation potential.

MAIN ASSUMPTIONS

The forecast horizon covers five years, long enough to capture the tail of WBD's restructuring and the stabilization of the business, after which growth normalizes. Cash flows are discounted at a **WACC of 8.14%** (calculation at page 11), which represents the blended return that debt and equity investors require to hold the stock. A **terminal growth rate of 2.5%** (explanation at page 12) is broadly in line with long-term inflation expectations. A **tax rate of 27%**, applied to operating profit, is consistent with the company's normalized tax rate. The **bridge to equity** uses the **2025A** year-end balance sheet.

REVENUE PROJECTIONS

WBD's revenue trajectory reflects the reality of a company in transition. The first forecast year (2026F) still carries the drag of the **linear-TV decline**, so revenue contracts by roughly 2%. From there, the picture improves, accelerating from **~0.5% in 2027F to ~2.5% by 2030F**. In dollar terms, revenue moves from approximately **\$37B in 2025A to \$39B in 2030F**. Top-line growth is modest in absolute terms, but the quality of that growth improves materially: fewer dollars come from declining businesses, more come from streaming and content monetization, which carry healthier margins and reinvestment economics.

(USD Million)	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
Revenue	41,321	39,321	37,296	36,550	36,733	37,467	38,404	39,364
YoY %		(4.8%)	(5.1%)	-2.0%	0.5%	2.0%	2.5%	2.5%
Cost of Revenues	(24,315)	(22,577)	(20,682)	(20,285)	(20,387)	(20,794)	(21,314)	(21,847)
% of Revenues	(58.8%)	(57.4%)	(55.5%)	(55.5%)	(55.5%)	(55.5%)	(55.5%)	(55.5%)
Gross Profit	17,006	16,744	16,614	16,265	16,346	16,673	17,090	17,517
Gross Margin %	41.2%	42.6%	44.5%	44.5%	44.5%	44.5%	44.5%	44.5%
Operating Expenses	(9,097)	(8,640)	(8,483)	(8,224)	(8,155)	(8,243)	(8,372)	(8,503)
% of Revenues	(22.0%)	(22.0%)	(22.7%)	(22.5%)	(22.2%)	(22.0%)	(21.8%)	(21.6%)
Stock-based Compensation	(500)	(557)	(769)	(768)	(771)	(787)	(806)	(827)
% of Revenues	(1.2%)	(1.4%)	(2.1%)	(2.1%)	(2.1%)	(2.1%)	(2.1%)	(2.1%)
EBITDA	7,409	7,547	7,362	7,273	7,420	7,643	7,911	8,188
EBITDA margin %	17.9%	19.2%	19.7%	19.9%	20.2%	20.4%	20.6%	20.8%
D&A	(7,985)	(7,037)	(5,684)	(5,023)	(4,502)	(4,078)	(3,736)	(3,463)
% of Revenues	(19.3%)	(17.9%)	(15.2%)	(13.7%)	(12.3%)	(10.9%)	(9.7%)	(8.8%)
Restructuring / non-recurring	(747)	(609)	(565)	-	-	-	-	-
EBIT	(1,323)	(99)	1,113	2,250	2,918	3,565	4,175	4,725
EBIT Margin %	(3.2%)	(0.3%)	3.0%	6.2%	7.9%	9.5%	10.9%	12.0%
Net Interest Expense	(1,983)	(1,751)	(1,890)	(1,709)	(1,544)	(1,392)	(1,255)	(1,117)
Other Income/(Expense)	(604)	(9,370)	2,395	-	-	-	-	-
EBT	(3,910)	(11,220)	1,618	542	1,374	2,173	2,920	3,607
Income Tax	(784)	94	890	130	330	522	701	866
% of EBT	20.1%	(0.8%)	55.0%	24.0%	24.0%	24.0%	24.0%	24.0%
Net Income	(3,126)	(11,314)	728	412	1,045	1,651	2,219	2,742
Net Margin %	(7.6%)	(28.8%)	2.0%	1.1%	2.8%	4.4%	5.8%	7.0%

VALUATION



DCF | SEGMENT BREAKDOWN AND WACC

SEGMENT BREAKDOWN

WBD operates three distinct businesses, each at a different point in its lifecycle:

- **Studios** (~\$12.6B → \$14.7B by 2030F) **grows steadily**, supported by a solid theatrical slate, TV production, gaming, and library monetization. It's the **most predictable cash generator** in the portfolio
- **Networks**, the global linear-TV business, is the **structural drag** (~\$17.7B → ~\$13.1B), as cord-cutting and advertising pressure continue to compress affiliate and ad revenue. The model assumes **this decline persists across the forecast at a moderating pace**
- **Direct-to-Consumer/Max** is the **growth engine** (~\$10.9B → ~\$15.2B), powered by international subscriber additions, ARPU (Average Revenue per User) gains from price increases, and rising ad-supported revenue. By 2030F, **streaming overtakes linear-TV business** in both revenue and profit contribution

(USD Million)	2023A	2024A	2025A	2026F	2027F	2028F	2029F	2030F
Studios	12,192	11,607	12,619	12,998	13,452	13,856	14,272	14,700
% of Revenue	29.5%	29.5%	33.8%	35.6%	36.6%	37.0%	37.2%	37.3%
Networks	21,244	20,175	17,656	15,890	14,778	14,039	13,478	13,073
% of Revenue	51.4%	51.3%	47.3%	43.5%	40.2%	37.5%	35.1%	33.2%
Direct-to-Consumer/Max	10,154	10,313	10,876	11,855	12,803	13,699	14,521	15,247
% of Revenue	24.6%	26.2%	29.2%	32.4%	34.9%	36.6%	37.8%	38.7%
Inter-segment Eliminations	(2,269)	(2,774)	(3,855)	(4,193)	(4,301)	(4,128)	(3,867)	(3,657)
Revenue	41,321	39,321	37,296	36,550	36,733	37,467	38,404	39,364

WACC CALCULATION

Built with a bottom-up approach starting from a curated peer group: Netflix, Disney, Comcast, Fox and Sony

- **Target capitalization ratios:** target capital structure of approximately **84% equity** and **16% debt** (aligned with the peer-group median)
- **Cost of debt:** derived from a synthetic credit rating and calculated as the risk-free rate plus a 138 bps credit spread, and adjusted for a 27% tax shield
- **Cost of equity:** anchored on a 10-year Treasury yield of ~4.2% (risk-free rate), an equity risk premium of ~4.7% (Damodaran 2026, based on sovereign CDS spreads), and a levered beta of ~1.02 (derived from the peer group)

WACC			
	Mean	25th Perc	75th Perc
Target Capitalization Ratios			
Debt as % of Total Capitalization	15.71%	5.67%	16.13%
Equity as % of Total Capitalization	84.29%	83.87%	94.33%
Cost of Debt			
Risk-free Rate	3.87%	3.87%	3.87%
Spread	1.38%	1.38%	1.38%
Corporate Tax Rate (Debt Shield)	27.00%	27.00%	27.00%
After-tax Cost of Debt	3.83%	3.83%	3.83%
Cost of Equity			
Risk-free Rate	4.18%	4.18%	4.18%
Equity Risk Premium	4.69%	4.69%	4.69%
Levered Beta	1.02	0.69	1.17
Cost of Equity	8.94%	7.42%	9.65%
WACC	8.14%	6.44%	9.72%

The result is a WACC of 8.14%.

VALUATION



DCF | CASH FLOW AND TERMINAL GROWTH RATE

CASH FLOW BUILD

The Unlevered Free Cash Flow (UFCF) calculation starts with subtracting taxes from operating profit (at a 27% tax rate). Then, **depreciation and amortization**, as well as **stock-based compensation**, are added back (non-cash charges that do not actually leave the business). Finally, **capital expenditures** and any **increase in working capital** are deducted. What remains is the cash flow available to fund debt repayment, dividends, buybacks or reinvestment.

Across the forecast, WBD generates approximately \$6.1B to \$6.6B of UFCF per year, supported by growing margins, modest capex requirements, and a working-capital base that has largely normalized after the 2022 merger. The terminal-year figure (\$6.6B) anchors the **terminal-value** calculation and accounts for **roughly 76% of total enterprise value**: a reminder of how much of the valuation rests on long-term cash generation rather than the explicit forecast period alone.

(USD Million)	2026F	2027F	2028F	2029F	2030F
EBIT	2,250	2,918	3,565	4,175	4,725
<i>EBIT Margin %</i>	<i>6.2%</i>	<i>7.9%</i>	<i>9.5%</i>	<i>10.9%</i>	<i>12.0%</i>
Taxes on EBIT	(608)	(788)	(963)	(1,127)	(1,276)
NOPAT	1,643	2,130	2,603	3,048	3,449
D&A	5,023	4,502	4,078	3,736	3,463
Stock-based Compensation	768	771	787	806	827
Change in NWC	(58)	(21)	46	65	66
<i>% of Revenue</i>	<i>(0.1%)</i>	<i>(0.1%)</i>	<i>0.1%</i>	<i>0.2%</i>	<i>0.2%</i>
CAPEX	(1,231)	(1,231)	(1,231)	(1,231)	(1,231)
<i>% of Revenue</i>	<i>(3.0%)</i>	<i>(3.1%)</i>	<i>(3.3%)</i>	<i>(3.4%)</i>	<i>(3.4%)</i>
UFCF	6,145	6,151	6,283	6,424	6,574

TERMINAL GROWTH RATE

A terminal growth rate of 2.5% is **well-supported** in this case. It sits squarely **between expected long-run inflation** (~2.0%, the Federal Reserve's target) and **US long-run nominal GDP growth** (3.8%-4.0%).

Critically, 2.5% is **exactly the rate at which the model's explicit forecast stabilizes**: WBD's revenue re-accelerates to 2.5% by 2030F after the normalization period, so extending that same figure into perpetuity avoids introducing an artificial kick at the terminal year.

Economically, it credits a **fully stabilized WBD with inflation pass-through** (supported by demonstrated pricing power in streaming and contractual escalators in affiliate and licensing revenue) **plus a modest ~0.5% of real growth**, consistent with a business whose mix is shifting toward a structurally growing D2C segment.

VALUATION



DCF | FINAL VALUATION AND SENSITIVITY ANALYSIS

(USD Million)	2026F	2027F	2028F	2029F	2030F
EBIT	2,250	2,918	3,565	4,175	4,725
<i>EBIT Margin %</i>	6.2%	7.9%	9.5%	10.9%	12.0%
Taxes on EBIT	(608)	(788)	(963)	(1,127)	(1,276)
NOPAT	1,643	2,130	2,603	3,048	3,449
D&A	5,023	4,502	4,078	3,736	3,463
Stock-based Compensation	768	771	787	806	827
Change in NWC	(58)	(21)	46	65	66
<i>% of Revenue</i>	(0.1%)	(0.1%)	0.1%	0.2%	0.2%
CAPEX	(1,231)	(1,231)	(1,231)	(1,231)	(1,231)
<i>% of Revenue</i>	(3.0%)	(3.1%)	(3.3%)	(3.4%)	(3.4%)
Unlevered Free Cash Flow	6,145	6,151	6,283	6,424	6,574
Discount Period (years)	1	2	3	4	5
Discount Factor	0.92	0.86	0.79	0.73	0.68
Present Value of UFCF	5,682	5,260	4,968	4,698	4,445
Terminal-year UFCF (2030F)	6,574				
UFCF in 2031F	6,738				
TV	119,497				
Present Value of TV	80,807				
<i>Implied Exit EV/EBITDA</i>	14.6x				
Enterprise Value	105,861				
<i>% from Terminal Value</i>	76.3%				
Total Debt (2025A)	(32,706)				
Cash & Cash Equivalents (2025A)	4,566				
Non-controlling Interests & RNCI	(1,247)				
Equity Value	76,474				
Diluted Shares Outstanding (M)	2,464				
Implied equity value per share (\$)	31.04				

The DCF values Warner Bros. Discovery at an Enterprise Value of ~\$106B in the base case (WACC of 8.14% and g of 2.5%), with a range of ~\$83B-\$151B across the 25th-75th percentile WACC scenarios. Roughly 76% of the value sits in the terminal value, reflecting WBD's profile as a stabilizing business whose long-term cash generation matters more than the explicit forecast period. The implied equity value per share is materially above the unaffected share price prior to the announcement (~\$20 per share as of Sep. 2025)

The ~\$106B standalone enterprise value reflects WBD's intrinsic value, while the \$110B offered by Paramount includes a control premium, synergies the acquirer expects to capture, cost savings, content cross-monetization and distribution leverage.

ENTERPRISE VALUE SENSITIVITY ANALYSIS

		g				
		1.50%	2.00%	2.50%	2.75%	3.00%
WACC	7.64%	100,593	107,663	116,109	120,980	126,375
	7.89%	96,648	103,093	110,734	115,112	119,938
	8.14%	93,000	98,895	105,836	109,789	114,127
	8.39%	89,617	95,026	101,353	104,937	108,854
	8.64%	86,471	91,448	97,236	100,498	104,049

VALUATION



MARKET TRADING MULTIPLES

For the valuation of Warner Bros. Discovery using the comparable companies method, specific selection criteria were defined to ensure **industry consistency** and the **relevance of the multiples** used:

- **Industry perimeter:** the selected companies operate in the **media and entertainment sector**, including traditional broadcasters, streaming platforms and diversified media conglomerates with significant content production and distribution activities
- **Company type:** the companies are **listed on regulated markets** to ensure the availability of public and comparable financial data
- **Dimension:** preference was given to companies with an **operational scale and revenue base comparable to those of Warner Bros. Discovery**, to reduce distortions in the multiples arising from structural size differences. The selected peer group (Netflix, Disney, Comcast, Fox Corp., and Sony Group) reflects this criterion, covering a broad range of market capitalizations while remaining anchored in the same industry
- **Geography:** the selected sample includes companies with a **significant international presence**, operating primarily in the **United States, Europe and Asia-Pacific**, markets that also represent the principal reference areas for Warner Bros. Discovery

In the valuation analysis, the median multiples **EV/EBITDA** and **EV/Revenue** were considered as the **primary benchmarks** for the comparison between Warner Bros. Discovery and the peer group, while the average **P/E multiple** was used as a **supplementary reference**.

(USD Million)		Mkt Cap	EV	Revenues	EBITDA	Net Income	EV/Rev	EV/EBITDA	P/E
Netflix	US	388,530	390,600	46,890	34,080	13,370	8.3x	11.5x	29.1x
Disney	US	179,760	220,720	95,720	19,170	12,250	2.3x	11.5x	14.7x
Comcast	US	98,740	183,880	125,280	44,690	18,800	1.5x	4.1x	5.3x
Fox Corp.	US	25,360	30,840	16,580	3,530	1,890	1.9x	8.7x	13.4x
Sony Group	Japan	119,870	117,000	13,170	2,870	1,250	8.9x	40.8x	95.9x
Comps Average							4.6x	15.3x	31.7x
Comps Median							2.3x	11.5x	14.7x
WBD				37,296	7,362	728	85,781	84,663	23,078

VALUATION



COMPARABLE TRANSACTIONS

The selection of comparable strategic transactions for the acquisition of Warner Bros. Discovery is based on criteria of industrial, structural and competitive consistency, with the objective of building a representative panel of consolidation dynamics in the media and entertainment sector. The most relevant transactions considered are:

- **Time Warner – AT&T:** at \$108.7B enterprise value, this is the most comparable transaction in the sample by scale and asset mix. The acquisition gave AT&T full ownership of HBO, Warner Bros. studios and the Turner cable networks (CNN, TNT), pursuing vertical integration of premium content and telecommunications distribution. Its relevance to WBD is high: the acquired assets are the core of present-day Warner Bros. Discovery, making this the closest structural precedent. The implied multiples (3.87x EV/Revenue and 13.6x EV/EBITDA) carry the highest weight (25%) in the weighted average.
- **21st Century Fox assets – The Walt Disney Company:** Disney's \$90.6B acquisition of the film and TV studios, FX/National Geographic, international cable operations, Star India and Hulu is highly relevant by asset composition and deal size. As with WBD, news and broadcast assets were excluded through the New Fox spin-off, meaning the acquired perimeter is concentrated on scripted studios, IP libraries and international streaming rights, a close parallel to WBD's core value drivers. Implied multiples of 2.80x EV/Revenue and 12.9x EV/EBITDA are broadly in line with the Time Warner transaction and the deal carries a 25% weight.

The comparable transaction analysis is based on publicly reconstructed data in a Mergermarket-style format, meaning figures may differ from proprietary database sources due to differences in perimeter definition, currency treatment, LTM period and handling of debt and minorities. Transaction weights are tilted toward large-scale strategic media deals involving studios, content libraries, streaming and global brands, with smaller IP acquisitions or carve-outs receiving proportionally lower weight.

Target	Buyer	Date	Deal Value (USD Billion)	Weight	EV/Revenues	EV/EBITDA
Time Warner Inc.	AT&T Inc.	Oct. 2016	109	25%	3.9x	13.6x
21st Century Fox assets	The Walt Disney Company	Dec. 2017	91	25%	2.8x	12.9x
Sky plc	Comcast Corporation	Sep. 2018	48	15%	2.7x	15.5x
WarnerMedia business	Discovery, Inc.	May 2021	43	10%	1.4x	6.9x
MGM Holdings/Studios	Amazon.com, Inc.	May 2021	8	5%	5.6x	49.0x
Entertainment One Ltd.	Hasbro, Inc.	Aug. 2019	4	5%	3.8x	23.5x
Endemol Shine Group	Banjay Group	Oct. 2019	2	7%	1.3x	8.8x
MultiChoice Group Ltd.	Canal+ Group	Feb. 2024	3	8%	1.2x	7.3x
Comps Average					2.9x	17.2x
Comps Median					2.8x	13.6x
Weighted Average					2.9x	14.5x
WBD (USD Million)					107,449	106,531

CONCLUSIONS



SUMMARY TABLE

The valuation summary table presents the results obtained through the different methodologies applied in the analysis.

(USD Million)	
DCF EV	105,861
Comps - EV/Revenues	85,781
Comps - EV/EBITDA	84,663
PT - EV/Revenues	107,449
PT - EV/EBITDA	106,531

The Discounted Cash Flow approach implies an Enterprise Value of approximately \$105.9B. The trading comparable companies analysis indicates a valuation range between approximately \$84.7B and \$85.8B, while the precedent transactions analysis suggests a higher valuation range of approximately \$106.5B to \$107.4B.

Trading multiples reflect current market sentiment toward the media sector and Warner Bros. Discovery's specific challenges, including leverage, restructuring efforts, and the ongoing decline of the linear television business.

In contrast, both the DCF and precedent transactions analyses capture the company's long-term cash generation potential and the strategic value typically recognized in large-scale media acquisitions. The consistency between these methodologies reinforces the view that the company's value extends beyond the level currently implied by public market trading multiples.

Against this backdrop, Paramount Skydance's proposed acquisition value of approximately \$110B appears broadly supported by the valuation analysis. Overall, the transaction appears financially reasonable and consistent with Warner Bros. Discovery's long-term strategic and economic value.

