

# Skydance Media Secures Paramount Global in \$8 Billion Merger to Form New Entertainment Powerhouse

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*“This is a defining and transformative time for our industry and the storytellers, content creators and financial stakeholders who are invested in the Paramount legacy and the longevity of the entertainment economy. We are committed to energizing the business and bolstering Paramount with contemporary technology, new leadership and a creative discipline that aims to enrich generations to come.”* - Skydance Founder and CEO David Ellison

## Deal Overview

- Acquiror: Skydance Media
- Target: Paramount Global (NASDAQ:PARA)
- Industry: Media and Entertainment
- Transaction amount: \$8b
- Announcement date: 7. July 2024
- Advisors to Skydance Media: RedBird Advisors, BofA Securities, Inc., Moelis & Company LLC and The Raine Group
- Advisors to Paramount Global: Rothschild & Co

## Deal Summary

Skydance Media, led by the Ellison family and RedBird Capital, has entered into a transformative agreement to acquire a controlling stake in Paramount Global. The \$8 billion deal includes the acquisition of National Amusements Inc. (NAI), Paramount Global's parent company. As part of this agreement, the two companies will merge into a new entity, branded as "New Paramount," consolidating their strengths in media and entertainment.

The merger will occur in two phases. First, Skydance investors will pay \$2.4 billion in cash to acquire NAI. In the second phase, Paramount will distribute \$4.5 billion in cash and stock to its Class A and Class B shareholders. Skydance will also inject an additional \$1.5 billion into Paramount's balance sheet to reduce debt and fund future strategic initiatives. Skydance investors will also receive 317 million newly issued Class B shares in the new company, valued at \$15 per share.

The merger positions New Paramount as a leader in next-generation media. Paramount brings an extensive global distribution network and valuable franchises that already resonate with international audiences. Skydance, in turn, contributes cutting-edge technology in animation and interactive media, as well as a proven track record in producing innovative, high-quality content. By combining Skydance's creative expertise and technological advancements with Paramount's infrastructure and global reach, the newly formed entity will be uniquely positioned to expand further into rapidly growing sectors such as animation, sports content, and video games.

## Company Overview – Skydance Media

Skydance Media, founded by David Ellison in 2010, is a diversified entertainment company with operations spanning feature films, television, games, animation,

and sports. Originally launched as a film studio, Skydance has grown into a key player across multiple media sectors, with offices in Los Angeles, Silicon Valley, Spain, and Canada. Skydance's films have generated over \$8 billion at the global box office, with additional upcoming releases such as *The Old Guard 2* for Netflix and *The Gorge* for Apple TV+. The company also has co-produced several major franchises with Paramount, including *Mission: Impossible* and *Transformers*, contributing to their global success.

In television, Skydance is a major supplier of premium scripted content, with popular series such as *Grace and Frankie*, *Jack Ryan*, *Reacher*, and *Foundation*, available on platforms like Netflix, Amazon Prime Video, and Apple TV+. Skydance Games continues to make a mark with immersive experiences and cutting-edge graphics, producing titles like *The Walking Dead: Saints & Sinners* and upcoming collaborations in the *Star Wars* and *Marvel* universes.

Skydance Animation, with studios in Los Angeles and Madrid, focuses on high-end animated films and series, including *Luck* and the upcoming *Spellbound*. Skydance Sports, a joint venture with the NFL, produces sports-related content, including the feature film *Air* and docuseries like *NFL Draft: The Pick Is In*.

Through its diversified portfolio and global presence, Skydance remains at the forefront of innovative storytelling diversified across multiple entertainment platforms.

## Company Overview – Paramount Global

Paramount Global, headquartered in New York City, was formed in 2019 through the merger of CBS Corporation and Viacom, and is led by CEO Bob Bakish and Chairwoman Shari Redstone. The company is a major player in the media and

entertainment industry, owning iconic brands such as Paramount Pictures, CBS, Nickelodeon, MTV, and Showtime, alongside its streaming platform Paramount+. Paramount Pictures, founded in 1912, is one of Hollywood's oldest and most prestigious film studios, known for blockbuster franchises like *Mission: Impossible* and *Transformers*.

As the media landscape evolves, Paramount continues to adapt with operations spanning television, film, and digital streaming platforms. In 2022, the company rebranded to emphasize its shift toward modern digital content creation and distribution. This transformation has been pivotal to the company's recent performance, with 2023 revenues exceeding \$25 billion and a global footprint that includes over 700 million subscribers across 180 countries.

Central to Paramount's growth strategy is its focus on streaming services, particularly Paramount+, which has seen significant investment in recent years. The company has allocated over \$4 billion to expand the platform's content library and enhance its digital infrastructure. By leveraging its vast intellectual property (IP), Paramount continues to build strong franchises, positioning itself for continued success across multiple platforms.

This diversified content strategy is evident across Paramount's various offerings. Paramount+ features popular originals like *1883* and *The Good Fight*, while Nickelodeon provides beloved children's content like *SpongeBob*. On CBS, hit shows such as *NCIS* and *FBI* attract large audiences, and Paramount remains a leader in sports broadcasting, with marquee events like the NFL and UEFA Champions League. These wide-ranging offerings highlight Paramount's ability to thrive across both traditional and digital platforms.

### Industry Overview – Media and Entertainment

The media and entertainment industry is undergoing a transformative period, driven by the growing importance of digital streaming and shifting consumer behaviors. Over the past decade, traditional media companies have faced increasing competition from streaming giants like Netflix, Amazon Prime Video, and Disney+, forcing a realignment in content production and distribution strategies. This shift was further accelerated by the COVID-19 pandemic, with more consumers turning to digital platforms for their entertainment needs. In response, many companies have pursued mergers and acquisitions (M&A) as a way to remain competitive and future-proof their operations.

M&A has emerged as a key strategy for media companies seeking to enhance their digital capabilities and expand content libraries in an increasingly competitive landscape. For example, in 2022, WarnerMedia and Discovery merged in a \$43 billion deal to form Warner Bros. Discovery, a move aimed at combining their content portfolios to better compete with streaming giants. This trend reflects a broader pattern of consolidation, where companies with established streaming platforms or valuable IP have become prime acquisition targets. The recent Skydance Media and Paramount Global merger exemplifies this approach, with Skydance aiming to leverage Paramount's global distribution network and IP to strengthen its position in the digital space.

These mergers are fueled by the need for media companies to balance content production costs to remain competitive in the crowded streaming market. Companies are increasingly investing in animation, sports content, and interactive media to capture growing consumer demand for on-demand content. As the industry transitions to digital-first models, this trend of consolidation is expected to continue, with companies seeking larger market shares and global

expansion in an ever-evolving entertainment landscape.

### Deal Structure

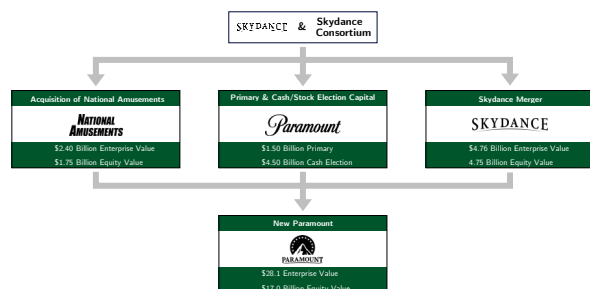
The merger between Skydance Media and Paramount Global, valued at \$8 billion, will take place in two phases (see Figure 1). In the first phase, Skydance will acquire NAI for \$2.4 billion in cash. Although Paramount's enterprise value exceeds \$20 billion, Skydance will gain control of Paramount through NAI's dominant voting power, as the parent company holds approximately 77.4% of the voting Class A shares. This gives Skydance decisive control over Paramount's strategic decisions, despite NAI owning only 9.5% of the overall equity. By acquiring NAI, Skydance effectively secures voting control of Paramount without needing to purchase the non-voting Class B shares.

In the second phase, Skydance will merge into Paramount with Skydance's equity valued at \$4.75 billion, in an all-stock transaction. As part of this, existing Skydance investors will receive 317 million newly issued Class B shares of Paramount, each priced at \$15 per share, representing their ownership stake in the new entity. Additionally, a \$6 billion cash investment will be made into Paramount, led by the Skydance Consortium. Out of this, \$4.5 billion will be distributed to Paramount's Class A and Class B shareholders, while \$1.5 billion will be injected into Paramount's balance sheet to reduce debt and support future strategic growth. Following the merger, the Skydance Consortium will hold 70% pro forma economic ownership and 100% pro forma voting ownership of the newly formed entity, branded as New Paramount, which will remain a publicly traded company.

New Paramount will have an enterprise value of \$28.1 billion, making it the fourth largest in the industry, trailing behind major players like Netflix and Walt

Disney. Based on New Paramount's company presentation, it expects to trade at an EV/EBITDA multiple of 8.2x in FY+1, above current market valuation and exceeding the industry median EV/EBITDA of 7.45x (see Table 1). This underscores Paramount's strong position among media and entertainment leaders.

Figure 1: Deal Structure



Source: Paramount Transaction Presentation, 08.07.2024 – own depiction

### Potential Risks & Upsides

One of the key advantages of this merger lies in the operational efficiencies and strategic synergies that can be unlocked. Skydance brings its innovative content creation expertise, particularly in areas like feature animation, sports content, and interactive media, while Paramount's established global media, while Paramount's established global distribution network, spanning over 180 countries, provides the infrastructure needed to scale content across multiple platforms, from traditional television to streaming services. The integration of these assets not only strengthens New Paramount's ability to produce and distribute diverse content but also unifies key Paramount IP, such as co-produced franchises like *Mission: Impossible* and *Transformers*, ensuring they reach global audiences more effectively.

Additionally, the \$1.5 billion capital injection from Skydance will enhance Paramount's balance sheet by

reducing net leverage, which allows for more flexibility to invest in future projects and improve free cash flow. This financial restructuring positions New Paramount to capitalize on emerging opportunities, particularly in areas like feature animation, sports content, and gaming, as the media industry shifts away from traditional film and television models. The merger also aligns voting and economic interests in the publicly traded company, while enhancing top management with deep experience and creative discipline, positioning New Paramount for growth and success in a competitive industry.

However, with the media landscape rapidly changing, the merger also comes with challenges. The combined entity will need to navigate the highly competitive and volatile streaming market, where giants like Netflix, Disney, and Amazon have already established strong footholds. Success will depend on New Paramount's ability to innovate, attract new audiences, and maintain its relevance in an industry driven by technological advancements and changing consumer preferences.

Moreover, what has been one of Skydance's greatest strengths — its ability to diversify across multiple platforms — could turn into a vulnerability. Skydance has been producing successful series for streaming

services like Netflix and Amazon Prime Video, which could be jeopardized by the merger. With the integration of Paramount+, a direct competitor to these platforms, there is a possibility that Skydance may lose these key partnerships, thereby reducing its platform diversification and limiting revenue streams from non-Paramount platforms. Maintaining these relationships while balancing the interests of Paramount+ will be crucial for New Paramount's continued success in a highly competitive and consolidated streaming market.

In summary, the merger between Skydance and Paramount provides significant potential for operational and financial growth, positioning the company to become a formidable player in the evolving entertainment landscape, though the path forward will require careful navigation of industry challenges and competitive pressures.

Table 1: Comparable Company Analysis

Company Name	Market Data - as of 15.10.2024			Financial Data		Financial Data	
	Price (\$/share)	Market Cap (\$mn)	EV (\$mn)	Sales (FY+1) (\$mn)	EBITDA (FY+1) (\$mn)	EV/Sales (FY+1)	EV/EBITDA (FY+1)
Fox Corporation	41.55	18'250	22'425	15'062	3'050	1.49x	7.35x
Netflix Inc. USA	713.00	305'994	315'863	43'445	12'895	7.27x	24.50x
Warner Bros. Discovery, Inc.	7.54	18'487	56'838	40'746	9'627	1.39x	5.90x
Nexstar Media Group, Inc.	168.48	5'435	12'381	5'086	1'661	2.43x	7.45x
The Walt Disney Company	94.97	172'466	218'777	95'205	19'005	2.30x	11.51x
Comcast Corporation	41.97	162'529	255'313	122'367	38'245	2.09x	6.68x
Sinclair, Inc.	17.36	1'152	5'017	3'240	541	1.55x	9.28x
AMC Networks Inc.	7.82	345	2'241	2'386	456	0.94x	4.92x
Vivendi SE	10.25	10'328	19'196	19'220	2'165	1.00x	8.86x
Median						1.55x	7.45x
Average						2.27x	9.61x
Paramount Global	10.37	7'381	21'256	29'860	3'039	0.71x	6.99x

Source: S&P CapitalIQ 15.10.2024 – own illustration