The Warner Bros. Saga: Paramount's $111bn Takeover Ends Netflix's Bid

Jérôme Estreicher

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"*We believe our offer will create a stronger Hollywood. It is in the best interests of the creative community, consumers and the movie theater industry. We believe they will benefit from the enhanced competition, higher content spend and theatrical release output, and a greater number of movies in theaters as a result of our proposed transaction.*" – David Ellison, CEO of Paramount Skydance

Offers Overview

Netflix

- Acquiror: Netflix Inc. (NASDAQ:NFLX)
- Target: Warner Bros. Discovery Inc. (Streaming & Studios division) (NASDAQ:WBD)
- Transaction amount: $82.7bn
- Consideration: Cash and stock
- Announcement date: 5th December 2025

Paramount Skydance

- Acquiror: Paramount Skydance Corp. (NASDAQ:PSKY)
- Target: Warner Bros. Discovery Inc. (Whole company) (NASDAQ:WBD)
- Transaction amount: $111bn
- Consideration: All-cash tender offer
- Announcement date: 24th February 2026

Introduction

In one of the most consequential media transactions in recent years, Warner Bros. Discovery (WBD) has been at the center of a high-stakes bidding contest that has reshaped the competitive landscape of global entertainment. Following its announced plan to separate into two standalone businesses, WBD attracted competing takeover proposals from Netflix and Paramount Skydance – two fundamentally different strategic buyers with divergent visions for the future of content ownership, distribution, and industry consolidation. After months of escalating offers, WBD's board ultimately determined that Paramount Skydance's revised all-cash proposal constituted a "Superior Proposal," prompting Netflix to withdraw from the process.

At the heart of the saga lies a broader structural shift in media economics. As streaming platforms mature and legacy television declines, ownership of premium intellectual property, global distribution infrastructure, and scalable technology platforms has become increasingly critical. The bids for WBD extended beyond valuation alone; they reflected contrasting approaches to vertical integration, platform expansion, and full-company consolidation at a time of heightened regulatory and political scrutiny.

With Paramount now positioned to acquire the entire WBD group, subject to regulatory approval, the focus shifts from bidding dynamics to execution and oversight. The transaction not only defines WBD's corporate trajectory but may also signal how the next phase of global media consolidation will unfold.

Company Overview – Netflix

Founded in 1997 and headquartered in Los Gatos, California, Netflix is the world's largest subscription-based video streaming platform, with over 300 million paying members across more than 190 countries as of year-end 2025. The company is led by co-CEOs Ted Sarandos and Greg Peters, following the 2023 transition of founder Reed Hastings to executive chairman.

Netflix operates a direct-to-consumer model, generating the majority of its $45bn in estimated 2025 revenue through monthly subscriptions across both ad-free and ad-supported plans. Its ad-supported tier, introduced in late 2022, accounted for more than 50% of new signups in enabled markets by the end of 2024. The platform maintains leading average revenue per user (ARPU), particularly in North America, and continues to drive monetization through targeted price adjustments and a global crackdown on account sharing.

The company invests heavily in original content, with nearly 600 Netflix Originals released in 2024, alongside a growing portfolio of licensed and local-language programming. Flagship franchises such as *Stranger Things*, *The Crown*, *Bridgerton*, and global breakout titles including *Squid Game* have reinforced Netflix's ability to generate culturally dominant series across multiple markets, while films such as *Red Notice* and *The Gray Man* illustrate its growing theatrical-scale production capabilities. It is also expanding into adjacent verticals including live events and video gaming, aiming to increase subscriber engagement and platform stickiness.

Unlike many competitors, Netflix is consistently profitable. In 2024, it reported $8.7bn in net income (22% margin) and returned $6.2bn to shareholders via buybacks. Long-term debt remained stable at approx. $15bn, with positive free cash flow and strong operating leverage underpinning its strategic flexibility.

Company Overview – Paramount Skydance

Paramount Skydance was formed in August 2025 through the merger of Paramount Global and Skydance Media, combining one of Hollywood's most storied content libraries with a rising independent studio known for blockbuster co-productions and a technology-oriented growth strategy. Paramount Global, formerly ViacomCBS, brought to the merger a broad portfolio of film, television, and streaming assets, including Paramount Pictures, CBS, Showtime, Nickelodeon, MTV, and the streaming platforms Paramount+ and Pluto TV. Skydance Media, founded by David Ellison in 2006 and backed by the Ellison family and RedBird Capital, contributed its film, animation, gaming, and interactive entertainment businesses, as well as production partnerships with major studios.

Figure 1: Paramount Skydance's primary segments

Source: Own compilation

The combined company operates across three primary segments: Studios, TV Media, and Direct-to-Consumer (see Figure 1). As of late 2025, the business generated approx. $30bn in annual revenue, with Paramount+ reaching nearly 78 million global subscribers and Pluto TV maintaining its position as a leading ad-supported streaming service. The group remains challenged by linear television headwinds and heavy streaming investment; in 2024, legacy Paramount Global posted a $6.2bn net loss, driven in part by content impairments and restructuring charges. The merged entity is targeting $2bn in annual cost synergies.

Paramount Skydance is led by CEO David Ellison, who has positioned the company to compete more aggressively with larger media rivals through tighter integration of content, technology, and distribution. The Ellison family remains a key financial and strategic stakeholder, with Larry Ellison providing deep capital backing and governance continuity.

Company Overview – Warner Bros. Discovery

Warner Bros. Discovery is a global media and entertainment conglomerate formed in 2022 through the merger of AT&T's WarnerMedia and Discovery, Inc. Headquartered in New York, the company operates three primary segments: Studios, Direct-to-Consumer Streaming, and Linear Networks. Its portfolio includes iconic brands such as Warner Bros. Pictures, HBO, CNN, DC Studios, Discovery Channel, TNT Sports, and HGTV, supported by one of the industry's most extensive content libraries.

As of late 2025, WBD generated approx. $40bn in annual revenue and $9–10bn in adjusted EBITDA, with a free cash flow–driven model anchored in its networks segment. Streaming had grown to over 128 million global subscribers across Max and Discovery+, contributing to a meaningful turnaround in the DTC business, which became EBITDA positive in 2024. The studio division, home to franchises such as *Harry Potter*, *DC Universe*, and *Game of Thrones*, remained a core profit driver alongside WBD's high-margin cable channels, despite ongoing industry shifts.

Facing continued linear TV decline and a legacy debt burden of approx. $35bn, WBD announced in June 2025 its intent to separate into two independent entities: a high-growth "Streaming & Studios" company and a cash-generative "Global Networks" company (see Figure 2). CEO David Zaslav and CFO Gunnar Wiedenfels were named to lead the respective units post-spin, reflecting a structural realignment designed to clarify strategic focus and unlock long-term shareholder value.

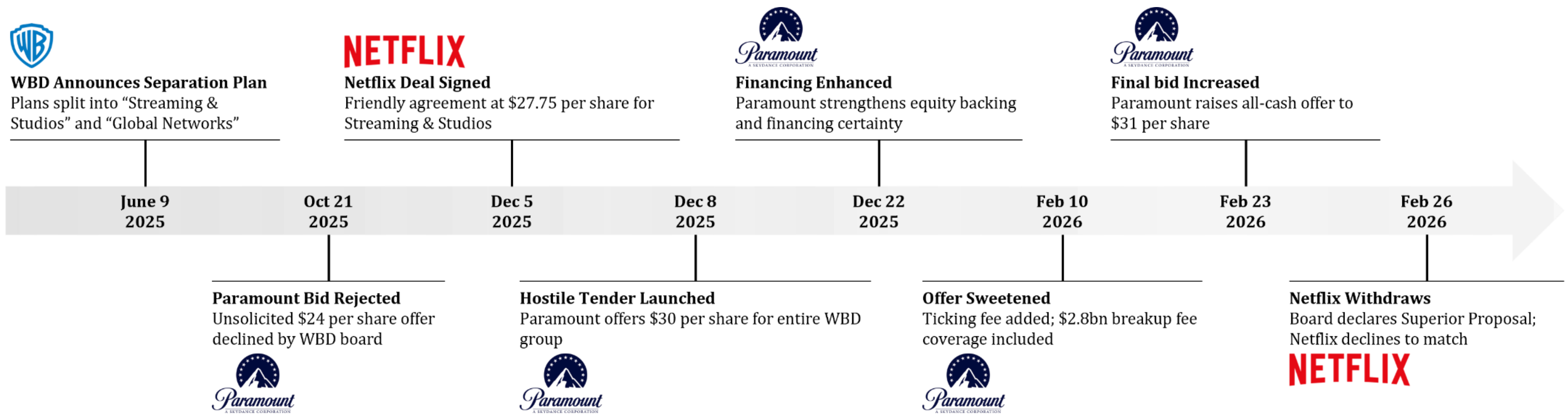
Figure 2: WBD's Intended Separation Structure

Source: Own compilation

Timeline of the Saga

Following continued financial underperformance, mounting debt obligations, and investor pressure to unlock value, WBD announced on June 9, 2025, its intention to separate into two independent companies – a growth-oriented "Streaming & Studios" entity and a cash-generative "Global Networks" business (including CNN, HGTV, Food Network, etc.) – after a challenging post-merger integration period (see Figure 2). The strategic review was designed to sharpen focus, improve valuation clarity, and realign capital structures, and it immediately drew interest from strategic buyers and financial sponsors.

Figure 3: Timeline of the saga



Source: Own compilation

In early September 2025, several financial news outlets started reporting that Paramount Skydance was preparing a largely cash-backed bid to acquire WBD. By October 2025, Paramount Skydance submitted three unsolicited bids to acquire the full company, with its final pre-sale offer valuing WBD at approx. $24 per share, which the board formally declined on October 21. By mid-November, WBD launched a structured process to evaluate strategic alternatives. Multiple bids were submitted by Paramount Skydance and Netflix, while other interested parties, including Comcast and private funds, were reported to be exploring potential carveouts.

On December 5, 2025, Netflix announced a friendly agreement to acquire WBD's Streaming & Studios division for $27.75 per share in cash and stock (EV of approx. $82.7bn), with the legacy cable/networks business to be spun-off as "Discovery Global". Three days later, on December 8, Paramount Skydance launched a hostile all-cash tender offer for the entire company at $30 per share (EV of approx. $108.4bn). WBD's board formally recommended shareholders approve the Netflix transaction on December 17, 2025, citing superior certainty and strategic fit, and repeatedly rejected earlier Paramount overtures as inadequate or risky. On December 22, Paramount amended its offer with backing from Larry Ellison and other financiers, but WBD continued to urge shareholders toward the Netflix deal.

On February 10, 2026, Paramount sweetened its proposal by adding a quarterly "ticking fee" and agreeing to fund the $2.8bn breakup fee WBD would owe Netflix if the Netflix agreement were terminated, along with debt financing backstops – yet its $30 per share offer remained formally in place.

Amid mounting pressure from shareholders and regulatory uncertainty, WBD reopened negotiations with Paramount on February 17, 2026, granting it until February 23 to submit a "best and final" offer. Paramount subsequently increased its bid to $31 per share in cash (EV of approx. $111bn), strengthened its financing commitments, and offered enhanced regulatory protections, including a $7bn reverse break fee. WBD's board determined that the revised proposal constituted a "Superior Proposal" under the terms of its agreement with Netflix.

On February 26, Netflix announced it would not match the improved offer, stating that doing so was no longer financially attractive, and formally withdrew from the process. Paramount Skydance is now positioned to acquire the entire WBD group, subject to shareholder and regulatory approval.

Deal Comparison

The two competing offers for WBD differ materially in scope, structure, and execution profile.

Netflix's proposal is a friendly, board-supported acquisition of WBD's "Streaming & Studios" division, including HBO, Warner Bros. Pictures and Television, Max, DC Studios, and Warner Bros.

Games (see Figure 4). Announced on December 5, 2025, the transaction implied a value of $27.75 per share, structured as a mix of cash and Netflix stock. The deal is aligned with WBD's previously announced separation plan: the linear television and cable networks (CNN, TNT, HGTV, Food Network, etc.) would be spun off into a standalone entity ("Global Networks") prior to closing. Netflix secured a merger agreement including customary breakup protections and matching rights. However, following Paramount's revised proposal, WBD's board determined that the competing bid constituted a "Superior Proposal," and Netflix subsequently declined to match the improved terms and withdrew from the process.

Figure 4: Netflix's transaction perimeter

Source: Own compilation

Paramount Skydance's proposal, initially launched as a hostile, all-cash tender offer at $30 per share, was subsequently increased to $31 per share in cash. Unlike Netflix's divisional carveout, Paramount seeks to acquire WBD on a fully consolidated basis, encompassing both Streaming & Studios and Global Networks (see Figure 5). The offer has been enhanced to include strengthened financing commitments, a $0.25 per share quarterly ticking fee for delays beyond September, coverage of the $2.8bn Netflix breakup fee, and a $7bn reverse break fee in the event of regulatory failure. The board has determined the revised Paramount proposal to be superior, positioning it as the likely transaction, subject to shareholder and regulatory approval.

Figure 5: Paramount Skydance's transaction perimeter

Source: Own compilation

Structurally, the process evolved from a binary strategic choice between partial divestiture and full-company consolidation into a decisive endorsement of Paramount's higher all-cash offer, with regulatory clearance now representing the principal remaining hurdle.

Strategic Logic

WBD's Streaming & Studios division represents one of the largest collections of premium intellectual property globally. With globally recognized franchises such as *Harry Potter*, *Game of Thrones*, and the *DC Universe*, a deep film and television library, and an established direct-to-consumer platform (Max), the business combines durable IP, recurring subscription revenues, and global distribution infrastructure. In an increasingly capital-intensive and scale-driven media environment, control over proprietary content and franchise ecosystems has become a central competitive differentiator. Both Netflix and Paramount Skydance view these assets as strategically transformative rather than incremental.

For Netflix, the transaction would have represented a marked strategic evolution. Historically focused on organic growth, data-driven commissioning, and international expansion, Netflix has largely avoided transformative M&A. Acquiring WBD's studio infrastructure and franchise portfolio would have significantly expanded its owned-IP base, reduced reliance on licensed content, and enhanced vertical integration across theatrical, streaming, gaming, and consumer products. The deal would also have strengthened Netflix's bargaining position in global distribution and theatrical windows, while accelerating monetization through sequels, spin-offs, and cross-platform exploitation.

Paramount Skydance's rationale is structurally broader and now defines the likely strategic path forward. Its all-cash bid for the entire company reflects a belief that WBD's integrated asset base – including streaming, studios, news, sports, and global linear networks – retains long-term value if managed under unified ownership. The transaction would materially increase scale across both streaming and legacy channels, potentially unlocking cost synergies and rationalizing overlapping operations. However, the consolidation of major U.S. broadcast and cable assets introduces elevated regulatory scrutiny and execution complexity, particularly given the already concentrated nature of the domestic media landscape.

Risks and Key Considerations

With the competitive phase now concluded, the central uncertainty has shifted from bidder selection to execution and regulatory clearance.

Paramount Skydance's all-cash offer delivers immediate liquidity at a higher headline valuation, implying an enterprise value of approx. $111bn. However, the execution profile remains materially complex. The transaction would consolidate overlapping U.S. broadcast, cable, and streaming assets, likely triggering extended antitrust review across multiple jurisdictions, including the United States and Europe. The inclusion of a $7bn reverse break fee and strengthened financing commitments reduces deal uncertainty but does not eliminate regulatory risk. In addition, given that Paramount's winning proposal followed eight previously rejected offers during a competitive bidding process, questions may arise regarding valuation discipline and the risk of overpaying for scale in a structurally challenged media environment.

Operational integration presents an additional challenge. Full consolidation across studios, streaming platforms, news operations, sports rights, and linear networks would require substantial alignment of governance structures, capital allocation priorities, and technology infrastructure. Furthermore, the concentration of prominent news brands under common ownership may attract heightened political and public scrutiny.

By contrast, Netflix's shares rose by 8.5% in after-hours trading following its decision to withdraw, suggesting that investors viewed its exit as a disciplined capital allocation choice and a mitigation of potential antitrust and integration risks.

At this stage, the principal risks relate to regulatory approval, integration complexity, valuation execution, and the ability to realize anticipated synergies in a structurally evolving media environment.

Conclusion

The WBD bidding saga underscores the accelerating consolidation of global media assets in an era defined by scale, intellectual property ownership, and platform integration. What began as a contest between a streaming-centric partial divestiture and a full-company consolidation ultimately resolved in favor of Paramount Skydance's broader integration thesis.

The transaction signals a continued shift toward vertically integrated media ecosystems combining content creation, distribution, and monetization under unified ownership. It also highlights the growing role of regulatory scrutiny in shaping strategic outcomes, particularly where news assets and market concentration intersect.

With Netflix stepping away and Paramount emerging as the likely acquirer, the next chapter will be defined not by bidding dynamics but by regulatory review and post-merger execution. Regardless of final approval, the WBD process marks a pivotal moment in the restructuring of the global entertainment industry – one that will influence capital allocation, competitive positioning, and consolidation strategy for years to come.