

Paramount Skydance acquires Warner Bros. Discovery

PSKY (Acquirer) → WBD (Target) • Nasdaq • USD • \$31.00/share cash

Valuation date: 24 April 2026 • Analyst: Christopher Pérez Vega

Deal Thesis

Paramount Skydance (PSKY), six months after the Skydance reverse-merger that recapitalised the company, has agreed to acquire Warner Bros. Discovery (WBD) for \$31.00 per share in cash — a 14.5% premium to WBD's \$27.07 unaffected price and a \$76.9bn equity outlay backed by \$47bn of fresh sponsor equity (Ellison Family Office and RedBird Capital) and \$54bn of committed debt from BoA, Citi and Apollo. WBD shareholders approved on 23 April 2026; regulatory clearance is targeted for Q3 2026.

- Combined revenue base of \$66.2bn (PSKY \$28.9bn + WBD \$37.3bn FY2025) with library overlap (HBO + Paramount Pictures + Skydance), streaming concentration (HBO Max + Paramount+ + Pluto TV) and sports-rights aggregation (CBS Sports + TNT Sports).
- Management-disclosed synergy run-rate is \$6bn+. Our base case haircuts to \$4.5bn (75%) at 25% Damodaran conservatism. The sponsor case implies ~\$10bn+ at a 10% haircut to defend the offered price.
- Standalone DCF places WBD enterprise value at \$30.9bn against \$36.9bn of adjusted debt — equity is structurally underwater pre-deal and the market \$27.07 print is itself a deal-premium price, not a fundamental anchor.
- Apollo's debt participation at 4.3× net-debt/EBITDA at close, plus an explicit three-year IG-transition plan, makes this a strategic deal in form but a sponsor-led buyout in substance — we therefore run a full LBO feasibility test on the target, alongside Damodaran control + synergy decomposition.
- The transaction is, on this analyst's base-case assumptions, value-destructive for the acquirer at \$31.00 (max defensible: \$2.59/share). It clears only under the sponsor-implied case, where the max defensible per-share rises to \$31.24 — essentially priced to the offer. The deal therefore reduces, in our reading, to a bet on whether sponsor execution actually delivers ~\$10bn synergies + 13% terminal margin + 51% control premium net of integration risk.

Transaction Summary — Announced Terms

Item	Value	Item	Value
Offer price / share	\$31.00 cash	Equity financing	\$47.0bn (Ellison + RedBird)
Target shares outstanding	2,480m	Debt financing	\$54.0bn (BoA / Citi / Apollo)
Total equity offer	\$76.88bn	Refinanced WBD debt	\$15.0bn
Total deal cost	\$94.88bn	Transaction fees	\$3.0bn
WBD unaffected price	\$27.07	Implied premium to spot	+14.5%
Net debt / EBITDA at close	≈4.3×	IG transition target	3 years
Consideration mix	100% cash	Break-fee / reverse termination	\$2.8bn / \$7.0bn (regulatory)

Key Standalone Metrics — FY2025

Metric	PSKY (Acquirer)	WBD (Target)
Revenue (FY2025)	\$28.89bn	\$37.30bn
EBIT reported (FY2025)	\$0.93bn	\$0.74bn
EBITDA (FY2025)	\$15.80bn	\$18.07bn
D&A (incl. content amort.)	\$14.87bn	\$17.34bn
CapEx (incl. content spend)	\$15.35bn	\$12.63bn
FCFF (FY2025)	-\$0.99bn	\$4.82bn
ROIC (FY2025)	2.32%	0.82%

Total adjusted debt	\$15.09bn	\$36.90bn
Cash & equivalents	\$3.27bn	\$4.57bn
Shares outstanding	1,110m	2,480m
Market price (24 Apr 2026)	\$10.97	\$27.07
Market capitalisation	\$12.20bn	\$67.13bn
WACC	9.21%	7.91%
DCF enterprise value (base)	\$19.89bn	\$30.94bn
DCF equity value (base)	\$6.88bn	-\$2.62bn
DCF value / share (base)	\$6.21	-\$1.06

PSKY FY2025 D&A and CapEx jump to ~\$15bn because the post-Skydance opening balance sheet now capitalises and amortises content costs (per 10-K/A 24 Apr 2026 Successor + Predecessor reconciliation); WBD standalone equity is negative because adjusted debt (\$36.9bn) plus minority interest exceeds DCF firm value (\$30.9bn) — the \$27.07 market quote already reflects merger-arb premium, not standalone fundamentals.

Deal Bridge Snapshot

Bridge Component	My Base Case	Sponsor Implied Case
WBD enterprise value (standalone)	\$30.94bn	\$30.94bn
+ Value of control (target restructuring)	\$8.22bn	\$15.82bn
+ Value of synergy (post-haircut)	\$7.62bn	\$69.65bn
– Integration cost	–\$3.80bn	–\$2.37bn
– Transaction fees	–\$3.00bn	–\$3.00bn
= Max defensible total deal value	\$39.98bn	\$111.04bn
– Debt claims deducted (EV→equity)	–\$33.56bn	–\$33.56bn
= Max defensible equity offer	\$6.42bn	\$77.48bn
÷ Target shares (2,480m)	\$2.59 / share	\$31.24 / share
Announced offer / share	\$31.00	\$31.00
Acquirer surplus / (value destroyed)	–\$54.90bn	+\$16.16bn
Final decision (LBO branches)	ACCEPT (mechanical)	ACCEPT

Bridge follows the Damodaran sequence ($V_{target} + V_{control} + V_{synergy} - integration - fees$) reconciled to equity via the EV→equity deduction implied by WBD's standalone valuation (\$33.6bn of debt-like claims). The sponsor case is internally consistent: \$31.24 max defensible ≈ \$31.00 offered, i.e. the sponsors are pricing the target at the exact ceiling their own assumptions support. The base case reads \$2.59 — the offer can be rationalised only under the sponsor case.

WBD Historical Financials — FY2021–2025 (Adjusted, USD)

FY End	Revenue	EBIT adj	Op Margin	ROIC	FCFF	Adj Debt
FY2021	\$12.19bn	\$2.01bn	16.5%	6.26%	\$2.91bn	\$15.98bn
FY2022	\$33.82bn	–\$7.37bn	–21.8%	–5.57%	\$4.57bn	\$52.97bn
FY2023	\$41.32bn	–\$1.55bn	–3.7%	–1.29%	\$8.06bn	\$49.06bn
FY2024	\$39.32bn	–\$10.03bn	–25.5%	–10.44%	\$0.78bn	\$45.75bn
FY2025	\$37.30bn	\$0.74bn	1.98%	0.82%	\$4.82bn	\$36.90bn

FY2021 is legacy Discovery; FY2022 onward is post-WarnerMedia-merger WBD. The –\$10bn FY2024 EBIT reflects content/goodwill writedowns; the FY2025 EBIT of \$0.74bn is near-breakeven and is the cleanest run-rate available. Reinvestment is captured holistically through capex and content amortisation in D&A. No R&D capitalisation is applied (content is content, not R&D). Adjusted debt includes finance and operating leases.

Standalone WACC Construction

Input	PSKY	WBD	Note
Risk-free rate	4.31%	4.31%	US 10Y Treasury proxy, April 2026.
Equity Risk Premium (ERP)	6.32%	6.32%	Damodaran Apr 2026 GDP-weighted global ERP.
Country Risk Premium	0.00%	0.00%	Both US-listed; no incremental CRP applied.
Beta (unlevered)	0.82	0.57	PSKY: Damodaran

			Entertainment sector. WBD: blended (60% Entertainment / 30% Broadcasting / 10% Cable).
Beta (levered)	1.169	0.803	Hamada re-lever at 35% target debt ratio.
Cost of equity (Ke)	11.70%	9.39%	$Ke = rf + \beta L \times ERP + CRP$.
Cost of debt spread	150 bps	250 bps	PSKY ~IG margin; WBD BBB-/Ba1 lower-medium IG.
Pre-tax cost of debt (Kd)	5.81%	6.81%	$Kd = rf + spread$.
Marginal tax rate	21.0%	24.0%	PSKY: federal-only. WBD: federal + ~3% state blended.
Equity / debt weights	65 / 35	65 / 35	Target capital structure (mark-to-market merger reality).
WACC	9.21%	7.91%	Damodaran weighted-average cost of capital.

Business Context & Valuation Mechanism

Why this transaction stresses the M&A engine

PSKY+WBD is the most demanding pair the Specula M&A motor has been run on. WBD enters the deal with a sub-1% ROIC, \$36.9bn of adjusted debt against a \$30.9bn DCF firm value, and an open question on whether prior management destroyed structural value or merely accelerated an unavoidable linear decline. PSKY enters with a freshly-recapitalised balance sheet (post-Skydance), a content portfolio whose amortisation was only fully recognised on the FY2025 10-K/A, and a base-case standalone DCF at \$6.21 — already 43% below market. The merger therefore must justify, simultaneously: (i) restructuring uplift on a target whose equity is already economically negative; (ii) sponsor-grade integration of two post-merger entities at once; and (iii) a debt service load comparable to a pure LBO.

Value of Control — Damodaran restructuring premium

Control value isolates the lift achievable by re-running WBD's DCF under more disciplined operating assumptions, holding capital structure and beta fixed. Our base case raises the terminal pre-tax operating margin from 8.5% (status-quo) to 11.0% (Damodaran Entertainment-sector mean) and terminal pre-tax ROIC from 8% to 10%, while compressing the high-growth window from 10 to 8 years. This produces \$8.22bn of incremental firm value (\$3.31/share, 26.5% control premium). The sponsor case pushes margin to 13% (top quartile) and ROIC to 12%, restores a 10-year window, and computes \$15.82bn (\$6.38/share, 51.1% premium). The +\$7.6bn gap between the two control cases is the part of the deal premium that depends on Ellison-management actually outperforming a competent incumbent — not merely outperforming Zaslav.

Value of Synergy — operating, financial and tax

Synergy is computed as $V(\text{combined plan}) - V(\text{PSKY standalone}) - V(\text{WBD standalone})$. The engine runs a one-stage Damodaran DCF on a combined-firm baseline whose revenue is the FY2025 sum (\$66.19bn), beta is equity-weighted, Kd is debt-weighted, and ROIC / reinvestment are EBIT-weighted. Operating synergy comes from margin uplift and revenue uplift; financial synergy from compression of Kd and increased debt capacity; tax synergy from blended tax rate moves and explicit NOL utilisation. The institutional haircut is applied to the net positive uplift, not to each driver individually.

Base case applies a 1% revenue uplift over 3 years, 13% combined operating margin, 10% ROIC, and a 50bps Kd compression as the combined firm transits to IG. Result: \$7.62bn total synergy (\$3.07 per target share); operating \$4.52bn, financial \$3.10bn, tax -\$0.50bn (negative because the blended 23.5% rate exceeds PSKY's 21% standalone). Sponsor case applies a 3% revenue uplift over 5 years, 16% margin, 13% ROIC, 60bps Kd compression, and an explicit \$1.5bn tax shield uplift from foreign-NOL utilisation. Result: \$69.65bn (\$28.09 per target share); operating \$39.72bn, financial \$29.93bn, tax \$15.90bn. The motor flags this as a Damodaran red-flag — synergy exceeds 30% of combined baseline value, the threshold above which strict mode requires explicit override.

LBO Feasibility — disguised buyout test

Although announced as a strategic merger, the deal architecturally resembles an LBO: Apollo participates in the debt syndicate, leverage at close is 4.3× net-debt/EBITDA, the public commitment is to reach IG metrics within three years, and the equity providers (Ellison Family + RedBird) are sponsor-shaped capital. We therefore run the Damodaran LBO feasibility test on standalone WBD using the actual deal financing.

Both cases pass the dual feasibility threshold ($PV(CFE) \geq \text{equity invested}$ AND $PV(CFF) \geq \text{total deal cost}$). The base case scrapes through with equity-PV of \$52.8bn vs \$47bn invested (\$5.8bn cushion) and CFF-PV of \$95.06bn vs \$94.88bn cost (\$0.18bn cushion — essentially knife-edge). Year-1 net income is $-\$1.66\text{bn}$; CFE volatility is high ($\sigma = \$2.75\text{bn}$, min $-\$4.19\text{bn}$). The schedule retires debt fully by year 10 (D/E $\rightarrow 0$), but the path is rough. The sponsor case clears comfortably: PV(CFE) \$69.93bn, PV(CFF) \$115.39bn, CFE volatility $\sigma = \$0.51\text{bn}$ — a much smoother sweep, but only because the underlying revenue growth (3–4%) and margin expansion (16% terminal) are themselves the aggressive assumptions.

Deal Bridge — defensible offer range

The deal bridge applies the Damodaran formula: max defensible total deal value = $V_{\text{target}} + V_{\text{control}} + (V_{\text{synergy}} - \text{integration cost}) - \text{transaction fees}$. The equity ceiling is reached by deducting the standalone EV \rightarrow equity claim (\$33.56bn — implied by WBD's own valuation, not the LBO refinanced amount alone). Under the base case the ceiling sits at \$2.59/share, far below the \$27.07 market floor; the announced \$31.00 destroys \$70.46bn of acquirer equity value. Under the sponsor case the ceiling reaches \$31.24/share, leaving a \$0.24/share / \$0.6bn analytical surplus — a calibration so tight it is best read as confirmation that the sponsor offer is constructed precisely to its own internal valuation ceiling, with no acquirer margin of safety beyond synergy execution.

Why the offer is defensible only under sponsor assumptions

The two cases diverge on three drivers, in order of magnitude: (1) synergy run-rate (\$10bn vs \$4.5bn — sponsor doubles the public \$6bn announcement, justified internally by Apollo's leverage underwriting); (2) operating margin terminal (16% top-quartile vs 13% sector-mean, ~80% of sector top-quartile pass-through); and (3) conservatism haircut (10% vs 25% Damodaran default). The combined effect is a +\$62bn synergy delta and a +\$7.6bn control delta — together \$69bn of incremental ceiling, almost exactly the value-destruction the base case computes at \$31.00. Translating: every dollar above \$2.59 paid for WBD is a dollar of bet on either Ellison-grade execution or sub-Damodaran haircut justification. Both are defensible positions; neither is the conservative read.

Assumption Comparison — Analyst Base vs Sponsor Implied

Driver	My Base Case	Sponsor Implied	Δ
Control: terminal operating margin	11.0%	13.0%	+200 bps
Control: terminal pre-tax ROIC	10.0%	12.0%	+200 bps
Control: high-growth window (yrs)	8	10	+2 yrs
Synergy: revenue uplift	+1% / 3 yrs	+3% / 5 yrs	+200 bps \times 2 yrs
Synergy: combined operating margin	13.0%	16.0%	+300 bps
Synergy: combined pre-tax ROIC	10.0%	13.0%	+300 bps
Synergy: combined growth window	8 yrs	10 yrs	+2 yrs
Synergy: combined Kd (pre-tax)	6.81%	5.81%	-100 bps
Synergy: target debt ratio	40%	40%	—
Synergy: combined tax rate	23.5%	23.0%	-50 bps
Financial syn: debt-capacity uplift	+10%	+20%	+10 pp
Financial syn: Kd compression	50 bps	60 bps	+10 bps
Financial syn: tax-shield	—	\$1.5bn (foreign NOLs)	+\$1.5bn

uplift			
Conservatism haircut	25% (Damodaran default)	10%	-15 pp
LBO senior secured rate	6.0%	5.5%	-50 bps
LBO senior unsecured rate	7.0%	6.5%	-50 bps
LBO terminal interest rate	6.5%	5.5%	-100 bps
LBO Y1 revenue growth	+2.0%	+3.0%	+100 bps
LBO Y4–5 revenue growth	+2.5%	+4.0%	+150 bps
Integration cost	4.0% of deal / 3 yrs	2.5% of deal / 2 yrs	-1.5 pp / -1 yr

The single largest assumption gap is the conservatism haircut (-15pp); paired with the +300bps margin and +200bps ROIC moves on the synergy plan, it explains the bulk of the \$62bn synergy delta. The control-side gaps are smaller in dollar terms but also smaller in evidentiary support: arguing WBD will run at top-quartile margin under any ownership requires a thesis about prior-management value destruction that Damodaran's literature on M&A hubris bias suggests is systematically over-asserted.

Outcome Comparison — Output Deltas

Output	My Base Case	Sponsor Case	Δ
Value of control (total)	\$8.22bn	\$15.82bn	+\$7.60bn
Value of control / target share	\$3.31	\$6.38	+\$3.07
Control premium (% of V_target)	26.5%	51.1%	+24.6 pp
Value of synergy (total)	\$7.62bn	\$69.65bn	+\$62.04bn
• Operating synergy	\$4.52bn	\$39.72bn	+\$35.21bn
• Financial synergy	\$3.10bn	\$29.93bn	+\$26.83bn
• Tax synergy	-\$0.50bn	\$15.90bn	+\$16.39bn
Value of synergy / target share	\$3.07	\$28.09	+\$25.01
Combined firm value (with synergy)	\$58.45bn	\$120.49bn	+\$62.04bn
Max defensible total deal	\$39.98bn	\$111.04bn	+\$71.06bn
Max defensible / target share	\$2.59	\$31.24	+\$28.65
Acquirer surplus at \$31.00	-\$54.90bn	+\$16.16bn	+\$71.06bn
Equity value destroyed at offer	\$70.46bn	\$0.00bn	-\$70.46bn
LBO PV(CFE) vs \$47bn equity	\$52.83bn (+12%)	\$69.93bn (+49%)	+\$17.10bn
LBO PV(CFF) vs \$94.88bn cost	\$95.06bn (+0.2%)	\$115.39bn (+22%)	+\$20.33bn
LBO CFE volatility (σ)	\$2.75bn	\$0.51bn	-\$2.24bn
LBO Y10 D/E	0.00x (full paydown)	0.26x (refi to IG)	+0.26x
Final LBO decision	ACCEPT (knife-edge)	ACCEPT (comfortable)	—

Negative tax synergy in the base case reflects the blended 23.5% combined rate vs PSKY's 21% standalone — without explicit NOL recovery, the combined entity inherits the weighted-average effective tax burden. The sponsor case avoids this drag by claiming \$1.5bn of WBD foreign NOLs become utilisable against PSKY (Skydance) international income; this is plausible but represents an additional bet on cross-jurisdictional tax structuring outcomes that are themselves contested in audit.

Engine Decomposition

Combined-firm DCF inputs (synergy block)

Parameter	My Base Case	Sponsor Case
Combined revenue (Y1)	\$66.52bn	\$67.26bn
Combined EBIT (Y1)	\$6.91bn	\$9.87bn
Pre-tax operating margin	10.4%	14.7%
Combined pre-tax ROIC	8.0%	11.9%
Combined Kd (pre-tax)	6.34%	5.33%

Equity / debt weights	58 / 42	53 / 47
High-growth window	8 yrs	10 yrs
Combined firm value (FV)	\$58.45bn	\$120.49bn

LBO leverage and beta milestones

Milestone	My Base Case	Sponsor Case
Pre-LBO D/E	0.48x	0.48x
Post-LBO D/E (Y0)	0.83x	0.83x
Year-5 D/E	0.78x	0.73x
Year-10 D/E	0.00x (full paydown)	0.26x (IG refi)
Pre-LBO levered beta	0.803	0.803
Post-LBO levered beta	0.960	0.960
Year-10 levered beta	0.589	0.706
Average annual CFE	\$0.50bn	\$3.19bn
Min annual CFE	-\$4.19bn	\$2.42bn
Max annual CFE	\$3.68bn	\$4.00bn

Base-case LBO retires the deal debt completely by year 10 from operating cash flow; the sponsor case explicitly assumes refinancing once IG metrics are achieved (year-10 D/E ~0.26 reflects a residual investment-grade capital structure rather than a full amortisation). The base case Y1 minimum CFE of -\$4.19bn means equity holders inject additional cash in the worst year — a feature, not a bug, of leveraged buyouts under weak operating performance.

Material Risks

Antitrust & regulatory clearance

Five-jurisdiction review (US FCC, US DOJ Antitrust, EU Commission, UK CMA, Canada Competition Bureau). Concentration concerns: sports rights (CBS Sports + TNT Sports merger announced 2 April 2026), US linear cable scale (Discovery + CBS + Paramount + TNT/TBS), streaming (HBO Max + Paramount+ + Pluto TV) and theatrical output (~30 releases combined). PSKY committed a \$7bn reverse termination fee in regulatory failure scenarios; the Q4 2026 ticking fee (\$0.25/share/quarter, ~\$650m/quarter) is not embedded in the bridge.

Synergy realisation risk

Damodaran's empirical literature documents ~50% non-realisation of announced cost synergies and a hubris bias that systematically over-states revenue uplift. The sponsor case's 10% conservatism haircut sits well below his recommended 25–40% range. If actual realisation tracks the empirical mean (~50% with a 25–35% haircut), the implied synergy value collapses from \$69.65bn to ~\$10–15bn — and the offer ceiling with it.

Integration cost overrun and timeline slip

Two post-merger entities (PSKY post-Skydance, WBD post-Discovery+WarnerMedia) integrating simultaneously is unprecedented in the modern media cycle. Modelled integration cost is 2.5–4.0% of total deal cost; Damodaran's evidence on large media-content deals (AOL/TimeWarner, AT&T/TimeWarner, Disney/Fox) ranges 4–7% with frequent slippage to 5+ years.

Refinancing and rate sensitivity

\$54bn of debt at announcement, \$39bn incremental, must be refinanced toward IG over three years. Each 100bps higher than modelled blended cost lifts annual interest by ~\$390m, which under our base case CFE volatility (σ \$2.75bn) is meaningful but not fatal. Apollo's participation cushions execution risk on the secured tranches; the unsecured tranche (7.0% base, 6.5% sponsor) is the load-bearing assumption for IG transition.

Linear secular decline (MAC carve-out)

The Material Adverse Effect definition explicitly excludes performance of WBD Global Linear Networks, signalling acquirer acceptance that 40–50% of WBD's EBITDA sits in structurally declining linear cable. Neither base nor sponsor case embeds an explicit linear spin-off (\$8–12bn estimated value) as a central scenario; sponsor public messaging has stated no current plans to separate cable assets. This is a non-modelled optionality that could materially change the deal-bridge if pursued post-close.

Talent and content-cost inflation

Hollywood guild and A-list talent opposition has been reported. Combined entity production volume is the largest in US theatrical (~30 releases/year) and largest in US streaming (HBO Max + Paramount+ + Pluto TV). Talent retention bidding war risk and guild contract renegotiation in 2027–2028 are not embedded in either margin path.

Standalone WBD equity is structurally negative

WBD's standalone DCF equity is $-\$2.62\text{bn}$ on a $\$30.94\text{bn}$ enterprise value against $\$33.56\text{bn}$ of EV→equity claims. The market $\$27.07$ print already reflects merger-arbitrage expectation, not standalone fundamentals. Any deal-failure scenario implies a price re-rating well below current levels — the implicit floor for WBD shareholders is the $\$27.07$ only insofar as the merger remains probable.

Data Integrity & Methodology Notes

- Reporting currency is USD throughout; both entities report in USD per US GAAP, no FX conversion was required. Deal currency check passed by the Specula multi-entity loader.
- PSKY FY2025 D&A and CapEx include content amortisation and content investment respectively (Successor + Predecessor reconciliation, 10-K/A filed 24 Apr 2026). FY2021–2024 figures expensed content directly and are NOT comparable to FY2025 on the same lines. WBD's series is consistently amortisation-based across FY2021–2025.
- WBD standalone DCF equity is negative ($-\$2.62\text{bn}$). The deal bridge correctly deducts $\$33.56\text{bn}$ of valuation-implied EV→equity claims (financial debt + leases + minority interest – cash – financial investments) rather than the LBO-only refinanced amount ($\$15\text{bn}$). Substituting refinanced debt would inflate the equity ceiling artificially by $\$18.6\text{bn}$.
- Reinvestment-rate warnings on both standalone snapshots (PSKY FY2025 $r \approx 2.34$, WBD FY2025 $r \approx -7.26$) are filing-snapshot artifacts driven by the content-amortisation step-up and the FY2024 writedown rebase respectively. The institutional motor normalises $r = g / \text{ROIC}$ for the control / synergy DCF passes so the snapshot anomaly does not poison the premium computation.
- Synergy block emits two Damodaran red flags in the sponsor case: synergy $> 15\%$ and $>30\%$ of combined baseline value. Strict-mode override would block; the sponsor case must be read as the implied internal underwriting case, not the analyst-base case.
- LBO COGS ratio is set to the pre-D&A operating cost ratio that reconciles WBD baseline revenue, reported EBIT and separately-modelled D&A ($\approx 51.5\%$ sponsor / 78% base). Using headline GAAP cost ratios would double-count amortisation. The motor logs the reconciliation in `ma_lbo_audit.json`.
- Goodwill on WBD's balance sheet ($\$30.9\text{bn}$, post-WarnerMedia) is logged as `loose_ends.pre_existing_goodwill_target` so the deal bridge does not double-count it as incremental consideration. New PPA goodwill from this transaction is not allocated (out of scope per Damodaran M&A engine specification).
- ERP of 6.32% is Damodaran's April 2026 GDP-weighted global ERP, applied identically to both standalones. Both companies have material non-US revenue (WBD $\sim 40\%$ international; PSKY studios + Paramount+ global). No incremental country risk premium is applied above the global blend.
- The Damodaran control + synergy + LBO decomposition is run identically across both cases — only the assumption inputs differ. Any divergence in outputs is therefore fully attributable to the assumption deltas tabulated in the comparison table, not to model methodology.
- The motor does NOT compute EPS accretion/dilution (Damodaran rejects multiple arbitrage as value creation), does NOT model antitrust HHI, does NOT allocate new PPA goodwill, and does NOT recommend an offer price. Floor / fair / max-defensible / typical premium bracket are presented; the negotiation decision sits with the analyst.

This report is produced by Specula using a Damodaran methodology M&A valuation engine (control / synergy / LBO submotors orchestrated through the `ma_deal` bridge). All figures are in USD unless stated otherwise. Market data and deal terms reflect the 24 April 2026 cut. WBD shareholder approval secured 23 April 2026; regulatory clearance pending. This document is for analytical and internal use only and does not constitute investment, legal, or tax advice. Standalone filings: PSKY 10-K/A (2026-04-24, accession 0001140361-26-016758); WBD 10-K (2026-02-27, accession 0001437107-26-000020). Source spreadsheets: `controlvalue.xls`, `synergyvaluation.xls`, `lboval.xls` (Damodaran Online).