



Paramount Skydance Corp. (PSKY)

HOLD: \$11.89 (+7,21%)

Equity Research Division

10th May 2026

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Market Cap	\$11.695 bn
Basic Shares O/S	1,111 mn
52-Wk High	\$20.86
52-Wk Low	\$8.62
Fiscal Year End	31 Dec. 2025

\$ billion	FY22	FY23	FY24	FY25
Sales	30.154	29.652	29.213	12.269
EBIT	2.871	-0.399	1.608	2.241
Net Income	0.725	-1.284	-6.204	-0.621

Key Executives

David Ellison	CEO & Chairman
Dennis K. Cinelli	CFO

Investment Thesis

Paramount Skydance Corporation remains a strategically relevant player in the U.S. media landscape, supported by an iconic content library, strong franchise exposure, and a diversified platform across TV Media, Direct-to-Consumer (DTC), and Filmed Entertainment. Following the Skydance transaction, the company has strengthened its financial backing and sharpened its strategic focus on premium content, streaming scale, and operating efficiency.

Paramount benefits from valuable Intellectual Property, growing Advertising-Supporting Streaming exposure, live sports rights, and targeted post-merger efficiencies, while the potential Warner Bros. Discovery acquisition could further enhance scale and monetization. However, these positives are offset by persistent pressure from the structural decline of linear TV, high content intensity, elevated leverage, and uncertainty surrounding the WBD transaction.

While our valuation implies upside, we believe the current risk-reward profile remains balanced. Improving DTC fundamentals are encouraging, but visibility on sustainable earnings and cash flow remains limited. Accordingly, we assign a HOLD rating.

Valuation

We value Paramount using a 50/50 blend of intrinsic valuation (DCF) and relative valuation (trading multiples), arriving at a target price of \$11.89. We also ran a merger model on a potential Warner Bros. Discovery transaction, but do not include any deal upside in our base-case valuation. Based on the latest closing price of \$11.09, this implies a 7.21% upside.

Key Risks

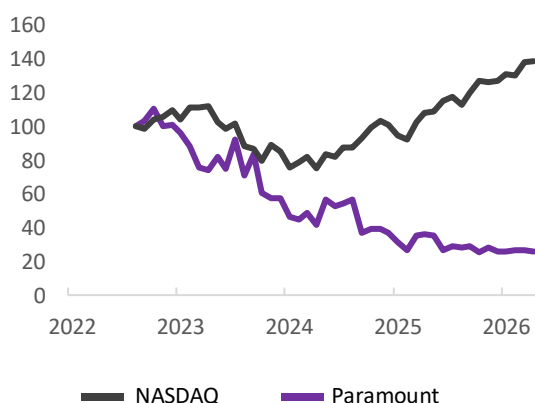
Upside risks: Faster-than-expected realization of post-merger synergies, stronger monetization in DTC and AVOD.

Downside risks: Execution risk around the Warner Bros. Discovery acquisition, elevated leverage and financing pressure, continued structural decline of linear TV.

Basic Information

Last Closing Price	\$ 11.09
Target Price	\$ 11.89
+/- Potential	+7.21%
Bloomberg Ticker	PSKY-US
GICS Sector	Media and Publishing Services
GICS Sub-Ind.	TV Cable and Broadcast Networks

5Y Cumulative Returns (re-based to 100)



Company Overview

Origins and Skydance Merger. Paramount Skydance Corporation (Nasdaq: PSKY) is the product of a century-old studio legacy reshaped by Silicon Valley capital. Paramount Pictures traces its origins to 1912; by 1994, it was absorbed by Viacom under Sumner Redstone's National Amusements. Following a 2005 split into CBS Corporation and Viacom Inc. and a 2019 re-merger as ViacomCBS (rebranded Paramount Global in 2022), the company faced an existential crisis by late 2023: cord-cutting eroded TV Media profits, streaming losses exceeded \$1.6 billion annually, and the stock had shed ~75% from its 2021 peak.

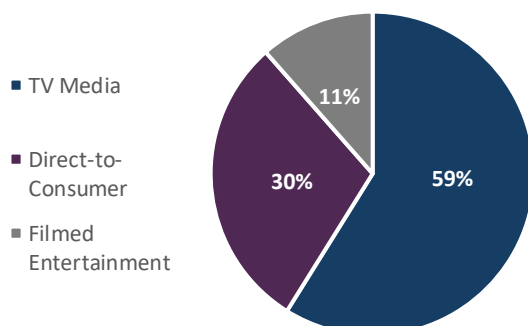
The \$8 billion Skydance transaction, structured in three phases, closed on August 7, 2025. The Skydance Investor Group (David Ellison, RedBird Capital Partners, KKR) acquired National Amusements for \$2.4 billion; public Class B shareholders received \$15 per share (48% premium); and \$1.5 billion in primary capital was injected into the balance sheet. The legal entity, Paramount Skydance Corporation, is headquartered in New York, with David Ellison (son of Oracle's Larry Ellison) as Chairman & CEO.

Post-Merger Segments. In FY2025, the company reported through three segments: **TV Media** (CBS, Nickelodeon, MTV, BET, Comedy Central, Showtime linear); **Direct-to-Consumer** (Paramount+, Pluto TV, BET+); and **Filmed Entertainment** (Paramount Pictures, Skydance Pictures). From Q1 2026 onward, the company transitions to a new Studios segment that consolidates Filmed Entertainment with TV Media studio operations.

Revenue Performance

Because the Skydance transaction closed mid-year on August 7, 2025, the 10-K reports two separate periods. First is a successor period (August 7 - December 31, 2025) generating \$12.3 billion, and second is a predecessor period (January 1 – August 6, 2025) generating \$16.6 billion. Pro-forma full-year 2025 revenue was approximately \$28.9 billion, a 1.1% decline from \$29.2 billion in FY2024, driven by a deteriorating linear advertising market and the absence of political advertising.

Figure 1.1: % of Revenue per segment FY2025



At the segment level, TV Media contributed approximately \$17.1 billion on a combined-year basis, down ~9% from \$18.7 billion in FY2024, pressured by a 13% decline in advertising and

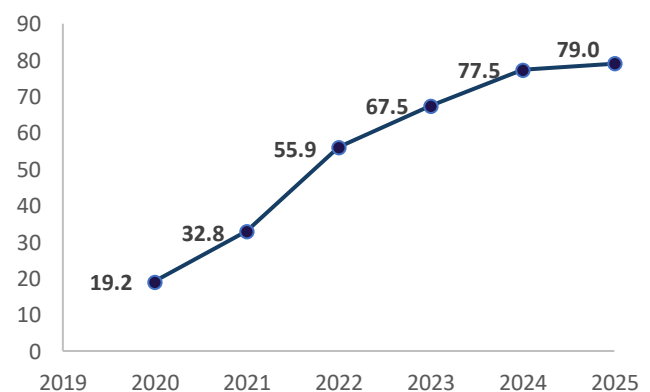
a 7% drop in affiliate fees as pay-TV subscribers continued to fall. Direct-to-Consumer reached approximately \$8.6 billion (combined), up from \$7.6 billion in FY2024, a 13% increase.

Exhibit 1: CAGR of revenue per segment

Segment	FY2023	FY2024	FY2025	CAGR
TV Media	20,022	18,695	17,009	-7.82%
Direct-to-Consumer	6,735	7,632	8,584	+12.91%
Filmed Entertainment	2,895	2,886	3,298	+6.74%
Total Revenue	29,652	29,213	28,891	-1.29%

Paramount+ ended 2025 with 79 million paid subscribers, up from 77.5 million at year-end 2024, and achieved its first full year of segment profitability. This subscriber base reflects sustained growth since launch. Paramount+ grew from 19.2 million subscribers at year-end 2020 to 32.8 million in 2021 and 55.9 million in 2022, before moderating to 67.5 million in 2023 and 77.5 million in 2024 as the platform shifted focus from acquisition to profitability. Filmed Entertainment contributed approximately \$3.3 billion (combined), rising 18% from \$2.8 billion in FY2024, aided by Mission: Impossible – The Final Reckoning and a scaling theatrical slate.

Figure 1.2: Paramount+ subscriber growth (million)



Cost Structure & Synergies. Content spending remains the dominant cost, with total investment estimated at approximately \$15 billion. SG&A runs roughly \$6.2 billion annualized. The DTC segment's path to profitability is also reflected in its improving loss trajectory, with annual losses narrowing from \$1.66 billion in 2023 to \$497 million in 2024, ahead of the full-year profitability achieved in 2025. Long-term debt stood at \$14.2 billion with net leverage of 3.8x at year-end 2024; the merger injected \$1.5 billion to partially delever. Post-merger synergy targets have been raised progressively to a minimum of \$3 billion in run-rate efficiencies through 2027, with over \$2.5 billion expected by end-2026.

Strategic Priorities. Management's stated three pillars are investing in premium storytelling anchored by franchise IP and live sports; scaling Direct-to-Consumer globally; and enterprise-wide efficiency. The landmark \$7.7 billion 7-year UFC streaming deal (August 2025) made Paramount+ the exclusive streaming home for all UFC events and was credited with driving the UFC's successful January 2026 launch on the platform. The theatrical slate has expanded from 8 releases in 2025 to 15+ dated for 2026. Management guides FY2026 revenue at \$30 billion (~4% growth) with adjusted EBITDA of \$3.8 billion.

Governance & Ownership

Concentrated Control. The post-merger governance structure concentrates voting power entirely in the Ellison family. Harbor Lights Entertainment (formerly NAI) holds 100% of Class A voting shares; entities controlled by the Ellison family indirectly own approximately 77.5% of Class A stock. Publicly traded Class B shares (PSKY) carry no voting rights whatsoever; a tightening from predecessor Paramount Global's structure. Of 10 board directors, only three are designated independent.

FCC Conditions and Litigation. The FCC's July 2025 approval required the company to appoint a CBS News ombudsman for at least two years and to refrain from DEI programs. The company also settled a \$20 billion Trump-initiated lawsuit against CBS for \$16 million in July 2025. Multiple shareholder lawsuits remain active in Delaware Chancery Court, with plaintiffs alleging breach of fiduciary duty and inequitable treatment of minority shareholders.

WBD Acquisition Attempt. In December 2025, PSKY launched a cash tender offer for all outstanding Warner Bros. Discovery Class A shares at \$30.00/share, subsequently raised to \$31.00/share in February 2026, implying a total enterprise value of approximately \$110 billion. The company secured up to \$57.5 billion in debt financing commitments and \$46.6 billion in equity from the Ellison family and RedBird Capital. The WBD Board acknowledged the revised proposal could constitute a superior offer relative to WBD's existing Netflix merger agreement; no final determination had been made as of this research's publication.

Creative Community Opposition. On April 13, 2026, more than 1,000 writers, directors, and performers published an open letter expressing "unequivocal opposition" to the proposed acquisition. The letter argues the deal would further consolidate an already strained industry, reducing the number of major U.S. studios which will result in fewer jobs across the production ecosystem. Regulatory headwinds are important: the U.K. Competition and Markets Authority announced it expects to launch a formal Phase 1 investigation in the coming weeks, and the DOJ's antitrust division has publicly rejected any suggestion of a fast-track approval. PSKY responded by reiterating its commitment to releasing a minimum of 30 theatrical films annually and preserving independent creative leadership at both studios. With a WBD shareholder vote scheduled for late April 2026 and multi-jurisdictional regulatory review pending, the letter adds public and political pressure to

an already complex approval process, raising the probability of extended timelines, remedies, or divestiture conditions as preconditions for closure.

Industry Outlook

The Media and Entertainment (M&E) industry, particularly the Film & TV segment, is currently at a moment of maturity. After years of volume driven and capital-intensive growth strategies, industry players are shifting towards profitability-focused business models, looking to optimize cost efficiency, diversify revenue, and strengthen customer engagement. The significant differences in ROIC and WACC across the sector's key leaders demonstrate the structural transformation underway. The Hybrid Media, representative of Paramount and WDB, had an average 3-year ROIC of -5.3% and 4.2%, with a WACC of -8.7% and 7% respectively. The contrast reflects the sub segments capital intensive model and content heavy strategies which have pressured profitability margins and underlines the segments shift towards more return-oriented business models focused on profitability and sustainable value creation.

The global Film & TV segment is projected to grow at a CAGR of 1.8% over the next five years, with consumer spending increasing from US\$291.3 billion to US\$318.5 billion by 2029. It follows the M&E industry, which is expected to continue along its upwards trend with a projected annual growth rate (CAGR) of 3.7% over the same period, reaching a market value of US\$3.5 trillion by 2029. Despite the continued growth, the industries' acceleration rate is expected to gradually decline, below the 5.5% YoY growth recorded in 2024. Furthermore, forecasts of global market conditions suggest economic growth will remain steady, while inflation is expected to decline, presenting a potential increase in consumer purchase power, particularly relevant to discretionary goods provided by the M&E industry.

Tailwinds

The Film & TV segment continues to benefit from structural tailwinds, supported by technological innovation and generative AI. Companies are increasingly leveraging AI across their value chain to improve production efficiency and enhance user engagement, while rising demand for connected TV is supporting ad monetization. PwC estimates that advertising will contribute approximately 55% of total M&E industry revenue growth over the next five years.

Headwinds

Headwinds in the Market fragmentation reflect the structural risks of the Film & TV industry. The growing number of competitors has introduced subscription fatigue, reduced customer lifetime value and leading to pressure consolidation from industry leaders. As of its March 2026, Deloitte estimates that 41% of U.S. consumers canceled at least one paid SVOD service in the last six months. Reflecting the elevated churn rates, caused by the growing number of platforms at low cost of substitution.

Pestel Analysis

Political: *Rising geopolitical tensions are tightening content regulations and forcing streaming platforms to deglobalize their strategies and transition from conflicting regulated markets.* Governments are imposing increasingly complex content and platform regulations, and with current geopolitical tension, platform access has been restricted across different markets, as exemplified by the US-China. In response, studio platforms must adopt localized content strategies accordingly, while diversifying revenue away from restricted markets and increasing profits.

Economical: *Despite the industry's exposure to economic cycles, projections of stable medium-term conditions and flexible pricing alternatives lead towards an increase in subscription revenue.* The Film & TV industry's exposure to discretionary spending makes it sensitive to macroeconomic cycles. That said, expectations of a stable economic environment in the medium-term, with global growth rate of 3.2% and inflation expected to gradually decrease until 2027, will positively impact subscription churn rates. This constructive backdrop is further supported by the adjustment of revenue models combining subscriptions with advertising (SVOD), providing different pricing options that offer support across economic cycles.

Social: *The ongoing shift from cable TV to streaming is reshaping the market, with platform growth dependent on the delivery of sustained value to its customers.* Shifting consumer behavior has led to a transition from cable TV to streaming platforms. With total consumer spending projected to grow from US\$ 291 billion in 2024 to US\$ 318 billion by 2030, the shift requires companies to adapt by focusing on sustainable value to customers.

Technological: *AI and data analytic tools are becoming essential within the industry and shifting from competitive advantages to non-negotiables through their cost efficiencies capabilities.* Artificial Intelligence within the Film & TV industry has provided meaningful cost efficiencies in visual effects and postproduction. Additionally, data analytics has become essential, directly influencing retention and engagement. The adoption of these technologies supports the costs across production and value chain, and investment in such tools will increasingly become non-negotiable as their capabilities and effectiveness continue to scale.

Environmental: *Regulatory and ESG expectations pressure are pushing corporations to adopt more sustainable practices when it comes to production and platform operations.* Film & TV production carries a notable carbon footprint across physical production, studio operations, and streaming infrastructure, with regulatory pressure and growing ESG expectations from investors pushing for more sustainable alternatives. As a result, corporations are being pushed towards the utilization of more sustainable practices across both their production and platform operations.

Legal: *Piracy continues to decrease global revenue from the Film & TV industry, with estimate losses of US\$ 29.2 billion annually in the US alone.* Furthermore, the growing number of data protection regulations imposed are increasing compliance requirements on platforms operating at larger scales. Strengthening IP enforcement and building data privacy compliance frameworks are essential and will facilitate the operation of streaming platforms on a larger scale.

Porter Five Forces

Threat of New Entrants: **Moderate**

Barriers to entry in this industry are significant, as building a competitive content library requires substantial capital investment. That said, the rise of streaming platforms has lowered the difficulty of entering the market, since major players are able to leverage their existing customer bases to penetrate the market, exemplified by Amazon. As a result, established market figures enjoy a major advantage thanks to their pre-existing content catalogues and audiences, while large, well-capitalised corporations from adjacent sectors can also enter the market by leveraging its customer base, already established.

Bargaining Power of Suppliers: **High**

Suppliers derive their power in this industry primarily from IP ownership and content rights. Major content licensors operate from positions of leverage due to their ownership rights which cannot easily be replicated or substituted. These dynamics pushes content acquisition costs upward, which in turn compresses margins across the market and constrains operations more broadly. Players that lack the structure and scale needed to absorb these rising costs or produce the individual content are therefore the ones that suffer most heavily.

Bargaining Power of Buyers: **High**

Consumers hold a considerable amount of bargaining power in this market. The wide range of available platforms and content options has led to subscription fatigue, and since switching costs are low, retaining customers has become increasingly difficult. To hold on to subscribers, platforms are forced to compete and balance content quality, pricing flexibility, and user experience rather than relying on any single factor.

Threat of Substitutes: **Moderate**

The rise of short-form content, which has been capturing a growing share of the broader entertainment market over recent years, represents a potential alternative for the longer-form entertainment traditionally offered by the Film and TV industry. This diversification of content formats has pushed corporations to boost engagement through consolidation, incorporating live content and sports, in an effort to retain the attention of their audiences.

Competitive Rivalry: **Very High**

Rivalry is intensified by the fragmented nature of the industry. The wide range of streaming platforms has produced aggressive competition among players, who continue to compress margins

in pursuit of higher user counts. Remaining independent at larger scales is becoming harder, as shown by the recent wave of industry M&A deals such as the Paramount–WBD deal. With the industry witnessing a shift in the competitive advantage strategies, which are becoming increasingly dependent on a company's ability to monetize its content across multiple revenue streams.

SWOT Analysis

Strengths

Iconic Content Library and IP Portfolio: With over a century of history, Paramount's brand equity spans film, broadcast, and cable. The library includes franchises such as Mission: Impossible, Top Gun, Transformers, and SpongeBob SquarePants, alongside the CBS broadcast network, the widest-reaching free-to-air network in the United States. These are durable, monetizable assets that serve as the backbone of any content strategy.

Strong Financial Sponsorship: David Ellison's backing from the Ellison family fortune and the operational expertise of RedBird Capital provides the company with a financial floor and strategic credibility. This sponsorship was instrumental in securing the \$54 billion in new debt commitments needed to fund the WBD offer, and it signals long-term commitment to the entity.

Weaknesses

High Leverage and Debt Burden: The company faces significant balance sheet pressure, which could intensify materially if the WBD acquisition closes. Pro forma leverage could exceed \$80 billion in total debt, or roughly 7x EBITDA, positioning the combined entity among the most leveraged in the media sector. Even on a standalone basis, the company carries \$3.34 billion in debt maturing over the next five years and reported leverage of 5.0x EBITDA in Q3 2025, with covenant requirements stepping down to 4.5x by Q1 2026. This elevated leverage profile creates substantial risk for equity holders, as free cash flow will likely be prioritized toward debt servicing.

Structural Decline of the Linear TV Business: CBS, MTV, Nickelodeon, and BET are all facing the same secular headwind: cord cutting. This is a structural, not cyclical, challenge. Linear TV revenue continues to compress industry-wide, and PSKY's exposure to this segment represents an ongoing drag on earnings that cannot be reversed through operational improvements alone.

Junk Credit Rating: Following the announcement of the WBD bid, Fitch Ratings downgraded PSKY's debt to junk status, citing competitive pressures and free cash flow headwinds from significant transformation costs. S&P Global also placed the company on negative watch. A junk rating raises borrowing costs and can restrict institutional investor participation, compounding the company's financial challenges.

Opportunities

Advertising-Supported Streaming (AVOD) Growth: The global AVOD market is one of the fastest-growing segments in media. PSKY's 18% year-over-year AVOD revenue growth signals that advertisers are shifting budgets toward streaming. A combined PSKY+WBD advertising platform (spanning CNN, CBS News, and entertainment) would create a compelling alternative to Google and Meta for brand advertisers, particularly in live news and sports.

Live Sports as a Streaming Moat: NFL rights (CBS/Paramount+), the UFC deal, and potential acquisition of additional sports rights represent a durable competitive moat. Live sports are the hardest content category for pure-play streamers (Netflix, Apple) to replicate quickly, and they drive low churn, high engagement, and premium ad rates. Expanding this portfolio is one of PSKY's most defensible growth vectors.

AI-Driven Content Cost Reduction: Skydance's deep involvement in AI-assisted production could allow the combined entity to produce content at lower cost while maintaining creative quality. Applied across Paramount's massive IP library, this represents a meaningful long-term margin opportunity as the technology matures.

Threats

Intensifying Competition and Subscriber Churn: The highly fragmented streaming landscape is driving aggressive competition, subscription fatigue, and elevated churn rates (with ~41% of U.S. consumers canceling at least one SVOD service in the past six months). Low switching costs and abundant alternatives force Paramount to continuously invest in content and pricing strategies, compressing margins and weakening customer lifetime value.

Rising Content Costs and Supplier Power: Strong bargaining power of content owners and IP holders is pushing up acquisition and production costs across the industry. As competitors scale and invest heavily in exclusive content, Paramount faces margin pressure and risks falling behind if it cannot match spending or secure differentiated IP.

Regulatory, ESG, and Market Access Pressures: Increasing geopolitical tensions, content regulations, and ESG requirements are raising compliance costs and limiting global scalability. Restrictions in key markets (e.g., U.S.-China tensions), combined with growing pressure to adopt sustainable production practices, could constrain revenue growth while increasing operational complexity and costs.

Exhibit 2: Paramount SWOT Analysis

S Strengths	Iconic Content Library and IP Portfolio Strong Financial Sponsorship
W Weaknesses	High Leverage and Debt Burden Structural Decline of the Linear TV Business Junk Credit Rating Past scandals and reputation
O Opportunities	Advertising-Supported Streaming Growth Live Sports as a Streaming Moat AI-Driven Content Cost Reduction
T Threats	Intensifying Competition and Subscriber Churn Rising Content Costs and Supplier Power Regulatory, ESG, and Market Access Pressures

Source: Minerva Investment Management Society

Financial Analysis

Note on comparability: The Skydance merger closed in 2025 and materially altered the balance sheet. Equity was recapitalized (APIC fell ~\$20bn, treasury stock eliminated), intangible assets were revalued under purchase accounting, and minority interest increased substantially. Cross-year comparisons of D/E, ROE, and book-value-based metrics should be interpreted with caution.

Profitability

Revenue was broadly flat over the period, moving from \$28.6bn in 2021 to \$28.9bn in 2025. The 2025 figure includes the contribution of Skydance following the merger close, so on an organic basis the legacy business likely saw a modest decline. The problem is margin compression. Gross profit fell from \$10.8bn to \$9.2bn, and gross margin declined from 37.9% to 31.8%. EBIT margin dropped from 14.0% to 6.5%. There was a partial rebound in 2024, but that recovery did not hold in 2025.

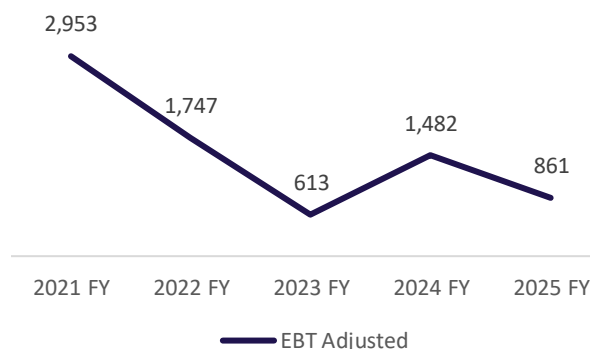
Below the operating line, performance is worse. Net income moved from +\$4.5bn in 2021 to losses in 2023, 2024, and 2025. 2024 was especially weak, with net income of -\$6.2bn, primarily driven by a \$6.1bn asset write-down, largely goodwill impairment on the legacy business, rather than operating deterioration. The 2025 loss of -\$621M reflects a different distortion: the merger introduced \$493M of minority interest charges that flow through below the operating line, along with \$946M of restructuring and other unusual charges related to the integration. But this is not only a one-off story. Adjusted EBT excluding unusual items also fell sharply from \$3.0bn in 2021 to just \$0.9bn in 2025. So even stripping out the transaction-related noise, the recurring earnings base has weakened significantly.

Returns confirm the same trend, with an important caveat for 2025. ROA fell from 7.8% in 2021 to negative territory in 2023-2024, recovering slightly to -1.4% in 2025, but the 2025 asset base was reset by purchase price accounting, which revalued intangibles and altered the denominator. ROE moved from 20.3% in 2021 to deeply negative in 2024 and remained

negative in 2025; however, as noted in the comparability section, the 2025 equity base is not comparable to prior years following the recapitalisation. The more reliable return metric for cross-period comparison is ROIC using EBIT over invested capital, which declined from 9.4% to 6.7%, weaker, but a cleaner read than ROE or ROA across the merger boundary.

Figure 3.1: Recurring earnings base has weakened

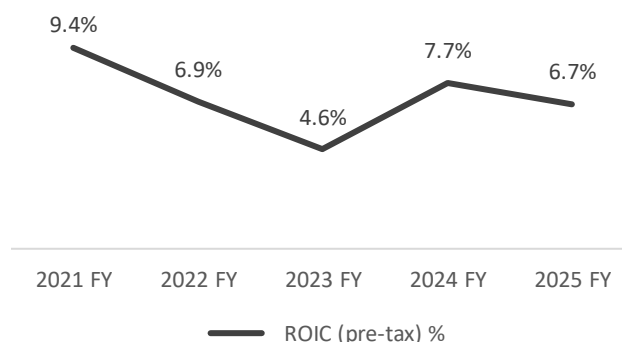
Adjusted EBT fell sharply from 2021 to 2025



Source: Minerva Investment Management Society

Figure 3.2: Declining Return on Invested Capital

EBIT over Invested Capital is a cleaner reader than ROE and ROA



Source: Minerva Investment Management Society

Liquidity

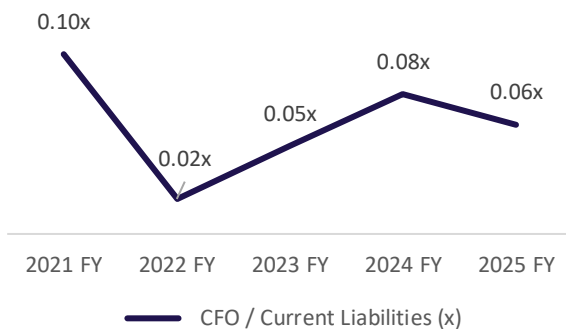
Liquidity is not immediately distressed, but the cushion is clearly smaller. The current ratio fell from 1.76x in 2021 to 1.26x in 2025, and the quick ratio declined from 1.40x to 0.93x. The 2025 balance sheet reflects the combined entity post-merger, so the absolute levels of current assets and liabilities are not directly comparable to prior years, but the direction of the ratios is consistent with the pre-merger trend and not an artifact of the transaction.

The more important point is cash generation versus short-term obligations. Cash from operations to current liabilities fell from 0.10x to 0.06x. In 2025, operating cash flow was only \$649M against current liabilities of \$10.6bn, showing limited internally generated liquidity relative to the size of the short-term liability base.

Working capital efficiency improved modestly. Days sales outstanding improved from 89.2 to 83.6 days, inventory days from 30.9 to 27.1 days, and the cash conversion cycle shortened from 103.7 to 93.9 days.

Figure 3.3: Cash generation versus short term obligations

Limited liquidity generated from 2021 to 2025



Source: Minerva Investment Management Society

Capital Structure

On an absolute basis, debt has come down: gross debt fell from roughly \$19.6bn in 2021 to about \$15.1bn in 2025, and net debt declined from \$13.4bn to \$11.8bn.

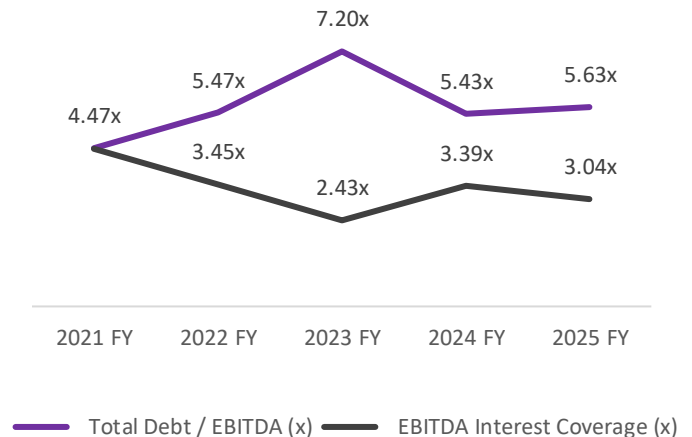
However, leverage ratios worsened because the earnings base and equity base eroded faster than debt. Debt-to-equity rose from 85.1% to 117.1%, debt-to-capital increased from 46.0% to 53.9%, and liabilities-to-assets moved from 60.6% to 70.3%. As flagged in the comparability note, the 2025 equity base was restructured by the merger, APIC fell by approximately \$20bn and treasury stock was eliminated, so the D/E increase from 94.3% in 2024 to 117.1% in 2025 is partly a recapitalisation effect rather than purely organic deterioration. Stripping that out, the underlying leverage trend is still negative, but the headline jump overstates the single-year change.

Debt service capacity also weakened, and here the picture is less distorted by the merger since EBITDA and interest expense are income statement items with cleaner year-over-year comparability. Net debt/EBITDA rose from 3.0x to 4.4x, and total debt/EBITDA from 4.5x to 5.6x. Interest coverage deteriorated: EBIT/interest expense went from 4.1x to 2.1x, and EBITDA/interest expense from 4.5x to 3.0x. Those are still serviceable numbers, but they leave much less room for operational disappointment. These ratios are the most reliable cross-period metrics in the capital structure section precisely because they are less sensitive to the balance sheet restatement.

Total equity fell from \$23.1bn to \$12.9bn. Roughly \$3.2bn of that decline is attributable to the recapitalisation mechanics rather than earnings destruction, the organic equity erosion from net losses accounts for the remainder. Even on the post-merger basis, goodwill and intangibles account for approximately 61% of 2025 equity, with other intangibles having increased by \$3.8bn under purchase price allocation. That means the equity base still carries a large non-tangible component even after the goodwill write-downs of 2024.

Figure 3.4: Worsening debt service capacity

Higher leverage and weaker interest coverage over 2021–2025



Source: Minerva Investment Management Society

Valuation: Discounted Cash Flow

Cost of Equity

The Capital Asset Pricing Model (CAPM) was utilized to estimate the cost of equity. The risk-free rate was assumed to be the current 10-year US Government Bond yield (4.34%). While this aligns with the time horizon employed in the DCF analysis, US yield was chosen due to Paramount's headquarters location and revenue distribution.

To compute the ERP, we followed a bottom-up approach. Differently from the computations carried out to get the measurement of beta, we used, instead of a business-segment division, a geographic division of revenues, as we concluded that the resulting number would be a better proxy of risk premium. We divided Paramount revenues in nine national sources: United States, China, Germany, India, United Kingdom, Japan, France and Italy. By computing the weighted average of the single ERPs (Damodaran) with the proportional share of revenues, the ERP resulted to be equal to 5.14%.

Exhibit 4.1: Cost of Equity calculation

Paramount Cost of Equity

Cost of Equity	
Risk-free rate	4,34%
Unlevered beta industry (median)	0,626
D/E ratio Paramount	97%
Tax rate	18%
Levered beta	1,126
Market risk premium	5,14%
Levered cost of equity	10,1 %

Source: Minerva Investment Management Society

Beta

To compute the beta of Paramount, we followed a bottom-up approach. We first selected a set of comparable companies. Those companies were selected according to different criteria: in particular, they had to be similar to Paramount in terms of business, size, and capital structure.

We first obtained the raw levered beta and then we computed the adjusted levered beta using the Blume adjustment:

$$\beta_{adj} = \beta_{raw} \cdot 2/3 + 1/3$$

Then, using the Hamada formula and the respective marginal tax rate for each company's country of incorporation, we calculated the unlevered betas. We then obtained the median unlevered beta from the set of comparables and re-levered it for Paramount.

To compute the levered beta, we used the Hamada formula, with a marginal tax rate of 18% and Paramount D/E ratio. The levered beta is therefore equal to 1.126.

The cost of equity was then calculated as follows:

$$CoE = R_f + \beta * (R_m - R_f)$$

The resulting cost of equity is equal to 10.1%.

Cost of Debt

The Cost of Debt was calculated by applying rating risk spreads to the risk-free rate, considering Paramount's credit rating of BB+ given by S&P Global Ratings. Using Damodaran, we conclude a spread of 1.38%, resulting in a Cost of Debt of 5.7%.

Weighted Average Cost of Capital (WACC)

Finally, the WACC was calculated by applying weights to the cost of equity and cost of debt:

$$WACC = \frac{E}{D + E} \times K_e + \frac{D}{D + E} \times K_D \times (1 - t)$$

Based on the chosen assumptions outlined above, the WACC for Paramount is estimated to be 7.11%. This estimate is strongly dependent on beta adjustments. Sensitivity analysis should be relied upon to make the results more accurate and reliable.

Exhibit 4.2: WACC calculation

Paramount WACC

WACC	
Cost of Equity - CAPM	10.1%
Total Debt	15,092
Market Cap	12,131
E/(D+E)	45%
D/(D+E)	55%
Cost of Debt	5.7%
Tax Rate	18%
WACC	7,11 %

Source: Minerva Investment Management Society

Sales Forecast

Forecasting net sales is a fundamental step in any DCF valuation. Our approach combines management guidance, analyst consensus, and macro trends shaping the Media and Entertainment industry. Historical figures are only partially informative due to the changes in segment reporting and the impact of the Skydance acquisition, which reduce comparability with prior years and alter the composition of the revenue base. For this reason, our forecast places greater weight on the company's post-merger strategic direction, the expected evolution of each operating segment, and broader industry dynamics rather than relying mechanically on historical growth trends alone. To improve forecast accuracy, we split Paramount's revenue into Television Media, Direct to Consumer and Filmed Entertainment. This segmentation reflects not only different growth trajectories but also distinct cost structures and margin profiles between the three streams. Incorporating Statista's outlook for the Traditional TV & Home Video market, MarketLine's U.S. Digital Video projections as a proxy for Direct-to-Consumer demand, and PwC's industry view on Filmed Entertainment, we estimate Paramount's net sales will grow from \$28.891 billion in 2025 to \$40.686 billion in 2035, implying a CAGR of 3.48% over the period.

Profitability

The projected profitability of Paramount was determined by forecasting its key operating cost drivers separately, including segment-level COGS, SG&A, and other operating expenses. We assume gradual efficiency gains across all three segments, with Television Media, Direct-to-Consumer, and Filmed Entertainment COGS declining over the forecast period. SG&A is kept broadly stable at 22.0% of sales, rising from \$6.3 billion in 2026 to \$8.9 billion in 2035, while other operating expenses fall from 20.0% to 17.3% of sales. Overall, despite higher absolute costs, margins are expected to improve gradually as Paramount benefits from operating leverage and greater post-merger cost efficiency.

Financial Assumptions

Our financial assumptions are based on a bottom-up approach, supported by historical performance, management guidance, and the operating characteristics of Paramount's post-merger business model. Capital expenditures are forecast to remain relatively limited, increasing from \$304 million in 2026 to \$429 million in 2035, while staying broadly stable at around 1.05% of sales throughout the forecast period. This reflects the relatively asset-light nature of the business and the fact that growth is driven more by content investment and platform monetization than by heavy expansion in tangible fixed assets. Consistent with this view, the PPE base remains broadly stable over time, and depreciation evolves gradually from \$379 million in 2026 to \$366 million in 2035.

Amortization is instead more materially affected by the post-acquisition asset structure. In particular, amortization of acquired intangibles is elevated in the near term, at \$1.22 billion in 2026 and \$1.00 billion in 2027, before normalizing to roughly

\$0.2 billion annually as the merger-related intangible base progressively runs off. Deferred charges, which mainly capture capitalized content and programming investments, are modeled using a deferred charges-to-revenue ratio gradually converging from 52.0% in 2026 to 50.0% in the outer years. As a result, the deferred charges balance increases from \$15.0 billion in 2026 to \$20.3 billion in 2035, reflecting the continued importance of content investment in supporting both DTC growth and the broader monetization of Paramount's IP portfolio. Overall, these assumptions imply a gradual improvement in capital efficiency, while preserving the content intensity required to sustain the company's long-term strategic positioning.

Free Cash Flow and Intrinsic Price

By summing up the FCFF for all the projected years calculated with the formula:

$$FCFF = EBIT \times (1 - t) + D\&A + Content\ Amortization - Capex - \Delta\ Deferred\ Charges - \Delta\ NWC$$

We can discount the free cash flow of the firm to the present using the WACC calculated in the previous section, add the terminal value discounted in a similar way, and arrive at the Enterprise Value of \$29.130 billion. Subsequently, by adjusting the value using the equity bridge and dividing by the share count, we arrive at our implied share price of \$13.7 per share. Also, we have applied a sensitivity analysis for our DCF valuation, to have a better understanding of how the implied price would change considering a variation in the calculated discount rate or the terminal growth rate.

Exhibit 4.3: Price Sensitivity Analysis

Share Price Sensitivity Analysis

	6,70%	6,90%	7,11%	7,30%	7,50%
1,00%	\$14,00	\$13,28	\$12,56	\$11,99	\$11,41
1,25%	\$14,66	\$13,88	\$13,11	\$12,49	\$11,87
1,50%	\$15,37	\$14,53	\$13,70	\$13,04	\$12,37
1,75%	\$16,16	\$15,25	\$14,35	\$13,63	\$12,92
2,00%	\$17,03	\$16,04	\$15,06	\$14,29	\$13,52

Source: Minerva Investment Management Society

Valuation: Multiple Analysis

To complement our assessment, we approached Paramount's valuation through the market multiples method, incorporating a selected peer group of comparable media companies. These firms were chosen based on their relative similarity in business model, segment exposure, and market positioning, with particular emphasis on companies operating across linear media, streaming, and filmed entertainment. The peer group includes Comcast, Fox, Lionsgate Studios, Walt Disney, and Versant Media Group. Comcast and Disney provide relevant benchmarks given their scale and diversified exposure across content, distribution, and direct-to-consumer platforms, while

Fox offers a useful comparison for the traditional television and advertising-driven segment. Lionsgate adds relevance through its stronger exposure to filmed entertainment and content production, whereas Versant Media Group broadens the analysis by capturing a smaller-scale hybrid media profile. Taken together, this peer selection provides a balanced basis for Paramount's relative valuation, while also reflecting the challenges of finding perfect comparables for a company with such a hybrid business model.

Exhibit 4.4: Comparable Companies Analysis

Company	EV/Sales A	EV/EBIT F	P/E FY2
Comcast A	1.5x	10.48x	7.72x
Versant Media Group A	0.88x	6.21x	5.41x
Fox A	1.79x	9.68x	12.52x
Lionsgate Studios	2.41x	65.41x	48.9x
Walt Disney	2.27x	11.42x	14.54x
Median	1.79x	10.4x	12.52x
Average	1.77x	20.62x	17.82x

Source: Minerva Investment Management Society

In assessing Paramount's value, we analyzed a set of relevant trading multiples, including actual and forward EV/Sales, EV/EBIT, EV/EBITDA, and P/E. However, given the limited usefulness of near-term earnings multiples due to negative or distorted earnings in earlier periods, we placed greater emphasis on forward EV/EBIT and FY2 P/E, which better reflect Paramount's earnings power once profitability normalizes and align more closely with our blended valuation approach.

Paramount currently trades at 0.79x EV/Sales actual and 0.76x EV/Sales forward, well below both the peer average and median (approximately 1.8x on both measures). This suggests that the market applies a meaningful discount to Paramount's revenue base, likely reflecting weaker margins, the ongoing structural decline of linear TV, and the hybrid nature of its business model. On an EV/EBIT basis, Paramount trades at 10.13x actual and 11.52x forward, broadly in line with peer medians (9.4x and 10.4x, respectively) but below peer averages, which are skewed upward by smaller and more volatile comparables. This indicates that, while the company is not deeply discounted on operating earnings, the market remains cautious on the sustainability of its EBIT recovery.

On an EV/EBITDA basis, Paramount stands at 7.48x actual and 6.39x forward, broadly in line with peers on current EBITDA but at a discount on forward EBITDA, consistent with the group's elevated leverage and execution risk. Lastly, Paramount trades at roughly 13.3x FY2 P/E, compared with a peer benchmark of around 12.5x, suggesting that once earnings normalize, the stock is valued broadly in line with its comparable group. Overall, while sales-based multiples imply a notable discount, earnings-based multiples point to a more balanced valuation. For this reason, we assign greater weight to forward EV/EBIT and FY2 P/E in our relative valuation framework.

Valuation: Merger Model Analysis

We have built a merger model for a potential combination between Paramount and Warner Bros. Discovery to assess the impact such a transaction could have on Paramount's future growth, earnings profile and strategic positioning. The model is based on a \$31.00/share all-cash offer for WBD and incorporates the proposed financing structure, pro forma income statement effects and a detailed purchase price allocation.

The transaction is funded through \$103.2bn of total sources: new equity from Ellison and RedBird (\$46.0bn, 44.5%), a rights offering to existing PSKY shareholders (\$3.25bn), incremental acquisition debt (\$39.0bn at 6.25%) and refinancing of the WBD bridge facility (\$15.0bn). Sources and Uses balance to zero.

On synergies, we assume \$6.0bn of run-rate annual cost savings, consistent with management guidance, phased at 50% in FY2026E and 100% from FY2027E, across technology integration, G&A consolidation, procurement, real estate, marketing and content efficiencies. One-time restructuring charges of \$3.6bn (FY2026E) and \$2.4bn (FY2027E) are assumed at 1.0x run-rate synergies per IB convention. The purchase price allocation assigns \$50.6bn to identifiable intangibles (film & TV library, brand/franchise IP, DTC subscriber base, sports rights and trademarks), generating annual amortization of \$3.6bn and goodwill of \$58.8bn. At the pro forma combined level, revenue grows from \$66.3bn in FY2026E to \$68.7bn by FY2028E, with EBITDA margin expanding from 12.5% to 22.1% as synergies mature.

Crucially, the transaction is clearly accretive: pro forma diluted EPS turns positive in FY2026E (\$0.06 vs. standalone (\$0.81)), reaches \$0.76 in FY2027E, the first full year of synergies, and \$1.89 by FY2028E, representing accretion of 107.8%, 233.3% and 1,822.9% respectively. While this scenario analysis confirms meaningful strategic and financial merit, we do not incorporate merger-related upside into our base-case valuation, given limited visibility on timing, execution and final deal terms.

Exhibit 4.5: Pro Forma EPS

Pro Forma EPS Accretion / (Dilution)	FY2026E	FY2027E	FY2028E
PSKY standalone diluted EPS	(\$0.81)	(\$0.57)	\$0.10
Pro Forma diluted EPS	\$0.06	\$0.76	\$1.89
Accretion / (Dilution) — \$	\$0.88	\$1.34	\$1.79
Accretion / (Dilution) — %	107.8%	233.3%	1822.9%
Verdict (FY27 = first full year synergies)	ACCRETIVE		

Source: Minerva Investment Management Society

Final Valuation Methodology

In valuing Paramount, we anchored our relative valuation on the company's forward earnings profile, applying the peer median EV/EBIT Forward and P/E FY2 multiples. This choice reflects our preference for earnings-based metrics over revenue-based multiples, as they better capture Paramount's normalized profitability and are more appropriate given the

distortions in near-term earnings and the hybrid nature of the company's business model.

By applying the peer EV/EBIT Forward multiple to Paramount's forward EBIT, we derived an implied share price of \$10.4. Repeating the exercise using the peer P/E FY2 multiple and Paramount's FY2 earnings, we obtained an implied share price of \$9.8. Taking the average of these two estimates, we arrived at a comparable-based valuation of approximately \$10.08 per share, providing a market-based perspective grounded in Paramount's expected earnings recovery.

We then combined this share price with our DCF valuation, assigning equal weight to both the intrinsic value derived from the company's projected cash flows and the market-based value implied by the multiples analysis. This blended methodology allows us to capture both Paramount's standalone fundamental value and the information embedded in peer market pricing.

Separately, we also built a merger model for a potential combination between Paramount/Skydance and Warner Bros. Discovery to assess the possible impact on Paramount's medium-term growth, earnings profile and strategic positioning. While this scenario analysis suggests that a transaction could enhance scale, monetization opportunities and longer-term earnings power, we do not incorporate any merger-related upside into our base-case valuation or target price. In our view, visibility on timing, execution and final deal terms remains limited, while current market expectations already appear to reflect part of this strategic optionality.

The equal weighting of DCF and comparable valuation in our final computation results in a target price of \$11.89 per share. Compared with the latest closing price of \$10.52, this implies a potential upside of approximately 7.2%. However, despite this moderate upside, we believe the current risk-reward profile remains balanced given the uncertainty surrounding the company's earnings normalization, capital structure, and broader strategic outlook. Accordingly, we assign a **HOLD** rating.

Exhibit 4.6: Final Valuation

DCF Valuation	\$ 13.70	50%
Multiples Valuation	\$ 10.08	50%
Final Valuation	\$ 11.89	

Source: Minerva Investment Management Society

Investment Risks

Paramount operates in a rapidly evolving hybrid media market where strategic execution, streaming monetization, and capital structure management are critical to long-term value creation. The company's investment profile is shaped by both meaningful upside optionality and material downside exposure, as outlined below.

Downside Risk Factors

Execution and regulatory risk around the WBD transaction

The proposed acquisition of Warner Bros. Discovery introduces substantial financing, integration, and regulatory risk. The deal is subject to multi-jurisdictional scrutiny, including expected U.K. CMA review and active DOJ attention, while public opposition from the creative community increases the probability of delays, remedies, or divestiture requirements. If completed, the combined entity could carry more than \$80 billion of debt and leverage of roughly 7x EBITDA, materially constraining financial flexibility.

Structural decline of linear TV

Paramount remains significantly exposed to the secular decline of the traditional television ecosystem. FY2025 pro-forma TV Media revenue declined to approximately \$17.1 billion from \$18.8 billion in FY2024, driven by a 13% drop in advertising and a 7% decline in affiliate fees. As cord-cutting continues, this legacy segment is likely to remain a structural drag on consolidated earnings.

Credit profile and earnings compression risk

The company's recurring earnings base remains under pressure, with weaker operating profitability and limited room for operational disappointment. Following the WBD bid, Fitch downgraded PSKY's debt to junk status, while S&P placed the company on negative watch. Elevated leverage, tighter covenant pressure, and weaker-than-expected EBITDA generation could further weigh on equity value and refinancing flexibility.

Upside Risk Factors

Faster Direct-to-Consumer monetization

Paramount+ achieved its first full year of segment profitability in 2025 and ended the year with 79 million paid subscribers. If management continues to improve pricing, churn, and monetization, the platform could scale margins more quickly than expected, especially as advertising-supported streaming continues to expand.

Synergy realization and cost discipline

Management is targeting at least \$3 billion of run-rate synergies through 2027, with more than \$2.5 billion expected by the end of 2026. Faster or more complete realization of these efficiencies could materially improve EBITDA, free cash flow generation, and the company's deleveraging trajectory.

Premium content, sports, and consolidation upside

Paramount benefits from a strong IP portfolio, a broader 2026 theatrical slate, NFL rights, and the long-term UFC streaming agreement, all of which support subscription growth, engagement, advertising monetization, and licensing revenue. In addition, if the WBD transaction were completed on acceptable terms, greater scale and a broader content ecosystem could strengthen Paramount's long-term competitive position in hybrid media.

Appendix

Exhibit 5.1. PSKY Income Statement

(\$ mn)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Income statement														
Revenue	30.154	29.652	29.213	28.891	28.800	29.558	30.347	31.274	32.512	33.762	35.260	37.007	38.805	40.686
COGS	(19.845)	(22.388)	(20.555)	(19.736)	(15.321)	(15.852)	(16.348)	(16.913)	(17.625)	(18.328)	(19.156)	(20.129)	(21.106)	(22.128)
D&A	(405)	(418)	(392)	(794)	(1.596)	(1.370)	(693)	(562)	(558)	(557)	(558)	(560)	(564)	(558)
Selling, general & administrative expenses (SGAs)	(7.033)	(7.245)	(6.658)	(6.120)	-6.332	-6.499	-6.673	-6.876	-7.149	-7.423	-7.753	-8.137	-8.532	-8.946
Other operating expenses					-5.760	-5.823	-5.887	-5.973	-6.112	-6.246	-6.417	-6.624	-6.830	-7.039
Operating profit	2.871	(399)	1.608	2.241	(209)	13	746	950	1.068	1.208	1.377	1.558	1.773	2.015
Interest income	9.5%	-1.3%	5.5%	7.8%	-0.7%	0.0%	2.5%	3.0%	3.3%	3.6%	3.9%	4.2%	4.6%	5.0%
Interest expense	(931)	(920)	(860)	(882)	-802	-783	-750	-721	-693	-666	-637	-608	-580	-552
Other income (expense), net excluding interest expense	(128)	(38)	(212)	(108)										
Pre-tax income	1.920	(1.220)	687	1.398	(902)	(635)	129	374	525	702	908	1.127	1.380	1.661
Taxes	(227)	361	305	119	0	0	-20	-64	-90	-121	-165	-205	-251	-302
Net Income	1.693	(859)	992	1.517	(902)	(635)	109	309	435	582	743	922	1.129	1.360

Exhibit 5.2. PSKY Balance Sheet

(\$ mn)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Balance sheet														
Property	3.153	2.849	2.578	3.321	2.953	2.896	2.854	2.827	2.816	2.820	2.840	2.875	2.925	2.988
Goodwill and trademarks	16.499	16.516	10.508	1.600	1.600	1.600	1.600	1.600	1.600	1.600	1.600	1.600	1.600	1.600
Intangible assets	2.694	2.589	2.406	6.238	5.021	4.020	3.689	3.484	3.279	3.074	2.869	2.664	2.459	2.267
Deferred tax assets	1.242	1.242	1.386	1.282	1.310	1.293	1.299	1.294	1.295	1.292	1.291	1.290	1.288	1.287
Long-term investments	3.455	3.298	2.515	2.185	2.185	2.185	2.185	2.185	2.185	2.185	2.185	2.185	2.185	2.185
Other assets	17.616	14.346	14.237	15.396	15.396	15.396	15.396	15.396	15.396	15.396	15.396	15.396	15.396	15.396
Total non-current assets	44.659	40.840	33.630	30.022	28.465	27.390	27.023	26.786	26.571	26.368	26.181	26.010	25.854	25.724
Inventories	1.342	1.414	1.429	1.461	1.134	1.217	1.284	1.348	1.417	1.482	1.555	1.638	1.720	1.805
Accounts receivables	7.412	7.115	6.920	6.615	6.515	6.608	6.743	6.918	7.172	7.435	7.756	8.134	8.525	8.936
Cash at cash equivalents	2.885	2.460	2.661	3.274										
Prepaid expenses and other current assets	2.095	1.714	1.532	1.070	1.561	1.489	1.472	1.486	1.630	1.659	1.722	1.810	1.911	1.995
Total current assets	13.734	12.703	12.542	12.420	9.210	9.313	9.499	9.751	10.220	10.576	11.033	11.582	12.157	12.736
Total assets	58.393	53.543	46.172	42.442	37.675	36.703	36.523	36.538	36.791	36.944	37.214	37.592	38.010	38.460
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	1	1	1	1										
Additional paid-in capital	33.063	33.210	33.394	13.386										
Accumulated other comprehensive income / loss	(24.765)	(24.514)	(24.562)	59										
Retained earnings	14.737	13.829	7.487	(1.753)	(2.743)	(3.415)	(3.312)	(2.954)	(2.443)	(1.753)	(855)	262	1.631	3.270
Total shareholders' equity	23.036	22.526	16.320	11.693	(2.743)	(3.415)	(3.312)	(2.954)	(2.443)	(1.753)	(855)	262	1.631	3.270
Accounts Payable	1.403	1.100	953	906	691	710	728	750	780	810	846	888	931	975
Other Current Liabilities	9.257	8.297	8.394	8.976	8.531	8.675	9.011	9.361	9.640	10.013	10.484	11.007	11.523	12.087
Short term debt	531	259	284	717	347	573	500	489	477	510	494	493	493	497
Total current liabilities	11.191	9.656	9.631	10.599	9.569	9.958	10.239	10.600	10.897	11.332	11.824	12.388	12.947	13.560
Convertible long-term debt	17.035	15.857	15.549	14.375	14.028	13.681	13.108	12.608	12.119	11.642	11.132	10.638	10.145	9.652
Other long term liabilities	7.035	5.675	4.790	5.471	5.471	5.471	5.471	5.471	5.471	5.471	5.471	5.471	5.471	5.471
Total non-current liabilities	24.070	21.532	20.339	19.846	19.499	19.152	18.579	18.079	17.590	17.113	16.603	16.109	15.616	15.123
Total liabilities and equity	58.297	53.714	46.290	42.138	26.325	25.696	25.506	25.725	26.044	26.692	27.571	28.759	30.195	31.952

Exhibit 5.3. PSKY Change in Cash and FCFF

(\$ mn)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Information from the notes to financial statements														
Depreciation and Amortization														
Depreciation	(405)	(418)	(392)	(794)	(1.596)	(1.370)	(693)	(562)	(558)	(557)	(558)	(560)	(564)	(558)
After-tax EBIT	2.515	(399)	1.608	2.241	(209)	11	633	787	885	1.001	1.127	1.275	1.450	1.649
D&A	(405)	(12.911)	(12.380)	(13.027)	(6.960)	(3.485)	(2.043)	(1.250)	(1.207)	(1.165)	(1.125)	(1.087)	(1.051)	(1.003)
Capex	(358)	(358)	(328)	(263)	(296)	(304)	(312)	(320)	(330)	(343)	(356)	(372)	(390)	(409)
Change in NWC	(869)	(528)	(327)	(320)	36	(143)	(176)	(214)	(290)	(299)	(362)	(418)	(431)	419
FCFF	1.693	14.053	13.260	13.581	6.543	2.804	1.933	1.187	1.009	899	785	698	781	1.722
Cash Dividends Paid	(689)	(447)	(168)	(191)	(87)	(37)	(26)	(16)	(13)	(12)	(10)	(9)	(10)	(23)
Div % of FCFF	41%	3%	1%	1%										
Change in LT Debt	(2.230)	(1.178)	(308)	(1.174)	(347)	(347)	(573)	(500)	(489)	(477)	(510)	(494)	(493)	(493)
Change in Cash	(1.226)	12.428	12.784	12.216	6.109	2.420	1.334	671	506	409	264	195	278	1.205

Exhibit 5.4. Multiple Analysis

Identifier (RIC)	Company Name	PIE A	PIE FY2	EV/Sales A	EV/Sales F	EV/EBIT A	EV/EBIT F	EV/EBITDA A	EV/EBITDA F	EV	MC	Sales	Sales F	EBIT	EBIT F	EBITDA	EBITDA F	Net Income	Net Income F		
CMCSA-US	Comcast A			7,72	1,50	1,53	8,79	10,40	4,98	5,52	188,031,65	473,00	123,706,97	121,211,50	21153,00	17890,62	37394,00	33705,59	10619,68652	23,51	
VSNT-US	Versant Media Group A			5,41	0,88	0,92	4,17	5,21			9,890,40										
FOXA-US	Fox A			12,52	1,79	1,82	9,40	9,68	8,35	8,54	29,659,24	194,00	16,578,00	16,291,63	3155,00	3063,53	3550,00	3473,48	189100,0074	602822,16	
LION-US	Lionsgate Studios			48,90	2,41	2,63	47,98	65,41	4,72	27,01	6,726,58	144,90	2,795,00	2,560,11	140,20	102,84	1426,50	248,03	23020,00012	-146194,17	
DIS-US	Walt Disney			14,54	2,37	2,17	16,07	11,42	11,50	10,00	217,375,42	5,532,00	95,617,01	100,054,16	13530,00	19040,97	18896,00	21745,60	1225199,999	5165641,15	
Median				12,52	1,79	1,82	9,40	10,40	6,87	9,27	29,659,24	333,00	56,097,91	58,172,91	8,342,50	10,477,98	11,223,90	12,609,54	99,859,85	381,422,83	
Average				17,82	1,77	1,82	17,28	20,62	7,39	12,77	89,136,68	1,585,98	59,874,24	60,029,36	9,484,55	10,924,49	15,309,13	14,793,43	350,474,92	1,416,573,16	
PSKY	Paramount Skydance Corporation			13,32	0,79	0,76	10,13	11,52	7,48	6,39	22,701,70	1,194,00	28,890,99	29,870,66	2,241,04	1,970,44	3,035,00	3,550,96	-	62,099,99	46,753,27
Method				EV / Sales A	EV / Sales A	EV / Sales F	EV / Sales F	EV / EBIT A	EV / EBIT A	EV / EBIT F	EV / EBIT F	PIE A	PIE A	PIE FY2	PIE FY2	EV / EBITDA A	EV / EBITDA A	EV / EBITDA F	EV / EBITDA F		
Multiple choice				Average	Median	Average	Median	Average	Median	Average	Median	Average	Median	Average	Median	Average	Median	Average	Median		
PARA's corresponding metrics				28,891,00	28,891,00	28,891,00	28,891,00	2,241,00	2,241,00	2,241,00	2,241,00			0,78	0,78	3,035,00	3,035,00	3,035,00	3,035,00		
Multiple				1,8x	1,8x	1,8x	1,8x	17,3x	9,4x	20,6x	10,4x			12,5x	12,5x	7,4x	6,7x	12,8x	9,3x		
Enterprise value				51,154	51,688	52,439	52,597	38,729	21,067	46,217	23,303					22,423	20,234	38,746	28,127		
(Net debt)				11,818	11,818	11,818	11,818	11,818	11,818	11,818	11,818					11,818	11,818	11,818	11,818		
Surplus assets (inc. associates & pensions)				1,235,0	1,235,0	1,235,0	1,235,0	1,235,0	1,235,0	1,235,0	1,235,0					150,0	150,0	150,0	150,0		
(Minorities)				1,194,0	1,194,0	1,194,0	1,194,0	1,194,0	1,194,0	1,194,0	1,194,0					1,194,0	1,194,0	1,194,0	1,194,0		
Equity value				39,377	39,911	40,662	40,620	26,952	9,290	34,440	11,526					9,561	7,372	25,884	15,265		
NOCH				1,108,0	1,108,0	1,108,0	1,108,0	1,108,0	1,108,0	1,108,0	1,108,0					1,108,0	1,108,0	1,108,0	1,108,0		
Implied share price				36	36	37	37	24	8	31	10			10	10	9	7	23	14		

Exhibit 5.5. Beta Calculation

Identifier (RIC)	Company Name	TD/TE	Beta 5 Year	Beta 3 Years	Unlevered beta 5Y	Unlevered beta 3Y	
CMCSA-US	Comcast A		0,94	0,80	0,73	0,45	0,41
VSNT-US	Versant Media Group A		0,17	0,74	0,74	0,65	0,65
FOXA-US	Fox A		0,26	0,80	0,76	0,66	0,63
LION-US	Lionsgate Studios		1,19	0,55	0,73	0,28	0,37
DIS-US	Walt Disney		0,26	1,02	0,94	0,84	0,78
Median			0,26	0,80	0,74	0,65	0,63
Average			0,56	0,78	0,78	0,58	0,57
PSKY	Paramount Skydance Corporation	97%	0,98	0,80	0,54	0,44	
	Industrial beta		0,80	1,13			
				Median Levered beta 3Y			

Exhibit 5.6. WACC calculation

WACC Calculations		
Cost of Equity	10,1%	
Total Debt	15,092	LT debt+ short term + current portion of long term
Net Debt	11,818	
Mkt Cap	12,131	Equity value=enterprise value- net debt
E/(D+E)	45%	
Cost of Debt	5,7%	
D/(D+E)	55%	
Tax Rate	18%	
WACC	7,11%	
Cost of Equity - CAPM		
Risk-Free Rate (10Y T)	4,34%	10y US gov bonds
Unlevered Beta (Industry Median)	0,626	
Beta (3Y monthly)	1,128	
ERP	5,14%	
Cost of Equity	10,1%	
Risk Free Rate		
Current 10Y T (assumed top level)	4,34%	10y gov bonds
Cost of Debt - Credit Rating Approach		
Risk-Free Rate	4,34%	10y gov bonds
PSKY Credit Rating	BB+	from S&P global ratings (-Ba1 Moodys)
Spread on BB+	1,38%	excel file of Damodaran
Cost of Debt	5,7%	
Country		Weight (%) ERP Damodaran
United States	88,3%	5,03%
China	4,8%	5,80%
Germany	1,2%	4,77%
India	1,09%	7,98%
United Kingdom	0,98%	5,65%
Japan	1,09%	5,80%
France	0,77%	5,65%
Italy	0,66%	7,55%
Japan	1,09%	5,80%
Weighted ERP		5,14%

Exhibit 5.7. DCF for PSKY

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Discounted Cash Flow													
Revenue	29.652	29.213	28.891	28.800	29.558	30.347	31.274	32.512	33.762	35.260	37.007	38.805	40.686
Cost of Revenue	(22.388)	(20.555)	(19.736)	(15.321)	(15.852)	(16.348)	(16.913)	(17.625)	(18.328)	(19.156)	(20.129)	(21.106)	(22.128)
Gross Profit	7.264	8.658	9.155	13.479	13.705	13.999	14.361	14.887	15.435	16.105	16.879	17.699	18.557
Margin				46,8%	46,4%	46,1%	45,9%	45,8%	45,7%	45,7%	45,6%	45,6%	45,6%
Operating expenses	(7.663)	(7.050)	(6.914)	(13.688)	(13.692)	(13.253)	(13.411)	(13.819)	(14.226)	(14.728)	(15.321)	(15.926)	(16.542)
Selling, general & administrative expenses (SGA)	(7.245)	(6.658)	(6.120)	(6.332)	(6.499)	(6.673)	(6.876)	(7.149)	(7.423)	(7.753)	(8.137)	(8.532)	(8.946)
Other operating expenses				(5.760)	(5.823)	(5.887)	(5.973)	(6.112)	(6.246)	(6.417)	(6.624)	(6.830)	(7.039)
D&A	(418)	(392)	(794)	(1.596)	(1.370)	(693)	(562)	(558)	(557)	(558)	(560)	(564)	(558)
EBIT	(399)	1.608	2.241	(209)	13	746	950	1.068	1.208	1.377	1.558	1.773	2.015
Margin	-1,3%	5,5%	7,8%	-0,7%	0,0%	2,5%	3,0%	3,3%	3,6%	3,9%	4,2%	4,6%	5,0%
After-tax EBIT	(399)	1.608	2.241	(209)	11	633	787	885	1.001	1.127	1.275	1.450	1.649
D&A+ Content Amortization	(12.911)	(12.380)	(13.027)	(6.960)	(3.485)	(2.043)	(1.250)	(1.207)	(1.165)	(1.125)	(1.087)	(1.051)	(1.003)
Δ Deferred Charges	(2.427)	73	1.104	(52)	246	255	316	463	625	749	874	899	940
Capex	(358)	(328)	(263)	(296)	(304)	(312)	(320)	(330)	(343)	(356)	(372)	(390)	(409)
Change in NWC	(528)	(327)	(320)	36	(143)	(176)	(214)	(290)	(299)	(362)	(418)	(431)	419
FCFF	14.053	13.260	13.581	6.543	2.804	1.933	1.187	1.009	899	785	698	781	1.722
DCF				6.108	2.444	1.573	902	715	595	485	403	421	866

Assumptions

Final period in forecast horizon	10
Terminal growth rate	1,5% → Mature business
Tax rate	18%
Forecast WACC	7,11%
Terminal WACC	7,11%

Calculations

Final forecast FCFF	18.359
Terminal value	31.132
Present value of forecast cash flows	14.512
Present value of terminal value	14.619

Enterprise value

Enterprise value	29.130
Less: debt & other capital claims	15.092
Add: cash & cash equivalents	3.274
Less: Pension provisions	1.085
Less: Other debt-like items	-
Add: Non-operating assets	150
Less: Minority Interests	1.194
Less: Value of options (Damodaran approach)	-

Equity value

Equity value	15.183
Weighted average basic shares outstanding	1.108
Weighted average diluted shares	1.108

Value per share

Value per share	13,7
Current value per share	11,89

PENSION AND OTHER POSTRETIREMENT BENEFITS - Schedule of Funded Status of Pension and Postretirement Benefit Obligations (Details) - USD (\$)		Dec. 31, 2025	Dec. 31, 2024
\$ in Millions			
Amounts recognized on the Consolidated Balance Sheets:			
Noncurrent liabilities		\$ (1,185)	\$ (1,228)
Pension Benefits:			
Defined Benefit Plan Disclosure (Line items)			
Funded status at end of year		(1,085)	(1,129)
Amounts recognized on the Consolidated Balance Sheets:			
Noncurrent assets		6	1
Current liabilities		(75)	(73)
Noncurrent liabilities		(1,016)	(1,057)
Net amounts recognized		(1,085)	(1,129)

Share Price vs WACC and TGR

	6,70%	6,90%	7,11%	7,30%	7,50%
1,00%	\$14,00	\$13,28	\$12,56	\$11,99	\$11,41
1,25%	\$14,66	\$13,88	\$13,11	\$12,49	\$11,87
1,50%	\$15,37	\$14,53	\$13,70	\$13,04	\$12,37
1,75%	\$16,16	\$15,25	\$14,35	\$13,63	\$12,92
2,00%	\$17,03	\$16,04	\$15,06	\$14,29	\$13,52

Exhibit 5.8. Merger Model PSKY-WBD: Sources & Uses of Funds

SOURCES & USES OF FUNDS													
SOURCES					USES								
Source	Amount	% of Total	Cost		Use	Amount	% of Total	Notes					
New equity (Ellison + RedBird)	\$ 45.970	44,5%	—		Equity purchase price (WBD)	\$ 81.003	78,5%						
Rights offering (existing PSKY hldrs)	\$ 3.250	3,1%	—		Refinance WBD bridge facility	\$ 15.000	14,5%	\$15bn bridge replaced 1:1 by new debt					
New acquisition debt (incremental)	\$ 39.000	37,8%	6,25%		Netflix tender termination fee	\$ 2.800	2,7%	Prior tender offer terminated					
WBD bridge backstop debt	\$ 15.000	14,5%	5,80%		M&A advisory & legal fees	\$ 2.188	2,1%						
Acquirer balance sheet cash	\$ -	-	4,50%		Ticking fee (base case)	\$ -	-	- Assumes close ≤ Sept 30, 2026					
Total Sources	\$ 103.220	100,0%			Financing fees / OID (~1.5% new debt)	\$ 810	0,8%	Underwriting + OID					
					Excess proceeds → cash on BS	\$ 1.419	1,4%	Plug — keeps S&U balanced; sits as cash					
					Total Uses	\$ 103.220	98,6%						
Sources - Uses (should be 0)													

Exhibit 5.9. Merger Model PSKY-WBD: Identifiable intangibles for PPA purposes

SUMMARY OF IDENTIFIABLE INTANGIBLES						
Asset	Method	Fair Value	Useful Life	Annual Amort.	% of Total	
Film & TV Library	DCF (licensing royalty stream)	\$ 20.667	20	\$ 1.033	40,9%	
Brand & Franchise IP	Relief-from-Royalty	\$ 13.196	25	\$ 528	26,1%	
Subscriber Base / DTC	Multi-Period Excess Earnings (MPEEM)	\$ 7.676	7	\$ 1.097	15,2%	
Sports Rights	Incremental Cash Flow	\$ 5.726	8	\$ 716	11,3%	
Trade Names / Trademarks	Relief-from-Royalty	\$ 3.293	15	\$ 220	6,5%	
TOTAL IDENTIFIABLE INTANGIBLES		\$ 50.557	17,6	\$ 3.593	100,0%	
Annual amortization expense (sum of straight-line per asset)		\$ 3.593				
Weighted-avg useful life (years)			17,6			

Exhibit 5.10. Merger Model PSKY-WBD: Transaction Assumptions

TRANSACTION ASSUMPTIONS			
1. Offer Terms			
Offer price per WBD share (\$)	\$31.00		Press release Feb 27, 2026
WBD diluted shares outstanding (mm)	2.613		Implied by \$81bn equity value
Equity purchase price (\$mm)	\$ 81.003		
Target net debt assumed (\$mm)	\$ 28.398		WBD: 33,001 debt - 4,603 cash
Enterprise value (\$mm)	\$ 109.401		
2. Synergies			
Run-rate cost synergies (\$mm)	\$ 6.000		Press release: >\$6bn
Phasing — Year 1 (post-close)	50.0%		Mgmt assumption — partial year
Phasing — Year 2 (full run-rate)	100.0%		Mgmt assumption
Restructuring charges (1x, % synergies)	100.0%		1.0x run-rate (1B convention)
3. Financing			
New equity issuance — Ellison + RedBird (\$mm)	\$ 45.970		\$45.72bn Ellison + \$0.25bn RedBird
Issue price per Class B share (\$)	\$16.02		Press release
New shares issued (mm)	2.870		
Rights offering (\$mm)	\$ 3.250		Up to \$3.25bn at \$16.02
Rights offering shares (mm)	203		
New acquisition debt — incremental (\$mm)	\$ 39.000		Term A + new senior notes (excl. WBD bridge backstop)
WBD bridge facility backstop (\$mm)	\$ 15.000		Refinancing of existing WBD facility
Total new debt commitments (\$mm)	\$ 54.000		
Acquirer cash used (\$mm)	\$ -		Base case: zero (cash for ops); sensitivity flex
4. Transaction Costs			
M&A advisory & legal fees (% of EV)	2.0%		Centerview, RedBird, BofA, Citi, M.Klein, Latham et al.
Total M&A fees (\$mm)	\$ 2.188		
Netflix tender termination fee (\$mm)	\$ 2.800		Termination of prior all-cash tender offer
Ticking fee (\$/share/quarter post 9/30/26)	\$0.25		Base case: assume close on time → 0
Ticking fee assumed in base case (\$mm)	\$ -		Assume close by Sept 30, 2026
5. Interest Rate Assumptions			
Cost of new acquisition debt	6.25%		Blended TL A + new senior notes (BB+)
Cost of existing PSKY debt	5.72%		PSKY WACC tab — credit spread approach
Cost of existing WBD debt	5.80%		WBD blended (BB)
Interest on cash	4.50%		Short-term Treasury yield
Foregone interest on cash used (\$mm)	\$ -		Cash * yield
Pro forma blended tax rate	21.00%		Statutory US — combined entity
6. Purchase Price Allocation (Identifiable Intangibles)			
See Purchase_Price tab for full PPA			
Asset Category	Value (\$mm)	Useful Life (yrs)	Valuation Method
Film & TV Library (>15,000 titles)	\$ 20.667	20	DCF on licensing/royalty cash flows
Brand & Franchise IP (HP, DC, HBO)	\$ 13.196	25	Relief-from-royalty
Subscriber base / DTC (HBO Max)	\$ 7.676	7	Multi-period excess earnings (MPEEM)
Sports rights (NFL, Olympics, UFC)	\$ 5.726	8	Incremental cash flow
Trade names / Trademarks	\$ 3.293	15	Relief-from-royalty
Total identifiable intangibles (\$mm)	\$ 50.557		
Weighted average useful life (yrs)	17.6		

Exhibit 5.11. Merger Model PSKY-WBD: Pro Forma Combined IS

PRO FORMA COMBINED INCOME STATEMENT				
Pro Forma Combined	FY2025A	FY2026E	FY2027E	FY2028E
Revenue — PSKY	\$ 28.891	\$ 28.800	\$ 29.558	\$ 30.347
Revenue — WBD	\$ 37.323	\$ 37.469	\$ 37.770	\$ 38.360
Combined Revenue	\$ 66.214	\$ 66.269	\$ 67.327	\$ 68.707
COGS (excl. D&A) — combined	\$ (40.627)	\$ (36.417)	\$ (37.946)	\$ (37.983)
SG&A + Other op expenses — combined	\$ (15.322)	\$ (20.968)	\$ (21.180)	\$ (21.508)
(+) Cost synergies realized	\$ -	\$ 3.000	\$ 6.000	\$ 6.000
(–) One-time restructuring charges	\$ -	\$ (3.600)	\$ (2.400)	\$ -
Combined Adjusted EBITDA	\$ 10.265	\$ 8.283	\$ 11.802	\$ 15.216
Margin %	15,5%	12,5%	17,5%	22,1%
D&A — existing (PSKY + WBD)	\$ (6.478)	\$ (6.751)	\$ (6.416)	\$ (5.738)
(–) New intangibles amortization (PPA)	\$ -	\$ 1.796	\$ 3.593	\$ 3.593
Combined EBIT	\$ 3.787	\$ 3.328	\$ 8.978	\$ 13.071
Interest income (combined)	\$ 312	\$ 109	\$ 135	\$ 132
Interest exp. — existing PSKY debt	\$ (882)	\$ (802)	\$ (783)	\$ (750)
Interest exp. — existing WBD debt	\$ -	\$ (1.080)	\$ (1.853)	\$ -
Interest exp. — new acquisition debt	\$ -	\$ (1.219)	\$ (2.438)	\$ (2.438)
Foregone interest on cash used	\$ -	\$ -	\$ -	\$ -
Other / unusual items	\$ 1.913	\$ -	\$ -	\$ -
Combined pretax income	\$ 5.130	\$ 337	\$ 4.040	\$ 10.016
Income tax @ pro forma rate	\$ (1.077)	\$ (71)	\$ (848)	\$ (2.103)
Net income (after tax)	\$ 4.053	\$ 266	\$ 3.191	\$ 7.913
Less: minority interest (already in NI from new temp	\$ -	\$ -	\$ -	\$ -
Pro Forma Net Income to Common	\$ 4.053	\$ 266	\$ 3.191	\$ 7.913
SHARE COUNT BUILD				
PSKY existing diluted shares (mm)	1.108	1.108	1.108	1.108
(+) New shares — Ellison/RedBird (\$45.97bn @	0	2.870	2.870	2.870
(+) Rights offering shares (\$3.25bn @ \$16.02)	0	203	203	203
Pro Forma diluted shares	1.108	4.180	4.180	4.180
PRO FORMA EPS				
Pro Forma Diluted EPS	\$3,66	\$0,06	\$0,76	\$1,89

Exhibit 5.12. Merger Model PSKY-WBD: Synergies assumptions

Synergy Category	Run-rate (\$mm)	% of total
Technology integration (single ERP, streaming stacks)	\$ 1.500	25,0%
Corporate overhead / G&A consolidation	\$ 1.300	21,7%
Procurement & vendor optimization	\$ 900	15,0%
Real estate footprint optimization	\$ 500	8,3%
Marketing & distribution efficiencies	\$ 900	15,0%
Content production & licensing optimization	\$ 900	15,0%
Total run-rate cost synergies	\$ 6.000	100,0%
Phasing schedule		
Phase-in %	50,0%	100,0%
Realized cost synergies (\$mm)	\$ 3.000	\$ 6.000
One-time restructuring charges (incurred Y1)	\$ 3.600	\$ 2.400

Exhibit 5.13. Merger Model PSKY-WBD: Complete Overview

MERGER MODEL — OVERVIEW & EPS ACCRETION/(DILUTION)
Deal Snapshot

Acquirer		Paramount Skydance (PSKY)
Target		Warner Bros. Discovery (WBD)
Consideration		100% cash @ \$31.00/share
Equity value	\$	81.003
Enterprise value	\$	109.401
EV / FY25A EBITDA		15,1x
EV / Synergized FY26E EBITDA		7,4x

Pro Forma EPS Accretion / (Dilution)

	FY2026E	FY2027E	FY2028E
PSKY standalone diluted EPS	(\$0,81)	(\$0,57)	\$0,10
Pro Forma diluted EPS	\$0,06	\$0,76	\$1,89
Accretion / (Dilution) — \$	\$0,88	\$1,34	\$1,79
Accretion / (Dilution) — %	107,8%	233,3%	1822,9%
Verdict (FY27 = first full year synergies)	ACCRETIVE		

Pro Forma Combined Snapshot

	FY2026E	FY2027E	FY2028E
Combined Revenue	\$ 66.269	\$ 67.327	\$ 68.707
Combined EBITDA (incl. synergies)	\$ 8.283	\$ 11.802	\$ 15.216
EBITDA Margin	12,5%	17,5%	22,1%
Combined Net Income to Common	\$ 266	\$ 3.191	\$ 7.913
Pro Forma Diluted Shares (mm)	4.180	4.180	4.180

Funding Overview

New equity (Ellison/RedBird)	\$ 45.970
Rights offering	\$ 3.250
New acquisition debt (incl. WBD bridge backstop)	\$ 54.000
Total new funding	\$ 103.220

Goodwill Created

Goodwill from PPA	\$ 58.841
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