

M&A Research Report
Netflix's planned Acquisition of
Warner Bros.

February 2026

Transaction Snapshot:

Netflix, Inc. has entered into a definitive agreement to acquire the studio and streaming assets of Warner Bros. Discovery in a transaction valued at \$82.7 billion enterprise value (\$72.0 billion equity value), implying consideration of \$27.75 per share. The perimeter includes Warner Bros. film and television studios, HBO and Max, DC Studios, and associated premium content libraries.

The transaction was approved by both boards following a competitive process that included a higher headline hostile proposal from Paramount Skydance. Warner Bros. Discovery's board endorsed Netflix's offer on the basis of execution certainty and structural simplicity. The deal remains subject to shareholder and regulatory approval, with closing expected within 12–18 months.

Investment Thesis:

The acquisition materially repositions Netflix by combining its global distribution platform with one of the industry's most established portfolios of premium intellectual property. Warner Bros. Discovery contributes scaled studio infrastructure and globally recognised franchises, including HBO and DC, accelerating Netflix's transition toward durable IP ownership over commissioned content.

By internalising both production and distribution, the combined group enhances long-term monetisation flexibility and reduces structural reliance on third-party licensing. In an environment where competitive advantage increasingly depends on franchise depth, brand equity and pricing power, the transaction narrows the structural gap between Netflix and fully integrated media peers.

Value creation is weighted toward medium-term cash flow expansion rather than near-term earnings uplift. If integration is executed effectively and identified synergies are realised, the combined platform would be structurally better positioned in a consolidating global streaming market. Execution failure, however, would materially impair risk-adjusted returns given the increased leverage profile.

Financial Considerations:

The \$82.7 billion enterprise valuation reflects a synergy-dependent case rather than a standalone trading multiple. Absent integration benefits, Warner Bros. Discovery's leverage profile and margin trajectory would justify a lower standalone valuation, making execution central to value preservation.

Under the cash-heavy structure, pro forma leverage increases materially, with interest coverage projected at approximately 3x in the near term. Management expects GAAP earnings per share accretion by Year 2; however, integration and restructuring costs, including platform migration and organisational consolidation, are expected to pressure margins in the initial post-close period.

The financial case therefore relies on disciplined synergy realisation and medium-term free cash flow expansion to support deleveraging and sustain investment-grade credit metrics.

Key Risks:

Principal risks relate to regulatory approval, integration execution, financial leverage and competitive dynamics.

From a regulatory standpoint, the combined scale in premium streaming and franchise ownership is likely to attract heightened antitrust scrutiny across multiple jurisdictions. Extended review timelines, behavioural remedies or targeted asset divestitures could delay synergy realisation or constrain strategic flexibility.

Integration risk is elevated given the structural differences between Netflix's technology-led, data-optimised operating model and Warner's traditional studio and premium network framework. Misalignment across greenlighting, release strategy and creative governance could dilute expected efficiencies. Realising production, marketing and platform synergies will require disciplined coordination across historically independent creative units.

Talent retention and brand stewardship represent additional execution variables. Franchise-driven businesses depend heavily on senior creative leadership, and perceived erosion of creative autonomy could disrupt content continuity. Similarly, over-integration risks diluting HBO's curated premium positioning, potentially increasing churn or compressing pricing power.

Finally, elevated pro-forma leverage and sustained content investment increase sensitivity to cash flow delivery and macroeconomic conditions. Competitive responses, including increased content spending, exclusivity arrangements or defensive consolidation, could further pressure industry margins and delay expected share gains.

Industry Implications:

The transaction reinforces the structural premium placed on scale and proprietary intellectual property within the streaming ecosystem. As content production costs continue to escalate and subscriber growth moderates across mature markets, platforms with durable franchise depth and global distribution reach are increasingly advantaged in sustaining margins and pricing power. Sub-scale operators may face mounting pressure to consolidate or specialise.

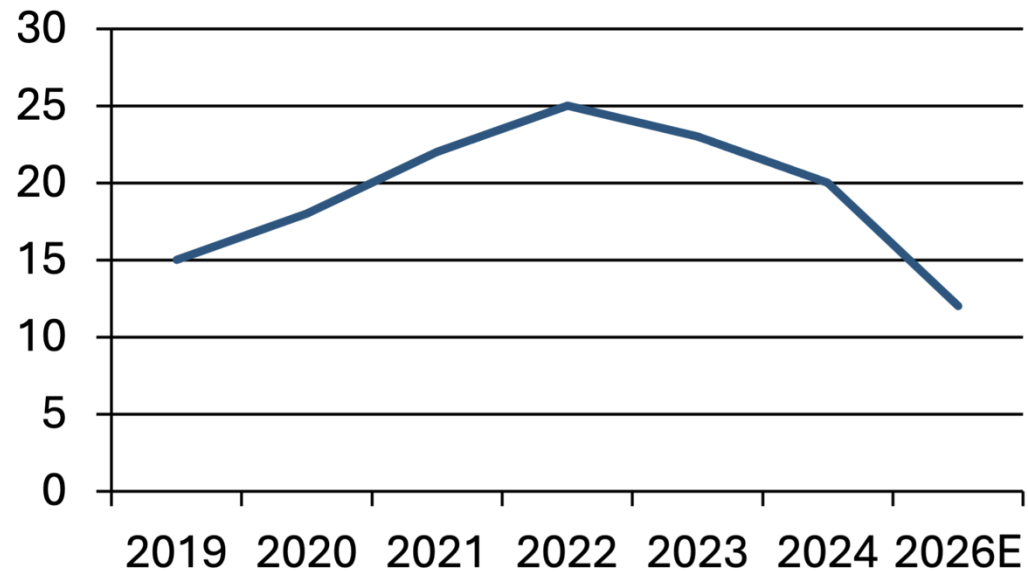
The combination further accelerates vertical integration across the sector. By internalising production, distribution and premium network assets, Netflix reduces exposure to external content suppliers and strengthens control over windowing strategy, release cadence and global monetisation. This may weaken the bargaining position of independent studios while raising structural barriers to entry for smaller streaming platforms.

More broadly, the deal reflects a shift from subscriber acquisition-driven competition toward capital efficiency and content ownership as defining competitive metrics. In the next phase of industry development, sustainable free cash flow generation and defensible intellectual property portfolios are likely to matter more than raw subscriber growth alone.

Conclusion:

On balance, the transaction is strategically compelling and financially supportable, provided identified synergies are realised within the projected timeframe. The combination enhances Netflix's structural positioning in a consolidating streaming market, though elevated leverage and integration complexity introduce meaningful execution risk. Value creation is therefore contingent on disciplined integration and sustained free cash flow delivery.

Number of Major Streaming Platforms



Scale & IP Ownership
Primary competitive moats driving industry consolidation

Vertical Integration Deepens
Platforms controlling production + distribution gain structural advantage

Franchise Depth = Pricing Power
Content quality over volume as subscriber growth moderates

Financial Discipline & Cash Flow Scale
Synergy realization and margin expansion underpin deleveraging capacity

Transaction Overview and Competitive Context:

Netflix has entered into an amended agreement to acquire the studio and streaming assets of Warner Bros. Discovery in a transaction valued at \$82.7 billion enterprise value. The revised structure increases the cash component of the original proposal, adding approximately 0.5x incremental leverage relative to the initial terms.

The amended agreement follows a competitive process that included a reported \$30 per share all-cash hostile tender offer from Paramount Skydance. Warner Bros. Discovery's board endorsed Netflix's revised offer on the basis of execution certainty and structural simplicity.

Consideration Structure and Equity Collar:

Warner Bros. Discovery shareholders will receive \$27.75 per share, comprising \$23.25 in cash and \$4.50 in Netflix common stock. The equity component is subject to a collar mechanism under which shareholders receive stock valued at \$4.50 per share provided Netflix's 15-day volume-weighted average share price prior to closing falls between \$97.91 and \$119.67. Outside this range, the exchange ratio adjusts to mitigate valuation volatility and dilution risk.

The transaction implies an equity value of approximately \$72.0 billion.

Break Fees and Governance:

The merger agreement includes a \$5.8 billion reverse termination fee payable by Netflix and a \$2.8 billion termination fee payable by Warner Bros. Discovery. A special shareholder meeting is expected by April 2026, with closing subject to shareholder and regulatory approval.

Financing Structure and Bridge Facilities:

Netflix initially arranged approximately \$59 billion of committed bank financing, including a substantial bridge facility. A portion has been refinanced through longer-term debt issuance, with approximately \$42.2 billion of bridge financing outstanding following amendments to the agreement.

The company expects to term out bridge facilities through permanent capital markets issuance over time. The transaction is projected to add approximately \$275 million of incremental costs in 2026, in addition to \$60 million incurred in 2H 2025. Share repurchases have been suspended ahead of closing to preserve liquidity.

Discovery Global Spin-Off Structure:

As part of the transaction architecture, Warner Bros. Discovery's legacy Global Networks assets will be separated into a standalone publicly traded entity ("Discovery Global") prior to closing. The spin-off will include CNN, TNT Sports (U.S.), Discovery and Discovery+, among other cable network assets.

Discovery Global is expected to carry approximately \$17 billion of debt by mid-2026, declining to \$16.1 billion by year-end. Netflix will acquire only the studio and streaming operations, reducing exposure to structurally declining linear networks.

Pro Forma Capital Structure and Leverage Impact:

Netflix currently holds approximately \$14.5 billion of gross debt and \$9.3 billion of cash and short-term investments. The transaction implies approximately \$50 billion of incremental debt, resulting in a materially higher leverage profile.

Management expects pro forma interest coverage of approximately 3x, supported by operating margins near 30% and approximately \$8 billion of operating cash flow generated in the first nine months of 2025. Warner Bros. Discovery’s streaming assets are expected to contribute approximately \$1.3 billion of incremental EBITDA.

Maintenance of investment-grade credit metrics is therefore contingent on disciplined deleveraging and timely synergy realisation.

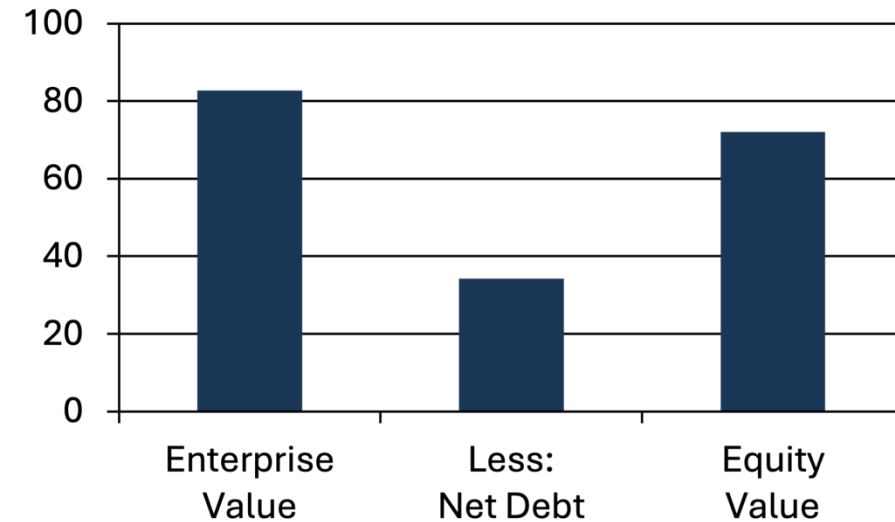
Credit & Liquidity:

Netflix has transitioned into a structurally free cash flow-generative platform, supported by operating margins of approximately 30% and roughly \$8 billion of operating cash flow generated in the first nine months of 2025. Pro forma interest coverage is projected at approximately 3x, reflecting the step-up in leverage following the acquisition.

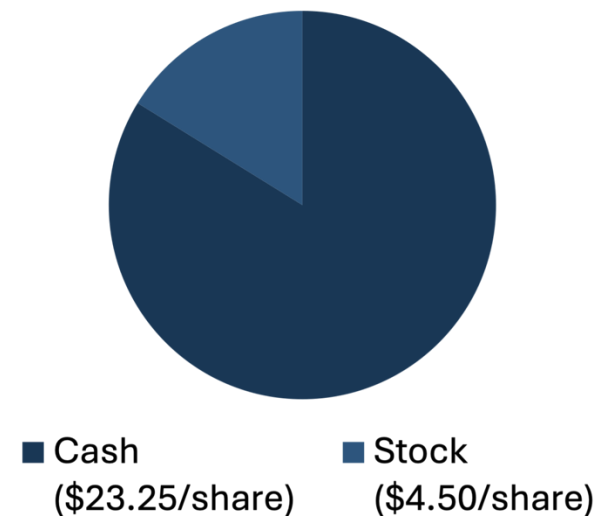
The addition of Warner Bros. Discovery’s streaming operations is expected to contribute approximately \$1.3 billion of incremental EBITDA, partially offsetting financing risk. Maintenance of investment-grade credit ratings (A3/A) will depend on disciplined deleveraging, sustained free cash flow expansion and timely synergy realisation.

While the balance sheet remains resilient, the increased leverage profile heightens sensitivity to integration execution and macroeconomic conditions.

Transaction Value Breakdown (\$bn)



Consideration Mix (%)



Market Definition:

The relevant market is defined as U.S. subscription video-on-demand (SVOD), treated as distinct from advertising-supported video-on-demand (AVOD) due to limited substitution between premium subscription content and ad-supported platforms. Market shares are based on publicly disclosed subscriber data from Q3 2025 filings.

Structural Concentration (HHI Analysis):

On a standalone basis, the U.S. SVOD market is moderately concentrated, with a pre-merger Herfindahl–Hirschman Index (HHI) of 1,598.

Following the combination of Netflix and Warner Bros. Discovery’s streaming assets, the post-merger HHI increases to 1,894, representing a change (Δ HHI) of +295.

The combined entity would represent approximately 30–33% of U.S. SVOD subscriber share.

Regulatory Assessment:

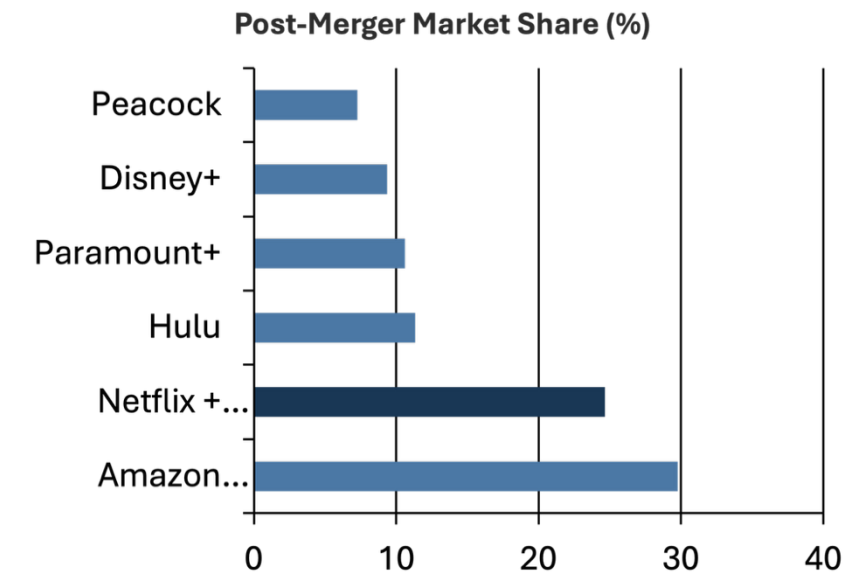
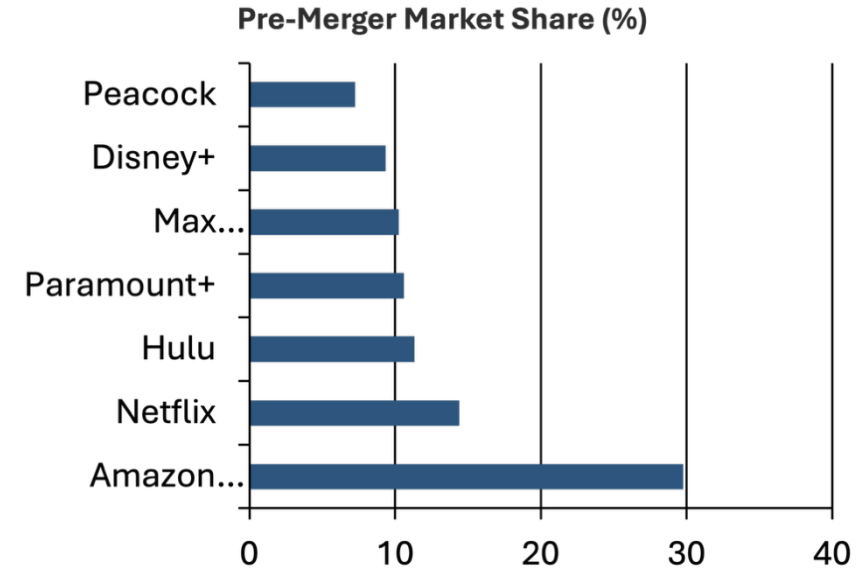
The U.S. SVOD market remains within the moderately concentrated range post-transaction. While the Δ HHI exceeds 200 and is therefore likely to attract regulatory scrutiny, the market does not cross into highly concentrated territory.

Accordingly, regulatory focus is more likely to centre on vertical integration and foreclosure concerns, particularly relating to content access and distribution control, rather than structural dominance alone.

Conclusion:

The transaction increases concentration materially but does not, on structural grounds alone, imply automatic prohibition.

Detailed HHI calculations and threshold framework provided in Appendix.



Paramount Counterbid Assessment:

Following Netflix's \$82.7 billion agreement, Paramount submitted a higher headline all-cash hostile proposal. While nominally attractive, the structure introduced materially higher execution and financing risk given Paramount's sub-investment-grade profile and leverage requirements.

The Warner Bros. Discovery board ultimately prioritised execution certainty, balance sheet strength, and structural simplicity over headline valuation.

Transaction Structure and Board Preference:

Paramount sought to acquire the entire company, whereas Netflix targeted the studio and streaming assets, enabling separation of legacy network operations. This narrower perimeter reduces integration complexity and isolates structurally declining assets.

A change-of-control scenario would also have triggered a \$4.8 billion exit fee, reducing the effective value of Paramount's proposal. The board therefore concluded that Netflix's cleaner structure and stronger credit profile offered superior risk-adjusted value.

Competitive Landscape in Streaming:

The U.S. streaming market remains structurally competitive. YouTube leads total viewing share, followed by Netflix, with Disney and Amazon operating at comparable scale. Max represents a smaller share of total viewing but contributes premium intellectual property depth.

A combined Netflix and WBD platform would command roughly one-third of premium subscription viewing hours; however, competition remains intense, with major platforms leveraging ecosystem integration, advertising reach, and proprietary franchise portfolios.

Strategic Positioning and Vertical Integration:

The transaction materially advances Netflix's vertical integration strategy by internalising premium content production alongside global distribution. Ownership of a scaled studio reduces reliance on third-party licensing, lowers exposure to external pricing power, and increases control over release windows and monetisation sequencing across theatrical, streaming, and downstream channels.

By consolidating production and distribution within a single platform, Netflix captures intermediary margin previously paid to external studios, enhances bargaining leverage, and improves visibility over long-term content investment returns. This structural shift supports greater pricing power, subscriber retention, and capital efficiency in an environment defined by rising content costs and moderating subscriber growth. Over time, this integration reduces structural content cost inflation risk and compresses customer acquisition volatility.

The acquisition should therefore be viewed as defensive scale consolidation rather than a move toward market dominance. It strengthens engagement resilience and franchise depth without eliminating competitive intensity.

Methodology:

This section will determine whether the transaction delivers executable and identifiable synergies, enhances earnings and cash flow on pro forma basis, will be accretive to GAAP earnings per share by Year 2. This model incorporates standalone projections for Netflix and the potential acquired WBD assets, financing assumptions, integration costs and a revenue and cost synergy analysis. All figures in the synergy analysis are illustrative and based on publicly available information and convincing assumptions.

Standalone Profiles:

The model shows that Netflix is a high-margin and platform-driven subscription business that has a strong operating leverage and highly scalable technology infrastructure. Its growth is driven by subscription scales, ARPU expansion and advertising monetisation, while margins benefit from disciplined content spending and a fixed-cost leverage. On the other hand, Warner Bros and HBO/Max are modelled based on a carve-out approach, as a content intensive business with lower standalone margins, high fixed production costs and considerable intellectual property value. Even-though these assets provide premium content and highly recognised franchises, it is true that their standalone economies are less efficient than Netflix's platform-based model. This contrast underpins the rationale of the transactions, as Netflix's scale and approach will be applied to Warner Bros' content portfolio, potentially improving numbers.

Cost Synergies:

Cost synergies are the largest and most certain source of value creation, with the greatest leverage within management's control. Cost synergies are derived from three broad areas. The first being content rationalisation, including the elimination of duplicated productions, consolidation of the greenlighting process, and leveraging existing owned content across platforms and regions. The second being technology, including the decommissioning of the HBO/Max streaming platform and the transfer to the single platform already owned by Netflix. Finally, corporate rationalisation, including the rationalisation of duplicated corporate activities, real estate, and third-party suppliers. The estimated annualised steady-state cost synergies are \$3.5-4.5 billion of EBITDA, spread over three years.

Metric	Netflix Standalone (Without Deal)	WBD Studios & HBO/Max Standalone (Carve-Out)
Revenue (USD bn)	45	28
EBITDA (USD bn)	13.5	6.5
EBITDA Margin (%)	30.0%	23.0%
Content Spend (% of Revenue)	55%	65%
FCF Conversion (EBITDA to FCF)	High	Moderate
Capital Intensity	Low	Medium

Revenue Synergies:

Revenue synergies are modelled conservatively and are focused on the two following principal opportunities. The integration of HBO and Warner Bros premium content will improve subscriber engagement with the platform, reducing churn through the perception of greater value, thereby increasing the average subscriber lifetimes and reducing the replacement acquisition cost. The increased premium content offering will improve Netflix's pricing power, enabling price increases and premium product take-up with reduced subscriber churn, especially in mature markets.

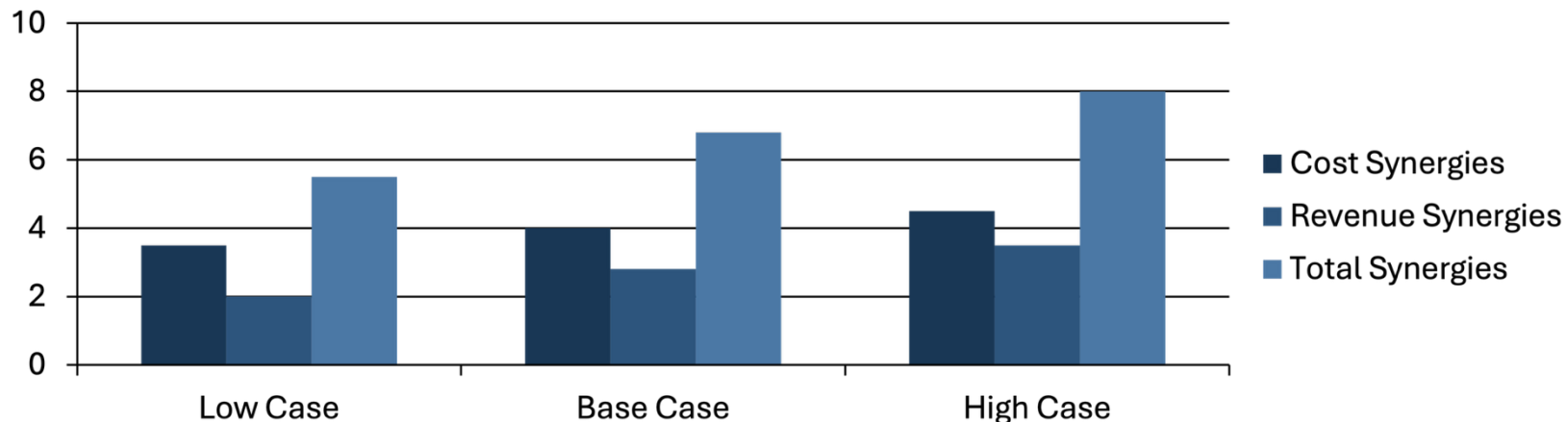
Integration Cost and Dis-synergies:

The model incorporates one-time integration costs related to IT and platform migration, workforce restructuring, contract rationalisation, and brand and product transition. Total integration costs are estimated at \$4.5-5.0 billion, incurred primarily over the first three years post-closing. Temporary operational disruption and transitional churn are reflected through short-term margin pressure in early periods.

Conclusion:

The financial modelling indicates that the transaction has the potential to generate meaningful earnings accretion and margin expansion within a relatively short timeframe. Value creation is driven primarily by executable cost synergies and improved pricing discipline, with revenue synergies providing additional upside subject to execution and market conditions.

Synergy Analysis by Scenario (\$bn)



DCF Summary

Netflix DCF Summary		Forecast Period					
\$ 000s		FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Revenue							
	Pro-forma	51,508,661	59,234,960	68,209,057	78,646,065	90,800,433	104,973,528
	Growth Margin (%)	14%	15%	15%	15%	15%	16%
	Baseline	49,701,340	52,931,927	55,578,523	57,523,771	58,674,247	58,967,618
	Growth Margin (%)	10%	7%	5%	4%	2%	1%
Operating Income							
	Pro-forma	14,336,109	18,600,449	22,789,157	26,977,174	32,470,179	38,490,719
	% of revenues	28%	31%	33%	34%	36%	37%
	Baseline	12,507,396	14,869,126	16,467,615	17,365,389	18,438,391	18,987,523
	% of revenues	25%	28%	30%	30%	31%	32%
After Tax Profit							
	Pro-forma	11,783,039	15,287,957	18,730,712	22,172,899	26,687,673	31,636,035
	% of revenues	23%	26%	27%	28%	29%	30%
	Baseline	10,279,996	12,221,133	13,534,953	14,272,845	15,154,759	15,606,098
	% of revenues	21%	23%	24%	25%	26%	26%
Depreciation and Amortization							
		(16,354,031)	(16,854,370)	(17,403,337)	(18,880,692)	(21,355,029)	(24,735,410)
	Depreciation Rate (%)	46%	45%	42%	39%	38%	38%
Consolidated EBITDA							
	Pro-forma	30,690,140	35,454,819	40,192,494	45,857,866	53,825,208	63,226,128
	% of revenues	60%	60%	59%	58%	59%	60%
	Baseline	28,861,427	31,723,496	33,870,952	36,246,081	39,793,420	43,722,932
	% of revenues	58%	60%	61%	63%	68%	74%
Capital Expenditures							
		(632,482)	(765,728)	(919,411)	(1,014,151)	(1,189,528)	(1,381,273)
Changes to NWC							
		(1,558,295)	(718,045)	(1,263,882)	(1,644,211)	(1,590,341)	(2,026,774)
Unlevered Free Cash Flow							
	Pro-forma	29,062,883	32,094,644	36,478,520	41,683,650	48,443,515	57,016,946
	% of revenues	56%	54%	53%	53%	53%	54%
	Baseline	27,559,840	29,027,820	31,282,761	33,783,596	36,910,601	40,987,009
	% of revenues	55%	55%	56%	59%	63%	70%

DCF Summary

WACC		7%					
EBITDA Multiple		7.60					
Present Value of UFCFs							
	Pro-forma	27,099,564	27,904,856	29,573,863	31,510,856	34,147,092	37,475,345
	Baseline	25,698,058	25,238,390	25,361,557	25,538,791	26,017,717	26,939,400
Sum of Present Value of UFCFs							
	Pro-forma						187,711,576
	Baseline						154,793,913
Terminal Value							
	Pro-forma						480,518,575
	Baseline						332,294,285
Present Value of Terminal Value							
	Pro-forma						315,828,898
	Baseline						218,405,996
Total Equity Value							
	Pro-forma						503,540,474
	Baseline						373,199,910
Net Debt							
							19,947,824
Total Enterprise Value							
	Pro-forma						523,488,298
	Baseline						393,147,734
Diluted Share Count		4,343,863					
Implied Price Per Share							
	Pro-forma						121
	Baseline						91
Current Share Price		81.47					
Implied Upside (Downside)							
	Pro-forma						48%
	Baseline						11%

CCA Summary

Company Name	TICKR	Day Close Price Latest	Market Capitalization	Total Enterprise Value	Revenue			EBITDA			Net Debt	MULTIPLES		
					LTM	26E	27E	LTM	26E	27E		EV/Revenue	EV/EBITDA	Net Debt/EBITDA
Warner Bros. Discovery, Inc.	WBD	\$ 28.58	\$ 70,863.70	\$ 101,345.70	\$ 37,863.00	\$ 38,595.00	\$ 39,582.00	\$ 7,758.00	\$ 8,251.00	\$ 8,533.00	\$ 29,195.00	2.7x	12.3x	3.5x
Selected Peers														
Comcast Corporation	CMCSA	\$ 27.82	\$ 101,373.10	\$ 191,666.10	\$ 123,311.00	\$ 126,482.00	\$ 124,279.00	\$ 38,034.00	\$ 31,241.00	\$ 31,181.00	\$ 89,738.00	1.6x	6.1x	2.9x
The Walt Disney Company	DIS	\$ 111.20	\$ 198,524.10	\$ 242,995.10	\$ 94,425.00	\$ 100,896.00	\$ 105,155.00	\$ 19,419.00	\$ 21,778.00	\$ 23,346.00	\$ 39,728.00	2.6x	11.2x	1.8x
Live Nation Entertainment, Inc.	LYV	\$ 144.43	\$ 33,538.00	\$ 37,636.30	\$ 24,569.50	\$ 27,240.00	\$ 31,022.00	\$ 2,180.80	\$ 2,662.00	\$ 3,028.00	\$ 2,638.20	1.5x	14.1x	1.0x
Sony Group Corp.*	TYO	\$ 24.54	\$ 146,430.31	\$ 149,389.26	\$ 86,525.00	\$ 77,308.77	\$ 79,965.36	\$ 12,107.97	\$ 14,787.70	\$ 15,541.50	\$ 10,835.00	1.7x	10.1x	0.7x
Paramount Skydance Corporation	PSKY	\$ 11.80	\$ 12,950.50	\$ 25,686.50	\$ 28,727.00	\$ 30,002.00	\$ 31,356.00	\$ 2,678.00	\$ 3,019.00	\$ 3,498.00	\$ 11,470.00	0.9x	8.5x	3.8x
Fox Corporation	FOX	\$ 71.99	\$ 30,411.70	\$ 33,679.70	\$ 16,474.00	\$ 16,103.00	\$ 16,663.00	\$ 3,562.00	\$ 3,243.00	\$ 3,486.00	\$ 3,084.00	2.0x	10.4x	1.0x
Lionsgate Corporation	LION	\$ 9.64	\$ 2,792.99	\$ 6,952.49	\$ 3,947.90	\$ 2,538.72	\$ 3,140.66	\$ 396.80	\$ 247.75	\$ 344.37	\$ 202.40			
Peer Median		\$ 28.20	\$ 52,200.85	\$ 69,491.00	\$ 33,295.00	\$ 34,298.50	\$ 35,469.00	\$ 5,660.00	\$ 5,747.00	\$ 6,015.50	\$ 11,152.50	1.7x	10.4x	1.8x

Precedent Transactions

ValueCo Corporation Precedent Transactions Analysis (\$ in millions)

Date Announced	Acquirer	Target	Transaction Type	Purchase Consideration	Equity Value	Enterprise Value	Enterprise Value /			LTM EBITDA Margin	Equity Value /		Premiums Paid		
							LTM Sales	LTM EBITDA	LTM EBIT		LTM Net Income	Days Prior to Unaffected	1	7	30
01/18/2022	Microsoft	Acitvision Blizzard	M&A	68,700	\$922	\$15,422	1.8x	19.4x	20.7x	54%	25.6x	45%	44%	55%	
1/0/2000	PIF, Silver Lake, Affinity Partners	Electronic Arts	NA	NA	53,130	61,248	8.4x	56.7x	84.5x	15%	103.4x	9%	21%	22%	
25/04/2022	Acquirer D	Twitter	NA	NA	43,229	51,997	10.2x	56.8x	140.5x	18%	79.7x	12%	15%	39%	
1/0/2000	Discovery	Time Warner	NA	NA	39,242	82,697	2.6x	9.2x	10.0x	29%	5.3x	-5%	-8%	-9%	

Valuation Framework:

To assess the financial viability of Netflix's proposed acquisition of Warner Bros. Discovery at an implied Enterprise Value of \$82.7 billion, we applied a multi-method valuation approach. The framework integrates a Sum-of-the-Parts (SOTP) analysis, Comparable Company Analysis (CCA), Precedent Transactions Analysis (PTA), and a post-acquisition Discounted Cash Flow (DCF) model. This structure isolates fundamental value drivers while testing the reasonableness of the implied control premium.

Sum-of-the-Parts (SOTP) Valuation:

Given management's stated intention to separate Streaming & Studios from legacy Global Networks, a SOTP framework provides the most appropriate baseline valuation.

Using FY2024 segment Adjusted EBITDA and comp-derived EV/EBITDA multiples — Studios (\$1.652B at 12.42x), DTC (\$0.677B at 19.41x), Networks (\$8.149B at 4.70x), and Corporate (-\$1.260B at 7.85x) — we derive an implied standalone Enterprise Value of approximately \$62.06 billion.

After accounting for approximately \$34.22 billion in net debt (comprising \$39.5B in notes offset by \$5.3B in cash), the implied equity value is approximately \$27.85 billion, or \$11.37 per share. Management guidance indicating DTC EBITDA expansion toward ~\$1.3 billion in 2025 suggests upside to this baseline valuation.

Comparable Company Analysis (CCA):

Netflix's implied offer reflects a 12.3x earnings multiple. This represents an approximate 18% premium to the median trading multiple of comparable standalone studio and streaming peers (c. 10.4x) and roughly a 19% premium overall.

The premium appears consistent with the strategic value of scale and platform integration benefits.

Precedent Transactions Analysis (PTA):

Historical precedent supports the payment of control premiums in major media and technology transactions. Recent large-scale transactions in the sector have reflected control premiums ranging from approximately 17.8% to over 30%.

At 12.3x earnings, the transaction sits between legacy media deal pricing (e.g., c. 9.2x in traditional consolidation transactions) and higher-growth technology platform multiples. The implied pricing reflects a hybrid media-technology valuation profile.

Post-Acquisition DCF and Synergy Realisation:

The post-acquisition DCF model evaluates the sustainability of the acquisition price under integrated operations. The primary value driver arises from cost synergies, particularly marketing and platform consolidation efficiencies.

The model projects marketing expense declining from approximately 7.5% of revenue to 1.9% by 2031, driving operating margin expansion from approximately 25% to nearly 32%. Applying a 7.24% cost of capital and a 2% terminal growth rate yields a pro forma Enterprise Value of approximately \$393.2 billion.

Projected annual free cash flow generation exceeding \$39 billion by 2031 supports accelerated deleveraging and strengthens long-term enterprise value creation.

Conclusion:

Across SOTP, trading comparables, transaction precedents, and integrated DCF modelling, the acquisition price is supported by forward EBITDA expansion, defensible control premiums, and identifiable cost synergies. The transaction appears financially justified and positioned to enhance long-term cash flow durability and platform scale.

Consolidation Accelerates:

The transaction reinforces scale and intellectual property ownership as the primary competitive moats in streaming. Sub-scale platforms face increasing structural pressure, likely accelerating further consolidation. The era of fragmented streaming appears to be ending.

Vertical Integration Deepens:

By internalising production, Netflix raises structural barriers to entry and reduces dependence on third-party content suppliers. Over time, this favours platforms combining global distribution reach with proprietary intellectual property.

Franchise Depth and Pricing Power:

As subscriber growth moderates, durable franchise ownership becomes central to margin stability and long-term pricing power. In the next competitive phase, content quality and defensible IP are likely to matter more than volume alone.

Execution Risk and Integration Considerations:

The principal risk is operational rather than strategic. Netflix and Warner Bros. operate with materially different creative cultures, greenlighting processes, and release philosophies. Integrating HBO's curatorial identity into a scale-driven platform requires disciplined management to avoid brand dilution. Regulatory clearance and effective post-merger execution remain key determinants of value realisation.

Overall Assessment:

Netflix's acquisition of Warner Bros. Discovery's studio and streaming assets represents one of the most significant consolidation events in the streaming industry to date. The transaction is financially supportable: the price reflects a defensible control premium, synergy assumptions are grounded in identifiable operational overlap, and Netflix's cash flow profile provides capacity to service incremental leverage.

Strategically, the combination addresses a structural gap in wholly owned, institutionally recognised intellectual property. By integrating Netflix's global distribution infrastructure with HBO's brand equity, Warner's studio depth, and DC's franchise portfolio, the group strengthens its competitive positioning in an environment increasingly defined by pricing power and durable content ownership.

Company filings and transaction disclosures of Netflix, Inc. and Warner Bros. Discovery, Inc. (Forms 10-K, 10-Q and 8-K; 2024–2026), U.S. Securities and Exchange Commission (SEC EDGAR); company earnings releases and investor presentations.

Market data and valuation inputs derived from Bloomberg and S&P Capital IQ (University of Edinburgh library access), including market capitalisation, enterprise value, trading multiples and precedent transaction data.

Regulatory framework: U.S. Department of Justice and Federal Trade Commission, *Merger Guidelines* (2023).

Industry and market context: publicly disclosed subscriber data from company filings; PwC *Global Entertainment & Media Outlook*; Deloitte *Digital Media Trends* (library access).

Credit and capital markets data: Moody's Investors Service and S&P Global Ratings (public rating summaries); Federal Reserve Economic Data (FRED); Damodaran Online (cost of capital and equity risk premium estimates).

Financial modelling, projections and synergy estimates represent ERG analysis based on publicly available information.

Pre-Merger Structure

Based on publicly disclosed subscriber counts, the U.S. SVOD market exhibits moderate concentration with a calculated HHI of 1,598.

Post-Merger Structure

Following consolidation of Netflix and Warner Bros. Discovery’s streaming assets, the combined entity represents approximately 30–33% market share. The resulting HHI increases to 1,894, implying a ΔHHI of +295.

Regulatory Threshold Framework (DOJ/FTC)

- HHI below 1,500 – Unconcentrated
- HHI between 1,500–2,500 – Moderately Concentrated
- HHI above 2,500 – Highly Concentrated

In moderately concentrated markets, a ΔHHI above 200 may trigger heightened regulatory scrutiny.

Pre-merger

SVOD provider	subscriber count (millions)	market share (as a fraction)	market share (%)	market share (% to 2DP)	HHI value	HHI Value (2DP)
Netflix	81.44	0.143986139	14.39861389	14.4	207.3201	207.3
amazon prime video	168.3	0.297554852	29.75548523	29.76	885.3889	885.4
Disney +	52.87	0.093474302	9.347430208	9.35	87.37445	87.4
Max (WBD)	58	0.102544156	10.25441559	10.25	105.153	105.2
Apple TV+ *	18	0.031824048	3.182404837	3.18	10.1277	10.1
Paramount +	60	0.106080161	10.60801612	10.61	112.53	112.5
Peacock	41	0.07248811	7.248811018	7.25	52.54526	52.5
Hulu	64	0.113152172	11.3152172	11.32	128.0341	128
Tencent Video	1	0.001768003	0.176800269	0.18	0.031258	0
iQIYI	0.4	0.000707201	0.070720107	0.07	0.005001	0
Starx	18	0.031824048	3.182404837	3.18	10.1277	10.1
Britbox	2.6	0.004596807	0.459680699	0.46	0.211306	0.2
total	565.61	1	100	100.01	1598.849	1598.7

Post-merger

SVOD provider	subscriber count (millions)	market share (as a fraction)	market share (%)	market share (% to 2DP)	HHI value	HHI Value (2DP)
amazon prime video	168.3	0.297554852	29.75548523	29.76	885.3889	885.4
Disney +	52.87	0.093474302	9.347430208	9.35	87.37445	87.4
Apple TV+ *	18	0.031824048	3.182404837	3.18	10.1277	10.1
Paramount +	60	0.106080161	10.60801612	10.61	112.53	112.5
Peacock	41	0.07248811	7.248811018	7.25	52.54526	52.5
Hulu	64	0.113152172	11.3152172	11.32	128.0341	128
Tencent Video	1	0.001768003	0.176800269	0.18	0.031258	0
iQIYI	0.4	0.000707201	0.070720107	0.07	0.005001	0
Starx	18	0.031824048	3.182404837	3.18	10.1277	10.1
Britbox	2.6	0.004596807	0.459680699	0.46	0.211306	0.2
Netflix + WBO Max	139.44	0.246530295	24.65302947	24.65	607.7719	607.8
total	565.61	1	100	100.01	1894.148	1894
chan ge	0		0	0	295.29	295.3

Disclosure

This report was prepared by Elphinstone Research Group for academic and educational purposes only. The author does not hold financial interest in any associated party.

All information contained herein is derived from publicly available sources believed to be reliable, but accuracy and completeness are not guaranteed.

This report does not constitute investment advice or a solicitation to buy or sell securities.