

Paramount Wins Warner Bid

Netflix's decision to bow out of contest clinches tie-up of entertainment giants

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Paramount emerged victorious in the fight to buy Warner Bros. Discovery as Netflix said it would not match the rival's latest offer for the iconic Hollywood property.

Netflix pulled the plug on its deal soon after the Warner board of directors said it determined Paramount's \$31-per-share offer for the entire company was superior to Netflix's bid for Warner's movie and television studios and HBO Max streaming service. Paramount is now poised to take control of the entertainment company home to properties and brands including HBO, Superman and Harry Potter.

"We've always been disciplined, and at the price required to match Paramount Skydance's latest offer, the deal is no longer financially attractive, so we are declining to match," Netflix Co-CEOs Ted Sarandos and Greg Peters said in a statement. "This transaction was always a 'nice to have' at the right price, not a 'must have' at any price," the pair said.

Pending regulatory approval, Paramount will own not only Warner Bros. and HBO, but also many popular cable networks including CNN, TNT, TBS and Food Network. The deal would represent a major ground shift for the entertainment industry, which is trying to adapt to seismic shifts in audience habits and technology.

"Once our board votes to adopt the Paramount merger agreement, it will create tremendous value for our shareholders," said Warner Discovery CEO David Zaslav.

The development marks a stunning come-from-behind win for Paramount, whose overtures had previously been rebuffed at every turn by Warner. After multiple unsolicited bids from Paramount last year, Warner opened a sale process that ended with Netflix as the winning suitor. Netflix in December signed a deal to buy Warner's studios and HBO Max for \$27.75 a share, or \$72 billion.

Shortly after, Paramount launched a hostile takeover effort, going directly to shareholders with a \$30-per-share bid for the whole company, including the cable networks Netflix didn't want.

When David Ellison's Skydance Media acquired control of Paramount last August, going after Warner became his priority. Paramount was seen as too small to compete against deep-pocketed giants such as Disney, Netflix and Amazon.

Netflix shares jumped 10% in after-hours trading Thursday after the company said it was walking away from the deal.

Since announcing its deal with Warner, Wall Street has punished Netflix stock. Netflix had over \$170 billion wiped off its market value since last September, when Netflix was first seen as a potential bidder for Warner, through this past week.

Earlier this week, Paramount submitted its revised bid of \$31 a share, or about \$81 billion. The offer included an increased \$7 billion termination fee that Paramount would pay if the transaction failed to close due to regulatory concerns. Paramount said it would foot the bill for the \$2.8 billion breakup fee Warner would owe Netflix.

Additionally, Paramount accelerated the timing of its proposed “ticking fee” of 25 cents per share, which it would pay to Warner shareholders for each quarter its deal hasn’t closed, to start after Sept. 30 instead of in January.

Netflix was facing an uphill battle with the Justice Department, which was reviewing the deal. It was looking at whether Netflix has engaged in anticompetitive practices, The Wall Street Journal previously reported.

Lawmakers on Capitol Hill had expressed concern about a combined Netflix-Warner having too much share in the streaming marketplace.

Paramount’s deal will also face scrutiny from federal regulators. Paramount’s streaming business is smaller than Netflix’s, but the deal would also put two legacy movie and TV studios under one roof, along with multiple cable networks. Paramount has said it would target \$6 billion in synergies from the deal.

If Paramount’s transaction ultimately closes, it will add CNN to a portfolio that already includes CBS News, likely raising concerns from media watchdogs. Ellison has revamped CBS News since taking over Paramount. He installed Bari Weiss, the provocative founder of the digital outlet the Free Press, as editor-in-chief and has said he wants CBS News “to speak to that 70% of the audience that would really define themselves at center-left to center-right.”

In a memo to staff, CNN President Mark Thompson said, “Don’t jump to conclusions until we know more.”

“The idea that Paramount should be allowed to control CBS and CNN should be unthinkable,” said Craig Aaron, co-CEO of media advocacy group Free Press, adding that the new owner promised President Trump, a Republican, they would “make sweeping changes to CNN given the chance, and we know what that means.”

A Paramount spokeswoman didn’t respond to Aaron’s comments.

The raised Paramount offer is a victory for Zaslav, who has often been criticized in the entertainment industry for his stewardship of the company over the last four years. Zaslav argued that job cuts and killing certain projects were necessary to better position the company for the future and invest more in content.

Lately, the Warner Bros. movie studio has been on a hot streak with hits such as the Oscar-nominated “Sinners” and “One Battle After Another,” and the HBO Max streaming platform has enjoyed growth.