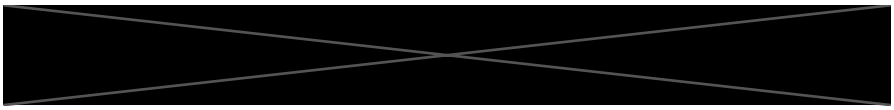
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Netflix Attempted Acquisition of Warner Bros. Discovery

Netflix is one of the world's leading entertainment companies, offering TV shows, movies, games, and live programming across a wide range of genres and languages through its streaming platform (Netflix, 2026). In late 2025, the company was involved in one of the largest media transactions in recent years, the acquisition of Warner Bros. Discovery (WBD). This deal included the acquisition of film and TV studios, as well as HBO Max and HBO; however, Netflix ultimately withdrew from the transaction after Paramount Skydance submitted a higher bid (Netflix, 2025a). This situation and its analysis illustrate how major corporate transactions can simultaneously affect business strategy, stock performance, investor confidence, and public perception. In Netflix's case, this event shows how a company balances ambition and financial discipline.

On December 5, 2025, Netflix announced via a press release that the company would acquire WBD for $27.75 per share, implying an equity value of approximately $72 billion and a total enterprise value of about $82.7 billion (Netflix, 2025a). Netflix/Management argued that the combination of Warner Bros.' franchises and HBO programming with Netflix's global scale, distribution reach, and streaming infrastructure would provide consumers with more entertainment options, increase shareholder value, and generate $2 billion to $3 billion in annual cost savings by the third year (Netflix, 2025a). Netflix also stressed that it intended to keep WBD films' releases in theaters, reassuring investors from both companies and the overall entertainment industry that the deal was about generating greater value rather than dismantling a major film business model (Clun, 2025).

For Netflix, this deal was strategically logical. Netflix already has a strong core business, but it also operates in a highly competitive market. As explained in the company's 2025 10-K form, Netflix does not only compete with other streaming services but also with cable TV, gaming, social media, and other entertainment forms (Netflix, 2026a). In their letter to shareholders, management described the entertainment industry as "vibrant and intensely

competitive” and emphasized that Netflix is seeking growth opportunities through better content, product improvements, and advertising expansion(Netflix, 2026b). With this in mind, acquiring WBD would have benefited Netflix in terms of content, improving long-term customer retention and engagement, and the company’s competitive positioning in a market where consumers are exposed to many alternatives.

However, the situation changed for Netflix when Paramount Skydance (PSKY) turned this transaction into a bidding war. On December 8, 2025 PSKY announced its $108.4 billion offer, trying to buy WBD for $30 per share in all-cash, giving the Netflix deal a strong counter (Goldman, 2025) On January 20, 2026, Netflix and Warner Bros. announced via a press released a change to the initial agreement into an all-cash transaction, still valued at $27.75 per share, trying to provide greater certainty to WBD stockholders and accelerate the stockholder vote (Netflix & Warner Bros. Discovery, 2026). However, Paramount continued raising pressure and eventually increased its offer to $31 per share, which led WBD's board to determine it a “superior proposal” to the Netflix agreement (Rizzo & Sherman, 2026) . So, this situation can be studied within three stages: Netflix’s acquisition attempt, Paramount’s intervention and bidding escalation, and Netflix’s final decision to withdraw from the deal.

On February 26, 2026, Netflix announced its withdrawal from the WBD bidding war. Through an official statement, the company shared that although the transaction it had negotiated with WBD would have created shareholder value and had a clear path to regulatory approval, the price required to match Paramount Skydance’s latest bid was no longer financially attractive (Netflix, 2026d). The company’s CEOs, Ted Sarandos and Greg Peters, also added that WBD was always a “nice to have” at a good price, but not a “must have” at any price (Netflix, 2026d). It was quickly reported that PSKY was set to acquire WBD in a deal valued at roughly $110 billion, including a $2.8 billion payment to Netflix as a breakup fee (Spangler, 2026). At the end, Netflix's role in this bidding war ended when management decided that upping its offer would no longer generate shareholder value.

Financially, Netflix's strong financial results throughout 2025 show how the company was able to approach the WBD acquisition as an opportunity rather than a necessity. At the end of fiscal year 2025, Netflix reported $45.2 billion in revenue, representing 16% year-over year growth (Netflix, 2026a). The company also stated that ed revenue grew more than 2.5 times to $1.5 billion, and reached over 325 million paid memberships by the end of the year (Netflix,

2026b). Netflix's form 10-K also reported an operating income of $13.33 billion and net income of $10.98 billion for 2025, with management emphasizing revenue and operating margin as the company's primary financial metrics (Netflix, 2026a). These numbers show how Netflix was growing steadily even before considering Warner Bros. Therefore, the company did not appear to be pursuing the acquisition because of financial weakness, but to accelerate an already successful business model.

However, the stock impact on Netflix is one of the most important factors to analyze in this case. Even though the company reported strong financial performance, investor reaction to the WBD deal was way more cautious. Starting at $103 per share, Netflix's shares decreased more than 30% from December 5th until February 23, closing that day at $84.59 (Reinicke, 2026). It was also reported that Netflix lost more than $60 billion in market value since the first acquisition-related announcement (Hirsch et al., 2026), suggesting that shareholders were concerned about the size and risk of acquiring a large legacy media business like WBD. This shows how stock performance is clearly influenced not only by financial performance, but also by investors' trust in how a company decides to allocate its money. In this same spirit, once Netflix withdrew from bidding, the market reaction took a sharp turned, spiking 10% after their final announcement (Rizzo & Sherman, 2026), also by March 5 the stock increased about 30%, making it the company's best nine-day performance since October 2022 (Reinicke, 2026), now sitting at $98.66 per share. As the stock reaction suggests, shareholders appear to reward Netflix for its discipline in protecting the company's value instead of stretching it to win WBD. Analysts later on called Netflix "the biggest winner" of the Warner Bros. battle, having collected the breakup fee and forcing Paramount to pay more while taking on a greater financial burden (Badohal et al., 2026). These comments are significant because they show how quickly market narratives can change. A company that appears to lose a major acquisition can still come out stronger if investors believe management acted rationally and preserved shareholder value.

Throughout the three stages of this situation, Netflix's communication strategy remained investor-focused and truly consistent, really trying to manage and preserve shareholder confidence in the company. In December, when announcing the initial agreement, management emphasized consumer benefits, the potential long-term value, and the strategic fit of the deal (Netflix, 2025b). Later in January, Netflix supported the all-cash deal by highlighting its efforts to provide greater certainty about the deal's value and to accelerate progress in the shareholder

vote (Netflix & Warner Bros. Discovery, 2026). In February, when Paramount intensified the bidding, the company continued to defend its proposal as a more certain and disciplined transaction, while also urging WBD to resolve the ongoing bidding issue (Netflix, 2026c). Finally, when Netflix decided to walk away, its communication relied on the same messaging: that the company was profitable and still growing, still committed to shareholder value, and that ultimately upping the offer no longer made sense (Netflix, 2026d). This consistency in messaging strengthened Netflix's credibility as management's final decision aligned with the financial caution it was communicating all along.

However, media coverage was more skeptical than Netflix's own messaging. While the company consistently argued that the acquisition was pro-consumer and strategic, media outlets strongly emphasized financial risks, stock volatility, and regulatory uncertainty (Hirsch et al., 2026). Coverage also noted that, although this acquisition was a rare opportunity, it could reduce jobs, raise prices, and further weaken theatrical competition, raising strong antitrust concerns (Clun, 2025). This shows the clear contrast between management's communication strategy and media coverage: while management tried to reassure and persuade investors, business media took a broader perspective, including risk, uncertainty, and market skepticism.

In conclusion, even though Netflix did not successfully acquire Warner Bros., it still managed to exit this situation in a strong position. Its financials continued to report strong revenue and profit growth; it received a large breakup fee after choosing not to overpay; and investors' confidence was restored through stock recovery. Netflix's final decision showed that financial discipline can be as important to corporate credibility as an aggressive expansion, ultimately highlighting that a strong corporate strategy does not only focus on pursuing valuable opportunities, but also recognizing at which point those same opportunities no longer serve the company's shareholders.

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