

Paramount 1993

Main questions

1. Why is Paramount a takeover target?
2. Which of the two firms – Viacom or QVC – would make a better fit with Paramount?
3. Value Paramount as a stand-alone company using both the APV and WACC method.
4. After valuing Paramount, compare your valuation to the market price. Are they similar? If not, how can you reconcile them?
5. What is Paramount worth to Viacom?
6. What is Paramount worth to QVC?
7. Compare your spreadsheet valuation with Smith Barney valuation given in Exhibit 14. What assumptions do you have to make to get the terminal value EBITDA multiples that Smith Barney use? Is there any benefit of their method relative to the free cash flow method?
8. How much should Viacom offer?
9. What considerations should affect the components of Redstone's bid:
 - a. the price
 - b. the structure (cash/shares)
 - c. the lock-out option and termination fee?