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What the Industry Reads First

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Rutledge's New Deal: Different Lens for Charter-TWC, Bright House

Just about everything about **Charter's** agreement to buy **Time Warner Cable** differs from the scuttled **Comcast** deal—from the price (\$56.7bln vs \$45bln) to the impact (Charter will be the dominant provider in just 5 of the top 20 markets vs Comcast being the largest in 17 of 20) to programming interests (Charter has none, whereas Comcast has **NBCU**). Even the reactions coming in vary. **Herring Broadcasting**, owner of **One America News** network and **AWE**, vehemently opposed the proposed Comcast-TWC deal. This time around, Herring has “absolutely no issues” with Charter buying TWC of Bright House, pres *Charles Herring* told us. “Over the last several years, Charter has demonstrated that it has a pattern and practice of extending fair carriage consideration to independent programming services. Numerous independent programming networks have received carriage from Charter Communications, including **AWE**,” he said. “We speak with nearly all the other independent networks, and I’ve never heard of any informal or formal complaint against Charter.” We also heard optimism from another indie net with carriage on Charter. Still another—**RFD-TV**, which had testified on the Hill about concerns it had over Comcast-TWC—could not be reached for comment Tues. **DISH**, a vocal opponent of the Comcast deal, declined to comment Tues. Earlier this month, **DISH** CEO *Charlie Ergen* said the company would have to look at the specifics and didn’t want to prejudge anything. **Free Press** said the deal isn’t as large as Comcast-TWC but does raise similar public interest concerns—with the group arguing that the power to harm online video competition is still “very much at play in this deal.” From a regulatory front, this really is a different deal, meaning all those hundreds of documents and man hours **FCC** staffers spent examining Charter per its related Comcast transactions are meaningless now. The Commission must create an entirely new record and assess each transaction separately. Chmn *Tom Wheeler* helped alleviate some of the concerns over another attempt at cable M&A by reportedly reaching out to CEOs last week to assure them that the agency is not opposed to all future cable deals just because staffers weren’t convinced the Comcast deal was in the public interest. Wheeler said Tues that the FCC’s review isn’t just about how the deal could hurt the market. “In applying the public interest test, an absence of harm is not sufficient. The Commission will look to see how American consumers would benefit if the deal were to be approved,” he said. Charter CEO *Tom Rutledge* already is making a the case there. On **CNBC** Tues morning, he talked about how Charter will bring jobs from call center outsourced overseas back to the US. “In just the last

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several years at Charter when I've been here, we brought 7K jobs back to the country," he said, explaining how Charter's ranks have swelled to 25K from 18K. "If you look at the same ratios of insourcing that is available, we could create 20K new jobs." Execs are hoping the deal could close by year-end. **Numbers to Know:** If the deals are approved, Charter will be the 3rd largest MVPD behind Comcast and **AT&T-DirecTV**, serving 23.9mln subs in 41 states. That breaks down to 17.3mln video subs, 19.4mln Internet subs and 9.4mln voice customers. Charter's deal is to acquire TWC for \$195.71/share—a 9.1x forward EBITDA multiple (8.3x EBITDA after the \$800mln in synergies it has cited). TWC shareholders will own 44% of New Charter. Charter is spending \$10.4bln on Bright House (7.6x 2014 pro forma EBITDA), which gives it the leverage for a higher bid. **Liberty Broadband** will invest \$5bln and own 19% of New Charter (it gets to designate 3 directors). Bright House owner **Advance/Newhouse** will have 13% and designate 2 directors.

Malone and Rutledge: We don't know who is more patient, so we're going to give them both the award. There's *John Malone*, whose **Liberty Media** paid \$2.6bln for a 27.3% stake in **Charter** 2 years ago—a clear sign the doctor wanted to be a bigger player in the US cable market. Here we go... Then there's Charter CEO *Tom Rutledge* who will add chmn to his title when/if the deal wraps. It was almost 14 years ago that Rutledge lost out on the Time Warner Cable chmn/CEO role to *Glenn Britt*. He left two months later, joining **Rainbow Media** and **Cablevision**. If he harbored a lingering desire to run TWC, his dream may be about to come true...

What About Altice?: Initial reports indicate Luxembourg-based **Altice** won't make a counter bid for **Time Warner Cable**. But no one thinks it's going to be satisfied to simply own **Suddenlink**, for which it announced a \$9.1bln deal last week. "While it is still possible that Altice counters on TWC we do not believe that it can match **Charter's** (Malone's) funding firepower and will ultimately lose out," said *Amy Yong* of **Macquarie Securities**. "In our opinion, Altice is more likely to turn its attention to **Cablevision** or privately-held **Cox** or **Mediacom** in an effort to gain more fixed-line scale in order to compete against Charter and Comcast." Cox reiterated Tues that it's not for sale and is growing organically and via investments. While Altice is big on convergence, she doubted that a near-term **T-Mobile** deal is likely with anyone besides DISH. "Over the next year, there is a very good chance that no major deals happen amongst our public companies," Yong wrote in a research note. "With valuations now in many cases discounting bid premiums, we would be cautious in chasing CVC or TMUS at current levels, although upside could exist if bids do materialize." **MoffettNathanson's** *Craig Moffett* thinks Altice has to buy something given how much it's paying for Suddenlink. "For real synergies, not to mention to achieve their targeted 50/50 portfolio mix between US and non-US holdings, Altice would need to virtually run the table and buy half of everything out there that isn't named Comcast or Charter. If one assumes that Cox isn't a seller (they're the largest remaining company after TWC and Charter itself, and they have sounded relatively resolute in their desire to remain independent) then Altice would need to successfully buy essentially everyone else," he said. Charter shares closed up 2.5% Tues, while TWC rose 7.2% and Cablevision gained 3.5%. Even **Comcast** posted an increase, closing up 1.24%. For the record, *Brian Roberts* issued his congrats in a statement saying Charter's deal makes "all the sense in the world."

FCC OKs Waivers: The FCC Media Bureau granted **NAB** and **ACA's** requests for waivers from its implementation of emergency information rules, which require providers to make emergency info provided visually during non-newscast programming accessible audibly to the vision-impaired via a secondary audio channel. The implementation deadline was May 26. The FCC gave the bcstrs until Nov 30 to comply. It also granted NAB's request to not to include audio descriptions of school closure crawls. ACA's waiver requests are related to certain analog-only and hybrid analog/digital systems.

Top CEO Pay: Many media execs are made **Equilar** and the *NY Times'* 200 highest-paid CEO rankings. At \$156.1mln, **Discovery Comm's** *David Zaslav* was the highest paid CEO since **Apple's** *Tim Cook* received \$376mln in 2011. The list looks at US companies valued at \$1bln or more in market capitalization. *Michael Fries*, pres/CEO of **Liberty Global** placed 2nd on the list, with \$111.9mln. **Liberty Media** pres/CEO *Greg Maffei* placed 6th, receiving nearly \$74mln. Also on the list: #10 **CBS** pres/CEO *Leslie Moones* (\$54.4mln), #11 **Viacom** pres/CEO *Philippe Dauman* (\$44.4mln), #12 **Disney** chmn/CEO *Robert Iger* (\$43.7mln), #12 **AMC Nets** CEO *Joshua Sapan* (\$40.3mln), and #20 **Time Warner** chmn/CEO *Jeff Bewkes* (\$32.7mln). **Comcast** chmn/CEO *Brian Roberts* is #35 on the list, receiving \$26.5mln. **Cablevision** head *James Dolan* is #52, receiving \$23.6mln. At #122, **Charter** pres/CEO *Tom Rutledge* received \$16.1mln.

TiVo Acquisition: To expand its international markets, **TiVo** agreed to acquire Poland-based pay-TV software firm **Cu-biware**. The company's solutions are deployed with more than 40 providers across Latin America, EU, and the Middle

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East and Asia. TiVo aims to offer a wider range of cost-effective services for pay-TV providers around the world following the deal. "Cubiware immediately accelerates our global Pay-TV efforts and enables us to more rapidly reach an even larger portion of the international market, which is expected to grow to more than a billion subscribers by 2020," pres/CEO *Tom Rogers* said. TiVo expects the deal to be accretive to adjusted EBITDA in the current fiscal year.

OTT: Hulu original series "Deadbeat" was renewed for a 3rd season with a 13-ep order. The half-hour comedy series features a medium helping NY's ghosts settle their unfinished business.

People: **Poker Central**, which is slated to launch Oct 1 on linear and OTT, has hired *Sid Eshleman* as chief distribution officer and *Dan Russell* as svp, programming. Eshleman most recently was svp, sales and marketing for **Turner**. Russell is a 26-year vet of **Discovery Comm**. **Poker Central** is led by former Discovery exec *Clint Stinchcomb*. -- *Chris Allieri*, formerly director, digital & corporate communications at **Univision**, has joined **Edelman** as its first evp of communications marketing. -- **NBCU** hired *Denise Colella* as svp, advanced advertising products and strategy within the ad sales division. She will report to *Krishan Bhatia*, evp, business operations & strategy with NBCU ad sales. Colella was most recently CEO of digital advertising platform **Maxifier**.

Cablefax Daily Stockwatch

| Company | 05/26 Close | 1-Day Ch | Company | 05/26 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DIRECTV: | 91.57 | UNCH | COMMSCOPE: | 26.22 | (0.03) |
| DISH: | 69.04 | (0.11) | CONCURRENT: | 6.42 | (0.06) |
| ENTRAVISION: | 6.76 | (0.02) | CONVERGYS: | 24.28 | (0.3) |
| GRAY TELEVISION: | 15.84 | 0.38 | CSG SYSTEMS: | 29.75 | (0.28) |
| MEDIA GENERAL: | 16.60 | 0.11 | ECHOSTAR: | 49.02 | (0.88) |
| NEXSTAR: | 57.40 | 0.04 | GOOGLE: | 532.32 | (7.79) |
| SINCLAIR: | 30.38 | (0.15) | HARMONIC: | 6.78 | (0.04) |
| MSOS | | | | | |
| CABLEVISION: | 25.86 | 0.88 | INTEL: | 33.11 | (0.35) |
| CHARTER: | 179.78 | 4.45 | INTERACTIVE CORP: | 74.42 | (1.5) |
| COMCAST: | 58.59 | 0.72 | JDSU: | 12.60 | (0.19) |
| COMCAST SPCL: | 58.17 | 0.54 | LEVEL 3: | 54.75 | (0.58) |
| GCI: | 16.26 | 0.19 | MICROSOFT: | 46.59 | (0.31) |
| GRAHAM HOLDING: | 1073.22 | (12.78) | NETFLIX: | 615.95 | (5.92) |
| LIBERTY BROADBAND: | 53.58 | 1.58 | NIELSEN: | 45.32 | (0.52) |
| LIBERTY GLOBAL: | 57.75 | 0.31 | RENTRAK: | 67.26 | 0.10 |
| SHAW COMM: | 22.20 | (0.21) | SEACHANGE: | 6.87 | UNCH |
| SHENTEL: | 32.38 | 0.77 | SONY: | 31.63 | (0.09) |
| SHENTEL: | 32.38 | 0.77 | SPRINT NEXTEL: | 4.73 | 0.04 |
| TIME WARNER CABLE: | 183.60 | 12.42 | TIVO: | 10.36 | (0.27) |
| PROGRAMMING | | | | | |
| 21ST CENTURY FOX: | 33.95 | (0.3) | UNIVERSAL ELEC: | 51.38 | (0.43) |
| AMC NETWORKS: | 77.71 | 0.21 | VONAGE: | 4.52 | (0.05) |
| CBS: | 60.68 | (0.91) | YAHOO: | 42.85 | (0.64) |
| CROWN: | 3.94 | (0.06) | TELCOS | | |
| DISCOVERY: | 32.85 | (0.3) | AT&T: | 34.67 | (0.04) |
| DISNEY: | 109.44 | (0.82) | CENTURYLINK: | 33.60 | (0.35) |
| GRUPO TELEVISA: | 37.21 | (0.12) | TDS: | 29.54 | (0.16) |
| HSN: | 67.13 | (0.68) | VERIZON: | 49.42 | (0.19) |
| LIONSGATE: | 32.97 | (0.66) | MARKET INDICES | | |
| MSG: | 85.94 | (0.02) | DOW: | 18041.54 | (190.48) |
| SCRIPPS INT: | 66.90 | (1.5) | NASDAQ: | 5032.75 | (56.61) |
| STARZ: | 41.15 | 0.19 | S&P 500: | 2104.20 | (21.86) |
| TIME WARNER: | 84.67 | (0.53) | | | |
| VIACOM: | 66.39 | (0.91) | | | |
| WWE: | 13.79 | 0.29 | | | |
| TECHNOLOGY | | | | | |
| ADVANTAGE: | 2.33 | (0.05) | | | |
| AMDOCS: | 53.52 | (0.62) | | | |
| AMPHENOL: | 57.18 | (0.75) | | | |
| AOL: | 50.14 | (0.12) | | | |
| APPLE: | 129.62 | (2.92) | | | |
| ARRIS GROUP: | 32.82 | (0.38) | | | |
| AVID TECH: | 16.70 | (0.34) | | | |
| BLNDER TONGUE: | 0.68 | 0.01 | | | |
| BROADCOM: | 47.06 | (0.19) | | | |
| CISCO: | 28.95 | (0.31) | | | |

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