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What the Industry Reads First

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CenturyLink-Level 3: Merged Company to Become Top Enterprise Player

As if the communications industry hasn't had enough M&A activities in the past few years, **CenturyLink** officially announced its plan to acquire **Level 3** Mon, following reports that the 2 had advanced marriage talks. Level 3 is the main content delivery network provider for **Netflix** while CenturyLink competes with cable companies on broadband and video services and has beefed up its fiber infrastructure to go head-to-head with cable in the enterprise market. The \$34bln transaction (including the assumption of debt) is expected to create the 2nd largest domestic communications provider (after **AT&T**). The companies anticipate closing the transaction by the end of 3Q, 2017. The proposal needs to be approved by the **FCC** and some state regulators. It's also subject to the approval of CenturyLink and Level 3 shareholders. **MoffettNathanson** analysts said regulatory risk appears low. So do the odds that another bidder will jump in. Among the potential bidders, **Comcast** would likely to be constrained for regulatory reasons and **Charter** has its hands full, the analysts noted. As for **AT&T** and **Verizon**, they are considered "non-starters." In addition, there is a premium in this transaction, but "it doesn't feel like much of one for such a unique and irreplaceable asset that should benefit over time from the transition toward fiber and IP-based services in the wireline commercial services market and BDS reform," the analysts said. While the combination is necessary, given "lack of growth" at CenturyLink, the regulatory environment remains uncertain, **Macquarie Securities** analysts said. The Level 3 purchase would help steer CenturyLink further away from the consumer market, where it's experiencing significant share losses to cable, **Deutsche Bank** analysts said in a research note. They estimated total enterprise revenues in the US at \$90bln annually, with CenturyLink currently at 12% share and Level 3 at 9%. The telcos, **AT&T** and **Verizon**, control the lion's share of revenue, at 35% and 20% of the market respectively. Cable, relatively new to the enterprise market, has been gaining market share by targeting SMBs. Comcast, which has a dedicated business service division (**Comcast Business**), is considered the biggest cable op in the commercial services sector, while **Charter**, through its **Time Warner Cable** acquisition, has become a major player. Post-merger, CenturyLink chief exec *Glen Post* will continue to be pres/CEO, and

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Sunit Patel, evp and CFO of Level 3, will be CFO of the new company. The chmn of CenturyLink's board at the time of closing will continue to be chmn of the combined company. CenturyLink has agreed to appoint 4 Level 3 board members at closing. The combined company will be headquartered in Monroe, LA (CenturyLink's current headquarters). Upon the closing of the transaction, CenturyLink shareholders will own 51% and Level 3 shareholders will own 49% of the combined company. Much of the merger's value hinges on the combined company's ability to expand the fiber network. CenturyLink will get an additional 200K route miles of fiber, which includes 64K route miles in 350 metro areas. The combined company also will benefit from Level 3's global footprint. Post-merger, the new company will expand its broadband infrastructure and increase its broadband speeds. "When Jeff and I got together a few months ago, we talked about the industry and the possible benefits of bringing these companies together... We took a hard look at synergies and said this is a transaction we have to consider and realized that we could put the companies together," Post said during a conference call Mon. *Jerry Storey*, Level 3 CEO added that "in telecommunications, scale and scope matter and this combination takes two fairly large companies and puts them together and brings to bear our ability to scale each other's strengths."

Viacom Shakeup: Viacom's board announced that **Viacom International Media Networks** CEO *Bob Bakish* will become acting CEO starting Nov 15 when interim head *Tom Dooley* departs. Bakish was also appointed to the new role of pres/CEO of the **Viacom Global Entertainment Group**, a newly created business unit that combines Viacom's International Media Networks division with the **Music and Entertainment Group**, which includes nets like **MTV, Comedy Central, VH1, Spike** and **Logo**. In addition, **TV Land** and **CMT** will join the Global Entertainment Group portfolio under Bakish. Also as part of the reorganization, Viacom's **Kids and Family Group** will be reestablished as the "**Nickelodeon Group**" to focus on building upon the kid-focused channel and explore new opportunities in the kids segment, including recreation and hospitality. **BET** will continue to function as a dedicated and separate group. Bakish joined Viacom in 1997 and he has been head of Viacom International Media Networks, and its predecessor company **MTV Networks International** since 2007.

Charter Hires: Charter hired 2 former **FCC**ers to join its DC-based government affairs team. *Maureen O'Connell* was named vp, regulatory affairs, reporting to *Elizabeth Andriou*, svp, regulatory affairs. O'Connell was most recently pres of her own firm, **O'Connell Strategies**. Previously, she was with the government relations office of **21st Century Fox** for nearly 18 years. Prior to 21st Century Fox, she was media legal advisor to FCC commish *James Quello* and a supervisory attorney in the agency's **Media Bureau**. Meanwhile, *Robert Kenny* was tapped as dir of policy communications, reporting to *Tamara Smith*, vp of policy communications. Kenny, most recently svp of public strategy firm **Mercury**, was a senior level spokesman and public affairs strategist for 2 FCC chmn.

Business Data Service: The **FCC** is set to vote on chmn *Tom Wheeler*'s plan to revamp the Business Data Service (BDS) market during its Nov 17 Open Meeting (according to the agency's tentative meeting agenda). The framework proposed price cap regulation for legacy providers. For Ethernet providers like cable MSOs, while they would be subject to a complaint process, would not fall under no price caps or network bundling regulation. **CenturyLink**, an incumbent BDS provider, fired at Wheeler's proposal in a filing Fri: "In the proposal, the Commission suggests enforcing a one-time rate reduction of 11 percent on broadband providers, phased in over three years. However, the proposal lacks transparency, as the announcement of the 11 percent rate reduction is a significant understatement to the additional rate reductions that will also be imposed by additional, undisclosed measures in the proposal." The FCC recently released a "Fact Sheet" detailing the proposed rules. However, CenturyLink said the "Fact Sheet" didn't reveal that providers in many cases will be subjected to an additional preliminary rate reduction, before then complying with the 11% reduction initially discussed. "Data shows that in some cases, the combination of these two rate reductions on top of one another can get as high as 19 percent in lost revenue for providers, taking away from revenue that would otherwise go towards future broadband investment and the creation of jobs," the company said.

BUSINESS & FINANCE

TiVo-Panasonic: TiVo said its Rovi unit reviewed product and IP licenses with **Panasonic**. The 2 signed a multi-year extension for the Japan market, including G-Guide, G-Guide HTML and G-Guide xD, which is expected to enable Panasonic to continue providing advanced entertainment discovery service across its TV, DVR and set-top box products. In addition, Panasonic signed a multi-year worldwide license renewal to the entertainment discovery patent portfolio of Rovi.

Ratings: Freeform's unscripted series "Ben & Lauren: Happily Ever After?" ranked as the #1 cable series in the hour in women 18-34 on Oct 25. It also posted series highs in total viewers (727K) and adults 18-49 (417K/0.3 rating).

People: 21st Century Fox tapped News Corp's Paul Cheesbrough as CTO. He will report to CEO James Murdoch and exec chmn Lachlan Murdoch. Cheesbrough was most recently CTO at News Corp. Reporting to Cheesbrough in his new role will be the enterprise tech execs from Fox Networks Group, 20th Century Fox Film and Fox News Channel.

Editor's Note: Don't miss your chance to highlight your best technology innovations. Enter the **Cablefax Tech Awards** before the Fri deadline at www.cablefax.com

Cablefax Daily Stockwatch

Company	10/31 Close	1-Day Ch	Company	10/31 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	58.56	1.18	INTEL:	34.87	0.13
ENTRAVISION:	6.70	(0.03)	INTERACTIVE CORP:	64.44	(0.73)
GRAY TELEVISION:	8.90	(0.2)	LEVEL 3:	56.15	2.10
MEDIA GENERAL:	16.85	0.02	MICROSOFT:	59.92	0.05
NEXSTAR:	48.80	0.10	NETFLIX:	124.87	(1.7)
SINCLAIR:	25.10	0.10	NIELSEN:	45.02	0.36
TEGNA:	19.62	(0.04)	SEACHANGE:	2.63	(0.01)
MSOS					
CABLE ONE:	576.74	(0.72)	SONY:	31.33	(0.16)
CHARTER:	249.89	0.64	SPRINT NEXTEL:	6.16	(0.15)
COMCAST:	61.82	(0.06)	SYNACOR:	2.78	(0.08)
GCI:	15.84	0.34	UNIVERSAL ELEC:	70.15	1.60
LIBERTY BROADBAND:	64.95	1.00	VONAGE:	6.86	(0.1)
LIBERTY GLOBAL:	32.60	0.47	YAHOO:	41.55	(0.23)
SHAW COMM:	19.82	0.01	TELCOS		
SHENTEL:	26.40	0.20	AT&T:	36.79	0.28
PROGRAMMING					
21ST CENTURY FOX:	26.27	0.02	CENTURYLINK:	26.58	(3.81)
AMC NETWORKS:	48.93	0.02	FRONTIER:	4.02	(0.01)
CBS:	56.62	0.08	TDS:	25.84	0.05
DISCOVERY:	26.11	0.26	VERIZON:	48.10	(0.11)
DISNEY:	92.69	(1.16)	MARKET INDICES		
GRUPO TELEVISA:	24.53	(0.07)	DOW:	18142.42	(18.77)
HSN:	37.70	0.50	NASDAQ:	5189.13	(0.97)
LIONSGATE:	20.36	0.35	S&P 500:	2126.15	(0.26)
MSG NETWORKS:	19.10	(0.3)			
SCRIPPS INT:	64.36	0.80			
STARZ:	31.46	0.26			
TIME WARNER:	88.99	1.52			
VIACOM:	42.35	(0.15)			
WWE:	17.68	(0.39)			
TECHNOLOGY					
ADDVANTAGE:	1.85	(0.01)			
AMDOCS:	58.45	(0.06)			
AMPHENOL:	65.93	0.44			
APPLE:	113.54	(0.18)			
ARRIS GROUP:	27.78	0.71			
AVID TECH:	6.57	(0.02)			
BLNDER TONGUE:	0.54	(0.03)			
CISCO:	30.68	0.09			
COMMSCOPE:	30.55	(0.16)			
CONCURRENT:	6.18	0.28			
CONVERGYS:	29.20	0.16			
CSG SYSTEMS:	38.03	0.35			
ECHOSTAR:	46.74	0.31			
GOOGLE:	784.54	(10.83)			
HARMONIC:	5.10	0.10			

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