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What the Industry Reads First

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Complex Combo: Liberty Buying GCI in Deal Valued at \$1.1Bln

Oh, what a complicated company you weave whenever **Liberty** is involved in a transaction... Tuesday's news has **Liberty Interactive** acquiring Alaska's largest communications provider **GCI** in a deal valued at \$1.1bln—which is kind of a homecoming if you can remember the history (GCI was part of **TCI** until 1986). Of course, with Liberty involved it's much more complicated than simply buying GCI. Enter the tracking stocks! Certain assets and liabilities of **Liberty Ventures**—a tracking stock of Liberty Interactive—will be contributed to GCI in exchange for controlling interest. Liberty Interactive will then effect a tax-free separation (you knew there'd be a tax-free deal in here!) of its controlling interest in the combined company to the holder of Liberty Ventures common stock. The combined company will be called GCI Liberty. "This transaction will ultimately create a standalone Liberty Ventures, reducing the tracking stock discount and enabling an asset-backed **QVC Group**," said *Greg Maffei*, Liberty Interactive President and CEO. Yep. They snuck in another tracking stock, QVC Group. Under the deal, Liberty Interactive's other tracking stock swaps assets/liabilities with Liberty Ventures. It's confusing, but the bottom line is that the two tracking stocks both become standalone asset-backed entities. Liberty Interactive will be the surviving legal entity following the spinoff and will be renamed QVC Group. GCI Liberty will include the holdings of **Charter** and **Liberty Broadband** as well as GCI. All of this could open the door to more M&A down the road. "In the end, this transaction, in our opinion, makes a lot of sense for LVNTA shareholders as they are tax efficiently hard spinning essentially all the cable ownership assets into a decent operating asset (that appears to have nice EBITDA growth opportunities and operates as a quasi-monopoly in Alaska) with a material tax shield," **Pivotal Research** principal and senior analyst *Jeffrey Wlodarczak* said in a note to clients. "Now that they will control an asset backed company Liberty can likely be more aggressive leveraging against their ownership stakes in LBRDK and CHTR allowing more aggressive share repurchases and possibly M&A." GCI shareholders will receive total consideration of \$32.50/share, comprised of \$27.50 /share of common stock and \$5 /share of newly issued preferred stock. Former GCI shareholders will hold 23% of equity of GCI Liberty, representing 16% voting power in GCI Liberty. In Alaska, GCI is attempting to reassure residents that it will remain committed to the state. GCI will keep its HQ in Anchorage and management will remain in place. GCI founder *Ron Duncan* will be a member of the board, with Maffei serving as CEO of GCI Liberty. The deal is expected to close by 1Q18. GCI stock (GNCMA) skyrocketed Tuesday, closing up 62.4%. Liberty Ventures was up 13.3%.

CSG's Charter Contract: **Charter** and **CSG** are working on an agreement that covers both Charter and **Time Warner Cable** customer accounts. It's a big contract for CSG, with the combined companies representing its 2nd largest client. Charter and TWC accounted for approximately 21% of CSG's total revenues for 2016. According to an **SEC** filing, CSG's TWC agreement was set to expire on March 31. It was amended to provide a one-month extension through April 30 while the parties work on a master agreement that would provide CSG products and services covering both TWC and Charter customer accounts. Charter's current agreement with CSG runs through the end of 2019.

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Privacy Regs & Open Internet Order: Following the president signing into law a resolution disapproving of the FCC's privacy regulations, FCC chmn *Ajit Pai* reiterated his belief that the FTC needs to take the reins. "We need to put America's most experienced and expert privacy cop back on the beat. And we need to end the uncertainty and confusion that was created in 2015 when the FCC intruded in this space," he said. He's widely expected to continue to dismantle the 2015 Open Internet order. On Tuesday, 32 members of the Congressional Progressive Caucus and other House Democrats, led by Reps. *Keith Ellison* and *Raul Grijalva*. Dems sent a letter to the FCC head, urging him to abide by those rules.

March Madness Wrap: Plenty to cheer about at **Turner Sports** and **CBS Sports**, even if you aren't a UNC fan. The 2017 NCAA Div I Men's Tournament is the second most watched in 23 years (1994), averaging 10.827mln viewers, which also is up +16% from last year (9.373mln viewers). NCAA March Madness Live scored a record 98mln live video streams during the tournament, up +33% over last year. The National Championship game garnered 4.4mln live video streams, an all-time record for the title game. -- Final numbers for **ESPN's** coverage of the NCAA Women's National Championship between Mississippi State and SC have it averaging 3.886mln viewers (live+ streaming) with 3.827 on TV only. It's a three-year high for the women's basketball national championship game, which includes a 29% increase from last year's finale.

Antietam's Gigabit Bet: **Antietam Cable** has moved on to Phase 2 in "Flight Gigabit," the first privately funded gigabit network in the state of Maryland. The expansion in Hagerstown, MD, has gig fiber passing over 20% of homes in Washington County. Antietam has invested \$6mln of private risk capital on the Flight Gigabit project in the county, with the \$3mln first phase completed in downtown Hagerstown over the summer. At the conclusion of Phase 2 later this year, Flight Gigabit will be available to more than 11K homes and businesses in Washington County by the end of 2017.

WWE Network: WrestleMania is a tent pole for driving subs to SVOD service **WWE Network**. A day after WrestleMania the service had 1.95mln subs—a 7% increase from the day after big event last year (1.66mln paid, +14%). **Wells Fargo Securities** analysts said the expectation was 2mln total subs for WWE Network. It's a slight miss, but on the plus side, Q1 subs beat (slightly) and the '17 OIBDA guidance remains at \$100mln.

Rumor Mill: Some buzz Tuesday over a *NY Post* story that **MSG Networks** is putting out feelers for a potential sale. The paper warned it's early in the process, with no guarantee a deal will happen. Still, the news sent MSGN stock up 6.5% at Tuesday's close. In other news, MSG Nets said it will bring back **ESPN's** radio show "Hahn, Humpty & Canty" on May 1.

Fubo Official: **FuboTV** moved out of beta with its 50-channel premier bundle, offering it at an introductory rate of \$34.99/month. The sports focused virtual MVPD offering has been available in beta from since February and includes RSNs from **Fox** and **NBCU**. A full lineup of channels is available at fubo.tv/welcome/channels.

Fox Discrimination Suit: A third **Fox News** employee joined the racial discrimination suit filed last week by two African-American employees. Fox News controller *Judy Slater* has been fired. "We take complaints of this nature very seriously and took prompt and effective remedial action in terminating Judy Slater before Ms. [Tichaona] Brown, Ms. [Tabrese] Wright and Ms. [Monica] Douglas sued in court and even before Ms. Wright and Ms. Douglas complained through their lawyer. There is no place for conduct like this at Fox News, which is why Ms. Slater was fired," said a Fox News rep.

People: *Jenna Rosa* was promoted to vp, development for **Bravo**. She joined in 2014 as director of development.

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