

Cablevision in \$1.4B deal for cable co. Bresnan

June 14 2010, By DEBORAH YAO , AP Business Writer



In this July 9, 2009 file photo, James Dolan, President and CEO Cablevision Systems Corporation, arrives at the annual Allen & Co.'s media summit in Sun Valley, Idaho. Cablevision said Monday, June 14, 2010, it has agreed to pay \$1.37 billion for mid-sized cable television provider Bresnan Communications, a move that will help the New York cable company expand into western states.(AP Photo/Nati Harnik, file)

(AP) -- Cablevision Systems Corp. said Monday it will pay \$1.4 billion to expand far beyond its focus in the New York City area with the purchase of Bresnan Communications, a mid-sized cable TV provider in the West.

Cablevision will borrow most of what it needs to fund the deal, which comes at a steep price and casts some uncertainty over the widespread belief that Cablevision has been priming itself for a sale. Cablevision spun off its Madison Square Garden business in February, and acquiring another business typically isn't something a company for sale would do.

Cablevision also signaled it does not plan to go on a buying spree of other cable systems by announcing Monday that it plans to buy back \$500 million worth of its shares.

Cablevision is "not in the market for any company or cable system that may eventually be for sale," CEO Jim Dolan said in a conference call with financial analysts to discuss the deal.

Bresnan has more than 300,000 customers in Colorado, Montana, Wyoming and Utah. It is majority owned by Providence Equity Partners, which led an investment group that bought Bresnan in 2003 from [Comcast](#) Corp. for \$525 million. Comcast received preferred and common shares in Bresnan and had a 30 percent stake in the company before Monday's deal.

Analysts said Cablevision is paying dearly. Jeff Wlodarczak, an analyst at Pivotal Research Group., said the price amounts to 8.5 times Bresnan's earnings before interest, taxes, depreciation and amortization. On average, publicly traded cable companies trade at 5.8 times adjusted earnings. The founder and CEO of Mediacom Communications Corp. offered this month to acquire all of the cable company's shares that he doesn't already own for \$245 million and take it private. The deal is priced at 6.8 times Mediacom's 2009 adjusted earnings, according to Sanford Bernstein.

Shares of Cablevision rose \$1.27, or 5.4 percent, to \$24.67 in afternoon trading. The shares had declined 5.6 percent on Thursday on speculation

of the acquisition.

Cablevision said Bresnan is a good investment because its operations don't need much fixing. Moreover, Bresnan faces no competition from Verizon Communications Inc.'s FiOS fiber-optic TV and Internet service or AT&T Inc.'s U-verse. Bresnan goes up against Qwest Communications International Inc.

"Bresnan is a good deal for us. That's why we're doing it," said Cablevision's chief operating officer, Tom Rutledge. "Ultimately, it's a return on capital."

Cablevision structured the deal in a way that requires a relatively small outlay in cash and minimizes its exposure to a debt default.

Cablevision will set up a subsidiary to house Bresnan, and the acquisition will be financed by \$1 billion of non-recourse debt, a type of borrowing that is backed by collateral and does not leave the borrower on the hook in a default. Cablevision will pony up the rest.

The deal follows an auction that involved bids from some of the nation's largest cable companies. Ascent Media Corp., which is controlled by media mogul John Malone, was a bidder for Bresnan, as were [cable companies](#) Charter Communications Inc. and Suddenlink Communications, and private investment firm TPG Capital, according to a person familiar with the talks but who was not authorized to discuss private bids. Time Warner Cable Inc. also put in a bid, but its offer did not survive the first round, the person said.

The deal is expected to be completed later this year or early 2011.

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Citation: Cablevision in \$1.4B deal for cable co. Bresnan (2010, June 14) retrieved 25 April 2024 from <https://phys.org/news/2010-06-cablevision-14b-cable-bresnan.html>

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