

# Comcast doubles down on TV in \$16.7B deal for NBCU

February 13 2013, by Michael Liedtke

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In this Friday, Aug. 21, 2009, file photo, the NBC logo glows in neon lights among other iconic signs at its headquarters in New York. Comcast said Tuesday, Feb. 12, 2013, that it's buying General Electric's 49 percent stake in the NBCUniversal joint venture for \$16.7 billion several years early, as the company takes advantage of low borrowing costs and what CEO Brian Roberts called a "very attractive price." (AP Photo/Bebeto Matthews, File)

(AP)—Comcast's \$16.7 billion deal to buy the remaining half of NBCUniversal ahead of schedule represents a resounding vote of

confidence in the future of TV, even as the growth of Internet video reshapes the entertainment landscape.

The decision was driven largely by Comcast Corp.'s belief that it would end up paying substantially more for General Electric Co.'s remaining 49 percent stake if it had waited until 2018, as had been envisioned in 2011 when the nation's largest cable TV provider acquired majority control of NBCUniversal.

"We didn't have to do this now. We chose to do it," Comcast CEO Brian Roberts said in a Wednesday interview on CNBC. "We're bullish on the businesses we're buying."

Shares of both Comcast and GE increased Wednesday following the late Tuesday announcement.

The flagship NBC network, once seen as the deal's albatross, has been on the turnaround. Broadcast TV revenue rose 5 percent last year, even after excluding the Super Bowl and the Olympics. Theme parks, the Universal Pictures movie studio and pay TV networks such as USA and SyFy have grown, too.

As the advertising market has rebounded with the economy, so have the fortunes of NBCUniversal and other media companies such as CBS Corp. and ABC owner The Walt Disney Co. That made the latest transaction seem like a savvy one at a relatively modest price.

"I think the television business has turned out to be much more powerful as an advertising medium than people were thinking five years ago," said Jonathan Taplin, a professor specializing in digital media at the University of Southern California. "Comcast made a really smart move in believing that TV would continue to be a really important part of the advertising picture for years to come."

When the deal was first announced in late 2009, NBC's audience ratings were sagging badly, raising doubts about the future of the broadcast pioneer that once boasted stars such as Johnny Carson, Jerry Seinfeld, Bob Hope, Milton Berle and Tom Brokaw.

More recently, though, NBC has bounced back with a new hit in "The Voice" and has a consistent ratings leader in "Sunday Night Football" during the fall and early winter. By last fall, NBC could boast for the first time in a decade that it was drawing the most viewers in the 18-to-49-year-old demographic prized by advertisers. Overall, NBC still ranked behind CBS and ABC, but at least it was no longer bringing up the rear in fourth place, as had been the case for several years.

Higher ratings translate into more advertising revenue, even though Comcast gets two-thirds of its revenue as a cable-TV and Internet access provider. NBC's improved success from TV shows also figures to bring in higher licensing fees from the Internet video services run by Netflix Inc. and Amazon.com Inc.

NBC's turnaround is one of the main reasons Roberts wanted to take complete ownership of NBCUniversal now.

"We thought that we would have to pay more later," Roberts said in an interview Tuesday with The Associated Press.

"We really have known we wanted to buy 100 percent from the beginning of the transaction. We wanted to learn the business," he added. "We feel that now is an opportune time."

The deal, expected to be completed by the end of March, values NBCUniversal at \$34 billion, not including \$5 billion in debt. That's about 13 percent higher than two years ago, when Comcast's investment valued the company at about \$30 billion, also excluding debt.

Compare that to CBS's stock price, which has more than doubled, or Disney's, which has risen 41 percent, since then. That makes the transaction for the rest of NBCUniversal a steal.

Several analysts said Wednesday that Comcast got a great deal. Analyst Matthew Harrigan at Wunderlich Securities said GE "mispriced" the \$16.7 billion deal.

But Comcast's chief financial officer, Michael Angelakis, said in a conference call Wednesday that GE got a good deal as well, adding that GE gets a lot of cash to invest elsewhere. In a separate call, GE Chief Financial Officer Keith Sherin said the company thought it was "an attractive exit price."

Complete ownership will let Comcast benefit more from the rising price of sports rights and other TV programs. It avoids solely being in the uncomfortable position of passing those costs onto customers. And long-term rights deals between the TV networks and their cable and satellite distributors have ensured the importance of TV, even as Web video is on the rise.

Diversification was one reason Comcast bought a majority stake in NBCUniversal two years ago.

Jonathan Atkin, an analyst with RBC Capital Markets, contrasted Comcast's fortunes with the woes of Time Warner Cable Inc., whose shares have plunged 13 percent since it reported in late January that profit margins would be squeezed this year by higher programming costs.

"Look at what happened to Time Warner Cable," Atkin said Tuesday. "Comcast, as a slightly more diversified conglomerate, is less exposed to that."

Besides buying the rest of NBCUniversal, Comcast agreed to pay GE another \$1.4 billion for other assets that include one of New York's best-known landmarks, NBC's headquarters at 30 Rockefeller Plaza. The building also was the setting for the NBC comedy series "30 Rock," a fictional version of the broadcast network that skewered the management of both GE and Comcast before airing its final episode two weeks ago.

By selling the rest of its NBCUniversal stake, GE is unraveling part of the legacy of former Chairman Jack Welch. In 1986 he bought RCA and NBC to help his industrial conglomerate get a reliable source of cash while overseas manufacturing competition loomed.

Getting cash sooner rather than later made GE a motivated seller this time. The Fairfield, Connecticut, company plans to use the money to buy back stock and "to invest in our industrial business," GE CEO Jeff Immelt said in a statement Tuesday.

Comcast, which is based in Philadelphia, said it would finance the deal with \$11.4 billion of cash on hand, \$4 billion in debt owed to GE, \$2 billion from its own credit lines and \$725 million in preferred stock issued to GE. In issuing new debt notes to GE, Comcast is able to lock in today's historically low interest rates. It also gives a use for the \$5.3 billion it raised from the sale of wireless spectrum to Verizon and its stake in the A&E TV networks to Disney and Hearst last year.

Comcast's stock rose \$1.16, or 3 percent, to close Wednesday at \$40.13. In opening trading, it hit \$42, matching an all-time high set in March 1999. GE's stock rose 81 cents or 3.6 percent, to \$23.39. The day's high of \$23.48 was the highest level for the stock since 2008.

GE's history with NBC goes back to 1919, when it co-founded the Radio Corporation of America. RCA created NBC in 1926 as the nation's first

radio network, figuring that people would buy its radios if they had interesting things to listen to. RCA took full ownership of NBC in 1932.

The network began TV broadcasts in 1939 and produced TV's first star in 1948 when Berle became a beloved figure. GE bought NBC back in 1986 for the cash flow. Though it faced fierce competition over the decades, NBC was formidable in the 1990s, with Thursdays declared a "must-see" night of television.

As part of Comcast's takeover, NBC Universal changed its corporate logo to NBCUniversal—without the space, the peacock or the globe silhouette. In December, as the network bounced back, Comcast appended NBC's peacock logo on top of its corporate name in a new logo of its own.

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Liedtke reported from San Francisco. AP Technology Writers Barbara Ortutay and Peter Svensson in New York and AP Business Writer Bree Fowler in New York contributed to this story.

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Citation: Comcast doubles down on TV in \$16.7B deal for NBCU (2013, February 13) retrieved 27 April 2024 from <https://phys.org/news/2013-02-comcast-tv-167b-nbcu.html>

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