

# Charter nabs Bright House in latest pay-TV deal

March 31 2015, by Tali Arbel And Michelle Chapman

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This Tuesday, March 31, 2015 photo shows signage at a Charter Communications facility in Glendale, Calif. Charter Communications Inc. is buying fellow cable operator Bright House Networks LLC in a deal valued at \$10.4 billion. Charter is the fourth-largest cable operator in the U.S, while Bright House is the sixth biggest. (AP Photo/Nick Ut)

Charter buying Bright House for \$10.4 billion is the latest big deal in the pay-TV industry.

Companies want to merge as costs for channels like ESPN have shot up, while their video subscribers have dipped and online video providers like Netflix become more popular. Combining gives them more negotiating

power against programmers such as The Walt Disney Co.

Last year, Comcast said it was buying Time Warner Cable for \$45 billion, and AT&T is purchasing DirecTV for \$48.5 billion. Both are under long-running regulatory reviews.

But the Comcast-Time Warner deal has raised concerns from competitors and consumer and Internet advocates, who say too much of the country's Internet access would be under one company's control. They also say it could hurt growing online video providers like Netflix, who need its pipes to get to consumers, and lead to higher prices.

Comcast says it works cooperatively with online video companies like Netflix and that content providers, not distributors like itself, currently have bargaining advantages.

Charter buying Bright House, which hinges on regulators approving Comcast purchasing Time Warner Cable, is "kind of small in the scheme of things," says John Bergmayer, a senior staff attorney at Public Knowledge, a nonprofit group that advocates for Internet access. "Trends in consolidation are always worrying but this deal by itself is not as bad as some other deals out there."



This Tuesday, March 17, 2015 file photo shows a coaxial cable in Philadelphia. Charter Communications Inc., the fourth-largest cable operator in the U.S., on Tuesday, March 31, 2015 said it is buying fellow cable operator Bright House Networks LLC in a deal valued at \$10.4 billion. (AP Photo/Matt Rourke, File)

Public Knowledge is against Comcast buying Time Warner Cable. Most analysts expect the deal will go through, but some have become less optimistic.

Charter and Bright House said Tuesday that the deal would create the second-largest U.S. cable operator. But they are not in any of the same markets, so their subscribers wouldn't lose the ability to switch to a competitor cable company.

The pay-TV industry overall has been slowly shedding video subscribers in recent years, according to an analysis by MoffettNathanson analyst Craig Moffett, who expects that to continue. New options for video that

appeal to "cord-cutters" have sprung up in recent months, such as a Web version of HBO, an online set of about 20 channels from Dish called Sling and a \$50-a-month service from Sony.

Charter Communications Inc. has been trying to get bigger. It wanted to buy Time Warner Cable Inc. but got outbid by Comcast Corp. With the Comcast-Time Warner deal, however it is already growing substantially, paying \$7.3 billion for 1.4 million Comcast subscribers and getting a one-third stake in a new cable company comprised of 2.5 million existing Comcast customers. It's also swapping 1.6 million customers with Time Warner Cable.

Charter, based in Stamford, Connecticut, is currently the fourth-largest cable operator in the U.S., with 4.3 million video customers, mostly in the Midwest, West and South.

Bright House Networks LLC is the sixth-biggest with 2 million customers, mostly in Tampa and Orlando, Florida, but also in Alabama, Indiana, Michigan and California. According to a client note by Moffett, Bright House also has "a strong reputation for service and customer satisfaction," a rarity among cable companies.

Advance/Newhouse—the parent company of Bright House—will own 26.3 percent of the combined company. Charter is paying it \$2 billion in cash and the rest in stock and preferred units that convert into common stock of the new company.

Once the Bright House deal closes, John Malone's Liberty Broadband Corp., Charter's biggest shareholder, will buy \$700 million shares of the new company, giving it a 19.4 percent stake.

The board of the new company will include 13 members, with three directors appointed by Advance/Newhouse and three directors appointed

by Liberty Broadband.

Shares of Charter Communications added \$9.72, or 5.3 percent, to \$193.11. Liberty Broadband's stock gained \$2.78, or 5.2 percent, to \$56.48.

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