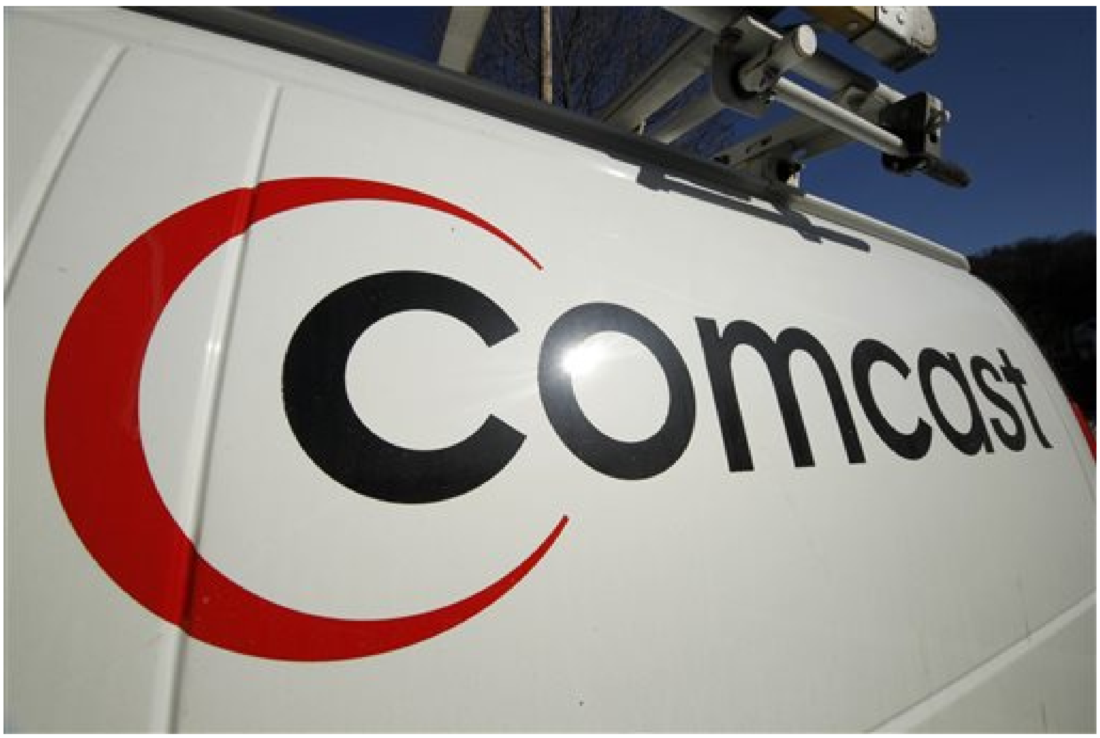
Winners and losers of the demise of the big Comcast deal

April 24 2015, byTali Arbel



This Feb. 11, 2011 file photo shows the Comcast logo on one of the company's vehicles, in Pittsburgh. Wall Street appears increasingly convinced Comcast's $45.2 billion purchase of Time Warner Cable is dead. telling indicator is the gap between the value Comcast's all-stock bid assigned to each Time Warner Cable share and Time Warner Cable stock's current price. That was at its widest point yet Thursday, April 23, 2015, a signal that investors are giving just 20 to 30 percent odds that the deal will go through, said Nomura analyst Adam Ilkowitz. (AP Photo/Gene J. Puskar, File)

In the aftermath of Comcast's decision to walk away from buying Time Warner Cable, some winners and losers are emerging.

The combined company would have created an Internet and TV behemoth with unprecedented power over what Americans download and watch. It would have served nearly 30 percent of video subscribers and 55 percent of the country's broadband homes. It also would have controlled NBCUniversal, home to NBC, cable networks including Bravo and film studio Universal Pictures.

But consumer advocates and Internet activists had railed against the deal from the start, saying it would limit consumer choices and lead to higher prices. And ultimately the planned merger fell apart after regulators decided it would be bad for consumers.

The breakdown of the deal is being seen as a blow to Comcast and the cable industry in general. Conversely, it's being hailed as a victory for consumer advocates and the competitors of the two companies.

WINNERS:

—ONLINE VIDEO PROVIDERS

A major worry for regulators was that a bigger Comcast would be able to choke the online video industry. Why? Comcast has its cable business to protect and could also create online-only TV service of its own.

Dish, the satellite TV company that recently introduced a Web TV program called Sling TV, was one of the backers of a group called Stop Mega Comcast that advocated against the merger with regulators. Netflix, which had faced off with Comcast over having to pay it network-connection fees to ensure that its content would stream more smoothly to Comcast subscribers, also opposed the deal.

— CONSUMER ADVOCATES

This is the second big battle consumer advocates have won this year. They pushed the FCC to enact Net Neutrality rules that would keep broadband providers from blocking, slowing or making special "fast lanes" for content.

They also railed against the power over the Internet and TV that a combined Comcast and Time Warner Cable would have. By criticizing the deal and getting negative stories about Comcast to the media and Capitol Hill, "we were able to provide enough cover" for regulators to challenge the deal, said Matt Wood of Internet and media advocacy group Free Press.

— MEDIA COMPANIES

The combined company would have had more power to negotiate lower prices for TV and movies that are piped into subscribers' homes from companies like Fox, Disney and Viacom. It also could have used its increased muscle to favor its own NBCUniversal programming over content from those companies.

— THE COMPETITION

Some had thought that AT&T's $48.5 billion purchase of DirecTV, announced a few months after Comcast's deal, would help regulators approve both transactions because the two giants would balance each other out.

The Comcast deal is dead, but analysts still expect the AT&T deal to go through. AT&T says it will close by the end of June. The combined company would have more subscribers than Comcast—26 million video subscribers— but fewer Internet customers at 16 million.

LOSERS:

— COMCAST

The company spent more than a year working on this $45 billion transaction, which would have added millions to its subscriber rolls, broadened the reach of its X1 video operating system, given heft to its profitable business-services division and helped it cut costs. The deal is also another big failed deal attempt for Comcast CEO Brian Roberts, who is used to winning. Disney rejected his $54 billion hostile offer in 2004.

— THE CABLE INDUSTRY AS A WHOLE

Experts in the industry say the breakdown of this deal is further evidence that the government is scrutinizing Internet service providers more. Cable companies are the dominant providers of wired Internet access in the U.S.

"It is quite evident that regulators will be far more involved in the ISP business than ever before," wrote BTIG analyst Rich Greenfield in a blog post. And that could hurt companies' stock prices.

On the other hand, the increased scrutiny could be good for customers: "Increased regulatory scrutiny could prompt cable companies to raise broadband prices less aggressively in the future for fear of drawing even more attention," said Andy Hargreaves of Pacific Crest Securities in a note.

UNCLEAR

— TIME WARNER

Charter Communications. Charter, another big cable company, wanted to buy Time Warner Cable for $38 billion, but Time Warner Cable chose Comcast. So Charter bid $10.4 billion for cable operator Bright House. It was also gaining some subscribers in a side transaction to the Comcast deal. Both those deals required that Comcast buy Time Warner Cable. So those fell apart.

Now, many expect Charter to try to buy Time Warner Cable again, at a similar price as before or a higher price. It could also make another arrangement with Bright House. Or both. But Time Warner Cable could also try to buy Bright House.