

# Europe's Altice enters US cable frenzy with Suddenlink deal

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In this Wednesday, March 18, 2015 file photo, Altice group's Chairman Patrick Drahi poses for photographers at the Scopus Awards of the French Friends of the Hebrew University, in Paris, France. Luxembourg-based Altice SA said Wednesday MAY 20, 2015 it will buy 70 percent of Missouri-based cable TV provider Suddenlink with a combined debt and cash offer from existing owners BC Partners and CPP Investment Board, and company management. (AP Photo/Thibault Camus, File)

There's a new player in the U.S. cable dating game.

European cable and mobile phone operator Altice, controlled by founder Patrick Drahi, is fixing its sights on the U.S. market starting with a \$9.1 billion deal for St. Louis-based Suddenlink.

There are likely to be more attempts at U.S. purchases. Altice, which has grown through a series of acquisitions over the past dozen years, said Wednesday that it envisions U.S. operations making up about half its business.

A wave of consolidation has swept the cable and satellite TV industry as U.S. viewers increasingly turn to Internet providers like Netflix for their TV fix. At the same time, the cable companies' costs for the channels have grown.

Suddenlink is the seventh-largest cable operator in the U.S., with 1.5 million residential customers in smaller markets in the South, West and Midwest. Like other smaller cable companies, it is having a harder time in the pay-TV market. Such companies say their costs, per subscriber, are higher than those of cable giants such as Comcast.

Comcast's own \$45 billion quest for No. 2 rival Time Warner Cable was recently quashed by regulators wary of the bigger company's potential power to undermine competition from online video providers. That bid's failure has set off expectations that Charter Communications, backed by cable magnate John Malone, will try to buy Time Warner Cable. Charter is also pursuing Bright House, a cable company with operations focused in Florida. Meanwhile, AT&T is waiting for regulators to clear its \$48.5 billion purchase of satellite TV provider DirecTV.

Reports that Altice is also interested in Time Warner Cable means industry consolidation is likely to favor shareholders of the New York company, wrote Jefferies analyst Mike McCormack in a client note Wednesday.

Time Warner Cable spokesman Bobby Amirshahi declined to comment on reports of interest from Altice. Altice spokesman Arthur Dreyfuss also declined to comment.

Luxembourg-based Altice SA said Wednesday it will buy 70 percent of Suddenlink Communications with a combined offer of cash and assumed debt from existing owners BC Partners, a private equity firm; Canada Pension Plan Investment Board and company management.

BC Partners and the Canadian pension fund bought Suddenlink in 2012 in a deal that valued the cable company at \$6.5 billion. They'll each keep a 12 percent stake in the company after the Altice purchase closes, expected by the end of the year.

Altice has expanded from a small regional internet and cable provider in France's Alsace region to making an \$18.5 billion acquisition last year of France's No. 2 mobile phone operator, SFR. Earlier this year, Altice bought Portugal Telecom for \$8.4 billion. It also has operations in Belgium, Switzerland, Israel and elsewhere.

With Suddenlink, the company said about 12 percent of Altice's portfolio would be U.S. business, but it wants more relative to its European operations. "The goal is to be 50-50," said Altice CEO Dexter Goei on a conference call with analysts Wednesday.

"The backing of Altice will better position the company to gain critical scale as a major consolidator in the U.S. cable industry," said Suddenlink CEO Jerry Kent in a statement.

Suddenlink, with revenue of \$2.3 billion, has subscribers in 17 states.

Altice had a loss of 552 million euros (\$614 million) last year on revenue of 3.9 billion euros.

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