

Sky shares soar on Comcast takeover victory

September 24 2018, by Roland Jackson



Management at Sky has recommended that its shareholders "immediately" accept Comcast's bid

Shares in British broadcaster Sky soared Monday after US cable giant Comcast outgunned Rupert Murdoch's 21st Century Fox in a dramatic auction for the pan-European television operator.

In midday deals, Sky shares surged 8.68 percent to £17.22 on London's falling FTSE 100 index, after Comcast successfully bid £30.6 billion (\$40 billion, 34 billion euros) or £17.28 per share in a blind auction held on Saturday.

Fox, which already owns 39 percent of Sky, had offered £15.67 per share to value the total group at £27.6 billion.

Management at Sky has recommended that its shareholders "immediately" accept the Comcast bid, which it described as "an excellent outcome".

The heart-stopping auction drama marked a climax to a long-running battle for control of Europe's biggest pay TV provider.

"Sky shareholders are popping the champagne after this weekend's bidding auction valued the company at eye watering levels," said Interactive Investor analyst Rebecca O'Keeffe.

Tech savvy rivals

The takeover tussle comes as global players like Comcast and 21st Century Fox grapple with a fast-changing television landscape—and intense competition from online streaming giants Amazon and Netflix.

"The premium that is being offered by Comcast is indicative of how much pressure is on traditional media platforms," added O'Keeffe.

"Their newer tech savvy rivals have revolutionised the way people engage with TV and internet content."

Sky broadcasts blockbuster films and drama including cult US series "Games of Thrones", and has lucrative rights to English Premier League

football.

The London-listed group, which has a subscription base of 23 million, is widely regarded as one of Europe's most profitable and powerful TV companies.

Comcast regarded Sky as a way to win a foothold in Europe and end its sole dependence on the United States—at a time when many consumers there are cord-cutting, or trimming their television packages to save cash.

"For Comcast the prospect of gaining Sky's 23 million customers and instantly picking up assets across several large European markets was very tempting," said analyst Ian Forrest at The Share Centre.

"As a cable television operator in the US facing rising competition from Netflix and Amazon, it provides them with an attractive overseas business with potential to expand further in Europe."

The weekend auction all but settled a titanic battle between the two media empires, but the Comcast bid remains subject to shareholder approval.

Proxy battle

Comcast was forced to drop a separate bid to take over Fox itself because it needed the money to go after Sky.

This allowed Walt Disney Co. to complete a mega-merger with Fox that should close next year.

Saturday's auction thus turned into a proxy battle between Comcast and Disney for Sky.

For Disney, the acquisition of Sky would have provided a way to feed its content directly to viewers without having to rely on cable providers.

"The bidding war is over and the biggest winners in all of this are Sky shareholders," said Markets.com analyst Neil Wilson.

"The £17.28 offer from Comcast delivered the requisite knockout blow.

"It had always been the case that Sky meant more to Comcast than it would to Disney/Fox."

© 2018 AFP

Citation: Sky shares soar on Comcast takeover victory (2018, September 24) retrieved 18 April 2024 from <https://phys.org/news/2018-09-sky-soar-comcast-takeover-victory.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.