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CHARTER COMMUNICATIONS: ANOTHER BID FOR TIME WARNER CABLE?

Radha Chaganti, Mayank Jaiswal, and Rajeswararao Chaganti wrote this case solely to provide material for class discussion. Authors acknowledge the help of Greg Bates in writing this case. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In the summer and fall of 2013, Charter Communications (Charter), the fourth-largest cable television company by market share, made multiple bids to acquire Time Warner Cable (TWC), the second-largest company, only to be rejected. Then, in late 2013, TWC invited Comcast Corporation (Comcast), the largest cable television company, to make a friendly bid. In February 2014, TWC accepted Comcast’s bid. However, a year later, in April 2015, the U.S. Federal Communications Commission (FCC) recommended holding hearings on the merger, signalling that the agency was unlikely to approve the merger. Following that announcement, Comcast terminated its proposed merger agreement with TWC on April 24, 2015,[[1]](#endnote-1) which meant that TWC was again available for a merger. At that point, Charter had to decide whether to launch a new bid for TWC. If they went ahead with a new bid attempt, what could Charter do differently?

INDUSTRY BACKGROUND

Cable Television Industry

In 2009, the media conglomerate Time Warner Inc. spun off its cable television business into the separate company TWC to focus on the entertainment industry.[[2]](#endnote-2) As of 2013, the cable television industry comprised five major companies: Comcast, TWC, Cox Communications, Charter, and Cablevision Systems. Each company provided a variety of bundled packages of voice, video, and data services on a subscription basis. The cable television industry was in a mature stage with slowing revenues, due to technological and demographic trends that were shifting viewers away from wired cable television to mobile devices. The cord-cutting shift was accompanied by competitive pressures from diverse industry segments, including rival cable television companies, content providers, and new entrants. Other challenges included major technological changes (e.g., the speed of downloading content), changes in consumer viewing preferences, and the price-sensitivity of subscribers, all of which were forcing companies to rethink their strategies for survival (see Exhibit 1). Therefore, Comcast, TWC, and Charter—the three entities involved in this bidding process—had to reassess their business strategies (see Exhibit 2) and their financial situations (see Exhibit 3, Exhibit 4, and Exhibit 5).

ACQUISITION ROUNDS

Round 1: Charter Bids for TWC

John Malone, often referred to as the King of Cable,[[3]](#endnote-3) was a cable television pioneer with a long history in the industry. Malone, who had once owned the largest cable operator, was the current owner of Liberty Media. In 2013, Liberty Media acquired a 27.3 per cent ownership stake in Charter. In Malone’s view, consolidation and scale were essential for success in the industry, and he believed that Charter could become “. . . an acquirer, a horizontal acquisition machine, looking at other assets in the U.S. cable business that lack scale to have synergy.”[[4]](#endnote-4) Soon thereafter, in the summer of 2013, Charter approached TWC with two consecutive, informal, non-public bids. Both bids were rejected. Charter then followed up with a public offer, which TWC also rejected.[[5]](#endnote-5)

The Case for and against the Bid

Charter’s rationale for launching a bid to acquire TWC was that consolidation would “. . . combat rising programming costs and capitalize on the business services opportunity . . . [and] operate well.”[[6]](#endnote-6) A merger would increase efficiency through reduced overhead costs and infrastructure consolidation. Charter also prided itself on its operational efficiencies, given that the company’s chief executive officer (CEO), Tom Rutledge, had worked in the industry his entire career and could improve TWC’s operations. Another benefit would be the combined company’s enhanced bargaining power with content suppliers. This was an important factor, given the recent trend that higher programming fees imposed by major media companies such as CBS and Fox Entertainment Group (Fox) were hurting cable television companies’ margins. Moreover, subscribers of TWC and Charter did not overlap geographically, which meant that the combination would not be anticompetitive. [[7]](#endnote-7)

An argument against this bid was Charter’s small size. It was the fourth-largest firm in the industry, with four million subscribers in 2013 and an enterprise value of about US$25 billion,[[8]](#endnote-8) including a debt load of $14 billion. However, it was less than half the size of TWC, which had over 12 million subscribers and an enterprise value of $54 billion.[[9]](#endnote-9) A counterpoint, however, was that TWC was a weak company. It had been losing residential cable subscribers and had been adding fewer broadband subscribers during the previous two years. The company had received numerous customer complaints, as the technological edge it once enjoyed in high-speed Internet was eroding.[[10]](#endnote-10)

In all bids Charter made for TWC, price was a sore point. Charter’s two failed non-public, informal acquisition offers in 2013 were priced below $130 per share. During that time, TWC’s stock price range was approximately $90–120.[[11]](#endnote-11) In the months following the two bids, based on rumours of Charter’s informal offers, TWC’s share price rose by 40 per cent. TWC acknowledged that the company, and the cable industry in general, could benefit from consolidation. However, it claimed that it could participate in a merger only if the offer was in the best interests of its shareholders.[[12]](#endnote-12)

Having endured two rejected informal bids, Charter decided to change its tactics. In December 2013, Charter made a public offer at $132.50 per share, for a total of $37.8 billion. By doing so, Charter was hoping to appeal directly to TWC shareholders and enlist their support. However, on the day that Charter made its offer public, TWC shares were trading at $132.40, essentially eliminating any premium pricing in Charter’s bid. Charter’s bid was priced at about seven times TWC’s estimate of $8.3 billion in earnings before interest, taxes, depreciation, and amortization (EBITDA) for 2014. Charter believed that this price was right strategically, because the recent steep rise in TWC’s stock was the result of speculation about an impending merger, rather than based on any improvement in TWC’s operations. [[13]](#endnote-13)

Nonetheless, TWC rejected Charter’s public offer (its third bid) as “grossly inadequate.” TWC’s CEO Rob Marcus worried about the shareholders’ interests, stating that besides the price being too low, “. . . the actual value delivered to [TWC] shareholders could be substantially lower given the valuation, operational and significant balance sheet risks embedded in Charter’s stock.”[[14]](#endnote-14) According to Marcus, the risk for TWC shareholders would be too high because combining Charter’s existing debt of $14 billion with TWC’s own debt of $25 billion would be excessive. Further, Charter was planning to raise an additional $25 billion in debt to finance the transaction, which could make the resulting debt load too large to bear. However, Marcus indicated that TWC would be open to a bid of $160 per share or higher. Such a price would value TWC at approximately nine times its EBITDA. At the time, prevailing bids in the industry ranged between seven- and nine-times EBITDA.[[15]](#endnote-15) However, TWC stated that the company would be open to an “. . . offer that’s better than the value we can create on our own.”[[16]](#endnote-16) Another obstacle was added by Charter in February 2014. The company stoked TWC management’s anger by announcing a plan to nominate its own slate of directors to the TWC corporate board. The newly elected directors were presumed to be more receptive to a bid by Charter.[[17]](#endnote-17)

Round 2: Comcast Bids for TWC

Meanwhile, Comcast’s chair and CEO, Brian Roberts, was considering the merits of a Comcast bid for TWC. A successful merger would mean that the new Comcast would be the dominant cable and satellite distributor with 30 million subscribers, followed by satellite companies DirecTV with 20 million subscribers and Dish Network with 14 million subscribers, and telecommunications companies AT&T and Verizon, each with five million subscribers. Charter and Cox Communications would have four million subscribers each. [[18]](#endnote-18)

In late 2013, TWC’s CEO Marcus decided to counter Charter’s attempts by approaching Roberts to invite a friendly bid from Comcast[[19]](#endnote-19). With a subscriber base of 22 million and a market capitalization of $130 billion, Comcast could easily afford the venture. Comcast could also see Charter’s bid as a threat because the new combined company would become a strong competitor, with nearly 16 million customers. TWC’s previous CEO had reportedly discussed in private with Roberts, Comcast’s CEO, the possibility of a merger, describing it as a “dream deal.”[[20]](#endnote-20) However, a union of the number one and number two cable companies would enhance the already formidable market power of Comcast, and therefore invite intense regulatory scrutiny over concern for anticompetitive consequences.

Two days after Charter announced that it was nominating its own directors to the TWC board, Comcast made a public and friendly acquisition offer to TWC at a price of more than $158 per share, thereby valuing TWC at $45.2 billion,[[21]](#endnote-21) a price that was consistent with TWC’s demands. Comcast also proposed divesting three million of its cable television subscribers to keep its market share low enough to avoid regulatory challenges. According to Comcast, the two companies’ subscriber base did not overlap geographically, implying that the merger would not reduce competition within their respective markets. Additionally, TWC subscribers would benefit from Comcast’s more advanced video technologies, including its X1 Entertainment Operating System, video-on-demand platform, higher Internet speeds, and more streaming choices available on Xfinity Stream. TWC accepted the offer, announcing that it was a compelling financial and strategic transaction for its shareholders. In the Comcast deal, TWC shareholders would receive $158.82 per share, a much higher price than Charter’s most recent offer of $132.50. Comcast’s bid essentially ended Charter’s pursuit of TWC.[[22]](#endnote-22)

After the Comcast Bid

After TWC accepted the offer, Comcast’s share price decreased by three per cent, suggesting that investors were worried about the deal’s regulatory approval or various other issues. Because Comcast owned broadcast and cable television networks and film studios, the deal would be a concern to the U.S. Department of Justice (DOJ) and the FCC, both of which had to approve the acquisition proposal. The usual three per cent breakup fee was missing from this bid, which some investors interpreted as a sign that both companies expected significant risks in the regulatory approval process.[[23]](#endnote-23) After approval of the merger, Comcast would capture 30 per cent of cable subscribers in the top urban cable markets and control 40 per cent or more of the fast-growing high-speed Internet market.[[24]](#endnote-24)

At the time, satellite television companies such as DirecTV and Dish were not yet able to offer high-speed Internet connections. In addition, the wireless telecom companies that provided mobile Internet connections were unable to match the speed of wired broadband connections that cable television providers were offering.

The news that a potential mega cable provider might emerge from the planned merger worried rival cable television companies. It also worried indirect competitors such as satellite television companies, telecommunications companies, and streaming media over-the-top (OTT) companies (e.g., Netflix and Hulu). Also concerned by the news were numerous other content providers, including cable television networks such as Discovery and AMC, broadcast television companies such as CBS, and movie producers such as Fox. As analyst Michael Nathanson of MoffetNathanson Research noted, “. . . there is a sense of worry among content providers . . . they will never say it publicly because Comcast is their biggest partner . . . but privately there is concern.” After this merger, content companies anticipated losing bargaining leverage over cable television companies, who might use their new power to extract higher fees. Local television station companies, such as Sinclair Broadcast Group, also foresaw themselves at a disadvantage. These companies received fees from cable television providers, but worried that a bigger Comcast would pay lower rates. [[25]](#endnote-25)

However, some observers felt that because Comcast was an owner of content operations in NBC Universal and the NBC broadcast network, it would be a friendlier negotiator. Yet, as columnist David Gelles of the *New York Times* pointed out, industry observers feared this union might trigger a defensive wave of mergers among smaller rival cable companies like Cox Communications, Cablevision, and Charter.[[26]](#endnote-26)

Some observers also reasoned that the deal could be anticompetitive, because a much larger merged Comcast would own 40 per cent of broadband Internet connections, which satellite television or telecommunications companies could not match.[[27]](#endnote-27) In April 2014, as the United States Congress was preparing to hold hearings to scrutinize the deal for anticompetitive impact,[[28]](#endnote-28) 50 consumer advocacy groups sent a letter to the FCC and DOJ requesting that the merger be blocked because of its “. . . complete lack of any tangible benefits. . . . This merger taking place in the vacuum of regulatory oversight of broadband communications market would give Comcast unprecedented control over the Internet.” The 50 groups included the non-profit group Public Knowledge, which received contributions from Google, as well as satellite companies DirecTV and Dish Network, among others. [[29]](#endnote-29) That same month, Netflix sent a letter to shareholders also opposing the deal, while Dish Network asked the FCC to block the merger to avoid a much larger Comcast from using its increased control to harm competing video services.[[30]](#endnote-30)

Confirming some of the fears, the news media reported shortly after the Comcast deal announcement that Netflix had entered into a multimillion-dollar agreement with Comcast to ensure access to reliable cable distribution for its programming.[[31]](#endnote-31) Professor Tim Wu pointed out that “. . . this is the water in the basement for the Internet industry,” and it would raise costs for streaming companies and their customers.[[32]](#endnote-32) Over time, such arrangements would stifle OTT streaming innovations because such high fees would be unaffordable for small start-up OTTs.

Michael Copp, the acting chairman of the FCC, was quoted as saying, “There is a strong case to be made why this merger shouldn’t be approved. . . . It is just so much power for one company to amass, and it is not just cable. They’re a broadband company, they’re a broadcast company, they’re new media, they’re old media, they’re telecom, they’re everything.”[[33]](#endnote-33) Review by federal agencies was likely to focus on access to high-speed Internet, at 25 megabits per second (mbps) or higher. After the merger, Comcast was expected to have a market share of at least 50 per cent of this segment. In some geographic areas, Comcast would be virtually the only provider, so few options would be available to consumers. Most mobile broadband service providers transmitted data at speeds of only eight mbps, well below the speed of an average cable television modem. Competition from Verizon’s powerful fibre optic cable existed only in 15 per cent of the geographic markets, and Google Fiber was available in just three cities. As consumers steadily switched to mobile devices for their news and entertainment sources, the new Comcast would have unprecedented control through the high-speed Internet segment, allowing it to raise broadband prices and limit programming choices.[[34]](#endnote-34)

However, Bloomberg columnist Larry Propelka countered that the merger would not prove anticompetitive because the cable television industry should be defined more broadly, to include satellite television providers, telecommunication companies, and OTT media companies supporting mobile platforms. Mobile viewing was quickly becoming the preferred source for subscribers who were “cutting the cable TV cord,” he argued.[[35]](#endnote-35) Merging Comcast and TWC would give cable television providers a fighting chance to withstand the competitive onslaught from all these companies. A combined Comcast and TWC would become a stronger negotiator against content suppliers, which could benefit customers by more effectively keeping prices constant. Given its record as a leading innovator, Comcast would also offer more advanced technology to all subscribers.[[36]](#endnote-36)

To satisfy regulators’ potential objections over its merger with TWC, Comcast also reached a deal with Charter, in which the latter would buy the three million cable customers that Comcast planned to divest after the completion of the merger.[[37]](#endnote-37) U.S. House of Representatives and Senate committees held hearings in May 2014 to investigate the deal. That same month, the telecommunications company AT&T announced a friendly takeover agreement with the satellite television company DirecTV for $48.5 billion. Industry observers pointed to this announcement as proof that a Comcast merger with TWC would increase concentration in media industries.[[38]](#endnote-38) In late 2014, a coalition of consumer groups, satellite television providers, and online media companies appealed to the United States Congress and to the FCC to protest the post-merger company’s undue control, particularly in the high-growth broadband internet market.[[39]](#endnote-39)

Reviews by the FCC and some state agencies continued into early 2015. Opposition mounted from media companies, consumer groups, and labour unions. In September 2014, the FCC’s chairman, Tom Wheeler, predicted little choice for most Americans who wanted high-speed Internet after the merger. He added that “. . . three quarters of American homes have no competitive choice for the essential infrastructure of 21st century economics and democracy.” Market nervousness over the risks to the merger continued to increase, although supporters of the merger hoped that a pro free-market Republican United States Congress would approve the merger.[[40]](#endnote-40)

A year after its announcement, the proposed merger of Comcast and TWC was still being scrutinized by regulatory agencies, which indicated a dim view of the bid. In late 2014, Comcast senior leaders stated that although the company had a strong interest in the merger, “we have a very broad right to walk away from the transaction” if burdensome conditions for approval were to be imposed.[[41]](#endnote-41) In April 2015, the FCC recommended a “hearing designation order” that would put the merger proposal in front of an administrative law judge, signalling that the FCC was not convinced that the merger would be in the public’s interest. Previous history of other merger proposals suggested that such a recommendation was a deal killer, even though the two companies reserved the right to make their case to the judge.[[42]](#endnote-42)

Upon hearing the FCC’s April 2015 decision, Comcast terminated its proposal to acquire TWC. Comcast’s chair and CEO Roberts stated “. . . today we move on . . . we would have liked to bring our great products to new cities, but . . . we could walk away.”[[43]](#endnote-43) Bloomberg News reporters provided a summary for their viewers of the obstacles that had blocked the merger of Comcast with TWC.[[44]](#endnote-44)

To Bid Again or Not to Bid?

In March 2015, Charter announced that it was acquiring its smaller rival Bright House Networks, in a partnership with Advance/Newhouse, for $10.4 billion.[[45]](#endnote-45) Two months later, with TWC no longer involved in the Comcast deal, Liberty Media, Charter’s largest shareholder, expressed a strong interest in a friendly bid for TWC.[[46]](#endnote-46) Reportedly, Malone (Liberty Media’s current CEO) contacted TWC’s CEO Marcus to begin the process. On the day that the news media announced Charter’s renewed interest, TWC’s stock price jumped to $155.[[47]](#endnote-47)

It was estimated that a combined Charter and TWC company would have 17.3 million video customers—second only to Comcast’s 22.4 million. The merged company would also have 19.5 million high-speed Internet customers, for about 30 per cent of homes, with access to Internet speeds of at least 25 mbps, compared to Comcast’s 34.6 per cent of homes. The new company would also have 9.5 million voice customers, giving Malone the prize he had been seeking for a long time and creating the scale that Charter needed. It would provide added leverage against content producers, putting a halt to rapidly increasing pay-television programming costs and, in turn, presumably help keep prices low for video customers.[[48]](#endnote-48)

However, the market had changed considerably since 2013. Although TWC was losing video subscribers in 2013, it was currently reporting an increase.[[49]](#endnote-49) Intense speculation about Charter’s future plans, in the wake of Comcast’s failed attempt to merge with TWC, had also raised TWC’s target price per share from the $170–$180 range to the $190–$200 range.[[50]](#endnote-50)

There were several other unknowns. An FCC approval of a merger between Charter and TWC remained uncertain. It was difficult to anticipate what preconditions, if any, the FCC would dictate. Many of the same groups that had opposed Comcast’s proposal could revive those same objections against Charter’s attempt. However, from the perspective of regulators and cable industry groups, one benefit of this new deal would be that the combined company would be a strong number two company in the industry, thus reducing Comcast’s relative market power and increasing competition in that segment. Nonetheless, many known and unknown potential roadblocks could make the bidding process long and costly for Charter.

Charter’s leadership therefore had to decide whether it should reopen the bidding process for a TWC acquisition. If Charter decided to prepare and launch a new bid, how should it differ from the previous failed proposal?

Exhibit 1: Major STAKEHOLDERs in THE Cable Television Industry

|  |
| --- |
| **Indirect competitors:** *DirecTV (acquired by AT&T in 2015) and Dish Network*  These companies were indirect competitors with similar offerings. Their Internet connection speeds were much lower than a wired cable television connection. They often served rural markets, where cable television was not available. DirecTV was a very large company. |
| **New entrants:** *Verizon and AT&T*  Wired and wireless telecommunications companies were new competitors pressuring cable television companies. The popularity of mobile devices such as smart phones led to a shift to “cord cutting” by cable television subscribers, making telecommunication a credible threat to cable television. Verizon’s FiOS technology was superior to most cable television companies’ technology, but had limited geographic market coverage. |
| **Substitutes:** *Over-the-top media companies*  Netflix, Amazon, and Hulu were the major competitors in this sector. |
| **Customers:** *Residential and business subscribers*  Residential subscribers accounted for over 60 per cent of cable television industry revenues. Economic conditions, demographics, and improvements in cable television technology and Internet connections influenced demand. Younger audiences preferred mobile devices to cable television. Major factors included quality and speed of connections, convenience of anywhere and anytime viewing, and availability of attractive programming in attractive price packages. |
| **Suppliers (of content):** *Content providers*  This list included cable program producers such as Discovery, Viacom, and Time Warner Inc.; broadcast networks such as NBC Universal (owned by Comcast), ABC (owned by Disney), and CBS; and movie production companies such as Disney, NBC Universal, 21st Century Fox, and Viacom.  Program purchasing accounted for 22 per cent of costs for cable television. In 2014, content providers successfully demanded sharply higher prices for programming. However, attractive programming was a key factor for price-sensitive customers, so cable television companies mostly absorbed the increases, which hurt their margins, particularly for the smaller cable television companies. |
| **Government:** *Local and federal government regulators*  Local governments determined which cable television companies could serve in their markets. The Federal Communications Commission monitored the industry for monopolistic behaviour. In 2015, it imposed the “net neutrality” rule barring cable television companies from charging different prices to different users of their distribution services. For example, cable television companies could not charge higher fees to over-the-top companies like Netflix, who were heavy users of the fastest Internet connections. |
| **Incumbents and industry rivals:** *Comcast Corporation, Time Warner Cable, Cox Communications, Charter Communications, and Cablevision Systems*  Each company provided a variety of bundled packages of voice, video, and data services on a subscription basis. Firms frequently engaged in acquisitions of both industry rivals in both horizontal and vertical acquisitions (i.e., acquisitions of other companies in the industry, such as content providers). With similar product offerings, industry rivalry was intense. Cable television companies were also pressured by other industry organizations. |

Source: Nick Petrillo, *Cable Providers in the US,* IBISWorld Industry Reports 2016, accessed October 3, 2017.

Exhibit 2: Comparison of Comcast Corporation, Time Warner Cable, and Charter Communications

|  |  |  |  |
| --- | --- | --- | --- |
| **Market Share** | **Rank 1: Comcast Corporation** | **Rank 2: Time Warner Cable** | **Rank 4: Charter Communications** |
| Businesses | Cable television, high-speed Internet, National Broadcasting Company, and NBC Universal Studios. | Cable television, video, voice, and data services, high-speed Internet services. | Video, voice, and data packages; high-speed Internet services. |
| Subscriber Base | 27.7 million cable television subscribers and 23 million broadband Internet subscribers in 29 states. | 15 million customers in 5 states, 80 per cent of which were residential users. | 6 million customers in 25 states in Midwest, West, and New England. |
| Operating Margin | 27 per cent in 2015. | 20 per cent in 2015. | 9.9 per cent in 2015. |
| Other Comments | The cable television subscription base was declining in 2014, while the broadband subscription base was growing. Comcast Corporation was a technology leader (e.g., Xfinity X1 platform). It was also diversified, with horizontal acquisitions and with the vertical acquisition of NBC Universal. | Time Warner Cable’s overall subscription base was declining in 2014. It was not a technology leader and was not diversified. | Charter Communications invested in technology and its broadband subscriptions were increasing. Due to excessive debt from acquisitions, however, it filed for bankruptcy in 2009 and then re-emerged the same year.  It was also not diversified. |

Source: Nick Petrillo, *Cable Providers in the US,* IBISWorld Industry Reports 2016, accessed October 3, 2017.

Exhibit 3: Comcast Corporation Key Financials

(in US$ million, excluding per share data and financial ratios)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2015** | **2014** | **2013** | **2012** | **2011** |
| Cash and short-term investments | 2,401 | 4,512 | 5,291 | 12,415 | 1,620 |
| **Assets (total)** | **166,574** | **159,339** | **158,813** | **164,971** | **157,818** |
| Long-term debt | 52,621 | 48,234 | 47,847 | 40,458 | 39,309 |
| Total liabilities | 112,596 | 106,271 | 107,755 | 115,175 | 110,163 |
| **Stockholder’s equity (total)** | **53,978** | **53,068** | **51,058** | **49,796** | **47,655** |
| Revenues | 74,510 | 68,775 | 64,657 | 62,570 | 55,842 |
| Program, production, and related expenses | 22,550 | 20,912 | 19,670 | 19,929 | 20,758 |
| EBITDA | 24,678 | 22,923 | 21,434 | 19,977 | 18,357 |
| EBIT (or operating income) | 15,998 | 14,904 | 13,563 | 12,179 | 10,721 |
| **Net income (loss)** | **8,413** | **8,592** | **7,135** | **7,865** | **5,157** |
| Net income to revenue ratio | 11.3% | 12.5% | 11.0% | 12.6% | 9.2% |
| Long-term debt to assets ratio | 32.0% | 30.0% | 30.0% | 25.0% | 25.0% |
| Stock price (as of December 31) | 28.22 | 29.00 | 25.98 | 18.27 | 11.86 |
| Earnings per share (basic) | 1.64 | 1.62 | 1.30 | 1.16 | 0.76 |

Note: EBIT = earnings before interest and taxes; EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: Comcast Corp., “Annual Report 2016,” Mergent Online (Company Analysis), FTSE Russell, January 2017, accessed March 10, 2017.

Exhibit 4: Time Warner Cable Company’s Key Financials

(in US$ million, excluding per share data and financial ratios)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2015** | **2014** | **2013** | **2012** | **2011** |
| Cash and short-term investments | 1,170 | 707 | 525 | 3,304 | 5,177 |
| **Assets (total)** | **49,277** | **48,501** | **48,273** | **49,809** | **48,276** |
| Long-term debt | 22,497 | 22,701 | 23,285 | 25,171 | 24,320 |
| **Total liabilities** | **40,278** | **40,484** | **41,326** | **42,526** | **40,739** |
| Stockholder's equity (total) | 8,999 | 8,017 | 6,947 | 7,283 | 7,537 |
| Revenues | 23,697 | 22,812 | 22,120 | 21,386 | 19,675 |
| Program, production, and related expenses\* | 5,815 | 5,294 | – | – | – |
| EBITDA | 7,935 | 8,003 | 7,861 | 7,709 | 7,096 |
| EBIT (or operating income) | 4,239 | 4,632 | 4,580 | 4,445 | 4,069 |
| **Net income (loss)** | **1,844** | **2,031** | **1,954** | **2,159** | **1,667** |
| Net income to revenue ratio | 7.8% | 8.9% | 8.8% | 10.1% | 8.5% |
| Long-term debt to assets ratio | 46.0% | 47.0% | 48.0% | 51.0% | 50.0% |
| Stock price (as of December 31) | 185.59 | 152.06 | 135.50 | 95.18 | 63.57 |
| Number of shares outstanding (in million) | 283.30 | 280.80 | 277.90 | 297.70 | 315.00 |
| Earnings per share (basic) | 6.46 | 7.21 | 6.76 | 6.97 | 5.02 |

Note: \* Cost categories restated starting in 2013; therefore, previous years’ data not available; EBIT = earnings before interest and taxes; EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: Time Warner Cable, Inc., “Annual Report, 2016,” Mergent Online (Company analysis) FTSE Russell, accessed March 10, 2017.

Exhibit 5: Charter Communications Inc. Key Financials

(in US$ million, excluding per share data and financial ratios)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2015** | **2014** | **2013** | **2012** | **2011** |
| Cash and short-term investments | 5 | 3 | 21 | 34 | 29 |
| **Assets (total)** | **39,316** | **24,550** | **17,295** | **15,599** | **15,605** |
| Long-term debt | 35,723 | 21 | 14,181 | 12,808 | 12,856 |
| **Total liabilities** | **39,362** | **24,404** | **17,144** | **15,450** | **15,605** |
| **Stockholders’ equity (total)** | **(46)** | **146** | **151** | **149** | **–** |
| Revenues | 9,754 | 9,108 | 8,155 | 7,504 | 7,204 |
| Program, production, and related expenses | 2,678 | 2,459 | 2,146 | 1,979 | – |
| EBITDA | 3,239 | 3,073 | 2,779 | 2,629 | 2,633 |
| EBIT (or operating income) | 1,114 | 971 | 925 | 916 | 1,041 |
| **Net income (loss)** | **(271)** | **(183)** | **(169)** | **(304)** | **(369)** |
| Net income to revenue ratio | -2.8% | -2.0% | -2.1% | -4.1% | -5.1% |
| Long-term debt to asset ratio | 91.0% | 0.0% | 82.0% | 82.0% | 82.0% |
| Stock price (as of December 31)\* | 183.10 | 166.62 | 136.76 | 76.24 | 56.84 |
| Earnings per share (basic) | (2.43) | (1.70) | (1.65) | (3.05) | (3.39) |

Note: \* Stock prices for Charter Communications for information purposes only; cannot be used for value calculations due to the company’s bankruptcy and re-emergence in 2009, near the beginning of the 2013 Time Warner Cable acquisition process; EBIT = earnings before interest and taxes; EBITDA = earnings before interest, taxes, depreciation, and amortization.

Source: Charter Communications Inc., “Annual Report 2016,” Mergent Online (Company analysis) FTSE Russell, accessed March 10, 2017.

ENDNOTES

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