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With traditional media at a crossroad, pending transactions are marked by uncertainty...

Three broadly advertised but still pending marquee transactions in the world of traditional media – the Tribune Co. buyout, the Cablevision Systems going-private offer from its largest shareholder, and the Clear Channel Communications buyout by a group of private equity funds – all seem to be hitting pockets of confusion, resistance, or outright refusal.

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As of the date of this article, while Tribune has reportedly received three “offers” in its auction of the newspaper and television broadcast company, each of the three seems something less than a true or complete acquisition offer. Proposal one, submitted by the Chandler family in combination with private equity partners, appears to still be missing half of the equity capital required to complete the deal. Proposal two, submitted by two large supermarket and real estate investors, is actually a leveraged recapitalization involving minimal equity and no change of control. Proposal three is described by the Wall Street Journal as “at least one” offer from a private equity firm interested in the company’s television stations only. Tribune’s spokesperson would only comment that a first-quarter announcement should be expected, and it is no surprise in light of the broad disparity of structures, the complexity of each, and the absence of any one fully adequate buyout bid, that the company and its constituents will need time to reflect.

Almost concurrently with the above, the Cablevision board rejected the Dolan family’s offer to take the cable and entertainment company private. While speculation of emerging higher bids from other cable companies, in particular Time Warner and Comcast, seems to be spreading, there is clearly a difference of opinion regarding the valuation of the asset. Cablevision’s view that the Dolan’s “best and final offer” was too low will presumably be shared by any other bidder to emerge with a more attractive proposal. Depending on the synergistic value of a strategic combination, a higher offer may indeed be justified. For now, we wait to see what might or might not emerge.

Finally, a deal that was already considered good as done, the Clear Channel going private transaction, is reportedly now encountering shareholder resistance that could jeopardize the transaction’s eventual closing. Although the proposed buyout price for the radio company’s shares represents a 17% premium over the stock price prior to the company’s auction announcement, it is also a roughly two-thirds discount to the high the company hit in 2000. In consequence, major public shareholders remain undecided about their vote (67% required), and the long lead time to a closing – which could take as much as another twelve



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months, due to necessary regulatory approvals – adds further uncertainty to the eventual outcome.

The ambiguity which characterizes all of the described situations – inadequate offers, less than offers, valuation expectations, and complex structures – involving a cross-section of the traditional media industry, may reflect broader uncertainty in the sector. Faced with investments and opportunities in companies that are at a crossroad – marked by new consumer tastes and demands, new technologies, and new competitive threats that seem never to slow down – it seems that investors too may feel as though at the same crossroad and equally puzzled.

The pace of change and the rapid emergence of new applications and media, has given investors little time to evaluate and operators little time to react. We expect, and are hopeful, that 2007 will be a year in which the dust will begin to settle, resulting in the successful closings of each of the three situations highlighted herein, and leading to numerous similar deal opportunities. As this occurs, we would also look for a broader transition among the more traditional media outlets to new media offerings, with the fuller support of capital markets and operating management.

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