Wall Street Wary of Comcast-TWC Conditions

Analyst Blames D.C. Uncertainty for Stock Hit

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By: John Eggerton

TakeAway

One major cable-sector analyst said Wall Street is "skeptical" that the Comcast-Time Warner Cable merger will get approved without onerous conditions.

WASHINGTON — Comcast is widely expected to have to take on a load of merger conditions if it is to get Time Warner Cable, but how many are too many for Wall Street?

Craig Moffett, senior research analyst at MoffetNathanson Research, is among those who've noted that Comcast's stock has been underperforming the market since the proposed $69 billion merger with TWC was announced in February. He said he believes Wall Street is "skeptical" that approval conditions from the Justice Department and Federal Communications Commission would be sufficiently modest to make the benefits outweigh the costs.

Comcast has already promised to spin off 3 million customers to keep its post-merger rolls below the FCC's old 30% cap on total U.S. pay TV subscribership. The U.S. Court of Appeals for the D.C. Circuit remanded that cap back to the agency in 2009 (following a legal challenge by Comcast), effectively allowing it to sunset. But Comcast can argue that 30% is a level the FCC has already said was allowable, and that was before the ramp-up of satellite, telco and online competition.

Comcast has also pledged to boost its Internet Essentials program supplying low-cost broadband to lowincome homes with kids. The biggest U.S. broadband provider also will pledge to abide by network-neutrality rules, even while the FCC's rules remain in limbo.

Moffett said in a note to investor clients that those promises were already understood to be the price of entry.

What investors were unsure of was what else Comcast might have to agree to.

If there winds up being a laundry list of conditions, that will clearly put a thumb or two on the cost side.

Then there are the hidden costs, or what Moffett called “concessions” that masquerade as negotiations. Not regulatory costs exactly, but like regulatory costs, once removed
- See more at: http://www.multichannel.com/news/transactions/wall-street-wary-comcast-twc-conditions/373651#sthash.I3beas55.dpuf

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