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Philadelphia Daily News
Editorial: The minus touch --

Philadelphia Daily News publisher H.F. "Gerry" Lenfest is being feted by Drexel University. Lenfest was named the Business Leader of the Year by Drexel's LeBow College of Business, according to a statement from the university.

In announcing Lenfest's selection, LeBow dean Frank Linnehan praised the business owner's charitable contributions to organizations including the Philadelphia Museum of Art and the Curtis Institute of Music. "Generations of people from Philadelphia and beyond will experience the positive impact of Lenfest giving," Linnehan wrote.

Lenfest, who made his fortune with the cable company Lenfest Communications, last year bought Interstate General Media, the company encompassing the *Daily News*, Philly.com and the *Inquirer.* – ***Philadelphia Daily News***

Time Warner Inc. and satellite television provider Dish Network Corp. have come to terms on a new distribution pact that includes making HBO available through Dish's new online TV offering. The two companies negotiated through Tuesday evening, past the deadline of their current short-term agreement, to wrap up a deal that will keep Time Warner's Turner Broadcasting channels such as TBS, TNT and truTV in Dish homes.

The deal includes a way to subscribe to HBO through Sling TV, Dish's Web TV service. A person familiar with the matter said Dish is unlikely to be a distributor at the launch of HBO Now, the standalone app, although Dish does have the right to do so as part of the deal.

Last fall, several of Turner's channels went dark on Dish's service after talks collapsed on the new contract, which meant Cartoon Network, CNN, HLN and other channels weren't accessible in about 14 million U.S. homes. The two sides then reached a temporary accord that restored the channels. The new agreement means Dish subscribers aren't in danger of being blacked out from watching this Saturday's NCAA

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basketball tournament Final Four games.

The deal also makes HBO available on Sling TV, Dish's new Web service, for an extra $15 a month in time for the network's "Game of Thrones" season premiere on April 12, the companies announced. Sling TV customers can get one live HBO channel plus the same library of on-demand content that is available via cable and other online services. For Dish, HBO bolsters its $20-a-month slimmed-down online service that already includes other Time Warner channels like TBS and CNN, plus coveted sports programming like ESPN.

This is separate from HBO Now, the standalone app that Time Warner is introducing to go after households that have broadband but not pay TV. A person familiar with the matter said Dish is unlikely to be a distributor of HBO Now when it is launched this month, although Dish does have the right to do so as part of the deal. So far, only Cablevision Systems Corp. and Apple Inc. were signed up to offer HBO Now. Last fall, several of Turner's channels went dark on Dish's service after talks collapsed on the new contract, which meant Cartoon Network, CNN, HLN and other channels weren't accessible in about 14 million U.S. homes. The two sides then reached a temporary accord that restored the channels. (TBS and TNT weren't blacked out because they were on a separate contract at the time.)

"Time Warner's Turner Broadcasting and HBO have successfully completed separate distribution agreements with Dish," Time Warner said in a statement. "We're pleased that the Dish customers we all serve can continue to enjoy Turner and HBO's popular programming on multiple platforms." Time Warner has pledged to investors that it will secure higher fees from cable and satellite TV providers, one of the many pressures facing the pay-TV industry of late. Pay-TV providers say that rising programming costs lead to more expensive cable bills at a time when more customers are dropping traditional TV packages and opting for cheaper online video services. – ***Wall Street Journal***

Cable tycoon John Malone missed out on a big prize last year when the company he backs, Charter Communications Inc., failed in its bid to acquire Time Warner Cable Inc. But he's finding other ways to once again become a formidable player in the U.S. cable industry.

In the latest deal, Charter agreed to acquire Bright House Networks LLC, a closely held cable operator with two million customers, for $10.4 billion in cash and stock, the companies announced Tuesday. Charter is already expected to gain management control of several million more customers through divestitures if Time Warner Cable's pending sale to giant Comcast Corp. closes. If they win approval from regulators, the deals would leave Charter with about 10.1 million owned and managed video customers, not far off Time Warner Cable's 10.8 million. Mr. Malone's Liberty Broadband Corp. has been Charter's biggest shareholder.

The 74-year-old knows a thing or two about the U.S. cable world. A pioneer in the industry, he built Tele-Communications Inc. into a giant through shrewd and calculated deal-making before selling it to AT&T Inc. in 1999 for $48 billion. His venture was at its peak when the cable-TV industry was booming. These days, a new round of consolidation is afoot as pay-TV providers gird for a future when consumers will be willing to drop cable-TV connections in favor of online-video options, and when broadband—not television—will be the centerpiece of a cable company's business.

Mr. Malone, who wasn't available to comment Tuesday, is taking steps to be at the center of that transformation. "As these technologies become more complicated, just the ability to offer them to a consumer in a rational way is going to drive consolidation of ownership," he said at an investor day in November. Even beyond just domestic deals, operators have to be thinking on a global scale, because "the people you are ultimately competing with"--like Netflix Inc.—"are selling their products and services on a global, a world scale."

With the deals it's planning, Charter would become the second-largest cable company behind a combined Comcast-Time Warner Cable, as well as the fourth-largest pay-TV provider overall. DirecTV, which has agreed to be acquired by AT&T, and Dish Network Corp. would still be the second and third largest pay-TV operators.

The Charter deals are contingent on Comcast's deal with Time Warner Cable passing muster with the Federal Communications Commission and the Justice Department. That merger has received intense scrutiny from regulators and has been dogged with delays. "Assuming the Comcast deal is approved, the opportunity for Comcast to get any bigger will be largely gone," said MoffettNathanson analyst Craig Moffett. "Charter will be left on the stage by itself and will be the only potential acquirer of assets." Indeed, Comcast, with few options to grow at home, is looking to opportunities abroad. That is one area the company is expected to target with a new $4.1 billion investment company it announced plans to create Tuesday.

With Bright House, Charter will strengthen its geographic footprint in the Midwest and Southeast, adding subscribers in central Florida as well as Alabama, Indiana, Michigan and California. An investor presentation by the companies said Bright House generated $3.8 billion in revenue last year, up 6% from 2013, and its "pro forma" Ebitda margin was 37%. (Ebitda refers to earnings before interest, taxes, depreciation and amortization.)

Under the deal's terms, Charter will pay Bright House parent-company Advance/Newhouse $2 billion in cash, plus $8.4 billion in convertible-preferred partnership units and common partnership units, which can be exchanged for Charter stock. Adding Bright House's cash flow will reduce Charter's leverage, giving the company around $6 billion in "excess debt capacity," the companies said. Charter would own 73.7% of the merged firm, while Bright House-owner Advance/Newhouse would own 26.3%. But Mr. Malone's Liberty Broadband would emerge with the largest voting interest of any shareholder at 25%. (Mr. Malone and the Newhouse family have a history together, having been involved in the creation of Discovery Communications Inc. decades ago.)

It's unclear whether Charter would be successful in rolling up other operators. Mid-sized and smaller cable companies like Cox Communications and Mediacom Communications Corp. are family owned, and industry executives say they haven't gotten signs the two companies are angling to play in the wave of cable consolidation.

The consolidation among distributors may put pressure on U.S. media companies to bulk up through their own deals as they scramble to deal with changing consumer habits and fundamental changes in their businesses. TV-channel owners may need greater scale to ensure their content gets carriage, whether on traditional cable systems or on emerging "over the top" Web-TV services from such firms as Apple Inc. and Sony Corp.

On a call with analysts, Charter Chief Executive Tom Rutledge said he continues to expect the Comcast-TWC deal to close and noted that Charter's Bright House deal could actually ease some of the regulatory pressure. That's because since the 1990s Time Warner Cable has been handling programming negotiations and technology deals for Bright House under an arrangement between the firms. That relationship, which regulators may see as expanding Comcast and Time Warner Cable's influence, would cease if Charter acquires Bright House. "We think this actually makes the deal more likely to close," Mr. Rutledge said.

Mr. Malone set off the wave of pay-TV consolidation when Liberty invested in Charter two years ago. As part of the Bright House transaction, Liberty has agreed to buy $700 million of shares in the new company after the deal closes. That will give Mr. Malone's outfit a 19.4% equity stake, less than the Newhouse family that controls Bright House owner Advance/Newhouse. But Liberty will maintain the largest single voting stake.

	Advance/Newhouse will have its voting stake capped at 23.5% for now, but by getting equity in the new company the Newhouse family will be able to continue to play a role in the U.S. cable market. "Charter would have liked to have paid more cash," but "I think Newhouse was more interested in having equity for growth upside," Charter Chief Financial Officer Chris Winfrey said on the call. – ***Wall Street Journal***

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