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The Federal Communications Commission's staff threw up a significant roadblock Wednesday to Comcast Corp.'s proposed acquisition of Time Warner Cable Inc. recommending a procedural move that could potentially sink one of the media industry's biggest mergers in years. The FCC staff reached a conclusion that the best option for the FCC is to issue a "hearing designation order," according to people familiar with the matter. In effect, that would put the $45.2 billion merger in the hands of an administrative law judge, and would be seen as a strong sign the FCC doesn't believe the deal is in the public interest.

Comcast and Time Warner Cable may still have an opportunity to weigh in on the matter before the proceeding moves forward, people familiar with the situation said. Those people cautioned that the situation remainsfluid and no final decision has been made. A hearing could be a drawn-out process, and some regulatory experts describe the procedure as a deal-killer, though Comcast would be entitled to make its case for the tie-up.

Comcast executives on Wednesday met with officials at the FCC and the Justice Department, as those regulators' reviews of the proposed merger enters its final stages. Comcast has previously said its deal is in the public interest because it will bring a better video and broadband experience to Time Warner Cable customers and expand low income broadband options. In a written statement Wednesday, the company confirmed it met with FCC and Justice officials but said, "we do not believe it is appropriate to share the content of those meetings publicly."

Regulatory scrutiny of the deal has intensified in recent weeks. The government is concerned about the influence the combined cable behemoth would have in the broadband and pay-television markets. The deal would create a company with control over roughly 30% of the pay-TV market and 57% of the market for broadband Internet service, which the FCC now defines as speeds 25 megabits-per-second and higher. The Justice Department meeting with Comcast on Wednesday was a chance for both sides to air their views and begin discussing whether there are any concessions the cable companies could offer that would ease the regulators' worries.

Justice officials made clear during the session they had significant concerns about the deal, but it wasn't a drop-dead meeting and the two sides are expected to continue a dialogue, according to people familiar with the matter. Justice officials are said to be wary of attempting to address the agency's concerns through "behavioral remedies," or pledges by Comcast that it will conduct business in a certain way. But there might not be a lot of scope for more "structural" conditions on the deal. Comcast and Time Warner Cable already have deals with Charter Communications Inc. to sell or spin off systems serving 3.9 million customers if the merger goes through.

The use of hearing designation orders is rare, but the procedure doesn't bode well for mergers. In 2011, AT&T Inc. and T-Mobile USA dropped a planned $39 billion merger after the Justice Department filed an antitrust lawsuit to block the deal and the FCC issued a hearing designation order on the deal. If the deal were derailed, it would be a major win for media companies that lobbied aggressively to kill it, including Discovery Communications Inc., which was very vocal in its stance that a Comcast-Time Warner Cable combination would be bad for content companies. Other programmers including Time Warner Inc., Walt Disney Co. and 21st Century Fox Inc. have privately raised concerns about the deal to regulators. "The fundamental problem with this transaction is there is no major constituency outside of Comcast and Time Warner Cable that want it to move forward," said Rich Greenfield, analyst at BTIG Research, which has been predicting the deal falls apart.

Mr. Greenfield noted that it would be a "very uphill battle" for Comcast to prove its case through the FCC's hearing process that its merger is in the public interest. "Is it really worth spending more time and resources to fight the government?" For Comcast, the proposed Time Warner Cable deal is a way to seek out growth and synergies in a maturing U.S. cable sector. The pay-TV business is stagnating as consumers begin to "cut the cord," and the future depends largely on the high-margin broadband Internet business. If it were blocked from pursuing a major deal in the U.S., Comcast could follow the path of other big cable and media companies like Fox, Discovery and John Malone's Liberty Global, by looking for acquisitions in faster-growing overseas markets.

Comcast also would be in a strong position, as the nation's largest broadband operator, to offer a streaming video service, capitalizing on growing demand from consumers for services like Netflix. Launching such a service in the midst of the merger review would be challenging. Comcast also has made investments in the fast-growing digital-ad technology business. Time Warner Cable, meanwhile, could move back into play if a deal with Comcast doesn't pan out. Before Comcast snapped up the company, it was pursued by Charter Communications Inc., which is backed by Mr. Malone's Liberty Broadband Corp.

Asked at an investor day last year whether Charter would look to buy TWC if its Comcast deal fell apart, Mr. Malone said emphatically, "yes!" Charter has big ambitions—last month, it acquired Bright House Networks LLC, a cable operator with two million customers, for $10.4 billion in cash and stock. Time Warner Cable is already preparing "Plan B" communications strategies for if the merger falls apart, people familiar with the company's thinking said. The company believes its assets are more valuable today than they were a year ago thanks to better operating by management, a person familiar with the company's thinking said. With its strong balance sheet, TWC could be an acquirer in its own right should the deal fall apart, the person said. A TWC spokesman declined to comment.

The recommendation from the staff for a hearing order is the first step in a regulatory process. It must be circulated to all commissioners who would then vote on whether to approve it. Comcast and Time Warner Cable can continue to lobby the FCC in the weeks ahead to attempt to make a case why the staff's view is incorrect. Separately, the other major media merger being reviewed by the FCC—AT&T's proposed purchase of satellite broadcaster DirecTV—is on much more solid ground with the FCC's staff, a person familiar with the matter said. That combination is seen as more healthy for competition than a Comcast-Time Warner Cable pairing, the person said. – ***Wall Street Journal***

Investors betting on the approval of Comcast's merger with Time Warner Cable should have a backup plan. The two companies headed to Washington on Wednesday to discuss potential remedies with government officials in an attempt to rescue the deal. The move came after a report last week that the Justice Department is nearing a recommendation to block the merger.

Meanwhile, the Federal Communications Commission staff Wednesday recommended that the agency designate the merger for a hearing, a step that has historically led to rejection. Of course, this may all be tied to negotiating ploys over concessions needed to get a deal done. Still, given what look to be storm clouds in Washington, investors should consider the implications of a deal being rejected. The immediate result is that shares in both companies could take a hit. But in the longer term, investors don't have to get soaked.

That is pretty clear for Time Warner Cable, which may quickly find itself in the embrace of another buyer. Liberty Media Chairman John Malone has said he would bid for it via his investment in Charter if Comcast's deal fails. For Comcast, the impact of a deal collapse is a bit more nuanced, but not as bad as some may assume. Before talk of cable consolidation began during the latter half of 2013, Comcast traded at a multiple of roughly seven times earnings before interest, taxes, depreciation and amortization. If it returns to that level, its stock could theoretically fall to about $52 a share, according to UBS. That is about 11% below current levels.

But the S&P 500 has risen considerably since those predeal-talk days. That has brought multiples up along with it, suggesting Comcast won't fall nearly that far. The company's stand-alone financial performance also has been strong in recent quarters. Ebitda rose 7% in 2014 amid higher average revenue per user and a 7.5% rise in sales at NBCUniversal. Analysts see Ebitda climbing by 6% in 2015. Indeed, Time Warner Cable has always been more a "nice to have" than a strategic "must have" for Comcast. True, the deal, which has no breakup fee, comes with some cost savings and represents Comcast's only chance to become a truly nationwide cable provider. But even without it, Comcast would remain the country's biggest pay-TV and broadband provider. Granted, there are bigger threats looming for the cable industry, including TV networks moving outside the traditional bundle and offering their channels directly to consumers via the Internet.

The government's new net-neutrality rules, which classify broadband as a utility, also could subject providers' pricing and services to greater scrutiny. But it is unclear how being bigger would help Comcast combat those trends. Moreover, it could ameliorate any short-term selloff by accelerating the pace of its stock buybacks. It has the capacity to buy back almost $10 billion of shares, or nearly 7% of its float, without increasing its leverage ratio, UBS estimates. A failed deal doesn't mean Comcast shareholders must suffer the agony of defeat. – ***Wall Street Journal***

ARRIS Group, the Georgia-based supplier of cable equipment including voice and data modems, announced Wednesday that it is acquiring Pace Plc, a British technology company, for $2.1 billion. The new company will be incorporated in the United Kingdom, while operational and worldwide headquarters will remain in Suwanee.

Pace supplies set-top boxes, software and other services for the pay-TV and broadband industries. ARRIS said the deal will, among other things, give it a large-scale entry into satellite services and expand the company's international presence. In trading Wednesday, ARRIS shares closed up more than 1 percent at $30.54 and traded sharply higher in after-hours trading

Chairman and Chief Executive Officer Bob Stanzione said the acquisition helps position his company for more growth. “We expect this merger will enable ARRIS to increase its speed of innovation,” Stanzione said in a statement. The new incorporation in the UK could have positive tax implications for AARIS. As for the dea’ls impact on the company’s Suwanee operations, spokeswoman Jeanne Russo told The Atlanta Journal-Constitution in an email: “Although we cannot begin integration until the transaction is approved and closed, we expect there are synergies to be realized by combining ARRIS and Pace. As we proceed with integration discussions, we will determine the new organization structure for ARRIS and any impacts to the teams.”

This is ARRIS’ second major acquisition in recent years. In 2013, the company acquired Motorola Mobility’s home business from Google for $2.35 billion, expanding its portfolio of products, as well as its customer base of cable and telephone companies around the globe. At the time, the deal boosted ARRIS’ payroll to 6,500 from 2,100. The Pace acquisition will increase the company’s payroll to 8,500 globally, ARRIS said. ARRIS also recently formed a joint venture with Charter Communications to acquire ActiveVideo, a developer of CloudTV and provider of cloud interface technology, for about $135 million. – ***Atlanta Journal-Constitution***

Google Inc.’s YouTube is doing its best to wring value from its new NFL channel. The video website is telling marketers they will need to pay $5.2 million for a full football season’s worth of ads—plus they also must agree to shell out the same amount on non-football video content, according to people familiar with the matter.

The bulk of the available football-related inventory is National Football League programming, though there is some college football content as well, one of the people said. A 15-second “pre-roll” ad will run at the beginning of in-game and post-game highlight clips that will appear on the NFL’s YouTube page and in the “OneBox” on Google search, some of the people said. Marketers who want a piece of the football action must then commit to spend a matching sum on “Google Preferred,” a program the company rolled out last year that packages up ad inventory from YouTube’s most popular channels, according to some of the people.

The overall cost of a package covering the football season from Sept. 10 to Feb. 14, therefore, is $10.5 million, with roughly half the money earmarked for Google Preferred inventory. The amount marketers spend on Google Preferred must represent a 30% increase over the year before, or a $2 million increase in total dollar terms, whichever is higher, according to one of the people. Google plans to sell the space to only a handful of advertisers. Google declined to comment.

In January, the tech giant signed an agreement with the NFL that included the launch of an NFL channel on YouTube, which features game previews, in-game highlights and post-game recaps. The pact also included having NFL game highlights and game information such as scores and game stats appear on Google search. Google agreed to pay the NFL a “multimillion dollar” sum annually for the rights to the channel, said a person familiar with the matter. Google will handle ad sales, and when it recoups its annual fee it will split further revenue with the league.

Professional sports content—especially the Super Bowl—has long been used by TV networks to get advertisers to buy bigger ad packages. Now, Google is employing a similar approach in the online world. “NFL is so important and unique that it can be used as leverage,” said Martin Cass, chief executive officer of MDC Media Partners. Having the NFL programming may help YouTube battle other companies competing for online video ad dollars, such as Facebook Inc. and Twitter Inc. Google is currently meeting advertisers as it ramps up to make a formal presentation on April 29 at its “NewFront” event, the Web’s version of TV’s “upfront” ad-sales season.

Last year, Google’s online-video unit made some headway in its attempts to snare some TV ads dollars, ad buyers said, by offering a way for advertisers to buy only the higher quality inventory on the site. EMarketer estimates that YouTube will account for about 20% of the fast-growing online video ad market this year, which is expected to top $7.7 billion. Still YouTube has been under pressure to grow and wasn’t profitable as of February, according to an earlier report by The Wall Street Journal.

There are some potential risks for Google: It is unclear how its NFL sales push will sit with existing NFL advertisers. One ad agency executive pitched on the idea described it as a way for brands to align themselves with the NFL without paying for TV ads. Marketers have a variety of options in buying NFL programming from YouTube. Deep-pocketed advertisers can shell out $15.7 million for a “category exclusive” for the full football season, including the matching Google Preferred spending, one of the people familiar with the matter said. That would make them the only auto advertiser or telecom advertiser, for example. Purchasing post-season inventory alone costs $2.7 million, including the matching amount. The $1 million Super Bowl package is available only to advertisers that purchase the full season package, the people said. – ***Wall Street Journal***

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