Distributors of pay-television services have been pairing up in megamergers. Now, the companies that make the shows may not be far behind. After years of pursuing a cautious strategy that emphasized returning capital to shareholders over making splashy acquisitions, U.S. media companies are priming themselves for what many industry executives believe will be a major round of consolidation.

One possible trigger: Their biggest customers, the cable and satellite-TV providers that pay to license their TV channels, are gaining scale through their own deals. Cable giant Comcast Corp. is seeking government clearance to buy Time Warner Cable Inc. while DirecTV is joining up with AT&T Inc. The behemoths that result from those two deals, which combined will have more than half of all pay-TV subscribers, could have increased leverage when negotiating for programming and threaten the subscription revenue U.S. media companies depend on. Most susceptible to being squeezed, analysts and executives say, are smaller TV channel owners such as AMC Networks, home of "The Walking Dead," and Food Network owner Scripps Networks Interactive. Selling to bigger competitors could help these companies beat back the threat.

Another potential acquisition target: Spanish-language broadcaster Univision Communications, which has sharply criticized the Comcast merger, saying it would give the cable giant "staggering influence over Hispanic consumers." Univision's owners, mostly private-equity firms along with billionaire Haim Saban, have had preliminary discussions with big media companies including CBS Corp. and Time Warner Inc., The Wall Street Journal reported on Thursday night.

The most likely acquirers include big media conglomerates like 21st Century Fox Inc. and Walt Disney Co., whose size and control of popular sports, news and broadcast programming give them extra leverage over pay-TV providers. Midsize companies, including Viacom Inc. and Discovery Communications Inc., could be buyers of companies such as Scripps or AMC, or sellers to bigger companies, depending on the scenario.

Despite its size, Time Warner, a media giant with a $60 billion market capitalization, is viewed as a possible target, after having spun off or sold a series of businesses over the past decade: the music division, AOL, cable distribution and, most recently, the Time Inc. publishing division. A wild card is whether streaming giant Netflix Inc. could jump into any bidding, seeking to boost its production capabilities. Netflix has never made an acquisition and isn't actively in the hunt for one, a person familiar with the matter said.

Running cable channels remains a lucrative business. But pay-TV subscriptions have plateaued at roughly 100 million households. The market has actually shrunk in several quarters in the past few years, according to MoffettNathanson Research, and there are fears in the industry that more consumers will "cut the cord" in favor of online streaming services or never sign up in the first place. That means media companies will rely more on raising the per-subscriber prices they charge for TV-channel carriage to power growth. At the same time, growth in TV advertising has slowed. Overall spending on TV shrank last year by 0.1%, according to Kantar Media.

As TV is increasingly distributed on demand and through apps, some content and channels will prove more valuable than others. Already, there are some signs that Netflix and Amazon aren't willing to pay as much for unscripted, nonfiction fare as other types of programming like scripted and serialized dramas. "Consolidation might not seem to have much positive impact in the short term, but could really benefit content and channels companies over time by providing negotiating scale and diversity

Pittsburgh Post-Gazette **Ridge reflects on years of service**	of product," said Michael Morris, a media analyst at Guggenheim Securities. Size isn't the only factor likely to drive deal-making. Some companies may be looking for more exposure to the areas of the business that are growing fastest, including TV production and licensing of programming to subscription video sites and international pay-TV channels. Among studios Lions Gate Entertainment, maker of "Mad Men" and "The Hunger Games" movie franchise, is seen as a potential target. Sony Corp.'s studio is also viewed as a possible target. In the same vein, Univision could be attractive, given that Spanish-language TV advertising has continued growing despite a slowdown in the overall sector, Kantar data shows. Wall Street's investment bankers, who would stand to make big commissions if large deals come to pass, are already pitching top media executives on all sorts of scenarios, laying out reasons why it makes sense for one concern to pair up with another. There are also forces working against deal-making, including the continuing investor demand for buybacks that increase per-share earnings and tend to boost stock prices. And there are also differences over valuation: Discovery and Scripps held preliminary talks about a merger at the end of last year that would have created a powerhouse of nonfiction cable programming, but the potential deal fell apart over price, according to people familiar with the matter. While Scripps would have given Discovery more scale, it had little to offer in terms of international growth or content-licensing revenue, according to people familiar with the matter. RBC Capital Markets analyst David Bank said smaller cable-channel owners have the most reason to combine if decelerating growth in the U.S. pay-TV market takes hold. "It could be only temporary," he said. "If it's not, if it's more secular in nature, it would be logical to try to get more scale through consolidation." The market's dynamics are shifting at a time when some industry giants are well-endowed. Rupert Murdoch -controlled 21st Century Fox, for example, has $5.5 billion in cash at its disposal, and could haul in $9 billion to $10 billion more, after taxes, should it complete a plan it is pursuing to sell its satellite-TV holdings in Europe. That transaction, however, is held up while Fox tries to acquire valuable Italian soccer rights. (21st Century Fox and Wall Street Journal owner News Corp were part of the same company until last year.) Some analysts believe 21st Century Fox could pump the cash from the satellite deal into stock buybacks, but acquisitions are another possibility. One possible mammoth deal, some executives and analysts say: an acquisition of Time Warner. "However improbable it may seem, one cannot overlook this megadeal given its immense financial benefits that dovetail with a number of strategic benefits," said Janney Capital Markets analyst Tony Wible. The companies each own powerful cable channels and production studios, and control valuable rights to sporting events including the World Series, NCAA Final Four and the NBA Finals. A deal could also attract significant regulatory scrutiny. Another possible issue would be having the competing news channels CNN and Fox News under one roof. One media executive said that could be solved if CNN were split off and acquired by a company like CBS. Time Warner is currently discussing various possible deals with Vice Media, the most likely of which would combine its HLN news channel with Vice in a new venture, people familiar with the matter say. CBS's balance sheet is also especially strong, thanks in part to a split-off of its outdoor-advertising unit. CBS has said it would continue to pursue stock buybacks while looking for targeted acquisitions where appropriate. RBS's Mr. Bank said a CBS-Time Warner tie-up would be "the dream deal," bringing synergies between CNN and the CBS news division, while joining two of the industry's best TV studios. Viacom, owner of MTV and Comedy Central, is viewed as an eventual target. At age 91, Viacom Executive Chairman and controlling shareholder Sumner Redstone has been taking a reduced role at the company. *Wall Street Journal*

For CBS and Viacom, it may be time to get the band back together.

Amid consolidation by pay-TV companies, including Comcast and Time Warner Cable and AT&T and DirecTV, speculation has been mounting over whether content companies will follow suit. Commonly discussed combinations involve standalone networks more vulnerable to greater distributor power, either merging or being bought by a larger company. Indeed, The Wall Street Journal reported last week that closely held Univision Communications has had preliminary talks with CBS and Time Warner. But for CBS, a more logical deal may be one that wouldn't necessarily be a direct response to consolidation: merging with former sister company Viacom. It has been less than a decade since they split. But as the media landscape and viewing habits evolve in unforeseen ways, there are new reasons to reunite.

When Sumner Redstone divided his media conglomerate in 2005, the goal was to free cable-focused Viacom from broadcaster CBS, then the slower grower. Both companies have beaten the S&P 500 since they began trading separately on Jan. 3, 2006. But thanks to strong ratings relative to peers and the advent of retransmission fees charged to pay-TV companies, CBS shares have outpaced Viacom's by more than 24 percentage points. Granted, there is no sign CBS and Viacom are contemplating such a deal. Yet some investors and analysts recently have been mulling the possibility. And industry shifts, including the growth of retransmission fees and the fact TV viewing, once more concentrated with the big four broadcast networks, has become more fragmented, make a deal more appealing.

Broadcast TV remains the best way for U.S. advertisers to reach the most people. But fragmentation as viewers shift to cable and online video has led to ratings pressure. That presents a potential risk for CBS, which got 58% of revenue from advertising in 2013. A merger would give it the added stability of Viacom's cable affiliate fees. Viacom's cable slate could also help CBS with negotiations for premium-cable channel Showtime and give it access to children's content, reducing its reliance on an older demographic.

Viacom, for its part, could get access to CBS's fast-growing, high-margin retransmission fees and the fees it charges local stations to carry its signal. These will total $612 million 2014, Janney Capital Markets estimates. CBS has said it expects revenue from those fees to reach $1 billion in 2017 and $2 billion in 2020. Viacom would also get sports programming-a powerful, if expensive, tool for negotiating higher affiliate fees. In looking at possible ways a deal could be done, Janney concluded it would make most sense for CBS to purchase Viacom in an all-stock transaction. That would be about 19% accretive to 2015 earnings per share, says analyst Tony Wible.

A combination also could help both companies expand internationally. CBS has been trying to ramp up international sales of syndicated content, while Viacom is trying to build international channels. Owning CBS's general-appeal content could make Viacom's channels more profitable, argues Gabelli. Of course, just because it makes sense doesn't mean a deal will happen. CBS chief Leslie Moonves and Viacom chief Philippe Dauman are among the highest-paid U.S. executives, with total 2013 compensation coming in at $65.4 million and $36.8 million, respectively. Neither is likely to want to give that up. And the ultimate decision over the direction of both companies lies with Mr. Redstone, whose National Amusements has voting control at each. Even so, for CBS and Viacom investors, the best outcome could be a match made in history. *Wall Street Journal*

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