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CanWest breezes through on Alliance buy

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Canada's media regulator handed out an almost no-strings-attached approval to CanWest Global Communications Corp.'s joint \$2.3-billion purchase of specialty broadcaster Alliance Atlantis Communications Inc. Thursday.

The ruling transforms a company that is reliant on traditional-media newspaper and broadcast television assets by giving it a large, diverse stable of high-growth specialty channels.

"We are satisfied that this transaction meets the requirements for Canadian control both in law and fact," said Konrad von Finckenstein, Canadian Radio-Television and Communications Commission chairman, in a statement.

CanWest is partnering with Goldman Sachs & Co. to buy Alliance, with the U.S. investment bank putting up the majority of the equity.

"We are very pleased with today's decision and with the timely manner in which the commission was able to render it," Leonard Asper, chief executive of CanWest, said in a statement.

Carl Bayard, a Genuity Capital Markets analyst, said there was little doubt it was good news for the company. "[CanWest] now can move forward and change the complexion of this company to higher-growth media," said Mr. Bayard in an e-mail following the decision.

CanWest executives have said the company needs Alliance's specialty TV channels to offset the loss of advertising revenue at its conventional TV networks, and to give the broadcaster the scale to compete against rivals such as CTVglobemedia.

Some observers had expected the CRTC to request additional concessions from CanWest, including more cash up front for a bigger equity stake, to allay concerns the new company would be controlled by the investment bank. Such a scenario would breach foreign ownership laws governing media companies in Canada.

CanWest has already made changes to the deal, which was announced Jan. 10, over the course of CRTC hearings in November. Those changes dealt with the proposed governance structure and control over programming decisions.

CanWest also pledged to limit the influence the investment bank would have on future acquisitions and investments.

The CRTC said yesterday it "is satisfied that these changes ensure the broadcasting companies will remain under Canadian control at all times."

Uncertainty over whether CanWest would be required to inject more equity into the deal "was acting as a major overhang on the stock," said Mr. Bayard.

CanWest shares are down 36% since the Alliance deal was announced in January. Shares traded flat yesterday in the buildup to the CRTC decision.

Mr. Asper said it could cost the company \$110-million to increase its equity stake over 50%, while other estimates have put the figure at about \$135-million.

CanWest plans to buy back much of Goldman Sachs' equity over the coming years.

In 2011, CanWest will fold its existing Canadian TV networks, Global and E!, into a new company created to house the Alliance Atlantis specialty channels. They will operate alongside Canwest's large chain of newspapers, which include the National Post. The ownership stakes with Goldman will be determined using a formula based on the earnings of all the broadcasting properties.

Despite putting up a majority of the cash, Goldman Sachs will take a back seat in voting and board control.

As part of the deal, CanWest said it will spend \$137-million on Canadian programming, with much of the work expected to go to independent production companies.

CanWest will also commit \$14-million toward industry initiatives such as mentorship and internship programs.

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