

## Deal of the Week: AT&T to Buy Time Warner for \$85.4B

|                               |   |   |
|-------------------------------|---|---|
| Announcement Date             | <ul style="list-style-type: none"> <li>October 22, 2016</li> </ul>  |   |
| Acquirer                      | <ul style="list-style-type: none"> <li>AT&amp;T, Inc. (NYSE: T)</li> </ul>  |   |
| Acquirer Description          | <ul style="list-style-type: none"> <li>Provides telecommunications and digital entertainment services</li> <li>Incorporated in 1983 and headquartered in Dallas, Texas</li> </ul>   |   |
| Acquirer Financial Statistics | <ul style="list-style-type: none"> <li>Mkt Cap: \$226.9 billion</li> <li>EV: \$350.6 billion</li> <li>LTM Revenue: \$164.1 billion</li> </ul>   | <ul style="list-style-type: none"> <li>LTM EBITDA: \$54.2 billion</li> <li>LTM EV / Revenue: 2.1x</li> <li>LTM EV / EBITDA: 6.5x</li> </ul> |
| Target Company                | <ul style="list-style-type: none"> <li>Time Warner Inc. (NYSE: TWX)</li> </ul>  |   |
| Target Description            | <ul style="list-style-type: none"> <li>Operates as a media and entertainment company in the United States and internationally</li> <li>Founded in 1985 and headquartered in New York, NY</li> </ul>   |   |
| Target Financial Statistics   | <ul style="list-style-type: none"> <li>Mkt Cap: \$67.9 billion</li> <li>EV: \$91.6 billion</li> <li>LTM Revenue: \$27.9 billion</li> </ul>  | <ul style="list-style-type: none"> <li>LTM EBITDA: \$8.0 billion</li> <li>LTM EV / Revenue: 3.3x</li> <li>LTM EV / EBITDA: 11.5x</li> </ul> |
| Acquirer Advisors             | <ul style="list-style-type: none"> <li>JPMorgan, Bank of America Merrill Lynch and Perella Weinberg</li> </ul>  |   |
| Target Advisors               | <ul style="list-style-type: none"> <li>Allen &amp; Co., Citigroup and Morgan Stanley</li> </ul>   |   |
| Price / Consideration         | <ul style="list-style-type: none"> <li>\$85.4 billion</li> </ul>  | <ul style="list-style-type: none"> <li>Cash and stock</li> </ul>  |
| Rationale                     | <ul style="list-style-type: none"> <li>The combined company will be capable of both producing content and distributing it to millions with wireless phones, broadband subscriptions and satellite TV connections</li> <li>“When Jeff and I started talking, it became clear to us very quickly that we shared a very similar vision,” Randall L. Stephenson, AT&amp;T’s CEO, said Saturday, referring to Jeffrey Bewkes, Time Warner’s CEO. “Time Warner, we believe, is the clear leader in premium content.”</li> <li>The rise of online outlets like Netflix, Amazon Prime and YouTube and the shift of younger customers from traditional media have pressured media companies to seek out consolidation partners. These media companies are anticipating drops in fees from cable service providers and declining revenue from advertisers. Getting bigger equates to more negotiating leverage with service providers and with advertisers</li> </ul> |   |
| Deal Points                   | <ul style="list-style-type: none"> <li>AT&amp;T is offering \$107.50 a share in cash and stock, representing a roughly 35% premium to where Time Warner’s stock was trading before news reports of the merger talks emerged</li> <li>JPMorgan and Bank of America Merrill Lynch are providing a \$40 billion bridge loan</li> </ul>   |   |
| Of Note                       | <ul style="list-style-type: none"> <li>Over the last decade, Time Warner has spent significant time selling or spinning off AOL, many of the Time Inc. stable of publications, and Time Warner Cable, which was sold to another cable operator. The remaining businesses are HBO, one of the most-admired pay-TV channels; Warner Bros. movie studios; and cable channels that include CNN, TNT, Turner Sports and TBS</li> </ul>   |   |