

## Deal of the Week: Discovery to Buy Scripps for \$11.9B

Announcement Date	<ul style="list-style-type: none"> <li>July 31, 2017</li> </ul>	
Acquirer	<ul style="list-style-type: none"> <li>Discovery Communications, Inc. (NASDAQ: DISCA)</li> </ul>	
Acquirer Description	<ul style="list-style-type: none"> <li>Worldwide media company, operating through U.S. Networks, International Networks, and Education and Other segments</li> <li>Owns Discovery Channel and Animal Planet</li> <li>Founded in 1985 and headquartered in Silver Spring, Maryland</li> </ul>	
Acquirer Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$14.6 billion</li> <li>EV: \$ 17.0 billion</li> <li>LTM Revenue: \$6.6 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$2.5 billion</li> <li>LTM EV / Revenue: 2.6x</li> <li>LTM EV / EBITDA: 6.9x</li> </ul>
Target Company	<ul style="list-style-type: none"> <li>Scripps Networks Interactive, Inc. (NASDAQ: SNI)</li> </ul>	
Target Description	<ul style="list-style-type: none"> <li>Develops lifestyle-oriented content that focuses on specifically defined topics of interest for audiences and advertisers</li> <li>Operates national television networks, including HGTV, Food Network, Travel Channel, DIY Network, Cooking Channel, and Great American Country</li> <li>Founded in 2008 and headquartered in Knoxville, Tennessee</li> </ul>	
Target Financial Statistics	<ul style="list-style-type: none"> <li>Mkt Cap: \$11.4 billion</li> <li>EV: \$14.6 billion</li> <li>LTM Revenue: \$3.4 billion</li> </ul>	<ul style="list-style-type: none"> <li>LTM EBITDA: \$1.8 billion</li> <li>LTM EV / Revenue: 4.2x</li> <li>LTM EV / EBITDA: 8.1x</li> </ul>
Acquirer Advisors	<ul style="list-style-type: none"> <li>Guggenheim Securities and Goldman Sachs</li> </ul>	
Target Advisors	<ul style="list-style-type: none"> <li>Allen &amp; Co., J.P. Morgan and Evercore</li> </ul>	
Price / Consideration	<ul style="list-style-type: none"> <li>\$11.9 billion</li> </ul>	<ul style="list-style-type: none"> <li>Cash and stock</li> </ul>
Rationale	<ul style="list-style-type: none"> <li>If combined, the company will control about 20% of the ad-supported pay-television audience in the United States. It also will be home to five of the top TV networks popular with women, bringing the Scripps channels together with Discovery offerings that include TLC, Investigation Discovery and OWN, the Oprah Winfrey Network</li> <li>“People are consuming more content than they ever had on more platforms,” David M. Zaslav, chief executive of Discovery, said in an interview. “It is a renaissance moment for content and a great opportunity for the content business. The question is, what content is going to travel?”</li> <li>Mr. Zaslav outlined how Discovery has the chance to expand Scripps’s content to more than 220 countries and territories and to create new services for mobile and streaming. In addition, the union is expected to provide \$350 million in cost savings</li> <li>By acquiring Scripps, Discovery will gain added scale that will give it more leverage during negotiations with advertisers and cable and satellite distributors</li> </ul>	
Deal Points	<ul style="list-style-type: none"> <li>The transaction is made up of \$63 a share in cash and \$27 a share in Discovery common stock, for a total of \$90 a share</li> <li>The deal includes the assumption of \$2.7 billion of Scripps’s net debt</li> </ul>	
Of Note	<ul style="list-style-type: none"> <li>The announcement came amid sweeping consolidation in the telecommunications and media industries. Over the past several years, cable and broadband providers including Comcast, Charter, Verizon and AT&amp;T have steadily increased their market presence</li> </ul>	