Water Island Capital

Water Island Capital Special Report:

Telecommunication Services Consolidation

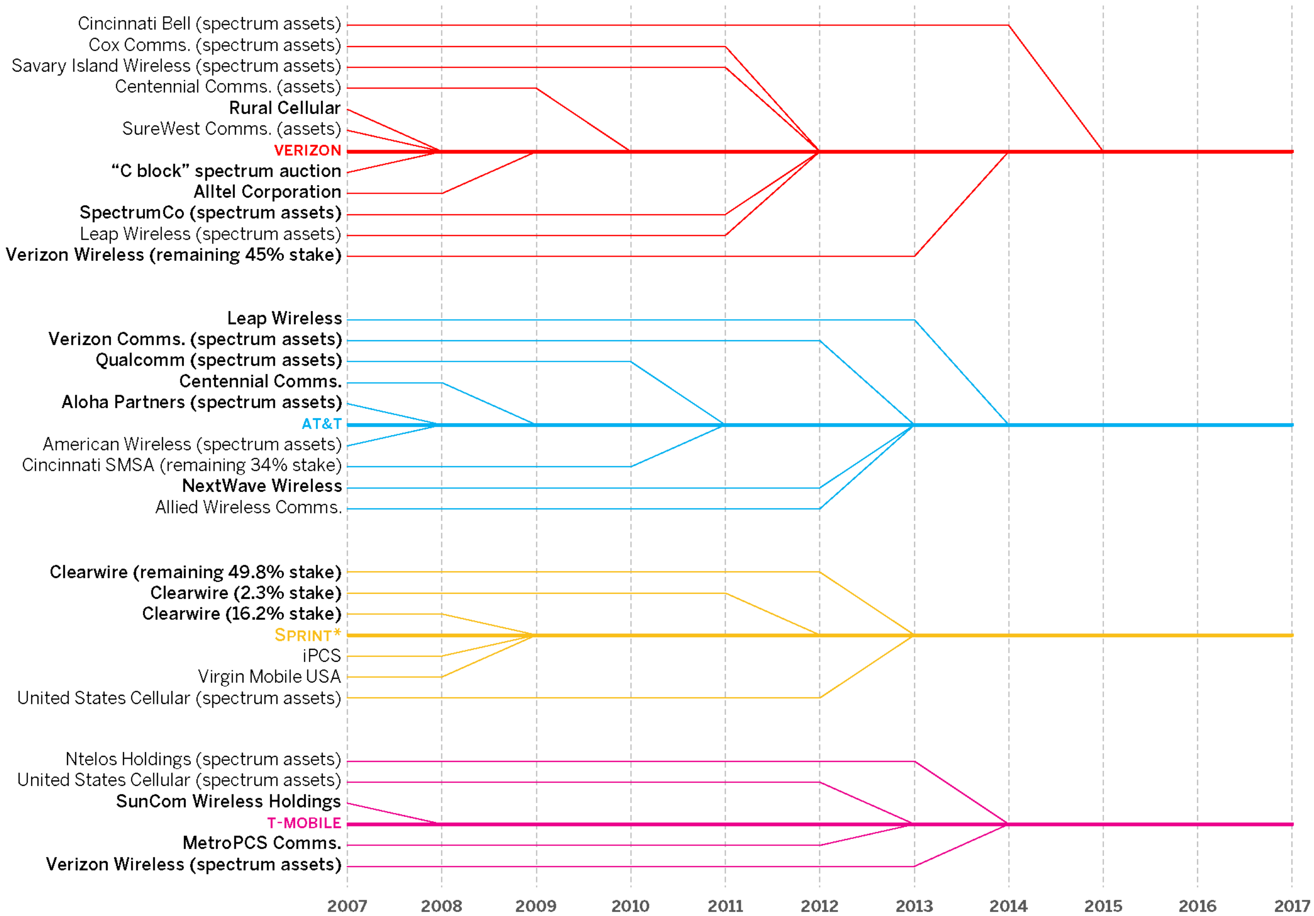
November 2017

The Current Industry Landscape

As of October 31, 2017, telecommunication services has been one of the worst performing sectors over multiple time periods (as measured by the S&P 500 sector indices). On a three-, five-, and fifteen-year basis, the sector's returns place it second to last; and on a ten-year basis the sector ranks third to last. In addition – with CenturyLink's impending acquisition of Level 3 Communications – the sector has shrunk from 14 constituents (when the index was created in 1996) to just three today (AT&T, Verizon, and CenturyLink). At first glance, given this information, the space doesn't seem to be too compelling for event-driven investors – while an industry facing headwinds generally provides opportunities for companies to swoop in and acquire the depressed assets, each of the three remaining companies have large market caps that make a takeover implausible. In addition, the consolidation story seems to have reached its conclusion, as a move from three companies into two is extremely unlikely. Were these companies' lines of business confined solely to the telecommunications sector, potential investment would indeed be uncompelling; large-scale changes across numerous industries, however, have upended notions regarding what it means to be a traditional telecom company and have provided a slew of opportunities that a rigid adherence to sector definitions would otherwise obscure.

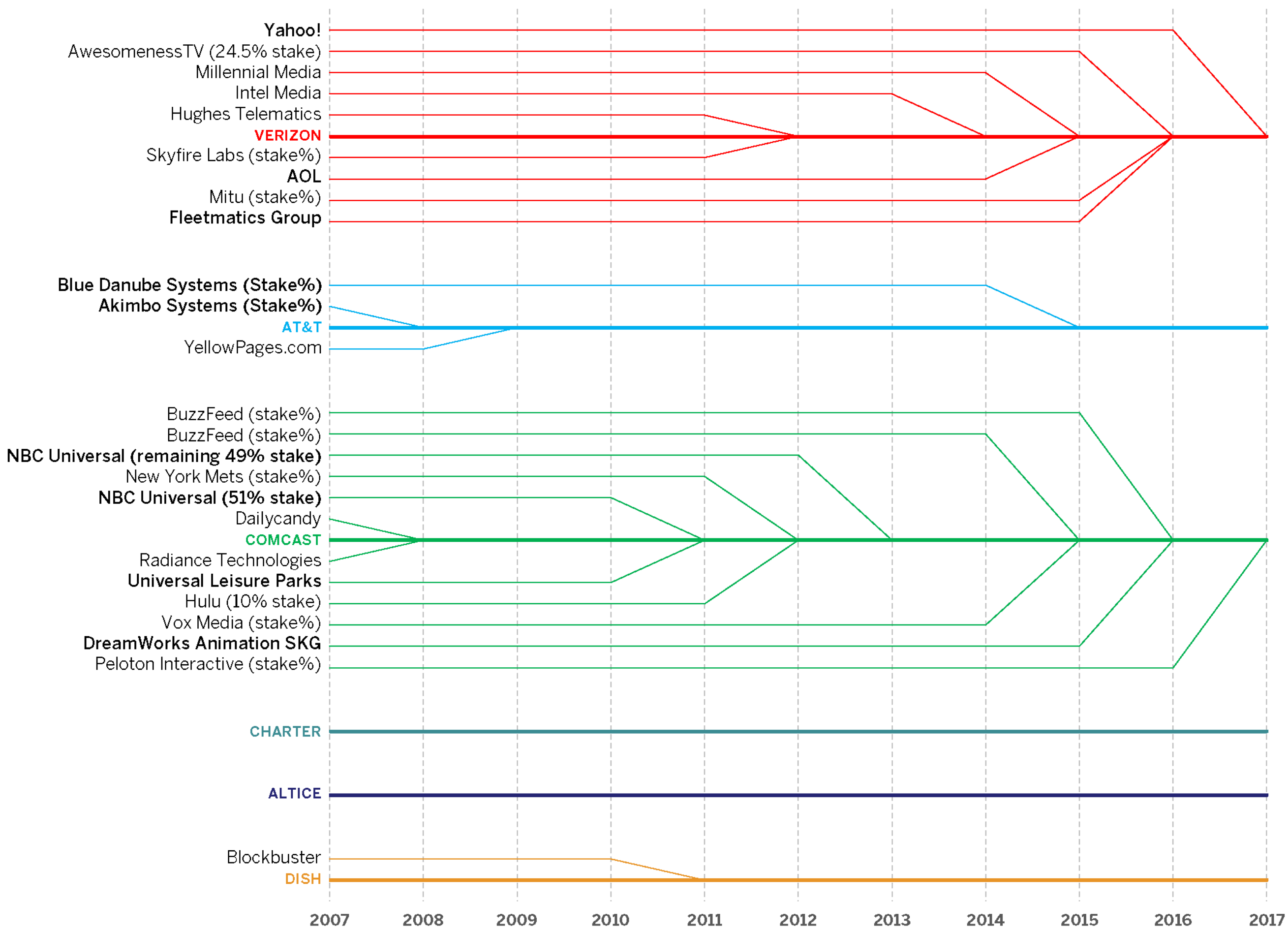
The once-clear lines of demarcation which partitioned the telecommunication services sector companies from their closely-related peers (such as Comcast and Charter in the consumer discretionary sector) have become increasingly blurred, especially over the last decade. The old regime of pure-play wireline service providers (which, in the early 2000s combined previously-separate internet, television, and telephone services into triple-play bundles), pure-play wireless service providers (who provide voice and data plans for mobile devices such as tablets and cell phones) and pure-play media production and distribution firms (e.g. film studios, television networks, and websites that deliver content over the infrastructure of the first two groups) has today given way to a new paradigm as these companies seek to offer most or all of these services in one package. The response to this shift has resulted in increasing consolidation within and across these industries – in turn, resulting in the emergence of a select few corporate monoliths that are quickly becoming one-stop shops for the entirety of an individual's communication and media needs. To illustrate, let's take a look at just how concentrated these industries have become – both in the wireless service providers' acquisitions of competitors and spectrum access, and the wireline service providers' acquisitions of competitors and media companies.

Wireless Service Providers: Consolidation & Spectrum Acqusitions (Exhibit 1)



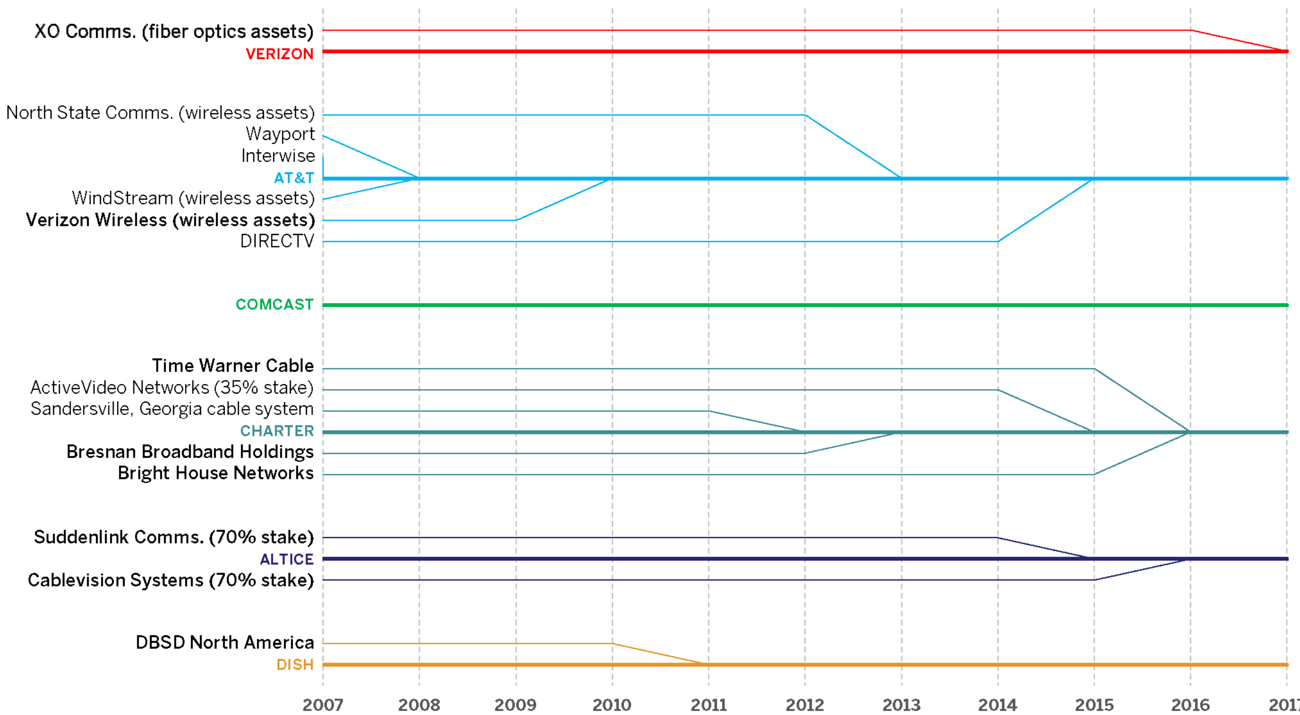
*Source: Dealogic. Date Range: 9/30/2007 – 9/30/2017. Acquisitions in bold indicate deals with values greater than $1 billion. Only includes completed mergers and acquisitions of US companies or assets whose terms were publicly disclosed and whose completion date fell between 9/30/2007 and 9/30/2017. *Softbank holds a majority controlling interest in Sprint.*

Wireline Service Providers: Media Acqusitions (Exhibit 2)



Source: Dealogic. Date Range: 9/30/2007 – 9/30/2017. Acquisitions in bold indicate deals with values greater than $1 billion. Only includes completed mergers and acquisitions of US companies or assets whose terms were publicly disclosed and whose completion date fell between 9/30/2007 and 9/30/2017.

Wireline Service Providers: Consolidation & Asset Acquisitions (Exhibit 3)



Source: Dealogic. Date Range: 9/30/2007 – 9/30/2017. Acquisitions in bold indicate deals with values greater than $1 billion. Only includes completed mergers and acquisitions of US companies or assets whose terms were publicly disclosed and whose completion date fell between 9/30/2007 and 9/30/2017.

As a handful of blockbuster deals across each of these areas of focus are set to close in 2017, and as rumors of new deals begin to swirl, the focus of our investment team has turned towards some of the major players in the space – all of whom are jockeying for the right to acquire unique assets in a rapidly consolidating industry. Given the companies involved – Verizon, AT&T, Sprint, T-Mobile, Comcast, Charter, Altice, Dish – the ultimate outcomes of these moves will have a profound impact on the way Americans use and consume data.[1]

The opportunities for event-driven investors, however, seem to lie not with the already established players, but with those smaller companies which can be acquired in order to fill a niche. With independent original content producers few and far between (due to the immense costs associated with production), independent cable operators such as AMC Networks, Tegna, or Discovery Communications could be attractive targets for Charter, Altice, or (should their Time Warner deal fall through) AT&T – all of which are in dire need of an original content producer in order to compete with Comcast and Verizon.[2] The

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[1] Please see the appendix for more information on each of these companies.

[2] Netflix is also one of the few remaining publicly traded, independent content producers and (next to HBO) is the current crown jewel of original content. Given its fairly unique position, it's fast becoming a question of "when" the company will be acquired rather than "if". However, with a market cap of nearly $80 billion, an acquisition is probably outside the realm of possibility for Charter and Altice. The list of possible acquirers – Apple, Amazon, and Disney – that has begun to be floated around, though, show *(continued from page 4)* just how much overlap exists between these previously separate industries.

larger wireless service providers such as AT&T, Verizon, T-Mobile, and Sprint have used up a significant portion of their spectrum and are on the hunt for more (especially given the increased needs associated with the upcoming rollout of 5G networks). Ligado Networks (formally known as LightSquared) and Dish are attractive takeout targets for these companies as they both own rights to large amounts of unused spectrum. Finally, in the wireline service provider space, consolidation has mostly run its course. If future consolidation occurs, it's likely to involve either Charter, Altice, or both as either acquirers or targets (a more detailed discussion can be found below).

Clearly there are opportunities for event-driven investors; however, we feel it best to first explore the structure and history of the space before further addressing what we believe are the most likely outcomes. By understanding both the trends and pressures these companies have faced, we can better anticipate future consolidation which may occur as the companies attempt to address their areas of weakness.

An Introduction to the Industry: Structure

Given the level of consolidation (and the resulting interconnectedness) that has occurred over the past decade, it's difficult to confine trends or individual companies to any one specific area of concentration. As a result, we've outlined two broad areas of focus in which these companies are seeking to grow: media production and distribution, and the voice/video/data networks over which this content is delivered (which can be further divided into wireless and wireline services).

Media Production & Distribution

For our purposes, we define media as any content that can be distributed over existing wireless or wireline infrastructure, whether audio, visual, or text-based. While once independent giants in their own right, media companies have increasingly come under the control of wireless and wireline service providers who own and operate the networks over which their content has been delivered. It's much the same story online, where news websites, blogs, and social media companies have combined to form content networks, which themselves have been acquisition targets for wireless and wireline service providers (exemplified by AOL's buying spree of independent blogs and news websites that began in 2009 and culminated in the company's sale to Verizon in 2015). As standalone media companies face a variety of pressures – from subscription-based news outlets forced to compete against free alternatives, to legacy television networks battling an ever-growing universe of internet-based video for consumer eyeballs – some may find that the best path forward is to be acquired by a wireless or wireline provider looking to diversify its revenue stream and stave off an eventual transition to simply providing "dumb pipes." Media companies that decide to remain independent may find themselves at a disadvantage relative to those peers owned by the very content delivery networks on which they rely.

Wireless & Wireline Service Providers

Companies that specialized in operating networks to deliver content could once broadly be split between those that specialized in wireless service (Verizon, T-Mobile, AT&T, Sprint) and those that specialized in wireline service (Comcast, Charter Communications, Time Warner Cable, and – though not strictly wired – even satellite TV providers such as DirecTV and Dish). While these companies are increasingly evolving to offer the same "quadruple play" bundle, which adds wireless service to the traditional voice/video/data package, understanding their heritage is still important to discerning their relative strengths and weaknesses, and anticipating how they may evolve.

Wireless Service

For our purposes, we will analyze the wireless world from the perspective of spectrum assets. Spectrum is defined as the rights (licenses) to transmit signals over specific bands of the electromagnetic spectrum. There is a direct correlation between the amount of spectrum to which a company owns the rights, and how much capacity the company's network has – i.e., how many customers it can serve and how much data those customers can consume at once. In layman's terms, more spectrum means a better network – more customers, faster speeds. While once primarily the purview of AM/FM radio and broadcast television, with the emergence of viable broadband mobile networking technologies such as LTE and the proliferation of mobile devices capable of consuming data-hungry content, spectrum has become an extremely valuable commodity. In the United States, spectrum access is controlled by the Federal Communications Commission (FCC), which allocates spectrum operating rights to the highest bidders during an auction process (a process that is increasingly marginalizing the few smaller carriers who remain). Unfortunately for those companies looking to expand in the space, almost the entirety of the spectrum band ideal for mobile devices has already been allocated. While the FCC has been working to free up additional spectrum bands for mobile usage, this has been a slow process. As such, many mobile operators have pursued a strategy of acquisitions[3] – either of competitors' spectrum rights, of the competitors themselves (in order to gain access to additional spectrum), or of media companies (in order to better monetize their existing spectrum).

Wireline Service

Wireline service generally comprises the three components of the triple-play bundle: voice in the form of fixed or landline telephone service (including voice over IP); video in the form of cable (or satellite) television; and data in the form of fiber- or cable-based internet service (or, in some increasingly rare cases, DSL). These companies have generally been interested in acquiring access to content and spectrum as evolving consumer attitudes – with the proliferation of smartphones, the advent of streaming services, and cord-cutting on the rise – have upended their historical value proposition.

Historical Analysis and Current Themes

It's important to note that while they may be aggressively pursuing growth in different areas (depending upon their respective strengths and weaknesses), the ultimate goal of each of these companies is largely the same: to adapt to the evolution of how consumers communicate and digest content more effectively than their competitors. In order to understand the current and future trends impacting the telecommunication services sector, as well as the strategies these companies are pursuing in order to achieve their goals, we first need to explore the events which brought us to the present situation.

Wireless Service Providers

[3] Please see Exhibit 1.

Historical Analysis

In the late 1980s, both the Baby Bells that emerged from the break-up of AT&T as well as independent carriers began providing cellular telephone service across the US, albeit with coverage scattered across distinct rural and metro regions. One recalls names such as GTE, Cingular, Nextel, VoiceStream, and Cellular One from this dustbin of history. In an effort to cut costs and expand network coverage, these companies began consolidating in the 1990s. In the aftermath, Verizon and AT&T emerged as the clear leaders, T-Mobile and Sprint were a distant third and fourth, and MetroPCS and Leap Wireless were an even more distant fifth and sixth. It was amongst this landscape that in 2011 AT&T approached T-Mobile – a company already battered by the loss of lucrative contract customers to the iPhone (then-exclusive to AT&T), and in dire need of additional spectrum and network upgrades – about a possible acquisition.

In March 2011, AT&T entered into a definitive agreement to acquire T-Mobile for $39 billion. Had the deal completed, the combined company would have had approximately 130 million customers under contract, or approximately 43% market share of mobile phone plans in the US. While both AT&T and T-Mobile were anxious to complete the deal, it faced a litany of pressure from outside sources. In August 2011, the US Department of Justice (DOJ) filed a suit to block the transaction on the grounds that completion of the deal would remove a significant competitive force in the wireless marketplace. Although AT&T and T-Mobile began constructing an aggressive divestiture plan to try to assuage these concerns, they ultimately abandoned the deal in December 2011, which left T-Mobile facing significant competitive pressures and lacking a clear plan to overcome them. T-Mobile, however, was given some measure of solace in that AT&T had to pay a substantial breakup fee – $3 billion in cash as well as certain Advanced Wireless Services spectrum and a roaming agreement with terms favorable to both parties (valued at approximately $1-$3 billion).

In light of these circumstances, T-Mobile decided to embark on a series of aggressive price cuts in an effort to woo customers from the other carriers. It also began to buck industry trends by introducing consumer-friendly plans (such as an unlimited data plan) that the industry had previously been trying to eliminate[4], as well as introducing new offers the industry had never seen before (for instance paying off the early termination fees of anyone who switched carriers to T-Mobile). When other carriers rushed to respond to T-Mobile's aggressive campaign, the ensuing price wars set off another round of industry consolidation – AT&T acquired Leap Wireless and NextWave; Sprint acquired Clearwire; and MetroPCS was acquired by T-Mobile. By the end of 2014 the wireless industry was left with only four main companies (Verizon, AT&T, T-Mobile, and Sprint) – a state that continues to this day.

Themes and Future Expectations

Donald Trump's election in November 2016 brought with it the hope of a more lenient regulatory regime in Washington. While further consolidation in an industry dominated by only four major competitors would be difficult under any administration, Sprint and T-Mobile clearly felt that now was the best time to push their luck in an effort to create a truly viable third peer to the dominant AT&T and Verizon hegemony.

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[4] AT&T and Verizon had both been moving away from offering unlimited data plans at the time, given it was far more lucrative to offer plans with data caps (which came with the ability to charge customers additional fees for data usage beyond those caps). While both companies had users with grandfathered unlimited data plans, they alternated between carrot and stick approaches to try to get those customers to switch (frequently raising the monthly price of these plans, not offering new phone upgrades to users of these plans, or offering limited-time benefits for switching plans).

In February 2017, it was rumored that Sprint's parent company, SoftBank, was open to all forms of consolidation. While initial conversations involved Comcast, Charter, and T-Mobile, Charter has since publicly rebuffed any notions of a tie-up with Softbank or Sprint, and Comcast has expressed tepid interest at best – leaving T-Mobile as the last company at the table. Although they were in talks for much of 2017, in early November it was reported that those talks fell through as the companies were unable to come to terms over the specifics of the merger (most notably, it seems Softbank CEO Masayoshi Son is unwilling to relinquish control of Sprint – an attitude which will undoubtedly have an impact on any future deals in which the company is involved). With regulatory concerns mounting, as well as the ability for horizontal acquisitions diminished (given the lack of remaining competitors), the path forward for Sprint and T-Mobile is less clear. Both companies, however, have a proven history of creative solutions that have allowed them to compete against their larger competitors – a trait this setback is unlikely to curb.

It should also be noted that important guidance as to future regulatory risks came to the fore as a result of this deal. Specifically, it seems that while the Federal Communications Commission (FCC) under Chairman Ajit Pai appears to be amenable to doing whatever the telecommunications industry asks of it, the attitudes at the DOJ (specifically the antitrust division headed by the new Donald Trump appointee, Makan Delrahim) are still somewhat opaque and could present a risk to any future transactions.

In light of this information, the current state of, and (what we believe to be) the most likely path forward for, each of these companies is as follows:

- **Verizon** has achieved a high degree of dominance in wireless and wireline services. Verizon Wireless is currently the largest mobile service provider (at 147.2 million subscribers as of Q2 2017) and has access to vast quantities of spectrum (which can be utilized to expand its network, or sold). Verizon's fiber-based wireline platform, FiOS, is currently the fourth-largest by subscribers in the US. On the media side, Verizon is fairly unique. Instead of acquiring assets that produce traditional film and television programming (as did AT&T and Comcast), Verizon – through its acquisitions of Yahoo! and AOL and the subsequent formation of the company's media and advertising business, Oath – is trying to become the primary content platform for a social- and mobile-dominated world. The company believes consumers will increasingly utilize mobile devices to consume news and short-form content (e.g., videos no longer than five minutes) as opposed to using the devices to stream TV shows and movies. It's likely a majority of the company's future acquisitions will focus on growing this segment of its business, with a specific focus on effectively monetizing digital advertising on Oath's platforms. As such, future acquisition targets will likely be digital advertising companies, digital content producers (web-based and app-based), mobile app developers, and companies which can more effectively aggregate these services.[5] Its main competitors for these assets, then, are unlikely to be the other telecoms but companies like Facebook and Google (showing just how much these once disparate lines of business are converging).

- **AT&T**, like Verizon, is well positioned for the future as it is the second-largest wireless service provider (at 138.8 million subscribers as of Q3 2017), has the third-largest wireline platform by subscribers in the US (it is the largest provider of fixed telephone services in the US and also offers

[5] Verizon has already had some success on creating their own digital content aggregator – a Pandora for mobile apps, if you will – called AppFlash, which, if widely implemented, could more effectively track user preferences for more targeted advertising. If Verizon can emerge as a pioneer in this technology, it provides an avenue for the company to more effectively challenge the already established digital advertising juggernauts: Facebook and Google.

internet and TV), and has a high degree of access to content (through programming such as DirecTV's *NFL Sunday Ticket*, purchases of original scripted programming, and investments in Crunchyroll, Roster Teeth, and Fullscreen). In addition, the company is currently attempting to acquire Time Warner, whose assets (which include HBO) would make AT&T a powerhouse producer of original content should the deal complete. Even if the deal ultimately falls through, AT&T should be extremely well positioned in both media production/distribution and wireless/wireline services (though they would ultimately still need to address their gap in original content offerings).

- **T-Mobile** is firmly entrenched as the number three wireless service provider with 70.7 million subscribers as of Q3 2017. (Had its acquisition of Sprint come to fruition, it would have rivaled AT&T for the number two position.) In addition, T-Mobile does not offer wireline services nor is it planning to expand into that arena. Unlike Verizon and AT&T, T-Mobile does not believe ownership of content is what it should be building towards. Instead of spending massive amounts of money to acquire media companies, T-Mobile is instead establishing partnerships with some of the most popular content creators (such as providing a free subscription to Netflix or Major League Baseball's MLB.TV streaming package with select T-Mobile plans) to offer unique benefits available only through T-Mobile. Whether such a strategy can actively compete remains to be seen, but it is certainly a unique approach from a company that does not yet have the level of assets to go toe-to-toe with its largest competitors in the acquisitions department.

- **Sprint** is currently the number four wireless service provider at 54 million subscribers as of Q3 2017. Like T-Mobile, the company does not offer wireline services, nor does it plan to expand into that area. Additionally, aside from a minority stake in music streaming service Tidal, the company does not have access to any original content nor does it have licensing agreements to place to distribute others' content. Put simply, the company is in a poor position relative to its competitors. While Masayoshi Son has been doggedly attempting to involve Sprint in a transaction – either as target or acquirer – he has been largely unsuccessful thus far. Given his reluctance to relinquish control of the company, should Sprint try to continue forward on this path it seems the only option is as an acquirer. However, there aren't many candidates left – the smaller mobile virtual network operators (MVNOs, which are essentially wireless services providers which do not own the network over which they provide their service) are all already subsidiaries of the big four. As such, the fifth largest player in the space, US Cellular, is really the only feasible option for Sprint if it wants to expand. With a subscriber count of only 5 million, however, a successful acquisition wouldn't even put the company on par with T-Mobile's subscriber count. As a result, we believe the most likely scenario is that the company will use its cash on hand to invest in building out its networks in lieu of pursuing another acquisition (at least for the near future).

Wireline Service Providers

Historical Analysis

For years, the 100+ channel cable TV package was the bread and butter behind the wireline service providers' triple-play packages. However, as cable and telephone subscriptions began steadily decreasing amidst creeping prices, the advent of online streaming services, and the ubiquity of internet-connected mobile devices, providers generally focused on partitioning their internet service price points by speed and consumption levels in order to stave off declining revenues. That strategy can only go so far, and with cord-cutting on the rise, in lieu of a new strategy wireline providers face the risk of becoming mere dumb pipes – that is, being relegated to providing nothing more than network connectivity and bandwidth, and losing out on the ability to offer unique content and services to customers. As such, wireline providers have been particularly aggressive in attempts to diversify or expand their businesses, pursuing acquisitions or partnerships that would allow them to grow their subscriber base or to give them access to content and/or spectrum (e.g. Comcast's acquisition of NBC Universal in 2009; AT&T's pending acquisition of Time Warner). In addition, both Comcast and Charter have access to unique mobile virtual network operator (MVNO) agreements with Verizon, which effectively allow the companies to launch their own branded wireless services should they so choose.

Themes and Future Expectations

The top four players in the wireline services space (by subscriber count) are Comcast, Charter, AT&T, and Verizon. In addition, moves by Altice (number eight by subscribers) and Dish[6] also warrant discussion.

- **Comcast** launched its wireless network (Xfinity Mobile) in May 2017 via its MVNO agreement with Verizon. While it would be inaccurate to equate this service with the big four (who have the luxury of owning the spectrum they utilize), it does provide the opportunity for Comcast to scale up quickly should dumb pipe fears severely impact the wireline service companies. In the wireline realm, Comcast – through its Xfinity service – is the undisputed king in terms of overall subscribers. The company is extremely well positioned here and we are unlikely to see further moves by Comcast in this space. Comcast's acquisition of NBC Universal in 2009 gave it access to a vast library of original content that it can leverage for use in both its wireline and nascent wireless platforms. The company also has a stake in the streaming service Hulu, providing further diversification of the business. Overall, while the company is currently strongly positioned, it is likely that Comcast executives are searching for ways to build out their wireless spectrum platform. As such, the company pursuing either T-Mobile or Sprint is not outside the realm of possibility. Dish, if only for its spectrum assets, provides an attractive takeout target as well.

- **Charter**, like Comcast, has an MVNO agreement with Verizon – although, unlike Comcast, they have yet to actually roll out a service. In the wireline space, the company is the second-largest by overall subscriber count after acquiring both Brighthouse Networks and Time Warner Cable in 2016. In terms of media ownership, Charter is strikingly bereft – it lacks any type of original content producer. Looking forward, it's possible, as with Comcast, the company could make a bid for T-Mobile, Sprint, or Dish. It's equally possible that Altice or Sprint could purchase the company. In light of its current situation, however, it's clear that should Charter remain independent, it must make a play for wireless spectrum or media assets (most likely both) lest it fall behind the rest of the industry.

- **Altice** is a relative newcomer in the US. While it has a sizable European presence (it is the second-largest telecom company in France), its foray into the US began with acquisitions of majority stakes in Suddenlink Communications and Cablevision Systems (both announced in 2015, and completed in 2015 and 2016, respectively). Despite its presence outside the upper tier of wireline providers in the US, the company still has plenty of room for growth as it owns neither spectrum

[6] As Dish only provides satellite television, it does not neatly fit the definition of a wireline service provider. By subscriber count, however, Dish would be number four (above Verizon) if included in the list. In addition, Dish has acquired a sizable portion of spectrum over the years which makes the company a valuable acquisition target for any player in the space.

nor media assets. In addition, the company has both high ambitions and deep pockets. Like Charter, it's clear that Altice needs to do something in order to remain competitive. The company's most viable path forward would probably be a bid for Charter (about which it has spoken publicly in the past).

- Dish's sole competitive product is satellite television[7] (thus it lacks even a basic triple-play bundle) and the company owns no media assets. However, Dish has purchased a large quantity of spectrum rights that are currently unused, and they do have a large quantity of subscribers despite solely offering a television package. While it has expressed a desire for expansion in the past (Dish attempted to outbid Sprint for Clearwire in 2013, and, prior to that, Softbank for Sprint in 2012), the company has not been successful in its efforts. Given the dwindling amount of assets left available for them to purchase, it seems that Dish's most likely path forward is to be acquired. A Verizon sale has been floated in the past, but a sale to Charter or Comcast (both of which could utilize the spectrum to build their own wireless networks) also makes strategic sense. There have also been rumors that the company could break up and attempt to sell their satellite business to AT&T and their spectrum to Verizon. Also within the realm of possibility is the company selling itself to, or accepting an investment from, a firm in the internet/media space, such as Netflix or Amazon (the latter of which could utilize the spectrum to build out its drone delivery network).

Looking Forward

To conclude, we will leave you with a few thoughts on views of the industry as a whole and the deals which are still outstanding:

- Ultimately, we believe the direction of the industry favors wireless providers over wireline providers. The largest wireline companies – Comcast and Charter – have already begun to expand into wireless (while competitors AT&T and Verizon are already firmly-established in both wireless and wireline), and the smaller wireline players that cannot undertake a similar transition may not exist independently for much longer. Impending technologies such as ultra-high speed 5G wireless networking will only accelerate this shift. While wireline service is unlikely to disappear, it may be cannibalized by wireless to the point that only the largest companies will be able to survive.

- Content is king. While both Verizon and T-Mobile are pursuing unconventional strategies in terms of acquiring the rights to content (particularly in comparison to the approaches of AT&T and Comcast), both companies recognize that the type of content they offer, coupled with their existing packages, will be how they differentiate their services from their competitors. It remains to be seen which model (outright ownership of traditional media outlets, partnerships, or a focus on short-form online content and advertisements) will win the day, but clearly any company that wishes to survive needs to have a plan in place for offering original content.

- With only the DOJ's approval needed, AT&T's planned acquisition of Time Warner seemed all but assured to close. However, with reports that the Department of Justice is demanding structural remedies before signing off on the deal (or, absent the parties coming to terms on negations, may

[7] Dish does offer satellite and Digital Subscriber Line (DSL) internet, but with speeds similar to dial-up and a comparatively small number of subscribers, we would not consider the service competitive relative to those previously outlined.

consider suing to block the deal), regulatory concerns are again creeping to the forefront.

The election of Donald Trump was widely anticipated to be the precursor to an era of muted regulatory activity and, over the prior year, that has generally proven to be true: Ajit Pai, at the very least, seems unlikely to do anything to upset the telecom industry that he regulates. At the DOJ, Makan Delrahim was expected to follow a similar path and take a largely hands-off approach – prior to his confirmation, he even directly referenced a Time Warner/AT&T merger and confirmed that he saw no problems with the deal. The DOJ's recent aggressive stance, however, has subverted many of the preconceived notions surrounding the man. The million-dollar question, then, is what has changed between now and then? One rumored explanation is that, given reports AT&T is being asked to divest CNN, Delrahim is being ordered by the White House to disrupt this deal (due to the allegedly unflattering coverage of Trump's administration on the part of the news network). AT&T, for its part, has expressed an unwillingness to lose CNN as an asset. Should the DOJ attempt to block the deal in court, we do believe AT&T has the stronger case due to the merger's vertical nature (especially considering the fact that the government has not blocked a vertical merger in 40 years). While it is possible that the DOJ's objections are purely political posturing, another explanation is that the DOJ's philosophy is undergoing a seismic shift: namely that companies can simply reach a point where they may be considered too big, despite any lack of concerns regarding horizontal integration, overlapping business lines, or shrinking competitive landscapes. Should this be the case, we could see a much more litigious DOJ than even during the Obama years, with mega-cap companies in particular facing extremely intense scrutiny. This, however, would stand in direct conflict with the Trump administration's goal of lightening the regulatory burden and it is hard to imagine Delrahim standing in direct contention with the man who just appointed him.

Regardless of the outcome, it is clear that this deal will establish the precedents from which future regulatory concerns will be addressed.

Appendix

COMCAST

Primary Media Asset
NBC Universal

Primary Wireless Asset
Xfinity Mobile (through Verizon Wireless network, via MNVO agreement)

Primary Wireline Asset
Xfinity

Media Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Dailycandy	August 2008	$125 MM
Radiance Technologies	October 2008	$5 MM
NBC Universal (51% stake)	January 2011	$22.9 B
Universal Leisure Parks	July 2011	$2.1 B
New York Mets (stake%)	March 2012	$240 MM
Hulu (10% stake)	October 2012	$200 MM
NBC Universal (remaining 49% stake)	March 2013	$16.7 B
Vox Media (stake%)	August 2015	$200 MM
BuzzFeed (stake%)	August 2015	$200 MM
DreamWorks Animation SKG	August 2016	$4.0 B
BuzzFeed (stake%)	November 2016	$200 MM
Peloton Interactive (stake%)	May 2017	$325 MM

Wireless Acquisitions since 9/30/07

Target	Completion Date	Deal Value
WiMax Business Joint Venture	November 2008	$1.1 B

Wireline Acquisitions since 9/30/07

Target	Completion Date	Deal Value

Only includes completed mergers and acquisitions of US companies whose terms were publicly disclosed and whose completion date fell between 9/30/07 and 9/30/17.

In 2011, Verizon purchased AWS-1 spectrum from Bright House Networks, Comcast, Cox and Time Warner Cable (a group dubbed SpectrumCo) and in return gave those companies access to its wireless network for use in a potential mobile virtual network operator (MVNO) offering. Comcast exercised this option, launching Xfinity Mobile in May 2017.

Charter COMMUNICATIONS

Primary Media Asset
Original programming agreement with AMC Networks

Primary Wireless Asset
Unnamed (through Verizon Wireless network, via MNVO agreement)

Primary Wireline Asset
Spectrum

Media Acquisitions since 9/30/07

Target	Completion Date	Deal Value

Wireless Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Federated Wireless (stake%)	September 2017	$42 MM

Wireline Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Sandersville, Georgia cable system	April 2012	$3 MM
Bresnan Broadband Holdings	July 2013	$1.6 B
ActiveVideo Networks (35% stake)	May 2015	$135 MM
Bright House Networks	May 2016	$10.4 B
Time Warner Cable	May 2016	$87.4 B

Only includes completed mergers and acquisitions of US companies whose terms were publicly disclosed and whose completion date fell between 9/30/07 and 9/30/17.

In 2011, Verizon purchased AWS-1 spectrum from Bright House Networks, Comcast, Cox and Time Warner Cable (a group dubbed SpectrumCo) and in return gave those companies access to its wireless network for use in a potential mobile virtual network operator (MVNO) offering. While Charter has exercised this option, they have not yet launched a service.

Water Island Capital

AT&T

Primary Media Asset
DirecTV / U-verse
Primary Wireless Asset
AT&T Mobility / Cricket Wireless
Primary Wireline Asset
AT&T Home Service (AT&T Internet, AT&T Fiber, AT&T Phone, DirecTV, DIRECTV NOW, U-verse TV)

Media Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Akimbo Systems (Stake%)	February 2008	$8 MM
YellowPages.com	January 2009	$4 MM
Blue Danube Systems (Stake%)	May 2015	$16 MM

Wireless Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Aloha Partners (spectrum assets)	February 2008	$2.5 B
American Wireless (spectrum assets)	February 2008	$1 MM
Centennial Comms.	November 2009	$2.8 B
Cincinnati SMSA (remaining 34% stake)	July 2011	$320 MM
Qualcomm (spectrum assets)	December 2011	$1.9 B
NextWave Wireless	January 2013	$1.1 B
Verizon Comms. (spectrum assets)	September 2013	$1.9 B
Allied Wireless Comms.	September 2013	$780 MM
Leap Wireless	March 2014	$3.9 B

Wireline Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Interwise	November 2007	$121 MM
WindStream (wireless assets)	November 2008	$60 MM
Wayport	December 2008	$275 MM
Verizon Wireless (wireless assets)	June 2010	$2.4 B
North State Comms. (wireless assets)	June 2013	$24 MM
DirecTV	July 2015	$66.5 B

Only includes completed mergers and acquisitions of US companies whose terms were publicly disclosed and whose completion date fell between 9/30/07 and 9/30/17.

verizon

Primary Media Asset
Oath (Yahoo! and AOL assets)
Primary Wireless Asset
Verizon Wireless
Primary Wireline Asset
Verizon FiOS

Media Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Hughes Telematics	July 2012	$703 MM
Skyfire Labs (stake%)	October 2012	$10 MM
Intel Media	January 2014	$150 MM
AOL	June 2015	$4.3 B
Millennial Media	October 2015	$262 MM
Mitu (stake%)	January 2016	$27 MM
AwesomenessTV (24.5% stake)	April 2016	$159 MM
Fleetmatics Group	November 2016	$2.6 B
Yahoo!	June 2017	$5.1 B

Wireless Acquisitions since 9/30/07

Target	Completion Date	Deal Value
SureWest Comms. (assets)	January 2008	$69 MM
"C block" spectrum auction	April 2008	$9.4 B
Rural Cellular	August 2008	$2.2 B
Alltel Corporation	January 2009	$28.1 B
Centennial Comms. (assets)	June 2010	$240 MM
SpectrumCo (spectrum assets)	August 2012	$3.6 B
Savary Island Wireless (spectrum assets)	August 2012	$172 MM
Leap Wireless (spectrum assets)	August 2012	$188 MM
Cox Comms. (spectrum assets)	December 2012	$315 MM
Verizon Wireless (remaining 45% stake)	February 2014	$140 B
Cincinnati Bell (spectrum assets)	February 2015	$210 MM

Wireline Acquisitions since 9/30/07

Target	Completion Date	Deal Value
XO Comms. (fiber optics assets)	February 2017	$1.8 B

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Includes mergers and acquisitions by Verizon Wireless Inc and Verizon Communications Inc.

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T-Mobile

Primary Media Asset
N/A
Primary Wireless Asset
T-Mobile ONE / MetroPCS
Primary Wireline Asset
N/A

Media Acquisitions since 9/30/07

Target	Completion Date	Deal Value

Wireless Acquisitions since 9/30/07

Target	Completion Date	Deal Value
SunCom Wireless Holdings	February 2008	$2.4 B
MetroPCS Comms.	May 2013	$6.8 B
United States Cellular (spectrum assets)	October 2013	$308 MM
Verizon Wireless (spectrum assets)	April 2014	$3.3 B
Ntelos Holdings (spectrum assets)	December 2014	$56 MM

Wireline Acquisitions since 9/30/07

Target	Completion Date	Deal Value

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Includes mergers and acquisitions by T-Mobile US Inc and T-Mobile USA Inc.

Sprint

Primary Media Asset
Tidal
Primary Wireless Asset
Sprint / Boost Mobile / Virgin Mobile
Primary Wireline Asset
N/A

Media Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Tidal (33% stake)	January 2017	$200 MM

Wireless Acquisitions since 9/30/07

Target	Completion Date	Deal Value
iPCS	November 2009	$831 MM
Clearwire (16.2% stake)	November 2009	$1.2 B
Virgin Mobile USA	November 2009	$668 MM
Clearwire (2.3% stake)	October 2012	$3.3 B
United States Cellular (spectrum assets)	May 2013	$480 MM
Clearwire (remaining 49.8% stake)	July 2013	$3.7 B

Wireline Acquisitions since 9/30/07

Target	Completion Date	Deal Value

Only includes completed mergers and acquisitions of US companies whose terms were publicly disclosed and whose completion date fell between 9/30/07 and 9/30/17.

Includes mergers and acquisitions by Sprint Corp and Sprint Nextel Corp.

altice

Primary Media Asset
News12 Networks
Primary Wireless Asset
N/A
Primary Wireline Asset
Optimum

Media Acquisitions since 9/30/07

Target	Completion Date	Deal Value

Wireless Acquisitions since 9/30/07

Target	Completion Date	Deal Value

Wireline Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Suddenlink Comms. (70% stake)	May 2015	$7.9 B
Cablevision Systems (70% stake)	June 2016	$19.0 B

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dish

Primary Media Asset
N/A
Primary Wireless Asset
Non-operating spectrum assets
Primary Wireline Asset*
DISH, DISH Anywhere, Sling TV

Media Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Blockbuster	April 2011	$320 MM

Wireless Acquisitions since 9/30/07

Target	Completion Date	Deal Value
Terrestar (Assets)	March 2012	$1.4 B

Wireline Acquisitions since 9/30/07

Target	Completion Date	Deal Value
DBSD North America	March 2012	$1.4 B

Only includes completed mergers and acquisitions of US companies whose terms were publicly disclosed and whose completion date fell between 9/30/07 and 9/30/17.

** Dish only offers the television portion of the traditional triple play bundle (not internet or voice).*

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