Wall Street: Comcast Got a Steal on NBCUniversal

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NEW YORK (AP) — Is General Electric letting Comcast gobble up the NBCUniversal media empire at a bargain price? Wall Street thinks so.

"The Comcast folks feel like they got a steal," said analyst Daniel Holland at Morningstar.

Matthew Harrigan at Wunderlich Securities said GE "mispriced" the $16.7 billion deal.

Wednesday's assessment on Wall Street followed a surprised announcement late Tuesday that Comcast Corp. agreed to buy GE's 49 percent share of NBCUniversal several years ahead of schedule. Comcast had bought 51 percent of NBCUniversal in 2011 and was going to buy out the rest from GE gradually, finishing in 2018. Comcast, the nation's largest cable TV provider, credited favorable interest rates and an attractive price for the new deal.

Doug Mitchelson at Deutsche Bank asked Comcast executives on a conference call Wednesday morning if they sweetened the deal somehow to get it approved by GE.

Comcast's chief financial officer, Michael Angelakis, responded that GE's board simply liked that the company could sell its stake earlier than expected.

"I think it's a very good deal for them as well," Angelakis said Wednesday. "I think from their standpoint they're going to receive a lot of cash, which we know they're going to deploy to other services. And from our standpoint, I think it was an advantage to accelerate that, and I think we've received a very fair price."

"Both of us think we got a good deal," Keith Sherin, GE's chief financial officer, said on a separate call with investors. "And you can see the market likes it for both of us, which I think says that maybe we both did get a really good deal."

NBCUniversal operates the NBC and Telemundo broadcast networks, local TV

stations, cable channels such as USA, SyFy and CNBC, the Universal Pictures movie studios and theme parks in Florida and California. It generates about a third of the revenue for Comcast, whose larger business is producing the pipes for cable TV, Internet and phone services.

The deal, expected to be completed by the end of March, values NBCUniversal at $34 billion, not including $5 billion in debt. That's about 13 percent higher than two years ago, when Comcast's investment valued the company at about $30 billion, also excluding debt. By contrast, CBS Corp.'s stock price has more than doubled in those two years and the stock of ABC owner The Walt Disney Co. has risen 41 percent.

Shares of Philadelphia-based Comcast rose $1.16, or 3 percent, to close Wednesday at $40.13. In opening trading, it hit $42, matching an all-time high set in March 1999.

Shares of General Electric Co., which is based in Fairfield, Conn., rose 81 cents or 3.6 percent, to $23.39. The day's high of $23.48 was the highest level for the stock since 2008.

For GE, the deal accelerates a transition to a more purely industrial company, which investors have been wanting to see for a long time.

But the company does not need the cash. Long before this deal was announced, investors were wondering what GE was going to do with cash coming in from the company's operations. Now there's an extra $17 billion.

GE will buy back stock and issue dividends, but GE has a long history of acquiring companies at a voracious rate. "What do they want to buy?" asks Holland, the analyst. "That's the key question now."

On the Comcast side, CEO Brian Roberts told The Associated Press after the deal was announced Tuesday that the company decided it made sense to buy GE's stake now because the improved performance of the NBC broadcast network and cable-TV programming made it more likely the price would rise in the future.

Thomas Seitz, analyst at Jefferies & Co., said Comcast was getting an "attractive" value for NBCUniversal, saying the price was just a small premium to the valuation and earnings of other big media companies such as Disney and Time Warner Inc.

Complete ownership will let Comcast benefit more from the rising price of sports rights and other TV programs. It avoids solely being in the uncomfortable position of passing those costs onto customers. And long-term rights deals between the TV networks and their cable and satellite distributors have ensured the importance of TV, even as Web video is on the rise.

Besides buying the rest of NBCUniversal, Comcast agreed to pay GE another $1.4 billion for other assets that include one of New York's best-known landmarks, NBC's headquarters at 30 Rockefeller Plaza.

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AP Business Writer Jon Fahey contributed to this report.

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