# Markit Recap – 4/27/2015

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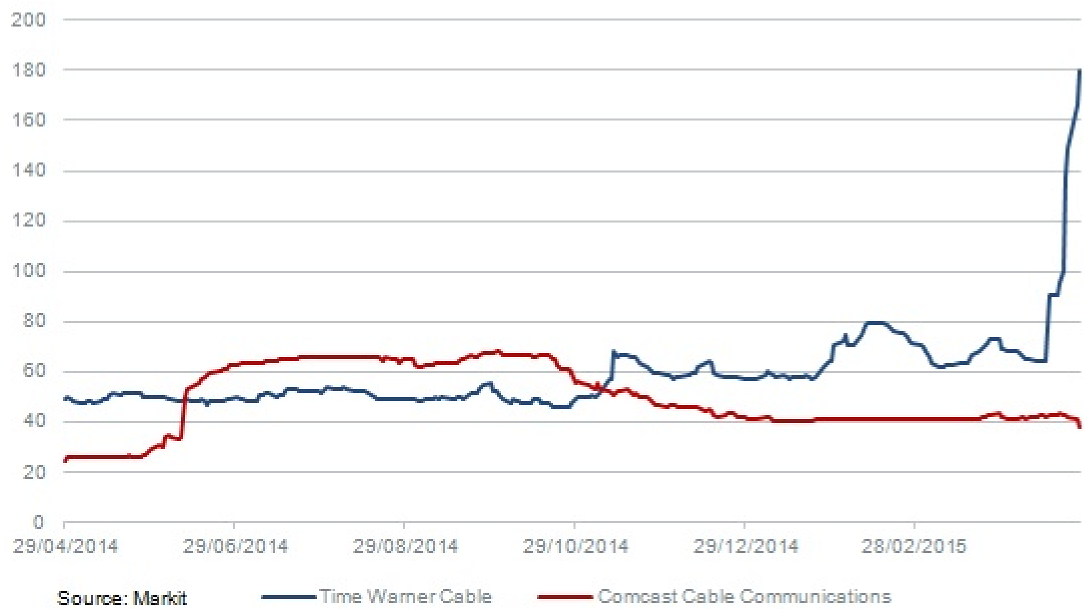
Low interest rates have helped fuel M&A activity, so it is no surprise that several large transactions have been announced in recent months.

But it's not always the market that determines deals. Governments and regulatory bodies also have a part to play, as we saw with the collapse of the Comcast bid for Time Warner Cable last week. Comcast pulled out after the antitrust division of the Federal Communications Commission recommended that the deal be referred to an administrative judge, effectively ending any chance of completion. This was confirmed when Comcast officially dropped its bid last Friday.




The credit market's reaction demonstrated that the deal's failure is likely to have different consequences for the two parties. Comcast Cable's spreads rallied slightly to 38bps after the news, and the firm still has its solid single 'A' credit profile. The contrast with TWC could not have been more stark. The firm's spreads immediately widened following the announcement, and by April 28 was trading at 180bps, 115bps wider than where it was quoted less than two weeks previously.

TWC no longer has the prospect of benefitting from Comcast's robust balance sheet, and this was obviously a factor driving the credit deterioration. But the situation was made worse by reports suggesting Charter Communications is preparing to make a bid for TWC. Charter, which doesn't trade in the CDS market, has a leveraged balance sheet and TWC bondholders will naturally view it as a less desirable acquirer. Charter's $10.4bn deal to buy Brighthouse Networks was contingent on the Comcast/TWC transaction being completed.

These events show that, while it may be relatively easy to raise finance for large deals, governments still have the power to stop them being completed.

**Contact: Gavan Nolan**
Gavan.Nolan@markit.com