

As NBCU Splits From Comcast, Will It Be the Next M&A Target? | Analysis

What will happen to NBCUniversal once it separates from Comcast's cable and internet business?



Christopher Smith/TheWrap

By **Lucas Manfredi**

Is NBCUniversal for sale? It's the big question being asked on Monday after Comcast announced that it would spin it and Sky off into a separate company by the middle of next year.

Both Mike Cavanagh, who will remain NBCU's CEO following the completion of the split in the next 12 months, and Comcast co-CEO Brian Roberts were quick to pour cold water on the idea of M&A, telling Wall Street during a conference call that this is "absolutely not" aimed at triggering a wave of dealmaking.

"Our plan for NBCUniversal and Sky is to build and invest for growth," Cavanagh added. "We have the ambition that's big to pursue opportunities that keep us ahead of evolving consumer behavior and audience demands, and we have the freedom now to explore adjacent businesses where we have the right to play."

But Wolfe Research's Peter Supino estimates that NBCU could be worth \$44 billion after the spin-off — the content & experiences business posted \$45.6 billion in revenue last year — which makes it an indisputable acquisition target in an atmosphere that is rife with merger activity. Meanwhile, the Comcast cable portion of the business could be worth \$63 billion, per Supino. As a comparison, Paramount has agreed to pay \$110 billion for Warner Bros. Discovery.

With this split as only the latest seismic shift in an entertainment industry already in the midst of major shake-ups with the Paramount-WBD and Fox-Roku deals, few believe that going alone is the intended path.

"The collective eye roll [on management's denial] was almost audible," former NBC Studios president Tom Nunan told TheWrap. "I thought that their recent effort to go after Warner's was a sign that there was still gas in the tank, that they really still wanted to be among the big media players left standing. When that didn't work out, they suddenly go, in my view, from a buyer to a seller."

While the logic for the tie-up has always been for Comcast to create a scaled player that owns both the pipes and content going through them, Wall Street hasn't agreed, with shares tumbling 54% in the past five years alone as the traditional TV business has been ravaged by cord-cutting and the media and telecom business has become increasingly competitive — changes that management acknowledged aren't going away.

"We've simply now changed our mind," Cavanagh told analysts on Monday in a call to discuss the split. "We've now concluded that future success for each of our businesses will depend on focus, speed and strategic flexibility that this separation will unlock."

"This is the right move to put each company in the strongest position to create value, fully monetize its assets, and aggressively pursue its own organic growth strategies," Roberts insisted.

Despite their M&A denials, an acquisition of NBCUniversal would have clear strategic benefits for a potential buyer, from its strong portfolio of news, sports and entertainment content and TV and film studios to added streaming scale from Peacock, an increased international presence from Sky and its growing theme parks unit. Still, like all M&A, it comes down to the key question: who would be a willing and able buyer?

"The group of buyers willing to acquire all of the proposed SpinCo would be pretty small," Paul Nary, an M&A strategy professor at Wharton School of the University of Pennsylvania told TheWrap. "If they were to do a sale or sales instead of a tax-free spin, either you'd have a buyer willing to take on the risk and complexity of the whole NBCU portfolio, or, more likely, parts of businesses going to different buyers."

Representatives for Netflix and Paramount declined to comment. Disney, Apple and Amazon did not immediately return TheWrap's request for comment.

Who are NBCU's potential suitors?

Netflix: Since its failed run for Warner Bros. Discovery's streaming and studio assets, Wall Street has been speculating whether the streaming giant would once again dip its toe in M&A, with the streamer notably being floated as a potential suitor for assets like Lionsgate and IMAX.

Indeed, co-CEO Ted Sarandos notably said in April that the WBD bidding war helped the company "build our M&A muscle." And Netflix has made moves as an aggregator through its deal in French broadcaster TF1.

"Netflix is the most sensible because there's very little duplication and there's real added value," Nunan said. "They have the wherewithal to just swoop in and grab the whole thing and then work [spinning off assets] out later if they just wanted to clear the field."

MoffettNathanson analyst Craig Moffett acknowledged that NBCU's library and IP are the "next best" after WBD, but was quick to push back on a potential combination with Netflix, given that NBCU is "burdened by a broadcast TV business." It's also unclear what benefit Peacock would add, given that the streaming service is still smaller than its peers and has yet to turn

a profit (Comcast executives have said the service would become profitable in the second quarter.)

It's also likely that a Netflix-NBCU combination could trigger a similar wave of Hollywood and political pushback that its WBD merger faced.

"Netflix has been there, done that. I think they already saw how the market reacted," Lloyd Greif, CEO of the investment banking firm Greif & Co. told TheWrap. "I get the sense that their ardor has cooled for an acquisition of this size since what was clearly a nasty experience with the Trump administration and the Warner Bros. deal."

Big Tech: You can't talk about potential suitors without at least mentioning players like Apple and Amazon, which are both flush with cash and whose own streaming ambitions could benefit from the addition of NBCU's portfolio. Greif also sees the potential for synergy between Apple's retail expertise and Comcast's theme park expertise.

"This acquisition puts them in the Hollywood elite if one of them were to make the acquisition," Greif added. "Apple needs to shake things up a little bit after we saw them reprice their iPhone and iPad devices and I think this opportunity finally gets them off the M&A sidelines."

But Nary remains skeptical of the appetite for and strategic logic of an Apple or Amazon acquisition, or a Netflix deal for that matter.

"It's a big deal and a mess of businesses, some of which they don't want or need," Nary said. "I think parks especially are problematic and broadcast networks don't necessarily make sense."

Disney: Then there's the company that already has a very similar portfolio of assets to NBCUniversal, including a major presence in the theme parks business, though that overlap may be a double-edged sword.

"Disney would probably love to own Universal's film and TV studios and NBC Sports, but isn't the home for Universal's theme parks and broadcast stations," Wolfe Research analyst Peter Supino said.

Greif argues that Disney would "have a hell of a time getting through" the Trump administration, especially after it acquired 21st Century Fox in 2019. Similar to NBCUniversal, it's dealing with tension with the Trump ad-

ministration, and is in the midst of a conflict with the Federal Communications Commission.

Private Equity: Given the different businesses NBCUniversal has, it wouldn't be out of the question to see private equity firms step in as part of a broader deal. Nary said that the streaming and studios business could go to one acquirer, while PE takes over the theme parks or broadcast business.

Private equity could also team up with a strategic player like Sony Pictures Entertainment, which would face its own regulatory scrutiny around foreign ownership if it attempted to pursue an acquisition of all of NBCU. But Greif ultimately thinks that private equity would actually be more interested in what's left of Comcast than NBCU.

"[Cost-cutting is what] private equity does. So that would be the angle there [with Comcast]," Greif said. "There's no angle for PE on the NBCUniversal side unless they're partnering with a strategic buyer."

Out of the mix: Elsewhere, Paramount and Fox are preoccupied with their own existing deals, with Paramount's WBD acquisition set to close by the end of the third quarter and Fox's Roku acquisition in the first half of 2027 pending regulatory approval.

"I was shocked when [Paramount's acquisition of Warner Bros.] happened, and I had no idea that [David Ellison's] ambitions ran that high. So I don't put anything past him at this point," Nunan said. "But I think the whole industry would throw up their hands. It would not go over well, possibly even with Washington. They might say, 'hey this is a bridge too far, even for us'."

What about NBCU going it alone?

There's also the possibility that NBCU continues to go it alone as a separate entity, while benefitting from a continued commercial relationship with Comcast. But, like Versant, it would have to take the approach of being a buyer of assets and focus on scaling up, Greif said. Sky has already been looking for opportunities on this front, entering into talks with ITV about acquiring its media & entertainment unit.

It's also worth noting that, given the tax-free nature of the spin, a sale wouldn't even be able to be contemplated for a couple of years.

"The tax-free spin proposed deal creates kind of a floor for potential buyers to prove they'd offer more to Comcast shareholders than what the proposed structure would create," Nary said.

Additionally, it remains a question of whether Roberts, who controls 33% of Comcast's voting power, would be willing to fully let go of control. Under the terms of the split, Comcast will continue to have an ownership stake of up to 19.9% in NBCU and Roberts has said he would remain involved with both companies as they move into their next chapters.

"The scale that matters isn't the size of the company, it's the size of the content bundle. And, in any case, we're skeptical that NBCU will be for sale," Moffett argued. "Spinning it off while still maintaining control is one thing. Selling it outright is another."

And President Trump may be more inclined to put his thumb on the scale for any deal, especially given his criticisms of Roberts, MSNBC and NBC, though as eMarketer senior analyst Ross Benes pointed out: "There seems to be little to no regulatory function to the U.S. government as long as you appeal to Trump's vanity."

Still, a lot could shift in both the media and political landscape in the next 12 months.

"It's very possible these kinds of talks may not surface until after the midterms. So the question of what is Trump's power and how difficult things will be for Wall Street and media companies in particular is going to be answered more fully after the midterms," Nunan added. "NBC doesn't have a good relationship with the Trump administration, but he'll be significantly defanged after the midterms if it swings to the left."