



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

FIRST PHASE REVIEW

In the matter of acquisition of Time Warner Inc. by AT&T Inc.

CASE: 892/Mergers/CCP/17

Commission:

Ms. Vadiyya Khalil

Chairperson

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Mr. Ikram Ul Haque Qureshi

Member

I. BACKGROUND

1. On 07 April 2017, the Competition Commission of Pakistan (the "**Commission**") received a pre-merger application (the "**Application**") filed by AT&T Inc. (hereinafter, "**AT&T**") notifying and seeking clearance of the acquisition by way of share purchase of Time Warner Inc. (hereinafter "**TWI**") resulting in acquisition of sole control of AT&T over TWI pursuant to the execution of an Agreement and Plan of Merger among TWI, AT&T and West Merger Sub Inc. (hereinafter, "**WMSI**") dated 22 October 2016 (the "**Agreement**"). The Application is filed with the information required under Section 11 of the Competition Act 2010 (the "**Act**") and Regulation 6 of the Competition Commission (Merger Control) Regulations 2016 (the "**Merger Regulations**").

II. THE PARTIES

Acquirer

2. AT&T, a public listed company incorporated in the United States of America (the "**US**") is the ultimate holding company of the AT&T group of companies. Principally, AT&T is engaged in the business of providing global telecommunication and digital entertainment services in the United States and Latin America. In Pakistan, it is stated to have business activities focussed on enterprise communication solutions for multinational corporate customers.
3. The total assets of AT&T in the financial year ended 31 December 2016 remained USD (approximately, PKR while its operating revenue remained USD (approximately, PKR for the same period.

Target

4. TWI, a public listed company incorporated in the USA, is a global media and entertainment company. TWI has three operating wings: (i) Turner, which is mainly engaged in the business of pay-TV channels and digital media properties; (ii) Warner Bros., which is mainly engaged in the production and distribution of television programs, feature films, home video and video games; (iii) Home Box Office (HBO), which is mainly active as a premium pay-TV channel and streaming services in the USA and internationally. In Pakistan, TWI business activities are primarily focussed on wholesale licensing of audio-visual contents to third party distributors.



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5. The total assets of TWI in the financial year ended 31 December 2015 remained USD (approximately, PRK), while its total revenue remained USD (approximately,) for the same period.

III. THE TRANSACTION

6. The intended merger envisages acquisition TWI by AT&T in a stock and cash transaction valued at USD per share as of the signing of the Agreement. According to Article 1 of the Agreement, WMSI, a wholly owned subsidiary of AT&T, shall be merged with and into TWI, with TWI as the surviving entity (the “**Initial Merger**”). WMSI shall thereupon cease to exist. While TWI shall continue with all the rights, privileges, immunities, powers and franchises shall continue unaffected by the Initial Merger. Prior to Initial Merger, AT&T will incorporate West Merger Sub LLC as a wholly-owned subsidiary (“**Merger LLC**”) and subsequent to the Initial Merger; TWI will merge into Merger LLC as the surviving entity. The consideration for the intended merger is USD (approximately, PKR).
7. The transaction meets the notification thresholds prescribed in Regulation 4(2), (a), (b), (c) and (d) of the Merger Regulations as the assets of the merging entities exceed PKR 1 billion and their annual turnover also exceeds PKR 1 billion. While the transaction value exceeds PKR 100 million and the shares to be acquired also exceed 10% of the total shares in the Target.

IV. THE RELEVANT MARKET

8. TWI is one of the leading media and entertainment companies in the world, principally operating business interests in the areas of: (i) Cable television programming and network (including in the classic movie channel TNT, Cartoon Network and CNN news group); (ii) Publishing of books, magazines, including Time, People, Sports Illustrated, Warner Books and Time Life Inc. The majority of the publishing activities are the US focused, although some are also distributed in other parts of the world, especially in Europe; and (iii) Filmed entertainment, comprising of mainly filmed entertainments, TV production and broadcasting, including Warner Bros. Studios, New Line Cinema, and the WB Network. Also, TWI is one of the leading cable TV system providers in the USA. The relevant product market of TWI activities can be categorized into (i) Television programs and broadcasting, (ii) Cinema film production, and (iii) Home entertainment and video games production.



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9. The relevant geographic market certainly extends beyond the border of the USA, which certainly extends to Pakistan in all TV, cinema home entertainment and video game segments.

V. FINDINGS OF THE PHASE-I COMPETITION ASSESSMENT

10. The intended merger involves sole control over TWI by AT&T. AT&T is principally engaged in the provisions of providing global telecommunication and digital entertainment services in the United States and Latin America. In Pakistan, AT&T's division namely, Business Solutions, is active in providing enterprise communication services to corporate customers.
11. TWI is principally active in the business of providing global media and entertainment services, including pay-television services and production and distribution of television services, feature films and video games. It has been stated in the pre-merger application that in Pakistan, TWI's television related business activities include wholesale licensing of TV contents, wholesale licensing of TV channels and TV advertising with a market share of , , and respectively. In cinema related activities involving wholesale licensing of rights for the distribution of theatrical feature films, it has approximately of the market share. While in wholesale licensing of home entertainment contents and wholesale licensing of video games, it has a market share of and respectively.
12. The intended merger does not involve any significant horizontal or vertical overlaps between the merger parties. Rather, the transaction gives rise to the conglomerate relationship which is likely to bring together complementary strengths of the parties *vis-à-vis* communication and streaming of media and entertainment-related products and services such as audio-visual contents offered by the parties to the end-consumers.
13. Considering the facts on record and the details provided in the pre-merger application and on the basis of above competition assessment, the Commission is of the considered opinion that the intended merger is not likely to have appreciable adverse effect on competition in Pakistan. Furthermore, the intended merger does not meet the presumption of dominant position as defined under Section 2(1)(e) read with Section 3 of the Act.



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VI. CONCLUSION

14. In conclusion, the intended merger is not likely to substantially lessen competition by creating or strengthening of a dominant position in the relevant market in Pakistan and therefore, the Commission, hereby authorizes the same under Section 31(d)(i) of the Act.
15. It is so ordered.

Vadiyya S. Khalil

Vadiyya S. Khalil
Chairperson

Ikram Ul Haque Qureshi

Ikram Ul Haque Qureshi
Member



11th

July, 2017