What They Bring to the Party
1988 Product, Revenue Breakdowns

Time Revenue: $4,507,000,000
- Magazines: 39%
- Programming: 23%
- Cable: 18%

Warner Revenue: $4,206,100,000
- Filmed Entertainment: 37%
- Recorded Music and Publishing: 49%
- Cable and Broadcasting: 11%
- Publishing and Related Distribution: 3%

Time Operating Income: $653,000,000
- Magazines: 42%
- Programming: 17%
- Cable: 26%

Warner Operating Income: $607,500,000
- Filmed Entertainment: 33%
- Recorded Music and Publishing: 53%
- Cable and Broadcasting: 12%
- Publishing and Related Distribution: 2%

Cable: American Television and Communications (82% owned), 3,305,000 subscribers, and Paragon Communications (50% owned), 735,000 subscribers.

Programme:
- Home Box Office, 16,500,000 subscribers;
- Cine
- max, 6,500,000 subscribers; and HBO Video.

Magazines:
- Including Time, Sports Illustrated, People, Fortune, Money, Life, etc. Majority owned magazines:
- Including McCall's, Parenting, Working Woman, etc. Whittle Communications and other joint ventures (50%).

Books:

*Estimate. **Lorimar results not yet included. ***Broadcasting operations not reflected in revenue and have only minor impact on operating income.

One reason for the spotlight on Time is the substantial discount at which it trades compared to its estimated private-market asset value. In the past 52 weeks, the company has traded as low as $84.125 per share and—on takeover speculation last October—as high as $122.50. Analysts value the company's assets as high as $230 per share.

But observers were doubtful that the companies are in play. McAlpine distinguished the current situation from the case of RJR Nabisco, which was purchased by KKR in a leveraged buyout after the management of the company tried to take it private. "That was a case where the company put itself up for sale," McAlpine said. "Both companies have said here that they're not for sale." If a company in the publishing business tried to buy Time, said the arbitrager, Time would use its status as an "American icon" to fight the attack "as viciously as possible."

By last Friday, Time's stock had retreated from its Tuesday levels, and then surged forward again. On Friday, the company was trading at $115.625, while Warner's stock was trading at $48.50, or 41.9% of Time's price. The Friday before the merger announcement was made. Time's stock price closed at $109.125, while Warner's stock closed at $45.875, or 41.9% of Time's price.

In what a Warner spokesman called a "statement of intent, Time and Warner have a definitive agreement to exchange blocks of their stock before the merger is completed. Time Inc. would exchange 7.1 million shares, or 12.5% of its outstanding common stock, for 17.3 million shares of Warner, or 12% of its common stock outstanding.

Chris-Craft Industries, which holds 17% of Warner stock and is Warner's largest shareholder, gave no indication last week of whether it found provisions of the proposed merger objectionable. Chris-Craft delayed the merger of Warner and Lorimar Telepictures for several months through a shareholder suit. Both Time and Warner have already been targeted by other shareholders with lawsuits protesting the merger.

Of Time and Warner's total of 25 board members, Chris-Craft Chairman Herbert Siegel was the only one who did not approve the merger; he abstained. In the formation of Time Warner's 24-member board of directors, it has been speculated that Siegel would not be included among Warner's nominees.

The Warner spokesman said that the amount of stock that would be transferred...