New offer for New World

Company, which earlier had agreed to be purchased by Pathe, gets better offer from Andrews Group

New World Entertainment last week backed out of an agreement in principle to be acquired by Pathe Entertainment in order to accept a higher offer from the Andrews Group, an acquisition vehicle controlled by investor Ronald Perelman and headed by Bill Bevins, former chief financial officer for Turner Broadcasting System. Despite reported disadvantages suffered by domestic bidders, the stock market valued the new offer 40% higher than the bid from Pathe, which indicated it would not attempt to counter.

Andrews said it would pay \$8.95 a share cash—New World went public in October 1985 at \$7.50—for all the stock except the roughly 30% owned by the company's three co-chairmen, Lawrence L. Kuppin, Robert Rehme and Harry E. Sloan. Those three would exchange their shares for shares in the Andrews Group, which planned to launch a tender offer last Friday or today (April 17).

Andrews had recently purchased the publishing and merchandising operations of Marvel Entertainment Group from New World, which kept the television production division of the company. Andrews Group also comprises several media companies, including syndicator Four Star International, Compact Video and Vid-America Inc.

The new bidders are said to be primarily interested in New World's television operations, which include production for prime time network television and animation. Los Angeles-based New World began the 1988-89 television season with five series scheduled for prime time, but only two of those remain: *Tour of Duty* and the highly rated *Wonder Years*. The *Robert Guillaume Show* was recently added to ABC's schedule. The canceling of shows and the writers' strike were primarily responsible, the company said, for a decline in 1988 domestic television revenue to \$106 million from \$147.7 million in the prior year.

New ownership would help solve New World's continuing liquidity problems. It faces interest payments to lenders and a \$47 million principal repayment five months from now to General Electric Capital Corp. (GECC), which helped finance a repurchase last year of long-term debt, much of it for less than half the face value amount. GECC should make out well since it has warrants to purchase stock, for a nominal sum, for up to 15% of the shares outstanding.

New World over the past few years has been a net user of cash, since theatrical film and television operations have not generated enough long-term successes. The company's 1988 results, released two weeks ago, revealed a \$61.1 million operating loss on revenue of \$340.5 million. Contributing to the loss was \$26.8 million in write-downs on television and animation product, including "revisions of revenues expected to be derived from the exploitation of the canceled television series *Crime Story* and *Rags to Riches*." New World also took a \$10 million charge against earnings because, the company said, expected syndication revenue from *Highway to Heaven* might not be enough to cover an advance.

Last week's announcement said the merger is expected to close "shortly after successful completion of the [tender] offer." It is expected that Kuppin and Sloan will be given consulting contracts with Andrews Group. □

New World co-chairmen (l-r): Kuppin, Rehme and Sloan

BFM: Taking care of business

Cable and broadcasting debate differences in wake of NAB call for cable reregulation

The lead-off panel of the 29th Broadcast Financial Management Association convention, entitled "Telecommunications '89-'90," showcased new developments in long-running conflicts between cable and television industry associations, and between broadcasting and cable interests. Monday's debate was partially fueled by the report that the National Association of Broadcasters, in a policy change, would ask Congress to investigate reregulation of the cable industry. Among their differing views, the representatives of broadcasting, cable and telephone industry associations agreed on one item: that a crucial issue in the future of their businesses is access to the household.

The panel included representatives of six different industry associations, ranging from the Radio-Television News Directors Association to the United States Telephone Association. The panel was moderated by