



Paramount Chairman Martin Davis and Viacom Chairman Sumner Redstone at press conference last Monday in New York announcing 'the single most powerful entertainment company in the world.'

Paramount, Viacom say 'I do'

Redstone's entrepreneurial spirit, synergies to drive \$8.2 billion merger

By Geoffrey Foisie and Christopher Stern

One is primarily cable networks. The other, entertainment production and syndication. One has cable systems and radio stations. The other has home video, books and theme parks.

Those dovetailing differences of Viacom and Paramount suggest that new economies and businesses will flow from the \$8.2 billion merger they announced last week. But it's not just the promise of synergy that drove the deal.

Sumner Redstone, the Viacom chairman who will emerge at the top of Paramount Viacom International, paid more for Viacom six years ago than many thought prudent. But by driving the profitability of key divisions, Redstone has managed to push Viacom's value north at a 44% annual compounded rate.

The opportunity to repeat that performance with the assets and businesses of Paramount may, in fact, be the best explanation for the merger.

"Redstone, like Murdoch, has demonstrated he can run a big company in an entrepreneurial fashion," says media securities analyst Mark Riely.

Not surprising then was Redstone's talk last week of more dealmaking. A relatively debt-free balance sheet makes Paramount Viacom the world's "most powerful software and entertainment company," he says. And it makes the company able to make further acquisitions—as well as an attractive target.

Media mega-merger mechanics

The proposed merger is a definitive agreement, approved by both companies' boards of directors. It still requires governmental approvals, including that of the FCC, and shareholder consent. Since Sumner Redstone already owns a majority of Viacom's voting stock, the only uncertainty rests with Paramount shareholders.

The latter are to receive, in a tax-free exchange for each share, \$9.10 cash and \$60.04 worth of Viacom stock. Executives last week said that the merger could be expected to be completed by late '93 or early '94.

FCC approval is required for at least two potential crossownership violations. Viacom has an FM station in Detroit, where Paramount is buying WKBD-TV. Viacom has proposed a swap that would give it four stations in Washington, where Paramount owns WDCA-TV. Whether to seek waivers for the crossownership has not been looked at yet, says Paramount President Stanley Jaffe.

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