

## CBS Presents Formal Offer to Buy Viacom Below Current Valuation

By Carlota Sáenz Guillén, LL.M. Candidate 2018 | April 8, 2018

The broadcast television network, [CBS](#), has offered to buy the TV and film company, [Viacom](#). While CBS is best known for controlling the CBS broadcast network, Showtime, and streaming network, CBS All Access, Viacom is popular for its cable channels like MTV and Nickelodeon, and its movie studio, Paramount. The Redstone family, led by media magnate [Sumner Redstone](#), has 80% of the voting power for both companies.

The conditions of the all-stock bid, however, are not equal for both parties. Sources have said that CBS has [valued](#) Viacom at less than its market value and CBS would assume control. Sources have also said that [Leslie Moonves](#), current CEO and Chairman of CBS, would be leading the new combined entity for two years at least. In deal negotiations, it is unusual to start valuing the target company at a discount.

The [negotiation activity](#) around the companies has been reflected in the share prices of both. As a result, on April 2 (the day after the conditions of the bid appeared in the news), CBS stock closed at \$52.86, up about 4.2%. Viacom's stock, valued at \$29.42 per share, was down more than 3%.

In February, CBS and Viacom set up special committees to explore the merger. Nevertheless, this is not the first time that the two companies have explored a merger deal. In 2016, the negotiations failed due to price and governance issues. Redstone is trying again to combine both companies in an effort to increase the volume of the two entities in a critical moment of consolidation and rapid change in media and entertainment.

The merger, if successful, would bring back together the two media companies more than ten years after their [spin-off](#). When the split took place in 2005, Viacom was expected to be the fast-growing company, but currently CBS is the stronger one, in part due to its strong programming lineup. CBS has also gained success in the streaming market, a sector dominated by Netflix.

Since 2016, [Robert Bakish](#), president and CEO of Viacom, Inc., has taken several steps to improve the company's performance. Some of the measures include improving relations with cable and satellite companies and cutting costs. On one hand, according to the analyst Brian Wieser, Viacom's weakness is not a surprise because "they haven't really established many zeitgeist-changing programs or content," he [said](#). On the other hand, more optimistic opinions have suggested that CBS may ultimately pay a premium for Viacom stock.

