TIME WARNER CABLE INC.
Form DEFA14A
January 15, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
þ Soliciting Material Pursuant to § 240.14a-12

TIME WARNER CABLE INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

On January 15, 2014, Time Warner Cable Inc. posted the following presentation to its website.

Charter s Proposal is Grossly Inadequate
January 15, 2014

2
Forward-Looking Statements and Disclaimers
ADDITIONAL INFORMATION
Time Warner Cable expects to file a proxy statement with the U.S. Securities and Exchange Commission (SEC) and to prov
to
its
security
holders.
INVESTORS
AND
SECURITY
HOLDERS
OF
TIME
WARNER
CABLE
ARE
URGED
TO
READ
THIS
DOCUMENT
AND
ANY
OTHER
DOCUMENTS
FILED BY TIME WARNER CABLE WITH THE SEC CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECO
IMPORTANT INFORMATION. Investors and security holders will be able to obtain free copies of the definitive proxy stater
documents filed with the SEC by Time Warner Cable through the web site maintained by the SEC at http://www.sec.gov.
CERTAIN INFORMATION REGARDING PARTICIPANTS
FORWARD-LOOKING STATEMENTS AND DISCLAIMERS
Time Warner Cable and certain of its directors and executive officers may be deemed to be participants in a solicitation under t
holders may obtain information regarding the names, affiliations and interests of Time Warner Cable s directors and executive
Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on February 15, 2013, and
Annual Meeting, which was filed with the SEC on April 4, 2013. These documents can be obtained free of charge from the so
information regarding the interests of these participants in any proxy solicitation and a description of their direct and indirect in
otherwise, will also be included in any proxy statement and other relevant materials to be filed with the SEC if and when they b
This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. This document include
statements within the meaning of the Private Securities Litigation Reform Act of 1995 and we intend that all such statements b
provisions of the federal securities laws. Statements herein regarding future financial and operating results and any other stater
expectations constitute forward-looking statements. These forward-looking statements may be identified by words such as
anticipates, projects, intends, should, estimates or similar expressions. These statements are based on managem
beliefs, and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed
herein due to changes in economic, business, competitive, technological, strategic and/or regulatory factors, and other factors a
Warner Cable. More detailed information about these factors may be found in filings by Time Warner Cable with the SEC, inc
Report on Form 10-K and Quarterly Reports on Form 10-Q. Time Warner Cable is under no obligation to, and expressly discl
or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

The materials herein may contain certain previously published third-party material. Unless otherwise indicated, consent of the
been obtained to use the material as proxy soliciting material.

3
Charter has made a number of claims in its public comments about
TWC and the
Charter proposal that we believe reflect a fundamental lack of understanding of our
operations and strategy
We will address these claims in due course. However, none of what Charter has
claimed changes the simple fact that its proposal is grossly inadequate
As such, these materials focus on TWC s value as a one-of-a-kind asset that Tom
Rutledge correctly has identified as the biggest and best M&A option available
Presentation Context

4

Charter s proposal fails to reflect the significant value of TWC s high quality assets, unique scale, synergy potential, growth opportunities and strong financial position

It is materially below precedent transaction multiples, especially transactions of a

similar scale to TWC

The proposal fails to adequately compensate and protect TWC shareholders for the risks of owning Charter s stock

We have engaged with Charter, but Charter is not prepared to pay for a one-of-a-kind asset and instead chose to go public with another low-ball proposal in an attempt to steal the Company

Charter s Proposal is Grossly Inadequate

The TWC Board of Directors unanimously rejected Charter s third grossly inadequate proposal

5 Starting in May of 2013, TWC management engaged with

Charter
and
Liberty
in
an
attempt
to
understand their approach. After numerous meetings in May, June, and July, Charter made a low-ball offer of $114 per TWC share, which was rejected by our Board
Charter did not re-engage with TWC until late October, when it made another low-ball offer of $127 per TWC share, which was also rejected by our Board
In December, TWC management had numerous conversations with Charter management in order to understand:
On December 27, TWC management made clear to Charter:
TWC Has Engaged With Charter
Rather than pursuing this path, Charter has chosen to go public with its third low-ball offer trying to pressure TWC's Board into selling the Company at a grossly inadequate price

Charter s proposal and operational plan

Charter s view on synergies and tax attributes

Charter s proposed capital structure and financing plan

Our concerns about the highly uncertain value of Charter s stock

That
our
Board
is
open
to
a
transaction
with
Charter
at
$160
per
TWC
share
consisting
of
$100
in
cash
and
$60 per share of Charter common stock, with a 20% symmetrical collar

6

Charter s proposal is well below recent cable transactions, especially transactions of a similar scale to TWC

Only true comparable deal from a scale perspective, AT&T Broadband, sold in 2002 for ~21x EBITDA, ~8x higher than the average trading multiple of public comparable cable companies at the time

The Charter proposal to acquire TWC is

at
a
significant
discount
to
Charter s
standalone
public trading multiple
Charter Has Made 3 Proposals to TWC
(1)
(2)
Recap of Charter s Grossly Inadequate Proposals

July 2013
October 2013
January 2014
Consideration
Per
TWC
Share
Cash
$79.11
$82.54
$82.54
Stock
$34.56
$44.49
$49.96
Exchange Ratio
0.275x
0.329x
0.372x
Total
$113.67
$127.03
$132.50
Premium / Discount to Current TWC Share Price
(16.4%)
(6.6%)
(2.6%)
Adjusted 2014E EBITDA Multiples:
Implied TWC Takeover Multiple
7.2x
Charter Trading Multiple
9.4x
Source: Company filings, Wall Street research estimates. EBITDA estimates throughout the presentation are based on Wall St
compensation expense if not already factored into estimates. Wall Street analysts may use slightly different definitions for EBI
Note:
Current prices as of 1/14/2014 close.
1.

Based on consensus estimates of TWC 2014E EBITDA post stock-based compensation of $8.3 billion.

2. Based on consensus estimates of Charter 2014E EBITDA post stock-based compensation of $3.2 billion.

7
TWC is the Premier Pure-Play Cable Company
Industry Leading Business

$22.0 billion of Last Twelve Months
Revenue (9/30/2013)

$18.4 billion residential services

$2.2 billion business services

$1.4 billion advertising & other

15.1 million customers (9/30/2013)

14.5 million residential services

0.6 million business services

Ideally situated to capitalize on future growth opportunities as a result of our robust network, operational expertise and financial flexibility

Ongoing product roll-outs and improvements, including:

Robust WiFi network

IntelligentHome

TWC TV apps (for iOS, Android, Roku, Samsung Smart TV, Xbox and Kindle platforms)

Cloud-based guide

Cloud services for businesses
Extensive Geographic Footprint

Owns well-clustered cable systems located in key geographic areas, including:

New York State
(including New York City)

Southern California
(including Los Angeles)

Texas

The Carolinas

Midwest (including Ohio, Kentucky and Wisconsin)
Innovative Technology Pioneer

Recognized leader in technical innovation,

including 8 Emmys for technology and engineering	
State-of-the-art network	
Nationwide fiber backbone	
Deep metro fiber assets	
Increasing standard HSD speeds to 50x5 and top HSD speeds to 300x20 in 2014	
Internally managed content delivery network for IP video delivery	
Cutting-edge video services	
Most advanced linear IP video product in industry, with up to 300 live linear channels available via multiple platforms	
Average of 179 HD channels per market	
All digital in NYC and in the process of going all digital in other markets	
TWC-Serviced States (1)	

1. Represents states where TWC has video customers.

8
TWC is Uniquely Positioned to Deliver Scale
in the Cable Industry
Sources:
Public filings, company websites, SNL Kagan.
Notes:
PSUs, or primary service units, defined as the sum of video, data, and voice subscribers as of Q3 2013.
Comcast revenue reflects cable operations only.
Cox revenue as of 2012 results per company website.
Charter and Cablevision LTM revenue pro forma for Bresnan transaction.
Top Cable Players by PSUs
($ in billions, PSUs and passings in millions)
LTM 9/30/13
Revenue
$41.3
$22.0
$9.6
$8.3
$6.2
$2.2
$1.6
Passings
53.7

29.8
10.4
12.8
5.0
3.1
2.8
TWC is the only independent, publicly traded cable company of scale
52.4
28.2
11.6
11.2
7.9
2.8
2.3
Comcast
TWC
Cox
Charter
Cablevision
Suddenlink
Mediacom

9
Precedent Forward EBITDA Multiples (over $1 billion)
Proposal does not reflect the scale and quality of TWC s assets and the estimated synergy potential
Announcement Date:
Jun-2010
Aug-2011
Jul-2012
Mar-2013
$71.4
$17.6
$1.4
$3.0
$1.0
$1.4

$6.6
$1.6
$2.6
$62.4
Deal Value
($ in billions):
Apr-2005
Dec-2001
Premium to
Industry Trading
Multiples:
Jun-2012
Jul-2012
Feb-2013
Jan-2014
(1)
Target Subs as a % of
Acquiror Subs:
143%
30%
10%
6%
NA
30%
NA
7%
NA
267%
Strategic Buyer
Large Scale Transactions
Financial Buyer
Charter s Proposal is Significantly Below
Precedent Transaction Valuations
8.0x
4.4x
2.5x
2.7x
1.4x
1.7x
1.7x
0.6x
1.6x
(1.0x)
8.2x
8.4x
8.0x
8.3x
8.3x
8.0x
8.6x

7.2x
Comcast /
AT&T
Broadband
TWX &
Comcast /
Adelphia
CVC /
Bresnan
TWC /
Insight
Oak Hill /
WaveDivision
Cogeco /
Atlantic
BC Partners /
Suddenlink
Charter /
Bresnan
Liberty /
Charter
Charter Proposal
20.8x
13.5x
$160 proposal TWC management discussed
with Charter implies 8.2x fwd. multiple
Sources: Public filings, Press releases, Mergermarket, Factset, Wall Street research estimates.
1. Industry averages based on average of ADLAC, MCCC, ICCI, CVC, CMCSA, TWC, CVC and CHTR one year forward tra
multiple if listed (e.g., Charter, TWC).

10
Acquiror / Target
Ann. Date
Deal Value
($ billion)
Sizeable
Asset
Top
Markets
Significant
Synergies
Shared
Syn.
Tax
Assets
EBITDA

Multiple
Prem. to
Industry
Comcast / AT&T
Broadband
Dec-01
$71.4
20.8x
8.0x
TWX & Comcast /
Adelphia
Apr-05
$17.6
13.5x
4.4x
CVC / Bresnan
Jun-10
$1.4
8.2x
2.5x
TWC / Insight
Aug-11
$3.0
8.4x
2.7x
Oak Hill /
WaveDivision
Jun-12
$1.0
8.0x
1.4x
Cogeco / Atlantic
Broadband
Jul-12
$1.4
8.3x
1.7x
BC Partners /
Suddenlink
Jul-12
$6.6
8.3x
1.7x
Charter / Bresnan
Feb-13
$1.6
8.0x
0.6x
Liberty / Charter
Mar-13

$2.6
8.6x
1.6x
TWC (per Charter Proposal)
7.2x
(1.0x)
(2)
$62.4
(3)
(1)
(4)
Charter s Proposal Significantly Undervalues
TWC s Unique Attributes
Sources: Public filings and SNL Kagan; Press releases, Mergermarket, Factset, Wall Street research estimates.
1. Based on % of basic subscribers in Top 20 DMAs.
2. Target shareholders benefit from post-transaction synergies.
3. 1-Year Fwd. EBITDA multiple.
4. Industry averages based on average of ADLAC, MCCC, ICCI, CVC, CMCSA, TWC, CVC and CHTR one year forward tra
excluding
target
multiple if listed (e.g., Charter, TWC).