

CTC Media Sells Russian Television Stations to Billionaire Usmanov

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September 25, 2015



CTC is not the first foreign company forced to pull back from Russia by the media ownership law.

Russian billionaire Alisher Usmanov and his business partner Ivan Tavrin will take control of four television stations after a law restricting foreign participation in Russian media forced their owner to sell on the cheap.

Russia's largest non-state broadcaster, CTC Media, announced on Friday it would sell a majority stake in the operator of its free-to-air television channels for \$200 million plus \$55 million from the operating company's cash reserves.

The agreement follows legislation passed last year that limits foreign ownership of Russian media companies to 20 percent from Feb. 1, 2017. The media law came in the wake of Russia's annexation of Crimea and was widely seen as a tool to increase Kremlin control over the media.

By forcing CTC Media, a U.S.-based company founded by an American in 1989, to dilute its stake, the law created a bargain opportunity for a buyer: Before the legislation was mooted last year, CTC Media's shares traded around \$10 on New York's NASDAQ stock exchange. On Friday they were at around \$1.9, valuing the company at \$295 million.

The agreement announced on Friday will transfer a 75 percent share of CTC Media's operating business to UTH, a media holding owned by Usmanov and his longtime business partner Tavrín. A later share issue will boost UTH's stake to 80 percent, according to a statement on the company's website. The deal is expected to close in December.

CTC Media — which controls Russian entertainment television channels CTC, Domashny, Peretz and CTC Love, as well as Channel 31 in Kazakhstan — was founded in 1989 by U.S. entrepreneur Peter Gerwe, who fended off a hostile takeover attempt from former oligarch Vladimir Gusinsky to build a media empire that reported revenues of \$711 million last year.

The channels will boost the media holdings of Usmanov, who already controls Russia's most popular social media website, VKontakte, and a clutch of newspapers, magazines and a radio station through the Kommersant publishing house. UTH owns television station Channel U and a 49 percent stake in The Disney Channel in Russia.

Like all of Russia's business magnates, Usmanov — worth more than \$13 billion according to Forbes magazine — has strong ties to the Kremlin.

Werner Klatten, a board member at CTC Media, was quoted in Friday's statement as saying the law forcing the sale of CTC's operating assets was “unfortunate,” but that “we believe that UTH will be a good new owner of the business.”

Sweden's Modern Times Group, which owns 38 percent of CTC Media, has already approved the deal, the statement said.

Another minority shareholder, Telcrest, will not take part in the sale. The company, which has a 25 percent stake in CTC Media, is backed by Bank Rossiya and billionaire Yury Kovalchuk — both of whom were targeted by U.S. sanctions imposed last year over the Ukraine crisis.

CTC is not the first foreign company forced to pull back from Russia by the media ownership law. Axel Springer, the German publisher of Forbes and OK! in Russia, and Edipresse, the Swiss firm that issued the magazines Mother and Baby, Landscape Design, and Atelier in Russia, announced this month they would leave the market.

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Original url:

<https://www.themoscowtimes.com/2015/09/25/ctc-media-sells-russian-television-stations-to-billionaire-usmanov-a49836>