

# Cablefax Daily™

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What the Industry Reads First

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## Trouble Brewing? Analysts Forecast Possible Standoff Between Altice, Disney

On the heels of media-driven controversies about a politically correct announcer assignment and an anchor's anti-*Trump* tweets, **ESPN** and its fellow **Disney** cable nets have a very real issue on their plate. The likelihood of a standoff between **Altice USA** and Disney's media networks group, which could include blackouts of both **ESPN** and **ABC O&O** broadcast nets for Altice's 3.5mln video subs, is on the rise. **BTIG Research's** *Rich Greenfield* wrote Monday that negotiations are "breaking down," and the odds of a carriage interruption are "growing quickly." A source confirmed the two sides are far apart. **NBC News** cited sources as saying the deal expires Sept 30. Altice USA svp, communications *Lisa Anselmo* in a statement said, "While I'm not going to comment on specific negotiations, efforts by broadcasters and sports networks to extract significantly higher fees from distributors—particularly when viewership of their programming is declining—and make excessive anti-consumer demands are the greatest contributor to rising cable bills. We are always working hard to keep these costs as low as possible for consumers by negotiating carriage agreements that are reasonable and in the best interest of all our customers." A Disney and ESPN Media Networks spokesperson said, "Our proven history of providing extraordinary value to consumers and distributors is unmatched. Our negotiations continue in earnest and we remain optimistic that we can reach a deal." Analysts are characterizing Disney's approach to the negotiations as aggressive, perhaps overly so. **Pivotal Research's** *Jeffrey Wlodarczak* wrote the programming group is likely seeking "large absolute price increases," the carriage of new channels at an added fee (including the upcoming **ACC Network**) and, for the first time, increased programming carriage minimums. That third factor is extremely important given the rise of smaller bundles. As distributors seek to offer more affordable packages, they will be inclined to leave **ESPN** out to reduce the cost for non-sports fans. **Charter**, for example, rolled out an **entertainment-only skinny bundle** on a limited basis in June that excludes **ESPN**. Disney is seeking to reduce operators' ability to leave its high-priced sports net out of similar offerings going forward. *Greenfield*, a frequent Disney critic, asserted that it is not in distributors' best interest to acquiesce to requests for higher carriage minimums. "Given consumer demand for smaller bundles, penetration requirements also need to come down so that distributors can design bundles that offer attractive price/value to consumers, rather than bundles that simply enrich Disney/ESPN to the detriment of consumers," *Greenfield* wrote. He added the net's total day ratings are



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down 9% YOY and 25% over the past three years. Disney, however, will likely make the argument that live sports, more than any other programming, is keeping many consumers from cutting the cord. The net continues to draw huge audiences for flagship events like the three-game College Football Playoff, which averaged 22mln linear and digital viewers this year, and **NBA Playoffs**, as well as the **NBA Finals** on ABC. A prolonged blackout would cost Altice customers high-profile college football games and, potentially, the start of the NBA season. Greenfield wrote Disney's request for "double-digit rate increases" runs counter to BTIG's belief that rates "should drop 25%." Disney also is seeking higher retrans fees for ABC broadcast channels. Negotiations with Altice could set the tone for Disney's upcoming round of renewals. Disney chmn/CEO *Bob Iger* recently said the company will have 50% of its cable distribution extended by the end of 2019, and research firm **MoffettNathanson** reported deals with **Verizon**, **Time Warner Cable** (now owned by Charter) and **AT&T/DirecTV** are set to expire in that timeframe. Wlodarczak wrote the potential for a standoff between Disney and Altice "may be a harbinger of increasingly tough future content/distributor negotiations across the board."

**Upsetting the A la Carte:** Independent programmers said they've had serious discussions with **Amazon** about the internet retailer offering the nets outside of a bundle, but have run into problems being offered a la carte because their contracts with traditional MVPDs have clauses that require they be carried at a certain penetration levels. With no defined package or bundle, Amazon can't provide that. The nets' comments follow an *NBC News* report that **Amazon is in the market to "buy scores of small television channels."** **Cablefax** could not confirm Amazon's interest in buying the nets outright, but programmers we spoke with said the internet giant is interested in offering the nets to consumers. Amazon Video has some well-known cable veterans working on the case, including former **Cox** and **Suddenlink** programming exec *Kathy Payne*.

**Primetime Emmys:** **HBO** took home the most Emmy statuettes Sunday night at 29, but **Netflix** is definitely gaining with 20 wins. That's more than double 2016's nine wins and a huge jump from 2013's three victories. It was a big night for fellow streamer **Hulu**, who finished fourth with 10 wins, behind **NBC's** 15. NBC's "SNL" had the most wins for a single program with nine, followed by a tie at eight for HBO's "Big Little Lies" and Hulu's "The Handmaid's Tale." Cable nets and OTT players with multiple wins included **FX Networks** (6), **Adult Swim** (4), **A&E** (3), **VH1** (3), **Amazon** (2), **BBC America** (2) **ESPN** (2) and **National Geographic** (2).

**Charter-NYS Settlement:** Charter will pay the **NY State Public Service Commission** \$13mln as part of a settlement agreement finalized Friday. The two announced the potential settlement in June. The cable operator failed to build out its network as required following its acquisition of **Time Warner Cable**. The company agreed to several conditions in order to achieve approval of its TWC acquisition in 2016, including that it would extend its network to an additional 35K under-served homes and businesses per year for four years. As of May, it had only reached 15K of the premises. Under the revised deal, Charter committed to completing its total build-out requirement of 145K new passings in 22K increments over six periods through May 18, 2020.

**Sinclair-Tribune:** The **FCC's** voluntary merger review clock on **Sinclair-Tribune** hasn't been stopped (Monday marked day 74 of 180), but the agency is looking for more info from the broadcasters. In a request sent last week, the Media Bureau asked for more details regarding the national audience reach cap. Without divestiture, Sinclair's

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\$3.9bln deal would exceed that 39% cap by 6.5%. The Bureau wants to know what Sinclair's current national audience reach is as well as the specific figures. Other info the Bureau wants by Oct 5 includes details on capital investments Sinclair plans to make in Tribune stations as well as specific plans to add local programming post-transaction.

**Local Flavor:** FuboTV added local Fox affiliates in 12 markets: Seattle, Denver, Sacramento, St. Louis, Indianapolis, Hartford, KC, Salt Lake City, Milwaukee, Harrisburg (PA), Grand Rapids (MI) and Greensboro (NC). It also made a national Fox channel available to 37 nets in which it doesn't have local broadcast rights. That feed includes Fox's primetime lineup, as well as NFL and MLB games. The virtual MVPD now offers 58 local English-language broadcast stations, plus 17 Telemundo affiliates. Hulu remains the clubhouse leader among virtual MVPDs with 204 local English-language stations, followed by PlayStation Vue with 186. DirecTV Now also announced the addition of 12 CBS and four CW stations Monday, bringing its local count to 155. As part of its recent deal with CBS, DirecTV Now is also offering Showtime for \$8/month and will soon add CBS Sports Network and Pop to its lineup.

**Close to Home:** ESPN's new ACC Network will be based at its main Bristol, CT, campus, according to a Sports-Business Daily report. Previously, it was thought the net would be housed in Charlotte alongside the SEC Network and in the heart of the ACC footprint.

**Programming:** Beginning Sept 28, a free preview of Sportsman Channel will be available to DISH customers, regardless of their programming package. The deal coincides with the start of the fall hunting season and the arrival of #DeerWeek on Oct 15. Sportsman Channel is available to DISH customers as a part of its Outdoor Pack and America's Top 250 packages. -- HGTV ordered another 20 episodes of popular renovation and house-hunting show "Love It or List It." The new season is set to premiere in July 2018. -- Showtime is bringing another addition to its lineup of music specials and docs with "George Michael: Freedom." Premiering on Oct 21 at 9pm ET/PT, the film will span the entirety of the late Grammy winner's career, but will be centered on his rise to fame and subsequent court battles with his record label. -- Fox News is giving commentator Laura Ingraham her own live show, titled "The Ingraham Angle." The show will air at 10pm ET beginning Oct 30. The net will move "Hannity" to the 9pm hour and "The Five" back to its regular 5pm timeslot. A group of rotating hosts will fill the 10pm timeslot until the debut of Ingraham's show.

**Honors:** Mediacom founder, chmn and CEO Rocco Commisso received the Foreign Policy Association Medal in a NYC ceremony last Thursday. The medal is meant to honor those who work to expand public knowledge surrounding international affairs. Past honorees include former Secretary of State Colin Powell and ex-Mayor Michael Bloomberg. In remarks at Thursday's event, Commisso spoke about his attraction to the cable business in its early days. "They didn't play by the rules. They were different. They were entrepreneurial," he said. "They didn't believe that the only way you go up in this world is through the corporate ladder. They believed in doing it on your own."

**People:** Anhele Reyes is stepping into the new position of svp, consumer marketing for Paramount Network. Reyes previously served as vp, brand marketing and activation for Spike, which Paramount Network is replacing in January.

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