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Future-Casting: Media Analysts Give Their Two Cents at NATPE

Interesting to hear a Wall Street analyst bemoan that media execs have trained analysts to look for "short-term gifts," such as stock buybacks and end-of-quarter **Netflix** deals that hit the revenue bottom line. "The companies that we cover have trained us to be short-term," **MoffettNathanson's** *Michael Nathanson* said during a **NATPE** Miami panel Tuesday. He identified **Fox** and **Disney** as two companies he covers that tend to be longer term—with Disney's pending Fox deal likely to have a long-term payoff. "With Disney leading the way, I'm hopeful that 2017 is the bottom of that short-term exercise," Nathanson said. Of course, those execs would probably flip that around and say Wall Street has conditioned them to find such short-term gifts. It works until it doesn't. See **Time Warner Cable's** stock buybacks that were positively received, until the table turned and analysts complained that money hadn't been put back into the network. Much of the financial panel was spent prognosticating on what's ahead for an industry in the middle of epic changes. Traditionally content has been "king" and distribution has been "queen." "As you head into this idea of convergence, it's unclear who is going to be king and queen in the next decade or so," said **Macquarie's** *Amy Yong*, suggesting the next level of risk in US media could be coming from global forces, like **Tencent** and **Alibaba**. **Morgan Stanley's** *Ben Swinburne* suggested regulation may be one of the biggest drivers of change, with a big differentiation between digital companies and the more tightly regulated traditional media outlets. The panel suggested looking to the European Union for possible guidance on where this is headed, saying it's much further along on examining digital. Cable providers are positioned well, with more broadband customers than video, but the industry continues to face regulatory uncertainty. "As cable continues to push market share higher in broadband, is there a regulatory backlash?" Swinburne wondered, saying it ties into the whole net neutrality debate and arguing (just as cable has) that a legislative solution is the only way to provide certainty. As for today's landscape, it's all about unbundling video. But Swinburne believes that the bundle will come back in fashion because the consumer "prefers aggregation, curation, simplicity." He threw out **Roku** with its 5,000 channels, saying that 70% of time spent is with the top five channels. But until that rebundling happens, churn will be high, said **JP Morgan's** *Alexia Quadrani*. "The question is how many of these OTT platforms will [consumers] have at one time," she said, predicting a lot of dipping in and out of services. Another in-

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sight from this analyst session left us questioning where scripted dramas are headed. Quadrani predicted the "slow burn drama," like "Breaking Bad," is going to have to go away because of consumers' short attention spans. Swinburne blamed dramas for some of the **NFL's** ratings losses. "It's not a coincidence that you're seeing massive increases in scripted drama and NFL ratings are starting to fall off," he said. "There's only so much time in the day."

Watching Facebook: It's been about four months since **Facebook** rolled out its Facebook Watch video platform, and one of the biggest surprises has been users' willingness to watch content for more than a few minutes. "It was a shock," *Ricky Van Veen*, Facebook's head of global creative strategy, said during an interview with **BTIG Research's** *Rich Greenfield* at **NATPE** Miami Tuesday. "The way has been paved for people to watch compelling content on small devices." For a 20-minute show, the average viewer watch time is 17 minutes, according to the exec. Van Veen declined to provide a timeline for when a Facebook Watch tab would launch outside the US, though you can access the shows anywhere. "It is to make sure we get everything right before expanding," Van Veen said. "We're testing in the US to make sure the user experience is as great as it can be." He used his keynote at NAPTE to announce three new shows coming to Facebook Watch: "Bear Grylls: Face the Wild," Jukin Media stunt show "Fly Guys" and "Sacred Lies," an adaptation of the novel "The Sacred Lies of Minnow Bly." When choosing shows, the most important element for Facebook is that there is an audience relationship given the connected social element. "A show should activate a community," whether it's an affinity group, psychographic or new community formed around a show, Van Veen said. "If you took a show off Facebook, it would not work or be as good. That's the main filter we use. There's a ton of content out there. We want anything we do to make sure it's better because it's on Facebook." "Ball in the Family" has been among the platform's most popular shows, highlighting the lives of **NBA** rookie *Lonzo Ball*, along with his brothers and brash father *LaVar Ball*. "We see the chatter start on Sunday afternoon for that show," which debuts that night, the exec said. "We're seeing the emergence of appointment of viewing."

Star-Crossed Suitors: A report suggesting **Viacom** and **CBS** could be on the verge of a (re-)merger boosted Viacom's stock 9.3% on Friday, but *Reuters* has since discredited *The Wrap's* initial reporting, saying there had been discussions but no real movement toward a deal. The stock dipped 7% during trading Tuesday. Talk of a Viacom-CBS combination is nothing new. There has been chatter about a potential reunion between the two companies—both controlled by **National Amusement's** *Sumner Redstone* and his daughter *Shari*—since they split in 2006. **Barclays'** *Kannan Venkateshwar* wrote the fervor around Friday's report is indicative of a larger trend in the media industry that is being exacerbated in the wake last year's M&A. "We believe investors are primed to expect more media deals post moves by **Disney** and **Discovery**. Therefore it is likely that trading in these stocks will be dominated by this speculation." Venkateshwar wrote Viacom "does not have time on its side to organically turn around operations," asserting that a merger would be about "buying some time for Viacom." He noted CBS would provide Viacom with a "greater degree of negotiating leverage in carriage negotiations." **MoffettNathanson** analyst *Michael Nathanson* wrote that while the deal is obviously beneficial for Viacom, "the case has been less obvious from the CBS side." He noted that while CBS has boasted about being lean with only two main networks, a merger "should create more aggregate affiliate fee negotiating leverage and substantial cost synergies." He pointed out that a deal would give CBS more cash flow as it readies for upcoming **NFL** negotiations.

Broadband Bills: Republican politicians turned their attention to broadband deployment Tuesday in the wake of President *Trump's* executive order last week aimed at improving internet access in rural areas. **FCC** chmn *Ajit Pai* proposed an order to provide more than $500mln in additional funding for cooperatives and small rural carriers in order to promote broadband deployment in under-served locations. The order also includes rules and reform to improve the efficiency of the FCC's Universal Service for High Cost Areas program and prevent abuse. Also on Tuesday, lawmakers said the House Subcommittee on Communications and Technology will introduce a series of bills this week aimed at increasing access to broadband throughout the US. *Greg Walden* (R-OR) and *Marsha Blackburn* (R-TN) wrote in an op-ed that the bills will be introduced in three phases: "removing barriers to infrastructure buildout, supporting innovation, and strengthening the public safety benefits that come with access to broadband internet." The first round ("removing barriers") is of particular interest to ISPs, as it will focus on reducing the red tape involved in deploying broadband infrastructure. The second phase ("supporting innovation") would "establish a defined, consistent framework for all broadband technology" that the lawmakers believe will promote high-speed internet access in rural areas. The third group ("public safety") will focus on "advancing funds for high-speed broadband in declared disaster areas."

New Horizons: **NAMIC** pres/CEO *Eglon E. Simons* is retiring from the organization after more than three years in the position. First rising to the role in 2014, Simons led NAMIC's expansion to 18 chapters and more than 3,500 members. He's agreed to stay in the role as the board of directors searches for its next CEO. Touting more than 30 years of industry experience, Simons began his career at **CBS New York**, holding a number of leadership positions before rising to vp of sales and marketing for the CBS Television Stations Division. He next spent 21 years with **Cablevision** as director of New York sales for its cable networks unit, and in 1992 began serving as vp/general manager of the New York Interconnect before being promoted to svp/general manager in 1995. Simons was named evp of Cablevision's Rainbow Advertising Sales company in 2002 until he retired from the organization in 2011. "I've had an exciting and enjoyable time with NAMIC - and its passionate and dedicated staff - growing the organization. I am looking forward to working with NAMIC's board and the staff on the transition and to implement initiatives and partnerships focused on NAMIC's future and the role it will play in maintaining its mission to advocate, empower and educate for all people, especially people of color," said Simons.

Verizon Downgrade: Research firm **MoffettNathanson** lowered its rating on **Verizon's** stock to "neutral" and simultaneously raised its target price on the stock to $56. Analyst *Craig Moffett* expressed concern about the increased risk of inflation due to the lower tax rate for the company under the recently enacted policy. He also pointed to fundamental concerns, such as new competition from **Comcast** and **Charter** in the mobile marketplace and pressures on ARPU in the wireline business. Verizon shares already surpassed the firm's previous target price of $51, leading Moffett to raise the target price.

Net Neutrality Pushback: The FCC is the target of several lawsuits filed with the DC Circuit on Tuesday related to its pending rollback of the 2015 Open Internet Order. Eric Schneiderman of New York led 22 Attorneys General in a petition for review, arguing the FCC's rollback order is "arbitrary, capricious, and an abuse of discretion within the meaning of the Administrative Procedure Act." Mozilla and the Open Technology Institute also filed petitions on similar grounds. Meanwhile, all 49 Senate Democrats signed a resolution seeking to overturn the FCC's rollback. The resolution, led by *Sen. Ed Markey* (D-MA), would fully restore the Open Internet Order. Republican *Sen. Susan Collins* (R-ME) has already backed the CRA resolution, meaning only one more is needed to pass the legislation in the Senate. Democrats are expected to force a vote on the legislation later this year.

Service Industry: **Comcast Cable** tapped **Amazon Web Services** as its preferred public cloud infrastructure provider, as it plans to migrate material workloads and build new applications on the service. The operator is focused on building cloud-native products and services related to X1 and xFi. Other AWS clients in the media space include **Turner**, **BBC**, **C-SPAN**, **Hulu**, **Lionsgate** and **Netflix**.

Ring My Bell: **MAVTV Motorsports Network** has launched on **Bell**, bringing it to Bell Satellite TV, Bell Fibe TV and Bell Aliant Fibe TV. The network offers exclusive motorsports programming including the **AMA** Pro Motocross series and **NHRA** Drag Racing.