

Cablefax Daily™

Thursday — May 24, 2018

What the Industry Reads First

Volume 29 / No. 100

Fox Hunt: Dissecting the Comcast, Disney Fight for Fox

With **Comcast** making its interest in **Fox's** assets official, there's no shortage of punditry over who might end up with what. A lot of the chatter is over whether **Disney** or Comcast will ultimately win, with many giving Disney the edge. Other questions center on what the world of sports programming could look like. If Comcast wins, its RSN roster grows from 9 to 31. Disney would be new to the RSN game, but it would have powerhouse **ESPN** too. It's not out of the question that deal approval could be conditioned on selling off some sports assets, particularly if Comcast is the victor given that it would control the majority of the regional sports networks. Though RSNs have had some challenges (think of the road the **Dodgers** net faced getting carriage), they look pretty good right now with **MoffettNathanson** analysts pegging the RSNs' value at around \$23bln—a healthy chunk of Disney's \$52bln deal. Sports consultant **Lee Berke**, pres of **LHB Sports**, isn't certain a sell off will be required, but believes the one thing that's guaranteed: the value of these RSNs is going up. "There's rumors Comcast could increase its bid 20% over Disney. Theoretically, that's a 20% increase in the value of these RSNs and Disney might counteroffer," said Berke, who co-authored the original business plan for YES Network. "There might need to be some back and forth in terms of certain markets, whether it's Disney or Comcast. I think that part is natural in terms of how you end up with a final collection of RSN assets." For example, if Comcast ended up owning **YES Network** alongside its interest in **SNY**, it might theoretically opt to sell of **SNY**. **AT&T** and teams are obvious potential buyers, but Berke believes new players like **YouTube**, **Amazon** or **Facebook** could be interested in having an RSN to offer up on an OTT basis. Just the mere notion that Comcast could grow larger has **ACA** on edge. Having already raised concerns about a Disney purchase of the Fox assets, the group argues that a Comcast acquisition is even worse. "Comcast already has the incentive and ability to leverage NBCU programming to harm consumers and competition," ACA chief **Matt Polka** said, noting that the FCC's conditions for Comcast-NBCU expired earlier this year. "As result, Comcast can keep raising the price for consumers for its television, sports, and cable programming by threatening to withhold all of this programming at once. And, by being able to carry NBCU programming at more favorable rates and terms than it charges rivals, Comcast can also harm its competition to totally dominate the market." ACA has pledged to fight with consumers to stop such a deal. For the record, Comcast has said

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it's considering a superior all-cash offer for the Fox assets, which also include **FX** and **Nat Geo** channels. **MoffettNathanson** believes Disney has the edge given potential regulatory hurdles for Comcast-Fox even if AT&T-Time Warner gets approved. **Macquarie Research** expressed surprise that Comcast would confirm its interest ahead of the AT&T decision. In the short term, Macquarie analysts expect Comcast's proactive M&A moves to negatively impact shares as investors worry about organic growth prospects. Indeed, Comcast share closed down 2% Wednesday to \$31.88. Disney lost a percent, while Fox was up 1.6%. Long-term, Macquarie said it could add value to both cable and **NBCU**. Meanwhile, the *WSJ* reports that investor and Fox shareholder *Chris Hohn* told *Rupert Murdoch* he would back a Comcast bid over the current deal. This one could go on for a while...

Ergen Says: **DISH** chmn *Charlie Ergen* spoke at a wireless conference Wednesday, outlining plans to build a network vs sell spectrum. **MoffettNathanson** said it believes that Ergen's remarks mark the first disclosure that DISH has started to enter into real, long-term tower lease commitments. The news could be troubling for DISH's valuation, the analysts said, but also added this could be Ergen trying to force the issue of a spectrum sale before he enters into more tower leases. DISH shares lost 3% for the day.

Calling Out Pai: The Democratic members of the **House Commerce Subcommittee on Communications** banded together and sent a letter to **FCC** chmn *Ajit Pai* addressing concerns about his unresponsiveness to their inquiries. "We are concerned that you have been unable to give complete responses to verbal questions, questions for the record, or oversight letters from our members," the letter read. "To date, your responses to our requests, in the instances when we receive them, do not meet the very commitment you made to us, and we hope that will change." The group requested complete written responses to a list of questions that they believe Pai has not answered by June 4. "We have already responded to twenty-one of the letters in question and look forward to responding to the remaining few in the near future," Pai's office responded.

Fight Night: The **UFC** is coming to **ESPN**, with the pair agreeing to a five-year \$1.5bln deal that will bring the league's entire rights package to the network in 2019. 30 "UFC Fight Night" events will air on the network per year, including 10 main cards on ESPN's networks. The other 20 will stream on **ESPN+**. Additionally, ESPN networks will air preliminary bouts before 12 PPV events in 2019. Fox Sports had been UFC's exclusive partner since 2011 and was reportedly interested in continuing the relationship until Fox won the rights to **WWE's** "SmackDown Live." **NBC** declined to renew its deal for "SmackDown Live," instead choosing to focus on "Raw."

Over the Air: **DISH's AirTV** introduced a solution that allows for the streaming of free local channels to internet-



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For the Children: Sens *Ed Markey* (D-MA) and *Richard Blumenthal* (D-CT) along with *Reps Joe Barton* (R-TX) and *Bobby Rush* (D-IL) reintroduced the Do Not Track Kids Act, legislation covering the online privacy of children. It would establish new protections for the personal information of children and minors, including further shielding minors aged 13-15 from having companies collect their personal and location information without their consent. An “Eraser Button” would also be created, giving parents and children the power to get rid of publicly available personal information given by the child, when technology allows. “Children and teens are prime targets of a powerful and pervasive digital data collection apparatus, that track and target them 24/7,” *Jeffrey Chester*, executive director of the **Center for Digital Democracy**, said on the issue. “Young people today require the highest possible privacy protection.”

And the Winner is...: Video streaming services scored a 75 on the **American Customer Satisfaction Index 2018** Telecommunications Report, their first appearance in the index. The digital players far surpassed subscription TV’s score of 62, which fell 3.1%, to an 11-year low for the industry. Customers are more satisfied with streaming options across the board, but **Netflix, PlayStation Vue** and **Twitch** led the way with scores of 78. **YouTube Red** came in at 76 while **Hulu** and **Amazon Prime Video** both sat at 75. In the home stretch were **HBO Now** and **Starz** (both at 72), **Sling TV** (71), **DirecTV Now** (70), **Showtime Anytime** (70) and **Crackle** (70).

Your Turn: After updates came last week to **Apple** devices, **DirecTV Now** has brought an improved look and new features to its Android and **Amazon Fire TV** apps. Improvements to look for include expanded access to on demand content, the ability to have three simultaneous different streams per count, and True Cloud DVR (beta). The company says it will be bringing the updates to Roku customers soon.

Saturday Morning Cartoons: Streaming service **Boomerang** is entering its second year, and it’s debuting a fully translated Spanish experience over Memorial Day weekend as part of its revamped offerings. Also coming to the service will be added profiles and personalization for the entire family, the ability for users to create and share playlists with their favorite cartoons and universal search (coming May 24). Upcoming original series include “Scooby-Doo and Guess Who?” and “Yabba-Dabba Dinosaurs!” Boomerang will also be coming to Android TV over Memorial Day weekend, with additional platforms to come by the end of the year.

Ratings: **NBC Sports’** coverage of the **NHL’s** Eastern and Western Conference Finals brought viewership milestones with both the series and the individual games. The Conference Finals are averaging a combined total audience delivery of 1.91mln viewers through Monday across **NBC, NBCSN, NBCSports.com** and the **NBC Sports** app. The 2018 Stanley Cup Playoffs are averaging a TAD of 1.187mln viewers (+9% YOY), reaching its highest point in the last five years. On **NBCSports.com** and the **NBC Sports** app alone, 2.9mln uniques have tuned in for 484mln live minutes (+84% and +24%, respectively).

Programming: **Discovery Channel’s** “Shark Week” event is diving deeper into stories from the water for its 30th anniversary on July 22, continuing through July 29. The network is collaborating with nearly two dozen marine biologists and science institutions in this year’s programming. Highlights will include “Shark Tank Meets Shark Week,” “Cuba’s Secret Shark Lair” and “Uncaged: Shark vs Ronda Rousey.” -- **E!** will celebrate the 20th anniversary of “Sex and the City” with a three-day “binge-a-thon” which will include all 94 episodes of the series. The festivities will begin June 8 at 7pm with a 30-minute themed episode of “E! News.” -- **Freeform** revealed that the spinoff to drama “The Fosters” will be called “Good Trouble.” *Jon Chu* will direct and executive produce the first episode, which will begin production this summer. -- **MAVTV** is preparing to air the “Rockstar Energy Triple Crown,” a series covering Arenacross, Motocross and Supercross. The 12-episode series will debut on June 6, airing weekly from 1-4pm until the top winner is awarded the \$100K prize.

Off to School: **Altice USA** partnered with **The Coalition for Access, Affordability, and Success** on the latter’s first ever “Coalition Day” Wednesday, a series of events for high school students and their supporters. Attendees were introduced to free college-planning tools and heard from Coalition members on college affordability. They were also given information on Altice USA’s Economy Internet, its low-cost broadband program for households that qualify for the National School Lunch Program. Events took place in NY and NC with additional programs being held at the University of Chicago, the University of Vermont, the University of Washington and the University of Washington-Bothell, Yale University and through the Academic Success Program in Dallas.

Think about that for a minute...

Time and Money

Commentary by Steve Effros

In all the loud and overwrought debates about technology these days, there seems to be an almost intentional omission of two aspects that are ultimately key to understanding the significance (or lack thereof) of the disputes. Time and money. Now this is not unique to telecom policy battles. If you look closely, you will see it all over the place.



Just look at the arguments over “tax reform,” for instance, or “health care.” You have to search way down into the article or listen very carefully to the orator who has ballyhooed the X-gazillion dollar adverse effect of his or her opponent’s plan before you find out that the calculation of that impact is actually calculated over a 10 or 20 year period. This, thus, assumes we all know how the economy is going to play out over the next 20 years or so in order for those estimates to have any relevance whatsoever.

Put that in the context of telecom, and the assumption is we now know what the inventions of the next 20 years will bring in our business which thereby lets us know how the things we are doing now will impact the market. The whole notion is silly. It is supreme hubris to think we know what the market will look like 10 or 20 years from now, and anyone who tells you they do, or they have to act based on those assumptions is someone to be very wary of.

We didn’t know the impact of cell phones when they first arrived on the market. As a matter of fact, they had very little impact until a new design, the iPhone, came along. “High Definition Television” arrived before flat screens. It was certainly not a barn burner in Japan, where it was first marketed, until another set of technologies, plasma, lcd and led “flat” screens, made it a consumer choice.

And even then it took well over ten years for HDTV to reach major market penetration, helped along by government requirements and largess!

Now we’re in the era of 4K, UHD, and even 8K television sets, and broadband delivery being demanded at speeds that the computers hooked up to the broadband connection can’t even process. We are told that “5G” is going to change the world in terms of both cell phone delivery and wireless broadband distribution. The notion that “paid priority” is so important and so imminent that it must be banned by the government to “protect innovation.”

All of these things ignore the long development path required of new technology. The arguments also ignore the very significant amounts of money that have to be spent to actuate those “disruptive” technologies. If you talk to the “money folks” for instance, they’ll tell you that the technology and cost required to actually offer “paid priority” is so high that it’s not worth doing! Well, if that’s the case, why are we yelling about it?

They’ll also note that “5G” may be an interesting technology, but the notion that it’s going to sweep all competitors out of the way is silly. It will take a decade to fully deploy that technology if we really start doing it on a major scale today, which we are not. Press releases, yes, deployment, not so much.

So when you hear all these loud proclamations about what’s coming, just as with regulations, I would remind you that we deal in evolution, not revolution. The constraints of time and money always have their way.

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry. His views do not necessarily reflect the views of Cablefax.)

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