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For Sale: Handicapping Who Might End Up with Fox's RSNs

With 22 Fox regional sports nets expected to soon be on the market, let the bidding begin! The **DOJ** said Wednesday that it would approve **Disney's** $71.3bln offer for certain **21st Century Fox** assets, provided the company sold Fox's RSNs. Interest is expected to be high with live sports a premium in an increasingly on demand world and one analyst putting a $23bln value on the sports nets. So who are the likely candidates? ***COMCAST*****.** First, it's still possible Comcast tops Disney's offer and ends up with the assets, but with regulatory approval already tied up, that window seems to be closing. There is some speculation that Disney might sell some of the RSNs to Comcast, thought it seems doubtful DOJ would approve the company buying all of them since it would take the **NBC Sports** RSN roster from 9 to 31. There is another factor that could make Comcast a hard sell… "I think it's hard to get Disney to sell to the guy who made you raise your price so much," said *Curt Pires,* founder of **CAP Sports Group**. "I don't know if it's a choice that would make sense for Disney strategically at this juncture, but you never say never." ***NY YANKEES*****. YES Network** is viewed as the most valuable asset in Fox's RSN portfolio. The **MLB** team reportedly has a clause in its contract that would allow it to buy the network if Fox sold it. There's a consensus among industry watchers that it would likely happen. After all, the Yankees have plenty of experience, having launched the channel in 2002. Other teams may also be looking to make a purchase. "A lot of these teams are in long-term contracts. Some have equity positions… There is a lot of value here," said sports consultant *Lee Berke*, pres of **LHB Sports**. ***AT&T & CHARTER.*** Both have a pretty small RSN footprint. If they bought all, they'd have a large national RSN footprint, with a concentation in some areas, such as the Southwest with **Fox Sports Arizona, Fox Sport Southwest, Fox Sports West**. Charter, which has been actively seeking original content, could expand its RSN hold outside of LA. And then there's the matter for **MSG Networks**, which has reportedly been for sale the past year. "You could see buyers potentially buying MSG as well and having two RSNs in a market," Berke said. Neither Berke nor Pires see MSG's protracted sales period as a cautionary tale for the Fox nets. "The problem is [MSG] is one individual network," Berke said. "To my mind, this is one of the very rare opportunities to buy dozens of networks and potentially have a national presence in one single transaction… It opens up a realm of possibilities that hasn't happened since the Fox RSNs were put together." ***LIBERTY MEDIA/DISCOVERY*****.** Dis-

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covery obviously has been interested in sports right internationally with **Eurosport**. Then you have former RSN owner Liberty Media as a major investor in the programmer. Pires believes Liberty and AT&T make the most likely candidates, with both having experience in the space. ***YouTube or other OTT players.*** "YouTube has essentially been setting up RSN relationships with **MLS** clubs," Berke noted. Though keep in mind, RSNs are literally regional programming, so the national footprint a company like **Amazon** has doesn't quite work here. YouTube is pushing its YouTube TV in local markets, but there are questions over whether it would be able to bring the audience needed to make the deal work financially. ***Wildcard.*** This is such a rare opportunity, it's entirely feasible that someone outside the traditional television space may want in. "At the very beginning of RSNs, you may recall **Anheuser-Busch** was involved in several RSNs. Why not **Nike**? Why not **Adidas**? Why not **Red Bull**, which has certainly been doing content?" Berke said. Pires thinks there could be an investment portfolio out there that wants to get into sports that is flying under the radar, but to get involved—and impress Disney—"it's going to be interesting to see what they bring to the table to make it work." ***Sinclair.*** Sinclair may have deal fatigue from its pending **Tribune** acquisition, but the broadcaster has been an eager purchaser of content over the years. Its name is frequently mentioned as a potential buyer for various networks, and it showed an interest in sports with its acquisition of **Tennis Channel** and the launch of sports-focused digital network **Stadium** last year. "They could be someone because of their strength in local markets who will want to do a deal," Pires said.

T-Mobile/Sprint: Shortly before a **Senate Judiciary** subcommittee hearing on the proposed **T-Mobile-Sprint** transaction began, **FCC** chmn *Ajit Pai* announced that *David Lawrence* will lead the task force coordinating the agency's review of the transaction. Lawrence comes to the FCC from the DOJ's Antitrust Division, where he served as counsel to the assistant attorney general, most recently for AAG Makan Delrahim. Over in the committee hearing, T-Mobile US CEO *John Legere* talked up the deal as providing more competition and driving 5G development. While he spoke a lot about taking on **Verizon** and **AT&T**, cable also was a talking point. "We will also take on AT&T, **Comcast** and **Charter** in the in-home broadband market. We will be an alternative to the cable cordcutters who want better service, more choices and better value," he said. While the CEOs of Sprint and T-Mobile said the merger would help them build a 5G network faster and father, **Consumers Union** senior policy counsel *George Slover* countered that they don't need to combine forces to build a new network. "They both already have committed to building that network, with plans already underway. At most, the merger is a shortcut. And just because a shortcut is good for their business plan doesn't mean it's good for consumers or the overall economy," he said during the hearing.

Knockout Victory: The numbers are in, and **WWE's** TV rights deals for "Raw" and "SmackDown" had the network coming out even better than reported. The five-year arrangements, having "Monday Night Raw" maintaining its home on **USA** and moving "SmackDown Live" to **Fox Sports**, gives the average annual value of WWE's US distribution a significant boost, bringing it to 3.6 times that of its previous deal with **NBCU**. WWE co-pres *George Barrios* said on an investor call Wednesday that the deal also included most digital rights. "After 30 days, we'll continue to show Raw and SmackDown on our SVOD service, but essentially the digital rights are a part of it," Barrios said, leaving little room for any other potential buyers or distributors to get a share in the two properties' success. Looking at what it calls its key content agreements (its seven largest TV agreements, including the new US deals), WWE expects revenue from them to grow to approximately $311mln in 2019 and $462mln in 2021. It's currently targeting adjusted OIBDA of at least $200mln for 2019. When it comes to any changes in capital allocations or structure, WWE is waiting to get through its next renewal cycle before making any major changes. "We've got about $100mln of deals that will be expiring over the next 18 months and we want to see where those end up," Barrios noted on the call. The company will continue to invest in the same areas it has been: "data and technology, our digital products, direct to consumer, content and internationally." But WWE is not ready to discuss how much it'll be reinvesting just yet.

Moving on Up: **Senate Commerce** approved the nomination of *Geoffrey Starks* for the **FCC**. Next stop is a vote by the full Senate. He replaces Democrat *Mignon Clyburn* on the five-member Commision.

Up for the Job: Former **Fox News** co-president *Bill Shine* is being eyed by *President Trump* as the White House's next communications director, according to multiple reports. The job has been open since *Hope Hicks* left in March. First joining Fox News in 1996 as a producer of "Hannity & Colmes," Shine resigned last year following questions of his handling of allegations of sexual harassment at the network.

Advertising Dollars: **Roku** launched Audience Marketplace, a tool for advertising buyers and sellers to target audiences on its platform in the US. Initial publishers taking advantage of the platform and Roku's first-party data include **Fox**, **Turner** and **Viacom**. Those participating will be able to utilize the tool through programmatic or traditional direct selling methods.

Ready for GO: **Discovery** and **Samsung** worked together to bring the former's TV Everywhere "Go" apps to select Samsung Smart TVs. Discovery Go, **Animal Planet** Go, **TLC** Go, Sci Go and **Investigation Discovery** Go are available on the Samsung Smart TVs with new **HGTV** and **Food Network** apps coming shortly.

On to the Next: **Comcast's** IoT arm is jumping on deals with a plethora of new partners after completing its build-out of a municipal advanced water metering solution. It will continue its water work with **Seco Sys**, which will use **machineQ** in its water management sensors for mining operations and utilities. **FAIRWAYiQ**, a golf course management and monitoring provider, will use machineQ's network platform to alert managers to issues such as the pace of play and the location of maintenance equipment. **SteamIQ** can offer facilities real-time data on steam trap performance from underground locations thanks to the partnership while **Vinduino** brings the platform to the world of agriculture, allowing growers to remotely control irrigation systems.

Coming to Cable-Tec: The planning, deployment and benefits of Distributed Access Architectures will be at the center of a special seminar at the 2018 **SCTE-ISBE Cable-Tec Expo**. The Headend Rearchitected as a Datacenter (HERD) will also be a topic of discussion for its ability to drive cost efficiencies, allow for a faster time to market and increased customer satisfaction as cable access networks continue to evolve. The seminar will be held on October 22, with Cable-Tec Expo being held from the 22-25 at the World Congress Center in Atlanta.

Programming: "Flip or Flop" expert *Christina El Moussa* signed a deal for a new original series with **HGTV**. The eight-episode series titled "Christina on the Coast" will follow her efforts to expand her design business in Southern California. The show is set to premiere in 1Q19. Fellow Flip or Flop alum *Tarek El Moussa* is also in talks to develop a show with the network. -- **Tennis Channel** is debuting its first full-length feature film on July 1 at 8pm with "Strokes of Genius." The documentary gets right in the middle of the rivalry between *Roger Federer* and *Rafael Nadal*, focusing on the pair's showdown at the 2008 Wimbledon Championship. -- **ESPN's** first "Sunday Night Baseball" telecast featuring a faceoff between the **Boston Red Sox** and the **NY Yankees** is set for July 1 at 9pm. The game will also be available for streaming via the **ESPN** app, and will mark *Alex Rodriguez's* first time commentating a game between his former club and its rival.

People: *Courtney Menzel* is joining **Epix** as the company's evp, content distribution and partnerships. She'll be heading its distribution strategy on MVPD, OTT and SVOD platforms. She most recently acted as svp, distribution and partner marketing at **Discovery** and spent 14 years at **Viacom** in similar roles. -- The **Video Advertising Bureau** boosted *Jason Wiese* to svp and director of strategic insights. He first came to the VAB in 2013, coming to the organization from **Discovery Networks** where he worked within the ad sales research group.

Think about that for a minute...

Thinking Big

Commentary by Steve Effros

It comes as no surprise to long-time readers of this column that I've considered the industry's move to Wall Street years ago as both a defining and unfortunate event. Sure, it made quite a few folks I knew from the "old days" multimillionaires, in some cases billionaires. But it didn't do great things in a lot of ways for the companies they started.

Yes, I know, "big" financing, "scale" and all that makes a huge difference when you are building a massive infrastructure, like we have, without any government assistance. But does it also have to lead to slavish worship of "quarterly numbers," and obeisance to the "estimates" of the Wall Street soothsayers? This sort of almost singular focus on short-term results for the sake of market favor changes the very nature of the business, from one building and delivering services to one taking whatever actions seem necessary to "make the numbers" each quarter. That's never been good, at least long term, for the business or the customers. Sure, if as CEO or CFO your primary focus is on your "golden parachute," then all this is understandable. But, foolish me, I had hoped for better.

I'm glad to say I'm not alone. As Steven Pearlstein wrote in his column the other day in the Washington Post, more and more serious, big-name folks are starting to question the whole "quarterly earnings guidance" game, recognizing that it's not really what successful businesses are all about. He points out that some of the leaders of the very powerful Business Roundtable, backed up by an op-ed piece in the Wall Street Journal by Jamie Dimon, (JP Morgan Chase CEO) it's Chairman, and Warren Buffett wrote that "...In our experience, quarterly earnings guidance often leads to an unhealthy focus on short-term profits at the expense of long-term strategy, growth and sustainability."

Pearlstein then aims at the core of the issue, noting that Wall Street's focus is a direct result of the 30-year old Roundtable decision "...to declare maximizing value for shareholders as the sole purpose of a corporation." He goes on to say that "...this mantra, which is now taught in every business school, repeated in every earnings call and annual report….has no basis in law or logic or any credible theory of how a company should be managed…" All I can say to that is Amen!

We are at the beginning, I hope, of a serious reconsideration of our corporate theology. One of the biggest questions, which I have been harping on for quite a while now, is whether "big" is bad (I don't necessarily think it is) or, to put a finer point on it, when does "big" reach a size that is dangerously overbearing on an economy premised on diversity and competition.

Yes, these are big, overarching issues. They're at the center of such things as antitrust law and corporate structure and responsibility. But given the paired development of the dominance of Wall Street and the consequent snowballing size of the largest companies, it's certainly time to both seriously explore the problems we now can identify and start discussing possible remedies. That's "thinking big" to be sure, but if we don't, I suspect things will only continue to spiral in a way that serves the very few at the expense of the rest of us.

Admittedly, I loved the days when the Ralph Roberts', Amos Hostetters', Bill Stranges', Ed Allens' and the like were creating the cable business. That's gone. But we can hope for better than we're getting.

Steve

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