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Crunch Time: Sports Execs Speculate on Fox RSNs

It's coming up on the deadline for the second round of bids on the 22 **Fox** RSNs, and right now it's anyone's guess. **Amazon** was the latest to join the hunt for the nets that **Disney** is obligated to divest as part of its deal to acquire certain **21st Century Fox** assets, but it's far from the only interested party. "The revenues that the RSNs drive are really sort of the underpinnings of the industry," said **Sports Media Advisors** CEO *Doug Perlman* at **UBS's** Global Media and Communications Conference in NY on Monday. "As someone who follows trends in the industry, to look at the list of potential bidders is really interesting." That list includes **Sinclair**, private equity firms, **TEGNA** and others. However, even more bidders will likely join by the second round, including **Fox**. Should Amazon obtain the nets, the landscape of RSNs would likely change dramatically. "Amazon's business is very much about disrupting the status quo. If they're interested, it has to be very much a long-term play," said Perlman. "Over time as carriage deals and teams rights deals are renewed, I think certainly Amazon's goal would be to migrate that content to their Prime platform. It makes them a much stronger player in the space and is a real chip away at the cable bundle." Others on the panel certainly agreed. "Amazon and some of these other digital players are looking as the bundle frays to capture some of the television advertising market," explained **NBA** pres of global content & media distribution *Bill Koenig*. "The rates during games are pretty high for RSNs, and if they can capture some of that and help their advertising business, it'll do very well. Live sports is one of the few stalwarts of the bundle right now, and I think if Amazon took the RSNs it would accelerate the trends we're seeing now." Indeed, it doesn't appear as if Amazon is interested in legacy distributors, but they certainly seem to be interested in local offerings. "Their core business is to sell stuff. They have a reason to pay more than everybody else because they're trying to accelerate the distribution channel of Amazon, and I would argue that sports is the best way to do that," said **Bruins Sports Capital** CEO *George Pyne*. "They can rationalize that cost more than anyone, they're not looking at it as a media distributor." On the other hand, private equity firms have their own motivations. "Private equities are interested because of potential value and taking advantage of the short timeframe," said Koenig. "Even the broadcasters, they're looking to gain greater leverage in the distribution agreements with the MVPDs. If the broadcasters can add the leverage of the RSNs, I think that's why they're interested as well." Even the **MLB** may

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be getting into the mix, which would very interesting considering a potential conflict of interest. "Do you set policy to advantage your own asset as opposed to the one you've licensed?" asked Koenig. "I think there were close to 40 different entities that expressed interest in this first round, so we'll see what happens."

Nexstar Next Up for Tribune: Here we go again… **Tribune** has a new buyer, with **Nexstar** agreeing to pay $4.1bln in cash ($46.50/share) for the company, including its 42 owned or operated US broadcast stations. The deal would put Nexstar's reach at approximately 39% of US TV households. There are 15 overlap markets—two of which execs don't think will cause regulatory issues, the rest will need to be dealt with to comply with regulations. Details will come on station divestitures—which is what tripped up **Sinclair** from closing its $3.9bln bid for the company. "We've long been attracted to the Tribune assets and the operating teams, and while we would like to retain ownership of the entire portfolio, we will not jeopardize the completion of the deal because of a number of required station divestitures as we can still achieve our goals of value creation for our shareholders," chmn/pres/CEO *Perry Sook* during a conference call Monday. He said he met with **FCC** chmn *Ajit Pai* Monday morning to assure him Nexstar has a comprehensive plan to meet regulatory requirements. The exec added he's heard from four companies about possible divestitures since the deal was announced at 7am ET. It's not clear what will become of a revitalized **WGN America** with Nexstar focused primarily on broadcast and digital. Sook said there were no immediate plans to sell it, but some have expressed interest in the cable network. "If someone is willing to pay a significant premium," Nexstar's happy to talk, he said. Nexstar has identified $160mln in year one synergies, which includes net retrans revenue, corporate overheads, station/hub level expense reduction. The deal is expected to close in 3Q19. Nexstar shares closed up nearly 7% Monday. "Nexstar's acquisition of Tribune will materially weaken the company's credit metrics over the next couple of years. However, this is mitigated by an improvement in Nexstar's geographic diversification and an increase in scale, giving the company an entrenched leading position within the wider broadcasting industry," said *Christian Azzi*, vp, senior analyst at **Moody's**. A spokesperson for Tribune said the broadcaster's lawsuit against Sinclair over their failed deal remains ongoing.

Chill Netflix: It remains business as usual for **Netflix**, as CCO *Ted Sarandos* doesn't sweat the upcoming launch of streaming-video services from **Disney** and **WarnerMedia**. "Our move into original programming was a bet that some of these things were going to happen," he said at **UBS's** conference Monday. "Our bet was if we need to, we should get good at this early. Everything we're doing right now, we took our first stab at it almost seven years ago on the bet that we were going to need it." The streamer jumped into original programming nearly seven years ago with "House of Cards," and it's clear the gamble paid off. "Other people are going to try things, do things," Sarandos said.

"Some of them will be successful, but not to the detriment of Netflix. There's plenty of room in this business for other players to be successful." The exec also dropped a rare ratings tidbit, noting that the streamer's original film "The Christmas Chronicles" starring *Kurt Russell* was viewed 20mln times in the first seven days.

Old Dog, New Trick: For the first time in its history, **SCTE-ISBE** has been awarded a US patent. The award, granted for SCTE-ISBE's technological innovations in the area of transactional energy management, is the first in a series of applications submitted by the society. US Patent No 10,139,845, "System and Method for Energy Consumption Management in Broadband Telecommunications Networks via Adaptive Power Management," offers a framework for better aligning network energy consumption with network usage. The move works in conjunction with the Energy 2020 program. SCTE pres/CEO *Mark Dzuban* said the society is venturing into the realm of capturing IP for the good of the industry, to contribute to existing assets and bring forward-moving technology into a practical domain. "This is a patent that's improving operations capability," Dzuban told ***Cablefax***. "With over $1bln spent on energy in our industry, there's certainly room for opportunity, and this patent is applicable to improving that bottom line over time." 2019 will see SCTE and its partners working to figure out how to apply these patents in the marketplace. This cycle of patent applications will most certainly not be the last, and energy won't be the only area of focus. "If you look at what we do and how we break out all the things that SCTE does, there's pretty significant opportunity for patents," Dzuban said, adding that he'll continue to work with **CableLabs**' *Phil McKinney* to identify areas with patent potential and the greatest chance to assist the cable community.

Brief Blackout: **DISH** and **TEGNA** engaged in a short blackout just after midnight Saturday, with 49 stations in 39 markets returning by mid-afternoon Saturday—saving subscribers from missing college football championship games for the most part. Fans did miss the kick-off between Texas and Oklahoma on TEGNA ABC affils, but saw most of the game. **The American TV Alliance** counts the short-lived dispute as blackout #137 of the year. This year's looking less dark than 2018, which saw a record 213 blackouts, according to ATVA.

Charter's Video Game: **Charter** CEO *Tom Rutledge* was upbeat on the video side of the business at **UBS**' investor conference Monday, saying he thinks the overall margins in the business can be maintained if not grown. "There's been pressure on margins of video for years, and I don't see that going away," the exec said. "But I don't think the margins go to zero in a three-year time frame." With the integration process now behind Charter, it can focus on video as an integral part of data, mobile and wireline bundles. As for competitors, Rutledge expressed doubt that vMVPDs can afford the marketing costs alongside programming expenses to keep customers sticky. For traditional players, he said Charter has stepped up to challenges, citing the decision to raise internet speeds to 100Mbps in 60% of its markets and 200Mbps in 40% in response to **AT&T** threats. He was also bullish on Charter's "state-of-the-art" user interface, which subs can use to access Netflix. "I think we'll sell other products on our UI. We want to give customers the best video experience that they can get. We want to make access for all video providers to our customers easy," he said. "As the video business transforms over time, I think we'll be able to use and continue to stay in video business in a positive way… We really look at it as an integrated product attribute of our whole connected relationship."

Good News, Bad News: **Discovery** has been celebrating its **Hulu**, **Sling** and **PGA Tour** victories, but not everything has been coming up roses. Ad revenues will be down this quarter due to lower ratings at **Discovery Channel**, pres/CEO *David Zaslav* said at the **UBS** conference Monday. Some of those issues stem from production problems with "Fast N' Loud." "A show that was supposed to come back on Monday night and carry on Monday night won't be coming back until early next year," Zaslav said. In comparison, the rest of the company's channels are doing "quite well." Zaslav noted that **HGTV** and **Food Network** have both turned around since the **Scripps** acquisition, and there has been plenty of overdelivery on female-focused networks. That may not seem like an issue, but it is when Discovery isn't getting any extra value from it. "We sold at a number that was a little bit less than we're delivering now," Zaslav said. In affiliate news, Zaslav hinted that moves are being made to get Discovery content carried on **YouTube**. "The fact that there's so many people watching our channels, that gets YouTube and [YouTube chief business officer] *Robert Kyncl* and I like-minded," Zaslav said. "We should be on YouTube and YouTube hopefully will strike a deal with us."

Contract Extension: **Comcast** and **CSG** extended their residential billing relationship through June 30, 2020. It follows a 2014 agreement that covered until June 30, 2019 and added 2.3mln customers to CSG's billing platform.

Network Upgrade: **Comcast** has spent nearly $2mln over nine months to upgrade its Deer Park, WA, network, a system it took control over earlier this year from **Northstar Broadband Cable**. Area customers now have access to Xfinity X1, Gig-speed internet service, complimentary access to nearly one million WiFi hotspots throughout Washington state, 24/7 professional monitoring home security, and Xfinity Mobile service. Local businesses are able to receive speeds up to 10 Gbps.

Congratulations, Gabriela Medellín!

Cablefax People to Watch

Our business is built by innovative thinkers and made better by leaders who strive for greatness. We are honored to have Gabriela on our team, as we are made stronger by her ability to identify and develop solutions, her strategic vision, and her drive to improve our future.

Connect with us at www.corning.com.

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