

# Cablefax Daily™

Wednesday — January 23, 2019

What the Industry Reads First

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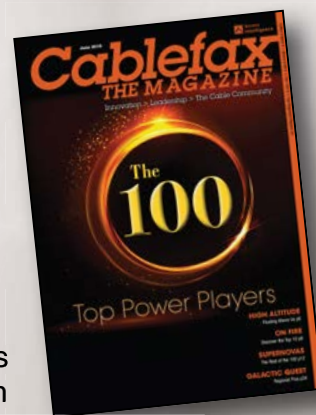
## NATPE Beat: Wall Street Mulls Consolidation, DTC Chances

Lionsgate shared proprietary research at NATPE Miami Tuesday in which it asked investors what they see as the number one thing traditional media companies should do to protect their business model. The top answer—by a landslide—was sell the business outright. But analysts at the panel “How Wall Street Watches TV” don’t think that’s likely for right now. Other than **CBS-Viacom**, “there are not that many natural fits,” said **MoffettNathanson’s Michael Nathanson**, noting that the big deals are already in place (**Disney-Fox, Comcast-Sky, Discovery-Scripps, AT&T-Time Warner**). “I’m not sure I see a lot of motivated sellers yet. I think we’re at the last inning of material consolidation.” His prediction is that M&A for media stays in a holding pattern for the next couple years. **Macquarie Research’s Amy Yong** added that market reaction to some of these big deals (Comcast-Sky, AT&T-Time Warner) hasn’t been that positive. “These management teams do still care about equity and the perception of investors,” she said. Still, she issued a note after the panel declaring that M&A seems to be the best defense mechanism, with Lionsgate the most logical target. While traditional media is now jumping into the direct-to-consumer space, there’s a lot of uncertainty around the moves. The consensus seems to be that the upcoming **Disney+** has legs, while there’s a lot more doubt about **WarnerMedia’s** OTT prospects. “Disney is brand in and of itself. Consumers understand that brand very well... WarnerMedia spans all these genres,” said **RBC Capital’s Steve Cahall**, who said consumers tend to understand Disney’s sub-brands, such as **Marvel**, but are less likely to equate “Friends” or **DC Comics** with Warner. Another problem for WarnerMedia’s DTC play is that it potentially is very confusing with three different services launching, Yong said. Not helping AT&T’s reputation is the loss of subs it saw after acquiring DirecTV, she added. Still, Nathanson believes **HBO** could be in a good position to take on **Netflix** or Disney, but doesn’t think WarnerMedia’s willing to take the risk. He’s not sure any other players can afford to. Speaking of risks, **JPMorgan Chase** managing director **Alexia Quadrani** noted that new entrants are held to a much different standard. Netflix didn’t have to make a profit and had huge access to funds, she said, comparing it to online game **Fortnite**, which gained massive popularity while competitors were charging money to play. When will Wall Street ask these disruptors to make money or will it become more lenient to traditional companies who see numbers fall as they take on a new business model, she wondered. As for traditional companies pulling back content from streamers, there were mixed opinions. “Are you going



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**7:15 PM** DINNER & PROGRAM

**9:00 PM** DESSERT RECEPTION

*BUSINESS ATTIRE*

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to generate a higher return investing in your own platform vs selling to everyone else?” Cahall asked. “I don’t think you get credit for doing that unless you can show a better business case.” Nathanson disagreed, saying selling content to a competitor is short-sighted. Instead, he said companies should “wake up quickly” and stop selling, thus forcing Netflix to spend even more on content and raise prices. He also praised Netflix for tapping into international markets and said more companies need to contemplate the globalization of content.

**Retrans Update:** It’s late January. Do you know where your broadcast stations are? **DirecTV** customers saw **United Communications’ Fox** and **CBS** stations in Mankato, MN, and Watertown, NY, return to their lineup just as the NFC Championship game was beginning on Fox Sunday (3:05pm). The stations had been down since Jan 7. That’s the same day DirecTV also lost **Independent Communications’ KTTW**, a Fox affiliate out of Sioux Fall, SD, which is still off the satellite provider’s lineup. **Mediacom** has been without the same station since October 2016. Other distributors also see blackouts continuing. **DISH** has been without **Sarkes Tarzian** stations in Reno and Chattanooga since Jan 10. It’s offering free digital over-the-air antennas to customers in affected markets. **TDS’** impasse with **Nexstar** continues, with the MVPD offering up a list of alternative viewing ideas, including **Hulu** and **CWTV.com**. TDS customers in 10 markets, including Albuquerque and Indianapolis, have been without 14 Nexstar stations since Dec 30, 2018. Meanwhile, **Antietam Broadband** also is in a blackout with Nexstar. The broadcaster’s Hagerstown, MD, station **WDVM** has published several stories about the blackout. The lead of **one**: “Washington County citizens that rely on television news are currently at risk of not knowing when hazardous emergency situations occur.” **Another**: “WDVM is hoping the City of Hagerstown will advocate on our behalf to Antietam Cable to put us back on their lineup.” **ACA** pres/CEO **Matt Polka** jumped on the latter headline. “Nexstar wants elected officials to pressure a private company to raise cable bills for their constituents. Of course, no responsible government official would ever do such a thing,” he wrote in an op/ed calling on Congress, the **DOJ** and **FCC** to examine Nexstar’s recent conduct as it seeks to become the largest TV station owner in the country through its purchase of **Tribune** stations. “Nexstar is right about one thing. Precisely because broadcast stations do ‘a great deal to keep [their] communit[ies] safe,’ government officials should be concerned when broadcasters abuse the public trust. And they should intervene when such abuse threatens subscribers.”

**NATPE Notebook:** What is the world buying? That’s the question a group of panelists tried to answer at **NATPE** Miami on Tuesday. “We get to buy from the most awesome store on Earth, which is everybody,” said **Amazon Prime’s** vp, worldwide content acquisition **Brad Beale**. “We get global rights, we get creative control, we get to brand it. I think we’re well set up in whatever this world evolves to. We license from a lot of people. Our store is the

# Corporate Licenses

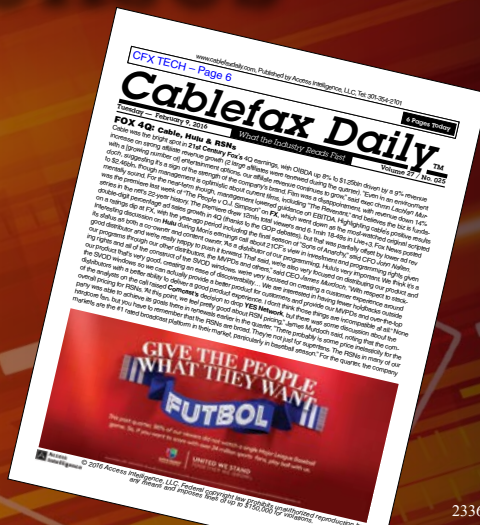
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world, there's not a major studio or network that we don't license content from." **Netflix** is focusing on local language buying, according to vp, content acquisition *Amy Reinhard*. "We're looking at shows and evaluating them to figure out if it's a show that just really might work in the territory, or if we think there might be an opportunity to break out of that," she explained. "Having a global platform, that helps us get over the hump in terms of the economics." And **CBS**? Its nets are focusing on global and local content. "I think the biggest challenge for all of us is to continue to evolve," said *Armando Nuñez*, pres/CEO of CBS Global Distribution Group and chief content licensing officer for CBS Corp. "It's funny how many times we've said the words global and local, and we need to be both. You think about the opportunities for the production infrastructure to grow internationally as a result of the expansion of all these new platforms."

**Fight Club:** Saturday night's "UFC Fight Night on ESPN+" debut led to a record 568K new subs for direct-to-consumer service **ESPN+** over Friday and Saturday combined, with 525K joining on Saturday alone. The company says it's the largest event and subscription catalyst for the DTC service since its launch in April 2018. It is unclear how many of the new subscribers are paid vs free-trial. -- In other ESPN+ news, *Brian Lockhart* was announced as executive producer for original content. He most recently served as vp of **NFL Media's** original content group.

**To The Lab:** It's all about the future at **WarnerMedia**, with the company announcing plans to launch the WarnerMedia Innovation Lab. The incubator, located in NYC and headed by **Turner** evp of data strategy and product innovation *Jesse Redniss*, will bring together emerging technologies with content from the company's operating units in an effort to drive new and unique consumer experiences. The Innovation Lab will be backed by the technology and infrastructure expertise coming from **AT&T's** business, with core competencies including IoT, AI, machine learning, and virtual and mixed reality. The lab's first area of research will include AT&T's 5G offerings as the group looks to develop immersive consumer content experiences in the form of AR/VR/MR/gaming offerings. It already counts the **NBA** as a partner, and will look to re-imagine localized content and fan experiences across stadiums, airports and entire cities.

**Expanding the Band:** Spectrum talk continues even with the government shutdown. With the **FCC** seeking comment on updating the framework for licensing Educational Broadband Service spectrum in the 2.5 GHz band, commissioner *Jessica Rosenworcel* is making a push for an incentive auction. The agency NPRM seeks comment on whether to establish up to three local priority filing windows to allow applicants physically located in a license area to access 2.5 GHz spectrum. Any spectrum remaining after would be made available for commercial use through competitive bidding. The Dem instead wants the FCC to repurpose the EBS through an incentive auction, which she says would not only expand opportunities for spectrum use but also produce revenues that could be used to support initiatives such as closing the Homework Gap (school-aged children without broadband access at home). "What I'm trying to offer is something that protects the good that it does today and makes sure that anyone leasing who wants to continue leasing has the opportunity to do so. But they also have this other opportunity, which is to sell the license back to the agency," she said at an **Internet Innovation Alliance** event in DC Tuesday. At a panel following her remarks, **Intel** consultant *Peter Pitsch* saw her plan as a way to give more flexibility while creating continuous licenses and assigning unassigned spectrum, but believes it needs to be completely voluntary. "If we don't make it voluntary, that might be unfair and I don't think it will happen," he said.

**Hear Me Out:** When it comes to households buying or planning to buy a smart TV or streaming media player, 43% now consider voice control to be an important feature. The data comes from the latest industry report from **Parks Associates**, which also revealed that 55% of US broadband households find voice control in their connected entertainment devices appealing. Interest in the tech is only increasing, with the average broadband home hosting 10.4 connected devices in early 2018 with 8.6 of them being connected consumer entertainment devices. Customers do maintain reservations regarding their personal data with 49% finding that a website or app that lets consumers delete collected data would build their confidence in their use of online services.

**Ready Player One:** **Arris** is jumping into esports, becoming the official sponsor of the **Comcast-owned Philadelphia Fusion** professional **Overwatch League** team. "Esports is one of the fastest growing sports in the world. It's demanding. It's global. And it's all about having the fastest connection and best technology. Just like Arris," Arris said in a company blog. Details on the deal are few, but the Arris logo will be featured on the team's jerseys. While Arris already provides connectivity at venues like **NASCAR's** Daytona International Speedway, this is the company's first foray into the world of esports and esports arenas.

**Oops!:** Our Tuesday edition incorrectly stated **YES Network's** total **Yankees** audience in 2018 primetime. The net had its biggest Yankees audience in six years and averaged 361,000 total viewers for Yankees primetime games in 2018.