

Cablefax Daily™

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What the Industry Reads First

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Deal Announced: Objections Begin after Sinclair Makes RSN Deal Official

Sinclair pres/CEO *Chris Ripley* played it cool at Friday's DOJ workshop, sticking to comments on advertising and ATSC 3.0, even as the constant rumblings of a \$10bln+ Fox RSN deal reached a crescendo. Just when it seemed the world would have to wait until Monday for confirmation, official word came that Sinclair would pay \$10.6bln to acquire the 21 RSNs from **Disney** (the purchase price is \$9.6bln after adjusting for minority equity interests). We still kind of have to wait until Monday as that's when Sinclair will hold a conference call to discuss the acquisition. *Byron Allen*, who serves as chmn/CEO of **Entertainment Studios**, has agreed to become an equity and content partner in the newly formed indirect wholly-owned subsidiary of Sinclair—**Diamond Sports Group**. It's an interesting partnership given Allen bought **Weather Channel** in 2018, an asset that Sinclair was thought to be strongly interested in. Sinclair faced plenty of opposition in its failed attempt to acquire **Tribune**, and some of those same foes are already lining up to contest its RSN play. **ACA Connects** said it opposes the deal for the same reason it opposed Tribune—it'll let Sinclair "raise prices to millions of customers," including those served by its member companies. "Big 4 broadcast network programming and RSN programming are both critical for ACA Connects members. By jointly negotiating these assets when they serve the same market, Sinclair can raise prices to cable operators for both offerings," ACA pres/CEO *Matt Polka* said, adding that it's one of the reasons the **FCC** imposed conditions on the **Comcast/NBCU** merger. The deal is of course subject to customary closing conditions, including DOJ approval. It was the DOJ that conditioned Disney's 21st Century Fox deal on the divestiture of the RSNs. The RSN deal, which excludes **YES**, would give Sinclair exclusive local rights to 42 professional teams consisting of 14 **MLB** teams, 16 **NBA** teams and 12 **NHL** teams. Sinclair already has a joint venture with the **Chicago Cubs** for upcoming RSN **Marquee Sports Network**. It purchased **Tennis Channel** in 2016, steadily improving its carriage numbers and tier placements. Ripley said the RSNs are expected to bring consolidated net leverage to 4.7x and 5.1x through preferred financing. Sinclair expects to capitalize Diamond with \$1.4bln in cash equity, comprised of a combination of approximately \$0.7bln of cash on hand and a contribution of \$0.7bln in the form of new fully committed debt at Sinclair Television Group. The purchase also will be funded with \$1bln of fully committed privately-placed preferred equity of a newly-formed indirect wholly-owned subsidiary of Sin-

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clair and direct parent of RSN Holding Company. The remainder of the purchase price is being funded by \$8.2 billion of fully committed secured and unsecured debt incurred by Diamond. **JPMorgan Chase Bank, Deutsche Bank AG New York Branch, Deutsche Bank Securities Inc., Royal Bank of Canada, and Bank of America N.A. and Merrill Lynch, Pierce, Fenner & Smith Inc.** are providing committed debt financing. Committed preferred equity financing will be provided by JPMorgan Chase Funding.

Dissecting DISH: At least one analyst thinks it's inevitable that **DISH** and **DirecTV** merge. With satellite putting up dreadful 1Q numbers, **Pivotal's Jeff Wlodarczak** thinks regulators would be responsive to a potential combo in the medium to long-term. "One has to think **AT&T** is looking to somehow shore up its melting DirecTV ice cube and a merger (or a sale) with DISH would go a long way to boosting the business (still massive synergies, monopoly in perhaps 15M households)," Wlodarczak wrote. "At this point, given AT&T's mixed experience with buying DirecTV and **Time Warner** we imagine they would be gun shy regarding buying DISH, but we don't rule out some other form (including a sale of the asset to DISH w/partners with DISH throwing in spectrum?) of a deal with DISH medium to long term." With DISH posting a net subscriber loss of 259K and **Sling** adding just 7K subs, **Charlie Ergen** didn't mince words. "I don't believe we built value in Sling in the last year," he said during Friday's earnings call. But, he added that he thought the company was close to getting there. He's hopeful that the recently struck deal with **Univision** will improve sub metrics, praising the contract as one that features incentives for both companies. "We share in each others' success," Ergen said, calling for other programmers to follow suit. "I think the linear business has to change. The linear [content] providers have said, 'hey, we've got long-term contracts. Let's just ride it out and make some money.' And then some of them try to pivot to direct-to-consumer while making that change... With all due respect to **Disney**, not everybody wants to pay for **ESPN** either. But they don't really give you a lot of choices where you tier it. Everybody is looking at it in their own self-interest." It doesn't sound like DISH and **HBO** are any closer to a deal, with pres **Erik Carlson** describing how DISH helped some customers who have never streamed before do it to watch "Game of Thrones." However, he acknowledged there's a group of subs who can't stream. "We recently met again with AT&T, but unfortunately, they only offered different words, with really the same meaning," Carlson said.

All the Same: The silos that previously separated ad dollars are falling down, but what does that mean for the **DOJ** when it reviews mergers and its competitive implications? Panelists at day 2 of the DOJ's workshop on competition in TV and digital advertising called on the department to view digital ads in the same way they would a cable or

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broadcast spot. “We view that we are a likely substitute or a swap for television, for print, for cable advertising and for other types of media that might compete for your attention,” **Facebook** vp, business product marketing *Ty Ahmad-Taylor* said. “You see the same scale and scope offered in the digital realm.” **Comcast Cable** advertising pres *Marcien Jenckes* said that it’s now essential to take a holistic perspective on the ad marketplace, thanks to changes in certain industry views and trends. “Any platform that can be used to reach a particular audience is potentially a substitute for another platform,” he said. Digital ads have become the choice buy for advertisers’ limited budgets thanks to their targeting and tracking capabilities. But regulations haven’t treated them similarly to broadcast or cable ads because of the rise in ad blockers and other tools that could be used to skip over digital assets. But the increasing number of digital ads makes them harder to ignore, while consumers have found other ways to get around traditional linear spots: “Without missing a beat, DOJ has already repeatedly rejected requests to include digital in the broadcast TV marketplace, explaining that online ads ‘can be skipped, minimized, or blocked,” **NAB** evp, legal and regulatory affairs *Rick Kaplan* said, arguing that broadcast advertisements can also be skipped by leaving the room or hitting fast forward on a DVR. “In most cases, it is harder to do an end-around a digital ad, because often you can’t even get to the highly-desired content without playing one or more advertisements,” he said, urging the DOJ to update the way it defines reach. Kaplan said that the DOJ conflates reach with viewers, saying that a broadcaster’s reach describes how many people can theoretically watch broadcast TV. “Just because my channel reaches a household doesn’t mean they ever watch it,” **TEGNA** pres/CEO *Dave Lougee* said.

More C-Band Comments: The **FCC** wants more comments on its C-Band proceeding, specifically probing the enforceable interference protection rights for space station operators and receive-only earth station operators. Comments are due 30 days after publications in the Federal Register, with replies due 45 days after Register publication.

Cable HoF: Those attending **The Cable Center’s** 2019 Hall of Fame celebration Thursday night got to hear the late *Les Read* one last time. Read, who passed away last June at the age of 82, voiced the night’s introductory video, with Cable Center pres/CEO *Jana Henthorn* announcing the recording would be retired after the evening. The program began with a video memorial for Read. Another late cable great was recognized with former **Cox** pres/CEO *Jim Robbins* receiving the Bresnan Ethics in Business Award. *Debby Robbins* accepted on behalf of her late husband. “This award truly personifies Jim,” she said. “Jim was honest, humble, committed, loyal, funny and compassionate. He had a real sense of wanting to the right thing, always.” Also honored were the 2019 Cable Hall of Fame class: **Ellis Edits’** *Leslie Ellis*, **Comcast’s** *Kyle McSparrow*, **Advance/Newhouse’s** *Steve Miron*, former Turner chief *Phil Kent*, C-SPAN co-CEOs/presidents *Susan Swain* and *Rob Kennedy* and the founding creators of MTV. Original MTV vj *Martha Quinn* was in the house, while CNN’s *Don Lemon* emceed the festivities. *Lemon* and his colleagues over in the newsroom even filmed a whole “Situation Room with Wolf Blitzer” bit to honor *Kent*. Comcaster and former NCTA head *Kyle McSparrow* summed up the specialness of the night. “You talk about what you did that day with your family at the dinner table and be proud of it,” he said in his acceptance. “There has never been a day with my association with the cable industry that I wasn’t proud of what we do.”

Mediacom Numbers: **Mediacom** added 24K HSD customers in 1Q19, better than the 19K adds in the year-ago period. That helped revenue jump 4.1% to \$497.9mln. Free cash flow grew to \$98.2mln from \$74.7mln in the prior year period. Cap ex declined from \$79.8mln in 1Q18 to \$72.7mln, helping adjusted OIBDA increase 8.9% to \$195.5mln. Video losses grew to 12K from 4K in 1Q18, with Mediacom ending the quarter with 2.669mln PSUs (a 1.6% increase over 1Q18). And yes, the company keeps whittling down debt. Net debt totaled \$2.2bln, a \$306.3mln reduction from the year ago period.

Original YouTube: **YouTube** is making all of its upcoming original series and specials available free with ads around the world. The company also announced its slate of content at its annual Brandcast event. YouTube will bring back “Cobra Kai” for Season 3 next year, along with Season 3 of “Kevin Hart: What The Fit.” Music specials include a “top secret” untitled *Justin Bieber* project, and “Maluma: Lo Que Era, Lo Que Soy” premieres June 5. As of March 2019, watch time of YouTube on TV screens alone topped 250mln hours a day, and YouTube has the highest share in reach and watch time among all ad-supported OTT platforms.

Comcast Cares: On Saturday (5/3) more than 100K **Comcast**, **NBCUniversal** and **Sky** employees will celebrate the 18th annual Comcast Cares Day. Volunteers will participate in approx. 1,200 projects in over 20 countries. Since its inception in 2001, more than 1mln volunteers contributed over 6mln service hours to help improve local communities in more than 10K projects around the world and have contributed nearly \$25mln in grants to local nonprofit partners.

Arena Media: The **Arena Football League** and **ESPN** signed a media rights agreement for all of the AFL’s

2019 regular-season games, effective immediately. Games will be available on **ESPN3** and the ESPN app, and ArenaBowl XXXII will be on **ESPN2**. The first game is expected to kick off Friday at 7pm when the Baltimore Brigade takes on the Philadelphia Soul.

Curated Comcast: Comcast launched a curated content collection of Asian American shows, movies, music and podcasts to celebrate Asian American and Pacific Islander Heritage Month. More than 2,500 hours of content is available to all Xfinity X1 customers through May 31.

People: The **Dynamic Spectrum Alliance** tapped Martha Suárez as its new pres. She previously served as general director of **The National Spectrum Agency** in Colombia. -- **NAB** upped **Trish Johnson** to CFO and svp, finance, effective Wednesday. Johnson first joined NAB in 2017 as svp/controller, finance.

Obituaries: Tough week for cable pioneers. **Pennwire TV Company** founder **George Gardner** died at his home in Carlisle, PA, on Monday. He was 94. Gardner also founded **Raystay** and cable product distribution firm **Television and Electronics Service Corp.** The industry also lost **Clive Runnells, Jr.**, who passed away at his home April 26. He was 93. Runnells served on **NCTA's** board for years, often advocating before Congress on the industry's behalf. In the mid-70s, he organized **Gulf Coast Cable Television**.

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Up Ahead

May 7-8: CTAM Communication Strategies Course; NYC

May 9: WICT Rocky Mountain 2019 Walk of Fame; Denver

May 20-22: MFM & BCCA's Media Finance Focus; New Orleans

June 3-5: Fiber Connect, Orlando

June 4: 2019 Promax Conference; L.A.

June 6: Cablefax Celebration of Leadership Gala; NYC

Research

- Nearly 80% of digital video viewers accept free content as a value exchange for watching advertising.
- 56% of video viewers say they prefer and are more open to contextual ads.
- On average, 37% of viewers reported an increase in ad receptivity when exposed to ad targeting that they prefer.
- The most common motivations for online video viewing is relaxation (nearly 90%), planned viewing (76%) and taking a break (75%)

(Source: [IAB](#))

Quotable

"While consumer viewing habits have shifted, the tradition of watching live sports and news remains ingrained in our culture. As one of the largest local news producers in the country and an experienced producer of sports content, we are ideally positioned to transfer our skills to deliver and expand our focus on greater premium sports programming... This acquisition is an extraordinary opportunity to diversify Sinclair's content sources and revenue streams with high-quality assets that are driving live viewing."

- Sinclair pres/CEO Chris Ripley on the \$10.6bln Fox RSN deal

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JUNE

Cablefax: The Magazine – June Issue

Cablefax 100

Cablefax's annual power list, ranking the most influential executives in the industry.

HDR/4K report

A look at the latest developments around 4K and HDR, as well as how ATSC 3.0 may change the game.

Commercial Services

It's the little engine that could for cable operators. While some are established in the space, others are still in early stages. Our report will examine the different strategies for reaching enterprise customers, as well as the opportunities 5G presents for cable.

A Celebration of Leadership

Cablefax will recognize the Cablefax 100, Top Ops and the People Awards in this one-of-a-kind reception and dinner celebrating leadership and the importance of giving back through mentorship and corporate citizenship. Sponsorships available.

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Most Influential Minorities Nomination Deadline: June 7	Cablefax's Celebration of Leadership Reception & Dinner June 6 NYC
Most Powerful Women Nomination Deadline: June 7	
Program Awards Entry Deadline: June 14 Final Deadline: June 21	