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Deal Reached: Disney Now in the Hulu Driver's Seat

Disney has assumed immediate operational control over **Hulu** under a deal would have **Comcast** sell its 33% ownership stake in the streamer for at least $5.8bln (could be more depending on fair market value) in 2024 or later. Disney CEO *Bob Iger* was crowing over the news at **MoffettNathanson**'s investor conference Tuesday. "This gives us a great opportunity in terms of leveraging our content and our content creative engines. In this particular case, **Fox**, **FX**, **ABC**, ABC News, etc," he said. "We'll also be able to leverage our technology, so the **BAMtech** platform that powers the technology backbone of **Disney+** and **ESPN+** will ultimately be the technology platform we put Hulu on." Hulu also will be integrated in with Disney's ad sales. Comcast CFO *Mike Cavanagh* described the deal as one that's good for both parties. "Neither side had to do this deal. There wasn't a gun to either side's head," he said at Tuesday's **J.P. Morgan** conference. "We each got stuff that was important to us." Once Comcast became a minority owner of Hulu, the company wanted to protect its content (making sure it stays relevant and well monetized) until it was ready to do something in the alternative with it, he said. The other thing important to Comcast was not to be a seller at today's price of the stake. **Moody's**, which classified the arrangement as credit positive to Disney, suggested the two might not exercise the put/call to sell in five years. "We believe that it is… quite possible that circumstances could change and joint ownership could be mutually beneficial to both Comcast and Disney, such that they could decide to renegotiate the agreement or not act on it at all," said a Moody's note, which thus declined to reduce Comcast debt in leverage calculations until closer to 2024. Under the deal, Hulu will continue to license **NBCU** content through 2024, but NBCU can terminate most of its content license agreements with Hulu in 3 years' time and in one year's time, it can have exclusive right to certain content currently licensed to Hulu for its own upcoming OTT service. Deal terms also have Disney and Comcast financing Hulu's acquisition of **AT&T**'s 9.5% stake in the service. Speaking at Tuesday's investor conference, Iger said the company was seeing the impact of technology on traditional businesses "in fairly profound ways a while ago," which sparked the desire to get into the direct-to-consumer business. Talks with *Rupert Murdoch* began in August 2017, with Disney examining the deal through a DTC lens. "It wasn't just about buying franchises and content that existed. It was about getting the talent that we ultimately would need to create the content to fuel all these services." Iger said. "*John Landgraf* from **FX** is an example. And *Peter Rice* and

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Dana Walden… *Courteney Monroe* and *Gary Knell* from **National Geographic**, the people at **Fox Studio**. I could go on. We gained a tremendous amount of talent with a lot of experience to help us execute this strategy." There were also a lot of assets—so many that Iger quipped he had to refer to Wikipedia to figure out everything Disney owned. As for the decision to price Disney+ at $6.99/month, Iger said the company wanted a strong price-to-value relationship so that it had a shot in a competitive world, plus Disney wanted to launch a product that had the "broadest appeal."

Iger on ESPN & the Bundle: "Today, the bundle is still an important part of our business. It enables us to generate significant profits, not just with the **Disney** businesses, but the businesses we purchased, **FX** and **National Geographic**," Disney chief *Bob Iger* said an investor conference Tuesday. "We're not trying to do anything to damage the bundle." That said, Disney realizes consumers aren't looking as fondly on 150+ channel bundles and is "prepared to pivot in a new direction." It all starts with the DTC products Disney is launching. That seems like a great segue to **ESPN** negotiations. Iger is sticking to a 2017 prediction that Disney will renew about 50% of distribution deals by the end of this year. "We have some significant ones coming up. We don't really comment much on them publicly… Live sports is a real value, not just to us, but to the distributor," he said. "There are often times skirmishes. Sometimes the skirmishes get a little more ugly than we would like, but I'm confident that we will end up by the end of the year renewing about 50% of our distribution deals and achieving the goals that we have both on the distribution side and on the sub fee side."

New Fox: The newly formed **Fox Corp** is throwing its weight to retrans and broadcast, at least according to chmn/CEO *Lachlan Murdoch*, who spoke at the **MoffettNathanson** conference Tuesday. "We've moved sports rights from cable to broadcast. We dropped the **UFC** from **FS1**, and we took that money to buy **WWE** on Friday nights on the network. Our focus is really on retrans and less on some of the other cable channels," he explained. This also explains why Fox decided not to bid on the 21 **Disney** RSNs that eventually went to **Sinclair** for $10.6bln. "We could have bought them back for considerably less, but we looked at them and decided that's not our strategy," Murdoch said. "We knew the RSNs very well, and to maintain their positions in the market we were using tremendous amount of our leverage with retransmission to support the RSNs. We really felt the leverage we had was better used elsewhere." Murdoch feels confident in Fox's sports strategy, noting it has a 10-year deal with the **MLB** and a strong relationship with **NFL** commish *Roger Goodell* (NFL rights are up again in 2022). Over on the DTC side, Murdoch is emphasizing streaming service **Fox Nation** and not planning on launching an entertainment DTC service. "We sold our entertainment library to Disney as part of the deal, so we don't envision any time soon having a pure entertainment DTC. We effectively took upfront a lot of the monetization of that library by selling it to Disney rather than trying to build a direct-to-consumer," he said.

ESPN News: **Hulu** news was breaking at the same time as the first press briefing of the newly consolidated **Disney**, but net execs still managed to squeeze in a few of their own announcements. **ESPN** content evp *Connor Schell* kicked the morning off, announcing a partnership with *Caesars Entertainment* on an ESPN-branded studio at The LINQ Hotel & Casino in Las Vegas for sports-betting themed content. Caesars will also be the official odds partner of ESPN. However, Schell emphasized the net isn't necessarily supporting betting, saying "we're thinking about the space in very responsible ways. We're going to serve those fans with information and analytics. We are not promoting betting in any way." Rival Fox Sports, on the other hand, is readying a wagering app that will be ready by the start of football season. On the ESPN+

side, ESPN evp, programming and scheduling *Burke Magnus* emphasized the importance of niche sports on the DTC service, as well as sports that don't have space on the linear platform. "One of the things we love about ESPN+ as a platform is our ability to dive into these niche sports," he said. Magnus touched on boxing and MMA deals with **Top Rank** and **UFC**, and confirmed they did hold talks with **WWE**, but the 52-week wrestling schedule proved too difficult. "We took a hard look at it. We're big fans of them, but we can't clear anything 52 weeks a year live, we have a pretty full cabinet."

Disney's Fox Assets: **FX Networks** and **FX Productions** chmn *John Landgraf* made his first appearance at a **Disney** press event after the $70bln acquisition of **21CF** assets. He confirmed the group will not be looking to launch its own DTC service, and that its content will be headed to Hulu instead. "It's going to be really challenging for standalone streaming brands to scale up," he explained. "You can start to see the shape of a new world emerging. You can see massive growth in the OTT space, that's where all the growth is coming. Cable distribution is flat at best. I think the possibilities of a platform like Hulu is much more exciting to us in the long-run than trying to scale up a standalone version." Landgraf noted FX, FXX and FX Movie Channel's content will not be headed to family-friendly Disney+. "I don't think FX belongs at Disney+ at all. I think given the nature of the Disney brand it's going to focus on PG, maybe PG-13, but mostly G-rated content. FX doesn't belong there, it belongs on **Hulu**," he said. -- **Nat Geo** and **Nat Geo Wild** also appeared on the **Disney** slate for the first time. Pres *Courteney Monroe* unveiled a slate of new programming, including a relaunch of "Brain Games" (Dec 1) with celebrity guests *Kristen Bell*, *Dax Shepard*, *Rebel Wilson* and more confirmed. The net is also launching "Running Wild with Bear Grylls," featuring Captain Marvel *Brie Larson* herself (Nov 5). Even more original content is headed this way thanks to the launch of Disney+ and the **Hulu** acquisition. "We're really excited about the potential to scale Nat Geo content and reach new audiences on Disney+, but we remain really committed to the linear brand. We're in the process of creating original content that will premiere exclusively on Disney+. Some of the content though is not appropriate for Disney+ and that's when you'll see it go to Hulu," Monroe said.

Got DISH: *Michael Schwimmer* is making his return to **DISH** as evp, international business development and strategy. He'll take over the position in June, having left his role as CEO/pres of **Fuse Media** in early April. Fuse filed for Chapter 11 bankruptcy on April 22, hoping to reduce its debt by $200mln. Schwimmer first joined DISH in 1996 on the legal team, before rising through the ranks to lead its marketing and programming organization and helping launch DISH International and DishLATINO. He left DISH in 2005. In his new role, he's charged with growing the company's DISH and **Sling TV** multicultural businesses, as well as pursuing development and partnership opportunities in the US and abroad for Sling.

WOW! Hocking Philo: **WOW!** will start selling **Philo's** $20/month TV service to its broadband customers later this year. Philo doesn't offer sports or news, but carries 58 channels, including **A&E**, **AMC**, **Comedy Central**, **Hallmark**, **HGTV** and **Nickelodeon**. WOW! intends to start marketing Philo mid-year to its customers in the Midwest and Southeast, including Illinois, Michigan, Indiana, Ohio, Maryland, Alabama, Tennessee, South Carolina, Florida and Georgia. Philo has a similar deal in place with **NCTC**.

Hello Sparklight: We told you **Cable ONE** would start its rebrand to **Sparklight** this month… On Tuesday, it switched its social media accounts over to the new name. "At Cable ONE, we've always had a strong connection to our customers, and we've changed together. We've changed with technology. We've changed with the times. We've changed to connect you more seamlessly with the things you care about, and we're continuing to change," says a video promo. "Cable ONE is now Sparklight. New name, new look, new energy and a renewed commitment to the communities we serve."

News Friends: **Univision** 41 NY will produce Spanish-language twice daily for **Altice USA's News 12** Networks' digital platforms, Monday through Friday. The seven hyperlocal news stations will make the Univision five-minute newscasts available across their websites and the News 12 mobile app.

Fresh Look: FCC chmn *Ajit Pai* said "the time has come for the FCC to take a fresh look" at the largely unused 5.9 GHz band. "This valuable mid-band spectrum is largely lying fallow, and it has been so for two decades now—just as the internet has gone from dial-up modems to gigabit WiFi," he said during remarks at the **WiFi World Congress** on Tuesday. "It is time to launch a comprehensive review of the future of the 5.9 GHz band, make a sober assessment of the facts, and then make a timely decision." In November, a **RAND** study showed that opening up the airwaves for WiFi could add between $60 and $105bln annually to the US's GDP. The **NCTA** welcomed Pai's remarks: "As we've noted, the 5.9 Ghz band is the best spectrum band available that can help fulfill our promise of delivering gigabit WiFi and move us closer to achieving the important national goal of delivering ubiquitous broadband to all Americans."

People: **NBCU** promoted *Ray Meyer* to vp, content distribution. Meyer, ***Cablefax***'s 2018 Salesperson of the Year, reports to content distribution svp *Joe Felber*.