

# Cablefax Daily™

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What the Industry Reads First

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## Down with DTC: ViacomCBS Wants to Be a Worldwide Streaming Leader

With it now official that **Viacom** and **CBS** are getting back together, a big question going forward is how will the new company play in the direct-to-consumer place. It's clear from Tuesday's late afternoon call with analysts that DTC is a major strategic component, with *Bob Bakish* declaring that the deal "positions us to be a global leader in DTC." The new **ViacomCBS**' DTC ecosystem includes **CBS All Access**, free AVOD **Pluto**, **Showtime** OTT and niche offerings like **Noggin** and the upcoming **BET+**. That's a portfolio that spans many different price points. Bakish, who will lead the combined company as pres/CEO, said there's nothing that prevents the companies from unlocking their content "in the very near future" for DTC offerings. For instance, it sounds like Nick content will be headed to CBS All Access. "The value proposition for under \$10—live linear programming, tens of thousands of hours of library content, catch-up viewing, a slate of originals—we think [All Access] is a compelling offer for consumers. Now you add kids programming... Now we have the best in the world, the No 1 kids brand in the world. We think kids programming is a huge opportunity really to drive subs," said *Joe Ianniello*, who will serve as CBS chmn/CEO, overseeing all CBS-branded assets in his new role. But that doesn't mean the company is abandoning the traditional linear TV world. Far from it, with Ianniello confirming that contract renewals would begin happening collectively. And ViacomCBS wants more money. "CBS and Viacom together will have a 22% share of TV viewership, but right now only receive 11% of industry affiliate fees paid to content providers," Ianniello said. "This means the combined company will have tremendous upside in affiliate revenue." The combined company is valued at more than \$28bln in revenue with a library of 140K+ TV eps and 3600+ film titles, global reach of more than 4.3bln and an estimated run-rate annual synergies of \$500mln. "Make no mistake, this isn't just about being bigger. Together we—CBS plus Viacom—are also better," Bakish said. Not everyone is toasting the couple. **Bernstein Research** downgraded CBS on the news to "underperform." "We believe whatever synergies are produced (we assume ~\$750mm) will pale in comparison to CBS shareholders inheriting Viacom's structural problems," a Bernstein research note said. Bernstein suspects the merged company will launch some sort of DTC offering that it doesn't believe will have "meaningful" consumer appeal. As for the deal particulars, the *WSJ* has a nice piece on some of

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the behind-the-scenes [drama](#). The deal was approved by the boards of both CBS and Viacom by unanimous vote of those present upon the unanimous recommendations of the boards' special committees. Existing CBS shareholders will own approximately 61% of the combined company while Viacom shareholders will own about 39% of ViacomCBS. Under the terms of the merger agreement, each Viacom Class A voting share and Viacom Class B non-voting share will convert into 0.59625 of a Class A voting share and Class B non-voting share of CBS, respectively. Rounding out the leadership team will be evp/CFO *Christina Spade* and evp, general counsel/secretary *Christa D'Alimonte*. The deal, subject to **FCC** and **DOJ** approval, is expected to close by year end.

**Court Revives Sunday Ticket Antitrust Suit:** Two years after a California federal court dismissed a proposed nationwide class-action lawsuit over **NFL** Sunday Ticket, an appeals court has brought it back to life. "Plaintiffs have adequately alleged injury to competition, and have adequately alleged that defendants have market power in the market for professional football telecasts," the US Court of Appeals for the 9th Circuit said in an opinion released Tuesday. The suit from Sunday Ticket subs accuses **DirecTV** and **NFL** of eliminating competition for live telecasts of NFL games since individual teams can't strike their own deals for multiple telecasts of games. Out-of-market fans must subscribe to Sunday Ticket to view the games not carried nationally. "We respectfully disagree with the court's ruling. It's important to note, however, that the court did not rule that the plaintiffs' allegations were true; only that they had alleged enough to proceed with their case," **AT&T** said in a statement. "We will continue to fight this case." The 9th Circuit's decision was 2-1, with Circuit Judge *N. Randy Smith* dissenting. Smith disagreed with the majority's conclusion that the plaintiffs have antitrust standing.

**Another State Joins Fight to Block T-Mobile/Sprint:** Oregon Attorney General *Ellen Rosenblum* is the latest to join the multistate lawsuit blocking the merger of **T-Mobile** and **Sprint**. She's the 16th AG to join the coalition, which now includes states representing nearly half of the US population. Rosenblum said in a statement that if left unchallenged, the suit would result in reduced access to affordable wireless service in Oregon and higher prices overall. The addition of Oregon comes after a hearing in the US District court for the Southern District of New York on Aug 1, where the states advised the court that they would be seeking permission for Texas and other states to join the suit in the near future.

**CenturyLink Pays Up To End Enforcement Bureau Investigation:** **CenturyLink** has agreed to pay \$550K to the US Treasury to resolve an **FCC** Enforcement Bureau investigation into whether it violated the Communications Act of 1934 by placing unauthorized third-party charges on customers' wireline telephone bills. Customer complaints

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submitted to the bureau alleged that customers were responsible for unauthorized charges on their CenturyLink bills for long distance services from third-party resellers. Customers also claimed that requested refunds were not received in a timely manner. In addition to the settlement, CenturyLink has agreed to discontinue those third-party billing arrangements with limited exceptions and to implement a process for providing refunds or credits to customers with valid complaints regarding unauthorized charges.

**Hargray Expands in Georgia:** Hargray Communications reached a deal to acquire Kingsland, GA-based cable and broadband provider **Kingsland Cable**. Kingsland was operated for 41 years by cable pioneer *Don Trednick* and family. Hargray will invest to bring Kingsland's network to 1Gbps residential speeds. It will be integrating the network and billing systems in the coming months, with existing Kingsland Cable customers continuing to receive the same services and pay their bills normally. Hargray, acquired in 2017 by an investment group led by **The Pritzker Organization**, has systems in a growing set of markets in South Carolina and Georgia, including **Charter's** former Beaufort, SC, system.

**Green Set-Top Efforts Save Customers and the Planet:** Consumers saved approximately \$1.6bln in energy costs in 2018 alone thanks to a 2012 voluntary set-top box energy conservation agreement among pay-TV providers, manufacturers, the **Consumer Technology Association** and **NCTA - The Internet & Television Association**. According to a new report from independent auditor **D+R International**, the agreement has reduced the national set-top box annual energy consumption by 39% over six years, resulting in the avoidance of 28.6mln metric tons of CO2 emissions. The procurement of energy efficient set-top boxes has predictably led to a drop in average energy consumption by the major types of set-top boxes. The new-unit average power usage of the DVR has fallen by 48% since 2012. Signatories, which include all the major MVPDs, have purchased only half as many new set-tops in 2018 compared to 2014. That decline is likely due to a mix of subscriber losses and the growing number of customers choosing to watch programming using apps rather than a set-top box.

**Cable Continuing to Grow Broadband Share:** The largest US cable and telephone providers in the US acquired about 370K net additional broadband subscribers in 2Q19. It's up from a pro forma gain of about 480K subs in 2Q18 for those providers, who represent about 96% of the market. According to findings from **Leichtman Research**, the top cable companies added 530K subs in 2Q19 while telephone companies had a net loss of 160K in the quarter. Those providers now account for 99.9mln subs, with major cable companies claiming 66.2mln. Telephone companies tout the other 33.7mln subs.

**Windstream Offers Migration Option for Avaya Users:** Windstream Enterprise has launched cloud-based Unified Communications as a Service platform **Avaya IP Office**. The offering serves as a migration option for Avaya premise-based IP Office systems and older Nortel phone systems, which are no longer supported by Avaya. IP office offers better call routing, improved connectivity for mobile and remote employees, one-number access and one app to manage both communication and collaboration functions.

**Private Equity Buys Major Stake in Ritter:** Private equity firm **Grain Management** has signed an agreement to acquire a majority stake in **Ritter Communications**. The independent communications provider offers internet, phone, video services and cloud solutions in Tennessee and Arkansas. The transaction is expected to close in 4Q19. Financial terms were not disclosed.

**Fubo Sports Network Comes to Roku:** Fubo Sports Network launched on **The Roku Channel** Tuesday. fubo Sports Network is also available on **XUMO**, **Samsung TV Plus** and **LG Channels** powered by XUMO and in fuboTV's base package.

**Programming: Showtime Documentary Films** will premiere "David Bowie Finding Fame" from director *Francis Whately* Friday at 9pm. The film follows five years of Bowie's early career from the late 1960s through the on-stage death of Ziggy Stardust in 1973. -- **AXSTV** is premiering "Mixtape" on Sept 12 at 8:30pm. The eight-episode season follows a different rock icon each week, with appearances from legends such as *Rick Springfield*, *Don Mclean*, *Dennis Quaid* and more.

**People:** *Joel Armijo* is joining **Comcast Advertising** as svp/CFO. Armijo will start this month and report to **Comcast Cable** pres, advertising *Marcien Jenckes*. He previously served as **fuboTV** CFO and CFO of **AT&T's AdWorks** (now part of **Xandr**). -- **Qualcomm** appointed former **Palo Alto Networks** chmn/CEO *Mark McLaughlin* as its board chair, effective Tuesday. He'll replace former **Cardinal Health** CFO *Jeff Henderson*, who has held the position since March 2018. Henderson will remain on the board and continue to chair its audit committee.