

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## On the Hunt: Gray Nabs Meredith in Most Recent M&A

**Gray Television** is acquiring **Meredith Corporation's** local media group in a \$2.7 billion deal that will position it as the nation's second largest TV broadcast group behind **Nexstar**. The purchase comes just over three months after it entered into an agreement to acquire all outstanding shares of **Quincy Media** for \$925 million, which it expects to close in 3Q21.

The broadcaster has affiliate negotiations coming up at the end of the year with **CBS**, but stopped short of saying its recent acquisitions would give it a leg up during talks. "All of the great CBS affiliation agreements we renewed four or five years ago at the end of this year... we know the CBS guys real well, we've worked with them for decades," chief legal & development officer *Kevin Latek* said on an investor call Monday. "I don't think of this as more leverage, we just have more to talk about."

The management team also pushed back against any assertions that its recent M&A push is in any way related to the new administration and the potential for changes to the **FCC's** media ownership rules.

"We acquired **Hoak** and **Schurz** in the latter years of the Obama administration. We obviously did **Raycom** under the Trump administration, and now this is where we are," Latek said. "The ownership rules haven't really changed, as we all know, since the 1940s. Policies will tighten and loosen, but they've had no impact on our strategy. Our strategy is to buy and grow the company by acquiring high-quality assets in any market size...

we're not up against any national ownership cap."

Gray and Meredith expect to close the deal in 4Q21. Immediately before the closing of the acquisition, Meredith will spin off its National Media Group operating division to existing shareholders. Gray will acquire its other operating division, which owns 17 television stations in 12 local markets. Stations included in the deal are WGCL and WPCH (Atlanta); KPHO and KTVK (Phoenix); KPTV and KPDX (Portland); KMOV (St Louis); WSMV (Nashville); WFSB (Hartford-New Haven, Connecticut); KCTV and KSMO (Kansas City, Missouri); WHNS (Greenville-Spartanburg, South Carolina); KVVU (Las Vegas); WALA (Mobile, Alabama); WNEM (Flint-Saginaw, Michigan); WGGB and WSHM (Springfield, Massachusetts). Gray currently operates in only one of those markets and it will need to divest WJRT (Flint, Michigan) for the deal to receive necessary regulatory approvals.

Gray chmn/CEO *Hilton Howell* said he hopes this deal will result in a boost in the company's stock valuation. He believes it is as much as two-thirds undervalued at the moment. "The economics of the television station business demand scale. Gray I think has had it for some time. I don't think Wall Street has given us the credit that we deserve for our scale," he said. "We really now have true national scale, horizontally, vertically, from big market to small market."

Gray has been slow to embrace the next-gen ATSC 3.0 standard across its stations, and it said one of the benefits of the deal is that it gets to learn from the progress Meredith has already made on that front. It already transitioned stations in

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the Phoenix and Portland DMAs, and its experience will allow Gray to make ATSC 3.0 a near-term priority.

Alongside the acquisition news, Gray released its 1Q21 operating results. Revenues came in at \$544 million, up 2% YOY. That number consisted of combined local and national broadcasting advertising revenue of \$260 million, political advertising revenue of \$9 million and retrans consent dollars of \$247 million. For 2Q21, the company guided for local revenue to increase by 33-35% to \$215-218 million while national revenue will rise 61-67% to \$57-59 million. Retrans revenue is also set to rise 11-12% to approximately \$245-247 million. At market close, Gray's stock was up 9.1% while Meredith's skyrocketed to a 13.2% gain.

**APOLLO TO BUY VERIZON MEDIA**

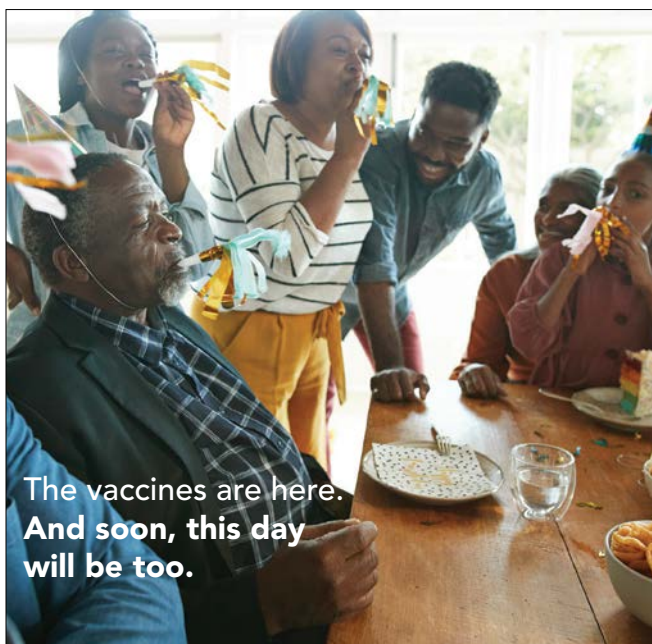
**Verizon Media** has a buyer. **Apollo Global Management** is purchasing the unit, which includes **Yahoo** and **AOL**, for \$5 billion. The payment will be made up of \$4.25 billion in cash and preferred interests of \$750 million, and Verizon will retain a 10% stake. The wireless operator first purchased AOL for \$4.4 billion in 2015 and followed it up with the \$4.5 billion buy of Yahoo in 2017, and the two were brought together under former AOL CEO **Tim Armstrong**. "Strategically this is the right thing for Verizon to do; the Media business has no material value to its other businesses," **New Street Research** said. "It allows Verizon mgmt to focus attention and resources on Wireless. The transaction also creates a strong strategic contrast with **AT&T**, who is doubling down on investments in its media properties and walking off the field in wireless." The deal is expected to close in the second half of 2021. **Goldman Sachs** served as lead financial adviser to Verizon, and **LionTree** was lead financial advisor to and will invest alongside Apollo.

**PIVOTAL OPTIMISTIC ON DISH, UPS PRICE**

**Pivotal** is raising its year-end target price for **DISH** from \$34 to \$50, citing encouraging signs on wireless from chairman **Charlie Ergen** on the company's earnings call last week. "Recall we have long been optimistic regarding the outlook/upside for DISH's wireless efforts, but have been: disappointed by the lack of color/enthusiasm from Ergen historically, their poorly timed equity capital raise in December, the potential for sizeable investment in the C-band auction (which would likely have led to more equity deals) and the low likelihood a partner would emerge in '21 to help fund the wireless project," the firm said in a note. "Recall this led us to downgrade the stock to 'Hold' after 4Q earnings, again despite our enthusiasm regarding the long-term potential upside from their wireless efforts." As for the reasons for the change of heart, Pivotal pointed to recent moves like the signing of deals with partners like **Amazon's AWS** for DISH's wireless buildout and the announcement of Last Vegas as the company's first test market. "Ergen appears to finally be shedding some light on his plans and the potential upside if he is able to successfully leapfrog his telco wireless peers," the firm said. It's leaving its "Hold" rating unchanged due to the substantial run in the stock and the high likelihood of market launch delays and issues.

**GROUPS ASK FCC TO WATCH DISH/T-MOBILE 3G**

**Public Knowledge**, the **Open Technology Institute at New America**, the **Rural Wireless Association** and five other consumer advocacy groups sent a letter to the **FCC** urging the agency to move quickly to protect **Boost Mobile** subscribers from potential loss of service when **T-Mobile** shuts down its 3G network. The groups urged the Commission to require DISH



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And soon, this day  
will be too.

and T-Mobile to work together on a transition schedule that would benefit both parties or, should it be forced to, to exercise regulatory authority over the parties and relevant stakeholders to protect consumers. “The sunset of aging 2G/3G networks, like the Analog Sunset and other industry-wide transitions before it, has the potential to bring enormous benefits to the public. Also like the transitions before it, it will require the FCC to ensure that the transition does not result in unintended consumer harms,” the letter read. “The current dispute between T-Mobile and DISH, and collateral impact on Rural Wireless Association members, illustrates why Congress created the Commission and invested it with broad powers to protect and promote the public interest.”

#### TELEHEALTH POLICY HERE TO STAY?

A bipartisan group of 50 senators including, *John Thune* (R-SD) and *Roger Wicker* (R-MS), introduced legislation that would make telehealth policy changes enacted during the COVID-19 pandemic permanent. The Creating Opportunities Now for Necessary and Effective Care Technologies for Health Act of 2021 would permanently remove geographic restrictions on telehealth services, permanently allow health centers and rural health clinics to provide telehealth services, allow for the waiver of telehealth restrictions during future public health emergencies and require a study to learn more about how telehealth has been used during the pandemic.

#### UNIVISION EARLY IQ NUMBERS

**Univision** brought in an estimated net revenue of \$634 million in 1Q21, according to preliminary financial data. That's a 4% drop YOY, which the company said is a result of 12% lower non-advertising revenues due to subscriber losses and the timing of content delivery. Adjusted OIBDA is estimated to be at \$252 million, up 0.4% YOY. As of March 31, the carrying value of Univision's debt, including finance leases, was \$7.3 billion. The company is anticipating a non-cash impairment of approximately \$25 million tied to the write-down of certain television sports program rights due to revised estimates of ultimate revenue for certain program assets and certain lease assets.

#### AMAZON PRIME SCORES TNF RIGHTS

**Amazon Prime Video** will be the exclusive home of “Thursday Night Football” starting with the 2022 season. That's a year earlier than the **NFL's** original deal with Amazon, announced as part of a larger series of distribution deals this past March. **Fox**, which currently has the rights to Thursday Night Football, will continue to produce the NFC package of Sunday afternoon games.

#### CABLE ONE CLOSES HARGRAY DEAL

**Cable One** completed its \$2.2 billion acquisition of the remaining equity interests in **Hargray** that it did not already own. The deal, which was announced in February, will allow Cable One to extend its presence and continue its growth in the southeast US.

#### LOCAST HIGHTAILS IT TO TENNESSEE

Broadcast streaming app **Locast** has expanded into the northeastern Tennessee cities of Bristol, Johnson City and Kingsport, as well as the surrounding rural area bordering Tennessee, Kentucky and Virginia. The service, now available in 32 markets, delivers 27 local TV channels to 19 counties

in the Tri-Cities DMA. Locast is being sued by the Big 4 broadcasters, which claim it violates copyright law.

#### NEW BRANDED CONTENT STUDIO FOR FUBOTV

Virtual MVPD **fuboTV** had a lot to say at the 2021 IAB NewFronts. The service is launching a branded content studio for advertisers, new and returning programming for **Fubo Sports Network** and a partnership with **LiveRamp** to enhance its advertising capabilities. The new content studio will allow advertisers to collaborate with fuboTV's creative team to create custom branded content to air on Fubo Sports Network. Advertising partners can choose short- or long-form content and unique original integrations featuring talent from the streamer's sports network. As the streamer and its sports network gear up to exclusively stream the Qatar World Cup 2022 Qualifying matches for CONMEBOL starting in June, fuboTV will produce original programming including pre, half-time and post-match shows to air throughout the season. Joining the CONMEBOL coverage will be new programming, including podcast-turned-TV-show “Getcha Popcorn Ready,” as well as “Drinks with Binks” and “The Cooligans.” The LiveRamp partnership will allow fuboTV advertisers to measure across all advanced CTV campaign strategies through access to LiveRamp's Advanced TV products.

#### A CRACKLE IN THE AIR AT NEWFRONTS

**Crackle** used the Newfronts to announce the launch later this year of a new **Chicken Soup for the Soul** AVOD network. It will be available as a linear FAST channel and an on-demand offering. Content will include a selection of scripted and unscripted movies and TV shows and lifestyle programming, fueled by its recent deal to acquire the film and television assets of **Sonar Entertainment**. Crackle's upcoming programming slate includes sports docuseries “Promiseland” and “Vince Carter: Legacy” as well as unscripted program “Inside the Black Box.”

#### COMCAST NBCU CELEBRATES AAPI MONTH

**Comcast NBCUniversal** will celebrate AAPI Heritage Month with cross-portfolio campaign “We Belong.” The company has committed over \$10 million of media support to air the campaign across its national and local TV outlets and digital platforms. It kicks off Monday at 8pm ET with an on-air roadblock across the NBCU portfolio of the “We Belong” Anthem spot. Comcast NBCU also committed \$2 million in direct support and resources to Asian-led and focused social justice nonprofits aimed at addressing violence against the AAPI community. Comcast NBCU will also honor the culture throughout May on its **X1**, **Stream** and **Flex** platforms.

#### PEOPLE

*Toni Judkins* joined **Crown Media Family Networks** as svp, programming & development for **Hallmark Channel** and **Hallmark Movies & Mysteries**. She joins from her production company, **Moxy Media**. The networks also promoted content executive *Jessica Callahan* to vp, programming & development. – **Nexstar Media** is promoting *Andrew Alford* to president of broadcasting, effective June 1. Alford takes the torch from *Tim Busch*, who will retire May 31 after more than 20 years with Nexstar.