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WHAT THE INDUSTRY READS FIRST

## New World: WarnerMedia, Discovery & Changing Programmer-Distributor Dynamics

**WarnerMedia** and **HBO Max** won't be under **AT&T**'s umbrella for much longer, but CEO *John Stankey* believes the streaming service wouldn't be where it is today if it hadn't been a part of the telecom company. And in the time that it has been associated with the AT&T name, he thinks it has positively impacted a number of the company's other businesses.

"We had a strong belief that we could help our domestic connectivity business significantly, and that started us down the path of the direct-to-consumer evolution… We're, in fact, seeing the benefits of what happens with lower churn, our distribution muscle, that distribution muscle helps the media assets that we have, and we ultimately get the economic benefit of owning and operating that as we push it through," Stankey said during an appearance at JP Morgan's Technology, Media and Communications Conference Monday. "I think, realistically, HBO Max would not be where it is today, if not for the strength of the two combined companies."

The WarnerMedia-Discovery merger and the years leading up to it have sparked a number of discussions on the changing dynamics between distributors and programmers. He said one of the most attractive aspects of the deal with Discovery is his belief that Discovery will be able to build a scalable business together with the HBO Max team.

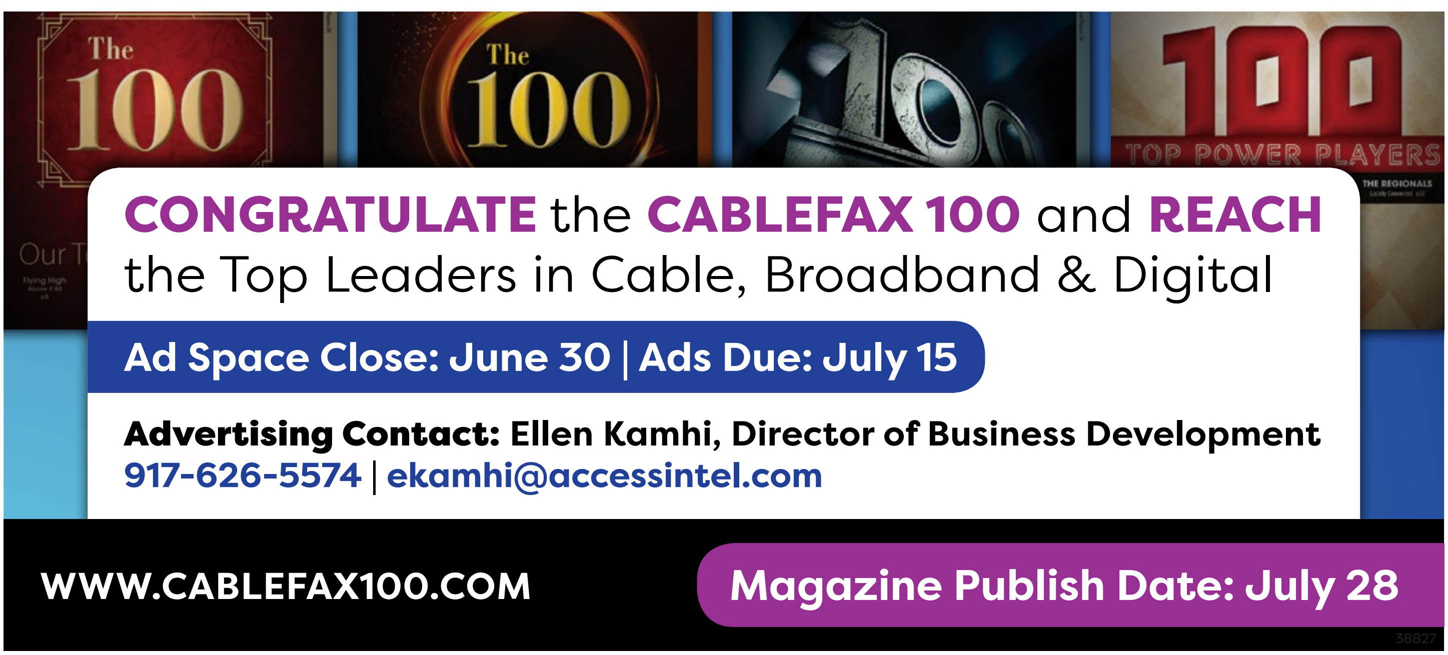
"I think what's going to happen is, effectively, you're going to have platforms that ultimately have enough scale to distribute… and if you had one of those platforms, why wouldn't you be stepping back and asking what else you could use to aggregate and distribute on it?" Stankey said. "Now, do they ultimately move into access down scale on a global basis? You know, the bet we're making right now is probably not. It's, you know, access continues to be a pretty capital intensive native game, and it's a little bit harder to aggregate global assets on an access basis."

At a later session, **Charter** CFO *Chris Winfrey* said the WarnerMedia-Discovery merger, a deconsolidation of a vertical integration, reinforced his company's pure-play strategy despite having multiple opportunities to pursue content-centric transactions.

"Most content assets have been available over the last few years at different points in time and we've resisted that temptation because… as large as Charter is, we're still a regional distributor and this is a global content business. So in order to create a benefit, you'd have to really handicap your abilities for the content business outside of the region, and we didn't see where that created beneficial synergies," he said.

When asked whether he thought consolidation in the programming ecosystem could trigger similar activity on the distribution side, Winfrey said he'd like to hope so.

"There's a real opportunity for us to do additional cable consolidation at the right time. Most everything that's left is now family-controlled, and so when they're interested in selling, I'm sure we'll get a phone call," he said. "Our operating





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strategy is one that's designed to drive growth through saving customers money, providing great service, insourcing all of the service infrastructure on shore and in-house, so I think we have a positive message that we can take to the marketplace if and when we get the opportunity for cable consolidation."

## MALONE ON WARNERMEDIA-DISCOVERY

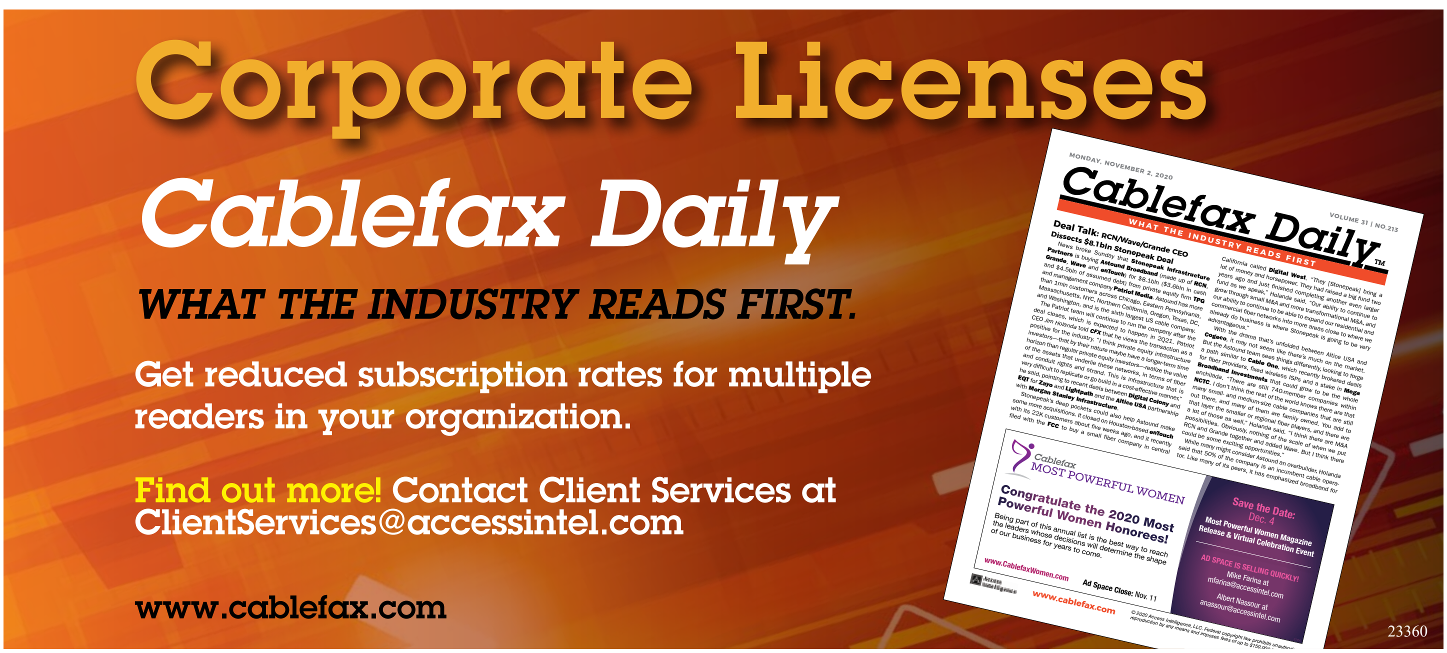
Cable pioneer *John Malone* believes **HBO Max** needs to go global in order to achieve a high level of success in an already crowded ecosystem, and any problems he saw during the streaming service's creation at **AT&T** will be solved by **WarnerMedia**'s merger with **Discovery**. "I thought they were going to struggle with getting the kind of subscriber growth in the US that they were hoping for, and I think, in fact, that's true," he said. "For me, the problem with HBO Max is it had no ability to go international at the time. The combination with Discovery, given Discovery's existing large presence in 200 countries around the world with a great brand, to me, that's the big upside." Given time, Malone believes that the WarnerMedia-Discovery merger will build a contender in the content marketplace that could really compete with the likes of **Netflix** and **Disney+**. "I think we are not only going to be the third such platform, but I think we'll be very competitive with the other two in terms of being able to satisfy the entertainment and curiosity and information needs of the world," he said. When asked about his decision to give up his large influence over the moves of the combined company as part of the merger agreement, Malone said it came at the request of AT&T CEO *John Stankey*, who thought it would be inappropriate to have only "plain vanilla" governance provisions. "I thought that the alphabet soup that we have had served its purpose, had protected the company and given it a long view for a number of years and it was a time when its usefulness was coming to an end, so I was fine with that," Malone said.

## CARR: MAKE BIG TECH PITCH IN ON DIGITAL DIVIDE

With **Amazon** reportedly nearing a $9 billion deal for **MGM**, **FCC** commish *Brendan Carr* says it's time to stop relying on the traditional phone service to collect money to bridge the digital divide and instead have Big Tech pay its share. In a *Newsweek* op-ed, he complains that USF is "on the verge of collapse." "Big Tech has been enjoying a free ride on our internet infrastructure while skipping out on the billions of dollars in costs needed to maintain and build that network," he wrote. "Indeed, one study shows that the online streaming services provided by just five companies—**Netflix**, **YouTube**, **Amazon Prime**, **Disney+** and **Microsoft**—account for a whopping 75% of all traffic on rural broadband networks. The same study shows that 77-94% of total network costs are related to adding capacity or otherwise supporting the delivery of those streaming services." Carr proposes that Congress enact legislation for Big Tech contributions, particularly as it looks at broadband as part of the infrastructure package. Closer to home, he proposed that the FCC should open a proceeding to look at ending the tax on consumers' monthly phone bills and shifting a "fair amount" to tech companies.

## DISNEY'S DTC TRANSITION

The goal for **Disney+** is something new every week. **Walt Disney Company** CEO *Bob Chapek* said during an investor conference Monday that he expects the streamer will have a "normalized content flow" by FY '22 of '23. The pipeline was slowed by the

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shutdown of production during the pandemic. When it comes to moving more sports to direct-to-consumer platforms, he promised that it would be driven by consumer demand and whether it would be accretive to shareholders, though he acknowledged that there may be rights constraints that slow the move. Chapek said the current linear business has generated a ton of cash flow that's helping to fund the DTC investments. "But over time, we're in a multi-year transition to a very strong DTC business and the pace of that could accelerate as we get out of COVID and as consumers vote with their pocketbooks to go direct-to-consumer," he said. "We don't want to be backend of that wave… But we're only going to do that if we can maximize the long-term value to shareholders." As for theatricals, the CEO said consumers have driven the 45-day window for films to hit paid video streaming. Does he think that shorter window will discourage people from going to the theater? "You know, 46 days, six weeks, that's a long time to wait if you're a 'Black Widow' fan," he said. "I mean, if you said six days, maybe. But we see the fervor when we release new content on Disney+ how at midnight people are lined up to watch that title. I don't think people have that much patience."

## VIACOMCBS DOUBLING DOWN ON STREAMING

**ViacomCBS** evp/CFO *Naveen Chopra* is confident in the company's position in the streaming marketplace even with the announcement of the **WarnerMedia-Discovery** merger. At JP Morgan's conference Monday, he said all of the company's work to prepare for a successful launch of **Paramount+** is already paying off. "We've been very focused on transitioning our assets to help drive streaming and we're going to continue to do that. I think we're actually making some noticeable progress in that regard," Chopra said. "When you think about even the broader transition of our business, I expect that streaming revenue will actually comprise close to 15% of the total revenue of ViacomCBS this year. Which, perhaps with the exception of Disney, I think puts us ahead of almost all of our media peers in terms of that composition of revenue moving in the direction of streaming." He added that while the merger will see two large sets of programming assets come together, ViacomCBS has its own portfolio that's nothing to sneeze at. **Pluto TV** continues to grow in the AVOD space, early signs on Paramount+ are good and movies like "A Quiet Place Part II" are set to start theatrical runs before making their appearances on the young streaming service. "We had all of those things eight days ago before the Warner-Discovery deal was announced and we still have them today," Chopra remarked.

## TIVO PURCHASE OF MOBITV APPROVED

**MobiTV**'s assets are officially moving into new hands. A Delaware bankruptcy court judge approved **TiVo**'s bid to acquire MobiTV for $18.5 million that came in an auction earlier this month. *Light Reading* was the first to report the news. Other bidders that participated in the auction included UK-based **Amino Technologies**, a joint venture between **Roku** and **RPX**, **TV2 Consulting** and a group called **Streaming TV Acquisition**. TiVo is now obligated by the US Bankruptcy Court for the District of Delaware to close the acquisition by 4pm ET on June 1.

## MOFFETTNATHANSON RETHINKS DISCOVERY

**MoffettNathanson** downgraded Discovery to "Neutral" with a target price of $37, $14 lower than its previous target. The analysts explained that coming down from the excitement of the **WarnerMedia-Discovery** deal announced last week, it is now clear that the potential payoff for Discovery will be stuck in a deal limbo and won't be realized until further questions about the deal are given solutions. The stock closed Monday at $31.28, down 0.6%.

## GCI BLACKOUT COMES TO A CLOSE

There's a light at the end of the tunnel for **GCI** customers. The operator announced it has reached an agreement with **Vision Alaska** and **Coastal Television** to broadcast **ABC**, **Fox** and **CW** channels to its customers across the state. The stations went dark on GCI back in January after the previous retransmission consent agreement between the companies expired.

## BROADBAND BUDGET CUT IN BIDEN PLAN

More federal dollars are almost certainly going to be devoted to expanding and improving broadband access in the US, but just how much continues to be debated in Washington. *President Biden* has dropped the broadband deployment budget in his infrastructure plan from $100 billion to $65 billion, bringing it in-line with a proposal from the Republican party. White House press secretary *Jen Psaki* said in a Friday press briefing that the move was made in the spirit of "finding common ground" with Republicans. The overall plan would now invest $1.7 trillion over 8 years in a wide variety of infrastructure projects, including broadband, roads and bridges.

## PROGRAMMING

**ESPN** and **ABC** will present all 51 matches of the UEFA European Football Championship 2020. Coverage starts June 9 at 6:30 pm ET on ESPN2 with a 30-minute tournament preview show. ESPN will televise 40 matches, **ESPN2** will air six and ABC will broadcast five matches. The matches will stream live on the ESPN and ABC apps. ABC matches will simulcast on ESPN3. **ESPN+** will also carry livestreams of all matches. – "Money Court" joins **CNBC**'s primetime lineup on August 11 at 10pm. – Hour-long talk show "None of the Above with JD Durkin" will air weeknights on **Cheddar News** starting at 8pm ET June 7. — **MTV Entertainment Studios** tapped playwright *Nathan Alan Davis* to write a scripted limited series for the network inspired by the Tulsa Race Massacre of 1921. The show will examine the history of Tulsa's Greenwood district and the events leading up to one of the nation's worst incidents of racial violence. – **HBO** renewed "A Black Lady Sketch Show" for a third season. – **Showtime** gave a series order to anthology series "Super Pumped." The first season is based on Mike Isaac's book "Super Pumped: The Battle for Uber."

## EDITOR'S NOTE

It's nearly showtime and finalists for this year's **FAXIES** have been announced! Head over to thefaxies.com to check out who made our top three and register for our virtual awards celebration on June 10 at 4pm ET.