

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Money Goals: Wiedenfels Sure on Warner Bros Discovery Synergy Goals

Discovery CFO *Gunnar Wiedenfels* is more than confident that his company's merger with **WarnerMedia** will be just as successful from a financial perspective as the acquisition of **Scripps Networks Interactive** in 2018. When the merger was announced, Discovery said it expected to see \$3 billion in cost synergies within two years of the deal's completion.

Some of those synergies will be standard for a merger, coming from overlap of corporate functions. Wiedenfels also said there is a huge opportunity to cut costs when you remember that each of the two companies has built out an entire direct-to-consumer division within their structures, and investors shouldn't underestimate standalone cost opportunities.

"We saw that when we went through the combination of Scripps and Discovery. Arguably, a lot of what ended up being a synergy in the combination was upside opportunities that we could have captured on a standalone basis in one or the other company, but it is hard to make some of those decisions," he said. "What I really look forward to is to take a step back here and say we're not talking about integration, we're talking about transforming the combined company into a state-of-the-art global media company. That opens up the thinking."

Those cost savings will come at a time when Discovery is planning on investing more on its content than ever before. During a press call following the announcement of the merger, Discovery CEO *David Zaslav* said **Warner Bros Discovery** will

spend \$20 billion on new content.

"There is so much structural efficiency potential in the combination that we can afford to make those content investments, de-lever the company very quickly and get to a much more beneficial financial profile," Wiedenfels said.

Until the merger is a done deal, Discovery will focus on building **discovery+** into a strong standalone streaming service. Much is in the works to bolster the streamer's ad-supported tier, which has emerged as an unexpected star for the company. Wiedenfels believes Discovery can sustain the ad revenue per customer it is seeing now, and even grow it.

"We're just not at the disadvantage that a cable company has had relative to broadcast in the traditional ecosystem for so many years. We've been working on closing that gap, but in the premium online video world, it doesn't matter whether a premium video viewer is delivered through someone that has a legacy in cable or someone that has a legacy in broadcast," Wiedenfels said.

While there were initially no plans to launch an ad-supported tier anywhere outside of the US, its domestic success has forced Discovery to re-think that decision for certain international launches. Wiedenfels does not see a future, however, where discovery+ would offer a completely free, ad-supported product.

"For premium content like ours, I would want to stay away from it. We know from the feedback of our viewers, be it in linear or in the DTC space, they are willing to pay for the premium

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content they are consuming,” he said. “There is a market for the lower quality, long tail stuff, but that’s not what we’re playing in for the most part. I will never say never... but I do think we have the benefit of an extremely high value brand-safe, family-friendly content portfolio here that people are willing to pay for and we shouldn’t position it as something that’s just available for free.”

DISCOVERY SELLS GREAT AMERICAN COUNTRY

Discovery announced the sale of the **Great American Country Network** to newly-formed investor group **GAC Media**. The firm has also purchased **RIDE TV**, a network centered on equestrian sports and lifestyle programming. Former **Crown Media Family Networks** head *Bill Abbott* will run both networks moving forward as president/CEO. CFO Gunnar Wiedenfels said the deal was a great value for Discovery, and while no other networks are formally up for sale, the CFO said some of the company’s other assets are getting interest from other buyers. “In many other cases, we’ve come to the conclusion that it is not the right step for us to do because obviously we do enjoy a lot of synergy in managing these networks. And as I’ve said before, there’s not a lot of direct cost involved with some of the smaller networks. They’re just being managed by the teams and synergy,” he said. “But in certain cases, like this one, the business case frankly made a lot of sense for us and we’ll continue to entertain discussions.”

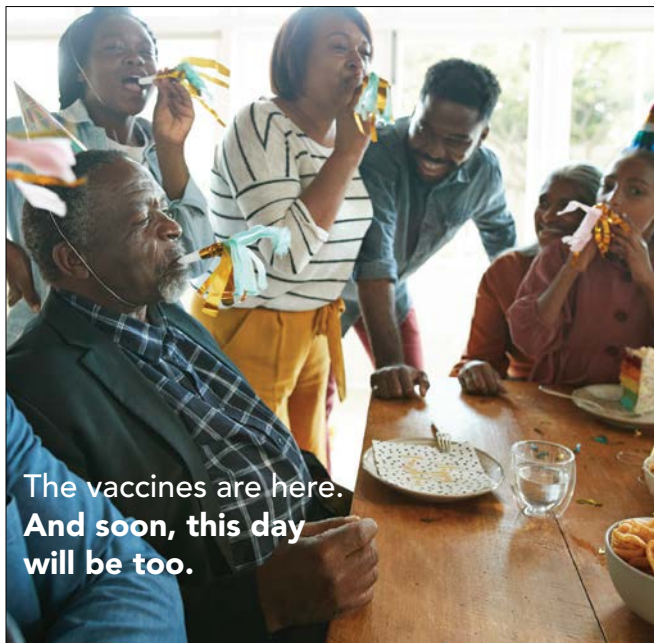
SHOWTIME KO’ED BY PAUL-MAYWEATHER BOUT

A showdown between *Floyd Mayweather* and YouTuber *Jake Paul* went awry Sunday evening with many reporting difficulties watching **Showtime**’s PPV event. A number of customers

reported seeing a 504 Gateway Timeout error when attempting to access the event, and a spokesperson tweeted that the company was working on a fix, but it was unclear when all service would be restored. Showtime’s customer support page is now directing those that purchased the PPV event on showtime.com or through the app to submit a refund request. “If you purchased the PPV event through the SHOWTIME app and paid through the app via iTunes billing, **Amazon** billing or **Roku** billing, please contact customer support for the appropriate billing entity,” the support page said. It’s unclear how successful customers have been when seeking reimbursement from those third parties, but some customers that purchased from Showtime directly have already reported receiving refunds.

GOVERNMENT BACKS VIAMEDIA IN COMCAST CASE

Comcast has snapped back after the **US Solicitor General** filed an amicus brief late last month at the US Supreme Court that said the Seventh Circuit appeals court correctly held that **Viamedia** had plausibly alleged an unlawful refusal to deal by Comcast. “The government thereby seeks to shield the decision ... from review by pretending that the decision was not based on the balancing approach the panel spent over 100 pages making up and justifying, but instead rested on a single paragraph summarizing Viamedia’s conclusory allegations that Comcast had no legitimate business justification for not renewing its contract with Viamedia,” Comcast said in a filing with the court Monday. In September, Comcast requested the Supreme Court review the Seventh Circuit decision reinstating Viamedia’s suit, which accuses Comcast of leveraging control over its interconnect advertising marketplace to force rival telecoms to boycott Viamedia’s ad



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coordination services. The case was thrown out in 2018, before being reinstated. “The court of appeals correctly applied settled legal principles to hold that respondent had created a triable issue of fact about whether petitioner had unlawfully conditioned interconnect access on MVPDs’ purchases of petitioner’s ad-rep services. That factbound holding does not warrant further review,” said the Solicitor General filing.

MOVIEPASS REACHES FTC SETTLEMENT

Remember **MoviePass**? The operators of the bankrupt American-based theater subscription service have agreed to settle **FTC** allegations that they took steps to block subscribers from using the service as advertised while also failing to secure subscribers’ personal data. Under the proposed settlement, MoviePass, its parent company **Helios** and **Matheson Analytics**, and their principals, *Mitchell Lowe* and *Theodore Farnsworth*, will be barred from misrepresenting their business and data security practices. In addition, any businesses controlled by MoviePass, Helios, or Lowe must implement comprehensive information security programs. The order does not include monetary relief for consumers. According to the FTC, MoviePass’s operators invalidated subscriber passwords while falsely claiming to have detected “suspicious activity or potential fraud” on the accounts. MoviePass’s operators did this even though some of its own executives raised questions about the scheme, according to the complaint. The FTC claims MoviePass’s operators launched a ticket verification program to discourage use of the service and used “trip wires” that blocked certain groups (typically those who viewed more than three movies a month) from using the service once they collectively hit certain thresholds. The Commission voted 3-1 to issue the administrative complaint and to accept the proposed consent agreement, with commish **Noah Joshua Phillips** casting the dissent. He took issue with how the FTC is applying the Restore Online Shoppers’ Confidence Act of 2010, complaining that the FTC is treating a deception about the characteristics of the underlying product as a violation of ROSCA for the first time ever.

FCC EBB PROGRAM TOPS 2 MILLION

The **FCC** said the \$3.2 billion Emergency Broadband Benefit program has surpassed 2.3 million household enrollments in its first three weeks. More than 1000 broadband providers are taking part in the program, which provides discounted broadband to eligible households. At the FCC’s direction, **USAC** debuted a new data dashboard for advocates, members of Congress, and the general public to track the progress of the EBB program. The tracker includes state-specific enrollment figures and will report the amount of funds disbursed once providers begin to file claims.

PARAMOUNT+ LAUNCHES AD-SUPPORTED TIER

Paramount+ launched a \$4.99/month ad-supported, lower-cost subscription tier Monday. That comes in at less than half of the service’s premium \$9.99/month tier. The ad-supported tier replaces **CBS All Access**, which was formerly offered at \$5.99/month. And while it does not offer access to **ViacomCBS**’s linear feeds, ViacomCBS CEO *Bob Bakish* is still confident the product will bring in customers and more than pay for itself. “We look at

this product and the dynamics of the ad market, and we actually believe analytically that the \$4.99 version can generate higher ARPU over time than our \$9.99 product,” Bakish said at an investor conference. After learning more about the digital premium ad market through AVOD product **Pluto TV**, Bakish believes this ad-supported tier is on the path to outperform CBS All Access by a long shot. More consumers may flock to the more affordable tier sooner than later. Bakish hinted that a price increase could be on the horizon for Paramount+’s premium tier as it aims to add more content. “If you look at the trends on pricing from the more established players, there’s clearly a pattern of price increases as content selection expands. I’m not saying we’re raising the price of Paramount+ tomorrow, but over time, there’s definitely going to be price raises,” Bakish added.

NBCU TAKES TOKYO

NBCUniversal will provide viewers with 7,000 hours of Tokyo Olympics coverage across two broadcast networks, six cable networks and multiple digital platforms this summer. The programmer will serve both English and Spanish language viewers as the Games take place July 23 to Aug 8. A full day of coverage kicks off **NBC**’s coverage July 23 with the Opening Ceremony via a live morning broadcast. **NBC Sports Digital** will stream more than 5,500 hours of the Games on the **NBC Olympics** site and the **NBC Sports** app. **Telemundo Deportes** will deliver over 300 hours of Spanish-language Olympic programming across **Telemundo** and **Universo**. Olympic programming begins two days before the official Games on July 21 with live soccer qualifying at 4pm ET on **USA Network**.

IN-FLIGHT INTERRUPTIONS

Airport media provider **Clear Channel Airports** teamed up with smart music and TV platform **Rockbot** last week to launch the **Rockbot Airport TV Network**. The network replaced **CNN**’s news platform in airports across the US as it began rollouts and is in the process of expanding into more. Following suit, **NBCUniversal** and **ReachTV** are partnering to bring NBCU’s content from local news to **Peacock** to more than 90 airports across the US, Canada and the UK.

CARRIAGE

fuboTV apps launched on **LG Smart TVs** Monday. The streaming platform app is now available on LG TV’s 2018-2021 models. – **Sling TV**’s Watch Party expanded availability to all mobile iOS devices. The feature, currently in beta, lets Sling subscribers invite friends to watch synced content while using built-in video chat and text for a shared viewing experience. – **Peacock** launches on **Samsung Smart TVs** Tuesday.

PEOPLE

Tom Ziangas joined **Crown Media Family Networks** as svp, revenue & strategic research. Ziangas joins from **AMC Networks**, where he served as svp, research & insights for over ten years. – **Firstlight Media** appointed *Jim Vinh* to lead sales in the Asia Pacific Market. Prior to Firstlight, Vinh focused on APAC opportunities for **IBM**’s Watson Media, Intelligent Analytics and AI& Cognitive Application units.