

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Dollars and Cents: Wall Street Weighs in on Warner Bros Discovery

Wall Street has finally spoken on the now-completed merger that created **Warner Bros Discovery**.

MoffettNathanson initiated coverage with a “Neutral” rating and a \$27 target price. It does see the potential upside of having both **HBO Max** and discovery+ under one roof for the combined company, but the firm is still concerned about the general slowing of subscriber growth across streaming platforms and whether the size of the total addressable market is smaller than it thinks. Warner Bros Discovery will also still count a significant number of linear networks as part of its portfolio, and the pay TV business is still in decline. That list of networks includes the T Nets as well as **Food Network**, **HGTV** and **Discovery Channel**.

“Cord-cutting (including vMVPDs) has leveled out over the past few quarters to remain in the -5% range. This can be viewed from both sides,” MoffettNathanson said in a Monday note. “It is a positive that the declines have yet to show any signs of accelerating, but at the same time we have to remember the pressure these levels of decline place on affiliate fee revenue growth at linear networks.”

Additional concerns are whether AT&T shareholders, which represent 71% of the company’s ownership, will move to sell their stock due to the drastic differences between what AT&T was prior to the sale and the composition of Warner Bros Discovery.

Evercore ISI took a different approach, upgrading Warner Bros Discovery shares to “Outperform” due to the potential for the company to compete on the global stage as a streaming leader sooner rather than later. According to **Parrot Analytics**, Warner Bros Discovery now has 18.3% of the corporate demand share for series. That puts them just behind **Disney** at 19.8% and ahead of **Paramount** (13.1%), **NBCUniversal** (10.5%) and **Netflix** (8.2%). It also owns 18.3% of platform demand share for SVOD catalogs, coming in third behind **Hulu** (19.8%) and Netflix (18.7%).

“We think the shares are undervalued with a ~14% 2023 levered FCF yield and a path to grow FCF/share at a double-digit rate per year thereafter. As the RMT spin-merge transaction structure is likely to create a massive supply of stock, we recommend LT fundamental investors to take advantage of this technical aberration as our YE 2023 price target of \$40/share provides over 60% upside from current levels,” Evercore said in a note.

Of course, HBO Max and discovery+ haven’t come together overnight. It will take some time to put the pair in sync, but Parrot believes their complementary content libraries should lower churn and draw in a diverse crowd. We won’t have to wait too long to get a better idea of how Warner Bros Discovery presents itself to the world. It will host its first upfront event on May 18 at The Hulu Theater at Madison Square Garden. We’re also nearing the start of 1Q22 reporting. Warner Bros Discovery hasn’t set a date yet for that call, but we expect it



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to land in May. As for how the WBD stock performed in its first day trading, it spiked and fell as much as 5% before settling in at -0.68% at market close.

As for how Wall Street is now viewing standalone **AT&T, New Street Research** has kept it at a "Buy" rating but adjusted its price target to \$26. It expects FCF to increase by \$4 billion in 2024 as the leadership team continues on its efforts to cut down on capital expenditures. "At Verizon's 2024 consensus FCF multiple, the new AT&T stub is worth \$24/share, excluding any value for DTV. We value DTC assuming a 75% change of a lockup with **DISH**, producing \$2/sh in value for AT&T shareholders," analysts said in a note.

AT&T stock jumped early Monday after **J.P. Morgan** analyst *Philip Cusick* resumed coverage of the company after a year with an "Overweight" rating and a \$22 price target. The stock closed Monday at \$19.63, up from Friday's closing price of \$18.22. He pegged his optimism on AT&T's ability to focus on its wireless offerings without the distractions of an entertainment company and streaming product.

NAB SHOW PREPARES FOR IN-PERSON RETURN

FCC Chair *Jessica Rosenworcel* and **NAB** President/CEO *Curtis LeGeyt* are participating in a fireside chat on **NAB Show's** Main Stage. It is scheduled for April 25 at 10am, directly after the show's welcome, and will dive into the state of the broadcasting industry and her priorities for the rest of her tenure. Rosenworcel did reveal on **Twitter** Monday that she has tested positive for COVID-19 and is experiencing mild symptoms, but she should recover in time to take part in the program. This will be the first oc-

currence of the NAB Show since the start of the COVID-19 pandemic, and exhibitors are clamoring to get a spot at the Las Vegas Convention Center during the show's April 23-27 run. More than 900 companies are slated to exhibit or offer demonstrations during the convention, including approximately 160 first-timers.

CCTA WELCOMES NEW PRESIDENT

The **California Cable & Telecommunications Association** has a new head. *Janus Norman* is joining the organization on April 25, filling the hole left behind by *Carolyn McIntyre*. McIntyre left at the end of 2021 following the expiration of her contract. Norman is newer to the cable industry, but he has more than a decade of experience in legislative and governmental affairs. He last served as SVP of the **California Medical Association** overseeing all political activities for the organization. He's also been a Legislative Advocate for the **American Federation of State, County and Municipal Employees** and the **Judicial Council of California**.

SINCLAIR REVEALS PRELIMINARY IQ22 NUMBERS

Sinclair offered shareholders a peek into what it will report for its Broadcast and Other segments Monday. Those Media revenues for the Broadcast segment are expected to be within the range of prior guidance, falling in the range of \$709-725 million. That includes \$28 million of revenue for services offered by the Broadcast segment to the company's Local Sports segment. Media revenues for Other/Corporate/Eliminations is also expected to meet guidance of \$66 million. The company will discuss its full results on May 4 at 9am.

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Cablefax Daily (ISSN 1069-6644) is published daily by Access Intelligence, LLC | www.cablefax.com | 301.354.2101 | Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com | VP/Group Publisher, Cablefax and Synopsis: Robbie Caploe, 917.974.0640, rcaploe@accessintel.com | Managing Editor: Sara Winegardner, 301.354.1701, swinegardner@accessintel.com | Associate Editor: Noah Ziegler, 301.354.1704, nziegler@accessintel.com | Director of Business Development, Cablefax: Ellen Kamhi, 917.626.5574, ekamhi@accessintel.com | Dir of Marketing: Kate Schaeffer, kschaeffer@accessintel.com | Production Manager: Joann Fato, jfato@accessintel.com | Kerry Smith, Divisional President, Marketing & Media Group, ksmith@accessintel.com | Group Subs/Subscription Questions, Client Services: 301.354.2101, clientservices@accessintel.com | Annual subscription price: \$1,799.00/year | Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

SHOP ON COMCAST WITH QVC AND HSN

The **QVC** and **HSN** Streaming Service launched on-platform transactional capabilities on **Comcast's** Xfinity X1 and Flex platforms, making it the only shoppable app on Xfinity. Customers can view products and complete purchases, all while having access to QVC and HSN's six linear channels: QVC, **QVC2**, **QVC3**, **QVC Now**, **HSN** and **HSN2**. Customers can say "Let's shop" into their X1 or Xfinity Flex voice remote to tune in to these channels or navigate through available purchase options for their orders.

CNN+ COMES TO ROKU

CNN+ launched on **Roku** Monday. Roku users will be able to download the **CNN** app, which includes access to the streaming service and the TV Everywhere experience for pay TV subscribers, through the platform's channel store. CNN+ is currently priced at \$5.99/month or \$59.99/year.

MUSK WALKS AWAY FROM TWITTER BOARD

SpaceX CEO *Elon Musk* is no longer joining **Twitter's** board. Twitter CEO *Parag Agrawal* shared the news on Twitter, saying that he and other directors had many discussions about Musk joining the board and had spoken with Musk about the possibility on several occasions. The offer of a seat came because they believed having Musk as a fiduciary of the company where he had to act in the best interests of the company and its shareholders was the best path forward. "We announced on Tuesday that Elon would be appointed to the board contingent on a background check and formal acceptance. Elon's appointment to the board was to become officially effective 4/9, but Elon shared that same morning that he will no longer be joining the board," Agrawal said. "I believe this is for the best." Musk remains the company's largest shareholder and is no longer subject to the ownership limit that would have come with a board seat. Agrawal said the company will continue to remain open to his input.

EVOCA MAKES STRIDE WITH OTT EMERGENCY ALERTS

Evoca TV demonstrated how local emergency alerts can be broadcast to those using OTT services. Evoca spent over a year studying how emergency information could be best delivered to viewers not using a local broadcast TV source. This comes after comments were made to the **FCC** saying the use of streaming channels to transmit emergency information would disrupt the reliance on local broadcasters. Evoca is a pay-TV service powered by **ATSC 3.0** based in Idaho.

CANOE, GAC MEDIA EXPAND PARTNERSHIP

Canoe Ventures and **GAC Media** broadened their partnership in a deal that will see Canoe support GAC in its advertising initiatives around addressable TV, FAST channels and its media portfolio. GAC Media is home to two networks, **GAC Family** and **GAC Living**.

WRESTLEMANIA 38 SURPASSES SUPER BOWL STATS

"WrestleMania 38" had its highest-grossing and most-attended event, but the records didn't stop there. According to analytics firm **Conviva**, the two-night **WWE** event garnered

2.2 billion impressions across all social platforms—beating out the Super Bowl's 1.8 billion—and had 1.1 billion video views, 87 million engagements and 13.1 million hours of video watched. WWE saw a 47% increase in views across Twitter, Facebook, Instagram, Snapchat and TikTok.

NEXTGEN TV HITS RICHMOND AND PETERSBURG

All seven Richmond-Petersburg local TV stations are broadcasting with **NextGen TV**, bringing the number of cities with ATSC 3.0 to 44. The launch includes WRIC-TV (**ABC**), WTVR-TV (**CBS**), WWBT (**NBC**), WRLH-TV (**FOX**), WCVE-TV and WCWV (**PBS**) as well as WUPV (**CW**). NextGen TV provides new ways for broadcasters to reach viewers with advanced emergency alerts, while also enhancing video color and sound quality. Available features vary depending on device and station.

SPECTRUM RELEASES NEW FLIP PHONE

Spectrum Mobile and **Orbic** partnered to release the Journey V 4G LTE flip phone to Spectrum's lineup. The phone contains web-browsing capability, a 2.8-inch internal color display, texting and a 2-megapixel camera for \$95.99. Customers can pair the device with Spectrum's mobile broadband service, with by-the-gig plans starting at \$14/month. Spectrum is also offering \$100 trade-in credit for eligible devices.

PROGRAMMING

WE tv's "Commit or Quit with Judge *Lynn Toler*" premieres May 12 at 10pm. The series contains eight one-hour episodes and features couples ready to either get married or break up. Their respective homes will have surveillance cameras so that Judge Toler can observe various aspects about their relationship. – "The Batman" starring *Robert Pattinson* will be available to stream on **HBO Max** on April 18. It'll also air on **HBO** on April 23 at 8pm. – Season 3 of "For All Mankind" will make its global debut on June 10 on **Apple TV+**. New episodes will release every Friday, with the season spanning ten episodes. The first two seasons are available on Apple TV+. – **AMC+'s** "Moonhaven" will debut June 13. The six-episode series is set in a utopian colony on the moon that may know the secret to preserving life on Earth. – The American Kennel Club National Agility Championship will be televised on **ESPN2** on April 17 at 5pm. The competition was held April 1-3 with over 1,300 dogs competing.

PEOPLE

Starry made *Ben Barrett* its VP of Investor Relations, where he'll build and lead the company's investor relations team. Barrett recently led investor relations at the real estate technology firm Compass and served as Senior Director of Investor Relations for **T-Mobile** for over seven years. – Another **Crown Media** exec has joined **GAC Media**. *Patrick Van De Walle* was named VP of Distribution for the company headed by former Crown CEO *Bill Abbott*. In this role, he's responsible for the company's affiliate sales efforts with linear, vMVPD and SVOD/AVOD partners.