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WHAT THE INDUSTRY READS FIRST

Bad Sign: FCC Media Bureau Asks ALJ to Review Standard General-TEGNA

Just after 4pm ET Friday, the **FCC** announced its Media Bureau has designated certain questions related to the $8.6 billion **Standard General-TEGNA** transaction to its administrative law judge. The move could prove to be the death knell of the $8.6 billion transaction. TEGNA shares dropped more than 25% in afterhours trading.

Specifically, the ALJ is being asked to review concerns in the record related to how the proposed transaction could artificially raise prices for consumers and result in job losses. The cable industry, including its lobbying association **NCTA**, has argued that the transaction and **Cox Media Group** owner **Apollo Global Management**'s involvement could result in higher pay TV prices for consumers in the form of higher retransmission consent fees. *The News Guild-Communications Workers of America* and the **National Association of Broadcast Employees and Technicians** filed a petition requesting the FCC deny the deal, alleging Standard General intends to cut jobs at Tegna—a charge it has repeatedly denied.

"The additional review will allow us to make a more informed assessment on whether proposed safeguards are sufficient to protect the public interest, and we will take the time needed to address these critical questions," FCC Chair Jessica Rosenworcel said in a statement.

The deal would have Standard General acquire 64 full-power TV stations and two full-power radio stations currently owned by TEGNA. Earlier in the week, Standard General and TEGNA extended the terms of the merger agreement from Feb. 22 to May 22. The FCC's decision to kick the review to an ALJ raises questions over whether the deal might collapse and it certainly indicates that this could stretch on for months. Standard General and TEGNA did not reply to requests for comment by our deadline.

The track record for deals getting done after a hearing designation order isn't good. Sinclair withdrew its $3.9 billion proposal to buy Tribune in 2018 after the FCC voted unanimously to send the transaction to an administrative hearing.

WBD WANTS OUT OF RSN BIZ

MLB spring training officially began Friday—and so did the countdown clock for teams who rely on **AT&T Sports Nets** to figure out another solution for their games (see **Scripps**' pitch below). **Warner Bros. Discovery** has begun telling teams that it is planning on leaving the RSN business entirely in the coming weeks, according to the Wall Street Journal and Sports Business Journal. Teams will have until March 31 to reach a deal and take their rights back, and if that can't be done, the channels will file for Chapter 7 liquidation, according to reports. WBD operates three AT&T SportsNet channels in Denver, Houston and Pittsburgh, and holds a minority share of Seattle's **Root Sports** channel. Together, they cover four MLB teams, three **NBA** teams, three **NHL** teams, two **WNBA** teams and have multiple

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college partnerships. WBD's RSNs have been feeling the heat in the past few weeks as the three AT&T SportsNet channels reportedly paid "lighter-than-expected" rights payments to their respective MLB affiliates.

SCRIPPS TAKES AIM AT RSN MODEL

Declaring that regional sports networks business model is in the process of imploding hours before news broke that **Warner Bros. Discovery** is exiting the business, **E.W. Scripps Company** President/CEO *Adam Symson* painted his company as the perfect solution for live sports. "Our ubiquitous over the air, pay TV and connected TV reach through **ION** and the **Scripps Networks** has immense appeal for leagues looking to build new and consistent franchise viewing events across a national footprint," he said during the company's earnings call Friday. "For us, we see the right live sports as an unparalleled opportunity to drive the value of our linear television streams even higher." Symson didn't comment on any conversation with leagues, though *Action Network HQ* reported Friday that ION has emerged as a potential Pac-12 partner, citing unnamed sources. However, *The Athletic* claims ION/Scripps Networks aren't involved, according to a source with direct knowledge of the situation. Scripps has 61 local TV stations and recently launched a new sports division focused on strengthening its partnership with leagues, conferences and teams at the local market and national broadcast level. "I think what we've learned about the RSN model is that the cookie cutter, one model for every market, every team, simply doesn't work that way anymore. I would tell you, the phone has already been ringing off the hook on a variety of fronts," Symson said. Scripps has markets today where it owns duopolies that would lend to having the non-Big 4 affiliate serve a local team. But Symson noted that even in markets where the broadcaster doesn't have a second station, it could have a second option it the form of ION. "The interesting thing about ION is we not only control all of the programming decisions, we also control all of the affiliates. So we have the ability to bring sports onto our platform on the weekends, in prime, in whatever way we think makes sense for both the leagues benefit and for our benefit," he said. The RSN model is being even more closely scrutinized following **Diamond Sports Group** skipping a debt payment earlier this month. Scripps is preaching that it offers teams a great solution because of its reach. DTC doesn't have a wide enough audience and the RSN pay TV model is crumbling as linear losses mount. "The RSN model is broken because RSNs have traditionally essentially been an arbitrage business, sitting between an MVPD and a content creator or a sports team owner. And today with pay TV declining as they have, the model just doesn't simply work," Symson said. "The answer is this new model that's potentially even non-exclusive, but that brings the best of what broadcast television can be, which is over-the-air, and pay TV and the potential for additional direct-to-consumer upside for these teams." Friday's earnings call also dove into the topic of negotiating retransmission consent with virtual MVPDs. "There's no question that the virtual MVPDs and their customers want the local feeds. We just need to receive fair compensation," Symson said. "This is an example of where the regulatory framework needs to catch up to reality. The virtual MVPDs need to be considered MVPDs, just like cable and satellite because what's the difference."

FRONTIER LOOKS BEYOND 10M GOAL

Frontier is still holding true to its ambition of reaching 10 million fiber passings, but the timeline may be slightly extended. After originally setting out to hit that mark by the end of 2025, the company revealed it's looking at 1.3 million homes passed for 2023, which President/CEO *Nick Jeffery* said will be the "minimum build from here on." That could have it on pace to achieve 10 million in 2026, but Frontier is confident it's still on schedule, following the guidelines it set when the company emerged from bankruptcy less than two years ago. "We had to rebuild or scale almost every operational element of this business to execute our strategy and scale up to building fiber with real pace," Jeffery said on Frontier's 4Q22 earnings call. "The build in 2022 was more than 20% faster than we'd originally predicted, and what that gives us is some operational flexibility and optionality about how we've optimized results across the entirety of our company." As of the end of 2022, Frontier had 5.2 million total fiber passings (compared to 4 million at the end of 2021). It built fiber to a record 381,000 locations in 4Q22, helping raise total quarterly revenue to $1.44 billion—down 6.9% YOY from $1.54 million. Because of increased fiber expansion initiatives, capex rose YOY from $559 million to $878 million. At the top of the call, Jeffery talked about Frontier moving from a foundational stage to one centered on growth. It's already gotten started with a new pricing model it implemented at the end of January, and has plans to further incentivize upsell to higher speeds and reduce gift card promotions. Another part of its future playbook is looking at out-of-region fiber deployment opportunities that are beyond its 10 million passing commitment. Frontier is currently investigating potential opportunities, but once it identifies where it could build, the question turns to where the capital would come from. That could be from government funding such as **NTIA**'s BEAD program, or JVs that other telcos have done already. "If they move at a steady pace of 1.3MM+ locations, the additional 3-4MM locations would come into play between 2026 and 2029," **New Street Research** said in a note. "They will be able to fund a lot of that build internally. The faster they go, the more outside funding they will need." Consumer revenue declined 2.3% YOY to

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$764 million, with consumer fiber revenue at $436 million—up 7.7% as growth in fiber broadband was offset by declines in video.

SUING OVER 'SOUTH PARK'

Warner Bros. Discovery has filed a lawsuit against **Paramount Global**, **MTV Entertainment Studios** and South Park Digital Studios, accusing them of violating parts of a licensing deal from 2019 in regards to the streaming rights of "South Park." WBD paid Paramount over $500 million to have new and existing episodes on **HBO Max** until 2025. According to the lawsuit filed in New York's Supreme Court on Friday, the initial agreement would have HBO Max receive the first batch of episodes for the show's 24th season in 2020. However, SPDS informed WBD and HBO that the season's production was halted due to the pandemic. It proceeded to produce two 50-minute specials that aired on **Comedy Central**—owned by Paramount—and were subsequently made available on **Paramount+**. SPDS claimed those two specials weren't part of the new season, but the parties agreed to a license fee of over $3.3 million. WBD claims Paramount used South Park as a core piece of its strategy upon the launch of Paramount+, alleging "Paramount, SDPS, and MTV Entertainment Studios ("MTV"), acting in concert, planned to divert as much of the new South Park content as possible to Paramount+ in order to boost that nascent streaming platform." In a statement, Paramount said the claims are "without merit."

PEOPLE

Nancy Dubuc is leaving **Vice Media** after serving as the group's CEO for the past five years. The news comes as Vice undergoes a process to sell, and sources tell *Deadline* that Dubuc was also at the end of her contract. She joined the company in March 2018 after being CEO of **A+E Networks**, replacing Vice's co-founder *Shane Smith*, who moved to Executive Chairman. "I am proud to leave a Vice better than the one I joined. Together we racked up incredible wins while tackling unprecedented macroeconomic headwinds caused by the pandemic, the war in the Ukraine, and the economy all which forced us to pivot, refocus and pivot again," Dubuc wrote in an email sent to employees Friday.

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Twitter Hits

Research

(Source: Effectv)

➢ In 2022, 65% of U.S. households tuned into March Madness programming, with 9.25 average hours per household.

➢ March Madness ads reach 245% more households per commercial than ads that run in other programming.

➢ Streaming viewership on March Madness airing networks increases 86% during March Madness (compared to prior period).

➢ 2 in 3 businesses tune into games during the first and second rounds of the tournament.

➢ March Madness programming is more likely to be viewed by light TV viewing households.

Up Ahead

FEBRUARY 28-MARCH 3: ACA Connects Summit; DC

FEBRUARY 28-MARCH 1: NAB State Leadership Conference, DC

MARCH 7: INCOMPAS Policy Summit; DC

MARCH 13-16: Satellite 2023; DC

MARCH 28: Free State Foundation's Annual Policy Conference; DC

APRIL 19-20: Telecommunications Industry Association's BEAD Success Summit; Arlington

Quotable

"Our customers are going to find alternatives to the networks and even the mainstay of professional football, which is probably the one mainstay they have, is readily available to a number of sources today. The next step and retrans is down not up and broadcasters have a budget and they have debt to pay and they haven't gotten the memo yet. Every time they lose a customer, they used to come back to them. But those Cox channels, they are not coming back to their local news they are not coming back to those drama shows, because now they're watching something on HBO or Netflix and they've got hooked on some other show."

- DISH Network Executive Chairman Charlie Ergen speaking on retransmission and the current Cox Media blackout during the company's 4Q22 earnings call.