

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

This or That: Analysts Split on Programming M&A Rumors

While it's uncertain how likely a **Paramount-Warner Bros. Discovery** marriage is, one thing clear going into 2024 is something has to change. And **Charter** ridding itself of networks such as **Freeform** and **Disney Junior** might be the impetus.

"It looks like linear TV is in its declining stage and isn't going to fully rebound back to what it was, so companies can't really stay complacent. They're looking to grow their streaming platforms as the linear businesses go into decline," **S&P Global** Senior Research Analyst *Scott Robson* told **CFX**. "I think the recent **Disney-Charter** dispute and their ultimate renewal that saw some of Disney's more niche cable networks get dropped doesn't really bode well for the upcoming carriage renewals for Paramount and Warner Bros. Discovery as they have such a large stable of networks that are vulnerable to operators saying we don't want to take these anymore."

That doesn't necessarily mean WBD-Paramount is the way of the future. **Pivotal Research** analyst *Jeff Wlodarczak* told us he's skeptical of a deal, adding that the more WBD stock sells off around speculation of a deal, the less likely it happens. WBD shares were down about 1.5% at Thursday's close. It would make sense that WBD—and any company tied to **Liberty** and *John Malone*—would at least kick the tires on a potential transaction, and it's become increasingly clear in recent weeks that Paramount has interest in a deal.

"Part of the problem is that Paramount trades at a healthy

premium to WBD. Paramount is quite heavily levered and they are exposed to a lot of businesses that are in fundamental decline. My view is WBD's best move is to sell to **Comcast**, and I believe Comcast is likely still interested in the asset," *Wlodarczak* said. "Comcast owning WBD and Max, if they can clear regulatory hurdles, could also play a major role over time. And they would control big free cash flow generating assets in cable to deploy into a Max/**Peacock** platform."

MoffettNathanson declared in a note to its clients that these are desperate times for media companies, and that is forcing them to consider desperate measures, including M&A. There are arguments for a WBD-Paramount combination, including synergies across the pair's linear network portfolios; the opportunity for WBD to acquire **NFL** rights and bring March Madness under one roof; and benefits from bringing together Paramount+ and Max in the wake of the ongoing streaming wars.

But for every benefit, there may also come a cost. WBD would need to pay up for a linear business that is largely in decline, and there isn't much cost savings to gain from shutting down Paramount+. Of course, Paramount also has a debt load of more than \$15 billion. **MoffettNathanson** believes that perhaps everyone is focusing on the wrong horse in the race by looking at WBD.

"At the end of the day, Comcast may be the one strategic buyer with the capital structure and assets required to benefit either WBD or PARA in a long-term viable way. An **NBCU** spin could help WBD de-lever depending on deal structure," *MoffettNathanson* said. "The key issue is whether this is a path



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the company really wants to explore, especially over the coming months ahead of likely even more disruption in the ecosystem.

Comcast President **Mike Cavanagh** was asked earlier this month at an investor conference whether or not the company was considering M&A, and he said the bar was really high for any transaction. He argued that Comcast and NBCUniversal had plenty on their plate to focus on into 2024, and he doesn't want to distract from those priorities unless there's a really compelling reason to do so.

Robson is taking Cavanagh at his word, citing regulatory concerns and a lack of interest when Disney was talking about unloading its linear assets. "I think if this deal with Warner Bros. Discovery doesn't go through with Paramount, they would more likely be looking to sell of some strategic assets piecemeal, like **BET**. Maybe selling **Pluto TV**," he said, adding that it's hard to find anyone (besides *Byron Allen*) interested in linear networks.

When it comes to Washington, the fact a Paramount-WBD deal is mostly a horizontal deal works in its favor. **New Street Research's Blair Levin** predicted a serious antitrust analysis, but ultimate approval with the companies likely able to demonstrate the merger won't result in higher prices or antitrust harms. The **FCC** typically follows the **DOJ**, but Levin said that's out the window following the death nail delivered earlier this year to **Standard General-TEGNA** by Chairwoman **Jessica Rosenworcel**. He still thinks it can get past the current FCC (less problems if Republicans take control) by a careful structure that addresses concerns over retrans fees and union jobs.

Lightshed Partners isn't sure that M&A like this makes sense, saying in a note that layering on even more linear TV assets onto an existing legacy media company feels like a financial death sentence. It also believes regulatory approval would be challenging with the 2024 election and an existing administration that has not been welcoming to consolidation efforts.

"If legacy media M&A is even possible in the next administration, you are looking at announcing a deal in 2025 that would not close until 2026," Lightshed Partners said. "Legacy media companies simply do not have time to wait and hope for M&A as a strategy. They must take action to alter their streaming strategies immediately or their stocks will continue to suffer."

DIAMOND STRIKES NHL DEAL

Diamond Sports has officially struck a rights deal with the **NHL** that will allow it to continue offering local fans access to 11 teams with **Bally Sports** RSN contracts through the end of this season. Teams impacted include the Anaheim Ducks, Carolina Panthers, Columbus Blue Jackets, Dallas Stars, Detroit Red Wings, Florida Panthers, Los Angeles Kings, the Minnesota Wild, Nashville Predators, St. Louis Blues and the Tampa Bay Lightning. At the close

Cablefax Executive Round Up

It's been quite the year in 2023, but a new year looms on the horizon. Here's what some industry executives are predicting what's to come for 2024.



Sean Casey

SVP, Product Management

CSG

"To win in 2024, streaming providers should explore new offerings such as ad-based plans or bundling. Streaming giants Netflix and Max have e.g. already teamed up with Verizon to offer bundled ad-supported plans that allow subscribers to watch additional content while cutting almost 50% of the cost! This is a great opportunity for cross-collaboration between CSPs and streaming platforms to deliver personalized journeys that drive brand loyalty. I anticipate the streaming services that creatively uplevel their offerings in the new year will be the most successful in 2024 and beyond."



Jon Giegengack

Founder/Principal

Hub Entertainment Research

"With gaps to fill due to the 2023 Hollywood strikes, we will continue to see increased popularity in foreign language content. Productions will even take it a step further with modifications so it can work better in the US and other markets. For example, the first season of "30 Coins" (Spain production) was almost exclusively in Spanish with relative unknowns, while the second season included several scenes in English, some set in NYC, and added Paul Giamatti as a prominent character."



Paul Pastor

Co-Founder/CBO

Quickplay

"Obviously, AI will be a big story in 2024, but what we see in streaming are adoption curves that overwhelmingly favor those providers with these platform capabilities: rapid and seamless integration of the leading artificial intelligence marketplaces, including Google Vertex AI and others, and the ability to optimize results from Large Language Models (LLMs) to drive business and consumer relevance. AI will be part of every provider's roadmap, so we believe the ability to be early to market with features that fill persistent experience gaps will be important to providers' success and will improve consumer satisfaction."



Dina Roman

SVP, Global Ad Sales

Fubo

"Fragmentation across streaming, and especially sports content, has reached an inflection point. Consumers have grown frustrated with the increasing number of subscriptions required to watch all of their programming and advertisers are challenged with reaching their strategic target audiences across a growing number of media partners and devices. Now is the time when the power of aggregation will show its value and we will see a return to bundling across streaming. We have to continue to work as an industry to make life easier for consumers and by extension, advertisers."

of the regular season, all rights for those teams will revert back to the league. Diamond struck a similar deal with the **NBA** last month for the local broadcast rights of 15 of the league's teams, and is reportedly making progress on a deal with the **MLB** for the 2024 season that would allow it to continue producing games for most of the teams with RSN rights deals. The exceptions are reportedly the Twins, Guardians and Rangers. Should it wrap up those negotiations with a handshake, Diamond will be able to devote more time to its plan to emerge from bankruptcy and consider the future of the RSNs in its portfolio.

IMON TURNS TO ADARA FOR SET-TOP BOX SOLUTION

November 2024 signified a looming issue for cable operators that use the PowerKEY conditional access system created in the 1990s. It relates to an internal CA time clock issue that would cause each device to roll over to zero at that date, which would make the set-tops inoperable. But **ImOn Communications** is preparing in advance after partnering with **Adara Technologies** to utilize the PowerKEY 2024 Conditional Access Time-Warp Solution. The solution will allow ImOn to continue using its Scientific-Atlanta, Cisco and Technicolor set-top boxes and DTAs beyond November 2024. ImOn and Adara signed a three-year support deal that also entails support of ImOn's DBDS/EC video ecosystem.

RATINGS

ESPN and **ABC** are enjoying a 16% YOY increase in **NBA** game viewership so far this season, according to **Nielsen**. The 29 games on the two networks have averaged 1.71 million viewers. Viewership in the P18-34 group is up 26% and Hispanic viewership is up 37% compared to this time last season. The pregame show "NBA Countdown" is averaging 664,000 viewers, the best pre-Christmas mark it's had since 2018.

CARRIAGE

What began as a punchline from the movie "Dodgeball" is now a 24/7 FAST channel. **ESPN** released **ESPN8: The Ocho**, the network's first-ever FAST channel, on the **ABC** app and online. It comes packed with the peculiar sports that are aligned with The Ocho's brand like kickball, axe throwing, dog surfing, pillow fighting, sign spinning and several others. No word on if it'll be available on other platforms in the future.

FIBER FRENZY

Surf Internet scored an upsized \$200 million debt facility that'll be used to support the accelerated deployment of fiber to underserved communities in the Great Lakes Region. It doubles the \$100 million debt facility that was introduced in February, which Surf has since eclipsed 100,000 fiber passings across Indiana, Illinois and Michigan. The additional capital will also help Surf

bring multi-gig capabilities to its network as the company hopes to double its fiber passings in 2024. The lending group that'll provide finances is led by DigitalBridge Credit alongside the Canada Pension Plan Investment Board and Boundary Street Capital. – **GoNetspeed** launched its service in East Hartford, Connecticut, bringing symmetrical speeds ranging from 500 Mbps to 1 Gbps to more than 6,700 residents and businesses. It's a fully funded \$2.7 million project from the company, which expects to complete construction by the spring.

PROGRAMMING

Commercials are sports fans' biggest enemy, but they won't have to worry about that in the fourth quarter of Saturday's Bills-Chargers game. The **NFL** and **Peacock**—who'll stream the game exclusively—announced the game will have a commercial-free fourth quarter, a first for the league. That means a 40% reduction in a standard NFL ad load, which leads to over 12 additional minutes of game-related content. The broadcast will feature special content takeovers and game features as well, including a non-intrusive QR code that'll take viewers to Walmart's Holiday Hub. Coverage on Peacock begins at 8pm. – **Prime Video** made a trio of programming announcements. It's ordered an eight-episode untitled series starring *Octavia Spencer* and *Hannah Waddingham* about how one of two close friends is a secret assassin. Then, a one-hour *Kevin James* special "Kevin James: Irregardless" will make its debut Jan. 23 before the six-part limited series "Expats" premieres with two episodes Jan. 26.

PEOPLE

After 30 years of having a board of three, **Allen Media Group** is creating a nine-person board. The original three board members (AMG Founder/Chairman/CEO *Byron Allen*, his mother *Carolyn Folks* and COO *Terence Hill*) will be joined by President, Network Distribution *Janice Arouh*; EVP/General Counsel *Mark DeVitre*; Chief Investment Officer/EVP, Finance *Eric Gould*; VP/Chief Accounting Officer *Sydney Karras*; CFO *Chris Malone* and COO, Broadcast Sales & Syndication *Andy Temple*. – The **NBA** is looking for more ways to identify revenue-generating opportunities across the globe, and it's appointing *Amy Brooks* to the newly created position of President, New Business Ventures. She'll be tasked with finding those new domestic and global business opportunities for the league and will oversee the league's New Business Ventures group.

EDITOR'S NOTE

The **Cablefax Daily** team is stepping away to spend time with family and friends over the holiday season. Your next issue will come in the new year on Tuesday, Jan. 2. **Cablefax.com** will keep you updated on any major breaking news over the hiatus. Thank you to all of our readers for a spectacular 2023, and here's to more discussions on the future of video, BEAD, sports rights, advertising and more in 2024!

PROGRAMMER'S PAGE

Cablefax Staff Picks of 2023

2023 has been a year packed with a plethora of programming across all genres, and folks flocked back to the theaters for everything from *Barbenheimer* to Taylor Swift's Eras Tour. As we celebrate another year of stellar series and original films, **Cablefax's** editorial staff is taking a moment to shout out their top television moments of the last 12 months.

A few years ago, cupcakes and baking were all the rage on TV. Then came an onslaught of reality shows focused on Alaska and the wilderness. 2023 might go down as the year of cult documentaries. One of the most mind-blowing is HBO docuseries "Love Has Won: The Cult of Mother God," which tells the life and death tale of a former McDonald's manager turned cult leader who claimed to commune with the late Robin Williams. Other notable docs this year include Netflix's "Escaping Twin Flames," which features husband and wife gurus who've been accused of running a cult that pushes gender reassignment, and Hulu's "Stolen Youth: Inside the Cult at Sarah Lawrence," which follows a group of students who falls under the sinister influence of a friend's father. The latest entry is Paramount+'s "Born in Synanon," a cult that began as a drug treatment center. For lighter fare, check out Discovery's "The Garden: Cult or Commune?," a reality series in which newcomers check out an off-the-grid community to decide if members are survivalists or something more. – Amy Maclean

Halloween is one of my least favorite holidays. Trick or treating and scary movies weren't core parts of my childhood, but my wife couldn't be more different. Finding ways to celebrate together has been rough, but we've finally found our groove thanks to Mike Flanagan and Netflix. We've tried to unravel the mysteries of Hill House and listened to the sermons of "Midnight Mass," but this year's "The Fall of the House of Usher" had us on the edge of our seats more than ever before. Edgar Allen Poe is a celebrity around our town of Richmond, VA, with a museum in his honor and trinkets for every Poe lover, and seeing Flanagan's modern interpretations of his work inspired us to go back and start rereading works we hadn't revisited since our high school English classes. As long as Flanagan continues delivering series like these in October, I'll keep looking forward to Halloween. – Sara Winegardner

Everyone knows the phrase "Bend it like Beckham," but the four-part Netflix docuseries "Beckham" peels back the curtain on an English soccer legend whose life was constantly in the spotlight. It's a chance for younger fans of the game to learn more about an iconic figure since his peak preceded the rise of social media. Beckham's on-field career is thoroughly chronicled from his start at Manchester United to his infamous red card in the 1998 World Cup. However, it's the in-depth storytelling of his life off the pitch that gives the doc a truly genuine feel. His mother and father are on hand to recall stories that add credence to a humble upbringing. Plus, it's hard not to become a fan of David and Victoria Beckham as the two shed light on their journey together. Beckham showcases the highest highs and the lowest lows for the current co-owner of MLS' Inter Miami and fourth-tier English club Salford City. Add it to the list of sports docs that go beyond sports and can resonate with many different groups of viewers. – Noah Ziegler

BASIC CABLE		
P2+ PRIME RANKINGS*		
(12/11/23-12/17/23)		
MON-SUN	MC US AA%	MC US AA (000)
FNC	0.567	1788
ESPN	0.501	1579
MSNBC	0.373	1175
HALL	0.343	1080
TNT	0.217	684
HIST	0.214	676
HMM	0.210	662
HGTV	0.210	661
USA	0.193	608
INSP	0.183	578
DISC	0.183	576
TLC	0.178	560
FOOD	0.171	539
CNN	0.152	478
TBSC	0.144	454
TVLAND	0.138	434
ID	0.134	422
AMC	0.133	420
FX	0.132	415
LIFE	0.131	415
ESPN2	0.131	412
FRFM	0.131	412
BRAVO	0.115	363
GSN	0.101	320
A&E	0.100	316
REELZ	0.096	304
OXY	0.095	299
WETV	0.092	289
BET	0.091	286
NWSNTN	0.086	272
NATGEO	0.076	240
NAN	0.076	238
FETV	0.070	220
ADSM	0.069	218
PRMNT	0.063	200

*P2+ L+SD rankers are based on national Nielsen numbers, not coverage.

Happy Holidays

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