

Putting Best Feet Forward Before Hooking Up

CBS and Viacom's earnings, strategies reveal parallels between potential merger partners

By Jon Lafayette

CBS AND VIACOM DIDN'T announce a combination last week. But both companies did announce earnings that exceeded Wall Street expectations and discussed strategies that showed many similarities.

With CBS and Viacom both scheduled to face Wall Street last Thursday, there was speculation that a deadline had been established for concluding talks aimed at a merger. But both companies started their earnings calls with analysts saying they would not be commenting on "speculation regarding M&A."

CBS and Viacom are controlled by the family of Sumner and Shari Redstone, and Shari Redstone is said to favor having one, larger media company. Some on Wall Street have deemed an eventual combination inevitable.

Some terms have reportedly been worked out, such as management, with Viacom's CEO Bob Bakish in charge of the combined company, with CBS president and acting CEO Joe Ianniello supervising the CBS-branded properties.

Unresolved was the price tag in terms of how many CBS shares would be exchanged for Viacom shares.

"Viacom and CBS have the strongest incentive imaginable to pull out every stop to post the best possible earnings this quarter," Sanford Bernstein media analyst Todd Juenger noted.

Both companies delivered, with CBS earnings up 10% and Viacom up 6%. Both companies reported higher revenues and higher advertising revenues. For Viacom, it was the first increase after 20 straight quarters of declines.

The stocks of both companies increased on Thursday, with CBS closing up 1.64% and Viacom climbing 1.11%.

On their earnings calls, Ianniello and Bakish talked about their strategies for navigating a changing media world and moving beyond their bases in traditional broadcast and cable.

"Over the past 14 years and through massive changes in industry structure, these two companies have pursued separate paths and strategies," MoffettNathanson senior analyst Michael Nathanson

said. "With new management teams now in place, the companies are operating with similar goals in mind."

Both companies talked about producing more programming, building their direct-to-consumer streaming platforms and pushing advanced advertising to grow ad revenues.

Ianniello noted that CBS was producing 89 shows, up from 70 a year ago. In addition to creating originals for CBS, Showtime and their streaming services, he said, CBS had *Dead to Me* on Netflix, *BH 90210* on Fox and *Kids Say the Darndest Things* on ABC.

"By increasing the amount of programming we're creating for our own content brands, while also selling our shows to third parties, we are operating at a sweet spot in the industry and setting ourselves up for continued long-term growth," he said.

Bakish said Viacom's Paramount TV unit now has 26 shows on order or in production, including series for TNT, Apple TV and HBO Max. "Production continues to ramp up at our other studios, too," Bakish said. "For example, Awesomeness had a busy quarter with the releases of *The Perfect Date* and *Trinkets* on Netflix and the season-two debut of Hulu's *Light as a Feather* in July."

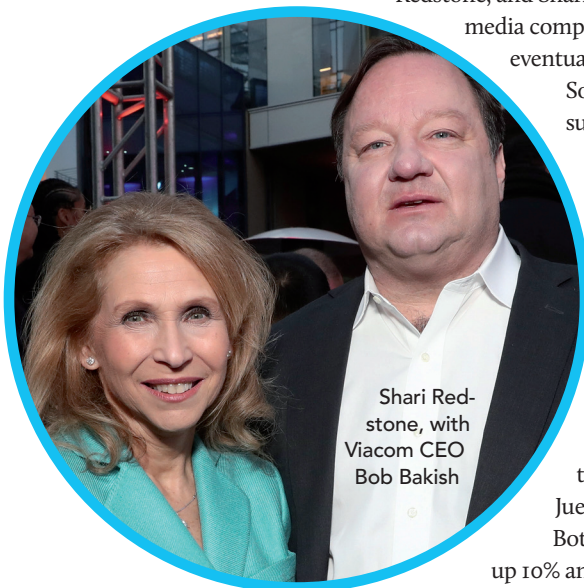
CBS announced an accelerated rollout of its CBSN local news service and said it will be adding children's programming to CBS All Access, including new versions of *Cloudy With a Chance of Meatballs* and *Danger Mouse*. (Viacom has lots of kids programming that could be added to the service, if and when the companies combine.)

Viacom touted the growth in viewers and hours watched at Pluto TV as it added channels using content from MTV, Comedy Central and other cable properties.

"Pluto TV was a big contributor to ad-sales growth for the quarter and [in] the upfront discussions, in part, because its leadership and free streaming TV continues to grow," Bakish said.

The similarities support the logic of combining the companies. Together, they'd be No. 2 in U.S. TV advertising, according to Nathanson. They'd also be able to challenge The Walt Disney Co., Comcast, AT&T and Netflix in terms of producing shows and attracting talent. "Taken together, the combined networks will create faster aggregate affiliate-fee growth as Viacom benefits from the big stick of the CBS Broadcast Network," he said.

With \$500 million in cost savings, Nathanson said the new company's stock would be cheap, based on expected earnings. ■



Shari Redstone, with Viacom CEO Bob Bakish

CBS, AT&T End Three-Week Blackout

CBS AND AT&T HAVE REACHED an agreement to end a nearly three-week-long blackout of 6.5 million subscribers.

AT&T's DirecTV, U-verse TV and DirecTV Now customers continue to be unable to receive the signals from about 120 Nexstar Media Group stations, though, as that retransmission-consent dispute continues. Advocates for multichannel video programming distributors have used the two high-profile blackouts to argue for retrans changes as part of Congress's review of the Satellite Television Extension and Localism Act

(STELAR), the satellite compulsory-license law that comes up for renewal this year.

"CBS and AT&T regret any inconvenience to their customers and viewers and thank them for their patience," the companies said in a statement about the settlement, which came just as the first preseason NFL games were set to air.

Financial terms were not

disclosed, but CBS president and acting CEO Joe Ianniello assured analysts on the company's

earnings call that the company was well on its way to meet its targets for retransmission and reverse compensation from its affiliates.

"We have now successfully completed three very significant carriage deals, one with AT&T, one with Altice, and one with Nexstar in the span of less than two weeks," Ianniello said. "We have many clear proof points that our strategy is working." — JL



Ianniello

THEY SAID IT

"Cindy [Bennett] was a behind-the-scenes supporter of The Cable Center, especially with our work in customer experience. Most importantly, she was a leader, a champion of women and a friend. We are honored to help pay tribute to Cindy as a champion and friend who simply helped others achieve their professional dreams. She'll continue to do that in with this scholarship fund."



— Jana Henthorn, president and CEO of The Cable Center, said of cable industry veteran Cindy Bennett (pictured), who died July 29 at 48, after a battle with colon cancer. Friends and colleagues of Bennett created a memorial fund in Bennett's honor that will support scholarships for The Cable Center's Intrapreneurship Academy. Bennett held multiple positions in the cable industry, including roles at Hitachi Consulting, Launch Consulting Group and CSG International. To donate to the memorial fund, go to cablecenter.org/about-us/support-the-center.html.

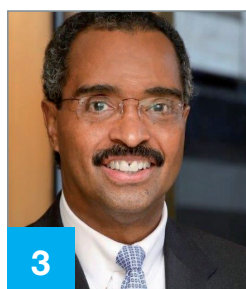
+ Fates & Fortunes

CASEY KRILEY and **JO SHARON** were upped to co-CEOs of production company Magical Elves. Kriley, who joined Magical Elves when it was founded in 2001, was most recently chief operating officer. Sharon, who has been with the company since 2010, was chief creative officer.

Magical Elves has produced a number of non-fiction series, including Bravo's *Top Chef* and *Project Runway*, National Geographic's coming *Brain Games* reboot, and Netflix's *Nailed It!* and *Sugar Rush*.

1) AMY CARNEY has been named chief operating officer for Fox Entertainment. The former Sony exec will oversee research, strategy and operations for the media company. Carney will report to Fox Entertainment CEO Charlie Collier.

2) WENDY GRANATO has been promoted to president and general manager of KTRK Houston. Granato had served as VP of news at the The Walt Disney Co.-owned ABC station for five years. She succeeds Henry Florsheim, who announced his retirement in April after 22 years at the station. **3) MARCELLUS ALEXANDER** has joined the E.W. Scripps Co.'s board of directors. Alexander was previously executive VP of the National Association of Broadcasters. He also was president of the National Association of Broadcasters Leadership Foundation.



THE WATCHMAN

Senior content producer Michael Malone's look at the programming scene

Terror Turns Up on AMC, 49'ers Play in Los Angeles

Season two of AMC anthology series *The Terror* begins Aug. 12. *The Terror: Infamy* is set during World War II and looks at Japanese-Americans in internment camps. Max Borenstein and Alexander Woo are co-creators and executive produce as well.

Woo said he was a bit hesitant when Borenstein approached him with the idea. For starters, he's Chinese-American, not Japanese-American. But he came to realize, "It's a story of Japanese Americans, not a story for Japanese Americans."

The story is for "everyone shaped by the immigrant experience," Woo added.

The Terror: Infamy weaves elements of Japanese horror into the story, a concept known as Kaidan. Woo mentioned *Dark Water*, *The Grudge* and *The Ring* as influences.

George Takei, who we loved as Sulu on *Star Trek* and as George Takei in social media, is in the cast. Takei experienced internment camps as a child. "It seemed natural to have George involved," Woo said. "Everyone looked up to him and saw his passion."

Woo comes from a playwright background. The concept of a writers' room "is very different from how I worked as a playwright," he said.

Who is the target audience for *The Terror*? "People interested in this peri-



od of history," said Woo. "And people who might just want something really scary to watch."

The Terror leads into the second season of *Lodge 49* on AMC. The cast and executive producers were at the Paley Center for Media in Beverly Hills to screen the premiere and discuss the show. Star Wyatt Russell, who plays ex-surfer dude Dud, got a kick out of watching the episode with hardcore fans. "It was awesome to hear people's reactions," said Russell, son of Goldie Hawn and Kurt Russell. "Thanks for laughing!"

The cast shed a bit of light on their characters in the funky comedy-drama, about a surfer guy who ambles into a fraternal order in Long Beach, Eric Allan Kramer, who plays hulking oddball Scott, said he loved playing a "deeply troubled, troubled, troubled individual for another season."

Sonya Cassidy, who plays Dud's sister, Liz, said she likes "characters with dirt under her fingernails." Liz gathers some dirt in the opening scene of the premiere, battling a beggar.

Creator Jim Gavin said *Lodge 49* benefits from its open-minded cast. "We can only do the show because we have a cast that understands it on a certain subterranean level," he said.

Russell connected with the show as soon as he sampled the script. "It seemed like this very special thing," he said, "that's never gonna get made."

Well, it did, and season two is set to roll.

