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**December 5, 2019**

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Viacom Inc. and CBS Corp. completed their merger on Wednesday, ending three years of on-and-off talks and creating what they boast is an entertainment colossus without peer. The hope is that the combined company, rechristened ViacomCBS Inc., will spit out hit TV shows and movies faster than you can say Netflix.

But Wall Street has been skeptical. Shares in both companies have tumbled more than 14% since they announced plans to combine in August, erasing billions of dollars in market value. Shareholders of CBS have sued the company in Delaware, alleging the merger only

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benefits its controlling shareholder, National Amusements Inc., the movie-theater chain owned by the Redstone family.

The shares began to rebound on Wednesday, a sign that investors are finally warming to the deal. But ViacomCBS still has a long way to go before winning over skeptics. Even media analysts, typically a staid and supportive bunch, have questioned the logic of the deal. Michael Nathanson, co-founder of Moffett Nathanson LLC, dubbed an October filing that outlined details of the merger “an abject disaster.”

That wasn't the reception Shari Redstone was hoping for when she began agitating for a merger of the two companies back in 2016. That was when she supplanted her father, Sumner Redstone, as the public face of a family business with a clear goal: reunite the two companies that her father split apart in 2006. Wall Street was mixed on the deal at the time, but saw the logic for Viacom. The owner of MTV and Nickelodeon was losing teenagers to Netflix, advertisers to YouTube and confidence among its own employees. Combining with CBS would give the combined company the heft to negotiate better deals with pay-TV operators and advertisers.

Yet the family met resistance from the leadership of both companies, leading to legal disputes with both Viacom chief Philippe Dauman, her dad's old lawyer, and CBS boss Les Moonves, a TV industry legend. Dauman was fired in 2016, and Moonves was ousted last year after more than a dozen women accused him of sexual misconduct.

Now that the merger is finally a reality, it looks late -- and the combined company looks small. ViacomCBS has a market capitalization of about \$20 billion, a fraction of heavyweights Walt Disney Co., Comcast Corp., AT&T Inc. and Netflix Inc. Its \$27 billion in annual sales is a fraction of all those companies but Netflix, which is growing at a much faster rate. Redstone would prefer investors look at another number: the \$13 billion that the two companies are spending annually on TV shows and movies.

That figure puts ViacomCBS in the same league as the biggest entertainment companies in the world, and speaks to what Redstone and Viacom chief Bob Bakish have said is a differentiated strategy. While AT&T, Comcast and Disney trip over one another to create their own Netflix, ViacomCBS will sell to all of them. Viacom's Paramount produces “Jack Ryan” for Amazon, while Nickelodeon just signed a deal to make programs for Netflix. CBS both produces “Dead to Me” for Netflix and several shows for its own streaming service.

Some investors are coming over to their way of thinking. Viacom rallied the most since May on Wednesday, climbing as much as 6.1%. CBS rose as much as 6.2%. Both stocks came off their highs by the close, each rising more than 3%. ViacomCBS begins trading under the symbols VIACA and VIAC on Thursday. “It's somewhat frustrating the way the stocks have traded; it's like there are no believers out there,” said John Miller, a senior vice president at Ariel Investments, which holds stock in both companies. “We continue to believe this merger makes complete sense.”

Miller said he expects “unbelievable” political advertising revenue in the 2020 election cycle, and said the companies are bringing together valuable programming. “The combination will make both companies

stronger," he said. Still, the combined company's strategy remains confusing to many. At the same time it licenses "South Park," one of its most popular programs, to AT&T's HBO Max, ViacomCBS will maintain its own streaming service, All Access. The spending on original programming for All Access and Showtime is what prompted Nathanson to use the phrase "abject disaster" in the first place. The cash burn from that spending exceeded his forecast.

Bakish, who will run the combined company, is in an unenviable position. He doesn't want to give up on the money he can get licensing programs to streaming services starved for hit shows, but he can't forgo the world of streaming altogether. Wall Street has rewarded Disney for taking on Netflix head-to-head, but it is in the unique position of owning Marvel, "Star Wars" and Pixar. Investors' concerns don't stop there. They expected more cost synergies. They wanted more insight into how the two companies would benefit one another. Press appearances from Bakish have done little to assuage their concerns.

But competing on the internet is not the only -- or even the main -- rationale for doing the deal. It does create a formidable TV company that will own the most-watched U.S. network, the most-watched kids' TV network, one of the major Hollywood studios and a premium cable network in Showtime. All together, they will command more than 20% of TV viewing and the largest audience in almost every demographic of any company. "It's a reach story," Bakish told Bloomberg News in an interview the day the deal was announced. "We will have the largest TV business in the U.S. on a combined basis, and it strengthens our position to create value." Bakish, Redstone and the leadership at CBS all say they're convinced this deal is a no-brainer. Now they just need to convince everyone else. -- **Bloomberg**

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I won't kid you. I've had fun at some Pennsylvania Society weekends. Been going to this New York happening each December for more than 25 years. Thought about going again this year. Then thought otherwise.

First and foremost, I've long believed (and argued) it should be held in Pennsylvania. Why pump money into another state's economy? Think of the costs of all the hotel rooms, food, drink, transportation, cabs, limos, car service, Broadway shows, heck, coat-check fees. It's fine to redistribute wealth. Why not do so at home?

Also, I've always been put off by the excessive, self-celebratory nature of the thing. Something's not right about a pricey, preening, really purposeless gig tightly tied to Pennsylvania politics playing out in the glitz and glitter of Christmas-time New York. At a minimum, it presents the appearance of public officials feted by the one percent.

If you're unfamiliar, the annual gala, held this weekend, is a numbing crawl through dozens and dozens of receptions, parties, fundraisers, and a \$500 a-pop black-tie Saturday night dinner for the society's 2,000-plus members. Events, almost all by invitation only, Thursday through this Sunday, draw pols, past and present, of all stripes and standing, state lawmakers, members of Congress, lobbyists, lawyers, hangers-on and the rest of the special interest panoply wanting something, or wanting to be seen.

This is the 121st such gathering. Historically based at the famed, elegant Waldorf Astoria, it is now, and for the past couple years, based at the less-famed, less-elegant New York Hilton Midtown while the Waldorf undergoes a makeover. But events are held at other venues, too, including the iconic [21 Club](#), the Macanudo Club (posh cigar bar), the Penn Club and the Hunt & Fish Club, home of the \$66 ribeye steak, to which you can add Roquefort cheese for just \$9 more.

Then there's the very proper [Metropolitan Club](#), off Central Park, where journalists used to have to wait outside, across the street, to glimpse the comings and goings, and shout requests for interviews. For many, no doubt, those were the days. And, oh, the overabundance. At various receptions, invitees have access to food and booze in volume enough to feed and intoxicate a small city.

I recall trawling hotel hallways peeking into private parties, seeing a lobbyist I know on guard at the door. I looked inside at a chic crowd devouring a seafood spread that included, as a colleague wrote, shrimp the size of bananas. When I looked back at the lobbyist, my eyebrows raised at the largess offered, he shrugged and said, "I know. I tell my analyst I live in an arena of shame." Amen.

Other personal highlights? Ever-sartorially-minded John Fetterman, pre-lieutenant governor, showing up in a tuxedo tee shirt; then-state Supreme Court Chief Justice Ron Castille wanting to punch me in the nose (didn't like something I wrote); then-would-be GOP gubernatorial candidate Scott Wagner wanting to beat up Ed Rendell, put him in a men's room and wait 15 minutes before calling 911 (Rendell earlier referred to Wagner as "an idiot," all, I presume, in the spirit of the season). As mentioned, I've had some fun.

And I appreciate the [society's history](#). It started when a bunch of wealthy Pennsylvanians with businesses in New York decided to dine at the Waldorf each December. At their 1900 dinner, they had their first speaker, a young British journalist and member of Parliament -- Winston Churchill.

The society's grown greatly since, honored many and become philanthropic. Honorees have included Henry Ford, Dwight Eisenhower, Arnold Palmer, James Michener and Fred Rogers. This year's honoree is University of Pennsylvania President [Amy Gutmann](#). It means a gold medal and \$50,000 for the charity of her choice. She chose the Henry C. Lea Elementary School in West Philadelphia. And that's nice.

But the whole show should come home. I'm not alone in this. Gov. Tom Wolf has said so. So has Rendell. Maybe spread the wealth; rotate it among Pennsylvania cities with capacity to host it. After all, the society's website says it exists to "celebrate service to the Commonwealth of Pennsylvania." It should do so in Pennsylvania. -- John Baer's column in ***Harrisburg Patriot-News***



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