BCAP NewsClips

July 18, 2018

Sometimes you soar so high, so fast that you risk running short of oxygen.

That seems to have been the case with Netflix. whose share price has more than doubled only halfway into the year. A run like that was based on the assumption that **new subscribers would continue to flock** to the video-streaming service despite no shortage of options competing for viewers' attention.

And flock they did, with Netflix adding 5.2 million paid subscribers during the second quarter, but that was also about 1 million shy of the company's own forecast from just three months ago. Netflix also projected about 5 million net new subscriber additions for the third quarter, which fell about 1.3 million short of the number that Wall Street had been expecting. The results and forecast led to a sharp selloff, taking Netflix shares down 14% in after-hours trading following the report.

But even bad shows can sometimes look better on second viewing. The last time Netflix generated such a brutal reaction was two years ago when the company **drastically undershot its forecast** by **adding only 1.7 million subscribers for the second quarter**. That turned out to be a blip and robust growth resumed quickly. The company's total subscriber base is up 56% since then while quarterly revenue has surged by 86%.

This time, though, a much larger Netflix has to leap over a much higher bar. Its rapidly expanding base of subscribers brings a voracious appetite for original content that the company must continue to bankroll. To that end, Netflix still expects to burn as much as $4 billion in cash this year.

Expectations are high too — **the company's market value recently topped that of Walt Disney**, with the stock still fetching about 130 times forward earnings even following Monday's selloff. At that level, anything short of a blockbuster will draw heckles. – ***Wall Street Journal***

Having opened the door to an unhealthy amount of broadcast-industry consolidation, Federal Communications Commission Chairman Ajit Pai sought to block the path Monday of the most alarming deal pending: Sinclair Broadcast Group's proposed $3.9-billion takeover of Tribune Media. It doesn't exactly redeem Pai for his earlier deregulatory frenzy, but it will bring some badly needed scrutiny to a deal that would make a mockery of federal limits on broadcast ownership groups.

Having a broad range of news, information and opinion is essential to a healthy democracy. And while the internet has made an all-but-unlimited number of outlets available to anyone with a broadband connection, television still dominates the landscape — **half of Americans get their news regularly from TV**, according to a Pew Research survey. That's why the federal size limit on broadcasters — no group can own stations that reach more than 39% of American

The Biggest Spender of Political Ads on Facebook? President Trump

households with TVs — still needs to be enforced. It doesn't help matters that Sinclair, the nation's largest broadcast group, pushes a particular political viewpoint aggressively, requiring local stations to run opinion pieces and marketing material dictated by the corporate office.

The deal wouldn't have been possible had Pai not persuaded his fellow Republican FCC appointees in April to **restore a technically obsolete rule** that exempts half the households reached by many of the Sinclair and Tribune stations from the ownership cap. Purchasing Tribune would enable the new Sinclair to reach nearly 60% of U.S. households with its signals. Other rules changes pushed by Pai could allow Sinclair to own two of the most popular stations in St. Louis and Indianapolis, and to own multiple stations in markets with fewer than eight independently owned stations.

Yet Sinclair wants to go even further. Three of the major Tribune stations the company said it would sell to meet the ownership limit — in Chicago, Dallas and Houston — would continue to be operated by Sinclair, which would retain the right to buy them back. That was too much for Pai, who **said Monday** he had "serious concerns" about divestitures that "would allow Sinclair to control those stations in practice, even if not in name, in violation of the law."

Pai called for the Tribune takeover to be reviewed by an administration law judge, and the commission is likely to agree. That may not be a fatal blow to the deal — Sinclair could try to rescue it by truly distancing itself from the stations it's selling — but it's a start. – ***Los Angeles Times* editorial**