

CBS, Viacom to reunite as media giants bulk up for streaming

August 13 2019, by Mae Anderson



In this Feb. 13, 2012, file photo, a CBS logo is displayed on the exterior of CBS Scene Restaurant and Bar, at Gillette Stadium, in Foxborough, Mass. CBS and Viacom said Tuesday, Aug. 13, 2019, that they will reunite, bringing together their networks and the Paramount movie studio as traditional media giants bulk up to challenge streaming companies like Netflix. (AP Photo/Steven Senne, File)

CBS and Viacom announced a long-anticipated reunion Tuesday, bringing together their television networks and the Paramount movie studio as traditional media giants bulk up to challenge streaming companies like Netflix.

Viacom CEO Bob Bakish, who will become CEO of the combined company, said the new ViacomCBS will be "one of only a few companies with the breadth and depth of content and reach to shape the future of our industry."

Analysts say the reunion will help both companies navigate an ever-competitive streaming landscape.

Viacom owns Paramount Pictures and pay TV channels such as Comedy Central, MTV and BET, while CBS has a broadcast network, television stations, Showtime and a stake in The CW over-the-air network. MoffettNathanson analyst Michael Nathanson said Paramount's movie library could be added to Showtime's premium networks and streaming service, for instance, while CBS' streaming service could get a boost from Viacom's Nickelodeon video.

Once the all-stock deal is completed, expected by the end of the year, CBS shareholders will own about 61 percent of the combined company and Viacom shareholders will own the rest. The companies say the combined company will have \$28 billion in revenue. By combining, the companies say they will save \$500 million a year.

Acting CBS CEO Joe Ianniello will become chairman and CEO of the CBS division in the combined company.

CBS, which separated from Viacom in 2006, was one of the first media companies to launch its own streaming service, CBS All Access. The \$6-a-month service now has a new "Star Trek" series, a revival of "The

Twilight Zone" and archives of old and current broadcast shows.

Now, Disney, Comcast's NBCUniversal and AT&T's WarnerMedia are jumping in with their own services as well to challenge Netflix, Amazon, Google and other tech companies encroaching into entertainment. To expand its library, Disney bought Fox's entertainment businesses for \$71 billion in March, while DirecTV owner AT&T bought Time Warner last year for \$81 billion.

The companies say the combined company will create content not just for its own services, but for third-parties as well. The new company wants to speed up the growth of its streaming services, including CBS All Access, Showtime, and Pluto TV, the free ad-supported service that Viacom owns, and drive more advertising to its services.

Moody's media analyst Neil Begley said the biggest question will be whether the new company will focus on its subscription-based streaming services such as CBS All Access and Showtime or ad-supported ones like Pluto TV, or keep doing both.

Companies might not make enough on subscription fees to break even, but it might not be able to get enough viewers with free services to attract enough advertising either, he said.

"If you're going in both directions, you're hedging your bets, but are you pulling your punches on whatever the best strategy might have been?" Begley said.

The image shows the word "VIACOM" in large, blue, three-dimensional block letters. The letters are set against a dark, textured background, possibly a wall or a sign. The lighting creates shadows, giving the letters a sense of depth and making them stand out.

This Aug. 3, 2011, file photo, shows the Viacom logo at Viacom headquarters in New York. CBS and Viacom said Tuesday, Aug. 13, 2019, that they will reunite, bringing together their networks and the Paramount movie studio as traditional media giants bulk up to challenge streaming companies like Netflix. (AP Photo/Mark Lennihan, File)

CBS says All Access and its Showtime streaming services have 8 million subscribers combined. That's far less than the 60 million U.S. subscribers that Netflix has, though it's comparable with the estimated number of subscribers to HBO Now, that network's stand-alone streaming service.

The combined company would still be small compared with behemoths like Disney, with a vast library of movies and shows, and Netflix, the pioneer in streaming technology. CBS has a market value of \$18 billion and Viacom has a market value of about \$11.7 billion. Disney's is nearly

\$245 billion and Netflix is at \$136 billion.

Begley said the combined entity might have to consider other acquisitions to keep up with competitors. However, the number of possible targets is dwindling, he said, with what's left mostly smaller companies such as the Discovery and the AMC television networks and the MGM and Lionsgate movie studios.

CBS and Viacom have had an on-again, off-again relationship.

After splitting in 2006, CBS and Viacom both remained controlled by National Amusements. Shari Redstone, daughter of media mogul Sumner Redstone, runs the holding company.

The split was a way to separate Viacom's networks like MTV, Nickelodeon and BET, which were very successful at the time, from the slower growth of the CBS network.

But over time, the two companies' fates were reversed. CBS under longtime chief Les Moonves became more profitable and Viacom struggled, hurt by weakness in its Paramount studio and people dropping cable in favor of streaming.

A recombination makes sense now because media companies are bulking up their content offerings to better compete for ad dollars. But Moonves was against the idea, as CBS was stronger and more profitable than Viacom.

Moonves' ouster last year in the face of multiple sexual misconduct allegations changed the dynamic. Under an agreement, Shari Redstone agreed not to push for a reunion for at least two years, but that left open the possibility of CBS itself pushing for it.

Redstone will be chairwoman of the combined company's board.

"We will establish a world-class, multiplatform media organization that is well-positioned for growth in a rapidly transforming industry," she said.

The stocks of CBS and Viacom both rose less than 2% in afternoon trading Tuesday, a reflection of Wall Street having anticipated this deal, especially in recent days. Disney's stock was up 1%, while Netflix was unchanged.

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