

Comcast drops Fox bid, paving way for sale to Disney

July 19 2018, by Mae Anderson



This June 14, 2018, file photo shows the 21st Century Fox logo outside its New York office. Comcast says it's dropping out of the bidding war for Twenty-First Century Fox's entertainment business, instead focusing on its bid for Sky.(AP Photo/Mark Lennihan, File)

Comcast is dropping its bid for Fox's entertainment businesses, paving the way for Disney to boost its upcoming streaming service by buying the studios behind "The Simpsons" and X-Men.

Comcast can now focus on its pursuit of European pay-TV operator Sky, a deal that would give the Philadelphia-based cable and media company a larger presence outside the U.S.

The moves come as the media landscape is shifting dramatically. Cable and telecom companies are buying content makers to compete with popular streaming services such as Netflix and Amazon. These emerging services are both creating their own content and distributing it outside of traditional cable and TV networks. Although internet providers like AT&T and Comcast directly control consumer access to the internet in a way that Amazon, YouTube and Netflix do not, they still face threats as those streaming services gain in popularity.

Big media companies now want to control all aspects of TV shows and movies that people watch, from creating the videos to distributing them through television channels, movie theaters, streaming services and other ways people watch entertainment. Controlling the process this way helps companies gather valuable data on their customers and their entertainment-consuming habits, which they can then use to sell advertising.

AT&T bought Time Warner last month for \$81 billion and has already launched its own streaming service, called Watch TV, with Time Warner channels such as TBS and TNT, among other networks, for \$15 a month.

Disney has its own streaming service in the works, and the addition of Fox's movies and shows would help boost that offering. Disney owns Marvel Studios, but some characters including the X-Men had already been licensed to Fox. A sale means the X-Men and the Avengers could reunite in future movies.

If the deal closes, Disney would also get a controlling stake in the existing streaming service Hulu.



This March 29, 2017, file photo shows a sign outside the Comcast Center in Philadelphia. Comcast says it's dropping out of the bidding war for Twenty-First Century Fox's entertainment business, instead focusing on its bid for Sky. (AP Photo/Matt Rourke, File)

Comcast had been dueling with Disney for Twenty-First Century Fox, but Comcast said Thursday that it would not raise its \$66 billion offer for Fox. The Walt Disney Co. had topped Comcast's bid by offering \$71 billion.

The U.S. Department of Justice has approved Disney's bid as long as Disney, which owns the national sports network ESPN, sells Fox's 22 regional sports networks. Fox shareholders are set to vote on Disney's offer July 27.

Disney CEO Bob Iger said he was "extremely pleased" with Comcast's announcement.

"Our focus now is on completing the regulatory process and ultimately moving toward integrating our businesses," he said in a statement.

GBH Insights analyst Daniel Ives said called Comcast's move "the final chapter in this soap opera." He said Comcast's focus now is on getting Sky "to build a strong beachhead content strategy in Europe."

Sky operates in Austria, Germany, Ireland, Italy and the U.K. It has 22.5 million customers, attracted by offerings such as English Premier League soccer and "Game of Thrones."

Fox has been trying to buy the 61 percent of Sky it doesn't already own. The idea was to sell Sky to Disney as part of the broader deal. Last week, Comcast made a bid that values Sky at \$34 billion, compared with \$32.5 billion in Fox's offer.

Disney said in a regulatory filing last week that Fox might not raise its bid to compete with Comcast's offer, meaning Comcast is likely to end up with Sky and Disney the rest of Fox that's up for sale. That includes other international properties, including the Star India satellite service. Some Fox businesses, including Fox News Channel and the Fox television network, will remain with media mogul Rupert Murdoch and his family.

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