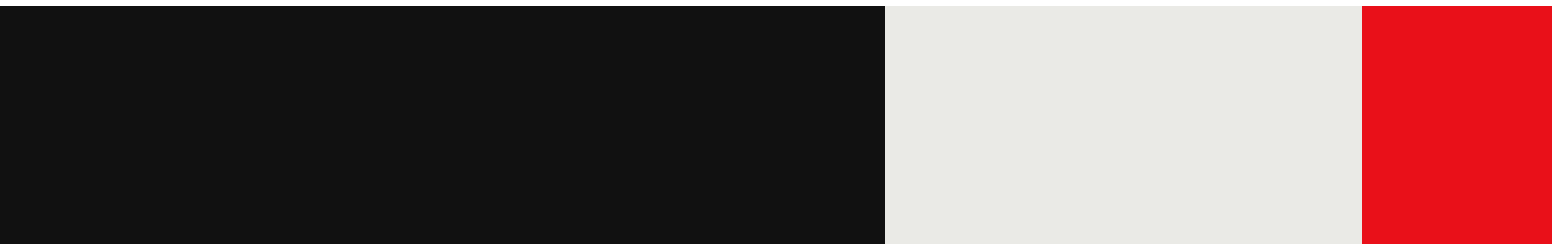


# The Daily: More very specific 2024 predictions (part 1)—A Paramount sale, Nordstrom's next move, and NBA TV rights

Audio



In part one of this two-part podcast episode, we discuss some more predictions for 2024 that are too specific to be 100% certain about but could still come true, including: what will actually end up happening with Paramount, what Nordstrom will do next to get back on track, and where folks will be watching the NBA over the next 10 years. Tune in to the discussion with our vice presidents of content Suzy Davidkhanian and Paul Verna and analyst Max Willens.

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## Episode Transcript:

Marcus Johnson (00:00):

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Paul Verna (00:24):

I think this is also a milestone because it will open the way for more of the kind of digital bundling we've seen. I think that sports fans in particular are already up in arms about the fact that sports viewing has become a very, very fragmented experience across many different services.

Marcus Johnson (00:46):

Hey gang. It's Monday, June 17th, max. Susie, Paul, and listeners, welcome to the Behind the Numbers Daily eMarketer podcast. Made possible by Round De I'm Marcus. Today I'm joined by three people. Let's meet them. We start with our senior analyst covering digital advertising and media based in Philly. It's Max Willens.

Max Willens:

Yo.

Marcus Johnson:

Hey fella. We're also joined by one of our VPs of content who runs our retail desk based in New York City. It's Suzie Davidkhanian.

Suzy Davidkhanian (01:11):

Hi everyone.

Marcus Johnson (01:12):

Hello there. And finally, we have our VP of content ads, media and tech based just north of New York City. It's Paul Verna.

Paul Verna (01:20):

Great to be here. And I'm in the eMarketer studio today in New York City.

Marcus Johnson (01:24):

Oh, you are. Oh, you are there? It's moved. Stay still. Today we're talking about predictions eventually, but we start with today's fact. Why do golfers shout for when warning people to watch out for an incoming ball

Suzy Davidkhanian (01:38):

So you don't get hit,

Marcus Johnson (01:39):

But why? Four? Thanks Susie.

Paul Verna (01:42):

Could have been any other number.

Marcus Johnson (01:45):

That's

Suzy Davidkhanian (01:45):

So funny. Honestly,

Marcus Johnson (01:46):

That's not good. So what's crazy is it's not the number four at all, which I had no

Paul Verna (01:54):

Idea that I knew

Marcus Johnson (01:55):

It's

Suzy Davidkhanian (01:55):

F. Did you know that?

Paul Verna (01:57):

F-O-R-E-F-O-R-E.

Marcus Johnson (01:59):

I thought it was a number. So there's three theories. One is because four 'fore means situated in front and the cry four is a way to warn those situated in front that abor that's coming their way. Second one caddies used to be called fore-caddies and they used to use ball spotters. so

golfers didn't lose expensive golf balls. And so four were shouted as a here it comes, account for it, try and find it. The last theory is that four is an abbreviation of beware before the military term used by artillerymen to warn the infantrymen ahead of them to watch out that missiles were about to be launched.

Paul Verna (02:33):

All those scenarios sound kind of under part of me.

Suzy Davidkhanian (02:38):

You're so good at that. It's going to

Marcus Johnson (02:39):

Be one of those episodes. I looked all this up in Golf Monthly, Blake's favorite subscription. Oh yeah,

Suzy Davidkhanian (02:46):

He's one of their top customers

Marcus Johnson (02:48):

Only only customers. I will never get that time back. Anyway, today's real topic, more very specific but highly unlikely Predictions for 2024 sharp tank style part one.

Marcus Johnson (03:06):

In today's episode, we'll cover three very specific but highly unlikely predictions We expect to happen in 2024. No, in other news, we have too many mind blowing predictions to make. So how is this episode work? Each person, max first will have 60 seconds to pitch a very specific but highly unlikely prediction for 2024. And then the rest of us, me, Paul and Susie and folks listening will decide if we are going to invest in this prediction, invest meaning do we believe in it, then we move to the next contestant and repeat. So Susie will be next, me, max and Paul will become the new panel. Each of our guests, max, Susie, and Paul have one prediction each today and then another prediction each for tomorrow's episodes. But first we're quickly going to check in on our existing predictions for 2024. We made these back. We did this twice a year. We made the first set back in December for this year. So there's still time for them to

come true. But back then, max, your two Apple would buy Warner Bros. Discovery instead of Disney. Susie half agreed. It's not happened quite yet. I'm not

Max Willens (04:04):

Going to bury or shovel dirt on my own prediction yet, but I will say that David Zaslav is not doing himself any favors by potentially fumbling away the Warner Bros. Discovery rights to the NBA. And technically they do have matching rights in these agreements, but if David Zla did not have a stomach to pay 2.2 billion a year, I find it hard to believe that he'll have the stomach to pay 2.5, which is what NBC universal is or rather, Comcast is purported to be paying for the rights starting in 2025. So we'll see.

Marcus Johnson (04:36):

Your second prediction was the next digital consumer privacy lawsuit would involve a retail media network. Me and Paul agreed. Susie half agreed very non-committal. Susie also not happened yet. Susie, your two were movie theaters would turn into Metaverse playgrounds. Zero people agreed mainly because we thought that 2024 was too soon and your second one was Amazon would buy Hyundai. Hyundai Max was half in. That's also not happened yet.

Suzy Davidkhanian (04:59):

So for the movie theater one, I would say I'm not wrong, we just haven't given it enough time in that there is a company called the Box Office Company that is working with another vendor called Four Dx and they are thinking about how do you do immersive duplicable experiences that you can only enjoy at the movies and you guys are right, but we still have six months in that movie. Theaters are from the late 18 hundreds. It was a bit naive of me to think that right away everybody would jump on this bandwagon, but they are starting to introduce parts and pieces and the idea of the metaverse is not lost. Ikea just announced that they're working with Roblox on creating a store in the Metaverse with live people as workers. So I think it's just a matter of time.

Marcus Johnson (05:42):

Okay, we'll see. There is still time. Paul, your two where the the Department of Justice would rule that Google violated antitrust law. Mia Max said yes, but the fine would be borderline meaningless to accompany the science of Google. That one is. So the context, the case to determine if Google violated federal antitrust laws by building a monopoly on the tech that



powers online advertising. It just wrapped up last month. We're waiting for the verdict. The second one you might be thinking of is the antitrust trial in Virginia as a separate case in DC alleging Google's search engine is an illegal monopoly that has also wrapped up and is awaiting a verdict. And your second prediction was whoever wins the 2024 US presidential election will owe their success to unprecedented and controversial uses of ai. We all said a hundred percent election day November 5th. So we'll see

Paul Verna (06:26):

Really all of those predictions, there's no way for them to have happened by now. I think we just have to wait it out.

Marcus Johnson (06:33):

Yep. Alright folks, they're the predictions we made. We will see if they will come true, but we have six new ones for you. Three today, three tomorrow we're starting with Max for the first one. First brand new one and Max said none of Paramount's current suiters are going to wind up acquiring it and Shari's going to have to sell it piecemeal. So Max, I'll give two sentences of context for folks. Skydance, the up and coming movie studio that brought you Top Gun Maverick and National Amusements, which owns Paramount. Who owns the brand C-B-S-M-T-V and Nickelodeon. So they're the players here. Skydance and Paramount were in talks to merge, but the potential deal was called off last week. Sherry Redstone is Paramount's controlling shareholder. So Max, talk to us about this prediction.

Max Willens (07:19):

So I think that it really just boils down to the fact that the closest this got with anybody was with David Ellison and with that deal now having hit the rocks, you have to look at the remaining suitors that have come and knocked on the door. And I have at least come to the conclusion that none of them really is the right sit. So basically the thing that at one time seemed like a real advantage for Paramount and National amusements, the fact that it owned a giant library of film and television content, the fact that it owned about 1600 movie theaters, the fact that it owned a bunch of cable channels has instead turned into a bit of essentially a matching set of milestones. All of the buyers that might potentially have come along basically do not want at minimum one and sometimes two of the collections of assets that they own. And so because of that, you're going to see Sherry forced to break this thing up if she wants to sell it all.



Suzy Davidkhanian (08:11):

How do you think she's going to have to break it up? Will each individual business unit be its own thing?

Max Willens (08:18):

I think she's definitely going to have to break this into lots of different chunks. I mean the movie theaters is a standalone thing will be quite attractive to somebody. The cable channels are going to be attractive to somebody, but I would imagine it's going to be someone like a private equity firm that's willing to bleed it dry of all its profits for a few years before it discarding the husk. Paramount Plus is kind of a question mark because it's currently a money losing business. It's got some nice content inside it, but it's more of a nice to have rather than a must have the way a Netflix might be. And so I think you're looking at probably three deals rather than two or one.

Suzy Davidkhanian (08:58):

And what do you think is going to happen with the branding? All right now under the same brand name?

Max Willens (09:02):

RIP to it. I guess it's too bad because I liked Paramount as a name. I think that it's tidier and more graphs than Max for example, or Netflix. But if it all gets broken down and sold for parts, I just think that the name disappears. I guess it's going to remain with the studio the longest. That's likely because that's where the association is. Its strongest.

Paul Verna (09:21):

Yeah, I mean Warner Brothers and I don't even know how to name the company, but when you think about the Warner ip, it became Time Warner Cable, time Warner, time Warner, a OL. It went through so many permutations and so many sales and then basically split up so that now you have Warner Brothers Discovery, but then you still have all these other Warner entities, Warner Music, Warner Studios. So in some cases like the brand can persist and the Paramount brand does have some value as Max said, particularly as a film studio. So it's possible that the brand will live on and the other brands like CBS, comedy Central, et cetera. But it is also very likely, I totally agree with Max that I think this is going to basically end up being selling it in parts as opposed to somebody coming in and buying the whole business. And I think that's

where we're at with the big media companies and really there are the haves and the have nots and unfortunately I think Paramount has become one of the have nots when it comes to how these media companies rate in terms of their value as an entire entity as opposed to their value as individual pieces.

Marcus Johnson (10:35):

The Paramount plus part of this is interesting. To Max's point, it's not a need to have a Netflix who have 8% of all TV watching according to Nielsen or even like a Prime video or a Hulu that have 3% a piece, but it is 1% of all the time people spend watching tv. It doesn't sound like a lot, but it's more than Pluto tv. It's right behind like fractions of a percent behind Max Peacock and the Roku channel as well. So maybe there's still a decent amount of value there when you're thinking about the other players. Disney Plus only has 1.8%. Alright folks, let's vote on whether we're going to invest or not. Susie, you're investing in this prediction that none of Paramount's current sutures are going to wind up acquiring its and it's going to have to be sold piecemeal

Suzy Davidkhanian (11:24):

Half. I agree that it's not going to get purchased in the immediate future, but I don't know that it'll get sold off by each of the little businesses, little big businesses.

Marcus Johnson (11:35):

Paul?

Paul Verna (11:36):

Yeah, I'm going in on it

Marcus Johnson (11:38):

In. Okay. All right. I think I'm in too. Am I

Max Willens (11:41):

In? Thank you boys.

Marcus Johnson (11:42):

I think I'm in. Yeah, I think this is half

Max Willens (11:44):

Is Susie best investment you've ever made.

Marcus Johnson (11:47):

So it's two and a half investments for Max's first prediction on Paramount. Let's go to Susie. She's talking about Nordstrom and Susie thinks they're going to go private in the next 12 months. The rest of 2024 has six months in it, so it's one of the best 2024 prediction.

Suzy Davidkhanian (12:05):

Well, it takes time for these things to happen. It takes time. So, I mean, it's a two-part thing. One, there's already rumors swirling they started in March. It is the second time six years ago Nordstrom tried to go private. They had to set up a committee to decide whether that was legal or acceptable with the shareholders. Make sense because the family owns 30% at the time. Six years ago they decided not to, which is very sad because they thought that the 8.4 billion was an inadequate offer so they didn't accept it. And today Nordstrom is valued at 3 billion ish. So big miss on their part. I think with that lesson they might think through what do you do about this particular go private? Because the whole purpose of going private, everybody knows the economy is a little bit tough. There's a lot of different ways of reading it. Consumers are not quite spending 'em the same way. Nordstrom Rack is doing quite well in the last investor call. Nordstrom itself is doing okay. They're losing money left and center though. And so being able to go private helps them think about the long game instead of worrying about shareholder value in the immediate term. So they will be able to make some decisions that help them grow further out.

Marcus Johnson (13:19):

For folks who haven't been paying as close attention to Nordstrom as yourself, Susie, as someone who heads up our retail desk Nordstrom been doing in the last couple of years, what's the vibe, the key highlights of Nordstrom in the past 24 months?

Suzy Davidkhanian (13:34):

Department stores are having a tough time, regardless of whether they're middle-of-the-road or luxury. Luxury has had a little bit of an easier time, but there are still economic conditions that make it hard for people to part with their money when there's so much uncertainty and Nordstrom has seen a lot of strength in its off price model. So it's more value driven. It's just

that consumers are still spending money, they're just spending it in different ways. And Nordstrom, although very strong company from a branding perspective is not immune to that. And we're seeing some of the luxury brands also suffering in the last 12 months. I think it's not particular to Nordstrom. They do a great job with their assortment. They have an amazing customer service value proposition, which is what they're known for. It's just that this particular sector is having a tough time and they're not alone too. There were some bids to take it over. So it's just a question of that particular type of retail just needs a little bit of extra help. I think they're going to be successful in the long run, but they just need some runway and going private is an easy way to get runway.

Paul Verna (14:37):

What makes this scenario different? Susie, from the last time Nordstrom tried to go private in 2017 and that was not successful?

Suzy Davidkhanian (14:46):

It's a great question. I think it's a little bit of hindsight like regret because although they had a relatively okay quarter off as much, but they had a relatively good quarter, so there might be some reticence to doing it right away. But I do think that the department store channel in general is not performing super well. So that's going to erode value and if you want to try and maintain and grow your retailer, you sort of need to make different decisions, longer term decisions. Yeah,

Max Willens (15:19):

I guess I'd be curious, the people that we're talking about taking it private, are these bidders that have a track record of actually investing or do they look more like Xper people who are going to treat it like a cash machine and kind get what they can out of it before it collapses?

Suzy Davidkhanian (15:35):

It's a good question. So for the Nordstrom case, it's the family who owns 30% that would like to take a, I mean they have a vested interest, they want to take a private to make what they deem, which most analysts, when you're looking at short-term long term, I mean you need cash to be able to grow and through a lot of when you're worried about the street, you're making different cost cutting decisions that might not be for the good of the brand. So it's

coming from the family, which is why they set up a committee so that it's not wholly on them to make the decision.

Marcus Johnson (16:08):

Alright, let's vote max you in or your out sir.

Max Willens (16:11):

If it's family money that seals the deal. I'm in

Marcus Johnson (16:14):

Paul, I'm half in this, apparently half of investments become a thing now. Thanks Susie.

Suzy Davidkhanian (16:21):

My pleasure.

Marcus Johnson (16:23):

I'm half in too. See, take advantage.

Suzy Davidkhanian (16:28):

I think the half part that I think this is a challenge, which is why I gave it the 12 months and even then the cost of money is so expensive and retail, there's a lot of movement. Private equity companies don't want to get burnt, so money is expensive if you can't show how you're going to extract the value in the two, three year long, that's their term for a private equity company, then they're going to have a tough time gathering the money, which is where Max came in on. If it's private money, then it's a much easier deal.

Marcus Johnson (16:56):

Alright, very good. Let's turn to that's two points. So two investment points. Max has two and a half investment points. Let's go to Paul's prediction for today. He is talking about the NBA contract will go to Disney, NBCU and Amazon saying it's a major milestone. So Paul, I'll give the quick context for folks. The NBA, the nearing a new TV rights deal worth 76 billion over the next 11 years. The deals would start after the coming 20, 24, 20 25 season and would include the rights to the WNBA games. The tiny history here is that the main partners are struggling. TNT Parent Warner Brothers Discovery, they're 40 billion in debt. ESPN's parent

Disney's stock is half what it was in 2021. So they're the two main partners for the NBA typically and the NBA as a result, we started talking to other folks like Amazon and NBC. But Paul, talk to us about your prediction,

Paul Verna (17:52):

And Max referred to this in the context of talking about Warner Bros Discovery and essentially they've gotten frozen out of the negotiations because their debt load is so huge and they're just not willing to pay this a very high premium. But I think this trio of companies that is strongly rumored to be in the lead to parcel out the rights, it's an interesting combination because it's two old school media companies and then Amazon. But in reality, one of the things that makes this a big milestone is that this would be the first time that a major US league sports package is essentially a streaming deal because we're talking about ESPN, peacock and Amazon as the leading players here. I think this is also milestone because it's going to open the way for more of the kind of digital bundling we've seen. I think that sports fans in particular are already up in arms about the fact that sports viewing has become a very, very fragmented experience across many different services. It's hard to even know what service or what channel your team is on any given night. So I think if it goes through as this suite of companies, I think it's likely that there will be some kind of bundling among them as we've seen among other competitors.

Suzy Davidkhanian (19:14):

So do you feel like all three of them will have rights to the same games or they're going to split it up?

Paul Verna (19:19):

Typically when sports rights are divvied up among different networks, it's not the same game. It's different games or different sets of games for different players and I think that's what's going on here as well.

Max Willens (19:34):

This doesn't affect my investment, but the thing that I keep coming back to as a longtime customers, what this means for NBA League pass, which was something that they'd built up for a very long time, but one of the sort of understandable but also exasperating features of League Pass is that a lot of games that are owned by their large providers are blacked out on



League Pass. So for example, if the Nuggets and the Timberwolves are playing on TNT, I can't just fire it up on League Pass because they want to drive me to or did at one time want to drive me to watch it on my television and tune into TNT. With so much of the schedule being carved up like this, does that just radically reduce the value proposition of League Pass? That's something that I'm wondering about. I'm curious what Paul thinks.

Suzy Davidkhanian (20:17):

I don't know what League Pass is so

Max Willens (20:19):

Quickly for you. Susie League Pass is basically like

Suzy Davidkhanian (20:22):

Everyone, right? I high at the listeners don't know everyone else in America. Come on.

Max Willens (20:26):

So League Pass is basically like the NBA's version of Sunday tickets. So instead of being confined to the games that might feature your local team or the games that are just on nationally televised, if you really for some depraved reason want to watch the Kings and the Pistons play on a Wednesday night, if you're a League Pass subscriber, you can just hop over and watch that broadcast.

Paul Verna (20:50):

Yeah, I mean I think in general Max, I think a lot of the league packages have basically been devalued by all of this licensing. I think when sports streaming began, mlb.com was huge and they were positioning themselves as like the hub for everything and they had very high ambitions to get millions of subscribers and basically be the home for digital streaming of major league baseball. And the other leagues did the same thing, but none of those packages really took off. I think in some ways they were premature because they couldn't work around the regional sports networks and their local blackout restrictions. But there were other issues as well of scale and technology infrastructure at the time. But I think we're in a world now where it's the media companies and the tech companies that are still carrying the bulk of sports streaming and I think the leagues have had to basically accommodate their own packages around these broader licensing deals.

Marcus Johnson (21:55):

All right, let's vote Susie in or out on the NBA contract going to Disney, NBCU and Amazon.

Suzy Davidkhanian (22:01):

So I'm only, again, I'm not an expert, but from a customer lens I'm only half in because I feel like it's three national networks, streamers, tech companies. But if I can only pick and choose then that means I have to do three different companies and it just doesn't feel like a good plan for me. E

Marcus Johnson (22:20):

Max

Max Willens (22:22):

I in

Marcus Johnson (22:23):

Same

Suzy Davidkhanian (22:23):

Max is easy

Max Willens (22:24):

With so much

Suzy Davidkhanian (22:25):

His money today.

Marcus Johnson (22:26):

I know. Should have caps you guys. He's loaded how much you can invest.

Suzy Davidkhanian (22:30):

No, it's definitely not noted on my part. Please vote for my next one too.

Marcus Johnson (22:35):

It's a, yeah, it's a huge revenue step change. That was one of my takeaways. If the deal comes in at this reported 76 billion, it'll be two and a half times its last deal bringing in about 7 billion a year. That deal was about a decade ago. So inflation has happened and so you expect it to be more, but it's a lot more. So 7 billion a year. The NFL doubled its rights package recently now at 10 billion a year. Alright, that's all we've got time for today's episode. Thank you so much to my guests for their three predictions. We had Max say none of Paramount's current sutures are going to wind up acquiring it. Two and a half investments there, Susie. Nordstrom will go private in the next 12 months, two investments and pause. The NBA contract will go to Disney, NBCU and Amazon two and a half investments there as well. We'll have three more. Very specific but highly unlikely predictions for you in tomorrow's episode. That's it for today. Thank you to Susie Port and Max. We'll see you tomorrow. Thanks to Victoria who edits the show Stuart for having to deal with Paul and Susie for the episode who are in studio and Sophie on our social media team. Thanks to everyone for listening in. We hope to see you tomorrow for another predictions episode of The Behind the Numbers Daily. An eMarketer podcast made possible by Roundel.