Q&A - Wright: Vivendi deal 'gives us more to sell'

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NBC chairman and chief executive Robert Wright `s proposed acquisition of Vivendi Universal Entertainment would create a $42 billion media giant that finally puts NBC on equal footing with Viacom, News Corp. and Walt Disney Co.

NBC will generate about $2 billion of NBC Universal's anticipated $3 billion in annual earnings on $13 billion in total revenues. It's also a career-capping deal for Mr. Wright, who spoke with Mermigas on Media's Diane Mermigas about the pact's promise and challenges.

Ms. Mermigas: How much is this merger a hedge against an inevitable decline in NBC's ratings, revenues and profits after 2004 when some of its hit series retire?

Mr. Wright: This deal is driven entirely by the fact that this company is available, and that was dictated by Vivendi.

Will [Vivendi] be useful and valuable to us in the next few years? I hope so. But you are making the assumption that all of a sudden, we're going to forget how to make hits. I never think that way.

I don't know what this next cycle is going to be like. If you had asked me three or four years ago what life would be like after "Seinfeld," all I could tell you is that we would figure it out. "Seinfeld" was the biggest show on television, and it went away and we survived. "Friends" is the same situation, and I believe we will survive.

Ms. Mermigas: How much better will you be able to amortize spiraling program costs and sell advertising?

Mr. Wright: Just look at what has happened with Bravo. Its prime-time ratings this summer were up 123% over last year because of "Queer Eye," "Boy Meets Boy," and other changes at the network. We sold 10% more upfront cable advertising with Bravo in the mix.

Ms. Mermigas: The new NBC Universal will be as dependent upon subscription fees as advertising for its revenues, compared with NBC's complete advertising dependence. How will that change your ad sales strategy?

Mr. Wright: It doesn't. There is no reason to change it. We have an excellent sales organization. They'll just have more products to sell.

Ms. Mermigas: What about the $500 million you are looking to realize over five years in cost cuts and synergies?

Mr. Wright: The number I am looking for is $400 million over four years. Of that, about one-third to one-half will be increased revenues. More than half of the $200 million or more that is cost savings will come from facilities; things we buy and lease. The remainder, which represents only 1% of the company's total cost base, is from personnel.

Ms. Mermigas: Is it a fait accompli that Vivendi is buying out the 7% stake in VUE held by Barry Diller and his InterActive Corp.?

Mr. Wright: Vivendi cannot buy him out unless he wants to be bought out. But Vivendi is obligated to deal with any buyout of Barry. It's their responsibility, not ours. Nothing may happen on this until we sign a final agreement, which could be in three weeks.

Ms. Mermigas: Would you like for Mr. Diller to remain a minority shareholder in the new company? After all, you almost had a deal with him several years ago to merge NBC with his then USA Networks.

Mr. Wright: We are neutral on that.

For more, see Mermigas on Media, a weekly e-mail newsletter published by Crain Communications, by going to tvweek.com/onmedia. Ms. Mermigas is also a contributing editor at TelevisionWeek.

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