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AT&T wants to own a media company -- here's who they could buy



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Andrew Harrer | Bloomberg | Getty Images

Randall Stephenson AT&T CEO

Is **AT&T** trying to transform into a media and advertising company? Executives in the industry tell CNBC that there has been extensive chatter on the topic all year, with some going so far as to say the telecom giant might make a move sooner than later.

AT&T is mum about its plans, and declined to comment for this story. But strategically, analysts say it makes sense, and — with cash and cash equivalents of \$7.2 billion according to its Q2 earnings — such a decision is well within their capability. (The New York Post reported a [similar rumor earlier in the year.](#))

The company wouldn't be alone. Rival **Verizon** as well as **Comcast** — which both own cable pipelines and have been expanding their advertising technology businesses — have made similar moves in recent years.

"The [telecommunications] set is all evolving into media companies in order to remain competitive," said Eric Franchi, co-founder of digital



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advertising company Undertone.

Buying a media company would essentially be an advertising play. With the amount of data they have on their customers and their habits — including where they are, what they like to watch and what they like to purchase — telecommunications companies are a potential goldmine for advertisers. To become these full-fledged advertising giants, however, they need scale, technology and content to advertise against.

"The odds of a content business building reaching scale is not great," Franchi said. "Buying your way into it from the AT&T perspective seems to be the most logical path."

AT&T has already dipped its toes in the market. It bought DirecTV in July 2015, increasing its data on consumers for more accurate advertising targeting. The company has the framework to create a viable advertising technology business through its AT&T Adworks service, Franchi said.

But what AT&T lacks is a significant media company that would give it the content and expertise to go into the brand marketplace, Franchi said.

It has, however, bought a majority stake in entertainment media company [Fullscreen](#) through The Otter Group, which is a joint venture between AT&T and former News Corp. President Peter Chernin's outfit, The Chernin Group. Fullscreen's talent roster includes top YouTubers Hannah Hart and [Grace Helbig](#).

"One, if you want to enter the media business you need scale," said Franchi. "The odds are against a telecommunications company creating a scaled media entity and doing so quickly. We've seen a few examples like [Netflix](#). The quickest path is through acquisition. Number two, if they buy a significant media asset they are going to be buying the ad sales expertise and talent and the agency and brand contacts."

If AT&T controlled the media content and technology to place ads, it could help the company [deliver cross-screen advertising placements](#), said Greg Portell, partner in A.T. Kearney's consumer products and retail and communications, media & technology practices. Brands would be able to reach people wherever they were, on phones, on TV or surfing the Web.

A similar logic was at work behind Verizon's purchase of AOL in May, through which Verizon [obtained AOL's top programmatic advertising technology business](#). The company then followed with the purchase of Yahoo in July, [adding 1 billion active monthly users](#). In addition, [it's been building out its media empire](#), acquiring a stake in entertainment media company AwesomnessTV and Complex Media alongside Hearst. Hearst also went in with Verizon in forming millennial lifestyle brand Rated Red, as well as comedy channel Seriously.TV.

So, what's left for AT&T to buy? Some experts have said a large media company [Time Warner](#) or [Discovery Communications](#) could potentially make sense for what AT&T is looking for, while digital-first companies

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like Vice also have the assets that could diversify the telecommunications company.

In addition, purchasing media assets could give AT&T another revenue stream that doesn't rely on subscribers, Portell said.

"The challenge a company like AT&T has ... is that they're landlocked to the relationships they have with consumers," Portell said. "What content gets them is economic opportunities beyond their consumer base."

AT&T could also make money on distribution of content and on franchises similar to how Comcast has done with Universal Park and Resort's The Wizarding World of Harry Potter theme park and Universal Picture's Minions franchise, he said. Comcast owns NBCUniversal, and recently purchased Dreamworks Animation in August.

"We are going into a world where people are looking for more experiential more than transnational types of business," Portell said.

Disclosure: NBCUniversal is the parent company of CNBC.



Michelle Castillo
Reporter

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