

Fox Poised to Repurchase Regional Sports Networks

By Miller Lyssikatos, J.D. Candidate 2020 | November 9, 2018

Fox and Disney [agreed](#) to a \$71.3 billion merger in July. [Fox was eager](#) to divest parts of the company that had shed earnings in light of online streaming, while Disney hoped to strengthen an upcoming streaming service intended to rival Hulu and Netflix.

Ultimately, Disney defeated Comcast's \$65 billion all-cash offer with a \$71.3 billion bid. Fox thereby sold Disney the rights to Fox's movie studios, television productions, regional sports networks, and international businesses, including Star and Europe-based Sky.

Consequently, Fox parted with a massive amount of the original company and retained only a post-merger organizational structure of "New Fox." New Fox will have a myopic focus on live sports entertainment and news in hopes of resistance to a changing media landscape.

In spite of near-unanimous shareholder approval, the [Department of Justice](#) concluded that Disney must divest itself of Fox's twenty-two regional sports networks. The Department feared that consumers would be hurt by the deal, as Fox and Disney had previously competed for viewership of regional sports programming. Without such competition, cable prices could climb to consumers' detriment. As a result, Disney must now find potential acquirers of the twenty-two regional sports networks.

Interestingly, Fox is [among the potential acquirers](#). The company's executives have discussed the possibility of buying back the networks. Fox was willing to sell the networks as part of the merger with Disney because their value had significantly declined. Millions of consumers had cut their cable cords, and cable companies had increasingly treated regional sports networks as "add-ons." Nevertheless, Fox was able to sell these networks at a premium when Comcast sparked a bidding war with Disney. Therefore, Fox may be able to buy back the networks for less than the amount paid by Disney.

The potential addition of the regional sports networks seemingly fits New Fox's refined focus on sports and news. And, of course, Fox's buyback of the regional sports networks will likely result in [substantial tax benefits](#) related to tax-deductible amortization.

