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Sky's contracts with Disney at risk after Comcast takeover

Sky PLC's (LON:SKY) key TV and film contracts with Walt Disney Co. (NYSE:DIS) could be at risk following the UK broadcaster's takeover by Comcast Corp. (NASDAQ:CMCSA).

Sky is set to leave the FTSE 100 this week after Comcast prevailed over Rupert Murdoch's Twenty-First Century Fox Inc (NASDAQ:FOXA) in an auction of the company in September.

READ: James Murdoch steps down from Sky board after Comcast completes takeover

Following the auction, Fox agreed to sell its 39% stake in Sky - that would have gone to Disney as part of a US\$71bn deal to sell its entertainment assets - to Comcast.

Disney is launching its own entertainment streaming service, called Disney Play, next year and there are concerns about how it will impact its relationship with Sky given it is in direct competition with Comcast.

Sky's current film contract with Disney is up for renewal in 2020.

"Disney has aggressively set out its stall as wanting to become a direct-to-consumer player," Berenberg analyst Sarah Simon said, according to The Guardian.

"Disney missed buying Sky and competes with Comcast. Disney now doesn't have any incentive to renew its programming deals with Sky unless it's on extremely good financial terms."

Disney has already said it would pull its content from Netflix as part of its plan to launch Disney Play. The company already has a streaming service for its ESPN sports content but Disney Play will stream entertainment content, including the assets acquired from Fox such as the X-Men films and the Simpsons.

Sky's talks with Disney over renewing their contract are expected to include discussions about Fox content.

Sources told The Guardian that Sky recently struck content deals with two other major Hollywood studios, which were extensions of existing agreements well ahead of expiry.

The deals suggest Sky was keen to secure prime content ahead of what is expected to be difficult negotiations with Sky.

"Owning Fox gives Disney a huge amount of negotiating muscle," said Simon. "Disney is in an increasingly clear strategic position: continue to sell content to aggregators or go direct to consumers."

Sky's contract with Game of Thrones owner HBO, which is part of AT&T Inc's (NYSE:T.) WarnerMedia, also expires in 2020.

Market Cap: 0

Share Information

Code: SKY**Listing:** LSE**Sector:** Media**Website:** corporate.sky.com

Company Synopsis:

Sky plays an important role in the British TV and radio landscape. It brings us entertainment, information and sport through mass programme distribution, and also provides telecoms and Internet services.

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