

# Cablefax Daily™

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What the Industry Reads First

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## Telco Tales: AT&T Talks Up Direct-to-Consumer Relationships

Management in **AT&T's** first earnings report after completing its **Time Warner** acquisition focused on the development of a modern media company, complete with premium content and direct-to-consumer relationships. "Just owning great content is no longer sufficient," CEO *Randall Stephenson* said on Thursday's 2Q call. "A modern media company must develop extensive direct-to-consumer relationships, and we think pure wholesale business models for media companies will be really tough to sustain over time." AT&T now has more than 170mln direct-to-consumer relationships across wireless, pay TV and broadband businesses, according to Stephenson. He said that digital properties, including the various **CNN.com** sites, add another nearly 200mln unique monthly users. "This is already a big scale, direct-to-consumer business," Stephenson said, calling the ability to have "owners' economics" across these platforms "pretty exciting." **WarnerMedia** head *John Stankey* spoke a bit about **HBO**, saying the plan is to increase the investment in premium content. "The HBO name is synonymous with quality entertainment... My goal is to give the HBO team the resources to greenlight additional projects already in the development funnel," he said. "We want to invest more in original content while still retaining the high quality and unique brand position of HBO." Stankey said another key priority is to nurture direct-to-consumer, including HBO Now. "That will include enhancing existing platforms, as well as delivering premium content" to those more than 170mln direct consumer relationships, he said. "We also plan to add even greater value to these relationships by focusing, aggregating and incorporating more WarnerMedia intellectual property." The quarter saw AT&T lose 262K traditional video customers—an improvement of 89K over last year. Overall, video net adds came in at 80K thanks to gains at **DirectTV Now** and **U-verse**. DirectTV Now added 342K subs in 2Q, up 190K from last year. Broadband net adds came in at 23K, up 15K from a year ago. Revenue for the entertainment group, which includes **DirectTV**, fell 8% in 2Q to \$11.7bln, while WarnerMedia posted \$7.8bln in rev (up from \$7.3bln a year ago). In the consolidated results, Time Warner contributed about \$1.3bln in revenue for the 16 days it was part of AT&T. AT&T raised EPS to the high-end of the \$3.50 range, and upped FCF to the high-end of the \$21bln range. Overall company revenue of \$38.99bln was shy of **Thomson Reuters'** estimate of \$39.39bln.



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**Verizon's Not Buying Content:** Verizon's Lowell McAdam, who hosted his last earnings call as CEO Tuesday, pledged once again that the company won't be following in AT&T's footsteps when it comes to buying content. "Our belief is that we're positioned perfectly to have the partnerships we need to be successful," he said. "We're not going to be owning content. We're not going to be competing with other content providers." Instead, he positioned Verizon as content owners' best partner—something he felt like was crystallized at the recent **Allen & Co** conference in Sun Valley. "We met with all the major content providers, sports leagues, healthcare, education, gaming, all of those segments. Every one of them—when they know what is going on with 5G and especially the latency...—their eyes light up with what's possible," McAdam said. He noted the strategy was developed with incoming CEO *Hans Vestberg*, who he described as one of his "go-to-guys" over the years. McAdam dismissed speculation that Verizon might spin out its digital brand **Oath**, which includes the **AOL** and **Yahoo** businesses. "We're seeing the synergies we expected to see. And we see the future we'd hoped for," he said, adding that Oath integration efforts are on schedule. Video continues to be the major driver of network traffic. "We expect it to go up over time. We're not fans of linear, but I'm not trying to criticize anyone else's strategy here. It's just the fact of the assets that we have and the investments that we want to make... we've always said we're skating to where the puck is going." Verizon's 2Q results saw total wireline revenue down 3.4% YOY with total Fios revenue growing 2.3%. Fios internet added 43K customers, while Fios video lost 37K. Overall, net income fell to \$4.12bln from \$4.36bln a year earlier.

**On the Block:** As broadcast groups grow larger, **Cox Communications** parent **Cox Enterprises** announces it is exploring strategic options for its 14 broadcast properties, including partnering or merging them into a larger company. **Cox Media** stations include Atlanta's **WSB** and Pittsburgh's **WPXI**. "We didn't take this decision lightly. It is clear that scale is critical for TV affiliates to be positioned well for the future. Our stations are some of the best in the industry and we want them to stay that way," Cox Ent pres/CEO *Alex Taylor* said in a statement. With Cox Ent owning broadcast stations and cable systems, it's usually pretty quiet on the issue of retrans reform. If the stations are sold, perhaps that will change... Cox Comm is not a member of the **American TV Alliance** and in fact was targeted by the group, backed mainly by MVPDs, in 2014 after **Verizon** Fios lost Cox Media's Dedham, MA-based **Fox** affil.

**NBC Sports Prez:** **NBC Sports Group** welcomes **PGA of America's** *Pete Bevacqua* aboard as pres—a post that has been vacant since *Ken Schanzer* left in 2011 under the *Dick Ebersol* era. Bevacqua will oversee several areas, including programming, marketing, digital, the NBC Sports RSNs, and all Golf businesses under the NBC Sports umbrella, report-

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ing to NBC Broadcasting and Sports chmn *Mark Lazarus*. He starts the role in September after having served as CEO of PGA of America since 2012. NBC RSN pres *David Preschlack* and Golf pres *Mike McCarley* will report to Bevacqua.

**All About the Data:** NeuLion found the secret to growing OTT services: using consumer “Watch Data” to manage and analyze user segments to create more effective programs. The company uses a combination of an OTT dashboard and ACE Analytics to take data, leverage it, then create a better understanding of who’s watching what content on what devices, and then how to best monetize it. At Tuesday’s Media & Entertainment Day organized by the **Media & Entertainment Services Alliance**, executives discussed various ways media companies can use data to pull past the competition and grow their digital business. NeuLion’s data shows that users that watch on only one device have a low retention rate and low lifetime value. Today, 63% of customers are watching content on some kind of mobile or connected device, an increase of 186% since 2013. Watching content on two devices increases lifetime value by 271% and retention rates by 181%, according to NeuLion. Three devices jumps percentages even further—lifetime value by 500% and retention rates by 268%. The company said watch data can also measure the effectiveness of free trials, and who watched content and who didn’t during the time period.

**Univision Exits:** The departures at **Univision** continue, with *Tonia O’Connor* stepping down as chief revenue officer. She follows *Randy Falco*, *Isaac Lee* and *Lourdes Diaz* out the door. *Vincent Sadusky* stepped in as Univision CEO last month, announcing shortly thereafter that the company would explore the sale of the **Gizmodo Media Group**, which includes the former **Gawker** websites. O’Connor joined the Spanish-language programmer in 2008, helping it achieve its first-ever retransmission consent deals. She helped expand Univision from three networks to 17 broadcast, cable and digital nets, as well as developing distribution and content windowing strategy for digital and mobile. Univision has had some battles with distributor as of late, with some of its channels currently dark on **DISH**. In recent months, O’Connor’s role expanded to include the **Fusion** cable net, with pres/chief content officer *Daniel Eilemberg* and Fusion Media CEO *Felipe Holguin* among recent layoffs at the company.

**Flag on the Play:** Another carriage spat could be on the horizon. **Big Ten Network** pres *Mark Silverman* told media Tuesday that a potential blackout could be on the way for **Comcast** customers. The contract between the two is set to expire at the end of August as is the deal that has all Big Ten games airing on **FS1**. Silverman claims that BTN and FS1 made proposals to Comcast back in February with no “substantive” response after Comcast dropped BTN from out-of-market cable systems. “Comcast was intent on dropping BTN and refused to listen to our plea,” Silverman said. “Unlike the usual scenario in these carriage disputes, there’s no economic benefit to Comcast at all to do this and remove BTN from their systems outside the area...” Silverman noted that 10 of the 14 schools in the Big Ten are markets where Comcast is the leading cable provider. “My fear is the removal of BTN in the outer market may just be the first step in Comcast’s plan to remove BTN from their systems everywhere, including the Big Ten home markets,” Silverman said. “The good news is that Comcast would be alone if they decide to drop BTN and those Big Ten games on FS1.” The website [www.keepbigten.com](http://www.keepbigten.com) was launched to allow customers to find alternate providers, call Comcast and stay informed of any changes.

**Smart City Down South:** Houston, TX, is the next city to receive the 5G treatment from **Verizon** with the company announcing plans to bring the technology to the city later this year. Houston is the third city Verizon is bringing the technology to as a part of its four market deployment plan, following Sacramento and LA. Residential 5G broadband service will come to each of these areas. Houston hasn’t always been the bright light of Verizon. “Houston was the poster child for the Verizon network in 1999, but not in a good way,” Verizon CEO *Lowell McAdam* said at a press conference Tuesday, saying that the company’s invested hundreds of millions of dollars in changing the story. “It’s only fitting that today we take Houston on the forefront of 5G for us.” Houston Mayor *Sylvester Turner* sees 5G as a way to boost Houston’s smart city potential “by enhancing data for controlling traffic flow, saving money by operating smart streetlights and even more.”

**Ready to Retire:** **Liberty’s** *John Malone* retired from **Charter’s** board of directors, but is staying on as director emeritus. The role will see him still attending board meetings and providing advice to the company, but not having a vote on anything presented to the board. **SiriusXM** CEO *Jim Meyer* will take over Malone’s seat while also serving on the Nominating and Corporate Governance Committee. Malone notified the board last week that he would be departing as did media/tech venture capitalist *Scott Paterson*.

**27 Years and Counting:** **ESPN** and the **Big South Conference** are still in business, reaching an extension to the pair’s existing media rights deal. The agreement makes ESPN the exclusive rights holder of the conference, boosting Big South’s presence across its many platforms. Starting in the 2018-19 season, more than 900 conference events will air on **ESPN+**. Certain events will continue to air on ESPN’s linear networks, such as the men’s basketball conference championship game. ESPN and Big South have worked together since 1991.