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What the Industry Reads First

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Mixed Bag: Viacom Leans on Pluto, Revenue Falls Short

Viacom can thank the turnaround of its movie studios for its better-than-expected earnings in 1Q19, but it wasn't enough to stop the company from falling short on revenue targets. Viacom posted net earnings of \$318mln, down from \$535mln last year but exceeding Wall Street's expectations. Quarterly revenue rose 1% to \$3.09bln, coming in below projections. During an hour-plus earnings call Tuesday, the company focused heavily on last month's \$340mln cash purchase of **AVOD Pluto TV**. "We think it'll be a true game-changer in driving the evolution of this company and ultimately creating significant value across our business," Viacom pres/CEO **Bob Bakish** said. "Over the course of 2019, Pluto TV will add billions of addressable advertising impressions per month. Importantly, these are very high quality impressions. The audience is young, gender-balanced and hard to reach. In fact, 50% of Pluto TV viewers are between the ages of 18 and 34." Indeed, a large reason for revenue falling short of industry forecasts was a 6% decline in ad revenues at the Media Networks, which saw a 2% total decline in revenue to just under \$2.5bln. Bakish also emphasized the importance of Pluto TV for Viacom's distribution partners. "The video marketplace will continue to segment across price points, and we want to play in all of them, including free. Pluto TV will be a platform to expand our distribution partnerships, adding a free offering that can create value across the whole subscriber place, including broadband-only subs," he explained. Viacom also plans to leverage Pluto to create a Spanish-language streaming service, rolling out later this year in the US and then to Latin America. Bakish identified it as an area of high potential with no major streamer being dedicated to the growing Spanish-speaking market. The Pluto acquisition is expected to close in March, pending regulatory approval. **MoffettNathanson** maintained its "Neutral" rating, and stated that the acquisition of Pluto TV and Viacom's expansion into premium content production will enable it to "be able to meaningfully slow down the erosion of their core domestic revenues." Bakish also announced a new content deal between **Nickelodeon** and **Netflix** to produce two original animated films based on "The Loud House" and "Rise of the Teenage Mutant Ninja Turtles." While the net has lately struggled in ratings, Bakish remains optimistic it will return to growth in the second half of 2019 under *Brian Robbins'* leadership. Paramount Network grew 7% in viewership YOY, and **MTV** closed its sixth consecutive quarter of primetime ratings growth, its longest streak in its 38-year history. Change could soon be a-coming for the nets with Viacom set to begin carriage talks with **DirectTV** that

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are being closely watched. And, of course, the possibility of a **CBS** merger remains. “However one defines or classifies affiliate fee revenue, the major topic is the DirecTV renewal,” **Bernstein Research** said in a research note. “We can’t imagine how Viacom will be able to re-classify their way out of the outcome of that event.” Viacom’s stock closed up 2.99% to \$30.33 following an initial drop during premarket trading.

ESPN+ Hits 2mln Subs: *Bob Iger* made it clear that it’s all about DTC right now at **Disney**, boasting during Tuesday’s earnings call that the less than year-old **ESPN+** now has 2mln paid subscriptions—double what it had five months ago. The debut of **UFC** Fight Night on the service last month resulted in 568K new subs in one day, marketing the largest subscription catalyst for **ESPN+** thus far. And Iger sees that sign-up frenzy as evidence its **BAMTech** is well equipped as its DTC platform provider. “It’s capable of handling scale not only in terms of live streaming simultaneously, but a substantial number of transactions in a very short period of time,” Iger said, adding that there were times before the UFC fight that **BAMTech** was making just under 15K transactions a minute. CFO *Christine McCarthy* said Disney would forgo \$150mln in licensing this fiscal year as it releases content on the upcoming **Disney+** DTC service instead of with third parties. The first such example is March theatrical “Captain Marvel,” which will skip the typical windows and head straight to **Disney+**. Disney’s DTC & International revenues for 1Q19 decreased 1% to \$918mln and segment operating loss increased from \$42mln to \$136mln. Revenues reflected a 4% decrease from an unfavorable foreign currency impact. Blame the increase in operating loss due to the investment ramp-up in **ESPN+**, a loss from streaming technology services and costs associated with the upcoming launch of **Disney+**. Cable nets saw revenues increase 4% to \$4bln as operating income fell 6% to \$743mln due to a decrease in operating income at **ESPN** and **Freeform**. **ESPN** saw higher programming and production costs, while **Freeform** posted a decrease in ad revenue due to lower average viewership. For fiscal 1Q, Disney posted revenue of \$15.3bln. Earnings of \$1.84/share beat the \$1.55 expected.

ABC at TCA: Two months into her job taking over for ex-**ABC Entertainment** chief *Channing Dungey*, new **ABC Entertainment** pres *Karey Burke* told TV critics on Tuesday that she doesn’t worry about losing relevance amid a glut of cable and streaming content. Rather, all nets must craft compelling messages that resonate well enough to punch through. “When broadcast television gets that right, there’s nothing more exciting,” she said at **Winter TCA**, noting that breakouts like **NBC’s** “This Is Us” have thrived despite the content glut. “I completely believe in the relevancy of broadcast TV; I wouldn’t have taken the job otherwise.” The emergence of bingeing has left an opportunity for linear TV “because there’s still this joy in watching television day after day, with your friends, with your family. Whether you’re in a room or you’re texting each other while it’s going on,” said Burke, who was named to the post in Novem-

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ber after serving as head of originals at **Freeform**. “It’s a different kind of viewing and relevance that broadcast television still is fearless at.” As for the pending **Disney-Fox** merger, Burke didn’t spill any secrets but said she “can’t wait for it to get done and us to get started.” She noted that the Fox studio already produces five shows on ABC. “There are already a lot of great synergies between our companies, and I’m looking forward to more,” she said.

Down South: **AT&T Sportsnet** is coming to **fuboTV**. The two have reached a deal for fuboTV to carry the net, including live regular season games of both the **Houston Rockets** and **Houston Astros**. fuboTV will live stream over 250 live events from AT&T Sports Networks as part of the deal. AT&T SportsNet Southwest will be a part of fubo’s \$44.99/month base package.

4K Ahead: **RCN** added seven dedicated 4K channels to its lineup: **Insight TV**, **Travelxp 4K**, **The Country Network**, **NASA TV UHD**, **C4K360**, **NatureVision TV**, **UHD1**. It also plans to showcase special live events coverage for those subs who have a 4K TV and 4K set-top. Like many other ops dabbling in 4K, RCN is using boxes that incorporate the Advanced TiVo Experience, which also lets customers access 4K content supported by streaming services such as **Netflix**, **Hulu** and **HBO Go** (provided they have a subscription). RCN is leveraging the content and reach of the **SES** Ultra HD platform.

Deep DISH: **DISH** customers may not be able to subscribe to **HBO** through the provider, but the company is finding new ways to offer programming add-ons. On Tuesday, DISH said it has boosted on demand offerings by adding 11 a la carte packages that start at \$2.99/month. They are: **UP Faith & Family**, **Dove Channel**, **CuriosityStream**, **Docurama**, **Outside TV Features**, **Comedy Dynamics**, **Grokker**, **Here TV**, **Hopster**, **Hi-YAH!** and **Cinefest**. Customers get a free preview of the content until Feb 10.

Weekly Winners: News was king last week, with **Fox News** ranking as the most-watched ad supported-cable net in prime (2.2mln P2+ viewers) followed by **MSNBC** (1.88mln). Rounding out the top 5 in prime were **HGTV** (1.3mln), **USA** (1.24mln) and **Hallmark** (1.18mln). **CNN** snagged seventh place (1.10mln), just after **History** (1.14mln). The two top newscasters also ranked highest in total day (1.36mln for Fox vs 1.1mln for MSNBC), with a sizable lead over third place finisher **Nick** (796K).

Music to Your Ears: **Harmonic** posted non-GAAP revenues of \$113.6mln in 4Q18, up 12% YOY, thanks to the continued success of its CableOS virtual converged cable access platform. The cable access segment brought in \$24.1mln, a 79% improvement YOY, while CableOS deployments grew 11% from last quarter to surpass 535K served cable modems. CableOS is now in 29 deployments and trials. Video segment revenue also saw a boost, raising 2% YOY to reach \$89.5mln. Harmonic’s video SaaS customer base is now up to 19 customers from 7 last year.

Upping the Golf Game: **NBC Sports Group** teamed with golfer *Rory McIlroy* for a new direct-to-consumer subscription offering that features video content as well as lifestyle opportunities that range from playing the game, shopping, travel and more. In a **Comcast-NBCU** Symphony move, “GolfPass” was introduced Monday night by McIlroy on “The Tonight Show” (with follow-ups on NBCU siblings “Today,” “Squawk Box,” “Morning Drive,” etc). Components of GolfPass include 4K video lessons, original content and GolfPass—offering tee times at 7K golf courses. Golfpass memberships are \$9.99/month or \$99 annually. The service is available on the GolfPass website and is coming soon to connected TVs, iOS and Android. “We’re really looking at this as building a media business based around the sport of golf that’s forward thinking and will be around for the next 25 years, much like Golf Channel has been around for the 25 years since Mr. [Arnold] Palmer founded it,” said *Mike McCarley*, pres of golf for NBC Sports.

Here to Help: **New Media Investment Group** revealed plans to launch a marketing pilot program with **Comcast Business Group**. Under the deal, more than 1mln Comcast Business customers will have access to **ThriveHive**, New Media’s marketing guidance solution. Those Comcast Business customers will also receive a free consultation with one of ThriveHive’s digital marketing experts.

Programming: **TLC** is gearing up for a 10-part spinoff of “Say Yes to the Dress” that will feature a bride from every state, along with DC and Puerto Rico. “Say Yes to the Dress America” will walk down the aisle in January 2020. -- **Freeform** announced at **TCA** that it is picking up current series “Good Trouble” for a sophomore season. Last week’s ep ranked as its top drama since June among females 18-34 and 12-34. In other news, the net cast *Jordin Sparks*, *Matt Shively* and *Brooks Brantly* in a new series tentatively titled “Besties.”

Association News: *Adria Alpert Romm*, **Discovery’s** chief HR and global diversity officer, was tapped as board chair for the **Emma Bowen Foundation**. She replaces retired **CBS** exec *Tony Ambrosio*. Ambrosio will continue to serve on the board. **Warner Bros Pictures’** *Nijja Kuykendall* has been elected as vice chair of the 19-member board.