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What the Industry Reads First

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Beyond 5G: Verizon Offers Earnings Wins, YouTube TV in 1Q19

Verizon had some good news to deliver in the first quarter, and most of it wasn't about 5G. The company reported revenues of \$32.1bn (+1.1% YOY) and earnings per share of \$1.22, beating out analyst predictions of \$1.17. It also saw 61K net additions to its postpaid wireless business. One of the bigger surprises came in the form of a new partnership with **Google** that will bring **YouTube TV** to Verizon wireless, 5G Home and Fios broadband customers. Wireless customers will be able to stream YouTube TV content while wireless 5G home and Fios customers will be able to add premium content from the service to their packages. It builds off of a former deal between the two that saw Verizon offer three free months of YouTube TV to new fixed wireless customers. No details on any sort of initial promotions, but Verizon did say they would be coming for customers using those platforms. Verizon also delivered on its Investor Day promise to drive down debt, lowering its total debt to \$113.7bn (down \$6.4bn YOY). Verizon Media Group again proved to be the company's weak link, only bringing in revenues of \$1.8bn (down 7.2% YOY). CFO *Matt Ellis* blamed the decline in desktop advertising for the disappointing number, saying it more than offset growth in mobile and native advertising. Of course, even if it wasn't front and center, 5G was still a key part of Verizon's presentation. Verizon is slowing down its 5G home rollout until equipment using the 5G NR standard becomes available in the second half of this year. The company has been relying on its own equipment and mmWave spectrum in its rollouts so far, and CEO *Hans Vestberg* remained bullish on the spectrum strategy. Vestberg said dynamic spectrum sharing will be the next step in its 5G journey, allowing it to deal with the mobility, 5G home and mobile edge computing use cases. Not all are believers in Vestberg's plan, pointing to the very limited availability of 5G in the cities Verizon has launched in thus far. There are going to be kinks to work out when you're first in any race, but some are pointing to Verizon's reliance of mmWave spectrum as one of its major problems. "Even for mobility—or, perhaps, even more so for mobility— millimeter wave spectrum is suited for a supporting, not a starring, role," **MoffettNathanson** said in a research note. "The challenges posed by millimeter wave spectrum have increased the perceived urgency for Verizon to acquire mid-band spectrum. Unfortunately, there is a big difference between needing mid-band spectrum and actually getting it." **NewStreet** remained neutral on Verizon, saying that it's likely to face even more challenges should the **T-Mobile/Sprint** merger be

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approved. "It's unlikely to pass regulators in a way that is positive for the incumbents: either the deal gets done absent conditions enabling a reinvigorated T-Mobile with a much lower cost base, or the deal is approved in a way that preserves a 4-player market with both Sprint and T-Mobile on the lower network cost base," NewStreet told clients.

Pole Position: AT&T claims it's being overcharged for pole attachments by **Alabama Power**. It's asking the **FCC** to intervene and get it to the attachment rate paid by CLECs and cable providers. AT&T argues it is entitled to the FCC's new telecom rate of \$8.35 per pole unless the utility company can prove a higher rate is justified because the parties' joint use agreement provides AT&T net material benefits over its competitors. "Alabama Power has not tried to prove that AT&T has any such benefits. Instead, Alabama Power just claims that AT&T receives certain 'obvious' benefits under the JUA," AT&T said in its complaint filed with the FCC Monday. This isn't small potatoes, with AT&T facilities attached to more than 630K Alabama Power poles in the state. AT&T doesn't just want a new rate, but would like to be refunded for what it claims are "overpayments" since 2012. The company acknowledges it doesn't have "complete insight" into what Alabama Power is charging and wants the utility to be share its formulas and calculations. "While we've attempted for more than a year to work with Alabama Power to reach an agreement, they have refused to comply with the FCC's order on pole attachment fees or negotiate a fair and reasonable rate. It is our hope we can resolve this and continue to invest in our next generation networks for customers in Alabama," AT&T said in a statement to **Cablefax**.

Fuse Files: **Fuse Media** filed for bankruptcy Monday evening with a pre-negotiated plan to cut about \$200mln of secured debt. Fuse expects to emerge from Chapter 11 during 2Q19 in a "much stronger position." Fuse has undergone a rocky road in the last couple of months, losing distribution at the beginning of 2019 with **Comcast** and **Verizon Fios** and going into default on a loan Jan 1 after missing a \$12.5mln interest payment. Fuse Media pres/CEO *Michael Schwimmer* exited the company April 12. The expectation is that Fuse will be able to maintain daily business activities, including payroll. CFO *Mike Roggero* will continue to serve as interim CEO.

Netflix Notes: **Netflix** announced it's raising another \$2bln in debt to fund its content spending and other expenses, following its offer of an additional \$2bln in October 2018. The money is coming through unsecured notes issued in two series of US dollars and euros. **Moody's Investors** assigned a "Ba3" rating to Netflix's proposed senior unsecured notes offering of benchmark size and maturity. Moody's anticipates that gross leverage will fall to below 5.5x by the end of 2019 (down from its current 7.5x as of now). Moody's also predicts that Netflix will easily surpass 200mln paid subs in fiscal year 2021, with a chance of reaching that by 2020. Noting the greater levels of SVOD competition from competitors such as **WarnerMedia** and **Disney+**, Moody's predicts that Netflix has the capabil-

Cablefax: What's Happening... April & May

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		Awards	Events
APRIL	<p>NAB Show Cablefax will preview and cover the hottest trends, panel discussions and show floor action at this massive annual gathering of the TV and broadcast industry.</p> <p>Customer Experience In a crowded marketplace, smart providers know that to stand out they must create the ultimate customer experience. This report examines what's working and what isn't when it comes to both traditional distribution and direct-to-consumer offerings.</p> <p>CFX Leaders Retreat Join us at this exclusive, off-the-record executive retreat designed to generate in-depth discussions on industry challenges and opportunities, leaving participants with actionable ideas to take back to the office.</p> <p>Cablefax: The Magazine – April Issue The Work Culture List *NEW* Cablefax: The Magazine's newest issue shines a spotlight on top employers who are making waves in areas such as veteran hiring, continuing education and diversity.</p>	<p>The FAXIES Entry Deadline: April 12 Final Deadline: April 26</p>	<p>CFX Leaders Retreat April 29-30</p>
MAY	<p>Cable Center Cable Hall of Fame & WICT Signature Luncheon Cablefax will provide the lowdown on this year's honorees and all the details surrounding these annual must-attend events.</p> <p>The Year Was 1979... It was a pivotal year for the industry that included the creation of WICT, ESPN, USA Network. Cablefax looks at what made this such a key year for the industry and how it has changed over the past four decades.</p> <p>The Gatekeepers A series of Q&As with MVPD programming and technology gatekeepers.</p>		

ity to create content at a fixed cost and scale it across a near global footprint, while remaining a foundation SVOD service.

News Alert: Following **Viacom's** \$340mln acquisition of **Pluto TV**, the free streamer launched **CNN** on Tuesday. However, it's not the net's live broadcast feed, but rather a curated playlist of short-form digital content from CNN's anchors and reporters. The channel's programming will be focused on lifestyle, culture, climate change and the environment alongside original investigations and interviews.

50+ Ad Spend: Advertisers need to pay more attention to the 50+ market, according to a new guide from the **VAB**. Adults over 50 account for \$3.2 trillion (41%) in aggregate annual US expenditures, but 77% of the market feel like they're being ignored by advertisers. The research found that half of this buying audience (49%) avoid brands that actively ignore them. In the US there are 114mln adults over the age of 50, 45% of the adult population age 18 or over. By 2030, there will be 55mln more adults over 50 than those 18-34. On average, older buyers are responsible for 40% of spending across top consumer categories including \$195.5bln (37%) on vehicles, \$110.2bln (43%) on household furnishings and equipment and \$29.9bln (41%) on alcohol. Older adults are increasingly adopting technology as well, with 75% owning a smartphone and 49% owning a smart TV.

Weekly Ratings: **Fox News** ruled the roost again, taking first place among cable nets in prime P2+ delivery last week (2.48mln) and total day P2+ delivery (1.44mln). **NBA** Playoff coverage helped **TNT** finish second in prime for the week (2.23mln), with Sunday's Round 1 featuring the Portland Trailblazers and Oklahoma City Thunder ranking as the week's second most-watched cable program with 3.74mln viewers. The most-watched show on cable was naturally **HBO's** "Game of Thrones," averaging 10.3mln P2+ viewers in Live+ SD and 5.7mln 18-49s, according to **Nielsen**. As for the weekly prime race, **MSNBC** took third place (1.77mln), followed by **HGTV** (1.19mln) and **USA** (1.08mln). -- In ratings news this week, **A&E's** latest live docuseries "Live Rescue" debuted Monday to 1.4mln total viewers, making it the No. 1 non-fiction launch of 2019 amongst A25-54 to date (665K). It's the net's best series premiere since "Leah Remini: Scientology & the Aftermath" in November 2016. Live Rescue, which follows first responders across the country, airs Mondays at 9pm.

Sook Says: Broadcasters should be able to have a reach beyond the current national ownership cap of 39%, **Nexstar** chmn/pres/CEO **Perry Sook** said Tuesday as the guest speaker at **The Media Institute's** April luncheon in DC. He wants the **FCC** to codify the cap at 78%, which is sort of the unofficial cap when the 50% UHF discount is accounted for. "I would argue that it is in the national interest to foster and promote the local television industry and our local journalism and allow us to effectively compete against the unregulated behemoths that have unfettered access to 100% of the households in the US, not just 39% or even 78%," Sook said. If Nexstar's \$4bln deal to buy **Tribune** is approved, it will be the largest US TV station operator. Sook pledged that deregulation would allow Nexstar to continue to grow and make more station sales to minority buyers. "With the last four companies we have bought, we have sold a total of 10 television stations to minority buyers, becoming the largest source of 'deal flow' to minority owners in television over the last 10 years," he said. He also promised that local programming will grow with the addition of Tribune, with the combined company to expand its DC news bureau and create additional news bureaus in state capitals.

Bye VPAID: The **IAB Tech Lab** released its replacement for the Video Player Ad Interface Definition (VPAID) for public comment. The Secure Interactive Media Interface Definition (SIMID) is designed to provide improvements in transparency and enhanced interactive capabilities. VPAID, originally introduced in 2009, was originally intended for building interactive ads but companies adapted it for verification and other use cases. With SIMID, playback control returns to the player itself, giving publishers greater control of user experience. SIMID includes SSAI, applicable to all platforms, including mobile and OTT. Public comment on SIMID runs through May 24.

Programming: **E!** greenlit home renovation series "Flip It Like Disick" following **Scott Disick** and his team as they tackle high-end home flipping and remodeling. The eight-episode series will air later this summer. -- **WE tv** greenlit a spin-off series of "Love After Lockup." "Love After Lockup: Life After Lockup" premieres in June 2019 with eight, one-hour episodes. -- Democratic presidential candidate Mayor **Pete Buttigieg** will present a town hall on **Fox News** on May 19th. Fox News Sunday's **Chris Wallace** will moderate, taking place from 7-8pm from Claremont, NH.

On the Circuit: **SCTE-ISBE** is taking applications for the [Catherine Oakes Memorial Leadership Scholarship](#). The \$3,500 award recognizes and rewards women working or aspiring to work in the industry's technical workforce. The application deadline closes May 1.