

# Cablefax Daily™

Wednesday — August 7, 2019

What the Industry Reads First

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## Worth It: 2Q19 Results Suggest Discovery's Scripps Acquisition Paying Off

It has been two years since **Discovery** made the decision to purchase **Scripps Networks Interactive**, and its first quarter reflecting the acquisition rose above Wall Street estimates. "The television industry is far from dead, here or abroad," Discovery CEO *David Zaslav* told investors on Tuesday's 2Q19 earnings call. "Contrary to what many believe, we are getting real meaningful growth from the core TV business around the world, and it feels sustainable." The numbers back him up. Net profit for Discovery was \$947m for the quarter, far above the \$216m mark it achieved in 2Q18. The major boost came as a result of a \$455m tax benefit it received from a reorganization of its international networks segment. Revenue came in at \$2.89bn, up from \$2.85bn a year ago. US ad revenues rose to \$1.15bn (+5.8% YOY) while distribution revenue grew to \$688m (5.2%). Those increases, which Zaslav attributed to a robust upfront and the reliability of linear TV, came even as ratings at Discovery fell. "There is a feeling of safety... what are you next to? What are you buying? In digital, there is a fear of that," Zaslav said. "The overall narrative for a lot of these digital companies has changed, and so I think that sets an overall environment that's more positive." Instead of looking at another merger or acquisition, Discovery wants to scale up by investing in properties that reinforce its established genres. Zaslav pointed to Discovery's deals related to its golf interests as examples, including the acquisition of **Golf Digest** and its exclusive multi-year global content deal with *Tiger Woods*. Where Discovery is expanding its content, it's doing so surrounding certain characters or personalities. That includes its jv with *Chip and Joanna Gaines*, which includes a linear television network and TV Everywhere app to be unveiled next summer. But while Discovery's results support the idea that it was right to acquire Scripps, the company still will need to step outside of its content box to stay fresh and upgrade its digital potential. "Absent an improvement in current industry trends, Discovery can be re-rated if they continue to show that their digital initiatives are serving as incremental drivers of growth," **MoffettNathanson** wrote in a research note, adding that investments in new content verticals like World Golf or delivery platforms like D-Play have the potential to work as lifeboats to weakening linear demand. Stocks were up 1.23% at market close.

**Disney Consolidates Hulu and 21CF, Misses EPS and Revenue:** It's been a busy Q3 for **Disney**, which has been

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## INTRODUCING THE 2019 AWARDS LUNCHEON KEYNOTE SPEAKER

### AWARDS LUNCHEON

Wednesday, October 2  
 11:30am-1:00pm

**DAVID POGUE**  
 NY Times Columnist,  
 CBS Tech Contributor  
 & NOVA Host



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### PRE-CONFERENCE SESSION

**SCTE•ISBE Mission 10G: Implementing Forward-Looking Capabilities in Your Network.**

Monday, September 30  
 Continental Breakfast 7:00am | Session Runs 7:30am-11:30am

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### SMART CITIES PAVILION

October 1-3 | During Exhibit Hours | Expo Floor

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### SMART CITIES DAY

Thursday, October 3 | 9:00am-1:00pm | Innovation Theater Stage

### POST CONFERENCE SESSIONS

Thursday, October 3 | 1:00pm-4:00pm

**Leveraging the Open Source Community as a Force Multiplier and Innovation House**

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**Network Convergence and Intelligent Connectivity in the 5G Era**

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integrating the **21st Century Fox** assets and then assumed operational control of **Hulu** in May. Despite revenues that grew by a third (including Hulu and Fox) to \$20.2bln, Q3 results missed expectations. EPS came in at \$1.35, below the \$1.74 expected by Wall Street. Revenues were below the expected \$21.4bln, sending shares sharply down in after-hours trading. The company blamed the rougher-than-expected quarter on the integration of 21CF assets, and took a wider operating loss in its DTC and International unit (up to \$554mln compared to \$168mln the year prior. "Our third-quarter results reflect our efforts to effectively integrate the 21st Century Fox assets to enhance and advance our strategic transformation," said CEO *Bob Iger*. "The incredible popularity of Disney's brands and franchises positions us well as we launch **Disney+**, and the addition of original and library content from Fox will only further strengthen our direct-to-consumer offerings." Iger took the opportunity to announce that a three-service bundle of **Disney+**, **ESPN+** and **Hulu** would come at \$12.99/month, available at the Disney + launch date of Nov 12 (notably, Netflix's premium plan costs \$16 a month). Disney's cable nets' revenue increased 24% to \$4.5bln, and operating income increased 15% to \$1.6bln. The company says the higher operating income is due to the 21CF businesses, mainly the **FX** and **Nat Geo** networks, and an increase at **ESPN** due to higher advertising and affiliate revenue. The increase was partially offset by a decrease at **Freeform** because of an increase in programming and production costs that was offset by higher income from program sales. The company's shares were down as much as 5.8% in after-hours trading on Tuesday, before leveling off down around 2.9%.

**CableLabs Ditching Summer Conference for Future-Focused 4Front:** Get ready to mark your calendars because **CableLabs** is preparing to launch what it is calling the most forward-thinking and inclusive tech event of the year in June 2020. **4Front** will be a two-day conference bringing together futurists and thought leaders from industries like technology, gaming, security and healthcare to engage in discussions on how we will live, learn, work and play 3-8 years in the future. "We believe strongly that to deliver the kinds of innovations that can have high, positive impact on society as a whole, it is going to require multiple industries to come together and to collaborate," CableLabs CEO *Phil McKinney* told **CFX**. "There's no one industry or any one company that can be vertically integrated across all of these areas." Good news for us: unlike the CableLabs Summer Conference, 4Front will be open to the press.

**CBS, Nexstar Negotiate Affiliation Renewal Ahead of Deadline:** **CBS** and **Nexstar** reached a multi-year agreement that renews CBS network affiliations for Nexstar stations in 15 markets. The renewal applies to all CBS/Nexstar affiliation deals related to 19 stations that we set to expire this year including: **WSPA** (Greenville-Spartanburg, SC); **WIAT** (Birmingham, AL); **KRQE** (Albuquerque, NM); **WIVB** (Buffalo, NY); **WPRI** (Providence, RI); **WKRG**

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(Mobile, AL); **WJTV** (Jackson, MS); **WBTW** (Myrtle Beach, SC); **WJHL** (Johnson City, TN); **WANE** (Ft Wayne, IN); **WNCT** (Greenville, NC); **KELO** (Sioux Falls, SD); **WRBL** (Columbus, GA); **WHLT** (Hattiesburg, MS) and **KCLO** (Rapid City, SD) along with KRQE's satellite stations **KBIM** (Roswell, NM) and **KREZ** (Durango, CO) and KELO's satellite stations **KPLO** (Reliance, SD) and **KDLO** (Florence, SD). Both companies continue to be involved in a re-trans dispute with **AT&T**, with CBS and Nexstar stations blacked out to **DirecTV**, **U-verse** and **DirecTV Now** subs.

**Comcast Expanding Internet Essentials to All Low-Income Americans:** Comcast's Internet Essentials program, which was first launched in 2011, has already connected more than 8mln low-income individuals from 2mln households to the internet. The company announced its 12th eligibility expansion, and the service will be available to all low-income Americans in its service areas. Comcast estimates this will allow an additional 3mln people to apply, including households with people with disabilities. According to *David Cohen*, senior evp and chief diversity officer for Comcast NBCU, those with disabilities are three times as likely to say they never go online and 20% less likely to subscribe to broadband. "This expansion is the culmination of an audacious goal we set eight years ago, which was to meaningfully and significantly close the digital divide for low-income Americans," Cohen said during a press call Tuesday, and also emphasized the importance of partnerships for the program. "You can't just make an announcement that this population or that population is eligible, and think that the problem is solved. You have to build partnerships with thousands of non-profits and government agencies so you can connect with these populations." Its speed of 15/2 Mbps is slightly below the **FCC's** definition of broadband (25 Mbps), but Cohen said the speed is more than adequate for the Internet Essentials demographic. "I totally believe that 15Mbps is totally sufficient for our customers and everything they need to do. With all due respect to the FCC, I think the judgements they've made with regards to what substitutes 'broadband' is just as politically driven as it is substantively driven," Cohen said.

**Hate Mondays, Love Lasagna:** **Viacom**, through **Nickelodeon**, entered into a definitive agreement to buy **Paws, Inc.**, making Viacom the rights holder of the Garfield and U.S. Acres Franchise. Following completion, Nick plans to launch a new Garfield animated TV series, and Garfield creator *Jim Davis* will continue to produce the syndicated comic strip. The deal is expected to close in the coming weeks, and will add to Nick's library of big names including **SpongeBob**, **Teenage Mutant Ninja Turtles** and **PAW Patrol**. The new animated series will be the first since "The Garfield Show" aired on **Cartoon Network** in 2009, and Viacom will also manage the global merchandising rights to the property.

**Cisco to Acquire Voicex:** **Cisco** announced it's acquiring privately-held **Voicex**, a company that provides real-time meeting transcripts, voice search and highlights in order to boost its **Webex** collaboration platform. The company plans to use Voicex's tech to provide meeting notes and analytics to "turn talk into action." Cisco was already an investor in Voicex, alongside **Google Ventures** and **Workday**.

**Ratings:** **MLB Network** saw its most-watched game of the year last August 2 with its "MLB Network Showcase" telecast of the Red Sox at Yankees in primetime. The game averaged 471K viewers, +5% over this season's previous high. The net also saw its best-ever primetime audience for the month of July, with an average audience of 198K viewers, +1% over 2018.

**Programming:** **Viacom**-owned **Pluto TV** is launching a new slate for the summer, with thirteen new channels debuting in late July and August. The slate launched July 29 with three new music video channels: Yo! MTV, MTV Biggest Pop and MTV Spankin' New. Beginning Tuesday, the streamer is unveiling new channels **MTV VMA**, **CMT Cheerleaders**, **Comedy Central Roast**, **TV Land Sitcoms**, **TV Land Drama**, **MTV Wild 'N Out**, **MTV Ridiculousness**, **MTV The Challenge**, **MTV Cribs** and **Are You The One?**. -- **E!** set an expanded slate of news programming, including two New-York based series. With its current franchises and new formats, E!'s weekday schedule will have eight original entertainment news and commentary series, debuting in 2020. The news follows evp and editor-in-chief *Tammy Filler's* appointment, who came over from **NBC's** "Today" in May. The expansion will include a variety of pop culture commentary formats, an in-home celebrity interview series, a weekly review show, as well as New York-based morning and daytime news series. The current late-night news franchise "Nightly Pop" will expand to four nights per week, and "E! News" currently airing at 7pm is evolving into a morning show airing at 7am based in NY. -- **Bravo** picked up "Married to Medicine" for Season 7, premiering Sept 8 at 9pm.

**People:** **Technitex** formed a strategic advisory board to steer the company's product and service strategy. CEO and founder *Paul Broadhurst* will serve as chmn, and *Lorenz Glatz* (former CTO, **Kabel Deutschland**), *Jay Rolls* (former CTO, **Charter Communications**), *Ron Coppock* (former pres of sales, **Arris**) and *Colin Büchner* (managing director Access Networks, **Liberty Global**) make up the rest of the board.