

# Cablefax Daily™

Thursday — August 22, 2019

What the Industry Reads First

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## RSN Watch: Sub Declines Hit MSG Networks

**MSG Networks** reported its 4Q19 earnings Wednesday and sub declines of 6.5% were eye-brow raising, particularly given that they come at a time when **Fox Sports** RSNs sold were valued at billions less than some industry watchers had expected. Not to mention **DISH** suggesting it will no longer carry the Fox RSNs that **Sinclair** is in the process of purchasing. Of course, MSG Networks is a different animal, with rights to Knicks, Islanders, Rangers, NJ Devils and NY Red Bulls games. “There were no adverse changes to our contracts with any of our distributors,” MSG Nets pres/CEO *Andrea Greenberg* said during Wednesday’s earnings call. “We’re certainly mindful that the subscriber declines accelerated in recent months, and we’re very focused on this dynamic.” Management said most of the decline came from two distributors that had seen growth in the same period last year, making for a difficult YOY comparison. Making comps even tougher are the fact that MSG Networks had its lowest rate of decline in five years at this same time last year (helped partly by OTT providers). Those explanations didn’t satisfy everyone, with the stock plummeting. Share closed down more than 12% Wednesday. Some of the decline could be due to RSN uncertainty given the current DISH-Fox Sports blackout. **Evercore ISI** analysts downgraded MSG Networks shares to “underperform” from “in-line” and trimmed its price target to \$18 from \$22. “While we have noted that industry sub losses in the recent quarter were abnormally large due to the roll-off of some specific distributor price-lock promotions, which means that we do not expect this level of losses going forward, clearly the underperformance experienced by MSGN vs. the broader industry is concerning,” Evercore analysts wrote in a research note. They did add that the RSN player is still a strong FCF generator (\$63m in 4Q) and some of that could go to share buybacks to signal comfort in the business model. MSG Nets is focused on new vMVPD opportunities and expects to be carried in a new pay TV broadband offering from one of its existing partners that it expects to rollout in the NY market later this year or early next year, said *Adam Levine*, evp, business affairs. It’s also discussing new potential content offerings with existing partners, such as 4K. “There’s no shortage of interest in sports content, especially live, professional sports content. As the exclusive rights holder of seven local professional teams, we’re going to continue to explore all opportunities that properly value our content and make sense for our business,” Levine said. MSG Nets



# TOP 30 NETWORK

## 600+ New Episodes in 2019

Source: Nielsen Media Research, NPower Time Period Report, P2+, Trad. Prime & Total Day, 12/31/2018 - 08/08/2019, CVG AA%, Game Show Network ranked against Ad-Supported Cable networks.



# WICT Southern California "TECH IT OUT" Highlights

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\*Headquarters to the new LA Stadium, home of the LA Chargers in 2020!

## MONETIZING AND MARKETING STREAMING, À LA CARTE & UNIQUE PROGRAMMING SERVICES IN A DIGITAL WORLD

### THANK YOU PANELISTS!

**Sarah Stroback** - Comcast | **James Darcy** - Windstream | **Amanda Morris** - RIDE TV  
**Aleesa Pagliei** - LA, Spectrum Reach | **Ahmed Darwish** - Starz  
and Moderator, **Mike Grebb**, Cablefax

Photography by Mark Tzeng

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### THANK YOU SPONSORS



**SAVE THE DATE: WICT SoCal LEA Awards | November 8, 2019 | 11:30 am | Beverly Hills Hotel**  
For Info: Ellen Schned, President, WICT SOCal, [E.schned@ridetv.com](mailto:E.schned@ridetv.com)

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completed several renewals last year, and now has **Altice USA** expiring in the coming months. “We have multi-faceted relationships with virtually all of our distributors and we expect that to continue with Altice,” Greenberg said. Like many others in the space, MSG Nets sees sports wagering as an opportunity, recently adding **Vegas Stats & Information Network’s** three-hour sports betting show “Follow the Money” to its weekday lineup. For 4Q, MSGN’s revenue was down 2% to \$168.4mln, with affiliate fee revenue decreasing \$33mln. Ad rev was a brighter spot, increasing 14% to \$7mln.

**Fox Sports Gets One Deal Done:** **Fox Sports** and **DISH** may still be in a standoff, but **Cox** reached a long-term renewal with the RSNs that are currently being purchased by **Sinclair** from **Disney**. The Cox lineup of FOX RSNs includes: FOX Sports Arizona, FOX Sports Florida, FOX Sports Kansas City, FOX Sports Midwest, FOX Sports New Orleans, FOX Sports Ohio, FOX Sports Oklahoma, FOX Sports Prime Ticket, FOX Sports San Diego, FOX Sports South, FOX Sports Southeast, FOX Sports Southwest, FOX Sports Sun, FOX Sports West and SportsTime Ohio.

**Trial Date Set Over News 12 Operations:** The *Dolan Family’s* lawsuit against **Altice USA** is heading to trial on September 4. The suit claims that Altice violated the merger conditions from its joining with **Cablevision** in 2016. More specifically, the Dolans claim that Altice has broken its promise to operate **News 12** in accordance with a 2015 five-year business plan at least through the end of 2020, maintaining a full-time equivalent headcount of 462 people. Altice has eliminated approximately 70 News 12 positions, with plans to lay off additional staff, according to the Dolans. Altice filed to dismiss the case on April 22, but a June 27 ruling by a Delaware judge denied the motion.

**The Day Before Launch:** **ACC Network** launches Thursday at 7pm ET, and it’s still lacking carriage from **Comcast**, **DISH** and **Cox**. While **ESPN** remains positive and says there are productive talks happening behind the scenes, both DISH and Cox declined to comment. “We’ve received a proposal from ESPN regarding carriage of ACCN and are reviewing it,” a spokesperson from Comcast told **Cablefax**. The net recently secured a major carriage deal with **Charter/Spectrum**, and already has deals in place with **DirectTV**, **Verizon Fios**, **NCTC**, **Hulu**, **Google Fiber**, **YouTube TV** and **PlayStation Vue** among others. ACC Net is expected to launch to at least 34mln subs.

**Comscore Reorg Includes Major Layoffs:** **Comscore** confirmed in an **SEC** filing that it’s implementing a reduction plan that will result in the termination of approx 8% of the company’s workforce. Most employees impacted by the layoffs will exit the company in 3Q19, by Sept 30. Comscore will incur exit-related costs expected to range between \$1.5mln and \$2.5mln, mostly consisting of one-time termination benefits and associated costs, to be settled in cash.

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The layoffs are expected to decrease the company's annual operating costs by more than \$20mln. During 2Q19, Comscore's net loss grew to \$279.5mln from \$56mln the year prior. Comscore stock closed Tuesday at \$1.94, up 11.49%.

**XFL Announces Team Names and Logos:** Upcoming football league **XFL** revealed the names and logos for its eight inaugural teams, streaming the news Wednesday across XFL.com, ESPN.com and FOXSports.com. The DC Defenders, Dallas Renegades, Houston Roughnecks, Los Angeles Wildcats, New York Guardians, St. Louis Battle-Hawks, Seattle Dragons and Tampa Bay Vipers kick off their seasons in February 2020. The XFL has spent the past two years determining team locations, signing stadium agreements and hiring coaches. The draft is scheduled in October, followed by a minicamp in December and training camp in Jan 2020.

**Pluto TV and NFL Team Up:** AVOD **Pluto TV** has partnered with the **NFL** to launch a new channel. The company says it will feature NFL library content and "celebrate seasons past" with highlights and full reels of classic games, recaps of seasons, and episodes of the **HBO** series "Hard Knocks." There will be no live look in to NFL content, but the channel will have new content including digitally-produced recaps, previews, press conferences and more.

**Cox Engineers Receive Splicing Training with Help from SCTE-ISBE:** **Cox** and **SCTE-ISBE** partnered to create a Coax Splicing Boot Camp, bringing together existing SCTE-ISBE training with the needs of Cox to create a specific training program for new splicers. The four-day course for Cox field personnel gives them the skills to re-splice tabs, passives and nodes when upgrading an access network. The course was offered to an initial class of field engineers in Phoenix, AZ, followed by an additional class in California.

**Getting a Closer Look at Shared, Unlicensed 6GHz Spectrum:** The **Wireless Innovation Forum** approved a charter Wednesday for a new committee dedicated to studying shared unlicensed spectrum use within the 6GHz band. The committee will offer technical input to inform the FCC's 6GHz rulemaking and will facilitate the implementation of the rulemaking. **Commscope** business development director *Mark Gibson* will chair the committee.

**Let's Shred Hate:** **ESPN**, **X Games** and **Major League Baseball** welcomed four MLB teams – Athletics, Mets, Yankees and Red Sox – to its combined "Shred Hate" bullying prevention initiative. The initiative was created by ESPN and supported by the X Games and MLB in Jan 2017, and works to eliminate bullying by encouraging kids to choose kindness. Schools in Boston, New York and Oakland now join those in Bristol, CT, LA and Pittsburgh as well as multiple cities in CO and MN to implement the "No Bullying" methodology for the 2019-2020 academic year. Since launch, the initiative has reached nearly 90K students. Nearly 30K students are expected to be reached through the next academic year.

**Fourth Wall Launches Reveal Connect:** **FourthWall Media** is diving into privacy preservation with the market-wide release of "Reveal Connect." The company describes it as a frictionless household matching product that aims to enable the creation of custom audiences by connecting disparate datasets while preserving privacy. It provides the software and platform for companies to build custom audiences "in minutes," while also not exposing personally identifiable information outside of networks. It works by providing nets, brands and agencies with the capabilities to create their own matches in-house so that PII associated with the households never leaves its source.

**Over-the-Airhead Consolidation Chatter Continues:** **Tegna** confirmed Wednesday that it had received a letter from **Apollo** in late February expressing interest in acquiring the broadcaster. In June, Apollo made a different proposal to acquire broadcast assets it's in the process of buying in a transaction that would not have constituted a change in control of Tegna. Apollo is in the process of buying a majority stake in **Cox Media Group's** broadcast assets. Tegna's announcement comes after a *WSJ* story last week that said Apollo had approached the company about a sale earlier in the year.

**Programming:** **Netflix** ordered comedy "The Upshaws" from *Mike Epps* and *Wanda Sykes*, who will also star in the series. -- **Lifetime** greenlit "The Chris Watts Story" (wt). The movie will follow the months that led up to the murders of *Shannon Watts* and her two young daughters by her own husband last year. The film is set to debut in 2020. -- **HBO Max** landed the original film "Let Them Talk" (wt) from director *Steven Soderbergh*, starring *Meryl Streep*. Production started last week in NY and will continue onboard *Queen Mary 2* and in the UK.

**Comcast CSR Saves a Life:** A **Comcast** employee in Jackson, MS, saved a customer's life during a customer service call, according to *USA Today*. *Kimberly Williams* was on the phone with *Dan Magennis* of Walker, MI, on Aug 13 when he began having a stroke. Williams recognized the symptoms when he began slurring his words and contacted authorities. After undergoing an hour-long surgery, Magennis is now in recovery. That's some world-class customer service there for you, folks!

# Think about that for a minute...

## Too Confusing!

Commentary by Steve Effros

In my column last week I tried to make some sense of all the numbers being thrown around regarding what is happening with “cable” subscribers, “cord cutters” and the like. The bottom line; you still want to be a cable operator. That’s true because regardless of all the new competition and the loss of cable subs, the cable package is still subscribed to and enjoyed by many, many millions more folks than the “streaming” services.



But I cut too many corners in my explanation. After all, I only have 600 words per column! Still, I want to explain and correct a few things. First, a clarification of some terminology. When I talk about “cable” competitors, I am referring to others offering multichannel video programming. That’s Hulu, YouTube Tv, Sling and the like. That’s not Netflix. Netflix and Amazon Prime are not virtual (i.e. streaming or vMVPD) “cable.” They are subscription video on demand services (SVOD). MVPD services include cable, satellite and telco operators offering aggregated “cable channel” packages.

So if you add up all the MVPD subscribers, there are about 86.6 million of them. If you add up all the various “streaming” vMVPD services today there are about 3.8 million. (I mistakenly used the 2 million number just for YouTube and Hulu) Of the 86.6 million MVPD folks, 46.5 million of them use cable. Still a pretty good bet.

Then, of course, you have to look at the additional subscribers an MVPD has through its broadband offering. That’s another almost 113 million subscribers, of which close to 65 percent use “cable” delivery.

Here are a few other things to consider; as I noted, Consumer Reports, with a cover page article entitled “Cable Wants You Back,” does all sorts of “analysis” to determine whether cable or “streaming” is a better bet. The bottom

line: it depends on what you want to watch, and you have to read the CU fine print very carefully! A “replacement” streaming package is compared with an “average” cable package. CU complains, repeatedly, about the “add-on” charges by the cable folks, however. One of those “add-ons?” Local television retransmission consent costs. But CU conveniently leaves out mentioning that it was CU that championed the federal statute that requires cable operators (but not streaming services) to include those local channels in any package, whether the consumer wants them or not!

Oh, and another “small print” point; at least CU acknowledges that their chart shows a comparative set of streaming packages equal in cost to a pretty standard cable package cost these days, However, the cable package includes the delivery cost, the streaming package does not! Look at the small print! That’s one heck of a difference! They complain about set top box costs, but ignore the fact that you have to buy, and install yourself, equipment to use those streaming packages, and if the stuff you buy breaks, or is slow, you have to pay more to get anywhere close to the equivalent “cable service.” Additionally, those dropping cable are not necessarily adding streaming services. While there was a big drop in MVPD subs, over the last year streaming services also lost 340,000 subs.

Hopefully I have cleared up any confusion I may have caused. My underlying message, however, is the same: we have a very competitively priced product with better service and it can be explained and used by customers much more easily. Keep that message, and your service offerings simple, provide good information, and you’ll do just fine.

*Steve*

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*(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry. His views do not necessarily reflect the views of Cablefax.)*




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