

Cablefax Daily™

Tuesday — September 10, 2019

What the Industry Reads First

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Investor Call: AT&T Urged to Drop DirecTV, Expand Board

An AT&T investor isn't a fan of how the company's leadership has been running things. **Elliott Management Corporation** sent an extensive letter to AT&T Monday to address the "prolonged and substantial underperformance of AT&T." The biggest area of concern, and the primary reason for Elliott's correspondence, is the company's M&A strategy under chmn/CEO *Randall Stephenson*. "AT&T has suffered from operational and executional issues over the past decade, for which the current leadership team is accountable," said Elliott, which owns \$3.2bln in AT&T. The investor highlighted the attempt to acquire **T-Mobile** in 2011, the \$67bln buy of **DirecTV** in 2014 and the \$109bln bet on **Time Warner** as the largest and most damaging examples of the company's "questionable" M&A activity. Elliott claims that it could nearly double AT&T's stock to a price of \$60 by the end of 2021, but the company needs to divest non-core business such as DirecTV and its RSNs, focus on its wireless business and cease all M&A activity. "Focused execution now is critical given the numerous time-sensitive initiatives across AT&T—including the ongoing 5G rollout, WarnerMedia direct-to-consumer offering, pay TV stabilization and others—and this sense of urgency is driving our call for AT&T to take action today," Elliott said. It even proposed changing up company leadership by expanding the size of AT&T's board. Elliott also pointed to DirecTV Now (now renamed AT&T TV Now) as a major area of weakness, a statement that has been echoed by many an analyst recently. "There was a time when AT&T pointed to their DirecTV Now OTT service as the way out of the DirecTV tar pit. More recently, however, DirecTV Now has been just another contributor to the decline," **MoffettNathanson** said in its research note after AT&T's 2Q19 earnings call. DirecTV Now lost 168K subs in 2Q along with an additional 778K from DirecTV and U-verse. The company's WarnerMedia strategy wasn't free from criticism either, particularly AT&T's decision to scrap its original plan for a three-tiered offering in favor of **HBO Max**. "This quick reversal has intensified the skepticism around WarnerMedia, its OTT strategy and the management of the business itself," Elliott said. The letter made waves beyond those in the industry, drawing the attention of the White House. *President Donald Trump* took time to weigh in via Twitter, saying it's "great news" that an activist investor is so closely involved with AT&T. "As the owner of VERY LOW RATINGS @CNN, perhaps they will now put a stop to all of the Fake News emanating from its non-credible 'anchors.' Also, I hear that, because of its bad ratings, it is losing a

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#1

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TWC:237 **TWC:471** **TWC:516**

FOX:163 FOX:158 FOX:228

CNN:131 CNN:152 CNN:226

Source: Nielsen nPower Aug 30 - Sept 2, 2019; L+SD; 3A-3A

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fortune,” Trump tweeted. AT&T responded to Elliott’s letter saying it will review the investor’s perspectives in the context of the company’s business strategy and is already engaging in many of its suggested actions. “AT&T’s Board and management team firmly believe that the focused and successful execution of our strategy is the best path forward to create long-term value for shareholders. This strategy is driven by the unique portfolio of valuable businesses we’ve assembled across communications networks and media and entertainment, and as Elliott points out, is the foundation for significant value creation,” AT&T said in a statement. The company’s stock spiked following the publication of the letter, eventually settling up 1.43%.

Anthem Taking Control of AXS TV, HDNet Movies: Mark Cuban sold a controlling interest in his **AXS TV** and **HD-Net Movies** networks to a partnership led by **Anthem Sports & Entertainment**. Cuban and **Anschutz Entertainment Group** will continue to participate as equity partners, and the partnership will pick up entertainer Steve Harvey as an investor and strategic partner. Anthem assumes operational management of the two channels. The Anthem portfolio includes **Impact Wrestling** and combat sports channel **Fight Network** (MMA & wrestling are a part of AXS’s line up). Anthem is also owner of hunting/fishing network, **Pursuit Channel**, as well as Canada’s **GameTV**. Harvey will enter into a strategic agreement for content development and promotion of Anthem’s portfolio of channels. **Steve Harvey Global** will have a seat on the board of directors of Anthem.

Stotsky Exiting E!: Adam Stotsky will step down as president of **E! Entertainment** after 18 years with **NBCU**. The last five years have been spent at E!, a brand now delivering more than a billion engagements a month. His tenure has included the introduction of the “People’s Choice Awards” on E! and continued expansion into the unscripted space. Stotsky is working with NBCU Cable Ent Lifestyle Networks pres *Frances Berwick* on his transition, and she is assuming his responsibilities for now. “I feel blessed to have had four distinct lives inside NBCU—**Syfy**, **NBC**, **Esquire Network**, E! Entertainment. Each offered a different challenge, yet there was always a passionate and dedicated team ready to rise to the occasion and push the brand and business forward,” Stotsky wrote in a memo to staffers. Stotsky joined NBCU in 2001, holding a variety of senior marketing positions at Syfy. Before that, he was vp, marketing at **Discovery Inc.**

One America News Network Sues MSNBC: **One America News Network** filed a lawsuit Tuesday against **MSNBC** and host *Rachel Maddow*, claiming defamation. The suit also names **Comcast Corp** and **NBCU Media** as defendants. OAN owner **Herring Networks** is seeking damages in excess of \$10mln. MSNBC did not respond to a request for comment. The suit alleges that after Herring pres *Charles Herring* complained to Comcast’s president

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of content acquisition about the lack of carriage of OAN, Maddow opened her show by declaring that the network “really literally is paid Russian propaganda.” Some of this seems to stem from a July *Daily Beast* article entitled, “Trump’s New Favorite Channel Employs Kremlin-Paid Journalist.” The lawsuit said the staffer in question had been a freelancer for *Sputnik News*, which is affiliated with the Russian government, that his work there had no relation to his work at OAN, and that he chose the topics and viewpoints for the articles he wrote. “The Herrings are proud, dedicated and loyal Americans; and they alone own and finance OAN,” the lawsuit said.

BET+ Gets Launch Date, Price: **BET Networks** and **Tyler Perry Studios** announced that streaming service **BET+** will go live in the US Sept 19. For \$9.99 a month, the SVOD will have more than 1K hours of content, including originals and fan favorites from BET Networks. The jv between Perry and **Viacom** will also be the home of Perry’s films and stage plays, with additional Perry content added when rights deals are sorted out. All content will be ad-free.

Hargray Makes Another Acquisition: **Hargray Communications** continued its expansion in the Southeast with the acquisition of information tech services company **Infinity Network Solutions**. Infinity has operations in Macon and Covington, GA. Financial terms of the deal were not disclosed, but Hargray says all of Infinity’s staff will remain in their current capacity. Last month, Hargray acquired **Kingsland Cable**, based in Camden County, GA.

fubo Unveils Sports Network Lineup: **fuboTV** revealed the lineup for fubo Sports Network, a 24/7 linear free-to-view channel. The slate includes fuboTV’s first original programming, as well as content from partners including **FanDuel**, **Stadium**, **The Players Tribune**, **USA TODAY**, **VSIN** and **Young Hollywood**. The net was first soft-launched in late June and is available in fubo’s base subscription package as well as third-party connected-TV platforms **Xumo** (which powers LG Channels), **Samsung TV Plus** and **The Roku Channel**. Additionally, fubo named **Pamela Duckworth** head of fubo Sports Network and original programming in a newly created position. Duckworth is the founder of **Duckworth Entertainment**, a creative marketing production company based in NYC and LA, and was previously a consultant with fuboTV. The net’s fall slate kicks off Monday.

FCC Proposes Fine for CBS: The **FCC** is proposing a \$272K fine against **CBS** for an episode of “Young Sheldon” that allegedly featured a simulated Emergency Alert System (EAS) tone. The April 12, 2018 ep aired on at least 227 television stations, including 15 of CBS’s owned-and-operated television stations. The episode included a sound effect accompanying a tornado warning, which the producers modified, but the FCC says it still audibly resembled actual EAS tones. Last month, the FCC issued more than \$600K in penalties, including a \$395K levy for **ABC**’s “Jimmy Kimmel Live” and \$67K penalty for **Meruelo Radio Holdings**. **AMC Networks** was hit with a \$104K fine, and **Animal Planet** with \$68K.

RDX and Charter Complete Navisite Deal: **RDX**, a provider of managed IT services, announced it completed the purchase of **Navisite** from **Charter**. The company says the acquisition will expand its global network of data centers and adds hundreds of experts in cloud-based infrastructure and application managed services. The purchase was first announced on Aug 26, and financial details have not been disclosed.

TV Guide Names Top 100 Shows: “Schitt’s Creek” isn’t SOL this year. *TV Guide* named the **Pop TV** show the No 1 series on television in its annual list. “Atlanta” (**FX**), “Barry” (**HBO**), “The Good Place” (**NBC**), “Better Call Saul” (**AMC**), “Stranger Things” (**Netflix**), “One Day at a Time” (Pop TV), “The Haunting (Hill House)” (Netflix), “GLOW” (Netflix) and “YOU” (Netflix) round out the top 10.

Programming: **BET** will premiere *Tyler Perry*’s dramas “The Oval” and “Sistas” on Oct 9 at 9pm and 10pm respectively. The series are part of Perry’s multi-year content deal with Viacom, which includes a content lineup slated to include over 75 hours of new original content to premiere on BET and **BET+** over the next year. -- Scooby dooby doo! In honor the cartoon dog’s 50th birthday, **Boomerang** will make every episode and movie featuring Scooby Doo free to stream for the entire weekend, beginning Friday. -- **HBO** renewed comedy series “The Righteous Gemstones” for Season 2. The 9-ep first season kicked off Aug 18.

People: **Paramount Network** promoted *Lauren Ruggiero* to svp, scripted original series for the net. She joined Paramount in 2015 and most recently served as vp, scripted original series. -- **Nexstar** upped *Bill Sally* to evp, sales, effective upon the completion of Nexstar’s acquisition of **Tribune Media**. Sally joined the company in 2013 and currently serves as svp, regional manager.

Sando Memorial: A celebration of *Arthur Sando*’s life is scheduled for noon, Tuesday (Sept 10) at Nationals Park (home of the Washington Nationals) in DC. Sando, a Cable TV Pioneer who is credited with founding **Turner**’s PR department, [passed away](#) Sept 3. Donations in Sando’s name may be made by mail to the **Joe Torre Safe At Home Foundation**, Attn: *Tracy Weber-Thomas*, 55 W. 39th Street, Suite 600, New York, NY 10018.

CFX TECH

Heads in the Clouds

Distributors are so much more than just the companies who make sure you can watch the big game on Sunday or the latest hit drama. They've grown to offer additional services, build giant content libraries and occasionally release streaming offerings to appeal to every cordcutter out there. But as those budgets grow, companies continue looking at where they can cut their costs. It's become more common to call on those offering business support systems and open source platforms to manage the components that a distributor uses to run its operations.

We've just recently seen **AT&T** double down on its commitment to become a public cloud first company through a deal with **Microsoft**. Others call on third parties to manage functions like billing, as we saw with **Comcast** extending its relationship with **CSG** through June 2020.

In many ways, these third parties allow the big names in telecom to stay modern in the way they run their businesses while staying in the green. Microsoft Azure and Amazon Web Services opened the door to cloud services for many, offering a plethora of cloud computing capabilities at a fraction of the price. "That's where the inertia used to be. Do I want to put this on [Microsoft] Azure or on AWS? And if we do that, how secure is my data?" **Netcracker** vp, strategy **Ari Banerjee** told **CFX**.

Banerjee pointed to shrinking margins in the global telecom industry as a key driver in the movement towards migrating to the public cloud. "The promise of this is that it's going to reduce transaction costs, costs of ownership and processing costs," Banerjee said. "The challenging side of this is security, latency, what happens if the environment drops. If it's your environment, you know what to do. But if it's in the cloud in a data center somewhere, you don't know what happened where."

But for those operators that are looking for something like a hybrid or private cloud solution, companies like **Netcracker**, **CHR Solutions** and **Avaya**, make the move easier. In the case of **Netcracker**, the company acts as something of a

middle man between the operator and the public cloud provider, managing the cloud and the data held on it. That managing company offers up security tools, diagnostic checks and monitoring of the data and the systems that surround it. Beyond just ensuring that their data centers can withstand attacks from hackers and the like, those middle men will also quickly shut down one's personal access to an operator's cloud should they leave the organization.

The invisible locks, gates and fire-breathing dragons protecting customer data are constantly being updated with the latest and greatest tech, and plenty of scenarios would see blockchain coming in as an additional barrier in the near future. Even though blockchain is still in its early stages, it is becoming one of the most-watched security technologies coming to market for both operators and those offering BSS in the cloud.

Telecom players willing to take the dive into the tech rather than a wait-and-see approach have even begun coming together to try to speed the development of industry-specific applications. The **Carrier Blockchain Study Group Consortium**, which touts members like **Sprint** and **Softbank** to create blockchain initiatives geared specifically to telecom companies.

Netcracker is currently working together with members of the **Blockchain Council** to develop payment applications and examine use cases relating to fraud management. And while blockchain is certainly in its infancy, an unexpected potential catalyst for the tech could be 5G. Thanks to its fraud protection capabilities, the tech could go a long way in protecting the digital identities of a mobile operator's subscribers and, in turn, the operator itself.

"Fake subscriber profiles are often used to get access to a mobile network operator's network," Banerjee said. "With blockchain and the **Hyperledger** network, you can ensure transactions are authorized, based on a consensus model, and the smart contract can make sure that you cannot perform the fraudulent transactions and consumption." — *Sara Winegardner*

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