

# Cablefax Daily™

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What the Industry Reads First

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## New Course: AT&T Open to Selling DirecTV In New Plan to Drop Debt

With all talk of **HBO Max** reserved for Tuesday evening's **WarnerMedia Day**, **AT&T** used its 3Q19 earnings call to debut a three-year capital allocation plan that puts a stop on spending and focuses on slimming down the company's portfolio. The details of the plan largely align with demands made by activist investor **Elliott Management Corporation** back in September to monetize AT&T's non-core assets and pay down the debt its built up from AT&T CEO/chmn *Randall Stephenson's* aggressive M&A strategy. The company expects to close about \$14bln from monetizing assets by the end of 2019 and another \$5-10bln will come from sales activity in 2020. Should AT&T's plan go smoothly, the company said it will be able to pay off all of the acquisition debt from its merger with Time Warner. AT&T has already been hard at work to make those goals, selling off assets in Puerto Rico to **Liberty Latin America** for \$1.95bln and signing a deal over the weekend to sell its stake in **Central European Media Enterprises** for \$1.1bln to **PPF Group**. And when it comes to deciding which assets need to be let go, Stephenson made it clear that the company would still consider selling **DirecTV**. "We have no sacred cows," Stephenson said during the company's earnings call Monday. "It will be an important piece of our strategy over the next three years, but no portion of our business is ever exempt from a continuous assessment for fit and performance. We'll approach it with a fresh set of eyes and clarity around the rapidly evolving consumer environment and we'll evaluate multiple options. That includes partnerships and other structures." AT&T also has promised that it will take a break from engaging in significant M&A. Over the three-year period, it will also refresh its leadership team from the board to the company's highest position. Of the 12 independent directors currently on its board of directors, two are set to retire and be replaced over the next 18 months. One of those, Stephenson said, will be revealed following the company's board meeting and is a person with "deep expertise in technology and executing strategic cost initiatives." And while Stephenson has not formalized plans for his own retirement (AT&T expects him to remain in the position through 2020), he and the board have begun making arrangements for when that day comes. The board has been searching for potential CEO candidates and has already decided that when Stephenson does retire, it will separate the roles of CEO and chairman. Elliott was quick to applaud AT&T on the plan to find Stephenson's successor and manage its debt while planning the launch of HBO Max, which will draw in 50mln subs in 5 years, ac-

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According to Stephenson. “We commend AT&T for the positive steps announced today, which will create substantial and enduring shareholder value at one of America’s greatest companies,” Elliott partner *Jesse Cohn* and associate portfolio manager *Marc Steinberg* said in a joint statement. “It is clear to us that AT&T is committed to and accountable for creating shareholder value over the near- and long-term.” The three-year plan is designed to right a ship that has taken on water in its quest to become a modern media company. 3Q was no different. Revenues came in at \$44.6bln, down from \$45.7bln last year. AT&T lost 1.163mln subscribers across DirecTV and U-verse, leaving the pair with just 20.4mln premium subs. **AT&T TV Now** bled as well and is left with 1.1mln subs after its 195K net loss. AT&T’s mobility segment saw 101K postpaid adds, offering a small bright spot amidst the rest. And while Elliott may be convinced AT&T is steering itself back on course, the investment community is taking a wait-and-see approach before it adopts the optimism. “In a business where revenues in every division are flatish (wireless) or down (everything else), and where margins are falling, and where secular challenges look to be getting worse rather than better, it’s hard to be too optimistic that their rosy guidance is achievable. Or that their dividend is sustainable over more than the next few years,” **MoffettNathanson** wrote in a note. AT&T stocks perked up with the plan’s announcement, rising 4.25% by market close.

**FCC To Consider Blocking Huawei, ZTE From USF Recipients:** FCC chmn *Ajit Pai* is taking his stand against Chinese hardware companies **Huawei** and **ZTE**, circulating a two-part proposal that would prohibit companies from using USF funds to purchase equipment from companies that pose a national security threat. The second part of Pai’s plan would assess how much Huawei and ZTE equipment is in use in those networks and then remove and replace it. “Going forward, we simply can’t take a risk when it comes to our networks and hope for the best,” Pai said in a blog post. While the proposal, to be voted on at the Commission’s Nov 19 open meeting, revolves around blocking equipment from Huawei and ZTE, it would also allow for future blocking of other providers that pose a national security threat. In relation to the items, the FCC will also seek information from eligible carriers on their use of equipment from the Chinese customers as well as the potential costs that could be associated with replacing that equipment. Democratic com-mish *Jessica Rosenworcel* expressed her support of the move, but she said the regulations are too narrow and won’t offer as many protections as are necessary to protect network providers. “We need cybersecurity policies that target all our network providers—nor just out universal service recipients,” Rosenworcel said in a statement. “In addition, we need to be mindful that in a global economy, our networks will still connect to insecure equipment abroad.” Also on the agenda for the Commission’s November meeting are a vote on a vertical location accuracy metric for 911 calls, a proposal to expand its rules barring bad actors from participating in programs like the Telecommunications Relay Service



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and an item updating the way the FCC finances its Internet Protocol Captioned Telephone Service.

**Canoe Adds Frontier to Footprint:** Ad tech firm **Canoe** added **Frontier Communications** to its footprint of VOD-dynamic ad insertion enabled distributors. This is the first time Canoe will work with a distributor other than owners **Comcast**, **Charter** and **Cox**, and it will increase the number of homes in its footprint by about 1mln, to a total of more than 38mln households. With this agreement, Canoe's current national programmers will begin running VOD-DAI programmers across Frontier's VOD-enabled subscriber base. Frontier currently operates in 29 states.

**Walden Announces Upcoming Retirement:** **House Commerce** ranking member *Greg Walden* (R-OR) will retire when this Congress ends in January 2021, *Politico* first reported. Walden spent more than two decades as a radio station owner before moving into the world of public service. He won his first Congressional race in 1998 before finding a seat on Energy and Commerce in 2001. Folks from across politics, broadcasting and telecom immediately voiced their support for Walden's next chapter.

**Discovery, Comscore Sign Strategic Partnership:** **Discovery** and **Comscore** have teamed up in a multi-year partnership for use of Comscore's audience measurement and consumer insight tools. The new strategic agreements expand the existing partnership between the two companies, using Comscore's TV Essentials for advanced advertising and Comscore's Campaign Ratings, which demonstrate the multi-platform reach of an ad campaign. Discovery also renewed contracts for the use of the company's OnDemand Essentials and Digital Audience tools, and the continuation of Discovery's participation in the development of ExtendedTV. "We're entirely dependent on currencies and measurements that are not moving quickly enough. This is a long-term agreement that is encompassing through multiple product lines at Comscore, it's really giving us the ability to measure unduplicated reach and really provide cross platform visibility across all our platforms," *Keith Kazerman*, evp of digital sales, advanced advertising and research for Discovery, told **Cablefax**. "That's an answer that's been challenged with current offerings at other measurement companies, and we're looking forward to bringing better visibility."

**AT&T Gets a Retrans Deal Done:** A 7.5-week blackout between **AT&T/DirecTV** and **Cowles Montana Media** came to an end Friday with the two reaching a retrans renewal. The blackout, which began Sept 4, was likely the one that Sen *Jon Tester* (D-MT) complained about in a STELAR hearing last week, saying it kept him from watching the World Series. Impacted stations include KFBB-ABC/FOX/MNT in Great Falls, MT, and KTMF-ABC/FOX/MNT in Missoula, MT.

**Tegna and Fox Renew Agreement:** **Tegna** and **Fox** announced a multi-year deal that renewed station affiliation agreements for six Tegna markets, including three stations acquired last month from **Nexstar Media Group**. The deal includes full carriage of the Fox broadcast net and continued carriage of Tegna's Fox affiliates' local station programming. The stations include **KXVA** in Abilene, TX; **WPMT** in Harrisburg, PA.; **WTIC** in Hartford, CT; **WZDX** in Huntsville, AL; **KIDY** in San Angelo, TX; and **KMSB** in Tucson, AZ.

**STIRR Adds Channels:** Free ad-supported streaming service **STIRR** added 17 new channels, bringing its total linear offerings to 70. New channels include **PeopleTV**, **Newsy**, **Insight TV**, **Edge Sports**, **LiveXLive** and more. The streamer launched in January and passed 1.3mln downloads over the last month.

**TDS Finishes Merrimac Upgrades:** **TDS Telecom** completed its fiber network build in Merrimac, WI. The build included burying 46 miles of fiber and the installation of 14 equipment cabinets. The network upgrades affect the former Merrimac Communications footprint and connect more than 6K residential and business addresses to gigabit internet speeds, TV and phone service.

**Programming:** **ESPN+** will feature a 49-game **NHL** slate in November, with every team scheduled at least twice. The Boston Bruins, Vegas Golden Knights and Nashville Predators lead the slate with five appearances each. -- **CourtTV** launched Monday in 19 markets, including NY (**WPIX**), LA (**KTLA**), Chicago (**WGN**), Philadelphia (**WPHL**), Dallas (**KDAF**), Houston (**KIAH**), Seattle (**KCPQ**) and Miami (**WSFL**). The net runs 24/7 and the new launches will drive the net's over-the-air penetration to nearly 90% of the country.

**People:** **Altice USA** tapped *Michael Grau* as CFO, effective immediately. He joined the company in 2016 and was most recently evp, financial planning and control. Grau replaces *Charles Stewart*, who has been named CEO of auction house **Sotheby's**. Stewart will continue as a member of the Altice board. -- **Comcast's FreeWheel** appointed *Jon Whitticom* as chief product officer. He comes over from **GroupM**, where he served as evp of products for the company's [m]Platform. -- **WarnerMedia** tapped *Corie Henson* as evp, head of unscripted programming for **TBS**, **TNT** and **truTV**. She joins from **Fox Broadcasting**, where she served as evp, alternative entertainment. -- **Fuse Media** promoted *Fernando Romero* to head of advertising sales. He's replacing *Jason Miller*, who will leave the company at the end of the month.