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# Cablefax Daily™

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## Local Focus: Sinclair Says RSNs, Local Coverage Separate it From Streamers

**Sinclair**'s first earnings call since closing its acquisition of the **Fox** RSNs in August was sprinkled with questions surrounding the new business and some MVPDs' decisions to drop regional sports nets. **Cox**, **Charter**, **AT&T** and **Mediacom** have signed multi-year agreements that include the RSNs, but talks between Sinclair and **DISH** have proven fruitless. "We continue to have discussions with DISH for the carriage of the RSNs, whose contracts expired in late July," Sinclair CEO *Chris Ripley* said during Wednesday's 3Q19 call. DISH's contract to carry the sports nets expired in late July and since Sinclair can't predict whether or when a carriage deal will be done, it has removed DISH affiliate fees from its forecast. "We view it as a temporary issue. Either we come to a deal with DISH or their relevance in the industry will be reduced over time," Ripley said. He added that Sinclair believes the heightened interest in sports betting will increase the value of the RSNs going forward. In response to an analyst question, he added that the RSNs would be a part of Sinclair's broadcast negotiations when a deal is up for renewal. Revenues at Sinclair were up 47% to $1.125bln, up from $766mln YOY. That includes a partial quarter of the RSNs. Excluding them, media revenues hit $719mln. That includes distribution revenues of $373mln, $7mln above the high end of Sinclair's guidance range. Based on current contract expectations, Sinclair expects its net distribution revenue (excluding the RSNs) to grow in the low double-digit percents for this year. Sinclair and others are about to face even more competition with the introduction of heavy-hitting streamers over the next six months, but Ripley believes Sinclair is positioned well ahead of their entry. He said streamers like **Disney+** and **HBO Max** are the exact reason Sinclair has pivoted to focus on local sports and news. "We think the relevance of general entertainment will continue to be diminished, because of the streaming wars and all these new entrants," Ripley said. "The value of sports and news will increase over time as the value of any one entertainment program continues to be diminished by oversupply." The company has been experimenting with other programming strategies and is particularly excited about the idea of offering a bundle to customers that includes local news and sports. Sinclair's AVOD offering STIRR has a part to play in that long-term vision. The service has continued to grow, most recently adding 17 channels in October. But as the value of news and sports continues to rise, Sinclair is starting to take a look at what subscription-based offerings it could add on top of the base service.

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***Wicker Introduces STELAR Bill:*** **Sen Commerce** chmn *Roger Wicker* (R-MS) introduced a bill Wednesday that would extend the satellite compulsory license for retransmitting distant signals for five years. His proposal is directed at ensuring Americans don't lose their broadcast signals if the law sunsets, but he's apparently interested in delving further into changes for video—giving hope to those looking for changes to video laws. "The Chairman sees this as a first step to more comprehensive video marketplace reforms that the committee will begin working on early next year," a Wicker spokesperson told ***Cablefax***. One of those groups hoping for video changes, specifically retrans reform, is **ACA Connects**. "ACA Connects appreciates and applauds Sen. Wicker's actions to seek an extension of the Satellite Television Extension Localism Act Reauthorization, because the worst thing that could happen to television viewers would be the elimination of the FCC's 'Good Faith' rules if STELAR expired," ACA Connects pres/CEO *Matt Polka* said. "ACA Connects believes the Good Faith rules must be strengthened and expanded, including extension of the rules to buying groups, and that broadcasters' efforts to control multiple stations in multiple markets must be limited." Wicker's bill would change STELAR's expiration from Dec 31, 2019 to Dec 31, 2024. Of course, Wicker isn't the final say on what happens with STELAR. Last week, **Sen Judiciary** chmn *Lindsey Graham* (R-SC) sent letters to broadcasters asking about their plans for when the compulsory license expires at year-end. **House Commerce**, which held a hearing on STELAR over the summer, also has a role to play.

***FCC LFA Order Still Stands:*** On Wednesday, the **FCC**'s Media Bureau denied a motion from the **National League of Cities** and a group of local government associations that sought a stay of FCC rules regarding how LFAs regulate cable operators pending judicial review. The FCC voted 3-2 along party lines in August for the order, which determined in-kind services required of cable operators by LFAs (such as free cable services to government buildings) would be counted towards the 5% franchise fee cap. The order went into effect Sept 26, with NLC not request a stay until Oct 7. NLC and local governments have filed appeals in federal court.

***Altice Stock Shock:*** **Altice USA** shares plummeted the day after its 3Q19 earnings report, closing down 17% Wednesday. 3Q revenue and EBITDA fell short and the company reduced revenue guidance, plus there was a warning of a 4Q decline in broadband subs as an unusually high number of customers roll off promos. **New Street Research** predicted the sell-off, but is still bullish on wireless and hopeful for upside in 1Q2020 "This is frustrating, given how hard it has been for the team to win back investor support for the Altice story. It is particularly frustrating for us, because we think the wireless opportunity at Altice is exciting, and it will be tough for investors to buy into this opportunity if their confidence in core business trends is shaken," the analysts wrote. Keep in mind, Altice has had quite the run, with stock up 90% YTD. **Evercore** analysts acknowledged that the stock may be impacted for the rest of the year, but they continue to see the stock as attractive for longer term investors. Evercore kept its "outperform" rating on the stock, citing its expectation of a >20% FCF/share CAGR over the next three years, and an attractive valuation.

***MSG Networks and FanDuel Team Up:*** **MSG Networks** and fantasy sports provider **FanDuel** announced a sponsorship agreement, making FanDuel an official sports gaming partner for the New York Knicks and New Jersey Devils broadcasts on MSG Nets. The deal includes a mix of in-game and halftime integrations as well as branded content and commercial spots that will air during broadcasts. Devils telecasts will include live updates and betting odds on the ticker between periods. The net recently debuted "Inside the Lines" as part of the deal, a five-minute show that will air before every Knicks pre-game show and update fans on the NBA betting landscape. On the NHL side, one-minute "Line to Line" will air before each Devils pre-game show.

***Nexstar's Retrans Revenue Up:*** Despite a two-month blackout with **AT&T**, **Nexstar** reported 3Q19 earnings Wednesday that included a 3.7% YOY uptick ($10.5mln) in retransmission fee revenue, which totaled $294.8mln. The broadcaster said the increase was because overall sub levels remained largely constant. AT&T reached a retrans renewal with Nexstar Aug 29 that the broadcaster described as "favorable" and reflected in its $185mln first-year operation synergies target following the closing of its Tribune acquisition. A component of the AT&T deal was the launch of **WGN America** on **AT&T Now**, marking the first time it has been available on a live streaming service. Nexstar said on its earnings call that it hopes to complete similar deals with other vMVPDs in the future.

***Univision Reports 3Q Profit:*** After losses a year ago, **Univision** is reporting a 3Q profit for 2019. The company increased revenue 8.5% to $681.4mln, and net income was $77.4 million, compared to an $83.8 million loss a year ago. Revenue for media networks jumped 9.7% to 616.2mln, and ad revenue was up 2.1%, with television down 0.1% due to a drop in political spending. Digital ad revenue was up 41.1%.

***Weather Channel Expands on DISH Hopper:*** **The Weather Channel**'s hyperlocal streaming service Local Now expanded its presence on **DISH** Hopper. Viewers can now receive local information straight from their communities on Hopper, including on Joey and Wally devices. The update will let customers stream news from their current location, and can also navigate through more than 225 locations available on the streamer.

***A+E Networks Launches Veterans Day Campaign:*** **A+E Networks** is extending its campaign to honor veterans. The cornerstone of the initiative is a "Thank Our Veterans" PSA airing on **History**, featuring stars including *Kevin Bacon, Simone Biles, Andy Samberg, Matthew McConaughey* and more. History is also continuing its "Mission to Honor" initiative, with the "Take a Veteran To School" program and the ongoing "Honor A Vet" digital campaign. The net will air a military-themed programming block "HERO on History" on Saturdays from 9am-11am beginning Nov 9. A+E Networks also partnered with **Lionsgate, USAA, Quicken Loans** and **USS Midway Museum** to air custom short-form content to air across nets, digital and social platforms.

***Ratings:*** "Tyler Perry's The Oval" and "Tyler Perry's Sistas" are pulling big numbers for **BET**, with The Oval coming in as No. 1 new scripted series for P18-49, P2+ for all of cable TV. The two series are delivering 3.3mln gross viewers P2+.

***Almost Time for BravoCon:*** **Bravo** is gearing up for the first-ever BravoCon, taking place Nov 15-17 in NYC. The net announced the full programming slate and talent lineup, with 88 Bravolebrities headed to the Big Apple for over 50 live events. PepsiCo will be the presenting sponsor, and unveil a new custom beverage for fans to enjoy all weekend long.

***People:*** *Mark Veyette* joined **WOW!** as svp, IT operations. Veyette has held senior IT positions at **Cricket Communications**, **T-Mobile**, **Echostar**, **AT&T Broadband**, **MediaOne**, **StarTek**, and **Argo**. -- *Austin Bonner* was tapped at **FCC** commish *Geoffrey Starks*' legal adviser covering wireline and public safety issues. She was most recently at law firm Harris, Wiltshire, & Grannis. -- **NBCU** Content Distribution elevated *Jonas Blank* to svp, business & legal affairs. He will continue to report to *Kerry Brockhage*. Prior to joining NBCU in 2015, Blank was vp, business affairs for **Univision**. -- *Byron Allen*'s **Entertainment Studios** named *Todd Johnson* chief content officer of digital media platform **The Grio**. A former managing editor of the platform, he left in 2016 to serve as editorial director of **NBC BLK**, a division of **NBC News Digital**. -- **GSN Games** named *Wilhelm Taht* svp and gm of **Bingo Bash**, effective Nov 18. He'll be responsible for the app and have direct management of the Bingo studios in Bangalore and Kyiv, reporting directly to **Game Show Network**'s pres/CEO *Mark Feldman*. He formerly spearheaded development at **Rovio Entertainment**, which operates the Angry Birds franchise.

# Think about that for a minute...

## A Digital Disaster

*Commentary by Steve Effros*

Remember the somewhat convoluted transition from analog to digital TV? As the government was gearing up, along with the television industry, to switch everyone to "HD," there was a realization that the effect of this change was going to have a major impact on consumers.

Sure, the broadcasters wanted to promote "HD" because it was a way to protect "their" warehoused additional spectrum from use by anyone else, but they didn't really expect that the FCC would require the switch. They thought it would simply be an additional service they could offer. But no, the feds said they had to offer digital, and even worse, they had to give back the spectrum they had been using for analog transmissions!

Well that meant at some point every consumer had to have a digital rather than an analog television set. That didn't go over terribly well politically, since those new sets were expensive! The solution; the government set up an entire "converter box" program, subsidizing the purchase of digital to analog boxes so folks could keep their old analog sets and still see the new mandated digital signals even after those were the only ones available after a "transition period" when both analog and digital copies of the same signal had to be transmitted. It was a long and messy transition.

Well, we are now about to potentially run into a similar problem, but with much more dire consequences, since if the transition is not done right, and fairly, rural cable and broadband service, in particular, may suffer a significant crash.

The issue is the government push for 5G, and the alleged need for "C Band" spectrum to make that technology work right. I won't go into my doubts about the value of 5G here, just assume for the moment that the "reclamation" of "C Band" frequencies, which are now used for satellite transmission to cable systems, among other things, will be severely disrupted. Indeed, it could force a wholesale change in the technology used to get signals to those thousands of systems in rural America which deliver both cable and broadband service.

Talk about a "digital divide"! If the current plan to switch satellite frequencies is adopted, the "plan" seems to contemplate some money would go to the satellite companies to build new satellites, but little, if any compensation would go to cable systems for the tremendous costs they would have to pay for all sorts of new equipment, satellite dishes, set top boxes and the like to allow the system to continue to work! Rural cable could crash and burn.

Broadband "OTT" distribution wouldn't "save the day" either, since, as has been mentioned many times in this column in the past, there is no "middle mile" transport at virtually any price, let alone a reasonable one, that could handle the load of "on demand" broadband viewing in entire communities!

This isn't a theoretical problem, and it's not clear the FCC really has a handle on how disruptive the current favored "C Band" transition proposals are. If the frequencies are changed and the cable operators are not compensated for all the technical gymnastics they would then be required to do (and their customers pay for) there is little other than a serious disruption in the offing. Neither broadband, because of a lack of affordable "middle mile" access, nor, of course, "5G" which won't be in rural areas in our lifetimes, solve the problem. It won't be a "digital divide" any more, it will be a digital disaster.

Steve

**T:202-630-2099**
**steve@effros.com**

*(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.)*