

Cablefax Daily™

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What the Industry Reads First

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5Qs: Tubi Content Chief Talks the Year of AVOD

Research firm Ampere Analysis kicked off 2020 by declaring it the year of AVOD, even as major players introduce compelling SVOD products. In recent weeks, **Comcast** has snatched up AVOD **Xumo**, and **Fox Corp** has reportedly kicked the tires on **Tubi**. In a recent interview with **CFX**, Tubi chief content officer Adam Lewinson didn't get specific about acquisitions, but offered up some insight on all this AVOD buzz. An edited excerpt follows. **Do you stand with those that believe 2020 is the year of AVOD?** I certainly wish I had a crystal ball on the year of AVOD. If you look back at the previous decade, at the 2010s, that's where really basic cable was dominant until the disruption of SVOD and the conversation has been primarily about SVOD... what we're really seeing now is just a shift back to historically how TV consumption has been monetized, which has been predominantly free with ads and a smaller subset of pay. In many respects, the SVOD model is just the evolution of pay from linear into digital and in many ways AVOD is just a natural evolution from basic cable with the caveat that this is a generational shift based on viewership. At Tubi, we have one of the youngest median ages in streaming and certainly young when compared to any basic cable network, which just tells you a lot about the basic trends of where viewership is heading. **Are people out looking for free services to round out their streaming portfolio?** There are several factors, one is subscription fatigue. Viewers are hopping around between SVOD services based on what original services they need to watch, and churn between SVOD services is yet another factor. AVOD is just a very different business that in many ways is very compatible to SVOD. The way we look at it is viewers are going to SVOD to look at what we refer to as the 1% of content. After that, viewership really splinters into interests. With us, our differentiation is our massive library of well over 20K titles with our content personalization engine. We're going to get you to what you really want to watch. **Is Latin America a major area of opportunity for streamers?** With Mexico in particular, you have a very young population, very tech-savvy and very mobile-forward. There's a lot of mobile consumption, more so than OTT living room consumption that we see here in the US and not a lot of options for free streaming. We know that viewers around the globe are motivated by being cost conscious, so the AVOD model is really compelling. There's a tremendous amount of white space in Mexico, and viewers there are interested in **Netflix**, of course, but since they're cost conscious, they're really motivated by the free price point. **What**

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are your goals for expanding distribution in 2020? We have really terrific relationships in the territories where we're live with our device partners. Specific to the US, we certainly have some deals that have yet to be announced. The real key there is we're following the audience. In the previous 12 months, we'd been very focused on the traditional MVPDs, the set-top boxes. With **Comcast** and **Cox** as our early movers for us with MVPDs, it has really been a very natural fit because younger viewers who still have cable are migrating away and moving into the app-based experience. That has been a very positive shift in both of our businesses in terms of consumption. **AVOD services are being bought left and right—will Tubi be next?** It is a very exciting time in our industry and there's been a lot of consolidation and movement. I can speak for myself, but really all of Tubi... we just get up every day to make the best service that we can and we see where that leads us. We're very pleased to be building really what is the only independent AVOD service at this point. That independence has given us tremendous flexibility to work with everybody without any corporate restrictions.

Corona Cancellations: The hits just keep on coming, thanks to coronavirus. The **FCC** on Wednesday announced measures to protect its staff, including suspending non-critical FCC domestic and international travel. It's also suspending any FCC involvement "in non-critical large gatherings that involve participants from across the country and/or around the world." It was unclear if that would impact commissioners' plans to attend upcoming events such as the **NAB Show** in Vegas or **ACA Connects Summit** in DC. **Fox News Media** canceled an upfront it had planned for later this month at its NYC studio. "In a precautionary effort to keep our employees, client and agency partners safe, we have determined that it would be best to cancel our upcoming event in New York based on public health concerns due to coronavirus," said *Jeff Collins*, Fox News Media evp, ad sales. At this point, **Fox Corp** still plans on holding its upfront in May. **AMC Networks'** March 18 upfront is still on. International television conference **MipTV** was officially canceled due to concerns related to the coronavirus. The event was scheduled to take place March 30-April 2 in Cannes. **SXSW** is still slated to go on next week in Austin, even though several big companies have pulled out. **Twitter**, **Facebook**, **Intel**, **Vevo** and **TikTok** have all canceled. Sen *Edward Markey* has called on **Amazon** to prevent coronavirus-inspired price gouging on Amazon.com, after media outlets noticed massive markups, including a pack of 24 2oz bottles of Purell jumping from less than \$10 to \$400. The show will go on for Satellite 2020, presented by **Cablefax** sister pub **ViaSatellite**, March 9-12 in DC. Nearly 12K attendees are registered to attend, 9% higher than 2019 at this time. *Elon Musk* is slated to keynote.

Shentel Looking at Transformative M&A: If **New T-Mobile** buys out **Shentel's Sprint** PCS business, how will the company spend the money? First off, it would down pay about \$730mln in debt, according to CFO *Jim Volk*, who spoke at an investor conference Wednesday. From there, it would probably look at returning shareholder value through a one-time

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Space is selling quickly! Contact Olivia Murray at omurray@accessintel.com or 301.354.2010

dividend or share repurchases. What about M&A? “We may leave some money behind if we had a broadband acquisition pending or in sight, but probably wouldn’t leave a whole lot of funds behind on speculation of future M&A. It would have to be something specific that we would be targeting,” Volk said. In the past, Shentel’s acquisitions have been mostly tuck-ins to its existing footprint, but “I think we’re looking at more transformative deals maybe than Shentel has looked at in the past on the broadband side,” Volk said. “In an ideal world, where we keep wireless, we would like broadband to be equal size. That would be our pie in the sky target. To do that in today’s environment is going to be challenging, to find the right type of assets, the right type of businesses and geographies. We’re going to be opportunistic. . . We’re looking to grow aggressively in M&A.” If T-Mobile doesn’t buy the PCS business, Shentel has the option to buy the legacy T-Mobile network and subs. The company is at about 2.5x leverage today, with Volk saying that it would want to make sure there was a path to delever it below 4x. Shentel would prefer to keep the business and become a New T-Mobile affiliate. Unlike Sprint, T-Mobile hasn’t typically had affiliates. Volk said it could make sense for T-Mobile to consider such a path given its extensive deal requirements to build out rural America while at the same time integrating two national networks.

Charter’s NY Expansion on Track: Remember that whole dust-up between **Charter** and New York that had it in danger of being kicked out of the state? Well, it looks like the company is well on its way to meeting settlement requirements regarding network expansion. Under the settlement reached with the NY PSC last year, Charter had to build out to nearly 88K unserved/underserved addresses by Jan 31, 2020. According to Charter’s March Interim Milestone Report filed this week, it has completed 100,421 passing, more than 12K ahead of schedule. Charter ultimately must build out to 145K addresses in upstate NY by Sept 30, 2021. The settlement resolved a dispute over whether Charter met buildout conditions imposed when it acquired **Time Warner Cable** in 2016. Should the company miss a buildout commitment, it faces a \$2,800 payment on a per address basis.

ViacomCBS Selling Simon & Schuster: **ViacomCBS** is planning to sell its publishing unit **Simon & Schuster**, CEO *Bob Bakish* said at an investor conference Wednesday. “We’ll engage in a process and look at strategic alternatives for Simon & Schuster,” Bakish said. He said the publishing company is not a “core asset.” “It is not video-based, it doesn’t have significant connection for our broader business,” he said. Bakish said he has received “multiple, unsolicited inbound calls” expressing interest in the company. On another note, Bakish said the company has seen “no material effect to date” from coronavirus, but did note it had to shift the release date of the “Sonic The Hedgehog” in “a couple” of Asian markets. “There’s been a lot of volatility in the equity markets this week, and we have certainly felt a lot of pain, as have others,” he said. “Conceptually, the broader media industry on a relative basis is probably less exposed than other sectors, and ViacomCBS is less exposed relative to some of its competitors.”

Synacor Earnings: **Synacor’s** 4Q19 revenues fell to \$26.8mIn compared to \$39.4mIn YOY. The decrease was primarily due to its loss of an **AT&T** portal contract in 3Q19 that had contributed \$12.1mIn of the revenues seen in 4Q18. Revenues from software & services totaled \$11.6mIn while portal & advertising rev totaled \$15.2mIn. Synacor also announced a number of changes to its board in light of its pending merger with **Qumu**. Effective at the time of the company’s 2020 annual meeting, the size of Synacor’s board will be reduced from nine to seven members. Longtime Synacor investor *Jordan Levy* has resigned as chmn and is stepping down from the board, effective immediately. *Kevin Rendino*, CEO of **180 Degree Capital**, has been named interim chmn as the search begins for a director with “relevant software experience.”

DISH Upgrade: Pivotal Research upgraded **DISH** to a “Buy” rating from “Hold,” giving it a target price of \$39. Analyst *Jeff Wlodarczak* pointed to its recent material stock price weakness as investors “seem to have realized a large wireless investor is unlikely to emerge in the short term,” and that DISH is highly likely to be building out a fourth US wireless provider. Wlodarczak also referenced favorable political developments, with *Joe Biden* moving into the lead for the Democratic nomination, suggesting that could boost the chances for a **DISH/DirectTV** merger as early as 2021. Wlodarczak also pointed to signs of stabilization in the core satellite TV business, and believes that CEO *Charlie Ergen* will be successful with his wireless efforts.

WOW! Experimenting with IP Video: **WOW!** introduced an IP-based video option, **WOW! tv+**, for HSD customers in Columbus, OH. The Android TV-based platform offers live channels, cloud DVR, a voice remote with Google Assistant, **Netflix** integration and access to streaming apps through the Google Play Store. **WOW!** last week announced a partnership with **fubo TV**, **Philo**, **Sling TV** and **YouTube TV** to offer another video choice for its customers in Charleston, SC.

Ratings: **Fox News** came out on top of Super Tuesday coverage, posting the second largest audience in total viewers in cable news history for the event, pulling in 4.172mIn viewers in prime. **MSNBC** followed with 3.818mIn viewers, then **CNN** with 2.795mIn. In the A25-54 demo, CNN topped with 1.093mIn viewers, followed by Fox with 932K and MSNBC with 910K. Among 18-34s, CNN brought in the most viewers with 295K. MSNBC drew 229K, and Fox News with 190K.

Think about that for a minute...

Lip Sync

Commentary by Steve Effros

The number of streaming television package offerings is getting completely out of hand, and I predict consumers are going to get totally confused and numb very quickly.

Hey, I'm in the business and I can't keep it all straight any more, and frankly, I don't really want to! How do you think an "average" consumer feels?

So now, as an example, we have this week's national introduction of AT&T TV. This is the AT&T amalgam of their other streaming services and somewhat of a swan song for DirecTV Now, U-verse TV and maybe even DirecTV, which lost a little over 3 million subs last year. HBO Max is coming soon also, and then there's Peacock and Hulu and Disney+ and Apple TV+, oh, well, you know about all the names, but do you know what they're offering? How they're different? What you win or lose by signing up to one or another? How much they really cost?

Of course you don't. Neither does anyone else. Amazon Prime Video has slick ads for one of their new programs, just like Netflix, but how many folks really register that you have to buy both separately to see those programs. Oh, and then there's YouTubeTV, not to be confused with YouTube...on your TV.

The pain is just starting. AT&T TV, for instance, will cost me around \$65 for the programming I want to see in my house. We are fans of BBC World News. It only comes in the high-end package. Same with YouTubeTV, but you can't even get it on Hulu. Anyway, that \$65 monthly price tag has a few caveats; first off, as I've pointed out many times, that's without delivery. You have to buy broadband service to get it, and of course AT&T suggests the "1 Gig" package. That costs another



\$40 on limited time sale. But, but... that's for a two-year contract, and the price of the television service doubles...yes doubles in the second year! And that's without taxes or the required \$8.50 regional sports fee. More than one box costs extra. Start doing the math and you'll run for the warm, secure comfort of the cable service in your area!

And I've noticed another problem as well, that I suspect we'll be hearing a lot more about, and of course we'll be blamed for. I tried to watch a short piece on YouTube on my "smart TV" the other day and it drove me nuts because the lip sync was off. I'm having a hard enough time dealing with the political news these days, but to have to watch an interview with the sound out of sync with the person speaking is just cruel!

I'm going to need some guidance from the engineers out there. I know there are supposed to be industry standards on syncing, and yes, my high-end television and audio equipment have the ability to do microsecond adjustments. But what if the transmissions from Hulu, Amazon, Netflix, AT&T, Disney, and of course the local broadcasters are all just a teeny weeny bit different? Are we really faced with the prospect of getting the lip sync perfect for one input and then having five other inputs slightly slower or slightly faster on their synchronization? We'll all go crazy!

I'm hoping that somehow all of this will be worked out. Really. But if it isn't, I don't think this plethora of "OTT" broadband streaming sites will last for long. No, I can't resist; read my lips.

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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