

Cablefax Daily™

Wednesday — June 17, 2020

What the Industry Reads First

Volume 31 / No. 117

Tea Leaves: Comcast CFO Prognosticates on Bad Debt, Theatricals and SMB

With the FCC's Keep Americans Connected Pledge expiring at end of month, **Comcast's** CFO said the company plans to be flexible with customers and offer them a variety of different paths forward. "In terms of bad debt expense..., it's going to remain elevated for the period we're in. But nonetheless, everything suggests we'll meet our margin expectations for the year that we set out pre-COVID," CFO **Mike Cavanagh** said during a **Credit Suisse** investor conference Tuesday. Under the FCC pledge, some 800 broadband and phone providers committed during the pandemic to keep residential and small business customers connected if they are unable to pay, waive late fees and open WiFi hotspots. While the exec sees plenty of runway for broadband growth, he acknowledged that cord-cutting will continue and will likely accelerate because of the economics associated with the pandemic. "Our strategy with video is that video is important because video is a great use of high-speed data. So coming back to a connectivity centric approach to things, it's not about making a markup on the bundle that you buy from the programmers and pass along," he said. "Today we look at video as important because it's a customer need, because we're the broadband provider and because we have the legacy of investing in X1, maintaining a position of helping in an ever more streaming world." Like **Charter** and **Altice USA**, he offered some glimmer of hope for SMB business, saying Comcast expects to see low single-digit revenue growth for the unit in 2Q (down from high single-digit to double digit growth the last several years). "I think once we get through this and get the economy going again, I think we will continue to feel very good about the prospects for business services," he said, adding that the digital and connectivity needs of most businesses are likely to increase. The hour-long conversation with analyst **Doug Mitchelson** covered a number of topics—from VOD for theatricals to theme parks to wireless. On the **Xfinity Mobile** front, Cavanagh was quite emphatic that Comcast does not need to have its own network to achieve its goals. "We are quite pleased with the progress we're making in an MVNO model with **Verizon**," he said. Fresh off the premium VOD (PVOD) release of **Universal's** "The King of Staten Island," the exec said the company's "pleased" with PVOD results. Comcast naturally wants to see a return to theatricals, but Cavanagh said PVOD has helped in the near-term. Could the film distribution model be evolving post-COVID? "I'd like to think there's a way to figure all that out. Right now, I think the focus is just how to get theaters back open. We want that; they



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Cablefax Daily (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Publisher: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Senior Editor: Sara Winegardner, 301.354.1701, swinegardner@accessintel.com ● Associate Editor: Mollie Cahillane, 212.621.4951, mcahillane@accessintel.com ● Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ● Director of Marketing: Kate Schaeffer, kschaeffer@accessintel.com ● Prod. Mgr: Joann Fato, jfato@accessintel.com ● Kerry Smith, Divisional President, Marketing & Media Group, ksmith@accessintel.com ● Group Subs or Subscription Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: \$1,749.00/year ● Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

want that," he said. "Until then, I think it's a film by film issue." But once a semblance of normalcy resumes, it's likely that for "certain types of films there can be a constructive way amongst all participants in the ecosystem to make [PVOD] work," he added. Streaming service **Peacock** is nearing its July 15 nationwide launch. It's already available to Comcast customers, with Cavanagh declaring that its ahead of internal expectations "by a bit." Peacock was supposed to launch with the Summer Olympics, which was postponed due to COVID-19. "While it's a shame there's no Olympics this summer, the other side of that is that by the time we're ramping and bringing back titles like 'The Office' in the beginning of next year, we'll be in a cycle where we'll have a Super Bowl and two Olympics in 18 months. That will also be a nice window of time to be ramping," he said, noting 10 ad sponsors have signed onto the AVOD for 18 months.

T-Mobile Under Fire for Outage: T-Mobile has identified the cause of a nationwide outage of voice and text services that struck Monday. "This is an IP traffic related issue that has created significant capacity issues in the network core throughout the day," T-Mobile CEO *Mike Sievert* said in a statement. He added that data services had been working throughout the day and suggested services like FaceTime, iMessage, Zoom and Skype as alternate ways for customers to communicate. T-Mobile technology president *Neville Ray* tweeted at 1am Tuesday that all services were fully restored. Customers voiced their complaints loudly enough to gain the attention of **FCC** chmn *Ajit Pai*. "The T-Mobile network outage is unacceptable. The @FCC is launching an investigation," Pai said in a tweet Monday. "We're demanding answers—and so are American consumers."

Super-Sized CBS All Access: ViacomCBS chief *Bob Bakish* offered up more details on a planned revamp of **CBS All Access**, with a preview launch available later this summer that will include content from **Nickelodeon**, **Comedy Central**, **Smithsonian**, **MTV**, **BET** and **Paramount**. A full launch of the rebranded service is planned for 2021. Over time, ViacomCBS will add more than 15K hours of additional content to the existing 15K hours CBS All Access content. "I think the important point here is these brands and their content reach 80% of viewers under the age of 35, and that should meaningfully expand the market opportunity for us going forward," Bakish said at Credit Suisse's investor conference Tuesday. "We have a good position in the older segment with the current All Access product, but this really brings a lot of young audience to the table." He promised a "critical mass" of live sports on All Access, including NFL, NCAA, PGA and exclusive streaming rights to major properties, such as UEFA and the National Women's Soccer League, which resumes play June 27 and is the first professional contact sports league to return to play in the US. Bakish described the transformation as turning the SVOD into a "super service."

MFM Talks State of the Industry: MFM & BCCA kicked off the 60th annual Media Finance Focus conference virtu-



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Publication Date: July 22, 2020

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ally Tuesday with a panel diving into the fallout of the COVID-19 pandemic and disruption in the industry. Even though sports have been forced off the air, **Tennis Channel** CEO *Ken Solomon* said live sports have more value than ever before. He pointed to reports of **Turner Sports** striking a \$1bln deal with MLB for the right to air playoff games. With more folks at home, the video game industry has also seen a tremendous surge. "April was the equivalent for our company as Christmas was in the year prior," **Gearbox Software** pres & CEO *Randy Pitchford* said. But he's not considering this spike as anything more than an outlier. In an effort to save cash and mitigate any long-term effects from the pandemic, the video game developer instituted a hiring freeze. That also had the added benefit of allowing the company to take care of its employees by immediately transitioning to a remote working environment. "At the end of the day, when you're creating entertainment and you're creating media, your most valuable resource is your talent," Pitchford said.

Business As Usual: **Univision** CEO *Vince Sadusky* said during its (virtual) upfront Tuesday that it's "business as usual" for the company as its ownership changes. Sadusky said new owners **SearchLight Capital Partners** and **ForgeLight** are refining their 100-day plan and are prepared to "hit the ground running when the deal closes," which is expected to happen in 4Q20. Sadusky will exit as CEO, and *Wade Davis*, former **Viacom** CFO, will take his place. At the upfront, execs emphasized Univision's ratings growth and unduplicated reach (83% of Univision's audience is unduplicated). Sports pres *Juan Carlos Rodriguez* pointed to Univision's strong soccer slate, with Liga MX returning as soon as July 16 and the Champions League returning as soon as August. Rodriguez said that **TUDN** has 55% of soccer viewing in the US, regardless of language. The net will produce 1600 soccer matches in 2021. Univision is also rolling out "multiple" advanced advertising solutions this week, focusing on data driven linear, attribution and ad innovation to "create better business outcomes." As for programming, 11 new scripted series are coming to the slate, and in 2021 a new tentpole event "Latin Grammy Honra" will honor a genre, a person or movement that positively impacts the music industry.

Lawmakers Battle On C-Band Specifics: FCC chmn *Ajit Pai* and Sen *John Kennedy* (R-LA) again sparred over the Commission's C-band proceeding Tuesday during a Senate Appropriations Committee hearing. A major point of contention was the \$5bln in moving expenses and \$10bln in relocation incentive payments that will be paid to the band's satellite incumbents that have opted-in to an accelerated clearing timeline. Kennedy and Sen *Chris Coons* (R-DE) also had concerns as to if those companies could still sue the FCC at any point for forcing them to vacate the lower 300MHz of the C-band. "Although the incumbents electing these payments have not typically waived a right to litigation, they have forfeited it by agreeing to the election," Pai responded. Kennedy said he plans to hold an additional hearing with the FCC's general counsel to gain greater clarity on how vulnerable the FCC still is to litigation. "I've never heard of giving somebody \$10bln dollars to keep them from suing without them waiving their claims and causes of action," Kennedy said.

Ad Spend: Though the ad industry is starting to rebound, the coronavirus pandemic has still had significant effects. Excluding political advertising, **GroupM** is projecting a 13% decline during 2020, followed by 4% growth in 2021 (on the assumption a vaccine is developed and distributed). Including political, GroupM predicts the ad market will fall by 8% in 2020, and by a further 1% in 2021 as "underlying improvement is more than offset by a relative absence of political advertising activity next year," the company wrote. A new report from **Magna** revised its December predictions of growth, now predicting a 7% decline in global ad sales, and 3.5% annual growth for 2022-2024.

Disney Creates New Ad Team: **Disney's** DTC and International tech group created a new Advertising Platforms team, combining the company's advertising technology and product expertise and resources into a single team. The move brings together the existing **Hulu** and DTCI Advertising Products and Technology's teams. The group will be led by *Jeremy Helfand*, who previously led all ad tech and product innovation at Hulu.

US Open Going Ahead: The US Open will be held in NYC as scheduled Aug 31-September 13, without fans. That's good news for **ESPN**, which has an 11-year, \$770mln rights deal with the **United States Tennis Association**. The net also has rights to the NBA and WNBA, both looking to resume play in late July.

SCTE-ISBE Working Group Welcomes IBM: **IBM** has joined the **SCTE-ISBE** Explorer Initiative as a member of the artificial intelligence and machine learning working group. IBM is the first company from outside the cable industry to join Explorer, which aims to bring together leaders from diverse backgrounds to develop standards in areas like smart cities, telehealth and autonomous transport.

Programming: "30 Rock" is coming back to the **NBCUniversal** world for a special upfront event. Characters from the original series will return for a one-time event to celebrate the stories and talent in NBCU's 2020-2021 TV season. The hour-long, commercial free event premieres on **NBC** July 16 at 8pm and then will be rebroadcast across **USA, Bravo, E!, Oxygen, Syfy** and **CNBC** on July 17 at 9pm, as well as streaming on **Peacock**.