

Cablefax Daily™

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What the Industry Reads First

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Launch Time: Discovery Gears Up for DTC Service, Income Plummets

Discovery is getting ready to unveil a new, broad, direct-to-consumer service, even as the company's 2Q net income fell 71%. In an earnings call Wednesday, CEO *David Zaslav* said the product will encompass all brands and characters, and told investors to expect a "differentiated service" from giants like **Netflix** and **Amazon**. Promising more details in the coming weeks, Zaslav said the DTC service may or may not include advertising, with focus on brands like DIY and a lack of emphasis on scripted series and films. "It will be useful every day, all the time," Zaslav said. He compared the new service to an SUV as opposed to the sports cars of streaming —Netflix, Amazon and **Disney+**. "There are some strong players out there who have built a great road to this direct-to-consumer business, and we think we can get on that road... but our SUV is filled with a huge amount of original content," Zaslav said. He also hinted that the service will have similar partnerships to the **Amazon Fire/Food Network Kitchen** deal. "Whether it's cable distributors, mobile distributors or larger players that are pushing other products, like Amazon is doing with Fire, every one of those is an added opportunity and we're looking for all of those to build scale as quickly and as aggressively as possible," Zaslav said. 2Q also saw renewed distribution agreements with **Cox**, **Charter**, **Comcast** and **Sky**, something Discovery sees as good news for its upcoming DTC service. "We view these renewals as mutually beneficial and will help us further develop our next-generation direct-to-consumer offerings," he noted. US ad revenue fell 14%, with Zaslav pointing to April as the worst month. "We've seen a noticeable return of advertisers spending money against the TV marketplace where economies have increasingly begun to open, particularly in Europe," he said. US distribution revenues increased 7%, but fell 2% internationally. Net income dropped drastically to \$271mln, down from \$947mln YOY. The company had its best Q2 in terms of free cash flow, reaching \$879mln. Production has been a struggle for many, but creative thinking has kept the company's programming pipeline full. Since the COVID-19 shutdown began, Discovery nets debuted more than 1K hours of new, original content. "It's been cost-effective, creatively shot, produced and well received," said Zaslav. **Food Network's** "Amy Schumer Learns to Cook" nabbed itself an Emmy nom. **HGTV** and Food became No

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Eric Klassen
Executive Producer,
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Klassen is an Executive Producer for CableLabs' award winning film series, *The Near Future*. Eric also works hands-on in emerging media technologies including: Immersive Video Experiences, Smart Avatars, and Conversation Design. He taught New Media Production at The University of Southern California and is co-founder of Skate Pass, an educational company operating worldwide and named in Trend Hunter's 'Most Innovative Educational Companies.'

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Help Cablefax recognize the most powerful women based on their influence and power within the industry—as well as their commitment to ensuring that other execs receive the same opportunities to grow and flourish.

As always, it's free to nominate candidates for the Most Powerful Women list.

NEW for 2020!

INDIVIDUAL CATEGORIES
The Wavemakers

Female executives whose energy has propelled their careers, their companies and the industry over the last year through specific business initiatives, campaigns or career accomplishments. This select group of innovators got people's attention in 2020, got people talking and ultimately got big things done.



The Rising Tide

We all know the female leaders making a big difference every day, but the next generation is always learning and preparing to someday take the mantle. The Rising Tide list recognizes women under 30 whose hard work already has them on the path to making big waves in the future as they seek out mentors, push forward new business ideas and ensure this industry stays relevant to all generations of customers. *(Eligibility: Women who are 30 years or younger on Dec. 31, 2020)*

Women's Advancement Champion

A female executive whose contributions to the advancement of women within her company has made an important impact within the cable & broadband industry and inspired others to step up their games.

Mentor of the Year

An individual whose extraordinary mentoring effort to women either within or outside his or her organization has made a measurable impact in helping to increase the number of low- to mid-level female executives who have risen to senior roles.

ORGANIZATION CATEGORIES:

Mentoring Program

Recognizes a successful female-focused promotion program or initiative that has been in place for at least 2 years and has made a sustained and measurable impact on a company's ratio of female employees.

Advertising Campaign

Recognizes a successful female-focused advertising campaign for a brand, service or product that appeals to women or increases a company's outreach to female customers or female-run businesses and clients.

Public Affairs Campaign

Recognizes a public affairs media, lobbying or awareness campaign (local, regional or national) bolster causes and charitable contributions aimed at helping women and promoting opportunities for women around the world.



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TO ADVERTISE, CONTACT:

Robbie Caploe at

rcaploe@accessintel.com



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3 and No 4 global brands by audience in Q2, up 160% and 50%, “helped in part by continued new channel launches.” Zaslav also said **Magnolia Network**, the company’s jv with *Chip and Joanna Gaines*, is “coming into focus,” launching in 2021 with 36 originals, 14 of which are already in production. “We are cautiously optimistic about the global outlook for the rest of the year and firmly believe that the long-term prospects for Discovery remain as vibrant as ever,” said Zaslav. Still, Discovery stock closed down 4%.

Fox Betting on Football’s Return: Fox Corp’s bottom line in 4Q20 saw a hit due to lower ad revenues, but it still found plenty to be hopeful about. The company posted \$2.42bln in revenues for the quarter, down from \$2.51bln in the prior year quarter. It also noted a \$442mln charge in one-time restructuring changes tied to its exit from a rights deal with the **US Golf Association**, the impact of which was offset by lower operating expenses. Ad revenue was down 22% YOY, coming in at only \$712mln. Much of the downside in the advertising unit came from the lack of live sports. **NASCAR** and the MLB were only recently able to come back, but CEO *Lachlan Murdoch* is optimistic that the COVID-19 pandemic won’t lead to a delay in the start of the football season. “We fully expect both college football and the NFL to come back in the fall,” Murdoch said. “We expect to hear from our college conferences later this week in terms of a schedule for their seasons.” The bright spot in the quarter was political advertising. Murdoch said Fox’s political ad revenue is pacing more than 50% ahead of the equivalent period 4 years ago. It has helped that a number of Fox TV stations are situated in key battleground states in both the presidential race and some Senate re-election contests. “Record political revenue has already offset some of the impact from COVID-19 in local markets,” Murdoch said.

Sinclair’s Sports Struggles: The upcoming election will hopefully mean big political ad money for **Sinclair**, but the postponement of live sports games dampened the broadcaster’s 2Q earnings numbers. Media revenues fell 7% YOY due to a 36% in core advertising revenue. That was offset by higher political revenues, which hit \$19mln in 2Q, up from \$3mln in the prior year quarter. Even though ad market trends improved throughout the quarter, Sinclair expects a 15-22% decline in core advertising for the third quarter, due to the state of live sports and the uncertainty surrounding when games will be played. Sinclair will also be forced to give \$124mln in rebates back to distributors based on agreements with minimum game guarantees. Those rebates are expected to be paid in cash after the 2020 calendar year. The good news for Sinclair is that those rebates are expected to be more than offset by lower sports rights payments and rebates from the teams themselves, which are also tied to minimum game guarantees.

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Disney Stock Soars on Streaming: Disney stock prices skyrocketed Wednesday after being applauded by Wall Street for its strategy on streaming. Prices rose as much as 10% throughout the day, but settled up 8.8% at market close. **Credit Suisse's Doug Mitchelson** upped shares to "Outperform" from "Neutral" while raising his price target to \$146 from \$116. In a note, he wrote that Disney is now even more "aggressively positioned as a streaming growth story... and eventual COVID recovery play." **Guggenheim's Michael Morris** also upgraded shares to "Buy" and upped his price target to \$140 from \$123. **Bernstein Research's Todd Juenger** was more conservative, raising his price target to \$116 but maintaining a "Neutral" rating. "We understand the theory. It's a chance to re-play the 2019 playbook," Juenger wrote in a note. "Before we get too carried away, this is not quite the same. Disney/Fox TV content is not consumer-distinguished in the same way as the Disney+ brands. There will be sizable required investments, the biggest of which we believe will be, once again, foregone licensing."

College Football Update: The 2020 **NCAA** football season is looking more and more uncertain. The University of Connecticut became the first major college football team to outright cancel its season due to the COVID-19 pandemic. UConn had left the American Athletic Conference last month and was expected to compete as an independent team. Currently, **ABC/ESPN, ViacomCBS, NBCU** and **Fox** all have rights to college football.

Peacock Snags Potter: All eight "Harry Potter" films are headed to **Peacock** in October, and the beloved franchise will remain on the platform for six months into 2021. The rights to the series have bounced around over the years, but the films spent the last three months on **WarnerMedia's HBO Max** when it launched in May.

Shark Week Teams Up: **Discovery Channel** is gearing up for Shark Week, kicking off on Sunday. The programming event announced new and returning partners including **Pooch Perks, Oceana, Southwest Airlines, Great Clips, Ubisoft, Epic Games, Georgetown Cupcake, MLB Network** and the Georgia Aquarium. On Aug 10, baseball fans can catch a special beach-themed episode of "MLB Central."

Alaska Named Top SCTE-ISBE Chapter: **SCTE-ISBE's** Alaska Chapter again earned the organization's top chapter title, marking its sixth win in the last seven years. The chapter, based in Anchorage, took top honors for both Compliance and Professional Development. The Penn-Ohio Chapter earned the Recruitment Award while the Rocky Mountain Chapter was granted the Striving for Excellence Award. **SCTE-ISBE** also named Penn-Ohio Chapter pres **Royd Miller** as Chapter Leader of the Year. Miller is a digital video network engineer at **Comcast**. Additional membership awards will be presented digitally during the **SCTE-ISBE Cable-Tec Expo**, which is scheduled to take place Oct 12-15.

Distribution: **Xfinity Mobile** announced Wednesday that it will carry the Samsung Galaxy Note20 5G and Note 20 Ultra 5G devices. Customers can pre-order those devices in advance of the Aug 21 release, starting on Aug 6.

Programming: **HBO** announced its documentary slate for the second half of 2020, beginning production on a two-part documentary "Seen & Heard," exploring and celebrating Black television and voices in entertainment. The lineup includes series "The Vow," debuting Aug 23, which takes a look behind the scenes of **NXIVM**. On Aug 12, "Yusuf Hawkins: Storm Over Brooklyn" tells the story of the Black teenager murdered in 1989 by a group of white men in Brooklyn. -- **Selena Gomez's** cooking show "Selena + Chef" will stream on **HBO Max** beginning Aug 13. The 10-episode, unscripted series features Gomez cooking at home while stuck in quarantine, and features appearances from world-renowned chefs. -- **Tennis Channel** will air Serena Williams' return to the sport with live coverage from the inaugural WTA's Top Seed Open in Lexington, taking place Aug 10-16. -- **Comedy Central** is re-imagining cult classic "The Ren & Stimpy Show." **Nickelodeon** launched the original series alongside "Rugrats" and "Doug" in 1991. -- **truTV** ordered a 13-episode third season of comedy "Tacoma FD." To date, the show's second season has reached 11mln viewers.

People: **ViacomCBS** tapped former **Fox Animation** exec **Grant Gish** to serve as svp, adult animation, entertainment & youth brands. As of Aug 31, Gish will lead the company's new adult animation unit. He joins ViacomCBS from **Marvel Studios**, where he launched the adult comedy and animation group within the former Marvel Television division. -- **WWE** named **Nick Khan** pres/CRO, reporting directly to chmn/CEO **Vince McMahon**. Khan previously served as co-head, television at Creative Artists Agency.

THE WORK CULTURE LIST PROFILE:

PROMOTION PROMOTER **Charter/Spectrum**

Internal growth is an enormous part of culture at Charter/Spectrum, as shown by the estimated 90% of supervisor and lead positions that are promoted from within its call center employee population.

“The majority of our career development, promotions if you will, do happen internally. It really starts when you’re hired, when you come on board,” says SVP of customer care Greg McMichael. “We’ve built a career progression model that takes into account the employee and where they want to go and where they want to be.”

Spectrum’s career pathing model encompasses layers that allow for growth recognition at early stages. At call centers, all new hires start as a Rep 1, learning roles and becoming proficient at providing the level of customer service associated with Charter. Within the first nine months, employees have the opportunity for promotion to Rep 2, and within another six to twelve months, there’s the opportunity to move up to Rep 3.

Call centers are integral to Charter’s operations, and it’s been beefing them up. When Charter acquired Time Warner Cable in 2015, it made a commitment to bring all of its Spanish-language call centers to the US, as nearly 90% of its Spanish-language customer service calls were outsourced. The first opened in 2017 in McAllen, TX, and is in the southern tip of Charter’s 41 state footprint. In McAllen alone, nearly 80% of its residents speak Spanish. In bringing back the call centers, Charter committed to adding 20,000 jobs over the next four years, with the majority of new positions serving customers directly.

Career development benefits both employee and employer. “First and foremost, the employee, coming as a new hire, they invest a lot in us. And conversely, we invest a lot in them. There’s a lot we need to do to keep our employees. We make sure to invest in someone



who wants a career and not a job,” says McMichael.

Of course, there’s even further opportunities for leadership, with Rep 3s progressing into supervising roles (and sometimes straight from Rep 2). “Our leads are really first line escalations for our representatives, they’re the first line to go through help and support,” says McMichael.

Career development doesn’t stop there. There is a supervisor development program where Charter takes the supervisors through “how to look at data, how to look at numbers. It’s much more a 360 view of the frontline, more holistically through developing that rep or that lead,” says McMichael.

Internal promotions also end up benefiting customers. “Employee development is critical for us. We know when we invest in the employees, they stay and they’re happy. And when we do this, our customers see it,” says McMichael. “We remove friction from the business. More engaged employees with more tenure engage with the customer in a different way. Really at the end of the day, it develops the employee, but also the customer relationship.”

CONGRATULATIONS TO ALL THE HONOREES!



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Think about that for a minute...

TikTok Tic Tic

Commentary by Steve Effros

There's a time bomb ticking in the background regarding what's going on right now with TikTok, and it could have major implications for telecommunications policy for many years to come. We should be very careful. This thing could easily explode with both national and international implications.

The triggering event right now is the administration's insistence on either banning the social web site TikTok from the United States or forcing its sale. The ostensible reason for this is that TikTok could conceivably be considered a national security threat because the parent company (not the TikTok entity used in the US) is Chinese and there are laws in China that require all Chinese companies to assist the government when asked, meaning that the government could get, theoretically, any data accumulated by that social network company.

Now, the extrapolated "threat" is that the data accumulated could reveal a lot of things about users; their location, likes, dislikes, associations, preferences, orientation, economic status, political affiliations and on and on. All true. Even though this particular very popular app is frequented primarily by young dancers and lip-synchers showing off their skills, all that other data could theoretically be gleaned.

Of course the same thing is true of Google or Facebook or Instagram or a whole host of others, and the important thing to note is that they sell that data to anyone who wants to pay for it! That's part of their business plan! The ads we all see repeatedly on our computers and phones once we have researched purchasing diapers, a bidet or anything else on Amazon tells you all you need to know about the data collection (and sale) that allows a company like Google to offer its "search" to us for free! It's not free. We're the product they're selling.



So if the data TikTok potentially would have to give to the Chinese government is a security risk (remember, they could just as easily buy access to us through Google, et. al.) why are we allowing all those other companies to accumulate and market that data to anyone? Sorry, this doesn't really make any sense.

It's more likely that, as the president acknowledged the other day, this is a business negotiation that he sees similarly to a real estate deal; force the Chinese company to sell their asset to an American company, in this case Microsoft, and if they don't, threaten to destroy the asset value in the United States. And oh, by the way, the US government should get a "finders fee" ... in other words a cut, for setting up the deal! Amazing. I won't go into the legalities behind that last part.

In the long run, if this really happens, the Tik Tik Tik of that bomb is a real threat. We're not the only one who can play this game. We've already done it on the hardware side by setting up a barrier to certain manufacturers of 5G gear. So now the same thing could happen with software, America's strength. But the largest new and growing markets in the world for our telecommunications products are overseas; China, India, Latin America and Africa. Are we creating a model for dealing with others that will ultimately blow up in our face?

I fear that's the case. Telecommunications hardware, software, AI and the like are international in nature. Our telecom and "Silicon Valley" companies can only succeed, ultimately, if they can compete worldwide. We should be very careful about potentially destroying our own access to those markets.

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.)



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