

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## Strike Out: Sinclair Takes Revenue Hit As Political Grows

**Sinclair's** stock plummeted by nearly eight points Wednesday after the company reported a \$4.23bn impairment charge tied to its local sports segment in its 3Q20 earnings. The broadcaster attributed the charge to goodwill and definite-lived intangible assets. Also included in the quarter is a \$128m accrual for rebates to distributors based on minimum game guarantees. **Comcast** has already started doling out rebates to customers, and **Charter** has said customers will begin to see them early next year.

Total revenue increased 37% to \$1.54bn with gains driven in large part by Sinclair's acquisition of the 21 **Fox** RSNs and **Fox College Sports** in August 2019, as well as higher political advertising revenue. Political ad revenue hit \$109m in 3Q20, compared to \$6m a year ago, due to the presidential election. Sinclair has recorded approximately \$363m in political ad revenue thus far for the year, a 35% increase over 2012, its previous record year, and a 70% increase from 2016 numbers. Will more ad dollars roll in if the presidential election isn't officially decided for another few weeks or even a month?

"Who knows? We'll see how long it takes to count the votes," Sinclair CEO *Chris Ripley* said. Looking at the advertising market as a whole, Ripley doesn't believe the impacts and challenges of the COVID-19 pandemic will stick after a vaccine is developed. "From our vantage point, we think things

will return to normal when COVID goes away," he said, adding that ad demand improved during the quarter. "We don't think that COVID has caused any structural change in the market."

**YouTube TV** and **Hulu** are among those that have chosen to drop Sinclair's Fox RSNs from their live TV packages, but Ripley is confident that discussions over new deals with those vMVPDs are far from over. Together, YouTube and Hulu made up approximately 10% of the gross RSN distribution revenue for September. He said Hulu's decision to drop in late October was a particular disappointment, but understandable due to the effects of COVID-19 and the current lack of live sports.

"There definitely will be another conversation to be had with them when visibility on the NBA and NHL returns. We can't predict what that outcome will be, but we know that that will change the dynamic," Ripley said. He is also still optimistic about Sinclair's chances to negotiate a new package deal for all of its programming with **DISH**. DISH let 16 of the Fox Sports RSNs expire in July 2019, one month before Sinclair closed its purchase of the nets from Disney.

Ripley also said work continues on a new sports app that includes the ability to participate in gamification activities like sports betting, and it is an important part of Sinclair's growth strategy for the RSN. Sinclair plans to launch the app at the beginning of the 2021 MLB season.

### FOX NEWS, CABLE ON TOP FOR ELECTION NIGHT

As we wait to figure out who won Tuesday's presidential election, at least one thing is clear... **Fox News** and the cable



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newscasters can declare victory. Early **Nielsen** data put Fox News' primetime coverage at 13.7m total viewers, followed by **CNN** (9.1m) and **MSNBC** (7.3m). None of the broadcasters took gold, silver or bronze, with **ABC** coming closest at 6.1m viewers. It was followed by **CBS** (4.3m), **NBC** (5.6m) and **Fox** (3.3m). In 2016, CNN was the victor in the 8-11pm time period, with 13.26m viewers compared to 12.1m for Fox News (MSNBC had 5.95m). Fox News didn't just win Tuesday night. It broke the record for most-watched election night coverage in cable news history. Fox also brought in more 25-54s (nearly 5m) than any of its competitors. CNN came the closest, with 4.44m. CNN was #1 with 18-34s, delivering 1.54m viewers. Tons of drama during coverage, including Fox News' decision to call Arizona way earlier than anyone else. But there were also some technical glitches. **CFX** editors and some Twitter users reported sound going in and out at times during CNN's telecast. It wasn't immediately clear if the audio issue was originating with the operator or programmer, with several of the complaints coming from **Verizon** and **Charter** subs. Whatever the cause, *Cablefax* was still experiencing glitches periodically Wednesday afternoon. Others, including **CFX**, noticed that Fox News' website wasn't loading properly at times Wednesday. No word yet on the cause, but digital saw plenty of traffic. CNN Digital is on track to record its best day in ever, with 85m global unique users and growing as of 3pm ET. That follows 67m unique users on Election Day, surpassing the 2016 Election Day numbers by 15%. Across all Fox News Digital properties there were 11.8m total livestream Tuesday. Over the course of Election Day, Fox News Digital

peaked with 3m concurrent users, a new record and double 2016's numbers. CNN saw a total of 6.5m unique live video viewers and 14m live starts on CNN-owned platforms.

#### STREAMING SOARS ON TUESDAY

**Akamai** said early data shows live news streaming traffic peaked at approx. 18Tbps on its Intelligent Edge platform during Tuesday's election coverage. That's more than double the 7.5Tbps peak seen for Election Night 2016, which was a record at the time. The huge boost is yet another sign of consumers increasingly relying on streaming video—not to mention there is quite a bit of interest in this race.

#### CA VOTERS APPROVE CONSUMER PROTECTIONS

California voters have approved Proposition 24, a move that will bolster consumer privacy laws for the state's residents. Proposition 24 expands and amends certain provisions of the California Consumer Privacy Act of 2018, tripling fines for companies that violate the privacy of children and allowing consumers to tell businesses not to share any personal information. It also requires that the Privacy Protection Agency be created to enforce data privacy legislation.

#### HEALTHCARE STREAMING SERVICE TO DEBUT IN 2021

**ABLE Channel** will launch in early 2021, making it the first streaming service devoted to original consumer healthcare programming. At launch, it's 24/7 story-driven original content will be available on **Apple TV**, iOS, Android and **Roku** devices, with the company saying more platforms will be announced at a later date. Co-founder and CEO *Brian McCourt* previously spent 20 years building B2B internal networks for companies including **Novartis** and **Disney**. Co-founder and COO *Paul Gog-*

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gin spent 25 years building scalable media applications for companies such as **Think Interactive** and **Free All Media**. The board of directors includes former **Time Warner** and **HBO** CEO *Gerald Levin*. Founder and former **USA Networks** CEO *Kay Koplovitz* and former **Disney** exec *Oliver de Courson* have signed on as advisers. The streamer plans to introduce new original series with real stories each quarter focused on urgent and relevant health topics. On Veterans Day (Nov 11), **ABLE Channel** will unveil a free preview of the channel and its original six-part series "Surviving Suicide." The company said it will generate revenue from subs, advertising, production and licensing. Channel partners will come from three categories: providers (hospitals, clinicians) health insurance providers, and content partners (specific to content categories), and healthcare content partners will be able to have their own channels on the network.

#### SPRINT CHARGED \$200MLN FOR LIFELINE ABUSE

**T-Mobile** will pay a \$200mln penalty to the US Treasury to resolve an investigation of **Sprint's** compliance with the **FCC's** rules regarding waste, fraud and abuse in the Lifeline program. The payment is the largest the Commission has ever secured to resolve an investigation. The FCC's Enforcement Bureau investigated after reports from the **Oregon Public Utility Commission** that, prior to its merger with T-Mobile, Sprint was claiming monthly subsidies for serving 885K Lifeline subscribers that were not using the service. Sprint has also agreed to enter into a compliance plan to help ensure future adherence to Lifeline program rules. "Lifeline is key to our commitment to bringing digital opportunity to low-income Americans, and it is especially critical that we make the best use of taxpayer dollars for this vital program," FCC chmn *Ajit Pai* said in a statement.

#### O'RIELLY COMMENTS ON PLIGHT OF WY OPERATOR

A blog post from Wyoming-based **Tongue River Communications** on alleged state-funded overbuilding has caught the attention of **FCC** commish *Mike O'Rielly*. In the post on the **ACA Connects'** site, Tongue River Communication founder *Robert Jacobson* alleged that his family-owned business is now at risk because of an award of \$1.1mln from the **Wyoming Business Council** to **Visionary Communications** to construct a fiber system in Ranchester and Dayton, two communities served by Tongue River and **CenturyLink**. "In the end, I believe that taking taxpayer money that was meant to be used for the unserved citizens of Wyoming and giving it free to our competitor to overbuild and destroy our family owned business is simply this: Appalling," Jacobson said. O'Rielly took to Twitter to comment on the claims. The Republican has long fought against the use of government broadband subsidies to overbuild existing providers. "My apologies to Tongue River Communications, WY, family business apparently facing government-subsidized overbuilding. If accurate, it's shameful given how many Americans have NO broadband access. All fed broadband funding must strongly & clearly prohibit such waste & target UNSERVED," O'Rielly said in a Tuesday tweet.

#### RACE COMMUNICATIONS, OAK HILL CAPITAL TEAM UP

**Race Communications** and **Oak Hill Capital** have partnered up, allowing Race to accelerate the expansion of its fiber network throughout California. The transaction is expected to close by early 2021.

#### TIVO LAUNCHES DEEP DISCOVERY

**TiVo** announced a new API metadata solution "Deep Discovery." The service will allow TV and video service providers, consumer electronics manufacturers and new media companies to better maximize the value of their catalogs and works to reduce churn and drive viewership. The company also signed a multiyear extension and expansion of its partnership with **Elisa**, a Finnish telecom and digital services company, that will include deploying Deep Discovery for the customers of its video service.

#### RATINGS

**Univision's** series "Médicos, Línea de Vida" pulled in 3.3mln total viewers for its Monday night finale. It averaged 1.8mln during the 7-9pm timeslot, ahead of **CBS** and **Fox** with A18-34. It showed a double-digit audience growth vs the premiere telecast in total viewers, up 13%.

#### HONORS AND AWARDS

Market research company **Frost & Sullivan** honored **Plume** with its 2020 Global Entrepreneurial Company of the Year award. Frost & Sullivan pointed to Plume's Consumer Experience Management Platform, noting it reliably, flexibly and cost-effectively supports ISPs with data-driven tools for in-home experiences for customers.

#### PROGRAMMING

**ACC Network** will carry more than 30 exclusive hours of live ACC Fall Championships, kicking off on Thursday with the field hockey championship at 2pm. – In these stressful times, **Discovery Channel** will premiere a new season of "Moonshiners" on Nov 24 at 8pm with a special 2-hour episode. Nothing better than America's favorite outlaw distillers to make it through 2020. – **Nat Geo** will debut "Akashinga: The Brave Ones" from three-time Academy Award winner *James Cameron* on Sunday at 10:30pm. – **Nickelodeon Latin America** teamed up with the global conservation organization The Nature Conservancy for a new environmentally focused original digital format show, "Planeta Bala." The 20-ep series will premiere Wednesday at 7pm in Mexico and 10pm in Argentina. – **Game Show Network** greenlit a new edition of the classic word association game show "Chain Reaction." The series originally debuted in the 80s, and host *Dylan Lane* from the network premiere 14 years ago will return for the new series, set to premiere in early 2021.

#### PEOPLE

**Sinclair** tapped *John Ziegler* as its new CMO. He'll oversee the company's promotions, creative services and marketing departments for all of its TV stations and 21 RSNs. He was most recently vp for **YES Network**, where he launched the in-house creative and marketing agency YES Creative Group.

## Think about that for a minute...

### Think Again

Commentary by Steve Effros

No, I'm not going to dwell on the election here. Heck, the final returns aren't even in. But I do want to reiterate that from the perspective of telecommunications policy, it won't make a big difference to our business.

Whether that's good or bad is a subject we can all debate about some other time. But the reality is telecom issues don't seem to break down along either "party" or "conservative - liberal" lines. To be sure, there are different perspectives of why folks want, or don't want to do things regarding telecommunications, but at the end of the day, the trajectory is very similar.

I've mentioned one obvious example which will be coming up regardless of election outcomes: there's going to be a major focus on "Section 230" and the question of how big the dominant edge providers; Google, Facebook, Twitter, etc., should be allowed to get and what oversight is necessary. The "liberals" tend to focus on the dangers of "bigness." The "conservatives" claim they are being wrongly edited. Either way, both seek similar solutions; limitations, regulations and oversight. Whether they can reach agreement on how and what is a big question, but that both are moving in the same direction is obvious.

On another "it doesn't matter" telecom issue, whichever side "wins" and controls the bureaucracy, "net neutrality" will continue to be talked about, but won't have a significant impact either. If the Republicans control the FCC, the NN rules will remain in limbo. If the Democrats do, then NN will be shifted, once again, to a "Title II" regime. But as I've noted repeatedly, that doesn't make much difference to us since we already adhere to most of the "no blocking, no throttling" mantra. The only issue left unresolved is rate regulation, and it's highly unlikely that would happen since similar efforts have repeatedly failed. No one knows how to do it!

And, on a totally different subject, speaking of not knowing how to do it, I can't just ignore the fact that the "smart money" folks put \$1.75 Billion into a venture called Quibi.

The idea was that some gen... I lose track of whether it is X or Z or something, really want to look at "short form" videos on their phones. Now I know, the latest studies show that those younger folks watch more on tablets and phones rather than on large screens. But I'm willing to bet that if they had a real choice, they'd pick the big screen and the couch rather than watching while standing on a train platform. But that's just me.

Well, maybe not. Even though Quibi touted the fact that you could shift from portrait to landscape watching and the video would accommodate, and even though they spent a lot of money getting some big-name producers to create exclusive short-form stuff, there were a lot of folks, myself included, who had very serious doubts about this whole idea.

Give them their due, the Coronavirus short-circuited their ability to attract one of the main potential audiences; commuters. The Quibi folks decided to launch anyway. They also decided not to offer their product for streaming on large screens. That decision got changed when they realized that the whole effort was in deep trouble. It's now been abandoned.

Let's remember that there are some very successful "short form" availabilities for those who want to watch; YouTube and TikTok come to mind. But a subscription service? Well, just as with most elections, I can only suggest; Think again.



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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