

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## Decision Made: AT&T Sells DirecTV Minority Stake to TPG

It's official: **AT&T** and **TPG Capital** have signed a deal to form a new entity that will operate AT&T's video unit in the US. The two parties will establish a new company named DirecTV (New DirecTV) that will own and operate **DirecTV**, **AT&T TV** and **U-verse**.

"There was a very thorough job done looking at every alternative under the sun and what made sense, and at the end of the day, we feel comfortable this is the right approach moving forward," CEO *John Stankey* said during an investor call Thursday. "I'd be hard pressed to suggest somebody could probably come up with an idea we didn't evaluate, look at, talk to people about to determine whether or not it made sense moving forward."

AT&T expects to receive from New DirecTV \$7.6 billion in cash, and New DirecTV will assume \$200 million of existing DirecTV debt from AT&T. TPG will contribute \$1.8 billion in cash to New DirecTV in exchange for preferred units and a 30% interest in common units of New DirecTV. As a part of the contract, AT&T will continue to fund **NFL** Sunday Ticket through 2022.

Stankey said TPG has a number of ideas on how to grow the New DirecTV's earning potential, but didn't get into details on specific plans or ideas like an eventual New DirecTV merger with **DISH**. For now, the focus is on getting this transaction closed in the second half of the year.

The deal implies an enterprise value for the new company of \$16.25 billion. Following its close, AT&T will own 70% of the common equity and TPG will own 30%. The new company will be

jointly governed by a board with two representatives from the two companies. An additional seat will be held by the company's CEO, *Bill Morrow*, who joined AT&T in 2019 to oversee the company's operational transformation.

A replacement for Morrow will be announced soon, but the role will be shifted slightly. Rather than developing plans for how AT&T can shift to become more efficient and effective, the person taking over for Morrow will be focused on executing on already-laid plans.

"I feel very comfortable in transitioning an individual behind Bill's role that will focus on the program management of those plans and ensuring that we execute on them properly as opposed to formulating the plans," Stankey said.

After that replacement is named, AT&T will undergo a small restructuring "to ensure that other parts of the company that are critical to that transformation work are actually under the purview of the individual."

While this deal only deals with AT&T's US-based video business, the company's Latin American properties could still be on the chopping block. "If the right opportunity popped up and we thought that given the value associated with it was better than us operating it, would we be open to a structural change? Yeah, we would. But right now this is about the domestic business," Stankey said.

### PARAMOUNT+ LEAVES ANALYSTS UNCERTAIN

**ViacomCBS** is confident that **Paramount+** is a step forward into the future for its business, but some analysts are skeptical that the streamer will be a booming success. Paramount+ will cost customers \$4.99/month with ads and \$9.99/month

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without when it launches on March 4, with the premium tier including a live **CBS** feed. The company expects to have 65-75 million streaming subscribers by 2024 with the vast majority coming from Paramount+. **MoffettNathanson** said there were several unanswered questions after ViacomCBS's Wednesday presentation, especially tied to the dynamics between how much the company will retain content to maintain exclusivity on its service versus how much it is willing to continue selling rights for third-party licensing revenues. What's left to be seen is how much ViacomCBS "is willing to risk its existing high-margin licensing business, especially with its current **Showtime** and key CBS programs already sold around the world." **Bernstein Research's Todd Juenger** is of the opinion that the Paramount+ consumer proposition is weak overall. "Sports offering is too narrow to satisfy sports fans. News belongs on the internet. International has neither sports or news. General entertainment is non-differentiated, late, and lacks the global scale of competitive offerings," he said. "Post-pandemic, we expect a shakeout among streaming services at the consumer level."

#### ALL BOATS RISE ON BROADBAND

The \$2.2 billion price tag on the 85% of **Hargray Communications** that **Cable One** is acquiring may have raised some eyebrows with a 17.2x multiple of adjusted EBITDA. Even the 12.7x multiple for synergies is a pretty high number. But that's just more proof of the power of broadband, Cable One execs said during Thursday's 4Q20 earnings call. "Clearly, we have seen multiples move up, and we've seen our own multiples move up, we think justifiably so," CFO **Steven Cochran** said. "We think businesses that are HSD-focused, that are HSD-led, that have a competitive environment like we do

and have growth profiles like we do, we think that drives a multiple that looks much more infrastructure like. And that's what we've seen on both things we've looked at and not participated in or looked at transacted on." **WOW!** execs sang a similar tune during their earnings call this week. "We are excited to see the **Astound** transaction and, more recently, the Cable One/Hargray transaction because one thing that has done for us is it's been appointed to do evaluations for our type of company at 12.5 times," CFO **John Rego** said. "On one level, it sets what the proper value is from what it is that we're doing here." Cable One's residential broadband customers grew by more than 82,000 (11.8% YOY), while video shed 51,000 during the quarter. CEO **Julie Laulis** said the company firmly believes broadband still has a lot of runway. "We have room on the penetration side to grow, and now that there's a true need for the type of network we provide, for the type of reliability and serve we provide, it continues to grow," she said. "We feel confident we have the dual levers of unit growth, penetration growth as well as ARPU growth as customers elect to take higher speed, higher data packages." Total 4Q revenue grew 5.7% YOY to \$336.8 million, with residential data revenues increasing 17.1% and business services revenues up 3.4%. **WOW!**'s revenue clocked in at \$293.2 million for the quarter, up \$9.7 million YOY, with HSD growing by 4,900 customers. The company's video business is only expected to keep shrinking. Looking three years out, Rego predicted that **WOW!** would have less than 100,000 video subs.

#### LIBERTY BROADBAND'S CHARTER STAKE

**Liberty Broadband** will sell to **Charter**, generally on a monthly basis, a number of shares of Charter Class A common stock so that it doesn't exceed its ownership cap as Charter reduces

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outstanding shares through repurchases from time to time, according to an **SEC** filing late Wednesday. **Evercore** analysts estimate that Charter may spend \$10 billion this year on share repurchases, implying Liberty Broadband would sell \$2.7 billion in stock this year. They suggested Liberty Broadband might use that money for some M&A in the cable space—an option they see as more likely than paying down debt, but less likely than buying back Liberty Broadband shares.

#### BROADBAND SEES SEMICONDUCTOR SHORTAGE

**NCTA, CTIA, USTelecom** and **ACA Connects** teamed up on a letter to President *Joe Biden* asking the White House to include broadband providers in measures to address the ongoing shortage of semiconductor chips worldwide. Beyond that, the industry orgs urged the administration to work with Congress to fully fund the Creating Helpful Incentives to Produce Semiconductors for America Act. “This law encourages companies to invest in semiconductor manufacturing facilities and research and development located in the United States, contributing to US-based innovation, and helping ensure a thriving pipeline of this critical input into the US economy,” they said.

#### ILLINOIS ISP FACES CAF II FORFEITURE

As lawmakers and industry groups call for the **FCC** to thoroughly vet winners of its \$9.2 billion Rural Digital Opportunity Fund Phase 1 auction to avoid defaults seen in Connect American Fund Phase II auction, the agency is moving ahead with fines for those who didn't meet CAF obligations. The FCC has proposed a forfeiture of more than \$56,000 against Illinois-based ISP **ClearSKY System** for defaulting on its bids in CAF II. “By defaulting on all nine of the bids it was awarded, the Company hindered the disbursement of funds that could have otherwise been productively used to increase broadband access to unserved or underserved areas,” the FCC said. ClearSKY has 30 days to pay the full amount or seek a reduction or cancellation of the proposed fine. ClearSKY won more than \$127,000 in support for nine bids covering 207 locations in Illinois.

#### FOX NEWS RANKED GREATEST VALUE

**Fox News Channel** came out on top in a valuation of cable networks by cable operators in **Beta Research's** latest, receiving an average perceived value of \$1.01. **ESPN** and **ESPN2** snagged the second and third spots with \$0.99 and \$0.91, respectively, and were followed by **CNN** (\$0.83) and **Disney Channel** (\$0.82). **Hallmark Networks** saw 64% of cable operators giving it a four or five on a five-point scale when it came to helpfulness to operators in dealing with the business impact of COVID-19, including flexibility on deals, renewals, license fees and free previews. **Discovery Networks** followed with 59% and **Fox Corp** took third with 57%. Looking at basic networks/network groups that customers have most requested be a part of their channel line-up during the pandemic, 39% of operators received asks for Fox News Channel. Some 35% saw requests for **CNN** while **Hallmark Channel** was reported by 25%.

#### MEDIACOM SEES 24% FCF JUMP

The pandemic continued to drive strong broadband gains for **Mediacom** in 4Q20, with the company reporting an 8.3% YOY

jump in broadband customers. Adjusted OIBDA rose 16.3% to \$246.8 million, while free cash flow jumped 24% to \$151.4 million—all while Mediacom continues to reduce debt. It ended the year with net debt just over \$1.7 billion, a \$471.7 million reduction from the end of 2019. The company has reduced debt by \$600 million the past two years despite the \$1 billion funding for capital investments and the purchase and support of the **ACF Fiorentina** soccer club. Mediacom added 13,000 broadband customers vs 12,000 a year ago, which helped revenue for 4Q top \$549 million—a 7% increase. Video customers continued to decline with Mediacom shedding 20,000 in 4Q20, on par with 19,000 loss a year ago. Phone customer losses accelerated from 3K in 4Q19 to 13K.

#### SHENTEL'S RECORD BROADBAND ADDS

Fourth quarter results offer some promising signs for **Shentel's** plan to lean in to broadband as **T-Mobile** acquires its wireless business. The rural telecom provider added a record 18,800 broadband subs in 4Q, more than 2.5x higher than 2018 and 2019. Its new Glo Fiber service contributed about 4,000 of those subs, with the company adding approximately 27,000 homes passed for the FTTH network and expanding passings to more than 116,000. “Our first full year of Glo Fiber exceeded our expectations for construction pace, penetration rates and churn, validating our investment thesis,” said Shentel president/CEO *Christopher French*. In October, Shentel launched its Beam fixed wireless service, which has 100 sub and passed 9,400 homes in four Virginia counties. Overall, Shentel's revenue grew 6.7% to \$220.8 million, while adjusted OIBDA increased 15.8% to \$57.2million. T-Mobile has exercised its option to purchase Shentel's wireless assets, with the appraisal process putting the sale price at \$1.95 billion. The deal is expected to close in 2Q21.

#### NBCU, CHARTER TOGETHER ON ADDRESSABLE ADS

**NBCUniversal** and **Charter** struck a partnership that will allow the former to sell addressable ad campaigns on their own inventory across Spectrum platforms. The deal expands NBCU's US household addressable footprint by nearly 40% to 45 million households. The integration is scheduled for 1Q21.

#### PROGRAMMING

**truTV** greenlit “Backyard Bar Wars,” a comedic home renovation series hosted by comedian *Chris Distefano*. The series will premiere this July. – **HBO Max** acquired the US streaming rights to a three-part miniseries, “Isabel,” based on the life of author and activist *Isabel Allende*. The limited series premieres March 12. – **INSP** will premiere 15-episode historical docudrama series “Wild West Chronicles,” April 11 at 5:30pm.

#### PEOPLE

**ESPN** promoted *Kaitie Daley* and *Flora Kelly* to vp roles. Daley will continue to oversee ESPN's social media team and Kelly will lead the new brand strategy and content insights team. – **NCTA** pres/CEO *Michael Powell* was elected chair of the **Mayo Clinic** Board of Trustees. He joined the board in 2011 and has effectively led the board's committees responsible for business development and IT. Powell replaces former **PwC** global CEO *Sam Di Piazza*.

# PROGRAMMER'S PAGE

## Punky Power to the Rescue Again

For those of us of a certain age, “Punky Brewster” was perhaps our first style icon—showing us that it’s OK to purposefully mismatch clothes as long as you finish the ensemble with a pair of rainbow high-top sneakers, a heart-shaped pin and a spunky attitude. Now, Punky is back to teach us 40-somethings how to navigate motherhood, divorce and making more mature fashion choices in **Peacock’s** reboot of the classic ’80s sitcom. This time around, Punky, played again by original star *Soleil Moon Frye*, is a single mother of three who meets a young girl named Izzy (*Quinn Copeland*) in the foster system that’s a chip off the old Punky block. “I have been wanting to bring Punky back forever. I mean as long as I can remember, because I always said if I was 88 years old and people still call me Punky, I will be thrilled,” Frye told critics at the recent **TCA** tour. “Someone might call it a reboot, but I really feel like this is a continuation. We’re not trying to recreate something different. It’s like I am Punky grown up and this incredible Izzy helps me to rediscover my Punky Power.” *Cherie Johnson* reprises her role as Punky’s best friend, while *Freddie Prinze Jr* joins the cast as Punky’s ex-husband. As for Izzy, she offers not only comedic value, but a chance for Punky to grow. “I think that since their characters are similar, their backgrounds are similar.... Punky has to face some of the emotions she hasn’t faced and the feelings she hasn’t faced about her mother,” said *Jim Armogida* (“School of Rock,” “Grounded For Life”), who wrote and executive produced the series with *Steve Armogida*. The original series was famous for its “very special episodes,” mixing sitcom humor with heavy topics like child abandonment. It’s a theme the team wanted to keep. “The original Punky had humor and laughter, and you also were dealing with pain,” said Frye. “Life is messy and we go through rollercoasters of emotions. And so to continue that honesty was incredibly important to everyone involved.” All 10 eps dropped on Peacock Thursday. – *Amy Maclean*

### REVIEWS

“Beartown,” 5-part drama series, **HBO**. Caveat emptor: Your reviewer loves stories set in tight spaces, such as small towns (e.g. **BBC America’s** “Broadchurch”). Add snow to the setting and your reviewer loves it even more (have you seen “Fortitude”?). Now, put sports in the background, make it a foreign-language production and we’re on board. That’s essentially what this new Swedish 5-part drama brings. The story begins with a former NHL player who’s come back to coach his hometown hockey program in a desolate, but beautiful, region of Sweden. He finds the amateur hockey team is a joke, but the juniors (the high school-age squad) have promise. One player, he thinks, is good enough to build a successful team around. That’s only the start of the story, though. It gets more complicated and involves the star and the coach’s daughter. Can you guess where that goes? – “The United States vs. Billie Holiday,” streaming on **Hulu**. If *Billie Holliday* wasn’t such an influential figure, why, decades after her death in 1959, aged 44, are we still making movies about her? This entry into the Holiday mini-genre isn’t the best, but it shines a light on a part of the singer’s life other films skipped. If nothing else, for Black History Month (February) and Women’s History Month (March), it’s worth a look. – *Seth Arenstein*

BASIC CABLE P2+ PRIME RANKINGS* (02/15/21-02/21/21)		
MON-SUN	MC US AA%	MC US AA (000)
<b>FNC</b>	<b>0.786</b>	<b>2,421</b>
<b>MSNBC</b>	<b>0.639</b>	<b>1,968</b>
<b>CNN</b>	<b>0.521</b>	<b>1,604</b>
<b>HGTV</b>	<b>0.364</b>	<b>1,121</b>
<b>HIST</b>	<b>0.325</b>	<b>1,001</b>
<b>HALL</b>	<b>0.325</b>	<b>1,001</b>
<b>ESPN</b>	<b>0.276</b>	<b>851</b>
<b>TLC</b>	<b>0.275</b>	<b>846</b>
<b>TNT</b>	<b>0.263</b>	<b>811</b>
<b>FOOD</b>	<b>0.262</b>	<b>806</b>
<b>INSP</b>	<b>0.257</b>	<b>792</b>
<b>TBSC</b>	<b>0.249</b>	<b>768</b>
<b>USA</b>	<b>0.241</b>	<b>744</b>
<b>DISC</b>	<b>0.241</b>	<b>743</b>
<b>LIFE</b>	<b>0.197</b>	<b>608</b>
<b>ID</b>	<b>0.192</b>	<b>592</b>
<b>TVLAND</b>	<b>0.188</b>	<b>579</b>
<b>A&amp;E</b>	<b>0.185</b>	<b>568</b>
<b>HMM</b>	<b>0.168</b>	<b>519</b>
<b>BRAVO</b>	<b>0.155</b>	<b>479</b>
<b>FX</b>	<b>0.150</b>	<b>463</b>
<b>ADSM</b>	<b>0.150</b>	<b>461</b>
<b>NATGEO</b>	<b>0.146</b>	<b>450</b>
<b>FRFM</b>	<b>0.142</b>	<b>438</b>
<b>BET</b>	<b>0.136</b>	<b>419</b>
<b>GSN</b>	<b>0.134</b>	<b>414</b>
<b>SYFY</b>	<b>0.133</b>	<b>410</b>
<b>APL</b>	<b>0.128</b>	<b>395</b>
<b>WETV</b>	<b>0.121</b>	<b>373</b>
<b>AMC</b>	<b>0.120</b>	<b>371</b>
<b>TRAVEL</b>	<b>0.117</b>	<b>361</b>
<b>PARA</b>	<b>0.108</b>	<b>333</b>
<b>NAN</b>	<b>0.106</b>	<b>325</b>
<b>ESPN2</b>	<b>0.103</b>	<b>318</b>

\*P2+ L+SD rankers are based on national Nielsen numbers, not coverage.



## Who Deserves to Rank Among Cablefax's Annual Top Power Players?

The Cablefax 100 salutes the most influential executives whose leadership continues to take the industry to new heights. We will rank the top professionals in the media, cable & broadband industry and publish the list in the June edition of Cablefax:The Magazine.

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