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WHAT THE INDUSTRY READS FIRST

Not Over: DirecTV, DISH Merger Still Possible

AT&T found a way to offload a 30% stake of its US video business, but this likely isn't the end of the road for **DirecTV**.

Evercore ISI said in a note that the \$16.8 billion agreement it made with **TPG Capital** Thursday meets two of AT&T's goals: generating short-term cash to pay down debt and separating the declining pay TV business from its financials, which should increase its EBITDA growth over time.

But that doesn't mean other possible outcomes for DirecTV, like a merger with **DISH**, are no longer possible. While AT&T CEO *John Stankey* wouldn't comment directly on any future joinings with DISH during a Thursday investor call, he did say that new partner **TPG Capital** had a few ideas of how to position the video business differently in the future to create more value for both it and AT&T.

"Generally speaking, we remain a participant in any future value that gets created as a 70% owner of this entity," Stankey said. "If something else occurs, we get 70% of, ultimately, the value and our partner gets 30% of the value as a general rule. Both parties are incentivized to create more value because it's good for our investment and our structure moving forward."

New Street Research said in a Friday note that the transaction is better than it seems for AT&T, but only if there is another value-enhancing transaction down the line (like a merger with DISH). "Regardless of whether our theory on the transaction is right or wrong, we are confident that this transaction was

set up as a precursor to a second transaction, presumably a combination with DISH," the firm said.

Such a combination has been talked about across the industry for ages, and it's recently been on the brain of DISH's top dogs. During DISH's 3Q20 earnings call, chmn *Charlie Ergen* said that he still believed it was "inevitable" DirecTV and his company would eventually merge, whether it's a year from now or 10 years from now.

DISH has been less focused on its pay TV business of late as it works to meet the **FCC's** milestones for the buildout of its nationwide cloud-native 5G wireless network. It expects to begin the physical buildout in the second half of this year, and it needs to cover 20% of the US population by June 14, 2022 using many of its spectrum licenses. Should it fail to meet any those milestones, it could pay up to \$2.2 billion in voluntary contributions and potentially be forced to forfeit some of its spectrum licenses.

This week, it won one license in the C-band spectrum auction for \$2.5 billion and signed a deal with technology firm Intrado for end-to-end 911 call delivery.

EMERGENCY BROADBAND READY TO ROLL

The **FCC** voted unanimously late Thursday to approve an order implementing the Emergency Broadband Benefit program, meeting a statutory deadline set by Congress to adopt rules for implementing the \$3.2 billion federal initiative. It was a tight deadline, particularly given the change in leadership. Commissioners across the board gave acting chair *Jessica Rosenworcel* and

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her staff credit for getting it done. The actual order was released Friday afternoon and as promised, it makes it clear that both eligible telecommunications carriers and non-ETCs (which are most cable operators) can participate. This also permits non-traditional broadband providers, like community-owned networks, electric co-ops and municipal governments from getting in the on the action. Republican commish *Brendan Carr* said he was pleased there were some significant changes from the draft circulated earlier this week, including that it now includes a timeline for beginning enrollment, specifying that the FCC expects to open that process no later than 60 days from now. He didn't agree with everything. For example, he wanted students prioritized more in the program. But he said it was imperative to compromise and stand up the initiative. The program provides eligible low-income households with discounts of up to \$50 a month for broadband service, and up to \$75 a month if the household is on Tribal lands. It also will provide a one-time discount of up to \$100 on a computer or tablet for eligible households. **Comcast, AT&T, ACA Connects** and **NCTA** were among those toasting the order's approval.

AMC NETWORKS SETS STREAMING MILESTONES

Streaming served as the bright spot in **AMC Networks'** 4Q20 earnings report as the programmer ended 2020 with more than 6 million aggregate subscribers across its streaming services. Revenues from streaming grew 97% YOY and the programmer expects to reach the 9 million subscriber milestone across **AMC+, Acorn TV, Shudder, Sundance Now** and **ALLBLK** by the end of the year, and it hopes to count 20-25 million by 2025. AMC Networks CEO *Josh Sapan* said Friday that the streaming services are now a significant part of conversations with distributors.

"We're now in, frankly, a wonderful new form of harmony with them. We developed our streaming services, some of them, with the input of these very MVPDs and we have multiple products that go on their shelves," Sapan said on AMCN's earnings call. "So we have extraordinarily well read, lower-priced, very strong linear cable channels and now they're carrying our streaming services. As a retailer, that gives them a margin opportunity." National networks revenue saw a 3% decrease to \$571 million while operating income fell 7.9% to \$144 million. Distribution revenues fell 1.2% to \$334 million due to a 1.8% decrease in content licensing and a 1.1% drop in subscription revenues. Advertising revenues saw a 5.5% drop to \$237 million, which was primarily due to shifts in the timing of original programming as a result of production delays caused by the pandemic, resulting in lower inventory. AMCN recorded an additional \$96 million in gross proceeds after fully monetizing its stake in **fuboTV** in January.

MEDIACOM'S GOOGLE FIBER FACE-OFF IN IOWA

Mediacom is still fighting the City of West Des Moines, claiming it improperly used taxpayer-backed financing bonds intended to remedy urban blight and poverty to build a \$50mln city-wide conduit network for the exclusive use of **Google Fiber**. On Thursday, the operator told the court why it shouldn't grant the city's motion to dismiss the case, saying it's already denied Mediacom access to the network. Mediacom also alleges that Google Fiber has or imminently will seek a certificate of franchise authority and that the City and Google Fiber are designing the network in a way that will deny other ISPs comparable access. "By the time Google Fiber begins providing cable or video services, the damage will be done," Mediacom said in its court filing. The city stands by its actions and

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disagrees with the notion that its efforts to encourage its citizens to connect to the city-owned conduit network fall within the range of conduct barred by statute.

NARB SUGGESTS AT&T AD CHANGE

The **National Advertising Review Board** suggested **AT&T** clearly and conspicuously disclose its material connection to **Global Wireless Solution** when claiming it is the “Best Network” based on GWS testing. The panel also said that when AT&T claims it is “Building 5G on America’s Best Network,” it suggests that the company provides the best 5G network rather than referring to AT&T’s 4G network. Since the latter claim cannot be proven, NARB suggested that AT&T either discontinue or clarify the claim in its body. This comes after a challenge to the company’s advertising before the National Advertising Division by **Verizon** in 2020. AT&T said it will comply with NARB’s decision and was pleased with several of the panel’s conclusions, but respectfully disagrees with the panel’s recommendation and the conclusion “that there is a material connection between the company and Global Wireless Solutions necessitating disclosure.”

DOING GOOD

Comcast will supply free WiFi to 20 community centers in Oakland, California, for the next three years as a part of its Lift Zones initiative. The announcement was made during an event with Olympic Gold Medalist swimmer *Simone Manuel*, who spoke virtually with students. The company also contributed \$100,000 to the City of Oakland Parks and Recreation Foundation. Some 1,000 students whose families are eligible will receive personal laptops and free Internet at home for 12 months through its Internet Essentials program.

CABLEFAX DASHBOARD

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 **Ben Thompson** @benthompson
 AT&T acquired DirecTV for \$67B, including debt, so basically they lost the equivalent of Netflix’s content budget from 2017-2020 on DirecTV.
 I’m going to go ahead and give the edge to Reed Hastings as far as capital allocation is concerned.

 **Ben Fritz** @benfritz
 I’ll say this about Paramount Plus: My son is very aware it will have new Spongebob content on it and very concerned about whether we’ll have access to it.
 4:37 PM · Feb 24, 2021 · Twitter Web App

Research

- > 70% of 16-34 year olds say that the term “original makes them more interested in watching a show or movie than they otherwise would be.
- > Across all traditional TV networks and streaming services, viewers are most likely to name Netflix (29%) as the source of the best original content. CBS came in second with 6%.
- > Among those who had heard that Disney+ would be the exclusive home for certain new films and franchise titles, 68% name it as a reason for signing up, with 21% calling it their main reason.

(Source: [Hub Research](#))

Up Ahead

- MARCH 1-4:** MORGAN STANLEY TECHNOLOGY, MEDIA & TELECOM CONFERENCE 2021
- MARCH 2-3:** NCTC SMARTCLICKS MARKETING & VIDEO SERIES
- MARCH 8:** STRONG WOMEN ALLIANCE “STRONG WOMEN LEAD” PANEL
- MARCH 16-20:** SXSW ONLINE
- MARCH 19:** THE FAXIES ENTRY DEADLINE
- APRIL 9:** CABLEFAX 100 NOMINATION DEADLINE

Quotable

“We commissioned this study because we wanted to figure out how we were doing in our mission to make sure that the content on Netflix was representative of the communities we serve... What we saw in the data is we have massive improvement in things like putting women behind the camera, putting women of color in director roles and creator roles, which is incredibly helpful because that ripples through and it increases the employment of women and women of color through every discipline of TV and filmmaking. We have a ton of work to do in other under-represented communities, particularly LatinX, people with disabilities, and we’re committed to doing that work.
 – Netflix co-CEO/chief content officer Ted Sarandos talking to **CNBC** about the company’s first diversity report

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