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WHAT THE INDUSTRY READS FIRST

Verizon 1Q: Broadband Up, C-band Coming, MVNO Questions

Verizon is the first provider to report 1Q21 results, and if it's any indicator, broadband is still hot even as the pandemic moves past the one-year mark.

Fios consumer internet adds totaled 98,000, up from 59,000 additions in 1Q20. Total Fios Internet adds of 102,000 marked the most first quarter net additions for internet since 2015. Yes, it's true that video continues to decline (is that surprising at this point?), with Fios Video losing 82,000 subs in the quarter as cord-cutting marches on. "While we continue to experience revenue pressure associated with secular video trends, our broadband growth combined with a shift up in speed tiers more than offset that pressure and will continue to drive solid rev performance for us," CFO *Matthew Ellis* said during Verizon's call with analysts.

Assuming strong broadband trends continue for other providers this quarter, the question is how long can this demand continue. Verizon thinks it's early innings. "We are just starting a total revolution of using technology, which is scalable and sustainable in the post era of COVID. We are in a great position. That is going to help tremendously when we come with 5G Home or mmWave and C-band and all that because we know how to deal with home broadband," CEO *Hans Vestberg* said.

Verizon 5G Home is now in more than 30 markets, with its recently acquired C-band spectrum to add even more 5G markets. It's already begun installing C-band equipment from **Ericsson** and **Samsung**. The initial C-band spectrum isn't expected to be cleared until the end of this year, with the company expecting 5G Ultra Wideband service using C-band to be deployed to 46 markets/100 million customers by March 2022. Over 2022 and 2023, coverage is expected to increase to more than 175 million people and by 2024 and beyond, when the remaining C-band spectrum is cleared, more than 250 million people are expected to have access.

T-Mobile's 5G rollout arguably puts pressure on Verizon's timeline. Vestberg said the company is pushing as quickly as possible, with March the best estimate right now for putting the spectrum to work. "We have already ordered half of the equipment. We have agreements with the tower companies. We have talked to the satellite companies that have reaffirmed they believe they can clear this first tranche of spectrum in the third quarter and fourth quarter… The technology was on fire to make this happen," the CEO said.

With cable competing in the wireless space, it's notable that Verizon lost 178,000 phone subs during the quarter. Management said things were turning around in March as an improving COVID environment allowed almost all its retail stores to open. March saw positive phone net adds, with that momentum expected to continue. At the same time, **Comcast** recently announced family plan discounts after renegotiating the terms of its MVNO agreement with Verizon. Vestberg wouldn't discuss the specifics of the agreement, but downplayed any threat from cable MVNO partners. "We have a good relationship with our MVNO partners. We view them as enterprise customers, but we see this as accretive to us because nobody in the market has the same opportunity as we have to play all [sides]," he said, adding that later this year, it expects to add no-contract mobile service **TracFone**. Verizon still expects that acquisition to close in the second half of the year.

Analysts at **MoffettNathanson** believe cable is poised to become a greater threat in mobile. "Comcast's new family plan pricing strikes at what had previously been the cable industry's wireless Achilles heel; they weren't price competitive for families with more than two lines. Now they are; Comcast's unlimited service is now cheaper than, or at least on par with, Verizon's service for every size plan. We're not sure Comcast can make money at their new prices, but we're sure they can take more subscribers," the firm said in a note to clients. Look for plenty of questions on mobile when Comcast reports next Thursday.

DISNEY, SONY REACH MEGA MOVIE DEAL

Disney and **Sony Pictures** entered into a big new licensing agreement for US streaming and TV rights to new Sony theatrical releases across **Disney+**, **Hulu** and the linear networks. It covers releases from 2022-2026, beginning for each film after its Pay 1 TV window. In other words, after they appear on **Netflix**, which has exclusive first-window licensing rights. The multi-year deal builds on the companies' prior licensing agreement for **FX**. The deal also includes a "significant" number of library titles, including Spider-Man films. Hulu will gain access to some titles beginning as early as July.

FCC DENIES GRAY COMPLAINT AGAINST FRONTIER

The **FCC** denied **Gray Television**'s retransmission consent good faith negotiation complaint against **Frontier** Wednesday. Gray filed the complaint back in December after the pair couldn't reach a renewal for stations in Sarasota, FL; Charleston, SC; and Myrtle Beach, SC, by Dec 18. The **Media Bureau** determined that Frontier did make an attempt to negotiate, designated a representative with authority to participate in the negotiations and fulfilled all customer notice obligations. "The Commission does not require broadcasters and MVPDs to reach agreement or to agree to an extension, but rather, it requires them to engage in the type of active participation in negotiations that occurred here," Media Bureau chief *Michelle Carey* said in the Memorandum Opinion and Order. "Frontier made multiple offers that, had Gray accepted them at the time they were made, would have resulted in carriage of the Stations… While Gray cites Frontier's refusal to agree to the short-term extension Gray proposed as further evidence of Frontier's 'true intent' not to reach agreement, Frontier explains that the proposed extension would have had negative monetary implications for Frontier and also could have led to customer disruption and confusion."

VERIZON GETS EBB WAIVER

Verizon got a little extra time from the **FCC** to submit its reimbursement claims for newly enrolled Emergency Broadband Benefit subscribers. The agency granted its request for a waiver of the 15-day deadline for the first reimbursement claim for a newly-enrolled EBB subscriber and granted it a one-month delay to submit the first reimbursement claim for a newly-enrolled subscribers. Verizon said it needed the extra time because it

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"has elected to offer the EBB discount on multiple services … [and] will have to separately determine the EBB reimbursement amount for each subscriber on its snapshot list." For example, Verizon said its 200/200 Mbps Fios service could result in possible per-subscriber EBB reimbursement amounts of $49.99 per month, $40.74 per month (if the subscriber is also receiving a Lifeline discount), $39.99 per month (if the customer is receiving an autopay discount), and $50 per month (if the subscriber is also renting a router from Verizon). The EBB program, expected to launch for consumers in the coming days, provides eligible low-income households with discounts of up to $50 a month for broadband service (up to $75 a month if the household is on Tribal lands). Participating broadband service providers will receive the funds directly from the EBB program, but they must submit certified reimbursement claims through the Lifeline Claims System by the 15th of each month, or the following business day in the event the 15th is a holiday or falls on a weekend.

NETFLIX STILL COUNTS LINEAR TV AS RIVAL

Cordcutting is the trend, but **Netflix** still sees linear TV as its biggest competitor for TV viewing time. "Our second largest is **YouTube**, which is considerably larger than Netflix in viewing time. And **Disney** is considerably smaller, but we're sort of in the middle of the pack," CEO *Reed Hastings* said during the company's 1Q21 earnings call. "But in terms of what we focus on, it's the same things that we've always focused on, which is our member satisfaction drives retention and word of mouth drives our growth." CFO *Spencer Neumann* said the company is at still less than 10% TV view share, even in its biggest markets.

ROKU REVEALS QUIBI CONTENT REBRAND

Roku is rebranding the content it acquired from **Quibi** in January as Roku Originals. Roku Originals will be the brand name for all future original programming for The Roku Channel. More than 75 originals, including a dozen unreleased series, will debut for the first time on the ad-supported destination this year. Additional details on the launch of Roku Originals will be shared in May.

INDIANA BROADBAND EFFORTS

The state of Indiana passed legislation that would create a public broadband portal for individuals to report if their service falls below the 25/3Mbps standard. ISPs will then be able to use the portal to submit bids for a grant award to extend service with speeds of at least 50/5Mbps to unserved addresses. A separate bill directed most of the federal broadband funds coming to the state as part of the American Rescue Plan to schools and healthcare providers. It also created a separate grant program that would encourage connectivity to households with students.

CHAUVIN VERDICT

CNN has long boasted that it's the network Americans turn to when news breaks, and the numbers for the *Derek Chauvin* verdict bear that out. From 4:30-6:30pm ET Tuesday, CNN averaged 4.028 million viewers, ahead of **ABC**'s 4.003 million. Rounding out the top give were Fox News (3.442mln), **MSNBC** (3.066mln) and **CBS** (3.017mln). CNN also led in 18-34s and 25-54s.

2021 BETA DATA

Beta Research added a new measure to its annual Brand Identity Study in 2021, asking viewers 25-54 which basic networks they especially like to watch during the coronavirus pandemic. For basic cable networks, **Bravo** (57%) led the pack, followed by **Food Network** (56%), **National Geographic** (56%) and **Travel Channel** (56%). Leading the digital basic cable networks in the category was **Hallmark Movies & Mysteries** (56%) followed by **GAC** (55%), **INSP** (54%) and **MotorTrend** (54%). The survey also measured percentages of 18+ viewers describing basic and digital basic cable networks as their favorites. **Investigation Discovery** (51%) led basic cable followed by **Hallmark Channel** (50%) and National Geographic (50%). MotorTrend Network (53%) topped digital basic cable, followed by INSP (52%) and **Discovery Life** (51%). Beta Research ended the survey asking which networks viewers 18+ would describe as valuable. **Weather Channel** (60%) led basic cable networks ahead of National Geographic (56%) and **CNN** (55%). Digital basic cable networks were led by **Science** (55%) which trailed just in front of **Nat Geo Wild** (54%) and **American Heroes** (53%).

ESPN LEADS SPORTS EMMY AWARD NOMINATIONS

ESPN led the pack in the annual Sports Emmy Awards for an eighth consecutive year with 54 nominations. **Fox** came in second with 31 nominations and third was **NFL** with 28 nominations. **NBC** and **CBS** followed closely with 25 and 24, respectively, and **Turner** racked up 20. Not to be forgotten are **HBO** with 13 nominations, **MLB** with 10 and **Netflix** with 9 nominations.

ON THE CIRCUIT

WICT revealed the 220 designees of its 2021 Rising Leaders Program, which recognizes industry professionals demonstrating strong leadership at a managerial or director level. The group, which will be divided into three classes, was selected through a process led by more than 100 cable professionals and alumnae of the program on the application review committee. The April class will be conducted virtually, with a planned return to live, in-person sessions for the October and November classes. Companies who will be represented in the program are **AMC Networks**, **A+E Networks**, **Armstrong**, **Charter**, **Comcast**, **Cox**, **Crown Media Family Networks**, **Disney & ESPN Media Networks**, **GCI**, **iconectiv**, **INSP**, **NBCU**, **Showtime**, **Sparklight**, **UPtv**, **ViacomCBS** and **WarnerMedia**.

PROGRAMMING

NBC Sports Chicago and **PointsBet** will present "BetCast," a sports-betting experience covering the Bulls-Hornets game Thursday at 8pm CT as an alternate presentation on NBC Sports Chicago Plus. The program will include sports betting data, analysis, information and commentary throughout the **NBA** matchup. – "Survivor's Remorse" debuts Wednesday at 10:30pm on **BET** and **BET HER**. The show previously ran for four seasons on **Starz**.

PEOPLE

Kelly Abcarian was named evp, measurement & impact at **NBCUniversal**'s Advertising and Partnerships division. Abcarian was previously gm of **Nielsen**'s Advanced Video Advertising Group.

Think about that for a minute...

Disconnects

Commentary by Steve Effros

Maybe it's just me, but I'm starting to wonder whether the folks lobbying for a federal fix to the "digital divide" are hearing themselves. That's not to say I'm opposed to the notion that broadband has joined the cadre of services that should be considered "essential." I think we are beyond that. For business reasons, for personal reasons, to become a fully functioning member of society, the need to be able to communicate widely is now definitely part of the mix. So, yes, we should make sure good broadband is available to everyone in the country.

But the arguments as to how to accomplish that are far more complicated, and it just seems that there are a whole lot of "disconnects." One example would be the very loud claim that this infrastructure should be managed, or regulated or built or its design should be dictated by the government. As I noted last week, before reaching that conclusion one should do some thorough evidentiary research on how successful a majority of municipally owned cable/broadband systems have been to date. Yes, there are a few notable successes, but only a few.

Do we really want the government dictating, and essentially freezing what technology to use? Which part of the government should we listen to? There's one very loud group pushing for the "magic" of fiber optic cables. But do they know, or even acknowledge, that most of the systems already built in the United States with "HFC..Hybrid Fiber Cable" are capable of providing the same levels of service that fiber can bring? Again, I'm not saying that fiber isn't good. It is. But so is HFC, and in certain instances so are low earth orbiting satellites, or "5G" cellular service. All as "future proof," to the degree we know the future, as fiber. It's a terrible blunder for the government to unknowingly favor one technology over others simply because one group of lobbyists have, admittedly, done a spectacular job of "getting the ear" of the new administration.

Focus on the service, and its uses, which are considered in some way vital or essential, not a designation of who or how the infrastructure is built or who owns it. There's a certain irony to the cry that we need all this broadband access, at blazing speeds, in order to satisfy the demand for "remote learning" when at the same time there's extraordinary pressure to get schools open again and students back in classrooms because "remote learning" has proved to not be a terribly satisfactory substitute for the real thing! Doesn't anyone else see the disconnect here?

Again, not saying I don't want great service, everywhere. But what I know is that in many communities that service could be delivered by infrastructure already in place if (I know, this is a bell I keep ringing) the "middle mile" problem of getting high speed broadband capability at a reasonable price to more rural areas was solved! You don't need two systems in a rural area, neither of which can deliver the service you seek because there's a missing piece of the puzzle!

And in urban areas, the availability of infrastructure and "speed," (capacity) if necessary, is already there. The issue is cost and usefulness. If folks don't have computer literacy, or indeed, computers, to access useful services (and I stress "useful") then the infrastructure is moot. So, naturally, we start hearing talk of price regulation. But that has never effectively worked with most utilities because when the regulators finally try to build or regulate prices themselves they find out how costly it really is to build and maintain these systems! At some point, before doling out lots of money, hopefully, the discussion will include these realities.

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.)