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WHAT THE INDUSTRY READS FIRST

New Path: Sinclair Taking RSNs Direct-to-Consumer in 2022

Sinclair is paving its own way in the RSN ecosystem, announcing the planned launch of a direct-to-consumer app for the properties in the first half of 2021.

President/CEO *Chris Ripley* said on the company's 1Q21 earnings call Wednesday that going direct-to-consumer was its largest opportunity to capitalize on the regional sports assets.

"It's no secret that consumer cordcutting and the dropped distributor carriage of the RSNs have left many people scrambling for a way to watch their favorite local team. It is imperative that Sinclair be able to fill that void and be able to provide consumers the sports programming they desire most in the way they choose to access it, MVPDs or digital means," Ripley said.

Sinclair counted 52 million RSN subscribers at the end of 2020, of which approximately 35 million households are unique. Those 35 million households represent less than half of the total subscribers possible within the footprint covered by the **Bally Sports** RSNs. "The total number of addressable subscribers under the DTC model is theoretically more than double," Ripley said.

The launch is still many months away, so the management team wasn't able to offer particulars on price point or content that would live on the app. Ripley did say that the intent behind the effort is to complement the accessibility of the programming currently accessible on traditional video packages. Sinclair believes the incremental revenues from direct-to-consumer will likely more than offset the loss of revenue from churn of subscribers off traditional video platforms.

Chief advertising revenue officer and broadcast president *Robert Weisbord* said the RSN DTC app could also unlock additional advertising opportunities. "The RSNs are in multiple DMAs. We'll be able to target ads and during the political season, we'll be able to capture more of the political dollars," he said. "And then through the gamification and our interactive division, we'll be launching some free-to-play [games] beginning this year, and we'll be able to capture dollars sponsoring these free-to-play."

Ripley said Sinclair has already cleared the path with distributors on launching the DTC product and is currently in talks with leagues and individual teams on expanding their current rights deals to enhance the product even more. None of those conversations should delay the announced launch timing.

Sinclair will continue to have conversations with distributors, including those like **DISH**, **Hulu** and **YouTube TV** that have dropped the RSNs over the last two years. Those losses continue to affect Sinclair's distribution revenues, which were $1.109 billion versus $1.156 billion the same period last year due to the dropped carriage of the RSNs as well as higher subscriber churn in the pay TV ecosystem. When asked if the broadcaster would agree to a deal with DISH that did not include the RSNs, Ripley said he couldn't start negotiating in public for obvious reasons.

"What I will note is that we have had tremendous success with the traditional MVPDs when we come with the entire suite of our programming on offer. In fact, we have been successful with all of them under that circumstance, save for **Frontier** who filed for bankruptcy," Ripley said. "We don't have a crystal ball, but I will note that that has been a successful strategy for us with the other traditional MVPDs."

Total revenue fell 6% to 1.51 billion in the quarter and media revenues dropped 5% to 1.497 billion due to the absence of meaningful political revenues. Advertising revenues clocked in at $371 million, a 7% decline YOY. Excluding political, advertising rose 3% due to the return of local sports games.

MAINE A LA CARTE CASE DIES

Maine is no longer fighting to enact a law that would force cable operators to make video channels (and individual programs) available to consumers on an a la carte basis. The law was challenged by **Comcast**, **C-SPAN**, **Disney**, **Discovery** and other programmers, who won a preliminary injunction in December. The state appealed to the US Court Appeals of the First District, which upheld the lower court decision in February. The First Circuit wrote that the district court "correctly determined that [the law] triggers heightened First Amendment scrutiny because it 'singles out' cable operators. The state has acknowledged that it cannot meet any heightened level of scrutiny on this record." The parties filed a joint motion last month to drop the case, with Maine no longer pursuing the law. US District Court Judge *Nancy Torresen* granted the motion last week.

TIMID T-MOBILE SOARS IN 1Q21

Charlie Ergen fired plenty of shots at the "Magenta Grinch" during **DISH**'s earnings call last week, but the usually feisty **T-Mobile** let its numbers do the talking when announcing its results late Tuesday. The mobile operator added 1.4 million net additions and brought in $19.8 billion in revenues for 1Q21, which was good news for investors that worried whether T-Mobile could continue to compete in LTE while pushing towards a 5G future. "That T-Mobile continues to take share even in the twilight of the LTE era is reassuring. In a world of roughly comparable networks, they are competing on the basis of price alone… and they are taking share rapidly," **MoffettNathanson** said. "In 5G, they will compete not only on the basis of the industry's lowest prices, but also the industry's best network." T-Mobile's ultra capacity 5G network is on track to cover 200 million people nationwide by the end of the year while its extended range 5G service already covers 295 million people across 1.6 million square miles. Postpaid net additions in the quarter hit 1.2 million, and postpaid phone net additions were 773,000 with 0.98% churn. T-Mobile is continuing to move **Sprint** customers onto T-Mobile's network, and now 50% of Sprint traffic and 20% of Sprint customers have been migrated. With that progress, the company upped its merger synergies guidance to $2.8-3.1 billion for 2021.

MEDIACOM ON OIBDA ROLL

Mediacom recorded its third-straight quarter of industry-leading adjusted OIBDA growth, posting a 15.2% YOY increase in 1Q21 to $236.3 million. Broadband customers increased by 7.8% YOY to 1.45 million in the quarter, while video shed 626,000 (down 9.7% YOY). Revenue rose 5.8% to $547.5 million, and the company's net debt leverage declined to an all-time low of 1.67x. Net debt is at $1.581 billion, a $527 million reduction from March 31, 2020.

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C-BAND/5G TRANSITION REMINDER

The **FCC**'s plan to clear C-band spectrum for 5G is well underway, and cable operators are being reminded to do their part. Beginning in June, there will be a big push to get red filters installed at earth stations subject to Phase 1 of the transition. These filters mitigate 5G interference to existing antennas. Given the timing, the satellite operators' installation contractors—such as **USSI**, **ATCi**, **Viking Satcom** and **Pacific Cable**—will be reaching out this month to non-lump sum election members to schedule filter installation. **ACA Connects** and other groups are urging operators to be immediately responsive, especially given the compressed timeline and because it is to their benefit.

STREAMING DOMINATES COMCAST DOWNSTREAM

Video and entertainment services were the number one traffic driver for **Comcast**'s internet customers in 2020, the company announced in a blog post. Some 71% of all downstream traffic over the company's network was due to video streaming, up 1% from 2019. Across X1, Flex and the Stream app, customers were watching approximately 3 hours more content per week than they were before the pandemic started. Streaming, unsurprisingly, saw the biggest viewing gains on Xfinity platforms, fueled in part by the launch of more than 70 streaming apps and channels. OTT viewing was up 73% YOY on X1 and Flex and 78% of X1 customers are accessing OTT apps on the platform monthly. Of those customers, nearly 80% are using two or more apps monthly. Ad-supported programming accounts for more than 50% of total viewing on Flex with **Peacock**, **Xumo**, **Pluto** and **Tubi** regularly ranking among the most viewed apps on the platform.

TELEMUNDO LAUNCHES STREAMING-ONLY STUDIO

NBCUniversal Telemundo Enterprises is creating **Telemundo Streaming Studios**, which it bills as the first studio in Hispanic media dedicated exclusively to serving global Latino streaming audiences. The unit will expand Telemundo's production capabilities to create original scripted content for direct-to-consumer platforms in addition to offering production services to those platforms. The production unit launches with more than 35 projects in development, including dramedy "Armas de Mujer" for **Peacock** and Seasons 4 and 5 of "El Marginal" for **Netflix**.

VIRTUAL DIVERSITY WEEK SET FOR 2021

The industry's Diversity Week is going virtual again for 2021. The event is scheduled for the week of October 4, and it all kicks off with two days of **WICT**'s virtual Leadership Conference. **NAMIC** will take over Oct 5-8 with its virtual Annual National Conference and the **Walter Kaitz Foundation** will stage a virtual celebration in place of its annual fundraising dinner. The industry's diversity partners have already locked in plans to resume in-person activities in NYC on Oct 9-13, 2022.

MASTEC ACQUIRES INTREN

Infrastructure construction firm **MasTec** acquired all the equity interests of utility specialty contractor **INTREN** for approximately $420 million in cash plus a contingent earnout through year end 2021. INTREN provides electrical distribution network services under various multi-year master service agreements to the nation's largest utilities, municipalities, and cooperatives. At closing, INTREN is expected to have approximately $100 million in tangible net worth. The acquisition will be funded from MasTec' s cash on hand and its existing senior secured credit facility and is subject to customary purchase price adjustments

1Q INSIGHTS FROM CANOE

Canoe, a dynamic ad insertion venture owned by **Comcast**, **Cox** and **Charter**, boasted that it had 5.8 billion ad impressions on VOD and linear addressable campaigns in 1Q21. Other ad inventory insights include that its viewership was lower on traditional set-top-boxes (34%) versus other devices (66%). Viewers must have been happy considering Canoe said 53% of users saw the same ad only once during an episode. Advertisers were 84% external and 16% internal. The direct sales teams made 93% of sales and only 7% sold through private marketplaces/programmatic. Campaigns included 25 programmatic VOD campaigns as well as 27 addressable campaign lines across seven TV networks.

PEABODY AWARDS

Over 1,300 Peabody Awards entries have been whittled down to 60 nominees deemed to represent the most compelling and empowering stories released in broadcasting and streaming media during 2020. **PBS** and **Netflix** lead with 10 and eight nominations, respectively, followed by **HBO** with five, **Amazon** with three and **Apple TV+**, **CBS** and **Showtim**e with two. Thirty winners will be named during a virtual celebration in June, with details to be announced in the coming weeks.

HARRIS POLL'S EQUITREND BRANDS OF THE YEAR

The Harris Poll released its annual results for **EquiTrend Brands of the Year,** including Factual Entertainment TV Brand winner **History Channel**. The net was followed by **Discovery Channel**, **National Geographic**, **Food Network** and **Animal Planet**, respectively. Harris Poll also recognized General Entertainment TV Brands that tied for first, **Freeform** and **FX**, followed by **A&E**, **ION** and **AMC**, respectively. **Disney Channe**l took first for Kids' TV, followed by **Disney XD**, **Cartoon Network**, **Boomerang** and **PBS Kids**. **Roku** was named Media Streaming Device Brand of the Year, followed by **Amazon Fire TV/Fire Stick**. The Pay Cable TV Network Brand of the Year is **HBO**, trailed by **Cinemax**, and the TV Network Brand of the Year is **PBS**, followed by **ABC**, **CBS** and **NBC**. **Google Fiber** is the TV & Internet Provider Brand of the Year, with competitors **Comcast**, **Charter**, **Verizon Fios** and **Altice USA**'s **Optimum** rounding out the top five. **The Weather Channel** is Harris' TV News Network Brand of the Year.

HONORS

The **SCTE Foundation** is accepting applications for the annual Catherine Oakes Memorial Leadership Scholarship for Women. The program awards women in the cable telecom industry, or those that have aspirations to join the industry, and encourages them to grow their leadership skills. This year's recipient will receive a $3,500 scholarship to attend **WICT**'s Executive Development Series on November 3-4 in San Diego. The scholarship is open to all women who are SCTE members and applications are due June 10.

Think about that for a minute...

Estimates

Commentary by Steve Effros

Maybe I'm missing something. Why, exactly, should we look at the performance of companies on a quarterly basis and either hype them or penalize them based on whether they met the estimates published either before the quarter, by the company itself, or, more likely, "analyst estimates" of what they prognosticated would happen?

If a company "misses" the estimates of analysts, isn't it the analysts who are wrong, not the company? This whole thing about companies watching their stock price bounce up and down based on what analysts are guessing has reached the absurd. Sure, some of those analysts are very good and knowledgeable. But an estimate is an estimate. It's (hopefully) an informed guess. To respond to actual facts, the real "numbers" for a company makes sense. To respond not to what the company did, but whether it met the expectations of analysts should reflect at least as much on the analysts as it may (or may not) on the company.

The big tech companies have been releasing their "numbers" for this past quarter. In the main, the numbers are eye-popping, with billions of dollars in revenue, higher profit margins than almost anyone estimated, and, frankly, obscene payouts to the folks running those companies. That a company like Twitter, which reported a profit and $1.03 billion in sales "missed" the $1.06 billion estimate and thus watched its stock drop by almost 15 percent gives me a headache.

Yes, I know, there are other factors. What's the estimate of sales for the next quarter? Lower than "we" had hoped? What's the "outlook"? All those things play into the reactions of the market. But, at bottom, both the company estimates for what might happen in the next few months and certainly the guesses of the analysts are just that: guesses.

Can the numbers be "played?" Can they be manipulated? Of course. "Lowball" the corporate guess and then beat it handily. Stoke the stock by estimating a barnburner of a quarter. Both approaches have been done multiple times. It's the Wall Street game, and it's, in my view, one of the primary reasons big companies, and big industries like ours get in trouble with our customers. The Market players, and those folks who are getting the absurdly high salaries, have concluded that the business they are in is stock manipulation in one way or another, not providing a good product, at a good price, with good service to the public.

We watched this happen in the cable industry years ago when the focus of Wall Street was on "quarterlies" rather than on a long-term business prospect. In order to "juice" the quarterlies there was an obvious ploy: limit capital expenditures. Put off rebuilds and upgrades, reduce customer service expenditures. Sure, it worked. The numbers were made. The "estimates" were beaten, and some companies so badly fouled both the customer and regulatory climate that it took years to recover.

Of course, we are not alone in all this. "The Market" has warped the company/consumer relationship for a long time in lots of businesses. That may be advantageous for all those CEOs and CFOs, as well as the players and managers of the stock market, but I'm not so sure it's a good long-term bet for companies building what they hope will be long-term relationships with customers and, particularly in our case, long-term needs for lasting infrastructure.

Maybe it's time to start reducing the mania on estimates and stick with facts. Is a business profitable? Does it have a profile and customer base that can be sustained? Is there a focus on month to month increases in the "numbers" or year to year sustainability? I know, I'm probably just dreaming here, but wouldn't it be nice to concentrate on reality rather than guesses?

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.)