

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Balancing Act: FAST Channels' Impact on MVPD, Programmer Relations

Consumer viewing habits never seem to stop shifting, and the demand for top-notch content has pushed many of them to streaming services and other alternatives to the traditional pay TV channels. It's what pushed **Fox Corporation** to purchase a free ad-supported streaming TV (FAST) platform like **Tubi** and **ViacomCBS** to invest heavily in **Pluto TV**. But MVPDs are still an important part of the equation, serving oftentimes as aggregators of both content from various apps and their linear channel lineup.

"No one really likes to jump from one app to the other or spend 30 minutes just browsing libraries of content before they can find something to watch," TV5Monde USA COO *Patrice Courtaban* said during a panel at **NATPE Streaming Plus** Wednesday. "Even the SVOD subscribers would prefer to access them as VOD services through an MVPD."

And more programmers of all sizes are inquiring about how they can get a piece of the pie. *Stefanie Zuroff*, the Director of Business Development and Content Acquisition for free streaming service **Samsung TV Plus**, is working with a lot of the same programmers that she used to during her days at **DirectTV** and **Verizon Fios**. Those include **AMC Networks**, **CBS** and **NBCUniversal**.

"When I first started, we were just launching digital native brands that kind of grew up on **YouTube** and channels like **Tastemade** and **Cheddar**, which are great, but we've started to see a shift from the traditional channel owners. They're all creating channels

as well for the FAST space to kind of hedge their bets as they see the traditional subscriptions declining," she said.

They're all finding ways to splice and repackage content for various platforms, meticulously measuring and making judgments based on where they think viewers will look for content next. And while independent channels are doing much the same, it is just not as easy to do when you're a smaller programmer with a limited amount of leverage, according to **Condista** Partner *Burke Berendes*.

"It's not rocket science, but for an independent, it's been tough to have a linear pay TV service, which is still the foundation, but then go into a streaming service while maintaining the value of that linear pay TV," he said. That means "having the VOD available, having some VOD that you can engage by having a direct-to-consumer app and essentially having it all available. Because consumers are still watching video, we just need to find it."

But just because you create the content offering doesn't mean MVPD partners will want to carry it. Folks like **Comcast** have purchased and carried platforms like **Xumo** to serve as homes for that free content, but there's a balancing act to it all. There's a fear that offering too much free content could convince customers they don't need their traditional video package.

"They don't want to make the free offering too good because then no one's going to pay for the subscription," Zuroff said.

DISNEY+ GROWTH SLOWS TO A CRAWL

Disney+'s skyrocketing growth levels have come back down to earth. **Disney's** 4Q21 earnings report revealed that the streamer



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added only 2 million subscribers in the period, bringing it to a total of 118 million subscribers. Leadership attributed the drop to inconsistencies in the delivery of original content to Disney+ that can largely be tied to the ongoing COVID-19 pandemic. “The new content we’ve got and the new storytelling that we’ve got in the area of preschool is absolutely extraordinary, and I think we’re going to see a resurgence of Disney in that area in terms of content that’s really going to become a cultural zeitgeist,” CEO *Bob Chapek* said on the company’s earnings call Wednesday. But it will still be some time before Disney+ returns to the levels of growth it saw in its first year-and-a-half of existence. “We’re really pleased with where we’re sitting, but again, it’s not going to be a linear rate quarter to quarter,” he said. “I think the recovery in terms of getting the growth rate back up to where it’s been historically is really going to come in the third and fourth quarters.” He added that 3Q22 will be fueled not by Disney+’s content necessarily, but by the number of adds the service will have in terms of markets. Direct-to-Consumer revenue skyrocketed 38% YOY to \$4.6 billion while operating losses increased to \$600 million due to higher losses at Disney+ and **ESPN+** partially offset by gains at **Hulu**. The drop at Disney+ was due to higher programming, marketing and technology costs, partially offset by increases in subscription and Premier Access revenue. Hulu’s success, on the other hand, was all thanks to subscription revenue growth and higher advertising revenue. Hulu ended the quarter with 43.8 million paid customers, including those that subscribe to Hulu + Live TV. ESPN+ wrapped 4Q with more than 17 million subs, adding 2.3 million from 3Q21. As expected, revenues at Disney’s domestic linear networks fell 5% to \$5.4 billion while operating income

dropped 14% to \$1.4 billion. Drops in broadcasting were largely due to lower results at **ABC** and the owned television stations while decreases on the cable side were tied to lower affiliate and advertising revenues as well as increasing marketing costs.

SOHN’S NOMINATION ON THIN ICE?

Gigi Sohn may find it difficult to get her nomination from President *Biden* to the **FCC**’s final Democratic seat confirmed by the end of the year. A number of conservative lawmakers have already expressed their concerns about her ideological views and politics, the latest being Sen *Lindsey Graham* (R-SC). In a **Twitter** thread posted Tuesday night, he said he tries to be deferential to presidents as they pick their team, but he has also pushed back on “unqualified nominees and hacks.” He would classify Sohn as the latter. “Gigi Sohn is a complete political ideologue who has disdain for conservatives. She would be a complete nightmare for the country when it comes to regulating the public airwaves,” the lawmaker tweeted. “I will do everything in my power to convince colleagues on both sides of the aisle to reject this extreme nominee.” Graham’s press team did not respond to inquiries into whether he would consider putting a hold on Sohn’s nomination to delay it into 2022, leaving the Commission in a 2-2 split assuming *Jessica Rosenworcel* secures another term and her nomination to serve as Chair. **Senate Commerce** chair *Maria Cantwell* (D-WA) has said her intention is to hold a nomination hearing next week, but sources [told Politico](#) that the two FCC nominations may be debated in separate hearings to ensure Rosenworcel gets confirmed by year end.

DISH RAISES \$5.2 BILLION

DISH’s DBS subsidiary has raised \$5.2 billion in a secured debt



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offering, with the net proceeds to be used to make an intercompany loan to DISH Network to finance the potential purchase of wireless spectrum licenses and for general corporate purposes, including the buildout of wireless infrastructure. This comes as the FCC's 3.45GHz auction continues along. Gross proceeds at the end of Wednesday's bidding totaled \$21.85 billion. New Street analysts expect DISH will acquire spectrum in the auction, and it'll likely total at least \$5.25 billion. That's up from its previous estimate that DISH would spend \$4.9 billion. "\$5.25BN would get Dish 24MHz on average nationally, or 40MHz in the top ~130MM POPs (43% of the country)," New Street said in a research note. "We think it is more likely that they are acquiring 40MHz across 130MM POPs at an average price of roughly \$1.00 / MHz-POP. We will assume a national portfolio in the analysis below because the math is easier and uses numbers that more investors will be familiar with." Reminder, no bidding in the auction tomorrow because of Veterans Day.

MORE M&A FOR CABLE ONE

Cable One just can't stop making strategic acquisitions. According to its 10Q, the company entered into an agreement on Oct. 8 to purchase certain assets from **Cable America Missouri**, a data, video and voice services provider in central Missouri for \$113 million in cash. The deal is expected to close before year-end. It's also pursuing a potential JV that would consist of the fiber assets of **Clearwave** (minus its tower business) and certain **Hargray** assets. It would include **GTCR Strategic Growth Investment** and others as investors.

ESSER TO REMAIN C-SPAN CHAIR

Outgoing **Cox** President *Pat Esser* will remain **C-SPAN's** board chair through 2022 after elections at its annual meeting. The rest of the five-member executive committee will also remain intact: **Comcast** CEO and C-SPAN board vice chairman *Dave Watson*, **Charter** President & CEO *Tom Rutledge*, **Cable One** President & CEO *Julie Laulis* and **Midco** President & CEO *Pat McAdaragh*. *Mark Greatrex*, who will assume leadership of Cox when Esser retires at the end of the year, has joined the board along with **NCTC** CEO *Lou Borrelli*, who fills the seat previously held by *Rich Fickle*. **Advance/Newhouse** Partnership CEO *Steve Miron* also returned to C-SPAN's board as a senior director.

FCC OKAYS NEXT WAVE OF RDOF SUPPORT

The **FCC** is ready to authorize more than \$709 million in its fourth round of funding for new broadband deployments through Phase I of the Rural Digital Opportunity Fund. This funding move will see 50 broadband providers bring service to more than 400,000 locations in 26 states, and the Commission has now committed more than \$1.7 billion to winning bidders.

BIRD IS THE WORD, SAYS VIACOMCBS

ViacomCBS is teaming up with **Twitter** to deliver digital content around its biggest live events, shows and franchises to the social platform. **Paramount+** will also host three Twitter Watch Parties in partnership with the service to bring fans together and fuel conversation around the streamer's original series.

REDBOX SCORES WARNERMEDIA PARTNERSHIP

Redbox and **WarnerMedia** are partnering to bring select content from the latter's portfolio to Redbox's free streaming service. New films from the WarnerMedia content family will be added to Redbox's Live TV service monthly, starting with "The Astronaut's Wife," "Collateral Damage" and others. Redbox is also adding more films from **Sony Pictures Television** to the service, including "Resident Evil: Retribution," "Underworld: Evolution" and "We Own the Night."

TEGNA TAPS PRODUCERS FOR TRUE CRIME CONTENT

TEGNA signed multi-year partnerships with **Law&Crime Productions** and **Cineflix Rights** to co-produce original docuseries using the broadcaster's library of true crime and investigative content. TEGNA's VAULT Studios, Law&Crime and Cineflix Rights will kick off the partnership with the production of 50 hour-long episodes. VAULT Studios and Law&Crime also intend to collaborate on the production of a podcast series based on "Killer Cases," which currently airs on **A&E** and **True Crime Network**.

OPENVAULT HAS EYES ON HEAVY DATA USERS

OpenVault has created a cloud-based solution that can be used to detect speed clipping, a phenomenon that occurs when subscribers frequently encroach on the upper speed limits of their broadband plans. The product gives broadband providers the ability to identify those customers and take further action, whether that means right-sizing service packages or optimizing customer experiences.

RATINGS

Hallmark Channel's "Countdown to Christmas" has the network merry and bright. Since its launch on Oct 22, the franchise to-date has reached 24 million unduplicated total viewers and its original premieres have been smash hits. "Gingerbread Miracle" aired Nov 5 to 2 million total viewers and 262,000 W25-54 while "Next Stop, Christmas" debuted on Nov 6 to 2.8 million total viewers and 464,000 W25-54.

DISTRIBUTION

Frdnly TV and **A+E Networks** signed a multi-year agreement that will bring the latter's portfolio of networks to all of the vMVPD's subscribers. Starting on Nov 18, **A&E**, **History Channel**, **Lifetime**, **Lifetime Movie Network**, **FYI**, **Military History** and **ViceTV** will be available to subscribers along with complementary VOD programming.

PEOPLE

NCTA SVP & Chief of Government Relations *Joanna McIntosh* is retiring at the end of the year after more than 30 years in the industry. She'll be replaced on Jan. 1 by *Cliff Riccio*, who currently serves as VP & Deputy Chief of Government Relations for the association. McIntosh joined NCTA in 2017 and previously served as a Legislative Analyst on telecom issues for past Chairmen of **House Commerce** as well as former Reps *Tom Bliley* (R-VA) and *Billy Tauzin* (R-LA).

EDITOR'S NOTE

Cablefax Daily will not publish Thursday in observance of Veterans Day. We'll be back Friday.

Think about that for a minute...

Hitting A Nerve

Commentary by Steve Effros

Every once in a while I write a column that clearly resonates with a lot of folks. That happened with last week's column when I started musing about the difficulty we all have in trying to figure out where this industry is going.

We started out simply bringing "television" to folks. We graduated to supporting the creation of a lot of program channels. All of that was delivered in bundles and in a linear format. Then the "digital revolution" arrived and we all realized that the infrastructure we had already spent billions of dollars and many years building was ideal for the delivery of digital content. "Streaming video" was born. The Internet became a dominant factor in many folks' lives, and "broadband" is on it's way to becoming a necessary utility with, just this past week, an additional \$65 Billion in funding from the government to make sure everyone can get it.

To say that we are in an ideal position for all this is an understatement. While, to be sure, there will be lots of competition; satellite, cellular, 5G and the like, nothing is as efficient as the hybrid fiber/coax infrastructure we have already built..

But that doesn't really answer the underlying question. What's the business plan that best sustains the constant cost of maintaining and improving our infrastructure and at the same time provide a good and reasonable profit margin for our investors? Common carrier? Linear delivery? On demand?

Everyone has their own idea about how this is going to play out, and hitting that "nerve" resulted in lots of email feedback. Please, keep it coming! I want to give you a little taste of what I'm hearing. It impresses me that the perspectives are obviously totally affected by the age and experience of the writer. Every company had better make darn sure they have a wide variety of folks from various walks of life and various ages before they try to make these decisions!

As a starter, I'm just going to print a piece of the email I got from my actor, writer, producer son, who has been steeped in all this stuff (after all, he had to live with me!) for a very long time:

I'd like to note that as a cinephile, with filmed content now my greatest passion- I still end up watching commercial TV probably more than anything else. There are plenty of reasons for that, but I think the deepest one is that for me, like many others, I'd assume, TV is a safety blanket, a comfortable escape. And a big part of the reason for that comfort is tied to how I watched it as a kid. We had commercials and I had a clicker, so there was a sense of constant, real-time control: if I didn't like where something was going, I could change the channel, find something else, and then maybe come back. Commercial breaks in TV narratives gave breaths, visual variety, a sense of anticipation for what might be coming next. This was all baked into my viewing experience- it became familiar and comfortable. The remote stayed in my hand much of the time.

Part of the angst with "choosing" something to watch these days is that, along with too many options, there's an overwhelming sense of commitment once you do find something to watch. You're locked in- and if it goes south, god help you- you have to go back to the whole hide and seek process again!

What will be interesting to see is how viewing habits shift with the generation that is growing up on commercial-free streamers. Their comfort TV is certainly not mine. So I wonder if that crisis of choice is anywhere near as acute.

Makes you think, doesn't it?



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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