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WHAT THE INDUSTRY READS FIRST

All Revealed: What We're Expecting from 4Q21 Earnings and Beyond

It's that time again, folks. **Netflix** is again opening earnings season on Thursday, giving analysts and journalists alike greater visibility into the streaming world before the rest of the operators and programmers take their turn in the coming weeks.

MoffettNathanson last week reduced its price target for Netflix to $460, but maintained its "Neutral" rating on the streaming giant. It also reduced its subscriber growth expectations, now estimating that Netflix added 8.6 million subs rather than the 9.6 million it previously predicted. That's in part due to increased competition in a marketplace that is getting more crowded by the day.

"We think that the fourth quarter of 2021 will show that two of the newer entrants—**Peacock** and **Paramount+**—will post the most net additions in the U.S. while Netflix, despite their best content offerings ever and the hype of 'Squid Game,' will likely add around UCAN subscribers, down from our prior more aggressive estimate," MoffettNathanson said in a note.

Of course, you'll be challenged to find an earnings discussion that won't discuss streaming in one way or another this season. The last two years not only saw the launches of services like **HBO Max** and Peacock, but also huge subscriber growth across the board for players old and new. Now that those streamers are hypothetically through the honeymoon phase, it's time to take a hard look at the balance sheet and overall health of the products.

"I think there's going to be an intensifying focus on the long-term profitability of those services and how they can manage through the harvesting of the linear business, which is still really important and really big, and make sure those streaming services are going to be on a path to sustained profitability and cash flow," **EY** Americas Media & Entertainment Leader *John Harrison* told ***CFX***.

That's not to say size doesn't matter. Conversations about scaling those services will continue to happen and be key to understanding long-term strategy. For example, canceling a subscription to a streamer or switching to a different one is far easier than getting out of a longer-term contract for a larger linear package, so how do you maintain stickiness with consumers? "The real focus is going to be how do they maintain the subs that they have and how can they grow them incrementally to get to a market-leading subscriber size," Harrison said.

On the operator side, broadband growth numbers will continue to make headlines. But there is a question of whether the broadband slowdown trend that prevailed in 3Q21 trickled into the fourth quarter. We've already received a sneak peek at **Comcast**'s 2021 numbers with Comcast Cable CEO *Dave Watson* saying in December that the company would have a total of 1.3 million broadband net additions at year-end.

So perhaps equally as interesting will be details on other parts of the product portfolio that are ancillary to the operators' connectivity core. All eyes will be on wireless, a segment that both **Charter** and Comcast saw major success with in 3Q21. Comcast recorded its best quarter since the business's launch with the addition of 285,000 lines and Charter was close behind with 244,000 additions.

For someone like **Altice USA** that had to put a pause on its mobile push, 2022 is a chance for a new start. CEO *Dexter Goei* talked during Altice's third quarter call in November about upcoming investments in both mobile and converged offerings that should help improve broadband customer churn. While we may not see those come to life before the company releases its fourth quarter results, more information about what those plans look like will hopefully be a part of the discussion.

New to the table are topics like Comcast's XClass TV, the operator's exploration into the smart TV ecosystem. The product launched on October 19 in partnership with **Hisense** and gives customers the opportunity to experience Comcast's technology platform without having to be within the company's footprint or a subscriber to one of its video or broadband packages. It's been an area of interest for Chairman/CEO *Brian Roberts* for a long time, but time will tell whether it's another tick in the win column for Comcast.

NBCU WANTS OLYMPIC GOLD

There's a bit of irony that **NBCUniversal** couldn't hold a live, in-person press event for the upcoming Winter Olympics in Beijing because of Omicron, but don't take that to mean it's unprepared for the Games (or the overlapping Feb. 13 Super Bowl on **NBC**). "We've gone through this… We've been dealing with live sports during a pandemic for 18 months, including the Summer Olympics in Tokyo. This team is tested; this team is ready," NBC Sports Chairman *Pete Bevacqua* said during a video preview for the media Wednesday. One of the lessons from Tokyo was that there needed to be an easier way for viewers to digest Olympic content. The solution is to make streamer **Peacock** "a safety net" for all things Olympics, Bevacqua said. "We spent a lot of time making sure that we have the right state-of-the-art navigation tools on Peacock, whether you want to be directed to NBC, **USA** or back to Peacock, utilizing the strength of our entire portfolio." COVID-19 isn't the only thing that makes this year's Olympics challenging. There is also the complicated environment surrounding China. "We understand that there are some difficult issues regarding the host nation, so our coverage will provide perspective on China's place in the world and the geopolitical context in which these Games are being held. But the athletes do remain the centerpiece of our coverage," said *Molly Solomon*, NBC Olympics Production President and Exec Producer. On the ad sales front, NBCU is at the exact same spot it was in heading into the 2018 Pyeongchang Winter Games. "We still have some work to be done between now and the end of the Games, but we're really confident we're going to achieve our goals," said *Dan Lovinger,* President, NBCU Ad Sales and Partnerships. NBCU has nearly 100 advertisers, with 40 new advertisers on board. The average spend level has "grown slightly" over Pyeongchang, particularly among returning advertisers, he said. Digital revenue is up double digits. The Super Bowl is "virtually sold out," Lovinger said, noting NBC tends to hold a few spots until the teams are announced because optionality is helpful for clients. He said that average unit rates are up about 20% from the 2018 Super Bowl in Minneapolis, which is the last time NBC had the big game. "In the back half, we've seen units sell for as much as $6.5 million," Lovinger added, crediting the strength of the NFL and the economy/consumer confidence.

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MEDIACOM, WEST DES MOINES SETTLE

The West Des Moines City Council on Tuesday night approved a settlement with **Mediacom** resolving the operator's lawsuit over the city's construction of a $50 million conduit network. The vote was 4-0, with one member recusing himself because of a conflict of interest. Details weren't disclosed at the meeting, but we'll keep an eye out as a judge will have to give it the final sign-off. The operator was seeking to use the conduit to expand its broadband service. Mediacom sued the city in December 2020, alleging it improperly used taxpayer-backed financing bonds intended to remedy urban blight and poverty to build the network exclusively for the use of **Google Fiber.**

DISNEY'S DTC SHAKE-UP

Disney is creating a new hub for international content creation under the direction of *Rebecca Campbell*, giving her the newly expanded role of Chairman, International Content and Operations. She'll focus on local and regional content for Disney's streaming services as well as continuing to oversee international media teams worldwide. *Michael Paul* was upped to President, Disney Streaming, overseeing **Disney+**, **Hulu**, **ESPN+** and **Star+**. With Paul's promotion, Disney is looking to name a new head of Disney+. *Russell Wolff* will continue to lead ESPN+. *Joe Earley*, previously EVP, Marketing & Operations for Disney+, was named President, Hulu.

SLING'S SCHWIMMER HEADS TO UNIVISION

Sling TV Group President *Michael Schwimmer* is the latest add to **Univision**'s executive management team. He'll serve in the newly created post of President, Global Platform Strategy and Revenue. *Seth VanSickel*, SVP of Product and Operations, will serve as the interim head of Sling. He's been with Sling from its start. Schwimmer's streaming experience should help with the upcoming launch of Univision's two-tiered streaming service. He'll also lead global distribution for the combined library with **Televisa** and Univision content. At **DISH**, Schwimmer has also led Sling's multicultural and AVOD offerings, oversaw ad sales for the DISH enterprise and helped launch its international programming business. He also previously served as President and CEO of **Fuse Media**.

STRIKE UP THE C-BAND

While **AT&T** and **Verizon** paused the expansion of 5G rollouts using C-band near airports after airlines warned it could delay flights, the companies note that this is only a small portion of their network. "I think more importantly… the rest of the network is now turned on and wherever you are, in those 1700 cities today, you're actually getting the 5G Ultra wideband from Verizon, which is a game changer," Verizon CEO *Hans Vestberg* said during an appearance on **CNBC**'s "Squawk Box" Wednesday. Verizon has ratcheted up the 5G noise for consumers, including with this recent sponsored content spot with *Jimmy Kimmel* and *Elizabeth Banks*. As for the ongoing discussions with airlines and the **FAA**, Vestberg said there's good collaboration with all parties, including the White House, and he doesn't believe it'll be an issue for long.

COMCAST UPDATES REMOTE ACCESSIBILITY

Comcast and **Team Gleason**, which is focused on improving life for those living with ALS, have teamed up for the latest evolution of the Xfinity Adaptive Remote. The new update allows users to add custom buttons to execute any action or voice command of choice. Examples include toggling closed captions to showing sports on TV now to offering a view of the front door security camera.

CARRIAGE

ATSC 3.0-powered MVPD service **Evoca TV** added **FETV** (Family Entertainment Television) and **FMC** to its offerings in Idaho, Arizona and Colorado. The launch coincides with FMC's premiere of *John Wayne* films every Friday and Saturday nights. FETV is available nationwide to nearly 50 million households through **DirecTV**, **DISH**, **Charter**, **Verizon** and other operators.

RATINGS

Showtime much-buzzed about drama "Yellowjackets" wrapped its first season Sunday, ranking as the second-most streamed series in network history—just behind the recently aired "Dexter: New Blood." Sunday's finale scored 1.3 million viewers across platforms, more than double the season premiere. The series has averaged over 5 million weekly viewers across platforms, the highest for a freshman series on the network since "Billions" in 2016. – **ESPN** was cable's most-watched network in prime last week (3.852 million total viewers), followed by **Fox News** (2.29 million) and **MSNBC** (1.25 million). Fox News edged out ESPN in total day (1.452 million vs 1.112 million), while MSNBC took third with 690,000 viewers. – **HGTV**'s "Married to Real Estate" delivered a .57 L+3 rating among P25-54 and a .76 L+3 rating among W25-54 during its premiere Thursday at 9pm. The episode drew in 3.9 million viewers, delivering a 1.26 L+3 household rating.

HBO, STREAMING TOP GLAAD NOMS

More award noms are in, and once again **HBO**/**HBO Max** is at the top of the heap. The HBO duo netted 19 GLAAD Media Award nominations, followed by **Netflix** (17) and **Hulu** (7). **ABC**, **MSNBC** and **Peacock** all received 4 nods, while **Univision** and **Telemundo** both received 2 nominations in the Spanish-language categories. Streaming services earned 63 nominations, while cable received 39 and broadcast had 17. Of the 30 TV shows nominated across Outstanding Comedy Series, Outstanding Drama Series, and Outstanding New TV Series, 18 feature trans and/or nonbinary characters, including: **Showtime**'s "The Chi," and HBO Max's "The Sex Lives of College Girls." The GLAAD Media Awards ceremonies will be held in L.A. at the Beverly Hilton on April 2 and in New York at the Hilton Midtown on May 6.

PEOPLE

Bradford Caldwell joins **NAB** as VP, Member Experience on Feb. 1. He previously was CFO for **East Arkansas Broadcasters**. – *LaShaun Solomon* joined **Pyramid Consulting** as Head of DE&I Partnership Development & Strategy. Solomon is President Emerita of the **WICT Network** Southeast Chapter and has previously worked for **NBCU**, **EffecTV**, **HBO** and **Cox Communications**.

Think about that for a minute...

What They Don't Know

Commentary by Steve Effros

Boy, with a title like that I could go on for a lot longer than around 600 words, especially on the subject of "FWA" or fixed wireless access, which is in the news today for many different reasons. Let's get to the bottom line first; insofar as the cable/broadband industry is concerned, fixed wireless access, the "newest" way to get broadband into the home, should not be dismissed, but shouldn't be considered an existential threat, either. It's just one additional part of the mix of service offerings that will ultimately deliver broadband to anyone who wants it.

The most current headlines regarding FWA revolve around the question of whether 5G cellular service, which will in significant part be used to deliver FWA along with regular cellular phone service, is a threat to air travel. The airlines and the FAA are having a PR battle with the telcos, particularly AT&T and Verizon, over whether the introduction of 5G service near airports will jeopardize the accuracy of certain altimeter equipment used for assisted landings.

Pardon me, but the 5G rollout has been going on for years. Dozens of other countries are already using it. Why this battle over a technical issue that it seems to me could have been easily tested long ago? Not sure what's going on, but I suspect there's more to this story than we are being told at the moment.

Anyway, there's no question that except for right around airports, 5G is being rolled out. Make no mistake, it's a good technology in many respects. In particular, it's fast. So wireless delivery of broadband is not only possible, it works well. For now. That "for now" part has to do with the fundamental question of whether "success" will kill 5G! You see, while it's good, it has limitations. Particularly capacity. And while the telcos have spent immense amounts of money to grab bandwidth to use, if customers start really doing what they're doing with our broadband wired delivery, that is, use it for lots and lots of video and increasingly bandwidth hogging gaming, then no matter what they do, the 5G "fixed wireless" purveyors will not have the capacity to deliver.

This is especially true in urban areas where congestion will happen first. What folks also don't know is that rollout of FWA using 5G will not sweep rural areas for a long time, because the effective "reach" of the signal is limited and the rural areas of America are so vast. Ironically, the cable industry is designing a type of "Fixed Wireless for Rural Broadband" solution for that through CableLabs they're calling FARMSIS that could be a major player by linking the wireless part of the business to preexisting DOCSIS cable modems. But that's a story for another time. I apologize for using so many technical acronyms, but this topic is just loaded with them and it's not easy to understand.

So aside from the consumer press and maybe the regulators not appreciating the limitations of FWA, consumers as well will get confused because they may be told that FWA will work wherever cellular phones do. Maybe. For a while, until congestion kills the golden goose. The same may be true for satellite delivery, again, for the same reason. Our broadband networks have been built anticipating the load. We're in a good position to assure consistent delivery, and that's what we should do.

We should also explain to our customers that many times, if they're having trouble with broadband, it's their own WiFi in the home that's the culprit, not the broadband system. The more they know about all this, the better it will be for us. But, again, it's not easy to explain and we're the only ones likely to do it!

Steve

T:202-630-2099
steve@effros.com

(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.)