

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## After the Bell: Disney Delights with Strong DTC Numbers

**Disney's** Q222 results make it clear that every streamer isn't **Netflix**. While there were some misses among the financials, **Disney+** subscriber adds topped analyst expectations, coming in at 7.9 million for the quarter. Disney now has 205 million paid subs across all of its DTC services, with 138 million at Disney+. Management reconfirmed guidance that Disney+ would hit 230-260 million subs by fiscal 2024.

"The growth of the platform since its launch reinforces its unique nature. Quite simply, we believe this is a one-of-a-kind service based on exceptional branded content with wide appeal across all four quadrants," CEO **Bob Chapek** said during Wednesday's after-the-bell earnings call. "It's certainly popular with families. But as a reminder, almost half of Disney+ subscribers are adults without kids."

With that in mind, the company is selectively enhancing Disney+ with general entertainment titles designed to drive sign-ups among specific audiences and deepen engagement. Chapek said Disney is being thoughtful in deciding what distribution platform makes the most sense for content, giving the example of "Dancing With the Stars" moving from **ABC** to Disney+ this fall. Also notable, Disney took a \$1 billion revenue reversal in the quarter due to early termination of a licensing agreement with a customer. That customer would seem to be Netflix, which has lost titles such as **FX's** "Pose" and "American Crime Story." That hit put revenue at \$19.2

billion for the quarter, up 23% YOY, but about \$1 billion shy of Wall Street estimates.

Disney still expects an increase in DTC customers for the second half of the year over the first half. But since the numbers for the first part of the year were better than expected, that delta may not be as large as previously anticipated, CFO **Christine McCarthy** said.

Overall direct-to-consumer revenues for the quarter increased 23% to \$4.9 billion, while operating loss increased \$0.6 billion to \$0.9 billion. The increase in operating loss was due to higher losses at Disney+ and **ESPN+** and lower operating income at Hulu. Disney+ domestic subs totaled 44.4 million at the end of March, while ESPN+ subs grew 62% YOY to 22.3 million. Total **Hulu** subs (including Live TV subs as well as SVOD only) increased 10% to 45.6 million.

In March, Disney revealed plans to roll out an ad-supported version of Disney+ in late 2022. Wednesday's call didn't offer a lot of additional detail or a price point. "We will continue to evaluate what makes sense for the service in terms of pricing. I will say that you can look to our experience with Hulu and their ad supported tier. We believe that this will contribute to ARPU. We will look at it as certainly something additive that will work towards achieving our long term profitability goals," said McCarthy.

Linear networks revenues for the quarter increased 5% to \$7.1 billion, and operating income decreased 1% to \$2.8 billion. Domestic channels revenues for the quarter increased 8% to \$5.8 billion, and operating income increased 3% to \$2.3

## Guide to Your Online Cablefax Daily Issues

The screenshot shows the Cablefax website interface. At the top, there's a navigation bar with 'THE DAILY', 'AWARDS & EVENTS', 'THE MAGAZINE', 'SPECIAL REPORTS', 'THE LISTS', and 'JOBS'. Below this, the main content area is titled 'The Daily' for Wednesday, September 15, 2021. On the left, there's a sidebar with a list of headlines, including 'Still Assisting: Charter Looks to Aid Community Centers, Job Training'. A 'PDF' icon and a 'FULL ARCHIVES' link are also visible. The main article preview shows the title 'Still Assisting: Charter Looks to Aid Community Centers, Job Training' and a brief description of the article.

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billion. The increase in operating income was due to higher operating income at broadcasting, partially offset by lower operating income at cable. Cable saw higher programming and production costs, in part due to the addition of four **NFL** games during the quarter.

Analysts tried unsuccessfully to get clearer picture of when and how Disney would turn ESPN+ into a true a la carte sports product. Chapek explained that linear networks are huge cash generators and there's a hesitancy to move too fast. "At the same time, we're very conscious of our ability to go more aggressively into the DTC area of ESPN. So what we're doing is sort of putting one foot on the dock, if you will, and one foot on the boat right now," he said. "At some point, when it's going to be good for our shareholders, we'll be able to fully go into an ESPN DTC offering... But at that point, obviously, that will have ramifications on immediate cash flow that we get from our legacy linear networks."

### BEDOYA SECURES DEM MAJORITY AT FTC

The **Federal Trade Commission** officially has a Democratic majority with the Senate voting along party lines to confirm the nomination of *Alvaro Bedoya* to hold the agency's fifth seat. Vice President *Kamala Harris* had to step in to break the tie. "I would like to thank Chair Cantwell for her steadfast support. Her staff, particularly *Jared Bomberg*, *Shannon Smith*, and *Caitlin Warner*, were tireless partners," Bedoya said in a statement. "I would also like to thank Ranking Member *Wicker*, whose staff was rigorous but also respectful and fair." Bedoya, a Georgetown University law professor and founder of the school's Center on Privacy and Technology, was nominated for the spot last September but faced hurdles from Republicans that took issue with some of the nominee's past tweets. With his nomination out of the way, all eyes turn to the still-empty fifth **FCC** seat. Nominee *Gigi Sohn* has also come under fire for her tweet history as well as her previous involvement with the now-shuttered broadcasting app **Locast**. Her supporters have been trying to drum up momentum in recent weeks, with **CWA** kicking off a six-figure digital advertising campaign at the end of April targeting Senate swing voters *Mark Kelly* (D-AZ), *Joe Manchin* (D-WV) and *Catherin Cortez Masto* (D-NV).

### TELEvisaUNIVISION SEES STRONG 1Q22

**TelevisaUnivision** is doing things differently with its AVOD service **ViX**, even with the subscription tier **ViX+** to debut later this year. CEO *Wade Davis* said on Wednesday's 1Q22 earnings call it views its ad-supported tier as the foundation and driver of growth for a very competitive streaming service. "Our audience in the U.S., Mexico and of course the rest of Spanish-speaking Latin America consumes a much higher percentage of television free over the air," Davis said. "The fact we're starting with this

## The WHO and the WHY

CFX's spotlight on recent new hires & promotions



AUSTYN

**Biggers**

SVP OF PROGRAMMING & PRODUCTIONS  
TV ONE

### 3 THINGS TO KNOW

- Austyn joined TV One last month as SVP of Programming and Production. With over two-decades worth of experience, he was most recently the head of unscripted programming at Get Lifted Film, and before that developed and produced shows for MTV, Logo and VH1. From 2008-16, Austyn worked in various original series development and production roles at BET, making him a seasoned veteran from the Viacom coaching tree.
- He's a big fan of family dramas such as "Succession," "Yellowstone" or "Game of Thrones" and told CFX he enjoys seeing programs that show people of color living affluent lives. A particular format he likes is what he calls "walk a mile in my shoes" and listed "Queer Eye," "We're Here" and "Extreme Home Makeover" as examples as they bring people who don't know each other together to achieve a goal.
- Outside of work, Austyn is a "functioning gamer." He plays video games a couple hours a day when he has the chance and enjoys the overall gaming community, saying it's a secret weapon for finding burgeoning talent. He's currently entrenched in Elden Ring and used to be an avid Fortnite player before they took away building, but his fiancé still loves it. Austyn also serves on the Board of Directors for Comic Relief, an organization that strives to end childhood poverty and is known for its Red Nose Day to help raise money to help provide safe environments for children to grow up in.

massive free tier, and our premium tier is going to be inside the same product ... is very, very different than general market premium, and particular represents a different relationship between free ad-supported and premium." Davis brought up **Netflix's** plans to bring an ad-supported tier and emphasized how TelevisaUnivision looks at ads as a standalone product and not as a "promotional front porch" to entice people to pay for a subscription. The company had 12.2% growth in consolidated pro forma revenue for 1Q22, going from \$896 million to over \$1 billion. This was driven by 12% growth in advertising sales—14.3% in the U.S. and 7.3% in Mexico—and 14% in subscription and licensing revenue. This quarter saw the close of the merger between Univision and Televisa's content business to create the Spanish-language media company. Univision grew its primetime audience by 23% YOY and was the No. 2 ranked

network in all of television, behind **NBC** which had the Super Bowl and Olympics in that time frame.

### FCC WANTS TO SUPPORT WIFI ON WHEELS

**FCC** Chair *Jessica Rosenworcel* announced a proposal Wednesday that would allow the use of E-Rate funding for the provision of WiFi connectivity on school buses. Specifically, the Declaratory Ruling, if adopted, would specify that the use of access point technologies on school buses serve an educational purpose, making those services eligible for E-Rate funding. The installation of WiFi on school buses is something currently covered under the Emergency Connectivity Fund program, but the \$7.17 billion in funding for that program is expected to run out after awards go out for the third and final application window that closes on Friday. The Declaratory Rulemaking weighs out the potential risks of the proposal, finding that any potential impact of funding WiFi on school buses would be small compared to the promised benefits. It adds that the E-Rate program also has plenty of funding to offer with demand falling substantially lower than the funding cap for several years.

### WEITZ OUT AT TNETS

*Brett Weitz* survived the wave of departures that came when **Warner Bros Discovery** was formed last month, but not for long. He is stepping down as General Manager of **TNT**, **TBS** and **truTV** within the next 30 days, with his last day set for his 14th anniversary as the leader of the cable nets. *Deadline* was the first to announce the news.

### PK BACKS BILL RESTORING FTC AUTHORITY

**Public Knowledge** is pushing Congress to pass the Consumer Protection Remedies Act of 2022 as quickly as possible following the bill's markup on Wednesday. If passed, the bill from Senators *Maria Cantwell* (D-WA), *Ben Ray Lujan* (D-NM), *Amy Klobuchar* (D-MN) and Rev. *Raphael Warnock* (D-GA) would restore the **FTC's** authority to give money back to consumers victimized by illegal scams or deceptive practices. "Since the decision in *AMG Capital Management v. FTC*, the FTC has not been able to disgorge companies' ill-gotten gains. That means once consumers have been taken advantage of, the best the Commission can offer is to require companies not to do it again," **Public Knowledge** Senior Policy Counsel *Sara Collins* said in a statement. "That isn't good enough."

### NCTA HIGHLIGHTING BROADBAND FOR ALL IN AD

**NCTA** launched an ad called "Connecting Every Corner of America." Reinforcing the industry's broadband for all mantra, the spot opens with a shot of the U.S. Capitol Building and transitions to a montage of the different parts of America, closing with a call to action: "Let's deliver broadband to every corner of America." The association is still evaluating placements for the ad, but it will get a heavy digital rotation across multiple publications and sites, be promoted on **NCTA's** social channels and be offered to its member companies to run. It is available on YouTube [here](#).

### CINEDIGM GOES BIG ON ADVERTISING

**Cinedigm's** connected television advertising business grew over 192% in 2021, outpacing the overall industry streaming

growth rate by 236%. According to the **Internet Advertising Bureau**, connected TV spending increased to \$15.2 billion last year. **Cinedigm's** growth in viewership went to more than 40 million monthly ad-based viewers across the company's 30 streaming services.

### REDBOX ACQUIRED IN \$375M DEAL

**Chicken Soup for the Soul Entertainment** plans to acquire **Redbox** in a \$375 million deal. The agreement includes around \$50 million in stock and the assumption of roughly \$321 million in debt. **Chicken Soup** will issue 4.6 million shares to **Redbox** as well. **Redbox's** revenue fell from \$858 million in 2019 to \$289 million in 2020 as the DVD rental market took a hit during the pandemic.

### DEALING OUT

**DirectTV** has a trio of offers, starting with \$15 off for two months for new **DirectTV Stream** customers that sign up between May 12 and June 19. Customers will receive a \$15 credit for each of the first two months after the initial five-day trial period. It's also offering a \$100 **DirectTV Online Reward Card** through July 22 to new satellite customers when they sign up online. Additionally, all new satellite customers are eligible for \$10 off over 12 months of service from May 23-July 22. The discount will be applied upfront and customers will pay the discounted rate.

### PROGRAMMING

**HBO Max** and **Cartoon Network** are expanding their kids and family live-action slate. The two greenlit two specials based on the "American Girl" franchise: "American Girl: *Corinne Tan*" to premiere in December and a second special to be announced. The comedy "Home Sweet Rome" is scheduled to premiere in 2023 and follows a 13 year old's family move from California to Paris. – The first two episodes of **Philo's** first original series "Boss Moves with Rasheeda" are available on the service, and the third episode debuts at midnight. Episodes stream on Wednesdays at midnight on the Kin channel on **Philo**. **Philo** offers a seven-day free trial to new subscribers. – **CNN** is looking back at the Watergate scandal in its upcoming series "Watergate: Blueprint for a Scandal" to debut June 5 at 9pm with two episodes. – "Jailhouse Redemption," a docuseries about inmates trying to recover from heroin addiction through the Heroin Addiction Recovery Program, premieres Thursday on **discovery+**.

### PEOPLE

**Sinclair** upped *Ryan Moore* to CRO/SVP, Digital Sales and Sports. He'll add oversight of revenue and sales strategies for **Tennis Channel**, **Stadium** and **Bally Sports** to his purview. Before joining **Sinclair** in 2013, *Moore* held leadership roles with **Fisher Communications** and **Belo Corp**. *Scott Ehrlich* has also been promoted and will serve as the org's first ever Chief Innovation Officer. Most recently SVP, Growth Networks and Content, he'll create the company's first dedicated cross-functional research and development group while continuing to oversee its national networks and streaming platforms.

Think about that for a minute...

Backward and Forward

Commentary by Steve Effros

With all the tech news spilling out this week it's hard to decide what to comment on first! Musk, if he really does buy Twitter, will let the former President back on, but Trump has already said he's going to use his own platform, rather than Twitter. Is the Musk comment about it being a bad business decision the real motivation rather than his claim of concern over a wide open public square? Seems so, since in the same speech he also said he would impose "time outs" if someone got unruly! I can see the former President being told to go stand in the corner. That's how crazy things have gotten!

And then there's the stock market meltdown. Tech stocks are down 25 to 30 percent, but then, again, they shouldn't have been that high in the first place! And Bitcoin. If you were wondering whether it was just part of a massive techie ponzi scheme just note that the "early adopters" who also got out early have made barrels of money, but the average consumer who took on a little bit of the stuff is now sitting with something that only has about 50 percent of the value originally paid!

We also have the news that many of the major ISPs have agreed to a plan where they will increase the speed of the service they have already agreed to provide to those in need in order to deal with the alleged "digital divide." While that agreement is being touted as setting up essentially "free" broadband service, the billions of tax dollars assigned to promoting broadband will have to subsidize the ISPs charges, up to \$30 per connection. The ISPs have simply agreed not to charge that group more than \$30 for the service!

Which in turn triggered my memory bank regarding charging for services. There was a time, in the good ole' days, when broadband infrastructure builders, then known as cable operators, were competing with each other to get major franchises to build the systems. In the Boston area Chuck Dolan, who owned Cablevision (sold to Altice for \$17.7B) made a unique offer. He proposed to build the system there and hook up every home and charge only two bucks a month for basic service.

You see, as he explained, it's critically important to get folks hooked up, then "hooked." Then you can sell them all the stuff you also have to offer, from movie services to telephone. Dolan was planning a dating service channel back in 1995, when "Tinder" wasn't even a glimmer in anyone's eye! Looking back, he was, and still is right. The connection, so long as it has a reasonable margin, is just the first step. Now consider the government helping us hook up the last cohort that is still left out!

Looking forward, however, is a lot harder and a lot more political. I'll be writing about this, I am sure, throughout the year, but consider this: broadband adoption linked with two years of COVID sequestration has proved that "remote working" works for a lot of companies. The word is already out that while many CEOs want to get folks back to the office, those folks in many cases don't want to go back! They like the freedom, they like the ability to work from locations that are not jam packed and smoggy, they like "small town" living.

Ok, so, as you know, I have long lamented the adverse effects of broadband on the body politic. I think one of our main difficulties at this point is the disproportionate power of rural states (think electoral college, for instance). But if true distributive working takes hold because of broadband then there is going to be a significant demographic shift. Consider what that might mean.



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.)

Mark Your Calendars!

Cablefax 2022 Award Submission Deadlines

The Diversity List Nominations

Deadline: June 3  
Final Deadline: June 10

Most Powerful Women Nominations

Deadline: August 12  
Final Deadline: August 19



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Questions: Kate Schaeffer at kschaeffer@accessintel.com