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WHAT THE INDUSTRY READS FIRST

Batter Up: Early Bally Sports DTC Results Show High Engagement, Churn

Sinclair's **Diamond Sports** continues to keep subscriber numbers for its Bally Sports direct-to-consumer RSN service close to the chest two months after its full launch. The company has begun pulling back the curtain though, offering early indicators that it believes spell success.

The conversion rate of users after a free trial period has been measured at approximately 70%, levels consistent with those seen after the product's soft launch in June. Those DTC subs are streaming 1.3x more minutes, on average, than a TV Everywhere user since the service's full launch, and they've been recording longer average session times as well. "These early data points not only indicate robust engagement, they underline our significant opportunity to generate revenue beyond DTC subscriptions as we continue to iterate the platform to include gamification elements, targeted ad capabilities and e-commerce components," Sinclair CEO *Chris Ripley* said during Diamond Sports' 3Q22 earnings call Monday. The leadership team continues to place a lot of hope on those gamification elements, believing they will be a major driver of ARPU going forward thanks to the passion of sports fans.

Management is still happy with where the base price of the service sits, giving Diamond Sports an opportunity to maximize the revenue it is able to generate from its DTC assets. The other consideration that shaped the strategy, which led to monthly plans coming to $19.99/month or $190 annually, was giving enough of a gap in retail pricing to the wholesale pricing Sinclair offers its distribution partners.

"We don't believe the pay TV linear channels will be going away any time soon, and so you need to have a wholesale price that's significantly lower than the retail price," Ripley said. "The rest of the streaming marketplace has gotten more expensive, so arguably, we might have some pricing power to build up, but we're in the early stages right now."

Revenue came in below guidance at $684 million. That was largely due to distribution revenue coming in lower than expected at $565 million after subscriber churn increased to 10%. Diamond Sports has had to lower its EBITDA guidance for FY22 results, and CFO *Scott Shapiro* said a large part of that is being driven by the unexpectedly high churn. Ripley warned investors not to get too lost in those numbers and to remember that the product should only gain momentum from here on out.

"The great thing about this DTC strategy is that the biggest cost of the strategy is already paid for—sports rights. We're spending significantly on the app, experience and marketing, etc., but the single biggest cost was already paid for," Ripley said. "So the incrementality of the strategy we believe is quite strong, and as this brand builds, as market awareness builds and as more people that are outside the bundle come in to watch their favorite home teams, that should definitely make up for some of these losses that we're taking."

Macroeconomic fears are on the minds of the Diamond Sports leadership team, of course, but aside from those churn concerns, they've found themselves to be mostly insulated from the downturn. Advertising per game has continued to increase at Diamond Sports, something Ripley said is an indicator of how strong sports continue to be in the media landscape. "Beyond that, the business is driven primarily by subscriptions from either the DTC side or the pay TV side with the vast majority being pay TV. Those tend to also be fairly sticky," he added. "We'll see how things play out in 2023, but this model should be fairly resilient, at least relative to expectations."

Ripley was quick to put the kibosh to any rumors that Sinclair is looking to offload the Bally Sports assets, confirming that the company has hired firms **LionTree** and **Moelis**, but not for the reasons that have been reported in the press. "There is no sale process. They're talking to parties about deleveraging, strategic partnerships and things of that nature," he said.

DIRECTV FACES FRIDAY FOX DEADLINE

DirecTV knows a thing or two about retransmission consent disputes, with **White Knight Broadcasting** and **Mission Broadcasting** stations dark on its lineups since Oct. 7 and Oct. 18, respectively. On Sunday, **Fox** began warning DirecTV, U-verse and DirecTV Stream customers that they could lose the broadcaster's owned-and-operated stations, which include Fox stations in L.A., NYC, Chicago, D.C., Philly and Dallas, if a new retrans deal isn't reached by 12am PST Friday. It has launched KeepFox.com to share messaging. DirecTV is telling customers in impacted markets that it's working to renew the programming, noting it has successfully renewed nearly 200 local Fox stations in the past few years. Fox owns and operates 29 full-power stations, 18 affiliated with Fox. DirecTV and Fox's negotiations also include **FS1**, **FS2**, **Big Ten Network**, **Fox Deportes**, **Fox Soccer Plus** (PPV), but not **Fox News** and **Fox Business**, which are covered under a separate deal. Last month, we saw Fox fire similar warnings to **Altice USA** subscribers, with a deal reached just before deadline and no blackouts occurring. That could be a good sign. Then again, DirecTV has been entangled in quite a few retrans spats, so time will tell. Fox recently inked renewals with **Roku** and **NCTC**, with a 2019 **DISH** spat marking the last time Fox stations were down. Just two weeks ago, DirecTV President/CEO *Bill Morrow*, Gen Counsel *Michael Hartman* and others met with FCC commissioners *Jessica Rosenworcel* and *Brendan Carr* to—according to an ex parte filing—"discuss the dramatic changes in the video landscape in recent years and the key challenges that DirecTV faces in today's environment, including rising retransmission consent rates." DirecTV execs took particular aim at broadcasters skirting around the prohibition on owning more than one top-4 station in a market by placing top-4 programming on multicast and low-power stations.

ALTICE USA UNDER INVESTIGATION BY STATE AG

Connecticut Attorney General *William Tong* opened an investigation ahead of the Thanksgiving holiday into **Altice USA**'s **Optimum** brand after receiving nearly 500 consumer complaints. The complaints largely came from consumers who paid for either 300 Mbps or 400 Mbps internet plans that realized after running home speed tests that they were not receiving the speeds they paid for. Complaints also surrounded service fees, technical support and customer service, and Tong's office is looking into a $3.50 "Network Enhancement Fee" that was charged to internet customers. "Our investigation seeks comprehensive records

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dating back to January 2017 to determine exactly what Altice Optimum knew and what they were doing to deliver the internet speeds and service they promised," Tong said in a statement. "If our investigation finds that Optimum violated Connecticut law, we will not hesitate to hold them accountable."

INDUSTRY GROUPS OPPOSE SEMICONDUCTOR BAN

NCTA, **NTCA-The Rural Broadband Association**, **CTIA** and more are stepping up to express concerns about a potential ban on the U.S. government agencies purchasing telecom equipment or contracting from a provider that uses equipment or services from Chinese chipmakers. Those restrictions would come if an amendment, split into Parts A and B, is allowed into the final version of the National Defense Authorization Act. In a letter sent to Senators *Jack Reed* (D-RI) and *Jim Inhofe* (R-TX) last week, the organizations said the ban against purchasing those goods could be implemented so long as government contractors were given enough time and resources to ensure compliance. The ban on contracting with providers that use that equipment or services, however, is more complex because, as the law is written right now, the ban is allowed even if the equipment or services are not being used to support the government work. "For example, under the amendment, a company with both federal and nonfederal customers would be barred from selling to the government because it 'uses' a coffee service that 'uses' the covered semiconductors," the letter read. "To further emphasize the point, the reach of part B could feasibly extend to a company offering printer paper. Coffee services and printer paper are not threats to U.S. national security."

THE WALKING DEAD EXITS WITH NICE NUMBERS

As with most long-running linear series, ratings have dwindled over the years for **AMC**'s "The Walking Dead," which in its heyday could pull more than 13 million in L+Same Day viewers. Those were the days! TWD still finished out its run as a top two cable drama in both key demos for the 13th consecutive year through its Season 11 finale. The finale, Episode 177, left the building with a nice showing. In Nielsen L+3, it averaged 3.1 million viewers, up 36% from the previous episode; 1.5 million 25-54s, up 53% from the previous episode; and 1.2 million 18-49s, up 75% from the previous episode. The Nov. 20 series finale is the most-watched episode of television in the history of **AMC+**, and drove the highest single day of viewership ever on the platform. And the franchise will live on with the 8th season of "Fear the Walking Dead" along with new spinoffs "The Walking Dead: Dead City" and "The Walking Dead: Daryl Dixon."

FULL PLATE OF DEALS

For every Thanksgiving feast comes deals on Black Friday and Cyber Monday. New customers can get **HBO Max**'s ad-supported tier for $1.99/month for three months if they sign up by Monday, with the price returning to $9.99/month after the discount period. – **Discovery+** is giving a discount on its ad-supported content, slashing 80% off the $4.99/month price to $0.99/month for the first three months. – Until Wednesday, **Philo** is offering subscribers 80% off their first month with the promo code "THANKS" upon signup. Philo's lowest cost option is $25/month before a discount, and the platform comes with channels such as **MTV**, **AMC**, **Discovery** and **Hallmark Channel**. – Through Monday, **Hulu** is making its ad-supported plan available for $1.99/month for 12 months. While existing subs aren't eligible, customers who haven't had a Hulu subscription in the past month are able to jump on the deal. – **Peacock Premium** is available for $0.99/month for a year if new users sign up with the code "SAVEBIG". The deal runs through Monday. – New and returning **Paramount+** subscribers will receive 50% off their annual plan for the first year. The essential tier is available for $24.99 after the discount, with the premium plan coming in at $49.99. – **Sling TV** is allowing users to get their first month of live TV for $20. – For a limited time, **YouTube TV** is letting new customers sign up for $54.99/month for their first three months. – **Amazon** is offering a two-month discount for **Starz**, **Showtime**, **Paramount+**, **AMC+**, **Epix**, **Hallmark Movies Now** and **Lifetime Movie Club**. Each channel will be $2/month before returning to their respective full prices. The deal comes attached with a 30-day free trial for **Prime Video**, which runs at $14.99/month after the trial expires.

WORLD CUP RATINGS

Fox has been feeling the viewership love with the 2022 FIFA World Cup fully underway. The widely anticipated match between the U.S. and England on Friday reeled in 15.38 million viewers, making it the most-watched men's soccer match on English-language TV in the U.S. ever. The broadcast peaked at 19.65 million viewers and the top markets included Kansas City, Hartford, Boston, Dallas and Washington, D.C. **Telemundo** and **Peacock** also posted record-breaking numbers. Saturday's Argentina vs Mexico match averaged a TAD of 8.9 million viewers, the most for a Spanish-language broadcast of a World Cup group stage match. That match also set the record for most-streamed World Cup game in U.S. media history, no matter the language. Through the first week, the tournament is averaging a TAD of 2.57 million viewers across Telemundo, Peacock and Telemundo streaming platforms, with 26% coming from streaming options. That's up 24% compared to the 2018 World Cup. Two matches on Thanksgiving—Brazil vs Serbia and Portugal vs Ghana—reeled in 5.7 million and 4.3 million viewers, respectively.

PROGRAMMING

"Pelosi in the House," a doc on *Nancy Pelosi* (D-CA) and her life as Speaker of the U.S. House of Representatives, will premiere on **HBO** on Dec. 13 at 9pm, available to stream on **HBO Max**. The film is produced and directed by Pelosi's daughter, *Alexandra*. – Season 2 of **Starz**'s family drama "BMF" will debut Jan. 6 at 8pm. Viewers can access it on the Starz app at midnight of its release.

PEOPLE

CBS EVP of Communications *Scott Grogin* is leaving the network after six years. He originally joined in 2016 as EVP for the network's syndication division before moving to a new role two years later. *Deadline* was the first to report the news, also stating Grogin would like to remain in the media industry as a consultant. Prior to CBS he made stops at **Fox Networks Group**, **NBC** and **Universal Studios**.