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WHAT THE INDUSTRY READS FIRST

Money Count: Programmers With SVODs Still Have Linear Pricing Power

NBCU CEO **Jeff Shell** doesn't believe owning an SVOD will weaken the position of programmers with linear assets as they negotiate with distributors, at least not in the near term.

It's a question that has been tossed around since folks like **Warner Bros. Discovery** and **Comcast** introduced their own streaming services with programming that used to be exclusive to linear packages. NBCU isn't in a renewal cycle at the moment, and while Shell isn't sure how things will fall out when it heads back to the negotiating table in two or three years, his inclination is to believe that nothing will drastically change in the near term.

"I'm old enough now that I've seen the different cycles. They used to be basically exclusive to cable, and then **DirectTV** came along and then **DISH** came along, and suddenly you had three or four or five video streams in a market. That didn't really have an impact on pricing," Shell said during an appearance at the **UBS** Global TMT Conference Monday. "I'm still bullish that we'll continue to see price increases. It's just that cordcutting now is at a level where those price increases are not going to offset from a total amount. You're still going to see declines in subscription revenue... and that's going to be offset by, hopefully, subscription revenue on the streaming side."

He went on to note that the linear business, while much smaller than it was at its peak, continues to be a giant business. "It's just balancing the two. Thank God we have both sides of it now, because if we didn't that would be a different

story," Shell said.

He had plenty to celebrate Monday morning on the **Peacock** side of the business, revealing to the crowd that the service now has more than 18 million paid subscribers. That number has more than doubled since the start of the year, and notably doesn't include any subscribers that are won via wholesale agreements or that receive Peacock for free as part of their **Comcast** internet and video packages.

"We're seeing a usage of over 20 hours per month on those paid subscribers, which is well above what we forecasted three years ago when we launched the business," Shell said. "We're seeing ARPU that's approaching \$10 for each of those paid subscribers."

The World Cup has surely been a contributor to subscriber growth on the platform, which has all 64 matches available to watch in Spanish thanks to **Telemundo's** Spanish-language rights to the tournament. When the deal was made, NBCU didn't have Peacock as part of its arsenal. The primary thought was to give Telemundo sports rights that would give it the boost it needed to compete with **Univision**. But having Peacock as part of the portfolio this year and offering it as an option for watching the World Cup matches has offered unexpected benefits.

"Peacock has been off the charts," Shell said. "People like the production, don't mind watching in Spanish and, for a lot of people, it's the only streaming option they have to watch the World Cup."

As for Comcast's 33% stake in **Hulu**, the real decision making around a potential sale will come in early 2024. The long-running expectation has been that **Disney**, which owns

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the remaining 66%, will buy out Comcast at the first chance it gets in order to achieve full control of Hulu. Shell confirmed that's the only scenario he sees happening at this point.

"We think it's worth a lot of money because it's sold on a full-control basis as if you were auctioning it off, and I think there's no indication that anything else is going to happen than Disney writing us a big check for the assets," he said.

JIM'S IN CHARGE (FOR NOW) AT AMCN

AMC Networks' board has set *Jim Dolan* as Interim Executive Chairman following the sudden departure of *Christina Spade* as CEO. **The Madison Square Garden Sports** CEO and former **Cablevision** CEO will serve in the role until the board names a new CEO or until March 6. The short timeframe makes it sound like a new appointment may be in the works. "AMC Networks has a seasoned executive leadership team and I look forward to working with them to provide high-level strategic direction and guidance as we navigate the business during this period of transformation in the media industry," Dolan said in a statement. Spade announced her departure last week after less than three months as CEO. She had replaced interim CEO *Matt Blank*, who filled the role temporarily following *Josh Sapan's* exit after 26 years as CEO.

FOX SEES POSITIVE SIGNS IN LINEAR NEGOTIATIONS

Fox Corp. and **DirecTV** struck a deal over the weekend for a multi-year renewal of **FS1**, **FS2**, **Big Ten Network**, **Fox Deportes**, **Fox Soccer Plus** and retransmission consent for local Fox stations across DirecTV, **DirecTV Stream** and **U-verse**. It's one of a myriad of deals that are coming up for Fox over the next year, and despite rises in cordcutting, Fox Corp. CFO *Steve Tomsic* said all of the deals that have been renewed so far, all

have either met or been better than the programmer's expectations. "I can't control where volumes go, but... when we look at the overall affiliate revenue trajectory, we see growth in that going forward. We think that we're probably the most friendly partner to our distributors given how sort of closely aligned we are with them," Tomsic said at an investor conference Monday. "When you look at the trajectory for us over the next year or two, you'll continue to see growth. That growth will probably be skewed towards the TV segment rather than the cable segment, but we definitely see a medium- and long-term growth in that."

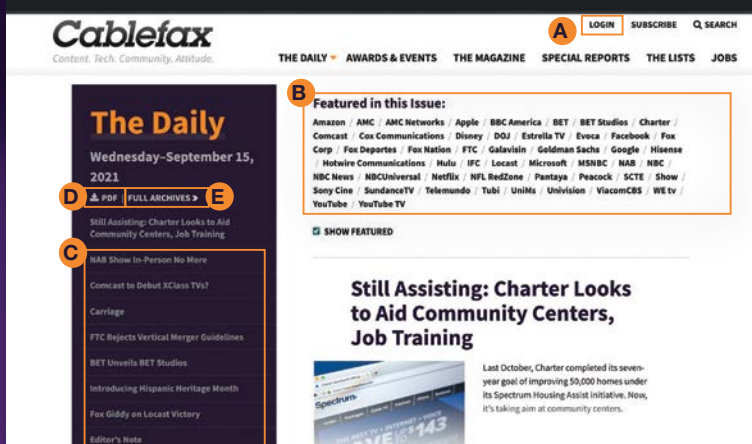
PRESCHLACK NAMED DIAMOND SPORTS CEO

Industry vet *David Preschlack* was selected as CEO of **Diamond Sports Group**, a new role as DSG looks to establish independence from **Sinclair**. The move follows DSG naming a five-member board in May that included Preschlack, former **Hulu** CEO *Randy Freer*, Sinclair CEO *Chris Ripley*, Senior Adviser to the **NFL** Commissioner *Maryann Turcke* and former **NBA** and **NFL** Senior Exec *Bob Whitsitt*. Preschlack was most recently President of **NBC Sports** Regional Networks and EVP of Content Strategy for **NBC Sports Group**, where he helped oversee nine big-market regional networks and managed relationships with partners in the **NBA**, **MLB** and **NHL**. He also spent 20 years at **Disney** and **ESPN**, working in affiliate sales and marketing as well as content distribution. Sinclair has hired **LionTree** and **Moelis** to advise on strategic partnerships and deleveraging for Diamond Sports, but Sinclair has said it's not looking to sell the **Bally Sports** assets.

FRONTIER ON PRICING, COPPER & MVNOS

As **Frontier** ramps up its fiber expansion, don't look for it to take a page out of cable companies' promotions playbook.

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“They tend to use this model with heavily discounted promotional pricing. And then at the end of the promotional period, they crank up the prices and jam their customers as hard as they can. We don’t think that’s the behavior that customers like,” President/CEO *Nick Jeffery* said during an investor conference Monday. “Whilst we were thinking about how to structure our own pricing system, we researched this heavily and the number one points of customer dissatisfaction with cable was promotional prices and roll-up pricing. So, we’re not using that structure. We’re using good value everyday pricing with an attractive on-ramp price.” In 2021 and 2022, Frontier has used gift cards across the spectrum of its offers. Having experimented with what works best, CFO *Scott Beasley* promised that the company was going to be “more surgical” with the gift cards going forward in terms of where they are required and the dollar value. As for Frontier’s copper networks, Jeffery estimated that it will probably take five years to properly shut down those legacy networks. “We’re at the stage now of standing up the team, building the muscle to do it, running our first pilots... and then we’ll begin to scale over time,” he said. Frontier’s not sold right now on selling converged services, such as adding mobile to the product set. Frontier just doesn’t see the need right now, particularly with the operator gaining fiber customers. “Now, having said that, if consumer behavior changes, then we can I think we could launch an MVNO and a converged offer very quickly,” said Jeffery, who previously served as CEO of **Vodafone UK**. “But at the moment, I don’t think it would be a good use of scarce capital when we get such a good return from building incremental fiber.”

SUNSET FOR AZTECA AMERICA

Azteca America Network will discontinue programming on December 31. **Innovate Corp** announced it would shut down the Spanish-language broadcast station. Management said the network experienced sustained declining viewership coupled with high programming costs. Innovate CEO *Wayne Barr* said during the company’s recent earnings call that dozens of programmers have approached the company about carriage on the Azteca stations. “We have already executed or will be shortly executing contracts to fill over 1/3 of the channels previously occupied by Azteca. While overall revenue will decrease as a result of the closure, we will be replacing unprofitable revenues with profitable revenues, which will have a positive impact on broadcast cash flow and EBITDA,” he said.

VERIZON SHAKE UP

After almost one year as CEO of **Verizon** Consumer Group, *Manon Brouillette* has stepped down. Verizon CEO *Hans Vestberg* has assumed responsibility for leading the Consumer Group in addition to his day-to-day responsibilities. “We thank Manon for her service to our customers and her contribution to Verizon Consumer Group. My immediate focus for the Consumer Group will be on driving a closer consistency between the top-quality network product we’re bringing to market and the operational results we’re producing,” Vestberg said in a statement. Verizon Consumer Group was formed in January 2019 in an

organizational transformation designed along customer-facing functions instead of its traditional technology-silo structure.

RATINGS

The college football regular season has come to a close, and **ESPN** recorded its most-watched season in five years. The sports network averaged 2.2 million viewers, up 22% among P2+ viewers and 28% in P18-49. ESPN, **ABC** and **ESPN2** combined to average 2.1 million viewers—up 7% YOY—with a total of 4.1 billion minutes of live games being streamed across ESPN’s O&O platforms. The most-watched game on ESPN was Nov. 5’s contest between Alabama and LSU, which reeled 7.6 million viewers. – The group stage of the 2022 FIFA World Cup saw a total audience delivery of 2.07 million viewers across **Telemundo**, **Universo**, **Peacock** and Telemundo’s streaming platforms. That’s good for second when comparing the Spanish-language viewership over the past eight World Cups. Argentina vs Mexico topped group-stage matches with 9 million viewers, followed by Brazil vs Serbia with 5.7 million and both Saudi Arabia vs Mexico and Poland vs Argentina, which gained 5.4 million as the two were aired simultaneously. Nov. 25’s England vs USA match averaged 4.7 million viewers, helping it become the second-most-watched U.S. group-stage match ever for Spanish-language coverage.

CANOE CEO SET TO RETIRE

Canoe Ventures CEO *Joel Hassell* will be retiring at the end of January 2023 after a 10-year stint with the company. Current SVP and GM of Addressable Advertising *David Porter* will serve as interim GM, taking control of the day-to-day operations as of Dec. 12. Porter previously spent time at **Warnermedia** as VP of Ad Innovation and Programmatic Solutions in the company’s advanced advertising division and **Microsoft** where he led global sales and strategy for its video ad products.

NCTA HIGHLIGHTS MIDCO

NCTA released its latest video [project](#), shining a spotlight on what **Midco** is doing to connect rural communities in South Dakota and other parts of the Midwest. The spot emphasizes cable’s local connections and commitment to bringing broadband all of America. The video highlights Midco extending the network to Hartford, S.D., the importance of connectivity in agriculture and Midco Sports, which televises local high school and college games. “We’re dedicated, we’re experienced and we’re local, so we’re not going anywhere. We’ve been a part of rural North Dakota and rural South Dakota for nearly 100 years and we’re going to be here for the next 100,” says VP, Engineering *Cole Mack*.

OBITUARY

Longtime **Paramount Global** exec *Maureen Guthman* passed away on Wednesday of uterine sarcoma. She was 60. She started as an intern at **Viacom** and rose to become SVP, Content for **BET Networks**. Guthman brought “House of Payne” and “Meet the Browns” to BET and has sought programming for offshoot **BET HER**. A [memorial service](#) will be held at 11am on Dec. 12.