WEDNESDAY, SEPTEMBER 4, 2024 VOLUME 35 | NO.163

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Roster Addition: Charter Earns Early Renewal With AMC Networks

Charter celebrated another win in its video strategy Wednesday, announcing an early renewal of its carriage agreement with **AMC Networks** that will see **AMC+** become available to Spectrum TV Select customers at no additional cost. Additionally, Charter will make AMC+ available for purchase to its Internet-only customers.

Charter made **Disney+** available for free to its TV Select customers in January and has since added **ESPN+**, **ViX** and **Paramount+** to that lineup. The cumulative value of these modernized deals to subscribers is starting to add up.

"Today, if you're a traditional video package subscriber, it's a $30+ retail value of DTC products that can be included in that package," Charter CFO *Jessica Fischer* said during an appearance at the Bank of America Media, Communications and Entertainment Conference. "It's an exciting and I think transformational change in terms of being able to provide real value to consumers in a way that can generate that affiliation with video and broadband that sort of drives the business."

She's reluctant to say the integration of the DTC apps into the traditional video package has already driven down churn. That's not because she doesn't think it is happening, but because it is early and those that are most likely to be heavily using the products are those that already tend to churn less. As to when Charter will begin more heavily pushing its DTC integrations in widespread marketing campaigns, it is waiting for the right moment. "We want to make sure that we fully understand how we get those deals done and I think we want to have a fulsome package and to believe it's the fulsome package to market to customers," Fischer said. "I think we'll get there in terms of having a product that really has a lot of value to customers." She also noted Charter has marketing arrangements with some of its programming partners to try to get subscribers to understand what is available to them if they take full advantage of their video package.

Turning to mobile, Fischer celebrated the early take rates on Charter's recently introduced Anytime Upgrade and phone balance buyout programs. The latter, which sees Charter pay off the existing phone balance on ported lines up to $2,500 for customers switching from another provider and purchasing at least three Spectrum Mobile lines with at least one ported line, has been particularly successful at attracting multi-line households with balances left on their equipment installment plans. Even better, Fischer said the program is allowing Charter to grow brand recognition across its footprint and gain new customers at an appropriate acquisition cost that is still adding financial value to the company.

"We are EBITDA positive inside of the mobile business even with this high rate of customer growth," Fischer said. "We're in a good place. Mobile is well positioned to be able to be a good source of financial growth for the business, and we're expanding it really rapidly with the products that we're offering."

With broadband growth stagnant, providers are looking at state and federal grant programs as opportunities to expand into new markets. And while the BEAD program is the most obvious one to watch, Charter continues to see it as moving much slower than expected. "We've seen the states that we think are where we have the potential to have our largest BEAD investments still haven't had their plans approved by NTIA, and so because of that, BEAD is having a slower start than what we would have anticipated," Fischer said.

REPORTS: VERIZON IN TALKS TO BUY FRONTIER

Frontier Communications may soon have a new owner. **Verizon** is nearing a deal to acquire the fiber provider, according to a *WSJ* report. Frontier's stock was up nearly 38 points at market close Wednesday on the back of the report, which would allow Verizon to bulk up its fiber portfolio without embarking on a sizable (and expensive) construction project. "Two things surprised us: first, the timing. We thought this deal would come after Verizon hit their leverage target, perhaps in the second half of 2025 or 2026. Second, that it is Verizon," **New Street Research** wrote in a note to clients. "**AT&T** has been much more focused on the value of fiber assets and the convergence imperative. Verizon seemed complacent. No longer." The firm also believes a battle is now properly underway between the three big national carriers to acquire as many fiber assets as possible.

DISNEY, DIRECTV STILL SQUABBLING

It's another day with no **Disney-DirecTV** deal on the horizon. This time, it was DirecTV Chief Content Officer *Rob Thun*'s turn to appear on **CNBC**. He detailed more about the provider's claim that Disney has mandated that DirecTV waive legal claims around antitrust. "They put a mandate in a deal in the 11th hour that I have never seen before that required us to, first, have a clean slate where there was no reach-back and liability for any claims against **The Walt Disney Company**; two, to change the venue of law from New York, which has been the venue for our contracts for decades; and third, a provision where we couldn't bring any claims against them legally," he said. **Fubo** is currently suing Disney along with **Fox Corp.** and **Warner Bros. Discovery** over their planned sports streaming jv **Venu**, with a judge recently issuing a temporary injunction against the offering. Thun swatted back at **ESPN** Chairman *Jimmy Pitaro*'s claim, made on CNBC the day before, that Disney is offering DirecTV flexible, skinnier bundles. "What they failed to mention is they laced that and tied those rights to minimum penetration requirements that are basically contractual terms that force us to carry the rest of their portfolio to certain levels. With those minimum penetration requirements, those limit the scope and reach of the product we're trying to put forth in the marketplace," Thun said. "Ironically, that's not what they gave themselves in Venu." He said that the "flavor of entertainment" offered to DirecTV with minimum penetration requirements "ironically is not what they gave to Charter, which they told us firsthand." And he said Disney vetoed a kids and family package DirecTV suggested "because they want to keep that for themselves." While Disney said it has proposed a variety of packages that align to DirecTV's cited needs, Thun claimed the programmer has only put two offers on the table, both with penetration requirements. Disney's top brass issued a new statement Wednesday in which they accused DirecTV of continuing to misrepresent the facts around the ongoing negotiations. "Our priority is to reach a marketplace deal that serves the needs of DirecTV and their customers while also recognizing the value of our top-quality content and the significant investment required to create and acquire it. We believe there is a path to a fair and flexible agreement that strikes this critical balance and works for all sides, especially the consumer," said the statement from **Disney Entertainment** co-chairs *Dana Walden* and *Alan Bergman* as well as Pitaro. Do these two agree on anything? Maybe. Thun said they both understand that there is a vast market between what's available to consumers today via a DTC subscription and the current pay TV construct.

ALTICE USA CONTINUES PATH TOWARD REVENUE GROWTH

It's been nearly two years since *Dennis Mathew* took over Chairman/CEO duties at **Altice USA**, and though it's been a bumpy road at times, he's still holding strong to his vision of a cultural and operational transformation within the company. Mathew spoke at a BOA investor conference on Wednesday, reiterating his confidence in how Altice USA is turning the ship around while acknowledging there's still plenty to be done to get the company back to subscriber and financial growth. Mobile has been a catalyst of progress in Mathew's eyes as Altice USA has shifted its strategy post-launch. "A year ago, we launched mobile. It was in the portfolio, [but] it really wasn't being leveraged properly. Now we're adding over 30,000 subscribers, and we've transformed retail into a real sales center where we're able to drive retail, and we're going to continue to launch that across all of our channels," Mathew said. The next step toward capitalizing on that progress is expanding Altice USA's suite of products that it can use as differentiators for potential customers. He mentioned products like Total Care, which runs at \$15/month and provides support for all connected devices, as well as its Entertainment TV offering which goes for \$30/month. "We really do need to continue to expand the product portfolio, so not just mobile and B2C, but mobile and B2B. We launched that earlier this year, and B2B has a whole host of products that we're excited to really expand and launch," Mathew said. CFO *Marc Sirota* has led the turnaround on the financial side. When he first

Cablefax Daily (ISSN 1069-6644) is published daily by Access Intelligence, LLC | www.cablefax.com | 301.354.2101 | Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com | VP/Group Publisher, Cablefax and Cynopsis: Robbie Caploe, 917.974.0640, rcaploe@accessintel.com | Managing Editor: Sara Winegardner, 301.354.1701, swinegardner@accessintel.com | Associate Editor: Noah Ziegler, 301.354.1704, nziegler@accessintel.com | Director of Business Development, Cablefax: Ellen Kamhi, 917.626.5574, ekamhi@accessintel.com | Production Manager: Joann Fato, jfato@accessintel.com | Kerry Smith, Divisional President, Marketing & Media Group, ksmith@accessintel.com | Group Subs/Subscription Questions, Client Services: 301.354.2101, clientservices@accessintel.com | Annual subscription price: $1,999.00/year | Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

arrived at the company in March 2023, he said its stabilization was headed in the wrong direction, but the pressure remains from the video segment as it continues to lose customers. To combat those headwinds, it's relying on advanced services such as mobile and higher internet speed tiers in addition to customer retention efforts that have stemmed from AI, including creating tailored offers to customers to help save costs.

COX'S LINEUP GETS FAST

Comcast and **Charter**'s jv **Xumo** is partnering with **Cox Communications** to add 20 FAST channels to its linear guide. Cox Contour customers will now have access to Xumo-branded channels that span genres like action, game shows, reality TV and comedy. Cox follows Xfinity in adding the channels into linear after the latter integrated it onto its X1 and Xfinity Stream platforms last year. **Sky** will join that group later this year after it adds six channels into the Sky Glass and Sky Stream devices.

ON THE HILL

The House Communications subcommittee wants a progress report on BEAD, setting a hearing for Tuesday at 10:30am ET to evaluate NTIA's implementation of the program, which includes $42 billion in government money for broadband deployment. A witness list is still being finalized, but we know one person who won't be there. "I would have loved to testify at this hearing to call out the hypocrisy (and amnesia) criticizing @NTIAgov & the Biden-Harris administration for moving too slowly to get BEAD shovels in the ground, but Europe beckons," *Gigi Sohn* wrote on X. A day before she posted that those complaining that no BEAD-funded broadband construction has started should recall that it was Congress, not NTIA, that set the timelines and required multiple proposal rounds. "Distributing $$$$ before 2025 was always a pipedream with those requirements," she wrote.

PEOPLE

Christopher Young has been hired as **The Weather Channel**'s new CFO in addition to EVP of the network's parent company **Allen Media Group**. Young will be based in both AMG's HQ in L.A. as well as TWC's base in Atlanta. He arrives from a 16-year stint as CFO of the Spanish-language media company **Entravision Communications**. – **Technetix** added *Tony Werner* to the company's board effective immediately. The former **Comcast** CTO is credited with leading the team that developed several products including the X1 platform, the voice remote and XFI. Werner holds a Lifetime Achievement Emmy Award and was inducted into the Cable TV Hall of Fame. – *Abby Auerbach* will retire at year-end from her post as EVP, Chief Communications Officer for **The Television Bureau of Advertising**. She's been at the trade association since 2000. In 2020, her role expanded to include Executive Director, **NEXT Women**, a program that helps identify, mentor and advocate for women in the local broadcast television industry as they aspire to leadership roles.

What We're Watching

'The Sports Reporters'

With how quickly things change, it can be refreshing to see an old friend. Fans of the old Sunday morning mainstay "The Sports Reporters" have been anticipating its return since the show last aired in May 2017 following a nearly 30-year run. At last, ESPN is bringing back the program featuring sports journalists discussing their jobs, sports in general and what else is happening in the world.

It's fitting that the revived iteration of The Sports Reporters—now exclusively on YouTube—is hosted by Jeremy Schaap, whose father Dick hosted the show during its infant days in the late 1980s and 90s until his death in 2001. Dick was accompanied by regular panelists such as author Mike Lupica, sportswriter John Feinstein and "First Take" host Stephen A. Smith, in addition to a rotating roster of guest panelists.

With a focus on football, the first episode of the show's return stretched beyond the walls of ESPN. Joining the show was NBC's Mike Tirico, CBS' Ian Eagle, CBS/Westwood One's Kevin Harlan and ESPN's Joe Buck—four voices who are synonymous with football Sundays. They talked about what it's like to broadcast NFL games and if the Kansas City Chiefs can win another Super Bowl, but also trends in media and society that have directly impacted their jobs. In their case, social media tops the list.

Harlan has kept his distance from social media, recounting a story from retired sportscaster Verne Lundquist about how Lundquist was "deflated" and "heartbroken" after seeing criticism on social media. The other side of that spectrum is embracing the criticism and taking it in stride, something that Buck has done in recent years.

"I tell young people that get into this business, 'Turn off social media. Find three or four people whose opinion matters to you, whose opinion you trust. Listen to your own stuff and be a great self-evaluator,'" Buck said. "If [social media] was around in '94 when I started as a 25-year-old, I probably would've been drummed out of this business before I turned 26."

Buck is in a peculiar spot since he also commentates MLB games, adding that he not only gets flak from football fans but baseball fans who may be on the wrong end of a home run or walk-off call. Tirico joked that Buck has laid the blueprint for how to handle criticism on social media.

"It's part of the 'Pressure is a privilege' Billie Jean King statement," Tirico said.

There are other intricacies to the profession like how a commentator handles a global superstar such as Taylor Swift starting to attend Chiefs games more frequently. With the four panelists having daughters themselves, they applauded Swift's influence having led to an influx of new NFL fans. Swift is one of the many surprises that football brings that helps maintain the passion for broadcasters.

"Enthusiasm is something that comes from within. You can't fake who you are over an extended period of time," Eagle said. "For me, it is natural and it is organic. Everybody here loves what they do and it does come across."

– Noah Ziegler

Think about that for a minute...

A Thought Exercise

Commentary by Steve Effros

Welcome back. I hope everyone had a good summer and a good Labor Day holiday weekend. So now it's time to get back to work. I've learned that one of the most effective ways to get folks to understand some of the challenges we have with telecommunications policy, regulation and politics (actually, anything having to do with politics!) is to have someone "assume the role" of the decision maker and run through the questions and issues they will be confronted with. It's a "thought exercise." So here's one for you.

Assume you are the CEO of a new major "tech" company in the race to achieve scale and hopefully dominance in the burgeoning "AI" economy. You've already spent a whole lot of time and someone else's money developing groundbreaking AI capability, algorithms, etc., but now you have to figure out a business model that will actually make money rather than lose a whole lot, as is the case so far.

So which way should you go? Try a subscription service? After all, that's a relatively secure income stream, except the government is threatening new rules that would allow folks to easily drop a subscription any time. How about being ad based? Well, Google seems to have that market pretty much locked up, except you could hope the current antitrust case might break that open. Want to take that risk? How long would it take?

Oh, by the way, even after you figure out how to make money with your spectacular AI engine there's this other assumption: that folks would continue to use or pay for using it. What if AI just becomes the "norm" for all internet and computer applications? Then what?

And, of course, AI isn't just about an algorithm or a "Large Language Model." That assumes you have access to the data to train that model. The trend now is for the companies that do have those huge databases to either use them themselves to compete with you or to charge for their use. While, as you know, the government is looking at imposing privacy prescriptions on what can be done with such databases in the first place!

But assuming you have figured out the database access, now you need a huge computer processing capability to actually make this whole thing work. Where do you get that? It should come as no surprise that the companies with the largest databases like Amazon, Apple, Google and Meta are all your potential competitors. But some of them, Google and Amazon for instance, also are your supplier for the huge computer server capability necessary to make AI work. Now what?

How about building your own server farm? You should know, however, that's becoming more and more contentious. Folks don't want those server farms in their backyard or anywhere close to them. The power needed for those windowless huge buildings is tremendous. It requires all sorts of new power lines strung through the community. That's another years-long fight in the offing. And, oh, by then, it's entirely possible that new, faster, more efficient chips will have been developed that don't need those huge server farms or that power drain. So you may wind up with a "white elephant" of a facility that costs you hundreds of millions of dollars to build!

There. Feeling better now? I assume you have considered this very brief set of questions (there are plenty more!) and have figured out the best course of action to assure that your new company will survive in the upcoming battle to even define what this "tech" sector is, let alone what it's going to do!

I don't claim to have the answers to these questions. I don't think anyone does. But it's worth considering them rather than buying into all the hype.

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.)