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WHAT THE INDUSTRY READS FIRST

Global Growth: Disney Bullish on Streaming After Upbeat Quarter

Disney spent a bulk of its earnings call Wednesday talking about the announcement of a new theme park resort opening in Abu Dhabi, but streaming continued to generate momentum as the House of Mouse gets ready for a big test with **ESPN** going direct-to-consumer in the fall.

CEO *Bob Iger*—who joined Wednesday's FY 2Q25 earnings call from the United Arab Emirates—said the broadening of **Disney+** into other business areas has been a driver in the growth of DTC revenue and subscriptions. Disney+ added 1.4 million subscribers during the quarter for a total of 126 million, while Disney+ and **Hulu** subs combined for an increase of 2.5 million to reach 180.7 million. Operating income for the DTC segment increased by $289 million to $336 million.

But the grand debut folks are waiting for is what's been dubbed "Flagship," a name even Iger admits he needs to stop using. He told investors that ESPN Chairman *Jimmy Pitaro* will reveal the name and pricing strategy for ESPN's DTC product next week, presumably at Disney's upfront that's scheduled to take place Tuesday afternoon in NYC.

Iger reiterated Disney's desire to preserve the linear ecosystem despite ESPN DTC. However, he acknowledged the company still wants to grow its DTC business. While pay TV customers with ESPN will get access to the DTC service, if they watch on linear, they won't get all of the bells and whistles the platform will offer.

"From a critical mass perspective, we have, obviously, an unrivaled portfolio of licensed sports on ESPN and an unrivaled portfolio of studio programming and shoulder programming, the bulk of which will be on the linear service, and, of course, on quote unquote Flagship," Iger said. "That said, what we've already been doing, and what we'll continue to do, is give consumers of Disney+ and Hulu a taste of live sports on that service, so that we have an opportunity to upsell them on the Disney DTC service, which obviously is a priority of ours."

Not only has the embedding of Hulu and the addition of sports content onto Disney+ fueled an increase in engagement, but Iger said churn is significantly down. "As we look ahead, it's obviously our desire, and in fact, we're optimistic about being able to … turn the streaming business into a true growth business," Iger said, outlining three main pillars of doing so.

He started with the continued mixing of Disney+ and Hulu, but once ESPN's DTC product launches, he acknowledged Disney's need to be smart about how it approaches bundling that with other services. The two other areas focus on technology and continued investment in content, particularly outside of the U.S. Iger also mentioned paid sharing being rolled out and enhancements made to advertising technology as boosts.

"I was just taken through a road map for the rest of the year, so we're not talking about many years. We're talking about near term where the technology improvements to the platforms will be significant," Iger said. "We know that we need to invest more in local content [outside of the U.S.], and we've already started that process. It takes time, and we don't really end up booking those costs until the shows air, but we're already starting to develop more aggressively in very, very targeted markets outside the United States."

Hugh Johnston, Sr. EVP/CFO, added that with the expectations Disney has for the streaming segment, they hope to gain leverage that comes from the revenue growth itself. They do, however, have areas to reduce costs on the general and administrative side, and expect to also get leverage from marketing as well—especially when ESPN DTC is released.

Total revenue for the quarter increased 7% YOY to $23.6 billion. Total segment operating income went up 15% to $4.4 billion and the overall entertainment sector brought in an operating income of $1.3 billion, up slightly from 2Q24. Linear networks operating income grew 2% to $769 million, and the sports segment saw a $91 million drop in operating income to $687 million. That was due to higher programming and production costs stemming from three additional **College Football Playoff** games and an extra **NFL** game, but sports revenue still went up 5% YOY on the back of Domestic ESPN revenue growth going up 7%.

STARZ IS SINGLE AGAIN

It's official. **Starz** completed its separation from **Lionsgate** and returns to being a standalone company, trading as STRZ on the Nasdaq. Shares closed at $11.20 on the first day of trading. Starz has a subscriber base of 20 million in the U.S. and Canada as of the end of 2024. "Today marks an important milestone in our history as we unlock significant value as a standalone business and advance our position as the leading premium entertainment destination for women and underrepresented audiences," said *Jeffrey Hirsch*, President and CEO of Starz. "This separation comes at a pivotal time for the industry. Our strong balance sheet, compelling programming lineup and industry-leading tech stack will enable us to be nimble and capitalize on growth opportunities, while driving long-term success for our partners, audiences, employees and shareholders." Lionsgate acquired Starz in December 2016 in a cash and stock transaction valued at approximately $4.4 billion.

GREENFIELD MARKETS HELP WOW!

While **WOW!** continued to shed subscribers, its growth into greenfield markets remains a bright spot. The company had its market expansion projects pass an additional 15,200 homes in 1Q25, including 13,700 from greenfield markets and 1,500 in edge-out projects. WOW!'s greenfield markets now pass 75,600 homes and 12,300 subscribers in total, good for a 16.3% penetration rate, while edge-out builds passed 1,500 new homes and 400 subscribers, a 26.7% penetration rate. Subscribers, however, fell by 26,900 YOY to 473,800 total as of March 31. That's also down by 4,900 sequentially. HSD RGUs were 465,900 at that same date, a YOY decrease of 23,800 or a sequential drop of 4,500. On the bright side, WOW! added 2,000 HSD subs in greenfield markets and 900 in edge-out areas. Challenges remain in its legacy markets, though. "We really are continuing to see similar competition to what we've seen before, especially in our legacy markets. And as a reminder, really for the 25 years that we've been in business, WOW! has always been a challenger brand and known how to compete," CEO *Teresa Elder* said. CFO *John Rego* noted that WOW! expects HSD losses to fall between 4,500 and 6,500 in 2Q25. Total revenue for 1Q25 was $150 million, a decline of 7.1% compared to the same quarter prior year. Net loss reached $13.9 million, but adjusted EBITDA increased by 13% to $76.7 million. WOW!'s video RGU base fell to 48,900, down from 79,300 a year ago.

NBCU WILL SELL ADS FOR VERSANT

Versant—**Comcast**'s planned spinoff of its linear assets—inked a deal to have **NBCUniversal** sell domestic advertising inventory under its One Platform banner, including **CNBC**, **E!**, **Golf Channel**, **MSNBC**, **Oxygen**, **Syfy**, **USA** and digital platforms. NBCU President of Platform Monetization *Tom Winiarski* will transition to Versant in the newly created role of EVP, Ad Sales Strategy and Monetization, while NBCU Chairman of Global Advertising *Mark Marshall* will manage strategy for NBCU and Versant's premium properties. Marshall said that the partnership will maintain simplicity for partners, ensuring a single, dedicated sales team will represent the companies' collective inventory. The news comes ahead of NBCU's annual upfront presentation in NYC on Monday at Radio City Music Hall.

PINK SLIPS AT CABLELABS

CableLabs has laid off approximately 17 employees or less than 10% of its workforce, according to a report from *Light Reading*. The cuts appear to center on two groups at CableLabs that focus on innovation and next-gen projects based in Santa Clara, California, the pub said, citing industry sources.

TUBI'S TURN AT IAB NEWFRONTS

Tubi spent time at the **IAB** NewFronts in New York flaunting its new interactive ad formats and technology partnerships. The free streamer is introducing new pause ad formats, carousel ads, guaranteed ad placements with popular content and "Tubi Storefronts" that offer collections of goods such as clothing, home goods and more inspired by the content viewers are

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In The WILD

A Cablefax feature highlighting industry doings spotted in the real world.

AMC's 'The Walking Dead' Haunts NYC for Dead City Season 2

Almost 15 years since the franchise's debut on AMC, "The Walking Dead" is still haunting our dreams as well as our IRL streets. Ahead of Sunday's Season 2 premiere of "The Walking Dead: Dead City", the network hosted a series of zombie-filled events and spooky appearances across New York City.

"Taking over the Big Apple one bite at a time," as AMC Networks CMO Kim Granito puts it, the campaign ran for four consecutive days, starting on April 27 with hungry flesh-eaters shambling their way through Brooklyn during the borough's NYCRUNS half marathon, surprising runners and onlookers alike. The 13.1-mile race kicked off in Greenpoint, Brooklyn's northernmost neighborhood, and finished downtown in Prospect Park, so these walkers definitely got their steps in.

On April 28, AMC hosted an advance fan screening of the premiere in Brooklyn, in partnership with Rooftop Films, culminating with a Q&A with the cast and executive producers of the show, including Walking Dead Universe CCO Scott M. Gimple.

The undead escaped Brooklyn and made their way to Manhattan on April 29. Walkers stalked Penn Station, where AMC handed out a special edition of the New York Post with a Dead City wrap cover. They also had a bite at the nearby PopUp Bagels in Midtown, tried to catch a show at Radio City Music Hall (they were not admitted so they creeped around outside instead) and joined the cast and producers on a trip to the top of the Empire State Building.

Baseball fans also got to watch Dead City stars Jeffrey Dean Morgan and Lauren Cohan throw out the first pitch at Citi Field in Queens, where the Mets took on the Arizona Diamondbacks, using Negan's beloved barbed-wired bat Lucille during batting practice. The zombies were of course in attendance to cheer on the home team.

The Walking Dead invasion ended with a screening and Q&A at the Paley Center on April 30. *– John Saavedra*

watching. Additionally, "Tubi Wrappers" will let studios take over Tubi's homepage to promote upcoming theatrical releases. On the tech side, Tubi is working with **Moloco**, an ad tech platform that uses advanced machine learning to optimize CTV advertising. Moloco joins Tubi's other partnerships in the ad realm, including **Amazon**, **Kochava** and **Innovid**.

EWTN ON WHITE SMOKE WATCH

The Papal conclave is the Super Bowl for **EWTN**, the Global Catholic Network, and it's meeting the moment with a week of special programming. Beginning Thursday, it will have live daily updates from Rome until the Pope is elected, with coverage from 6am to 1pm ET. The cardinals held one vote Wednesday and will resume voting Thursday, where they can vote up to four times a day. For a download on the cardinals being discussed, check out EWTN News Foreign Correspondent *Colm Flynn*'s interview with Bishop *Robert Barron*, founder of the Catholic ministerial organization Word on Fire. EWTN, available to 425 million homes globally, is set to cut in live if we start seeing smoke. Want to dive deeper? Visit EWTN's interregnum website.

RATINGS

TNT usurped **Fox News** for the No. 1 spot in the weekly primetime ratings among cable networks. Thanks to the **NBA** Playoffs, TNT scored 3.19 million viewers P2+, followed by Fox News' mark of 2.48 million. **ESPN** came in at 1.23 million while **MSNBC** had 1.02 million, and **TBS** snuck in with 658,000. In total day, Fox News remained at the top with 1.55 million. TNT and MSNBC trailed with 823,000 and 577,000, respectively, before ESPN (514,000) and **CNN** (365,000) filled out the rest of the top five. ESPN got help when the **WNBA**'s Fever took on the Brazilian national women's basketball team Sunday. The game reeled in 1.3 million average viewers on ESPN, peaking with 1.6 million. "WNBA Countdown" led into the game with 571,000 viewers—up 71% compared to the show's average on the network last year.

C-SPAN STILL PUSHING FOR CAMERAS IN HIGH COURT

The U.S. Supreme Court is set to hear arguments May 15 in three birthright citizenship cases, and so far, **C-SPAN**'s requests to televise the hearing have gone unanswered. "Televising this oral argument would mark a civic milestone at a time when promoting public access and civic understanding of our government institutions would strengthen our democracy and help Americans to see, and not only hear, about issues at the forefront of their government," C-SPAN CEO *Sam Feist* wrote in an April 23 letter to Chief Justice *John Roberts*. In 2020, Roberts allowed real-time access to oral arguments. Since then, C-SPAN has provided access to every case—often on its networks with still images of the Justice or counselor speaking.

Think about that for a minute...

Pendulums Break

Commentary by Steve Effros

In my last column I focused on the circular nature of the thinking surrounding telecom business plans. We go "round and round again" on such ideas as linear video broadcast programming ("Free TV") morphing into ad-supported plus subscription revenue broadcasting ("retransmission consent"). The new technology of cable/broadband witnessed, once again, the dual revenue stream of subscription delivery of ad-supported "cable channels." Then "streaming" came along and now we have subscription video which ultimately either has to continually escalate prices or revert to, you guessed it, subscription plus ad-supported fare. "Free ad-supported Streaming Television (FAST)" brings us all the way back to the beginning of the "Free TV" model. It won't last, and around we go.

Today, regrettably, as promised, we look at the same scenario on the legal/regulatory side. I'm just going to focus on the example making the most headlines today: the fevered complaints about "media bias." But let's start with the obvious: we're all biased. That, in and of itself, is not news. And we all constantly make choices. I prefer red wine, you prefer white. That's discrimination. Almost all law clerks aiding Justices of the Supreme Court have come from "Ivy League" law schools. That, too, is discrimination on the part of the Justices for who they think will serve them well. Again, nothing inherently wrong with that.

But when it comes to law and regulations, particularly in telecommunications, things get a little sticky. The underlying reason given for being more averse to blatant bias or discrimination has always been, especially in the context of broadcast law, that we're dealing with a very limited commodity: the broadcast spectrum. The government had to license that spectrum because if everyone used it at will all the signals would interfere with each other and no communication could take place. Thus licensing and the attendant rules.

In the 1969 "Red Lion" case, the Supreme Court upheld the FCC's long-held regulation known as the "Fairness Doctrine" which, since 1949, required licensees to present controversial issues of public importance in a fair and balanced manner, ensuring that opposing viewpoints were given airtime. The Court's decision stated that the federal government could place restrictions on broadcasters that could not be placed on ordinary individuals. Even though broadcasting is a medium that enjoys free speech protections, they said, the specific technical challenges of broadcasting (spectrum scarcity) justify differences in the application of the First Amendment. The Commission eliminated the "Fairness Doctrine" in 1987 recognizing that, even then, before the floodgates of broadband opened up, concern over "scarcity" of the means to discuss and debate issues of public importance was no longer a reality.

So now we come to today. The new Chair of the FCC has re-instituted investigations of NBC, ABC and CBS over "concerns" that they, in some strained way, have engaged in "news distortion" or inappropriate hiring discrimination and thus violated the Commission's mandate to license the airwaves "...in the public interest." He has said that "everything is on the table" as to what the Commission could do, both regarding license renewals and a review of a pending merger. Yet he has also said that what is being initiated are not "threats," they are potential "penalties." Of course, he has also recently stated that license revocation is considered a "death penalty." Seems to me that's quite a threat!

The point here is that political "raised eyebrow" regulatory jawboning isn't new, and has been engaged in from virtually every ideological angle at one time or another. But in this case the pendulum is swinging somewhat erratically and if the Commission actually takes significant action (I doubt they will) we are likely to go back for another round at the Supreme Court, and this time, I suspect the pendulum would break.

Steve

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.)