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What the Industry Reads First

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5G Forward: Small Cell Deployments Driving CommScope Forward in 2020

New year, new **CommScope**. Starting Jan 1, CommScope will operate and report its financial performance in four segments: venue and campus networks; broadband networks; outdoor wireless networks and home networks. Those areas are aligned to the primary growth opportunities CommScope has identified since closing its \$7.4bln purchase of **Arris** back in April. "This whole transaction was based on the premise that we could create a compelling growth story out of the combined company and position the combined company at the center of everything that's going to happen with 5G, the connected home and the bandwidth explosion that's going to come with that," CommScope evp/CFO *Alex Pease* said at an investor conference Tuesday. He also said the move was a measure to avoid an operating structure where two of CommScope's legacy businesses would be housed alongside three of Arris's legacy segments. "Really, the question just became around timing," Pease said. "When's the right timing as we get into the integration." The realignment will be reflected in CommScope's 1Q20 earnings, and the company will offer targeted data for each of the new segments. But, for now, CommScope's segments remain unchanged. A highlight in its portfolio moving into the new year is mobility, which the company believes will experience low-mid single digit growth over the next 12 months. "We're beginning to see some of the early investments in 5G and those early investments really are manifesting in the metro cell layer," Pease said. One of the innovations birthed from the investment are integrated smart poles. Mimicking traditional light poles, the structures are able to effectively conceal the small cells necessary for widespread 5G deployment. The next step is installing them. Historically, it has been difficult to receive the go-ahead from municipalities to install small cells. Communities large and small even fought against a Sept 2018 **FCC** order that aimed to streamline small cell deployment by establishing shot clocks for state and local approvals. "We've now developed a model where we've gained some real momentum there and there's some really large municipalities where we've got significant traction," Pease said, adding that business is up double digits YOY. "The densification of the network is alive and well and we're really benefiting from that." CommScope's OneCell small cell solution for in-building performance is the other major driver for the business, and the spread of similar technologies is necessary for 5G capabilities to be realized indoors as well as outdoors. "About 80-90% of cell phone traffic happens inside the building. You have propagation issues with 5G, so you have to have a

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viable, in-building LTE coverage option,” Pease said. There could be major changes coming in the world of wireless with the pending merger of **T-Mobile** and **Sprint**, but Pease said CommScope doesn’t anticipate any negative impact hitting its business should the state AGs win out in their attempt to block the deal. “It’s net neutral because... one player has not been investing in its network and it would need to invest. The other player has been investing in its network, but has paused and then would start over again,” Pease said. An approval, on the other hand, would be net positive for the business thanks to the introduction of **DISH** as a new entrant to the wireless market.

Comcast Adds ASL Options: Comcast said it’s the first cable company to launch a customer service program for the deaf community in American Sign Language. It’s working with **Connect Direct**, a subsidiary of Communication Service for the Deaf, to provide ASL support for Xfinity Internet, Xfinity billing and its low-cost broadband program Internet Essentials. Elements include an ASL chat function Monday-Friday from 12pm-8pm CT. Comcast made the announcement at a digital inclusion rally at the Pennsylvania School for the Deaf, where it surprised 90 students by giving them free tablets and six months of complimentary Internet service at home through the Internet Essentials program. Additionally, in partnership with Dell Technologies, the Company announced it will donate new computer equipment to PSD for students to learn vital digital skills.

Discovery Leans Into DTC: Discovery officially launched **Food Network Kitchen**, its DTC app and subscription service in October, and execs at the company are pleased with the results. “One of the biggest secrets about Discovery is our engagement with consumers goes way beyond what you see on TV. That engagement leads us to believe we’re going to have this very efficient funnel,” said *Peter Faricy*, Discovery’s CEO of global direct-to-consumer at the **Wells Fargo TMT Summit** on Tuesday. “As we roll out this new product Food Network Kitchen, the early feedback from consumers is that they love it.” While Faricy wouldn’t reveal any subscriber numbers, he did say that the company is pleased with the engagement and predicts low churn rates. “This is going to be a business that will build and grow over time and become an important part of the company,” he said. Discovery is also gearing up for the launch of *Chip and Joanna Gaines’* net, which will also include a DTC product. Faricy said the service will operate similarly to Food Network Kitchen with a free tier, subscription tier and a commerce tier. And as for the upcoming Discovery and **BBC SVOD?** Too early to talk details on product licenses or names, but Faricy described the tentpole titles as “must-haves.” “From the customer feedback that we’re seeing, we’re very excited to build a product that gives people access to that,” he said.

Han Paving the Way Forward at Frontier: Frontier Communications’ board unanimously appointed *Bernard Han* as pres/CEO and a member of the board, effective immediately. Han succeeds *Daniel McCarthy*, who is stepping down

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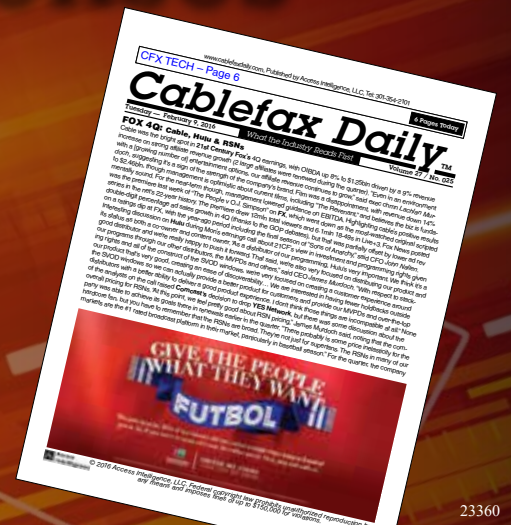
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from the position after a total of 29 years with the company, four in the top spot. “It has been an incredible experience leading Frontier over the last four years, and I leave knowing the Company is in great hands with Bernie at the helm of this skilled and dedicated organization,” McCarthy said in a statement. Han most recently served as evp, strategic planning at DISH and has served as an advisor to the Frontier board finance committee since October 16.

Get in the Game: As cable holds gamers up as beneficiaries of its 10G plans, here’s some research worth noting from the **Consumer Technology Association**: 70% of Americans 13-to-64 (192mln) are gamers (playing video games at least one hour over the past three-month period). Of those gamers, 94mln primarily play on gaming consoles such as Xbox One or PlayStation 4, 66mln on a smartphone or tablet, and 22mln are devoted PC gamers. More than 60% of gamers now play games with or against others online, including 40% with or against people they don’t know, and 77% of the games think video games will get more social over the next five years, the study found. A separate CTA study on esports predicts the US fan base will grow from 21mln in 2018 to 27mln in 2022. It found global esports sponsorship totals jumped from \$342mln in 2018 to \$470mln in revenue in 2019, while advertising increased from \$176mln to \$220mln in revenue.

Streaming Subscription ARPU: Hulu’s 2019 Black Friday offer of \$1.99 a month for a year may be double the price of last year’s, but to Wall Street analyst *Todd Juenger* of **Bernstein Research**, the promotion again illustrates why subscription ARPU is “surprisingly low.” “Can anyone imagine what would happen to **Netflix** (and NFLX stock) if they ran a promotion at a 67% discount?” he wrote. According to Juenger, Hulu’s ARPU is linked with **Disney+**’s. “Intercompany revenue recognized at Hulu is, we believe, almost entirely a function of Disney divisions running advertisements on Hulu,” he wrote. Juenger estimates that it increases Hulu ad ARPU by \$2, from \$5.60 to \$7.60. It’s not surprising that Hulu’s ARPU is lower than the standard retail price, as the promotions attract marginal subscribers and likely a high percentage of growth at lower rates. Disney+ also ran a Black Friday deal, just a month after its launch. The deal gave a 30% discount to the standard monthly retail price and a 15% discount to the annual plan. “All we can assume is Disney is leaning into success to try and drive it that much faster, under a theory it is better to get as many subs as soon as possible,” Juenger wrote. “Maybe they are trying to see if they can get as many U.S. subs before their FQ4 earnings report, as they had originally guided for FY24. If they do anything close to that, we don’t think Disney investors will care that the ARPU is low. After all, first get the subs, you can always raise the ARPU later (but can you? Hulu is going backwards).” Hulu’s ARPU has dropped in the third and fourth fiscal quarters, and Bernstein gave **The Walt Disney Company** a target price of \$138.

In Demand Scores PPV Deals: **In Demand** inked multi-year PPV deals with **All Elite Wrestling** and **Premier Boxing Champions**. The PBC deal guarantees the transactional programming distributor a long-term slate of PPV boxing events over the next several years, while AEW has agreed to give In Demand a minimum of one PPV event per quarter through June 2021.

Madison Square Garden Spinoff Advances: **The Madison Square Garden Co** filed with the **SEC** for a proposed spinoff of its entertainment business, which it expects will take place in 1Q20. As previously announced, the proposed separation of the sports and entertainment business would be structured as a tax-free spin-off to all MSG shareholders. The pure-play sports company would include the Knicks, Rangers and the majority interest in esports org Counter Logic Gaming, while the entertainment company would include venues such as Madison Square Garden, Radio City Music Hall and The Chicago Theatre. The Dolan family will retain majority voting control of both the sports and entertainment companies through their ownership of Class B shares.

The Force is with ‘The Mandalorian’: **Disney+**’s original series “The Mandalorian” became the most in-demand series in the world, according to **Parrot Analytics**. For the seven days ending Dec 1, the series was 31.9 times more in-demand than the average title on a global basis. The series premiered just three weeks ago, and has already passed rivals including “Game of Thrones” (28.3x), “The Flash” (21.6x) and “Stranger Things” (18.9x).

Programming: Another day of programming announcements for the upcoming **HBO Max** DTC service. It’ll serve as the exclusive US home for period drama “Boys” (wt), a co-production with Britain’s Channel 4. The five-part series focuses on five friends during the 1980s and stars *Olly Alexander*, *Stephen Fry*, *Neil Patrick Harris* and *Keeley Hawes*. Max also greenlit four new stand-up comedy specials featuring *Tracy Morgan*, *John Early*, *Rose Matafeo* and *Ahri Shah*. -- **TBS** renewed game show “The Misery Index” for a sophomore season. -- **Bravo** debuts competition series “Spy Games” on Jan 20. Contestants hone their spy craft and compete for \$100K. -- Season 2 of “Disasters at Sea” premieres Jan 5 at 9pm on **Smithsonian Channel**. The net is also bringing back “Air Disasters” for Season 14 on Jan 5 at 8pm.