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What the Industry Reads First

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Super Segment: Mobility Saves AT&T Again

AT&T lost another 897K subs across **DirectTV**, **U-verse** and **AT&T TV** in 1Q20, leaving the company with 18.6mln total customers in its entertainment segment. During its 1Q20 earnings call Wednesday, the company said revenue in the segment, which includes its satellite and cable TV product, dropped 7.2% YOY due to continued cordcutting. AT&T is anticipating cord-cutting to continue as well as lower revenues from commercial locations like hotels and restaurants, but it's hard to tell what will happen in the coming months due to the fluidity of the situation surrounding COVID-19. In terms of the quarter, AT&T execs are not too worried about the trend of customers dropping its video offerings. "If anything, it's slowed down a little bit as people are engaging more with the product, and clearly at home having more time, gaining more utility out of it," **WarnerMedia** COO *John Stankey* said. "However, we're expecting that there is going to be a stressed economic environment in the second half of this year at some point." AT&T reported overall revenues of \$42.8bln and said that the COVID-related impact to that number is approximately \$900mln. That can mostly be attributed to lower sports-related advertising from the cancellation of March Madness and a drop in wireless equipment sales. **Turner** was hit particularly hard by the lack of sports, reporting an 8.2% decline YOY in revenues. AT&T didn't offer any additional details on the impact of the lack of sports programming right now or how it could affect distribution deals. AT&T's savior continues to be its mobility business. "AT&T's mix of businesses leaves it in relatively stable shape with COVID-19-driven margin benefits in wireless offsetting much of the pressure in WarnerMedia, Entertainment and elsewhere," **New Street Research** said in a note. The company reported 163K postpaid phone net adds and postpaid churn of 0.86%. EBITDA came in at \$7.8bln, marking a 7% or \$511mln increase YOY. AT&T did not include customers who it agreed not to terminate service for non-payment in its subscriber counts for wireless, video or broadband this quarter. For reporting purposes, those subs are counted as disconnects. Through all this uncertainty surrounding COVID-19, AT&T made it clear that it is not slowing down in its efforts to improve its wireless and its fiber networks. It still plans to turn on a nationwide 5G network this summer and is continuing to add new fiber as conditions allow. The company added 209K AT&T Fiber customers and now serves more than 4mln. Teams have also been working to implement any quick solutions that could add additional capacity to rapid rise in traffic from homes. "Stankey and his team have been doing a lot of work to kind of make sure that the networks are

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being enhanced in areas where you haven't seen volumes like this," AT&T CEO *Randall Stephenson* said. "It's impressive to see how much activity is still going on by virtue of the connectivity that's been facilitated into the homes." Stephenson also applauded all of the other ISPs in the US for their long-term investments in the network that have prepared it for the rise in traffic related to the pandemic. "I hope as we come out of this, our public policy folks would take a hard look at this and recognize that this is important, it's important for a society to have this type of capability and this type of capacity."

HBO Max's Impact: AT&T's upcoming streaming service played a surprisingly small role in the company's 1Q20 earnings call, but it could be a key piece in transforming the way **WarnerMedia** approaches its theatrical releases. WarnerMedia COO *John Stankey* is still optimistic about **HBO Max's** May 27 launch, especially in light of the increase in popularity of streaming services during the COVID-19 pandemic. "We were right about the streaming model and HBO Max," Stankey said. "Streaming to all demographics is in high demand." He added that WarnerMedia is rethinking its theatrical model and is looking at how to accelerate "efforts that are consistent with the rapid changes in consumer behavior from the pandemic." And while there are those that are hopeful the movie business could begin returning to something resembling normalcy in the near future, Stankey isn't one of them. "I think that's going to be something that we're going to have to watch the formation of consumer confidence, not just about going to movies, just in general about being back out in public," he said.

Fox Latest to Cut Salaries: **Fox Corp** is the latest company to cut executive pay in an effort to minimize the impact of the COVID-19 pandemic on its bottom line. Approximately 700 employees sitting at the vp level or above are seeing their salaries reduced in one way or another. CEO *Lachlan Murdoch*, chmn *Rupert Murdoch*, COO *John Nallen*, chief legal and policy officer *Viet Dinh* and CFO *Steve Tomsic* will forgo their salaries through Sept 30. Raises are also suspended across the company and for its board.

Internet Usage Leveling Off: The Week 4 update to **NCTA's** COVID-19 Internet Dashboard shows that national downstream peak growth has declined a little over the last three weeks—down 2.2% since April 4. It's up 17.8% overall since March 1. National upstream peak growth has leveled off over the past two weeks, up less than 1% each week since April 4. Since March 1, national upstream is up 35%. The data is based on information provided by **Altice USA, Cable ONE, Charter, Comcast, Cox, GCI, Mediacom, Midco** and **Sjoberg's**.

Update from WOW! CEO: **WOW!** CEO *Teresa Elder* is back on the job and she shared with us she's so grateful for all who have reached out with well wishes after her diagnosis with COVID-19. "I was reminded of how much our industry

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cares and of what a small community we all belong to," she said. Elder was hospitalized for 5.5 days and has been recovering from home since her release on April 1. "It still remains unclear as to how I contracted COVID-19 and how long I remained asymptomatic before going to the hospital on March 27. Thankfully, no one else in our headquarters office has tested positive," she told **CFX**. Elder said she became ill very quickly, with a high fever and low oxygen levels. At home, she got to put telehealth to the test with remote visits with a respiratory therapist. "Another reminder of how WOW!'s services are truly essential during a time like this," she said. "I am tremendously grateful to the entire team at WOW! who have continued to work diligently during this time of uncertainty, including those at home and in the field. I am truly inspired by the commitment our employees have demonstrated during the COVID-19 pandemic."

Broadcast & SBA Loans: Always fighting for retrans reform, the **American Television Alliance**—whose members include **AT&T**, **Mediacom**, **ACA Connects** and several other pay TV providers—has asked Congress to condition any small business loans given to broadcasters with a requirement that they provide their signal without interruption. ATVA is still not a fan of large broadcast conglomerates getting the money, but if it happens, it wants protection against blackouts. There is a Dear Colleague and letter from Reps. *David Cicilline* (D-RI) and *Jim Sensenbrenner* (R-WI) that is circulating on Capitol Hill recommending that more broadcasters be allowed to qualify for Small Business Administration loans under the Paycheck Protection Program. "NAB is disappointed that the American Television Alliance—a front group for AT&T, **Charter**, **DISH** and other big pay TV companies—is leading a cynical effort to deny local media badly-needed access to SBA loans during the coronavirus crisis" NAB spokesperson *Dennis Wharton* said. "We're proud of the work of all broadcasters to keep people safe and informed during a pandemic that has created the most difficult circumstances imaginable for local media and our network partners. We make no apologies for seeking access to SBA loans that will keep these companies afloat, support local jobs and commerce, and save American lives."

4Front Canceled: **CableLabs'** 4Front is the latest industry event to be canceled due to COVID-19. Originally slated for June 23-24 in Denver, the inaugural conference intended to bring together futurists and thought leaders from industries like technology, gaming, security and healthcare to engage in discussions on how people will live, learn, work and play 3-8 years in the future.

Discovery Scores Well in Beta Survey: **Discovery, Inc** dominated a newly released **Beta Research** survey. The top five basic nets that respondents described as one of their favorite channels all reside under the house of Discovery: **Animal Planet** (52%), **ID** (52%), **HGTV** (51%), **Discovery** (50%) and **Food Network** (51%). Also getting high marks were **History** (48%), **ESPN** (47%), **Fox News** (46%), **Nat Geo** (45%) and **Bravo** (44%). The top-ranked digital basic cable net was **American Heroes Channel** (50%), followed by **Nat Geo Wild** (48%). Discovery siblings **DIY**, **MotorTrend** and **Science** were mentioned by 47% of respondents. Beta also asked participants about basic networks they are most likely to buy advertised products from, with **Cartoon** coming in first (36%) followed by **Nickelodeon** (35%) and **Oxygen** (34%). MotorTrend scored the highest among digital basic networks at 44%, followed by **Nick Jr** at 42%. The study was conducted online in January among a national sample of 3,502 cable subscribers. It measured 56 basic or digital basic cable networks and the four major broadcast networks.

Advertising Notes: **DISH Media** is making its set-top VOD ads available for purchase programmatically and in real time. Advertisers can bid on this premium linear inventory via private auctions set up with demand-side platforms, and deliver ads and receive impressions immediately. This marks the first time DISH Media has been able to sell ads programmatically across both DISH and Sling TV platforms. -- Ad measurement and analytics firm **605** made a strategic investment in **AdScribe**, a London and Dublin-based advertising technology, measurement and services business. Financial terms of the deal were not disclosed. The two firms worked together to develop "605 PLATFORM," a self-service, web-based application that reports TV viewership of programming and advertising by advanced, custom-defined audiences.

Programming: **History** will debut its three-night miniseries "Grant" on Memorial Day at 9pm. The presidential miniseries is executive produced by *Leonardo DiCaprio* and *Jennifer Davisson* as well as Pulitzer Prize-winning biographer Ron Chernow. -- **HBO** renewed "Westworld" for a fourth season. The show is set to conclude its 8-episode third season on May 3. -- **Fuse** partnered with climate justice organization Zero Hour to highlight the challenges facing the environment through on-air graphics and social media messaging during its Wednesday "Save Our Earth" programming event.

Editor's Note: Don't forget that Friday is the Best Price Deadline for the **Cablefax** 2020 FAXIES, celebrating excellence across all areas of marketing and PR. Categories include PR Executive of the Year, Sales Executive of the Year and Shoestring Marketing. New this year (and free to enter) is a pandemic response category that recognizes the best social campaign, external communications and more. Enter today at www.thefaxies.com.

Think about that for a minute...

Rethinking Broadcasting

Commentary by Steve Effros

The unprecedented time we're going through will ultimately have many unanticipated effects. One of them, broadly speaking, will be an almost inevitable reassessment of some of our core beliefs, or at least our past acceptance of "the way things are."

There are so many things I could mention at this point; how we finance and provide healthcare, the value we place on our workforce; from teachers to first responders, to grocery clerks, the power we vest in various levels of government. The list is endless. But for today, consistent with this column's traditional focus, I'll stick with telecommunications.

It's time to totally rethink our "local" broadcast system. The profligate misuse of the broadcast spectrum is simply something we should not be willing to allow any more. We have long heard the "that's the way it's always been done" argument, and the one that says "they" paid high prices when buying and selling publicly owned spectrum therefore "they" must have their profits protected into the neverending future. But we're at an inflection point. We're going to have to think "outside the box" on a lot of things. Broadcasting is one of them.

I was aghast the other day when I heard that the NAB was lobbying Congress to make sure COVID relief money was made available to radio and television station groups. Now there's no question that some independents are hurting, as are most businesses. Ad revenue is cut in half as local businesses stop advertising because they're closed. Personnel are being furloughed. Yes, all that is happening, and some small broadcasters are in dire need and should be helped. But huge "station groups?"

The broadcast industry, like most others, has seen massive growth and consolidation. The "station groups" run tens, and sometimes hundreds of stations from a centralized



location when it comes to program choice, news, opinion writing and the like. The notion that the individual stations in the individual communities are "local" in any way other than brief newscasts and some regionalized distribution of things like weather and "tornado warnings," usually originated by the National Weather Service, is a thing of the past. The "local" broadcaster in many cases is a myth.

So why are we pissing away some of the most versatile spectrum having multiple "local" broadcasters rebroadcasting the identical tornado warning? What makes us think it's a valid argument that there should be five or more "local" television stations repeating the same critical information regarding how to respond to the pandemic? The information is the same. The ability for individuals to receive the broadcast is the same. It's available in multiple other formats. Why are we wasting all that spectrum which could be used for so many other things?

Yes, I'm arguing here for a change that could adversely affect the cable industry. There really could be an effective over-the-air broadband system as a competitor if spectrum were used wisely instead of protecting the existing system. But does it really make sense for us to continue to protect the "old order" when we can see that it's simply not designed to deal with our new issues? I don't think so.

The irony is, and this is fodder for another column, the broadcasters are now reportedly suggesting, to recover, that they want to massively increase the fees they charge cable customers to be able to see their "local" signals. That's just not going to work. It's time to rethink the entire structure rather than prop up a system that doesn't serve the public interest any more.

Steve

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(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.)

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