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WHAT THE INDUSTRY READS FIRST

## Funny Math: DISH-Disney Highlights the DTC-Linear Imbalance

**DISH** and **Disney's** weekend dust-up is a case study on why it's so difficult to move sports from linear, even as cracks appear in the distribution model. While DISH and **Sling** customers lost **ESPN** hours before "College GameDay" kickoff Saturday, a handshake deal was in place returning the sports network and other Disney properties to subscribers' lineups late Sunday, well before the Rams and 49ers game on "Monday Night Football."

"The problem is, at this moment, the established paid TV bundle is in secular decline but there's still a lot of homes within it and for some content—like live sports—it's never been more profitable. Meanwhile streaming—while growing—is enormously unprofitable. So number one, that means you can't get rid of your linear assets to fully pivot to streaming unless you want to negatively impact your overall economics in a strategic way," media consultant *Patrick Crakes* told **CFX**.

It's pretty much the same song that Disney CEO *Bob Chapek* has been singing for months. During the company's 2Q22 earnings call, he explained how linear networks are huge cash generators and there's a hesitancy to move too fast to create a direct-to-consumer ESPN product. "At the same time, we're very conscious of our ability to go more aggressively into the DTC area of ESPN. So what we're doing is sort of putting one foot on the dock, if you will, and one foot on the boat right now," he said. "At some point, when it's going to be good for

our shareholders, we'll be able to fully go into an ESPN DTC offering... But at that point, obviously, that will have ramifications on immediate cash flow that we get from our legacy linear networks."

The bottom line is we're not at that point yet. DISH Chairman *Charlie Ergen* has been pretty clear over the years that if consumers can find the same programming elsewhere, the satellite/vMVPD operator is OK with bidding those networks goodbye. Remember, it took nearly three years for DISH to finally bring **HBO** back to its lineup. As for Disney, the channels have been temporarily returned as the two work out a formal deal. It would be shocking if they don't finalize terms at this point.

**LightShed Research** analysts believe one way for Disney to improve the financials for moving to DTC would be to reduce sports rights, particularly as subscribers to pay TV are falling faster than affiliate fees per sub are rising. They point to ESPN's decision to give up Big Ten rights. But this creates a catch-22. "To maintain ESPN profits, ESPN is being forced to offer less premium content than they did before as well as shift content to their own direct-to-consumer streaming service that competes with the linear TV bundle. At the same time, ESPN needs to keep renewing its affiliation agreements with distributors and drive at least mid-single digit annual rate increases (per subscriber)," they wrote in a blog post Monday.

Some have been calling for Disney to spin off the ESPN business, with LightShed a fan of the move. "Broadcast and

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cable networks are challenged enough, but not being able to own the content makes the transition to streaming that much more difficult," they wrote, adding that they expect carriage battles to get uglier as more linear content shifts to streaming. "The number one reason we hear from investors for keeping ESPN inside Disney is the strength of ESPN's cash flows that fund Disney's streaming ambitions. We do not disagree, but if the MVPD sub base erodes faster than expected the pressure from sports rights cost step-ups eats into free cash flow pretty fast. Given the growing linear TV headwinds and the soaring cost of sports rights, we cannot help but think leveraging up ESPN and spinning it off sooner than later would maximize value for Disney shareholders. With Disney's streaming services set to be profitable in 2024, the need for funding from ESPN will also meaningfully decrease over the next couple of years."

Of course, the DISH-Disney skirmish didn't just involve ESPN. The impasse, which followed months of negotiations, also briefly took down Disney-branded channels, **Freeform**, the **FX** networks, **Nat Geo** channels and the Disney-owned **ABC** broadcast stations, which includes WABC in NYC and KABC in L.A. The latter involves broadcast retransmission consent—which hasn't seen many skirmishes as of late. Don't get too comfortable with that. When we recently mused to an industry insider that we enjoyed a quiet New Year's Eve last year, they suggested that retrans fireworks are much more likely in the coming year. **Charter** customers recently received another reminder of the rising costs of programming. Connecticut customers received notice the

broadcast TV surcharge price for Spectrum Stream TV and Spectrum TV Choice customers will increase by \$4.01 per month, effective Nov. 1.

**CHANGES AT CW AS NEXSTAR CLOSES DEAL**

**Nexstar** officially closed the deal that'll see it acquire a 75% ownership stake in the **CW Network**, and the new CW leadership team is taking shape. *Dennis Miller* will take the reigns as President and resign from his duties on Nexstar's board. He fills in for *Mark Pedowitz*, who stepped down after 11 years as Chairman/CEO. "It's been an honor to serve as the Chairman and CEO of The CW Network for the last 11 years and I am very proud of what our exceptional teams have accomplished together over that time," Pedowitz said. "It was the right moment for me to hand over the leadership baton and I am excited to move on to the next chapter of my professional career where I can pursue a different set of interests. Pedowitz will revive his independent production company, **Pinestreet Entertainment**, as he plans a return to producing. Change was on the horizon when the deal was announced Aug. 15 and Nexstar noted its desire to [bring the CW to profitability](#) by 2025. The plan entailed more focus on national ad buys and retransmission consent, as well as changes to the network's programming strategy. "This appointment perfectly aligns my intimate knowledge of Nexstar's business approach and operating goals to realize the value inherent in The CW. I look forward to working with [Chairman/CEO *Perry Sook*], [President of Networks *Sean Compton*] and the team to leverage the experience and business relationships built over my career in the media, and technology industries," Miller said.

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The advertisement features a large, bold headline "Corporate Licenses" in yellow and white. Below it, the "Cablefax Daily" logo is prominently displayed in white. Underneath the logo, the tagline "WHAT THE INDUSTRY READS FIRST." is written in bold black letters. A call to action in white text encourages readers to get reduced subscription rates for multiple readers in their organization and provides the email address ClientServices@accessintel.com. At the bottom, the website www.cablefax.com is listed. To the right, there is a smaller image of the Cablefax Daily magazine cover, showing the date Monday, November 2, 2022, and the volume information. The cover features several headlines, including "Deal Talk: RCN/News/Grande CEO Discusses \$4.1bn Streaming Deal" and "Most Powerful Women".

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The CW's previous owners **Paramount Global** and **Warner Bros. Discovery** will each retain a 12.5% ownership stake as part of the deal.

### HURRICANE IAN RESPONSE

**Comcast** rolled out two Xfinity WiFi vans and pledged \$2 million to support relief efforts following Hurricane Ian. The vans are [located](#) in Naples and Estero and can provide wireless internet to more than 1,000 users at once over a 300-square-foot area. They're available from 9am to 6pm daily until further notice, and more vans will be deployed in the coming days. The provider's \$2 million commitment includes \$1 million in cash and in-kind donations to the Florida Disaster Fund, with remaining funds distributed among the Comcast **NBCUniversal** Employee Assistance Fund, American Red Cross and other organizations. Universal Orlando will also donate food through partnerships with local organizations, and NBCU, **Telemundo** and **NBC/Telemundo**-owned stations in Florida will broadcast campaigns with information on how to support impacted communities. The FCC's latest Ian update showed that as of noon ET today, 474,706 cable and wireline subscribers were without telephone, television, and/or internet service. – **Fox Corporation** has donated \$1 million to the American Red Cross to support Hurricane Ian and Fiona relief efforts. It's also double matching employee donations to the Red Cross.

### NATPE FILES FOR BANKRUPTCY

**NATPE** is filing for Chapter 11 bankruptcy as it looks to restructure business affairs. The organization cited impacts from the COVID pandemic, which prevented NATPE from hosting in-person events in 2021 and 2022 that typically generate "significant revenue." "These cancellations forced NATPE to operate on its financial reserves, which now require it to reorganize the NATPE business structure," NATPE said in a release. It's looking at all options to restructure, including raising funds via partnerships. It held its first in-person marketplace in two years back in June and still has plans to hold its scheduled events for 2023. Next year's slate includes the annual January event, which was moved from Miami to the Baha Mar Resort in Nassau, Bahamas, to save on costs. Last Thursday, the organization hosted NATPE Streaming+ at the W Hollywood Hotel with **Paramount** Streaming President/CEO *Tom Ryan* bestowed with the first-ever NATPE Award for Leadership in Global Streaming.

### FANDOM, RED VENTURES STRIKE DEAL

The fan-Wiki platform **Fandom** acquired the gaming and entertainment brands GameSpot, Metacritic, TV Guide, GameFAQ, Giant Bombs, Cord Cutters News and Comic Vine from Red Ventures. The deal is [reportedly](#) worth around \$50 million and will see Fandom become the No. 14 ad-supported website in the U.S.

### RATINGS

The first two episodes of **Bounce**'s "Finding Happy" were viewed by 2.6 million viewers P2+ in their respective debuts, according to **Nielsen**. The series began with back-to-back episodes on Sept. 24 and had a special presentation on **ION**

the following day. New episodes drop Saturdays at 8pm.

### AWARDS

Chief People officer at **Vice Media Group** *Daisy Auger-Domínguez* will receive the first ChangeMaker Award for Individual Leadership at this year's **Walter Kaitz Foundation** Fundraising Dinner on Oct. 12. The award recognizes an individual responsible for change in their respective organization's recruitment, mentorship and retention practices made for diversity and inclusion. Auger-Domínguez was previously the Director of Global Diversity and Inclusion Strategy and Global Head of Diversity Staffing at **Google**, also making a stop at **Disney ABC Television Group** as VP, Talent Acquisition and Workforce Diversity.

### PROGRAMMING

Former **CNN** anchor *Chris Cuomo* will make his return to TV tonight as "Cuomo" debuts at 8pm on **NewsNation**. Guests such as *Andrew Yang*, *Anthony Fauci*, *Dan Rather* will appear over the course of the show's premiere week. Cuomo was fired from **CNN** in December 2021 after an investigation into his involvement in the defense of sexual harassment allegations made against his brother and former New York Governor *Andrew Cuomo*. – In celebration of its 15th anniversary, **Fox Business Network** is bringing back its primetime slate FBN Prime for a third season. "How America Works" will begin the season at 8pm on Oct. 17, with "American Built" and "American Dream Home" with among some of the other returning programs. New shows "Historic Battles for America: Crucial Conflicts," "Duck Family" and "American Dynasty" are set to make their FBN Prime debuts. – **HGTV**'s renovation competition series "Rock the Block" will return for a six-episode season in March 2023. – The charity college basketball exhibition game between Gonzaga and Tennessee will be available on PPV on Oct. 28 at 9pm. **INDEMAND** will stream the event on PPV.com, and fans can watch on TV through their provider for a suggested retail price of \$9.99. All proceeds from the event will go to minority leadership initiative, The McLendon Foundation.

### PEOPLE

*Alice Rao* was named **Hallmark Media**'s SVP of Publicity, reporting to Chief Communications Officer *Annie Howell*. Rao will manage the company's publicity team, overseeing campaigns that promote networks, programming, talent and more. She'll also serve as a liaison with corporate communications, talent relations and events, programming and other internal and external parties. Prior to her new role, Rao was a communications and publicity consultant with **Netflix**, **HBO Max**, **Turner Networks** and **MRC Media**. – **EarthX Media** promoted *Dan Russell* from EVP of Content and Strategy to CEO and appointed *Rajan Singh* as Head of Global Distribution. Russell has been involved with channel launches and reformatting like **TLC**, **Animal Planet** and **Travel Channel**, and was also VP of Global Channel Management at **CuriosityStream**. Singh joins from **Digi Media Global** where he was CEO. In his new role, he'll lead the expansion of **EarthxTV** across digital and linear platforms across the globe.