

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Away We Go: Expect Fixed Wireless, Ad Slowdown to Dominate 3Q22 Reports

Comcast's earnings call Thursday counts as the unofficial kickoff of the 3Q22 earnings season, providing insight on both cable operator and programmer performance. And there's plenty Wall Street will be looking for, from whether broadband customers grow to how linear is faring alongside streaming.

Investor conference commentary in recent months suggesting that fixed wireless is temporarily "having a moment" doesn't exactly foster confidence that broadband adds will be bananas in the quarter. In fact, **New Street Research** has lowered its estimate for consumer broadband adds in the quarter from +28,000 to -22,000 for **Charter** and **Comcast**, adding it has "limited conviction" in the projection. "We are mostly reacting to Comcast's commentary that it may be difficult to grow broadband subscribers for a while, coupled with the step up in fixed wireless broadband [FWB] adds in 3Q." The firm expects 613,000 FWB adds from T-Mobile (535,000 consumer). On Friday, Verizon reported 342,000 FWB adds (234,000 consumer) and said it can now offer the service to 40 million households.

"Our work suggests that FWB is the biggest driver of pressure on cable adds, and FWB adds will be higher. Depressed moves and switching may be factors too and conditions for moves and switching don't look great either. If adds aren't negative this quarter, investors should be prepared for them being negative at some point in the next couple of quarters,"

New Street said in a research note.

On the content side, **MoffettNathanson** expects to see a slowing in affiliate fees, SVOD subscriber additions and advertising. "We even expect the recent surge in AVOD ad spending to cool due to tough compares and softer programmatic video spend," the analysts told clients. "As we have already seen in 2Q, when advertisers cut budgets, AVOD tends to be one of the first to go." And this sluggishness could continue in 4Q, with the firm noting there's uncertainty on consumer spending and fears that holiday spending will be weaker due to inflationary pressures.

MoffettNathanson is lowering estimates across most of its media coverage given ad pressure and accelerated cord-cutting. Its biggest negative revision in 3Q is at **Warner Brothers Discovery**, where it lowered EBIT by almost -\$235 million and adjusted EPS by -\$0.08, citing declines at networks and continued DTC losses outweighing a stronger quarter at studio. "Ratings for every cable network group not named Fox fell in 3Q22, most by double digits. No one is left holding the bag more than Warner Bros. Discovery, whose pre-merger set of networks' time viewed fell -12% YOY, and its new set of **Turner** networks fell -15%, the worst among its peer group," MoffettNathanson said. "Both networks lack the easy excuse of **NBCUniversal** whose -14% growth laps the 2021 Summer Olympics. Altogether, cable network time viewed fell -10% Y/Y and broadcast fell -2%."

One bright spot should be mid-term election spending. Ad



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tracking firm **AdImpact** projects the political cycle will see a historic \$9.7 billion. That puts it above 2020 presidential election year spending with broadcasters set to especially benefit. **Sinclair** reports results Nov. 2, with **Nexstar**, currently embroiled in a retrans blackout with **Verizon**, to follow on Nov. 8.

Other notable moments during this earnings report card: Friday will mark *Tom Rutledge's* last earnings call as Charter's CEO, with **Chris Winfrey** to take over the role on Dec. 1. And next Wednesday's **Altice USA** call will give us our first chance to hear from newly appointed CEO *Dennis Mathew* (he'll also be joined by Executive Chairman and ex-CEO *Dexter Goei*).

ISPS IN HOT SEAT OVER AFFORDABILITY PROGRAMS

A day after a *Washington Post* [article](#) detailing troubles with government broadband affordability programs, **House Commerce** Chair *Frank Pallone* (D-NJ) sent letters to 13 ISPs expressing concerns over reports of abuse, fraud and predatory behaviors from providers participating in the Emergency Broadband Benefit (EBB) Program and the Affordable Connectivity Program (ACP). Letters were sent to **Altice USA, AT&T, Charter, Comcast, Cox Communications, DISH, Excess Wireless, Frontier, Lumen/CenturyLink, Maxsip, Q Link, T-Mobile** and **Verizon**.

"I am deeply concerned by reports that some providers may not be adhering to the requirements of the program. Specifically, these reports detail problems customers have faced, including either having their benefits initiated, transferred to a new provider, or changed to a different plan without their knowledge or consent," Pallone wrote. "Other customers have reported a delay in the application of the benefit or a requirement to opt-in to future full-price service, which has resulted in surprise bills that have been sent to collection agencies. There have also been reports of aggressive upselling of more expensive offerings, requirements that customers accept slower speed service tiers, and other harmful and predatory practices." The Post report detailed customer complaints filed with the **FCC**, including reports that in the earliest days of the program, AT&T, Charter and Verizon forced customers to accept price increases or slower connection speeds if they wanted to apply federally funded discounts to their bills. Charter stands by its participation in the EBB and ACP programs, saying it has helped "millions of families gain access to reliable and affordable, high-speed in-home internet; and builds on our broader, ongoing commitment to increasing connectivity by promoting broadband availability, adoption and affordability for all." This isn't the first time concerns have been [raised](#) about possible fraud in the government-funded subsidy programs with FCC Chair *Jessica Rosenworcel* [encouraging](#) consumers to submit complaints to the agency last summer. Pallone wants ISPs to submit a host of information by Nov. 9, including the number of beneficiaries enrolled, complaints received and what, if any, prohibitions have

The WHO and the WHY

CFX's spotlight on recent new hires & promotions



ROBERT
Schildhouse
EVP, NORTH AMERICA
BRITBOX INTERNATIONAL

3 THINGS TO KNOW

- After moving to a two-region structure in the summer, BritBox International appointed Robert to oversee the streamer's business growth in the U.S. and Canada and lead its centralized global marketing services. He'll lead business development, commercial relationships, programming and performance marketing for BritBox North America. He'll be based in New York and report to CEO Reemah Sakaan.
- Robert has experience in growing a streaming service's presence. He joined Hulu before its launch and became the head of its Content Acquisition division. This role saw Robert work with studios, networks and rights holders as they entered the AVOD and SVOD markets. After Hulu, he was SVP, Digital Licensing and Distribution at CBS Global Footprint, where he eventually rose to the EVP position.
- Be sure to give him a Buckeye-style "O-H" when you see him as he received a degree in Finance and Real Estate from Ohio State University. He also received an MBA from Harvard Business School.

been put on upselling.

CNN PREPARING FOR LAYOFFS BEFORE YEAR'S END

The downturn in the global economy has **CNN** concerned, and CNN Global Chair/CEO *Chris Licht* is warning staff that cost-cutting efforts, including layoffs, are on the way. In a memo sent to staff Wednesday, Licht said leadership hoped to complete and implement all of the most disruptive changes before the end of the year to give staff a "settled" 2023. "Let me be clear: I will not allow these changes to affect our position as the world's leading news source, and we will continue to invest in growth areas," he wrote. "When we emerge on the other side, CNN will be a stronger, more nimble organization, ready to weather whatever the global economy throws at us and to grow into the future." Licht has made a number of programming changes since joining the news network, laying **CNN+** to rest and shifting hosts like *Jake Tapper* and *Don Lemon* to different timeslots in hopes of growing linear ratings.

NATPE CANCELS GLOBAL CONFERENCE

NATPE has nixed its 2023 Global Conference and Marketplace in light of its recent Chapter 11 filing. No decisions have been made about the association's other 2023 events,

including NATPE Budapest. It filed a court petition earlier this month to restructure its business affairs in bankruptcy court. NATPE is looking at all restructuring options, including raising funds through strategic alliances. It may have a buyer with UK-based **C21 Media** issuing a letter of intent to NATPE management last week in hopes of acquiring its assets.

PIVOTAL GRANTS NETFLIX 'BUY' RATING

Pivotal is raising its rating of **Netflix** from "Sell" to "Buy" and increasing its 2023 net new subscriber forecasts from 5.5 million to 15 million. That's primarily driven by the firm's belief that the streamer will be able to convert a material amount of those sharing accounts into new paying subscribers and the short-term benefits of the launch of its ad-supported tier. It has also raised its target price to a Street high \$375. "While we remain concerned about consumer churn down to \$7 ad supported packages (particularly in a recession) that is unlikely to develop into a potential issue until 2H of '23 at the earliest," Pivotal told clients.

FBA, WIA TOGETHER FOR WORKFORCE TRAINING

The **Fiber Broadband Association** and the **Wireless Infrastructure Association** have agreed to a Collaborative Workforce Development Agreement in hopes of pushing workforce education and training for the communications industry. The associations will promote each other's training and apprenticeship programs, and the FBA will now have a seat on WIA's Apprenticeship Advisory Committee for its Telecommunications Industry Registered Apprenticeship Program (TIRAP). FBA will promote TIRAP apprenticeship programs within its network of community colleges offering the OptIC Path course and help WIA develop new apprentice career paths into the fiber broadband ecosystem.

HUNTER ON THE PROWL

Oregon-based ISP **Hunter Communications** revealed symmetrical speeds up to 2.5 Gbps, which is said makes it the only fiber provider in its territory of Oregon and northern California to have speeds at that level. With the advancement, Hunter is looking to expand into new markets and already brought service to the Eugene/Springfield market. The company—acquired by **Grain Management** in 2020—is on pace to offer internet to 5,000 homes by the end of 2022.

NEXTGEN TV LIVE IN WICHITA-HUTCHINSON

Leading stations in the Wichita-Hutchinson region of Kansas began broadcasting with NextGen TV on Tuesday. Those stations include KAKE (**ABC**), KWCH-DT (**CBS**), KSAS-TV (**Fox**), KSNW (**NBC**), KPTS (**PBS**), KSCW-DT (**CW**) and KMTW (**DABL**). Powered by ATSC 3.0, NextGen TV brings advanced emergency alerts, improved video and audio quality and more. Features will vary by device and station.

ROVR ON OVER

Hearst Media launched a pet-centric FAST channel **Rovr Pets** on **Samsung TV Plus**. It's the third FAST channel created by Hearst and features hundreds of hours of pet-themed series such as

"Dr. Chris Pet Vet," "Best Friends FurEver" and "Ready Set Pet."

ESPN SELLS MAJORITY STAKE IN X GAMES

MSP Sports Capital acquired **ESPN's** majority share of the X Games this week. ESPN will remain a minority partner and keep the broadcast rights. The network created the games in 1995 before adding the Winter edition two years later. Terms of the deal weren't disclosed.

AT THE COMMISSION

The **FCC** opened a new window of applications for its Honors Engineer Program. The career development program will be accepting applications from recent graduates with an engineering degree as well as current students set to graduate in December. Participants in the one-year program will gain technical and public sector experience and aid in the development of communications policy.

RATINGS

Saturday's debut of "Destined at Christmas" broke **Great American Family** records to date in W25-54, W18-49, P25-54, P18-49 and total viewers. Part of the programming event Great American Christmas, it accumulated 996,000 viewers over three telecasts. The event was the highest-rated weekend ever for the network among households and total viewers, and movies played on Saturday were up triple digits compared to the previous four weeks in all key demographics.

PROGRAMMING

"Watch What Happens Live with Andy Cohen" will air Tuesday on **Bravo** following the series premiere of "Below Deck Adventure." The special episode is part of a partnership between **NBCUniversal** and Celebrity Cruises that'll feature the five captains from Bravo's "Below Deck" franchise. Celebrity Cruises will get promotional elements such as custom content promos and an NBCU picture-in-picture commercial innovation. – The comedy special "Matt Rogers: Have You Heard of Christmas?" will premiere Dec. 2 at 10pm on **Showtime**. – Season 2 of **Acorn TV's** "Whitstable Pearl" will begin Nov. 28 with two episodes. Two episodes will be released Mondays through Dec. 12. – "Destination Fear" will premiere Nov. 25 at 9pm on **Travel Channel**, available to stream the same day on **discovery+**. – The 2022 World Series is here, and **MLB Network** is ready for first pitch. It'll have live features from Minute Made Park in Houston and Citizens Bank Park in Philadelphia for "MLB Central," "High Heat," "MLB Now," "Intentional Talk" and "MLB Tonight." The network will also have coverage of the World Series Media Day, which starts Thursday at 3pm. – The sixth season of "Gold Rush: White Water" will premiere Nov. 11 at 9pm on **Discovery Channel**, available to stream on **discovery+** the same day. – Backstreet's back alright—for **Lifetime**. The Backstreet Boys will be in "Santa Bootcamp" as the group performs "It's Christmas Time Again." The movie will premiere Nov. 19 at 8pm. – **Allen Media Group's** free streamer **HBCU Go** struck a distribution partnership with the **HBCU Basketball Association** starting with the spring 2023 season. HBCU Go now has the linear, streaming, broadcast, VOD and PPV rights to premiere HBCU BA professional sporting events.

Think about that for a minute...

Reality

Commentary by Steve Effros

It wasn't that long ago, was it, that you could expect front page coverage of any plan by a local cable operator to raise rates by five or six percent. Heaven forbid if the raise was close to ten percent!

Fast forward to today. Apple has just announced increases across the board for its Apple TV+ service. In some cases a 40 percent jump from the introductory offer that got folks to subscribe in 2019. That's pretty startling. And yet there is barely a murmur. Of course Apple is not alone, price increase announcements for streaming video services are becoming ubiquitous. And the explanation? The same one the cable industry gave a long time ago: prices for good video product that these companies have to purchase are going up even faster!

Of course, in the case of cable, it isn't just the video content folks want that's being aggregated which has to be paid for, it's also the poles, the trucks, the fiber or coax cables, the technicians responsible for making it all work and everything else that goes into providing and maintaining an infrastructure. Those costs go up too! We've been trying to explain this for a very long time with relatively little success. Now, at least folks are learning that even with just half the responsibility, "streaming service" prices are skyrocketing because their costs are doing the same. It's not going to get better.

One response of the streaming services has been to either roll out or announce they are rolling out an advertising supported tier. That's looking an awful lot like what cable television has been for a long time, except it's very limited. Cable was able to "bundle" all of the programming under one roof. Now, the streaming services all offer exclusive content and you have to buy multiple services to get all the programming you want. Welcome to the world of streaming. An aggregated form of that long-sought-after dream of those calling for "a la carte" programming.

As was also predicted, the combined price of the most popular program streamers and the cost the customer has to pay to have it delivered (the streaming service doesn't pay for that) is

quickly surpassing what the traditional cable package costs.

True, there is more exclusive product. But folks may not want all that product. They might want National Geographic without having to also get Marvel Comics Videos. Too bad. The economics don't work that way.

The same is true on the delivery side, and again we've been trying to explain that for a long time. Why is that line extension so expensive, as I related in last week's column? Well, it could be a lot of things; new requirements to "underground" cables in an area that is essentially built on rock, or a swamp like Florida for that matter. Not a great idea, or cheap, to "underground" cable when brine water is inevitably going to infiltrate the equipment!

So are there solutions? Yes, some have been used for a long time. Cable operators use "wireless" solutions, both "microwave frequencies" and "fixed wireless" alternatives to get a signal from the "last pole" to the far-flung house, or across a highway that is way too expensive to chop up. I mentioned that last week. Sometimes that works, sometimes it doesn't. Some of the variables include frequency availability and whether there is "line of sight" from a transmitter to a receiver.

Of course that's much easier if you only offer service in high-density areas to multiple dwelling units, like the "fixed wireless" service Starry is offering. But even that service, loudly announced in 2019 with plans to serve hundreds of cities, has only managed to turn on in about six metropolitan areas.



The bottom line: this is an expensive, complicated and technologically challenging business. It always will be.

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.)



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