

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Money Madness: Paramount's Investors Panic Over Dividend Drop

Paramount's stock took a swan dive Thursday morning, dropping more than 28 points on the news that the programmer was cutting its dividend by 80% to just five cents.

"There's no debate that our streaming momentum has obviously continued to build, but the reality is the macro environment has not gotten less complex," CFO *Naveen Chopra* said during the company's 1Q23 earnings call. "So it's prudent really for all companies to optimize their balance sheet for flexibility and that's exactly what we're doing by reducing the quarterly dividends to five cents."

He said the dividend reduction translates to roughly \$500 million in cash savings annually and emphasized that investors shouldn't take this as a sign that Paramount is going to spend more than previously planned on its streaming investments. Paramount is also looking at other opportunities to reduce its cost base including transitioning some of its programming to lower cost formats and moving some productions offshore.

"We're even doing things like adopting AI for content localization which, by the way, produces some really high-quality results at very, very compelling economics," *Chopra* said. While Paramount hasn't been one of the media companies in the news recently for layoffs, he did say leadership is taking a "highly disciplined approach" to headcount and finding efficiencies in its teams while also shifting marketing budgets where it makes sense.

Those all sound like steps in the right direction and the moves seem like they would help the profit train start up again, but investors still can't be confident that Paramount's journey isn't one of an out-of-control minecart fighting not to fall completely off the tracks.

"We believe Paramount when they say that DTC losses will turn a corner starting next year, though we fear how the pull back in investment required to achieve such a feat may impact the long-term growth of **Paramount+**," **SVB MoffettNathanson** said in a note to clients. "And while we estimate peak DTC losses in 2023, we do not foresee segment EBITDA turning positive for the next few years... Paramount has guided to reaching positive free cash flow in 2024, though how that's achieved (e.g. selling more third-party licensing or pulling back on content spend) could lead to further challenges."

Paramount's revenue came in at \$7.3 billion, and much of the bright side came from streaming. DTC revenue grew 39% YOY with Paramount+ adding 4.1 million subscribers, bringing it to the 60 million milestone mark. On the AVOD side, **Pluto TV's** monthly active users grew to 80 million while total global viewing hours increased 35% from the same period last year. CEO *Bob Bakish* isn't afraid of any immediate impacts from the WGA strike to its streaming platforms as it prepares to merge Showtime into Paramount+, but did admit that it may be some time before it comes to an end.

"Writers are an essential part of creating content that our audiences enjoy really across platforms and we hope we can come to a resolution that works for everyone fairly quickly, but

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it's also fair to say there's a pretty big gap today," Bakish said. "We do have many levers to pull and that'll allow us to manage through the strike even if it is for an extended duration."

Total ad revenue fell 7% as the global market continues to experience weakness, and 1.1% of that fell in TV media advertising. That largely was due to impacts from international markets and previous NFL games from the prior year. Paramount, like others, has however seen improvements domestically in a number of key buying categories like pharmaceuticals and food and beverage. The company is also feeling optimistic about the impressions it has heard from attendees of this year's upfront event, which was much smaller and more intimate than its previous showcases.

"They liked the targeting of specific buyer groups. It was more intimate and allowed for really quality two-way conversations, and that contrasts kind of the old model of one big presentation event and a huge party after," Bakish said. "That's not really effective anymore."

DIAMOND SPORTS SUES SUNS OVER NEW MEDIA RIGHTS DEAL

Diamond Sports Group sued the Phoenix Suns as well as the Phoenix Mercury for allegedly breaching their existing TV deals to strike new partnerships with Gray Television and Kiswe Mobile. It has now asked the Southern Texas Bankruptcy Court, the home of Diamond's Chapter 11 proceedings, to initiate an automatic stay of the deal and award damages to Diamond Arizona for damages caused by violations of the teams' rights agreements with the RSNs. In its emergency motion, Diamond claimed the Suns'

failure to comply with contractual obligations to bring games to Diamond Arizona could mean the loss of approximately 70 games each season. That would put the RSN's business in jeopardy and hurt Diamond's ability to reorganize, it claimed. "In addition, by deliberately stating in their press release that the new media rights agreement between the Suns and Gray and Kiswe is supposedly 'subject to any required resolutions with the incumbent regional sports partner' (i.e., Diamond Arizona), the Suns, Gray, and Kiswe have tacitly acknowledged that they were acutely aware of and fully understood their ironclad legal obligations to comply (and in no way interfere) with the Agreement as well as the Bankruptcy Code's automatic stay, but nevertheless chose to forge ahead knowingly without first coming to this Court to seek relief from the automatic stay or otherwise," Diamond said in its filing.

GROUPS PUSH FCC TO ACT ON VENDOR DIVERSITY

It's been nearly a year since the FCC Media Bureau asked for comments on a petition from Fuse Media and others to establish a new content vendor diversity report, and there's been no action yet. Interested parties are trying to keep the proceeding alive. This week, NAACP, National Action Network, Allen Media Group, National Hispanic Media Coalition, Fuse Media, Kids Street and others wrote to the agency's four commissioners asking that they adopt a Notice of Proposed Rulemaking. The proposed report would require licensees and regulatees in broadcast, cable, broadband and satellite services to collect diversity data from the content vendors they use. "We believe

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The advertisement also features a small image of the Cablefax Daily cover from Monday, November 2, 2020. The cover includes headlines such as 'Dial Talk: RSN/News/Grande CEO Discusses \$4.1Bn Sturgeon Deal', 'Fusion: News on the Air', 'Pundit: How the FCC is Handling the Spectrum Auction', and 'Media: The FCC's New Rules on the Air'. There are also promotional boxes for 'Cablefax MOST POWERFUL WOMEN' and 'Congratulate the 2020 Most Powerful Women Honorees!'.

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that supporters of the report made a compelling case for Commission action, and at the very least provided the Commission with a sufficient basis to issue an NPRM. Like in other areas of Commission jurisdiction, such as employment and ownership, sound data is critical to understanding the current media marketplace and making informed policy decisions,” they wrote.

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COMMSCOPE CONTENDS WITH CLIENTS' HIGH INVENTORY

CommScope saw net sales in 1Q23 decline 10% year-over-year to \$2 billion, with Connectivity and Cable Solutions orders down in the quarter and in early second quarter as customers navigate global economic uncertainty, high inventory levels and shortened lead times. But management doesn't expect that trend to continue given the multi-year build of broadband that lies ahead. “Second half revenue will be driven by significantly stronger order rates versus the first quarter. We are well positioned to deliver against significantly higher demand,” CEO *Chuck Treadway* said during Thursday's earnings call. “We feel positive about the medium and long-term environment, especially in CCS, where fiber buildout has tailwinds. With that said, we are experiencing a pause in orders as customers deal with recessionary impacts on their business, including inventory management.” He thinks customers bought a lot in 2022 in anticipation of the ramping up of their buildouts and concerns over supply chain shortages, with the last two quarters largely devoted to “de-stocking.” Lead times are also impacting customer inventory. Some product lines have seen lead times drop from six months to two-to-four weeks, according to Treadway. That doesn't mean the second half of the year will be gangbusters, but it should reflect a nice rebound in order rate. Buildout from BEAD money will largely impact CommScope in 2024. “The cable business is actually strong. We continue to pretty much sell what we can make. But the connectivity is really where we're seeing the softness. And we think that's more to end customers finding labor or maybe slowing down or not going as fast on projects as they thought,” Treadway said. For the quarter, CommScope posted revenue of \$2 billion compared to year-ago revenue of \$2.23 billion. Last year, CommScope shipped more than 1 million radio-frequency (RF) amplifiers to top cable operators. It has developed with Comcast a Full Duplex DOCSIS (FDX) amplifier that the operator will use as it moves to 10G. Treadway also said the company is developing a virtual CMTS alternative, but gave no timeline for when it would come to market.

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WOW! EYEING BIG 2H23

WOW! is hoping to lay the groundwork for a big second half of the year in 2Q23, and its greenfield initiatives could help get the operator to where it wants to be. The company reported a 1% YOY drop in total revenue at \$172.2 million, joined by a net loss of \$38 million for the quarter as well. However, HSD revenue came in at \$105.2 million—up 5% compared to 1Q22. WOW!'s highlights for

the quarter include its continuous expansion in greenfield markets in central Florida and South Carolina, reporting an early penetration rate in Florida of 23.5% in less than three months. “I think in the second quarter, we're really starting to get the machine rolling to deliver those homes passed, so I think cumulatively we could be close to that 10,000 mark for the second quarter, and then it really ramps from there,” CEO *Teresa Elder* said on WOW!'s 1Q23 earnings call. In those markets, Elder said over 90% of customers are buying speeds of 500 Mbps and above, with a sizeable portion purchasing WOW!'s 3 or 5 Gig services. WOW! reported 527,300 total subscribers as of March 31, a 1% drop YOY. HSD RGUs were 508,700 as of that same date, also a 1% decrease YOY. The company is anticipating anywhere between flat HSD net additions or a net loss of 4,000 for 2Q23, but maintains its stance of 6,000-10,000 net adds for FY23. “We did the whole greenfield initiative for myriad factors that were looked at, but one of the principal factors was we were handpicking markets where there is de minimis competition with a large player and maybe a very small player that are providing very good service at a higher price,” CFO *John Rego* said. “We feel really comfortable simply with based on what we've seen in our edge out fiber markets and in the greenfield markets built that we're going to hit those numbers.”

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CARRIAGE

Hulu is adding **Magnolia Network**, **PBS Kids** and local PBS affiliates to the streamer's core Live TV lineup. The local PBS stations will begin airing on Hulu + Live TV in the coming months. Magnolia will arrive May 2. – The latest batch of additions to **Sling Freestream's** lineup brought the total count to over 335 channels. It added 12 channels this week ranging from history and crime to classics. That includes **Living History**, **Film Shorts**, **Latino Cinema** and **Screams & Scares**. Since its launch in February, Freestream has added over 100 channels.

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PEOPLE

Altice USA is shaking up its exec team following *Lee Schroeder's* decision to leave the company in July. The company appointed *Michael Olsen* as General Counsel/Chief Corporate Responsibility Officer, a newly created role that'll have him oversee the company's legal team and government and regulatory affairs, community affairs and ESG teams. He'll report to CEO *Dennis Mathew*. Schroeder will work with Olsen to ensure a smooth transition. She joined Altice when it acquired **Cablevision**, a company Schroeder spent nearly 20 years at prior to the deal. She then became EVP, Government & Community Affairs and Chief Diversity Officer until she planned to step down in July 2022, ultimately deciding to remain with the company a little longer. – **ThinkAnalytics** named software veteran *Jo Kinsella* as Strategic Advisor, Advertising. She'll provide guidance on go-to-market and also work with the executive team to drive revenue acceleration. She joins the company after the sale of **TVSquared**, an ad-tech software company that she founded in 2012.

PROGRAMMER'S PAGE

'See No Evil' Pieces Together a Puzzle

Debra Johnson was a highly regarded corrections administrator at the West Tennessee State Penitentiary by both her colleagues and inmates. They called her "Queen" as a sign of respect for her kindness. It's why shockwaves were sent when she was murdered in August 2017, prompting a manhunt that took piecing together security camera footage to lead to the capturing of the perpetrator. Wednesday's season premiere of **Investigation Discovery's** "See No Evil" (available to stream on **discovery+**) continues to show the complexity of solving cases through pieces of footage. After Johnson's body was discovered in her home on the prison's property, investigators found an inmate vest in her room. A subsequent headcount of inmates confirmed one was missing: *Curtis Watson*, who via the prison's security footage was seen driving a vehicle without a required vest on the same day of Johnson's killing. Johnson's children said when they first heard of her death that it must've been from natural causes, adding they couldn't believe anyone would have ill will toward their mother. Those anecdotes bring viewers through the emotional rollercoaster that Johnson's family and friends were on. ID Group SVP, Production *Sara Kozak* told **CFX** that along with featuring cases caught on CCTV, the series also draws from raw emotions. "The next most important factor is the victim's family and friends' involvement," Kozak said. "That's crucial for the emotional component of the story; for appreciating the life that was cruelly lost." Even with limited viewpoints and information as to where Watson was headed, it set them on the right path. Critical footage like that has helped the series capture the difficulty of these tense situations from the perspective of the authorities. "The video has to be revealing—no matter how grainy, how indistinct—it has to illuminate the most important part of the story and answer a myriad of questions," she said. Luckily, the pieces of the puzzle were put together and Watson was caught in a large field after being spotted on—you guessed it—a home security camera. – *Noah Ziegler*

REVIEWS

"The Diplomat," streaming, **Netflix**. It's a calculated risk making a series where viewers must lean in and concentrate, or they'll lose the plot quickly. That's the case with "The Diplomat." Moreover, the backdrop is global diplomacy, so nuance and characters' names come at viewers fast. Fortunately, *Diplomat's* brain trust includes veterans like *Debra Cahn* ("Homeland") and *Simon Cellan Jones*, who help viewers manage. For example, when the White House chief of staff *Billie Appiah (Nana Mensah)* is on a video call, viewers see her name and title. Still, the rewind button is useful when viewers must distinguish between politicians of multiple countries. That complication becomes important because the plot centers on a bombing of a UK carrier. Some suspect Iran is behind it, others aren't sure. The White House sends career diplomat *Kate Wyler* (an effective *Keri Russell*) into this crucible as interim US ambassador to the UK. While she doesn't have time to pack her bags, she brings baggage in the form of her husband *Hal*, a former ambassador (an appropriately mischievous *Rufus Sewell*). Though *Russell* and *Sewell* are the established stars, the story is seen mostly from the perspective of *Russell's* chief of staff *Stuart*, played extremely well by *Ato Essandoh*. In many ways, it's his show and he handles it brilliantly. It's well worth a view. – *Seth Arenstein*

BASIC CABLE		
P2+ PRIME RANKINGS*		
(04/24/23-04/30/23)		
MON-SUN	MC	MC
	US	US AA
	AA%	(000)
TNT	0.970	3029
ESPN	0.870	2715
FNC	0.464	1448
MSNBC	0.375	1170
HGTV	0.252	787
INSP	0.241	752
HIST	0.239	747
HALL	0.212	661
TBSC	0.206	642
CNN	0.198	618
TLC	0.194	604
DISC	0.187	585
FOOD	0.185	577
USA	0.172	537
ID	0.165	517
TVLAND	0.157	489
WETV	0.124	387
A&E	0.117	365
LIFE	0.113	354
GSN	0.113	352
ESPN2	0.112	351
BRAVO	0.112	349
REELZ	0.108	336
NFL	0.107	333
NWSMX	0.105	328
SYFY	0.101	314
HMM	0.097	304
AMC	0.092	286
NATGEO	0.091	285
NAN	0.084	262
BET	0.081	254
OXY	0.080	251
APL	0.074	232
COM	0.072	226
PRMNT	0.071	223

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