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WHAT THE INDUSTRY READS FIRST

## Dolan's Debut: New Leadership Sets Path for AMC Networks

It was **AMC Networks** CEO *Kristin Dolan's* first earnings call since taking over the company in late February, and it comes at a time of transition for content and distribution.

"When I look at AMC Networks today—and I think this is key for our future—I don't just see a content company. I see a technology-focused company that delivers this content across an expanding number of platforms here and around the world," Dolan said on AMCN's 1Q23 earnings call. "On our last call, we talked about the idea of transitioning from a wholesale to a retail mindset. For us, that means reorienting our company and making sure everything we do is in service of viewers and subscribers, our customers, in this new world of content consumption."

The former **Cablevision** COO and founder of data analytics and measurement firm **605** outlined four main areas of focus in her early days at the helm. First is content, with the expanding "Anne Rice" franchise and ongoing spinoffs of "The Walking Dead" as hallmarks of AMCN's short- and long-term goals as well as successful new programs such as "Oshi No Ko" on anime SVOD streamer **HIDIVE**. While the **Writers Guild of America** strike has caused concern for some programmers and their content plans, Dolan has no real concerns at this point for AMCN, adding that the company is "very well positioned for all of this year and into next year."

The second relates to the agility of the company. While much of the focus is on streaming, the recent carriage renewal with

**DISH** and **Sling** adds to AMCN's goal to maintain its linear presence. Third on Dolan's priority list goes back to the decision of shifting to a customer-first approach, which will play a key role in the company's long-term subscriber objective. AMCN previously set a goal to reach 20-25 million total subscribers by 2025, but it suffered a setback in 1Q23 and lost around 300,000 subs, bringing the total down to 11.5 million. CFO *Patrick O'Connell* attributed that largely to the company's focus on higher value subscribers as well as the roll off of holiday promotional subs.

To get things back on an upswing, AMCN will introduce an ad-supported tier for AMC+ in October. Once officially in place, the company's distribution ecosystem will be ad-supported. Pricing details and financial expectations will be shared on AMCN's next earnings call.

But does the plethora of options come with the fear of fragmenting across platforms? For Dolan, she's trusting that distributors will find a solution. "I'm a cable operator at heart. I would not bet against the MVPDs and the virtual MVPDs to find new and unique ways to solve the customer management question of multiple services and streaming versus linear and really providing a great user experience across the board," she said.

The fourth and final focus is efficiency. AMCN underwent restructuring in December that attributed to the -\$144.02 million in consolidated free cash flow for 1Q23. However, O'Connell said the company is past peak content investment and expects cash investment to be approximately \$1.1 billion for 2023. That number is expected to remain in the \$1 billion

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area in the future, showing a return to pre-pandemic levels.

“We took a lot of pain in the fourth quarter last year. We said goodbye to a lot of colleagues that had been with us for many years, and we really needed to reorient the business,” Dolan said. “A lot of [future opportunities] do involve streamlining the operation. Not from a headcount perspective because we’ve done the bulk of that work, but more from looking at how we service our customers—both our distribution partners, as well as our direct-to-consumer customers.”

Overall, net revenues for AMCN increased 0.7% YOY to \$717.45 million thanks to increased distribution and other revenues. Operating income also dropped less than a percentage point to \$173.3 million. On the ad front, revenues saw a 20% drop YOY to \$161 million from declines in linear ratings, softness in the ad market and fewer original programming episodes.

“We’re seeing a similar environment to competitors in our space: soft scatter and marketers really being conservative with their spending right now because of the economic uncertainty. That being said ... Around early April, we’re seeing signs of life and spending from automotive coming back.”

## FOX REPORTS LOSSES AMID LEGAL COSTS, DOMINION SETTLEMENT

**Fox Corp** took a hit in 1Q23, recording a net loss of \$50 million as a result of litigation costs and its settlement with **Dominion Voting Systems**. On the company’s 1Q23 earnings call, CEO *Lachlan Murdoch* said the decision to settle, while costly now, was ultimately one made to spare shareholders from a more lengthy (and perhaps more expensive) process in and out of the courtroom. “We have been and remain confident in the merits of our position, that the First Amendment protects the news organizations reporting on allegations being made by a sitting president of the United States. However, the Delaware court severely limited our defense at trial to pretrial rulings,” Murdoch said. “So we determined that the best course of action for the company and its shareholders was to settle instead of proceeding with a six-week trial and potentially two or even three years of appeals.” He again stated that Fox views the case with Dominion as very different than its pending case with **Smartmatic** and the company is still prepared to go to trial when the time comes, likely not until 2025. 1Q23 revenues were \$4.08 billion, up 18% on strong advertising growth not only from Super Bowl LVII and other **NFL** games, but also from continued growth at **Tubi**. Revenue growth for the AVOD was 31% YOY, and total viewing time rose 38%. It’s still early in the fourth quarter, but results in April signaled a continuation and acceleration of those trends. “This is really because of the focus Tubi’s had not only over the last three years with our involvement, but obviously the team there has done a tremendous job before that in really driving a best-in-class

personalized AVOD experience and building an incredible library with nearly 55,000 titles in the U.S. alone” Murdoch said. “To put that in context, that’s five times the size of the **Netflix** library.” The Cable Network Programming segment brought in revenues of \$1.57 billion, and affiliate fee revenues were consistent as the impact of net subscriber declines were nearly offset by contractual price increases. Murdoch doesn’t expect any changes to **Fox News’** programming strategy following the departure of *Tucker Carlson*, calling it obviously successful. The ongoing WGA strike also isn’t much of a concern with Fox’s primary focuses of news and sports. “We only program two hours of entertainment a night, and that’s a mixture of both scripted and unscripted content,” he said. “There will be some scheduling changes with some of the scripted content, but it’s not something that will have a significant financial impact on us.”

## TUCKER CARLSON SAYS HE’S LAUNCHING TWITTER SHOW

*Tucker Carlson* posted “We’re back” on **Twitter** Tuesday along with a video criticizing the news media. “Amazingly, as of tonight, there aren’t many platforms left in the world that allow free speech. The last big one remaining in the world—the only one—is Twitter, where we are now,” the ex-**Fox News** host says in the three-minute video. “Starting soon we’ll be bringing a new version of the show we’ve been doing for the last six and a half years to Twitter.”

## PINK SLIPS AT PARAMOUNT

Tough day for **Paramount**, with layoffs for 25% of the domestic team at *Chris McCarthy’s Showtime/MTV Entertainment Studios/Paramount Media Networks Group*. The bulk of the cuts are hitting the networks side of the business, with the dwindling **MTV News** unit shutting down completely. In a memo, McCarthy said that despite success in streaming (Paramount+ has topped 60 million subs), the company continues to feel the same broader economic headwinds that have brought similar cost reductions to its peers. “This is a tough yet important strategic realignment of our group. Through the elimination of some units and by streamlining others, we will be able to reduce costs and create a more effective approach to our business as we move forward,” he wrote. “I realize these decisions will be very hard for everyone, most of all, those who will be leaving. It’s not something we take lightly.”

## NEXSTAR SINGS IN 1Q23, PREPARES TO REVEAL NEW CW SCHEDULE

**Nexstar** is flying high on the wings of **The CW** and **LIV Golf**. The broadcaster brought in record revenues in 1Q23 of \$1.26 billion,

and a significant part of that was an expanded deal with **YouTube TV** that for the first time saw carriage of Nexstar's 59 CW, **MyNetworkTV** and independent stations on the vMVPD. That deal, struck in March, came at an ideal time for The CW as Nexstar pivots it towards a new identity that will include a primetime slate with a mix of unscripted series, syndicated shows and more. Nexstar CEO *Perry Sook* said on the company's 1Q23 earnings call Tuesday that The CW's head *Dennis Miller* and programming leader *Brad Schwartz* have been having conversations with everyone in Hollywood, and those talks have been overwhelmingly positive. "I think that was one of the more pleasant surprises following our takeover is that when we responded with 'the doors are open, let's talk about business,' the community responded. I think it's in everybody's best interest that there is a viable fifth network competitor out there," Sook said. A full schedule of content for The CW is coming on May 18, and the good news for Nexstar is on that schedule, there are only two shows that will be affected by the writers strike. Nexstar has been extremely pleased with the early results of its exclusive partnership to air LIV Golf broadcasts on The CW, and Sook said that conversations between broadcasters and important figures in sports continue to heat up. He described broadcast TV as once again being the belle of the ball in the eyes of team owners and league commissioners due to its reach, and thus far discussions with those folks have been steady. He also reiterated previous sentiments about the RSN marketplace, calling the business model unsustainable. He noted that league officials and team owners are moving through this and will make decisions in real time, but the successful future that he sees for regional sports involves broadcasters. "It's just what is the new world order, which I think includes broadcast. I think there will still be RSNs, but I think they'll be much smaller in terms of the amount of programming that they have from a particular team. There will still be cable, but I think right now none of this is zero sum," Sook said. "The good news is that we see broadcast being a part of that both at the local level and potentially at the national level."

## TNT TOPS IN WEEKLY PRIME

Stanley Cup Playoffs helped **TNT** to the primetime weekly ratings crown for cable, with 3.28 million viewers, according to **Nielsen**. Sports dominated the week, with **ESPN** taking second place with 2.49 million. **Fox News** held on to third place with 1.48 million, while rival **MSNBC** took fourth with 1.19 million. Both news nets fared similarly to last week in prime (1.46 million and 1.21 million). **CNN**, on the other hand, saw its prime average fall to 494,000 from 622,000 the week before. In total day, Fox News is still king with 1.12 million viewers, followed by **ESPN** (889,000), **TNT** (835,000) and **MSNBC** (765,000). – Game 4 of the Celtics vs 76ers NBA Playoff matchup Sunday garnered an average audience of 5.1 million viewers on **ESPN**. That was enough to make it the most-watched conference semifinals Game 4 contest ever on the network, with the broadcast peaking at 6:15pm with 7.68 million viewers.

## MARKETERS TURNING TO ABB

It's all about strategy. As the economy continues to plague the advertising market, 88% of marketers agree that there's been increased scrutiny on ROI, media budgets and proven effectiveness of video campaigns, according to a report from **VAB** and **Charter's** ad sales arm **Spectrum Reach**. The survey asked more than 200 marketers about their audience-first TV buying practices, finding that 85% have made targeting the best customer prospects a high priority. Those marketers are doing so by increasing investments in audience-based buying while eliminating "wasted" impressions. On the measurement side, most marketers continue to use **Nielsen** and an alternative solution as currency for their audience-based TV buys. Of those alternates, **Comscore** was the top choice at 51% followed by **VideoAmp** at 40%. Approximately 23% only use Nielsen.

## COMCAST GETS FASTER IN NEW MEXICO NEIGHBORHOODS

**Comcast** raised broadband speeds up to 1.2 Gbps for nearly 20,000 homes and businesses in Deming, Portales and Taos, NM. The enhanced speeds are available to new and existing customers, and are part of the company's 10G network upgrade cycle.

## FIBER FRENZY

The first set of customer installations in **Vexus Fiber's** fiber optic network expansion in Laredo, Texas, began Friday. Customers can get in on Vexus' 10 Gig network which touts symmetrical speeds and multi-gig internet service. Vexus currently operates in Texas as well as Louisiana and New Mexico.

## PROGRAMMING

The motorsports network **MAVTV** penned a deal with **Formula DRIFT** to become the exclusive cable broadcaster for the 2023 championship season. MAVTV will broadcast all seven remaining rounds as well as the first round that already took place April 7-8 in Long Beach, California. The next competition will take place Thursday-Saturday in Atlanta. – **NewsNation** signed former Congressman and OMB Director *Mick Mulvaney* as a political and economic contributor. He'll offer analysis on daytime and primetime programming including ensemble political program "The Hill."

## PEOPLE

Former **HBO/Fox/Univision** exec *Vincent Cordero* was named to the **SEC's** Small Business Capital Formation Advisory Committee, which offers recommendations to the Commission on rules, regulations, and policy matters relating to small businesses, including smaller public companies. Cordero, who served as COO of HBO Latin America and EVP, GM of Fox Deportes, is currently co-CEO and Chief Business Officer of Latinx film and TV producer **Mucho Mas Media**.