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WHAT THE INDUSTRY READS FIRST

2Q Preview: Netflix Password

Sharing Update, Fixed Wireless Winning

'Tis the night before earnings season and all across the industry, investors are waiting with bated breath to see how programmers and broadband providers alike have managed continued uncertainty around the economy.

With **Netflix** set to go up to bat first on Wednesday, there's already plenty of chatter around how its implementation of password sharing protections has gone in the U.S. **Lightshed Partners** has a lot of questions around what changes the streamer made to its consumer messaging after its initial rollouts in overseas markets.

"The noise level relative to Canada was remarkably quiet. Is the password sharing crackdown driving the majority of abusing household accounts to increase ARPU for extra members or driving the freeloaders to sign-up for new Netflix accounts?" Lightshed said in a blog post laying out its questions ahead of Netflix's Wednesday earnings report. "How has the successful rollout impacted your view on the ultimate subscriber TAM in the U.S.?"

MoffettNathanson reiterated its "Market Perform" rating on Netflix Tuesday, but raised its price target by \$30 to \$380. That's in part due to the streamer's continued leadership in a crowded ecosystem, but also because of the understanding that its efforts to crack down on password sharing and monetize more users are working.

According to the firm's 2Q23 SVOD tracker, the share of Netflix users across all platforms who pay for their own ser-

vice rose by 60 bps from 1Q23 to 2Q23 to reach 81%. The number of password sharers has dropped to 15% and folks that receive their service through a promotional package from another service dropped to 4%.

But it wasn't the streamer that saw the biggest gains—that was **Apple TV+**, which mostly saw a positive shift as customers shifted off of promotional offers. Max was the only service to see a meaningful increase in password sharing with a growth of 160 bps to a total of 17%. That's most likely due to the transition from **HBO Max** to the combined service known as **Max**.

Of course, programmers across the board will also face new lines of questioning around their levels of preparedness for a **SAG-AFTRA** strike on top of the ongoing **WGA** strike.

On the operator side of things, fixed wireless access services don't seem to be going away and that's tough news for cable and fiber operators at a time when new customers are tough to come by. **New Street Research** is estimating industry adds of close to 400,000 in 2Q23, a figure that is down 70,000 from last year. The cable industry is expected to be down 40,000 from last year, but New Street estimates that **T-Mobile** and **Verizon** added approximately 665,000 residential fixed wireless broadband subs in 2Q23.

That's with an understanding built in that the pace of growth across fixed wireless options has slowed to a crawl. "Management states that the churn rate is falling, which is slowing the pace of disconnects for now," the group told clients in a note earlier this month. "We believe it is a matter of time before



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churn stabilizes, leading to renewed declines in net adds.”

The war between the wireless players and the cable mainstays continues over in wireless, and it is there where cable continues to score huge wins. Folks like **Comcast**, **Charter** and **Cox** continue to rise along with T-Mobile while the other big competitors are struggling to maintain the gains they achieved during COVID.

“Cable nets are up sharply from prior second quarters and they are taking share at an accelerating pace. T-Mobile’s adds are down slightly from the pandemic era; however, they are down less than others such that their share gains have accelerated slightly,” New Street said in a separate note. “**AT&T**’s adds have halved from the pandemic era, though they are holding share. Verizon is losing subscribers at an accelerating pace, and **DISH** and others are negative but improving slightly.”

DIRECTV STREAMERS CAN'T WATCH CW ON SINCLAIR STATIONS

With broadcasters leaning on the **FCC** to update retransmission consent rules to apply them to vMVPDs, DirecTV is making its case for it why it should not, using **Nexstar** as the posterchild. The provider lost 159 Nexstar stations on July 2, but last week the blackout expanded to include **CW Network** programming on **Sinclair** owned and managed local stations on DirecTV’s streaming service. Traditional satellite users aren’t impacted. Nexstar purchased the CW Network last October. “It has, in other words, dragged into its dispute new viewers of a competing broadcaster against their will and regardless of DirecTV’s agreements to serve these viewers,” the company said in an FCC filing Tuesday. “Broadcast affiliates, including Nexstar, have complained that networks control negotiations with online providers to the detriment of local stations, especially local news. Now that it owns a network, however, Nexstar has done just that—required another broadcaster to black out programming on its local stations notwithstanding agreements that other broadcasters had negotiated.” Nexstar maintains it isn’t doing anything wrong. “Nexstar is and always has been in full compliance with FCC regulations, and the allegations raised by DirecTV in today’s filing are without merit,” a spokesperson said. DirecTV carries 21 CW-affiliated stations owned or managed by Sinclair pursuant to retrans agreements in the case of its satellite service and copyright license agreements in the case of its streaming service that it has negotiated with Sinclair. On July 11, Sinclair told DirecTV that these stations are no longer authorized to provide CW network content to DirecTV’s streaming service because Nexstar had withdrawn Sinclair’s rights to do so. Starting July 12, DirecTV’s streaming customers with Sinclair-owned CW affiliates began to see CW primetime and other network content blacked out (local and syndicated content is not impacted). Only 27% of

US households can now subscribe to DirecTV’s streaming service without being subject to a total or partial blackout of a broadcast channel in their DMA, DirecTV said. “The moment Nexstar itself became a network owner, it did exactly what broadcast affiliates have complained about. It usurped Sinclair’s role in distributing the content on Sinclair’s stations to an online provider in order to advance its own economic interests—interests that Sinclair does not share,” DirecTV said. Broadcasters have been pushing the FCC to reopen a 2014 docket on modernizing the definition of MVPDs to include streaming platforms that offer linear multichannel programming, a move that would extend retrans requirements to **YouTube TV**, **fubo** and others.

HAWAIIAN TELCOM WON'T BACK DOWN ON NEXSTAR

On July 12, **Hawaiian Telcom** and **Nexstar** resolved their issues and had an agreement at hand that would restore stations that have been dark since June 30 on the provider. There was just one catch: “Hawaiian Telcom was presented with new demands—to waive its claims that Nexstar acted in bad faith, withdraw the [**FCC**] initial complaint and waive the right to file future actions against Nexstar,” the provider told the FCC this week. Not only did Hawaiian Telcom, a subsidiary of **altafiber**, not agree to the demands, but it has amended its FCC complaint against the broadcaster to argue that such action is inconsistent with Nexstar’s obligations to negotiate in good faith. HT is asking for expedited action, declaring that Commission action would pave the way to station restoration since all other issues between the parties have been worked out. “Nexstar’s demands that Hawaiian Telcom withdraw its complaint only compounds Nexstar’s bad faith conduct. No one would seriously suggest that a person who robs a bank did not commit a crime because they returned the money after being charged but before being found guilty at trial,” HT told the agency.

DIAMONDBACKS GAMES OFF BALLY SPORTS ARIZONA

It’s official—the carriage agreement between **Diamond Sports** and the **Arizona Diamondbacks** for local game distribution on **Bally Sports Arizona** is no more. The agreement expired last night thanks to a court order that authorized Diamond Sports to stop broadcasting games Monday at 12:01am MST. Diamond had previously filed an emergency motion asking the court to allow it out of its arrangement with the Diamondbacks, claiming it is significantly unprofitable for the company and was projected to become increasingly unprofitable in the years to come. “Since the

filing of the Motion, the Debtors have been working with the Diamondbacks to agree on a proposed form of order that addresses certain concerns raised by the Diamondbacks, including provisions to address various transition issues, like the timely removal of the Debtors' signage and personal property from the Diamondbacks' facilities," Diamond Sports said in a Monday court filing. Just as it did with the San Diego Padres, **MLB** is taking over production and distributions of all local Diamondbacks games starting Tuesday. For pay TV subscribers, new channels have been made available on **Spectrum, Comcast, Cox, DirecTV, DirecTV Stream, Fubo TV, Orbital Communications, Mediacom, Optimum, Suddenlink** and **TDS** for the games. Fans can also watch all in-market games live and on demand through an MLB.TV single team subscription for \$19.99/month or \$54.99 for the rest of the season. Games will be free on MLB.com and dbacks.com through Sunday.

COMCAST STEPS UP TO EDGE COMPUTING WITH PILOTS

Comcast is teaming with *Vapor IO* on a pilot to enable third-party edge service providers to host data and applications in the local Comcast markets, starting with Chicago and Atlanta. They're targeting a start date in 3Q23 for the pilots and expect to offer anything as a service (XaaS) aimed at businesses, including video security, private 5G and edge cloud as well as industry specific applications, such as smarty city or smart retail offerings. Vapor IO is developing the largest global Open Grid networking, colocation and interconnection platform capable of supporting the most demanding low-latency workloads at the edge of the last-mile access network. The pilot links Vapor IO's Kinetic Grid network, available in 35 U.S. markets, with Comcast's infrastructure. **Cox Communications** has been notably active in edge computing, launching its full stack edge-cloud computing service **Cox Edge** last year. Bringing compute resources closer to users and businesses can help reduce cloud transport costs, improve application resiliency and continuity, reduce latency to deliver near real-time application performance, and provide better overall security.

ANOTHER DIRECTV, NEXSTAR SPAT

The **DirecTV-Nexstar** feuding just doesn't stop. While the two are embroiled in a separate retransmission dispute, the Supreme Court of New York found that Nexstar forced DirecTV to pay a Big Four affiliate fee for a station that lost its affiliation during their previous retransmission agreement cycle. DirecTV's 2015 agreement with Nexstar included paying a fee for Washington's **NBC** station WHAG-TV (now WDVM-CW), with DirecTV telling the court Nexstar didn't reveal it was on the verge of losing that NBC affiliation. DirecTV didn't actually carry the station since the market already had an NBC affiliate, but it paid Nexstar a "non-carriage fee" for it. On June 30, 2016, WHAG lost its NBC affiliation. DirecTV learned of the loss in 2018 and advised Nexstar that it would no longer pay the non-carriage fee and that it had over-paid the fee from the date the NBC affiliation was lost. Nexstar disagreed, asserting that

there was no requirement that WHAG be a Big 4 station to receive the unlaunched station fee. DirecTV filed this lawsuit in 2019. "WHAG was not affiliated with a Network, CW or MNT as of July 1, 2016. Thus, the Agreement does not require DirecTV to pay the Unlaunched Station Fee after July 1, 2016," the court concluded in its opinion released Monday that grants part of DirecTV's request for summary judgment. Meanwhile, DirecTV filed a separate suit against Nexstar in March that contends the broadcaster is violating antitrust regulations through its shared service agreements with **White Knight** and **Mission Broadcasting**.

PEACOCK RAISES PRICE

Peacock is upping its price for the first time since hitting the market in 2020. The ad-supported Peacock Premium increased from \$4.99/month to \$5.99/month and from \$49.99/year to \$59.99/year. Peacock Premium Plus—the mostly ad-free tier—will go from \$9.99/month to \$11.99/month and \$99.99/year to \$119.99/year. The new prices go into effect immediately for new subs, but existing ones won't see changes until Aug. 17. Those who are on promotional plans will still have their discounted prices honored after the changes go into effect. Peacock's the latest streaming service to have a price hike in recent months, with **Netflix, Paramount+ with Showtime, Disney+** and **Max** all upping costs.

RATINGS

Make it three weeks in a row that **Fox News** swept the weekly primetime and total-day ratings among cable nets. It led total day with 1.08 million viewers P2+, followed by **MSNBC** and **ESPN** with 730,000 and 630,000, respectively. **Hallmark Channel** came fourth with 442,000 and **CNN** fifth with 411,000. For prime, Fox News' 1.47 million mark edged out ESPN's 1.24 million. MSNBC was the only other network above the 1-million line at 1.17 million. **INSP** (788,000) and Hallmark (724,000) rounded the top five out. - The men's and women's singles championship matches for Wimbledon was a classic for tennis fans, and it showed in the ratings. The men's match between *Carlos Alcaraz* and *Novak Djokovic* was the most-watched Wimbledon telecast since 2019 with 3.2 million viewers on **ESPN**. On the ladies' side, the final between *Markéta Vondroušová* and *Ons Jabeur* notched 1.3 million viewers—up 10% YOY. The overall tournament was up 7% across ESPN, **ESPN2** and **ABC** for all viewers and was the most-watched tennis tournament on ESPN+ to date.

CARRIAGE

E.W. Scripps launched two new FAST channels: **Court TV: Legendary Trials** and **Laff More**. The former showcases high-profile court cases from the Court TV archives over the past 30 years, while Laff More's lineup consists of sitcoms and other comedy-related programs. Court TV: Legendary Trials can be found on **Fubo, Amazon Freevee, Xumo Play** and **Plex**, and Laff More is available on Amazon Freevee, **LG Channels, Xumo Play** and **Plex**.

GUEST COLUMN

The Independent Show 2023 is More Than Ever

By Lou Borrelli, CEO of NCTC, and Grant Spellmeyer, President and CEO of ACA Connects



Lou Borrelli



Grant Spellmeyer



It's no secret: there's a race to get the entire country, especially rural areas, connected. And today, connected means on every device. Everyone with skin in the game may have a different hand to play, but one thing is certain—the smaller, mid-sized and independent parties involved are already working tirelessly to get much of the critical work done.

In the coming days, “more” is a word you might hear a lot in relation to these folks. Why is that? From July 30 through Aug. 2 will be The Independent Show 2023 (TIS), the largest in-person and invite-only event designed specifically for independent broadband and communication service providers serving communities across North America and U.S. territories. It is the only show where distributors, tech companies and programmers all come together, strut their stuff and bring their families.

We anticipate more than 1,000 NCTC and ACA Connects' members representing operators, municipalities, telcos, native nations, and vendor and programming partners. Attendees will be able to do, see, learn and experience more than ever before. It's a time for learning from one another and to gain the necessary tools needed to thrive and lead in years to come.

This year at TIS, we've expanded to the Minneapolis Convention Center, which is a manageable drive for many of our members. It will be bigger. We will have more than 50 sessions and 100 speakers, double the number we had last year, and attendees can now choose between concurrent sessions.

For the first time, we're including outside companies, with fresh ideas, in a Solutions Showcase. We've got compelling speakers, such as former Rear Admiral and Top Gun Pilot, Michael Manazir, who will deliver a message about leadership during trying times, as well as author of “Zconomy,” Jason Dorsey; video and streaming trendsetter Evan Shapiro; AI

Chat GPT expert & best-selling author JJ Delgado; CMO & best-selling author from Franklin Covey, Scott Miller; American Chef Andrew Zimmern; HGTV star Jasmine Roth; and Comedian and TV Personality Orlando Leyba.

We'll have several big family events planned too, including taking over the NFL Vikings' Stadium, as well as a tour of Prince's home and studio, Paisley Park, and an excursion to Mall of America.

With the \$42 Billion BEAD funding and other initiatives like the Affordable Connectivity Program being put forth, we're optimistic that soon most, if not all, remaining households in the country will have access to Fiber. This may not happen in the next 12 months, but many more places, particularly in remote areas, will see internet speeds raised in coming years. We'll have sessions to help our members compete for and leverage government funding for connectivity and navigate other pressing issues like retransmission consent negotiations.

NCTC and ACA Connects' members are in all 50 States and U.S. territories. We have over 40 million broadband customers, and we're in more than one third of all connected US households. This makes them a vital force for supplying broadband. To this end, at TIS we'll unveil news about our MVNO program, which will launch in the field soon.

Most of all, at the root of NCTC, we're dedicated to helping our members get the best deal possible for all programming.

The simple truth is that the human contact and the networking that made our business and our industry what it is, is still important. And that is what we're most focused on: the level of engagement, the excitement and yes, the learning that comes out of it. The more we can encourage this, the more we can all thrive.