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WHAT THE INDUSTRY READS FIRST

Sports Center: Disney Confirms Search for ESPN Partners For DTC

Disney's 3Q23 earnings call Wednesday was filled with sports talk as analysts peppered CEO *Bob Iger* with questions about **ESPN**'s future in sports betting and its eventual move away from the linear ecosystem.

ESPN surprised late Tuesday with the announcement of a strategic partnership with **PENN Entertainment** to launch **ESPN Bet**, a sportsbook for fans in the U.S., later this fall. PENN will rebrand its current sportsbook and put it back out as ESPN Bet in the 16 legalized betting states where PENN is licensed. The rebrand will also stretch to the sportsbook's current mobile app, website and mobile site.

Iger said the search for a partner on a venture like this has been going on for quite a while, and PENN stood out from the crowd of bidders with its confidence in the potential for the partnership and its strong offer.

"PENN stepped up in a very aggressive way and made an offer to us that was better than any of the competitive offers by far, and we liked the fact that PENN is going to use this as a growth engine for their business and they actually believe and trust in their ability to, in this partnership, grow their business nicely while we grow ours," Iger said.

We'll learn more about how aggressively ESPN Bet will be pushed across linear and digital platforms as we get closer to the launch of the sportsbook, but as of now, **MoffettNathanson** is of the mind that it will be tough to move the needle away from sports betting giants **FanDuel** and **DraftKings**.

"Big picture, we will see if this is the first step for Disney to reposition ESPN through new partnerships and even a potential new strategic equity partner that might help ESPN with distribution and content as well as capital to de-risk the asset for the company," the firm said.

Iger also confirmed the rumors that Disney is exploring potential strategic partnerships for ESPN, and the company is looking at distribution, technology, marketing and content opportunities that would allow it to retain control of ESPN. There's been a notable amount of interest thus far, but Disney is keeping any further details under wraps for now.

"We've benefited greatly from the distribution support and the old business model from cable and satellite. Obviously, when you go DTC, you're doing it on your own or maybe there's an opportunity with another entity to help in that regard. So we're basically looking quite expansively," Iger said. "I think it's safe to assume as we ultimately turn this into a streaming business, we'll have a phenomenal hand."

Iger shouted out streaming as one of three businesses that he believes will drive the greatest growth over the next five years along with Disney's film studios and its parks business. DTC revenues increased 9% to $5.5 billion thanks to higher subscription revenues at **Disney+**, **Hulu** and **ESPN+** that were offset in part by higher programming and production costs. Disney+ notably lost 300,000 subscribers across the U.S. and Canada in the quarter, but leadership is confident that won't

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continue into the fall.

After **Netflix**'s success in cracking down on password sharing, Disney is also taking a look into what it can do to monetize those that are sharing accounts. Iger said Disney already has the technical capability to monitor much of that activity, but wouldn't give a number on how many accounts it believes are being shared.

Expect it to be something the company focuses on throughout 2024. "It's possible that the work will not be completed within the calendar year, but we certainly have established this as a real priority," Iger said.

Revenues for the linear networks segment fell 7% to $6.7 billion thanks to declines in advertising revenue domestically in the broadcast division and internationally. Lower operating income in the cable segment was also tied to higher sports programming and production costs as well as declines in lower affiliate revenue, but those were partially offset by a modest increase in advertising revenue.

COMSCORE LOOKS TO AI FOR PREDICTIVE CAPABILITIES

The power and nature of AI are still unknown, but those in the audience measurement space are figuring out how it can leverage tools to increase accuracy and efficiency. **Comscore** looks at it as a differentiator, specifically for its predictive audience capabilities. "Anytime you think about AI, I think you have to start with the scale of the data that you have to train against," CEO *John Carpenter* said on the company's 2Q23 earnings call Wednesday. "The scope of data that our AI capabilities have the ability to train from is a massive differentiator. That extends to not just our predictive audiences, but if you think about planning and leveraging AI and planning to better inform outcomes when it gets to measurement, leveraging AI algorithms is a massive play that [CTO] John Lieberman and his team are building out as it relates to our measurement capabilities." Comscore recorded $93.7 million in revenue for 2Q23, up YOY from $91.4 million. Digital ad solutions revenue was also up by 2% to $52.65 million thanks to increased usage of the company's activation product. But what looms over Comscore is its troubles in the stock market. *A Washington Business Journal* report states Comscore received a delisting warning from **Nasdaq** last month, which was followed by a $44.1 million non-cash goodwill impairment charge as of June 30. While positive quarterly numbers boosted its stock by nearly 10% Wednesday, its share price remains below $1—an area it's been stuck in since the first week of May. Comscore has until January 8 to close at or above the $1 mark.

The *WHO* and the *WHY*

CFX's spotlight on recent new hires & promotions

BRIAN
Norris
CRO
E.W. SCRIPPS

3 THINGS TO KNOW

- Brian joins Scripps from NBCUniversal, where he was SVP of its newly developed SMB growth division. He has over 25 years of creating multiplatform ad sales strategies and driving TV revenue under his belt. Brian will be based in New York and officially begin Aug. 28.
- As one of the leaders for NBCU's SMB growth sector, he led a sales team that leveraged the company's premium content and advanced advertising capabilities to help small- and medium-sized businesses scale beyond social media. Prior to that, Norris helped create NBCU's first business development and sales team dedicated to the DTC and mid-market category.
- Brian headed up sales for DISH Network and Sling TV before arriving at NBCU. He originally came to DISH in 2008 and played a part in the launch of DISH Media Sales' flagship office in the Big Apple. Outside of work, he currently is the Vice Chairman of the board of the International Radio and Television Society Foundation and is an advisory board member for GuiDANCE Autism.

VERIZON TALKS AI, CABLE'S MOBILE ACQUISITION STRATEGY

Verizon is embarking on a cost reduction program that will aim to take $2-3 billion out of the business by 2025, and it sees embracing AI as a way to get there. It is already using the technology to analyze billions of data points and make business decisions about where it takes the network, but the potential use cases stretch far beyond that. "When we think about our employees and the work we do in customer care and empowering our employees to serve our customers much more efficiently and effectively the first time around, that's extremely important and we see AI playing a role there," EVP/CFO *Tony Skiadas* said during a fireside chat at an investor conference Wednesday. "The My Plan that we launched back in May, AI can provide recommendations for the customer, help them decide quicker and helps us monetize as well." When asked about the pressures cable companies like **Charter** are putting on the wireless business and their ability to win customers away from the three traditional carriers, Skiadas seemed skeptical that the strategies they're employing will hold up as time goes

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on. "I guess they've been successful with free lines and we'll see how that goes when the customer gets the surprise in year two… we've seen the movie on free lines and know how that goes," he said.

NARD REFERS XFINITY MOBILE CLAIMS TO FTC

A **National Advertising Review Board** panel is referring advertising claims made by **Comcast Cable** to the **FTC** for review after Comcast declined to comply with recommendations. In March, **NAD** suggested Comcast disclose network limitations in regard to its claim that Xfinity Mobile is the "fastest mobile service," stating the fastest combined WiFi and cellular speeds are limited to Comcast's WiFi footprint. It also recommended Comcast discontinue its "most reliable" and "highest ranked" claims due to lack of sufficient evidence. Comcast appealed NAD's decision to the NARB, which supported NAD's original decision in its entirety. Comcast responded by saying it disagrees with the decision, adding "NARB disregarded relevant information and evidence concerning the network reliability Xfinity Mobile customers receive" and "because NARB's decision would prohibit Comcast from truthfully promoting the network that Xfinity Mobile customers receive, Comcast cannot comply with NARB's recommendation to discontinue these claims." Now, the FTC will take a look at possible enforcement action.

DISNEY DTC PRICING INCREASES COMING SOON

The prices on nearly all of **Disney**'s streaming offerings are going up this fall, with the ad-free version of **Disney+** moving up to $13.99/month on Oct. 12. Ad-supported Disney+ will remain at $7.99/month. The ad-supported tier will also be coming to certain European markets and Canada on November 1. U.S. subscribers will also gain access to a new ad-free bundle on Sept. 6 that will pair together Disney+ and **Hulu** for $19.99/month. Other increases include ad-free Hulu moving to $17.99/month and ad-supported **ESPN+** increasing to $10.99/month.

SYNACOR INKS PRO SPORTS DEAL

A major U.S. professional sports league has picked **Synacor**'s identity and access management platform Cloud ID to help make authentication and identity management across multiple streaming services more efficient. The league—which has partnerships with services including **Peacock**, **Paramount+**, **ESPN+**, **YouTube TV** and **Amazon Prime**—is using Cloud ID to streamline access to games for consumers with viewing rights. Cloud ID will integrate with those streaming partners and abstracting them behind a standardized interface, which will eliminate the need to manage multiple integrations with streaming partners.

CARRIAGE

Tennis Channel and **Samsung TV Plus** launched a 24-hour network in Spain on Wednesday. It's the eighth country outside of the U.S. to get access to Tennis Channel's content, which will have live matches and features on past and present Spanish tennis players. Other content will include localized programming, worldwide content as well as special events such as the Ultimate Tennis Showdown.

FIBER FRENZY

Shentel's **Glo Fiber** is expanding in Virginia, having struck an agreement with municipal officials to deploy FTTH broadband services to Warrenton. Construction is scheduled to start in early 2024 and will last approximately 18 months. Once complete, Glo Fiber will reach 4,700 homes and businesses in the area. Engineering work is already underway.

AT THE COMMISSION

The **FCC** committed another $46.3 million in a new funding round through the Emergency Connectivity Fund. This commitment will be directed to submissions from the third application window and will support approximately 250 schools and school districts, 13 libraries and library systems and two consortia. Since its launch in 2021, the Emergency Connectivity Fund has provided support for approximately 18 million students and more than eight million broadband connections.

PROGRAMMING

The **Premier League** is back this weekend. Defending champions Manchester City will get the new season started against Burnley on Friday at 3pm on **USA** and **Universo**. Arsenal vs Nottingham Forest will begin Saturday's slate at 7:30am on **Peacock**, and five matches will kick off at 10am (all on Peacock). Newcastle vs Aston Villa cap the day at 12:30pm on **NBC**, Peacock and Universo, before Brentford vs Tottenham (9am) and Chelsea vs Liverpool (11:30am) round out the weekend Sunday on Peacock. – The semifinals and final of the 2023 U.S. Open Cup will have Spanish-language coverage thanks to an agreement between **Telemundo** and U.S. Soccer. FC Cincinnati vs Inter Miami will face off Aug. 23 at 7pm on Telemundo and **Peacock**, before Houston Dynamo FC takes on Real Salt Lake at 9:30pm on **Universo** and Peacock. The final is set for Sept. 27 and will be streamed on Peacock, with more details to be revealed at a later date. – Season 3 of **MGM+**'s "NFL Icons" will premiere Oct. 21 at 10pm with a four-week run. The season will highlight *Jim Brown*, *Charles Woodson*, *Bill Cowher* and *Mike Singletary*. – The final women's golf major of the year will take place this weekend from England. Coverage of the AIG Women's Open will begin Thursday at 6am on **USA** and run until 1pm. The same format will follow Friday before shifting to 7am-2pm on Saturday—also on USA. Sunday's coverage will start on USA from 7am-noon, before shifting to **NBC** and **Peacock** from noon-2pm.

Think about that for a minute...

The Blame Game

Commentary by Steve Effros

I got a somewhat panicked call from one of my small cable system members way back when I was the President of the Cable Telecommunications Association. He had just had a brick thrown through his front office window with a note accusing him of corrupting the kids in town. This was when MTV was first starting out. The oldsters among us will remember the buzz when "Music Television" first started. It was a lot more "raw," shall we say, than folks in small southern towns were used to.

MTV was the most noticeable of the new "cable channels" that were introducing America to rap, music videos, and, what obviously the brick-thrower thought was outright porn or blasphemy. It wasn't the only channel, of course. The various movie channels were introducing programs into living rooms that were simply not used to seeing, well, that much exposure.

This was in the mid-1970s. The "cable guy" was the only target for that brick the local folks knew. Of course the cable operator, in this case a small, independent operator, had no say over what was being shown on MTV or any of the other channels he carried. If they were available on his service (and, of course, lots of folks in town wanted MTV, or the movie channels, and appreciated their availability) then the operator had no editorial control over what was on the channel. Never did. The same thing was true of all the other channels, including the local broadcast signals. The cable operator delivered the channels, he or she did not create them or produce them nor could they edit them. The on/off switch on the television set did that.

However that message never really got through to many consumers. The only thing I could say to him was that he had to talk to the local papers, to the local officials, and of course communicate over and over again to his own customers that the channels offered (and at that time you could block a channel with a "filter" if requested) did not have to come into the home if not wanted, and it was up to the customer to decide what material was being watched in the home, we had provided that power to them!

Do you think that resolved the problem? Nope. I had to go talk to the operator's member of Congress after he started threatening to propose legislation to "control" the cable operators.

This has always been a problem in the cable industry. We deliver the material to the home, we send the bill. When the costs went up, even when it was primarily due to increases imposed on the cable operator by the programmers and the local broadcasters, it's the cable operator who got the blame. Now part of that was our fault for not constantly educating customers, local officials, regulators and legislators about our business. The other part was simply that we have always been an easy target.

Cable companies, during the "cable" era, were required to have local offices. None of the programmers or broadcasters have those. The "cable guy," as noted, sent the bill even though a lot of the money collected went to programmers or local government coffers. There's still a debate about whether the "cable bill," or now the broadband bill should be allowed to list the "fees" (read "taxes") that are built into those bills. It's very easy to blame the "cable guy" for all of it.

And now the same problem is hitting broadband. The "streaming video" feed stops in the middle of the movie.. Why? Well, it could be the broadband operator, or the customer's WiFi or the feed from the programmer's server, among many other things. Who do you think gets the call? Time to start educating again!

Steve

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(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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