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WHAT THE INDUSTRY READS FIRST

Three P's: AMC Networks Sees the Light Through Turbulence

As *Kristin Dolan* gets ready to enter her second year leading the **AMC Networks** ship, she's focused on the three P's she believes will carry the company forward: programming, partnerships and profitability.

"There has long been a saying in this industry that content is king," Dolan said on the company's 4Q23 earnings call Friday. "We believe that if content is king, cash is queen and we are on a path that prioritizes both."

That path, however, won't be smooth sailing. AMCN's stock took a plunge Friday morning following the results that revealed a nearly 30% YOY drop in net revenue for 4Q23. This year's figure came in at \$678.85 million, down from 4Q22's mark of \$964.52 million. Adjusted operating income fell 27% to \$100.3 million, domestic ad revenue dropped 23% to \$158 million and domestic content licensing revenue decreased 68% to \$96 million due to the timing and availability of deliveries in the period. The same period in 2022 included "Silo" as well as episodes of "The Walking Dead" and "Fear the Walking Dead."

It wasn't all negative news for AMCN. Streaming revenue increased by 4% to \$145 million as the company ended 2023 with 11.4 million subscribers—up from 11.1 million from the prior quarter and 10.7 million in 2Q23. That helped alleviate some of the pain brought by an 8% dip in subscription revenue due to declines in the linear subscriber space. The company also finished 4Q23 with \$65.97 million in free cash flow, a

segment in which Dolan and EVP/CFO *Patrick O'Connell* are particularly excited about in the years to come.

"We've been really clear for the last year and going forward about how we're managing the business, streamlining it, making it as efficient as possible and Patrick [O'Connell has] mentioned, our target where we feel we can do half of a billion dollars in free cash flow in the next two years. But on the top line, we're really waiting out what's going on in the industry," Dolan said.

It's been tough sailing for independent programmers as of late, but that's where Dolan's confidence in President, Entertainment and AMC Studios *Dan McDermott* comes into play. She mentioned AMCN's [recent programming announcements](#) at **TCA**, which span multiple of the company's linear nets like **WE tv** and streamers **ALLBLK** and **AMC+**. The company wants to own and manage franchises so that it can eventually monetize them over time.

Despite the overall headwinds the ad industry is facing, AMCN remains steadfast in its ad technology. The company became the first programmer to enable programmatic ad buying on its linear networks in late October, which followed the rollout of addressable spots in its national linear programming feeds. Dolan said a programmatic-first approach allows AMCN to strike more of a wide range of partnerships, adding that early advertisers using the programmatic linear capabilities are seeing conversion rates 4X or 5X that of traditional linear campaigns.

"We're taking this difficult time and really leaning into innovation and investment in our technologies to serve better solutions

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to our partners,” Chief Commercial Officer *Kim Kelleher* said. “We believe this upfront is going to be heavily leaning toward data-targeted audience solutions imbibe, and we couldn’t be more well positioned to take full advantage of that.”

With the new year comes new outlooks. AMCN projects YOY growth in free cash flow over the \$231 million generated in 2023 (and the aforementioned approximately \$500 million of cumulative cash flow over the next two years). It expects consolidated revenue to fall 6% YOY, which would imply a total revenue of around \$2.4 billion.

“Proven streaming growth will continue to be a focus in 2024, and we expect year-over-year streaming revenue growth in the high single-digit to low double-digit range driven by broader distribution of our offerings, selected price increases as well as disciplined acquisition marketing efforts,” O’Connell said.

The company also anticipates YOY domestic ad revenue to decline in the high single-digit area for the year in addition to domestic affiliate revenue declining approximately 10% compared to 2023. Domestic licensing revenue is expected to be in the \$225 million range, which O’Connell said reflects the company’s current level of production and serves as “a good baseline moving forward.”

In legal news, consumers are starting to get [settlement notices](#) this week regarding claims AMCN streaming services violated privacy protection provisions of the VPPA. AMCN reached a settlement in principle in late October with multiple firms relating to the class actions.

“Although the outcome of the arbitration cannot be predicted with certainty, management does not believe that the resolution of these arbitrations will have a material adverse effect on the company’s business or financial position or the company’s ability to meet its financial obligations as they become due,” AMCN said in an **SEC** filing. The class action wasn’t addressed on Friday’s call, but the company said in its filing that any potential liability is expected to be reimbursed by the company’s insurance carrier. If approved by the courts, AMCN will create a settlement fund of \$8.3 million.

BAKISH SPEAKS ON COMBINED STREAMING SPORTS PACKAGE

The sports world exploded earlier this week with news that **Fox**, **Warner Bros. Discovery** and **Disney** plan to launch a [new streaming product](#) with a mix of their sports programming and linear networks this fall. Among the questions folks were asking was where are **Paramount** and **NBCU**, and what will they do in response to this threat? “We’ve looked at sports-only plays, including in digital, both on a standalone basis and with partners, but we continue to believe broad is better,” Paramount Global President/CEO *Bob*

Bakish said in an [interview](#) on **CNBC**’s “Squawk on the Street.” “If you look at the sports consumer on **Paramount+**, believe it or not, 90% of their time, their engagement is with non-sports programming. So sports is a great vehicle for bringing people in and for engaging them. But to make it work for the consumer and for the streaming platform if you will, we believe in that hybrid of sports and entertainment.” He acknowledged that this could put pressure on the linear bundle, but Bakish is waiting to see more details around aspects like pricing of the combined sports streaming package before he gets too worried.

MCMORRIS RODGERS NOT RUNNING FOR RE-ELECTION

Rep. *Cathy McMorris Rodgers* (R-WA) will not be running for re-election, she announced Thursday. She was first elected to the House in 2004 and currently serves as chair of **House Commerce** where she has worked together with Ranking Member *Frank Pallone* (D-NJ) to address the challenge of expanding access to rural broadband. “It’s been the honor and privilege of my life to represent the people of Eastern Washington in Congress. They inspire me every day,” she said in a statement. “They are part of the strength and soul of America—the greatest experiment in self-governance the world has ever known.”

JUDGE GRANTS DIAMOND SPORTS DEALS WITH THREE MLB TEAMS

It’s official: **Diamond Sports** will retain its telecast rights deals with the Texas Rangers, Cleveland Guardians and the Minnesota Twins. The agreements, which will keep those **MLB** games on **Bally Sports** RSNs through the end of the 2024 season, were introduced to the Southern Texas Bankruptcy Court last week and officially approved by Judge *Christopher Lopez* at a hearing Friday. While this is a step forward, the future for these linear rights and the streaming rights of a number of MLB teams is anything but clear. According to *The Athletic*, MLB Commissioner *Rob Manfred* is [hoping](#) to launch a DTC streaming product in 2025 that would include coverage of at least half the teams in the league.

LIONSGATE GROWS STARZ SUBS

Lionsgate grew its North American OTT subscribers by 700,000 sequentially in 3Q24, the company announced during its earnings call late Thursday. That growth came from **Starz**, and Lionsgate’s Media Networks segment revenue was up 10% YOY to \$417.2 million thanks to that growth and boosts in **Lionsgate+** revenue. Lionsgate TV Group Chairman *Kevin Beggs* spoke to the wider landscape of television and the chal-

lenges of selling a show to a network or streamer now versus a few years ago. “Just in the larger environment, obviously, right now, they’re ordering fewer shows, and there’s a lot of focus on the budget levels of those shows and a little more financial discipline compared to the streaming wars that we saw leading up into the COVID era,” Beggs said. “But there’s still a big demand for shows. They need originals. Originals build subs, build awareness, drive advertising. But the bar is a little higher.”

SEMICONDUCTOR R&D

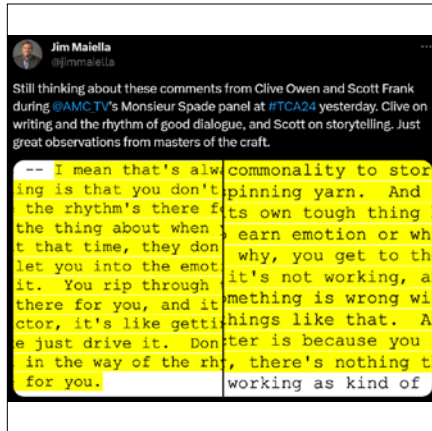
The **White House** announced Friday that it expects to invest more than \$5 billion in semiconductor-related R&D and workforce needs, including in the **National Semiconductor Technology Center**. The NSTC is now formally established as a public-private consortium by the Secretaries of Commerce, Defense, and Energy as well as the Director of the National Science Foundation and **Natcast** CEO *Deirdre Hanford*. It will support the design, prototyping and piloting of the latest semiconductor technologies; leverage shared facilities and expertise; and examine the building and sustaining of a skilled and diverse semiconductor workforce. The White House has also launched an NSTC Community of Interest, a no-cost, pre-membership program for interested stakeholders to provide input into the program offerings and the structure of the NSTC.

BUCKS ADD MORE GAMES OTA

We knew the **NBA’s Milwaukee Bucks** were planning to dive further into the over-the-air space after the franchise [announced an agreement](#) with **Weigel Broadcasting** to put 10 games on the independent WMLW station, and that plan is coming to fruition. The Bucks struck a deal with **Morgan Murphy Media** stations WISC and TW to make 10 Bucks games available OTA, starting with the Bucks vs Timberwolves on Feb. 23 at 9pm CT. WISC and TW are also available on Spectrum, **DirecTV**, **DISH** and several local cable providers. WISC and TW are also part of Weigel’s recently announced broadcast package in Wisconsin.

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Social Media Hits



Research

- (Source: [Nielsen](#))
- > Among U.S. audiences, Black consumers spend over 81 hours per week with media, 31.8% more than the general population.
 - > 73% of Black American audiences pay for three or more streaming services.
 - > In the United States alone, 67% of Black audiences agree that they wish they saw more representation of their identity group while watching TV.
 - > 66% of Black consumers are willing to cut ties with brands that devalue their community.

Up Ahead

- FEB. 11-14:** [NTCA Rural Telecom Industry Meeting + Expo \(RTIME\)](#); Tampa
- FEB. 25-27:** [NCTC Winter Educational Conference](#); Las Vegas
- MARCH 5-7:** [ACA Connects Summit](#); D.C.
- APRIL 3-4:** [Mid-America Cable Show](#); Dallas
- APRIL 13-17:** [NAB Show](#); Las Vegas

Quotable

“If I knew then what I knew now, we would have started it very differently. Some of it, in my defense, was political constraints... two of the members were going to be an automatic no, they told me privately. So I had to deal with three, and one of them insisted on being technologically neutral... What we got across the finish line was what we could get across the finish line. But had that been different and had I known that a few years hence, Congress would be allocating \$42.45 billion in addition to other programs that states or federal agencies might allocate for broadband, we definitely would’ve put a thumb on the scale in favor of fiber. We would have focused on connecting as many locations as we could with fiber and worry about the rest later.” – Former FCC Chair Ajit Pai talking about the Rural Digital Opportunity Fund at a Regional Fiber Connect in Richmond, VA