

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## Next Steps: Comcast Solidifies Plans to Spin-off Cable Networks

**Comcast Corp.** is moving forward with its plan to spin off a number of its cable television networks under a new publicly traded company.

**USA, CNBC, MSNBC, Oxygen, E!, SYFY** and **Golf Channel** will live under the umbrella of **SpinCo** while **Bravo, Peacock** and **Tel-emundo** will stay under the **NBCU** brand. Comcast confirmed the **NBC Sports** RSNs will also remain part of NBCU after the spin-off.

Comcast is hoping to finish the spin in approximately one year, but it needs to obtain final approval from its board and regulators as well as satisfactory completion of SpinCo financing and more. SpinCo will operate as an independent business, but it plans to enter into a transition services agreement with NBCU to ensure seamless operations from Day 1.

NBCU Media Group Chairman **Mark Lazarus** will serve as the company's CEO. He'll work together with **Anand Kini**, who currently is NBCU's CFO and Comcast's EVP, Corporate Strategy, on the development of an independent strategy that includes plans on how to establish SpinCo as a potential partner and acquirer of other media businesses that complement the SpinCo portfolio. Kini's title will be CFO/COO.

Comcast hinted at the possibility of a spin-off on its 3Q24 earnings call last month, but the analyst community was still surprised at how quickly the company made the official announcement. **Evercore ISI** said it was also astonished that SpinCo is committing to an attractive capital returns program despite its focus on

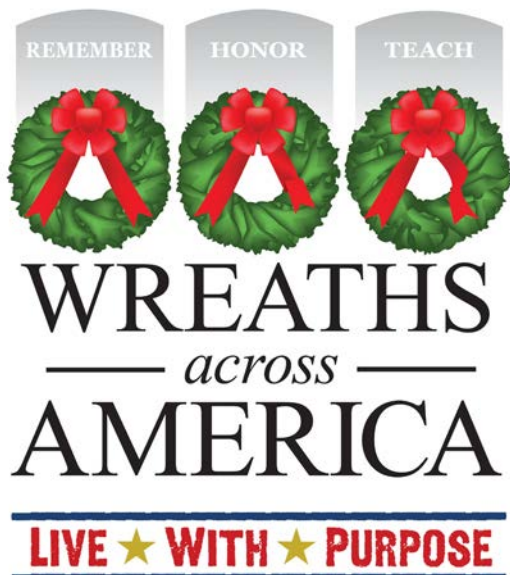
organic and inorganic investment opportunities. But overall, the firm is encouraged by Comcast's movements to optimize its portfolio.

"Secular challenges and persistent topline pressures across linear media make the synergy opportunities through M&A a strategic necessity," Evercore ISI said in a note. "That said, we've observed from countless deals over the years that bigger is not always better, and that eventually cost cuts dwindle the relevance of networks even further, so SpinCo's potential dance partners (e.g., WBD, PARA, or smaller operators) and ultimate strategy (perhaps a FAST platform) will be key."

**New Street Research** sees SpinCo as opening several new doors for Comcast, particularly over the next four years. In a note, it said the **FCC** under newly-named Chair **Brendan Carr** is expected to revise broadcast ownership rules in a way that could enable more local and national consolidation, and the spin-off will give Comcast more opportunities to participate.

"We have no insight into Comcast/NBC's plans but simply note that there will be buying and selling opportunities as affiliate groups, such as **Nexstar** and **Sinclair** seek to achieve more productive footprints," New Street said.

It also noted some statements by President-elect **Trump's** designees and nominees that do add risks to any broadcaster-related transactions. Those include **Elon Musk** and Commerce Secretary designee **Howard Lutnick** calling for broadcasters to return their spectrum licenses for future auctions and **Robert F. Kennedy Jr.** calling for a ban on direct-to-consumer drug advertising that is a significant revenue driver.



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## CHARTER INVESTIGATION LEADS TO 200 FRAUDULENT MODEMS

When **Charter Communications** noticed flyers in Chinese in the Flushing, NY, area advertising unauthorized Spectrum internet services, it started its own investigation. This week it paid off with the Queens DA charging an individual with allegedly making and distributing 200 forged modem devices filled with malware. The public may be more familiar with pirated video schemes that date back decades, but much like how entertainment is moving online, so are criminals. Older modems are being hacked to steal internet services—and serve up malware that compromises security. Queens DA *Melinda Katz* said *Kong Gao*, of 154th Street in Whitestone, is charged with fraudulent making of an electronic access device in the second degree and criminal possession of forgery devices. He faces a potential maximum sentence of seven years in prison if convicted of the top count. “We had seen ads for Spectrum services written in Chinese around the Flushing area and launched an investigation into the theft of streaming and WiFi services using unauthorized modems. During our investigation we hired a private investigator to go undercover, purchase one of the unauthorized modems and conduct surveillance of the individual, *Kong Gao*, who sold it to us,” *Jane Rhodes*, SVP Corporate Physical Security of Spectrum, told **CFX**. Charter partnered with the Queen’s DA’s office that conducted its own surveillance. “When our technical teams disrupted the signals to the unauthorized modems rendering them useless, the DA’s investigators witnessed *Gao*’s ‘customers’ meeting with him to exchange their broken modems for new ones,” said *Rhodes*, a former FBI special agent who joined Charter in 2016 after 20 years at the agency (she investigated the 2000 USS *Cole* bombing, spent two-and-a-half years working on the 9/11 attacks and held a senior role in the Counterterrorism Division). A search warrant was executed on *Gao*’s residence Thursday with the D.A. finding 200 modems for potential sale, soldering irons and other tools to create forged access devices as well as the malware program required to infiltrate Charter’s services. The lost service revenue associated with this scheme is estimated to exceed \$1 million, with approximately 6,000 Spectrum accounts identified as being cloned. *Gao* has been ordered to return to court Jan. 16.

## BROADBAND LEADERS CALL FOR CHANGE IN COPPER REGULATION

CEOs at **USTelecom**’s Broadband Investment Forum Wednesday called for changes in national and state regulations that require them to maintain outdated copper networks. “The thing that strikes me is that if you go to most other service providers, whether it’s a water company, power company, gas company,

they actually get lauded for upgrading their infrastructure, and we’re held to a different standard,” **Brightspeed** CEO/President *Tom Maguire* said during a panel. “We’re in an industry, the ILECs, where other providers are not bound by the same rules we are... other people come in and they cherry pick the customers that they can make the most money on and they leave us with the rest of the people that we’re now responsible to serve. I’m more than happy to serve those people, but I need some additional freedom to be able to use whatever technology I think is best to serve those individuals.” He also brought up the issue of [copper theft](#), saying that in the last 18 months, he has had to manage more than 450 instances of individuals stealing copper. He spent more than \$1 million to restore the network after those instances, and that money could have been used for fiber investments. “I think we do a very efficient job. But being tethered to copper and the cost of maintaining copper when I think everybody readily recognizes it’s incapable of satisfying the needs of the customers today is just insane. If we don’t fix it, it’s just going to continue to be a problem,” *Maguire* said. **Zipty Fiber** CEO *Harold Zeitz* agreed, saying everyone on the panel ultimately is tasked with having to run two networks. **Consolidated Communications** President/CEO *Bob Udell* called legacy technologies a huge obstacle as organizations work towards increasing network capabilities and streamlining operations. For **altafiber** President/CEO *Leigh Fox*, the standards are ridiculous when you consider the ongoing and increasing decline in the amount of copper voice customers. “We hardly have any left,” *Fox* said. “These regulations were put in place at a time where, to their point, you didn’t have the options that you have today. I would argue we are internet companies, period. What this country should want us to be doing is putting robust internet pipes in the ground. That’s what’s best for communities.”

## NIELSEN’S KENNY SAYS DATA PRINCIPLES MUST EVOLVE

The media industry is doing a lot of adapting these days, and the same is true when it comes to measurement data. “I think the urgent need—and my ask for you to consider—is: what should be generally accepted data principles in the media business?” Nielsen Executive Chairman *David Kenny* said to a packed crowd in D.C. Wednesday for **The Media Institute**’s final Communications Forum Luncheon of the year. “Data is the fuel of media...and as AI is going to be useful in producing content, it’s going to be useful in producing news and information. What are generally accepted data principles to know that the data has a true set and can be audited the way financial statements can be audited, because I think that the data assets in all of

your companies are as valuable to you as the financial assets.” Kenny, who stepped down as CEO of the measurement firm last year, presented market data comparing consumers under 35 and over 35. Last month, streaming accounted for about 34% of consumer share among those over 35 but a whopping 65% among consumers under 35. Juxtaposing that with how Nielsen originally had calculated ratings (based on households), Kenny remarked that there had to be a “fundamental shift” in the quantification of that data in order to provide companies with more accurate and relevant insights. “The number of people watching together is very small. Outside of sports, people are largely watching individually. So, we had to develop individual meters...and more importantly, we had to bring in as much data as we could, because every TV that’s connected to the internet, every car that’s connected to the internet for audio, gives us data,” he said. “It’s been a fundamental shift in the way that works, and it’s been a worthwhile investment.”

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## PIVOTAL GIVES NETFLIX A BUMP

Despite early streaming disruptions for some, **Netflix’s** highly publicized boxing match between *Mike Tyson* and *Jake Paul* was another win for the streamer in **Pivotal Research Group’s** eyes. The firm is raising its medium/long-term subscriber and ARPU forecasts and slightly increasing its terminal EBITDA multiple for Netflix, which led it to increase its YE25 target price by \$175 to \$1,100. Long-term subscriber outlook went up by 18 million to 400 million in 2030, and medium/long-term ARPU to \$24.50 in the U.S. by that same year. Pivotal said the event was a “successful learning experience” for Netflix as it seeks to step further into the live sports realm. “Importantly, given the success of the Tyson/Paul fight we expect Netflix to accelerate its offerings of ‘eventized’ live programming, which further enhances NFLX’s ability to offer households regular compelling content (juiced by the fact their competitors are now selling previously exclusive content to NFLX) = likely lower subscriber churn and greater ability to take price,” the firm wrote in a note. Pivotal also touted Netflix’s scale and free cash flow, with the latter letting Netflix make investments such as the **WWE** or **NFL** Christmas games deals. Because of Netflix’s success, there could be a growing trend of competitors selling premium content to Netflix to offset poor returns in streaming. “In the end, our view remains unchanged that Netflix has won the global streaming race ... The key for NFLX going forward is to press their advantages and keep the subscriber/ARPU flywheel going because the larger they get the more leverage they have over their peers/content creators, the better their product gets,” Pivotal wrote.

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## ADDRESSABLE ADVERTISING CONTINUES YEARLY GROWTH

It was addressable advertising’s day in the spotlight as **GoAd-dressable** hosted its fourth annual Summit in New York. The organization began the day with research highlighting the upward

trends of addressable advertising, revealing that it’s grown for a third year in a row and 53% of advertisers label it a “must-buy” instead of an add-on. For those who aren’t on the addressable train yet, nearly 2/3 plan to hop on in 2025. Approximately 51% of agencies and marketers found improvement in the simplicity of buying addressable TV over the past year, and 85% of advertisers said they’re satisfied with the current state of addressable TV. The Summit kicked off with thoughts from the buyers’ side of things, noting how addressable presents opportunities to extend reach and find new audiences. Measurement was another hot topic in that there’s still a long path toward one identity standard within the industry, but another area—premium content—was discussed as it continues to grow in importance for networks and streamers. That’s why those platforms will remain at the forefront of marketers’ minds since they present the best way to reach a wide variety of engaged audiences. However, something that advertisers need to address soon is the idea of ad frequency leaving a negative effect on consumers. “I think ad relevance is important, but also frequency capping is the one major challenge in this industry right now,” *Eric Haggstrom*, VP, Business Intelligence at **Advertiser Perceptions**, said on a panel. “Even if the ad is perfectly targeted to you, if you’re getting a number of the same ads in the same couple pods within the same hour, that kind of devalues a lot of the advertising.”

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## BROADCAST TAKING MORE SHARE IN NIELSEN’S GAUGE

The broadcast category in **Nielsen’s** “The Gauge” report recorded its third consecutive month of growth in October. Nielsen found that broadcast viewership recorded 7% monthly growth to take 24% of total time spent watching TV. That was primarily thanks to a 29% jump in viewership of drama programs and a 10% increase in sports viewing. Streaming still came out on top with 40.5% of the overall TV pie despite not seeing much movement. Eight of the 11 total reported streamers were within 0.1 share point or less from their September marks. **YouTube** had the largest streaming share with 10.6% followed by **Netflix** with 7.5% and **Prime Video** at 3.5%. The cable category had 26.3% of TV usage in October, recording its first positive share change since April after rising 0.2 points. Election coverage, the Vice Presidential debate, **MLB** playoffs and football contributed to cable’s improvement.

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## MORE PROVIDERS FOR VIAMEDIA

After [signing on four providers](#) last week, **Viamedia** is signing on seven more service providers to manage their ad sales: **Greenlight Community Broadband** in North Carolina; **Wamego Telecommunications** and **Golden Belt Telephone** in Kansas; **FTC Ad Sales**, **West Carolina** and **Palmetto Rural Telephone Cooperative** in South Carolina and **Empire Access** in New York and Pennsylvania. Viamedia manages sales and operations for 80 cable operators across 68 DMAs.