The Public Only Wants Their TV From The Web and Only From Many Viewpoints

Pay-TV Companies Tank As Subscriber Losses Surge To Record Highs In 2017

by Tyler Durden

As the broader markets casually melt-up to new record highs with each passing day, **one small corner of the equity market is in full on meltdown mode: cable and satellite pay-tv providers.** Down anywhere from 3-10% on the week, investors in this space seem to be finally admitting that record subscriber losses, quarter after quarter, just may end up being a bad thing.

As Bloomberg points out this morning, pay-tv subscriber losses are expected to set a new record in 2017, surpassing the 1.7mm homes that "cut the cord" in 2016, as industry analyst Craig Moffet warns **"it is becoming increasingly clear that the wheels are falling off..."**

> **Barring a major fourth-quarter comeback, 2017 is on course to be the worst year for conventional pay-TV subscriber losses in history, surpassing last year's 1.7 million, according to Bloomberg Intelligence.** That figure doesn't include online services like DirecTV Now. Even including those digital plans, the five biggest TV providers are projected to have lost 469,000 customers in the third quarter.
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> AT&T sank 6.1 percent, the biggest one-day loss since November 2008. Dish, which also provides satellite service, declined 5.1 percent. Viacom dropped 2.5 percent while AMC Networks Inc. fell 6.8 percent after Guggenheim Securities LLC downgraded the two stocks to neutral from buy.
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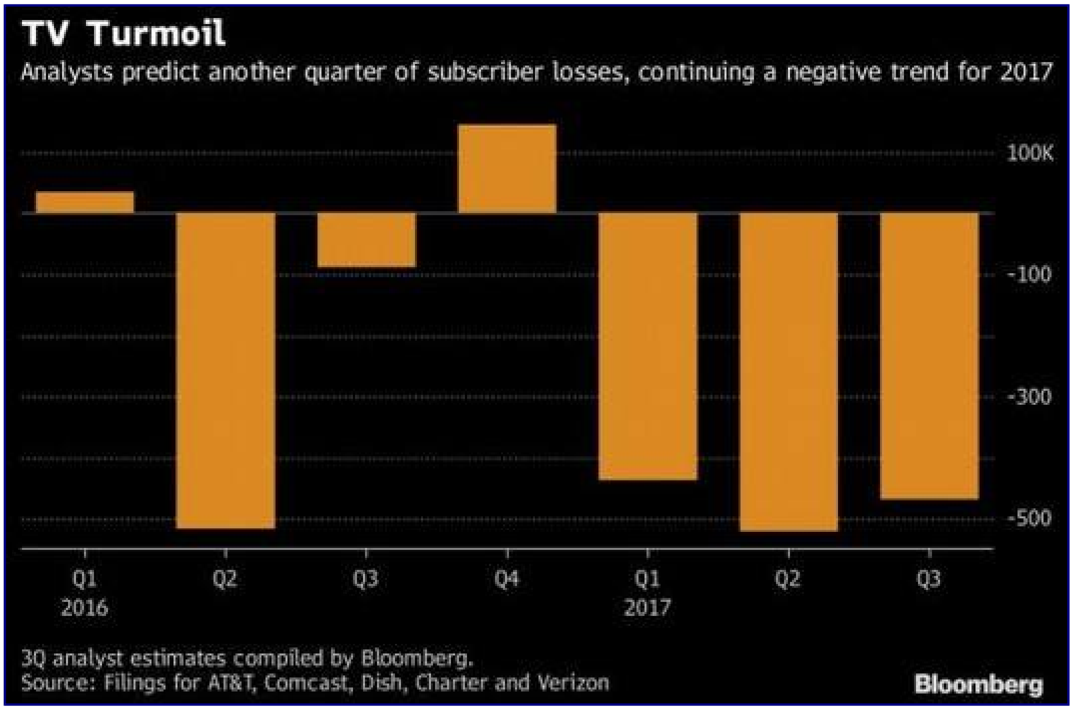
> Dallas-based AT&T is pushing headlong into TV programming by acquiring HBO and CNN owner Time Warner Inc. in an $85.4 billion deal. Chief Executive Officer Randall Stephenson has argued that the acquisition will let AT&T create compelling video packages for mobile subscribers and provide valuable targeting information for advertisers.

“It is becoming increasingly clear that the wheels are falling off of satellite TV,” said Craig Moffett, an analyst at MoffettNathanson LLC, in a research note.

AT&T set off the selling panic earlier this week when they announced they would lose 390,000 pay-tv customers in 3Q 2017 alone. As a reminder, AT&T purchased DirectTV for $48.5 billion just 3 years ago...**something tells us shareholders might like a 'do-over' on that colossal misallocation of capital.**

AT&T, whose ownership of the DirecTV satellite service makes it the biggest U.S. pay-television provider, said late Wednesday it will report a third-quarter loss of 390,000 satellite and cable customers, echoing a similar warning weeks earlier from Comcast Corp. The same night, Viacom cautioned that its distribution deal with Charter Communications Inc., the second-biggest cable U.S. company, may lead to a blackout, potentially testing whether millions of viewers are willing to go without MTV and Nickelodeon.

Shares of both companies retreated Thursday, contributing to a broader selloff in the sector. The S&P 500 Media Index, which includes Comcast and ESPN owner Walt Disney Co., slid 2.3 percent to the lowest level since December.



Meanwhile, the bigger question that remains to be answered is whether cable providers will finally use this customer backlash to push back on content providers who have managed to force ridiculous annual price increases down the throats of American consumers for decades...Citi analyst Jason Bazinet seems to think so...

> After decades of steadily increasing bills and ever-bigger packages of channels, the pay-TV ecosystem is in full-blown crisis mode. AT&T, Dish Network Inc. and others are offering cheaper, online-only versions of cable to lure customers back, but that means having to accept thinner profit margins.
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> **“Those salad days of fat bundles, automatic carriage renewals and customary affiliate steps ups are long gone,”** Citigroup Inc. analyst Jason Bazinet wrote in a note this week. **“Today, every media and cable firm is jockeying for self-preservation. And we suspect the next chapter in this new era means Charter will drop -- or significantly curtail -- distribution of Viacom’s content.”**