

CableFAX Daily™

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What the Industry Reads First

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Netflix 2Q: OTT Play Dons Jumpsuit, Adds Subs

With 14 Emmy nominations and growing buzz for latest series “Orange is the New Black,” **Netflix** is upping its original game. Still no plans for live TV, but the streaming service said it will expand to include original feature docs and stand-up comedy specials. Netflix already has ordered 2nd seasons of all its originals and would like to produce a 5th season of “Arrested Development” if possible. It’s not providing any viewership data, but chief content officer *Ted Sarandos* said the viewing audience and total hours viewed has grown with every original series launched, with confidence so high that Netflix renewed “Orange is the New Black” before it even premiered. In other words, we’ll have to take their word for it on numbers and on whether orange really is the new black. Original “Arrested Development” did appear to have a small impact on subs, with 2Q net additions generally expected to be lower than the prior year 2Q because of increased net-add seasonality. However, 2Q13 saw Netflix add 630K subs, better than 2Q12’s 530K but down from the more than 2mln adds in 1Q and in the midpoint of guidance. Sarandos said originals have a “subtle” but “compounding positive effects” on subs. CEO *Reed Hastings* chimed in, saying that as “House of Cards” enters seasons 3-5, it will hopefully deliver “Harry Potter-esque” anticipation over when the next season is coming out. He said branching into other categories, such as movies or talk shows, is always a possibility since Netflix is in the “membership happiness business” vs the TV business. Instead of hosting a 2Q earnings call Mon, Netflix held a video chat with **CNBC’s Julia Boorstin** and **BTIG’s Rich Greenfield** asking the questions. Netflix now boasts 29.8mln total subs, and forecasts that 3Q’s sub count should be between 30.5mln and 31.3mln. Hastings said he’s still comfortable with projections of 60-90mln subs, but added that it would be for a “future service” with more originals and streaming. Netflix no longer breaks out its churn, and the CEO claims he doesn’t look at it, concentrating instead on net adds. If someone has tried Netflix and left, he feels they are more interested in trying it again as it grows originals and streaming offerings and playback improves. With cable looking for better navigation and personalization, it’s worth noting that in 3Q the company will roll out profile features that allow HHs to assign different profiles to each member of the house, reflecting varying viewing tastes. As **Amazon** and **Hulu** step up their original fare, Netflix isn’t worried. “When **Showtime** does great work, it doesn’t take away from **HBO**,” Hastings said. What about the rising cost and competition for licensing content? “It’s great for content owners and creators that there is this renaissance

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in TV. If prices are going to go up, then we as a major scale player have an advantage,” Hastings said. Boorstin pressed him on whether the company would be forced to raise prices or raise debt over the next 12 months to afford content commitments. “We’re very comfortable with \$7.99 price point,” and it’s pretty unlikely Netflix would raise its debt in the next 12 months, he said. Netflix posted a profit of \$29m, up significantly from \$6.2m a year ago. Rev rose 20% to \$1.07bn.

Launch Pad: **Al Jazeera America** on Mon announced that it is backing out of TCA’s Summer Tour presentation on Wed, citing the news of its sr executive hires. The executives represent a wide swath of TV news. **ABC News** vet *Kate O’Brian* will serve as president of the net, whose launch date went from “late Aug” to a specific date: Aug 20. “Al Jazeera America will demonstrate that quality journalism is alive and well in the United States,” said O’Brian, who has spent 30 years at ABC. “As I bring everything I learned to this new role I’m looking forward to showing the Al Jazeera viewers that there is a strong demand for the type of in depth reporting for which Al Jazeera is so well known.” O’Brian was svp, news at ABC, responsible for all of ABC News’ newsgathering ops since ’07. *Ehab Al Shihabi*, exec dir for intl ops, will serve as interim CEO. A 5-year Al Jazeera vet, Al Shihabi has participated in the launch of Al Jazeera’s Balkans and Al Jazeera’s Turkish channels. Other sr hires announced Mon: **David Doss**, sr exec prod for **CNN**’s “Anderson Cooper 360,” was named svp, news programming; *Marcy McGinnis*, former **CBS** news svp, was made svp, newsgathering; and **CNN**’s *Shannon High-Bassalik*, previously vp, daytime program dev at **MSNBC**, will serve as svp, docs and programs.

At the Portals: After approving its 15th video competition report on Fri, the **FCC** made it public on Mon. We didn’t spot any huge surprises, but it’s a lot of information to comb through—nearly 200 pages that include detailed descriptions of online video distributors and comparisons of rural and urban areas. **ACA** commended the FCC for acknowledging that the number of cable systems operating is decreasing, with hundreds of small cable systems ceasing service. “Although the report indicates that the FCC has not collected data on the reasons why these cable systems have ceased operations, it acknowledges that small systems lack scale economies enjoyed by larger competitors. With facts about the number of these small system closures now being reported by the expert agency, policymakers should take greater note of the economic fragility of small cable systems, and take this into account when considering adoption of new rules and regulations that impose disproportionate burdens on them,” said ACA pres/CEO *Matt Polka*. In a blog post at CableTechTalk.com, **NCTA** highlighted growing competition. The amount of online video content is “not only an indicator of changing trends and avenues for competition, but also demonstrates why the cable industry has been working so hard to give consumers the ability to access content when and where—and on whatever device—they want,” the cable trade assn said.

On the Hill: The House Communications subcmte will markup **FCC** legislation that chmn *Greg Walden* (R-OR) says is aimed at improving transparency and accountability. Opening statements for the FCC Process Reform Act and FCC Consolidated Reporting Act are slated for 5pm Wed with the subcmte reconvening at 9am on Thurs to consider the bills.

ESPN: **ESPN** is beefing up its arms as Fox readies the launch of its new sports net next month. Statistician *Nate Silver* and his **FiveThirtyEight.com**, currently hosted on the **New York Times** website, will join ESPN later this year, the net said, a few days after it announced that it’s bringing back *Keith Olbermann* for a nightly show. As part of the deal, the polling site will remain a separate site covering a wide range of topics like sports, culture and education, Silver said during a conference call Mon. In addition, the polling site will continue to provide “data-driven” political coverage, including forecasts of the ’14 and ’16 elections. Silver will be the editor-in-chief of the site and will assemble a team of reporters, editors, analysts and contributors in the next few months. Silver will also work on other ESPN programs and showcase his work regularly on **ABC News** outlets. That means providing political insights and analysis to ABC News during election years and key political events. “This is kind of a dream job for me, and the more we talked about it the more excited I became,” Silver said. The bottom line is FiveThirtyEight.com is “not just going to be a politics site or a sports site,” he said.

Competition: **Verizon FiOS**’ new Quantum Internet service features speeds of 500 Mbps down and 100 Mbps up, its highest speed tier to-date. The new tier is initially available in parts of each FiOS market, and the telco plans to expand it throughout the entire FiOS footprint into next year. Starting at \$309.99 a month for a double play with a 2-year contract, the tier is also available at \$329.99 as a triple play. The new speed is only offered on a standalone basis for small businesses, starting at \$369.99 a month with a 2-year contract. Now what can you do with the speed? According to Verizon, a 2-hour, 5 GB HD movie will be on your PC or tablet in 1.4min or be sent in under 7min at the upload speed of 100 Mbps.

BUSINESS & FINANCE

Ratings: Disney's nonstop promotion of "Teen Beach Movie" paid off with Fri's premiere drawing 8.4mln total viewers, more than the debut of "High School Musical" in 2006 (7.7mln). The 5-day preview on authenticated **Watch Disney Channel** didn't seem to impact ratings, with the movie notching more than 550K views. Of Disney Channel's 91 original movies, it ranks as the 5th most-watched of all time.

Programming: **LEGO** and **Cartoon** are teaming on development with new franchise "Mixels" to launch next year. The venture will feature animated content, digital gaming and more. Animated content will air on Cartoon and on cartoonnetwork.com. Mixels building sets, created between Lego and Cartoon, will launch in 3 waves next year with an app-powered gaming experience. -- **FX**, **FX'** new net launching on Sept 2, will premiere its "flagship" comedy series "It's Always Sunny in Philadelphia," "The League" and the late night comedy show "Totally Biased with W. Kamau Bell" on Sept 4.

People: As promised, **Time Warner** tapped an incoming CFO to fill the spot when *John Martin* assumes his new job as CEO of Turner on Jan 1. Time Inc CFO *Howard Averill* will take the job in Jan. Before he joined Time in '07, Averill was evp and CFO at **NBCU**. -- **Scripps Networks** upped *Katherine Alford* to svp, culinary for **Food Network**, **Cooking Channel** and the food category.

CableFAX Daily Stockwatch

Company	07/22 Close	1-Day Ch	Company	07/22 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DIRECTV:	65.29	0.09	GOOGLE:	910.70	14.10			
DISH:	45.62	0.08	HARMONIC:	7.10	0.11			
DISNEY:	64.40	(0.76)	INTEL:	22.77	(0.27)			
GE:	24.86	0.14	JDSU:	15.15	(0.03)			
NEWS CORP:	30.87	0.19	LEVEL 3:	21.52	(0.06)			
MSOS								
CABLEVISION:	18.89	(0.07)	MICROSOFT:	32.01	0.61			
CHARTER:	128.19	(0.12)	RENTRAK:	21.55	0.14			
COMCAST:	44.93	0.36	SEACHANGE:	12.25	(0.07)			
COMCAST SPCL:	42.97	0.18	SONY:	22.59	0.48			
GCI:	9.10	(0.11)	SPRINT NEXTEL:	5.92	(0.15)			
LIBERTY GLOBAL:	81.36	0.17	TIVO:	11.56	(0.03)			
LIBERTY INT:	24.33	(0.04)	UNIVERSAL ELEC:	30.08	(0.15)			
SHAW COMM:	24.68	(0.07)	VONAGE:	3.32	0.07			
TIME WARNER CABLE:	116.03	(0.44)	YAHOO:	27.86	(1.25)			
WASH POST:	516.70	(1.46)	TELCOS					
PROGRAMMING								
AMC NETWORKS:	69.17	(0.1)	AT&T:	35.58	(0.23)			
CBS:	52.55	0.05	VERIZON:	50.27	0.32			
CROWN:	2.66	0.04	MARKET INDICES					
DISCOVERY:	84.37	0.06	DOW:	15545.55	1.81			
GRUPO TELEVISIA:	25.66	0.10	NASDAQ:	3587.61	12.77			
HSN:	57.91	(0.37)	S&P 500:	1695.53	3.44			
INTERACTIVE CORP:	51.94	(0.26)	TECHNOLOGY					
LIONSGATE:	32.16	(0.47)	ADDVANTAGE:	2.63	0.24			
SCRIPPS INT:	71.81	(0.48)	ALCATEL LUCENT:	2.12	UNCH			
STARZ:	23.51	(0.21)	AMDOCS:	38.70	(0.12)			
TIME WARNER:	62.22	0.45	AMPHENOL:	78.51	1.73			
VALUEVISION:	6.20	0.21	AOL:	37.15	(0.14)			
VIACOM:	73.65	(1.13)	APPLE:	426.31	1.36			
WWE:	11.06	(0.1)	ARRIS GROUP:	15.41	0.04			
TECHNOLOGY								
ADDVANTAGE:	2.63	0.24	AVID TECH:	6.13	UNCH			
ALCATEL LUCENT:	2.12	UNCH	BLNDER TONGUE:	1.00	0.03			
AMDOCS:	38.70	(0.12)	BROADCOM:	33.25	(0.44)			
AMPHENOL:	78.51	1.73	CISCO:	25.72	(0.1)			
AOL:	37.15	(0.14)	CONCURRENT:	7.70	(0.08)			
APPLE:	426.31	1.36	CONVERGYS:	19.28	0.01			
ARRIS GROUP:	15.41	0.04	CSG SYSTEMS:	23.64	(0.01)			
AVID TECH:	6.13	UNCH	ECHOSTAR:	41.02	(0.06)			
BLNDER TONGUE:	1.00	0.03						
BROADCOM:	33.25	(0.44)						
CISCO:	25.72	(0.1)						
CONCURRENT:	7.70	(0.08)						
CONVERGYS:	19.28	0.01						
CSG SYSTEMS:	23.64	(0.01)						
ECHOSTAR:	41.02	(0.06)						

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Rovi Ramping Up 2nd Screen Certification

With video compatibility increasingly important as 2nd-screen devices and apps proliferate, Rovi has been pitching itself as an interoperability testing hub for video. For example, every DivX Certified device is tested for DivX video playback and contains DivX DRM, allowing the protected playback of purchased content. And now Rovi, which already certifies devices ranging from mobile phones, tablets, set-tops, Blu-ray disc players and DTVs, is adding High Efficiency Video Codec to its DivX certification program, aiming at driving 4K content creation and the expansion of compatible devices, said Rovi vp, technology *Eric Grab*. As the company rolls out the program, execs hope to reduce storage and bandwidth costs. The extension to the DivX certification program was designed to allow information and communications, as well as OEM customers to quickly bring to market mobile and CE products that support high-quality HEVC playback, Grab said. Rovi's HEVC partner **Broadcom** already supports the playback of DivX HEVC streaming and downloadable content in its latest UltraHD home gateway product. HEVC is touted as able to reduce the bandwidth required by up to 40% vs the previous standard. Broadcom is working with Rovi to "set the stage for the delivery of 4K content to UltraHD TVs in the home," said *Richard Nelson*, Broadcom's svp, marketing, broadband communications group in a statement. Grab said certification is only "a chunk of" the company's revenue. But as Rovi enters the HEVC/4K arena, the "chunk" is poised to get bigger.

Standard: CEA published a new standard, "A DTV Profile for Uncompressed High-Speed Digital Interfaces," which applies to various DTV-related high-speed digital physical interfaces. They include HDMI, DVI and open LVDs display interface specs. The latest standard is expected to drive the Ultra HD and widescreen market, according to CEA's research/standards svp *Brian Mark-*

walter. The new spec includes support for several new Ultra HD and widescreen video formats and additional colorimetry schemes.

Patent Matters: NCTA was among 50 organizations that recently sent a letter to Congressional leadership urging solutions to patent abuse. "Managing frivolous patent suits unfortunately has become an expensive distraction for a large cross section of American businesses," the letter said, citing the growth of patent troll activity in recent years. In addition, trolls no longer only sue large tech corporations. They now target small and medium-sized businesses of all types, including startups. Part of cable's growth relies on technology, NCTA said in a related blog post. That's why the group seeks to "return the patent system to its intended purpose," it said.

Partnerships: Ohio-based **Buckeye CableSystem** is looking to upgrade to the latest version of Broadband Command Center from broadband software firm **Incognito** to activate and provision voice and data services for its 130K subs, the companies said. The multi-standard solution seeks to allow the regional cable op to add and maintain users on its network while preparing for its implementation and migration to IPv6. It supports standards and technologies including TR-069, DOCSIS 3.0, PacketCable 2.0, SIP, and DHCPv6.

Research: CPE device shipments in broadband platforms like cable are not likely to drop in the next few years, despite the growth of fiber equipment, **ABI Research** said. Advanced cable standards like DOCSIS 3.0 allow ops to compete with fiber broadband service providers in terms of price and service quality, the research firm said. It expects 149.4mln broadband CPE devices including modems, wired routers, and gateways to ship this year. About 83% of total cable CPE shipments this year are expected to be DOCSIS 3.0 devices.



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