

CableFAX Daily™

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What the Industry Reads First

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Pitching Digital: Online Studios Try to Woo Small Ops at Indy Show

Several producers of premium Internet content made their pitches to the Indy Show audience Tues, with **Needham & Co** managing director *Laura Martin* suggesting that small ops ink deals with online studios to package them together as a premium service. She suggested a 50-50 split between them and ops, with the portions distributed to participating studios based on actual views. Pricing could range from \$10 per month for standalone customers down to \$2 per month for double- or triple-play customers, she said. **Break TV** CEO *Keith Richman* suggested that deals with online players—whose measured “hits” can actually outperform many shows that rely on linear ratings—might become leverage as ops renew deals with traditional TV nets. “That’s a great negotiating tactic,” he said. **Maker Studios** COO *Courtney Holt* said some of its online talk shows “would rate better than most talk shows on cable today.” In only a few short years, **YouTube** and other online gathering places have nurtured “an independent television business” similar to the indie film industry that operates outside the Hollywood studio system, said **Vuguru** CEO *Larry Tanz*. “That’s one of the biggest changes that’s happening in the TV industry right now,” he said (Vuguru also licenses content to traditional TV nets outside the U.S.). In another Indy Show panel Tues, *Patrick Knorr*, evp, business solutions and IP technology at **Wave Broadband**, said he doesn’t view OTT players “as a real competitive threat. I think it’s an opportunity.” He said the traditional video model is “really not dead, but I think it’s terminally ill” because of the explosion of high-quality, premium content online. “We need to reinitiate the partnership with programmers because I think they have more to lose than the cable operators,” he said. Said *Stephanie Ruyle*, evp, distribution and affiliate partnerships at emerging net **Pivot**: “I think we’re at a tipping point where, with over-the-top providers, we need to respond.” *Lynne Costantini*, pres, business development for *Glenn Beck’s* indie net **TheBlaze**, acknowledged that it’s already OTT with millions of people paying directly for online subscriptions, but asked ops “why do you want to send your customers somewhere else” by not carrying the net on linear? Speaking of Beck, he gave a (mostly) non-partisan speech to the Indy Show luncheon crowd before the panel, emphasizing his roots in small-town America and the need to let all political views fight it out in the “battlefield of ideas.” Interestingly, the luncheon was sponsored by **Al Jazeera America**, which Beck has criticized—but “I’m a libertarian at heart. Good. Let them sponsor.” He also told small ops that “this room is in better shape than the big guys” because they’re closer to their customers. “The in-

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novators are going to be the ones that shape the world, and all you have to do is give the people what they want," he said.

On the Hill: Sen Commerce voted to send *Tom Wheeler's* FCC chmn nomination to the full Senate, but whether there is a floor vote soon remains to be seen. Cmte chmn *Jay Rockefeller* (D-WV) rejected the idea that the vote should be put on hold until there is a Republican FCC nominee to pair with it. "We don't pair on this committee," he said. Senate leaders will likely wait for GOP nom, which is expected to come soon. Rockefeller noted that **FTC** commish *Josh Wright's* unpaired nomination was approved in a shorter timeframe (less than a month after his nomination hearing). Wheeler's nomination was advanced despite a few nays from Republicans. Sen *Ted Cruz* (R-TX) threatened to use procedural means to delay Wheeler's nomination, complaining that he has not sufficiently explained his position on the DISCLOSE Act (ie, political ad disclosures related to the campaign finance legislation). Sen *Marco Rubio* (R-FL) said he wanted Wheeler to answer questions on broadcast decency standards. During Tues' exec session, the Committee approved a lengthy list of items with no discussion. Among them was the Violent Content Research Act, which calls for studying the effects of violent video games and programming on children, and the Cybersecurity Act of 2013. -- As **House Commerce** prepares to vote on **FCC** process reform legislation Wed, Sen *Dean Heller* (R-NV) introduced the Senate version of the bill Mon. Heller, who supported reform efforts in the last Congress, said his proposal seeks to combine 8 annual reports into a single biennial Communications Marketplace Report. The Congressionally-mandated reports over the last couple years were "rarely submitted on time and do not always reflect the current state of competition..." Heller said.

CBS-TWC: It was a crazy night of negotiations between **CBS** and **Time Warner Cable**, and **Journal Broadcasting** certainly noticed. The broadcaster, whose stations in Green Bay, Omaha and other markets have been off TWC since 12:01am Thurs, sent a message Tues morning to impacted viewers after a night that saw some TWC subs lose CBS stations briefly. "It seems Time Warner cares more about big city viewers than you," Journal said. "Journal requested an extension to July 31. Time Warner Cable rejected it." TWC said it allowed extensions in both negotiations. "We agreed to extension through June 10, and now that it's almost July 31, they haven't moved since their offer that was on the table before June 10," said TWC in a statement. "So we are confounded by what they think that extension would have achieved." TWC and CBS reached multiple extensions Mon night. As the 2 talked, a new extension was granted, hour by hour, from 5pm ET to midnight ET. At midnight, things got crazy... TWC said it had no deal and thus CBS would go dark in Dallas, NYC and L.A. **Showtime**, **Smithsonian**, **TMC** and **Flix** also would come down throughout its footprint nationwide. Some markets saw channels go dark almost immediately. Others didn't. Then at 12:30am, TWC said it was halting taking the stations' dark at CBS' request. Any channel that went dark went back on TWC's lineup. The 2 have agreed to continue negotiations until Fri at 5pm ET, after both companies' report earnings. Let's hope there's no repeat performance.

Earnings: If virtual MSOs ever become reality, then **Discovery** can do deals. "We own all of our content, and we have a right to sell our content to anyone that we want to," CEO *David Zaslav* said during the programmer's 2Q earnings call Tues. "To the extent that there is an **Intel** or there are over-the-top players that end up in the space, we are platform agnostic... If the business model works, it's just somebody else bidding for the ability to offer our content to viewers, so that's a good thing." Shares closed down 3.4% Tues, with Discovery cutting '13 revenue forecast to \$5.55bln-\$5.63bln from \$5.58-\$5.7bln. The company blamed the guidance reduction primarily on its \$1.7bln **SBS** acquisition closing later than expected. Discovery's 2Q EPS of 82 cents per share missed analyst estimates of 90 cents. Net income rose to \$300mln from \$293mln a year ago, while rev was \$1.47bln, short of analyst expectations of \$1.48bln. **Bernstein Research** said most of the miss doesn't matter to its core investment thesis, though it called core domestic affiliate fee growth of only +5% "potentially troubling." "We never expected heroic domestic affiliate fee growth... But we do expect >6%," the firm told clients. Discovery CFO *Andrew Warren* said the company expects about 5% growth a quarter, giving it roughly 20% growth a year starting in '12 through the remaining 5 years. The US Nets reported 13% increase in rev to \$793mln and 17% in affiliate rev growth. Ad revenue was up 10% to \$425mln for the US nets. Zaslav tipped his hat to **OWN**, now cash flow positive, and to the ratings success last month of "Skywire Live" on **Discovery**. **S&P** kept is "buy" opinion on Discovery, and raised its target price by \$7 to \$83 on premium forward multiples of 16X EV/EBITDA. S&P said it sees continued market share gains across the portfolio, including affiliate growth.

Sinclair/Allbritton: It appears that a big part of **Sinclair's** \$985mln proposed acquisition of **Allbritton** is **NewsChannel 8** and the company has some ambitious plans for it. As Sinclair CEO *David Smith* indicated on an investor conference call

Tues, a day after the deal was announced, the 24-hour cable news net could be a platform for the company to launch a new cable news channel within the Sinclair station group and through MVPDs, “a unique hybrid model.” Such a network could generate \$300mln of additional revenue for Sinclair, Smith said, citing **CNN**’s \$0.57 affil per sub rate as a model. “The takeaway is, we believe there is significant value we can unlock when we couple the cable channel with the rest of our news channels and roll it out to more than just D.C.,” Smith said. The reality is “people really underestimate local television and the value it brings to the marketplace, versus what the cable news channels bring,” he said. In terms of synergies of the transaction, they could come from increased political revenue due to greater presence in the DC area and lower programming cost due to scale, Sinclair execs said. Meanwhile, execs made it clear that there is desire and capacity for more M&A. **Wells Fargo** analysts expect the broadcaster to tap the debt markets, not equity markets for future acquisitions. “While timing of additional M&A is uncertain, we would not be surprised to see smaller deals” by Sinclair and **Nexstar Broadcasting** over the next few months, they wrote. The analysts also anticipated swaps, “which could give incumbents strong duopolies.”

Over-the-Air Wars: **CEA** and **NAB** continue to duke it out over just how many Americans rely solely on over-the-air TV. CEA released a survey Tues that found 7% rely solely on an antenna for the TV programming. “CEA’s findings strain the bounds of credibility, beginning with the fact that its alleged ‘research’ was conducted by CEA staff members rather than an independent firm,” said NAB spokesman *Dennis Wharton*. The broadcast trade group pointed to a study by **GfK** that found 19.3% of TV homes are reporting broadcast-only reception, up from 17.8% in ’12 and 14% in ’10. “We’re confident that GfK’s research is far more credible than that of a trade association with a track record of anti-broadcasting bias,” Wharton said. On the other hand, CEA says its research fits with a **Nielsen** study released in Feb ’12 that found about 9% of homes didn’t have a pay TV subscription. “Consumers have moved away in droves from traditional broadcast television thanks to a surge in programming alternatives available through wired and wireless broadband connections,” said CEA pres/CEO *Gary Shapiro*. “This is why Congress had it right when they authorized the FCC to hold voluntary broadcast spectrum incentive auctions to reallocate broadcast television spectrum to greater uses, like wireless broadband.” CEA’s study found that TV HHs with pay TV had dropped 5 percentage points since ’10 to 83%.

Summer TCA: Summer press tour continues this week, with Showtime pres, entertainment *David Nevins* telling critics that when it comes to **Netflix**’s binge-viewing strategy, “I still believe in the pleasure of giving them out one at a time.” There’s a lot of in-depth criticism and water cooler chatter happening on a weekly basis, and that “can’t happen the same way when everything gets dumped at the same time,” he said. Asked about the network offering a standalone service at some point he said “it would be premature to talk about that” but added that “it’s out there somewhere in the future.” Meanwhile, the net announced a doc series about the final days of people’s lives called “Time of Death” (fall premiere). “Dexter” showrunner *Scott Buck* inked a 2-year deal with Showtime, an announcement which prompted Nevins to hint at a Dexter spinoff. “We announced a deal with Scott Buck today. Draw your own conclusions,” he told critics. The net also ordered a pilot of the comedy “Trending Down,” starring *Philip Seymour Hoffman*, which examines people’s value in our youth-obsessed culture. -- On Mon, *Les Moonves* said players like Netflix and **Amazon** have changed the world of television and spurred more experimentation. He pointed to **CBS**’s new serialized drama “Hostages,” which, after its 15-ep run, will appear “very shortly on the Netflixes and the Amazons.” “Every model that we’re doing is somewhat different than it was before,” he said. “Cable has had great success with serialized drama. And that’s been helped by the Netflixes of the world and binge viewing as well. And we think that can happen with “Hostages.”” Expect to see more experimenting, he said. -- **Pivot** pres *Evan Shapiro* told critics the millennial-focused net will offer a variety of ways to view its content, including via the Pivot app (made available for **DirecTV** subs at network launch), a broadband connection and interacting with shows like *Joseph Gordon-Levitt*’s “HitRECORD” and nightly news show “TakePart Live.” Millennials prefer to watch television on multiple platforms, and that’s the future of television, Shapiro said. “I think too often the industry sees everything in binary terms. This is pluralistic.” -- When introducing **AMC**’s “Breaking Bad” cast and creator *Vince Gilligan*, AMC pres *Charlie Collier* called it a “bittersweet occasion.” He thanked Gilligan specifically for his “remarkable vision and immaculate execution.” Asked whether Gilligan had a clear vision early on regarding lead character Walter White’s conclusion, he replied, “I can’t remember exactly what my original intention was.” The idea was to take Mr. Chips and “turn him into Scarface,” he said. “But that leaves a lot of wiggle room.” *Bryan Cranston* joked that “everyone will be satisfied with the ending, where we hug it out.” AMC also showcased season 3 of “Hell on Wheels” (S3 premieres Aug 10) and introduced Detroit crime drama “Low Winter Sun” (Aug 11).

Rate Hike: **Time Warner Cable** is upping its modem lease fee from \$3.95 to \$5.99 in the next billing cycle (starting in Aug) for residential Internet subs. The fee adjustment comes as the company continues to deploy upgraded equipment, phase out older modems and offer ongoing maintenance and support, a spokesman said. The MSO introduced the \$3.95 modem fee for new subs only in ’11, then started applying the fee to existing subs last year.

BUSINESS & FINANCE

Programming: Starz and Twentieth Century Fox inked a multi-year film licensing deal for Fox library movies. The flicks will air on Starz and **Encore**, as well as the nets' TVE offerings. Under the deal, about 40% of the feature films licensed to Starz will be available on the nets for the 1st time.

Technology: Alcatel-Lucent and Qualcomm are working together to develop small cell base stations to help service providers boost wireless connectivity over WiFi. They will jointly develop a strategic R&D program for the next generation of Alcatel-Lucent lightRadio Small Cell products featuring Qualcomm's FSM9900 family of Small Cell chipsets.

People: Bridget Baker, former NBCU pres TV networks distribution, was elected to GCI's board, expanding the AK operator's board size to 9.

Business & Finance: Online video delivery and caching start-up Qwilt scored \$16mIn in funding from Bessemer Venture Partners and its current investors Accel Partners, Redpoint Ventures and Marker LLC. Combining with previous funding rounds, the company has raised \$40mIn. The money will be used to expand intl sales and engineering teams and to improve the Qwilt QB-series video fabric controller designed to help operators save content transport costs.

CableFAX Daily Stockwatch

Company	07/30 Close	1-Day Ch	Company	07/30 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DIRECTV:	62.63	(0.48)	GOOGLE:	890.92	8.65			
DISH:	43.29	(0.33)	HARMONIC:	7.55	0.03			
DISNEY:	64.18	(0.43)	INTEL:	23.38	0.14			
GE:	24.48	(0.01)	JDSU:	14.65	0.16			
NEWS CORP:	29.42	(0.49)	LEVEL 3:	21.86	0.05			
MSOS								
CABLEVISION:	18.49	(0.18)	MICROSOFT:	31.85	0.31			
CHARTER:	123.78	(1.91)	RENTRAK:	21.45	0.07			
COMCAST:	42.71	(0.69)	SEACHANGE:	11.94	0.07			
COMCAST SPCL:	40.79	(0.69)	SONY:	21.63	0.39			
GCI:	8.97	0.03	SPRINT NEXTEL:	6.16	0.42			
LIBERTY GLOBAL:	80.53	0.21	TIVO:	11.03	(0.21)			
LIBERTY INT:	24.58	0.10	UNIVERSAL ELEC:	29.99	(0.05)			
SHAW COMM:	25.23	0.05	VONAGE:	3.36	(0.04)			
TIME WARNER CABLE:	115.00	(0.23)	YAHOO:	28.05	0.12			
WASH POST:	535.70	(0.83)	TELCOS					
PROGRAMMING								
AMC NETWORKS:	67.02	(0.91)	AT&T:	35.42	(0.46)			
CBS:	52.33	(0.06)	VERIZON:	50.42	(1.07)			
CROWN:	2.79	0.03	MARKET INDICES					
DISCOVERY:	81.00	(3.41)	DOW:	15520.59	(1.38)			
GRUPO TELEVISA:	26.46	0.19	NASDAQ:	3616.47	17.33			
HSN:	59.67	(0.77)	S&P 500:	1685.96	0.63			
INTERACTIVE CORP:	52.63	0.85	TECHNOLOGY					
LIONSGATE:	32.30	0.05	ADDVANTAGE:	2.55	(0.01)			
SCRIPPS INT:	70.92	(0.41)	ALCATEL LUCENT:	2.46	0.26			
STARZ:	22.42	(0.37)	AMDOCS:	38.31	(0.22)			
TIME WARNER:	62.07	(0.43)	AMPHENOL:	77.97	0.60			
VALUEVISION:	5.72	0.14	AOL:	36.56	(0.04)			
VIACOM:	72.63	(0.06)	APPLE:	453.32	5.53			
WWE:	10.70	(0.07)	ARRIS GROUP:	14.97	0.03			
TECHNOLOGY								
ADDVANTAGE:	2.55	(0.01)	AVID TECH:	6.20	(0.03)			
ALCATEL LUCENT:	2.46	0.26	BLNDER TONGUE:	0.95	(0.02)			
AMDOCS:	38.31	(0.22)	BROADCOM:	27.84	0.44			
AMPHENOL:	77.97	0.60	CISCO:	25.67	0.34			
AOL:	36.56	(0.04)	CONCURRENT:	8.40	0.15			
APPLE:	453.32	5.53	CONVERGYS:	18.86	0.16			
ARRIS GROUP:	14.97	0.03	CSG SYSTEMS:	23.55	(0.01)			
AVID TECH:	6.20	(0.03)	ECHOSTAR:	39.64	(0.02)			
BLNDER TONGUE:	0.95	(0.02)						
BROADCOM:	27.84	0.44						
CISCO:	25.67	0.34						
CONCURRENT:	8.40	0.15						
CONVERGYS:	18.86	0.16						
CSG SYSTEMS:	23.55	(0.01)						
ECHOSTAR:	39.64	(0.02)						



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