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Wednesday — September 25, 2013

What the Industry Reads First

Volume 24 / No. 186

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TV Summit: Kings, Cookies and John Malone

MoffettNathanson's *Craig Moffett* is no fan of *Sumner Redstone's* oft-quoted "content is king," declaring that the slogan "has set this industry back more than any phrase in the industry." Speaking at the **CableFAX TV Innovation Summit** Tues, Moffett suggested that the idea has helped create this presumption that somehow it's grander to be king than a commodity. If you listen to **Penthera Partners** pres/CEO and former **Insight** CEO *Michael Willner*, there's nothing wrong with being a commodity—at least under the right conditions. "If cable operators become dumb pipes, I don't think they should care as long as they're rich, dumb pipes," he quipped. Another musing from the day-long event in NYC: What would happen if TV had a cookie? Not the chocolate chip kind, but the sort that provides Internet tracking. "A cookie exposes the actual value of each piece of inventory you have," said *Mike Lee*, general partner at **Rogers Venture Partners**. The former **Rogers Cable** exec, who now runs the West Coast investment fund, believes there will be adoption of a TV cookie in the next 2 years, which will maximize ad revenue. In 3 years, he thinks total ad spending in the US will grow at a rate that's faster than the online and mobile market. He also offered some comfort for those worried about cord-cutting: the mobile phone has been around for 35 years, and it has taken that long for it to get to the point that 1 in 3 households have dropped landline service. Less comforting are Willner's comments: "My kids don't pay for cable, and it's a little embarrassing to say that." He suggested that it won't take lawmakers to change the TV environment. "Consumers themselves might have the power to do that" as 20-somethings become homeowners, parents, etc., Willner said. Of course, no conference is complete without someone wondering what *John Malone's* re-entry into US cable means. **Needham & Co** sr analyst *Laura Martin* imagined out loud a world with a **Charter-Time Warner Cable** combo. "My guess is he would start spending capital and upgrade in 2-3 years to all IP," she said. And in typical Liberty fashion, that would create tax relief. "If he does it, everyone else has to react," she said. "If Charter is able to buy Time Warner Cable next year, it hurts the stocks near term, but it might be the best thing possible for the industry long term." An executive summary of the conference will be available exclusively for attendees, with additional takeaways.

Investor Conference: It's unlikely that **Time Warner Cable** will be involved in any near-term M&A activities, according

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to CFO *Arthur Minson*. Given the size of TWC's balance sheet, it's important to maintain cash flow and credit market position, he said at the **Goldman Sachs** Communacopia conference Tues. Meanwhile, while the retrans spat with CBS will potentially "create noise around the subscriber performance" in 3Q, the company feels good about its subscriber position heading into '14, he said. The MSO got out of the retrans negotiation "in a much, much better place than we were certainly at the beginning of the blackout," he said. TWC is encouraged that lawmakers are taking a hard look at retrans. -- **Comcast NBCU** could use the '14 Winter Olympics to launch its X2 next-generation entertainment platform, CFO *Michael Angelakis* said. The MSO has rolled out X1 to 85% of its territory and expects to cover its entire footprint by the end of the year. Meanwhile, the MSO might be feeling the squeeze from telcos, which are now in 43% of Comcast's footprint, up from 41% last year. Despite competition, demand for faster Internet speed is increasing: 1/3 of Xfinity customers subscribe to speeds of at least 50Mbps. -- **Viacom** CEO *Philippe Dauman* doesn't seem too worried about Sen *John McCain's* (R-AZ) a la carte video proposal. "When you explain what would happen in an a la carte world, it's not good for consumers... People are fundamentally rational once you talk to them, and I expect that everything that will unfold will happen in the marketplace, not from Washington," he said. The proposal would lead to higher content prices, he said. The chief exec isn't afraid of competition from OTT players either, calling potential streaming providers like **Intel** "a favorable development" for Viacom. -- **AT&T** has its eyes on Gigabit speeds: It is planning a fiber-to-the-home network in Austin, TX, which will offer speeds of 1Gbps with the potential to expand to additional markets. "The cost dynamics look good, the revenue implications look good, the market implications look good, so you are going to see more of this over time... You will see us doing markets like this over the next few years," CEO *Randall Stephenson* said at the conference. -- Despite the fact that "investment bankers of every shape, color and size have come to us to talk about their best ideas," there hasn't been anything yet that "seems to make sense to us," **Starz** CEO *Chris Albrecht* said. For now, the programmer will focus on developing original content. Starz is targeting 50 hours of original programming next year, with the potential to reach 75 hours in a few years.

Internet Essentials: **Comcast** is expanding its Internet Essentials initiative as it kicks off year 3 of the program for low-income broadband adoption. For the 2nd time, the company expanded eligibility criteria, now making parochial, private, cyberschool and homeschooled students eligible, meaning about 2.6mln families could participate in the program. Other enhancements include faster speeds of up to 5Mbps down and 1Mbps up and streamlined enrollment with expanded instant approval process for families whose students attend schools where 70% or more of the population are eligible to participate in the National School Lunch Program.

Aereo: **Aereo** is adding 4 new cities to its nationwide expansion: Columbus and Cincinnati, OH, Indianapolis, IN, and San Antonio, TX, CEO *Chet Kanojia* said at the Goldman Sachs Communicopia Conference Tues. The company already has launched in NYC, Boston, Atlanta, Miami and Salt Lake City. In Jan, it announced plans to expand to 22 cities this year.

Ratings: Football occupied 2 of spots in the top 5 list of highest-rated cable programs last week, with **ESPN's** MNF (14.3mln) taking the #1 spot for the week. **NFL Net's** Thurs Night Football took the #3 spot (9.4mln). Sandwiched in between there were the men from **A&E's** "Duck Dynasty" (9.4mln). Even up against the Emmys, the penultimate ep of **AMC's** "Breaking Bad" drew nice numbers (6.6mln, #4 for the week). Rounding out the top 5 is **FX's** "Sons of Anarchy" (4.6mln). ESPN won the week in prime among ad-supported cable nets, averaging 3.4mln total viewers. It was followed by **USA** (2.3mln), **Disney** (2.1mln), **TBS** (1.9mln) and **NFL** (1.4mln).

Measurement: **The Council for Research Excellence**, created in '05 and funded by **Nielsen**, added *Artie Bulgrin*, svp, research & analytics at **ESPN**, and *Susie Thomas*, svp, dir of research & insights at **Palisades Media Group**, as board members.

In the States: In CA, **Charter** is offering unlimited calling to Mexico landlines and up to 250mins of calling to Mexico cellphones with its Charter Phone Unlimited plan for subs with the Triple Play PaqueTV Plus package. The bundle combines phone, TV and broadband with the Latino View Spanish-language programming package.

On the Circuit: **NAMIC** announced the roster for Class XIII of its Executive Leadership Development Program. Partnering with the **University of Virginia** Darden School of Business, NAMIC's program includes 4 sessions and lasts until

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April. -- The development of cable standards to prepare network operators for adverse natural events and to sustain high levels of service will be the focus of a standards session at **SCTE's** Cable-Tec Expo. Discussions will include current and planned SCTE standardization and best-practice activities, power reliability, dependency of emergency alert on network availability, business continuity planning and crisis management.

Programming: Lifetime canceled "Army Wives" after a 7-season run. -- FX booked a 2nd season of its drama series "The Bridge," placing a 13-ep order. -- **NBC Olympics** and the **US Olympic Committee** partnered to acquire the US media rights to the next 2 Paralympics Games. **NBC** and **NBC Sports Network** will combine to air 50 hours of coverage for March's Sochi '14 Paralympic Winter Games, starting on Mar 7 with the opening ceremony. -- **Hallmark Movie Channel's** "The Most Wonderful Movies of Christmas" holiday programming block, starting Nov 11, will feature the channel's 1st original holiday movie, "Christmas With Tucker," among other programs. -- **Starz** will develop 1-hour drama "Gringo" inspired by non-fiction book *The Shadow Catcher*.

People: **CTAM** elected 2 new directors: *Jennifer Ball*, svp of distribution marketing at **Univision**, and *Megan Rock*, svp of partnership marketing at the **Weather Company**.

CableFAX Daily Stockwatch

Company	09/24 Close	1-Day Ch	Company	09/24 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
21ST CENTURY FOX:	32.55	(0.19)	ECHOSTAR:	44.84	1.82
DIRECTV:	60.64	(1.65)	GOOGLE:	886.84	0.34
DISH:	46.05	(0.79)	HARMONIC:	7.81	0.14
DISNEY:	64.32	(0.43)	INTEL:	23.70	0.09
GE:	24.32	0.04	JDSU:	14.69	0.04
MSOS					
CABLEVISION:	17.18	(0.11)	LEVEL 3:	26.48	0.19
CHARTER:	131.15	(2.29)	MICROSOFT:	32.45	(0.28)
COMCAST:	43.69	(0.25)	NIELSEN:	36.57	0.19
COMCAST SPCL:	42.26	(0.28)	RENTRAK:	34.29	1.41
GCI:	9.50	(0.02)	SEACHANGE:	11.76	0.21
LIBERTY GLOBAL:	77.88	(0.52)	SONY:	21.37	0.08
LIBERTY INT:	23.87	(0.18)	SPRINT NEXTEL:	6.19	0.04
SHAW COMM:	23.61	0.17	TIVO:	12.44	0.26
TIME WARNER CABLE:	111.56	(1.02)	UNIVERSAL ELEC:	33.24	0.69
WASH POST:	590.56	0.44	VONAGE:	3.05	0.01
PROGRAMMING					
AMC NETWORKS:	66.59	0.56	YAHOO:	31.27	1.01
CBS:	56.07	0.15	TELCOS		
CROWN:	3.19	(0.07)	AT&T:	34.09	(0.13)
DISCOVERY:	80.35	(0.23)	VERIZON:	47.27	(0.71)
GRUPO TELEVISIA:	28.27	(0.5)	MARKET INDICES		
HSN:	54.56	0.06	DOW:	15334.59	(66.79)
INTERACTIVE CORP:	53.91	0.43	NASDAQ:	3768.25	2.97
LIONSGATE:	34.27	0.61	S&P 500:	1697.42	(4.42)
MADISON SQUARE GARDEN:	56.44	0.17			
SCRIPPS INT:	76.98	(0.65)			
STARZ:	27.08	0.27			
TIME WARNER:	63.35	(0.11)			
VALUEVISION:	4.42	(0.17)			
VIACOM:	83.24	(0.35)			
WWE:	9.96	0.10			
TECHNOLOGY					
ADVANTAGE:	2.45	UNCH			
ALCATEL LUCENT:	3.39	(0.03)			
AMDOCS:	36.95	(0.03)			
AMPHENOL:	77.33	(0.07)			
AOL:	35.30	0.35			
APPLE:	489.10	(1.54)			
ARRIS GROUP:	16.86	0.19			
AVID TECH:	5.62	0.03			
BLNDER TONGUE:	0.90	(0.01)			
BROADCOM:	26.65	(0.45)			
CISCO:	24.14	(0.14)			
CONCURRENT:	7.44	(0.03)			
CONVERGYS:	18.55	UNCH			
CSG SYSTEMS:	24.76	0.28			

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