

CableFAX Daily™

Thursday — February 6, 2014

What the Industry Reads First

Volume 25 / No. 025

Premium Play: Cinemax Under the Microscope at Time Warner

Cinemax is an underappreciated asset that **Time Warner** CEO *Jeff Bewkes* would like to boost to the same admiration level as some of its peers. “In 2013, we actually had more viewing at Cinemax than **Starz**, and basically the same amount of viewing at Cinemax as **Showtime**,” he said during Wed’s 4Q earnings call. “It’s very profitable for us, but it’s even more important for our distribution partners as a companion brand to HBO.” Given the reach and viewership, TWX brass want to strengthen Cinemax’s reputation. That’s where original programming comes into play. The premium net already has dabbled in it some, with Bewkes calling the 3rd season of action series “Strike Back” a big success, with it averaging 2.75mln viewers. Later this year, Cinemax debuts “The Knick,” a 10-ep series set in downtown NY in 1900. “We really run HBO and Cinemax together. On that basis, we have been, and will be, growing margins over time,” Bewkes said. “We think the Cinemax investment in programming is a pretty good leverage point for revenue growth at Cinemax and HBO.” HBO continues to be the programmer’s darling, with 2mln sub adds over the past year—its highest increase in 17 years. The other nets need some work still, with Bewkes acknowledging a “dip” in **truTV**’s ratings and that **TNT** has been in a bit of a “soft patch” the past few months (though still the #2 net for 25-54s last year and a top 5 net for 18-49s in prime). **CNN** overtook **MSNBC** in total day viewership, “but we still have a lot of work to do.” Other noteworthy moments from Wed’s call included an update on Turner’s carriage renewal talks, with Bewkes revealing that 7 of the top the 10 distributors have signed. “We will start to see the impact of many of those deals in 1Q,” he told analysts. **Comcast-NBCU** is getting the TV Everywhere fanfare right now because of the Olympics, but Bewkes noted that Turner has the lead in providing TVE rights to distribution partners. As such, the company is working to provide automatic modem authentication for distributors. And Turner’s digital work isn’t limited to just TVE, with the CEO boasting that **Bleacher Report** was the #3 digital sports destination last year. He’s also pretty enthusiastic about UltraViolet. “Awareness still needs to improve, but the consumers who use UltraViolet love it,” he said. For the Q, TWX saw net income decline 12% to \$983mln vs \$1.11bln a year ago. Revenue rose 5% to \$8.6bln. New this Q, Time Warner broke out Turner and HBO’s results separately. Turner’s AOIBDA fell 3% to \$879mln, with rev up 3% to \$2.5bln. At HBO, AOIBDA was down 4% to \$414mln (included a 12% increase in programming costs) and rev climbed 6% to \$1.3bln.

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CBS Wins Thursday: NFL Net has some company on Thurs nights, with **CBS Sports** winning the rights to an 8-game NFL package for the 2014 season (with the option for a 1-year extension). NFL Net will simulcast the 8 games on CBS and carry 8 other games exclusively (6 on Thurs nights). **Fox** was among the nets that submitted bids. "We were clearly interested in having Thursday Night Football at Fox in 2014," a spokesman said. The net had "terrific dialogue with the NFL during the process, and we believe that the Thursday night franchise has great value going forward," he said. "While disappointed to learn that the league has decided to go in a different direction, we're already looking forward to Sundays next season." **NBC Sports Group** simply said it will continue looking for ways to grow its relationship with NFL. The deal, reportedly worth up to \$300mln, "must be a defensive move," given that CBS is already #1 on Thursday nights, **Bernstein** analysts said. (What happens to "Big Bang Theory?") CBS "must be concerned with trying to keep these games from ending up on a competitive network, which they feared would significantly damage their Thursday night audiences and ad revenue," said a Bernstein research note. The analysts cited several potential risks: The deal might impact CBS' Thursday nights' entertainment shows, which could in turn risk CBS' syndication pipeline. The upsides aren't compelling either since the deal doesn't add much to CBS' retrans argument as the games will be available on NFL Net as well, Bernstein said.

WOW! Shuffle: *Colleen Abdoulah*, who has guided the overbuilder since '02, will step down as **WOW!**'s CEO on Apr 1, turning responsibilities over to current pres *Steven Cochran*. Abdoulah will continue as **WOW!** chair and remain chair of **ACA**. CMO *Cathy Kuo* will assume Cochran's operational role as COO. "As we approach the second anniversary of the Knology acquisition that doubled the size of our company, this is the ideal time to put our succession plan into effect. Steven and I have partnered together over the last decade, and I am thrilled that our **WOW!** employees and customers will continue to be cared for under his exceptional leadership," Abdoulah said in a statement. Both Cochran and Kuo have been with the company for several years, with Cochran joining as CFO in '02 and Kuo a part of **WOW!** leadership since '01.

In the Courts: A federal bankruptcy judge placed 16-month-old **Comcast Sports Net Houston**, a partnership between the Astros, Rockets and **NBC Sports Group**, under Chapter 11 bankruptcy. The net has been unable to strike deals with major pay-TV providers in the region, making its programming only available to some 40% of the area's TV HHs. It was also awash in lawsuits as partners weren't exactly on the same page regarding the path forward. Comcast filed for Chapter 11 in Sept. "We are pleased that the Court has entered an order of relief at the request of Comcast and the other petitioning creditors. We believe that this recognizes and protects the significant value of the network and establishes a path toward its successful reorganization," a Comcast-**NBCU** spokeswoman said.

At the Portals: **FCC** chmn *Tom Wheeler* plans to issue a public notice on updating the E-Rate program as the agency migrates the program's focus to speed upgrades, according to his prepared remarks at a Digital Learning Day event at the Library of Congress. Only half of the program's funds go for broadband connectivity today," and "well less than half goes for the kind of 100 mbps and higher speeds necessary for today's learning environment," Wheeler said. The comments came after *President Obama* announced his ConnectED program.

NCTA: In a multiplatform world, there's no one universal technical solution to video navigation, **NCTA** chmn/CEO *Michael Powell* said in a letter to **FCC** chmn *Tom Wheeler* Wed. The letter was a response to a recent filing by the **All-Vid Tech Company Coalition**, urging the agency to start a rulemaking to open the market for device competition, among other things. "A prescriptive regulatory approach is simply not nimble enough to accommodate marketplace innovation," Powell wrote. "Developments throughout 2013 and new technologies displayed at CES 2014 underscore that innovate offerings continue to emerge rapidly and in unexpected ways, without regulation or the need for technology mandates," he said.

Earnings: After the bell, **Disney** reported that operating income at its cable nets increased 34% to \$1.3bln compared to 1Q12 because of growth at **ESPN**, higher equity at **AETN** and, to a lesser extent, an improvement at the domestic Disney channels that came from contractual rate increases. Revenue for cable increased 6% to \$3.8bln. Also helping the cable results was the absence of equity losses as a result of the prior-year sale of Disney's interest in the **ESPN STAR Sports** jv. Theatrical release "Frozen" helped push overall profits to \$1.8bln (+27%).

Rate Hikes: **Cable One** instituted a \$5 rate increase on its Economy and Standard cable packages last month, cit-

BUSINESS & FINANCE

ing higher retrans and programming expenses. A rep said local broadcasters and cable nets have hiked rates by an average of 40% over the last 3 years, with more than 35 local TV stations and cable nets planning increases this year.

Fox Doings: Fox Networks Group teamed up with UK-based DNA Films to launch a joint venture dubbed DNA TV Limited. The new company will create TV dramas, limited-run “event” series and comedies for UK and international broadcasters. Managing Fox’s participation will be Eric Schrier, head of original programming for FX Networks and FX Productions.

Programming: Starz gave the official greenlight to “Survivor’s Remorse,” a 30-min, 6-ep scripted comedy series. The 1st season will debut in the Fall.
 -- **History** and **H2** will premiere “World Wars,” a 6-hour series that tell the story of 3 decades of war later this year.
 -- **VH1** will team with *Nick Cannon* to develop a new original film based on the 2000 theatrical film “Drumline.”

People: Shannon O’Neill becomes pres, **Travel Channel** after 3 yrs as svp/CFO. GM *Andy Singer* will report to him. O’Neill, who reports to *Burton Jablin*, previously served as svp, gm of **Golf Channel’s** digital media biz.
 -- *Mark Kornblau* was named svp, comm for the **NBCU News Group**.
 -- Teen media company **Awesome-nessTV** hired *Kelly Day*, most recently CEO of online video firm **Blip Networks**, as chief digital officer.

CableFAX Daily Stockwatch

Company	02/05 Close	1-Day Ch	Company	02/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
21ST CENTURY FOX:	31.72	0.16	GOOGLE:	1143.20	5.04
DIRECTV:	68.72	(0.09)	HARMONIC:	6.30	(0.02)
DISH:	57.26	0.68	INTEL:	23.52	(0.3)
DISNEY:	71.76	0.71	JDSU:	12.68	(0.11)
GE:	24.52	(0.05)	LEVEL 3:	34.55	3.14
MSOS					
CABLEVISION:	16.10	(0.29)	MICROSOFT:	35.82	(0.53)
CHARTER:	137.35	(1.51)	MOTOROLA MOBILITY:	15.91	(0.5)
COMCAST:	53.38	(0.14)	NIELSEN:	42.48	0.37
COMCAST SPCL:	51.37	(0.1)	RENTRAK:	59.24	2.65
GCI:	9.34	(0.18)	SEACHANGE:	11.49	(0.06)
LIBERTY GLOBAL:	80.52	0.43	SONY:	15.90	(0.2)
LIBERTY INT:	26.24	0.12	SPRINT NEXTEL:	8.50	0.66
SHAW COMM:	22.46	0.43	TIVO:	11.99	0.02
TIME WARNER CABLE:	134.82	(1.08)	UNIVERSAL ELEC:	35.21	0.55
PROGRAMMING					
AMC NETWORKS:	64.00	1.30	VONAGE:	4.37	UNCH
CBS:	58.94	1.07	YAHOO:	35.49	(0.17)
CROWN:	2.87	(0.05)	TELCOS		
DISCOVERY:	79.39	1.36	AT&T:	32.08	(0.37)
GRUPO TELEVISA:	28.35	UNCH	VERIZON:	46.69	(0.13)
HSN:	55.00	(0.1)	MARKET INDICES		
INTERACTIVE CORP:	65.04	(3.81)	DOW:	15440.23	(5.01)
LIONSGATE:	30.68	(0.09)	NASDAQ:	4011.55	(19.97)
MADISON SQUARE GARDEN:	57.26	0.30	S&P 500:	1751.64	(3.56)
SCRIPPS INT:	72.99	0.52	TECHNOLOGY		
STARZ:	27.37	0.33	ADDVANTAGE:	2.97	(0.2)
TIME WARNER:	63.09	0.69	ALCATEL LUCENT:	4.15	0.04
VALUEVISION:	5.86	(0.29)	AMDOCS:	42.33	UNCH
VIACOM:	80.19	0.34	AMPHENOL:	85.33	0.37
WWE:	22.86	(0.13)	AOL:	47.57	(1.92)
MARKET INDICES					
			APPLE:	512.59	3.80
			ARRIS GROUP:	25.65	(0.08)
			AVID TECH:	6.94	0.07
			BLNDER TONGUE:	0.95	(0.03)
			BROADCOM:	28.99	(0.21)
			CISCO:	21.98	0.18
			CONCURRENT:	8.41	(0.12)
			CONVERGYS:	19.41	(0.25)
			CSG SYSTEMS:	26.92	(1.94)
			ECHOSTAR:	46.83	(0.18)



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Think about that for a minute...

The Circle of Life

Commentary by Steve Effros

I'm not channeling Disney, or Elton John for that matter. While that great song from the classic animated film *The Lion King* may be the first thing you automatically think about when you hear "the circle of life," it actually can apply to a whole host of things. Maybe I should have just titled this one; "what goes around, comes around."

Now maybe it's just because I've been around all this stuff for a long time, but I was amused lately as I navigated through my websites and home pages when I realized that Google has started something "new" that many of us remember from some time ago.

Take a look at the Google Search home page. You know, the one that is so clean and simple and has been kept that way intentionally to their great credit. Now notice that somewhere on the page (it depends if you are looking on your computer, tablet or smart-phone where it is) you will see a little square made up of 9 dots. If you click on it, you will see an entire page of Google applications you can choose from, including Maps, Translate, News, YouTube, Calendar, Gmail and so on.

In other words, Google is making it very easy for you to access almost all of the things you normally access on the Internet all in one place. Their place. We used to call this a "walled garden." They're coming back into style. As I said, what goes around, comes around.

For quite a while "walled gardens" were frowned upon. The Internet must be open, free, wide-ranging, creative, and all that other great stuff. New players jumped up all the time trying to get your attention. But after a while it all starts to get a little "too much." The fire-hose approach to getting the news, or hearing about a given subject, starts to get in the way of actu-



ally useful inquiry. So now what we are starting to see is a contraction back to trusted sources, or "friends;" walled gardens of applications, recommendations and information they suggest you can rely on. It's also an effort by providers to keep you on their turf in order to maximize the amount of information they learn about you and then sell to others. The economic underpinning of the web.

AOL was just ahead of its time. It was the classic "walled garden" with its own email (the bait) and then its own news and lots of other things. The early adopters of the web loved it, and then hated it because it was so clear that AOL was trying to keep you within its ambit of information and control. Yahoo, Google, Bing and a whole host of other search engines then came along and blew the Internet open. You could just type in what you wanted to find, and lo and behold there were pages upon pages of sites you could go to! But which ones were worth it and had reliable information? Google won the contest allegedly answering that one, but now there's just too much choice no matter what, and the issue of reliability and accuracy is only getting worse.

So the walls are now starting to go up again, and the folks who broke them down the first time are the ones who are leading the way, tending and promoting the new gardens. It's not just Google. Check out what Facebook is doing as well. Another walled garden. The circle of life.

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)



Good for you.*

*Coming soon from CableFAX.