

CableFAX Daily™

Friday — February 14, 2014

What the Industry Reads First

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Next Step: Comcast Must Convince Regulators, Consumers It's a White Knight

A lot is being made about whether the \$45bn proposed **Comcast-Time Warner Cable** combo will pass regulatory muster, but it's fair to ask whether it will pass consumer scrutiny. Regulatory bodies always look at mergers in the context of the public interest, but the public might be more interested in this deal than previous Comcast transactions. Sure, there were concerns raised when Comcast acquired **NBCU** in '11, but the programmer didn't have a direct link to consumers the way TWC does. And it's not like these are beloved companies—they rank at the bottom of the American Customer Satisfaction Index for the subscription TV industry. An *L.A. Times* story on the deal Thurs was headlined, "How a cable monopoly can get even worse for you." Comcast and TWC don't see it that way, repeatedly referring to the deal Thurs as "pro-consumer" and saying it won't reduce competition because the 2 don't overlap in any market. "Once you take a breath and think it through analytically and get past some of the hysteria," you find substantial public interest benefits, Comcast evp *David Cohen* told reporters. Sen Judiciary Antitrust subcommittee chair *Amy Klobuchar* (D-MN) and ranking member *Mike Lee* (R-UT) already have promised to hold a hearing. "This proposed merger could have a significant impact on the cable industry and affect consumers across the country," Klobuchar said, promising to "carefully scrutinize the details of this merger and its potential consequences for both consumers and competition." Cohen welcomed it, saying that's exactly the sort of thorough review he expects. And he thinks a review could be done in 9-12 months. Anyone who remembers Sen *Al Franken's* (D-MN) vehement objections during the Comcast-NBCU review won't be surprised to hear the former "SNL" cast member already has fired off a letter to **FCC, FTC** and **DOJ** officials. "Comcast's proposed acquisition of Time Warner [Cable] threatens to extend Comcast's domination of both the cable and content markets even further. And, to make matters worse, all of this is taking place amidst ongoing questions as to Comcast's compliance with the terms and conditions set forth as part of the NBC Universal deal," he wrote in a letter that also raised concerns over cable prices. As for what the deal means for cable rates, Cohen was pretty frank: "I'm not promising that bills will go down or even that they will increase less rapidly." With programming a "distinct minority" in the \$1.5bn in synergies the deal is expected to create, he argued that the deal wouldn't impact programmers' ability to negotiate. "You guys can be calm," Cohen

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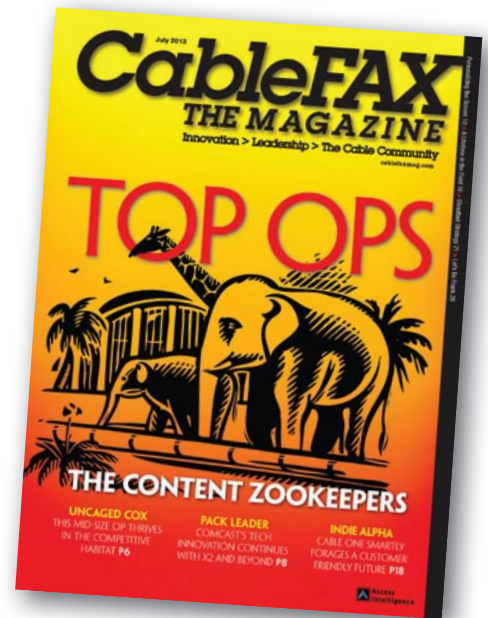
ANNOUNCING CableFAX Top Ops AWARDS

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- Independent System Executive of the Year
- Independent Technology Award
- Social Media Maverick Award

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- Customer Care
- Financial Executive of the Year
- Leadership Award
- Lifetime Achievement Award
- Project Launch of the Year
- Regional Executive of the Year
- Sales Team of the Year
- Social Media Maverick Award
- Technology Award

The Top Ops winners will be honored in the July issue of CableFAX: The Magazine. The Independent Operator of the Year Award (IOY) is presented in conjunction with ACA and NCTC—and the IOY Award is presented at the July Independent Show.

Contact Diana Rojas at drojas@accessintel.com with any questions.

Enter Online at: www.cablefax.com/awards

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said in regards to programmers. **MoffettNathanson's Craig Moffett** isn't buying it. "It will be argued that a carriage deal with a merged Comcast/TWC would suddenly be an existential requirement for programmers, and that Comcast would, in effect, have unilateral control over what content could and couldn't be heard by the American public," Moffett wrote. **Glenn Beck's TheBlaze** already has said its "skeptical that giving Comcast even more market power will benefit consumers, promote competition or lead to more diversity of voices or consumer choice on their channel line ups." Comcast does appear to have a legislative ally in NY senator **Chuck Schumer** (D). After speaking with Cohen this morning, Schumer issued a statement that Comcast intends to honor TWC's plans to add jobs in Buffalo and Upstate NY. "I urged Mr. Cohen to maintain the entire TWC workforce in New York and consider adding to their presence—and while there was no guarantee—my expectation is that Comcast will invest in New York—as they did after the merger with NBC—and the results of the merger will be positive for New York," the senator said.

Deal Details: So, what does \$45bln get **Comcast** (\$158.82/share in the all-stock transaction)? About 11mln subs, with it planning to divest about 3mln of those to alleviate competition concerns. That puts Comcast under the defunct **FCC** horizontal ownership cap that limited MVPDs to no more than 30% of the pay TV HHs. Comcast evp **David Cohen** called **Time Warner Cable's** programming assets "modest"—but that's all in the eye of the beholder. TWC has 2 RSNs—**Time Warner Cable SportsNet** and **TWC Deportes**—and 14 sports channels (a mixture of local sports, some college, some high school, etc). Oh, and then there's TWC's investment in **SNY** and its deal with the Dodgers channel (**TWC Sportsnet LA**) for long-term carriage/cost certainty. It also has 15 news channels, including **NY1**. Not everyone's impressed. "We'll reserve judgment, for now, as to whether we're buyers or sellers of Comcast at this point (our given position was, and is, neutral), but based on what we've heard thus far, we are at least skeptical," a research note from **MoffettNathanson** said. The deal was signed at about 1:30am Thurs, according to Comcast chmn/CEO **Brian Roberts**. That might explain why he looked a little tired on **CNBC's** "Squawk Box" at 7am. Comcast has said it will expand stock buybacks by an incremental \$10bln upon the deal's close, taking total authorization to \$17.5bln (it plans to repurchase \$3bln in stock this year).

What about Charter?: Of course, **Comcast's** plan to divest **Time Warner Cable** systems with about 3mln subs, immediately brings to mind runner-up **Charter**. Comcast execs said repeatedly Thurs that they haven't made any decisions on what systems to divest. **Northland Securities** suggested possibly upstate NY and the Carolinas. **Wells Fargo Securities** believes Comcast would keep large markets like L.A., NY and Dallas. As news broke of the impending deal late Wed, Charter issued a brief statement, saying it would stick to its current strategy: "Charter has always maintained that our greatest opportunity to create value for our shareholders is by executing our current business plan, and that we will continue to be disciplined in this and any other M&A activity we pursue." Charter's shares closed down more than 6% Thurs, while TWC shares jumped 7%.and Comcast fell 4%.

Competitors' POV: How is the thought of a **Comcast-Time Warner Cable** merger sitting with their satellite and telco rivals? It depends on who you ask. **DirectTV** took a wait-and-see approach. "It's very early in the process, so we'll have to see how this all plays out, but, if approved, it would represent unprecedented consolidation within the industry," the DBS provider said. **Verizon**, much larger than DirecTV, pretty much told Comcast to bring it. "Verizon has a history of introducing the next big thing for our video and Internet customers. This just changes the name of the competitor in some of our markets," a spokesperson said.

Discovery 4Q: What happens when **Discovery Comm's** 4Q earnings call falls on the same day of the **Comcast-TWC** announcement? Plenty of comments on impact. "We are going to stick to our knitting," pres/CEO **David Zaslav** said during a conference call Thurs. He believes **Comcast's** offering of advanced services like TVE will benefit Discovery Comm by expanding the reach of its programming. "If we have strong content with great characters and great stories, we are convinced that we will do well," he said. As for potential changes to affil fees post-merger, Zaslav said "it really depends on what the contract says." The company had a solid 4Q: Net income increased 14% YOY to \$1.075bln as total revenue reached \$1.54bln, up 28% from a year ago. International markets shined during the quarter as revenues grew 64% YOY. Revenues for domestic nets increased 5%. Ad growth was weak during the quarter as viewership decreased slightly across the portfolio. Several hit series on **Discovery Channel** and **TLC** returned during the quarter, and their viewership declined YOY, Zaslav acknowledged. The good news is Jan ratings were up

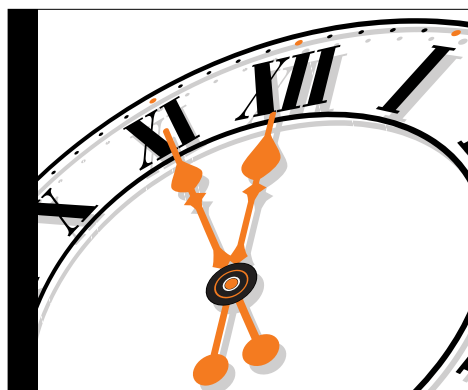
BUSINESS & FINANCE

11% YOY, he noted. The Sochi Olympics has pushed ratings on a few of Discovery nets down “in a meaningful way,” he said. Once the Games end, he said the company will “push hard to have those viewers come back.” Despite competition from the Olympics, the company expects ad sales growth to accelerate in 1Q as ad market trends overall continue to be stable, with scatter pricing up double digits. Meanwhile, once-struggling **OWN** is now delivering cash flow and positive equity earnings. It repaid Discovery \$34m in last year, including \$23m in 4Q. The company expects OWN’s cash contributions to increase “significantly,” in light of its ratings and ad revenue momentum, CFO *Andrew Warren* said. For the full year 2014, the company expects total revenues to be between \$6.45bn and \$6.63bn.

Cable WiFi: Adding a boost to cable’s WiFi push, a handful of tech and cable companies and groups formed the **WiFiForward** coalition Thurs to request more spectrum sharing and opening up of more spectrum for WiFi use. Members include **Comcast, NCTA, Microsoft, Google, CEA** and **Arris**, among others. Unlicensed spectrum generated \$222bn in value to the US economy last year and contributed \$6.7bn to US GDP, according to a study released by the coalition. The **FCC** started an NPRM last year looking at ways to free up more spectrum for unlicensed use.

CableFAX Daily Stockwatch

Company	02/13 Close	1-Day Ch	Company	02/13 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
21ST CENTURY FOX:	32.24	(0.33)	GOOGLE:	1199.90	13.21
DIRECTV:	71.97	0.53	HARMONIC:	6.47	0.06
DISH:	58.32	0.81	INTEL:	24.70	0.15
DISNEY:	77.90	(0.01)	JDSU:	13.49	0.12
GE:	25.44	0.05	LEVEL 3:	38.00	0.76
MSOS					
CABLEVISION:	16.41	(0.47)	MICROSOFT:	37.61	0.14
CHARTER:	128.91	(8.66)	NIELSEN:	45.27	(0.37)
COMCAST:	52.97	(2.27)	RENTRAK:	65.03	0.82
COMCAST SPCL:	50.97	(1.98)	SEACHANGE:	11.61	0.12
GCI:	9.77	0.21	SONY:	17.20	(0.12)
LIBERTY GLOBAL:	84.11	(0.08)	SPRINT NEXTEL:	8.41	0.34
LIBERTY INT:	28.52	0.59	TIVO:	12.71	0.37
SHAW COMM:	23.47	0.30	UNIVERSAL ELEC:	36.58	0.32
TIME WARNER CABLE:	144.81	9.50	VONAGE:	4.53	0.04
PROGRAMMING					
AMC NETWORKS:	66.69	(0.23)	YAHOO:	38.52	0.41
CBS:	64.61	2.76	TELCOS		
CROWN:	3.05	(0.02)	AT&T:	33.49	0.55
DISCOVERY:	79.30	(3.56)	VERIZON:	47.31	(0.06)
GRUPO TELEVISA:	28.85	(0.63)	MARKET INDICES		
HSN:	55.38	0.52	DOW:	16027.59	63.65
INTERACTIVE CORP:	66.58	1.18	NASDAQ:	4240.67	39.38
LIONSGATE:	32.47	(0.13)	S&P 500:	1829.83	10.57
MADISON SQUARE GARDEN:	59.32	0.21			
SCRIPPS INT:	77.44	(0.39)			
STARZ:	29.69	0.09			
TIME WARNER:	64.60	(0.46)			
VALUEVISION:	5.84	UNCH			
VIACOM:	84.72	0.33			
WWE:	22.90	0.13			
TECHNOLOGY					
ADVANTAGE:	2.62	(0.48)			
ALCATEL LUCENT:	4.30	0.07			
AMDOCS:	44.34	0.90			
AMPHENOL:	88.54	0.26			
AOL:	44.89	0.08			
APPLE:	544.43	8.51			
ARRIS GROUP:	27.88	1.98			
AVID TECH:	6.89	0.01			
BLNDER TONGUE:	0.95	0.03			
BROADCOM:	31.14	0.33			
CISCO:	22.27	(0.58)			
CONCURRENT:	8.42	(0.01)			
CONVERGYS:	19.86	0.20			
CSG SYSTEMS:	26.85	0.29			
ECHOSTAR:	47.87	(0.63)			



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PROGRAMMER'S PAGE

After Sunset...

In the 4th installment of *Investigation Discovery's* "The Injustice Files," (premieres Feb 24, 8pm) filmmaker and host Keith Beauchamp explores the phenomenon of American "sundown towns," or communities that did not allow African Americans to live there—or in some cases even be present—after dark. We spoke to Beauchamp about what it was like traversing these towns, which he believes haven't altogether abandoned this legacy.

In Martinsville, IN, you investigate the 1968 murder of a 21-year-old African-American girl, Carol Jenkins. What was it like to undergo this process in a sundown town? Unlike many cases that I investigated, this case had to be handled differently because I could not just freely walk through town without bringing attention to myself. I found myself sitting in my SUV with tinted windows riding low so that no one would even know I was there. The whole time I was in Martinsville, I did not see one African American. Until this day, African Americans avoid going through the town all together. **At one point you used hidden cameras. Was there a lot of footage you didn't—or couldn't—use?**

There were times when I wanted to investigate without showing my face. I understood that it would be difficult for me to get people to talk about sundown towns because of my skin color, so we mic'd and put a hidden camera on my executive producer (who is white) to see if anything in the town changed. It's interesting what we found out. With every production, it's always a challenge determining what will make the cut. **Are you still currently trying to expose sundown towns? How is your progress?** At the moment, I have made a commitment to revisit this subject with *Dr. James Lowen*, expert of the sundown town phenomenon. He has devoted most of his life outing these towns. Unfortunately, this is a massive undertaking, and I will need more time because I've only scratched the surface. - *Kaylee Hultgren [For the full Q&A, see CableFAX.com]*.

Reviews: "50 Ways to Leave Your Lover," Fri, 10p, **Investigation Discovery**. Even host *Wendy Williams* seems flummoxed by the behavior of couples profiled in this amusing Valentine's Day special about dysfunctional couples. Reminding us of characters from old **Lifetime** originals, the guys in these stories either cheat on their women, take them for fools or sit idle while their lady supports them financially. Remarkably, in each case the stories have happy endings. Perhaps that's the point—love really is blind. -- "Banshee," Fri, 10p, **Cinemax**. As fans know, "Banshee" is one of the rawest, most violent series on television. Despite that and because of it, *Banshee* also is supremely entertaining. Set in a small PA town with a diverse citizenry, this series' tension rarely abates, resulting in a perpetual powder keg. This ep premieres on Valentine's Day, although love stays far below the surface. The few overt moments of amour are hardly pastoral; one coupling ends abruptly, courtesy of Amish baddie Kai Proctor, played wonderfully by *Ulrich Thomsen*. -- "4 Courses with JB Smoove," Wed, 11:30p, **MSG**. A simple premise: gather celebs for dinner and chatter. With a highly enthusiastic *JB Smoove* hosting, you get some good banter about Hollywood and sports, plus plenty of goofing from guests *John Starks, Ralph Macchio, Wyatt Cenac* and *Jim Norton*. - *Seth Arenstein*

Basic Cable Rankings (2/03/14-2/09/14)			
Mon-Sun Prime			
1	HIST	1.6	1567
1	FOXN	1.6	1506
3	USA	1.5	1503
4	AMC	1.4	1403
4	DSNY	1.4	1383
6	TBSC	1.3	1259
7	TNT	1.2	1138
8	DSE	1.1	81
9	A&E	1.0	1008
9	HGTV	1.0	937
9	ESPN	1.0	936
9	BRAV	1.0	918
13	ADSM	0.9	921
13	NAN	0.9	877
13	LIFE	0.9	832
13	ID	0.9	801
17	TLC	0.8	798
17	FX	0.8	784
17	DISC	0.8	783
17	SPK	0.8	741
17	FAM	0.8	721
22	FOOD	0.7	727
22	SYFY	0.7	700
22	MTV	0.7	667
22	BET	0.7	595
26	MSNB	0.6	603
26	TVLD	0.6	580
26	CMDY	0.6	557
26	HALL	0.6	537
26	TRU	0.6	533
26	H2	0.6	381
26	DSJR	0.6	370
33	APL	0.5	501
33	VH1	0.5	495
33	LMN	0.5	444
33	OWN	0.5	380
37	EN	0.4	407
37	NGC	0.4	357
37	TRAV	0.4	349
37	WE	0.4	298
37	NKJR	0.4	289
37	HMC	0.4	219
43	CNN	0.3	284
43	DXD	0.3	275
43	GSN	0.3	267
43	OXYG	0.3	266

*Nielsen data supplied by ABC/Disney

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