

CableFAX Daily™

Thursday — February 27, 2014

What the Industry Reads First

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Beat the Street: Cablevision Posts Some Good Numbers

For months, *Jim Dolan* & Co have touted their new strategic plan for Cablevision. With 4Q results, we may have glimpsed the results, with sub losses (-18K) and AOCF (+7.5% to \$456.6mln) better than expected. Shares of CVC closed up nearly 4% Wed. The MSO has held tight since Aug to its plan not to offer additional promos to subs who've been on long-running promotions. Optimum Services pres *Kristin Dolan* said that internally mgmt refers to it as the "no soup for you strategy," but she added that a "significant majority of those customers are still with us 5 and 6 months after they've called us for an extension beyond 36 months or even less than that. We're pleasantly surprised." CEO *Jim Dolan* promised that pricing discipline would continue. Mgmt also stuck to its guns about making the call only about financials—offering not even the tiniest bit of color on cable consolidation. That doesn't stop the speculation. "Simply being small doesn't make [Cablevision] a target," concluded **MoffettNathanson** analysts, who doubt any **Charter** interest in CVC. "The **Comcast/TWC** deal robs them of one acquirer. And the divestitures that Comcast has agreed to make in order to stay below an erstwhile 30% subscriber cap robs them of another." Cablevision also faces growth challenges given its industry leading penetration in all services. "We think connectivity is really the most important product to our customers, given what historically has been the video product. As we see that continue to evolve, I think there will be growth opportunities inside of that," Jim Dolan said. "I think the company's WiFi strategy is certainly significant and sets us apart from our competitors in that area. If you went to CES... you can see that the marketplace is moving to more and more and more use of connectivity [he pointed to wearable devices, such as **Google Glass**]. By being the best connectivity provider, both in the home and out of the home, we think that's where the growth opportunity is going to lie." Optimum Business and Lightpath also are growth opportunities, execs said. CVC's rev rose 4.5% in the Q to \$1.58bln, while its 4Q cash flow margin at 32.8%. The MSO also added about 6K HSD subs, with analysts expecting a loss.

Upfronts: What's the advantage to starting your own TV network? "There are no executives!" declared *Robert Rodriguez*, founder, chmn and filmmaker for the fledgling **El Rey** network. Well, that's not exactly true. But when the creative process starts with the guy who has the ideas... and directs, produces and even shoots some, it's a lot easier to see the efforts through, the filmmaker told press at El Rey's 1st upfront Wed morning in NYC. So, why go the TV route? Rodriguez said his

45TH NAACP IMAGE AWARDS NIGHT DELIVERS 2.1MM TOTAL VIEWERS¹ AND IS THE #1 PROGRAM IN TV ONE HISTORY²

- #1 Ad-supported Cable Network for the night among African Americans³
- #1 Television Network in the 9pm-11pm time slot among African Americans⁴

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CableFAX *Congratulates*

The 2014 Digital Hot List

Eric Berger, Sony Pictures Television/Crackle

Nomi Bergman, Bright House Networks

Otto Berkes, HBO

Michael Bishara, Synacor

Michael Bonner, NBCUniversal

Eric Bruno, Rogers Communications

Albert Cheng, Disney/ABC Television Group

Cameron Clayton, The Weather Company

Kevin Conroy, Univision Communications, Inc.

Allen DeBevoise, Machinima

Rich DiGeronimo, Charter Communications

Jayar Donlan, WWE

Mike Earle, aioTV

Erik Flannigan, Viacom Media Networks
Entertainment Group

Mark Garner, A+E Networks

Robert Gessner, Massillon Cable TV

Rebecca Glashow, Discovery Communications

Ran Harnevo, AOL

Greg Hickman, Women in Cable
Telecommunications

Courtney Holt, Maker Studios

Matthew Hong, Turner Sports

Mike Hopkins, Hulu

Lisa Hsia, Bravo and Oxygen Media

Neil Hunt, Netflix

Braxton Jarratt, Clearleap

Marcien Jenckes, Comcast Cable

Yvette Kanouff, Cablevision Systems

Jennifer Kavanagh, zeebox

John Kosner, ESPN

Sree Kotay, Comcast Cable

Ron Lamprecht, NBCUniversal

Jeremy Legg, Turner Broadcasting System

Jens Loeffler, Adobe Systems

Andrea Macey, WE tv

Tara Maitra, TiVo

Dermot McCormack, Viacom Media Networks

Mac McKean, AMC

Colin Moore, IFC

Adam Naide, Cox Communications

John Najarian, E!

Lisa Choi Owens, Scripps Networks Interactive

Damon Phillips, ESPN

Drew Pizarra, AMC

Raphael Poplock, ESPN

Emil Rensing, EPIX

Brian Robbins, Awesomeness TV

Jennifer Robertson, WE tv

Evan Silverman, A+E Networks

Michael Spirito, YES Network

Ryan Spoon, ESPN

Patrick Stiegman, ESPN

Matt Strauss, Comcast Cable

Dan Suratt, A+E Networks

Donna Thomas, Technicolor

Brooks Tobey, Turner Broadcasting System

Ken Todd, Showtime

Gemma Toner, Cablevision Systems

Nick Troiano, BlackArrow

Michael Willner, Penthera

Steve Youngwood, Nickelodeon

Matt Zelesko, Time Warner Cable

Join CableFAX on March 13 in NYC for the Digital and Tech Awards Luncheon where we'll honor these innovative experts.

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cofounder, *John Fogelman*, CEO of **FactoryMade Ventures**, informed him of an “opportunity at Comcast where they’re giving away networks.” Press got a kick out of this. But he meant, of course, the company’s commitment to launch so many minority affiliated nets as part of **Comcast-NBCU** merger conditions. “On that very 1st meeting we knew we got it,” Rodriguez said. Vice chair *Scott Sassa* said part of Rodriguez’s appeal is his film credits (*Sin City*, *From Dusk Till Dawn*) and also the “collective of friends who want to work with him.” The net’s 2nd series after “From Dusk Till Dawn” is “Matador,” a scripted original bowing in Mar about a soccer star working undercover as a CIA operative, from creators *Roberto Orci* and *Alex Kurtzman*. “The Director’s Chair” (April premiere) is like “Inside the Actor’s Studio” but with directors. Meanwhile, svp, sales & marketing *Michael Finn* announced that on the heels of El Rey’s partnership with **GM** for 2014, in which 10-12 cars appear in *Till Dawn*, the net has signed a similar deal with **Heineken**. On Fri, it’s launching a new consumer-facing website. In addition, the *Till Dawn* pilot will be available on **Xbox** Mar 8, prior to its linear launch on Mar 11. By the end of 1Q, El Rey will be available to 40mln homes with deals in place with **Time Warner Cable**, Comcast, **Cox** and **DirectTV**.

SeaChange: **SeaChange** announced 4Q revenues will be between \$34.5mln and \$35.5mln, well below its previous guidance of \$40mln to \$45mln. CEO *Raghu Rau* blamed delays in expected orders from US customers and continued delays in receiving final acceptances. Delays in new set-top deployments and support for 4K programming also impacted financials, he said during a conference call Wed. The good news: The company expects “a majority of the orders” that it originally expected to receive in 4Q to come through this year. Rau said the **Comcast/Time Warner Cable** merger hasn’t impacted the business, and because of SeaChange’s “historical relationship” with Comcast (the 2 are also working on RDK platform), no post-merger impact is expected either. And as TWC isn’t a SeaChange customer, the transaction could allow SeaChange to grow its business with the merged company, the exec said.

More Earnings: Total **TiVo** subscriptions were approx 4.2mln at the end of 4Q, up 34% YOY. Net income came in at \$710K, versus the \$15.8mln loss in the same period last year (due in part to \$54.4mln litigation expenses). Revenue was \$106.3mln, up 19.7% YOY. **Comcast** is rolling out its TiVo-integrated Xfinity platform with full scale U.S. deployment by June 30, TiVo said in a release after the bell. TiVo is on track to exceed adjusted EBITDA of \$100mln this fiscal year.

Merger Watch: *Politico* quotes sources as saying DOJ will end up overseeing the **Comcast-Time Warner Cable** merger review, not a shocker given that DOJ oversaw the Comcast-NBCU transaction. The **FCC** also will review the deal.

TVE: NBCU’s **Sprout** launched its own TVE app, Sprout NOW. Subs can access authenticated live streaming and full eps of shows on demand. NBCU’s NOW family of TVE apps also cover **USA**, **Syfy**, **Bravo**, **Oxygen** and **Telemundo**.

Digital: **TVGN** will cover the Oscars, **Shazam** style. The net is teaming with the mobile media service, letting viewers interact with the Shazam App to access and share celebrity interviews via social networks, vote on fashion choices and unlock bonus videos. “Entertainment Tonight” hosts will also provide Shazam updates during TVGN’s Oscars coverage Sun.

ACA: The **FCC** should grant the **NCTC**, which negotiates carriage deals for small cable ops, status to file program access complaints, **ACA** said in a letter to agency chmn *Tom Wheeler*. “Although Congress explicitly instructed the Commission to adopt program access rules that provide protection to buying groups, the agency has failed to carry out this statutory directive by defining a ‘buying group’ in a manner that effectively excludes NCTC,” ACA said. “Because NCTC has no means of utilizing the program access rules for redress against discrimination, our companies, and all other NCTC members, have essentially no protection from cable-affiliated programmers, in stark disregard of Congress’ intent,” it said.

FYI: **AETN**’s new lifestyle net **FYI** (currently **BIO**) is set to debut July 7. The 1st round of original series, focusing on inspiring personal creativity, includes 16 half-hour eps of “The Epic Meal Show” (wt), 6 1-hour eps of “The Feed” (wt), 6 1-hour eps of “World Food Championships,” 10 1-hour eps of “Tiny House Nation” (wt), 10 1-hour eps of “Renovation Row” (wt), and 10 1-hour eps of “B.O.R.N. to Style.” Pilots in development include “Jennifer’s Way” and “Red Hot Design,” both working titles.

Ratings: **TV One** is celebrating the **NAACP** Image Awards, with Sat’s telecast marking its most-watched programming event ever—935K total viewers. It was the #1 ad-supported cable net for the night among black households. The numbers are not surprisingly down from last year when the awards were on broadcast (they averaged 3mln viewers on **NBC**). The **NBA** partnered with the net, running its “Dream BIG” advertising during the telecast. It was the first time the net has partnered with a major sports league. “Coming off of a 2013 that saw some of the best ratings in our network’s 10 year history, this performance showed how a powerful brand like the NAACP Image Awards will help us take things

BUSINESS & FINANCE

to the next level,” said *Alfred Liggins*, TV One chmn/CEO and Radio One pres. -- HBO’s “True Detective” scored a series high Sun night with 2.6mln viewers at 9pm. Across its 3 plays for the night, the series drew 3.6mln viewers, also a series high.

Programming: BBC America’s “Ripper Street” got the thumbs up for a 3rd season (Season 2 debuted Sat). New this go-round, **Amazon** acquired UK subscription streaming rights. The series will then air on **BBC1** a few months later in the UK.

On the Circuit: Several **Discovery** heavyweights were among the attendees for Tuesday night’s soiree at DC’s Newseum honoring **American Heroes Channel**, which debuts Mon evening, replacing **Military Channel**. While a bevy of military joined **Discovery Education** president *Bill Goodwyn*, communications head *David Leavy* and svp *Catherine Frymark* this night, a sizzle reel underlined what AHC GM *Kevin Bennett* and group president *Henry Schleiff* emphasized: AHC will tell stories about heroes who wear uniforms as well as those in plainclothes. First up, though, is a military-based series, “Against the Odds” (Mon, 10p), whose initial ep details the small band of Marines who battled a large enemy at Hue City during the Vietnam War.

Honors: The always quotable *Ted Turner* will receive a lifetime achievement award at the 35th annual Sports Emmy Awards, May 6 in NY.

CableFAX Daily Stockwatch

Company	02/26 Close	1-Day Ch	Company	02/26 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
21ST CENTURY FOX:	32.83	(0.36)	GOOGLE:	1220.17	0.17
DIRECTV:	75.01	0.01	HARMONIC:	6.53	0.11
DISH:	57.34	(0.09)	INTEL:	24.80	0.18
DISNEY:	80.08	(0.13)	JDSU:	13.82	0.30
GE:	25.30	0.03	LEVEL 3:	37.06	(0.45)
MSOS					
CABLEVISION:	17.26	0.64	MICROSOFT:	37.47	(0.07)
CHARTER:	121.25	(0.09)	NIELSEN:	46.40	0.27
COMCAST:	50.68	(0.09)	RENTRAK:	64.83	(0.55)
COMCAST SPCL:	49.09	(0.05)	SEACHANGE:	10.86	(1.23)
GCI:	10.31	0.07	SONY:	17.38	0.10
LIBERTY GLOBAL:	84.93	(0.4)	SPRINT NEXTEL:	8.39	0.12
LIBERTY INT:	29.61	0.08	TIVO:	12.83	(0.34)
SHAW COMM:	22.78	(0.12)	UNIVERSAL ELEC:	41.53	0.19
TIME WARNER CABLE:	137.76	0.22	VONAGE:	4.52	0.06
PROGRAMMING					
AMC NETWORKS:	69.61	(0.84)	YAHOO:	37.62	0.36
CBS:	65.54	(0.22)	TELCOS		
CROWN:	3.31	(0.01)	AT&T:	32.00	(0.17)
DISCOVERY:	81.35	(0.33)	VERIZON:	46.35	0.06
GRUPO TELEVISA:	28.45	(0.28)	MARKET INDICES		
HSN:	57.43	0.28	DOW:	16198.41	18.75
INTERACTIVE CORP:	75.70	0.93	NASDAQ:	4292.06	4.48
LIONSGATE:	30.72	(0.24)	S&P 500:	1845.16	0.04
MADISON SQUARE GARDEN:	58.90	0.09			
SCRIPPS INT:	80.79	0.09			
STARZ:	31.88	0.29			
TIME WARNER:	64.69	0.23			
VALUEVISION:	5.75	UNCH			
VIACOM:	86.25	(0.37)			
WWE:	22.96	(0.75)			
TECHNOLOGY					
ADVANTAGE:	2.80	(0.11)			
ALCATEL LUCENT:	4.26	(0.04)			
AMDOCS:	44.40	0.25			
AMPHENOL:	87.08	(1.25)			
AOL:	43.98	0.18			
APPLE:	517.35	(4.71)			
ARRIS GROUP:	29.18	0.10			
AVID TECH:	6.65	0.63			
BLNDER TONGUE:	1.05	0.08			
BROADCOM:	30.02	(0.32)			
CISCO:	21.93	0.09			
CONCURRENT:	8.37	0.02			
CONVERGYS:	20.57	0.20			
CSG SYSTEMS:	27.52	0.19			
ECHOSTAR:	49.73	0.21			

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Think about that for a minute...

The Real Digital Divide

Commentary by Steve Effros

Some readers of last week's column emailed asking that I add more detail to my concerns about unreasonable over-expectations relating to cable/broadband services and the geographic "digital divide." Unfortunately, I suspect I'm going to be doing that a lot.

I think we are swiftly moving toward a public understanding of our industry that doesn't recognize or acknowledge the vast difference in both technical capability and economic viability of what we can deliver, where, and when. In the context of the column last week, I was talking about Comcast becoming a "national" player. I think that's good. We've seen national advertising touting the technology and benefits of using the major telephone telecom companies, particularly Verizon and AT&T, for years. Same thing is true for DISH and DirecTV. But even though many cable operators (Cox comes to mind where I live) have done a great job of developing fine technology and excellent new consumer interfaces, we only hear about that on a local, or at best regional basis. Now, with Comcast poised to be in 19 of the 20 major DMAs, "cable" becomes a "national" player too. That's good.

But the reality is that what can be delivered in a major metropolitan area and its suburbs, or indeed an entire major population corridor like the East Coast, is very different than what can be reasonably delivered in many geographic parts of the country. I was reminded the other day that there are close to 5000 cable systems in the United States, most of them in non-major-market areas, to say the least, which serve more than 5 million customers in systems smaller than 5000 subscribers each. Those folks, and their Senators and Representatives, see those national ads too. They see all the buzz



about 1Gigbit broadband, Xfinity "cloud" guides with voice commands and all that other neat stuff.

But what they don't know, or will soon find out and be very upset about, is that those smaller, more rural systems simply can't provide some of those services, either technically or economically. And this has nothing to do with whether they have lots of money behind them (a telco being bankrolled by federal dollars) or a small local business, which describes many current long-time cable operators. Even if you have the best cable plant in the world right now, it doesn't make any difference, for instance, if there is no reasonable "middle mile" connection to an Internet broadband network access point. You could have built fiber to the home. Makes no difference if you are still reliant on "T1" line service to get broadband to your community, and that's the situation in a whole lot of communities today.

Yes, the feds spent some money trying to deal with the "middle mile" problem, but so far it hasn't worked. Long runs between bigger cities have been funded, but the access points to the smaller communities along the way were left out! So we have a growing "digital divide." The same thing is true with the migration to IP. The big systems in the big cities can do it, but it's totally uneconomical for smaller cable systems stuck with legacy RF headends and boxes locked in to existing hardware to quickly migrate. If they could technically ease that transition, while also addressing some of the "middle mile" issues, then we could make headway on the "divide." If not, we'll be hearing a lot more about it from the "Farm Team" legislators on Capitol Hill. There are lots of them!

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)

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