

CableFAX Daily™

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What the Industry Reads First

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Merger Musings: Things to Think About During Consolidationpalooza

Has it really only been a week since AT&T and DirecTV announced their engagement to the world? Coming on the heels of Comcast and Time Warner Cable's planned union, it certainly has been a lot to digest. With the long, holiday weekend likely providing some downtime for deep thoughts, here are some musings on the mergers to ponder as you consider how they will impact your business. **"After running the numbers, we think the approval process may induce a little more perspiration than we had originally thought."** That quote on AT&T-DirecTV comes from MoffettNathanson, which like many, has assumed the deal will get the regulatory OK. The firm still believes that the deal will get done, but it does have some concerns over the loss of horizontal competition. When regulators are worried about a deal, companies oftentimes divest parts of their combined business to get the thumbs up. "In this case, that just wouldn't work. DirecTV operates as a unified platform; you can't hive off some subscribers when all subscribers are served by a single fleet of satellites. The same can be said for AT&T—state public service commissions almost certainly wouldn't allow AT&T to divest portions of its wireline operations in a region, or even whole markets," the analysts wrote in a note to clients. **"If the ACSI report is any indicator, it's clear we have a ways to go."** Those are Time Warner Cable's words in a blog post after it got a shellacking in the latest **American Customer Satisfaction Index**, which analyzes customer satisfaction with more than 230 companies in 43 industries. In pay TV, Comcast and Time Warner Cable had the worse scores, with Comcast down 5% to 60 out of 100 points and TWC dropping 7% to 56. The 2 also had the worst scores among ISPs, 57 for Comcast (-8%) and 54 for TWC (-14%). TWC says it's not satisfied with the results and is working to deliver a superior customer experience, including 1-hour appointment windows, faster Internet speeds and enhancements to network reliability. In the meantime, both companies have to face regulators among a batch of headlines like these: "Everybody Hates Time Warner Cable and Comcast" (*Time*) and "Proposed Telecom and Cable Mega-Deals Would Merge the Country's Most Frustrated Customers" (*Washington Post*). **"AT&T's acquisition of DirecTV is a big win for Comcast."** And the cable industry overall, says UBS. How's that? Well, it should lower the competitive intensity among pay TV providers as there will be 1 less competitor to 1/3 of the US. (This

June 10, 2014 | Awards Breakfast | 8:30 – 10:30 am | Grand Hyatt in NYC

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is the same reason that some are concerned it might not pass regulatory muster). What's more, UBS analysts believe the deal may push Comcast into the wireless market: "Product bundling complements the company's near-national footprint providing real revenue and cost synergies, making wireless entry inevitable for cable after many false starts." Anyone remember Pivot?

Fanning the Flames: Amazon TV has started asking some customers if they'd like to try its new FireTV streaming box for 30 days for free—shipping a free box out and then allowing customers to return it for free if they didn't like it. **BTIG's Rich Greenfield** reported the offer, later telling us he understood that both Prime and non-Prime households received the offer (Sadly, we didn't!). Amazon has long been known for its free trials of Prime, which includes Amazon Instant Video. Now, it's offering up its streaming service with no-strings attached in hope it may net some new adopters. "In the tech hardware space, we have a tough time thinking of any \$99 device that you can try for a month at no cost outside of infomercials that run during overnight television," Greenfield wrote in a blog post. While some may wonder if this could help breed more cord-cutters and scare distributors, the analyst believes it could actually impact networks, making it more challenging to break a new, live TV show and have audiences sit through 20 minutes of commercials.

TiVo Bets on US: TiVo may already count 18 of the top 25 operators in the US as customers, but it still sees plenty of upside opportunity in cable, CEO *Tom Rogers* said during the company's 1Q earnings conference call late Thurs. "We're also only about 5% penetrated today of our US cable relationship. Many of those are fairly new relationships that are just getting started and so there is a lot of upside opportunity there," he said. Another reason that TiVo is banking on US ops is that sub fees here are "much higher than our overall average," Rogers said. Industry consolidation didn't concern Rogers thanks to its recently acquired **Digitalsmiths'** relationships with major ops. "Obviously we can't predict what technology decisions may or may not result from these acquisitions, but certainly Digitalsmiths feels that it's deeply engaged with the right people to be able to move the business forward." Internationally, UK's **Virgin Media**, Sweden's **Com Hem** and Spain's **ONO** are key drivers for TiVo's growth. Financially, TiVo narrowed its quarterly loss to \$8.1mln from \$10.3mln a year ago in 1Q. Total TiVo subscription surpassed 4.5mln. That's the highest level in the company's history. In addition, the 341K new MSO subscriptions added in the period marked a 23% YOY increase. The rollout of **Comcast's** Xfinity On Demand for TiVo customers is expected to be complete in all Comcast markets this summer. TiVo shares were up more than 3% in pre-marketing trading Fri. The company expects 2Q net income of \$5mln to \$8mln on revenues between \$85mln to \$87mln.

Verizon Expands Quantum: Add MD, VA, and DC to **Verizon** FiOS' Quantum TV footprint. The service, which launched April 1 in North TX and Harrisburg, PA, also is available in the Tampa, Pittsburgh; and DE markets. The telco will continue to roll out in phases over the next several weeks in additional FiOS TV markets. The offering enables recording of up to 12 shows at once and allows users to pause and rewind live TV on any TV in the home and store up to 200 hours of HD programs.

IP Transition: June's **FCC** meeting looks pretty calm after the fireworks at May's meeting, which included items on net neutrality and the incentive auctions. The Commission released a tentative agenda for the June 13 meeting that includes just 2 items: a presentation on the efforts to transition circuit-switched networks to IP networks (including a status report on voluntary experiments proposed by **AT&T** designed to assess how the transition affects users) and an update on continuing efforts to launch new and diverse voices to the public via increased access to Low Power FM radio stations.

Programming: History is getting the presidential treatment. *President Obama* will introduce night 1 of the 6-hour mini-series "The World Wars" that debuts on Memorial Day on the net and **H2**. -- **Starz** will air the US television debut of the film "Half of a Yellow Sun," this fall. It acquired the film from **Monterey Media**.

People: **BTN** upped *Mark Hulsey* to svp of production/exec producer. He joined **BTN** in 2009 as vp, production/exec producer after 9 years at **Fox Sports Midwest**.

Editor's Note: In observance of Memorial Day, your next issue of Cablefax Daily will arrive Tues evening.

CableFAX Week in Review

Company	Ticker	5/23 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
DIRECTV:	DTV	83.59	(3.01%)	21.04%
DISH:	DISH	59.87	(0.13%)	3.37%
ENTRAVISION:	EVC	5.24	(1.13%)	(13.96%)
GRAY TELEVISION:	GTN	10.95	6.62%	5.59%
MEDIA GENERAL:	MEG	17.13	1.84%	(24.2%)
NEXSTAR:	NXST	44.83	6.46%	(19.56%)
SINCLAIR:	SBGI	30.20	3.89%	(15.48%)

Company	Ticker	5/23 Close	1-Week % Chg	YTD %Chg
MSOS				
CABLEVISION:	CVC	17.45	1.75%	(2.68%)
CHARTER:	CHTR	140.59	2.28%	2.80%
COMCAST:	CMCSA	51.97	3.55%	0.00%
COMCAST SPCL:	CMCSK	51.53	3.72%	3.31%
GCI:	GNCMA	11.39	6.05%	2.15%
GRAHAM HOLDING:	GHC	677.29	2.07%	2.11%
LIBERTY GLOBAL:	LBTYA	45.61	4.06%	(27.56%)
LIBERTY INT:	LINTA	28.54	0.32%	(2.76%)
SHAW COMM:	SJR	24.99	0.52%	2.67%
TIME WARNER CABLE:	TWC	141.28	3.37%	4.27%

Company	Ticker	5/23 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
21ST CENTURY FOX:	FOXA	34.95	2.58%	(0.63%)
AMC NETWORKS:	AMCX	61.04	2.55%	(10.38%)
CBS:	CBS	60.75	6.52%	(4.69%)
CROWN:	CRWN	3.49	1.45%	(1.13%)
DISCOVERY:	DISCA	78.20	6.08%	(13.51%)
DISNEY:	DIS	83.32	3.64%	9.06%
GRUPO TELEVISIA:	TV	33.28	(0.95%)	9.98%
HSN:	HSNI	55.20	1.02%	(11.4%)
LIONSGATE:	LGF	28.89	9.51%	(8.75%)
MADISON SQUARE GARDEN:	MSG	51.74	3.13%	(10.14%)
SCRIPPS INT:	SNI	76.62	1.94%	(11.33%)
STARZ:	STRZA	30.45	2.70%	4.14%
TIME WARNER:	TWX	70.68	2.60%	1.38%
VALUEVISION:	VTV	4.55	(9.72%)	(34.91%)
VIACOM:	VIA	85.20	1.48%	(2.93%)
WWE:	WWE	11.17	(0.89%)	(32.63%)

Company	Ticker	5/23 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
ADVANTAGE:	AEY	2.69	2.28%	0.00%
ALCATEL LUCENT:	ALU	3.87	1.31%	(12.05%)
AMDOCS:	DOX	47.76	1.64%	15.81%
AMPHENOL:	APH	95.71	0.23%	7.32%
AOL:	AOL	37.12	0.84%	(20.38%)
APPLE:	AAPL	614.13	2.78%	9.47%
ARRIS GROUP:	ARRS	31.03	5.12%	27.49%
AVID TECH:	AVID	7.25	0.83%	(11.04%)
BLNDER TONGUE:	BDR	0.94	10.59%	(6%)
BROADCOM:	BRCM	30.64	3.16%	3.34%
CISCO:	CSCO	24.52	0.62%	9.32%
CONCURRENT:	CCUR	8.06	(0.12%)	(1.35%)
CONVERGYS:	CVG	22.20	0.68%	5.46%
CSG SYSTEMS:	CSGS	25.82	2.34%	(12.18%)
ECHOSTAR:	SATS	50.73	2.07%	2.03%
GOOGLE:	GOOG	552.70	6.16%	(50.68%)
HARMONIC:	HLIT	7.39	1.23%	0.14%

Company	Ticker	5/23 Close	1-Week % Chg	YTD %Chg
INTEL:	INTC	26.29	1.82%	1.27%
INTERACTIVE CORP:	IACI	62.46	(0.56%)	(9.02%)
JDSU:	JDSU	10.79	(0.42%)	(16.9%)
LEVEL 3:	LVL	43.77	0.05%	31.96%
MICROSOFT:	MSFT	40.12	0.73%	7.24%
NIELSEN:	NLSN	47.58	1.97%	3.68%
RENTRAK:	RENT	52.67	2.55%	39.01%
SEACHANGE:	SEAC	9.41	2.51%	(22.62%)
SONY:	SNE	16.11	(1.65%)	(6.82%)
SPRINT NEXTEL:	S	9.24	2.55%	(14.05%)
TIVO:	TIVO	12.19	3.57%	(7.09%)
UNIVERSAL ELEC:	UEIC	43.86	10.15%	15.09%
VONAGE:	VG	3.61	(5%)	52.32%
YAHOO:	YHOO	35.02	4.82%	(13.4%)

Company	Ticker	5/23 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	35.32	(3.86%)	0.46%
CENTURYLINK:	CTL	37.28	(2.36%)	17.05%
TDS:	TDS	26.89	0.22%	4.31%
VERIZON:	VZ	49.74	1.37%	1.22%

Index	Value	% Chg	% Chg	
MARKET INDICES				
DOW:	DJI	16606.27	0.70%	0.18%
NASDAQ:	IXIC	4185.81	2.33%	0.22%
S&P 500:	GSPC	1900.53	1.21%	2.82%


WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. BLNDER TONGUE:	0.94	10.59%
2. UNIVERSAL ELEC:	43.86	10.15%
3. LIONSGATE:	28.89	9.51%
4. GRAY TELEVISION:	10.95	6.62%
5. CBS:	60.75	6.52%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. VALUEVISION:	4.55	(9.72%)
2. VONAGE:	3.61	(5%)
3. AT&T:	35.32	(3.86%)
4. DIRECTV:	83.59	(3.01%)
5. CENTURYLINK:	37.28	(2.36%)



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