

CableFAX Daily™

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What the Industry Reads First

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Seasonally Fine: Comcast 2Q Numbers Best in Years

2Q in the cable industry is known for being seasonally weak as students and snowbirds disconnect for the summer. Expectations are tempered. So when **Comcast** reported a 144K video customer loss on Tues, it earned some backslapping since it was an 11% improvement over last year's 2Q. Total customer relationships declined by 25K, but again, customer relationship results are a 62% improvement over last year's 2nd quarter. "From an investor's perspective... Comcast's 2Q results speak of strength in the video segment, not of weakness," said a report from **MoffettNathanson**, noting that the improvement comes despite little or no new household formation. The MSO also had its best 2Q customer results for both video and HSD in the past 6 years. HSD added 203K new subs, up 8% YOY, and voice grew by 137K subs. Of course, Tues' earnings call had some merger chatter. CFO *Michael Angelakis* said a reasonable estimate for a shareholder vote on the merger looks to be the fall, but Comcast brass did not weigh in on when the transaction itself may close. Other Comcast goodies... X1: Cloud DVR is currently available in 31% of Comcast's footprint, and X1 is in 100% of the footprint. X1 has "brought down churn 20% to 30%, VOD usage up 25% and VOD transactions up 20%," Comcast Cable pres/CEO *Neil Smit* said. The product is currently available to all triple-play customers, and it is being used for retention for some double-play customers, he said. No details on just how many subs have X1. The cloud DVR allows any mobile Internet-connected device (phone, table, Kindle) to become a television set within the home. It also gives customers the opportunity to download certain shows and take them outside the home. Overall, Comcast's 2Q profit rose 15% to \$1.99bln, as revenue grew 3.5% to \$16.84bln. **AT&T-DirectTV Merger**: "It sort of, for me, validates the changing and dynamic nature of the market that we are living in, the technological changes, the consumer behavior changes that are happening at very fast speeds," Comcast chmn/CEO *Brian Roberts* said of the proposed combo. He reiterated Comcast's mantra that each transaction must be examined on its own merits, touting the lack of overlap with TWC and calling the AT&T-DirectTV deal a "very powerful combination." WiFi: Comcast has 3.6mln hotspots, with a target of 8mln by year-end. Of that number, close to 7mln will be in-home vs out-of-home hotspots. "We have the fastest in-home Wi-Fi routers and

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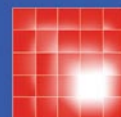
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we are going to keep developing that product,” Smit said, calling that a benefit given the amount of home wireless usage. “I think that we are seeing 75% to 80% of data usage—mobile data usage—as happening either in the home or in the office, so we think we’re very well-positioned going forward.”

NBCU Side of the House: Cable nets had revenue of \$2.5bln in 2Q, a 2.6% increase helped by a 4.2% increase in distribution revenue (distribution network rev would have increased to 6% if **NBCU** adjusted for the closure of Style). Ad rev declined for cable by 2.2% as some ratings pressure offset pricing increases. Overall, the nets had an operating cash flow of \$914mln, up 6.3%. On the broadcast side, revenue was up almost 5% to \$1.8bln with ad rev down 1.7% (NBCU blamed the timing of “The Voice,” which has fewer hours in 2Q compared to last year). On the upfront... NBCU CEO *Steve Burke* was quizzed on why he doesn’t think upfront money is going to digital as the upfront overall seems to be down about 5% (NBCU was actually up about 10%). “We think the majority reason why the upfront was down 5% is because a broad array of advertisers and their agencies decided to be less aggressive in the upfront, and they will show up in scatter,” he said. “Now that may be wrong, but it is our analysis.” **Comcast Cable** CEO *Neil Smit* backed up that line of thinking, saying that as an advertiser, Comcast Cable has seen a movement towards digital, but it hasn’t generally come at the expense of its media spend. Burke tackled questions about whether NBCU needed to look for a deal a la **Fox-Time Warner**. “We certainly don’t think we need to bulk up in content,” he said. “We have sold all of our broadcast and cable assets together in the upfront. I think that was a major reason why we had such a successful upfront relative to the rest of the industry.”

House Approves STELAR: By a voice vote Tues, the **House** approved the STELA Reauthorization Act. In addition to extending expiring provisions related to the retransmission of broadcast signals, the bill would do away with cable’s set-top integration ban. Rep *Bob Latta* (R-OH) praised the inclusion of the language he helped draft on eliminating the ban. “It is simply an unnecessary regulation,” he said from the House floor. **NCTA** agrees, with CEO *Michael Powell* characterizing it as “modest” reform that will yield “significant” consumer benefits by doing away with higher costs and energy use on cable subs who lease set-tops. In another win for cable, the House bill also prevents separately owned broadcast stations in local markets from jointly coordinating retrans negotiations. The Senate hasn’t passed a version of the bill yet, although **Sen Judiciary** did approve a straight 5-year renewal with none of the video reforms.

Verizon 2Q: Streaming video over **Verizon’s** LTE network, or multicast video capabilities, is coming in 2015, the telco’s CFO *Fran Shammo* said during the company’s earnings call Tues. Compared to unicast, which Verizon and other wireless operators now use to stream live and on-demand content, multicast enables streaming to a lot more users using existing network infrastructure. Verizon’s network will be ready by the end of 3Q to launch multicast but “we won’t go commercial with that until ‘15,” Shammo said. The telco will start to embed chips in its handsets later this year. Verizon already demonstrated its multicast services during the last Super Bowl, enabling transmission of live games directly to various Verizon devices. Multicast will be “a breakthrough” for offering video over wireless, Shammo said. The question for cable, is weather the telco wants to capitalize and accelerate the TV cord-cutting trend, or simply provide a video delivery service complimentary to cable. During 2Q, the telco saw a mild slowdown in FiOS video adds, signing up only 100K FiOS new video subs versus 140K in the year-ago quarter. That said, the telco has 5.4mln video connections at the end of the quarter, up 7.6% YOY. It added 139K net new FiOS Internet subs, bringing the total FiOS Internet connections to 6.3mln at the end of the quarter, up 9.3% YOY. FiOS Internet penetration was more than 40% versus 38.6% a year ago. In the same period, FiOS video penetration was up slightly from last year to 35.3%. FiOS revenue grew 14.4% to \$3.1bln. Quantum TV was again the bright spot as 55% of FiOS Internet customers subscribed to the higher speeds ranging from 50 to 500 Mbps, up from 51% in 1Q, 2014, according to Shammo. Meanwhile, FiOS conversion continued. During the quarter, Verizon transitioned some 70K subs from copper to fiber. Financially, the company reported \$1.01 in earnings per share, compared with 78 cents a year ago. FiOS growth remains “relatively subdued,” **MoffettNathanson’s** *Craig Moffett* said in a research note. That’s just a reflection of maturity of the platform. Still, Verizon seems to have shifted its strategy in much of its FiOS footprint from

aggressive growth to “a more balanced pursuit of profitability,” the analyst said. That said, FiOS promotions in markets like Greater NY are “among the most aggressive we have seen.”

TNT, Fox News Top Ratings: A busy news week that included the downing of a passenger jet in the Ukraine had people tuning to **Fox News** last week. Fox shared the #1 spot in prime among cable nets with **TNT, Disney** and **USA**, with each earning a 0.8 P2+ rating. TNT has the most total viewers (1.966mln), followed by Fox (1.963mln), Disney (1.93mln) and USA (1.927mln). ESPN's Homerun Derby coverage on 7/14 was the most-watched program (5.4mln viewers), followed by TNT's “Major Crimes” (5.25mln) and “Rizzoli & Isles” (4.86mln).

Brag Book: **American Heroes Channel's** debut of “Gunslingers” Sun broke the net's record for best prime telecast ever for delivery among P2+ (696K) and HH (475K).

World Cup's Local Impact: Think the World Cup's appeal is mainly international? **Viamedia** found that the tourney actually helped local cable ad sales. In an analysis of Viamedia's custom database of local advertisers from June 12-July 13, the ad sales operator reported that more than 285 local cable advertisers purchased local commercials during the 64 game series on **ESPN**. Local advertisers included companies from across the company's 71 DMA footprint from 24 different product categories. Viamedia ran over 22,500 spots on more than 90 hours of programming.

Programming: Coming off the most-watched **NHL** season ever on **NBC** and **NBCSN**, **NBC Sports** will cover 103 regular season hockey games in the coming season (89 on NBCSN), beginning Oct 8 with the Flyers at the Bruins. All games will be streamed live on NBC Sports Live Extra. -- **Southwest Airlines** is adding **Cartoon** to its in-flight entertainment portal. -- **Universal Sports** signed a multiyear extension with the **Intl Assn of Athletics Federations**, extending their current media rights agreement through '19. The deal gives the net exclusive TV and Internet rights to IAAF events in track & field, cross-country, race walking and half-marathon. This deal takes on more significance when you consider that the **Intl Olympic Committee** plans to put the idea of setting up an Olympic TV channel for a vote at the IOC session in Dec. The channel would promote Olympic sports in the years between the games—something Universal Sports already does. -- **HBO's** pleased that Sun's eps of “The Leftovers” and “True Blood” delivered their largest audiences since the series debuted in June. Leftovers logged 1.6mln viewers at 10pm, rising to 2mln for the night with the 2nd play. True Blood scored 3.6mln viewers at 9pm, with the total growing to 4.4mln across 3 plays.

People: *Tim Pastore*, currently evp, production & dev for **National Geographic Studios**, was named pres, original programming & production for **National Geographic Channel US**. He will begin the transition immediately and assume the post full-time Aug 18.

FX Networks at TCA: It's hard to fault **FX Networks** these days as it basks in the glory of 45 Emmy nominations and continued buzz about series old and new—but FX Networks CEO *John Landgraf* told critics that life ain't easy in the competitive programming world. “I just think there's been a more than thousand-fold increase in scripted original series on basic cable in the last decade, more than ten times,” he said, noting that for years cable “prospected into this wonderful new territory, and you just couldn't drill a hole without striking oil... Now it looks like it feels to me like you can't walk 10 feet without running into someone else's oil derrick. I mean, it's just amazing how much television there is and how hard it is to find a distinctive enough idea.” Unlike the old days when TV was “your sort of old reliable friend,” modern audiences “want to be wowed. I think they want to be surprised.” As a result, Landgraf said FX looks for new voices, even if they're untested. “We're willing to fail with them if it doesn't work,” he said. “We'd rather fail sort of spectacularly and nobly than sort of succeed in a kind of quiet, middling way.” And while FX has focused more on comedy pitches lately, the net's dramas continue to turn heads with parasitic vampire thriller “The Strain” (premiered July 13) and midwestern crime drama “*Fargo*” (premiered Apr 15) generating considerable buzz. The same day FX announced a 2nd-season pickup for *Fargo*, exec producer and creator *Noah Hawley* told critics the next installment will feature new actors and take place in 1979 rather than present day, focusing on the Lou Solverson character as a younger man just back from Vietnam. “I would say so if the three movies that influenced Season 1 were *Fargo*, *No Country for Old Men* and *A Serious Man*, this year we are in *Fargo*, *Miller's Crossing* and *The Man Who Wasn't There*. So let the Internet speculation begin.” As for comedies, FX highlighted a couple new ones for critics: “You're the Worst” (premiered July 17) about a group of bed-hopping lovers and friends and “Married” (premieres Aug 4) about the ups and downs of modern matrimony. “I really wanted to explore how people stay in love through those challenges and still get to hold onto... some kind of fantasy of how is our life going to get better,” said

BUSINESS & FINANCE

Married creator *Andrew Gurland*. “How are we going to have that intimacy again? How can we be on that path of pursuing that together?” As for *You’re the Worst*, critics pressed creator *Stephen Falk* on the bad behavior of his characters (as if the title didn’t suggest that was kind of the very point of the series). “I don’t think that my job is to create admirable characters,” he said. “I think my job is to create entertaining characters.” FX also showcased for critics returning shows “*Sons of Anarchy*,” “*The League*” and “*The Bridge*,” and it staged an interesting session with academics to talk about the geopolitical and cultural impact of its new middle-east drama “*Tyrant*.”

Editor’s Note: Don’t forget to check out cablefax.com to get your summer playlist culled from the musical preferences of several top cable execs. **BET’s** *Stephen Hill*, **NBCU’s** *Mac Budill*, **Time Warner Cable Media’s** *Joan Gillman*, **Viacom Music Group’s** *Van Toffler*, **Animal Planet’s** *Rick Holzman* and **Revolt’s** *Keith Clinkscales* are among those sharing their top picks for summer listening. And better yet, we’ve embedded a **Spotify** playlist based on their picks for you to enjoy. Remember that to be successful, you must listen to successful music—that inspires successful people. Someone important said that, we think. Or not. Check it all out at cablefax.com.

CableFAX Daily Stockwatch

Company	07/22 Close	1-Day Ch	Company	07/22 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	86.75	(0.15)	CONCURRENT:	7.35	0.03
DISH:	63.63	(0.72)	CONVERGYS:	20.66	0.13
ENTRAVISION:	6.00	0.17	CSG SYSTEMS:	26.92	0.25
GRAY TELEVISION:	12.87	0.14	ECHOSTAR:	52.22	0.79
MEDIA GENERAL:	21.92	(0.2)	GOOGLE:	594.74	5.27
NEXSTAR:	49.09	0.13	HARMONIC:	6.29	0.05
SINCLAIR:	34.46	0.51	INTEL:	34.79	0.73
MSOS					
CABLEVISION:	19.03	0.10	INTERACTIVE CORP:	66.47	0.96
CHARTER:	162.69	(0.31)	JDSU:	12.38	0.15
COMCAST:	54.63	0.81	LEVEL 3:	45.37	(0.07)
COMCAST SPCL:	54.46	0.92	MICROSOFT:	44.83	(0.01)
GCI:	11.00	0.04	NIELSEN:	48.06	0.15
GRAHAM HOLDING:	694.82	5.82	RENTRAK:	53.58	1.07
LIBERTY GLOBAL:	43.36	(0.34)	SEACHANGE:	7.93	0.02
LIBERTY INT:	29.11	0.27	SONY:	16.69	(0.02)
SHAW COMM:	25.60	UNCH	SPRINT NEXTEL:	7.64	(0.03)
TIME WARNER CABLE:	149.15	2.70	TIVO:	13.62	0.12
PROGRAMMING					
21ST CENTURY FOX:	33.34	0.45	UNIVERSAL ELEC:	50.81	0.91
AMC NETWORKS:	63.42	(0.24)	VONAGE:	3.53	0.02
CBS:	59.40	(1.03)	YAHOO:	33.60	0.32
CROWN:	3.48	0.02	TELCOS		
DISCOVERY:	83.71	(0.52)	AT&T:	35.94	(0.02)
DISNEY:	86.21	0.47	CENTURYLINK:	37.31	0.29
GRUPO TELEVISIA:	34.88	(0.35)	TDS:	24.45	(0.26)
HSN:	55.98	0.11	VERIZON:	50.98	0.28
LIONSGATE:	31.88	(0.09)	MARKET INDICES		
MADISON SQUARE GARDEN:	60.22	(0.6)	DOW:	17113.54	61.81
SCRIPPS INT:	83.23	(0.38)	NASDAQ:	4456.02	31.31
STARZ:	30.04	0.07	S&P 500:	1983.53	9.90
TIME WARNER:	86.78	(0.58)			
VALUEVISION:	4.61	0.05			
VIACOM:	87.15	(0.33)			
WWE:	12.66	0.19			
TECHNOLOGY					
ADVANTAGE:	2.56	UNCH			
ALCATEL LUCENT:	3.77	0.04			
AMDOCS:	48.06	0.26			
AMPHENOL:	97.21	0.87			
AOL:	39.09	0.39			
APPLE:	94.72	0.78			
ARRIS GROUP:	34.01	1.29			
AVID TECH:	7.85	(0.17)			
BLNDER TONGUE:	0.95	(0.01)			
BROADCOM:	38.75	0.12			
CISCO:	25.95	0.10			



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