

CableFAX Daily™

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What the Industry Reads First

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TWC's 2Q: Taking it to the Maxx in Austin and Beyond

Time Warner Cable was all about TWC Maxx in its 2Q results, announcing that it has already begun making Maxx HSD speeds (up to 300mbps) available to customers in Austin. Next year, TWC plans to bring TWC Maxx, which includes going all-digital on video, to Charlotte, Dallas, Hawaii, Kansas City, Raleigh, San Antonio and San Diego, meaning the service will be available to some 6mln customers. It's too early to gauge Maxx's impact on customer satisfaction, but CEO *Rob Marcus* said he's pleased with the rollout process and confident that it eventually will lead to satisfaction improvements. Sub metrics showed positive signs. TWC lost 34K customer relationships on the residential side of the business, its lowest decline in a 2Q in 5 years. On the flip side, business services added 21K customer relationships—the best quarterly performance for business ever. TWC's residential video loss hit 152K (the best for a 2Q in 3 years), although management said it's still higher than they'd like. Phone adds of 79K marked the best 2Q performance in 5 years. And it was the best 2Q in HSD in 4 years, with 67K net adds. Despite the improvements, **MoffettNathanson** analysts pointed out that sub metrics largely missed consensus estimates. "Even with the improvement, TWC's video subscriber base is shrinking at the shocking rate of 5.9% per year. Comcast has trimmed its loss rate to less than 1%," the analysts said in a research note. **Wells Fargo Securities** was a bit more optimistic, saying the miss might have stemmed from some price increases that hit about 2/3 of TWC's base during the Q. "The good news is that there is clear improvement thus far in Q3 with net PSU adds in July looking more like 2012," Wells Fargo told clients. TWC continues to work on improvements beyond Maxx, with its cloud-based guide now available to approx 6mln set-tops, or 40% of the total base of boxes. IP video app TWC TV was used more than 9mln times in June, up 70% from a year ago. Net income in the quarter rose to \$499mln from \$481mln a year ago, with rev up 3.2% to \$5.73bln. TWC's shares closed down a little more than 4%.

Batter Up: Time Warner Cable execs offered some more color on the **Dodgers** situation during the company's 2Q earnings call Thurs. For modeling purposes, assuming there are no additional affiliate agreements for the Dodgers network this year, the MSO expects the net could cost the MSO approx 50 basis points of revenue growth and 125 points of adjusted OIBDA growth. TWC's initial guidance was 4-5% rev growth and 5-6% adjust OIBDA growth. Adjusting for

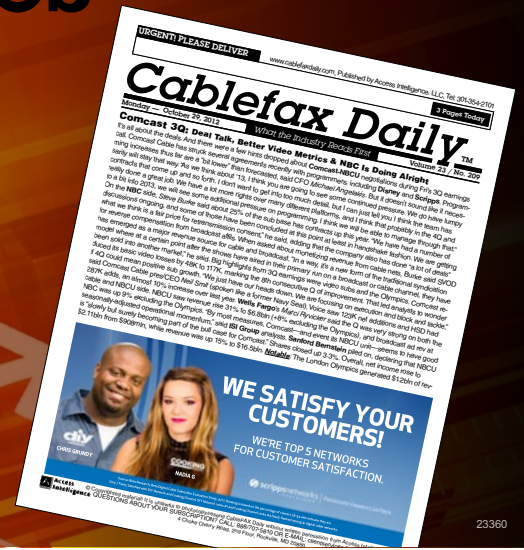
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the lack of Dodgers net carriage, it puts it in the 3.5-4.5% and 3.75-4.75% range, respectively. "My current expectation is that we'll be at the low end of the pro forma range for both revenue and adjusted OIBDA growth," CFO *Artie Minson* said. TWC CEO *Rob Marcus* reiterated that the company is willing to enter into binding arbitration but said the details of what that entail remain unclear. "The key point right now is it takes 2 parties to actually have an arbitration, and so far, none of the other distributors have expressed a willingness to do what it takes to get the games to fans quickly," he said. **DirecTV** pres/CEO *Mike White* seemed somewhat willing to dance. "Quite honestly, I am willing to consider some kind of mediation, but without active participation from the ownership of the Dodgers team, I don't know how this can be resolved," he said during DirecTV's 2Q earnings call Thurs. "We like the Dodgers as a team, and we would like to carry them on DirecTV." White's comment struck us as interesting as there has been little mention of Dodgers owner **Guggenheim Partners** in this dispute. Is TWC seeing a lift in L.A. as one of the only distributors to offer the Dodgers net? Marcus was careful. "Our Pac West market, which includes L.A., did perform the best of all our markets on a YOY basis in video. So to the extent one correlates that with the availability of **SportsNet L.A.**, I guess you can make that connection," he said, adding that he was hesitant to link the 2. Another reason there may be no correlation? White said net add performance in the L.A. area during the quarter wasn't affected by the dispute.

Charter's All-Digital Road: Add **Charter** to the list of companies presenting financials on a very busy earnings day. The MSO added 27K new customer relationships (vs a loss of 2K last year) and 55K residential PSUs (double the number added in 2Q13). Charter's on-track with its all-digital transition, with 60% of its plant all-digital. In those all-digital markets, Charter has introduced the Charter Spectrum brand, which includes 200 channels of HD and minimum Internet speeds of 60mbps (100mbps in St Louis). This month, the MSO launched to some of its Fort Worth, TX, customers a cloud-based guide that works on existing and new boxes. Testing will broaden to customers in several other markets in the coming months, CEO *Tom Rutledge* said. "We think it's going to be commercially launched everywhere we operate in 2015," he said. "And we think that we'll be able to launch that same user interface across all of the assets that we're acquiring and servicing as part of this transaction. So it has a dramatic possibility in terms of completely changing the look and feel and upgrading the state-of-the-art user interface functionality across, not only the old Charter, but the new Charter as well." Charter lost 29K residential video subs vs 55K last year. Internet adds bumped up to 49K from 38K in 2Q13. **UBS** analysts said Charter's strong sub metrics suggest the company is gaining momentum as it deploys all-digital. 2Q rev was up 7.3% to \$2.3bln, while the MSO's loss narrowed to \$45mln from \$95mln a year ago. "Revenue and OIBDA grew strongly, as residential subscriber net additions were ahead of our estimates and at a higher ARPU, with commercial as-expected," **ISI Media** said. "These improving subscriber trends continue to show through due to improved customer service that came in part from +6% marketing increases and the pricing and packaging strategy." Charter didn't buck the markets' big drop Thurs, closing down almost 4.5%.

DirecTV 2Q: The big news from **DirecTV's** earnings call Thurs is the company and **Disney** have agreed on rates for carrying the **SEC** net. No launch date yet, but "we are optimistic that we will be launching the network," pres/CEO *Mike White* said. The company is also confident that it will renew the **NFL** Sunday Ticket rights deal. Citing good progress, White said parties are now sorting through digital rights issues such as selling Sunday Ticket to non-DirecTV subs. The company is marketing a package to 10 college campuses and trialing in 3 cities, and it has added it to Xbox platform (available this fall). "We hope to learn this year from that... It's a trade-off," he said, noting both companies are interested in ways to expand Sunday Ticket. Meanwhile, DirecTV is "exploring" lower-cost packages, but White said rights restrictions make it difficult to provide stand-alone programs or over-the-top services. DirecTV is among the early adopters of 4K, and "I expect to do 4K VOD before the end of the year," White said. And while he said securing 4K content has been difficult, White expects to provide 4K live streaming in the 2015-2016 time frame, depending on the launch of 2 satellites that will offer additional capacity for online content delivery. Latin America was the bright spot during 2Q thanks to World Cup TV consumption. The op signed up 543K subs in the region, a jump from the 165K net adds in the year-ago quarter. It had 12.5mln subs in the region at the end of the quarter. Domestically, the op narrowed its sub loss to 34K compared to 84K in the year-ago quarter, as revenue grew 5.5% to \$6.27bln. Overall, revenue grew 5% YOY to \$8.1bln.

CableCARD Report: The 9 largest cable MSOs have more than 48mln set tops with CableCARDs currently deployed (versus 47mln when **NCTA** reported in May), since the set-top integration ban went into effect in 2007, NCTA said in a

report to the **FCC** Thurs. By contrast, only approx 620K CableCARDS (versus 616K in May) have been deployed in retail devices by those ops. The report came as NCTA head *Michael Powell* wrote to Senate Commerce leaders on the same day, responding to a letter from **TiVo** CEO *Tom Rogers* asking the lawmakers not to include a provision repealing the integration ban in the Senate version of the STELA reauthorization bill. Such a provision was included in the House-passed bill. Regarding TiVo's argument that the Comcast-TiVo private party agreement wouldn't have happened without the ban, Powell said such agreements demonstrate the incentives "in today's highly competitive video marketplace are continually pushing cable operators to improve the attractiveness and usability of their service to a wide variety of potential customers, including customers that elect to purchase TiVo and other devices." Repealing the integration ban would not impact cable ops' obligation to support retail devices, Powell argued.

Sharknado 2 Takes a Big Bite: Syfy's Wed night premiere of "Sharknado 2" lived up to the hype, with 3.9mln total viewers (1.6mln 18-49s) tuning in. It is the most-watched original movie ever for the net. And of course, social media was hooked on the fish tale, with the flick delivering 1bln estimated impressions on **Twitter**. At one point, it held all top 10 trading topics in the US. Missed it? Syfy will serve up another helping Sat at 7pm and Sun at 9pm.

Political Advertising on Cable: The Campaign Legal Center, Common Cause and the Sunlight Foundation have asked the **FCC** to extend political file disclosure rules to cable and satellite systems. Currently, only broadcasters have to upload their political advertising files to the FCC's online database. Cable and satellite providers only have to disclose this info (such as schedules of time purchased, rates charged, when spots aired) at their offices for public inspection. The watchdog groups argue that this is critical info for voters seeking to "determine who is paying to influence elections" and that campaigns, super PACs and other outside groups are increasingly advertising on cable and satellite.

House Commerce Probing FCC: House Commerce committee leaders said they have opened an investigation into the **FCC**'s granting of a waiver to **Grain Mgmt** in the upcoming airwaves auction. FL-based Grain invests in media and communications, and is controlled by *David Grain*, who contributed more than \$60K to Obama's presidential campaign, *Bloomberg* reports. The FCC granted Grain a waiver that lets it qualify as a small business and receive bidding credits in the upcoming spectrum auctions despite leases with **AT&T** and **Verizon** that may have caused it to exceed the program's income limits. The committee wants a briefing on the process by Aug 15 as well as copies of draft version of the waiver and communications related to Grain. **MMTC** pres *David Honig* stood up for the FCC, saying it played by the rules. "It would be unreasonable to declare a firm ineligible to apply for DE benefits simply because it entered into a private marketplace transaction involving assets it acquired without government benefits," he said.

WWE Numbers: **Rogers** signed a 10-year deal with **WWE**, making it the exclusive distributor of WWE's flagship programming in Canada through 2024. The deal includes the right to distribute OTT network **WWE Net** as a premium linear channel, with a preview beginning Aug 12. WWE stock has been hammered in recent months, in part because of concerns over lower-than-expected subs for the OTT network. Thurs' 2Q results gave shares a jolt, sending them up as much as 11% during the day after it beat analyst estimates. The OTT service added 33K subs in 2Q, bringing it to 700K. WWE reiterated its target of 1mln by year-end and said it would cut about 7% of its workforce. Its adjusted net loss was \$13.5mln compared to net income of \$5.2mln a year ago (actual net loss was \$14.5mln). That's better than the \$15-\$18mln it had projected.

Discovery 2Q: Despite a 2% YOY decrease in revenue for domestic nets' revenues, **Discovery Comm** managed to increase its 2Q net income to \$379mln, up 26% from the year-ago period. That's partly because of a 23% increase in revenue at the company's international nets. Eastern and Western EU is "very important market where we are finding great success, but Latin America is probably our strongest market right now," said pres/CEO *David Zaslav* during the earnings call Thurs. The company has 5 of the top 20 channels in the region and is getting "a lot of organic growth down there." In addition, "we are seeing big, big growth in India," he said. Domestically, ad sales growth was more than offset by a decline in distribution and other revenue. Thanks to higher pricing, ad revenues were up 5% YOY, while distribution revenue decreased 8%. Other revenue declined by \$7mln due to a decrease in content production contracts as well as lower representative fees. US nets have increased their programming being shared with their international nets, rather than selling to 3rd parties. As a result, "we are now generating lower content licensing sales. We anticipate a similar trend in other revenues for the remainder of this year," CFO *Andrew Warren* said. For the full year, the company expects total revenue between \$6.45bln and \$6.53bln. In terms of pay-TV consolidation, "it looks like those deals are going to take meaningfully longer than expected," Zaslav said. That's partly due to an overwhelmed **FCC**, which is juggling multiple merger reviews, the net neutrality proceeding, the spectrum auction, among other things. It appears that the 2 pay-TV deals might close after mid-year 2015, the exec said. Despite the consolidation, Discovery Comm's focus is to expand viewership and stand firm on rates, he said, adding that cable viewership is "pretty stable" but "not a great story in the U.S. It's flat."

BUSINESS & FINANCE

Over-the-Airheads: The latest broadcast consolidation has **EW Scripps** and **Journal Comm** merging their broadcast operations, and spinning off their newspaper business into a new, publicly traded company called **Journal Media Group**. The broadcast side of the business will keep the EW Scripps name, with the Scripps family shareholders continuing to have voting control. Under the deal, Journal shareholders would receive 0.5176 Class A shares in Scripps and 0.1950 shares in Journal Media. Scripps investors get 0.25 shares in Journal for each Class A share of Scripps that they own.

Touchstones Awards: Nominations are open for the DC/Baltimore chapter of **WICT's** annual Touchstones of Leadership Awards. The awards are presented to female execs who have made a positive contribution to the cable industry through their leadership, vision and dedication. Nominations are due by Aug 22 at wictdcbalt.org.

People: *Julie Meisner Eagle* was promoted to vp, production and development for **Discovery Fit & Health**, which will be renamed **Discovery Life** in Jan. -- **BBC America** upped *Melissa Drucker* to svp, TV sales, leading the channel's ad sales team.

Editor's Note: This just in: **Time Warner Cable** CTO *Tony Werner* will join the TV Innovation Summit in NYC on Sept 18 for a lunch keynote. The early bird rate ends on Aug 8, so register now at cablefax.com.

CableFAX Daily Stockwatch

Company	07/31 Close	1-Day Ch	Company	07/31 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	86.09	(0.16)	CONCURRENT:	7.41	(0.09)
DISH:	61.87	(0.82)	CONVERGYS:	19.39	(0.61)
ENTRAVISION:	5.59	(0.17)	CSG SYSTEMS:	26.04	(0.57)
GRAY TELEVISION:	12.18	(0.2)	ECHOSTAR:	50.70	(0.77)
MEDIA GENERAL:	20.16	(0.15)	GOOGLE:	571.60	(15.82)
NEXSTAR:	46.59	(0.16)	HARMONIC:	6.00	0.01
SINCLAIR:	32.31	(0.87)	INTEL:	33.89	(0.46)
MSOS					
CABLEVISION:	19.22	(0.32)	INTERACTIVE CORP:	67.20	(2.7)
CHARTER:	154.52	(7.25)	JDSU:	11.87	0.04
COMCAST:	53.73	(1.68)	LEVEL 3:	43.98	(1.33)
COMCAST SPCL:	53.47	(1.58)	MICROSOFT:	43.16	(0.42)
GCI:	11.05	(0.28)	NIELSEN:	46.11	(1.27)
GRAHAM HOLDING:	685.75	(4.74)	RENTRAK:	49.64	(1.8)
LIBERTY GLOBAL:	41.60	(0.73)	SEACHANGE:	7.49	(0.25)
LIBERTY INT:	28.05	(0.33)	SONY:	18.43	0.90
SHAW COMM:	24.51	(0.72)	SPRINT NEXTEL:	7.35	(0.41)
TIME WARNER CABLE:	145.10	(6.32)	TIVO:	13.46	(0.45)
PROGRAMMING					
21ST CENTURY FOX:	31.68	(0.32)	UNIVERSAL ELEC:	47.63	(1.26)
AMC NETWORKS:	59.87	(1.19)	VONAGE:	3.48	(0.52)
CBS:	56.83	(0.88)	YAHOO:	35.81	(0.79)
CROWN:	3.37	(0.18)	TELCOS		
DISCOVERY:	85.21	1.50	AT&T:	35.59	(0.77)
DISNEY:	85.88	(1.33)	CENTURYLINK:	39.24	(0.53)
GRUPO TELEVISIA:	35.59	(0.06)	TDS:	25.00	(0.28)
HSN:	55.89	(0.7)	VERIZON:	50.42	(1.34)
LIONSGATE:	30.80	(0.58)	MARKET INDICES		
MADISON SQUARE GARDEN:	59.33	(0.5)	DOW:	16563.30	(317.06)
SCRIPPS INT:	82.41	(0.6)	NASDAQ:	4369.77	(93.13)
STARZ:	28.50	(0.72)	S&P 500:	1930.67	(39.4)
TIME WARNER:	83.02	(1.47)	TECHNOLOGY		
VALUEVISION:	4.58	(0.03)	ADDVANTAGE:	2.45	(0.08)
VIACOM:	83.14	(2.15)	ALCATEL LUCENT:	3.43	(0.41)
WWE:	12.48	0.39	AMDOCS:	45.34	(1.28)
MARKET INDICES					
			DOW:	16563.30	(317.06)
			NASDAQ:	4369.77	(93.13)
			S&P 500:	1930.67	(39.4)
TECHNOLOGY					
ADDVANTAGE:	2.45	(0.08)			
ALCATEL LUCENT:	3.43	(0.41)			
AMDOCS:	45.34	(1.28)			
AMPHENOL:	96.17	(1.24)			
AOL:	38.55	(0.47)			
APPLE:	95.60	(2.55)			
ARRIS GROUP:	34.16	(1.1)			
AVID TECH:	7.45	(0.05)			
BLNDER TONGUE:	0.90	(0.02)			
BROADCOM:	38.26	0.39			
CISCO:	25.23	(0.4)			



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PROGRAMMER'S PAGE

The Other Kind of Bark

Animal Planet wants to make it impeccably clear—The Daniels brothers do not just go through forests chopping down ancient redwoods. That would be bad. What they actually do is salvage already fallen trees from the forest floor. What would be nature's trash, is their treasure. And what they do with that treasure is pretty impressive. Think larger-than-life-sized busts of *Eddie Murphy*, pirate ships and animatronic talking grandmothers. "No one does what we do with the redwood," said *John Daniels*, who stars along with his slightly younger twin brother *Ron Daniels*, in new series, "Redwood Kings" (debuts Fri, 9pm). In the show, viewers will follow the brothers as they take on one seemingly impossible job to the next as the heads of their family theming and design business, **Daniels Wood Land**. "People of all ages have always said, 'you guys should have a show because this is fascinating and there is never a dull moment around here,'" said Ron. Just watching Ron and John interact is going to be half the fun. Ron is the business manager who keeps (or at least, tries to keep) every project on budget. John is the creative, attention-loving carver who can often be found with a chainsaw in his hand, a cowboy hat on his head, or both. "John could never get enough attention," chimed Ron playfully during a recent interview with **Cablefax**. But how does lumber-crafting fit into a network built almost exclusively on animal-related programming, you ask? "The word's getting out, and it's starting to spread—Animal Planet is not the same as it was years ago. ... They have an amazing line-up of shows that have very little to do with animals," said Ron (see "Treehouse Masters," which will air immediately after "Redwood Kings"). In the words of Ron Daniels, the pairing with the network "comes down to the folks at Animal Planet being convinced that a show about twins with wood and logs and all this rustic stuff is what the viewers are ready for." - *Ashley Powell*

Reviews: "Top Chef Duels," premiere, Wed, 10p, **Bravo**. A clever spinoff of the popular culinary contest pits 2 chefs from past seasons against each other. After 9 eps, the winners compete for the grand prize of \$100K. A nice innovation—before each week's main battle, competitors face off, sans staffers, in a challenge designed by his/her opponent. -- "Hollywood Hillbillies," Tues, 9p, **Reelz**. A train wreck of a series about an opinionated, foul-mouthed but sometimes lovable hillbilly Grandma and her kin in Hollywood. Their outrageousness might put Reelz on the cultural map. -- "Skin Wars," premiere, Wed, 9p, **GSN**. Props to GSN for making this provocatively titled series a serious competition highlighting body painters' creativity and minimizing the exploitation of nearly nude 'cavasses.' We're hoping subsequent episodes keep creative art as the series' centerpiece. -- "Sequestered," premiere of eps 1-6, Tues, **Crackle**. This legal procedural/thriller is the best drama we've seen from Crackle. Following a single case, it spins a multi-level tale and gives *Jesse Bradford* of "Bring It On" a great role. -- **Notable:** A contrast to the slashing bite of **Discovery's** 'Shark Week' (begins Aug 10) is the understated blast from the past of **TCM's** 'Summer Under the Stars,' the month-long promo featuring 24-hr tributes to stars like *Judy Garland* (Aug 4), *Jimmy Stewart* (7) and *Charlie Chaplin* (14). - *Seth Arenstein*

Basic Cable Rankings (7/21/14-7/27/14)			
Mon-Sun Prime			
1	TNT	0.9	2118
2	USA	0.8	2095
2	DSNY	0.8	2015
2	FOXN	0.8	1823
5	HIST	0.6	1587
5	TBSC	0.6	1539
5	HGTV	0.6	1475
5	DSE	0.6	135
9	FX	0.5	1216
9	A&E	0.5	1216
9	FOOD	0.5	1132
9	AMC	0.5	1108
13	NAN	0.4	1106
13	ADSM	0.4	1105
13	SYFY	0.4	1086
13	DISC	0.4	986
13	TLC	0.4	910
13	FAM	0.4	890
19	LIFE	0.3	835
19	SPK	0.3	817
19	ESPN	0.3	762
19	ID	0.3	747
19	BRAV	0.3	706
19	VH1	0.3	679
19	MTV	0.3	653
19	CMDY	0.3	652
19	TVLD	0.3	650
19	APL	0.3	611
19	TRU	0.3	600
19	DSJR	0.3	588
19	HALL	0.3	575
19	HMM	0.3	368
33	BET	0.2	569
33	MSNB	0.2	564
33	CNN	0.2	549
33	EN	0.2	522
33	OWN	0.2	505
33	NKJR	0.2	471
33	NGC	0.2	456
33	LMN	0.2	444
33	WETV	0.2	424
33	DXD	0.2	416
33	TRAV	0.2	404
33	H2	0.2	370
33	GSN	0.2	348
33	WGNA	0.2	298

*Nielsen data supplied by ABC/Disney

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