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Ergen's Plan: A Marriage Proposal to T-Mobile?

Charlie Ergen's never shy about his interest in wireless as he seeks to offer video content over mobile networks. The **DISH** co-founder/chmn might be a step closer to his dream as **Sprint** withdrew its bid for **T-Mobile** Wed because of regulatory concerns. The move "probably increased some optionality that we had," Ergen said during DISH's earnings call Wed. "A lot has happened in the last 24 hours. We haven't had the chance to sit down, and we remain interested in working to enhance our overall business, and that could include looking at a number of companies out there." And while T-Mobile is attractive, he said, Sprint might have a better network and more expansion potential. "Sprint is capable of much, much more. They have a better spectrum position… [Daniel] Hesse did a good job in basically saving that company… Now that they have the right guy for a war," Ergen said, referring to Sprint's newly appointed CEO *Marcelo Claure,* who will replace Hesse. That said, chances are nothing will happen until the **FCC**'s spectrum auction in Nov, in which DISH plans to participate, he said. DISH has plenty of options, according to Ergen. "There are a number of people that are potentially good partners… There are a lot of interesting ways that we can get in the marketplace. It may not be evident even to us until we see how it all shakes out." Ergen reportedly met with T-Mobile parent **Deutsche Telekom** about a possible deal last year. Some analysts believed a DISH-T-Mobile combo could be seen by regulators as a counterbalance to the **AT&T-DirecTV** deal. According to **MoffettNathanson** analysts, a network sharing deal with Sprint or T-Mobile, or an outright acquisition of T-Mobile, is indeed possible now and "may indeed be more likely than an outright sale." FCC chmn *Tom Wheeler*, in a statement following Sprint's withdrawal, said "four national wireless providers is good for American consumers. Sprint now has an opportunity to focus their efforts on robust competition." Meanwhile, DISH's planned OTT network will be a per-home service, meaning one subscription for the entire household instead of individual subscriptions, Ergen said. Disney programming under the companies' recent rights deal will be the core of that offering. Ergen said DISH is still working with various programmers on packaging and pricing. The future streaming net might help DISH offset its bleeding traditional sub base. The satellite provider lost 44K video subs during the quarter, vs a loss of 78K a year ago, as gross net adds rose 5% to 656K. Video ARPU grew 4% YOY to approx $84 a month, helped by a price hike

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in Feb and higher box fees. Broadband net adds were 36K, down from 61K a year ago. Overall, it posted $3.7bln in revenue for the quarter, up 1.1% from the year-earlier period, and net income of $213mln, vs a loss of $11mln a year ago. As expected, Ergen fired a few shots at **Time Warner Cable** over negotiations on its **LA Dodgers** net. "We won't offer something we can't get return on," he said. "The LA Dodgers net is the best example. It's too pricey and too limited." The solution to end rising cost of sports programming is to offer them on an a-la-carte basis, he said.

TW Silent on M&A: A day after **21st Century Fox** dropped its bid for **Time Warner**, the programmer's chief exec *Jeff Bewkes* declined to discuss Fox's bid and instead urged analysts on the earnings call to "look at all sides of the issue when you are contemplating the benefits and the risks of putting two very large companies together." In addition, Bewkes seemed uninterested in M&A in general, at least not in the near term. The company has "leading scale in all of our businesses, we are not lacking something we need," he said. Though acquisitions could mean greater efficiencies, "there's also the factor of business interruption, regulatory scrutiny and timing that comes into play." Financially, the company posted a total revenue of $6.8bln, up slightly YOY. **HBO** shined during the period, with revenue rising 17% YOY and operating income up 19%, partly thanks to licensing deals with streaming services like **Amazon**. Looking through the full year, SVOD is expected to grow "solid double-digits even without the HBO-Amazon deal," Bewkes said. In light of **DISH**'s deal with **Disney** and **A+E Nets** for its planned OTT service, the exec isn't "philosophically opposed to an over-the-top virtual MVPD model." That said, there are still much uncertainty around ad models, quality of service and how it will impact investment. However, services like DISH's OTT net is "a concept we are interested in," Bewkes said.

Fox 2Q: Like **Time Warner**, **21st Century Fox** reported earnings (after market closes) a day after its move to drop the bid for the programmer. The Murdoch company posted 2Q revenues of $8.42bln, up 17% YOY. That's partly due to a substantial increase at the filmed entertainment segment and strong double-digit growth at the cable network programming and satellite TV segments, which benefited from higher affil and subscription revenues, respectively. Domestic affil revenue at cable nets grew 19%, reflecting growth at RSNs, **FX**, **Fox Sports 1**, **FXX** as well as the consolidation of **YES Network.**

Viacom 2Q: International advertising sales, up 20% YOY, was one bright spot at **Viacom** during 2Q, helped by further expansions and improvements in the EU market, execs said during the company's earnings call Wed. The programmer has launched 28 nets internationally since the beginning of 2013 and is looking to expand to more. Ad revenue was up 1% domestically and 2% worldwide. Viacom outperformed in a relatively soft upfront, **Wells Fargo** analysts said. Execs believe some of the softness in the ad market stems from advertisers withholding dollars, with the intention of spending later in the scatter market, which is expected to improve along with the economy. International expansion is "a very, very big opportunity," pres/CEO *Philippe Dauman* said. On the distribution side internationally, "there are some places where there are obstacles to traditional distribution," he noted. That's where the company is looking to grow through new platforms such as SVOD or content delivery of mobile, the exec said. As programming costs reduced profits at its cable nets, Viacom posted lower 2Q earnings. Revenue fell 7% YOY to $3.42bln, with declines in filmed entertainment partially offset by an increase in media networks' revenues. Net income fell 5% YOY to $610mln. Operating income at Viacom's media network group, which includes **MTV**, **Nick** and **Comedy Central**, fell 3% to $1.1bln as program expenses rose.

SEC Adds Charter: Add **Charter** to the slew of distributors that will carry the **SEC Net,** to be launched on Aug 14. As part of the MSO's pact with **Disney**'s **ESPN**, subs can access the net's linear, VOD and digital content. The latest deal will make SEC Net available to more than 91mln HHs.

M&A: **Vyve Broadband** completed the acquisition of certain assets of **Reach Broadband** and all assets of **Lakeview Cable**, complementing Vyve's existing footprint in Oklahoma. The deal will increase homes passed to 310K.

Ratings: Tues night's extra innings Tigers-Yankees game was **YES**' 2nd most watched Yankees telecast this season, averaging 360K TV HHs in the NY DMA. The most-watched one this season was the April 4 game against Toronto, which generated 362K average total viewers.

Programming: **Food Network**'s competition show, "Rewrapped," returns on Sept 8. -- **Ovation** premieres "Raiders of the Lost Art," a new original series exploring the mysteries surrounding the disappearance of some of the world's most valuable art, on Aug 30. – **Travel Channel**'s "Mysteries at the Museum" is back for a 7th season on Sept 12. -- **Starz**

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will air the 2nd season of its original series "Power" starting Aug 12. -- **Nat-Geo Wild** will premiere new reality series "Pond Stars" on Sept 5.

Wearable Weather Channel: **The Weather Channel** is coming to the Pebble customizable smartwatch, with the launch of its weather app. The app seeks to enable users to see the current time and temperature on the home screen. In addition, with a shake of their wrist comes the 3-day forecast.

***People*: Scripps Networks Interactive** tapped industry vet *Dylan Jones* as svp, corporate communications, reporting to *Mark Kroeger,* evp and chief communications officer. Jones most recently headed **EMI Group**'s corporate communications team. -- **Fox International Channels** hired *Prentiss Fraser* in the newly created role of svp, global entertainment sales, reporting to evp of global sports and content sales *Simon Thomas*. She was most recently svp, worldwide sales and acquisitions at **Entertainment One Television International.** -- **Syfy** named *Heather Olander* svp, alternative series development and production, effective immediately. She will report to *Bill McGoldrick*, evp of original content.

Editor's Note: Tick, tock... The early bird discount for the TV Innovation Summit in NYC on Sept 18 expires on Fri. Don't miss this insightful event conveniently taking place the day after the Kaitz dinner. Register at www.cablefax.com.

CableFAX Daily Stockwatch

Company	08/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	84.51	(0.64)
DISH:	63.21	1.06
ENTRAVISION:	5.70	0.18
GRAY TELEVISION:	12.22	0.27
MEDIA GENERAL:	19.00	(0.64)
NEXSTAR:	46.38	0.12
SINCLAIR:	32.30	0.49
MSOS		
CABLEVISION:	18.33	0.25
CHARTER:	153.76	(1.21)
COMCAST:	52.90	(0.28)
COMCAST SPCL:	52.79	(0.23)
GCI:	11.01	0.04
GRAHAM HOLDING:	709.62	(0.35)
LIBERTY GLOBAL:	42.26	0.78
LIBERTY INT:	27.18	(0.13)
SHAW COMM:	24.72	0.09
TIME WARNER CABLE:	144.27	(1.12)
PROGRAMMING		
21ST CENTURY FOX:	32.33	1.03
AMC NETWORKS:	59.57	0.17
CBS:	57.65	0.66
CROWN:	3.51	(0.07)
DISCOVERY:	83.02	(1.23)
DISNEY:	86.59	(0.16)
GRUPO TELEVISA:	35.39	(0.21)
HSN:	55.90	(0.01)
LIONSGATE:	30.86	(0.29)
MADISON SQUARE GARDEN:	59.56	(0.37)
SCRIPPS INT:	82.08	(1.41)
STARZ:	28.24	(0.5)
TIME WARNER:	74.24	(10.95)
VALUEVISION:	4.75	0.12
VIACOM:	80.39	(1.67)
WWE:	14.10	0.13
TECHNOLOGY		
ADDVANTAGE:	2.39	0.01
ALCATEL LUCENT:	3.30	0.07
AMDOCS:	45.06	0.01
AMPHENOL:	97.82	0.45
AOL:	41.92	2.92
APPLE:	94.96	(0.16)
ARRIS GROUP:	30.02	0.24
AVID TECH:	7.45	(0.06)
BROADCOM:	37.05	(0.16)
CISCO:	24.93	(0.04)
CONCURRENT:	7.38	(0.01)

Company	08/06 Close	1-Day Ch
CONVERGYS:	19.27	0.21
CSG SYSTEMS:	27.10	0.04
ECHOSTAR:	50.60	0.16
GOOGLE:	566.37	1.30
HARMONIC:	6.16	0.04
INTEL:	32.84	0.03
INTERACTIVE CORP:	63.80	(0.96)
JDSU:	11.89	0.10
LEVEL 3:	42.39	(0.61)
MICROSOFT:	42.74	(0.34)
NIELSEN:	46.46	(0.53)
RENTRAK:	49.96	(1.72)
SEACHANGE:	7.66	0.08
SONY:	17.75	(0.26)
SPRINT NEXTEL:	5.90	(1.38)
TIVO:	13.50	0.09
UNIVERSAL ELEC:	47.88	0.45
VONAGE:	3.47	(0.05)
YAHOO:	35.79	0.09
TELCOS		
AT&T:	34.62	(0.49)
CENTURYLINK:	38.77	(0.52)
TDS:	24.60	(0.95)
VERIZON:	49.13	(0.53)
MARKET INDICES		
DOW:	16443.34	13.87
NASDAQ:	4355.05	2.22
S&P 500:	1920.24	0.03

Think about that for a minute...

The Race... Then What?

Commentary by Steve Effros

While I have lamented the "race" that has been triggered for the American cable infrastructure to offer "1Gig" service for some time now, I have to admit that my pleas for common sense have gone for naught. The race is on. I'm just not sure what folks are expecting to happen when the finish-line is reached.

This particular nonsensical dash had as its starting line the incessant complaint from a very small segment of broadband users and enthusiasts that "we" were "falling behind" such nations as South Korea in the unending challenge to have the best, fastest, largest, prettiest, coolest, most "advanced" broadband system in the world. I'm sure you remember all that. It still resonates in Congressional speeches whenever there is a need to try to rally the troops for some Internet cause.

As has repeatedly been pointed out, however, the statistics, comparisons and claims are at best weak and in most cases specious. So the pitch changed to one of the "best" technology, and "we" were, once again, falling behind. Fiber became the Pied Piper's flute of choice. Fiber was the miracle. Fiber to the home was the only "real" future-proof infrastructure, and speed was king. Again, it was pointed out that fiber is simply another type of cable, that there are a lot of different technical configurations, including the dominant "HFC" infrastructure already built in the United States that can deliver the speed everyone is talking about, and there is no real economic argument for justifying things like additional "muni" systems just so that new fiber systems can be built alongside the perfectly capable ones already there.

Nevertheless, thanks in major part to the PR machine of Google, which has clear ulterior motives for wanting everyone to use as much bandwidth as possible, and industrial policy advocates who want as many systems built as possible to try and sustain their theory that this will automatically increase service and reduce price, the race is now on to provide "fast" service. There's no way this race is going to end well.

To be sure, all the broadband providers have now jumped out of the starting gate. The announcements come almost daily of new, faster service tiers, many of them provided with no increase in price. The "speed" has gotten to the point where technologists quietly acknowledge that the average consumer will not and cannot experience the difference. Moving from 50 to 100 Mbps service may sound great, and maybe some companies are even trying to convince their customers to pay for that increase, but the fact is almost none of those customers will be able to tell the difference regarding the service they are experiencing.

OK, so we get these quantum jumps in speed and advertising about the speed that few can take any advantage of. Then what? It goes from 20 to 50 to 100 to 300 Mbps and then on up to 1 Gig. Then what? My guess is that the "consumer" folks will then do a "180" and start complaining about the fact that broadband companies are trying to sell the average consumer a "speedy" product that they don't need!

The speed race is a misleading, anti-consumer PR war. The current technology is fully capable of supplying whatever most consumers actually choose to use. Building much "faster" infrastructure today risks depletion of capital for when it will really be needed when the "next round" of true technological breakthrough comes about. And make no mistake about it, it will.

Steve

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