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What the Industry Reads First

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Time Warner: OTT HBO Planned in 2015

After months of speculation, a standalone version of HBO Go is finally a Go. "In 2015, we will be beyond the wall and launch a standalone over-the-top service that will have the potential to produce hundreds of millions of dollars of additional revenues," chmn/CEO *Richard Plepler* said at parent company **Time Warner's** Investor Day meeting on Wed. He noted that the current 10mln broadband-only homes in the US will only grow over time. In total, 80mln US homes don't have HBO. "We will use all measures to go after them," the exec said. Internationally, Plepler sees even bigger opportunities. "This is the most exciting inflection point domestically and internationally in the history of HBO," and OTT could generate hundreds of millions of dollars in additional revenue, he said. He noted that the net has already talked to nearly every major distributor about the strategy and predicted pay-TV providers will "lean into having their broadband make money with us." Plepler emphasized the goal is to work with the net's current distribution partners and possibility explore business models with new partners. Without directly commenting on the move, a **Cox** spokesman reiterated that the MSO's goal is to "give customers the content they want on the platforms they choose, and we will continue to work with our partners to accomplish that." HBO's departure from the traditional TV model could trigger other nets making similar moves, several analysts said. "Cable programmers like **Viacom** and **A&E** are thrilled that HBO is shining a light down a path they may all have to contemplate in the future," *James McQuivey* with **Forrester Research** wrote. Time Warner shares, which opened at \$67.78, went up to as high as \$73.70, following the news. Though it's unclear how much of HBO's programming will be made available on the OTT platform, the news is enough to catch **Netflix** investors' attention. The streaming service's shares were down as much as 4.2% in the morning. CEO *Reed Hastings* thinks investors have little to worry about. "It's just one more channel... It's not much of a change in the direct competitive landscape. We and HBO have completely different content," the exec said during the company's earnings call late Wed. In a letter to shareholders, Netflix said "starting back in 2011 we started saying that HBO would be our primary long-term competitor, particularly for content. The competition will drive us both to be better. It was inevitable and sensible that they would eventually offer their service as a

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standalone application. Many people will subscribe to both Netflix and HBO since we have different shows, so we think it is likely we both prosper as consumers move to Internet TV.”

More from TW: Time Warner chmn/CEO *Jeff Bewkes* is bullish on the company’s earnings in the next few years. The company had “more than sufficient scale to compete,” he said at the company’s Investor Day conference, expecting TW to reach earnings of around \$6 a share by 2016 and more than \$8 a share by 2018.

Netflix Earnings: Adding more than 3mln net new subs in 3Q, **Netflix** counted 53mln subs worldwide at the end of the quarter, including 37.22mln domestic subs and 15.84mln international subs. Financially, it posted \$1.22bln in revenue, up from \$884mln a year ago. In the US, the company added about 1mln new subs, down from 1.3mln from a year ago partly due to a price increase earlier this year that affected new customers. “In hindsight, we believe that late Q2 and early Q3 the impact of higher prices appeared to be offset for about two months by the large positive reception to Season Two of *Orange is the New Black*,” Netflix said in its letter to shareholders. “We remain happy with the price changes and growth in revenue and will continue to improve our service, with better content, better streaming and better choosing. The effect of slightly higher prices is factored into our Q4 forecast.” The company is midway through switching to native HTML5 streaming for laptop players, which it said would improve the viewing experience. Meanwhile, the company will continue to push strong net neutrality rules “to prevent large ISPs from holding our joint customers hostage with poor performance...” It will also continue to advocate against the **Comcast-Time Warner Cable** merger, or “at the very least, prevent a combined company from charging for interconnection.”

TWC Launches TV Japan: Time Warner Cable is teaming with **International Media Distribution**, the provider of in-language TV programming in the US, to launch **TV Japan**, the 24-hour Japanese-language channel in Austin, Dallas, and Greenville starting Wed. The MSO is offering a 2-week free preview of the net from Oct 15-31.

Scripps Cuts Jobs: Following **Turner’s** recent move to cut 1400 jobs, **Scripps** is offering some of its employees voluntary buyouts to reduce costs, according to a staff memo obtained by the **Knoxville News Sentinel**. The buyouts are reportedly being offered to employees in the US 55 years and older with more than 10 years service to the company.

NBC Sports Debuts Micro-Site: **NBC SportsWorld** is the new micro-site within NBCSports.com that **NBC Sports Digital** launched Wed to focus on long-form storytelling. The new site will feature content including films and documentaries produced by the NBC Sports Group.

Ratings: **WEtv’s** “Kendra on Top” season 3 premiere on Oct 3 pulled in more than 1mln viewers Live+3. In addition, 2 new 30-min eps airing back-to-back on Oct 10 both outperformed the premiere, with episode 3 growing 14% from the premiere, to 1.2mln viewers, a series high.

TV Games: **A&E** is teaming with **Activision Publishing** to launch the “Duck Dynasty” video game. The hunting adventure game is now available on the PS4 and Xbox One platform, for \$49.99 suggested retail, and for \$39.99 on PS3, Xbox 360 platforms. It’s rated T (Teen) by the Entertainment Software Rating Board. A separate version, rated E10+, is available on the Nintendo system for \$29.99, featuring a more animated look.

Research: The global market for broadband consumer premises equipment (CPE) will end 2014 with the highest growth in revenue since 2010, increasing by 20% from 2013 to reach nearly \$11bln, according to **IHS Technology**. That’s partly due to the continuing growth of online video consumption and the number of connected devices in consumers’ home, said IHS senior analyst *John Kendall*. Meanwhile, broadband CPE shipments featuring the 802.11ac specification will continue to grow, with total HHs owning ISP-supplied 802.11ac expected to rise to 472mln in 2018. That would be up from just 116K in 2013.

On the Circuit: **WWE** chief brand officer *Stephanie McMahon* was selected as a 2015 Eisenhower USA Fellow, 1 of 9 US leaders to participate in the international leadership exchange program.

Programming: **Syfy** acquired new original series “Dark Matter” by **Prodigy Pictures**. The 13 1-hour eps, based on the graphic novel of the same name, will air in 2015. – **Netflix** scored a rights deal with **Warner Bros Worldwide**

BUSINESS & FINANCE

Television Distribution to get all 10 seasons of "Friends." Starting Jan 1, the series will be available to Netflix subs in the US and Canada. The deal marks the 1st time the series will be available on a streaming service.

People: **Viacom** named *Ross Martin* to the newly created position of evp, marketing strategy and engagement for **Viacom Media Networks**, overseeing corporate research, data and creative strategy teams. He will continue to report to *COO Rich Eigendorff*. Martin was most recently evp of **Scratch**, Viacom's creative consulting team. The company also appointed *Kern Schireson* to the newly created position of evp, data strategy and consumer intelligence. Schireson joined Viacom from **Schireson Associates**, a data science and analytics firm he founded in 2003. -- *Jane Mago*, general counsel and evp of the **NAB** legal department, will retire following a 10-year career at the trade group. She will be succeeded by evp of strategic planning *Rick Kaplan*. Mago came to NAB in 2004 after a 26-year career at the **FCC**. -- **NBCU's** Hispanic cable net **mun2** hired *Peter Dobrow* as vp, communications, reporting to *Ruben Mendiola*, pres. He was most recently exec dir, corporate communications at **Comcast**.

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CableFAX Daily Stockwatch

Company	10/15 Close	1-Day Ch	Company	10/15 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	83.63	(1.23)	CONVERGYS:	18.06	UNCH
DISH:	58.86	UNCH	CSG SYSTEMS:	25.22	(0.58)
ENTRAVISION:	4.48	0.15	ECHOSTAR:	44.17	0.12
GRAY TELEVISION:	7.99	0.32	GOOGLE:	530.03	(7.91)
MEDIA GENERAL:	13.67	0.32	HARMONIC:	6.11	0.35
NEXSTAR:	39.97	1.82	INTEL:	31.27	(0.86)
SINCLAIR:	26.15	0.98	INTERACTIVE CORP:	58.91	0.33
MSOS					
CABLEVISION:	17.43	(0.01)	JDSU:	11.76	0.08
CHARTER:	142.45	(0.52)	LEVEL 3:	39.71	0.32
COMCAST:	50.85	(0.62)	MICROSOFT:	43.22	(0.51)
COMCAST SPCL:	50.76	(0.5)	NIELSEN:	41.82	(0.3)
GCI:	11.11	0.08	RENTRAK:	73.90	3.69
GRAHAM HOLDING:	690.00	4.42	SEACHANGE:	7.16	0.08
LIBERTY GLOBAL:	41.29	(0.21)	SONY:	17.04	(0.01)
SHAW COMM:	24.05	0.25	SPRINT NEXTEL:	6.11	0.07
TIME WARNER CABLE:	136.14	(1.4)	TIVO:	12.37	0.30
PROGRAMMING					
21ST CENTURY FOX:	31.77	(0.13)	UNIVERSAL ELEC:	51.67	0.08
AMC NETWORKS:	55.00	0.06	VONAGE:	3.39	0.24
CBS:	50.75	0.82	YAHOO:	37.82	(0.15)
CROWN:	3.24	0.02	TELCOS		
DISCOVERY:	34.45	0.14	AT&T:	33.87	0.03
DISNEY:	82.08	(2.06)	CENTURYLINK:	38.61	(0.22)
GRUPO TELEvisa:	33.55	0.30	TDS:	23.20	0.72
HSN:	60.96	(0.4)	VERIZON:	47.92	(0.3)
LIONSGATE:	30.06	0.60	MARKET INDICES		
MSG:	61.72	1.46	DOW:	16141.74	(173.45)
SCRIPPS INT:	73.50	(1.38)	NASDAQ:	4215.32	(11.85)
STARZ:	30.73	(0.88)	S&P 500:	1862.49	(15.21)
TIME WARNER:	72.21	1.57			
VALUEVISION:	5.03	UNCH			
VIACOM:	68.25	(0.83)			
WWE:	14.03	0.19			
TECHNOLOGY					
ADVANTAGE:	2.31	(0.01)			
AMDOCS:	45.01	(0.25)			
AMPHENOL:	47.07	0.63			
AOL:	38.45	(1.25)			
APPLE:	97.54	(1.21)			
ARRIS GROUP:	24.66	0.17			
AVID TECH:	9.40	0.15			
BLNDER TONGUE:	1.05	(0.05)			
BROADCOM:	35.46	0.05			
CISCO:	22.96	(0.1)			
COMMSCOPE:	24.75	(0.08)			
CONCURRENT:	6.94	(0.19)			

November 11 | 12
Williamsburg, Virginia



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Anyone But Them

Commentary by Steve Effros

If it wasn't clear before, it certainly is now that the debates over things like "net neutrality" (a term no one seems to be able to define) and "prioritization," or "fast lanes" and "slow lanes," are really just proxies for an underlying, very typical fight between major industrial sectors over who will be benefitted from potential governmental action.



While the "fight" is characterized in the popular press as being one between the big broadband providers and "consumers," in fact the financing and logic behind the organized "consumer" lobbying comes primarily from some extraordinarily big "edge" companies that have grown to proportions never seen before in the business world.

That's not to say that activist computer users aren't part of the mix. They are. Like any other consumer group, particularly the "early adopters" and the small percentage of very heavy users, want more... they want faster, they want bigger, and they want it cheaper. That's to be expected. But when this same group floods government with emails and form "comments" in rulemakings, using their acknowledged expertise at creating viral electronic havoc, they are not really reflecting much reasoned analysis, they are repeating campaign phrases that have been carefully crafted in many cases by the major companies that would benefit from the government acting in one way or another.

What needs to happen is an open discussion of who the ultimate beneficiaries of government actions would be, not simply the projected economic theories and fears injected into the arguments by those who in many cases have no idea of the details of what they are advocating, like "Title II" regulation. There is every indication that hundreds of thousands of "comments," for instance, were filed supporting such regulation by folks who have no idea what it is!

The "Edge" players, Google, Amazon, Netflix, and the like can get major benefit from the government actions they are promoting. In particular, it could cement their dominance. I use that word intentionally. In upcoming columns I'll be exploring just how big these companies are, how dominant they are in their respective areas, and how powerful they have become in the marketplace. They are also totally inconsistent in their arguments but very good at getting other folks to take up their causes under the guise of consumerism.

Just one recent example this time around should serve to tee up what I think needs a lot more light and thought; Netflix just announced that it is planning to change its subscriber fee for the delivery of so-called "4K" Ultra-High-Definition video. They have promoted their delivery of 4K online as a breakthrough for this new, only appreciated by very few wealthy folks at this point, technology. But it costs more to deliver. More data, lots more data. So Netflix has decided to "tier" the service. You can only get it if you subscribe to their most expensive tier, not their regular one.

OK, I understand that. It takes more resources to make, it takes more resources to transmit and deliver, so it should cost more. But Netflix is also the loudest opponent of any "tiering" of broadband delivery, thus the bogus allegation of "slow lanes." The danger they see is that maybe they and other edge providers would be expected to pay, rather than the entire consumer base of broadband customers. Make no mistake, the real energy behind this current battle is who is going to pay, and the "edge" folks are hoping the government will make the call that it will be anyone but 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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