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What the Industry Reads First

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Charter Outlook: 3Q Sub Losses Improve as Comcast-TWC Merger Looms

Charter released its 3Q results Wed, 2 days before its scheduled earnings conference call, primarily because the company's new offer of \$1.5bln of senior unsecured notes will be used to fund series of asset transfers related to the **Comcast-Time Warner Cable** merger. Charter is set to acquire 1.4mln existing TWC subs, following the close of the merger, and Charter and Comcast will each transfer 1.6mln subs respectively. During 3Q, Charter narrowed the loss to \$53mln from \$70mln a year ago. Revenues of \$2.3bln were up 8% YOY. Video sub losses continued to improve. It lost about 9K video subs in the quarter, compared to the year-ago period when it lost about 27K. It added 94K net new customers in the period. At the end of 3Q, Charter completed more than 80% of its all-digital initiative, having deployed more than 2mln set-tops since the start of its all-digital transition in 2013. The company said it's on schedule to complete the initiative by year-end. Charter's pre-merger results provide "a critical glimpse into the Charter formula," **MoffettNathanson** analysts wrote in a research note, calling sub metrics, revenue growth and margins "all healthy and growing nicely." The long-term story for the MSO is "the most compelling in cable," they said. After the asset swaps with Comcast post-merger, Charter would take its already-low overlap with telco fiber even lower, leaving it with a head-to-head fiber-based competitor in just 3% of its footprint, they noted. That said, the near-to-mid term outlook is a different picture. The asset swap means Charter would absorb TWC systems that are not yet all-digital and that have posted operating results nowhere near Charter's. "Charter will have some heavy lifting to do," the analysts said. However, plans can change. Over the last few weeks, investors seemed to have become somewhat negative on the Comcast-TWC merger, according to **Bernstein Research** analysts, citing recent potentially merger-related developments that seemed to be causing concern. They include the stopping of the FCC's informal 180-day clock and subsequent suspension of the pleading cycle, the potential outcome of the FCC's net neutrality proceeding and continuing filings with the Commission opposing the merger. In addition, more regulatory analysts have started expressing doubts about the odds of approval. Although pausing the review cycle will likely delay the timing of a decision, potentially into late 1Q or even early 2Q, Bernstein analysts said the concerns aren't meaningful but pointing out that no one at **DOJ** and FCC would discuss, even off the record, how the regulators working on the deal are thinking about the review. Comcast said earlier

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that it's routine for the FCC to pause the review of significant transactions and that it's still confident the Commission will resolve the issues quickly so that review will be completed in early 2015. Meanwhile, the **AT&T-DirectTV** merger might also face potential delay. The FTC has sued the telco in federal court over allegedly "deceptive" and "unfair unlimited data plans. The complaint is about deceptive marketing, not data speeds. The lawsuit wouldn't necessarily stop the merger, but it may delay the resolution slightly, **ISI** analyst *Terry Haines* said. He added that the complaint, and the cooperation between the **FTC** and **FCC** (the 2 agencies are working together on the matter) means the **FCC** would dig further into AT&T's data policies, not just in mobile. "Expect new rounds of comments seeking to stop the merger on data speed concerns, with the potential that **FCC** grants some extensions of time to consider them," he said.

MVPD Definition: **NCTA**'s not a big fan of the **FCC** chmn *Tom Wheeler*'s proposal to redefine MVPD. "Redefining what it means to be an MVPD raises profound questions about how government will extend regulation to Internet video services and how any would-be virtual MVPDs will meet their 'social compact' obligations," the trade group said in a statement Wed. Wheeler circulated a proposal Tues that would update the definition of MVPD so that online video distributors offering linear channels would have access to the same programming owned by cable ops and the same ability to negotiate to carry broadcast stations. "With so many unknowns, the **FCC** should take great care in any such examination so as to avoid creating new problems that would result in unintended consequences and would fail to honor principles of competitive neutrality among rival providers," **NCTA** said.

TheBlaze Meets FCC: *Glenn Beck's TheBlaze's* regulatory team met with the **FCC** to discuss their concerns over the **Comcast-Time Warner Cable** merger, according to an ex parte filing. The company claimed the largest MVPDs, including the merging companies, have cited the availability of TheBlazeTV.com as an obstacle or adverse factor to gaining MVPD carriage, while none of the nearly 80 other MVPDs that carry the net have requested restrictions on continued distribution of TheBlazeTV.com as a carriage condition. TheBlaze also argued that the **FCC**'s existing program carriage regime has not eliminated discrimination from vertically integrated MVPDs and suggested an arbitration condition to address carriage discrimination claims by unaffiliated indie nets. The arbitration would "compel the merging companies to be transparent and even-handed in making programming decisions; and, with limited discovery, arbitration would showcase the less favorable treatment of independent networks compared to Comcast affiliated networks with respect to the ease with which they are permitted to rebrand, expectations with respect to program ratings, breadth and scope of MFNs and ADMs [alternative distribution method clauses], and demands that Comcast must 'make money' on the distribution of independent content."

FCC Joins GPEN: The **FCC** joined the **FTC** in representing the US in the Global Privacy Enforcement Network (GPEN), an international group of privacy regulators and enforcers. The group seeks to promote and support law enforcement cooperation and collaboration on cross-border privacy enforcement actions.

MSG Go Launched: **MSG Networks** jumped on the TVE bandwagon Wed, announcing **MSG GO**, which allows authenticated subs to access live TV and on demand content across iOS and Android. Set to launch in Dec, the service would enable access to all live Knicks games as well as live pre- and post-game shows.

Carriage: Sportsman Channel gained additional carriage for Sportsman HD in the **Comcast** Chicago market. The net was launched in South Bend and Central Illinois earlier this month.

On the Circuit: **The Alliance for Women in Media Foundation** (AWMF) and **NCTA** announced the winners of their joint scholarship: *Amelia Giller* from the University of Southern California, and *Saman Malik* from Columbia University. The stipulations for the scholarships were that the winners would produce a concept for a digital piece, essay or other creative concept addressing areas including the significance in today's society of digital literacy and 21st century skills; a forecast of trends in new and digital media as they may affect users and providers of services, or cable industry public policy viewpoints. The original scholarship was planned to be awarded to only one individual, but the groups felt compelled to expand the program to include 2 given the high quality of applications.

Ratings: **Food Network's** Sun night ranked #3 among all cable nets with a 0.6 rating (620K impressions) among 25-54s. The season finale of "Halloween Wars" landed in the #3 slot for its 9pm timeslot posting a 0.9 rating, up 13% from last season's finale. "Cutthroat Kitchen" ranked #2 in its 10pm timeslot, posting a 0.7 rating.

BUSINESS & FINANCE

Programming: Telemundo and mun2 announced plans to feature 188 FIFA soccer events during 2015, totaling 550 hours. The nets will cover 4 FIFA events, including the New Zealand-based Men's FIFA U-20 World Cup May 30-June 20, the FIFA Women's World Cup in Canada June 6-July 5, the Men's FIFA Beach Soccer World Cup in Portugal July 9-19 and the FIFA U-17 World Cup in Chile Oct 17-Nov 8. The commentator team will be led by *Andres Cantor* and feature a combo of former players such as *Carlos Hermosillo* and *Manuel Sol* and soccer experts including *Sammy Sadovnik*. -- **Lifetime** ordered 2-hour special "The Women of The Bible," which will air on Dec 7. -- **Syfy** picked up "Ghost Hunters" season 10 and "Paranormal Witness" Season 4. Both series receive 13 ep orders and will return in 2015.

People: EWTN Global Catholic Network tapped *Patricia "Patti" Connolly* to be vp of HR. -- **BBC Worldwide North America** expanded *Nick Ascheim's* role as svp of consumer digital to include management of the digital advertising sales team, effective immediately. In addition, *Shaun Hekking* was tapped as vp, US ad sales, BBC Digital, and will co-manage the team along with *KJ Shockey*, vp, ad sales, BBC Digital. Hekking will report to Ascheim, who will report to *Ann Sarnoff*, COO.

CableFAX Daily Stockwatch

Company	10/29 Close	1-Day Ch	Company	10/29 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	84.44	0.42	CONVERGYS:	19.55	0.01
DISH:	61.95	0.52	CSG SYSTEMS:	26.37	0.25
ENTRAVISION:	5.11	(0.01)	ECHOSTAR:	46.60	(0.07)
GRAY TELEVISION:	8.83	(0.03)	GOOGLE:	549.33	0.43
MEDIA GENERAL:	14.41	(0.01)	HARMONIC:	6.12	(0.25)
NEXSTAR:	43.75	0.02	INTEL:	33.92	0.18
SINCLAIR:	28.82	0.11	INTERACTIVE CORP:	66.11	0.95
MSOS					
CABLEVISION:	18.82	0.01	JDSU:	12.43	(0.04)
CHARTER:	153.71	(3.69)	LEVEL 3:	44.59	(0.42)
COMCAST:	54.90	0.17	MICROSOFT:	46.62	0.13
COMCAST SPCL:	54.73	0.14	NETFLIX:	378.10	(8.12)
GCI:	11.63	0.08	NIELSEN:	41.92	(0.13)
GRAHAM HOLDING:	765.92	1.92	RENTRAK:	78.70	0.30
LIBERTY GLOBAL:	45.26	(0.52)	SEACHANGE:	6.61	UNCH
SHAW COMM:	25.64	(0.19)	SONY:	18.36	0.64
TIME WARNER CABLE:	143.75	1.16	SPRINT NEXTEL:	6.00	(0.04)
PROGRAMMING					
21ST CENTURY FOX:	34.35	0.04	TIVO:	13.08	0.03
AMC NETWORKS:	60.72	0.75	UNIVERSAL ELEC:	54.88	0.28
CBS:	54.06	(0.01)	VONAGE:	3.40	(0.05)
CROWN:	3.35	(0.09)	YAHOO:	45.43	(0.44)
DISCOVERY:	37.02	(0.22)	TELCOS		
DISNEY:	89.53	(0.4)	AT&T:	34.40	0.07
GRUPO TELEVISA:	34.87	0.14	CENTURYLINK:	40.99	(0.04)
HSN:	67.01	(1.54)	TDS:	25.00	(0.12)
LIONSGATE:	33.04	0.05	VERIZON:	49.83	(0.13)
MSG:	74.72	1.73	MARKET INDICES		
SCRIPPS INT:	76.82	0.42	DOW:	16974.31	(31.44)
STARZ:	30.73	(0.16)	NASDAQ:	4549.23	(15.07)
TIME WARNER:	78.61	(0.99)	S&P 500:	1982.30	(2.75)
VALUEVISION:	5.48	0.03	TECHNOLOGY		
VIACOM:	73.46	0.23	ADVANTAGE:	2.41	UNCH
WWE:	13.27	(0.47)	AMDOCS:	46.71	(0.16)
TECHNOLOGY					
AMPHENOL:	49.19	(0.04)	AOL:	42.53	0.42
AOL:	42.53	0.42	APPLE:	107.34	0.60
APPLE:	107.34	0.60	ARRIS GROUP:	27.98	0.04
ARRIS GROUP:	27.98	0.04	AVID TECH:	10.10	0.05
AVID TECH:	10.10	0.05	BLNDER TONGUE:	1.08	(0.05)
BLNDER TONGUE:	1.08	(0.05)	BROADCOM:	40.33	(0.09)
BROADCOM:	40.33	(0.09)	CISCO:	24.10	0.04
CISCO:	24.10	0.04	COMMSCOPE:	25.12	0.05
COMMSCOPE:	25.12	0.05	CONCURRENT:	6.89	(0.76)
CONCURRENT:	6.89	(0.76)			

November 11 | 12
Williamsburg, Virginia



VIRGINIA CABLE SHOW

Virginia Cable Telecommunications Association
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2014

Think about that for a minute...

Inconvenient Precision

Commentary by Steve Effros

What's a "television"? Who's a "television viewer"? Seems like pretty straight-forward stuff, but even though entire industries are based upon the answers to those questions, the terms are getting almost impossible to define, or at least different folks want to define them for different reasons and therefore have different answers!



It used to be simple. We had television broadcast stations (so-called "free TV," which the public now pays billions of dollars for) and we had television sets to watch them. The entire television advertising industry was premised on being able to determine who was watching what. That, of course, includes most local broadcasters, because after all, that's their basic business; selling advertising. The ad prices were based on the "reach" of each show and the projected demographics of the particular audience. That's still pretty much the way it works, but everyone knows that the projections and viewer counts are flat-out wrong. It's just very hard to change the system, so the broadcasters have stuck with the creative math, and the advertising industry, reluctantly, has gone along because for a long time there was nothing better.

But now the whole system is falling apart. First, the question of what a "television" is. When my son went to college more than ten years ago we bought him a computer, no TV. That computer screen doubled as a "television set." It had inputs for a cable box or broadcast or satellite tuner and he was able to watch what he wanted. Was he counted as a "television viewer?" Today we hear more and more that there are fewer folks watching "television," but more watching "video" on screens variously described as "mobile" or "smartphones" or "tablets." But essentially they are all very similar screens, and they are still receiving and displaying the same programs. Some

of those programs are delivered via a "stream," linearly, and others are "on demand" via cloud servers. But so what? The viewer is still the viewer, the program is still the program, and yet some insist on making fine distinctions based on how they are being viewed. Why?

Well, it has a lot to do with various companies not wanting to see ad revenues shift along with the viewing market, whatever that is defined as being. And it also has to do with the law and regulations not in any way keeping up with what is going on, so maintaining or changing definitions to fit the business plan or the regulatory structure are the name of the game.

The FCC, for instance, wants to keep regulatory control of broadband, so it has to continue to claim that broadband is not being efficiently and widely delivered nationwide. If it was, they would have no rationale to regulate. The solution; keep changing the definition of "broadband" to insist on higher and higher benchmarks, thus maintaining jurisdiction.

The advertisers would prefer to pay less for "broadcast" program ads, and they're happy with the older decreasing measurements of "live" viewers. But technology has moved on, and lots of us use DVRs or servers to watch programs when we want, even if it's days after the program was originally "broadcast." Could that viewership be technically counted? Sure. In fact, it could be counted to a scary precision—down to the individually owned device. But that would lead to all sorts of privacy, business and regulatory issues, thus the ability to actually be precise would be very inconvenient for those who wanted to maintain the status quo. So the game of definitions continues.

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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