www.cablefaxdaily.com, Published by Access Intelligence, LLC, Tel: 301-354-2101

5 Pages Today

Cablefax Daily™

Thursday — November 6, 2014 | What the Industry Reads First | Volume 24 / No. 21+

Zaslav's Eurosport Strategy: Go Local, Local, Local

What was **Discovery Comm**'s pres & CEO *David Zaslav* doing at a sports conference? Laying out the company's strategy for **Eurosport**, of which it took a controlling interest earlier this year. "There's a lot we need to learn about sports," he told the crowd at *SBJ/SBD*'s NeuLion Sports Media & Technology conference in NYC Wed, but Discovery brings to the table knowledge of traditional content, sales and distribution. And it has people on the ground. "We have on average 8 channels in 230 countries around the world," he said. "Not only do we have channels, but we have local infrastructure. So we essentially have a factory in every country," as well as a cultural sense of how the region works. The reasons for investing in Eurosport were 2-fold: its "unique platform" from which Discovery can efficiently sell on a pan-European basis, and the opportunities it provides for filling in additional content investment and launching new channels at the local level. On that local component: A number of countries will have the equivalent of an **ESPN**-like network across all of Europe as well as the equivalent of a regional sports network. And given that in Europe the most popular sport varies country by country, "there's a lot of opportunity for lesser dollars to pick up some sports that seem like they're niche—and in many of our 70 countries they are niche—but in some countries they're the most important sports," he said. Those varied tastes and different markets will lead to "more efficient economic growth." Will Discovery get into sports here in the US? "It's too late for us here," and the US market is currently "extraordinarily well served"—something that's forced Discovery to work harder, he said. "It's pushed a lot of the media companies in the US to get more sports, to get more fees, or as an insurance that they'll always be able to get more fees," he said. "The number one thing we have to do is make our channels more important." Which brings us to Zaslav's thoughts on consolidation: "We're watching it because we've seen what goes on around the world," he said. "When you have monopsony of power… It's a real challenge for the consumers, and it usually results in a significantly less investment in content." The company's bet is to get more people watching its channels. "We think we'll have a fair shake when we sit down with distributors because there's enough distributors in the marketplace." But consolidation "raises real issues of program investment," he said. "Comcast and Time Warner together are 17 of the top 20 markets… we've seen this movie before outside the US, and it usually doesn't end well."

SBJ/SBD's NeuLion Notebook: In the midst of OTT plays by traditional media networks, how burdened is the bundle?

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Associate Publisher: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Sr Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Jr. Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ● Dir of Market Dev: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Prod: Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group, dschwartz@accessintel.com ● Group Subs: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Sub Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: $1,599/year ● Access Intelligence, LLC, 4 Choke Cherry Road, 2nd Floor, Rockville, MD 20850

Fox Networks Group pres/COO *Randy Freer* said "the future is still rosy right now. The deeper we get into this, I think the more we realize, the opportunity that's created by the bundle… even more opportunity than the last decade or so." Whether it's bundling or "rebundling" of services—i.e. the creation of different and smaller packages—it's "going to be good for everyone," he said. **NBC Sports Group** chmn *Mark Lazarus* added that offering direct-to-consumer services "reaffirms the value" of the product. "There may be business there that we can all benefit from." Meanwhile, the value of the bundle is not keeping **Turner Broadcasting System** pres *David Levy* up at night. "The real question is how do we get the numbers… It's about the nevers," which includes about half of all kids on college campuses today, he said. But do OTT services, like the ones launched by **HBO** and **CBS**, provide added stress to the cable bundle? "We're not saying you should cut your cord," said CBS Sports chmn *Sean McManus*. "We're not hoping this replaces traditional ways of viewing television. We're saying if you want to view this product, you can." But at the same time it gives CBS "a hedge against companies like Aereo… it gives us a hedge against the new technology, and it also gives us a hedge against the cable, satellite and telco providers. We're not doing it as a threat… we're saying… there's another way for you to get it," he said. Levy said HBO's OTT play exposes new people and recaptures ex-subs. "We don't think it's a threat to the business. We think it's an add-on."

Time Warner 3Q: **Turner** CEO *John Martin* fired back at **DISH** during parent **Time Warner**'s 3Q conference call Wed. "We honestly have no idea what DISH was talking about yesterday," said Martin, adding that he was disappointed in the "very antagonistic and aggressive nature" of Ergen's comments. The DISH chmn said Tues that the provider is ready to part ways with Turner if the pair can't reach an agreement. "It's fair to say we disagreed with virtually everything he said… We're disappointed particularly given the fact that DISH have previously agreed to our network's rates and our carriage proposals weeks ago," Martin said. In addition, the programmer's dispute with DISH might jeopardize Turner's potential participation in DISH's planned OTT service, said Martin. But "we believe in our brands, and we are willing to work constructively to get a deal done in the near term." The company raised its full-year 2014 outlook to high teens adjusted EPS growth. Losing DISH could mean adjusted EPS would likely come in toward the lower end of the projected growth range, CFO *Howard Averill* said. While TW is committed to the traditional video business, it "can't ignore the opportunity beyond the ecosystem," chmn/CEO *Jeff Bewkes* said. "I talked to all of our distributors about [**HBO**'s OTT plans]. We want to lean in with them early in the new year and begin working on the plans for this for 2015. And I see nothing but upside for us, nothing but upside for the consumer, nothing but upside for our distributors," HBO chief *Richard Plepler* said. Initially, the net will go after the 70mln pay-TV homes that don't subscribe to HBO. And in the broadband-only universe, "there's 4 million to 5 million also working with our partners." In 3Q, TW's revenue grew to $6.2bln, up 3% YOY. Adjusted operating income declined 38% to $993mln, mainly due to charges at Turner and restructuring and severance charges across all segments. At Turner, revenues rose 5% YOY to $2.4bln, largely thanks to growth of 10% in subscription revenues and 17% in content revenues. Higher subscription revenue was primarily due to higher domestic rates and international growth. Ad revenue at the net was down 2% due to declines at Turner's international nets. Ad revenue at Turner's domestic nets were essentially flat. At HBO, revenues grew 10% to $1.3bln, thanks to higher subscription and content revenues.

Mid-term Election: A Republican-controlled Senate means issues like the Comm Act update will be pushed forward. The initiative is led by House Commerce leaders and Sen *John Thune* (R-SD), who's expected to head Senate Commerce. Republican *Shelley Capito* won retiring chmn *Jay Rockefeller's* (D-WV) seat. Communications subcmte chmn *Mark Pryor* (D-AK) was defeated by Republican *Tom Cotton.* On the House side, commerce committee leaders chmn *Fred Upton* (R-MI) and tech subcmte head *Greg Walden* (R-OR) are putting the Comm Act update high on the priority list. "Over the next several months, we will take what we have learned from our hearings and white papers to update the law to boost job creation and economic growth in the innovation era," he said.

FCC Denies Programmers' Objections: It appears the **FCC** has resolved issues that prompted it to pause the informal 180-day informal shot clock on the **Comcast-Time Warner Cable** and **AT&T-DirecTV** mergers, denying programmers' objections to parties requesting access to confidential information, which includes carriage terms. "While we are mindful of the sensitive nature of such information, we are also mindful of the right of the public to participate in this proceeding in a meaningful way," the agency said in a filing. For highly confidential information, the FCC will limit access to participants' "Outside Counsel of Record" and "Outside Consultants." The FCC paused review on both mergers on Oct 22. The agency said it will issue a public notice establishing dates for pleading cycles in each merger proceeding.

BUSINESS & FINANCE

BET Founder Launches UMC: **BET** founder and **RLJ Entertainment** chair *Robert Johnson* announced the launch of **Urban Movie Channel** (UMC) featuring urban-themed movies. Branding itself as "an alternative to conventional subscription-based channels," the digital channel will launch with a free trial period for subs through Feb 4 and with a suggested retrial price of $4.99/month or $49.99/year. Temporary introductory pricing is $2.99/month or $29.99/year. UMC's library will incorporate programs previously released by RLJE under the One Village brand as well as titles from RLJE's existing Image independent feature film line. *Traci Otey Blunt,* most recently svp, corporate comm and public affairs at The RLJ Companies, joined RLJ Entertainment as corporate evp, marketing and corporate affairs. She will oversee UMC promo.

Fox Launches TVE Campaign: With more programmers taking TVE consumer education into their own hands, **Fox Nets** launched its "Stream It and Dream It Sweepstakes" aimed at increasing awareness of Fox's TVE platform. The 2-week promotion will run through Nov 20. During the period, viewers can use a tool on StreamItandDreamIt.com that links directly to their pay-TV providers to secure their login for any of the 5 Fox TVE apps. In addition, the net is offering a 2-hour temporary pass for non-subs. A promotion code will be provided for viewers to win $25K.

CableFAX Daily Stockwatch

Company	11/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	87.82	0.39
DISH:	63.05	(0.21)
ENTRAVISION:	5.08	0.17
GRAY TELEVISION:	9.44	0.29
MEDIA GENERAL:	14.33	(0.13)
NEXSTAR:	42.40	(1.46)
SINCLAIR:	27.06	(1.06)
MSOS		
CABLEVISION:	18.46	0.09
CHARTER:	159.31	0.87
COMCAST:	55.09	0.46
COMCAST SPCL:	54.91	0.41
GCI:	11.75	UNCH
GRAHAM HOLDING:	780.25	(4.28)
LIBERTY GLOBAL:	44.91	0.18
SHAW COMM:	26.11	0.41
TIME WARNER CABLE:	146.16	1.29
PROGRAMMING		
21ST CENTURY FOX:	34.84	1.51
AMC NETWORKS:	59.94	0.80
CBS:	52.50	0.51
CROWN:	3.40	0.06
DISCOVERY:	34.47	1.16
DISNEY:	91.00	0.65
GRUPO TELEVISA:	35.29	0.27
HSN:	70.93	3.66
LIONSGATE:	32.02	0.05
MSG:	75.03	0.12
SCRIPPS INT:	74.59	(0.31)
STARZ:	31.37	(0.39)
TIME WARNER:	77.99	3.02
VALUEVISION:	5.83	(0.07)
VIACOM:	70.52	0.41
WWE:	13.12	(0.27)
TECHNOLOGY		
ADDVANTAGE:	2.43	0.01
AMDOCS:	48.21	1.04
AMPHENOL:	50.62	0.64
AOL:	43.87	0.28
APPLE:	108.86	0.26
ARRIS GROUP:	30.23	(0.09)
AVID TECH:	10.17	0.12
BLNDER TONGUE:	1.29	0.18
BROADCOM:	41.75	0.20
CISCO:	25.15	0.27
COMMSCOPE:	25.29	UNCH
CONCURRENT:	7.02	0.20
CONVERGYS:	20.11	(0.14)
CSG SYSTEMS:	25.71	(0.53)
ECHOSTAR:	45.86	0.14
GOOGLE:	545.92	(8.19)
HARMONIC:	7.01	0.16
INTEL:	33.76	(0.78)
INTERACTIVE CORP:	65.81	(1.95)
JDSU:	13.51	0.04
LEVEL 3:	46.84	(0.41)
MICROSOFT:	47.86	0.29
NETFLIX:	380.38	(2.4)
NIELSEN:	42.28	0.44
RENTRAK:	75.08	0.81
SEACHANGE:	6.54	(0.09)
SONY:	20.18	0.17
SPRINT NEXTEL:	4.92	(0.26)
TIVO:	12.95	0.08
UNIVERSAL ELEC:	55.89	(2.57)
VONAGE:	3.33	(0.11)
YAHOO:	47.46	0.38
TELCOS		
AT&T:	34.92	0.13
CENTURYLINK:	41.65	0.02
TDS:	25.68	(0.32)
VERIZON:	50.34	0.01
MARKET INDICES		
DOW:	17484.53	100.69
NASDAQ:	4620.72	(2.91)
S&P 500:	2023.57	11.47

Think about that for a minute...

Dear Tom... Really?

Commentary by Steve Effros

Look, I like Tom Wheeler. I've said so since he was nominated as FCC Chairman. I worked with Tom in his old NCTA days, and I was convinced that even though he was that dreaded word, a "lobbyist" for both cable and wireless, he would be a good Chairman and deal in facts, not fantasy. Now I'm having trouble.

It's not so much the ideas he's putting forward. The substance has substance. I may not agree with it all, but dealing with issues like "net neutrality" and the definition of an MVPD are devilishly complicated, and they deserve careful thought. But they also deserve careful explanation, and that's where the Chairman has appeared to fall off a cliff recently. I don't know who's writing his speeches, but they are in some ways at best misleading and at worst just flat out, intentionally wrong. The problem is, that results in blatant misreporting and the creation of unrealistic expectations. In the long run, that doesn't help anyone.

Here's what's got me going... Reports of a speech the Chairman made this week included quotes like this: "... competitors should be able to negotiate in good faith for video content, even if it is owned by cable companies and broadcasters." "By facilitating access to such content, we expect Internet-based linear programming services to develop as a competitor to cable and satellite." "Consumers will be able to buy the channels they want instead of having to pay for channels they don't want." "As you know, a startup called Aereo has already proposed doing this [being an over-the-top video competitor], but the broadcasters were able to stop it in court, in part because of the old rules of the FCC," and "...the idea that entrepreneurs should be able to assemble programs to offer consumers choices is something that shouldn't be hindered by the FCC."

Wow! Let's start from the end of that reported set of quotes. Tom! You know as well as anyone that it's the FCC rules that require cable consumers to buy all "basic" broadcast channels before they are allowed to buy anything else! Broadcasters are fighting any rule or law change that would allow for consumer choice on paying for their channels. You could have initiated a rulemaking to get rid of that "must buy" piece of anti-consumer detritus long ago. So far, not a mention. You could also have looked into the programmer and broadcaster practice of forcing bundles of program purchases and forcing those bundles to be on the most popularly purchased tiers. Again, not a word. As to suggesting that Aereo was stopped by the broadcasters in court from competing as an over-the-top video competitor, this is simply fantasy. They could have done that any time they wanted. The missing facts were that they wanted to sell broadcast channels as a bundle without paying for the product, and "...old rules of the FCC" had nothing whatever to do with it! The Supreme Court was looking at the Copyright Law, not the FCC's rules, which were never even mentioned. There are good reasons to look at the whole issue of program availability for competitors. Cable operators are one of those competitors, too, in an increasingly fragmented marketplace. Packages are being forced; unfair, FCC-abetted leverage pushes higher consumer prices; and the FCC is nowhere to be heard on any of it. The "vertically integrated" programming relating to the MVPD rules has nothing to do with these problems, but factually, that's all the speech was really about. Tom, please!

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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Daryn Carp, Bravo Digital
Amanda Cary, Showtime Networks Inc.
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