

Cablefax Daily™

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What the Industry Reads First

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To Bundle or Not: Sports Programming Execs Champion OTT Services

Are over-the-top services—or direct-to-consumer, as it's been called as of late—threatening the cable bundle? No siree, say sports league and programming execs. A more accurate assessment is that business models are a-changing. “While TV is obviously critically important as a consumption device, I think it's also really important that this content become available across a whole range of devices,” said *Chris Schlosser*, vp, digital, **MLS** at **SBJ/SBD's NeuLion Sports Media & Tech Conference** in NYC Thurs. Take MLS' recent long-term rights deal with **ESPN**, **Fox** and **Univision**. Schlosser said it was critical for the MLS to retain the ability to show games on any device, so the league partnered with ESPN on an out-of-market package. “Going forward in 2015, we're going digital exclusive,” he said. “We're working very hard with ESPN... to bring those games directly to consumers... so stay tuned for that in the months ahead. You'll see some pretty cool new technology and some innovative pricing models.” At **WWE**, which offers a direct-to-consumer package online to 731K subscribers 8 months in, it's more about exploring new business models that are continuing to shift, said *Michelle Wilson*, chief revenue and marketing officer. “We are not advocates of cord cutters. We're platform agnostic,” she said, adding that while the net puts its primetime programming on **USA** and **Syfy**, it's also exploring the best way to offer its premium content. A segment of consumers are still watching pay-per-view on cable, she said, which puts WWE in “coexisting” space. “Yes, it's cut into our pay-per-view business... But not at the rate we expected,” she said. So what might these new business models look like? At **UFC**, “one of the things we're looking at and exploring inside our organization is the idea of being able to direct deliver content to places where we really can't be,” said *Christy King*, UFC and **Zuffa**, vp, digital, technology R&D. That includes bars in NY that can't access a signal. There are instances in which a service can be “tailored specifically to a business” at low cost. “It's inexpensive enough that we can actually deliver to those niche audiences,” she said. To be sure, opportunities beyond linear viewing are plentiful. “There's a real hunger; there's a demand for it,” said *Perkins Miller*, chief digital officer, **NFL Media**. But with the NFL, reach is imperative. Online technology does not currently support that—but cable does. “We're able to reach our fan base, from our perspective, in a really simple and easy way... The notion that the cable bundle is not relevant to our ecosystem is not true,” Perkins said. Perhaps the greatest advantage of offering OTT services to consumers is the degree to which you can personalize consumer experiences, panelists



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agreed. At all-digital sports platform **120 Sports**, “everything that we do is mobile first,” said pres *Jason Coyle*. “The video and the experiences that we create are fundamentally different from something that would be on television.” For young millennial fans, very often the mobile phone is the key device, said MLS’ Schlosser. And in the digital world, you can create better fan experiences, he said. Wilson added that a bonus to delivering content over-the-top is access to granular data about your viewers. “Delivering a personalized experience is really the next wave,” she said, adding that “now there’s so much information” that the next step is sorting through it all.

Cablevision’s Conundrum: With its high levels of penetration across all services and **Verizon** competitive pressures, **Cablevision** continues to work on the right salve to slow/turn the subscriber losses. 3Q saw the MSO lose 56K basic video customers, worse than the Street’s 36K loss estimate. HSD sub losses of 23K and voice losses (33K) also missed analyst expectations. “We continue to observe significant competitive discounting, and certain portions of our footprint are still challenged by the economy,” CEO *Jim Dolan* said during Thurs’ earnings call with analysts. He added that the results also reflect an increase in customer moves and non-pay related churn, typical in the 3Q. On the plus side, **Wells Fargo Securities** analysts noted that ARPU beat nicely at \$177.35 (+8%). Average revenue per customer was up +5.7% YOY (to \$154.50), the highest increase Wells Fargo said it has seen among the cable operators. So what’s Cablevision doing to retain customers? On the Internet side, in addition to its 75 Mbps service, it’s trialing in the Bronx and Newark an Internet basics offering that features 5 Mbps downstream/1 Mbps upstream for \$25/month, plus a \$5 cable modem rental fee. It also continues to beat the WiFi drum, with its customers now able to access more than 1mln WiFi access points. Dolan teased some plans for 2015 but said he wouldn’t have details until later (certainly by the next earnings call). As for the competitive pressure from Verizon, Dolan didn’t mince words: “We don’t believe that they’re profitable on any level in our service area.” Cablevision’s goal is to give them all the customers that provide the least free cash flow—ie, that’s why AOCF goes up even as sub metrics go down. During the call, Dolan took the requisite question on standalone OTT services, such as **HBO’s** upcoming offering. His take: the pricing is significantly above what CVC charges a consumer, so it’s not disruptive yet. But ultimately the company believes cord-cutting and OTT will happen and is preparing itself for it.

DirecTV 3Q: **DirecTV** is prepared to live stream 4K content next year, pres/chmn/CEO *Mike White* said during the company’s earnings conference call Thurs. Initially, the satellite company’s 4K offering will be VOD only. Subs will need a Genie DVR and 4K TV from **Samsung** to view the content. DirecTV will pre-load several movies for instant viewing, with an additional 4K titles available for download, White said. The company has secured rights to about a dozen movies. Though 4K is still in its infancy, “it’s important to have some content as a starter to get people to see what the experience is about,” White said, adding that initially 4K will be event and VOD driven. Meanwhile, DirecTV is “very optimistic” about its ongoing carriage negotiations with **Disney**. On OTT, White said “there is no doubt that there is a set of viewers that may not want a full bundle... We are all in favor of choice. The tricky part is not the technology but getting the right mix of channels. It’s in all of our interests to... give the consumers more flexibility to choose.” DirecTV expects to launch its own OTT service aimed at Hispanics by year-end. 3Q wasn’t the best for the satcaster in terms of sub additions. After **DISH** reported a net loss of 12K subs, DirecTV posted a net loss of 28K TV subs in the US partly because of a more competitive market and a still recovering economy, execs said. Total revenue, however, grew 6% YOY to \$8.37bln thanks to higher domestic ARPU. Churn in the US increased to 1.73% for the period, up from 1.61% a year ago. In Latin America, DirecTV lost 146K subs versus net adds of 172K in the year-ago period due to low sign-up rate following the World Cup-fueled 2Q.

More Earnings: Intl helped **AMC Networks** to revenue growth of more than 31% YOY to \$520mln in 3Q. For the domestic nets, revenue was up 4.3% to \$397mln, but advertising fell 5.8% to \$138mln. The company said the dip was due to the decline in the number of original scripted eps airing in 3Q vs 3Q13, including the absence of “Breaking Bad.” CEO *Josh Sapan* gave a bit more color on AMCN’s **BBC** deal that includes a 49.9% stake in **BBC America**, citing a potential longer-term opportunity that the deal creates on the digital front related to BBC content playing on **Hulu Plus**, **Netflix** and **Amazon**. “It works well when it’s gotten to an on-demand basis,” he said. “We think that opportunity is under-mined and under-exploited for the BBC and for us, and we have to determine exactly how we go about that. But we’re both very interested in doing it.” -- **Scripps Networks Interactive** wants to do more co-productions and joint-programming with its intl partners. In addition, it plans to secure rights to more intl content and vice versa, pres *Burton Jablin* said during

BUSINESS & FINANCE

the programmer's 3Q earnings call Thurs. And as more programmers take TVE promotion into their own hands, Scripps will ramp up its promotion as well. "We are also going to be rolling out live streaming of our networks in the TV Everywhere footprint next year, which gives us even more of a marketing push that we can trumpet," Jablin said. Meanwhile, Scripps supports initiatives to offer streaming bundles, said chmn/CEO Ken Lowe. In Sept, Scripps announced it had completed a deal with **DISH** that includes rights for the DBS company's upcoming OTT platform. "You've got to kind of push the envelope a little bit and find out if there are other ways... if there are other folks out there that currently might not be subscribing to satellite or cable that would pick up something like the over-the-top model that DISH is putting together," he said. "You will hear more about those and our partnerships with those down the road... Both our distribution partners and us as content providers are going to be open to new and interesting ways to reach consumers..." Lowe said. That said, he added that Scripps is still "very much about the larger bundle and the value that it creates." Scripps saw a 4.5% YOY increase in revenues in 3Q, thanks in part to growth in ad revenue (+5.4%), and affil fee revenue (+3.8%). Net income was \$131mln, or \$0.93 a share, versus \$0.87 a year ago. Lifestyle media revenues in the quarter increased 4.2% to \$618mln, helped by ad and affil fee growth.

CableFAX Daily Stockwatch

Company	11/06 Close	1-Day Ch	Company	11/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	87.48	(0.34)	CONVERGYS:	20.47	0.36
DISH:	63.66	0.61	CSG SYSTEMS:	25.70	(0.01)
ENTRAVISION:	5.14	0.06	ECHOSTAR:	48.54	2.68
GRAY TELEVISION:	9.84	0.40	GOOGLE:	542.04	(3.88)
MEDIA GENERAL:	14.39	0.06	HARMONIC:	7.07	0.06
NEXSTAR:	42.48	0.08	INTEL:	33.82	0.06
SINCLAIR:	27.34	0.28	INTERACTIVE CORP:	65.86	0.05
MSOS					
CABLEVISION:	18.25	(0.21)	JDSU:	13.42	(0.09)
CHARTER:	158.59	(0.72)	LEVEL 3:	46.36	(0.48)
COMCAST:	55.38	0.29	MICROSOFT:	48.70	0.84
COMCAST SPCL:	55.18	0.27	NETFLIX:	383.30	2.92
GCI:	11.69	(0.06)	NIELSEN:	43.34	1.06
GRAHAM HOLDING:	779.00	(1.25)	RENTRAK:	74.65	(0.43)
LIBERTY GLOBAL:	45.87	0.96	SEACHANGE:	6.53	(0.01)
SHAW COMM:	25.84	(0.27)	SONY:	19.70	(0.48)
TIME WARNER CABLE:	146.38	0.22	SPRINT NEXTEL:	4.69	(0.23)
PROGRAMMING					
21ST CENTURY FOX:	35.31	0.47	TIVO:	13.00	0.05
AMC NETWORKS:	61.20	1.26	UNIVERSAL ELEC:	57.71	1.82
CBS:	52.13	(0.37)	VONAGE:	3.39	0.06
CROWN:	3.35	(0.05)	YAHOO:	47.93	0.47
DISCOVERY:	32.90	(1.57)	TELCOS		
DISNEY:	92.00	1.00	AT&T:	34.72	(0.2)
GRUPO TELEVISA:	34.99	(0.3)	CENTURYLINK:	39.00	(2.65)
HSN:	69.86	(1.07)	TDS:	25.69	0.01
LIONSGATE:	32.06	0.04	VERIZON:	50.28	(0.06)
MSG:	74.88	(0.15)	MARKET INDICES		
SCRIPPS INT:	75.01	0.42	DOW:	17554.47	69.94
STARZ:	31.35	(0.02)	NASDAQ:	4638.47	17.75
TIME WARNER:	77.36	(0.63)	S&P 500:	2031.21	7.64
VALUEVISION:	6.00	0.17	TECHNOLOGY		
VIACOM:	71.03	0.51	ADVANTAGE:	2.50	0.07
WWE:	13.23	0.11	AMDOCS:	47.59	(0.62)
TECHNOLOGY					
ADDVANTAGE:	2.50	0.07	AMPHENOL:	51.04	0.42
AMDOCS:	47.59	(0.62)	AOL:	42.23	(1.64)
AMPHENOL:	51.04	0.42	APPLE:	108.70	(0.16)
AOL:	42.23	(1.64)	ARRIS GROUP:	30.49	0.26
APPLE:	108.70	(0.16)	AVID TECH:	10.45	0.28
ARRIS GROUP:	30.49	0.26	BLNDER TONGUE:	1.32	0.03
AVID TECH:	10.45	0.28	BROADCOM:	41.50	(0.25)
BLNDER TONGUE:	1.32	0.03	CISCO:	25.26	0.11
BROADCOM:	41.50	(0.25)	COMMSCOPE:	25.40	0.11
CISCO:	25.26	0.11	CONCURRENT:	7.10	0.08
COMMSCOPE:	25.40	0.11			
CONCURRENT:	7.10	0.08			

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PROGRAMMER'S PAGE


It's Just Business

A&E's "Godfather of Pittsburgh" (premieres Mon, 10pm) starts with the reality series' star, *Vince Isoldi* telling us that, "People think I'm a gangster." After watching the first hour of the 8-part series following the Pittsburgh businessman, viewers may be a little confused about whether he is or not. Isoldi, whose string of businesses include restaurants, strip clubs and limo services, tells us he did some bad things in his younger days but isn't like that anymore. Still, a tough exterior is on display at all times, and when confronted with a business problem at one point he wishes he could handle it 'the old way.' His business mentor is his father-in-law, former "Numbers King of Pittsburgh" *Adolph "Junior" Williams*, who did time in federal prison for racketeering. He has a feud with his brother-in-law that comes close to fisticuffs, with Isoldi declaring if it wasn't for his sister and mother, he'd "kill that [bleeped expletive]." So, is he a gangster? "He's definitely not literally a gangster, but I understand why people wonder that about him," exec producer *Dan Partland* told us. "His way of looking at the world is very immediate and very personal... He handles stuff very aggressively with his businesses." When Partland first met Isoldi, he asked him a similar question and was told, "no, I just do what needs to be done," referring to his street tough sensibility. "He is a darker, edgier character," Partland says. "And he does move between these 2 worlds. On one hand, the very gritty sort of underworld that's usually unseen by the mainstream public. And then also the very high end, upscale affluent world." He also moves between business and family, helping 11-year-old son *Adolfo* understand the rules of business while trying to stop older son *Enzo* from making some of the same mistakes he did in his youth. Lest you think Isoldi is all tough guy, he's still the dad who has to unclog the family's toilet. That scene's a reminder, Partland says, that everyone can be made very small in their own home. — *Amy Maclean*

Reviews: "Rise of the Berlin Wall," Sat, 9am ET, **American Heroes Channel**. It fell 25 years ago this week, but here's a terrific account of a successful communist plot—how the Wall, a fence first, was erected, quietly one night in '61. Great footage and interviews with those who experienced it, including a **Reuters** journalist who got the scoop. -- "Tanks of Fury," Sun, 8pm, **Smithsonian**. A good mix of WWII vets discussing tanks and staff of *Brad Pitt's* box office hit "Fury" showing how they staged battle scenes. An entertaining, if one-sided effort, loaded with info—and promotion for Fury—lets viewers decide whether Pitt's film got things right. -- "The Newsroom," "The Comeback" "Getting On," Sun, 9, 10, 10:30pm, **HBO**. Each series makes its season debut: the sometimes-preachy "Newsroom" in its 3rd and final run; *Lisa Kudrow's* sardonic slap at Hollywood, "The Comeback," actually coming back after a 'brief' hiatus... of 9 years; and hospital-based dramedy "Getting On," even darker and better, is a sophomore. It's an entertaining mixed trio—serious, spoof-y, bitingly real—with each series hewing to previous strengths. Special mention to 'The Comb-back,' wonderfully camp *Robert Michael Morris* reprising hairdresser Mickey. -- "The Game," Wed, 10pm, **BBCA**. It's nearly a sure bet—you can't beat the Brits for Cold War-era thrillers. Excellent evidence here. — *Seth Arenstein*

Basic Cable Rankings (10/27/14-11/02/14)			
Mon-Sun Prime			
1	ESPN	3.8	3634
2	FOXN	1.4	1342
3	AMC	1.3	1248
3	USA	1.3	1235
3	TNT	1.3	1211
3	DSE	1.3	87
7	TBSC	1.2	1117
8	DSNY	1.1	1059
8	DISC	1.1	1040
8	HALL	1.1	920
11	HGTV	1.0	955
11	FX	1.0	912
11	NFLN	1.0	737
14	HIST	0.9	897
14	TLC	0.9	877
16	ADSM	0.8	738
16	FAM	0.8	715
18	A&E	0.7	681
18	NAN	0.7	660
18	FOOD	0.7	636
18	SYFY	0.7	618
18	ID	0.7	566
23	BRAV	0.6	562
23	SPK	0.6	559
23	VH1	0.6	526
23	CMDY	0.6	522
23	DSJR	0.6	475
23	HMM	0.6	353
29	LIFE	0.5	525
29	MSNB	0.5	467
29	ESP2	0.5	437
29	H2	0.5	336
33	APL	0.4	401
33	BET	0.4	377
33	EN	0.4	372
33	WETV	0.4	366
33	OWN	0.4	363
33	TVLD	0.4	361
33	NGC	0.4	350
33	MTV	0.4	331
33	DXD	0.4	302
33	LMN	0.4	293
33	NKJR	0.4	288
33	GSN	0.4	287
33	FXX	0.4	286
33	NKTN	0.4	253

*Nielsen data supplied by ABC/Disney



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