

# Cablefax Daily™

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What the Industry Reads First

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## Netflix CFO: Ambitious Global Expansion, Domestic Growth Potential Expected

Despite weakness in domestic sub adds in 3Q, **Netflix CFO David Wells** struck a very bullish tone on the 2015 outlook at **RBC Capital Markets'** investor conference Tues. The company added 980K in the US in the most recent quarter, compared to its previous guidance of 1.33mln, partly due to a delayed impact of its price hike in May. The sub growth is "lighter than we expected... But we still have healthy growth... We still have plenty of growth left in the US market," Wells said. The company remains confident about its previous target of 60-90mln broadband HH sub penetration in the US. "There are 90 million households paying substantially more than the monthly \$9 Netflix subscription for video... It's an addressable market. We're not saying we're going to get to 90 million subs... We're saying we have the potential for customers within that market of 90 million subscribers." That said, it's possible that "we are meeting resistance in high penetration areas [ie, areas that exceed 50% penetration]." Netflix's sub growth in the year-ago quarter might have been partially fueled by high-profile original series such as "House of Cards" and "Orange is the New Black," he said. Now that the "PR bloom" is over, sub growth has returned to lower levels. The company is looking to double the amount of original programs in 2015, launching Season 3 of House of Cards and Orange is the New Black, in addition to new projects like thriller "Bloodline" and comedy "Grace and Frankie." As for potential price increases, the idea is to "capture more of Netflix's value" but without "a singular global pricing event," Wells said. Instead, management wants to use pricing tiers. "We haven't confirmed the long-term price elasticity issue. There's definitely something to short-term price elasticity because the coincidence of lower [sub] acquisitions to the price increase means there's some effect there... I think we still have pricing power." Wells sees at least half of Netflix's revenue coming from non-US markets in the next few years as the company looks to score 10% of the 500-600mln "addressable" broadband HHs outside the US. "You should expect that next year's [international] market will see a sizable expansion. Something on the order of this year's expansion or even potentially more," he said. Take net neutrality. Netflix is pleased that the regulators are considering strong net neutrality rules, Wells said. "They [FCC] are being very thoughtful and careful about the right legal framework to make the rules," he said. More analysts weighed in on the issue Tues. **UBS** analysts be-



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## Save the Date!

November 20, 2014 ■ Grand Hyatt, NYC

Join us for Cablefax's Most Powerful Women in Cable Breakfast on Thursday, November 20, 2014, from 8:30 – 10:30 a.m. at the Grand Hyatt in NYC, as we salute the women who have made their mark on the industry with leadership, innovation and community.

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lieve it's very likely that the FCC takes up the full Title II flag. "It is one thing to set your own agenda but quite another to ignore a proposal from the President despite the **FCC's** status as an independent agency," they said in a research note. However, the financial impact on cable ISPs should be limited as price regulation, "a much feared end-game," doesn't seem to be on the Obama Administration's agenda, the analysts noted. **Bernstein Research** analysts were on the same page. They added that the final rules would probably not be proposed in the next 2 weeks, in time for the Dec 11 Commission Open Meeting. Rather, the FCC might issue a FNPRM in Dec or Jan, pushing the completion of the final rules to 1Q-2Q, 2015.

**Programmers Take Confidential Contracts to Court:** **CBS, Scripps Nets Interactive, Time Warner, Disney, Fox** and other programmers are asking a federal court to step in and stop the **FCC** from disclosing programming contracts as part of its reviews of the **Comcast-Time Warner Cable** and **AT&T-DirecTV** mergers. The programmers had asked the full Commission to review the Media Bureau order that would make these agreements available to 3rd parties. The full Commission voted 3-2, along party lines, Mon to affirm a Media Bureau decision last week rejecting the programmers' challenges to how 3rd parties could access the contracts. The programmers have asked the DC Circuit to prohibit these contracts from being disclosed to any third party while they pursue a legal challenge. If the court fails to act, the contracts would be accessible to qualified 3rd parties on Nov 17. "The Bureau's decision to provide 3rd party access to 'hundreds of thousands of pages' of distribution agreements and related negotiation materials is unprecedented in size and scope," the programmers said in their court challenge, filed Mon.

**WOW! Plus Netflix:** **WOW!** is making it easier for customers to access **Netflix** through their cable set-tops. The service, developed by **Arris** for **WOW!**, will be available soon to Illinois Ultra TV customers who subscribe to Netflix, and by early 2015 to **WOW!** Ultra TV customers in Evansville, IN; Columbus and Cleveland, OH; and southeast Michigan. "Simplifying access to Netflix content was highly requested by our Ultra TV customers and a natural next step for **WOW!**," said **WOW!** CEO **Steve Cochran**.

**NY Ad Insights:** **Cablevision** and **Time Warner Cable** have teamed up to create a TV audience report for the NY DMA based on census-level audience data from more than 3.5mln HHs, nearly half of the market. The idea is to give advertisers comprehensive analytics to more effectively shift from the existing ad-buying model to the emerging audience-based system. Insights from the 1st quarterly report include: 74% of tuning hours in the Cablevision/Time Warner Cable households are consumed outside of primetime, and households tune to 25 networks per month on avg, with 90% of the tuning hours being consumed on 100 networks.

**Chromecast Launches:** **Showtime Anytime, Starz Play** and **Encore Play** were added to **Google Chromecast**, allowing the premium channels' subs to stream programming from their mobile devices directly to their TVs.

**WOW! 3Q:** **WOW!**'s 3Q total rev increased 8.7% YOY to \$323.2mln, while adjusted EBITDA declined 2.2% to \$109.9mln. **WOW!** reported a net decrease in total customers of 51,800 and a net decrease in total RGUs of 127K, primarily due to the \$262mln sale of its Rapid City and Sioux Falls, SD, systems to **Clarity Telecom**.

**Discovery Intl Restructure:** **Discovery Nets Intl** realigned its European operations into 3 clusters: Northern Europe; Southern Europe; and Central & Eastern Europe, Middle East and Africa. *Dee Forbes* will lead the Northern Europe div as pres and managing dir. *Kasia Kiel* will add Germany, Austria and Switzerland to her portfolio as President and Managing Director of Discovery Networks Central & Eastern Europe, Middle East and Africa (CEEMEA). *Marinella Soldi* becomes President and Managing Director of Discovery Networks Southern Europe by adding France to her current oversight of Italy, Spain and Portugal.

**Programming:** **MTV2** greenlit 2 new comedies, "MTV2's Joking Off," social media meets improv, and "Number 2 News" (wt), which features Internet clips. The net's also developing a new talk show pilot, "Uncommon Sense with Charlamagne," starring "Guy Code" fan favorite Charlamagne tha God, with *Rich Korson* ("The Daily Show with *Jon Stewart*," "The Colbert Report") serving as the showrunner. -- **A&E** has entered into an unscripted development deal with *Donnie Wahlberg* and *Jenny McCarthy*, with the 1st project a reality series following the newlyweds. The 10-ep "Donnie Loves Jenny" will debut with a 1-hour wedding premiere next

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year. And yes, it'll be produced by 44 Blue, which produces A&E's "Wahlburgers."

**Zombie Rules:** According to **Rentrak's** cross-platform metrics for the week of Oct 20-26, the Oct 26 episode of **AMC's** "The Walking Dead" boasted the most engaged viewers on cable and the most social media activity across multiple platforms out of all broadcast and cable telecasts.

**IFC's Comedy Crib:** **IFC** launched the IFC Comedy Crib on IFC.com, a new online home for short-form comedy. **Hyundai** signed on as the premiere sponsor of the site, which features several new web series, including sketch comedy "ClickBait Overload" and comedian impromptu standup show "Comedy Drop."

**People: Comedy Central** hired **Sarah Babineau** as vp, original programming and dev, East Coast. -- **Andrew Lustgarten** was named evp, corporate dev and strategy for **The Madison Square Garden Company**. He joins the company after 7 years at the **NBA**. Prior to that, he was vp, finance at Cablevision. He is also on the board of the **Lustgarten Foundation for Pancreatic Cancer Research**. -- **The Weather Company** tapped **Chris Kuist** as vp of insights and innovation, reporting to **Indira Venkat**, svp, strategic research. Kuist was most recently a sr dir at **Viacom**.

## CableFAX Daily Stockwatch

Company	11/11 Close	1-Day Ch	Company	11/11 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	86.93	(0.34)	CONCURRENT:	7.07	0.02
DISH:	63.79	0.12	CONVERGYS:	21.34	(0.12)
ENTRAVISION:	5.19	0.05	CSG SYSTEMS:	25.69	(0.06)
GRAY TELEVISION:	9.38	UNCH	ECHOSTAR:	48.76	(0.02)
MEDIA GENERAL:	14.70	0.08	GOOGLE:	550.29	2.80
NEXSTAR:	44.85	0.33	HARMONIC:	6.81	(0.1)
SINCLAIR:	27.54	0.69	INTEL:	33.31	0.05
<b>MSOS</b>					
CABLEVISION:	18.09	(0.51)	INTERACTIVE CORP:	65.75	(0.16)
CHARTER:	146.68	0.06	JDSU:	13.37	(0.26)
COMCAST:	52.96	0.01	LEVEL 3:	46.45	0.16
COMCAST SPCL:	52.78	(0.05)	MICROSOFT:	48.87	(0.02)
GCI:	12.34	0.02	NETFLIX:	382.55	(4.72)
GRAHAM HOLDING:	782.00	2.05	NIELSEN:	42.99	(0.03)
LIBERTY BROADBAND:	45.69	(1.04)	RENTRAK:	77.42	(3.51)
LIBERTY GLOBAL:	46.46	0.72	SEACHANGE:	6.49	0.04
SHAW COMM:	26.08	0.06	SONY:	20.71	0.21
TIME WARNER CABLE:	134.78	(1.72)	SPRINT NEXTEL:	4.89	0.01
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	34.93	0.19	TIVO:	12.90	(0.05)
AMC NETWORKS:	61.39	0.19	UNIVERSAL ELEC:	58.54	(0.31)
CBS:	51.84	(0.29)	VONAGE:	3.76	0.16
CROWN:	3.49	0.09	YAHOO:	49.05	(0.36)
DISCOVERY:	31.99	(0.27)	<b>TELCOS</b>		
DISNEY:	89.98	0.20	AT&T:	35.10	(0.02)
GRUPO TELEVISA:	35.35	(0.02)	CENTURYLINK:	39.97	0.13
HSN:	69.56	(0.11)	TDS:	25.85	(0.18)
LIONSGATE:	35.03	(0.02)	VERIZON:	50.61	(0.11)
MSG:	74.50	(0.18)	<b>MARKET INDICES</b>		
SCRIPPS INT:	73.49	0.15	DOW:	17614.90	1.16
STARZ:	31.03	0.06	NASDAQ:	4660.56	8.94
TIME WARNER:	78.04	0.71	S&P 500:	2039.68	1.42
VALUEVISION:	5.84	(0.06)			
VIACOM:	69.71	(0.64)			
WWE:	13.30	0.15			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.58	0.03			
AMDOCS:	47.47	(0.03)			
AMPHENOL:	50.81	0.13			
AOL:	45.23	0.59			
APPLE:	109.70	0.87			
ARRIS GROUP:	28.81	(1.65)			
AVID TECH:	10.32	0.02			
BLNDER TONGUE:	1.30	0.02			
BROADCOM:	41.21	(0.14)			
CISCO:	25.15	UNCH			
COMMSCOPE:	25.35	0.03			

## Cablefax Webinar

Nov. 18 • 1:30 - 3 p.m. ET.

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