

Cablefax Daily™

Thursday — February 26, 2015

What the Industry Reads First

Volume 26 / No. 037

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Cablevision Outlook: Might be Time to Change Name to Connectivision

The launch of **Cablevision's** WiFi-only phone service Freewheel this month is only the beginning. "Connectivity, particularly on a wireless basis, is going to become more and more important to our consumers. We want to be the company that provides that connectivity," CEO *Jim Dolan* said during the company's 4Q earnings call Wed. The connectivity is the 1st part of the wireless wave, but part 2 will be products and services. "There will be others [beyond Freewheel], and we feel that we will be poised and ready to take advantage of that strategic position that we've created by investing in WiFi in order to do that," Dolan said, adding that connectivity has surpassed video as the primary product offering for companies like Cablevision. He described it as a transition from a cable company to a "connectivity company." If given a choice over video or data, the customer would "almost overwhelmingly" take data today, Dolan said. There was a curious moment on the call when Dolan talked about the possibility of repackaging video. "I don't want to let any cats out of the bag, but I will tell you that we're going to be very reactive to what we see, what the consumer wants," he said. One guess what that is? Connectivity! Dolan promised to package products to meet customers' needs, adding cryptically "more to come maybe on the next call." Since Freewheel just launched in 1Q, there wasn't a ton of info about it on the call. COO *Kristin Dolan* suggested that it's seeing interest from ex-pats and people who frequently travel out of the country because they're able to maintain a US phone number and don't incur any roaming charges while on WiFi. Cablevision believes there's more opportunity there, particularly in WiFi-rich Europe as well as the Caribbean. What about all the speculation of a cellular backup at some point? It's not in the works at the moment. "We did nearly 1 billion sessions over WiFi in the 4Q, and our average customer is utilizing more than 6 gigabits of data a month. From where we sit, data is what matters," Kristin Dolan said. A day ahead of the **FCC's** much-talked about net neutrality vote, Dolan didn't sound the same kind of alarms as some of his ISP cohorts. "The idea of more regulation is never great for us. But to be honest, we don't really see at least what the Chairman's been discussing as having any real effect on our business. So, therefore, we're sort of neutral," he said.

Cablevision's Numbers: Cablevision video sub loss of 34K missed the Street's consensus of 27K, while HSD adds of 4K beat analyst expectations of a 4K loss (Connectivity vs video in action!). Cablevision shares closed down more than

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Speakers:

MARK GREATREX

Chief Marketing & Sales Officer
Cox Communications, Inc.

MIKE ISKANDAR

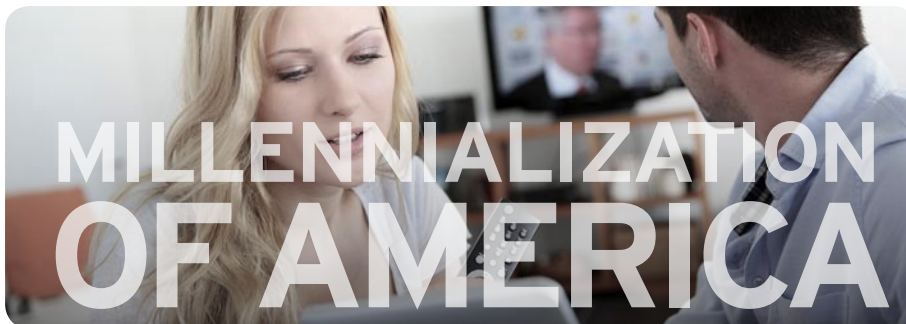
Culture Leader, "Chief Experience Officer"
Southwest Airlines

LAURA MARTIN

Managing Director, Senior Analyst:
Entertainment & Internet,
Needham & Company, LLC

JAMES R. STENDEL

Marketing Author and Advisor, President /
CEO, The Stengel Company Former Global
Marketing Officer, Procter & Gamble



Interact with a panel of millennials in this facilitated discussion to find out what media they use and how they value different video options.

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6% Wed as adjusted operating cash flow fell to \$440.9mln, while net rev rose to \$1.63bln from \$1.58bln a year ago. “CVC reported a weak 4Q result highlighted by: in-line (3%) overall revenue growth, weak (in-line) RGU growth and materially worse than expected EBITDA result (-3.4%),” said a **Pivotal Research** note that reduced the company’s YE price target by \$2 to \$18. “The weaker EBITDA was related to marketing associated with the launch of their WiFi phone/data product, what appears to be material spend to improve their recent weak subscriber results and \$10M in severance payments.”

Net Neutrality: Few surprises at the **House Communications** subcmte hearing on the future of Internet on Wed. While Democrats on the panel praised **FCC** chmn *Tom Wheeler’s* anticipated Title II regulation, Republicans warned such a regime will trigger litigation. The GOP wants Congress to handle the issue. “A legislative answer to the net neutrality question will finally put to rest years of litigation and uncertainty,” said Commerce Committee chmn *Fred Upton* (R-MI). The FCC is set to vote on the rules today (2/26) during its Open Meeting, which will be broadcast live at 9:30am ET on **C-SPAN3, C-SPAN Radio** and live streamed on C-SPAN.org (it’ll also re-air on **C-SPAN2** at 9pm tonight). The hearing’s witness list included *Rick Boucher*, former Democratic chmn of the subcmte and currently partner at law firm **Sidley AUSTIN**. A strong proponent of a legislative fix to net neutrality, Boucher urged the committee to develop a narrow bipartisan measure, arguing that Title II “doesn’t fit very well in today’s highly competitive communications market.” Several members asked how long potential litigation could last. “It will begin quite soon,” said *Robert Atkinson*, founder and pres of think tank **Information Technology and Innovation Foundation**. And once litigation begins, “you are talking three maybe four years before we can end up with any kind of certainty,” said the Title II critic. Just look at **Verizon’s** challenge of the FCC’s 2010 open Internet order. The decision arrived more than 3 years after the lawsuit was filed. That means any potential legal battles could last through the next presidential campaign, according to Boucher. Under a Republican administration, the concept of net neutrality will be gone, he said. Getting the subcmte’s Democrats on board with the proposal will be hard, with Dems claiming the GOP’s legislative fix will limit the FCC’s ability to enforce net neutrality rules. “The Republicans appear to be more litigious these days than our side of the aisle,” said *Frank Pallone* (D-NJ), noting GOP’s recent legal challenges of President Obama’s policies. “I really don’t think we should be deciding what to do here based on who we think is going to sue who.” The GOP’s net neutrality plan has “a distance to go,” said *Anna Eshoo* (D-CA). A **House Oversight and Govt Reform** committee hearing on FCC process, sparked by the Title II debate, scheduled for Wed was postponed after Wheeler declined to testify. In a statement, committee chmn *Jason Chaffetz* (R-UT) and Upton said they are “deeply disappointed” in Wheeler’s decision. “After hearing from over 4 million Americans on such an important topic to our economic and cultural future, it’s striking that when Congress seeks transparency, chairman Wheeler opts against it. The last time a rule of this magnitude was voted on by the FCC, then-Senator *Obama* was motivated to call for transparency at the commission. We continue that call today,” the pair said.

Nick Upfront: At its upfront in NYC Wed evening **Nick** unveiled **Noggin**, an ad-free mobile subscription service for pre-schoolers, a *SpongeBob SquarePants* Broadway musical in development, possible spinoffs for the successful “*Teenage Mutant Ninja Turtles*” franchise, and a renamed integrated marketing and creative content offering dubbed **Nickelodeon Inside Out Solutions**—all on a screen at Skylight at Moynihan Station that’s “bigger than the one at Radio City,” according to **Viacom** Kids and Family Group pres *Cyma Zarghami*. “The proliferation of platforms and massive amounts of new content are having an unprecedented impact on the entertainment landscape,” she said. The solution is not to take a one-size-fits-all approach, but rather to adapt to each customer. “Every property needs a unique strategy,” said CMO and pres consumer products *Pam Kaufman*. If **Noggin** sounds familiar, there’s a reason for that. The app, available March 5 in the App Store for \$5.99/month, is **Nick Jr’s** former name. “We are very excited to reintroduce a name that preschool parents know and respect,” said **Nick/MTVN** Kids and Family Group COO *Sarah Levy*. At launch there will be long- and short-form content, preschool music videos and educational short-form content. Curriculum-based activities will be added, and “it’s important to note” that the content will be “library-based and separate and distinct from Nickelodeon’s preschool content that is currently available on our existing distribution platforms,” Levy said. The net is in discussions with distributors about offering the service as a premium complement for authenticated subscribers. Series including “*Blue’s Clues*” and “*Little Bear*,” among others, will be available at launch. Kaufman introduced **Inside Out Solutions**, which will combine the net’s IP, consumer insights and marketing expertise to produce “distinct marketing campaigns that connect you to the world’s greatest kid and family audience across multiple Nickelodeon screens,” as well as social, consumer products and on-the-ground marketing

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experiences, Kaufman said. Execs also talked up the Nickelodeon Sports programming block on **Nicktoons**, promising to bring more sports content from NFL, NBA, MLS, NHL and NASCAR to the initiative.

TiVo Scores Frontier Deal: Under a multi-year contract that starts in mid-2015, **Frontier** will market and deploy co-branded versions of **TiVo's** whole-home services, including the Roamio DVR with over-the-air support as part of its video offering for residential and business customers across markets. The deal aims to allow Frontier HSD customers to access linear and OTT content via TiVo platform across screens. Remote scheduling will also be available through TiVo web, iOS and Android applications.

Feb Ratings: **AMC** had 4 of the top 5 cable programs for Feb—eps of “The Walking Dead” took spots 1-3, with the debut of “Better Call Saul” nabbing 4th place. The Feb 8 mid-season premiere of TWD averaged 2.1mln total viewers, in **Disney's** analysis of **Nielsen** data (Live +& blended with Live +SD from Feb 9 to-date). The 5th place spot went to **Discovery's** “Gold Rush” (6.3mln). The only sports among the month's list of top 10 cable programs was **TNT's** NBA All Star game coverage (6mln viewers). Despite AMC's rating success, **USA** and **Fox News** tied for first place in Feb for P2+ in prime. Both averaged a 0.8 rating, while USA had a slight advantage in delivery (1.9mln vs 1.8mln).

Cablefax Daily Stockwatch

Company	02/25 Close	1-Day Ch	Company	02/25 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	87.98	0.52	COMMSCOPE:	26.42	0.04
DISH:	77.28	(0.48)	CONCURRENT:	6.19	(0.09)
ENTRAVISION:	6.86	(0.01)	CONVERGYS:	22.27	(0.06)
GRAY TELEVISION:	11.01	0.27	CSG SYSTEMS:	30.40	(0.2)
MEDIA GENERAL:	16.33	(0.42)	ECHOSTAR:	54.28	(0.25)
NEXSTAR:	54.27	(0.08)	GOOGLE:	543.87	7.78
SINCLAIR:	28.12	(0.42)	HARMONIC:	7.81	0.06
MSOS					
CABLEVISION:	18.56	(1.24)	INTEL:	33.95	(0.47)
CHARTER:	182.21	4.44	INTERACTIVE CORP:	67.17	(0.29)
COMCAST:	59.62	0.45	JDSU:	13.39	(0.12)
COMCAST SPCL:	59.14	0.36	LEVEL 3:	53.87	(0.04)
GCI:	14.54	UNCH	MICROSOFT:	43.99	(0.1)
GRAHAM HOLDING:	986.88	(5.85)	NETFLIX:	478.33	3.45
LIBERTY BROADBAND:	52.52	1.25	NIELSEN:	46.48	0.34
LIBERTY GLOBAL:	54.49	1.14	RENTRAK:	53.89	1.04
SHAW COMM:	23.49	(0.12)	SEACHANGE:	7.59	0.20
SHENTEL:	29.27	0.14	SONY:	27.69	(0.05)
SHENTEL:	29.27	0.14	SPRINT NEXTEL:	4.96	0.33
TIME WARNER CABLE:	154.62	3.13	TIVO:	11.13	0.26
PROGRAMMING					
21ST CENTURY FOX:	34.90	(0.34)	UNIVERSAL ELEC:	54.56	(1.02)
AMC NETWORKS:	69.17	(0.47)	VONAGE:	4.66	0.09
CBS:	59.78	0.38	YAHOO:	44.43	1.05
CROWN:	3.50	(0.01)	TELCOS		
DISCOVERY:	32.94	(0.06)	AT&T:	34.21	0.16
DISNEY:	105.57	0.90	CENTURYLINK:	37.30	0.24
GRUPO TELEVISA:	33.60	(0.22)	TDS:	26.49	1.24
HSN:	67.59	(0.6)	VERIZON:	49.20	(0.02)
LIONSGATE:	32.97	0.32	MARKET INDICES		
MSG:	78.74	(0.34)	DOW:	18224.57	15.38
SCRIPPS INT:	74.33	(0.07)	NASDAQ:	4967.14	(0.98)
STARZ:	33.19	1.61	S&P 500:	2113.86	(1.62)
TIME WARNER:	82.49	(0.78)			
VIACOM:	70.38	(0.5)			
WWE:	16.77	0.15			
TECHNOLOGY					
ADVANTAGE:	2.38	(0.03)			
AMDOCS:	52.26	0.12			
AMPHENOL:	56.85	0.03			
AOL:	40.15	(0.08)			
APPLE:	128.79	(3.38)			
ARRIS GROUP:	29.01	0.01			
AVID TECH:	14.92	0.12			
BLNDER TONGUE:	1.73	0.02			
BROADCOM:	45.00	(0.31)			
CISCO:	29.49	(0.14)			



Wednesday, March 25, 2015

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Get Used To It

Commentary by Steve Effros

“Get Used To It.” Reading those words by themselves looks a little strange. But the meaning is one we’ve all had to increasingly adopt as our world changes faster and faster in the social, economic and technical spheres. Certainly, to those of us in the communications/information/entertainment/data business, the sentiment couldn’t be more accurate. Whether we like it or not, things are changing, and fighting or arguing with that change is likely to be a waste of time and energy. Just get used to it and move on.

The most obvious thing we appear to have to get used to right now is what I presume the FCC is going to do Thurs—vote to change the entire structure of regulation of our business, for the first time officially declaring our infrastructure like a public utility, regulated as a common carrier. Those terms are fraught with all sorts of emotional and legal meaning, and they’ll be fought over for the foreseeable future. But in the meantime, it makes little sense to continue the war of words in the blogs and on the talk shows about whether the Commission “should” or “shouldn’t” have made the change, or whether the change was necessary or not. All of that will now become obvious by the results of the change and the decisions of the courts and Congress. For our purposes of going forward on a day to day basis, just get used to it and move on.

I suspect, aside from the legal and political mess, creating a total lack of certainty about the structures we will have to operate under for years to come, the “worst case” claims on both sides will not come true and we will all figure out ways to deal. Change is always disruptive and feared but so far in our business it has almost always resulted in us getting stronger, bigger and more



successful. Get used to it.

The same can be said for the major shifts now going on in consumer preferences for how to watch video. Whether it is on tablets or phones, 4K or 3D, a la carte, OTT, Netflix, Hulu or “cable TV,” the challenge is still going to be to efficiently deliver it, whatever “it” is, and do so in an economic way while still satisfying the needs of Wall Street and continually improving the infrastructure to keep up with technological advances that never stop. A tall order. But let’s remember where we came from: we were the “disruptive” technology that was going to destroy the broadcast industry. Didn’t happen. We introduced and promoted more diverse video programming than the world had ever seen. That diversity continues to grow. Multi-million dollar companies producing material, both programming and data for and about viewers, have now become multi-billion dollar companies.

As is their job, the “public interest” advocates continue to argue that the “consumer” should always get (what they deem) “an even better deal.” But those consumers, based on results, have an insatiable appetite to not only consume, but create even more, and they are already doing so. That’s good for those of us whose job it is to make sure the creation, aggregation, curation and delivery of that material is as successful as we can make it. That’s our always-evolving challenge, regardless of how the regulatory and legislative fights go, and if or when the regulations or legislation proves to be significantly inhibiting that fundamental role, it will be changed, again.

Get used to it.

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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