

# Cablefax Daily™

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What the Industry Reads First

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## Mergers, Take 3: Charter-ing New Courses for Bright Horizons (and Houses)

One of the key questions surrounding the proposed **Comcast** and **Time Warner Cable** merger has been what happens with **Bright House**. **Charter** may have solved that dilemma Tues by announcing a deal to acquire the MSO for \$10.4bln. It's a big move in that it signals Bright House's 2mln subs should be attributed to Charter—not Comcast-TWC. Bright House's arrangement with TWC (which handles programming negotiations and various technology issues for the smaller MSO) has been that square peg since the transaction was announced. The **ABC**, **CBS** and **Fox** affiliate groups brokered a deal for conditions on the Comcast-TWC merger that both sides could live with. The one thing they couldn't agree on? Comcast negotiating retrans for Bright House and other MVPDs (like **Midcontinent**) post-transaction. **ACA** also has asked the FCC to prevent Comcast from negotiating such agreements, arguing that it could potentially mean Comcast would negotiate programming deals on behalf of 31.4mln subs. The **Charter-Bright House** deal, first reported weeks ago by **Bloomberg**, is contingent on Comcast-Time Warner Cable closing. "We think this actually makes the deal more likely to close because it solves an attribution problem for the Comcast/Time Warner deal," Charter CEO *Tom Rutledge* said in a call with analysts Tues. **Telsey Advisory Group** broke it down like this: "The FCC might have considered aggregating Bright House subscribers with TWC and therefore, with CMCSA. That would have put CMCSA over the 30% subscriber ratio level post TWC deal. Since the FCC is looking for reasons to reject or delay this deal, a CHTR/ Bright House merger reduces that risk." Of course, consumer groups already shouting to stop the "mega mergers" are likely to throw Charter-Bright House up as an example of how Comcast-TWC will breed more consolidation. What if Comcast-TWC doesn't close? Rutledge was clear that he believes it will, but said non-approval will void the Bright House deal because "we are in a different situation." Bright House CEO *Steve Miron* said **Advance/Newhouse** is looking forward to being a supportive, long-term shareholder. "As the cable business has become more centralized and competitive on a national level, scale has become even more important," Miron said. "Our family has known Tom Rutledge for more than 20 years, and he and *John Bickham* have managed cable systems that were part of our partnership with Time Warner Cable prior to the formation of Bright House Networks. We share the

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Carlsen Resources sponsored a group of fellows to attend Cablefax's CFX Live conference on March 25. Fellows came from Comcast, Back9Network, Discovery Communications, Scripps Networks Interactive and more!

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same vision as Tom and his leadership team around providing competitive products, excellent service, attention to detail and building a strong employee base, all part of the value proposition to our customers.”

**What Charter Gets with Bright House:** Assuming the deal closes, “**New Charter**” adds 2mln video subs in market that are either completely intact (like Orlando) or contiguous with Charter and **GreatLand** footprints. Charter and GreatLand will pass 26mln homes and businesses, and Charter will have more than 10mln video customers. Recall Charter owns about 1/3 of GreatLand and will manage the new MSO. The \$10.4bln purchase price is 7.6x **Bright House’s** ’14 pro forma EBITDA multiple and under 7x when you include synergies and tax benefits. Management made it clear this isn’t about reducing expenses, but “making the whole of New Charter grow fast, take market share and we actually think that the employees at Bright House are going to add a lot of value to Charter,” according to CFO *Chris Winfrey*. Bright House has deployed more than 40K wireless hotspots—with its employees able to help Charter as it dives deeper into WiFi. Plus Bright House can help with Charter’s integration of **Time Warner Cable** systems when (if) the Comcast-TWC deal and related transactions close. “Bright House has developed and used various Time Warner Cable platforms and software, and Bright House employees and their skill sets will be very valuable to us in this regard,” Charter CEO Tom Rutledge said. “In fact, I have worked with many of Bright House’s employees through the years, and I respect what they do and what they can do for the new company.” As far as integration with Bright House and Time Warner Cable systems, Rutledge pointed to the cloud-based user interface on WorldBox, powered by **ActiveVideo** and **Zodiac Interactive**, which is “designed to work in any cable system on any set-top box because it’s backwards compatible.” That means even X1 boxes in GreatLand’s footprint can run the new Charter Spectrum guide. “We think that our investment strategy and our technology strategy will allow us to—from the cloud, essentially turn every television into whatever the state of the art is, going forward,” Rutledge said.

**Charter-Bright House Particulars:** Charter will pay for **Bright House** with \$2bln in cash and with common and convertible preferred stock. It will be run through a partnership of which Charter will own 73.7% and **Advance/Newhouse** will own 26.3%. The consideration to be paid to A/N by Charter will include common and convertible preferred units in the partnership, with partnership units owned by A/N exchangeable for common shares in New Charter. **Liberty Broadband**, which owns about 27% of Charter stock, will invest an additional \$700mln in Charter at the close of the transaction at the reference price. A stockholder agreement with vote ownership caps and standstills makes certain that public shareholders will control more than 50% of the vote and that 7 out of 13 seats on the board will be non-affiliated directors (A/N and Liberty Broadband designate 3 apiece). Liberty Broadband would have voting power of an anticipated 25% at closing. In addition to regulatory and shareholder approval, the deal is subject to expiration of **Time Warner Cable’s** right of first offer for Bright House and the close of Comcast-TWC.

**Comcast Forms Venture with CFO:** Major shakeup at **Comcast** as CFO *Michael Angelakis* is leaving to launch a strategic company in which Comcast will be a major investor. Under the 10-year agreement, Comcast will be the sole outside investor. The new company will have total capital investments of up to \$4.1bln, including \$4bln from Comcast, at least \$40mln from Angelakis himself and the rest coming from other senior members of the new company’s management team. Angelakis, who joined Comcast in 2007, will be the CEO of the company, which will focus on investing in and operating “growth-oriented companies, both domestically and internationally.” He will still be involved in Comcast’s pending **Time Warner Cable** acquisition, assisting with the transition to the new CFO and starting the integration process for the merger and related transactions. The integration plans are “well advanced, Michael is ready and excited to turn his attention to the next phase of his career and relationship with Comcast,” Comcast chmn/CEO *Brian Roberts* said in a statement. Angelakis echoed: “As we enter the final phase of the Time Warner Cable transaction, this is a great time to begin a transition...” The exec is the deputy chmn of the **Federal Reserve Bank of Philadelphia** and was a managing dir at **Providence Equity Partners**. Angelakis played a key role in the financial aspects of Comcast’s takeover of **NBCU** and was instrumental in designing the TWC deal.

**Daytime Emmy Noms:** **Nickelodeon** scored the most Daytime Emmy nominations among cable nets this year

with 18 noms, followed by **Discovery Family Channel** (12). **CBS** topped all nets with 62 noms, followed by syndicated programming and **PBS** both at 50, **ABC** at 35 and **NBC** at 20. SVOD players performed well. **Netflix** bagged 13 noms, while **Amazon Instant Video** received 7. ABC's "General Hospital" was the most nominated program with 28 noms. Netflix's "Star Wars: The Clone Wars" scored 7. Among cable shows, **Discovery Family Channel**'s "R. L. Stine's The Haunting Hour: The Series" received 6 noms, making it the most nominated cable program. The net's other show "Spooksville" received 3. Two Nick programs "Dino Dan: Trek's Adventures" and "Sanjay & Craig" each got 2 noms. Cable programs that received multiple noms also include **Food Network**'s "Barefoot Contessa: Back to Basics" and "The Kitchen," **Disney**'s "Make Your Mark" and "Disney Sofia the First," among others programs. The awards ceremony will be televised live on **Pop** at 8pm ET. This year's Daytime Emmy Awards scored a record number of entries (350 were nominated).

**Discovery Upfront: Discovery Comm** opted out of a glitzy upfront this year, but it did run through its advertiser and agency pitch in NYC Tues for press. A big theme was international. The company announced last year that it makes more money outside the US than within it. This year, **Velocity** is the next network to spread its wings abroad. "We've experimented around the world, and it's working," said pres & CEO *David Zaslav*. Another major focus is **Eurosport**, in which Discovery has a controlling interest. "We're going to push really hard the Eurosport app," Zaslav said. "It launched a while back, but we've been promoting it across Eastern and Western Europe, and now we have almost 200,000 subscribers paying us \$8 a month." The next step is a "drive to a million" initiative, which sets the bar at gaining 1mln subs over the next 2 years. It will generate \$100mln in revenue, "but more importantly, it would really drive us into the direct-to-consumer business," he said. "Owning all that IP in Eastern and Western Europe is very critical for us, and we continue to grow our IP farm in Europe in sports because we think it's going to give us a leading opportunity." Discovery has inked more than 25 content deals thus far, and it's in the early stages of exploring conversations with the major leagues for potential streaming rights in Europe. How about OTT stateside? Since Discovery owns its own content, it has the ability to do so, but Zaslav hopes that TV Everywhere will accelerate. "The TV Everywhere platform is quite strong... it's very friendly for advertisers, and it's very powerful." However, time is of the essence. "If the industry doesn't get behind it in a meaningful way in the next couple of years, then I think that the system will burst—because people do want the ability to watch content," he said. On the state of the upfront, ad sales pres *Joe Abruzzese* said "I don't think it'll be gangbusters, but it will be better than last year." No longer about supply and demand or an indication of the economy's strength, upfronts are now about "how much money clients are willing to release long-term and what the seller's willing to take for that release of the money," he said. The key is to be flexible with agencies and clients. "The advertising market in general is definitely better than it was in the 4th quarter, where volume kind of really disappeared," Zaslav added. "I wouldn't say it's robust, but it certainly has improved." For more on the upfront, including programming announcements, check out **Cablefax.com**.

**NASCAR Rating: Fox Sports 1's** 1st coverage of regularly scheduled **NASCAR** Sprint Cup Series drew more than 4mln viewers, making it the most-watched motorsports event in network history and the 4th most-watched telecast ever on net. The telecast is also the only non-**MLB** postseason event among the net's top 5. Preceding the race, "NASCAR RaceDay" posted more than 1mln viewers, up 52% YOY.

**Comcast's thePlatform Scores Canadian Deals:** White-label video publishing company and **Comcast** subsidiary **thePlatform** scored 2 new customers: Canada's SVOD service **shomi** and Australia's SVOD provider **Stan**. Shomi, a joint venture owned equally by Canada's major service providers **Rogers** and **Shaw**, will use thePlatform's cloud-based mpx video management system for back-end functions. Stan, a joint venture between Australia's **Nine Entertainment** and **Fairfax Media**, will use thePlatform's mpx for metadata management, purchasing support through a payment gateway, subscriber management and viewing rights enforcement, and automated publishing across platforms.

**Programming: FX** booked a 4th season of spy series "The Americans." The 13-ep new season will debut in 2016. With 4 eps remaining, the current season will conclude on April 22. -- **FYI** premieres "Outback Nation," featuring landscape designer *Jamie Durie* transforming outdoor spaces, on April 13. A day later, it will debut "Arranged," exploring arranged marriages. -- **History** is developing "The Boys of '67," a scripted series about the First Platoon of Charlie Company, 9th Infantry Division, which is the only division raised, trained and deployed en masse to service in Vietnam. The series will be produced by **A+E Studios** in association with **Head First Productions** and **Muse Entertainment**.

**Weather Channel vs AccuWeather:** With **Verizon FiOS** replacing **Weather Channel** with new net **AccuWeather**,

# BUSINESS & FINANCE

Weather Channel is going on the offensive. A new ad campaign highlights Weather Channel's coverage when the 1st tornadoes of the season touched down on Mar 25 compared to AccuWeather's non-coverage. A radio spot proclaims, "When the sirens went off, The Weather Channel was there and ready. The other channel? They were showing an adorable baby hippo." The ads, which include print, radio, TV and digital, are running in 13 markets, including Boston, DC and Dallas.

**People:** *Chris Wilson*, most recently vp of public policy at **Time Warner**, has joined **21st Century Fox** as vp of government affairs. Wilson was previously vp and counsel of federal government affairs at trade group **TechAmerica**.

**Never Too Early:** ... to start thinking about upcoming nomination deadlines. So listen up... We're looking for incredible success stories from cable operators of all shapes and sizes to help us determine our 2015 Top Ops, with winners featured in our annual magazine. Nomination deadline is Apr 17. -- And why wait until the last minute to nominate your company's Most Powerful Women and Most Influential Minorities in Cable. Deadline is July 10. Info on these and other **Cablefax** power lists and awards programs is available at [www.cablefax.com](http://www.cablefax.com). The best part about all of the above? Nominations are free! So what are you waiting for?

## Cablefax Daily Stockwatch

Company	03/31 Close	1-Day Ch	Company	03/31 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	85.13	(0.68)	COMMSCOPE:	26.32	(0.08)
DISH:	70.06	(0.72)	CONCURRENT:	6.33	(0.14)
ENTRAVISION:	6.33	(0.12)	CONVERGYS:	22.87	0.01
GRAY TELEVISION:	13.82	(0.08)	CSG SYSTEMS:	30.39	0.20
MEDIA GENERAL:	16.49	(0.3)	ECHOSTAR:	51.72	(0.16)
NEXSTAR:	57.22	(0.82)	GOOGLE:	548.00	(4.03)
SINCLAIR:	31.41	(0.94)	HARMONIC:	7.41	0.01
<b>MSOS</b>					
CABLEVISION:	18.30	(0.18)	INTEL:	31.27	(0.19)
CHARTER:	193.11	9.72	INTERACTIVE CORP:	67.47	0.47
COMCAST:	56.45	(0.16)	JDSU:	13.12	(0.02)
COMCAST SPCL:	56.06	(0.17)	LEVEL 3:	53.84	(0.63)
GCI:	15.76	0.05	MICROSOFT:	40.66	(0.3)
GRAHAM HOLDING:	1049.63	9.63	NETFLIX:	416.69	(5.88)
LIBERTY BROADBAND:	56.48	2.78	NIELSEN:	44.57	(0.22)
LIBERTY GLOBAL:	51.47	(0.22)	RENTRAK:	55.56	(1.2)
SHAW COMM:	22.43	(0.13)	SEACHANGE:	7.85	0.05
SHENTEL:	31.16	(0.67)	SONY:	26.78	(0.31)
SHENTEL:	31.16	(0.67)	SPRINT NEXTEL:	4.74	(0.01)
TIME WARNER CABLE:	149.88	0.61	TIVO:	10.61	(0.05)
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	33.84	(0.42)	UNIVERSAL ELEC:	56.44	(0.37)
AMC NETWORKS:	76.64	0.12	VONAGE:	4.91	(0.02)
CBS:	60.63	(1.24)	YAHOO:	44.44	(0.52)
CROWN:	4.00	(0.22)	<b>TELCOS</b>		
DISCOVERY:	30.76	(0.33)	AT&T:	32.65	(0.32)
DISNEY:	104.89	(1.23)	CENTURYLINK:	34.55	0.49
GRUPO TELEVISIA:	33.01	(0.45)	TDS:	24.90	(0.24)
HSN:	68.23	(0.59)	VERIZON:	48.63	(0.49)
LIONSGATE:	33.92	0.66	<b>MARKET INDICES</b>		
MSG:	84.65	0.21	DOW:	17776.12	(200.19)
SCRIPPS INT:	68.56	(1.06)	NASDAQ:	4900.88	(46.56)
STARZ:	34.41	0.42	S&P 500:	2067.89	(18.35)
TIME WARNER:	84.44	(0.86)			
VIACOM:	68.72	0.28			
WWE:	14.01	(0.08)			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.35	(0.02)			
AMDOCS:	54.40	(0.38)			
AMPHENOL:	58.93	0.16			
AOL:	39.61	0.18			
APPLE:	124.43	(1.94)			
ARRIS GROUP:	28.89	(0.18)			
AVID TECH:	14.90	0.24			
BLNDER TONGUE:	0.96	(0.76)			
BROADCOM:	43.30	(0.82)			
CISCO:	27.52	(0.12)			

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