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What the Industry Reads First

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After the Breakup: Five Takeaways from TWC's Earnings Call

Time Warner Cable's 1Q earnings report came almost 1 week after Comcast decided to call off its proposed acquisition in the face of regulatory hurdles. Thurs' results offered further evidence that this is not the same company it was when Charter first began making overtures for it in 2013. **1. No color on potential M&A.** While there's been plenty of scuttle that Charter's readying an offer, CEO *Rob Marcus* didn't talk about any of the what-ifs. Instead, he stuck to the same knitting from when he took over as CEO in Jan '14: "we'll do what's in the best interest of our shareholders." **2. TWC added video subs for the 1st time since 1Q09.** Management didn't indicate that the 30K video sub gain meant there was a particular weakness for satellite/telco or that it reflected any deep discounting. "The reality is, there are a lot of jump balls as we call them," COO *Dinni Jain* said. "Every time a customer moves, every time a customer is looking to change... And we are winning a lot more of those jump balls than we were winning last year or the year before." **MoffettNathanson's Craig Moffett** believes TWC's 315K residential net HSD adds might be an even bigger deal given that its broadband growth engine had stalled a year ago. **3. TWC can go it alone.** Even as integration meetings were happening with Comcast, Marcus made it clear to employees that they had to bring it on all levels. "Our team surpassed my wildest expectations," he said Thurs. "I believe we are as well positioned for the future as any company in our industry. To be blunt, that was not the case when we entered 2014." TWC continues to roll out its 3-year improvement plan TWC Maxx, which includes DOCSIS 3.0 modems and all-digital conversion. About 40-50% of TWC's homes passed footprint should be covered by year-end. Charlotte, Raleigh and Hawaii are on tap for later this year, and the process should begin in San Diego this year (and wrap in early '16). The upgrade process is underway in Kansas City, Dallas and San Antonio, with Austin's conversion finished in mid-April. "It sounds like there are some hits and misses, but overall, our sense is that this company has truly been focused on execution despite the noise," **Wells Fargo Securities** analysts told clients Thurs. **4. Forget skinny bundles. TWC's sticking with the triple play.** Verizon may be making headlines (and attracting at least 1 lawsuit) with its Custom TV packages, but Jain made it quite clear: "In terms of skinny packages, we don't want to be pioneers on that." Don't count TWC out. If these packages work, Jain said TWC would be "fast followers" because there are "segments" of its customer base that will see the appeal. But he was quick to state that the triple-play package isn't dead, with even phone still attractive. TWC added an



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impressive 320K phone customers in the quarter, well above the Street's 148K consensus. "I think a lot of the times customers don't want to get bogged down in a lot of choices to make on those kinds of things," he said. "There's a lot of value in our triple-play packaging right now, and it's a simpler sale." **5. Earnings did fall short of Street expectations.** While TWC had plenty to celebrate in its 1Q results, adjusted earnings of \$1.65/share on revenue of \$5.79bln fell short of analyst expectations of \$1.87/share and \$5.81bln. CFO *Artie Minson* said that '15 OIBDA is expected to be flattish from an adjusted OIBDA growth standpoint given pension costs, Dodgers RSN expenses and overall higher programming costs. However, he added that mgmt is confident 2016 will be very strong from a financial standpoint, comparing the situation to a flywheel: "It takes a lot of energy to get the flywheel going, but once it's going, its momentum will keep it spinning for a long time."

FCC Hearing: The FCC's rulemaking process took center stage during a heated **House Communications subcmte** hearing Thurs that featured agency chmn *Tom Wheeler* and Republican commish *Michael O'Rielly* as witnesses. The panel's GOP members drafted 3 bills that they claim will provide the public with better access to decision-making information and final rules at the agency. Wheeler clearly disagreed. "When considering new process reforms, we ask if the change will improve our ability to protect consumers and the public interest, including by responding efficiently to businesses that depend on us to decide matters efficiently. I have reviewed the legislative proposals at the center of this hearing, and have serious concerns that these proposals fail that test," he said. "They would create burden without concomitant benefit. They would single out the FCC, rather than work within the time-tested approach of the Administrative Procedure Act. In my judgment, they would hurt, not help, the Commission's work and mission. Rather than cut bureaucratic red tape, they would add new layers." A draft bill by subcmte vice chmn *Bob Latta* (OH) requires the FCC to publish a list of items delegated to the bureaus. A draft bill offered by *Adam Kinzinger* (IL) demands the agency publish the draft of a rulemaking, order, report or any other action that "none of the other commissioners have." The GOP bills would also require the Commission to list items that have been approved at the bureau level under delegated authority. "None of us on this committee would tolerate the insult to our First Amendment rights that the commissioners at the FCC must suffer at the hands of the chairman," cmte chmn *Greg Walden* (R-OR) said. The panel's top Democrat *Anna Eshoo* (CA) came to Wheeler's rescue, saying GOP members shouldn't "welcome" Wheeler to testify while at the same time "use him as a piñata."

Viacom's View: As **Cablevision's** lawsuit against **Viacom** over wholesale unbundling proceeds, how does the programmer feel about this notion of skinny bundles? Viacom CEO *Philippe Dauman's* said the "hype" won't cause significant change the marketplace. "They've always been available... what people are calling skinny bundles; they used to be called family tiers. There's always a place for bringing consumers into the television ecosystem," Dauman said during Thurs' fiscal 2Q earnings call. "There's no greater value in existence today... than the fire hose of programming you get in a broad bundle... Today consumers get more original programming on television than they've ever gotten before." But he said Viacom is willing "to engage with our distributor partners on smaller bundles to bring people to the ecosystem." Revenue at Viacom's media nets rose 3% in its fiscal 2Q to \$2.5bln despite a 5% drop in ad revenue. Overall, the company reported adjusted earnings of \$467mln compared to \$482mln a year ago, while revenue fell 3% to \$3.08bln.

Political Ads: Seventeen House Dems on Thurs introduced the "Keeping Our Campaigns Honest Act," which directs the **FCC** to require political groups to disclose names of sponsors of political ads. "So long as these individuals are allowed to continue to spend hundreds of millions of dollars attempting to impact our elections and our democracy, they should also be required to step out into the light and let voters know just who they are," bill author *John Yarmuth* (D-KY) said in a statement. Fellow Democrat *Anna Eshoo* (D-CA) is onboard. On the Senate side *Bill Nelson* (D-FL), who initially raised the issue in 2013, plans to introduce a similar bill. The General Accountability Office also recommended the agency update its sponsorship rules as key provisions haven't been updated for decades.

Starz Earnings: **Starz** increased subscription by 400K since Dec 31, with subs up 1.8mln since March 31, 2014, to a new high of 23.7mln. Starz says it's now the 2nd most widely distributed pay-TV net in the US, based on **SNL Kagan** research. Its better-than-expected 1Q earnings sent shares above \$40 for part of the day, with the stock closing at \$39.33 (nearly a 2% gain). **Pivotal Research** analysts believe Starz's strong sub growth may be driven by "aggressive distributor premium price cuts in front of the launch of HBO's OTT product and to a lesser extent success with Starz original content/marketing effort." The programmer reported 1Q earnings of \$84.6mln vs \$66.8mln a year ago, with revenue up 7% to \$450.7mln. The company did lose some **Encore** subs, which were 33.8mln at the end

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of March vs 34mln at the end of Dec and 34.4mln at the end of 1Q14.

Hunt.Fish.Feed at INTX: Outdoor Sportsman Group's nets (Outdoor, Sportsman and World Fishing Net) will team with NCTA as well as Comcast, Suddenlink, Mid-Centinet and other cable ops to host a Hunt.Fish.Feed event in Chicago before the start of INTX. Volunteers from INTX, the 3 nets, NCTA COO *Dane Snowden*, as well as MVPDs, will be on hand to help serve a special "Thanksgiving in May" lunch at Pacific Garden Mission on Monday, May 4 from 11:30 a.m. to 1:30 p.m.


Reelz/DISH Deal: Reelz and DISH agreed to renew their carriage deal to provide DISH subs with access to the net. DISH subs can access original programming including reality series "Hollywood Hillbillies" and "The Kennedys-After Camelot." They can also see the June 6 premiere of the net's new original docu-series "Branson Taxi."

Measuring OTT: Nielsen is teaming with Roku to measure OTT content delivered on the Roku platform. Nielsen launched its broader initiative to track online video last year. Measurement of content on Roku will be done through Nielsen Digital Ad Ratings.

People: *Yasmin Mitchell* joined ad sales and marketing firm NCC Media as vp of research. The former BET senior dir of linear and digital ad sales research has held various positions at Turner and NBCU.

Cablefax Daily Stockwatch


Company	04/30 Close	1-Day Ch	Company	04/30 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	90.70	(0.56)	COMMSCOPE:	26.64	(0.04)
DISH:	67.66	(0.88)	CONCURRENT:	6.09	(0.02)
ENTRAVISION:	6.54	(0.23)	CONVERGYS:	22.68	(0.57)
GRAY TELEVISION:	13.26	(0.26)	CSG SYSTEMS:	29.12	(0.81)
MEDIA GENERAL:	16.89	0.08	ECHOSTAR:	50.00	(1.19)
NEXSTAR:	58.46	(0.13)	GOOGLE:	537.34	(11.74)
SINCLAIR:	30.64	(0.41)	HARMONIC:	7.01	0.05
MSOS					
CABLEVISION:	19.98	(0.2)	INTEL:	32.55	(0.33)
CHARTER:	187.06	(1.24)	INTERACTIVE CORP:	69.82	(1.96)
COMCAST:	57.76	(0.58)	JDSU:	12.66	(0.58)
COMCAST SPCL:	57.59	(0.61)	LEVEL 3:	55.94	(0.74)
GCI:	15.86	(0.47)	MICROSOFT:	48.64	(0.42)
GRAHAM HOLDING:	1022.93	(9.07)	NETFLIX:	556.50	(6.35)
LIBERTY BROADBAND:	54.24	(0.6)	NIELSEN:	44.94	(0.48)
LIBERTY GLOBAL:	52.14	(0.17)	RENTRAK:	47.40	(0.97)
SHAW COMM:	22.85	(0.22)	SEACHANGE:	6.71	(0.2)
SHENTEL:	34.46	(1.48)	SONY:	30.23	(0.47)
SHENTEL:	34.46	(1.48)	SPRINT NEXTEL:	5.13	(0.17)
TIME WARNER CABLE:	155.52	(2.34)	TIVO:	11.05	(0.2)
PROGRAMMING					
21ST CENTURY FOX:	34.08	(0.54)	UNIVERSAL ELEC:	53.94	(2.41)
AMC NETWORKS:	75.44	(1.21)	VONAGE:	4.63	(0.17)
CBS:	62.13	(0.64)	YAHOO:	42.56	(0.71)
CROWN:	3.75	(0.13)	TELCOS		
DISCOVERY:	32.36	0.17	AT&T:	34.64	(0.12)
DISNEY:	108.72	(1.09)	CENTURYLINK:	35.96	(0.35)
GRUPO TELEVISIA:	36.41	(0.26)	TDS:	26.71	UNCH
HSN:	62.42	(1.45)	VERIZON:	50.44	(0.03)
LIONSGATE:	31.01	(0.48)	MARKET INDICES		
MSG:	80.30	(1.67)	DOW:	17840.52	(195.01)
SCRIPPS INT:	69.86	0.39	NASDAQ:	4941.42	(82.22)
STARZ:	39.33	0.73	S&P 500:	2085.51	(21.34)
TIME WARNER:	84.41	(1.04)			
VIACOM:	69.13	(3.21)			
WWE:	13.42	(0.94)			
TECHNOLOGY					
ADVANTAGE:	2.46	0.01			
AMDOCS:	55.07	(0.5)			
AMPHENOL:	55.37	(0.42)			
AOL:	39.90	(0.61)			
APPLE:	125.15	(3.49)			
ARRIS GROUP:	33.67	(1)			
AVID TECH:	16.19	(0.21)			
BLNDER TONGUE:	0.78	(0.02)			
BROADCOM:	44.20	(0.2)			
CISCO:	28.83	(0.22)			



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Dive into the future of TV and read profiles of The Multiscreen Money-makers, as well as The Digital Hot List 2015.

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PROGRAMMER'S PAGE

Paycheck to Paycheck

With the issue of minimum wage and income inequality garnering national headlines in the last couple years, **Al Jazeera America** (ALAM) explores the reality of low-wage workers in its docu-series "Hard Earned" (premieres Sun at 10pm ET). Produced by **Kartemquin Films**, the 6-part 1-hour series follows 5 families as they juggle rising costs of housing, education, medical bills and more while working low-wage jobs. Production began in 2013, before the full launch of the net. "We knew that AJAM wanted to make its mark as a news network committed to long format storytelling, especially around issues that have long been under-reported in the American media. We got underway with finding our stories right around launch time, in the fall of 2013," series producer Kartemquin's **Maggie Bowman** told us. Many mid-wage jobs lost in the recession have been replaced by low-wage ones in the economic recovery, and "through each of the stories we followed, we can see the ripple effect of low-wage work throughout families and communities... We've put a human face on a large macro-economic shift," she said. Indeed. Documenting daily routines of the families, such as putting their kids to bed, paying bills, celebrating a milestone birthday and planning a wedding, the series couldn't be more familiar and personal. Yet viewers might be shocked by the realities of the featured families' daily battle to make ends meet. Everyone knows the stress of a morning commute. But to see that through the eyes of Hilton, who gets up at 5am in the 1-car garage that he lives in, to travel 1.5 hours by bus and foot to serve meals to employees at the tech giant **Google**, it puts that experience in a different light, Bowman said: "But mostly, I think viewers will be inspired by the resilience of these people. Motivated by love for their families and hope for a better life, they are gutsy, funny, brave, and won't be knocked down." - *Joyce Wang*

Reviews: "Surrender," Mon, 9pm, **American Heroes Channel**. You've likely seen many documentaries on WWII. But this 90-minute gem is different. While other films provide a 400-foot view of battles, this one, sans talking heads, allows front lines soldiers and refugees to provide their personal perspectives on the war's final days. This gives viewers access to stories rarely told. The colorized footage is incredible and too intense for young children. -- "Kurt Cobain: Montage of Heck," Mon, 9pm, **HBO**. For Kurt Cobain enthusiasts, this doc is loaded with new material about the late guitarist. Filmmaker **Brett Morgen** had access to 200 hours of unreleased music and audio, countless pieces of Cobain's art, family home movies and 4K pages of Cobain's writings. The result is an eclectic visual and aural montage, nearly all contributed by Cobain. Was he a genius, a very accomplished artist or something else? The talking heads in the film have their opinion. Viewers likely will be divided after watching 90 minutes of Cobain's creations and hearing his music and story. -- "Penny Dreadful," Season 2 premiere, Sun, 10pm, **Showtime**. The creepy series returns with a few surprises and a new far-more-than-creepy rival for Vanessa (**Eva Green**). The series hits its mark in ep 2 (May 10), when Vanessa and Sir Malcolm (**Timothy Dalton**) help cholera victims. -- *Seth Arenstein*

Basic Cable Rankings (4/20/15-4/26/15)			
Mon-Sun Prime			
1	TNT	1.2	2840
2	FOXN	0.7	1702
3	DSNY	0.6	1570
3	TBSC	0.6	1534
3	ESPN	0.6	1494
3	HIST	0.6	1387
3	USA	0.6	1380
3	HGTV	0.6	1357
3	DSE	0.6	122
10	DISC	0.5	1276
10	FX	0.5	1194
12	ADSM	0.4	1063
12	FOOD	0.4	1019
12	LIFE	0.4	899
12	SYFY	0.4	897
12	TLC	0.4	860
12	ID	0.4	781
12	DFAM	0.4	82
19	A&E	0.3	789
19	BRAV	0.3	768
19	SPK	0.3	725
19	NAN	0.3	713
19	AMC	0.3	701
19	FAM	0.3	645
19	HALL	0.3	635
19	NBCS	0.3	621
19	DSJR	0.3	595
19	HMM	0.3	412
19	BOOM	0.3	295
30	VH1	0.2	571
30	EN	0.2	555
30	TVLD	0.2	542
30	APL	0.2	541
30	CMDY	0.2	526
30	MTV	0.2	526
30	WETV	0.2	508
30	OWN	0.2	505
30	NGC	0.2	505
30	CNN	0.2	503
30	MSNB	0.2	502
30	TRU	0.2	497
30	BET	0.2	464
30	LMN	0.2	425
30	GSN	0.2	400
30	TRAV	0.2	390
30	FX	0.2	370

*Nielsen data supplied by ABC/Disney

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