

Cablefax Daily™

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What the Industry Reads First

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Verizon/AOL: The Perfect Marriage in OTT Era?

The \$160bln **Time Warner-AOL** merger 15 years ago is viewed by many as one of the worst acquisitions of all time. While it's another merger involving AOL, **Verizon's** \$4.4bln acquisition is different in every way, especially as the telco ventures into OTT and cross-platform advertising. In addition, AOL has revamped itself over the past decade into an interactive media company, featuring the 3rd largest US online video content network (After **Google** and **Facebook**). And the **AOL On Network** has AOL originals on 14 different curated channels and partner content. **MoffettNathanson** analysts pointed out that the AOL On Network has the largest scope of premium streaming video content (without user-generated content) in the market. Its video views were up 130% YoY in 1Q15. That means AOL's content assets and ad platform could boost Verizon's mobile OTT platform, which is expected to feature sports, live events and other short-form content geared for small screens. The platform is powered by OnCue interactive TV technology that Verizon acquired from **Intel's** Intel Media division. Since the OnCue acquisition is also designed to accelerate the deployment of IP-based video services on Verizon FiOS, AOL assets can also be potentially be integrated with FiOS offerings. The move signals that Verizon is shifting its focus to a more consumer-friendly content offering that other providers can't match, **MoffettNathanson** analysts said. The telco touted the same consumer-friendly approach when it launched the Custom TV bundle, which **ESPN** is challenging in court. "Sure, those bundles were consumer friendly (even if they ultimately didn't save consumers much money), but they seemingly created gratuitous friction with content companies who will ultimately be critical partners in Verizon's upcoming wireless video venture," said a **MoffettNathanson** research note. Verizon management has clearly made wireless OTT a top priority as video consumption on secondary platforms grows. Prior to the Intel Media deal, it acquired content delivery network **EdgeCast**. All the deals, including the AOL transaction, show "Verizon's commitment to higher value services, positioning the company to benefit from OTT video and fully leverage its wired and wireless assets," **UBS** analysts said. On the advertising side, AOL's ad platform provides "a key tool for us to develop future revenue streams," Verizon chmn/CEO *Lowell McAdam* said in a statement. **MoffettNathanson** analysts suggested Verizon could potentially leverage AOL's ad tech platform to target consumers and measure their engagement across traditional and digital video, and measure and deliver interaction across its multiple devices, platforms and properties. "That

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would allow for better ad serving, conversion, and ultimately attribution... and they can deliver all that across the largest wireless business in the U.S.” the MoffettNathanson note said. The same scenario prompted public interest groups including **Public Knowledge** and **Free Press** to oppose the deal, citing privacy concerns. “Whether or not the combination of a major online advertiser with the largest mobile services provider raises substantial antitrust concerns, it raises extremely substantial and urgent privacy concerns... The acquisition underscores the need for the **FCC** to impose basic privacy protections that recognize the unique and privileged access broadband providers have into our personal communications,” Public Knowledge svp *Harold Feld* said, asking the Commission to issue a NPRM to address the issue. Other AOL key assets include its subscription business, its premium portfolio of global content brands, including **The Huffington Post**, **TechCrunch**, **Engadget**, **MAKERS** and **AOL.com**. **Re/code** reported that AOL is considering a spinoff of Huffington Post, which it acquired in 2011 for \$315mln. Here’s AOL’s response: “AOL owns a portfolio of premium, global content brands including the Huffington Post, TechCrunch and Endgadget, among others, and all of them will continue to be part of our business as we go forward.” Under the terms, AOL will become a wholly owned subsidiary of Verizon. AOL chmn/CEO *Tim Armstrong*, will continue to lead AOL operations after closing, expected this summer.

Mayweather-Pacquiao: Periscope apparently didn’t knock out the *Mayweather-Pacquiao* numbers. Initial reports from distributors indicate the May 2 fight generated more than 4.4mln US buys and \$400mln domestic PPV revenue, making it the most-bought and highest-grossing PPV event of all time, **HBO** and **Showtime** announced. Distributed in 175 countries worldwide, the fight was available in 75% of the world’s territories, setting the revenue record for international distribution.

Effective Competition: NAB isn’t the only one fighting the **FCC**’s proposal to assume effective competition in each market. Thirteen Democratic senators, including *Al Franken* (D-MN) and *Ed Markey* (D-MA), wrote to chmn *Tom Wheeler* Tues to express their concern that presuming effective competition exists in every community would mean “unnecessary regulatory benefits to large cable companies.” Under STELAR, the satellite reauthorization bill that passed last year, the Commission is to complete a rulemaking by June 2. Cable has long argued that the FCC should assume effective competition given the prevalence of DBS and telco video. As it stands, the FCC grants nearly all requests today for a finding of effective competition. If the change is made, a franchising authority would have to demonstrate to the Commission that an operator in its franchise is not subject to effective competition if it wants to regulate cable service rates.

Downloadable Throwdown: The Downloadable Security Technical Advisory Cmte, which is to make recommendations to the **FCC** on downloadable security, should ensure that device manufacturers can differentiate retail products from MVPDs’ leased products, said a letter this week from **Amazon**, **TiVo**, **Google**, **Free Press** and others. They argue that limiting DSTAC’s scope to downloadable security alone would result in a “walled-garden approach that does not promote the vigorous competition and innovation envisioned by Sect 629.” There’s been some disagreement from DSTAC members on the issue, with several members, including **DISH**, **Comcast** and **AT&T**, complaining last month that the committee seems to be veering away from its mission. “The STELAR legislation clearly limits the DSTAC to recommendations on downloadable security and downloadable security alone. Congress rejected a proposal to expand that mission in the manner some want to do now. To remain true to its Congressional mandate, the FCC must do the same,” NCTA said Tues. DSTAC is scheduled to meet Wed to receive presentations from working groups on security and device platforms.

More Turner Changes: A reorg of **Turner** senior mgmt sees *Doug Shapiro* set to take on the role of evp, chief strategy officer in July. He currently is svp, intl and corporate strategy for **Time Warner**. Turner chmn/CEO *John Martin*’s reorg also sees chief HR officer *Angela Santone* now reporting directly to him. Turner’s also searching for a new head of communications, who will report directly into Martin. The changes follows Thurs’ reports that evp *Kelly Regal* is departing. Communications svp *Jeff Matteson* also is transitioning out of the company.

ESPN Upfront: As reported Mon by *AdWeek*, **ESPN** and **Cablevision** announced a partnership combining the MSO’s set-top box data with the programmer’s multiplatform reach of 40 mln users, in order to provide advertisers with greater targeting capabilities. The **Walt Disney Company** as a whole will have access to data for ad sales purposes for other Disney Media networks. The deal was announced at ESPN’s upfront Tues, at which global customer marketing and sales pres *Ed Erhardt* called for an “impression-based currency” for video across all of ESPN’s platforms. Consumer marketing, research and advertising sales business operations have been consolidated under Erhardt, the company revealed,

BUSINESS & FINANCE

and Justin Connolly was promoted to evp, affil sales and marketing Disney & ESPN. Much of the pitch was about live sports and the passion of ESPN's fan base. "In the midst of startling and rapid technological change, the power of live sports remains paramount," said ESPN pres and Disney and ESPN Media Nets co-chair *John Skipper*. "Impressions, they're the currency of the industry," said ESPN evp, global multimedia sales *Eric Johnson*. "Data pitches, I know you've heard them all. What makes us different? We're live, and live is what's driving usage," he said. Highlights of the programming announcements reflect the company's new morning strategy. "Mike & Mike" is moving to the "Good Morning America" studios in Times Square in Feb, and there are 2 new morning hours for "SportsCenter" from 7am-9am ET. Between GMA, Mike & Mike and "SportsCenter AM," that's more than 71 mln unduplicated viewers in the morning, said **ABC** Sales pres *Geri Wang*. "It's an unrivaled opportunity to own the morning, and therefore own the day," she said.

On the Golf Course: This year's **Rocky Mountain Cable Assn** golf tourney will be held May 19 at Arrowhead Golf Club in Littleton, CO. A reception, dinner and charity donation presentation will conclude the day of industry networking (A portion of the proceeds will be donated to Girls Inc of Metro Denver). More details at RockyMountainCableAssociation.com.

Cablefax Daily Stockwatch

Company	05/12 Close	1-Day Ch	Company	05/12 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	90.61	1.23	COMMSCOPE:	26.03	0.14
DISH:	65.92	(0.46)	CONCURRENT:	6.57	0.27
ENTRAVISION:	6.39	0.04	CONVERGYS:	24.04	0.15
GRAY TELEVISION:	14.01	0.10	CSG SYSTEMS:	30.35	(0.15)
MEDIA GENERAL:	15.49	(0.19)	ECHOSTAR:	49.49	0.22
NEXSTAR:	54.95	(0.56)	GOOGLE:	529.04	(6.66)
SINCLAIR:	28.79	(0.33)	HARMONIC:	7.13	0.22
MSOS					
CABLEVISION:	19.92	(0.15)	INTEL:	32.25	(0.44)
CHARTER:	177.34	(1.44)	INTERACTIVE CORP:	72.89	(0.38)
COMCAST:	57.33	(0.44)	JDSU:	12.37	(0.12)
COMCAST SPCL:	57.11	(0.5)	LEVEL 3:	55.81	(0.72)
GCI:	16.13	0.47	MICROSOFT:	47.35	(0.02)
GRAHAM HOLDING:	981.49	19.49	NETFLIX:	583.64	(6.3)
LIBERTY BROADBAND:	51.63	(0.57)	NIELSEN:	44.45	(0.46)
LIBERTY GLOBAL:	50.35	0.03	RENTRAK:	51.11	0.58
SHAW COMM:	22.47	0.01	SEACHANGE:	7.01	(0.05)
SHENTEL:	31.46	(0.44)	SONY:	31.51	0.67
SHENTEL:	31.46	(0.44)	SPRINT NEXTEL:	4.66	(0.04)
TIME WARNER CABLE:	154.87	0.09	TIVO:	10.79	(0.03)
PROGRAMMING					
21ST CENTURY FOX:	32.61	(0.18)	UNIVERSAL ELEC:	48.86	(2.06)
AMC NETWORKS:	74.95	(0.63)	VONAGE:	4.58	0.04
CBS:	59.72	0.05	YAHOO:	43.84	0.24
CROWN:	3.91	0.01	TELCOS		
DISCOVERY:	32.02	1.25	AT&T:	33.66	0.17
DISNEY:	109.24	0.64	CENTURYLINK:	35.00	0.60
GRUPO TELEVISA:	36.18	(0.13)	TDS:	29.78	0.52
HSN:	67.47	0.09	VERIZON:	49.62	(0.18)
LIONSGATE:	30.31	(0.25)	MARKET INDICES		
MSG:	82.81	0.12	DOW:	18068.23	(36.94)
SCRIPPS INT:	66.71	(0.28)	NASDAQ:	4976.19	(17.38)
STARZ:	37.81	(0.22)	S&P 500:	2099.12	(6.21)
TIME WARNER:	83.23	0.22			
VIACOM:	64.74	(0.92)			
WWE:	13.57	0.13			
TECHNOLOGY					
ADVANTAGE:	2.34	(0.06)			
AMDOCS:	53.41	(0.7)			
AMPHENOL:	56.77	(0.38)			
AOL:	50.52	7.93			
APPLE:	125.86	(0.46)			
ARRIS GROUP:	33.80	(0.21)			
AVID TECH:	15.56	0.20			
BLNDER TONGUE:	0.75	-0.00			
BROADCOM:	45.99	0.04			
CISCO:	29.23	0.02			

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