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5 Pages Today

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AT&T Execs: Video's Future Hinges on Wireless

Despite weak 2Q video sub performance across pay-TV providers and the recent pay-TV share plunge, **AT&T** execs were bullish on the future of video, which they said increasingly relies on wireless. They also shed some light on **DirecTV** integration during the company's analyst day Wed. The telco, following the completion of the merger, has bundled its mobile service with the satellite company's TV offerings. The new offerings have "exceeded sales expectations on launch," chmn/CEO *Randall Stephenson* said. Moving forward, the telco plans to tap into DirecTV assets even more and offer additional innovative packages as video revenues gradually shift to wireless. "With our national retail presence, coast-to-coast TV and mobile coverage, and pervasive broadband footprint, we're positioned like no other to lead the evolution of video and shape the future of the industry. We have the premier set of assets to redefine TV everywhere and deliver an entertainment experience that is truly unique," Stephenson said. According to the exec, while cord-cutting and cord-shaving will continue to result in a decline in pay-TV video subs, "it's a very, very manageable decline." He expects cord-cutting and cord-shaving to accelerate. The key for continuous growth in the video business is to offer customers more viewing flexibility and options. "What we're seeing is a $50 package on DirecTV, there's not much difference in absolute margin to a $90 package on U-verse," Stephenson said. As pressure builds on linear TV ARPU over time, "the mobility piece of the revenue and the fixed broadband piece of the revenue will move up. There's going to be a re-shifting of revenue, and our expectation is that we can probably grow revenue per household for the foreseeable future," he said. And the recent stock price shakeup only "magnified" the urgency to offer video in new ways, he said. *John Stankey,* CEO of **AT&T Entertainment and Internet Services**, added that content providers are still very much interested in keeping the traditional programming model, at least for now. A top concern for programmers these days is still expanding distribution, he said. While video is a mature product, providers can extend the value of video outside of home to allow subs to take their services wherever they go, Stankey said. He envisioned initiatives at AT&T to encourage video consumption on wireless platforms. With DirecTV assets, AT&T is "poised to set the model for others to chase… I want **Comcast** to really regret the fact that they don't own a wireless asset and maybe have to do something about it," he said. Cable has actually tapped into the wireless

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business through ventures like the SpectrumCo partnership with Verizon Wireless a few years ago. Meanwhile, the DirecTV merger will allow AT&T to expand its wireless sub base, said *Ralph de la Vega*, head of **AT&T Mobility**. Studies show that churn goes down when customers take 2 services from the same provider, he said, and even more when customers take 3 services. Thanks to the merger, AT&T now has the ability to broadly offer TV service to its 57mln broadband customer locations. Previously, it could offer U-verse TV and broadband to only about half of these customer locations. The cross-selling is a 39mln total HH opportunity, with 15mln adding wireless, 21mln adding video and 3mln adding broadband, according to the company. Meanwhile, AT&T, now the biggest pay-TV provider in the US with more than 26mln subs, updated its financial guidance. New 2015 outlook includes double-digit revenue growth, adjusted EPS in the $2.62-$2.68 range. For 2016-2018 outlook, the company expects mid-single digits or better adjusted EPS. The company plans to expand its broadband service to reach more than 60mln customer locations by the end of 2018. It continues to expect $2.5bln or better annual run-rate cost savings from the DirecTV transaction by 2018. By the end of 2015, AT&T's largest revenue streams will be, in descending order: Mobility and Business Solutions (both wireless and wireline); Entertainment & Internet; Consumer Mobility; and International Mobility and Video.

Cablevision vs Verizon: (Cue *Taylor Swift*'s "Bad Blood") A federal judge in NY issued a temporary injunction against **Cablevision** over its anti-**Verizon FiOS** commercials. The dispute began after the cable op ran a series of ads in the past few months portraying the telco as lying about its Internet speeds and DVR quality. The ruling, posted late Tues, stated that "the law, like our economic system, encourages spirited competition. But when a competitor exceeds the bounds of decency by falsely impugning the integrity of a competitor, it runs afoul of the law. Such extraordinary conduct warrants the extraordinary relief of a temporary restraining order. Cablevision's defenses here also prove unpersuasive." The judge ordered Cablevision to pull the ads for now as the court considers a more permanent decision. Cablevision said "Verizon continues its efforts to block Cablevision from setting the record straight and we will challenge Verizon's claims, not only through the legal system but also in the court of public opinion." The company pointed out that the judge didn't rule that Cablevision must cease all anti-FiOS ads. The order is limited to Cablevision's assertion that Verizon is a "liar" or tells "lies" or the like, and is temporary, Cablevision said. It also noted the judge ruled in his preliminary injunction that Cablevision wasn't barred from continuing to advertise that Optimum WiFi is a better data network than Verizon's service. In addition, Cablevision isn't barred from advertising that the Optimum WiFi network offers a faster experience than cellular. Verizon fired back. "Cablevision's obfuscation of the truth is nothing but a campaign to keep accurate and factual information away from consumers. The Cablevision lawsuit and its other tactics have a great consequence, even if it's the opposite of what Cablevision had hoped: It's clear, and confirmed by a court, that if you want faster Internet upload and download speeds and the ability to access those speeds wirelessly, Verizon offers it," vp, consumer marketing *Susan Retta* said in a statement. Cablevision, meanwhile, vowed to remain vocal. "Cablevision is absolutely permitted to tell the truth to consumers about FiOS' inferiority, so we are going to continue doing that anywhere and everywhere we can," the company said in a statement. And so it goes in the world of robust competition...

Viacom Beefs up Ad Sales: **Viacom** launched the Velocity Products Group, a new division within its ad sales unit to bring multiplatform social partnerships, products and services to clients. The group also aims to drive partnerships with main social media platforms including **Snapchat**, **Twitter** and **Tumblr**. *Elizabeth Herbst-Brady*, who reports to *Jeff Lucas,* Viacom head of sales, oversees the team in her expanded role as evp of ad sales strategy and products. Reporting to Herbst-Brady are *Kalina Nikolova,* svp of strategy, and *Sarah Iooss,* who takes on the newly created role of svp, Velocity Product Group. *Deborah Brett* becomes vp of Velocity Products Group reporting to Iooss. The new group features offerings including Viacom Vantage, which combines proprietary data and 3rd party data to offer consumer targeting and predictive services; Echo, a customized program for ad partners; The Social Talent Platform, which aims to give advertisers direct access to talents for custom campaigns; and Integration+, designed to give advertisers more flexibility and options when customizing their branded entertainment opportunities. Other offerings include Pulse Real-Time Marketing, a multiplatform service that incorporates partners into the cultural conversation with sharable content in their audience voice, and Social Media Advertising Partnerships, a social media collaboration with Twitter, Snapchap, and Tumblr to boost the reach and impact of

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social-by-design campaigns.

NBCU-Vox Deal: **NBCU** paid $200mln for an equity stake in **Vox Media**, a digital media company that owns brands including **SB Nation, The Verge, Vox and Re/code**. NBCU has reportedly been in talks with several digital media companies including Vox. The company looks forward to building "a collaborative partnership involving editorial content, advertising and technology," CEO *Steve Burke* said in a statement.

Programming: **Adult Swim** announced the season 3 pickup of the original animated comedy series, "Rick and Morty." -- 23-hour net **Poker Central,** slated to launch on Oct 1, announced 2 original series are in production: "Pokerography" and "Inside Poker," both premiering early 2016.

People: **SundanceTV** hired *Denielle Webb* as vp, public relations and marketing. Webb reports to *Marnie Black,* who was recently elevated to evp of public relations for **AMC** and SundanceTV, and *Linda Schupack,* evp of marketing for the nets. -- **Hallmark Channel** parent **Crown Media Family Networks** appointed *Brenda Lowry* as vp of network program publicity. She will report to *Pam Slay*, svp of network program publicity and social content. Lowry joins the company from **NBCU** where she was dir, communications for **Syfy**.

Cablefax Daily Stockwatch

Company	08/12 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DISH:	66.00	(0.06)
ENTRAVISION:	7.75	0.01
GRAY TELEVISION:	14.80	(0.19)
MEDIA GENERAL:	13.17	(0.22)
NEXSTAR:	53.56	(0.53)
SINCLAIR:	28.43	0.14
TEGNA:	26.08	0.06
MSOS		
CABLE ONE:	424.99	(2.55)
CABLEVISION:	25.62	0.18
CHARTER:	181.06	(0.27)
COMCAST:	59.41	0.62
COMCAST SPCL:	59.78	0.61
GCI:	17.17	(0.61)
LIBERTY BROADBAND:	54.08	(0.44)
LIBERTY GLOBAL:	51.08	(0.53)
SHAW COMM:	20.53	0.06
SHENTEL:	41.01	(1.77)
SHENTEL:	41.01	(1.77)
TIME WARNER CABLE:	186.51	(0.34)
PROGRAMMING		
21ST CENTURY FOX:	30.08	0.03
AMC NETWORKS:	74.07	(0.11)
CBS:	50.17	(0.12)
CROWN:	5.03	0.08
DISCOVERY:	28.93	0.19
DISNEY:	106.99	(1.01)
GRUPO TELEVISA:	32.50	(0.1)
HSN:	62.98	(0.51)
LIONSGATE:	37.85	(0.14)
MSG:	76.18	(0.09)
SCRIPPS INT:	58.92	0.12
STARZ:	37.05	(0.04)
TIME WARNER:	79.92	0.15
VIACOM:	46.40	0.17
WWE:	20.79	(0.01)
TECHNOLOGY		
ADDVANTAGE:	2.40	0.02
AMDOCS:	59.47	1.08
AMPHENOL:	55.75	(0.17)
APPLE:	115.26	1.77
ARRIS GROUP:	27.47	(0.45)
AVID TECH:	9.40	0.86
BLNDER TONGUE:	0.84	0.01
BROADCOM:	51.26	0.51
CISCO:	27.90	(0.12)
COMMSCOPE:	26.06	0.01

Company	08/12 Close	1-Day Ch
CONCURRENT:	5.37	(0.11)
CONVERGYS:	23.02	(0.08)
CSG SYSTEMS:	31.71	0.01
ECHOSTAR:	46.46	(0.25)
GOOGLE:	659.85	(0.93)
HARMONIC:	5.90	0.05
INTEL:	29.46	0.49
INTERACTIVE CORP:	74.50	0.07
LEVEL 3:	48.11	(0.82)
MICROSOFT:	46.74	0.33
NETFLIX:	120.50	(2.24)
NIELSEN:	47.83	(0.04)
RENTRAK:	48.97	(0.92)
SEACHANGE:	6.35	(0.22)
SONY:	26.74	(0.62)
SPRINT NEXTEL:	3.88	0.03
TIVO:	9.48	(0.14)
UNIVERSAL ELEC:	47.78	(0.42)
VONAGE:	6.20	(0.05)
YAHOO:	34.49	(1.54)
TELCOS		
AT&T:	34.02	(0.63)
CENTURYLINK:	28.53	0.29
FRONTIER COMMUNICATIONS :	5.42	0.09
TDS:	29.64	(0.4)
VERIZON:	47.85	0.25
MARKET INDICES		
DOW:	17402.51	(0.33)
NASDAQ:	5044.39	7.60
S&P 500:	2086.05	1.98

Think about that for a minute...

Reactions

Commentary by Steve Effros

It's the middle of August, that time of year here when nothing really happens. Congressional folks are out of town visiting home districts, talking to constituents, or more likely taking a junket to someplace in France. Having read that first sentence, I admit that most of the time nothing really happens when they're here, either! Now don't get on your high horses about "Washington." After all, you sent them here, and you keep doing it!

Anyway, rather than launch into more arcane policy stuff, given that it won't be read by the "powers that be," I thought I'd simply relay several reactions I've received to other recent columns. In particular, I got quite a few to the column about all the customer service emails, calls, texts and surveys I've been getting. I suggested, you may remember, that there's a bit of an over reaction to the endemic complaints about "customer service," and this excessive response of over-communication is really just that: annoyingly excessive. An old lawyer friend of mine responded with the following:

"I wonder what would happen if lawyers conducted satisfaction surveys. 'Now that you've been found guilty, would you take a moment to answer a few questions about our recent services? 1. Were we on time for the sentencing? 2. Would you recommend this firm to other felons? 3. Would you use us for your next divorce?' (You can do a whole number on this). The latest annoyance I've encountered is from our dogs' vet. When I call for an appointment, the reminder e-mail arrives before I hang up! I understand short term memory loss, but give me a break!"

And then there was the story another reader sent in about his experience with the automated texts he gets from his doctor. One day he got a text pointedly reminding him in no uncertain terms that he had an appointment with the doctor that day, and that he was late! Only one problem; he was sitting in the doctor's waiting room when he got the text message!

I also had a recent experience which just reinforces the fact that we have an almost insurmountable challenge when it comes to customer service (Note: I'm not saying we don't have to do lots better... we do, but reality sometimes makes that awfully hard!) A friend was mentioning that she had repeated problems with her ISP here in DC because there were times her Macbook would simply stop connecting to her WiFi and the Internet no matter what she did, even though at other times it worked just fine. She speculated that the ISP simply couldn't handle the load in her apartment building some times, and they really ought to fix that. She was going to call to ask them to come out and work on improving the connection. She then mentioned that her tablet and her phone worked just fine even when the Macbook was failing! I asked her if she had ever gone into a room and one of the table lamps was out, but the others worked... would she immediately assume that there was something wrong with the electricity and call the power company to come out? She got the point. She's going to have Apple check her laptop. But it's a slow, long, probably never-ending process to explain technology. That's part of the challenge of our business.

And finally this reaction (mine): the "Republican Debate" was described as the highest rated non-sports program shown on cable. What makes them think that wasn't a sporting event?

Steve

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