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What the Industry Reads First

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Pay-TV Execs: Video Decline Not a Concern

Despite declines in video subs in 2Q across providers, OTT competition and the recent shakeup in media and cable stocks, top execs from **Comcast**, **Charter** and **AT&T** say they expect continuous growth in pay-TV. Speaking at the **Goldman Sachs** Communacopia conference Wed, Comcast chmn/CEO *Brian Roberts* lauded the company's "best second quarter in 9 years." But he added: "It was still a loss. We are not declaring victory." However, lower churn in 2Q (versus a year ago), initiatives to improve customer experience and innovations around its video and broadband platform mean the company's sharper focus is working, he said. And the expansion of OTT services requires faster broadband services, which help Comcast. "Video over the Internet is more friend than foe," Roberts said, adding that given Comcast's unique assets and network, it's in a strong position at the new crossroads of media and technology. "The more you rely on video, you need WiFi, you need and broadband," he said. "We want to be the fastest and best network." The company will continue to "add more capabilities, more wireless rights, more out-of-home rights, more ease of use, more back seasons, more episodes, so that when you buy a subscription it's clear what you get," he said. And Comcast's strategy of snagging more content rights, especially in VOD and multiplatform environments, will be a key competitive advantage, said CFO *Michael Cavanagh*, who joined Comcast only 100 days ago. The combination of better content rights and improvements in the user interface means lower churn, the financial chief said. Among recent upgrades to the X1 platform is its talking remote, which Roberts said is being deployed at the rate of more than 70K per month. The MSO is working on new voice control services that include language-sensitive features, Roberts noted. On the traditional pay-TV side, "there is a realization that you can't keep raising prices forever... without people saying 'I am going to live without some channels,'" said Roberts. And "these things have a way of correcting or balancing out before something draconian happens. I am hopeful that is the case," he said. For the next couple years, "adding value without raising the prices will be the direction," he said. Charter CEO *Tom Rutledge* sang a similar tone. "**Netflix** is our friend, they drive broadband... We embrace OTT television because it makes our broadband superiority more clear in the

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eyes of consumers.” AT&T’s confidence to grow in a declining pay-TV market stems from its ability to deliver video over broadband, satellite or wireless, thanks to its DirecTV acquisition, CFO *John Stephens* said. “We have the ability to deliver services over multiple platforms. A lot of the industry will just be able to do it over broadband or over wireless. We can do it all. That’s a different position,” he said. And while pay-TV subs are shrinking, viewers spend longer hours watching TV, according to Stephens

More from Communacopia: With a total of 26mln subs after the **DirecTV** acquisition, **AT&T** is positioned to better control content price, CFO *John Stephens* said. “We are working with content providers to bring these prices in line and now we have 26 million subscribers to make an impact on that,” he said. Meanwhile, the company is looking to continue to integrate DirecTV assets to offer more bundles, he said, noting the company’s installers are being trained to install devices across U-verse and **DirecTV** platforms. “We are getting our technicians trained for a simple truck role so we can sell video products in our U-verse footprint,” he said. – **Charter** CEO *Tom Rutledge*’s view on skinny TV programming bundles? “We tend not to sell those lesser services because we believe people want a really rich video package, along with a very high quality data service and a quality voice service and that the overall value proposition of all three of those products matter. But there is room inside the current margins of thresholds of distribution to play with additional products.” And the traditional bundles aren’t going away, at least not anytime soon. “We don’t see the whole system falling apart... We think that most content companies will be smart about the way they sell their content into the marketplace ultimately. I think people have made mistakes, clearly, and I do think there is truly over-the-top substitution, but I think there are other forces that affect the overall subscription model. I think both systems will reside side by side for a long time.”

Privacy Concern: Sens *Ed Markey* (D-MA) and *Richard Blumenthal* (D-CT) sent a letter to 18 car manufacturers asking them to provide information regarding their efforts to protect privacy and security. “As vehicles become increasingly connected to the Internet and to one another through advanced features and services, we continue to see how these technologies present vulnerabilities that can compromise the safety and privacy of drivers and passengers,” the lawmakers wrote. They noted 3rd parties can potentially access the electronic controls and data of vehicles from many different entry points, including wireless connections. Markey released a report in Feb, which claimed while nearly every new vehicle includes some type of wireless technology, very little has been done to secure vehicles against hackers.

Vubiquity Acquires DETE: To expand its content services and distribution capabilities, premium content service provider **Vubiquity** agreed to acquire **Digital End-To-End (DETE)**, a managed content technology service, from **Warner Bros Technical Operations**. Vubiquity plans to integrate DETE’s platform with its AnyVU Cloud service to house digital content titles more efficiently for faster, secure delivery.

Comcast Expands Internet Essentials: **Comcast** is extending Internet Essentials on a pilot basis to low-income community college students across CO, senior evp *David Cohen* announced in a blog post Wed. The MSO is also launching a similar pilot in IL, which has one of the largest community college systems in the country. The programs are open to students receiving a Federal Pell Grant, a need-based grant program. The Comcast initiative has connected more than 500K HHs nationwide and recently launched pilot programs in Palm Beach County and San Francisco.

Comcast Business’s New Unit: **Comcast Business** is in expansion mode. It has created a new Enterprise Services unit to target Fortune 1,000 companies and other large enterprises with multiple nationwide locations. The unit will design, build, implement and manage a customized communications network, providing services like WiFi, managed broadband, Ethernet, voice, router and business continuity. The product portfolio will be branded “Managed Enterprise Solutions.” Tech industry vet *Glenn Katz*, formerly CEO of **SpaceNet**, will lead the new group. The company also recently acquired managed service firm **Contingent Network Services**, which will become a wholly-owned subsidiary of Comcast Business and will continue to operate under the Contingent brand name.

BUSINESS & FINANCE

Smart Home Summit: Parks Associates will address connected home market trends and the Internet of Things at the 10th annual Connections Europe – IOT: Connected Entertainment and the Smart Home conference (Nov 10-11 in Amsterdam). *Christian Kurz*, svp of research, insights and reporting at **Viacom International Media Networks**, will be among the keynote speakers. The conference focuses on the impact of connected devices and services, including entertainment, controls, digital media, security and cloud services.

Programming: **WEtv** renewed its reality series "Marriage Boot Camp Reality Stars" for 2 additional seasons. The net booked 10 1-hour eps of each season. -- **Bright House** will offer a new temporary news channel, the Papal Visit 2015. Being provided by **Time Warner Cable's** NY1 news channel, the net will provide 24/7 coverage of the Pope's visit starting Sun through Sept 27. The channel, available in SD and HD, can be accessed via the Bright House TV app and on demand on Local On Demand channel 999. -- **FYI's** food competition series "Late Nite Chef Fight" returns for a 2nd season on Oct 15.

All Hail Overachievers!: Don't forget to submit your young, rising execs for consideration as one of our Overachievers Under 30, Class of 2015. More info: www.cablefax.com

Cablefax Daily Stockwatch

Company	09/16 Close	1-Day Ch	Company	09/16 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	58.76	UNCH	CONVERGYS:	23.40	0.38
ENTRAVISION:	7.54	0.13	CSG SYSTEMS:	30.61	0.29
GRAY TELEVISION:	13.63	0.33	ECHOSTAR:	44.41	0.33
MEDIA GENERAL:	11.20	0.78	GOOGLE:	635.98	0.84
NEXSTAR:	44.97	1.03	HARMONIC:	6.14	0.02
SINCLAIR:	27.79	0.20	INTEL:	29.77	0.04
TEGNA:	23.82	0.32	INTERACTIVE CORP:	70.97	0.65
			LEVEL 3:	44.44	(1.11)
MSOS			MICROSOFT:	44.30	0.32
CABLE ONE:	422.01	1.93	NETFLIX:	104.08	4.92
CABLEVISION:	28.54	UNCH	NIELSEN:	47.24	0.69
CHARTER:	187.86	(0.65)	RENTRAK:	47.82	0.46
COMCAST:	57.74	0.61	SEACHANGE:	6.17	(0.13)
COMCAST SPCL:	57.84	0.25	SEACHANGE:	6.17	(0.13)
GCI:	17.93	0.87	SONY:	26.14	0.30
LIBERTY BROADBAND:	55.07	0.32	SPRINT NEXTEL:	4.69	(0.26)
LIBERTY GLOBAL:	47.78	0.59	TIVO:	9.23	0.17
SHAW COMM:	19.72	0.33	UNIVERSAL ELEC:	47.17	1.62
SHENTEL:	40.65	1.11	VONAGE:	6.20	0.25
TIME WARNER CABLE:	188.79	(1)	YAHOO:	31.40	0.36
			TELCOS		
PROGRAMMING			AT&T:	32.94	0.08
21ST CENTURY FOX:	26.74	0.17	CENTURYLINK:	26.13	(0.34)
AMC NETWORKS:	74.13	(0.01)	FRONTIER COMMUNICATIONS :	5.18	(0.14)
CBS:	43.58	(0.18)	TDS:	26.74	0.24
CROWN:	5.25	0.16	VERIZON:	46.19	(0.18)
DISCOVERY:	27.89	0.90			
DISNEY:	103.96	0.53	MARKET INDICES		
GRUPO TELEVISIA:	29.33	0.46	DOW:	16739.95	140.10
HSN:	59.12	1.02	NASDAQ:	4889.24	28.72
LIONSGATE:	39.27	0.76	S&P 500:	1995.31	17.22
MSG:	75.73	0.13			
SCRIPPS INT:	53.23	0.15			
STARZ:	40.44	1.65			
TIME WARNER:	70.57	0.58			
VIACOM:	46.57	0.96			
WWE:	19.05	(0.09)			
TECHNOLOGY					
ADDVANTAGE:	2.30	UNCH			
AMDOCS:	58.48	0.76			
AMPHENOL:	52.71	0.43			
APPLE:	116.41	0.13			
ARRIS GROUP:	27.84	0.27			
AVID TECH:	8.61	(0.08)			
BLNDER TONGUE:	0.58	0.03			
BROADCOM:	53.51	(0.29)			
CISCO:	26.07	0.09			
COMMSCOPE:	25.61	0.04			
CONCURRENT:	4.96	(0.05)			

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Think about that for a minute...

Perspective

Commentary by Steve Effros

It was hard to miss during the first professional football weekend of the year. The ads had changed. Sure there were the usual car and beer ads. Geico was there, as usual, as were Subway and Papa John's. But they were drowned out by the volume and repetition of the "Fantasy Football" ads. You just couldn't miss them. Fantasy football in this context, as I assume you all know, is a euphemism for gambling.

The Las Vegas bookies, according to reports, handled about \$30 million in bets regarding the football games last weekend. The two leading "fantasy football" sites on the Internet got players to spend around \$60 million in "entry fees!" As a report in Bloomberg Businessweek magazine made clear, virtually none of those players will end up being a "winner" when all is said and done. During the first half of the baseball season, according to a report in Sports Business Journal, only 1.3 percent of the players won.

Meanwhile, we are being inundated with ads about payouts of one million dollars and the like. The ads, of course, are designed to bring in new players. There always have to be new players because at some point, after you have repeatedly lost to the very small percentage of pros (they call them "sharks") who make hundreds or thousands of bets a day and use research and algorithms to be part of the elite few who actually make money at this "game," you always need to get someone new on the hook. One site was reported to be the largest ad buyer during the first week in September, shelling out over \$23 million trolling for new bait fish.

I'm pointing all this out because I think it's time we started getting a little perspective on what the new technologies we have helped create are producing. And maybe assume some responsibility for it, as well. There's



a certain irony that top officials of the FCC are actively promoting the "more is better" and "faster is better" mantra based on the theory that this is going to create a better world with more diversity and more opportunity while at the same time simply ignoring what is actually going on around them.

Two web sites, Netflix and YouTube, are responsible for more than 50 percent of the use of broadband in this country. There's nothing wrong with movies and cat videos, but the government push for "more" is based on usage like this, not online college classes (which have lost favor) or government agency web sites, neither of which needs anything close to the "1 Gig" mantra of the ultra-broadband promoters.

Rather than the Utopian technological ideal that is being bandied about, we are seeing a cultural shift toward intolerance, divisiveness and a proclivity to think that saying anything you want, any time, anywhere (even in candidate debates!) is appropriate. Many more millions are being spent because of the ease and speed of the Internet on sports betting than on education.

I've long been a major broadband supporter. Our industry is the leader in both its creation and growth, and proud of it. But it's time we got some perspective on the full implications of what this technology can and is doing to our culture, and consider what we might do to ameliorate the negative effects rather than just sing the praises of "more" and "faster." Those, by themselves, are a recipe for trouble if not combined with efforts to educate how to use them properly. That, at the moment, is missing.

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. His views do not necessarily reflect the views of Cablefax.)

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