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What the Industry Reads First

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Ahead of Earnings: Cord-Cutting Continues to be Watched Closely

Verizon kicks off reporting of video numbers Tues with its 3Q earnings report. As always, the market will watch closely for signs that cord-cutting could become a serious problem. The good news, according to **Evercore ISI** analysts, is that video losses should moderate vs 2Q. They don't think it will be as strong as previous 3rd quarters, estimating 360K sub losses for cable in 3Q15 vs 165K in 3Q14. **Well Fargo Securities** analysts calculate that video lost 568K subs in 2Q. "The good news is that Q3 sounds better, but we are still looking at heavier losses relative to prior year (-282k vs. -180k)," a Wells Fargo note stated. Some of that may be attributable to **AT&T** and **DirectTV** just starting to roll out their combined offering, but fewer homes are signing up for pay TV. As far as trends, "we believe that in 3Q15 there was heavy promotional emphasis on triple-play bundling aimed at 'Traditionals', and on 'Skinny' bundles and single-play promotions aimed at 'Millennials' that likely led to success in subscriber trends," according to an Evercore ISI note. Last week, the **FCC** launched a probe into contracts for special access services and set opening bid prices in the incentive auction—both should get some attention during Verizon and AT&T's earnings call. **BTIG's Rich Greenfield** is hoping for some more information on **Disney's** lawsuit against Verizon over its skinny bundles. Ahead of its earnings release Thurs, AT&T said it would restructure how it reports results. Instead of reporting for Wireless, Wireline and International, AT&T will report for Business Solutions, Consumer Mobility, Entertainment & Internet Services and Intl. DirecTV will fall under the Entertainment & Internet segment. This marks the 1st time AT&T has reported earnings since its \$48.5bln merger with DirecTV closed in July. AT&T said it would restate its June earnings to reflect the impact of a \$1.1bln charge stemming from the revaluation of DirecTV's Venezuelan assets. Other things to look out for this reporting season is an update on **Altice's** acquisition of **Suddenlink**, as well as any potential color from **Cablevision** on its pending acquisition by Altice. "The third quarter is typically a seasonally weaker quarter for CVC and we believe it will continue to lose video customers due to intense competition from Verizon's FiOS. We also estimate small broadband losses in 3Q15," Evercore ISI said. The analysts other predictions include a 10K video sub loss for **Charter**, an 85K loss for **DISH's** traditional DTH business and improved triple-play and single-play gains from **Comcast**.

GSN-Cablevision Redux: GSN issued a statement Mon on the **FCC** Enforcement Bureau's recommendation that an admin law judge find that Cablevision hasn't discriminated against the network (**CFX**, 10/19). "GSN presented compelling,



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uncontested evidence that it was subject to less favorable treatment from Cablevision based solely on its lack of affiliation with Cablevision. The Enforcement Bureau's opinion that such evidence is not enough would strip independent networks of any real-world protection against affiliation-based discrimination," GSN said. "Based on the clear evidence presented, we trust that the ALJ will find that GSN was the target of improper, affiliation-based discrimination." Oral arguments are Oct 29.

YouTube Premium: Interesting story in the *WSJ* Mon that said several programmers, including **NBCU** and **Fox Sports**, have agreed to provide ad-free content for a planned \$10/month **YouTube** subscription service. **Disney** is said to still be in negotiations. Some reportedly have felt pushed into deals, with YouTube requiring carriage on the premium service for brands' videos to continue to appear on the free site, the report said. The Journal reported that content creators collectively will get 55% of overall subscription revenue generated, with each individual creator or company getting a slice of that money based on the amount of time users spend on their videos.

Cox Turns to SCOTUS: As a jury hears an antitrust case against **Cox** alleging it's illegally tying special services to set-top box rentals, the MSO has turned to the US Supreme Court to overturn a 10th Circuit decision that it had waived its right to arbitration in the class action suit. In June, the 10th Circuit upheld a lower court's finding that Cox seeking arbitration at this stage was overly late and inconsistent with its conduct in litigating the case. The case was filed in 2009. While the courts rejected an attempt to certify a nationwide class, it is hearing arguments seeking \$49m in damages on behalf of Oklahoma City residents (*CFX*, 10/14). Cox has said it provides customers with choices at reasonable prices.

Netflix Speeds: Mediacom completed direct fiber connections to **Netflix's** network, giving its customers steadily improving Netflix service over the past few months. The MSO began moving Netflix traffic to the direct fiber connection in July, completing the transition last month. "Each month since initiating the changeover, our performance on the monthly Netflix ISP Speed Index has improved, and many of our competitors have fallen farther behind," Mediacom operations evp *John Pascarelli* said in a statement. For the month of Sept, Mediacom ranked 7th with a speed of 3.54 Mbps on Netflix's larger ISP index. That's up 2 spots from Aug, when it averaged 3.45 Mbps. Mediacom ranked ahead of **Comcast**, **Suddenlink**, **AT&T U-verse** and others last month. **Verizon FIOS** was ranked #1 on the large ISP index (3.75 Mbps), followed by **Cox** (3.72 Mbps), **Cablevision** (3.69 Mbps), **Bright House** (3.67 Mbps) **Time Warner Cable** (3.59) and **Charter** (3.57).

Still Talking: Still no deal between **Tribune** and **AT&T U-verse**, which have extended negotiations several times since their retrans pact expired this month. On Sun, Tribune began notifying U-verse customers of Tues' 5pm ET deadline for a deal and potential loss of stations. We're told the 2 companies are continuing to talk.

Sports Money: Media rights revenues are expected to hit \$16.4bln by year-end in North America, according to **PwC's** latest sports market report. Increasing at a compound annual rate of 7.2%, it predicts revenues from media rights will hit approx \$20.6bln in 2019. The sports media rights segment continues to expand in size as the industry works through the current deal cycle and additional sports properties realize the higher valuation of sports content with the runoff of prior generation deals. The report noted local TV rights in **MLB**, **NBA** and **NHL** will contribute to the overall sector growth with more than 35% of current deals set to expire over the next 5 years, albeit on a smaller scale than the national rights deals that are predominately driving industry-wide growth. That said, the pace of growth for media rights is expected to slow towards the end of the 5-year period. The good news is segment fundamentals and base rights fees are expected to remain strong given the popularity of sports programming with consumers and advertisers.

Social Initiatives: Ovation launched **Creative Studio**, a crowdfunding initiative in partnership with **RocketHub**. It initially features 50+ projects, including a project through will.i.am's i.am.angel Foundation that seeks to raise funds for a robotics program in Boyle Heights (East L.A.). -- **Nielsen's eXelate** is among the companies selected to participate in **Twitter's** official partner program. Brands and agencies will now be able to leverage eXelate consumer and business-specific audience segments to seek better results on Twitter Ads.

Data Business: TierPoint, led by **Suddenlink** and **Cequel III** CEO *Jerry Kent*, has agreed to buy **Windstream's** data center business in an all-cash transaction for \$575mln. TierPoint will provide advanced data center services to Windstream's enterprise customers. The deal is expected to close in the next 2-4 months. **RBC Capital Markets** served as financial advisor and **Bryan Cave LP** served as legal advisor to Windstream.

Distribution: MAVTV will launch Oct 29 on **Buckeye CableSystem's** Digital Basic Pak. The agreement includes

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VOD and TVE rights.

Rentrak's Sports Deal: Rentrak scored a branded entertainment measurement agreement with **Anthem Sports & Entertainment's Fantasy Sports Network (FNTSY).**

People: *Darcy Tomlin* was named vp, programming and ops for **Discovery Networks Intl.** The Discovery vet will manage the content partnership between Discovery Networks International and the US brand teams. -- *Michael Hanson* will serve as the **FCC's** new Open Internet ombudsperson, the public's primary point of contact within the agency for questions and complaints regarding the Open Internet rules. *Parul Desai* previously served in the role; she will return to her role as an attorney adviser in the FCC's Audio Division of the Media Bureau. In addition to serving as ombudsperson, Hanson will continue his current position in the FCC's Wireless Telecom Bureau.

Discovery/DirectTV Educates: Discovery Education and DirectTV are hosting a free live virtual event for classrooms across the country on Oct 27 to celebrate National Energy Awareness Month and Energy STAR Day, which encourages individuals to committee to energy saving. The event will feature **US Environmental Protection Agency** Administrator *Gina McCarthy* engaging in a virtual discussion on how energy use affects the planet's climate.

Cablefax Daily Stockwatch

Company	10/19 Close	1-Day Ch	Company	10/19 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	61.30	(0.71)	CONVERGYS:	25.51	0.30
ENTRAVISION:	8.38	0.01	CSG SYSTEMS:	32.55	0.55
GRAY TELEVISION:	14.90	0.03	ECHOSTAR:	45.11	0.14
MEDIA GENERAL:	14.80	(0.17)	GOOGLE:	666.10	3.90
NEXSTAR:	52.16	(0.72)	HARMONIC:	6.00	UNCH
SINCLAIR:	29.19	(0.47)	INTEL:	33.59	0.55
TEGNA:	25.00	(0.45)	INTERACTIVE CORP:	70.50	(0.87)
MSOS					
CABLE ONE:	442.40	(1.08)	LEVEL 3:	47.44	0.06
CABLEVISION:	32.97	(0.04)	MICROSOFT:	47.62	0.11
CHARTER:	186.31	(0.96)	NETFLIX:	101.69	2.70
COMCAST:	61.56	0.24	NIELSEN:	48.18	0.44
COMCAST SPCL:	62.14	0.16	RENTRAK:	55.88	1.09
GCI:	18.98	0.46	SEACHANGE:	7.05	(0.09)
LIBERTY BROADBAND:	55.07	(0.47)	SONY:	27.43	0.25
LIBERTY GLOBAL:	45.78	(0.05)	SPRINT NEXTEL:	4.41	0.12
SHAW COMM:	20.22	(0.18)	TIVO:	9.26	(0.06)
SHENTEL:	46.24	0.07	UNIVERSAL ELEC:	45.47	(0.08)
TIME WARNER CABLE:	187.33	(1.38)	VONAGE:	6.10	0.01
PROGRAMMING					
21ST CENTURY FOX:	29.48	UNCH	YAHOO:	33.50	0.13
AMC NETWORKS:	74.08	0.13	TELCOS		
CBS:	42.92	(0.26)	AT&T:	33.63	(0.2)
CROWN:	5.74	0.03	CENTURYLINK:	26.92	0.11
DISCOVERY:	28.70	0.21	FRONTIER:	5.25	0.03
DISNEY:	109.47	1.23	TDS:	26.45	0.18
GRUPO TELEVISIA:	26.79	(0.14)	VERIZON:	44.70	UNCH
HSN:	60.77	1.23	MARKET INDICES		
LIONSGATE:	40.53	(0.47)	DOW:	17230.54	14.57
MSG NETWORKS:	20.18	0.04	NASDAQ:	4905.47	18.78
SCRIPPS INT:	55.96	(0.12)	S&P 500:	2033.66	0.55
STARZ:	38.39	(0.59)			
TIME WARNER:	71.16	(0.86)			
VIACOM:	50.59	(1.06)			
WWE:	19.78	0.18			
TECHNOLOGY					
ADDVANTAGE:	2.29	(0.06)			
AMDOCS:	58.35	(0.19)			
AMPHENOL:	53.08	(0.23)			
APPLE:	111.73	0.69			
ARRIS GROUP:	28.73	(0.24)			
AVID TECH:	8.59	(0.1)			
BLNDER TONGUE:	0.69	0.03			
BROADCOM:	51.54	(0.22)			
CISCO:	28.25	UNCH			
COMMSCOPE:	31.71	(0.05)			
CONCURRENT:	5.02	(0.01)			



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SCTE Cable-Tec Expo DOCSIS 3.1 Recap

With ops gearing up for trials and rollouts, DOCSIS 3.1 was everywhere at this year's **SCTE Cable-Tec Expo** in New Orleans last week. The fast progress is being driven by competition and the availability of chips, **Comcast** vp of access *Jorge Salinger* said during a session. "It's an incredibly fast moving specification, and the reason for that is competition—competition for cable operators and competition for equipment vendors and that is helping the acceleration... On the equipment side, there is silicon available from three suppliers, and there are multiple cable modems, so the development of the equipment has been very rapid," he said. To prep its network for DOCSIS 3.1, Salinger said the MSO is looking to deploy 3.1 in various types of HFC systems and is working on freeing up some spectrum. **Arris** announced 2 new modems during the show based on DOCSIS 3.1 specification: the Touchstone CM8200 that can support up to 5 Gbps downstream and up to 2 Gbps upstream, and its retail version SURFboard SB8200. The vendor is also adding DOCSIS 3.1 features into its converged cable access platform (CCAP), which combines edge QAM and cable modem termination system (CMTS) functions to move toward a converged platform. Speaking of CCAP, more and more vendors are moving to distributed CCAP, which moves the CMTS functions of a CCAP system out of the head-end and into the access network, allowing ops to provide services more effectively. While there's a general consensus that more distributed CCAP helps cable ops handle exploding data traffic driven by online video and other data-hungry applications, multiple deployment approaches seem to exist, vendors told us. Companies like **Cisco** have gone after the Remote PHY approach, which moves the PHY circuit out of CCAP and puts the PHY circuit at the end of a network. There is also the remote MAC/PHY approach, where both the MAC (media access control) and the PHY are pushed down to the node. What's best? Arris CTO of network solutions *Tom Cloonan* said "I don't have the answer... In the end, I think that all of them

are workable solutions and technically feasible." **Cisco** fellow and CTO of Cable Business Unit *John Chapman* noted Cisco will support multiple approaches. "We can make anything work across all of the designs," he said.

OTT Research: New **Parks Associates** research finds that most (58%) broadband HHs in the US use at least 1 OTT video service on a monthly basis, while more than 25% of HHs use 2 or more services. "Despite impressive penetration, growth of U.S. OTT services has slowed recently, indicating the overall market for SVOD service might be saturated," said *Glenn Hower*, research analyst. He noted **Netflix** dominates OTT, with 43% of US broadband HHs subscribing to the service, after **Hulu** and **Amazon**, with 19% and 17% respectively, penetration of OTT services drops drastically. That said, with new niche services emerging that focus on targeted content and audiences, "there is still room for growth in the space," Hower said.

CenturyLink Goes Virtualization: **CenturyLink** plans to fully virtualize its network and data centers by 2018, the company said in a release. It's currently building an end-to-end network platform with software-defined networking (SDN) and network functions virtualization (NFV) capabilities to deliver a self-service application marketplace and on-demand services. By year-end, the company aims to virtualize 40% of its global IP core network locations. The company has already built its NFV platform in 36 network and data center locations in 7 countries, with plans to expand into a total of 44 locations by year-end. In the next few months, CenturyLink will start deploying a range of virtualized data and voice infrastructure services, including virtualized Multi Protocol Label Switching (MPLS) routers and Customer Premises Equipment (CPE) to enable dynamic delivery of scalable services for customers. Virtualization was also a hot topic at the SCTE Cable-Tec Expo last week as SDN and NVF enhance the cloud model to improve time to market and help service providers add new features.

Got tech news? Reach out to Cablefax Tech editor *Joyce Wang* at jwang@accessintel.com

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