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Time Warner: Stocks Drop After Lower Forecast

Time Warner stocks dropped to close down 6.6% Wed following its lower earnings guidance for 2016. During the company's earnings conference call, CFO *Howard Averill* said he expects 2016 adjusted earnings per share to be around $5.25, down from the "close to $6" forecast exec had said earlier. The downbeat forecast might have triggered another round of investor selloffs. **21st Century Fox**, which also reported earnings Wed, saw its share price drop 5% at close. **Viacom** shares fell around 6%, while **Disney** was down around 2%. Media stocks suffered in 2Q as investors feared the impact of cord-cutting and unbundling. Despite the stock drop, 3Q revenues at Time Warner increased 5% YOY to $6.6bln as earnings per share reached a record $1.25 per share. Part of the growth can be contributed to **HBO**, which saw revenue increase 5% to $1.4bln partly because of a 4% increase in subscription revenues and 13% increase in content and other revenues. Time Warner launched its standalone streaming service HBO Now in April. "As we expected, HBO NOW's contribution to sub revenue increased from last quarter. However, it's still very much in its infancy as both a product and a business. Over time, we expect NOW to be a more significant revenue contributor as we launch on additional platforms and continue to invest in the product," CEO *Jeff Bewkes* said. Moving forward, the company has its eyes on more digital products. "Having great content is no longer enough. Content has become just one element of the broader consumer experience. And while we are living in the Golden Age of television programming, for many consumers, the television viewing experience is stuck in the Bronze Age. So we're stepping up our investment and providing the best possible consumer experiences," the exec said. That includes new broadband delivered initiatives targeted at millennial such as HBO NOW, **CNN's** start up "Great Big Story," which was announced last month, and **TBS's** new digital studio, **Super Deluxe**, he noted. It also includes investments such as Turner's majority stake in **iStreamPlanet**, a live streaming platform. "And we'll continue to build out data and analytics capabilities, both as the engine of our industry leading advanced advertising product and to inform our marketing, our digital products and even some of our content development itself," Bewkes said. Time Warner is also considering more on-demand services. "Given ongoing shifts in consumer behavior, we think it's important to provide even more on-demand content as part of our network offerings. As a result, we're evaluating whether to retain our rights for a longer period of time and forego or delay certain content licensing. This would effectively push the SVOD window for content on our networks to a multiyear period more consistent with traditional syndication," Bewkes said. In addition, to improve consumer experience on Time Warner's nets, the company looks to reduce ad loads. Just last week, the company announced that **truTV** will cut its ad load in half for prime time original shows starting late next year. "Over time, we think a better viewing experience will help drive higher viewership and enhance the value proposition of our networks," Bewkes said. Turner saw its revenues down 2% to $2.4bln but operating income was up 218% to

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$1.1bln. Subscription and ad revenues each fell 1%, while content sales were down 15%.

21st Century Fox 3Q: The average non-linear audience at Fox Networks has risen by about a 3rd YOY, said **21st Century Fox** exec chmn *Lachlan Murdoch* during the company's earnings conference call Wed. It "illustrates the needs for the industry to move to modern ratings currencies. It reflects today's consumption of media in a way that is highly measurable and relevant to advertisers," he said, crediting the emergence of OTT services such as **Hulu** and **Netflix** with driving part of the change. "Another by-product of these services is clearly the maturing of the traditional large cable bundle," according to Murdoch. The company is on track to grow its non-linear ad revenue by around 40% this fiscal year, CEO *James Murdoch* said. That includes inventory across Hulu, VOD, **FX** Now, **Fox** Now, Fox Sports To Go and Fox Sports Digital. "It's important to create and distribute together," he said. And that's why around 70% of the company's new primetime shows are produced by its own studio, 20th Century Fox Television, up from around 50% last year. "The full lifetime value of these assets is something we're very focused on," he said. Growing the company's streaming video business will continue to be the focus. "It's pretty early days finding all the different ways we can move it forward and innovate," Murdoch said. Impacted by foreign exchange rates and lower theatrical revenues at the Filmed Entertainment segment, the company reported a 6% YOY decline in 3Q revenue to $6.08bln. Cable Network Programming was the bright spot during the quarter with a 7% revenue increase, thanks to higher affil and ad revenues. Domestic affil revenue at cable nets increased a solid 11%, reflecting growth at **Fox Sports 1** and other nets. Domestic ad revenue grew 4%, led by higher contributions from Fox Sports 1, FX and **Fox News.** International affil revenue decreased 1%. Quarterly OIBDA at the international cable channels increased 53% reflecting strong local currency growth partially offset by the adverse impact of the strengthened US dollar.

Discovery's Plea: **Discovery Comm** does not and will not coordinate carriage negotiations or other operations in any way with **Charter**, **Time Warner Cable** or **Bright House** if the proposed mergers are approved by the **FCC**, the programmer said in a filing with the agency Tues. The company noted a few commenters, including **ACA** and **Writers Guild of America West**, said they are concerned that with John Malone's ownership interest in Discovery and future interest in Charter, he will have an incentive to cause Discovery to withhold programming from, or raise prices to, other MVPDs, so that some of those MVPDs' subs switch to the new Charter. These concerns are "wholly speculative and unsupported by any facts or analysis," Discovery said. It claimed neither it nor Malone have an incentive to engage in anticompetitive practice. Besides, the costs of withholding Discovery programming would be "staggering, comprising not only loss of the carriage fees and advertising revenues…"

Music Discovery: **Rovi** launched the Rovi Music Discovery Platform, which seeks to allow a more personalized music experience through enabling natural, conversational speech to power search and deliver results targeted to their individual tastes, consumption history and profile information. It combines 3 Rovi products, Search, Recommendations and Conversation Services, and uses Rovi's Knowledge Graph with metadata covering more than 3mln album releases and 30mln tracks to give access to songs, playlists and artist info.

Network Expansion: The WA-based Redmond-Woodinville business district, comprised of nearly 100 busi-

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nesses, will soon have access to a range of Ethernet services from **Comcast Business,** including Ethernet service of up to 10 Gbps as well as WiFi, TV and advanced voice services currently available in the area. Construction on the $100K project began in July and will be completed later this year.

Viceland: Want a peek at **Vice Media** and **A+E Nets**' upcoming linear network **Viceland**? Check out our Cableflix section for the promo Vice sent out to prospective viewers today. www.cablefax.com/cableflix

Programming: **MTV's** "The Challenge: Battle of the Bloodlines" will premiere Dec 2 and will feature former cast members from the net's "Real World," current cast from "Are You The One?" and "The Challenge" veterans. 14 players from MTV series will duke it out over challenges, competing with and against their own relatives. -- **USA's** "Suits" will air the 2nd half of Season 5 with 6 more eps starting Jan 27. The net will also supplement **WWE's** "Monday Night Raw" with the 2-hour live "Smackdown" on Jan 7, and its new scripted drama "Colony," about a family attempting to liberate an occupied L.A., bows Jan 14.

Editor's Note: Seats are going fast for ***Cablefax's*** Most Powerful Women in Cable breakfast, Nov 20 at the Edison Ballroom in NYC. Don't miss out! Register today at Cablefax.com.

Cablefax Daily Stockwatch

Company	11/04 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DISH:	63.54	(1.53)
ENTRAVISION:	9.02	0.14
GRAY TELEVISION:	16.47	(0.26)
MEDIA GENERAL:	14.88	(0.33)
NEXSTAR:	54.45	(1.75)
SINCLAIR:	33.20	1.23
TEGNA:	27.80	(0.04)
MSOS		
CABLE ONE:	439.35	(0.21)
CABLEVISION:	32.35	(0.11)
CHARTER:	190.10	0.82
COMCAST:	61.46	(1.1)
COMCAST SPCL:	61.60	(1.13)
GCI:	21.42	(0.09)
LIBERTY BROADBAND:	54.81	(0.38)
LIBERTY GLOBAL:	45.77	(0.63)
SHAW COMM:	20.75	(0.31)
SHENTEL:	47.46	(0.18)
TIME WARNER CABLE:	188.65	(0.66)
PROGRAMMING		
21ST CENTURY FOX:	29.65	(1.63)
AMC NETWORKS:	71.76	(5.24)
CBS:	47.95	(0.29)
CROWN:	5.95	0.06
DISCOVERY:	30.30	(0.78)
DISNEY:	113.25	(2.29)
GRUPO TELEVISA:	29.69	(0.38)
HSN:	54.71	(8.19)
LIONSGATE:	38.82	(0.06)
MSG NETWORKS:	20.88	(0.45)
SCRIPPS INT:	59.57	(1.67)
STARZ:	34.14	(0.9)
TIME WARNER:	72.20	(5.1)
VIACOM:	49.80	(2.94)
WWE:	17.55	0.59
TECHNOLOGY		
ADDVANTAGE:	2.36	0.01
AMDOCS:	60.43	0.30
AMPHENOL:	54.93	0.05
APPLE:	122.00	(0.57)
ARRIS GROUP:	28.29	0.28
AVID TECH:	8.93	(0.11)
BROADCOM:	52.89	0.65
CISCO:	28.47	(0.14)
COMMSCOPE:	32.25	(0.96)
CONCURRENT:	5.05	(0.03)
CONVERGYS:	25.83	0.16
CSG SYSTEMS:	33.67	(0.39)
ECHOSTAR:	46.11	(0.28)
GOOGLE:	728.11	5.95
HARMONIC:	5.87	(0.09)
INTEL:	34.15	(0.16)
INTERACTIVE CORP:	65.90	(0.21)
LEVEL 3:	51.29	(0.02)
MICROSOFT:	54.40	0.25
NETFLIX:	114.05	4.31
NIELSEN:	47.59	(0.21)
RENTRAK:	52.74	(2.22)
SEACHANGE:	6.72	0.11
SONY:	28.45	(0.46)
SPRINT NEXTEL:	4.48	(0.03)
TIVO:	9.26	(0.09)
UNIVERSAL ELEC:	49.57	(0.15)
VONAGE:	6.95	0.68
YAHOO:	35.07	0.35
TELCOS		
AT&T:	33.48	(0.15)
CENTURYLINK:	28.02	(0.47)
FRONTIER :	4.78	(0.03)
TDS:	29.49	(0.19)
VERIZON:	46.14	(0.31)
MARKET INDICES		
DOW:	17867.58	50.57
NASDAQ:	5142.48	(2.65)
S&P 500:	2102.31	(7.48)

Think about that for a minute...

The Sound of Silence

Commentary by Steve Effros

European Union regulators have enumerated charges against Google saying that the massive search engine operator may be improperly tilting the comparison shopping search engine playing field in the direction of its own services. Google has now filed its response to the European Commission's charges: "phooey!"

Interestingly, Google doesn't deny that it uses a different algorithm on its own service offerings from those of its competitors. It apparently just says that's OK. And that the marketplace is highly competitive and they are offering a very good service to consumers. Another antitrust fight in Europe with Microsoft, years ago, ultimately resulted in a significant realignment of that company's business. Don't be surprised if the same doesn't eventually happen here. Google, after all, has corralled a 90 percent share of the search market in Europe. It also has a whopping 65 percent share here.

Those numbers should resonate, especially here. After all, when a telephone company or a cable company tries to consolidate in the US, the first quote you can reliably assume is going to be in the papers is from the so-called "public interest" groups, principally Free Press and Public Knowledge. Big seemed to always be bad, so far as they were concerned in the telecom/broadband marketplace. To be sure, they have a lot of expertise on the subject and are in a powerful position to influence policy makers. The former president of PK is now ensconced in the FCC Chairman's office. The current PK president formerly was chief counsel in DOJ's antitrust unit. These are smart folks, and they have never been known to be shy. So what is PK saying about Google's size, Google's influence over government decisions like technology standards, the charge from highly respected regulators in other parts of the world that Google is improperly favoring itself in its comparative search results? Nothing. The sounds of silence are deafening.

When Comcast wanted to merge with Time Warner Cable the PK cry was that it would result in a devastating and very dangerous position of power over broadband and the Internet. The "big" would theoretically have the capability to seriously disadvantage the "small." That's what the FCC feared in killing the merger. Those results are apparently already happening in Europe according to the EU and the FairSearch coalition of companies. PK is proud, as it should be, of its involvement in telecom issues internationally. But on this issue? Silence.

There are a lot of other issues that have direct impact on American consumers in the telecom/broadband sphere that also seem to attract the "silent treatment." Why aren't we hearing anything from PK about Apple and Google's decisions on ad blocking, or about the fundamental battle between "apps" and "mobile web" intellectual property rights being waged between those two? How about Amazon, the biggest web retailer, opting not to sell the television set-top boxes of its rivals? All of these actions have enormous impacts on consumers and the development of the Internet/broadband. They directly affect current, not speculated decisions on IP delivery of video, on the very definition of MVPD, and the control these companies have over OTT distribution. Silence.

Why? I don't know. Some have suggested that Google has undue influence inside this administration. I don't know if that's true or not. Others suggest we look at where the money for these groups is coming from. The last "Annual Report" on the PK web site is from 2010. The silence is getting pretty loud. Hopefully, we'll hear from them.

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.)