

# Cablefax Daily™

Tuesday — February 9, 2016

What the Industry Reads First

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## FOXA 4Q: Cable, Hulu & RSNs

Cable was the bright spot in **21st Century Fox's** 4Q earnings, with OIBDA up 8% to \$1.25bln driven by a 9% revenue increase on strong affiliate revenue growth (2 large affiliates were renewed during the quarter). "Even in an environment with a [growing number of] entertainment options, our affiliate revenue continues to grow," said exec chmn *Lachlan Murdoch*, suggesting it's a sign of the strength of the company's brand. Film was a disappointment, with revenue down 14% to \$2.46bln, though management is optimistic about current films, including "The Revenant," and believes the biz is fundamentally sound. For the near-term though, management lowered guidance on EBITDA. Highlighting cable's positive results was the premiere last week of "The People v O.J. Simpson" on **FX**, which went down as the most-watched original scripted series in the net's 22-year history. The premiere drew 12mln total viewers and 6.1mln 18-49s in Live+3. Fox News posted double-digit percentage ad sales growth in 4Q (thanks to the GOP debates), but that was partially offset by lower ad rev on a ratings dip at FX, with the year-ago period including the final season of "Sons of Anarchy," said CFO *John Nallen*.

Interesting discussion on **Hulu** during Mon's earnings call about 21CF's view in investment and programming rights given its status as both a co-owner and content owner. "As a distributor of our programming, Hulu's very important. We think it's a good distributor and we're really happy to push it forward. That said, we're also very focused on distributing our product and our programs through our other distributors, the MVPDs and others," said CEO *James Murdoch*. "With respect to stacking rights and all of the construct of the SVOD windows, we're very focused on creating a customer experience around our product that's very good, creating an ease of discoverability... We are interested in having fewer holdbacks outside the SVOD windows so we can actually provide a better product for customers and provide our MVPDs and over-the-top distributors with a better ability to deliver a good product experience. I don't think those things are incompatible at all." None of the analysts on the call raised **Comcast's** decision to drop **YES Network**, but there was some discussion about the overall pricing for RSNs. "At this point, we feel pretty good about RSN pricing," James Murdoch said, noting that the company was able to achieve its goals there in renewals earlier in the quarter. "There probably is some price inelasticity for the hardcore fan, but you have to remember that the RSNs are broad. They're not just for superfans. The RSNs in many of our markets are the #1 rated broadcast platform in their market, particularly in baseball season." For the quarter, the company

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Source: Nielsen, NPM, 6/29/15-9/27/15, NPower R&F duplication rpt w/ 6 min qualifier, all sports programming on UO (UNIA/UMA/GALA/UDN) vs. MLB live games (FOX/ESPN/ESPN2/TBS/MLBN), P2+

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reported \$7.38bn in revenue, shy of analysts' \$7.5bn expectation and down 1% from a year ago.

**Boxing Day:** As the FCC's Feb 18 vote on chmn *Tom Wheeler's* set-top box proposal draws closer, the issue is getting heated inside the Beltway. On Fri, **Public Knowledge** held a discussion in the Dirksen Senate Office Building that was pro-opening up the cable set-top market and hosted by pro-box reformer Sen *Ed Markey* (D-MA). On Mon, the 20th anniversary of the 1996 Telecom Act, Markey tweeted: "I'm glad @FCC is heeding my call to #UnlocktheBox, help consumers save # and unleash competition." Earlier in the week, **NCTA** representatives met at FCC commissioners' offices reiterating their stance that apps published by MVPDs enable consumers to enjoy multichannel service on hundreds of millions of tablets, smart phones and other connected devices, along with their worry that govt intervention could increase consumer costs, threaten security and ignore content licensing agreements. Not working in cable's favor is that the FCC has come up with a pretty clever hashtag for this campaign, #UnlockTheBox. *The NY Times* jumped on board Mon, publishing an editorial in support of Wheeler's proposal. "If the industry had its way, we would still be renting phones from the old Ma Bell," it proclaimed, urging the Commission to move as quickly as possible. Then there's *Forbes.com*, where economist and frequent industry consultant *Hal Singer* called into question the "sketchy stat" behind the FCC's #UnlockTheBox campaign. Singer writes that the 185% increase in set-top rental fees from 1994-2015 comes from a **Consumer Federation of America**/Public Knowledge survey that ignores the leap forward in technology (pausing live TV, recording programs, etc). If standard STBs were compared, it would have yielded an inflation rate of close to zero or even slightly negative, Singer writes.

**FCC Oversight Hearing:** FCC chmn *Tom Wheeler* will be grilled again. **Senate Commerce** is scheduled to hold an FCC oversight hearing March 2, with all 5 commissioners testifying, the committee said Mon. Committee chmn *John Thune* (R-SD) will convene the hearing. "From video policy to spectrum, the FCC's decisions have an enormous effect on the future of our technology economy. This hearing presents an opportunity for committee members to raise issues with the agency's top decision makers and evaluate the need for legislative initiatives," Thune said in announcing the hearing.

**Rural Broadband Caucus:** The recent creation of Congressional Rural Broadband Caucus pleased **ACA**. "ACA looks forward to working with Caucus members on the key issues and appreciates that they are focusing on issues that affect areas in rural America, many of which are served by ACA members," pres/CEO *Matt Polka* said in a statement. The bipartisan caucus was formed by Reps *Kevin Cramer* (R-ND), *Bob Latta* (R-OH), *Mark Pocan* (D-WI), and *Peter Welch* (D-VT). Other members include Reps. *Mike Bost* (R-IL), *Doug LaMalfa* (R-CA), *Dave Loebsack* (D-IA), *Frank Lucas* (R-OK.), *James McGovern* (D-MA), *Luke Messer* (R-IN), *Rick Nolan* (D-MI.), and *Rob Woodall* (R-GA).

**Comcast/Earth Networks Partnership:** Comcast is teaming with **Earth Networks'** WeatherBug Home optimization software to enable Xfinity Home subs to further reduce energy use and lower costs. WeatherBug Home will provide the data and analytics supporting Xfinity Home's energy saving tool, EcoSaver, which learns the heating and cooling patterns of a home and makes automatic, incremental adjustments to the thermostat.

**CWA on Altice/Cablevision:** CWA is asking the **NY Public Service Commission**, which is reviewing the **Altice/Cablevision** deal, to reject the merger. CWA, which represents Cablevision employees in Brooklyn, filed comments with the commission, noting what it claimed the "massive debt Cablevision would take on as a result of the deal, the refusal of Altice and Cablevision to include municipalities in the process" and "severe and destructive impact" the deal could have on economic development. The union already weighed in with the **FCC** and plans to file with the **NYC Franchise Concession Review Committee** and the **CT Public Utilities Regulatory Authority**, all of whom will play a role in reviewing the deal. "Altice remains actively engaged in the regulatory process, which is well underway in all regions and proceeding as we anticipated. We look forward to that process continuing in a fair and open manner," an Altice spokesman said.

**Netflix Speed Index:** Verizon FiOS, Cox and Cablevision's Optimum service remained the top 3 among major ISPs on Netflix's Jan speed index. Comcast placed 4th, with 3.72 Mbps speeds, followed by Mediacom at 3.68 Mbps and Charter at 3.65 Mbps. When smaller ISPs are included, **Grande Communications** was the top ISP with 3.98 Mbps average speeds, followed by **Midcontinent** at 3.98 Mbps and **WOW!** at 3.95 Mbps.

**Super Bowl Ratings:** Sun night's Super Bowl 50 on **ESPN Deportes** was the net's most-watched, non-soccer telecast. The net averaged 268K Hispanic HH impressions and 472K viewers P2+, based on a 1.8 rating, according to Nielsen. Digitally, live stream of the game on **CBS** and **NFL** digital platforms drew 3.96mln unique viewers across devices. Viewers



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consumed more than 402mln total minutes. The stream was available on CBSSports.com on PCs/tablets, the CBS Sports app for iPad, Android and Windows 10 tablets, and the **CBS Sports** app for **Amazon Fire TV**, **Android TV**, **Apple TV**, **Chromecast**, **Roku** players and Roku TV models, and Xbox One, along with NFL Mobile from **Verizon** on phones and NFL on Xbox.

**5GHz Op-Ed:** When it comes to opening up the 5GHz band for mobile broadband use, "there's a path forward that would protect automotive R&D and allow millions of consumers to benefit from this public resource," wrote **FCC** Republican commish **Ajit Pai** and Rep **Anna Eshoo** (D-CA) in an op-ed in *Wired*. The auto industry worries that allowing unlicensed use of the 5 GHz band could cause harmful interference to car-to-car communications and crash avoidance systems in development. Several federal agencies are studying the issue, including the FCC and the Dept of Transportation.

**People:** **Josh Feldman** was named to the newly created role of evp, network partnerships at **NBCU**. He previously served as svp, natl sales manager of Turner Emerging Consumer Ad Sales for **Turner**. -- **EPIX** hired **Ian Puente** from **Samuel Goldwyn Films** as its svp, biz and legal affairs. -- **Joseph NeCastro** is retiring from **Scripps Interactive** after 13 years at the company during which he served as CFO/ chief administrative officer and chief development officer.

## Cablefax Daily Stockwatch

Company	02/08 Close	1-Day Ch	Company	02/08 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DISH:	42.27	(3.29)	ECHOSTAR:	34.35	(1.05)
ENTRAVISION:	6.53	(0.14)	GOOGLE:	682.74	(0.83)
GRAY TELEVISION:	10.78	(0.52)	HARMONIC:	3.14	0.05
MEDIA GENERAL:	15.14	(0.39)	INTEL:	28.82	(0.22)
NEXSTAR:	37.46	(2.45)	INTERACTIVE CORP:	40.67	(2.06)
SINCLAIR:	28.22	(2.36)	LEVEL 3:	42.74	(4.44)
TEGNA:	21.91	(1.11)	MICROSOFT:	49.41	(0.75)
<b>MSOS</b>			NETFLIX:	83.32	0.53
CABLE ONE:	415.91	2.65	NIELSEN:	44.72	(0.91)
CABLEVISION:	31.76	0.08	SEACHANGE:	5.77	0.07
CHARTER:	162.59	(5.95)	SONY:	21.20	(0.53)
COMCAST:	59.40	(0.01)	SPRINT NEXTEL:	2.55	(0.3)
GCI:	17.25	(0.37)	TIVO:	7.65	(0.08)
LIBERTY BROADBAND:	45.50	(0.82)	UNIVERSAL ELEC:	48.92	(0.2)
LIBERTY GLOBAL:	32.07	(2.01)	VONAGE:	4.75	(0.25)
SHAW COMM:	16.95	(0.36)	YAHOO:	27.05	(0.92)
SHENTEL:	21.40	0.05	<b>TELCOS</b>		
TIME WARNER CABLE:	177.73	(3.75)	AT&T:	37.11	0.23
<b>PROGRAMMING</b>			CENTURYLINK:	25.63	(0.98)
21ST CENTURY FOX:	24.59	(0.48)	FRONTIER :	4.32	(0.36)
AMC NETWORKS:	65.16	(3.2)	TDS:	22.86	(1.12)
CBS:	44.36	(1.89)	VERIZON:	50.74	(0.23)
CROWN:	4.38	0.17	<b>MARKET INDICES</b>		
DISCOVERY:	26.02	(1.19)	DOW:	16027.05	(177.92)
DISNEY:	92.12	(1.78)	NASDAQ:	4283.75	(79.39)
GRUPO TELEVISA:	24.10	(0.58)	S&P 500:	1853.44	(26.61)
HSN:	42.25	(1.31)			
LIONSGATE:	19.17	0.64			
MSG NETWORKS:	16.49	(0.64)			
SCRIPPS INT:	59.52	(2.01)			
STARZ:	23.29	(1.01)			
TIME WARNER:	67.30	(1.86)			
VIACOM:	44.71	(1.59)			
WWE:	16.49	(0.08)			
<b>TECHNOLOGY</b>					
ADDVANTAGE:	1.72	(0.08)			
AMDOCS:	53.87	(0.79)			
AMPHENOL:	48.98	(0.57)			
APPLE:	95.01	0.99			
ARRIS GROUP:	22.99	(0.58)			
AVID TECH:	7.19	(0.26)			
BLNDER TONGUE:	0.40	(0.02)			
CISCO:	22.93	0.04			
COMMSCOPE:	20.23	(1.17)			
CONCURRENT:	5.15	0.01			
CONVERGYS:	24.16	0.17			
CSG SYSTEMS:	38.16	0.57			

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## CFX TECH by Joyce Wang

### Former SCTE CTO Talks Energy2020, WiFi, DOCSIS 3.1

Daniel Howard, the former CTO of **SCTE**, recently joined **Hitachi Consulting** as dir of energy solutions, the company announced Mon. He's charged with helping cable/telecom companies deploy new energy sustainability programs, plan for and implement DOCSIS 3.1 and other next-gen access networks and overall broadband infrastructure. He will also help launch new WiFi programs. "I have one foot in the energy group because of my background in Energy 2020, and one foot in the communications, media and entertainment group," Howard told us. Howard stepped down in Feb, 2015 from the tech chief role at SCTE to become a fellow at the organization. Moving forward on the energy side, Howard said he will focus on achieving operational efficiency in the operators' edge facilities and outside plants, the same goal that the SCTE Energy 2020 program seeks to achieve. All communications providers have the same problem when it comes to energy use: The majority of their power consumption comes from hubs, head-ends and active equipment on the HFC network, Howard said. Part of it has to do with the legacy networks, and "it's not cost-effective to replace it overnight." When it comes to wireless, WiFi First technology, which refers to mobile devices and services using WiFi as the primary network and cellular networks only to fill the gaps, will be a game-changer for cable, opening doors for various new business models, Howard said. Hitachi is working with a major US cable op to deploy WiFi access points and create a unified back-office infrastructure, he said. An important piece of the WiFi First strategy is upgrading cable modems in a way that could enable community WiFi, where a 2nd SSID (the service set identifier) is available to passers-by who are subs of cable ops and their partners. That essentially turns home WiFi into community hotspots, which could help cable ops attract wholesale customers as well as retail subs. As WiFi becomes a viable wireless option, cable's addressable market will be significantly expanded, according to

Howard. "It's critical to get this done as soon as possible," he said. Reflecting on his 5+ years at SCTE, Howard said one of the biggest changes is the revamp of the group's standards program to focus on the development of operational practices. The move seeks to make it easier for members to implement new standards like DOCSIS 3.1 and roll out initiatives like Energy 2020, he said. "We have gone from a handful of operational practices to dozens now and it will grow even more," he said.

**Evolution Digital Launch:** **Evolution Digital**, which provides integrated IP services for cable companies worldwide, launched eVUE-TV, an IP video offering providing VOD content aggregated with live cable TV programming in one platform. The rebranded eVUE-TV is based on video tech firm **i-Velocity**'s platform, which Evolution Digital acquired in July, and offers IP VOD programming from premium nets like **HBO** and **Showtime** across various devices. In the coming weeks, eVUE-TV will feature a new user interface across devices with enhanced navigation and visual experience.

**Energy Future:** Some 35% of US broadband HHs are expected to subscribe to an energy program from a home security provider, according to research by **Parks Associates**. It found consumers are 40% more likely to participate in an energy program if it's offered by a security provider than from an energy provider. "Security providers have an opportunity to capitalize on their strong connections with their consumers by expanding into energy management programs. They can also leverage their strong reputation with consumers to forge beneficial partnerships with utilities that want to leverage connected devices in the home," said *Tom Kerber*, dir of research, energy and home controls. Kerber will discuss the research at DistribuTECH on Wed, during the "Engaging Customers with Demand Response Devices" session.

Got tech news? Reach out to Cablefax Tech editor Joyce Wang at [jwang@accessintel.com](mailto:jwang@accessintel.com)

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