

Cablefax Daily™

Wednesday — February 10, 2016

What the Industry Reads First

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Viacom 1Q: CEO Plays Defense as Profit, Shares Drop

Even in a bearish market where many stocks tumbled, **Viacom's** sharp drop stands out. It declined more than 20% Tues to around \$33 a share, a new 52-week low. And in the past 12 months, Viacom shares are down more than 50%. Tues' decline was partially due to shrinking fiscal 1Q profits: Net income in the period fell 10% YOY to \$470mln. Stopping the bleeding will be a priority for chief exec *Philippe Dauman*. "Let me be absolutely clear, I could not be more focused on getting Viacom stock price back to the much higher level it enjoyed under my leadership just a short time ago. No one should doubt my resolve or the resolve of our entire management team to making that happen," he said during the company's earnings conference call Tues. Revenue for the quarter fell 6% YOY to \$3.15bln, as revenue from its cable nets fell 3% YOY. Dauman acknowledged that "2015 was a challenging year for Viacom as it was for many in the industry." That said, "it was a watershed year" in which Viacom took steps to revamp its business, increasing both its Media Networks and Filmed Entertainment production pipelines and increasing its investment in data measurement, he said. Attributing some Viacom's recent decline to "a lot of noise" around the company, Dauman said "our outlook and the facts have been distorted and obscured by the naysayers, self-interested critics and publicity seekers. We will not be distracted or deterred as we build for the bright future ahead of us." Viacom's profit drop followed a recent management shakeup. Dauman was named exec chmn last week, replacing *Sumner Redstone*. Calling the media mogul his "colleague, mentor and friend," Dauman said Redstone and "the board of Viacom believing in my abilities and my character have entrusted me with weighty responsibilities, none of which are inconsistent or incompatible." **Bernstein Research** has its doubts about Viacom's outlook. "Longer term, we continue to hold the view that the old business of serving kids/teens with linear TV networks is doomed... and the new business of serving kids/teens with on-demand, digitally delivered entertainment is unlikely to be won by Viacom," wrote Bernstein analyst *Todd Juenger* in a research note. Adding to Viacom's struggle in the quarter was its contract negotiation with **DISH**. The agreement is set to expire at the end of the month. Dauman said the pair have continued to negotiate and have reached a short-term extension. "There may be short-term hiccups along the way, but we firmly believe that we will ultimately reach an agreement that will be productive for both sides," Dauman said. On Tues, Viacom announced a partnership with **Snapchat** to create new channels on its Discover platform for **Comedy Central International** and **MTV** in the US. The agreement also

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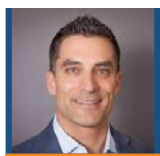
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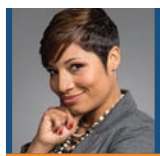
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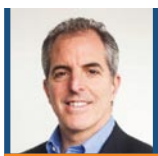
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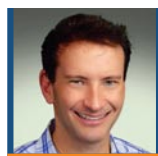
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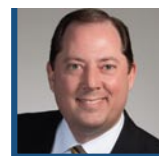
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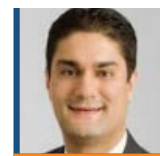
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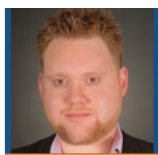
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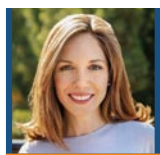
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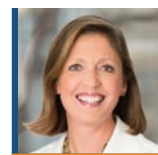
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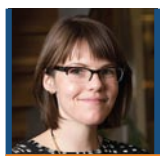
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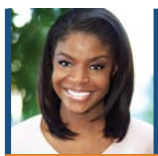
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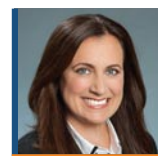
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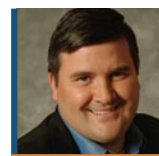
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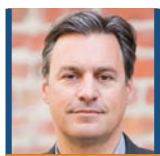
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grants Viacom the right to sell Snapchat's US owned-and-operated advertising inventory. However, the deal is expected to change Viacom's outlook, Juenger said. "There are no affiliate fees on Snapchat, and if teens start watching all their MTV on Snapchat, there will be increasingly less affiliate fees (and advertising) from linear TV as well," he said.

Disney 1Q: Disney had a solid fiscal 1Q, posting earnings of \$2.9bln versus \$2.2bln for the year-ago quarter. Part of the growth can be attributed to cable networks, which saw revenues for the quarter increase 9% YOY to \$4.5bln. However, operating income at cable nets decreased 5% YOY to \$1.2bln due to a decrease at **ESPN** and lower equity income from **A&E**, partially offset by growth at the domestic **Disney Channels**. The decrease at ESPN was due to higher programming costs, partially offset by an increase in advertising and affil revenues. Disney is engaging with virtually all of the traditional pay-TV providers, pushing ESPN into their skinny programming bundles, chmn/CEO *Bob Iger* said during the company's earnings call Tues. The company is also looking to partner with new distribution platforms, he said. ESPN is part of **DISH's** Sling TV programming offering. Disney is encouraged by the results of Sling TV, Iger said. The service is "bringing cord-cutters back to pay-TV," he said. With major sports rights locked up for the next decade, ESPN won't have any big contract renewal coming up anytime soon, he noted.

NBCU Shake-Up: Seismic shifts at **NBCU Cable Entertainment**, with the NBCU unit creating an Entertainment Networks group to join its Lifestyle Networks group. Entertainment will be headed by *Chris McCumber* and consist of **USA**, **Syfy**, **Chiller** and **Cloo**. Syfy pres *David Howe* was tapped to become pres, strategy and commercial growth for Cable Entertainment. "In this rapidly changing media environment, the biggest challenge is not only adapting to change, but staying one step ahead of it. That means continuing to re-think our playbook and developing a business model that's as creative as it is effective, inventive as it is productive," NBCU Cable Entertainment chmn *Bonnie Hammer* wrote in a note to employees. Howe will serve as the portfolio's primary liaison with ad sales, distribution and international partners. He also will identify and manage business relationships with media partners such as **BuzzFeed** and **Vox**. The Lifestyle group, headed by *Frances Berwick*, will expand to include **Sprout**. Other changes include *Bill McGoldrick* becoming evp, scripted content for the cable portfolio, including **USA**, **Syfy**, **E!** and **Bravo**. *Sandra Schron* will become svp, marketing production, Cable Entertainment. In this new role she will be charged with centralizing systems and practices, as well as streamlining operations for all marketing production across the networks. In addition, members of marketing teams dedicated to supporting ad sales and who are currently embedded in NBCU's networks will transition to *Linda Yaccarino's* ad sales marketing team.

Ratings: **Fox News** won total day (1.36mln viewers) and prime (2.27mln) last week, with its Iowa Caucus coverage giving it a boost. **HGTV** continued its hot streak, with a slight edge over **USA** in prime (1.62mln vs 1.59mln). **FX's** premiere of "People v. O.J. Simpson" was the week's most-watched program with 5.1mln viewers, followed by Fox News' 10pm hour of Iowa coverage (4.9mln). **MSNBC** had the 3rd most-watched cable program with Thurs' Democratic debate (4.5mln). **CNN's** Iowa coverage netted 4.3mln viewers, good enough for a 5th place finish.

Hallmark Hall of Fame: **Hallmark Channel** is the official home to the Hallmark Hall of Fame movie franchise, with **Hallmark Cards** entering into a deal that makes **Crown Media Productions** the developer and producer of future HoF movies. Hallmark Cards will continue to sponsor the series and will remain involved in the creative process, including approving scripts. This is the next step in the relationship with Hallmark Channel becoming the exclusive home of the movies for the past year. It's nice bragging rights with the franchise celebrating its 65th anniversary this year. It's earned 81 Emmys and 9 Golden Globes, with 64 Academy Award-winning actors appearing in HoF presentations.

Anti-Merger Group's FCC Visit: **Stop Mega Cable**, a coalition that includes **DISH**, **Public Knowledge** and the **Sports Fan Coalition**, filed an ex parte describing its Fri meeting at the FCC over **Charter's** proposed **Time Warner Cable** and **Bright House** transactions. Some of the highlights... **Broadband:** While reiterating concerns that the merger could stifle OTT competition, the group warned that approx 2/3 of new Charter's customers (the group calls the combined company Mega Cable) will not have access to a competing broadband alternative at 25 Mbps and above. **Programming:** The new company would have the incentive and ability to "force independent, local and diverse voices to accept below-market terms, thus jeopardizing their viability." **Cable Modems:** The group dinged Charter, saying it is one of the only cable providers that doesn't give customers the option of purchasing their own modems. "Charter addresses this anticompetitive approach by claiming that it charges no 'modem fees' when, in fact, the cost of the modem is bundled into a consumer's

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bill," the group wrote. "Charter has promised to extend this same anticompetitive practice from its own relatively small subscriber base to millions of Time Warner Cable and Bright House customers, potentially crippling the market for retail modem manufacturers and along with it, consumer choice." The ex parte, dated Feb 9, listed **USTelecom** in a footnote as the organization has left the Coalition—reportedly because it is more interested in conditioning the merger than outright stopping it. "We appreciate the role that USTelecom played in launching this effort and, more importantly, appreciate its persuasive FCC filing outlining some of the harms of this merger," the coalition said.

Vyve's Gig: Vyve Broadband has begun offering 1 Gigabit-per-second Internet service to customers in northeast OK, including Ketchum and Monkey Island. Vyve said it has made investments in OK since the company launched in late 2013 that have more than doubled the average speed for existing customers.

People: Jordan Solomon was named evp, **MSG Sports**. He was vp, team marketing and business ops.

Editor's Note: Know someone worthy of the title Affiliate Salesperson of the Year? What about a rookie who deserves a shout-out? Or do you have a candidate for the most-traveled or best-dressed sales exec? Enter them in the Cablefax Best Seller Awards by Feb 19 at Cablefax.com.

Cablefax Daily Stockwatch

Company	02/09 Close	1-Day Ch	Company	02/09 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	40.68	(1.59)	ECHOSTAR:	33.50	(0.85)
ENTRAVISION:	6.70	0.17	GOOGLE:	678.11	(4.63)
GRAY TELEVISION:	10.13	(0.65)	HARMONIC:	3.12	(0.01)
MEDIA GENERAL:	15.04	(0.1)	INTEL:	28.81	(0.01)
NEXSTAR:	36.26	(1.2)	INTERACTIVE CORP:	40.42	(0.25)
SINCLAIR:	26.97	(1.25)	LEVEL 3:	44.32	1.58
TEGNA:	21.37	(0.54)	MICROSOFT:	49.28	(0.13)
MSOS			NETFLIX:	86.13	2.81
CABLE ONE:	412.27	(3.64)	NIELSEN:	45.13	0.41
CABLEVISION:	31.62	(0.14)	SEACHANGE:	5.63	(0.14)
CHARTER:	165.04	2.45	SONY:	20.75	(0.45)
COMCAST:	58.21	(1.19)	SPRINT NEXTEL:	2.65	0.10
GCI:	17.08	(0.17)	TIVO:	7.50	(0.15)
LIBERTY BROADBAND:	45.86	0.36	UNIVERSAL ELEC:	48.42	(0.5)
LIBERTY GLOBAL:	31.19	(0.88)	VONAGE:	4.51	(0.24)
SHAW COMM:	16.81	(0.14)	YAHOO:	26.82	(0.23)
SHENTEL:	21.17	(0.23)	TELCOS		
TIME WARNER CABLE:	180.59	2.86	AT&T:	36.65	(0.46)
PROGRAMMING			CENTURYLINK:	24.81	(0.82)
21ST CENTURY FOX:	24.14	(0.46)	FRONTIER :	4.32	UNCH
AMC NETWORKS:	63.86	(1.3)	TDS:	22.73	(0.13)
CBS:	42.65	(1.71)	VERIZON:	50.15	(0.59)
CROWN:	4.28	(0.1)	MARKET INDICES		
DISCOVERY:	24.72	(1.3)	DOW:	16014.38	(12.67)
DISNEY:	92.32	0.20	NASDAQ:	4268.76	(14.99)
GRUPO TELEVISA:	23.51	(0.59)	S&P 500:	1852.21	(1.23)
HSN:	42.06	(0.16)			
LIONSGATE:	19.13	(0.04)			
MSG NETWORKS:	15.99	(0.5)			
SCRIPPS INT:	55.00	(4.52)			
STARZ:	22.04	(1.25)			
TIME WARNER:	63.21	(4.09)			
VIACOM:	36.77	(7.94)			
WWE:	16.47	(0.02)			
TECHNOLOGY					
ADDVANTAGE:	1.70	(0.02)			
AMDOCS:	52.28	(1.59)			
AMPHENOL:	49.04	0.06			
APPLE:	94.99	(0.02)			
ARRIS GROUP:	23.10	0.11			
AVID TECH:	6.76	(0.43)			
BLNDER TONGUE:	0.42	0.02			
CISCO:	22.65	(0.28)			
COMMSCOPE:	20.21	(0.02)			
CONCURRENT:	4.98	(0.17)			
CONVERGYS:	23.97	(0.19)			
CSG SYSTEMS:	37.46	(0.7)			

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