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What the Industry Reads First

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Rob Marcus: Big Bundles Doing Well, Merger Review in Home Stretch

It's been a little over 2 years since **Comcast** first announced its failed bid for **Time Warner Cable**. The MSO has managed to turn around its residential business in the past year, posting a net addition of 54K new video subs in 4Q. And despite the expansion of skinny TV bundles, TWC's video sub mix hasn't changed much over the years, CEO *Rob Marcus* said at **Deutsche Bank's** Media, Internet & Telecom Conference Tues. Some 80% of its subs are on the company's top tier video package, the Preferred TV tier with 200+ channels, while around 11.5% of its subs take the Standard TV tier, which has 70+ channels. Only around 8.5% of its subs are on the lower-end tier, Starter TV service, which has 20+ channels, according to Marcus. And since TWC has been upselling its video offerings, video sub base seems to be shifting up, he said. However, "that doesn't mean we are close-minded with customized and skinny bundles...We are open to it, but our experience has been customers want the more wholesome bundles because they provide more value...For now, we are doing pretty well with our big video packages," Marcus said. TWC has also been integrating OTT video with its linear services through its TWC app, delivering video directly to customers' own devices. "As we take IP video to the next level, you will see greater amount of integration" of OTT and linear video, Marcus said. And more subs using their own devices to consume TWC's video services means less set-top costs for TWC, he said. Opening up the set-top market to 3rd party vendors is what **FCC** chmn *Tom Wheeler* seeks to achieve through his set-top NPRM. While Marcus said he shares Wheeler's vision of a world where customers can consume video offerings without leasing set-tops, "we don't think regulation is necessary to accomplish that." The reality is customers are already consuming video outside of set-top platforms, he said. And it's not even a recent phenomenon: TWC has been delivering IP video for years, allowing subs to consume video across platforms, he said. The NPRM has "some scary consequences" when it comes to potential intellectual property, security and consumer privacy issues, he said. Regarding **Charter's** pending acquisition, Marcus said the companies are engaging on a regular basis with the FCC. "We feel like we are entering the home stretch here." The agency's informal merger shot clock is set to end in 2 weeks. At the state level, Marcus expects regulators in Hawaii to approve the deal soon. "I don't anticipate any significant issue there."

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CA regulators are expected to finalize their decision in May, following a preliminary ruling in April. After that, the regulatory review process will be considered completed. With more data being consumed on mobile platforms, TWC has been exploring ways to add more mobility to its offering through deals such as MVNO arrangements, Marcus acknowledged. While TWC has no firm plans to enter the cellular business (it's not participating in the upcoming incentive auction), it's looking to expand its wireless footprint by adding more WiFi hotspots, Marcus said. Keeping traffic on TWC networks is "the best way to ensure we control the customer experience," the exec said. When it comes to the expansion of direct-to-consumer products by programmers, Marcus said the initiative would change the way MVPDs negotiate with content providers. Because consumers have direct access to certain programmers' content over broadband, they are less likely to switch MVPD if some channels aren't included in their traditional TV bundles, he said.

More from Investor Conference: CBS CEO *Leslie Moonves* expects skinny TV bundles to "become more and more a part of our culture." And that's good news for CBS because the programmer will be part of those smaller bundles, Moonves said. "No matter what universe you live in, you have to have us," he said. CBS has launched its OTT streaming services CBS All Access and **Showtime**. The 2 offerings are expected to boost revenue starting next year, Moonves said, without commenting on sub counts for both services. Meanwhile, thanks to what he called an "interesting" election year, Moonves predicts a record political ad spending year. The company is looking at a new service that could potentially combine the CBS All Access and Showtime subscription-based service. Providers need to be more flexible with their bundles and pricing as consumers demand innovative offerings, he said. "Someone's going to figure out how to do this and how to give people what they want to watch and it's not for \$100 a month, it will be for \$35 or \$39 dollars a month where you'll really get the 12 to 15 or 18 channels that you care about. And not get the karate channel for 25 cents a month. That doesn't make sense anymore."

Lifeline Reform: FCC chmn *Tom Wheeler* circulated a draft order Tues to update the agency's Lifeline program aimed at making broadband more affordable for low-income consumers. The draft Order proposed that, for the first time, low income consumers could apply the \$9.25 per month support to stand-alone broadband service as well as bundled voice and data service packages. The goal is to open up the Lifeline market to encourage more participation by broadband providers. Minimum service standards would ensure that supported services meet modern needs. The proposal would also establish a National Eligibility Verifier to further deter waste, fraud and abuse, while reducing provider burden. In addition, a budget mechanism would limit Lifeline's cost to ratepayers. As part of the proposal, the minimum monthly fixed broadband usage allowance will be set at 150GB. The fixed speed standard is based on what the majority of consumers receive today (10Mbps down and 1 Mbps up). The draft order also seeks to promote Lifeline-supported mobile devices with WiFi functionality, among other things.

Ratings: Fox News' 1st Democratic town hall on Mon scored 2.6mln viewers and 473K in the 25-54 demo. The "Special Report Town Hall," which saw the return of *Hillary Clinton* to the channel, was up 25% in total viewers and 50% in the key demo compared to the 2015 average for the show, according to early **Nielsen** ratings.

Energy Savings: SCTE has implemented energy-efficient solutions that have reduced grid dependency by more than 200K kilowatt hours and have increased operational readiness for the organization, the group said. Using a combination of solar panels, more efficient lighting fixtures and fuel cell technologies, SCTE said it has demonstrated how cable ops and vendors can achieve key goals of the industry's Energy 2020 program.

Upfronts: Fresh off its most-watched year, **GSN** greenlit 3 new series: spinoff "Skin Wars: Fresh Paint," game show "Winsanity" and merchandising competition series "Window Warriors." The network will also add a second screen participation aspect to selected original programming later this year. GSN's getting into the presidential election fun with a special "Idiotest" featuring politically oriented items and brainteasers as it attempts to figure out which political party has the best "idiots." Pilot projects include a 1-hour crime-solving game and a competition series searching for the next great mobile app. Over the past 3 years, GSN has more than doubled its original programming output.

Outage Report: AT&T's **DirectTV** saw nationwide outage Tues. "Multiple national channels are experiencing loss of audio and video. We're working to restore your service. Thanks for your patience," said a tweet from DirectTV. The

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company also said it's working to resolve the outage as quickly as possible. It wasn't immediately clear what caused the outage.

Programming: A&E booked a 2nd season of its docu-series "60 Days In" ahead of the 1st season premiere on Thurs. The new season features 8 participants entering the world of incarceration. Season 2 will air later this year.

People: WE tv added industry vet *Lauren Lazin* to its original programming team as exec producer, and promoted programming exec *Kate Farrell* to vp of original programming. Both report to *Lauren Gellert*, evp of development and original programming. -- **Discovery Comm** upped 16-year vet *David Leavy* to chief corporate operations and communications officer, effective immediately. Leavy will report to pres/CEO *David Zaslav*. Leavy was most recently chief communications officer and sevp, corporate marketing and business operations for the company. -- **FCC** commish *Mignon Clyburn* announced the appointment of *David Grossman* as chief of staff and media policy advisor, and *Daudeline Meme* as legal advisor for wireless, international and public safety issues, effective March 14. Grossman was most recently legislative dir and sr advisor for technology to Rep *Anna Eshoo* (D-CA), while Meme previously served as chief of staff of the FCC's **Enforcement Bureau**.

Cablefax Daily Stockwatch

Company	03/08 Close	1-Day Ch	Company	03/08 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DISH:	48.90	(0.95)	GOOGLE:	693.97	(1.19)			
ENTRAVISION:	7.73	(0.06)	HARMONIC:	3.18	(0.09)			
GRAY TELEVISION:	12.01	(0.41)	INTEL:	30.56	(0.38)			
MEDIA GENERAL:	16.71	(0.33)	INTERACTIVE CORP:	46.96	(0.38)			
NEXSTAR:	46.12	(2.06)	LEVEL 3:	49.94	(1)			
SINCLAIR:	32.27	(0.63)	MICROSOFT:	51.65	0.62			
TEGNA:	24.00	(0.81)	NETFLIX:	96.23	0.74			
MSOS								
CABLE ONE:	445.77	10.77	NIELSEN:	51.12	(0.74)			
CABLEVISION:	33.25	(0.05)	SEACHANGE:	5.54	(0.15)			
CHARTER:	182.92	(2.38)	SONY:	22.46	(0.76)			
COMCAST:	58.29	(0.67)	SPRINT NEXTEL:	3.98	0.01			
GCI:	18.97	(0.02)	SYNACOR:	1.70	(0.03)			
LIBERTY BROADBAND:	52.63	(0.21)	TIVO:	8.08	(0.17)			
LIBERTY GLOBAL:	35.79	(1.56)	UNIVERSAL ELEC:	55.50	(1.12)			
SHAW COMM:	17.98	(0.3)	VONAGE:	5.02	(0.12)			
SHENTEL:	24.06	0.13	YAHOO:	32.93	(1.03)			
TIME WARNER CABLE:	193.47	(1.76)	TELCOS					
PROGRAMMING								
21ST CENTURY FOX:	27.45	(0.45)	AT&T:	38.09	(0.04)			
AMC NETWORKS:	66.87	(1.53)	CENTURYLINK:	31.51	(0.26)			
CBS:	51.18	(0.82)	FRONTIER:	5.65	(0.14)			
CROWN:	4.93	(0.05)	TDS:	27.79	0.01			
DISCOVERY:	27.18	(0.88)	VERIZON:	52.46	0.25			
DISNEY:	97.82	(1.57)	MARKET INDICES					
GRUPO TELEVISA:	27.25	(1.02)	DOW:	16964.10	(109.85)			
HSN:	52.82	(1.33)	NASDAQ:	4648.82	(59.43)			
LIONSGATE:	23.30	(0.38)	S&P 500:	1979.26	(22.5)			
MSG NETWORKS:	18.09	0.10						
SCRIPPS INT:	63.14	(1.26)						
STARZ:	28.26	(0.03)						
TIME WARNER:	68.08	(1.49)						
VIACOM:	43.94	(1.46)						
WWE:	18.00	(0.03)						
TECHNOLOGY								
ADVANTAGE:	1.73	(0.04)						
AMDOCS:	56.28	(0.32)						
AMPHENOL:	55.68	(1.05)						
APPLE:	101.03	(0.84)						
ARRIS GROUP:	23.18	(0.88)						
AVID TECH:	7.04	(0.37)						
CISCO:	27.05	(0.09)						
COMMSCOPE:	25.82	(1.14)						
CONCURRENT:	6.01	(0.08)						
CONVERGYS:	26.12	(0.35)						
CSG SYSTEMS:	38.40	0.06						
ECHOSTAR:	45.21	(0.68)						

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