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What the Industry Reads First

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Mobile OTT: Verizon Buys Minority Stake in AwesomenessTV

In a move that signals the significant growth potential for streaming video over mobile platforms and Verizon's increasing appetite for the video market, the telco agreed to acquire a 24.5% stake in AwesomenessTV to create premium short-form mobile video. The new service, to be launched as part of Verizon's go90 mobile video service, will operate as a new and independent brand, and feature premium transactional content. The new premium content service will initially be exclusive to Verizon platforms in the US, while AwesomenessTV will retain the option to sell content in the rest of the world. The online video startup, already part of Verizon's go90 mobile video lineup, was acquired in 2013 by DreamWorks Animation, which will remain the majority stakeholder with a 51% ownership. Hearts owns the remaining 24.5%. The deal values AwesomenessTV at \$650mln. "The content AwesomenessTV has produced for go90 has exceeded all our expectations with shows such as Guidance and Top Five Live. That's why we want to be in the AwesomenessTV business," Verizon evp and pres of product & new business innovation Marni Walden said in a statement. Macquarie analyst Amy Yong believes the transaction will "redefine mobile video content for the millennial audience and positions AwesomenessTV as a top content leader." Along with AwesomenessTV, the lineup for Verizon's go90, which was launched in Oct, includes exclusive mobile rights for NFL Sunday Ticket, as well as cable nets like Comedy Central, Food Network, ESPN, Discovery, MTV, TLC, HGTV, and ID. The service "meshes perfectly with the March creation of Verizon Hearst Media Partners," a joint venture between Verizon and Hearst which will produce digital content for millennials, Yong wrote in a research note Wed. While AwesomenessTV already targets millennials, "embracing the mobile ecosystem with Verizon will likely drive ATV's Gen Z audience to become even larger," she said. In addition, given the rising value and a potential doubling of annual revenue through the deal, AwesomenessTV could provide Verizon, DreamWorks and Hearst an IPO opportunity, according to Yong. She noted AwesomenessTV's existing revenue streams include ad, subscription, electronic sell through and branded sponsorship content. And unlike other startups, it already is contributing positively to earnings, Yong said. Following the acquisition, AwesomenessTV founder/CEO Brian Robbins and pres Brett Bouttier will continue to lead the company. Like other OTT video services, Robbins

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said the goal is to be “the media company of the future, where content and distribution go hand in hand...” Other telcos like **AT&T** are also trying to expand beyond cellular services by entering the video market, targeting millennials. Through its **Otter Media** joint venture with the **Chernin Group**, AT&T recently launched a \$4.99 a month SVOD service, which is being marketed to the company’s mobile, broadband and video subs.

Municipal Broadband: State Government Leadership Foundation said regulators should treat municipal entry into the communications business with “a heavy dose of caution.” In a report issued earlier this week, the national conservative policy organization said municipal broadband may have a role to play in broadband deployment in markets where private service isn’t profitable, even if municipal service is heavily subsidized. However, in markets already served, there are potentially “more efficient and less controversial alternatives to capture the benefits of broadband service than by forcing an increase in the number of competitors by subsidizing a government-owned firm, which, according to economic theory, is an action better characterized as anticompetitive than it is competitive.” The **FCC** voted in March last year to preempt state laws preventing the expansion of municipal broadband in Wilson, NC, and Chattanooga, TN. Both states filed suit against the agency. The Sixth Circuit federal appeals court recently heard oral argument. A decision should come by May or early June, probably not long after the DC Circuit’s decision on the agency’s enhanced net neutrality rules.

MediaFreedom on Netflix: Netflix was “saying one thing in public but doing something quite different in private, actively picking winners (**T-Mobile** and **Sprint**) and losers (**AT&T** and **Verizon**) in an intentional and anti-competitive effort,” market-oriented nonprofit **MediaFreedom.org** pres *Mike Wendy* said in letter to **FCC** chmn *Tom Wheeler* Tues. He urged the agency to “properly and forcefully address this matter.” Netflix recently acknowledged that it downgrades the video quality of its service delivered over certain wireless networks. The SVOD provider doesn’t need to be a common carrier for the FCC to “police this willful act against the Open Internet,” Wendy wrote. He claimed the Commission has the authority to act under the Section 706 of the Communications Act, though the agency repeatedly said its net neutrality rules apply only to ISPs. Wheeler, while acknowledging that he’s looking into data practices, recently said edge providers like Netflix aren’t subject to the Commission’s enhanced net neutrality rules.

On the Hill: House Communications Subcmte is scheduled to consider 4 telecom bills next Wed, including a bill to limit the **FCC’s** Lifeline budget to \$1.5bln. The Lifeline Order was approved by the agency along party lines last week, with the 2 GOP commissioners opposing the budget process. The committee will also look at a bill to make USF funding available to skilled nursing facilities. Another bill is related to a proposal requiring hotels, schools and other places to have phone systems allowing users to directly dial 911. There’s also legislation tackling sharing of location data with law enforcement.

March Madness Ratings: This year’s March Madness championship game marked the 1st time a title game was aired on cable. Monday night’s game, which saw **Villanova** defeat **North Carolina**, averaged 17.8mln across **TBS**, **TNT** and **truTV**, down 37% from the game on **CBS** last year. While a 37% drop seems steep, it might be inevitable given the 2015 championship game was an 18-year high with 28.3mln viewers. The game peaked between 11:15 and 11:30pm EST, with 22.3mln viewers. The game ranks as the #2 college basketball game ever air on cable.

SCTE Eyes Open Source: **SCTE** is using open source solutions for its energy efficient initiatives. The group will work within the **Open Daylight** open source community to support the Adaptive Power Systems Interface Specification (APSYS) standard, which can reduce power consumption in next-generation network equipment. Together, they seek to drive the development of code based on the Internet Engineering Task Force Energy Management framework. An open call for code contributions has been issued by SCTE.

ID Launches IDCON: **ID** announced its 1st convention for crime fanatics, **IDCON**, to be held on June 11 in NYC. The free event seeks to take fans behind-the-scenes and inside the network, through access to ID personalities, sneak peeks at upcoming premiere programming, and immersive activities. In addition, the net will launch a nationwide sweepstakes to win a trip for 2 to **IDCON**.

Research: Parks Associates estimated that gaming consoles, which have long been a common Internet-connect-

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ed device in the US, will dip below 50% broadband HH penetration by 2019. The milestone comes after nearly a decade of declining unit sales, driven by mobile and casual gaming options on other platforms like tablets and smartphones. That said, virtual reality headsets and cloud-based gaming services that can be accessed across platforms are expected to generate growth for the gaming industry, the research firm said. *Barbara Kraus*, dir of research, called gaming “the major initial use case for VR, but this innovation could be disruptive enough to attract a much broader audience.” She noted that **Sony** is aware of the potential as it has dropped hints its VR set will be compatible with devices other than its PlayStation, so that its device won’t be locked to one platform.

Programming: **TBS** ordered a 13-ep 2nd season of “The Detour” several days before the show’s debut. The series, which features the Park family and their dysfunction, is set to premiere on Mon at 9pm EST. – **Ovation** debuts season 2 of “Raiders for the Lost Art” on May 11, continuing the series’ historical tour of some of the world’s best art crimes and mysteries.

Oops!: The Africa Channel retained **T Media Sales & HotHouse** for ad sales and distribution, respectively. The net was misidentified in yesterday’s Daily.

Cablefax Daily Stockwatch

Company	04/06 Close	1-Day Ch	Company	04/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	44.79	0.09	ECHOSTAR:	42.00	(0.54)
ENTRAVISION:	7.24	0.15	GOOGLE:	745.69	7.89
GRAY TELEVISION:	11.91	0.26	HARMONIC:	3.17	(0.06)
MEDIA GENERAL:	16.63	0.26	INTEL:	32.08	0.18
NEXSTAR:	46.07	1.05	INTERACTIVE CORP:	46.37	0.79
SINCLAIR:	31.53	0.73	LEVEL 3:	52.06	0.66
TEGNA:	22.96	0.71	MICROSOFT:	55.12	0.56
MSOS					
CABLE ONE:	438.41	1.86	NETFLIX:	104.83	(0.11)
CABLEVISION:	32.94	0.29	NIELSEN:	52.62	0.29
CHARTER:	204.97	1.66	SEACHANGE:	5.56	(0.11)
COMCAST:	62.20	1.07	SONY:	25.84	0.15
GCI:	17.92	0.35	SPRINT NEXTEL:	3.59	0.09
LIBERTY BROADBAND:	58.81	0.35	SYNACOR:	1.37	(0.02)
LIBERTY GLOBAL:	38.45	0.48	TIVO:	9.13	0.16
SHAW COMM:	18.98	(0.01)	UNIVERSAL ELEC:	62.84	0.82
SHENTEL:	26.53	(0.01)	VONAGE:	4.60	UNCH
TIME WARNER CABLE:	206.12	1.61	YAHOO:	36.66	0.25
PROGRAMMING					
21ST CENTURY FOX:	28.88	0.53	TELCOS		
AMC NETWORKS:	66.64	1.83	AT&T:	38.64	(0.07)
CBS:	54.85	0.59	CENTURYLINK:	32.49	0.39
CROWN:	5.11	0.03	FRONTIER:	5.36	0.13
DISCOVERY:	28.93	0.31	TDS:	29.49	0.02
DISNEY:	97.48	0.48	VERIZON:	53.52	(0.01)
GRUPO TELEVISA:	26.55	(0.06)	MARKET INDICES		
HSN:	52.87	1.67	DOW:	17716.05	112.73
LIONSGATE:	20.58	0.17	NASDAQ:	4920.72	76.78
MSG NETWORKS:	17.01	0.07	S&P 500:	2066.66	21.49
SCRIPPS INT:	67.16	0.48			
STARZ:	24.96	(0.16)			
TIME WARNER:	73.97	1.25			
VIACOM:	42.95	0.68			
WWE:	16.45	(0.32)			
TECHNOLOGY					
ADDVANTAGE:	1.85	(0.03)			
AMDOCS:	59.05	0.23			
AMPHENOL:	58.40	0.19			
APPLE:	110.96	1.15			
ARRIS GROUP:	22.00	(0.13)			
AVID TECH:	6.28	0.04			
BLNDER TONGUE:	0.39	(0.02)			
CISCO:	28.00	0.42			
COMMSCOPE:	27.88	0.36			
CONCURRENT:	6.23	(0.04)			
CONVERGYS:	26.78	0.24			
CSG SYSTEMS:	45.70	0.53			

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Think about that for a minute...

Of Netflix, Experts, and the FCC

Commentary by Steve Effros

I've been complaining for some time now about the notion that the courts should simply accept the logic and findings of regulators just because they are designated as "expert agencies." That's not to say there aren't some around—there are. But it seems to me that the whole notion that regulations, policy conclusions and the like should be assumed valid because they were created by an "expert agency" is one that should at the very least be rebuttable.

In legal parlance that means that if the court starts with the premise that a new rule is valid, and that the agency has jurisdiction to adopt that rule because it is the "expert" regarding both its own jurisdiction and the subject matter of the regulation, dissenters should at least be able to rebut, or bring forth evidence, that the assumption of expertise is misplaced.

Now I know that many courts would not want this added burden. They don't want to have to look at all the facts and all the evidence and make an independent judgment as to whether the agency made sense or not. That would be both difficult and time consuming. But there is simply too much evidence, lately, to rebut the assumption that an independent commission, such as the FCC, is either independent or an expert at what it is proposing.

The whole "independence" thing can best be highlighted by the clear additional influence exerted on the FCC during the "net neutrality" debate. That's not to say the White House doesn't have the right to enter its views into the debate, the hearings, the comments, just like anyone else. But that's not what happened. Documents went back and forth that were not part of the record. Telephone calls and pressure were exerted that resulted in sudden changes of direction. It certainly raises issues of



"independence" that those challenging the rules should be allowed to bring up in court.

And then there is the whole question of "expertise." Again, a simple example; we all know that Netflix was one of the principal movers in demanding "net neutrality," which of course is very beneficial to its business plans. It was telling the Commission throughout the debate that ISPs were "throttling" its service and that was one of the principal reasons the Commission should jump in with "Title II" regulation. The Commission, in its "expert opinion" based in large part on what Netflix told them, did just that. But now it turns out that Netflix was the one doing the throttling, and that the "injury" it alleged it was suffering at the hands of the ISPs was in fact of its own doing! So what happens now to the conclusions based on the "expert" information that was a lie? Shouldn't we be able to bring that evidence to the court and have it rebut the entire notion that the FCC actually had good, "expert" reason for adopting the net neutrality rules?

Unfortunately, the Court of Appeals case has already been argued, and we don't really have good ways of introducing this new evidence of false expertise. It may have to be something brought up at the Supreme Court level. Only time will tell. But the underlying point is an important one, especially as we move into far more technically complicated areas; simply assuming an agency has expertise because it has dealt with similar issues or precursor technologies in the past should not be grounds for assuming they know what they're talking about.

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.)

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