

# Cablefax Daily™

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What the Industry Reads First

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## Open Door: NCTC Close to Netflix Deal

NCTC is “finishing up a deal with **Netflix**.” That was the word from co-op pres/CEO *Rich Fickle* during the **Broadband Cable Assn of PA's** annual Cable Academy Wed. Some 20 or so NCTC members are already taking Netflix and integrating the OTT service into their set-tops. As a result, the “viewing time for Netflix has actually gone up and... there's higher overall television usage” and satisfaction with the cable operators, he said. NCTC already has deals with **Hulu** and **TiVo** letting its base of small and mid-size ops integrate services with traditional offerings. Fickle said **Sony Vue** is now showing interest in partnering. “I'm not sure if it makes sense or not, but at NCTC we've said, ‘Let's open the door for those discussions.’ The worst thing that is going to happen is we are going to learn,” he said. NCTC is looking at other alliances that might make sense, with Fickle eager to see **Comcast** accelerate efforts to make its X1 platform available to other companies. Speaking of set-tops, **ACA** pres/CEO *Matt Polka* was on stage with Fickle in Harrisburg, PA, and he didn't hold back his feelings about **FCC** chmn *Tom Wheeler's* set-top proposal. Initial comments are due Fri, and already *President Obama* has weighed in support. “You think comments by the President put the thumb on the scale a little bit?” he asked, warning the implementation of “**AllVid 2.0**” could cost ACA members hundreds of millions. “We have to fight and defeat this effort. It will not provide more choices to consumers. It will choose one path for the future compared to the multitude of paths that exist today.” While unhappy with Title II and this month's proposed special access vote, Polka did acknowledge one positive: “The FCC under chmn Wheeler has been very helpful I think on retransmission consent reform.” It's currently looking at the definition of good faith negotiations as required by legislation reauthorizing the satellite TV extension (STELAR).

**DISH on Viacom:** **DISH**, usually one of the last companies to report earnings each quarter (its reported 1Q earnings in May the past few years), released its earnings Wed, just before its **Viacom** contract expires at midnight. “We're prepared to move on as **Suddenlink** and others have done,” CEO *Charlie Ergen* said during the earnings conference call. Having said that, “the tone on both sides has been more productive through the weekend” so there might be a path to renew the carriage agreement, Ergen said. “The devil is in the details,” he said. Still, if a deal couldn't be reached, **DISH** believes the impact will be minimal. “I think the people who have taken Viacom down (**Suddenlink** and **Cable One** dropped the net separately 2 years ago) are doing just fine... As far I can tell, they don't regret the decision,” said Ergen. And a potential

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drop of Viacom comes down to economics. “We’re not mad at them. We enjoyed the relationship. The content is good content,” Ergen said. In addition, DISH also would “always overpay a little bit” to avoid disrupting its customers. But “we wouldn’t overpay astronomically.” The bottom line? “If they go dark, they go dark... I’d rather spend my time with companies that are more forward thinking,” the chief exec said. Holding its earnings call weeks earlier than usual indicates that DISH “has already made up its mind that a deal with Viacom is not achievable,” **BTIG** analyst *Rich Greenfield* wrote in a blog post. The conference call aimed to “set the investor/press messaging for the new realities facing the MVPD bundle,” he wrote. *Reuters* reported that *Mario Gabelli*, the investor with the largest voting share in Viacom behind former exec *chmn Sumner Redstone*, expects a 10-day blackout of Viacom on DISH. A few hours after DISH’s call, Viacom put out a statement: “Consumers have spoken loudly and clearly. Over the past 24 hours, hundreds of thousands of concerned subscribers have reached out to implore DISH to negotiate reasonable terms with Viacom for continued carriage of our networks. Based on year-to-date **Nielsen** data, our networks represent nearly one fifth of cable viewership on DISH, which gives DISH enormous incentive to renew our agreement. As a long-standing partner, we are hopeful that we can work together to reach a deal.” Citing linear ratings declines across nets, Ergen claimed Viacom was more valuable when the 2 signed its last carriage agreement. “I would say that seven years ago, Viacom was stronger than they are today,” he said. While the programmer still has good content, “they suffer from having their product being more overly distributed than others; it’s not product that you have to watch in general live and kids has become a pretty diluted genre,” said Ergen.

**DISH’s Numbers:** Financially, **DISH’s** net income came in at \$389m for the quarter, up from \$351m from the year-ago quarter. It added 657K gross new video subs, versus 723K gross new pay-TV subs in the prior year quarter. Net video subs declined around 23K in the quarter, compared to a gain of 35K a year ago. DISH includes all of its **Sling TV** subs in its total pay-TV metrics, including in the subscribers, ARPU and churn rate numbers. The company closed 1Q with 13.87m video subs, down from 14m a year ago. DISH added around 5K net broadband subs in the quarter, bringing its broadband sub base to around 628K. **Evercore** analysts estimated that Sling TV added between 143K and 192K subs. **MoffettNathanson’s** estimate is similar at 135K Sling TV sub additions.

**BCAP Notebook:** “Customer attention is the new scarce resource in this market,” said *Michael Smith*, professor of information technology and marketing at **Carnegie Mellon**, during his presentation at **BCAP’s** Cable Academy Wed. Smith and colleague *Rahul Telang* have a book coming out in a few months examining the place of data in entertainment (“Streaming, Sharing, Stealing: Big Data and the Future of Entertainment,” **MIT Press**, Aug 5 release). Take **Netflix**, which created multiple ads for “House of Cards” based on data in gleaned from subs. There was one for *Kevin Spacey* fans, one for women who like movies with strong female leads, for fans of director *David Fincher*, etc, he explained. “It would be very hard for traditional broadcast networks [or studios] to copy that,” he said. -- Congrats to **Service Electric Cablevision’s** *Bob Wieand* and *Mark Walter*, who received the President’s Award for their commitment to the regional association over the years. -- Cable may be late to the wireless game, but that’s not necessarily a bad thing. “They can take a look at a market that’s highly successful and learn from the mistakes of everyone else,” **BIG Wireless** pres, CTO *John Dolmetsch* said during a panel. Take hotel Internet service. “[It] stinks. If I see an Xfinity hotspot, I can guarantee I will get 20 megs or better,” he said. His advice to cable: make sure the WiFi user experience is great, not good.

**Merger Vote:** **Charter** and **Time Warner Cable** extended the election deadline for TWC shareholders until May 12. That’s the same day the CA PUC’s vote on the merger could come. The election deadline may be further extended depending on the timing of regulatory approvals. TWC stockholders must elect the form of consideration they wish to receive in exchange for each of their shares of TWC common stock in connection with the merger.

**Xfinity Partner Program:** **Comcast** launched its Xfinity TV Partner Program Wed, with **Samsung** and **Roku** as partners. The program seeks to provide a common platform for smart TV, TV-connected and IP-enabled retail device makers to make the Xfinity TV Partner app available to customers in Comcast markets, without the need to lease a set-top box from Comcast. The program uses open standard technologies like HTML5. The partnership will enable Comcast subs by later this year to access Xfinity TV service via the Xfinity TV Partner app on 2016 Samsung Smart TVs. Comcast’s partnership program comes as the **FCC** collects comments on its controversial set-top plan, which seeks to open up the set-top market for 3rd party vendors. Comcast used the partnership program announcement to peg as “unnecessary” the FCC plan. “The FCC’s proposed set-top box mandate threatens to undermine this highly-dynamic marketplace, create sub-

# BUSINESS & FINANCE

stantial costs and consumer harms, and will take years to develop—only to be likely outdated by the time it reaches the marketplace—all in an effort to achieve what apps are already delivering for consumers,” *Mark Hess*, svp at the Office of the CTO, business and industry affairs wrote in a blog post. **NCTA** shared the sentiment. In a statement, pres/CEO *Michael Powell* said “instead of rushing forward with a regulatory proceeding that will upset a marketplace that is undergoing such a dramatic transformation and achieving the goals that it seeks, the FCC should study these developments and reconsider the path it appears to be on.” **NCTA** and **ACA** are set to host separate media briefings on the agency’s set-top proposal Thurs.

**Upfronts:** Following word of its distribution deal with **Comcast’s** Xfinity, **Sony** streaming net **Crackle** introduced a new advertising strategy, new channel categories, a virtual reality initiative and several new and returning series at its NYC upfront Wed. For more details check out **Cablefax.com**.

**Altice/Suddenlink:** **Altice** said it has priced \$1.5bln of 10-year Senior Secured Notes. All proceeds will be used by **Suddenlink** to refinance the \$1.48bln aggregate principal amount of loans under Suddenlink’s existing Term Loan Facility maturing in Feb 2019.

**People:** **Vice Media** appointed *Sarah Broderick* as its new CFO. -- **Nick** upped *Jaime Dichtenberg* to svp, consumer marketing.

## Cablefax Daily Stockwatch

Company	04/20 Close	1-Day Ch	Company	04/20 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DISH:	47.42	0.10	ECHOSTAR:	40.85	(0.03)
ENTRAVISION:	7.12	(0.09)	GOOGLE:	752.64	(1.29)
GRAY TELEVISION:	12.40	0.17	HARMONIC:	3.34	(0.02)
MEDIA GENERAL:	17.14	(0.01)	INTEL:	32.00	0.40
NEXSTAR:	50.06	(0.25)	INTERACTIVE CORP:	47.58	0.50
SINCLAIR:	33.05	0.09	LEVEL 3:	54.02	0.04
TEGNA:	24.20	(0.1)	MICROSOFT:	55.59	(0.8)
<b>MSOS</b>					
CABLE ONE:	452.50	(1.25)	NETFLIX:	96.77	2.43
CABLEVISION:	33.56	UNCH	NIELSEN:	52.86	(1.1)
CHARTER:	198.23	(6.4)	SEACHANGE:	3.75	(0.08)
COMCAST:	61.46	(0.82)	SONY:	27.92	1.17
GCI:	17.58	0.05	SPRINT NEXTEL:	3.80	0.12
LIBERTY BROADBAND:	55.80	(1.35)	SYNACOR:	1.43	0.03
LIBERTY GLOBAL:	38.18	(0.57)	TIVO:	9.25	(0.06)
SHAW COMM:	18.55	0.05	UNIVERSAL ELEC:	66.81	0.13
SHENTEL:	27.09	(0.26)	VONAGE:	4.68	0.08
TIME WARNER CABLE:	202.12	(3.81)	YAHOO:	37.84	1.51
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	30.09	(0.21)	<b>TELCOS</b>		
AMC NETWORKS:	65.09	(0.1)	AT&T:	38.72	(0.2)
CBS:	55.05	0.09	CENTURYLINK:	32.80	0.09
CROWN:	5.08	(0.02)	FRONTIER:	5.63	(0.05)
DISCOVERY:	28.16	(0.18)	TDS:	29.96	(0.38)
DISNEY:	103.27	0.63	VERIZON:	51.75	(0.33)
GRUPO TELEVISA:	26.42	0.12	<b>MARKET INDICES</b>		
HSN:	54.14	0.85	DOW:	18096.27	42.67
LIONSGATE:	19.99	0.18	NASDAQ:	4948.13	7.80
MSG NETWORKS:	16.70	(0.2)	S&P 500:	2102.40	1.60
SCRIPPS INT:	63.42	(0.33)			
STARZ:	25.70	0.16			
TIME WARNER:	74.78	(0.06)			
VIACOM:	40.30	1.24			
WWE:	16.79	0.43			
<b>TECHNOLOGY</b>					
ADDVANTAGE:	1.89	0.07			
AMDOCS:	58.91	0.14			
AMPHENOL:	57.83	(0.48)			
APPLE:	107.13	0.22			
ARRIS GROUP:	22.12	0.03			
AVID TECH:	6.00	0.12			
BLNDER TONGUE:	0.41	(0.01)			
CISCO:	28.44	0.11			
COMMSCOPE:	26.75	0.13			
CONCURRENT:	6.24	0.07			
CONVERGYS:	27.44	(0.21)			
CSG SYSTEMS:	45.45	(0.37)			

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## Think about that for a minute...

### Warp Speed

Commentary by Steve Effros

I was one of the first, very happy recipients of the then new Amazon Echo device. The one that you simply talk to (her name is Alexa) and she/it, being connected to the Internet, attempts to do what you ask, "speaking to you" or playing the music or whatever through an integrated speaker.



I gave the first Echo... it looks sort of like a sleek black version of a Pringles container... "two thumbs up." I found it to be extremely user friendly, well designed and thought out, and very useful. Now that I have the second and third iterations of the device as well so that I can play with them, and explore various capabilities, I still think it's a great device. I use it all the time.

I said in my first report on the Echo that it was an important refinement of what some of us have been talking about for a long time; significant improvement in navigation of data/information/entertainment in a format that is about as user friendly as you can get. All you have to do, once the Echo is properly set up (which is not that hard), is ask. Give Alexa the name of a band you want to listen to, and the next thing you know, you are hearing the music. Ask how old the lead singer is, and Alexa will in a lot of cases come right back with that information. Or the weather, or a news briefing, or the stock averages.

Echo/Alexa doesn't have the power of a full computer... yet, and perfect interpretation of questions or requests is a way off. But the trend is clear, and I have no doubt that relatively soon we will all feel like Captain Kirk or Scotty and get very used to simply voicing our information or data or entertainment requests, and virtually instantly you will either get that information, see the video, or start listening to the music. It's all

much closer now than I could have hoped.

What I didn't know is that this capability is now being characterized as a "bot." That's defined as "...short for robot... a program that operates as an agent for a user of another program or simulates a human activity." The important thing to recognize here is that "bots" are going to compete with "apps." Actually, in most cases they reside inside a proprietary app, but they potentially work so well that the app, or application, on your computer or phone or tablet will fall into the background and you will simply interact with the bot. That's also already happening with video navigation. Look at the Apple, Comcast, Verizon, Roku, etc., rudimentary "voice command" trend and you'll see what I'm talking about.

Why focus on all this today? Because not only is it cool... and I love playing with it and watching the developments, but also because it should be a real lesson for all of us regarding competition. The "app" world was dominated by Apple and Google. Just look at the number of apps either one offers, and monetizes, in their "stores." But now comes Amazon, Facebook, Microsoft, and a whole host of others planning to supercede "apps" with "bots." Some will be integrated within proprietary apps, others will be free standing. The competition will be fierce, and new technical developments and capabilities will come fast and furious. One thing is for sure, though; there's no need for artificial "stimulation" of the competitive market, it's already moving at warp speed!

*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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