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What the Industry Reads First

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Comcast 1Q: Strong Net Adds Push MSO Over 22mln Video Subs

Following a few quarters of video sub losses across ops and struggling media stocks last year amid OTT competition, **Comcast's** solid 1Q video results might ease at least some fears of cord-cutting. The MSO added 53K net new video subs in the period, making it the best 1Q for video net adds in 9 years. It also beat analysts' estimates. The company now has 22.4mln total video customers. Ahead of the company's earnings call early Wed, *The Wall Street Journal* reported that Comcast is in talks to buy **DreamWorks Animation** for around \$3bln. Execs didn't comment on those reports during the call, but such a deal could be good for Comcast. "Comcast is, no doubt, attracted as much by DreamWorks' library and intellectual property as by what they might do next," **MoffettNathanson** analysts wrote in a report. "It is likely the content library and characters that appeal." Nearly 35% of Comcast's total video subs have X1, and 86% of those customers use Xfinity On-Demand monthly, viewing 25 hours a month on average, CFO *Michael Cavanagh* said during the call. In addition, 42% of video subs are using Comcast's TVE app monthly, and watch 7 hours a month on the authenticated platform. "We think this adds great utility to our video service," the financial chief said. Responding to an analyst's question regarding the 3 AT&T/DirecTV streaming services expected later this year, Comcast Cable pres/CEO *Neil Smit* said "there's no reason we couldn't do something very similar from a technology perspective or a rights perspective. We just have to go get the rights and deploy the product." That said, "we thus far haven't seen an OTT model that really hunts, but we'll continue to stay tuned in to the market and be prepared to respond accordingly," said Smit. He also fired a few shots at the **FCC** over its reaction to the recently announced Comcast Xfinity Partner Program. The agency called the program "a proprietary, Comcast-controlled user interface" and one that "seems to allow only Comcast content on different devices." Here's Smit's response: "I thought their reaction was unnecessary. I think that we are working hard with our partners. We've had over 40 companies call us to sign up for the partner program since then, and so there's great interest in the ecosystem to get access to our XFINITY app, and so I thought it was uncalled for." Meanwhile, carriers like **Verizon** are working on the next-generation wireless technology, which some see as a potential alternative to fixed broadband services. While 5G is "an exciting new platform," the technology is still in early stage, Smit said. And the antennas are going to need space, power and backhaul. In addition, the spectrum

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doesn't penetrate through objects like trees and buildings very well, said Smit. "So we're going to continue to monitor. It's still way early in the game and we feel well-positioned," he said.

More on Comcast 1Q: The MSO added 438K broadband users. The broadband growth was **Comcast's** best in 4 years, and it's an improvement from the 407K net additions from the year-ago period. Nearly 35% of Comcast video customers are on the advanced X1 platform, the company noted. Overall video revenue improved 3.9% YOY in the quarter to \$5.9bln. On the voice side, the company added 102K subs. Financially, total revenue rose 5.3% YOY to \$18.8bln, beating analysts' estimate of \$18.6bln. Net income grew 3.6% YOY to \$2.13bln. Cable Networks revenue increased 4% to \$2.5bln in 1Q, thanks to higher distribution revenue and consistent ad revenue. Distribution revenue increased 5.9%, driven by contractual rate increases and contract renewals, partially offset by a decline in subscribers at cable nets.

AT&T 1Q: While **AT&T** lost 54K video subs in 1Q mainly due to losses at the telco's U-verse unit, CFO *John Stephens* still expects positive growth in the 2nd half to be driven by expanded integration of its video and wireless services. "In the second half of the year, we will have had the integration efforts really completed and fully ramped. So, single truck roll, which for example, we didn't really start training nine of our states in the Southeast region until this year. They have now been all trained," Stephens said during the company's earnings conference call late Tues. In addition, "the **NFL** package has a real positive effect on net adds, and it occurs generally in the second half of the year," the exec said. That's why "we think the ability to add further integrated products and expand our wireless bundling further will give us that opportunity to, for the full year, grow video customers," he said. Meanwhile, AT&T is set to launch 3 streaming services later this year, **DirectTV** Now, DirecTV Preview and DirecTV Mobile. "We are actively working the content deals for these new services, and we are on target for launch in the second half of the year," Stephens said. The cost efficiency of being able to deliver the those services "without having the cost of installation of a satellite dish or possibly a set-top box... are really attractive and make it something that not only could grow the customer base, but also can be a very reasonable profitability for us," he said. And these streaming services would allow AT&T to compete outside of its broadband footprint, he added.

Comcast Goes Terabyte: **Comcast**, which is experimenting with usage-based broadband plans in several markets, said it's moving to a terabyte data plan. "All the data plans in our trial markets will move from a 300 gigabyte data plan to a terabyte by June 1st, regardless of the speed," **Comcast Cable** evp consumer services evp *Marcien Jenckes* wrote in a blog post Wed. For the small group of customers who want more than a terabyte, they can sign up for an unlimited plan for an additional \$50 a month, or they can purchase additional buckets of 50 gigabytes of data for \$10 each. Jenckes said Comcast will continue to provide access to data usage meters for all subs.

On the Hill: **Senate Commerce** OKed 3 bills Wed, including a **FCC** reauthorization bill, a FCC process reform bill, and a bill related to the Internet of Things. Passed unanimously, the FCC reauthorization legislation would limit the FCC's ability to preempt state laws preventing municipal broadband buildout, among other things. The process reform bill would require the FCC to release any changes made to an item after it's adopted by the FCC. Finally, the IoT bill would require the FCC to issue a notice of inquiry assessing the spectrum needs required to support IoT services. It would also convene a working group of both federal and private entity stakeholders that would provide recommendations to Congress.

USA Programming Chief Departs: *Jackie De Crinis*, **USA's** programming head, is stepping down following an overall deal with **Universal Cable Productions**. De Crinis will work on original projects for the studio. She developed USA programs such as "Royal Pains," "Suits" and "Psych."

WiFi Workshop: **The Wi-Fi Alliance**, which counts companies such as **Comcast**, **Apple**, **Arris** and **Intel** as members, held its LTE-U coexistence test workshop Tues. The group released the 1st version of its draft test plan earlier this month, and since then an industry-wide effort has been underway to validate the draft procedures for feasibility, correctness and repeatability and to further refine testing criteria, according to the alliance. During the workshop, attendees agreed that while LTE-U equipment from multiple vendors is required to finalize the test plan, a single LTE-U implementation is sufficient to complete the validation phase. The Alliance noted that at least one LTE-U vendor has committed to providing the necessary equipment as it looks for similar commitments to close remaining

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work items. Wi-Fi Alliance expects to release a final version of its test plan in the summer of 2016.

INTX Update: Kayvon Beykpour, co-founder and CEO of **Periscope**, will join the speaker line-up as a guest of **Re/code** at **INTX** in Boston. In addition, **Andrew Lippman**, associate dir of **MIT Media Lab**, and **Mark Dzuban**, pres/CEO of **SCTE**, will join **Comcast Cable** evp/CTO **Tony Werner** in a discussion of the technology of tomorrow on the **INTX Imagine Park** stage.

Programming: **Bravo** announced 6 new and 14 returning unscripted series. Joining the previously announced returns of "Top Chef," "The Real Housewives of New Jersey" and "The Real Housewives of Potomac," the net confirmed new season orders for "The Real Housewives of Orange County," "Manzo'd with Children," "Flipping Out," and "Don't Be Tardy," which will debut in the summer, and later in the year new seasons of "Married to Medicine Atlanta," "Below Deck," "Ladies of London," "Million Dollar Listing Los Angeles," "The Real Housewives of Atlanta," "The Real Housewives of Beverly Hills," and "Vanderpump Rules." Some of the new programs include real-estate series "Yours, Mine or Ours" and "The Lodge" (wt), which follows the working lodge staff at the luxurious Whistler ski lodge.

Cablefax Daily Stockwatch

Company	04/27 Close	1-Day Ch	Company	04/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	49.98	(0.63)	ECHOSTAR:	42.11	0.40
ENTRAVISION:	7.47	(0.05)	GOOGLE:	705.84	(2.3)
GRAY TELEVISION:	12.74	(0.27)	HARMONIC:	3.54	(0.03)
MEDIA GENERAL:	17.35	(0.06)	INTEL:	31.75	0.35
NEXSTAR:	51.36	(0.06)	INTERACTIVE CORP:	45.80	(0.18)
SINCLAIR:	32.63	(0.37)	LEVEL 3:	54.09	(0.12)
TEGNA:	23.35	(0.67)	MICROSOFT:	50.94	(0.5)
MSOS					
CABLE ONE:	462.44	1.64	NETFLIX:	91.04	(1.39)
CABLEVISION:	33.45	(0.01)	NIELSEN:	51.56	(0.42)
CHARTER:	206.43	(3.64)	SEACHANGE:	3.86	0.10
COMCAST:	61.30	0.25	SONY:	25.61	(0.16)
GCI:	17.39	0.18	SPRINT NEXTEL:	3.68	UNCH
LIBERTY BROADBAND:	56.61	(1.35)	SYNACOR:	1.45	UNCH
LIBERTY GLOBAL:	38.98	(0.07)	TIVO:	9.23	(0.02)
SHAW COMM:	18.63	(0.14)	UNIVERSAL ELEC:	67.50	(0.03)
SHENTEL:	27.75	(0.09)	VONAGE:	4.67	0.01
TIME WARNER CABLE:	209.19	(1.65)	YAHOO:	36.95	(0.16)
PROGRAMMING			TELCOS		
21ST CENTURY FOX:	30.83	(0.13)	AT&T:	38.72	0.63
AMC NETWORKS:	66.49	0.95	CENTURYLINK:	31.58	0.16
CBS:	56.39	(0.05)	FRONTIER :	5.63	0.02
CROWN:	5.09	0.01	TDS:	30.21	0.10
DISCOVERY:	28.44	0.24	VERIZON:	51.69	1.25
DISNEY:	105.28	0.39	MARKET INDICES		
GRUPO TELEvisa:	27.03	0.20	DOW:	18041.55	51.23
HSN:	54.44	(0.11)	NASDAQ:	4863.14	(25.14)
LIONSGATE:	20.73	0.52	S&P 500:	2095.15	3.45
MSG NETWORKS:	17.12	(0.42)			
SCRIPPS INT:	64.49	0.35			
STARZ:	25.13	(0.45)			
TIME WARNER:	76.91	(0.11)			
VIACOM:	46.56	0.41			
WWE:	16.87	(0.2)			
TECHNOLOGY					
ADDVANTAGE:	1.84	(0.03)			
AMDOCS:	57.28	0.71			
AMPHENOL:	57.01	(0.03)			
APPLE:	97.82	(6.53)			
ARRIS GROUP:	22.70	0.08			
AVID TECH:	5.75	(0.07)			
BLNDER TONGUE:	0.43	0.02			
CISCO:	28.64	0.19			
COMMSCOPE:	26.73	(0.15)			
CONCURRENT:	6.21	(0.24)			
CONVERGYS:	26.96	0.09			
CSG SYSTEMS:	45.28	0.08			



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Henry R. Byers Professor
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An insightful conversation about how Comcast
is managing cultural changes in video consumption.

Dave Watson
Executive Vice President &
Chief Operating Officer
Comcast Cable



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Think about that for a minute...

Cap and Trade

Commentary by Steve Effros

Actually, that should be “trade and no cap.” That’s what’s happened, among other things, in the governmental deal for the proposed Charter, Time Warner Cable, Bright House merger. It may be a good deal for the companies—it was probably the only way they could get it through the government gauntlet—but it’s a lousy deal for the rest of the industry, and certainly for consumers.



It’s increasingly common that the government, and particularly the FCC in conjunction with the Justice Department, impose their own unvetted views of economic and industrial policy on companies trying to merge. Don’t get me wrong: there are very good reasons to scrutinize big merger proposals. We have something called the antitrust laws, and there’s lots of legal precedent explaining what and how those laws apply. That’s good. But in many of the cases we’re seeing these days, and certainly this one, there’s very little evidence, or even claim, that the antitrust laws are being broken. Rather, the regulators have other things in mind, and since they have ultimate leverage over the acceptance or rejection of the proposed merger (appealing a major antitrust case can take years and many millions of dollars) they get to play the game of “make a wish.”

In this case the FCC made loads of wishes. One was that New Charter, for the next seven years at least, may not impose bandwidth caps on its broadband customers. Now just about every other company does that, or advertises (think Sprint and T-Mobile) that it doesn’t. That’s good old competition. As it turns out, Charter was not imposing caps now either. They also said they had no intention of using “usage based pricing.” So the FCC put that in as a condition of the merger approval as well. New Charter says that’s fine with them. But then, what

else do you expect them to say? They were trying to close the deal. They couldn’t do that without the blessing of Tom Wheeler and friends, so they are grinning and saying it’s what they wanted.

Well, consumers just got, pardon me, screwed. Usage based pricing is the standard in just about all commercial ventures. If you use more power, you pay more. If you eat more at the restaurant, you pay more. If you want two phone lines instead of one, you pay more. But now the FCC is saying if you’re serviced by New Charter, you can use as much bandwidth as you want and Charter has to spread the cost of servicing that use across all its customers (after all, where do you think the money is going to come from to build and maintain that infrastructure?). So the kid just using the broadband connection to link to school and study and do her homework is going to be paying more because someone else is binge watching every night! And the Commission hopes this idea will spread, once forced upon New Charter, to the rest of the industry.

The “consumer lobby” is all for this approach. They also like the condition that New Charter can’t charge for interconnections. Netflix likes that one. Of course the “consumer lobby” fought for retransmission consent, too. We all know how that worked out for consumers!

So New Charter thinks it’s far more important for them to get bigger than to fight against what is likely to be a bad deal for consumers. So be it. They’d rather trade than cap. So does the FCC. Too bad. The average consumer got left out.

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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