

# Cablefax Daily™

Friday — May 6, 2016

What the Industry Reads First

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## Discovery 1Q: CEO Addresses Layoffs, Skinny Bundles

**Discovery Communications'** latest effort to cut jobs and other costs is aimed at providing more resources for programming and digital expansion, as well as an attempt to make the company more efficient, CEO *David Zaslav* said during the company's earnings conference call Thurs. The comments came a day after the company disclosed in an **SEC** filing that in order to "operate in a linear and more directed cost structure and invest in growth initiatives," it will execute on a cost-saving plan that includes layoffs, restructurings and budget re-allocations. The plan is expected to be completed by the end of 3Q. The company began notifying US employees on Wed regarding a voluntary buyout for eligible individuals. Including the costs of the voluntary buyout offer, the company expects to incur severance and other related expenses of between \$40 and \$60mln. In an internal memo that was submitted as part of its regulatory filing, Zaslav said the process, while necessary, is a tough one. "The ultimate goal is to maximize our legacy linear TV business while aggressively pursuing new opportunities to diversify and strengthen our content, launch new digital and mobile offerings, and bring world-class content to more people across more screens than ever before. The cost savings will allow us to continue growing our business while investing in four key areas: more loved content; sports and other valuable IP; digital services and OTT products; and international growth markets," he said. During 1Q, Discovery nets such as **Animal Planet** and **TLC** were impacted by news channels' coverage of the presidential campaign. "A lot of that energy came out of our non-fiction channels," Zaslav acknowledged. Like **Time Warner** head *Jeff Bewkes*, Zaslav is open to potentially including Discovery nets in **Hulu's** expected OTT skinny bundle. "We are talking to everyone" because consumers want Discovery nets in skinny packages, he said. "It's difficult to have a compelling package without us," said Zaslav. Another programmer winking at Hulu over its future skinny bundle is **AMC Nets**, which also reported earnings Thurs. "We look at it (Hulu skinny bundle) fondly," CEO *Josh Sapan* said during the company's earnings call. "The strength of our channels and brands will be elevated as the system—or, as it's commonly called, ecosystem—has different options... The AMC networks will rise up in terms of price, value and attention," he said. **Scripps Nets'** chief *Ken Lowe* noted Thurs that Scripps programming does very well live, which fits with Hulu's plans to offer a live skinny bundle. Financially, 1Q net income at Discovery was up more than 5% YOY to \$263mln on revenue of \$1.56bln. US nets' revenue in 1Q increased 8% to \$807mln, driven by 8%

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distribution growth and 7% advertising growth. Distribution revenue growth was primarily driven by higher rates. Advertising revenue increased 7% primarily due to higher pricing and inventory management, partially offset by lower delivery.

**Cablevision Coup:** Cablevision racked up its best 1Q performance in customer relationships since 2012 and beat analyst estimates for sub metrics, with video losses of 15K compared to the consensus' 19K and its 28K lost a year ago. HSD adds of 19K beat the Street's 10K estimate, while voice losses of 8K were close to the consensus' 9K prediction. No earnings call, but we have to think that the ongoing **Verizon** strike could offer good news for CVC in the current Q. The MSO said it expects its acquisition with **Altice** to close in 2Q—and then the French telecom will get to work at achieving its targeted \$900mln in annualized synergies. That continues to be the big question mark. Cablevision “results are better than low expectations, but nowhere near the levels of their larger peers (and relative to whom Altice paid a large premium),” wrote analyst *Craig Moffett* in a research note. While he believes Altice has to be pleased with Cablevision continuing to show improvements during the approval period, he questions whether it overpaid for CVC. **Wells Fargo Securities'** *Marci Ryvicker* described the Q as a “nice financial beat” with better-than-expected PSUs (net losses were 4K compared to a consensus estimate of 18K). Revenue rose 1.6% in the Q to \$1.64bln with earnings of \$94.4mln, compared to \$44.6mln a year ago.

**More Earnings: Scripps Nets Interactive** saw 1Q total revenue rise 24% to \$817mln, while net income more than doubled from a year ago to \$290.9mln. Shares surged, closing up more than 3% Thurs. Scripps raised its forecast for 2016 adjusted segment profit growth to 8%—an increase of 1 percentage point. Ad revenue was a highlight, growing 31% to \$571.9mln with organic domestic ad growth up 13.7%. Distribution rev was up 9.1% to \$228.1mln. Scripps said it was the only major media company to generate positive ratings growth at all of its US television networks compared with the prior year period, making it one of the best quarters in the company's history. “Unlike any other company in media, all of Scripps networks are growing audience (on a HH and P2+ basis), which means their share of audience (and therefore advertising) is growing even more, as most other networks decline,” said **Bernstein Research**, though the firm did question sustainability. -- **AMC Nets'** 1Q revenues increased 5.7% YOY to \$707mln, helped by 6.4% growth at domestic nets and 2.5% growth at international nets. Growth in domestic nets was mainly driven by a 10.7% increase in distribution revenue, which was stemmed largely from more digital distribution and licensing revenue, as well as increases in affiliate fees. Ad revenue increased 1.3% to \$26mln, thanks to solid growth at **WE tv, SundanceTV, BBC America** and **IFC**, which were partially offset by a decrease at AMC due to the timing of the airing of original programming. During the company's earnings call, CEO *Josh Sapan* was asked about the lifecycle of “The Walking Dead” and the show's ability to drive growth into 2017. Season 6 of the series concluded on April 3. The company looks at the show as a franchise, Sapan said. That's why AMC created “Fear the Walking Dead,” a prequel to The Walking Dead that debuted last Aug. There are also after shows for both. In addition, “We are selling the Walking Dead around the globe. So, our horizon for The Walking Dead is very long,” Sapan said.

**Suddenlink/Hulu:** Suddenlink is offering its subs access to **Hulu** as part of its channel offerings. The MSO's customers who already have a Hulu subscription can access the service by tuning to channel 3001 from their **TiVo** set-top. Subs without a Hulu subscription can access a free 1-week trial.

**NewFront OTT Dance:** At its NewFront Thurs am, **Time Inc** announced a new OTT service launching this fall, the *People/Entertainment Weekly* Network. The free, ad-supported streaming video service featuring celebrity, pop culture, lifestyle and human interest programming includes more than 100 hours of original programming. The service also will feature Time Inc.'s franchises such as *People's Sexiest Man Alive*. -- Ahead of **YouTube's** scheduled NewFront Thurs evening, *Bloomberg* reported that the Internet company is working on a bundle of cable channels that would stream online. The article, which quoted anonymous sources, said the service could debut as soon as 2017.

**Netflix on Mobile:** As promised, **Netflix** launched a new tool that allows users adjust mobile video quality following complaints that Netflix was automatically lowering the quality of video to **AT&T** and **Verizon** wireless customers. Under the new tool, the default setting will let customers stream about 3 hours of TV shows and movies per gigabyte of data at about 600 kilobits/sec. It can be adjusted by users to stream at higher bitrates. **TechFreedom** immediately chimed in, complaining that there isn't any reason broadband operators shouldn't be able to give users the same option.

**Spectrum Debate:** While the WiFi industry has urged sharing of the 5.9 GHz band, currently being used for vehicle-to-vehicle safety systems, the auto industry is warning of potential interference issues. Those supporting sharing of the band

# BUSINESS & FINANCE

for WiFi use seek to “reconfigure the 5.9 GHz [Dedicated Short Range Communications] band in a way that would impair safety-critical applications and jeopardize their public benefits. This would sweep away more than a decade of research and development, as well as delay for perhaps another decade DSRC’s life saving benefits,” a group of automakers, state transportation departments and safety advocates wrote in a letter to *President Obama* Wed. They cited vehicle safety initiatives including **GM’s** plans to install vehicle-to-vehicle safety tech in the 2017 Cadillac CTS. The **FCC** is looking at a potential sharing mechanism. Commissioners including Democrat *Jessica Rosenworcel* and Republican *Michael O’Rielly* support sharing.

**People:** **MTV** hired **MLB** CMO *Jacqueline Parkes* as its new evp, marketing and creative. It also tapped *Eli Lehrer*, formerly of **Lifetime**, to serve as evp of **MTV2**. Additionally, *Kristin Frank*, formerly evp, connected content for **MTV** and **VH1**, will take on a new role as evp, revenue & operations. *Erik Flannigan*, formerly evp at **Viacom’s** Music & Entertainment Group, will join **MTV** full-time in the newly created roll of evp music/events strategy & development. -- *Elizabeth Boykewich* advances to svp, casting and talent at **Freeform**. -- **Turner** social media maven *Calandria Meadows* was named to the newly created post of vp, social media and digital content for **Bounce TV**, **Grit**, **Escape** and **LAFF**.

## Cablefax Daily Stockwatch

Company	05/05 Close	1-Day Ch	Company	05/05 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDs</b>					
DISH:	44.09	(1.95)	HARMONIC:	3.33	(0.08)
ENTRAVISION:	7.97	(0.03)	INTEL:	29.90	0.05
GRAY TELEVISION:	13.40	0.40	INTERACTIVE CORP:	52.95	0.96
MEDIA GENERAL:	17.37	(0.05)	LEVEL 3:	50.85	(0.47)
NEXSTAR:	51.87	(0.05)	MICROSOFT:	49.94	0.07
SINCLAIR:	32.12	0.35	NETFLIX:	89.37	(1.42)
TEGNA:	22.84	0.11	NIELSEN:	50.98	(0.35)
<b>MSOS</b>					
CABLE ONE:	478.82	17.23	SEACHANGE:	3.50	(0.17)
CABLEVISION:	34.57	0.12	SONY:	23.98	0.13
CHARTER:	212.02	(0.41)	SPRINT NEXTEL:	3.44	(0.03)
COMCAST:	61.05	0.16	SYNACOR:	3.64	2.23
GCI:	17.77	(0.05)	TIVO:	9.59	(0.08)
LIBERTY BROADBAND:	58.37	(0.09)	UNIVERSAL ELEC:	62.83	(1.96)
LIBERTY GLOBAL:	37.20	(0.09)	VONAGE:	4.11	(0.79)
SHAW COMM:	18.31	(0.02)	YAHOO:	36.94	0.94
SHENTEL:	30.13	(0.34)	<b>TELCOS</b>		
TIME WARNER CABLE:	212.52	0.15	AT&T:	38.74	(0.14)
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	29.84	0.04	CENTURYLINK:	28.20	(2.76)
AMC NETWORKS:	67.22	3.57	FRONTIER:	5.18	(0.17)
CBS:	57.47	0.94	TDS:	29.58	(0.05)
DISCOVERY:	27.74	1.15	VERIZON:	50.84	UNCH
DISNEY:	104.93	1.26	<b>MARKET INDICES</b>		
GRUPO TELEVISA:	27.80	0.28	DOW:	17660.71	9.45
HSN:	50.07	(0.88)	NASDAQ:	4717.09	(8.55)
LIONSGATE:	21.75	(0.01)	S&P 500:	2050.63	(0.49)
MSG NETWORKS:	17.23	(0.19)			
SCRIPPS INT:	63.06	1.98			
STARZ:	27.42	0.18			
TIME WARNER:	75.63	0.83			
VIACOM:	44.35	0.12			
WWE:	16.80	0.14			
<b>TECHNOLOGY</b>					
ADVANTAGE:	1.84	0.03			
AMDOCS:	55.76	(1.23)			
AMPHENOL:	55.65	0.27			
APPLE:	93.24	(0.95)			
ARRIS GROUP:	23.76	0.63			
AVID TECH:	5.90	0.53			
CISCO:	26.21	(0.23)			
COMMSCOPE:	29.10	0.06			
CONCURRENT:	6.11	0.01			
CONVERGYS:	26.24	0.03			
CSG SYSTEMS:	41.24	(2.78)			
EHOSTAR:	38.56	(1.88)			
GOOGLE:	701.43	5.73			



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Henry R. Byers Professor  
of Business Administration  
Harvard Business School

An insightful conversation about how Comcast is managing cultural changes in video consumption.

**Dave Watson**  
Executive Vice President &  
Chief Operating Officer  
Comcast Cable





# PROGRAMMER'S PAGE

## Ugly Side of Art

There's something fascinating about art heists. We love to watch movies and read books about them, and **Ovation's** hoping we'll feel the same way about TV series "Raiders of the Lost Art." The program first debuted in the fall of 2014 as a 6-ep series coproduced with **3DD Productions**. The two have reunited and retooled Raiders somewhat for a second installment that premieres May 11 at 10pm ET. Season 1 "got a lot of positive feedback on our network," said *Scott Woodward*, Ovation's evp, programming and production. Instead of being six 1-hour eps, it is now 12 half-hour eps so that more art mysteries can be featured, he said. Season 2 also includes more backstory on the artists and their works. Why are we so drawn to art theft stories (pun intended)? "It's white crime drama. It's all over television, all over different networks. People want to be told a good compelling story with twists and turns and surprises," Woodward said. "The great thing about this series is that in many cases some of this really incredible art is still missing." Just this week reports emerged that the **FBI** was again searching a reputed mobster's home in CT related to \$500mln in art stolen from Boston's Isabella Stewart Gardner Museum in 1990. Ep 1 is about *Edvard Munch's* "The Scream," which has been stolen numerous times. Thieves in 1994 left a message saying only, "Thanks for the poor security." Ep 2 is about "Portrait of Adele" and the quest to get it back for decades after it was seized by the Nazis during WWII. Ovation's belief is that Raiders will appeal to hardcore art lovers, but also offers a reason for others to tune in. "It's a very accessible show. That's really what we look for," Woodward said. — *Amy Maclean*

**Reviews:** "Flowers," premieres Thurs, **Seeso**. So many series hype themselves by saying "You've never seen anything like this before." Usually you have. With "Flowers," which became available May 5 on Seeso, the ad-free, streaming platform from **NBCUniversal**, it's safe to say you've not seen anything like this previously. Dysfunctional and creepy don't begin to describe the Flowers, a family headed by author Maurice (*Julian Barratt*) and musician Deborah (*Olivia Colman*). The familial unit also includes 25-year-old siblings Amy (*Sophia di Martino*) and Donald (*Daniel Rigby*). Desperately trying to be family is manservant Shun (*Will Sharpe*), who illustrates Maurice's dark children's books. The clan resides in a mucky English country home with neighbors whose eccentricities mesh perfectly with theirs. Add multi-directional sexual tension, much of it flowing toward gorgeous *Georgina Campbell* as Abigail, and your head might explode trying to make sense of this dark comedy. Our advice, don't try. Binge. And luxuriate in diversity. -- "Penny Dreadful," Sun, 10pm, **Showtime**. Much of this Victorian-era series is dark, but also is a feast for the senses. Doctors dominate: Frankenstein struggles with romance; Jekyll with equality and Seward (*Patti LuPone*) with Vanessa (*Eva Green*). -- **Notable:** "Peanuts," premiere, Monday, 11:30am ET, **Boomerang**. This series takes the iconic print comic strips and animates them for the first time. Not reviewed by us. — *Seth Arenstein*

Basic Cable Rankings			
(4/25/16-5/01/16)			
Mon-Sun Prime			
1	TNT	1.1	2565
2	FOXN	0.9	2035
3	ESPN	0.8	1955
4	USA	0.6	1457
4	DSNY	0.6	1407
4	HGTV	0.6	1399
7	TBSC	0.5	1265
7	CNN	0.5	1246
7	DISC	0.5	1240
7	HIST	0.5	1158
7	DSE	0.5	103
12	ADSM	0.4	994
12	FOOD	0.4	903
12	ID	0.4	887
12	MSNB	0.4	885
12	TLC	0.4	865
12	NBCS	0.4	767
18	AMC	0.3	818
18	FX	0.3	807
18	LIFE	0.3	788
18	FRFM	0.3	774
18	A&E	0.3	709
18	NAN	0.3	699
18	SPK	0.3	684
18	BRAV	0.3	649
18	HALL	0.3	645
18	SYFY	0.3	623
18	APL	0.3	614
18	NFLN	0.3	613
18	NGC	0.3	607
18	DSJR	0.3	596
18	VH1	0.3	593
18	LMN	0.3	552
18	NKJR	0.3	509
35	TVLD	0.2	544
35	MTV	0.2	501
35	EN	0.2	493
35	GSN	0.2	465
35	ESP2	0.2	446
35	TRAV	0.2	437
35	OWN	0.2	437
35	CMDY	0.2	428
35	INSP	0.2	408
35	WETV	0.2	400

\*Nielsen data, supplied by ABC/Disney, is based on coverage area of individual networks

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