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5 Pages Today

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1Q Earnings: That's a Wrap for MVPDs

Now that most of the major US pay TV operators have reported (**Suddenlink** reports next week), a few takeaways have emerged. **Skinny bundles appear to be here to stay, at least for now. Verizon** said that its Custom TV skinny packages represent about 38% of FiOS video sales, with those customers generating less revenue but contributing more margin than traditional FiOS video customers. "The increasing preponderance of skinny bundles would appear to give distributors leverage against their content brethren partly given it incents content owners, who take the lion's share of the PayTV ecosystem profits, to strengthen today's PayTV bundle while keeping the cost to consumer's relatively contained or run the risk of further cord shaving," declared **Pivotal Research**, which predicted that the growing presence of skinny bundles should help to limit pay TV penetration declines to about 1-1.5% going forward. **Cord-cutting chatter isn't going away.** Pay TV sub numbers were about the same as last year, but this is a favorite topic of the press and Wall St. "As a business, … [video's] not going to grow the way it did 10 years ago. But it's still a good business for us, and we don't see any major change, in terms of what's going on with sub trends," **Comcast** evp, **NBCU** CEO *Steve Burke* said during the company's earnings call. Of course, **Hulu's** announcement that it's readying a live TV bundle of channels doesn't help to mitigate concerns, nor do the rumors of a potential **YouTube** video offering. And 2Q is seasonally weaker, which will help ignite a new round of hand-wringing. And analyst *Craig Moffett* of **MoffettNathanson** worries that cable won't have usage-based pricing to stand behind if cord-cutting becomes a major phenomenon. "With **Charter** committing to no UBP for 7 years, and with Comcast last week raising usage caps from 300 GB to an all-but-irrelevant 1 TB per month, UBP is now essentially off the table," he wrote in a research note. "That doesn't make cord-cutting any more likely. But it does leave cable more vulnerable." **Cable is the broadband winner.** Moffett's usage-based billing aside, broadband continues to be a major profit center. "If cord-cutting is scary for cable MSOs, it's downright terrifying for satellite TV providers, for whom video is their only business. Which brings us back to this quarter's data. Cable is winning the couch potato wars. Satellite and telco TV are losing," the analyst wrote. Cable took nearly 100% share of net new broadband subs with data additions of +1.146mln (up about 7%), Pivotal's *Jeff Wlodarczak* said. Compare that to the +25K for telcos. "I don't know how high broadband penetration can go, but I think continues to rise," Charter CEO *Tom Rutledge* said

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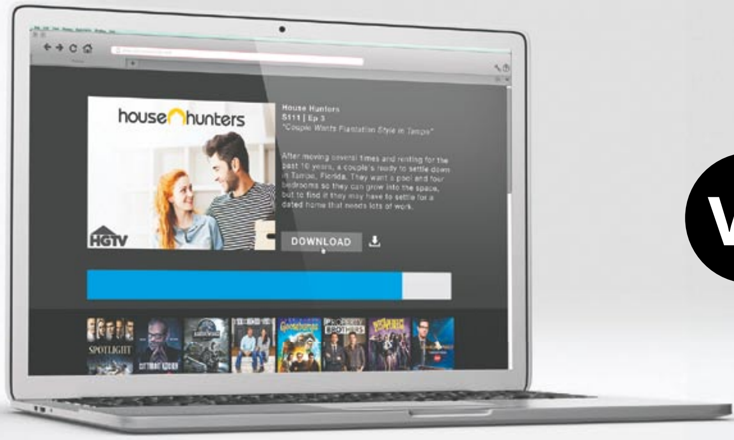

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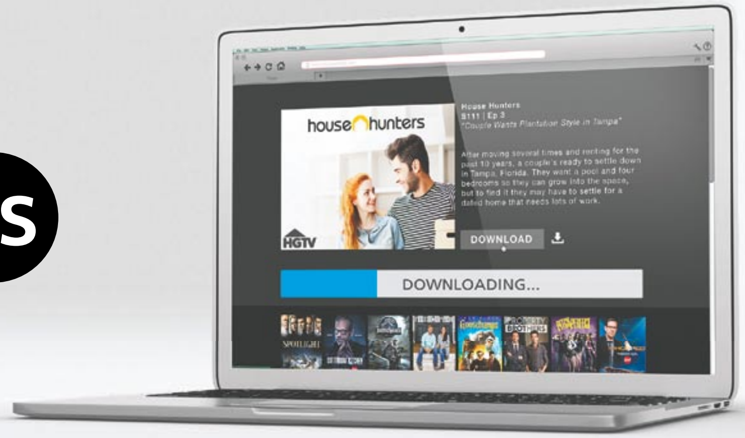

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on the company's financial call. "Broadband or high-speed data as a product is in the 80% household penetration range already. I think that'll slowly grow, but our share of it has substantial upside."

Charter Deal Approved: It's official. As expected, the **FCC** approved the **Charter-Time Warner Cable** merger with conditions Thurs, it said in a release Fri. An order detailing the agency's reasoning and the conditions will be issued in the next few days. "The conditions are largely extensions of the longstanding consumer friendly values and practices of our company, and based on the commitments we put forward during the review process. Charter will be a stronger competitor in the broadband and video markets, well positioned to deliver these benefits and more to consumers," Charter pres/CEO *Tom Rutledge* said in a statement. The CA PUC vote on the transaction is slated for May 12.

Video Competition Report: The **FCC** acknowledged that the most significant trends since the last video competition include the continuing development and consumer usage of time- and location- shifted viewing of video, the expansion of digital and HD programming, and the progress of the online video industry. That summary came in the agency's 17th video competition report released Fri. Unlike previous years, the report was released by the Media Bureau instead of being voted on by the full Commission. The agency's Republican pair slammed the move in a joint statement as an effort "to sneak out the door on a Friday afternoon 117 pages of rationalizations for the Commission's various ill-advised attempts to micromanage a market that is objectively more vibrant and competitive than at any time in history," commissioners *Ajit Pai* and *Michael O'Rielly* said. They added that the "trend" of skipping the 8th Floor entirely requires Congressional attention. An FCC official said this year's report doesn't make a conclusion on the competitive state of the video market and contains only data. As a result, no policy rules are implicated, he said. In the last report, the FCC noted that 2013 marked the first-ever decline in total MVPD video subs. The trend continued in 2014, during which the total number of MVPD video subs dropped from 101.7mln to 101.6mln HHs. While telco MVPD subscriptions rose from 11.8mln to 13.2mln HHs and satellite video subscriptions held steady at 34.4mln HHs, cable MVPD subscriptions dropped from 55.1mln to 53.7mln. MVPDs responded to the trend by creating advanced video services such as TV Everywhere offerings. However, the number of TVE users continues to lag well behind the sub numbers for the largest OVDs, the FCC said. Viewing time by existing TVE user did increase by 63% during the period. The report also noted MVPDs continue to increase video revenue, in part, by raising the prices for video services. From 2013 to 2014, cable video revenue increased 1.3%, from $61.5bln to $62.3bln, and satellite video revenue increased 5.2%, from $38.6bln to $40.6bln. But in 2014, the average video profit margin for the 3 largest cable MVPDs (by subscribers) fell from 19.2% to 17.3%, the FCC said.

ACA on Broadcast Merger: **ACA**, in a joint filing with **DISH** and **ITTA**, urged the **FCC** to reject the **Nexstar** and **Media General** merger again. The filing responded to the broadcasters' April 14 opposition to ACA's initial petition to deny the transaction. The broadcasters claimed merger opponents don't have standing, but ACA said the claims are based on ongoing contractual relationships with the broadcasters and upon the broadcasters' established previous conduct. The combined company would have the power to threaten service blackouts if pay-TV distributors try to hold the line on retrans fees, ACA said. If the Commission decides to approve the deal, ACA urged imposing conditions, including requiring the post-merger Nexstar to submit to baseball-style arbitration with interim carriage for any pay-TV op that requests it when negotiating for retransmission consent rate.

The O'Rielly Factor: **Hulu's** recently announced plan to launch a skinny TV bundle next year has caught the attention of Republican **FCC** commish *Michael O'Rielly*. "It's a very interesting development… You could have the situation where the old cable provider is now the broadband provider only and you get the consumer buying directly from the programmer and the programmer is selling on a channel basis or a program-by-program basis," he said during an interview on **C-SPAN**'s "The Communicators" program, which is scheduled to air on Sat at 6:30pm.

Synacor/AT&T Deal: Multiplatform tech firm **Synacor** scored a portal services contract from **AT&T**. Under the deal, Synacor will develop and manage desktop and mobile portal services designed to drive user engagement for the telco.

Hiring Heroes: The cable and entertainment industry launched **Mission Media** last fall, an initiative aimed at hiring and retention of vets. The program was developed by the industry's 22-member Veterans Advisory Council and managed by **CTHRA**. On July 13, Mission Media is teaming with **Disney** to host the Veterans Institute: Heroes Work Here Workshop. The 1-day program will focus on how to target, recruit, engage, develop and retain military vets.

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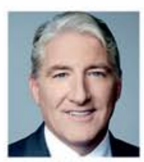

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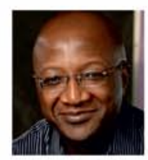

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Company	Ticker	5/06 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
DISH:	DISH	46.70	(5.25%)	(18.33%)
ENTRAVISION:	EVC	7.85	(1.26%)	1.82%
GRAY TELEVISION:	GTN	13.64	6.15%	(16.32%)
MEDIA GENERAL:	MEG	17.62	1.67%	9.10%
NEXSTAR:	NXST	53.34	3.92%	(9.13%)
SINCLAIR:	SBGI	32.24	0.53%	(0.92%)
TEGNA:	TGNA	22.93	(1.84%)	(10.15%)
MSOS				
CABLE ONE:	CABO	485.49	5.78%	11.95%
CABLEVISION:	CVC	34.50	3.32%	8.15%
CHARTER:	CHTR	212.92	0.32%	16.35%
COMCAST:	CMCSA	61.42	1.09%	8.84%
GCI:	GNCMA	17.69	4.67%	8.59%
LIBERTY BROADBAND:	LBRDA	58.59	2.22%	13.44%
LIBERTY GLOBAL:	LBTYA	37.26	(1.25%)	(12.04%)
SHAW COMM:	SJR	18.32	(1.03%)	6.57%
SHENTEL:	SHEN	30.27	5.51%	(29.69%)
TIME WARNER CABLE:	TWC	213.16	0.50%	14.86%
PROGRAMMING				
21ST CENTURY FOX:	FOXA	29.51	(2.48%)	8.65%
AMC NETWORKS:	AMCX	68.47	4.97%	(8.32%)
CBS:	CBS	57.68	3.17%	22.38%
DISCOVERY:	DISCA	28.28	3.55%	6.00%
DISNEY:	DIS	105.54	2.21%	0.44%
GRUPO TELEVISA:	TV	27.60	(5.58%)	1.43%
HSN:	HSNI	50.29	(5.17%)	(0.75%)
LIONSGATE:	LGF	21.58	(2.79%)	(33.37%)
MSG NETWORKS:	MSGN	17.20	0.64%	(17.31%)
SCRIPPS INT:	SNI	65.73	5.42%	19.05%
STARZ:	STRZA	27.54	1.21%	(17.79%)
TIME WARNER:	TWX	74.89	(0.33%)	15.80%
VIACOM:	VIA	44.54	1.39%	1.25%
WWE:	WWE	17.13	2.94%	(3.98%)
TECHNOLOGY				
ADDVANTAGE:	AEY	1.75	(2.78%)	(3.31%)
AMDOCS:	DOX	57.41	1.54%	5.20%
AMPHENOL:	APH	55.86	0.05%	6.95%
APPLE:	AAPL	92.72	(1.09%)	(11.91%)
ARRIS GROUP:	ARRS	23.38	2.68%	(23.52%)
AVID TECH:	AVID	5.38	(3.58%)	(26.2%)
BLNDER TONGUE:	BDR	0.43	0.00%	7.50%
CISCO:	CSCO	26.53	(3.49%)	(2.32%)
COMMSCOPE:	COMM	29.55	(2.83%)	14.14%
CONCURRENT:	CCUR	6.21	2.48%	25.45%
CONVERGYS:	CVG	26.24	(0.98%)	5.42%
CSG SYSTEMS:	CSGS	42.04	(5.27%)	16.84%
ECHOSTAR:	SATS	39.78	(2.79%)	1.71%
GOOGLE:	GOOG	711.12	2.61%	(6.29%)
HARMONIC:	HLIT	3.30	(4.62%)	(18.92%)
INTEL:	INTC	30.04	(0.79%)	(12.8%)
INTERACTIVE CORP:	IAC	53.78	16.06%	(10.44%)
LEVEL 3:	LVLT	51.78	(0.92%)	(4.75%)
MICROSOFT:	MSFT	50.39	1.04%	(9.17%)
NETFLIX:	NFLX	90.84	0.90%	(20.58%)
NIELSEN:	NLSN	51.28	(1.65%)	10.04%
SEACHANGE:	SEAC	3.53	(5.36%)	(47.63%)
SONY:	SNE	23.87	(0.95%)	(3.01%)
SPRINT NEXTEL:	S	3.54	3.21%	(2.21%)
SYNACOR:	SYNC	3.45	144.68%	97.14%
TIVO:	TIVO	9.64	(3.41%)	11.70%
UNIVERSAL ELEC:	UEIC	64.93	(2.23%)	26.45%
VONAGE:	VG	4.09	(12.42%)	(28.75%)
YAHOO:	YHOO	37.23	1.72%	11.94%
TELCOS				
AT&T:	T	38.99	0.44%	13.31%
CENTURYLINK:	CTL	28.54	(7.79%)	13.43%
FRONTIER :	FTR	5.27	(5.22%)	12.85%
TDS:	TDS	26.76	(9.5%)	3.36%
VERIZON:	VZ	51.12	0.35%	10.60%
MARKET INDICES				
DOW:	DJI	17740.63	(0.19%)	1.81%
NASDAQ:	IXIC	4736.16	(0.82%)	(5.42%)
S&P 500:	GSPC	2057.14	(0.4%)	0.65%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. SYNACOR:	3.45	144.68%
2. INTERACTIVE CORP:	53.78	16.06%
3. GRAY TELEVISION:	13.64	6.15%
4. CABLE ONE:	485.49	5.78%
5. SHENTEL:	30.27	5.51%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. VONAGE:	4.09	(12.42%)
2. TDS:	26.76	(9.5%)
3. CENTURYLINK:	28.54	(7.79%)
4. GRUPO TELEVISA:	27.60	(5.58%)
5. SEACHANGE:	3.53	(5.36%)