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What the Industry Reads First

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Fox Fallout: Wall St Weighs in on Ailes, Charter Suit

The analyst community is weighing in on **Fox News** doings—from the possible ouster of leader *Roger Ailes* to its lawsuit seeking to stop **Charter** from invoking **Time Warner Cable's** rate card and deal terms. **Bernstein Research's** bottom line is that it doesn't see any reason at this time to materially change financial forecast assumptions, saying the trajectory of advertising and affiliate fees seem unlikely to change. **21st Century Fox** "has arguably the strongest affiliate fee pricing power in the US (driven by RSNs and **Fox News**) and unique international assets, including **Star India**, which are not subject to the same negative dynamic happening in most other TV markets," said Bernstein, which rates the stock "outperform" and has a \$35 price target on it. Similarly, **Pivotal Research** doesn't expect a meaningful impact, citing the strong political cycle (see RNC Ratings below) and long-term nature of affiliate fees. Pivotal, which rates the stock "buy" with a \$36 target, notes that a change up at the CEO level could be a bigger deal for Fox than other nets since it "has historically operated as an independent fief," but noted audiences are unlikely to leave the net as long as a sufficient amount of its current character remains (ie, *Glenn Beck's* departure and creation of TheBlaze did not hurt the channel). **BTIG's Rich Greenfield** waded into the lawsuit the network has filed against Charter, declaring that the firm's analysts had never heard of Spectrum Holdings Management Company before Fox and Univision's lawsuits, which say Charter is claiming Time Warner Cable still exists through Spectrum Holdings. It's a complex issue, which Greenfield interprets as New Charter owning 2 separate legal entities—Spectrum Holdings, which has the legacy Time Warner Cable assets, and "Merger Sub 3," as it's called in an SEC filing, which holds legacy Charter. "Essentially, Charter is saying that from a programming standpoint it is not one enlarged MVPD, but rather continues to operate as two smaller legal entities," Greenfield writes. "We have no idea who is right legally. Can Charter's complex corporate structuring of the TWC/BHN deals be used to get around programmer clauses specifically designed to prevent programming cost savings or will the courts view that New Charter is, for the purposes of interpreting these programming contracts, the same Charter (if it walks like a duck and quack likes a duck, it's a duck)..." He's hoping for more color on potential impact during programmers and broadcasters' 2Q earnings calls. Shares of 21st Century Fox closed down 2.7% Wed.

NG-PON2 Test Track: Verizon announced Wed that it will begin testing NG-PON2 (next generation passive optical net-

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work) technology in its Innovation Lab this month, using equipment from **Ericsson** and **ADTRAN**. The technology allows a capacity increase by adding wavelengths to meet the demand for traffic drivers such UHD and virtual reality apps. Testing will focus on several features of NG-PON2, including tuning performance, ability to carry residential and business services on the same platform, and interoperability and conformance testing to meet Verizon ONT specifications. Verizon's plan is to deploy a number of business services using NG-PON2 next year, followed by residential services. NG-PON2 specs were approved last year by the **International Telecommunications Union** Telecommunications Standardization Sector.

Labor Talk: **AT&T** reached 2 tentative agreements with the **Intl Brotherhood of Electrical Workers** in negotiations covering IBEW-represented former **DirecTV** employees in 14 states. The 3-year deal is slated for a vote next month. It includes wage increases, improvements to healthy benefits and expands pension eligibility. One covers 1600+ employees in 14 states, while the other covers 1300 working in call centers in Boise, ID, and Missoula, MT.

RNC Ratings: And not surprisingly, **Fox News** was the most-watched cable news net for Night 2 of the GOP convention, delivering 4.8mln viewers and 1mln 25-54s (8-11pm). The 10pm hour, anchored by *Bret Baier* and *Megyn Kelly*, averaged 5.3mln viewers, topping **ABC**, **CBS** and **NBC** as well as the cable newscasters. **CNN's** 3mln viewers in the 10pm hour beat out ABC and CBS, but not NBC, which averaged 4.7mln viewers. If you look at night 2 of this convention compared to the same night in the 2012 RNC, CNN (2.8mln vs. 1.1mln in 2012) and **MSNBC** (1.5mln vs 1.3mln) are up in total viewers, while Fox News is down (4.8mln vs. 5.8mln in 2012).

Pokemon Go(ing) Through Data: As soon as we spied a half dozen people on the street corner playing Pokemon Go, we started wondering about their data usage—and whether they'd tapped into WiFi through the CableWiFi alliance. Turns out we weren't the only ones, with ranking Democratic members of House Commerce sending game developer **Niantic's** CEO a letter asking what measures the company has undertaken to inform players of the effect on their data usage. Pointing to third party data that the typical player uses 10-20 megabytes per hour of play, the lawmakers noted that someone who plays for 3 hours or more a day could burn through 2 gigabytes in a month. The members, including *Frank Pallone* (D-NJ) and *Diana DeGette* (D-CO), want to know if there are best practices to minimize data, if warnings exist about how much data the app consumes and whether Niantic has worked with wireless carriers to ensure customers aren't hit with unexpected large overage charges.

Big Data: No doubt you've heard the term "big data" tossed around the industry frequently by market analysts, IT and research professionals. It's quickly become the technology trend that is profoundly affecting the way we use information to improve our businesses. But can you define it? In a column on Cablefax.com, **Parrot Analytics** board member and longtime cabler *Bruce Tuchman* tackles demystifying the term, while pinpointing the kind of knowledge big data analytics are able to provide media companies.

Spreading Content: A new partnership will have **Vubiquity** and its **Juice Worldwide** subsidiary delivering content from indie creators on the **ICX Media platform**. ICX Media's beta was opened last week for all video creator to use. In March, ICX announced that it secured initial seed financing of \$2.5mln.

Digital Advertising: **Nielsen** is ramping up Nielsen Digital Ad Ratings by now allowing clients to choose a viewability provider to create viewable, human, demographic ad measurement to support digital ad campaign goals. Nielsen has been working with various viewability providers, including **DoubleVerify**, **Integral Ad Science** and **Moat** to deliver the metrics using a single tag.

Internet For All: *Sen Ed Markey* (D-MA) isn't just concerned about the digital gap in the US. He's introduced legislation that would help expand Internet access and increase digital literacy in developing countries. The "Driving Innovation and Growth in Internet Technology And Launching Universal Access to the Global Economy (DIGITAL AGE) Act" calls for a comprehensive strategy from the US government, expands government support for private sector investors, strengthens the State Department's Global Connect Initiative, and affirms expanding Internet access as a programmatic focus for the United States Agency for International Development (USAID).

Channel Launch: **THEMA-AlternaTV** announces **FIBA Americas TV** as its own dedicated basketball network. FIBA Americas TV will offer access to more than 1800 FIBA Americas games from North America, Canada, South America,

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Central America and the Caribbean to viewers. The network is seeking carriage in the US and Latin America.

Programming: Quarterfinals for ELEAGUE, the professional eSports organization created by **Turner** and **WME**, begin on Thurs at 2pm (ET) on **Twitch** and **TBS**. The semifinals will take place July 29 at 5pm (ET) on Twitch and 10pm (ET) on TBS. The championship is set for July 30 at 4pm (ET) on TBS. -- **ESPN** expands Little League Baseball and Softball World Series coverage to 137 games. Beginning Aug 1, **ABC**, **ESPN**, **ESPN2**, **ESPN3**, and the **Longhorn Network** will televise the games, including 91 US regional games, 14 ancillary games and 32 Williamsport games. This marks the most games ESPN has ever covered for the tournament. -- **Starz** announced that the fourth season of the Emmy-winning series "Black Sails" will also be its final season. The ten-episode season will return in 2017.

People: **Z Living** appointed *Berto Guzman* to svp, affiliate distribution and partnerships for traditional and digital platforms. Guzman will report to *Rafe Oller*, gm, and *Sameer Targe*, gm for **Asia TV USA Ltd.** Prior to joining Z Living, Guzman was vp, content distribution at **Revolt**. -- **Shentel's** board elected *Leigh Ann Schultz* as a director. She is currently managing director for strategy and execution-focused business firm **MorganFranklin Consulting**.

Cablefax Daily Stockwatch

Company	07/20 Close	1-Day Ch	Company	07/20 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	51.97	(0.12)	INTEL:	35.69	0.54
ENTRAVISION:	7.29	0.03	INTERACTIVE CORP:	59.69	(0.22)
GRAY TELEVISION:	11.25	(0.04)	LEVEL 3:	57.18	0.67
MEDIA GENERAL:	17.89	0.20	MICROSOFT:	55.91	2.82
NEXSTAR:	55.09	1.39	NETFLIX:	87.91	2.07
SINCLAIR:	30.50	0.25	NIELSEN:	55.09	0.71
TEGNA:	24.52	0.17	SEACHANGE:	3.42	0.17
MSOS					
CABLE ONE:	522.90	(2.25)	SONY:	30.52	0.25
CHARTER:	236.19	4.18	SPRINT NEXTEL:	4.52	UNCH
COMCAST:	67.12	0.03	SYNACOR:	3.29	0.17
GCI:	15.79	(0.18)	TIVO:	10.48	0.11
LIBERTY BROADBAND:	62.04	0.81	UNIVERSAL ELEC:	72.54	UNCH
LIBERTY GLOBAL:	31.03	(0.59)	VONAGE:	5.86	(0.01)
SHAW COMM:	19.60	0.15	YAHOO:	38.90	0.73
SHENTEL:	41.06	(0.54)	TELCOS		
PROGRAMMING					
21ST CENTURY FOX:	27.00	(0.75)	AT&T:	42.71	(0.06)
AMC NETWORKS:	56.24	(0.57)	CENTURYLINK:	30.55	0.06
CBS:	54.53	(0.45)	FRONTIER:	5.04	0.02
DISCOVERY:	25.31	0.14	TDS:	31.25	0.11
DISNEY:	98.22	(1.25)	VERIZON:	55.62	(0.08)
GRUPO TELEVISIA:	27.24	0.14	MARKET INDICES		
HSN:	51.46	0.36	DOW:	18595.03	36.02
LIONSGATE:	20.86	0.58	NASDAQ:	5089.93	53.56
MSG NETWORKS:	16.30	0.05	S&P 500:	2173.02	9.24
SCRIPPS INT:	66.63	0.74			
STARZ:	30.69	0.52			
TIME WARNER:	77.86	(0.22)			
VIACOM:	49.07	0.10			
WWE:	20.07	0.39			
TECHNOLOGY					
ADVANTAGE:	1.83	(0.01)			
AMDOCS:	58.21	0.56			
AMPHENOL:	59.18	0.62			
APPLE:	99.96	0.09			
ARRIS GROUP:	25.22	0.12			
AVID TECH:	6.58	0.37			
BLNDER TONGUE:	0.51	0.05			
CISCO:	30.63	0.71			
COMMSCOPE:	31.98	0.42			
CONCURRENT:	5.35	0.06			
CONVERGYS:	26.80	0.15			
CSG SYSTEMS:	41.58	0.38			
ECHOSTAR:	38.99	0.24			
GOOGLE:	741.19	4.23			
HARMONIC:	3.07	0.09			

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Think about that for a minute...

Atomic Magic Leap?

Commentary by Steve Effros

The longer I'm in this business, with all the great new (faster, better, powerful) technology we develop, the more I worry about our responsibility for what we have wrought. All you have to do is look around—both in our own political backyard and in the world in general—to see that for better or worse, things seem to be revolving around the effects of technology.

From Tahrir Square and the “Arab Spring” to a Presidential candidate primarily known as a “reality TV” actor, to a coup attempt thwarted by the ability to “broadcast” on cell phones, we have entered an era where the technologies we developed and are responsible for maintaining turn out to be at the center of the story. I'm pretty sure that's not good, and I'll have a lot more to say about that in the coming months. But I wanted to start out this column pointing out the “unanticipated” results of what we do before noting with both excitement and concern the latest developments. Where will these take us?

The first is “Magic Leap.” That's the super-secret, highly funded company (they say they have over 600 employees and ultra-clean computer manufacturing rooms already up and running) that claims it is about to unleash an entire new genre of products on the world. Like Apple, they have insisted on keeping control not only of the design of the product, but the entire production of it from beginning to end. What is it? Well, from what I can glean, if you take the Pokemon Go phenomenon, with “augmented reality” being inserted onto your smartphone screen in real time based on where you are, and superimpose all that on a pair of glasses you are wearing that give you a 360 degree sense of those “augmentations,” you will get the idea.



Folks who have seen it in action (they're all under non-disclosure agreements) say it is amazingly realistic and both things and “people” can be inserted into your frame of reference. “Virtual Reality” on steroids. Now that may sound neat, and there are all sorts of things you can imagine incorporating it from entertainment to business environments, but given that we are already seeing kids walk off the side of cliffs while engaged with Pokemon Go, I think it may be time to take a deep breath before launching yet another superimposition on reality. Reality, these days, is scary enough all by itself!

And then there is the new development in computer storage. It's done at the atomic level! 500 Terabits per square inch... all the known books ever printed on a chip the size of a stamp. Granted, at the moment it takes an electron microscope to create and read that data, but we all know that's just a temporary impediment. There is no stopping the trend toward “more, faster.”

The question becomes whether we are really prepared to deal with the inevitable “unintended consequences” of all this new technology. If we can have an incredibly powerful computer display projecting directly into our eyes and brains and the display can insert lifelike additions to what we are actually experiencing, where does all this go?

Why raise all this here? Because we're the industry that will be expected to deliver all this stuff. Faster, better. It's foreseeable that with all that data and folks using it “wirelessly” we all know it will require our infrastructure support to make it all work. For better or worse, that's where we're going. Are we ready?

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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