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Wednesday — July 27, 2016

What the Industry Reads First

Volume 27 / No. 143

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Analyze This: Indies Feel the Squeeze, Talk Dropping Channels

You could call it group therapy Independent Show style. United in their distaste for high programming costs and bundled packaging, independent operators and indie programmers took the stage in Orlando Tues to unload on the state of the marketplace today. **Shentel** went to battle early this year, joining more than 100 other **NCTC** members in rejecting a new **AMC Networks** deal. "There was a lot of stress inside of Shentel as that was going down... It ended up working incredibly well for us. We have approximately 60K video customers. We lost less than 300, and many of those kept Internet," said **Chris Kyle**, Shentel's vp, programming, regulatory, business development (**CFX**, 5/2). In the end, Shentel put a credit on customers' bills for the pure cost of **AMC** programming, which Kyle thinks may have helped to educate consumers on the issue and turned some of them into advocates for the operator. But **Comporium** media content vp **Karl Skroban** isn't sure consumers will fight this war. Like other NCTC members, the operator participated in the TV On My Side campaign, which was to educate customers on what's driving their rates. "We did our job. We educated our customers, but their response was, 'who cares?'; 'so what?'; 'what are you going to do for me?'" Skroban said. "They understand why their rates are going up on a monthly basis or annually, but they don't care because it's affecting their livelihood." Ah, the consumer... There's the rub for **ACA** chief **Matt Polka** when it comes to **FCC** chmn **Tom Wheeler's** decision to not do anything in the open retrans rulemaking. "In retransmission consent, all he said basically was the market is working right now for broadcasters and cable operators. He did not mention the consumer. Consumers were not brought into that discussion or decision despite the fact they're the ones in the middle," Polka said. "There will be more blackouts. There will be more price gouging by broadcasters. There will be more blackouts before marquee programming. And so government will have no choice but to enter this discussion whether they like it or not, and we're going to make sure that happens." **INSP** svp **Mark Kang** piled on, saying that retrans and bundling are by far the biggest challenge for independent networks. Citing ACA research on how many other networks operators must carry in bundled deals, Kang said, "it's like going into a match with 7 guys vs 1 because you're essentially getting squeezed out by 7 other networks." He suggested indie programmers and operators form an alliance. Unless you're **Netflix** or **Hulu**, SVOD and OTT isn't a viable business model, at least not for now, he said. **Ovation** content distribution evp **John Malkin** agreed, saying that one of the problems with OTT is the burden it puts on consumers. "Right now, we're used to be programmed to. At the end of the day, you're asking people to play programmer," he said. "They have to figure out exactly what they want, they have to think about the math and what's really important to them... It's fatiguing. Over-the-top is a tremendous concept, but I don't think it's something that's going to blossom immediately." In the end, it may come down to strength in numbers. "We need to stand firm as a co-op, go together and say, 'we're not going to take this,'" Comporium's Skroban said. If 400-700 NCTC member companies, "go dark that makes a statement."

Verizon 2Q: As was expected, **Verizon's** work stoppage impacted **FiOS** growth, with the loss of 13K Internet connections and 41K FiOS video subscribers. "While the strike impacted the results in the second quarter, the new



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labor contracts will generate approximately \$500mln of cash savings over the term of the contract,” pres/CEO **Lowell McAdam** said on Tues’ earnings call. Management said the company’s made significant progress on working through a backlog of new installations in June and expects to return to a normal run rate in 3Q. On the acquisition front, McAdam said its acquisition of **XO Communications** (approved by the FCC this week), helps with its plan to be the “be the first carrier to deploy a 5G network in the United States, preparing us for a fixed commercial Wireless fiber launch in 2017 and laying the foundation to build mobility use cases later in the decade.” Then there’s **Yahoo**, which McAdam said complements **AOL’s** business as well as Verizon’s overall portfolio. But **MoffettNathanson** shed some doubt on finding synergies in the Yahoo numbers in a research note. The analysts believe the Yahoo deal will be closer to \$5.9bln after accounting for restricted stock units, and cited growth concerns, saying Yahoo’s core revenues are shrinking at 11% per year as mobile global search grew at just 3%. “Even if every part of the Yahoo strategy works like clockwork, even if the value of Yahoo’s business doubles, it would still only add about a dollar to Verizon’s warranted share price. The media’s intense focus on what is ultimately a tiny transaction owes to the size of our collective memory of what Yahoo used to be, not what it is today,” said MoffettNathanson’s report. Meanwhile, McAdam hinted at some sports streaming happening in the future, noting that the company has been talking with the **NFL** and **NBA** and may partner with networks who might have those content rights. “We can work on streaming their games, not only through the traditional channels of FIOS, either Custom TV or the full bundles, but over AOL and Yahoo and then finally over **go90**.” Verizon reported net income of \$831mln on revenue of \$30.5mln.

Indies & OTT: So what’s **DISH’s Sling TV** doing at the Independent Show? “We’re pursuing some options in that direction,” **NCTC** pres/CEO **Rich Fickle** said of Sling during a briefing with reporters Tues. Even so, he admits that OTT isn’t all that everyone hoped it would be, pointing to high churn rates and difficulty in getting the right programming mix. Analyst **Craig Moffett** estimated that Sling’s 2Q churn was at 2.40%. **Sony Vue** also is in the mix with NCTC, which also continues to negotiate with **Netflix**. NCTC’s talks about such partnerships are in line with what operators said during a discussion about skinny bundles. Under current contracts, it’s pretty hard to deliver slimmer packages, but “right now, we can bring those local channels and bundle those OTT offerings” with broadband, said **WOW** dir, video product development **Michelle MacFee**. However, **Steve Mathesius**, senior manager of video product strategy for **TDS**, suggested Sling and Vue are competitors. There’s no technology that Sling or Sony has that isn’t accessible to other operators, he said. **Buckeye Broadband** CRO **Sean Brushett** seemed more open to working with them, saying there’s a real opportunity for operators to have the residential IT service that people need to use these services. **USA Companies** CEO **Chris Hilliard** said the answer for his company may be to partner for a “short period” of time with companies like **MobiTV**, which just inked a deal with overbuilder **C Spire**, or **Philo TV**.

Charter Diversity: **Charter** is making good on its pledge to appoint minorities to its board post merger. African American exec **Kim Crawford Goodman** was elected as the company’s 13th member. She most recently worked at **American Express** as pres, global business travel and pres, merchant services Americas. Other roles include executive positions at **Dell Inc**. One of Charter’s diversity commitments was to appoint 1 African American, 1 Asian American/Pacific Islander and 1 Latino American to its newly formed board within 2 years of transaction

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Nielsen 2Q: In its 2Q earnings report Nielsen attributed the net income decline of 1.7% to \$114mln YOY to the impact of foreign exchange and restructuring charges of \$34mln related to market realignment in the buy segment. It reported 2Q revenues of \$1.596 bln, up 2.4% compared to 2Q '15, attributing the strong performance to its buy and watch businesses.

People: *Pola Changnon* was promoted to the newly created role of svp, marketing, creative and brand for **TCM**. She'll oversee brand management, creative vision and design for **Turner** and the company's 1st SVOD service, **FilmStruck**. *E.B. O'Neill* was hired as sr dir of subscription acquisition for FilmStruck where she will oversee the company's day-to-day operations and strategic planning. Both execs will report to gm of Turner and FilmStruck, *Jennifer Dorian*.

YouTube Pop-Up: YouTube Spaces and Telemundo partnered to create a YouTube Pop-Up Space from July 26-28 in Miami at the Wynwood Warehouse Project. YouTube creators and Telemundo talent are collaborating to create original content for the chance to win the "Best Novela Scene by YouTube Creators" award at Telemundo's Premios Tu Mundo 2016 awards in Aug.

Cablefax Daily Stockwatch

Company	07/26 Close	1-Day Ch	Company	07/26 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DISH:	52.20	(0.05)	INTEL:	35.09	0.40			
ENTRAVISION:	7.40	0.04	INTERACTIVE CORP:	60.43	0.47			
GRAY TELEVISION:	10.56	(0.42)	LEVEL 3:	55.99	(0.14)			
MEDIA GENERAL:	17.73	(0.1)	MICROSOFT:	56.76	0.03			
NEXSTAR:	52.11	(2.03)	NETFLIX:	91.41	3.75			
SINCLAIR:	28.80	(1.14)	NIELSEN:	54.19	(1.03)			
TEGNA:	23.00	(2)	SEACHANGE:	3.25	UNCH			
MSOS								
CABLE ONE:	526.16	(2.8)	SONY:	30.21	0.36			
CHARTER:	237.98	(2.71)	SPRINT NEXTEL:	6.25	0.35			
COMCAST:	67.18	(0.29)	SYNACOR:	3.06	(0.02)			
GCI:	15.52	(0.24)	TIVO:	10.52	UNCH			
LIBERTY BROADBAND:	62.55	(0.3)	UNIVERSAL ELEC:	75.38	0.59			
LIBERTY GLOBAL:	31.51	0.51	VONAGE:	5.77	0.03			
SHAW COMM:	19.98	0.18	YAHOO:	38.76	0.44			
SHENTEL:	41.27	0.01	TELCOS					
PROGRAMMING								
21ST CENTURY FOX:	26.74	(0.11)	AT&T:	42.38	(0.56)			
AMC NETWORKS:	56.35	0.37	CENTURYLINK:	30.63	(0.25)			
CBS:	54.44	0.02	FRONTIER:	5.15	0.02			
DISCOVERY:	25.64	0.18	TDS:	31.51	(0.06)			
DISNEY:	96.69	(0.7)	VERIZON:	54.81	(1.06)			
GRUPO TELEVISA:	26.50	0.19	MARKET INDICES					
HSN:	51.20	UNCH	DOW:	18473.75	(19.31)			
LIONSGATE:	20.27	(0.34)	NASDAQ:	5110.05	12.42			
MSG NETWORKS:	16.15	0.14	S&P 500:	2169.18	0.70			
SCRIPPS INT:	66.87	0.86						
STARZ:	30.26	(0.2)						
TIME WARNER:	78.27	(0.23)						
VIACOM:	49.84	0.23						
WWE:	19.81	(0.06)						
TECHNOLOGY								
ADVANTAGE:	1.91	0.01						
AMDOCS:	58.55	0.24						
AMPHENOL:	59.40	0.75						
APPLE:	96.67	(0.67)						
ARRIS GROUP:	24.95	0.16						
AVID TECH:	6.43	0.20						
BLNDER TONGUE:	0.55	0.01						
CISCO:	30.88	0.09						
COMMSCOPE:	31.48	(0.05)						
CONCURRENT:	5.22	(0.08)						
CONVERGYS:	26.95	0.36						
CSG SYSTEMS:	41.49	0.27						
ECHOSTAR:	38.60	(0.34)						
GOOGLE:	738.42	(1.35)						
HARMONIC:	3.23	0.06						

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