www.cablefaxdaily.com, Published by Access Intelligence, LLC, Tel: 301-354-2101

4 Pages Today

Cablefax Daily™

Thursday — July 28, 2016 | What the Industry Reads First | Volume 27 / No. 144

Comcast 2Q: What Seasonal Weakness?

Expectations were high for **Comcast**'s 2Q, and it didn't disappoint. Cable operations lost a mere 4K subs in the seasonally week quarter—better than analysts' 31K consensus. It marks the best 2Q for Comcast in more than 2 years. The film side was less stellar, but that didn't to scare off Wall St. **Pivotal Research** raised the stock's year-end price target by $6 to $81, chalking up the much better-than-expected sub growth (+115K customer relationships) to continued falling churn and to a less extent the effects of the **Verizon** strike (the telco only overlaps 15% of Comcast's market). Comcast added 220K HSD subs, better than the 200K consensus and the best 2Q result for data in 8 years. Even voice beat expectations at 64K vs Wall St's 47K projection. "Our results this quarter provide further evidence that customers are responding favorably to many of our new initiatives," Comcast CEO *Brian Roberts* said on Wed's earnings call. The MSO's X1 platform is now 40% penetrated, with it to hit 50% penetration by year-end. Management said that getting X1 on other devices, such as **Roku** or **Samsung TV,** will also extend its reach. There are some 8mln voice remotes deployed (Roberts said 800K a month are being doled out). For X1, DVR take rates are about 3x native and PPV is 2x native, according to mgmt. On the horizon is Comcast's XB6 wireless gateway, which Comcast Cable pres/CEO *Neil Smit* said should be out towards the end of the year or early next year. "It's still in the early days, but I think it'll be a great addition to the overall hardware configuration and should over time bring down CapEx costs, CPE costs." FCC rules prevent companies from talking about spectrum, but there was a tiny bit of color on Comcast's wireless strategy. "We've been in test and learn mode," Smit said, pointing to *Greg Butz*'s recent appointment to head the wireless business. He "came to Comcast from the wireless business and has a great deal of experience in selling to our base and acquiring new customers." **MoffettNathanson**'s *Craig Moffett* is waiting to see if Charter can post similarly strong results—which could stop some of this cord-cutting hand wringing at a time when **Sling** and **Netflix** have slowed. If Charter pulls it off, he argues that it shows that cable's infrastructure advantage in broadband also is an infrastructure advantage in TV. That would make sense since "video is now a two-way interactive activity," Moffett wrote in a research note. On the **NBCU** side of the house, revenue of $7.1bln was 4.5% better than Wall St expectations, even with film's 40% YOY decline. Cable nets' rev grew 4.7% to $2.57bln. Broadcast rev of $2.12bln was up 17.4% YOY, with management reiterating that some major contracts will see significant step-ups in retrans consent. NBCU CEO *Steve Burke* rejected the idea that Comcast Cable's integration of Netflix into the X1 platform could hurt NBCU nets and other programmers. "The fact of the matter is something like 40% of the people in America have Netflix now… Whatever Netflix is doing to viewing habits, I think a lot of that is already done," Burke said. "I think the fact that Neil is putting it on the set-top box is a great idea. It's very customer-focused." Shares of Comcast closed up 1.1% Wed. Overall, revenue was up 2.8% to $19.27bln, while net income slipped to $2.03bln from $2.14bln a year ago.

Netflix at TCA: No big surprise, but **Netflix's** content boss *still* has no plans to release ratings numbers and *still* harbors serious doubts about whether there can really be "too much TV." In an executive session at the first day of the **TCA** press tour

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Publisher: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Sr.Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Cablefax/Screenster Editor: Kaylee Hultgren, 646.764.8267, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Dir. of Business Dev.: Rich Hauptner, 203.899.8460, rhauptner@accessintel.com ● Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ● Dir of Market Dev: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Production: Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group, dschwartz@accessintel.com ● Group Subs: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Sub Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: $1,699.97/year ● Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

in Los Angeles, Netflix chief content officer *Ted Sarandos* said he understands that ratings are "essential" for ad-supported nets but that they have "no relevance" to Netflix. "If we make programming they don't love, they leave and our revenue shrinks," he said. "It's that simple." Sarandos also delved back into the debate started by **FX** chief *John Landgraf* last year about whether there are too many original shows for consumers to reasonably absorb. "I agree," he deadpanned. "There are too many mediocre, safe shows on linear television... Our vote is to keep the bar high and to keep them coming." Later in the press gaggle, he doubled down, saying that too many look at the content universe "with an old-media lens" that assumes 3 hours of primetime and a few broadcast and cable nets. "That's not true anymore," he said. "The viewer has total control over when they watch shows, what they want to watch, when they get to them, and in that world it's almost infinite possibilities." And beyond TV, "we're competing with **Pokemon Go**. We're competing with *Star Wars* movies. We're competing with *Jurassic World*. We're competing for a lot of attention in a really noisy world, and to do that you have to take some really big swings." Sarandos also said Netflix continues to push for shorter content windows that can reduce piracy—and he said he'll pay more for the privilege. Meanwhile, he said Netflix is on track to spend its previously referenced $6bln programming budget in 2016, but he declined to put a spending number on 2017 other than to say it will be "more."

Indy Show Notebook: **MCTV** pres *Bob Gessner* was re-elected chmn of **ACA**, and **Boycom**'s pres *Patricia Jo Boyers* was re-elected as vice chairwoman at the **Independent Show** Wed. Each will serve two-year terms. ACA also filled 2 open board seats, with **Block Comm** evp *Diana Block* filling the remaining term of **Comporium**'s *Bill Beaty,* who has retired, and **WOW!** legal vp *Kathy Ford* (filling the remaining term of WOW!'s *Cathy Kuo*). -- It was fitting for **Cincinnati Bell** to accept ***Cablefax's*** Independent Operator of the Year Award at the Independent Show's chairman's dinner Tues, according to Cincinnati Bell dir of content & consumer product marketing strategy *Michael Morrison*. "This is where it all started. In 2008, when the show was in Orlando, that was the very first show" for the operator after its purchases of Lebanon, OH's telecom system serving 4K subs, he said. Today, Cincinnati Bell has 120K video subs and 275K Internet subs. "Thank you to everybody here. Whether you know it or not, you all have helped contribute to Cincinnati Bell," Morrison said. Read more about all of our "Top Ops" in the latest issue of *Cablefax: The Magazine*. -- Props to NBCU for sponsoring the Indy Show's final dinner Tues, complete with Brazilian dancers who even got **NCTC** chief *Rich Fickle* to shake it! And comedian *Jim Breuer,* sponsored by **Epix/Viacom**, killed it, receiving a well-deserved standing ovation.

Herring-AT&T: A lawsuit by **Herring Networks** against **AT&T** will continue. This week, a federal court in CA denied AT&T's motion to dismiss the case. Herring, owner of **AWE** and **One America News Net**, filed its suit in March. The lawsuit, which seeks $100mln, claims AT&T broke a promise to launch its networks on **DirecTV** and concealed a plan to wind down **U-verse** (***CFX***, 3/16). AT&T did not immediately respond to requests for comment.

Rio Olympics: **AT&T** announced from it's making the Olympics' opening and closing ceremonies available in 4K on a 2.5 hour delay as well as dedicated 4K UHD channels for DirecTV and U-verse subscribers from Aug 5-21. Dubbed **Mix Channel** for DirecTV subs, it will feature Olympic events taking place across 8 of **NBC**'s networks: NBC, **NBCSN**, **Golf Channel, Bravo, CNBC,** MSNBC**, USA Network** and **NBC Universo**, and customers can watch 8 screens at the same time with compatible equipment. Meanwhile U-verse subs can watch 4 screens at once on its **Multiview Channel**, featuring NBCSN, Bravo, USA Network and a local NBC affiliate. Interactive features include real-time medal counts, video clips and

BUSINESS & FINANCE

more. And there's an Olympic promo: Businesses that sign up for DirecTV service now through Aug 21 will get a $1 credit for every gold medal that Team USA wins. Both DirecTV and U-verse video subs will have access to NBCU's 6,755 hours of Olympic programming as well. -- The **Olympic Channel** will launch Aug 21 as a free, year-round OTT network following the closing ceremony. It can be accessed via an Android or iOS mobile app as well as at olympicchannel.com. The channel will have original programming, live sports events, news and highlights, and short- and long-form content. Platform features include personalization options, VOD and subtitled content in 9 languages, a mobile-responsive interface and individual sport pages. Initially it will be available in English. After launch, the Olympic Channel will work with broadcasters that are rights holders and National Olympic Committees to create localized versions, including linear television programming options. Social media handles on **Facebook, Instagram, Twitter** and **YouTube** are now live.

Carriage: *Glenn Beck*'s **TheBlaze** scored a multi-year carriage deal with **CenturyLink Prism TV**. It's available in SD and HD on the Prism Preferred Package. "Our agreement with CenturyLink demonstrates our mutual commitment to offering our highly popular content to our cherished audience," said *Stewart Padveen,* pres of TheBlaze.

Cablefax Daily Stockwatch

Company	07/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DISH:	52.04	(0.16)
ENTRAVISION:	7.35	(0.05)
GRAY TELEVISION:	10.29	(0.27)
MEDIA GENERAL:	17.52	(0.21)
NEXSTAR:	52.09	(0.02)
SINCLAIR:	28.46	(0.34)
TEGNA:	22.65	(0.35)
MSOS		
CABLE ONE:	528.75	2.59
CHARTER:	237.72	(0.26)
COMCAST:	67.92	0.74
GCI:	15.72	0.20
LIBERTY BROADBAND:	62.87	0.32
LIBERTY GLOBAL:	31.01	(0.5)
SHAW COMM:	20.00	0.02
SHENTEL:	41.20	(0.07)
PROGRAMMING		
21ST CENTURY FOX:	26.74	UNCH
AMC NETWORKS:	55.67	(0.68)
CBS:	54.10	(0.34)
DISCOVERY:	25.46	(0.18)
DISNEY:	96.33	(0.36)
GRUPO TELEVISA:	26.38	(0.12)
HSN:	50.81	(0.39)
LIONSGATE:	20.16	(0.11)
MSG NETWORKS:	16.16	0.01
SCRIPPS INT:	67.11	0.24
STARZ:	30.36	0.10
TIME WARNER:	77.93	(0.34)
VIACOM:	50.08	0.24
WWE:	19.74	(0.07)
TECHNOLOGY		
ADDVANTAGE:	1.96	0.05
AMDOCS:	57.87	(0.68)
AMPHENOL:	59.13	(0.27)
APPLE:	103.03	6.36
ARRIS GROUP:	24.35	(0.6)
AVID TECH:	6.46	0.03
BLNDER TONGUE:	0.60	(0.01)
CISCO:	30.76	(0.12)
COMMSCOPE:	31.82	0.34
CONCURRENT:	5.19	(0.03)
CONVERGYS:	26.87	(0.08)
CSG SYSTEMS:	40.95	(0.54)
ECHOSTAR:	38.77	0.17
GOOGLE:	741.77	3.35
HARMONIC:	3.32	0.09
INTEL:	34.83	(0.26)
INTERACTIVE CORP:	59.84	(0.59)
LEVEL 3:	52.65	(3.34)
MICROSOFT:	56.19	(0.57)
NETFLIX:	92.04	0.63
NIELSEN:	54.05	(0.14)
SEACHANGE:	3.24	(0.01)
SONY:	30.39	0.18
SPRINT NEXTEL:	5.79	(0.46)
SYNACOR:	3.07	0.01
TIVO:	10.52	UNCH
UNIVERSAL ELEC:	76.08	0.70
VONAGE:	5.76	(0.01)
YAHOO:	38.66	(0.1)
TELCOS		
AT&T:	42.76	0.38
CENTURYLINK:	30.71	0.08
FRONTIER :	5.09	(0.06)
TDS:	31.26	(0.25)
VERIZON:	55.32	0.51
MARKET INDICES		
DOW:	18472.17	(1.58)
NASDAQ:	5139.81	29.76
S&P 500:	2166.58	(2.6)

Think about that for a minute...

Efficiency

Commentary by Steve Effros

I raised the question in last week's column whether we're ready for the never-ending onslaught of new devices, new uses and increasing demand for data delivery. It's a challenge we've faced before, starting with an always-increasing channel lineup when talking about analog video distribution in our cable business all the way to today when our data/broadband delivery business is constantly under stress from increasing data usage.

I think we have to start looking at this issue from the premise that there is likely never going to be a day when there is "enough" or even "too much" capacity. The reason for that is unfortunately simple: those who find new ways to use and employ data have an unnerving tendency to always fill up whatever capacity they have available. Efficiency isn't part of their mantra.

There are exceptions to this rule. When data usage started shifting from wired to wireless (even though we understand that the wired infrastructure is the backbone on which the wireless "last mile" has become dependent) there was a realization that the wireless spectrum simply didn't have the unlimited ability to constantly expand. As a matter of fact, one of the principal functions of the FCC has finally come to the fore because of this. For the first time in many years the Commission is being called upon to restructure available spectrum use to allow for more consumer wireless bandwidth. But as I've already noted, no matter what they do with the latest auctions, the expectations and the pricing don't seem to jibe, and there will be continuing limitations on spectrum availability.

The good news about that is the almost forced consideration of efficiency. There's long been a false sense that there was no adverse consumer effect from a constant demand for more bandwidth. But that ignores that such demand inevitably increases infrastructure cost, which in turn raises consumer bills. The same was not true for wireless. Everyone seemed to understand that higher use of limited wireless cellular bandwidth would result in higher consumer costs. So the providers of data, like Netflix, found it in their interest to see if they could be more efficient in their data demands and did, indeed, find ways to significantly increase their efficiency. They've already doubled it!

At the same time our industry has steadfastly pursued increased capacity and speed. It's long forgotten that we started working on 1 Gigabit or higher speeds for the DOCSIS platform before 2000, well before things like Google Fiber hit the PR scene. But even with those ever increasing capabilities, the uses are inevitably going to swallow up all the gains if there is no effort to find efficiencies.

It's not efficient if everyone watches the same event or program on a separate stream. It's just like the old days of computer programming when the assumption of "limitless" computer capability resulted in bloated processor-clogging programs. Efficient, scaled down, smarter programming solved that problem and allowed computing to become mobile. Now we need that same mental set to develop so that we stop the inefficient, expensive and ultimately wasteful and consumer unfriendly assumption that anything new or faster or bigger must always be accommodated by an "unlimited" broadband infrastructure. That no longer makes any sense.

We can already see some of this thinking, thankfully, taking hold. Most of the major OTT programmers are swiftly introducing streaming channels for mass simultaneous viewing. Why? Efficiency. I suspect we will see a lot more. We are at the point where efficiency is definitely consumer friendly.

Steve

T:202-630-2099
steve@effros.com

(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.)