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What the Industry Reads First

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Arris/Charter: Worldbox 2.0 Collaboration and Beyond

Arris seemed to be pushing through some headwinds last year, with 3 of its top 5 customers (**AT&T**, **Time Warner Cable** and **Charter**) involved in consolidations. Then pres/CEO *Bob Stanzone* repeatedly acknowledged the uncertainties amid M&As, including lower levels of customer spending. And things didn't look good on the Worldbox front either, as Charter announced during 2015 CES that **Cisco** will serve as a key supplier of the hybrid IP/QAM video device through 2015. Cisco was also the supplier of the device's downloadable conditional access system and digital rights management platform. Today, things are a lot different at Arris. It stepped up its CPE business by acquiring **Pace**, while Cisco sold its set-top unit to **Technicolor**. And on Wed, Arris became the key vendor for Charter in the development of WorldBox 2.0, the next-gen video platform to be deployed on traditional TV sets across Charter's footprint, the companies announced Wed. The new Worldbox features better legacy hardware-based CAS (conditional access system) across Charter's new footprint, which is expected to allow for faster and more cost-effective deployment. The feature is made possible through the built-in security processing system now available in generic chipsets. According to Arris, Worldbox 2.0 also adds more advanced graphics capabilities and processing power. "While Charter is focused on providing a secure video product on all devices, WorldBox 2.0 provides the same advanced video experience consumers are demanding on traditional television sets, and gives Charter the flexibility to deploy a single platform across our entire expanded network," said *Jim Blackley*, Charter engineering and IT evp said in a release. Arris joined forces with Charter in April, 2015 to acquire ActiveVideo, the cloud-based technology platform that enables Charter's cloud-based Spectrum Guide to run on prior generation set-top boxes as well as Worldbox. Spectrum Guide is already available in markets including Fort Worth, TX, and Reno, NV. Charter plans to have Spectrum Guide available in most legacy Charter markets by the end of this year and launch it in TWC's larger markets by the middle of 2017, followed by launches in other TWC and **Bright House** markets throughout 2017-2018 as Charter completes its all-digital project. Arris also recently entered into a warrant agreement with Charter, giving Charter with the option to acquire shares of Arris based on specific sales targets of Arris equipment to Charter in 2016, 2017 and 2018. It entered into a similar deal with **Comcast** this summer. Analysts were encouraged by these arrangements that incentivize increased purchase of Arris products, helping to drive Arris' shares higher: The stock is up more than 20% since July.



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AN OPEN LETTER TO OUR PAY TV PARTNERS FROM DAVE SHULL, CEO, THE WEATHER CHANNEL

To our Cable, Satellite and Other TV Partners,

Thank you. Together during Hurricane Matthew, we experienced a moment where the country depended on us both to perform at our best. Through the historic weather conditions, your teams worked tirelessly to maintain the pipeline for The Weather Channel and others to deliver critical life-saving information without interruption. Thank you for believing in the expert coverage of The Weather Channel. You were at your best when more than 59 million Americans needed you most.

But our story together is far from over. As the recovery continues and rebuilding begins, Hurricane Matthew reminds us that any of our communities can be put at risk. The necessity for trusted information during a weather emergency is critical. Public officials and emergency managers need our platforms to give guidance to millions quickly and efficiently. Now more than ever, our country relies on The Weather Channel and you to deliver that message.

We must never forget the importance of our partnership and the role it plays in the safety of your customers. Thank you for your continued support of The Weather Channel and your ongoing commitment to keeping America safe.

We couldn't do this without you.

THANK YOU,



DAVE SHULL, CEO
THE WEATHER CHANNEL



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Cable Rates: Thanks to STELAR, the **FCC's** cable price survey delved into how much operators are paying broadcasters in retrans consent fees—and, as everyone knows, it's on the rise. The FCC found operators paid \$12.7m in 2015, up 63.2% from the nearly \$7.8m paid in 2013. On a per station basis, the monthly fee per sub jumped 43% to \$1.07 from 75 cents. As in years past, the report, released Wed, also digs into average rates for cable service. For 2014, the average monthly rate for basic service increased by 2.3% to \$23.79 compared to 2013, while expanding basic rose 2.7% to \$69.03. Cable's expanded basic price is lower than the comparable **DirectTV** package (\$73.92), though the satellite provider has more channels (197 vs 181) and a lower price per channel (37.6 cents). The average price per channel (price divided by number of channels) for cable's expanded basic service declined by 1.8%, to 46 cents per channel. **DISH's** comparable package is less than cable's expanded basic at \$59.99, but features only 127 channels (47.5 cents per channel). The basis for info in the report is the FCC's cable industry prices survey, sent to a random sample of cable ops in Aug. The agency surveyed operators serving 485 out of the 22,828 communities without a finding of effective competition, and 315 out of the 10,550 communities granted an effective competition finding. Communities with effective competition had a basic cable rate that was 6.4% lower than those without competition; while noncompetitive communities were 3.6% lower for expanded basic than communities with effective competition. The FCC said that's because effective competition communities generally offer more channels compared to cable operators in noncompetitive communities. Given all the noise over chmn *Tom Wheeler's* set-top proposal, take note of the CPE section of the report. The FCC found that on average, expanded basic cable has a fee of \$8.34/month, a 1.4% increase, for commonly leased equipment, such as an HD converter set-top. It's important to note the price average is only for operators that do not bundle the leased equipment charge into the overall expanded basic price. The FCC also noted that the prices are for a single lease of the most commonly leased equipment and not the average charge per customer or per household, which would depend on the number and type of equipment leases.

FS1 (and Cubs) Victory: The Chicago Cubs' clinching of the NLDS delivered 6.37m viewers, making it **FS1's** most-watched telecast ever, according to early **Nielsen** figures. The game edged out previous record holder, Game 5 of the ALDS last year between Houston and Kansas City, by 7% (5.94m). On the digital front, FOX Sports GO's average minute audience was 115,929, which is the highest average minute audience of any authenticated event in FS GO history.

X1 After Rio: **Comcast** continues to take changes it implemented during the Rio Olympics and use them for the overall customer experience. The MSO is adding the same features to its X1 sports app for the Games to the every sport in the app, including basketball. Fans can now get pre-game info such as team rosters, player profiles and conference standings. During the Olympics, viewers used X1 voice search to ask "what's the latest medal count?" Now X1 users can get results by saying things such as "Washington Redskins Stats" or "*Eli Manning* Touchdowns." Similarly, after Rio the **NBC** Olympics highlights & results app transitioned into "NBC Sports Scores" app, offering a personalized experience and alerts so fans don't miss action.

Kids' TV: **Nick's** "The Thundermans" was the #1 kids' show of Columbus Day. The 1-hour special delivered 1.1m kids 6-11 and 2.4m total viewers. -- Fri's premiere of **Disney** original movie "The Swap" goes down as the #1 cable telecast of 3Q among kids 2-11 (1.6m), 6-11 (1.3m) and tweens 9-14 (1.2m). At 3.1m total viewers, it's also the #1 telecast across kids' nets for overall viewers. For its premiere and encores to-date, The Swap has netted 7.2m total viewers.

Programming: **ESPN** reached a multi-year contract extension with sports business reporter *Darren Rovell*. -- *American Girl* isn't just dolls and movies any more. The **Mattel** subsidiary inked a content licensing deal with **Amazon** for its 1st-ever animated series. "WellieWishers," based on a new line of dolls for girls 5-7, debuts on Amazon Prime Video Fri with 26 eps available.

People: **Comcast** named *Adwoa Dadzie* as vp, HR for the company's Western New England Region. -- **A+E Networks** named *Melissa Madden* head of marketing UK & International, effective Sat. She will report to both *Heather Jones*, gm of UK and svp content and creative, and *Tom Lucas*, head of global brand strategy and marketing. Madden joined the net from **BBC Worldwide**, where she was svp, content marketing and creative.

Public Affairs: Fourth largest US cable operator **Altice USA** is holding a student essay contest in recognition of His-


BUSINESS & FINANCE

panic Heritage Month. The contest, open to students in grades 6-8 in **Optimum** and **Suddenlink** markets, asks participants to "Name a Latino, past or present, with whom you would choose to spend a day and explain why." This year marks the 9th year that schools in the Optimum service area are invited to participate in this essay contest. It's the 1st year for Suddenlink. Prizes include a \$1500 cash scholarship and an iPad mini. -- **WWE** will hold its 14th annual Tribute to the Troops event Dec 13 in DC at the Verizon Center. WWE stars will spend time with members of all 5 branches of the military, with a special airing on USA Dec 14.

Business/Finance: **Pluto TV** has raised \$30mln in Series B funding with German media company **ProSiebenSat.1** leading it. **Scripps Networks Interactive** and **Sallfort PrivatBank** are among others participating in the funding. Pluto has world domination on its mind, with the company reporting that its audience has grown 10-fold to more than 5mln monthly active viewers in 18 months. "With this funding and the expansion into Europe, Pluto TV is uniquely positioned to become the global OTT destination for free television. That's the goal. That's the future of TV," CEO *Tom Ryan* said. As part of the deal, Pluto TV acquired ProSiebenSat.1's **Quazer**, a start-up OTT service focused on nonfiction content in Germany.

Cablefax Daily Stockwatch



| Company | 10/12 Close | 1-Day Ch | Company | 10/12 Close | 1-Day Ch |
|------------------------------|----------------|-------------|-----------------------|----------------|-------------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DISH: | 55.60 | 0.27 | INTEL: | 37.13 | (0.14) |
| ENTRAVISION: | 7.30 | UNCH | INTERACTIVE CORP: | 62.09 | 0.09 |
| GRAY TELEVISION: | 9.76 | (0.07) | LEVEL 3: | 45.23 | (0.15) |
| MEDIA GENERAL: | 18.21 | (0.06) | MICROSOFT: | 57.11 | (0.08) |
| NEXSTAR: | 55.82 | (0.85) | NETFLIX: | 99.50 | (1.09) |
| SINCLAIR: | 27.08 | (0.43) | NIELSEN: | 52.05 | 0.30 |
| TEGNA: | 20.24 | (0.35) | SEACHANGE: | 2.68 | (0.06) |
| MSOS | | | SONY: | 32.70 | (0.08) |
| CABLE ONE: | 582.17 | (2.63) | SPRINT NEXTEL: | 6.78 | UNCH |
| CHARTER: | 256.89 | (0.97) | SYNACOR: | 2.80 | UNCH |
| COMCAST: | 65.24 | 0.28 | UNIVERSAL ELEC: | 70.73 | (0.14) |
| GCI: | 14.46 | (0.03) | VONAGE: | 6.37 | 0.02 |
| LIBERTY BROADBAND: | 66.66 | (0.42) | YAHOO: | 42.36 | (0.32) |
| LIBERTY GLOBAL: | 32.42 | 0.13 | TELCOS | | |
| SHAW COMM: | 19.81 | (0.01) | AT&T: | 39.33 | 0.23 |
| SHENTEL: | 25.89 | (0.13) | CENTURYLINK: | 27.57 | (0.07) |
| PROGRAMMING | | | FRONTIER : | 4.02 | (0.13) |
| 21ST CENTURY FOX: | 24.55 | (0.09) | TDS: | 26.92 | 0.14 |
| AMC NETWORKS: | 50.05 | 0.08 | VERIZON: | 50.30 | 0.40 |
| CBS: | 55.15 | (0.3) | MARKET INDICES | | |
| DISCOVERY: | 26.17 | (0.23) | DOW: | 18144.20 | 15.54 |
| DISNEY: | 91.41 | (0.45) | NASDAQ: | 5239.02 | (7.77) |
| GRUPO TELEVISA: | 25.84 | (0.3) | S&P 500: | 2139.18 | 2.45 |
| HSN: | 38.71 | 0.45 | | | |
| LIONSGATE: | 19.27 | (0.41) | | | |
| MSG NETWORKS: | 18.75 | UNCH | | | |
| SCRIPPS INT: | 62.18 | 0.04 | | | |
| STARZ: | 30.92 | (0.29) | | | |
| TIME WARNER: | 79.91 | 1.34 | | | |
| VIACOM: | 39.55 | (0.75) | | | |
| WWE: | 19.89 | (0.14) | | | |
| TECHNOLOGY | | | | | |
| ADDVANTAGE: | 1.79 | (0.03) | | | |
| AMDOCS: | 59.51 | 0.50 | | | |
| AMPHENOL: | 63.96 | (0.04) | | | |
| APPLE: | 117.34 | 1.04 | | | |
| ARRIS GROUP: | 29.09 | 0.38 | | | |
| AVID TECH: | 7.25 | 0.01 | | | |
| BLNDER TONGUE: | 0.59 | 0.03 | | | |
| CISCO: | 30.34 | (0.7) | | | |
| COMMSCOPE: | 31.03 | (0.77) | | | |
| CONCURRENT: | 6.04 | 0.27 | | | |
| CONVERGYS: | 29.67 | 0.49 | | | |
| CSG SYSTEMS: | 40.33 | 0.33 | | | |
| ECHOSTAR: | 45.55 | (1.07) | | | |
| GOOGLE: | 786.14 | 3.07 | | | |
| HARMONIC: | 5.56 | (0.11) | | | |



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Think about that for a minute...

Exclusivity

Commentary by Steve Effros

It's becoming increasingly clear that video competition is going to be based on exclusive content and exclusive delivery. This is nothing new. CBS made its name in news many years ago because you could only see Walter Cronkite on that network. Edward R. Murrow's "See It Now" program was similarly exclusive to CBS. NBC had "The Huntley-Brinkley Report," and the two networks duked it out for viewership because they had exclusive content on their networks, available only from their local stations. That's the way it's always been.

The same thing is true of newspapers. The great columnists and well-known reporters are exclusively tied to specific papers. If you don't get that newspaper, you didn't get to see, for instance, Herblock's cartoons. Different newspapers ("data deliverers" in today's world) have different content, and it's the exclusive content that constitutes the core of the competition. No one really notices that all the newspapers are using the same type of presses or the same ink and paper to print their copy on. It's the content that counts, and the content is exclusive.

Video has long been in the same boat. While it started with the "over the air" networks vying for viewership with exclusive content, as the video universe expanded to its now almost unbelievable girth, it's the content that creates the viewership. HBO's "Sopranos" and "Game of Thrones," AMC's "Mad Men," "House of Cards" on Netflix, or "Transparent" on Amazon. The viewer doesn't really care about the delivery mechanism other than whether it includes the content they are looking for. Indeed, it seems to me the biggest problem for the viewer now is to figure out what to look at in the first place since there is such fierce competition among a whole lot of very good, exclusive, product delivered in multiple ways.



Of course that's also going to be a very expensive problem for consumers, since different purveyors, (pick your networks) will all have good stuff to watch, and the more we force "a la carte" distribution via broadband, the more expensive it is going to get. But I digress. The issue today is exclusivity.

Along came the notion of "net neutrality." Suddenly one distribution outlet was not allowed to offer exclusive content, or provide any benefit or "preferred status" to any content provider. The theory was that the "big" providers would take advantage of something like "paid priority" (like "Express Mail") and would be in an "unfair" competitive position with regard to new entrants.

But of course the "big" companies have always had an advantage. When Netflix can spend \$6 billion for original programming in one year you can reasonably expect they will have more break-out hits than those who spend less. Not always, but it's certainly a good bet. And those hits are exclusive. The same is true, as I mentioned recently, about the delivery devices now flooding the market which do not provide access to all video purveyors, and with exclusive buttons for instant access to only a few of the biggest companies which clearly paid for priority to get those buttons on those remote controls.

Despite what some regulators insist, in order to preserve their jurisdictional power, we are currently in the midst of one of the most competitive video delivery eras ever seen. That competition is being driven by exclusivity. Yes, consumers will, I suspect, wind up paying more. It's the natural result of this type of competition, and the resultant increase in consumption of product delivered on exclusive platforms.

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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