

# Cablefax Daily™

Monday — October 24, 2016

What the Industry Reads First

Volume 27 / No. 205

## AT&T-Time Warner: Potential Marriage Means Major Future Cable Competitor

Just a few years ago, AT&T and Verizon weren't major cable competitors. A few M&A deals later, and with the growth of mobile video, the pair are emerging as major entertainment/media players. AT&T could ratchet up the competitive heat exponentially if it acquires Time Warner. The WSJ was the first to report that the 2 have held discussions that might entail a merger. The news drove Time Warner shares to surge more than 10%, before dropping to below \$90 in late Fri trading. As we went to press and after market close, Reuters was reporting an agreement in principal worth \$85bln. AT&T shares, on the other hand, were down about 3% in late Fri pm trading. While the communications industry has seen an increase in consolidation in the last couple of years, a combination of a top telecom company and a major content provider would still be unprecedented. Speaking on CNBC Fri evening, MoffettNathanson analyst Craig Moffett said he doesn't see an AT&T-TWX marriage setting off a chain of media consolidation. But it could have a ripple effect. He noted that such a deal would probably mean AT&T couldn't bid for DISH spectrum. "And if Verizon ever does want DISH's spectrum, there's no one to bid against, so that's bad news for DISH," Moffett said. Or if Comcast decided to come in with a counterbid for TWX, it would mean it's never going to buy T-Mobile. "You see all those kinds of chess pieces moving around as people think about what happens," he said. A potential tie-up with Time Warner means AT&T would own premium nets like HBO, as well as Turner nets, and the Warner Bros movie and TV studio, making it a global media titan like Comcast NBCU, with both distribution and content rights. Cable is concerned. ACA pres/CEO Matt Polka told us "as the FCC has found in past mergers, combining valuable content with pay-TV distribution causes harm to consumers and competition in the pay-TV market. If an AT&T-Time Warner deal is forged as reported, the vertical integration of the merged company must be an issue that regulators closely examine." Public interest group Public Knowledge also was sounding the alarm Fri, declaring that the vertical integration between programming and distribution could give AT&T the power to give preferential treatment to its own programming on its broadband networks. The telco might also make it more expensive or difficult for competitors to DirecTV or its streaming service to access Time Warner programming, hoping to drive customers to its own platforms, senior counsel John Bergmayer said in a statement. Following its acquisition of DirecTV, AT&T has stepped up its streaming game, with 3 streaming services enabled by DirecTV's platform launching in 4Q—DirecTV Now, DirecTV Mobile and DirecTV Pre-



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# MOST POWERFUL WOMEN IN CABLE

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## Awards Presentation & Luncheon

November 17, 2016 ▪ The Edison Ballroom NYC

Join us for Cablefax's Most Powerful Women in Cable Luncheon on Thursday, November 17, from 11:00am - 2:00pm at the Edison Ballroom. This event is a favorite every year!

We are already in full swing planning surprises for this year, as we honor the women who have made their mark on the industry with leadership, innovation and community.

Tables are selling fast, so register today!

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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/Screener 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, l.hofmann@accessintel.com • Production: Joann Fato, jfato@accessintel.com • Diane Schwartz, SVP Media Comms Group, dschwartz@accessintel.com • Group Subs: Laurie Hofmann, 301.354.1796, l.hofmann@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

view. As part of the launch, AT&T has inked numerous content deals with programmers. A purchase of Time Warner could "strengthen its content ownership position, which holds great value in an OTT world, particularly if AT&T could control distribution," **Macquarie Securities** analysts said in a research note Fri. Oh yeah, and acquiring Time Warner would give AT&T a 10% stake in **Hulu**, which is rolling out its live streaming service next quarter (Time Warner joined **Disney**, **Fox** and Comcast in Aug in owning Hulu). With ownership of nets like HBO and **TNT**, the acquisition would help AT&T's competitive positioning in respect not only to traditional carriers like Verizon, **T-Mobile** and **Sprint**, but also to companies like Comcast and **Netflix**, Macquarie analysts said. Meanwhile, regulatory review might be the biggest obstacle for a potential deal. The possible merger "would be an early test of a Clinton administration's competition policy," **New Street Research** analysts said, noting *Hillary Clinton* has called for a tough competition standard. That said, a few factors may make the deal difficult to block: It may not be reviewed by the **FCC** because it may not include license transfers as TWX doesn't own broadcast stations, the analysts said. So the agency can't use the threat of remanding the case to ALJ review to kill the deal, if the **DOJ's** case is weak, they said. Macquarie analysts said regulators might require AT&T to maintain arms-length transactions with Turner, HBO and Warner Bros so the telco wouldn't be able to exert preferential treatment of Time Warner content over others. While a potential AT&T-Time Warner transaction might make cable sweat a little, the industry has been diversifying its portfolio as well. Thanks to their MVNO deals with Verizon, major cable MSOs like Comcast and **Charter** plan their own wireless offerings. "We expect cable to launch wireless offerings in the next 3-6 months and they will be in a position to disrupt the market, given their ability to leverage their superior wired infrastructure," New Street Research analysts said.

**Midco Buys Former Sunflower Broadband System:** **Midco** has entered the Kansas market with the pending purchase of **WOW!**'s Lawrence system. Recall that **WOW!** purchased the system, then **Sunflower Broadband**, in 2010. The transaction would give Midco more than 30K customers in Douglas, Leavenworth and Wyandotte counties, passing 67K homes/businesses. Terms weren't disclosed, but Midco would also purchase **WOW!** Channel 6, Lawrence's only local TV broadcaster. **WOW!**'s approx 70 employees are expected to transition to Midco, which employs 1500 in ND, SD and MN. Midco's financial advisor for the acquisition is **Wells Fargo Securities, LLC**, and its legal advisor is **Stinson Leonard Street**, while **Kirkland & Ellis LLP** and **SunTrust Robinson Humphrey Inc.** acted as legal and financial advisors, respectively, to **WOW!**.

**IPO Watch:** We may get a better breakdown of how **Altice's** US operations are doing soon, with *Bloomberg* breaking the news that **Altice USA** is tinkering with the idea of an IPO. Altice USA could go public some time next with the IPO raising close to \$2bln, *Bloomberg* said. Shares of parent Altice were up 1.8% Fri. Talk of an IPO doesn't mean it'll happen or a happen quickly. Case in point, we're still all keeping an eye out for **Univision's** long-anticipated IPO (maybe next year....).

**Still Dark:** Sioux Falls, SD, **Fox** station **KTTW** was still dark on **Mediacom's** lineup Fri. The MSO and Independent Comm have been unable to agree on new retrans terms, with Mediacom claiming the broadcaster wants more than any other station in the 1500 communities across 22 states it serves. Ahead of this weekend's NFL action, Mediacom has been handing out antennas in its storefronts. Mediacom lost the station on Oct 15.

**YouTube on DISH:** **DISH** says it's the only nationwide provider to deliver **YouTube** via set-top, with the YouTube app now available on the Hopper 3. Nationwide is the key word here...

**Reality TV Awards:** Reality TV is still alive and kicking as the 4th annual **Reality TV Awards** take place Nov 2 at the Avalon in Hollywood. **AfterBuzz TV** will present a live stream of the event. **NBC's** "American Ninja Warrior" has the most nominations at 8, with a tie between **Bravo's** "Vanderpump Rules," **Fox's** "Hell's Kitchen" and **Discovery's** "Deadliest Catch."

**Board Moves:** **C-SPAN** co-CEO **Susan Swain** joins **Discovery Comm's** board in Dec. Swain's been part of the C-SPAN team since 1982, stepping into the co-CEO role in 2012. Swain is also an officer of **National Cable Satellite Corporation**, a trustee of the **C-SPAN Education Foundation** and a **National Press Foundation** boardmember.

**On the Circuit:** Congrats to **Mediacom** CEO **Rocco Comisso**, who was inducted into Columbia Univ's 2016 Athletics Hall of Fame Thurs evening. Comisso was recognized for a lifetime commitment to Columbia Athletics, specifically to its soccer program. On Sat, the University was slated to honor him again during the official dedication of the newly renovated soccer field at the Rocco B. Comisso Soccer Stadium named in his honor. The cable chief earned a full 4-year undergrad scholarship to attend Columbia despite not playing soccer in high school and was awarded 3 soccer letters. In fact, he started every game during his 4-year career from 1967-70 (except for one due to injury).

## Cablefax Week in Review

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
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**BROADCASTERS/DBS/MMDS**

DISH:	DISH	57.38	0.72%	0.35%
ENTRAVISION:	EVC	6.89	(2.75%)	(10.7%)
GRAY TELEVISION:	GTV	9.55	0.42%	(41.41%)
MEDIA GENERAL:	MEG	17.42	(2.6%)	7.83%
NEXSTAR:	NXST	52.00	(2.13%)	(11.41%)
SINCLAIR:	SBGI	26.33	1.80%	(19.1%)
TEGNA:	TGNA	20.15	1.05%	(21.04%)

**MSOS**

CABLE ONE:	CABO	587.50	3.11%	35.47%
CHARTER:	CHTR	255.08	(0.97%)	39.39%
COMCAST:	CMCSA	64.02	(1.86%)	13.44%
GCI:	GNCMA	15.02	3.09%	(7.8%)
LIBERTY BROADBAND:	LBRDA	65.86	(1.3%)	27.51%
LIBERTY GLOBAL:	LBTYA	31.89	1.00%	(24.73%)
SHAW COMM:	SJR	19.75	(1.45%)	14.89%
SHENTEL:	SHEN	26.00	0.66%	(39.61%)

**PROGRAMMING**

21ST CENTURY FOX:	FOXA	25.84	4.47%	(4.88%)
AMC NETWORKS:	AMCX	50.78	4.53%	(32%)
CBS:	CBS	57.58	4.48%	22.17%
DISCOVERY:	DISCA	26.66	5.21%	(0.07%)
DISNEY:	DIS	93.05	1.92%	(11.45%)
GRUPO TELEVISA:	TV	26.05	2.84%	(4.26%)
HSN:	HSNI	37.95	(0.45%)	(25.1%)
LIONSGATE:	LGF	19.71	4.40%	(39.15%)
MSG NETWORKS:	MSGN	19.30	4.78%	(7.21%)
SCRIPPS INT:	SNI	66.04	7.77%	19.62%
STARZ:	STRZA	31.18	1.55%	(6.94%)
TIME WARNER:	TWX	89.49	12.50%	38.38%
VIACOM:	VIA	42.15	4.49%	(4.18%)
WWE:	WWE	19.78	(0.8%)	10.87%

**TECHNOLOGY**

ADDVANTAGE:	AEY	1.89	7.39%	4.42%
AMDOCS:	DOX	59.00	(0.46%)	8.12%
AMPHENOL:	APH	65.99	3.82%	26.35%
APPLE:	AAPL	116.52	(0.97%)	10.70%
ARRIS GROUP:	ARRS	29.26	2.24%	(4.29%)
AVID TECH:	AVID	7.19	0.00%	(1.37%)
BLNDER TONGUE:	BDR	0.56	(5.08%)	40.00%
CISCO:	CSCO	30.16	(0.08%)	11.03%
COMMSCOPE:	COMM	31.92	2.55%	23.27%
CONCURRENT:	CCUR	5.97	1.70%	20.61%
CONVERGYS:	CVG	29.69	0.34%	19.28%
CSG SYSTEMS:	CSGS	38.63	(2.82%)	7.37%
ECHOSTAR:	SATS	46.65	1.87%	19.27%
GOOGLE:	GOOG	799.37	2.68%	5.34%
HARMONIC:	HLIT	5.43	1.97%	33.29%
INTEL:	INTC	35.18	(6.07%)	2.10%
INTERACTIVE CORP:	IAC	66.19	7.45%	10.22%
LEVEL 3:	LVLT	47.17	2.21%	(13.23%)
MICROSOFT:	MSFT	59.77	4.09%	7.73%
NETFLIX:	NFLX	127.61	25.77%	11.56%
NIELSEN:	NLSN	54.64	2.06%	17.24%
SEACHANGE:	SEAC	2.70	1.12%	(59.94%)

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
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SONY:	SNE	32.12	(2.34%)	30.52%
SPRINT NEXTEL:	S	6.56	(6.69%)	81.22%
SYNACOR:	SYNC	2.95	5.36%	68.57%
UNIVERSAL ELEC:	UEIC	69.60	0.03%	35.54%
VONAGE:	VG	6.24	0.65%	8.71%
YAHOO:	YHOO	42.19	1.81%	26.85%

**TELCOS**

AT&T:	T	37.47	(4.46%)	8.89%
CENTURYLINK:	CTL	28.22	3.22%	12.16%
FRONTIER :	FTR	4.07	3.17%	(12.96%)
TDS:	TDS	26.55	(0.75%)	2.55%
VERIZON:	VZ	48.18	(4.18%)	4.24%

**MARKET INDICES**

DOW:	DJI	18145.71	0.04%	4.14%
NASDAQ:	IXIC	5257.40	0.83%	4.99%
S&P 500:	GSPC	2141.16	0.38%	4.76%

## WINNERS &amp; LOSERS

## THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. NETFLIX:	127.61	25.77%
2. TIME WARNER:	89.49	12.50%
3. SCRIPPS INT:	66.04	7.77%
4. INTERACTIVE CORP:	66.19	7.45%
5. ADDVANTAGE:	1.89	7.39%

## THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. SPRINT NEXTEL:	6.56	(6.69%)
2. INTEL:	35.18	(6.07%)
3. BLNDR TONGUE:	0.56	(5.08%)
4. AT&T:	37.47	(4.46%)
5. VERIZON:	48.18	(4.18%)



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