

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 **DirectTV** 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 DirectTV, AT&T has stepped up its streaming game, with 3 streaming services enabled by DirectTV's platform launching in 4Q—DirectTV Now, DirectTV Mobile and DirectTV Pre-



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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 Commisso*, who was inducted into **Columbia Univ**’s 2016 **Athletics Hall of Fame** Thurs evening. *Commisso* 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. Commisso 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
BROADCASTERS/DBS/MMDS				
DISH:	DISH	57.38	0.72%	0.35%
ENTRAVISION:	EVC	6.89	(2.75%)	(10.7%)
GRAY TELEVISION:	GTN	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%)

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
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%)

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
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 TELEVISIA:	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%

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
ADVANTAGE:	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:	LVLTL	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
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%

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
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%

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
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 & 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. ADVANTAGE:	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. BLNDER TONGUE:	0.56	(5.08%)
4. AT&T:	37.47	(4.46%)
5. VERIZON:	48.18	(4.18%)



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