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What the Industry Reads First

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New World: AT&T-Time Warner Signals Convergence is Here, Won't Be Ignored

Interesting days ahead... The leading presidential candidates have expressed skepticism about the deal. The current FCC has launched an NPRM to increase diversity in programming aimed at helping independent networks. Analysts are raising serious doubts. Yet here comes **AT&T** with an \$86bln plan to acquire **Time Warner** and its host of top tier programming and sports content. "Only AT&T will have the world's best premium content with the networks to deliver it to every screen. Think about being able to watch every movie or every episode of every season for all the content Time Warner owns—and do that on any device, anytime, anywhere," AT&T chief *Randall Stephenson* said in a memo to employees about the deal. But even if the deal doesn't get done—there's a \$500mln breakup fee payable to Time Warner if the deal is blocked (TWX would pay \$1.7bln if it finds another suitor)—it opens up the conversation about the convergence of content and distribution in a world where the consumer expects everything on demand now. **Macquarie Securities** expects the pending acquisition to force everyone to step up their M&A game: **Verizon** may look to acquire other assets beyond **AOL** and **Yahoo**, while **Comcast** and **Charter** could look to a wireless strategy "more imminently." "This could position **T-Mobile**, **Sprint** and **DISH** as attractive takeouts," they said. "In some ways, it's expected," **Discovery** chief *David Zaslav* said of the deal on **Fox Business** Mon. He described how it's already happening in Latin America and Europe. There, cable operators began offering a "very compelling" quad-play, but it quickly became a dumb pipe. "Distributors are buying content in order to decommoditize that pipe that they've spent billions and billions on." He pointed to **BT** and **Sky** ponying up big bucks for sports rights. "There's a bit of a race now for the infrastructure players to try and figure out one, how do the cable guys have wireless and multichannel and how do the wireless guys have cable and multichannel. And the second piece is they're going to need content to make their offerings special and unique," Zaslav said. For him, it just reinforces the notion that content is going to be "the ultimate winner here." That's why Discovery's been pushing to own more content in sports, kids, short-form and other "super fan" categories. "We've given up a lot of profits and free cash flow to invest in these new initiatives so we're ready for where the world is going, but also because it's important for us to be a long-term player." **UBS** also sees this as a nice vote of confidence for content. "While we do not see this as **Microsoft** investing in Comcast moment circa 1997, we see media stocks rallying further; this announcement clearly suggests content is undervalued, even if only relative to



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financial engineering value for a major telco,” the analysts said. As we ponder what’s next, you have to hope Stephenson has sent *Brian Roberts* a thank-you note. Not only did Comcast help make the argument for this transaction with its acquisition of **NBCU**, but regulators and opponents were so focused on Comcast-Time Warner Cable that AT&T’s purchase of **DirectTV** didn’t seem to have quite as much heat on it as it could have. Of course, as the headlines and the stock prices told us Mon, TWX ownership is far from a sure thing. Being on the wrong end of the regulatory stick is familiar ground for the telco. In 2011, AT&T abandoned its proposed T-Mobile purchase because **DOJ** blocked the transaction. T-Mobile USA CEO *John Legere* commented on the Time Warner deal on **CNBC** Mon. “What they’re doing right now is a vertical integration, it’s an attempt to enter businesses and have adjacent revenue streams... What people shouldn’t think they’re going to be able to do, or would do, is hold content hostage, so only their users could view certain content. That would be the death of their overall business.” Citing AT&T’s earnings results, he said AT&T is “bleeding” and as a result, needs to find new revenue streams. **MoffettNathanson’s** *Craig Moffett* agreed. “AT&T’s third quarter results make clear why AT&T had to do something. Anything,” he wrote in a research note. The telco’s decision to return to M&A so quickly after DirecTV acquisition suggests “things may be deteriorating faster than they had expected.”

Regulatory Questions: *Craig Moffett* puts the odds of **AT&T** getting **Time Warner** at 50-50. Other analysts are trying to figure out who would review the deal, with **UBS** believing **DOJ** will likely be the only regulatory body to weigh in. They also anticipate “intense anti-trust scrutiny,” with concessions likely to be worse than both **Comcast-NBCU** and **Charter-Time Warner Cable** mergers. **NewStreet Research** analysts believe regulatory approval is still possible, “but it not without significant risks and will likely face major conditions.” On the Hill, lawmakers are already taking sides. Sen *Bernie Sanders* (D-VT) said the administration should kill the merger. “This deal would mean higher prices and fewer choices for the American people,” he tweeted Sun. Senators *Mike Lee* (R-UT) and *Amy Klobuchar* (D-MN) issued a joint statement declaring the combo could “potentially raise significant antitrust issues.” The pair are the chmn and ranking member of the **Senate Judiciary Subcmte on Antitrust**, which is already planning a hearing on the deal in Nov.

Time Warner Confusion: One good thing that could come out of **AT&T-Time Warner**, if approved, is that maybe we could sever all ties to the Time Warner name for good. The programmer is constantly confused with **Time Warner Cable**, now owned by **Charter**. The problem’s so rampant that AT&T issued a statement on confusion between the 2: “Time Warner Inc. should not be confused with Time Warner Cable, which is a distinct, independent company owned by Charter Communications. In 2008, Time Warner and Time Warner Cable announced a complete legal and structural separation of the companies. That separation was completed in 2009, and the companies have been completely separate and independent entities ever since.” Charter is in the process of rebranding the TWC systems under the Spectrum brand.

AT&T Earnings: Almost eclipsed in all the **TWX** drama is that **AT&T** moved up its 3Q earnings release. When you factor in the 323K sub gain for DirecTV with the 326K sub loss for U-verse, AT&T ended the quarter with a loss of 3K residential video and broadband subs. A large chunk of those DirecTV gains were for customers transitioning from U-verse. On the wireless side, it lost 268K customers with total wireless rev falling 0.7% to \$18.2bln. **UBS** analysts said the results highlight fewer growth opportunities in wireless. Total revenue of \$40.89bln missed the Street’s \$41.15bln consensus.

MTV Chief: *Chris McCarthy* has impressed the **Viacom** brass with his accomplishments at **VH1** and **Logo**. Just four months after he was promoted from VH1 gm to pres, VH1 and Logo, Viacom has added oversight of MTV to his role. The change-up means that *Sean Atkins* is stepping down as pres, MTV, a post he stepped into in Oct 2015 after *Stephen Friedman* exited the role. In a memo, Atkins said it wasn’t an easy decision and that he’s proud of what the team has accomplished—including the growth of the net’s **Snapchat Discovery** channel and upcoming projects like “Sweet/Vicious” and “Stranded with a Million Bucks.” He’ll be consulting on the transition through Jan. McCarthy reports to **Viacom Music and Ent Group** pres *Doug Herzog*. McCarthy’s accomplishments include a ratings streak at VH1 (“Love and Hip Hop: Atlanta” is the #1 unscripted series on cable and VH1 houses 3 of the 5 top unscripted cable series) and Logo’s been getting increasing attention, with “RuPaul’s Drag Race” landing an Emmy (and record-breaking ratings for the net).

Viacom Labs: **Viacom Labs** launched a new TV format that features livestreams from fans as a curated real-time feed running on-air during a regularly scheduled TV show. The Labs’ partner **MTV Australia** will be the 1st to produce and launch on original series based on the test. It’s set to air on Australia’s 24-hour linear music channel, **MTV Music**, in 2017.

BUSINESS & FINANCE

Nielsen Update: Nielsen will use its Portable People Meter (PPM) technology to measure out-of-home viewing for national TV clients, the company said. Customers are expected to get audience estimates that combine in-home viewing, based on Nielsen's National TV ratings panel, with out-of-home viewing based on PPM panels. The service will provide both program and commercial ratings (C3/C7) for live through live + 7 days of time-shifted viewing. Nielsen expects to launch the service in April, 2017 with data effective Jan, 2017. Data back to Sept 2016 will be added shortly after launch. Nielsen plans to provide individual day data for program and commercial audience estimates weekly. While the new offering will launch as a standalone service, Nielsen will incorporate out-of-home viewing directly into its currency national TV ratings in the future.

People: Oxygen Media named *Shannon Smith* vp, production and operations. She was evp, productions and ops at *TwoFour America*, where she oversaw production, finance and ops on multiple series featured on **History**, **Discovery**, **ABC**, **Lifetime** and more.

Obit: We're sad to report veteran **Showtime** marketing executive *Jamie Padnos* passed Oct. 20 after a long illness in CA. Jamie was the husband of cable PR professional *Sandi Padnos*, making them one of the industry earliest and longest cable couples. The family has yet to release details about donations.

Cablefax Daily Stockwatch

Company	10/24 Close	1-Day Ch	Company	10/24 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	58.56	1.16	INTEL:	35.26	0.11
ENTRAVISION:	6.88	(0.01)	INTERACTIVE CORP:	67.33	1.14
GRAY TELEVISION:	9.63	0.08	LEVEL 3:	47.38	0.24
MEDIA GENERAL:	17.46	0.06	MICROSOFT:	61.00	1.34
NEXSTAR:	52.00	0.02	NETFLIX:	127.33	(0.17)
SINCLAIR:	26.35	UNCH	NIELSEN:	54.93	0.33
TEGNA:	20.10	(0.02)	SEACHANGE:	2.76	0.06
MSOS					
CABLE ONE:	588.70	1.70	SONY:	32.14	0.03
CHARTER:	259.60	4.54	SPRINT NEXTEL:	6.93	0.38
COMCAST:	64.96	0.90	SYNACOR:	3.10	0.15
GCI:	15.27	0.25	UNIVERSAL ELEC:	68.90	(0.75)
LIBERTY BROADBAND:	66.51	0.67	VONAGE:	6.42	0.19
LIBERTY GLOBAL:	32.18	0.31	YAHOO:	42.59	0.42
SHAW COMM:	19.75	(0.02)	TELCOS		
SHENTEL:	26.30	0.30	AT&T:	36.86	(0.63)
PROGRAMMING					
21ST CENTURY FOX:	25.57	(0.26)	CENTURYLINK:	28.32	0.11
AMC NETWORKS:	50.50	(0.31)	FRONTIER:	4.10	0.03
CBS:	56.32	(1.34)	TDS:	26.85	0.30
DISCOVERY:	26.62	(0.02)	VERIZON:	48.19	(0.01)
DISNEY:	93.35	0.32	MARKET INDICES		
GRUPO TELEVISA:	25.65	(0.4)	DOW:	18223.03	77.32
HSN:	38.10	0.20	NASDAQ:	5309.83	52.43
LIONSGATE:	20.13	0.42	S&P 500:	2151.33	10.17
MSG NETWORKS:	19.25	(0.05)			
SCRIPPS INT:	66.10	0.11			
STARZ:	31.37	0.19			
TIME WARNER:	86.78	(2.7)			
VIACOM:	41.90	(0.15)			
WWE:	20.00	0.25			
TECHNOLOGY					
ADDVANTAGE:	1.86	(0.03)			
AMDOCS:	59.29	0.30			
AMPHENOL:	65.99	0.03			
APPLE:	117.63	1.03			
ARRIS GROUP:	29.72	0.51			
AVID TECH:	7.14	(0.04)			
BLNDER TONGUE:	0.53	(0.03)			
CISCO:	30.46	0.31			
COMMSCOPE:	31.98	0.07			
CONCURRENT:	5.97	0.04			
CONVERGYS:	29.89	0.20			
CSG SYSTEMS:	38.92	0.28			
ECHOSTAR:	46.73	0.11			
GOOGLE:	813.11	13.74			
HARMONIC:	5.40	(0.05)			



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CFX TECH by Joyce Wang

What Does Wi-Fi Certified WiGig Program Mean for Cable?

The Wi-Fi Alliance announced Wi-Fi Certified WiGig Mon, a new certification program aimed to enable high-speed connectivity for data-intensive users. Designed for products based on the 802.11ad standard, the program is expected to bring multi-vendor interoperability to expand WiGig devices, which operate in the 60 GHz spectrum. The band complements existing WiFi services operating in the 2.4 GHz and 5 GHz band. With multi-gigabit capability, the band allows for services such as wireless docking, augmented reality/virtual reality, simultaneous streaming of multiple Ultra HD/4K videos, gaming and networking applications. Cable operators will benefit from WiGig because “they can utilize 60 GHz to provide extremely high-performance, multi-gigabit connectivity with low latency to home users,” Wi-Fi Alliance pres/CEO *Edgar Figueroa* told us. Cable ops can also use WiGig as an alternative to fiber to provide a cost-effective, wireless solution to address the “last-mile” problem that exists in wireless deployments, he said. For example, MSOs, using WiGig technology, can provide “extremely high bandwidth between the utility pole and the home or the utility pole and neighborhood hotspots,” the exec said. With wider channels, devices can reach data rates of up to 8 Gbps, meaning users can download an HD movie in a few seconds. “This level of performance is critical to delivering a wired-grade experience for a variety of in-room and outdoor line-of-sight scenarios,” Wi-Fi Alliance said. It predicts that WiGig devices will range from smartphones, portable PCs, tablets, and access points, to home entertainment and consumer electronics devices. **ABI Research** forecasts 180m WiGig chipsets will ship to the smartphone market in 2017, with smartphone chipsets accounting for almost half of the 1.5 billion total market shipments in 2021. Since WiGig is expected to ship in volume this year, it is considered the only technology that will deliver on envisioned 5G millimeter wave use cases today, said *Edgar*. The millimeter wave spectrum (the band of spectrum

between 30 GHz and 300 GHz) is being considered by standard groups and the **FCC** as the way to offer 5G wireless technology, which can deliver multi-gigabit speeds. Apparently **Facebook** already has its eyes on WiGig. The company is currently using WiGig technology for its Terragraph initiative, which is focused on bringing high-speed Internet connectivity to dense urban areas. Terragraph’s wireless system consists of radios that are based on the WiGig standard and are designed for consumer electronics, which lets Facebook create nodes that are inexpensive relative to traditional telecom infrastructure, the company said. “Combined with Wi-Fi access points, Terragraph is one of the lowest cost solutions to achieve 100 percent street-level coverage of gigabit Wi-Fi,” Facebook said. In 2017, Wi-Fi Alliance is set to introduce new technologies to support indoor/outdoor location, as well as providing a better experience in managed networks for improved user experience in service provider networks, *Edgar* said.

Lantronix’s IoT Launch: Lantronix, which provides data security access and management for IoT services, launched its Lantronix SGX 5150 solution, an IoT device gateway designed to accelerate secure, wireless IoT deployments of unconnected serial, USB or Ethernet devices. Lantronix’s partners include companies like **Cisco** and **Broadcom**. Featuring multiple device connectivity interfaces, 802.11ac W-Fi, advanced device access and management capabilities, as well as enterprise grade TruPort Security, the platform can be used for various vertical markets, including healthcare, industrial automation, logistics, retail, environmental monitoring and transportation. It aims to allow operational technology and field support teams to perform diagnostics and ongoing maintenance of devices without interrupting connection or requiring special access to the network, Lantronix said.

Got tech news? Reach out to Cablefax Tech editor Joyce Wang at jwang@accessintel.com



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