4 Pages Today

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President Trump: Industry Considers What's Next

The pollsters had it wrong. So did **DISH**, whose customer viewership data had it predicting *Hillary Clinton* as America's next president. And now everyone is trying to forecast what happens next. Truthfully, the only thing certain is uncertainty. "That's going to be a negative for a while," DISH chief *Charlie Ergen* said during the company's earnings call Wed. Adding to the murkiness is that *Donald Trump* hasn't been very specific on his policy on telecom and media during his campaign. Nonpartisan think tank **Information Technology & Information Foundation** has put together a primer on Trump's positions based on campaign websites, policy docs and media accounts of statements he made. Bottom line: Trump largely focused on issues other than tech and innovation during the campaign. Some theorize that his victory could rejuvenate efforts to bridge the digital divide in rural America. The plus side for a Trump administration and GOP leadership in Congress, according to Ergen, is bipartisan support for broadband infrastructure and "rational tax policy." Those are "potentially big positives for businesses in general," Ergen said. If a Trump admin lowers taxes, it's the full cash taxpayers who will most benefit, **Evercore Research** analysts said. "We'd note particular benefit to **Comcast** from a reduction in corporate tax rates. For companies like **Charter** with large tax shields, a reduction in corporate tax rates would reduce the value of their tax shields, but also reduce the value of their long-term taxes, reaching an offset," said an Evercore research note. Along those lines, the major MVPDs saw their stock prices close up Wed. Charter led at 2.89%, followed by DISH (2.21%), Comcast (1.49%), **AT&T** (1.22%) and **Verizon** (0.44%) as the market as a whole was buoyed (following that drastic Dow futures plunge Tues night). The Dow closed up 256 points, just 46 points short of its all-time high. The S&P 500 was up 1.1% higher at day's end. What about the **FCC**? Folks we spoke with Wed were divided over whether FCC chmn *Tom Wheeler* would give up on his set-top plan or try to push it through while Dems have the majority on the Commission. Democrat *Jessica Rosenworcel* still hasn't been re-confirmed by the Senate. If that doesn't happen, she'll have to leave at year-end. Trump will presumably tap a Republican to lead the Commission, with current commish *Ajit Pai* seen as a possible candidate—though he may look outside the Commission for a leader. As for net neutrality, everyone continues to wait for en banc review. Any attempts to overhaul it would be more likely to come from Congress than the FCC, but Evercore notes that a GOP Commission may mean "at least little enforcement of net neutrality provisions." Net

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neutrality advocate **Free Press** wasted no time, declaring it would defend the victories it's fought hard to achieve and fight for Internet freedom. **Time Warner** shares ticked down 1.45% Wed, possibly in reaction to Trump's victory. Republicans are generally seen as more favorable to M&A, but Trump has publicly blasted AT&T's acquisition of TWX. "Our Time Warner transaction is all about innovation, economic development, consumer choice and investment in infrastructure with regard to providing a great 5G mobile broadband experience," AT&T CFO *John Stephens* said at an investor conference Wed, adding that AT&T looks forward to working with Trump and his transition team. "His policies, his discussion about infrastructure investment, economic development and American innovation all fit right in with AT&T's goals." Lobbying groups offered Trump their congratulations Wed. "As the transition to a new administration gets underway, we look forward to participating in a constructive and robust discussion about policies that will continue to make America a global technology and entertainment leader," **NCTA** said. **ACA** said it has a tradition of working with lawmakers irrespective of party and "looks forward to working with the newly elected and re-elected lawmakers on the vital communications issues facing ACA's members and customers in our unique communities." Even some of Trump's most vocal opponents were turning the page the day after the election. "We all need to give President-Elect Trump a chance. Support the good. Lobby against what we disagree on. No one is bigger than us all," tweeted **AXS TV** founder/Dallas Mavericks owner *Mark Cuban*.

Cable News/Internet Wins Election Night: **Fox News** was the most-watched cable network for Election night as a whole, averaging 12.7mln total viewers from 8pm until 3am, when *Donald Trump* was declared the winner. That makes it Fox's highest-rated election night ever. **CNN** came in 2nd with 11.5mln viewers, followed by **MSNBC's** 5.29mln. If you consider only primetime (8-11pm)—for those people who either went to bed or gave up on a Clinton victory—CNN was the victor with 13.26mln viewers vs Fox News' 12.1mln (MSNBC had 5.95mln). CNN also beat out the broadcast nets (as did Fox) during prime, with **NBC** delivering 11.2mln, followed by 9.2mln at **ABC**. CNN's 13.256mln in prime is a record for cable. Fox News was the most-watched cable net for the 2-3am hour in which the race was called and Trump gave his speech, averaging 9.8mln viewers to CNN's 6.5mln. The Internet, whether social media platforms or news websites, also recorded strong numbers. **Akamai Technologies** said media coverage of Tues night's Presidential Election was the largest single news event the company has helped its customers deliver. Live video streaming traffic specific to the election peaked at 7.5 Tbps on the Akamai platform shortly before midnight ET, making it among the highest video traffic peaks for any individual event delivered by Akamai. Election Day traffic on Akamai in 2004 peaked at a relatively modest 21 Gbps. The 2009 Obama inauguration reached 1.1 Tbps and the Royal Wedding in 2011 hit 1.3 Tbps. More recently, the first 2016 Presidential debate peaked at 4.4 Tbps in Sept.

DISH 3Q: **AT&T**'s proposed **Time Warner** purchase could be a treat to **DISH**, chmn/CEO *Charlie Ergen* said during the company's 3Q earnings conference call Wed. "To be successful, you need wireless spectrum, you need scale with video and you need a network" and AT&T has that, which makes it a threat, Ergen said. While DISH has wireless spectrum, scale and video, it doesn't have a network, Ergen said. "You can imagine all the interesting things that are going to happen once this current (spectrum) auction is over. If someone is in position to put all the pieces together, it puts people on the sideline in position to do something. You can remain on the sideline, but that would be malpractice," he said. Is DISH interested in M&A activities? Ergen said "We don't know the answer to that." Being a mid-size communications business, "we don't get to make all the decisions. Somebody might do something that opens up an opportunity for us... **AT&T-Time Warner** might be the change element. It might be a catalyst for change, so we'll see," said Ergen. Meanwhile, Ergen is bullish on OTT offerings like **Sling TV**. OTT services in general has the potential to be bigger than the traditional video services, he said. The advantage of OTT is "it's an app...You don't have to wait for your installers...You can watch on any devices...Advertising can be more meaningful...You can store everything in the cloud so you don't need a DVR," he said. And overall, OTT offers a simpler user experience vs. traditional video, he said. However, the OTT ecosystem is fragmented with different content bundles, pricing and technology, according to Ergen. While such offerings are good for consumers, churn rate is likely to be volatile, especially for offerings without sports programming during sports seasons, Ergen said. That said, he predicts the momentum in the OTT business will continue to grow. Financially, DISH posted total revenues of $3.75bln for the quarter vs $3.73bln a year ago. Net income reached $307mln, compared with $196mln from the year-ago quarter. DISH includes all of its Sling TV subs in the company's total pay-TV metrics. The company added 736K gross new video subs compared to 751K from a year ago. Net video subs declined 116K in the quarter, compared to a

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loss of 23K a year ago. The company closed the quarter with 13.64mln pay-TV subs, compared to 13.10mln subs at the end of 3Q, 2015. Pay-TV ARPU totaled $89.44, compared to $86.33 a year ago. The video churn rate was 2.11% vs. 1.86% last year. DISH lost 20K net broadband subs, bringing its broadband sub base to 593K.

Viacom 3Q: *Bob Bakish,* pres/CEO of **Viacom Global Entertainment Group** and soon-to-be pres/CEO of **Viacom**, isn't considering a potential marriage with **CBS**. During Viacom's 3Q earnings conference call Wed, Bakish said "I have been chartered by the Board to focus on running Viacom as an independent Company. That is very much my mandate and what they have asked me to do." That said, interim pres/CEO *Tom Dooley* noted the special committee of Viacom's board is continuing to work with its financial and legal advisors to explore the merits of a combination with CBS and "that Viacom will continue to operate for the long term with the strategy of driving growth, building our core businesses and positioning the company for success in the years ahead." Revenue declined 15% YOY to $3.23bln as media nets revenue declined 11% to $2.48bln. Domestic and worldwide affiliate revenue decreased 19% and 16%, respectively, reflecting higher revenue from SVOD arrangements in the prior year quarter. Quarterly operating income was $332mln, reflecting executive severance restructuring costs.

Cablefax Daily Stockwatch

Company	10/09 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DISH:	57.93	1.25
ENTRAVISION:	6.05	0.15
GRAY TELEVISION:	8.10	0.75
MEDIA GENERAL:	17.23	0.29
NEXSTAR:	51.00	1.50
SINCLAIR:	26.80	0.60
TEGNA:	19.26	0.49
MSOS		
CABLE ONE:	580.94	(5.92)
CHARTER:	269.83	7.57
COMCAST:	63.45	0.93
GCI:	16.42	0.62
LIBERTY BROADBAND:	68.16	1.92
LIBERTY GLOBAL:	33.15	0.01
SHAW COMM:	19.93	(0.29)
SHENTEL:	24.95	0.50
PROGRAMMING		
21ST CENTURY FOX:	27.46	0.37
AMC NETWORKS:	52.13	(0.24)
CBS:	57.42	(0.31)
DISCOVERY:	25.90	0.05
DISNEY:	94.64	0.26
GRUPO TELEVISA:	23.49	(2.01)
HSN:	36.65	2.95
LIONSGATE:	22.73	(0.12)
MSG NETWORKS:	19.25	0.25
SCRIPPS INT:	65.50	0.30
STARZ:	33.28	(0.13)
TIME WARNER:	86.60	(1.27)
VIACOM:	42.35	0.65
WWE:	17.75	0.74
TECHNOLOGY		
ADDVANTAGE:	1.80	0.01
AMDOCS:	56.73	(1.62)
AMPHENOL:	67.35	0.54
APPLE:	110.88	(0.18)
ARRIS GROUP:	27.73	0.72
AVID TECH:	6.32	0.27
BLNDER TONGUE:	0.55	(0.02)
CISCO:	31.36	0.36
COMMSCOPE:	33.66	(0.22)
CONCURRENT:	5.87	(0.08)
CONVERGYS:	25.98	(2.4)
CSG SYSTEMS:	40.88	0.95
ECHOSTAR:	48.21	1.38
GOOGLE:	785.31	(5.2)
HARMONIC:	5.35	0.40
INTEL:	34.75	0.01
INTERACTIVE CORP:	65.42	(0.22)
LEVEL 3:	54.59	0.95
MICROSOFT:	60.17	(0.3)
NETFLIX:	122.19	(2.15)
NIELSEN:	45.13	0.48
SEACHANGE:	2.48	0.08
SONY:	30.21	(0.44)
SPRINT NEXTEL:	7.11	0.84
SYNACOR:	2.80	0.05
UNIVERSAL ELEC:	66.20	2.10
VONAGE:	6.57	0.21
YAHOO:	41.21	0.05
TELCOS		
AT&T:	37.44	0.45
CENTURYLINK:	24.29	0.13
FRONTIER :	3.21	(0.03)
TDS:	25.97	0.25
VERIZON:	47.86	0.21
MARKET INDICES		
DOW:	18589.69	256.95
NASDAQ:	5251.07	57.58
S&P 500:	2163.26	23.70

Think about that for a minute...

Something to be Desired

Commentary by Steve Effros

In the early days of the regulatory war over the development of cable television, a "major" issue was channel numbers. Broadcasters feared that the cable guys would put the broadcast channels up at the "high" numbers, instead of the favored channel designations they had long inhabited (usually 2, 4, 5, 7, 9).

The solution, as usual, was to require carriage of broadcast stations on their designated number, or negotiate some acceptable number if the original number was not available due to technical reasons. This started happening a lot, particularly when cable started distributing digitally, and was also required to distribute the original analog signal as well. Clearly they both couldn't be on the same number. But it was the logic behind the rule that always amused me. The premise was that viewers "knew" where to find NBC, ABC, CBS or Fox, and it would be unfair and confusing if 2, 4, 7 or 9 weren't reserved for them.

This theory, however, totally ignored the fact that the broadcast networks would periodically find good economic reasons to change affiliates, with associated changes in channel locations, and that didn't seem to faze anyone regarding the "unfairness" assigned to the viewers! So if there was a network affiliation change, with the channel being switched, that was OK, but if the cable operator assigned different numbers but then left them static and consistent, which would have been much more accommodating to viewers, who were, of course, looking for the network, not the channel, then it was no good.

All of this becomes moot in the era of streaming and binge viewing. It still annoys me when I see those "bugs" at the bottom of just about every screen announcing which channel you are watching, and at the same time either attempting to grab your attention away from the program you are trying to focus on, or defacing a program (like the Alvin Ailey dance documentary on PBS the other night) by essentially blocking an important part of the screen. It's been pointed out to me repeatedly when I raise that issue that the marketers need that reminder to viewers of where they are watching, otherwise the ratings for that program or channel will be lower because the viewers won't know.

All of that, in turn, is based on the economic model of selling ads, in most cases, for the programming and having to show advertisers that folks are, indeed, watching the given channel. But now another anomaly is showing up: the "binge" channels, Netflix, Amazon and the like, are refusing to divulge the viewership of the various programs they distribute. Why? Because for economic reasons, they don't care. They are not selling ads, they are selling subscriptions only (at least for now) and therefore it behooves them to withhold that data because if we knew which programs were really the "blockbusters" the creators of those programs would be able to negotiate for more money. Netflix, et. al., certainly don't want that!

So the next time you hear an argument about channel or program purveyors urging government mandates to display them in particular ways, remember this: in most cases those are pure and simple economic arguments and have nothing to do with being considerate of creators or viewers. Now there's nothing particularly wrong with that, so long as everyone understands what's really going on. But listening to regulators and politicians proclaim that they are protecting consumers when they are really promoting various business models leaves something to be desired.

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.)