

# Cablefax Daily™

Tuesday — December 6, 2016

What the Industry Reads First

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## Mid-sized & Happy: Cable One Keeps on with HSD, Ramps Up Enterprise

It's been proven that you don't need to get bigger on the distribution side to stay in the cable business, **Cable One** CEO *Tom Might* said at a **UBS** investor conference Mon. That might go contrary to the M&A winds of change, but he said the numbers bear him out. "You don't need economies of scale to compete in this business," he said, pointing to how Cable One, **Mediacom** and **Suddenlink** as having opex plus capex per PSU as low as **Comcast** (about \$49). That doesn't mean M&A isn't on Cable One's mind—at least the "A" part. With about \$125mln cash on hand, Cable One CFO *Kevin Coyle* said the company is actively looking at opportunities, whether they be in the cable business or in the fiber business and related to cable. "We want to make sure that if we make an acquisition, it's accretive for all shareholders. We're not just in this to get bigger for the sake of getting bigger, but obviously we have a lot of buyer power," he said. Mon's presentation was a deeper dive in the operator's decision in 2012 to virtually walk away from a video-based triple play strategy. Shares of Cable One have fallen as low as \$365 after its spinoff from **Graham Holdings** in July 2015 to more than \$600 just last week. With video seen as a losing proposition (Might figures Cable One was selling a triple play in 2011 for \$75 while total cost for the three PSUs was \$120), the company has flipped the script. Year to date, 92% of all new residential customers took HSD, while only 26% took video. "We're not bottom fishing for \$19.95 a month Internet customers. We're looking for those who need a good product and are willing to pay a decent ARPU," Might said, noting that the company put **Netflix** on Channel 1 years ago when it launched **TiVo**. "We're big proponents of OTT because we realize the broadband pipe is where we make most of our money." Cable One took a \$5/month price increase on HSD in Oct 2015, going from \$50 for 50mbps to \$55 for 100mbps downstream. There hasn't been an increase this year. As for the speed increase, it was done with DOCSIS 3.0, and Cable One is wrapping up its 4-year-long all-digital rollout this year. That leaves it with a lot of empty channel capacity and some breathing room, even given its HSD product focus. "We're going to sit and wait to decide what the next version is," Might said. "We can sit and wait for a number of years we believe whether it's 3.1, fiber to the home or some sort of hybrid in between fiber overlay. We're watching all 3 opportunities." Something to keep an eye on is Cable One's business services opportunity. The division just surpassed \$100mln in revenue a few months ago. "It's been growing about a million a month, year after year," with about 90% of that in small-to-medium business, Might said.



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## CONGRATULATIONS

- Miles Aghajanian, *Destination America, American Heroes Channel*
- Michael Baireuther, *The Agency, Discovery Communications*
- Michael Benjamin, *TV One*
- Christian Blauvelt, *BBC Worldwide North America*
- Rachel Brenner, *Investigation Discovery*
- Jasmine Clennon, *Turner Broadcasting Systems*
- Briana Currier, *TiVo*
- Christina Douglas, *Investigation Discovery*
- Nichole Earl, *Manager, Sony Pictures*
- Lauren Elias, *Viacom Velocity*
- Julie Feinerman, *EPIX*
- Charlotte Fletcher, *Investigation Discovery & Destination America*
- Gaige Flint, *Comcast*
- Isaac Holub, *Lucky 8 TV*
- Brittany Kayton, *Discovery Communications*
- Yong Kim, *NBC Entertainment & Universal Television*
- Eric Kuhn, *Layer3 TV*
- Jessica Lee, *Discovery Communications*
- Samantha Lee, *SundanceTV*
- Marshall Lipman, *Jewelry Television*
- Ben Litvinas, *Comcast*
- Michelle Lochmus, *Crown Media Family Networks*
- Adam Lynch, *Viamedia*
- Elias Lyons, *Investigation Discovery*
- Whitney Marshall, *TV One*
- Danielle Matlin, *TLC*
- Matthew McConnell, *Food Network & Cooking Channel*
- Nicole McIntyre, *Showtime Networks Inc.*
- Andrew Mearns, *SNL Kagan*
- Neeve Nikoo, *Cisco*
- Brian O'Toole, *Viacom*
- Danielle Phillips, *Comcast Spotlight*
- Monica Revare, *Layer3 TV*
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- Jaunice Sills, *REVOLT Media & TV*
- Evan Smith, *Comcast*
- Luke Snyder, *Discovery Communications*
- Regina Sommese, *Discovery Communications*
- Katya Troyky, *Viamedia*
- Danielle Wager, *A+E Networks*
- Monica Walsh, *Discovery Communications*
- Kate Warburton, *CMT*
- Tyler Zlotnick, *BBC America*

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Enterprise is the next big frontier, with the company hiring a staff and building the product over the last year and a half.

**FCC Auction:** Stage 3 of the FCC's spectrum auction ended Mon after only 1 round with net proceeds of \$19.1 bln. That's down from the \$20.8 bln net proceeds in Stage 2. What does this mean? **Wells Fargo** analysts said it means the auction is not going as well as the Commission had planned. "We do not think it is because spectrum in general has lost its value—we think it's because the timing of this particular auction was ill-planned," they said. According to the analysts, the auction occurred too soon after the AWS-3 auction as well as too soon after **AT&T's** purchase of **DirectTV**. **NAB** didn't let the milestone go without comment. "The results of the latest round of the TV auction leave us scratching our heads, given the decade-long refrain of a spectrum crunch. We look forward to the next round," pres/CEO *Gordon Smith* said in a statement. The FCC is expected to release information about Stage 4 of the auction on Fri. Regulatory changes might play a part. "We wonder if the whole regulatory landscape might change the broadcasters' desire to even 'sell' their spectrum. Meaning, if there is a good chance that the cap will be lifted and the Local Ownership Rules eliminated, some of these broadcasters might want to keep their valuable spectrum for deals, as well as ATSC 3.0," the analysts said.

**Netflix's Fare:** **Netflix** is pushing ahead with its goal of 1000 annual hours of original content next year, with plans to offer about 20 unscripted series. That's a pretty crowded space, so look for **Netflix** to take a "slightly more elevated" approach and a more global scale to the genre, chief content officer *Ted Sarandos* said during the **UBS** investor conference Mon. He pointed to the previously announced "Ultimate Beastmaster," a global competition series featuring 108 competitors from 18 countries running an epic obstacle course. Sarandos again batted down the notion that **Netflix** would be interested in bidding for league sports. "To the extent that liveness is the selling point, we're really not a great solution," he said, adding that "league creation" could be interesting. He dodged an acquisition question, noting that part of **Netflix's** success is that it can concentrate on being really good at building a great SVOD service without distractions from different businesses. And Sarandos made it clear that **Netflix** doesn't have to produce only content it can own, offering up the recent "Gilmore Girls" revival as evidence. **Warner Bros** owns the IP, which is why he thinks no one else did it. Still no numbers on viewership, but the exec said the *Gilmore Girls* is doing well and has been especially popular globally.

**Denson Leaving Viacom:** Longtime **Viacom** distribution chief *Denise Denson* is stepping down, with *Tom Gorke* advancing to evp, content distribution. "We thank Denise Denson for her many years of service and her extraordinary dedication to Viacom, and wish her all the best," acting CEO *Bob Bakish* said in a statement. "Tom has a track record of creative, successful dealmaking, including several major first-of-their-kind digital distribution agreements that helped launch groundbreaking streaming platforms for new entrants as well as existing MVPDs. He is a thoughtful executive who will be fully empowered to design new and innovative strategies to work with our important distribution partners." Gorke most recently served as evp, sales and business development for content distribution at **Viacom Media Networks** and **BET Networks**.

**More from UBS:** **Discovery Comm** will step up its direct-to-consumer effort next year, pres/CEO *David Zaslav* said at the **UBS** Global Media and Communications Conference Mon. Discovery will "try to disrupt ourselves" by offering content directly to consumers, the exec said, as "we need to reach consumers ourselves." He noted the company has already launched what he called a "sports **Netflix**" in EU with **Eurosport**. The service offers live sports programming for \$8 a month. Zaslav cited services like the recently launched **DirectTV Now** streaming offering as big opportunities because they draw consumers who consider traditional TV packages as too pricey. Is the company considering any M&A moves? Not really. At least not in the near term. Zaslav said the company "got through our [carriage] deals effectively," meaning it has enough scale. Looking at its 2017 priorities, he said Discovery will "tighten its niches" because what matters isn't "scale of viewers" but "how voracious viewers are" for content. An example is the company's crime network **ID**. While viewers can get similar content from other nets, they know they can always count on **ID** for crime programming any time, he said, citing the proposed **AT&T-Time Warner** merger as an example that highlights the value of content. -- **Viacom** acting pres/CEO *Bob Bakish* is bullish on the virtual MVPD business model, saying it "will end up being an important part of the equation." "There is a high probability that it will be successful" given that **DirectTV Now** has a good content lineup, Bakish said. **DirectTV Now** carries 11 **Viacom** networks. Earlier at the conference, **CBS** chief *Les Moonves* said he assumes his company will get a deal done with **DirectTV Now**. **Viacom** nets are also on **DISH's Sling TV**. However, last month, **Sony** dropped **Viacom** nets from its **PlayStation Vue** lineup. "We are in conversations with them [Sony]," Bakish said, without

# BUSINESS & FINANCE

commenting further. Meanwhile, Bakish vowed to make Viacom “a stronger company” and said working on changing the company culture is part of that. Calling the recent executive changes at MTV “the right move,” Bakish said MTV’s new head *Chris McCarthy* (he replaced *Sean Atkins*) has brought new life to **VH1** and has been successful at **Logo**. While Viacom and **CBS** have special committees currently reviewing a potential marriage, “my mandate for the board is to drive Viacom growth as a strong independent company,” Bakish said.

**FCC & IoT:** Sen *Mark Warner* (D-VA) is hoping that the Trump administration builds on the **FCC’s** IoT plan. Warner, co-founder of the bipartisan Senate Cybersecurity Caucus and incoming vice chair of the Senate Intelligence cmte, had sent the FCC a letter back in Oct raising concerns about the proliferation of IoT devices and their vulnerability. FCC chmn *Tom Wheeler* on Fri outlined a program that includes collaborative efforts with Internet stakeholder groups and consideration of regulatory solutions, including issuing an NOI to develop a record on IoT risk. Wheeler’s outline also includes issuing an NPRM on regulatory measures the FCC could take, such as changes to its equipment certification process and a possible cybersecurity certification and consumer labeling requirement. Certification, in particular, deserves strong consideration,” Warner said.

## Cablefax Daily Stockwatch

Company	12/05 Close	1-Day Ch	Company	12/05 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DISH:	56.66	1.11	INTEL:	34.39	0.23
ENTRAVISION:	6.80	0.15	INTERACTIVE CORP:	66.38	0.83
GRAY TELEVISION:	10.20	0.10	LEVEL 3:	56.10	0.28
MEDIA GENERAL:	18.34	0.02	MICROSOFT:	60.21	0.96
NEXSTAR:	59.45	0.25	NETFLIX:	119.19	(1.62)
SINCLAIR:	32.40	(0.15)	NIELSEN:	42.41	0.34
TEGNA:	22.41	0.10	SEACHANGE:	2.72	0.06
<b>MSOS</b>					
CABLE ONE:	610.74	(0.56)	SONY:	28.14	0.08
CHARTER:	270.93	4.26	SPRINT NEXTEL:	8.04	0.06
COMCAST:	68.68	(0.1)	SYNACOR:	3.15	0.15
GCI:	17.59	0.15	UNIVERSAL ELEC:	64.15	0.85
LIBERTY BROADBAND:	68.91	1.38	VONAGE:	6.90	0.33
LIBERTY GLOBAL:	29.55	(0.12)	YAHOO:	40.20	0.13
SHAW COMM:	19.60	(0.07)	<b>TELCOS</b>		
SHENTEL:	27.25	0.30	AT&T:	38.63	0.02
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	27.55	0.15	CENTURYLINK:	24.19	0.27
AMC NETWORKS:	53.69	0.59	FRONTIER :	3.42	(0.07)
CBS:	60.97	0.79	TDS:	28.08	0.44
DISCOVERY:	27.39	0.79	VERIZON:	49.76	(0.05)
DISNEY:	99.97	1.47	<b>MARKET INDICES</b>		
GRUPO TELEVISIA:	19.90	(0.11)	DOW:	19216.24	45.82
HSN:	36.10	(0.5)	NASDAQ:	5308.89	53.24
LIONSGATE:	23.27	0.55	S&P 500:	2204.71	12.76
MSG NETWORKS:	21.50	0.80			
SCRIPPS INT:	69.20	0.73			
STARZ:	33.69	0.32			
TIME WARNER:	93.35	(0.45)			
VIACOM:	40.50	0.15			
WWE:	18.93	0.74			
<b>TECHNOLOGY</b>					
ADVANTAGE:	1.71	(0.03)			
AMDOCS:	58.94	0.25			
AMPHENOL:	67.83	0.49			
APPLE:	109.10	(0.8)			
ARRIS GROUP:	28.68	0.62			
AVID TECH:	4.43	0.36			
BLNDER TONGUE:	0.50	0.01			
CISCO:	29.54	0.29			
COMMSCOPE:	36.06	0.27			
CONCURRENT:	5.46	0.09			
CONVERGYS:	25.24	0.84			
CSG SYSTEMS:	45.25	1.17			
EHOSTAR:	51.65	0.86			
GOOGLE:	762.52	12.02			
HARMONIC:	4.75	(0.1)			



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# CFX TECH by Joyce Wang

## Comcast Xfinity VP Michael Slovin Talks 2017 Trends

*It's been a busy year for cable, whether it's prepping the DOCSIS 3.1 rollout, adding more WiFi hotspots or expanding smart home services. We chatted with Michael Slovin, vp of field sales & operations, Comcast Xfinity Communities, about what might be in store in 2017.*

### What are some residential Internet trends in 2017?

We are moving from an “asset heavy” society to an “access heavy” one. Multifamily residents expect faster speeds and Wi-Fi throughout their properties. In fact, the 2015 NMHC Renter Preferences study supports this fact as a staggering 94% of renters surveyed stated that high-speed internet access/technology was a top amenity in their building. And more than half of individuals visiting potential condo and multifamily developments will test the mobile and internet connectivity. Moving forward, it's all going to be about gigabit speeds—fast Internet access delivered seamlessly. As such, operators are looking to DOCSIS 3.1 as well as expanding their fiber networks in cities to address this concern. Multifamily developments are getting on board with this trend as well by wiring their buildings with fiber-to-the-unit. We are a “mobile first” generation with over 50 percent of all mobile data traffic originating in the home. Therefore, partnering with providers who can support both wired and wireless solutions in the unit is paramount to competitive differentiation in the multifamily community.

### Any new Wi-Fi hotspot trends? What new features are cable operators bringing to hotspots?

There is rising demand for businesses to offer free Wi-Fi to customers. In the multifamily industry, not only is it imperative that buildings offer Wi-Fi in common areas, but hotspots on outside sidewalks are becoming more widespread. In the coming year, operators will need to build out these hotspots to create a seamless coverage service for their customers. And as more individuals use hotspots, operators will also have to make sure that there is enough secure

bandwidth to fit all service needs.

### Cable has been in the smart home market for a while. What's on the horizon for next year?

Smart devices and appliances are driving the demand for gigabit speeds and fiber connections in multifamily developments. Residents want to know that if they buy an automated coffee maker or security system that there will be enough bandwidth to handle it all. Home and building automation solutions will put greater demand on Internet networks—making this a more important part of every operator's offering. The number of connected devices has grown more than 10 times, from 300 million to over three billion in the past 15 years. However, there are a lot more devices that can be connected, but cannot due to the lack of coverage, power requirements and cost prohibitive technology. This is all changing in 2017. Imagine a connected building where locks, thermostats, parking spaces, water, trash and lighting were all controlled via a property dashboard. Property staff could see all units turning over and ensure doors locked, windows closed and turn down the heat and/or AC remotely. Comcast actually launched a new company called MachineQ to focus on this type of building automation space and is already working with owners to leverage the latest in sensor, network and software technologies to gather, transmit and create actionable intelligence from the physical world.

### How will fiber change how buildings are wired?

It's all about gigabit speeds—and there are two ways that multifamily developments can obtain that service for residents and for use in common areas. The first is that cable providers are adopting DOCSIS 3.1, which will allow existing buildings, or those that do not install fiber, to still provide the fastest connections. The second method is fiber-to-the-unit solutions, which offer residents the ability to utilize gigabit speed connections in their personal settings.

*Got tech news? Reach out to Cablefax Tech editor Joyce Wang at [jwang@accessintel.com](mailto:jwang@accessintel.com)*



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