

# Cablefax Daily™

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What the Industry Reads First

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## Under Stress: The Push and Pull World of Cable Programming

Cable nets aren't just feeling the stress of consumers migrating to non-traditional viewing. They're also getting pushback from producers feeling the sting of smaller budgets and shrinking margins. That dynamic was on full display this week at RealScreen Summit, a conference around unscripted programming for networks and producers. Can VOD services be the life raft for a linear network Titanic? That's the way *Brant Pinvidic*, CEO of production company **INvelop Entertainment**, put the question at the beginning of a panel featuring execs from VOD services. **CuriosityStream's Steve Burns** didn't mince words: no. "At this point, CuriosityStream is small," said Burns, evp of content production & acquisition. "We aren't going to be the lifeline that television should be for these great producers." *Justin Killion* of **Complex Networks**, a jv from **Hearst** and **Verizon**, had better news. He suggested Complex was playing in the cable budget space, paying in some cases in the range of **Scrapps Networks** or the lower end of **A+E Networks'** nonscripted budget. A study released during the conference from *Variety* and independent producer association **PactUS** found that about 75% of the dozens of producers surveyed anonymously reported that deals were harder to strike in 2016 vs 2015. Here's the thing though... they also said 2016 was more successful than the previous year. "A lot of production companies are concerned their profit margins are being squeezed sometimes in different ways, and then they're mindful that the whole cable industry is facing headwinds," **PactUS** president *David Lyle* told us. "There must be something undeniably optimistic about entrepreneurial, small production companies." Complaints from producers include networks requiring pilots or treatments and expecting \$40K+ production value while only providing the producer with \$20K, said Lyle, the former CEO of **Nat Geo**. "They accept that budgets in many cases need to shrink, but then to have their profit margin of that to shrink is adding insult to injury," he said. The survey asked what are the best nets/buyers to deal with and the worst. Producers identified **A&E, ABC, FYI, Lifetime, History** and **TLC** as being best of class, while ranking **Amazon, Spike, Discovery, MTV, WE tv** and **Oxygen** in the bottom.

**Netflix's Global View:** You can sum up **Netflix's** strategy in one word: global. "We're looking for high quality, diverse programming that would play to a diverse audience," **Netflix** vp, original content *Cindy Holland* said during Wednesday's keynote at RealScreen Summit in DC. And that audience is around the world, she said, pointing to something like doc series "Fearless" about Brazilian bull riders and predominantly in Portuguese. "We'll be seeking great programming



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from all over the world,” Holland told the crowd of producers. That even applies to content such as stand-up. “You will start to see and hear voices around the world you’ve never heard of,” Holland said, adding it’s as exciting to the folks at Netflix as working with *Jerry Seinfeld* or *Amy Schumer*. “We’re certainly interested in providing global distribution for producers from any territory as opposed to the traditional [model] of having a success somewhere and making it into a local language for each” territory. “*Narcos*” was a series that Netflix knew would appeal in Latin America. Star *Wagner Moura* is the biggest star in Brazil, “sort of their *Tom Cruise*, *Tom Hanks* and *Brad Pitt* rolled into one,” according to Holland. “The global appeal took us a little by surprise, but in retrospect, it probably shouldn’t have. Cocaine travels and crime stories travel.” Holland didn’t reveal any data for viewing, but said certain audience projections are taken into account when ordering content. On average, Netflix members spend about 2.5 hours engaged at one time with content, she said. While some shows, like “*Stranger Things*,” have had tremendous social buzz, the exec said it’s not a must-have. “Some forms of programming tend to be more social than others. There is definitely a segment of the audience for ‘*The Crown*’ that probably is not on Twitter every day, and that’s OK. We are programming to all demographics.” Fans of “*Making a Murderer*” should know a 2nd season is planned for this year, but when is a mystery. Holland described it as rather fluid, with only a very few people inside of Netflix knowing the details because they want to keep it under wraps. “They are shooting often and regularly, and working on what they think is the right story to tell in the next set.”

**Verizon 4Q:** Regarding **Yahoo’s** recent data breach and its impact on the deal with **Verizon**, the telco’s CFO **Mike Ellis** said Verizon is still “working with Yahoo to assess the impact of the breaches, and we have not reached any final conclusions yet.” He added that the Yahoo acquisition is expected to further increase Verizon’s opportunity to “scale in the digital media space.” When it comes to whether Verizon is interested in buying a content company, following its rival **AT&T’s** pending **Time Warner** acquisition, Ellis said “I am not going to comment on any specific combinations that have been rumored over the years... We will continue to look for opportunities to expand and grow the business.” The key is to be “disciplined in any investment activity,” he said. The company evaluates all options and the criteria are creating long term value for the business and shareholders, he said. Regarding how the *Trump Administration* would affect the telecom industry, he said “it’s just too soon to tell exactly where we are going to be. We look forward to working with the regulators whether it is the FCC or others.” Part of Verizon’s mobile strategy is expanding its mobile content offering on its **go90** platform. Ellis said “we have seen increased usage in the go90 application... and we are expanding our unique content offerings. The average daily usage in go90 was consistent sequentially at about 30 minutes per viewer, with less than 20% of traffic surfed on the Verizon wireless network in the second half of the year,” he said. Verizon added 68K FiOS Internet subs and 21K FiOS video subs in 4Q. For the full year, it added 235K FiOS broadband subs and 59 video subs, down from the 350K broadband customers and 183K video users added in 2015. At the end of 4Q, Verizon had 5.7mln FiOS Internet subs, representing 40.4% penetration, and 4.7mln FiOS video subs, representing a 34.3% penetration. FiOS revenue grew 4.4% YOY to \$2.9bln in the quarter. Full-year FiOS revenues were \$11.2bln, up 4.6% YOY. The company said FiOS revenue growth stemmed mainly from an increase in the total customer base and strong broadband demand. Net income was \$4.6bln in the quarter.

**Letter from Pai:** Newly designated **FCC** Republican chmn **Ajit Pai** addressed his priorities on a high level in a letter to staff Tues. “One of the most significant things that I’ve seen during my time here is that there is a digital divide in this country... I believe one of our core priorities going forward should be to close that divide—to do what’s necessary to help the private sector build networks, send signals, and distribute information to American consumers, regardless of race, gender, religion, sexual orientation, or anything else. We must work to bring the benefits of the digital age to all Americans,” said Pai. He also acknowledged previous FCC heads including **Tom Wheeler**. “Chairman Wheeler brought to this office determination and a commitment not to shy away from the tough issues,” he said. Pai, along with GOP commish **Michael O’Rielly** fought Wheeler on numerous issues including the Title II net neutrality order, the broadband privacy order, and the set-top initiative. Pai also announced staff appointments to the chmn’s office. **Brendan Carr**, who has served as Pai’s wireless, public safety and international legal advisor, was appointed acting general counsel. **Matthew Berry**, who has been Pai’s chief of staff, is the chmn’s chief of staff. **Nicholas Degani**, the new senior counsel, has served as Pai’s wireline legal advisor for the past 4 years. **Jay Schwarz**, the new acting wireline advisor, joined the chmn’s office from the office of strategic planning, where he served as acting deputy chief. **Alison Nemeth**, acting media advisor, was previously

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legal advisor at the media bureau. *Rachael Bender*, acting wireless advisor, joined the office from the wireless bureau. *Zenji Nakazawa*, acting public safety and consumer protection advisor, was chief of the policy and rules division from the public safety and homeland security bureau. Additional appointments include *Michelle Carey*, acting chief of the media bureau, *Michael Carowitz*, acting chief of the enforcement bureau, *Kris Monteith*, acting chief of the wireline competition bureau, and *Mark Wigfield*, acting director of the office of media relations.

**EPIX's TiVo Play:** Through a partnership with **TiVo**, **EPIX** will offer its library of more than 2K movies through an app enabling authenticated access through TiVo devices. The app will first launch with **Atlantic Broadband**, which serves 5 regions including Western PA, Miami Beach, MD/DE, Aiken, SC and Eastern CT. The app allows any Atlantic Broadband sub with a TiVo device to access the content library, which EPIX said offers 6 times more content than previously available. Additional **NCTC** cable systems with TiVo set-top box service deployed will have access to the EPIX app.

**People:** *Amy Doyle* was upped to gm of **MTV**, **VH1** and **Logo**. She will partner with group pres *Chris McCarthy* in the overall creative management of the group. Doyle took on her most recent role as evp of **VH1** in 2015.

## Cablefax Daily Stockwatch

Company	01/24 Close	1-Day Ch	Company	01/24 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DISH:	62.43	0.97	MICROSOFT:	63.52	0.56
ENTRAVISION:	5.15	0.05	NETFLIX:	140.11	2.72
GRAY TELEVISION:	10.95	0.10	NIELSEN:	40.70	0.16
NEXSTAR:	62.15	0.40	SEACHANGE:	2.45	(0.05)
SINCLAIR:	32.05	UNCH	SONY:	30.49	0.06
TEGNA:	21.90	0.28	SPRINT NEXTEL:	9.19	0.01
<b>MSOS</b>					
CABLE ONE:	616.69	3.26	SYNACOR:	3.05	(0.05)
CHARTER:	308.35	(0.35)	UNIVERSAL ELEC:	65.00	0.25
COMCAST:	73.60	0.34	VONAGE:	7.03	(0.1)
GCI:	19.83	(0.06)	YAHOO:	43.90	1.50
LIBERTY BROADBAND:	78.46	0.37	<b>TELCOS</b>		
LIBERTY GLOBAL:	34.96	0.03	AT&T:	41.36	(0.64)
SHAW COMM:	21.17	0.34	CENTURYLINK:	25.57	(0.24)
SHENTEL:	26.95	0.25	FRONTIER:	3.47	(0.07)
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	30.28	0.28	TDS:	29.64	(0.06)
AMC NETWORKS:	56.93	0.25	VERIZON:	50.12	(2.29)
CBS:	62.98	(0.28)	<b>MARKET INDICES</b>		
DISCOVERY:	28.49	0.22	DOW:	19912.71	112.86
DISNEY:	107.90	0.78	NASDAQ:	5600.96	48.01
GRUPO TELEVISIA:	22.22	0.61	S&P 500:	2280.07	14.87
HSN:	34.10	0.30			
MSG NETWORKS:	22.10	0.20			
SCRIPPS INT:	74.70	0.07			
TIME WARNER:	96.35	(0.42)			
VIACOM:	44.55	0.45			
WWE:	19.53	0.24			
<b>TECHNOLOGY</b>					
ADVANTAGE:	1.77	(0.01)			
AMDOCS:	58.82	(0.18)			
AMPHENOL:	68.76	0.78			
APPLE:	119.97	(0.11)			
ARRIS GROUP:	29.25	0.07			
AVID TECH:	4.95	0.03			
BLNDER TONGUE:	0.71	0.11			
CISCO:	30.60	0.33			
COMMSCOPE:	36.94	0.81			
CONCURRENT:	5.23	UNCH			
CONVERGYS:	25.79	0.42			
CSG SYSTEMS:	49.48	0.33			
ECHOSTAR:	52.54	0.26			
GOOGLE:	823.87	4.56			
HARMONIC:	5.40	0.25			
INTEL:	37.62	0.85			
INTERACTIVE CORP:	70.33	0.38			
LEVEL 3:	58.95	(0.28)			



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