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Hulu Upfront: Streaming Service Unveils Formidable Live TV Offering

Hulu put its best foot forward on Wednesday in its quest for living room domination. The company at its upfront introduced a live TV offering that will be part of a new app interface that also includes its growing library of acquired and original VOD content. Hulu CEO *Mike Hopkins* boasted the service, which has launched in beta, is designed to be viewers' "primary source of TV" and added that calling it a skinny bundle would be a misnomer. Indeed, it's actually one of the beefiest video offerings on the market. Ad buyers we spoke with before the presentation expressed excitement about virtual MVPDs due to the potential for advanced audience targeting. **Hulu** advertising svp *Peter Naylor* showed off interactive advertising Hulu will make available, including video ads with location-based overlays. Hulu will be the exclusive launch platform of T-Commerce, a **BrightLine** initiative that will allow viewers to make a purchase straight from their connected TVs. It will initially test the technology just with movie trailers and ticket purchasing, but plans to expand into more categories. Naylor also touted new measurement solutions in partnership with **Nielsen** and **SambaTV**. At launch, Hulu's live channel lineup, which it has been publicly assembling for months, contains more than 50 channels from **Fox**, **NBCU**, **CBS**, **Turner**, **Disney**, **A+E** and **Scripps**. The company's website indicates **Comcast** and **Fox** RSNs are available locally. The service also includes current-season eps of broadcast shows, an ever-growing library of TV series and movies, and a stable of originals that Hulu is investing in heavily. **Evercore ISI** following the presentation wrote, "The coupling of a virtual live TV service with the attractive video on-demand library that Hulu already offers is a differentiated proposition relative to existing live TV streaming offerings." The lineup only includes local broadcast nets in some markets and lacks channels from **AMC Networks**, **Viacom** and **Discovery**. **Showtime** is available for $8.99 a month; **HBO** and **Starz** are absent. Evercore notes the Hulu live TV lineup accounts for 67% of average primetime viewing in 2016 and 66% of 24-hour viewership. The service, which costs $40 at launch, includes two simultaneous streams on different devices and 50 hours of cloud DVR storage. Paid add-ons include an extra 150 hours of storage ($14.99/month), simultaneous streaming on multiple devices ($14.99/month) or both ($19.99/month). Hulu will continue to offer its SVOD service as a standalone product for $7.99/month. Questions remain around virtual MVPDs' $40-$50 price tags. **BTIG** wrote, "Hulu's new original programming slate sounded great. Yet that product is only $8, which makes the $40 live TV product just feel expensive."

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TWX Talk: We don't know how much longer we'll get to listen to *Jeff Bewkes* on Time Warner earnings calls, so we'll take it while we can. He seemed to speak a lot less on Wed's 1Q call, turning several questions over to his lieutenants. Perhaps this is his way of preparing us for his eventual departure once the **AT&T** acquisition wraps, which appears to be on track for later this year. Bewkes believes virtual MVPDs are gaining traction, even though Time Warner's outlook doesn't assume a material benefit from them yet on sub levels. "If new offerings can combine that kind of attractive pricing and packaging with the sort of new 21st Century on-demand platforms, interfaces and so on, then we think they can definitely attract new subs into the network system, and that's a great opportunity for **Turner** and every other network to find its natural audience," he said. It sounds like **HBO** won't be expanding its library offering with **Amazon** Prime video or extending the deal past its expiration next year, with **HBO** CEO *Richard Plepler* pointing to "enormous momentum" on digital platforms such as **DirecTV Now**. No updates on HBO Now sub numbers. Turner chief *John Martin* suggested that the news category for advertising is starting to slow a bit, even though it is still "incredibly strong' in 2Q. "Given some uncertainty in the economy, we think that advertisers are holding back a little bit and taking a little bit more of a wait-and-see approach," he said, adding that the entertainment market has improved "modestly" since the beginning of the quarter, while sports is a bit fragmented with a lot of inventory. That said, Martin predicts a healthy upfront and nothing that looks terribly worrisome. TWX revenue rose 5.8% to $7.74bln, with earnings of $1.66 per share beating a **Thomson Reuters'** analyst estimate of $1.45.

See Shapiro Go: Sources confirmed that *Evan Shapiro* has left **NBCU's Seeso**, a move that doesn't necessarily bode well for the subscription comedy streaming service. *Vulture* broke the news, reporting that NBCU digital enterprises chief *Maggie Suniewick* will run the business for the foreseeable future. While original programming will continue to debut this year, the shakeup raises questions about whether NBCU will continue to play in the SVOD space. There's no word of a strategy shift at this point, however.

What to View on Hulu: Hulu entered its upfront flying high in the wake of its debut of "The Handmaid's Tale," which CEO *Mike Hopkins* said was the service's most-watched premiere ever. His greenlighting of a second season Wednesday kicked off a rundown of new original content coming to the platform soon. The streaming service picked up "Runaways," a live-action series based on the eponymous **Marvel** comic, and "The First," a drama set in the near future from ex-"House of Cards" showrunner *Beau Willimon*. Content svp *Craig Erwich* had the honor of introducing a parade of screen stars during his portion of the presentation, highlighting Hulu's heavy investment in new originals like "Future Man," "I Love You America," "The Looming Tower," and "Castle Rock." Actress *Mindy Kaling*, who stopped by to promote the upcoming final season of "The Mindy Project," had the crowd in stitches as she highlighted examples of product placement throughout the show's first five seasons. "My wardrobe budget is bananas, so we've got to make it up somewhere," she said. In addition, Erwich announced exclusive streaming agreements for **NBC's** "This Is Us" and **FX's** "Atlanta."

Broadband Legislation: Sen *Shelley Moore Capito* introduced tech neutral legislation, known as the "Gigabit Opportunity Act" or "Go Act," aimed at accelerating the development of high-speed Internet in low-income and rural communities. The legislation seeks to expand broadband by targeting investments to areas poised for growth, eliminating barriers to investment and streamlining patchwork regulations. FCC chmn *Ajit Pai* called it "an important step toward closing the digital divide, and one that has my full support."

On the Table: **Scripps Networks** has acquired **Spoon University**, a media company targeting millennial foodies. Scripps hopes the acquisition will help flagship channel **Food Network** resonate with younger audiences. According to Reuters, Spoon University will be kept as a separate division while reporting to *Vikki Neil*, who runs the Scripps Lifestyle Studio.

Pluto Partners: Free Internet TV service **Pluto TV** announced new partnerships with content providers including **Lionsgate, MGM,** and **Warner Bros** that will provide movies and TV shows for its 100+ channels. The deals feature several movies, including "Silence of the Lambs" and "Haywire," as well as complete TV series, such as "Super Fun Night."

Programming: **Paramount Network** (currently **Spike**) will launch original scripted drama series "Yellowstone" in January 2018. It is written and directed by *Taylor Sheridan* and produced by **The Weinstein Company** and *John and Art Linson*.

Think about that for a minute...

On The Other Hand

Commentary by Steve Effros

You've all heard the complaints and jokes about lawyers. They're always saying "on the one hand, and on the other hand…" meaning that we (yes, I'm one of the clan, as most of you know) tend to equivocate at times, seeing multiple possibilities and avoid making absolute predictions simply because we know policy actions can often have unintended results.

In our defense, I'd point out that we're specifically trained this way. It's our job to look at an issue from lots of different angles and see the many alternative outcomes that could arise from a given action. I'd argue this is a very smart thing to do, and there are too many folks these days, particularly politicians, who seem to intentionally do the opposite even when there's a lot of documented indication that their favored course of action could result in the complete opposite of what they claim they want.

A good example was highlighted last week at a conference I was invited to on Capitol Hill. It was billed as a "Media Solutions Summit." It was described in the invitation as being "... designed to promote diversity of voices in media and look at challenges and opportunities for independent, women and minority owned networks and content creators."

There's certainly nothing wrong with that. I'm all for diversity of voices in media, and we all know that there are multiple challenges for independent, women and minority owned networks. But then I noticed that the "honorary hosts" of the event included folks like Senator Ed Markey and Senator Al Franken. Both honorable men even if they tend to overstate their cases at times and stray from fact-based arguments. But in Washington, particularly these days, that's the norm!

The reason I chose not to go, however, is because many of the "hosts" and speakers are the same folks who are constantly demanding special government benefits for anyone who can create yet more "competition" to the cable industry and the deconstruction of the MVPD "bundle." Now I can engage in reasoned debate about those subjects, but let's stick with the specific problem this conference was supposed to address; the promotion of diversity.

The traditional cable "bundle" not only promoted, but created diversity. That's hard to dispute. BET wouldn't have existed in the early days without the cross subsidy support given by the cable industry to get it going and include it in the bundle. The same thing is true for C-SPAN or multiple news outlets or "women's channels" or, indeed, the entertainment channels that now number in the hundreds and compete for your attention.

Many of the "honorary hosts" of that meeting are the same folks who insists on tilting the playing field to demand things like a la carte program sales or individual channel distribution via broadband. Now none of those things are inherently bad, but they most certainly are going to make it one heck of a lot harder for diverse, women's, minority, or independent channels to survive, let alone thrive.

According to most economists, those folks have failed to look "...on the other hand" at what their own one-sided policy demands are likely to result in; a diminution of major, successful independent channels, a consolidation of power in the few large, wealthy network operators, and the exact opposite of what they say they want. They may kill diversity. Until there's a serious look at "both hands," and recognition of the true potential impact of what they demand, a conference on Capitol Hill won't solve anything.

Steve

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