

# Cablefax Daily™

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What the Industry Reads First

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## Q&A: Starz COO Jeff Hirsch on Subs, Content and Changing TV Landscape

It's been nearly six months since Lionsgate closed on its \$4.4bln Starz acquisition, and judging by comments on Thursday's earnings call, the company's quite pleased with how things are going. "Even in a tough MVPD environment, last year was a growth year for Starz subscriptions," Lions Gate CEO Jon Feltheimer told analysts. Starz COO Jeff Hirsch told us that the combination has been "as advertised," with Lionsgate helping to make "Black Sails" on Hulu "a great sale that we never would have been able to monetize at that level." This week, Hulu bought streaming rights to Starz's "Power." On the content side, seven Lionsgate series are in the Starz development pipeline. Below are edited excerpts from our recent conversation with Hirsch. **Being a premium network in a sea of SVOD content, it seems like the competitive pressure has never been higher. But Starz has posted steady sub growth over the years. Is that sustainable?**

The short answer is yes. I think it starts with content. [Starz CEO] Chris Albrecht was smart in going after audiences that were underserved, like African Americans and females. We continue to grow on the linear side and in the new, direct-to-consumer digital space also. If you look at the 108mln TV households, we have 24mln subscribers and are the number two premium network. We're the cherry on top of the cable stack, so in order to get Starz, you have to buy through that 200- to 250-channel bundle. That price point is anywhere from \$80 to \$120. So as skinnier bundles start to come into the traditional world and that bundle price point starts to drop, it gives us more access to consumers who might not have been able to afford to buy a premium network before. **Your OTT app hit nearly 1mln subs last year. How are you growing it, and has Amazon played a big part?** Amazon's been a wonderful digital wholesale partner. They are one of the best retailers in the history of the business. They know how to find an audience and target an audience. And then there's our direct-to-consumer approach. If you look at the app store today on Apple, we're the only 4.5 star rated SVOD product in the category. I think Hulu is the next closest. We think we've built a really great consumer-focused product that has great reliability. **Do all these changes in the TV ecosystem create more strain in the relationship?** Much like when satellite showed up, there was strain there. And when the telcos came into the business, there was strain. This is just another evolution of a wonderful business that continues to grow. There's a reason why there's over 500 new pieces of scripted content and everybody is trying to get into the video business. It's a great business. That strain and new entrants



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force innovation and drive all of us to get better and think about the consumer in a different way. I think that's healthy. **Your originals have been on a roll, with the premiere eps of "Power" ranking as the second most-watched series on premium last year. "American Gods" is already at 5.1mln multiplatform viewers per ep. It wasn't that long ago that Starz was a movies-only channel. There are a lot of networks these days trying to get into scripted. Do you have any advice?** Try to hire Chris Albrecht. Seriously, if you look at Chris' track record, every big, talked about show that is on network was under his watch. I think Chris has one of the most unique and brightest minds when it comes to getting a show on air. I think the team, with [Starz pres of programming] *Carmi [Zlotnik]* and everyone at the organization, is one of the best in the business. Being a distribution guy transitioning to the content side, I've learned it's an incredibly challenging task to take an idea and turn it into a television show. Those folks are few and far between.

**Altice-Viacom Reax:** Analyst reaction continues to pour in over **Altice** and **Viacom's** carriage agreement, which brings Viacom nets back to **Suddenlink** after the MSO dropped them in 2014. While **Bernstein Research** speculated that only some of Viacom's nets may be headed back (**CFX**, 5/26), others are more optimistic. "Although we believe it may take a few months for the networks to be added to the Suddenlink service, suggesting a benefit only at the very end of the fiscal year, we also expect almost all except two very small networks (such as **NickMusic**) to be added to the platform," said a note from **JP Morgan** that called the deal "encouraging." **Guggenheim Securities** also believes the deal includes the majority of Viacom nets, extends beyond 2020 and includes mid-single digit annual pricing escalators. Altice USA has said it will be informing customers of channel changes in the coming months.

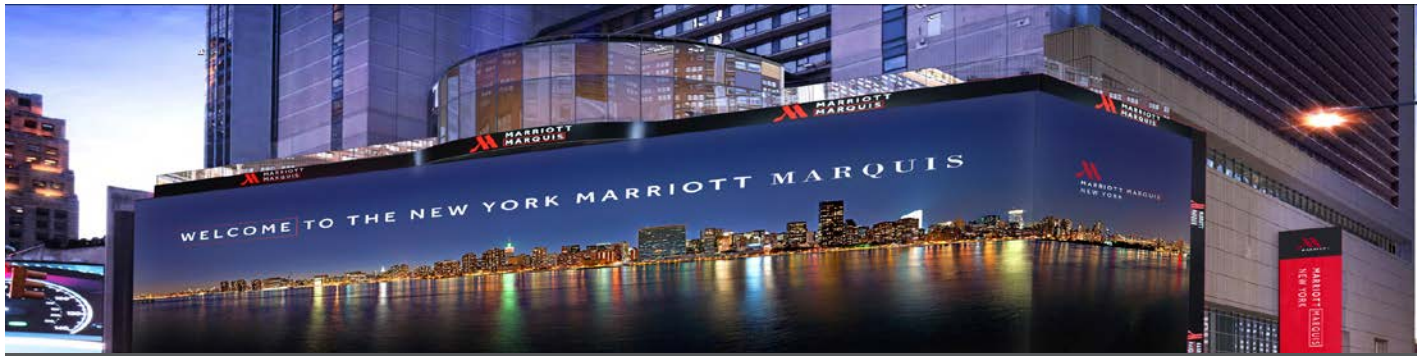
**Trial Basis:** **NHL Network** is offering a free preview to cable subs in the home markets of this year's Stanley Cup Final participants, the Predators and Penguins. The net will be available to all **Comcast** customers in Nashville, as well as Comcast, **Armstrong** and **Consolidated Communications** customers in Pittsburgh throughout the series, which begins Monday (May 29). Games 1 and 4-7 of the Final will air on **NBC**, while games 2 and 3 can be seen on **NBCSN**. -- **Verizon FiOS** is offering a free preview of high-end lifestyle net **CINÉMOI** in the US from May 28-June 30.

**Ratings:** **AMC's** "Into the Badlands," a martial arts drama, averaged 3mln L+3 viewers per episode, according to **Nielsen**, including 1.7mln in the A25-54 demo. AMC has four of the top six scripted series on ad-supported cable in the demo this season, with "Into the Badlands" (No. 6) joining "The Walking Dead" (No. 1), "Fear The Walking Dead" (No. 3) and "Better Call Saul" (No.4). **FX's** "American Horror Story" is the No. 2 most-watched scripted series among A25-54, and **History's** "Vikings" is No. 5. -- Game 7 of the **NHL** Eastern Conference Final (ECF) on Thursday, in which the Penguins defeated the Ottawa Senators in 2OT, averaged 2.9mln viewers on **NBCSN** and posted a 1.69 HH rating. The Total Audience Delivery (TAD) of 3.0mln viewers, which includes live streaming viewership, is the highest ever for an NHL game on the net featuring a Canadian team and represents a 16% increase from last year's ECF between the Penguins and Tampa Bay Lightning.

**NAMIC Awards:** **NAMIC** is now accepting entries for the Excellence In Multicultural Marketing Awards and has set June 23 as the deadline for submissions. **Cablefax** is a proud partner of EMMA, which recognizes innovative marketing efforts aimed at multicultural audiences. The 2017 edition features four divisions, including the newly-added Brands division, competing in two categories – Marketing Tactics and Integrated Campaigns. Visit [NAMIC.com](http://NAMIC.com) for info.

**Programming:** **Hulu** reached an agreement to acquire streaming rights to **Starz's** "Power." The first two seasons of the drama are now available to stream on Hulu, with Season 3 to become available later this year. The SVOD service also has rights to future seasons of the show. The deal was negotiated for **Lionsgate** by evp, worldwide SVOD *Agapy Kapouranis*. -- **TBN** this fall will premiere a new weekly news and talk show hosted by former Arkansas Gov *Mike Huckabee*. Titled "Huckabee," the show will follow a similar format to his show of the same name that previously aired on **Fox News**. -- **Disney XD** will premiere a two-hour movie based on animated series "Star vs. The Forces of Evil" on July 15. The net will debut a third season of the show this fall.

**Still The Big Screen:** More than 92% of all viewing among US adults happens on the TV screen, according to 4Q 2016 research from **Nielsen**. Traditional TV programming accounted for 82.1% of viewing by persons over the age of 18, with TV-connected devices representing 10.3% of viewing. Among devices other than TV, PC video accounted for the highest percentage of viewing at 5.1%, followed by smartphones (1.8%) and tablets (0.7%).



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# SCREENSTER

by Alex Silverman

## Cable's Place on Pluto

As cable operators drop video subs at an unprecedented clip, networks are exploring new ways to get their content in front of cord-cutters.

One of the more out-there avenues, as its name might imply, is **Pluto TV**, a free virtual MVPD that allows users to flip through about 60 TV-like linear video channels grouped in categories like News, Sports, Comedy, Entertainment and Movies, along with 35 music stations.

Available on a wide range of devices, Pluto boasts 6 million active monthly users, up from 500,000 in early 2015. For context, **Turner** CEO *John Martin* last week estimated the total number of paid virtual MVPD subs in the US is close to 2 million. To attract as wide an audience as possible, Pluto doesn't require viewers to sign up, and the company declined to share how many of its monthly users are registered.

Exec Chair *Kenneth Parks*, who in his previous role was **Spotify's** first US employee, said Pluto's growth indicates that TV-like linear content does appeal to a young, cord-cutting audience.

"The fact that we've been able to attract millions of millennials to our platform, which is curated and linear and lean-back, proves our thesis," he said. "If you give that audience the kind of content they want to watch, they're not programmed differently to older people in terms of fundamentally not wanting to work to be entertained."

At its launch in 2013, Pluto's channel lineup consisted of topic-based streams of curated content from places like **YouTube** and **Vimeo**. That mix has since evolved through partnerships with a wide range of content producers.

It currently features channels branded for popular digital-first outfits (**The Onion**, **Newsy**, **PopSugar**), underserved sports properties (**Glory Kickboxing**, **World Poker Tour**) and legacy media brands (**People**, **Entertainment Weekly**). **Warner Bros.**, **Lionsgate**, **MGM** and

**Paramount** are also providing both films and TV series.

Cable's presence on the platform is also growing. **NBC News** and **MSNBC** have operated a co-branded 24-hour news channel on Pluto since 2015. Since then, **CNBC**, **Bloomberg TV**, **Sky News**, **RT America**, **NewsmaxTV** and **The Weather Network** have partnered with Pluto to create their own channels on the service. **A&E** and **Scripps Networks** – the latter is an investor in Pluto—also contribute content for curation on other non-branded, themed channels.

Parks' pitch to content providers is three-pronged. First, he insists it is crucial for brands built on traditional TV to follow consumers to new platforms in order to maintain relevance. Second, he points to "very healthy" incremental ad revenue, which is shared between Pluto and the programmer.

Finally, Parks insists the most valuable thing Pluto offers is data that can help content creators in both marketing and distribution strategy.

"We don't have the size of the checkbook that some others have, so we're not in the business of writing silly guarantees, but instead we do share back something that's viewed in a lot of cases or by a lot of content providers as more valuable, which is data insight," he said. "This is exactly how people are going to be consuming your content in the future. Take that data that's hugely valuable and use it to inform your whole OTT strategy."

Pluto's business model is still evolving. The company is currently in the process of rolling out a complimentary on-demand offering, and Parks anticipates Pluto moving toward a "freemium" model, similar to the one Spotify has had tremendous success with. He says a number of niche subscription-based OTT services have already approached Pluto about integrating into its platform for greater exposure.

As Pluto grows and evolves, network execs would be wise to keep their telescopes pointed in its direction.



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