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What the Industry Reads First

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Soaring Streamer: Netflix's High Continues with Strong Sub Growth

Fresh off a personal record of 91 Primetime **Emmy** nominations, **Netflix** gave shareholders more good news Monday with better-than-expected sub numbers. After-hours trading saw shares jump 10% to more than \$178/share. Netflix streaming memberships crossed the 100mln milestone, with subs jumping from 99mln to 104mln worldwide. International memberships just barely edged out domestic in 2Q, 52.03mln vs 51.92mln. The company anticipates 108mln subs by the end of 3Q. "In Q2, we underestimated the popularity of our strong slate of content which led to higher-than-expected acquisition across all major territories. As a result, global net adds totaled a Q2-record 5.2mln (vs. forecast of 3.2mln) and increased 5% sequentially, bucking historical seasonal patterns," Netflix said in its quarterly letter to shareholders. Instead of popping the champagne to celebrate the success of originals such as "13 Reasons Why" and a new season of "Orange is the New Black," chief content officer *Ted Sarandos* said during the company's earnings interview that it's important to be introspective at these times. "Are we being adventurous enough? ... When you have a very high hit ratio, you definitely want to keep second guessing yourself," he said, noting 93% of Netflix shows have been renewed. In the US, Netflix's 1.1mln net additions represented the highest level of Q2 net adds since 2011. CEO *Reed Hastings* gave some of that credit to Netflix's ability to maintain an \$8 base level price point, which has been in place since 2010. "When you think of the content increase over the last seven years, that's phenomenal," he said, adding that there is ASP growth as people optionally select the higher priced HD and Ultra HD plans. The streaming company used its shareholder letter to talk a bit about competition, taking the tack that a rising tide lifts all boats. "The largely exclusive nature of each service's content means that we are not direct substitutes for each other, but rather complements," Netflix said, pointing to **HBO's** continued US subscription gains. The company was quick to claim that linear TV is being replaced by Internet TV. Still, Hastings wore his humble hat in the interview with **UBS' Doug Mitchelson**. "We're such a small player compared to linear TV, compared to **YouTube** so we've a long way to go to have more and more content to please members and continue to grow," he said. Hastings dismissed the idea of selling networks on top of the Netflix platform like **Amazon** and **Hulu** have done, but said the company's looking at proposals to include Netflix as part of the bundle. "We're doing a little bit of that in Europe already, and it's been quite successful, thus we're

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interested in expanding that," he said. For 2Q, Netflix posted revenue of \$2.79bln, ahead of a consensus estimate of \$2.76bln, and EPS of 15 cents compared to analysts' average of 16 cents.

Groups Want More on Sinclair-Tribune: **ACA, Public Knowledge** and **DISH** have joined together to ask the **FCC** to force **Sinclair** and **Tribune** to turn over more info in support of their \$3.9bln merger. The lengthy list of requested documents includes info on why the transaction would be advantageous; how it could affect the going-forward rate of fees charged to MVPDs or OVDs; and availability of streaming video services. They also want analyses that support the claim that the deal will facilitate investment in local content and production capabilities. The trio also asked the FCC to extend the pleading cycle in the merger review to at least 30 days following the release of this information.

Comcast Mobile Hits Northwest: **Comcast** continues its market-by-market rollout of **Xfinity Mobile**, with stores across Oregon and Southwest Washington now offering the service. These are among the first group of Xfinity stores in the Western US to make the wireless phone service available. Comcast is offering unlimited data for \$45/month or a \$12 by-the-gig plan. Users can data options at any time during their billing cycle for no additional cost.

Suddenlink Adds Four Gig Cities: **Altice USA's** Operation GigaSpeed is trucking along, with subsidiary **Suddenlink** launching gigabit Internet in four new cities: Batesville, AR; El Dorado, AR; Marryville, MO; and Conroe, TX. Along with the new super-fast offering comes automatic residential speed upgrades for existing subs in those regions. Those with current download speeds up to 75 and 100 Mbps have been automatically moved to services with download speeds up to 100 and 200 Mbps, respectively. The standard Suddenlink residential Internet download speeds in each region are now up to 50, 100, 200 and 400 Mbps, along with the up-to-1 Gig service.

Sandvine Sold: **Francisco Partners** and subsidiary **Procera Networks** have entered into an agreement to purchase **Sandvine** in a deal that values the Canadian network equipment company at C\$562mln (US\$443mln). The purchase price represents a 40% premium to the company's closing share price on May 26. Sandvine's board unanimously approved the deal. Procera plans to combine with Sandvine upon completion of the transaction. In order to accept the Francisco deal, Sandvine terminated an initial agreement to be sold to **Vector Capital**-owned **Scalar**. Francisco made a superior offer to Sandvine as part of the "go-shop" period of the Scalar agreement. Sandvine paid C\$16.9mln (US\$13.3mln) to a Scalar affiliate in terminating the deal.

Fusion for fubo: Virtual MVPD **fuboTV** on Monday added **Fusion TV** as a live streaming net on its entry-level bundle (\$34.99/month) via a deal with **Univision**-owned **Fusion Media Group**. Fusion joins a number of Univision-owned channels on the sports-centric service, including Univision, **Univision Deportes**, **Galavision**, **El Rey** and **UniMás**.

Showtime Download Deal: **Showtime** reached a deal allowing VOD service **FandangoNOW** to sell individual eps and full seasons of original shows, beginning Monday with "Billions." Downloads of individual "Billions" eps cost \$2.99 in HD/\$1.99 in SD. Season 2 costs \$29.99 in HD and \$22.99 in SD, while Season 1 costs \$19.99 in HD and \$14.99 in SD.

Ratings: *Roger Federer's* victory over *Marin Cilic* in the men's final at Wimbledon on Sunday drew 2.3mln viewers (P2+) on **ESPN**, up from 2.2mln viewers for last year's final. Both years earned a 1.5 HH rating. The total live audience, which also includes streaming, rounds up to 2.4mln viewers.

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