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What the Industry Reads First

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Talking TWX: 2Q Earnings Beat Street, But Ad Sales a Cause for Concern

Time Warner exceeded Wall Street's expectations Wednesday, reporting a 5% YOY increase in 2Q revenue to \$7.3bln. Still, as the company awaits regulatory approval of its **AT&T** merger, it isn't all rainbows and butterflies. Results from **Turner** reinforced concerns about a soft ad market coupled with high programming costs. The network group's revenue increased 3% YOY to \$3.1bln due to a 13% increase in sub revenues. Domestic sub losses only partially offset higher domestic rates and sub growth at Turner's international nets. Ad revenue dipped 8% from 2Q16, due partially to this year's **NCAA** basketball Final Four and Championship airing on **CBS** instead of Turner-owned nets like in 2016. **TNT** also had two fewer **NBA** playoff games to air this season. Tough comparisons aside, Turner acknowledged declining viewership at its entertainment nets. **Evercore ISI's Vijay Jayant** notes Turner nets saw average primetime viewership fall by a whopping 14% YOY during the quarter, compared with a 3% decline for the larger peer group. That decline comes despite **CNN** recording its best 2Q viewership in its history. Time Warner, which skipped the usual analyst conference call with the AT&T deal expected to close any minute, said it also expects Turner's 3Q ad revenue to decline in the low single-digits. Unlike 2Q, however, the company doesn't have to contend with the lack of NCAA games and fewer NBA playoff games in 3Q. **Bernstein's Todd Juenger**, who is consistently bearish on the networks business, writes of the guidance change, "Either Entertainment is getting sequentially worse, and/or CNN's growth is slowing down, and/or the demand environment is softening—or most likely, some combination of all three." Programming costs are also a concern. Despite higher revenue, Turner saw 2Q operating income decrease 7% YOY to \$1.1bln, due to higher programming costs related in part to the company's new rights deal with the NBA kicking in. That nine-year deal will reportedly cost Turner \$1.2bln annually through the 2024-25 season. "Expectations for the rest of the industry are reinforced in the results," **Pivotal Research's Brian Wieser** wrote in a research note. "These include a tepid advertising market paired with illustrations that subscription revenues can continue to grow when paired with ongoing investments in content, which should ultimately prove to be margin compressing over time." On the plus side, 2Q revenue at **HBO** increased 1% YOY to \$1.5bln due to an 8% jump in sub revenue. The premium net increased domestic rates and saw sub growth both domestically and internationally. **Warner Bros.** also had a strong quarter, with revenue increasing

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12% YOY on the strength of “Wonder Woman.”

Full Commission: It wasn't all smooth sailing Wednesday for **FCC** nominees during a **Senate Commerce** exec session, but many are hopeful there will be a five-member Commission in place by the time Congress takes its August recess. Unhappy with some of FCC chmn *Ajit Pai's* moves, including a push to roll back Title II regulation of ISPs, several Dems, including *Maria Cantwell* (D-WA), voted against another term for the chairman. Senate Commerce members unanimously approved the nomination of Democrat *Jessica Rosenworcel*, but things got stickier for Republican *Brendan Carr* during Wednesday's executive session. Ranking Member *Bill Nelson* (D-FL) said a number of Democrats were willing to vote for Carr for one term that would end in June of 2018, but not two and asked to vote on the terms separately. Nelson said that separate-term vote is what Senate Republican and Democratic leaders are negotiating and he believes will ultimately happen. Carr had unanimous approval for his first term, but Dems voted against the second, five-year term with the vote split 14-13. This isn't really about Carr, but instead protecting the FCC from having a 3-1 GOP majority. Current Democrat commish *Mignon Clyburn's* term has expired, meaning she will have to leave when the current Congress adjourns or be renominated. More likely, she'll leave the FCC shortly after Rosenworcel joins. The committee traditionally pairs Democratic and Republican commissioners together for confirmation, so Dems want to keep Carr's second term open so he can be matched with a Democratic nominee. Even if Carr isn't confirmed before his term ends in June, he can continue to serve through the end of 2019. “It's not that we're trying in any way to be obstinate. It's just we're trying to keep the traditions of the committee intact,” Sen *Ed Markey* (D-MA) said. Commerce chmn *John Thune* (R-OR) downplayed such concerns, saying there was ample opportunity to pair a Dem with various vacancies on boards and commissions under the committee's purview. Nelson wasn't feeling that. “It is my clear understanding that [Charles Schumer (D-NY)] and the majority leader [Mitch McConnell (R-KY)] are working out an arrangement [for one term for Carr], otherwise it will not go forward on the floor of a package that includes a lot of nominations,” he said.

Energy Savings: **NCTA** and **CTA** are touting a new report that found consumers saved \$941mln in energy costs last year and nearly \$2.1bln over the last four years as a result of their voluntary set-top box energy conservation pact. The figures are from a report by independent auditor **D+R International**, which found the agreement helped avoid 11.8mln tons of CO2 emissions. The voluntary agreement's term expires at year-end, but the involved parties have said they are optimistic they will be able to reach consensus on terms to extend the pact.

Added Layer: **Layer3 TV** is adding millennial-focused news channel **Newsy Live** to its linear lineup. Newsy Live is a product of **E.W. Scripps**-owned **Newsy**, which specializes in short-form video news. Layer3 joins **Cincinnati Bell** as the only cable operators currently offering the service. It is available as an OTT service on a number of devices.

Sign of the Times: **Antietam Cable** announced Wednesday that it is rebranding as **Antietam Broadband**. The operator, which serves residential and business customers in Washington County, MD, is owned by **Schurz Communications**.

TiVo Scores Operator Deal: **Service Electric**, which serves eastern PA and western NJ, is now offering **TiVo's** Gateway DVR solution to its customers. This includes the **Arris** gateway box with TiVo interface, TiVo Mini and TiVo apps for smartphones and tablets. The new offering features personalized recommendations, the integration of OTT services and the ability to search programming across multiple platforms.

Paying Dividends: Ahead of Thursday's earnings, **Viacom** declared a quarterly cash dividend of \$0.20 per share of its Class A and Class B common stock. It will be payable on Oct 2 to stockholders of record at the close of Sept 15.

Programming: **MTV** entered into a development and production deal with **YouTube** creator *Liza Koshy*. The personality, who boasts almost 45mln followers across her platforms, will develop and executive produce original content for the network, while also serving as an occasional host on “TRL.”

People: *Vikram Nangia* is joining **Charter**, taking on the role of svp, credit and collections. Most recently serving as evp, world service at **American Express**, Nangia will oversee the company's credit, collections and cash management for residential customers, as well as small-to-medium businesses.

Editor's Note: Friday is the last day **Cablefax** will accept nominations for the Trailer Awards, honoring the best promos for movies, TV shows, live events, video games and more. [Head to Cablefax.com](http://Cablefax.com) before it's too late!