

Cablefax Daily™

Friday — August 4, 2017

What the Industry Reads First

Volume 28 / No. 148

Silver Lining: Worst-Ever Quarterly Sub Losses Could've Been Worse

Low expectations can be a wonderful thing. Take 2Q cord-cutting numbers, for example. After being hit by unprecedented video sub losses during the first quarter of 2017, the industry braced itself for a near-apocalyptic follow-up. Now, with results from most of the major players in, the consensus from analysts seems to be that it wasn't as bad as expected. Research firm **MoffettNathanson's** *Craig Moffett* reports traditional pay-TV providers lost an estimated 941K subs in 2Q, the worst quarterly loss ever for the sector. **Evercore ISI's** *Vijay Jayant* pegs the losses at an even 1mln subs. But as *Moffett* writes, "Everyone and their brother knew this quarter was going to be the worst ever." The plus side, both firms point out, is that YOY acceleration in the rate of decline improved from the first quarter. Evercore writes YOY sub losses increased by 615K from 1Q16 to 1Q17, while the increase from 2Q16 to 2Q17 was "only" 235K. *Moffett* puts it differently, noting the 1Q acceleration in the rate of decline was 70bps, while the 2Q figure was only 20bps. **DISH** was the last big MVPD to report, announcing on Thursday a net loss of 196K pay-TV subs in 2Q. That figure, however, includes the addition of subs for its vMVPD product, **Sling TV**, which *Moffett* believes currently "have almost no economic value." Excluding Sling TV subs, *Moffett* estimates DISH lost 285K satellite TV subs in 2Q, which represents a 9.1% YOY drop in the company's traditional video base (compared to a 3.1% drop when including Sling TV additions). Similarly, Evercore estimates DISH lost between 266-302K DBS subs in 2Q, which was better than the firm's estimate of 370k losses. DISH CEO *Charlie Ergen* said the company is being far more strategic in how it markets its traditional video service to drive down subscriber acquisition cost (SAC) and make sure it recoups that investment. "A linear customer today that you might get randomly across the United States, the odds on that customer lasting 7 or 8 or 9, 10 years is probably not good. We just look at it and say, 'We should probably invest less in customers to get them.' We have to be willing to focus on areas that maybe there are not as many options for the consumer—rural America is an example—and be a little smarter about it." Indeed, the company's pay-TV SAC, which also includes Sling, decreased 8.7% YOY. On the other hand, pay-TV ARPU decreased 3% YOY and missed estimates. **Newstreet Research's** *Jonathan Chaplin* writes, "The Sling mix doesn't explain all of the weakness in ARPU; the company may have been using price as a retention tool for the DBS business too." Overall, DISH recorded 2Q revenue of \$3.6bln, down 6% YOY.



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October 26, 2017 • Philadelphia

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Publisher: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Community Editor: Alex Silverman, 212.621.4951, asilverman@accessintel.com ● Dir. of Bus Dev.: Rich Hauptner, 203.899.8460, rhauptner@accessintel.com ● Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ● VP Marketing: Amy Jefferies, 301.354.1699, ajefferies@accessintel.com ● Marketing Manager: Charlotte Clay, 301.354.1710, cclay@accessintel.com ● Production Manager: Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group, dschwartz@accessintel.com ● Group Subs or Subscription Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: \$1,699.97/year ● Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

Senate Confirms FCC Commissioners: September's FCC meeting should have a full slate of five commissioners, with the Senate confirming Dem *Jessica Rosenworcel* and Republican *Brendan Carr* on Thursday. And, as Sen *Bill Nelson* (D-FL) predicted Wednesday, Carr was confirmed for a single term that expires in June 2018 instead of two terms. They'll have plenty of time to get settled in before September's meeting since it doesn't take place until Sept 28. No word yet on what they'll be voting on, as the FCC doesn't release its tentative agenda until about three weeks before the meeting. "I'm pleased that the FCC will once again be at full strength and look forward to collaborating to close the digital divide, promote innovation, protect consumers and improve the agency's operations," FCC chmn *Ajit Pai* said in a statement.

Guessing Game: Gauging vMVPD adoption is a tricky task due to a lack of disclosure from most of the major players. DISH CEO *Charlie Ergen* on Thursday's call declined to comment on whether sub growth at **Sling TV** is still accelerating. Reflecting on the call, **Wells Fargo Securities'** *Marci Ryvicker* writes, "Though there is 'increased competition' in the over-the-top market, it didn't sound sub trends have materially slowed." **Evercore ISI** estimates vMVPDs added a combined 392K subs during 2Q, bringing the US total to 2.8mln. **MoffettNathanson** pegs net adds at 469K during 2Q for a total of 2.5mln subs.

August FCC Meeting: It was rural broadband month at the FCC's opening meeting Thursday, with the Commission voting to improve data collected on broadband and to seek comment on expanding wireless carriers' buildout obligations. During a press conference after, chmn *Ajit Pai* was asked about whether the agency is considering a full enough record in its Restoring Internet Freedom Proceeding. He reiterated that the docket is still open and more than 13mln comments have been filed at this point. Democratic members of the House Commerce cmte sent a letter Thursday asking leadership to consider a list of additional witnesses to next month's net neutrality hearing. "While we appreciate you scheduling a hearing to look at how the FCC is eliminating the ground rules for the internet ecosystem, we continue to believe that the witness list must be expanded beyond the Chief Executive Officers of eight large corporate interests," Reps *Frank Pallone* (D-NJ) and *Mike Doyle* (D-PA) wrote. The initial invitees were **Comcast, Verizon, AT&T, Charter, Amazon, Netflix, Alphabet** and **Facebook**.

DISH on M&A, Spectrum: With M&A rumors swirling in the press, DISH CEO *Charlie Ergen* said the company is unlikely to "be in the driver's seat" in any such conversations due to its small size and lack of flexibility relative to large telco and tech companies. He attributed the increase in M&A activity and chatter to a regulatory environment that is more conducive to deal-making. DISH might be an attractive target given its spectrum holdings. **Macquarie Capital's** *Amy Yong* notes the company has enough to build a fifth nationwide wireless network. The company earlier this year announced plans to deploy a 5G network focused on IoT. Asked whether that effort would leave enough spectrum to provide capacity to existing wireless carriers, Ergen said while the initial narrow-band phase of the network won't use much spectrum, he believes IoT will use "a tremendous amount of capacity" when operating on 5G.

Viacom Earnings: Viacom's 1% YOY ratings gain during its fiscal 3Q is an outlier in a landscape where declines are the norm. Even so, the company saw domestic ad revenue dip 2% during 3Q. Viacom attributes the slide to its strategy of cutting ad loads on some of its flagship nets, with CEO *Bob Bakish* noting the company would've actually seen 1% worth of domestic ad revenue growth had it kept ad loads the same. Still, he stood by the decision during the company's earnings call after the market closed Thursday, saying previous ad loads were "unhealthily high." Overall 3Q rev grew 8% YOY to \$3.4bln, but operating income fell 3% to \$746mln. Viacom's media networks business revenue increased 2% YOY to \$2.6bln, while operating income remained flat at \$870mln. Bakish expressed satisfaction with the early returns from his decision to prioritize Viacom's "Flagship Six" nets in carriage discussions, noting they account for the "vast majority" of affiliate revenue. While the company doesn't plan to spend more on programming in 2018, Bakish and CFO *Wade Davis* said that spend will be reallocated with priority going to the flagships, specifically **BET** and **Paramount**, which will replace **Spike**. Bakish was particularly bullish on the direction of **MTV**, which saw ratings increase 3% in the quarter. He said the net will actually produce 60% more hours of original programming in 2018 while spending less than it did this year. The CEO also addressed the company's tiering dispute with **Charter**, saying Viacom stands by its position that Charter had no right to bump its nets. Still, Viacom doesn't plan to take legal action. "I fundamentally don't believe suing big customers is the way to solve problems," Bakish said. He added the dispute will likely be resolved during carriage renewal talks.

AMC Networks Posts Ad Gains: A day after both **Time Warner** and **Sinclair** startled the market with reports of 2Q advertising losses, **AMC Networks** bucked the trend. The group reported a 2.6% YOY increase in 2Q ad sales despite drops of 6% and 9% dip in P2+ and A18-49 viewership, respectively, across its networks. **Bernstein's Todd Juenger**, who maintained a market-perform rating for AMC Networks, notes industry trends and fewer hours of original programming in the second half of the year could negatively impact ad sales going forward. Overall the network group increased 2Q revenue 3.8% YOY to \$711mln. AMCX closed Thursday at \$64.68, up 3.45%, and was also trending up after hours.

WICT's Women of the Year: WICT's going to have to change its "Woman of the Year" accolade to "Women of the Year," with the group bestowing the title for the first time on both a programmer and operator. **Comcast** evp & chief communications officer **Darcy Rudnay** will be recognized along with **BBC America** pres, gm **Sarah Barnett** during a luncheon Sept 25 held in conjunction with the WICT Leadership Conference and Diversity Week. Last year's Woman of the Year was **Scripps Networks Interactive** chief programming, content & brand officer **Kathleen Finch**. The WICT Touchstones lunch also will feature the Woman to Watch honors, which for the first time include a tech category. This year's watchable females are **Charter** AVP, field ops for Western NC **Charlene Keys**; **ESPN's Tina Thornton**, svp of production & multimedia sponsorship integration and management operations; and **Cisco** director of media operations **Samira Panah Bakhtiar**.

Mediacom Improves Video Numbers: **Mediacom** lost 3K video subs during 2Q, an improvement from the 11K it shed during 2Q16. PSUs hit 2.543mln (includes 14K PSUs acquired from Alabama's **AndyCable** in January), up 4.5%, with the MSO adding 6K HSD customers and 25K phone subs. Revenue rose 4.6% to \$471.5mln as OIBDA climbed 4% to \$179.6mln. Mediacom continues to reduce its debt load, shaving off \$180 since 2Q16 to end the quarter with \$2.715mln.

Discovery's Ride: **Discovery Comm** is entering into a jv with **TEN: The Enthusiast Network**, combining their properties to form a top US automotive media company. Discovery will take a majority controlling interest in the venture, which will bring together Discovery's **Velocity** channel and TEN's digital, direct-to-consumer, social and live event automotive portfolio (print pubs aren't included). Cross-promotion opportunities between TEN's print businesses and the new venture will also offer multiplatform, 360-degree ad opportunities. The deal includes plans to bring Velocity content to TEN's Motor Trend OnDemand SVOD service, marking Discovery's first US direct-to-consumer push. Discovery COO **Paul Guyardo** will serve as chmn of the venture's board in addition to his current role, while TEN pres **Scott Dickey** will lead the venture.

Univision Earnings: With **Univision's** IPO delayed, it had to stay relatively quiet during Thursday's earnings call. But it did take a few questions. CEO **Randy Falco** said sub numbers are only down slightly sequentially. He promised to continue investing in sports, calling Univision the home for soccer in the US. While there's been talk about **John Malone** or **Televisa** possibly acquiring a stake in the programmer, management was asked about interest in making acquisitions. It's been pretty busy in that space, completing a recent digital deal for **The Onion** and buying **Gawker Media** last year for \$135mln. "We have enough things to do in terms of integrating the acquisitions we made recently. So, we're not really looking for any major acquisitions going forward, but rather to operate the businesses we've acquired in the recent past," Falco said. For 2Q, Univision posted a profit of \$106.1mln, up from \$74.7mln a year ago. Revenue fell 4.4% to \$764.9mln.

Game On: **Mark Feldman** was chosen to succeed **David Goldhill** as pres/CEO **GSN**, effective immediately. He's been a part of GSN, which includes the linear network and GSN Games, since 2008. Feldman has been responsible for legal and business affairs and development, as well as GSN's 1-800-Nothing, an innovation lab. He has experience as a chief executive, acting as president of **Univision** Home Entertainment and Consumer Products and CEO of **TuTV** in the years prior to coming to GSN. GSN is co-owned by **Sony Pictures Entertainment** and **AT&T Entertainment Group**.

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PROGRAMMER'S PAGE

Investigation Discovery Revisits Son of Sam

Forty years later, we're still fascinated with the Son of Sam serial killer. There wasn't the 24-hour news cycle and social media onslaught that we have today, but it was all over the tabloids. There was a sense of panic in NYC that summer that's been well documented over the years, including with the 1999 theatrical movie "Summer of Sam." But despite all that coverage, **Investigation Discovery** believes there's still plenty more to tell. Enter two-hour special "Son of Sam: The Hunt for a Killer" (premieres Saturday, 9pm). "It's amazing how much I learned. I learned that there's a still an outstanding belief that he didn't act alone," *Henry Schleiff*, group pres of **ID**, **American Heroes** and **Destination America**, said in a recent interviews. Another surprising nugget in the doc involves the Mafia. ID is all about true crime, though the story of *David Berkowitz* is a bit different than its usual fare. "We don't always do a ton of investigation. We more tell stories, but this is very focused on the investigation," Schleiff said. Still, it very much fits with ID's programming path, which has often included anniversaries and iconic names in crime. While the old adage may be that crime doesn't pay, it certainly has done so in spades for ID The net was No. 1 for W25-54 and for P25-54 in total day delivery in June (No. 5 for W25-54 in prime). "I think people are saying, 'Wow, truly life is more interesting than fiction... I'm kind of tired of watching scripted drama. I kind of know they're going to get the bad guy in the end and the beautiful blonde helps the CSI guy do it,'" Schleiff said of the genre's hot streak. "When you can actually see the kind of courage, pathos, when in 'Son of Sam,' you actually hear from victims who lived... that's the real deal." — *Amy Maclean*

Reviews: "The Profit: Marijuana Millions, 10pm, Tuesday, **CNBC**. Host and self-made millionaire *Marcus Lemonis* offers a highly interesting program that puts morality aside and examines marijuana's business potential. Lemonis guides viewers through many aspects of CA's pot business, including a mid-size manufacturer of pot-infused chocolates; two young women who produce vegan, gluten-free, but not pot-free baked goods in their home's kitchen; and a pot producer with a Harvard MBA who markets his indoor-grown weed as a luxury brand. It's a fabulous journey made more so when Lemonis turns to the camera and assesses the pros and cons of each venture. Despite the potential for the federal government to close state-approved pot businesses, Lemonis, who's never touched marijuana, seems high on its financial potential. -- "Pit Bulls & Parolees," Season 10 premiere, 9pm, Saturday, **Animal Planet**. An injury slowed *Tia Torres* last season, but she's back to her usual spirited self, helming Villalobos, the country's largest rescue center for pit bulls. As you may know, parolees compose much of its staff. Part of tonight's ep is a tear-jerker, as the crew races to save a pup, found barely alive on a New Orleans street. -- "Ray Donovan," Season 5 premiere, 9pm, Sunday, **Showtime**. *Liev Schreiber* returns as CA's best fixer and has mended fences with his father (*Jon Voight*), for now. — *Seth Arenstein*

Basic Cable Rankings (7/24/17-7/30/17)

Mon-Sun Prime			
1	FOXN	0.9	2102
2	MSNB	0.8	1871
3	HGTV	0.6	1467
3	USA	0.6	1445
3	DISC	0.6	1404
3	TBSC	0.6	1352
7	HIST	0.5	1231
7	DSNY	0.5	1100
9	CNN	0.4	981
9	ID	0.4	959
9	A&E	0.4	885
9	HMM	0.4	614
9	DSE	0.4	85
14	FOOD	0.3	804
14	TLC	0.3	723
14	TNT	0.3	713
14	HALL	0.3	711
14	TVLD	0.3	702
14	FX	0.3	695
14	ADSM	0.3	689
14	NAN	0.3	658
14	ESPN	0.3	652
14	FRFM	0.3	630
14	BRAV	0.3	620
14	LIFE	0.3	616
14	SYFY	0.3	588
14	VH1	0.3	584
14	NKJR	0.3	571
14	INSP	0.3	559
14	DSJR	0.3	526
14	OWN	0.3	503
32	AMC	0.2	579
32	APL	0.2	551
32	SPK	0.2	462
32	TRAV	0.2	436
32	NGC	0.2	421
32	LMN	0.2	420
32	EN	0.2	417
32	WETV	0.2	401
32	FXX	0.2	398
32	MTV	0.2	397
32	CMDY	0.2	396
32	BET	0.2	390
32	TRU	0.2	385

*Nielsen data, supplied by ABC/Disney, is based on coverage area of individual networks

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