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What the Industry Reads First

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Chain Reaction: Comcast Spooks Market with Projected Sub Losses

If Thursday's market activity is any indication, investors didn't like what they heard from top media execs at the **Bank of America Merrill Lynch** 2017 Media, Communications & Entertainment Conference. **Comcast** took the biggest hit after evp, Xfinity services *Matt Strauss* revealed the company could lose 100-150K video subs this quarter due in part to the impact of hurricanes, but also to increased competition. That surprisingly dour forecast follows the company's 2Q loss of 34K video subs. Comcast stock finished the day at \$38.60, down 6.2% from the close of business Wednesday. "You have incumbent distributors who are increasing their marketing spend, being much more aggressive with their offers," Strauss said of the competitive landscape. "You also have these new OTT entrants, who in some ways appear that they're offering packages that have a negative gross margin to them. We are going to be competitive and we are going to evaluate offers and we're going to obviously do everything we can that we think is financially appropriate, but what we're not going to do is chase unprofitable video subs." For context, Comcast added 32K video subs in 3Q16. If Strauss' projection holds, it would mark the MSO's worst quarterly video sub loss since 2Q14. Strauss noted that despite the dip in video subs, Comcast will hit its financial targets for 3Q and increase total customer relationships. He described Comcast's growth strategy for video as "targeted and surgical," pointing to its service for colleges and the upcoming introduction of its Xfinity Instant TV service. **Wells Fargo Securities' Marci Ryvicker**, whose firm expected the company to add 8K video subs this quarter, wrote of the declines, "Unfortunately we don't know how much is competition and how much is weather." She also pointed to Strauss' comments on 3Q subs as a major factor in what was a tough day for the entire sector, particularly given that Comcast is considered "best-in-class." **Charter**, whose CFO *Chris Winfrey* also spoke at the event, finished the day down slightly, too. It closed at \$395.64, down 1.7%. Like Strauss, Winfrey also expressed concerns about "irrational" OTT players willing to sell their product "at a permanent loss." He, however, declined to offer any insight into what current-quarter sub trends might look like. **AT&T** Entertainment CEO *John Stankey* said part of the struggle is that licensing cycles run for a long time—often five to seven years. "We are seeing an inflection point right now because of the cost of the bundle and the ability to consume and use the product, there's a little bit more displacement than what we've historically seen," he said, predicting that pay TV is at its peak

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and will continue to decline. Stankey believes AT&T is a bit more insulated with its streaming **DirecTV Now** offering, which he promised will see new iterations. AT&T is not insulated from hurricane impact, with Houston a major market for the company. "There was a lot of infrastructure exposed to high winds and water," he said, comparing Harvey to 2005's Katrina. "From a rebuilding perspective, that's a multi-year kind of commitment. It's not a fix it in 90 days kind of thing." Shares of AT&T were down 2.6% at close. **Disney** chmn/CEO **Bob Iger**, who spoke immediately before Strauss, seemingly discouraged investors by indicating FY17 earnings would be "roughly in line" with the previous year (Disney's fiscal year ends after this quarter) due in part to the recent acquisition of **BAMTech**, as well as the hurricanes. Disney ended Thursday at \$97.06, down 4.4%. Despite Iger's guidance, Ryvicker attributed most of the decline to the Comcast comments. **CBS**, **Viacom**, **Discovery** and **Fox** all went along for Thursday's downhill ride.

More Conference Notes: Iger shed more light on the company's recently announced direct-to-consumer products. Most notably, the Disney-branded offering, which is slated for 2019, will in fact include **Marvel** and **Star Wars** content. Iger characterized the **ESPN OTT** service as incremental, which Ryvicker wrote traditional distributors "should love." To that point, Strauss said Comcast would be open to offering Disney's OTT services via its X1 platform. He added, however, that he believes media companies who opt to go the direct-to-consumer route are likely to be surprised by the burdens of billing and customer service. -- Charter has been a popular M&A target of late, but Winfrey said the operator is "strategically complete" as is. "We don't need to rely on M&A," he said. Meanwhile, Winfrey said Charter will likely bring its wireless service to market during Q2 or Q3 of 2018. Charter is working with Comcast as part of an MVNO agreement with Verizon. Charter also seems to covet Comcast's popular voice remote, as Winfrey suggested the possibility of licensing the technology. -- Even if the **NFL** ends up having pressure again on ratings this season, it shouldn't impact AT&T DirecTV's Sunday Ticket offering. Those subs are "the passionate of the passionate, and we would expect that will carry through this year," Stankey said.

Weather Watching: It's clear Irma is weighing on many. **Weather Channel** was No 1 in 25-54s Wednesday night, averaging 470K viewers. Runner-up was **Adult Swim** (432K), followed by **Fox News** (371K), **Investigation Discovery** (354K) and **CNN** (345K). Networks continue to shore up coverage plans. **Univision** Miami will join forces with **WLTN** and all of Univision's digital platforms to provide comprehensive coverage (it was #1 in the Miami market at 6pm Wednesday with local news coverage running from 5am through midnight). Streaming service **Univision NOW** is offering Florida residents a free, one month account so they can stay up-to-date.

Ready for Some Football: **FuboTV** reached a deal with **NFL Media** to add **NFL Network** to its base package (\$34.99/month). The virtual MVPD's 65-channel basic lineup includes 36 that carry sports programming. Fubo also added the **NFL RedZone** channel to its relaunched Sports Plus add-on package (\$8.99/month) as part of the deal.

Audio Visual: **Hulu** and **Spotify** are bundling their respective services in a package exclusively for US college students. Eligible students can receive Spotify Premium and Hulu's limited-commercial SVOD service for a total of \$4.99/month. Hulu's limited commercial plan typically costs \$7.99/month on its own. Spotify Premium typically costs \$4.99/month as a standalone product for students and \$9.99/month for the general public. The Hulu service in the student package does not include live TV. The companies plan to offer additional bundles for a broader market in the near future.

Done Deal: Less than 24 hours after **Hearst** pulled broadcast signals from **Cox** systems in five markets, the station owner and cable operator have reached a new retransmission consent deal. **ABC** affiliates in Oklahoma City, Omaha and Fort Smith/Fayetteville (AR), as well as **NBC** affiliates in Orlando and New Orleans, were impacted by the brief blackout. Hearst has gone dark on three MVPDs this year—**DirecTV**, **DISH** and **Cox**—due to impasses in retrans negotiations.

People: **Fox Sports** head of business operations **David Nathanson** is leaving the company next month after 18 years, according to *SportsBusiness Daily*. -- **Discovery Comm** is making a number of changes to its executive team in response to the growth of its digital media business. **Francis Keeling** will serve as svp, international digital; **Jay Trinidad**, who currently runs Discovery Northern Asia, will also serve as managing director, digital ventures; and **Eugene Huang** has been named the new svp, product and technology. All three will report to **Michael Lang**, president, international development & digital.

PROGRAMMER'S PAGE

Lights, Camera and Lots of Makeup for Lifetime

Makeup and hair lovers have a bevy of beauty gurus to turn to on **YouTube** for how-tos and the latest looks. But linear TV has been a bit, well, plainer. Show creator *Norton Herrick* says that's partly why he got involved with **Lifetime's** upcoming "American Beauty Star," his first foray into reality TV. "My granddaughters were searching for a TV show about hair and beauty. And they said, 'hey, Poppy, why isn't there something on TV?'" While the reality competition series (premieres Sept 21, 10:30pm) hopes to attract some of those YouTube fans, it has a very different flavor with well-established style experts. "A majority of the contestants are actually working professionals who are at the top of their game, who run and own big salons. They are well established stylists in their own rights," says *Christian Murphy*, Lifetime's svp, daytime and programming partnerships and American Beauty exec producer. It's actually perfectly set up for co-viewing between teens and tweens and their parents. The show is destined to draw comparisons to Lifetime's "Project Runway." There's an international supermodel hosting—*Adriana Lima*—and even a *Tim Gunn*-like contestant mentor in celeb makeup artist *Sir John*. While the format has some similarities, Beauty Star stands on its own. Yes, there are models, but everyday folks also get glammed up. Challenges can be about more than just presenting an overall look, with one task asking contestants to create a 60-second video tutorial. Only one contestant at the end of the show will wear the American Beauty Star crown. While there's an obvious synergy with Project Runway, Lifetime's very interested in this space overall. Parent **A+E Networks** was part of a \$9mln round of funding for fashion and beauty platform **Beautycon Media** earlier this year. "It's more than just the idea of looking beautiful," Herrick says. "It's about feeling beautiful and the idea of empowerment and your best version of yourself." — *Amy Maclean*

Reviews: "Strike Team," 9:30pm, Tuesday, **ESPN**. This 24-minute documentary short might be one the best of ESPN's excellent "30 for 30" series. And it barely mentions sports. In 1985, seeking an innovative way to grab fugitives, the US Marshal Service cooked up a scam. Via mail and phone, it lured DC-area fugitives with free tickets to a Bengals-Redskins game, courtesy of a startup cable sports network. The entire set-up was bogus, but it worked. Beautifully. More than 100 fugitives, including two of DC's Top 10 most-wanted, showed up to claim tickets, with cheerleaders and bands heralding them. Marshals with guns then surprised the ticket holders by arresting them. A brilliant story told extremely well, mostly with footage from '85 (that the Marshal service and CBS shot). -- "The Deuce," season premiere, 9pm, Sunday, **HBO**. At **TCA**, *David Simon* told critics the crux of this series is how the pornography industry began along Manhattan's 42nd St corridor, in 1971. Season One's 8 eps barely begin that story. Still, its rich characters, fine production values and cast make "The Deuce" compelling viewing. -- "Top of the Lake: China Girl," Season 2 premiere, 9pm, Sunday-Tuesday, **Sundance**. Sophomore jinx? Ha. This season's even better. *Gwendoline Christie* is excellent as *Elisabeth Moss's* new partner on the Aussie police force. Oh, *Nicole Kidman's* not bad either. — *Seth Arenstein*

Basic Cable Rankings (8/28/17-9/3/17)			
Mon-Sun Prime			
1	FOXN	1.0	2169
2	MSNB	0.8	1801
2	ESPN	0.8	1761
4	USA	0.7	1543
5	HGTV	0.6	1360
5	TBSC	0.6	1298
7	HIST	0.5	1129
7	CNN	0.5	1078
7	ID	0.5	1072
10	DSNY	0.4	921
10	TNT	0.4	883
10	ESP2	0.4	848
10	HALL	0.4	786
10	HMM	0.4	631
10	DSE	0.4	75
16	FOOD	0.3	802
16	TLC	0.3	779
16	ADSM	0.3	770
16	FX	0.3	754
16	DISC	0.3	750
16	A&E	0.3	741
16	TVLD	0.3	692
16	LIFE	0.3	652
16	NAN	0.3	640
16	FRFM	0.3	627
16	AMC	0.3	626
16	NFLN	0.3	621
16	SYFY	0.3	616
16	OWN	0.3	589
16	NKJR	0.3	576
31	APL	0.2	557
31	VH1	0.2	546
31	BRAV	0.2	516
31	SPK	0.2	490
31	NBCS	0.2	488
31	TWC	0.2	484
31	INSP	0.2	479
31	BET	0.2	459
31	CMDY	0.2	452
31	DSJR	0.2	438
31	MTV	0.2	434
31	LMN	0.2	423
31	WETV	0.2	415
31	TRAV	0.2	394

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



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