

# Cablefax Daily™

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What the Industry Reads First

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## Float Upstream: Netflix's Continues International Sub Growth in 3Q

We won't be able to assess the impact of **Netflix's** recent pricing changes until the end of the current quarter, but its 3Q results Monday suggest a lot of room for growth, particularly overseas. The SVOD giant gained 5.3mln subs in the quarter, a 49% YOY increase from 3Q16. That breaks down to 4.4mln internationally and 851K domestically. The company exceeded Wall Street estimates both abroad and at home, which according to **FactSet** were pegged at 3.69mln and 810K, respectively. The service's promotion with **T-Mobile**, in which customers with two lines or more received Netflix free of charge, likely helped boost 3Q sub numbers. "Our partners are enthusiastic about the response to these bundles as the excitement around our big content enhances their offerings," the company wrote in its letter to shareholders. Through three quarters, the streamer has added 15.5mln subs—up 29% from the same point in 2016—for a total of 109.3mln. Quarterly revenue increased 30.3% YOY from the same period last year. With the price change now in effect, Netflix is forecasting 6.3mln net sub adds for 4Q17, which would represent a 10.6% YOY dip from 7.1mln last year. The company's stock price spiked to an all-time high of \$205.4 in after-hours trading by press time. Netflix hadn't posted its pre-recorded earnings interview as of press time, but its letter to shareholders offered a number of insights. First, its commitment to original content isn't waning; in fact, it's quite the opposite. Previously, the company had said its budget for originals in 2018 was \$7bln, but is now calling it \$7-8bln (compared to \$6bln this year). Netflix has been touting original content as its bread and butter for some time now, but it could be even more focused on owning its programming in the wake of **Disney** deciding to pull its content from the service to form a potential OTT competitor. It said originals currently account for a quarter of its programming spending, a number that will "continue to grow." "Investors often ask us about continued access to content from diversified media companies," the shareholder letter read. "While we have multi-year deals in place preventing any sudden reduction in content licensing, the long-term trends are clear. Our future largely lies in exclusive original content that drives both excitement around Netflix and enormous viewing satisfaction for our global membership and its wide variety of tastes."

**Still Waiting:** **Viacom** and **Charter** agreed to a brief extension of their existing distribution deal Sunday, avoiding blackouts of channels like **Nickelodeon**, **BET**, **MTV** and **Comedy Central** for at least another day. **Telsey Advisory**

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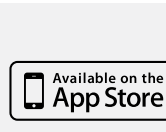
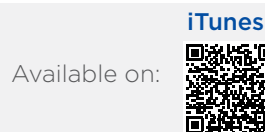
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**Group's Tom Eagan** wrote the firm expects a renewal by early this week that favors Charter. "It will be renewed at lower rates and for fewer channels," he wrote. "We expect this deal will translate to lower domestic affiliate revenue [for Viacom]." He added that there's now doubt about whether Viacom will be able to follow through with a non-sports skinny bundle.

**Retrans Update:** The Dispatch Printing Company has returned Columbus-based **CBS** affiliate **WBNS** and Indianapolis-based **NBC** affiliate **WTHR** to **DirectTV** and **U-verse** after reaching a "long-term" agreement with **AT&T**. The two local stations had been off the air in their respective markets since Sept 6. AT&T is still in the midst of several blackouts. **Capitol Broadcasting's WRAL** (NBC) and **WRAZ** (Fox) have both been dark in the Raleigh/Durham/Fayetteville market since Sept 13. In addition, seven **American Spirit Media** stations have been blacked out on **DirectTV** (and four on U-verse) since Sept 22.

**Repack Allocation:** The **FCC** is allocating \$1bln for broadcast stations and MVPDs to expenses related to the construction of station facilities on reassigned channels. It will relocate additional amounts as necessary later in the repack transition period. As of July 14, the total amount eligible entities said they'd need to cover costs was \$2.1bln. Congress, however, only set aside \$1.75bln.

**Denial No More:** Recent announcements from **Comcast** and **AT&T** about anticipated 3Q video sub losses "shouldn't have come as a surprise," according to **MoffettNathanson** analyst *Craig Moffett*. He noted Monday that 3Q included the launch of several new virtual MVPDs and massive expansion by **YouTube TV**. *Moffett* also asserted that slower broadband growth shouldn't have been a surprise either, given that household penetration was already at 80% at the start of the quarter. "What all this reveals is that there was a lamentable sense of complacency in the sector before Comcast's pre-announcement, and that now there is an equally lamentable sense of hysteria about learning things we already should have known." With regard to AT&T in particular, *Moffett* said "aggressive promotions" didn't help stave off sub losses. "At best, AT&T's satellite offers may have slowed the erosion of [DirectTV] from what otherwise would have been even worse," he wrote. For the pay-TV industry as a whole, *Moffett* projected the rate of decline will have increased to 3.4% from 2.7% last quarter, adding the firm expects that to continue worsening for a few more quarters before the rate of decline eventually stabilizes in the 2.5-3% range.

**Sound of Silence:** **FCC** commish *Jessica Rosenworcel* questioned chmn *Ajit Pai's* absence from the public dialogue about President *Trump's* request that broadcast networks' licenses be reviewed and possibly revoked. In a Sunday appearance on **CNN's** "Reliable Sources," host *Brian Stelter* asked her why *Pai* has yet to comment. "I can't really speak to what he's thinking, but I do think that history won't be kind to silence," she said. "I think it's important for all the commissioners to make clear that they support the First Amendment and that the agency will not revoke a broadcast license, simply because the president is dissatisfied with the licensee's coverage."

**Big Business:** **Concurrent Computer Corporation** agreed to sell its content delivery and storage assets to network technology manufacturer **Vecima Networks** for a base price of \$29mln. The proposal has been approved by both companies' Board of Directors, but requires stockholder approval from Concurrent alongside other terms and conditions. A number of stockholders have formed voting agreements in favor of the proposal, with their collective



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common stock representing approximately 17% of Concurrent's total issued and outstanding shares.

**Discovering Germany:** **Discovery** has teamed up with Germany-based **ProSiebenSat.1** to launch an ad-supported video service in the country. The initiative will bring together nine of Germany's most popular terrestrial TV channels, along with **Discovery's** free-to-air channels **DMAX** and **TLC**. It will also include a number of original and premium TV shows. The service is available on the **ProSiebenSat.1 7TV** digital platform and app.

**Hammer Time:** The **Video Advertising Bureau** is exploring a new multitouch attribution measurement model to help nets showcase sales impact premium, multiscreen TV video advertising. The project, code-named "THOR," was the topic of a meeting Friday that included execs from **ABC, A&E, AMC, CBS, Crown Media, The CW, ESPN, Fox, Discovery, NBCU, Turner** and **Viacom**. The participants are targeting 2018 for a potential THOR activation.

**Piracy Suit:** Several studios—**Universal, Columbia, Disney, Fox, Paramount** and **Warner Bros.**—are teaming with **Amazon** and **Netflix** in a lawsuit against **TickBox TV**, a company that allegedly sells illegal access to the plaintiffs' copyrighted material via a TV-connected device. The filing in a California Federal Court on Friday was first reported by *The Hollywood Reporter*. The content producers are seeking damages, as well as injunctions preventing TickBox from continuing its infringement and impounding all TickBox devices in the company's possession.

**Arris Gains Access:** Canadian cable operator **Access Communications Co-operative** has selected **Arris' ME-7000** Converged Compression Platform to power its next-gen video processing. It joins fellow Canadian operator **Eastlink** and Mexico's **Izzi** as companies utilizing the technology. The ME-7000 will provide MPEG-4 transcoding for more than 40 HD services and 20 services for the majority of Access' TV customers in Saskatchewan. The converged platform supports multiple video formats, including MPEG-2, MPEG-4 and HEVC for Cable Statmux, IPTV, or Multiple Bit-rate profiles for Adaptive Bit Rate (ABR) use cases.

**X Factors:** **Comcast** made several updates to its X1 platform, including one-step launch of the accessibility settings menu (for those with disabilities or who speak English as a second language), voice commands for playback control and a redesigned sports entity page for **NFL** teams.

**Programming:** **HBO** chmn/CEO *Richard Plepler* announced during Mipcom that the net will bring its top international original programming to US customers. Starting in December, it will bring two series each from **HBO Europe, HBO Latin America** and **HBO Asia** to streaming services **HBO Go, HBO Now** and **HBO On Demand**. -- **A&E Network** is premiering "Who Killed Tupac?" under the recently relaunched "Biography" banner. The six-part limited series premieres Nov 21 at 9pm. -- **History** is celebrating Veteran's Day with a four-hour marathon of "The Warfighters." Starting at 8pm on Nov 11, the docuseries follows recent US Special Ops in the war on terror.

**Hall of Famers:** **Cablefax** is proud to announce its 2017 class of TV Hall of Fame inductees, which has recognized execs, shows and talent for their contributions to the industry since 2008. **TLC** pres/GM *Nancy Daniels*; **ESPN's** vp, content *Connor Schell*; **El Rey** pres/GM *Daniel Tibbets*; and **FXX's** "Always Sunny in Philadelphia" will be honored at Cablefax's Awards Gala dinner on Nov 7 in L.A. at 5:30pm PT, along with winners of the Program Awards, Trailer Awards and Affiliate Marketing Hot List honors. Register at [www.cablefax.com/event/cablefax-awards-gala-2017](http://www.cablefax.com/event/cablefax-awards-gala-2017).

**People:** **Pop** appointed *Jed Kapsos* to the position of CFO, bringing the **CBS** vet to L.A. for an immediate transition. He'll report to president *Brad Schwartz* while heading all of the net's financial and accounting activities. Kapsos most recently served as svp, finance, for **CBS**, overseeing the its accounting, shared services and West Coast financial operations. -- *John Fitzgerald* is returning to the **ESPN Audio** team as vp, ad sales. He's spent his entire 21-year career with **The Walt Disney Company** and will now lead all of **ESPN Radio's** national network ad sales, including podcasts.

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