

# Cablefax Daily™

Tuesday — October 24, 2017

What the Industry Reads First

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## Weathering the Storm: All Eyes on Service Providers' 3Q Results

As investors await 3Q financials, there are a lot of questions over what sort of impact recent natural disasters will have on results. **Comcast** spooked investors last month by pre-announcing the loss of 150K net video subs for the quarter. Hurricanes are partly to blame, but so is competition. On Monday, **Wells Fargo Securities** reiterated its "outperform" rating, arguing the video losses don't warrant the 10% drop in the share price. "Video has not been the biggest growth driver for a while," the firm reasoned, noting that as video subs fall, EBITDA margins rise with incremental HSD offsetting video. But what about the impact from storms? **Verizon** reported results last week, with earnings reflecting a 1 cent per share impact for the hurricanes in Florida and Texas. The picture should get a bit clearer this week with **AT&T** to release 3Q results after the bell Tuesday and Comcast reporting on Thursday. "On the pay TV front, Comcast and AT&T's warnings of weaker subscriber adds and the impact of unprecedented bad weather foreshadow disappointing results in traditional MVPD land," **MoffettNathanson** said. As we wait to see how much of the sub loss is attributed to Harvey and Irma (and whether there is any insight into 4Q with the California wildfires), last week's **SCTE-ISBE** Cable-Tec Expo offered some stories about what's going on from the field. "Hurricane Katrina taught us an awful lot... What we've really learned and excelled at over the years, especially at **Cox**, is our BCP [Business Continuity Planning], our incident management," said *Patricia Martin*, Cox vp, service assurance. "Making sure that we're always prepared. You can't always predict, but you can plan to react very quickly." Part of that planning is in communications ahead of the disaster, something Cox recently put into place with the Northern California wildfires. It had a facility in direct harm's way. "They had a fire truck in front of the building and they also made sure we also had a helicopter dropping fire retardant over it," Martin said. "I think that's probably a pretty good example of great planning and being involved in your community." Comcast svp, operations *Ed Marchetti* praised employees in Texas and Florida, who showed up for work even as their own homes were in disarray. "In a number of weeks, we've got all the customers back online that are able to occupy their homes," he said. "This year has just been an epic year for natural disasters. The one thing this industry is very good at is in times of need not only the employees, but also the vendors, contractors. It's just amazing the level of support from the whole ecosystem we rely on." **Liberty Global**

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## Also Honoring Cablefax's Affiliate Marketing Hot List

### TOP MARKET LEADERS

- **Kamala Avila-Salmon** – YouTube TV
- **Jamia Bigalow** – Fox Networks
- **Bill Binford** – Verizon
- **Chris Brush** – Disney & ESPN Media Networks
- **Sol Doten** – Ovation
- **Jonathan Freeland** – Cox Communications
- **Mark Greatrex** – Cox Communications
- **Rick Lang** – Comcast
- **Hestia Lei** – Sony Playstation Vue
- **Kristin Malaspina** – Charter Spectrum
- **Bill Osborn** – Outdoor Channel
- **Court Passant** – CBS Corporation
- **Randy Rovegno** – Pop
- **Heather Symmes** – Uptv, Aspire and UP Faith & Family
- **Angela Turner** – Revolt TV

### NEXT WAVE

- **Jerry Arias** – Comcast Spotlight
- **Linda Cabral** – Disney & ESPN Media Networks
- **Kristen Cuffee-Brown** – Cox Communications
- **Laura Emmet** – DirecTV
- **Alan Gutierrez** – Fox Global Networks
- **Mary Luther** – Outdoor Sportsman Group
- **Nico McCarthy-Moya** – Ovation
- **Jennifer McNab-Baumann** – A+E Networks
- **Michele Monte** – Comcast
- **Joanna Rodriugez** – DirecTV
- **Allison Ross** – Disney & ESPN Media Networks
- **Angelina Watkins** – Sony Playstation Vue
- **Shelly Williams** – Roku

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CEO *Mike Fries* painted a similar canvas, describing how the operator, through both employees and vendors, has raised more than \$1.5mln for Puerto Rico, where **Liberty Cablevision Puerto Rico** operates with 1K employees and 1mln homes passed. “We’ve been investing a ton of time and money in humanitarian relief. Firstly, that’s the most important thing. We’ll rebuild the networks, but I think it’s more important to rebuild the communities because if people start to leave these towns... then it’s a bigger long-term problem,” Fries said during an Expo session Wednesday. Money raised has been going to things such as batteries, solar light bulbs, water and so on. “It’s not just devastating to our infrastructure. It’s devastating to the lives of people who live there,” he said. “We have 800K RGUs and today, I think less than one percent of them are online. And I think 90% of the island is without power. It’s about as bad as it gets.”

**Free Flix:** **Altice USA** is offering a free year of **Netflix** to **Optimum** customers who sign up for a triple-play package with a one-year contract. The company announced in a commercial spot that it would even foot the bill for customers who already have Netflix subscriptions. Altice subsidiary **SFR** has been offering Netflix in France since 2Q as part of a package with high-speed internet and TV service. Similarly, **T-Mobile** is offering US customers with a multi-line plan a free Netflix subscription. Optimum’s Netflix offer follows announced price increases by the provider, which it attributed to the rising cost of programming, particularly sports and broadcast nets. The company declined to say whether the rate adjustment was connected to its new carriage agreement with **Disney**, which reportedly has the carrier paying more for **ESPN** nets, as well as **WABC**. -- Meanwhile, Netflix intends to offer \$1.6bln worth of senior notes, the terms of which (interest rate, redemption provisions, maturity date) will be determined by negotiations between the company and initial purchasers. It plans to use proceeds from the offering for general corporate expenses, including content acquisition, production and development, capital expenditures, investments, working capital and potential M&A activity.

**Under the Microscope:** The heads of **Google**, **Facebook** and **Twitter** got a missive from **House Commerce** ranking member *Frank Pallone* (D-NJ) Monday, who wants more details on the companies’ content management policies. A “lack of transparency makes it difficult for consumers to understand how content is controlled and for the government to oversee the market,” the lawmaker wrote. He cited a *ProPublica* report that found Facebook bans certain terrorist orgs such as the Taliban, but allows Holocaust denial and white supremacist sites. He also referenced reports about *Rose McGowan’s* Twitter account being locked after posts about Harvey Weinstein as well as junk news and misleading ads that are “running rampant on the major platforms.” Pallone asked for a briefing on

## Cablefax Industry Jobs

### 3 Tips to Finding and Hiring the Perfect Candidate

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policies for moderating content and advertising, including how they are enforced and what safeguards are in place to prevent creators of fabricated content from gaming algorithms to promote their stories.

**AT&T's Fiber Claims:** The National Advertising Division has recommended that AT&T modify advertising related to AT&T Fiber following a challenge by Charter. AT&T will appeal NAD's adverse findings to the National Advertising Review Board, and Charter intends to appeal two NAD findings. NAD recommended modification of AT&T Fiber advertising so that in markets where AT&T Fiber is not widely available, the advertising makes clear that AT&T Fiber is more unavailable than available. NAD recommended that AT&T discontinue the claim that it has the "largest fiber network" in the context of advertising for AT&T Fiber or modify its claim to make clear that it refers to fiber across AT&T's network, not to its fiber-to-the-home network. NAD gave the greenlight to AT&T's Internet 1000 names, saying it was not misleading because it discloses that maximum download speeds are 940Mbps. NAD noted that the advertiser agreed to permanently discontinue the claim that it is "20X faster than cable." AT&T said it strongly disagrees with NAD's recommendation on disclosing limited availability since the advertising states "coming soon," declaring that additional limited availability disclosures are unnecessary, contradictory and confusing. Charter said it plans to appeal the finding that "AT&T can advertise its AT&T Fiber services on a marketwide basis in markets where the service is not yet available to 20% (or more) of the marketplace," and NAD's finding that AT&T can advertise that customers will receive a "gigabit" or "1000 Mbps connection" with AT&T's "Internet 1000" tier of service so long as it discloses that the service only delivers speeds up to 940 Mbps.

**Seventh Heaven: FS1** scored its most-watched telecast in network history Saturday night, drawing an average of 9.9mln viewers for ALCS Game 7 between the Astros and the Yankees. That figure was the third-best ever for any MLB cable telecast. Fox Sports said it is averaging 5.1mln viewers across FS1 and Fox for MLB playoff games this year, "virtually flat" with last year, which included the Cubs' historic run. TBS averaged 4.6mln viewers throughout the postseason, a 44% increase from its 2016 coverage.

**Crystal Clear: Insight TV**, a programmer focused on creating and airing Ultra HD content, struck its first 4K UHD distribution deal in the US with Layer3 TV. The Netherlands-based net is now available to Layer3 subs in Denver, Chicago, DC, LA and Dallas. Layer3 now carries two 24/7 4K networks, as well as a growing slate of 4K VOD content and several live sporting events. The operator said that more than 50% of its subs have watched 4K either live or on demand.

**Eat Your Dinner:** Parents are of the nearly unanimous opinion that disconnecting from devices during mealtimes is key to bonding as a family, according to a new Comcast survey highlighting the "pause device" function of the Xfinity xFi platform. Two of every 5 parents (42%) couldn't recall their family's last device-free meal, but it's not all on today's children. More than half of parents have been called out by their kids to put their devices away. Comcast says its "pause device" feature is now the most popular xFi function, with users pausing about 5mln times since launch (most often between the hours of 6-9pm).

**Mom Knows Best: Telemundo, Hasbro and Being Latino** are joining together on a three-month, multi-platform campaign aimed at Latina mothers. Hispanic social media star *Evesther* will star in videos showcasing bonding moments between mothers and their children. Content will begin showing on Oct 23, using the hashtag #MomentosConMamá to amplify reach beyond Hasbro and Telemundo's brand channels.

**Programming: CBS All Access** is renewing "Star Trek: Discovery" for a second season after only six episodes aired. The show's launch broke a new record for subscriber sign-ups in a single day, week and month for the service. New episodes are available on demand weekly after 8:30pm on Sundays exclusively for US subscribers. -- **Spectrum News NY1** is launching a weekday morning show headed by *Pat Kiernan*, an industry veteran. For three hours starting on Oct 23 at 6am, "Mornings on 1" will feature Kiernan, anchor *Annika Pergament*, traffic reporter *Jamie Stelter* and weather reporter *Stacy-Ann Gooden*. -- A sixth season of "Ray Donovan" is coming to Showtime. The next 12 episodes in the series will be filmed in NYC rather than LA when production begins in early 2018. The Season 5 finale arrives on Oct 29 at 9pm. -- **Zone TV** is bringing web-based experience Halloween Countdown to **Xfinity X1**. Following in the footsteps of the holiday season's Santa Tracker, Halloween Countdown will initially be offered to all X1 video customers and introduce Zone's first original video production, "Halloween Around the World." The program takes viewers on a tour of Halloween celebrations and destinations across the globe. -- "American Chopper" is returning to **Discovery**, bringing back father-son duo *Paul Teutul Sr.* and *Paul Teutul Jr.* Premiering in winter 2018, the new season shows the pair looking to the future of their businesses and their families. At its peak, American Chopper averaged a 2.18 P25-54 rating and 3.4mln total viewers, ranking as Discovery's highest-rated original at that time.





## Sports Play

Previously on Screenster, we spoke with two sports media experts about what the early results of **Amazon's** "Thursday Night Football" streams mean for the **NFL** and the future of live rights. For this week, we touched base with Amazon head of sports *Jim DeLorenzo* to try and gauge how Amazon feels about the start of its sports streaming endeavor.

"Things are going well," DeLorenzo said. "We really always focus on how our customers are reacting and the comments you see from them, and it's been really positive on a number of fronts. People have found the stream quality to be great, they love the convenience of being able to watch on all the different platforms we're on."

Through four simulcasts, the e-commerce giant has an average minute audience (AMA) of 374K viewers with an average viewing time of 51.25 minutes. Each game reached viewers in more than 180 countries, a particularly nice stat for the NFL, which has made aggressive overtures to a number of international locales in recent years.

DeLorenzo declined to comment on whether the early returns are in line with the company's initial projections, as well as the NFL's impact on Prime subs or retail sales. He was also fairly evasive when asked about the company's broad strategy for sports rights going forward.

"One of the things I can say is that we're always trying to find content—sports or non-sports—that is compelling for our customers," he said. "We're always going to work backwards from what the customers are looking to watch on our service and then adding that type of content makes sense."

Since signing the NFL deal, Amazon outbid **Sky Sports** for exclusive rights to ATP tennis in the UK beginning next year. It also offers audio feeds for Bundesliga soccer games in Germany. There have been reports that the company is preparing to make a significant bid for Eng-

lish Premier League rights, which are slated to become available in 2019.

Amazon's deal with the NFL for "Thursday Night Football" is a one-year deal, as are the league's "TNF" broadcast agreements with **CBS** and **NBC**. As **BTIG Research's** *Rich Greenfield* previously asserted, it seems that if the NFL were inclined to try to go exclusively with a digital partner, it would make sense to start with "TNF" and Amazon. That scenario raises the question of whether the technology serving the current simulcast audience is capable of delivering high-quality video to an exponentially larger audience.

DeLorenzo didn't want to speculate, but pointed to Amazon's SVOD service to support the argument that the company could handle a much larger audience. "Forget sports; Amazon, we have a global video service," he said. "So, in general, we already are streaming to a very large audience on a global basis daily. It's difficult for me to speculate as to our ability to stream any specific package, because it'd really be theoretical?"

Live streaming, of course, is a different ballgame than VOD. While VOD delivery is often accomplished via progressive download, meaning the computer temporarily stores part of the video on the user's hard drive as it's received, a live stream requires much more bandwidth. We've seen high-profile sporting events (i.e. Mayweather-McGregor) run into live streaming trouble due to user volume. In addition, the NFL's decision to move its Sunday Ticket package to DAZN, a new streaming entrant, was fraught with issues and unpopular with fans.

There's hope for resolving latency issues though as the wireless world works toward 5G and wireline looks to new standards like 802.11ax and DOCSIS 3.1. AT&T has been busy testing millimeter wave spectrum and 5G for delivery of DirecTV Now. Digital properties like Amazon are going to help shape the future of sports media, but the verdict is out on how quickly that change will occur.



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