

Cablefax Daily™

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What the Industry Reads First

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No Quarter: Comcast, Charter Report Sizable Video Sub Losses in 3Q

The US' two largest cable providers reported significant 3Q video subscriber losses Thursday, but remain adamant they can make video a growth business once more. **Comcast**, which last month warned investors to expect a net loss of about 150K residential video subs, reported Thursday the actual damage was 125K video subs lost (-134K residential; +9K business). Without a similar heads up, **Charter's** loss of 104K residential video subs seemed to be a bit of a surprise to Wall Street given analysts' average estimate of 49K lost subs. "Charter missed an opportunity to reset investor expectations (no doubt in part because their starting point, with already-declining video subscriber metrics, was quite a bit different than Comcast's)," wrote **MoffettNathanson** analyst *Craig Moffett*. The market reacted more harshly toward Charter than Comcast, with the former's stock dropping 28.6% to \$316.29 by the close of trading Thursday. "We're hearing, it is the big sub miss coupled with higher leverage that has investors a bit nervous," wrote **Wells Fargo Securities** analyst *Marci Ryvicker*. Comcast also took a ding, dropping 1.52% to \$36.27. Both companies said recent hurricanes impacted their sub losses, with Comcast indicating the storms cost the company 35K customer relationships (video and broadband). They also both cited increased competition in the video space. In addition, Charter chmn/CEO *Tom Rutledge* placed some of the blame at the feet of programmers, who he says haven't done enough to prevent video piracy and password sharing. "There's a lot of unsecured video out there that is affecting the value relationship of video in a dramatic fashion," he said. "You would think that people would be responsive to that that sell video." Comcast chmn/CEO *Brian Roberts* stressed that despite the company's second consecutive quarter of declining video subs, it is better suited than competitors to stave off pressures thanks to its innovative X1 platform—now in 57% of Comcast households—as well as its strategy of bundling X1 with a number of other services. He suggested Wall Street hasn't grasped how significant a differentiator X1 is for Comcast. "It's just unfortunate that most of you guys live in New York and some live in LA who make the content, and don't get to play with X1. But when you see the Olympics on X1 coming out in a couple of months, you will see a set of capabilities to help content reach consumers in a way that is unprecedented anywhere in the world on any platform. If you want the best products and, increasingly, the best service, you're going to come to our company." *Dave Watson*, pres/CEO of Comcast's cable division, also said the company is using its recently launched Instant TV product to "surgically" target

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- **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
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- **Joanna Rodriugez** – DirecTV
- **Allison Ross** – Disney & ESPN Media Networks
- **Angelina Watkins** – Sony Playstation Vue
- **Shelly Williams** – Roku

Register: www.cablefax.com/event/cablefax-awards-gala-2017
Questions? Contact Charlotte Clay at cclay@accessintel.com or 301-354-1851.

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consumers who don't want a traditional cable bundle. Charter execs pointed to bundling as a strategy that will ultimately allow it to reverse the trend in video; it has seen net sub losses in each of the past six quarters. On the whole, Charter posted 3Q revenue of \$10.46bln, a 4.2% increase from 3Q16, but less than analysts' expectation of \$10.49bln. Comcast's revenue was in line with expectations at \$21.0bln, down 1.6% YOY (Comcast-owned **NBCU** had rights to the 2016 Rio Olympics, boosting last year's comparable figure). Revenue at NBCU's cable nets dropped 11.5% YOY to \$2.6bln, though the company noted it would've seen at 3.7% gain if not for last year's Olympics.

Broadband Pricing: New Street Research's *Jonathan Chaplin* noted **Comcast's** 3Q net addition of 214K broadband subs (182K residential, 32K business) missed the consensus estimate of 229K. **Charter** posted 249K residential broadband adds, also less than analysts' forecast of 319K. Comcast chmn/CEO *Brian Roberts* during the company's earnings call referred to broadband as the "epicenter of our relationships with customers" and as providing the "majority of profitability." Later, Comcast Cable pres/CEO *Dave Watson* explained that broadband-only customers offer higher margins, as the company charges more for internet on a standalone basis. The goal, he said, is to profitably package services like video, voice, wireless and home security. **MoffettNathanson's** *Craig Moffett* wrote that unlike Comcast, Charter hasn't configured its broadband pricing model to help offset losses in video. Charter chmn/CEO *Tom Rutledge* during Thursday's call said, "We're happy with the way we're pricing our packaging today. We're happy with the way we're pricing our single-product services today, and we think we have an excellent growth trajectory based on our pricing structure." Moffett, however, wrote, "Charter has not yet pivoted its model in a way that recoups lost video margins through higher broadband rates...and they continue to argue they don't need to. The market apparently disagrees, and frankly, so do we."

Time In: **Time Warner** had a banner day Thursday, exceeding expectations with its 3Q earnings results. The content giant posted revenue of \$7.6bln, up 6% from 3Q16 and above analysts' estimate of \$7.39bln, according to *Thomson Reuters*. **HBO** posted a 12% YOY increase in subscription revenue, its highest quarterly growth in 13 years, and a 13% increase in overall revenue to \$1.6bln. Revenue at **Turner** increased 6% YOY to \$1.7bln thanks to a 13% increase in subscription revenue, offset by a 3% decrease in ad revenue. Time Warner said its merger with **AT&T** remains on track to close before the end of 2017. Speaking of that deal, a hodgepodge of seven interest groups sent a letter to US Attorney General *Jeff Sessions* on Thursday urging the **Department of Justice** to consider preventing the merger. "At this time where giant media companies are aggressively seeking to consolidate, our antitrust laws have rarely been a more potent and needed defender of American consumers of all stripes and ideologies," they wrote.

Cablefax Industry Jobs

3 Tips to Finding and Hiring the Perfect Candidate

TIP 1 : Target Candidates!

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TIP 2 : Be Selective!

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TIP 3 : Stand Out!

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November FCC Meeting: As telegraphed at Wednesday's **FCC** Oversight hearing, FCC chmn *Ajit Pai* put media ownership on the November open meeting agenda. If approved, the order would eliminate the attribution rule for television joint sales agreements, finding that JSAs serve the public interest by allowing broadcasters to better serve their local markets. Other elements of the order include eliminating the newspaper/broadcast cross-ownership ban and the radio/television cross-ownership rule, as well as creating an incubator program to encourage greater diversity in media. There's no proposed change to the dual-network rule, which prevents joint ownership of two of the top-four broadcast nets in a market. It's a busy month at the FCC. In addition to ATSC 3.0 (see below), the Commission is slated to vote on making another 1700 MHz of high-frequency spectrum available for flexible terrestrial wireless use and to seek comment on getting rid of Form 325, which cable ops submit showing info on network structure, programming, subscriber numbers and other topics.

ASTC 3.0 Raises Concerns: Consumer interest groups hosted a call Thursday addressing the concerns surrounding **FCC** proceedings regarding next-gen television standard ATSC 3.0. The FCC is slated to vote on the standard at its Nov 16 meeting. Proponents say it will bring better video, advanced emergency alerts and mobile television reception, but critics like the **American Television Alliance** (ATVA), whose members include **DISH** and **Charter**, worry it could open loopholes in retrans agreements. ATVA counsel *Michael Nilsson* commented on the standard's lack of backwards compatibility and broadcasters' lack of commitment to a simulcasting requirement, saying he'd be looking for details about coverage areas and simulcast quality. **New America Foundation**, which filed both comments and reply comments in conjunction with **Consumers Union** and **Public Knowledge**, asked for clarity on the proposed transition to ATSC 3.0. New America's *Michael Calabrese* said the group will pay particular attention to the continued public interest of local broadcasters, the potential loss of access for local families and what transition costs might exist. *Ross Marchand* of the **Taxpayers Protection Alliance** said that the proposal and lack of an obvious simulcast requirement could mean a disproportionate number of low-income households would lose their access to TV. He also addressed the stress the transition could put on local governments, which will need to update systems in schools, libraries and other public buildings to support the standard. "Taxpayers will be forced to fork over millions upon millions of dollars for TV broadcasting they're already paying for in their own household," Marchand said. "And the cost from public broadcasters like PBS could prove to be astronomical."

Roku for Operators: Roku is making its first 4K UHD HDR streaming player with over-the-air capabilities available for pay-TV and telco operators. Australia-based **Telstra** will become the first licensee to deploy the player for its TV service later this month. Roku's licensing program allows providers to develop their own custom streaming player with Roku's operating system and features.

CTHRA Wrap: Proof that cable's HR professionals are dedicated to figuring out what a changing media landscape means to the workforce was fully on display Thursday at **CTHRA's** Symposium. The day-long conference on disruptive thinking had been sold out for two months. Many sessions considered how technology will impact the workforce. What we think of as video gaming today will turn into the leading learning medium in all of history, according to conference keynote *Bob Johansen*, a distinguished fellow for the **Institute for the Future**. He identified moving from hierarchical organizational structures to shape-shifting orgs and leading people who aren't there (whether they are in different locations, time zones, shifts) as challenges for the future. **Indeed** recruitment evangelist *Lindagrace De la Cruz* shared some insights from the 25 terabytes of data the job search site collects each day. In the US and industrialized nations, every single company is becoming a tech company, she said. Companies are having to look outside of tech backgrounds to find talent, with De la Cruz sharing that 48% of developers never received a degree in computer science and 10% of people with higher education degrees applying to tech jobs have fine arts degrees.

Future of Television: **Layer3 TV** brought together lawmakers, regulators and other industry influencers Wednesday at the **Consumer Technology Association** Innovation House in DC to discuss 4K and the future of TV. Guests, including congressmen *Darrell Issa* (R-CA) and *Marc Veasey* (D-TX), **Heller Search Associates** CEO *Martha Heller*, **FCC** associate bureau chief *Chris Killion* and former FCC Enforcement Bureau chief *Travis Leblanc* demoed the platform. DC was the first major launch market for Layer3, which touts a 4K UHD lineup and app integration.

TiVo Talks: **TiVo** and **Liberty Global** renewed their existing product agreements while signing a multi-year extension of their IP licenses. Under the expanded deal, Liberty and its subsidiaries will have greater access to TiVo's patent portfolios.

People: *Jenna Silver* is taking on an elevated role at **Univision** as vp of ad sales marketing. She'll head a team of marketers and creatives to grow the Univision brand and market opportunities through sales tools, trainings and communication to sales staff. Univision also elevated *Adam Shippee*, promoting him to head of investor relations and svp, corporate business development.

PROGRAMMER'S PAGE

Looking Snappy

With E!'s Snapchat series "The Rundown" more than a year old, the programmer isn't slowing down with content for the platform. On Saturday, E! News debuted its latest Snapchat series, beauty makeover program "Face Forward." The eight-ep series will roll out a new installment each week, running four to six minutes each and available for 48 hours. Young women receive makeovers from a glam team composed of YouTube beauty guru *Patrick Starr*, online hair expert *Tiarra Monet* and celeb stylist *Johnny Wujeck*. It has that feel of quick, personal content with a bit of humor thrown in. Beauty lovers know that YouTube has countless tutorials on everything from creating the perfect cat eye to makeup contouring, but Face Forward feels different, tailored to the platform. "We were talking to Snapchat about what can be an entertaining tutorial that you can really use that takes four or five minutes to get something out of it, but also remained entertained," said *Bryce Kristensen*, E!'s vp, digital and social media. "While a lot of what you see on YouTube is very straightforward and takes 25 minutes, we felt like this audience wasn't up for sitting down and watching a 25 minute explainer on how to do a different kind of eye look." E! knows a thing or two about what Snapchat users want. It was one of the first to create a fully produced Snapchat show with Rundown, which recently expanded to three times a week based on its success. "A lot of what we're doing at E! News is telling pop culture stories that obviously have a very broad audience. That younger demo maybe doesn't access E! News through television," Kristensen said. "We started from a place of 'if we were making E! News from the ground up for a millennial demo, who would we cover.'" Snapchat data analytics have helped it hone in on passion points for the audience, such as beauty. E! expects to announce more projects for the platform going into 2018. — *Amy Maclean*

Reviews: "The Tracey Ullman Show," Season 2 premiere, HBO on Demand. In a way, this season premiere is all about boundaries. There are doctors who play fast and loose with regulations and confidentiality, there's German leader *Angela Merkel* refusing to be bound by changed political realities and *Rupert Murdoch's* devil-may-care wife and immediate family, who play by the rules only when daddy is looking. And then there's *Ullman's* impersonation of *Dame Judi Dench*, a British "national treasure," in case you'd forgotten. Of course treasures know no boundaries, and Dame Judi runs afoul in a London park. Her initial crime seems insignificant, but leads to big issues. The real crime is failing to appreciate Ullman's spot-on impersonation. In this 30-minute romp there are few misses and lots of chuckles. -- "Hit The Road," 8pm, Tuesday, **Audience.** *Jason Alexander* heads what resembles "The Partridge Family," but with a father, a lot less musical talent and a lot more sex and racy language. While the Partridges had a bus to get to and from gigs, this band, not coincidentally called Swallow (honest), lives on its bus, which makes for a too-close-knit family. The first two eps had funny moments, although Alexander's take on an overly optimistic and highly nervous father overwhelms sometimes. — *Seth Arenstein*

Basic Cable P2+ Prime Rankings (10/16/17-10/22/17)

		Mon-Sun Rtg	(000s)
1	FS1	1.8	3952
2	TBSC	1.1	2663
3	ESPN	1	2164
4	FOXN	0.9	2030
5	TNT	0.8	1746
6	MSNB	0.7	1615
6	AMC	0.7	1610
8	USA	0.5	1185
8	HGTV	0.5	1154
8	DISC	0.5	1073
8	HALL	0.5	1060
12	HIST	0.4	956
12	ID	0.4	916
12	DSNY	0.4	879
12	A&E	0.4	867
12	FOOD	0.4	835
12	DSE	0.4	89
18	CNN	0.3	809
18	FRFM	0.3	797
18	TLC	0.3	783
18	FX	0.3	747
18	ADSM	0.3	738
18	BRAV	0.3	650
18	TVLD	0.3	626
18	VH1	0.3	567
18	NFLN	0.3	563
18	NKJR	0.3	559
18	HMM	0.3	508
18	DSJR	0.3	475
18	FOXD	0.3	167
31	LIFE	0.2	567
31	NAN	0.2	554
31	INSP	0.2	492
31	APL	0.2	468
31	SYFY	0.2	463
31	OWN	0.2	448
31	BET	0.2	408
31	TRAV	0.2	405
31	NGC	0.2	401
31	LMN	0.2	388
31	MTV	0.2	378
31	CMDY	0.2	371
31	WGNA	0.2	352
31	GSN	0.2	347

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



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