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Matter of Time: Discovery CEO Again Foreshadows Entertainment-Only Bundle

Discovery Communications pres/CEO *David Zaslav* has been a vocal proponent of bringing an over-the-top live TV product to the US market without the added costs of sports and broadcast networks. During the company's 3Q earnings call Thursday, he vented frustration with the impact those expenses are having on the pay-TV ecosystem, pinning the company's 3% drop in domestic pay-TV subscribers in the quarter (for core networks; total portfolio subs declined 5%) squarely on broadcast and sports. "Having the US be the only market with very expensive all-sports and retrans packaging is what's causing this 3% decline, and without that we might be looking like most of the other markets, where younger people or entry-level have a chance to get into the market and we might be seeing flat or even up 1%." Discovery shares closed down nearly 10% Thursday to $17.31. Despite the dip in subscribers, the company's domestic distribution revenue grew 6% in the quarter based on contractual increases in affiliate fee rates and increases in content licensing networks. On the whole, the company posted 3Q revenue of $1.65bln, a 6% YOY increase and a tick above *Thomson Reuters'* estimate. Zaslav indicated Discovery will play a role in filling the perceived void in the pay-TV market, citing discussions with distributors and other programmers about an OTT offering. *WSJ* reported in September that Discovery was among a group of programmers working with **Philo**, a company that has provided streaming TV for universities, on a non-sports OTT bundle. That story indicated a soft launch was weeks away. Zaslav didn't directly connect Discovery to that project on Thursday's call, but did mention that Philo "has an offering that's going to be in the marketplace." He gave the impression that Discovery is still evaluating its options on how to proceed. "We're agnostic," Zaslav said. "We would do an over-the-top direct with a bunch of [other programmers] in a package; we would do an over-the-top with the existing cable operators; we would do an over-the-top with the existing mobile or satellite providers." Currently, **PlayStation Vue** and **DirecTV Now** are the only virtual MVPDs carrying Discovery-owned nets, meaning the company isn't retaining subs who trade in their traditional pay-TV packages for **Hulu**, **YouTube TV** or **Sling TV**. Still, Zaslav believes that the company is well-positioned to increase carriage and demand rate increases, particularly following the close of the company's acquisition of **Scripps Networks**. "When you put us together with Scripps, we might be 20% of the view, but we're only about 7.5-8% of the money," Zaslav explained. "That's not something to brag

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about, but it does mean we're not getting paid a lot of money, and it's an opportunity to pay us more. Is it really worth having an argument over such good channels when the price increase is a fraction of what you're paying to one regional sports network?" The CEO also addressed the company's strategy of not licensing content to SVOD services like **Netflix** or Hulu. He admitted the company would experience a short-term windfall by doing so, but said the focus is on keeping that content exclusive to platforms the company controls—perhaps an entertainment-only skinny bundle. "We could be doing a broad package to some of those SVOD providers and you could see a very different result this year and next year, but we've opted not to do that and we're holding onto it," he said. "We think it could be much more compelling in our own offering or much more compelling to do something with an existing player and us in an offering."

Meet the New Box: Watch out, X1; there's a new box in town. **Altice USA** will launch its Swiss Army Knife-esque Altice One set-top box next week to double- and triple-play Optimum customers on Long Island. In addition to offering a modern user interface for linear and OTT video, the sleek-for-an-STB device also serves as a broadband modem, WiFi router and home phone control center. Features on the video side include a voice remote, cloud DVR, 4K capability, OTT app integration and access from mobile devices. Smaller versions of the main Altice One box, called Minis, can service additional TVs with video and also act as WiFi extenders. Built-in calling features include on-screen caller ID, call forwarding, remote calling, voicemail, call blocking and do-non-disturb options. Global company **Altice** previously launched similar devices in Israel, France, the Dominican Republic and Portugal. Altice USA pres/CEO *Dexter Goei* said the company intends to service the entire Optimum footprint with Altice One by the end of 2017 and also plans to begin to roll it out in the **Suddenlink** footprint before the end of the year. He expects the technology will reach the entire Altice USA footprint by late January or February. He indicated the company only plans to offer Altice One initially to double- and triple-play customers, which make up about 60% of Altice USA's subscriber base. **Comcast** took a similar approach when it launched X1, though it's now progressed to proactively calling subscribers to swap their boxes. "We have yet to think about whether or not we will use it for other purposes, whether it be single video subscribers, retention or promotional marketing," Goei said. -- Altice USA lost 33K video subs in 3Q, not quite as many as it lost in the same period last year (40K). It credited better performance at Optimum for the not-as-bad result and expects Altice One will help stymie video losses. The company added 16K residential broadband customers, slightly fewer than in the same period last year (17K). Altice USA noted a minor impact due to Hurricane Harvey in Texas. In total, Altice USA lost 8K unique residential customer relationships. Goei attributed this to seasonality at Optimum, noting 3Q is traditionally a weak period. Still, the company generated 2.3bln in quarterly revenue, up 3% YOY.

Mum's the Word: **Univision** pres/CEO *Randy Falco* declined to comment when asked about the company's ongoing carriage dispute with **Verizon FiOS** during its 3Q earnings call Thursday. "On Verizon, really nothing to comment," he said. "We're in discussions and hope to be back on the air soon." Falco noted the company continues to be "optimistic in our rate increases." "We saw that this year and we'll continue to see that in the next several years," he said. The privately held company saw 3Q revenue increase 5.9% YOY to $778mln, led by an 8% increase at its media networks due in part to the 2017 Gold Cup. The company estimated in its filing that it generated incremental Gold Cup ad revenue of $26.7mln, compared to incremental operating expenses of $31.1mln. Falco said the company had a "slight decline" in subs versus last quarter, but still believes the company is in a relatively good position to withstand the pressures of cord-cutting. "We're in a fortunate position in that we have strong and a limited number of stations to be carried, and that's different than other companies out there, which may be more impacted by cord-cutting than us," he said. "Having said that, whenever there's cord-cutting, it does impact us."

Merger Roadblock: The **Department of Justice** is considering a lawsuit challenging **AT&T's** pending acquisition of **Time Warner**, according to sources cited by *WSJ*. The sources said the DOJ's antitrust division is preparing for litigation. The DOJ and company are also simultaneously discussing a settlement under which the DOJ would approve the deal with conditions attached. The sources indicated the two sides, however, aren't yet close to an agreement. Shares of Time Warner stock dropped 3.75% Thursday to $94.70, while AT&T dipped 1.13% to $33.17. Execs for **Sinclair**, which is seeking approval of their own media mega-merger with Tribune, singled out the DOJ on Wednesday as standing in the way of progress and called for the agency to fall in line.

Blaze On: **NBC Sports** launched its first direct-to-consumer product for one of its RSNs, offering in-market fans of the Portland Trailblazers (as determined by the **NBA**) the opportunity to stream 15 games without a pay-TV subscription. **NBC Sports Northwest's** pay-TV subscribers will still be able to stream the games at no extra charge via the net's TV Everywhere platform. **DirecTV** and **DISH**, however, do not have agreements to carry NBC Sports Northwest. The 15-game "Blazers Pass" package costs $34.99, but fans who purchase before Dec 1 will receive a 10% discount.

Storm Report: Remember all that free WiFi cable enabled in the aftermath of hurricanes in Houston and Florida? It didn't seem to do it much good on a PR front. Cable ranked near the bottom of a just-released **J.D. Power** Pulse Survey that asked consumers in those regions to rate service providers and utilities based on overall helpfulness in the days and weeks following the storms. Electric utilities ranked far and away as the most helpful, an interesting note when you consider that many cable outages were actually due to loss of power. Cellular providers also ranked near the top, with cable joined by the federal govt/**FEMA** as least helpful. A survey is just a sampling, in this case of 1500 consumers, but give J.D. Power credit for digging deeper into responses to better understand why some categories received high responses. What seemed to help the most was proactive outreach, such as consistent updates from electric companies or banks calling customers to offer assistance, and responsiveness, the firm said. Consumers also cited flexibility, such as a cable operator giving credit for days with no service. Providers lost points for slow response times and lack of flexibility.

No Strangers to Streaming: Yes, folks are excited about the return of **Netflix's** "Stranger Things," but TV writers are also pretty jazzed to see **Nielsen's** streaming data released. The series surpassed **AMC's** "The Walking Dead" Season 8 premiere with 15.8mln US viewers watching it within the first three days of availability. TWD's Oct 22 return scored 15mln total viewers in L+3. Nielsen's data also displays the power of binging, with 361K people watching all 9 eps within the first day of availability. That numbers grew to 4mln total viewers in the three-day window.

AMC 3Q: **AMC Networks** chief *Josh Sapan* says there's still plenty of life in "The Walking Dead," whose 8th season and 100th ep debuted this month to 15mln total viewers (L+3). "We believe the show is creatively vibrant as ever and remains incredibly vital to an enormous and very loyal audience," the CEO said, noting that its lifeblood extends to gaming properties, VR apps and spinoffs (a crossover with "Fear the Walking Dead" is planned for 2018). Sapan views TWD as a franchise that will be managed "for the very, very long-term." AMCN set itself apart in a world of sub erosion by posting a gain of 15mln subs over the past year, with Sapan pointing to deals to get its channels more widely distributed with MVPDs. Ad rev for 3Q was up 4.5% YOY to $198mln, while overall rev was up 2.1% to $648mln. AMCN posted a profit of $87mln vs $65mln a year ago.

Facebook's Video Push: **Facebook** CEO *Mark Zuckerberg* said total expenses will grow 45-60% in 2018 compared to this year, due in part to investing aggressively in video content. "In order to build that up, we think it makes sense to first invest in a bunch of Lighthouse content—some that we may produce or some that we may license," he said during Wednesday's earnings call. He added, "Long term, our hope is that the business here will primarily be through revenue shares of videos that normal creators and businesses put into the system rather than ones that we proactively go out and license ourselves."

PROGRAMMER'S PAGE

Swipe Right On 'Hot Date'

Everyone has their share of awkward stories surrounding relationships and dating, and **Pop**'s "Hot Date" is setting out to confront the hilarity that comes with struggling to find true love. Premiering Wednesday at 8 and 11pm, the comedy was born from **CollegeHumor** sketches created by married comedic duo *Emily Axford* and *Brian K. Murphy*, whose videos have been viewed more than 100mln times. Hot Date is a grander version of the online videos, seeing Axford and Murphy playing multiple characters as well as some supporting roles. "Because sketch is so fast-paced and we are hopping around so much, it really does feel like a little adventure every episode," Axford said. Executive producer *Will Arnett* also jumps in for the ride throughout the 10-episode season, alongside a lineup of guest stars. Arnett acknowledged that one of the pitfalls of pure sketch comedy can be its inconsistency, but that was never a problem in the making of Hot Date thanks to Axford and Murphy's interconnecting storylines. "There's never a lag time," Arnett explained. "It was always very seamless and done in a way where you felt like you were constantly moving forward." Although one might predict that the top storylines would come from adventures swiping on **Tinder** or blind dates gone horribly awry, it's the antics in Axford and Murphy's main characters' relationship that sets Hot Date apart. "There's a lot of content about dating, but there's not much fun, nuanced, fresh content on being in a relationship, so I think we've found success because we take on that too," Axford noted. Arnett agreed, saying that the relationship dynamics between the main characters add another dimension to your typical relationship comedy. Speaking to Axford and Murphy directly, Arnett added, "It's almost like you're daring each other to be better partners." – *Sara Winegardner*

Reviews: "Ride with Norman Reedus," Season 2 premiere, 11pm, Sunday, **AMC**. This gorgeous travelogue on motorcycles covers Spain, a country *Norman Reedus* knew parts of during his youth. Along for the ride is another "The Walking Dead" cast member, *Jeffrey Dean Morgan*. The chemistry between two, who are old friends, is obvious. That they're enjoying themselves far too much—including being mobbed by fans (what, you thought we'd say zombies?)—is apparent, too. While most dialogue is improvised, Reedus's voiceovers are well written and delivered in his calming voice. – "SMILF," premiere, 10pm, Sunday, **Showtime**. There's much to like in this new Boston-based series about struggling single mom Bridgette (*Frankie Shaw*, who created the series from a short, she also directs and produces it) and her 3-year-old son Larry (as in *Larry Bird*). Unfortunately, a lack of discipline hurts the opening 3 eps and the supporting characters (played well by *Connie Britton* and *Rosie O'Donnell*) are stereotypes. Here's hoping this gritty series finds its way. -- **Notable**: Kudos to **Investigation Discovery** for continuing its social awareness efforts. Earlier this week it honored *Padma Lakshmi, Julianna Marguiles, Alonzo Mourning* and *Gabrielle Union* during its Inspire a Difference gala for raising awareness for victims of crime and social injustices. The net also will run a marathon of related programming Sunday (4pm-11pm ET). – *Seth Arenstein*

Basic Cable P2+ Prime Rankings (10/23/17-10/29/17)

		Mon-Sun Rtg	(000s)
1	ESPN	1.1	2374
2	FOXN	1	2351
3	MSNB	0.7	1576
4	HALL	0.6	1345
4	USA	0.6	1305
6	TBSC	0.5	1156
6	AMC	0.5	1142
6	HGTV	0.5	1141
9	DISC	0.4	1024
9	HIST	0.4	979
9	ID	0.4	901
9	FOOD	0.4	866
9	A&E	0.4	839
9	FRFM	0.4	800
9	HMM	0.4	637
9	FOXD	0.4	276
9	DSE	0.4	85
18	TNT	0.3	805
18	CNN	0.3	800
18	DSNY	0.3	786
18	FX	0.3	770
18	TLC	0.3	728
18	ADSM	0.3	693
18	LIFE	0.3	672
18	BRAV	0.3	593
18	TVLD	0.3	592
18	NKJR	0.3	589
18	SYFY	0.3	581
18	NAN	0.3	568
18	OWN	0.3	509
18	NFLN	0.3	481
32	VH1	0.2	526
32	INSP	0.2	520
32	APL	0.2	464
32	DSJR	0.2	457
32	TRAV	0.2	439
32	CMDY	0.2	404
32	NGC	0.2	385
32	SPK	0.2	383
32	BET	0.2	373
32	LMN	0.2	366
32	MTV	0.2	358
32	EN	0.2	350
32	WETV	0.2	347

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