

# Cablefax Daily™

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What the Industry Reads First

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## Comcast Numbers: Dissecting Video, Broadband and 5G Potential

While there will no doubt be positing over whether traditional video is on life support, there's some good news even as **Comcast** 1Q video losses came in worse than the Wall Street consensus (96K vs 59K). "Their video base is unmistakably shrinking down (down 1.3% YOY, a worsening from the 0.7% last quarter), but it is still the case that Comcast is significantly outperforming a linear pay TV industry that is likely shrinking by about 3.5% per year," **MoffettNathanson's** *Craig Moffett* concluded. "Going forward, Comcast's video base will inevitably continue to shrink, but it will just as inevitably continue to take share from satellite on the way down." And overall, Comcast is growing with 273K new subs in the quarter. "Part of this anticipated ... more competitive landscape in video is that we've continued to shift towards our connectivity business," Comcast Cable chief *Dave Watson* said. "Our focus is very much centered on broadband. When we start a package sale, when we talk to customers, we lead with broadband." Broadband net adds totaled 379K in 1Q, down vs 429K last year, but still solid. As 5G rollouts near, expect increasing concern over whether it could impact cable's high speed data honeypot. **Verizon** has only revealed Sacramento at this point for its 5G residential deployments (notably a Comcast market), but 3-4 more markets are to see it launch this year. Watson was enthusiastic during Wednesday's earnings call that Comcast would win out based on superior speed and coverage. It's now offering gigabit speeds in 90% of its footprint. He likened AT&T moving its DSL footprint over to more fiber as part of normal competitive cycles. "Once these adjustments happen, you level off," he said. "We make some adjustments to how we go to market and then there is sort of the new normal that exists. And what we are seeing is we have great momentum." When Charter reports Friday, look for it to highlight its recent rollout of gig speeds to 14mln more customers, with plans to make it available to the entire 41-state footprint this year. As for 5G, cable as a whole has seemed a bit dismissive of its potential for fixed broadband. Of course, part of the concern with 5G is that it could accelerate wireless substitution, which brings us to Comcast's wireless business. **Xfinity Mobile** posted a \$189mln loss in the quarter, reflecting a ramp in subscriber acquisitions and the incremental costs in getting the business launched. The service gained 196K customers in 1Q (577K total), with Comcast just starting to package mobile with broadband. Management reiter-



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ated its stance that mobile represents a big opportunity. **NBCU** was boosted by the Winter Olympics, with total rev up 21% YOY to \$9.5bln. NBCU CEO *Steve Burke* expressed optimism headed into upfronts that the advertising pendulum may swing from digital to television. "It's not to say it definitely will, but there's certainly signs in people that we've talked to of a coming home to a trusted environment where an ad can be in contest, where an ad can be watched the way people watch television ads from the beginning until the end," he said. Comcast revenue as a whole was up 10.7% to \$22.79bln.

**Battle for Sky:** Comcast coupled its earnings release with a formal confirmation of a \$31bln cash offer for UK satellite company **Sky**, resulting in Sky withdrawing its recommendation for **21st Century Fox's** \$16bln bid for the 61% of the company it doesn't already own. If Comcast ends up losing, it doesn't sound like it'll be itching to make another international play. It's not about scale, CEO *Brian Roberts* said, adding that he doesn't think international broadly is a strategy. "I think it is a unique asset in Sky's case that fits well within the mix of businesses we have already got. It is aligned with our existing strategy of integrating content and distribution," he said. Despite Sky being across the pond, Comcast believes there are about \$500mln in synergies involved, with about \$300mln of that coming down to efficiencies and reductions in third-party spending. The rest of that should come from the ability to add the power of monetization of Sky content in the US and to some degree **NBC** content elsewhere, as well as the strength of producing new originals together, said CFO *Michael Cavanagh*. The Wall Street crowd seems doubtful over whether Comcast ends up with Sky in the end. New Street believes the most likely outcome is that Disney still ends up with Fox and Sky and "we are left with the Comcast we loved at \$40 because we thought it was headed to \$50, now trading at \$33." Comcast shares plunged after its Sky proposal was announced in late February and haven't recovered. New Street expressed disappointment in the synergy case for Sky, but noted Comcast tends to be conservative in initial synergy guidance. **Pivotal Research** expects **Disney** to ultimately match Comcast's offer, with Comcast stepping back (though possibly picking up some smaller assets if Fox/Disney have to divest). "Alternative deals (such as deal for **Liberty's Virgin Media** assets and possibly **ITV** are likely to be smaller, cheaper and make more sense to investors, and in the end, even with an unpopular (with many investors) Sky deal CMCSA is simply too cheap for an entity that controls the dominant way U.S. consumers will access the Internet for the foreseeable future," Pivotal said in a research note.

**AT&T's Results:** **DirectTV Now** scored 312K net adds in 1Q, with the virtual MVPD service now at 1.46mln subscribers. Management said that the company actually has more subscribers today than two years ago because of DirectTV Now. "Transitions such as this are never easy, but we have shown we can do this time and time again,"

# Corporate Licenses

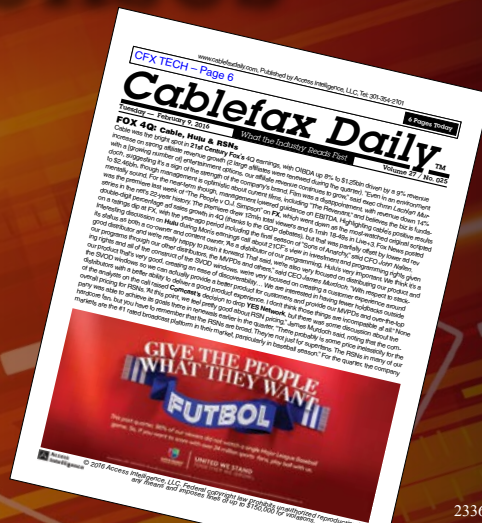
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CFO *John Stephens* said during the company's after-the-bell earnings call, acknowledging there will be revenue and margin pressure as AT&T manages the transition from linear to OTT. Linear video net losses (DirecTV and **U-verse**) totaled 187K for the quarter, better than the 233K loss in the year ago period. But satellite did not do as well. It lost 188K customers compared to being flat on net ads a year ago. U-verse actually added 1K subs compared to a loss of 233K customers in 1Q17. DirecTV Now is gearing up for to launch the next generation of DirecTV Now in 2Q, with a new user interface in beta testing right now. Expectations are that the new platform should provide new revenues through cloud DVR, PPV, additional streams and eventually revenues for advertising and data insights. That will take time though, with Stephens predicting ongoing margin pressure throughout the year but the start of some stabilization by year-end. No news on the **Time Warner** deal, with Stephens saying the DOJ and AT&T are preparing for closing arguments for Monday.

**Viacom Earnings:** The possibility of **Viacom** combining with **CBS** was top of mind entering Wednesday's 2Q18 earnings call, but conversation was quickly directed to pres/CEO *Bob Bakish's* continued faith in the Flagship 6 strategy and the successful revival of **Paramount Pictures** to profitability. While revenue was down 3%, the \$3.15bln still beat the Street's \$2.04bln guidance. **MTV** in particular saw a strong quarter, its third consecutive of prime growth. Labeled the fastest growing cable network by Viacom, MTV brought in old fans and current audiences alike with its highest-rated series debut on L+3 with "Jersey Shore Family Vacation." Not all the networks are reliving their heyday, with **Bernstein Research** estimating that **Nickelodeon** audiences were down 25% in the quarter. Bakish still boasted that the network remains at the top of its genre. "Let's not forget, Nickelodeon remains the clear No 1 kids network, even with the current ratings challenge," Bakish said, noting that the network was 64% ahead of **Disney**. Bernstein doesn't see any hope for recovery in the linear kids world, and questions the viability of fully distributed linear kids' networks. While some revenues and ratings could certainly see improvement, a bright spot came with the company announcing cost savings will now be more than \$100mln in FY18, with over \$300mln coming in run-rate savings for FY19 and beyond. Looking ahead, Viacom has plenty coming down the line later this year and will continue to focus on the pending launch of an OTT offering later this year, expanding the output from Viacom Digital Studios and continuing to turn around Paramount.

**Pop Upfronts:** More original programming is on the way from **Pop**, the network revealed at its upfront presentation. Comedy "Hollywood Darlings" returned for its second season on April 18, while "Big Brother After Dark" and limited drama "Clique" will arrive sometime this summer. Season 2 of procedural comedy "Swedish Dicks" will make its appearance on July 26 with "Wolf Creek" returning in October with plenty of cult horror. The year will be rounded out by the "Schitt's Creek" special holiday episode. Keep an eye out for pilots including romantic comedy "Arranged," *Laura Chinn's* "Florida Girls" and the supernatural-focused "The Demons of Dorian Gunn."

**Snap That:** Snappables are the latest addition to **Snapchat**, allowing users to play augmented reality games with their friends through specialized lenses. New Snappables will be released every week.

**Building Leaders:** **NCTI** is launching its Emerging Leader Certification Program, a course aimed at sharpening the skills needed to be an effective leader. Designed for new leaders or those still green, the eight courses included in the program cover topics such as "Managing and Promoting Change" and "Building Synergistic Teams."

**Programming:** The person believed to be the Golden State Killer is now in custody, and **ID** is ready to tackle the update with "Golden State Killer Caught: People Magazine Investigates." **People's** editor-in-chief *Jess Cagle* and senior writer *Christine Pelisek* will dissect the case on Friday, at 10pm and on Sunday at 8pm. -- **Epix** has given the **ABC Signature Studios**-produced drama "Godfather of Harlem" a straight-to-series order. Production will begin later this year with the network aiming for a 2019 premiere. -- **GSN** viewer *Carlos Williams* became the first \$10K winner of the sweepstakes program "Game Show Network Daily Draw." Comedian *Trish Suhr* transforms one viewer into a winner each weeknight at 7pm through a drawing conducted at GSN's headquarters in Santa Monica, California. -- **TV One** is entering the world of crime and justice with "Evidence of Innocence," a series spotlighting the stories of four African-American citizens who have been wrongfully imprisoned. The four-part series will premiere June 4 at 10pm. -- It's a blast from the past. **Nickelodeon** is bringing back "Double Dare" this summer with 40 brand-new episodes. The series first premiered on October 6, 1986, seeing two teams competing to win prizes by answering trivia questions, completing physical stunts and facing the notorious obstacle course.

**People:** **Tennis Channel** is adding three ad industry veterans to its sales team. *Irv Schulman*, formerly of **Disney/ABC Television Group**, is joining the NY office as svp, national sales manager. Also coming to the Big Apple is his former colleague *Christina Tesauero*, entering into the role of account executive. **Warner Bros** and **Discovery Channel** vet *Marisusan Trout* is a new VP based in LA.

## Think about that for a minute...

### Of Roads and Sewers

Commentary by Steve Effros

There are times when I read articles or op-ed pieces about cable and broadband and just wonder whether anyone else, particularly the editors who chose to print the piece, actually vetted it, or checked whether it made any sense whatsoever. Score one for the [Washington Post](#) this week with a guest column on municipal broadband.

The piece was written by the “chief information officer for Concord, MA,” and, of course, it had to have the term “net neutrality” in the title. “Saving Net Neutrality One House at a Time.” The column had very little to do with net neutrality other than to use it as “click bait” to get folks to read the piece, which was a paean to municipal ownership of broadband facilities. The ostensible link to net neutrality was that, as we of course all know, government ownership of communications facilities assures that they will be fair, neutral, and always operated in the interests of the public! Ask Chinese Internet users, for instance.

Anyway, the other premise was that government owned and operated facilities, especially those linked to other utilities like power, make the most economic sense for communities. Now in this case Concord, which has close to 18,000 residents, happens to already have a broadband supplier; Comcast. XFINITY is offered in town. The Town’s broadband system, all fiber, didn’t get going until 2015 after being approved in 2009. It offers 300Mb/s symmetrical service for \$90 a month. The writer notes that because of the extraordinary costs and difficulties of building and operating such a system they had to roll it out slowly... very slowly. In fact, they only hooked up 25 homes per month. Three hundred a year! This is a community with over 5000 homes.

I can just see it now. The Town of Concord releases an RFP for a broadband system and gets bids back propos-



ing the laying of fiber around the entire community, but a customer rollout plan anticipating a ten-year connection schedule. Any company making that proposal would be run out of town! Oh, and the columnist notes that they are very happy that they now cover their operating costs. Never mind the bond debt payoff, or the reserves they had better be accumulating for the inevitable upgrades that will be needed!

I should mention that this is a “pure” broadband system. No telephone, no cable. Just internet. The explanation for why it makes sense for the government to pay for this construction? Well, I guess we should just quote the column; “Fiber-optic cable is the type of decades-long infrastructure investment that municipalities are generally good at managing, such as sewer systems and roads.” And we all know how well our local sewer systems and roads are doing.

The fact is there are an unfortunate number of municipal systems that have gone bust after learning that this highly technical business is fraught with complications, expenses, new competition and the constant need for maintenance and upgrade. Major municipal facilities have been “sold” for one dollar to private companies willing to bail out the community. Others have just closed down, or increased taxes to all residents or cross-subsidized with the price of electricity to keep them running. The idea that there would be a column singing the praises of municipal ownership under the guise that this would guarantee “net neutrality” or would make economic or consumer sense when only 25 customers a month could be added to the system is breathtaking. But hey, the headline worked!

*Steve*

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