

# Cablefax Daily™

Friday — October 26, 2018

What the Industry Reads First

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## Comcast + Sky: Major Scale Brings OTT Questions

Comcast's 3Q earnings call Thursday was a chance to help explain how Sky fits into the equation. Sky CEO *Jeremy Darroch* laid out the company's current businesses, noting he intends to stick around. "We're all energized by the next phase of growth and the additional opportunities that being part of Comcast will bring on top of delivering our existing plans," he said. The fact that Darroch and many Sky team leaders plan to stay with the new company makes Sky a different acquisition for Comcast than **NBCU** or even **AT&T Broadband**, said Comcast CEO *Brian Roberts*. Similar to those deals, though, is that Comcast sees Sky opening up innovations and scale, with Roberts saying he thinks the UK pay TV company was "mispriced"—even after it paid \$39bn, 10% more than what **21st Century Fox** was willing to pony up. He hammered home how the combined company has 53mln high-value direct customer relationship in the world's five largest GDP economies and Sky triples the footprint of homes it can sell into to nearly 200mln. As for whether the combo will result in a direct-to-consumer offering, there wasn't much info as Roberts repeated the refrain that it's a challenging business and there's no need to rush in. "With all the announcements of new streaming services, we'd be remiss if we didn't look at it very carefully," he said. "Where we come out is that streaming, obviously, is going to be part of our business, but it's not a substitute for what is currently a very good business in television." **NBCU** rev rose 8.1% to \$8.6bn with EBITDA down 8.5% to \$2.1bn. The cable network side saw rev jump 10.8% to \$2.9bn, reflecting growth for affiliate fees, content licensing and advertising. The video side of Comcast Cable, however, lost 95K residential video subs in the quarter. That's still better than analyst estimates. Comcast attributed some of the decline to competition with vMVPDs, particularly the lower value segments. Yet **AT&T** stunned with the news earlier in the week that vMVPD **DirectTV NOW** added just 49K subs in 3Q. NBCU CEO *Steve Burke* said the growth for vMVPDs may be starting to plateau, with the aggressive growth seen at launch appearing to flatten. **MoffettNathanson** analysts said the better-than-expected video number suggests the weakness at AT&T (it lost 346K traditional subs) has more to do with satellite than pay TV in general. More good news for Comcast? Customer relationships increased 3.4% YOY to 30.1mln, including 288K net additions in the quarter. Broadband continues to be a star, with 334K net additions in 3Q. Other highlights from Thursday's call... Xfinity Mobile has surpassed the 1mln customer mark, with 228K adds in the

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quarter. Across the pond, Sky Mobile has 650K customers to-date. It launched 18 months ago as an MVNO. -- Business Services is the business unit that keeps on giving, with revenue for the segment up 10.6% to \$1.8bln. -- "We reiterate that while Comcast paid an undeniably rich price, we highlight that Sky (10% of pro-forma Comcast EBITDA) is a unique asset," **Pivotal Research** declared Thursday, noting Sky's abilities in wholesale, fixed broadband and push into additional European countries. "In addition, marrying the largest content/distribution platform in the US and Europe provides a firm underpinning/scale on possible global direct OTT launches and the all-cash deal takes advantage of Comcast's low cost of debt and appears immediately free cash flow accretive." Comcast shares ended the day up 5%.

**Spectrum Strategy:** President Trump signed a memorandum directing the Commerce Department to develop a long-term national spectrum strategy ahead of the introduction of 5G. He also is creating a Spectrum Strategy Task Force and is directing federal agencies to report on government spectrum needs. The move got plenty of thumbs ups, with NCTA declaring that spectrum has become "one of the most critical inputs for the communications and information technologies that are driving America's economic growth." Public Knowledge also had nice things to say. "The President's Memorandum is a pragmatic, common sense approach to developing a sustainable spectrum policy to guarantee our wireless future that maintains American leadership while continuing to meet our public safety and national security needs," said *svp Harold Feld*.

**WWE Records:** WWE's online streaming service continues to grow, notching a 9% increase in average paid subs in 3Q to more than 1.66mln. Revenue reached \$188.4mln, bringing it to a record \$657.7mln in the last nine months. This represents a 12% YOY increase, with \$18.1mln in operating income. Revenue from the media unit increased 9% to \$142.1mln, largely due to license fees from programs such as "Raw" and "SmackDown." Live events revenue dropped 15.5%, yet the company decided to go ahead with its Royal Rumble event in Saudi Arabia on Nov 2, despite controversy surrounding the murder of journalist *Jamal Khashoggi*. WWE shares were down 2.2% at market close Thursday.

**Tech Titan Consolidation?:** Tongues are wagging that **CommScope** could be in talks to buy **Arris**, thanks to a scoop from *Reuters*. Arris shares jumped up 13% on Wednesday after rumors reached Wall Street. CommScope lost half its value since last April, possibly nudging the company to consider potential deals as a solution, *Reuters* said. At this point, neither company is commenting. Sources told *Reuters* talks are ongoing and there's no certainty a deal will be reached.

**Viacom Redesigns:** Viacom Media Networks announced it will streamline to four operating groups, effective immediately. **Comedy Central**, **Paramount Network** and **TV Land** will be led by pres *Kent Alterman*. *Chris McCarthy* will



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expand his current role as pres of **MTV**, **VH1** and **Logo** to now include **CMT**. **BET Networks** and **Nickelodeon** will remain the same. *Kevin Kay*, current pres of Paramount, TV Land and CMT, will step down after a transition period.

**Fox Ready for OTT:** We have a launch date. **Fox News** will debut its OTT service **Fox Nation** on Nov 27, with a \$5.99/month or \$64.99/year price tag. Here's a twist on the OTT business model... Fox is inviting fans to "an exclusive pre-sale" beginning this Sunday where they can become "founding members" of the service by purchasing "limited edition packages." These early subs will get special merchandise, such as a Fox Nation hat, coin and medal. The most expensive offer will set you back \$1200 and includes a three-year subscription, several tchotchkes and a customized Fox Nation Founder tactical watch. Fox News will tease the service with a first look Sunday at 8pm.

**Hulu-Discovery, Take 2:** Remember that story in *The Information* that said **Hulu** is paying **Discovery** the same fees as before with no increase, and Discovery dropped the price of content licensed to the SVOD—essentially offsetting the price of the channels added to Hulu Live? The website has issued a clarification, with Hulu saying that in its new deal with Discovery it paid market rates for Discovery's live channels and paid more overall, but was able to negotiate for more titles and more exclusivity for on-demand content. Discovery issued its own statement: "While we have a long-standing policy not to comment on the specifics of any given distribution deal, we feel compelled given this erroneous report to state the facts: There is no mystery here. The terms of the deal mentioned were mutually favorable to both Discovery and Hulu, strengthening the base LIVE platform with eight strong, quality networks and an increase in quality VOD programming that will be reflected in incremental economics for Discovery in 2019 and remain consistent with deals we have negotiated across the industry."

**A+E Ads: A+E Networks** is launching in-campaign optimization for outcome-based partnerships. The company was the first to offer outcome-based guarantees, and now the nets can allow advertisers a look into how their campaign is performing while it is actively running in order to make adjustments. The solutions will measure outcomes such as foot traffic, sales and website traffic.

**AT&T Update:** **AT&T's** commentary hinting it may trim its channel lineup may have caused a meaningful selloff across media stocks. However, **Barclay's** believes the move is overdone for several reasons, including that AT&T's guide implies a swing in entertainment EBITDA of approx \$1bln that could be helped by things such as a predicted drop in truck rolls. The analysts believe it's harder for AT&T than cable to drop content. "While in theory dropping a network group like Viacom completely could save hundreds of millions in costs, it is also likely to cause a significant acceleration in pace of subscriber declines at DTV. While such a move may still be considered positive over the long term for cable providers (Cable ONE being an example), AT&T doesn't have the ability to offset video declines on a base of 25mln subs with broadband price increase on a base of 4mmln," said a Barclay's research note.

**Stream Time:** **Philo** is adding **Hallmark**, **Hallmark Movies & Mysteries** and **Hallmark Drama** just in time for the holidays. The nets are debuting 22 new Christmas-themed movies this season, starting Saturday with "Christmas at Pemberley Manor." The channels will be available as part of Philo's \$16-a-month skinny bundle. In other **Crown Media** news, Hallmark Channel partnered with **Corus Entertainment's W Network** to bring the US-based brand to Canada. The multi-year partnership gives W Network exclusive Canadian licensing rights to Hallmark content and HMM. -- **CBSN** is now available on **Hulu** with live TV, allowing consumers to access the 24/7 streaming news service.

**Row Your Boat:** Advertising tech company **Canoe** announced it serviced over 6.2bln ad impressions into VOD content in 3Q. Dynamic advertising is up 17% from 3Q17, and ad frequency remained minimal with consumers seeing the same campaign ad once in a single episode at 72%. Of the 6.2bln impressions, 81% came from external, revenue generating campaigns and 19% from internal television promo campaigns. Canoe's VOD DAI software is enabled across managed VOD services of cable operators, **Charter**, **Comcast** and **Cox**, totaling over 36mln cable households nationwide.

**Say Cheese:** **Cheddar** bought **Rate My Professors** from **Viacom**. The site and app is used by more than 6mln college students a month to rate professors and classes. Cheddar did not reveal the sale price, but did note that site traffic grew annually every year since inception.

**Public Affairs:** **Charter** philanthropic initiative Spectrum Housing Assist surpassed its goal of improving 25K homes with the aid of 5,457 Spectrum employees. The program works to ensure more Americans live in safe and healthy homes, and the company announced it will now target to improve 50K homes by 2020. -- **Nielsen** announced as part of its commitment to reflect demographic and household characteristics, it is launching an update to give more insight into LGBTQ consumership in a partnership with **GLAAD**.

# PROGRAMMER'S PAGE

## Charlie's Legacy

It's not often that we're surprised by an executive move in the TV arena. After all, most of these announcements are telegraphed far in advance through leaks, rumors and those "most-likely-candidate" lists that always pop up in the trades. But not this time. When **New Fox** announced that *Charlie Collier* would take over **Fox Entertainment**, including the Fox broadcast network, the basic reaction both within Hollywood and the larger cable community was just... 'Wow, we didn't see that coming.' It's not that Collier isn't more than qualified. In fact, his legacy at **AMC** and **SundanceTV**, which includes taking AMC from a sleepy network of re-runs into an original powerhouse that gave us "Mad Men," "Breaking Bad" and the undisputed juggernaut "The Walking Dead," is a rare achievement in an industry that chews up and spits out even the most competent execs. Collier's personable style also means he's well-liked by perhaps everyone except for a couple of showrunners who squabbled with him over budgets. But one could argue that his toughness in those situations makes him even more valuable as an executive who has to oversee both costs and creativity. In a way, the move by Fox to grab Collier makes immense sense. But it was still a surprise because until the announcement last week, the Hollywood trades had been reporting that *Newman* was close to finalizing a deal to stay on. Then, out of the blue, Collier was in, and Newman was out. We may never know exactly what happened behind the scenes (although someone will probably find out before too long). One thing remains clear: Collier has proven himself a savvy creator and executive over these many years in the cable realm. Fox is lucky to have him. But make no mistake, folks: Charlie will always be a cable guy at heart. — *Michael Grebb*

**Reviews:** "The Lost Tapes: Clinton Impeachment," 9pm, Monday, **Smithsonian**. You can almost see the smiling faces of the editors on this fine doc when they discovered a clip of just-elected president *Bill Clinton* saying, "I really think we can make America great again." That's not the only piece of ironic footage offered. Not far after that Clinton clip, *Senator Jeff Sessions*, priming for the 1998 impeachment, says, "Nobody is above the law." Next we see a young *Matt Lauer* interviewing a hip *Donald Trump*, who says of the impeachment, "I'm glad it worked out the way it did...but he handled it terribly...he could have gone down as a very good, even great president." Telling its story without a voiceover, the series occasionally uses a few words on screen to stitch together its videos. These sentences drip with irony: "Two years into his term, Clinton's approval ratings are over 50%. He has passed a popular tax credit and appointed two Supreme Court justices." Sound familiar? -- "Loudermilk," 10pm, Tuesday, **AT&T Audience**. At the start of Season 2, this series from *Peter Farrelly* and *Bobby Mort* about an alcoholic writer struggling to get his life together and help others remains an acquired taste. As you might expect, upbeat it's not. Still, *Ron Livingston* is a tremendous lead and some moments are excellent. — *Seth Arenstein*

Basic Cable P2+ Prime Rankings* (10/15/18-10/21/18)		
Mon-Sun	MC US	MC US AA
	AA%	(000)
FS1	1.088	3,323
ESPN	0.902	2,755"
FNC	0.832	2,541
TBSC	0.745	2,275
TNT	0.469	1,432
MSNBC	0.467	1,426
USA	0.412	1,258
HALL	0.388	1,186
HGTV	0.382	1,167
HIST	0.291	888
ID	0.286	874
DISC	0.279	854
CNN	0.274	838
A&E	0.271	828
AMC	0.267	814
FOOD	0.262	800
FRFM	0.252	770
TLC	0.246	750
NICK	0.229	700
FX	0.225	687
ADSM	0.222	677
DSNY	0.210	643
NAN	0.209	638
TVLAND	0.181	553
CRN	0.172	526
INSP	0.170	518
BRAVO	0.167	510
DSJR	0.160	488
LIFE	0.153	467
MTV	0.153	466
SYFY	0.139	425
NATGEO	0.136	416
GSN	0.136	415
NKJR	0.135	413
BET	0.129	393
VH1	0.128	389
HMM	0.127	388
OWN	0.123	376
TRAVEL	0.122	373
NFL	0.121	371
APL	0.118	362

\*P2+ L+SD rankers are based on national Nielsen numbers, not coverage.



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