

Cablefax Daily™

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What the Industry Reads First

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Cable Competition: Broadband, Business Services & Keeping Video in the Mix

This week's UBS media conference offered a glimpse into what overbuilders are up to—with increasing internet speeds high on their to-do lists. **Frontier**, whose main competitor is **Charter**, is going past 1 Gig service in some markets and starting to test 10 Gigabit speeds. “The traditional customer is probably not that interested, but it really future-proofs the network,” explained Frontier pres/CEO *Dan McCarthy*. “During the year, one of the things that materialized is more and more customers buying up in speed.” Frontier expects to have the entire network fully 1-Gig capable in 2019. At **WOW!**, 95% of its footprint can get 1 Gig service. “What we've seen... customers are taking higher and higher speeds,” WOW! CEO *Teresa Elder* said at the conference. “Interestingly, the customers who buy [service] on the internet are buying even higher speeds, maybe because they are naturally a little bit more savvy about things.” One thing cable competitors seem to agree on is that a price war isn't in the cards. “Whenever competitors are less focused on price, that's a good thing,” said Elder, whose company competes with **AT&T**, **Comcast** and others. McCarthy agreed that price points have been pretty static. Competition, however, extends beyond residential into business services. While there are some CLECs, such as **Windstream**, in the mix, cable is the primary competitor in the small-medium business space. McCarthy described cable as coming to businesses with a “rich price offer.” “They're not deeply discounting. They've been in the market as the person taking share for so long. It's about reversing that momentum,” he said. WOW! has spent this year really re-looking at commercial business for places it can have an impact. “We're doing a better job I think of instead of 'one-offs' for businesses, making it more productized so we can do things more rapidly and respond to customers more quickly,” Elder said. As for video, larger MVPDs have said it still is significant, and these smaller players agree—and they're providing it in a variety of ways. In addition to integrating services such as **Netflix** into their set-tops, there's interest in OTT partnerships that can be used outside of linear or for standalone broadband customers. “We're exploring that with a number of different partners. We're hoping to resolve that and bring it to market in 2019,” said Frontier's McCarthy. Outside of Fios linear video markets, Frontier customers can take video through a partnership with **DISH**, which McCarthy said is still a viable option. “Video is still extremely important to our customers, and they are provided it in a variety of ways,” WOW!'s Elder said. “We have always had a good relationship

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with Netflix, for example, and are always on their list of the top [providers] in terms of how Netflix is actually delivered and viewed in the customer's home... We have traditional linear video as well, and it's a part of it, but I would say we're still primarily a video/high speed internet company." Meanwhile, WOW! just launched a residential phone solution that allows customers to add a landline to any WOW! service for \$9.99/month.

Cable ONE Upgrade: On Tuesday, **Moffett Nathanson** upgraded **Cable ONE** to "neutral" from sell, putting its price target at \$875 from \$543 based on a revised multiple of 11.7x EBITDA. The move essentially boils down to the belief that video simply isn't a great business. "The market appears to be willing to grant Cable ONE a much higher multiple precisely because its EBITDA is arguably entirely attributable to broadband," the analysts said, conceding that there are some limitations to this approach. A research note said the firm's historical valuation methodology for Cable ONE was possibly too punitive.

Broadcast Mega Merger: The regulatory paperwork hasn't been filed yet, but **ACA** is already urging the **FCC** and **DOJ** to closely examine the proposed **Nexstar-Tribune** merger. "Regulators should ensure that the proposed massive combination cannot use its clout—216 stations in 118 markets reaching 72% of all U.S. TV households—to wreak havoc during the negotiation of retransmission consent contracts with multichannel video programming distributors (MVPDs)," ACA pres/CEO **Matt Polka** said in a statement, one day after the deal was announced. ACA joined several others, including indie programmers such as **RideTV** and **Cinemoi**, to object to **Sinclair's** scuttled purchase of Tribune. ACA warned that the new deal will likely lead to more retrans-related signal blackouts, saying it should be denied absent strong conditions. "Nexstar has a long history of using its dominant market position to impose punishing retransmission consent fee increases on smaller MVPDs," Polka said.

New Blaze: **TheBlaze** and **CRTV** are merging to create **Blaze Media**, which they said will be the "largest, independent traditionally conservative multiplatform media company" in the US with a multiplatform reach of more than 165mln. Subscribers to CRTV and TheBlaze Premium now have access to the digital streaming content of both CRTV and TheBlaze. Linear programming will expand in 2019, with the company to be led by co-presidents **Tyler Cardon**, who was formerly president of TheBlaze, and **Gaston Mooney**, who was formerly the president of CRTV. All of this comes as **Fox News** has rolled out its direct-to-consumer online service **Fox Nation**.

Notes from Comcast: **Comcast** is staying tuned on 5G. Nothing it has seen thus far changes the company's view that the threat of 5G to its broadband business isn't significant any time soon. "We think our network is a fantastic

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one for meeting and exceeding the needs of consumers ... at very good economics," CFO *Mike Cavanagh* said at **UBS'** conference Tuesday. Like **Charter** and the overbuilders mentioned above, Comcast believes video is still important to the business—but in the context of "being a natural end to our broadband pipe." That means video sometimes equates to integrating other content, such as **Netflix**. While video has an important role, "it's not important for us to go chasing unprofitable subs," the CFO said. "I would tell you that I'm not at all concerned with the number of subs we have. I'm concerned about making sure we continue to approach video in the context of a business where in cable we're trying to drive overall increases in total customers..., driving high speed data as the center of the play product, which comes at very high incremental margins, and attaching other products, video being one, where we can attach it in a profitable way."

Weekly Ratings: Football helped propel **ESPN** to the top of the cable primetime ratings heap last week (2.16mln total viewers in Live+SD), but Christmas favorite **Hallmark Channel** wasn't far behind (2.1mln). **Fox News** nabbed the bronze spot (2.07mln) in prime, but kept the gold in total day (1.33mln viewers vs Hallmark's 1.16mln). More than 163mln fans watched 77bln minutes of college football games on ESPN's nets this season, a total of 33% more than competitor networks combined. In addition, more than 16.5bln minutes were spent on ESPN's digital platforms during college football Saturdays, a 15% YOY increase. Across **ABC, ESPN, ESPN2** and **ESPNU**, ESPN networks averaged 8.795mln viewers in prime-time each week, including 2.83mln viewers on ESPN.

Charter Checks In: Charter's business services unit, **Spectrum Enterprise**, is working with **Moviebeam** to offer hotels a robust, in-room guest entertainment experience. The new offering combines Spectrum's Fiber Connect Plus TV service with Moviebeam technology so hoteliers can deliver custom content and provide concierge information to guests that feature local attractions and services, such as ordering room service, checking flight info or scheduling spa appointments. Properties can also promote their brands by customizing the user interface with their hotel logo, colors and property imagery alongside Spectrum's 200+ HD channels.

Liberty Ads: Liberty Global chose **Cadent** to deliver an addressable TV ad platform. The Cadent Advanced TV Platform will provide Liberty Global with an open advanced ad framework capable of supporting multiple workflows both from broadcasters and content providers. The cloud-based platform will deliver household-addressable advertising to Liberty Global's STBs and other IP devices.

TiVo Renews: Tivo signed a new multi-year patent license agreement with **Samsung** for the use of **Rovi's** video discovery patents and technologies across Samsung's smartphone and tablet devices. The renewal will encompass Samsung mobile products on a worldwide basis.

People to Watch: Cablefax held its People to Watch awards event at the Yale Club in NYC Tuesday. It kicked off in the morning with a mentoring session for honorees and attendees. Eight distinguished mentors, including **Univision's Henry Ahn** and **CTAM's Vicki Lins**, volunteered their time to share wisdom and advice from their years in the industry. During the lunch, honorees were presented with their awards and asked to say a few words. The **Cablefax** team asked each honoree what item they've already checked off their bucket list. Responses varied from the humorous, with *Jason Nealis* of **RCN, Wave, & Grande Communications** joking that he trained his entire life in preparation for three days of Oktoberfest in Munich, to the serious, with *Cathy Reyes* of **CNN Español** talking about how proud she is in her position as a minority in more than one way, as both a woman and a person of color.

Programming: **Nickelodeon** will soon celebrate its third-ever live-action sitcom to eclipse 100 episodes. "Henry Danger" will join "The Thundermans" and "iCarly" in that elite circle, thanks to an additional 10-episode pickup that will bring it to 117 eps. -- **HBO** and **RAI** renewed drama series "My Brilliant Friend" for a sophomore season. It will be based on the second book in Elena Ferrante's series, "The Story of a New Name."

People: **Byron Allen's Entertainment Studios** hired former **Scripps Networks'** exec *Amy Mulhstock* as vp, portfolio advertising sales. -- Filmmaker *Michael Tolajian* will join **Fox Sports** as svp, exec producer of Fox Sports Film. Tolajian won a Peabody Award for "Once Brothers" (**ESPN** "30 for 30") and an Emmy Award for "Real Sports with Bryant Gumbel" (**HBO**). One of his first Fox Sports projects will be "Q Ball," following teammates and inmates at San Quentin State Prison. -- **NATPE** named *Charles Weiss* as svp, business development. He joins from **Future Plc**, where he was vp, group publisher for *Broadcasting & Cable* and *Multichannel News*. -- **Telemundo Enterprises** upped *Romina Rosado* to svp, digital media, and moved *Borja Perez* to the revenue monetization division as svp, revenue strategy and innovation, effective immediately. Prior to coming to Telemundo, Rosado was svp of global content at **E!** while Perez was director of US Hispanic and international business development at **AOL**.