

# Cablefax Daily™

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What the Industry Reads First

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## Comcast 4Q: MSO Grows Video Subs, Wireless Play Explained

Perhaps it's a sign that the video sub loss trend in the pay-TV industry, amid the expansion of OTT video and cord-cutting, is slowing down. **Comcast** reported Thurs that it added 80K net new video subs in 4Q, finishing the year with 160K net video sub additions. That's the best full-year video customer results in 10 years. Stealing some spotlight from the MSO's solid results are reports that **Verizon** is in talks with **Charter** about a potential tie-up. Speculations about a cable-wireless marriage have been going on for a while as cable looks to add wireless to its portfolio and as wireless companies trial 5G technology, capable of delivering gigabit speeds. Among the major carriers, **T-Mobile** was considered an M&A target. Potential buyers include Comcast and Charter. Addressing Comcast's wireless ambition, CEO *Brian Roberts* said the company plans to roll out its wireless service in the first half of 2017. "We are excited to get it launched... We believe we will learn a lot as we go," Roberts said during a conference call Thursday. The key to Comcast's wireless strategy is bundling. "The goal of the business is to have better bundling with some of our customers who want to save some of their bill and get a world-class product and take a bundle and have lower churn. If you can achieve that, we'll see the economics really work. That's the goal. The only way to find out is to get started," he said. Comcast has a MVNO pact with Verizon. When asked if Verizon would look beyond the MVNO deal for its wireless plans and consider other options such as acquiring wireless assets, Roberts said "I believe that we will find out, but we are hoping that it [MVNO deal] is an end-stage strategy and that it's sustainable." Comcast expects to be part of wireless carriers' 5G migration. According to Comcast Cable CEO *Neil Smit*, Comcast's network is "well-positioned to participate in the 5G rollout..." **MoffettNathanson** analysts said the market's expectation that Comcast will buy its way into the wireless market stems from the widely-held view that the Verizon MVNO can't possibly be a satisfactory strategy. "But the MVNO may be getting a bad rap. If Comcast (and peer Charter) can funnel enough traffic to their in and out-of-home WiFi networks, and funnel an additional load onto a low frequency network (using spectrum they are likely to have acquired in the incentive auction), then what will remain is perhaps less an MVNO contract than a roaming agreement," the analysts said. At the very least, Comcast and Charter are expected to wait and see what comes of their hybrid MVNO/MNO network before even considering buying wireless, they said. And whatever Comcast decides to do, it will take its time, they said. The speculated Verizon-Charter talk didn't



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surprise **Pivotal Research** analyst *Jeffrey Wlodarczak*. In a research note, he said a large cable deal can allow Verizon to “dramatically improve their relative competitive positioning, while improving their dividend profile. This is boosted by a likely friendlier regulatory climate.” While Charter is the more obvious candidate, thanks to its lack of content ownership and the fact that Charter is already bringing back jobs from overseas through its Time Warner Cable deal, he wasn’t sure if Verizon has enough to fund the transaction. The “natural fallback” candidate is Comcast, he noted.

**Charter-Verizon:** In this current day, it seems anything is possible when it comes to M&A. But we’re not betting the family farm on **Charter-Verizon** getting done. At least not yet. It’s been buzzed about in the press for weeks, but didn’t seem to get much buy-in. However, a *WSJ* report Thurs that Verizon CEO *Lowell McAdam* has actually made a preliminary approach to Charter ratcheted up the excitement. Charter’s shares closed up more than 7% Thursday. Analysts seemed confused. “We’re reading the same headlines as you,” said a note from **Wells Fargo Securities**, declining to make odds on whether it’s consummated. The note’s main conclusion was that the chatter is impacting **DISH**, whose shares fell 6.7%, apparently on the thought that Verizon and DISH might link up after the incentive auction (for the record, Wells Fargo’s analysts didn’t think that was going to happen). With a new regime in town, look for everyone to play the field a bit and contemplate courtship. **MoffettNathanson** was more opinionated (or as they put it in a blog—“playing the wallflower at the orgy”), expressing doubt a Charter-Verizon combo could happen. Why? The price... some have suggested Charter could be looking for \$400/share, with Wells Fargo pegging it at 11x multiple on 2017E. The other hurdle could be regulatory, although some argue a deal has a pretty good shot because a combined Charter-Verizon would still have fewer customers than **AT&T-DirectTV**. But **MoffettNathanson** noted that control of the broadband market was what brought down **Comcast-Time Warner Cable**. The good news: cable is seen as highly attractive. Just three short years ago Comcast offered \$159/share for TWC.

**Digital Driving Cable Compensation:** **CTHRA’s** 2016 compensation surveys found that salaries for tech, content creation and digital marketing jobs are rising sharply. On the MSO side, it was reflected in salary boosts for those with tech know-how. First-level customer care technical support reps garnered a 14% base salary growth, more than four times the national average. Expert reps saw a 7% increase. For programmers, managers for digital distribution—those who help negotiate deals with digital content providers like **Netflix**—saw base salaries rise 16%. Directors of digital media earned 12% base salary raises, and digital media marketing salaries climbed 11%. Of course, cable isn’t the only industry playing in the digital sandbox. “When not competing directly with the digital natives [**Facebook, Google**, etc]... I think cable does reasonably well for cash compensation. Programmers have been able to attract people with their content and brands,” said *Hali Croner*, pres/CEO of **The Croner Group**, the firm that conducted the surveys. “For MSOs, they haven’t had to shift their whole world to digital. Some have been setting up separate structures and are thinking about how they can attract digital people.” One of the hottest areas for the industry remains data science, with everyone wanting analytics from their now real-time viewer data, Croner said. MSOs added 10 new job families compared to last year: Business Intelligence Engineering, Information Technology Security, Software Engineering, Pricing and Offer Management, Market Development/Access Management, Major Account/Enterprise Commercial Sales, Small-to-Medium Business Commercial Sales, Paralegal and Environmental Health and Safety. Programmers had four: Consumer Insights and Analytics, Inclusion and Diversity, Sales Training and Business Development Account Management. The 2016 comp surveys featured 59 participants, including 14 MSO/satellite companies and 45 programming and broadcast networks. There were also some digital content creators that participated, including **Amazon, Hulu, RedBull Media House** and **Vevo**.

**FCC’s Broadband Vote:** The **FCC** approved its first order under chairman *Ajit Pai* Thursday, voting to provide up to \$170 million from the Connect America Fund to expand broadband deployment in unserved rural areas of NY state. Currently served by 3 commissioners, Pai and Dem *Mignon Clyburn* voted in favor, while Republican *Michael O’Rielly* approved in part and dissented in part. The funding will come in areas where applicants are selected through the state New NY Broadband Program. The FCC noted that the funding that will be made available was declined by Verizon in 2015. The CAF money will be coupled with at least \$200mln in state funding and private investment. **ACA** gave the approval a thumbs up, saying other states should be able to partner with CAF as long as the “robust requirements” are met.

**Indie Programming NPRM:** It’s whip-snap change in Washington these days, but there are still things on the **FCC** docket from B.T. (Before *Trump*). Thursday was the deadline for comments from independent programmers on proposed

# BUSINESS & FINANCE

rules that would prohibit unconditional MFNs and “unreasonable” alternative distribution method provisions in deals between MVPDs and indie programmers. Filings were still trickling in at our deadline. **INSP** said the NPRM lays the blame almost entirely on MVPDs while ignoring the more serious problem of forced tying and bundling. It wants a transparent evaluation and selection process and for the FCC to require MVPDs to engage with indies in bona fide negotiations comparable with those received by conglomerate networks. **NAB** argued that program bundling has pro-consumer benefits, such as protecting niche audiences. It’s not clear if this NPRM will see much movement under an *Ajit Pai*-led FCC. It’s been near and dear to the only Dem still on the Commission from Wheeler days, *Mignon Clyburn*.

**Comcast 4Q Numbers:** Cable revenue increased 6.6% YOY to \$50bln, driven by growth in HSI, video and business services. Customer relationships increased by 258K to 28.6mln in 4Q, reflecting an increase in double product relationships. At the end of the quarter, penetration of double and triple-play subs increased to 70.1% compared to 69.8% a year ago. Comcast added 385K broadband and 44K voice net new subs in the quarter. For the full year, it added 1.4mln net new broadband subs. Overall, the company reported a 9.2% increase in consolidated revenue for the quarter.

## Cablefax Daily Stockwatch

Company	01/26 Close	1-Day Ch	Company	01/26 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DISH:	58.02	(4.21)	MICROSOFT:	64.27	0.59
ENTRAVISION:	5.30	UNCH	NETFLIX:	138.96	(0.56)
GRAY TELEVISION:	11.55	(0.05)	NIELSEN:	40.71	(0.29)
NEXSTAR:	63.20	(0.3)	SEACHANGE:	2.36	(0.09)
SINCLAIR:	33.90	0.60	SONY:	31.12	0.33
TEGNA:	22.52	0.02	SPRINT NEXTEL:	9.43	0.24
<b>MSOS</b>					
CABLE ONE:	638.00	21.79	SYNACOR:	3.10	0.05
CHARTER:	333.15	22.84	UNIVERSAL ELEC:	61.60	(3.4)
COMCAST:	75.50	2.06	VONAGE:	7.09	0.11
GCI:	19.84	0.07	YAHOO:	44.55	(0.39)
LIBERTY BROADBAND:	85.91	6.99	<b>TELCOS</b>		
LIBERTY GLOBAL:	35.92	0.69	AT&T:	41.77	0.38
SHAW COMM:	21.56	0.15	CENTURYLINK:	26.06	0.37
SHENTEL:	27.40	0.35	FRONTIER:	3.50	0.06
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	31.00	0.70	TDS:	30.36	0.54
AMC NETWORKS:	56.66	0.24	VERIZON:	49.12	(0.65)
CBS:	64.16	1.16	<b>MARKET INDICES</b>		
DISCOVERY:	27.90	0.32	DOW:	20100.91	32.40
DISNEY:	108.06	0.02	NASDAQ:	5655.18	(1.16)
GRUPO TELEVISIA:	23.05	0.31	S&P 500:	2296.68	(1.69)
HSN:	34.60	UNCH			
MSG NETWORKS:	22.65	0.40			
SCRIPPS INT:	76.96	1.96			
TIME WARNER:	96.08	0.36			
VIACOM:	45.20	1.00			
WWE:	19.63	(0.06)			
<b>TECHNOLOGY</b>					
ADVANTAGE:	1.75	(0.01)			
AMDOCS:	58.57	(0.58)			
AMPHENOL:	66.64	(0.39)			
APPLE:	121.94	0.06			
ARRIS GROUP:	29.36	(0.36)			
AVID TECH:	4.87	(0.08)			
BLNDER TONGUE:	0.69	UNCH			
CISCO:	30.74	0.04			
COMMSCOPE:	37.33	0.39			
CONCURRENT:	5.26	0.08			
CONVERGYS:	25.47	(0.38)			
CSG SYSTEMS:	49.18	(0.2)			
ECHOSTAR:	52.87	(0.26)			
GOOGLE:	832.15	(3.52)			
HARMONIC:	5.25	(0.05)			
INTEL:	37.56	(0.24)			
INTERACTIVE CORP:	69.95	(0.3)			
LEVEL 3:	59.76	0.56			



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# PROGRAMMER'S PAGE

## Bizarre Goes American

The theme for the upcoming new season of **Travel Channel's** "Bizarre Foods" is "Experience America," *Courtney White*, svp of programming, told us. The 6-ep new season premieres Tuesday at 9pm, featuring some of the country's most iconic and historic routes, including The Lewis & Clark Trail, Route 66 and Civil War Battle Trail. The network and its production team decided on the theme because "it had been several years since we featured an all-America season of Bizarre Foods, and U.S. episodes have been viewer favorites. But we wanted to do it in a fresh way, and to deliver on the theme promise of truly 'experiencing' America," White said. For the first time ever, each episode isn't based in one specific location, but journeys instead along a historic land or water route that can run hundreds of miles. The goal is to have viewers experience the people and the history of America through the lens of food, both familiar and bizarre. In the new season, host and exec producer *Andrew Zimmern* would sample Pacific lampreys, go salmon fishing on the Columbia River, forage for edible barnacles and harvest sea salt and clams. Bizarre Foods, one of the longest running shows on Travel Channel, debuted 10 years ago. The secret of longevity? White cited host and exec producer of the series *Andrew Zimmern's* favorite line: "Food is good, but food with a story is better." "It's never just about the 'bizarreness' of the food, but the story of 'why this food in this particular place and culture?'" White said. In order to grow viewership for the series—which is a main ambition for the new season—Travel Channel has placed the food story in an even larger context, one of popular American history, which allows the network to do richer and more expansive storytelling designed to reach a broader audience. In addition, the visual journey within each episode gives the series a bigger and more cinematic look and feeling, said White. — *Joyce Wang*

**Reviews:** "Black Sails," Season 4 premiere, Sunday, 9pm, **Starz**. You haven't seen the first three seasons of "Black Sails"? Not to worry. So many things have occurred in the interim since Season 3's last ep and Season 4's opener that the spoilers list Starz urges reviewers to avoid revealing is longer than Long John Silver's wooden limb. On the up side, newcomers to Black Sails will be nearly as clueless as loyal viewers. It's a shame this promising series, with a terrific international cast, now must rush through 10 episodes as it leads into *Robert Louis Stevenson's* "Treasure Island." With that laundry list of spoilers you'd expect the storytelling to be quick. Unfortunately the early eps of "Black Sails" crawl. There's plenty of dialogue explaining the spoilers, although very little happens that viewers see. Speaking of seeing, the series continues to be shot beautifully, with battle scenes on the water particularly well done. Here's hoping the final eps of Black Sails pick up wind, steering the series to a rousing conclusion. -- "Love by the 10th Date," Saturday, 8pm, **Lifetime**. Perhaps Lifetime decided "Beaches" drained viewers emotionally last weekend, so this Saturday it's offering a film so light and predictable viewers will forget it as soon as it's over. Actors *Meagan Good, Kellee Stewart* and *Kelly Rowland* deserve better. -- *Seth Arenstein*

Basic Cable Rankings (1/16/17-1/22/17) Mon-Sun Prime			
1	FOXN	1.7	3918
2	CNN	0.8	1771
3	HGTV	0.7	1647
4	USA	0.6	1530
4	DISC	0.6	1495
4	MSNB	0.6	1415
4	TBSC	0.6	1389
4	HIST	0.6	1326
4	ID	0.6	1195
10	TNT	0.5	1254
10	ESPN	0.5	1190
10	DSNY	0.5	1114
10	DSE	0.5	98
14	FOOD	0.4	1043
14	FX	0.4	962
14	LIFE	0.4	906
14	TLC	0.4	880
14	A&E	0.4	847
14	HALL	0.4	844
14	AMC	0.4	829
14	TVLD	0.4	799
14	SPK	0.4	778
14	HMM	0.4	677
14	NKJR	0.4	672
25	FRFM	0.3	802
25	ADSM	0.3	766
25	NAN	0.3	764
25	BRAV	0.3	701
25	VH1	0.3	662
25	DSJR	0.3	601
25	VEL	0.3	491
32	SYFY	0.2	500
32	APL	0.2	474
32	INSP	0.2	472
32	NGC	0.2	467
32	WETV	0.2	466
32	BET	0.2	461
32	OWN	0.2	456
32	TRAV	0.2	455
32	ESP2	0.2	440
32	LMN	0.2	435
32	GSN	0.2	423
32	EN	0.2	419
32	MTV	0.2	407

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

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