

# Cablefax Daily™

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What the Industry Reads First

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## Netflix Earnings: OTT Giant Sees No 'Fixed Wall' Hampering Growth

Netflix at times seems like an unstoppable juggernaut—but there are occasional moments when its Path to World Domination takes a temporary breather. But while the OTT provider may have slightly missed subscriber growth expectations in Q1, don't be fooled: it still surpassed \$2.5 billion in revenue and added 5 million new subs to end the quarter with 50.9 million subs in the U.S. and 47.9 million internationally. Q1 net income soared to \$178 million vs \$28 million in Q1 2016. Translation: Netflix remains a huge force in TV. "We see a big opportunity around the world to just keep doing what we're doing," said Netflix co-founder and CEO *Reed Hastings* during a **YouTube** earnings video with top execs. "Mostly, we're just trying to do better and better shows that are more and more popular." Netflix expects to exceed 100 million subscribers this weekend—a milestone reached only 3 months after the 10-year anniversary of its launch of streaming services in 2007. (Netflix expects an additional 3.15 million net adds in Q2, bringing it back in line with expectations for the first half of the year). Much of that remains linked to international expansion. Recall that Netflix amped up global growth in January 2016 when it launched in more than 130 countries, and while Q1 international sub additions actually decreased by 22% YoY, total international Q1 revenue grew 62% YoY—and that's even after factoring in a \$12 million negative impact from currency fluctuations. "We are making good strides in improving our content offering to match local tastes in Asia, Middle East, and Africa, but have much progress to make, like in Latin America a few years ago," said Netflix in a letter to shareholders. "We're getting the benefit of that wide global word of mouth," noted Netflix CFO *David Wells*, touting "shows that travel across multiple markets." But Netflix Chief Content Officer *Ted Sarandos* said he's not just focused on U.S.-based shows that travel well; he's also looking for "those sweet spot local shows" popular in local and regional markets around the world. He said that requires more outreach to non-U.S. producers, so "the top talent in those markets wants their shows on Netflix." That's not to say the U.S. is done growing. In fact, Hastings said the U.S. market "is continuing to grow very nicely. I don't see any fixed wall. Of course, any incremental 10 million is harder than the last 10 million. But our content is getting better, so those forces offset each other. It doesn't mean it's going to be inherently forever, but we certainly feel good about the near-term." Execs also weighed into the "peak TV" debate, arguing that consumers show no signs of a waning appetite for content and noting that **HBO**, for example, has continued to grow subs despite the proliferation of



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Netflix, **Amazon** and others. “We’re not really affecting them... why? Really because we’re like two drops of water in the ocean of both time and spending for people. Home entertainment is not a zero-sum game.” Hastings argued that Netflix competes more with sleep than other content providers as people stay up all night bingeing on its shows. Added Sarandos: “This is probably the most dynamic time of change in the history of the television industry.” He noted that Netflix competes with other cable nets and content producers, but “we’re an enormous customer of all the studios... the constant evolution of the relationship is finding a balance between being a great supplier and a competitor.”

**Wireless: MoffettNathanson** has offered a second take on the **FCC’s** broadcast incentive auction that raised nearly \$20 billion (**CFX**, April 14). Commenting that it’s too simplistic to label winners and losers based on which companies received spectrum, the firm argued that **T-Mobile** was indeed a big winner for securing spectrum it needed “at a good price” (\$8 billion) while improving its negotiating leverage in a potential **Sprint** merger. But **DISH**, which bid more than analysts expected at \$6.2 billion, “lost” because “they have self-evidently chosen to pay more for spectrum than the companies to whom they could eventually sell that spectrum. The auction leaves the looking more like a builder than a seller.” **Comcast**, meanwhile, which bought less than expected at \$1.7 billion, basically “played to a draw,” according to MoffettNathanson: “Their seemingly half-hearted participation in the auction may ease fears of a spending spree, but it doesn’t convincingly position them to be network operators. Does that mean they may ultimately buy a wireless operator after all?” The firm said **Charter** was “left out in the cold” because “by buying only in-footprint, Comcast has signaled that Charter is on its own.”

**Deals: EPIX** on Monday announced that it has renewed its distribution agreement with **Frontier Communications**, which operates in 29 states. Terms weren’t disclosed. The deal includes authentication on EPIX.com and the EPIX app.

**VOD: Canoe** on Mon reported 5 billion ad impressions in Q1 2017, with 4.2 billion coming from mid-rolls, 732.7 million from pre-rolls, and 95 million from post-rolls. Last year, Canoe reported 17.9 billion ad impressions for all of 2016.

**OTT: RFD-TV** and **FamilyNet** have joined **Sling TV’s** “Heartland Extra” tier to offer up rural/western content and classic sit-coms, respectively. The tier costs an extra \$5 per month. “Sling TV is at the forefront of changing media consumption habits, and we are pleased to join an industry-changing service that is economically-friendly for our viewers,” said *Patrick Gottsch*, founder and president of Rural Media Group.

**Energy 2020: SCTE** and **ISBE** will present a case study outlining the top 12 opportunities for energy savings at an Energy 2020 plenary session April 18-19, at **Comcast’s** Chesterbrook, PA, facility. Suggestions include using smaller fiber-optic interconnects rather than larger copper interconnects, and exploiting the benefits of back-up powering. The case study details the cost of heat removal as it relates to managing hot and cold air properly to improve cooling efficiency.

**Programming: E!** has greenlit a Season 2 of docu-series “Revenge Body with *Kloe Kardashian*” featuring a new group of individuals overcoming their personal struggles in 8 one-hour eps. -- **The Cooking Channel** will premiere the next season of “Big Bad Barbecue Brawl” on May 2 as *Shannon Ambrosio* takes his Brooklyn-born BBQ skills back on the road to take on top pit masters. -- **History’s** new six-part nonfiction series “JFK Declassified: Tracking Oswald” (premieres April 25) follows former **CIA** agent *Bob Baer* and former **LAPD** police lieutenant *Adam Bercovici* as they investigate *Lee Harvey Oswald* and the murder of *JFK*. The series concludes on May 30, the week of what would have been JFK’s 100th birthday. -- **Showtime** on May 5 will premiere a one-hour comedy special starring *Al Madrigal*, who also stars in the net’s original series “I’m Dying Up Here.” -- **GoITV** secured a multi-year deal to exclusively broadcast live matches from Liga NOS, Portugal’s top soccer league also known as Primeira Liga. GoITV gets all of Liga NOS matches in both English and Spanish language, commencing in August to coincide with the new soccer season.

**Honors: UJA-Federation of New York** will honor *Linda Yaccarino*, chairman of ad sales and client partnerships at **NBCU**, and **OMD US** CEO *Monica Karo* at its Global Marketing Leadership Awards on April 24 at the Hilton New York. Funds will go to UJA-Federation’s annual campaign to sustain more than 80 core partners and various nonprofits.

**People: Discovery Communications** upped *Lara Richardson* to group evp of marketing for **Discovery**, **Animal Planet** and **Science Channel**. Most recently svp, marketing for Discovery Channel, Richardson will continue to be based in L.A. and report to *Rich Ross*, Group President of Discovery, Animal Planet, Science Channel and **Velocity**.