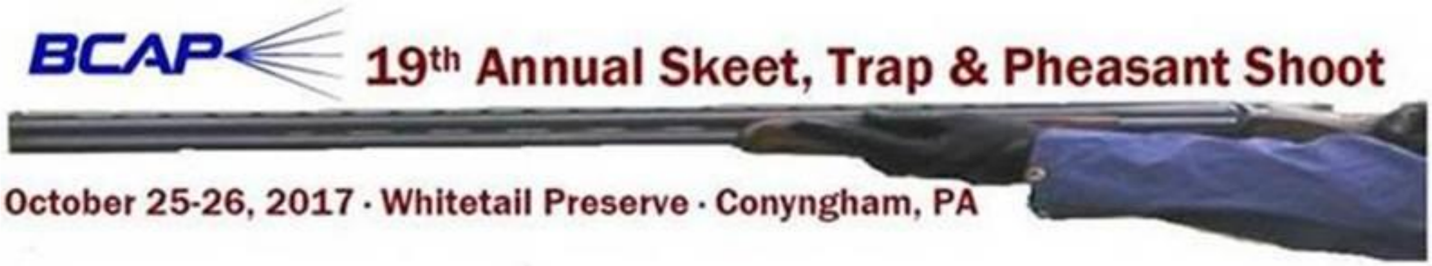

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NBCUniversal and Snap Inc. are teaming up to produce content for Snapchat, in an effort to stake a claim in a crowded market where both traditional media companies and cash-flush tech firms are vying to create original shows. The partnership is the latest push to expand Snapchat beyond its popularity as a messaging application into a full-fledged content provider.

For Comcast Corp.'s NBCUniversal, the joint venture deepens its relationship with Snap, in which it owns a stake, and illustrates its desire to create content for platforms beyond its own broadcast and cable networks. The as-yet untitled studio has struck a deal with Donut Studios, a production company headed by Mark and Jay Duplass, two brothers whose acting, directing and producing credits include the HBO shows "Togetherness" and "Room 104" as well as movies for Netflix . The focus of the partnership will be to create scripted short-form content targeting the 18- to 24-year-old audience, a demographic whose consumption of traditional media is on the wane.

At a time when other tech companies are making bold commitments to creating their own original content, Snap seems to be more willing to get into bed with traditional media companies. "We feel we want to be friends of media," Snap's content head, Nick Bell, said at a conference in August. Facebook has said it is willing to spend as much as $1 billion through 2018 **to create original shows** for its platform, and Apple Inc. has set a budget of roughly $1 billion **to procure and produce original content** over the next year.

Without the war chests of Facebook and Apple, Snap is articulating what it can offer media companies. At the August conference, Mr. Bell described Snap as a place where viewers can discover content and where TV providers can drive

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interest among young viewers and bridge the gap between TV seasons. Lauren Anderson, a veteran NBC Entertainment executive, has been tapped as chief content officer for the venture. Ms. Anderson most recently was a senior vice president of prime-time programming for NBC. The venture will report to a board of NBCU and Snap executives.

In a statement, Ms. Anderson said the combination of NBC's creative expertise and Snap's digital reach creates "the unique ability to take mobile programming to the next level, creating compelling shows for both viewers and advertisers." Terms of the venture weren't disclosed. Mark Duplass joked that Donut is getting a "big bucket of money and we're going to take that and make as many shows as we can." Most content on Snap runs three to five minutes with 10-second ad breaks. Mr. Duplass said shows he and his brother develop may run closer to seven or eight minutes and 10 minutes at the most. He said the appeal of making content for Snap is the chance to "connect to a much younger audience that quite frankly doesn't come to see our stuff." The duo will look to create at least three shows and hope to have something out early next year.

Snap and NBCUniversal are already very much entwined. NBCU invested $500 million in Snap as part of its initial public offering earlier this year. NBC News and NBCU's E! cable channel create content for Snapchat, and the two have a deal for NBCU to provide Olympic-themed content to Snapchat for the 2018 Winter Olympics. "We've had an incredible relationship with NBC," said Sean Mills, Snap's head of original content. By his count, NBC currently provides over 25% of the shows Snap has carried. For NBCU, creating original content for Snap is part of its goal to "be everywhere" and "create a new form of storytelling," said Maggie Suniewick, president of NBCUniversal Digital Enterprises. – ***Wall Street Journal***

Netflix Inc.'s wagers on original programming and international expansion are paying off as the streaming service again posted strong subscriber growth amid an increasingly competitive streaming video market. The Los Gatos, Calif., company ended its third quarter with 104 million paid streaming subscribers globally. It added 5.3 million streaming users in total, outpacing the 4.4 million net additions it had projected.

Netflix has been pouring money into original programs such as "Stranger Things" and "The Crown" to fend off competition from other streaming services and continue to attract new subscribers around the world. The company now says it plans to spend as much as $8 billion on content next year—up from an earlier estimate of $7 billion—far outstripping the investments expected from rivals Hulu, Amazon.com Inc. and HBO.

Revenue increased 30% to $2.99 billion in the third quarter, slightly topping analysts' estimates, and the company's operating margin expanded. Shares in Netflix rose nearly 1.3% in after-hours trading Monday. The stock has gained 64% this year through Monday, giving the company a market value of about $87.5 billion. The company said it now has $17 billion in streaming-content obligations, a measure of current and future costs for content acquisition, licensing and production, an increase from $14.4 billion in the same quarter last year.

Competition for viewers' attention has been getting more fierce. Some content owners, such as Walt Disney Co. , are planning to offer **their own streaming services**, pulling some content from Netflix. Amazon, meanwhile, is boosting its own spending to lure talent and create original shows. Hulu took home best drama at this year's Emmy Awards for "The Handmaid's Tale"—becoming the first streaming service to win the coveted prize. New competitors are on the horizon, with Apple looking to spend roughly $1 billion to procure and produce original content over the next year.

In a letter to shareholders, Netflix said the "long-term trends are clear" that the company's "future largely lies in exclusive original content," and less on licensing programs from other content suppliers in Hollywood. Netflix said more than one-quarter of its content spending will go toward original content this year, an amount that could eventually reach more than 50%. "It's an exciting period, and both media and technology companies see the same big opportunity as we do," Netflix said in the letter. "We have a good head start but our job is to improve Netflix as rapidly as possible to please our members by earning their viewing time and to stay ahead of the competition in the decades to come."

In response to more competition, Netflix has increasingly focused on signing creative talent and owning its own production and intellectual property. "You can't just be a middle man between the viewer and the network," said Jonathan Hadad, a research analyst at IBISWorld. "You have to be the network." Netflix recently signed Shonda Rhimes, the creator of ABC hits including "Grey's Anatomy" and "Scandal," to a multiyear exclusive agreement to develop shows for the streaming service. "It gets very competitive for the handful of superstars, but overall player personnel costs are pretty predictable," Netflix Chief Content Officer Ted Sarandos said on a video chat with an analyst, using a sports metaphor to refer to how Netflix is able to manage content costs. The company also said that in recent years revenue has grown faster than its content budget.

Netflix in August **announced its first acquisition**, buying comic-book publisher Millarworld to gain access to production and intellectual property such as “Old Man Logan.” On Monday, the company said it would look at deals through a creative and content lens and not as a way to diversify its business. Netflix has been aggressively pursuing global expansion as its core U.S. market matures and as it works to offset growing content costs and original programming investments. The company added 4.45 million international subscribers in the quarter, compared with its forecast of 3.65 million. It added 850,000 U.S. subscribers, compared with its target of 750,000.

Netflix’s faster-than-expected growth is notable as traditional pay-television distributors feel the impact of cord-cutting and customers downgrading to less-costly packages of channels. **Concerns ramped up** in recent weeks when AT&T Inc. warned that it lost an estimated 390,000 traditional TV customers in the latest quarter—more than offsetting nearly 300,000 new accounts for its DirecTV Now streaming service. Comcast Corp. has also said it expects to lose subscribers in the third quarter, in part because of customers ditching cable for online substitutes.

Meanwhile, Netflix has increased its promotional activity. In September, T-Mobile US Inc. started offering new and existing family-plan subscribers free access to Netflix. The company also said it plans to increase its marketing spending in the current quarter, which will cut into margins. The high-octane business model puts pressure on Netflix to continue to add subscribers, and periodically raise its prices—especially if the streaming giant hopes to increase what until now have been relatively narrow profit margins. The company’s operating margin came in at 7%, compared with its estimate of 6.9%. The fourth quarter is on track for 7.3%, the company said.

Netflix has indicated to Wall Street it would like to be judged more on its revenue and global operating-profit margins than metrics such as subscriber additions. But subscriber growth has continued to remain a focus for investors. Earlier this month, the company said it would **raise prices** for its U.S. streaming-video customers, betting that subscribers will tolerate higher monthly fees and help fuel the company’s big investments in TV shows and movies. Because the price increase was announced after the quarter ended, the impact won’t be reflected in results until the fourth quarter.

With the increased prices, the company expects to gain 1.3 million subscribers in the U.S. in the fourth quarter, down from the 1.9 million added in that quarter last year. Abroad, it expects to add 5.1 million. Netflix posted a third-quarter profit of $130 million, or 29 cents a share, compared with a profit of $52 million, or 12 cents a share, in the same quarter last year. Analysts surveyed by Thomson Reuters had projected earnings of 32 cents a share on $2.97 billion in revenue. – ***Wall Street Journal***

Pointing to “protectionism,” a major satellite-television company is asking the U.S. Supreme Court to take up a constitutional challenge to a Florida law that sets different tax rates for cable and satellite TV services. Dish Network in September filed a 39-page petition in the U.S. Supreme Court, nearly five months after the Florida Supreme Court sided with the state and the cable industry in upholding the law.

The long-running battle focuses on the state's communications-services tax, which is 4.92 percent on the sale of cable services and 9.07 percent on the sale of satellite-TV services. Dish Network contends the different tax rates are a form of protectionism that violates the “dormant” Commerce Clause of the U.S. Constitution, which bars states from discriminating against interstate commerce. “In particular, it forbids a state from taxing or regulating differently on the basis of where a good is produced or a service is performed,” said the Dish Network petition, posted on the SCOTUSblog website, which closely tracks the U.S. Supreme Court. “That's exactly what the unequal Florida tax does. It puts a heavier duty on pay-TV programming that is assembled and delivered without using massive infrastructure within the state.”

But the Florida Supreme Court, which sided in April with the state Department of Revenue and the Florida Cable Telecommunications Association, rejected the notion that cable was an “in state” interest that was being protected by the law. Justice Peggy Quince wrote, for example, that Florida's largest cable providers are headquartered out of state, as are the satellite companies. "Cable is not a local, in-state interest any more than satellite,” Quince wrote. “While it may be true that cable employs more Florida residents and uses more local infrastructure to provide its services, the Supreme Court has never found a company to be an in-state interest because it had a greater presence in a state."

The U.S. Supreme Court only agrees to hear a relative handful of the thousands of appeals filed each year. Responses to the Dish Network petition are due Nov. 13, according to a court docket. (Disclosure: The News Service of Florida has a partnership with the Florida Cable Telecommunications Association for the Capital Dateline news show.)

In the petition, Dish Network argued that the "practical effect of Florida's unequal sales tax is to benefit local economic interests associated with cable," including state and local government. "What possessed the state to adopt this unequal excise on competing services? In a word, protectionism," the petition said. "Though cable and satellite may be interchangeable from the viewer's perspective, they have very different relationships with the local economy." – ***Orlando Sentinel***

Spanish-language broadcaster Univision has gone dark in Verizon FiOS homes Monday afternoon as the two sides have been unable to come to terms on a new distribution agreement. Univision said Verizon dropped its channels from roughly five million homes primarily on the East Coast without warning at 5 p.m. Eastern time.

The two sides had previously extended their current contract during negotiations and Univision had offered to continue the extension, a spokesman said. "We urge Verizon to put Univision back on and come back to the negotiating table and prove its commitment to the Hispanic community and show that it understands the value of Spanish-language programming," a Univision spokesman said. A Verizon FiOS spokesman said Univision is proposing an increase "of more than double what they charge for access to their channels today." The spokesman added the push for a price increase comes at a time when "we believe the appeal for Univision programming is waning given their reported declining viewership." – ***Wall Street Journal***