

CableFAX Daily™

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What the Industry Reads First

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Rolling in the Dough: Post-Spin CVC Seen as Importantly Cash Rich

Wall St applauded **Cablevision's** planned Feb 9 spinoff of its **MSG** businesses Wed, sending the MSO's shares up 3.7% amid a positive response akin to the one that greeted **Time Warner** when its board OK'd the spinoff of **AOL** in May. Investors, it seems, have warmed to cable-related securities in recent quarters, finding particular solace in those acquiring or maintaining a sharper cable focus, be it on programming or service provision. Post-spin, CVC will maintain both thrusts by keeping **AMC**, **WE tv** and **IFC** (MSG nets and **Fuse** will stay with MSG), but analysts remain most enamored of a trait enjoyed by many cable ops: cash flow. "Nearly every operational CVC metric improves with the spin out of MSG," said **Collins Stewart** analyst *Thomas Eagan*, noting that "FCF is the most impacted." The MSO's free cash flow generation won't change dramatically with the spin, according to analysts, but its key ratio of FCF to earnings will notably improve without **Madison Square Garden**, which is slated for approx \$700-900mln in refurbishments, and the **NY Knicks** and **Rangers**. "CVC is spinning off equity value, but relatively little cash flow," said **Sanford Bernstein** analyst *Craig Moffett* when the spin was 1st proposed. "Spread across a reduced equity base, the [MSO's] FCF yield will soar. Even with MSG in the mix Cablevision was a free cash flow machine." Added **Wells Fargo Securities** analyst *Marci Ryvicker*: "We believe this spin-off is a positive for CVC as it refocuses management's attention on its core cable business. Furthermore, it is accretive to FCF and removes the capital expenditure overhang related to the Madison Square Garden renovations." On the Street, higher FCF yields often lead to escalating share prices. Assuming that CVC, among other things, maintains its current dividend and uses its FCF to retire debt, "a shareholder could expect [CVC] shares to appreciate at a CAGR of 30% annually for the next three years," said Moffett, who's aligned with Ryvicker on an 'outperform' tag and \$28 price target on CVC shares. Eagan has a 'buy' rating and \$35 target on the shares. By contrast, **S&P** maintained its 'hold' opinion because it sees "pending strategic questions around possible sale or spin-off of Rainbow programming networks, vs. vertical integration through further content acquisitions." Doesn't that concern ring a bell?

Getting Foxy: The official word of **Fox Networks** restructuring came Thurs, with *Peter Rice* being named chmn, ent for **Fox Networks Group**. He'll oversee **Fox Broadcasting** and **FX Networks**. All sports operations, including **FOX Sports**, **RSNs** and **Speed**, will be under the supervision of *David Hill*, chmn & CEO, Fox Sports. Both will continue

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to report to *Tony Vinciguerra*. What's all this mean? Well, it could signal that Fox is looking to return to the aggressive actions we saw from it in the mid '90s (acquiring NFL, acquiring the RSNs from Liberty, etc). Anyone wondering if Fox might try to make a serious run for Olympics rights? Fox said the changes are to better align its creative executive leadership. FX's *John Landgraf* will report to Rice, while the sports network heads will report to Hill. It's not clear where Fox Natl Cable Nets pres *Rich Battista* will end up. The company said it's in discussions with him about a potential new role within the company. "Rich Battista is a valued member of this company and we hope to find a new opportunity for him in the near term," *Chase Carey* said in a statement.

In Fairness: Cox's new ad campaign touting its wireless service bows this week in Hampton Roads, VA, Omaha, and Orange County, CA, where the MSO started trials of wireless and mobile broadband services last month using test groups. Available for viewing at www.youtube.com/watch?v=BaXm5nDRR4A, the ad notes Mar as the official launch date of Cox's wireless service. The MSO also intro'd companion site www.unbelievablyfair.com, where visitors have the opportunity to receive a free VOD movie, and is encouraging consumers to tell it what they'd like to change about their current wireless services by visiting its Facebook page at <http://budurl.com/FBWirelessBoard2>.

Carriage: Epix can now count 3 deals, with **Mediacom** signing on to begin distributing the multi-platform premium service in Apr. News of Mediacom's deal comes 2 days after it announced **Cox** would launch the service in Apr. **Verizon** is already carrying the channel.

Competition: Reports are out that **Verizon** will double its early termination fee for **FiOS TV** service to \$360 from \$179. It would apply to new customers who sign up for service on or after Jan 17 (Sun) and cancel before their 2-year contracts end, *The Philly Inquirer* reports, citing company documents. Verizon declined comment for the story, other than to say it could alter its plans for early termination fees and other changes by Jan 17. -- **Verizon** updated its **FiOS TV** guide in South-Central PA, giving subs the ability to purchase **ESPN** programming by remote along with navigational shortcuts. TX, CA, MA, RI and NY already have the features, which will be expanded to all FiOS markets over the next few months.

VOD: Comcast launched **ESPN On Demand Wed**—a VOD service that includes sports docs from "30 for 30" and will feature more than 10 hours of X Games 14 footage. Other distributors carrying the service include **FiOS**.

Too Bad, So Sad: Actor *Ben McKenzie* of TNT drama "Southland" told "Extra" Tues that he's glad *Jay Leno* failed in NBC's 10pm slot, from which the former broadcast show was bumped because of the change and ultimately canceled. "Now we can make the show we wanted to make—on cable," said McKenzie. The series premiered Tues night (10pm ET) on the net, garnering 1.98 total viewers, 1.53mln HHs and 859K 18-49s to outdeliver the prime averages of TNT's other acquired crime dramas including "Bones" and "Numb3rs."

Programming: DirecTV will run a **Starz** free trial, Thurs-Sun, on channels 518-533 (including HD). 14 Starz and Encore channels will be available to subs. -- *Roland Martin* will interview Pres *Obama* for **TV One's** hour-long MLK Day special, Mon, 8pm ET (repeats at 11pm). -- **Lifetime's** "Army Wives" returns for its 4th season Apr 11, 10pm. -- **C-SPAN2** will air oral arguments in the **Fox vs FCC** fleeting expletives case at 9pm ET, Wed. The 2nd Circuit Court of Appeals in NYC heard the case Wed afternoon. It'll also be available on demand at www.C-SPAN.org. -- Oscar contending doc "The Cove"

CableFAX

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BUSINESS & FINANCE

will debut on **Animal Planet** this summer—its 1st exclusive window after airing on **Epix**. The film is an undercover investigation into the slaughter of dolphins in remote Taiji, Japan.

Honors: **Logo** and **CNN** led cable in **GLAAD Media Awards** noms with 4 each, with **MTV** (3), **HBO** (2), **BBC America** (2) and **HLN** (2) also receiving multiple nods. **AMC**, **ABC Family**, **Showtime**, **Lifetime**, **Sundance Channel**, **Bravo**, **truTV** and **MSNBC** also received noms.

On the Circuit: **ESPN** employees know how to have a little fun, engaging in a weeklong table tennis tournament this week. On Fri, those still standing for the final round will get to play international Table Tennis champ *Biba Golic*. Get your backspin on!

People: *Lisa Chang*, svp, HR for **Turner**, was named **CTHRA's** pres. **Cox's** *Erin Hand* will serve as vp, **Comcast's** *William Strahan* was named treas, and **Discovery's** *Ted Stewart* will serve as sec. -- **Comcast** promoted *Hank Fore* to regional vp, OR/Southwest WA.

Business/Finance: **Sanford Bernstein** raised **Time Warner Cable's** target price to \$60 partly to reflect higher EBITDA estimates on the back of larger than expected price increases. Bernstein expects a dividend in the range of \$1.50 or more/share to be announced early this year as well as a sizable repurchase authorization. Shares closed up nearly 7% Wed.

CableFAX Daily Stockwatch

Company	01/13 Close	1-Day Ch	Company	01/13 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	37.05	0.80	AMPHENOL:	45.00	0.70
DIRECTV:	33.50	0.46	AOL:	26.24	1.03
DISH:	20.49	0.17	APPLE:	210.65	2.93
DISNEY:	31.29	0.47	ARRIS GROUP:	11.44	0.64
GE:	16.83	0.06	AVID TECH:	13.59	0.71
NEWS CORP:	15.80	(0.09)	BIGBAND:	3.28	(0.06)
MSOS					
CABLEVISION:	26.87	0.95	BLNDER TONGUE:	1.12	(0.01)
COMCAST:	16.77	0.26	BROADCOM:	30.87	0.89
COMCAST SPCL:	16.06	0.26	CISCO:	24.64	0.44
GCI:	6.25	(0.06)	CLEARWIRE:	7.76	0.04
KNOLGY:	11.77	0.43	COMMSCOPE:	27.87	0.63
LIBERTY CAPITAL:	24.35	(0.29)	CONCURRENT:	4.05	(0.09)
LIBERTY GLOBAL:	23.21	0.05	CONVERGYS:	11.52	0.21
LIBERTY INT:	11.63	0.04	CSG SYSTEMS:	18.66	0.24
MEDIACOM:	4.86	0.12	ECHOSTAR:	19.61	(0.01)
RCN:	10.20	0.14	GOOGLE:	587.09	(3.39)
SHAW COMM:	20.18	0.19	HARMONIC:	6.57	0.09
TIME WARNER CABLE:	44.44	2.82	INTEL:	20.96	0.35
VIRGIN MEDIA:	17.11	0.50	JDSU:	8.35	0.12
WASH POST:	452.34	3.03	LEVEL 3:	1.47	0.01
PROGRAMMING					
CBS:	13.99	0.43	MICROSOFT:	30.35	0.28
CROWN:	1.55	0.01	MOTOROLA:	7.60	0.20
DISCOVERY:	31.99	0.19	OPENTV:	1.51	0.03
GRUPO TELEVISA:	20.65	0.43	PHILIPS:	30.75	0.63
HSN:	20.11	0.02	RENTRAK:	18.31	0.17
INTERACTIVE CORP:	21.75	0.77	SEACHANGE:	6.51	0.05
LIBERTY:	37.92	0.30	SONY:	33.16	1.59
LIBERTY STARZ:	50.27	0.27	SPRINT NEXTEL:	4.00	0.10
LIONSGATE:	5.49	(0.05)	THOMAS & BETTS:	36.20	0.70
LODGENET:	6.01	0.08	TIVO:	10.38	0.16
NEW FRONTIER:	1.90	(0.02)	TOLLGRADE:	6.35	0.07
OUTDOOR:	5.49	0.04	UNIVERSAL ELEC:	26.37	0.59
PLAYBOY:	3.48	0.16	VONAGE:	1.60	0.07
RHI:	0.43	0.07	YAHOO:	16.90	0.22
SCRIPPS INT:	46.04	0.45	TELCOS		
TIME WARNER:	29.02	0.52	AT&T:	26.64	(0.32)
VALUEVISION:	5.00	0.08	QWEST:	4.55	0.03
VIACOM:	31.40	0.24	VERIZON:	31.87	(0.04)
WWE:	16.08	0.11	MARKET INDICES		
TECHNOLOGY					
3COM:	7.56	(0.07)	DOW:	10680.77	53.51
ADC:	6.49	0.03	NASDAQ:	2307.90	25.59
ADVANTAGE:	2.03	0.02			
ALCATEL LUCENT:	3.69	0.08			
AMDOCS:	27.87	(0.76)			

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Think about that for a minute...

Purple Faces

Way back in the day... a long, long time ago, but not that far away, when I started as an attorney working at the cable television "Task Force" of the FCC, one of my jobs was to respond to mail regarding cable television. A common complaint was "purple faces."

Complaints that cable operators were delivering television pictures with "purple faces," got clarified as soon as I talked to a consumer, who said, yes, they even had that problem when they were watching television on the sets in their home that weren't connected to cable! Remember, I said this was a long time ago. There were a lot of folks, particularly the older ones, who were not really used to color television sets at the time, and they didn't know how to tune the set to get rid of the "purple faces!"



Steve Effros

Jump to today. 3D. Do I need to say more?

In the last week the "buzz" created by demonstrations and press events at the Consumer Electronics Show has some folks anticipating that 3D television is going to be ubiquitous in short order. Nonsense. It's not clear to me that 3D as a technology will ever be the "norm" for video delivery. Unlike "digital" or "HD," where you can at least apply the technology to all programming (eventually) and it will either make the experience better, or at least the same in the case of "talking head" programs, as it is today, 3D is a whole different animal.

There are some programs that would definitely be inappropriate for 3D. "The World's Deadliest Catch" comes to mind. Imagine all those folks getting seasick in their living rooms and you will get the idea. 3D is a neat idea, and it works well in one of the most expensive motion pictures produced to date, Avatar. But

that doesn't mean it is appropriate for all video and in every living room.

The reality is we still have a battle over which 3D standard is going to be used. They are not compatible. We also have a situation where a large segment of the public has just bought a new HD flat screen television. The shipping cartons haven't all been recycled yet. The government helped with the promotion and uptake of those sets to the tune of over a billion dollars and a DTV transition, and it's clear from the number of folks who have an HD set but don't have HD service that they are not really even "tuned in" to that technology yet, let alone a new one with competing glasses they would have to wear, but only for some programs.

"Purple Faces" are being superseded by confusion over HD delivery and pictures that have bars down the side, or across the top. The same "channel" has two different numbers, one for HD and one with a different shaped picture, or really wide people. Now some are suggesting that we're supposed to quickly add a third channel that would be almost un-viewable without some funny pair of glasses and consumers will know which glasses go with which set?

Please. I think it's great that the path breakers are out there setting up new channels for the "early adopters." Let's remember, however, that it took close to 20 years for HD to actually happen, and it's still only in 50% of viewing homes. Let's adopt a little longer view of the time-frame reality for 3D.

By the way, another frequent complaint was that the set wouldn't work...that was usually because it wasn't plugged in.

Steve

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