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Thursday — January 20, 2011 | What the Industry Reads First | Volume 21 / No. 012

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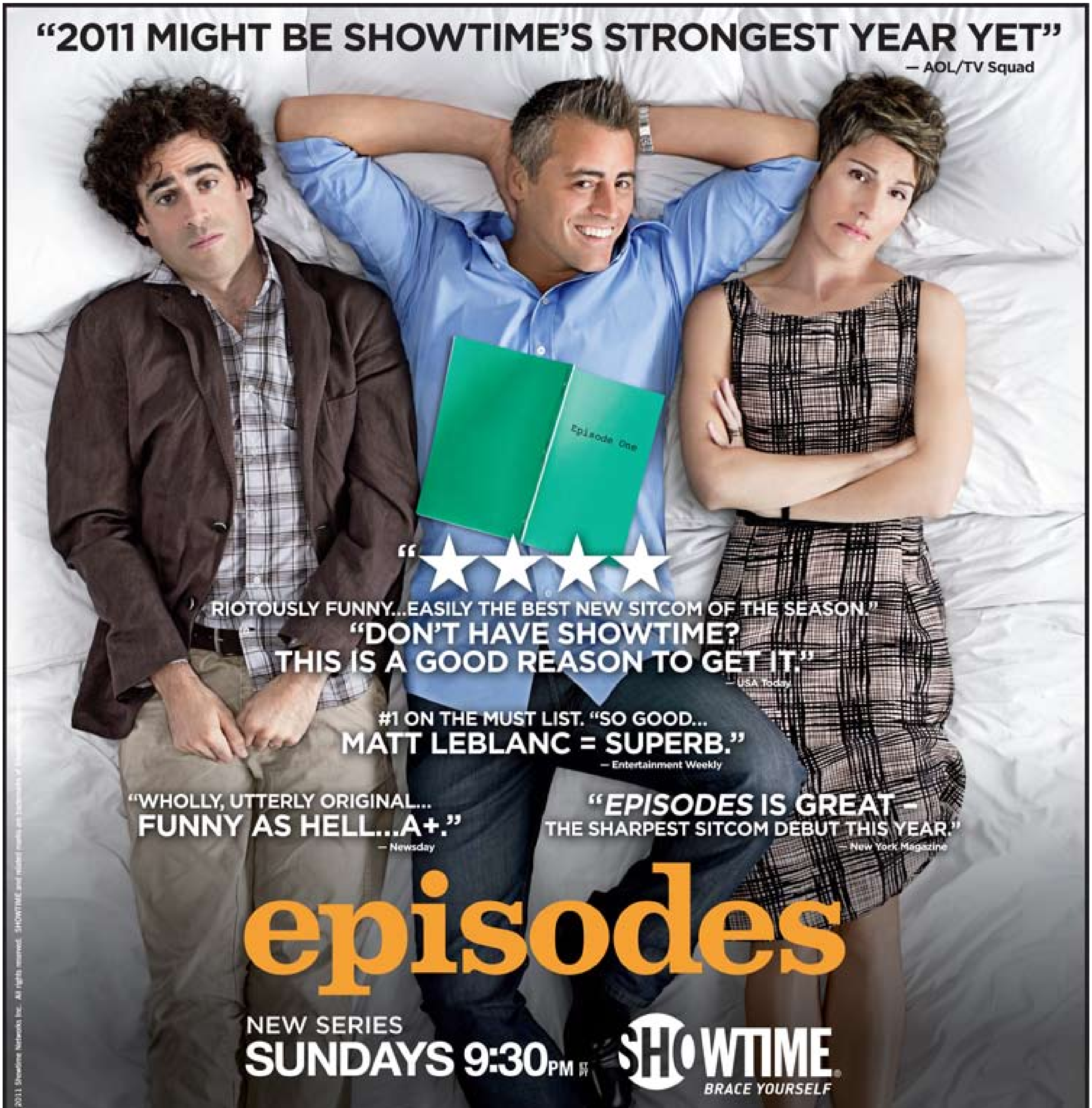

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Financial Focus: Wall St Weighs in on Comcast-NBCU

Many Wall St analysts believe it's time to buy **Comcast** shares after a major overhang on the stock was removed with the Comcast-**NBCU** deal's Tues approval. **Collins Stewart**'s *Thomas Eagan* upgraded CMCSA to a 'buy' Wed morning with a $32 price target, **Sanford Bernstein**'s *Craig Moffett* affixed an 'outperform' rating and $26 price target, and **Wells Fargo Securities**' *Marci Ryvicker* reiterated her own 'outperform' rating while raising the CMCSA valuation range to $27-29 from $25-27. Investors stamped their own approval of the deal Wed by sending the stock to a 52-week high of $23.68 before it closed at $23.10, up 1.4%. Eagan said Comcast is now "strategically complete" and a major media company, noting improving cable fundamentals as 70% of the MSO's rev remains derived from distribution, expectations of accelerated share repurchases and a dividend hike and, of course, stock value. Backing out the cable assets, Eagan estimates as 6.26x the multiple of Comcast's '11 content-only EBITDA, at the low end of ent conglomerates' peer range of 7.4x-9.5x. 'We believe it is time for investors to start thinking of Comcast as the combined Comcast/NBCU entity, and on that basis it is attractive on valuation," said Moffett. "It is now cheap and, we believe, well positioned for 2011." Still, he believes the NBCU deal "will bring with it regulatory conditions that will give rise to negative synergies." But Comcast importantly remains an infrastructure provider 1st and foremost, he said, noting a positive outlook for that business thrust since recent regulatory developments have reduced the risk of price regulation. Ryvicker said investors needn't worry any longer about injurious or punitive deal conditions, asserting that those surrounding online video access (***Cfax***, *1/19*) are actually "financially beneficial to CMCSA." OVDs will find it difficult to "qualify" for access to Comcast's online content, she said, and with qualification comes steep compensation demands. "We continue to believe that CMCSA is undervalued and anticipate multiple expansion as CMCSA focuses on profitability over volume and as uncertainties lessen surrounding potential NBCU concessions," concluded Ryvicker. Although he's neutral on CMCSA, **BTIG**'s *Richard Greenfield* agrees that the online access conditions are more bark than bite. "There does not appear to be anything in the NBCU consent decree that would meaningfully accelerate the prospects for OVDs to gain access to high quality video programming," he said, so OTT sub growth should remain modest. Indeed now

The CableFAXIES awards

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CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.com ● fax: 301.738.8453 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 301.354.1790, mgrebb@accessintel.com ● Senior Online Editor: Chad Heiges, 301.354.1828, cheiges@accessintel.com ● Asst VP, Ed Director: Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 301.354-1695,dvodenos@accessintel.com ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Marketing Dir: Carol Brault,301.354.1763, cbrault@acessintel.com ● Prod: Joann Fato, 301.354.1681, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ●Subs/Client Services: 301.354.2101, fax 301.309.3847 ● Group Subs: Carol Brault, 301.354.1763, cbrault@accessintel.com

a bona fide conglomerate, Comcast will soon count complete or partial ownership of the following entities (not including the main cable nets): NBC and 10 affil stations, **Universal Pictures**, **Universal Studios Hollywood**, **Universal Orlando Resort**, **Telemundo** and 16 affil stations and **Hulu**. **GE** will shed light on NBCU's 4Q and '10 performance Fri.

Bevo TV: **ESPN** officially hooked **The University of TX Longhorns** Wed after months of speculation, reaching a 20-year agreement with the school and **IMG College** to dev, launch (in Sept) and operate a devoted, as-yet-unnamed 24/7 cable net. Reportedly worth $300mln, the deal gives ESPN complete ownership of the channel while UT received rev guarantees that kick in down the road. "We plan to bring unprecedented exposure to UT," said ESPN svp *Burke Magnus* during a press conference. "The content possibilities are endless." More than 200 exclusive events/yr are slated for feature, including at least 1 football game and 8 college hoop contests, as is coverage of Olympic sports, relevant cultural/arts content, archived programming and TX high school football. Magnus said talks are under way with distributors for widespread state and even national carriage. There will also be an online component to the net.

In the States: **Cablevision**'s **Optimum Business** announced SMBs may now try the HSD/voice service under a risk-free 30-day trial whereby they will receive a full refund if they're not completely satisfied with both offerings. -- **Knology** is celebrating its entry into the KS market this week with several events including 2 office openings. The entry is the culmination of Knology's '10 acquisition of **Sunflower Broadband** and 30K subs in the Lawrence area.

Carriage: **ReelzChannel** launched on **Time Warner Cable** in Columbus, OH.

Comcast-NBCU: In reacting to the deal's approval, Sen *John Kerry* (D-MA) applauded the extensive review process and said "the end result is a sold step forward… the newly merged firm also will not be able to favor its own content over its broadband pipes or deny content to subscribers of competing broadband service providers." Sen *Jay Rockefeller* (D-WV), however, believes the **FCC** failed to include ample consumer protections. "I hope that competitors will provide new pressure on [cable] rates and bring consumers more choices as the video market continues to evolve, but I intend to have the committee keep a close watch on this issue going forward." On the market side, both **Bloomberg** and **Level 3** reacted positively to the deal conditions. "In today's order, the FCC has taken strong action to preserve independent news programming, and protect competitors against discrimination," said Bloomberg pres *Dan Doctoroff*. Added Level 3 evp/chief legal officer *John Ryan*: "Level 3 supports the [FCC/DOJ's] commitment to ensuring that Comcast meets its obligations under the FCC's Open Internet Order as a condition."

Advertising/Marketing: **McDonald**'s reupped as a **NHL** partner in the US and will provide support to **NHL Net**, **Versus**, **NBC** and **NHL.com**.

Technology: **BCM** is collaborating with Knology and broadcast stations **WSFA** and **WCOV** to launch EBIF app **Clickable TV** in Montgomery, AL. Beginning this month, WSFA will enable portions of its local programming and ads seen by **Knology** subs to be interactive through Clickable TV, which allows viewers to use their remotes to forward or bookmark content from the TV to their preferred email and a personal Web page without interrupting viewing.

Programming: A multiyear 1st-look deal with **Virgin Group** gives **E!** the exclusive rights to all Virgin-produced reality series development. -- **SNY** extended its TV and marketing partnership with the **NY Jets**, scoring year-round in-depth access to team players, coaches and execs and the rights to distribute team content via **SNY.tv**. A slew of programming is planned this week surrounding the Jets-Steelers AFC Championship game (Sun). -- **Outdoor Channel** and **Bonnier Corp** renewed a collaborative partnership that includes marketing and digital initiatives plus series "Field & Stream's Total Outdoorsman Challenge" and "Field & Stream's The Gun Nuts Presented by Smith & Wesson." -- **HBO** acquired the US rights to "Project Nim," a film about a '70's chimp that headlined a landmark experiment that aimed to show an ape could learn to communicate with language if raised and nurtured like a human child. It will be screened on opening night of this year's **Sundance Film Festival**.

Golden Globes: Cable clipped broadcast in **Golden Globe** wins, 7-4, paced by **HBO**'s net-leading 4 and domination of the drama categories. "Boardwalk Empire" was lauded as best drama, and series star *Steve Buscemi* took home the hardware for best drama actor. *Katey Sagal* of **FX**'s "Sons of Anarchy" won best drama actress. **Sundance**

BUSINESS & FINANCE

Channel notably picked up its 1st GG title ever, for top TV mini-series/ film "Carlos." **E!** averaged more than 1.6mln viewers and earned a 1.36 HH rating for its "Live from the Red Carpet" coverage (6-8pm), marking the feature's best performance in 4 years.

People: *Edgar Lee* and *Stan Parker* were appointed **Charter** board members. -- **Canoe Ventures** appointed **Time Warner Cable** pres/ COO *Rob Marcus* a board member. -- *Deirdre O'Hearn* joined **WE tv** and **Wedding Central** as vp, dev and talent. -- **Fox Intl Channels** named *Liz Dolan* CMO. -- **Sportsman Channel** welcomed *Greg Trager* as vp, programming and prod. -- **QVC** upped *Claire Watts* to CEO, US. -- Viacom tapped *Robert Rakish* as pres/CEO, **Viacom Intl Media Networks**.

Business/Finance: **Charter**'s board voted to convert *Paul Allen*'s approx 2.24mln Class B common shares into the same number of Class A shares, a conversion that negates Allen's 35% voting interest in the MSO and right to appoint 4 board members. The latter change resulted in the new board members noted above. -- **EWTN Global Catholic Net** signed a letter of intent to acquire the *National Catholic Register* newspaper. No cash will be exchanged, rather EWTN will take over the pub's ongoing operational expenses and assume its future subscription liabilities.

CableFAX Daily Stockwatch

Company	01/19 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	42.10	(0.52)
DISH:	21.30	(0.22)
DISNEY:	39.09	(0.3)
GE:	18.33	(0.27)
NEWS CORP:	16.02	(0.12)
MSOS		
CABLEVISION:	33.73	(0.27)
CHARTER:	41.50	0.51
COMCAST:	23.10	0.32
COMCAST SPCL:	21.61	0.13
GCI:	12.42	(0.53)
KNOLOGY:	14.44	(0.37)
LIBERTY CAPITAL:	63.82	(1.16)
LIBERTY GLOBAL:	37.02	(0.33)
LIBERTY INT:	15.78	(0.27)
MEDIACOM:	8.59	(0.01)
SHAW COMM:	20.94	(0.27)
TIME WARNER CABLE:	66.35	0.48
VIRGIN MEDIA:	24.14	(0.67)
WASH POST:	423.39	(2.88)
PROGRAMMING		
CBS:	20.21	(0.26)
CROWN:	2.47	(0.02)
DISCOVERY:	39.49	0.01
GRUPO TELEVISA:	25.24	(0.62)
HSN:	27.78	(0.66)
INTERACTIVE CORP:	28.32	(0.58)
LIBERTY:	39.80	(0.64)
LIBERTY STARZ:	65.84	(0.29)
LIONSGATE:	6.45	(0.06)
LODGENET:	3.38	(0.74)
NEW FRONTIER:	1.80	(0.02)
OUTDOOR:	7.71	(0.04)
PLAYBOY:	6.11	UNCH
SCRIPPS INT:	47.58	(0.52)
TIME WARNER:	32.40	(0.42)
VALUEVISION:	6.35	(0.45)
VIACOM:	48.09	(0.46)
WWE:	13.73	(0.18)
TECHNOLOGY		
ADDVANTAGE:	3.02	(0.03)
ALCATEL LUCENT:	3.23	(0.09)
AMDOCS:	28.69	(0.17)
AMPHENOL:	52.89	UNCH
AOL:	24.58	(0.15)
APPLE:	338.84	(1.81)
ARRIS GROUP:	12.51	(0.06)
AVID TECH:	17.47	(0.48)
BIGBAND:	2.64	(0.09)
BLNDER TONGUE:	2.44	(0.11)
BROADCOM:	46.44	(0.71)
CISCO:	20.82	(0.4)
CLEARWIRE:	5.66	(0.25)
CONCURRENT:	4.94	-0.00
CONVERGYS:	14.21	(0.31)
CSG SYSTEMS:	18.55	(0.52)
ECHOSTAR:	27.07	0.06
GOOGLE:	631.75	(7.88)
HARMONIC:	8.05	(0.25)
INTEL:	21.01	(0.07)
JDSU:	16.52	(0.47)
LEVEL 3:	1.15	(0.07)
MICROSOFT:	28.47	(0.19)
RENTRAK:	26.61	(1.03)
SEACHANGE:	8.83	(0.06)
SONY:	35.94	0.07
SPRINT NEXTEL:	4.28	(0.08)
THOMAS & BETTS:	48.63	(0.25)
TIVO:	9.65	(0.23)
TOLLGRADE:	9.14	(0.29)
UNIVERSAL ELEC:	26.04	0.11
VONAGE:	3.22	(0.11)
YAHOO:	16.31	(0.19)
TELCOS		
AT&T:	28.33	UNCH
QWEST:	7.13	(0.1)
VERIZON:	34.60	0.24
MARKET INDICES		
DOW:	11825.29	(12.64)
NASDAQ:	2725.36	(40.49)
S&P 500:	1281.92	(13.1)

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Think about that for a minute...

Comcast: Bigger and Better?

By Steve Effros

On January 10, 2000, AOL announced its plan to acquire Time Warner. One year and one day later, the FCC approved the deal. On December 3, 2009 Comcast and NBC/Universal announced their plan. It took the FCC more than a month longer this time to approve it. And of course in both cases there were lots of conditions.

But let's go back to the crazy days of 2000 for a moment and recall that at the time the "Dot-Com Bubble" had yet to burst. That wouldn't happen for another couple of months after the acquisition announcement. It was a great move for AOL and it turned out to be a real "learning moment" for the rest of us as we watched the presumed melding of "old" and "new" telecom companies fail miserably.

Back then, in my column, I described the deal as AOL "assetizing its money." Of course I was playing off the standard phrase "monetizing their asset," something many Dot-Com IPOs were doing around then. AOL, on the other hand, already had loads of stock valuation, being one of the early beneficiaries of the Dot-Com/Internet boom, but some folks at AOL were clever enough to see that the money they had on paper, their stock price, could easily disappear in the volatile environment of a new telecommunications "revolution."

The AOL folks did a smart thing. They found a company with real, solid assets; movie companies, magazines, television programming, cable systems, and they bought it with that paper before the paper lost its value, which, in fact, started happening almost immediately after the sale. Well, the rest is history, and we need not go into it here. Suffice it to say the merger did not create a new powerhouse, and AOL's name is now no longer part of the corporate identity.

It's instructive, however, to remember that at the time there were FCC Commissioners and "public interest" lobbyists who screamed bloody murder that the AOL/Time Warner deal was going to result in a telecom juggernaut that would scour the landscape, that would use its synergistic powers to rape and pillage and that it would destroy competition and lead to unrivaled media dominance.

None of that happened. Ten years later, the same folks have said virtually the identical things about the Comcast/NBCU deal. They're not likely to be right now, either. The visceral dislike, distrust, fear and loathing of "big" is something we almost take for granted these days. The "big" companies can do things others can't. They can take advantage of synergies, sometimes. Their scale can achieve significant leverage. But if you explore a little more, you find that the fears are often not borne out, and in many cases the companies that get the "biggest" also wind up unable to capitalize on their theoretical advantages. There's danger in getting too big.

We not only have AOL/Time Warner to point to. How about IBM before a far more nimble and much smaller Microsoft, at the time, outmaneuvered them? Who's next? Don't know. But I do know that "bigger" is not always "better." It's often harder, and more challenging to operate.

Comcast is an excellently run company, and they have done a great job of shepherding this deal through the government minefields, even though there are way too many conditions and caveats. But it's finally done, and they should be congratulated. I hope they will actually be one of the good, successful "big" guys, rather than simply learn that often the bigger they are, the harder they fall.

Steve

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