URGENT! PLEASE DELIVER

5 Pages Today



Turning the Corner? Analyst Looking for 4Q Net Sub Gains for Cable

Are they back? Analysts are hopeful that 4Q MVPD earnings, which kicks off this week, will mark the return of consumers to pay TV. "We expect the industry to have added +19k subscribers back into the 115 mm TV household market, aided by slightly improving unemployment figures," wrote Miller Tabak's David Joyce. Maybe that recent Harris Poll finding that the fewest number of Americans are canceling or cutting back cable since Oct '09 really is on to something (Cfax, 1/13). Cable, particularly, isn't expected to be losing as many video subs as in the past, with Joyce predicting a loss of 341K from public and private ops vs 511K in 4Q10. That means a likely deceleration of net adds among cable's competitors, with Joyce predicting 190K net adds (+4%) for Verizon FiOS, 195K net adds for AT&T U-Verse (-21%), a 60K loss for DISH (+62%) and 35K net adds for DirecTV (an 88% potential deceleration as its NFL Sun Ticket promotion in 3Q "likely pulled forward some demand"). With the recent advancements in the TV Everywhere rollout, one thing to keep an ear out for is whether any execs talk about what TVE means in terms of dollar signs. Needham & Co estimates that the rollout over the next 3-5 years could add about \$12bln of revenue annually to the US TV ecosystem (PriceWaterhouseCoopers puts that overall figure at \$165bln for '12). That extra money isn't just for content owners. Needham believes TVE could add \$1.7bln/year (an extra 2% annually) to distributors' bottom line "owing to the incremental pricing power driven by the new services." Comcast and Time Warner Cable would be the big beneficiaries given their TVE lead. "The current pay-TV distributors raise prices to consumers approximately 3-5% annually," Needham said in a research note. "We believe that the ability to access your favorite TV shows when and where you want, in or out of the home, will add 1-3% (100-300 basis points) to pricing power across the entire TV ecosystem for each of the next five years." Sanford Bernstein's Craig Moffett estimates Comcast's video price increases so far for '12 avg 3.9%, and said Time Warner Cable's avg annual price hike averages 5.4% (+4.1% for bundles), DirecTV's 4.9% and U-verse TV's 4.6%. DISH won't raise prices this year as promised. "Pricing power is...a doubled edged sword," said Moffett. "When it is over-used, it eventually runs headlong into affordability. There's no way to know precisely when the pay TV will hit that wall (or indeed if it already has), but it is an ever-present risk." Content owners, meanwhile, would see the biggest gains from TVE proliferation, with Needham estimating the largest public content companies could pull in \$10bln/year more in ad rev. But as Nomura's Michael Nathanson pointed out in a recent note (Cfax, 1/13), continuing dips in live viewing—in part because of TVE but mostly due to DVRs—mean programmers are vulnerable to a double-edged sword as well, at least until monetization issues are worked through. "We worry that the potential mix of lower scatter vs. scatter inflation and volatile cable network ratings could create negative cable network earnings revisions and multiple compression for smaller operators," said Nathanson. Nomura increased its **Disney** target price to \$44 from \$43, decreased the number for **Viacom** (\$53 from \$54), **Discovery** Nets (\$46 from \$47) and Scripps Nets (\$45 from \$47), and left unchanged those for CBS (\$28), News Corp (\$21) and Time Warner (\$39). Among MVPDs, Moffett prefers Comcast, Time Warner Cable and DirecTV.



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Discovery

Monday, January 23, 2012 • Page 2

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, 818.945.5309, mgrebb@accessintel.com • Assoc Editor: Chad Heiges, 301.354.1828,cheiges@accessintel.com • Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com • Contributor: Seth Arenstein • Publisher: Debbie Vodenos,301.354.1695,dvodenos@accessintel.com • Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com • Marketing Dir: Barbara Bauer, 301.354.1796, bbauer@accessintel.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: Barbara Bauer, 301.354.1796, bbauer@accessintel.com

<u>Retrans</u>: If you mess with the **New England Patriots**, Sen John Kerry (D-MA) has proven he will gripe about it. So it comes as no surprise that Kerry wrote a letter asking **FCC** chmn Julius Genachowski "to immediately and personally ask" **DirecTV** and **Sunbeam** to settle their retrans dispute that has led to darkness of several stations including Miami **Fox** affil **WSVN** and Boston **NBC** affil **WHDH**. Kerry's concerned that more than 200K Boston-area DTV may miss the Super Bowl—particularly if the Patriots get to the big game. Sunbeam has already agreed to offer Miamians access to the NFC Championship game (Jan 22) along with pre-game content, "American Idol" and late local news, so perhaps the broadcaster will do the same in Boston if a deal can't be reached by kickoff on Feb 5. Either way, Kerry's also urging Genachowski to conclude the Commissions' notice of proposed rulemaking on retrans disputes.

<u>At the Portals</u>: As promised, **Comcast** asked the **FCC** to review **Tennis Channel**'s program carriage victory. The MSO said the complaint should have been dismissed under the applicable statute of limitations, which bars claims brought more than 1 year after the parties enter into a contract. The Media Bureau ruled (incorrectly in Comcast's opinion) that the complaint was OK because it was filed within 1 year of Tennis presenting Comcast a notice of intent to file a program carriage complaint. Comcast also took issue with the administrative law judge's initial decision, saying the complaint was an attempt to "rewrite a now 7-year-old contract under the guise of a discrimination claim." The MSO claims the decision radically expands Sect. 616 of the Comm Act and violates its 1st Amendment rights by stepping on its editorial control. Late last month ALJ *Richard Sippel* ruled in Tennis' favor, saying the net satisfied the burden of proving Comcast discriminated against it and unreasonably restrained its ability to compete fairly (*Cfax*, *12/21*). Tennis pooh-poohed Comcast's filing and said it would file its opposition in due course. "Our view prevailed at the hearing, the law is clear and we think that the Commission will act based upon it," a rep said.

<u>Apps:</u> Time Warner Cable expanded to iPhones the availability of its free TWC TV app offering live, in-home viewing of nearly 200 nets. The app also allows users to change channels on set-tops, manage DVRs and search for programming.

<u>On the Hill</u>: SOPA and PIPA opponents are doing a victory dance. Sen Majority Leader Harry Reid (D-NV) will delay a vote on the Protect IP Act. In the House, Judiciary chmn Lamar Smith (R-TX) said consideration would be postponed until there is wider agreement on a solution. **MPAA** chief Chris Dodd said he hopes the dynamics of the conversation changes now and that there is a sincere conversation on how to protect the "millions of American jobs" (key Washington buzzword) affected by the theft of intellectual property.

<u>Technology</u>: CableLabs will host from Feb 13-17 in Louisville a 3DTV interoperability event where manufacturers of 3D-capable set-tops, TVs and test equipment can evaluate product implementations based on the OpenCable 3DTV requirements or are designed to interoperate with such products.

Shining the Light: Sometimes it's more than just TV. **Nat Geo** doc "Hitler's G.I. Death Camp," which ran last month, helped find a Holocaust survivor from one of Hitler's most secretive slave labor camps, known as Berga. After the doc aired, the US Holocaust Memorial Museum got a message about a survivor in TX who was missing from the post-war list for 67 years. The museum is adding more artifacts and diaries he has had in his possession.

FX Exec Session at TCA: Again arguing that next-day ratings figures don't reflect a show's overall reach, **FX** chief John Landgraf agreed to make available a database to help TV writers better assess the full reach and time horizon

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Questions? Contact Awards Coordinator Mary-Lou French at mfrench@accessintel.com. Sponsorship Opportunities: Debbie Vodenos at 301-354-1695; dvodenos@accessintel.com. of overall viewership. Critics found a packet of ratings charts at their seats as FX continues its campaign to get more credit for the undisputed success of its hit shows. Landgraf pointed out that only 40% of FX's revenue is based on C3 ratings, with 60% based on more comprehensive measures that help drive affiliate fees. But in terms of ad sales based on ratings, "two-thirds of it we're not getting paid for." Landgraf also defended his decision to greenlight *Charlie Sheen* vehicle "Anger Management" (June) based only on 15 story loglines ("hardly a full-baked outline"), with no script or pilot. "I go into the process as optimistic as I can without a full script," he said. "We're a network that likes to take risks." The 10-ep pickup involves an additional 90 eps if the show reaches certain ratings thresholds, Landgraf said, and the net sees the potential of a long life for the show. "Everything we do is a roll of the dice," he said. "Sometimes it comes up the number you want, sometimes it doesn't." Meanwhile, Landgraf said he's in "active conversations" with *Ryan Murphy* over the much-anticipated Season 2 for "American Horror Story," which will take the novel approach of resetting at a new location and with new characters. As previously reported, Landgraf confirmed that 2 or 3 actors from Season 1 could come back—but they would play completely different characters. It's an unusual and risky scenario for Murphy to put forth, but "if you want to be in business with him, you have to accept the premise that you're going to be on a long ride," said Landgraf.

FX at TCA: At TCA, some panels present in the spirit of their show. The TCA panelists for FX's cartoon spy spoof "Archer" (season 2 premiered Jan 19) mirrored the series' irreverent tone beautifully. Before TCA critics asked a question Archer's voice actor H. Jon Benjamin had grabbed decorative plastic balls from a tasteful on-stage display and was winging them with gusto into the audience of critics. At least one expensive stage light was dinged by a Benjamin toss. Asked by a critic if people on the street recognize his deep, heroic voice from the series, Benjamin responded literally. "Oh, yes, hookers recognize it." The voice of voluptuous spy Lana Kane, Aisha Tyler placed odds on her character "suffocating under the weight of her own breasts." George Coe, who voices Archer's English butler Woodhouse, spoke of working with younger actors. "[At 82], it's a delight to be working with anyone," he said. -- Once a series has achieved a measure of success a measure of quiet confidence tends to surround it. The TCA panel for FX's Emmy-winning hit drama "Justified" (Tues, 10pm) appeared to reflect that sentiment. Entering its 3rd season, exec prod Graham Yost said he wanted "to switch gears a little bit." The plot will move from unconventional U.S. Marshal Raylan Givens (Tim Olyphant) chasing rural bandit Mags Bennett (Margo Martindale), who was killed last season, to a story where the bad guy wears a neatly-tailored suit. Played by Neal McDonough, Robert Quarles is a city guy "who thinks he's going to come down to Kentucky and show these backwoods hicks how crime is really done," Yost said. And of course there's the love-hate relationship between Givens and childhood chum and somewhat reformed baddie Boyd Crowder (Walton Goggins). There should be no paucity of Justified plots for a while. 86-years-young Elmore Leonard, whose Raylan Givens stories led to the series, bowed to Olyphant's urging and this week published "Raylan," a novel. Said Yost, Leonard instructed him to "hang [the book] and strip it for parts." -- In one of the more entertaining (and bizarre) TCA sessions, bigger-than-life British personality Russell Brand showed up to promote his tentatively titled late night FX show "Strangely Uplifting" (March premiere), which will take on a crowded late night marketplace. Brand told critics he'll bring an outsider's perspective to the U.S. "So like it is the perspective of an alien trying to understand this peculiar time, this peculiar country," he said. The rest of the session involved various metaphysical musings, leaving critics wondering exactly what the show will entail. "We live in a time where we're stupefied by plasticity, where we have this toxic sequined wave of vapid culture polluting our minds, denigrating our consciousness, detracting us and removing us from our spirituality," Brand said. Interesting... Please, go on. "I don't want to further celebrate the overly elaborate brittle plastic structures of nonsense that are constantly fired into our minds to distract us from what's really important. So like if I had done something actually newsworthy, in some bizarre world, then I would cover it. But if it was just more lacquered nonsense designed to distract us from truth, then I would wisely ignore it." Phew. Glad he cleared that up. -- Louis C.K. walked critics through his plans for season 3 of "Louie" (June premiere) with a refreshing dose of humility and gratitude. Amazingly, Louis C.K. writes, acts and even edits his show, which subsists with a skeleton crew and a low-budget, guerrilla feel. Will he at least delegate the video editing? "I love doing it, but it's always while I'm shooting, or something else is going on, or that I've got a gun to my head to deliver the show," he said. "I may have to give it up this year if we find somebody. It's the only job out of all the jobs that I have on the show that if I could find somebody, I would replace myself." Interestingly, he said he could walk away from the show and just do stand-up. "This is the greatest thing that ever happened to me, but I don't need it," he said. "And I'm eternally grateful to these guys, of course, for letting me do it this way. I don't know why they gave me this much freedom. If I was running FX, I would never have given me what they've given me. It was irresponsible, and it was not a good idea." Some 3mln viewers would probably disagree. (Editor's Note: More from FX's epic, 4-hour session along with the last of our comprehensive TCA coverage in Tues' issue)

CableFAXDaily

CableFAX Week in Review

Company	Ticker	1/20	1-Week	YTD	
Company	TICKEI	Close	% Chg	%Chg	
BROADCASTERS/DBS/MMDS					
DIRECTV:			(1.87%)	0.63%	
DISH:					
DISNEY:	DIS		2.37%	4.83%	
GE:					
NEWS CORP:	NWS	19.66	3.91%	8.14%	
MSOS					
CABLEVISION:	CVC		4.37%	2.53%	
CHARTER:	CHTR		0.09%	0.12%	
COMCAST:	CMCSA		2.72%	9.95%	
COMCAST SPCL:					
GCI:	GNCMA	10.51	5.95%	7.35%	
KNOLOGY:					
LIBERTY GLOBAL:	LBTYA	45.31	6.39%	10.43%	
LIBERTY INT:	LINTA		(1.17%)	3.95%	
SHAW COMM:					
TIME WARNER CABLE	:TWC		5.53%	8.62%	
VIRGIN MEDIA:	VMED		1.02%	11.09%	
WASH POST:	WPO		1.91%	4.66%	
PROGRAMMING					
AMC NETWORKS:		41 00	F 20%	11 000/	
CBS:					
CROWN:					
DISCOVERY:					
GRUPO TELEVISA:					
HSN:					
INTERACTIVE CORP:				(1 1%)	
LIONSGATE:					
LODGENET:					
NEW FRONTIER:					
OUTDOOR:					
SCRIPPS INT:					
TIME WARNER:					
VALUEVISION:					
VIACOM:					
WWE:					
TECHNOLOGY				. =	
ADDVANTAGE:					
ALCATEL LUCENT:					
AMDOCS:					
AMPHENOL:					
AOL:					
APPLE:					
ARRIS GROUP:					
AVID TECH:					
BLNDER TONGUE:					
BROADCOM:					
CISCO:					
CLEARWIRE:					
CONCURRENT:					
CONVERGYS:					
CSG SYSTEMS:					
ECHOSTAR:					
GOOGLE:					
HARMONIC:	HLIT	5.67	8.41%	12.50%	

Company	Ticker	1/20 Close	1-Week % Chg	YTD %Chg
INTEL:	INTC	26.38	4.93%	8.78%
JDSU:	JDSU	13.45	17.26%	. 28.83%
LEVEL 3:	LVLT	18.28	0.00%	7.59%
MICROSOFT:	MSFT	29.71	5.17%	. 14.45%
MOTOROLA MOBILITY:	MMI	38.66	0.55%	.(0.36%)
RENTRAK:	RENT	17.48	12.41%	. 22.41%
SEACHANGE:	SEAC	6.95	2.96%	.(1.14%)
SONY:	SNE	17.85	4.20%	.(1.05%)
SPRINT NEXTEL:	S	2.27	3.65%	.(2.99%)
THOMAS & BETTS:	TNB	58.18	2.65%	6.56%
TIVO:	TIVO	10.30	(1.34%)	. 14.83%
UNIVERSAL ELEC:				
VONAGE:	VG	2.34	(2.09%)	.(4.49%)
YAHOO:	YHOO	15.96	3.10%	.(1.05%)
TELCOS				
AT&T:	T	30.51	1.46%	0.89%
VERIZON:	VZ	38.97	0.13%	. (2.87%)
MARKET INDICES				
DOW:				
NASDAQ:	IXIC	2786.70	2.80%	6.97%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. LODGENET:	3.44	. 23.30%
2. JDSU:	13.45	. 17.26%
3. AMPHENOL:	55.36	. 14.97%
4. ALCATEL LUCENT:	2.00	. 14.94%
5. RENTRAK:	17.48	. 12.41%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. BLNDER TONGUE:	1.35	.(43.04%)
2. GOOGLE:		(6.24%)
3. CROWN:	1.19	(3.25%)
4. VONAGE:	2.34	(2.09%)
5. DIRECTV:	43.03	(1.87%)



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