

# CableFAX Daily™

Wednesday — January 27, 2010

What the Industry Reads First

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## Cold Season: Verizon's TV, Internet Sub Metrics Losing Heat

It's perhaps little surprise that **Verizon's** wireline segment continues to labor, but **FiOS'** rapidly slowing sub growth in both video and Internet may turn a few heads. The telco added 153K TV subs and the same number of FiOS Internet customers (-107K DSL) in 4Q, marking respective YOY declines of 50% and 46% and sequential dips of 20% and 23%. Still, FiOS rev jumped 52% in 4Q, to \$1.1bln, and 57% for the year, leaving execs undaunted. Also, FiOS ARPU stands at a strong \$140. "We're pleased with the overall FiOS performance," said CFO *John Killian*. "It's performing where we thought it would be." Added CEO *Ivan Seidenberg*: "Once offices are open for 2-3 years, we've seen a very steady improvement in penetration that we're very satisfied with... if we focus a little bit better, we're going to get the market." **Sanford Bernstein** analyst *Craig Moffett*, meanwhile, believes VZ shareholders should be concerned by likely margin compression in the telco's wireline segment, which shed 13K jobs in '09 and is expected to eliminate a similar amount this year. "Perhaps most troubling... was a bad miss in Verizon's wireline growth initiatives" such as FiOS, said Moffett, adding that the telcos' wireline trends "are only getting worse." Sanford rates VZ as 'underperform' (\$25 price target), the telecom sector at 'underweight' and AT&T at 'market perform' (\$24). S&P maintained its 'hold' on VZ shares with a \$34 price target. While lamenting lingering softness in the enterprise segment, Seidenberg said he doesn't expect any notable improvement in the economy until the 2nd half of '10, although he foresees VZ bettering its performance this year versus last. As for the current Q, VZ's offering of FiOS bundles starting at \$89 is "bringing traffic in, and then we have significant opportunity to upsell," said Killian. "We're not going to stand still from a price perspective." VZ shares closed at \$30.17 Tues, down 1.7%.

**Martha Pulls an Oprah:** "The Martha Stewart Show" will end its syndication run, with new eps moving exclusively to **Hallmark Channel** in Sept. Under the agreement, **Martha Stewart Living Omnimedia** will develop a range of new and original series and prime time specials. "The Martha Stewart Show" will air Mon-Fri (10-11am) followed by exclusive original programming from 11am-12:30pm. "A few years ago, everything was on network," *Martha Stewart* said of the change. "It's just an evolution in the world of television in that we are able to have such a good partnership, allowing us to create more productions, more shows and have a really viable home at a certain time for our show. It's just very appealing." Hallmark still plans 24 original movies in '10, and "we will continue to focus on original movies. But certainly, we will have programming that will celebrate occasions, holidays and all of the things that are very much a part of the Hallmark DNA," said Hallmark Channels pres/CEO *Bill Abbott*, adding that **Hallmark Movie Channel** "will become more and more the home of our movie product and original movies... But we'll always maintain some position with our movie franchise on Hallmark as well." Hallmark Movie will be in 40mln homes by 4Q, Abbott said. Martha's flagship series will be filmed in NYC with a live studio audience and will re-air at 4pm and 5pm.

**In the Courts:** **DirectTV** and **DISH** filed a complaint in MA Superior Court, claiming the state violates the US Constitution's

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Commerce Clause with its 5% tax on satellite service. "The local cable TV industry urged the Massachusetts Legislature to impose a tax on only one category of pay TV service to 'reward' companies that contribute to the state economy, and to penalize like services that do not," the filing said, pointing to cable's building of specific infrastructure, call centers, etc.

**At the Portals:** The FCC on Tues sent letters to **AT&T, Google, Sprint, T-Mobile** and **Verizon** requesting info on wireless early termination fees.

**In the States:** Fingers crossed... **CEA** and **CNET's** Index of Consumer Expectations shows consumer confidence rising in Jan to 172.9—its highest level in 7 months. -- **Comcast** and **NBCU** made their formal filing to the DOJ Mon. The confidential docs start the clock on the \$30bln merger's review process. Later this month, they will file paperwork with the **FCC**.

**Advertising:** Customized 60-sec preview spots for **Disney Studios'** "Alice in Wonderland" will air from Jan 31-Feb 6 across **ESPN, ABC Family** and **ABC**. Cross-net promos spots for the stunt begin Tues, and the campaign—supported by **Disney.com, Facebook** and **YouTube**—culminates with a Super Bowl ad on Feb 7.

**VOD:** **Univision's** free Spanish-language VOD offering launched on **Cablevision** and **Wave Broadband**. Univision on Demand includes news programs and content from "Premio Lo Nuestro" and "Nuestra Belleza Latina."

**Programming:** Here's a combo we never imagined. *Larry the Cable Guy* is headed to **History** for new series "Only in America with Larry the Cable Guy" (wt). Slated to premiere in 3Q, the comedian will quirkily explore the country. -- Following its strong Sun debut, **Lifetime** encores "The Pregnancy Pact," Thurs, 7pm.

**Doing Good:** **Nielsen** says roughly 83mln viewers tuned into at least 1 min of the **MTVN**-led "Hope for Haiti" telethon, with the avg audience at any giving time being 24.1mln viewers. 33 networks carried the telethon live on Fri from 8-10pm ET. The total raised has now surpassed \$61mln. -- **Univision's** 5-hour, commercial-free "United For Haiti" special raised \$6.3mln in donations to the American Red Cross, a third of which were received via www.univisionhaiti.com. Nearly 8mln viewers watched some or all of the broadcast, which was simulcast on Galavision. -- **NCTA** is distributing a new Haiti PSA from the **Ad Council** titled, "Celebrity Plea," featuring *Morgan Freeman, Julia Roberts* and others. The satellite uplink will be available Thurs from 2:30-3pm ET on Galaxy 19.

**On The Street:** Quick thinking by **AMC**. Spotting the huge (and controversial) ad in Times Square featuring *President Obama* standing by the Great Wall of China in a Weatherproof jacket, **AMC** spoofed Weatherproof with a slightly larger adjacent billboard showing "Breaking Bad" star *Bryan Cranston* at the Wall with the caption "You Got No Proof." The tagline: "Dealer in Style. Getting Away With it Since 2008." Cranston's character is a drug dealer.

**Ratings:** Pivotal to the party balance on Capitol Hill, last week's MA Senate race propelled **Fox News** (2.4/2.39mln) to a narrow prime victory. Tues night eps of the net's "Hannity" (5.0/4.87mln), "On the Record" (4.7/4.59mln) and "The O'Reilly Factor" (4.0/3.94) all placed in the telecast top 7, and while none was able to best **Nick at Nite's** "iCarly" (6.9/6.89mln) they combined to help vanquish 2nd-place net **USA** (2.4/2.36mln) by just 18K homes. Paced by "Wizards of Waverly Place" (4.0/3.93mln), **Disney Channel** (1.8/1.82mln) was next, followed by **Nick at Nite** (1.7/1.71mln), which was also helped by new series "Big Time Rush" (4.4/4.42mln). **TNT** (1.5/1.49mln), its highest-rated program a Cavaliers-Lakers game (2.9/2.85mln), completed the net top 5. -- **Brag Book:** **Starz** says more than 3.3mln total viewers tuned in for ep 1

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# BUSINESS & FINANCE

of new original "Spartacus: Blood and Sand." That number is based on Live + Same Day P2+ cume estimates across Starz and Encore channels and includes 3 additional weekend airings. The Fri premiere drew a 2.1 HH rating (661mln viewers) on Starz for live plus same-day DVR and a 1.2 on Encore (580K viewers) -- The series premiere of **Syfy's** "Caprica" earned a 1.2/1.20mln to rank as the net's 2nd-highest rated telecast of the week. Prior to the bow, the show garnered approx 2mln viewers through outlets including **Hulu** and **VOD**.

**People:** *Richard Bates* was named svp, US govt relations for **Disney**, effective immediately, with *Preston Padden* (as previously announced) transitioning to the strategic planning group and eventually exiting the company. Padden has accepted a sr fellowship at the Univ of Co's Silicon Flatirons Center and as an adjunct prof.

**Business/Finance:** **Liberty Media** intends to commence a partial tender offer to acquire up to 34.5mln shares of **Live Nation's** common stock for \$12/shr in cash. The purchase would bring to 34.9% from 14.6% Liberty's ownership of Live's common stock. -- **Sanford Bernstein** put a post-MSG spin target price of \$23 on **Cablevision**, reflecting a 6.5x multiple on the core cable segment's estimated 2010 EBITDA and a blended multiple of 8.5x on **Rainbow**. MSG, trading on a when-issued basis under MSGNV, closed at \$21.74 Mon.

## CableFAX Daily Stockwatch

Company	01/26 Close	1-Day Ch	Company	01/26 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	35.21	(0.24)	AMPHENOL:	41.20	0.35
DIRECTV:	30.67	(0.42)	AOL:	23.92	(0.04)
DISH:	18.70	(0.31)	APPLE:	205.94	2.87
DISNEY:	29.66	(0.26)	ARRIS GROUP:	10.42	(0.39)
GE:	16.35	(0.02)	AVID TECH:	12.60	(0.07)
NEWS CORP:	15.01	(0.01)	BIGBAND:	3.10	(0.08)
<b>MSOS</b>					
CABLEVISION:	26.09	(0.49)	BLNDER TONGUE:	1.09	(0.04)
COMCAST:	15.70	(0.31)	BROADCOM:	28.64	(0.16)
COMCAST SPCL:	15.07	(0.33)	CISCO:	22.90	(0.09)
GCI:	6.00	(0.07)	CLEARWIRE:	6.74	0.00
KNOWLOGY:	10.88	(0.42)	COMMSCOPE:	28.32	(0.25)
LIBERTY CAPITAL:	24.24	0.49	CONCURRENT:	3.89	0.00
LIBERTY GLOBAL:	25.41	(0.04)	CONVERGYS:	11.06	0.01
LIBERTY INT:	10.66	(0.06)	CSG SYSTEMS:	17.75	0.00
MEDIACOM:	4.01	(0.17)	ECHOSTAR:	18.85	(0.09)
RCN:	9.70	(0.14)	GOOGLE:	542.42	2.42
SHAW COMM:	18.88	(0.33)	HARMONIC:	6.16	0.02
TIME WARNER CABLE:	44.16	(0.58)	INTEL:	20.00	(0.32)
VIRGIN MEDIA:	15.85	0.42	JDSU:	8.19	0.09
WASH POST:	441.19	(5.02)	LEVEL 3:	1.43	(0.04)
<b>PROGRAMMING</b>					
CBS:	13.29	(0.03)	MICROSOFT:	29.50	0.18
CROWN:	1.33	0.02	MOTOROLA:	7.19	0.01
DISCOVERY:	30.81	(0.02)	OPENTV:	1.51	(0.02)
GRUPO TELEVISIA:	19.55	(0.25)	PHILIPS:	30.95	0.71
HSN:	18.83	0.10	RENTRAK:	16.00	(0.22)
INTERACTIVE CORP:	20.26	(0.04)	SEACHANGE:	6.49	(0.06)
LIBERTY:	36.04	(0.05)	SONY:	33.50	(1.3)
LIBERTY STARZ:	48.12	0.28	SPRINT NEXTEL:	3.41	(0.03)
LIONSGATE:	5.46	(0.02)	THOMAS & BETTS:	33.80	0.43
LODGENET:	5.50	(0.38)	TIVO:	9.60	(0.15)
NEW FRONTIER:	2.15	0.06	TOLLGRADE:	6.38	0.01
OUTDOOR:	5.15	(0.19)	UNIVERSAL ELEC:	24.76	(0.09)
PLAYBOY:	3.47	0.00	VONAGE:	1.52	(0.03)
RHI:	0.38	(0.01)	YAHOO:	15.99	0.13
SCRIPPS INT:	44.01	(0.14)	<b>TELCOS</b>		
TIME WARNER:	27.18	(0.23)	AT&T:	25.33	(0.25)
VALUEVISION:	4.22	0.04	QWEST:	4.23	(0.1)
VIACOM:	31.12	0.06	VERIZON:	30.17	(0.51)
WWE:	16.34	0.24	<b>MARKET INDICES</b>		
<b>TECHNOLOGY</b>					
3COM:	7.55	0.03	DOW:	10194.29	(2.57)
ADC:	5.86	(0.05)	NASDAQ:	2203.73	(7.07)
ADVANTAGE:	2.15	0.02			
ALCATEL LUCENT:	3.41	0.05			
AMDOCS:	29.25	(0.2)			

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