

CableFAX Daily™

Thursday — January 27, 2011

What the Industry Reads First

Volume 22 / No. 017

Buy! Buy! Buy!: MSO Shares Viewed Positively By Large Wall St Block

With **NBCU** having already reported solid 4Q growth in both cable and broadcast nets and **Verizon** continuing to deftly ride the smartphone revolution while growing FIOS services, **Time Warner Cable** steps up Thurs as the 1st cable MSO to report this earnings season. Although most Wall St analysts don't envision marked 4Q improvement in the flagging sub metrics witnessed in 3Q by either the industry or TWC, a slew have already expressed their bullishness on each for '11. "We are increasingly positive on the cable sector," said **BTIG** analyst *Richard Greenfield*. "As over-the-top video concerns dissipate with overall multichannel video subscribers improving in 2011, cable operators roll out improved navigation tools (smartphone/tablet remotes), net neutrality/broadband regulation fears continue to ease, and cable's broadband market share grows, we expect cable stocks to do quite well in 2011." Added **Citadel Securities**: "We remain bullish on the cable and satellite sector, as we continue to expect strong free cash flow generation, and we believe investors' fears around the threats of over-the-top video and a sluggish economy are overdone." And according to **Wells Fargo Securities' Marci Ryvicker**, momentum may have begun building last Q. "The general tone of operators regarding Q4 sub trends has clearly been much better than we have heard in quite a while," she said. But, much like **Miller Tabak's David Joyce**, Ryvicker sees modest improvement over a turnaround. That hasn't stopped a recent stampede of price target increases for TWC. Joyce upped his to \$81, citing a "waning fear of over-the-top competition... creative solutions to retransmission fee negotiations, the step-up in small business and cell tower backhauls services, and stock buyback activity." **Needham** raised its rev and EPS estimates for the MSO "to reflect a larger share repurchases than previously projected," and accordingly increased the price target to \$80 from \$65. BTIG's Greenfield raised his price target on TWC of \$80, and calls the MSO 1 of his favorites in the group. Moreover, **Citi** upped its target to \$78 from \$70—and added TWC to its Top Picks Live list on the potential for additional share repurchases and an unlikely near-term risk from OTT—**RBC Capital** to \$76 from \$69 and **Argus** to \$75 from \$70. All the aforementioned firms have either a 'buy' or 'outperform' rating on TWC shares. **Comcast** has also developed a number of Wall St fans owing to the NBCU deal (*Cfax*, 1/20), and **Cablevision**, its shares having already run 27% since Nov 1, owns big fans in Ryvicker and Greenfield. Ryvicker added the MSO to her Priority List, reiterated her 'outperform' rating and raised the valuation range to \$40-42 from \$38-40. "We believe that the Street

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still does not truly understand how much upside there is to numbers and valuation,” she said, noting CVC’s likely flexibility to return cash to shareholders post-Rainbow spin, positive contribution from **Bresnan** and ad growth. Greenfield’s other favorite cable op pick besides TWC is CVC, on which he raised his target to \$40 from \$37.

At the Portals: A lot has changed on the tech front since the **FCC** issued its inquiry into **AllVid**, wrote **NCTA** pres/CEO **Kyle McSarrow** in a letter to FCC chmn **Julius Genachowski**—so much, in fact, that any tech mandates would be unnecessary and counterproductive. Writ large, AllVid aims to allow consumers to obtain devices at retail that could be used to access multichannel programming, but McSarrow believes CES “demonstrated the astonishing progress” that has already been made toward that end. AllVid would also mandate installation by MVPDs of a “gateway device or equivalent functionality” in homes using video navigation devices. “Allowing MVPDs the continued flexibility to innovate in network technology, delivery systems, and interface solutions is essential in a dynamic market with rapidly changing technology and consumer demand,” he said. “...the Commission should focus on ‘keeping the runway clear’ of impediments and unnecessary rules that could slow these exciting developments.”

Net Neutrality: Sen **Maria Cantwell** (D-WA) intro’d the **Internet Freedom, Broadband Promotion, and Consumer Protection Act of 2011**, which creates a new section in Title II of the Communications Act by codifying the **FCC**’s 6 net neutrality principles and effectively tying them to wireless as well as wireline broadband platforms. It also seeks to promote broadband adoption through steps such as requiring broadband providers to provide service to an end user upon reasonable request and to offer standalone broadband Internet access at reasonable rates, terms, and conditions.

In the Courts: **Pragmatus VOD** is suing **Comcast, Cox, Charter, Cablevision, Time Warner Cable** and **Bright House** for infringement of 2 patents related to on demand tech that were initially issued to **Image Telecom**. The suit seeks unspecified damages, and follows a Nov suit filed by affiliated firm **Pragmatus AV** alleging patent infringement by **Facebook, YouTube, LinkedIn** and **Photobucket**. AV purchased the patents in question from **Intellectual Ventures**, just as Pragmatus VOD has done with the VOD patents.

Competition: A new offering for VZ business customers, **Google Apps for Verizon** is designed to help smaller firms advertise and boost their productivity by combining the telco’s broadband services with business apps including Gmail, Google Docs and Google Sites.

Beta: **Hallmark Movie Channel** ranked as the emerging net that cable ops most want to carry, with 73% identifying interest in distribution, according to the latest **Beta** study. **CBS College Sports, Nat Geo Wild** and **PBS Kids Sprout** tied for 2nd with 53%, followed by **Smithsonian Channel** (41%) and **Tennis Channel** (40%). Among mid-sized nets, cable ops easily most desire **NFL Net** (72%), then **Fox Business Net** (54%), **DIY Net** (45%) and **Style** (42%). Regarding emerging nets, the rankings were different when only ops with 100K subs+ were included. Among that group, **Wedding Central** (29%) and **RLTV** (24%) ranked highest, followed by **Nat Geo Wild** (22%) and **Crime & Investigation** (20%). NFL led the mid-size group at 29%, followed by **History Intl** (7%).

Advertising/Marketing: **Infiniti** is the 1st corporate partner for **Turner** and **CBS**’ joint **March Madness** coverage, agreeing to present co-branded features during games on **CBS, TBS, TNT** and **truTV** plus in-game “coaches spotlights.”

Research: As of Sept 30 ’10, 83.6mln homes—71% of the total—were online, according to **MagnaGlobal**, and 90.4% of those homes accessed the Web using broadband services. The firm foresees 98.8mln online HHs in ’16, of which 97.8mln will have broadband. DVR homes are expected to tally 61.8mln homes by ’17, up from 37.9mln as of Sept 30, and VOD is seen reaching 70.1mln HHs by the same year, up from 51.1mln. At 3Q10’s end, **Comcast** had approx 5.8mln DVR subs, **Time Warner Cable** 4.6mln and **DirectTV** 8.9mln. Nearly half of satellite subs now have DVRs.

Ratings: The Mon ep of **History**’s “Pawn Stars” now ranks as the net’s top telecast ever after delivering 7mln total viewers, 3.7mln 18-49s and 3.7mln 25-54s. The ensuing ep performed quite well, too (6.7mln, 3.4mln, 3.6mln), and “American Pickers” followed both to score 6.2mln, 2.6mln and 3.0mln. Not surprisingly, History led all cable nets Mon night in the 3 metrics. -- **YES** said it finished ’10 as the most-watched RSN in the country for the 8th straight year in total day and 7th straight year in prime. The net averaged 72K prime homes in the NY DMA during the year and 32K total day homes. -- **Starz**’s “Spartacus: Gods of the Arena” premiered to an audience of 2.3mln viewers across 4 regular Fri and Sun telecasts, and including a special Sat airing delivered 2.8mln viewers during its debut weekend.

BUSINESS & FINANCE

In the States: FL joined IN, LA and OR in adopting **Discovery Education's** digital science "techbook" as the core instructional resource for elementary science instruction.

Programming: Perhaps the most compelling pugilist in action today, **Manny Pacquiao** will fight May 7 under the **Showtime PPV** banner for the 1st time as part of a deal involving the net, **CBS** and **Top Rank**. SHO will preview the Pacquiao-Mosley fight with doc series "Fight Camp 360," and CBS will air a prime special of the doc. Top Rank CEO **Bob Arum** said he's excited that the deal "represents a new opportunity for the sport of boxing. It enables boxing to reach millions more people in the United States given the reach of CBS." -- **USA** and **CNBC** will share coverage of the **135th Westminster Kennel Club Dog Show** (Feb 14-15), with the former net set for an hour of coverage on the 14th and 3 hours the following night and the latter to air 2 hours on the 14th.

People: **Gina McKenzie** was upped to vp, public relations, **TCM** and **TBS**.

Business/Finance: **Vivendi** sold its remaining 12.34% stake in **NBCU** to **GE** for \$3.8bln. -- Shares of **Nielsen** began **NASDAQ** trading Wed as NLSN, rising from its IPO price of \$23/share to close at \$25 on heavy volume. The co plans to see approx 71.42mln common shares, with the IPO underwriters having a 30-day option to acquire up to approx 10.71mln.

CableFAX Daily Stockwatch

Company	01/26 Close	1-Day Ch	Company	01/26 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	42.66	(0.21)	AVID TECH:	17.42	0.19
DISH:	21.30	(0.39)	BIGBAND:	2.73	0.06
DISNEY:	39.44	(0.42)	BLNDER TONGUE:	2.39	UNCH
GE:	19.92	(0.06)	BROADCOM:	45.36	0.17
NEWS CORP:	17.23	(0.07)	CISCO:	21.42	(0.12)
MSOS					
CABLEVISION:	34.48	0.04	CLEARWIRE:	5.30	0.01
CHARTER:	42.26	0.60	CONCURRENT:	5.20	0.08
COMCAST:	23.32	(0.02)	CONVERGYS:	14.45	0.03
COMCAST SPCL:	21.87	(0.02)	CSG SYSTEMS:	19.50	0.74
GCI:	13.05	0.33	ECHOSTAR:	27.45	0.42
KNOLLOGY:	14.89	0.38	GOOGLE:	616.50	(3.41)
LIBERTY CAPITAL:	64.51	0.63	HARMONIC:	8.43	0.25
LIBERTY GLOBAL:	41.39	0.54	INTEL:	21.75	0.20
LIBERTY INT:	15.82	(0.03)	JDSU:	16.53	0.39
MEDIACOM:	8.61	UNCH	LEVEL 3:	1.26	0.03
SHAW COMM:	21.31	(0.08)	MICROSOFT:	28.78	0.33
TIME WARNER CABLE:	68.08	0.18	RENTRAK:	27.34	0.46
VIRGIN MEDIA:	25.51	0.27	SEACHANGE:	8.73	0.11
WASH POST:	444.11	0.70	SONY:	34.93	(0.22)
PROGRAMMING					
CBS:	20.58	(0.03)	SPRINT NEXTEL:	4.50	0.14
CROWN:	2.25	0.08	THOMAS & BETTS:	48.33	(0.73)
DISCOVERY:	39.38	(0.09)	TIVO:	9.75	(0.12)
GRUPO TELEVISA:	23.92	(0.33)	TOLLGRADE:	9.44	(0.05)
HSN:	28.51	0.30	UNIVERSAL ELEC:	27.72	1.41
INTERACTIVE CORP:	28.44	(0.05)	VONAGE:	3.29	0.02
LIBERTY:	40.39	(0.31)	YAHOO:	15.57	(0.45)
LIBERTY STARZ:	65.93	0.82	TELCOS		
LIONSGATE:	6.19	0.08	AT&T:	28.73	(0.03)
LODGENET:	3.50	0.12	QWEST:	7.24	0.29
NEW FRONTIER:	1.80	0.02	VERIZON:	36.40	0.61
OUTDOOR:	8.06	0.20	MARKET INDICES		
PLAYBOY:	6.13	0.02	DOW:	11985.44	8.25
SCRIPPS INT:	46.43	0.04	NASDAQ:	2739.50	20.25
TIME WARNER:	32.30	(0.22)	S&P 500:	1296.63	5.45
VALUEVISION:	6.95	0.34	TECHNOLOGY		
VIACOM:	48.60	(0.09)	ADDVANTAGE:	3.10	0.06
WWE:	11.76	(0.54)	ALCATEL LUCENT:	3.40	0.09
TECHNOLOGY					
AMDOCS:	29.27	0.44	AMPHENOL:	55.33	0.24
AOL:	23.87	(0.26)	AOL:	23.87	(0.26)
APPLE:	343.85	2.45	APPLE:	343.85	2.45
ARRIS GROUP:	12.58	0.10	ARRIS GROUP:	12.58	0.10

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Think about that for a minute...

Smoked Salmon

By Steve Effros

President Obama made an important point in his State of the Union message, and it's one we should all agree with. He did it by way of an anecdote about governmental inefficiency when he noted that salmon in fresh water are regulated by one Department, and when they move to salt water they're regulated by a different Department. Then, he jokingly added, it gets really confusing when they're smoked!



There are lots of philosophical differences emphasized by both Republicans and Democrats, from "smaller" government to "more efficient" government. But if you work your way through the rhetoric it's safe to say that both sides agree that if something can work more efficiently, we should strive

toward that goal if it truly accomplishes the defined and proved need, and where things are already working well, then the government should not intervene on the simply stated premise that "...if it ain't broke, don't fix it!"

It's with all that in mind that I heard the President's comment about smoked salmon. Now I happen to like smoked salmon. I buy it, I eat it. I'm happy that health authorities have established apparently sufficient regulation (never "perfect," can't be) so that I both know what I am buying and that it's relatively safe. It's been that way for years. If it ain't broke, don't fix it.

Telecommunications should be an ideal test-bed for this growing consensus on efficiency, promotion of innovation, and less, not more government when it is not demonstrably shown to be needed. We should be the "poster child" for consensus politics. If there's any area that has been stunningly successful in the past decade it has been telecommunications, and particularly the growth of the Internet. The President pointed to that on Tuesday and suggested that

he wanted an objective of wireless access to 98 percent of America over the next five years. That makes sense. It is, after all, the government that controls the spectrum allocations which either allow that to happen or not. Of course the current hoarders of spectrum, from the broadcasters to the military, are all going to fight over reallocations, but that's a legitimate focus for the government.

However, introducing new regulations, like net neutrality, on an industry that has been pointed to as the shining model for innovation and advancement makes no sense at all. It ain't broke! Yes, there are those who legitimately are concerned that there "could" be abuses, or that an incumbent ISP, according to them would "naturally favor" their own programming over others. There are two problems with their "cure" for that "problem," however: first, there's virtually no significant evidence over a 10-year period that abuse has actually happened, and the emergence of many new major players, such as YouTube, Netflix, Facebook and Google prove that point unequivocally.

Second, there is already an efficient method of "policing" to identify and prevent abuses should they occur. The antitrust and consumer protection laws already work, and have for a long time. Why do we need the Internet "salmon" to be regulated by the FCC and the FTC and Justice Department? If there are anti-competitive actions, we now have Twitter watchdogs throughout the nation, and existing, tested laws that can deal with any proved abuse. There is no need for more government oversight and regulation when the current system has, based on results, clearly worked spectacularly well to date, and any feared future abuse is already being monitored. Why not make this a focus of consensus?

I know what you're probably thinking: what am I smoking?

Steve

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