

# CableFAX Daily™

Wednesday — January 28, 2009

What the Industry Reads First

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## Happy Go Lucky: Despite Storm Clouds, TV Execs Project Optimism

So aren't we heading into the next Great Depression? The death of TV, and all else that is good and holy? Not according to ever-optimistic TV execs, who on Tues stormed Las Vegas to offer **NATPE** attendees upbeat assessments despite economic gloom. **Lionsgate** chief *Jon Feltheimer* said we're all "on the cusp of the next Golden Age in television." He used as evidence **Disney's** \$2bln "High School Musical" franchise and the success of various cable shows, including **AMC's** "Mad Men," **FX's** "Damages" and **Showtime's** "Dexter." In a later session, **Disney/ABC** co-chair *Anne Sweeney* said this "period of great evolution" still revolves around compelling content, noting that Disney's "Camp Rock" franchise continues to perform well on multiple platforms (with 85% audience recall for ads embedded in its Disney Player). But she urged people to think "holistically" about ratings as content migrates and time-shifts. "We really have to look at viewing as a whole...now that we have the C3 measurement," she said. In yet another session, even **NBC Ent** chief *Ben Silverman* said he's still "bullish about the entertainment business and the content business" even as NBC languishes in 4th place among broadcast nets. But he agreed that ratings metrics must evolve. "Each week we look at the Live-Plus-7 data and say, 'Gee, we wish those were the ratings,'" he said. And he admitted perhaps a touch of cable envy on the dual-revenue stream front. "It's just a great business model, and it's one unfortunately that we don't have," he said. Meanwhile, Feltheimer said the tough economy has one advantage: stale sitcoms and rehashed knockoffs created by cynical market researchers won't cut it anymore. "The message is clear: A bad economy is the best critic on the planet," he said. "Today's audience always has something better to do with its time." Despite the slump, he said TV "remains vibrant and ripe with opportunity. You just have to look in the right place...entertainment is a rare renewable resource." In addition, Feltheimer said he doesn't worry about online video taxing broadband networks. "We're going to run out of oil before we run out of bandwidth," he said.

**First Out:** **Verizon's** solid 4Q video and broadband results bode well for cable on one hand, lending credence to many analysts' belief that consumers are loath to jettison certain multichannel services despite a critically wounded economy. The flip side, of course, is that clear metric winners often portend a few losers down the line. The hard facts: Verizon added 303K **FiOS TV** subs and 282K **FiOS Internet** customers, both records, for respective overall tallies of 1.9mln and 2.5mln as of Dec 31. Leading the growth, said execs, is the expansion of fiber-to-the-home passings to 40% of the telco's landline footprint, plus an increase to 93% from 80% the percentage of FiOS Internet-available homes (10mln) with access to triple-play bundles. "There's a strong correlation between homes open for sale and customer growth in subsequent quarters," said CFO *Doreen Tobin*. "We're clearly building momentum and gaining critical mass...FiOS just gets better from here." The telco's overall wireline rev fell in 4Q, however, dragged downward by continued hemorrhaging of access lines (-911K) and a 2.6% YOY drop in enterprise rev. "A combination of macro-economic weakness and burgeoning cable competition in the small business segment are likely sapping the telco segment of a crucial (and

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# CableFAX

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rare) bright spot,” said **Sanford Bernstein’s Craig Moffett** of enterprise business. As for the telco’s access line losses, Tobin noted sequential improvement and said more is expected as the FiOS roll out continues. **S&P** maintained its “buy” rating on Verizon shares despite trimming its target price by a buck to \$34. “In light of economic challenges, we view wireless and FiOS subscriber gains as encouraging,” said the firm.

**At the Portals:** There definitely is a new chmn at the **FCC**, even if it’s only an acting one. At our deadline Tues, Commissioners voted unanimously to return carriage complaints against various operators to an administrative law judge. The **Media Bureau** filed an order to take those cases from the ALJ on Dec 24 and Dec 31. But the FCC rescinded those orders, saying the complaints would be best resolved by hearings before the ALJ. **MASN, NFL Net** and **Wealth TV** filed complaints against **Comcast**. Wealth also filed complaints against **Time Warner Cable, Bright House** and **Cox**.

**Epix Journey:** **Paramount, MGM** and **Viacom** announced Tues that they’ll call their upcoming movie service, **Epix**. The service will include recently released films, original TV series and on-demand. The cable channel is set to launch in Oct, with a broadband portal offering on demand rolling out in May. Films available at the net’s launch will include “The Curious Case of Benjamin Button” and “Cloverfield.” **Studio 3 Networks**, the JV formed by the studios, is negotiating with cable and telco operators in the hunt for prospective partners, Studio 3 pres **Mark Greenberg** said during **NATPE**. “Everyone gets it,” he said. “There’s always an issue with price, but that’s a negotiation, and that’s okay. No one is throwing us out of the office. They’re continuing to invite us back.”

**DTV Doings:** The **Senate** passed legislation late Mon to delay the DTV transition until June 12, but **House** Republicans are still fighting a postponement. A vote was expected in the House Tues, although **House Commerce** ranking member **Joe Barton** (R-TX) and Rep **Cliff Stearns** (R-FL) asked Speaker **Nancy Pelosi** to call it off. “We need to keep our promise to public safety officials, wireless providers, broadcasters, and the American people,” the Republicans wrote.

**In the States:** **Cox** announced some ‘08 milestones, including surpassing 3mln access lines for phone and 4mln HSD subscriptions. At year-end, just under 2/3 of Cox subs were in a bundle and over 1/3 were subscribing to HSD, voice and video. **Cox Business** grew customers by 19% and revenues by 16%. -- **ION** will launch in HD, providing an enhanced HD simulcast, beginning Feb 16. It will initially roll out to 20 markets within its 55 market footprint, including NYC and L.A., with additional launches planned throughout the year. Diginets **Qubo** and **ION Life** will launch in HD later this year.

**Insight, Take 2:** We certainly didn’t mean to imply that **Insight** doesn’t face much competition in our wrap-up of the MSO’s year-end ratings (**Cfax**, 1/27). While **Verizon** is not competitive in its footprint, the operator faces strong competition from **Cincinnati Bell, WOW, Windstream** and, as mentioned, **AT&T**. So, yes, the MSO has plenty to crow about for ‘08, including its 2nd consecutive year of 5% basic sub growth. What we meant was that the operator does not face dual competition from the 2 largest telcos-Verizon and AT&T.

**BETA:** **Hallmark Movie Channel** ranked as the emerging net that cable ops most want to carry, with 82% identifying interest in carrying it by the end of ‘09, according to the latest **Beta** study. **ESPNU** ranked 2nd with 73%, followed by **Fox Business** (71%). Considering its struggles for cable carriage, it was interesting to see **NFL Net** lead the list of mid-size nets that ops want to carry at 65%. Also receiving high marks were **DIY** (53%) and **Style** (47%). The rankings were different when only ops with 200K subs+ were included. Among that group, **MGM** ranked #1 for emerging nets (62%), followed by

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# BUSINESS & FINANCE

**Retirement Living** (47%) and **Crime & Investigation** (43%). NFL still led the mid-size group at 26%, followed by **Gospel Music** (13%) and **WE** (9%).

**Advertising: Comcast Spotlight** inked with **DISH** a deal to sell ads on the op's 10 RSN feeds in 7 markets, including Boston. **NCC** will manage natl advertisers' multi-market buys.

**People:** Dan Ronayne was named evp, gm of **MSG Nets**. Ronayne previously served as evp & gm of Lifeschool and Sportskool VOD. **Rainbow** sold the 2 properties in the fall, but said Ronayne would remain in the family.

**Editor's Note:** CableFAX holds a Webinar on the new **FCC** and what it means for cable, Feb 5, 1:30pm ET. Speakers include **Steve Effros**, **PFF's Ken Ferree** and **Mintz Levin's Howard Symons**. Register at [www.cablefax.com/webinars](http://www.cablefax.com/webinars).

**Business/Finance: ValueVision** terminated plans to sell **ShopNBC** after it did not receive any final bids. **Keith Stewart** was promoted to CEO of the company, which is struggling in the difficult retail environment. Preliminary 4Q estimates have revenue dropping about 35% YOY to \$142m, while the estimated net loss is expected to be \$40m vs \$1m a year ago. ShopNBC said it's midway through renegotiations with a majority of its distributors, and anticipates renewing all major agreements. It's working on reducing cable and DBS fees, which represent about 50% of its op expenses.

## CableFAX Daily Stockwatch

Company	01/27 Close	1-Day Ch	Company	01/27 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	24.55	1.25	AMDOCS:	17.65	0.30
DIRECTV:	21.54	(0.07)	AMPHENOL:	26.07	0.31
DISH:	11.93	0.55	APPLE:	90.73	1.09
DISNEY:	21.25	0.39	ARRIS GROUP:	7.59	(0.05)
GE:	13.06	0.64	AVID TECH:	10.97	0.05
HEARST-ARGYLE:	4.06	0.01	BIGBAND:	5.60	(0.3)
NEWS CORP:	7.47	(0.16)	BLNDER TONGUE:	0.95	0.08
<b>MSOS</b>			BROADCOM:	17.64	0.25
CABLEVISION:	16.37	0.43	CISCO:	16.73	0.43
CHARTER:	0.08	0.00	CLEARWIRE:	4.09	(0.08)
COMCAST:	14.92	(0.13)	COMMSCOPE:	14.89	0.87
COMCAST SPCL:	14.31	(0.1)	CONCURRENT:	3.59	0.25
GCI:	7.03	0.19	CONVERGYS:	8.39	1.32
KNOLOGY:	4.92	0.00	CSG SYSTEMS:	14.42	0.39
LIBERTY CAPITAL:	5.03	(0.23)	ECHOSTAR:	14.17	0.23
LIBERTY ENT:	17.79	(0.01)	GOOGLE:	331.48	7.61
LIBERTY GLOBAL:	15.09	(0.34)	HARMONIC:	5.21	0.24
LIBERTY INT:	3.11	0.03	INTEL:	13.81	0.43
MEDIACOM:	5.60	0.31	JDSU:	3.72	0.18
SHAW COMM:	16.60	(0.08)	LEVEL 3:	1.12	(0.02)
TIME WARNER CABLE:	18.67	0.21	MICROSOFT:	17.66	0.03
VIRGIN MEDIA:	4.56	0.11	MOTOROLA:	4.71	0.20
WASH POST:	412.00	(2.43)	NDS:	60.47	1.11
<b>PROGRAMMING</b>			OPENTV:	1.20	0.02
CBS:	6.13	0.01	PHILIPS:	18.70	0.91
CROWN:	1.85	0.08	RENTRAK:	12.00	(0.11)
DISCOVERY:	14.87	0.30	SEACHANGE:	6.36	0.20
EW SCRIPPS:	1.80	(0.18)	SONY:	20.58	0.70
GRUPO TELEVISIA:	14.91	(0.2)	SPRINT NEXTEL:	2.44	(0.05)
HSN:	5.30	0.37	THOMAS & BETTS:	22.57	0.64
INTERACTIVE CORP:	15.02	0.13	TIVO:	7.33	0.13
LIBERTY:	25.02	0.55	TOLLGRADE:	5.69	0.14
LODGENET:	0.99	0.04	UNIVERSAL ELEC:	12.68	0.10
NEW FRONTIER:	1.64	(0.17)	VONAGE:	0.56	0.01
OUTDOOR:	6.29	(0.3)	YAHOO:	11.34	0.17
PLAYBOY:	1.97	0.25	<b>TELCOS</b>		
RHI:	4.98	0.13	AT&T:	25.93	(0.9)
SCRIPPS INT:	22.85	0.40	QWEST:	3.67	(0.17)
TIME WARNER:	9.83	0.30	VERIZON:	29.96	(1.03)
VALUEVISION:	0.29	(0.23)	<b>MARKET INDICES</b>		
VIACOM:	16.67	0.03	DOW:	8174.73	58.70
WWE:	10.23	0.20	NASDAQ:	1504.90	15.44
<b>TECHNOLOGY</b>					
3COM:	2.39	(0.03)			
ADC:	5.02	0.09			
ADDVANTAGE:	2.05	0.13			
ALCATEL LUCENT:	2.09	0.05			



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# EYE ON ADVERTISING

## Making Widgets

*It was impossible to walk around the recent Consumer Electronics Show without hearing buzz about the Widget Channel, Intel's platform to bring Internet content to the TV primarily via set-top boxes. The widget software and enabling chip-based processor were touted at several panels, on the show floor by various OEMs, and by content behemoths like Disney-ABC chief Anne Sweeney, who paid homage during her keynote. Cable's first endorsement is a big one: Comcast is developing a box that embraces the Widget Channel via tru2way technology. Wilfred Martis, director of Intel's Digital Home Group, sat down with contributor Cathy Applefeld Olson to explain why he thinks Intel got the formula right and why advertising will be a huge slice of the Widget pie.*

**Why do you believe the Widget Channel the best framework to bring enriched content to television viewers?**

WM: We've done a lot of research, and we've found that when a consumer is watching TV, if you take the main video out of the experience it tends to annoy the consumer no matter how compelling the content. They expect the video to be the anchor point, and past attempts that took away the video and put the consumer in a browser environment have been very frustrating and have mostly failed. Even when a consumer is just looking at an electronic program guide through their set-top box, they don't like to lose the focal point. And that's the basic idea behind the Widget Channel. It's non-intrusive until the consumer decides to change the anchor, and it's all context-based.

**How will this environment foster advertising?**

WM: Since the Widget Channel sits side by side with tru2way, we can create more of a targeted experience based on demographics. The ability to target was a very important point when we designed the framework and

that, combined with the rich video and 3D graphics, can make the advertising experience very rich. It's not just about having a simple banner ad. Say you're watching an ad for a car manufacturer and you want to learn more about the car. You can use the Widget Channel to do a telescoping ad and go into screen and look at specifications and features, or build your own car. Because we have closely linked tru2way and the widget, you can cross metadata between the two stacks.



**In your opinion, how much of the content that flows over the Widget Channel will be advertising?**

WM: I think advertising will be very significant for two reasons. One, given the limited dollars the consumer has in his or her pocket to spend, OEMs and service providers are learning that

just nickel and diming consumers for anything they may be offering is not the right way to go. Secondly, consumers are spoiled by advertising content on the Internet. And since we are bringing Internet usage to these boxes on the TV, there is a great way to be able to offer this content for free and have advertising be a pretty significant revenue generator.

**Because we know Internet users don't like a lot of advertising, but they seem to dislike paying for content even more. It seems there's a delicate balance.**

WM: Yes. One of our biggest concerns in developing [the widget] was, "How do we make this happen without turning the consumer off?" Our studies show that consumers don't like advertising that is irrelevant to them. But if it's relevant, they are fine with the advertising and they actually encourage it because they don't have to go through 10 ads to find one that's relevant to them. The addressability and targeting should resonate very well with consumers.

*(Longtime entertainment industry reporter Cathy Applefeld Olson is delighted to be documenting media's wild ride into the 21st century)*

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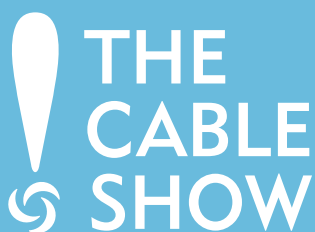
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