

CableFAX Daily™

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What the Industry Reads First

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High Times: Business Booming At Time Warner

Shares of **Time Warner** soared 8.64% Wed after the company delivered nearly impeccable 4Q results on notable strength in cable, upped its dividend by 11%, increased its share repurchase authorization to \$5bln and predicted a '11 full-yr percentage growth rate in adjusted EPS in the low teens, beating analysts' expectations. In '10, TWX's overall rev increased 6%, marking the highest growth rate since '04, and adjusted op income rose to \$5.4bln, the highest total in the company's history. And according to chmn/CEO *Jeff Bewkes*, the company's momentum is accelerating. "We're even more confident [now than in '10], so we'll be even more aggressive," he said, noting key '11 goals including investing in content, developing and monetizing new tech such as TV Everywhere and expanding internationally. No surprise here, but CFO *John Martin* said cable's "the best business we have" and projected a "great year for our networks group" in '11. 4Q and '10 results for the segment set the bar pretty high. As both **Turner** and **HBO** scored their highest annual rev and profits ever in '10, Time Warner's nets posted 4Q rev growth in subscriptions (+9%), advertising (+21%) and content (+25%). All the growth percentages exceeded the corresponding full-yr '10 numbers. Operating income rose 20%, and domestic nets alone delivered organic ad rev growth in the high teens. **Collins Stewart's Thomas Eagan** called TWX's results "impressive" and the higher buyback and dividend "a plus." Eagan rates the shares a 'buy' with a \$41 price target. Martin said the domestic scatter market "remains very strong" in the current quarter, with cancellations very low, adding that Turner expects a big boost in ad sales from **March Madness**, initial ad sales for which "exceeded our expectations." Include strong sub rev trends to the mix and Martin foresees "very, very attractive profit growth" in '11 for the nets segment. HBO did shed the approx 1.6mln subs it expected to last year, but most of the those were non-paying and Bewkes said any jitters over the premium net's positioning or future are foolhardy. "HBO is gaining share in revenue," both subscription and content, he said, and **HBO GO** is making the net "ever more valuable, ever more useful." 40% of the net's sub base currently has access to the online service, with the majority of subs expected to be covered in the next few months. GO, of course, underscores Turner's commitment to TV Everywhere, which Bewkes lauded as "the fastest deployment in pay TV history, far faster than DVRs or VOD."

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NBC Draft Results: Led by chmn *Dick Ebersol*, **NBC Sports Group** shuffled its exec roster under **Comcast** ownership, drafting former **Turner Ent Group** pres *Mark Lazarus* as pres, **NBC Sports Cable Group** and upping **Comcast Sports Group** pres *Jon Litner* to pres, **Versus** and **SportsNet**. Former **Versus** pres *Jamie Davis* will continue to work with Lazarus on strategy and planning for the NBC Sports Group as he assesses potential roles within the Comcast family. Former **NBC Sports** marketing exec *Mike McCarthy* was named pres, **Golf Channel**, and NBC Sports evp *Jon Miller* was elevated to pres, programming, **Versus** and NBC Sports. *Ken Schanzer* remains pres, NBC Sports and *Gary Zenkel* remains pres, **NBC Olympics** and evp, strategic partnerships, NBC Sports.

Earnings: After the bell, **News Corp's** cable net programming segment reported a 22% increase in op income to \$735mln as domestic ad rev and affil rev growth totaled a respective 12% and 10%. The TV segment saw op income soar by \$121mln to \$151mln, driven by rev increases at Fox and local Fox stations. The broadcast net's results improved 24% owing to higher ad rev from NFL games and general ent content, and the stations' delivered a 20% rise in rev on strong local ad sales.

Cooing Over Cable Creativity: Cable heavyweights **History/Lifetime** pres/gm *Nancy Dubuc* and **Discovery** COO *Peter Liguori* gave a rousing assessment of cable's future in DC Wed, warning only programmers must avoid copying existing hits. "The ad market [for cable] is fantastic and will only get better," Dubuc told RealScreen Summit. As cable delivers a better audience than broadcast, ad rates will "have to change," eclipsing broadcast. "It's a matter of if, not when," Dubuc said. Liguori admitted cable ratings "can't touch" broadcast's top shows, but with broadcast's middle- and lower-rated shows, cable is competitive and often beats broadcast's numbers, he said. Audiences "crave unpredictability," Liguori argued. Yet broadcast TV has become "un-dauntingly predictable...CBS is truly the crime broadcasting system." By contrast cable's fare is unpredictable. He cited the gruff captain [*Phil Harris*] from **Discovery Channel's** "Deadliest Catch" and his son expressing their love for each other. Asked by the audience of indie producers about the preponderance of shows about little people and cake on cable, Dubuc blasted the derivative nature of some shows. "I worry about this...we will eat our own" doing too many rip-offs, she said. "That's not good for any of us [in cable]...don't bring us the same thing...you'd be surprised how much pitching we get that's derivative of what we have on our own air." Dubuc prefers to nurture a reality hit and then "move on to the next thing." -- Liguori said there's still no launch date for Discovery's 3D network jv, but discussions with cable affiliates have been "incredibly friendly." Dubuc said **ESPN** and sports will drive 3D, while Liguori touted Discovery's nature shows in 3D and argued some sports—basketball and ice hockey—present problems for 3D. -- Dubuc and Liguori agreed cord cutting was a concern, but both seemed to downplay it, with Liguori noting "a very minor" reduction in cable and satellite numbers. -- Dubuc provided little information on how she will re-create Lifetime, but she said Lifetime "didn't evolve" as a brand. "Things change" and brands must, too, she said. -- Liguori denied that the promotion of *Eileen O'Neill* to head Discovery Channel necessarily means she'll bring the buzz factor from **TLC** to Discovery. "[The buzz factor] is not necessarily her stock and trade." Her talent is being able to get to the essence of a show and "hone it," Liguori said.

Going International: As nets expand globally, content creators are finding they don't necessarily need to overhaul existing shows to sell overseas. In fact, some of the same attributes that work in the US seem to work everywhere, said panelists at RealScreen Summit in D.C. on Wed. **Nat Geo** evp, global content *Steve Burns* noted that nature programming like its "Great Migrations," for example, can "travel really beautifully around the world." But even more culturally specific shows can do well, said **Discovery Comm** evp/chief content officer *Luis Silberwasser*. "If a program has great characters and high stakes and good storytelling...it has a great chance of traveling around the world," he said. But he said small tweaks can sometimes make a big difference, noting that **Discovery Channel** hit "Deadliest Catch" wasn't working in Italy until the show added an Italian host. But while *Deadliest Catch* creator and CEO/exec prod, **Original Productions** *Thom Beers* said he's "very grateful" that his shows now get global distribution, he called it a "double-edged sword" because nets usually don't cut producers in on intl revenue. "As these guys grow, I get poorer," he said. But **Scripps Networks Intl** pres *Greg Moyer* countered that while individual deal structures can be "tough" on producers, those producers "get to make a lot more shows" because of the global proliferation of channels. And *Michael Katz*, **AETN** intl vp, programming and prod, said AETN has tried to level the playing

field by setting up an intl distribution arm to help producers participate in global success. "But you didn't do that to benefit the producer," said Beers. "You did that to benefit the bottom line." (Katz responded that AETN did it to benefit both). But despite obvious tension between indie producers and nets on global economics, Silberwasser predicted that the marketplace will work it out over time. "Somehow, case by case, there will be movement on both sides," he said.

RealScreen Notebook: With OWN talent *Lisa Ling* interviewing OWN chief creative officer *Lisa Erspamer*, the session was hardly a critical look at the 5-week-old network. Still, Erspamer communicated well OWN's vision to produce "uplifting" television that has "a take away and intent" and will "help you live a better life;" and nothing "mean spirited." Redemption also is a constant theme, she said. In a nutshell, OWN will reflect the spirit of *Oprah's* daytime show, which Erspamer produced for many years. More insight welcomed by the indie producers at RealScreen: Oprah "loves documentaries," Erspamer said, as she noted the net will premiere "Doc Club" in May, showing acquired and four original docs. The first doc in the Club series comes from *Sonny & Cher* offspring *Chaz Bono*. Ling's doc series premieres on OWN later this month. And Oprah is "very involved" in OWN's programming, Erspamer said, "she calls me all the time...and she's watching OWN every minute of every day." Ling noted, "I get emails [from Oprah] at 2 in the morning." Erspamer said she's programming through '13, but mostly prime time. Day time will continue to be dominated by the televised version of *Gayle King's* radio show and later *Rosie O'Donnell's* show. In the fall the Oprah library comes to OWN. "We will re-package that," including Best of Oprah shows, she said. -- Rights negotiations between content creators and cable/broadcast nets often pit one side against the other for control of the content. For producers who spend time acquiring and developing talent, it's difficult for them to enter the marketplace only to lose complete ownership rights, while networks grapple with the risks. The panelists at Wed's Rights Wars session noted how many nets want complete control of content. "At MTV Networks, we do expect to have all the rights, which is a recent change for us even over the last couple of years," said **MTV Nets** evp, business affairs *George Cheeks*. In the past, MTV Nets was willing to relinquish the rights to some net content to intl distribution companies, he said, but now operates under a model whereby it pays 100% of the show creation costs to harness control of distribution. "My team and I know that there's not a one-size fits all for negotiations. We make sure to avoid rights wars and keep everything congenial, but unless you're making the next *Jersey Shore*, we're going to own the rights," added Cheeks. **Hansen, Jacobson, Teller, Hoberman, Newman, Warren & Richman** partner *Jeanne Newman* noted how **Lifetime** has also instituted changes in rights negotiations. "Before being part of AETN, clients were able to maintain international distribution rights with Lifetime, but now the deals with History look very much like the deals with Lifetime. While there is variation and not just a rubber stamp for all, my clients' deals with either network are similar," Newman said. -- **Science Channel** evp/gm *Debbie Myers* continued to evangelize the net's efforts to broaden its appeal, arguing that science is "not a bunch of people in lab coats in a lab." Interestingly, she said the decision to put *Ricky Gervais' "An Idiot Abroad"* on the air stemmed from research showing that Science was over-indexing with **Comedy Central** viewers, who she called "the sarcastics." Now, it's Science's highest rated show ever, outpacing even Morgan Freeman vehicle "Through the Wormhole." But while Myers stressed good research, she said "nothing replaces the gut" when picking shows.

Retrans: Following more than a month of extensions, **Time Warner Cable** and **Sinclair** reached a long-term retrans deal covering 28 local stations in 17 markets. Service was never interrupted throughout the process. Terms were not disclosed. As part of the deal, TWC will prod a half-hour local news program for Sinclair's **ABC** affil in Greensboro-Winston-Salem, NC, that will air 3 time daily, Mon-Fri. -- **Northwest Broadcasting** agreed to let **DirecTV** air its **Fox** affil stations in Binghamton, NY, and Yakima and Spokane, WA, while the pair attempts to hammer out a retrans agreement, importantly allowing all the DBS op's subs in those areas to access Sun's **Super Bowl**.

Advertising/Marketing: **Mediacom** expanded its marketing partnership with **Hawkeye Sports Properties** to include naming rights for the competition surfaces within the **University of Iowa's** Carver-Hawkeye Arena. The floor will be called Mediacom Court for all men's basketball, women's basketball and volleyball events, and Mediacom Mat for all wrestling events. The MSO also received sponsorship rights to an outdoor club level at the school's football stadium. -- Among cable nets, **ESPN** ranks highest among advertisers in brand strength and advertiser satisfaction, according to **Advertiser Intelligence Reports**, while **Food Net** leads in sales knowledge and customer service. **ESPN.com** ranks highest in advertiser satisfaction in the digital space.

Mobile: **Comcast's Xfinity TV** service now allows customers to watch on demand movies and TV shows on the **iPad** through an updated version of the Xfinity TV app. -- **CTIA** and the **Mobile Marketing Assoc** created a joint

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task force aimed at shortening the time to market for **Common Short Code**-based mobile marketing programs in the US. CSCs are 5- or 6-digit numbers used for text or multimedia messaging mobile marketing programs such as mobile giving, tele-voting and marketing promotions. -- **Rovi** rolled out a free **iPad** app allowing users to browse and search local TV listings for a 24-hr period.

Technology: **ARRIS** extended its agreement to supply **NCTC** members with end-to-end broadband access solutions through '11, becoming the org's exclusive provider of customer premises E-MTA equipment.

Programming: After **HBO** and **Showtime** passed on it, drama series "The Kennedys" will debut on **ReelzChannel** Apr 3. **Greg Kinnear** stars as **JFK**, **Katie Holmes** as **Jacqueline Kennedy**. -- **Animal Planet** picked up 3rd seasons of "Pit Bulls and Parolees" (3Q) and "Confessions: Animal Hoarding" (4Q).

People: **Scripps Nets** upped **Steve Gigliotti** to pres, national ad sales and marketing. -- **Jayson Dinsmore** joined **CMT** as vp, dev. -- **Spike** elevated **Tim Duffy** to svp, original programming. -- **HSN** tapped **Jill Braff** as evp, digital commerce.

Business/Finance: **Mediacom** shareholders will vote Mar 4 on chmn/CEO **Rocco Commisso's** \$8.75/share privatization bid.

CableFAX Daily Stockwatch

Company	02/02 Close	1-Day Ch	Company	02/02 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	42.61	(0.41)	AVID TECH:	17.14	0.24
DISH:	21.75	(0.25)	BIGBAND:	2.62	(0.06)
DISNEY:	40.49	0.61	BLNDER TONGUE:	2.38	(0.03)
GE:	20.71	(0.09)	BROADCOM:	43.80	(2.6)
NEWS CORP:	17.51	0.42	CISCO:	21.62	0.15
MSOS					
CABLEVISION:	34.56	(0.13)	CLEARWIRE:	5.18	(0.02)
CHARTER:	41.62	(0.02)	CONCURRENT:	5.01	(0.14)
COMCAST:	23.07	(0.33)	CONVERGYS:	13.92	(0.29)
COMCAST SPCL:	21.72	(0.23)	CSG SYSTEMS:	19.86	(0.01)
GCI:	12.36	(0.07)	ECHOSTAR:	28.97	1.22
KNOLLOGY:	15.25	0.21	GOOGLE:	612.00	0.96
LIBERTY CAPITAL:	68.66	1.49	HARMONIC:	8.36	(0.4)
LIBERTY GLOBAL:	40.85	(0.49)	INTEL:	21.56	0.08
LIBERTY INT:	16.28	(0.09)	JDSU:	17.92	0.30
MEDIACOM:	8.80	UNCH	LEVEL 3:	1.23	(0.07)
SHAW COMM:	21.69	0.18	MICROSOFT:	27.94	(0.05)
TIME WARNER CABLE:	69.33	0.60	RENTRAK:	28.97	(0.29)
VIRGIN MEDIA:	25.88	(0.18)	SEACHANGE:	8.65	0.03
WASH POST:	434.71	(2.28)	SONY:	34.79	0.05
PROGRAMMING					
CBS:	19.97	0.03	SPRINT NEXTEL:	4.35	(0.04)
CROWN:	2.49	(0.04)	THOMAS & BETTS:	53.32	0.47
DISCOVERY:	39.70	0.70	TIVO:	10.30	0.53
GRUPO TELEVISIA:	24.70	0.19	TOLLGRADE:	9.43	0.03
HSN:	27.47	(1.18)	UNIVERSAL ELEC:	27.16	0.15
INTERACTIVE CORP:	28.75	0.20	VONAGE:	3.45	(0.02)
LIBERTY:	41.29	0.02	YAHOO:	16.57	0.19
LIBERTY STARZ:	67.95	0.48	TELCOS		
LIONSGATE:	6.25	0.02	AT&T:	27.67	(0.2)
LODGENET:	3.65	0.08	QWEST:	7.17	0.03
NEW FRONTIER:	2.01	(0.03)	VERIZON:	36.16	(0.11)
OUTDOOR:	8.08	(0.28)	MARKET INDICES		
PLAYBOY:	6.14	0.01	DOW:	12041.97	1.81
SCRIPPS INT:	47.08	0.23	NASDAQ:	2749.56	(1.63)
TIME WARNER:	35.10	2.79	S&P 500:	1304.03	(3.56)
VALUEVISION:	6.19	(0.07)	TECHNOLOGY		
VIACOM:	50.51	1.26	ADVANTAGE:	3.10	0.11
WWE:	11.99	(0.04)	ALCATEL LUCENT:	3.43	UNCH
TECHNOLOGY					
AMDOCS:	29.16	(0.34)	AMPHENOL:	57.15	0.26
AOL:	22.64	(1.21)	APPLE:	344.32	(0.71)
ARRIS GROUP:	12.44	(0.34)			



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Judy McGrath
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Think about that for a minute...

Scanning The Covers

By Steve Effros

It's not as often these days, but when you do go to a bookstore, take a close look at what they're doing. It's rather dramatic, the way stores which once looked like libraries, with the books packed into shelves, have now become display cases so that we can scan the covers.

There's a reason. Folks coming into those bookstores don't necessarily know what they're interested in. There are so many choices that the scanning and browsing of the book covers turns out to be one of the most effective ways of attracting attention to a particular product.



Of course retail stores have known this for a long time. That's why products are arrayed on shelves in such a way that you can see them, inspect them, and get some additional buyer's information on which of the many very similar products you want to buy.

In the entertainment business, particularly with television, we started out in the old mode of offering our wares: television was linear, you watched it when it came on, and then you watched the next program in the order someone else decided was best. The "program guides" simply told you what was coming. That's still pretty much the case.

But in the new world of multichannel television with an almost endless set of options for what to watch now, or record for later, or what "library" to choose an "older" show from, it's become a real challenge to let consumers know what's available, let alone make it easy to find it.

In this new world, the most successful "displayer" of product seems to be the one that also captures the customers. Ironically, cable had years to learn how to do this with what was first called "pay per view" (PPV) and then

"video on demand" (VOD). But we failed. We were constrained by older set top box technology and not much creative thinking about how to promote and display our wares. The one who figured it out, so far as movie fare is concerned, was Netflix. And they're now flying high, at least for the moment.

I say "...for the moment," because now there are reports of significant competition about to arrive from Amazon, which was another of the industry-leaders in figuring out how to "display" their books and other items for sale with lots of information, great "search" capabilities, and built-in "recommendation engines." That's pretty much the same as the Netflix formula, and there's no reason others can't emulate them. So why haven't we?

I know, there are a lot of efforts now, belatedly, to vastly improve our "user interface." We are even matching the "scan the cover" approach not only in some of the new electronic program guides, but ported over to such things as the iPad. But a multi-hundred dollar video-enhanced remote control is not likely to be a sensible answer to the underlying question of how we get our customers to understand that in many "VOD" systems we are already offering a wide array of movies and older television programs and series, just like Netflix or, soon, Amazon, included in the service!

We haven't done the job of even informing our customers of what they already have available, let alone making it easy for them to find what they might be interested in. That's going to be the competitive challenge for the near term. Netflix, Amazon or whoever, is selling the same entertainment product we are, it's just a question of who markets it better; who lets folks "scan the covers."

Steve

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