

CableFAX Daily™

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What the Industry Reads First

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Xfinity & Beyond: Comcast's New Brand, Challenge 2010, Solid Numbers

Whether you like or dislike Fancast **Xfinity TV**, the name **Comcast** chose for its **TV Everywhere** service, you're about to hear it infinitely more. The MSO is rebranding services under the **Xfinity** umbrella, launching the name in 11 markets next week in a move that's similar to **Cablevision's** Optimum branding (ie, Xfinity Internet, Xfinity TV, Xfinity Voice). The name will roll out to almost half of Comcast's footprint in the next few months, with the majority of markets using the moniker by year-end. Spots for the name will debut next Fri during the Olympics Opening Ceremonies in the initial markets (Boston, Philadelphia, Baltimore, DC, Chicago, Portland, Seattle, Hartford, Augusta, Chattanooga, parts of the Bay Area and San Francisco). Peel back the financials and **NBCU** (execs didn't say much on Wed's earnings call), and there were some other interesting layers of the onion. Like Challenge 2010—that's what Comcast is calling a companywide initiative to standardize processes to improve efficiencies and increase speed to market for new products. "This Challenge 2010 effort is a way for us to take literally hundreds of millions of dollars worth of cost out of our business," said Comcast COO **Steve Burke**. Components include consolidating call centers, introducing more robust IVRs, increasing self-installs. CEO **Brian Roberts** spoke a little about bringing **Charter's Neil Smit** on board as pres of **Comcast Cable**, saying he will "add an external perspective to help us accelerate and lead and make decisions." Burke added: "He'll have things that he does differently than maybe I have, but I think in terms of philosophy... Neil is in the exact same place we are." Comcast expects to substantially complete its wideband initiative early this year and go all-digital by year-end (it's at 60% of markets now). Plans are in place to "significantly" expand wireless product High-Speed 2go beyond the 9mln homes passed at the end of '09, but no specifics. In Portland, roughly 40% of High-Speed 2go subs are new high-speed customers for Comcast. Also notable: Comcast took fewer rate increases in 4Q09—6.8mln vs 16.2mln in 4Q08. As Burke put it, "You don't want to go through a tough digital conversion and raise prices at the same time." If not for that change and a concentration on Triple Play, Burke said the 199K basic subs lost would have been worse. **Wells Fargo** told clients Wed: "While we do not necessarily like a 'unit versus price' mentality (especially in a mature space such as pay-TV), CMCSA also stated it is focused on PROFITABLE revenue and PROFITABLE growth... We also note that ARPU did increase sequentially, unlike in Q3." Indeed, revenue surpassed expectations with 2.9% growth to \$9bln and net income of \$955mln. Operating income



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rose 3.4% to \$1.82bln, while free cash flow dropped 11.1% in the Q to \$768mln. Digital grew by 410K, phone by 243K and HSD by 247K. **Sanford Bernstein's Craig Moffett** called out Comcast's programming group's results with a research note that began, "Welcome to the content business, Comcast. Ain't it a drag?" The programming division saw a 5% increase in rev to \$368mln, but operating cash flow fell 17% to \$46mln reflecting higher program expenses and marketing costs.

Positive Gushes: **Time Warner** chief *Jeff Bewkes* and **News Corp** boss *Rupert Murdoch* are a bullish pair these days. "Our true operating results for this past quarter were extraordinary," said Murdoch Tues evening, calling News the preeminent content creator as its cable segment reported record operating income of \$604mln (+35%) and 18% rev growth last quarter. "We are on the cast of the digital dynasty for which our company and our shareholders will profit greatly." Bewkes, discussing TW's earnings Wed, said "we basically have the strongest suite of networks... in the TV world," noting record annual profits. "Demand for high-quality scripted programming seems to be going up, and that's right in Time Warner's sweet spot" he said. **Turner/HBO** delivered a 4% increase in 4Q rev growth, owing largely to an 11% rise in sub rev, and 32% growth in op income. Perhaps the greatest difference in the quarterly results of NWS and TWX, however, regarded cable ad rev, with the former reporting high single-digit growth and the latter a 4% dip. The reason: Turner's in a bit of a ratings slump, particularly at **CNN**, its kids' nets and certain ent channels. "We will work on" improving ratings, said Bewkes, who foresees ad rev improvement for Turner nets in '10 even if ratings don't rebound quickly. Both **Collins Stewart** and **S&P** maintained their 'buy' ratings on TWX shares, with Collins doubtful of a significant softening in cable net ad spending and S&P seeing **TNT** and **TBS** as well positioned for an ad rebound. As for HBO, Bewkes said the premium net's "value proposition has never been better," adding that ops' recent chatter about a worrisome decline in premium subs is overblown. TWX shares closed Wed down 2.1%, NWS' up 6.1%.

Bring Popcorn: **Comcast** and **NBCU's** jv drives back-to-back hearings on the Hill Thurs, but the fun began on Wed with Comcast evp *David Cohen* posting a blog entry at comcastvoices.com extolling the deal's consumer benefits while detractors held a conference call to run through their list of complaints. **Media Access Project's Andrew Schwartzman** (who will testify on the Hill Thurs) fretted during the call with reporters about Comcast-NBCU's power in the online video marketplace, while Cohen's blog pooh-pooled the notion by reiterating that the combined market share of the 2 is miniscule. **ACA** was the only group on the call that didn't call for an outright blocking of the merger, with pres/CEO *Matt Polka* saying the group wants serious conditions. ACA will get a voice at Thurs' hearing as well, with member and **WOW** chief *Colleen Abdoulah* slated to testify. She will testify that the FCC and DOJ should seriously consider structural relief, including the divestitures of assets. "If the **FCC** and **Department of Justice** ignore or treat lightly the potential harms or provide inadequate relief, the already disturbing trend of big content and distribution mergers will only accelerate," according to her prepared testimony. Wed's call also included reps from **Free Press** (which recently compared Comcast to **Blackwater**), **Communication Workers of America** and **WealthTV**. *Brian Roberts* and *Jeff Zucker* will be at Thurs' hearing to present their side.

Competition: **DISH** bowed interactive service **Tetris TV**, which offers subs access to the game via remote. -- **Verizon** bowed a digital coupon service for wireless and **FiOS TV** subs that offers savings at more than 20 grocery store chains nationwide. Separately, FiOS TV launched its 1st Brazilian net, TV **Globo Internacional**, which is available for \$20/month starting Wed in CA and TX, and in other markets by week's end.

In the States: **Universal Sports** is offering cable ops a 24/7 "freeview" of its programming through the Vancouver Olympics (Feb 12-28). The net's event coverage will include 5 hours of live daily news through 5 newly-created studio shows, plus continuous studio news updates every 30min and a live, up-to-date Olympic results ticker.

Online: **NBCU Interactive** licensed **KickApps'** social media platform for use across a socially driven fan site launching from **Telemundo** in the coming months and numerous local sites such as NBCNewYork.com and NBCMiami.com.

More Bragging: Jan became **Nickelodeon's** most-watched month ever among total viewers (2.4mln). -- **A&E** delivered its best Jan ever among all key demos, including 18-34s (379K), 18-49s (851K) and 25-54s (917K). -- **Disney XD's** new Jan total day records include 6-14s (132K), boys 6-14 (84K), 6-11s (104K), boys 6-11 (65K), 9-14s (79K) and boys 9-14 (51K). -- **USA** exceeded its own cable records established last year for total viewers (3.27mln) and HHs (2.42mln) in Jan. -- **E!**'s 455K total viewers in total day in Jan is a monthly record for the net. Ditto for sibling net **G4** and its 120K total viewers. -- **HGTV** delivered its highest-ever Jan prime rating ever among HHs (1.1), a 22% YOY increase. -- **TLC's** Miss

BUSINESS & FINANCE

America special garnered a 3.1 HH rating and 4.5mln total viewers to set an ad-supported cable delivery record for pageant coverage. -- **Comcast SportsNet Chicago's** Fri night Bulls telecast established a regular-season HH rating record for the team of 4.72. -- Fueled by 4 of the year's top 10 original cable series among 12-34s, including "Jersey Shore" and "Teen Mom," **MTV's** Jan delivery in the demo increased 19% YOY.

Programming: Sat at 8pm ET, **AMC** has an exclusive interview with *Kevin Costner* to celebrate the 20th anniversary of "Dances With Wolves." The next evening at 8pm ET he'll compete with the Super Bowl by talking about "Silverado," which is celebrating its 25th anniversary. -- **HRTV** is set to expand its content slate with Equestrian-related programming (**Cfax**, 11/9), beginning Mon with coverage of the World Equestrian Festival from Germany. -- **HGTV's** "Marriage Under Construction" (Mar 16) will follow a newlywed couple as they purchase, renovate and decorate their first home.

People: *Robert St. John Roper* joined Denver ent and intellectual property law firm **Replin & Rhoades** as a partner. The firm will now be known as **Replin, Rhoades & Roper**. -- **Hasbro Studios** named *Kathy Page* vp, prod.

Business/Finance: **Comcast** agreed to acquire CO-based VoIP services provider **New Global Telecom** for an undisclosed amount.

CableFAX Daily Stockwatch

Company	02/03 Close	1-Day Ch	Company	02/03 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/.....			AMPHENOL:.....	40.43.....	(0.14)
BRITISH SKY:.....	34.36.....	0.03	AOL:.....	25.23.....	0.58
DIRECTV:.....	31.28.....	(0.33)	APPLE:.....	199.23.....	3.37
DISH:.....	18.76.....	(0.13)	ARRIS GROUP:.....	10.16.....	(0.05)
DISNEY:.....	30.75.....	0.77	AVID TECH:.....	12.88.....	(0.02)
GE:.....	16.68.....	(0.17)	BIGBAND:.....	2.83.....	(0.14)
NEWS CORP:.....	15.95.....	0.91	BROADCOM:.....	27.89.....	(0.14)
MSOS					
CABLEVISION:.....	26.60.....	(0.26)	CISCO:.....	23.07.....	0.05
COMCAST:.....	15.97.....	(0.32)	CLEARWIRE:.....	6.87.....	(0.17)
COMCAST SPCL:.....	15.25.....	(0.3)	COMMSCOPE:.....	27.20.....	(0.32)
GCI:.....	5.62.....	0.03	CONCURRENT:.....	4.43.....	(0.13)
KNOLOGY:.....	10.94.....	(0.18)	CONVERGYS:.....	11.03.....	0.02
LIBERTY CAPITAL:.....	28.57.....	(0.13)	CSG SYSTEMS:.....	20.51.....	0.73
LIBERTY GLOBAL:.....	25.99.....	(0.12)	ECHOSTAR:.....	19.12.....	(0.17)
LIBERTY INT:.....	10.75.....	(0.03)	GOOGLE:.....	540.82.....	9.70
MEDIACOM:.....	4.12.....	(0.15)	HARMONIC:.....	6.07.....	0.00
RCN:.....	10.05.....	0.02	INTEL:.....	19.68.....	(0.07)
SHAW COMM:.....	18.75.....	(0.39)	JDSU:.....	8.71.....	0.34
TIME WARNER CABLE:.....	45.25.....	0.26	LEVEL 3:.....	1.40.....	0.03
VIRGIN MEDIA:.....	14.89.....	(0.19)	MICROSOFT:.....	28.63.....	0.17
WASH POST:.....	438.66.....	(0.29)	MOTOROLA:.....	6.69.....	0.14
PROGRAMMING					
CBS:.....	13.75.....	0.60	OPENTV:.....	1.53.....	(0.01)
CROWN:.....	1.35.....	(0.09)	PHILIPS:.....	31.14.....	(0.03)
DISCOVERY:.....	29.35.....	(0.16)	RENTRAK:.....	15.92.....	0.07
GRUPO TELEVISA:.....	19.91.....	(0.33)	SEACHANGE:.....	6.52.....	0.02
HSN:.....	19.26.....	(0.31)	SONY:.....	34.94.....	(0.47)
INTERACTIVE CORP:.....	21.04.....	0.69	SPRINT NEXTEL:.....	3.60.....	(0.07)
LIBERTY:.....	36.63.....	(0.43)	THOMAS & BETTS:.....	35.49.....	(0.14)
LIBERTY STARZ:.....	48.18.....	0.20	TIVO:.....	9.19.....	0.02
LIONSGATE:.....	5.16.....	0.05	TOLLGRADE:.....	6.53.....	0.08
LODGENET:.....	5.22.....	(0.24)	UNIVERSAL ELEC:.....	23.88.....	(0.19)
NEW FRONTIER:.....	2.05.....	0.00	VONAGE:.....	1.53.....	(0.03)
OUTDOOR:.....	5.08.....	0.02	YAHOO:.....	15.46.....	0.29
PLAYBOY:.....	3.30.....	0.07	TELCOS		
RHI:.....	0.36.....	0.00	AT&T:.....	25.58.....	(0.11)
SCRIPPS INT:.....	44.49.....	0.25	QWEST:.....	4.44.....	0.01
TIME WARNER:.....	27.90.....	(0.61)	VERIZON:.....	29.19.....	(0.54)
VALUEVISION:.....	4.06.....	0.08	MARKET INDICES		
VIACOM:.....	32.04.....	0.61	DOW:.....	10270.55.....	(26.3)
WWE:.....	16.33.....	0.02	NASDAQ:.....	2190.91.....	0.85
TECHNOLOGY					
3COM:.....	7.50.....	0.03			
ADC:.....	5.61.....	0.02			
ADVANTAGE:.....	2.15.....	(0.01)			
ALCATEL LUCENT:.....	3.52.....	(0.1)			
AMDOCS:.....	29.20.....	(0.47)			

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CORPORATE LICENSES

CableFAX Daily™

WHAT THE INDUSTRY READS FIRST.



Think about that for a minute...

Must Reconsider

Every once in a while something happens that legitimately requires folks to reconsider what they are doing, why and whether there's another way to go. The most obvious example of that was just witnessed in the often out-of-control debate over health care. There is little argument that something must be done, there is lots of debate over what and how. The political winds shifted just at the end of the process and now everyone is forced to reconsider.

That doesn't mean there's no longer a need to do something. It just means there's now an opportunity to reconsider what, and how.



Steve Effros

In the television marketplace, the same thing is happening, or at least there's a new potential for a significant shift that could result in a healthy reconsideration. The subject is "must carry."

The original "must carry" rules were put in place based on a theory that said a new technology, "community antenna television" could unfairly discriminate against a local television channel and intentionally block the "antenna" function in favor of another channel. This was especially a concern if the community antenna was owned by one of the competing television stations.

So a whole set of rules were promulgated to assure that local broadcasting was protected. Not only were there "cross ownership" rules, but there were, more importantly, the "must carry" rules. The community antenna had to carry all local television signals. The cable industry fought those rules but lost. The fight was really about our First Amendment and Fifth Amendment rights, not about carriage so much, because most cable operators want to carry all channels that the consumer—our customer—wants to watch. So there was very little incentive not to carry in the first place, which was proved by the fact that for several years the "must carry" regulations lapsed, and there was

little evidence of the wholesale dropping of signals.

But things have changed. Broadcasters insisted on "retransmission consent" as cable matured and it became clear that it was the value of the programming to the consumer that mattered most. If a broadcaster had programming folks wanted to watch, there was no longer a question of forcing the cable operator to carry. It was a question of how much the broadcaster could get from the cable operator for authorization to carry. It was only the lower-value stations not particularly watched in the community that stuck to "must carry."

Now Cablevision has brought a case back to the Supreme Court and given it the opportunity to re-explore the whole idea of "must carry." They should take it. I doubt they will, but they should. Why? They could create the "shift" necessary for reconsideration. Times have changed. The "value" now tied up by the broadcasters still availing themselves of "must carry" is the bandwidth they are using, which everyone now acknowledges (except the broadcasters, of course) could be put to better use. Spectrum is going to be desperately needed by the wireless industry. Anybody with an iPhone knows this. Broadcasters, however, are going to fight any mandatory give, or take-back of spectrum.

But what if "must carry" was eliminated? Let the market control through retransmission consent. If consumers are not interested in watching a channel then the broadcaster could "sell" the spectrum back to the government for other uses. There would be no compulsion, the market would decide the issue, the politics would be manageable, and the likelihood is we could make significant progress on two issues: must carry and spectrum reallocation. Even without Supreme Court action, it's time to reconsider.

Steve

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