

CableFAX Daily™

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What the Industry Reads First

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Verizon's New Coin: RedBox Play Flexes Telco's Marketing Muscle

Verizon and RedBox operator **Coinstar** announced a \$450mIn jv to launch later this year a subscription-based video entertainment play combining disc rentals from RedBox and a streaming VOD/download service from VZ. While the attendant release claims the venture "will create the kind of national multi-platform product that customers are demanding from video entertainment service providers," the partners failed to definitively answer a critical question: what types and breadth of content can be expected on the streaming side? In a murky conference call, Verizon consumer and mass business markets pres **Bob Mudge** said the telco "is embracing streaming, a platform that many view as a disruptive force in our industry, as a great opportunity for innovation and leadership." Within an **SEC** filing, Coinstar, which will own 35% of the jv and initially invest \$14mIn, went a bit further by adding the national service will include linear content and provide access via mobile devices. **Sanford Bernstein's Craig Moffett** cautioned against framing the jv as a virtual MSO. "The combination of Verizon's huge customer list and Coinstar's content and distribution ubiquity is perhaps better viewed as another step in the transformation of Verizon into a marketing machine, a la its joint venture with the cable industry" he said. "We remind readers that Verizon's current LTE plans are capped at 2 to 5 GB of usage per month, enough for about 2 to 5 hours of viewing absent any other activity." The jv will positively bring another buyer to the content community, said **Wells Fargo Securities' Marci Ryvicker**, adding that "from a cable perspective the impact of this offering will entirely depend on the provided content, and we would view this much like we do Netflix, a complimentary product to traditional video services." Ryvicker did, however, leave the door open for a differentiating OTT bundle from VZ. The announcement had little discernible effect on cable MSO shares, **Netflix** (+2.23%) investors were unbowed and VZ (+0.79%) and CSTR (+1.82%) notched gains.

Deals: Consolidated Comm Holdings, which provides video, phone and Internet services in IL, TX and PA, agreed to acquire overbuilder **SureWest** for approx \$341mIn, exclusive of debt. The cash and stock transaction values SURW shares at \$23/each, or an approx 48% premium over the stock's Fri closing price, leading the stock to soar 45.41%. SureWest operates in the Kansas City and Sacramento areas. It services approx 267K residential RGUs, for which Consolidated will pay approx \$1,280 each. **Morgan Stanley** provided \$350mIn in debt financing as part of the deal that's expected to close by Sept, provide respective annual operating and capex synergies of \$25mIn and \$5-10mIn, and help Consolidated delever. Consolidated said it's committed to maintaining it \$1.55/share annual dividend.

Super Sunday: The Giants victory in **Super Bowl XLVI** delivered 111.3mIn viewers, a new record for an American telecast, along with a 47 rating and 71 share, marking the big game's best ratings since '86. Just as super, said **BTIG's Richard Greenfield**, was **Time Warner Cable's** ad that aired during the game. Called by Greenfield the best Super Bowl spot "ever by a cable company," the commercial highlighted how TWC customers can better enjoy the services they use—faster broadband for **Netflix**, in-home viewing of **Showtime** on tablets and smartphones, and access to **ESPN** from anywhere.



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Greenfield's particularly fond of how the continuing campaign explains why broadband speeds matter, adding that in light of some of TWC's past marketing, "the launch of a highly-stylized ad campaign with great messaging by TWC's new CMO *Jeffrey Hirsch* is encouraging." The spot, however, didn't rank among the top 10 game commercials as ranked by **Super-bowl-commercials.org**, and also failed to hit the top 10 in the annual **Brand Bowl**, a **Mullen-Boston.com** collaboration that monitors Tweets to measure effective brands. Overlapping winners of the 2 assessments included **Chrysler**, **Chevrolet** and **Volkswagen**. Notably, **Hulu's** ad ranked among the 5 worst in the Brand Bowl by generating just 1,191 Tweets.

Quotable: "There was a moment in the Super Bowl last night, when one of the halftime performers made a 'gesture.' I smiled and was grateful I was not the FCC Chairman anymore." – **NCTA** pres/CEO *Michael Powell* in a speech Mon morning before the **National Association of Regulatory Utility Commissioners**.

Retrans Rhumba: We've noticed dozens of form letters on retrans consent at the **FCC** in recent weeks, all from folks complaining that their cable bills keep "sky rocketing because big-business broadcasters insist on charging exorbitant carriage fees to our local cable providers." Not surprisingly, we tracked the source down to **ACA**. The assoc sent out the letter template in a retrans consent toolkit for members. One member taking advantage of it is **Crosslake Comm** of MN, which has a link to the letter on its Website along with a notice that it has entered into negotiations for several local broadcast stations and that it expects broadcasters to demand customers pay a "significantly increased" monthly fee. -- As expected, the **NBC** affil in Corpus Christi remained dark on **Time Warner Cable** for the Super Bowl. What was unexpected was TWC's partnership with **DirectTV**. The 2 co-sponsored a Super Bowl party at 2 Beeville, TX, sports bars 60 miles from Corpus Christi. What a change from the days of going after competitors in markets where they've lost a broadcast station... "We believe it's important to stand up against station owners who think nothing of using viewers as leverage in what should be a private business-to-business negotiation," DirecTV said. "It's abusive and obnoxious behavior to leave fans in the dark during the biggest TV event of the year. We and Time Warner Cable are happy to have Time Warner Cable customers join us for refreshments and enjoy the DirecTV broadcast of the game."

On the Hill: Public Knowledge coordinated a letter with 70 grassroots groups, venture capitalists, Internet companies, communities of color and other groups to call on Congress to stop its working on intellectual property issues in the wake of the SOPA and PIPA protests. "The concerns are too fundamental and too numerous to be fully addressed through hasty revisions to these bills. Nor can they be addressed by closed door negotiations among a small set of inside the-beltway stakeholders," said the letter, which counts **Hackers & Founders**, **Mozilla** and **Consumers Union** as signors.

At the Portals: The **FCC** Media Bureau and Office of Communications Business Opportunities has issued a request for quotation for a study to examine the critical information needs of the public. Under Sect 257 of the Communications Act, the FCC must identify and eliminate market entry barriers for small businesses and promote policies favoring a diversity of media voices, vigorous economic competition, and technological advancement. FCC commish *Mignon Clyburn* said the agency is "especially interested in whether the critical information needs of all Americans are being met." -- **Fox Networks** has filed a petition on behalf of **MundoFox's** "expected affiliate station partners" seeking a waiver of the network representation rule barring bcst stations from being repped by their affiliated nets in spot sales. Fox and **RCN TV Group** formed a jv to launch the Spanish-language bcst net this fall (*Cfax*, 1/24). Fox said the waiver is needed to ensure a level playing field, as the FCC previously granted permanent waivers to the operators of several competing Spanish-language nets and



Sales Executive of the Year Awards
saluting cable sales leadership

Questions: Mary Lou French
at 301-354-1851;
mfrench@accessintel.com

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BUSINESS & FINANCE

because growth would be hindered without it. Comments are due Mar 7.

Programming: Nick acquired 22-ep series "Life With Boys" created by Michael Poryes ("Hannah Montana" and "That's so Raven." Popular in the UK and Canada, the series follows a 14-year-old girl (*Torri Webster*) as she navigates teen life while living at home with her single, overprotective dad and 3 brothers. -- It's not a Super Bowl victory, but South Boston does get **TLC**.

The net's picked up a series (produced by "Jersey Shore's" 495 Productions) that goes inside the home of 5 South Boston women as they struggle to make a life for their families. "Southie Pride" (wt) is slated to premiere this fall. -- **Travel** announced the premiere dates of 2 new primetime shows:

"Hotel Impossible," a hotel fixer works to save troubled establishments (Apr 9) and "Baggage Battles," the latest cable auction series, this one featuring unclaimed baggage (Apr 11). -- **GMC** will present the national telecast of the 27th annual Stellar Gospel Music Awards Sat at 7pm ET. -- **TLC** and **OWN** acquired the rights to "Undercover Boss UK" and "Undercover Boss Australia," which will air on the nets as "Undercover Boss: Abroad." The shows join TLC on Feb 13 and OWN on Mar 13.

Business/Finance: Time Warner Investments led a \$15mln funding round for **Conviva**, a provider of online video quality optimization and advanced analytics solutions.

CableFAX Daily Stockwatch

Company	02/06 Close	1-Day Ch	Company	02/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	45.44	(0.25)	CLEARWIRE:	1.81	UNCH
DISH:	28.58	(0.33)	CONCURRENT:	3.60	UNCH
DISNEY:	40.46	0.46	CONVERGYS:	13.49	(0.01)
GE:	19.05	0.03	CSG SYSTEMS:	17.03	0.08
NEWS CORP:	20.20	0.24	ECHOSTAR:	29.42	0.39
MSOS					
CABLEVISION:	14.91	0.39	GOOGLE:	609.09	12.76
CHARTER:	58.31	0.14	HARMONIC:	6.34	(0.05)
COMCAST:	27.09	(0.06)	INTEL:	26.72	(0.02)
COMCAST SPCL:	25.91	(0.05)	JDSU:	12.66	0.27
GCI:	11.20	(0.14)	LEVEL 3:	19.80	(0.44)
KNOWLOGY:	15.98	(0.17)	MICROSOFT:	30.20	(0.04)
LIBERTY GLOBAL:	47.97	0.71	MOTOROLA MOBILITY:	38.83	(0.14)
LIBERTY INT:	18.17	0.03	RENTRAK:	19.16	(0.33)
SHAW COMM:	19.79	0.05	SEACHANGE:	7.12	(0.06)
TIME WARNER CABLE:	75.02	(0.64)	SONY:	19.44	0.23
VIRGIN MEDIA:	24.49	0.15	SPRINT NEXTEL:	2.46	0.14
WASH POST:	384.00	(0.85)	THOMAS & BETTS:	72.04	0.64
PROGRAMMING					
AMC NETWORKS:	42.14	(0.12)	TIVO:	11.54	0.31
CBS:	29.63	0.15	UNIVERSAL ELEC:	20.23	(0.42)
CROWN:	1.23	(0.02)	VONAGE:	2.58	(0.03)
DISCOVERY:	44.63	(0.03)	YAHOO:	15.82	(0.1)
GRUPO TELEVISIA:	19.88	(0.13)	TELCOS		
HSN:	35.78	(0.42)	AT&T:	29.97	0.02
INTERACTIVE CORP:	45.37	(0.43)	VERIZON:	38.14	0.30
LIONSGATE:	10.98	0.28	MARKET INDICES		
LODGENET:	3.40	(0.04)	DOW:	12845.13	(17.1)
NEW FRONTIER:	1.11	(0.02)	NASDAQ:	2901.99	(3.67)
OUTDOOR:	7.39	UNCH	S&P 500:	1344.33	(0.57)
SCRIPPS INT:	43.73	0.35			
TIME WARNER:	37.97	(0.22)			
VALUEVISION:	1.61	0.01			
VIACOM:	54.16	0.52			
WWE:	9.78	(0.13)			
TECHNOLOGY					
ADDVANTAGE:	2.21	0.01			
ALCATEL LUCENT:	1.93	(0.02)			
AMDOCS:	29.99	0.22			
AMPHENOL:	54.85	(0.22)			
AOL:	17.81	(0.51)			
APPLE:	463.97	4.29			
ARRIS GROUP:	12.03	(0.14)			
AVID TECH:	10.71	0.26			
BLNDER TONGUE:	1.45	(0.04)			
BROADCOM:	37.14	(0.54)			
CISCO:	20.19	0.10			

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