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Push It: Programming Execs Extol Ops' Near-term Embrace of TV Everywhere

Disney's comprehensive carriage deal with **Comcast** (***Cfax***, *1/6*) may be the domino that starts the run of MVPDs toward ubiquitous authentication plays, but TV Everywhere flag bearer and **Time Warner** pres/CEO *Jeff Bewkes* isn't pleased with the pace of adoption. By authenticating content across devices including **Roku** and connected TVs, "cable operators would be making the video subscription they sell to consumers enormously more valuable. They would basically bring on stream all those younger people that are wondering whether they're ever going to subscribe to cable," said Bewkes. "Until now, we've been chiefly focused on availability of TV Everywhere. Now it's time for the whole industry to drive consumer awareness and consumer usage." What Bewkes omits from his argument, of course, is the additional fees programmers will charge ops for access to multiple platforms and devices. Look no further than the Disney-Comcast deal for proof. "Affiliate revenue will kick up, not only due to the Comcast deal, but due to other deals that will be negotiated in the ensuing years," said Disney pres/CEO *Bob Iger* late Tues, before adding that higher price tags for content won't dissuade ops from entering authentication en masse. "...other than the deal that we did with Time Warner for ESPN, and the deal that we did with Verizon and a few other smaller distributors, we haven't done deals that allow" viewing of all Disney services on mobile devices and computers, said Iger. "So DirecTV, Cablevision and others—and Time Warner because all they got was the rights to do that for ESPN...Those will all start kicking in, we anticipate, relatively soon." Sooner appears more beneficial to ops than later, what with the constant proliferation and expansion of multiplatfrom video services. **Viacom**, for example, perpetuated its digital push Wed by agreeing to allow **Amazon Prime** members to stream shows from its bouquet of nets including **MTV**, **Comedy Central** and **Nickelodeon**. The deal will bring to more than 15K the number of videos available through the service. TWX keeps pushing too, with Bewkes saying **HBO Go** will soon hit **Xbox Live** and additional devices throughout the year, and that 1K hours of on demand Turner content, plus **CNN** and **HLN** live, can now be seen in 80mln homes. "That's how you fulfill the promise of your brands and of television to viewers," he said. "And I'm hopeful that the industry will move pretty quickly past some of its... more minor concerns."

Boxeeing Match: Earlier this month, **Boxee** told the **FCC** that changing its rules to allow basic tier encryption with certain conditions would harm QAM TV viewers (and cord shavers) without providing any benefit to consumers. **NCTA** responded Tues by calling Boxee's claims "simply wrong." Cable says the change will free up customers from waiting for a service visit when connecting or disconnecting service, and, among other things, it should also reduce theft of service—thus improving service reliability. Boxee has an entire blog post devoted to the subject at http://blog.boxee.tv/, claiming cable's "real motivation is to prevent you from being able to connect the cable from the wall directly to your TV or Boxee Box. You will need to rent a set-top box from your cable provider, pay an extra $5-$15 per month and it will no longer work with your Boxee Box or similar devices." NCTA told the FCC in its filing that Boxee deliberately built without a CableCARD slot and standard interfaces for connecting to a set-top box. "The whole point behind the CableCARD is that consumer electronics manufacturers

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can build to a common technology that is supported across cable systems. Requiring operators to support one-off fixes for individual manufacturers is contrary to the Commission's basic objective in this area," NCTA said. At its blog, Boxee urges consumers to write the FCC and let it know the unencrypted tier offers a way for "innovative" set-tops to enter the market.

MSG: While there may be no end in sight for its carriage dispute with **Time Warner Cable**, it was the **NBA** lockout that was blamed for sending 2Q profit down at **MSG** nearly 22% to $25.6mln. Still, that beat **Miller Tabak**'s estimate of $18mln, and operating cash flow of $79mln (a 21.2% margin) beat Tabak's estimate of $52mln thanks to less **fuse** programming expenditures and greater entertainment event profitability. Revenue dropped about 14% to $373mln. During a 2Q earnings call, **MSG Media** pres *Mike Bair* said no meaningful discussions have taken place with TWC since the channel went dark Jan 1. While he believes a deal will ultimately be completed, he said he can offer no assurances that it will happen during the '11-'12 season. Several times during the call, Bair said TWC competitors (**DirecTV**, **FiOS** and **RCN**) are seeing an uptick in business. A TWC spokesperson said call volume has remained low and described subscriber losses as "insignificant." Bair took issue with reports that MSG was asking for a 53% increase in rates and that TWC was willing to pay a 6.5% rate hike, saying those numbers "are in some cases inaccurate and in some cases gross mischaracterizations." TWC's response: "They are still demanding a 53% increase; our hope is that they will go back to their pre-December demands and close a reasonable deal." It's worth noting that Bair said ratings for MSG and CPMs have been up in the first part of the year. "At this point, there really is no meaningful impact," he said. That could change however, with TWC accounting for 30% of MSG's sub base and 17.5% of fuse's. "They are clearly a significant distributor of ours and will have a material impact on results as long as this feud continues," Bair said. MSG shares closed up 1.28% for the day.

At the Portals: **DirecTV, Sprint, T-Mobile, Rural Telecom Group** and **Rural Cellular Assoc** have joined the party, asking the **FCC** to put a stop to its informal 180-day review shot clock of the **Verizon Wireless** and **SpectrumCo/Cox** spectrum transactions until the parties provide full disclosure of their marketing agreements. Public interest groups, including **Public Knowledge**, also have asked for more details *(**Cfax**, 2/8)*. -- The latest in the **Tennis Channel-Comcast** drama: the **FCC** Enforcement Bureau recommended the Commission deny the MSO's petition to stay the ALJ decision. Still no word from the Commission. In Dec, the ALJ released an initial decision that would have compelled Comcast to put Tennis in the same tier as **Golf** and **NBC Sports** (formerly **Versus**).

Earnings: **Time Warner**'s super '11 included rev growth of 8%, best since '03, and adjusted EPS growth of 20% to the highest level ever. Nit-pickers, however, may have some fodder in the nets segment's 4Q results that included US ad rev of 2% and underperformance vis a vis full-year results in metrics including total rev, affil rev and ad rev. Still, segment adjusted op income soared 27%, margins expanded and execs see ad market improvement in '12. US nets' ad rev was hurt by NBA game cancellations, weaker scatter demand and lower **TNT** ratings, but CFO *John Martin* said 1Q rev growth is tracking in the mid single digits and "scatter pricing is up solidly versus the upfront"—even if demand is lagging vs prior years. Cancellations are flat, however, and Martin said the sub rev growth fundamentals are "still very strong," with TNT's ratings expected to improve this year. TWX boosted its dividend by 11%, and as of Wed's close ($38.11, flat) its yield was 2.7%. **Miller Tabak**'s *David Joyce* reiterated his 'buy' rating and $45 long-term price target.

On CableFAX.com: While smaller operators complain that it's hard to get the attention of programmers when it comes to TV Everywhere, at least one content player believes the challenge shouldn't be insurmountable. More on the obstacles

BUSINESS & FINANCE

smaller guys face and what some ops are doing to jumpstart the TVE process at ***CableFAX.com*** -- Last week wee fans of **Nickelodeon's** "Dora the Explorer" cartoon were introduced to a new voice behind the pintsized Latina heroine. *Teri Weiss*, svp, production and development, Nick Preschool describes the process for finding a new star. -- ***CableFAX*** columnist *Pamela Williams,* executive director of **CTHRA**, polls members on their companies' healthy-living employee benefit programs. -- Last year's CableFAX Sweet 16 winners offer sales and advertising tips. Don't forget to nominate cable's most influential national ad clients by Friday! [http://www.cablefax.com/cfp/2012Sweet16.html] -- And on our premium site **CableFaxDaily.com**, a few interesting tidbits emerge when comparing last week's top cable programs based on viewership among 18-49s (Live+SD) with their respective rankings based on total viewership (Live+SD). **Comedy Central**'s "Tosh.0," for example, ranked 43rd in the former demo but 9th in the latter. See "Extras" for more details.

Business/Finance: Claiming more than 13mln US uniques, indie video network **Blip.com** got more than $12mln in venture capital from existing investors including **Bain Capital Ventures** to develop tools and services for Web series producers, invest in its ad and distribution platforms and expand its syndie relationships that already include **FiOS**, **YouTube** and **Roku**.

CableFAX Daily Stockwatch

Company	02/08 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	44.92	(0.28)
DISH:	27.95	(0.58)
DISNEY:	41.27	0.29
GE:	19.24	0.06
NEWS CORP:	20.21	0.02
MSOS		
CABLEVISION:	14.73	UNCH
CHARTER:	58.12	0.28
COMCAST:	27.25	0.16
COMCAST SPCL:	26.03	0.18
GCI:	11.05	UNCH
KNOLOGY:	15.70	(0.19)
LIBERTY GLOBAL:	48.19	0.31
LIBERTY INT:	18.24	(0.04)
SHAW COMM:	19.78	(0.01)
TIME WARNER CABLE:	76.54	1.32
VIRGIN MEDIA:	25.27	0.99
WASH POST:	387.81	4.51
PROGRAMMING		
AMC NETWORKS:	42.85	0.47
CBS:	29.73	(0.17)
CROWN:	1.20	(0.01)
DISCOVERY:	45.35	0.07
GRUPO TELEVISA:	20.10	0.22
HSN:	35.69	(0.03)
INTERACTIVE CORP:	45.23	(0.39)
LIONSGATE:	10.94	0.03
LODGENET:	3.45	(0.06)
NEW FRONTIER:	1.16	0.02
OUTDOOR:	7.46	0.07
SCRIPPS INT:	44.39	0.24
TIME WARNER:	38.11	0.01
VALUEVISION:	1.97	0.17
VIACOM:	55.53	1.25
WWE:	9.76	0.08
TECHNOLOGY		
ADDVANTAGE:	2.24	0.02
ALCATEL LUCENT:	1.95	0.04
AMDOCS:	30.36	0.21
AMPHENOL:	54.66	(0.21)
AOL:	18.17	0.37
APPLE:	476.68	7.85
ARRIS GROUP:	12.33	0.21
AVID TECH:	11.89	1.91
BLNDER TONGUE:	1.44	(0.04)
BROADCOM:	37.66	0.49
CISCO:	20.43	0.23
CLEARWIRE:	1.95	0.05
CONCURRENT:	3.70	(0.09)
CONVERGYS:	13.06	(0.26)
CSG SYSTEMS:	16.28	(1.06)
ECHOSTAR:	30.83	(0.05)
GOOGLE:	609.85	3.08
HARMONIC:	6.68	0.06
INTEL:	26.85	0.21
JDSU:	13.70	0.45
LEVEL 3:	21.31	1.72
MICROSOFT:	30.66	0.31
MOTOROLA MOBILITY:	38.96	0.08
RENTRAK:	20.50	0.99
SEACHANGE:	7.23	0.03
SONY:	19.89	0.21
SPRINT NEXTEL:	2.41	(0.04)
THOMAS & BETTS:	71.93	UNCH
TIVO:	11.98	0.21
UNIVERSAL ELEC:	20.30	0.32
VONAGE:	2.75	0.15
YAHOO:	15.78	(0.05)
TELCOS		
AT&T:	30.02	(0.02)
VERIZON:	37.92	UNCH
MARKET INDICES		
DOW:	12883.95	5.75
NASDAQ:	2915.86	11.78
S&P 500:	1349.96	2.91

Think about that for a minute...

Reality Check

Commentary by Steve Effros

First there was broadcast television, then community antenna television, cable television, satellite television, telco television, "Over The Top" television, mobile television, Internet television, and the list goes on. This past weekend there was yet another milestone, as the most popular and most watched program on television, distributed by broadcast, cable, satellite, etc., made its way to "broadband" or "online" distribution. The Super Bowl was "streamed" on the "net."

Now this is not the first time a very popular video program that was on "television" made it to the "net." After all, years ago the Victoria's Secret Special, with a streaming version of their steaming models (watch them on an iPhone?) made headlines. Then the NCAA finals bounced on to the small screens. And now, the Big Kahuna, the undisputed eyeball grabber of them all: the Super Bowl.

So how did it go? Well, from all reports, the streaming video looked, um, sort of like streaming video. Some folks got a good picture. Not great, not a really high quality large screen HD treat that most of us enjoyed, but it was OK. Others complained about stutters, pixels, drop-outs and lots of other artifacts that sort of go with the territory these days of using streaming video.

That's just the reality of the technology. It wasn't designed for live distribution of an event to millions, let alone a hundred million viewers all at once. The streaming feed apparently achieved just over two million unique views. That's not of the whole game. That's just a count of how many folks dipped in and took a look for any length of time.

The "television" feed itself, in all its "normal" delivery forms—broadcast, cable, satellite... was watched by more than 111 million folks. So we're talking about a streaming "Over The Top" or "Internet" or "Online" viewership that was less than 2% of the viewing audience. And yet, if you read the blogs and headlines, the world of television is about to irrevocably change, and the distribution mode is "clearly" going to tilt to a dominant use of streaming Internet distribution of TV.

I don't think so. Had even ten percent of the audience tried to order up their own "streamed" copy of the program all at the same time, the server capacity, the router capabilities, the bandwidth requirements to deliver those discrete "streams" would have totally overwhelmed the system. It's just not built for that, and increasing capacity and bandwidth is not likely to solve the underlying issue that its a very poor, inefficient way to simultaneously deliver video to a large audience.

To be sure, "Online Video," as the FCC calls it, has its place and will be very successful at providing yet another way for folks to enjoy video content, particularly discrete, niche content. But will it become the dominant form of "television" distribution. Nope. It's just part of the family of technologies that have grown up to satisfy various needs at various times in various places over various display technologies.

The cable industry delivers television. We also provide broadband, telephone, and increasingly specialized business data services and even home security services. The notion that because one part of our communications business—the delivery of television, and particularly a "mass audience" event like the Super Bowl—is now also being delivered through other means portends our demise is just absurd. We still have the best and most versatile communications infrastructure around. This was an easy reality check.

(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)

Steve

T:202-630-2099
steve@effros.com