

# CableFAX Daily™

Friday — February 15, 2013

What the Industry Reads First

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## DirecTV's White: Ready for RSN Surcharge in Spring

The highlight of DirecTV's 4Q earnings conference call Thurs came when the issue of RSN costs came up. For seemingly the 200th time, CEO *Mike White* slammed rising sports rights fees: "The sports business model is broken." If DirecTV was to carry sports programming in the few markets that are "completely out of control" and "unaffordable for the average consumer," the only solution is through some kind of surcharge, White said. The company started charging new subs in markets like LA and NY a \$3 monthly surcharge last year to justify sports costs. Beginning this spring, the company will charge existing subs in those markets, he said. Nonetheless, the surcharge doesn't "even come close to covering the total costs for sports in those markets," White noted. "It's a judgment you have to make based on responsible churn... We have made choices not to carry certain sports unless we can carry them a la carte." The goal is to allow average consumers to be able to choose and pay on their own, he said. Looking forward, overall programming costs are expected to grow 8% in '13 vs '12, CFO *Patrick Doyle* said. The company's offsetting that through rate increases and by limiting promotional discounts, he said. Doyle called '13 a "peak year" for capital investment due to planned investments to enhance user experience, drive deeper customer loyalty and engagement, as well as plans to upgrade DirecTV facilities. The op will also be "aggressively" expanding TVE, execs said. Fielding a question on DirecTV's plans with 4K Ultra HD, White said the company wants to use the best technology, but "keep in mind you've got a massive legacy infrastructure in the US" and that it will take a while to migrate to a new platform. DirecTV had a solid 4Q, generating \$942mln in profit vs. \$718mln from a year ago. US revenues grew 5% OY due to strong ARPUR growth and a larger sub base. The op ended 4Q with just over 20mln subs, up 1% YOY. While net sub growth slowed to 103K, monthly churn's down to 1.43% vs 1.54% in the year-ago quarter. It had 963K gross sub additions in the quarter. According to research firm *ISI*, DirecTV's declining churn trends stood out while sub acquisition costs were a tad higher.

**M&A:** Chicago-based private equity firm **GTCR** agreed to acquire **NewWave Communications** from **Pamlico Capital**. The deal will be completed through GTCR's previously established partnership with **Rural Broadband Investments**, which was formed last year to acquire broadband infrastructure assets in small and mid-sized communities.

**At the Portals:** As expected, FCC chmn *Julius Genachowski* announced that the **Dept of Housing and Urban Development** will join **Connect2Compete's** digital literacy coalition as an outreach partner. Connect2Compete also will partner with **Best Buy** on a nationwide digital literacy training program. Initial program rollout will take place in Chicago, Detroit, Miami, Philadelphia, St. Paul and DC, with plans to extend to 12 cities through the summer. HUD's participation will increase Connect2Compete's visibility and reach more Americans, the chmn said. Connect2Compete signed on **Comcast** as a partner last Oct to let Comcast Internet Essentials subs buy low-cost computers.

**In the Courts:** In a filing with the **DC Circuit**, the **FCC** defended its decision to sunset the viewability rules, currently

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being challenged by **NAB**. Under the order, cable ops no longer have to provide both an analog and digital versions of must-carry station signals. The decision is consistent with statute, and the broadcasters' claim that the order would harm must-carry stations is not true, the agency said in its brief.

**Earnings:** Thanks to 4% YOY growth at US networks and 15% YOY growth at international networks, **Discovery Communications'** 4Q revenue of \$1.2K mln was up 8% YOY. However, due to higher tax charges, income fell to \$224mln from \$336mln a year ago. **Bernstein Research** analysts said earnings met on revenue, but missed significantly on earnings per share. Having said that, they believe investors under-appreciate the company's 2 powerful growth drivers: "a structurally superior and sustainable cost advantage" and "superior operating leverage in fast-growing International markets." Ad revenue was up 9% YOY as a result of higher delivery and increased pricing. Distribution revenue also grew (2% YOY) largely from higher rates and sub growth primarily from nets carried on the digital tier. For full year '12, revenue was up 8% over the prior year. Looking forward, the company expects '13 revenue to be around \$5.7bln.

**USF Fun: ACA** urged the **FCC** to reject efforts of large telcos to modify the Connect America Fund (CAF) rules because "their proposals would most likely fail to advance the program's goal of deploying broadband networks in areas most in need... ACA combed through the Price Cap LEC comments searching for data providing sufficient support for their proposals to expand the areas eligible for Phase I incremental support or use of support for second-mile fiber and found none," ACA head *Matthew Polka* said. "Their proposed wholesale expansion of eligible areas from 768/200 Mbps broadband service to those lacking 4/1 Mbps is not supported by the data." The group also urged the agency to establish an equitable process for challenging designations on the National Broadband Map (NBM), and apply unaccepted '12 and '13 Phase I incremental support to the Phase II process or return it to contributors.

**Zombie Alerts:** It appears that so far emergency alert systems in stations in CA, MI, MI and NM have been hacked and as a result, sent out alerts about zombie attacks (*Cfax*, 2/14). The FCC is asking stations to check their equipment to ensure there's no further unauthorized alerts.

**In the States: Comcast** continued to roll out its cloud-based X1 platform. Recently it launched in Colorado Springs, CO. The service's already in numerous markets, including Atlanta, Augusta, GA; the Greater Boston region; Chattanooga, TN; San Francisco, Sacramento, the Greater Philadelphia area and NJ.

**Exorcise This!:** Kudos to **FEARnet** this week for putting the spotlight on iconic actress *Linda Blair*, who is helping to promote what may become the creepiest day in recent memory on Sun when the net runs all 5 *Exorcist* movies, including the 2 prequels and the original 1973 classic starring Oscar-nominated Blair as a head-spinning, projectile vomiting, demon-possessed girl. In other words, a typical American teenager. Many consider the original the scariest horror movie of all time. Why is it so terrifying (people literally fainted in theaters back in the day)? Blair told us that it really comes down to one thing. The monster isn't a demon, she said: "The monster is really you looking in the mirror. The monster really is a serial killer. The monster is *Sadaam Hussein*. The monster is *Hitler*. People needed to think it's going to come out in a horror film. It isn't. I don't think people are awake. They need to look at it deeper. It's not like the Swamp Thing. It's not Frankenstein. There's good and evil in everybody." Interestingly, Blair isn't a big horror fan herself and prefers to focus instead on humanitarian causes, such as her L.A.-based charity **World Heart Foundation**, which helps rescue dogs. We'll drink pea soup to that.

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# BUSINESS & FINANCE

**Partnerships:** CBS friended Mark Cuban by partnering with AXS TV, a joint venture of Cuban, AEG, Creative Artists Agency and Ryan Seacrest Media. The multi-year deal includes shoulder programming opportunities, in addition to “strategic support.”

**TiVo Doings:** TiVo integrated Flingo’s LaunchPad video platform into its Premiere set tops, allowing more than 70 streaming on-demand video apps for instant streaming. TiVo Premiere owners also now can access Flingo’s complete apps lineup from more than 50 other content partners.

**Launch Pad:** Elemental Technologies launched Nvidia’s Tesla GPU accelerator and Intel Sandy Bridge-based versions of its Elemental Live and Elemental Server products to double the performance of its previous generation.

**Marketing:** To celebrate IFC’s launch of new original animated comedy series “Out There,” the net is working with **someecards.com** on several witty e-cards debuting on Valentine’s Day. It’s also working with *Rolling Stone* to feature a custom insert of “Out There” character stickers in the magazine’s Feb 15 issue. “Out There” premieres Feb 22.

**Philanthropy:** The **Walter Kaitz Foundation** announced \$1.1mln in funding to **WICT, NAMIC** and the **Emma L. Bowen Foundation** for their ’13 programs.

## CableFAX Daily Stockwatch

Company	02/14 Close	1-Day Ch	Company	02/14 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	50.21	(1.46)	ECHOSTAR:	38.36	(0.3)
DISH:	36.84	(0.44)	GOOGLE:	787.82	4.96
DISNEY:	54.88	(0.08)	HARMONIC:	5.70	0.22
GE:	23.41	0.02	INTEL:	21.23	(0.02)
NEWS CORP:	28.96	0.27	JDSU:	15.48	0.13
<b>MSOS</b>					
CABLEVISION:	14.96	(0.15)	LEVEL 3:	20.98	(0.12)
CHARTER:	79.48	(0.55)	MICROSOFT:	28.04	0.01
COMCAST:	40.34	0.21	RENTRAK:	21.55	(0.05)
COMCAST SPCL:	38.61	0.16	SEACHANGE:	11.65	(0.15)
GCI:	7.97	(0.01)	SONY:	14.23	0.02
LIBERTY GLOBAL:	66.10	(0.94)	SPRINT NEXTEL:	5.87	0.01
LIBERTY INT:	21.92	0.30	TIVO:	13.15	0.20
SHAW COMM:	23.60	0.14	UNIVERSAL ELEC:	19.28	0.04
TIME WARNER CABLE:	86.24	(0.52)	VONAGE:	2.79	0.08
VIRGIN MEDIA:	45.22	(0.41)	YAHOO:	21.18	0.03
WASH POST:	409.06	8.19	<b>TELCOS</b>		
<b>PROGRAMMING</b>					
AMC NETWORKS:	59.44	(0.32)	AT&T:	35.29	(0.13)
CBS:	42.94	0.27	VERIZON:	44.33	(0.19)
CROWN:	1.99	0.03	<b>MARKET INDICES</b>		
DISCOVERY:	70.84	(0.68)	DOW:	13973.39	(9.52)
GRUPO TELEVISA:	27.63	(0.06)	NASDAQ:	3198.66	1.78
HSN:	59.16	(0.09)	S&P 500:	1521.38	1.05
INTERACTIVE CORP:	41.57	(0.95)			
LIONSGATE:	20.40	0.14			
OUTDOOR:	7.64	(0.08)			
SCRIPPS INT:	62.37	0.33			
TIME WARNER:	53.63	0.78			
VALUEVISION:	2.84	(0.01)			
VIACOM:	62.62	0.56			
WWE:	8.62	(0.02)			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.28	(0.01)			
ALCATEL LUCENT:	1.59	(0.03)			
AMDOCS:	36.08	(0.14)			
AMPHENOL:	70.10	(0.01)			
AOL:	39.33	2.32			
APPLE:	466.59	(0.42)			
ARRIS GROUP:	17.20	0.26			
AVID TECH:	7.95	0.09			
BROADCOM:	34.57	0.85			
CISCO:	20.99	(0.15)			
CLEARWIRE:	3.17	UNCH			
CONCURRENT:	7.93	0.10			
CONVERGYS:	16.58	0.24			
CSG SYSTEMS:	20.25	0.20			

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# PROGRAMMER'S PAGE

## Believable: Nat Geo's 'Killing Lincoln'

It's good advice not to trust everything you see on TV. There are exceptions, however. Early in **Nat Geo's** "Killing Lincoln" (Sun, 8p) *President Lincoln* visits Secretary of State *William Seward*, felled by a broken jaw suffered in a carriage accident. "We got carried away here" with details, chuckles Emmy winner *Erik Jendreson*, who pored over 100s of primary sources to write the script. We see Lincoln's iconic stovepipe hat on a table in Seward's bedroom. Next to the hat are fruit and two books. If you freeze the frame you can almost read their titles. The diary of Seward's daughter, Fanny, says Seward was reading those books while convalescing. The fruit? "[Secretary of War Edwin] Stanton visited 1 hour earlier, and Fanny wrote that he brought fruit," Jendreson says. While that's an extreme example of the fruits of Jendreson's attention to detail (sorry), it's indicative of his and Nat Geo's attitude. "We wanted to do this right," he insists. The film, an effective mix of documentary and drama, entertains but also supplements our knowledge of an event taught in grade school. The focus is on *John Wilkes Booth's* plan to eliminate not only Lincoln that evening in April 1865, but also Seward and V.P. *Andrew Johnson*. While Seward was stabbed 5 times, as the film depicts accurately, only Lincoln died. The metal brace on Seward's broken jaw may have saved his life. There's much detail about Lincoln's death—it's said only Jesus has had more books written about him than the estimated 16K penned about Lincoln. Yet questions remain—did Stanton really say "Now he belongs to the ages," when Lincoln expired? Narrator *Tom Hanks*, a distant relative of Lincoln's mother *Nancy Hanks*, raises these doubts. "We didn't want to pretend that everything is known," director *Adrian Moat* says. One fibbed detail: Actor and history fan *Billy Campbell*, a convincing President, admits, "Lincoln was 6' 4, like me... but I weigh about 30 pounds more than he did." More proof that the net's 1st scripted original drama is not a lightweight. - *Seth Arenstein*

**Reviews:** "Inside Comedy," Mon, 11p, **Showtime**. The 2nd ep of season 2 of this interview show about comedy features sit-downs with *Tina Fey* and *Judd Apatow*. The highlight is Apatow's discussion with host *David Steinberg* about *Garry Shandling*, who hired him for **HBO's** "The Larry Sanders Show." "Everything I learned... I learned from watching Gary write and edit," Apatow says. One of Shandling's theories was that Larry Sanders "is about people who love each other, but show business gets in the way," Apatow says. "That completely rocked me... it opened me up to a different way of looking at comedy and people." -- "Life Is But a Dream," Sat, 9p, **HBO**. Early in this film about *Beyoncé*, the 16-time Grammy winner rails against the Internet culture invading artists' private lives; a fair point. Yet this film, an entertaining but disjointed mélange of interviews, vlogs, backstage footage and concert performances, peers into Beyoncé's private life and exposes us to her cathartic, often clichéd monologues. Beyoncé has the last laugh, though. The talented artist controlled the message superbly. And as director/exec producer, she includes just enough interesting material to titillate. -- "Pastor Brown," Sat, 8p, **Lifetime**. *Salli Richardson-Whitfield* of "Eureka" is the best part of a film that has her begin as an exotic dancer and end up a pastor. - *Seth Arenstein*

Basic Cable Rankings (2/04/13-2/10/13)			
Mon-Sun Prime			
1	USA	2.0	2010
2	DSNY	1.8	1759
3	HIST	1.6	1537
4	FOXN	1.4	1411
4	TBSC	1.4	1411
6	TNT	1.3	1310
7	AMC	1.2	1224
8	ESPN	1.1	1068
9	HGTV	1.0	998
9	A&E	1.0	976
9	ADSM	1.0	961
9	DSE	1.0	71
13	DISC	0.9	884
13	LIFE	0.9	878
13	SYFY	0.9	866
13	FX	0.9	854
17	NAN	0.8	835
17	FOOD	0.8	790
17	MTV	0.8	784
17	TRU	0.8	777
17	TLC	0.8	768
22	BRAV	0.7	710
22	FAM	0.7	702
22	TVLD	0.7	645
22	ID	0.7	583
22	LMN	0.7	571
27	CMDY	0.6	601
27	SPK	0.6	586
27	MSNB	0.6	584
27	BET	0.6	539
27	APL	0.6	535
27	HALL	0.6	517
33	CNN	0.5	520
33	NGC	0.5	435
33	H2	0.5	334
36	VH1	0.4	400
36	TRAV	0.4	378
36	NKJR	0.4	296
36	OXYG	0.4	292
36	RLZC	0.4	271
36	INSP	0.4	258
36	NKTN	0.4	244
36	HMC	0.4	183
44	EN	0.3	341
44	TWC	0.3	319
44	HLN	0.3	311

\*Nielsen data supplied by ABC/Disney



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