

CableFAX Daily™

Wednesday — February 28, 2007

What the Industry Reads First

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On the Rim: CVC's Impressive Hot Streak May Abate

As **Cablevision's** cable segment continued in 4Q and '06 to score highly in several earnings metrics—including 19% growth in 4Q net revenue to \$1.08bln and a 15% rise in operating income to \$201mln—it's a shame the division can't suit up for the moribund **NY Knicks**. The co added 282K RGUs in 4Q, including 109K voice subs (+10%), 82K digital (+4%), 75K HSD (+4%) and 16K basic (+1%), representing the 11th straight Q of basic sub growth. **Rainbow's** 4Q rev rose 12% to \$237mln while ad rev jumped for every net, pres/CEO *Jim Dolan* said, powered by a 28% collective ad rev surge for **AMC**, **IFC** and **WE tv**. Dolan called '06 CVC's "most successful year in history" during a Tues earnings call but declined to comment on whether his family is formulating another privatization plan, or on Rainbow's future. CVC will join many of its cable brethren this year in attacking the SMB market, said COO *Tom Rutledge*, who noted that the MSO's network passes 600K businesses and has a "capability to deliver this market today." Most of the forecasted 850K-950K RGU adds for '07 will come from data and voice, said Rutledge, as digital penetration is currently at 78%. One-third of CVC customers are triple-play adherents. Several analysts, however, didn't cheer the numbers. **UBS** cited underperforming sub metrics, stating that "2007 guidance is indicative of a slowdown [this year], in-line with our thesis given Cablevision's higher rates of product penetration relative to the sector." The firm maintained its 'neutral 2' rating on CVC with a \$31 price target. **Sanford Bernstein** believes CVC's momentum isn't sustainable, largely because of "a **Verizon** competitive threat that is certain to be larger at Cablevision than for any other cable company (and by a large margin)." Verizon passes 850K HHs within CVC's footprint, Rutledge said, and is expected to increase this number by roughly 7% per year. "We will be proficient in winning customers back," he said. As for the Dolan family, **Pali Capital** believes privatization of cable and/or Rainbow assets "is just a matter of time." UBS agreed at least in regard to Rainbow, citing a lack of '07 guidance for the segment that "could imply that management is looking for alternatives for the networks."

Retrans Doings: MSOs realize it's "better to get along than to fight." That was *Les Moonves'* take on retrans during Tues' **CBS** earnings call. The pres/CEO didn't give details on 9 retrans deals it unveiled last week with smaller cable ops. "As I've said before, MSOs are already paying for networks," he said. "You can disguise it under other things as everybody has done... if you're paying \$3 for **ESPN**, you're really paying \$2.50 for ESPN and 50 cents for **ABC**." Moonves predicted more deals with small and "not-so-small" operators before the big operator deals come up in '09 and '10. "As you noticed, these 9 MSO deals were done without a whole lot of noise," he said. "There weren't big newspaper ads. There weren't big fights. There wasn't anything pulled off the air." Moonves also didn't rule out the notion that negotiations could begin with the country's 2 largest MSOs before their deals expire. "Our relationships with **Comcast** are terrific.... We talk to them all the time," he said. "The same thing with **Time Warner** obviously." (CBS and **Warner Bros** jointly own **The CW**).

More Retrans: House Commerce chmn *John Dingell* (D-MI) told broadcasters that he's keeping an eye on them when



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it comes to retrans. "As one who supported the rights of broadcasters to negotiate carriage of their signal in 1992, I still believe you should have that right," he told NAB's state leadership conference Tues. "But I am keeping a close eye on these disputes. I hope broadcasters and cable operators will keep the best interest of the consumer in mind when conducting their negotiations. And I believe all parties should be treated fairly, openly and sensibly when they take disputes before the FCC." The chmn warned that if the transition's set-top converter subsidy program "doesn't proceed smoothly, a day of reckoning will come... A scapegoat will be found." Dingell criticized NAB for supporting a program that caps consumer DTV education funding at \$5mln and expressed "serious concerns" over the FCC's ability to handle the transition.

Wall Street Woes: Cable stocks couldn't escape the undertow from the Dow's precipitous 416-point plunge on Tues **Comcast** closed down 4.4%, at \$25.30; **Charter** closed down 6.2%, at \$3.02; **CVC** closed down 1.6%, at \$29.00; and **Mediacom** closed down 2.8%, at \$8.02. The market drop followed the biggest Chinese stock market fall in a decade.

5Qs with InGrid founder/pres/CEO Louis Stilp: What is InGrid, and how does it work with broadband? InGrid Digital Home Protection is a completely new approach to home security designed specifically for broadband. InGrid delivers two-way capabilities, always-on functionality, greater consumer control, and 24/7 professional monitoring as well as customizable personal monitoring features. **What's the opportunity for home security for cable operators?** Home security presents a significant revenue opportunity for MSOs, offering vastly improved protection and functionality in a self-installable offering. Decisions about pricing and bundling are made by each provider, but InGrid can be added to a multi-play offering to complement VoIP or high-speed service. **What are some of the advantages of home security over broadband rather than the traditional telco-line model?** Digital Home Protection is an easy add-on to high-speed Internet service. If the broadband connection goes down, InGrid uses a standard telephone line and wireless GSM backup to deliver a double-redundant platform for near-bulletproof security. **Does InGrid face any competition in this space or expect to face it soon?** Our competition is putting wireless elements into homes, or back-end broadband interfaces allowing users to control some elements online, but they're still based on analog technology. It can't match up. **What does the future hold for InGrid?** We're developing new types of sensors, like smoke/fire, and are even looking at health monitoring products. We are focused on giving subscribers additional value and a great experience. If our partners are working with retailers, you can expect to see us there as well. **[Video interview and demo at www.cable360.net!]**

Beta: Cable ops ranked **Discovery Networks** as most helpful in selling HSD, VOD or HDTV, with 72% operators giving it the thumbs up, according to the latest **Beta Research** survey. **Disney/ESPN** was 2nd with 68% followed by **MTVN** at 52%. The same 3 had the highest-rated affiliate Websites, ranking in the same order again. ESPN ranked as the net that generates the most local ad sales revenue, with 54% of cable operators naming it and 85% of local ad sales execs naming it. Cable ops ranked **CNN** 2nd (22%), while LAS execs named **USA** (49%).

Ratings: A half-dozen **WWE** programs hit Feb's top 10 telecast list, helping **USA** (2.2/1.99mln) pin the competition for the month. **Disney** (2.0/1.82mln) notched 2nd, followed by **TNT** (1.7/1.58mln), **Lifetime** (1.4/1.29mln) and **Fox News** (1.4/1.28mln). -- The NBA All-Star Game (5.1/4.73mln) on **TNT** was Feb's top-rated telecast. -- **MTV2** (+100%) led **A&E** (+60%), **SOAPNet** (+50%), **ESPN2** (+50%) and **Headline News** (+50%) in Y-over-Y total day ratings growth. **ESPN Classic**, **Golf Channel**, **History Intl**, and the **Military Channel** led cable with 100% Y-over-Y prime ratings growth. -- **Hallmark** delivered in Feb a 1.1/821K in prime, marking the net's highest rated Feb ever. -- **TV Guide Channel's** cover-

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BUSINESS & FINANCE

age of the Academy Awards was the net's highest rated show in history, with a 1.1 coverage rating.

Honors: Several cable nets have won Gracie Awards, which recognize exemplary programming created for, by and about women. Winners include: **HBO (4), CNN (3), Oxygen (3) and Lifetime (2).** **TNT, Court TV, TBS, Nick, Style, ESPN, MSNBC, Bloomberg, CNBC and WE TV** all picked up 1 award. -- **NAMIC** is accepting nominations for its Next Generation Leader awards (to be presented during the **Cable Show** in Vegas). Download and submit a nomination form at www.namic.com by Mar 14.

People: **MTV** upped *Lois Curren* to pres, entertainment and programming. She will still report to *Brian Graden*, pres, **MTV Nets** music group. -- *Marc Barson* was named deputy gen counsel, **Starz Media** and remains vp, biz affairs, production for **Starz Ent.** -- **FSN** evp, programming and production *George Greenberg* has assumed the same title at **Fox Sports.** -- **Real-Networks** appointed former **Vivendi** exec *Philip O'Neil* svp, music.

Business/Finance: **DirectTV's** board OKed the repurchase of up to \$1bln of its stock using available cash on hand. The program may be suspended or discontinued at anytime. The DBS completed its \$3bln repurchase program earlier this month.

Oops: The free trial of **ESPN360** begins Thurs and lasts through Mar 15.

CableFAX Daily Stockwatch

Company	02/27 Close	1-Day Ch	Company	02/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
AMDOCS:	34.45	(0.7)	AMPHENOL:	65.23	(2.81)
BRITISH SKY:	43.00	(1.65)	ARRIS GROUP:	13.06	(0.85)
DIRECTV:	21.89	(1.11)	AVID TECH:	32.42	(1.2)
DISNEY:	33.10	(2.01)	BLNDER TONGUE:	1.95	(0.08)
ECHOSTAR:	40.90	(1.57)	BROADCOM:	34.88	(1.32)
GE:	34.66	(0.68)	C-COR:	13.35	(1.44)
HEARST-ARGYLE:	26.18	(1.21)	CISCO:	25.71	(1.53)
ION MEDIA:	1.28	(0.03)	COMMSCOPE:	37.62	(1.89)
NEWS CORP:	23.83	(0.82)	CONCURRENT:	1.54	0.00
TRIBUNE:	29.94	(0.87)	CONVERGYS:	25.66	(1)
MSOS					
CABLEVISION:	28.54	(0.46)	CSG SYSTEMS:	24.34	(1.01)
CHARTER:	3.02	(0.2)	GEMSTAR TVG:	4.10	(0.14)
COMCAST:	25.30	(1.17)	GOOGLE:	448.77	(16.16)
COMCAST SPCL:	25.30	(0.91)	HARMONIC:	9.01	(0.29)
GCI:	14.52	(0.18)	JDSU:	15.91	(0.79)
KNOLOGY:	14.02	(0.61)	LEVEL 3:	6.33	(0.43)
LIBERTY CAPITAL:	103.71	(1.69)	MICROSOFT:	27.87	(1.2)
LIBERTY GLOBAL:	28.86	(0.87)	MOTOROLA:	18.60	(0.65)
LIBERTY INTERACTIVE:	22.90	(1.24)	NDS:	50.00	(0.99)
MEDIACOM:	8.02	(0.23)	NORTEL:	29.81	(1.18)
NTL:	28.22	0.00	OPENTV:	2.64	(0.15)
ROGERS COMM:	32.53	(1.89)	PATH 1:	1.34	0.00
SHAW COMM:	34.95	(1.52)	PHILIPS:	36.75	(2.39)
TELEWEST:	24.20	0.00	RENTRAK:	14.94	(0.35)
TIME WARNER:	20.21	(0.89)	SEACHANGE:	10.24	(0.38)
WASH POST:	769.24	(7.26)	SONY:	51.70	(1.2)
PROGRAMMING					
CBS:	30.24	(1.16)	SPRINT NEXTEL:	18.45	(1.08)
CROWN:	4.18	0.01	THOMAS & BETTS:	50.65	(2.27)
DISCOVERY:	15.89	(0.37)	TIVO:	5.81	(0.35)
EW SCRIPPS:	46.75	(1.77)	TOLLGRADE:	11.95	(0.63)
GRUPO TELEVISIA:	27.23	(1.79)	UNIVERSAL ELEC:	26.20	(1.7)
INTERACTIVE CORP:	39.57	(1.17)	VONAGE:	5.20	(0.22)
LIBERTY:	8.63	(0.07)	VYYO:	4.09	(0.07)
LODGENET:	25.90	(0.82)	WEBB SYS:	0.04	(0.02)
NEW FRONTIER:	9.25	(0.31)	WORLDGATE:	1.16	(0.02)
OUTDOOR:	10.96	(0.82)	YAHOO:	30.95	(1.17)
PLAYBOY:	10.36	(0.24)	TELCOS		
UNIVISION:	35.90	(0.06)	AT&T:	36.15	(1.35)
VALUEVISION:	12.30	(0.4)	QWEST:	8.58	(0.17)
VIACOM:	39.39	(1)	VERIZON:	36.63	(1.76)
WWE:	16.02	(0.18)	MARKET INDICES		
TECHNOLOGY					
3COM:	3.83	(0.2)	DOW:	12216.24	(416.02)
ADC:	16.19	(0.81)	NASDAQ:	2407.86	(96.66)
ADVANTAGE:	3.57	(0.06)			
ALCATEL LUCENT:	12.86	(0.43)			

COMING MARCH 1

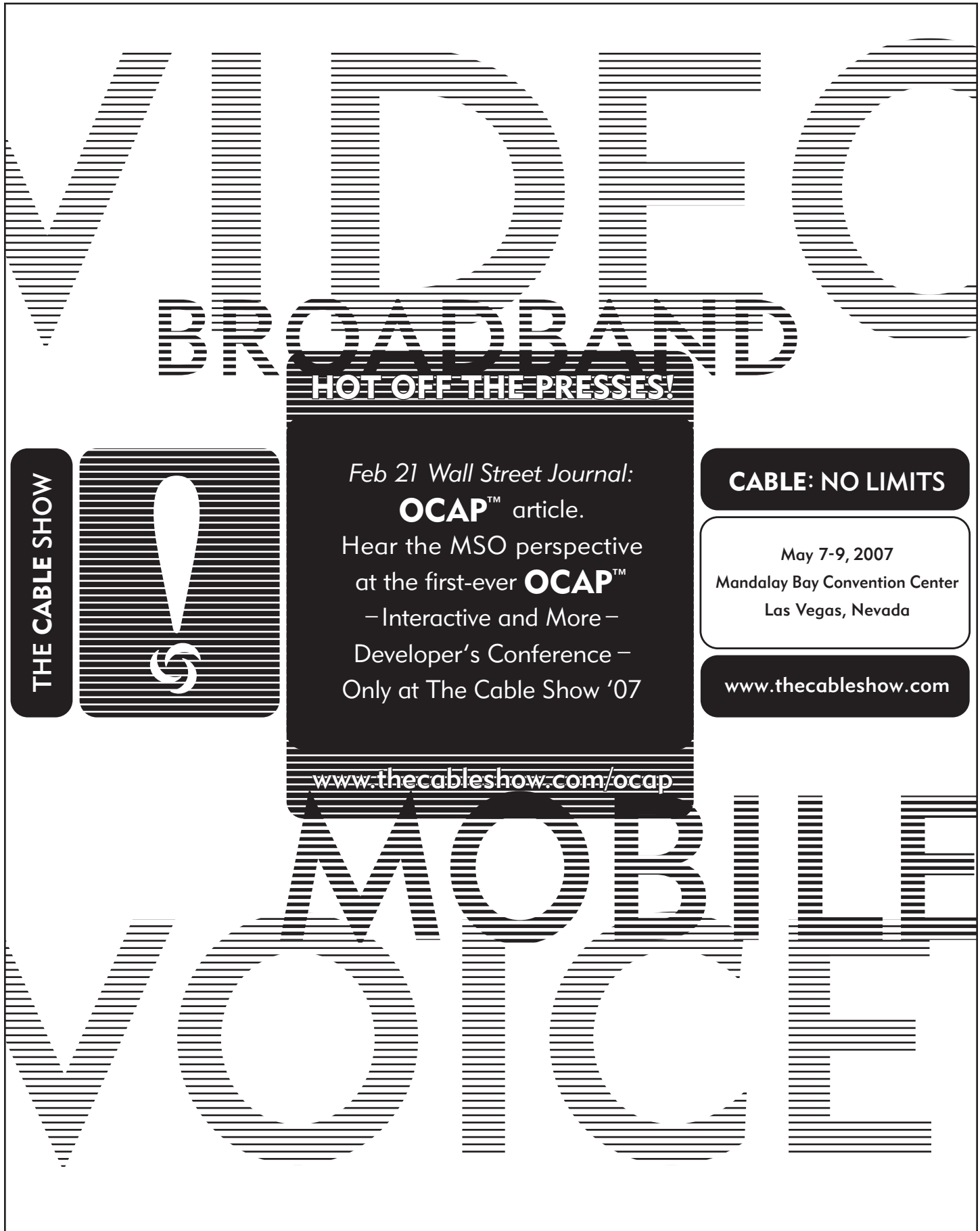
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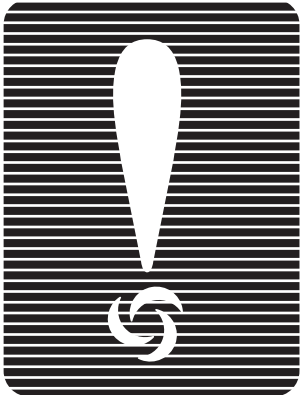
Photo courtesy of Warner Bros. © 2007 Warner Bros. Entertainment, Inc. All rights reserved. The Shining, 3/1 at 9pm & 11:30pm ET on CHILLER



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