

CableFAX Daily™

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What the Industry Reads First

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Shooting Starz: Premium Net Signals Strength, Category Health

The recent integration of **Starz Media** (includes **Anchor Bay Ent** and **Overture Films**) provided much of the pop in **Liberty Starz'** 4Q rev growth of 33%, but strong sub growth at **Starz** and **Encore** also produced big noise—and lent additional proof that the premium net business is alive and well. As of Dec 31, Starz counted 18.2mln subs and Encore 32.8mln, marking respective annual gains of 8% and 7% but more importantly all-time highs for each net. Starz pres/CEO **Chris Albrecht** is “optimistic about continued growth” at Starz, adding that the incremental rev achieved through sub gains will help foot the net’s rising costs for originals. The goal is to prod 50-60 hours of original programming annually. As “Spartacus: Gods of the Arena” averaged 3.3mln viewers/ep in its freshman season—execs said it was the most-watched premium series this winter—on tap are “Camelot,” “Torchwood: Miracle Day,” “Boss” and “Magic City.” In '10, execs said Starz' customer base expansion featured organic growth and was due equally to fixed rate and consignment. **Collins Stewart's Thomas Eagan** was particularly impressed with the net's 4Q performance, which he said included 800K new subs, or 4.6% sequential growth. “This represents surprisingly strong subscriber growth and refutes much of the concern that OTT would cannibalize PayTV subscriber growth,” said Eagan, who has a ‘buy’ rating on LSTZA shares. Also this earnings season, **CBS** chief **Les Moonves** said **Showtime** ended '10 with just under 20mln subs and enjoyed its 7th consecutive year of annual sub growth, citing strong original programming as a key reason. And despite shedding approx 1.6mln subs last year, albeit most of those non-paying, HBO is thriving on the financial side. The net scored its highest annual rev and profits ever in '10, and **Time Warner** boss **Jeff Bewkes** said the net's gaining share in both rev and subs. “This is a strong category,” said Albrecht of premium nets. On the OTT front, Starz' deal with **Netflix** expires in 1Q12, and renegotiation represents an “important deal for us... we are in constant thought and discussion,” said Albrecht. **Liberty Media** CEO **Greg Maffei** said the current deal is in no way cannibalistic to Starz's sub base, yet also underscored a focus on reducing the friction with MSOs that arose from its original completion. Also, said Albrecht, “maintaining brand integrity” across platforms is paramount. A new Netflix deal may have added import for Starz because even if OTT doesn't propose a true threat to premiums as Eagan claims, it very well may become a key differentiator among the category players. HBO, of course, has been aggressively rolling out **HBO Go**. Albrecht, meanwhile, is bullish on Starz Media, particularly



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the group's new distribution deal with **The Weinstein Company (Cfax, 1/6)**. The 1st film to be featured through the deal will be "The King's Speech," which earned the Best Picture Oscar Sun night. LSTZA shares gained 1.93% Mon.

In the States: Suddenlink Business Services and **US Cable** completed a new fiber route in West TX providing 2.5 GB of capacity to help US Cable serve its residential and commercial Internet customers. The project marks Suddenlink's largest capacity installation to date for a commercial client.

In the Courts: Motorola Mobility filed suit against **TiVo** for alleged infringement of DVR-related patents including TiVo's "time warp" patent, which Moto said uses tech that rests on patents it purchased from **Imedia** in 1995. Moto also seeks a ruling that its customer **Verizon's** set tops don't use TiVo inventions. TiVo filed suit against **AT&T** and Verizon in '09.

Technology: CableLabs Winter Conference attendees named **TVplus.com** the best new idea most likely to succeed in the cable market place. Formerly known as Spot411, the company displayed audio recognition tech allowing any Internet-enabled device with a microphone to automatically identify a TV program or movie that is currently on TV.

5 Qs with Amdocs CTO David Jacobs: *As cable operators struggle to keep up consumers as they demand more seamless content integration, we sat down with Amdocs CTO David Jacobs to analyze challenges facing distributors. Multi-platform and authentication has changed the game. What's the biggest challenge for MSOs right now?* Previously, we had this closed environment with the vendor in the room. Now we've got connected TVs, PS3s, game consoles—much more open ways for other vendors to enter the living room and to enter the consciousness of individuals... Now that's great, and the pay TV distributors of today can respond to that. But many of the challenges to that are that many don't have the infrastructure to respond in an appropriate way. **So what do they need to do?** The first element is largely their IT infrastructure is a subscription based IT infrastructure... It doesn't necessarily have the sensibility to deal with individuals within the home and recognize that there are individuals who might want their own capability. The second thing is that master catalogs have mostly dealt with what I would call coarse-grained product—bundles of content... Even if you take TV Everywhere type concepts and forget everything else that's going on, everyone will agree that you've got a much finer grain to knead for catalog items. **But changing those systems can be expensive. Are there ways to do this economically?** One of the things we've been working on is adding... a layer that can add this kind of capability to our IT infrastructure, add the elements that create identities for individuals, add the elements that will allow for better extraction in certain areas... I think we will see incrementally that people will be revamping their IT infrastructures because it's the only way that they'll be able to keep up. **What about small operators with limited IT resources?** Maybe some of them will move to be a brilliant pipe provider and seek to resell other people's capabilities—almost through a wholesale model. I think the ones that are

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BUSINESS & FINANCE

the most challenged and are in what I call a poverty trap are the tier twos. On the one hand, they still have the deep pockets that the tier ones have got, yet they don't want to [lose] the existing revenue they get from pay TV today... I think the model is that they're very much going to say, "What is the value that I can create myself, and how can I leverage what other people are doing?" **Most would say "dumb pipe." You say "brilliant." Why?** Because everyone still makes a good quality pipe... Even today, if it's not a good quality pipe... people won't pay for that. There's more evidence coming out that people will pay for that consistency and that quality.

Earnings: In the US, Liberty Media's QVC posted growth in 4Q rev (+3% to \$1.7bln) and e-commerce income (+17%) on the strength of electronics, beauty and accessories. The net's avg selling price rose 11% to \$56 while total units sold slipped 6% to 33.2mln.

Honors: NCTA earned a Gracie Award of its own for Outstanding PSA, for the Watch What You Watch campaign in partnership with NAB, The Creative Coalition and Girl Scouts of the USA.

Programming: Showtime picked up 2nd season of "Shameless" and "Episodes." -- Penthouse 3D will launch Mar 1. -- Kathleen Parker has departed her nightly CNN co-hosting duties with Eliot Spitzer, who will now be joined by a panel to discuss daily events on "In the Arena."

CableFAX Daily Stockwatch

Company	02/28 Close	1-Day Ch	Company	02/28 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	45.97	(0.06)	AVID TECH:	22.06	0.12
DISH:	23.25	(0.2)	BIGBAND:	2.60	(0.05)
DISNEY:	43.74	0.79	BLNDER TONGUE:	2.08	0.02
GE:	20.92	0.10	BROADCOM:	41.22	(0.89)
NEWS CORP:	18.40	0.06	CISCO:	18.56	(0.08)
MSOS					
CABLEVISION:	36.85	(0.13)	CLEARWIRE:	5.03	(0.05)
CHARTER:	45.77	0.27	CONCURRENT:	6.13	0.17
COMCAST:	25.76	0.50	CONVERGYS:	14.07	UNCH
COMCAST SPCL:	24.32	0.38	CSG SYSTEMS:	19.55	(0.26)
GCI:	12.09	0.14	ECHOSTAR:	34.70	(1.27)
KNOLLOGY:	13.92	(0.41)	GOOGLE:	613.40	3.36
LIBERTY CAPITAL:	72.56	3.67	HARMONIC:	9.61	0.01
LIBERTY GLOBAL:	42.10	(0.65)	INTEL:	21.47	(0.39)
LIBERTY INT:	16.06	(0.77)	JDSU:	24.67	(0.13)
MEDIACOM:	8.82	0.01	LEVEL 3:	1.40	(0.01)
SHAW COMM:	21.34	0.14	MICROSOFT:	26.58	0.03
TIME WARNER CABLE:	72.18	0.89	RENTRAK:	26.43	0.18
VIRGIN MEDIA:	27.24	0.25	SEACHANGE:	9.44	0.06
WASH POST:	433.09	3.78	SONY:	36.84	0.36
PROGRAMMING					
CBS:	23.86	0.32	SPRINT NEXTEL:	4.37	0.06
CROWN:	2.43	0.04	THOMAS & BETTS:	55.39	0.22
DISCOVERY:	43.11	0.20	TIVO:	10.28	(0.12)
GRUPO TELEVISA:	23.62	(0.04)	TOLLGRADE:	9.99	UNCH
HSN:	32.48	0.22	UNIVERSAL ELEC:	27.25	(1.17)
INTERACTIVE CORP:	31.07	(0.29)	VONAGE:	4.42	0.13
LIBERTY:	43.25	0.34	YAHOO:	16.40	(0.1)
LIBERTY STARZ:	70.20	1.33	TELCOS		
LIONSGATE:	6.12	0.16	AT&T:	28.38	0.25
LODGENET:	3.56	0.01	QWEST:	6.82	0.16
NEW FRONTIER:	2.11	0.04	VERIZON:	36.92	0.95
OUTDOOR:	7.83	(0.12)	MARKET INDICES		
PLAYBOY:	6.14	0.02	DOW:	12226.34	95.59
SCRIPPS INT:	51.94	(0.01)	NASDAQ:	2782.27	1.22
TIME WARNER:	38.20	0.30	S&P 500:	1327.22	7.34
VALUEVISION:	6.69	(0.09)	TECHNOLOGY		
VIACOM:	51.14	0.19	ADVANTAGE:	3.16	0.01
WWE:	12.91	0.21	ALCATEL LUCENT:	4.90	0.05
TECHNOLOGY					
AMDOCS:	29.84	0.43			
AMPHENOL:	57.48	0.63			
AOL:	20.87	(0.15)			
APPLE:	353.21	5.05			
ARRIS GROUP:	13.20	0.03			

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EYE ON INNOVATION

Safe Harbor?

As earnings season has confirmed, over-the-top content has yet to strangle the cable business. In fact, **Goldman Sachs** on Mon raised its cable/satellite sector ratings from 'neutral' to 'attractive,' suggesting that the industry's competitive stance—and perhaps its authentication push—has eased earlier fears about the supposed OTT menace. Even former Vice President *Al Gore* chimed in recently, calling cable authentication “a very clever and innovative strategy.” And while it may not save the Earth, it could at least preserve the fragile cable ecosystem.

But content distributors face a conundrum. Many of their content partners remain concerned that authenticated environments aren't secure enough, and they have held back content or created undesirable windows as a result. **Comcast's** recent announcement that it would stream content through its **Xfinity** iPad app met resistance from some content partners who argued apps aren't covered in current licensing deals. The truth is that people can always share passwords and add devices that aren't really their own. But is meeting consumer demand for anytime-anywhere content worth the risk?

After all, make it too difficult for people to verify their identities, and distributors could inadvertently push them back into the arms of OTT services or even underground sites like **Bittorrent**. What to do? One idea is voice authentication, and a company whose clients include the **Department of Defense** has been making the rounds trying to convince some operators to deploy it. That can be a tough sell because adding biometric security usually adds big costs and, to some, amounts to overkill. But St. Louis-based voice signature firm **TradeHarbor**, whose board members include **Charter Comm** founder *Barry Babcock*, offers an interesting angle for cable operators: Use voice authentication to save big bucks on customer service calls—and then reap the security benefits for authentication as well.

Whether this will resonate with cable remains unclear. But



TradeHarbor CEO *Paul Heirendt* exudes optimism based on a few factors, including work the company has been doing at **CableLabs** to integrate its technology into cable specs, as well as the early results of several pilots with one satellite co and 2 “pretty major” MSOs (Of course, he can't talk about them in detail). In one case, he said TradeHarbor conducted a study of real CSR calls and found that it took 45 secs to 2 min to verify each customer. “It ties the operator up and obviously ties the consumer up,” he said, adding that voice authentication can cut that down to 9 sec. “There's an ROI to that, and it's pretty significant,” he said. “That two minutes becomes very expensive.”

But here's where it gets interesting: Once the consumer's voice print is in the system for service calls, it can port directly over to a TV Everywhere environment to add an extra layer of security there. But it also works in the reverse. If a user is accessing authenticated content for the first time on a PC, he/she might receive a prompt asking for a phone number so the system could immediately call the user back to create a voice print. At that point, the user is authenticated, and the content is unlocked. That same print could now be used for any interaction. For a smartphone or tablet device, this could all happen natively using the built-in microphone and the cable operator's authentication app. For a quick demo of how this works, go to: <http://tradeharbor.com/evergreen-cable> (the company is fictional).

Of course, some customers consider *any* voice prompts annoying. Period. And what about background noise that could derail or delay a user's attempt to access content or a CSR? Things to consider. As for the cost, TradeHarbor offers a contracted volume rate but also a pay-as-you-go model that can cost between 5 cents and 25 cents per transaction, depending on volume. Either way, the costs can add up, so getting accurate consumer feedback and specific ROI metrics remain vital. But what else is new?

-*Michael Grebb*

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Name of Award Candidate: _____

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In 400 words or fewer, why does this person/campaign deserve to win an award? (Please be specific and include as much detail as possible.)

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