

# CableFAX Daily™

Thursday — March 1, 2012

What the Industry Reads First

Volume 23 / No. 040

## Biz Itinerary: Scripps Nearing Digital Plays

Travel Channel and digital plays represent 2 major growth areas for **Scripps Nets**, according to execs, and the company will begin to realize the latter opportunity over the next few months. At the **Morgan Stanley** conference Wed, CFO *Joseph NeCastro* said forging TVE deals with traditional pay TV affils remains digital priority #1, so expect those to soon fruit—not long before what may be the most interesting plan. The details are light, but NeCastro said SNI's organically developing a digital structure to surround its myriad content, adding it will exploit the "middle windows" of Scripps' programming. "We'll use that video in a way that creates a recurring value-building revenue stream over time," he said, underscoring how the initiative ranks in importance ahead of 3rd party digital deals with **Netflix** et al. "I don't view a... \$75-80mln slug of cash that comes in one time as value building," said NeCastro. "If you can generate a business that does that every year and does that profitably, you have done a much better job of monetization." Expect to hear additional details in the coming months, he said, "so stay tuned." More viewers, meanwhile, have been tuning into Travel this quarter, but chmn/CEO *Ken Lowe* said molding the net into a premium brand, which Scripps expects to do, will likely take 2-3 more years. "This is the best area for investment for our company for the foreseeable future," he said of the channel carried in 96mln homes. *Andy Singer*, whose promotion to GM of the net was announced Wed, has already contributed positively on the programming front, said Lowe, and the next step becomes increasing Travel's annual original content hours from approx 400 now toward the 700-800 hour levels of **Food Net** and **HGTV**. "We have no reservations whatsoever continuing to ramp that number up going into 2013," he said, adding he sees no reason why Travel can't become a top 15 net in ratings and rev. The incentive for content spending is also there, as approx half of Travel's distribution pacts must be renewed at the end of '12 and the other half at the end of '13. That's why Lowe expects—and no doubt hopes—that Travel will deliver "meaningful" growth in 3Q and 4Q.

**At the Portals:** Batter up! The **FCC** is planning to consider a review of the program access rules at its Mar 1 meeting. It's considering whether to extend the ban on exclusive contracts between cable operators and their affiliated programmers beyond Oct of this year. **Cablevision** and **Comcast** challenged the FCC's decision to extend the program access rules in '07 through '12. The US Court of Appeals ruled in the Commission's favor in '10, with a 3-judge panel finding the FCC was reasonable and that the prohibition continued to be necessary. But the court did indicate it might

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be time for the ban to sunset in '12. Concerns were raised about program access during the regulatory review of the Comcast-NBCU deal. As an FCC condition approving the deal, all NBCU nets are subject to program access arbitration conditions through 2018. Those conditions remain in place regardless of what happens to the exclusivity ban.

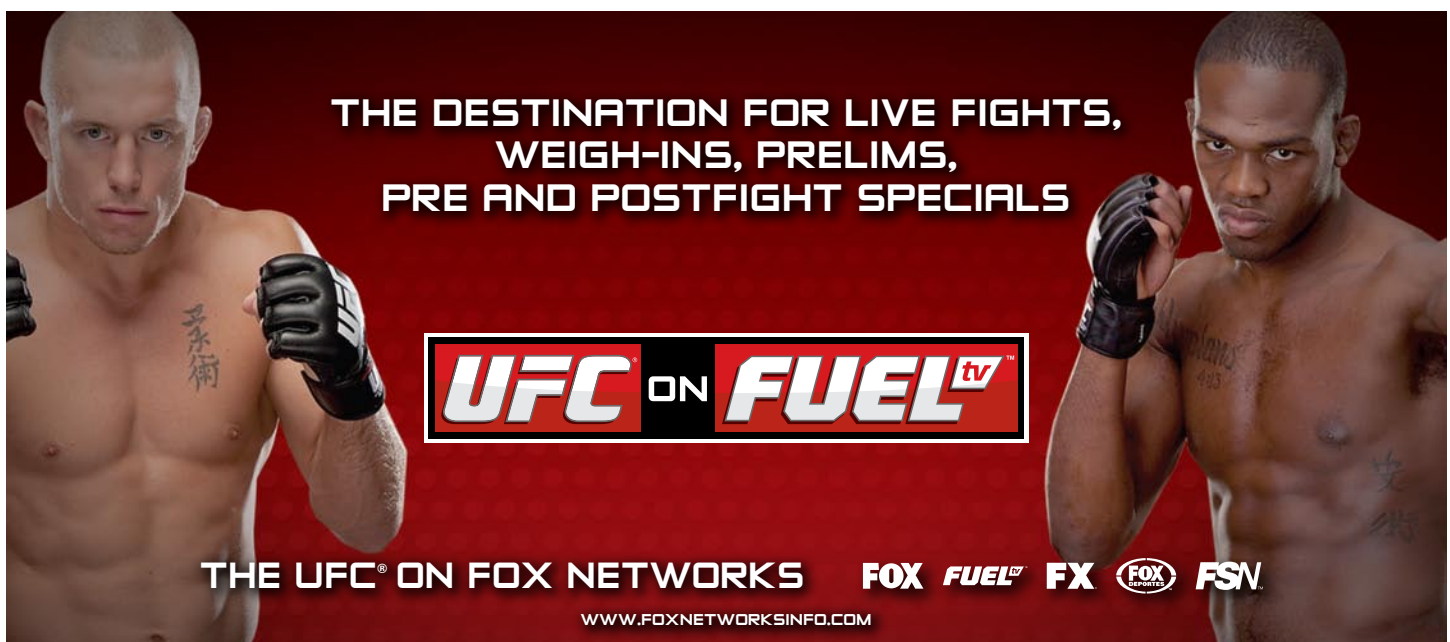
**Morgan Stanley Notebook:** DirecTV plans to intro content streaming capabilities on its Website next quarter, said evp/CFO Pat Doyle, part of the DBS op's strategy to get more involved with IP. With no discernible business model in owning wireless spectrum, Doyle said initiatives such as doubling the number of Web-connected set-tops among its sub base (to ~2mln) is a key focus this year along with rolling out its Home Media Center and improving content search and discovery. The goal is to "leverage our brand, stuff like NFL Sunday Ticket and our customer service [to] create some buzz in the market," he said. DTV will henceforth value churn metrics more than sub acquisitions, although Doyle said the entertainment package launched Feb 9 is "really resonating" with customers who aren't particularly interested in sports. DTV is beginning to ease away from promotional discounting, and sees great opportunities in local ad sales.

**Deals:** As expected, Time Warner Cable completed its previously announced \$3bln acquisition of Insight Wed (Cfax, 2/29), adding more than 760K subs in Evansville, IN; Louisville and other parts of KY and Columbus, OH. "Today we are pleased to welcome new customers, new employees and new communities to Time Warner Cable," Time Warner Cable chmn/CEO Glenn Britt said in a news release. "With this acquisition, we have expanded in areas that fit well with our Midwest operations at an attractive price. We are excited to begin building on Insight's successes and serving our new customers." Now, it's all about transition meetings, transition meetings, transition meetings. The acquisition breaks down to 550K HSD subs, 670K video customers and 290K voice subs. Prior to the transaction, Insight was owned by The Carlyle Group, Crestview Partners, MidOcean Partners, members of Insight management and others. Carlyle and Insight management took the company private in December 2005, and Crestview and MidOcean purchased a significant stake in April 2010. As part of the completion of the deal, TWC announced the redemption of \$495mln of Insight's sr notes due '18.

**Retrans:** Bayou City Broadcasting pulled 3 local channels from DISH Tues morning, including Fox affils KXVA in Abilene and KIDY in San Angelo. Bayou says it wants a "few pennies per day." DISH: "That's like demanding \$12 for a gallon of milk then saying it's only pennies more per sip." Also dark on DISH is My Network TV station KIDZ out of Abeline.

**Scrapps Moves:** In addition to Andy Singer's promotion, Travel Channel tapped former DIY GM Ross Babbit as svp, programming and prod. Former Fine Living Net svp/GM Chad Youngblood takes over as GM of DIY.

**Ratings:** Disney XD's "Lab Rats" now ranks as the net's top original series premiere ever among several demos including total viewers (1.3mln), kids 2-11 (775K) and kids 6-14 (681K), and its nest live-action premiere in history among boys 6-11



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# BUSINESS & FINANCE

(359K). -- **Military Channel** scored in Feb its best month ever in prime among demos including P2+ (251K) and 25-54s (101K), and in total day among P2+ (157K) and HHs (135K). -- **NBA TV's** top Feb in history featured a 22-game avg of 312K total viewers (+21% YOY) and 247K homes (+22%).

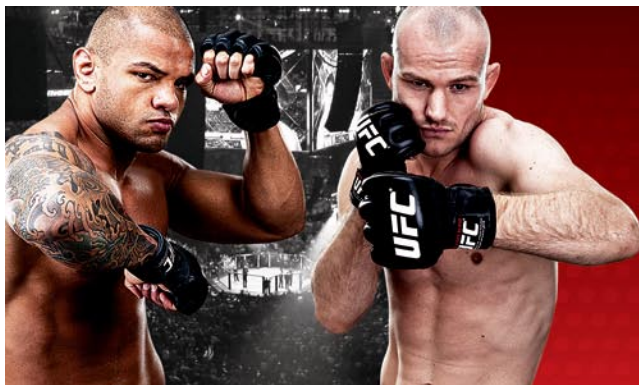
**On the Circuit:** **CTAM** has issued its 2011 report card following the board's directive to focus on national program and cooperative marketing initiatives. The assn delivered 1.8mln leads to cable companies of people moving through the CableMover program last year, with Cablemover.com welcoming its 1mlnth unique visitor in 4Q11. Other bragging points: 1bln earned media impressions telling cable's advanced product story and 100% of attendees from its Cable Exec Mgmt at Harvard Business School program would recommend the experience.

**People:** *Valerie Watts Meraz* was named vp, program acquisitions, **Turner Ent Nets**. -- **AMC Nets** promoted *Eric Sack* to vp, rev planning and biz ops. -- *Valerie Watts Meraz* joined **Turner** as vp, program acquisitions for Turner Ent and the Young Adults & Kids Media group.

**Business/Finance:** **Miller Tabak** downgraded **Knology** to "neutral" from "buy," increasing the short-term target to \$19 from \$17, following the stock's strong reaction to a *WSJ* report that the overbuilder has supposedly hired financial advisers for a potential sale.

## CableFAX Daily Stockwatch

Company	02/29 Close	1-Day Ch	Company	02/29 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	46.32	0.27	CONCURRENT:	3.79	0.07
DISH:	29.17	(0.06)	CONVERGYS:	12.88	(0.19)
DISNEY:	41.99	0.06	CSG SYSTEMS:	16.01	(0.28)
GE:	19.05	(0.11)	ECHOSTAR:	29.97	(0.29)
NEWS CORP:	20.29	0.02	GOOGLE:	618.25	(0.14)
<b>MSOS</b>					
CABLEVISION:	14.23	0.10	HARMONIC:	5.89	(0.25)
CHARTER:	63.41	(0.15)	INTEL:	26.88	(0.36)
COMCAST:	29.41	0.04	JDSU:	13.03	(0.94)
COMCAST SPCL:	28.59	0.04	LEVEL 3:	24.31	0.19
GCI:	10.59	(0.38)	MICROSOFT:	31.74	(0.13)
KNOWLOGY:	17.83	0.36	MOTOROLA MOBILITY:	39.70	0.01
LIBERTY GLOBAL:	50.18	0.65	RENTRAK:	20.78	(0.96)
LIBERTY INT:	18.76	0.13	SEACHANGE:	6.87	(0.16)
SHAW COMM:	20.49	0.11	SONY:	21.39	(0.87)
TIME WARNER CABLE:	79.34	(0.15)	SPRINT NEXTEL:	2.47	(0.08)
VIRGIN MEDIA:	25.20	0.13	THOMAS & BETTS:	72.23	0.14
WASH POST:	393.90	2.77	TIVO:	11.25	0.14
<b>PROGRAMMING</b>					
AMC NETWORKS:	45.39	(0.07)	UNIVERSAL ELEC:	19.56	(0.55)
CBS:	29.90	(0.09)	VONAGE:	2.39	(0.1)
CROWN:	1.28	(0.01)	YAHOO:	14.83	(0.07)
DISCOVERY:	46.65	0.92	<b>TELCOS</b>		
GRUPO TELEVISA:	21.33	0.45	AT&T:	30.59	0.06
HSN:	37.16	(0.64)	VERIZON:	38.11	(0.04)
INTERACTIVE CORP:	45.60	(0.12)	<b>MARKET INDICES</b>		
LIONSGATE:	13.68	0.24	DOW:	12952.07	(53.05)
LODGENET:	3.41	(0.01)	NASDAQ:	2966.89	(19.87)
NEW FRONTIER:	1.23	UNCH	S&P 500:	1365.68	(6.5)
OUTDOOR:	7.05	(0.1)			
SCRIPPS INT:	45.20	0.48			
TIME WARNER:	37.21	(0.65)			
VALUEVISION:	1.74	(0.02)			
VIACOM:	53.53	0.38			
WWE:	9.14	(0.22)			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.17	0.02			
ALCATEL LUCENT:	2.47	(0.07)			
AMDOCS:	30.67	(0.1)			
AMPHENOL:	55.96	(0.55)			
AOL:	17.96	(0.03)			
APPLE:	542.44	7.03			
ARRIS GROUP:	11.39	(0.19)			
AVID TECH:	10.65	(0.49)			
BROADCOM:	37.15	(0.22)			
CISCO:	19.88	(0.32)			
CLEARWIRE:	2.30	(0.06)			



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## Think about that for a minute...

### It's Not How, It's What

Commentary by Steve Effros

There was quite a response to last week's column about making sense of the terminology we use, particularly "cable telecommunications," which I suggested included all of the various things we do, from television distribution to data and voice.

But inevitably that led to another question. What's "television" these days? Not the technical construct of the word, but how it's being mangled today. There are increasing reports, for instance, that "television viewing" is down, but almost in the same breath there's a notation that folks are using their tablets and smartphones "instead." "Instead" of what? Sure, it may be true that the 18-to-24-year-old group is watching that "video" on a "tablet," but isn't that the same as saying they're watching television on a wireless screen? I wrote about that several weeks ago in a column titled "Reality Check."



The point is there's still a lot of watching of "television," whether it's on a screen plugged into the wall with an antenna or a set top box, or whether it's a screen getting that same picture and displaying it on a battery powered device with WiFi reception. The issue, it seems to me, that's of growing importance is not how folks are watching television, it's what they're watching. That's in the process of change, and it's that change that has to be considered carefully.

We've gone through the era of scarcity of television programming. The "big three" broadcast networks had their day, then Fox showed up. The cable networks arrived, the movie services and PPV changed the game even more. And now there's a new influence; the library of services.

This is where broadband or VOD over cable come into play, and I suspect this is a changing dynamic every-

one should be watching. A good example is the newest numbers regarding Netflix. Turns out it's not primarily used online for movies any more. Over 50 percent of viewing is of older television series and similar programming. Netflix, trying to follow the HBO model, is also now financing its own original programming.

This all makes sense, but it could have a significant impact on programmers. Unlike the older model—when a major series went into "syndication" and was "stripped" by the smaller, non-network television stations or cable channels for "re-runs"—now there is a growing trend of making last year's episodes available this year as an archived service, whether on Netflix, Hulu or a cable VOD service.

This is great for those of us who've never been terribly concerned about keeping up with the latest program. You wait a year or two and find out which ones were really considered good, then you have the opportunity to check it out, and if you like the program you can sit there for eight, or fifteen or thirty hours and watch the entire season, or you can do it sensibly and watch the episodes in order whenever you get the chance.

But here's the rub: if all of that programming continues to be available, it will inevitably eat into the potential audience for the "new" stuff. There are just so many "viewing hours." I can't prove this, but it seems to me there's got to be a point of diminishing returns when it comes to making everything available. Not a problem for the deliverer, but it sure may be for the program creators.

I suspect broadcasters and programmers are likely to start re-thinking what they're doing sooner rather than later.

*Steve*

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