

CableFAX Daily™

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What the Industry Reads First

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Charlie Chat: Strong Sub Growth, Discounting & Price Increases at DISH

Thanks to discounting, video is a commodity right now, says **DISH CEO Charlie Ergen**. And while he's not a fan of deep discounting, he does like his company's position. "I was befuddled a little bit that DirecTV, who clearly had a nice brand position, started heavy discounting that brand... They've turned our business more into a commodity by discounting," he said during DISH's 4Q earnings call. "If it's a commodity business, we like where we're positioned. If it's a brand business, obviously we're not at that level." DISH turned in strong 4Q results that sent stock up 7.66% Mon. It added 249K subs, well above the 197K consensus. Most of those sub gains came from cable, execs said, but satellite and telcos were also part of the mix. With satellite now in 30% of homes, the number of gains from DBS has increased in the past couple quarters, Ergen said. DISH turned in EBITDA of \$624mln (also above the consensus) with SAC in the \$720 range. Dish earned \$636mln, down from \$903mln on the year-earlier period. Churn impressed at 1.44% thanks to 18- and 23-month contracts, but churn should return to levels more in line with **DirectTV's** as customers come off those deals in 1Q and 2Q. As for the discounting, Ergen said DISH still ends up being cheaper than DirecTV. DISH changed its positioning to "why pay more for something that is essentially the same," and it has worked well, said **Tom Cullen**, evp, corp dev. One thing to look for is a more hands-on Ergen. The DISH chief relinquished his **EchoStar** CEO title in Nov, saying he wasn't "very good" at being CEO of both and felt a "bit schizophrenic." While he'll be more DISH-focused, Ergen indicated he's willing at some point to pass the torch if there's someone who can do a better job. "I think I'm on my 6th CEO at DirecTV. I don't know how many more I can outlive," he quipped. Other highlights: a price increase is coming later this year. DISH held off from its typical Feb programming price increase because of operational changes that will cause some disruption in the Feb-Mar time frame. The ongoing **TiVo** litigation continues to be an overhang, with Ergen saying that if DISH did end up entering into a license agreement with TiVo, it most likely doesn't have the pricing power to pass on the costs to consumers. Ergen also outlined his biggest concerns with the **Comcast-NBCU** merger: program access and net neutrality. "If you say 'trust me,' you would not go out there and take advantage of the terrestrial loophole... Trust, but verify," he said. "Both are great companies and great partners for us, but we need to verify that they are going to be held accountable for their actions." While DISH's stock was up, **Collins Stewart**, which has a hold on the stock, said it still prefers DirecTV because it expects its mid and long term results to be less volatile and it has committed to a major stock repurchase plan.

In the States: **Charter** upped its HSD speeds and created commercials that are 100% Web-created—directors used Webcams to film customers. Check them out at charter.com/freefast. The free speed upgrades raised Charter Express to download speeds of up to 8Mbps (previously up to 5Mbps), Charter Internet Plus to 16Mbps (from 10Mbps) and Charter Internet Max to 25Mbps downstream (from 20Mbps) and upload speeds of 3Mbps (previously 2Mbps). -- **Comcast** updated its iPhone/iPod touch app to a new version that includes remote DVR functionality, where available. Comcast is rolling out its remote DVR as part of its new programming guide, which is in about 3.1mln homes now and will be rolling out

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market-by-market over the next several months. Other updates to the app include push notifications for email, voice mail and TV show reminders and the ability to sort TV listings by category. -- **Cablevision's** new Optimum Business Benefits program offers commercial customers who receive both voice and data services discounted pricing and other benefits from firms including FedEx, Automated Data Processing, CardWorks and US Business Tech.

Future-gazing: Broadband has "realistically become the anchor product" over video for **Time Warner Cable**, said COO *Landel Hobbs* at the **Morgan Stanley** media conference Mon, adding that the MSO sees "a lot of pricing power there" because customers value broadband so much. However, the MSO's DOCSIS 3.0 rollout will be "surgical" instead of quick, he said, because the tech is only really needed in markets where **FiOS** services lurk as TWC's RoadRunner product remains "very successful against DSL." Plus, even though DOCSIS 3.0 "is catching on," there aren't many current apps that require speeds of 50Mbps, said Hobbs. Meanwhile, a commercial offering of RoadRunner Mobile will bow this year, and wireless voice is "on the product roadmap" for '11 and beyond, he said.

Technology: **Rovi** expanded its data and patent license pact with **Comcast** to include enhanced entertainment products such as integrated VOD, plus use across the MSO's mobile and online platforms. Also, Rovi exited its **GuideWorks** jv with Comcast, now the sole owner of the interactive programming guide initiative. -- Now available for standalone purchase (\$599) is the 3-tuner version of **Arris' Moxi HD DVR**, which features Web video from **YouTube, Netflix** and **Hulu** through an onscreen menu and streaming digital music from **Rhapsody**.

Advertising: **Natl Cable Communication (NCC)** renamed itself **NCC Media** to reflect the range of media services the company provides to the ad industry. NCC Media is jointly owned by **Comcast, Cox** and **Time Warner Cable**. -- **WideOrbit** launched in beta **WO Central**, offering real-time, direct online access to more than \$14bln in spot TV inventory from broadcast nets and regional cable channels.

On the Hill: As expected, satellite continued to deliver distant affiliate signals even though their legal right to do so expired at 12:01am Mon (**Cfax**, 3/1). **DISH** execs confirmed Mon that leading House and Senate members had sent out letters asking them to maintain the status quo and that whatever legislation passed will include a clause making it retroactive.

Carriage: **Fox Soccer Plus** inked distribution deals with **DirecTV, DISH** and **FiOS TV**. Rollout on **Time Warner Cable's** sports tier is slated for select markets going forward. The former 3 ops offer the premium net, which took over for **Setanta Sports** in the US, in standard-def only for \$15/month on an a la carte basis. -- Spurred by launches in **Time Warner Cable, Cox, Bright House** and **Insight** markets, TV One has reached 50mln HHs, according to **Nielsen** universe estimates.

On the Circuit: The 16th annual **CTAM TeleSeminar**, "Keeping Customers from Cutting the Cord," is set for Fri, from noon-1:15. Hosted by the CTAM Rocky Mtn Chapter, 2 MBA student teams will compete for the best ideas on loyalty and retention marketing. CTAM's *Char Beales*, **Time Warner Cable's Sam Howe**, consultant *Rich Cronin* and **Starz's Ed Huguez** will serve as industry judges. More info at: <http://www.ctam.com/html/teleseminar/default.htm>.

Public Affairs: **Gospel Music Channel** and 11 cable systems (including **Comcast Chicago** and **Charter Michigan**) teamed up for the net's "Share Your Wish" initiative. The most recent wish granted came when **Home Depot** delivered a new fridge and other major appliances to a woman in River Rouge, MI. GMC received more than 2K essay-style entries for the promotion, with wishes granted including a laptop for a teenager undergoing cancer treatments.

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BUSINESS & FINANCE

People: Pali's Rich Greenfield and Walt Piecyk joined institutional trading broker-dealer **BTIG** to start a research group focused on media/telecom. -- **Time Warner Cable Business Class** named *Jim Delis* vp, national sales. -- **CBS** tapped *Thomas Shilen* as svp/ controller/chief accounting officer.

Business/Finance: Crown Media and **Hallmark Cards** agreed to recapitalize approx \$1.1bln of Crown debt owed to Hallmark: \$315mln will become new debt instruments; \$185mln will become convertible preferred Crown Media stock, with Class B shares being converted into Class A shares, which will become the only authorized and outstanding Crown common shares; and approx \$600mln to be converted into Class A Crown shares. Each party retains the right to terminate the deal at a later date. If the deal is consummated, Hallmark Cards parties will own, excluding the Class A shares that would be received upon conversion of the preferred stock, at least 90.1% of the sum of the outstanding common stock of Crown and shares subject to outstanding options. Crown shares gained 2.4% Mon. -- **Lionsgate** said it got an unsolicited tender offer from *Carl Icahn* to buy up to 13,164,420 common shares for \$6 per in cash, a purchase that would push Icahn's ownership to approx 29.9% of Lionsgate's outstanding common shares. The co's board will review the proposal and make its recommendation to shareholders "promptly."

CableFAX Daily Stockwatch

Company	03/01 Close	1-Day Ch	Company	03/01 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	33.20	(0.11)	AMPHENOL:	42.50	0.85
DIRECTV:	34.21	0.36	AOL:	25.33	0.55
DISH:	21.50	1.53	APPLE:	208.99	4.37
DISNEY:	31.54	0.30	ARRIS GROUP:	10.51	0.19
GE:	15.90	(0.16)	AVID TECH:	14.08	0.63
NEWS CORP:	16.16	0.41	BIGBAND:	2.93	0.05
MSOS					
CABLEVISION:	24.51	0.43	BLNDER TONGUE:	1.00	(0.05)
COMCAST:	16.83	0.39	BROADCOM:	31.78	0.46
COMCAST SPCL:	15.84	0.35	CISCO:	24.60	0.27
GCI:	5.61	0.12	CLEARWIRE:	6.58	0.22
KNOLLOGY:	12.20	0.75	COMMSCOPE:	25.89	0.40
LIBERTY CAPITAL:	33.06	(0.78)	CONCURRENT:	4.62	0.01
LIBERTY GLOBAL:	27.45	0.57	CONVERGYS:	12.61	0.27
LIBERTY INT:	12.97	0.38	CSG SYSTEMS:	20.48	0.33
MEDIACOM:	4.79	0.15	ECHOSTAR:	19.62	(0.52)
RCN:	12.19	1.21	GOOGLE:	532.69	5.89
SHAW COMM:	19.17	0.27	HARMONIC:	6.75	0.19
TIME WARNER CABLE:	47.17	0.48	INTEL:	20.87	0.34
VIRGIN MEDIA:	16.97	0.77	JDSU:	11.31	0.58
WASH POST:	431.00	10.69	LEVEL 3:	1.59	0.00
PROGRAMMING					
CBS:	13.43	0.44	MICROSOFT:	29.02	0.35
CROWN:	1.70	0.04	MOTOROLA:	6.74	(0.02)
DISCOVERY:	30.89	(0.26)	OPENTV:	1.54	0.00
GRUPO TELEVISA:	19.13	0.67	PHILIPS:	30.22	0.92
HSN:	22.76	1.10	RENTRAK:	18.81	0.49
INTERACTIVE CORP:	23.07	0.68	SEACHANGE:	7.13	0.05
LIBERTY:	37.02	0.56	SONY:	34.80	0.69
LIBERTY STARZ:	51.03	0.10	SPRINT NEXTEL:	3.39	0.06
LIONSGATE:	5.45	0.00	THOMAS & BETTS:	37.04	0.94
LODGENET:	6.24	0.00	TIVO:	9.70	0.22
NEW FRONTIER:	1.81	0.02	TOLLGRADE:	6.43	(0.09)
OUTDOOR:	5.86	0.15	UNIVERSAL ELEC:	23.45	0.86
PLAYBOY:	3.23	(0.04)	VONAGE:	1.57	0.02
RHI:	0.31	0.02	YAHOO:	15.79	0.48
SCRIPPS INT:	40.21	0.63	TELCOS		
TIME WARNER:	29.60	0.56	AT&T:	25.00	0.19
VALUEVISION:	4.45	0.14	QWEST:	4.57	0.01
VIACOM:	31.55	0.01	VERIZON:	28.99	0.06
WWE:	17.44	0.39	MARKET INDICES		
TECHNOLOGY					
3COM:	7.68	0.05	DOW:	10403.79	78.53
ADC:	6.41	0.07	NASDAQ:	2273.57	35.31
ADVANTAGE:	2.21	0.00			
ALCATEL LUCENT:	3.14	0.10			
AMDOCS:	29.59	0.51			

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EYE ON INNOVATION

Tech Season

Kudos to **SCTE**, **CableLabs** and **NCTA** for co-development of the inaugural Spring Technical Forum, which during The Cable Show 2010 (May 11-13 in L.A.) will present papers and sessions focused on topics such as breakthroughs in IP service delivery, EBIF apps and 3D video integration. To be sure, there are likely more questions than definitive answers for many of the planned topics, and cable appears poised at the gate of mind-boggling technological innovation.

On the flip side, though, best of luck to the triumvirate in planning the forum so that subject matter remains cogent and current, as everyone's aware how quickly advancements in tech can rise in a flash, only to fade into obsolescence.

Fortunately, EBIF and 3D appear as topics just now beginning to gain steam, though they're light years away from critical mass. They're quite sexy too, in that it's easy, even for tech neophytes, to imagine the myriad possibilities they possess for cable ops and programmers. Expect packed houses for the dedicated Forum tracks.

Interactive TV initiatives are dominating the EBIF space right now, including **Comcast's** feature of **HSN's** Shop By Remote app, which allows the MSO's digital subs to purchase HSN products by using their remote control, and **Showtime** Sports Interactive, which recently began giving FiOS TV customers on-screen access during certain MMA content to fighter stats, trivia games and interactive polling. And this spring, **Canoe Ventures** is expected to bow its 1st interactive advertising product, a RFI app that will allow viewers to use their remote control to request advertiser special offers like coupons or product sample via mail.

With the lion's share of digital set-tops capable of housing EBIF apps, CableLabs svp, advanced platforms and services *Don Dulchinos* said the best apps are yet to come, noting **Time Warner Cable's** plan to deploy approx 7mln EBIF-enabled set tops by the end of the year.



And those and like boxes, he said, are also critical to Canoe's forthcoming product stream.

CableLabs recently released a new version of EBIF specs for unbound apps, he said, or those that "persist [and] can be called up at any time" such as caller ID on TV and customer care services (check billing, balance, etc). Comcast, said Dulchinos, will use the specs to enhance its programming guide with content functionality including rewind and record. On the 3D front, however, there's nothing in the multichannel space to rewind just yet. Sure, **ESPN 3D's** slated to launch this summer, **DirectTV** plans to offer its subs three dedicated 3D channels beginning in Jun and **Discovery Comm's** partnering with **Sony** and **IMAX** for a 3D net to bow next year. But the tech's success, particularly regarding in-home adoption, may prove indeterminate for several years.

"The jury's still out on that," said CableLabs vp, consumer video technology *David Broberg* of 3D's success. "In reality, [3DTV sales] numbers are going to be much, much smaller than expected by CE manufacturers" such as **Sony** and **Samsung**. Furthermore, he said, the adoption curve of 3D likely won't rival the steepness of HD's as the provision of a 3rd dimension is "more of a niche"—not to mention the current need for special glasses, which he said runs somewhat counterintuitive to the passive, multi-tasking nature of in-home TV viewing. To promote 3D adoption, Broberg suggests a concerted push for in-store education and instruction about 3DTVs and services. Still, he said, much of 3D's success will "depend on content."

Ah, content. ESPN's banking on the 3D feature of World Cup soccer matches to incite excitement over the tech, and one can only imagine what Discovery's cooking up with non-fiction, a genre, like sports, that lends itself quite nicely to pleasing aesthetics. But make no mistake: content's awfully important to many EBIF apps as well. No appeal=no click through.

-Chad Heiges

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Questions: Rebecca Stortstrom at
301-354-1610; rebecca@accessintel.com

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