

# CableFAX Daily™

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What the Industry Reads First

Volume 21 / No. 056

## Channeling Monty Hall: Insight, Industry Looking To Make More Deals

From AT&T's \$39bln bid for T-Mobile USA to Charter's recent purchase of 3 cable systems with approx 17K subs from Windjammer Comm, deals of all shapes and sizes continue to surface in the media/comm space. So it's not surprising that Insight's owners are apparently mulling sale options, particularly as the MSO was on the block in '07 before the economic downturn scuttled those plans and, perhaps most importantly, the climate for transactions remains fertile. "The [deal] activity is strong across all fronts, is ramping and we expect it to continue," said RBC Daniels chmn/CEO Brian Deevy, noting interest in cable, wireless and data infrastructure. "There really is an ability to leverage assets at levels we haven't seen in a long time." Insight spokesperson Sandy Colony said the company's "in the process of hiring bankers to look at strategies for all our stakeholders" but declined to comment further. That stakeholder group includes The Carlyle Group and Crestview Partners/MidOcean Partners, which picked up an approx 42% stake in the MSO from Carlyle and other existing shareholders last year for an undisclosed sum. Carlyle also owns approx 42%. The reported current sale price sought by Insight's ownership is \$3.5-\$4bln, and Miller Tabak's David Joyce said "there could be a wide range of potential private equity and logical strategic bidders." Suddenlink, Cablevision, Charter and Time Warner Cable "could be geographically and/or financially logical" he said, adding that CVC could maintain its target leverage of 4-5x even if it acquired Insight. Suddenlink is a possibility, although earlier this month CEO Jerry Kent said the company "would in all probability look at bringing on additional equity to maintain our leverage rates" if it were to go after a sizable target. Kent continues to believe that additional deal opportunities are on the horizon and is primarily eyeing "tuck-in acquisitions." Besides compelling financing options on the buy side, Deevy said industry "valuations have strengthened as well," acting as an impetus to sellers. Insight, then, could very well achieve a price in its target range. \$3.5bln would equate to approx \$1655/RGU, \$4bln to approx \$1892/RGU. By comparison, Suddenlink paid approx \$1670/RGU for NPG, according to Kent, while Cablevision paid \$1600/RGU for Bresnan, Knology \$1570/RGU for Sunflower Broadband, and Shendandoah Telecom \$2200/RGU for Jet Broadband. Joyce said \$3.5-\$4bln would equate to a valuation multiple range of 9.5-10.9x, compared to CVC's purchase of Bresnan for 8.3x and Suddenlink's of NPG for 9.0x, but that "public multiples are lower." Meanwhile, Carlyle's been active in the tech arena, agreeing in Dec to purchase Syniverse Technologies for approx \$2.6bln and CommScope for approx \$3bln. Indeed, '10 was a very busy year for industry transactions. And with financing still attractive and valuations increasing, '11 may prove a busier period.

**Retrans:** Fresh off a retrans row with DISH, LIN TV is warning viewers of its Fox affil WALA and CW affil WFNA in the Mobile-Pensacola area that its retrans deal with Cox expires Mar 31 at midnight. "Without a fair agreement, we will not be able to provide the premiere news, sports, entertainment, weather, traffic updates, political coverage and other local and national programming that is most important to you," reads an online message. "We are committed to keeping LIN's stations on our lineup, and we are actively working toward reaching an agreement," said Cox in a statement, noting that

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"customers should be burdened with excessive costs for a station's programming that is available for free, over-the-air."

**Left and Gone Away?:** Here's to you, *Joe Waz*. After 17 years as a key cable lobbyist and policy wonk, **Comcast's** svp, external affairs and public policy counsel announced he'll retire on Apr 30 but remain involved as a part-time consultant to the MSO. "It's awfully hard to leave, because I so thoroughly enjoy what I do and admire the caliber of people I have been lucky enough to work with, but I intend to keep my hand in, while also making time to pursue other passions," he said in a statement. Comcast evp *David Cohen* noted that in his dual role as Pres of the **Comcast Foundation**, Waz has helped facilitate more than \$2.2bn in cash and in-kind support to community partners since 2001. "While we'd love Joe to delay his retirement, he's told us he can't wait any longer to start this new phase of his life," said Cohen. Comcast chmn/CEO *Brian Roberts* called Waz "essential to our success" as the policy guru helped guide myriad Comcast acquisitions through the D.C. meat grinder in the last 2 decades, including the most recent **NBCU** megadeal. **NCTA** pres/CEO *Kyle McSlarrow*, who is slated to become pres, Comcast/NBCU, DC next month, noted Waz's "wise counsel and ability to connect the dots on many complicated issues that we've tackled together. Joe has earned great respect among telecom policy leaders across the entire ideological spectrum and his effective advocacy will be hard to replace." Even those who have faced off against Waz for years couldn't resist kind words. "Joe Waz is a giant in the communications industry, and I can think of no one who has brought more intellectual capacity, integrity, and honor to public policy advocacy," said *Tom Tauke*, **Verizon** evp, public affairs, policy and communications. Said **Public Knowledge** pres/co-founder *Gigi Sohn*, who often spars with Waz on public policy issues: "I enjoyed working with him, even though we may disagree on issues from time to time, and always believed he was an honest broker of ideas." She called his career "exemplary." Waz has taken a position as a senior fellow at the **Silicon Flatirons Center for Law, Technology, and Entrepreneurship** at the University of Colorado in Boulder. He plans to eventually move to L.A. where his son Jack is a production asst on **ABC** series "Cougar Town."

**Competition:** **FiOS TV** added **BET HD** to its lineup. -- **DISH** renewed its carriage agreement with Antenna Group to continue featuring Greek-language channels such as Antenna Satellite and Super Sport FM but also to launch in the future Antenna Prime, a 24/7 net including Greek movies and live Greek soccer games.

**In the Courts:** **comScore** responded to **Nielsen's** filing of a patent infringement lawsuit in VA court last week by countersuing Tues. Nielsen believes comScore has infringed on its patents for measuring and displaying online content, and comScore's table turn specifically calls out Nielsen's NetRatings for infringement of its own patents. Both companies are seeking unspecified damages and injunctive relief.

**Technology:** **Adobe** debuted an authentication system enabling pay TV providers and content owners to deliver online content across platforms including Windows, Mac OS, Android, iOS, Blackberry and Google TV. Subs can view content across multiple Websites with just a single sign in. **Turner**, **MTVN**, **Comcast** and **Synacor/DISH** are currently working with the Adobe Pass solution, and **Brightcove** has licensed the tech to offer it to broadcasting and cable partners.

**Programming:** **Cartoon Net** said 13 new animated series plus live-action scripted comedy "Level Up" are set to debut over the next year, and that it has partnered with **Warner Bros** and DC Ent to create a multi-platform block of exclusive branded original content under the name "DC Nation." -- **Syfy's** largest original programming slate ever features 14 new series and events, including reality series "Legend Quest" (July), chronicling the searches by symbologist *Ashley Cowie*

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# BUSINESS & FINANCE

of historical relics and artifacts, and “Dinner with Deepak” (in dev), in which *Deepak Chopra* shares meals and conversation with noteworthy guests. -- **IFC's** 4 greenlit original series includes docu-comedies “Commercial Kings” (June), which follows 2 filmmakers as they dev and prod commercials for local businesses across the country, and “Bullet in the Face,” about a psychotic criminal turned cop after a jewelry heist goes terribly wrong. -- **Fox News** host *Glenn Beck* is considering “a partial or wholesale takeover of a cable channel” when his contract with the net expires in Dec, according to the *NY Times*, or a possible expansion of his online subscription video service. -- **TCM** and **BIO Channel** announced tributes to the late *Elizabeth Taylor*. TCM will launch a 24-hour film block (Apr 10) featuring “Butterfield 8” and “Who’s Afraid of Virginia Woolf?,” and BIO has slated “BIO Remembers: Elizabeth Taylor” for Thurs (8pm ET).

**Diversity: Comcast** and **NBCU** created a Joint External Diversity Advisory Council to help sr execs improve diversity. Included are four 9-member Diversity Advisory Councils repping the interests of African Americans, Asian Americans, Hispanics and women. Included on the council: **NAACP** chmn *Roslyn Brock*, **Xerox** svp/general counsel/secretary *Don Liu*, **Hispanic Federation** pres *Lillian Rodriguez Lopez* and **The Coca-Cola Co** svp, global community connections *Ingrid Saunders Jones*.

## CableFAX Daily Stockwatch

Company	03/23 Close	1-Day Ch	Company	03/23 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	45.55	0.47	BLNDER TONGUE:	1.90	(0.06)
DISH:	23.37	0.15	BROADCOM:	40.51	0.50
DISNEY:	42.24	0.80	CISCO:	17.58	0.13
GE:	19.53	0.04	CLEARWIRE:	5.35	(0.04)
NEWS CORP:	17.84	0.16	CONCURRENT:	6.07	(0.05)
<b>MSOS</b>					
CABLEVISION:	34.53	(0.22)	CONVERGYS:	14.50	(0.03)
CHARTER:	48.83	0.16	CSG SYSTEMS:	19.17	(0.25)
COMCAST:	24.10	0.04	ECHOSTAR:	35.80	0.43
COMCAST SPCL:	22.65	0.04	GOOGLE:	582.16	4.84
GCI:	10.08	(0.01)	HARMONIC:	8.67	0.17
KNOWLOGY:	13.18	(0.08)	INTEL:	20.29	0.14
LIBERTY CAPITAL:	72.14	(1.54)	JDSU:	19.02	0.31
LIBERTY GLOBAL:	40.94	(0.16)	LEVEL 3:	1.40	0.06
LIBERTY INT:	15.68	0.06	MICROSOFT:	25.54	0.24
SHAW COMM:	21.05	(0.15)	RENTRAK:	27.05	1.83
TIME WARNER CABLE:	69.37	0.29	SEACHANGE:	9.42	0.17
VIRGIN MEDIA:	26.45	(0.24)	SONY:	32.15	(0.13)
WASH POST:	437.42	(1.93)	SPRINT NEXTEL:	4.49	0.02
<b>PROGRAMMING</b>					
CBS:	24.87	0.21	THOMAS & BETTS:	56.05	(0.78)
CROWN:	2.24	0.14	TIVO:	8.54	(0.1)
DISCOVERY:	39.58	0.01	TOLLGRADE:	10.01	0.02
GRUPO TELEVISA:	23.66	0.37	UNIVERSAL ELEC:	28.44	0.48
HSN:	31.00	0.48	VONAGE:	4.20	0.11
INTERACTIVE CORP:	29.68	0.34	YAHOO:	16.13	(0.23)
LIBERTY:	42.95	(0.05)	<b>TELCOS</b>		
LIBERTY STARZ:	79.48	2.24	AT&T:	28.14	0.04
LIONSGATE:	6.09	0.06	QWEST:	6.80	0.01
LODGENET:	3.63	0.21	VERIZON:	36.98	0.03
NEW FRONTIER:	1.85	UNCH	<b>MARKET INDICES</b>		
OUTDOOR:	7.43	(0.05)	DOW:	12086.02	67.39
SCRIPPS INT:	50.52	(0.16)	NASDAQ:	2698.30	14.43
TIME WARNER:	35.58	0.72	S&P 500:	1297.54	3.77
VALUEVISION:	6.67	(0.07)			
VIACOM:	50.95	(0.21)			
WWE:	12.17	0.04			
<b>TECHNOLOGY</b>					
ADDVANTAGE:	3.03	(0.02)			
ALCATEL LUCENT:	5.14	0.04			
AMDOCS:	28.90	0.10			
AMPHENOL:	54.57	(0.5)			
AOL:	19.86	0.89			
APPLE:	339.19	(2.01)			
ARRIS GROUP:	12.12	UNCH			
AVID TECH:	22.17	(0.21)			
BIGBAND:	2.56	0.02			

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## Think about that for a minute...

### Netflix / Napster

By Steve Effros

A few weeks ago in this column, I suggested that the growth and development of Netflix should more appropriately be compared to HBO than to the entire cable or broadband industry. Since that time, a lot of folks have agreed, especially after Netflix announced its first purchase and production of exclusive programming.

However Netflix is also showing up in a different context, particularly as high use levels have a direct effect on bandwidth. In this comparison, I have to go with Napster.



Remember Napster? Aside from all the theatrical flourishes in the film "The Social Network," Napster was the "big thing" that broke open the distribution of music on the Internet. The problem,

of course, was that it ultimately turned out Napster was found to be violating the copyright laws by aiding and abetting what is still considered theft. Now that theft is accomplished a different way. Unlike Napster's centralized computer, which linked private music collections together, now we have BitTorrent and other "P2P" programs that anonymously empower owners of individual personal computers to transfer and share bits and pieces of their music (and video) collections. Until Netflix came along, BitTorrent and its kin were the source of the highest bitrate usage of broadband. The "sharing" (not the program) is still considered theft for the most part, but much harder to catch or prove.

Anyway, the part of the story from the ancient 1990s that I wanted to focus on today was that back then the use of Napster was causing its own problems for broadband. Of course, we weren't as "broad" back then; the bandwidth was far more constrained. Hence, unlike today when music and voice play only a minor role in bandwidth congestion, back then Napster was creating real prob-

lems for network managers, and the "canary in the mine" happened to be the Universities.

There's a certain irony to that, since it's usually the academics who are constantly calling for "free and open" and "more" and "unlimited" etc. But anyway, what started to happen was that the university IT departments noticed that their systems were slowing to a crawl, and in some cases folks actually trying to do academic research, or study for exams, were simply not able to do so because the system was being clogged with other folks downloading music. Lots and lots of music. This particularly happened around exam time. While there was some grumbling about the fact that the "open" Internet was being interfered with, the universities started barring the use of Napster. The systems started working again.

The court suits against Napster pretty much ended the congestion issue until BitTorrent came along, but by then the universities had beefed up their systems, and had figured out other ways to deal with P2P programs, such as declaring them unusable on campus systems.

So now we get back to today. It's "spring break" time. That means the semester is almost over, it's been exam time, and what happened recently? Why some major universities announced they were blocking Netflix from the campus system because their networks are being bogged down by streaming video! Not a surprise to those of us in the broadband business, but maybe the academics and regulators will get it this time. The canary, once again, is keeling over. But now adding new, expensive, massive amounts of bandwidth may not be a financially realistic answer. Controlling demand, using things like usage based pricing, may make more sense.

Steve

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**CableFAX** workshop

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Reports and statistics show that a motivated workplace is essential to the financial success of an organization. With cable competition perhaps at an all-time high and budgets tighter than they've been in years, MSOs, programmers and vendors must maximize employee talent. On top of that, managers are being asked to do more with less. In this climate, motivation, leadership and retention have become even more important to the bottom-line.

Questions: Contact Kate Schaeffer at [kschaeffer@accessintel.com](mailto:kschaeffer@accessintel.com) or 301.354.2303

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