

# CableFAX Daily™

Thursday — April 19, 2007

What the Industry Reads First

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## 1Q Preview: Capex, Adelphia Systems, FiOS On Deck When MSOs Report Results

**Comcast** gets the 1Q ball rolling, reporting results next Thurs. Judging by analyst predictions, the MSO will once again set the bar high for cable operating results. **UBS'** *Joseph Stein* is expecting strong RGUs, particularly in basic video and VoIP net adds. One issue Wall St will be watching is Comcast's capex. While predicting strong financials, **Oppenheimer's Tom Eagan** told investors to wait until the results are reported before initiating new positions because the stock rose significantly last week and 1Q capex could be more than the \$1.425bln run rate—like in the \$1.5bln range. UBS didn't seem as concerned. "While we are mindful of capital expenditures as a potential inhibitor to future free cash flow growth, we believe the success-based nature of the majority of capex spending and Comcast's current investment in acquiring subscribers will yield a resumption of solid free cash flow growth in '08," a note to clients read. **Merrill Lynch's Jessica Reif Cohen** strongly reiterated the firm's "Buy" rating on Comcast, citing significant confidence in the management team. Cable EBITDA growth estimates ranged from \$2.6bln to \$2.82bln for Comcast. The rest of the cable operators don't report until the following week, with **Time Warner Cable** slated for May 2, the same day as Time Warner. It's harder to get a feel for TW's numbers. "Street expectations for the quarter are all over the map, especially for VoIP subs and EBITDA margins, suggesting that some on the Street are likely to be disappointed," Eagan told clients. He estimates 261K VoIP adds and EBITDA of \$1.3bln (32.8%) margin. Merrill Lynch, which reiterated its buy on TW Cable, estimates 236K phone adds, down 6% from last year to reflect an anticipated slowdown in historical TW systems and a rollout of voice in acquired systems that is more backend weighted for '07. ML's EBITDA is \$1.27bln (33% margin). The acquired **Adelphia** systems in L.A. and Dallas are expected to impact TW's basic sub numbers. The Street will also keep an eye on **Cablevision's** basic net adds (reports May 3) given the launch of **Verizon's FiOS** service in NJ late last year.

**TWC Shot Down:** A NY federal judge denied Mon a **Time Warner Cable** motion for an injunction disallowing **DirectTV** from airing a linear ad featuring *Christopher Lloyd*, who in his Doc Brown role from "Back to the Future" claims that the satcaster's HD capacity will soon be larger than cable's. The MSO alleged the spot makes false representations regarding the satcaster's HD capacity and the pricing of its HD service, but Judge *Laura Taylor Swain* disagreed. "The commercial claims that DirecTV will 'soon' have more than three times the HD capacity of cable, and the end of the current year, 2007, is certainly 'soon,'" she wrote, arguing that the DirecTV pricing was not false when the commercial was "viewed as a whole." In Feb, a NY judge enjoined DirecTV from using in any TWC market certain linear and online ads alleging its HD picture quality beats TWC's. The ads in question then were those featuring *Jessica Simpson* and *William Shatner*.

**Bi-coastal TLC:** **Discovery** is filling one of its highest-profiled vacancies, tapping **Fox TV Studios** pres *Angela Shapiro-Mathes* as pres, gm of **TLC**. She replaces *David Abraham*, who joined English cable network group **UKTV**. Shapiro-Mathes will start the gig July 1 and will be based in L.A.—making TLC the programmer's 1st bi-

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coastal network with a presence on the West Coast as well as at Discovery's Silver Spring hq. During her time at Fox, she was instrumental in the production of series such as "The Shield" and "The Riches" for FX.

**Competition:** NY Atty General *Andrew Cuomo* slammed **Verizon** this week for providing "chronically poor" phone repair service to many parts of the state. He called for the PSC to set stricter standards and mandate customer rebates for poor service. While the PSC requires the telco to repair 80% of phone lines within 24 hours of a repair request, the AG's office found that Verizon failed to comply with the standards 35% of the time from 2002-2006. Some individual repair offices had a failure rate as high as 82%, with Cuomo noting that offices with failing scores include 7 areas where Verizon is building out **FiOS**. Verizon says it has put together a plan to address the problems and that 1Q marked its best service numbers in NY in 5 years. Added a spokesman, "This single measurement is just one of more than 1,200 the company is measured on each month." -- **AT&T** plans to launch **U-verse** services in the L.A. area over the next few weeks. It also announced that it currently owns 18K U-verse TV and Internet subs. The telco said its video service installation rate has increased to 2K installs/week, a fivefold increase over the Jan rate. Including U-verse and satellite customers, AT&T added more than 180K video subs in 1Q.

**St. Louis, We Have a Problem:** The **Better Business Bureau** said it has received more than 1.3K complaints about **Charter** over the last 16 months, primarily for billing and collection errors and customer service shortcomings. The MSO has responded to every complaint, but the unabated continuation of grievances is a cause for concern, said BBB trade practice consultant *Scott Thomas*. "Numbers keep pouring in with no respite," said Thomas. "Consumers have to go through a nightmare to get any response [from Charter]." Charter said many complaints have stemmed from missed service appointments, and that scheduling programs that track technicians' progress and whereabouts are ameliorating the situation. St. Louis area vp/GM *Stephen Trippe* said a 33% reduction in BBB complaints has been achieved this year over the last 6 months of '06 and that Charter has no unresolved complaints with the BBB.

**Deals: Gemstar-TV Guide** and **CBS** inked a deal allowing for the digital distribution of Gemstar's interactive program guide data over CBS owned and operated stations and participating affils. As part of the deal, CBS and its affils will have access to a portion of the guide's ad inventory to promote their programming, both nationally and locally.

**In the States: Time Warner Cable** has started disconnecting some of its circuit switched phone systems and transitioning those markets to VoIP. The MSO plans to discontinue the service to about 6600 Dallas, TX-are subs around May 15. -- **Telemundo** has rejoined the **NAB**, bringing its 16 nets back into the fold following parent **NBCU**'s return to the assoc after a 7-yr absence.

**'Can We Talk?' No! TV Guide Channel** won't bring *Joan and Melissa Rivers* back for a 4th year of Red Carpet pre-shows, instead tapping "Dancing with the Stars"/soap vet *Lisa Rinna* as its new awards show host and fashion expert. Starting in Sept, Rinna will host 5 Red Carpet pre-shows a year. The Rivers launched TV Guide's Red Carpet coverage in Jan '05 after the net poached them from **E!**. TV Guide pres *Ryan O'Hara* thanked the mother-daughter duo but said the net felt Rinna had several desirable traits and that stars would choose to chat with her. Rinna's no stranger to the Red Carpet, having done pre-show coverage for "Access Hollywood" and "Entertainment Tonight."

**Programming: AMC** says it will continue to commit to miniseries, announcing 5 that are in development. The list in-

**THE SHOW BEFORE THE SHOW**

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**WEDNESDAYS 8/7c**

**TV GUIDE CHANNEL**

# BUSINESS & FINANCE

cludes "Against the Guns of Quantrill," from "Dances With Wolves" writer Michael Blake. The mini is about Confederate prisoners of war who must defend a Union town against Quantrill and his infamous raiders during the Civil War. AMC's list includes several WWI-based miniseries such as "Berlin Mesa" (FBI works to stop Nazi prisoners of war from stealing nuclear secrets) and "Skylark" (Jewish woman must lead American soldiers to safety through Nazi occupied France).

**On the Circuit:** ACA's 14-year-old Summit in DC this week attracted a record 300 attendees—up from 218 in '06 and 179 in '05.

**Earnings:** Although Motorola lost \$181mln in 1Q—its 1st quarterly loss since '04—the performance of its cable-related Connected Home Solutions provided some solace. The segment posted \$1bln (+42%) in net sales and earnings of \$142mln, compared to a \$4mln net loss in 1Q06. A record 4.9mln digital entertainment devices were shipped in the Q, including 1.1mln DVRs.

**Business/Finance:** WorldGate, maker of Ojo video phone, received notice from Nasdaq that it doesn't comply with rules requiring the company to have a minimum of \$2.5mln in stockholders' equity or \$35mln market value of listed securities or \$500K of net income from continuing operations from the most recent fiscal years. WorldGate's eligibility for continued listing is being reviewed.

## CableFAX Daily Stockwatch

| Company                      | 04/18 Close | 1-Day Ch | Company               | 04/18 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| <b>BROADCASTERS/DBS/MMDS</b> |             |          |                       |             |          |
| BRITISH SKY:                 | 46.33       | (0.36)   | AMPHENOL:             | 35.78       | 1.22     |
| DIRECTV:                     | 23.95       | (0.19)   | APPLE:                | 90.40       | 0.05     |
| DISNEY:                      | 34.92       | (0.23)   | ARRIS GROUP:          | 14.93       | (0.28)   |
| ECHOSTAR:                    | 47.00       | (0.05)   | AVID TECH:            | 36.76       | (0.26)   |
| GE:                          | 35.13       | (0.07)   | BLNDER TONGUE:        | 1.96        | 0.04     |
| HEARST-ARGYLE:               | 27.50       | (0.37)   | BROADCOM:             | 33.01       | 0.61     |
| ION MEDIA:                   | 1.27        | (0.01)   | C-COR:                | 14.65       | 0.27     |
| NEWS CORP:                   | 25.08       | (0.17)   | CISCO:                | 26.87       | 0.03     |
| TRIBUNE:                     | 32.69       | (0.14)   | COMMSCOPE:            | 44.77       | 0.11     |
| <b>MSOS</b>                  |             |          |                       |             |          |
| CABLEVISION:                 | 31.77       | 0.40     | CONCURRENT:           | 1.47        | (0.01)   |
| CHARTER:                     | 3.29        | (0.01)   | CONVERGYS:            | 26.46       | 0.08     |
| COMCAST:                     | 27.83       | (0.17)   | CSG SYSTEMS:          | 25.37       | (0.51)   |
| COMCAST SPCL:                | 27.36       | (0.21)   | GEMSTAR TVG:          | 4.46        | 0.13     |
| GCI:                         | 14.86       | 0.00     | GOOGLE:               | 476.01      | 3.21     |
| KNOLOGY:                     | 17.21       | (0.05)   | HARMONIC:             | 10.55       | (0.15)   |
| LIBERTY CAPITAL:             | 116.85      | 0.34     | JDSU:                 | 15.67       | 0.10     |
| LIBERTY GLOBAL:              | 34.79       | 0.00     | LEVEL 3:              | 6.00        | (0.02)   |
| LIBERTY INTERACTIVE:         | 24.28       | (0.26)   | MICROSOFT:            | 28.60       | (0.25)   |
| MEDIACOM:                    | 8.91        | 0.12     | MOTOROLA:             | 18.22       | 0.27     |
| NTL:                         | 28.22       | 0.00     | NDS:                  | 52.13       | (1.33)   |
| ROGERS COMM:                 | 37.19       | (0.1)    | NORTEL:               | 24.18       | 0.44     |
| SHAW COMM:                   | 40.58       | (0.34)   | OPENTV:               | 2.48        | (0.02)   |
| TIME WARNER CABLE:           | 38.76       | 0.07     | PHILIPS:              | 41.42       | (0.08)   |
| WASH POST:                   | 755.00      | 0.00     | RENTRAK:              | 14.82       | (0.17)   |
| <b>PROGRAMMING</b>           |             |          |                       |             |          |
| CBS:                         | 31.70       | 0.11     | SEACHANGE:            | 8.74        | (0.06)   |
| CROWN:                       | 6.20        | (0.04)   | SONY:                 | 55.21       | 0.01     |
| DISCOVERY:                   | 21.10       | 0.30     | SPRINT NEXTEL:        | 20.64       | 0.23     |
| EW SCRIPPS:                  | 45.15       | 0.00     | THOMAS & BETTS:       | 51.37       | 0.42     |
| GRUPO TELEVISA:              | 30.00       | (0.36)   | TIVO:                 | 6.48        | (0.18)   |
| INTERACTIVE CORP:            | 38.54       | (0.05)   | TOLLGRADE:            | 12.00       | 0.02     |
| LODGENET:                    | 33.07       | (0.36)   | UNIVERSAL ELEC:       | 28.85       | 0.43     |
| NEW FRONTIER:                | 8.78        | 0.00     | VONAGE:               | 3.11        | (0.2)    |
| OUTDOOR:                     | 10.23       | (0.29)   | VYYO:                 | 7.55        | 0.61     |
| PLAYBOY:                     | 9.97        | (0.02)   | WEBB SYS:             | 0.08        | 0.00     |
| TIME WARNER:                 | 20.83       | (0.04)   | WORLDGATE:            | 0.77        | (0.09)   |
| UNIVISION:                   | 36.23       | 0.00     | YAHOO:                | 28.31       | (3.78)   |
| VALUEVISION:                 | 12.11       | (0.29)   | <b>TELCOS</b>         |             |          |
| VIACOM:                      | 41.56       | 0.06     | AT&T:                 | 38.97       | (0.22)   |
| WWE:                         | 16.42       | 0.02     | QWEST:                | 8.90        | 0.08     |
| <b>TECHNOLOGY</b>            |             |          |                       |             |          |
| 3COM:                        | 4.29        | 0.09     | VERIZON:              | 37.42       | (0.04)   |
| ADC:                         | 18.02       | 0.39     | <b>MARKET INDICES</b> |             |          |
| ADVANTAGE:                   | 4.20        | 0.00     | DOW:                  | 12803.84    | 30.80    |
| ALCATEL LUCENT:              | 12.70       | 0.10     | NASDAQ:               | 2510.50     | (6.45)   |
| AMDOCS:                      | 36.24       | (0.4)    |                       |             |          |



AFRICAN AMERICANS FIND THEIR ROOTS ON TV ONE

**6.5 Rating**  
in African American homes

ROOTS: The Next Generations coming in July



\*Nielsen, NHI. 8-10PM April 8-12, 15 2007

## Think about that for a minute...

### Watch Your Language

Nope, not talking about obscenity or indecency or the whole Imus thing, here. I'm talking about how we describe and explain the issues that confront us as an industry.

The new head of the National Association of Broadcasters, David Rehr, in his first anniversary address to his troops at the NAB convention, said he's intent on "reinventing" the identity of the broadcast industry in Washington. He wants to change the dynamic of the various debates they have with the cable industry by changing the rhetoric.



**Steve Effros**

Rehr made some valid points. The main one is that the words we use to describe an issue or the things we offer often have a direct effect on how our position is perceived, or the product is accepted.

Of course he is right, and his revelation is nothing new.

He used as an example the effort by radio broadcasters to promote "in-band on-channel radio." It went nowhere until they changed the moniker to "HD radio." Unfortunately, what he didn't mention was that the new name is really not accurate and intentionally confuses things with HDTV, but the underlying point was right. The public didn't "get it" until the right terminology was found.

Cable knows all this. "Pay Per View" versus "Video on Demand." "VOIP" versus "Cable Phone," and the like. In the regulatory setting, we are even more acutely aware of it. The fight over "free TV" has never been accurately portrayed. The public has always paid for that television through advertising, but you have to admit... the name worked! The same has been true in the "net neutrality" debate. It's not really about unfettered access to the Internet, but that rallying cry has certainly attracted a lot

of adherents who, when you talk to them at any length, show that they don't actually understand the issue or the facts. But they were attracted by the rhetoric.

So now the broadcasters have decided they have to change the words of their debates in an effort to get more traction than they have gotten so far. The issues: multicast must carry and "downconversion" of digital broadcast signals. OK, you have to admit, neither of those is a zinger in terms of selling ideas. But the NAB alternatives don't really sound much better. They want to accuse the cable industry of "stripping" signals from the public. One problem that immediately comes to mind with that image is that there are few if any of those multicast signals in existence! We can't be stripping something that they're not even wearing... the Emperor already has no clothes! What he's trying to get is a government mandate that the public should like his new clothes, and be required to look at them or at least pay for their delivery before they're even made! Nice trick if you can do it, but leaving the First Amendment issues aside, I don't think that language is going to save the issue for them.

Explaining the technical rationale as to why cable should be prevented from being able to deliver television signals so our customers can actually see them on their existing television sets is going to be even worse to encapsulate in one new word. Rehr is even suggesting that the term "free, over-the-air broadcasting" is due for a change. I certainly agree with him there! Maybe they could think up an honest description this time. But again, his point is well taken. We have to watch our language as we try to explain our issues. The rhetoric and jargon does matter. Watch your language.

*Steve*

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## WANT SOME PERSPECTIVE?

CABLE  NET