

CableFAX Daily™

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What the Industry Reads First

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Cable Views: M&A Momentum and HSD ARPU on the Table

The cable M&A market has really heated up in the past year and a half, with multiples to 6.5-7 times cash flow after a dry stretch from mid '07 to early '10. With **Insight** currently on the auction block, look for both strategic and financial buyers to step up, *Eric Federman*, **Credit Suisse** managing dir, co-head of US media investment banking, told **Broadband Cable Assoc of PA's** annual conference Wed. "Private equity markets are absolutely circling around Insight and are very enthusiastic," Federman said. He wasn't sure if it could pull the 10-11x multiples that have been rumored, but said if the auction is competitive enough, it could go for a "slightly higher" multiple. "I think some bidders believe there is room to increase its margins (which are in the low 30s)," said Federman. He credited private equity for driving momentum and prices. "Private equity investors themselves are flush with cash, so they are willing to accept lower returns than a year ago or so," he said. On the heels of **Cablevision's Bresnan** acquisition, several MSOs put themselves on the market—**OneLink** of Puerto Rico, SC-based **Hargray** and **Wave Broadband**. While those deals didn't get completed, it wasn't because of lack of interest, said Federman, who led the Credit Suisse team in its representation of Bresnan in the CVC transaction. "All 3 cases were north of 8x, but the owners were not willing to sell at that price. There is a lift not only in what buyers are willing to pay, but in the confidence of owners," he said. BCAP's Cable Academy conference opened Wed with a keynote from **Wells Fargo Securities' Marci Ryvicker**, who talked up cable's HSD potential, saying she does not understand why HSD ARPU for the industry isn't higher. Investors are particularly excited about usage-based pricing, saying she continues to hear rumblings that **Time Warner Cable** is going to try to introduce it again soon. Ryvicker also sees potential in naked HSD—questioning why operators don't stray some from the bundle focus to market the service to **DirectTV's** video-only subs. One thing she's not sweating is OTT, noting that HD and sports content is limited and that bandwidth becomes very restrained in an OTT-exclusive model. She has anecdotal evidence backing her up, explaining to the crowd that a couple traders at her firm cut the cord and went back to Time Warner Cable "within a week." As for the issue of "cord shaving," paring down services because of OTT offerings, she said there is no catalyst to prove whether or not it's happening at a significant level. Another uncertainty is whether cable needs a wireless play. Ryvicker said TWC's *Glenn Britt* has said he's not convinced his company needs to invest more in **Clearwire**. During another Cable Academy presentation Tues, **Cisco**

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Internet Business Solutions Group's *Chris Osika* argued that the mobile broadband spectrum crunch is to cable's benefit. His group's findings are that mobile data is a highly discretionary expense that has only become more so with the economy's recovery. On the other hand, video and fixed broadband are much steadier, he said. WiFi may be the way for cable to extend its fixed offering, *Osika* said.

AT&T Earnings: The loss of **iPhone** exclusivity failed to slam **AT&T's** 1Q performance as some expected, and **U-verse** ramped to become a \$6bn annual rev business despite coming in light on sub adds. The telco delivered 10.2% growth in wireless rev, helped by 1.98mln net wireless adds, 3.55mln iPhone connections and sales of 1.23mln connected devices—including 322K tablets. 218K net **U-verse TV** subs were added and 175K broadband, with both metrics missing consensus estimates although U-verse rev surged 65% YOY and ARPU rose 15% to nearly \$170. More than 75% of U-verse subs continue to take 3 services. The broadband sub number marked a 31.4% YOY decline, said **Sanford Bernstein's** *Craig Moffett*, and access line losses accelerated to -11.8%. "We're known as the Street's uber-bears on wirelines... and even we were disappointed," said *Moffett*, noting disappointing wireline rev and margins. Still, he said AT&T's growing at 1.6% on an organic basis, up from 1.1% in 4Q. And AT&T CFO *Rick Lindner* underscored how wireline consumer rev increased for the 3rd straight quarter on U-verse and business services growth. The telco's business performance underperformed the expectations of **Citadel Securities' Shing Yin**, and AT&T svp/controller *John Stephens* small businesses remain challenged. The telco's LTE network rollout is on track, slated for a mid-yr launch and coverage of 70-75mln POPs by Jan. No word on the proposed **T-Mobile USA** deal, which *Moffett* believes has about a 2-1 chance of approval. **S&P** kept its 'buy' opinion on T shares, heartened by its safe dividend on \$3.6bn in FCF.

Dish v. TiVo: Though an en banc panel of US Court of Appeals judges issued what amounts to a split decision in the ongoing litigation between **DISH** and **TiVo**, investors reacted as if TiVo scored a knock out, sending shares of the company rocketing 29.5%. DISH shed 1.2%. The confusing skinny: the panel ruled in DISH's favor by saying the DBS op is entitled to a new hearing under the grounds of infringement (rather than contempt) should a district court find munificent differences in its workaround of TiVo's DVR patents, but in TiVo's favor by finding DISH in contempt of the litigation's original court order to shut down its infringing DVRs (DISH must pay approx \$90mln as a result). "We intend to seek review of that part of the decision by the United States Supreme Court and seek a stay of the injunction while doing so," said a DISH statement in reference to the latter ruling. "We also will be making a motion to dissolve the injunction based on TiVo's recent representations to the Patent and Trademark Office substantially limiting the scope of the claims at issue in this case." **Sanford Bernstein's** *Craig Moffett* called the ruling "a victory, and perhaps a definitive one, for TiVo," adding that "faced with an imminent shut-down on millions of DVRs... we believe DISH will be faced with a gun-to-the-head settlement requirement." **Wells Fargo Securities' Marci Ryvicker**, however, said "it looks to us like DISH doesn't have to disable many boxes, that they could have a good case at the Supreme Court." The bottom line: more litigation.

In the States: **Bright House** deployed **Cisco** routers as its Carrier Ethernet platform to deliver enhanced video, data, voice and mobile backhaul services throughout its converged network. The upgrade allows the MSO to add new services including Whole House VOD, Start Over and Look Back. -- **Insight** launched a multi-room DVR service throughout its footprint. -- **Comcast, Clearwire** and **Sprint** announced the expanded coverage of Clearwire's 4G network in D.C. and Baltimore by a respective 288K and 37K people, bringing to approx 4.6mln the number of people across the 2 areas that can order Xfinity Internet 2go, Clear and Sprint 4G services.

OTT: **Fitch** estimates that 10-20% of the overall US population is at risk of cutting the cord, but noted how factors including less compelling content, sports programming and DVRs are mitigating the risk. As such, the firm said OTT platforms will not lead to widespread cable cancellations and won't be material to media conglomerates' FCF or credit profiles. **Fitch** estimates that sub losses would have to exceed 4% annually for ratings to be affected. -- **Brightcove** was tapped to support **Popcornflix.com** with services including mobile video and ad integration. Launched in Mar, the site offers free access to hundreds of theatrical and indie movies and plans to feature 1K feature-length films by the end of the year.

Ratings: **ESPN Deportes'** live coverage of the **La Liga** match between Real Madrid and Barcelona scored an avg of more than 524K Hispanic males 18+ to become the most-watched telecast in the demo on Spanish-language TV this year. The game also averaged 483K Hispanic homes. -- The "**TV Land Awards 2011**" garnered more than 2mln viewers for its premiere Sun, marking the event's most-watched iteration in history.

BUSINESS & FINANCE

Programming: Can you say synergy? Beginning in June, **Comcast Sports-Net Bay Area** will provide live daily news segments for **NBC Bay Area**.

The relationship will also include a series of docs and mag shows, plus special programs. -- **HBO** renewed "Game of Thrones" for a 2nd season following Sun's debut, which scored a 4.2mln gross viewers on the main HBO channel. -- Prod commences next week for **Starz** original series "Boss" (Oct), starring *Kelsey Grammer* as a fictional Chicago mayor with a dark secret.

Filmmaker *Gus Van Sant* will direct the 1st ep. -- **FX's** original comedy "Wilfred" bows June 23, directly before the 2nd-season premiere of "Louie."

The final run of "Rescue Me" kicks off July 12. -- **BET's** new original scripted series "Reed Between the Lines" (4Q) spotlights a couple's troubles with parenting teenage twins and a 7-yr-old daughter. 4-part series "The Message: The History of Hip-Hop" hits the net in 3Q'12. -- **Fuel** renewed 4 original series: "Thrillbillies," "Built to Shred," "The Standard Snowboard Show" and "The Adventures of Danny & the Dingo."

-- **VH1's** "Big Morning Buzz Live" (May 9) features *Carrie Keagan* as host of daily (M-F), hour-long ent morning show. -- **TV Land** plans a new sitcom with *Cedric the Entertainer*. It's slated to be a spin-off of "Hot in Cleveland." Cedric will appear in new Hot eps this summer as a minister.

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People: **Mediacom** tapped *Dan Templein* as svp, **Mediacom Business**.

CableFAX Daily Stockwatch

Company	04/20 Close	1-Day Ch	Company	04/20 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	46.52	0.42	BLNDER TONGUE:	2.32	0.14
DISH:	23.58	(0.29)	BROADCOM:	39.54	1.35
DISNEY:	42.04	0.69	CISCO:	16.93	0.32
GE:	20.40	0.13	CLEARWIRE:	5.36	(0.17)
NEWS CORP:	18.42	0.35	CONCURRENT:	5.86	0.07
MSOS					
CABLEVISION:	34.38	1.04	CONVERGYS:	14.03	0.22
CHARTER:	54.80	0.04	CSG SYSTEMS:	20.59	0.45
COMCAST:	24.87	0.58	ECHOSTAR:	36.35	0.91
COMCAST SPCL:	23.29	0.43	GOOGLE:	525.73	4.20
GCI:	10.99	0.01	HARMONIC:	9.05	0.40
KNOLGY:	14.29	0.27	INTEL:	21.41	1.55
LIBERTY CAPITAL:	76.96	1.62	JDSU:	18.91	0.87
LIBERTY GLOBAL:	45.68	0.88	LEVEL 3:	1.60	(0.01)
LIBERTY INT:	16.46	0.31	MICROSOFT:	25.76	0.61
SHAW COMM:	20.66	0.12	RENTRAK:	22.64	(0.16)
TIME WARNER CABLE:	73.39	0.98	SEACHANGE:	10.28	0.28
VIRGIN MEDIA:	28.98	0.89	SONY:	30.14	0.43
WASH POST:	417.82	3.48	SPRINT NEXTEL:	4.80	0.06
PROGRAMMING					
CBS:	24.60	0.58	THOMAS & BETTS:	59.70	2.00
CROWN:	2.26	0.16	TIVO:	10.84	2.47
DISCOVERY:	41.36	0.83	TOLLGRADE:	10.06	(0.02)
GRUPO TELEVISA:	23.12	0.21	UNIVERSAL ELEC:	27.32	(0.01)
HSN:	32.31	0.65	VONAGE:	4.95	0.23
INTERACTIVE CORP:	31.89	0.24	YAHOO:	16.87	0.75
LIBERTY:	42.83	0.71	TELCOS		
LIBERTY STARZ:	74.90	(0.02)	AT&T:	30.13	(0.18)
LIONSGATE:	6.29	0.04	VERIZON:	37.79	0.55
LODGENET:	3.50	0.28	MARKET INDICES		
NEW FRONTIER:	1.80	0.03	DOW:	12453.54	186.79
OUTDOOR:	6.80	0.01	NASDAQ:	2802.51	57.54
SCRIPPS INT:	49.54	0.43	S&P 500:	1330.36	17.74
TIME WARNER:	36.08	0.49			
VALUEVISION:	5.62	0.57			
VIACOM:	53.36	0.35			
WWE:	11.27	0.14			
TECHNOLOGY					
ADVANTAGE:	3.07	UNCH			
ALCATEL LUCENT:	6.09	0.33			
AMDOCS:	30.09	0.43			
AMPHENOL:	54.92	3.34			
AOL:	19.96	0.15			
APPLE:	342.41	4.55			
ARRIS GROUP:	12.74	0.32			
AVID TECH:	20.82	0.23			
BIGBAND:	2.50	UNCH			

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Discover innovative strategies for success from these industry leaders:

- Tom Rutledge, COO of Cablevision Systems Corp.
- Nomi Bergman, President of Bright House Networks
- Chris Powell, EVP of HR of Scripps Networks
- Seth Arenstein, AVP/Editorial Director of CableFAX



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Think about that for a minute...

Look Up, Look Around

By Steve Effros

Every now and then in this column I try to point to the obvious and say; “hey, this is obvious!” But for some reason we’re all guilty of not noticing until many times it’s too late. This is one of those columns.

I drove to New York on Monday from DC. Back home Tuesday. The drive took me up Route 95. Now you would expect that the folks managing that major road would be sensitive to the things they do, and try to make things work as well as they can. I assume that’s exactly what they do. But sometimes it just doesn’t work.



This was one of those times.

On the way up we got stuck in a one hour delay traveling three miles in a construction zone in Delaware. This construction has been going on for well over a year. But the delay was much worse than usual. Why? Well the road went from four lanes down to two, and the congestion just stopped everything dead.

There was very little actual work being done, from what I could see, and it also appeared (I could be wrong...) that one of the two lanes that had been blocked was simply being used by the workers to park their vehicles! They were all looking down at their work, not looking up to see the chaos it was creating. Either that, or they didn’t care.

On the way back the construction was on the Delaware Memorial Bridge. Two out of four lanes were blocked. The backup lasted for miles. No workers, no vehicles, no nothing. Just two out of the four lanes of the bridge blocked off with traffic cones... for hours, if not days. Why? There may be a good reason, but for the drivers (read “customers”) who had to put up with

it, it sure didn’t endear us to the road authorities!

What does that have to do with cable?

Well, it just reminded me of the importance, no matter who you are and what you do, of the simple expedient of “looking up” once in a while from what you are doing, and “looking around” to see what effect it’s having on others.

Many times you can make things simpler, easier, better by something that will not in any significant way adversely affect what you’re doing, but could make life a lot easier for someone else. That’s what “customer service” in many ways is all about, and we should remind everyone in the cable industry, from the CSRs to the installers, to the CEOs that this is a critical part of what we all should be doing.

My pique at the Delaware road folks reminded me of the time the cable operator here in the DC area (now no longer in the business) decided to do some “regularly scheduled” maintenance. The system was to be shut down for an hour or two at midnight, the way they always did. No one “looked up,” or “looked around,” to realize that on that particular Sunday night the Redskins were playing in the Super Bowl. (That should tell you how long ago this was!) Well, the game ran long. You can imagine the customer reaction. All it would have taken was someone looking up, and looking around, to avoid that mess.

It’s got to be a part of everyone’s job; look up, look around... and of course speak up, no matter who you are, and what your job, if you see something that can be made better.

Steve

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