

# CableFAX Daily™

Friday — May 4, 2007

What the Industry Reads First

Volume 18 / No. 087

## Make 'em Wait: Cablevision's FCF Has Wall St Shaking Its Head

"Just Say No to Chuck & Jim." That was the title of **Pali's** passionate **Cablevision** research note Thurs urging investors to vote against the \$36.62/share offer for CVC from the *Dolan* family. "Given that Cablevision's Special Committee of Independent Directors 'rolled over' yesterday and gave in to the latest Dolan offer (despite, having better knowledge of the strong free cash flow trends that CVC exhibited in Q1 results this morning), we believe investors have been left no choice..." Pali wrote. The investment firm upped its price target to \$50, saying it believes the Dolans will be able to pay at least \$50 to take CVC private in a year's time. The solid 1Q results Cablevision reported Thurs also prompted **Sanford Bernstein** to question whether a higher bid was needed. "Investors who have funded the investment phase—and who are now on the brink of a rapid acceleration in free cash flow conversion from EBITDA—understandably view Cablevision—and indeed the whole cable sector—as starkly undervalued (a view with which we concur)," said a Bernstein research note. **UBS** continues to believe the bid has good shot at acceptance, and **Oppenheimer** said 1Q results are "good, not great." As expected, Cablevision declined to speak about the offer on the table or even when it could possibly close. "Obviously, on behalf of the Dolan family, we were very pleased to reach an agreement with the company," CEO Jim Dolan said. "The process has now begun, and while it is too early for us to address the questions we know you have, rest assured we will be available to address those questions at the appropriate time." **By the Numbers:** For the Q, CVC added 12K basic subs, 65K digital, 78K data and 109K phone subs. Rev climbed 12% to \$1.6bln, while adjusted operating cash flow growth rose 21% to \$482mln. **Rainbow** did better than expected, with the core networks seeing rev climb 9% to \$158mln and adjusted operating cash flow jumping 29% to \$79mln. **Fe-Fi-Fios:** With churn up for the Q, CVC's *Tom Rutledge* said **Verizon's** rollout of FiOS is partly to blame. At the end of 4Q, a large expanse of territory, particularly in NJ, was activated. FiOS has built out to 990K of CVC's 4.6mln footprint, and has marketed to 660K of those homes. "They don't have video franchises for more than 660K of it at the moment, but they'll get them," Rutledge said.

## Let the Game Begin: Order Calls for Arbitration Between Massillon and Fox Sports

Score one for the little guy. An arbitrator determined last week that **Massillon Cable's** dispute with **Fox RSN Fox Sports Net OH** is arbitrable under the **FCC's** '04 order granting **News Corp** control of **DirectTV**. That order carried conditions that let multichannel providers seek arbitration for RSN contracts in some instances. News Corp told the FCC this week that FSN Ohio intends to seek an immediate review of the decision. The spat dates back to when FSN OH lost the rights to **Cleveland Indians** baseball in Dec '05 because the team opted to create its own RSN. Massillon argued that it should be charged a lower rate since FSN OH stopped providing Indians games, and the 2 have been unable to reach an agreement, according to an attorney representing Massillon. Fox has argued that the spat is not arbitrable because Massillon has a contract in place to carry FSN OH programming through the end of 2008. It believes

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We're celebrating our French Open Kickoff!

Come to booth #3275 on Monday and Tuesday from 3pm to 5pm for French wine tasting with Murphy Jensen, French Open champion and host of "Open Access."



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the 2004 order requiring News Corp RSNs to submit to arbitration only applies when a contract has expired or when a provider is seeking to initiate a contract. "Fox's attempt to limit the effectiveness of the Fox/Hughes Order was clearly not consistent with the intent of the FCC's decision. Now that we are past this initial delay, I look forward to the final decision of the Arbitrator," Massillon pres *Robert Gessner* said. News Corp counsel met with members of the FCC Media Bureau on Tues to discuss its concerns, calling Massillon's demand for arbitration an "abuse" of the FCC's 2004 order. Massillon isn't the only one seeking arbitration with News Corp over its RSNs. **NCTC** filed a request on behalf of 30 of its members in Jan. It's seeking to serve as a bargaining agent for those operators and receive confidential info from members to negotiate a deal. The Massillon decision also comes as some parties, including **ACA**, are calling for stricter conditions on the proposed **Liberty-DirecTV** merger. Under the deal, Liberty would receive News Corp's stakes in 3 regional sports channels (**FSN NW**, **FSN Pittsburgh**, **FSN Rocky Mountain**). Liberty has agreed to abide by program-access and carriage conditions imposed in the 2004 News Corp order.

**Earnings: Charter** continued its positive trajectory Thurs, posting 332K net RGU adds in 1Q, the highest in 5 years, and Y-over-Y increases in every customer category. Even overall rev and EBITDA grew materially. The MSO added 127K (+130%) phone subs, 124K (+20%) HSD, 65K (+15%) digital and 17K (+50%) basic. Driven by increased sales of bundled packages and advanced services growth, overall video ARPU grew 5.2%. **UBS** loved the results. "Charter continues to ramp VoIP and realize RGU and financial outperformance potential while improving financial growth and the balance sheet," the firm wrote while affirming its 'Buy 2' rating on the MSO "as one of our top picks in cable." -- **Insight's** 1Q metrics were a mixed bag, highlighted by a 13% increase in rev to \$340mln and a 149% surge in net phone sub additions to 24K. Lowlights included a 15% decrease in basic adds to 21K and a 23% dip in digital adds to 32K. HSD adds remained static at 45K. -- **CBS** reported a 5% rise in 1Q affil fees, reflecting rate increases and sub growth at **Showtime** and **CSTV**. Meanwhile, **CBS' Les Moonves** continued his retrans ballyhoo Thurs, saying that the company is getting paid fees from a host of distributors, including several top 25 cable ops. "When the biggest cable deals come due over the next several years, we expect retrans to become even more significant for us, a solid and growing new revenue stream from an existing portfolio of assets," he said. CBS reported revenue of \$3.7bln, up 2% over last year.

**Competition:** Now **DirecTV** programming can be viewed at picnics, sporting events, and the beach (even at weddings, if you're brave). The DBS op bowed Thurs "DirecTV Sat-Go," a portable version of its service delivered through a \$1500 unit. No installation is required for the unit, which includes a 17-inch LCD monitor with integrated receiver, a flat antenna and a rechargeable lithium-ion battery.

**Discovery Still Shaking:** **Discovery Channel** announced further employee changes and restructuring, including the appointments of *Tom Cosgrove* to svp/GM, **The Science Channel**, and *Deena Edwards* to vp, integrated program and promotions. In addition, the net's production, development and programming teams have been realigned, with *Jeff Hasler* promoted to svp, production and development. Hasler will oversee vps, creative content *Mary Donahue* and *Liz Brach*, who will both work across Discovery Channel and The Science Channel.

**In the Courts:** A Federal Court struck down **Vonage's** motion to vacate the jury verdict from the patent infringement case brought by Verizon, and to grant a new trial. Vonage cited a recent Supreme Court decision in "KSR v. Teleflex," which "expanded the scope for denying a patent because the invention is too obvious," wrote **Stifel Nicolaus**. The court

## We Are Moving.

**TO GALAXY 11/ TRANSPONDER 6 AND CONVERTING TO DIGITAL.**

Beginning Tuesday, May 1st 2007 at 12:00 Noon ET until Monday, August 13th 2007 at 12:00 Noon ET, FOX News will be transmitted from both Galaxy 15/Transponder 21 in *Analog* and Galaxy 11/Transponder 6 in *Digital*.

Please go to [FOXNEWS.COM/SATELLITECHANGE](http://FOXNEWS.COM/SATELLITECHANGE) for more information.



# BUSINESS & FINANCE

will allow Vonage to include the issue in its May 9 appeal brief. Oral arguments are scheduled for June 25.

**Editor's Note:** In order to bring you all the news from the **Cable Show** in Las Vegas, your issues of **Cable-FAX Daily** will arrive a few hours later than normal next week. Your next issue of Cfax will arrive Mon morning. See you in Vegas.

**People:** Paul Rourke was named svp/ CFO, MTVN Intl. -- **Sundance Channel** upped *Timothy Boell* to svp, affil sales. *Gretchen Beidl* will assume the new role as evp, biz dev. -- **Outdoor Channel** appointed *Mark Romano*, *Daniel Soane* and *Joe Stretesky* regional VPs, serving the east, central and west markets, respectively.

**Business/Finance:** ION Networks reportedly rebuffed a \$2.13bln buyout offer from **EchoStar**. The programmer had no comment Thurs about the story, which 1st appeared in the *NY Post*. The paper said that ION was close to approving a tender offer from **NBCU** and **Citadel**, but some shareholders feel the offer is too low and are threatening to sue if the deal's approved. Under their proposal, NBC/Citadel would pay \$100mln for a majority stake. -- Internet retailer **Delivery Agent** raised \$18.5mln in third-round funding, led by **Bessemer Venture Partners**, **Cardinal Venture Capital** and **Worldview Technology Partners**. The company spearheads shopping-enabled programming for TV shows, movies and sports.

## CableFAX Daily Stockwatch

Company	05/03 Close	1-Day Ch	Company	05/03 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	50.26	1.08	AMPHENOL:	35.96	0.09
DIRECTV:	24.09	(0.12)	APPLE:	100.40	0.01
DISNEY:	35.69	(0.01)	ARRIS GROUP:	15.47	(0.23)
ECHOSTAR:	49.02	0.40	AVID TECH:	33.18	(0.69)
GE:	37.34	0.03	BLNDER TONGUE:	1.70	0.00
HEARST-ARGYLE:	26.05	0.14	BROADCOM:	32.93	0.20
ION MEDIA:	1.31	0.02	C-COR:	12.92	(0.49)
NEWS CORP:	23.44	0.01	CISCO:	27.70	0.03
TRIBUNE:	32.80	0.02	COMMSCOPE:	49.77	0.19
<b>MSOS</b>					
CABLEVISION:	36.19	0.29	CONCURRENT:	1.56	(0.01)
CHARTER:	3.39	0.12	CONVERGYS:	25.48	0.18
COMCAST:	27.24	0.10	CSG SYSTEMS:	27.11	0.09
COMCAST SPCL:	26.86	0.08	GEMSTAR TVG:	4.53	(0.02)
GCI:	14.78	0.13	GOOGLE:	473.23	7.45
KNOLOGY:	19.26	0.89	HARMONIC:	8.72	0.24
LIBERTY CAPITAL:	118.95	3.50	JDSU:	14.33	(2.31)
LIBERTY GLOBAL:	37.08	0.03	LEVEL 3:	5.62	0.20
LIBERTY INTERACTIVE:	25.32	(0.26)	MICROSOFT:	30.97	0.36
MEDIACOM:	8.52	(0.15)	MOTOROLA:	17.73	0.17
NTL:	28.22	0.00	NDS:	51.14	0.04
ROGERS COMM:	39.67	(0.25)	NORTEL:	25.28	0.16
SHAW COMM:	39.11	(0.57)	OPENTV:	2.46	(0.03)
TIME WARNER CABLE:	37.86	0.91	PHILIPS:	40.78	(0.36)
WASH POST:	768.90	0.76	RENTRAK:	14.52	(0.13)
<b>PROGRAMMING</b>					
CBS:	32.06	0.25	SEACHANGE:	8.80	0.16
CROWN:	5.95	(0.04)	SONY:	53.66	(0.04)
DISCOVERY:	22.04	0.57	SPRINT NEXTEL:	20.79	0.12
EW SCRIPPS:	43.45	(0.15)	THOMAS & BETTS:	55.44	(0.56)
GRUPO TELEVISA:	29.17	0.18	TIVO:	6.47	(0.01)
INTERACTIVE CORP:	36.10	(2.49)	TOLLGRADE:	11.96	0.15
LODGENET:	32.96	(0.83)	UNIVERSAL ELEC:	31.24	0.55
NEW FRONTIER:	8.91	0.03	VONAGE:	3.12	(0.13)
OUTDOOR:	10.72	0.53	VYYO:	7.63	(0.34)
PLAYBOY:	10.18	0.07	WEBB SYS:	0.06	0.00
TIME WARNER:	21.05	0.11	WORLDGATE:	0.75	0.01
UNIVISION:	36.23	0.00	YAHOO:	28.18	0.06
VALUEVISION:	11.13	(0.22)	<b>TELCOS</b>		
VIACOM:	41.46	(0.27)	AT&T:	38.90	0.22
WWE:	18.47	1.42	QWEST:	9.43	0.04
<b>TECHNOLOGY</b>					
3COM:	4.09	0.08	VERIZON:	41.07	1.47
ADC:	18.89	0.27	<b>MARKET INDICES</b>		
ADVANTAGE:	4.15	(0.06)	DOW:	13241.38	29.50
ALCATEL LUCENT:	13.36	(0.01)	NASDAQ:	2565.46	7.62
AMDOCS:	37.33	(0.07)			

**EXPERIENCE ORIGINALS**

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**PROGRAMMER'S PAGE** with Chad Heiges and Seth Arenstein

**Derby Daze**

The outlook for Sat's 133rd running of the **Kentucky Derby** is as muddled as the Cable Show's exhibition floor will likely become in a few days. As numerous horses have a legitimate chance to take home the roses, nearly all of the title aspirants also have knocks against them. Depending on your point of view, the plethora of Derby coverage throughout this spring and this week on **ESPN, TVG** and **HRTV** serves as either a handicapping boon or bane. For my money, I'll take all the information I can digest, and the 3 nets have had no trouble obliging. HRTV moved its popular "Target Louisville" series to the famed Churchill Downs race track, offering this week a live version replete with the latest news and notes surrounding the most famous thoroughbred race in the world. "Our coverage is akin to ESPN's lead-in to the Super Bowl, said HRTV evp/GM *Jim Bates*. Meanwhile, ESPN saddled 23 hours of Derby-related programming, including content at **ESPNRadio.com** and on "SportsCenter" and numerous specials. ESPN analyst *Randy Moss* said the net benefits greatly from having retired jockey *Jerry Bailey* on its team. "His expertise is unmatched in horse racing," said Moss. TVG specialized this spring in coverage of numerous Derby prep races, themselves a critical component in deciding which horse(s) to back. "We cover all the contenders and all the excitement," said svp/GM *David Nathanson*. Now, you may ask, just what have I learned from the aforementioned content and sources? Well, plenty... I think. Moss and Nathanson are smitten with *Street Sense*, who may end up being the post time favorite. Moss also likes *Circular Quay* and *Curlin*, a horse that Nathanson calls "a rocket ship." All considered, here are 4 horses to seriously ponder: *Street Sense*, *Nobiz Like Shobiz*, *Scat Daddy* and *Hard Spun*. Good Luck. *CH*

**Highlights:** "Koppel on Discovery: Living with Cancer," Sun, 8pm, **Discovery**. The title is literal, as this special's subject is 2 of the 10mln Americans living with the disease. The saga of Discovery's *Lance Armstrong* is profiled, but a more in-depth profile is done on *Koppel's* colleague *Leroy Sievers* as he confronts a much worse outcome than Armstrong's. Sievers, who shows no outward signs of cancer, describes the life of a cancer patient starkly and honestly. *SA*

**Worth a Look:** "Secret Lives of Women," Tues, 8pm, **WE tv**. The new season of this doc series begins well, with a look at polygamy, its practitioners and critics, some of whom work to extricate women and young children. Critics of polygamy estimate 35K Americans are engaged in it. And it's not a Utah problem: polygamy is practiced across more than 30 states. - "Beau Brummel," Sun, 8pm, **BBC America**. OK, it's a period piece about the period's most influential man of the cloth, the Prince of Wales' advisor on clothing and a rogue at that, but done extremely well. *SA*

Basic Cable Rankings (4/23/07-4/29/07)			
Mon-Sun Prime			
1	USA	1.9	1773
1	TNT	1.9	1772
1	DSNY	1.9	1759
4	TOON	1.3	1217
4	FOXN	1.3	1191
6	ESPN	1.2	1138
6	NAN	1.2	1070
8	A&E	1.1	1049
8	LIFE	1.1	1032
8	TBSC	1.1	1001
8	FX	1.1	966
8	HALL	1.1	875
13	DISC	1	967
13	CORT	1	841
15	HGTV	0.9	840
15	SCIF	0.9	828
15	HIST	0.9	793
18	SPK	0.8	746
18	MTV	0.8	742
18	CMDY	0.8	736
18	TLC	0.8	694
22	FAM	0.6	594
22	AMC	0.6	564
22	FOOD	0.6	540
22	VH1	0.6	532
22	TVLD	0.6	521
27	CNN	0.5	509
27	BET	0.5	453
27	ESP2	0.5	449
27	MSNB	0.5	420
27	SOAP	0.5	280
32	APL	0.4	391
32	BRAV	0.4	369
32	EN	0.4	350
32	VS	0.4	265
32	NGC	0.4	262
32	WGNC	0.4	247
32	LMN	0.4	242
39	TTC	0.3	307
39	HLN	0.3	265
39	OXYG	0.3	233
39	TVGC	0.3	220
39	GSN	0.3	197
39	TDSN	0.3	195
39	SPD	0.3	184
39	DSCI	0.3	123

\*Nielsen data supplied by ABC/Disney



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**Please attach a summary detailing why this company is deserving of the award.**

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