

CableFAX Daily™

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What the Industry Reads First

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To the Woodshed: Cablevision Adds Subs, But Wall St Still Worried

Investors pounded **Cablevision's** stock Thurs after the MSO reported lower-than-expected profits and offered no short-term silver bullets. Long-term, however, execs projected confidence that current spending on network upgrades and a focus on customer service will pay dividends in the future—and they vowed to continue a stock buy-back strategy in which the company has already repurchased 35.7mln shares, reducing outstanding shares by 14%. Cablevision posted 1Q net income of \$57.1mln, compared with \$104mln in 1Q '11. Cablevision added 7K video subs in an era in which most operators are posting net losses, and it also beat on broadband/voice adds with 42K for each. But such progress was largely due to promotional pricing that when combined with higher programming costs and lower ad revenue pressured margins. ARPU, which at \$152.53 is down slightly when compared with the most recent quarter, was still up \$2.78 compared to 1Q '11. But **Wells Fargo's** *Marci Ryvicker* called ARPU "soft" and pondered the price of courting new subs. "While the significantly improved subscriber metrics are a positive, the 'cost' of these subs on the company's financials is high and likely to pressure the stock," she said in a research note. Indeed, Cablevision shares ended the day at \$13.54, down 7.9%. Cablevision remains in transition following the departure of several execs, including its operational core of COO *Tom Rutledge* and pres, cable and comm *John Bickham*, both of whom have since landed at **Charter Comm**. Sanford Bernstein said "sloppy" results shouldn't surprise anyone, considering the exec departures and a highly competitive NYC-area market. "We've steered clear of Cablevision since mid-2010, and we don't see anything here that would make us want to get back in now," it said in a research note. Cablevision CEO *James Dolan*, however, said he sees a "bright future" for the company and plans to continue taking a hands-on role in Cablevision's day-to-day operations. "I plan on staying right where I am in the operating role that I'm in for some time," he told analysts on Thurs' earnings call. "I would anticipate it at least through this year and beyond because we have a lot of work to do, and I feel that I need to be right here to do it. So I do not anticipate that I'm going to fill some of those positions that were vacated before." Execs noted a number of new initiatives including upgrades designed to double broadband capacity, expand its already considerable WiFi footprint and move toward live TV viewing across all screens within subscriber households. Employees also are testing a "highly graphical" set-top navigation interface that Dolan said "will compare favorably to any guide that's out there," including even slick ones from OTT players



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**Also Saluting the Digital Hotlist
and 15-to-Watch**

Special Issue: Award winners and honorees will be featured in a *CableFAX Daily* Mid Day Issue: May 21, 2012

Space Deadline: May 8

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like **Netflix**. Still, growth questions continued to dog the MSO on Thurs. "The company—once the 'canary in the coalmine' of growth for the Cable industry has seen growth slow—change that—growth has retreated meaningfully," said **ISI Group** managing dir *Vijay Jayant*. "Right now, it's hard to categorize Cablevision as a growth or value stock: hence, it's possible that CVC shares might be in the unenviable position in what Dante might refer to as 'Growth Purgatory.'" ISI maintained its 'hold' with a \$16 price target. Meanwhile, Cablevision execs also said they're shopping Cablevision's Clearview Cinemas theater chain, which CFO *Gregg Seibert* said has been "helpful" when it comes to subscriber rewards programs but "is not core by any stretch of the imagination." (Cablevision tried to sell the 45-theater NYC-area chain in '02 as well).

Earnings: Viacom posted strong results Thurs, handily beating expectations with adjusted net earnings rising 24% in 1Q to \$535mIn while overall revenue inched up 2% to \$3.33bn. The results boosted shares by 3% to \$52.59 on Thurs. Viacom pres/CEO *Philippe Dauman* noted strength across the company but specifically praised Viacom's cable nets. "Driven by our popular programming, Viacom's media networks are also forging new and lucrative opportunities in digital distribution, while continuing to create increasing value with our traditional affiliate partners," he said in a release. Viacom also increased EPS by 26 cents per diluted share to 98 cents in 1Q (analysts had estimated only 89 cents), growth that Daumann attributed to higher revenues, improved margins, debt reduction efforts and the company's \$10bn stock repurchase plan. Dauman also caused some raised eyebrows during Viacom's earnings call when asked about Epix's exclusive deal with Netflix. "We will continue to be on Netflix under any circumstance," Dauman said. "Not surprisingly, there are other companies interested in the content, but EPIX will announce what it's going to do as time progresses." Some investors took that to mean that Netflix may lose exclusivity, which sent Netflix shares down 7.6% on the day. Meanwhile, **Miller Tabak** reiterated its neutral rating for Viacom with a \$51-55 price target; analyst *David Joyce* argued that "the cable network ratings-related advertising pressures make this the most-challenged programmer," adding that "we think there is downside risk due to lack of patience before a ratings-rebound helps the stock again." -- Investors cheered **Scripps Networks Interactive's** strong results on Thurs as the content company also beat, reporting \$115mIn in net income compared with \$101mIn in 1Q '11. Wall St also took comfort in topline gains, with consolidated revenue rising 11% to \$535mIn based on strong advertising rev of \$356mIn (up 10% YoY) and license fee rev of \$168mIn (up 16% YoY). Shares advanced 7.5% to \$54.53 on Thurs. "The competitive advantage we've established for ourselves in the home, food and travel content categories underpins the company's continued growth and the value we're creating for our shareholders," said chmn/pres/CEO *Kenneth Lowe* in a release. Indeed, revenue is up at just about all of Scripps' cable nets: **Food** (\$199mIn, up 14%); **HGTV** (\$186mIn, up 8.4%); **Travel** (\$66.6mIn, up 7.4%); **DIY Network** (\$27.6mIn, up 18%); and **Cooking Channel** (\$19.8mIn, up 30%). **GAC**, however, reported \$5mIn in revenue, down 23%, and Lowe told analysts on the Thurs earnings call that the net remains "under construction... This one is probably going to require just a little bit more time to see how this country lifestyle format develops. But right now, we're very optimistic." Scripps also bought back 5.5mIn shares valued at \$250mIn in 1Q, part of a \$1bn buy-back plan. **Miller Tabak** reiterated its 'neutral' rating.

Deal: Discovery Comm on Thurs announced a deal to acquire San Fran-based digital video provider **Revision3**. "With Revision3's industry-leading management team and roster of great talent, we look forward to cultivating more original content and fresh personalities that resonate with passionate communities online and across all platforms, while enhancing our innovative marketing solutions for advertising partners," said Discovery chief digital officer *JB Perrette*. With more than

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23mln monthly uniques across 27 digital channels, Revision3's tech and distribution platform powers production, monetization and distribution of video content in areas such as tech, cooking and popular science. **Paul, Weiss, Rifkind, Wharton & Garrison LLP** advised Discovery; Revision3 was advised by **RBC Capital Markets** and **Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP**. Parties expect the transaction to close on or before June 1.

Carriage: International Media Distribution and News Corp's STAR TV inked a deal for carriage of **STAR India PLUS, STAR India GOLD, Life OK, and STAR India NEWS** on select **Time Warner Cable** systems.

Research: Nielsen's Q4 2011 Cross-Platform Report finds that traditional TV continues to be the center of consumer viewing habits. The average American watches about 5 hours of video a day, and 98% of it is watched through a TV set. This past year, the amount of homes with an HDTV increased by more than 8mln to 80.2mln, and live and timeshifted TV viewing accounts for more than 33 hours a week—even though time spent declined 0.5% compared to 4Q '10. The report also found that game consoles occupy 45% of TV homes, up 3% compared to last year. Additionally, mobile video consumption is increasing: 33.5 million mobile phone owners now watch video on their phones, up 35.7% from last year.

CableFAX Daily Stockwatch

Company	05/04 Close	1-Day Ch	Company	05/04 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	49.30	(0.53)	CLEARWIRE:	1.55	0.02
DISH:	32.61	0.48	CONCURRENT:	3.58	(0.12)
DISNEY:	43.81	0.27	CONVERGYS:	13.01	(0.26)
GE:	19.61	(0.16)	CSG SYSTEMS:	16.46	0.49
NEWS CORP:	19.99	(0.19)	ECHOSTAR:	28.85	0.14
MSOS					
CABLEVISION:	13.54	(1.16)	GOOGLE:	611.02	3.76
CHARTER:	62.35	0.11	HARMONIC:	4.51	(0.12)
COMCAST:	30.36	(0.06)	INTEL:	28.56	(0.41)
COMCAST SPCL:	29.96	(0.01)	JDSU:	11.59	(0.45)
GCI:	7.28	(0.2)	LEVEL 3:	25.49	1.23
KNOWLOGY:	19.44	0.01	MICROSOFT:	31.76	(0.04)
LIBERTY GLOBAL:	50.21	0.13	MOTOROLA MOBILITY:	38.40	(0.41)
LIBERTY INT:	18.72	(0.4)	RENTRAK:	18.32	(0.54)
SHAW COMM:	19.93	(0.4)	SEACHANGE:	8.50	(0.19)
TIME WARNER CABLE:	80.85	(0.77)	SONY:	15.52	(0.21)
VIRGIN MEDIA:	23.28	(0.58)	SPRINT NEXTEL:	2.48	(0.09)
WASH POST:	376.15	(0.72)	THOMAS & BETTS:	71.88	UNCH
PROGRAMMING					
AMC NETWORKS:	44.56	0.71	TIVO:	10.91	(0.04)
CBS:	34.06	(0.13)	UNIVERSAL ELEC:	16.82	0.07
CROWN:	1.49	(0.04)	VONAGE:	1.87	(0.03)
DISCOVERY:	55.13	0.96	YAHOO:	15.40	(0.27)
GRUPO TELEVISIA:	21.74	(0.41)	TELCOS		
HSN:	37.95	(0.95)	AT&T:	33.11	0.07
INTERACTIVE CORP:	50.47	0.11	VERIZON:	40.64	0.04
LIONSGATE:	11.90	(0.21)	MARKET INDICES		
LODGENET:	2.22	(0.05)	DOW:	13206.59	(61.98)
NEW FRONTIER:	1.60	0.01	NASDAQ:	3024.30	(35.55)
OUTDOOR:	7.16	(0.14)	S&P 500:	1391.57	(10.74)
SCRIPPS INT:	54.53	3.79			
TIME WARNER:	36.98	(0.31)			
VALUEVISION:	1.54	(0.07)			
VIACOM:	52.59	1.54			
WWE:	8.90	1.06			
TECHNOLOGY					
ADDVANTAGE:	2.46	0.06			
ALCATEL LUCENT:	1.47	(0.04)			
AMDOCS:	31.07	(0.15)			
AMPHENOL:	56.70	(1.26)			
AOL:	24.52	(0.46)			
APPLE:	581.82	(4.16)			
ARRIS GROUP:	12.82	(0.14)			
AVID TECH:	8.08	(0.1)			
BLNDER TONGUE:	1.20	0.03			
BROADCOM:	35.99	(0.9)			
CISCO:	19.72	(0.12)			



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PROGRAMMER'S PAGE

A Jane of All Trades

Actress Jane Seymour, perhaps best known for her TV role as “Dr. Quinn Medicine Woman,” has a long history with **Hallmark**. She has been in 3 Hallmark movies in the past 3 years, the most recent being “Lake Effects,” premiering Sunday May 6 at 8pm on **Hallmark Movie Channel** (see review below). **CableFAX** caught up with Seymour this week. **How would you characterize your relationship with Hallmark?** I always think of it as being a channel that’s really important to me. And the reason why is that of all the channels, it’s one where you absolutely know what you’re going to get. You know it’s going to feel good, it’s going to provoke you into thinking about things, and you’ll probably have a roller coaster ride at the end of it. You’ll have a good, warm feeling about life and a positive attitude towards what’s going on. **What did you like about this role?** [It’s about] the idea that just because you’re successful and make more money or are in a high-powered job doesn’t make you a better person. [It’s about] how important is family, and what are your connections and what are the truths you carry with you your whole life that maybe aren’t the truth at all. **Do you enjoy playing a broad range of characters?** Every time someone thinks they’ve pigeonholed me I get to surprise people. I’m really fortunate. I’ve had a career from ingénue all the way through leading lady to now character roles. **And your favorite role?** I have favorites for different reasons. [The film] *Somewhere in Time* will always be a special moment for me because of my relationship with *Chris Reeve*, and it was just a beautiful movie. Obviously “Dr. Quinn” is very special to me because I got to be there for 7 years. *War and Remembrance* is very special to me because my parents both survived World War II and there were a lot of elements that were very close to home, and it was very cathartic. *KH*

Reviews: “Lake Effects,” Sun, 8p, **Hallmark Movie Channel**. It’s predictable, but it’s also one of the better HMC offerings we’ve seen. It helps that the lake in question is a character in the story and the scenery is gorgeous, shot entirely in the community of Smith Mountain Lake in southern VA. When the city vs country story sags, enjoy the ensemble of *Jane Seymour*, *Madeline Zima*, *Ben Savage* and “NCIS” alum *Scottie Thompson*. And have you wondered what happened to “Bull” of “Night Court”? This film’s got the answer. – “Treasure Island,” Sat, 7p, **Syfy**. We have another tale where water dominates and the landscape is idyllic. The similarities with Hallmark’s *Lake Effects* (reviewed above) end there, however, in this 4-hour, swashbuckling saga of treasure, greed and youthful courage. Purists may blast this interpretation on *Robert Louis Stevenson’s* original, but even they can’t quibble with *Eddie Izzard* as the evil cook Long John Silver and *Philip Glenister*, *Elijah Wood*, *Toby Regbo* and *Donald Sutherland* along for the journey. – “Iron Men,” premiere, Tues, 9p ET, **Weather**. This docu series about NYC iron workers seems less related to extreme weather than the net’s “Ice Pilots” or even “Coast Guard Alaska.” Still, it’s an entertaining look at iron workers and some of the camera work is particularly strong.

Basic Cable Rankings (3/26/12-4/29/12)			
Mon-Sun Prime			
1	USA	2.2	2167
2	DSNY	1.6	1595
3	FOXN	1.5	1429
4	HIST	1.4	1430
4	TBSC	1.4	1389
4	ESPN	1.4	1338
7	TNT	1.3	1310
8	A&E	1.1	1083
9	FX	1	975
9	DSE	1	69
11	FOOD	0.9	916
11	ADSM	0.9	911
11	SYFY	0.9	892
11	HGTV	0.9	884
11	DISC	0.9	853
11	LIFE	0.9	849
11	FAM	0.9	831
11	NKJR	0.9	633
19	BRAV	0.8	782
19	AMC	0.8	779
19	TLC	0.8	758
22	TRU	0.7	677
22	CMDY	0.7	674
22	MTV	0.7	654
22	MSNB	0.7	628
22	BET	0.7	598
22	ID	0.7	530
28	NAN	0.6	639
28	TVLD	0.6	626
28	SPK	0.6	625
28	APL	0.6	534
32	VH1	0.5	497
32	HALL	0.5	469
32	LMN	0.5	442
32	NGC	0.5	416
32	NBCS	0.5	384
37	CNN	0.4	421
37	ESP2	0.4	404
37	EN	0.4	393
37	OXYG	0.4	337
37	H2	0.4	256
37	NKTN	0.4	238
43	HLN	0.3	332
43	TRAV	0.3	312
43	DXD	0.3	274
43	OWN	0.3	233

*Nielsen data supplied by ABC/Disney



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