

CableFAX Daily™

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What the Industry Reads First

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7th Inning Stretch: Busy 1Q Week Ahead for DBS, Cable & Programmers

First quarter reporting season is at its mid-point. Several operators and programmers are finished, but several more are on deck. On Tues, **DirectTV** steps up to the plate, with Wall St predicting earnings of \$1.06/share, down slightly from 1Q12's \$1.07. "We believe that a maturing Pay-TV market in the U.S. coupled with tough competition from cable MSOs... remain the biggest challenge for DirecTV," said **Zacks Investment Research**. Also at bat Tues is **Charter**, which reports its first results since **Liberty Media's** \$2.6bln purchase of a 27% stake in the company. In addition to color on *John Malone's* involvement, look for some probing on programming costs. "We expect Charter to improve its video pricing power and video revenue, as, for example, it improves the video experience for users through more high definition channels and an improved user interface," Moody's said, pointing to the skills of newish CEO *Tom Rutledge*. Overall, **Macquarie Capital's** *Amy Yong* sees distributors putting an increased emphasis on subscriber retention rather than increasing acquisition costs through aggressive discounts. "This slight shift in strategy underpins our more cautious view of the industry. While we remain constructive on pay TV names, we see little room for further expansion unless there's a significant uptick in housing/pricing power," Yong wrote in a research note. On the programmer side, **Discovery** releases results Tues, with **Bernstein Research** on the lookout for any acceleration in affiliate fees. It expects "another well-rounded" quarter for **Disney**, with pricing for deals signed with 7 of the top 10 distributors last year having taken effect Jan 1 (Disney reports after the bell Tues). **News Corp** results Wed should focus heavily on cable, especially now that the upcoming launches of **Fox Sports 1** and **FXX** are official. **Cablevision**, **DISH** and **AMC Networks** are among those reporting Thurs. **Sprint** and **Clearwire** will dominate analyst questions during DISH's call (see below), while Cablevision may face questions on *Kristin Dolan's* expanded role. As for AMCX, **S&P** raised its 12-month price target by \$10 to \$72, citing ratings and its outlook for upfronts and affiliate renewals. Barring any surprises, Bernstein said the trends for the programmer are "terrific."

Deals: **Outdoor Channel's** board has deemed **InterMedia's** \$9.75/share offer a "superior proposal" to its merger agreement with **Kroenke Sports & Ent**. If Kroenke doesn't propose a better offer by 5pm Thurs, Outdoor intends to terminate the agreement and pay KSE a break-up fee of \$1mln. No word on a shareholder vote date in this nail-biter...

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PROGRAM AWARDS

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From the most outstanding cable programs to the best surprise ending, the annual CableFAX Program Awards honor the best in cable programming, content and people. This unique awards program from the industry's most trusted brand, CableFAX, raises the bar on what's good on and about cable. Now's your chance to win a CableFAX Program Award and get recognized for bringing value to your viewers.

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In the Courts: This time **Aereo** is the plaintiff. Having lost its preliminary injunction motion in the 2nd Circuit, **CBS** has threatened to file suit against Aereo in each jurisdiction where the streaming TV service launches. So, Aereo filed a suit of its own against CBS Mon seeking declaratory judgment that the use of its tech doesn't violate copyright laws. Right now, Aereo is only available in NYC, but it plans to launch in Boston later this month, followed by additional cities.

Advertising: The **FTC** voted unanimously to keep the July 1 date for implementation of the updated Children's Online Privacy Protection (COPPA) rule. Various industry organizations, including the **Direct Marketing Assn**, **MCAA**, **NAB** and **ANA** had asked the Commission to reconsider the date for the new rules, which were announced in Dec. The FTC's changes mean that photos, video and geolocation info can't be collected without parental notice and consent. COPPA is for Websites and online services that are directed at children under 13 or that knowingly collect personal info from kids. Other updates include closing a loophole that allowed kid-directed apps and Websites to permit 3rd parties to collect personal info from kids through plug-ins, without parental consent. DMA and the other groups asked that the changes take effect Jan 1, saying that the final version of rules considerably expanded the data elements that are considered to be "personal information." "For products already on the marketplace, determining how to retool and update software, and then pushing those software updates to market, is a time consuming process," they said. "Making large-scale changes to products already in development presents an enormous challenge to the business community, especially in light of the many questions about implementation that remain regarding the COPPA Rule."

M&A: Sorry **DISH**... **Clearwire** prefers **Sprint**. For now. In a letter to shareholders, Clearwire said Sprint's proposed transaction provides "the best strategic alternative for Clearwire's minority stockholders, representing fair, attractive and certain value," given the company's "limited alternatives and the well-known constraints of its liquidity position." Sprint, majority owner of Clearwire, is looking to buy the remaining stake in a \$2.2bln deal. The deal represents a total Clearwire "enterprise value" of around \$10bln, including net debt and spectrum lease obligations of \$5.5bln, the letter said. Other offers, including one from DISH, remain under evaluation, a spokesman said. DISH, which is offering to buy Clearwire for \$3.30 per share, proposed a separate purchase of Sprint itself, following Japanese carrier **Softbank's** bid. **New Street Research** analysts expect rival bidder **Softbank** to improve its offer. As for DISH, its options are unchanged if it loses, the analysts said, citing the company's strong spectrum position. The value of DISH will increase if it can secure more spectrum from Clearwire or LightSquared, they said. The bottom line is "we don't expect DISH to win the contest for Sprint; however, we like their strategic position." Clearwire will hold a special meeting of stock holders to vote on the Sprint proposal May 21.

Earnings: Mediacom Broadband grew its revenue in 1Q by 1.8% YOY to \$225.3mln. It added 21K net new primary service units vs a net gain of 25K PSUs in the same period last year. Mediacom reported \$171mln in revenue, a 1.4% increase YOY. Net quarterly PSU additions were 12K vs 16K in the prior year period. -- **Cable One** reported 588,180 basic video subs at the end of 1Q vs 622,339 subs in the same period last year. It added 4,491 Internet subs and 1,189 voice subs during the quarter. Overall, the company increased its revenue by 5% YOY to \$200mln thanks to rate increases. Operating income was up 12% YOY to \$36.6mln, due to increased revenues, partially offset by higher programming and depreciation costs.

Rumor Mill: **YouTube** reportedly will announce a subscription service this week. It will offer subscription channels for children's programming, entertainment, music and other topic areas. According to reports, some channels will cost approx \$1.99 a month.

Research: Despite a hefty price and being called an "overbuilder" by some cable execs, the Kansas City locals seem to be somewhat jazzed about the idea of **Google Fiber**, at least according to **Bernstein Research's** "door-to-door fiberhood survey." Citing "extremely high awareness" and "very high purchase intent," the survey of more than 200 HHs said most of those likely to use Google Fiber intend to sign up for bundled broadband and pay-TV (\$120 per month). In addition, lack of a voice offering doesn't seem impede adoption, found the survey, which predicts Google will reach approx 15% of homes passed "very fast" and may reach higher penetrations over time. Meanwhile, if the service and prices offered by Google are equivalent or better, demand for

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1Gbps might increase over time.

Programming: TLC “redneckog-nized” the solid ratings of “Here Comes Honey Boo Boo” and will air new eps starting July 17 at 9pm. -- TLC’s “Randy to the Rescue” returns May 31 at 9pm. -- Season 3 of FX’s original comedy series “Wilfred” premieres June 20 at 10pm. -- Iconic series “Cops” moved from Fox to Spike, with new eps debuting in Sept. -- Fox Sports imported Canadian sports anchor team Jay Onrait and Dan O’Toole. They will be the primary highlight team for Fox Sports Live, FOX Sports 1’s flagship news, opinion and highlights program airing nightly at 11pm. The show premieres in conjunction with the net’s launch on Aug 17.

People: Anna Gomez, an FCC vet and deputy assistant sec for communications and information at NTIA, is now a partner in the communications practice at Wiley Rein. -- NBCU upped longtime exec Maureen Murphy to svp, E! and Esquire Network ad sales. She will report to Laura Molen, evp, cable ad sales, NBCU. -- Longtime Bernstein Research cable/telecom analyst Craig Moffett formed Moffett Research, an equity research firm in telecom, cable and satellite. Cable/satellite coverage will start in early June in preparation for the Cable Show, with telecom coverage starting later in the month.

CableFAX Daily Stockwatch

Company	05/06 Close	1-Day Ch	Company	05/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	57.96	0.07	CONVERGYS:	17.48	(0.09)
DISH:	39.98	0.30	CSG SYSTEMS:	21.16	(0.02)
DISNEY:	65.06	0.26	ECHOSTAR:	39.90	0.13
GE:	22.59	0.02	GOOGLE:	861.55	15.83
NEWS CORP:	32.08	0.06	HARMONIC:	5.84	0.12
MSOS					
CABLEVISION:	15.07	(0.2)	INTEL:	23.91	(0.05)
CHARTER:	105.03	0.42	JDSU:	13.74	0.42
COMCAST:	42.78	0.24	LEVEL 3:	22.65	1.14
COMCAST SPCL:	40.82	0.34	MICROSOFT:	33.75	0.26
GCI:	9.79	0.11	RENTRAK:	23.80	0.55
LIBERTY GLOBAL:	75.18	0.20	SEACHANGE:	11.00	0.03
LIBERTY INT:	21.69	0.29	SONY:	17.12	(0.04)
SHAW COMM:	22.85	0.04	SPRINT NEXTEL:	7.20	0.05
TIME WARNER CABLE:	96.23	(0.11)	TIVO:	11.91	0.06
VIRGIN MEDIA:	50.20	0.11	UNIVERSAL ELEC:	24.19	0.36
WASH POST:	448.17	(0.38)	VONAGE:	2.83	(0.04)
PROGRAMMING					
AMC NETWORKS:	64.20	0.18	YAHOO:	25.17	0.10
CBS:	47.17	(0.23)	TELCOS		
CROWN:	2.04	(0.01)	AT&T:	37.09	(0.25)
DISCOVERY:	79.02	(0.19)	VERIZON:	52.03	(0.65)
GRUPO TELEVISIA:	25.37	(0.03)	MARKET INDICES		
HSN:	54.24	0.06	DOW:	14968.89	(5.07)
INTERACTIVE CORP:	49.26	1.04	NASDAQ:	3392.97	14.34
LIONSGATE:	26.15	0.23	S&P 500:	1617.50	3.08
OUTDOOR:	9.99	(0.01)			
SCRIPPS INT:	68.78	(0.53)			
STARZ:	24.06	(0.06)			
TIME WARNER:	60.64	0.21			
VALUEVISION:	3.98	(0.14)			
VIACOM:	68.13	0.14			
WWE:	9.18	(0.12)			
TECHNOLOGY					
ADVANTAGE:	2.35	(0.03)			
ALCATEL LUCENT:	1.31	(0.02)			
AMDOCS:	35.99	(0.25)			
AMPHENOL:	77.16	UNCH			
AOL:	41.01	0.67			
APPLE:	460.71	10.73			
ARRIS GROUP:	16.70	0.35			
AVID TECH:	6.86	(0.01)			
BLNDER TONGUE:	1.00	0.05			
BROADCOM:	36.17	0.11			
CISCO:	20.81	(0.02)			
CLEARWIRE:	3.40	0.02			
CONCURRENT:	7.58	(0.17)			

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