

# CableFAX Daily™

Thursday — May 8, 2008

What the Industry Reads First

Volume 19 / No. 089

## WhyMax?: Out of Pivot's Ashes Emerges Clearwire

Apparently former Pivot players **Comcast**, **Time Warner Cable** and **Bright House** haven't lost faith in either **Sprint** or wireless initiatives, as the triumvirate has officially joined **Google** and **Intel** as investors in an expected WiMax JV led by Sprint and **Clearwire**. The company will apply for NASDAQ listing of its common stock under the ticker "CLWR," and expects to offer mobile wireless Internet services on a broad array of new devices through a network deployment slated to cover from 120-140mln people in the US by the end of '10. Investments from Comcast (\$1.05bln), Intel (\$1bln), Time Warner Cable (\$550mln), Bright House (\$100mln) and Google (\$500mln) will earn the group an approx 22% stake in the new company (assuming a \$20 share price), with Sprint controlling 51% and existing Clearwire shareholders holding the remaining 27%. *Craig McCaw* is expected to serve as non-exec chmn of the co's board, and Sprint pres/CEO *Dan Hesse*, Comcast chm/CEO *Brian Roberts* and Time Warner Cable pres/CEO *Glenn Britt* are all expected to serve 1-yr dir terms. Sprint, Comcast, Time Warner Cable, and Bright House will become 4G providers of the mobile WiMAX service, and the MSOs and the new Clearwire will become bundled providers of Sprint's wireless voice and data services. "The agreements we're announcing today are a financially prudent way for us to add mobility to our offerings when our customers demand it," said Britt in a statement. **FCC** commish *Jonathan Adelstein* lauded the venture's opportunity "to provide consumers everywhere the benefits of a competitive, high-quality wireless broadband network." But **Pali** analyst *Rich Greenfield* said: "Given that the \$14.5bln implied valuation of the new company is significantly 'richer' than we anticipated, it reinforces the view that cable companies felt compelled to do something in wireless, with limited near-term options." Conversely, **Stifel Nicolaus** analysts called the announcement a "win-win for all parties involved" and gives cable MSOs "a relatively inexpensive option to provide wireless services to their customer base." **Mediacom's Rocco Commisso** is keen on the WiMax venture, telling analysts during the MSO's blowout earnings call that it's "just a matter of time before we get involved, as opposed to whether we will get involved." While MCCC didn't care much for the Sprint/Pivot venture, the WiMax enterprise would "give Mediacom the ability to achieve the same things that larger cable companies are able to do," he said.

**Heartland Happiness:** We're wondering if *Rocco Commisso* broke out the champagne Wed after **Mediacom** reported its first quarterly basic sub gain (2K subs) in 3 years and blew past analyst expectations. Shares soared more than 16% after MCCC reported results, which included the addition of 78K RGUs in the quarter, a 10% Y-over-Y gain in revenue to \$339.7mln, cash flow rising 17% to \$125.8mln and the raising of full-year company guidance for revenue (from 6-7% to 6.5-7.5%) and adjusted OIBDA (from 6-7% to 7-8%). **Soleil Securities** upped the stock to "Buy" from "Hold" Wed. **Miller Tabak** raised MCCC to "buy" from "neutral." All this, Commisso is quick to remind Wall St, comes while some

## VIEWERS THINK DISCOVERY CHANNEL IS JUST AWESOME!

# #1

High Quality  
Favorite Channel  
Having Original Programs/Series



Source: Beta Research Brand Identity Study, April 2008

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● fax:301/738-8453 ● Editor-in-Chief: Amy Maclean, 301/354-1760, amaclean@accessintel.com ● Exec Editor, Michael Grebb, 301/354-1790, mgrebb@accessintel.com ● Assoc Editor, Chad Heiges, 301/354-1828, cheiges@accessintel.com ● Asst VP, Ed Director, Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 240/753-5696, dvodenos@accessintel.com ● Advertising Mgr: Erica Gottlieb, 212/621-4612 ● Marketer: Doreen Price, 301/354-1793, dprice@accessintel.com ● Marketing Director: Carol Bray, 301/354-1763, cbray@accessintel.com ● Prod: Joann Fato, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Paul Maxwell/Columnist.Subs/Client Services: 301/354-2101, fax 301/309-3847 ● Group Subs : Angela Gardner, 757/531-1369, cfaxgroupsub@accessintel.com

were wringing their hands over potential sub defections because the MSO isn't carrying **Big Ten Network** or **NFL Net**. "We're going to stay firm" and not carry those nets at the price and conditions now being sought, Commisso said on an earnings call Wed. Evp, ops *John Pascarelli* said basic gains stemmed from higher perceived value of bundled packages. 43% of MCCC's sub base are in a bundle, and 84% of phone customers take the triple-play offering. By the end of June, Mediacom plans to have deployed a new 20Mbps downstream/2Mbps upstream HSD offering to more than 98% of its footprint, including some rural areas. "With the exception of a few markets where **Verizon** has launched **FIOS**, we are the first and only Internet service provider that will offer a super high-speed broadband product to essentially all of our customers," Commisso said. HSD adds for the Q totaled 30K, while digital gained 27K and phone added 19K.

**Competition:** Has pay-TV joined food, clothing and shelter as consumer staples amid a turbulent economy? Likely not, but it's a viable industry question following yet another excellent Q from **DirecTV**—including 275K net sub adds and 1.36% churn, a 10-year-low—and better-than-expected 1Q sub results from **Verizon**, **AT&T**, **Comcast**, **Time Warner Cable** and **Mediacom**. "We still have a unique position of leadership [in HD] and a real window to continue to drive it," said DirecTV pres/CEO *Chase Carey* in explaining the solid net adds, although he declined to comment on others' success in early '08. In the Q, **Qwest** added 50K net DirecTV subs, Verizon added approx 40K, and AT&T added a collective 116K DirecTV and **DISH** subs. **Sanford Bernstein** analyst *Craig Moffett* called the results "exceptionally strong" but added that such results may be "as good as it gets" because of a normally weak HDTV selling season and the loss of AT&T's distribution relationship ahead. But DirecTV's goal to raise up to \$2.5bln in debt to help pay for an enhanced \$3bln share buyback suggests bullishness, with Carey maintaining that "we have momentum in a lot of areas." Among them: 1Q represented the 3rd straight of ARPU growth greater than 8%; 7mln subs now receive advanced services, a 40% Y-over-Y increase; and capitalized hardware costs were 17% lower despite this growth. As for **FIOS TV** and AT&T, Carey said the former is "more of a competitive factor" and that AT&T still faces a protracted battle for video market share. "I think there's a ways to go before IPTV is a viable mainstream TV option for Americans," he said.

**Deals:** **Cablevision** shares closed up a little after it announced plans Wed to acquire **Sundance Channel** for \$496mln, primarily using 12.7mln shares of **GE** stock that its **Rainbow Media** subsidiary received through its sale of **Bravo** to **NBCU** 6 years ago. **Sanford Bernstein** called the price reasonable—especially when you factor in its tax-free nature. But **Pali's** *Rich Greenfield* pointed out a per sub price of about \$19 vs the \$12/sub multiple paid by **NBCU** for **Oxygen** and said the deal ups CVC's net debt by \$496mln (CVC will repay the monetized debt associated with the shares). No word from either side on the future of Sundance CEO *Larry Aidem*. Network founder *Robert Redford* will stay involved.

**DTV Doings:** All eyes were on Wilmington, NC, Wed, as word leaked out that the **FCC** plans to announce it will become the 1st media market in the US to switch to all-digital. The FCC scheduled a press conference for 2pm Thurs to make the announcement. No immediate word on why Wilmington will be the 1st to make the switch, though FCC chmn *Kevin Martin* is from NC. The idea is to use the market to test any potential problems when the nationwide switch occurs Feb 17. -- **NAB** pres/CEO *David Rehr* asked *George Bush* or vp *Dick Cheney* to appear in a DTV transition PSA as part of the executive branch and federal agencies taking a more active role in educating Americans about the upcoming transition. Other suggestions: display DTV transition posters in all US Post Offices, include an Internet link to DTV info on every govt agency Website, include flyers in govt checks and produce a DTV transition postage stamp.



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# BUSINESS & FINANCE

**Comcast Capful?** Comcast may cap the amount of bandwidth a consumer can use and charge usage fees for going over that amount. Reports first surfaced at **BroadbandReports.com**. Comcast told us it's "currently evaluating this service and pricing model to ensure we deliver a great online experience to our customers. We have not made any changes to our current service offerings and have no new announcement to make at this time." The idea on the drawing table would give users 250GB/month, and charge \$15 for each 10GB over the cap. A typical HSD sub uses 2GB data/month, Comcast said. The MSO changed its terms of service last year after users complained it was unclear what constituted excessive usage, but it still stopped short of setting an actual cap.

**Female Power:** *Lauren Zalaznick* has been named pres, **NBCU Women and Lifestyle Ent Nets**, and announced the launch of "Women@NBCU" while adding oversight of **iVillage** to her responsibilities. The content and marketing initiative seeks to connect advertisers with NBCU's female-skewing brands including **Bravo**, **Oxygen**, **iVillage** and **Green Is Universal**, as well as the "Today" show and **NBC** series "The Biggest Loser" and "Lipstick Jungle." Day-to-day sales efforts for the initiative will be handled by svp *Susan Malfa*, who currently heads **Bravo** and **Oxygen** ad sales.

## CableFAX Daily Stockwatch

Company	05/07 Close	1-Day Ch	Company	05/07 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	41.52	(1.26)	AMDOCS:	31.74	(0.59)
DIRECTV:	27.01	1.21	AMPHENOL:	47.01	(0.83)
DISNEY:	34.70	0.97	APPLE:	182.59	(4.07)
ECHOSTAR:	30.61	0.01	ARRIS GROUP:	8.01	(0.65)
GE:	32.57	(0.43)	AVID TECH:	21.07	0.21
HEARST-ARGYLE:	20.40	(0.05)	BIGBAND:	6.44	0.04
ION MEDIA:	1.45	0.00	BLNDER TONGUE:	1.45	0.05
NEWS CORP:	19.20	(0.25)	BROADCOM:	25.98	(0.63)
<b>MSOS</b>					
CABLEVISION:	23.75	0.06	CISCO:	25.78	(0.55)
CHARTER:	1.37	0.06	COMMSCOPE:	49.10	(0.37)
COMCAST:	21.57	(0.28)	CONCURRENT:	0.66	0.00
COMCAST SPCL:	21.15	(0.23)	CONVERGYS:	15.38	(0.38)
GCI:	6.03	(0.22)	CSG SYSTEMS:	12.50	(0.24)
KNOLOGY:	13.33	(0.7)	ECHOSTAR HOLDING:	31.19	(0.58)
LIBERTY CAPITAL:	15.79	(0.01)	GOOGLE:	579.00	(7.36)
LIBERTY ENTERTAINMENT:	27.00	0.45	HARMONIC:	7.97	0.26
LIBERTY GLOBAL:	36.34	0.22	JDSU:	11.33	(0.17)
LIBERTY INTERACTIVE:	15.58	(0.14)	LEVEL 3:	3.08	(0.15)
MEDIACOM:	5.31	0.75	MICROSOFT:	29.21	(0.49)
ROGERS COMM:	42.97	0.00	MOTOROLA:	9.89	(0.37)
SHAW COMM:	21.19	0.68	NDS:	51.05	(0.19)
TIME WARNER CABLE:	29.35	(0.06)	NORTEL:	8.31	(0.13)
VIRGIN MEDIA:	13.61	(0.22)	OPENTV:	1.39	0.10
WASH POST:	658.00	(1.2)	PHILIPS:	38.43	(0.49)
<b>PROGRAMMING</b>					
CBS:	24.55	(0.12)	RENTRAK:	13.81	(0.35)
CROWN:	4.45	(0.14)	SEACHANGE:	7.37	(0.22)
DISCOVERY:	23.41	(0.47)	SONY:	46.22	(1.08)
EW SCRIPPS:	45.81	(0.4)	SPRINT NEXTEL:	9.16	(0.03)
GRUPO TELEVISA:	25.25	(0.34)	THOMAS & BETTS:	34.94	(1.63)
INTERACTIVE CORP:	21.06	(0.39)	TIVO:	8.12	(0.27)
LIBERTY:	1.00	0.00	TOLLGRADE:	4.61	0.24
LODGENET:	5.83	(0.24)	UNIVERSAL ELEC:	25.55	0.47
NEW FRONTIER:	5.17	(0.06)	VONAGE:	1.88	0.00
OUTDOOR:	7.60	0.34	WEBB SYS:	0.05	0.00
PLAYBOY:	7.22	(0.27)	YAHOO:	25.64	(0.08)
TIME WARNER:	15.94	(0.37)	<b>TELCOS</b>		
UNIVISION:	36.23	0.00	AT&T:	38.82	(0.74)
VALUEVISION:	4.99	(0.12)	QWEST:	4.86	(0.1)
VIACOM:	38.34	(0.44)	VERIZON:	38.28	(0.61)
WWE:	16.30	(0.62)	<b>MARKET INDICES</b>		
<b>TECHNOLOGY</b>					
3COM:	2.48	(0.13)	DOW:	12814.35	(206.48)
ADC:	14.86	0.08	NASDAQ:	2438.49	(44.82)
ADDVANTAGE:	4.15	0.00			
ALCATEL LUCENT:	7.03	0.04			

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