

CableFAX Daily™

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What the Industry Reads First

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Garden Weeding: Cable Blooms, MSG Spin Option Buzzes

Thurs' news that **Cablevision** is considering spinning off its **Madison Square Garden** biz excited investors, with shares rising as much as 18%, ending the day up about 4.5%. Why all the fuss? Because spinning off the volatile MSG (which includes the Garden, **MSG** sports nets, the **Knicks**, **Rangers** and music net **FUSE**) could pump big value into CVC—75 cents into '10 FCF, estimates **Pali's Rich Greenfield**. The MSG assets could be worth in the neighborhood of \$1.5bln, some analysts said. It's also huge because it peels away layers of the CVC onion, making consolidation of the core telecom business much easier down the road, Greenfield said, though he added that he doesn't believe the ops are up for sale. **Time Warner Cable** and **Comcast** have always been considered likely suitors (making the recent federal appeals court arguments over an **FCC** rule preventing ops from having more than 30% of the multichannel universe even more significant; **CableFAX** broke the news last month that the rule prevented Comcast from pursuing a stake in another cable company, most probably **Charter**). Not surprisingly, Cablevision execs declined to discuss the spin possibility during Thurs' 1Q earnings call, leaving pundits to conjecture on whether CVC intends to sell MSG, hold it as a subsidiary or do nothing. Understandably all the attention Thurs went to MSG, but if you look at cable results, you'll find yet another operator with a strong 1Q showing. Digital video increased by 9K, with penetration surpassing 92%. Basics only declined by 6K. HSD increased by 30K, while voice added 51K subs. Also notable, **Verizon** added just 40K new passings in Cablevision's footprint during the Q—the slowest pace since CVC began tracking this data 4 years ago, COO **Tom Rutledge** said. Another big takeaway is that capital intensity for the cable biz likely dropped below 10% this Q adjusting for capex associated with the WiFi build-out, **Sanford Bernstein's Craig Moffett** told clients. Rutledge said they expect the level to decline even further as set-tops have been the biggest expenditure, and now those boxes reach most customers. Cablevision earned \$20.2mln vs a loss of \$31.6mln a year ago. Revenue rose to \$1.9bln from \$1.7bln. Net revenue for **AMC**, **WE** and **IFC** grew 8.7% YOY to \$194mln, while AOCF increased 14.4% to \$84.9mln.

DirectTV 1Q: The DBS op continues to blaze operationally, posting a 4-yr high in net sub adds (460K) and a 10-yr low in churn (1.33%). The sub number represents a 67% YOY increase and 53% sequential growth. Among the reasons for the impressive sub gains and low churn was a "solid start" to **DirectTV's** sales relationship with **AT&T** that kicked off Feb 1,

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said pres/CEO *Chase Carey*, and a greater positive effect than expected from the DTV transition. One-fifth of the DBS op's 1.18m gross sub adds stemmed from telco channels. It appears cable has largely sidestepped any material impact from DirecTV's customer surge—**Time Warner Cable**, **Comcast**, **Charter** and **Cablevision** all performed well in 1Q—likely leaving **DISH** to bear the brunt. DirecTV's "results suggest a much healthier pay TV market than anyone anticipated," said **Sanford Bernstein** analyst *Craig Moffett*, "but still likely a very grim result for Dish Network, which is once again likely to be the odd-man-out." Meanwhile, slowing ARPU growth detracted from the glowing metrics. Carey said aggressive discount offers, a decline in premium net penetration, PPV declines and soft ad sales contributed to the decline. Going forward, Carey said the company has "real legs left in HD," and '09 sub add estimates have been raised by more than 150K, to more than 1m. DirecTV's growth, however, may reach its apogee this year, said Moffett. "Without a broadband answer to the telcos and cable, growth expectations beyond next year or so look suspect," he wrote.

Charter's Pleased: **Charter** posted strong 1Q results as it works to move quickly through bankruptcy. 1Q revenue rose 6.3% YOY to \$1.66bn as phone subs rose by 74K (revenues for the unit increased 40% to \$169m) and HSD subs climbed by 72K. Digital video adds totaled 25.6K; basic losses weren't too bad at 22K. Charter's net loss was \$205m, down from a loss of \$359m last year. "Our organization is nimble, and we've adjusted to market conditions, achieving efficiencies while remaining committed to investing in new products and improving service that deliver value to our customers," pres/CEO *Neil Smit* said in a statement. Adjusted EBITDA rose to \$616m, up 13% compared to the year-ago period.

Crown: The news of *Henry Schleiff's* departure still fresh, **Crown Media** reported flat 1Q rev of \$71m, including a 10% increase in sub fee rev to \$15.3m and a 2% dip in ad rev to \$55.3m. Sequentially, ad rev fell 8%. "Ad spending is still there," new pres/CEO *Bill Abbott* told *Cfax*, adding that the ad market appears to have "bottomed out." A rebound there plus distribution growth, particularly at **Hallmark Movie Channel**, will be key in helping Crown improve its debt-dominated balance sheet, said Abbott. Flagship net **Hallmark Channel** continues to post solid ratings, delivering historical 1Q bests in prime for women 18-49/25-54 and 25-54s. For additional insight from Abbott, see **Programmer's Page** on page 4.

Competition: **Qwest** now offers its broadband customers free unlimited access to approx 17K WiFi hotspots across the country, including at certain **Starbucks** and **McDonald's** locations. The hotspots are part of **AT&T's** network. -- On May 17, **Verizon** will bow a mobile WiFi device allowing customers to access the telco's mobile broadband network with up to 5 WiFi-enabled devices such as cameras, gaming devices and portable media players.

Earnings: **WWE** reported a 4% increase in 1Q TV rights fees rev to \$24.9m, yet rev for **WWE 24/7 Classics On Demand** dipped 6% to \$1.5m and live event (-27%) and PPV (-67%) revs also fell, contributing to a 36% decline in rev to



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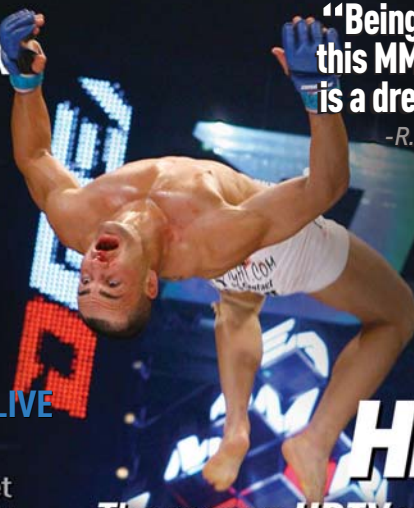
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\$64.1mln for the company's overall live and televised ent segment. Notable, however, was the staging of the popular **WrestleMania event** in 2Q (Apr 5) instead of in 1Q as last year, as the '09 iteration became the highest-grossing event in WWE history, attracting more than 70K fans and approx 1mln PPV buys. In '08, WrestleMania contributed approx \$31.3mln in rev. Digital rev decreased by 15% and WWE's net income fell 47% to \$10.3mln.

Programming: **Adult Swim** launches new original "Titan Maximum" from the creators of "Robot Chicken," the net's most popular series (fall debut). -- **VH1** greenlit "Tough Love" for a 2nd season that will bow in 4Q. Season 1 of the dating boot camp for women averaged 1.9mln total viewers per ep. -- Part of **GE's** \$6bln bid to lower healthcare costs, **NBCU** committed to create content specifically designed to inform its audience about health and wellness-related issues. Included is a daily **MSNBC** program that launches in Jun, anchored by **NBC News'** chief medical editor *Nancy Snyderman*. -- **GoITV** kicks off Sun (5pm ET) its exclusive coverage of Brazil's elite natl club soccer league.

People: *Greg Neal* is leaving his branding and consulting company, **Supertex Studios**, to become vp, creative dir of marketing for **OWN: The Oprah Winfrey Net**. He previously worked at **Scripps Nets**, where he is credited with the '06 rebrand of Food Net.

CableFAX Daily Stockwatch

Company	05/07 Close	1-Day Ch	Company	05/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	28.73	(1.11)	AMPHENOL:	32.29	(1.61)
DIRECTV:	24.08	(0.25)	APPLE:	129.06	(3.44)
DISH:	14.58	(0.54)	ARRIS GROUP:	10.50	(0.25)
DISNEY:	25.33	(0.54)	AVID TECH:	12.40	0.03
GE:	13.96	0.29	BIGBAND:	5.13	(0.48)
HEARST-ARGYLE:	4.47	(0.05)	BLNDER TONGUE:	1.20	(0.01)
NEWS CORP:	10.77	0.12	BROADCOM:	22.70	(1.9)
MSOS					
CABLEVISION:	19.15	0.82	CISCO:	18.95	(0.66)
COMCAST:	15.69	(0.31)	CLEARWIRE:	5.99	(0.16)
COMCAST SPCL:	14.77	(0.22)	COMMSCOPE:	25.15	(1.41)
GCI:	7.72	0.07	CONCURRENT:	4.15	(0.32)
KNOLOGY:	8.06	0.37	CONVERGYS:	9.69	(0.41)
LIBERTY CAPITAL:	12.59	(1.19)	CSG SYSTEMS:	13.74	(0.26)
LIBERTY ENT:	25.60	(0.25)	ECHOSTAR:	17.08	(0.38)
LIBERTY GLOBAL:	16.39	(0.59)	GOOGLE:	396.61	(6.86)
LIBERTY INT:	6.71	(0.11)	HARMONIC:	5.70	(0.3)
MEDIACOM:	5.09	(0.66)	INTEL:	15.77	(0.35)
SHAW COMM:	16.51	0.08	JDSU:	4.89	(0.3)
TIME WARNER CABLE:	34.73	1.02	LEVEL 3:	1.15	(0.03)
VIRGIN MEDIA:	7.35	(0.46)	MICROSOFT:	19.32	(0.47)
WASH POST:	353.60	8.88	MOTOROLA:	6.22	(0.09)
PROGRAMMING					
CBS:	8.06	0.08	NDS:	62.93	0.00
CROWN:	2.99	(0.14)	OPENTV:	1.50	0.03
DISCOVERY:	20.09	(0.91)	PHILIPS:	19.26	(0.63)
EW SCRIPPS:	1.69	(0.12)	RENTRAK:	10.09	0.09
GRUPO TELEVISA:	17.12	(0.72)	SEACHANGE:	6.37	(0.16)
HSN:	8.40	1.20	SONY:	27.25	(0.49)
INTERACTIVE CORP:	15.86	(0.11)	SPRINT NEXTEL:	5.22	(0.14)
LIBERTY:	26.77	(1.12)	THOMAS & BETTS:	31.56	(0.69)
LODGENET:	4.39	(0.05)	TIVO:	8.00	0.35
NEW FRONTIER:	2.07	0.01	TOLLGRADE:	5.10	(0.42)
OUTDOOR:	7.27	(0.22)	UNIVERSAL ELEC:	21.70	1.72
PLAYBOY:	3.12	(0.23)	VONAGE:	0.56	0.08
RHI:	3.24	(0.14)	YAHOO:	14.80	(0.05)
SCRIPPS INT:	29.76	(0.53)	TCLCOS		
TIME WARNER:	24.74	(0.22)	AT&T:	25.45	(1.24)
VALUEVISION:	0.62	(0.06)	QWEST:	4.55	0.03
VIACOM:	22.53	(0.59)	VERIZON:	29.86	(0.9)
WWE:	11.00	(0.72)	MARKET INDICES		
TECHNOLOGY					
3COM:	4.03	(0.02)	DOW:	8409.85	(102.43)
ADC:	7.54	(0.47)	NASDAQ:	1716.24	(42.86)
ADVANTAGE:	1.83	0.00			
ALCATEL LUCENT:	2.57	(0.23)			
AMDOCS:	20.97	(0.7)			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Making His Mark

Bill Abbott assumed the **Crown Media** scepter Wed, pleased with the future prospects of **Hallmark Channel** and **Hallmark Movie Channel**. Abbott's gleaming coronet may be jostled quite a bit in '09, though, as the ad market remains jarring and Hallmark Channel, already in more than 86mln homes, owns little room for distribution growth. Fortunately, Hallmark Movie Channel has plenty of room to run, and as former evp, ad sales, Abbott has important experience in advertising. Look for Hallmark Movie's distribution to "ramp up quickly in the next 8-10 months," said Abbott, noting that a couple of deals are in place to nearly double the net's homes by 1Q10, to 30mln. The net "has been very well received by distributors and advertisers," he said, and affil deals for it and Hallmark are locked up for some time, so related rev will be consistent. Desired growth in ratings and distribution at Hallmark, which like Movie skews 60% female, will at least initially stem from a continued focus on original movies. "Right now the channel is still growing... and we've had such resounding success with movies that it's very hard to change what's working," said Abbott. Indeed, Hallmark delivered a historical 1Q among several key demos in prime including 25-54s (yes, the net is attracting more men). He did allow, however, that the company's watching closely the success myriad cable nets are having with original series, and hasn't ruled that genre out. As for the ad market, "we just have to get through the next 2, 3, 4-month period because there's so much negativity out there," said Abbott. Unclaimed inventory will be sold in the scatter market, he said, which next year will be "significantly higher" as advertisers currently hold back money as caution reigns. Now, too, does Abbott at Crown, ready to make his own mark. He faces challenges, no doubt, but is armed with a respected brand. *CH*

Highlights: "The Alzheimer's Project," Sun-Tues, **HBO**. When HBO's legendary doc chief *Sheila Nevins* presented to the DC press extended clips from "The Alzheimer's Project," she said "hope" was the message of this multi-platform event. Yet by the end, no scribe's eye was dry. So as I did my own full screening, I searched for hope. It's there, but only in the 2 fine films (8pm, Mon and Tues) about the science behind Alzheimer's and potential cures. The other 2 films are terrific, yet appropriately emotional first-person looks at Alzheimer's' diverse manifestations (Sun, 9pm) and the caregivers, especially youngsters caring for grandparents (Mon, 7:30pm). This last movie is based on *Maria Shriver's* book that explains Alzheimer's to kids. Bravo to Nevins and HBO for their public service and cable ops who'll make the premium channel available free to subs. *SA*

Worth a Look: "Sandra's Money Saving Meals," Sun, premiere, noon, **Food**. Oh, the irony. *Sandra Lee's* frugal series premieres as we're spending big \$ for Mother's Day meals out. -- "Samantha Brown's Great Weekends," premiere, Tues, 10pm, **Travel**. A coincidence that Sam visits Philly and Comcast's HQ in ep 2 (10:30pm)? Well, it is impressive. -- "Mistresses," season finale, Fri, 9pm, **BBCA**. Cable's best guilty pleasure, gets, um, guiltier. *SA*

Basic Cable Rankings			
(4/27/09-5/03/09)			
Mon-Sun Prime			
1	TNT	2.6	2575
2	USA	2.2	2165
3	DSNY	1.9	1812
4	FOXN	1.7	1638
5	NAN	1.3	1286
6	TBSC	1.2	1210
7	DISC	1	993
7	FX	1	992
7	A&E	1	964
10	HIST	0.9	916
10	ESPN	0.9	897
10	TOON	0.9	896
10	HALL	0.9	755
14	HGTV	0.8	777
14	FOOD	0.8	772
14	TRU	0.8	771
14	CNN	0.8	766
14	SCIF	0.8	758
14	AMC	0.8	745
20	CMDY	0.7	728
20	VH1	0.7	718
20	SPK	0.7	709
20	MSNB	0.7	669
20	TLC	0.7	661
20	LIFE	0.7	650
20	FAM	0.7	637
20	TVLD	0.7	630
20	LMN	0.7	504
20	NOGG	0.7	457
30	MTV	0.6	593
30	BET	0.6	549
30	BRAV	0.6	512
33	HLN	0.5	479
34	APL	0.4	430
34	EN	0.4	411
34	ESP2	0.4	376
34	VS	0.4	332
34	NGC	0.4	276
34	SOAP	0.4	269
40	CMT	0.3	308
40	TRAV	0.3	297
40	WE	0.3	251
40	OXYG	0.3	246
40	WGNA	0.3	239
40	GSN	0.3	229
40	DHLT	0.3	196

*Nielsen data supplied by ABC/Disney

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