

# CableFAX Daily™

Friday — May 9, 2008

What the Industry Reads First

Volume 19 / No. 090

## Repeat Performance: CVC Unveils WiFi Strategy, Strong 1Q Numbers

Yawn. Another day, another MSO surpassing Wall St expectations. **Cablevision** had more to offer Thurs than strong 1Q results, however. The MSO revealed plans to build out a Wi-Fi network that will be free for all its Optimum Online HSD users. "We think that value proposition in the triple-play will allow us to continue to grow the business rapidly," said COO *Tom Rutledge*. CVC plans to charge non-customers, but hasn't decided on pricing yet. According to Rutledge, about half of Cablevision's customers have WiFi routers in the home. With the proliferation of iPhones, WiFi-capable iPods, Blackberries, etc, CVC thinks it can offer a lot of value by creating a relatively inexpensive network. Rutledge estimated the cost at \$70/home passed or \$100/sub. CVC's already begun building the network and has offered WiFi in more than a dozen communities, including Westport, CT, for years. One of the reasons behind the expanded rollout is Cablevision's HSD penetration. "The majority of homes in our footprint now subscribe to Optimum Online. We're the first broadband provider, I think, to reach this milestone," he said. For 1Q, Cablevision added 61K subs, up 10.7% from Mar '07. Like **Time Warner Cable** and **Mediacom**, it actually added basic subs—2K, to be exact. "With video penetration already the highest in the country (68%), and with Verizon now offering FiOS in nearly 30% of Cablevision's footprint, the notion that Cablevision continues to eke out positive subscriber growth—quarter after quarter—is extraordinary," **Sanford Bernstein** told clients Thurs. And execs didn't seem too anxious about Verizon this year, with Rutledge saying that the ramp for FiOS will be less in '08 than in '07. Voice also performed well, beating analyst expectations with 93K adds. In markets like Long Island, where the service launched 4 years ago, CVC is the majority wireline voice provider. Execs didn't really add much to Wed's news that **Rainbow** will acquire **Sundance Channel**, and they declined to comment on reports CVC is bidding for *Newsday*. CFO *Mike Huseby* described the company's acquisition strategy as "opportunistic." "We're looking at what's available in the market that will add shareholder value," he said. "Or retain shareholder value," added chief *Jim Dolan*. For the Q, cable television net revenue was up 10.5% to \$1.2bln, while adjusted operating cash flow climbed 13% to \$467mln. Rainbow posted net rev growth of 15.8% (\$225.2mln) and AOCF of 17.6% (\$50.7mln). Overall, the company's net loss widened to \$31.6mln from \$26.3mln, due to a \$104mln loss from derivatives contracts.

**Test Tube:** FCC chmn *Kevin Martin* is "optimistic" that **Time Warner Cable** and other cable operators serving Wilmington, NC, the FCC's 1st DTV test market, will commit to carrying local broadcasters' signals in digital and analog when the area goes all digital Sept 8. Indeed, TW said Thurs that the transition will be seamless for its customers. "If your television is hooked up to cable, there is nothing you need to do before the September 8 changeover," a spokesman said. "We are also committed to working closely with local broadcasters and other cable providers who serve the Wilmington area to ensure a smooth transition in September." **DISH** said it will ensure that its sub-\$40 converter box, "DTVPal," will be available in the area well before the Sept 8 conversion. The Wilmington market has a pay TV penetration rate



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of more than 90%, with about 7.5% of the 167K HHs relying solely on over-the-air TV. FCC staff determined that only about 7 markets were technically capable of serving as a test market, and Wilmington was the only one thus far to volunteer. Some have raised concern because Wilmington is on the coast and the test falls during hurricane season. Martin said he's still hopeful broadcasters in other markets will come forward. FCC commish *Michael Capps* initiated the push for a test before the Feb 17 national transition, something the cable industry has supported. Wilmington broadcasters acknowledged that there would be some disruption but said that would occur whether the switch happened in Sept or Feb. There will be a ton of messaging in the market, including FCC PSAs, but it's the "2nd and 3rd sets where we're really going to have to do a lot of work" to reach, said **Raycom's Paul McTear**.

**Willner's 2 Cents:** **Insight** CEO *Michael Willner* is one of the most progressive execs in cable, having reached out to subs in the past through TV spots, visits to blogs such as **BroadbandReports.com** and online messages. Now, Willner has launched his own blog at **MichaelsInsight.com**. Posts began appearing Tues, addressing issues ranging from online content piracy to the DTV transition to wireless access, which Willner says "is not critical to the cable business model, it could be an additive bonus, allowing customers to take their Internet connection with them when they leave their desktop computer."

**Earnings:** Excluding **Travel Channel's** 1Q07 results, **Discovery's** US nets posted a 13% Y-over-Y increase in 1Q rev to \$491mln and 24% growth in operating cash flow to \$247mln. The company said ad rev increased 14% and distribution rev rose 6% (without Travel), and that digital media rev surged 113%. Audience delivery was generally lower across the nets in 1Q, but uniques to each of Discovery's online properties more than doubled to approx 33mln/month in Mar. New acquisitions **TreeHugger.com** and **HowStuffWorks.com** powered the growth, as did a 17% increase in visitors to Discovery's brand-aligned vertical Web sites. -- **Liberty Ent Group's** 1Q rev increased 11%, and operating cash flow rose 17%, including 3% rev growth at **Starz Ent** to \$273mln and flat cash flow of \$74mln. **QVC** delivered 5% consolidated rev growth in 1Q to \$1.77bln and a 3% increase in cash flow growth to \$387mln. -- **RCN's** residential/SMB segment added 37K RGUs in 1Q and 14K subs. Segment rev increased 4% to \$139mln, and ARPU rose to \$109.

**Competition:** **DISH** has launched local HD programming in Hartford and New Haven, CT, and Portland-Auburn, ME. -- **DirectTV** has expanded its **WorldDirect** programming platform by adding Vietnamese channel **HonvieTV**. -- **Qwest** inked a 2-year deal to connect the **Minnesota Vikings'** stadium, practice field and offices with high-bandwidth data networking and Internet services.

**Research:** Cable's in danger of falling behind the competition in ad rev from Internet video platforms, according to **Yankee Group**, and must "get advertising right with VOD" and "design integrated cross-platform product strategies" to drive maximum value in the market. At stake for Cable and IPTV providers is growth in US ad rev by as much as \$3.8bln by '12. -- 4.1mln US mobile subs, or 1.6% of the market, accessed social networks via their phones in Dec, according to **Nielsen Mobile**, auguring a notable growth vehicle in mobile services going forward.

**Programming:** **NBCU** will launch in Nov **NBC NY**, a 24-hour local news net set to rival **Time Warner Cable's NY1**. The service will be available to NY-area digital subs of Time Warner, **Comcast** and **Cablevision**. -- **Comedy Central** has greenlit "The Gong Show with Dave Attell" (Jul), an updated version of the classic show. -- **ESPN360.com** has

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# BUSINESS & FINANCE

reached a deal with the **Sony Ericsson WTA Tour** to feature more than 150 hours of live tennis coverage from around the globe.

**On The Circuit:** It barely mattered Wednesday night that **NCTA's** theater features state-of-the-art audio equipment. Most of the guests for **Hallmark's** special screening of "Sweet Nothing in My Ear" were deaf, including co-star *Marlee Matlin*. But her performance and that of *Jeff Daniels* was riveting, as was the story about a couple's struggle over getting cochlear implants for their son. The film premieres on Hallmark and **Hallmark Movie Channel** in Q1 '09.

**Public Affairs:** Spanish-language net **Sopresa** and **Major League Soccer** have kicked off a 7-month initiative to promote active and healthy lifestyles to young audiences. The league will use a Sat tourney in L.A. to launch interactive online promotions that include a UG video contest.

**People:** **NBCU** tapped *Chris Gosso* as svp, emerging digital businesses and promoted *Jessica Shell* to svp, digital strategy.

**Business/Finance:** **Citigroup's** *Michael Rollins* downgraded **Clearwire** Thurs from 'hold' to 'sell,' citing concerns over the WiMAX jv with **Sprint**, cable and others. Among them: an underfunded business plan and a coverage plan reaching less than half of the US population by '10. Clearwire shares slid 9% Thurs.

## CableFAX Daily Stockwatch

Company	05/08 Close	1-Day Ch	Company	05/08 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	41.35	(0.17)	AMDOCS:	31.94	0.20
DIRECTV:	27.40	0.39	AMPHENOL:	47.20	0.19
DISNEY:	34.56	(0.14)	APPLE:	185.06	2.47
ECHOSTAR:	30.96	0.35	ARRIS GROUP:	8.00	(0.01)
GE:	32.59	0.02	AVID TECH:	21.22	0.15
HEARST-ARGYLE:	20.53	0.13	BIGBAND:	6.48	0.04
ION MEDIA:	1.45	0.00	BLNDER TONGUE:	1.45	0.00
NEWS CORP:	19.68	0.48	BROADCOM:	26.14	0.16
<b>MSOS</b>					
CABLEVISION:	24.76	1.01	CISCO:	25.70	(0.08)
CHARTER:	1.38	0.01	COMMSCOPE:	50.59	1.49
COMCAST:	22.05	0.48	CONCURRENT:	0.66	(0.01)
COMCAST SPCL:	21.63	0.48	CONVERGYS:	15.52	0.14
GCI:	6.06	0.03	CSG SYSTEMS:	12.55	0.05
KNOLOGY:	13.51	0.18	ECHOSTAR HOLDING:	31.10	(0.09)
LIBERTY CAPITAL:	15.71	(0.08)	GOOGLE:	583.01	4.01
LIBERTY ENTERTAINMENT:	27.00	0.00	HARMONIC:	8.00	0.03
LIBERTY GLOBAL:	35.21	(1.13)	JDSU:	11.33	0.00
LIBERTY INTERACTIVE:	15.62	0.04	LEVEL 3:	3.23	0.15
MEDIACOM:	5.12	(0.19)	MICROSOFT:	29.27	0.06
ROGERS COMM:	42.97	0.00	MOTOROLA:	9.92	0.03
SHAW COMM:	21.39	0.20	NDS:	51.50	0.45
TIME WARNER CABLE:	29.89	0.54	NORTEL:	8.23	(0.08)
VIRGIN MEDIA:	13.90	0.29	OPENTV:	1.46	0.07
WASH POST:	656.50	(1.5)	PHILIPS:	38.18	(0.25)
<b>PROGRAMMING</b>					
CBS:	24.55	0.00	RENTRAK:	13.75	(0.06)
CROWN:	4.51	0.06	SEACHANGE:	7.23	(0.14)
DISCOVERY:	25.75	2.34	SONY:	45.75	(0.47)
EW SCRIPPS:	46.77	0.96	SPRINT NEXTEL:	8.98	(0.18)
GRUPO TELEVISA:	24.99	(0.26)	THOMAS & BETTS:	35.86	0.92
INTERACTIVE CORP:	21.20	0.14	TIVO:	8.12	0.00
LIBERTY:	1.00	0.00	TOLLGRADE:	4.30	(0.31)
LODGENET:	5.60	(0.23)	UNIVERSAL ELEC:	23.01	(2.54)
NEW FRONTIER:	5.19	0.02	VONAGE:	1.83	(0.05)
OUTDOOR:	7.93	0.33	YAHOO:	26.22	0.58
PLAYBOY:	7.09	(0.13)	<b>TELCOS</b>		
TIME WARNER:	16.15	0.21	AT&T:	38.86	0.04
UNIVISION:	36.23	0.00	QWEST:	4.89	0.03
VALUEVISION:	5.07	0.08	VERIZON:	38.25	(0.03)
VIACOM:	38.65	0.31	<b>MARKET INDICES</b>		
WWE:	16.11	(0.19)	DOW:	12866.78	52.43
<b>TECHNOLOGY</b>					
3COM:	2.50	0.02	NASDAQ:	2451.24	12.75
ADC:	15.00	0.14			
ADDVANTAGE:	4.22	0.07			
ALCATEL LUCENT:	7.07	0.04			

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THE MAGAZINE

## Who are the Top Cable Operators of 2008?

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

**Spiking Eyeballs**

Spike's investment in several programming genres is returning huge viewership dividends this year, and unexpected demos are largely responsible for the payoff. Consider: the net delivered in 1Q double-digit viewership increases in prime among women 18-49 (+16%) and women 25-54 (+18%), according to Nielsen; the TV season-to-date is notably ahead of last year in prime among 18-49s (+9%), 25-54s (+11%) and total viewers (+15%), according to **Turner** data, which shows the net hitting the ad-supported cable top 10 in each metric; and total prime viewers so far during 2Q is up 46% to 1.7mln, said the net. But that's not to say that Spike is neglecting younger-skewing males, still its bread-and-butter. "We are broadening our appeal without losing focus of our target," said svp, programming *Robert Friedman*. "There's a [male-dominated] attitude in the way we present the brand, and our schedule conforms to that." A sampling of successful Spike content includes wrestling and MMA content, blockbuster movies such as "Star Wars," new series "DEA" (avg 1.3mln total viewers), and the "CSI" franchise. Now, new unscripted series and even an original comedy are expected to continue the trend. Spike's comedic foray, "Factory" (Jun 29), is a part scripted/part improv series featuring **2nd City** performers and chronicling the lives of 4 disengaged small-town factory workers. Then there's "River Men" and "USA VS. The World," 2 of the 5 unscripted shows set to debut on Spike this year. Doc-style River spotlights the dangerous lives of workers on the Mississippi River, and USA pits domestic toilers in rough jobs against intl counterparts. And don't forget about "Married... With Children," which hits the net this fall. "You rely on gut and research and cross your fingers," said Friedman, refreshingly candid about not knowing which new projects will appeal greatly to Spike's burgeoning audience. *Al Bundy's a lock. CH*

**Highlights:** "Maxed Out," Wed, 9pm, **Showtime**. Credit card companies flood our mailboxes with 4 billion offers yearly. Why? Consumer lending is "obscenely profitable," *Elizabeth Warren* of **Harvard Law School** says in this doc from *James Scurlock*, a dropout from the U of PA's Wharton School. Credit card companies want us to pay late; that's how they make money. The '07 film envisioned the start of the sub-prime mortgage mess. -- "The Zen of Bobby V," Tues, 9pm ET, **ESPN2**. An intimate look at former Mets' manager *Bobby Valentine*, who's prospering in Japanese baseball, where players work very hard, even umpires, who practice. Do US umps practice? "No, they practice during the games," Valentine chuckles. **SA**

**Worth a Look:** "THS Investigates: Cheerleading," Fri, **E!** Once you get beyond the fact that you're watching E! for serious investigative journalism on a topic with only a faint connection to Hollywood, this is interesting television. The special's best investigation deals with catastrophic injuries, including broken vertebrae that result in fatalities. The biggest culprit are high schools; cheering is the top cause of catastrophic injury in HS girls. HS cheerleading lacks an overarching regulatory body. In colleges, a near-fatal accident in '06 yielded tough NCAA regulations. **SA**

Basic Cable Rankings			
(4/28/08-5/04/08)			
Mon-Sun Prime			
1	TNT	2.3	2197
2	USA	1.8	1760
3	DSNY	1.7	1582
4	FOXN	1.5	1433
5	NAN	1.4	1375
6	TBSC	1.3	1252
7	ESPN	1.2	1116
8	LIFE	1.1	1022
8	HALL	1.1	910
10	DISC	1	978
10	TOON	1	941
10	SPK	1	933
13	A&E	0.9	903
13	HGTV	0.9	846
13	FX	0.9	839
13	CMDY	0.9	826
13	TRU	0.9	777
18	HIST	0.8	808
18	CNN	0.8	789
18	SCIF	0.8	778
18	MTV	0.8	753
18	FAM	0.8	724
18	AMC	0.8	710
18	LMN	0.8	447
25	TLC	0.7	690
25	FOOD	0.7	641
27	TVLD	0.6	580
27	BRAV	0.6	534
27	MSNB	0.6	502
30	VH1	0.5	471
30	EN	0.5	458
30	VS	0.5	393
33	ESP2	0.4	384
33	APL	0.4	377
33	BET	0.4	370
33	HLN	0.4	364
33	TTC	0.4	330
33	OXYG	0.4	321
33	NOGG	0.4	274
33	SOAP	0.4	265
33	NGC	0.4	252
42	WGNC	0.3	248
42	CMT	0.3	226
42	SPD	0.3	212
42	TDSN	0.3	207
42	WE	0.3	206

\*Nielsen data supplied by ABC/Disney



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