

CableFAX Daily™

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What the Industry Reads First

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Low Expectations? DISH Shares Soar as Company Loses 94K Subs

DISH may have lost 94K subs in 1Q, but shares soared Mon, closing up 17%. Why? Most likely because the sub loss wasn't as bad as the 128K consensus among analysts. Still analysts were not sold on the stock. "Although DISH is cheap, we do not see a turnaround in sight," **Collins Stewart** said in a note maintaining its "hold" rating on DISH. The sentiment was echoed in a **Sanford Bernstein** note to clients: "Better-than-awful (but still not good) results may be enough to keep DISH shares grinding higher if the market's beta rally continues. But risks are high; Dish Network has still shown few signs that it can actually get better any time soon." With **TWC**, **DirectTV** and the telcos all reporting strong gains, it wasn't completely clear from where the DBS player's sub growth came. In response to questions on Mon's earnings call, CEO **Charlie Ergen** said that the digital transition and **Charter's** bankruptcy filing may have helped with sub gains on the margins, but said neither was quantifiable. He doesn't think either will be a factor by 3Q or 4Q. Why were cable operators able to report better success at picking up subs because of the DTV transition? "I think perhaps the competition made it easier for the customer to buy from [them]," Ergen said. It was too soon to say whether DISH's 6-month, \$9.99 promotion helped with subs, but the CEO did make it clear that he doesn't want DISH's name to be synonymous with deep discounts. "I don't like discounting of programming," Ergen said. While DISH is doing it today, he said internal consensus is that it's not where the company wants to be long term. DISH's **AT&T** marketing contract, which ended Jan 31, contributed 32K gross adds subs in the Q. Also probably contributing to Mon's rise were earnings of \$313mln, up from \$259mln a year earlier. Revenue increased 2.1% to \$2.91bln. SAC was relatively low at \$659. Last year, DISH was getting worse, according to Ergen. But now he believes things are stabilizing. "Hopefully, we are on a path to getting better," he said. Meanwhile, everyone's waiting for a court decision that could come any day now regarding **TiVo's** patents and whether DISH is in contempt. While Ergen said he doesn't expect to lose, he predicts "the case probably will continue on regardless [of the ruling]."

Mediacom Earnings: Although chmn/CEO **Rocco Comisso** characterized the MSO's 1Q results as a "surprisingly good start to 2009," he joined other execs in preaching a cautionary approach to the future for a 2nd straight Q. "We don't know what direction the economy is heading... we just don't want to get burned again like we did in 4Q," said CFO **Mark Stefan**. In 1Q, Mediacom delivered 59K RGUs (+74% sequentially), including 4K basic (vs -10K), 17K digital (-11%), 24K HSD (+118%) and 14K phone (+56%). Rev of \$360mln and OIBDA of \$135mln were flat sequentially, but FCF set a quarterly record by ramping to \$34.4mln, a nearly 3-fold increase over 1Q08. The MSO is "committed to deleveraging," said Stefan, and plans to use FCF to retire debt. A focus on local HD offerings by **DirectTV** and **DISH** led to a slight increase in 1Q disconnects, noted Stefan, and evp, ops **John Pascarelli** said stricter credit standards for subs coupled with seasonality have contributed to some slowness in connection since Mar. Still, Mediacom's "business looks pretty stable," said Pascarelli—particularly versus many larger MSOs that recently lamented notable sluggishness in Apr. Helping are the

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relatively low unemployment rates within Mediacom's footprint and the DTV transition. The MSO plans to have DOCSIS 3.0 operational in approx half of its footprint by YE, and is encouraged by the positive results of current 100Mbps tests.

No Deal: The news last week that **Cablevision** may spin off its **MSG** business to CVC stockholders ignited a frenzy of conjecture over the possible sale of the business, which includes **Madison Square Garden**, the **MSG** RSNs and music net **Fuse**. Execs on Thurs' earnings call declined to discuss the announcement, but CVC issued this terse statement Mon morning: "The company feels it should make clear that it is not considering the sale of MSG, any of MSG's businesses or any other Cablevision business at this time." Shares closed down about 0.6% Mon.

Insight's Numbers: **Insight** keeps racking up strong results, with 1Q no exception. The MSO added 16K basic customers, almost 20K HSD subs, nearly 31K digital adds (its highest quarterly gain ever) and about 25K phone adds. Revenue rose 15% YOY to \$236.7mln, while adjusted OIBDA increased 8% to \$73.1mln. Free cash flow came in at \$13.4mln.

Competition: **DISH** and **CMT** inked a deal to feature 6 monthly eps of the net's "Invitation Only" music series through exclusive premiere windows on "CMT Front Row Only on DISH Network." The 1st ep bows Jun 2 with *Darius Rucker*, and upcoming artists include *Reba McEntire* and *Brad Paisley*. -- **AT&T U-verse Voice** is now available in portions of central FL including Orlando and Volusia County.

In the States: **Comcast** launched broadband speeds of up to 50Mbps in Harrisburg and other areas of Central PA. Separately, the MSO added **FUNimation Anime** to its VOD lineup.

Advanced Advertising: Over the next few weeks, **Canoe Ventures** plans to roll out community addressable messaging, its 1st product, but **Magna** predicted flat growth in '09 for this and other advanced TV advertising products/services and possible double-digit gains in total advanced advertising through '10, to approx \$168mln. Magna cited challenges stemming from the "balkanized nature of the cable and satellite industry's advertising infrastructure." Canoe specifically, said Magna, "faces meaningful challenges in coordinating technical, sales and operational staff across thousands of varying units of infrastructure." On VOD advertising, Magna believes it dipped in '08 and may do so again in '09 because of economic issues, limited availability of premium content assets and "advertiser frustration around the lack of dynamic ad insertion."

Technology: **BIAP** and the **Dallas Mavericks** are partnering to develop a TV widget encompassing in-depth and real time stats and scores, breaking team news, video highlights, interviews and in game play-by-play. Slated for rollout beginning next season, the widget will be available to all video ops deploying the **EBIF** platform, and will help spur the development of a scalable template that BIAP and the Mavs will offer to other sports franchises and NCAA sports teams.

Programming: **History** greenlit "America the Story of Us" ('10), a 12-part series that links key events, people and locations to chronicle the sweep of American history. -- **BIO's** forthcoming slate includes new series "Celebrity Ghost Stories," featuring the paranormal experiences of *Joan Rivers* and *Scott Baio*, and new specials including "Jaws: The Inside Story" and "Tragic Side of Comedy," chronicling the downfalls of *John Belushi*, *Richard Pryor* and *Chris Farley*. -- **AMC** special "AMC Storymakers" returns Fri (10pm ET) with features on *Tom Cruise* and *Cameron Diaz*. -- Fresh off her "Celebrity Apprentice" run, *Joan Rivers* joins **TV Land** for new 30-min, 6-ep series, "How'd You Get So Rich?" (debuts Aug 12, 10pm). -- **Inspiration Nets** adds a new daily financial news show starring *Danny Fontana*. "Danny Fontana on Finance" bows May

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BUSINESS & FINANCE

18, 3:30pm ET. -- TCM remembers WWI with a Memorial Day marathon that includes "Sergeant York" and "The Fighting 69th." -- **Ovation** acquired "Later... with Jools Holland" through a deal with **BBC Worldwide**. The music series will run exclusively for the next 27 new eps. -- New series premiering on **HGTV** this summer include "Real Estate Intervention," tough advice for homeowners who must sell in this environment (July 19, 11pm).

Honors: Logo's "East Side Story" earned the outstanding TV movie honor at Sat's **GLAAD Media Awards**, and the net's "Transamerican Love Story" and **VH1's** "I Want to Work for Diddy" tied for the honor of outstanding reality program.

People: Discovery Nets Intl appointed *Chance Patterson* vp, intl comm. -- **Discovery** founder/chmn *John Hendricks* was elected chmn of the **National Forest Foundation's** board.

Business/Finance: Now counting **GE/NBCU's Peacock Equity Fund** as an investor, online search and publishing firm **EveryZing** has been tapped by NBCU to deploy its solutions across several NBCU Internet properties. -- **Discovery Comm** is partnering with **G.A.P. Adventures** for **Discovery Adventures**, a series of more than 30 adventure travel expeditions that will be available for booking beginning this summer. Destinations include India, the Amazon, South Africa and Egypt.

CableFAX Daily Stockwatch

Company	05/11 Close	1-Day Ch	Company	05/11 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	28.86	(0.64)	AMPHENOL:	31.07	(1.38)
DIRECTV:	24.68	(0.07)	APPLE:	129.57	0.38
DISH:	17.92	2.61	ARRIS GROUP:	10.41	(0.43)
DISNEY:	24.71	(0.75)	AVID TECH:	12.83	0.28
GE:	14.19	(0.34)	BIGBAND:	5.50	0.11
HEARST-ARGYLE:	4.50	0.03	BLNDER TONGUE:	1.39	0.04
NEWS CORP:	10.72	(0.38)	BROADCOM:	21.89	0.34
MSOS					
CABLEVISION:	19.35	(0.11)	CISCO:	18.61	(0.12)
COMCAST:	15.41	(0.34)	CLEARWIRE:	5.95	(0.55)
COMCAST SPCL:	14.50	(0.38)	COMMSCOPE:	24.45	(2)
GCI:	7.71	(0.35)	CONCURRENT:	4.58	0.37
KNOLOGY:	8.22	(0.08)	CONVERGYS:	9.71	(0.27)
LIBERTY CAPITAL:	13.94	1.06	CSG SYSTEMS:	13.27	(0.3)
LIBERTY ENT:	25.93	(0.09)	EHOSTAR:	17.29	(0.02)
LIBERTY GLOBAL:	16.83	(0.5)	GOOGLE:	407.98	0.65
LIBERTY INT:	6.71	(0.26)	HARMONIC:	5.54	(0.33)
MEDIACOM:	5.51	0.05	INTEL:	15.37	0.08
SHAW COMM:	16.56	(0.19)	JDSU:	4.93	(0.17)
TIME WARNER CABLE:	33.80	(2.02)	LEVEL 3:	1.15	(0.03)
VIRGIN MEDIA:	7.43	(0.37)	MICROSOFT:	19.32	(0.1)
WASH POST:	369.73	0.99	MOTOROLA:	6.27	(0.23)
PROGRAMMING					
CBS:	7.62	(0.93)	NDS:	62.93	0.00
CROWN:	3.06	0.11	OPENTV:	1.47	(0.05)
DISCOVERY:	20.25	(0.02)	PHILIPS:	18.81	(0.77)
EW SCRIPPS:	1.96	0.06	RENTRAK:	10.16	0.06
GRUPO TELEVISA:	17.21	(0.37)	SEACHANGE:	6.35	(0.16)
HSN:	8.80	(0.02)	SONY:	26.95	(0.99)
INTERACTIVE CORP:	15.85	0.06	SPRINT NEXTEL:	5.41	0.17
LIBERTY:	26.81	(2.2)	THOMAS & BETTS:	31.62	(0.85)
LODGENET:	4.66	0.01	TIVO:	8.11	(0.04)
NEW FRONTIER:	2.08	(0.03)	TOLLGRADE:	5.30	0.07
OUTDOOR:	7.37	(0.13)	UNIVERSAL ELEC:	21.89	(0.37)
PLAYBOY:	3.21	(0.1)	VONAGE:	0.48	(0.07)
RHI:	2.96	(0.2)	YAHOO:	15.54	0.39
SCRIPPS INT:	29.83	(0.6)	TCLCOS		
TIME WARNER:	24.37	(0.83)	AT&T:	25.36	0.11
VALUEVISION:	0.61	(0.05)	QWEST:	4.36	(0.08)
VIACOM:	23.10	0.01	VERIZON:	29.82	(0.03)
WWE:	11.28	(0.37)	MARKET INDICES		
TECHNOLOGY					
3COM:	4.04	(0.06)	DOW:	8418.77	(155.88)
ADC:	7.00	(0.43)	NASDAQ:	1731.24	(7.76)
ADVANTAGE:	1.90	0.05			
ALCATEL LUCENT:	2.47	(0.13)			
AMDOCS:	20.70	0.00			

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WHAT THE INDUSTRY READS FIRST.

EYE ON DIGITAL

Quality Matters?

Because tech dweebs really seem to believe that you can solve any problem by throwing the right algorithms at it, advertising technology companies have chased user-generated video content online for years now. If they could just get the right overlay unit to pop-up at just the right point in the action, then perhaps brand marketers finally would sponsor those relentless clips of three-year-olds hitting pop in the crotch with a waffle ball bat. Finally, the tide has turned in recent months, and most in the industry acknowledge that monetizing UGC content in any scalable way is a long way off. The meteoric (and to some surprising) success of **Hulu** last year with users and advertisers helped re-focus everyone on professionally produced video. **YouTube** is cutting deals with record companies to re-distribute music videos on a dedicated portal called **Vivo**. And a number of former UGC-dominated sites like **Metacafe** have been re-launching themselves as entertainment portals for film, music, game and TV clips.

The flight to quality is upon us, and this may be exactly what Madison Avenue was hoping for. In an otherwise weak economy that tempers interactive ad expansion, the online video market will grow 32% this year, from \$531mln last year to \$699mln in 2009, according to **MAGNA's** Online Video Forecast. Marketers realize that their audiences are moving across 2 to 3 screens, and they see the Web as a way to re-apportion some of their TV and print budgets to the more measurable and efficient Web. **MAGNA** found that re-purposed TV content rushing online has paid off in terms of sheer use. Time spent with professionally produced online video increased 24% in 2008 on top of a 50% increase in 2007, according to **Accustream** data cited in **MAGNA's** report. Users are starting to vote for prime-time anytime.

For the near term, this means that traditional media brands hold a distinct advantage over pure-play Internet video portals when it comes to attracting serious ad dollars.



Some analysts have speculated that with much less overall traffic than YouTube, Hulu could get more ad revenue than the user-generated content giant, if only because advertisers much prefer to buy against premium content. **Credit Suisse** analysts recently estimated that YouTube should generate only \$240mln in revenues in 2009, even though it controls 41% of the billions of online video streams served each month. It will successfully monetize only about 3% of its video inventory, the study says. The upside to its analysis is the finding that the profit margins on that 3% of inventory is +35%. Look for YouTube to cut more deals with major media companies and perhaps spin off other genre-specific video portals under separate brands. YouTube is branded essentially as a UGC portal. The company may be better off funneling traffic into newly created video brands for professionally-made content than trying to re-brand itself as a new Hulu. Over time, pure-play Internet video brands like **blip.tv** and **Break.com** may become bigger players in the ad-supported video market as they establish Web-only series in the video eco-system.

Despite the relatively positive prospects for online video, **MAGNA** analyst *Brian Wieser* reminds us that TV and Web video are different ad buying propositions. The online video world is much more fragmented, with limited viewing times and across many venues. "Few large advertisers can achieve broad reaching objectives solely by using an online video-only campaign if there are any content preferences involved," he says. For all of online video's incredible growth, TV represents 244 times more video viewing than does online, he adds. Even in the best case scenario for online expansion, TV will represent 98 times more video consumption than digital. Next time someone in the industry gripes that digital does not get a proportionate slice of the media pie, you might remind him of that sobering big picture.

(Steve Smith is a lapsed academic turned media critic and consultant. He is the Digital Media Editor for Min, conference programmer for Mediapost, and longtime columnist for eContent Magazine).

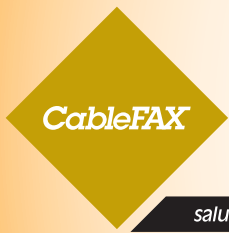


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- Bridget Baker – NBC Universal
- Sean Bratches – ESPN
- Dave Cassaro – Comcast Networks
- Sandra Simpson Chiles – HBO
- Billy Farina – Cox Communications
- Mark Garner – AETN
- Joan Gillman – Time Warner Cable
- Bill Goodwyn – Discovery Communications
- David Kline – Cablevision
- Walter Oden – MTV Networks
- Charles Thurston – Comcast Spotlight

Sales Executive of the Year Finalists

Affiliate Sales Person of the Year – VP and Above – Large Networks

Henry Ahn - NBC Universal
Lori Conkling - Lifetime Networks
Jennifer Dangar - Discovery Communications
Rebecca Glashow - Discovery Communications
Mary Murano - NBC Universal
Mark Quinn - Scripps Networks
Garrett P. Smith - Comcast Networks

Affiliate Sales Person of the Year – Mid-Size

Randy Brown - Outdoor Channel
Michelle Rice - TV One
Keno Thomas - Starz Entertainment

Affiliate Sales Person of the Year – Emerging

Betsy Brightman - Retirement Living TV
Wyatt Harris - CBS College Sports
Mark Kang - The Sportsman Channel
Nancy Pingitore - Tennis Channel

Affiliate Sales Team of the Year – Mid-Size and Large

Discovery Communications
Lifetime
Outdoor Channel
Rainbow Media

Affiliate Sales Team of the Year – Emerging

CBS College Sports
Gospel Music Channel
Retirement Living TV
The Sportsman Channel

Brand Integration Team of the Year

ESPN
Food Network
NBC Universal
Starz Entertainment
TNT

Most Creative Sales Pitch

Discovery Communications - Upfront
ESPN - Upfront
Sunflower Broadband - Just Blow it Up

Rookie of the Year

Tommy Bullough - Retirement Living TV
Zachary Reeves - Charter Communications

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Ted White - Bresnan Communications

Sales Person of the Year - VP and Above - National Ad Sales

Gig Barton - Retirement Living TV
Carol Hinnant - Rentrak
Susan Malfa - Bravo
Kevin McAuliffe - NBC Universal
Roy Seinfeld - Big Ten Network

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Adam Ray - Charter Communications

Sales Team of the Year – National Ad Sales

Hallmark Channel
Scripps Networks

Sales Team of the Year – Local Ad Sales

Cablevision
Comcast Spotlight
Cox Communications
Sunflower Broadband Cable Advertising
Time Warner Cable

Sweet 16 Inductees

Terry Clark - UnitedHealthcare
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