

CableFAX Daily™

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What the Industry Reads First

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Quietly Making Progress: Phone Growth, Debt Define Charter

Despite favorable earnings results for a 2nd straight Q, **Charter** continues to fly beneath the typical news radar while making strides to remove itself from **NASDAQ's** screen. The MSO added 302K net RGUs in 1Q and grew video ARPU 6%, the best result in both metrics since '03. Phone subs swelled by 126K, nearly doubling Y-over-Y, and 12K in basic losses is a deceptively solid result as COO *Mike Lovett* said expanded basic customers actually increased, offset by a dip in limited basic subs. Furthermore, rev grew 10% to \$1.56bln and operating loss improved by 6% to total \$358mln. But even with all the improvement, Mon was characterized by limited news/analyst coverage for Charter vis-à-vis its big cable brethren, a terse earnings call and a 2% loss in share value to \$1.17. The MSO must be pleased, however, that its stock price closed Mon above \$1/share for the 10th straight business day, the primary catalyst to regaining compliance with NASDAQ's minimum bid requirement after the stock closed below a buck for 30 consecutive days. Charter remains an anomaly in the industry and on the Street because of its enormous long-term debt load, which totaled \$20.6bln as of Mar 31 versus \$467mln of cash on hand. The MSO expects that cash on hand, cash flows from operating activities, and amounts available under its credit facilities will enable it to meet projected cash needs through '09, but '10 and beyond remains murky. As such, any positive news out of St. Louis remains shrouded in viability concerns. Plus, the debt has helped position Charter notably behind **Comcast**, **Time Warner Cable**, etc in plant upgrades and new product offerings. Pres/CEO *Neil Smit* declined to expound Mon on references made by controlling shareholder *Paul Allen* in Mar to possible new investors or financial partners, but he did extol Charter's telephone growth. Four-fifths of new residential VoIP subs are taking the MSO's triple-play, he said, while phone penetration (currently 11%, or 1.1mln subs) is expected to hit 20-25% over the next few years. Commercial rev grew 15% to \$93mln, HD/DVR subs represented half of digital RGU additions in the Q and VOD orders are up 44% Y-over-Y, said Smit.

Deals: **Cablevision's** acquisition push continues with it officially snatching up *Newsday* for \$650mln. The MSO played up synergy opportunities, particularly in marketing and advertising. Some question the value such a deal offers shareholders, with the stock closing down 1.8% Mon. CVC's buying 97% of **Newsday Media Group** from **Tribune**. Tribune and CVC will set up a joint-venture, with Tribune holding 3%. While some, including **Sanford Bernstein**, have suggested possible regulatory hurdles, **Stifel Nicolaus** believes the regulatory risks aren't "serious." What's raised eyebrows is that Cablevision operates **News Channel 12** and is the primary TV distributor for Long Island. However, in a research note, Stifel said, "As best we can determine, the **FCC** would have no jurisdiction to directly review the transaction because there do not appear to be any communications licenses that would have to be transferred and require regulatory approval." Had **News Corp** bought the paper, the FCC could've stepped in



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when it reviewed license renewals for News Corp-owned broadcast stations. That said, Stifel does anticipate some antitrust scrutiny from the **Dept of Justice**, but because CVC doesn't own newspapers, it doesn't believe the DOJ will give it a difficult review. "There could also be some political blowback on the general issue of media concentration, but we believe that really awaits the election and will not affect the transaction," Stifel concluded. "Moreover, given that the other potential bidders were News Corp and the owner of another New York newspaper, even that blowback is likely to be limited, in our view."

Historical Play: **ESPN** and **Tennis Channel** will join next year *Rod Laver*, *Steffi Graf* and 3 other tennis greats as winners of a calendar year Grand Slam, albeit through coverage of the court and not play on it. The pair each inked deals with **USTA** to telecast coverage of the **US Open** beginning in '09, giving the pair unprecedented broadcast rights to all 4 of pro tennis' major tourneys (Aussie Open, French Open and Wimbledon). The pacts, which run through '14, end **USA's** decades-long run as the US Open's cable home, and allow **ESPN2** to carry approx 100 live hours from the tourney and Tennis Channel more than 60 hours (all in HD), including prime matches and planned highlights program "US Open Tonight." Tennis Channel and ESPN2 will cross-promote each other's telecast schedule during the tourney. **USA/NBC Sports** didn't respond to inquiries by deadline. ESPN's deal allows for coverage across family nets/platforms and through interactive TV apps, while Tennis Channel will stream during its telecast windows coverage of an additional court at **TennisChannel.com**.

Competition: **DISH** launched Mon the following national HD nets: **ABC Family HD, Biography HD, Bravo HD, Cartoon HD, Cinemax 5 Star, Cinemax HD West, CNBC HD, CNN HD, Disney HD, ESPNNews HD, Hallmark Movie Channel HD, MGM HD, Sci Fi HD, Smithsonian HD, Tennis Channel HD, USA HD, Weather Channel HD** and **World Fishing Net HD**. **CSN Bay Area HD** and **CSN New England HD** will be added Wed, when the satcaster's high-def channels will number more than 95.

Pink Slips: **Retirement Living TV** let about 30 people in production and production support go recently. The net said the reason behind the moves are that 3 shows—"Another Chance for Romance," "The Florence Henderson Show" and "What's Next?" are on hiatus (meaning it's possible staffers could be rehired). The net still has 4 shows in production.

Sprinting: 1Q marked more rough times for **Sprint**, with cable once again emerging as a beacon of hope. Wireline IP revenue was up 44% Y-over-Y, representing 30% of Sprint's total wireline revenues. Execs attributed some of that IP rev growth to its expanding base of cable VoIP subs. At the end of 1Q, Sprint supported about 3.8mln users of cable partner phone services. Meanwhile, Sprint affil **iPCS** said it has sued Sprint over plans to create a Wi-Max JV with **Clearwire** (**Comcast, Time Warner Cable** and **Bright House** are investors). iPCS says the venture would breach its exclusivity rights agreements with Sprint. Sprint has already asked a DE court to rule that the proposed venture doesn't violate the iPCS agreement. During Mon's earnings call, Sprint pres/CEO *Daniel Hesse* said the Wi-Max venture will have "at least a 2-year head start over any of its wireless competitors in providing true landline equivalent broadband in this country."

Advertising/Marketing: **Bravo Media** has inked brand enhancement deals including a "Top Chef" cruise, calendar and cooking class, and an exercise DVD linked to "Workout." Additionally, Chef is set to embark on a 20-city mobile tour with a branded semi and former contestants, with the 1st stop New Orleans for **The Cable Show**. -- **Turner's**



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truTV now offers marketers the opportunity to feature ad messages within a customized net-branded environment. For example, **20th Century Fox** will soon tout upcoming film “What Happens In Vegas” within the net’s “Reel Movie” vignettes, which may accommodate cast interviews and commentary. -- 1Q product placements rose 39% on broadcast but remained flat on cable (59K total), where “wardrobe” placements were the most common, accounting for 32% of all placements, according to **Nielsen**. **TLC’s** “American Chopper” and **Bravo’s** “Project Runway” led cable in product placements, while **Under Armour** and **Elle** were cable’s top placement brands. -- **NBCU** ad group **NBC Agency** renewed its contract for use of **Teletrax** data to electronically monitor and analyze affil stations’ usage of its on-air TV show promotions across all 210 US TV markets.

Carriage: Midcontinent will launch **ION’s** channel suite for subs in ND, SD and western MN. The operator will continue to offer flagship net **ION** and add diginets **qubo** and **ION Life** to the mix.

Marketing: Anyone who signs up for **Comcast’s** “Digital Cable Preferred with HD” service at **Best Buy** through July 5 gets: a \$100 Best Buy gift card; \$100 off Geek Squad Home Theater installation of \$149 and up and a free subscription to **Starz** for 1 year.

Technology: Judging by the number of announcements hitting our inbox, home security will be front and center at next week’s **Cable Show**. On Mon, a consortium of vendors (**4HomeMedia**, **Crayon Interface**, **GE/Jasco** and **Panasonic**) announced plans to launch a turnkey security-monitoring automation solution set for MSOs at the show. The “Z-Wave Alliance” will demo their offering at **CableNET** (Booth #3735). -- **SeaChange** will debut at **The Cable Show** a VOD app offering socially-networked TV search capabilities and enabling subs to program their own on demand viewing experiences.

Online: **HBO** and **Apple** are close to announcing an **iTunes** programming deal, according to **Portfolio.com**, which says the premium net may receive more favorable pricing from Apple than other content providers do. -- Beginning this month, **IFC.com** will feature at least 1 new Web series each month throughout the summer, including “Cannes Cam” (Wed), providing coverage of the eponymous film festival, and morning show parody “Good Morning, Internet” (Jun).

Research: The number of online videos viewed in May jumped 13 vs Feb to 11.5bln, according to data from the **comScore Video Metrix** service. That’s a 64% Y-over-Y gain. **Google** Sites ranked as the top US video property, while **YouTube.com** accounted for 98% of all videos viewed at Googles Sites. **Fox Interactive Media** ranked second with 477 million videos (4.2 percent), followed by **Yahoo!** Sites with 328 million (2.9 percent) and **Viacom Digital** with 249 million (2.2 percent).

Programming: Fine Living launches 4 new series in June: design competition series, “From the Ground Up” (June 1); green celebs star in “It’s Easy Being Green” (June 7); relationship series “Newlywed, Nearly Dead?” (June 19) and opposites-attract dating show “Dating the Enemy” (June 20). -- **Galavision** is the latest net to jump on the **UFC** bandwagon, launching “El Octágono del UFC” (The UFC’s Octagon), a weekly program that features highlights of the best UFC fights of all time. -- **ESPN** has chosen *Hannah Storm* to anchor a forthcoming morning edition of “SportsCenter,” according to **SI.com**.

Advertising: Royal Caribbean will sponsor **Gospel Music Channel’s** “American Idol”-like talent search, “Gospel Dream 2008.” Sponsorship includes brand integration, a sweeps and online and on-site promotion.

CableCares: More than 400 volunteers have signed up for **CableCares** activities during the **Cable Show** in New Orleans, but more help is needed. **NCTA** needs 50 volunteers to help with a renovation project for Sarah T. Reed High School on Sat. The school’s much needed facelift will include cleaning, repairing, painting and landscaping. More info at



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BUSINESS & FINANCE

cablecares@ncta.com or <http://2008.thecableshow.com/CableCares/Schools.aspx>. -- After all that hard work, make sure to get your laughs on for a good cause. **Univision** is hosting a comedy event at NCTA Mon night. For each invited guest who shows up, Univision will donate \$100.

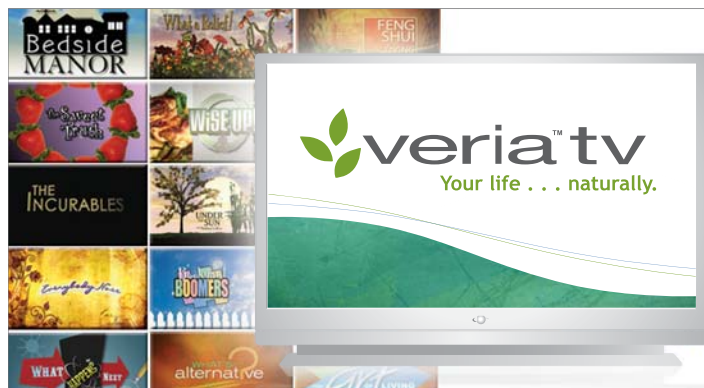
On the Circuit: Get ready for **Tee-TAM. CTAM NY** will hold a panel discussion titled "VOD—Cable's Hole in One," June 16 at Dellwood Country Club in New City, NY. The panel will be followed by lunch and an afternoon of golfing or tennis. Info at www.ctamnewyork.com.

Public Affairs: **Cisco** hosted an event Mon linking freshman students from the Gwinnett School for Math, Science and Technology in Atlanta with freshman students in Bangalore, India. Both classes had been reading "The World is Flat," and the two classes had been comparing notes on the book via blogging and chatting on Web forums. However, for the first time ever, the students discussed the book face-to-face for two hours via Cisco Telepresence.

People: *Suzanne Kolb* has been promoted to chief marketing officer, **E!** and **Style**, and GM, **E! Online**. -- **ESPN** appointed *Brett Hurwitz* vp, ad sales operations. -- **Turner Sports** tapped *Matthew Hong* as vp/gm, sports digital. -- Spanish-language children's net **Sorpresa** promoted *Maria Badillo* to svp, programming.

CableFAX Daily Stockwatch

Company	05/12 Close	1-Day Ch	Company	05/12 Close	1-Day Ch
BROADCASTERS/DBS/MMDs					
ARRIS GROUP:	8.00	0.05	ARRIS GROUP:	8.00	0.05
BRITISH SKY:	41.46	0.32	AVID TECH:	22.41	1.25
DIRECTV:	27.48	0.46	BIGBAND:	6.84	0.10
DISNEY:	34.77	0.47	BLNDER TONGUE:	1.59	0.04
ECHOSTAR:	30.45	0.06	BROADCOM:	26.66	0.52
GE:	32.40	0.13	C-COR:	11.00	0.00
HEARST-ARGYLE:	20.60	0.40	CISCO:	25.84	0.35
ION MEDIA:	1.45	0.00	COMMSCOPE:	51.43	0.39
NEWS CORP:	19.57	0.22	CONCURRENT:	0.65	(0.01)
MSOS					
CABLEVISION:	24.52	(0.45)	CONVERGYS:	15.69	0.33
CHARTER:	1.17	(0.02)	CSG SYSTEMS:	12.61	0.20
COMCAST:	22.04	0.36	ECHOSTAR HOLDING:	31.54	0.93
COMCAST SPCL:	21.55	0.29	GEMSTAR TVG:	4.41	0.00
GCI:	6.49	0.26	GOOGLE:	584.94	11.74
KNOLOGY:	14.51	1.21	HARMONIC:	8.02	0.12
LIBERTY CAPITAL:	15.06	(0.19)	JDSU:	11.41	0.11
LIBERTY ENTERTAINMENT:	26.08	0.03	LEVEL 3:	3.13	0.01
LIBERTY GLOBAL:	35.00	0.12	MICROSOFT:	29.99	0.60
LIBERTY INTERACTIVE:	15.94	(0.17)	MOTOROLA:	9.89	0.13
MEDIACOM:	5.51	0.51	NDS:	51.12	(0.19)
SHAW COMM:	21.91	0.21	NORTEL:	8.19	0.12
TIME WARNER CABLE:	29.60	(0.07)	OPENTV:	1.56	0.05
VIRGIN MEDIA:	13.84	(0.11)	PHILIPS:	38.17	0.49
WASH POST:	652.75	2.27	RENTRAK:	13.88	0.06
PROGRAMMING					
CBS:	24.77	0.37	SEACHANGE:	7.50	0.32
CROWN:	4.70	0.20	SONY:	45.30	0.56
DISCOVERY:	25.70	(0.83)	SPRINT NEXTEL:	9.22	(0.16)
EW SCRIPPS:	47.25	0.89	THOMAS & BETTS:	37.41	0.90
GRUPO TELEVISA:	25.56	0.65	TIVO:	8.13	0.07
INTERACTIVE CORP:	22.38	0.84	TOLLGRADE:	4.79	0.39
LODGENET:	5.58	0.19	UNIVERSAL ELEC:	22.75	0.17
NEW FRONTIER:	5.25	(0.01)	VONAGE:	1.85	0.02
OUTDOOR:	7.74	0.09	WEBB SYS:	0.05	0.00
PLAYBOY:	6.82	(0.43)	WORLDGATE:	0.30	0.00
TIME WARNER:	16.04	0.13	YAHOO:	25.26	(0.67)
VALUEVISION:	5.13	0.12	TELCOS		
VIACOM:	38.89	0.50	AT&T:	38.75	0.16
WWE:	16.93	0.84	QWEST:	4.80	0.02
TECHNOLOGY					
3COM:	2.55	0.09	VERIZON:	38.06	0.15
ADC:	15.13	0.20	MARKET INDICES		
ADDVANTAGE:	3.70	(0.39)	DOW:	12876.31	130.43
ALCATEL LUCENT:	7.07	0.11	NASDAQ:	2488.49	42.97
AMDOCS:	31.88	0.21			
AMPHENOL:	46.67	0.37			
APPLE:	188.16	4.71			



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