

CableFAX Daily™

Monday — May 18, 2009

What the Industry Reads First

Volume 20 / No. 093

Cash from the Couch: Premium Nets Faring Well Amid Economy

Going back to 4Q, numerous industry pundits had expected premium cable nets to be buffeted by headwinds from the economy foremost, but also from Web video, movie rental services and the proliferation of original content on non-pay channels. Yet if the group has felt any shear, it hasn't experienced the required force to stunt distribution growth. "Our base business has seen terrific growth with almost all operators," said **Showtime** chmn *Matt Blank*, whose net gained 1mln subs in '08 and now counts more than 17mln. "We don't see any maturity in our business." According to **SNL Kagan**, Showtime owned 16.5mln subs as of Dec 31, which would put 1Q gains at more than 500K. **Starz**, too, continues to ramp, garnering per Kagan approx 400K subs (+8%) in 1Q, while sibling net **Encore** picked up approx 200K (+2%). **HBO's** sub numbers are more difficult to extrapolate, but the net picked up 200K subs in '08, delivered affil rev growth in 1Q, and HBO co-pres *Eric Kessler* said "we feel like we're holding our own." So, how have the premium nets been able to stride forward in a difficult environment, or at least not get blown backward? The group's historical strength in quality content remains brawny, but execs said another important characteristic has played a pivotal role. "Consumers in a down economy are looking for the best value, and we can provide that," said **Starz Ent** pres/COO *Bill Myers*, citing the breadth of content subs receive for a relatively low price. Kessler agreed, saying HBO subs receive monthly 7 channels, Hollywood hits and docs "for the price of a movie ticket in Manhattan." Plus, he said, HBO's 40% ratings growth this year for its Sat night theatricals lends credence to the cocooning phenomenon, or Americans' choice to trim expenses by spending more time at home. Also helping is competition among multichannel operators. "Our brand is being used very aggressively to promote packages," said Blank. **DirecTV** pres/CEO *Chase Carey* recently lamented a drop in premium channel penetration, but Blank said the concern likely has more to do with what subs will do after premium-laden promotions expire than actual distribution decreases. "Our business with them has been terrific," he said. Added Myers, "clearly on the DBS side, they continue to use premium networks in their sales process." Others also use premiums as a selling point, with **Comcast** now offering in D.C. a \$30/month video package consisting of digital basic and HBO. The price is good for 1 year. Meanwhile, premium nets have become benefactors of their own marketing efforts and multiplatform offerings. Convenient, customer-focused features such as **HBO On Demand** and **HBO Go**, an online service slated to launch later this year, are more critical to premium nets than others, contends Kessler, as the underlying goal for any subscription service is to keep customers as long as possible. In short, nurturing the desires of viewers is paramount, particularly with zero ad rev coming in. Blank believes similar initiatives such as free Internet and VOD sampling of Showtime series has produced the added advantage of "fostering more activity from our distributors." Of course, compelling, inventive, often graphic programming still doesn't hurt the operations of premium channels.

Competition: AT&T U-verse TV launched the following HD channels from MTVN: MTV HD, VH1 HD, CMT HD,

HALLMARK MOVIE CHANNEL

Delivers an audience that over indexes with
HD (145), Cable Modems (197), DVR (186) and Digital Phone (142)

Visit insidehallmarkchannel.com for launch information.



Source: Mediabank Research & Intelligence, Doublebase 2008 study, Base of Adults 18+, Index = % of Hallmark Movie Channel Enthusiasts (digitalcable subscribers who watch Hallmark Channel, or who watch, buy or rent family movies) compared to Total U.S.

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.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, 301/354-1695, dvodenos@accessintel.com ● Advertising Mgr: Erica Gottlieb, 212/621-4612 ● Marketer: Patrick Benko, 301/354-1789, pbenko@accessintel.com ● Marketing Director: Carol Bray, 301/354-1763, cbray@accessintel.com ● Prod: Joann Fato, 301/354-1681, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Paul Maxwell/Columnist ● Subs/Client Services: 301/354-2101, fax 301/309-3847 ● Group Subs: Carol Bray, 301/354-1763, cbray@accessintel.com

Nickelodeon HD, Comedy Central HD and Spike HD. -- Nexstar Broadcasting reported a 42% surge in 1Q retrans rev to \$6.6mln, yet net rev dipped 13% to \$55.5mln. -- **Univision** inked a retrans deal with **DirecTV** and **Comcast** in 1Q, but the Spanish-language broadcaster's report of \$336mln (-9%) in 1Q TV rev didn't include retrans rev numbers. -- Mobile TV service **FLO TV**, available to certain **AT&T** and **Verizon Wireless** customers, inked a deal to feature **NBC Sports'** coverage of the Preakness Stakes, French Open, Stanley Cup Final, US Open and Wimbledon.

In the States: **Comcast** bowed DOCSIS 3.0 broadband speeds of up to 50Mbps in Pittsburgh and portions of WV, OH and MD.

Carriage: **Sky Angel** added **BabyFirstTV** to its channel lineup and is offering through May 31 a free preview of the \$5/month net.

Earnings: **Outdoor Channel Holdings** reported a 45.3% jump in 1Q rev to \$17mln, owing mainly to its Jan acquisition of **Winnercomm**, and an impressive 2.1% increase in ad rev to \$7.8mln. Sub fees rose 15.2% to \$4.7mln. Programming costs and retrans fees both fell in the Q.

Technology: **MLB Advanced Media** has received a US patent for a system and method to verify the rightful access to content based on Web services subs' geographic location.

Milestone: **AETN** feted its 25th Anniversary Thurs night at The Rainbow Room in NYC.

Programming: **Fuse** bows "Dave Matthews Band: Live from the Beacon Theatre" in HD and commercial-free on the eve of the release of the band's new album, June 1. It will then present 7-days of original programming about the band. -- **Starz** greenlit a 2nd season of "Party Down." -- **Nat Geo's** "A Decade Behind Bars: Return to the Farm" (Jun 16) is the 2-hr sequel to the **Sundance Film Festival** Grand Jury Prize winner and **Oscar**-nominated doc "The Farm: Life Inside Angola Prison."

Online: **Hulu** increased 490% YOY in total streams to 272.3mln in Apr from 63.2mln in Apr '08, making it the fastest growing Web brand among the Top 10 for streams, **Nielsen** reports. -- **E! Online** launches Fri a free app offering iPhone and iPod Touch users the latest headlines, videos and pics from the world of entertainment.

Reading List: *Fast Company* (June) has ranked the "100 Most Creative People in Business," putting **Disney Channels Worldwide** pres *Rich Ross* in the #5 spot and **Comedy Central** pres *Michele Ganeless* at #8. Ross was recognized for the global spread of Disney Channel (nearly 100 channels in 163 countries), while Ganeless was credited for championing shows like "Colbert Report" and the net's Web presence, which includes launching standalone site **Jokes.com**.

Technology: **SlingMedia** has bowed a WiFi-only version of its **SlingPlayer Mobile** app for **iPhones** and **iPods**, allowing users amid hot spots to view and control their home TVs through the devices.

People: **United Way of America** elected **RCN** pres/CEO *Peter Aquino* a board member. -- **Clearwire** promoted *Barry West* to pres, intl, and appointed *G. Michael Sievert* chief commercial officer, *Kevin Hart* chief information officer and *Laurent Bentitou* chief people officer.

Online: On-demand content service **Vudu** is partnering with **Brightcove** to enable Brightcove customers to distribute content directly to TVs through Vudu set tops. In Dec, Vudu added a TV area with more than 120 channels and content including **CNN's** "Anderson Cooper 360" and "MTV News."

ion™
TELEVISION
POSITIVELY ENTERTAINING

GROW WITH US!

Double digit growth in households and adults 25 to 54 season to date. Original and new series this fall.

Nielsen Galaxy Explorer, M-Su 8-11p, 9/29/08-4/19/09 vs 10/1/07-4/20/08, HHLD & P2554, Live + SD (000), subject to qualifications

Ghost Whisperer **Durham County** **Criminal Minds**
Original Series

CableFAX Week in Review

Company	Ticker	5/15 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	28.19	(4.4%)	2.30%
DIRECTV:	DTV	24.23	(2.1%)	5.80%
DISH:	DISH	15.71	2.60%	41.70%
DISNEY:	DIS	23.41	(8.1%)	4.70%
GE:	GE	12.86	(11.5%)	(14.9%)
HEARST-ARGYLE:	HTV	4.49	0.40%	(24.8%)
NEWS CORP:	NWS	9.96	(10.3%)	5.20%

Company	Ticker	5/15 Close	1-Week % Chg	YTD %Chg
MSOS				
CABLEVISION:	CVC	18.27	(6.1%)	9.70%
COMCAST:	CMCSA	14.42	(8.5%)	(13.4%)
COMCAST SPCL:	CMCSK	13.50	(9.3%)	(15.2%)
GCI:	GNCMA	6.99	(13.3%)	(13.6%)
KNOLGY:	KNOL	7.66	(7.7%)	48.40%
LIBERTY CAPITAL:	LCAPA	12.76	(0.9%)	170.90%
LIBERTY ENT:	LMDIA	23.92	(8.1%)	36.80%
LIBERTY GLOBAL:	LBTYA	14.46	(16.6%)	(9.2%)
LIBERTY INT:	LINTA	5.47	(21.5%)	75.30%
MEDIACOM:	MCCC	5.28	(3.3%)	22.80%
SHAW COMM:	SJR	15.93	(4.9%)	(6.8%)
TIME WARNER CABLE:	TWC	31.01		
VIRGIN MEDIA:	VMED	6.91	(11.4%)	40.90%
WASH POST:	WPO	358.71	(2.7%)	(7%)

Company	Ticker	5/15 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
CBS:	CBS	6.70	(21.6%)	(17%)
CROWN:	CRWN	2.98	1.00%	4.60%
DISCOVERY:	DISCA	19.29	(4.8%)	36.20%
EW SCRIPPS:	SSP	1.68	(11.8%)	(23.8%)
GRUPO TELEVISIA:	TV	16.93	(3.7%)	13.30%
HSN:	HSNI	8.83	0.10%	21.50%
INTERACTIVE CORP:	IACI	14.95	(5.3%)	(5%)
LIBERTY:	L	25.21	(13.1%)	(10.5%)
LODGENET:	LNET	4.80	3.20%	585.70%
NEW FRONTIER:	NOOF	1.99	(5.7%)	17.10%
OUTDOOR:	OUTD	7.50		0.10%
PLAYBOY:	PLA	2.66	(19.6%)	23.10%
RHI:	RHIE	3.19	0.90%	(60.7%)
SCRIPPS INT:	SNI	27.47	(9.7%)	25.20%
TIME WARNER:	TWX	23.52	(6.7%)	6.00%
VALUEVISION:	VVTV	0.65	(1.5%)	97.00%
VIACOM:	VIA	21.65	(6.2%)	7.60%
WWE:	WWE	11.29	(3.1%)	11.60%

Company	Ticker	5/15 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
3COM:	COMS	4.12	0.50%	80.70%
ADC:	ADCT	6.65	(10.4%)	21.80%
ADVANTAGE:	AEY	1.65	(10.8%)	(7.3%)
ALCATEL LUCENT:	ALU	2.22	(14.6%)	3.30%
AMDOCS:	DOX	20.54	(0.8%)	12.30%
AMPHENOL:	APH	31.80	(2%)	32.80%
APPLE:	AAPL	122.42	(5.2%)	43.40%
ARRIS GROUP:	ARRS	10.30	(5%)	29.60%
AVID TECH:	AVID	12.35	(1.6%)	13.20%
BIGBAND:	BBND	5.13	(4.8%)	(7.1%)
BLNDER TONGUE:	BDR	1.56	15.60%	54.50%
BROADCOM:	BRCM	20.83	(3.3%)	22.70%

Company	Ticker	5/15 Close	1-Week % Chg	YTD %Chg
CISCO:	CSCO	17.92	(4.3%)	9.90%
CLEARWIRE:	CLWR	4.59	(29.4%)	15.60%
COMMSCOPE:	CTV	22.81	(13.8%)	46.80%
CONCURRENT:	CCUR	4.33	2.40%	26.50%
CONVERGYS:	CVG	9.20	(7.8%)	43.50%
CSG SYSTEMS:	CSGS	13.20	(2.7%)	(24.4%)
ECHOSTAR:	SATS	16.10	(7%)	8.30%
GOOGLE:	GOOG	390.00	(4.3%)	26.80%
HARMONIC:	HLIT	5.16	(12.1%)	(8%)
INTEL:	INTC	15.19	(0.7%)	12.80%
JDSU:	JDSU	4.69	(7.8%)	28.30%
LEVEL 3:	LVL	1.05	(11%)	50.00%
MICROSOFT:	MSFT	20.22	4.10%	5.30%
MOTOROLA:	MOT	5.91	(9.1%)	34.50%
NDS:	NNDS	62.93		9.70%
OPENTV:	OPTV	1.54	1.30%	25.20%
PHILIPS:	PHG	18.62	(4.9%)	3.00%
RENTRAK:	RENT	10.35	2.50%	(12.2%)
SEACHANGE:	SEAC	6.25	(4%)	(13.3%)
SONY:	SNE	26.48	(5.2%)	21.10%
SPRINT NEXTEL:	S	5.05	(3.6%)	176.00%
THOMAS & BETTS:	TNB	30.22	(6.9%)	25.80%
TIVO:	TIVO	7.50	(8%)	4.70%
TOLLGRADE:	TLGD	5.09	(2.7%)	6.50%
UNIVERSAL ELEC:	UEIC	20.09	(9.7%)	23.90%
VONAGE:	VG	0.47	(14.5%)	(28.8%)
YAHOO:	YHOO	14.91	(1.6%)	22.20%

Company	Ticker	5/15 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	24.88	(1.5%)	(8.4%)
QWEST:	Q	4.09	(7.9%)	16.80%
VERIZON:	VZ	29.61	(0.8%)	(8.6%)

Index	Value	1-Week % Chg	YTD %Chg
MARKET INDICES			
DOW:	INDU	8268.64	(3.6%) (5.8%)
NASDAQ:	COMPX	1680.14	(3.4%) 6.50%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. BLNDER TONGUE:	1.56	15.60%
2. MICROSOFT:	20.22	4.10%
3. LODGENET:	4.80	3.20%
4. DISH:	15.71	2.60%
5. RENTRAK:	10.35	2.50%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. CLEARWIRE:	4.59	(29.4%)
2. CBS:	6.70	(21.6%)
3. LIBERTY INT:	5.47	(21.5%)
4. PLAYBOY:	2.66	(19.6%)
5. LIBERTY GLOBAL:	14.46	(16.6%)

Reach Out, Educate, Engage
CableFAX Contests are "Win-Win"

Want a fun and effective way to reach out to your prospects and create new business alliances?
 Let CableFAX host your next contest. You create the branding message and determine the prize(s) and we'll draw in contestants through web, email, and print.

For more information, visit <http://www.cablefax.com/cfp/advertise/>
 or contact dvodenos@accessintel.com / Tel: 301-354-1695.



MaxFAX...

Noise Matters...

“Noise”—in the sense of this particular exercise this week—means anything that interferes with, degrades or otherwise hinders in any way a communication. The technical reason why your messages don't always communicate what you think you are saying, tele-



Paul S. Maxwell

casting, emailing or whatever.

My sister, a college professor, doesn't look at the world in quite the same ways as I. Got a note from her in a forwarded email the other day:

“I think this is a better demonstration of the market than your columnist's...”

Attached was this screed saying “thanks for all you do” from *Timothy Carr*, Campaign Director, **Free Press Action Fund**.

Here's what he was thanking my sister for doing (bold face is theirs; all in italics; if you'd like to see a copy of the complete pitch for more letters and money, send me an email):

Congratulations!

Time Warner Cable's price-gouging scheme came crashing down yesterday.

In a spectacular victory for Free Press and supporters like you, the company buckled under public pressure and

abandoned its plan to impose Internet penalties against those who go online for more than e-mail and basic Web surfing.

If they had gotten away with this scam, users of online innovations like Web video and radio would have been forced to pay up to \$100 more per month for full broadband service.

Time Warner Cable didn't cave because of a sudden spurt of good conscience. They reacted to a torrent of protest from Free Press members and from Internet users across the country.

Savor this victory, because it belongs to you. You proved -- again -- that when we pull together, we can defend our online rights against even the biggest of Big Media giants.

But this fight isn't over. The threat of this kind of price gouging is not going away. Big media companies like Time Warner Cable, Comcast and AT&T know that the new media landscape -- with Internet users watching video at YouTube, listening to radio at Pandora and making phone calls using applications like Skype -- is a threat to their monopoly control.

They'll do whatever it takes to protect their profits and limit your freedoms ...

Well, I'm sure they'll all do the former (that profit bit), but limit freedom?

There's a lot more to the letter... pitching freedom against big bad big media (clearly, Carr doesn't track stocks or

the economy).

Nice to know we're all still a monopoly.

Would also be nice to get more bandwidth for less money... or free. So, let's stop building out cable systems and see what happens? Naw.

Best to let these guys rant, rave and enjoy their limited 15 minutes in the spotlight.

Random Notes:

• **Arf! Arf!** Or, rather, you're invited to Yappy Hour on Tuesday (tomorrow, the 19th) at Elway's in Cherry Creek (Denver) hosted by *Colleen Abdoulah*, *Jim O'Brien*, *Sharan Wilson*, *Jerry Maglio* and *Lela Cocoros* (with me and *Evie* cheering in the background) from 5 to 7... \$35 gets you in, a drink (Barktini anyone?), appetizers, the ubiquitous silent auction and a lecture about service dogs... this is all to benefit Freedom Service Dogs. Lots of our friends (like at **Showtime**, **HBO**, **Animal Planet**, **TWC**, **Starz**, **HGTV**, **Oxygen** and more) are involved... so come join us by going to www.FreedomServiceDogs.org and reserving tickets! There's even going to be a Cable Freedom Dog (when we all raise enough moola).

Paul Maxwell

T: 303/271-9960

F: 303/271-9965

maxfax@mediabiz.com

CableFAX Daily will publish a special supplemental Mid-Day Report, June 11, profiling the winners of the Sales Executive of the Year Awards and the Sweet 16—with special mention of the 2009 Hall of Fame Inductees. For event information and list of Honorees go to: www.CableFAX.com/SEOY.

A Generous Distribution of the Mid-Day Report Will Include:

- Printed copies at the event for all attendees • CableFAX Daily Subscribers
- Thousands more via PDF of the Mid-Day Report on CableFAX.com

For your Mid-Day advertisement booking and sponsorship opportunities contact:

Debbie Vodenos, Publisher

301-354-1695; dvodenos@accessintel.com

Erica Gottlieb, Account Manager

212-621-4612; egottlieb@accessintel.com

Publication Date: June 11

Sales Close Date: June 3

Artwork Deadline: June 5

