

# CableFAX Daily™

Tuesday — June 15, 2010

What the Industry Reads First

Volume 21 / No. 114

## Bronx to Bozeman: Cablevision Mixes Big Apple with Big Sky

**Cablevision** is well regarded for its savvy marketing and high penetration numbers, but will it play in Peoria—er, make that Helena? That's the \$1.365bln question after Cablevision's announcement that it will purchase 100% ownership of **Bresnan**. It'll put in less than \$400mln in equity and take on about \$1bln in non-recourse debt to purchase **Providence Equity's** majority interest and **Comcast's** 30% stake (roughly 8x Bresnan's EBITDA). The deal's expected to close in late '10 or early '11, and CVC will set up a subsidiary to house the systems. Bresnan passes 630K homes and has more than 300K subs in CO, MT, WY and UT. "Despite attractive tax attributes, we remain curious on long-term strategic rationale for [a] deal that adds \$1bln in non-recourse debt to highly leverage CVC," said **S&P**, which kept a "hold" on A shares. CVC execs exuded confidence in a call with investors Mon morning. "There is no reason why these same strategies will not succeed in other parts of the country. In fact, we know they will do so," CVC COO *Tom Rutledge* said, pointing to Cablevision's growth in all areas despite telco and satellite competition. With Cablevision generating cash flow for homes passed at \$450+ on an annualized basis and Bresnan at the \$250 level, Bresnan and team will be looking to narrow that gap. Bresnan's plant is almost fully upgraded, so one of the keys will be getting better triple-play uptake. Bresnan's penetration levels for video are about 48%, digital 65%, data 38% and voice 22%. One of the first things CVC will do is introduce more HD programming, Rutledge said. As for the very different business locales, he pointed to the 380K foreign-language customers CVC currently serves. "We have the ability in-house to dissect the marketplace and create and tailor products specifically for the people we serve," Rutledge said. "We believe we can do the same for the people in Big Sky Country and do it well while we continue to meet the needs of our existing, dynamically changing marketplace." **Qwest** is the telco competitor in Bresnan's markets, so there is no telco video offering. **DBS** is the big competitor, with 38% share in Bresnan markets. CVC pres/CEO *Jim Dolan* said this wasn't the start of a buying spree, saying that Bresnan has some unique assets and it should not be taken for interest in every cable company that is or will potentially be for sale. While analysts had concerns, shares were up 5% at Mon's close. "We are, frankly, a bit surprised at the stock's strength given relatively little detail provided on this call," said **Wells Fargo's** *Marci Ryvicker*. She believes investors are reacting to the MSO's intent to utilize a \$500mln share buyback as well as

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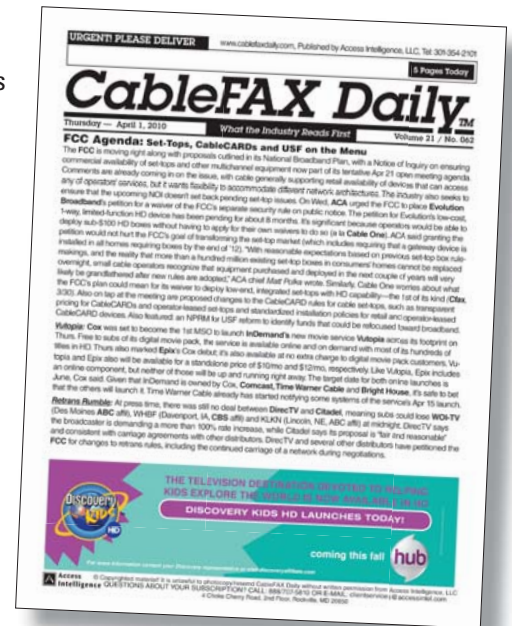
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Dolan's reassurance that no other deals are in the works. Other positives from the conference call commentary, she noted, include that CVC programming rates will apply, it represents no financial downside to investors and there should be upside resulting from increasing market share/penetration vs DBS. **Sanford Bernstein's Craig Moffett** said that while CVC is arguably the best operating team in the business, the Bresnan systems are also some of the best run in the country. "Opportunities to squeeze out synergies are likely to be somewhat limited," he told clients. "This deal is not a turnaround story. It is a financial story. And, regardless of whether they make or lose money on this transaction...it's a less attractive story than it was just a week ago." -- Cablevision's purchase of Bresnan helped propel **Mediacom's** stock Mon to \$7.10 (up 4.5%), adding fuel to the belief that **Rocco Commisso's** \$6/share offer to take it private is low.

**Ratings Kicks:** At least for the initial days of competition, the blaring pre-**World Cup** hype from **ESPN** and **Univision** appears to have been justified. Through 5 matches, ESPN and **ABC** are averaging 3.43mln HHs and 4.94mln viewers, marking respective increases of 95% and 108% versus '06. Not to be outdone, Univision's Spanish-language coverage of the event's opening Mexico-South Africa match delivered 5.4mln total viewers to become the net's most-watched opening day contest ever—and impressively bested ESPN's audience (2.86mln) for the match. To date, Univision's averaging 3.16mln viewers (+49%), 1.32mln 12-34s (+50%), 1.87mln 18-49s (+40%) and 1.08mln 18-34s (+49%), and its US-England coverage garnered 4.1mln total viewers to become its 2nd most-watched US Cup match in history. As Sat's Argentina-Nigeria match is ESPN's most-watched so far with 3.73mln viewers, ABC's coverage of the US-English match demands notice as it delivered nearly 13mln viewers and now ranks as the broadcaster's 5th most-watched World Cup match ever (men and women). Melding the US match audiences of ABC and Univision, **Nielsen** said 57% of total viewers were 18-49s, 65% of 18+ were male and teens accounted for 7% of the total audience. Alternate platforms were also a hit. Cup content on **ESPN.com** (including **ESPNSoccernet.com** and **ESPNDportes.com**) garnered 9.5mln visits and 34.5mln page views for the tourney's 1st 2 days, with users spending an avg of 10min/visit. And ESPN's mobile offerings generated 8.2mln visits, 50.4mln page views and 550K video views. **UnivisionFutbol.com**, meanwhile, delivered 283K streams for the South Africa-Mexico and Uruguay-France matches.

**Carriage:** **DISH** signed on as the initial distributor (Aug 1) of **HSN2**, a 2nd home shopping channel designed to offer viewers a curated assortment of encore **HSN** airings. HSN said the new net may also run programming that's counter to HSN, and will be used to test different ideas and develop new business opportunities. -- **Comcast** launched **Galavision** in greater Philadelphia and NJ. -- **Cox** added interactive music net **SWRV** in the LA markets of Baton Rouge, Lafayette and New Orleans. -- By adding approx 2.8mln homes over the past year, **Speed** is now available to nearly 76mln in the US.

**On the Hill:** The **House Communications** subcmte will hold a hearing Thurs on a bipartisan discussion draft to provide funding for the construction and maintenance of a nationwide, interoperable public safety broadband network. The draft includes a proposal to borrow up to \$2bln from the Treasury to fund the network in the 700 MHz band.

**Over-the-Airheads:** Total TV station revenue, including that derived from retransmission fees, is expected to reach \$20.9bln in '10, according to updated **SNL Kagan** projections. It predicts that number will grow to \$25.4bln by '16. -- **Caris & Co** upped to "above average" from "average" its rating on **CBS**, believing the broadcaster will now earn \$1.30 share (versus the previous projection of \$1.15) in '11 owing largely to retrans fees. The price target was raised to \$17 from \$14.

**In the States:** **NewWave Comm** bought **Windjammer Cable's** assets in Kennett and Senath, MO. The system serves more than 3200 cable, 900 HSD and 250 phone customers. -- **Frontier Comm** selected **ADTRAN** services to deliver universal broadband, new bundles services and enhanced tech to many of the markets it expects to officially acquire from **Verizon** on Jul 1. -- **CBS** inked a definitive agreement to sell its **CW** affil station **WGNT** in Norfolk to **Local TV Holdings**.

**Online:** Beginning in Nov, **Microsoft's Xbox Live Gold** members who receive their Internet connection from an affiliated service provider will have access to more than 3,500 live events every year via **ESPN3**. Available in more than 50mln homes, the digital net owns affil agreements with more than a dozen ops including **Comcast**, **Verizon**, **Cox** and **Charter**.

**Programming:** **AMC** greenlit a 4th season of "Breaking Bad," which ended its 3rd season Sun night with 20% season-to-season growth in HH ratings. -- As **Bio's** top original series in history, "Celebrity Ghost Stories" returns for a 2nd season Jul 17. New series "My Ghost Story" follows. -- **ION TV** acquired from **Warner Bros TV** all 7 season of crime drama "Without a Trace." -- The premiere of "Bethenny Getting Married" Thurs went down as **Bravo's** highest-

# BUSINESS & FINANCE

rated series premiere in net history, with 2.1mln total viewers.

**Public Affairs:** Cox and the **Natl Center for Missing and Exploited Children** will hold Tues their **5th Natl Teen Summit on Internet Safety** at **NCTA's** DC headquarters. "America's Most Wanted" host *John Walsh* will head the discussion, and Cox will stream the proceedings on-line for the 1st time, at **UStream.TV/channel/Coختهensummit**. According to a survey sponsored by Cox and NCMEC, half of teens said they have posted a fake age online, 38% have become social network friends with someone they don't know and 62% post photos without consulting with their parents.

**People:** **Discovery Comm** tapped *Wonya Lucas* as evp, COO, **Discovery Channel** and **Science Channel**. -- **Hallmark Channels** tapped *Joan Gundlach* as evp, distribution. -- *Vincent Cordero* was named evp/gm, **Fox Sports en Espanol**. Acting gm *Raul De Quesada* remains as asst gm while adding the title of svp, marketing, Hispanic nets for **Fox Intl Channels**. -- **iN Demand** promoted *Michael Berman* to evp, programming/general counsel.

**Oops:** Perhaps stricken by **World Cup** fever, we erroneously attributed **Univision's** comments in Mon's Cup story to *Alina Falcon*, not correctly to evp, distribution sales and marketing *Tonia O'Connor*.

## CableFAX Daily Stockwatch

| Company                      | 06/14 Close | 1-Day Ch | Company               | 06/14 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| <b>BROADCASTERS/DBS/MMDS</b> |             |          |                       |             |          |
| DIRECTV:                     | 38.57       | 0.10     | ARRIS GROUP:          | 10.83       | 0.24     |
| DISH:                        | 21.17       | 0.33     | AVID TECH:            | 13.01       | 0.12     |
| DISNEY:                      | 33.93       | (0.31)   | BIGBAND:              | 2.90        | (0.02)   |
| GE:                          | 15.39       | (0.17)   | BLNDER TONGUE:        | 1.35        | (0.06)   |
| NEWS CORP:                   | 15.45       | (0.14)   | BROADCOM:             | 33.91       | 0.03     |
| <b>MSOS</b>                  |             |          |                       |             |          |
| CABLEVISION:                 | 24.57       | 1.17     | CISCO:                | 22.75       | (0.15)   |
| COMCAST:                     | 18.15       | (0.04)   | CLEARWIRE:            | 7.77        | (0.02)   |
| COMCAST SPCL:                | 17.27       | (0.01)   | COMMSCOPE:            | 25.87       | (0.41)   |
| GCI:                         | 6.48        | 0.31     | CONCURRENT:           | 4.99        | 0.06     |
| KNOLOGY:                     | 11.39       | (0.09)   | CONVERGYS:            | 10.38       | 0.10     |
| LIBERTY CAPITAL:             | 41.11       | (0.21)   | CSG SYSTEMS:          | 19.49       | (0.07)   |
| LIBERTY GLOBAL:              | 25.34       | (0.07)   | ECHOSTAR:             | 21.09       | 0.36     |
| LIBERTY INT:                 | 12.95       | (0.04)   | GOOGLE:               | 483.19      | (5.31)   |
| MEDIACOM:                    | 7.10        | 0.31     | HARMONIC:             | 5.76        | 0.16     |
| RCN:                         | 14.82       | 0.12     | INTEL:                | 20.89       | 0.25     |
| SHAW COMM:                   | 19.28       | 0.09     | JDSU:                 | 11.13       | 0.03     |
| TIME WARNER CABLE:           | 54.68       | 1.11     | LEVEL 3:              | 1.22        | 0.02     |
| VIRGIN MEDIA:                | 17.00       | (0.49)   | MICROSOFT:            | 25.50       | (0.17)   |
| WASH POST:                   | 444.30      | (6.92)   | MOTOROLA:             | 6.96        | (0.15)   |
| <b>PROGRAMMING</b>           |             |          |                       |             |          |
| CBS:                         | 14.63       | 0.22     | RENTRAK:              | 21.89       | (0.18)   |
| CROWN:                       | 1.75        | (0.02)   | SEACHANGE:            | 8.36        | (0.06)   |
| DISCOVERY:                   | 38.36       | (0.15)   | SONY:                 | 28.40       | (0.2)    |
| GRUPO TELEVISIA:             | 18.60       | (0.1)    | SPRINT NEXTEL:        | 4.79        | (0.08)   |
| HSN:                         | 25.02       | (1.22)   | THOMAS & BETTS:       | 38.76       | 0.18     |
| INTERACTIVE CORP:            | 23.30       | 0.06     | TIVO:                 | 8.02        | 0.39     |
| LIBERTY:                     | 32.74       | 0.19     | TOLLGRADE:            | 6.51        | (0.09)   |
| LIBERTY STARZ:               | 51.83       | 0.53     | UNIVERSAL ELEC:       | 19.36       | 0.19     |
| LIONSGATE:                   | 6.92        | (0.05)   | VONAGE:               | 2.11        | 0.11     |
| LODGENET:                    | 4.29        | 0.30     | YAHOO:                | 15.17       | (0.12)   |
| NEW FRONTIER:                | 1.76        | 0.08     | <b>TELCOS</b>         |             |          |
| OUTDOOR:                     | 5.43        | 0.10     | AT&T:                 | 25.17       | (0.12)   |
| PLAYBOY:                     | 3.90        | (0.04)   | QWEST:                | 5.25        | (0.04)   |
| SCRIPPS INT:                 | 45.01       | (0.2)    | VERIZON:              | 28.63       | 0.07     |
| TIME WARNER:                 | 31.58       | 0.05     | <b>MARKET INDICES</b> |             |          |
| VALUEVISION:                 | 1.77        | 0.04     | DOW:                  | 10190.89    | (20.18)  |
| VIACOM:                      | 37.60       | 0.14     | NASDAQ:               | 2243.96     | 0.36     |
| WWE:                         | 16.29       | (0.2)    |                       |             |          |
| <b>TECHNOLOGY</b>            |             |          |                       |             |          |
| ADC:                         | 7.84        | 0.11     |                       |             |          |
| ADDVANTAGE:                  | 2.85        | 0.06     |                       |             |          |
| ALCATEL LUCENT:              | 2.75        | 0.09     |                       |             |          |
| AMDOCS:                      | 27.70       | 0.08     |                       |             |          |
| AMPHENOL:                    | 41.06       | 0.07     |                       |             |          |
| AOL:                         | 20.75       | (0.25)   |                       |             |          |
| APPLE:                       | 254.28      | 0.77     |                       |             |          |

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