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Wednesday — June 16, 2010

What the Industry Reads First

Volume 21 / No. 115

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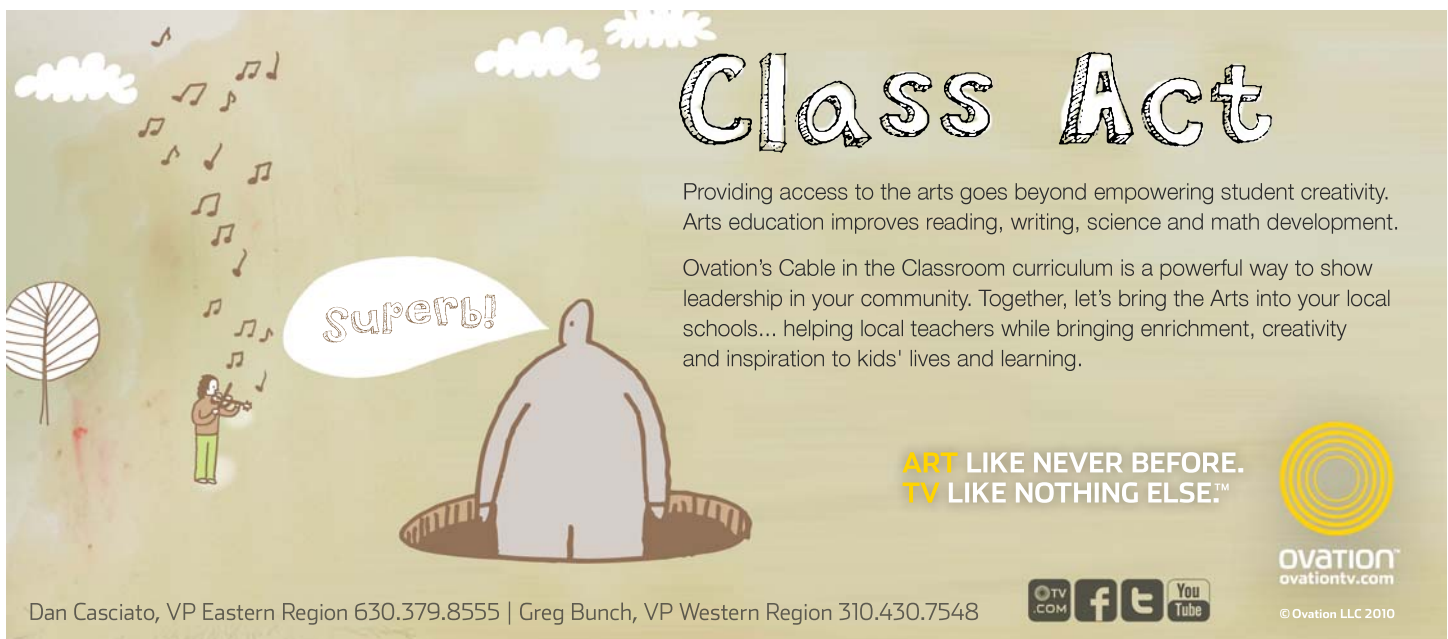
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That's a Wrap: Discovery, Turner Join List of Cables Finishing Upfronts

Cable's upfronts are moving along nicely, with **Turner** wrapping up deals for its 3 entertainment nets (**TBS**, **TNT** and **truTV**) Mon night. Sources put CPM increases at about 9-10% over last year's pricing. The healthy rate jump may not be a surprise to Turner execs, who have expressed bullishness on upfront opportunities recently due to truTV's steady ratings climb and recent programming additions including *Conan O'Brien* and the **NCAA** men's basketball tourney. **Discovery** also wrapped, with sources indicating a high single-digit increase and much higher volume. Discovery's deals don't include yet-to-launch nets The Hub (Oct debut) and OWN (Jan). In a statement, *David Levy*, Turner pres, sales, distribution and sports, indicated that more good news may be coming. "It's still early to share details, but we're seeing strength within **Adult Swim** and **Cartoon Network**, as well as news with **CNN**. These networks are all in a strong position to garner their fair share of upfront commitments," he said. NBCU wrapped up deals for its cable entertainment properties Thurs, making it the first cable programmer to finish. Volume was said to be about 20% higher, with average pricing across the portfolio in the high-single digits. Top ad-supported net **USA's** increase was likely higher, with some sources putting it in the double digits. "This was a great upfront for the industry and our results reflect that," said *Mike Pilot*, pres, sales and marketing, NBCU. "We saw market leading growth for our market leading properties, including Cable Entertainment, NBC News and Late Night programming, and our Primetime results saw above average growth as the market responded to our investment in new programming." **Viacom** also completed its upfront sales, with the *WSJ* pegging the **MTV Nets'** increases at rates "comparable to broadcast." **A&E**, **Comcast** and **Fox Cable** are said to be nearing the finishing line. With much of the cable market wrapping up before the start of July, things are looking good and there could be a better idea of just how good by the end of the week. Automotive and financial services are back and retail is also said to be sizzling. Broadcast (the Big 4 plus **CW**) wrapped up their upfronts last week, with estimates in the \$8.5bln range—a nice spike from last year's estimated \$7.5-8bln.

No Cards: No surprise here. **NCTA** believes the **FCC** should end the set-top integration ban, which prevents cable operators from deploying boxes with integrated security. The trade group argued that the nearly 20mln CableCARDS deployed by the 10 largest ops in their own leased devices is more than sufficient to ensure that operators have



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the incentive to make CableCARDS work in their systems. “Moreover, the integration ban has imposed more than a billion dollars in costs on cable operators and consumers, yet there is no compelling evidence of any correlation between CableCARD use in leased devices and the adoption of retail CableCARD devices or other consumer benefits,” NCTA said in comments filed late Mon in response to the FCC’s Further NPRM on CableCards. NCTA also said the FCC should adopt its proposal to exempt from the set-top integration ban all SD and HD digital terminal adapters without recording functionality—particularly given that there are more than 110 nets in HD and ¾ of consumers own HD sets. It also expressed concern about itemizing CableCARD charges, saying that most customers are unaware they lease newer boxes with CableCARDS. “The addition of a new charge without any change in service may cause confusion and lead consumers to think it is a mistake or a rate increase,” NCTA said.

Comcast-NBCU: We want more time. That’s the word from **Bloomberg**, which has asked the **FCC** for a 45-day extension to file petitions to deny and/or comments in the **Comcast-NBCU** transaction. If granted, that would bump the June 21 deadline back to Aug 5. Oppositions and replies would stretch into Sept. Bloomberg, whose **Bloomberg TV** competes with **CNBC**, said the additional time is needed to fully consider the record, including Comcast and NBCU’s responses on Fri to an FCC information request.

At the Portals: The **FCC** released a white paper Tues on spectrum, providing more info on its recommendation to repurpose 120MHz from the broadcast TV bands. Among the more interesting details is the idea that consumers who lose access to OTA stations could become eligible for a lifeline video service from MVPDs or coupons for equipment upgrades, such as more capable antennas.

Advertising: In a deal that exposes **DirecTV** to the spot ad market for the 1st time, the DBS op and **NCC Media** formed a partnership allowing for placement of local ads on myriad nets in the lion’s share of satellite and cable homes. The deal integrates the DBS op’s new targeted ad system with local market cable ad platforms to increase coverage in 25 select markets.

On the Prowl: **News Corp** offered approx \$11.5bln (cash and debt) to acquire the 61% of **BSkyB** it doesn’t already own, and although the offer was rebuffed as too low, both sides agreed to continue negotiations and start the ball rolling toward regulatory approval. A completed purchase would benefit News Corp by “increasing the geographic diversification of our earnings base, reducing our exposure to cyclical advertising revenues and increasing our direct consumer subscription revenues,” said deputy chmn/pres/COO *Chase Carey*. Investors cheered the developments, sending News shares up 6.8% Tues, and several analysts agreed the ownership consolidation would have positive ramifications. News Corp’s “efforts to increase its recurring revenue businesses (such as with its cable networks via carriage fee increases, its Sky Italia asset that has been consolidated for some time now, and now the attempt to consolidate B SkyB) should be viewed favorably by investors seeking business models with greater visibility for cash flow growth,” said **Miller Tabak’s David Joyce**.

Research: While US consumers spend an avg of \$185/month for phone, Internet and pay TV services, according to the **Yankee Group**, most of the outlay is dedicated to mobile phone plans. Pay TV penetration can boost spending, though, as customers pay more than the avg \$66/month for video services in areas where penetration exceeds 90%—\$83 in VT, \$77 in WV and \$72 in TN, for example. Also, said the firm, 48% of consumers purchase 2.7 bundled services at an avg

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price of \$119/month, but will order more services and pay more in areas with greater bundled penetration. 25% of Americans have no phone line.

Technology: TiVo bowed a **FrameChannel** app for its broadband-connected DVRs that allows customers to personalize Web content for on-screen viewing and receive updates from social network sites such as **Facebook** and **Twitter**. -- **MoCA** ratified its **MoCA 2.0** spec for home ent networking, which offers 2 performance modes enabling 400Mbps (Basic) and 800Mbps (Enhanced) net throughputs. For point-to-point WAN apps, performance can be optimized for 2 node networks with Basic mode delivering 500Mbps net throughput and Enhanced 1Gbps. To assure a more robust customer experience, the packet error rate has been improved to 1 packet error in 100mln.

On the Circuit: More than \$225K in cash, equipment and in-kind donations was raised as part of **CableCares**, the industry's community service initiative to help L.A. youth and local charities during the Cable Show last month. More than 245 people volunteered time to CableCares activities.

People: *Kevin Hord* was named vp, corp procurement and materials mgmt for **Bright House**. -- **Motorola's** Mobile Devices & Home biz tapped *John Bucher* as corp vp, strategy. -- **Exercise TV** upped *Chris Mansolillo* to pres. -- **AETN** promoted *Emory Walton* to vp, distribution field sales, West.

CableFAX Daily Stockwatch

| Company | 06/15 Close | 1-Day Ch | Company | 06/15 Close | 1-Day Ch |
|------------------------------|----------------|-------------|-----------------------|----------------|-------------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DIRECTV: | 39.25 | 0.68 | ARRIS GROUP: | 11.22 | 0.39 |
| DISH: | 21.76 | 0.59 | AVID TECH: | 13.37 | 0.36 |
| DISNEY: | 34.99 | 1.06 | BIGBAND: | 2.90 | 0.00 |
| GE: | 15.79 | 0.40 | BLNDER TONGUE: | 1.35 | 0.00 |
| NEWS CORP: | 16.50 | 1.05 | BROADCOM: | 35.84 | 1.93 |
| MSOS | | | | | |
| CABLEVISION: | 25.15 | 0.58 | CISCO: | 23.33 | 0.57 |
| COMCAST: | 18.65 | 0.50 | CLEARWIRE: | 7.89 | 0.12 |
| COMCAST SPCL: | 17.69 | 0.42 | COMMSCOPE: | 26.64 | 0.77 |
| GCI: | 6.56 | 0.08 | CONCURRENT: | 5.03 | 0.04 |
| KNOLOGY: | 11.68 | 0.29 | CONVERGYS: | 10.47 | 0.09 |
| LIBERTY CAPITAL: | 42.43 | 1.32 | CSG SYSTEMS: | 19.93 | 0.44 |
| LIBERTY GLOBAL: | 26.34 | 1.00 | ECHOSTAR: | 21.34 | 0.25 |
| LIBERTY INT: | 13.29 | 0.34 | GOOGLE: | 497.99 | 14.80 |
| MEDIACOM: | 6.98 | (0.12) | HARMONIC: | 5.87 | 0.11 |
| RCN: | 14.79 | (0.03) | INTEL: | 21.48 | 0.59 |
| SHAW COMM: | 19.68 | 0.40 | JDSU: | 11.68 | 0.55 |
| TIME WARNER CABLE: | 55.11 | 0.43 | LEVEL 3: | 1.21 | (0.01) |
| VIRGIN MEDIA: | 17.28 | 0.28 | MICROSOFT: | 26.58 | 1.09 |
| WASH POST: | 457.82 | 13.52 | MOTOROLA: | 7.06 | 0.10 |
| PROGRAMMING | | | | | |
| CBS: | 15.37 | 0.74 | RENTRAK: | 24.46 | 2.57 |
| CROWN: | 1.80 | 0.05 | SEACHANGE: | 8.69 | 0.33 |
| DISCOVERY: | 39.53 | 1.17 | SONY: | 28.89 | 0.49 |
| GRUPO TELEVISIA: | 18.94 | 0.34 | SPRINT NEXTEL: | 4.90 | 0.11 |
| HSN: | 26.05 | 1.03 | THOMAS & BETTS: | 39.86 | 1.10 |
| INTERACTIVE CORP: | 23.49 | 0.19 | TIVO: | 8.44 | 0.42 |
| LIBERTY: | 33.65 | 0.91 | TOLLGRADE: | 6.51 | 0.00 |
| LIBERTY STARZ: | 52.62 | 0.79 | UNIVERSAL ELEC: | 19.60 | 0.24 |
| LIONSGATE: | 6.99 | 0.07 | VONAGE: | 2.47 | 0.36 |
| LODGENET: | 4.43 | 0.14 | YAHOO: | 15.65 | 0.48 |
| NEW FRONTIER: | 1.77 | 0.01 | TELCOS | | |
| OUTDOOR: | 5.43 | 0.00 | AT&T: | 25.54 | 0.37 |
| PLAYBOY: | 3.90 | 0.00 | QWEST: | 5.36 | 0.11 |
| SCRIPPS INT: | 45.77 | 0.76 | VERIZON: | 29.11 | 0.48 |
| TIME WARNER: | 33.00 | 1.42 | MARKET INDICES | | |
| VALUEVISION: | 1.90 | 0.13 | DOW: | 10404.77 | 213.88 |
| VIACOM: | 39.13 | 1.53 | NASDAQ: | 2305.88 | 61.92 |
| WWE: | 16.24 | (0.05) | | | |
| TECHNOLOGY | | | | | |
| ADC: | 8.24 | 0.40 | | | |
| ADVANTAGE: | 2.91 | 0.06 | | | |
| ALCATEL LUCENT: | 2.86 | 0.11 | | | |
| AMDOS: | 27.94 | 0.24 | | | |
| AMPHENOL: | 43.00 | 1.94 | | | |
| AOL: | 21.64 | 0.89 | | | |
| APPLE: | 259.69 | 5.41 | | | |

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