

# CableFAX Daily™

Monday — June 21, 2010

What the Industry Reads First

Volume 21 / No. 118

## Bull Rush: Cable's Attractiveness Becoming More Evident

The most obvious recent signs of bullishness on cable are **Cablevision's** \$1.365bln planned purchase of **Bresnan** and **Mediacom** chmn/CEO *Rocco Commisso's* bid to take the MSO private for \$6/share. But depending on individual perspectives, *Dr John Malone* may have also given the industry an indirect nod Thurs. After exchanging millions of **DirecTV** Class B shares for 26.55mln Class A shares Wed, Malone made a series of moves that essentially limit his gains if DTV shares move higher. As they also limit his losses if the shares slide, however, Malone isn't sending a clear message about DTV's prospects. In fact, Malone told the *WSJ* that his hedging was arranged for financing and tax considerations and doesn't reflect any fundamental view of the DBS op. But coupled with a bid made for Bresnan by **Ascent Media**, in which Malone owns a sizable stake, the hedging would seem to hint at Malone's favor of cable over satellite. Either way, **Collins Stewart** analyst *Thomas Eagan* believes the recent pullback in DTV shares—due mostly to Malone's maneuvering but also to **Wells Fargo Securities'** downgrade—present a great buying opportunity for investors. "While true that Mr. Malone is willing to limit his upside in DTV... that may be a reasonable risk should the DTV shares represent 20% of his net worth," wrote Eagan, noting a "rare, attractive entry point" for investors. No doubt also contributing to DirecTV's 4% downturn since Wed was the downgrade issued Thurs by analyst *Marci Ryvicker*, who said "we are no longer comfortable recommending the shares at these levels" and dropped DTV to 'market perform.' Ryvicker likes the DBS op's cash flow and share repurchases but worries about M&A, ramping competition from **DISH** and the secular decline of telco landlines. Meanwhile, shares of Mediacom and Cablevision have risen in value since their respective deal news—the former MSO's by approx 8% since Jun 2 and the latter's by approx 11% since Mon. After CVC filed its Bresnan documents Thurs night, **Miller Tabak** analyst *David Joyce* again noted the "attractiveness of [the] acquisition" and reiterated his 'buy' rating and \$35 long-term price target on CVC shares. Joyce believes Bresnan's homes passed can increase by 0.8% per year, basic subs can grow 1.1% annually once Cablevision takes over, and that 100% digital video penetration will be achieved by early '14.

**At the Portals:** The **FCC** Spectrum Task Force on Fri announced it will launch a proceeding in July aimed at freeing up to 90MHz of additional spectrum from the mobile satellite service band to aid goals of the National Broadband

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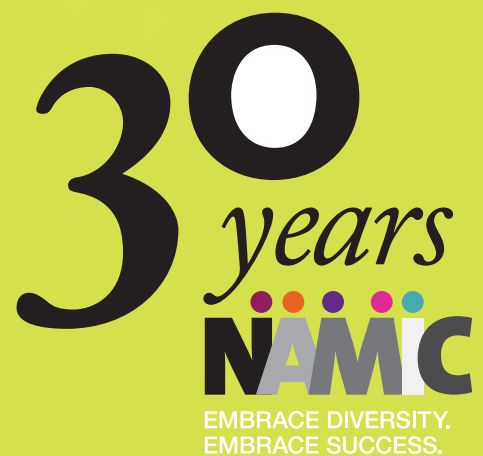
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Plan. Task Force co-chair *Julie Knapp* called for a “win-win” that also maintains “robust mobile satellite capability that serves important needs like disaster recovery and rural access.” FCC chmn *Julius Genachowski* said new MMS flexibility “will open the door to exciting new opportunities in mobile—new networks, new devices, new competition, and new technologies.” The FCC pointed out it has already approved a deal between **Harbinger** and **SkyTerra** enabling Harbinger to build a 4G wireless network using spectrum including the MSS bands, and in Apr adopted the WCS-SDARS Order, making 25MHz of spectrum available for mobile broadband services. **EchoStar** pres *Dean Olmstead* offered support of the FCC’s spectrum goals but said the satcaster wants to examine how the plan will affect MSS “in more detail.”

**On the Hill:** The House and Senate Commerce Committees on Fri announced plans to hold a series of meetings with stakeholders about communications policy. The first session on Jun 25 meeting will cover issues surrounding the FCC’s broadband authority—hardly a surprise considering the agency just Thurs issued a controversial Notice of Inquiry on a potential reclassification of broadband from Title I to Title II. In a statement Fri afternoon, **Free Press** urged the FCC to “move full speed ahead” on its NOI despite the Capitol Hill meetings.

**Comcast-NBCU: ACA** is already prepared for what may become a big day Mon, when comments on the **Comcast-NBCU** transaction are due at the **FCC**. The org plans a conference call at 11am ET Mon to discuss the comments it plans to file on a deal it says could have “serious consequences for consumers and competition in traditional and online markets absent meaningful conditions by regulators.” Importantly, the regulatory process surrounding the deal appears nearer to completion. The FCC denied deal opponent **Bloomberg**’s request to bump Mon’s deadline back to Aug 5 and ACA’s request to expand the time allowed for the intro of new issues after Mon beyond the stipulated 15 days. The commission did, however, clarify the 15-day period by saying it won’t begin Mon but “after the amount of time it would take a reasonable person to complete a diligent review of a submission of new information.”

**3D Nation: Discovery** lifted the curtain on its 3D content at the FL Cable Forum Fri. Near lunchtime, Discovery mounted a display at the Key Biscayne show using a loop tape and several pairs of battery-powered active 3D glasses. The results impressed, particularly underwater footage where fish seemed to be swimming up to the viewer’s face. “I feel like I have to dry off,” **WICT** chief *Maria Brennan* mused after watching the tape. **Comcast** was a co-presenter of the exhibit, Discovery’s first 3D push at a trade show. Comcast’s rep touted Super Bowl ’11 in 3D and its carriage “now” of **ESPN 3D**, which launched June 11 with the World Cup. Previously Discovery announced plans to launch a 3D network in ’11 with Sony and IMAX. – **FL Notebook:** While cable has made great strides marketing VOD and other transactional TV, hurdles remain, including unwieldy navigation and consumer misperception, panelists at the FL Cable Forum said Fri. A key part of **Comcast**’s on demand strategy is conveying the wide availability of free VOD, said the MSO’s regional mktg dir *Ximena Rogers*. Once consumers access free content on demand, they tend to sample PPV and other paid content, she said. **InDemand** vp, programming promotions *Doug Ohlandt* agreed, noting the key is “getting the message out there that there’s always something available” on cable for free on demand. Too many consumers continue to associate cable with paid content and the Internet with free content, said *Brian Hansen*, a senior analyst at **Frank Magid Associates**. Cable must “attack” the misperception, he said. Regarding navigation, **New Frontier Media** vp, sales *Jeff Kreger* applauded Comcast’s iPad app, shown at The Cable Show last month. It promises “an easier interface,” which should boost on demand, he said.

**Carriage: Comcast’s Xfinity TV** rollout has reached the Sacramento area, where the MSO will launch a total of 81 new nets (61 HD, 14 int’l, 6 SD) in 2 waves, on 5/18 and in Aug.

**Advertising: Turner** wrapped its **Cartoon Net** upfront noting “strong demand... for sought-after time periods, notably the ‘hard 10’ holiday season, pre-Easter and back-to-school,” said Turner pres, sales, distribution and sports *David Levy* in a statement. The toy category re-emerged this year, added Levy, and Cartoon inked new business in the apparel and retail categories.

**Business/Finance:** The special cmte of **Mediacom**’s board retained **Barclays Capital** as a financial advisor to assist in reviewing chmn/CEO *Rocco Commisso*’s privatization offer (**Cfax**, 6/2), and Commisso retained **J.P. Morgan** and **BofA Merrill Lynch** as his own financial advisors.



**CableFAX Week in Review**

Company	Ticker	6/18 Close	1-Week % Chg	YTD %Chg
<b>BROADCASTERS/DBS/MMDS</b>				
DIRECTV:	DTV	37.43	(2.7%)	12.23%
DISH:	DISH	21.31	2.26%	2.60%
DISNEY:	DIS	35.15	2.66%	8.99%
GE:	GE	15.95	2.51%	5.42%
NEWS CORP:	NWS	16.04	2.89%	0.75%
<b>MSOS</b>				
CABLEVISION:	CVC	25.21	7.74%	(2.36%)
COMCAST:	CMCSA	18.51	1.76%	9.79%
COMCAST SPCL:	CMCSK	17.58	1.74%	9.81%
GCI:	GNCMA	6.78	9.89%	6.27%
KNOLOGY:	KNOL	11.60	1.05%	6.23%
LIBERTY CAPITAL:	LCAPA	41.78	1.21%	74.96%
LIBERTY GLOBAL:	LBTYA	26.69	5.04%	21.93%
LIBERTY INT:	LINTA	12.35	(4.93%)	13.93%
MEDIACOM:	MCCC	6.85	0.88%	53.24%
RCN:	RCNI	14.80	0.68%	36.41%
SHAW COMM:	SJR	19.46	1.41%	(5.4%)
TIME WARNER CABLE:	TWC	55.16	2.97%	33.27%
VIRGIN MEDIA:	VMED	17.50	0.06%	3.98%
WASH POST:	WPO	457.90	1.48%	4.16%

Company	Ticker	6/18 Close	1-Week % Chg	YTD %Chg
<b>PROGRAMMING</b>				
CBS:	CBS	14.93	3.61%	6.26%
CROWN:	CRWN	1.80	1.69%	24.14%
DISCOVERY:	DISCA	39.26	1.95%	28.01%
GRUPO TELEVISIA:	TV	18.95	1.34%	(8.72%)
HSN:	HSNI	24.90	(5.11%)	23.33%
INTERACTIVE CORP:	IACI	23.66	1.81%	15.53%
LIBERTY:	L	33.90	4.15%	(6.74%)
LIBERTY STARZ:	LSTZA	52.42	2.18%	13.59%
LIONSGATE:	LGF	7.06	1.29%	21.51%
LODGENET:	LNET	4.80	20.30%	(13.2%)
NEW FRONTIER:	NOOF	1.75	4.17%	(7.41%)
OUTDOOR:	OUTD	5.25	(1.5%)	(9.48%)
PLAYBOY:	PLA	3.76	(4.57%)	17.50%
SCRIPPS INT:	SNI	45.32	0.24%	9.20%
TIME WARNER:	TWX	32.96	4.54%	13.11%
VALUEVISION:	VVTV	1.98	14.45%	(58.75%)
VIACOM:	VIA	39.50	5.45%	25.40%
WWE:	WWE	16.49	0.00%	7.57%

Company	Ticker	6/18 Close	1-Week % Chg	YTD %Chg
<b>TECHNOLOGY</b>				
ADC:	ADCT	7.99	3.36%	28.66%
ADVANTAGE:	AEY	3.09	10.36%	56.85%
ALCATEL LUCENT:	ALU	2.84	6.77%	(14.46%)
AMDOCS:	DOX	28.23	2.21%	(1.05%)
AMPHENOL:	APH	42.64	3.97%	(7.67%)
AOL:	AOL	22.74	8.29%	(2.32%)
APPLE:	AAPL	274.07	8.11%	30.06%
ARRIS GROUP:	ARRS	10.96	3.49%	(4.11%)
AVID TECH:	AVID	13.33	3.41%	4.47%
BIGBAND:	BBND	2.94	0.68%	(14.53%)
BLNDER TONGUE:	BDR	1.38	(2.13%)	21.05%
BROADCOM:	BRCM	35.41	4.52%	12.52%
CISCO:	CSCO	23.49	2.53%	(1.88%)
CLEARWIRE:	CLWR	7.62	(2.18%)	12.72%

Company	Ticker	6/18 Close	1-Week % Chg	YTD %Chg
COMMSCOPE:	CTV	26.56	1.07%	0.11%
CONCURRENT:	CCUR	5.10	3.45%	28.79%
CONVERGYS:	CVG	10.58	2.92%	(1.58%)
CSG SYSTEMS:	CSGS	20.19	3.22%	5.76%
ECHOSTAR:	SATS	20.82	0.43%	3.38%
GOOGLE:	GOOG	500.03	2.36%	(19.35%)
HARMONIC:	HLIT	5.78	3.21%	(8.54%)
INTEL:	INTC	21.40	3.68%	4.90%
JDSU:	JDSU	11.62	4.68%	40.85%
LEVEL 3:	LVLT	1.21	0.83%	(20.92%)
MICROSOFT:	MSFT	26.44	3.04%	(13.25%)
MOTOROLA:	MOT	7.26	2.11%	(6.44%)
RENTRAK:	RENT	25.48	15.45%	44.20%
SEACHANGE:	SEAC	8.53	1.31%	30.03%
SONY:	SNE	27.93	(2.34%)	(3.69%)
SPRINT NEXTEL:	S	4.59	(5.75%)	25.41%
THOMAS & BETTS:	TNB	40.11	3.97%	12.07%
TIVO:	TIVO	7.98	4.59%	(21.61%)
TOLLGRADE:	TLGD	6.55	(0.76%)	7.20%
UNIVERSAL ELEC:	UEIC	18.75	(2.19%)	(19.25%)
VONAGE:	VG	2.69	34.50%	92.14%
YAHOO:	YHOO	15.54	3.60%	(7.39%)

Company	Ticker	6/18 Close	1-Week % Chg	YTD %Chg
<b>TELCOS</b>				
AT&T:	T	25.43	0.55%	(9.28%)
QWEST:	Q	5.40	2.08%	28.27%
VERIZON:	VZ	29.13	2.00%	(12.07%)

Index	6/18 Close	1-Week % Chg	YTD %Chg	
<b>MARKET INDICES</b>				
DOW:	DJI	10450.64	2.35%	0.22%
NASDAQ:	IXIC	2309.80	2.95%	1.79%

**WINNERS & LOSERS**

**THIS WEEK'S STOCK PRICE WINNERS**

COMPANY	CLOSE	1-WK CH
1. VONAGE:	2.69	34.50%
2. LODGENET:	4.80	20.30%
3. RENTRAK:	25.48	15.45%
4. VALUEVISION:	1.98	14.45%
5. ADVANTAGE:	3.09	10.36%

**THIS WEEK'S STOCK PRICE LOSERS**

COMPANY	CLOSE	1-WK CH
1. SPRINT NEXTEL:	4.59	(5.75%)
2. HSN:	24.90	(5.11%)
3. LIBERTY INT:	12.35	(4.93%)
4. PLAYBOY:	3.76	(4.57%)
5. DIRECTV:	37.43	(2.7%)

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