

CableFAX Daily™

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What the Industry Reads First

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Authentication: Whodunnit at Indie Show

Everyone talks authentication, but who will actually come up with a system to do it? Panelists pondered that question during an **Independent Show** session Wed, with **Showtime** evp *Tom Christie* wondering aloud, "Who's going to build the authentication mousetrap?... It's very confusing out there... I'd say it's up to the operators." He and **ESPN-Disney** evp *David Preschlack* agreed on the confusing atmosphere and the risk of piracy. For Preschlack, an authentication regime "is a collective responsibility... I haven't heard the operator community state how things will work... once it's figured out I think you'll see the programming community come on board." Indie show attendees applauded when Christie said "it makes no sense" for programmers to stream long-form content for free. **Fox Cable** svp *Michael Biard* said "we're not apathetic" about protecting content, and "we are actively" working on procedures, although he didn't provide specifics. On other issues, Christie said premium service Showtime has "done good" this year, with VOD and DVR numbers "doubling in the past 12 months." The next 3-5 years, he predicted "an explosion" in VOD and DVR viewing. As expected, given **ACA's** criticism of **ESPN360** in recent weeks, Preschlack was questioned from the floor about the broadband service. He noted some of the first 360 distributors were **NCTC** members in '01, and "we've had NCTC members join in the last 30 days." ACA has complained that Disney should develop relationships with individual broadband consumers instead of seeking wholesale programming rates from distributors. NCTC members in aggregate are ESPN360's 4th largest distributor, Preschlack said, adding he's "incredibly bullish" about 360 and time spent viewing live events was averaging "70 mins." Later, ESPN said 360 had its most viewers ever last month, generating nearly 15mln total hours of viewing, its second-largest total hours mark. **Hallmark Channel** evp *Janice Arouh* said "don't be surprised" if her network "dips its toe" into original series again. **Notes:** ACA and NCTC were more than pleased with attendance at The Independent Show, which was nearly even with the '08 event at Disney in Orlando. There were 734 business attendees this year, down about 20 people from '08. With spouses and guests, '09 attendance was 884; 173 companies attended, vs 158 in '08.

TWC Earnings: Given all the dismal 2Q earnings predictions cable trumpeted, **Time Warner Cable's** results weren't too shabby, topping Street estimates. TWC gained about 60K video subs because of the DTV switch and expects to gain another 15K-20K over-the-air HHs in Q3. The bump helped stem TWC's 2Q basic sub loss at 57K. Most of the DTV gains

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came on or after the June 12 transition date. About 30% of the new transition subs took a double play offer, said TWC COO *Landel Hobbs*. TWC CEO *Glenn Britt* noted signs that things might improve this year but said it's too early to say. Case in point, TWC expects revenue growth to slow in the 2nd half of the year. The MSO's income of \$316mln is up from \$277mln a year ago, with consolidated revenue of \$4.47bln (+4%) beating the Street consensus of \$4.44bln. Net RGU adds fell short of Street expectations of 239K, with TWC adding 204K net in the Q. It added 54K digital subs, 88K residential HSD users and 103K residential digital voice customers. "The change in net RGU adds certainly mirrors what we saw in Q4 (-70%) vs what we saw in Q1 (-38%), which is a little disappointing since most had expected some incremental improvement," said **Wachovia's Marci Ryvicker**. "However, we believe the better than expected financial results should offset the disappointing sub numbers." Shares closed down 3.3%. Despite the weak economy, TWC continues to invest in new service. It's close to its inaugural rollout of DOCSIS 3.0 service, which will occur in NYC in the coming weeks. The service will launch in other markets later this year. The MSO also is gearing up for the launch of its 4G wireless service this fall. It plans to offer wireless broadband in 4 cities this year, including Charlotte and Dallas. NYC is also in the process of getting Start Over. Where available, 40% of digital subs used it in June, according to Hobbs.

TWX Earnings: Time Warner's overall ad rev dipped 3% in 2Q, slightly better than execs expected, and the company's domestic ent nets grew advertising by low single-digits. But its news nets were down, owing mainly to difficult YOY comparisons, and the ad market remains strained. "The advertising markets where we operate have been more stable lately, but we aren't seeing major improvement," said pres/CEO *Jeff Bewkes*, who expects overall upfront dollars to fall slightly yet also a return by many advertisers in the scatter market. Meanwhile, CFO *John Martin* said "we are seeing some softness in the kids market." **Cartoon Net** ratings are up recently, though, and the net's taking steps to increase its avg audience age. To that end, Adult Swim is "quite strong" in both ratings and ad performance, said Bewkes. Nets' sub rev grew 8% with help from higher affil fees at Turner and HBO, and the group's overall rev increased 5%.

Stimulus Check: Although a pair of financial experts cautioned **Independent Show** attendees Tues against seeking a piece of the \$7.2bln in federal stimulus funds designated for broadband (*Cfax, 07/29*), **ACA** chief *Matt Polka* said Wed "we are encouraging you to apply" for the funds. He quickly added that ACA members should "protest your assets" by keeping a vigilant online eye for potential competitors who might apply for funds. In this effort, Polka vowed ACA would help by monitoring the government Web site, www.broadbandusa.gov, where funds requests details will be posted. "We will be your partner in this," Polka said, referring to a variety of stimulus activities. It's not clear how many indie ops will seek stimulus funds, but in a poll during the Independent Show's Wed-morning session called "Obama's Billions," 33% of operator respondents said they don't plan to request funds in round 1; 22% said they "would," 23% said they were "most likely" to. Those who voted not to apply for funds were asked why. 51% said the government's conditions were "too onerous." Indeed, the session featured lawyers and consultants providing a brief look at the broadband stimulus program and application process; even for an overview it seemed onerous. More direct was advice from **Alpine Group's Jared Weaver**, who noted the Universal Service Fund yearly dispenses \$7bln. "It's a stimulus every year," he said. ACA vp *Ross Lieberman* urged members to consider other federal funding mechanisms designed to boost broadband in unserved or underserved areas.

Competition: **DirecTV** and **Verizon** are offering service discounts to new customers of each provider that commit 2 yrs to the DBS op and 1 yr to the telco. For example, subs who take the telco's \$120/month bundle featuring up to 3Mbps HSI

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service, **Freedom Essentials** unlimited local and long-distance calling plan, free Showtime and DirecTV's Plus HD DVR for 1 year will also receive the DBS op's **NFL Sunday Ticket** feature for free over the same period. Also, customers who order either 1 of 2 specific bundles by Aug 15 will receive either a **Compaq Mini** netbook or **Flip Ultra** camcorder. -- **Qwest's** strategic rev (HSI, video and VZ Wireless) rose 5% in 2Q as the telco tallied the following sub additions: 34K broadband, 65K FTTN, 16K wireless and 21K **DirectTV**.

Stork Visits: Congrats to first-time parents **Dan Masonson** of **NFL Net** and wife **Laurie**, who welcomed double the fun Mon with the births of **Matthew Aaron** (6lbs, 7oz) and **Katie Ann** (4lb, 14 oz). Everyone's doing well.

People: **FCC** DTV task force head **William Lake** was named chief of the agency's Media Bureau. He had led the communications regulatory practice at **WilmerHale** in DC. Acting bureau chief **Robert Ratcliffe** was made deputy chief. Also named deputy chief will be **Kris Monteith**, former chief of the FCC Enforcement Bureau. **Sharon Gillet**, dir of the MA Broadband Institute, was tapped to serve as chief of the Wireline Competition Bureau. -- Former **MTVN** exec **Reggie Williams** joined **BET** as svp, music strategy and ops. -- **Discovery Channel** tapped **Kevin Mohs** as vp, prod. -- **Animal Planet** upped **Jason Carey** to vp, prod.

Oops: **Viacom's** 2Q domestic ad rev fell 6%, not 3%.

CableFAX Daily Stockwatch

Company	07/29 Close	1-Day Ch	Company	07/29 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
BRITISH SKY:	33.96	(0.43)	APPLE:	160.03	0.03			
DIRECTV:	26.10	0.05	ARRIS GROUP:	13.51	0.13			
DISH:	16.98	(0.1)	AVID TECH:	12.44	(0.01)			
DISNEY:	25.89	(0.48)	BIGBAND:	5.65	(0.04)			
GE:	12.26	(0.26)	BLNDER TONGUE:	1.68	0.00			
NEWS CORP:	11.46	(0.46)	BROADCOM:	27.73	(0.31)			
MSOS								
CABLEVISION:	18.93	(0.29)	CISCO:	21.72	(0.21)			
COMCAST:	14.59	(0.3)	CLEARWIRE:	7.77	(0.36)			
COMCAST SPCL:	13.70	(0.32)	COMMSCOPE:	25.75	(0.51)			
GCI:	6.81	(0.15)	CONCURRENT:	5.21	(0.09)			
KNOLGY:	8.32	(0.09)	CONVERGYS:	10.48	0.09			
LIBERTY CAPITAL:	14.16	(0.08)	CSG SYSTEMS:	16.31	1.91			
LIBERTY ENT:	27.91	0.01	ECHOSTAR:	14.85	(0.05)			
LIBERTY GLOBAL:	20.16	(0.66)	GOOGLE:	436.24	(3.61)			
LIBERTY INT:	6.08	(0.12)	HARMONIC:	6.02	(0.04)			
MEDIACOM:	4.63	(0.1)	INTEL:	19.40	0.03			
SHAW COMM:	17.19	(0.12)	JDSU:	5.72	(0.08)			
TIME WARNER CABLE:	32.78	(1.11)	LEVEL 3:	1.62	(0.01)			
VIRGIN MEDIA:	10.54	(0.46)	MICROSOFT:	23.80	0.33			
WASH POST:	407.93	(7.37)	MOTOROLA:	6.57	(0.25)			
PROGRAMMING								
CBS:	7.72	(0.27)	OPENTV:	1.29	(0.02)			
CROWN:	1.98	(0.07)	PHILIPS:	21.30	(0.02)			
DISCOVERY:	24.10	(0.3)	RENTRAK:	18.56	(0.56)			
EW SCRIPPS:	3.70	(0.06)	SEACHANGE:	9.15	0.07			
GRUPO TELEVISIA:	17.44	(0.27)	SONY:	24.82	0.27			
HSN:	9.69	(0.78)	SPRINT NEXTEL:	4.05	(0.54)			
INTERACTIVE CORP:	18.01	0.10	THOMAS & BETTS:	26.33	(0.01)			
LIBERTY:	28.98	(0.36)	TIVO:	10.19	(0.11)			
LODGENET:	4.31	(0.21)	TOLLGRADE:	5.57	0.18			
NEW FRONTIER:	2.17	(0.04)	UNIVERSAL ELEC:	20.84	0.49			
OUTDOOR:	7.20	(0.21)	VONAGE:	0.43	(0.01)			
PLAYBOY:	2.35	0.00	YAHOO:	15.14	(2.08)			
RHI:	2.82	(0.19)	TELCOS					
SCRIPPS INT:	31.87	0.14	AT&T:	25.95	0.43			
TIME WARNER:	26.52	(0.49)	QWEST:	3.93	(0.13)			
VALUEVISION:	2.99	0.00	VERIZON:	31.98	0.58			
VIACOM:	24.53	(0.62)	MARKET INDICES					
WWE:	13.30	0.09	DOW:	9070.72	(26)			
TECHNOLOGY								
3COM:	3.94	0.19	NASDAQ:	1967.76	(7.75)			
ADC:	7.88	(0.04)						
ADDVANTAGE:	1.83	(0.02)						
ALCATEL LUCENT:	2.55	0.08						
AMDOCS:	23.97	0.04						
AMPHENOL:	33.39	(0.74)						

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AMC	Comcast Entertainment Group	Gospel Music Channel	SiTV
Animal Planet	Comcast CN100 Chicago	HBO	Starz
BBC America	Comcast SportsNet	HDNet	Sundance Channel
Biography Channel	Comedy Central	History	Syfy
Brainstorm Media	Discovery Channel	Investigation Discovery	Time Warner Cable
Bravo	Disney Channel	LMNO Productions	Travel Channel
Bright House Networks	E! Entertainment	M2 Pictures	Turner Broadcasting
Bright House Networks/ Central Florida News 13	ESPN	MTV Networks	TV Guide Network
Bright House Networks/Tampa	EWTN	National Geographic Channel	USA Network
Bay on Demand	FamilyNet	Nickelodeon	Veria TV
Cable Positive	FEARnet	PBS Kids Sprout	WE tv
CBS College Sports Network	Food Network	Retirement Living TV	World Wrestling Entertainment, Inc.
CN 8 The Comcast Network	Fuse	RFD-TV	YES Network
	FX	Science Channel	

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