

CableFAX Daily™

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What the Industry Reads First

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Rising Stakes: Discovery Looks to Continue Momentum

How to sustain its growth momentum seems a nice problem for **Discovery Comm** to have, but it could become a scrutinized one too as comps grow tougher in the next 2 quarters after the company fired well and often both during and coming out of the recession. Yet 2Q exhibited little if any slowdown—domestic affil and ad rev increased 6% and 13%, respectively, and more inventory was sold in this year's upfront than ever before, with pricing +5-10%—and pres/CEO *David Zaslav* said many of the tools are in place to further elevate Discovery. "It is the power of our networks and global utility of our programming, as well as a more robust ad market, that is driving our double-digit growth in '10," said Zaslav, noting an expectation of double-digit ad growth for the remainder of the year. Going forward, growth avenues include intl expansion of **TLC**, launches of **The Hub** (Oct) and **OWN** (Jan), and perhaps even digital platforms. "We're a fantastic platform company," said Zaslav, pointing to Discovery's 12 US cable nets and avg of 4-5 nets in 180 countries. "But we're not a great content company yet and that's our journey." 70-80% of **Discovery Channel's** programming is used overseas, a hugely efficient amount, and Zaslav said **Animal Planet** and **Science Channel** content also translates well internationally. Now, a similar pattern must be woven at TLC. COO *Peter Liguori* said he's "excited about the opportunities" therein, achievable by laying a foundation of strong female programming that can migrate overseas while also earmarking some money for foreign content prod to slake individual market tastes. The goal is for 40-50% of TLC programming to be translatable, and for the net to hit 100mln intl homes. "It's in our hands to grow," said Zaslav, the phrase also referencing continued ratings improvements and growth at Animal Planet, Science Channel and Investigation Discovery. **Hasbro**, meanwhile, has been a "great creative partner" in The Hub, said Zaslav, and OWN "exceeded expectations" during its 1st upfront. Discovery has already invested \$75mln in the latter net and the ultimate bill will likely exceed \$100mln, yet Liguori is heartened by "very solid CPMs" and Zaslav continues to tout Oprah's commitment and enthusiasm. Oprah.com quadrupled its page views in July and more than doubled its uniques, which Liguori said "goes to show you the power of the brand." Elsewhere online, Discovery has yet to turn a profit on its content, although "advertising on digital is picking up," said Zaslav, as is traffic to family Websites. But while he still doesn't see a great online monetization model yet even if **TV Everywhere's** going in "the right direction," Zaslav's excited about social media opportunities. "We are kind of pushing hard to see if we can use

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social media as a way to reach out to our fan bases and then bring them back in to be lovers of our brands," said Zaslav.

By the Numbers: Discovery Comm upped its rev and adjusted OIBDA outlook for '10, though it did lower its outlook for net income owing to costs associated with debt refinancing and higher long-term incentive expenses. Debt restructuring costs also negatively affected its 2Q earnings. Also, the co instituted a \$1bn share repurchase program. **Moody's** said Discovery's Baa2 sr unsecured ratings and stable rating outlook are not affected by the program.

Competition: **CenturyLink**, the company buying **Qwest**, said late Mon that it switched its resale partner to **DirectTV** from **DISH**. DirecTV now has deals in place with the 4 largest telcos. -- **Technicolor** inked a contract extension to provide **DirectTV** with a range of SD and HD set-tops. To date, the DBS op has received more than 48mln STBs from Technicolor.

In the States: Responding to several contrary reports, **Fox Sports** said it will not tender an ownership bid for the bankrupt **Texas Rangers**. -- **RCN** completed its 5-market rollout of **TiVo Premiere** by launching the set-tops in Chicago. -- **ReelzChannel** tapped **Ascent Media** to provide HD transport and transmission services for both its new HD program service and distribution platform via the **Galaxy 17** satellite.

Inside the Beltway: 11 members of the NY delegation are among the latest to throw their support behind the **Comcast-NBCU** jv, asking the **FCC** in a recent letter for a timeline on a decision. Reps **Eliot Engel** (D-NY) and **Christopher Lee** (R-NY) are among those signing. -- Sen Commerce chmn **Jay Rockefeller** (D-WV) is pushing USF reform, writing all 5 FCC commissioners this week and urging them to fix the system. "Inequities in basic infrastructure, like the ones exposed by the mining disaster in WV, are profoundly unacceptable," he wrote, explaining the lack of communications facilities during the Upper Big Branch mine explosion in his state. "Everyone in this country, no matter who they are or where they live, deserves access to modern communications services, including broadband and wireless services." The FCC's National Broadband Plan wants to transition the high-cost universal service fund to broadband, and House Communications subcommittee chmn **Rick Boucher** (D-VA) has introduced a USF reform bill. "We believe this sends 2 basic messages to the regulators from a top lawmaker: that they shouldn't wait around for lawmakers to overhaul the system despite legislative proposals; and that they should revise subsidies that currently flow more to rate-of-return rural carriers (e.g., TDS) than price-cap carriers, which include midsize telcos (e.g., CTL, Q, FTR, WIN, CNSL) as well as the two big Bells," **Stifel Nicolaus** said.

Carriage: **Comcast** expanded **Outdoor Channel's** reach in Houston by moving the net to its Digital Preferred tier. -- **RCN** launched **Olympusat's TV Chile**, **Enlace TBN USA** and **Gran Cine** on its Hispanic tiers.

TCA Notebook: **FX** pres/gm **John Landgraf** told critics during his exec session that basic cable has more than come into its own—it's actually becoming prestigious. "It's become almost a status symbol for an actor to have a cable show," he said, noting that the opposite used to be true just a few years ago. "Part of that has to do with the creative boldness of 'The Shield' and [HBO's] 'The Wire,'" he said. He pointed out that "The Shield" also served as a training ground for **Kurt Sutter**, creator and showrunner for critical darling "Sons of Anarchy," which Landgraf said is now the highest-rated show in FX history. Some critics pointed out that Sons failed to get any Emmy nods, prompting Landgraf to note that Emmy-nominated "Damages" deals with well-dressed rich people vs other FX shows that dwell in more of a blue collar world—something that may influence Emmy voters who personally fall more into the first camp. During the Sons panel, Sutter was more blunt: "The system is somewhat flawed, and that's all I'll say." Otherwise, Landgraf reiterated that FX will continue to focus on dramas and comedies but probably wouldn't exceed a dozen original shows to ensure that the net can devote the proper attention to each one. In the end, Landgraf said FX's prime schedule revolves around adult-oriented content and will stay true to that personality. "You put your kids to bed, and you watch FX," he said. Meanwhile, he addressed the time-shifting craze by saying "anyone who sits in this chair and doesn't tell you they wish the DVR was never invented is lying." But he also said it's a great consumer product that he uses himself.

Technology: 11 companies including **Sony** and **Microsoft** collaborated at a recent **CableLabs** interoperability event that demonstrated secure sharing over a home network of premium DVR content among multiple **tru2way** set-tops and Digital Living Network Alliance devices such as connected TVs, game consoles, PCs and mobile devices.

Ratings: Sun's premiere of **AMC** original "Rubicon" delivered a 1.5 HH rating and 2mln total viewers to become the net's highest-rated and most-watched original series premiere. -- The Sun ep of **E!'s** "Kourtney & Khloe Take Miami" scored series highs in several key demos, including HH rating (2.71), total viewers (3.5mln) and women 18-34 rating (4.21).

BUSINESS & FINANCE

Programming: MTV will broadcast its 27th MTV Music Awards live from L.A., Sept 12, 9pm. *Lady Gaga* leads the noms with 13, the most any artist has ever had in a single year. -- **NBC** is previewing its new fall season via broadcast, digital and **NBCU** cable entities with the 30-min "NBC Prime-time Preview Show" (Sat-Sept 26).

Earnings: **CBS**, fresh off its 10-year pact with **Comcast**, reported 2Q net earnings of \$150m vs \$15.4m for the same time last year. Rev increased 11% to \$3.33bn. CBS pres *Les Moonves* said the Comcast deal established that the broadcast net will be paid for retrans. "This is a great deal for both parties and we're extremely pleased to be in business with Comcast for a long, long time," he said.

Business/Finance: **News Corp** said in a regulatory filing Tues that sr execs' 2011 FY bonuses will be tied to financial and operating performances. **COO Chase Carey's** salary was trimmed to \$4.05m from \$8.11m under the shift, but he's eligible for a target bonus of \$10m in '11 (with a maximum opportunity of \$20m). *Rupert Murdoch* has a target bonus of \$12.5m (\$25m potentially). -- **ESPN** inked a deal in principal to sell to an investor group **BASS**, the largest membership org of bass anglers in the US. -- No surprise here, but **Lionsgate's** board officially rejected *Carl Icahn's* latest unsolicited tender offer to purchase up to all of the co's issued and outstanding common shares for \$6.50 per.

CableFAX Daily Stockwatch

Company	08/03 Close	1-Day Ch	Company	08/03 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	37.24	(0.38)	AVID TECH:	12.93	0.03
DISH:	20.23	(0.48)	BIGBAND:	3.20	0.03
DISNEY:	34.21	(0.27)	BLNDER TONGUE:	2.25	0.93
GE:	16.40	(0.01)	BROADCOM:	36.28	(0.28)
MSOS					
CABLEVISION:	27.54	(0.38)	CISCO:	23.82	0.02
COMCAST:	19.21	(0.27)	CLEARWIRE:	6.76	(0.2)
COMCAST SPCL:	18.10	(0.25)	COMMSCOPE:	21.71	0.45
GCI:	8.59	(0.06)	CONCURRENT:	5.00	0.01
KNOLGY:	11.46	(0.07)	CONVERGYS:	9.85	(1.2)
LIBERTY CAPITAL:	46.74	(0.32)	CSG SYSTEMS:	18.92	(0.1)
LIBERTY GLOBAL:	29.78	(0.02)	ECHOSTAR:	19.95	0.23
LIBERTY INT:	11.08	(0.32)	GOOGLE:	489.83	(0.58)
MEDIACOM:	7.35	(0.04)	HARMONIC:	6.99	(0.08)
RCN:	14.95	0.02	INTEL:	20.87	(0.28)
SHAW COMM:	19.82	(0.1)	JDSU:	10.84	(0.17)
TIME WARNER CABLE:	58.49	(0.58)	LEVEL 3:	1.11	(0.04)
VIRGIN MEDIA:	21.64	(0.51)	MICROSOFT:	26.16	(0.17)
WASH POST:	428.18	(5.71)	MOTOROLA:	7.62	0.00
PROGRAMMING					
CBS:	15.01	(0.29)	RENTRAK:	26.17	0.08
CROWN:	2.08	(0.02)	SEACHANGE:	8.96	(0.21)
DISCOVERY:	38.40	(0.96)	SONY:	31.41	(0.72)
GRUPO TELEVISA:	19.39	(0.05)	SPRINT NEXTEL:	4.54	(0.14)
HSN:	28.88	(0.69)	THOMAS & BETTS:	40.22	(0.16)
INTERACTIVE CORP:	25.20	0.16	TIVO:	8.82	(0.01)
LIBERTY:	37.53	(0.05)	TOLLGRADE:	6.65	0.04
LIBERTY STARZ:	56.38	0.38	UNIVERSAL ELEC:	17.17	(0.41)
LIONSGATE:	6.56	(0.16)	VONAGE:	2.39	(0.01)
LODGENET:	3.31	0.16	YAHOO:	13.94	(0.06)
NEW FRONTIER:	1.65	0.07	TELCOS		
OUTDOOR:	5.65	(0.03)	AT&T:	26.69	0.10
PLAYBOY:	5.37	0.02	QWEST:	5.65	(0.01)
SCRIPPS INT:	43.91	0.15	VERIZON:	29.54	(0.02)
TIME WARNER:	32.36	(0.17)	MARKET INDICES		
VALUEVISION:	1.78	(0.04)	DOW:	10636.38	(38)
VIACOM:	38.06	(0.41)	NASDAQ:	2283.52	(11.84)
WWE:	16.36	0.12	TECHNOLOGY		
TECHNOLOGY					
ADC:	12.70	(0.02)			
ADVANTAGE:	2.90	0.12			
ALCATEL LUCENT:	3.09	0.10			
AMDOCS:	28.10	0.22			
AMPHENOL:	45.23	(0.48)			
AOL:	21.12	(0.09)			
APPLE:	261.93	0.08			
ARRIS GROUP:	9.54	0.28			

Most Powerful Women in Cable 2010

CableFAX's

Who are cable's most powerful women executives?

Help us decide by nominating the executives you think should be included in our annual list of the Most Powerful Women in Cable. We will rank the top 50 most powerful women, and run a list of the second 50, in the November 2010 issue of CableFAX: The Magazine. Nominations are open to all cable operators, programmers, vendors and trade associations.

Nominations Due: **Friday August 13, 2010**
 Nominate Now at: www.cablefax.com/2010powerfulwomen

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