

CableFAX Daily™

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What the Industry Reads First

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Pep Talk: DirecTV Stresses Positives on Depressing Day

If only *Ben Bernanke* or *Tim Geithner* could've calmed Thurs' Wall St tempest like **DirecTV** pres/CEO *Mike White* seemed to do with his shareholders during an afternoon earnings call. Despite a Latin American business that remains scorching, the DBS op's 2Q US performance appeared decidedly disappointing as net adds totaled a historically low 26K, churn rose to 1.59% and SAC (+3.8%) and retention marketing spending (+17%) both increased by more than ARPU (+3%). Indeed, as has been the case for multiple quarters the multichannel industry's fighting tooth and nail for customers. Yet with help from CFO *Pat Doyle*, White pointed out how DTV remains on track to meet its '11 guidance for financials (solid again) and sub metrics (gross adds were in line), and that churn trends have turned "favorable" in the current quarter—ostensibly a collectively sufficient spur of DTV's approx 2.1% stock rebound during the call. Shares later retrenched amid the overall market undertow. Voluntary churn was impacted mainly by competitive offers and price increases, involuntary by the economy, said Doyle, who noted "really good traction" from recent moves to improve churn by raising customer credit requirements and better targeting likely churners with superior promotions. **Sanford Bernstein's** *Craig Moffett* still sees a bleak outlook for DBS ops in the US. "The Pay TV business in the US is already saturated; subscriber growth is a zero sum game. Two-way and Internet video services are much further advanced here," he said. "And cable operators in the US enjoy a huge advantage in broadband, and can use that leverage to offset margin pressures from rising video programming costs." By contrast, **Collins Stewart's** *Thomas Eagan* said "we disagree with this concern," and believes DTV's Q was "lackluster but not flawed." Either way, DTV's making moves to become more IPTV enabled. Its connected box strategy has hit a few technical snags that have slowed expansion, said White, but the ARPU lift (\$2.50) per connected sub has exceeded expectations. Also, by the end of the year DTV plans to begin rolling out Nomad, which will allow subs to port content from DVRs to iPads, and feature streaming PPV and premium programming at MyDirecTV.com. "Our focus is on things we can monetize," said White, noting how rights issues have gummed up the overall streaming content works. Yet DTV remains committed to a "hybrid" TV Everywhere strategy, and is even kicking **Hulu's** tires. The premium nets category delivered a "fantastic quarter," said White, and DTV's free **NFL** Sunday Ticket promo (see "In the Courts") for new subs is performing quite well. DTV surpassed 30mln total customers (~19.4mln US) Thurs.

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Discovery: 3D has been “slower than we expected,” *David Zaslav* said during **Discovery Comm’s** 2Q earnings call Thurs. In Feb, Discovery, **Sony** and **IMAX** launched **3net**, the 1st 24-hour 3D channel in the US. “The good news for us is that we’ve gotten a lot of experience with it,” Zaslav said. “If it transitions into a technology where you don’t use glasses and it becomes robust, we’ll be there.” He added that there are a number of markets where distributors feel it’s important to have 3D from a brand perspective, even though the demand isn’t there yet. Intl was a star for the Q, growing revenue by 20% and ad rev by 25%. US channels posted 6% rev growth. Discovery beat estimates, posting a record \$254mln in profit (20% increase). Revenue rose 11% to \$1.07bln. The programmer announced a \$1bln increase to its buyback program. Once again, **ID** was lauded for its remarkable performance. “The credit goes to *Henry Schleiff* and his whole team. They’re having a ton of fun building a great network with great storytelling,” said Zaslav, who said CPMs should start to catch up with ratings and sub growth over the next couple years. Zaslav also tackled a question about all the management changes at Discovery Channel over the years. He credited *Clark Bunting*, who is retiring next year, and *Eileen O’Neill* with building the channel over the last year by tackling the challenge of having some really great series and a number of others that were “just OK.” “I think we’re making progress,” he said. “Discovery has kind of performed at market level for the last 3 years or so, and we think we can outperform.” As for **OWN**, he expressed optimism, pointing to a more robust lineup for fall and spring. June marked **Hasbro** jv **The Hub’s** highest rating month since Dec, with Zaslav saying mgmt’s particularly encouraged by what it’s seeing with animated programs. Upfronts? Discovery Comm garnered pricing increases in the high single- to low double-digit range, while achieving its highest dollar volume ever.

GEO CEO: *David Lyle* has a new gig as CEO of **Nat Geo Channels US**. He also assumes responsibility for global programming, effective immediately. Nat Geo Channels pres *Steve Schiffman* will report to Lyle, who has been working with Schiffman and the rest of the mgmt team as head of West Coast development for several months. He’ll be based in DC. “Heading up the National Geographic Channels is a dream job. I will be working with an extraordinary brand and a great team that I’ve come to know and respect over the past few months,” Lyle said. “I am fortunate to be able to lead a group that consistently delivers top-notch nonfiction programming that resonates with audiences.”

In the Courts: Wanting to sack **DirecTV’s** spots for a promo offering new subs a free season of **NFL** Sunday Ticket (*Cfax*, 7/21), **Comcast** filed a false advertising lawsuit against the DBS op in IL Wed. The campaign “is false, deceptive and misleading for a number of reasons,” said the MSO in a statement. “Importantly, while DirecTV is advertising its NFL Sunday Ticket as ‘free’ or available ‘at no additional charge,’ it is not. In fact, it costs hundreds of dollars.” The crux seems to be the promo’s fine print, as it were, including a required 2-year commitment, high termination fees and automatic reup of the Tix next year at full price. Countered DirecTV: “New customers who sign up for DirecTV can indeed get NFL Sunday Ticket at no extra charge for one year and there is no requirement to subscribe to NFL Sunday Ticket the following year. The last thing we want to do is mislead new customers, that’s not exactly a smart way to begin a relationship.”

In the States: **Mediacom** is building a new \$35mln HQ that will be based in Blooming Grove, NY, meaning corporate staff will move from their current location in Goshen and Middletown, NY. The 110K sq ft facility is expected to be complete in the fall of ’12. “We started with a vision of relocating to a state-of-the-art corporate park that reflected the high-tech nature of our business and that our employees would be proud to call home. Along the way, we received tremendous cooperation and encouragement from Town, County, State and Federal governmental officials, facilitating our decision to remain and build in New York,” said MCCC chmn/CEO *Rocco Commisso*, adding that NJ also made an attractive offer. -- **Comcast** officially kicked off its broadband adoption initiative “Internet Essentials” to the Hispanic Community Thurs. This is Comcast’s program offering low-cost HSD service (\$9.95/mo), an affordable computer and digital literacy training to low income families who have children eligible for free school lunch. Hispanic children make up almost 1/3 of children receiving free lunches.

Over-the-Airheads: It’s not just **ACA** using **Nexstar’s** lawsuit against **Granite** to further its argument against broadcasters using local market agreements and similar pacts to “abuse” market power in local DMAs (*Cfax*, 7/27). **Time Warner Cable** is making the same case at the FCC. “In previous Commission filings, Nexstar has defended joint retransmission consent negotiations conducted pursuant to SSAs and similar contractual arrangements. But when

confronted with a massive aggregation of broadcaster market power that harms its own ability to compete, Nexstar now joins a broad chorus of stakeholders in arguing that such arrangements are anticompetitive, harmful to consumers and unlawful,” TWC said in a letter dated Wed. Nexstar rebuffed ACA tying the suit to a problem with shared service agreements, saying its complaint with Granite is because the broadcaster will control a massive share of advertising and revenue in Fort Wayne, IN (*Cfax*, 7/29). Given Nexstar’s loss of its **Fox** affiliation in the DMA, Granite has control of Fox in addition to **NBC, ABC, CW** and **MyNetworkTV** affiliations. TWC isn’t buying Nexstar’s attempt to distinguish its argument. “Just as monopolization in the sale of advertising slots raises the rates that local business pay for those slots, monopolizing access to ‘must have’ network programming drives up the retransmission consent fees paid by MVPDs—particularly in light of the restrictions under the network non-duplication rules on MVPDs’ ability to import distant signals as substitutes,” TWC counsel wrote.

Carriage: Ovation HD launched last week in **Comcast**’s Nashville system (channel 1345). Comcast Nashville recently launched Ovation in standard definition on channel 172.

Showtime at TCA: Showtime strutted a bit for critics as the net comes off of 2mln new sub adds and an increasingly impressive slate of original series. Showtime pres, entertainment *David Nevins* told critics that the net wants to carve out its own “subversive” niche. “I want to have the best, most compelling stuff on television,” he said. “We’re not in an advertiser environment, so we have the ability to push limits.” He cited new series “House of Lies” (premieres Jan 9) in which *Don Cheadle* plays an unscrupulous business consultant as “a really subversive show that would not support advertising. There’s an opportunity for R-rated comedy that can be very addictive but that no one else could get away with.” He said the same goes for drama, with a highlight reel for the upcoming season of “Dexter” showing critics a scene that could cause even more hand-wringing among TV watchdog groups. Does the “bad” publicity actually help Showtime? “Maybe,” said Nevins. “We take on taboos. Our shows aren’t for everybody.” He also said he’s “optimistic” about a renewal of series hit “Weeds,” but he noted that “I haven’t picked it up yet.” Meanwhile, *Claire Danes* delved once again into the world of premium TV after her award-winning performance in **HBO**’s “Temple Grandin” last year. Of course, that was a movie. Now she’ll be starring in Showtime original thriller series “Homeland” (Oct 2) as a bi-polar CIA agent fighting terrorists in a Manchurian Candidate-themed story surrounding a possibly brainwashed soldier. The globe trotting series filmed some scenes in Israel near Palestinian neighborhoods, and when a rumor started to circulate that the production was actually a real CIA front, the crew needed to act fast to protect actors from, uh...curious residents. “Claire was in the back of a car going 100 miles per hour to get away,” recalled exec prod *Alex Gansa*. Speaking of excitement, Sir *Paul McCartney* graced critics with his presence—at least virtually via satellite from Cincinnati where he’s performing—to tout his doc “The Love We Make” (Sept 10) about his experiences in NYC following the 9/11 terrorist attacks. “There was fear in the air, and I had never experienced that—especially in New York,” he said, recounting the concert he threw at Madison Square Garden to honor the city a month later. “I thought maybe I could help America and New York out of this fearfulness.” Otherwise, it was a lot of Beatles questions, but McCartney did share his TV preferences, saying that he watches a lot of **ESPN** and admitting that, yes. “I sometimes get completely hooked on the shopping channels.” We didn’t see that one coming. -- And just a little side note for Buffy fans: *Sarah Michelle Geller*, who was at TCA to talk about her new **CW** series “Ringer” (Sept 13), partly credited great roles for women on TV as a reason she returned to the medium after years away following her breakout role in the WB’s “Buffy The Vampire Slayer.” “I started to watch [FX/DirecTV’s] ‘Damages’ and all these amazing women-driven shows,” she said. “I didn’t realize how much I missed it.”

Earnings: Crown Media reported a 16% increase in rev to \$76.2mln on notable strength in ad (+16%) and affil fee (+14%) rev. **Hallmark Movie Channel** has been driving much of the ad growth (\$8.5mln, up from \$4.2mln), and the company said the channel has doubled delivery of nearly every key demo and total homes for both total day and prime during the year’s 1st half. -- **WWE**’s live and televised ent segment reported rev of \$110.5mln, marking a huge jump from the year ago period’s \$77.4mln due to the inclusion of big ticket event *WrestleMania*. PPV rev similarly rose, to \$34.4mln from \$10.4mln. TV rights fees tallied \$32mln, compared to \$30.8mln a year ago due mainly to improved terms and contractual increases from existing programs. -- **Belo**’s total rev increased 2.1% as total spot rev, excluding political, rose 2.4% (+2% local, +3.2% national) and other rev including network compensation and retrans grew 5.6% owing to double-digit growth in retrans and Web advertising.

Ratings: Nickelodeon earned with 2.3mln in total day its biggest P2+ audience for a July in history, and also led all cable nets in the metric along with kids 2-11 in total day for the month. -- **Galavision** is averaging more than 250K viewers in Spanish-language prime this summer, a pace the net says more than doubles the Spanish-language

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competition in prime (and total day) in June and July. -- **MLB Net's** coverage of baseball's trade deadline (July 31) helped the net score its highest-rated Sun ever while delivering YOY gains in homes (20%) and viewers (17%).

Programming: The Outdoor

Channel and 24 of the world's top competitive bass fishing anglers have come together to create Major League Fishing. This new sports organization seeks to entertain viewers and challenge competitors with events such as the Major League Fishing Challenge Cup, set to take place later this year and air in 2Q12 on Outdoor. -- **MTV** announced a new MTV Video Music Award category, "Best Video with a Message," as a nod to the many music videos created this year that promoted self-empowerment or raised awareness of key social issues facing today's youths. Nominees include *Lady Gaga, Pink, Katy Perry, Eminem, Taylor Swift* and *Rise Against*. Fans can vote online for their favorite until Aug 16 and the winner will be announced at the 28th Annual MTV Video Music Awards airing Aug 28 at 9pm.

Honors: Knology CEO *Rodger Johnson* was named one of the top 25 GA CEOs of the Year by the *Atlanta Business Chronicle*, ranking 19th.

People: NBCU tapped former **KNBC-TV** (L.A.) gm *Craig Robinson* as chief diversity officer.

CableFAX Daily Stockwatch

Company	08/04 Close	1-Day Ch	Company	08/04 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	46.63	(2.84)	CISCO:	14.82	(0.67)
DISH:	26.71	(2.08)	CLEARWIRE:	1.76	(0.71)
DISNEY:	35.37	(2.06)	CONCURRENT:	5.80	(0.25)
GE:	16.47	(1)	CONVERGYS:	11.76	(0.58)
NEWS CORP:	15.04	(1.08)	CSG SYSTEMS:	15.57	(0.41)
MSOS					
CABLEVISION:	21.80	(1.3)	ECHOSTAR:	29.22	(2.37)
CHARTER:	47.08	(4.28)	GOOGLE:	577.52	(23.65)
COMCAST:	21.80	(0.97)	HARMONIC:	5.44	(0.18)
COMCAST SPCL:	21.22	(0.97)	INTEL:	20.85	(0.96)
GCI:	11.03	(0.6)	JDSU:	11.62	(1.22)
KNOLGY:	14.13	(0.33)	LEVEL 3:	2.16	(0.05)
LIBERTY CAPITAL:	74.07	(4.61)	MICROSOFT:	25.94	(0.98)
LIBERTY GLOBAL:	38.91	(2.33)	MOTOROLA MOBILITY:	23.09	0.81
LIBERTY INT:	14.31	(1.26)	RENTRAK:	15.01	(1.39)
SHAW COMM:	21.65	(0.99)	SEACHANGE:	9.05	(0.58)
TIME WARNER CABLE:	67.09	(2.38)	SONY:	23.35	(1.63)
VIRGIN MEDIA:	23.77	(1.68)	SPRINT NEXTEL:	3.74	(0.41)
WASH POST:	368.22	(24.38)	THOMAS & BETTS:	43.86	(3.2)
PROGRAMMING					
AMC NETWORKS:	35.04	(1.1)	TIVO:	8.35	(0.74)
CBS:	24.21	(2.49)	UNIVERSAL ELEC:	21.54	(2.22)
CROWN:	1.56	(0.08)	VONAGE:	3.33	(0.26)
DISCOVERY:	36.76	(1.44)	YAHOO:	12.00	(1.02)
GRUPO TELEVISIA:	20.34	(0.94)	TELCOS		
HSN:	32.15	(2.86)	AT&T:	28.78	(0.72)
INTERACTIVE CORP:	38.48	(1.99)	VERIZON:	34.92	(1.05)
LIBERTY STARZ:	71.63	(4.44)	MARKET INDICES		
LIONSGATE:	6.80	(0.25)	DOW:	11383.68	(512.76)
LODGENET:	2.45	(0.2)	NASDAQ:	2556.39	(136.68)
NEW FRONTIER:	1.32	(0.08)	S&P 500:	1200.07	(60.27)
OUTDOOR:	6.72	(0.22)	TECHNOLOGY		
SCRIPPS INT:	40.41	(2.4)	ADVANTAGE:	2.50	(0.01)
TIME WARNER:	32.02	(1.55)	ALCATEL LUCENT:	3.27	(0.37)
VALUEVISION:	5.91	(0.69)	AMDOCS:	29.02	(1.25)
WWE:	9.50	(0.13)	AMPHENOL:	43.56	(3.45)
TECHNOLOGY					
ADDVANTAGE:	2.50	(0.01)	AOL:	16.19	(0.79)
ALCATEL LUCENT:	3.27	(0.37)	APPLE:	377.37	(15.2)
AMDOCS:	29.02	(1.25)	ARRIS GROUP:	10.56	(0.68)
AMPHENOL:	43.56	(3.45)	AVID TECH:	11.77	(0.91)
AOL:	16.19	(0.79)	BIGBAND:	1.73	(0.16)
APPLE:	377.37	(15.2)	BROADCOM:	34.38	(1.72)
ARRIS GROUP:	10.56	(0.68)			
AVID TECH:	11.77	(0.91)			
BIGBAND:	1.73	(0.16)			
BROADCOM:	34.38	(1.72)			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Game of Demos

For cable nets, it really does come down to finding your exact target demo—and then hitting it squarely between the eyes. But when it comes to the **Television Critics Assoc** tour now taking place in L.A., your demo isn't 18-34 or some other subset of the TV universe: It's critics. Period. And despite many young members in TCA, its membership still skews older than the demos of many shows that present at TCA. It's always interesting to watch how critics respond. For example, **HBO** execs couldn't get enough praise for epic adult-oriented fare like "Game of Thrones," which tackles mature themes like politics, sexual intrigue and power. And critics gushed for *Harry Belafonte* and *Gloria Steinem*, who are the subject of this-is-your-life-esque HBO docs "Sing Your Song" (Oct 17) and "Gloria: In Her Own Words" (Aug 15), respectively. But they scratched their heads a bit when **MTV** presented teen-focused "I Just Want My Pants Back" (premiere TBA) about young hipsters in Brooklyn, prompting one critic to ask whether it was just a contemporary version of "Friends." Friends? A pause followed, and it was unclear whether any of the young actors on the panel had even ever heard of the **NBC** series until African-American comedian and cast member *Jordan Carlos* piped up with one big difference: "It's obvious there's a black friend on it." The more serious issue for cable nets is perhaps that critics still wield a lot of power, and nets that focus on demos not heavily represented by TV critics do face an uphill battle. But that's okay. And to be fair to the critics, they generally do watch everything despite their personal preferences. That's their job. But in choosing what to write (and how much), it's hard to entirely detach from the personal. The good news? Audiences—not critics—ultimately rule, and even more so in this day and age of social media, citizen journalism and Internet-fueled, 24/7 word of mouth. That's the power of TV. And there's never been a better time to make it. *Michael Grebb*

Worth A Look: "Superheroes," Mon, 9pm, **HBO**. The subject of this creative doc might prompt viewers to stay away; their loss. It surveys people patrolling city streets dressed up as comic-book superheroes. OK, they're mostly nuts. Maybe not, director *Michael Barnett* seems to argue. Just when you begin to think they're loons, Barnett counter-punches, showing the heroes aiding the homeless or organizing toys-for-tots. Even comic book patriarch *Stan Lee* admires them. -- "Big Law: Deputy Butterbean," Tues, 10pm, **Investigation Discovery**. Sure, scoff at *Henry Schleich* for bringing us 400-lb pugilist Butterbean as a lawman in the latter's Jasper, AL, hometown (pop 15K). Yet jaunty Henry laughs last. Bean's good TV and "Big Law" is a fine look inside a small narcotics unit. -- "Major League Bowhunter," Thurs, 9:30pm, **Sportsman**. Braves' *Chipper Jones* goes 0-for on mule deer. -- "The Newlywed Game," M-F, 6:30pm, **GSN**. Host *Sherri Shepherd* gets good advice on sex and money as her nuptials loom. SA

Notable: Shark Week finishes with Chief Shark Officer *Andy Samberg* diving in with the fish ("Shark City," 9pm, Thurs, **Discovery**). -- Some comedies get serious with age. "Sex & The City" did and the end of Sun's "Entourage" is deadly serious. -- **Ovation** begins "enhanced encores" of "So You Think You Can Dance" Fri, 8pm.

Basic Cable Rankings (6/27/11-7/31/11) Mon-Sun Prime			
1	USA	1.4	3570
2	DSNY	1.1	2770
3	TNT	1	2683
4	HIST	0.9	2229
5	FOXN	0.7	1826
6	FAM	0.6	1566
6	A&E	0.6	1478
6	FX	0.6	1468
9	SYFY	0.5	1373
9	DISC	0.5	1263
9	ESPN	0.5	1251
9	HGTV	0.5	1236
9	NAN	0.5	1212
9	ADSM	0.5	1201
9	TBSC	0.5	1182
9	FOOD	0.5	1161
9	TRU	0.5	1077
9	NKJR	0.5	921
19	TLC	0.4	1098
19	LIFE	0.4	1031
19	HLN	0.4	1015
19	AMC	0.4	986
19	CMDY	0.4	968
19	TVLD	0.4	932
19	SPK	0.4	908
19	BET	0.4	899
27	MTV	0.3	867
27	MSNB	0.3	768
27	BRAV	0.3	749
27	HALL	0.3	669
27	VH1	0.3	659
27	LMN	0.3	608
27	ID	0.3	573
27	NGC	0.3	492
35	CNN	0.2	637
35	APL	0.2	602
35	EN	0.2	585
35	TRAV	0.2	482
35	DXD	0.2	449
35	ESP2	0.2	386
35	OXYG	0.2	358
35	NKTN	0.2	327
35	GSN	0.2	316
35	HMC	0.2	172
45	CMT	0.1	293
45	SOAP	0.1	259

*Nielsen data supplied by ABC/Disney



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