

# CableFAX Daily™

Monday — August 5, 2013

What the Industry Reads First

Volume 24 / No. 150

## Fade to Black: TWC, CBS Fail to Reach Deal

Friday's **CBS-Showtime** blackout on **Time Warner Cable** was the real thing, unlike Mon's short blackout of CBS in some TWC markets that lasted less than 20 minutes. This time both sides appeared serious and ready to dig in, with CBS warning that TWC customers in some markets would miss its PGA Championship coverage, which doesn't start until Thurs. **Bright House** customers also were caught up in it since TWC negotiates its programming deals. They, along with TWC customers nationwide, lost **Showtime, TMC, Flix** and **Smithsonian Channel**. TWC is providing **Starz** and/or  **Encore** on a temporary basis as replacement programming. TMC and Showtime subs will receive a blackout credit as well. Showtime said it's the 1st time a distributor has removed its programming, and that it had authorized continued carriage while negotiations continue. CBS O&O stations in NYC, L.A. and Dallas began going dark at 5pm ET Fri. Subs in parts of NH and MA lost WBZ-CBS and WSBK-Ind. Parts of WI lost the Chicago CBS affil. Gunnison and Telluride lost the Denver stations. Parts of OH were impacted by CBS's Detroit and Pittsburgh stations going dark. Since the Tues extension, "CBS has refused to have a productive discussion," TWC said. "It's become clear that no matter how much time we give them, they're not willing to come to reasonable terms. We thank our customers for their patience and support as we continue to fight hard to keep their prices down." CBS called TWC's 600% increase claims "fictional and ridiculous" and argued it only wants "fair compensation for the most-watched television network with the most popular content in the world... We will not accept less. We will not sign away rights not granted to others. We will not give up our channel position or any other asset by which our viewers identify us. We will also not be subjected to pointless maneuvers like a series of one-hour extensions and mini-drops that do nothing for either side but annoy our viewers." Time Warner Cable had directed impacted customers to CBS programming online. But at our deadline there were reports from TWC subs in NY and L.A. that they were unable to view video content at CBS.com. CBS and TWC did not immediately respond to requests for comment.

**Consolidation Convos:** Another day, more speculation... And almost everyone is in play, except **Comcast**. **Time Warner Cable** shares, which benefited from speculation talk Thurs, shed half a percent Fri as a *Bloomberg* report about a possible **Cox** and **Charter** combo made the rounds. "We have no way of knowing whether the Cox family is indeed ready to consider a deal; however, if in fact they are, Cox could be a much more attractive partner for Charter than TWC would have been, at least as a first step," **Moffett Research's Craig Moffett** told clients, saying a merger of equals (both have more than 4mln subs) would leave balance sheet room for subsequent deals while still doubling Charter's scale. Charter's shares closed up 4.7%. **Cablevision's** earnings call also turned to M&A talk, with CEO *Jim Dolan* rolling out the same line as TWC did in its earnings call Thurs: We'll do what's in the best interest of shareholders. "I know all the noise [is out there], and you never say never. But other than that, we really don't have much to say about it," Dolan said. Moffett rejected the notion of CVC as a near-term acquisition possibility: "The impediment to a Cablevision sale has in recent years been finding a buyer, not waiting for the Dolans to be willing sellers." **Wells Fargo's Marci Ryvicker** called the comments "interesting" and suggested



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that's why the stock rose (CVC shares closed up 5%). **ISI Research** and Wells Fargo both told clients they don't believe anything is imminent. As far as being on the buy side, Cablevision CFO *Gregg Seibert* said to view the **Bresnan** deal (which CVC sold to Charter July 1) as a "limited test" of moving the company into other regions. "At this point in time in the cable business, we're firmly committed to operating in the Northeast footprint and not expanding any further in cable," he said, adding that across the board, the company doesn't have any acquisitions in its sites. "There is always the possibility that there might be some small tuck-in opportunity for Lightpath, but we wouldn't expect something like that to be material." Mgmt reiterated strong support for *Newsday*. As for Cox and Charter, the *Bloomberg* article, citing two anonymous sources, said they 2 have held discussions. Cox Ent chmn *James Cox Kennedy* asked a judge this week to dissolve a 1941 trust for *Anne Cox Chambers*, with the trust dissolution a step toward Cox gaining flexibility to merge the company, the article said. "While a combined Charter/Cox wouldn't be as large as TWC (even a standalone TWC), it would at least be a player of real scale, immediately putting it in the same league as TWC and Dish Network in the second tier of giants," Moffett said.

**Cablevision 2Q:** Cablevision posted basic video sub losses of 20K vs analysts' estimate of 5K. HSD adds of 1K fell short of the Street's 17K expectation, as did voice (3K adds vs 15K). Revenue inched up 0.8% to \$1.57bln. However, AOCF of \$439mln beat Wall Street's forecast of \$413mln, and EPS of 11 cents beat the Street's 4 cents/share. "On the bright side, a recent price hike aided average pricing (up 3.5%), Lightpath unit showed modest growth, and sequential improvement in adjusted EBITDA could mark [an] encouraging sign for post-Sandy recovery efforts," said **S&P**, which kept its "hold" on the stock. CVC said its Optimum Guide has now been deployed throughout its footprint (Sandy held it up a little). It also now has 2 RS-DVR offerings, 160GB or 500GB—both allow for the simultaneous recording of 10 programs. Programming costs increased 9% in the Q, which reflects a \$7mln reduction in affil fees related to resolution of a contractual matter.

**NAMIC Leadership:** **NAMIC** is bringing in *Alicin Williamson*, principal at strategy firm **The Raben Group**, to provide interim exec leadership until a new CEO is named. As previously announced, *Nicol Turner-Lee* left the organization on Wed. Prior to Raben, Williamson spent 13 years at **MTV Nets**, most recently as svp, public affairs and corporate responsibility.

**At the Portals:** Could we have a 5-commissioner **FCC** in Sept? Maybe. With *Michael O'Rielly's* nomination to the FCC coming late Thurs (*Cfax*, 8/2), it didn't make the cut for a **Sen Commerce** hearing before the Aug recess. However, cmte chmn *Jay Rockefeller* (D-WV) vowed to hold a hearing on the Republican nominee pronto. FCC chmn nom *Tom Wheeler* was advanced from the committee to the full Senate this week. The issue may be Sen *Ted Cruz* (R-TX), who has hinted he'll put a hold on Wheeler's nomination unless he answers questions on political ad disclosure issues. "We doubt the Republicans will ultimately derail Mr. Wheeler's nomination, but there is some possibility for delay," **Stifel Nicolaus** analysts said.

**Viacom:** **Viacom** ended up with Amazon on digital distribution because Viacom brands are being presented "more clearly in the Amazon Prime environment than they are in the Netflix environment," pres/CEO *Philippe Dauman* said during Fri's earnings call. But "we continue to do business with Netflix around the world and expect to do so in the future." Thanks to ratings improvements for some Viacom nets like **Nick**, domestic ad revenue rose 6% YOY. Ad revenue growth is also expected to grow in 3Q. Viacom upped revenue 14% YOY to \$3.69bln, partly from cable net performance. Operating income rose 20% YOY to \$1.09bln as higher affil fees and ad rev more than offset increased filmed entertainment distribution costs.

**FX at TCA:** Go to [www.cablefax.com](http://www.cablefax.com) to read about **FX Networks'** TCA Day Fri and how it will tackle its 3-net strategy.

# CableFAX

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**CableFAX Week in Review**

Company	Ticker	8/02 Close	1-Week % Chg	YTD %Chg
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**BROADCASTERS/DBS/MMDS**

DIRECTV:	DTV	61.41	(5.81%)	22.43%
DISH:	DISH	45.22	1.85%	24.23%
DISNEY:	DIS	66.51	2.35%	33.58%
GE:	GE	24.70	0.20%	17.68%
NEWS CORP:	FOXA	31.53	3.61%	0.00%

**MSOS**

CABLEVISION:	CVC	19.61	4.14%	31.26%
CHARTER:	CHTR	134.00	5.84%	75.76%
COMCAST:	CMCSA	45.72	4.55%	22.38%
COMCAST SPCL:	CMCSK	43.76	4.41%	21.83%
GCI:	GNCMA	9.45	7.63%	(1.46%)
LIBERTY GLOBAL:	LBTYA	78.92	(1.77%)	25.35%
LIBERTY INT:	LINTA	24.80	0.90%	26.02%
SHAW COMM:	SJR	24.89	(1.07%)	8.31%
TIME WARNER CABLE:	TWC	117.10	0.21%	20.49%
WASH POST:	WPO	559.95	4.17%	53.32%

**PROGRAMMING**

AMC NETWORKS:	AMCX	69.45	2.30%	40.30%
CBS:	CBS	54.53	1.93%	43.31%
CROWN:	CRWN	2.84	2.16%	53.51%
DISCOVERY:	DISCA	82.19	(3.37%)	29.47%
GRUPO TELEVISIA:	TV	27.83	5.66%	4.70%
HSN:	HSNI	63.00	4.67%	14.38%
INTERACTIVE CORP:	IACI	49.72	(4.2%)	5.25%
LIONSGATE:	LGF	33.70	2.96%	105.49%
SCRIPPS INT:	SNI	72.98	2.04%	26.00%
STARZ:	STRZA	24.78	7.13%	0.00%
TIME WARNER:	TWX	64.29	2.02%	34.41%
VALUEVISION:	VVTV	6.07	(1.78%)	237.22%
VIACOM:	VIA	79.78	8.66%	47.01%
WWE:	WWE	10.40	(4.06%)	31.81%

**TECHNOLOGY**

ADDVANTAGE:	AEY	2.54	0.00%	27.64%
ALCATEL LUCENT:	ALU	2.52	18.87%	81.29%
AMDOCS:	DOX	38.67	0.00%	13.77%
AMPHENOL:	APH	79.09	2.04%	22.24%
AOL:	AOL	35.79	(6.33%)	20.87%
APPLE:	AAPL	462.54	4.89%	(13.08%)
ARRIS GROUP:	ARRS	15.24	0.33%	2.01%
AVID TECH:	AVID	5.79	(1.53%)	(23.61%)
BLNDER TONGUE:	BDR	0.99	2.06%	(13.91%)
BROADCOM:	BRCM	26.89	(1.5%)	(19.03%)
CISCO:	CSCO	26.19	2.71%	33.28%
CONCURRENT:	CCUR	8.22	6.34%	43.21%
CONVERGYS:	CVG	19.43	3.52%	18.40%
CSG SYSTEMS:	CSGS	24.04	1.01%	32.23%
ECHOSTAR:	SATS	40.64	2.21%	18.76%
GOOGLE:	GOOG	906.57	2.40%	28.16%
HARMONIC:	HLIT	7.78	1.83%	53.45%
INTEL:	INTC	23.22	(0.17%)	12.61%
JDSU:	JDSU	15.09	4.00%	11.78%
LEVEL 3:	LVT	22.33	3.14%	(3.38%)
MICROSOFT:	MSFT	31.89	0.85%	19.39%
RENTRAK:	RENT	21.42	(1.34%)	9.90%

Company	Ticker	8/02 Close	1-Week % Chg	YTD %Chg
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SEACHANGE:	SEAC	11.89	(2.7%)	22.96%
SONY:	SNE	21.62	0.19%	93.04%
SPRINT NEXTEL:	S	6.67	16.20%	17.64%
TIVO:	TIVO	10.95	(4.03%)	(11.05%)
UNIVERSAL ELEC:	UEIC	30.76	(2.1%)	58.97%
VONAGE:	VG	3.20	(5.6%)	35.02%
YAHOO:	YHOO	27.65	(1.64%)	38.94%

**TELCOS**

AT&T:	T	35.77	0.48%	6.11%
VERIZON:	VZ	50.25	(1.51%)	16.13%

**MARKET INDICES**

DOW:	DJI	15658.36	0.64%	19.49%
NASDAQ:	IXIC	3689.59	2.84%	22.19%
S&P 500:	GSPC	1709.67	1.07%	19.88%

**WINNERS & LOSERS**

**THIS WEEK'S STOCK PRICE WINNERS**

COMPANY	CLOSE	1-WK CH
1. ALCATEL LUCENT:	2.52	18.87%
2. SPRINT NEXTEL:	6.67	16.20%
3. VIACOM:	79.78	8.66%
4. GCI:	9.45	7.63%
5. STARZ:	24.78	7.13%

**THIS WEEK'S STOCK PRICE LOSERS**

COMPANY	CLOSE	1-WK CH
1. AOL:	35.79	(6.33%)
2. DIRECTV:	61.41	(5.81%)
3. VONAGE:	3.20	(5.6%)
4. INTERACTIVE CORP:	49.72	(4.2%)
5. WWE:	10.40	(4.06%)

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