

CableFAX Daily™

Monday — August 6, 2007

What the Industry Reads First

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Doom & Gloom: Sub Losses Take Toll on Cable, DBS Stocks

What a rough week to be a cable company. Basic sub losses are normal in 2Q, but with MSOs' losses higher-than-expected, investors once again took a familiar "sky is falling" stance. Just take a look at how cable stocks have performed since **Comcast** kicked off the reporting season on July 26. Comcast's stock price closed down 10% Fri (\$25.45) compared to its July 25 close. And it's not just the cable taking the hit. **EchoStar** is down 5.6%, and **DirecTV** is down 11.4% during the same period. **Charter**'s off nearly 31% from its \$4.35 close July 25. Since that date, **Mediacom**'s down 13.6%, **Time Warner Cable**'s down 13.5% and **Cablevision** (which reports on Wed) is down 7.3%. "Sentiment surrounding cable has shifted from puzzling indifference (given historically low valuations) to doom-and-gloom bearishness," declared a research note Fri from **Sanford Bernstein**, which reiterated its "Outperform" rating on Comcast, Time Warner Cable, Cablevision and its \$40, \$53 and \$40 respective price targets. Like Time Warner, Bernstein puts some of the blame on the sluggish housing market—which could have a significant impact on DISH and DirecTV when they report this week. Noting that **Verizon's FiOS** absorbed the majority of cable's lost 2Q video subs, Bernstein estimates that there is only about a pool of 27K subs for from which DBS can poach. "While it's impossible to know how much of DirecTV and EchoStar's growth comes from over-the-air conversion versus new home formation, the Y-over-Y trends are clear," Bernstein told clients. "There were 24% fewer homes completed this year, and—after accounting for cable/telco net losses—there are about 35% fewer subs, in aggregate, available to DirecTV and EchoStar."

In the States: Retrans pot stirrer **Nexstar** has suspended talks with potential buyers for the station group, citing difficult conditions in financing markets. In a 2005 retrans consent fight, **Cable One** subs in TX, MO, OK and KS went about a year without content from Nexstar affiliates.

In the Courts: **Deloitte & Touche** has agreed to pay \$167.5mln to the **Adelphia Recovery Trust** to settle claims against the former MSO's auditor. "We are pleased with the settlement, which is among the largest settlements ever reached between a public accounting firm and its audit client," a trust spokesperson said. The trust will continue to pursue claims against Adelphia's former lenders and others that it claims played a part in the financial fraud.

Not So Fast: Any time parental controls and the **FCC** come up in the same sentence, the industry collectively groans that chmn **Kevin Martin** will once again push his a la carte dream. Sen **Mark Pryor's** (D-AK) bill asking the FCC to create a report for Congress on advanced blocking technologies for TV and Internet content may seem like yet another opportunity for Martin, but the bill contains some language aimed at keeping this report from being yet another pitch for a la carte and family tiers. The bill, approved by Sen Commerce Thurs, asks the FCC to explore "methods of encouraging the development, deployment, and use of such technology by parents that do not affect the packaging or pricing of a content provider's offering." Maybe someone else has grown tired of the a la carte broken record?

"The series has a 'take no prisoners' style of humor..." - *The Hollywood Reporter*



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Competition: AT&T launched its 1st AT&T Experience retail store outside TX, in the Perimeter section of Atlanta.

Earnings: The Washington Post Co's Cable One reported a 9% increase in 2Q revenue to \$154.4mln, and although net income fell 20% to \$32.1mln, the MSO posted gains in RGUs (9%), digital subs and even basic customers. After rolling out phone service in 2Q06, the MSO now counts 24K phone subs, with the service now available to 83% of homes passed. Cable One counts 697K basic subs, 221K digital and 316K HSD.

Another Pitch: MASN added yet another pitch to its rotation seeking basic carriage in NC on Time Warner Cable, this time unfurling multimedia ads in the state urging sports fans to contact the MSO and demand the net. The pair is currently in arbitration for the issue. The TV spot touts MASN's live coverage of 520 live sports games and directs fans to **PlayBallNow.org**, a site launched by the net earlier this summer. But even as MASN claims to have a petition signed by thousands of disgruntled TW subs, an MSO rep reported hearing "very little from our customers in North Carolina on this issue, despite MASN's efforts... These expensive programmer-run campaigns are generally not effective."

Donkey Days: Several '08 Presidential candidates are already using cable to stump through ads (**Cfax**, 7/3), and now the Democratic party is following suit. Starting Mon, spots paid for by the **Democratic National Cmte** and others hit **CNN, MSNBC, ESPN, Discovery Channel** and **Comedy Central** (what, no **Fox News**?!?). The ads seek to promote Democratic actions in Congress and call on *Pres Bush* to work with the party to end the war in Iraq.

Online: It's deer season on **Versus**, which will launch early next month a virtual online channel dedicated to whitetail deer. It's designed to draw attention to new series "The Bucks of Tecomate," featuring comedian *Jeff Foxworthy*.

Programming: Another reason to crow about cable's gift to America. **C-SPAN** Sept 7, 8pm ET, will begin a 12-week series, live from each of the presidential libraries (*Herbert Hoover to Bill Clinton*) aimed at showing viewers how the presidency has evolved in the age of electronic media. Topics will mirror issues in the current presidential campaign. The **National Archives** will assist C-SPAN with nearly 1200 presidential clips that will be digitized for C-SPAN's website. In addition, educational materials will be distributed free. At a Capitol Hill event Thurs, the net showed reporters home movies from and narrated by *Lady Bird Johnson*, outtakes from a *Harry Truman* TV series and an audio clip of 21-year-old college student by the name of *Karl Rove*, who swore he'd not make politics his profession. -- **HDNet** will provide exclusive coverage of the Space Shuttle Endeavour's planned Tues liftoff, with set to commence at 6pm ET.

Sable TV: Employees working in **Mediacom's** central Columbia, MO, office Thurs evening had a surprise visitor—a champagne Mercury Sable. No employees were hurt when the car crashed into the office, and the driver, 60-year-old driver *Joyce Williams*, was treated at a local hospital and released, the *Missourian* reports.

People: Time Warner Cable svp, controller *Dick Petty* will retire at the end of Jan after more than 20 years with the company. He'll help wrap up accounting through the end of the year.

Business/Finance: Liberty Global's board authorized Dutch auction cash self-tender offers to buy up to 5.68mln shares of its Series A common stock and up to 5.68mln shares of its Series C common stock, at ranges of \$40-\$44/share. -- **Jet Broadband** completed its acquisition of **Suddenlink's** VA cable systems, former **Charter** assets serving approx 40K RGUs in 13 state communities. **Waller Capital Partners** served as JetBroadband's financial advisor.

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CableFAX Week in Review

Company	Ticker	8/03 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	53.32	(1.2%)	31.90%
DIRECTV:	DTV	21.16	(4.8%)	(15.2%)
DISNEY:	DIS	33.90	0.50%	1.60%
ECHOSTAR:	DISH	41.30	(1.9%)	8.60%
GE:	GE	38.06	(1.9%)	7.60%
HEARST-ARGYLE:	HTV	20.40	(2.6%)	(17.8%)
ION MEDIA:	ION	1.40	(1.4%)	180.00%
NEWS CORP:	NWS	22.40	(1.1%)	1.10%
TRIBUNE:	TRB	27.49	(1.8%)	(9.5%)

Company	Ticker	8/03 Close	1-Week % Chg	YTD %Chg
MSOS				
CABLEVISION:	CVC	33.75	(4.8%)	18.50%
CHARTER:	CHTR	3.01	(21.8%)	(1.6%)
COMCAST:	CMCSA	25.57	(4.1%)	(9.4%)
COMCAST SPCL:	CMCSK	25.45	(4.1%)	(8.8%)
GCI:	GNCMA	11.29	(5%)	(28.2%)
KNOLOGY:	KNOL	13.80	(5%)	29.70%
LIBERTY CAPITAL:	LCAPA	112.07	(2.5%)	14.40%
LIBERTY GLOBAL:	LBTYA	42.95	5.10%	47.30%
LIBERTY INTERACTIVE:	LINTA	20.63	(1.8%)	(4.4%)
MEDIACOM:	MCCC	8.40	(5.2%)	4.50%
NTL:	NTLI	28.22		(54.5%)
ROGERS COMM:	RG	42.97		45.10%
SHAW COMM:	SJR	23.03	(52.8%)	(22%)
TIME WARNER CABLE:	TWC	35.72	(8.5%)	(6.7%)
WASH POST:	WPO	825.50	4.50%	12.40%

Company	Ticker	8/03 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
CBS:	CBS	31.57	(3.5%)	4.80%
CROWN:	CRWN	6.61	(5.2%)	82.10%
DISCOVERY:	DISCA	23.56	(9.2%)	61.00%
EW SCRIPPS:	SSP	40.32	(1.7%)	(17.9%)
GRUPO TELEVISIA:	TV	24.82	(4%)	(0.7%)
INTERACTIVE CORP:	IACI	27.40	(9.7%)	(26.3%)
LODGENET:	LNET	27.50	(13.5%)	9.90%
NEW FRONTIER:	NOOF	8.09	(5.5%)	7.00%
OUTDOOR:	OUTD	9.10	(2.7%)	(29.1%)
PLAYBOY:	PLA	10.40	(5.5%)	(9.2%)
TIME WARNER:	TWX	18.61	(4.2%)	(13.5%)
UNIVISION:	UVN	36.23		2.30%
VALUEVISION:	VVTV	8.94	(0.4%)	(32%)
VIACOM:	VIA	38.70	(8.9%)	(10.3%)
WWE:	WWE	14.49	(3.5%)	0.70%

Company	Ticker	8/03 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
3COM:	COMS	3.86	(4%)	(6.1%)
ADC:	ADCT	18.55	(9.2%)	13.20%
ADVANTAGE:	AEY	5.78	1.40%	107.20%
ALCATEL LUCENT:	ALU	11.37	(12.4%)	(7.6%)
AMDOCS:	DOX	35.41	(1.5%)	(8.6%)
AMPHENOL:	APH	34.81	0.50%	12.50%
APPLE:	AAPL	131.85	(8.3%)	46.00%
ARRIS GROUP:	ARRS	13.94	(7.1%)	11.40%
AVID TECH:	AVID	30.44	(7.4%)	(18.3%)
BLNDER TONGUE:	BDR	1.42	(6%)	(16.5%)
BROADCOM:	BRCM	32.96	(0.5%)	2.00%
C-COR:	CCBL	12.83	(3.8%)	15.20%

Company	Ticker	8/03 Close	1-Week % Chg	YTD %Chg
CISCO:	CSCO	29.46	1.70%	7.80%
COMMSCOPE:	CTV	53.23	(6.2%)	74.60%
CONCURRENT:	CCUR	1.45	(11%)	(19.9%)
CONVERGYS:	CVG	18.14	(3.6%)	(23.7%)
CSG SYSTEMS:	CSGS	23.99	(1.6%)	(10.3%)
GEMSTAR TVG:	GMST	5.44	(5.9%)	35.70%
GOOGLE:	GOOG	503.00	(1.7%)	9.20%
HARMONIC:	HLIT	8.51	(7.1%)	17.10%
JDSU:	JDSU	14.02	(1.1%)	(15.9%)
LEVEL 3:	LVLTL	5.19	3.80%	(7.3%)
MICROSOFT:	MSFT	28.96	(1.5%)	(1%)
MOTOROLA:	MOT	16.35	(3.5%)	(18.5%)
NDS:	NNDS	43.26	(1.7%)	(10.3%)
NORTEL:	NT	19.33	(14.2%)	(27.7%)
OPENTV:	OPTV	1.66	(11.2%)	(28.4%)
PHILIPS:	PHG	39.33	(1.2%)	8.80%
RENTRAK:	RENT	14.65	1.70%	(5.5%)
SEACHANGE:	SEAC	6.56	(8.4%)	(35.8%)
SONY:	SNE	49.77	(6.2%)	16.70%
SPRINT NEXTEL:	S	19.77	(4.1%)	5.50%
THOMAS & BETTS:	TNB	60.00	(0.1%)	26.90%
TIVO:	TIVO	5.28	(4.9%)	3.10%
TOLLGRADE:	TLGD	10.13	0.10%	(4.2%)
UNIVERSAL ELEC:	UEIC	30.51	(12.8%)	45.10%
VONAGE:	VG	2.04	(21.8%)	(70.6%)
VYVO:	VYVO	5.57	(11.6%)	23.00%
WEBB SYS:	WEBB	0.09		125.00%
WORLDGATE:	WGAT	0.47	(2.1%)	(64.9%)
YAHOO:	YHOO	22.92	(2.4%)	(10.3%)

Company	Ticker	8/03 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	39.45	3.30%	18.40%
QWEST:	Q	8.57	(0.3%)	2.40%
VERIZON:	VZ	42.75	4.70%	23.60%

Company	Ticker	8/03 Close	1-Week % Chg	YTD %Chg
MARKET INDICES				
DOW:	INDU	13181.91	(0.6%)	5.80%
NASDAQ:	COMPX	2511.25	(2%)	4.00%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. LIBERTY GLOBAL:	42.95	5.10%
2. VERIZON:	42.75	4.70%
3. WASH POST:	825.50	4.50%
4. LEVEL 3:	5.19	3.80%
5. AT&T:	39.45	3.30%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. SHAW COMM:	23.03	(52.8%)
2. CHARTER:	3.01	(21.8%)
3. VONAGE:	2.04	(21.8%)
4. NORTEL:	19.33	(14.2%)
5. LODGENET:	27.50	(13.5%)



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MaxFAX...

Fairness Doctrines?

Bad idea!

But, better here—even with ridiculous concepts such as Senator *Jay Rockefeller's* content regulation and the craziness within the Federal Confusion Commission—than in Venezuela.



Paul S. Maxwell

Radio Caracas (RCTV) once was the country's most popular TV station. *Hugo Chavez's* democratically elected government (growing less democratic every

moment) knocked it off the air. It went cable, getting about a third of the country instead of the whole thing.

The government tried to force it to register as a "national producer" of programming (a technicality for over-the-air stations) even though it was on cable... the opposition-minded channel was about to be turned off again when the country's Supreme Court of Justice stayed that action pending review of regulations and laws that force the registered producers to carry government-mandated programming and commercials.

Random Notes:

• **Worthy Recognition:** Later this month, during the Aug 27-31 meeting of the Institute of Human Virol-

ogy, cable vet and all around great guy *John Evans* will get the 2007 Lifetime Achievement Award for Public Service. Congrats, John... really like to see deserving guys get the recognition they've earned. (Been hoarding a copy of the award letter since December... Haven't heard a peep out of John, though).

• **Lawyers Who Think:** One of my legal type friends sent along a great suggestion the other day (I'll keep his name a deep, dark secret, though) as he was listening to the House Judiciary Committee's Intellectual Property subcommittee hearing pitting radio stations against certain copyright holders of recorded music. Stations today pay into collectives (**BMI, ASCAP**—among my personal favorites) for performance of the copyrighted songs... NOT the copyrighted recordings of those songs. The record companies want to get paid twice. The radio guys (**NAB**) say they get a promotional benefit when stations play the songs... and that is, they say, compensation enough. Satellite audio providers actually pay both fees... and the Internet audio guys are in the midst of a big fight, too. So, hold on here, there's a real cable angle here... One part of NAB says recorded music on over-the-air stations attracts listeners and advertisers and at the same time is beneficial exposure for record companies... So, why isn't that the same analogous mutually beneficial

relationship between multichannel video providers (MVP – cable, satellite and so on) and local TV stations? The MVP gets content that is attractive to subscribers and generates revenues for the MVP, and at the same time delivers seamless access to viewers and a promotional benefit for the station, which directly drives advertising revenues! So if NAB doesn't like to pay more royalties, why should MVPs have to do so?

• **Zindler!** Back in my **Capital Cities** days, I went to the annual management meeting proud that *Multichannel News* boasted the entire company's 2nd best operating margins. #1 was the ABC affiliate in Houston (over 65% if I remember right) **KTRK-TV**, channel 9. One reason was a real character named *Marvin Zindler*... one of those crusading crazies (one hell of a white toupee), Marvin's ranting on channel 9 was the catalyst that resulted in The Best Little Whorehouse in Texas... La Grange, Texas' Chicken Ranch... right in the middle of a half dozen church summer camps along the Colorado River. Marvin died the other day. We need more characters today.

Paul Maxwell

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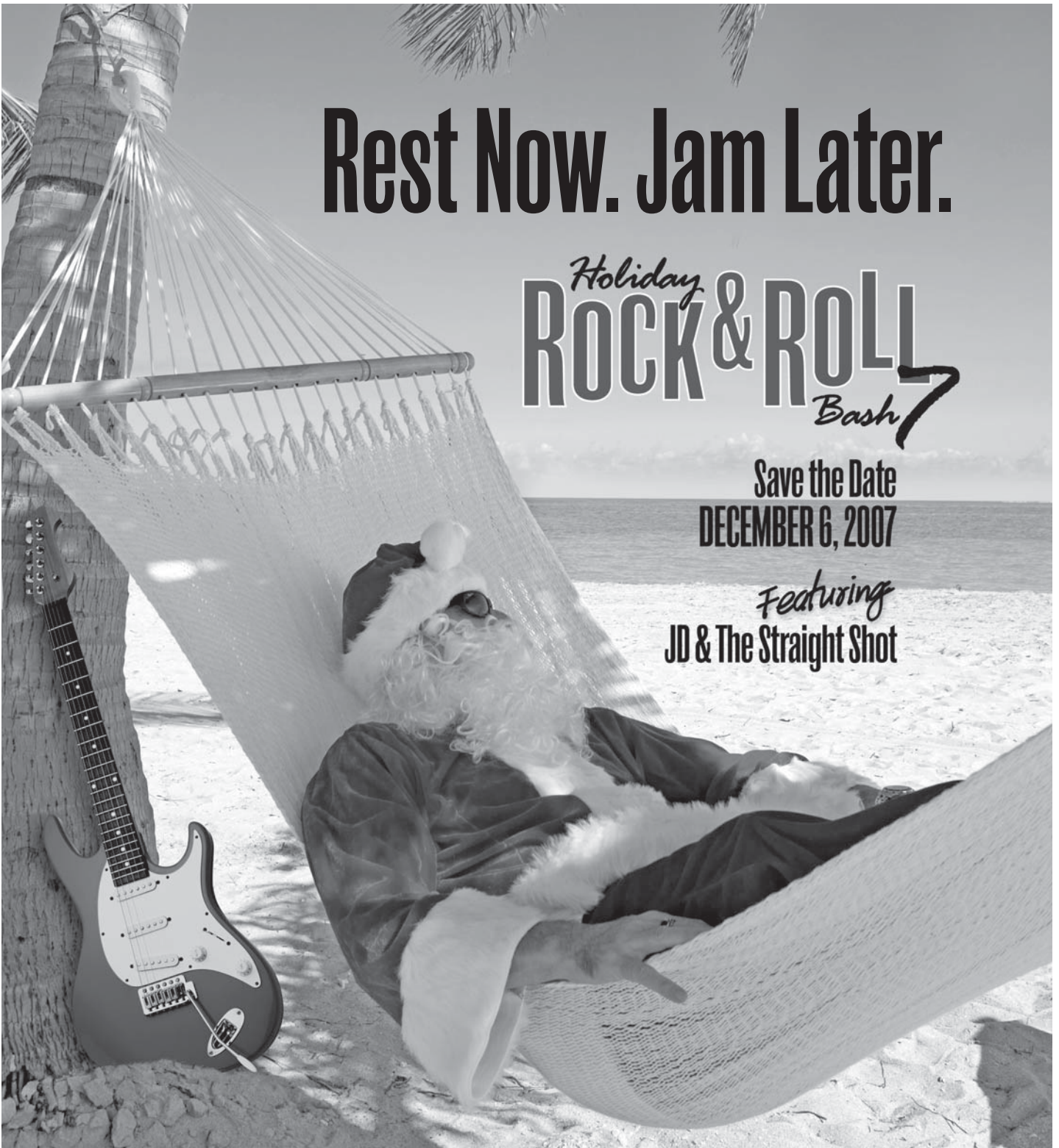
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