

CableFAX Daily™

Thursday — August 6, 2009

What the Industry Reads First

Volume 20 / No. 149

2Q Preview: Comcast, DirecTV to Shed Light on Year Ahead

After a brief lull in MVPD earnings reports, **DirecTV** and **Comcast** get the ball rolling again Thurs. Cable has made it clear that results will be weaker, so there's hope that most will be able to meet the Street consensus. Last week, **Time Warner Cable** posted better-than-expected numbers but warned of continued weakness in the coming quarters. Investors will be looking to see if Comcast has a similar story. Expectations are a little higher for DirecTV, which has been more upbeat in recent presentations. "With 2Q09 results, we expect a return to more normalized numbers, meaning lower net adds than 1Q09 and higher EBITDA growth (than 1Q09)," **Collins Stewart's Thomas Eagan** told clients about the satellite player. His firm is not quite as optimistic as the 197K consensus sub adds (Collins Stewart's est is 138K). The consensus EBITDA est for DirecTV is \$1.3mln (6.7% growth). Beyond the numbers, everyone will be hoping there's info during tomorrow's 11am ET conference call about the search for a new CEO and DirecTV's merger with **Liberty Ent**. The Street anticipates that Comcast will report revenue of \$8.9bln (+3.6%) and operating cash flow growth of about 3.1% (\$3.5bln). **Well Fargo Securities** said a catalyst for the stock could be any comments on M&A since Comcast's name is often mentioned in the press as a potential acquirer. Other areas of focus identified by Wells Fargo include the potential impact of the digital TV transition on sub trends for Q3 as well as Q2 and **FIOS** plans in DC and PA. "Although Comcast may not meet several of our customer metrics, we expect the company to meet both the consensus 2Q09 customer and financial estimates," Collins Stewart said.

In the States: **Comcast** is rolling out DNS redirection nationwide, dubbing it "Domain Helper." If you mistype a Website, instead of receiving an error message, the service provides you with suggestions and links. The launch follows a market trial in AZ, CO, NM, OR, TX, UT and WA. Some Web surfers complain these popular DNS redirections by ISPs are another form of advertising. Comcast, which notified HSD subs of the launch via email, does give customers the ability to opt out. Separately, the MSO launched its Universal Caller ID service in OR and Southwest WA. -- **Olympusat** acquired Hispanic children's TV net **Sorpresa** from **Firestone/Juniper Content Corp** for an undisclosed sum. It will become 1 of 11 channels in Olympusat's package of Spanish-language services, which includes **Cine Mexicano** and **Ultra Latino**.

In the Courts: **DISH** has sued **ESPN**, claiming the programmer violated a most-favored-nations clause by giving **Comcast** and **DirecTV** better deals for **ESPN Classic** and **ESPNU**. DISH is seeking at least \$1mln in the suit, filed in US District Court for the Southern District of NY. DISH declined comment. An ESPN spokesperson said: "We have repeatedly advised Dish that we are in full compliance with our agreement and have offered them a distribution opportunity with respect to ESPNU and ESPN Classic consistent with the rest of the industry. We will not renegotiate settled contracts and will vigorously defend this legal action, the apparent sole purpose of which is to get a better deal." This case is separate from ongoing, sealed litigation filed by DISH in the NY Supreme Court that names ESPN, ESPN



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Classic, **ABC Cable Nets**, **SOAPNet** and **Intl Family Ent** as defendants. That case appears to be involve HD carriage.

Advertising: The Campaign for a Commercial-Free Childhood sent a petition to the **FTC** signed by 3K+ parents Wed urging the Commission to stop the film industry from targeting young kids with ads for PG-13 movies. Since March, nearly 5K advertisements for 5 violent PG-13 films and their related merchandise have aired on children's nets, such as **Nickelodeon** and **Disney XD**, the group said. CCFC said ads were shown for movies "X-Men Origins: Wolverine," "Star Trek," "Terminator Salvation," "Transformers: Revenge of the Fallen," and "G.I. Joe: The Rise of Cobra," on children's channels between 6am-8pm.

Earnings: Although **Cisco** posted declines in net sales (-18%) and net income (-46%), chmn/CEO *John Chambers* noted a quickening economic pulse. "We saw a number of positive signs this quarter in the economy and in our business... there is a good chance we will look back and see that the tipping point occurred in our business in Q4," he said. -- **Playboy's** domestic TV rev fell 14% to \$12.7mln, hurt yet again by its ongoing transition from linear nets to "a more competitive VOD format." Echoing rival **New Frontier Media's** Jun comments, the company believes a renewed focus on the genre by distributors may provide aid going forward. Noting that cable and satellite distribution partners are becoming "more engaged in providing marketing support for Playboy TV," CFO *Linda Havard* said "we are hopeful that our new and returning shows will find a larger audience." -- **Outdoor Channel** posted a 16% YOY fall in 2Q ad rev to \$7.1mln, representing a 9% sequential decline, while affil fees grew 15% YOY to \$5.3mln and 13% sequentially. -- **Sinclair's** retrans rev jumped 26% to \$23.6mln while national ad rev fell more than 31% and local ad rev dropped 21%.

Carriage: **Time Warner Cable** has made **The Filipino Channel** available in its Desert Cities system (include Coachella Valley and Banning, CA). It has a \$12.95/mo a la carte rate.

E.T. Phones Zas? Showbiz reporter *Nikki Finke* writes that **Discovery** is in talks with *Steven Spielberg* about creating a digital cable net together a la *Oprah* (*Deadline Hollywood Daily*). Discovery declined to comment on the report. Our sources say the 2 have been talking but indicated that anything to come out of it may be more in line with the development deal *Whoopi Goldberg* inked last year with Discovery's emerging nets. Time will tell.

Research: 53% of US homes currently own a HDTV, versus 35% in '08, according to **CTAM**, and nearly 70% of those set owners subscribe to a HD service, compared to 56% a year ago. CTAM said digital cable penetration sits at 34%, DBS at 28% and telco at 6%. -- Approx 155mln Americans have viewed out-of-home digital video over the past month, according to **Arbitron**. 22% of US adults viewed video at a gas station, 19% at an airport.

Technology: Some **TiVo** subs now have access to hundreds of free Web videos, including podcast channels from **CBS**

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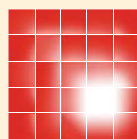
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Programming: Weather Channel's offering Sun (9pm ET) a sneak peek at forthcoming series "Weatherproof" (Jan), exploring the force and impact of extreme weather and shot in HD.

People: Brandon Lucas joined **BET Nets** as vp, gm **BET Mobile**. Prior to joining BET, he was exec dir of biz dev at **MySpace**. -- There was a collective "oh no!" around the industry at about noon ET Wed. That's when **Cisco** PR maven **Peggy Ballard** sent out an email informing colleagues that she'll be leaving her job Sept 24, opting to take an early retirement package from the company that bought **S-A** in '06. After taking several months off to spend time with family and friends, Ballard says she will make a decision about her "encore career." Like so many others, we wish her the best.

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Company	08/05 Close	1-Day Ch	Company	08/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/MMDS			APPLE:	165.11	(0.44)
BRITISH SKY:	36.58	0.29	ARRIS GROUP:	12.45	(0.11)
DIRECTV:	25.76	(0.39)	AVID TECH:	12.96	(0.02)
DISH:	17.70	(0.48)	BIGBAND:	4.38	(1.22)
DISNEY:	25.27	(0.37)	BLNDER TONGUE:	2.05	0.06
GE:	13.99	0.17	BROADCOM:	28.58	(0.08)
NEWS CORP:	12.21	(0.06)	CISCO:	22.17	(0.27)
MSOS					
CABLEVISION:	21.03	0.08	CLEARWIRE:	8.24	(0.01)
COMCAST:	15.06	(0.34)	COMMSCOPE:	25.60	(0.69)
COMCAST SPCL:	14.27	(0.42)	CONCURRENT:	5.20	(0.11)
GCI:	7.03	(0.03)	CONVERGYS:	10.24	(0.19)
KNOLGY:	8.62	(0.18)	CSG SYSTEMS:	15.83	(0.65)
LIBERTY CAPITAL:	16.28	0.49	ECHOSTAR:	14.79	(0.04)
LIBERTY ENT:	28.01	(0.26)	GOOGLE:	451.14	(2.59)
LIBERTY GLOBAL:	21.60	0.22	HARMONIC:	6.66	(0.11)
LIBERTY INT:	7.06	(0.02)	INTEL:	18.86	(0.32)
MEDIACOM:	5.15	(0.23)	JDSU:	5.97	(0.05)
SHAW COMM:	17.69	0.00	LEVEL 3:	1.28	0.01
TIME WARNER CABLE:	34.62	(0.2)	MICROSOFT:	23.81	0.04
VIRGIN MEDIA:	11.38	(0.05)	MOTOROLA:	7.13	(0.11)
WASH POST:	461.00	(6.75)	OPENTV:	1.46	(0.01)
PROGRAMMING					
CBS:	8.86	(0.07)	PHILIPS:	23.83	0.22
CROWN:	1.75	(0.15)	RENTRAK:	17.88	0.22
DISCOVERY:	24.93	(0.05)	SEACHANGE:	9.39	(0.46)
EW SCRIPPS:	4.55	(0.1)	SONY:	28.06	0.06
GRUPO TELEVISIA:	17.98	(0.27)	SPRINT NEXTEL:	3.96	(0.09)
HSN:	9.65	(0.67)	THOMAS & BETTS:	27.15	(0.35)
INTERACTIVE CORP:	18.13	(0.19)	TIVO:	10.58	(0.4)
LIBERTY:	32.16	(0.07)	TOLLGRADE:	5.82	0.12
LODGENET:	5.72	0.60	UNIVERSAL ELEC:	21.19	(0.82)
NEW FRONTIER:	2.29	0.07	VONAGE:	0.45	(0.03)
OUTDOOR:	7.51	(0.33)	YAHOO:	14.67	0.16
PLAYBOY:	2.43	(0.01)	TELCOS		
RHI:	2.72	0.01	AT&T:	25.73	(0.54)
SCRIPPS INT:	32.74	(0.32)	QWEST:	3.97	0.06
TIME WARNER:	27.42	(0.65)	VERIZON:	31.27	(0.59)
VALUEVISION:	3.76	0.23	MARKET INDICES		
VIACOM:	24.94	(0.32)	DOW:	9280.97	(39.22)
WWE:	13.41	(0.21)	NASDAQ:	1993.05	(18.26)
TECHNOLOGY					
3COM:	3.99	0.08			
ADC:	7.34	(0.09)			
ADDVANTAGE:	1.95	(0.04)			
ALCATEL LUCENT:	3.17	0.10			
AMDOCS:	24.26	(0.3)			
AMPHENOL:	33.34	(0.72)			

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Policymaking Pragmatism

The FCC is finally back up to full strength. All five Commissioners are on the job, staff positions are being filled, and we can now expect that rather than just “framing the issues” as has been the case for most of this year, we will see them get down to the business of actually tackling those issues and making decisions.

Recent press reports are starting to give some sense of how the new Chairman, Julius Genachowski, intends to have the Commission operate. They are encouraging.



Steve Effros

He says, at least, that he intends to move a lot of the regular decision process back to the respective Bureaus, where many of the experts in various telecommunications issues were intentionally ignored during the Martin years. That's good news. There are a lot of good, and knowledgeable folks on the FCC staff. Unfortunately,

we have also seen a whole lot of the most experienced ones leave over that time frame. But it's a good move to re-involve those who really have some expertise in these complicated issues.

That doesn't mean, of course, that the Commissioners won't be making the tough calls. They will. They will still use a combination of knowledge, politics, policy preferences and just gut instinct to vote on how certain decisions should be made. But unlike the difficult period we have just been through, the Chairman has signaled that he intends to have the policy-making process start by letting the staff experts look at the issues, accumulate the facts, and offer conclusions, or at least alternative recommendations before the process moves to the Commission meeting room.

That's the way it used to be, and it worked well. The staff talked with all Commissioners, not just the Chairman. They got some sense of the interests and priorities of

each one and tried to meld them into a recommendation that sufficiently satisfied a solid majority. It was a process—not simply the carrying out of orders. It would be very healthy for the Commission if something like that was reinstated.

Along with it, a new level of honest inquiry would also be good. We hear a lot about “transparency” these days. In most cases, the term is used pejoratively and aimed at the lobbyists, the big companies, the “entrenched” interests in Washington. The call is for more input and less alleged favoritism. To some degree, I think that's overstated. The reason the Hershey Chocolate company, for instance, tends to be the one commenting most on potential chocolate regulations at the FDA is because they happen to be the most knowledgeable folks about chocolate! They fund the studies because no one else has any reason to. Now that doesn't mean you shouldn't listen to others on the issue, but you sure as heck should pay a great deal of attention to the folks who actually live, breathe, and invest in whatever the issue is you are discussing.

That only makes sense. Just as the Chairman has announced he is moving back to a model where the agency experts in a given field will be listened to more carefully, so, too, should he acknowledge that when there are “comment periods” or “notices of inquiry,” the folks who actually do the work, who actually risk capital to build the infrastructures, who deal with the practical issues every day, should also be listened to and recognized for their expertise. The fact that they are “company reps” doesn't make them bad, any more than the professional “consumer representatives” should be ignored and demonized because they are “paid Washington lobbyists.”

Steve

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