

CableFAX Daily™

Friday — August 7, 2009

What the Industry Reads First

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Mixed Bag: Comcast Scores High on FCF, Low on HSD Adds

America's recession has so markedly altered the outlook and expectations of the financial markets that even the typical Wall St clubbing of cable when MSOs report disappointing sub numbers has apparently dissipated. To wit: **Comcast** shares popped at Thursday's open after the MSO reported a 60% sequential drop in RGU adds to 337K and joined **Time Warner Cable** in forecasting continuing pressure from the economy and competition. Comcast achieved a 4.5% increase in rev, a 5.5% rise in consolidated operating cash flow and a bullish 53% jump in earnings. Free cash flow tallied \$1.3bln. Meanwhile, the MSO added 250K digital subs (-13% sequentially), 233K voice (-22%) and a mere 65K HSD (-80%). Basic losses totaled 214K, compared to -78K in 1Q, mostly due to the DTV transition. "The main story remains Comcast's consistency in beating expectations for EPS (a \$0.07 beat) and free cash flow (a 16% beat)," said **Sanford Bernstein's Craig Moffett**. Overall gross connects were "exceptionally" challenged in Apr and May, said CFO **Michael Angelakis**, and pressures remain. Both video and HSD churn rose in 2Q. "We expected some deceleration, but not at this level," said COO **Steve Burke** of the HSD segment. But a lack of targeted marketing, coupled with seasonality, affected results, he said, and Comcast's renewed focus on the former has helped it gain more than 65K HSD subs already this Q. Also a positive going forward is Comcast High-Speed 2go, the MSO's Clearwire-based wireless Internet offering in Portland and Atlanta. Comcast is primarily selling the service in bundles with HSD service, which has accordingly received great benefit in Portland. The offering is "very sticky," said Burke, noting that two-fifths of the MSO's customers in the city are coming from competitors. On the DOCSIS 3.0 and transition to all-digital fronts—both are key parts of "our technical repositioning of the company," said chief **Brian Roberts**—wideband is in half of Comcast's footprint (with the MSO raising its target to 80% by YE), and the costs related to system digitization (one-third of systems to be all-digital by YE) are running below expectations. Cable's "making good progress" with **Canoe**, said Burke, and the industry will count 25mln EBIF-enabled homes by Dec "if all goes well." Notably, business services remain scorching, delivering a 51% jump in rev to \$198mln. "This business is firing on all cylinders," said Burke. Further out, Roberts echoed statements from **Cablevision COO Tom Rutledge** about the great likelihood of mobile voice networks riding atop data networks going forward. "A lot of people see that day coming," said Roberts.

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DirectTV's 2Q: After warning during Thurs' 2Q earnings call that cancellation of premium channels are worse than in previous years, **DirectTV** execs expressed little interest in **Paramount/Lionsgate/MGM** jv movie channel **Epix**. "We kind of feel like there's enough of them out there," **DirectTV** CFO *Patrick Doyle* said when asked about the channel. "We don't see the value in adding another movie channel." Interim CEO *Larry Hunter* echoed the sentiment, saying he doesn't see it as compelling. Currently, the low 90% of **DirectTV's** sub base takes a premium service, and that rate is expected to decline more in the 2nd half, *Doyle* said. "We continue to see more customers than expected right size their bills by purchasing less premium package and PPV," he said. On the same day that **Comcast** reported a 214K basic video loss, **DirectTV** execs trumpeted its 224K new US customers (+74% from a year ago). And while **Comcast** said it saw much more competition from the RBOCs than **DBS**, *Hunter* said most of its gains came from cable (although it is starting to see some defections from the telcos). Overall, **DirectTV's** income dropped to \$407mln from \$455mln, while revenue increased 8.5% to \$5.22bln. As for 3Q, **DirectTV** expects it to be similar to 3Q08. It should see higher gross adds thanks to its **AT&T** marketing agreement (approx 25% of gross adds for the Q came from telco partnerships), but that will be countered by a "modestly higher" churn rate due to a tighter credit policy and the economy. Plus, there's no digital transition to drive sub gains. **DirectTV** lowered its full ARPU guidance to 1-2% from 2-3% because of a lower take-rate and more cancellations of both PPV and premium content. While customers are cutting back on premium channels, they don't appear to be eliminating **NFL** Sun Ticket. "It's off to a really good start. We haven't seen tons of people giving that up," *Doyle* said. -- Not much news on **Liberty** and the search to replace *Chase Carey*. It's expected that a new CEO won't be named for a few months, and **Liberty's** shareholder vote on the merger is set for Oct.

In the States: **Comcast** launched **HomeTown Sports Indiana**, a new channel devoted exclusively to high school, college and professional sports, featuring IN teams. It's available exclusively to **Comcast** digital subs in Central IN at no additional cost. The net features college teams such as Ball State and Butler Univ, as well as professional games from the Fort Wayne TinCaps and Indianapolis Indians. -- **TiVo** signed a multi-year, global agreement that lets it incorporate **Rovi's** (formerly **Macrovision**) TV, movies and music data into its DVRs. **TiVo** now has access to data that includes a catalog of entertainment metadata on more than 1mln TV series since '54, more than 400K movie titles and more than 1.5mln pop and classical music albums.

At the Portals: The **Columbia Institute for Tele-Information** based at the Columbia Business School will serve as an outside expert on projected deployment of new and upgraded networks to help the **FCC** form its National Broadband Plan. It will provide analysis of the public statements of companies as to their future plans to deploy and upgrade networks. **Comcast** announced Thurs that it plans to have DOCSIS 3.0 available to 80% of its homes by year-end, up from

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Source: The Nielsen Co., Live Data, P/W 25-54, M-Su 8P-11P. (1) 8/2/09, All Broadcast/Ad-Supported Cable regularly scheduled programs, Cvg AA%. (2) All NFNS historical telecasts, (000). (3) 8/2/09 vs. All daily FN primetime viewing, (000). (4) 2Q09 vs. All FN historical quarters, (000). Subject to qualifications upon request.

the 65% it had previously announced. Thurs was the 1st of the FCC's public workshops on the broadband plan. "These workshops will hopefully give us big ideas, while also laying the foundation for this entire project and creating a public record. They take on added importance, because the 1st round of filings in response to our notice of inquiry did not advance the ball forward," FCC chmn *Julius Genachowski* said at the start of Thurs' workshop, according to prepared remarks.

Carriage: Verizon will launch **Hallmark Movie Channel** in standard def across its **FIOS TV** footprint. Verizon currently carries both **Hallmark Channel** and Hallmark Movie Channel in HD.

Competition: DirecTV signed a VOD agreement with **ReelzChannel**. The net's VOD packages will consist of 2- to 4-min segments, focusing on the top 10-12 VOD titles for a given month. -- **DISH** added 24 new HD channels in Puerto Rico, for a total of 33—the most of any pay TV provider on the island.

Earnings: Charter lost 73,300 basic subs and 5700 digital customers in 2Q, while HSD subs increased by 10.6K and voice rose by 56.9K. The MSO grew revenue 4.1% (\$1.69bln), with EBITDA increasing 8% to \$638mln. Its net loss narrowed to \$112mln from \$274mln a year ago. Charter is in the midst of a hearing in US bankruptcy court in NY for approval of its prepackaged reorg plan. -- **Hallmark Channel** parent **Crown's** 2Q net loss narrowed to \$5.3mln from \$5.6mln a year ago. Crown saw revenue dip 5% YOY to \$68.2mln, while ad revenue dropped 8% to \$51.9mln, reflecting primarily ratings declines. However, sub fee revenue increased 9% to \$15.9mln. A shift in scheduling strategy (including the addition of a late night comedy block) to more specifically target women 25-54 was implemented in 2Q. The changes caused a disruption in Hallmark's audience resulting in declines in HH ratings as it seeks to attract a younger audience base. As a result, audience deficiency units increased for Q, thereby decreasing ad revenues, when compared to the same period in'08. The decrease in ad rev also reflects lower scatter rates and lower direct response ad rev. -- **Scripps Nets Interactive's** 2Q net income rose 49% to \$79.5mln from \$53.3mln a year ago, while operating rev dipped 3.7% to \$391.3mln. Scripps, which has been seeking rate increases for **HGTV** and **Food**, reported that affil fee rev for the Lifestyle Media segment (which includes those nets and **DIY**) jumped 15%, though profit for the segment dipped to \$172mln from \$175mln. Ad rev for the segment fell 3.8%. -- **WWE's** 2Q revenue climbed to \$138.8mln from \$129.7mln a year ago, while operating income grew to \$28.1mln from \$12mln. PPV rev totaled \$35.6mln vs \$17.9mln in the prior year Q, with the category helped by **WrestleMania XXV** (960K buys, \$21mln in rev). Excluding **WrestleMania**, rev declined 18%. -- The shining star at **News Corp**, which reported a 4Q net loss of \$203mln Wed, is its cable nets business. Overall, 4Q operating income dropped more than 30%. But the cable nets saw a rise in operating income—jumping to \$434mln from \$313 a year ago. **Fox News** saw its op income increase 50%.

Programming: Epix inked with **Samuel Goldwyn Films** an exclusive output agreement covering up to 20 future ('10 and '11) SGF movies, which Epix will feature across all platforms beginning next year. -- **USA's** '10 development slate includes "Facing Kate," a legal franchise featuring a mediator from a family of corporate lawyers, and "Busy Bodies," a soccer mom teams up with a gay stay-at-home dad to solve mysteries in the suburbs.



CableFAX: The Magazine's Top Ops issue salutes the Top MSO and Independents

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BUSINESS & FINANCE

Business/Finance: Time Warner Cable entered into a new employee agreement with pres/CEO Glenn Britt this week, and it runs through the end of '12, according to an SEC filing. His minimum annual base salary of \$1mln stays in effect for the rest of '09, but climbs to \$1.25mln beginning in Jan 1. The contract also includes an annual discretionary cash bonus with a target amount of 500% of his base salary (the "target bonus") and a maximum bonus opportunity of 150% of the target bonus, as well as annual long-term incentive compensation beginning in '10 with a target value of \$7.5mln. The board also approved a grant of stock options to allow him to purchase shares with a value of \$2mln. As a result, Britt was awarded stock options on Mon to purchase 159,873 shares of TWC common stock at an exercise price of \$34.24/share.



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Company	08/06 Close	1-Day Ch	Company	08/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	35.77	(0.81)	APPLE:	163.91	(1.2)
DIRECTV:	24.84	(0.92)	ARRIS GROUP:	12.47	0.02
DISH:	17.42	(0.28)	AVID TECH:	12.53	(0.43)
DISNEY:	25.37	0.10	BIGBAND:	4.01	(0.37)
GE:	14.31	0.32	BLNDER TONGUE:	1.38	(0.67)
NEWS CORP:	12.38	0.17	BROADCOM:	27.91	(0.67)
MSOS					
CABLEVISION:	20.88	(0.05)	CISCO:	22.31	0.14
COMCAST:	15.05	(0.01)	CLEARWIRE:	7.97	(0.27)
COMCAST SPCL:	14.37	0.10	COMMSCOPE:	25.89	0.29
GCI:	6.84	(0.19)	CONCURRENT:	5.22	0.02
KNOLGY:	8.36	(0.26)	CONVERGYS:	10.51	0.27
LIBERTY CAPITAL:	16.11	(0.17)	CSG SYSTEMS:	15.88	0.05
LIBERTY ENT:	27.33	(0.68)	ECHOSTAR:	14.66	(0.13)
LIBERTY GLOBAL:	20.83	(0.77)	GOOGLE:	450.36	(0.78)
LIBERTY INT:	7.42	0.36	HARMONIC:	6.62	(0.04)
MEDIACOM:	5.11	(0.04)	INTEL:	18.70	(0.16)
SHAW COMM:	17.47	(0.22)	JDSU:	5.87	(0.1)
TIME WARNER CABLE:	33.91	(0.71)	LEVEL 3:	1.25	(0.03)
VIRGIN MEDIA:	11.17	(0.21)	MICROSOFT:	23.46	(0.35)
WASH POST:	463.00	2.00	MOTOROLA:	7.11	(0.02)
PROGRAMMING					
CBS:	8.54	(0.32)	OPENTV:	1.48	0.02
CROWN:	1.74	(0.01)	PHILIPS:	23.18	(0.65)
DISCOVERY:	24.88	(0.05)	RENTRAK:	16.70	(1.18)
EW SCRIPPS:	4.49	(0.06)	SEACHANGE:	9.44	0.05
GRUPO TELEVISIA:	17.98	0.00	SONY:	28.28	0.22
HSN:	11.46	1.81	SPRINT NEXTEL:	3.88	(0.08)
INTERACTIVE CORP:	18.35	0.22	THOMAS & BETTS:	26.76	(0.39)
LIBERTY:	31.42	(0.74)	TIVO:	10.28	(0.3)
LODGENET:	5.62	(0.1)	TOLLGRADE:	5.60	(0.22)
NEW FRONTIER:	2.28	(0.01)	UNIVERSAL ELEC:	21.60	0.41
OUTDOOR:	7.41	(0.1)	VONAGE:	0.40	(0.05)
PLAYBOY:	2.37	(0.06)	YAHOO:	14.74	0.07
RHI:	2.58	(0.14)	TELCOS		
SCRIPPS INT:	33.06	0.32	AT&T:	25.55	(0.18)
TIME WARNER:	27.33	(0.09)	QWEST:	3.98	0.01
VALUEVISION:	3.80	0.04	VERIZON:	30.96	(0.31)
VIACOM:	24.88	(0.06)	MARKET INDICES		
WWE:	13.53	0.12	DOW:	9256.26	(24.71)
TECHNOLOGY					
3COM:	3.87	(0.12)	NASDAQ:	1973.16	(19.89)
ADC:	7.27	(0.07)			
ADDVANTAGE:	1.92	(0.03)			
ALCATEL LUCENT:	3.15	(0.02)			
AMDOCS:	24.07	(0.19)			
AMPHENOL:	33.09	(0.25)			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Tinseltown Tempest

The outcry over the **TV Academy's** plan to pre-tape 8 award presentations at the **Prime Emmys** is throbbing in L.A., led publicly by the **Writers** and **Directors Guilds** and no doubt privately by several cable nets. As the Academy plans to include the "edited" footage in the live telecast, opponents believe it will be severely pared and perceive the move as an implicit devaluation of the affected honors—nominations for which are curiously dominated by cable. In fact, the proposed categories for taping—including top drama writing, TV movie and supporting actress in a movie/mini-series—feature 4 noms for the big 4 broadcasters, 6 for PBS and more than 30 for cable. Greatly affected would be **HBO**, rightfully displeased by the Academy's plan. "For a show that has always recognized the best in the television industry, it now seems to be increasingly focused on recognizing broadcast network television. That is unfortunate given the range and caliber of talent represented in these categories which are being singled out for time-shifting" said a net spokesperson. Surely **AMC** boss *Charlie Collier* and Hollywood creator/writer *Matthew Weiner* are "irate men," as the pair's "Mad Men" series earned 4 nods in the drama writing category (add HBO's "Into the Storm" and "Taking Chance" as ironic titles involved in the controversy). Perhaps equally incensed is **Lifetime Nets** chief *Andrea Wong*, who declined to comment. Her flagship net earned 2 nods for excellence in TV movies, its focus genre. Other cable nets to be affected include **Comedy Central**, **TNT** and **Hallmark Channel**. It'd be much easier to skewer the broadcasters over this if it weren't for the group having numerous sister properties in cable. The inequity in affected programs/providers, however, is overt and seemingly pointed. Expect changes before the Sept telecast. Cable was denied valuable fan exposure when the **Golden Globes** weren't televised in '08, and the same may happen at this year's Emmys. Shame. *CH*

Highlights: "The Nine Lives of Marion Barry," Mon, 9pm, **HBO**. Hollywood couldn't have written a better story than the extraordinary tale of *Marion Barry*, once known as DC's "Mayor for Life." Cocaine, womanizing and partying prevented that. Still, Barry's amazing ability to bounce back makes this short doc's title apt. Not included in the film is a recent mishap: a stalking charge. Since he has several lives left, he'll likely beat this one, too. – "Monk," final season premiere, Fri, 9pm, **USA**. It's fun when TV looks at itself. Tonight obsessive-compulsive Monk (*Tony Shalhoub*) is obsessed with a "Brady Bunch"-like show. A clever dream sequence wraps this 1st step in Monk's final season. *SA*

Worth a Look: "Bollywood Hero," Fri, Sat, 10pm, **IFC**. This miniseries, whose part I began Thurs, has much to recommend it, although not the predictable plot or usually excellent funny man *Chris Kattan*. The piece works best as a look at India and its movie industry, represented well by 3 smart, strong and gorgeous Indian actresses who dominate the picture. – "At Sea: Aviation," Sun, 10pm, **Military**. This 3-part series begins with an impressive look at the U.S. navy's carrier-based aviation assets. Missing is a critical evaluation of whether it takes more to protect a carrier than it's worth. *SA*

Basic Cable Rankings (7/27/09-8/02/09) Mon-Sun Prime		
1	USA	2.7 2633
2	DSNY	2.1 2057
3	TNT	1.7 1717
3	FOXN	1.7 1655
5	NAN	1.4 1416
6	TBSC	1.2 1224
7	FOOD	1.1 1113
7	HGTV	1.1 1101
7	ESPN	1.1 1044
10	FAM	1.0 1019
10	DISC	1.0 975
10	HALL	1.0 863
13	A&E	0.9 923
13	HIST	0.9 921
13	LIFE	0.9 892
13	SYFY	0.9 889
13	FX	0.9 885
13	TRU	0.9 846
19	TOON	0.8 813
19	TLC	0.8 794
21	CNN	0.7 700
21	AMC	0.7 670
21	SPK	0.7 666
21	CMDY	0.7 647
21	LMN	0.7 503
26	BRAV	0.6 551
26	MSNB	0.6 542
26	VH1	0.6 535
26	BET	0.6 521
26	NOGG	0.6 443
31	MTV	0.5 496
31	APL	0.5 464
31	EN	0.5 451
31	TVLD	0.5 448
31	OXYG	0.5 368
31	WGNA	0.5 367
31	NGC	0.5 321
38	TRAV	0.4 400
38	HLN	0.4 350
38	SOAP	0.4 295
38	GSN	0.4 264
38	TV1	0.4 195
43	CMT	0.3 308
43	ESP2	0.3 260
43	WE	0.3 255
43	DXD	0.3 222

*Nielsen data supplied by ABC/Disney

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