

# CableFAX Daily™

Friday — August 8, 2008

What the Industry Reads First

Volume 19 / No. 153

## Sweet Spot: DirecTV Continues Success With Video

DirecTV's largely high-end customer base appears to have propelled the DBS op to another solid Q, although cable's healthy broadband adds this earnings season may dim the party lights going forward. DirecTV added 129K net subs, increased US rev 13% to \$4.2bln and delivered a 1.49% churn rate, a 4-yr 2Q low. In light of a sputtering economy, aggressive competition and some of the inferior sub/financial numbers reported within the multichannel industry, CFO *Pat Doyle* is particularly pleased by the results, which also included 7% ARPU growth and a 35% drop in capex—the latter due in part to a “rapid decline” in set top costs and the near-term end to the satcaster's HD expansion. But even as pres/CEO *Chase Carey* spoke fondly of DirecTV's “sweet spot” provided by higher-end subs, he did acknowledge some concern with DSL. The telcos' broadband offering is “meaningful to us,” said Carey, with more DirecTV subs opting for DSL than cable modem service. In line with the cable's impressive HSD adds in 2Q, **Comcast** et al is entering DirecTV homes at a greater clip, which may lead to triple-play defections. “We would like to see [AT&T and Verizon] focus a little more on DSL,” said Carey, who nonetheless remains bullish on DirecTV's HD offerings—130 channels starting next week—and their power to sway customers. **Collins Stewart**, which initiated coverage Fri of DirecTV with a ‘buy’ rating, is similarly bullish. The firm raised its 3Q estimates for DirecTV based on 2Q numbers marked by video adds that “are especially impressive given how disappointing other cable and satellite 2Q08 TV subscriber adds have been,” wrote analyst *Tom Eagan*. **Sanford Bernstein** analyst *Craig Moffett* also likes DirecTV's positioning, albeit with a proviso. “Despite our reservations about the long term prospects for satellite as a category, we believe DirecTV remains in a relatively low risk position,” he wrote. Amid a market sell-off Thurs, shares of DirecTV rose 1.5%.

**Double Coupons:** **Mediacom**'s share price zoomed Thurs, closing up 9.2% after it reported a strong 2Q that included a \$20.9mln net profit and the raising of its full-year revenue outlook. The company set an RGU growth record for the 1st half of the year with 120K adds. Mediacom's 5K basic subs losses represented the lowest number since before its acquisition of **AT&T** systems in '01, according to MCCC chief *Rocco Commisso*. Going forward, the MSO is looking to capitalize on the DTV transition. It will target over-the-air HHs and honor the govt's \$40 digital converter box coupons, destroying the coupons that people cash in. “We will honor the coupon at face value for single product

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customers and double the value for double product HHS," said MCCC evp, ops *John Pascarelli*. As for the quarter, Mediacom beat analyst estimates with revenue increasing 7.6% to \$349.5mln. It raised '08 rev growth guidance to 7-8% from 6.5-7.5%. Included in net income for the Q was a gain of \$22.2mln from the sale of derivatives. Mediacom added 15K digital customers in 2Q, 14K HSD subs and 18K phone customers.

**Competition:** Verizon FiOS TV's urban assault has legs beyond NYC. The telco and DC have inked a video franchise agreement in principle, and the **Pittsburgh City Council** has asked a law firm to study Verizon's possible entry into the city to rival current sole provider **Comcast**, according to AP. -- **DISH** will offer **NBCU's** Olympics coverage from 6 channels through its interactive TV mosaic. Included: athlete profiles, news, video highlights, sponsor data and medal tallies.

**Slice and Dice:** Perhaps *Jim Dolan* may shorten his reported itinerary, as **Cablevision's** 3rd-largest outside shareholder *Mario Gabelli* suggests the MSO sell its **Rainbow Media** unit, spin off **MSG** and explore cable system sales to **Time Warner Cable**, according to *Bloomberg*. Earlier Thurs, **Pali** analyst *Richard Greenfield* wrote that Dolan plans to meet next week with CVC's 20 largest shareholders, a "clear sign that the Dolan family is seriously interested in some form of buyback/dividend and/or spin-off/sale of non-core assets." CVC shares have surged 26% since Dolan stated Jul 31 his desire to increase shareholder value.

**Going for the Gold:** **NBCU** announced it reached its goal of a record \$1bln in ad sales for the Beijing Olympics one day before the Opening Ceremonies. The programmer added that it still expects to write more business. **NBC** will televise the Opening event at 7:30pm, Fri. Advertisers shelled out \$30K for a 30-sec spot during the Opening Ceremony at the '06 Winter Games, according to **Nielsen Monitor-Plus**. That's slightly more than the '04 Opening Ceremony in Athens, bringing the cost back up to the level that was in '02 for the Salt Lake City Winter Olympics. The cost of advertising during the Games has increased in the 10 years since 1996, showing an impressive 40% gain from \$250,000 for a 30-second ad.

**Oh Boy:** Come Feb, **Toon Disney** becomes **Disney XD**. It's an attempt to make the net the destination for tween boys (6-14) that **Disney Channel** has become for tween girls. XD programming will mix sports, humor and adventure, with live action and animated content (**ESPN** will help develop some programming). Toon Disney reaches nearly 70mln US HHs. The program slate for launch includes "Aaron Stone," a teen who becomes the real life version of a crime-fighting, online game character; "RoboDz," a CG-animated and live action short-form series; and the Disney show "Phineas and Ferb."

**Carriage:** **Bresnan** launched **Outdoor Channel's** HD feed in CO, MT and WY. -- **Time Warner Cable** added **Alterna'TV's** **Ecuavisa Internacional** and **Telemicro Internacional** in NYC last month as part of the area's "DTV en Espanol" service.



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# BUSINESS & FINANCE

**DTV Doings:** Retirement Living TV headed to Wilmington, NC, Thurs to host a DTV transition panel for seniors and slated to feature FCC commissioners. Wilmington is the test site for the transition, with the market converting to digital in Sept , 5 months before the rest of the country. RLTV's recent poll found that 23% of seniors remain unaware of the Feb transition. Those who have heard about it rely heavily on TV news, with 42% of adults 65+ saying they learned about it through the news. Only 30% of adults 18-64 said the same. 33% of seniors said they heard about it from TV ads.

**Deadline alert:** Fill out the online nomination form now for **CableFAX: The Magazine's** Most Powerful Women in Cable list—go to <http://www.cable360.net/cablefaxmag/2008topwomen.html>. And nominate your favorite cable big shots for the CableFAX 100 at <http://www.cable360.net/cablefaxmag/2008cablefax100.html>.

**Business/Finance:** Discovery Holding shareholders vote Sept 16 on 4 related proposals leading to separate market trading by **Discovery Comm**, according to an **SEC** filing. 1 proposal seeks approval for the issuance of up to 3.8bln shares of common stock and 200mln shares of preferred stock for the new entity, which Discovery calls **New Discovery**. Expected is **NASDAQ** trading of New Discovery's common and preferred shares under DISCA and DISCB respectively.

## CableFAX Daily Stockwatch

Company	07/07 Close	1-Day Ch	Company	07/07 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	36.01	(0.12)	AMDOCS:	30.50	(0.1)
DIRECTV:	27.65	0.41	AMPHENOL:	48.37	(0.38)
DISNEY:	30.92	(0.5)	APPLE:	163.57	(0.62)
ECHOSTAR:	30.54	0.38	ARRIS GROUP:	9.04	(0.36)
GE:	28.57	(0.43)	AVID TECH:	23.18	(0.42)
HEARST-ARGYLE:	19.08	(0.49)	BIGBAND:	4.42	0.00
ION MEDIA:	1.44	0.00	BLNDER TONGUE:	1.30	0.06
NEWS CORP:	14.07	(0.42)	BROADCOM:	25.44	0.10
<b>MSOS</b>					
CABLEVISION:	27.60	0.45	C-COR:	11.00	0.00
CHARTER:	1.06	(0.06)	CISCO:	23.58	(0.35)
COMCAST:	21.01	(0.23)	COMMSCOPE:	44.70	0.41
COMCAST SPCL:	20.89	(0.22)	CONCURRENT:	6.97	0.45
GCI:	9.86	0.00	CONVERGYS:	13.50	0.25
KNOLGY:	10.14	(0.19)	CSG SYSTEMS:	18.62	0.04
LIBERTY CAPITAL:	15.67	(0.25)	ECHOSTAR HOLDING:	32.26	(1.62)
LIBERTY ENTERTAINMENT:	25.27	0.35	GOOGLE:	479.12	(7.22)
LIBERTY GLOBAL:	30.70	(0.19)	HARMONIC:	7.97	(0.05)
LIBERTY INTERACTIVE:	14.21	0.13	JDSU:	10.90	(0.26)
MEDIACOM:	6.35	0.54	LEVEL 3:	3.27	(0.08)
SHAW COMM:	21.02	0.08	MICROSOFT:	27.39	0.37
TIME WARNER CABLE:	27.79	(0.55)	MOTOROLA:	9.17	(0.33)
VIRGIN MEDIA:	10.47	(0.94)	NDS:	60.74	0.00
WASH POST:	636.75	(4.3)	NORTEL:	5.92	(0.2)
<b>PROGRAMMING</b>					
CBS:	16.05	(0.65)	OPENTV:	1.89	0.03
CROWN:	4.35	(0.17)	PHILIPS:	33.85	(0.8)
DISCOVERY:	18.09	(0.7)	RENTRAK:	14.18	0.09
EW SCRIPPS:	6.63	(0.07)	SEACHANGE:	7.34	(0.21)
GRUPO TELEVISA:	24.20	0.14	SONY:	38.49	(0.98)
INTERACTIVE CORP:	17.63	(0.26)	SPRINT NEXTEL:	7.79	0.45
LIBERTY:	42.69	(1.6)	THOMAS & BETTS:	43.41	0.03
LODGENET:	4.08	(0.09)	TIVO:	7.38	(0.3)
NEW FRONTIER:	3.31	(0.21)	TOLLGRADE:	5.63	(0.27)
OUTDOOR:	7.02	(0.37)	UNIVERSAL ELEC:	23.54	(0.82)
PLAYBOY:	4.24	(0.31)	VONAGE:	1.32	(0.01)
RHI:	12.95	0.04	WORLDGATE:	0.30	0.00
SCRIPPS INTERACTIVE:	40.89	(1.54)	YAHOO:	20.19	0.19
TIME WARNER:	14.50	(0.33)	<b>TELCOS</b>		
VALUEVISION:	2.98	(0.03)	AT&T:	30.31	(0.56)
VIACOM:	28.57	(0.62)	QWEST:	3.43	(0.02)
WWE:	15.46	0.08	VERIZON:	33.70	(0.54)
<b>TECHNOLOGY</b>					
3COM:	2.14	0.01	<b>MARKET INDICES</b>		
ADC:	9.31	0.00	DOW:	11431.43	(224.64)
ADVANTAGE:	2.65	(0.05)	NASDAQ:	2355.73	(22.64)
ALCATEL LUCENT:	6.15	(0.39)			

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**PROGRAMMER'S PAGE** with Chad Heiges and Seth Arenstein

**Applying Stickiness**

Tru2way apps, where art thou? The satcasters continue to roll out compelling interactive features, the latest being **DISH's Olympics**-focused coverage on a mosaic channel and **DirectTV's** 4 interactive HD channels supplementing the **PGA Championship** broadcasts of **TNT** and **CBS**. While perusing DirecTV's 2Q earnings results Thurs, I couldn't help thinking that such cool interactive elements helped the company report a stellar churn rate for the 2nd straight Q. Interactivity surrounding **The Masters, US Open** (golf), **Wimbledon** and the **French Open** was featured from Apr-Jun—and with nice results. "Our data shows that viewers are embracing interactive in growing numbers and when you combine it with HD, you have a highly satisfied and sticky customer," said a DirecTV rep. More than one-third of DirecTV's interactive-capable subs used related apps during this year's French, while 30% used them during the US Open, according to DirecTV data. Plus, the avg daily viewing time for Wimbledon was nearly 68% higher for interactive app users—a trend programmers and advertisers no doubt love. Last year alone, DirecTV aired more than 5K hours of live interactive sports content, with nearly 2mln homes using 1 or more apps. As for subs, what's not to love about interactive viewing elements, particularly when they're also accessible away from home. **Kangaroo TV** and DirecTV bowed 2 seasons ago an in-stadium hand-held device featuring the latter's **NFL Sunday Ticket Package**. St. Louis this year joins Washington, Seattle and Houston in offering the device at home games, where pay-TV subs regardless of provider will see increased marketing for the service by the franchises. And let's not forget that 180 of the NFL package's games will be available in HD. Indeed, the marriage of high-def content with interactive elements is a formidable foe for cable. If the union doesn't entice myriad cable defectors, I bet it does a superb job of preventing the reverse. *CH*

**Worth a Look:** "*Kathy Griffin: My Life on The D List*," Thurs, 10pm, **Bravo**. The finale of this comedy series is a curveball. Griffin's booked to perform at Walter Reed Medical Center. Prior to the gig, Griffin meets injured soldiers, their spouses and families. The experience moves Griffin so deeply, she's thrown off her game. Griffin bombs on stage, but the episode is interesting, providing a glimpse into the lives of our injured troops. -- "*Ask Aida*," Sat, 12:30pm, **Food**. We're guessing many men will move their computers to the kitchen. That's the set-up for "*Ask Aida*," and the food-romance connection simmers. The very attractive, articulate *Aida Mollenkamp* prepares dishes based on viewers' questions. At Aida's kitchen table is cute sidekick/tech guru *Noah Starr*, who searches her email for pertinent questions. In between, he flirts with Aida and eats her food, of course. -- "*Hope for Your Home*," Sat, 8:30pm, **TLC**. With foreclosures rising, TLC has adjusted its slate accordingly. Putting a spin on the traditional home makeover series, this one helps desperate homeowners increase their property's value. The end game is refinancing or selling. -- "*True Confessions of a Hollywood Starlet*," Sat, 9pm, **Lifetime**. This cute if predictable fish-out-of-water story is helmed by a svelte *Valerie Bertinelli* in her Lifetime movie debut and feisty *JoJo Levesque*. *SA*

Basic Cable Rankings (7/28/08-8/03/08) Mon-Sun Prime			
1	USA	2.3	2248
2	DSNY	2.1	1953
3	TNT	1.9	1855
4	LIFE	1.4	1362
4	NAN	1.4	1348
4	FOXN	1.4	1340
7	TBSC	1.3	1238
8	HGTV	1.2	1141
9	TOON	1.1	1096
9	DISC	1.1	1062
9	A&E	1.1	1052
9	ESPN	1.1	1045
9	SCIF	1.1	1031
9	HALL	1.1	904
15	FAM	1	956
15	FX	1	938
17	HIST	0.9	879
17	AMC	0.9	791
17	TRU	0.9	767
20	SPK	0.8	798
20	CMDY	0.8	716
20	BET	0.8	678
20	LMN	0.8	525
24	FOOD	0.7	715
24	BRAV	0.7	650
24	TVLD	0.7	625
27	CNN	0.6	601
27	TLC	0.6	590
27	MTV	0.6	527
27	MSNB	0.6	520
31	VH1	0.5	512
31	APL	0.5	455
31	ESP2	0.5	450
31	EN	0.5	431
31	TTC	0.5	411
31	WGNA	0.5	344
31	OXYG	0.5	335
31	NOGG	0.5	330
39	HLN	0.4	425
39	NGC	0.4	289
39	SOAP	0.4	260
39	GSN	0.4	238
43	DHLT	0.3	227
43	CMT	0.3	223
43	WE	0.3	210
43	BIO	0.3	177

\*Nielsen data supplied by ABC/Disney



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