

CableFAX Daily™

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What the Industry Reads First

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Customer Focused: Cablevision Readying Onyx User-Interface Launch

Cablevision's changing things—a lot of things, from its guide to its brand to even subscriber metrics. “We started off with 18 initiatives at the beginning of this year. All of them our customer centric, all of them our designed to improve the customer experience... The rebranding is going to be the signal to the customer base about that change in Cablevision,” said CEO *Jim Dolan* Tues of a planned rebrand later this month of Optimum. “We’re pretty confident about the changes we’ve made on the service side and on the network side and the changes that are coming on the product side.” One of those upcoming changes is a new guide, dubbed Onyx, that should be ready to roll out across the footprint in 4Q. “I would liken it to some of the Internet video providers out there, Netflix, etc, but it is actually much superior to that,” Dolan said. A preview of Onyx can be seen on Cablevision’s tablet TV watching app, which just expanded to the Kindle Fire. Those 18 initiatives, expected to be complete this year, include enhancing WiFi, rolling out the RS-DVR and upgrading the HSD network. The focus on improving the customer experience will continue to mean increases in cap ex, which were up a whopping 38% YOY in 2Q to \$296mln. Cablevision posted solid sub metrics, with 2Q video subs flat vs Wall Street’s expectation of an 11K loss. HSD adds of 25K and voice adds of 23K were both slightly ahead of Street projections. Dolan said the deep, promotional pricing it has seen over the past couple of years from **Verizon** and Cablevision is easing, partly because it created “sticker shock” and unnecessary churn as customers rolled off those promos. While CVC has resisted raising rates so far this year, it is still possible. “We’re leaving our options open. We’re not committing to anything at this point,” Dolan said. Shares of Cablevision closed unchanged Tues. While the sub numbers were good, net income fell to \$63.5mln from \$87.8mln a year ago, adjusted EBITDA was down 7.2% YOY at \$532mln and free cash flow of \$59mln (-51.3%) missed expectations. “This focus on FCF is appropriate for any company, but is more important for Cablevision than most for one simple reason: Cablevision’s valuation is attractive only on a fully-levered FCF yield basis,” said **Bernstein Research. Wells Fargo Securities’** bottom line: “The company is very much in investment mode with primary focus on enhancing the customer experience. While we did not get color on any specific line item, we think management’s focus on operational improvement is becoming much clearer to the investment community. ‘Sticker shock’ should be out of the stock at this point.”

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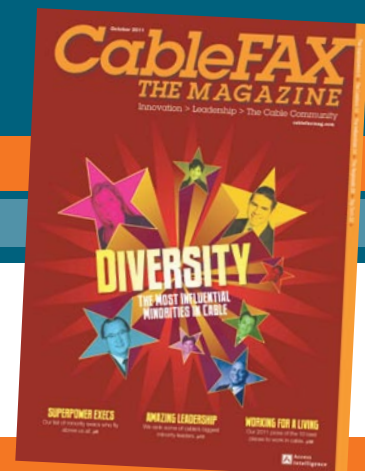
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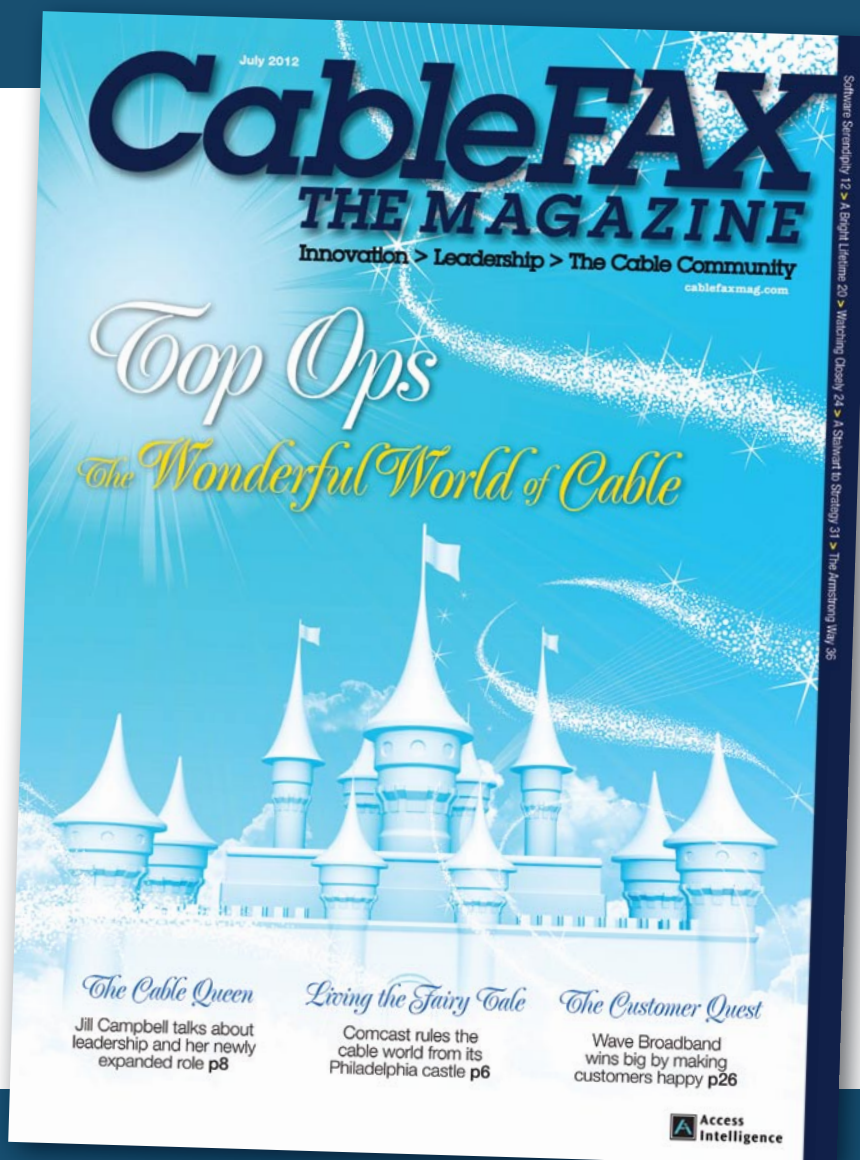
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Charter Earnings: Charter's story, as some analysts put it, is a growth story. CEO *Tom Rutledge's* operational initiatives seemed to be working as the op narrowed its basic video subs in 2Q to 66K from the 79K losses in the '11 quarter. The goal is to grow back video subs over time, Rutledge said during the firm's conference call Tues. Going forward, the company has its eyes on cost cutting through potentially IP-based DVRs. "We don't know yet, on network DVR, what the right answer to that is," Rutledge said. The immediate opportunity is to use conventional DVRs, with the long-term opportunity being to achieve cost-efficiency by buying storage in bulk and offering programming to connected devices, said Rutledge. "Whether it's in the home, or in the network, I'm not sure yet what the right answer to that is," he said. Financially, video revenue, which accounts for nearly half of its top line, slipped to \$911mln from \$912mln. However thanks to growth in multi-product bundles and advanced digital services, average revenue per residential sub was up 2% to \$106. Overall, the op narrowed its loss in the quarter to \$83mln from \$107mln in the year-ago quarter as Internet revenue climbed 11% YOY. The provider bagged 29K new residential Internet subs during the period, up from 18K it added during the same period last year. It gained 6K phone subs, down slightly from the 7K voice subs it netted last year. Analysts seemed bullish. **ISI** said the op is "a historically underpenetrated, underinvested, underperforming" provider, but today's results show "they are investing in the long-term growth" in subs, ARPU and margin. **Bernstein Research** analysts summed up the Charter story as "lots of runway, limited competition... and lots of leverage... That long runway ensures that Charter can keep growing. Charter's master plan calls for this growth to accelerate, even if it costs more in the short term to get there."

Deals: Rumblings that **Time Warner Cable** and **Fox News** were close to a new long-term carriage deal (*Cfax*, 8/3) proved true, with the *L.A. Times* reporting Tues that the 2 had struck a new agreement. Sources confirmed that the deal gives Fox News a hefty increase, while Time Warner Cable avoided accepting early renewals for other Fox nets as part of the deal. Also worth noting, TWC still isn't carrying Padres net **Fox Sports San Diego**. Fox News, **Fox Business** and **Fox Movie Channel** are part of the renewal. The Times, quoting unnamed sources, reported that Fox News will get more than \$1 sub in the 1st year of the deal, with increases in years that follow. -- **AT&T** signed a multi-year extension for **NFL Net** and **RedZone**. -- **Pac-12** continues to add **NCTC** members, with **Wave Broadband** (which includes **Astound**) offering Pac-12 National and Pac 12 regional nets to its systems in N CA, WA and OR.

At the Portals: Instead of retiring a still usable PC, donate it to low-income families. That's the FCC's message to all US organizations and corporations. The Commission is leading an initiative, called "PC Pledge 100," to allow donation of used computers to low-income families across the country. More than 17mln still usable computers are prematurely retired from businesses in the country every year. "The cost of digital exclusion are rising," Chairman *Julius Genachowski* said. The agency's campaign partners **Redemtech** and **Connect2Compete** will refurbish the computers, install new software, and distribute them to eligible families. -- Speaking of Connect2Compete, **NCTA** warned that a proposal to expand the USF contribution base to include broadband revenue would hurt the initiative, the group said in reply comments at the FCC. Some cable firms have pledged to provide discounted broadband to low-income families as part of the initiative. **ACA**, meanwhile, said it's premature to expand the contribution base because it will harm broadband adoption and expansion.

In the States: **Comcast** is laying off 106 employees in Oct at its Tinley Park, IL, call center and another 78 at its Oakbrook facility, but plans to hire some 250 employees throughout the Chicago region by the end of the year, the **Chicago Tribune** reported. A spokesman said the layoffs were related to Comcast's creation of a Center of Excellence Sales & Retention team that is operating out of Sterling Heights, MI. Of the 250 news jobs, about 100 of them would be call center-related.

Cisco Doings: Nothing gets more high profile than the Olympics, and that's why **Cisco** is partnering with **NBC** to market its Videoscape multiscreen platform to cable MSOs. NBC is offering live-streaming and on-demand content of the games to select guests at event venues and accommodations through the Videoscape platform, marketing manager *George Tupy* at the London Cisco site told **CableFAX**. Users can watch all 6 live NBC TV channels and VOD on their smartphones and tablets for the duration of the games, he said. The vendor hasn't announced contracts with US cable ops to deploy the platform. The technology allows users to combine synchronized apps on their devices with live TV coverage and offers the ability to access real-time interactive Web content like scores and athlete bios. Cisco is also supplying the broadcaster with video encoders, decoders, set-tops, DVRs, video file servers and an interactive program guide for the Olympics programming, Tupy said. As it did in

BUSINESS & FINANCE

Beijing and Vancouver, NBC Olympics is using Cisco IP contribution network to offer digital video coverage to studios in the US from London venues. The vendor is working alongside multiple video, storage, editing and telecom vendors to help NBC offer TV Everywhere, combining IP video production, content management and distribution network technology.

Earnings: Disney's 3Q net income rose 24% YOY to \$1.8bln, while revenue climbed 4% to \$11.1bln (just below analyst expectations, thanks primarily to the movie studio). Revenue at the media networks segment was up 3% YOY to \$5.1bln, with segment operating income increasing 2% to \$2.1bln. Operating income at Cable Networks increased \$14mln to \$1.9bln for the quarter due to growth at the domestic **Disney Channels** and **ABC Family**, partially offset by a decrease at **ESPN**. That decrease was driven by lower recognition of deferred affiliate fees related to annual programming commitments. However, Disney said the benefits of contractual rate increases and subscriber growth on affiliate fees along with higher advertising revenue more than offset increased programming and production costs at ESPN.

People: AMC Nets upped 3 in corporate communications: *Georgia Jovelis* becomes svp, corp comm, and *Lisa Rogen* and *Jaime Saberito* were made vps.

CableFAX Daily Stockwatch

Company	08/07 Close	1-Day Ch	Company	08/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	49.57	(0.2)	CONCURRENT:	4.22	(0.06)
DISH:	30.67	0.17	CONVERGYS:	15.74	0.14
DISNEY:	49.81	0.16	CSG SYSTEMS:	17.80	0.10
GE:	21.12	0.15	ECHOSTAR:	28.51	(0.44)
NEWS CORP:	23.98	0.24	GOOGLE:	640.54	(2.28)
MSOS					
CABLEVISION:	15.83	UNCH	HARMONIC:	4.49	0.02
CHARTER:	76.68	(0.91)	INTEL:	26.50	0.19
COMCAST:	34.55	(0.39)	JDSU:	10.50	0.22
COMCAST SPCL:	33.79	(0.24)	LEVEL 3:	19.64	0.79
GCI:	9.75	(0.03)	MICROSOFT:	30.26	0.31
LIBERTY GLOBAL:	54.80	0.05	RENTRAK:	19.20	0.01
LIBERTY INT:	19.56	0.30	SEACHANGE:	7.79	0.07
SHAW COMM:	20.02	0.28	SONY:	11.67	0.16
TIME WARNER CABLE:	89.10	0.06	SPRINT NEXTEL:	4.31	(0.03)
VIRGIN MEDIA:	27.96	0.02	TIVO:	9.24	0.43
WASH POST:	344.31	(0.27)	UNIVERSAL ELEC:	15.03	0.15
PROGRAMMING					
AMC NETWORKS:	44.35	0.79	VONAGE:	1.98	0.03
CBS:	35.65	0.15	YAHOO:	16.22	0.18
CROWN:	1.83	(0.02)	TELCOS		
DISCOVERY:	53.87	0.78	AT&T:	37.44	(0.17)
GRUPO TELEVISIA:	23.40	0.09	VERIZON:	44.47	(0.22)
HSN:	43.34	0.51	MARKET INDICES		
INTERACTIVE CORP:	52.61	(0.64)	DOW:	13168.60	51.09
LIONSGATE:	13.05	0.01	NASDAQ:	3015.86	25.96
LODGENET:	0.69	0.04	S&P 500:	1401.35	7.12
NEW FRONTIER:	1.56	UNCH	TECHNOLOGY		
OUTDOOR:	6.97	0.02	ADVANTAGE:	2.06	(0.03)
SCRIPPS INT:	58.59	0.49	ALCATEL LUCENT:	1.21	0.02
TIME WARNER:	41.94	0.33	AMDOCS:	31.64	0.32
VALUEVISION:	1.70	(0.06)	AMPHENOL:	61.36	1.02
VIACOM:	50.72	0.57	AOL:	33.65	(0.18)
WWE:	8.43	0.02	APPLE:	620.91	(1.64)
TECHNOLOGY					
ARRIS GROUP:	13.33	0.04	ARRIS GROUP:	13.33	0.04
AVID TECH:	8.75	0.18	AVID TECH:	8.75	0.18
BLNDR TONGUE:	1.02	0.01	BLNDR TONGUE:	1.02	0.01
BROADCOM:	34.23	0.33	BROADCOM:	34.23	0.33
CISCO:	17.14	0.45	CISCO:	17.14	0.45
CLEARWIRE:	1.50	0.08	CLEARWIRE:	1.50	0.08

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OTT Musings: Stakeholders Debate Evolving Content Delivery at CES

With the Comcast/Disney distribution deal a harbinger for TV Everywhere and Fox's move last summer to put select content behind a pay wall, panelists mulled the ins and outs of over-the-top delivery at an OTT panel at CES. "The tablet, the device, is going to control the TV experience at U-verse," said Jeff Weber, AT&T VP, product and strategy, noting the company's drive into tablet apps and model of providing APIs for developers to send content from device to television. But discernment is critical, panelists agreed. While AT&T has an approval process in place, YouTube abandoned its API-based partnership model two years ago "because we ended up with different apps on different TV, and performance differed," said Francisco Valera, dir/global head of platform and games partnerships. Touting YouTube's deals with Samsung, LG and its new Xbox partnership, "if we can't control the app, and update features quickly, it's a lost cause," he said. YouTube's recent-day model of investment in original content will stretch the company's presence in specific categories such as "niche cooking and unique travel" channels. "We don't see ourselves becoming a large studio, but we're more than dogs on skateboards," Valera quipped. "We want to bring in proven providers of broadcast quality content that's not sustainable in the cable universe." Valera said YouTube is working on its fourth UI, and moving toward the HTML 5 standard. Noting that unlike other video distributors YouTube always owns its TV and mobile content rights, "Can we bring our content to an AT&T, Cox or Comcast? We can, and that's where we are excited," he said. Initial deals with distributors are rolling out in Europe and Asia, he said. At Cox, focus remains on the UI. "It's important to get the user interface right, especially as more content is added in," said Lisa Pickelsimer, executive director, video product development. Integrated search, recommendations and social media will become more key, Pickelsimer said, noting the bigger role of metadata and the need