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TWX Take: Programmer Reports Strong Numbers, Scores Big Renewal

Time Warner crowed during its 2Q earnings call that it inked a renewal last month with a top 5 operator featuring the sort of rate increases it has been talking about for the past year. It's just not saying who that MVPD is. Time Warner CFO and incoming **Turner** CEO *John Martin* said it was relevant to mention the mystery deal because the programmer previously said it would begin its "most ambitious rate renewal cycle" in years during the middle of 2013. "This was the first big deal that we entered into and we successfully completed it," Martin said, reminding analysts that TWX expects sub rev to post double-digit compound annual growth from '13-'16. There are more deals, including with big distributors, coming up before year-end, but the impact won't be felt this fiscal year, management said. Smaller renewals recently have included **NCTC** *(**Cfax**, 3/8)* and **Mediacom** *(**Cfax**, 12/21)*. During Wed's call, management tackled some of the bigger issues facing the industry. CEO *Jeff Bewkes* doesn't think a la carte will take off but that any movement on that front would be a move to smaller bundles of nets. "We think we'd be really well positioned in that scenario," he said, declaring that Turner has the highest proportion of nets among the top 40. What's more, 85%-90% of TWX's affil fees come from its top 4 nets, and they'd likely be a part of any smaller base package of nets, Bewkes said. On a virtual MSO service: "We're not philosophically opposed to it. We just don't see it as being viable through any of the usual suspects yet." As for **NBA** rights, which Turner has tied up through the '15-'16 season, the CEO is confident the relationship will continue for "many years to come." Bewkes also praised **CNN**, ticking off recent ratings victories (even outside of breaking news) as signs of "real progress." Time Warner posted strong numbers with a profit of $771mln, up 87% from 2Q12's $413mln. Rev rose 10% to $7.4bln. Network revenue rose almost 7% to $3.84bln. TWX raised its full-year forecast to earnings growth in the mid-teens percentages from low double-digits.

Retrans: Just when you think retrans can't get any more dramatic, it does. A **Time Warner Cable** office in Indio, CA, called authorities Tues after it received a suspicious envelope with a powdery substance, reports *MyDesert.com*. Cal Fire's hazardous material team found the contents didn't pose a danger. It's not clear whether any of this relates to TWC's retrans doings, but the market did lose **Journal NBC** affil **KMIR** late last month (the Journal stations are still off the air). The MSO also has received national press over its dispute with **CBS**. A TWC spokesperson said the company is working with law enforcement to investigate the matter. -- Day 5 of TWC-CBS saw the **CBS TV Affils Assn** board send out a statement in support of the network (similar to MVPD statements backing TWC). "By refusing to offer CBS rates that are comparable to those paid for lower rated channels and by rejecting CBS's offer of a one-week extension, it is Time Warner Cable— and not CBS—that has chosen to deprive Time Warner Cable's subscribers of CBS programming," the board said.

Cox Changes: *Andy Albert* has been tapped for **Cox's** chief programming negotiations post. He will begin serving as svp, content acquisition, effective immediately, and will work with *Bob Wilson*, who is retiring at year-end. Albert joined Cox

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in '95 as dir of programming as was named vp in '03. *Kathy Payne* continues to serve as vp, content acquisition. Albert will conduct an internal and external search to fill his former vp slot.

FS1: As **Fox Sports 1**'s Aug 17 launch date draws nearer, **Fox** continues to keep distribution details quiet. "We're confident about the targets we have for the channel. We're engaged with a number of parties," *Chase Carey* said during Fox's earnings call late Tues. "This process usually has a lot of conversations… certain details get worked out at the last minute, but we actually feel good about where we are," he said. For what it's worth, **Time Warner Cable** updated its legal notice in Manhattan this month to say, "The previously announced rebrand of **Speed Channel** and **Fox Soccer Plus** has been postponed." That doesn't necessarily mean the MSO won't launch FS1 on Aug 17 or **FXX** on Sept 2 as it's fairly aggressive in notifying customers of any potential changes in lineup plans. "We're still in discussions with Fox," a TWC rep said.

In the Courts: **Comcast** responded to **Tennis**' petition for rehearing of a DC Circuit Court of Appeals ruling that found in the MSO's favor *(**Cfax**, 7/15)*. "Tennis Channel seeks review of a panel decision that does not exist. The sweeping opinion of Tennis Channel imagining, which purportedly rewrote Section 616 and discarded decades of discrimination law, bears no resemblance to the narrow ruling the panel actually rendered," the MSO told the court in a filing Wed. In May, the court ruled unanimously that the **FCC** didn't provide evidence that Comcast discriminated against Tennis on the basis of affiliation. Tennis asked for full court review last month, saying the ruling departed from "well-settled anti-discrimination law, ignored congressional intent and erroneously rejected extensive findings made by the FCC." Comcast argues that the May ruling neither announced new principle or departed from settled law; instead it "merely called out an agency for acting arbitrarily in one case." The case stems from a complaint Tennis filed in Jan '10 claiming that Comcast discriminated against it in favor of its own channels, **Golf** and **Versus** (now **NBC Sports Net**). -- **Harbinger Capital Partners** is suing **DISH** and its co-founder/chmn *Charlie Ergen* over an alleged "fraudulent scheme" to be the leading lander of **LightSquared**. The suit, filed in a bankruptcy court in NY, is seeking $2bln in compensation and $2bln in punitive damages, among other things. "We will respond in the appropriate way…" Ergen said during the company's earnings conference call Tues. "We will let the courts and the public opinion decide who is fraudulent and who is not," he said.

Disney: Potential consolidations among distributors don't bother *Bob Iger*. "This is probably the most robust era we have ever seen from a distribution perspective," meaning content distribution methods have grown significantly, the Disney chief said during the company's earnings call late Tues. As a result, "some consolidation among cable owners, if that occurs, is going to have no impact whatsoever on our business because there are so many buyers in the marketplace."

Earnings: **Synacor**, which powers TV Everywhere services for cable, satellite and telecom operators, posted a loss of $0.6mln in 2Q vs a profit of $1.2mln in the year-ago quarter, partly due to impact of **Microsoft**'s Windows 8 on its OEM business. "This has decreased the volume of impressions and searches we monetize with these customers, resulting in a decrease in display and search revenue for our OEM customers," pres/CEO *Ron Frankel* said during the company's earnings conference call Wed. Calling '13 a transition year, he expects Synacor to return to growth next year. Revenue was down to $26.7mln in the quarter, from $30.8mln a year ago. -- In 2Q, during which **Arris** closed the acquisition of **Motorola Home** from **Google**, Arris posted a revenue of $1bln vs $349.3mln from a year ago. Motorola Home recorded around $66mln of revenue during the quarter, prior to the close. The company and Google have settled certain litigation matters as a result of the deal. Arris will pay $50mln in a litigation settlement in 3Q. -- Local

BUSINESS & FINANCE

net broadcast revenues at **Sinclair Broadcast Group** were up 35.9% in 2Q. Since April, the company has announced plans to acquire 35 additional stations, including the $985mln purchase of **Allbritton**, bringing the total number of acquired or announced stations in the past 2 years to 91. The goal is to grow Sinclair's national footprint, achieve operating synergies, gain access to spectrum and "build a platform whereby we can expand content offerings and shape the future of the broadcast industry," the company said in a statement. Overall, the broadcaster reported diluted earnings per share of $0.19 in 2Q vs $0.37 in the year-ago period. Excluding the loss associated with extinguished debt, diluted earnings per share would have been $0.30. Excluding acquisitions, station net broadcast revenues in 3Q are expected to be up 11.4% YOY in 3Q. In total, station net revenues are estimated to be up 4% YOY.

On the Circuit: The **Walter Kaitz Foundation** will honor **Sony Pictures Entertainment** and the **League of United Latin American Citizens** at its 30th fundraising dinner on Oct 9 in NYC. *Philippe Dauman*, pres/CEO of **Viacom**, and *Neil Smit*, pres/CEO of **Comcast Cable**, are the dinner co-chairs.

People: **Disney** upped *Paul Pastor* to svp, strategy and consumer analytics for **Disney/ABC Television Group.**

CableFAX Daily Stockwatch

Company	08/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	61.90	0.79
DISH:	45.32	0.41
DISNEY:	65.91	(1.14)
GE:	24.34	0.03
NEWS CORP:	31.81	0.58
MSOS		
CABLEVISION:	19.64	0.64
CHARTER:	129.63	2.58
COMCAST:	45.18	0.19
COMCAST SPCL:	43.43	0.30
GCI:	9.46	0.03
LIBERTY GLOBAL:	79.74	0.04
LIBERTY INT:	23.42	(0.5)
SHAW COMM:	24.71	0.17
TIME WARNER CABLE:	114.75	0.49
WASH POST:	587.58	(5.42)
PROGRAMMING		
AMC NETWORKS:	71.15	0.31
CBS:	53.63	(0.37)
CROWN:	2.84	0.11
DISCOVERY:	82.73	0.14
GRUPO TELEVISA:	27.51	(0.11)
HSN:	60.99	(0.78)
INTERACTIVE CORP:	49.87	(0.36)
LIONSGATE:	34.03	0.27
SCRIPPS INT:	74.05	0.83
STARZ:	24.64	(0.03)
TIME WARNER:	63.84	(0.24)
VALUEVISION:	5.94	(0.23)
VIACOM:	79.97	0.62
WWE:	10.32	(0.07)
TECHNOLOGY		
ADDVANTAGE:	2.58	(0.02)
ALCATEL LUCENT:	2.61	0.05
AMDOCS:	38.46	(0.03)
AMPHENOL:	77.45	(1.3)
AOL:	36.69	0.51
APPLE:	464.98	(0.27)
ARRIS GROUP:	15.62	0.31
AVID TECH:	5.84	(0.03)
BLNDER TONGUE:	1.00	0.01
BROADCOM:	26.77	(0.04)
CISCO:	26.12	(0.09)
CONCURRENT:	8.17	0.17
CONVERGYS:	19.21	(0.11)
CSG SYSTEMS:	25.13	1.39
ECHOSTAR:	43.73	0.86

Company	08/07 Close	1-Day Ch
GOOGLE:	890.65	(5.92)
HARMONIC:	7.77	0.04
INTEL:	22.70	(0.1)
JDSU:	14.73	0.45
LEVEL 3:	21.84	0.23
MICROSOFT:	32.06	0.48
RENTRAK:	21.71	0.71
SEACHANGE:	11.61	(0.1)
SONY:	20.13	(0.59)
SPRINT NEXTEL:	6.92	(0.05)
TIVO:	10.80	(0.02)
UNIVERSAL ELEC:	29.56	(0.53)
VONAGE:	3.12	(0.02)
YAHOO:	27.39	0.07
TELCOS		
AT&T:	35.59	0.11
VERIZON:	49.93	(0.16)
MARKET INDICES		
DOW:	15470.67	(48.07)
NASDAQ:	3654.01	(11.76)
S&P 500:	1690.91	(6.46)

Think about that for a minute...

A Good Bad Idea

Commentary by Steve Effros

Sometimes a bad idea turns out to be the best one available. That's the situation we're now in regarding the battle over retransmission consent. Time Warner Cable is in a major face-off with CBS television over retrans fees and conditions.

CBS has pulled its authorization for Time Warner Cable to deliver the "free," "public" over-the-air signal of the CBS stations in several major markets, including New York and LA. CBS, of course, is using the public's spectrum, free of charge, to distribute its programming. It has an obligation to use that spectrum in the public interest, and it has committed to the FCC that it will utilize all reasonable means to assure that the signal is distributed to its entire service area. Yeah, sure.

As we are all aware, the price for retransmission consent has jumped massively over the past several years, and Les Moonves, the head of CBS, has been very vocal about saying he intended to keep jacking up those fees. He constantly complains that other cable channels are paid equivalent or higher fees. He always points to ESPN, of course. But ESPN doesn't use any broadcast spectrum, was never given that spectrum to use and distribute in the public interest by the government, and also, oh, by the way, includes advertising minutes availability to the cable distributor to offset some of the cost. CBS is a "free" broadcaster and doesn't offer those minutes, so the comparison is just wrong. That's not to say I agree with the fees ESPN is charging these days, but that in this case, the comparison doesn't work.

Anyway, TWC has now proposed that CBS should be available to its customers a la carte! CBS calls that a "sham" proposal. But it's not. I don't like a la carte, never have. It will cost customers more and they will get less. It will also severely hurt diversity. But there are occasions where a la carte may make sense.

I suggested just that when the YES Network of the New York Yankees started out by demanding absurdly high fees and saying everyone who was on cable in NY, whether they were Yankee (or even baseball) fans or not had to pay. The solution, I suggested, was that for those programmers who insisted that their product was so valuable that it substantially exceeded the mean average price of a cable channel (I originally proposed a "100% higher" measure, but it could be something else), they should be prohibited from writing any contracts that restricted the operator's ability to offer them a la carte. It would be self selecting but at the same time put the onus on those who were making the demands of our customers to actually support their contentions that they were "must have" channels for all of our subscribers.

Needless to say, the YES Channel folks, and now CBS, balked at the entire idea. They know that they currently have excess leverage, (especially with live sports) but they don't have an honest evaluation of what their product, year-around, would actually produce in the marketplace, and they sure as heck don't want to find out!

So while a la carte in general is a bad idea, in this case it may be the best idea. Most channels could still be packaged and offered at a very reasonable price allowing for lots of diversity and choice, and those who consider themselves "Tiffany" channels could actually find out whether viewers agree with them. A good bad idea.

Steve

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