

CableFAX Daily™

Tuesday — August 9, 2011

What the Industry Reads First

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Horror Show: Cable/Media Shares Receiving a Notable Beat Down

Only bears with conviction and extensive short positions could've enjoyed the stock market downturn of recent days, a nasty and disconcerting retreat marked by an approx 13.4% slide in the S&P 500 since Aug 1 and exacerbated by S&P's Fri downgrade of America's credit rating. The cable/media sector has felt particularly acute pain over the same period as most industry stocks have outpaced the S&P 500 to the downside. Included in the ticker of tears: **Charter** (-22.1%), **Cablevision** (-20.5%), **Comcast** (-15.4%) and **Time Warner Cable** (-15.1%). **Sanford Bernstein's Craig Moffett** said the ops' decided underperformance is neither shocking nor expected. "Concerns are mounting about a double dip recession, and about the low end consumer in particular. The cable and media stocks are exposed to those headwinds, and so is everybody else" he said. "On the other hand, the cable companies in particular have a relatively stable business model, no European exposure, and a lot of cash. If we are headed into a double dip, they're better positioned than most." The recent completion of a typically slow 2Q and still-struggling video sub metrics likely fueled the fiendish fire for cable ops, although Cablevision has yet to report (Tues) and financials have largely been solid. Most programmers have fared better than ops over the past week, yet still worse than the S&P 500. Not even the superb earnings results it issued Fri could prevent **Viacom** from shedding more than 7% Mon, although the company's down a relatively modest 12.5% since Aug 1, as is **Discovery Comm** (-13%). Companies including **ScrIPps Nets** (-19.5%), **AMC Nets** (-18.3%), **Time Warner** (-15.5%) and **Disney** (-14.7%) have suffered worse. Important to the programming group going forward may be the ultimate depths of despair in Europe, where Discovery, Viacom, Time Warner and others have enjoyed nice recent growth. **DirectTV** (-17.5%) and **DISH** (-24.9%), meanwhile, have also been scalded, with the latter set to report Tues. Provision of a long-term strategy from **Charlie Ergen** could serve as a welcome salve for DISH shares. Interestingly, the relatively modest recent losses felt by **Verizon** (-8.8%) and **AT&T** (-7.9%) seem to implicate healthy dividends as preferable to investors over share buybacks—at least when wealth is draining as if unclogged by Liquid-Plumr. Many media industry companies including Time Warner Cable, Comcast, DirecTV, Time Warner and Viacom have accelerated repurchases of late, and current stock levels may lead to even greater activity. But as traditionally juicy yielders, the telcos enjoy a sort of safe haven status. Despite economic woes, **Colins Stewart's Thomas Eagan** expects most major pay TV ops to generate mid-single digit operating cash flow this year. That's pretty good news at a time when most investors (except bears) are looking for anything other than negative.

In the States: 45K **Verizon** wireline employees are now on strike following a contract impasse between the telco and 2 unions repping the workers in the NE and Mid-Atlantic states. As issues such health care costs and pension remain unresolved, Verizon said it has activated a contingency plan whereby tens of thousands of trained managers, retirees and others have stepped in to provide customer support and assistance during the strike.

Carriage: **Time Warner Cable** launched **The Inspiration Networks** in the Northeast. -- **Massillon Cable TV** agreed to

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distribute **RLTV** through its Basic Plus service. -- **EWTN Global Catholic Net HD** got carriage on **Comcast** in Chicago.

More Originality: **Starz Ent** is partnering with **BBC Worldwide Prod** to co-develop, produce and distribute premium TV series to air on Starz nets. Starz will distribute the mostly dramatic content in the US and English-speaking Canada, BBC internationally. The deal could help Starz reach its goal of 50-60 original hours by '13, and the company said it importantly leverages its domestic home video/digital sales infrastructure. "When I came to Starz, we determined that forging strong international partnerships would play center stage in financing our ramp-up of dynamic original programming," said Starz chmn/CEO *Chris Albrecht*. "This exciting partnership with BBC Worldwide Productions is a major step in that direction."

Earnings: **Gray TV** reported 1% growth in rev to \$76.2mln on increases in local (+4%), national (+3%) and digital ads (+56%) and retrans (+8%). Net income tallied \$2.56mln, compared to \$534K a year ago.

FX at TCA: Good thing that **FX** just renewed gm *John Landgraf's* contract for 3 years, as he remains focused on turning FX into "one of the largest networks in America." The net's already known for gritty dramas, but it's also looking to add 2 more comedies to its slate, which would put the net at 5 dramas and 7 comedies overall and amount to more than 150 hrs of TV per year. With FX's pick up of freshman series "Wilfred" and sophomore laughter "Louie" for 2nd and 3rd seasons respectively, the net's comedy commitment is clear—not to mention its decision to renew "It's Always Sunny in Philadelphia" for an 8th and 9th season, with an option for a 10th. In all, Sunny's on track to become the longest running basic cable comedy in history. But it's FX's penchant for gritty dramas that continues to largely set it apart, with "Sons of Anarchy" entering its 4th season and still posting impressive ratings, and *Ryan Murphy's* eternally creepy "American Horror Story" (premieres Oct 5) on slate to scare the bejesus out of us just in time for Halloween. Landgraf said he doesn't want to "clamp down" on showrunners who push the envelope, arguing that FX's "willingness to experiment and try new things" is part of its unique DNA. "They haven't always worked, but I think they've made television a more interesting place to be," he said. FX also brought out the cast of its most popular show "Sons of Anarchy," with showrunner *Kurt Sutter* joined by new director/producer *Paris Barclay*, who put Sutter in a league with *David Milch* and *Aaron Sorkin*, after which Sutter joked "That's why I hired him." And then there's "Rescue Me," whose series finale comes on Sept 7. At one point, show co-creator/writer *Peter Tolan* stood up and dropped his pants, revealing blue striped briefs as cast members looked on and critics rolled in the aisles. Leary credited FX chief *John Landgraf* for staying so involved in the show. "When he gave us notes, he was almost always right," he said. With a 2-season pick-up and an option for another one (which would be the 10th season), "It's Always Sunny in Philadelphia" is now *Danny DeVito's* longest TV run ("Taxi" was 5 yrs). Actor/producer *Charlie Day* credited creative freedom for part of how the show has grown over 7 seasons. "You have to give credit to FX for letting us work in a bubble," he said. Meanwhile, the biggest issue for fantasy sports comedy "The League" showrunners this year was the potential for an NFL lock-out, which was just averted. Husband-and-wife team *Jeff and Jackie Schaffer* said they planned for the contingency. "We had to explore the idea of would these guys still be friends if we didn't have fantasy football," said Jeff. Ultimately, the lack of a lockout means more back-stabbing, taunting fun for the show's characters.

Technology: **Entropic Comm** is collaborating with **SMC Networks** and **Intel** to accelerate the development of MoCA 2.0-enabled DOCSIS 3.0 gateways to allow service providers to offer next-generation home ent services. MoCA 2.0 delivers more than 400Mbps of app throughput and is backwards interoperable with prior MoCA standards. -- **Ensequence** integrated **Zeitera's** ACR system into its iTV Manager interactive platform to allow programmers and advertisers to quickly

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Canoe Ventures selected **S3 Group's** StormTest Development Center as the automated testing solution for its national deployment of EBIF-enabled iTV apps, gaining the ability to seamlessly test multiple set-tops from myriad vendors across different operator networks.

Ratings: **Disney Channel** said its animated original movie "Phineas and Ferb: Across the 2nd Dimension" now ranks as TV's top scripted telecast of '11 among kids 6-11 (3.4mln), TV's #1 movie among tweens 9-14 (2.6mln) and cable's top movie of the year in total viewers (7.6mln). Also, 1.7mln 18-49s tuned in Fri night. -- The season 1 finale of **TNT's** "Falling Skies" garnered 5.62mln total viewers, 2.53mln 18-49s and 2.84mln 25-54s. TNT said the show ranks as basic cable's top new series of '11 among viewers and the #1 scripted basic cable series of the summer among 18-49s and 25-54s. -- **YES'** Fri Yankees-Red Sox coverage delivered a 6.85 avg HH rating (515K homes) in the NY DMA to become the net's highest-rated and most-watched program since the Yanks' '10 season opener.

People: **Current TV** welcomed veteran **CNN** exec *David Bohrman* as pres.

CableFAX Daily Stockwatch

| Company | 08/08 Close | 1-Day Ch | Company | 08/08 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DIRECTV: | 42.11 | (3.28) | BROADCOM: | 31.99 | (1.88) |
| DISH: | 22.64 | (2.48) | CISCO: | 13.94 | (1) |
| DISNEY: | 33.03 | (2.15) | CLEARWIRE: | 1.52 | (0.28) |
| GE: | 15.43 | (1.08) | CONCURRENT: | 5.93 | 0.04 |
| NEWS CORP: | 14.01 | (1.16) | CONVERGYS: | 10.54 | (0.74) |
| MSOS | | | | | |
| CABLEVISION: | 19.52 | (1.98) | CSG SYSTEMS: | 14.01 | (1.26) |
| CHARTER: | 42.06 | (4) | ECHOSTAR: | 25.26 | (2.82) |
| COMCAST: | 20.43 | (1.45) | GOOGLE: | 546.02 | (33.02) |
| COMCAST SPCL: | 19.84 | (1.39) | HARMONIC: | 5.00 | (0.55) |
| GCI: | 9.08 | (1.33) | INTEL: | 20.11 | (0.68) |
| KNOWLOGY: | 13.02 | (0.6) | JDSU: | 9.85 | (1.52) |
| LIBERTY CAPITAL: | 63.89 | (6.98) | LEVEL 3: | 1.70 | (0.25) |
| LIBERTY GLOBAL: | 33.63 | (3.17) | MICROSOFT: | 24.48 | (1.2) |
| LIBERTY INT: | 12.68 | (1.23) | MOTOROLA MOBILITY: | 21.53 | (1.01) |
| SHAW COMM: | 20.05 | (1.19) | RENTRAK: | 13.00 | (0.57) |
| TIME WARNER CABLE: | 62.94 | (5.06) | SEACHANGE: | 7.98 | (0.81) |
| VIRGIN MEDIA: | 20.93 | (2.68) | SONY: | 21.67 | (1.47) |
| PROGRAMMING | | | | | |
| AMC NETWORKS: | 30.71 | (4.51) | SPRINT NEXTEL: | 3.13 | (0.59) |
| CBS: | 21.31 | (2.45) | THOMAS & BETTS: | 39.36 | (3.66) |
| CROWN: | 1.36 | (0.14) | TIVO: | 7.33 | (0.94) |
| DISCOVERY: | 34.75 | (2.49) | UNIVERSAL ELEC: | 18.64 | (1.26) |
| GRUPO TELEVISIA: | 18.95 | (1.64) | VONAGE: | 2.88 | (0.21) |
| HSN: | 28.61 | (3.39) | YAHOO: | 11.09 | (0.65) |
| INTERACTIVE CORP: | 36.15 | (2.19) | TELCOS | | |
| LIBERTY STARZ: | 67.03 | (6.28) | AT&T: | 27.70 | (1.23) |
| LIONSGATE: | 6.36 | (0.33) | VERIZON: | 33.12 | (1.93) |
| LODGENET: | 1.98 | (0.4) | MARKET INDICES | | |
| NEW FRONTIER: | 1.12 | (0.06) | DOW: | 10809.85 | (634.76) |
| OUTDOOR: | 6.25 | (0.67) | NASDAQ: | 2357.69 | (174.72) |
| SCRIPPS INT: | 37.65 | (2.88) | S&P 500: | 1119.46 | (79.92) |
| TIME WARNER: | 29.89 | (1.85) | TECHNOLOGY | | |
| VALUEVISION: | 4.82 | (0.69) | ADVANTAGE: | 2.45 | (0.04) |
| VIACOM: | 48.38 | (3.71) | ALCATEL LUCENT: | 3.08 | (0.49) |
| WWE: | 9.28 | (0.36) | AMDOCS: | 26.73 | (1.88) |
| TECHNOLOGY | | | | | |
| ADDVANTAGE: | 2.45 | (0.04) | AMPHENOL: | 41.17 | (2.21) |
| ALCATEL LUCENT: | 3.08 | (0.49) | AOL: | 15.07 | (1.04) |
| AMDOCS: | 26.73 | (1.88) | APPLE: | 353.21 | (20.41) |
| AMPHENOL: | 41.17 | (2.21) | ARRIS GROUP: | 9.83 | (0.57) |
| AOL: | 15.07 | (1.04) | AVID TECH: | 10.32 | (1.23) |
| APPLE: | 353.21 | (20.41) | BIGBAND: | 1.54 | (0.18) |
| ARRIS GROUP: | 9.83 | (0.57) | BLNDER TONGUE: | 1.51 | (0.05) |
| AVID TECH: | 10.32 | (1.23) | | | |
| BIGBAND: | 1.54 | (0.18) | | | |
| BLNDER TONGUE: | 1.51 | (0.05) | | | |



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EYE ON ADVERTISING

Sy-spanic Outreach

In its first power play for the Hispanic audience, Syfy made its largest-ever Hispanic media buy in support of original series "Alphas," which premiered July 11. Partnerships included Telemundo, mun2, Univision, Yahoo En Espanol, AOL Latino, Batanga and Pandora. Dana Ortiz, Syfy VP, brand marketing, tells Cathy Applefeld Olson why the time is right to reach out to this rapidly expanding audience segment.

Why is now the right time to reach out to the Hispanic audience?

DO: We've been tracking the growing population along with everyone else. The most recent census says there are 50 million Hispanics out there, and their average age is hovering around 35, while the non-Hispanic average is closer to late 40s-early 50s. As we try to young down our audience, the Hispanic market is a great audience for us to be approaching.

Was there a plan from the outset to make "Alphas" your first outreach to Hispanics?

DO: At NBC Universal and Syfy, there is a definitely a strategy to get us more diverse across the board. This show is quite diverse—it looks like America looks today—and we did end up casting Valerie Cruz, who did episode 2 and will have a [recurring] role, but she doesn't have a Latin last name on the show so there's nothing too pronounced. We decided this is the project we want to start dipping our toe in the Hispanic market with. We wanted to reach the acculturated Hispanic, who is English-dominant or English-only, and we were very pleasantly surprised when we started getting awareness tracking and the Hispanic audience was popping a lot higher than the other demos.

What kind of numbers are you getting?

DO: With "Alphas" we can look back in retrospect, and we know how it performed against [other Syfy shows] "Eureka" and "Warehouse," which both premiered the same night. For overall on the "Alphas" premiere we hit 1.6

million viewers in the 18-49 demo and 143,000 of them were Hispanic. That's double the number for "Warehouse," which had 69,000 Hispanic viewers, and "Eureka." Then in week two we grew 7% from the premiere, and if you take a look at the second quarter [in general] we're averaging 48,000 [Hispanic viewers] 18-49.

How did you determine which media outlets to hit?

DO: There was not a lot of money, so we were very strategic. It's not like we blanketed all the Spanish-language markets. We were in L.A. with radio and on Telemundo and Mun2, and we did advertise on Univision. We made sure we were inside the big soccer games, the big sports centers, and the big music programs.



Did your messaging differ for the Hispanic audience versus the general audience?

DO: We worked with an agency called Blanco-Lorenz, which adapts creative messaging for the Hispanic audience. The message for the show is "Possible is what they do best." This is such an inspirational message, we didn't have to do too much tweaking. We already had a plethora of amazing creative, and we just leaned a little more into the music, put up a couple shots of Valerie Cruz, and translated the message pretty much word for word.

How will the success of the "Alphas" launch guide Syfy's Hispanic outreach going forward?

DO: It's a difficult audience to understand from a ratings perspective and from a business perspective. You could have a household where the oldest person in family and the youngest consumer their media entirely differently. We now have a group of researchers on our end digging in from digital perspective and in terms of television sponsorship. We're eyeing "Being Human" for next year. We're also waiting for DVR numbers. Some research suggests Hispanics are the least likely to DVR, so if we don't get a pop in DVR it will be interesting.

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