

# CableFAX Daily™

Monday — August 10, 2009

What the Industry Reads First

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## Mediacom Flow: Shares Jump as Profit, FCF Rises

**Mediacom** perpetuated the recent cable trend by experiencing 2Q sub softness across services but seeing growth in related rev, and perhaps most importantly material free cash flow growth. From Jan-Jun, the MSO delivered \$63m in FCF, a nearly 6-fold YOY increase, and has ramped its full-year FCF/share guidance by 30%, to \$1.30. Much of the FCF increase has been and will continue to be used for debt repayment, said execs, with the MSO currently sitting at its lowest leverage level (6x) since '00. Plus, total rev (+4%) and operating income (+11%) also improved. Investors erupted with applause, sending MCCC shares up 12.5% Fri. Though dissatisfied by just 7K RGU adds, versus 59K in 1Q, chmn/CEO *Rocco Commisso* remains bullish on the company's positioning in a difficult environment and was quick to note how it "outperformed the industry in every RGU category." The MSO tallied -15K basic, +8K digital, +6K HSD and +8k phone, which performed the best of the group sequentially with a 43% drop. Cord-cutting by customers is now palpable, said execs. "The poor economic conditions caught up to us," said evp/CFO *Mark Stefan*, noting more pressure in gross connects than disconnects. Ad rev fell 9% to \$14.67m. Mediacom plans to have DOCSIS 3.0 operational in at least 1 market by next month and in half of its footprint by YE, although come Dec, plans call for marketing of the service to half of those homes. Looking forward, the MSO plans to transition customer email accounts to its own platform by YE, and is debating whether to also bring phone services in-house.

**Starz Gazing:** **Liberty Ent** grew rev by 2% to \$367m, driven by an 8% increase in rev at **Starz Ent** to \$296m. Starz achieved avg sub unit growth of 5% while **Encore's** avg sub units were flat. The former net, however, saw subs decline 3% sequentially. Having already inked a 4-year renewal with **DirectTV**, Starz appears close to a deal with **Comcast**. "We are pretty much in agreement, and we are just trying to get that deal papered. So, we're getting pretty close," Starz pres/COO *Bill Meyers* said during Liberty's earnings call Fri. "The other deals that are coming up over the next several months are **Cox** and **Time Warner**. We have already had preliminary discussions with Cox on what makes sense for them and how they can use our product in a broader sense, and those discussions seem to be moving forward in a very positive way." **Liberty Capital's** rev jumped 14% to \$199m, due primarily to a \$25m increase on TV rev at **Starz Media**. **Liberty Interactive's** rev decreased 1% to \$1.9bn as **QVC** delivered a 2% dip in



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Source: The Nielsen Company, Week of 7/20/09 vs. All other weeks: July 6/29/09-7/26/09 vs. All other months: Torchwood S3 vs. All other BBCA programs. P2+, P25-54, Live and Live+SD data streams, AA (000). Subject to qualifications.

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domestic rev to \$1.2bln. QVC.com sales as a percentage of domestic sales increased 27.2% from 24.6%.

**On the Hill:** NTIA clarified rules Fri for broadband mapping, dropping a request for sensitive data involving revenue and infrastructure from providers. The changes let providers offer up census block data on Internet availability vs info on an address-by-address basis. Other changes included that broadband providers are no longer required to report average revenue per end user. "We support NTIA's goal of effectively mapping the nation's broadband availability, and these specific clarifications will enable providers, state awardees and government to work more quickly and effectively in accomplishing this important task," NCTA pres/CEO *Kyle McStarrow* said.

**Comcast Changes:** *Alan Dannenbaum* is leaving the **Comcast Programming Group** to return to **Comcast Cable**, where he'll take on a new role leading programming negotiations and renewals for linear programming nets. He'll report to *Matt Bond*, evp, content acquisition. Bond's role has expanded to include content acquisition for new media rights and strategic multiplatform initiatives, including On Demand Online. Dannenbaum's previous role as evp, network distribution and dev for **Comcast Nets** will be split between *Dana Zimmer* and *Dan Finnerty*, who were both upped to evps co-leading the network distribution and dev team for Comcast Nets. They report to Comcast Programming Group pres *Jeff Shell*.

**At the Portals:** When it comes to the nation's broadband plan, the private sector has a big role to play, according to FCC commish *Robert McDowell*. "Technology and telecommunications are really well poised to bring the country out of this recession right now," unlike with the previous dot.com recession, the Republican said during an interview on **C-SPAN's** "The Communicators" (air Sat, 6:30pm ET). Other tidbits worth noting: McDowell said the debate over network neutrality should focus on "anticompetitive" behavior rather than "discrimination." "There are times when network operators... all have to manage their networks and traffic flow," he said, citing the need to thwart DNS attacks, child porn, etc.

**More Earnings:** CBS' TV rev dropped 10% to \$1.95bln as segment ad rev fell 13%, mostly due to local softness. License fees decreased 6% while affil rev rose 10% on success at **Showtime**. "At Showtime, subscriber growth was the single largest driver behind our 10% year-over-year gain in affiliate revenues in the second quarter," said pres/CEO *Les Moonves*, citing subscriber growth driven by original content. Packages and deals are helping the premium net forge ahead, he said, noting that telcos' video expansion is clearly a boon. **CBS College Sports** also fared well, said CFO *Fredric Reynolds*, and "is getting more subscribers and more fees, so that's why we have the double-digit growth, and that should be pretty sustainable." -- **Gray TV** reported a 394% YOY increase in retrans revenue for 2Q to \$4mln. However, overall revenue fell 17% to \$65mln. Blame falling ad revenue, with auto advertising rev down 48% over the prior year.

**People:** *William Freedman* becomes FCC comr *Meredith Attwell Baker's* acting sr legal adviser, media and enforcement.

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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.

**CableFAX Week in Review**

Company	Ticker	8/07 Close	1-Week % Chg	YTD %Chg
<b>BROADCASTERS/DBS/MMDS</b>				
BRITISH SKY:	BSY	36.06	(0.8%)	30.00%
DIRECTV:	DTV	24.69	(4.7%)	7.80%
DISH:	DISH	18.42	8.70%	66.10%
DISNEY:	DIS	26.69	6.30%	19.20%
GE:	GE	14.70	9.70%	(2.3%)
NEWS CORP:	NWS	13.05	8.60%	37.50%

Company	Ticker	8/07 Close	1-Week % Chg	YTD %Chg
<b>MSOS</b>				
CABLEVISION:	CVC	21.44	4.70%	29.70%
COMCAST:	CMCSA	14.96	0.70%	(9.4%)
COMCAST SPCL:	CMCSK	14.47	3.40%	(8.4%)
GCI:	GNCMA	6.92	1.00%	(14.5%)
KNOLOGY:	KNOL	8.72	1.40%	69.00%
LIBERTY CAPITAL:	LCAPA	17.14	17.60%	263.90%
LIBERTY ENT:	LMDIA	27.48	(1.8%)	57.20%
LIBERTY GLOBAL:	LBTYA	21.84	4.20%	37.20%
LIBERTY INT:	LINTA	8.38	25.80%	168.60%
MEDIACOM:	MCCC	5.75	20.00%	33.70%
SHAW COMM:	SJR	17.56	1.00%	4.80%
TIME WARNER CABLE:	TWC	35.25		
VIRGIN MEDIA:	VMED	11.27	7.80%	129.90%
WASH POST:	WPO	475.28	5.30%	24.00%

Company	Ticker	8/07 Close	1-Week % Chg	YTD %Chg
<b>PROGRAMMING</b>				
CBS:	CBS	10.81	32.00%	34.40%
CROWN:	CRWN	1.87	(7.9%)	(34.4%)
DISCOVERY:	DISCA	25.71	4.90%	81.50%
EW SCRIPPS:	SSP	5.46	35.80%	147.60%
GRUPO TELEVISA:	TV	18.39	1.70%	31.80%
HSN:	HSNI	11.73	15.80%	61.30%
INTERACTIVE CORP:	IACI	18.49	0.50%	17.50%
LIBERTY:	L	31.71	5.60%	12.90%
LODGENET:	LNET	5.90	26.60%	742.90%
NEW FRONTIER:	NOOF	2.19	4.30%	28.80%
OUTDOOR:	OUTD	7.40	(2.4%)	(1.2%)
PLAYBOY:	PLA	2.47	3.30%	14.40%
RHI:	RHIE	2.57	(5.9%)	(68.3%)
SCRIPPS INT:	SNI	34.00	5.30%	55.60%
TIME WARNER:	TWX	28.34	6.30%	186.50%
VALUEVISION:	VVTV	3.60	16.90%	990.90%
VIACOM:	VIA	26.32	6.60%	30.80%
WWE:	WWE	14.49	10.40%	47.00%

Company	Ticker	8/07 Close	1-Week % Chg	YTD %Chg
<b>TECHNOLOGY</b>				
3COM:	COMS	4.00	6.10%	75.40%
ADC:	ADCT	7.35	1.00%	34.60%
ADVANTAGE:	AEY	1.96	1.60%	10.10%
ALCATEL LUCENT:	ALU	3.35	21.40%	55.80%
AMDOCS:	DOX	24.32	1.70%	33.00%
AMPHENOL:	APH	33.33	(0.1%)	39.30%
APPLE:	AAPL	165.51	1.30%	93.90%
ARRIS GROUP:	ARRS	12.77	4.80%	60.60%
AVID TECH:	AVID	12.85	4.90%	17.80%
BIGBAND:	BBND	4.00	(27.1%)	(27.5%)
BLNDER TONGUE:	BDR	1.31	(31.1%)	29.70%
BROADCOM:	BRCM	27.74	(1.7%)	63.40%
CISCO:	CSCO	22.19	0.80%	36.10%

Company	Ticker	8/07 Close	1-Week % Chg	YTD %Chg
CLEARWIRE:	CLWR	8.01	(1.1%)	101.80%
COMMSCOPE:	CTV	26.43	3.20%	70.10%
CONCURRENT:	CCUR	5.09	(5.6%)	50.00%
CONVERGYS:	CVG	10.71		67.10%
CSG SYSTEMS:	CSGS	16.16	(3.1%)	(7.5%)
ECHOSTAR:	SATS	14.80	0.40%	(0.5%)
GOOGLE:	GOOG	457.10	3.20%	48.60%
HARMONIC:	HLIT	6.71	(3.2%)	19.60%
INTEL:	INTC	18.50	(3.9%)	38.90%
JDSU:	JDSU	5.99	2.70%	63.00%
LEVEL 3:	LVL	1.20	(2.4%)	71.40%
MICROSOFT:	MSFT	23.56	0.20%	23.90%
MOTOROLA:	MOT	7.13	(0.4%)	62.10%
OPENTV:	OPTV	1.39	0.70%	13.00%
PHILIPS:	PHG	23.42	2.90%	27.10%
RENTRAK:	RENT	17.59	(3.9%)	49.20%
SEACHANGE:	SEAC	9.66	5.60%	34.00%
SONY:	SNE	28.34	1.40%	29.60%
SPRINT NEXTEL:	S	3.79	(5.3%)	107.10%
THOMAS & BETTS:	TNB	27.88	4.70%	16.10%
TIVO:	TIVO	10.49	2.30%	46.50%
TOLLGRADE:	TLGD	5.55	(0.7%)	16.10%
UNIVERSAL ELEC:	UEIC	20.37	(3.5%)	25.60%
VONAGE:	VG	0.40	(4.8%)	(39.4%)
YAHOO:	YHOO	14.62	2.10%	19.80%

Company	Ticker	8/07 Close	1-Week % Chg	YTD %Chg
<b>TELCOS</b>				
AT&T:	T	25.62	(2.4%)	(3%)
QWEST:	Q	4.02	4.10%	19.20%
VERIZON:	VZ	31.08	(3.1%)	(1.5%)

Index	Value	% Chg	YTD %Chg	
<b>MARKET INDICES</b>				
DOW:	INDU	9370.07	2.20%	6.80%
NASDAQ:	COMPX	2000.25	1.10%	26.80%

**WINNERS & LOSERS**

<b>THIS WEEK'S STOCK PRICE WINNERS</b>		
COMPANY	CLOSE	1-WK CH
1. EW SCRIPPS:	5.46	35.80%
2. CBS:	10.81	32.00%
3. LODGENET:	5.90	26.60%
4. LIBERTY INT:	8.38	25.80%
5. ALCATEL LUCENT:	3.35	21.40%

<b>THIS WEEK'S STOCK PRICE LOSERS</b>		
COMPANY	CLOSE	1-WK CH
1. BLNDER TONGUE:	1.31	(31.1%)
2. BIGBAND:	4.00	(27.1%)
3. CROWN:	1.87	(7.9%)
4. RHI:	2.57	(5.9%)
5. CONCURRENT:	5.09	(5.6%)

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# CORPORATE LICENSES

# WHAT THE INDUSTRY READS FIRST.

**CableFAX Daily™**

# MaxFAX...

## Over Which Top?

OTT—over-the-top content delivery gets a lot of ink (pixels, too). Note: some interesting studies out... check out the sample from *Will Richmond* partner **TDG** - <http://www.videonuze.com/download/?id=16> and one from **ChangeWave** - <http://www.change-wave.com/freecontent/viewalliance.html?source=/freecontent/2009/06/boomer-tv-habits-06-15-09.html>.



Paul S. Maxwell

Both studies attempt to make some sense of users of OTT content

and provide some pretty good waystations on the way to understanding.

ChangeWave finds baby boomers willing to change... TDG puts changers in four categories (Replacers, Supplementers, OTT Optimals and Non-OTT Consumers). Most of the research, most of the rhetoric and most of the reporting concentrates on the conflict between the subscription-based linear "TV" channels versus the downloaded linear content via broadband.

All of that might be missing the point.

Convergence (remember that word) might finally be happening. What's the real difference in the display screens today? Portability, mostly. This is just "TV Everywhere" in its nascent, unconnected form. If (when?) the classic

cable (telco video/satellite) delivery shifts fully to IPTV... that'll restore the not-yet-broken cable/telco video/satellite business model to prominence. The reasons: (1) creators must get paid; (2) the subscription model remains supreme; (3) dual revenue streams are the new norm; and (4) the device is irrelevant to the basic business model—it is, rather, just one of the enablers... but it will be the crowning reason it all works as the so-called set-top box data gathering gets really sophisticated and integrated and truly revives advertising.

## Random Notes:

- **Metric Shift?** Cable stocks have "always" been judged on EBITDA... but that was before managing for profit. That was managing for growth alone. But the advent of DTH and telco video has changed that. Now it is managing for profit (note the recent **Comcast** profit jump—53%—as free cash flow barely moved up: 1%). The near zero sum game on the ground for new subscribers, coupled with the near depression, has made that quite evident. Subs keep dropping; but revenues and profits are climbing. The competitive marketplace has made a big difference in cable management. That's going to continue... and accelerate.

- **RIP Print?** Tough times all around in the various print businesses. Newspapers on life support. Magazines dying... sometimes in painful slow deaths. Books migrating to Kindles and its ilk.

Direct mail getting "Googled." Even coupons are migrating online and on **iPhone**. B2B titles morphing online. So, will any categories survive in print? Or will all go online? Some predictions about the print survivors: all but one (*Forbes*) business title will go online; B2B will nearly die as it shifts online only—but clever sponsorships will revive it; one newsweekly will survive (*The Economist*); the three national newspapers will endure; a couple of newspapers that think they are city-based will become regional boosters surviving on FSIs; only *People* and a semi-clone will survive at the check-out counters; the women's fashion mag shelf will shrink, but survive; direct mail is doomed, and the US Post Office will sell to UPS or FedEx; specialty leisure mags will survive—only fewer of them; books with pictures will survive—but the Kindlization will accelerate in the next decade beginning with large-form, color readers.

- **Trivial Things Rule:** ...in the face of boredom about real news, you can click this (<http://www.mediaite.com/power-grid/>) and be mildly entertained for a couple of trivial minutes... just don't search for yourself.

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