

CableFAX Daily™

Monday — August 11, 2008

What the Industry Reads First

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Full Speed Ahead: Multichannel Competition Set To Heat Up

Comprehensive 2Q ad data covering programmers offer more good news for cable this earnings season, but extrapolation of recent multichannel numbers imply an increasing amount of cutthroat competition for cable ops as a sputtering economy combines with shrinking industry customer pools. As big cable ops excelled in 2Q, particularly with HSD and phone adds, cable programmers performed admirably on the advertising front. Excluding **Discovery**, which reports earnings the week of Aug 11, 9 of the top cable network groups enjoyed ad growth in the Q, led by **Outdoor's** 28% surge, according to data from **Pali Research**. 6 more groups achieved double-digit growth, including **Rainbow** (22%), **Fox Cable Nets** (15%), **Hallmark** (15%), **Scripps** (11%), **Turner** (11%) and **Disney** (undisclosed), while **Comcast** nets and **MTVN** also increased ad rev. Pali expects slower ad growth for cable programmers in 3Q before a re-acceleration in 4Q. Meanwhile, the battle among multichannel ops figures to become only bloodier as available market share diminishes and consumers search for better deals. A slowing broadband market has been widely acknowledged, but consider: Comcast, **Time Warner Cable**, **Cablevision** and **Charter** combined for approx 3.2mln broadband adds in '07, according to **Leichtman Research**, yet the 4 have collectively added under 1.5mln so far this year. Only Time Warner Cable is on pace to exceed last year's total. Furthermore, **AT&T** and **Verizon** have together added just 857K broadband subs this year, compared to approx 3.3mln in '07. As for DBS video, **DirectTV** has added 404K subs this year and **DISH** 10K, compared to Leichtman's respective full-year '07 numbers of 878K and 675K. Regarding phone, telcos' hemorrhaging of access lines is well documented, and cable is taking full advantage of their category downfall. For example, Comcast, Charter, Time Warner Cable and CVC together have added approx 2.28mln VoIP subs this year versus, per Leichtman, the 2.21mln added by all of cable in the 1st half of '07. These numbers reinforce the momentum cable has amassed in '08 vis-à-vis the telcos and satellite, but the latter camps can be expected to come out swinging in the year's 2nd half with heavy marketing and promotion. With fewer and more discerning customers across many services, it's inevitable.

Competition: Approx 65K unionized **Verizon Telecom** workers in the Northeastern and Mid-Atlantic states have threatened to strike if contract talks aren't hammered out by midnight Sun. The old contract expired Aug 3.

Technology: A beta version of **SlingPlayer for Windows 2.0** is now available for free at **SlingMedia.com**. Upgrades include an onscreen programming guide and a live video buffer.

Crush on Cable: *Alec Baldwin* of **NBC's** "30 Rock" envies cable's curse words and sexual currents, according to an interview in *Newsday*. "I love everything on the cable stations where it's much more hard-edged, salty, more adult. The networks, we don't have that luxury... you've got to keep it clean. That's harder to do. The fact that we have a smart show with nothing that caustic or harsh is a miracle," said Baldwin, who also noted a fondness of **HBO's** "The Sopranos."

Gospel Music Channel Goes to Washington Brings Home Gospel Music Heritage Month National Proclamation!



We're proud to announce that Congress has declared every September as Gospel Music Heritage Month. Celebrate with TV's fastest growing network and official home of this beloved American artform, Gospel Music Channel.

Go to GospelMusicChannel.com/affiliate for ways to honor this occasion in your community.

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Deals: WV local phone provider **Shenandoah Telecommunications** has agreed to buy certain cable assets in VA and WV owned by **Rapid Comm** for \$16.1mln. The deal includes some 17,650 customers primarily in Covington, VA; Summerville, WV and Weston, WV. The purchase price is subject to adjustments for changes in customers or homes passed through the closing date. **RBC Daniels** represented Shenandoah in the deal, while **Waller Capital** represented Rapid.

New on CableFAX Content Business: Cable assets continue to outperform at big media firms; divergent opinions on the future of mobile TV; new technology for inserting online video ads; and MGM makes an over-the-air multicast play. Read about this and more at our new premium site, www.cablefaxcontentbusiness.com.

Ratings: The Tues ep of **Oxygen's** "Tori & Dean: Home Sweet Hollywood" earned a 1.5 HH coverage rating and 1.4mln total viewers to become the net's highest-rated and most-watched telecast ever. **Oxygen.com** also excelled Tues, garnering a historical best 1.1mln page views.

Programming: **Sundance Channel** greenlit prod of "Eco-Trip: The Real Cost of Living" ('09), an 8-part series tracing the origins and environmental impact of everyday products such as a cotton T-shirt or gold ring. -- **Microsoft** and **Rainbow** net **fuse** are partnering on "Summer of Music," a series on the Xbox Live platform featuring highlights from music festivals and concerts. Fuse and **fuse.tv** are promoting the show, which runs through Sept. -- **Versus** inked with the **Indy Racing League** a deal allowing the net to air at least 13 races/yr, with each telecast lasting at least 3 hours and including extended pre-race coverage. Versus also will air a 1-hr preview show 1 day prior to each race featuring qualification highlights and IndyCar Series news. The **Indy 500** remains on **ABC** through '12.

Earnings: **RCN** delivered 16% growth in total rev to \$184mln, but added only 3K customers sequentially and 15K YOY. Rev from **RCN Metro's** business services climbed 113% YOY to \$42mln. As of Jun 30, the overbuilder counted 424K residential/SMB subs and the following RGUs: 363 video (+2%), 295 HSD (+9%) and 250 phone (+1%).

Marketing: **Hallmark Channel** and **Kay Jewelers** have teamed up to promote a new movie and a new line of jewelry, both featuring actress *Jane Seymour*. Seymour's "Dear Prudence" premieres Aug 23, 9 pm on Hallmark. The net will host an online sweeps from Aug 11-31, giving viewers the chance to win a diamond necklace from Seymour's line at Kay.

On the Circuit: The **Assoc of Cable Communicators'** next Cable Communications Institute program for mid to senior level comm execs is Mar 2-4 in NYC. Also, the '09 **Beacon Awards** deadlines have been extended through the spring.

People: Former **NFL Net** exec *Art Marquez* has been appointed svp, affil sales and marketing for **MLB Net**. -- Joining **WWE's** board are evp, TV prod *Kevin Dunn*; private equity consultant *Frank Riddick* and **Six Flags** evp/CFO *Jeffrey Speed*. *Robert Bowman* has resigned from the board.

Business/Finance: Three months after the close of **Macrovision's** acquisition of **Gemstar-TV Guide**, Macrovision pres/CEO *Fred Amoroso* said during a Thurs conference call that the company has entered "phase two" of talks with several prospects to sell the property basket that includes **TV Guide Net** and horse racing channel **TVG**. In 2Q, TV Guide posted a 7% dip in adjusted pro forma rev to \$29.6mln, and TVG reported a 12% decrease to \$13mln while growing domestic penetration to a record 30.6mln HHs in 16 states. Macrovision pegs the value of the assets at \$350-550mln, and Amoroso said multiple suitors have inquired about TVG.

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WIDE APPEAL.



CableFAX Week in Review

Company	Ticker	8/08 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	37.25	6.60%	(20.4%)
DIRECTV:	DTV	28.28	5.10%	22.30%
DISNEY:	DIS	32.03	6.50%	(0.8%)
ECHOSTAR:	DISH	30.91	6.70%	(9%)
GE:	GE	29.64	5.10%	(13.4%)
HEARST-ARGYLE:	HTV	19.58	(1.2%)	(9.9%)
ION MEDIA:	ION	1.44		11.60%
NEWS CORP:	NWS	14.38	(0.1%)	(31.5%)
MSOS				
CABLEVISION:	CVC	28.80	13.60%	17.60%
CHARTER:	CHTR	1.10	(3.5%)	(6%)
COMCAST:	CMCSA	21.72	6.70%	20.30%
COMCAST SPCL:	CMCSK	21.57	6.30%	20.40%
GCI:	GNCMA	10.35	10.20%	18.30%
KNOLOGY:	KNOL	10.83	6.40%	(15.3%)
LIBERTY CAPITAL:	LCAPA	15.89	3.50%	(31.8%)
LIBERTY ENT:	LMDIA	25.85	5.90%	6.90%
LIBERTY GLOBAL:	LBTYA	31.75	10.10%	(19%)
LIBERTY INTERACTIVE:	LINTA	14.27	5.00%	(25.2%)
MEDIACOM:	MCCC	7.10	23.10%	54.70%
SHAW COMM:	SJR	20.84	(0.1%)	(6.9%)
TIME WARNER CABLE:	TWC	28.34	(1.8%)	2.70%
VIRGIN MEDIA:	VMED	10.75	(3.2%)	(33.7%)
WASH POST:	WPO	655.05	9.40%	(15.6%)

Company	Ticker	8/08 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
CBS:	CBS	16.75	4.80%	(33.8%)
CROWN:	CRWN	4.49	4.70%	(30.9%)
DISCOVERY:	DISCA	18.38	(3.5%)	(26.9%)
EW SCRIPPS:	SSP	6.88	4.60%	(93.3%)
GRUPO TELEvisa:	TV	24.18	6.80%	4.80%
INTERACTIVE CORP:	IACI	18.57	7.60%	(31%)
LIBERTY:	L	43.50	(2%)	(13.6%)
LODGENET:	LNET	4.22	2.20%	(75.8%)
NEW FRONTIER:	NOOF	3.64	1.70%	(19.6%)
OUTDOOR:	OUTD	7.48	3.70%	8.40%
PLAYBOY:	PLA	4.24	(10.2%)	(53.5%)
RHI:	RHIE	13.75	8.20%	8.90%
SCRIPPS INTERACTIVE:	SNI	41.28	2.90%	1.20%
TIME WARNER:	TWX	15.60	9.60%	(3.7%)
VALUEVISION:	VVTV	3.02	2.00%	(52%)
VIACOM:	VIA	29.64	5.80%	(32.6%)
WWE:	WWE	15.60	(5.8%)	18.70%

Company	Ticker	8/08 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
3COM:	COMS	2.16	15.50%	(52.2%)
ADC:	ADCT	10.01	5.10%	(35.6%)
ADVANTAGE:	AEY	2.65	1.10%	(57.1%)
ALCATEL LUCENT:	ALU	6.24	4.00%	(14.8%)
AMDOCS:	DOX	30.90	3.50%	(10.4%)
AMPHENOL:	APH	50.54	7.70%	9.30%
APPLE:	AAPL	169.55	8.20%	(14.4%)
ARRIS GROUP:	ARRS	9.47	(4.6%)	(5.1%)
AVID TECH:	AVID	23.64	4.10%	(16.6%)
BIGBAND:	BBND	4.78	8.60%	(7%)

Company	Ticker	8/08 Close	1-Week % Chg	YTD %Chg
BLNDER TONGUE:	BDR	1.33	10.80%	(19.9%)
BROADCOM:	BRCM	26.01	8.40%	(0.5%)
C-COR:	CCBL	11.00		
CISCO:	CSCO	24.25	10.30%	(10.4%)
COMMSCOPE:	CTV	45.93	0.70%	(6.7%)
CONCURRENT:	CCUR	7.82	21.90%	(6%)
CONVERGYS:	CVG	13.94	8.50%	(15.3%)
CSG SYSTEMS:	CSGS	19.27	2.60%	30.90%
ECHOSTAR HOLDING:	SATS	33.19	3.70%	0.90%
GOOGLE:	GOOG	495.01	5.80%	(28.4%)
HARMONIC:	HLIT	8.41	7.70%	(19.8%)
JDSU:	JDSU	10.97		(17.5%)
LEVEL 3:	LVL	3.15	(2.5%)	3.60%
MICROSOFT:	MSFT	28.13	10.60%	(19.4%)
MOTOROLA:	MOT	9.63	9.30%	(37.5%)
NDS:	NNDS	60.75	5.80%	2.50%
NORTEL:	NT	6.00	(7.7%)	(60.3%)
OPENTV:	OPTV	1.84		39.40%
PHILIPS:	PHG	34.17	5.10%	(12.9%)
RENTRAK:	RENT	14.40	(0.4%)	(0.4%)
SEACHANGE:	SEAC	7.59	0.30%	5.00%
SONY:	SNE	39.28	3.80%	(27.7%)
SPRINT NEXTEL:	S	8.72	7.80%	(33.6%)
THOMAS & BETTS:	TNB	45.43	10.30%	(7.4%)
TIVO:	TIVO	7.78	2.10%	(6.7%)
TOLLGRADE:	TLGD	6.09	17.10%	(24.1%)
UNIVERSAL ELEC:	UEIC	23.42	2.00%	(30%)
VONAGE:	VG	1.43	2.90%	(37.8%)
WORLDGATE:	WGAT	0.30		
YAHOO:	YHOO	19.90	0.50%	(14.4%)

Company	Ticker	8/08 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	30.97	5.70%	(16.8%)
QWEST:	Q	3.81	2.40%	(39.9%)
VERIZON:	VZ	34.59	5.50%	(12.5%)

Index	Value	% Chg	YTD %Chg
MARKET INDICES			
DOW:	11734.32	3.60%	(11.5%)
NASDAQ:	2414.10	4.50%	(9%)

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS		
COMPANY	CLOSE	1-WK CH
1. WEBB SYS:	0.05	25.00%
2. MEDIACOM:	7.10	23.10%
3. CONCURRENT:	7.82	21.90%
4. TOLLGRADE:	6.09	17.10%
5. 3COM:	2.16	15.50%

THIS WEEK'S STOCK PRICE LOSERS		
COMPANY	CLOSE	1-WK CH
1. PLAYBOY:	4.24	(10.2%)
2. NORTEL:	6.00	(7.7%)
3. WWE:	15.60	(5.8%)
4. ARRIS GROUP:	9.47	(4.6%)
5. CHARTER:	1.10	(3.5%)



is for happy hour



July marks the 26th consecutive month we're happily at home as a Top 10 network in primetime.

Source: Nielsen Galaxy Explorer, Jun 04-Jul 08 (6/29/04 - 7/27/08), Monthly Prime Time (M-Su 8-11p) average, LiveSD coverage area. HD ratings among all ad-supported cable networks. Further qualifications available upon request.

MaxFAX...

Disconnects...

Haven't turned on a television in over two weeks. Oh, I've seen some in bars, but I haven't paid the slightest bit of attention.

Have picked up the *International Herald Tribune* and the *Financial Times*



Paul S. Maxwell

most days... and I get *The New York Times* and *The Wall Street Journal* most every day delivered to my Kindle via my Mac Air (in the cities, anyway—high speed internet was missing in a few places). And the

Irish newsstands are full of a variety of tabloids and broadsheets I've been ignoring... except that when we arrived here all the front page pictures were of *Barack Obama* with somebody else who was/is important in Europe (hard to tell about *Gordon Brown*).

But I haven't been exactly devouring every bit of the news. I've been (almost) disconnected. Instead, I've been pedaling and thinking. The music here is terrific. The air is damp and "heavy"—way different from my 9600-foot high home in Colorado's mountains where it is dry and thin.

The people are friendly and pretty and nice. Well, lots of them; not all of them.

Food is great—especially in Kinsale and Cork. Dublin is a startling contrast

of the very old and very, very new.

"The Surge" is what happens when you first pour a Guinness.

The Book of Kells is a trip and a half. Proof the Irish saved civilization (and I'm a Scot—hard to admit; but we both abhor the Sassenach). Had dinner in a castle or two—jacket required (looked great with bicycling gear).

Understanding Gaelic is impossible. Except for slainte and drink up! Stone fences along dirt roads (no cars) on Inishmore—one of the Aran Islands.

Cycling along roads that twist and turn while going up and down along the western coasts of Ireland in the rain... nice duty.

And regulations and rules back in the states for telecommunications, entertainment, information and whatever don't make a lot of sense. How did it get so out of whack? Retransmission consent is a crock. So, for that matter, is must carry. Indecency rules are indecent. Net neutrality is a bandwidth grab disguised as being fair. (Hey—a random thought—what about "trading" some bandwidth access for server cascades in some sort of a "bandwidth computer cloud"? Somebody must have the right numbers at Google or Amazon?).

Regulators using personal proclivities and demands to OK mergers doesn't seem quite right—certainly not Cricket. We've got the regulators we deserve.

Is the NAB still relevant?

Consolidations will continue... on all sides.

Football is big here. So is something called Hurling. So are big, fast, double-deck buses. (The cars are mostly smaller; the buses mostly much, much bigger; pickup trucks are rare).

Will the DARS merger lead to a DTH merger? (No. Can't make that market definition work in video. Doesn't mean they won't try... **DISH** seems on the down-slope; a merger bid once distracted **DirectTV** enough for... well, another try? No. The Good Doctor *Malone* won't bite).

It is all about leverage.

Gee, who woulda thunk that?

Random Notes:

• **Jet Lag:** I'm actually back in the states in my office on Monday the 11th and Tuesday the 12th... gotta do laundry as we head for Beijing in a day or so. My "Beijing 2008" cycling shirt was a hit in Connemara. Looked for a "London 2012" at Heathrow but couldn't find one. The air and the heat next week does have me thinking about Vancouver (and Whistler/Blackcomb) in 2010, though.

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