

CableFAX Daily™

Monday — August 20, 2007

What the Industry Reads First

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Insight Ignites: MSO Blazes a Solid 2Q

Although vice chmn/CEO *Michael Willner* declined to discuss **Insight's** ongoing review of strategic options Fri, potential suitors were likely salivating over the MSO's results. Bucking the recent cable trend, Willner gushed about "probably the best 2Q we've ever had as a company... We actually combined our record operating performance with record financial performance." Indeed, the list of unprecedented achievements is lengthy: record 2Q RGU growth (53K), rev growth (+14% to \$356mln) and basic video performance (-3K subs), and a historical best for any Q in net phone adds (29K). Critics may cite basic sub loss as a negative, but given that Insight loses approx 14K students/subs every 2Q, "we actually look at this as a gain of 11K basic customers," said pres/COO *Dinni Jain*. And despite falling into line with peers by posting lower HSD adds (19K, -4%), Jain discounts the effect of a possible HSD service glut in the US. "If there is a maturation effect in this business, we are far away from reaching that," Jain said of Insight, countering speculation that MSOs may have peaked across several services. Said Willner of Wall St's recent cable drubbing: "Generally speaking, people [are] putting more emphasis on [underperforming] individual line items... than they do in a more bullish or stable market." Quipped Jain about **Cablevision's** 2Q: "I'd be happy to have terrible second quarters like that." Jain did say sales complexity resulting from a large and increasing number of cable service offerings remains a challenge, but Willner reiterated that "we are very, very, very pleased with the Q." The share prices of Insight, **Comcast**, **Charter** and **Mediacom** all advanced Fri, while **Time Warner Cable** and CVC shares declined.

At the Portals: The FCC's Wireless Bureau late Fri set Jan 16 as the date it will start the much-anticipated auction of 1,099 licenses in the 700 MHz band. The public notice detailing the Commission's proposed competitive bidding procedures is available at www.fcc.gov. Comments are due Aug 31; replies on Sept 7. -- **News Corp** told the FCC that **EchoStar's** push to declare **Fox Cable's Big Ten Net** an RSN "is nothing more than a bald attempt to gain leverage in its carriage negotiations with Big Ten Network." As for EchoStar's other request that the FCC assign to the proposed **News Corp/Liberty** transfer of **DirecTV** an arbitration condition applicable to all programming owned by either company, News Corp argued that "News Corp—as a stand-alone video provider unaffiliated with any multi-channel video distribution platform—will have neither the incentive nor the ability to engage in anticompetitive practices with respect to its RSNs" after it completes the transaction.

Mouse Party: **Disney Channel's** Fri night premiere of "High School Musical 2" drew 17.2mln viewers, making it the most-watched basic cable telecast and top basic cable original movie ever, according to preliminary **Nielsen** data. It was also the most-watched TV telecast ever in kids 6-11. [More info at www.cable360.net].

In the Courts: An IL judge ordered **DirecTV** and its affils to stop airing in **Comcast** markets ads claiming superior picture quality over cable. The judge wrote that "Comcast is likely to succeed on the merits of its false advertising claims" and

"more fun than what you see on many network sitcoms" - *Chicago Tribune*



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denied a similar DirecTV motion, allowing Comcast to keep running ads saying consumers prefer the MSO's HD picture quality over DirecTV's. "We are quite perplexed by the court's conclusions," said a DirecTV spokesman. Comcast said the order "confirms, once again, that DirecTV's claims are unsubstantiated and based on flawed and unreliable studies."

Bionic VOD: Comcast, Time Warner Cable, Charter and Cox are among cable ops that will offer free full-length on demand premiere eps for 4 NBC fall series: "Bionic Woman," "Chuck," "Journeyman" and "Life." The offerings launch Sept 10, and DISH and DirecTV will also preview the shows.

Competition: The new DISH HD DVR not only allows subs to store 350 hours of standard-def content or 55 hours of HD, but it also allows storage of 100 hours of movies and shows through DISH On Demand. In addition, it includes a 30-sec skip feature for commercial-free viewing and an IP call-back feature allowing subs without phone lines to order PPV programming. -- Sprint-Nextel spinoff Embarq plans to begin testing its own IPTV service in an undisclosed market next year. The company currently resells DISH service to subs.

Healthy Kids: Cartoon Network became the latest kids net to pledge it will limit the use of its original characters to food/beverage products meeting specific nutritional criteria such as calories per serving, fat content, etc. The pledge, which becomes active on Jan 1 '08, covers its company-owned original series targeted to children under the age of 12.

No Playing Around: MTVN will invest more than \$500mln over the next few years to build its global games business following a record-setting June and July across its gaming properties. In June, 47% of MTVN's audiences accessed game-related content on at least 1 of the company's online gaming properties, according to comScore Media Metrix.

Research: Gaming remains a more popular online activity than viewing video clips or surfing social networking sites, according to Parks Associates. 34% of US adult Internet users play online games weekly, while 29% watch online video clips and 19% visit sites such as MySpace. The Y-over-Y growth rate (79%) for frequent gamers is also much higher than the rate (46%) for social networking users, although the highest rate (123%) is found among viewers of video clips.

Programming: Comedy Central's "The Daily Show with Jon Stewart" is preparing to enter the danger zone with "Operation Silent Thunder: The Daily Show in Iraq." Next week, the show's sr war correspondent Rob Riggle will feature coverage and insights from the frontlines. -- HBO cleared new series "Flight of the Conchords" for a 2nd season takeoff, and also renewed "Entourage" for a 5th season. -- Richard Whitt, Google's Washington telecom and media counsel, will discuss Google's interest in the FCC's upcoming 700-MHz wireless auction, as well as the hot net neutrality debate's shift to "cold war" status this year, on C-SPAN's "The Communicators" series. Check out the interview on C-SPAN at 6:30pm Sat (encores Mon on C-SPAN 2 at 8am and 8pm).

Business/Finance: The ongoing carriage skirmish between the Big Ten Net and cable ops is well documented, but Pali's Rich Greenfield warns that future Mediacom financial data may suffer from the fighting. "Given MCCC's leverage and weak relative growth prospects, this is an important issue to watch over the next few weeks, as it could result in a weaker than expected RGU Q3 for Mediacom," said Greenfield. -- Pursuant to its reorg plan, Adelphia announced future distributions of \$531mln in cash and 6.45mln shares of Time Warner Cable Class A common stock to approved claimants. -- Banc of America Securities has resumed coverage of Comcast, setting a \$32 12-month price target with a "buy" rating. The firm forecasts \$31.2bln in '07 rev and '08 rev of \$35.3bln.

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CableFAX Week in Review

Company	Ticker	8/17 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	51.98	(20.9%)	(19.4%)
DIRECTV:	DTV	22.57	40.70%	40.70%
DISNEY:	DIS	32.68	52.40%	56.70%
ECHOSTAR:	DISH	39.84	38.60%	38.60%
GE:	GE	38.45	181.70%	196.00%
HEARST-ARGYLE:	HTV	20.46	(11%)	(8.5%)
ION MEDIA:	ION	1.28	39.10%	39.10%
NEWS CORP:	NWS	21.75	38.10%	38.80%
TRIBUNE:	TRB	25.67	(38.1%)	(37.2%)

Company	Ticker	8/17 Close	1-Week % Chg	YTD %Chg
MSOS				
CABLEVISION:	CVC	32.45	(32.4%)	(32.4%)
CHARTER:	CHTR	2.52	(84.8%)	(84.8%)
COMCAST:	CMCSA	25.25	5.50%	5.50%
COMCAST SPCL:	CMCSK	25.09	4.50%	4.50%
GCI:	GNCMA	13.66	40.00%	40.00%
KNOLOGY:	KNOL	14.71	319.10%	319.10%
LIBERTY CAPITAL:	LCAPA	109.64	38.30%	38.30%
LIBERTY GLOBAL:	LBTYA	39.96	(11.5%)	(11.5%)
LIBERTY INTERACTIVE:	LINTA	18.08	(6.1%)	(6.1%)
MEDIACOM:	MCCC	8.26	(54%)	(54%)
SHAW COMM:	SJR	21.71	104.60%	112.60%
TIME WARNER CABLE:	TWC	33.73	(11.9%)	(11.9%)
WASH POST:	WPO	795.00	51.30%	53.60%

Company	Ticker	8/17 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
CBS:	CBS	30.25	13.30%	17.40%
CROWN:	CRWN	7.17	(34.2%)	(34.2%)
DISCOVERY:	DISCA	23.17	58.40%	58.40%
EW SCRIPPS:	SSP	38.52	13.60%	15.60%
GRUPO TELEVISIA:	TV	24.31	129.90%	148.70%
INTERACTIVE CORP:	IACI	27.27	(46.9%)	(46.9%)
LODGENET:	LNET	27.39	63.70%	63.70%
NEW FRONTIER:	NOOF	5.99	84.30%	151.70%
OUTDOOR:	OUTD	9.38	(33%)	(33%)
PLAYBOY:	PLA	10.73	(35%)	(35%)
TIME WARNER:	TWX	18.29	(5.6%)	(4.4%)
VALUEVISION:	VVTV	8.21	(57.7%)	(57.7%)
VIACOM:	VIA	37.37	(13.4%)	(13.4%)
WWE:	WWE	14.42	6.80%	21.00%

Company	Ticker	8/17 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
3COM:	COMS	3.54	(45.5%)	(45.5%)
ADC:	ADCT	16.63	1.50%	1.50%
ADVANTAGE:	AEY	5.65	(3.6%)	(3.6%)
ALCATEL LUCENT:	ALU	10.55	(19%)	(13.9%)
AMDOCS:	DOX	34.69	3.20%	3.20%
AMPHENOL:	APH	34.20	470.00%	472.00%
APPLE:	AAPL	122.06	35.20%	35.20%
ARRIS GROUP:	ARRS	14.89	47.00%	47.00%
AVID TECH:	AVID	30.93	(16.1%)	(16.1%)
BIGBAND:	BBND	9.00	(15.7%)	(15.7%)
BLNDER TONGUE:	BDR	1.27	(65.2%)	(65.2%)
BROADCOM:	BRCM	34.41	16.20%	16.20%
C-COR:	CCBL	13.93	(2%)	(2%)
CISCO:	CSCO	29.99	56.00%	56.00%
COMMSCOPE:	CTV	52.73	142.50%	142.50%

Company	Ticker	8/17 Close	1-Week % Chg	YTD %Chg
CONCURRENT:	CCUR	1.39	(41.4%)	(41.4%)
CONVERGYS:	CVG	17.10	(53.8%)	(53.8%)
CSG SYSTEMS:	CSGS	23.11	(42.9%)	(42.9%)
GEMSTAR TVG:	GMST	5.59	(6.1%)	(6.1%)
GOOGLE:	GOOG	500.04	13.50%	13.50%
HARMONIC:	HLIT	8.48	(28.6%)	(28.6%)
JDSU:	JDSU	13.73	(38.4%)	(38.4%)
LEVEL 3:	LVLTL	4.94	123.50%	123.50%
MICROSOFT:	MSFT	28.25	17.00%	19.50%
MOTOROLA:	MOT	16.31	214.90%	222.60%
NDS:	NNDS	49.34	48.50%	48.50%
NORTEL:	NT	18.25	(52.9%)	(52.9%)
OPENTV:	OPTV	1.50	(81.9%)	(81.9%)
PHILIPS:	PHG	37.22	395.40%	416.40%
RENTRAK:	RENT	11.36	6.20%	6.20%
SEACHANGE:	SEAC	6.91	(57.3%)	(57.3%)
SONY:	SNE	46.57	102.70%	103.60%
SPRINT NEXTEL:	S	18.32	(30.6%)	(30%)
THOMAS & BETTS:	TNB	53.19	25.20%	25.20%
TIVO:	TIVO	6.24	(8.6%)	(8.6%)
TOLLGRADE:	TLGD	10.20	(69.4%)	(69.4%)
UNIVERSAL ELEC:	UEIC	28.47	60.40%	60.40%
VONAGE:	VG	2.14	(82.2%)	(82.2%)
VYYO:	VYYO	6.04	12.70%	12.70%
WEBB SYS:	WEBB	0.09	(88%)	(88%)
WORLDGATE:	WGAT	0.37	(84.6%)	(84.6%)
YAHOO:	YHOO	23.54	(28.7%)	(28.7%)

Company	Ticker	8/17 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	39.05	109.90%	125.40%
QWEST:	Q	9.00	(35.8%)	(35.8%)
VERIZON:	VZ	40.80	(15.9%)	(9.1%)

Index	Value	% Chg	YTD %Chg
MARKET INDICES			
DOW:	INDU	13079.08	(1.2%) 4.90%
NASDAQ:	COMPX	2505.03	(1.6%) 3.70%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. AMPHENOL:	34.20	470.00%
2. PHILIPS:	37.22	395.40%
3. KNOLOGY:	14.71	319.10%
4. MOTOROLA:	16.31	214.90%
5. GE:	38.45	181.70%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. WEBB SYS:	0.09	(88%)
2. CHARTER:	2.52	(84.8%)
3. WORLDGATE:	0.37	(84.6%)
4. VONAGE:	2.14	(82.2%)
5. OPENTV:	1.50	(81.9%)



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MaxFAX...

Un-American?

Went down to some heat and humidity (lots of heat and humidity) on the coast of French Guiana near the sleepy town of Kourou... and watched the launch of Ariane 5 from the European Space Port carrying satellites for Japan's **BSAT** (3a) and **Hughes**



Paul S. Maxwell

(Spaceway 3: a little competition for backyard broadband on its way).

Amazing. Covers more acres than I could count. Toured the whole place looking at things I couldn't do (Space

suits? Clean rooms?).

But the most amazing... and perhaps the most un-American aspect... was the fact that a committee... well, a committee made up of committees all with different cultural approaches from different countries... could pull off the complexity of a satellite launch.

There's one organization from France that handles the military security. And another that builds the launch rockets. And an Italian company that makes the solid rocket fuel. And another French, another Italian and somebody else that build all the secure assembly buildings. Some Americans were involved as well... Boeing and Lockheed Martin did build the satellites.

Don't know who lays the railroad

tracks that move the assembled rocket and payloads to the launch site... but I'll bet another company from another country does.

I do know who picks up the trash: a Belgian company retrieves the spent booster rockets from the murky sea. And the sea is very murky.

The Amazon basin drains more silt from the Andes than I could imagine. Leaves the water brown; very brown.

Amazing year. I'd never been south of Panama in the Americas until this year... and I've visited both coasts and the most famous islands off the northern coasts of South America in both the Pacific and Atlantic: the Galapagos and Devil's Island.

On the charter down from DC to Cayenne, the guys at **Arianespace** (my hosts: *Clay Mowry* and *Aaron Lewis*, the American contingent of this uniquely un-American exercise) had the crew show *Dustin Hoffman* and *Steve McQueen* in "*Papillon*."

So we went to Devil's Island... after the successful, seemingly routine, launch. The island, actually three with Devil's itself the smallest (and now a tracking station!), was once the redoubt as the French colonists fled the mosquitoes and disease of the mainland jungles... the French later turned the trio of islands into a prison. The last of the prisoners didn't leave until 1946. Now the remains house a hotel and a restaurant... and a tacky

boutique, of course.

You can buy a little model statue of a prisoner. Besides *Papillon*, who escaped, *Alfred Dreyfuss* spent five years incarcerated on the island.

The heat and the humidity were, to be specific, intolerable. But there were actually French folk vacationing on the islands!

Reading the exploration and settlement history of South America, the French didn't do so well... certainly not as well as the Spanish and Portuguese. But who knew all that swampy, jungle-bound land just off the hurricane tracks and close to the equator could be so useful as a satellite launch pad. Arianespace and partners in the European Space Port have found a way to have a full service launching service... and now the Russians are coming, the Russians are coming.

The Soyuz program of launching medium sized payloads will be operational some time in a year or so... How about a plot to substitute a small nuclear warhead for the paying satellite customer? I aim to sell the idea for the next *James Bond* movie.

Paul Maxwell

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