

CableFAX Daily™

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What the Industry Reads First

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Gaining From Loss: Netflix Sub Loss An Opportunity for Cable, Media

While investors abhorred **Netflix's** downward revision of its 3Q sub guidance by 1mln Thurs—NFLX shares nose-dived 18.91%—cable execs were no doubt pleased that the company's heady momentum has cooled. But even as the new guidance implies a 600K domestic customer loss for the current quarter, NFLX's DVD-only base is poised to take the biggest hit by far. The primary implication: streaming content remains an undisputed growth area. So, what does NFLX's hiccup mean for the cable industry? **Deutsche Bank Securities' Doug Mitchelson** responded by upwardly revising to flat his 3Q pay TV sub estimates. "The juxtaposition of declining Netflix subs and improving pay TV sub trends should further ease cord cutting fears, a benefit to both pay TV and entertainment stocks," he said. **BTIG's Richard Greenfield** believes premium nets including **Starz** and **HBO** will benefit from a NFLX slowdown. Fewer subs means less rev for NFLX to use to acquire fresh content, which he said would appear to help insulate HBO against customer defection. Plus, he said, now "Starz's digital rights are increasingly valuable as they could help an **Amazon, Google, DISH**, or whoever wins **Hulu** compete aggressively with Netflix" when it's particularly vulnerable. The latter scenario may favor DISH, which is reportedly planning to launch a **Blockbuster** streaming movie service next month. TV content could be included as well or added later if DISH decides to go that route. On Wed, **CBS** boss *Les Moonves* said DISH "is going to be a big player" in streaming video, a popular sentiment of late. But perhaps not as popular as TV Everywhere rollouts—or plans to, or improvements to current offerings—by virtually every Tom, Dick and Harry in cable and media. Such initiatives help programmers such as **Turner**, which inked a TV Everywhere deal with **Cablevision** this week, provide consumers ubiquitous access to content while keeping the freshest stuff away from competitors. Companies big and small are jumping aboard, evidenced by **Univision's** plan to launch a streaming service next year for its 3 forthcoming Spanish-language cable nets and **Trinity Broadcasting Net's** Thurs intro of a new online service featuring its past and present programming. "Online broadcast is the future of TV," said TBN chief of staff *Paul Crouch*. "Whether through laptops, smart phones and mobile devices, or even TVs connected to the Internet at home, more people are watching their favorite shows from online sources." Cable ops, of course, have entered the game with iPad apps and other plays, and **Microsoft** announced this week holiday-season availability of additional content via its **Xbox Live** platform including live TV.

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House of Mouse: Fewer than 2 years after becoming pres, **Disney Channels Worldwide**, *Carolina Lightcap* is stepping down. *Gary Marsh* will take on the role, while continuing to serve as chief creative officer. Marsh has long been synonymous with Disney Channel, leading development of hits such as “Phineas and Ferb” and “High School Musical.” He’s also overseen **Disney Junior** programming, with Disney gearing up to launch a dedicated preschool net next year. “We’re sorry that Carolina has decided to leave us and appreciate her many valuable contributions over the years. During her tenure as president, Disney Channels Worldwide continued its incredible momentum, with the channel just delivering its most watched summer in history with Kids 6-11. She will be missed,” *Anne Sweeney* said in a statement. Previously, Lightcap was heading **Walt Disney Company, Latin America**. She said now was a good time to move on to her next challenge.

Merger Mania: Rep *Heath Shuler* (D-NC) and 15 Democratic co-signers sent a letter to the president Thurs asking him to expeditiously resolve concerns about the proposed **AT&T** and **T-Mobile** transaction and to approve the merger. The letter said the merger represents an immediate opportunity to create jobs and spur investment. **DOJ** has sued over the deal as has competitor **Sprint**, which claims the deal will eliminate tens of thousands of jobs.

In the States: **Time Warner Cable** and the **CA Interscholastic Foundation** inked a 15-year deal making the MSO the official distributor of CIF Regional and State Championship sports content in CA starting with the ’11-’12 season. The pact includes cable, online and mobile. A minimum of 60 games will be produced in year one, with at least 80 annually after that.

At the Portals: Cable’s USF smack down continues, with an **NCTA**-commissioned study tackling **RUS’** practice of underwriting new broadband loans based on the expectation of existing (and even increasing) high-cost USF subsidies. The study says that RUS is essentially relying on the expected increase of USF subsidies to pay down 78 cents of every dollar borrowed from the RUS program. It recommends RUS temporarily suspend new loans to recipients of USF funds and stop leveraging USF support to qualify applicants for RUS loans. With the **FCC** expected to tackle USF reform this fall, **NCTA** has been beating the drum for a specific, hard cap on the fund. -- The **FCC** heads to Phoenix Oct 3 for a field hearing on the recently released staff report on the current state of the media landscape. Attendees will include FCC chmn *Julius Genachowski*, Democratic commish *Michael Copps* and *Steve Waldman*, chair of the FCC working group studying the issue. Suggestions from the staff report include streamlining leased access rules and that cable be more supportive of state public affairs networks (*Cfax*, 6/10). -- The **FCC’s** Office of Engineering and Tech will commence a 45-day trial of the 1st TV white spaces database on Mon. The database is from **Spectrum Bridge Inc.** FCC rules require that unlicensed TV band devices contact an authorized database system to obtain a list of channels that are available for their operation. More info: <http://whitespaces.spectrumbridge.com/Trial.aspx>.

BOA Merrill Lynch Notebook: **Scripps Nets** CFO *Joseph NeCastro* shares the bullish ad market assessment noted by many media execs this week. “We really don’t see any significant fall off of any kind,” he said, noting 4Q is shaping up to be a “very, very positive story.” Scatter pricing is up mid-teens so far in 3Q. A ratings turnaround at **Food Net** in recent months should help the net in ad rev, and also importantly with affil fees later this year as many of its contracts expire in Dec. It’ll be interesting to see the platforms on which Scripps programming ends up following the negotiations. “It’s really hard to imagine... any distribution agreement going forward that doesn’t touch on” authentication, said chmn/CEO *Ken Lowe*, who believes programmers and ops alike will benefit from TV Everywhere.

Carriage: **Antietam Cable TV** of MD added **HRTV** to its “Sports Plus” programming package that features **NFL Net** and **MLB Net**. -- **Time Warner Cable** launched 24-hour Italian-language channel **Mediaset Italia** in NYC and northern NJ.

Advertising/Marketing: **Charter Media** agreed to rep the **AT&T U-verse TV** ad inventory in St. Louis beginning Oct 31 and across more than 50 nets including **USA**, **Food Net** and **ESPN HD**. More markets are expected to launch in the coming months. -- **Karmaloop TV** launched **ReclaimYourTV.com** to serve as the centerpiece of a social media blitz meant to create excitement among its core 18-34 demo and raise awareness about the importance of “verge culture” to cable ops. Viewers can win up to \$3,500 in weekly prizes by uploading original videos to the site about what they want to see on TV, and celebs including *Diddy*, *Shaun White* and *Shaq* express their support of Karmaloop. **Karmaloop.com** and the ReclaimYourTV.com campaign is fueled by an 85K-member force of online ambassadors that use Facebook, Twitter and low-cost local and online guerilla marketing avenues to generate approx 20% of the company’s total retail rev.

People: **AMC Nets** announced a number of new execs to its legal and finance teams stemming from its recent spin-

BUSINESS & FINANCE

off from **Cablevision**: *Cliff Bail* was named svp, corporate legal; *Vince Capurso* is svp, tax; *James Conboy*, svp, internal audit & Sarbanes Oxley compliance; *Joseph Donovan*, svp, treasurer; *John Hsu*, svp, financial strategy; *Anne Kelly*, svp, corporate securities and secretary; *Antonella Ricciardi*, svp, controller; and *Seth Zaslow*, svp, IR. -- *David Serwatka* was promoted to vp, current and cross platform productions for **Bravo Media**. -- **Current TV** tapped *Shelley Lewis* as evp, programming. -- **Synacor** welcomed *Bill Stuart* as CFO.

Honors: There are 194 **CTAM** Mark Award finalists, with **HBO** leading the group with 23 nods. **Time Warner Cable** leads the cable companies with 9 finalists. The awards will be presented Oct 6, 4pm during CTAM in NY (formerly CTAM Summit). -- *Shabnam Dewji*, **Time Warner Cable** vp, ops for the West Region, was honored with the Woman of the Year title from the Southern CA Chapter of **WICT's** LEA Awards. Other winners: **Fox Network's** *Jennifer Cavrikas* (Woman to Watch), **Lionsgate's** *Kate Neligan* (Advocate Leader), **A&E Nets' Lori Conkling** (Lifetime Achiever) and **TWC's Helene Juceam** (WICT Board Member of the Year). Awards will be given Oct 20 at the Beverly Wilshire Hotel. -- After 12 consecutive years on the list, it would be a story if **Discovery Comm** wasn't on *Working Mother's* 100 Best Companies list. It made the cut for 2011, as did regulars **Turner**, **Cisco** and **Verizon**.

CableFAX Daily Stockwatch

Company	09/15 Close	1-Day Ch	Company	09/15 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	43.83	0.88	BLNDER TONGUE:	1.25	UNCH
DISH:	25.82	0.11	BROADCOM:	35.32	0.55
DISNEY:	32.94	0.65	CISCO:	16.67	0.34
GE:	16.08	0.44	CLEARWIRE:	2.58	(0.15)
NEWS CORP:	16.54	0.21	CONCURRENT:	5.70	(0.05)
MSOS					
CABLEVISION:	17.48	(0.35)	CONVERGYS:	9.96	0.18
CHARTER:	49.43	0.20	CSG SYSTEMS:	13.72	0.31
COMCAST:	22.61	0.63	ECHOSTAR:	24.23	0.15
COMCAST SPCL:	22.34	0.60	GOOGLE:	542.56	10.49
GCI:	8.57	0.28	HARMONIC:	4.90	0.08
KNOLLOGY:	13.64	0.02	INTEL:	21.54	0.42
LIBERTY CAPITAL:	71.49	(0.09)	JDSU:	13.54	0.03
LIBERTY GLOBAL:	37.32	0.45	LEVEL 3:	1.62	0.01
LIBERTY INT:	16.11	0.24	MICROSOFT:	26.99	0.49
SHAW COMM:	22.14	0.29	MOTOROLA MOBILITY:	38.04	0.29
TIME WARNER CABLE:	65.73	1.08	RENTRAK:	14.09	1.11
VIRGIN MEDIA:	25.33	0.31	SEACHANGE:	8.34	0.15
WASH POST:	343.29	0.24	SONY:	20.03	0.15
PROGRAMMING					
AMC NETWORKS:	36.33	0.08	SPRINT NEXTEL:	3.44	(0.09)
CBS:	23.89	0.53	THOMAS & BETTS:	44.58	1.03
CROWN:	1.30	(0.02)	TIVO:	11.15	0.08
DISCOVERY:	40.13	0.91	UNIVERSAL ELEC:	17.28	0.09
GRUPO TELEVISIA:	19.76	0.56	VONAGE:	3.17	0.04
HSN:	33.74	0.41	YAHOO:	14.89	0.34
INTERACTIVE CORP:	41.38	1.61	TELCOS		
LIBERTY STARZ:	71.31	0.65	AT&T:	28.54	0.28
LIONSGATE:	7.08	0.12	VERIZON:	36.19	0.59
LODGENET:	1.79	(0.05)	MARKET INDICES		
NEW FRONTIER:	1.32	0.02	DOW:	11433.18	186.45
OUTDOOR:	6.42	0.12	NASDAQ:	2607.07	34.52
SCRIPPS INT:	42.88	1.32	S&P 500:	1209.11	20.43
TIME WARNER:	30.89	0.98			
VALUEVISION:	3.74	(0.03)			
VIACOM:	56.58	1.40			
WWE:	9.18	0.03			
TECHNOLOGY					
ADVANTAGE:	2.23	0.08			
ALCATEL LUCENT:	3.32	0.12			
AMDOCS:	28.23	0.27			
AMPHENOL:	45.12	0.27			
AOL:	14.78	0.63			
APPLE:	392.96	3.66			
ARRIS GROUP:	11.24	0.35			
AVID TECH:	9.28	0.18			
BIGBAND:	1.48	0.09			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Market Flix Off

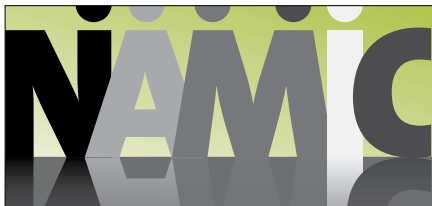
Whoa, hold those horses! Don't write off **Netflix** just yet. It's true that investors love impressive growth stories and tend to flee like a fugitive when the story seemingly ends, but illiteracy may be playing too a big role here. Ignoring valuations, Netflix, even given its lower 3Q sub estimates, is positioned to remain the largest video subscription provider in the US (24mln) at a time when pay TV ops are struggling to reverse an outgoing tide. It enjoys unsurpassed brand recognition in the rental/streaming space, is accessible through more avenues than any other OTT player and has underscored DVD-only subs as the group responsible for most of the expected downturn. That last part is a boon, my friends, not a bane. Look what happened to **Blockbuster** when it failed to react quickly to invigorated trends; lo and behold, it's now ready to jump into the unstoppable streaming trend that NFLX arguably pioneered. Plus, the economy is hacking and staggering, so more than a few subs likely balked and bailed at NFLX's pricing changes, meaning the company's momentum could resume in 4Q or early next year. Or, this could be the beginning of a free fall. Detractors point out that fewer subs = less money for spending on content, and they'd be correct. Yet NFLX left its 3Q financial guidance unchanged Thurs. And it's true that the proliferation of streaming plays is just beginning to percolate across the media landscape, presumably leading for NFLX to greater competition and a deleterious content rights land grab. Indeed, the movement and/or maintenance of programming throughout the streaming universe will largely determine the future of NFLX and its ilk. Additional unknowns such as the economy will have an impact, too. What we're left with right now is knowledge of NFLX's lead and firm entrenchment in the rental/streaming business and an enduring, if bruised, brand. Oh, and a management team that blazed a digital trail. Wanna bet against that group? *CH*

Highlights: "The Strange History of Don't Ask, Don't Tell," Mon, midnight, **HBO**. This doc debuts just as the repeal of Don't Ask, Don't Tell (DADT) becomes effective, at 12:01 AM, Tues. The doc's strength is storytelling. Using apposite footage, it begins with a history of homosexuality in the military. It moves to a '94 Senate hearing—whose prejudice seems antiquated today—and shows how DADT was born of compromise. The finale is the dramatic last-second repeal of DADT. *SA*

Worth a Look: "It's Always Sunny in Philadelphia," Thurs, 10p, **FX**. It's taken me 7 seasons to appreciate "Sunny." It's low humor and crude, disgusting at times. Still, on some level it's funny, thanks to a talented cast and ridiculously improbable situations, like this week's un-enjoyable boardwalk ride by Sweet Dee (*Kaitlin Olson*) and Dennis (*Glenn Howerton*). -- "Archer," Thurs, 10:30p, **FX**. Unlike "Philadelphia," "Archer" is likeable instantly. The main ingredient is excellent writing for this sexually crude yet hilarious adult cartoon about a self-centered spy, his kooky covert cronies and their underpaid, undersexed staff. A strong group of actors voice the parts as Archer spoofs vanity, sexuality, ethnicity and just about everything. -- "Love Begins," Sat, 9p, **Hallmark**. Under-acting abounds in this decent cowboy love story, except for *Nancy McKeon* and *Abigail Mavity*, a delightful spitfire. *SA*

Basic Cable Rankings (9/05/11-9/11/11) Mon-Sun Prime			
1	USA	2.3	2270
2	DSNY	1.9	1886
2	ESPN	1.9	1850
4	TNT	1.6	1537
5	FOXN	1.5	1456
6	HIST	1.4	1402
7	A&E	1.3	1322
8	FX	1.2	1226
9	HGTV	1.1	1038
10	FAM	1	1006
10	MTV	1	979
10	MSNB	1	977
10	ADSM	1	962
14	TBSC	0.9	931
14	AMC	0.9	886
14	NAN	0.9	884
14	TLC	0.9	873
14	FOOD	0.9	869
14	TRU	0.9	836
20	LIFE	0.8	840
20	SYFY	0.8	808
20	DISC	0.8	800
20	BRAV	0.8	774
20	ESP2	0.8	744
20	NKJR	0.8	574
26	SPK	0.7	684
26	EN	0.7	671
26	CMDY	0.7	653
26	TVLD	0.7	631
26	BET	0.7	617
31	CNN	0.6	595
31	HALL	0.6	536
31	ID	0.6	438
34	LMN	0.5	452
34	NGC	0.5	368
34	OXYG	0.5	361
37	APL	0.4	423
37	VH1	0.4	384
37	HLN	0.4	362
40	TRAV	0.3	306
40	TWC	0.3	258
40	DXD	0.3	250
40	GSN	0.3	237
40	WE	0.3	229
40	SOAP	0.3	212
40	NKTN	0.3	197

*Nielsen data supplied by ABC/Disney



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