

CableFAX Daily™

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What the Industry Reads First

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That's a Wrap: CVC, DirecTV Talk Cord Cutting, Program Expenses at BoA

Bring on the cord cutters. OK, **Cablevision** COO *Tom Rutledge* wasn't quite that audacious, but he did suggest that OTT would help mitigate rising programming costs. "Our goal is to put everything on the Internet on every screen in the house... To the extent that has a moderating effect on our programming costs, that's good. To the extent it satisfies customers, that's good," Rutledge said Thurs evening at **Bank of America Merrill Lynch's** investor conference. "When you look at the cable TV component of our business, it's substantial but it's not the majority of our business anymore when you take in gross margins..." He said video accounts for about 25% of AOCF and 20% of FCF. Expensive programming was a trend throughout the conference, with **DirectTV** CFO *Patrick Doyle* calling it the #1 concern for the industry (particularly sports costs). "As an industry, I think we have to be much more disciplined in how will deal with content owners and their ability to just assume distribution on our network," Doyle said. He was glad the **Longhorn Network** hadn't picked up significant distribution, and expressed some concerns over the upcoming **Pac-12** nets and **Lakers** RSNs from **Time Warner Cable**. Speaking of programming costs, earlier in the day **AMC Networks** chief *Josh Sapan* said **AMC** deserves more money for its critically acclaimed programming—he thinks it's worth twice as much (75 cent/sub). Getting there, he acknowledged, is another matter. Doyle dismissed cord-cutting as a concern, saying that most customers were lost for pure economics, and the DBS provider hopes they will return as the economy improves. Cablevision has a similar view. "The only cord cutting we really see is people who have no money at all. They are not just cutting the video cord, they are cutting the whole cord," Rutledge said. Cablevision has long been in favor of an a la carte model for the industry, and that was definitely on display at the conference when Rutledge said he'd love to be able to offer **Netflix** a la carte to subs—though he said it doesn't look like the industry is headed down an a-la-carte path any time soon. Other Highlights: You can't have an investor conference without lots of M&A speculation—particularly the ever-popular **DISH-DirecTV** scenario. It would make sense (especially for leverage in programming negotiations) but is "murky" given **DOJ's** objections to the AT&T and T-Mobile combo, Doyle said. As for Cablevision, Rutledge said the company just hasn't seen anything in the cable market to get excited about since **Bresnan**. Note that he said "cable market." He sounded a little more intrigued by the prospect of acquisitions on the business services side for **Lightpath**. Like Time Warner Cable's *Glenn Britt* earlier in the week, Doyle

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said Q3 looks better than Q2, thanks in part to DirecTV's NFL Sunday Ticket promotion. Rutledge, however, declined to provide details on Q3 trends, saying only that what other companies have said is "probably true" for CVC.

At the Portals: The FCC postponed the Sept 30 deadline for cable operator compliance with the Emergency Alert System's new Common Alert Protocol technology until June 30. "With the additional 9 months announced today, the FCC has time to provide complete guidance well before cable companies and equipment vendors need to come into compliance with CAP requirements," said ACA, which had lobbied for the extra time.

AT&T-Mobile: While AT&T CFO John Stephens predictably expressed optimism this week that the telco's proposed acquisition of T-Mobile USA will eventually earn legislative approval, S&P backed the sentiment Fri. Maintaining its 'strong buy' opinion on T shares, the firm believes AT&T will agree next to sell off certain overlapping assets and therefore increase its likelihood of closing the deal. But Sanford Bernstein's Craig Moffett pegs the probability of closure at 10%, and accordingly lowered his T target to \$31 from \$34. Also Fri, 7 state attorneys general have joined the DOJ's antitrust suit against the transaction. It's a bipartisan group that includes former Sen Mike DeWine (R-OH). Joining the suit are AGs from CA, IL, MA, NY, OH, PA and WA. Moffett foresees wireless industry consolidation irrespective of what occurs with AT&T/T-Mobile, saying T and Verizon "are the only two players in the market that earn returns in excess of their costs of capital. After capex, interest expense, and taxes, AT&T and Verizon are likely capturing more than 100% of the industry's free cash flow to equity."

Prime Emmys: The curtain rises Sun for TV's big night, and the only seemingly safe bets include HBO leading the way in wins, broadcasters taking the comedy categories by storm and certain stars getting called out for red carpet fashion blunders. Yet those feeling confident about particular nominees can head to wagering site SportsInteraction.com, which has odds covering several categories. AMC's "Mad Men" is less than even money to take home Best Drama Series, for example, and leading man Jon Hamm is the heavy favorite to be crowned Best Drama Actor. Interesting respective odds: HBO's "Boardwalk Empire" at 2.75:1 and Timothy Olyphant of FX's "Justified" at 12:1. Look for the Emmys scoop in the Tues issue of Cfax.

VOD: Comcast and Cox are celebrating Hispanic Heritage Month through special on demand features. Through Oct 15, Comcast is offering its 1st-ever Hispanic Film Festival, replete with 20 Spanish-language and indie films from Latin America and Spain via VOD and Xfinity.com. Customers will also have access to specials that highlight the people and music of Latin America. Cox is highlighting culturally relevant programming such as "The Motorcycle Diaries" and HBO's "Latino List," and has also committed air PSAs as part of its partnership with The League of United Latin American Citizens.

Programming: MTV's programming slate swelled by 6 shows, including doc-series "Catfish," in which digital daters meet in person for the 1st time, and scripted series "Underemployed," about a group of struggling friends 1 year out of college. -- Starz will honor late actor Andy Whitfield by showcasing 5 fan-fave eps of "Spartacus: Blood and Sand" beginning Oct 2, 9pm. -- USA ordered a 3rd season of "Covert Affairs," 4th of "Royal Pains" and 2nd of "Necessary Roughness." -- ABC Family greenlit a 2nd season of "Make It or Break It" and announced a back-order pick up of "The Lying Game," a drama about a foster kid who learns she has an older sister.

On the Circuit: Essence magazine editor emerita and National Cares Mentoring Movement founder Susan Taylor will deliver the keynote at the Patrick Mellon Mentorship Program Luncheon, Oct 4, Hilton NY. The event is presented by NAMIC in partnership with WICT and sponsored by Kaitz.

Public Affairs: Fox Sports Southwest raised approx \$156K from its online auction held during Tues' Indians-Rangers game to benefit the Shannon Stone Memorial Fund, honoring the TX firefighter who died in July when falling from the stands at Rangers Ballpark in Arlington.

Business/Finance: Sept 12-16 marked extremely disparate weeks for shareholders of Cablevision and Netflix, with the former group recovering some of the MSO's hefty recent losses on positive industry outlooks and the latter running for cover after the company lowered its sub guidance. CVC shares gained approx 11.7% for the week while NFLX shed approx 24%. -- Liberty Global completed its acquisition of Polish cable op Aster.

CableFAX Week in Review

Company	Ticker	9/16 Close	1-Week % Chg	YTD %Chg
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BROADCASTERS/DBS/MMDS

DIRECTV:	DTV	43.70	5.50%	9.44%
DISH:	DISH	26.29	7.66%	33.72%
DISNEY:	DIS	32.91	6.02%	(12.26%)
GE:	GE	16.33	3.62%	(8.82%)
NEWS CORP:	NWS	17.04	4.80%	3.78%

MSOS

CABLEVISION:	CVC	17.86	11.69%	(47.22%)
CHARTER:	CHTR	49.34	5.63%	26.71%
COMCAST:	CMCSA	22.94	9.71%	4.42%
COMCAST SPCL:	CMCSK	22.62	10.18%	8.70%
GCI:	GNCMA	8.65	0.35%	(31.67%)
KNOLOGY:	KNOL	14.11	8.87%	(9.72%)
LIBERTY CAPITAL:	LCAPA	71.95	8.02%	15.01%
LIBERTY GLOBAL:	LBTYA	38.46	4.80%	8.71%
LIBERTY INT:	LINTA	16.28	4.69%	3.23%
SHAW COMM:	SJR	21.79	1.25%	1.92%
TIME WARNER CABLE:	TWC	65.66	7.90%	(0.56%)
VIRGIN MEDIA:	VMED	26.13	6.52%	(4.07%)
WASH POST:	WPO	343.25	4.02%	(21.9%)

PROGRAMMING

AMC NETWORKS:	AMCX	36.35	10.22%	(8.78%)
CBS:	CBS	24.20	9.30%	27.03%
CROWN:	CRWN	1.36	13.33%	(48.09%)
DISCOVERY:	DISCA	40.16	4.83%	(3.69%)
GRUPO TELEVISIA:	TV	19.45	2.48%	(24.99%)
HSN:	HSNI	34.00	8.28%	10.93%
INTERACTIVE CORP:	IACI	41.48	5.76%	44.53%
LIBERTY STARZ:	LSTZA	72.52	6.55%	9.09%
LIONSGATE:	LGF	7.08	3.21%	8.76%
LODGENET:	LNET	1.90	9.20%	(55.29%)
NEW FRONTIER:	NOOF	1.29	8.40%	(31.75%)
OUTDOOR:	OUTD	6.40	5.44%	(10.74%)
SCRIPPS INT:	SNI	42.73	4.94%	(17.43%)
TIME WARNER:	TWX	30.96	7.17%	(3.76%)
VALUEVISION:	VVTV	3.74	5.95%	(38.79%)
VIACOM:	VIA	57.64	5.55%	25.69%
WWE:	WWE	9.31	2.31%	(34.62%)

TECHNOLOGY

ADVANTAGE:	AEY	2.15	(8.12%)	(31.53%)
ALCATEL LUCENT:	ALU	3.23	3.86%	9.12%
AMDOCS:	DOX	28.45	5.80%	3.57%
AMPHENOL:	APH	44.45	3.42%	(15.78%)
AOL:	AOL	14.35	(2.51%)	(39.48%)
APPLE:	AAPL	400.50	6.10%	24.16%
ARRIS GROUP:	ARRS	11.33	9.15%	0.98%
AVID TECH:	AVID	9.34	10.53%	(46.51%)
BIGBAND:	BBND	1.44	8.27%	(48.57%)
BLNDER TONGUE:	BDR	1.22	(0.81%)	(41.9%)
BROADCOM:	BRCM	35.67	6.67%	(18.09%)
CISCO:	CSCO	16.62	5.06%	(17.84%)
CLEARWIRE:	CLWR	2.45	(6.84%)	(52.43%)
CONCURRENT:	CCUR	5.71	3.07%	12.85%
CONVERGYS:	CVG	10.21	6.80%	(22.48%)
CSG SYSTEMS:	CSGS	13.87	8.36%	(26.77%)

Company	Ticker	9/16 Close	1-Week % Chg	YTD %Chg
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ECHOSTAR:	SATS	23.87	2.89%	(4.41%)
GOOGLE:	GOOG	546.68	4.16%	(7.96%)
HARMONIC:	HLIT	4.80	6.43%	(43.99%)
INTEL:	INTC	21.97	11.52%	4.47%
JDSU:	JDSU	13.25	7.37%	(8.49%)
LEVEL 3:	LVLTL	1.58	3.95%	61.22%
MICROSOFT:	MSFT	27.12	5.36%	(2.83%)
MOTOROLA MOBILITY:	MMI	37.85	0.93%	30.07%
RENTRAK:	RENT	14.63	20.91%	(51.49%)
SEACHANGE:	SEAC	8.56	12.04%	0.12%
SONY:	SNE	20.50	4.43%	(42.59%)
SPRINT NEXTEL:	S	3.36	(2.61%)	(20.57%)
THOMAS & BETTS:	TNB	43.45	5.61%	(10.04%)
TIVO:	TIVO	11.15	5.79%	29.20%
UNIVERSAL ELEC:	UEIC	17.52	6.44%	(38.24%)
VONAGE:	VG	3.01	(0.33%)	34.38%
YAHOO:	YHOO	14.97	3.38%	(9.98%)

TELCOS

AT&T:	T	28.94	5.08%	(1.5%)
VERIZON:	VZ	36.72	4.20%	2.63%

MARKET INDICES

DOW:	DJI	11509.09	4.70%	(0.59%)
NASDAQ:	IXIC	2622.31	6.25%	(1.15%)
S&P 500:	GSPC	1216.01	5.35%	(3.31%)

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. RENTRAK:	14.63	20.91%
2. CROWN:	1.36	13.33%
3. SEACHANGE:	8.56	12.04%
4. CABLEVISION:	17.86	11.69%
5. INTEL:	21.97	11.52%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. ADVANTAGE:	2.15	(8.12%)
2. CLEARWIRE:	2.45	(6.84%)
3. SPRINT NEXTEL:	3.36	(2.61%)
4. AOL:	14.35	(2.51%)
5. BLNDER TONGUE:	1.22	(0.81%)

CableFAX
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October 18, 2011

IS GOING TO HOLLYWOOD

PROGRAM & Top Ops AWARDS Luncheon
Noon to 2pm | Renaissance Hollywood Hotel & Spa. Questions: Saun Sayamongkhun at saun@accessintel.com