

CableFAX Daily™

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What the Industry Reads First

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Two Down: Telcos' Afflicted 3Q May Become Cable's Gain

Like AT&T did Thurs, Verizon blamed temporary aberrations for 3Q under-performances of fiber video and broadband sub adds and expressed confidence in a 4Q rebound. For VZ, storms and the multi-week strike of 45K wireline employees were the culprit in net FiOS TV and Internet adds of 131K and 138K, respectively, compared to 184K/189K in 2Q. "We expect to get back on track quickly, driving higher penetration in existing markets and effectively capturing pent up demand in new markets," said VZ CFO *Fran Shammo*, who expects FiOS TV and Internet adds to both exceed 200K in the current period as the telco's install backlog dissipates. Both services reached all-time penetration highs in 3Q, and triple-play customers rose 20% YOY. **Sanford Bernstein's** *Craig Moffett* said the FiOS results were better than many feared after VZ telegraphed the quarterly setbacks a few weeks back, but that Verizon's 20K net Internet sub adds combined with AT&T's +3K is particularly notable. "Verizon's strike and storms put an asterisk next to the number, but it is still unprecedented that in a seasonally strong 3Q the two gained so little ground," said Moffett. VZ plans to augment its non-FiOS markets with LTE-based wireless bundles that it expects to roll out nationally as well. The telco's LTE network already covers 165 markets and 186mln POPs, and 1.4mln LTE devices were sold in 3Q as total data rev jumped 20.5% YOY to \$6.1bln. **Miller Tabak's** *David Joyce* said VZ's 3Q sub metric woes "bode well especially for our Cablevision estimates" and "reinvigorated their aggressive push to win telco and satellite customers with a \$69.99 triple-play offer." Last month, **Time Warner Cable** COO *Rob Marcus* said the VZ strike hadn't yet proved a significant driver of improving sub trends, but that it couldn't have hurt. **U-verse TV's** lowest video net add total since 3Q08 (176K) could also prove a boon to cable ops, said Joyce. On a YOY basis, he expects Time Warner Cable (-72K, +86%), Cablevision (-10K, +59%), **Charter** (-32K, +50%) and **Comcast** (-182K, +34%) to all post YOY improvements in basic subs. Joyce, however, expects all but Charter to suffer YOY losses in broadband subs.

Standoff: We had a hunch last month when we mentioned that **DirecTV's Fox** deal was expiring Oct 1 that things could get heated (*Cfax*, 9/28). Our intuition proved true when DirecTV took the unusual stance of being the 1st one out of the gate, notifying customers Thurs that it would "suspend" dozens of Fox cable nets Nov 1 unless **News Corp** comes "back with a reasonable price that will protect our customers from excessive increases." Fox O&Os, **Fox News** and **Fox Busi-**

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ness are not a part of this contract negotiation, but plenty of other channels are, including **FX**, **Nat Geo**, **Fox Soccer** and all the Fox RSNs. While Fox-owned broadcast stations are not currently part of the spat, their retrans consent contract is up at year-end and could further escalate matters. Both sides had their dueling Websites up and running Fri: ourpromise-toyou.com (DirecTV) and keepmynets.com (Fox). When the Oct 1 deadline passed, DirecTV was essentially on a rolling deadline for the Fox nets and decided to try to move talks along by issuing an ultimatum. DirecTV is complaining that News wants customers to pay 40% more for the same Fox nets they already receive, while Fox Nets says DirecTV has disregarded its offer of an extension and gave it no chance to respond before taking “an unnecessarily aggressive posture and going public.” A couple observations: 1.) DirecTV repeatedly mentions Fox Nets parent News Corp in messaging. We couldn't help but wonder if that was purposeful as News isn't terribly popular right now—witness the crowd from **Common Cause**, **Free Press** and others demonstrating outside of its annual meeting Fri. 2.) As if the traditional down-to-the-wire negotiations on New Year's Eve weren't depressing enough, now Halloween might be held hostage. Boo, indeed.

Slide Tackles: **Fox** and **Telemundo** scored the respective English- and Spanish-language rights in the US to the '18 and '22 World Cups and the '15 and '19 Women's World Cups—effectively shocking observers who largely assumed incumbents **ESPN** and **Univision** would retain their playing positions. The reported fees of \$425mln for Fox and \$600mln for Telemundo underscore 2 key points: how important Hispanics are to the event's rising popularity in America and the magnitude of the coup Telemundo was able to pull off. **NBC** was part of a joint bid but a source said NBCU's overriding mission was to bring home the trophy to Telemundo. “The FIFA World Cup and Women's World Cup are two of the world's biggest competitions. It is our privilege to be entrusted with these rights in the United States from 2015 through 2022,” said Fox Sports Media Group chmn *David Hill*. “We made a disciplined bid that would have been both valuable to FIFA and profitable for our company, while continuing to grow our unprecedented coverage of the World Cup and Women's World Cup events,” said ESPN. “We were as aggressive as we could be while remaining prudent from a business perspective.” Said Univision: “As always, we remain committed to prudently evaluating content investments to ensure that we dedicate our resources toward an optimum mix of the news, sports and entertainment programming our audiences love most.” Both nets look forward to the '14 World Cup and still have myriad soccer properties covered. A few cogent notes from last year's Cup: the final match drew 24.3mln viewers across **ABC** and Univision to become the most-watched soccer game in US history, and 160.5mln persons 2+ consumed Cup content across ESPN platforms—or 55% of all Americans.

Interactive Advertising: In what could be promising for RFIs, aggregated results for **Honda**, **GlaxoSmithKline**, **Kimberly-Clark** and **State Farm** found, on avg, 18% of adults 18-49 said “yes” to interactive offers and confirmed their choice. That's according to new research from **Canoe Ventures** and the **Assoc of National Advertisers** on how the “Connection, Emotion and Experience” of advanced TV relates to the “Measurement, Efficiency and Engagement” advertisers seek. Other findings: unaided brand recall for the test brand was 126% higher following an exposure to an interactive offer, regardless of whether the viewer actually accepted the offer; likelihood to purchase the brand was 29% higher for all exposed to an interactive offer and the likelihood to see more info about the brand was 29% higher following exposure to an interactive offer. Canoe said the findings for the ANA brands through their work with the panel are on par with what it has discovered in studies with natl brands that have run early RFI campaigns. More at: www.canoeventures.com/ceemeestudy.

In the States: *Frank Tanori Gonzalez* pleaded guilty to 2 counts of computer tampering that resulted in about a 37-sec clip of porn showing up on **Comcast** Tuscon subs' TV screens during the Super Bowl in '09, *AP* reported (*Cfax*, 2/8). At the time, Gonzalez was a **Cox** employee, but no longer works for the MSO. Gonzalez must serve 3 years probation and pay a \$1K fine; if he completes his probation, the crime will be designated a misdemeanor rather than a felony, *AP* said.

Scorecard: Helped greatly by fresh synergies with **NBC Sports**, **Golf Channel** is scoring quite well this year and foresees a super 4Q owing to big-time investments in tourney programming. The net will feature live coverage during all 4 days of **The Presidents Cup** for the 1st time ever, for example, an important byproduct of its NBC relationship, said pres *Mike McCarley*. “To be able to pull all of the [Comcast-NBCU] assets together and point people to events improves the numbers and gets more fans interested in programming,” he said, noting Golf's **PGA** tourney coverage is up 23% this year. “We're trying to finish the year as strong as we can.” Golf is experiencing its highest YTD ratings growth since launching the PGA Tour in '07, and earlier this year scored its most-watched 1Q and series premiere in history (569K uniques for “Feherty”).

CableFAX Week in Review

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
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BROADCASTERS/DBS/MMDS

DIRECTV:	DTV	46.42	6.64%	16.25%
DISH:	DISH	25.91	(5.78%)	31.79%
DISNEY:	DIS	35.16	2.00%	(6.26%)
GE:	GE	16.31	5.23%	(8.93%)
NEWS CORP:	NWS	17.39	0.58%	5.91%

MSOS

CABLEVISION:	CVC	17.57	(2.98%)	(48.08%)
CHARTER:	CHTR	49.75	1.45%	27.76%
COMCAST:	CMCSA	24.32	1.61%	10.72%
COMCAST SPCL:	CMCSK	23.94	9.57%	15.04%
GCI:	GNCMA	9.25	(1.07%)	(26.94%)
KNOLOGY:	KNOL	13.80	(2.47%)	(11.71%)
LIBERTY CAPITAL:	LCAPA	75.44	(1.2%)	20.59%
LIBERTY GLOBAL:	LBTYA	41.17	3.34%	16.37%
LIBERTY INT:	LINTA	15.25	2.56%	(3.3%)
SHAW COMM:	SJR	20.19	(3.86%)	(5.57%)
TIME WARNER CABLE:	TWC	70.87	1.50%	7.33%
VIRGIN MEDIA:	VMED	27.10	2.73%	(0.51%)
WASH POST:	WPO	346.14	(0.67%)	(21.24%)

PROGRAMMING

AMC NETWORKS:	AMCX	33.84	3.96%	(15.08%)
CBS:	CBS	24.91	5.60%	30.76%
CROWN:	CRWN	1.50	4.90%	(42.75%)
DISCOVERY:	DISCA	42.58	1.96%	2.11%
GRUPO TELEVISIA:	TV	20.51	6.88%	(20.9%)
HSN:	HSNI	35.01	(0.26%)	14.23%
INTERACTIVE CORP:	IACI	40.84	(2.2%)	42.30%
LIBERTY STARZ:	LSTZA	66.93	4.63%	0.68%
LIONSGATE:	LGF	7.34	0.69%	12.75%
LODGENET:	LNET	1.96	22.50%	(53.88%)
NEW FRONTIER:	NOOF	1.07	(6.96%)	(43.39%)
OUTDOOR:	OUTD	6.82	5.90%	(4.88%)
SCRIPPS INT:	SNI	42.89	2.56%	(17.12%)
TIME WARNER:	TWX	34.77	3.70%	8.08%
VALUEVISION:	VVTV	3.14	6.44%	(48.61%)
VIACOM:	VIA	52.92	2.18%	15.39%
WWE:	WWE	10.62	7.06%	(25.42%)

TECHNOLOGY

ADVANTAGE:	AEY	2.12	(1.85%)	(32.48%)
ALCATEL LUCENT:	ALU	2.66	(13.92%)	(10.14%)
AMDOCS:	DOX	29.98	0.64%	9.14%
AMPHENOL:	APH	45.62	11.90%	(13.57%)
AOL:	AOL	14.52	3.05%	(38.76%)
APPLE:	AAPL	392.87	(6.9%)	21.80%
ARRIS GROUP:	ARRS	11.19	(2.01%)	(0.27%)
AVID TECH:	AVID	7.21	(14.37%)	(58.71%)
BIGBAND:	BBND	2.25	(0.44%)	(19.64%)
BLNDER TONGUE:	BDR	1.34	7.20%	(36.19%)
BROADCOM:	BRCM	37.22	(1.87%)	(14.54%)
CISCO:	CSCO	17.38	(0.97%)	(14.09%)
CLEARWIRE:	CLWR	1.55	(2.52%)	(69.9%)
CONCURRENT:	CCUR	4.38	(7.79%)	(13.44%)
CONVERGYS:	CVG	10.21	(1.92%)	(22.48%)
CSG SYSTEMS:	CSGS	13.90	(1.63%)	(26.61%)

Company	Ticker	10/21 Close	1-Week % Chg	YTD %Chg
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ECHOSTAR:	SATS	25.25	1.28%	1.12%
GOOGLE:	GOOG	590.49	(0.2%)	(0.59%)
HARMONIC:	HLIT	4.67	(2.3%)	(45.51%)
INTEL:	INTC	24.03	2.26%	14.27%
JDSU:	JDSU	10.52	(3.57%)	(27.35%)
LEVEL 3:	LVLTL	23.50	1290.53%	2297.96%
MICROSOFT:	MSFT	27.16	(0.4%)	(2.69%)
MOTOROLA MOBILITY:	MMI	38.90	0.46%	33.68%
RENTRAK:	RENT	13.95	(2.92%)	(53.75%)
SEACHANGE:	SEAC	7.96	(5.01%)	(6.9%)
SONY:	SNE	20.71	2.68%	(42.01%)
SPRINT NEXTEL:	S	2.77	(0.72%)	(34.52%)
THOMAS & BETTS:	TNB	47.57	5.50%	(1.51%)
TIVO:	TIVO	9.90	(4.62%)	14.72%
UNIVERSAL ELEC:	UEIC	18.05	(8.05%)	(36.38%)
VONAGE:	VG	3.04	4.83%	35.71%
YAHOO:	YHOO	16.12	1.32%	(3.07%)

TELCOS

AT&T:	T	29.13	(0.14%)	(0.85%)
VERIZON:	VZ	37.42	0.24%	4.58%

MARKET INDICES

DOW:	DJI	11808.79	1.41%	2.00%
NASDAQ:	IXIC	2637.46	(1.14%)	(0.58%)
S&P 500:	GSPC	1238.25	1.12%	(1.54%)

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. LEVEL 3:	23.50	1290.53%
2. LODGENET:	1.96	22.50%
3. AMPHENOL:	45.62	11.90%
4. COMCAST SPCL:	23.94	9.57%
5. BLNDER TONGUE:	1.34	7.20%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. AVID TECH:	7.21	(14.37%)
2. ALCATEL LUCENT:	2.66	(13.92%)
3. UNIVERSAL ELEC:	18.05	(8.05%)
4. CONCURRENT:	4.38	(7.79%)
5. NEW FRONTIER:	1.07	(6.96%)

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