

# CableFAX Daily™

Thursday — October 28, 2010

What the Industry Reads First

Volume 21 / No. 209

## Light at the End: Comcast Reports Solid Results, Offers Hope

Yes, 3Q saw more basic sub bleeding at **Comcast**, but there's some hope that things could change. CEO *Brian Roberts* said Wed that the MSO started to see real YOY improvement through the end of the quarter and Oct. As for those 275K basic subs lost (Street consensus was 189K), Comcast blamed the economy (fewer occupied housing units and unemployment) as well as the roll-off of digital transition promotions. Execs said there was a focus on retention, but it's centered on marketing efforts vs deep discounts (ie, the recent Xfinity launch). Total revenue climbed 7.3% to \$9.5bln, while op cash flow was up 7.6% to \$3.6bln. While basic sub losses were larger than expected, analysts were pretty pleased with the results. **Sanford Bernstein's Craig Moffett** noted that broadband gains of 249K for the Q compare favorably to **AT&T** and **Verizon**, with Comcast accounting for 54% of the subs added in 3Q. "Better still, they are taking that share without discounting HSD," he said, noting HSD ARPU is up 4.9% from last year. Voice added 228K subs and digital video added 219K. One analyst on the call asked Roberts about retransmission consent. But despite the **Cablevision-Fox** fracas, his comments weren't much different than when the **NBCU** proposal was 1st announced. "We can hopefully play a constructive role in any thinking that has to take place around this space," Roberts said. "It doesn't really change anything... By being a cable operator and broadcaster, perhaps we can foster ideas that will not have consumers caught in the middle." Roberts continued to say that the \$30bln NBCU transaction is on track to close by year-end. Management also indicated the company does not feel it needs to accelerate a stake increase in the JV.

**Day 12:** With the World Series set to begin on **Fox** Wed night, we saw a little bit more activity out of **Cablevision** and **Fox** on Day 12. But at our deadline, the outcome was still the same: no deal. Just before 2pm, Cablevision offered to pay **Time Warner Cable's** rate for **Fox 5 NY** and **Fox 29 Philly** for one year, saying that it's higher than the rate it pays any NY broadcast station. Fox said no dice, calling it "another in a long line of publicity stunts." It complained that the MSO is seeking a discounted package rate without buying the entire package. A Cablevision spokesperson called Fox's rejection proof that News corp is operating in bad faith. "We call on the **FCC** to intervene immediately to restore the Fox signals to Cablevision's 3mln homes and order **News Corp.** to agree to binding arbitration to resolve this conflict," the CVC rep said. That hasn't been working so well though. Cablevision tried late Tues to get FCC chmn *Julius Genachowski* to get the 2 parties together

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in DC for mediation Wed, with Jim Dolan vowing to offer new constructive proposals. The FCC didn't sound too moved. "It's encouraging that Cablevision has a new 'constructive offer' and is prepared to negotiate in 'good faith.' But they should spend less time writing publicity-seeking letters to the FCC, and more time at the negotiating table reaching an agreement," said a sr FCC official. "Consumers deserve no less and the law demands it. That's the only way to get programming back on the air. By now the message from the FCC should be crystal clear: Stop the stunts and start negotiating."

**Tech Deals & Dollars:** After news of negotiations on Mon, private equity firm **The Carlyle Group** officially agreed to buy and privatize **CommScope** Wed for approx \$3.9bln. Carlyle will pay \$31.50 each for all outstanding CTV shares, marking an approx 39% premium over the avg common share closing price for the 30 days ended Fri. **Broadcom**, meanwhile, signed a definitive agreement to purchase for approx \$86mln **Percello**, a privately-held co that develops SoC solutions for femtocells, which help power home networking initiatives. Earlier this month, Broadcom agreed to acquire private 4G wireless platform provider **Beceem Comm** for approx \$316mln. Investors boosted Broadcom shares by 11.7% Wed on more than triple the normal volume and elevated CTV shares to \$31.41 (+3.94%). As for earnings, Broadcom reported record rev of \$1.81bln, up 44% YOY and 13% sequentially, and net income of \$327mln, compared to \$85mln a year ago. CommScope grew rev by 10% to \$821.9mln, aided by a 5.2% increase at its Antenna, Cable and Cabinet Group, with continued US op investment in 3G and 4G wireless infrastructure.

**Tagging Content:** **Comcast**, **CableLabs** and **Disney** are among intl companies behind the launch of the **Entertainment Identifier Registry**, a database seeking a uniform approach to cataloging movies, TV shows, and other commercial audio/video assets with unique identifiers. Slated for availability in early '11, the registry will ostensibly streamline digital commerce, thus making it easier for businesses to search, track rights and report rev based on an assets' unique ID.

**Measurement:** **Kantar Video** intro'd in beta its **Videolytics**, a real-time online and mobile video syndication, tracking and optimization tech for advertisers, agencies, and publishers. The platform tracks all instances of online video regardless of where or how it's distributed and enables audience profiling through linkages to proprietary Kantar online access panels.

**Dress Decoding:** If CT voters want to wear **WWE** clothing at polling stations Tues, now they can. WWE sued CT Secretary of State **Susan Bysiewicz** for censorship and discrimination after she gave local poll workers the authority to force voters sporting WWE merchandise to go home and change, cover it up, or take it off in order to vote—and the co ultimately prevailed. Faced with the lawsuit, Bysiewicz reversed her position and notified all Local Registrar of Voters and Town Clerks of her decision via email. Former WWE CEO **Linda McMahon** is battling Dem **Richard Blumenthal** for a CT Senate seat.

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Source: The Nielsen Company, #9 Digital tier network: (5/31/10-10/17/10), LSD, A25-54, (000), Digital tier networks defined as Nielsen-rated basic cable networks under 70MM homes. Based on the October 2010 UE. Subject to qualifications available upon request.

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# BUSINESS & FINANCE

**Ratings:** Love him or loathe him, *LeBron James* attracts viewers. TNT's opening-night NBA coverage began with LeBron's Heat battling the Celtics, and the game now ranks as the most-watched regular season game ever on cable (5.34mln homes, 7.43mln total viewers). The net's 2nd feature (*Lakers-Rockets*) added 2.82mln homes and 3.72mln total viewers to make the double-header TNT's most-watched ever on opening night.

**Programming:** ION TV's dive into theatricals includes deals to acquire more than 85 feature films from **Warner Bros**, **Twentieth Century Fox**, **Sony** and **MGM**. -- Already joint ops of **NFL.com/espanol**, the **NFL** and **Univision** expanded their relationship to include increased league coverage across Univision media platforms.

**On the Circuit:** **NAMIC** reported a 40% rise to 560 in attendance for its annual conference, and said general session and video content from the Sept 14-15 event may now be streamed at **DiversityLive.net**.

**Business/Finance:** During **Sprint's** earnings call Wed, CEO *Dan Hesse* refused to comment on **Clearwire's** need for additional 4G buildout funding beyond saying that discussions between the pair are ongoing. 2 weeks ago, *Bloomberg* reported that Clearwire's close to selling some of its wireless spectrum to satisfy its need. **[Go to CableFAXDaily.com for more subscriber-exclusive info].**

## CableFAX Daily Stockwatch

Company	10/27 Close	1-Day Ch	Company	10/27 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	43.37	0.06	ARRIS GROUP:	9.39	(0.09)
DISH:	19.43	(0.32)	AVID TECH:	12.72	(0.06)
DISNEY:	35.92	(0.04)	BIGBAND:	2.96	(0.01)
GE:	16.11	(0.05)	BLNDER TONGUE:	2.32	(0.03)
NEWS CORP:	15.87	(0.08)	BROADCOM:	41.56	4.34
<b>MSOS</b>					
CABLEVISION:	27.00	0.52	CISCO:	23.29	(0.1)
CHARTER:	32.46	(0.2)	CLEARWIRE:	7.20	(0.04)
COMCAST:	20.27	0.63	COMMSCOPE:	31.41	1.19
COMCAST SPCL:	19.11	0.56	CONCURRENT:	6.30	(0.01)
GCI:	10.59	(0.02)	CONVERGYS:	11.20	(0.22)
KNOWLOGY:	14.54	0.13	CSG SYSTEMS:	19.77	1.60
LIBERTY CAPITAL:	55.55	(0.21)	ECHOSTAR:	20.32	(0.14)
LIBERTY GLOBAL:	36.11	0.51	GOOGLE:	616.47	(2.13)
LIBERTY INT:	14.56	(0.22)	HARMONIC:	6.82	(0.04)
MEDIACOM:	7.16	0.15	INTEL:	20.19	0.15
SHAW COMM:	21.18	(0.2)	JDSU:	11.56	0.06
TIME WARNER CABLE:	57.81	0.18	LEVEL 3:	0.94	(0.01)
VIRGIN MEDIA:	24.80	0.05	MICROSOFT:	26.05	0.15
WASH POST:	380.32	3.15	MOTOROLA:	8.09	0.23
<b>PROGRAMMING</b>					
CBS:	16.83	(0.25)	RENTRAK:	26.32	(0.16)
CROWN:	2.89	(0.12)	SEACHANGE:	7.96	0.08
DISCOVERY:	44.96	0.37	SONY:	33.85	(0.06)
GRUPO TELEVISIA:	22.17	(0.13)	SPRINT NEXTEL:	4.30	(0.47)
HSN:	29.99	(0.6)	THOMAS & BETTS:	43.31	(0.39)
INTERACTIVE CORP:	27.59	1.12	TIVO:	11.29	0.17
LIBERTY:	39.43	(0.34)	TOLLGRADE:	7.52	0.08
LIBERTY STARZ:	66.25	0.26	UNIVERSAL ELEC:	20.94	0.02
LIONSGATE:	7.41	0.02	VONAGE:	2.64	0.04
LODGENET:	2.72	(0.04)	YAHOO:	16.42	(0.04)
NEW FRONTIER:	1.66	(0.04)	<b>TELCOS</b>		
OUTDOOR:	5.32	(0.36)	AT&T:	28.35	0.04
PLAYBOY:	5.03	(0.01)	QWEST:	6.54	UNCH
SCRIPPS INT:	49.56	0.27	VERIZON:	32.51	0.01
TIME WARNER:	31.45	(0.03)	<b>MARKET INDICES</b>		
VALUEVISION:	2.54	0.03	DOW:	11126.28	(43.18)
VIACOM:	42.11	(0.01)	NASDAQ:	2503.26	5.97
WWE:	13.86	(0.16)	S&P 500:	1182.45	(3.19)
<b>TECHNOLOGY</b>					
ADC:	12.67	(0.01)			
ADVANTAGE:	3.21	0.01			
ALCATEL LUCENT:	3.54	(0.06)			
AMDOCS:	30.18	(0.03)			
AMPHENOL:	49.47	(0.41)			
AOL:	25.99	(0.14)			
APPLE:	307.83	(0.22)			

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## Think about that for a minute...

### “Daniels Time” – Again

By Steve Effros

Back in 1998 I wrote a series of columns promoting an idea I dubbed “Daniels Time.” At the time, political discourse, particularly in election cycles, was becoming so crass, so expensive, that there was serious concern for the whole electoral process. Sound familiar? Well, one of the true Pioneers of the cable industry, Bill Daniels, stepped forward and made a simple suggestion: what if we took a lot of the extreme cost out of the process?



What if we guaranteed a given amount of free advertising time on all cable systems to bona fide candidates during the election cycle and hopefully reduced the advertising funding pressure?

I called the idea “Daniels Time” and helped push it because I thought Bill was right. The process, then, was on the brink of being “sold” to the highest bidder. Whoever could raise the most cash, whoever could finance the most commercials was attaining an advantage in the electoral process that at some future time clearly would have to be “paid back.” Bill, a staunch conservative, understood that and didn’t like it.

Bill’s no longer with us. How do you think he would react to what’s going on today? *The Washington Post* has reported that by the time this election cycle is over, the candidates (NOT including the “private” groups) will have raised and spent over TWO BILLION DOLLARS on the election!

Now I don’t care what your political persuasion is—and Bill and I didn’t see eye to eye on lots of things—but on this one, there can be little doubt: when you, as a politician, have to raise that amount of money (about \$4 million spent for every Congressional seat up for grabs this election cycle), there is inevitably an effect on decisions,

access and votes in the future. Daniels thought there had to be some way to stem that tide.

His proposal was to set aside, for free, about 20 percent of the advertising inventory on Daniels Cablevision. That’s about 750 thirty-second spots for each of the eight weeks preceding and election. The spots would be distributed evenly among the candidates. The plan was vetted through the Federal Election Commission and was found to comply with the rules. It was a good plan, and one that we hoped would be something the entire industry could adopt.

It hasn’t happened. Yet. But it should. Of course I would go farther, and say that the only “advertising” for political office should be that type of free time. I understand that the recent Supreme Court rulings have allowed all sorts of additional advertising in the election television assault we are all suffering through right now. An estimated additional \$400 million is being spent by the “independent” groups. OK, I’m a First Amendment guy, and I concede that it’s very difficult to deal with that issue. But I would suggest that if we could at least find a way to stop the candidates themselves from being put in a position to have to raise five times that amount for their own coffers, we would all be better off.

I know it’s hard. One group or another thinks they have the advantage at any given time, so they oppose limits on candidate spending. We also want to make sure the candidates can speak. But the telecom industry is in the perfect position to forge at least the beginnings of a solution to the problem by providing the platform and eliminating the need for “pay back.” Think about it, and remember Bill for making the effort.

*Steve*

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