

CableFAX Daily™

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What the Industry Reads First

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Growth Question: Cablevision Shares Dive as Profit Misses Consensus

Cablevision shares spiraled down Fri, off more than 12% at close as the Street tried to read the tea leaves in 3Q's earnings miss. Does 3Q indicate that the MSO's growing period is over or do the caveats—a hurricane, **Verizon** strike and sub metrics that outperform—mean you can't read too much into the \$1.66bln in revenue for the Q (below the \$1.67bln consensus) and \$539mln AOCF (\$592mln Street projection)? "Sometimes, a stock looks fairly valued. Other times—like this one—it's simply too hard to say whether it is or isn't," **Sanford Bernstein's Craig Moffett** wrote in a research note. "On many valuation metrics, the stock looks cheap. But perhaps deservedly so. With one ball and one strike, the at-bat could go either way. We remain neutral. To us, the risks don't look worth taking." During a conference call, Cablevision brass repeatedly pointed to last year's **Fox** dispute, which caused 4Q churn and resulted in subs losing Fox broadcast stations during the World Series. Cablevision chose to take a smaller-than-planned programming increase to help offset the fight, and that equated to smaller ARPU growth. Retrans probably played the biggest role in programming costs, but Cablevision COO *Tom Rutledge* saying that should eventually moderate. "Right now we're absorbing the collapse of the broadcast business model," he said. Rutledge said there are definitely cyclical pressures on the business, just as there are with others, but he believes there are still a lot of growth opportunities in the long term. He cited business services and selling triple-play to residential customers who don't take it today, noting that there is still a lot of satellite penetration in CVC's footprint. While CEO *Jim Dolan* acknowledged that not all the results are where the company wants them, CVC has taken "pioneering steps" to enhance services and identify new markets that offer attractive growth opportunities (such as **Bresnan** and **Optimum Business**). A couple of interesting stats thrown out Fri: Cablevision's win-back campaign has resulted in more than 45% of customers who once tried **FiOS** coming back, and there are now more than 560K unique devices using Cablevision's iPad and iPhone apps. Sub metrics beat Street expectations handily, with 19K basic losses vs the 30K loss the Street expected. HSD adds were 17K (vs Street's 5K), and voice net adds hit 32K (16K for Street), according to **Wells Fargo Securities' Marci Ryvicker**. "This is a very mixed quarter with financials missing and share repurchases lower than expectations while PSUs beat," Ryvicker said. "We believe both the weaker financials and supe-

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rior subscriber metrics are a result of higher acquisition and retention spending. Importantly, both HSD and voice were better, confirming there is nothing wrong with the triple-play.” Indeed, CVC continues to focus on the triple-play and has started to sell in customers at a higher rate with its Boost HSD product (50Mbps), which has a \$10 higher revenue component. **Miller Tabak’s David Joyce** is keeping CVC at a “buy” rating because the firm believes shares are fundamentally inexpensive and have significant long-term upside from HSD, Lightpath and interactive ad growth.

Google TV: Fri marked the intro of new software for **Google TV**, including the **Android Market** for apps. **NASCAR.com Live** is now available on the platform, offering interactive features such as HD VOD clips, driver profiles and standings. Slated to roll out early next week on **Sony** connected TVs and later on **Logitech** set-tops, the improved Google TV also touts a streamlined interface and provides new tools for content recommendations. Google is now pitching the platform as a complement to TV instead of a competitive product, a shift in strategy likely spurred by the company’s proposed purchase of **Motorola Mobility**. Since MMI provides a slew of set-tops to cable ops, speculation persists that Google TV will end up embedded in new iterations. When the deal was announced in Aug, some analysts dismissed the notion, believing cable ops would balk at Google TV’s open browser. **NCTC** vp/GM, hardware **Richard Frey**, however, told sister pub **CT Reports** that “if Google can expand existing set-top choices and bring a smoother integration to how smart phones interact with set-tops and in-home viewing using cloud-based technology, that is a win for the consumer and NCTC members.”

Opportunism: Late Thurs, after **Redbox** announced its upping to \$1.20 from \$1 its nightly DVD rental fee, **DISH** tweeted its customers with the message “Tired of seeing red all over again?” and alerted press outlets that **Blockbuster** has maintained its 99 cents/day rental fee while **Netflix** and now **Coinstar** are hiking rates. Like NFLX a few months back, CSTR shares were hammered on the pricing news, losing 7% Fri.

Fox-DirectTV: Still going... **DirectTV** updated its Website with messaging about how subs are not in danger of losing Fox broadcast stations on Nov 1. We saw more comments with a pro-DirectTV stance Fri than we had previously, but the majority of folks still seem to be threatening to drop the service if channels are lost. Meanwhile, some big time celebs are paying attention. **Maroon 5** lead singer **Adam Levine** took to **Twitter** Thurs night tweeting, “Help save @sutterink’s show #SonsofAnarchy and other amazing shows. Check out <http://keepmynets.com>.”

At the Portals: Public Knowledge is disappointed that the **FCC** rebuffed its request to make public recusal statements from Commission employees. PK asked the Commission to reinstitute the disclosure practice following the public discussion over ex-commish **Meredith Baker’s** departure to **Comcast**. FCC gen counsel **Austin Schlick** responded Fri, saying recusal statements are now voluntary under government-wide ethics rules and thus release of such statements could deter their submission—a negative effect that generally would outweigh the benefits of disclosure.

On the Hill: The **House Bi-Partisan Privacy Caucus** is having a **Facebook** freakout over a **WSJ** article that reported a former user of the social site requested all data collected about him and received a 1200 page file that included info like chat conversations and various IP addresses he used to log onto the site. The Caucus wants info on how Facebook stores info, deletes info and under what circumstances does it retain data after users request deletion.

Pink Slips: Showtime confirmed a **Deadline** report that 7 employees in affil sales had been laid off. Among them is **Anne Droste**, svp, gm of Western Zone. “We announced a restructuring of our marketing and sales groups a few months ago and this is part of that process,” the programmer said.

Technology: MobiTV unveiled a **TV Everywhere** solution for pay-TV ops based on its existing cloud-based distribution platform. The solution allows ops to offer live and VOD programming for viewing anywhere on PCs, tablets and more than 375 types of mobile devices.

People: Spike tapped **Alex Eastburg** as vp, original series.

Business/Finance: Wells Fargo Securities’ Marci Ryvicker downgraded **Time Warner Cable** to ‘market perform’ because the MSO’s shares “are likely range-bound after another disappointing quarter.” Ryvicker also dropped to \$67-69 from \$76-79 the valuation range on TWC shares, citing “upside potential” but adding “we don’t know when this will be realized.” Meanwhile, **Miller Tabak’s David Joyce** reduced to \$78 from \$80 his short-term price target on the stock but kept his \$100 long-term target and maintained a ‘buy’ rating, citing potential growth, attractive valuation and other positives.

CableFAX Week in Review

| Company | Ticker | 10/28 Close | 1-Week % Chg | YTD %Chg |
|------------------------------|--------|-------------|--------------|----------|
| BROADCASTERS/DBS/MMDS | | | | |
| DIRECTV: | DTV | 45.53 | (1.92%) | 14.02% |
| DISH: | DISH | 24.44 | (5.67%) | 24.31% |
| DISNEY: | DIS | 36.21 | 2.99% | (3.47%) |
| GE: | GE | 17.25 | 5.76% | (3.69%) |
| NEWS CORP: | NWS | 18.07 | 3.91% | 10.05% |
| MSOS | | | | |
| CABLEVISION: | CVC | 15.14 | (13.83%) | (55.26%) |
| CHARTER: | CHTR | 45.58 | (8.38%) | 17.05% |
| COMCAST: | CMCSA | 23.85 | (1.93%) | 8.56% |
| COMCAST SPCL: | CMCSK | 23.33 | 6.77% | 12.11% |
| GCI: | GNCMA | 9.78 | 5.73% | (22.75%) |
| KNOLGY: | KNOL | 14.23 | 3.12% | (8.96%) |
| LIBERTY CAPITAL: | LCAPA | 77.66 | 2.94% | 24.14% |
| LIBERTY GLOBAL: | LBTYA | 41.14 | (0.07%) | 16.28% |
| LIBERTY INT: | LINTA | 16.66 | 9.25% | 5.64% |
| SHAW COMM: | SJR | 20.13 | (4.14%) | (5.85%) |
| TIME WARNER CABLE: | TWC | 62.48 | (11.84%) | (5.38%) |
| VIRGIN MEDIA: | VMED | 24.77 | (8.6%) | (9.07%) |
| WASH POST: | WPO | 361.10 | 4.32% | (17.84%) |

| Company | Ticker | 10/28 Close | 1-Week % Chg | YTD %Chg |
|--------------------|--------|-------------|--------------|----------|
| PROGRAMMING | | | | |
| AMC NETWORKS: | AMCX | 33.49 | (1.03%) | (15.96%) |
| CBS: | CBS | 25.80 | 3.57% | 35.43% |
| CROWN: | CRWN | 1.60 | 11.89% | (38.93%) |
| DISCOVERY: | DISCA | 42.83 | 0.59% | 2.71% |
| GRUPO TELEVISIA: | TV | 22.33 | 8.87% | (13.88%) |
| HSN: | HSNI | 35.98 | 2.77% | 17.39% |
| INTERACTIVE CORP: | IACI | 41.04 | 0.49% | 43.00% |
| LIBERTY STARZ: | LSTZA | 67.42 | 0.73% | 1.41% |
| LIONSGATE: | LGF | 8.05 | 10.43% | 23.66% |
| LODGENET: | LNET | 2.02 | 3.06% | (52.47%) |
| NEW FRONTIER: | NOOF | 1.12 | (2.61%) | (40.74%) |
| OUTDOOR: | OUTD | 7.50 | 9.97% | 4.60% |
| SCRIPPS INT: | SNI | 43.64 | 1.75% | (15.67%) |
| TIME WARNER: | TWX | 35.47 | 2.01% | 10.26% |
| VALUEVISION: | VVTV | 3.60 | 14.65% | (41.08%) |
| VIACOM: | VIA | 54.77 | 3.50% | 19.43% |
| WWE: | WWE | 10.40 | (2.07%) | (26.97%) |

| Company | Ticker | 10/28 Close | 1-Week % Chg | YTD %Chg |
|-------------------|--------|-------------|--------------|----------|
| TECHNOLOGY | | | | |
| ADVANTAGE: | AEY | 2.13 | 0.47% | (32.17%) |
| ALCATEL LUCENT: | ALU | 2.84 | (8.09%) | (4.05%) |
| AMDOS: | DOX | 30.71 | 2.43% | 11.79% |
| AMPHENOL: | APH | 49.27 | 8.00% | (6.65%) |
| AOL: | AOL | 14.65 | 0.90% | (38.21%) |
| APPLE: | AAPL | 404.95 | 3.07% | 25.54% |
| ARRIS GROUP: | ARRS | 11.12 | (2.63%) | (0.89%) |
| AVID TECH: | AVID | 6.37 | (11.65%) | (63.52%) |
| BIGBAND: | BBND | 2.24 | (0.44%) | (20%) |
| BLUNDER TONGUE: | BDR | 1.30 | (2.69%) | (37.9%) |
| BROADCOM: | BRCM | 36.64 | (1.56%) | (15.87%) |
| CISCO: | CSCO | 18.56 | 6.79% | (8.26%) |
| CLEARWIRE: | CLWR | 2.00 | 29.03% | (61.17%) |
| CONCURRENT: | CCUR | 4.19 | (4.34%) | (17.19%) |
| CONVERGYS: | CVG | 11.11 | 6.72% | (15.64%) |
| CSG SYSTEMS: | CSGS | 14.58 | 4.89% | (23.02%) |
| ECHOSTAR: | SATS | 26.74 | 5.90% | 7.09% |

| Company | Ticker | 10/28 Close | 1-Week % Chg | YTD %Chg |
|--------------------|--------|-------------|--------------|----------|
| GOOGLE: | GOOG | 600.14 | 1.63% | 1.04% |
| HARMONIC: | HLIT | 5.62 | 20.34% | (34.42%) |
| INTEL: | INTC | 24.98 | 3.95% | 18.78% |
| JDSU: | JDSU | 12.64 | 20.15% | (12.71%) |
| LEVEL 3: | LVL3 | 26.56 | 13.02% | 2610.20% |
| MICROSOFT: | MSFT | 26.98 | (0.66%) | (3.33%) |
| MOTOROLA MOBILITY: | MMI | 38.96 | 0.15% | 33.88% |
| RENTRAK: | RENT | 14.02 | 0.50% | (53.51%) |
| SEACHANGE: | SEAC | 8.46 | 6.28% | (1.05%) |
| SONY: | SNE | 22.38 | 8.06% | (37.33%) |
| SPRINT NEXTEL: | S | 2.72 | (1.81%) | (35.7%) |
| THOMAS & BETTS: | TNB | 52.18 | 9.69% | 8.03% |
| TIVO: | TIVO | 10.91 | 10.20% | 26.42% |
| UNIVERSAL ELEC: | UEIC | 19.83 | 9.86% | (30.1%) |
| VONAGE: | VG | 3.41 | 12.17% | 52.23% |
| YAHOO: | YHOO | 16.56 | 2.73% | (0.42%) |

| Company | Ticker | 10/28 Close | 1-Week % Chg | YTD %Chg |
|---------------|--------|-------------|--------------|----------|
| TELCOS | | | | |
| AT&T: | T | 29.74 | 2.09% | 1.23% |
| VERIZON: | VZ | 37.63 | 0.56% | 5.17% |

| Company | Ticker | 10/28 Close | 1-Week % Chg | YTD %Chg |
|-----------------------|--------|-------------|--------------|----------|
| MARKET INDICES | | | | |
| DOW: | DJI | 12231.11 | 3.58% | 5.65% |
| NASDAQ: | IXIC | 2737.15 | 3.78% | 3.18% |
| S&P 500: | GSPC | 1285.09 | 3.78% | 2.18% |

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

| COMPANY | CLOSE | 1-WK CH |
|-----------------|-------|---------|
| 1. CLEARWIRE: | 2.00 | 29.03% |
| 2. HARMONIC: | 5.62 | 20.34% |
| 3. JDSU: | 12.64 | 20.15% |
| 4. VALUEVISION: | 3.60 | 14.65% |
| 5. LEVEL 3: | 26.56 | 13.02% |

THIS WEEK'S STOCK PRICE LOSERS

| COMPANY | CLOSE | 1-WK CH |
|-----------------------|-------|----------|
| 1. CABLEVISION: | 15.14 | (13.83%) |
| 2. TIME WARNER CABLE: | 62.48 | (11.84%) |
| 3. AVID TECH: | 6.37 | (11.65%) |
| 4. VIRGIN MEDIA: | 24.77 | (8.6%) |
| 5. CHARTER: | 45.58 | (8.38%) |



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Deadline: November 11, 2011

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