

CableFAX Daily™

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What the Industry Reads First

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CVC Numbers: Strong Financials, Advertising Resurgence & Video Sub Losses

There was an advertising surprise in **Cablevision's** 3Q results Tues—ad revenue was up 6% sequentially. “There are traditional advertisers back in the market and more political advertisers in the market... There seems to be some economic rebound with regard to pricing,” Cablevision COO *Tom Rutledge* said. Cablevision's newly launched interactive ad service didn't add much to those numbers, but Rutledge has high hopes for it. The 1st advertiser, **Gillette**, had planned a 2-week campaign that included 30K samples that customers could get sent to them with a click of the remote. In just over a week, all 30K were given away and the campaign ended early, Rutledge said. He added that there was an even “more significant” response for a just-ended promo with **Benjamin Moore** that included free paint samples. Tues' earnings call briefly touched on retrans, with reports of CVC negotiating with **News Corp** on **Fox** stations (*Cfax*, 11/3). Rutledge didn't address any specific broadcasters, but said CVC has a large programming budget in place. “While we have some concerns about retransmission consent, we think we can manage our overall cost structure,” he said. He said the overall programming cost structure of cable is still growing, but not as much as it once was. “There's actually some downward pressure on the rate of growth,” Rutledge said. CVC lost 27K basic customers and 14K digital customers, with management blaming it more on the economy (and seasonality) than competition. The Street had expected a loss of 19K basic and a gain of 22K digital. Keep in mind, virtually all CVC's basic customers are digital, so that helped bring down the digital metric. “The weaker-than-expected sub trends in FiOS, U-Verse and now CVC may be a negative read-through for the rest of the pay-TV space,” said **Wells Fargo's** *Marci Ryvicker*. Things were better for HSD (+19K) and VoIP (+34K). Having completed its outdoor WiFi rollout, the company is now focused on launching it indoors. Rutledge said the project is 15% under its \$300mIn budget. Speaking of advertising gains, the **Rainbow** unit posted an eye-popping 18% increase in ad rev. Rainbow's **WE, AMC** and **IFC** posted an 11% YOY increase in revenue. By year-end, the **MSG** spin should be complete. Execs didn't say much about it, telling analysts that a tentative road show is scheduled for Dec to provide more info. **S&P** maintained its “sell” on CVC, pointing to uncertain capital allocation post spin-off and the possibility of near-term overhang due to Rutledge's contractual situation (his current contract expires Dec 31). But S&P was in the minority, with CVC's 3Q profit, which more than tripled to \$98.9mIn, its nearly 15% increase in adjusted operating cash flow and 5% rise in rev-

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enue impressing others. **Sanford Bernstein** told clients Tues that CVC may be the most compellingly valued name in its coverage universe. **Bank of America** reiterated its "buy" rating, calling CVC a "free cash flow juggernaut." FCF increased about 70% YOY on higher EBITDA and lower capex. Cablevision shares were up more than 3% at Tues' close.

Viacom Dollars: Though **Viacom** must still shore up ratings declines at flagship net **MTV** and improve advertising across its brand basket, CEO *Philippe Dauman* said both the company and the US economy are "moving in the right direction." And while the transformations take place, the company is working diligently to close the troubling gap it perceives between its 20% delivery of overall cable viewership and 8% take of cable licensing fees. "Clearly our networks are vastly undervalued relative to their share of viewership and on-demand performance," said Dauman. A more palatable balance will likely come from continued improvement at MTV, which saw its ratings slip 3% YOY in the Q after falling 5% in Jul and 14% in 2Q. **BET's** ratings jumped 19% in 3Q and are up 25% so far in 4Q. In an effort to improve viewership across nets, Viacom's pledging to increase investment in original animation for feature on not just **Nickelodeon** but **MTV**, **Comedy Central** and **Nick at Nite** as well. "Animation has broad appeal that can be easily shared around the globe," explained Dauman. Meanwhile, advertising across Viacom's media nets is improving, albeit slowly, as domestic ad rev fell 4% after slipping 6% in 2Q and 9% in 1Q. Yet ongoing ad softness remains, said Dauman, noting that while scatter pricing is up double digits over upfront pricing, "visibility on the depth and strength of the scatter market over the remainder of the [year] remains limited." As marketers continue to prefer just-in-time buying, "the next several weeks will really tell the tale," he said. The Media Nets segment posted flat rev while domestic affil rev increased 11%, with four-fifths of that growth stemming from rate increases. **Pali** upgraded Viacom to 'buy' last week and on Tues raised its corresponding estimates and price target by \$1 as the company "meaningfully" exceeded analyst *Rich Greenfield's* 3Q expectations. Still, Greenfield foresees only modest improvement in '10 ad rev.

More Earnings: Typically a key bellwether of the US ad market's health, **Discovery Comm** reported 5% YOY growth in domestic ad rev even with sequential flatness now stretching 3 consecutive Qs. "It's too early to say things have turned, but demand has improved," said pres/CEO *David Zaslav*. The company expects flat-slightly positive domestic ad rev in 4Q and growth in '10. Current scatter pricing is up approx 8-15% over upfront pricing though its still below last year's levels. Discovery's US nets, meanwhile, continue to blaze. The basket's viewership is up 10% among 25-54s so far this year and up 14% in prime during 3Q. Other quarterly results: **TLC** increased ratings 33% among women 25-54; **Animal Planet** was up 12% among 25-54s; **Discovery Channel** grew double-digits among 25-54s and **Investigation Discovery**, while growing viewership every Q since its rebrand last year, saw 3Q ratings jump 20%. Nets' distribution rev rose 5% to \$242mln. Overall rev grew 5% to \$854mln and adjusted OIBDA surged 17% to \$364mln. The company raised the low



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end of its FY rev guidance, now \$3.45-3.5bln, and raised its FY OIBDA guidance to \$1.46bln from \$1.43bln.

At the Portals: With talk of the **FCC** trying to reclaim broadcast spectrum, FCC commish *Michael Copps* said Tues that broadcasters must do a better job serving the public interest. "If we can't fix what's broken, if we can't rejuvenate broadcast journalism, reopen shuttered newsrooms, put the brakes on mind-numbing monoprogramming, stop the dumbing-down of our civic dialogue and take advantage of the great potential of local broadcasting, then maybe those who want that spectrum back have the better of the argument," Copps said in prepared remarks at the FCC's 2nd hearing this week on the 2010 quadrennial review of media ownership rules. He also criticized what he said was poor coverage of the media ownership hearings this week by the media.

Advertising: **ESPN** and **Toshiba** are collaborating on 4 custom spots highlighting the latter's brand and tech, part of the pair's new multi-platform sponsorship ad campaign launching this month and running throughout Dec.

Ratings: Ho-hum. Another **USA** original, another ratings success. Though down from its heady inaugural numbers (4.1/4.04mln), "White Collar" delivered a 3.6/3.58 for its 2nd ep to rank 4th among telecasts and offer starch to the net's prime victory (2.6/2.58mln). USA notched 7 of the top 10 shows, led by **WWE** content (3.8/3.76mln). The Eagles-Redskins clash on **ESPN's** MNF took the blue ribbon with a 9.4/9.26mln, albeit well off the series' typical draw. A college football tilt on ESPN and **Nickelodeon's** "SpongeBob SquarePants" completed the telecast top 10. The sports giant took 2nd among nets with a 2.3/2.33mln, and was followed by **Disney Channel** (1.8/1.79mln). **Fox News** (1.6/1.60mln) and **TNT** (1.6/1.58mln) tied for 4th. -- **Brag Book:** Aided by "Bridezillas" and "My Fair Wedding with *David Tutera*," **WE tv** notched Sun night its most successful prime night ever among total viewers (765K), HH rating (0.82), 25-54s (470K), 18-49s (462K) and women 18-49 (364K). -- **Travel Channel's** 7-hr "Ghost Adventures Live" garnered an overall 0.79 HH rating and more than 3.8mln total viewers to become the net's highest ratings ever for a live event and drive a Fri night historical best 0.85 25-54 rating. -- **Discovery en Espanol** saw its best Oct ever among total viewers (71K), HHs (48K) and across the 18-49 and 18-34 demos. -- Now a **Nielsen**-rated channel for more than a year, **Fox Soccer** delivered from Sept 28-Oct 25 YOY audience increases of 125% (to 27K) among total day viewers and 200% (to 15K) among men 18-49. -- The 11th annual edition of **ABC Family's** "13 Nights of Halloween" notched event-best deliveries among total viewers (1.4mln), 18-34s (372K), women 18-34 (225K), 18-49s (665K), women 18-49 (397K), 12-34s (602K) and females 12-34 (368K).

Programming: **Turner's** set to simulcast the premiere of **TBS' "Lopez Tonight"** (Mon) across **TNT** and **truTV**. -- **Nickelodeon** picked up 20 eps of "Big Time Rush" (1-hr preview Nov 28), a live action, scripted comedy series from *Scott Fellows*, creator of the net's "Ned's Declassified School Survival Guide." -- With 4 football games being televised on **Big Ten Network** at noon Sat, the net has info on channel assignments at www.bigtennetwork.com/gamefinder.

Try Us: The **Assn of Cable Communicators** is offering a 6-month trial membership—allowing prospective members to join the organization without paying any upfront fees. To continue benefits and access to ACC programs after the trial period, new members pay half of the 1st year's dues (\$100) to complete the year. The program runs through Dec 31, 2010. "We're confident that the vast majority of those who get to know ACC through this 'test drive' are going

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BUSINESS & FINANCE

to want to stick around," said ACC pres *Jim Maiella*.

On the Circuit: NCTA pres/CEO *Kyle McSarrow* will talk about cable's commitment to keeping kids safe online as a keynote speaker at the **Family Online Safety Institute's (FOSI) Annual Conference**, Thurs. -- **OnDemandWeekly.com**, a Website dedicated to VOD offerings, has launched. It's currently covering **Comcast** and **Time Warner Cable's** VOD offerings, but plans to add more services at a later date. The site is founded by *Britt Bensen*, formerly of *Sundance Channel*, and publishing exec *Doug Turner*.

People: **Fox Network Group** evp, HR *Adrienne Gary* will leave at the end of Nov to return to her consulting practice specializing in HR. -- **AmericanLife TV** tapped *Aaron Norris* as pres, development.

Business/Finance: **Cisco** announced a purchase of the set top business of Hong Kong-based **DVN Holdings** for \$17.5mln upfront and \$27mln to be paid over 4 years based on the achievement of specific sales milestones. -- **Windstream** agreed to acquire SC local exchange carrier **NuVox** in a deal valued at \$643mln.

CableFAX Daily Stockwatch

Company	11/03 Close	1-Day Ch	Company	11/03 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	35.35	0.15	ADVANTAGE:	2.16	(0.17)
DIRECTV:	26.47	(0.08)	ALCATEL LUCENT:	3.69	UNCH
DISH:	17.37	(0.18)	AMDOCS:	24.39	(0.26)
DISNEY:	27.62	0.21	AMPHENOL:	41.36	0.27
GE:	14.32	(0.15)	APPLE:	188.75	(0.56)
NEWS CORP:	13.51	(0.01)	ARRIS GROUP:	10.34	0.20
MSOS					
CABLEVISION:	24.02	0.75	AVID TECH:	12.54	0.28
COMCAST:	14.51	UNCH	BIGBAND:	3.68	0.05
COMCAST SPCL:	13.97	(0.07)	BLNDER TONGUE:	1.17	UNCH
GCI:	6.04	(0.1)	BROADCOM:	25.99	(0.39)
KNOLOGY:	10.17	0.07	CISCO:	22.91	(0.09)
LIBERTY CAPITAL:	21.81	0.38	CLEARWIRE:	6.55	0.55
LIBERTY ENT:	30.99	UNCH	COMMSCOPE:	26.90	0.06
LIBERTY GLOBAL:	20.81	0.20	CONCURRENT:	3.99	0.04
LIBERTY INT:	11.71	0.05	CONVERGYS:	10.93	0.24
MEDIACOM:	4.66	0.05	CSG SYSTEMS:	16.23	0.25
RCN:	8.26	0.05	ECHOSTAR:	18.69	0.24
SHAW COMM:	18.00	0.01	GOOGLE:	537.29	3.30
TIME WARNER CABLE:	39.62	(0.02)	HARMONIC:	5.27	0.07
VIRGIN MEDIA:	14.35	(0.04)	INTEL:	18.50	(0.51)
WASH POST:	429.45	(4.05)	JDSU:	5.76	0.24
PROGRAMMING					
CBS:	11.97	(0.15)	LEVEL 3:	1.24	0.05
CROWN:	1.53	(0.06)	MICROSOFT:	27.53	(0.35)
DISCOVERY:	28.01	0.73	MOTOROLA:	9.08	0.05
EW SCRIPPS:	6.52	0.18	OPENTV:	1.54	UNCH
GRUPO TELEVISA:	19.52	(0.27)	PHILIPS:	25.16	0.07
HSN:	15.07	0.20	RENTRAK:	15.51	0.05
INTERACTIVE CORP:	19.05	0.03	SEACHANGE:	6.62	0.10
LIBERTY:	34.19	0.29	SONY:	29.01	0.11
LODGENET:	5.18	0.37	SPRINT NEXTEL:	2.94	0.07
NEW FRONTIER:	1.99	0.03	THOMAS & BETTS:	34.90	0.35
OUTDOOR:	7.25	0.11	TIVO:	10.44	(0.16)
PLAYBOY:	2.95	UNCH	TOLLGRADE:	5.81	(0.36)
RHI:	2.75	(0.1)	UNIVERSAL ELEC:	20.70	0.06
SCRIPPS INT:	38.17	0.14	VONAGE:	1.78	0.13
TIME WARNER:	30.16	0.01	YAHOO:	15.70	(0.15)
VALUEVISION:	3.09	(0.08)	TELCOS		
VIACOM:	30.17	0.40	AT&T:	25.36	(0.23)
WWE:	13.52	0.01	QWEST:	3.54	0.03
TECHNOLOGY					
3COM:	5.30	0.23	VERIZON:	29.07	(0.34)
ADC:	6.48	0.18	MARKET INDICES		
			DOW:	9771.91	(17.53)
			NASDAQ:	2057.32	8.12



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