

CableFAX Daily™

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What the Industry Reads First

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Heartache in the Heartland: Mediacom's Financials Disappoint

Mediacom's largely disappointing 3Q metrics coalesced with jittery cable sentiment on Wall St Tues, sending the MSO's stock price crashing through its 52-week floor to close Tues at \$5.02 (-8.6%). Likely more alarming to chmn/CEO *Rocco Commisso*, however, is a pair of factors that may indicate comparatively more trouble at Mediacom than at its industry brethren: hypercritical analyst reaction to the results (with little variation) and the advancing share prices of **Comcast**, **Time Warner Cable** and **Charter** while MCCC faltered. Investors have responded similarly to cable equities in recent weeks, but not this time. "Mediacom is simply struggling, with EBIDTA growth at less than half the rate of its industry peers," said *Pali's Rich Greenfield*. Commisso and fellow execs acknowledged some negative results—softness in RGU growth, a high number of disconnects and failure to effectively upgrade HSD subs among them—and updated '07 guidance accordingly. '07 revenue growth of 6.5%-7% is now expected, down from 7%-8%, and OIBDA growth estimates were lowered to 4%-5% from 6%-7%. Also, capex is projected to exceed the previous \$215mln estimate by \$10mln, due mainly to outside contractor use, 3rd party call support and network upgrades. Even so, Commisso insisted that Mediacom is competitively positioned for the future, pointing to a \$50mln board-approved stock repurchase plan as proof of long-term confidence. "We believe in... our company even with the hiccups we experienced from time to time," he said. Myriad projects and plans are in the works to spur operational improvements, said evp, operations *John Pascarelli*, including the introduction of a low-end HSD service to combat encroaching DSL bundles and a HD plan that will offer customers 30-40 high-def channels for only the cost of a converter box. Phone service, a definite bright spot for the MSO, could also use some tightening. "We need to do a better job of getting existing customers to adopt [phone] service faster," he said, noting that refinements to pricing/ bundling strategies across services are also required. What remains unclear is just how much Mediacom's business has been affected by its carriage standoff with **Big Ten Network**. *Pali's Greenfield*, who predicted last month a hefty impact from customer defections, had planned to ask this question Tues but never got the chance. Mediacom didn't respond to a *Cfax* inquiry on the topic by deadline.

Program Access: *Hallmark Channel's Henry Schleiff* continues to advocate strengthening the FCC's program access carriage rules, something that's expected to happen before year-end. The net's 3rd largest affiliation agreements (**Comcast**, **Time Warner Cable** and **DirectTV**) are up for renewal before the end of the year. One distributor "is refusing even to open negotiations or make a renewal offer," the programmer said in an FCC filing Tues. On Mon, Schleiff met with FCC chmn *Kevin Martin*, Commissioners *Jonathan Adelstein* and *Michael Copps* as well as FCC staffers. Hallmark brass warned that the absence of complaints under the existing program carriage regime isn't evidence of a lack of discrimination. Instead, it's "a reflection of the difficulties presented to independents by the high burdens of going forward under the existing rules and the prospects for retaliation by MVPDs." The programmer, which supports



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baseball-style arbitration, said video providers dominate control over negotiations, controlling not only when talks begin, but the terms they are willing to negotiate. Meanwhile, **Oppenheimer** issued a research note Tues saying it continues to believe that Hallmark is well positioned for carriage renewal. "Cable MSOs basic subscriber losses improve Crown's negotiating leverage for upcoming carriage renewals," the firm said.

Carriage: **Cablevision** is adding its 42nd HD net—**CNN HD**—across its entire service area. CVC's been on a HD tear, nearly doubling the size of its high-def lineup over the last year. The launch means CVC subs will be able to check out this month's Democratic and Republican debates in stunning HD—and you thought the candidates were scary before...

Competition: Deployment of **U-verse TV** will contract going forward while spending will climb, said **AT&T** in a Tues **SEC** filing. The telco raised its 2-year (Jan '07-Dec '08) capex outlook for the service to \$5bln, up \$500K, and said the service is expected to pass 17mln homes by the end of next year, down from 18mln. Both alterations stem from U-verse TV expansion plans into **BellSouth's** former southeast stronghold. Also, legislation that is pending or possible in several states concerning the applicability of cable regulation to the IP service "could have a material adverse effect on the cost, timing and extent of our deployment plans," warned AT&T.

Comcast Coming to America: The **America Channel** inked a deal for carriage in 26 **Comcast** markets. The agreement comes after the **FCC** concluded that the net qualifies as an RSN and therefore could pursue arbitration with Comcast (**Cfax**, 9/27). TAC said it will announce launch plans early next year. Neither side would discuss terms. TAC has previously offered carriage to Comcast without a per sub fee, according to FCC filings. The net, which apparently shifted to a sports focus, last year will feature 19 **NCAA** Div I Conferences representing 172 schools. Its planned regional nets are AC New England, AC Northeast, AC Mid-Atlantic, AC Midwest, AC Mountain, AC South and AC West. TAC says it expects to be added to Comcast's digital lineup—not digital sports tier—in Chicago, Detroit, Indianapolis, Miami/Ft Lauderdale, Jacksonville, Nashville, Chattanooga, Little Rock, Columbia, Savannah, Monroe, Baltimore, DC, Roanoke/Lynchburg, Philly, Wilkes Barre/Scranton, New York, Boston, Hartford/New Haven, Providence, Burlington (Vt.), San Francisco, Sacramento, Portland, Salt Lake City and Denver.

Advertising: Ad spending in Spanish-language media for the 1st half of '07 rose 2.3% to \$2.87bln over the same period last year, according to **Nielsen Monitor-Plus**. Spanish-language cable showed an especially large gain (+75% to \$104.3mln) because of increases in media measurement. **Fox Sports en Espanol** was added to the cable category in '07—without the net, cable spending increased 29.1%. Spanish network TV rose 0.2% to \$1.53bln.

CFO Shuffle: **Rob Marcus** will take over as **Time Warner Cable's** CFO Jan 1 (he'll keep his sr evp title as well). Marcus replaces **John Martin**, who becomes CFO for Time Warner next year. Current CFO **Wayne Pace** is retiring at year-end. CEO-elect **Jeff Bewkes** said Martin brings "an invaluable combination of skills, experience and judgment" to the post.

Deals: **Hicks Equity**, the private equity arm of **Hicks Holdings**, acquired a majority stake in **Biltmore Comm** of Atlanta. Hicks Holdings is the majority owner of **DirecPath**, a MDU-focused jv formed with **DirecTV** last year. Hicks plans to merge Biltmore with DirecPath. **RBC Daniels** represented Biltmore.

Programming: **Animal Planet** inked a deal to air **CNN** doc "Planet in Peril" (Dec 2 & 3, 8pm) approx 1 month after its recent world premiere. -- **LMN's** "Before They Were Stars" film showcase will feature **Felicity Huffman** in "Snap

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BUSINESS & FINANCE

Decision" (Nov 30, 8pm). -- **WE** announced "High School Confidential," an 8-ep weekly series following 12 girls from freshman year through graduation day (debuts Mar).

On The Circuit: There's nothing better than a 3-person, co-ed basketball tournament to get the juices flowing on Sat morning. So **NAMIC NY** is hosting a tourney Sat, 10am, at Hunter College (\$300 per team of 3; \$100 for single players). Info: ndellamonica@tennischannel.com. -- The **Assoc of Cable of Communicators** has launched the Beacon Awards blog at www.cablecommunicators.org. The week-and-a-half long blog will feature tips on preparing entries by the Nov 16 deadline.

Earnings: Insight on Tues touted what it said was record operational 3Q. Basic subs grew 3.3% over the past 12 months (21.1Knet gains for 3Q). HSD subs grew by 47.9K, which ties its record-high net adds. Tues is Insight's last earnings call as a combined company (**Comcast** takes over half of its sub base at year-end).

People: *Jill Goldfarb* has been appointed vp, programming, **Discovery Channel** and **The Science Channel**, while *Katherine Nelson* has been named vp, communications for the 2 nets. -- **Vyyo** appointed *Christopher Graham* vp, sales. -- **CSTV** tapped *Julie Hansen* as svp, interactive. -- *Peter Smith* is leaving **Broadstripe** (nee **Millennium Digital**) to head up programming for **WOW**.

CableFAX Daily Stockwatch

Company	11/06 Close	1-Day Ch	Company	11/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/			AMPHENOL:	43.91	0.34
BRITISH SKY:	52.85	(0.11)	APPLE:	191.79	5.61
DIRECTV:	26.12	0.86	ARRIS GROUP:	11.26	0.05
DISNEY:	34.08	0.20	AVID TECH:	27.68	(0.48)
ECHOSTAR:	49.10	1.22	BIGBAND:	6.04	0.18
GE:	40.18	(0.02)	BLNDER TONGUE:	1.16	(0.04)
HEARST-ARGYLE:	22.06	(0.04)	BROADCOM:	33.49	0.58
ION MEDIA:	1.40	0.00	C-COR:	12.05	0.14
NEWS CORP:	22.63	0.66	CISCO:	34.08	1.00
TRIBUNE:	28.82	0.25	COMMSCOPE:	45.36	0.19
MSOS					
CABLEVISION:	26.98	(0.36)	CONCURRENT:	1.04	(0.01)
CHARTER:	1.82	0.02	CONVERGYS:	17.78	(0.22)
COMCAST:	20.69	0.27	CSG SYSTEMS:	19.20	0.07
COMCAST SPCL:	20.53	0.37	GEMSTAR TVG:	6.92	0.12
GCI:	7.91	0.01	GOOGLE:	741.79	16.14
KNOLOGY:	16.10	0.35	HARMONIC:	11.65	0.26
LIBERTY CAPITAL:	121.93	1.32	JDSU:	14.67	0.09
LIBERTY GLOBAL:	41.17	0.34	LEVEL 3:	3.03	0.00
LIBERTY INTERACTIVE:	20.85	0.00	MICROSOFT:	36.41	(0.32)
MEDIACOM:	5.02	(0.47)	MOTOROLA:	17.74	0.03
NTL:	28.22	0.00	NDS:	58.32	0.72
ROGERS COMM:	42.97	0.00	NORTEL:	19.18	2.90
SHAW COMM:	28.01	0.21	OPENTV:	1.37	0.01
TIME WARNER CABLE:	27.55	0.20	PHILIPS:	43.84	1.02
WASH POST:	857.26	21.01	RENTRAK:	15.07	(0.03)
PROGRAMMING					
CBS:	27.90	0.30	SEACHANGE:	5.66	(0.04)
CROWN:	6.94	0.14	SONY:	48.85	0.21
DISCOVERY:	27.47	0.33	SPRINT NEXTEL:	17.21	0.20
EW SCRIPPS:	44.81	0.43	THOMAS & BETTS:	55.84	1.93
GRUPO TELEVISA:	23.80	0.38	TIVO:	6.97	0.15
INTERACTIVE CORP:	31.11	(0.73)	TOLLGRADE:	8.30	0.20
LODGENET:	20.97	0.11	UNIVERSAL ELEC:	34.43	0.37
NEW FRONTIER:	5.75	(0.13)	VONAGE:	2.03	0.04
OUTDOOR:	8.18	(0.08)	VYYO:	5.83	0.23
PLAYBOY:	11.40	0.32	WEBB SYS:	0.08	0.01
TIME WARNER:	18.33	0.52	YAHOO:	29.93	(1.43)
UNIVISION:	36.23	0.00	TELCOS		
VALUEVISION:	4.87	(0.18)	AT&T:	40.04	0.00
VIACOM:	42.46	0.39	QWEST:	6.76	(0.14)
WWE:	15.12	0.27	VERIZON:	43.74	(0.08)
TECHNOLOGY					
3COM:	4.81	0.00	MARKET INDICES		
ADC:	18.19	(0.37)	DOW:	13660.94	117.54
ADVANTAGE:	6.67	(0.56)	NASDAQ:	2825.18	30.00
ALCATEL LUCENT:	9.08	0.12			
AMDOCS:	35.05	0.26			

Hallmark Channel Delivers Record-Breaking Third Quarter



insidehallmarkchannel.com

The Top 10 Network delivers its highest quarter ever among Total Day households.

Source: Nielsen Media Research. "Top 10" based on 3Q07. "Highest Quarter" based on all quarters from 10Q1-3Q07, 4a-6a, Live HHL AA [000]. Further qualifications available upon request.

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Corporate Affairs
Time Warner Cable

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