

CableFAX Daily™

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What the Industry Reads First

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Cablevision 3Q: Not Too Shabby, But Shares Still Under Pressure

Investors continue to have a bleak view of cable stocks, with **Cablevision** and **Charter** both bumping against new 52-week lows after releasing their 3Q earnings Thurs. The 2 had company, with **Comcast** and **Time Warner Cable** also hitting new lows Thurs. A broader market selloff started to ease toward the end of the day, helping Cablevision shares close down only 0.3%. Cablevision's news was actually better than analysts concerned about telco competition had predicted, but Cablevision, which operates in **Verizon** Country, devoted much of its earnings call to discussing the telco rival. The MSO isn't sweating its recently announced 4.7% video rate hike for next year, even if it is a larger increase than in recent years. "Our prices are currently lower than Verizon and they'll continue to be lower than Verizon absent a change on their part," CVC COO *Tom Rutledge* said during the MSO's 3Q earnings call. He noted that Verizon raised its rates 7% last year. Cablevision estimates that the telco passes 1.1mln homes in its footprint and is offering video to 890K of those passings. 800K of those passing only came available for sale in the last 12 months, with construction appearing to have slowed, said Rutledge. CVC brass also downplayed the telco's recent announcement that it will increase its HD offerings to 150 next year. "We think we have the capacity to carry as many HD channels as can be launched," Rutledge said, pointing to CVC's use of switched digital (especially meaningful considering its 83% digital penetration). "We just tested and proved out to ourselves that HD switched digital works." CVC declined to provide further details. To date, the MSO offers about 70 channels via switched digital—mostly intl nets—and it offers 42 HD nets. Cablevision doesn't appear to be in any hurry to launch wireless. "The cellular business is quite crowded," CEO *Jim Dolan* said. "It really is somewhat of a commoditized product, although there does seem to be somewhat of an unending demand for it." Bottom line: CVC will keep an eye on wireless, as well as other technologies such as WiFi, but it's not ready to commit to anything right now.

By the Numbers: CVC lost 16K basic subs, not as bad as some had feared. VoIP was strong with 91K additions, giving it a penetration of 32% of homes passed (2 out of 3 HSD homes take phone). "If this trend continues, the majority of our customers will be buying landline voice from us by the end of this year," Rutledge said. Data adds were down to 52K from 72K a year ago, while digital adds totaled 35K. Revenue climbed 34% to \$1.5bln over last year. Net loss grew to \$79.3mln from \$59.2mln. Not surprisingly, Dolan declined to discuss the failed bid to take Cablevision private.

St. Louis Blues: Troubling 3Q results and concerns over major debt sank **Charter** shares Thurs to a 52-week low of \$1.16, down 35%. Although revenue rose across video, HSD and especially phone services, the MSO felt heavy downward pressure from a net loss of 40K basic subs, a \$407mln net loss, and higher costs, which were blamed on programming and expansion expenditures. "Clearly we are not pleased with volume performance," said pres/CEO *Neil Smit*. "We're taking steps to regain RGU momentum, and in fact we saw a rebound of RGU trends through the quarter." VoIP is certainly helping the cause: 100K subs were added in the Q and segment rev soared 154% to \$94mln. And perhaps



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more importantly, phone service has been a solid pull-through for HSD services, said COO **Mike Lovett**, as four-fifths of the MSO's 53K HSD adds came in markets that offer phone. A VoIP/HSD bundle is currently trialing and early results are promising, execs said. Still, overall operational improvements are needed, and Charter's responding with a trial of faster HSD speeds, investment in customer services, and HD enhancements. 100 HD options (nets and VOD) are expected by year's end. Adding urgency is competitive advertising, which has definitely become a force, said Smit. Especially in the L.A. and Dallas areas—where **Time Warner Cable** continues to struggle and **Verizon** has amped up its presence. The 2 markets hold 8% of the MSOs overall sub base but accounted for 25% of quarterly sub losses.

From the Street: Citing the sharp pullback in **Mediacom** shares, **Citigroup** has upgraded the MSO to "buy" from "hold" and maintained its \$11 price target. Though the MSO missed 3Q numbers, the stock—trading around \$5 per share—shows more than 100% upside, wrote Citigroup's **Jason Bazinet**. He believes it will generate free cash flow next year. Other positives: the pace of buybacks, voice sell-in rates may improve and what he sees as a negligible telco fiber risk. One more: "Although not likely, we do see material upside—about \$13 per share—if Mediacom is sold to a rival cable firm," he wrote in a research note.

Competition: **Verizon** added **Discovery Channel HD** to its FiOS TV lineup, and plans to launch high-def simulcasts of **TLC**, **Animal Planet** and **The Science Channel** in '08. The telco also launched its video service in the Pittsburgh area. -- **AT&T** became the 1st company to receive state video franchise approval in OH. The new state franchising law went into effect in Sept. -- **AT&T** is taking orders for **U-verse** in Austin, TX, where **Time Warner Cable** is the incumbent operator. The telco says it will begin installs Nov 19. Now through Jan 31, new customers can receive their choice of free HD service for a year, \$100 cash back or 1 month of free service. -- A statewide franchising bill was expected to pass the WI Senate Thurs, *AP* reported. The measure's already passed the state Assembly.

Over the Rainbow: The real star in **Cablevision's** 3Q earnings was **Rainbow**, where revenue climbed 17% to \$222mln over last year. EBITDA rose 42% to \$52mln. Thank a 22.4% increase in ad revenue (primarily due to higher CPMs and higher units sold at **AMC**) and a 9% increase in affil revenue.

In the Courts: **Vonage** reached a tentative settlement with **AT&T** over a patent infringement case. Under the deal, Vonage will pay the telco giant \$39mln, and the 2 will drop lawsuits against each other. Last month, Vonage settled patent suits with **Verizon** and **Sprint**. Vonage reported a 3Q net loss Thurs of \$161.8mln, well above last year's \$62.2mln loss.

Fox's View: **Big Ten Network** is struggling for cable carriage, but **News Corp's** **Peter Chernin** said "we've got plenty of patience and plenty of tolerance to get there" during News' earnings call Wed. "As we move into basketball and hockey season, I think the pressure ratchets up significantly." As for **Fox Business**, execs said the company is budgeted to spend \$130mln on it to break even over 3 years and expects to lose a little more than \$60mln this year. Chernin said Big Ten's expected to break even sooner.

Advertising: Media buying firm **Starcom** is the 1st partner of **TiVo's** PowerWatch Consumer Panel, which provides advertisers access to demographic and viewing behavior for 20K HHs.

Ratings: 3 NY/NJ-area hockey teams skated to their highest avg HH rating season-to-date since '02-'03. The Rangers averaged a 0.87 on **MSG** (+85%), the Islanders a 0.21 (+250%) on **FSNY**, and the Devils a 0.32 on **FSNY** (+100%).



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BUSINESS & FINANCE

Earnings: Disney's cable nets delivered a 24% jump in 4Q rev to \$2.8bln and a 30% surge in operating income to \$1.1bln, with both metrics driven largely by ESPN. The sports net's higher affil and ad rev was partially offset by higher programming and production costs, the former due mainly to the addition of NASCAR content. -- **RCN** added 25K RGUs in 3Q and 9K net subs, including 9K data and 2K video (HSD was flat). Total rev increased 4% to \$150mln, and ARPU inched up 2% to \$109.

Programming: ION will launch in HD during 1Q08, featuring native and up-converted HD programming. It will be carried on all 60 of ION's stations around the country. -- **BlueHighways TV** parent **Network Creative Group** purchased **Americana Television Network's** assets, including its programming library of original roots music series and a collection of historic music videos. The purchase increases BlueHighways' programming by several thousand hours. -- Former "This Old House" host **Steve Thomas** has signed on to be **Planet Green's** green building and renovation expert. No word on programming plans yet.

Honors: Lifetime pres/CEO **Andrea Wong** will be honored Thurs in DC at the annual Knock Out Abuse Against Women Gala to mark the net's "End Violence Against Women" campaign.

People: Ex-FCC Media Bureau chief **Ken Ferree** was named pres of **The Progress & Freedom Foundation**.

CableFAX Daily Stockwatch

Company	11/07 Close	1-Day Ch	Company	11/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	52.16	0.61	ALCATEL LUCENT:	8.56	(0.06)
DIRECTV:	27.12	0.34	AMDOCS:	33.95	(0.54)
DISNEY:	33.63	0.13	AMPHENOL:	42.67	(0.59)
ECHOSTAR:	50.47	1.19	APPLE:	175.47	(10.83)
GE:	39.02	(0.06)	ARRIS GROUP:	11.00	0.08
HEARST-ARGYLE:	21.15	(0.68)	AVID TECH:	26.00	(0.64)
ION MEDIA:	1.38	(0.01)	BIGBAND:	6.01	(0.01)
NEWS CORP:	22.58	0.62	BLNDER TONGUE:	1.10	0.00
TRIBUNE:	27.50	(0.36)	BROADCOM:	30.90	(1.99)
MSOS					
CABLEVISION:	26.45	(0.08)	C-COR:	11.96	0.15
CHARTER:	1.16	(0.62)	CISCO:	29.63	(3.12)
COMCAST:	19.82	(0.27)	COMMSCOPE:	43.90	(0.69)
COMCAST SPCL:	19.67	(0.27)	CONCURRENT:	1.01	(0.01)
GCI:	7.99	0.47	CONVERGYS:	17.78	0.37
KNOLOGY:	14.45	(0.96)	CSG SYSTEMS:	19.24	0.04
LIBERTY CAPITAL:	122.91	(1.21)	GEMSTAR TVG:	6.65	0.01
LIBERTY GLOBAL:	39.49	(0.92)	GOOGLE:	693.84	(39.1)
LIBERTY INTERACTIVE:	20.51	(0.05)	HARMONIC:	11.28	(0.1)
MEDIACOM:	5.05	(0.08)	JDSU:	13.38	(0.69)
NTL:	28.22	0.00	LEVEL 3:	2.93	(0.08)
ROGERS COMM:	42.97	0.00	MICROSOFT:	34.74	(0.78)
SHAW COMM:	27.28	(0.17)	MOTOROLA:	17.00	(0.02)
TELEWEST:	24.20	0.00	NDS:	57.74	(0.3)
TIME WARNER CABLE:	25.82	(0.55)	NORTEL:	18.10	(0.36)
WASH POST:	850.80	(7.12)	OPENTV:	1.12	(0.22)
PROGRAMMING					
CBS:	27.26	0.23	PHILIPS:	43.55	0.46
CROWN:	7.17	0.27	RENTRAK:	14.23	(0.56)
DISCOVERY:	26.00	(0.96)	SEACHANGE:	5.20	(0.12)
EW SCRIPPS:	44.48	0.40	SONY:	47.27	(0.66)
GRUPO TELEVISA:	22.98	(0.35)	SPRINT NEXTEL:	16.54	(0.03)
INTERACTIVE CORP:	29.67	(0.06)	THOMAS & BETTS:	53.30	(0.56)
LIBERTY:	8.32	0.06	TIVO:	6.99	0.03
LODGENET:	19.15	(0.72)	TOLLGRADE:	8.46	0.33
NEW FRONTIER:	5.16	(0.6)	UNIVERSAL ELEC:	34.44	0.48
OUTDOOR:	7.77	(0.28)	VONAGE:	2.49	0.30
PLAYBOY:	10.73	(0.17)	VYYO:	5.99	0.29
TIME WARNER:	17.70	(0.1)	WORLDGATE:	0.30	0.00
UNIVISION:	36.23	0.00	YAHOO:	26.70	(0.93)
VALUEVISION:	4.66	(0.12)	TELCOS		
VIACOM:	41.43	0.21	AT&T:	39.34	0.68
WWE:	14.75	0.10	QWEST:	6.46	(0.09)
TECHNOLOGY					
3COM:	4.83	0.03	VERIZON:	42.73	(0.37)
ADC:	17.30	(0.61)	MARKET INDICES		
ADDVANTAGE:	6.55	(0.01)	DOW:	13266.29	(33.73)
			NASDAQ:	2696.00	(52.76)

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein**War and Eventual Peace**

Admittedly, I have no ties to any of the 58K+ service members honored on the Vietnam Memorial's black granite panels. And although I'm fully aware of the charged controversy that defined (and still defines) the conflict, I held zero historical knowledge of the monument until viewing **Smithsonian Channel's** "Remembering Vietnam: The Wall at 25" (Sun, 8pm). In 1-hour, the doc revealed all that it could and should of the memorial's enduring symbolism, its history, and the profound and unique affect it has on the American people. Still, it's likely that some—especially those far more deeply affected by the war than I—will find the doc lacking in areas. After all, The Wall in its infancy wasn't assigned a dismissive and resentful "black gash of shame" moniker for nothing. A conflict so divisive, so negatively defined, so achingly abrasive to many can't help but spawn bitter cynicism—even toward a monument for those who gave their lives for country. "There are few more important, more poignant [stories] than that of the Vietnam Memorial," said Smithsonian evp, programming *David Royle* at a Thurs screening. "It creates conversations between those that are gone and those that are left behind." And because of the doc's power and elemental perfection—it has humor, heartache, purpose, historical context and excellent sources—it demands its own reflective discourse. "It captures the essence of the memorial and what it means, and it will capture your heart as well," said *Jan Scruggs*, founder/pres, **Vietnam Veterans Memorial Fund**, who conceived the idea of a monument and spearheaded its '82 construction. Now, 25 years later, Scruggs and the doc provide invaluable insight into the political wrangling and public outcry that threatened to scuttle the plan. Fortunately, that didn't happen. The inanimate wall now personifies all who are honored thereon and becomes alive. Sometimes, in special situations, death is infused with the power to heal. *CH*

Highlights: "Explorer: Inside the Body Trade," Sun, 10pm, **Nat Geo**. Welcome, sort of, to transplant tourism. Fly to India or China, see the sights and receive the organ transplants denied you in the U.S. Oh, those organs were obtained by swindlers or removed from criminals executed in China. Bon voyage? *SA*

Worth a Look: "The Planman," Sun, 8pm, **BBC America**. Anglophiles have awaited a successor to the late *Leo McKern* to star in new eps of *John Mortimer's* "Rumpole of the Bailey." The slovenly, Wordsworth-quoting barrister/sleuth is a gargantuan role. As "The Planman" opens with a bewigged and robed *Robbie Coltrane* as barrister Jack Lennox, we quickly envision him as Rumpole. In fact, a character in this improbable mystery actually refers to Lennox as "Rumpole." Coltrane's the main reason to watch this film. In that sense, justice is served. — "Darkon," Mon, 9pm, **IFC**. This is a creative if extremely long look at a subculture that's existed in Baltimore-D.C. for 22 years. On alternate weekends, 150-300 ordinary people escape the quotidian by taking on roles as quasi-medieval warriors, as they joust in mock battles with full padding. Some do this to let off steam; others say it allows them to be dynamic and adventurous, which they're not in daily life. After those points are made and re-made, there's little left to say. *SA*

Basic Cable Rankings**(10/29/07-11/04/07)****Mon-Sun Prime**

1	ESPN	2.5	2384
2	USA	2	1943
2	DSNY	2	1931
4	TNT	1.7	1598
5	TBSC	1.3	1291
6	FOXN	1.2	1141
6	NAN	1.2	1109
8	LIFE	1.1	1044
8	HALL	1.1	935
10	TOON	1	997
10	A&E	1	952
10	CMDY	1	945
10	HGTV	1	927
10	CORT	1	903
15	SPK	0.9	904
15	MTV	0.9	877
15	HIST	0.9	871
15	FX	0.9	860
15	SCIF	0.9	846
20	DISC	0.8	786
20	TVLD	0.8	757
20	AMC	0.8	730
20	VH1	0.8	718
24	TLC	0.7	680
24	FAM	0.7	626
24	LMN	0.7	399
27	MSNB	0.6	587
27	FOOD	0.6	574
27	BET	0.6	555
30	CNN	0.5	522
30	ESP2	0.5	458
30	EN	0.5	446
30	APL	0.5	423
30	BRAV	0.5	416
35	TTC	0.4	351
35	HLN	0.4	349
35	WGNC	0.4	255
35	SOAP	0.4	251
35	NGC	0.4	237
40	OXYG	0.3	216
40	DHLT	0.3	212
40	TDSN	0.3	210
40	GSN	0.3	206
40	VS	0.3	202
40	DTMS	0.3	134
40	HI	0.3	128

**Nielsen data supplied by ABC/Disney*

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