

# CableFAX Daily™

Monday — November 9, 2009

What the Industry Reads First

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## No Horsing Around: Racing Nets Lay Future Bets Amid Struggling Industry

The Breeders' Cup spun its usual marketing rhetoric this year, pitting America vs Europe in the thoroughbred extravaganza. Off the track, similar two-sidedness has emerged on cable TV between the industry's pair of horse racing nets. For growth in distribution and rev, **HRTV** remains squarely focused on programming while preparing new content plans, and **TVG**, purchased by UK firm **Betfair** in Jan, continues to eye the upside potential of online wagering. The Breeders' Cup and KY Derby notwithstanding, both nets are handicapped somewhat by a stagnant if not eroding horse racing fan base. "The industry is at a very difficult time," said HRTV pres *Scott Daruty*, who also serves as pres/CEO of simulcasting agent **Track-Net Media Group**. "We've got to make horse racing more of [a consistent] event." HRTV will also branch into equestrian events and eliminate its current 5 hours/day of infomercials. "We want to be the channel for anybody who's interested in anything horse-related," said evp/GM *Jim Bates*, citing additional content featuring horse owners, trainers and riders. Now in 18mln domestic homes, Bates said operators briefed on its plans "are universally interested and excited about the equestrian content." He also noted the net's flexibility on positioning. "Subs shouldn't have to pay for us if they're not interested," he said. TVG, meanwhile, is in 33mln US homes through the help of a model giving operators a portion of its wagering rev in return for carriage. Wagering company Betfair acquired the net to "build a meaningful presence in the US," said Betfair US pres *Gerard Cunningham*. He believes "TVG's unique model is extremely attractive to affiliates that are looking for an alternative revenue source." TVG is also ramping content, albeit all racing-related, and online betting platform **TVG.com** remains the cash cow. "We believe that the expansion of wagering is essential to improve US horse racing as betting directly impacts the health of the overall industry," said Cunningham. HRTV has upped its digital presence too, with a complete online simulcast of its linear schedule available for \$10/month. And while HRTV recognizes the importance of online wagering, Daruty said co-owners **Magna Ent** and **Churchill Downs** like the net's model. "Because we're not involved with betting, we can concentrate more on solid programming," he said. Besides, both ownership entities have their hands deep into the wagering cookie jar already. In horse racing, be it wagering or programming, it pays to have a blended outlook.

**MCCC Earnings:** RGU growth disappointed, but free cash flow continues to be strong at **Mediacom**. With FCF of \$20.3mln for the Q, the MSO says it's on track to meet or beat its \$1.30/share guidance for the year. Mediacom's RGU

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adds for the Q totaled 6K. Beyond economic pressures, execs reported deep discounting from DBS. "We've made a strategic decision not to play the pricing competition game with them on video-only services. Our experience has shown us that this particular segment will churn out at high rates at the end of a special and look to an alternative provider for a new special discount program," said evp, ops *John Pascarelli*. He said that more than 90% of 3Q's video loss came from analog video-only subs, adding that the MSO would continue to offer competitive bundled offerings. Mediacom lost 19K basic subs, while gaining 7K digital, 11K HSD, and 7K voice customers. Revenue was up 4.8% to \$363.4mln, while operating cash flow was up about 5% to \$131.3mln. **Miller Tabak** reiterated its "buy" and \$8 short-term target (\$14 long-term) Fri. "We still think MCCC, while having traded up markedly from lows of recent months but then having recently given up some gains, is at a very attractive valuation level," a research note said. MCCC shares closed down 3% Fri. **S&P** maintained its "hold" on MCCC, saying it sees margins holding relatively steady. MCCC plans to launch DOCSIS 3.0 in 11 markets next month. Two of those will have 100Mbps service, while the rest will see speeds in the 50Mbps range. Later this month, it will begin trialing multi-room DVRs. If all goes well, it will offer them company wide next year, Pascarelli said.

**Travel Ready: Scripps Nets** chief *Ken Lowe* did little to temper his enthusiasm for the future prospects of **Travel Channel**, 65% of which the co acquired from **Cox** to solidify its holdings in the cable lifestyle segment. "We have every confidence that we can build on Travel's strong brand identity and leverage the successes we've achieved to date," said Lowe, noting that the net owns "content perfectly suited for digital platforms." The channel's service agreements with **Discovery Comm** will likely be terminated in May, and its '10 rev is expected to total approx \$200mln. The deal gives Cox a put option 5 years out, and Scripps may exercise a call option in year 6. Lowe also praised **Food Net**, which saw prime viewership ramp by 32% in 3Q, 35% among 18-34s, while cracking the top 10 among cable nets for the 1st time ever. 4Q rev is expected to establish a new record. Lowe also noted "solid progress" in the net's numerous ongoing carriage talks. As total rev for Scripps' lifestyle media segment rose 4.3% to \$326mln and profit increased to \$150mln (+8%), **HGTV**, which scored in 3Q its best-ever Q among total HHs, reported a 6.4% rise in operating rev to \$153. Food Net's grew 5.1%, **DIY Net's** 11% and **GAC's** 9.5%. **FLN's** fell 13% ahead of its rebrand to **Cooking Channel** next fall. **Tribune Co** has the option to invest in Cooking. Like other programmers, Scripps cited lofty scatter pricing, and said the momentum is continuing in 4Q.

**Retrans: Sinclair** called **Mediacom's** retrans complaint at the **FCC** an example of "déjà vu all over again," telling the Commission Fri that the MSO is seeking the same relief it was denied 3 years ago and can't point to any material difference in facts or law since then. The broadcaster's filing with the FCC also said the complaint "appears to have been conveniently timed to come shortly before, and with the intent to interfere with, Sinclair's publicly announced closing on a several hundred million dollar bond offering." If you recall your Sinclair-Mediacom history, MCCC complained 3 years ago that the timing of the retrans flare was meant to interfere with its \$300mln debt offering. The companies' current retrans deal expires Dec 31. Mediacom is also requesting interim relief that would let it carry the Sinclair stations as it negotiates. Telling the Commission it has negotiated in good faith, the broadcaster said it has generally rejected MCCC proposals because they were "far below" the level other MVPDs were contemporaneously agreeing to pay Sinclair for similar rights. Sinclair said it made a counter-proposal offer to MCCC as recently as Oct 28. The broadcaster also objected to MCCC's "outrageous claims" that it's in violation of antitrust law and said the proceeding is not the proper forum for considering Sinclair's local marketing agreements. During MCCC's earnings call Fri, CEO *Rocco Commisso* said the broadcaster is seeking more money but isn't providing new programming or services to justify the hike. "We cannot stand by and permit certain outliers within the broadcast community to demand double or triple digit increases in their retrans fees every 3 years," he said.

**Earnings:** While **Showtime** and **CBS College Sports** reported respective 3Q sub totals of 17.5mln (+6% YOY) and 34mln (+36%)—rate increases for the duo helping overall **CBS** affil rev increase 11%—CBS plans to provide more transparency in the nets' data beginning with 4Q results. Cable provided 10% of CBS' overall \$3.35bln (flat) in rev. CEO *Les Moonves*, meanwhile, was bullish overall, particularly lauding ad performance and the retrans outlook. "We see retrans contributing hundreds of millions of dollars to revenues annually and truly evolving the business into one with a dual revenue stream," he said. Scatter pricing is up an impressive 100% YOY and tracking 25% higher than upfront pricing. "The demand for scatter is so high right now that we have been requested by our sales department to cut some promos in exchange for sales," said Moonves, noting that cancellations are "almost non-existent." -- **Knology's** rev rose 2.5% to \$106mln and total connections increased by 2.6K to 682K. As of Sept, video subs tallied 231K (flat YOY), voice 247K (flat) and HSD 202K (+6.2%).

**CableFAX Week in Review**

Company	Ticker	11/06 Close	1-Week % Chg	YTD %Chg
<b>BROADCASTERS/DBS/MMDS</b>				
BRITISH SKY:	BSY	36.35	4.21%	27.99%
DIRECTV:	DTV	28.59	8.21%	24.79%
DISH:	DISH	19.15	9.43%	72.68%
DISNEY:	DIS	28.56	5.00%	25.87%
GE:	GE	15.33	7.35%	(5.37%)
NEWS CORP:	NWS	14.15	6.07%	47.70%
<b>MSOS</b>				
CABLEVISION:	CVC	24.73	6.59%	46.85%
COMCAST:	CMCSA	14.59	1.32%	(13.57%)
COMCAST SPCL:	CMCSK	14.01	0.57%	(13.25%)
GCI:	GNCMA	6.29	5.18%	(22.25%)
KNOLOGY:	KNOL	10.67	6.70%	106.78%
LIBERTY CAPITAL:	LCAPA	22.65	5.01%	380.89%
LIBERTY ENT:	LMDIA	33.14	7.28%	89.59%
LIBERTY GLOBAL:	LBTYA	21.77	6.35%	36.75%
LIBERTY INT:	LINTA	12.13	5.20%	288.78%
MEDIACOM:	MCCC	4.72	1.07%	9.77%
RCN:	RCNI	8.26	1.85%	40.00%
SHAW COMM:	SJR	18.43	2.96%	4.24%
TIME WARNER CABLE:	TWC	41.99	6.84%	95.76%
VIRGIN MEDIA:	VMED	15.04	6.44%	201.40%
WASH POST:	WPO	429.33	(0.95%)	10.01%

Company	Ticker	11/06 Close	1-Week % Chg	YTD %Chg
<b>PROGRAMMING</b>				
CBS:	CBS	12.72	7.52%	55.31%
CROWN:	CRWN	1.62	8.00%	(43.16%)
DISCOVERY:	DISCA	30.07	9.15%	112.36%
EW SCRIPPS:	SSP	6.79	10.23%	207.24%
GRUPO TELEVISIA:	TV	20.53	5.17%	37.42%
HSN:	HSNI	15.05	1.48%	107.02%
INTERACTIVE CORP:	IACI	19.27	1.64%	22.50%
LIBERTY:	L	34.60	2.95%	22.48%
LODGENET:	LNET	5.62	19.07%	702.86%
NEW FRONTIER:	NOOF	2.00	2.04%	17.65%
OUTDOOR:	OUTD	6.65	(6.07%)	(11.21%)
PLAYBOY:	PLA	2.82	(2.42%)	30.56%
RHI:	RHIE	2.80	2.19%	(65.52%)
SCRIPPS INT:	SNI	39.61	4.13%	80.05%
TIME WARNER:	TWX	31.01	3.92%	208.25%
VALUEVISION:	VVTV	3.45	8.49%	945.45%
VIACOM:	VIA	31.58	8.26%	56.96%
WWE:	WWE	14.53	9.99%	31.14%

Company	Ticker	11/06 Close	1-Week % Chg	YTD %Chg
<b>TECHNOLOGY</b>				
3COM:	COMS	5.46	8.76%	139.47%
ADC:	ADCT	6.52	3.66%	19.20%
ADVANTAGE:	AEY	2.27	0.22%	27.25%
ALCATEL LUCENT:	ALU	3.83	5.22%	78.14%
AMDOCS:	DOX	26.68	8.54%	45.87%
AMPHENOL:	APH	41.93	3.35%	74.85%
APPLE:	AAPL	194.34	2.89%	127.70%
ARRIS GROUP:	ARRS	10.38	3.39%	30.57%
AVID TECH:	AVID	12.47	1.96%	14.30%
BIGBAND:	BBND	3.88	6.30%	(29.71%)
BLNDER TONGUE:	BDR	1.20	4.35%	18.81%
BROADCOM:	BRCM	26.88	2.05%	58.40%

Company	Ticker	11/06 Close	1-Week % Chg	YTD %Chg
CISCO:	CSCO	23.82	4.43%	46.13%
CLEARWIRE:	CLWR	6.50	8.88%	31.85%
COMMSCOPE:	CTV	27.90	5.24%	79.54%
CONCURRENT:	CCUR	3.80	(2.5%)	11.84%
CONVERGYS:	CVG	11.25	4.94%	75.51%
CSG SYSTEMS:	CSGS	16.61	3.94%	(4.92%)
ECHOSTAR:	SATS	19.88	8.81%	33.69%
GOOGLE:	GOOG	551.10	3.84%	79.13%
HARMONIC:	HLIT	5.02	(4.02%)	(10.52%)
INTEL:	INTC	18.93	0.37%	29.13%
JDSU:	JDSU	6.46	19.19%	76.99%
LEVEL 3:	LVL	1.25	5.04%	78.57%
MICROSOFT:	MSFT	28.52	2.70%	46.71%
MOTOROLA:	MOT	8.89	(0.67%)	100.68%
OPENTV:	OPTV	1.54	0.00%	25.20%
PHILIPS:	PHG	26.31	5.49%	32.41%
RENTRAK:	RENT	15.31	(0.39%)	36.70%
SEACHANGE:	SEAC	6.89	7.66%	(4.44%)
SONY:	SNE	28.87	0.24%	32.01%
SPRINT NEXTEL:	S	2.85	0.00%	55.74%
THOMAS & BETTS:	TNB	35.87	4.58%	49.33%
TIVO:	TIVO	10.95	0.55%	52.93%
TOLLGRADE:	TLGD	6.22	4.71%	30.13%
UNIVERSAL ELEC:	UEIC	22.83	10.83%	40.75%
VONAGE:	VG	1.28	(20.5%)	93.94%
YAHOO:	YHOO	15.94	1.79%	30.66%

Company	Ticker	11/06 Close	1-Week % Chg	YTD %Chg
<b>TELCOS</b>				
AT&T:	T	25.93	2.73%	(9.02%)
QWEST:	Q	3.62	3.43%	(0.55%)
VERIZON:	VZ	29.56	0.99%	(12.8%)

Index	Ticker	11/06 Close	1-Week % Chg	YTD %Chg
<b>MARKET INDICES</b>				
DOW:	DJI	10023.42	3.30%	14.21%
NASDAQ:	IXIC	2112.44	4.00%	33.95%

**WINNERS & LOSERS**

<b>THIS WEEK'S STOCK PRICE WINNERS</b>		
COMPANY	CLOSE	1-WK CH
1. JDSU:	6.46	19.19%
2. LODGENET:	5.62	19.07%
3. UNIVERSAL ELEC:	22.83	10.83%
4. EW SCRIPPS:	6.79	10.23%
5. WWE:	14.53	9.99%

<b>THIS WEEK'S STOCK PRICE LOSERS</b>		
COMPANY	CLOSE	1-WK CH
1. VONAGE:	1.28	(20.5%)
2. OUTDOOR:	6.65	(6.07%)
3. HARMONIC:	5.02	(4.02%)
4. CONCURRENT:	3.80	(2.5%)
5. PLAYBOY:	2.82	(2.42%)

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# MaxFAX...

## How Long...

...can cable (and satellite and telco TV) keep its pricing power?

By some accounts, the movie business has learned from the mistakes of the music business. If that's a model for staving off problems, well, maybe



Paul S. Maxwell

everybody with a distribution platform in video should read "The \$10 Phone Bill" in the 11/16 issue of *Forbes*.

The point: there used to be three voice businesses... but, long distance

revenues disappeared; now many local revenues are disappearing... so, what happens as cellular hits a peak and growth doesn't come from new, "walled-garden" customers?

Could this be another long slide for a legacy business? Can you spell **AOL**?

How long can the "bundle" rule if VoIP slides to cellular-cum-Wi-Fi-cum-Wi-Max-cum-broadband while over-the-top grows? A common carrier broadband regime driven by taking the right spectrum from broadcasters?

Hey! Anymore, anything is possible. I'm just asking.

Like, who, really, owns the subscriber?

And to what and to whom does "he" subscribe?

## Random Notes:

• **Virginia Is for...:** Wishing I were there Monday evening for the annual **VCTA** meeting in Williamsburg... spoke at their event once and had a ball. This year is their 9th Hall of Fame inducting *Troy Fitzhugh* of **Comcast Blue Ridge**, *Nani Shin-Wannemacher* of **A&E** and the "nicest guy in cable" *Rob Stoddard*, who hangs out at **NCTA**.

• **3rdQ Media Census:** Coming Thanksgiving week... detailed numbers across all platforms—for video subscribers (info@mediabiz.com) by just about any geography you can think of.

• **Speaking of Pricing Power:** TV to the mobile device is already seeing a pricing problem... **AT&T** is dropping its 12-channel **FLO-TV** driven Mobile TV premium broadcast package by a third down to \$10/month. I once subscribed to **Mobi-TV**, but every time I turned it on to **CNBC**, **CNN** or whatever, I got a commercial. Cancelled it quickly after less than a month. Text worked better. So does CNN's new iPhone app. Where's **Fox**'s?

• **Competing Wireless + Cable Plans:** **Cablevision** (and others like **Bend** in Oregon) are offering Wi-Fi along with a broadband subscription as a retention device. And it's working. Really working. It's a real competitive advantage. Meanwhile, other operators are adding **Clear** to their mix with Wi-Max available in 2 plans—local or national (us-

ing 3G, too)—at various price points... and sometimes even separately. All approaches make great sense.

• **CIMM:** Meets this week with some of the folks actually tracking/using set-top box data for various things. Wonder when they'll hold a joint meeting with **Canoe**—or at least some of the deployers of the boxes?

• **Verizon Map v. AT&T Map Fight?** Love it. Can't wait until a cable op v. telco TV op map war starts. Be sure to call **American Roamer** when you need a map. They do it right.

• **App Phone?** Good name for our very smart phones such as iPhones and the new **Motorola Droid**... only question to answer going forward, when will set-top boxes get smart? A Droid Moto box? A **Cisco/Apple** smart box? By the way, the apps could work now... downloadable... the business model is missing, though. Better hurry, or consumers will make the model.

• **It's the Economy, Stupid!** If last week's elections proved anything, it proved that—at least the economy equates to jobs, or the lack thereof. But, as usual, facts really don't matter at all.

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