

# CableFAX Daily™

Friday — November 11, 2011

*What the Industry Reads First*

Volume 22 / No. 219

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## Cream of a Bumper Crop: NFL, Local Sports Big Tickets for Pay-TV

Live sports programming is where it's at, and the most attractive categories within that set are local sports and NFL content, according to sports media execs at SBJ's Sports Media & Technology conference in NYC. Local sports is something "you know is going to consistently deliver ratings year in and year out," said Fox Sports Net evp Jeff Krolik, adding that NFL programming is another given. But as Time Warner Cable's ongoing impasse with NFL Net indicates, some aren't enamored of everything pro football. A day after TWC evp, chief video and content officer Melinda Wittmer said a deal's unlikely this year, NFL Media COO Brian Rolapp agreed but said it's not for lack of trying. After 7 years of conversations, the duo's interaction has become a summer ritual of sorts to Rolapp, who said "It's kind of like the beach, I take a couple books and block out some time." To underscore pigskin's power, Rolapp pointed to DirecTV's positive 3Q results helped greatly in the US by the DBS op's Sunday Ticket promo. DirecTV evp, content, strategy and dev Derek Chang didn't disagree but lamented the pressure now applied to MVPDs by sports content costs. "We had a good 3Q, but the industry had a lousy one," said Chang, noting that making sports fans shoulder the cost of the content would be better for the ecosystem. "There are people that cannot afford it, and we have to realize that." TWC, meanwhile, is wasting no time stepping onto the local sports playing field, which TWC Sports pres Dave Rone called "the last must-see must-have content." Already the MSO touts 2 L.A. Lakers-focused RSNs set to launch next year and a prominent role in Pac-12 Nets, and now the L.A. Dodgers may be next—which would make for a powerful 1-2 punch in SoCal. "It's absolutely something we'd be interested in if the opportunity presents itself," said Rone of the Dodgers TV rights beyond '13 now tied up in bankruptcy court. "We've done disciplined analysis, and it penciled out." Current rights holder Fox Sports, of course, will likely have a say in how it all shakes out. "We can't imagine a set of circumstances that would violate [our] agreement," said Krolik.

**Ratings Woe:** Viacom's knock out quarter included jumps in rev (+22%) and adjusted net earnings (+33%), but the big story is an apparent anomalies with its Nielsen ratings. "Since mid-September we have experienced an inexplicable drop in Nickelodeon's ratings which are historically very predictable," said pres/CEO Philippe Dauman. "We have had extensive discussions with Nielsen to determine the cause of this anomaly... [and] the Media Rating Council is also investigating this aberration." Dauman said individual set-top data show "meaningfully different viewership trends" for the net, and that it was at a "particularly bad time that this occurred," what with advertisers wanting to showcase toys leading up to the holidays. Viacom was on the hook for make ups as a result, he said, and aspirations for double-digit domestic ad growth for media nets went up in smoke. Growth was 7% instead. Crunch the numbers, and it looks like the ratings issue may have cost Viacom approx \$40mln in rev or more. Nielsen failed to respond to inquiries, and MRC had no comment. Meanwhile, Dauman noted ratings softness at other nets as well, chiefly because extended re-airs and some acquired programming underperformed. Moreover, "as sales growth will face some headwinds from a slight softening in volume in the current scatter market, although pricing remains strong," said Dauman. The company expects to deliver ad rev and affil rev (+9%) growth



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from the high single-digits to low double-digits going forward. VIA shares rose 5.17% Thurs.

**On the Hill:** No one was biting their nails over this one. On a 52-46 vote Thurs, the Senate rejected bringing to the floor a vote on a resolution that would scrap the **FCC's** open Internet rules, which are set to take effect Nov 20. The Republican-controlled House approved the resolution earlier in the year, but it was never expected to clear the Senate. **Stifel Nicolaus** analysts said Republicans could try to undo or stymie the FCC's net neutrality rules, including through appropriations, but the firm is skeptical they will succeed this Congress. -- On Wed, House Communication subcmte will markup **FCC** reform legislation. Subcmte chmn **Greg Walden** (R-OR) last week unveiled the legislation, which would require the FCC to survey the marketplace via a Notice of Inquiry before initiating a new rulemaking and relax Sunshine rules.

**Vendor View:** Thurs was a good day for **Cisco**, with shares closing up 5.7% on its better-than-expected 1Q earnings report. Service provider video orders grew 26% YOY to a yearly run rate of approx \$4bln, while revenues grew about 13%. Cisco chief **John Chambers** reiterated the company's commitment to the marketplace but noted it's more of a commitment to the architecture as traditional set-tops move to IP boxes and to the cloud. As for **Google** buying **Motorola**, Chambers' believes that's a lucky break for Cisco because "there are only 2 real players that can bring entertainment video in a major way... All of a sudden, you have major service providers saying, 'Cisco, we see you now even more important in terms of the partnership and the direction on it.'"

**In the States:** **Cablevision** extended its Optimum Benefits offer with **Sprint** to nearly 60 Sprint stores in NJ, NY and CT. The offer includes discounted wireless and equipment for qualified biz customers and their employees. Previously, the deal was supported only by phone and Web ordering. -- **SureWest** rolled out **BigBand's** SDV offering in Kansas City to expand its channel mineup and launch new services. **NHL Net** tapped **Comcast Media Center** to provide channel organization and transmission services.

**Carriage:** **Ovation** is now available in HD to **Comcast Cable** subs in the Freedom Region covering parts of NJ and Philly.

**Sports Media and Tech Notebook:** While its intro would likely produce a stampede of prospective cable players, a new package including an additional 8 NFL Thurs night games remains amid "exploratory conversations," said **NFL Media** COO **Brian Rolapp**. Expanding the season is still under consideration, he said, but danger lies in perhaps providing too much of a good thing. "The last thing we want to do is dilute the quality," said Rolapp. **Fox Sports** svp, programming and research **Michael Mulvihill** isn't worried about a new package's impact on Fox's Sun NFL slate—provided it airs on a Fox-branded net. "But if it ends up somewhere else and has a terrible impact on our Sunday games, people would need to be compensated," said Mulvihill, before back-pedaling a bit. "Obviously we'd have tremendous interest in having conversations about 8 additional Thursday games with one of our cable platforms."

**Earnings:** **Disney's** cable nets and broadcast segments both scored well in the latest quarter. The nets delivered 12% rev growth and a 20% uptick in op income, driven by higher ad and affil rev at **ESPN** and improved affil rev at **Disney Channels**. Broadcast saw respective increases of 3% and 39% on better ad rev and lower programming and prod costs at **ABC**. -- Slated to enter **Time Warner Cable's** portfolio next year, **Insight** reported a 3% rise in rev but a net loss of 11,400 RGUs in 3Q, including -9,800 basic subs, -3,700 digital, +6,300 HSD and -4,200 phone. Ad rev fell 4.9%. As of Sept 30, the MSO counted approx 1.32mln video subs, 544K HSD and 293K phone. -- **AMC Nets'** 3Q rev increased 4.6% and op income



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# BUSINESS & FINANCE

rose 22.8%, results that included 3.9% rev and 16% adjusted operating cash flow growth for its US nets.

**Technology:** Moxi lives on. Arris announced that products within its Whole Home Solution will switch to the Moxi brand it bought from Digeo in '09. That means The Media Gateway is now the Moxi Gateway; The Media Player is now Moxi Player; and so forth.

**Ratings:** "Vietnam in HD" premiered Tues on History with 2.1mln total viewers. The final 2 hours debuts Thurs night, 9pm, with the entire 6 hours re-airing on H2 Fri-Sun.

**People:** TBN's Paul Crouch Jr has joined African-American religious net The Word Network as dir, project dev. Crouch, the oldest son of TBN founder Paul Crouch, announced his resignation last month as TBN's vp, chief of staff. -- Spike named Disney/ABC Cable Nets Group evp, acquisitions Tom Zappala as evp, programming. -- Turner Broadcasting upped Susan Nathan to corp vp, media currency and research support systems and Nancy Lucas to svp, strategic research and audience analysis.

**Doing Good:** With Veterans' Day Fri, Cable One is giving \$1 to the National Military Family Association for every new Facebook "like," up to \$2K. Charter, meanwhile, has teamed with Operation Homefront so that a donation of up to \$50 is given when people sign up for various Internet and bundled packages.

## CableFAX Daily Stockwatch

| Company                      | 11/10 Close | 1-Day Ch | Company               | 11/10 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| <b>BROADCASTERS/DBS/MMDS</b> |             |          |                       |             |          |
| BROADCOM:                    | 34.13       | 0.08     | BROADCOM:             | 34.13       | 0.08     |
| DIRECTV:                     | 45.42       | 0.85     | CISCO:                | 18.61       | 1.00     |
| DISH:                        | 25.21       | 1.05     | CLEARWIRE:            | 1.94        | 0.04     |
| DISNEY:                      | 34.64       | 0.85     | CONCURRENT:           | 3.74        | 0.17     |
| GE:                          | 16.06       | 0.21     | CONVERGYS:            | 11.63       | 0.16     |
| NEWS CORP:                   | 17.25       | 0.30     | CSG SYSTEMS:          | 14.81       | 0.13     |
| <b>MSOS</b>                  |             |          |                       |             |          |
| CABLEVISION:                 | 14.96       | 0.34     | ECHOSTAR:             | 23.77       | (0.28)   |
| CHARTER:                     | 52.69       | 1.46     | GOOGLE:               | 595.08      | (5.87)   |
| COMCAST:                     | 22.17       | 0.56     | HARMONIC:             | 5.46        | 0.08     |
| COMCAST SPCL:                | 22.00       | 0.62     | INTEL:                | 24.06       | 0.22     |
| GCI:                         | 9.29        | 0.05     | JDSU:                 | 11.61       | (0.01)   |
| KNOWLOGY:                    | 14.12       | 0.13     | LEVEL 3:              | 21.66       | 0.56     |
| LIBERTY CAPITAL:             | 76.78       | 2.22     | MICROSOFT:            | 26.28       | 0.08     |
| LIBERTY GLOBAL:              | 40.30       | 0.24     | MOTOROLA MOBILITY:    | 39.10       | 0.06     |
| LIBERTY INT:                 | 15.16       | (0.4)    | RENTRAK:              | 13.05       | (0.11)   |
| SHAW COMM:                   | 19.95       | 0.12     | SEACHANGE:            | 8.50        | 0.22     |
| TIME WARNER CABLE:           | 60.13       | 0.04     | SONY:                 | 17.11       | (0.09)   |
| VIRGIN MEDIA:                | 23.64       | 0.09     | SPRINT NEXTEL:        | 2.84        | 0.10     |
| WASH POST:                   | 335.14      | 0.96     | THOMAS & BETTS:       | 49.54       | (0.03)   |
| <b>PROGRAMMING</b>           |             |          |                       |             |          |
| AMC NETWORKS:                | 34.42       | 1.89     | TIVO:                 | 10.36       | (0.03)   |
| CBS:                         | 25.06       | 0.54     | UNIVERSAL ELEC:       | 16.47       | 0.26     |
| CROWN:                       | 1.62        | 0.07     | VONAGE:               | 2.72        | 0.03     |
| DISCOVERY:                   | 42.07       | 0.07     | YAHOO:                | 15.95       | 0.03     |
| GRUPO TELEvisa:              | 20.69       | 0.11     | <b>TELCOS</b>         |             |          |
| HSN:                         | 35.98       | (0.45)   | AT&T:                 | 29.16       | 0.25     |
| INTERACTIVE CORP:            | 41.05       | (0.09)   | VERIZON:              | 37.33       | 0.44     |
| LIBERTY STARZ:               | 63.86       | (1.09)   | <b>MARKET INDICES</b> |             |          |
| LIONSGATE:                   | 8.50        | 0.20     | DOW:                  | 11893.96    | 112.92   |
| LODGENET:                    | 2.41        | (0.12)   | NASDAQ:               | 2625.15     | 3.50     |
| NEW FRONTIER:                | 1.12        | UNCH     | S&P 500:              | 1239.70     | 10.60    |
| OUTDOOR:                     | 7.20        | 0.21     |                       |             |          |
| SCRIPPS INT:                 | 39.49       | (0.87)   |                       |             |          |
| TIME WARNER:                 | 34.17       | 0.43     |                       |             |          |
| VALUEVISION:                 | 1.95        | UNCH     |                       |             |          |
| VIACOM:                      | 51.83       | 2.55     |                       |             |          |
| WWE:                         | 10.19       | 0.09     |                       |             |          |
| <b>TECHNOLOGY</b>            |             |          |                       |             |          |
| ADVANTAGE:                   | 2.07        | (0.03)   |                       |             |          |
| ALCATEL LUCENT:              | 2.02        | 0.03     |                       |             |          |
| AMDOCS:                      | 30.05       | 0.10     |                       |             |          |
| AMPHENOL:                    | 45.37       | (0.07)   |                       |             |          |
| AOL:                         | 15.06       | 0.04     |                       |             |          |
| APPLE:                       | 385.22      | (10.06)  |                       |             |          |
| ARRIS GROUP:                 | 10.69       | 0.10     |                       |             |          |
| AVID TECH:                   | 7.00        | 0.14     |                       |             |          |
| BIGBAND:                     | 2.24        | 0.01     |                       |             |          |

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**PROGRAMMER'S PAGE** with Chad Heiges and Seth Arenstein

**A Fall Leading Into Autumn**

Pop that proverbial grain of salt before you read the following about cable nets' softening ad rev growth. For one thing, comparative '10 numbers had nowhere to go but appreciably up after a dismal '09, and at least I'm not talking about declines. Let's start with **Viacom**, which posted in the latest quarter a 7% increase in media nets' ad rev stateside, compared to +11% in 1Q and +12% in 2Q. The company claims a **Nickelodeon** ratings misstep caused by **Nielsen** prevented similar growth, but we'll never know for sure. Worse, the company's experiencing some softness in scatter volume, although scatter pricing remains strong. Ditto the latter, said **Discovery Comm**, which posted a relatively paltry 6% rise in US ad rev after +9% in 1Q and +10% in 2Q. Both DISCA and VIA said they haven't seen any atypical cancellation activity. **Time Warner** delivered mid-single digit ad rev growth for ent channels, and CEO *Jeff Bewkes* expressed disappointment with ratings and ad results for **TNT** and **TBS**. Turner's 2Q ad rev grew 11% and 1Q 31%, although **March Madness** powered the staggering latter increase. The story's the same at **Scripps Nets**, which after posting respective ad rev growth of 12% and 13% in 1Q and 2Q saw the metric fall to +8.6% from July-Sept. And while it's quite difficult to poke holes in the 16% ad rev jump posted by **News Corp's** domestic cable nets, that number compares to +14% in 1Q and +23% in 2Q. Without chasing 1Q data, suffice it to say that **NBCU's** cable nets saw ad rev rise by 9.5% in 3Q after delivering +10.3% in 2Q. Sense a pattern here? The answer's an obvious yes, what with all the aforementioned companies' 3Q ad rev growth declining versus 2Q. If correctable short-term ratings drops are the overriding culprit, so be it. My main concern is another reflection of US economic headwinds in a historically solid business. *CH*

**Highlights:** "Arctic Tale," Sat, 8p, **Nat Geo Wild**. In short, this *Queen Latifah*-narrated piece about polar bears and walruses is a masterpiece of sound, music and storytelling, with global warming an eerie subtext. Throughout, viewers will wonder, 'How did they get that footage?' -- "AFI's Master Class: The Art of Collaboration," Tues, 8p, **TCM**. Composer *John Williams* and director *Steven Spielberg* have collaborated exclusively for 39 years. In all that time, the composer says, Spielberg has never told Williams he didn't like his music. "He's liked everything [I've composed]... even the mistakes," Williams adds. This glimpse at film's most famous composer-director duo is pure pleasure. -- "Engineering Evil," Tues, 9p, **History**. This might be the best overview of the Holocaust ever on American television; loaded with terrific footage and artifacts. *SA*

**Worth a Look:** "Gone," Sat, 9p, **ID**. People can't disappear, right? A mother tells of her adult son's disappearance in Vienna 4 years ago. A retired police officer, the mother claims Viennese police have purposely botched the case. -- "Saved," premiere, Mon, 8p, **Animal Planet**. A delayed Veterans' Day tribute. In a gut-wrenching tale, a family finds solace courtesy of a furry hero who somehow escaped Iraq. -- "5th Quarter," Sun, 7p ET, **GMC**. Handkerchiefs ready? "5th" opens with tears, but the football tragedy ends on an upbeat. *SA*

| Basic Cable Rankings |      |     |      |
|----------------------|------|-----|------|
| (10/31/11-11/6/11)   |      |     |      |
| Mon-Sun Prime        |      |     |      |
| 1                    | USA  | 2.3 | 2295 |
| 1                    | ESPN | 2.3 | 2252 |
| 3                    | DSNY | 1.8 | 1758 |
| 4                    | FOXN | 1.6 | 1595 |
| 5                    | TBSC | 1.2 | 1178 |
| 6                    | A&E  | 1.1 | 1077 |
| 7                    | FX   | 1   | 1010 |
| 7                    | AMC  | 1   | 1005 |
| 7                    | TNT  | 1   | 973  |
| 7                    | HIST | 1   | 972  |
| 7                    | NAN  | 1   | 968  |
| 7                    | SYFY | 1   | 958  |
| 7                    | ADSM | 1   | 945  |
| 7                    | DSE  | 1   | 71   |
| 15                   | FOOD | 0.9 | 938  |
| 15                   | HGTV | 0.9 | 923  |
| 15                   | FAM  | 0.9 | 902  |
| 15                   | HALL | 0.9 | 821  |
| 19                   | DISC | 0.8 | 845  |
| 19                   | TLC  | 0.8 | 828  |
| 19                   | BRAV | 0.8 | 712  |
| 19                   | NKJR | 0.8 | 562  |
| 23                   | CMDY | 0.7 | 715  |
| 23                   | SPK  | 0.7 | 688  |
| 23                   | TRU  | 0.7 | 675  |
| 23                   | BET  | 0.7 | 637  |
| 23                   | MSNB | 0.7 | 626  |
| 28                   | LIFE | 0.6 | 629  |
| 28                   | TVLD | 0.6 | 595  |
| 28                   | ID   | 0.6 | 465  |
| 31                   | MTV  | 0.5 | 534  |
| 31                   | CNN  | 0.5 | 475  |
| 31                   | LMN  | 0.5 | 454  |
| 34                   | ESP2 | 0.4 | 428  |
| 34                   | EN   | 0.4 | 399  |
| 34                   | VH1  | 0.4 | 390  |
| 34                   | APL  | 0.4 | 387  |
| 34                   | HLN  | 0.4 | 378  |
| 34                   | NGC  | 0.4 | 320  |
| 34                   | OXYG | 0.4 | 305  |
| 41                   | TRAV | 0.3 | 282  |
| 41                   | GSN  | 0.3 | 255  |
| 41                   | DXD  | 0.3 | 234  |
| 41                   | CMT  | 0.3 | 230  |
| 41                   | SPD  | 0.3 | 200  |
| 41                   | SCI  | 0.3 | 200  |

\*Nielsen data supplied by ABC/Disney



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