

# CableFAX Daily™

Friday — November 12, 2010

What the Industry Reads First

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## High and Low: Cable Tied Both Ends of Financial Spectrum

Cable was blamed and regaled in 2 separate Wall St stories Thurs, helping to sink **Cisco** shares (and ultimately the broader market) while serving as a positive wave on which **Viacom A** shares rode to a 52-week high. With ratings momentum at **MTV** and **TV Land** that's been building for months—led by "Jersey Shore" and "Hot in Cleveland"—Viacom's media nets segment continues to show improvement. In the latest Q, the segment's overall US rev rose 7%, affil rev 12% and ad rev 8%, the latter metric importantly exhibiting sequential growth throughout '10. "Our core cable networks are on a hot streak," said Viacom pres/CEO *Philippe Dauman*. "We have the most talked about, blogged about and Tweeted about shows, artists, personalities and cultural phenomena." Scatter market pricing remains strong (mid-20s growth), and further sequential ad rev improvement is expected. And even as the economy remains challenged and the cord cutting specter looms, Viacom's cable nets have recently delivered sub increases—even at its fully-distributed channels. MTV's audience grew 28% in the Q, **Nickelodeon** notched its biggest 3Q ever in total viewers and **Comedy Central** delivered its highest-rated and most-watched 3Q in history on 15% ratings growth. "We are the destination of choice to reach and connect with our highly coveted audiences," said Dauman of 12-34s particularly. The co's looking to perpetuate its success by focusing on investments in original programming, he said, which account for approx 90% of the programming spend at its major nets. At Cisco, meanwhile, investors pounded the co's shares (-16.2%) as chmn/CEO *John Chambers* noted F1Q softness in its cable business. "Our challenge was in our MSO cable operators' area where we saw a year-over-year decrease in the mid 30s," said Chambers during a Wed conference call, adding that US results "grew in the 20% or better range in our large service providers such as **AT&T**, **Verizon** and regional service providers did equally as well." Citing ebbs in new housing and consumer spending, Chambers said Cisco's traditional North American cable set top business was down over 40% YOY while representing approx half of the co's total set top orders in the Q, and that Motorola's gaining share. "We expect to see continued pressure, specifically in our traditional North American cable business," said Chambers. Importantly, **Sanford Bernstein's** *Craig Moffett* contends that Cisco's loss is cable operators' gain. "The read across for cable is generally positive, as it speaks to lower capital spending ahead and therefore higher free cash flow," wrote Moffett. "The largest beneficiary is likely to be **Time**

## CableFAX Workshop

December 8, 2010 8:45am-4:00pm NYC

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**Warner Cable.** As Cisco's largest US customer, said Moffett, TWC saw CPE spending decline 9% in 3Q and 6% over the 6 months from the end of Q1. "Falling demand for set top boxes as digital saturation approaches, and as incremental HD demand decelerates, is very good news indeed," said Moffett in support of his lower capex/higher FCF thesis.

**Cap in Hand: Charter** will start enforcing its monthly bandwidth usage thresholds, saying that the limits are "substantially above typical use for approximately 98% of our customers." The MSO next month will begin reaching out to subs whose usage is beyond that to help identify possible causes and review security options. It's working on a bandwidth usage tool that subs could view, but until it's available customers who are notified of excessive use will be provided a contact at Charter who can check the customer's usage throughout the month to help them better manage it. If excessive usage continues repeatedly, Internet service could be suspended, Charter said. Charter's Lite (1Mbps) and Express (8Mbps) service have a 100GB limit. Its Plus (16Mbps) and Max (25Mbps) services are capped at 250GB. The limits have been part of Charter's acceptable use policy since '09, but until now the MSO hasn't taken action to enforce them. One exception is the Ultra 60 Mbps service which now has a 500GB limit; it had been unlimited. There is no financial penalty for exceeding the thresholds. Additionally, Charter will intro a congestion mgmt policy that it says will be protocol agnostic. During periods of congestion (which it says are "relatively rare"), the heaviest users (less than 1%) in small time increments, will have bandwidth limited, it said, adding that no Internet activities will be blocked.

**On the Hill:** Rep *Joe Barton* (R-TX) continues his crusade for chairmanship of the **House Commerce** cmte, releasing a letter Thurs by former chairmen *Bill Archer*, *Bud Shuster* and *Don Young* to members of the GOP Majority Transition Team. Barton argues he is entitled to serve as chair because his time as ranking member didn't count against GOP 6-year term limit rules. "We believe he deserves that 2nd term now, and that neither the spirit nor the letter of the rule was ever intended to prevent it," the 3 wrote. The rule puts a 6-year limit on a leadership position, chair or ranking member, but Barton says it was not applied in '94 when 5 ranking members assumed chairmanships. He's asked for a clarification.

**Cost Cutters:** One in 5 US adults (22%) have cancelled or cut back cable service over the past 6 months, says a new **Harris Interactive Poll** on cost cutting. During that same period, 17% canceled cell phone service and 17% canceled landlines and moved only to cell service. Gen X leads those cutting cable (28%), followed by Baby Boomers (23%) and EchoBoomers (22%). Only 13% of those 65+ have cut cable.

**Vet Set:** When **Time Warner Cable TX** regional dir of learning and development *Deb Sol* was looking for ways to expand the company's employee networks, she turned to her past. As a veteran herself, she recognized the benefits of creating VetNet, a network for TWC veterans and family members of veterans. It launched this past summer in TX and expanded on Veteran's Day to TWC's East Coast operations. "Many of veterans' occupational specialties translate well into jobs here at Time Warner Cable, but they also have great leadership skills. They understand how to motivate people, how to delegate," said Sol. "They've learned how to do more with less in their careers, so they're outside-the-box thinkers." One of the 1st things the TX VetNet chapter did was to host a series of Webinars so the veterans could get to know one another. Thurs was the 1st time many of the TX members were able to see each other face-to-face, with 23 of the 138 members attending a Diversity Council lunch in Dallas with COO *Landel Hobbs*. On the East Coast, TWC has nearly 1K military vets and active reservists. To mark the launch of VetNet in Western NY, Rochester-based singer *Joe Brucato* performed "Thank You Solider" Thurs morning at the Rochester Riverside Convention Center. Other events across the East Region included an Honor Wall in Charlotte and **History's** Take a Vet to School in New England. Sol said goals for the network in '11 include veteran talent acquisition, including helping vets with disabilities find work, and working with family members of those killed in action.

**Earnings: Disney's** 4Q profit fell almost 7%, thanks to a shift of some revenue for **ESPN** to 3Q. Net income dipped to \$835mIn from \$895mIn a year ago. Revenue fell 1% to \$9.74bln. Operating income at the cable nets decreased by \$413mIn to \$1.1bln due to the timing of recognition of previously deferred revenue at ESPN, the impact of 1 fewer week of operations and higher programming and production costs. During the quarter, ESPN recognized \$170 million of previously deferred revenue compared to \$524 million in the prior year quarter. Also affecting cable income was lower capital equity income driven by programming write-offs at **A&E/Lifetime**. -- "Much ado about nothing" is how **Viacom** chmn/CEO *Philippe Dauman* characterized the cord cutting issue, though he did say the economy is tempering multichannel growth. Alternative distribution platforms represent a huge growth opportunity for Viacom, he said, noting how **Epix's** deal with

# BUSINESS & FINANCE

**Netflix** marks an inflection point for the premium net, which is expected to achieve profitability in the current Q. "We expect to continue to add incremental digital dollars, not dimes, to our entire Viacom business in the future," said Dauman. Of the industry's recent admissions that smaller programming packages aimed at lower-income Americans may be warranted, he said Viacom generally does well in smaller packages and that the co's current sub growth is actually being driven by larger ones. -- **MSG** reported an 18% jump in rev to \$190.8mln and a 120.6% surge in op income to \$26.3mln, owing largely to its MSG Media and MSG Ent segments. The former tallied \$133.4mln in rev (+175%) on increases of \$18.7mln in affil fee rev and \$1.1mln in ad rev, while Ent reported rev of \$38.2mln (+25%).

**Programming:** There will be no Season 2 of **AMC's** "Rubicon," which premiered Aug 1. "This was not an easy decision, but we are grateful to have had the opportunity to work with such a phenomenally talented and dedicated team," the net said. -- **GMC** will present the premiere of inspirational musical stage play "Love Me or Leave Me" Sat, 7pm ET.

**Business/Finance:** **Hulu** expects to notch \$240mln in '10 rev, compared to \$108mln a year ago, said CEO *Jason Kilar* at the New TeeVee Live conference. Advertising is the biggest growth driver, he said, adding that the site is preparing to launch personalized ads.

## CableFAX Daily Stockwatch

Company	11/11 Close	1-Day Ch	Company	11/11 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	43.05	0.29	ARRIS GROUP:	9.91	(0.22)
DISH:	19.73	(0.34)	AVID TECH:	14.18	0.64
DISNEY:	35.93	(1.06)	BIGBAND:	3.05	(0.11)
GE:	16.35	(0.2)	BLNDER TONGUE:	2.07	(0.13)
NEWS CORP:	16.14	(0.02)	BROADCOM:	41.35	(1.03)
<b>MSOS</b>					
CABLEVISION:	29.50	(0.53)	CISCO:	20.52	(3.97)
CHARTER:	36.00	0.10	CLEARWIRE:	6.69	0.67
COMCAST:	20.68	(0.05)	COMMSCOPE:	32.03	(0.07)
COMCAST SPCL:	19.42	(0.06)	CONCURRENT:	4.86	0.13
GCI:	10.32	(0.05)	CONVERGYS:	12.75	0.02
KNOWLOGY:	14.89	0.15	CSG SYSTEMS:	20.06	(0.09)
LIBERTY CAPITAL:	59.03	(0.07)	ECHOSTAR:	21.05	(0.4)
LIBERTY GLOBAL:	38.34	(0.26)	GOOGLE:	617.19	(5.69)
LIBERTY INT:	15.47	(0.03)	HARMONIC:	6.71	(0.08)
MEDIACOM:	6.83	(0.16)	INTEL:	21.21	0.17
SHAW COMM:	21.09	(0.48)	JDSU:	11.69	(0.08)
TIME WARNER CABLE:	62.01	(0.25)	LEVEL 3:	1.12	0.09
VIRGIN MEDIA:	26.45	UNCH	MICROSOFT:	26.68	(0.26)
WASH POST:	391.79	8.33	MOTOROLA:	8.10	(0.1)
<b>PROGRAMMING</b>					
CBS:	16.97	0.15	RENTRAK:	26.71	(0.6)
CROWN:	2.90	0.01	SEACHANGE:	8.22	(0.04)
DISCOVERY:	40.60	(0.56)	SONY:	33.32	(0.24)
GRUPO TELEVISIA:	23.10	(0.45)	SPRINT NEXTEL:	4.00	0.06
HSN:	27.33	(0.11)	THOMAS & BETTS:	44.77	(0.23)
INTERACTIVE CORP:	28.08	(0.05)	TIVO:	9.27	(0.26)
LIBERTY:	39.33	(0.35)	TOLLGRADE:	8.22	UNCH
LIBERTY STARZ:	63.49	(0.53)	UNIVERSAL ELEC:	26.93	(0.08)
LIONSGATE:	7.21	(0.16)	VONAGE:	2.50	0.02
LODGENET:	2.91	0.04	YAHOO:	16.80	(0.14)
NEW FRONTIER:	1.93	0.01	<b>TELCOS</b>		
OUTDOOR:	6.20	0.12	AT&T:	28.83	(0.22)
PLAYBOY:	5.02	(0.02)	QWEST:	6.83	(0.1)
SCRIPPS INT:	52.39	0.11	VERIZON:	32.63	(0.22)
TIME WARNER:	31.10	(0.82)	<b>MARKET INDICES</b>		
VALUEVISION:	3.16	0.25	DOW:	11283.10	(73.94)
VIACOM:	44.59	1.35	NASDAQ:	2555.52	(23.26)
WWE:	13.77	(0.18)	S&P 500:	1213.54	(5.17)
<b>TECHNOLOGY</b>					
ADC:	12.67	(0.01)			
ADVANTAGE:	3.20	(0.05)			
ALCATEL LUCENT:	3.02	(0.12)			
AMDOCS:	26.44	(0.16)			
AMPHENOL:	51.25	(1.27)			
AOL:	26.67	(0.49)			
APPLE:	316.65	(1.38)			

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

**(Ad)ding Up**

As much of the color has returned to the cheeks of the TV industry after heady economic troubles, cable ops, broadcasters and programmers were really left without a viable excuse if ad rev happened to falter in the latest Q. Overall, it didn't and in fact largely accelerated across the board, and the greatest growth was distinctly achieved by 3 groups: cable ops, non-fiction cable programmers and local broadcasters. Give credit to **Viacom's** sequential improvement in the metric throughout '10, certainly a feel-good comeback story, but lavish the praise on **Cablevision** (+30.2%), **Comcast** (+27%), **Time Warner Cable** (+22.5%), **Mediacom** (+18.8%) and **Charter** (+17.2%). Also deserving of plaudits are local station groups, who despite falling on particularly hard times during the recession largely delivered monster ad growth. A sampling: **E.W. Scripps** reported ad rev increases in local (+4.7%) and national (+25%), **Meredith's** local media group achieved 27% growth in total TV spot advertising, **Fisher's** core net ad rev rose 17%, **Sinclair's** local rev increased 11.9% while national rev popped 30% (including retrans rev), and **Belo** was aided by a 17.5% increase in total spot rev and respective local and national growth of 5% and 20%. Then there's **Scripps Nets** and **Discovery Comm**. The former grew ad rev a whopping 34%, owing a big thanks to **Travel Channel**, and Discovery's US ad rev jumped 16% from July-Sept, impressive alone but also when compared to the respective increases of 9% and 13% in 1Q and 2Q—and its industry-leading performance throughout the downturn. Also particularly notable is the 16% uptick in US ad rev achieved by **News Corp's** cable nets, although most every cable programming group enjoyed solid ad growth in the Q. *CH*

**Highlights:** "Industrial Light & Magic: Creating the Impossible," Fri, 9p, **Encore**. OK, let's hear it again for *George Lucas* and his prescient creation of *Star Wars* and the resulting breakthroughs that brought a visual effects revolution. But he deserves it, as this outstanding chat about his company ILM with *Spielberg*, *Ron Howard*, *Samuel L. Jackson*, Lucas himself and a lot of effects people shows. *SA*

**Worth a Look:** "Glory Daze," pilot, Tues, 10p, **TBS**. Clichés, stereotyped characters and pages seemingly ripped from the screenplay of "Animal House" fill this new TBS comedy about college life in 1986. Still, in places it's hilarious, albeit sophomoric. "SNL" alums *Tim Meadows* and *Cheri Oteri* have their moments. -- "Tracy Morgan: Black and Blue," Sat, 10p, **HBO**. Besides setting the modern-day record for most f and mf bombs in 1 hour, *Morgan's* 1st stand-up produces several laughs. *SA* -- "Wired Outdoors: Dream Hunt" Fri, 6:30p, **Sportsman Channel**. It's a tear jerker, but interesting. *Douglas Fickel's* life has been consumed by Ataxia Telangiectasia, Leukemia, hospitals and daily chemotherapy, until sportsmen help the youngster fulfill his dream of hunting a bull moose. (Review by *Bill Miltenberg*)

**Notable:** On Sun, *Pres George W. Bush* touts his book on **C-SPAN 2** (4p ET) and talks with *Candy Crowley* (**CNN**, 8p ET). *SA*

Basic Cable Rankings (11/01/10-11/07/10)			
Mon-Sun Prime			
1	ESPN	2.6	2575
2	FOXN	2.3	2304
3	USA	2.2	2191
4	DSNY	1.9	1905
5	TNT	1.4	1395
6	HIST	1.3	1309
6	NAN	1.3	1278
6	FX	1.3	1088
9	TBSC	1.1	1147
10	TOON	0.9	927
10	A&E	0.9	926
10	HGTV	0.9	924
10	MSNB	0.9	868
10	BRAV	0.9	830
15	FOOD	0.8	847
15	FAM	0.8	823
15	TLC	0.8	802
15	DISC	0.8	793
15	AMC	0.8	764
15	SYFY	0.8	754
15	BET	0.8	728
15	TRU	0.8	700
15	HALL	0.8	658
15	NKJR	0.8	588
25	SPK	0.7	736
25	CMDY	0.7	730
25	TVLD	0.7	690
28	MTV	0.6	642
28	ESP2	0.6	633
28	CNN	0.6	629
28	LIFE	0.6	577
28	EN	0.6	545
28	LMN	0.6	475
28	NGC	0.6	380
35	OXYG	0.5	368
35	ID	0.5	354
37	APL	0.4	402
37	GSN	0.4	294
37	NKTN	0.4	210
37	HMC	0.4	131
41	HLN	0.3	343
41	TRAV	0.3	326
41	VH1	0.3	296
41	CMT	0.3	295
41	SOAP	0.3	251
41	WE	0.3	251

\*Nielsen data supplied by ABC/Disney



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