

# CableFAX Daily™

Friday — November 20, 2009

What the Industry Reads First

Volume 20 / No. 224

## Seeing Starz: Stock Headed by Starz, Encore Expected to Hit Wall St Friday

**Liberty Ent** shareholders approved Thurs the company's split from **Liberty Media** and subsequent merger with **DirectTV**, which once finalized later in the day will allow Liberty Media to redesignate Liberty Ent common stock as Liberty Starz (LSTZA). That stock will likely begin officially trading Fri, with Starz Ent (21 nets including Starz and Encore) providing most of its value. The Series A and Series B Liberty Starz tracking stocks are currently trading on a when-issued basis under the symbols "LSTAV" and "LSTBV," respectively. Complex, yes, but perhaps not as complex as the changing media landscape premium nets Starz and Encore now face as they take the spotlight. Owing largely to the economy, premium net subscriptions are waning; the pair's key content providers, the film studios, are struggling to navigate the multiplatform world; and pay TV ops, many of which have recently lamented the premium slowdown, are navigating that same terrain as Starz and/or Encore must renew deals with **Comcast** and **Time Warner Cable** in the near term. Still, "we do expect growth going forward," said Starz Ent chmn/CEO *Bob Clasen*, joining execs Thurs in predicting 3-4% rev growth and 5-10% EBITDA growth for the co in '10. Sub softness is expected to continue in '10, but Clasen, who's retiring next month, sees real opportunities in expanding the nets' businesses through cable's **TV Everywhere** initiative and similar models. In fact, said pres/COO *Bill Myers*, much of Starz' distribution discussions with Comcast center "more around their authentication business" than anything else. Starz's deal with the MSO is currently month-to-month, said Myers, while Encore's deal runs through '12. Deals between both nets and Time Warner Cable expire at year-end, but Clasen said an official agreement hasn't been in place since '04 while citing flexibility in carriage and packaging as key reasons that Starz has "never lost an affiliate." Half of Starz Ent's affil rev is assured through '12. On the movie side, which comprises 90-95% of Starz Ent's programming costs, content deals with **Sony** through '15 and **Disney** through '12, and Myers said all the turmoil in the studio business actually means pricing "is moving in our favor." Starz Ent is looking to increase pricing predictability in new deals, he said, by targeting specific volumes required by its nets. **Pali** analyst *Rich Greenfield* maintained a "neutral" rating, stating that "while our valuation illustrates that Liberty Starz remains inexpensive... we believe its future earnings trajectory and use of capital are far too uncertain to warrant a buy rating." Liberty Media CEO *Greg Maffei*, meanwhile, said Starz Ent has "an attractive business, attractive cash flow characteristics, growth opportunities, and we like it." Will investors?

## The CableFAXIES awards

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**Leaving the Beeb:** *Garth Ancier* will step down as pres, **BBC Worldwide America** in Mar to become a non-exec director for the company. There's no word yet on a successor, with a search just getting underway. The guessing games already have started. (We hear *Peter Ligouri* was spotted in BBC offices a few weeks ago. Coincidence?) Under Ancier's tenure, **BBC America** has increased distribution to 65mln homes. Plans are underway for the US launch next year of BBC's preschool channel **CBeebeis**. "We have achieved a great deal over the past three years, but now feels the right time to transition to a new role where I can really help BBC Worldwide shape its strategy," Ancier said.

**Not Connecting:** **Cfax** reported last month that some diversity groups were pushing for their annual events to be moved to NYC or the East Coast (**Cfax**, 10/30), and sources say **NAMIC's** Conference will indeed make the return to NY. A **Cable Connection** committee gave the group the leeway Wed to look at the feasibility of moving its conference to NY in the fall of '10, according to **NCTA's** *Rob Stoddard*. Other diversity groups, such as **Kaitz**, have voiced concern that their events need to be in a NY or Mid-Atlantic venue so that more people can attend. Stoddard declined comment on other groups, but said "all other cases are still being deliberated on," and final answers may not come until the spring of next year. The industry's 1st Cable Connection Fall week was held in Denver late last month. NAMIC saw attendance at its annual conference fall 53% to 400 registrants. Kaitz's annual fundraising dinner had 700 attendees, down 46% from 1300 the year before in NY. NAMIC, Kaitz, **CTAM** Summit, **SCTE** Expo, **ACC** Forum and a **WICT's** breakfast were slated to be part of Cable Connection Fall in New Orleans the week of Oct 17, 2010, but one group pulling out could affect others' plans.

**At the Portals:** **ACA** wants the **FCC** to examine local marketing agreements used by broadcasters to negotiate retrans consent on behalf of 2 or more broadcasters within the same local market. "LMAs set the price for retransmission consent for one broadcaster and its direct horizontal competitor, leading to higher retransmission consent costs for consumers," said ACA's *Matt Polka*. The request for a proceeding comes after **Mediacom** raised similar concerns in its retransmission consent complaint against **Sinclair**. ACA also urged the FCC to allow cable ops to carry local broadcast signals while retrans complaints are pending before the agency.

**On the Hill:** The latest version of SHVERA (this one dubbed "STELA") was passed out of **Sen Commerce** Thurs. In addition to extending satellite's license to import out-of-market TV stations' signal to some viewers, the bill contains a provision requiring satellite operators to deliver noncommercial stations' HD signals within 2 years instead of the current 4 years. **DISH** said it has concerns about the practical and constitutional problems associated with the PBS HD mandate. An amendment from Sen *Claire McCaskill* (D-MO) that would have required DirecTV to provide local-into-local in all 210 DMAs was withdrawn. A House version of the bill has DISH committing to delivering local-into-local in all 210 markets and a Sen Judiciary version includes a provision fixing so-called short markets, where a market lacks at least 1 network affil.

**Hack Attack:** Remember the hack on **Comcast's** portal last year that shut subs out for at least a few hours? The US Atty's Office in Philly indicted *Christopher Allen Lewis*, also known as EBK, of Newark, Del.; 20-year-old *James Robert Black Jr*, also known as Defiant, of Tumwater, Wash.; and 27-year-old *Michael Paul Nebel*, also known as Slacker, of Kalamazoo, MI, accusing the 3 of conspiring to disrupt service at www.comcast.net. The trio was associated with hacker group *Kryogeniks*, the indictment said. Customers trying to access the site were directed to a message that read, "KRYOGENICS Defiant and EBK RoXed Comcast sHouTz to VIRUS Warlock elul21 coll1er seven." The acts resulted in a loss to Comcast of approximately \$128K, the US Atty's Office said. If convicted, each defendant faces a maximum possible sentence of 5 years imprisonment, a \$250K fine, a \$100 special assessment. The court could order the defendants to pay restitution.

**Carriage:** **Cablevision** has launched **Fox Business News** on Channel 106, giving the business net 3mln subs in the surrounding NYC metro area, which is full of finance execs. No details on the particulars or whether it's related to a 1-year retrans extension signed with Fox late last month.

**Earnings:** **Suddenlink** reported 3Q rev of \$391mln (+7%) and adjusted EBITDA of \$139mln (+9.7%) as RGUs increased by 59K. Video rev rose 3% as basic subs slid by 8,200 and digital gains totaled 16,300. HSD rev increased 9% on 24,200 adds, and phone rev jumped 40% on 26,300 adds. Ad rev declines diminished Suddenlink's overall rev results. Income from ops was \$58.4mln (+16%) and net loss was \$7.7mln, compared to a loss of \$15.8mln a year ago.

**Online:** Watch **FCC** chmn *Julius Genachowski's* 1st appearance on **C-SPAN's** "The Communicators" live Fri at 3pm ET (www.C-SPAN.org). Or catch it on C-SPAN Sat, 6:30pm ET.

# BUSINESS & FINANCE

**People:** Comcast programming exec *Steve Tseckares* was named svp, special programming and production for **MTV**. *James Bolosh*, formerly of **HGTV**, was tapped as vp, series dev. -- **Fox News** vet *Michele Remillard* was named exec producer of **C-SPAN's** "Washington Journal."

**Business/Finance:** Newly named **DirecTV** pres/CEO *Michael White* will get a base salary of \$1.5mln, and could get a bonus of up to 200% of his base salary, according to an **SEC** filing. He also is granted \$12.5mln in stock options and another \$12.5mln in restricted stock units based on performance during his 3-year contract. -- *John Malone* foresees strengthening bonds between **DirecTV** and **AT&T** and **Verizon** going forward, according to *Bloomberg*, and intimated that some type of merger or acquisition isn't out of the question. -- **Sanford Bernstein** reports that **Time Warner Cable** CFO *Rob Marcus* told the firm that mgmt is engaged in discussions with the board about the timing, magnitude and nature of a cash return to shareholders. "My own bias is toward a regular dividend," the firm quotes him as saying. -- **AOL** plans to cut 2,500 jobs, or one-third of its workforce, as part of its planned spin-off from **Time Warner**, and is initially asking for voluntary departures. -- **Scripps Nets** will acquire 69% of Indian lifestyle programmer **NDTV Lifestyle** for \$55mln.

## CableFAX Daily Stockwatch

| Company                      | 11/19<br>Close | 1-Day<br>Ch | Company               | 11/19<br>Close | 1-Day<br>Ch |
|------------------------------|----------------|-------------|-----------------------|----------------|-------------|
| <b>BROADCASTERS/DBS/MMDS</b> |                |             |                       |                |             |
| BRITISH SKY:                 | 36.05          | (0.84)      | AMPHENOL:             | 42.20          | (0.91)      |
| DIRECTV:                     | 31.50          | 0.46        | APPLE:                | 200.51         | (5.45)      |
| DISH:                        | 19.86          | (0.05)      | ARRIS GROUP:          | 10.31          | (0.3)       |
| DISNEY:                      | 30.21          | (0.46)      | AVID TECH:            | 11.69          | (0.55)      |
| GE:                          | 15.76          | (0.33)      | BIGBAND:              | 3.65           | (0.01)      |
| NEWS CORP:                   | 14.72          | (0.08)      | BLNDER TONGUE:        | 0.96           | 0.00        |
| <b>MSOS</b>                  |                |             |                       |                |             |
| CABLEVISION:                 | 25.82          | (0.24)      | BROADCOM:             | 29.16          | (0.88)      |
| COMCAST:                     | 15.04          | (0.09)      | CISCO:                | 23.68          | (0.32)      |
| COMCAST SPCL:                | 14.37          | (0.11)      | CLEARWIRE:            | 5.72           | (0.44)      |
| GCI:                         | 5.96           | (0.19)      | COMMSCOPE:            | 28.14          | (0.58)      |
| KNOLGY:                      | 9.90           | (0.13)      | CONCURRENT:           | 3.64           | (0.09)      |
| LIBERTY CAPITAL:             | 23.48          | (1.17)      | CONVERGYS:            | 11.44          | (0.29)      |
| LIBERTY ENT:                 | 35.91          | 0.12        | CSG SYSTEMS:          | 16.83          | (0.47)      |
| LIBERTY GLOBAL:              | 20.95          | (0.51)      | ECHOSTAR:             | 20.25          | (0.13)      |
| LIBERTY INT:                 | 10.74          | (0.3)       | GOOGLE:               | 572.99         | (3.66)      |
| MEDIACOM:                    | 4.21           | (0.24)      | HARMONIC:             | 5.17           | (0.1)       |
| RCN:                         | 8.66           | (0.22)      | INTEL:                | 19.30          | (0.82)      |
| SHAW COMM:                   | 18.76          | (0.17)      | JDSU:                 | 7.39           | (0.26)      |
| TIME WARNER CABLE:           | 43.02          | 0.65        | LEVEL 3:              | 1.23           | 0.01        |
| VIRGIN MEDIA:                | 16.60          | (0.02)      | MICROSOFT:            | 29.78          | (0.33)      |
| WASH POST:                   | 422.40         | (8.39)      | MOTOROLA:             | 8.48           | (0.19)      |
| <b>PROGRAMMING</b>           |                |             |                       |                |             |
| CBS:                         | 13.31          | (0.42)      | OPENTV:               | 1.53           | 0.00        |
| CROWN:                       | 1.76           | (0.02)      | PHILIPS:              | 27.20          | (0.44)      |
| DISCOVERY:                   | 31.12          | (0.34)      | RENTRAK:              | 15.45          | (0.41)      |
| EW SCRIPPS:                  | 6.41           | (0.35)      | SEACHANGE:            | 5.58           | (0.12)      |
| GRUPO TELEVISA:              | 20.96          | (0.04)      | SONY:                 | 26.98          | (1.27)      |
| HSN:                         | 17.98          | (0.47)      | SPRINT NEXTEL:        | 3.85           | (0.1)       |
| INTERACTIVE CORP:            | 19.61          | (0.17)      | THOMAS & BETTS:       | 37.51          | (0.48)      |
| LIBERTY:                     | 35.89          | (0.32)      | TIVO:                 | 10.83          | (0.37)      |
| LODGENET:                    | 5.27           | (0.16)      | TOLLGRADE:            | 6.19           | 0.19        |
| NEW FRONTIER:                | 1.94           | 0.01        | UNIVERSAL ELEC:       | 22.28          | (0.28)      |
| OUTDOOR:                     | 6.10           | (0.13)      | VONAGE:               | 1.20           | (0.04)      |
| PLAYBOY:                     | 3.71           | (0.24)      | YAHOO:                | 15.61          | (0.37)      |
| RHI:                         | 0.77           | (0.01)      | <b>TELCOS</b>         |                |             |
| SCRIPPS INT:                 | 40.09          | (0.42)      | AT&T:                 | 26.11          | (0.2)       |
| TIME WARNER:                 | 32.30          | (0.52)      | QWEST:                | 3.67           | (0.05)      |
| VALUEVISION:                 | 3.35           | 0.07        | VERIZON:              | 30.52          | (0.14)      |
| VIACOM:                      | 32.28          | (0.19)      | <b>MARKET INDICES</b> |                |             |
| WWE:                         | 16.37          | 0.11        | DOW:                  | 10332.44       | (93.87)     |
| <b>TECHNOLOGY</b>            |                |             |                       |                |             |
| 3COM:                        | 7.44           | (0.05)      | NASDAQ:               | 2156.82        | (36.32)     |
| ADC:                         | 6.64           | (0.26)      |                       |                |             |
| ADVANTAGE:                   | 2.18           | (0.07)      |                       |                |             |
| ALCATEL LUCENT:              | 3.71           | (0.13)      |                       |                |             |
| AMDOCS:                      | 26.47          | (0.31)      |                       |                |             |

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

**Bigger Is Better**

John Malone voiced in the media Thurs a concern over **Comcast** gaining too much power with its potential deal for **NBCU**, saying that regulatory scrutiny of the transaction is critical, lest competitors must follow the MSO in acquiring complementary assets. Some of that is competitive rhetoric, of course, but some truth is also evident. This year alone has seen **Disney** scoop up **Marvel Ent**, **Cox** align with **Scripps Nets** for the **Travel Channel** and **AETN** merge with **Lifetime**. Big players have realized the current imperative of producing business synergies across platforms, content genres and screens (ie. movies and TV). Unfortunately, an uncomfortable glare now showers many of the smaller and/or independent players, particularly the programming-centric. Content producer **RHI Ent** comes to mind 1st because it sells a lot of programming to NBCU's **Syfy**. The co went public in Jun '08 and closed its initial trading day at \$13/share. As rev plummeted 82% in 3Q, the co's shares closed Thurs at cents. **Crown Media** is also facing duress, hampered by a damaged financial structure that's much easier to correct under an expansive corporate umbrella. The struggles at **New Frontier** and **Playboy** also bear noting. Meanwhile, public companies including **Outdoor Channel**, **HSN** and **WWE** are navigating the rocky business climate comparatively well. But keep in mind that the shopping net was set up to succeed as a spin off from **IAC**, Outdoor fills a popular niche and purchased this year prod and interactive firm **Winnercom**, and **WWE** remains a true paragon of effective branding. The latter's apparent plans for its own cable net, though, offers yet another piece to the current media puzzle that involves melding distribution and content and anything in between. A rosier outlook—and power—is the reward. *CH*

**JFK:** A bevy of specials about the assassination. "The Lost JFK Tapes," (Mon, 9p, **Nat Geo**) expertly compiles vintage footage sans modern-day narration, like **History's** Oct 11 piece "3 Shots That Changed America." "The Ruby Connection" (Sun, 9p, **Discovery**) drags a bit, but includes important interviews with eyewitnesses to **Oswald's** killing by mob-connected club owner **Jack Ruby**. "Did the Mob Kill JFK?" (Sun, 8p, **Discovery**) examines links to Cuba and mob chief **Carlos Marcello**. *SA*

**Worth a Look:** "When Crocs Ate Dinosaurs," Sat, 9p, **Nat Geo**. Once upon a time we thought dinosaurs were masters of their domain. But paleontologist **Dr Paul Sereno** found fossils of 40-ft, 10-ton "super crocs" that lived 100mln years ago, were terrestrial-based and feasted on, get ready for it, dinosaurs. And crocs survived, while dinosaurs... well, you know. *SA*

**Notable:** "WWE Survivor Series," Sun, 8pm, **PPV**. DC is abuzz for **WWE's** visit. Predictions? How can we bet against **Chris Jericho** (author of best-seller "A Lion's Tale")? Still, can he take **The Undertaker** (it's true, he has dirt under his fingernails) and **Big Show** in a 3-way match? -- Speaking of three's, how about a Thanksgiving-day marathon of **Sergio Leone's** "The Man With No Name" trilogy? **MGM HD** runs the **Clint Eastwood** films at 9a ET and 5p ET. *SA*

| Basic Cable Rankings<br>(11/09/09-11/15/09)<br>Mon-Sun Prime |      |     |      |
|--|------|-----|------|
| 1  | ESPN | 2.7 | 2713 |
| 2  | USA  | 2.2 | 2221 |
| 3  | FOXN | 1.8 | 1723 |
| 4  | DSNY | 1.7 | 1704 |
| 5  | NAN  | 1.5 | 1451 |
| 6  | TBSC | 1.4 | 1422 |
| 6  | TNT  | 1.4 | 1352 |
| 8  | TOON | 1.1 | 1114 |
| 8  | A&E  | 1.1 | 1106 |
| 10   | HGTV | 1   | 1001 |
| 10   | FX   | 1   | 984  |
| 10   | ESP2 | 1   | 973  |
| 10   | HIST | 1   | 962  |
| 10   | SYFY | 1   | 945  |
| 15   | SPK  | 0.9 | 917  |
| 15   | TRU  | 0.9 | 867  |
| 15   | AMC  | 0.9 | 827  |
| 15   | HALL | 0.9 | 764  |
| 15   | LMN  | 0.9 | 692  |
| 15   | NKJR | 0.9 | 604  |
| 21   | DISC | 0.8 | 835  |
| 21   | FOOD | 0.8 | 834  |
| 21   | TLC  | 0.8 | 780  |
| 21   | LIFE | 0.8 | 747  |
| 21   | NFLN | 0.8 | 430  |
| 26   | FAM  | 0.7 | 723  |
| 26   | CMDY | 0.7 | 679  |
| 26   | BRAV | 0.7 | 637  |
| 29   | MTV  | 0.6 | 585  |
| 29   | MSNB | 0.6 | 578  |
| 29   | CNN  | 0.6 | 577  |
| 29   | BET  | 0.6 | 562  |
| 29   | NGC  | 0.6 | 401  |
| 34   | EN   | 0.5 | 495  |
| 34   | TVLD | 0.5 | 493  |
| 34   | VH1  | 0.5 | 466  |
| 34   | HLN  | 0.5 | 448  |
| 38   | APL  | 0.4 | 407  |
| 38   | TRAV | 0.4 | 339  |
| 38   | OXYG | 0.4 | 325  |
| 38   | CMT  | 0.4 | 317  |
| 38   | WGNA | 0.4 | 293  |
| 38   | SOAP | 0.4 | 284  |
| 38   | GSN  | 0.4 | 278  |
| 38   | ID   | 0.4 | 200  |
| 46   | WE   | 0.3 | 215  |

\*Nielsen data supplied by ABC/Disney

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