

CableFAX Daily™

Wednesday — December 5, 2007

What the Industry Reads First

Volume 18 / No. 235

Fixer Upper: Zaslav Outlines Discovery's Revamp

Taking a cue from **Discovery Comm's** programming, CEO *David Zaslav* is looking to renovate a few properties of his own. 6 Discovery channels have 50-70mln distribution, but no name recognition, he said, calling it unacceptable to be "just OK." At **NBC**, he discovered that "it's very hard to create a channel because you can't get beachfront real estate. We have the opposite problem. Our entitlement is there—we're already in your home," Zaslav explained to **UBS** media conference attendees Wed. That's why he has embarked on a plan to refocus some of Discovery's 15 nets. Environmental-advocacy net **Planet Green** launches next year, **Discovery Times** becomes crime-focused **Investigation Discovery** next month and plans are in the works for a rebranding of **Science Channel** (same name, but a more contemporary look—Zaslav thinks it'll be the next **History Channel**). Three more nets are in line for change. "How many of you watch **Discovery Kids... Discovery Military... Discovery Health**? Discovery Health is in 70mln homes—why can't that be bigger than **Bravo**?" Zaslav asked. Another part of Zaslav's strategy has been to focus on Discovery's core businesses and trim underperformers. Remember the decision to nix Discovery's 110 retail stores and focus more energy on e-commerce? Cyber Monday (the 1st Mon after Thanksgiving) offered some positive reinforcement. Last year, Discovery did \$1.4mln in rev on that day. This year, it did \$2.4mln. As for digital, the idea to buy **HowStuffWorks** for \$250mln came in part as he typed in words like "shark" into search engines during Discovery's highly-rated "Shark Week." Discovery didn't get a mention, but near the top of the result list with almost every search was HowStuffWorks—which had no video. "People go to the Web because they're curious," Zaslav said. "Everyone in media is throwing content onto the superhighway in the hopes [customers] pick it up." Instead, Discovery's hoping to just be there when consumers seek out something they're interested in. Discovery's margins have grown from about 25% to 30.5 in the first 9 months of the year. "One of the pearl opportunities for us is that this was an underperforming business," he said, adding that a fair amount of the gains will go to reinvestment. "We were heavy. We weren't re-engineered. We never really did this exercise... of what is growth and what is everything else."

Comcast Warning: Ahead of its scheduled **UBS** conference presentation (Wed), **Comcast** lowered portions of its full-year '07 guidance, citing "an increasingly challenging economic and competitive environment." RGU additions are now expected to tally 6mln, down from 6.5mln, and overall cable rev growth of 11% is foreseen, down from 12%. Revised capex guidance of \$6bln this year represents a 5% increase, and reflects "increased advanced digital set-top box purchases, the company's digital acceleration program, expanded network enhancements and acquisition-related investments." Consolidated FCF is expected to be approx 80% of '06, compared to previous estimates of at least 90%.

How Low Can You Go? Charter raised eyebrows Tues when it acknowledged that its began marketing \$69.97, 12-month triple-play bundles system-wide to select, targeted customers. The bargain basement price only gets sub



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lifeline basic video (27 channels), and therein lies the MSO's strategy. "It allows us to cross sale and upsale so that our final RPU and profitability is about the same as our \$99 customer," CEO Neil Smit said during **UBS'** media conference. ARPU is around \$120-\$130 for it, he noted. Charter started trialing the \$70 offer in a couple markets earlier this year, opting to take it across the entire enterprise because of the high response rates. The promo actually goes after higher-end customers because of the upsale potential, and it's primary purpose is to drive call volume, Smit said. At least one analyst has faith. "We believe Charter has spent a considerable amount of time under CMO Bob Quigley evaluating the impact of various package pricing and the resulting ARPU," Pali's Rich Greenfield wrote. The analyst questioned why more MSOs haven't tried cheaper triple-play offers given how **Cablevision** has maintained both the lowest offering (\$90) and highest triple-play ARPU (\$130).

The Network Sho: CBS pres/CEO Les Moonves is "not terribly optimistic" that the **WGA** strike will soon end, but the network nonetheless expects to air a full programming slate in the near- and mid-term—with the help of Showtime content. Any net series "can work well on CBS," said Moonves at the **UBS** conference, although he failed to disclose which will make the jump. The exec is pleased with Showtime's '07, "its best year financially ever." CBS is also launching its own movie production arm that will feed content to Showtime. The segment's 1st release is set for Feb '09.

Auction Block: At least 1 MSO will participate in the upcoming 700MHz **FCC** wireless spectrum auction next month: **Cox** plans to bid without any partners. **Cablevision** said it filed the necessary forms to reserve its right to participate if it chooses to do so. **Time Warner Cable** and **Comcast** have said they won't participate. **DirectTV** said Tues to count it out as well. Others, including **Bright House** and **EchoStar**, said that they weren't prepared to discuss their plans Tues. **DISH** shares pulled back this morning on concerns it will bid, dampening chances of an **AT&T** acquisition. **Oppenheimer** said it was an overreaction, calling a \$2-\$3bln bid by **DISH** unlikely. As for **AT&T**, the 2 could bid on different blocks in order to provide different services, the investment firm said. If **AT&T** and **DISH** both bid, it makes an imminent merger unlikely because of rules preventing bidders from talking to one another during the bidding process.

Deals: Charter sold systems in Vincennes, IN, and surrounding communities in southern IN and eastern IL to **Avvenue Broadband** of Tyler, TX. The deal involves about 39.7K video subs. **RBC Daniels** represented Charter.

Next Versus Match-up: Comcast is in the market for a new head for **Versus**. Pres Gavin Harvey has opted not to make the move from Stamford, CT, to Philly when the net moves its HQ in June, reports *Sports Business Journal*. Harvey has agreed to remain on for at least 6 months, possibly even longer.

Competition: **AT&T** and **Verizon Wireless** have agreed to swap certain wireless assets, with **AT&T** set to acquire **Rural Cellular** properties in VT, NY and WA following Verizon's purchase of Rural, plus a separate license in KY. Verizon will buy from **AT&T** some former **Dobson Comm** properties in KY and 10MHz of PCS spectrum in several markets while receiving a cash consideration from **AT&T**. **AT&T** has also agreed to sell the **Cellular One** brand to **Trilogy Partners**.

Layoffs: **NBCU** began its expected trimming of **Oxygen** staffers, laying off 25% of its employees (approx 60 staffers) Mon. "While these decisions are never easy, they have been made after a great deal of thought and careful consideration about what is best for the business," said **NBCU** digital distribution pres Jean-Briac Perrette. **NBCU** said it is offering some impacted staffers opportunities within **NBCU** where available, while others are being paid through the

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end of the year and provided with enhanced severance packages and outplacement services.

On the Hill: Sen Commerce approved a bill Tues that would prevent the **FCC** from going through with a Dec 18 vote to loosen the newspaper-broadcast cross-ownership ban. The bill now goes to the full Senate.

On the Circuit: Showtime celebrated breaking the 15mln sub mark at its annual sales meeting at the Breakers in Palm Beach last week. Les Moonves made a special appearance, thanking chmn/CEO Matt Blank for leading Showtime's unprecedented 1mln sub growth in '07. -- Cable Positive launched its One-for-One Matching Gift Appeal grant initiative with a \$15K donation to Broadway Cares/Equity Fights AIDS.

People: Court TV promoted Marc Juris to evp/GM, responsible for daily operations and the net's rebranding to **truTV** on Jan 1. -- **Comcast Cable** appointed former **Time Warner Cable** exec **Jennifer Yohe Wagner** vp, strategic business procurement. -- Congrats to **Jenn Geisser**, who was upped to svp, corp comm for **Hallmark Channel** and **Hallmark Movie Channel**.

MaxFax Note: Columnist **Paul Maxwell** wants readers to vote for the "Worst **FCC** Chairman in Modern History." Send an email to maxfax@mediabiz.com, or fax Mon's "Max-FAX" column to 303-484-6677. The "winner" gets a nice plaque.

CableFAX Daily Stockwatch

Company	12/04 Close	1-Day Ch	Company	12/04 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	48.58	(1.74)	APPLE:	179.81	0.95
DISNEY:	32.75	(0.29)	ARRIS GROUP:	10.19	(0.2)
ECHOSTAR:	40.31	(2.05)	AVID TECH:	26.23	0.08
GE:	36.29	(0.64)	BIGBAND:	5.95	(0.06)
HEARST-ARGYLE:	19.37	(0.34)	BLNDER TONGUE:	1.50	(0.05)
ION MEDIA:	1.35	(0.03)	BROADCOM:	26.51	(0.53)
NEWS CORP:	21.10	(0.47)	C-COR:	12.12	(0.01)
TRIBUNE:	29.60	(0.9)	CISCO:	26.96	(0.61)
MSOS					
CABLEVISION:	26.82	(0.43)	COMMSCOPE:	40.19	(0.51)
CHARTER:	1.25	(0.1)	CONCURRENT:	0.91	(0.02)
COMCAST:	20.73	(0.32)	CONVERGYS:	16.10	(0.3)
COMCAST SPCL:	20.50	(0.36)	CSG SYSTEMS:	16.44	0.15
GCI:	8.54	(0.06)	GEMSTAR TVG:	5.82	(0.05)
KNOLGY:	13.51	(0.05)	GOOGLE:	684.16	2.63
LIBERTY CAPITAL:	119.81	0.75	HARMONIC:	10.38	(0.03)
LIBERTY GLOBAL:	41.18	0.09	JDSU:	13.02	(0.25)
LIBERTY INTERACTIVE:	19.95	(0.28)	LEVEL 3:	3.17	(0.21)
MEDIACOM:	4.46	(0.17)	MICROSOFT:	32.77	(0.15)
NTL:	28.22	0.00	MOTOROLA:	15.67	0.24
ROGERS COMM:	42.97	0.00	NDS:	58.33	(0.17)
SHAW COMM:	23.72	(0.25)	NORTEL:	16.41	(0.24)
TIME WARNER CABLE:	27.05	0.18	OPENTV:	1.10	(0.06)
WASH POST:	800.00	(1.9)	PHILIPS:	41.47	0.04
PROGRAMMING					
CBS:	26.70	(0.34)	RENTRAK:	14.55	0.31
CROWN:	6.45	(0.34)	SEACHANGE:	7.35	(0.09)
DISCOVERY:	26.20	0.08	SONY:	52.98	(0.73)
EW SCRIPPS:	43.14	0.23	SPRINT NEXTEL:	15.44	(0.4)
GRUPO TELEVISA:	23.72	(0.17)	THOMAS & BETTS:	52.19	(0.81)
INTERACTIVE CORP:	27.67	(0.03)	TIVO:	7.86	0.06
LODGENET:	19.10	0.10	TOLLGRADE:	7.52	0.11
NEW FRONTIER:	4.85	0.09	UNIVERSAL ELEC:	36.89	(0.45)
OUTDOOR:	6.81	(0.18)	VONAGE:	2.01	(0.11)
PLAYBOY:	9.29	0.00	VYYO:	4.40	(0.08)
TIME WARNER:	17.02	(0.12)	WEBB SYS:	0.05	(0.02)
UNIVISION:	36.23	0.00	YAHOO:	26.42	(0.19)
VALUEVISION:	6.44	(0.04)	TELCOS		
VIACOM:	43.28	0.62	AT&T:	37.86	(0.42)
WWE:	15.11	(0.53)	QWEST:	6.74	0.05
TECHNOLOGY					
3COM:	4.37	0.07	VERIZON:	43.80	0.71
ADC:	16.10	(0.16)	MARKET INDICES		
ADDVANTAGE:	5.85	(0.04)	DOW:	13248.73	(65.84)
ALCATEL LUCENT:	7.74	(0.08)	NASDAQ:	2619.83	(17.3)
AMDOCS:	32.50	0.01			
AMPHENOL:	43.20	(0.5)			

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