

CableFAX Daily™

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What the Industry Reads First

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Arris-ola: Arris Diversifies Customer Base with Moto Deal, Ups Patent Portfolio

One day after **Arris** announced its plan to acquire **Motorola Home** for \$2.35bln, shares of the vendor rose, closing up nearly 3.6%. Cable should be happy to have **Google** out of its hair, with familiar face Arris buying the Google set-top unit for \$2.05bln in cash and approx \$300mln in newly issued Arris shares. And Arris is happy to not only gain the assets, but diversify its customer base. **Comcast** and **Time Warner Cable**, Arris' top 2 customers, make up more than 50% of its revenue. When the Motorola Home transaction closes in a few months, 5 customers will comprise about 51% of sales, said Arris chmn/CEO *Bob Stanzione*. Moto's client base includes **Cablevision**, **Charter**, **AT&T**, **Verizon**, **Cox**, **Liberty Global**, TWC and Comcast. One analyst called the price high. "We had previously expected a purchase price in the range of \$1bln to \$1.5bln," said **Jefferies** analyst *James Kisne* in a research report. "From our perspective, the valuation implied by Arris' purchase price is a bit rich given that the assets contain a significant chunk of legacy set-top box revenue that is potentially declining and likely faces margin pressure as set-top box hardware is increasingly commoditized," he said. **Zacks Investment Research** expects the company will become a dominant CMTS player behind **Cisco**. The bottom line, according Zacks, is acquiring the set-top box unit makes sense for Arris as it will have access to Motorola's wider market and expanded customer base. No decisions have been made on personnel, functions or facilities at this early stage in the game. Arris is headquartered outside Atlanta in Suwanee, GA, and has about 2100 employees. In June, former Charter CTO *Marwan Fawaz* was brought in to head the Home Business following *Dan Moloney's* departure. His hiring was viewed by some as an attempt to calm MSOs that reportedly didn't want Google near its business. Whether he'll stay on remains to be seen. During a conference call with analysts late Wed, Fawaz and Stanzione stressed that the set-top business isn't dying. "There is going to be an evolution to a new wave of set-tops that can carry both IP and MPEG traffic," said Stanzione, who said the name needs to change from set-tops to in-home devices. Fawaz expanded on that, saying he believes OTT entertainment (**Netflix**, **Hulu**, etc) will be highly integrated with service providers, who will continue to play a key role in content delivery. "In-home devices are increasing, not decreasing," he said. The deal also gives Arris licensing to a wide array of Motorola Mobility patents, as well as increasing its patent portfolio. Stanzione pegged the combined

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portfolio of Arris and Moto Home at about 2K granted and in-process patents. The deal also includes a cap to potential liability from currently pending patent lawsuits, including pending **TiVo** litigation (jury selection is set to being in late Apr). While no number was given, Arris execs stressed several times during the conference call that Arris' liability was low with Google on the hook. "Google has taken that risk of the table," Stanzione said. As for potential overlap with Motorola Home's businesses, the Arris CEO said, "we don't anticipate exiting any product lines." Not everyone's sure about that. "We would not be surprised if after some time, Arris eliminates overlapping products and/or exits non-core products that contribute modestly to sales," said **Raymond James** analysts, noting that Moto's business generates just over 2x the sales of Arris. The analysts maintained an "outperform" on Arris and are positive on the deal, but acknowledged the incremental risks from an additional \$2bln in debt and \$300mln in additional shares.

Deals: 2012 will end without a **Mediacom-Sinclair** fight. The MSO announced several programming deals Thurs, including retrans renewals with **Capital, Citadel, Coronet, LocalTV, Media General, Quincy** and, yes, Sinclair, with which it has fought a few high-profile battles over the years. Along with the previously announced **NBCU** deal (**Cfax**, 12/20), Mediacom has struck pacts with **Turner** and expanded deals with **Big Ten** for BTN2Go and **Fox Broadcasting's** Fox.com. Mediacom said it has added "significant" TVE rights. It has also bumped up its Spanish-language tier to 27 channels, forging new partnerships with **Azteca International, Multimedios, Olypusat** and others.

On the Hill: Sen **Ron Wyden** (D-OR) proposed data caps legislation that encourages transparency for customers so they can better understand their monthly data usage and to ensure that a cap on data doesn't deter innovation. **Public Knowledge**, which supports further investigation of caps, praised the move. According to **Christopher Lewis**, vp, government affairs, data caps can create "an artificial scarcity in the broadband market that limits consumer choice and hinders the creation of new competitive content online." Public Knowledge supports Sen Wyden's effort to "provide consumers with transparency on their data usage and to ensure that these caps do not limit innovative products and uses on the Internet. We look forward to a larger dialogue around this topic in the 113th Congress," she said. **NCTA** recently took on critics of tier- or usage-based pricing, holding a briefing with experts who said it would benefit consumers and incentivize investment in network infrastructure (**Cfax**, 12/17).

At the Portals: In a notice Wed, the **Media Bureau** offered broadcasters some guidance on filing anonymous incentive auction comments. Recognizing that broadcasters may have "a legitimate interest" in not revealing their identity in comments filed related to the spectrum incentive auction, the bureau said broadcasters can file comments anonymously both via paper or electronically, as long as they have an attorney of record. Broadcasters filing without an attorney must file a waiver request with the agency. Nonetheless, "sufficient basic information" is needed for the agency to understand and evaluate the broadcaster's position.

Speed Game: **Time Warner Cable** is boosting the max download speed for its standard Internet by 50% this month, from 10 Mbps to 15 Mbps. The speed increase is being rolled out through the op's service area. Standard Internet subs will receive the faster speeds automatically but can upgrade immediately by pushing the "reset" button on their modems, or by unplugging the power cord from the modem for 10 sec, plugging it back in and then rebooting their computer.

Consoles: **Nintendo** has introduced Nintendo TVii, a free service for the Wii U console. The service creates a 2nd-screen experience on the Wii U GamePad controller, and also pulls MVPD service and **Hulu Plus** content into one place. Besides simplifying navigation, it also has a social feature to share with friends via Miiverse, **Facebook** and **Twitter** using the GamePad. In addition to Hulu Plus and major cable and satellite providers, Nintendo TVii has direct integration with **Amazon Instant Video**. Further integration with **Netflix** and **TiVo** is expected early next year.

Carriage: **Suddenlink** is carrying music net **SWRV, Music Choice** said. Suddenlink Digital TV subs can also access SWRV content across platforms. SWRV is already on **Cox, AT&T U-Verse, Verizon FiOS, RCN** and other ops' systems.

TVE: **Cox** subs can use authenticated Watch Disney services after the MSO's long-term carriage deal with **Disney**.

Milestone: **Suddenlink** logged its #1mln HSD sub in TX. **Mark Saenz** of Midland won an iPad and 1 year of free service.

Ratings: While the **Knicks** dominated the battle of the boroughs Wed night, beating the Nets 100-86 at Madison Square Garden, **MSG Network** won the battle for television viewers, scoring the top **Nielsen** household and key adult

BUSINESS & FINANCE

demo ratings out of the three telecasts. MSG's game coverage generated a 3.35 household rating and a 1.91 Adults 25-54 rating, topping ESPN (2.54 HH / 1.20 A25-54) and YES (0.32 HH / 0.29 A25-54).

Programming: FX booked the 5th season of comedy series "The League," ordering 13 eps. The new season will premiere in fall. -- **Showtime** will be available in over 80mln HHs for a free preview weekend from Jan 11 through 13, the net's biggest free preview audience ever. The offer will be provided by nearly 50 distributors nationwide. -- **USA** ordered season 8 of original comedy series "Psych." The new season will premiere Feb 27 and will mark the series' 100th ep milestone. -- **Cinemax** will debut 10-ep new action series "Banshee" Jan 11. -- "Kathy" is going live. **Bravo's** "Kathy" hosted by *Kathy Griffin* will return Jan 10 at 10pm.

Research: Discovery Comm remains **Bernstein Research's** top pick "because it lines up best against the key industry drivers," including affil fees, cost structure, international and advertising, the analysts said. Discovery's platform is unlike any other cable nets, they said, citing low cost programming formats and no inflationary pressures. The analysts rated Discovery shares as "Outperform" with a target price of \$70.

People: **NBCU** named *Atish Banerjea* named evp/chief information officer.

CableFAX Daily Stockwatch

Company	12/20 Close	1-Day Ch	Company	12/20 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	51.30	0.10	CONVERGYS:	16.60	0.12
DISH:	36.73	1.12	CSG SYSTEMS:	18.85	(0.09)
DISNEY:	50.93	0.99	ECHOSTAR:	34.32	0.18
GE:	21.05	0.23	GOOGLE:	722.36	2.25
NEWS CORP:	26.07	0.14	HARMONIC:	5.08	0.03
MSOS					
CABLEVISION:	14.86	(0.08)	INTEL:	21.03	(0.07)
CHARTER:	73.21	(0.84)	JDSU:	13.30	0.09
COMCAST:	38.09	0.08	LEVEL 3:	22.95	(0.08)
COMCAST SPCL:	36.64	(0.02)	MICROSOFT:	27.68	0.37
GCI:	9.25	0.02	RENTRAK:	20.92	(0.11)
LIBERTY GLOBAL:	63.20	0.23	SEACHANGE:	9.69	0.00
LIBERTY INT:	19.65	0.04	SONY:	11.13	0.16
SHAW COMM:	22.99	(0.12)	SPRINT NEXTEL:	5.48	0.02
TIME WARNER CABLE:	97.27	1.62	TIVO:	12.39	(0.26)
VIRGIN MEDIA:	36.79	0.57	UNIVERSAL ELEC:	18.90	0.40
WASH POST:	368.48	1.13	VONAGE:	2.36	(0.02)
PROGRAMMING					
AMC NETWORKS:	49.40	(0.3)	YAHOO:	19.69	0.09
CBS:	37.52	1.09	TELCOS		
CROWN:	1.93	0.05	AT&T:	34.17	0.26
DISCOVERY:	63.49	0.68	VERIZON:	43.81	0.43
GRUPO TELEVISIA:	26.77	0.25	MARKET INDICES		
HSN:	55.20	0.39	DOW:	13311.72	59.75
INTERACTIVE CORP:	46.54	(0.74)	NASDAQ:	3050.39	6.03
LIONSGATE:	15.89	0.04	S&P 500:	1443.69	7.88
LODGENET:	0.09	(0.01)			
OUTDOOR:	7.50	UNCH			
SCRIPPS INT:	58.86	(0.11)			
TIME WARNER:	48.26	0.62			
VALUEVISION:	1.84	0.08			
VIACOM:	54.12	0.12			
WWE:	8.03	(0.11)			
TECHNOLOGY					
ADVANTAGE:	1.97	0.05			
ALCATEL LUCENT:	1.44	(0.01)			
AMDOCS:	34.55	(0.14)			
AMPHENOL:	65.01	0.16			
AOL:	30.70	(0.04)			
APPLE:	521.73	(4.58)			
ARRIS GROUP:	15.06	0.52			
AVID TECH:	7.69	0.21			
BLNDER TONGUE:	1.14	0.02			
BROADCOM:	33.47	0.31			
CISCO:	20.24	(0.03)			
CLEARWIRE:	2.90	0.03			
CONCURRENT:	5.47	0.01			

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PROGRAMMER'S PAGE

Digital Doomsday?

Considering that Dec 21 may be the end of everything, let's talk about the Apocalypse. Not the end of human existence, mind you. That will come soon enough. Rather, the Armageddon that some seem to predict for traditional linear TV in the wake of over-the-top options and the proliferation of ancillary screens. It's true that ad dollars will increasingly flow to these alternatives, especially as Madison Avenue starts to put a higher value on micro-targeting and precise viewer measurement in the coming months and years. But to paraphrase Monty Python, linear's not dead yet. Not by a long shot. It's just that the dynamics are changing. As ex-News Corp exec and former Yahoo! CEO *Ross Levinsohn* predicted Tues at the **HRTS** luncheon in L.A., linear ratings could get "shredded" in the next 5 years as more money flows to online content outlets. To be sure, it's almost certain that as viewing options on TV and online continue to multiply, fewer viewers will gather around any one show or network. Remember the long tail? After all, many TV shows considered "hits" today would have been failures 20 years ago when the TV ratings bar was much higher. But then again, shows today generally target more niche audiences than 20 years ago—and that can be more attractive for certain advertisers. The Internet takes such targeting to the extreme, and then offers global scale that most cable networks can't match. Sure, much of the extra ad money now flowing to online outlets is additive to the TV spend. But at some point, a tipping point will probably occur. And when it does, TV content owners need to have alternative business models, authentication strategies, brand integration schemes and yes, partnerships with online outlets firmly in place. It's not doomsday yet. And TV can evolve its way out of danger. But it will require considerable finesse. - *MG*

Reviews: "The Great Pretender," Sat, 10a, **Investigation Discovery**. An amazing story, well told. An immigrant comes to the U.S. as an exchange student, fakes his way across country, 'becomes' a British aristocrat, a Rockefeller and perhaps a murderer. -- In deference to the holiday, this trio of **TV Guide Network** specials largely is family-friendly. Clips in "The 25 Most Hilarious Holiday TV Moments" (Mon, 1p) are short, so there's plenty of talk about humor, yet few examples of it. Better is "The 25 Most Heartwarming Holiday TV Moments," (Mon, 2p), which starts slowly, but improves with mentions of "The West Wing," "ER" and others. "The Cast of A Christmas Story: Where Are They Now?" (Tues, 10a) is best and cable relevant. The '83 theatrical became iconic in the 90s when **TBS** ran it ad nauseum on Christmas. Most of the cast returns, and you get inside dope on the tongue-sticking-to-the-flagpole scene. -- "The Year in Pup Culture," Sat, 9p, **Animal Planet**. This enjoyable spoof of countdown shows loads the screen with cute canines recreating highlights from Hollywood, sports, music and news. Enjoy costumed media hounds spoofing **HBO's** "Game of Bones," **TLC's** "Honey Bow-Wow" and of course, films from the Whine-stein brothers. -- **Notable:** "The Hobbit" star *Martin Freeman* guests on "The Graham Norton Show" (Sat, 10p, **BBCA**). - *Seth Arenstein*

Basic Cable Rankings (12/10/12-12/16/12)			
Mon-Sun Prime			
1	ESPN	2.3	2228
2	USA	2.1	2108
3	DSNY	1.7	1650
4	FOXN	1.6	1553
5	DISC	1.5	1505
5	TNT	1.5	1451
5	HALL	1.5	1321
8	FAM	1.4	1328
9	TBSC	1.3	1311
9	HIST	1.3	1274
11	A&E	1.2	1174
12	LIFE	1.0	1031
12	CNN	1.0	990
12	ADSM	1.0	990
12	NFLN	1.0	685
16	FX	0.9	920
16	AMC	0.9	850
16	DSE	0.9	69
19	NAN	0.8	828
19	HGTV	0.8	821
19	BRAV	0.8	795
19	MSNB	0.8	747
19	TRU	0.8	711
24	FOOD	0.7	695
24	SYFY	0.7	682
24	ID	0.7	544
27	TVLD	0.6	624
27	MTV	0.6	609
27	TLC	0.6	603
27	CMDY	0.6	565
31	SPK	0.5	521
31	VH1	0.5	505
31	BET	0.5	495
31	APL	0.5	449
31	LMN	0.5	423
31	NGC	0.5	387
31	HMC	0.5	221
38	NKJR	0.4	332
38	H2	0.4	254
40	ESP2	0.3	317
40	TRAV	0.3	311
40	EN	0.3	294
40	DXD	0.3	278
40	HLN	0.3	270
40	OWN	0.3	269
40	OXYG	0.3	257

*Nielsen data supplied by ABC/Disney

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