

CableFAX Daily™

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What the Industry Reads First

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Repaving: Wall St Set for '10 Changes in Cable

Charter's stock issuance plans head a list of notable recent or planned '10 events—from acquisitions to partnerships to new ventures to stock changes—that should sharply affect the performances of several cable-related equities during the next year. Having already enjoyed a 18% surge in its stock price since the **NBCU** deal was announced Dec 3, **Comcast** may have headed the list if not for the uncertainty that the transaction will pass oversight muster before '11. So that mantle goes to Charter, whose plans to apply for post-reorg NASDAQ listing some time after Jan 14 feature an issuance of nearly 112mln shares, including approx 110mln Class A and 2mln Class B. Also included are 5.52mln shares of preferred stock carrying an aggregate liquidation preference of approx \$138mln; 4.67mln warrants for *Paul Allen*, exercisable at \$19.80/Class A share; 6.41mln warrants for certain bond holders at \$46.86/Class A share; and 1.28mln warrants for other creditors exercisable at \$51.28/Class A share. Upon trading at an undetermined initial price, Charter shares—currently trading at approx \$35 on a when-issued basis—will become one of 5 cable op stocks for investors to consider, joining Comcast, **Time Warner Cable**, **Cablevision** and **Mediacom**. Charter's \$1.69bln in 3Q compares respectively to the MSOs' \$8.8bln, \$4.5bln, \$1.8bln and \$364mln. **DirectTV**, meanwhile, approaches '10 armed with majority ownership of **GSN** and full ownership of **FSN Pittsburgh**, **FSN NW** and **FSN Rocky Mountain**, giving the DBS op additional skin in the cable game. On the programming side, players including **Scripps Nets** and **Discovery Comm** have brews percolating that will greatly affect financials. Scripps just closed on its deal with **Cox** to acquire 65% control of **Travel Channel Media**, and in 3Q10 plans to rebrand its **FLN** property as the **Cooking Channel**. Discovery's jv with **Hasbro** calls for a late '10 launch of a kids-focused net that will take over for **Discovery Kids**. Other programmers will test leaner structures. **Liberty Starz** began trading in Nov with Starz and **Encore** as the driving factors, uniquely tying its '10 performance directly to premium cable nets. **Time Warner** enters the New Year without **AOL**, long seen as a drag on the company's quarterly results. Also deserving mention are **Disney**, which looks to integrate **Marvel Ent** next year, and **Clearwire**, which has earned ample funding to complete its planned '10 buildout that will impact the operations of Comcast and Time Warner Cable.

The CableFAXIES awards

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Competition: **AT&T** plans to raise prices across its service categories on Feb 1 but will maintain at \$19/month the price of its U-verse TV basic tier. Price hikes planned for the other 6 available video packages range from \$3-5/month. The telco's 3 lowest level HSI tiers, Express (up to 1.5Mbps), Pro (3Mbps) and Elite (6Mbps), will all receive a \$5 monthly increase, to a respective floor of \$30, \$35 and \$40. The cost of the U-verse Voice Unlimited package will also rise by \$5/month, to \$35. -- **Verizon's FiOS TV and V Cast** now offer full prod video footage in HD from *Green Day's* recent music tour.

In the States: **Bloomberg TV** tapped **Rentrak** for linear TV measurement. -- Digital equipment reseller **Evolution Digital** is supplying **TiVo** HD DVRs to **TVMAX**, a cable op specializing in MDU services in the Houston area. TV-MAX will include the boxes in all 4 of its \$99 service bundles.

Busy Busy: With the retrans standoff between **Time Warner Cable** and **Fox** in full posture mode, **Pali** analyst *Rich Greenfield* posted an interesting blog Mon. Greenfield said he dialed 1-866-Keep-Fox as Fox's ad campaign urges TWC subs to do, and found that an allegedly automated transfer to the MSO's customer service line immediately resulted in a busy message before offering an alternate number that features the same message. While it appears Fox "is trying to give the impression that Time Warner's phone lines are being overwhelmed by fear of lost programming," said Greenfield, "We suspect most TWC subscribers will not even react to the threat of lost programming until FOX begins running a scroll 24x7 at the bottom of the screen (has not started yet)."

On the Hill: As expected (*Cfax*, 12/18), Congress delayed expiration of SHVERA from Dec 31 to Feb 28. The extension came as an amendment to the **Dept of Defense** appropriations bill, which the Senate passed on Sat following the House's passage late last week. **DISH**, which seeks provisions allowing it to import distant broadcast signals into local markets, said in a statement that it "looks forward to continuing to work with Congress to ensure that a bill is passed early next year."

Research: From 3Q08-3Q09, telcos' multichannel video share grew to 4.6% from 2.5%, according to **MediaBiz**, while cable's slipped 2.8% and DBS gained 0.6%. Telcos enjoyed notable success in NY during the period, where subs increased by 7% while cable subs fell by approx 4% and DBS subs dropped 3%. -- Total broadcast TV ad rev plummeted 22.6% YOY in 3Q, according to **TVB's** analysis of **TNS Media** data, as network TV was down 21.5%, syndicated TV 7.2% and local broadcast 28.1%. From Jan-Sept, network TV fell 10.7%, syndication 2.8% and local 27.4% for an industry total of -15.7%.

VOD: **Comcast's** "Troop Greetings On Demand" again allows military personnel stationed overseas to deliver special holiday greetings to their loved ones back home. Separately, the MSO began mailing this week a coupon redeemable for a free VOD movie before Apr 30 to qualifying Indianapolis customers. -- **Player's Network** launched new VOD channels **Vegas On Demand** and **Sexy Sin City TV**, which are available in more than 23mln homes through providers including **Comcast**, **DirectTV** and **AT&T**. -- **Clearleap** is partnering with **Break Media** to feature a portion of **Break.com's** video library via on demand. Clearleap owns VOD partnerships with **Bresnan** and **Atlantic Broadband**.

Ratings: An undefeated Saints team, the popular Cowboys and a slew of Americans moored to their couches because of a massive East Coast snowstorm all coalesced to help **NFL Net** notch its most-watched live game ever Sat night. 10.5mln viewers tuned in, besting the previous record of 10.1mln ('07), pushing the net's game avg this season to 5.4mln viewers, a 57% YOY surge. Also, **NFL.com** provided more than 1mln live streams of the game as fans collectively watched more than 650K hours of online game content. Separately, NFL Net's Colts-Jags matchup earned an avg of 6.2mln viewers to rank as the net's 2nd most-watched Thurs night game ever. -- **truTV** cited a wealth of original series including "Conspiracy Theory with Jesse Ventura" and "Operation Repo" as catalysts for a record-breaking '09, which to date has featured annual delivery marks among 18-34s (235K), 18-49s (521K), 25-54s (534K), men 18-34 (121K), men 18-49 (286K) and men 25-54 (298K). -- The Sun ep of **E!**'s "Keeping Up with the Kardashians" scored more than 4.2mln total viewers to become the net's most-watched telecast in the network's history in the metric. -- **Fox Soccer's** Manchester United-Aston Villa Barclays Premier League match on Sat notched the net's highest ever HH rating among men 25-54 (0.9), and

BUSINESS & FINANCE

its Liverpool-Arsenal match on Sub equaled a historical best rating among men 18-49 (0.9).

Programming: Starz ordered a 2nd season of "Spartacus: Blood and Sand" (Jan 22). -- **Disney XD** greenlit "Pair of Kings" (fall), a live-action comedy in which 16-yr-old fraternal twins who find they're heirs to the throne of an island. -- **Speed** extended its agreement to feature Formula One events while earning additional Web rights for **SpeedTV.com**.

Business/Finance: **ION Media Nets** said it successfully completed its financial restructuring, which extinguished more than \$2.7bln in legacy debt and preferred stock claims and allowed the company to emerge debt free with \$150mln in growth funding. -- **News Corp** agreed to subscribe to up to 49mln new registered shares in **Sky Deutschland** through a capital increase expected to raise approx \$164mln. News Corp's SD stake will increase to 45.4% from 40%. -- **Citadel Broadcasting** reached a pact with more than 60% of its sr secured lenders on the terms of a pre-negotiated financial restructuring that would extinguish approximately \$1.4bln of debt, and filed related petitions with a NY Bankruptcy Court.

People: **CBS Network TV Ent Group** pres **Nancy Tellem** is switching roles to serve as sr advisor to CEO **Les Moonves**.

CableFAX Daily Stockwatch

| Company | 12/21 Close | 1-Day Ch | Company | 12/21 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | | | |
| AOL: | 23.28 | (0.21) | APPLE: | 198.23 | 2.80 |
| BRITISH SKY: | 36.14 | 0.41 | ARRIS GROUP: | 10.96 | 0.13 |
| DIRECTV: | 33.80 | 0.76 | AVID TECH: | 12.46 | 0.38 |
| DISH: | 21.06 | 0.10 | BIGBAND: | 3.50 | 0.01 |
| DISNEY: | 32.40 | 0.45 | BLNDER TONGUE: | 1.08 | 0.03 |
| GE: | 15.57 | (0.02) | BROADCOM: | 31.97 | 0.42 |
| NEWS CORP: | 15.93 | 0.23 | CISCO: | 23.64 | 0.31 |
| MSOS | | | | | |
| CABLEVISION: | 26.13 | 0.29 | CLEARWIRE: | 6.97 | 0.02 |
| COMCAST: | 17.37 | 0.13 | COMMSCOPE: | 26.58 | 0.89 |
| COMCAST SPCL: | 16.60 | 0.11 | CONCURRENT: | 3.74 | (0.19) |
| GCI: | 6.42 | 0.02 | CONVERGYS: | 10.82 | (0.18) |
| KNOLGY: | 11.05 | 0.36 | CSG SYSTEMS: | 19.16 | 0.21 |
| LIBERTY CAPITAL: | 23.69 | 0.38 | ECHOSTAR: | 19.35 | (0.01) |
| LIBERTY GLOBAL: | 21.09 | 0.43 | GOOGLE: | 598.68 | 2.26 |
| LIBERTY INT: | 10.49 | 0.06 | HARMONIC: | 5.95 | 0.13 |
| MEDIACOM: | 4.44 | 0.08 | INTEL: | 20.09 | 0.46 |
| RCN: | 10.67 | 0.27 | JDSU: | 7.99 | 0.16 |
| SHAW COMM: | 20.54 | 0.00 | LEVEL 3: | 1.45 | (0.02) |
| TIME WARNER CABLE: | 42.41 | 0.27 | MICROSOFT: | 30.52 | 0.16 |
| VIRGIN MEDIA: | 17.18 | 0.42 | MOTOROLA: | 8.39 | (0.14) |
| WASH POST: | 440.50 | 2.03 | OPENTV: | 1.40 | (0.02) |
| PROGRAMMING | | | | | |
| CBS: | 13.90 | 0.03 | PHILIPS: | 29.10 | 0.38 |
| CROWN: | 1.34 | 0.00 | RENTRAK: | 18.19 | (0.07) |
| DISCOVERY: | 31.70 | 0.22 | SEACHANGE: | 6.30 | 0.18 |
| GRUPO TELEVISA: | 20.66 | 0.11 | SONY: | 28.58 | (0.06) |
| HSN: | 18.78 | 0.80 | SPRINT NEXTEL: | 3.77 | 0.05 |
| INTERACTIVE CORP: | 19.72 | 0.14 | THOMAS & BETTS: | 35.87 | 0.17 |
| LIBERTY: | 36.07 | (0.05) | TIVO: | 9.55 | 0.15 |
| LIBERTY STARZ: | 47.29 | (0.26) | TOLLGRADE: | 6.11 | 0.13 |
| LIONSGATE: | 5.80 | 0.06 | UNIVERSAL ELEC: | 23.20 | 0.01 |
| LODGENET: | 5.47 | 0.05 | VONAGE: | 1.20 | 0.02 |
| NEW FRONTIER: | 1.83 | (0.05) | YAHOO: | 15.88 | (0.26) |
| OUTDOOR: | 5.86 | 0.06 | TELCOS | | |
| PLAYBOY: | 3.18 | (0.11) | AT&T: | 27.54 | 0.22 |
| RHI: | 0.69 | (0.04) | QWEST: | 4.30 | 0.06 |
| SCRIPPS INT: | 41.82 | 0.29 | VERIZON: | 33.02 | 0.22 |
| TIME WARNER: | 30.37 | 0.92 | MARKET INDICES | | |
| VALUEVISION: | 4.63 | 0.20 | DOW: | 10414.14 | 85.25 |
| VIACOM: | 31.96 | 0.22 | NASDAQ: | 2237.66 | 25.97 |
| WWE: | 15.22 | (0.2) | TECHNOLOGY | | |
| TECHNOLOGY | | | | | |
| 3COM: | 7.52 | 0.00 | | | |
| ADC: | 6.12 | 0.07 | | | |
| ALCATEL LUCENT: | 3.22 | (0.03) | | | |
| AMDOCS: | 27.73 | 0.29 | | | |
| AMPHENOL: | 43.81 | 0.63 | | | |

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Seeking Gold From the Silver Screen

As the decade nears its conclusion, the movie industry arguably endured the most cataclysmic changes to its business model over the last 10 years. Once the undisputed cash cow of Hollywood, traditional DVD sales and rentals have shed important weight that can no longer be sliced and packaged for fantastic financial gain, having bled market share to distribution modes including electronic sell through and multichannel VOD.

But while the ongoing turmoil suggests the fallout is endemic to studio heads, its impact leaves myriad questions for cable ops and networks. How best to monetize films on various platforms? How to effectively withstand competitive threats such as **Netflix**, **Redbox** and technology including Web-connected TVs? How to notch acceptable revenue from films while strenuously attempting to serve consumers with TV content when and where they want it?

At the center of this conundrum, of course, is **Comcast**. On the surface, the MSO appears squarely in the driver's seat with a concerted and ongoing enhancement of its VOD offerings and a pending deal for control of **NBCU** and **Universal Studios**. Yet while Comcast's been at the forefront of narrowing the window between DVD and VOD releases—the MSO recently rolled out via on demand its 100th day-and-date movie—chief *Brian Roberts* recently said the film release model still requires tinkering. Sure, day-and-date likely leads to a nice rev boost, and cable VOD still enjoys an ace in the hole known as convenience. But Netflix and Redbox both offer recent films at a cheaper price point, and the former offers a convenience that nearly rivals VOD. Then there's the imminent explosion of Web-connected TVs, which will provide consumers with easier access to competing plays such as **Amazon VOD** and **ZillionTV**, an IPTV service offering streaming on demand programming through TVs that counts **Paramount**, **Disney**



and **Lionsgate** as content partners. That NBCU's also a partner further spotlights the trial-and-error phase in which movie distributors find themselves.

Cable ops and premium nets alike, meanwhile, are no doubt keen to determine any definitive consumption patterns that may arise from **Fancast Xfinity** and other TV Everywhere initiatives. By virtue of their Xfinity participation, **HBO** and **Starz** are tacitly admitting to the necessity of tweaks to their own models. As premium subs are ebbing across many providers, multiplatform access to content may just be the boost these and other premium nets require. Particularly as **Epix** looms in the shadows, with only one carriage deal, yes, but also with perhaps the most comprehensive and compelling movie Website around. That value added service may prove to lionize Epix in consumers' eyes, or it may not. But at the very least it gives consumers another choice to consider when determining how and what to pay for multiplatform movie content. From a consumer perspective, choice is a luxury. For ops and nets, though, choice is anathema.

Which brings us back to TV Everywhere, a moniker notably devoid of a reference to movies. The initiative is groundbreaking in its online feature of myriad TV content from numerous nets, but like **Hulu** it largely relegates films to off-marquee status. Hulu offers scores of movies, to be sure, but the quality is anything but dazzling. How Comcast integrates the site with Xfinity—and how it determines what movie content to charge for—could play a key role in determining the future model for movies.

Amid all the uncertainty, cable ops and nets can find solace in VOD trending. According to **Leichtman Research**, monthly VOD use has reached approx 20% of cable and telco homes, up from approx 10% 4 years ago, and 63% of digital cable subs have used VOD at least once. Still, sales of Web-connected TVs are expected to increase 6-fold by '13, according to **iSuppli**, to 87.6mln units annually.

- Chad Heiges

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