

# CableFAX Daily™

Wednesday — December 27, 2006

What the Industry Reads First

Volume 17 / No. 248

## Dr. Dishhead: What Does Malone Have Cooking for DirecTV?

Et tu, Dr. John? Despite *John Malone's* deep roots in the cable industry, Fri's long-expected announcement that his **Liberty Media** would take control of **DirecTV** means Malone will soon become one of cable's biggest competitors. The definitive agreement (subject to shareholder and regulatory approval) basically swaps out Liberty's 16.3% stake in News Corp for News' 38.5% stake in DirecTV—along with the Fox Sports' Rocky Mountain (Denver), Northwest (Seattle) and Pittsburgh RSNs, and \$550 million in cash (3 board seats now held by News Corp are expected to switch to Liberty reps). It looks like DirecTV pres/CEO *Chase Carey* and his team will stay in place after the transaction closes next year, but the whole deal has everyone wondering: What does Malone have up his sleeve? DirecTV has struggled to compete with cable's triple play because of technology limitations, and its nearly 20% annual churn rate isn't exactly enticing. Many, therefore, expect Malone to focus on DirecTV's HD offerings to retain and lure new subs. *Phillip Swan* at **TVPredictions.com** noted that DirecTV will launch 2 new satellites in '07. "The new birds will give DirecTV the capacity for 150 national HDTV channels, which would give it a tremendous advantage over rival **EchoStar** and the cable TV operators." Of course, the HD play isn't necessarily a slam dunk. "HD is a double-edged sword for DirecTV," said **Sanford Bernstein's** *Craig Moffett*, noting that it could cost DirecTV around \$2.5bln in retention marketing to upgrade its customers to HD and catch up with cable. "The problem isn't the capacity in the sky," he said. "It's the equipment on the ground." So might Malone just be in it for the quick buck? After all, estimates are that Liberty avoided some \$2bln in capital gains taxes because of the deal's structure (**Merrill Lynch** estimates News saved more than \$1bln in taxes). Not only that, but *Moffett* noted that DirecTV's underlevered status could allow Malone to issue a special DirecTV dividend at some point, perhaps using his own personal proceeds to buy back even more Liberty stock. "John Malone is first and foremost in the business of making money," he said. Another possibility is an eventual merger with EchoStar, although Washington policymakers have long indicated they would block such a deal on antitrust grounds. As for News Corp, the deal amounts to a \$11bln share repurchase that could clear the way for more News share buybacks in the future. **UBS' Aryeh Bourkoff** said in a research note that the deal helps News Corp "as it removes an overhang and should lead to further return of capital to shareholders" with any benefits to DirecTV not likely to materialize until the 2nd half of '07 after the deal closes. Malone technically will get DirecTV at a discount: UBS estimates an implied DirecTV price of \$21.53 per share, 13.8% below its Dec 21 closing price of \$25. But **Merrill Lynch's Jessica Reif Cohen** stated in a research note that "the deal terms are in line with average prices over the past six months, an important consideration given the recent significant price appreciation in [DirecTV] shares." DirecTV's stock is up some 30% since mid-Sept when Liberty management acknowledged a deal could happen; it closed Tues at \$24.59. Meanwhile, **Fitch** on Fri revised its rating outlook for DirecTV to "stable" from "positive," reflecting "the uncertain direction of [DirecTV's] future financial policies... under the influence of Liberty." One thing's for sure: Dr. John will likely keep us guessing on what that future entails.

# She did WHAT?

Oxygen hit the **70 million** mark!  
Thanks to our affiliates for helping us get there.

# oh!

Source: Nielsen Media Research, December Universe 2006 Subject to Qualifications available upon request

oxygen

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**All Smiles:** More football fans were treated with holiday cheer Fri, as **NFL Net** accepted **Cablevision's** counteroffer to digitally carry in NY/NJ the net's free 1-week preview tender (which began Sun), and **Suddenlink** announced the expanded basic participation in the offer by 12 of its TX systems serving roughly 200K subs. Add to the preview roster **Time Warner Cable** systems in NY/NJ, TX and KS, and what clearly results is a gift to football followers of Kansas State, Rutgers and Texas Tech, who may now cheer on their Wildcats, Scarlet Knights and Red Raiders, respectively, in 2 bowl games (Thurs and Fri) on the net. Cable ops will also benefit. Sure, some CVC and TWC basic subs will remain disgruntled when the Texas Bowl and/or the Insight Bowl are unavailable to them. But the digital penetration rate is a solid 75% for both ops, and they fought hard for a digital carriage concession from the net while also satisfying the majority of their respective subs. NFL Net could be seen as a winner, too, as its preview offer creates goodwill while also exposing millions of cable subs to its programming. But will cable subs clamor for the net after the preview, even though the net's showcase property—live NFL games—is not included? Or will viewers watch the bowl games and forget completely about the net? Most likely is a New Year's end to the moratorium on salvos between NFL Net and several cable ops. For now, there is pigskin to enjoy before the sacks begin anew.

**Competition:** **Verizon Wireless** will beginning early next year allow limited banner ads on Internet sites that appear on customers' mobile phones, according to the *New York Times*. -- RI's **PUC** granted an order to **Verizon** that lets it offer FiOS TV to about 80K HHs.

**Online:** **Glam Media** is offering through Fri a sneak peek of the 2nd season premiere ep of **Oxygen's** "The Janice Dickinson Modeling Agency." Glam.com will also promote the series with online banners on the homepage, as well as on celebrity and fashion Web pages. -- **MSNBC.com** averaged 25mln monthly unique visitors throughout '06, according to **Nielsen/NetRatings**, besting **CNN.com**, **ABCnews.com**, **CBSnews.com** and **Foxnews.com** in the metric. Sept visitors to the site set a site-record by watching 88mln video streams.

**Programming:** **CNN** anchors and correspondents will check-in from New Orleans, Chicago, NYC, San Antonio and Key West during the net's "New Year's Live with Anderson Cooper" (Sun, 11pm ET). The show will also feature musical performances by artists such as the Killers, Goo Goo Dolls and *Lionel Richie*. -- **Jennifer Lopez** will boogie to **MTV** next month as exec prod of "DanceLife," a music reality series about the lives of dancers working to make it in the business. Joining J Lo for a Jan net premiere is "Engaged and Underage," a doc following couples aged 18-21 as they approach their wedding day. -- **BBC America** is cooking with season 2 of "Gordon Ramsey's F Word" (Jan 7, 9pm) and season 3 of "Ramsey's Kitchen Nightmares" (summer), a pair of series featuring the British chef. The net also announced "Great British Menu" (summer), featuring UK chefs competing in an 8-week culinary contest. -- **The America Channel**, which has struggled to gain cable carriage, says it secured broadcast rights and content development relationships with 8 NCAA Div I sports conferences (the Big South, Southern Conference, Big West, Colonial Athletic Assoc, Big Sky, America East Conference, Patriot League and Atlantic Sun Conference). A 9th conference agreement will be disclosed at a later date. America Channel has broadcast rights for more than 200 games and matches per year, including basketball, football and conference championships for soccer, volleyball, softball, tennis and other sports.

**Ratings:** **MNF** on **ESPN** is averaging through 16 games a 10.0 HH rating/9.22mln HH delivery, respective increases

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# BUSINESS & FINANCE

of 41% and 43% versus last year's Sun night NFL telecasts. **Brag Book:** '06 has become **Court TV's** most watched year in prime in net history, garnering an avg of 913K total viewers. The net said its R.E.D. weeknight action block contributed to the record, as block viewership among adults and males 18-49 jumped 29% and 43%, respectively, while total viewing increased 15%.

**Business/Finance: BigBand Networks** filed with the SEC Fri a registration statement for a proposed IPO of its common stock. **Morgan Stanley** and **Merrill Lynch** will be joint book-running managers for the offering, with **Jefferies & Co**, **Cowen and Co** and **ThinkEquity Partners** as co-managers. The number of shares to be offered and the price range for the offering have not yet been determined. -- **Disney** alerted the SEC Fri of its intention to offer **The Walt Disney Company Investment Plan**, a direct stock purchase plan designed to provide investors with an alternate method to purchase shares of Disney common stock and to reinvest cash dividends in the purchase of additional shares. The Plan is administered by Disney, which acts as agent for Plan participants and keeps records, sends statements and performs other duties relating to the plan.

**Oops: Cox** will rollout wireless to additional markets next year, but has not declared how many yet. It plans to announce 2 market launches soon.

## CableFAX Daily Stockwatch

Company	12/26 Close	1-Day Ch	Company	12/26 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	41.40	0.27	AVID TECH:	37.14	0.00
DIRECTV:	24.60	0.05	BLNDER TONGUE:	1.75	0.05
DISNEY:	34.60	0.44	BROADCOM:	31.78	(0.02)
ECHOSTAR:	37.92	0.17	C-COR:	11.33	0.10
GE:	37.70	0.13	CISCO:	27.19	0.26
HEARST-ARGYLE:	25.90	0.29	COMMSCOPE:	30.17	0.27
ION MEDIA:	0.50	(0.07)	CONCURRENT:	1.80	(0.08)
NEWS CORP:	22.28	(0.12)	CONVERGYS:	23.98	0.20
TRIBUNE:	31.78	0.28	CSG SYSTEMS:	27.14	0.19
<b>MSOS</b>					
CABLEVISION:	28.43	0.08	GEMSTAR TVG:	3.94	0.08
CHARTER:	3.04	(0.01)	GOOGLE:	457.53	1.95
COMCAST:	42.89	0.46	HARMONIC:	7.18	(0.01)
COMCAST SPCL:	42.45	0.38	JDSU:	17.07	(0.03)
GCI:	15.79	(0.08)	LEVEL 3:	5.59	(0.07)
KNOLOGY:	10.49	0.01	LUCENT:	2.55	(0.02)
LIBERTY CAPITAL:	97.63	(0.24)	MICROSOFT:	29.99	0.35
LIBERTY GLOBAL:	28.81	0.20	MOTOROLA:	20.50	0.24
LIBERTY INTERACTIVE:	21.56	(0.01)	NDS:	47.90	0.06
MEDIACOM:	8.04	0.02	NORTEL:	26.18	0.08
NTL:	25.43	0.44	OPENTV:	2.36	(0.05)
ROGERS COMM:	58.57	0.63	PHILIPS:	37.06	0.09
SHAW COMM:	31.92	(0.09)	RENTRAK:	15.39	(0.16)
TIME WARNER:	22.22	0.14	SEACHANGE:	9.79	0.08
WASH POST:	753.00	4.48	SONY:	42.96	0.28
<b>PROGRAMMING</b>					
CBS:	31.46	0.27	SPRINT NEXTEL:	18.89	0.12
CROWN:	3.42	0.11	THOMAS & BETTS:	47.56	(0.09)
DISCOVERY:	16.11	0.03	TIVO:	5.22	0.01
EW SCRIPPS:	49.71	0.48	TOLLGRADE:	9.85	0.22
GRUPO TELEVISA:	26.79	0.05	UNIVERSAL ELEC:	21.71	0.42
INTERACTIVE CORP:	36.87	0.17	VONAGE:	7.08	0.07
LODGENET:	25.18	(0.43)	VYYO:	4.37	0.18
NEW FRONTIER:	9.59	0.17	WEBB SYS:	0.02	(0.01)
OUTDOOR:	12.79	0.17	WORLDGATE:	1.41	(0.01)
PLAYBOY:	11.42	0.04	YAHOO:	25.45	(0.1)
UNIVISION:	35.38	0.02	<b>TELCOS</b>		
VALUEVISION:	12.77	0.01	AT&T:	35.05	0.07
VIACOM:	40.36	0.68	BELLSOUTH:	46.04	0.09
WWE:	16.39	0.03	QWEST:	8.30	(0.01)
<b>TECHNOLOGY</b>					
3COM:	4.15	0.09	VERIZON:	36.79	0.24
ADC:	14.46	0.26	<b>MARKET INDICES</b>		
ADVANTAGE:	2.84	(0.12)	DOW:	12407.63	64.41
AMDOCS:	37.98	0.22	NASDAQ:	2413.51	12.33
AMPHENOL:	62.93	0.47			
ARRIS GROUP:	12.71	0.18			

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## MaxFAX...

### Been There, Left That...

Spent yesterday trying to track down Santa. I wanted to ask him what a lot of folks in our cable businesses discovered early Monday morning when they opened their "presents."



Paul S. Maxwell

After visiting the North Pole and finding it strangely abandoned, I found Santa late yesterday afternoon sunning himself on the pool deck at the Delano in South Beach.

Anyway, lounging next to Santa was **Atlantic Broadband's Dave Keefe**. He was hosting Santa—it's Dave's cable system—and being thankful for a healthier family and hoping that gridlock inside the Beltway would be another gift to appreciate.

Santa, in an interview that lasted late into the evening, regaled me with the presents he dropped off for our friends:

Dr. **John Malone** got a platinum **DirecTV** remote control that also doubles as a cell phone. **Rupert Murdoch** got legal threats from **Judith Regan** and the eternal gratitude of this kids. And he probably did the right thing about both "issues."

**Stan Hitchcock** and **BlueHighways**

**TV** got funded and plan to order pizza for New Years Eve. **Michael Willner** got a "treat-him-like-Bresnan-'Community Chest'-card" from **Comcast**... well, we can dream... the guy who did more for cable on Wall Street than anyone else in a long time deserves the best of treatment. Meanwhile, **Bill Bresnan** got a **Cable Center** that's found its footing and is prepped to be a significant cable industry asset.

**Amos Hostetter** got a ringside seat on the next election cycle with **Brian Lamb** riding shotgun. And Brian heard the last of the just-married jokes. **David Zaslav** got a copy of "Documentary Film: A Primer" by **Carl Rollyson** and a visit to **John Hendricks'** car museum in Colorado (and I want to tag along when he does go!). **George Bodenheimer** got the promise that **John Elway** and **Jon Bon Jovi** will actually suit up and play for their Arena Football League teams... now, that would make a ratings savior.

**James Dolan** got named manager of the New York Knicks. **Sue Hamilton** got some time off. **Fred Dressler** got a nice note from **Steve Bornstein**. Meanwhile, Steve Bornstein got a voodoo doll of Fred... then discovered it didn't work anymore.

**Kevin Martin**(et) got new puppet strings and a mirror to practice his petulance in front of... but the mirror is actually a direct connection to **YouTube**. **Robert McDowell** got a pat on the head... so what else do

you expect for doing what's right? **Ed Whitacre** got another promise from **Microsoft** that his "U-Verse" would really, really be scalable "soon."

**Matt Polka** and his board got respect.

The **NAB** got what it deserved... oops, not yet... that's a New Years Resolution! Meanwhile, **Mike Mountford** is trying hard.

**Kyle McSlarrow** got DVDs of the ghosts that had visited him, including net neutrality and old pictures of him with long hair.

**Matt Blank** got another pile of great scripts. **Larry Aidem** found extra hotel rooms in Park City. **Brian Roberts** and **Steve Burke** (not to mention **Gary Forsee**) got spectacular quad-play wireless reports from Portland.

**Leo Hindery** got a mangled season's greetings card that, much to his surprise, noted that he had done a lot of good for the industry during that system rationalization known as the Summer of Love.

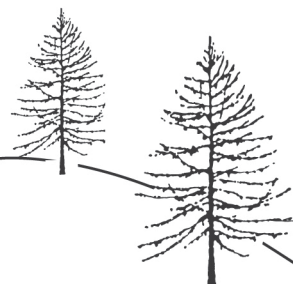
And everyone is cable woke up with the knowledge that the plant was a winner...

Paul Maxwell

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# Happy Holidays

## and Best Wishes for the New Year

