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Friday — November 7, 2008

What the Industry Reads First

Volume 19 / No. 217

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Trifecta Thursday: Three MSOs Tell Their 3Q Tales

Only 1 publicly traded cable company grew basic customers in 3Q and that was **Mediacom**. The MSO saw 3K adds, marking its 3rd consecutive Q of basic growth. **Cablevision**, which is traditionally weak in 3Q because of Jersey Shore and Hamptons disconnects, reported Thurs that it lost 19K basics, while Charter lost about 26K. As for the economy, CVC made some waves on Wall St after *Jim Dolan* announced that the company is “not actively pursuing any further strategic alternatives at this time” in light of the current environment. Shares plunged as much as 13% during the day, despite strong results (it closed down 4%). Unlike **Time Warner Cable (Cfax, 11/6)**, CVC didn't wave any other warning flags, with execs saying they generally aren't seeing change in non-pay churn. Noting that he's been in the cable business for 30 years, Mediacom chief *Rocco Commisso* declared that he has “witnessed first hand at least 3 economic downturns, and in each case the cable business proved to be rather immune to reduced consumer spending and high unemployment rates.” MCCC even raised full-year guidance for the 3rd time this year, bumping revenue growth up to between 7.5%-8% from 7-8% and adjusted OIBDA to 9%-10% from 8.5-9.5%. Cap ex guidance increased to \$285mln from \$275mln. Charter pres/CEO *Neal Smit* said his company is experiencing a “slight impact” from the economy, principally in the areas of customer retention and bad debt. New connects are down, but existing subs are migrating to bundles at a greater rate, he said. And, unlike **Comcast (Cfax, 10/30)**, “we really haven't seen a change in competitive activity or impact from **AT&T**,” said Smit. Cablevision downplayed **Verizon FiOS** competition in NYC, but **S&P** said that its 19K basic sub loss was the MSO's worst in nearly 6 years. “CVC cited slow housing starts, but we also note stiff telco competition in NYC,” S&P said in a research note, lowering CVC to “strong sell” from “hold.” **Sanford Bernstein** was much more bullish, saying it saw no visible evidence of FiOS impact. The firm declared that CVC “continues to post the hands-down best numbers in the telecom/cable/satellite universe quarter after quarter after quarter.” CVC put up digital video gains of 59K, with an eye-popping penetration of more than 90% of homes passed. Meanwhile, everyone will continue to wait for what Q4 holds. Charter COO *Michael Lovett* did say that Q4 rate adjustments may lead to increased churn and/or budget trimming by customers. Several operators, including Comcast, have rate increases taking affect in 4Q.

Reversal of Fortunes: While most US companies brace for an unhappy holiday season, **DirectTV** expects improvement on many fronts through Dec and into next year. The DBS op's 3Q net sub additions fell 35% YOY and churn rose to 1.64%, hurt by the lack of **AT&T** partnership business and a “marginal” impact from competition and the economy, said pres/CEO *Chase Carey*. But unlike **Time Warner Cable**, which noted Wed a marked slowdown so far this Q, Carey said the DBS op has witnessed strong customer demand since Sept 30, particularly for advanced services. 200K-250K net customer adds are projected for 4Q, versus 156K from Jul-Sept. Plus, said Carey, there's “incredible pent-up demand in the MDU market” and DirecTV's resale deal with AT&T resumes in Jan. “There's great enthusiasm on both sides,” he



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said of the partnership, which he deems a clear positive for '09. As for DirecTV's resale pact with **Verizon**, there has yet to be a "meaningful pick-up" in business, said Carey, who nonetheless noted a "renewed energy" for effective collaboration between the pair. Sales channels including direct sales, individual dealers and commercial continue to perform well. Irrespective of quarter-to-quarter results, growth is indeed ebbing at **DiracTV**, said **Sanford Bernstein** analyst *Craig Moffett*, although the slowdown doesn't carry all bad news. "As with cable, there's a silver lining," wrote Moffett. "Slower growth means lower capital spending [and] free cash flow is accelerating, and sharply so." Carey pooh-poohed the HD ramps by cable MSOs and DISH, believing DirecTV remains ahead in the space. "We feel great about our position," he said.

On the Hill: Rep *Henry Waxman* (D-CA) may want the Sen Commerce chairmanship, but it's clear that Rep *John Dingell* (D-MI) doesn't want to give it up. He sent a letter to his Democratic colleagues Thurs asking for their support as he seeks another term as chmn. He outlined 3 priorities, none telecom focused, for the committee: healthcare reform, climate change and food and drug safety. Dingell also made the case for his past performance, saying the Committee saw 91 of its bills passed by the House during the last Congress and 27 laws enacted.

Pink Slips: **Comcast** is laying off the majority of the 300 employees at its **CN8** regional net, though some may be offered other jobs in the company. CN8 will no longer be available in the Boston market. It will be rebranded "**The Comcast Network**," and become 2 local networks serving DC and Philly. The net will now report to **Comcast SportsNet** instead of the MSO's Eastern div, with more targeted public affairs and sports programming planned. -- Online video site **Veoh** laid off about 20% of its staff (20 employees), with the softening ad market blamed.

In the Courts: **The Copyright Alliance**, a coalition that includes **NBCU**, **Microsoft**, **Disney** and others, filed a brief this week with the **US Supreme Court** asking it to review a ruling that allows **Cablevision** to proceed with its remote storage DVR. The alliance claims the lower court ruling has an impact across copyright industries that is much broader than just cable. The MSO said during Thurs' earnings call that it is currently testing the service on campus and expects to roll it out next year. Last month, the plaintiffs (which include **Cartoon**, **CNN**, **ABC** and **Paramount**) filed a petition with SCOTUS seeking review of the 2nd Circuit ruling.

New Groove: *Stephen Friedman* was named gm of **MTV**, overseeing day-to-day ops for the flagship net and **MTV.com**, **MTV2**, **MTV Tr3s**, **MTV Hits** and **MTV Jams**. He'll keep his responsibilities at **mtvU**, where he currently serves as gm. He's taking on many of the duties that *Christina Norman* had as MTV pres before leaving in Feb.

Competition: **AT&T** will pay about \$275mln cash for **Wayport**, a privately held provider of managed Wi-Fi services in the US. It takes AT&T's WiFi footprint to nearly 20K hotpots domestically, with Wayport providing service in select **Wyndham**,

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BUSINESS & FINANCE

Marriot and **Four Season** hotels along with **McDonald's** restaurants. -- **Verizon** broadband customers now have access to **NFL Net Game Extra**, enabling customization of the net's 8 live games and including multiple camera angles, up-to-the-minute game stats and other features.

Earnings: Hallmark Channel parent **Crown** saw 3Q revenue climb 17% Y-over-Y to \$64.5mln, while ad rev was up 4% to \$50mln. The company's net loss dwindled to \$17.9mln from \$37.9 a year ago. Pres/CEO *Henry Schleiff* said the economy will affect Hallmark but noted the net's "inherent resiliency to withstand these challenges." -- **News Corp's** cable net programming segment reported 1Q operating income of \$379mln, compared to \$80 a year ago, owing to increased contributions from **Fox News**, **RSNs** and **Big Ten Net**. Fox News' operating income jumped 27% on higher affil rev and ad growth.

People: DirecTV promoted *Patrick Doyle* to evp, part of an employment agreement that runs through '11 and includes an initial base salary of \$600K. -- **WWE** evp, consumer products *Donna Goldsmith* will replace as COO *Mike Sileck*, who will resign from that post and the company's board of directors, effective Dec 31. -- **Electronic Arts** appointed **Oxygen Media** founder *Geraldine Laybourne* a board member. -- **CableLabs** in-house counsel *Michael Davis* was named gen counsel for Canoe Ventures.

CableFAX Daily Stockwatch

Company	11/06 Close	1-Day Ch	Company	11/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/			AMDOCS:	19.34	(4.29)
BRITISH SKY:	24.76	(1.6)	AMPHENOL:	25.31	(4.01)
DIRECTV:	20.76	(0.04)	APPLE:	99.10	(4.2)
DISNEY:	22.81	(1.42)	ARRIS GROUP:	6.12	(0.45)
ECHOSTAR:	15.05	(0.71)	AVID TECH:	14.46	(0.03)
GE:	18.34	(1.59)	BIGBAND:	4.24	0.14
HEARST-ARGYLE:	13.47	(1.32)	BLNDER TONGUE:	1.48	0.64
NEWS CORP:	8.31	(1.62)	BROADCOM:	16.39	(0.67)
MSOS					
CABLEVISION:	16.20	(0.73)	CISCO:	16.94	(0.45)
CHARTER:	0.40	(0.03)	COMMSCOPE:	14.98	(1.17)
COMCAST:	16.70	(0.2)	CONCURRENT:	4.00	0.09
COMCAST SPCL:	16.39	(0.09)	CONVERGYS:	6.70	(0.74)
GCI:	7.48	(0.09)	CSG SYSTEMS:	15.04	(0.09)
KNOLOGY:	4.80	(0.07)	ECHOSTAR HOLDING:	18.38	(0.11)
LIBERTY CAPITAL:	5.92	(0.73)	GOOGLE:	331.22	(11.02)
LIBERTY ENT:	16.18	0.18	HARMONIC:	5.93	(0.42)
LIBERTY GLOBAL:	15.19	(0.92)	JDSU:	4.89	(0.36)
LIBERTY INT:	4.23	(0.4)	LEVEL 3:	0.95	(0.12)
MEDIACOM:	3.94	(0.11)	MICROSOFT:	20.88	(1.2)
SHAW COMM:	18.73	(0.09)	MOTOROLA:	4.52	(0.28)
TIME WARNER CABLE:	18.86	(1.04)	NDS:	46.94	(2.3)
VIRGIN MEDIA:	5.89	(0.35)	NORTEL:	1.22	(0.05)
WASH POST:	441.00	(4.5)	OPENTV:	1.23	(0.03)
PROGRAMMING					
CBS:	8.11	(0.99)	PHILIPS:	18.57	(0.83)
CROWN:	2.59	(0.16)	RENTRAK:	11.10	(0.28)
DISCOVERY:	12.09	(1.64)	SEACHANGE:	7.60	(0.38)
EW SCRIPPS:	4.13	(0.64)	SONY:	21.76	(2.75)
GRUPO TELEVISA:	15.84	(1.27)	SPRINT NEXTEL:	3.68	(0.03)
HSN:	4.95	(0.02)	THOMAS & BETTS:	22.47	(2.13)
INTERACTIVE CORP:	16.89	(0.25)	TIVO:	5.98	(0.24)
LIBERTY:	29.29	(2.76)	TOLLGRADE:	4.69	0.06
LODGENET:	0.92	(0.04)	UNIVERSAL ELEC:	18.20	(0.99)
NEW FRONTIER:	1.95	(0.29)	VONAGE:	0.92	0.07
OUTDOOR:	7.59	(0.15)	YAHOO:	13.96	0.04
PLAYBOY:	1.84	(0.56)	TELCOS		
RHI:	13.91	0.52	AT&T:	25.99	(1.16)
SCRIPPS INT:	24.75	(2.26)	QWEST:	2.92	(0.38)
TIME WARNER:	9.55	(0.6)	VERIZON:	29.25	(1.59)
VALUEVISION:	0.56	(0.02)	MARKET INDICES		
VIACOM:	19.88	(1.03)	DOW:	8695.79	(443.48)
WWE:	13.15	(0.65)	NASDAQ:	1608.70	(72.94)
TECHNOLOGY					
3COM:	2.25	(0.22)			
ADC:	6.20	(0.64)			
ADVANTAGE:	1.73	(0.16)			
ALCATEL LUCENT:	2.62	(0.44)			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

The Ballot's In

And the title for superior Presidential campaign trail and election coverage among the top 2 cable news nets goes to... **Fox News**. Although **CNN** emerged victorious in election night viewership and achieved greater YOY audience growth in Oct and 3Q, Fox News has been the more consistent performer dating back to even before *Obama* and *McCain* had received their party nominations. And perhaps more importantly, Fox News fared better in much of the analyses segments surrounding live coverage of the debates and conventions, seemingly a testament to the popularity of net personalities such as *Bill O'Reilly*. For the record (not on), I find O'Reilly grating, *Van Susteren* annoying, and that *Alan Colmes* reminds me of a prattling lawn gnome. So, coupled with the knowledge that Fox News isn't focused on the edification and entertainment of people in my demo or of my political persuasion, imagine my surprise when I found the net to have more enjoyable Tues night coverage than CNN (with apologies to **MSNBC**, **TV One** and others, I switched between Fox and CNN throughout the night). That sealed the deal. *Wolf Blitzer* and *Anderson Cooper* were professional as usual, but CNN erroneously decided it was a good idea to periodically feature pundit panels, often 6 wide. The result was insight I can get from a platypus and the feel of puppets playing a spirited game of Marco Polo. Meanwhile, relative calm reigned over at Fox. It's a shame *Brit Hume* is retiring from full-time duty because, to me, he carried the night's coverage with a warm, sardonic style. Now, if we can just convince both nets to ease up on the use of those interactive screens. Cool tech, indeed, but anyone who feels they were better off knowing the predilections of county voters, please let me know. *CH*

Worth a Look: "Whale Wars," pilot, Fri, 9pm, **Animal Planet**. This docu-series about a ragtag bunch of save-the-whales do-gooders who try to intercept Japanese whaling boats on the Artic Ocean is a departure from Animal Planet's usual fare. Here animals are the reason for the story, but don't play a major role. Visually the pilot is a treat, loaded with gorgeous Arctic views. The problem is that not much happens in ep 1. The promise of action and the crew's quirkiness will get us to tune in again, though. And, remember, we never thought "Deadliest Catch" would be more than a good, 1-ep special, so... -- "Summer Heights High," Sun, 10:30pm, **HBO**. Think "The Office" (the Brit version) meets "DeGrassi High," with humor. The mockumentary about Aussie school life is a tour de farce for *Chris Lilley*, who plays a troublemaking student, a self-important drama teacher and a female exchange brat. Plenty of grins, few belly laughs. *SA*

Notable But Not Reviewed: "Inside The Actors Studio," ep #200, Mon, 10pm, **Bravo**. The blue cards are in somebody else's hands for this 2-hr special, as *James Lipton* is grilled. The man at the grill is *Dave Chappelle*, leading a retrospective of the only cable series to grab 14 consecutive Emmy noms in 14 seasons. *SA*

Basic Cable Rankings (10/27/08-11/02/08)			
Mon-Sun Prime			
1	FOXN	2.5	2394
2	ESPN	2.1	2107
3	USA	2	1998
4	TNT	1.8	1738
4	DSNY	1.8	1710
6	MSNB	1.7	1542
7	NAN	1.5	1432
8	CNN	1.4	1387
9	TBSC	1.2	1226
10	HALL	1.1	926
11	SCIF	1	988
11	TOON	1	979
11	A&E	1	941
14	DISC	0.9	916
14	AMC	0.9	894
14	LIFE	0.9	888
14	HGTV	0.9	840
18	HIST	0.8	814
18	CMDY	0.8	789
18	SPK	0.8	781
18	TLC	0.8	780
18	FX	0.8	776
18	TRU	0.8	697
24	FOOD	0.7	685
24	FAM	0.7	684
24	LMN	0.7	442
27	MTV	0.6	619
27	VH1	0.6	614
27	TVLD	0.6	542
27	ESP2	0.6	540
27	NOGG	0.6	391
32	HLN	0.5	528
32	BRAV	0.5	471
32	BET	0.5	417
35	EN	0.4	403
35	APL	0.4	382
35	CMT	0.4	344
35	SOAP	0.4	311
35	NGC	0.4	296
35	OXYG	0.4	290
35	GSN	0.4	274
42	TTC	0.3	304
42	SPD	0.3	222
42	WGNA	0.3	214
42	DHLT	0.3	207
42	WE	0.3	205

*Nielsen data supplied by ABC/Disney

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