

Viacom Looks For More Video Growth in 2006

By Jessica Wolf

The new Viacom posted double-digit revenue growth for 2005 and an overall 18% leap, to \$9.61 billion, in revenue for the year.

Viacom — comprised of Paramount Pictures, Paramount Pictures Home Entertainment and the MTV Cable Networks — reported its first financial results last week as a separate company from CBS Corp., which held on to the old Viacom's TV and radio businesses.

Historical 2005 operating income for the company increased 4%, to \$2.37 billion in 2005 from \$2.28 billion in 2004. Net earnings from continuing operations decreased to \$1.3 billion in 2005 from \$1.39 billion in 2004.

The company's entertainment segment, which includes theatrical and home video revenue from Paramount films, was up 19%, even though the segment experienced a 5% decrease in 2005's fourth quarter.

Company executives attributed that dip to a weaker comparative theatrical slate, lower box-office revenue than 2004 and a "moderation" in worldwide home video sales.

Viacom CEO Tom Freston singled out *War of the Worlds*, *The Longest Yard* and *Four Brothers* as Paramount's strongest DVD and theatrical performers in 2005. DVD accounts for 55% to 60% of revenue at Paramount, said Viacom CFO Mike Dolan. Even faced with a "moderating market," Viacom expects further growth out of the DVD category in 2006, he said.

"We think a lot of growth will come from the better slate we will be producing beginning about mid-year with *Mission: Impossible 3*," Dolan said.

The high-definition market will factor in this year as well, but to what extent is still a question, he said.

Freston said Viacom is close to a deal to sell the DreamWorks library, which Viacom acquired this year. Viacom retains distribution rights to the DreamWorks catalog, but the library sale will cut down the company's acquisition expenditure of the mini-studio to about \$600 million, Freston said.

The DreamWorks acquisition is a key element of Viacom's target for a "turnaround" of Paramount, Freston said.

Reiterating Viacom's commitment to digital platforms for content, Freston said the company plans to broaden the availability of its proprietary content outside of its internal Web-based portals, he said. The company has signed on with Google and Yahoo for video search features, and Verizon and iTunes for downloads.

Since Viacom made selections from such MTV Networks shows as "South Park," "Laguna Beach," and "Punk'd" available for sale via iTunes, the company has seen 900,000 episodes downloaded, Freston said.

Viacom earned \$150 million in digital revenue last year, primarily from subscriptions and advertising, Freston said. That number will grow to \$500 million over the next three years, he said.

Posts 18% revenue growth for 2005 to \$9.61 billion — theatrical and video up

Netflix May Change Settlement Terms

Online retailer looks to appease customer concerns

By Holly J. Wagner

Netflix appears poised to change settlement terms in a class action case to resolve the matter and overcome the objections of consumer advocates.

The Federal Trade Commission (FTC) and consumer groups are opposing the proposed settlement, contending it does more to benefit Netflix than consumers.

At issue is a clause that would force consumers who take advantage of the settlement (a month of free or upgraded service) to cancel or reset their memberships after the month or continue their service at the higher and pricier level.

The Associated Press reported that Netflix is ready to change the terms so the free or upgraded service would terminate automatically after the settlement month, although consumers could opt in to maintain the service.



The company announced last year it expected to shell out \$3 million to \$4 million to settle the *Frank Chavez v. Netflix* consumer class action lawsuit, which alleged false advertising, unfair and deceptive trade practices and breach of contract regarding DVD delivery times.

Netflix changed its terms and conditions to disclose some of the practices Chavez alleged were deceptive, mainly "throttling," or manipulating the order in which requests were filled based on the subscriber's rental volume.

The settlement was scheduled to go before a judge Feb. 22, but has been postponed by a month to allow for possible revisions.

PEOPLE

MVD APPOINTS KOERBER

Music Video Distributors has appointed Sabrina Koerber art director. She will be responsible for creating and/or overseeing all advertising designs, DVD cover art, and printed brochures and catalogs.



Koerber

Koerber is a seasoned designer specializing in Web and print design, with experience working in Web development, creative advertising, corporate marketing, editorial design and theatrical design.

3 EXECS JOIN ACORN

Acorn Media has appointed three senior executives, one in the U.K. and two in its Washington, D.C., headquarters.

Christine Kuppens, former National Geographic Channel VP of programming, is joining Acorn Media as SVP for programming and business development. John Dovi joins Acorn as CFO.

Paul Holland has been appointed as managing director of Acorn's London-based subsidiary.