

CableFAX Daily™

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What the Industry Reads First

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Stripe Change: TWC Becoming More Shareholder, Financially Focused

For a 2nd straight Q, **Time Warner Cable** buttressed its earnings announcement with shareholder-friendly news that helped occlude lackluster sub metrics. Yet the MSO's 20% dividend hike, which came on the heels of the \$4bln share repurchase program it announced in Nov, combined with strong 4Q financial metrics, seemingly moved TWC much closer to the outside assessment cable ops sought and underscored throughout the recession: our financial performance is as important as our sub metrics, if not more so. As **Sanford Bernstein's Craig Moffett** said, "...Time Warner Cable is arguably as much a financial story as it is an operating one. And on these dimensions, the results were exceptional." While the MSO shed 141K basic subs and added 6K net digital, 83K residential HSD and 61K residential phone subs—pres/COO **Rob Marcus** said "we continue to feel the effects of high unemployment and weak housing across our footprint"—all 3 services delivered rev and ARPU growth in the Q, operating income rose 11.5%, diluted EPS jumped 19.8% and FCF rocketed 58%. Sure, headwinds remain, said CEO **Glenn Britt**, but TWC's prepared to compete effectively in '11 with "better products than ever." And the dividend hike, he said, "is yet another signal of our confidence in our business." TWC now yields approx 2.8%, far better than **Comcast** and **Cablevision**. **Charter**, **DISH** and **DirectTV** don't offer a dividend, while **AT&T** and **Verizon** offer fat ones. Of note: TWC's commercial subscription rev increased 23% in 4Q and totaled \$1.11bln in '10, and ad rev surged 33.8% in the Q, including 17.6% growth in non-political ads. Sub metrics are trending this month much like they did last Jan (read: slow), but Marcus noted how the bulk of 1Q10 adds were achieved in Feb and Mar. TWC expects '11 diluted EPS of \$4.20-4.50, compared to \$3.64 in '10 and \$3.05 in '09. In summing up the MSO's news day, **Wells Fargo Securities' Marci Ryvicker** said "mixed sub results should be offset by dividend raise, confirmation of strong share [repurchase] activity and really strong FCF" TWC has repurchased \$750mln worth of stock since Nov. Investors liked what they saw and heard from TWC Thurs—at least most of it—sending the MSO's shares up 1.72%.

AT&T Earnings: Investors gave **AT&T's** 4Q wireless results 2 thumbs down on slowing growth, but U-verse continues to expand. The telco added 246K net U-verse TV subs—the total count surpassed 3mln this month—and 210K net broadband customers, repping respective sequential improvement of 4% and 42%. The results helped AT&T post a 2nd consecutive Q of YOY rev growth in consumer wireline, and wireline consumer IP rev to jump 28.5%. "Our U-verse

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economics are attractive and growing,” said CFO *Rick Lindner*. More than three-quarters of U-verse subs get 3 or 4 services, he said, and ARPU for U-verse 3-play customers increased to more than \$160. U-verse deployment now reaches more than 27mln homes, with penetration at 14.2%. Across areas marketed to for 30 months or more, overall penetration is more than 22%. AT&T added more than 2.8mln wireless customers, 1.5mln connected devices including 442K iPad- and Android-based tablets, and wireless data rev increased 27.4%. The telco’s shares fell 2.1%.

20mln Strong and Growing: Netflix reported 3.08mln net sub adds in 4Q and now counts more than 20mln total, yet **Time Warner Cable** CEO *Glenn Britt* downplayed the competitive threat Thurs. Netflix runs a great business and owns a wonderful customer interface, said Britt, but we’re working to improve our own interface and “I question the value add” that Netflix provides. Plus, OTT plays “use our infrastructure so it’s not a horrible thing for us.” On Netflix’s Wed evening conference call, CEO *Reed Hastings* said “there’s a complete and natural partnership” between his company and broadband providers. Interestingly, Britt said the media is making far too much about providers’ potential to raise rates on Netflix and other CDNs as traffic for their services rise. Payments are upped with stark traffic flow increases, he said, but the amounts are relatively small and there’s no reason to assume “substantial” or “material” opportunities for rate hikes. On the video side, Hastings said “we’re a channel, we’re sort of tolerated... we’re not a big threat, but it’s hard to see why it makes sense for [cable ops] to help us grow.” While more than one-third of new NFLX subs are taking the company’s pure streaming plan and overall viewership is split evenly between TV shows and movies, Hastings said his company’s TV content strategy is to offer complete previous seasons of shows rather than recent eps—for now. “It certainly is possible that we would compete on an exclusive basis,” he said. “We’re willing to do that if we have to. But we think it can make more economic sense for us and pay television to share windows conceptually.” In a Thurs blog, Netflix ranked its content performance highest through **Charter’s** network, followed by **Comcast**, **Time Warner** and **Cox**.

Moto Earnings: Wall St hammered **Motorola Mobility** stock Thurs after the co reported a 4Q net profit of \$80mln, which still fell below consensus estimates. MMI closed the day at \$30.51, down 12.4%. Mobile device revenue soared 33% but the home segment covering set tops was up only slightly. For the full year, Motorola posted a \$86mln net loss vs ’09’s \$1.34bln loss in 4Q ’09. Moto predicted a net loss of \$26mln to \$62mln in ’11.

Carriage: Cablevision added **Fox Soccer** and **Fox Soccer Plus** to its free HD lineup.

Commercial Biz: **XO Comm** leapfrogged **Qwest** from July-Dec to rank 5th in year-end US Ethernet port share based on enterprise port installations, according to **Vertical Systems Group’s** ‘10 data. **Time Warner Cable** remained in 7th while the top 4 featured, in order, **AT&T**, **Verizon**, **TW Telecom** and **Cox**. The firm’s research showed higher than expected growth as enterprises were more confident about purchasing Layer 2 Ethernet services for their ultra-high bandwidth apps. The US Business Ethernet port base expanded 34% in ’10, up from Vertical’s previous forecast of 31%.

Programming: **Discovery/Sony/IMAX** jv 3net, slated to launch soon, agreed to air coverage of **The Intl 3D Society’s** annual Creative Arts Awards Show for multiple years. A 2-hour special is slated for this year’s event (Feb 9). -- **BET** and **Centric** are planning myriad content to celebrate the cultural contributions of African-Americans next month, including a joint project from “106 & Park” and “BET News” dubbed “Modern Black History Heroes” (Feb 1), network movie premieres such as *Tyler Perry’s* “Daddy’s Little Girls” (Feb 21), “BET Honors” (Feb 21) and new **Centric** interstitial series “Legends of Black Music.” -- **Embassy Row** agreed to produce live pre- and post-game coverage plus digital content surrounding **BBC America’s** feature of the RBS 6 Nations Rugby Championship.

Public Affairs: **Comcast** launched Missing Kids On Demand in partnership with the National Center for Missing & Exploited Children to support efforts to bring missing children home. The service is also available online at Xfinity.com.

SOTU Numbers: Some 42.8mln people tuned in to *President Obama’s* “State of the Union” speech Tues night for a combined HH rating of 26.6, according to **Nielsen**. Viewership, however, was down 18% from Obama’s address on Feb 24 and down 11% from last year’s SOTU address on Jan 27, ’10. Cable nets **CNN**, **Centric**, **CNBC**, **Fox News** and **MSNBC** were among those carrying the address. **[For subscribers only, additional details at CableFAXDaily.com].**

Programming: The dish-ees become the dish-ers next week on **Fuse** as *Leighton Meester* and *Minka Kelly* take over daily music show “Fuse Noise” to dish on “musicians who have lived together,” in keeping with the Feb 4 opening of their **Sony Pictures’** film “The Roommate.”

BUSINESS & FINANCE

Obit: We were saddened by the loss of Mike Michaelson, C-SPAN's 1st evp and one of its earliest leaders. He died this week at the age of 86. Michaelson came to Congress in 1951 and worked in the House gallery for 30 years, becoming the superintendent of the House Radio-TV Gallery from '75 to '77 until he joined C-SPAN. "Mike knew everyone on the Hill and in the press corps then, and knew the Congress like the back of his hand," said C-SPAN founder Brian Lamb. "He brought that knowledge with him and gave our little start-up network an instant boost of credibility." A memorial service starts at 3pm Fri, Feb 4 at Gawler's Funeral Home (5130 Wisconsin Ave NW, in DC).

People: Discovery Comm named Elizabeth Hillman to the newly created post of svp, intl comm and Laurie Goldberg to the new position of evp, public relations, Discovery Channel and TLC. -- Fox Networks upped Jamia Bigalow to svp, affiliate marketing. -- Bravo Media promoted Jenn Levy to vp, dev and prod.

Business/Finance: Synacor created a new div focused on TV Everywhere and that's currently working on multiple platform solutions including portable tablets, Internet connected TVs and mobile devices. Tablet and Web-connected products for clients are expected in 2Q.

CableFAX Daily Stockwatch

Company	01/27 Close	1-Day Ch	Company	01/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	42.64	(0.02)	AVID TECH:	17.00	(0.42)
DISH:	21.63	0.33	BIGBAND:	2.74	0.01
DISNEY:	39.46	0.02	BLNDER TONGUE:	2.48	0.09
GE:	20.28	0.36	BROADCOM:	46.20	0.84
NEWS CORP:	17.05	(0.18)	CISCO:	21.44	0.02
MSOS					
CABLEVISION:	34.74	0.26	CLEARWIRE:	5.38	0.07
CHARTER:	42.12	(0.14)	CONCURRENT:	5.42	0.22
COMCAST:	23.31	(0.01)	CONVERGYS:	14.41	(0.04)
COMCAST SPCL:	21.89	0.02	CSG SYSTEMS:	19.54	0.04
GCI:	12.58	(0.47)	ECHOSTAR:	27.52	0.07
KNOLOGY:	14.96	0.07	GOOGLE:	616.79	0.29
LIBERTY CAPITAL:	65.54	1.03	HARMONIC:	8.38	(0.05)
LIBERTY GLOBAL:	41.42	0.03	INTEL:	21.75	UNCH
LIBERTY INT:	16.15	0.33	JDSU:	16.75	0.22
MEDIACOM:	8.65	0.04	LEVEL 3:	1.25	(0.01)
SHAW COMM:	21.21	(0.1)	MICROSOFT:	28.87	0.09
TIME WARNER CABLE:	69.25	1.17	RENTRAK:	27.45	0.11
VIRGIN MEDIA:	25.74	0.23	SEACHANGE:	8.75	0.02
WASH POST:	444.43	2.67	SONY:	35.37	0.44
PROGRAMMING					
CBS:	20.26	(0.32)	SPRINT NEXTEL:	4.59	0.09
CROWN:	2.42	0.17	THOMAS & BETTS:	48.91	0.58
DISCOVERY:	39.32	(0.06)	TIVO:	9.76	0.01
GRUPO TELEVISA:	23.85	(0.07)	TOLLGRADE:	9.50	0.06
HSN:	28.25	(0.26)	UNIVERSAL ELEC:	27.30	(0.42)
INTERACTIVE CORP:	28.53	0.09	VONAGE:	3.30	0.01
LIBERTY:	40.70	0.31	YAHOO:	16.20	0.63
LIBERTY STARZ:	66.89	0.96	TELCOS		
LIONSGATE:	6.20	0.01	AT&T:	28.13	(0.6)
LODGENET:	3.53	0.03	QWEST:	7.15	(0.09)
NEW FRONTIER:	1.80	UNCH	VERIZON:	36.49	0.09
OUTDOOR:	8.17	0.11	MARKET INDICES		
PLAYBOY:	6.14	0.01	DOW:	11989.83	4.39
SCRIPPS INT:	46.36	(0.07)	NASDAQ:	2755.28	15.78
TIME WARNER:	32.31	0.01	S&P 500:	1299.54	2.91
VALUEVISION:	6.93	(0.02)	TECHNOLOGY		
VIACOM:	48.75	0.15	ADVANTAGE:	3.10	UNCH
WWE:	12.06	0.30	ALCATEL LUCENT:	3.43	0.03
TECHNOLOGY					
ADDVANTAGE:	3.10	UNCH	AMDOCS:	29.38	0.11
ALCATEL LUCENT:	3.43	0.03	AMPHENOL:	56.77	1.44
AMDOCS:	29.38	0.11	AOL:	24.17	0.30
AMPHENOL:	56.77	1.44	APPLE:	343.21	(0.64)
AOL:	24.17	0.30	ARRIS GROUP:	12.60	0.02
APPLE:	343.21	(0.64)			
ARRIS GROUP:	12.60	0.02			



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Amy Banse
President, Comcast Interactive Media

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Lombardi Trophy For Cable

Ball State telecom professor *Dom Caristi* said it won't be too long before the **Super Bowl** moves to cable, and why not? **March Madness** will soon post up on **Turner** nets, following the migrations of pro football, playoff baseball, pro hoops and hockey, the **World Cup**, **Olympics** and championship college football to the platform. The only question is when the Super Bowl will hit cable, not if. As Caristi pointed out, **NBC** found the Olympics too big for just 1 outlet, as did **CBS** with March Madness. And, of course, numerous cable nets have both the money and household reach to effectively monetize sports content. Sure, **ESPN** suffered some caustic backlash from its inaugural feature this season of all BCS bowl games, but data from **Nielsen** offers ammunition the net and its cable brethren can use as a retort. Perhaps the most interesting piece is that ratings over-indexed for most major '10 sports events in homes earning more than \$100K annually. Let's be honest: it's not wealthy homes that are dropping cable or going without. The **Stanley Cup**, March Madness and **The Masters** showed the greatest over-indexing to wealthy homes, but also included were the BCS title game and Super Bowl. Advertisers love to reach consumers with robust purchasing power, and they're increasingly using multiple platforms to reach wealthy sports fans. Cable is far superior to broadcast in delivering multiplatform ad plays, particularly **ESPN** and **Turner Sports**. And visits to sports sites by mobile Internet users jumped 38% last year, according to Nielsen, further underscoring cable's edge. Still, the road to the Super Bowl on cable is not short. The game averaged nearly 107mln viewers last year, a total cable can't yet match, and NBC and CBS routinely shellack MNF in game viewership. But the road is paved, headed in that direction. *CH*

Highlights: "Kennedys' Home Movies," Sun, 9p, **TLC**. The network of *Jon & Kate* and *Sarah Palin* welcomes the *Kennedys* with wonderful home movies and few words. Instead on the 50th anniversary of JFK's inauguration, we get incisive narration from *Stockard Channing*, providing an excellent accompaniment to this family portrait. – "Brick City," season II premiere, Sun, 8p, **Sundance**. The docu series' tone is set by a budget crisis that has Newark Mayor *Cory Booker* (D) wrestling with cuts, potentially police. Yet public safety's been his hallmark. *SA*

Worth a Look: "What If..." Sun, 7p, **GMC**. It's predictable (materialistic guy is mysteriously transported back to the simple, observant life he might have led), and the message is obvious, but *Kevin Sorbo*, *John Ratzenberger*, *Kristy Swanson* and a decent script make it a pleasant trip, with a twist. – "Martha Bakes," premiere, Mon, 11a, **Hallmark**. *Martha Stewart's* been itching to do this series, which is more advanced than *Baking 101*, but won't intimidate inexperienced bakers too much. It's also cleverly done, as *Stewart* uses basic cakes to build up to more complicated pastries. Nicely shot, too. *SA*

Notable: A superbly conditioned 48-year-old, '82 Heisman winner *Herschel Walker* climbs into the cage for his 2nd MMA bout (**Showtime**, Sat, 10p). – *William Shatner's* "Raw Nerve" begins season III (Mon, 10p, **Bio**). *SA*

Basic Cable Rankings (1/17/11-1/23/11) Mon-Sun Prime			
1	USA	2.3	2324
2	DSNY	1.8	1791
3	MTV	1.6	1599
3	TNT	1.6	1583
5	FOXN	1.4	1413
5	HIST	1.4	1390
7	A&E	1.3	1267
7	FX	1.3	1218
9	NAN	1.2	1241
10	TBSC	1.1	1131
10	ESPN	1.1	1101
12	DISC	1	1034
12	FAM	1	1006
12	HGTV	1	980
12	SYFY	1	935
16	ADSM	0.9	879
16	TRU	0.9	861
16	TVLD	0.9	839
16	BRAV	0.9	808
16	BET	0.9	778
21	FOOD	0.8	833
21	TLC	0.8	777
21	HALL	0.8	742
21	AMC	0.8	735
21	NKJR	0.8	589
26	SPK	0.7	744
26	MSNB	0.7	690
26	CMDY	0.7	672
26	LMN	0.7	524
30	LIFE	0.6	641
30	EN	0.6	626
30	CNN	0.6	591
30	ID	0.6	453
30	OXYG	0.6	422
35	APL	0.5	479
35	NGC	0.5	376
35	SPD	0.5	369
35	HMC	0.5	202
39	ESP2	0.4	426
39	VH1	0.4	405
39	HLN	0.4	359
39	TRAV	0.4	339
43	CMT	0.3	293
43	WE	0.3	265
43	GSN	0.3	252
43	DXD	0.3	248

*Nielsen data supplied by ABC/Disney

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