

CableFAX Daily™

Friday — January 29, 2010

What the Industry Reads First

Volume 21 / No. 019

TWC 4Q: Big Dividend, Financials Please Wall St; Basic Subs Decline

Time Warner Cable shares closed up 1% Thurs following the announcement of a \$1.60/year dividend and financials that included free cash flow of \$5.46/share for FY09. Video was weaker than expected (105K basic subs lost and just 1.6% growth in revenue), but beat expectations with digital net adds (56K vs 14K consensus), HSD (122K vs 113K) and RGU adds (157K vs 110K). Financials were solid, with revenue growing 3% YOY to \$4.53bln and adjusted EBITDA up 3% to \$1.7bln. FCF of \$421mln was ahead of analyst estimates, even though it was down 13% over '09. While there's talk of economic turnaround, CEO *Glenn Britt* said the areas that are most important to TWC—housing starts, unemployment and consumer confidence—haven't seen material improvement. Phone additions (84K for the Q) were hurt by wireless competition, but the company sees potential and embarked this month on a plan to recharge digital phone. The components outlined by COO *Landel Hobbs* include a new sales program with incentives and a phone manager product set to debut in 2Q10 with viewable voicemail and Caller ID on the PC. One nugget of news: TWC will take away certain digital phone functions from **Sprint**, but the process will take years. On the video front, TWC should be capable of 200-250 HD channels in most markets by year-end. It will complete its company-wide deployment of switched digital with launches in L.A., Dallas and NYC this year. Also on tap are a multi-room DVR, allowing Look Back to extend to 72 hours after a program airs and realigning channels in several markets so genres are grouped together. Hobbs said the additional DOCSIS 3.0 launches for '10 will be "surgical," aimed at markets where the higher speeds are most needed. In the 1st Q of availability in NYC, the service has generated 2K net additions (more than 1/3 were commercial customers). When it comes to competition, Hobbs said the MSO has already seen more telco win-backs as contracts expire. **AT&T U-Verse** is available to about 20% of TWC's footprint, while **Verizon FiOS** is in about 9%. By the end of the year, Hobbs expects telco to overlap with 38-40% of its passings. "In general, it sounds like competition is steady and predictable as the telco footprint expansion and its share of video have slowed," mused **Wells Fargo's Marci Ryvicker**, who maintained her "Outperform." **Sanford Bernstein** maintained its "Outperform" rating and \$60 price target. "We continue to view Time Warner Cable as the single most attractive name in our coverage universe... and by a wide margin," the firm said. **S&P** kept its "Strong Buy" and sees TWC on target for mid-teens growth in unlevered free cash.



Introducing Fox Soccer Plus

A new premium network from Fox Soccer Channel and FOX Sports

- ★ LIVE & EXCLUSIVE MATCHES: Barclays Premier League, UEFA Champions League, FA Cup and Italy's Serie A
- ★ A 24/7 premium service to complement Fox Soccer Channel
- ★ Together with Fox Soccer Channel, Fox Soccer Plus completes the ultimate soccer experience
- ★ Launches in HD **March 1st**

 foxcable.com

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.com ● fax: 301.738.8453 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 301.354.1790, mgrebb@accessintel.com ● Assoc Editor: Chad Heiges, 301.354.1828, cheiges@accessintel.com ● Asst VP, Ed Director: Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 301/354-1695, dvodenos@accessintel.com ● Advertising Mgr: Erica Gottlieb, 212.621.4612 ● Marketing Director: Carol Brault, 301.354.1763, cbrault@accessintel.com ● Prod: Joann Fato, 301.354.1681, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Subs/Client Services: 301.354.2101, fax 301.309.3847 ● Group Subs: Carol Brault, 301.354.1763, cbrault@accessintel.com

So It Begins: With their public interest statement at the **FCC** on their proposed jv, **Comcast** and **GE** expounded on why they believe the deal makes sense, with an emphasis on more local programming and experimentation with new business models to promote innovation. Specifics include 1K hours of local news and information programming by the **NBC** O&Os, an additional hour of kids programming/week via NBC O&Os, a new over-the-air multicast channel using **Tele-mundo's** library and adding 2 truly independent cable nets to Comcast's digital lineup for the next 3 years. Thurs' FCC filing is part of Comcast's transfer request for the licenses of NBC's 26 broadcast stations. As for online video (NBCU owns 32% of **Hulu**), the media companies pointed to **Google's** near 40% share of online viewing and argued that it would be inappropriate for the FCC to impose conditions based on the possibility that online video distributors might eventually emerge as direct competitors to Comcast's cable business. "We are incredulous that Comcast and NBCU would downplay Internet distribution of video at a time when the FCC has repeatedly identified online video as one of the primary drivers to broadband adoption," **Public Knowledge** fired back. **ACA** also swung the bat, with pres/CEO **Matt Polka** taking aim at a commitment to apply FCC program access rules to Comcast-NBCU broadcast stations. "This 'commitment' isn't without irony, given that Comcast is asking a federal appeals court to tear up those rules and toss them in the wastebasket," he said, referring to a case pending in the DC Court of Appeals. The 145-page statement is at www.nbcutransaction.com. Meanwhile, next week's House Communications subcmte hearing on the merger will include **WOW's Colleen Abdoulah** and **Consumer Federation's Mark Cooper** alongside **Brian Roberts** and **Jeff Zucker**.

AT&T Earnings: **U-verse TV** continued its noteworthy consistency in 4Q, delivering 248K net new subs for a 5th consecutive Q of 240K+ adds. The range during that time was 240K-284K. Total customers tallied 2.1mln as of Dec 31, with penetration now at 13% overall and approx 20% in areas marketed to for at least 2 years. "I certainly think this product can grow" to a penetration level in the 30% range, said CFO **Rick Lindner**, noting that penetration grows approx 1%/month in each market. As the goal remains to pass 30mln homes with video by the end of '11, Lindner said many of the markets slated to be opened this year are in the SE. The telco's overall wireline results, said **Sanford Bernstein** analyst **Craig Moffett**, "were better [than its wireless results]... or at least less bad than peer **Verizon's**." Moffett noted a sharp decline in net broadband adds, which totaled 171K (-43% YOY), and contraction in the enterprise segment. Still, AT&T added 267K U-verse broadband subs, and the broadband attach rate for U-verse TV is more than 90%, with three-fourths of video subs receiving either a triple- or quad-play bundle. **S&P** maintained its 'strong buy' opinion on AT&T shares, albeit mostly due to the telco's wireless rev growth. Lindner said wireless leads AT&T's investment plans this year, as total mobile broadband usage jumped approx 200% last year and more than 5,000% over the last 3 years. The telco continues to double its 3G speeds to 7.2Mbps in many markets, and 2 markets will host LTE trials this year. Build out of video, meanwhile, has slowed, with new passings to total approx 7mln homes over the next 2 years.

In the Courts: As promised, **Cablevision** asked the US Supreme Court Wed to reconsider the constitutionality of must-carry rules (**Cfax**, 1/25). The petition stems from a Court of Appeals upholding the FCC's must-carry mandate for home shopping net **WRNN** of Kingston, NY. The MSO wants the Court to look at whether must-carry is consistent with the US Constitution. "The factual foundations for the governmental override of editorial judgment contemplated by the must-carry regime have disappeared," it wrote in its 145-page petition.

Union Address: More than 34mln homes and 48mln viewers watched **President Obama** deliver his State of the Union Address Wed night, according to **Nielsen**, with **Fox News** leading cable news nets with 5.83mln total viewers from 9-11pm. **CNN** delivered 3.05mln, **MSNBC** 2.31mln and **HLN** 476K.

Programming Costs: **Time Warner Cable** CFO **Ron Marcus** declined to say whether the MSO rolled over or got tough in its recent programming negotiations, saying it was all in the eye of the beholder. Programming costs in '10 are expected to be "modestly higher" than '09, where they were up 6.5% YOY, he said TWC head **Glenn Britt**, citing customer feedback, once again talked up operators and programmers offering more packages to consumers. "I think we all would be in better shape," he said. Britt also repeated that the retrans process "is clearly broken." Sen Commerce subcmte chmn **John Kerry** has indicated he wants more info on the issue, raising the reform hopes of TWC, **Mediacom** and others.

Competition: **Cablevision's** exclusive arrangement for **MSNBC** in areas where its footprint overlaps with **Verizon** and **AT&T** has ended. AT&T's **U-Verse** started offering the channel in CT this week, and **FIOS** announced it's launching the net in the entire NY footprint in the coming weeks. **MSNBC** and **CVC** declined comment. -- After expanding **FIOS TV** availability

BUSINESS & FINANCE

in NYC last year by 140 neighborhoods, to 810K homes total, Verizon said FiOS will pass parts of dozens more neighborhoods by Dec, with coverage of all 5 boroughs by mid-'14.

In the States: Time Warner Cable will align employees and cable systems in its National Div (AL, AZ, S CA, CO, ID, IN, IL, KS, KY MO, NE, OH, VA, WA, WV) with one of TWC's regions. As a result the National Systems headquarters in Denver and its Call Center operations will close in the coming months; 350 jobs will be eliminated. -- After earning its most-watched year ever in '09, **Lifetime Movie Net** has eclipsed the 75mln sub plateau.

Business/Finance: HBO acquired complete ownership of **HBO Central Europe**, formerly a jv involving **Sony Pictures Ent** and **Disney**. -- **Barclays Capital** analyst *Anthony DiClemente* raised his target price on **Viacom** shares to \$37 from \$35, and on **News Corp** to \$15 from \$14, as part of his upward revisions of expected '10 ad growth across most media, including national cable nets (5.5% to 6%), national broadcast (4.5% to 7.8%) and local broadcast (3% to 5%). -- **Liberty Global** officially closed its purchase of German cable op **Unitymedia**. -- Watch out VOD. Shares of **Netflix** soared by 24% Thurs after the co reported a sub tally of 12.3mln, up 31% YOY and 10% sequentially, and noted strong adoption of online film viewing.

CableFAX Daily Stockwatch

Company	01/28 Close	1-Day Ch	Company	01/28 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	35.05	(0.86)	AMPHENOL:	40.02	(0.77)
DIRECTV:	30.64	(0.36)	AOL:	23.37	(0.41)
DISH:	18.44	(0.22)	APPLE:	199.29	(8.59)
DISNEY:	29.35	0.03	ARRIS GROUP:	10.20	(0.29)
GE:	16.16	(0.14)	AVID TECH:	12.46	(0.18)
NEWS CORP:	14.55	(0.35)	BIGBAND:	2.99	(0.09)
MSOS					
CABLEVISION:	26.06	0.38	BLNDER TONGUE:	1.05	(0.04)
COMCAST:	15.62	(0.23)	BROADCOM:	27.41	(1.3)
COMCAST SPCL:	14.99	(0.26)	CISCO:	22.52	(0.63)
GCI:	5.97	(0.12)	CLEARWIRE:	6.77	0.17
KNOLGY:	10.97	(0.35)	COMMSCOPE:	28.27	(0.18)
LIBERTY CAPITAL:	24.58	0.32	CONCURRENT:	4.40	0.06
LIBERTY GLOBAL:	25.25	(0.18)	CONVERGYS:	10.71	(0.1)
LIBERTY INT:	10.61	(0.28)	CSG SYSTEMS:	19.57	0.75
MEDIACOM:	4.20	0.07	ECHOSTAR:	19.36	0.48
RCN:	9.81	(0.28)	GOOGLE:	534.29	(7.81)
SHAW COMM:	18.70	(0.1)	HARMONIC:	5.96	(0.17)
TIME WARNER CABLE:	44.09	0.47	INTEL:	19.92	(0.32)
VIRGIN MEDIA:	14.66	(0.21)	JDSU:	8.19	(0.06)
WASH POST:	441.06	(5.54)	LEVEL 3:	1.37	(0.01)
PROGRAMMING					
CBS:	13.17	(0.13)	MICROSOFT:	29.16	(0.51)
CROWN:	1.51	0.03	MOTOROLA:	6.48	(0.92)
DISCOVERY:	30.27	0.06	OPENTV:	1.53	0.01
GRUPO TELEVISA:	19.74	0.18	PHILIPS:	30.55	(0.96)
HSN:	18.59	(0.7)	RENTRAK:	16.20	(0.09)
INTERACTIVE CORP:	20.28	(0.18)	SEACHANGE:	6.39	(0.07)
LIBERTY:	35.93	(0.45)	SONY:	33.80	0.56
LIBERTY STARZ:	47.27	(0.43)	SPRINT NEXTEL:	3.38	(0.11)
LIONSGATE:	5.22	(0.23)	THOMAS & BETTS:	33.72	(0.34)
LODGENET:	5.63	0.02	TIVO:	9.28	(0.32)
NEW FRONTIER:	2.17	0.04	TOLLGRADE:	6.35	(0.03)
OUTDOOR:	5.13	0.04	UNIVERSAL ELEC:	24.10	(0.72)
PLAYBOY:	3.41	(0.07)	VONAGE:	1.43	(0.08)
RHI:	0.41	0.03	YAHOO:	15.44	(0.54)
SCRIPPS INT:	43.07	(0.25)	TELCOS		
TIME WARNER:	26.81	(0.14)	AT&T:	25.54	(0.08)
VALUEVISION:	4.35	0.03	QWEST:	4.19	(0.05)
VIACOM:	30.83	(0.23)	VERIZON:	29.33	(0.54)
WWE:	16.21	(0.15)	MARKET INDICES		
TECHNOLOGY					
3COM:	7.41	(0.05)	DOW:	10120.46	(115.7)
ADC:	5.62	(0.13)	NASDAQ:	2179.00	(42.41)
ADVANTAGE:	2.15	(0.01)			
ALCATEL LUCENT:	3.42	(0.02)			
AMDOCS:	29.10	(0.25)			

CableFAX

Sales Executive of the Year Awards

saluting cable sales leadership

Questions: Rebecca Stortstrom at 301-354-1610; rebecca@accessintel.com
To Sponsor: Debbie Vodenos at 301-354-1695; dvodenos@accessintel.com

Saluting sales excellence at cable programming networks, cable operators, and ad agencies.

The CableFAX Sales Executive of the Year Awards recognizes sales forces across cable who work tirelessly behind the scenes to drive revenue and keep our dynamic marketplace growing and business moving forward.

The winners and honorable mentions will be saluted during an awards event on June 9, 2010 in NYC.

Call for Entries: March 5, 2010
Visit: www.cablefaxsalesawards.com

PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Golden Cup?

I'm not convinced that **ESPN's** expansive coverage of this year's **FIFA World Cup** (Jun 11-Jul 11) will place soccer among the top sports draws in America as evp, sales and marketing *Sean Bratches* believes, but it appears many factors will conspire to make the event a notable success. **ESPN** and **ESPN2** will air a respective 44 and 10 live matches, all in HD, while **ABC** will feature the remaining 10 (also in HD), including the final. For the 1st time ever, all match telecasts are slated to include pre-match, halftime and post-match studio segments originating live from South Africa. The Bristol Behe-moth is so enamored of its World Cup prospects, remember, that the initial broadcast of **ESPN 3D** will be the event's opening match. While the timing of **Samsung's** rollout of 3DTVs should directly impact the strength of that dimension's initial kick, HD's poised to give the WC coverage a nice assist. I was recently exposed to soccer in high-def, and it's breathtaking. Soccer detractors, of course, will argue that the action's elevated clarity won't help speed the game up or increase scoring, but at least more viewers should have HDTVs by the summer. 62% of Americans already have an HDTV, according to **ORC**, and a survey from the **Retail Advertising and Marketing Assoc** shows that 3.6mln people plan to buy a new one ahead of the Super Bowl (I'll resist comparing the 2 forms of football). And while the WC doesn't sniff the cachet enjoyed by the Super Bowl (at least stateside), it does benefit from its staging but once every 4 years. Plus, the Yanks will field perhaps their most competitive team yet. And advertisers, who are finally beginning to loosen the purse strings, may be feeling immeasurably better about the economy come summertime. Likely not as giddy as **ESPN** feels about the World Cup, but who is? The large population of US Latinos, that's who. *CH*

Highlights: "Blindsight," Mon, 8p, **Doc Channel**. You could say it's a process film—6 Tibetan teens are urged to climb Mt Everest—but what a process. The teens are blind and largely ostracized by Tibetans, who believe blindness results from demon-ic possession. Besides a view of peasant life in Tibet, "Blindsight" introduces us to mountaineer *Erik Weihenmayer* and *Sabriye Tenberken*, an adventurer who founded a school for Tibet's blind children. Erik and Sabriye are blind, too. *SA*

Worth a Look: "A Family Is a Family Is a Family," Sun, 7p, **HBO**. Did *Rosie O'Donnell* keep cameras rolling as tots talked about family? Regardless, she got excellent results in this brief pastiche about families in all forms; nice music and ani-mation, too. — "Secret Diary of a Call Girl," season III debut, Mon, 10p, **Showtime**. Art imitates life as Belle pens a book. *SA*

Notable: "Man vs Food Live," Wed, 9p, **Travel**. Touting the Super Bowl's host city, *Adam Richman* (resembling a young, chunky *Fred Savage*) heads to Miami to face *Don Shu-la's* 48-oz Porterhouse Challenge live. Considering his prowess and that 35K people are members of Shula's 48 Oz Club, it's safer to wager on Adam than on Colts vs Saints. -- Australian Open, Fri, Sat, **Tennis**. Live semis include Men's and Women's doubles. *SA*

Basic Cable Rankings			
(1/18/09-1/24/09)			
Mon-Sun Prime			
1	FOXN	2.4	2386
1	USA	2.4	2364
3	DSNY	1.8	1817
4	NAN	1.7	1712
5	TNT	1.5	1487
6	A&E	1.4	1368
6	LIFE	1.4	1336
8	TBSC	1.2	1157
8	HIST	1.2	1143
10	HGTV	1.1	1092
11	TOON	1	1013
11	ESPN	1	1010
11	FX	1	994
11	FAM	1	986
11	TRU	1	934
16	DISC	0.9	925
16	FOOD	0.9	902
16	MTV	0.9	890
16	TLC	0.9	878
16	SYFY	0.9	872
16	HALL	0.9	819
22	CNN	0.8	815
22	AMC	0.8	768
22	NKJR	0.8	606
25	SPK	0.7	729
25	LMN	0.7	542
27	CMDY	0.6	630
27	MSNB	0.6	593
27	TVLD	0.6	555
27	EN	0.6	538
27	SPD	0.6	416
32	VH1	0.5	534
32	ESP2	0.5	514
32	BET	0.5	484
32	BRAV	0.5	483
32	HLN	0.5	462
32	APL	0.5	454
32	OXYG	0.5	358
32	WGNA	0.5	352
32	ID	0.5	282
41	TRAV	0.4	400
41	NGC	0.4	315
41	GSN	0.4	251
44	CMT	0.3	285
44	SOAP	0.3	249
44	WE	0.3	234

*Nielsen data supplied by ABC/Disney

TheCableFAXIES awards

DEADLINE: FEBRUARY 5, 2010

ENTER AT: www.CableFaxiesAwards.com

Sponsorship Opportunities: Debbie Vodenos at 301-354-1695; dvodenos@accessintel.com
 Entry Questions: Saun Sayamongkhun at 301-354-1610; ssayamongkhun@accessintel.com

The CableFaxies Awards salute the year's most outstanding communications initiatives and programs in the highly competitive and dynamic Cable arena. The coveted awards set the industry benchmark for excellence across all areas of PR and marketing.

The Winners of the CableFAXIES Awards are from networks, operators, PR firms, vendors, corporations, agencies and other entertainment companies who took chances, made tremendous strides and understand the power of PR and marketing in the cable industry. The winners and honorable mentions will be saluted during an awards event in April 2010 in New York City.