

CableFAX Daily™

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What the Industry Reads First

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Free Falling: TWC Guidance Hurts Stock; Sports Deals Not Part of Margin Miss

The first MSO 4Q earnings report is in, and Wall St isn't happy. But it's not the quarterly results spooking investors. **Time Warner Cable** shares closed down more than 11% after the company gave soft guidance for the year. TWC expects '13 adjusted earnings per share to be in the \$6.33-\$6.61 range, below Street expectations of \$6.88. **Wells Fargo** identified the big downside surprise in guidance as OIBDA showed a margin contraction of 50-100bps. "It sounds like the biggest driver is programming expense, which is expected to be up 10% per sub versus our 8.7%," the firm said in a research note. "That said, another material driver consistently mentioned was the lack of high margin political advertising in 2013." Time Warner CEO *Glenn Britt* said programming costs have risen at more than 3x the rate of inflation and again warned that each net would be closely examined as contracts expire. The MSO wants to "drop or reposition those that in our judgment do not add to the price value relationship of our packages," he said. Can you talk about expensive programming and not mention the billions TWC spent on the Lakers and Dodgers deals? Britt acknowledged that the deals weren't cheap, but "we do think they are better than the potential alternatives" because they stabilize the cost over time. CFO *Irene Esteves* said the RSN deals are not the reason for the margin decline, saying the impact wouldn't be felt until '14. Pres/COO *Rob Marcus* also chimed in on programming, saying watching the bottom line doesn't mean not adding programming that "yields real value to our customers." He noted the launches of **NFL Net**, **RedZone** and the **Pac-12 Nets**. For 4Q, revenue was up 9.9% TO \$5.5bln—a figure the Lakers RSN helped. EBITDA also rose, +5.6% TO \$2bln. Basic losses of 129K were flat YOY, but better than 3Q's 140K loss. Marcus called video a "disappointment," saying more work must be done. HSD adds dropped to 75K from 117K a year ago, which mgmt attributed to the addition of a cable modem rental fee, which drove a 6.3% increase in residential HSD ARPU for 4Q. On the plus side, Marcus said more than 100% of Q4 net adds were to 30 and 50Mbps HSD tiers. Phone was a better story with 34K adds, about on pace with a year ago. "In 2013, we're redoubling our efforts to get, grow and keep customers," Marcus said, noting last week's launch of new pricing and packaging architecture and more aggressive up-selling. Also in the works: updates to apps to bring more content and function to more devices as well as a cloud-based user interface for IP set-tops. Marcus said the changes are slated for introduction in the 2nd half of the year. More WiFi—double the current number of hotspots—also is on the way. **ISI Group** expected share retraction on Thurs' report but reiterated its "buy" rating, predicting TWC will be in the "penalty box" until investors are convinced higher costs are worth it. "We believe the Business Services growth should help allay some of the expense fears, but with various expenses increasing for the LA RSNs, and a new sports network for the LA Dodgers on the way, investors will be looking for rapid distributor carriage and advertising growth to help support the investments," analysts said.

Viacom 4Q: Though profit for 4Q rose to \$470mln vs. \$212mln last year, **Viacom's** revenue slipped to \$3.3bln from \$3.95bln in the year-ago quarter. Citing short-term challenges in 4Q, pres/CEO *Philippe Dauman* said lower revenue's impacted by fewer home entertainment releases and a less favorable mix of theatrical releases from Viacom's film entertain-

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ment arm. And the “lingering effects of the ratings softness” at **Nickelodeon** “masked a solid performance by our media networks overall,” he said during a conference call Thurs. Excluding Nick, Viacom’s nets returned to positive ad revenue growth in the quarter, he noted. Though affil fees grew YOY, revenue fell 2% at the nets overall, hurt by lower ad revenue (down 6% YOY and due entirely to the shortfall at Nick). He said Nick is regaining strength thanks to greater emphasis on event programming. In the short-term, Nick is focused on 3 priorities: reclaim and retain its Sat morning leadership, strengthen its weekday afternoon block, and strengthen its preschool viewer-ship to feed long-term viewer-ship of its big kid audiences, said Dauman. As for **MTV**, the company is looking at post-“Jersey Shore” programming. The show was “game-changing” for MTV but also precipitated an overemphasis on one night, Dauman said. “We are now successfully building out additional nights,” whether it’s the “Teen Mom” and “Catfish” reality block on Mons or female comedies like “Snookie and JWOWW” on Tues nights. **Wells Fargo** analysts agreed that Viacom nets other than Nick saw positive ad growth, with MTV “de-risking its schedule through smaller hits over the entire week.” Viacom’s deal with its biggest digital licensing partner **Netflix** comes for renewal in May, **Bernstein Research** analysts noted. Given the current audience and revenue trends, “we certainly expect Viacom will push for the biggest deal they can get,” they said.

TVE: DirecTV is stepping up its TVE game with some help from video tech firm **FreeWheel**, which is funded by companies like **Turner** and **DirecTV**. The satellite company will launch a FreeWheel-powered digital ad insertion service later this year, which allows DirecTV programming partners and advertisers to reach customers across platforms.

Online: Watch out **Nickelodeon** and **Disney**. **Amazon** greenlit 5 children’s test pilots, following its earlier commitment to 6 comedy pilots. Once completed, all 11 pilots will post on Amazon Instant Video, Prime Instant Video, Livefilm UK and Lovefilm Germany for Amazon subs to watch for free. The kids’ pilots include “Creative Galaxy,” “Oz Adventures,” “Teeny Tiny Dogs,” “Tumbleleaf,” and an untitled project created by *J.J. Johnson*, who created “Dino Dan” for Nick.

Get Onto My Cloud: Cloud computing has started making its way into the traditional TV business, and experts gathered for **CableFAX’s** Thurs Webinar on the subject argued that it’s leading to lower costs, higher functionality and happier customers. **Penthera** vice chmn and CEO *Michael Willner* said the cloud isn’t just about hosting content remotely; it’s also about 2-way functionality that could generate new revenue streams such as “mobile pay-per-view” that could potentially compete with the likes of **Apple’s** iTunes. But he said distributors and programmers will have to work together to make that and other cloud-based benefits a widespread reality. “We are all dependent on each other to make the whole ecosystem work,” he said. **Comcast** vp, product development *Piers Lingle* said customers used to sleek smartphones and tablets now demand no less from TV. “The expectations for consumers are getting higher and higher every day,” he said. “So how do we deliver that?” Comcast’s answer has been its X1 platform that integrates content with 2nd-screen devices, amps up on-screen interactivity and enables content customization. “Our eyes are bigger than our stomachs right now,” Lingle said, predicting even more personalization in the coming months. **ActiveVideo** svp, engineering *Cliff Mercer* said more use of the cloud can cut costs and relieve the overall “technology tension” that stems from legacy set-tops with limited processing and storage. Move more features to the cloud, goes the logic, and create a more Web-like experience for customers. He said the cloud also promotes a more uniform look, “delivering the visual experience from the cloud to each of those individual devices.” [Catch the Webinar on demand at <https://video.webcasts.com/events/pmny001/viewer/index.jsp?eventid=45072>]

Comcast Business: Comcast launched Comcast Business Hospitality service, an integrated offering that consists of

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On the Circuit: Kudos to *C-Suite Quarterly* mag for throwing a swanky bash Wed night at the Viceroy in Santa Monica to celebrate the “Top L.A. Innovators,” which this year included **Time Warner Cable’s John Keib** alongside dozens of regional honchos. Keib helped launch TWC’s IntelligentHome suite and other recent wares. Of course, the honor goes to Keib just as he transitions into an even bigger job as evp and chief care and technical operations officer, residential services—part of TWC’s larger restructuring (*Cfax*, Jan 24). With great power comes great responsibility, so Keib had to miss the party to attend meetings back East. But other TWC execs were out in force... Hats off to presenting sponsor **Hewlett-Packard**, and a shout out to the free Cohiba cigars at the bar. OK, they were Dominican Cohibas, but we’re just going to pretend they were Cuban contraband.

People: MTV hired *Mina Lefevre*, ex-*vp*, development and programming at **ABC Family**, as *svp/head* of scripted programming. -- *Henry McGee*, 34 year **HBO** veteran, will retire as *pres*, HBO Home Entertainment to become a full-time faculty member at **Harvard Business School** starting this fall. -- **Oxygen Media** upped *Matthew Jarecki* to *vp*, ad sales. -- **FOX Sports Digital** upped *Pete Vlastelica*, *svp*, product strategy, to be *svp*, digital.

CableFAX Daily Stockwatch

Company	01/31 Close	1-Day Ch	Company	01/31 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	51.14	(1.08)	CSG SYSTEMS:	18.83	0.23
DISH:	37.26	(0.4)	ECHOSTAR:	36.38	(0.26)
DISNEY:	53.88	0.09	GOOGLE:	755.69	1.86
GE:	22.28	0.05	HARMONIC:	5.23	0.04
NEWS CORP:	28.24	(0.11)	INTEL:	21.04	(0.33)
MSOS					
CABLEVISION:	14.64	(0.41)	JDSU:	14.51	2.11
CHARTER:	77.97	(3.66)	LEVEL 3:	23.82	0.28
COMCAST:	38.08	(0.95)	MICROSOFT:	27.45	(0.4)
COMCAST SPCL:	36.73	(0.89)	RENTRAK:	20.48	0.07
GCI:	8.51	0.41	SEACHANGE:	11.15	0.13
LIBERTY GLOBAL:	68.29	(0.48)	SONY:	14.94	(0.05)
LIBERTY INT:	21.26	0.05	SPRINT NEXTEL:	5.63	(0.02)
SHAW COMM:	23.42	(0.11)	TIVO:	13.34	0.83
TIME WARNER CABLE:	89.34	(11.36)	UNIVERSAL ELEC:	19.10	0.11
VIRGIN MEDIA:	39.39	(0.17)	VONAGE:	2.61	0.10
WASH POST:	385.68	1.45	YAHOO:	19.63	(0.49)
PROGRAMMING					
AMC NETWORKS:	56.97	0.13	TELCOS		
CBS:	41.72	(0.3)	AT&T:	34.79	0.31
CROWN:	1.83	(0.02)	VERIZON:	43.61	UNCH
DISCOVERY:	69.38	0.54	MARKET INDICES		
GRUPO TELEVISA:	28.01	(0.45)	DOW:	13860.58	(49.84)
HSN:	59.60	0.71	NASDAQ:	3142.13	(0.18)
INTERACTIVE CORP:	41.25	0.32	S&P 500:	1498.11	(3.85)
LIONSGATE:	18.32	0.15			
OUTDOOR:	7.72	0.23			
SCRIPPS INT:	61.77	1.99			
TIME WARNER:	50.52	0.38			
VALUEVISION:	2.71	0.15			
VIACOM:	63.18	1.00			
WWE:	8.56	0.13			
TECHNOLOGY					
ADVANTAGE:	2.13	(0.01)			
ALCATEL LUCENT:	1.66	0.10			
AMDOCS:	35.69	(0.2)			
AMPHENOL:	67.57	(0.22)			
AOL:	30.65	0.37			
APPLE:	455.49	(1.34)			
ARRIS GROUP:	16.52	0.04			
AVID TECH:	7.40	0.11			
BLNDER TONGUE:	1.38	(0.02)			
BROADCOM:	32.45	(1.42)			
CISCO:	20.57	(0.01)			
CLEARWIRE:	3.18	(0.07)			
CONCURRENT:	6.54	0.42			
CONVERGYS:	17.02	0.18			



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PROGRAMMER'S PAGE

The Doc Is In

Once upon a time there a show about a black doctor on TV, and it helped influence America's views on race and stands as an important part of TV history. You might assume I'm talking about "The Cosby Show," but you'd be wrong. When **Disney Junior** debuted "Doc McStuffins" last Mar, it introduced a black character that quickly became beloved by adults and children. One thing that sets Doc McStuffins apart from Cosby in my mind is that with Dr Heathcliff Huxtable, America took note that the affluent, funny family they were watching was African-American. That's part of what made the series iconic—that it was such a shift from past black-casted programs like "Good Times" and "The Jeffersons." If most of Doc's viewers are like my children, they probably never even thought about the race of Doc, a child who doctors stuffed animals and toys. Preschoolers should be able to turn on the TV and see themselves and their friends as lead characters in their favorite programs, and if we can start doing that with this young generation, it'll no longer be news that a TV show chose a black lead. It'll be life. I'm not the only one who has taken note of the show. You can read more about a group of black women doctors starting the "We Are Doc McStuffins" movement to encourage young girls in **CableFAX's** Black History Special report that went out Thurs afternoon. Disney Junior svp, original programming and gm *Nancy Kanter* said diversity is something the channel takes seriously, but that the programming often doesn't include a specific ethnicity because characters are often animals or fantasy. "When we do have a 'real' family, we jump at the chance to include diverse characters," she said. "When 'Doc McStuffins' was originally pitched, Doc was... Caucasian. But it was clear that there was no reason why she couldn't or shouldn't be rethought as African American, and in doing so we would not only be presenting a great role model to African American children, but to all children." Here's hoping more mainstream diversity hits our shows and our children's. - *Amy Maclean*

Review: "Silence in the House of God," Mon, 9p, **HBO**. An excellent look at deaf men attempting, as students and adults, to expose abusive priests and the Vatican's silence. -- **Notable:** Golf remains a civilized game. So it's fitting for **Golf Channel** to name its new "Morning Drive" studio for classy *Arnold Palmer*, a GC co-founder. MD re-launches Mon with a 7-days/wk format (7a). -- Viewers have gorged on a diet of hype for Sunday's Super Bowl. So perhaps it's piling on for *Jeff Zucker* to cut away from news and present **CNN's** 1st pre-game special (Sat, 4p). Besides unveiling *Rachel Nichols*, late of **ESPN**, and edgy Web acquisition "Bleacher Report," the special touts **CNN** and **HLN's** increased sports coverage. Zucker has a point—last year's Super Bowl grabbed 111mln viewers, twice the number who watched '12 election-night coverage. -- If it's Super Sunday, it's counter programming time. **Sony Movie Channel** features a day of romance films. **Animal Planet** has its traditional "Puppy Bowl" (3p). This 'contest' features rescue pups battling for a Nerf football. While ad revenue is up 19% for this game, even doggies have fallen victim to sports' rampant commercialism. This 9th dog v dog scrimmage will be played at—get ready for it—Geico Puppy Bowl Stadium. Is nothing sacred? - *Seth Arenstein*

Basic Cable Rankings (01/21/13-01/27/13)			
Mon-Sun Prime			
1	USA	2.2	2145
2	DSNY	1.8	1816
3	TBSC	1.6	1553
4	TNT	1.5	1471
4	HIST	1.5	1452
6	FOXN	1.3	1307
7	DSE	1.2	92
8	FX	1.1	1108
8	A&E	1.1	1101
8	HGTV	1.1	1089
8	DISC	1.1	1060
12	ESPN	1.0	1004
12	ADSM	1.0	991
14	SYFY	0.9	904
14	NAN	0.9	865
14	LIFE	0.9	856
14	TRU	0.9	855
14	BRAV	0.9	844
14	ID	0.9	686
20	FOOD	0.8	839
20	MTV	0.8	787
20	CNN	0.8	768
20	AMC	0.8	745
20	MSNB	0.8	725
25	TLC	0.7	726
25	TVLD	0.7	670
25	HALL	0.7	614
25	LMN	0.7	612
29	FAM	0.6	629
29	APL	0.6	610
29	BET	0.6	594
29	SPK	0.6	566
29	CMDY	0.6	563
34	EN	0.5	528
34	VH1	0.5	442
34	NGC	0.5	436
34	NKJR	0.5	350
34	H2	0.5	324
34	FXM	0.5	217
40	ESP2	0.4	420
40	TRAV	0.4	374
40	OXYG	0.4	302
40	DXD	0.4	286
40	OWN	0.4	282
40	GSN	0.4	274
40	INSP	0.4	272

*Nielsen data supplied by ABC/Disney

TheCableFAXIES awards

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