

# CableFAX Daily™

Thursday — February 16, 2012

What the Industry Reads First

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## 4Q Beat: Big Dividend, Little Sub Loss Make for Good Comcast Quarter

Cable MSO stocks rode **Comcast's** positive earnings wave Thurs, with **Charter** closing up 3.7%. Comcast posted the biggest gain at close 4.7%, but **Time Warner Cable** and **Cablevision** also climbed (1.2% and 2.2%, respectively). What was so great about the largest US MSO's financials? "Most important to us was the much better than expected video sub number, which goes against the cord-cutting argument and bodes well for all of cable AND for media, specifically diversified entertainment companies with major cable nets," **Wells Fargo Securities** told clients. Comcast lost just 17K subs, its best quarterly result in almost 5 years and light years away from the Street consensus of -125K. While new HH formations would get Wall St especially stoked, Comcast Cable pres *Neil Smit* attributed the video results more to competitiveness, saying the MSO has focused on product innovation and better customer service. He also said the telco overbuild has slowed to about 1.1mln homes last year from 2.5mln in '10. Smit doesn't think the company will flip to sub growth in 1Q (which is when it's taking rate increases), but he believes the current trends are sustainable given the strong response to offers. "We're going to stay focused on our priorities, which are really delivering more value to customers," Smit said. Comcast also impressed on HSD, adding 336K customers (+15%). Other highlights: Comcast is rebranding high-end video product Xcalibur to X1 as it gears up for a broader rollout of its cloud-based guide to customers this year; synergistic promotion of **NBC** series "Smash" helped it generate over 20% higher ratings in Comcast markets than other parts of the country; and the company ramped up rollout of home security product Xfinity Home. And there was more talk of 2012 being the year of TV Everywhere. "I think TV Everywhere, whatever you want to brand it, we call it Xfinity obviously, is going to see a lot of progress in 2012 on getting more content available to consumers on more devices than in any year in the company," said CEO *Brian Roberts*. X1 (Xcalibur) should hit hundreds of thousands of homes this year. "It is the beginning of allowing us to get on to other devices," Roberts said. "We want to position our company to take advantage of the innovation, not trying to necessarily fight it and want to make it simple for our customers as possible..." Helping push Comcast stock higher Wed was a larger than expected dividend increase of 44% and a commitment to repurchase \$3bln in stock in '12 under a new \$6.5bln buyback. "Comcast seems to have seriously heeded investors long-held hope for capital returns that were more on par with the rest of the cable/DBS industry. Not only are their returns now on par, they are downright impressive for any company, especially

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recognizes sales forces across cable who work tirelessly behind the scenes to drive revenue and keep our dynamic marketplace moving forward. CableFAX salutes these distinguished leaders who set the bar. The winners and honorable mentions will be saluted during an awards event in Spring 2012 in NYC.

**Questions:** Mary Lou French  
at 301-354-1851;  
mfrench@accessintel.com

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one growing EBITDA at a 6.4% rate,” said **International Strategy & Investment Group’s Vijay Jayant and Judah Rifkin**. Overall, Comcast posted net income of \$1.3bln vs \$1bln a year ago, with revenue up 3% to \$15bln. While the cable nets increased rev 5.3% to \$2.2bln, the broadcast side continued to drag (rev declined 3.7% to \$1.8bln). “On a proportionate basis, Comcast remains a distribution company, not a media company, and by a huge margin (almost 7 to 1). NBCU, in other words, doesn’t need to lead the way. It just needs to stay out of the way,” said **Sanford Bernstein’s Craig Moffett**.

**NightSquared:** The end of the road appears nigh for **LightSquared**. Due to enduring concerns of GPS interference, the **FCC** adhered to **NTIA’s** recommendation by proposing to reject a conditional waiver that would’ve allowed Light to use satellite spectrum to offer its terrestrial wireless broadband wholesale service. The Commission released Tues a Public Notice seeking comment on the issue; LightSquared, which believes NTIA’s recommendation is based on flawed conclusions (**Cfax**, 1/19), said it “remains committed to finding a resolution with the federal government and the GPS industry to resolve all remaining concerns.” The company could oppose the FCC and seek more time for commercial deployment or pursue litigation, but **Stifel Nicolaus** doesn’t see success through either measure, “at least anytime soon.” Wireless broadband play **FreedomPop** wasted little time leaving erstwhile partner Light for dead, announcing a wholesale deal with **Clearwire** that goosed CLWR shares (+3.06%). The potential ramifications of the FCC’s move, however, run far deeper. “The next 30 days could provide more clarity on the FCC’s spectrum policy now that it has put the LightSquared debacle behind it,” said **BTIG’s Walter Piecyk**. **DISH** (from DBSD and TerreStar) and **Verizon** (from cable ops) are notably awaiting spectrum license transfers, with **Wells Fargo Securities’ Marci Ryvicker** viewing the FCC’s move “as a positive for DISH as it increases the scarcity value of its spectrum and does not put its own waiver in jeopardy.” Piecyk adds the FCC “appears inclined to free up additional unlicensed spectrum that [cable] operators could use to expand their WiFi networks.” **Sprint**, meanwhile, likely must search for alternatives to its network-sharing pact with LightSquared. -- The FCC may have withdrawn preliminary approval of LightSquared’s broadband wireless project, but that doesn’t mean the path is cleared for a Senate vote on FCC commissioner nominees. Sen **Chuck Grassley** (R-IA) has placed a hold on those nominations until the FCC releases documents related to the FCC’s dealings with Lightsquared. In a statement Wed, he made no mention of lifting the hold, and instead renewed the call for those docs. “Now that the FCC has backtracked on LightSquared, I’d like to see my Senate colleagues join my document request, especially the chairman of the only Senate committee that the FCC is willing to answer. If we don’t find out how and why the FCC failed to avoid this controversy, then it will keep operating as a closed shop instead of the open, publicly accountable agency it should be,” Grassley said. During a press conference following Wed’s FCC open meeting, FCC chmn **Julius Genachowski** rejected the notion that the LightSquared reversal is a black eye for the agency. “For 2 years, we’ve been working on many fronts to free up more spectrum for mobile broadband, to reduce regulatory barriers that precluded mobile broadband use...” he said. “We have said there will be challenges as we move to meet the spectrum demand challenges from new technologies.”

**Retrans:** **SNL Kagan** reports that its analysis of 16 TV station owners found they grew avg monthly retrans fees per multichannel sub by 47% between 3Q09 and 3Q11 to an estimated 33 cents. Average 3Q10 fees were estimated at 26 cents. It ranked **Univision** at 61 cents/sub for 3Q11, followed by **Sinclair** (49 cents), **Newport** and **Lin** (48 cents each) and **CBS** (45 cents). No surprise here, but for the record, Kagan expects retrans fees to remain on an “upward trend.”

**Ad Metrics:** At **ANA**, **CIMM**, **4A’s** and **ARF’s** Cross-Platform Video Measurement Summit in NYC Wed, cable ad execs, buyers and agency execs agreed on the dire need for better cross-platform media measurement. **Ed Erhardt**, **ESPN** pres, global customer mktg and sales, noted the difficulty in valuing various platforms, and **Viacom** evp/CRO **Colleen Fahey Rush** said measurement is particularly difficult with mobile. But **John Muszynski**, chief investment officer for agency buying arm **SMGX**, said agencies need “a metric verifying audience levels” and ad effectiveness across platforms rather than a piecemeal approach. “Why are you charging me twice the price for this experience?,” he asked. On understanding mobile, Fahey Rush said the industry has “a long way to go... It’s a constant game of catch up.” She sees new perspectives as part of the solution. “We need to come around it together to fund it, to solve it and to bring more people to the party, instead of the usual suspects, to drive experimentation,” she said.

**At the Portals:** The **FCC** voted Wed to extend the mandatory reporting of network outages to VoIP service providers. **NCTA** said the cable industry has long recognized the importance of providing reliable service and that it appreciates the FCC’s decision to collect outage info in a manner than will not “unduly burden new technologies.” **ACA** agreed that the

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new obligations should not cause undue burdens on the smaller VoIP providers it serves. **Public Knowledge**, on the other hand, is disappointed that the data, as with other reported outage info, will not be made public.

**Content Itinerary:** At a **Travel Channel** media breakfast in NYC Tues, svp, programming and prod, *Andy Singer* announced 2 new originals and 2 series in development. The net greenlit "Adam Richman's Best Sandwich in America," which follows *Richman's* coast-to-coast search, and "Toy Hunters," featuring collector *Jordan Hem-brough* as he turns a profit selling rare toys. 2 originals are in development: "Mile High" tracks celebrity *David Arquette* and his 6'7" best friend *Mike McGuinness* as they embark on spontaneous travel adventures, and the Hawaii-based series "Aloha Gold" is a behind-the-scenes look at the world of a large, independent tour operator.

**People:** **Starz LLC** elevated *Glenn Curtis* to the newly created position of pres/CFO. -- **News Corp** tapped *Hamish McLennan* as evp, Office of the Chmn, reporting to chmn/CEO *Rupert Murdoch* and COO *Chase Carey*. -- **Nick** named *Sal Maniaci*, most recently of **TV Land**, as svp, event and original programming.

**Editor's Note:** Fri is the last call for **CableFAX** Sales Exec of the Year Awards. Honorees will be recognized at our May 1 award event in NYC. Nomination forms are available at [cablefax.com](http://cablefax.com) under the awards tab.

## CableFAX Daily Stockwatch

Company	02/15 Close	1-Day Ch	Company	02/15 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	46.30	0.45	CONCURRENT:	3.92	(0.01)
DISH:	29.05	0.69	CONVERGYS:	12.86	(0.09)
DISNEY:	41.25	(0.35)	CSG SYSTEMS:	15.79	(0.12)
GE:	18.76	(0.18)	ECHOSTAR:	31.48	(0.18)
NEWS CORP:	19.70	(0.21)	GOOGLE:	605.56	(4.2)
<b>MSOS</b>					
CABLEVISION:	14.87	0.32	HARMONIC:	6.27	(0.06)
CHARTER:	62.22	2.20	INTEL:	26.58	(0.2)
COMCAST:	28.52	1.27	JDSU:	14.31	0.29
COMCAST SPCL:	27.57	1.42	LEVEL 3:	21.20	0.09
GCI:	10.94	0.08	MICROSOFT:	30.05	(0.2)
KNOLLOGY:	15.97	(0.02)	MOTOROLA MOBILITY:	39.70	0.02
LIBERTY GLOBAL:	49.44	0.39	RENTRAK:	21.74	(0.02)
LIBERTY INT:	18.18	(0.08)	SEACHANGE:	7.05	(0.13)
SHAW COMM:	19.73	0.05	SONY:	19.99	0.86
TIME WARNER CABLE:	76.83	0.91	SPRINT NEXTEL:	2.26	(0.05)
VIRGIN MEDIA:	25.62	(0.31)	THOMAS & BETTS:	71.94	(0.01)
WASH POST:	384.44	0.69	TIVO:	12.07	(0.03)
<b>PROGRAMMING</b>					
AMC NETWORKS:	42.93	(0.08)	UNIVERSAL ELEC:	18.91	(0.49)
CBS:	29.57	(0.22)	VONAGE:	2.40	(0.33)
CROWN:	1.16	(0.02)	YAHOO:	15.12	(0.24)
DISCOVERY:	45.75	0.55	<b>TELCOS</b>		
GRUPO TELEVISIA:	20.29	0.07	AT&T:	29.87	(0.2)
HSN:	36.32	(0.84)	VERIZON:	37.83	(0.21)
INTERACTIVE CORP:	45.01	0.71	<b>MARKET INDICES</b>		
LIONSGATE:	12.16	0.82	DOW:	12780.95	(97.33)
LODGENET:	3.33	(0.04)	NASDAQ:	2915.83	(16)
NEW FRONTIER:	1.13	(0.03)	S&P 500:	1343.23	(7.27)
OUTDOOR:	7.05	(0.1)			
SCRIPPS INT:	43.18	(0.06)			
TIME WARNER:	37.48	(0.36)			
VALUEVISION:	1.68	0.04			
VIACOM:	54.25	(0.38)			
WWE:	9.69	(0.12)			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.19	(0.02)			
ALCATEL LUCENT:	2.28	(0.02)			
AMDOCS:	30.59	0.11			
AMPHENOL:	54.87	(0.19)			
AOL:	18.78	0.08			
APPLE:	497.67	(11.79)			
ARRIS GROUP:	11.64	(0.21)			
AVID TECH:	11.72	(0.28)			
BROADCOM:	37.09	0.34			
CISCO:	19.91	(0.16)			
CLEARWIRE:	2.36	0.07			



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## Think about that for a minute...

### Thumbelina

Commentary by Steve Effros

Thumbelina, the Hans Christian Andersen fairy tale about the trials and tribulations of a tiny little girl just won't hold a candle to the fairy tale that is now being told to the consumer press, and presumably Wall Street, the regulators, and ultimately the courts, about a new "streaming" service in New York City using tiny "thumb sized" antennas.

The service, when it was in "test" mode, was called Bamboom. Now it's called Aereo. I liked "Bamboom" better, sounded like the ending of a joke. Barry Diller is part of the crew trying to pull it off, and they have raised over \$20 million. Most of it, I suspect, will be spent in legal fees.



Anyway, here's the idea; at an "undisclosed location" in New York City they are installing hundreds, nay, thousands of "thumb-sized" antennas to pick up the local broadcast signals. These signals, either live, or after having been recorded on a DVR, will then be streamed over the Internet to subscribers who will pay \$12 per month for the service. In the press conference on Monday, they described the relationship between the subscriber and Aereo as "providing a use license for the antenna and the cloud DVR." The brilliant minds behind this venture, specifically Mr. Diller, who of course used to be an integral part of developing the Fox network, says he is doing this because he wants to break the networks away from the "closed cable, satellite, broadcast circle." Never mind the fact that he is using the broadcasters and the cable broadband system to deliver this brave new world!

So maybe there are a few questions about this brilliant piece of "newness." Let me count the ways. First, the suggestion is being made that all of what they are planning is kosher because the Second Circuit Court of Appeals (no surprise that they are only doing this in

NYC, anticipating a suit, which would automatically go to that Court) has already said the "remote DVR" which Cablevision offers is not a violation of the copyright law or the program contracts cable operators have with the broadcasters and programmers.

I have long supported the remote DVR. But there's a major difference here; in the case of the DVR, the "deliverer," in that case Cablevision, has already paid the copyright or retransmission consent fees to the broadcaster for "retransmission." Aereo apparently thinks that by having thousands of little antennas that the consumer, presumably, will individually control (all reception will have to be from that specific little antenna!) recording the resulting programming, Aereo is somehow "out of the chain" and there is thus no "retransmission," thus, no fees. Uh, guys.... how does the live programming get from the antenna to the Internet? Who converts the format, grooms it, creates the program guides to send it, record it or retrieve it, and charges a fee... for what? That is, quintessentially, a "retransmission." They'll argue this is just like a Slingbox. Can't wait for usage based pricing on broadband! Do you really think the broadcasters are going to just let this go by? Are you serious? Oh, and know why NYC was one of the first major cities to get cable? Ever hear of "multipath distortion?" Thumb-sized antennas?

Hey, I hope Aereo wins. Then every cable operator would do the same thing... imagine all those tiny antennas all over the place... and retransmission consent would be gone, as would copyright liability! So cable would still be the best deal! Don't think that's the way it's going to go. I know a fairy tale when I see it.

*Steve*

T:202-630-2099  
steve@effros.com

*(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)*

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