

# CableFAX Daily™

Wednesday — February 29, 2012

What the Industry Reads First

Volume 23 / No. 039

## Cablevision 4Q: Shares Dive, Dolan Leads, AOCF Flatlines, Sub Metrics Beat

Anyone expecting some sort of big reveal regarding *Tom Rutledge's* departure during Cablevision's 4Q earnings call Tues must have forgotten that we're talking about the notoriously tight-lipped **Cablevision**. "As we announced before, Tom resigned. As far as succession planning goes, I'm currently running the operations and will continue to do so for the foreseeable future while we work on improving our operations," *Jim Dolan* said in response to the 1st question from an analyst. When asked if he could provide any additional color on what led to the departure of Rutledge, who is now CEO at **Charter**, Dolan responded with a simple "no." Reports have speculated that Dolan was displeased with the company's performance and started taking a more hands-on role, which displeased Rutledge. Dolan said '12 would be about making sure CVC exceeds customers' expectations. One tactic: A decision to institute no 2012 rate increase, which Dolan said would be partially offset by scrapping some low-price promos. "The introductory offers that have been in the marketplace we feel have been low. You won't see those again, probably ever, at the rates that they were," Dolan said, adding that the co will stick "to our knitting" and concentrate on core products. The MSO, however, does expect to launch a new EPG sometime in 3Q and accelerate the rollout of its remote storage DVR. CFO *Gregg Seibert* said Cablevision is nearing the end of a network augmentation program to give customers even greater Internet speeds. Also new is a successfully piloted program offering new customers next-day installation. Dolan said it will be rolled out across CVC's east footprint by the end of 1Q. "2012 will be a year of investment, both in cap spending and operating execution," Dolan said, adding that certain 2013 projects would be accelerated into the current year and thus result in higher cap ex for '12. That's one of the statements that helped send CVC shares down, with the stock closing down about 9.7% Tues at \$14.13. Making matters worse was guidance of flat AOCF and likely flat-to-down FCF. **Miller Taback** responded to the stock downside by upgrading CVC from "neutral" to "buy." "We believe that, with some capital projects pulled forward from 2013 into 2012, that there could be very significant FCF growth in '13, possibly +44%," a Miller Taback research note said. But **Sanford Bernstein** kept the stock at "neutral," arguing that CVC isn't that cheap a stock given its high penetration (less room for growth) and high level of competition. Bernstein's *Craig Moffett* called the 22 cents/share earnings, or \$60.6mln, (2 cents below consensus) a "yellow, if not red, flag." For the Q, Cablevision's 14K video sub loss beat the St estimate of 18K. HSD and voice also beat, with 20K and 31K additions, respectively. Bresnan, now being called **Optimum West**, accounted for 8K of voice adds and 7K of HSD adds. Moffett likens CVC's 4Q results to a rabbit-out-of-a-hat trick, "impressive, but difficult to replicate." **BTIG's Rich Greenfield**, who noted he didn't get to ask Dolan any questions before the call ended, also kept the company at neutral.

**On the Hill:** Sen Judiciary's antitrust subcmte plans a Mar 21 hearing on the **Verizon-SpectrumCo/Cox** deals and titled "The Verizon/Cable Deals: Harmless Collaboration or a Threat to Competiton and Consumers?" No witnesses list yet.



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**Deal's Closed (Almost):** With Time Warner Cable's \$3bln acquisition of Insight expected to close Wed, what will change immediately? Nothing, it sounds like. While Insight has some programming for which TWC doesn't have deals (notably **NFL Net**), a rep said no immediate changes were planned for Insight's programming lineups. As for Insight, CEO *Michael Willner* has visited with 5 of Insight's 6 districts over the past few weeks to say goodbye personally, with those meetings described as sentimental (Insight pres *Dinni Jain* showed at the 1 district that Willner wasn't able to visit). In some districts, like Louisville, it required multiple meetings in a day to accommodate for shift changes—a testament to how important it was to Willner to bid adieu in person. He has, after all, served as CEO of the company for 27 years. "He spent most of that time [in the meetings] really thanking people," said an Insight spokesperson, noting that employees had taped testimonials about what has been special for them about working at Insight. "It has been one of the highest honors of my life to have been able to serve as the CEO of this terrific company. I have the deepest admiration for the 3,000 men and women who made this company what it is," Willner told us Tues. We're told he began each meeting by saying he understood that there were lots of questions on people's minds, but they had to be answered by TWC. Speaking at an investor conference Tues, TWC CFO *Irene Esteves* reiterated that management expects \$100mln/year in cost savings. One-third of that savings will come from head count reductions (notably from corporate and admin functions), while another 1/3 will come from programming costs, she said. "We've had 22 different integration teams working since we announced the deal," Esteves said. "We think there are very near-end synergies that will make this a slam dunk for shareholders."

**At the Portals:** Comcast played up its low-cost broadband adoption program Internet Essentials and increased carriage of indie nets in its 1st annual compliance report on the **NBCU** transaction, which was filed Tues with the **FCC**. Comcast told regulators that it has overdelivered on its promise to make more content available on VOD and online, pointing to the 1st ever streaming of the Super Bowl this year and its offering of shows from all 4 broadcast nets as soon as the day after a program airs. Comcast also surpassed its commitment to expand its broadband network by 1500 miles in '11 (it expanded by 2044 miles) and upgrade Internet service for at least 6 additional rural communities (it did so for 33 communities). Less publicized actions included **NBC** improving the visibility of TV ratings icons and increasing children's VOD programming by approx 1K choices, exceeding the 1st year commitment of 500. Comcast evp *David Cohen* gives his take on the filing at comcastvoices.com, but not everyone's cheering along. Take **Bloomberg**, which is mired in a fight with the company over treatment of **Bloomberg TV**. "Comcast's report to the FCC includes revisionist language that deliberately misstates its own legally binding commitments to chmn Genachowski and the American people on the news neighborhooding condition in the order on Comcast-NBC-Universal," said Bloomberg govt affairs head *Greg Babyak*.

**Deals:** Overbuilder **Knology** is exploring a possible sale, the *WSJ* reported Tues, citing people familiar with the matter. West Point, GA-based Knology has systems in AL, FL, KA, IA and TN. The *WSJ*, citing sources, put the total enterprise value of a deal around \$1.5bln. Knology did not respond to a request for comment on the report.

**On the Hill:** The House Energy and Commerce Cmte requested from the **FCC**, **NTIA** and **PNT ExCom** all written and electronic comm from Apr '09-present regarding the interference dispute between **LightSquared** and GPS and the related actions of the trio, which the cmte wants to deem appropriate. Meantime, beleaguered LightSquared announced the resignation of CEO *Sanjiv Ahuja*, with a replacement expected to be named soon.

**Morgan Stanley Notebook:** Comcast is very focused on improving video sub metrics going forward, an area that vice

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# BUSINESS & FINANCE

chmn/CFO Michael Angelakis said has been affected over the last 4 years by ramping competition and economic woes—but not by cord cutting. “I think we have to have a better video product,” said Angelakis, who’s unsure whether video growth will return this year after the MSO shed 450K subs in ’11. Yet he’s bullish on customer trending and remains confident that investments in new products will allow CMCSA to lead an MVPD industry he expects will post 300K net adds in 4Q. **X1** is expected to help, as is streaming service **Xfinity Streampix**, which Angelakis said fills with library content a previous hole in CMCSA’s content offerings. HSD continues to power the MSO as it does many other cable ops, but none of those enjoys a network passing 52mln homes. CMCSA’s approx penetration sits at 42% for video, 35% for HSD and 18% for phone.

**People: Comcast Spotlight** upped *Bill Haase* to svp, finance and admin, *Kellie Grutko* to svp, marketing and *John Tierney* to svp, national/regional sales. -- **CNN Worldwide** tapped *Lynn Brindell* as svp, marketing. -- **WGN America** welcomed *Brian Carr* as vp, strategic sales and planning.

**Business/Finance:** After joining **Sanford Bernstein** as a media sector analyst, former **TiVo** exec *Todd Juenger* initiated coverage of **Discovery Comm** and **Disney** with outperform ratings, **Time Warner** with an underperform and **News Corp, Viacom, CBS** and **Nielsen** with neutrals.

## CableFAX Daily Stockwatch

Company	02/28 Close	1-Day Ch	Company	02/28 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	46.05	0.26	CLEARWIRE:	2.36	0.10
DISH:	29.23	0.04	CONCURRENT:	3.72	0.01
DISNEY:	41.93	0.29	CONVERGYS:	13.07	(0.19)
GE:	19.16	0.09	CSG SYSTEMS:	16.29	0.07
NEWS CORP:	20.27	0.19	ECHOSTAR:	30.26	(0.36)
<b>MSOS</b>					
CABLEVISION:	14.13	(1.51)	GOOGLE:	618.39	9.08
CHARTER:	63.56	(0.01)	HARMONIC:	6.14	(0.15)
COMCAST:	29.37	0.18	INTEL:	27.24	0.35
COMCAST SPCL:	28.55	0.27	JDSU:	13.97	(0.04)
GCI:	10.97	(0.01)	LEVEL 3:	24.12	(0.45)
KNOLLOGY:	17.47	1.66	MICROSOFT:	31.87	0.52
LIBERTY GLOBAL:	49.53	(0.07)	MOTOROLA MOBILITY:	39.69	UNCH
LIBERTY INT:	18.63	(0.07)	RENTRAK:	21.74	0.15
SHAW COMM:	20.38	0.09	SEACHANGE:	7.03	0.07
TIME WARNER CABLE:	79.49	0.35	SONY:	22.26	0.57
VIRGIN MEDIA:	25.07	0.07	SPRINT NEXTEL:	2.55	UNCH
WASH POST:	391.13	(6.86)	THOMAS & BETTS:	72.09	0.09
<b>PROGRAMMING</b>					
AMC NETWORKS:	45.46	(0.01)	TIVO:	11.11	(0.26)
CBS:	29.99	0.16	UNIVERSAL ELEC:	20.11	0.01
CROWN:	1.29	0.01	VONAGE:	2.49	0.02
DISCOVERY:	45.73	1.17	YAHOO:	14.90	0.04
GRUPO TELEVISIA:	20.88	0.09	<b>MARKET INDICES</b>		
HSN:	37.80	(0.18)	DOW:	13005.12	23.61
INTERACTIVE CORP:	45.72	0.21	NASDAQ:	2986.76	20.60
LIONSGATE:	13.44	(0.15)	S&P 500:	1372.18	4.59
LODGENET:	3.42	(0.07)			
NEW FRONTIER:	1.23	(0.01)			
OUTDOOR:	7.15	0.09			
SCRIPPS INT:	44.72	0.02			
TIME WARNER:	37.86	0.28			
VALUEVISION:	1.76	UNCH			
VIACOM:	53.15	(0.25)			
WWE:	9.36	0.27			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.15	UNCH			
ALCATEL LUCENT:	2.54	(0.06)			
AMDOCS:	30.77	0.05			
AMPHENOL:	56.51	0.37			
AOL:	17.99	(0.2)			
APPLE:	535.41	9.65			
ARRIS GROUP:	11.58	(0.01)			
AVID TECH:	11.14	(0.29)			
BLNDER TONGUE:	1.36	(0.05)			
BROADCOM:	37.37	0.90			
CISCO:	20.20	0.03			



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