

CableFAX Daily™

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What the Industry Reads First

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Charter's Course: Rutledge Leads Company to Growth—Even in Video

It's clear that customer acquisition is a priority of **Charter** CEO *Tom Rutledge*, with the MSO adding 20K video customers in 1Q for the 1st quarterly video growth in 5 years. Net RGU adds of 274K also blew away analyst estimates. Grow 'em and upsell 'em must be painted on the walls at Charter's St Louis HA. "In evaluating the key levers to drive further growth, my focus in the first 3 months has been on revising our pricing, packaging and selling structure and accelerating our path to an improved product set, particularly on our video product," Rutledge said during Tues' earnings call. While net adds "far surpassed expectations," it happened at the expense of OIBDA in the short-term, but the economic benefits should become evident later in the year, wrote **Miller Tabak's** *David Joyce*, who had expected Charter to lose 23K video subs in the Q and add just 90K RGUs. OCF came in a touch light at \$652mln. Total revenue was up 2.8% to \$1.827bln. Improving the product includes plans to offer 100 HD channels by year-end. The company's actually on pace to reach that goal by mid-year, said Rutledge, adding that the MSO is working on higher HD DVR take rates and more features for voice. TV Everywhere is on "our product roadmap for this year," he said. It sounds like the MSO is also readying a tablet, streaming service similar to **Time Warner Cable** and **Cablevision's** offerings. "What we're contemplating is putting out IP products in the home and out-of-home that give you control over your existing set-top boxes—the ability to program a DVR, do search and other kinds of [things]," Rutledge said. "It actually creates an opportunity for us to take our existing capital base of deployed boxes and make them really work a lot better without having to replace all those boxes with a new or more powerful box that has a capability of carrying a more robust guide. " As for Charter's deployments with **TiVo**, there are some customers in TX, but a general rollout hasn't been announced yet. "We have a complicated VOD infrastructure, and we're continuing to work on getting that product developed," said Rutledge. It wasn't just video that saw gains in 1Q. HSD posted 141K net adds (the Street expected 102K) and voice adds of 31K beat out the 26K consensus. "It seems abundantly clear to us that even without verbally articulating his long-term business plan, CEO Rutledge has determined that taking share is the key strategy for the most underpenetrated publicly traded MSO in the nation," declared an **ISI Group** research note. ISI's bottom line: "If you believe in Tom, then you should believe in the stock." Shares closed up 5% Tues.

DirecTV 1Q: DirecTV US is slowing, while Latin America continues to outperform. In the US, DirecTV added 81K net subs (slightly short of Street expectations), but churn fell 1.44%. Sure, subs may have been off a little, but unlike several of DirecTV's peers, it grew both subs and OIBDA, noted **Canaccord Genuity's** *Thomas Eagan*. During an earnings call, DirecTV brass said upgrade and retention costs should decrease from 1Q's level, even though customer retention will continue to be a major focus. As for Sun Ticket, DirecTV pres/CEO *Michael White* described a 2-tier package that targets both the passionate NFL fan and those merely interested. "The key thing about this product is we have to grow the base number of customers that will pay for the product given that the cost of the product is increasing," White said.

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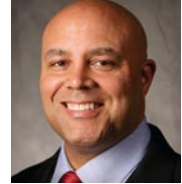
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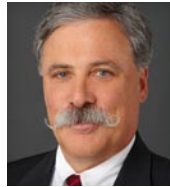
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A free 3Q promo is planned again that targets new customers. Last year, Sun Ticket had about 1.5mln subs vs a historical 300K, so there's a lot of interest in how renewals will go. Overall, net income rose to \$731mln from \$674mln, with ARPU up 3.6% \$91.99. **Sanford Bernstein's** take: the Latin American biz is markedly undervalued, and so is DirecTV.

On the Hill: Rep Mike Doyle (D-PA) wants more info from **Verizon** given its cable spectrum deals. In a letter to Verizon pres/CEO Lowell McAdam, Doyle said he is concerned about the continued investment in wireline and broadband. Noting that FiOS is unavailable in all or parts of lower income townships in his district, he wants to know what percentage of the country will be served by FiOS in the next 5 years and in the next 10 years. Other questions focus on Verizon's plans for its DSL network and its decision to couple DSL with voice for new customers.

Discovery: Once again, it was all about **OWN** at **Discovery Comm.** Hurt by OWN, shares closed down 6% Tues. Discovery had \$50mln of income losses in 1Q, with OWN predominantly accounting for that number (but the company declined to specifically quantify how much of it belonged to the net). Net income fell to \$221mln from \$305mln. Revenue climbed 16% to \$1.1bln. OWN continues to try find its footing, with Discovery CEO *David Zaslav* pointing to its 14% growth in viewership in the past Q. Zaslav said the company expects to spend less funding OWN this year than in '11 and believes it will be cash flow break-even in the 2nd half of '13. Most affiliates start paying "meaningful" sub fees Jan 1, the CEO said. "We're making real progress. We're, on average, about a top 30 network in March," Zaslav said. The rebrand of Planet Green to **Destination America** is still weeks away, but the net's already started airing D.A.-themed programming. And Zaslav believes it's paying off. "We're up 30% by just changing the mix of content that we already own," he said. "So the investment will be small, but we expect that we're going to be able to do a success-based growth strategy where over the next couple of years, as it grows, we'll invest more money."

TV Everywhere: Comcast subs can now view live streaming **ESPN** content through the **WatchESPN.com** app. It soon will be available on **XfinityTV.com** as well. **ESPN, ESPN2, ESPN3, ESPNU, ESPN Goal Line** and **Buzzer Beater** are all available through WatchESPN, which is now available to 40mln HHS.

Advertising: US TV ad spending was up 4.5% last year, with spending on cable TV up 42% from '07, according to Nielsen's Advertising & Audiences Report. Spanish-language cable saw 24% growth in YOY ad spending. **AT&T** and **Verizon** were the top TV spenders last year, with \$1.1bln being spent on AT&T Wireless Web Access and \$702.2mln on Verizon Wireless Web Access.

Programming: TNT greenlit medical drama series "Monday Mornings" from *David Kelley* and **CNN** chief medical correspondent *Dr Sanjay Gupta*. *Ving Rhames, Alfred Molina* and *Jamie Bamber* star. It's set to premiere in summer '13.

More Earnings: Liberty will up its stake in **Sirius XM** to 45.2% through a \$650mln agreement. The deal is slated to close in 3Q. Hiding in Liberty Media's 1Q results was the news of a **Starz** renewal with **Cox**. The programmer previously announced a renewal with **DirecTV**. Both include TVE rights. Starz rev was up 4% YOY to \$405mln, with subscribers at Starz and **Encore** up 7% and 2%, respectively. Liberty Media's revenue decreased 55% to \$440mln in 1Q, adjusted OIBDA decreased 77% to \$110mln and operating income decreased 81% to \$89mln. The decrease in revenue, adjusted OIBDA and operating income was a direct result of a significant recognition of deferred revenue and costs in the previous year at subsidiary **TruePosition**.



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BUSINESS & FINANCE

On the Circuit: Harvard's *Iris Boh-net* will deliver the keynote at **WICT's** Signature Luncheon on May 21 at the Boston Waterfront Hotel. **Style Media** is the premier sponsor of the event, with *Salaam Coleman Smith* serving as honorary chair. Style's "How Do I Look" fashionista *Jeannie Mai* will host the lunch. The lunch will honor the '11 Best Operators for Women in Cable (**Time Warner Cable, Cox, Comcast, Bright House and Suddenlink**) and the Best Programmers for Women in Cable (**NBCU, Turner, Scripps, Discovery and ESPN**).

Public Affairs: In what's become an annual tradition, **Sportsman Channel** will partner with The Cable Show to host a Hunt.Fish.Feed event to feed those in need on May 20 in Boston. The event will take place at the Pine Street Inn shelter in Boston's South End at 2:30pm.

Obit: Cable pioneer and WWII vet *Michael Jeffers* passed away Mon at the age of 90. He spent half a century in cable, starting at **Jerrold** in '51. He retired from **General Instrument** in '87, but continued to consult and work with **NCTA** for several years after that. A funeral is planned for 10am, Thurs at St Genevieve's Church in Flourtown, PA, with a reception for friends and family at 9am at the church. He is survived by 5 children, 14 grandchildren and 8 great grandchildren.

People: **IFC** upped *Craig Parks* to svp, digital media and alternative content.

CableFAX Daily Stockwatch

Company	05/09 Close	1-Day Ch	Company	05/09 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	48.03	0.12	CLEARWIRE:	1.31	UNCH
DISH:	30.90	(0.03)	CONCURRENT:	3.52	(0.16)
DISNEY:	44.30	0.48	CONVERGYS:	13.03	0.01
GE:	19.25	(0.07)	CSG SYSTEMS:	16.29	0.06
NEWS CORP:	19.62	(0.06)	ECHOSTAR:	27.77	(0.27)
MSOS					
CABLEVISION:	12.89	(0.11)	GOOGLE:	612.79	5.24
CHARTER:	64.97	3.15	HARMONIC:	4.39	0.09
COMCAST:	29.40	(0.23)	INTEL:	27.37	(0.39)
COMCAST SPCL:	29.09	(0.3)	JDSU:	10.87	(0.2)
GCI:	7.60	0.18	LEVEL 3:	25.31	(0.02)
KNOWLOGY:	19.48	UNCH	MICROSOFT:	30.50	(0.15)
LIBERTY GLOBAL:	49.89	0.04	MOTOROLA MOBILITY:	39.25	0.12
LIBERTY INT:	18.33	(0.08)	RENTRAK:	17.61	(0.25)
SHAW COMM:	19.57	(0.25)	SEACHANGE:	8.46	(0.08)
TIME WARNER CABLE:	78.72	(0.51)	SONY:	15.02	(0.29)
VIRGIN MEDIA:	22.54	0.06	SPRINT NEXTEL:	2.35	(0.06)
WASH POST:	345.00	(3.5)	THOMAS & BETTS:	71.94	0.02
PROGRAMMING					
AMC NETWORKS:	40.34	(1.13)	TIVO:	10.16	(0.23)
CBS:	32.90	(0.07)	UNIVERSAL ELEC:	15.01	(0.05)
CROWN:	1.54	0.03	VONAGE:	1.79	(0.03)
DISCOVERY:	50.80	(3.28)	YAHOO:	15.36	0.01
GRUPO TELEVISIA:	21.41	0.02	TELCOS		
HSN:	36.51	(0.37)	AT&T:	33.04	0.04
INTERACTIVE CORP:	48.91	(0.2)	VERIZON:	40.55	0.02
LIONSGATE:	11.78	(0.24)	MARKET INDICES		
LODGENET:	2.15	(0.07)	DOW:	12932.09	(76.44)
NEW FRONTIER:	1.58	0.01	NASDAQ:	2946.27	(11.49)
OUTDOOR:	7.17	(0.09)	S&P 500:	1363.72	(5.86)
SCRIPPS INT:	54.67	0.74			
TIME WARNER:	35.69	(0.31)			
VALUEVISION:	1.51	(0.04)			
VIACOM:	50.85	(1.12)			
WWE:	8.95	0.04			
TECHNOLOGY					
ADVANTAGE:	2.47	(0.01)			
ALCATEL LUCENT:	1.50	(0.02)			
AMDOCS:	30.33	0.02			
AMPHENOL:	54.53	(0.28)			
AOL:	25.58	0.78			
APPLE:	568.18	(1.3)			
ARRIS GROUP:	12.55	(0.05)			
AVID TECH:	7.94	0.01			
BLNDER TONGUE:	1.16	(0.04)			
BROADCOM:	33.95	(0.4)			
CISCO:	18.71	(0.37)			

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