

CableFAX Daily™

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What the Industry Reads First

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VZ 2Q: Do Weaker-than-Expected FiOS Numbers Bode Well for Cable?

Verizon added 120K FiOS video subs in 2Q, slower growth than the company anticipated (and the Street, which had a consensus of 169K). Going forward, Verizon feels a more “natural range” for FiOS quarterly net adds should be about 20K-30K less than the previous range of 180K-200K (in the 150K-170K range). “We continue to seek ways to drive the FiOS revenue growth, improve operating and capital efficiencies and maximize profitability. Key parts of this strategy include targeted pricing actions, further differentiating our services with the offers like FiOS Quantum, our copper-to-fiber migration in areas with chronic repair issues within FiOS markets, and a number of other cost management initiatives,” said CFO *Fran Shammo*. FiOS broadband additions also missed Street estimates, coming in at 134K vs 180K, while DSL losses were somewhat worse than expectations at 132K. “When taken with the weaker-than-expected FiOS gains, total broadband was barely positive at just 2K net additions. Last year, their total was 82K,” noted **Bernstein Research** analysts. “When all the results are tallied, the telecom industry as a whole appears destined for its first ever net loss of broadband subscribers. Assuming that cable posted a positive number, as seems likely, then cable’s “flow share” will have eclipsed 100% for the first time.” As for the 2Q dip in sub adds, Shammo put some of the blame on an “unusually high move season” in June compared to the prior 2Q, but most of it is attributable to price hikes as the company focuses on profitability. “I think that we have we refocused more on a profit on the FiOS side. So first, we went through these price-ups. You saw some of the benefits there in the 2nd Q, where we drove our consumer revenue growth to 2.5%,” he said, adding that more increases are coming in 3Q around the bundles and into 4Q. “I am extremely confident... we can double our revenue growth by the end of this year, from 2.5% to around 5%.” FiOS video subs now stand at 4.5mln, with penetration at 32.6%. The telco also continues to focus on copper-to-FiOS migrations, nearly doubling the number done in 2Q vs 1Q. Shammo said these migrated customers generate more ARPU because they’re selecting higher broadband speeds from the recently launched “Quantum” product. On the wireless side, sub growth was solid (888K post-paid net additions beat analyst expectations) and post-paid churn of 0.8% was the lowest in 4 years. **Wells Fargo’s Marci Ryvicker** thinks the news is

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1 Shawn Achor - Author of The Happiness Advantage, Good Think Inc. 2 David Gregory, Moderator, “Meet the Press”, NBC News
 3 Dan Hill, President, Sensory Logic, Inc. 4 Christie Kawada, SVP, Nielsen Entertainment, The Nielsen Company 5 Evan Shapiro, President, Participant Media TV 6 Melinda Witmer, EVP, Chief Video and Content Officer, Time Warner Cable

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good for cable because it helps solidify that there won't be pricing irrationality just because of a relatively new entrant. But she's iffy on whether FiOS' competitors lost less share or are also suffering from exaggerated seasonality. "We are inclined to believe this is more company-specific versus sector-wide and will be interested to see **Uverse** numbers when **AT&T** reports [Tues]," she wrote in a research note. "In particular, **Cablevision** may have benefitted the most from a sub perspective, but we are still concerned about expense control and overall profitability."

Buyout Bonanza: Are publicly traded cable stocks undervalued? You can understand the question given **Suddenlink**'s reported 9x EBITDA valuation (putting the company's value at about \$6.6bln) through a debt deal of about \$2bln by **Canadian Pension Plan Investment Board**, **BC Partners** and some sr mgmt. Then there's the 8.3x EBITDA valuation for **Cogeco**'s purchase of **Atlantic Broadband**. And don't forget the 8x multiple for **WaveDivision** a month ago. "I think it's ironic that we can go out today and borrow more in the debt markets than where we'd be valued for stock price in an initial public offering," Suddenlink chmn/CEO *Jerry Kent* said, musing about publicly traded MSOs' valuations. "I don't think the stock market appreciates the true potential and underlying value and the stability of our cable business. I think the events of this past week shows [what we've achieved]. We attracted European and Canadian money as did Atlantic Broadband. We're seeing global capital come into the US cable business. I think that's a great vote of confidence." Kent along with COO *Tom McMillin* and CFO *Mary Meduski* are the mgmt investors in the company. Kent told us the capital infusion allows it to continue to invest and infrastructure and technology, but it also re-opens the possibility of acquisitions. The last acquisition for Suddenlink, the 7th largest US MSO, was in Nov '10 when it announced an agreement to acquire **NPG Cable** for approx \$350mln. "With our current investors, it was becoming more difficult to go out and do major acquisitions because they had 1 eye on an eventual exit," Kent said. "This allows us to look at opportunistic acquisitions and ancillary businesses that fit well, particularly in commercial business services, and it allows us really to take a longer term view of how we run the business." In the Suddenlink deal, announced late Wed, BC and CPP are buying out existing investors **GS Capital Partners**, **Quadrangle Group** and **Oaktree Capital**. As for the impact of all of this on public MSOs, **Bernstein Research** analysts think **Charter** is the closest comparison to Suddenlink. Notably, Oaktree is also an investor in Charter, but what that means is unknown. "It is unclear whether this hints that Oak Tree might be a willing seller of Charter (plausible) or whether the sale of Suddenlink means that Oak Tree would be less willing to divest Charter as well (equally plausible)," the firm said. Charter shares closed up 2.6% Thurs, while **Cablevision** rose nearly 6%. **Time Warner Cable** was up about 0.7%, while **Comcast** was virtually flat.

Still Going: The latest in the **Viacom/DirectTV** he said/she said has the programmer taking issue with DirectTV's assertion that Viacom's insistence that it launch EPIX at an additional cost of a half billion dollars is holding things up. "We've offered DirectTV various compromise proposals—proposals without EPIX, proposals with EPIX and proposals with significant incentives to carry EPIX. DIRECTV did not accept all material terms for our channels, nor are we asking for a sum of \$500mln for EPIX," Viacom said, repeating its position that negotiations are at an impasse.

Speed Question: It's a good day for ISPs, especially cable ISPs. The **FCC**'s 2nd study on broadband performance found most ISPs are delivering advertised broadband speeds. The report, reflecting data collected from participating ISPs in April, found the average provider delivered 96% of advertised download speed during peak times vs. 87% last year. The improvements were due to better network performance, said the report, released at the Commission meeting Thurs. On avg during peak periods, cable delivered sustained download speeds that were 99% of advertised speeds, while DSL was at 84% and FTTH was at 117%. That compares to 93% for cable in '11 and 82% and 114% for DSL and FTTH, respectively. Additionally, consumers are subscribing to faster speed tiers and getting faster speeds than ever before. The average speed tier increased to 14.3 Mbps from 11.1 Mbps a year ago. The report singled out **Cablevision**, which last year delivered about 50% during peak periods, saying the ISP has become one of the leaders in broadband performance this time around. Another bright spot is **Comcast**, which demonstrates the highest burst upload speed (temporary allocations of more bandwidth), reaching on average across all speed tiers 150% of advertised upload speed, while for download speed Comcast, **Mediacom**

and **Time Warner Cable** achieved around 150% of what was advertised. Providers still falling short include **Frontier Communications**, which performed the worse in the study with speeds below 80% of advertised download. Despite the performance upgrade, a separate new report from the **New America Foundation** found US consumers pay more for slower service than consumers elsewhere. For example, Hong Kong consumers pay about \$35/month for services 20 times faster than what New Yorkers and Washingtonians get with a similar price. FCC chmn *Julius Genachowski* acknowledged the need to continue to make progress on broadband pricing but noted “the gap is closing.” Separately, Genachowski said during a Q&A session Thurs that the agency is on track to release its media ownership NPRM by year-end.

NBC Doings: Gathering operations including **NBC News, CNBC, MSNBC** and the **Weather Channel, NBCU** formed a new division dubbed the NBCUniversal News Group, led by **Disney** vet *Pat Fili-Krushel*, according to an internal letter by CEO *Steve Burke*. “I am confident that placing all of these assets into one group will accelerate their growth, individually and collectively,” Burke wrote. *Steve Capus* will remain in charge of NBC News, *Mark Hoffman* at CNBC and *Phil Griffin* at MSNBC. The move came just days after **Microsoft** sold its entire stake in MSNBC.com, a jv formed with NBC in the '90s. The site was immediately renamed NBCNews.com. The new division is designed to improve collaboration among news brands, the letter said, noting that the timing is right for the move, with the London Olympics starting next week, the presidential election this fall and the taking of full control of the main news site and launching NBCNews.com. The creation is similar to the formation of **NBC Sports Group**, which enables all sports properties, both broadcast and cable, to collaborate.

Broadband: Comcast launched a newly redesigned online “Learning Center” for its low-income broadband adoption program, Internet Essentials. The site (www.InternetEssentials.com/Learning) now has new videos on digital literacy topics featuring **NBCU** talent, such as “Today’s” *Al Roker*, **Telemundo’s** *Jose Diaz-Balart* and **MSNBC’s** *Thomas Roberts*. Comcast has also enhanced the Internet safety and security software that is provided for free with Internet Essentials, a \$9.95/month broadband service available to families that have at least 1 child eligible to receive free or reduced school lunches.

DISH Numbers: An **SEC** filing offered a sneak peek at **DISH’s** upcoming 2Q metrics. The DBS provider added around 665K total new subs, up 17% year-over-year, and lost 10K net subs, according to preliminary earnings results from the financial filing. Average monthly churn was 1.6%. There was no mention of ARPU. Also disclosed in the filing is the offering of senior notes by the firm’s subsidiary DISH DBS. The proceeds will be used for general corporation purposes. No information as to size or pricing of such offering.

Over-the-Airheads: Lotta wheeling and dealing. **Newport TV** is selling 22 stations for about \$1bln. 12, including Salt Lake City, are going to **Nexstar** for \$285.5mln. **Sinclair** is spending \$412.5mln for 6 Newport TV stations, and **Cox Media** has purchased 4 stations including WAWS and WTEV in Jacksonville. Separately, Sinclair is spending \$40mln for **MyNetworkTV** affil BAY-TV in Tampa and selling 2 stations to **Deerfield Media** (CW affil in San Antonio) and a MyNetworkTV affil in Cincinnati. Deerfield has the option to purchase WPMI (NBC) and WJTC (independent) in Pensacola.

Inside the Beltway: **MMTC** pres *David Honig* took a few shots at the **FCC** at the **MMTC** Access to Capital and Telecom Policy conference Thurs as he emphasized the need to update the '96 Telecom Act. Honig argued the law is outdated and often causes the FCC to take too long to rule on major policy issues. Specifically, he said “the straight forward matter of retransmission consent” has been around for 12 years so far with still no end in sight. Another major issue is spectrum auctions, which might take 5 to 7 more years, even though the FCC’s own National Broadband Plan concludes that 500 more megahertz of commercial spectrum is needed “right now” to prevent large market spectrum from exhausting, he said. Similarly, it took the Commission 15 years to overhaul USF and inter-carrier compensation, he said. He added that the agency has been “agonizingly slow” in responding to civil rights issues involving the heritage technologies, citing requests for transparent EEO data from broadcasters. “We are now in year 10 since that issue was fully briefed. No resolution is in sight...” he said. The agency has failed to rule on race-neutral proposals to advance minority broadcast ownership from 50 national organizations, led by MMTC, he said. Rep. *Cliff Stearns* (R-FL) agreed that the Telecom Act needs a makeover. Meanwhile, the Republican House Communications ranking member urged the FCC to craft its upcoming spectrum auction in a way that will attract minority and women bidders.

Programming: **Fox Sports** launches original doc franchise “Being,” with the 1st ep focused on the Liverpool soccer club. It debuts on **Fox** Sept 15, with 2 repeats that nights on **Fox Soccer** and **MundoFOX** (9pm). The program also

BUSINESS & FINANCE

will encore throughout the week on Nat Geo, FSN and Fuel.

On the Circuit: NBC News' "Meet the Press" moderator *David Gregory* and **Time Warner Cable** cable evp, chief video and content officer *Melinda Witmer* are among the speakers at CTAM Summit, Oct 14-16, in Orlando. The Summit also offers "Face Time," an off-the-record, informal Q&A limited to a group of 50 attendees. **ID, Destination America** and **Military Channel** gm, pres *Henry Schleiff* is among the execs fielding questions in Face Time sessions. This is the 1st time in 37 years Summit and CTAM's Insights conference have been at the same venue (and it's the 1st time it has been open to the press). Insight's roster of speakers includes **Nielsen** Ent svp *Christie Kawada* and *Shawn Achor*, author of "The Happiness Advantage." -- **Time Warner Cable** is an official sponsor of the new Enterprise Space Shuttle Pavilion at the Intrepid Sea, Air & Space Museum in NY. It fits well with the MSO's Connect a Million Minds and Enjoy New York Better initiatives. TWC subs can watch the historic voyage of the Enterprise to its home on the Intrepid via VOD. CEO *Glenn Britt* was on hand for Thurs' grand opening.

People: *Tim Sweeney* was upped to svp, biz and legal affairs at **Starz Ent.**

CableFAX Daily Stockwatch

Company	07/19 Close	1-Day Ch	Company	07/19 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	48.95	0.35	CONCURRENT:	4.17	0.02
DISH:	29.88	1.04	CONVERGYS:	14.95	(0.05)
DISNEY:	48.99	(0.36)	CSG SYSTEMS:	17.61	(0.19)
GE:	19.80	(0.04)	ECHOSTAR:	26.85	0.50
NEWS CORP:	22.61	(0.01)	GOOGLE:	593.06	12.30
MSOS					
CABLEVISION:	14.16	0.78	HARMONIC:	4.11	0.04
CHARTER:	74.81	1.86	INTEL:	26.06	(0.15)
COMCAST:	32.38	(0.01)	JDSU:	9.58	0.29
COMCAST SPCL:	31.91	0.08	LEVEL 3:	21.01	0.03
GCI:	9.75	(0.3)	MICROSOFT:	30.66	0.21
LIBERTY GLOBAL:	52.94	1.21	RENTRAK:	19.65	0.19
LIBERTY INT:	18.52	0.14	SEACHANGE:	7.69	(0.17)
SHAW COMM:	19.44	0.02	SONY:	12.57	0.23
TIME WARNER CABLE:	85.68	0.63	SPRINT NEXTEL:	3.71	0.05
VIRGIN MEDIA:	25.13	0.25	TIVO:	8.10	0.16
WASH POST:	366.78	5.35	UNIVERSAL ELEC:	13.61	(0.23)
PROGRAMMING					
AMC NETWORKS:	43.14	0.39	VONAGE:	1.89	UNCH
CBS:	31.76	0.20	YAHOO:	15.72	0.03
CROWN:	1.76	(0.02)	TELCOS		
DISCOVERY:	51.04	0.54	AT&T:	35.48	(0.71)
GRUPO TELEVISA:	22.68	0.05	VERIZON:	44.54	(1.35)
HSN:	42.74	(0.5)	MARKET INDICES		
INTERACTIVE CORP:	48.50	(0.4)	DOW:	12943.36	34.66
LIONSGATE:	14.37	(0.29)	NASDAQ:	2965.90	23.30
LODGENET:	1.22	(0.07)	S&P 500:	1376.51	3.73
NEW FRONTIER:	1.64	0.05	TECHNOLOGY		
OUTDOOR:	7.06	(0.24)	ADVANTAGE:	2.10	UNCH
SCRIPPS INT:	54.30	UNCH	ALCATEL LUCENT:	1.17	0.08
TIME WARNER:	39.14	0.22	AMDOCS:	29.94	(0.05)
VALUEVISION:	2.22	(0.04)	AMPHENOL:	59.01	0.07
VIACOM:	49.00	(0.8)	AOL:	27.94	0.27
WWE:	7.76	(0.04)	APPLE:	614.32	8.06
TECHNOLOGY					
ARRIS GROUP:	13.82	(0.23)	ARRIS GROUP:	13.82	(0.23)
AVID TECH:	7.68	0.25	AVID TECH:	7.68	0.25
BLNDER TONGUE:	1.10	(0.05)	BLNDER TONGUE:	1.10	(0.05)
BROADCOM:	32.45	1.80	BROADCOM:	32.45	1.80
CISCO:	16.68	(0.03)	CISCO:	16.68	(0.03)
CLEARWIRE:	1.03	0.01	CLEARWIRE:	1.03	0.01

CableFAX's Customer Experience Management Guidebook Lessons and Insights for the Cable Industry

CableFAX and The Cable Center collaborated to publish this 150-page guidebook on customer experience management for the cable industry. The guidebook includes case studies, tips and articles on understanding the foundations of customer experience management and gaining insight to use it to improve your business. You also will learn about the latest measurement strategies, research insights, personnel and compensation strategies, social media tactics and communications techniques for implementing customer experience management in your company.



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PROGRAMMER'S PAGE

Emmy-Licious...

Both cable and broadcast gained more Emmy nominations this year than last, but **HBO's** 81 nods topped all nets for the 12th straight year, followed by **CBS' 60** and **PBS's 58** nominations. And while still top dog, HBO's take shrank from 104 last year. Shockingly, the 4 major broadcast nets were absent in the best drama category. Cable and PBS crowded the list: HBO's "Boardwalk Empire" and "Game of Thrones," **AMC's** "Breaking Bad" and "Mad Men," **Showtime's** "Homeland" and PBS's British saga "Downton Abbey." Actually, of the 30 nods in the 5 major drama categories (series, supporting actor and actress, lead actor and actress), just 4 are broadcast, all of which are for best actress. The comedy grouping is much more balanced, with **ABC's** "Modern Family" dominating the Supporting Actor category (4 noms). Cable and broadcast split the Outstanding Comedy series category, with 3 nods from HBO and 1 of each from CBS, ABC and **NBC** (Cable was shut out of the category last year). No surprises in best drama actor and actress noms. Mad Men leads *Jon Hamm* and *Elizabeth Moss* seem permanently attached to the category. Critic darling AMC was 2nd to HBO in Emmy nods for a cable net with 34, followed by **FX** (26), Showtime (22) and **History** (22). AMC's "Mad Men" and FX's "American Horror Story" deserve special attention as they scored 17 nods each, topping all programs. Downton Abbey and History's "Hatfields & McCoys" didn't disappoint either, picking up 16 nods each. Interestingly, FX's "Louie" and NBC's "Parks and Recreation" got nominated for almost everything BUT outstanding comedy. Meanwhile, new or new-ish shows shined. Of the 12 best comedy and drama series nods, 2 comedies by HBO, "Girls" and "Veep," and dramas Homeland and Downton Abbey are newbies in those categories (last year, Downton was in the miniseries category instead of drama). *JW*

Reviews: "Portlandia: The Brunch Special, Fri, 11p, **IFC**. The season II finale of quirky "Portlandia" gets a summer reprise, adding new material, including an uneven coda. Still, the ep proper, revolving around a decadently cool brunch spot, features comedic highs as delicious as hot *Marion Berry* pancakes. -- "Sullivan & Son," Thurs, 10p, **TBS**. Based in a neighborhood bar where everybody knows your name, this new comedy about an Irish-Korean family is far from "Cheers," despite showrunner and Cheers alum *Rob Long*. Instead of Cheers' unusual types, we get stereotypes. There are some laughs, though many lampoon Koreans. In addition, we have a loveable (?) bigot. Exec produced by *Vince Vaughn*, ethnically diverse "Sullivan" is unlikely to be embraced by civil rights groups. -- "Alphas," season II debut, Mon, 10p, **Syfy**. Seemingly normal people possessed with superhuman powers are terrorizing the country. No, they're not Super PAC donors, but Alphas, whose interactions with altruistic Lee Rosen (the wonderful *David Strathairn*) averaged 3.3 mln viewers last season. Alphas follows the season 4 debut of "Warehouse 13," (9p), which also averaged 3.3mln. -- "I'm Having Their Baby," premiere, Mon, 11p, **Oxygen**. This gut-wrenching doc series about young women in various predicaments putting their babies up for adoption shows how thoughtful reality TV can be when it portrays real life stories.

Basic Cable Rankings (7/15/12-7/20/12)			
Mon-Sun Prime			
1	USA	2.3	2315
2	DSNY	1.9	1907
2	TNT	1.9	1833
4	HIST	1.8	1735
5	ESPN	1.4	1411
5	TBSC	1.4	1411
5	FOXN	1.4	1381
8	FX	1.3	1255
9	A&E	1.2	1232
10	HGTV	1.0	998
10	ADSM	1.0	948
12	FOOD	0.9	873
12	DISC	0.9	868
12	TRU	0.9	842
15	SYFY	0.8	819
15	LIFE	0.8	791
15	TLC	0.8	761
15	DSE	0.8	68
19	FAM	0.7	728
19	AMC	0.7	699
19	BRAV	0.7	689
19	MSNB	0.7	628
19	ID	0.7	578
19	NKJR	0.7	511
25	EN	0.6	597
25	CMDY	0.6	555
25	HALL	0.6	533
25	BET	0.6	514
25	LMN	0.6	502
30	TVLD	0.5	526
30	MTV	0.5	511
30	VH1	0.5	486
30	APL	0.5	458
30	SPK	0.5	458
35	CNN	0.4	393
35	TRAV	0.4	352
35	NGC	0.4	345
35	OXYG	0.4	332
35	DXD	0.4	326
35	GSN	0.4	291
35	SPRT	0.4	214
42	NAN	0.3	336
42	HLN	0.3	280
42	OWN	0.3	249
42	SCI	0.3	240
42	WGNA	0.3	212

*Nielsen data supplied by ABC/Disney

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