

CableFAX Daily™

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What the Industry Reads First

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AT&T U-Verse: More than Half of Wireline Consumer Revenues

AT&T U-Verse hit a milestone again in 2Q. Following the telco's best ever U-Verse broadband sales quarter in 1Q, the segment (video, voice and data) now represents 51% of wireline consumer revenues, up from 41% YOY. "That's a remarkable benchmark as we transform our businesses," CFO *John Stephens* said during the company's earnings call Tues, noting that U-Verse now represents \$12bln in revenue. "Not bad for a business that's just started seven years ago," he said. The financial chief noted the unit accounted for just 1/3 of wireline revenue 2 years ago. Total U-Verse revenue, including business services, rose 30% YOY. At the end of the quarter, AT&T had 9.4mln total U-Verse subs. It added 233K TV subs to top 5mln in service. U-Verse HSI posted a net gain of 641 K subs to reach a total of 9.1mln. Overall, the company saw a net loss of 61K wireline broadband subs—an improvement from last year's loss but still reflecting typical seasonal pressures, Stephens said. When it comes to U-Verse upgrades as part of the telco's \$14bln Project VIP initiative, he said "we are not afraid to go faster." The plan calls for U-Verse expansion to 8.5mln additional customer locations, for a total potential U-Verse market of 33mln customer locations. The target for this year is 1.3mln additional customer locations, Stephens said. Regarding speed upgrades, the telco expects to up U-Verse broadband speeds to 45 Mbps in the next few months, followed by another upgrade to 76 Mbps and eventually to 100 Mbps. Higher expenses offset solid growth from U-Verse and wireless, pushing the overall profit down to \$3.82bln from \$3.9bln the prior year. Operating expenses were 26mln vs \$24.8mln a year ago. Meanwhile, the economy continues to be "challenging," though there some sights of improvement in 1Q, Stephens said, noting sequential growth in AT&T's enterprise business. Business revenues declined 2.25% to \$8.9bln YOY. Meanwhile, Stephens said the \$1.2bln acquisition of prepaid carrier **Leap Wireless**, if approved, will allow AT&T to tap into an underserved market. Analysts have noted it also would also leave DISH with one less wireless option.

CBS-TWC: Don't be fooled by the news that **CBS** and **Time Warner Cable** have a few more hours to negotiate. This looks like it may get really ugly. The deadline to reach a new retrans pact was moved to Thurs at 9am ET from Wed at 5pm ET because of the necessity to wait until the ratings sweeps period is completely over per FCC rules. Sweeps is the same thing that kept the 2 negotiating past the deal's June expiration. It doesn't mean either side is close to blinking. Sounds like quite the opposite, with CBS chief *Les Moonves* warning in a memo obtained by **CableFAX** that there is a "very real threat" of stations in NY, LA and Dallas going dark (along with possibly **Showtime**). Moonves doesn't mention it, but **Smithsonian** also could go black and TWC subs in some markets may lose **CBS Sports**. The CEO calls out TWC CEO *Glenn Britt*'s statements that services that cost too much relative to viewership face being dropped. "We obviously agree with Mr Britt. Because at CBS we carry our own weight," Moonves wrote, complaining that TWC charges \$20/month for broadcast programming, and the network only realizes a "tiny fraction" of that. "Every decision we make on programming is based on a variety of factors, including unique content, cost and popularity," a TWC spokesperson said. "We are willing to pay for CBS, and we have offered them significant fees. But their current demands don't represent a good



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value for our customers.” Moonves’ take: “In order to invest in this premium content, we need to be paid fairly for it. Yet we receive far less than channels that have nowhere near our popularity. That makes no sense.” CBS has boasted that in the last 5 years, TWC has taken off nearly 50 channels while it hasn’t gone dark. It also has said that no cable company has ever dropped the CBS O&Os. *Cable* appears to be the key word, with **DISH** subs losing CBS stations and **Viacom** nets for a few days back in 2004, before the companies split. Both sides have said they’re committed to continuing to negotiate, with former **YES** man *Ray Hopkins* leading negotiations for CBS. Not much new has happened since the spat went public. CBS rolled out a special “Under the Dome”-themed TWC ad, warning viewers they could lose the channel, while TWC continued a play on the broadcaster’s eye icon by telling customers the network is giving them a “black eye.” Meanwhile, **BTIG’s Rich Greenfield** continues to speculate over which programmers might bid for CBS’ channel 2 slot if it becomes available because of a blackout, making a case for **CNN, WGN, ID, USA** and even **ESPN** (as it seeks increased visibility with the launch of **Fox Sports 1**). Several nets fell in a channel lineup shake-up in NYC a few years ago, with **CNN** moving to 78 from 10 and **Lifetime** falling to 62 from 12. **Cartoon** and **TruTV** also were given higher channel placements.

NASCAR: Turner and **ESPN** are turning over the keys to **NASCAR** to **NBC Sports**, with NBCU getting the exclusive rights to the final 20 NASCAR Spring Cup Series races, final 19 Nationwide Series events and select other events in ’15. The deal runs through the ’24 season. *Sports Business Daily* was the 1st to report the news, pegging the deal at as much as 50% more than what ESPN paid for the Sprint Cup series and half of the Nationwide series. Of NBC’s 20 Sprint Cup races, 7 will be on broadcast net **NBC** and 13 will air on **NBC Sports Net**. For the Nationwide, 4 will be on NBC and the remaining 15 will air on NBCSN. Three Cup races and half of the Nationwide series are still available, with **Fox** seen as a likely bidder. That seems even more likely after a conference call Tues in which NASCAR chmn/CEO *Brian France* said both Cup and Nationwide would be on **Fox Sports 1** at “some level.” Fox has the rights to the first 13 races of Cup series, signing a \$2.4bln contract extension with NASCAR last year. The deal makes NBC the home of 3 racing series—**Formula 1, IndyCar** and NASCAR, with NBC Sports group chmn *Mark Lazarus* saying no programmer has ever had all 3. “As we saw the way rights were developing over the last 24 months, we saw an opportunity, and as Speed Channel decided to make its migration to something more multisport, we saw an opportunity to potentially fill a gap in the marketplace that might not be satisfied,” he said in a call with reporters.

In the Courts: The US Appeals Court for the DC Circuit has given **Comcast** 15 days to respond to **Tennis Channel’s** petition for rehearing en banc. Earlier this month, Tennis filed for rehearing after the 3-judge panel found Comcast didn’t discriminate against Tennis on the basis of affiliation. The May ruling threw out the **FCC’s** 1st decision finding that an operator violated program carriage rules.

On the Hill: Those dismissing Sen *John McCain’s* (R-AZ) a-la-carte bill often point to its lack of co-sponsors. That has changed, with it picking up Dem *Richard Blumenthal* (CT). McCain’s most recent effort to legislate a la carte was introduced in May and would link the compulsory copyright license to the “voluntary” offering of a la carte. “Consumers should not have to pay for programming they don’t want or watch,” Blumenthal said. The bill still faces an uphill battle, but it’s a positive step. It also signals that the industry faces another a-la-carte supporter who is also a member of the Sen Commerce cmte. That’s the news that may prove the most interesting...

Carriage: Verizon launched **TVGN HD** in NY and Philly, making the net’s HD programming available in 100% of the FIOS

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TV footprint. TVGN's HD version also recently picked up launches with **Time Warner Cable** in NC and SC and in St Paul, MN, and Denver with **Comcast**. Comcast St Paul also launched TVGN full-screen (no guide).

Ratings: **Disney's** "Teen Beach Movie" (8.4mln total viewers) made it the #1 cable net in prime last week. What's more, a preview of upcoming sitcom "Liv and Maddie" after the movie was the week's 3rd most-watched program (5.8mln), behind only Teen Beach Movie and **ESPN's** coverage of the Home Run Derby (6.7mln). Prime-time king **USA** finished 2nd for the week (1.0 P2+ rating, 2.5mln viewers), followed by **TNT** (0.9/2.3mln), **History** (0.8/2mln) and **ESPN** (0.8, 1.9mln).

Programming: After an 18-ep 1st season, **ABC Family** cancelled the 1-hour ballet drama series "Bunheads." -- **WEtv** is expanding into scripted programming by greenlighting its 1st original scripted series, "The Divide." Season 1 of the 10, 1-hour ep series premieres next year. The net also announced development deals for 3 additional scripted dramas. -- **IFC** renewed comedy series "Maron" for a 2nd season with 13 new eps debuting next year. -- Season 4 of **A&E's** "Duck Dynasty" starts Aug 14 with a special 1-hour season premiere. -- "Amish Mafia" is back on **Discovery Channel** for a 2nd season starting Aug 13.

People: *Heather Jagels* was named vp, creative services for **HGTV** and **DIY Network**.

CableFAX Daily Stockwatch

Company	07/23 Close	1-Day Ch	Company	07/23 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DIRECTV:	64.60	(0.69)	GOOGLE:	903.80	(6.9)			
DISH:	45.38	(0.24)	HARMONIC:	6.96	(0.14)			
DISNEY:	64.45	0.05	INTEL:	22.75	(0.02)			
GE:	24.71	(0.15)	JDSU:	14.53	(0.62)			
NEWS CORP:	30.86	(0.01)	LEVEL 3:	21.75	0.23			
MSOS								
CABLEVISION:	18.70	(0.19)	MICROSOFT:	31.82	(0.19)			
CHARTER:	127.77	(0.42)	RENTRAK:	21.51	(0.04)			
COMCAST:	45.14	0.21	SEACHANGE:	12.23	(0.02)			
COMCAST SPCL:	43.10	0.13	SONY:	23.01	0.42			
GCI:	9.09	(0.01)	SPRINT NEXTEL:	5.85	(0.07)			
LIBERTY GLOBAL:	81.01	(0.35)	TIVO:	11.63	0.07			
LIBERTY INT:	24.54	0.21	UNIVERSAL ELEC:	30.47	0.39			
SHAW COMM:	24.82	0.14	VONAGE:	3.31	(0.01)			
TIME WARNER CABLE:	117.29	1.26	YAHOO:	27.36	(0.5)			
WASH POST:	521.32	4.62	TELCOS					
PROGRAMMING								
AMC NETWORKS:	68.59	(0.58)	AT&T:	35.81	0.23			
CBS:	52.47	(0.08)	VERIZON:	50.36	0.09			
CROWN:	2.64	(0.02)	MARKET INDICES					
DISCOVERY:	85.01	0.64	DOW:	15567.74	22.19			
GRUPO TELEVISIA:	25.98	0.32	NASDAQ:	3587.61	(23.66)			
HSN:	60.72	2.81	S&P 500:	1692.39	(3.14)			
INTERACTIVE CORP:	51.96	0.02	TECHNOLOGY					
LIONSGATE:	31.69	(0.47)	ADDVANTAGE:	2.52	(0.11)			
SCRIPPS INT:	71.99	0.18	ALCATEL LUCENT:	2.14	0.02			
STARZ:	23.69	0.18	AMDOCS:	38.46	(0.24)			
TIME WARNER:	62.84	0.62	AMPHENOL:	77.92	(0.59)			
VALUEVISION:	6.17	(0.03)	AOL:	37.30	0.15			
VIACOM:	74.00	0.35	APPLE:	418.99	(7.32)			
WWE:	11.01	(0.05)	ARRIS GROUP:	15.52	0.11			
TECHNOLOGY								
ADDVANTAGE:	2.52	(0.11)	AVID TECH:	6.14	0.01			
ALCATEL LUCENT:	2.14	0.02	BLNDR TONGUE:	1.10	0.10			
AMDOCS:	38.46	(0.24)	BROADCOM:	31.83	(1.42)			
AMPHENOL:	77.92	(0.59)	CISCO:	25.56	(0.16)			
AOL:	37.30	0.15	CONCURRENT:	7.83	0.13			
APPLE:	418.99	(7.32)	CONVERGYS:	19.24	(0.04)			
ARRIS GROUP:	15.52	0.11	CSG SYSTEMS:	23.49	(0.15)			
AVID TECH:	6.14	0.01	ECHOSTAR:	40.87	(0.15)			
BLNDR TONGUE:	1.10	0.10						
BROADCOM:	31.83	(1.42)						
CISCO:	25.56	(0.16)						
CONCURRENT:	7.83	0.13						
CONVERGYS:	19.24	(0.04)						
CSG SYSTEMS:	23.49	(0.15)						
ECHOSTAR:	40.87	(0.15)						

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