

CableFAX Daily™

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What the Industry Reads First

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Revvng Revs: Charter Grows Revenue, Narrows Loss, Loses Basics

Like **Comcast**, **Charter** shed subs in 2Q but still grew revenue. Revenue rose 4.8% to \$1.77bn, with video rev up 0.4%, HSD rev increasing 9.5% and telephone rev up 11%. Even local ad revenue grew 16%. Over the last several years, the MSO has been working to close Charter's ARPU gap relative to industry peers, said CEO *Mike Lovett*. "I think we're in the ballpark now," he said. Total avg monthly rev per basic video sub in 2Q increased 9.4% YOY to \$124.06, with the company putting an emphasis on the triple-play bundle and advanced services. Charter lost 76.6K basic subs, but since it didn't make much of a DTV transition push last year, that number is relatively flat with 2Q09. Digital video subs grew by 25.5K, HSD grew by 21.9K and phone adds totaled 35.2K. Video only customers—particularly analog—continue to be the most likely to disconnect, with Lovett saying there was a "fairly significant" increase in competitive ads from DBS. Something definitely worth keeping an eye on is a slowdown in June and July that mgmt described as "a little bit more than what we've seen historically." That said, it expects a back-to-school boost in the coming weeks. Charter's also pleased with the results it's seeing in some of the more economically depressed parts of the country, citing Michigan as one of its strongest markets for phone and triple play. The always popular M&A question came up during Wed's earnings call with Lovett saying that the company will look for additional efficiencies around clustering—whether that means acquiring or divesting. Its CT systems are often looked at by the Street for a potential divestiture. Asked if it would pursue anything on commercial side M&A front, whether fiber or CLEC assets, Lovett said, "We don't have anything specific to speak to, but certainly we're evaluating all the opportunities to accelerate the business." Charter, who is looking to rejoin the **NASDAQ** soon, reported a loss of \$81mln compared with a \$112mln loss a year ago.

TWX: **Time Warner's** 2Q results included several highlights, but perhaps the most notable is **Turner's** achievement of 1 of the co's long-time goals: ad rate parity with broadcasters. **TBS'** forthcoming *Conan O'Brien* show was the content that finally broke through, said CEO *Jeff Bewkes*, adding that Turner nets led all broadcasters and cable nets in pricing gains during this year's upfront. During 2Q, Turner delivered 14% ad rev growth, outpacing Discovery US on the wings of a multi-yr high in growth rate. Time Warner overall scored an 8% rise in rev, the highest growth rate in 2 years. All this, said CFO *John Martin*, as America remains mired in "somewhat of an uncertain recovery." Bewkes said

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moving **Netflix's** content window back has paid nice dividends, particularly related to big film titles such as "The Blind Side," and foresees great opportunity in the cable/telco/DBS VOD market that's "still increasing pretty fast." Strength will be delivered in both the near- and long-term through affil fee growth, he said, citing **March Madness**, Conan and forthcoming **HBO** originals such as "Boardwalk Empire" and "Luck" as value drivers. But the biggest news over the next year? Bewkes said it will be **HBO Go** and its movement across all broadband devices. Plus, he said, the broadband service's interface is so superior to anything out there now that some distributors will likely end up adopting it. Also of note: Bewkes views broadcasters' push for greater retrans fees as a positive. "The stronger cable networks...will prosper as those on the broadcast side bolster their economics," he said. Of course, it helps that TWX owns a healthy TV prod arm that serves broadcasters and can reap benefits from a strong syndication market. Time Warner Now expects EPS to expand by 20% this year, up from a previous forecast of mid-teens growth.

Deals: Knology is indeed growing a **Sunflower**, announcing Wed that it will purchase KS-based Sunflower Broadband for \$165m in cash (7.5x). The transaction is expected to close in 4Q, with Sunflower expected to generate about \$51m in revenue and \$22m in EBITDA, pre-synergies, for 2010. Knology expects the deal, which adds 54K homes to Knology's footprint, to result in \$5m in savings annually. **SunTrust Robinson Humphrey** is financial adviser to Knology and **RBC Daniels** is acting as financial adviser to Sunflower. Meanwhile, Knology posted 2Q revenue of \$113m (+4.7%) and EBITDA of \$39.4m (+6.7%). Shares closed up 11.4% to \$12.77. **Miller Tabak** reiterated its buy on the stock, with a short-term target of \$16. The firm said net disconnects of -4,946 were better than its -6,600 estimate. -- **Stingray Digital**, parent of **The Karaoke Channel**, will acquire VOD service **Concert TV**. The live music performance service is in about 30m homes through deals with **Comcast, Charter, DirecTV** and others.

Merger Mania: Oopsie! **Comcast-NBCU** merger critic **Coalition for Competition in Media** sent a letter Wed to the pres of the **Natl Assoc of Attorneys General** asking that the group's members scrutinize the "broad implications and potential harms" of the deal. Only thing is it was addressed to *Jon Bruning*, who was replaced as pres by NC AG Roy Cooper in June. No worries, a letter also was sent to Cooper, a Coalition rep said. Bruning serves as past pres. The Coalition, which includes **Bloomberg, NOW** and **Free Press**, also wrote to the AGs of CA, FL, NY, OR and WA. "This broad horizontal and vertical integration will give Comcast unprecedented means and incentive to engage in anti-competitive behaviors that would be fundamentally harmful to consumers, competitors and workers," the group said. Comcast's response: "We're proud of the over 1000 elected officials and diverse organizations across the country that have expressed support for this transaction. We are confident reviews will find this deal to be pro-competitive and in the public interest." -- **NewsChannel 8**, an **Allbritton**-owned 24/7 DC area news net, posted an ad in *Politico* Wed, fretting that if Comcast and NBCU is approved the country could lose locally owned, independent voices in markets where Comcast-NBCU controls both the cable market and multiple channels of news. It wants to make sure a merger approval protects local news. -- 11 African American and 13 Hispanic members of Congress, including Reps *John Lewis* (D-GA) and *Joe Baca* (D-CA) signed onto 2 letters supporting Comcast and NBCU. Commending Comcast's diverse workforce and diversity commitments made in connection with the deal, the lawmakers urged timely approval.

Clear Forward Movement: Lots of news from **Clearwire** today, including a 2Q addition of 722K net subs (585K wholesale) to notch 1.7m overall as of Jun 30, marking a 231% YOY surge. CEO *Bill Morrow* said wholesale subs now tally more than 1m, and the co upped to 3m from just over 2m the number of total customers it expects to count by YE. Rev shot up 123% to 122m, the co's US mobile broadband network now covers 56m people and it plans to conduct 4G **LTE** trials with **Huawei Technologies** to demonstrate download speeds of 20-70Mbps and determine how it could potentially add the tech to co-exist with WiMAX as more LTE devices come to market. Plus, Clearwire intro'd the Clear **iSpot**, a personal 4G hotspot dedicated to supporting **Apple** mobile devices, and inked with **Cbeyond** a wholesale agreement to offer bundled 4G mobile broadband services to small businesses beginning early next year. Additional color for the wholesale market will begin next Q.

People: *Keith Dawkins'* role was expanded to svp, gm of **Nicktoons** and **Teen Nick**. -- **Fox LOOK**, a **Fox Networks Group** unit specializing in intl licensing and production of unscripted programming, named *Stephen Wong* svp, biz dev and ops. *Glen Hansen* was named vp, sales. -- *Ken Carroll* joined **EchoStar Satellite Services** as COO.

Earnings: Once again, cable was a shining star in **News Corp's** 4Q earnings. The domestic nets posted 30% growth

BUSINESS & FINANCE

in operating income, while intl channels were up 40%. Ad rev at the domestic cable channels grew over prior periods by 11% for the Q and by 3% for the full year. "We believe the most exciting growth is ahead of us," deputy chmn *Chase Carey* said of cable. Overall, News posted a profit of \$875mln vs a loss of \$203mln that included an impairment charge a year ago. Revenue rose 5\$ to \$8.11bln.

-- **Frontier Comm** reported 3,400 net broadband additions (648K total) and 3,800 video adds (180K) as it continues to integrate its market acquisitions from **Verizon**. **S&P** reiterated its 'buy' opinion on Frontier shares, citing cost controls in the legacy business and cash flow support for the co's dividend. -- **Qwest's** mass markets segment saw rev decline 8% in 2Q as it added 7K HSI subs (2.9mln total) and 60K VZ Wireless customers (982K). **DirecTV** subs were flat. -- **Nexstar** achieved 32.6% growth in gross national rev and 7.8% growth in local rev, and 2Q retrans rev of \$7.26mln (+14%). -- **Sinclair's** \$158.7mln (+19.3%) in net broadcast rev included a more than 5-fold increase in political rev and a 16.6% rise in local rev (including retrans).

Business/Finance: Playboy's board formed a special cmte to evaluate founder *Hugh Hefner's* proposal to acquire all of the co's outstanding Class A and Class B shares he doesn't currently own for \$5.50 per.

CableFAX Daily Stockwatch

Company	08/04 Close	1-Day Ch	Company	08/04 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	37.90	0.66	AVID TECH:	13.14	0.21
DISH:	20.28	0.05	BIGBAND:	3.23	0.03
DISNEY:	34.83	0.62	BLNDER TONGUE:	2.17	(0.08)
GE:	16.48	0.08	BROADCOM:	36.80	0.52
NEWS CORP:	15.59	0.40	CISCO:	24.14	0.32
MSOS					
CABLEVISION:	27.54	0.00	CLEARWIRE:	7.16	0.40
COMCAST:	19.23	0.02	COMMSCOPE:	22.19	0.48
COMCAST SPCL:	18.16	0.06	CONCURRENT:	4.89	(0.11)
GCI:	8.72	0.13	CONVERGYS:	10.29	0.44
KNOLOGY:	12.75	1.29	CSG SYSTEMS:	19.43	0.51
LIBERTY CAPITAL:	47.13	0.39	ECHOSTAR:	20.19	0.24
LIBERTY GLOBAL:	29.70	(0.08)	GOOGLE:	506.32	16.49
LIBERTY INT:	11.47	0.39	HARMONIC:	6.98	0.00
MEDIACOM:	7.36	0.01	INTEL:	20.73	0.02
RCN:	14.95	0.01	JDSU:	11.39	0.55
SHAW COMM:	20.59	0.77	LEVEL 3:	1.11	0.00
TIME WARNER CABLE:	59.02	0.53	MICROSOFT:	25.73	(0.43)
VIRGIN MEDIA:	21.60	(0.04)	MOTOROLA:	8.06	0.44
WASH POST:	416.58	(11.6)	RENTRAK:	27.33	1.16
PROGRAMMING					
CBS:	15.64	0.63	SEACHANGE:	8.95	0.01
CROWN:	2.14	0.06	SONY:	31.20	(0.21)
DISCOVERY:	38.36	(0.04)	SPRINT NEXTEL:	4.59	0.05
GRUPO TELEVISA:	19.77	0.38	THOMAS & BETTS:	40.38	0.16
HSN:	28.91	0.03	TIVO:	8.87	0.05
INTERACTIVE CORP:	25.25	0.05	TOLLGRADE:	6.63	(0.02)
LIBERTY:	38.05	0.52	UNIVERSAL ELEC:	17.43	0.27
LIBERTY STARZ:	56.66	0.28	VONAGE:	2.27	(0.12)
LIONSGATE:	6.65	0.09	YAHOO:	14.18	0.24
LODGENET:	3.38	0.06	TELCOS		
NEW FRONTIER:	1.66	0.01	AT&T:	26.64	(0.05)
OUTDOOR:	5.55	(0.1)	QWEST:	5.70	0.05
PLAYBOY:	5.39	0.02	VERIZON:	29.40	(0.14)
SCRIPPS INT:	44.44	0.53	MARKET INDICES		
TIME WARNER:	32.47	0.11	DOW:	10680.43	44.05
VALUEVISION:	1.81	0.03	NASDAQ:	2303.57	20.05
VIACOM:	38.40	0.34			
WWE:	16.55	0.19			
TECHNOLOGY					
ADC:	12.74	0.04			
ALCATEL LUCENT:	3.00	(0.09)			
AMDOCS:	28.43	0.33			
AMPHENOL:	45.65	0.42			
AOL:	22.75	1.63			
APPLE:	262.98	1.05			
ARRIS GROUP:	9.63	0.09			

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Volume and Weight

There's a trend developing that suggests that some folks think volume and weight have some relevance when soliciting public comment surrounding a contentious issue. I beg to differ.

It's hard to miss the signs. The FCC makes some proposal in a rulemaking or suggests some idea in a "Notice of Inquiry" and I don't even have to worry about reading the next day's press releases or news accounts to know that it's happened. Nope, I get an e-mail almost instantly from



Steve Effros

one group or another with words in CAPITAL LETTERS screaming at me to be sure to file electronic comments supporting whatever point of view they are promoting.

The "filings" are now running not in the hundreds, but in the thousands on certain issues. Net neutrality, of course, being at the top of the list,

but things like the Comcast/NBCU merger are up there, too. Email and electronic filing have made it so easy for anyone to generate "support" filings that it has become a game to see who can create the most noise and thereby claim in a press release that "hundreds" or "thousands" of filings have supported whatever the position of the day happens to be.

This trend reminds me of a few things. First, when I was in grade school and thought that the smart way to bulk up the "reports" I was supposed to turn in was to paste each piece of paper on colored construction paper. Made that report look impressive, and weigh more. I don't think, however, it impressed the teacher. At least I hope not!

And then, when I was at the Commission in the early 1970s, there was a rumor (totally incorrect) that the FCC was considering eliminating the radio licenses for religious broadcasters. The "word" went out from pulpits across the land and the Commission was inundated with

outraged mail. It got so bad that an entire room was set aside and bags of mail were just tossed in. The information was wrong, the letters were irate, and a form response saying the rumor was not true didn't seem to stop the flow. Eventually the Commission gave up and just let the bags fill up the room.

So here we are today, with inquiries and rulemakings triggering "form" filings and demands for "public hearings" at which the same folks say the same things with very little additional information or expertise to lend to the discussion, but lots of volume and weight. Regulators therefore now sit for hours in remote locations learning very little and doing even less. They come away usually suggesting they heard "something new" but rarely altering their course.

Hey, I'm not saying the Commission, or Commissioners, or their staffs shouldn't go out and solicit comments from those who can provide balance and valuable information to the discussion. Of course they should. But to think that just having "public" sessions somewhere outside of Washington or soliciting thousands of "comments" in order to "hear the people" is a good use of time trying to resolve some of the very complex, technical issues facing the Commission is to invite the modern equivalent of those bags of mail.

We don't need populist theatre. We need intelligent discussion and debate from folks who are knowledgeable and informed on whatever the issue happens to be. Just saying, repeatedly, "I don't like it" or "I do like it" doesn't help anyone, it just adds volume and weight, not light. Just as "transparency" has negative as well as positive effects, so too does the "public comment"

Steve

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