

# CableFAX Daily™

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What the Industry Reads First

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## Talking Numbers: 3Q Numbers Should Be Pretty Good, But Not Comcastic

Sandy caused another cable operator to postpone 3Q earnings, with **Cablevision** moving its reporting date from Thurs to Tues, Nov 6. **Time Warner Cable** shifted its call from Wed to Mon, Nov 5. While the impact of Sandy won't be seen in the financials, expect analysts to have plenty of questions for both CVC and TWC about the storm given their NY and NJ presence. **Canaccord Genuity** issued a note Wed predicting significant storm-related costs for Cablevision, which incurred \$20mln in costs associated with Irene. If Sandy costs amount to \$25-\$40mln, Canaccord estimates AOCF would decline by 17% of 19%, respectively. Analysts also questioned whether the storm would delay a rate increase in '13 until later than expected. As for 3Q, **Comcast** got cable reporting off to a strong start. On Wed, **Wells Fargo Securities** raised its estimates on Comcast based on it beating expectations for subs, ARPU and **NBCU** OCF. The firm raised its FY2012 and FY2013 EPS estimates for Comcast to \$1.93 and \$2.24 from \$1.92 and \$2.23, while reiterating its "outperform" rating. Wells Fargo doesn't expect TWC or Cablevision to post the same beats, preferring TWC to CVC because it's "safe" and because of EBITDA gains it should get next year from the recently instituted \$4/sub cable modem lease fee. As for Cablevision, the analysts think the market has "gotten overly excited with the potential sale of **Bresnan** and the recently announced **Voom** settlement." 3Q numbers are expected to be up YOY partly because of the impact last year from Hurricane Irene, which affected Cablevision the most. **ISI Group** expects Cablevision to post aggregate video losses of 9K, with HSD up by 26K and voice up by 33K. It projected Time Warner Cable would have 131K video losses combined with 100K HSD net adds and 27K residential voice net adds. Tues isn't just Election Day. It's Earnings Day, with **Charter**, **DISH**, **DirectTV** and now Cablevision all reporting. ISI expects 3Q to be a "ripping off the Band-Aid" quarter for Charter as it restructures direct sales, moves its HQ to Stamford, CT and adjusts pricing for competitiveness. **Bernstein Research** said the biggest risk to cable stocks now is complacency. "Just because stocks have become consensus longs doesn't mean they can't continue to work. We continue to believe that the cable stocks offer attractive valuations, particularly relative to their appropriate peer group, consumer staples," wrote *Craig Moffett* and crew. "The deafeningly positive consensus clearly limits their further upside, however. And it is simply not correct to suggest that there is no real bear case out there."



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**At the Portals:** The FCC set Nov 30 as the comment deadline on revisions to the program access rules pertaining to buying groups and rebuttable presumptions in program access complaint proceedings challenging certain exclusive contracts. Reply comments are due Dec 17. This is the promised FNPRM that the Commission promised after voting Oct 5 to sunset the ban on exclusive contracts between MVPDs and affiliated networks. It includes proposals supported by ACA, such as allowing buying group NCTC to file program access complaints with limited liability for all its members.

**Game Time:** At out deadline, it was looking like **Cox, DirecTV** and **DISH** subs would not get to see **Time Warner Cable SportsNet's** 1st Lakers game Wed. Even if the MVPDs don't do deals in time for tip-off, negotiations are continuing, we're told. With 70 games on TWC's roster, there's still time for deals to be made. Live studio programming was set to begin at 6pm PT on TWC SportsNet and at 6:30pm for **Deportes**.

**Sandy Recovery:** Day 3 of Hurricane Sandy, and the good news is the percentage of consumers without broadband and cable TV in the core area of the storm was down to well under 20% Wed from around 25% Tues, said *David Turetsky*, FCC public safety & homeland security bureau chief, on a press call Wed. FCC chmn *Julius Genachowski* said in a statement that the condition of networks is improving. All 911 calls are going through at call centers, although some calls are being rerouted, Turetsky said. But serious outages remain, particularly in NY, NJ and other hard-hit areas. The agency is continuing to work closely with **FEMA** and other federal and state agencies, as well as service providers, Genachowski said. "The crisis is not over." In the days and weeks ahead, "we will continue to expect the unexpected as the full picture of Hurricane Sandy's impact on communications networks develops." **Cox** has seen significant improvements in commercial power restoration since Tues, except in the Cleveland-area suburbs, where power companies expect that significant restoration efforts may not begin until Thurs. All Cox employees have been located and are safe. Customers can go to Cox Solutions Stores to use the company's WiFi service and charge their devices. As of Wed morning, more than 98% of Cox subs have working service in Northern VA. In RI, around 87% of Cox subs have working service while around 95% of subs in CT have working service. **Time Warner Cable** still has no significant network impacts and is mostly standing by to go in behind crews restoring power to make necessary repairs. Sandy didn't cause direct damage to **Charter's** Outer Banks service areas, but flooding continues to prevent access. Highway 12 is closed, halting travel to and from Cape Hatteras, but a ferry began running this morning at 6am, allowing Charter employees to go in to work.

**Deals:** A **Fox/Debmars Mercury** rerun deal is keeping *Charlie Sheen's* "Anger Management" in the same family. Under the deal, the **Lionsgate TV**-produced "Anger Management," first aired on **News Corp**-owned **FX**, will come to Fox TV stations for an off-net syndication launch in Sept '14.

**Boxee:** **Boxee** landed a major distribution deal this week. Walmart will start carrying the \$99 Boxee TV set-tops at 3k locations nationwide, just in time for the holidays. The retailer will promote the device with display stations and additional marketing material. The cloud-based device offers access to OTA and OTT video. The company plans to launch its "No Limits DVR" service with unlimited storage in 8 markets initially. It runs \$14.99 a month and includes playback on any device with browser. Earlier this month, the **FCC** voted to remove the ban on cable op encryption of the digital basic tier (*Cfax*, 10/14). Ops will need to notify and provide affected subs with the equipment needed to receive encrypted signals for a limited time. Following concerns raised by Boxee, the order has the 6 biggest MSOs offer equipment compatible with IP-enabled clear-QAM devices provided by 3rd parties like Boxee.

**In the Courts:** **Comcast** and **Acacia** entered into a license and settlement agreement, resolving litigation pending in the US District Court for Eastern District of TX. No details were immediately available.

**Ratings:** **Discovery's** US network portfolio grew 17% in P25-54 prime delivery in Oct. "Gold Rush's" season premiere on **Discovery Channel** Fri notched a 2.9 HH and 3.27 for men 25-54. It was the net's highest-rated prime telecast in all of 2Q, 3Q and 4Q for total viewers and 25-54 delivery. -- "The Real Housewives of Miami" earned its highest-rated ep of the season, with 1.35mIn turning into **Bravo** Sun. -- **Hallmark Channel's** original movie "The Good Witch's Charm" drew nearly 3mIn viewers, scoring a 1.9 HH rating during its Oct 27 premiere.

**Programming:** Sandy postponed the Knicks-Nets game previously scheduled for Thurs at 7pm ET. Instead, **TNT** will televise two 1-hour eps of "The Mentalist" prior to its coverage of the Oklahoma City Thunder at San Antonio Spurs (9:30pm). -- Culinary series "A Taste of History" is coming to **RLTV** starting Mon. -- **The Style Network** greenlit a 5th season of its

# BUSINESS & FINANCE

docu-soap "Jerseylicious." The 14-ep new season is set to premiere 1Q.

**ESPN Doings:** Vet **NBA** head coach *Flip Saunders* joined **ESPN** as an NBA studio analyst. He will regularly appear on "SportsCenter," "NBA Coast to Coast," "NBA Tonight" and other news and info programming. Also, former NBA All-Star *Antonio Davis* joined as an NBA studio analyst.

**4G World:** So why is **Cisco** entering the wireless arena with a vengeance? Because increasing use of video and other high-bandwidth services spell opportunity. "Fifty percent of smartphones already use Wi-Fi, and small cells are growing, but they are still in their infancy for fill-in purposes," said *Kelly Ahuja*, senior vice president/general manager of Cisco's Service Provider Mobility Group, at 4G World in Chicago Tues. "We need to leverage more unlicensed spectrum, and we need more backhaul." Echoing what other industry experts have been saying this week, Ahuja pointed out that mobile-data traffic will increase as much as 18-fold by '16, and that video will make up 70% of that traffic.

**Business & Finance:** **Netflix's** shares saw double digit jump Wed after billionaire investor *Carl Icahn* said in an **SEC** filing that his funds have acquired a 10% stake in the video streaming service. Netflix "shares were undervalued due to the issuer's dominant market position and international growth prospects," the filing said.

## CableFAX Daily Stockwatch

| Company                      | 10/31 Close | 1-Day Ch | Company               | 10/31 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| <b>BROADCASTERS/DBS/MMDS</b> |             |          |                       |             |          |
| DIRECTV:                     | 51.14       | (0.13)   | CONCURRENT:           | 5.15        | (0.06)   |
| DISH:                        | 35.63       | 0.08     | CONVERGYS:            | 16.81       | 0.64     |
| DISNEY:                      | 49.12       | (0.96)   | CSG SYSTEMS:          | 20.61       | (0.56)   |
| GE:                          | 21.06       | (0.05)   | ECHOSTAR:             | 31.76       | 0.03     |
| NEWS CORP:                   | 24.36       | 0.15     | GOOGLE:               | 680.30      | 5.15     |
| <b>MSOS</b>                  |             |          |                       |             |          |
| CABLEVISION:                 | 17.42       | (0.47)   | HARMONIC:             | 4.34        | UNCH     |
| CHARTER:                     | 77.41       | 0.84     | INTEL:                | 21.63       | (0.32)   |
| COMCAST:                     | 37.52       | (0.04)   | JDSU:                 | 9.70        | (0.64)   |
| COMCAST SPCL:                | 36.44       | (0.07)   | LEVEL 3:              | 20.50       | (0.18)   |
| GCI:                         | 8.74        | (0.39)   | MICROSOFT:            | 28.54       | 0.33     |
| LIBERTY GLOBAL:              | 60.03       | (0.37)   | RENTRAK:              | 16.99       | 0.16     |
| LIBERTY INT:                 | 20.00       | (0.02)   | SEACHANGE:            | 9.05        | 0.06     |
| SHAW COMM:                   | 21.84       | 0.74     | SONY:                 | 11.74       | (0.11)   |
| TIME WARNER CABLE:           | 99.15       | (0.37)   | SPRINT NEXTEL:        | 5.55        | 0.06     |
| VIRGIN MEDIA:                | 32.76       | 0.24     | TIVO:                 | 10.15       | 0.18     |
| WASH POST:                   | 333.51      | 1.51     | UNIVERSAL ELEC:       | 17.16       | 0.35     |
| <b>PROGRAMMING</b>           |             |          |                       |             |          |
| AMC NETWORKS:                | 46.73       | (0.03)   | VONAGE:               | 2.27        | 0.03     |
| CBS:                         | 32.40       | (0.47)   | YAHOO:                | 16.84       | 0.04     |
| CROWN:                       | 1.74        | 0.07     | <b>TELCOS</b>         |             |          |
| DISCOVERY:                   | 59.02       | 0.83     | AT&T:                 | 34.59       | (0.04)   |
| GRUPO TELEVISA:              | 22.60       | (0.05)   | VERIZON:              | 44.64       | (0.09)   |
| HSN:                         | 52.00       | 2.75     | <b>MARKET INDICES</b> |             |          |
| INTERACTIVE CORP:            | 48.35       | (0.83)   | DOW:                  | 13096.46    | (10.75)  |
| LIONSGATE:                   | 16.68       | 0.59     | NASDAQ:               | 2977.23     | (10.72)  |
| LODGENET:                    | 0.44        | 0.00     | S&P 500:              | 1412.16     | 0.22     |
| NEW FRONTIER:                | 2.02        | 0.03     |                       |             |          |
| OUTDOOR:                     | 7.26        | 0.05     |                       |             |          |
| SCRIPPS INT:                 | 60.72       | (0.43)   |                       |             |          |
| TIME WARNER:                 | 43.47       | (0.17)   |                       |             |          |
| VALUEVISION:                 | 2.25        | 0.11     |                       |             |          |
| VIACOM:                      | 51.87       | (1.2)    |                       |             |          |
| WWE:                         | 8.09        | (0.06)   |                       |             |          |
| <b>TECHNOLOGY</b>            |             |          |                       |             |          |
| ADVANTAGE:                   | 2.06        | UNCH     |                       |             |          |
| ALCATEL LUCENT:              | 1.04        | 0.01     |                       |             |          |
| AMDOCS:                      | 33.07       | 0.16     |                       |             |          |
| AMPHENOL:                    | 60.13       | UNCH     |                       |             |          |
| AOL:                         | 34.34       | (0.14)   |                       |             |          |
| APPLE:                       | 595.32      | (8.68)   |                       |             |          |
| ARRIS GROUP:                 | 13.74       | 0.01     |                       |             |          |
| AVID TECH:                   | 5.87        | (0.15)   |                       |             |          |
| BLNDER TONGUE:               | 1.10        | (0.1)    |                       |             |          |
| BROADCOM:                    | 31.54       | (0.22)   |                       |             |          |
| CISCO:                       | 17.14       | (0.14)   |                       |             |          |
| CLEARWIRE:                   | 2.00        | 0.10     |                       |             |          |

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## Think about that for a minute...

### Thanks

*Commentary by Steve Effros*

It's been a rough week along the East Coast. Picking up the pieces after this mammoth storm will take time. That's something we rarely talk about until after it happens, and then folks get upset that they can't get back to their routines as fast as they would like.

We've all experienced the frustration, especially those of us in the cable industry. We not only have our own homes and lives to think about, we also are providers of more and more of the "essential" services that people expect to work, always. Of course they don't always work. Certainly not when there are massive power outages, trees and poles down for blocks at a stretch, and parking garages (where the electric and telecom panels are, coming into



the building) under eight feet of water with piled up cars blocking the way!

We all know that, but lots of folks don't think about it, or don't care. They just want their television, or telephone, or broadband service back, and they want it now! It shouldn't come as much of a surprise, since the services we provide really are good and something all our customers rely upon. But you have to wonder when you get a call, as I did many years ago during a major ice storm on the East Coast, from a cable customer who was livid that he couldn't watch his favorite show. I asked him if the poles and lines were down. He said yes, but he had a generator, so his television "worked" so how come the cable system didn't!

Well, I think we've gotten beyond that point, but not by much. It all goes back to folks having a full understanding of what our infrastructure is really all about, just like understanding that the cell phone towers have to have power, and can't be overloaded with calls or your cell

phone won't work. It's a continuous education process.

But there seems to be some good news this time around. I may be jumping the gun—and things could get ugly—but my sense is that there's a modicum of patience being shown and discussed. On all levels, from digging out of a historic recession to patiently waiting for the power, telephone, television, and broadband to be restored after the downed trees and water are cleared, folks seem to be understanding that when things go this wrong, it takes time to get them working right again.

The other good thing that seems to be happening, again—at least in the first days of the aftermath—is that customers are recognizing the really extraordinary things our technicians and customer service people are doing. As I already mentioned, those folks have their own houses, their own kids, their own downed trees, drowned basements and no public transportation to deal with. Yet they are out there in trucks in the middle of the storm trying to get things working again for others. They are making their way to the office to respond to customer service inquiries. They are continuing to be pleasant, even when they run up against the customer who still doesn't appreciate the need on all sides for patience, cooperation and understanding.

The pictures of neighbors bringing out coffee and sandwiches for the line crews in the middle of the storm says it all. Our crews and the folks who support them are working wonders, even when it takes "too long" to restore service. At the very least, the only appropriate message to them is "Thank You!"

*Steve*

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*(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)*

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