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3 Pages Today

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Good Trends: Charter Posts Nice 3Q Sub Numbers

The 3rd quarter was a strong one for **Charter**, with the MSO's overall revenue increasing 5.4% on a pro forma basis to $2.1bln and video net subscriber losses shrinking to 27K from 68K a year ago. Helping matters is the MSO's now 1-year-old pricing and packaging plan in which 62% of legacy residential customers are enrolled. "I don't want to break out the specific churn rates of any segment of our customer base, but we're getting the kind of results that we expected in the step-up process," CEO *Tom Rutledge* said during Tues' earnings call. Other sub metrics: HSD grew by 86K vs 77K a year ago, and phone added 41K v 54K in 3Q12 (when Charter's new triple-play offer was 1st announced). Compare Charter's sub metrics to that of oft-buzzed about potential acquisition target **Time Warner Cable**, and it's night and day. "In the wake of atrocious results from TWC and solid results from Charter, the odds of a deal coming together have unquestionably grown," said a research note from **MoffettNathanson**. "Our worry is that they are already priced in, and 'inevitable' is simply too strong a word." M&A, of course, came up during the call with analysts. No specifics, but CFO *Chris Winfrey* said Charter's tax assets put it in a "pretty unique" position to look at acquisitions and swaps. Back to those strong Internet numbers—Rutledge said he was surprised by the amount of broadband-only growth at the MSO. While he chalked some of that up to a "change in the world" with consumers (aka, OTT), he said Charter's previously inferior video product plays a bigger part. **ISI Media** analysts take: overall adjusted EBITDA wasn't as robust as they'd hoped ($732mln), but "we think the continued improvement in subscriber trends and the accelerated all-digital initiative should be positives for EBITDA acceleration from here."

Charter's Improvement Plans: **Charter** continues to target the end of '14 for completion of its all-digital migration. As the MSO concentrates on improving its video offering, it's rolling out new services, including the Charter TV app that will 1st be available on **Apple** devices, with **Android** coming later. In addition to live streaming in the home, it expects to add VOD content that will be available inside and outside the home. Charter also is testing a cloud-based user interface for new and existing boxes. CEO *Tom Rutledge* called **Comcast**'s X1 guide, which uses IP and the DOCSIS modem in the box, a "really nice user interface." Charter's cloud-based UI can do that, but the MSO is also experimenting with **ActiveVideo** and **Zodiac** to test taking a cloud-based guide to existing boxes using MPEG. A test will start in Fort Worth in the next few days, with employee homes 1st and customer homes by year-end. "Assuming that our theory works, we'll begin to test that and deploy that sometime in the 2nd Q or late 2nd Q of '14," Rutledge said, adding that a substantial base of boxes in the field have DOCSIS modems in them (meaning they could go to a cloud-based guide, even if the MPEG guide didn't work). Meanwhile, Charter hasn't ruled out the idea of licensing Comcast's X1 guide, though no discussions have taken place. Why hasn't Charter jumped on the WiFi bandwagon? "We have not done that at Charter because our fundamental issues at Charter were fundamental. They were about taking care of our customers and providing high-quality video products and data products and voice products," Rutledge said. Now that a strategy is in place there, WiFi starts to makes sense. Look for it to roll out first in its commercial customer base.

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DirecTV: Burned by its experience with 3D, the pay-TV industry is being cautious about getting into 4K, or Ultra HD, although programmers and distributors are working on pieces of the technology, **DirecTV** chmn/CEO *Mike White* said during the company's 3Q earnings call Tues. He said some limited deployments will occur next year, but any real material impact related to 4K won't happen till '15 or '16. The satellite op's 3Q results weren't too shabby. It added 139K net new video subs, a big improvement from the 52K loss of a year ago. Net income increased to $699mln, compared to $565mln in the year-ago quarter. White also said retrans spats such as **CBS/Time Warner Cable** and **DISH/Raycom** during the quarter had limited impact on DirecTV's sub growth. "We wouldn't try to take advantage of the situation [competitors' retrans spats]," he said. "What goes around comes around." DirecTV ended the quarter with 20.16mln total US subs, still behind **Comcast**, the biggest distributor in the country with 22mln video subs. Higher subscription fees pushed the average monthly bill for DirecTV subs to $102.37 during the quarter, up nearly $6 from the year-ago quarter. Churn dropped to 1.61% vs 1.74 from last year, when the satellite company endured a 10-day blackout involving **Viacom** nets. Potential cable MSO consolidation won't change DirecTV's strategy going forward, White said. In fact, "having stronger distributors that would negotiate tough on content fees would be a good thing… We would welcome that," he said, firing a shot at rising retrans costs, again. He said that if costs continue to go up, consumers will be forced to seek alternatives such as **Aereo**-like services, something that DirecTV has researched. Meanwhile, White is confident that DirecTV and **NFL** will extend their Sunday Ticket contract. "We are having good talks," he said. The results in the "supposedly-secularly-challenged" US were, across the board, above consensus, *Craig Moffett* of **MoffettNathanson** wrote in a research note. "Sometimes the old formula is the best formula," he said.

Gigabit Network: As expected, **AT&T** plans to expand its U-verse GigaPower, a fiber-based gigabit network, beyond Austin, TX. Areas of expansion will partly depend on the number of people voting at www.att.com/austinfiber to have GigaPower in their neighborhood. The Dec Austin launch will initially feature upload and download speeds of up to 300 Mbps, with the option to upgrade to 1 Gbps in mid-'14 at no extra cost.

At the Portals: **ACA** filed a petition asking the **FCC** to deny or condition **Sinclair**'s proposed acquisition of stations from New Age Media. It wants the Media Bureau to refer the matter to the Commission en banc. ACA said it is concerned about the effect in 2 markets where the transaction would result in Sinclair entering into agreements that allow it to coordinate the negotiation of retrans agreements for two top-4 rated Big Four TV stations. FCC rules prevent it from acquiring the stations in those markets directly, but it plans for **Cunningham** to acquire those stations. ACA argues that Sinclair's agreements with Cunningham create virtual duopolies in those markets.

TV Apps: Personalized TV companion app **zeebox** expanded its relationship with **Digitalsmiths,** allowing the video discovery platform to provide personalized recommendations for zeebox's 2nd screen application across devices in the UK and Australia. Zeebox deployed Digitalsmiths' "Seamless Discovery" service to its US subs in June.

Programming: **Broadway** revival hit "The Trip to Bountiful" is in production in Atlanta for a TV adaption to premiere on **Lifetime** next year. -- **INSP** will bow a feature-length film about evangelist *Billy Graham*, "Billy, The Early Years," Nov 10, 2pm ET. -- **MSG Network** booked a 2nd season of its original series "Four Course with *JB Smoove*." The 10-ep is slated to air in Jan. -- **History**'s "The Bible" will encore starting Mon. The mini-series premiered in April.

BUSINESS & FINANCE

Public Affairs: **Aspire** chmn/CEO *Magic Johnson* will help expand **Time Warner Cable**'s STEM in Sports campaign. Johnson appears in a new 30-sec PSA and an exclusive Web video available on TWC's Connect a Million Minds website. -- **Discovery Comm** hosts its 4th skills-based pro bono initiative, "Discovery Impact: Creating Change," on Thurs and Fri at its Silver Spring HQ. Discovery employees will donate services at a 12-hour event supporting nonprofit missions.

Earnings: **Mediacom** subsidiary **Mediacom Broadband**'s 3Q revenues were $231.3mln, up 3.3% YOY. Operating income was $87.4mln, a 2.5% YOY increase. It lost 8K primary service units, matching the prior year period. **Mediacom LLC**'s 3Q revenues were $176.6mln, up 3.5% from last year. It lost 4K PSUs, compared to a loss of 1K in the prior year period.

People: *Julian Hobbs* was named vp, scripted and non-fiction development and programming for **History**, expanding his responsibilities to include scripted. -- **The Weather Company** named *Jeremy Hlavacek* vp, programmatic overseeing Weather's programmatic sales efforts and operations and strategic partnerships on the Weather-FX team. -- **Turner** hired *Mark Loughney* as vp, research for animation, young adult and kids media division. -- **Comcast** named vet government affairs professional *Sue Vaccaro* to the newly-created position of senior director of govt affairs for CA.

CableFAX Daily Stockwatch

Company	11/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
21ST CENTURY FOX:	34.09	(0.06)
DIRECTV:	63.53	(0.84)
DISH:	48.86	0.42
DISNEY:	68.85	0.04
GE:	26.42	(0.01)
MSOS		
CABLEVISION:	16.20	UNCH
CHARTER:	131.06	(4.71)
COMCAST:	47.84	(0.34)
COMCAST SPCL:	46.68	(0.17)
GCI:	9.87	UNCH
LIBERTY GLOBAL:	76.04	(1.37)
LIBERTY INT:	27.75	0.61
SHAW COMM:	23.66	(0.25)
TIME WARNER CABLE:	119.97	(3.18)
WASH POST:	640.30	8.70
PROGRAMMING		
AMC NETWORKS:	72.01	(0.15)
CBS:	59.90	0.39
CROWN:	3.13	(0.12)
DISCOVERY:	86.90	(0.17)
GRUPO TELEVISA:	30.27	(0.41)
HSN:	53.85	(0.12)
INTERACTIVE CORP:	55.40	(0.28)
LIONSGATE:	34.92	(0.02)
MADISON SQUARE GARDEN:	57.79	0.39
SCRIPPS INT:	80.12	(0.12)
STARZ:	30.29	0.17
TIME WARNER:	68.23	(0.44)
VALUEVISION:	5.34	(0.17)
VIACOM:	84.19	1.06
WWE:	12.95	(0.01)
TECHNOLOGY		
ADDVANTAGE:	2.54	(0.03)
ALCATEL LUCENT:	4.11	0.25
AMDOCS:	38.27	(0.08)
AMPHENOL:	79.80	(0.49)
AOL:	42.02	3.30
APPLE:	525.45	(1.3)
ARRIS GROUP:	17.21	(0.4)
AVID TECH:	7.33	0.02
BLNDER TONGUE:	0.93	(0.01)
BROADCOM:	26.46	(0.14)
CISCO:	23.07	0.48
CONCURRENT:	7.37	0.10
CONVERGYS:	19.52	(0.08)
CSG SYSTEMS:	27.36	(0.43)
ECHOSTAR:	47.54	(0.2)
GOOGLE:	1021.52	(4.59)
HARMONIC:	7.30	(0.07)
INTEL:	24.03	(0.23)
JDSU:	13.07	(0.03)
LEVEL 3:	30.59	0.38
MICROSOFT:	36.64	0.70
MOTOROLA MOBILITY:	13.59	(0.43)
NIELSEN:	39.48	(0.34)
RENTRAK:	35.97	(0.06)
SEACHANGE:	14.29	(0.2)
SONY:	16.85	(0.23)
SPRINT NEXTEL:	7.19	0.16
TIVO:	13.87	0.24
UNIVERSAL ELEC:	39.47	0.35
VONAGE:	3.74	(0.14)
YAHOO:	32.97	(0.22)
TELCOS		
AT&T:	35.53	(0.92)
VERIZON:	50.10	(0.98)
MARKET INDICES		
DOW:	15618.22	(20.9)
NASDAQ:	3939.86	3.27
S&P 500:	1762.97	(4.96)