

# CableFAX Daily™

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What the Industry Reads First

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## Cablevision 2Q: Sub Base Shrinks, WiFi Expansion

Cablevision definitely felt the competitive heat during 2Q, especially from **Verizon FiOS**. Despite 3.7% YOY revenue growth, the MSO lost 28K video subs in the period, compared to the 20K it lost a year ago. It also lost 9K broadband subs, vs a gain of 3900 a year ago. **MoffettNathanson** analyst *Craig Moffett* in a research note said the company's video sub base is shrinking 3 times faster than **Comcast** and **Charter**, and that it's the only major cable op with a shrinking broadband sub base. Of course, the company's competitive overlap with Verizon FiOS is 10 times higher than Charter and 3 times higher than Comcast, he noted. Execs acknowledged the company's exposure to competitors during the earnings call Tues. "The increased level of competitive promotional activity negatively impacted us, both on sales and on churn," said COO *Kristin Dolan*. That said, some sequential increase of churn is related to moves and service transfers, which are traditionally higher in 2Q, she noted. Verizon recently announced an increase in upload speeds to achieve symmetry with download speeds. Cablevision execs weren't impressed. "I have no interest in chasing that dog around the track," said *Wilt Hildenbrand*, senior advisor of customer care, tech and networks. Cablevision's current offering of upload speeds of 35 Mbps is more than enough for the majority of its subs, execs said. Meanwhile, Cablevision customers are spending more. Average revenue per customer during the quarter was \$152.72, an increase of nearly \$8 from last year. Average revenue per video sub was even higher at \$174.14, an increase of \$11.72. Execs suggested they remain committed to price integrity to maintain long-term growth, instead of matching competitors' offers. To retain existing subs and reverse sub losses, Cablevision is counting on initiatives like WiFi. The company is on track to reach some 1mln Optimum WiFi access points within its footprint by the end of the year, CEO *James Dolan* said. He noted total WiFi sessions and data paths more than tripled since last year, and nearly half of Optimum Online subs have WiFi accounts with the company. "WiFi is a critical component of our product differentiation strategy... We plan to continue to innovate in this area," he said. That's because "data product now is more important than the video product to the consumer" as many would choose broadband over linear video if they had to pick, he said: "That's why we will probably never be done with the WiFi build." The average Cablevision customer uses more than 4 gigs of data per month, more than doubling the most commonly purchased cellular plan, *Kristin Dolan* noted. Meanwhile, execs implied they might consider following **Windstream's** footsteps. The telecom

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provider recently said it will spin off its network assets as a real estate investment trust (REIT) to trigger tax reductions. “We are always looking at structures to try and improve shareholder value,” CFO *Gregg Seibert* said.

**Fox Cancels Bid for TW:** There’s won’t be a **Fox-Time Warner** marriage after all, at least not anytime soon. TW management and its board “refused to engage with us to explore an offer which was highly compelling,” said chmn/CEO *Rupert Murdoch* in a statement Tues, a day before it announces earnings. In addition, the reaction in Fox’s stock price since its proposal “undervalues our stock and makes the transaction unattractive to Fox shareholders,” he explained. The company also announced the authorization of a \$6bln share repurchase program. An additional \$6bln of Class A Common Stock is expected to be completed in the next 12 months. “This significant return of capital underscores the company’s ongoing commitment to disciplined capital allocation and returning value to shareholders in a meaningful way,” Murdoch said. Fox reportedly offered \$80bln to acquire TW, which was rejected because it’s too low. While **Wells Fargo** analysts liked the FOX-TW combination, they acknowledged “some level of relief” with the Fox move. It “confirms to us that the company remains disciplined, is dedicated to creating shareholder value, and is not ‘empire building,’” they said in a research note. Fox recently said it will sell its **Sky** properties to **BSkyB** for \$9.3bln in gross proceeds, a move that some analysts said would raise additional M&A cash for Fox.

**Disney 2Q:** Despite weakness in cable nets’ performance, earnings per share for **Disney** increased 24% YOY to \$1.28 in 2Q largely thanks to solid growth from broadcast nets and parks and resorts. Operating income at cable nets decreased 7% to \$1.9bln due to a decrease at **ESPN**, which was partially offset by an increase at **ABC Family**. The decrease at ESPN stemmed from higher programming and product costs, decreased recognition of previously deferred revenue and the absence of **ESPN UK**, which was sold in 4Q last year. And thanks to FIFA World Cup, overall ESPN ad revenue was up due to higher rates and more units sold.

**Carriage: DISH and A+E Networks** renewed their multi-year agreement, which includes OTT multi-stream rights for live and VOD content and adds **H2** and **FYI** distribution. The deal applies to all A+E Nets channels, including **A&E, Lifetime, History, LMN, FYI, H2, HISTORY en Español, Crime + Investigation** and **Military History**. New OTT rights allow access to linear and VOD content through DISH’s subscription streaming service expected to launch later this year. The new pact followed a deal DISH signed with **Disney** to get OTT rights to 5 of the programmer’s channels, including **ABC** and **ESPN**.

**DISH Dishes on Merger:** DISH won’t slow down its fight against the **Comcast-Time Warner Cable** merger any time soon. The company’s regulatory gang met with **FCC** officials last week, arguing that no merger condition would remedy the harms that would result from the merger, according to an ex parte filing posted Mon. The combined company would have “an increased incentive and ability to leverage its control over the broadband pipe to undermine these services,” DISH said. “Comcast/TWC will have at least three ‘choke points’ in the broadband pipe where it can harm competing video services: the last mile “public Internet” channel to the consumer; the interconnection point; and any managed or specialized service channels, which can act as high speed lanes and squeeze the capacity of the public Internet portion of the pipe.” In addition, DISH repeated its claim that a bigger Comcast could leverage programming content in anti-competitive ways such as refusing to grant digital rights to competing pay-TV and OTT video providers. The meeting involved most of the agency’s merger transaction team, including general counsel *Jonathan Sallet* and media bureau chief *Bill Lake*.

**Gigabit Race:** Telecom provider **CenturyLink** has joined the gigabit broadband race, deploying the service to certain locations in 16 cities (some of which are cable territories) through its fiber network within the next 12 months. The service will be available to business and residential customers in 10 cities and to business customers in an additional 6 cities.

**Starz Play Comes to Xbox:** **Starz Play** is now available on **Microsoft’s** Xbox One and Xbox 360 gaming consoles. The programmer said it’s the 1st premium authenticated online service launched on both platforms. **Encore Play** and **Movieplex Play** are expected to launch on Xbox One by the end of this year (both services are already available on Xbox 360).

**Green Cable: Time Warner Cable** is joining the **Dept of Energy’s** Clean Cities’ National Clean Fleet Partnership to further reduce petroleum within its fleet of more than 20K service trucks and vehicles. The initiative helps organizations with large private fleets explore and adopt strategies to reduce petroleum use.

**Programming: The Weather Channel** premieres “The Real Death Valley,” an investigative documentary it co-produced with **Telemundo**, on Mon. -- **Discovery Channel’s** car series, “Fast N’ Loud,” is back beginning Aug 18. -- **Nat Geo’s**

# BUSINESS & FINANCE

“SharkFest” premieres Sun and will run until Aug 15. This year, the annual week of special shark-related programming will feature the season finale of “Monster Fish.” -- **GSN** partnered with **YouTube** star and makeup guru *Kandee Johnson* to launch a companion show to the net’s new series “Skin Wars.” The online show, called “Skin Wars: The Naked Truth with Kandee Johnson,” will debut a new episode to Door3, GSN’s **YouTube** channel. -- The 1st wedding special for **VH1**’s reality series, “Dating Naked,” (in which two contestants from the show’s first season tie knot) will air Sept 18.

**People: Crown Media Family Nets** tapped digital ad sales vet *Tara Meyer* as vp, digital ad sales, reporting to *Ed Georger*, evp of ad sales and digital media. The newly created position marked Meyer’s return to **Hallmark Channel** after 9 years. She was most recently digital sales dir at **Martha Stewart Living Omnimedia**. -- **Debmar-Mercury**, which specializes in syndication, network, cable and ancillary markets, upped *Alexandra Jewett* from senior to executive VP, programming. She will work alongside *Lonnie Burstein*, who will remain as evp, programming.

**Editor’s Note:** Like an ocean predator chasing you during Shark Week, Fri’s early bird deadline for the TV Innovation Summit in NYC on Sept 18 just keeps closing in. Take defensive action now by registering at [www.cablefax.com/](http://www.cablefax.com/)

## CableFAX Daily Stockwatch

Company	08/05 Close	1-Day Ch	Company	08/05 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDs</b>					
DIRECTV:	85.15	(0.43)	CONCURRENT:	7.39	(0.11)
DISH:	62.15	(0.28)	CONVERGYS:	19.06	(0.23)
ENTRAVISION:	5.52	(0.06)	CSG SYSTEMS:	27.06	0.03
GRAY TELEVISION:	11.95	(0.52)	ECHOSTAR:	50.44	(0.28)
MEDIA GENERAL:	19.64	(0.69)	GOOGLE:	565.07	(8.08)
NEXSTAR:	46.26	(1.61)	HARMONIC:	6.12	(0.02)
SINCLAIR:	31.81	(0.82)	INTEL:	32.82	(1.23)
<b>MSOS</b>					
CABLEVISION:	18.08	(1.37)	INTERACTIVE CORP:	64.78	(1.43)
CHARTER:	154.97	(2.13)	JDSU:	11.79	0.05
COMCAST:	53.18	(0.67)	LEVEL 3:	43.00	0.50
COMCAST SPCL:	53.02	(0.49)	MICROSOFT:	43.08	(0.29)
GCI:	10.97	(0.05)	NIELSEN:	46.99	0.10
GRAHAM HOLDING:	709.97	(2.74)	RENTRAK:	51.68	0.01
LIBERTY GLOBAL:	41.47	(0.47)	SEACHANGE:	7.58	0.05
LIBERTY INT:	27.31	(0.89)	SONY:	18.01	(0.29)
SHAW COMM:	24.63	(0.1)	SPRINT NEXTEL:	7.28	(0.09)
TIME WARNER CABLE:	145.39	(1.89)	TIVO:	13.41	(0.03)
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	31.30	(0.22)	UNIVERSAL ELEC:	47.43	(0.66)
AMC NETWORKS:	59.40	(0.59)	VONAGE:	3.52	0.06
CBS:	56.99	(0.69)	YAHOO:	35.70	(0.83)
CROWN:	3.58	0.08	<b>TELCOS</b>		
DISCOVERY:	84.25	(0.12)	AT&T:	35.11	(0.35)
DISNEY:	86.75	(0.49)	CENTURYLINK:	39.29	(0.17)
GRUPO TELEVISA:	35.60	(0.58)	TDS:	25.55	2.08
HSN:	55.91	(0.65)	VERIZON:	49.66	(0.55)
LIONSGATE:	31.15	(0.1)	<b>MARKET INDICES</b>		
MADISON SQUARE GARDEN:	59.93	(0.04)	DOW:	16429.47	(139.81)
SCRIPPS INT:	83.49	0.07	NASDAQ:	4352.84	(31.05)
STARZ:	28.74	(0.02)	S&P 500:	1920.21	(18.78)
TIME WARNER:	85.19	(0.34)			
VALUEVISION:	4.63	0.03			
VIACOM:	82.06	(0.91)			
WWE:	13.97	0.55			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.38	0.03			
ALCATEL LUCENT:	3.23	(0.19)			
AMDOCS:	45.05	(0.35)			
AMPHENOL:	97.37	0.21			
AOL:	39.00	(0.21)			
APPLE:	95.12	(0.47)			
ARRIS GROUP:	29.78	(0.69)			
AVID TECH:	7.51	(0.09)			
BLNDER TONGUE:	0.93	0.03			
BROADCOM:	37.21	(0.86)			
CISCO:	24.97	(0.2)			

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