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What the Industry Reads First

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Cliff Notes: What You Need to Know From Comcast's 4Q Earnings

Comcast shares closed up nearly 1.7% Tues after strong 4Q results that included a 4.8% gain in revenue to \$17.7bln. Here's a quick rundown of what you need to know. **Video Sub Gains:** The number may not be huge, but Comcast's 6K video customer adds is a big deal because it's growth. It marks the 3rd time in the last 5 quarters that the company has gained video subs. For the full year, it reduced video sub losses by 27% to 194K—the best result in 7 years. This all seems to bode well for its upgrade to the X1 platform. A quarter of Comcast's triple-play base are X1 customers, with the platform accounting for nearly half of video connects for the year. **Internet Still a Juggernaut:** 2014 was the 9th consecutive year that Comcast added more than 1mln HSD customers, with 375K coming on board in 4Q. High-speed revenue increased 9.5% for the year. One analyst found a downside with all this growth. "Surely, it doesn't help Comcast's arguments in favor of their merger with **Time Warner Cable** that their broadband market share is galloping higher," wrote **MoffettNathanson's Craig Moffett**, who recently downgraded the shares to "neutral" with a \$60 price target. **Time Warner Cable Transaction:** CEO *Brian Roberts* said the company still believes it is an approvable transaction, with the **FCC** review clock set to expire at the end of March. The hope is the agency will be able to turn attention to the deal right after Thurs' vote on open Internet, he said. **Net Neutrality:** Roberts stressed that Comcast is all for an open Internet, and even agrees with Pres *Obama* and FCC chmn *Tom Wheeler* on what should be in the rules (transparency, nondiscrimination, no blocking, throttling, paid prioritization). The problem, of course, is that pesky Title II. "Our attention, just like everyone else, is on the actual text of the order, the upcoming vote, the strength of forbearance and ultimately the Commission's focus on preservation of incentives for the private sector to continue to invest aggressively in broadband," he said. CFO *Michael Angelakis* said the uncertainty over Title II may provide Comcast with the opportunity for a higher degree of scrutiny on capital and broadband. That said, until Comcast sees the fine print, it's reserving judgment. **NBCU Advertising:** The ad market continues to be tough for the cable nets. There was a 5.6% decline in ad revenue reflected in ratings declines. Comcast said that if you adjust for the shuttering of Style and the move of **Fandango** to the Film Group from Cable Networks, ad rev would have been essentially flat. "The ratings pressure is greater than it was a year or two ago, which means it is going to be a tougher business to grow. We still think it is a growable business, a very healthy business," said

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Comcast evp, NBCU CEO *Steve Burke*. Instead of double-digit growth, he said it's probably more of a single-digit growth business. **Wireless:** Is Comcast going to follow in Cablevision's footprints and roll out its own WiFi-only phone? The Magic 8-Ball says to ask again later. Comcast Cable pres/CEO *Neil Smit* said the company's still assessing possibilities and not to look for an announcement until the product (whatever it may be) is "well-refined and developed."

Suddenlink's Kent on Life After Viacom: The mood on **Suddenlink's** 4Q earnings call Tues was upbeat. It has been almost 5 months since the MSO dropped **Viacom** channels in a dispute over a rate increase, and execs believe 4Q numbers show the impact wasn't that bad. All told, the Viacom saga resulted in a loss of about 2-2.5% of video subs, Suddenlink said. It lost 34.8K basic video customers in the Q vs 8.6K a year ago. "In the first 6 weeks, we lost most of our video customers who left us as a result of the Viacom decision, and each month that got progressively better," Kent told us (during Tues' call, Suddenlink had a slide showing that 2/3 of the impact was felt in those first 6 weeks). "We're seeing right now year-to-date for the first quarter, we're seeing very similar results to prior quarters across all of our business segments. Our customer relationships are on a record or near record pace." In case you're wondering, the 2 companies haven't had talks in a long time. Viacom didn't respond to requests for comment, but Kent told us that Suddenlink remains open to an offer for "reasonable prices." So, what should programmers with deals coming up with Suddenlink think at this point? "You should think that you should provide the best consumer value possible to put your rates in line with viewership," he said. The CEO said Suddenlink developed an analysis looking at minutes of viewership per dollar of programming costs and found Viacom was at the bottom of the heap among all the major content providers. With the loss of Viacom's portfolio, Suddenlink added several channels, including **Hallmark Movies & Mystery** and **Investigation Discovery**. "Since we dropped Viacom, the actual number of minutes per day of viewership [overall] has increased," Kent told us. "In several cases, the viewership of the replacement channels actually exceeded some of the channels we replaced."

More From Suddenlink: **Suddenlink's** 4Q revenue rose 5.6% to \$592mIn, with adjusted EBITDA up 6% to \$244.5mIn (after the impact of non-recurring expense). The quarter included the MSO's initial investment in Operation GigaSpeed, which is designed to deliver 1 Gigabit Internet service across the footprint. The initial phases of the project are complete with the flagship Internet speed in nearly half of Suddenlink's markets up to 50Mbps. "By the end of the year, we'll have 1 Gigabit service to the vast majority of our customers... We've already upgraded 26 markets. We have speeds up to 300Mbps and our slowest speeds in these markets is 50Mbps," CEO *Jerry Kent* said. Suddenlink expects to invest up to \$230mIn of cap ex on Operation Gigabit through 2017 to bring the 1-gig speeds to markets serving nearly 85% of its customers. Once fully phased in, the plan calls for Suddenlink's flagship Internet speed to rise from 15 to 200 Mbps with top speeds of 1 Gbps.

Net Neutrality Rumbings: Both net neutrality activists and opponents have their claws out before Thurs' **FCC** vote. Supporters of strong open Internet rules, including Sen *Ed Markey* (D-MA), **Free Press, Public Knowledge**, and former Democratic FCC commish *Michael Copps*, got together Tues to celebrate the anticipated Title II regulations during a conference call with reporters. FCC chmn *Tom Wheeler* and the Commission will be on "the right side of history" on Thurs, which will be celebrated as the "Internet Innovation Freedom Day," Markey (D-MA) said on the call, citing Title II regulation as a victory for consumers and the economy. "This is a huge win... Thanks to chairman Wheeler and what looks to be an FCC majority, the FCC will right a costly wrong," said Copps. And contrary to some ISPs' claims that the FCC could potentially regulate rates, Copps said, "I don't think anyone is talking about or contemplating rate regulation." And none of the commissioners have proposed rate regulation, said *Chris Lewis*, vp of government affairs at Public Knowledge. "Take the chairman's word for it." On the other side of the battle, **NCTA** pres/CEO *Michael Powell* warned that Title II regulation would trigger litigation, which could drag out. "I would predict that it's at least 2 and up to 5 years before the rules are fully and finally settled," Powell told **CNBC's** "Squawk Box" on Tues. Will Wheeler listen to critics and slow things down before the vote? Unlikely. "They are locked and loaded, and it's too late to turn back," Powell said. The former FCC chmn under President *George W Bush* said the issue needs a Congressional fix. "When Congress realizes the order goes far beyond protecting net neutrality... and in fact introduces a new regulatory regime for the Internet, there may be growing interest in trying to reach a conventional solution." Powell also appeared on **Fox Business** late Tues to talk about net neutrality.

Roku Dealings: **Roku** scored an important multiplatform app Tues. It launched WatchESPN, allowing users to access live streams of **ESPN, ESPN2, ESPNU, ESPN3, ESPNU, ESPNEWS, ESPN Deportes, Longhorn Network, and SEC Network** upon authentication. Roku is also working alongside **Disney** to bring other multiplatform apps to its platform. In

BUSINESS & FINANCE

a separate announcement, Roku said it has upgraded its **YouTube** channel on the Roku 3 and Roku Streaming Stick in the US, Canada, UK and Republic of Ireland, offering an improved streaming experience.

EPIX on Amazon: EPIX extended its agreement on **Amazon** for Prime Instant Video. Programming from the agreement includes movies from EPIX studio partners **Paramount Pictures**, **Lionsgate** and **MGM Pictures**.

People: **Scripps Networks Interactive** upped 2 of its senior execs into new roles. *Joseph NeCastro*, currently chief financial and administrative officer, is now chief development officer. In the newly created position, he will oversee the company's domestic and international acquisitions, joint ventures, investments and partnerships. Finance evp *Lori Hickok* will succeed NeCastro as CFO.

Obituary: *Gabriella Messina*, **UP TV's** acting vp of unscripted development and production, passed away unexpectedly last week. Before joining UP, she was vp, content and original programming at **Turner**. She also spent time at **Veria Living**, **Scripps Nets Interactive** and **HGTV**. "All of us at UP are working with heavy hearts over the loss of our colleague and friend, Gabriella Messina. She was a committed, outstanding executive whose extraordinary creative abilities resulted in several noteworthy productions including our own 'Bringing Up Bates,'" said UP evp/gm *Amy Winter*.

Cablefax Daily Stockwatch

Company	02/24 Close	1-Day Ch	Company	02/24 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	87.46	0.31	COMMSCOPE:	26.38	(0.02)
DISH:	77.77	0.38	CONCURRENT:	6.28	0.08
ENTRAVISION:	6.87	UNCH	CONVERGYS:	22.33	0.23
GRAY TELEVISION:	10.74	0.08	CSG SYSTEMS:	30.60	0.06
MEDIA GENERAL:	16.75	(0.01)	ECHOSTAR:	54.53	(0.37)
NEXSTAR:	54.35	(0.21)	GOOGLE:	536.09	4.18
SINCLAIR:	28.54	0.18	HARMONIC:	7.75	(0.12)
MSOS					
CABLEVISION:	19.80	(0.03)	INTEL:	34.41	0.65
CHARTER:	177.77	1.90	INTERACTIVE CORP:	67.46	0.24
COMCAST:	59.17	0.96	JDSU:	13.51	0.16
COMCAST SPCL:	58.78	0.85	LEVEL 3:	53.91	0.05
GCI:	14.54	0.08	MICROSOFT:	44.09	(0.06)
GRAHAM HOLDING:	992.73	2.73	NETFLIX:	474.88	3.04
LIBERTY BROADBAND:	51.27	0.36	NIELSEN:	46.14	0.51
LIBERTY GLOBAL:	53.35	(0.49)	RENTRAK:	52.85	0.03
SHAW COMM:	23.61	0.03	SEACHANGE:	7.39	(0.12)
SHENTEL:	29.13	(0.28)	SONY:	27.74	0.71
SHENTEL:	29.13	(0.28)	SPRINT NEXTEL:	4.63	(0.04)
TIME WARNER CABLE:	152.24	3.15	TIVO:	10.87	0.27
PROGRAMMING					
21ST CENTURY FOX:	35.24	(0.12)	UNIVERSAL ELEC:	55.58	(1.59)
AMC NETWORKS:	69.64	0.06	VONAGE:	4.57	0.11
CBS:	59.40	(0.27)	YAHOO:	43.38	(0.15)
CROWN:	3.51	0.02	TELCOS		
DISCOVERY:	33.00	0.67	AT&T:	34.05	0.20
DISNEY:	104.67	(0.32)	CENTURYLINK:	37.06	0.43
GRUPO TELEVISA:	33.82	(0.01)	TDS:	25.25	0.12
HSN:	68.19	0.03	VERIZON:	49.22	0.45
LIONSGATE:	32.65	(0.08)	MARKET INDICES		
MSG:	79.08	(0.04)	DOW:	18209.19	92.35
SCRIPPS INT:	74.40	0.11	NASDAQ:	4968.12	7.15
STARZ:	31.58	(0.12)	S&P 500:	2115.48	5.82
TIME WARNER:	83.62	(0.15)	TECHNOLOGY		
VIACOM:	70.88	0.28	ADDVANTAGE:	2.41	(0.02)
WWE:	16.62	0.34	AMDOCS:	52.14	0.40
TECHNOLOGY					
ADDVANTAGE:	2.41	(0.02)	AMPHENOL:	56.82	0.10
AMDOCS:	52.14	0.40	AOL:	40.23	(0.05)
AMPHENOL:	56.82	0.10	APPLE:	132.17	(0.83)
AOL:	40.23	(0.05)	ARRIS GROUP:	29.00	0.35
APPLE:	132.17	(0.83)	AVID TECH:	14.80	0.08
ARRIS GROUP:	29.00	0.35	BLNDER TONGUE:	1.71	(0.01)
AVID TECH:	14.80	0.08	BROADCOM:	45.31	1.06
BLNDER TONGUE:	1.71	(0.01)	CISCO:	29.63	UNCH
BROADCOM:	45.31	1.06			
CISCO:	29.63	UNCH			

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