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5 Pages Today

CableFAX Daily™

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Basic Booster: DTV Delivers Droves of TWC Subs

Time Warner Cable surprised Wall St, posting basic gains amid analyst expectations that it would lose tens of thousands of basic customers in 1Q. Cable is expected to post stronger 1Q results after an abysmal 4Q, but analysts had predicted basic losses of about 80K for the op. Instead, the MSO added 36K basic subs, driven by the DTV transition, in its 1st earnings report since the split from **Time Warner**. "It is hard to know but we may well see another wave of video subscriber net additions as we approach the completion of the DTV transition in mid-June," pres/CEO *Glenn Britt* said during Wed's earnings call. CFO *Rob Marcus* estimated that the company picked up about 80K basic customers due to the transition, with execs saying another 80K is possible. "If there was a positive surprise, it was the propensity for these customers to take more than just video," **Sanford Bernstein**'s *Craig Moffett* said. "According to the company, fully a third took double or triple play packages. The bundling benefit will last well beyond the short term boost to net video subscriber additions." TWC shares soared, closing up 14.2% for the day. Subscriber metrics were better than expectations, with HSD posting 225K net adds (304K in Q108), phone adds totaled 174K (285K in 1Q08) and digital video hit 121K. For the Q, TWC added 34.8mln RGU net ads, a 38% YOY decline, vs the 71% drop off reported in 4Q. What seasonally weak 2Q will bring remains to be seen, with Britt noting that economic indicators haven't shown any improvement. In fact, Marcus noted that net sub additions over the last few weeks have been "much weaker" and look more like what TWC saw in 4Q. YOY adjusted OIBDA growth in 2Q is also expected to be slower, driven by programming costs and seasonal increase in bad debt. Programming costs were up 8% in the Q. One area Britt expressed some disappointment in is commercial services, which actually is the fastest growing part of TWC with a 17% Y-over-Y revenue gain. "Now, that is not bad in a tough economy, but frankly I'm not satisfied with our performance in this area. I think we can and should do even better," he said. Not much said about wireless venture **Clearwire**, with TWC set to launch introductory products in a few market late this year or early next year. Switched digital, now installed in all **S-A** systems, continues to roll out. This month, TWC launched switched in a couple small **Motorola**-based systems, Hobbs said. "When these solutions prove to be scalable, we expect to deploy switching in the remaining large systems, L.A., Dallas and Cleveland, towards and end of this year," he added. In other tech improvements, the MSO expects to start the roll out of DOCSIS 3.0 in NYC this summer with the plan completed by year-end. While they've tested speeds as high as 138Mbps downstream/18Mbps upstream, they don't expect to offer service that fast initially. **Cablevision** is about to launch a new broadband tier offering speeds of up to 101/15. TWC's revenue rose 5% to $4.36bln. Adjusted EBITDA, excluding restructuring expenses, rose 7.3% to $1.5B vs. 6.2% in 4Q.

TV Everywhere: **Time Warner** pres/CEO *Jeff Bewkes* remains bullish on the "TV Everywhere" concept (limiting access to certain non-linear cable content to paying subs), saying there's "nobody that it isn't in the best interest of, really." Trials of the concept with an op or ops will begin later this year, he said on Wed's earnings call, noting that

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- ❏ Customer Service Innovation or Innovator
- ❏ Project Launch of the Year
- ❏ Lifetime Achievement

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Winners will be honored in the July 2009 issue of CableFAX: The Magazine Top Operators Issue

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CableFAX AWARDS Top Operators Saluting Cable Operators

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software to authenticate multi-channel customers' subscriptions is ready to roll and "very simple." 1 partner will likely be **Time Warner Cable**, as pres/CEO *Glenn Britt* said the MSO will begin some trials with programmers later this year. Maintaining his months-long stance on the topic, Britt cautioned programmers to avail themselves of TWC tech "that essentially would say if the consumer buys a subscription they could get access to programming from a lot of different sources on a lot of difference devices."

TWX Earnings: **Time Warner**'s 1Q results were hampered by nearly every segment except its cable nets, which posted a 6% increase in rev to $2.8bln and 10% growth in operating income to $960mln. But as sub rev rose 9% to $1.85bln, a sobering reality remains in the ad market, which pres/CEO *Jeff Bewkes* said is "proving even tougher than we expected." The nets' ad rev slipped 2% due in large part to intl results, said CFO *John Martin*, although the group was flat domestically despite a small increase at news channels. **Collins Stewart** analyst *Tom Eagan* called the ad results "worse than we expected." Time Warner expects ad rev to dip in 2Q by approx 5%, said Martin, with the current scatter market about flat and cancellations up. Overseas, **Cartoon Net** is the "real speed grower," said Bewkes, and **HBO** remains a leader in all of its intl markets save for 1. Meanwhile, TWX, as expected, is moving toward a spin off one or more parts of **AOL** while also looking to acquire **Google**'s 5% stake in the Internet business, said Bewkes, adding that concrete structural plans will soon surface. Most of the company's overall rev decline of 7% stemmed from AOL's access business, said Martin. Owing to its separation from **Time Warner Cable**, TWX cut its net debt nearly in half during the Q, to $10.4bln as of Mar 31.

Competition: **Qwest**'s mass markets segment reported 49K net broadband adds in 1Q to 2.89mln, 34K video (**DirecTV**) adds to 832K and an 12% loss in consumer primary access lines. The telco's wireless base, 60% of which is served by **Verizon**, stands at 747K, down 9% YOY. Overall segment rev fell 11% to $1.3bln.

Deals: With **Comcast**'s contract with **NFL Net** set to expire Fri, there's still no word of an agreement on the horizon. Visit www.iwantnflnetwork.com to see some of the NFL's messaging and special offers for the channel. **DISH** is offering its Classic 200, which includes NFL, for $27.99/month for 6 months with a contract (www.dishnetwork.com/nflnetwork).

Ratings: **USA** took the prime cable belt in Apr with a 2.3/2.29mln, aided hugely by 6 1-hr **WWE** blocks that dominated the month's telecast top 8. The blocks averaged a 4.0/3.85, led by an Apr-best 4.2/4.16mln, and were joined on the leaderboard by **ESPN**'s **NFL Draft** coverage (4.0/3.9mln) and USA original "In Plain Sight" (3.9/3.87mln). *Bill O'Reilly* spurred **Fox News** to a 2nd-place finish among nets with a 1.9/1.81mln, ahead of **Disney Channel** (1.8/1.75mln), **TNT** (1.5/1.51mln) and **Nick at Nite** (1.4/1.36mln). -- Notable YOY prime ratings gainers and losers in Apr include: **MSNBC** (+40%), **TV Land** (+40%), Fox News (+36%), **Spike** (-38%) and **Lifetime** (-25%). ***Brag Book***: **truTV** delivered its most-watched month ever among 18-34s (271K), plus best-ever Apr prime deliveries among 18-49s (552K), men 18-49 (290K) and total viewers (1.15mln). -- A record 39mln viewers watched the '09 NFL Draft on **NFL Net**, ESPN and **ESPN2**, according to **Nielsen**, a 7% increase over last year. The ESPN nets alone garnered 36.7mln viewers, up 5% over '08. Overall draft viewership has increased 66% since '01. -- **Sci Fi** scored its best Apr ever among total viewers (1.23mln) and HHs (909K). -- **Nat Geo** notched its highest-rated Apr ever in prime through a HH avg of 0.48 and a 0.28 avg among 25-54s.

Programming: **Adult Swim** acquired **BBC** comedy "The Office," and plans to begin airing both seasons of the BBC Worldwide series this summer. -- **EWTN** will air complete coverage of *Pope Benedict XVI*'s visit to Jordan and Israel,

BUSINESS & FINANCE

May 8-15. The complete TV itinerary is at www.ewtn.com. -- *Al Roker* will host **Weather Channel**'s "Wake Up with Al" (summer), a 1-hr show to air weekdays from 6-7am ET. -- With alternative comedy now considered an important tent pole for its brand, **IFC** announced an '09-'10 slate that includes originals "Bollywood Hero" (Aug 6), a comedic mini starring *Chris Kattan*, and "Monty Python: Almost the Truth" (Oct 4), a 6-parter featuring interviews with the surviving Python members. Returning originals include "The Whitest Kids U Know" ('10).

People: *Chris Waldron* was promoted to vp, gaming operations for **Cartoon**. -- **Black Broadcasting Net** named *Paul Waters* svp, sales and marketing. -- **ION Media Nets** upped *Robert Marino* to vp, natl sales and appointed *Laura Diefenbach* account exec, network sales.

On the Circuit: Who says show attendance has to decline in today's economy? **ACA**'s Annual Summit in DC this week had 286 attendees from 150 companies, up from 266 from 130 companies last year.

Business/Finance: Energized by **Time Warner Cable** and **Time Warner's results** that largely beat **Wall Street** estimates, investors embarked Wed on a buying spree of cable-related shares. An impressive sample: TWC (+14.2%), **News Corp** (+8.2%), **Cablevision** (+7.8%), **Disney** (+7.7%), **Comcast** (+7.4%), **Mediacom** (+6.3%) and **Discovery** (+5.7%).

CableFAX Daily Stockwatch

Company	04/29 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
BRITISH SKY:	27.37	1.76
DIRECTV:	25.35	0.61
DISH:	13.26	0.44
DISNEY:	21.01	1.50
GE:	12.22	0.22
HEARST-ARGYLE:	4.52	0.02
NEWS CORP:	8.99	0.59
MSOS		
CABLEVISION:	16.96	1.23
COMCAST:	15.24	1.05
COMCAST SPCL:	14.33	1.12
GCI:	7.83	0.17
KNOLOGY:	6.83	0.33
LIBERTY CAPITAL:	12.33	0.68
LIBERTY ENT:	24.90	0.94
LIBERTY GLOBAL:	16.21	0.56
LIBERTY INT:	4.79	0.16
MEDIACOM:	5.05	0.30
SHAW COMM:	15.78	0.48
TIME WARNER CABLE:	31.12	3.87
VIRGIN MEDIA:	7.85	0.40
WASH POST:	412.00	(4.43)
PROGRAMMING		
CBS:	6.35	0.49
CROWN:	3.08	0.12
DISCOVERY:	19.27	1.04
EW SCRIPPS:	2.04	0.44
GRUPO TELEVISA:	16.05	0.71
HSN:	6.86	0.35
INTERACTIVE CORP:	16.65	0.69
LIBERTY:	25.35	1.06
LODGENET:	3.84	(0.23)
NEW FRONTIER:	1.97	0.02
OUTDOOR:	7.64	0.50
PLAYBOY:	2.85	0.37
RHI:	3.15	0.40
SCRIPPS INT:	27.01	0.99
TIME WARNER:	21.98	0.21
VALUEVISION:	0.74	0.00
VIACOM:	21.74	1.48
WWE:	10.89	0.28
TECHNOLOGY		
3COM:	4.11	0.10
ADC:	6.97	0.38
ADDVANTAGE:	1.72	(0.01)
ALCATEL LUCENT:	2.55	0.05
AMDOCS:	20.76	0.28

Company	04/29 Close	1-Day Ch
AMPHENOL:	33.97	0.98
APPLE:	125.14	1.24
ARRIS GROUP:	10.11	0.50
AVID TECH:	10.92	0.28
BIGBAND:	6.03	0.38
BLNDER TONGUE:	1.30	0.17
BROADCOM:	23.56	0.39
CISCO:	19.25	0.58
CLEARWIRE:	5.44	(0.01)
COMMSCOPE:	23.61	3.14
CONCURRENT:	4.95	0.81
CONVERGYS:	10.17	0.57
CSG SYSTEMS:	13.97	(0.61)
ECHOSTAR:	15.67	(0.09)
GOOGLE:	391.47	7.76
HARMONIC:	7.50	0.36
INTEL:	15.35	0.30
JDSU:	5.57	0.38
LEVEL 3:	1.07	0.10
MICROSOFT:	20.25	0.32
MOTOROLA:	5.96	0.15
NDS:	62.93	0.00
OPENTV:	1.50	(0.01)
PHILIPS:	17.77	0.56
RENTRAK:	9.91	(0.07)
SEACHANGE:	6.18	0.14
SONY:	26.14	0.37
SPRINT NEXTEL:	4.24	0.08
THOMAS & BETTS:	29.59	1.79
TIVO:	7.71	0.20
TOLLGRADE:	5.76	0.03
UNIVERSAL ELEC:	18.88	0.45
VONAGE:	0.39	0.02
YAHOO:	14.02	0.38
TELCOS		
AT&T:	25.52	(0.13)
QWEST:	3.68	0.11
VERIZON:	30.41	(0.55)
MARKET INDICES		
DOW:	8185.73	168.78
NASDAQ:	1711.94	38.13

Think about that for a minute...

Demand Hearings

It's time the cable industry started demanding some hearings up on Capitol Hill, just like everyone else. Don't fight them. Join in wholeheartedly and demand they look at the realities surrounding such questions as broadband deployment, net neutrality and consumption based billing.

That last subject triggered this rant. As you may remember from my last column (unfortunately, the once-every-other-week format prevents me from really keeping current on all the nonsense these days), I was somewhat aghast at the arguments being made by a few very loud protesters about the plan by Time Warner to start testing consumption based billing, or "metered use" for their Internet customers.

Steve Effros

The public interest groups and the regulators and politicians have made it clear they are leery of network management techniques that could in any way be defined as "discriminatory" between various applications (P2P vs. VOIP for instance). The only other logical approach is to say to those who want to use vastly more capacity than their neighbors—and have a consequent adverse impact on everyone's usage—that we must set out a fee schedule in which those who use more, pay more.

The idea of paying more for using more is not a Machiavellian construct of the evil broadband duopoly. It's the way virtually all goods and services get sold. I gave a partial list: electricity, gas, labor, water, food, health services, toll roads, and lots of folks sent me emails suggesting more. Nevertheless, somehow the organized cries of "foul" got louder and more political, and Time Warner retrenched. An unfortunate sequence of events, but they actually did something very clever in the long run; they had been pointing out all along that most of their customers would not see any increase in prices because most did not use extraordinary amounts of bandwidth. Now they are going to prove it by providing a "gas gauge" in advance of the introduction of usage based pricing.

Folks will be able to see exactly how much they are using long before the "caps" are tested. Most will know right up front that the caps don't have any applicability to them. Fine. Maybe that's the way it should have been done in the first place. Maybe the higher caps other companies have already instituted with no major outcry is the right way. Maybe the caps announced were too complicated and numerous. That's what tests are for.

What really burns me is that the protestors "demanded" hearings about what Time Warner was doing, and the industry seemed to be alarmed by that! We shouldn't be. We should demand those hearings too! We should demand that "public interest" groups or Members of Congress who don't think that consumers should be responsible for what they do, what they use, should say so. If they don't think consumers should actually have to pay for the Internet bandwidth they consume, they should say so—and also say how, exactly, that bandwidth gets paid for, and by whom.

There's no question there will always be tension on what the right "cap" should be, or how much bandwidth in our current competitive environment should cost. Are these folks demanding government-set rates? Then say so, and explain how it would work. Some "public interest" folks have suggested that fees should be directly and solely related to cost. A non-profit service? Are they saying the broadband system should be nationalized, commoditized, and paid for by the government? Do they want single, common carrier "rate of return" regulation without competition? If so, they should say so! Let's have a hearing.

Steve

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