

# CableFAX Daily™

Friday — August 6, 2010

What the Industry Reads First

Volume 21 / No. 151

## Beat the Street: TWC, CVC Put Strong 2Q Numbers on the Board

It was a similar story Thurs with **Time Warner Cable** and **Cablevision** posting 2Q numbers that beat estimates on several fronts. TWC's \$4.73bln in revenue beat the consensus of \$4.68bln, while Cablevision's \$1.8bln rev beat the \$1.77bln Street consensus. There are still questions over 3Q though. Like **Charter** the day before, Time Warner Cable execs said that June and July were "well below" year ago levels, even after adjustments for the digital transition effect that carried into 3Q09. The question is whether Aug, with its back to school boost, will be enough to turn it around. It sounded like Cablevision has also seen some recent softness, but recall that while 2Q is the seasonally weakest Q for most MSOs, it's actually 3Q for Cablevision. Highlights from the 2 MSOs' 2Q reports included Cablevision posting a gain in basic subs of 2900, while adding 27K HSD customers, 21K digital and 25K phone. TWC added 96K HSD subs (85K residential; 11K commercial), making it clear, said **Sanford Bernstein**, that cable is winning the broadband wars. TWC lost 110K basic, while digital gained 50K and residential phone added 63K. On the tech front, Cablevision's long-awaited remote storage DVR should begin deployment to its footprint by year-end. While it will result in cost-savings for the MSO, COO Tom Rutledge explained that it will carry the same price tag as CVC's current DVR service—and might even have more pricing power because it can do more as a whole home product. As far as TV Everywhere goes, Cablevision is developing IP apps that would allow subs to view programming on all sorts of broadband devices (including the iPad), but subs would only be able to access subscription content from their residence. Technical testing is in place for its previously announced PC to TV Media Relay service, with rollout slated for 4Q, and there was nothing new on WiFi voice. TWC was mum on the **Disney** negotiations. Cablevision did confirm that it's **Fox** deal is up in Oct, but didn't indicate that it's concerned. Both companies are petitioning the FCC to overhaul retrans rules. TWC confirmed that it will meet or beat full year guidance metrics, but didn't touch the issue of a buyback (sounds like it'll address it on 3Q call, with some analysts thinking the likelihood of a buyback is high). Adjusted OIBDA rose 6% at TWC to \$1.75bln (helped by a 24% increase in ad rev).

**Net Neutrality:** Those closed-door stakeholder meetings at the **FCC** on net neutrality have been called off with no compromise reached. "It has been productive on several fronts, but has not generated a robust framework to preserve the openness and freedom of the Internet—one that drives innovation, investment, free speech, and consumer choice. All op-

## CableFAX's Most Powerful Women in Cable 2010

### Who are cable's most powerful women executives?

Help us decide by nominating the executives you think should be included in our annual list of the Most Powerful Women in Cable. We will rank the top 50 most powerful women, and run a list of the second 50, in the November 2010 issue of CableFAX: The Magazine. Nominations are open to all cable operators, programmers, vendors and trade associations.

Nominations Due: **Friday August 13, 2010**  
Nominate Now at: [www.cablefax.com/2010powerfulwomen](http://www.cablefax.com/2010powerfulwomen)

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tions remain on the table as we continue to seek broad input on this vital issue," FCC chief of staff Ed Lazarus said Thurs. In other words, there is no consensus for legislative action that could head off broadband reclassification. Sen Commerce Communications subcmte chmn *John Kerry* (D-MA) said that the FCC is moving forward along a regulatory path with a Congressional stalemate making a legislative solution unlikely. "While this is an imperfect solution, it's [the chmn's] only real option to maintain the proper role of government oversight in communications," he said. "While we search for a long term solution I believe that all regulatory options should remain on the table." **NCTA** believes the talks produced significant progress and is disappointed all issues could not be resolved. It pledged to continue to work with those who seek constructive solutions. This news came the same day that 2 of the talks participants—**Google** and **Verizon**—spent the day denying a *NY Times* report that they are close to a deal that would let the ISP speed up some content to Web users if content creators paid for the privilege. "NY Times is wrong. We've not had any convos with VZN about paying for carriage of our traffic," Google posted on **Twitter**, added that it's committed to an open Internet. Verizon said the article regarding conversations between it and Google fundamentally misunderstands its purpose. "As we said in our earlier FCC filing, our goal is an Internet policy framework that ensures openness and accountability, and incorporates specific FCC authority, while maintaining investment and innovation. To suggest this is a business arrangement between our companies is entirely incorrect," it said. Public interest groups, including **Public Knowledge**, blasted news of a deal as soon as it was first reported Wed by **Bloomberg**, saying it should not be used as a template for a legislative solution. Bloomberg reported the compromise would restrict VZ from selectively slowing Internet content that travels over its wires.

**DirectTV:** Americans sure do love their HDTV, evidenced 1st by solid earnings from MSOs and now by **DirectTV's** maintenance of its upward trajectory. The DBS op delivered 12% rev growth, a 5.7% rise in ARPU and lower churn while adding 100K net subs and expanding FCF by 40%. Pres/CEO *Mike White* called the results "very strong," an assessment with which **Sanford Bernstein's** *Craig Moffett* agreed. "DirecTV remains the best-managed of the Pay TV players, and it shows in execution," said Moffett. "All key operating metrics were solid or better." No doubt shareholders also like the co's 2Q purchase of \$1.7bln in shares and its authorization for an additional \$2bln in buybacks. Perhaps DirecTV's only quarterly shortcoming came in rising SAC, but White maintained that the metric features a silver lining: Nearly two-thirds of the increase stemmed from higher penetration of advanced services, including new ones such as whole home DVRs. That, he said, bodes well for the co's goal to move toward better serving connected homes. In 2Q, 38% of new subs ordered HD/DVR services, HD/DVR penetration grew by 50% following DTV's "Free HD" promo and 70K subs hooked up their boxes to the Web. 70% of new customers are activating with advanced services. "Our connected home strategy is having terrific success," said White, adding that the whole home DVR has been "very well received by new customers as well as our current base." A recent partnership with **CenturyLink** will only help the cause, he said, as will planned tech improvements including a better user interface within 2 years and perhaps picture-in-picture and personalization functionality. These plays may become key to DirecTV's future, as Moffett sees risk in the co's tech dearth vis a vis cable. DirecTV's "broadcast-only technology remains immensely popular, but its long term adaptability is open to serious doubt," he said. "So too is their lack of a broadband offering, which leaves them exposed to cable operators cross-subsidizing video with their dominant broadband pipe." In the near-term, however, DTV execs expect to beat all '10 guidance.

**Insightful:** **Insight** grew rev 9% YOY to \$265.5mln and increased OIBDA 17% to \$90.3mln in 2Q. While RGUs grew 4% YOY at the end of June, the MSO lost 12K basic customs and 5700 phone subs. Digital gained 13K and HSD 1300. Insight brass said that phone has really been the company's most challenged product, with the economy disproportionately affecting it. "We're making changes to adapt to what's become the new reality," said *John Abbot*, CFO, evp of finance, noting that KY has an unemployment rate north of 10%. Private Insight doesn't normally hold conference calls, but did so Thurs because it has sold some bonds and therefore has an obligation to bondholders.

**Privacy:** Reps *Ed Markey* (D-MA) and *Joe Barton* (R-TX) sent a letter to 15 companies identified by the *WSJ* as reportedly installing consumer tracking technologies to track and/or target consumers visiting the sites. The letters went to **Comcast.net** and **MSNBC.com**, as well as **Dictionary.com**; **MSN.com**; **AOL.com**; **Merriam-Webster.com**; **Photobucket.com**; **Answers.com**; **Careerbuilder.com**; **Live.com**; **Myspace.com**; **Yahoo.com**; **Verizonwireless.com**; **Yp.com**; and **About.com**. The chairs of the bipartisan privacy caucus want more info on just what the companies are doing. "We are troubled by the findings in this report, which suggest that the price of consumers' unfettered use of the Internet increas-

# BUSINESS & FINANCE

ingly is surrender of their personal information, preferences and intimate details to Websites, data monitoring companies, marketers and other information gathering firms that seek to track them online and develop digital dossiers for a range of purposes, including marketing," they wrote.

**Earnings:** Cable's star keeps getting brighter this earnings season, with recent relative laggard **Viacom's** media nets posting 4% growth in domestic ad rev. As US affil rev rose 12% due chiefly to higher rates, the ad performance also improved sequentially as execs noted acceleration in the kids sector, which is earning dollars from non-endemic categories such as automotive and insurance. The co's upfront achieved mid- to single-digit pricing gains and greater volume, and pres/CEO *Philippe Dauman* noted that scatter pricing has improved further in the current Q. "The upfront season really set us up well," said Dauman, who expects continued sequential improvement in ad rev going forward. Media nets' overall rev increased 6% and adjusted op income jumped 14%. **Miller Tabak's David Joyce** reiterated his buy rating on Viacom shares with a \$43 long-term price target.

**On the Circuit: The Motorola Foundation** renewed its support of **The Cable Center's** Cable Mavericks Lecture series with a \$100K grant. Now in its 5th year, the series brings cable execs to college students across the nation.

## CableFAX Daily Stockwatch

Company	08/05 Close	1-Day Ch	Company	08/05 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	38.80	0.90	ARRIS GROUP:	9.63	0.00
DISH:	20.78	0.50	AVID TECH:	13.01	(0.12)
DISNEY:	34.98	0.15	BIGBAND:	2.96	(0.27)
GE:	16.52	0.04	BLNDER TONGUE:	2.07	(0.08)
NEWS CORP:	15.93	0.35	BROADCOM:	36.85	0.05
<b>MSOS</b>					
CABLEVISION:	27.44	(0.1)	CISCO:	24.17	0.03
COMCAST:	18.94	(0.29)	CLEARWIRE:	6.61	(0.55)
COMCAST SPCL:	17.85	(0.3)	COMMSCOPE:	22.29	0.10
GCI:	9.15	0.43	CONCURRENT:	4.90	0.01
KNOLOGY:	12.91	0.14	CONVERGYS:	10.23	(0.06)
LIBERTY CAPITAL:	47.87	0.76	CSG SYSTEMS:	19.20	(0.23)
LIBERTY GLOBAL:	29.53	(0.18)	ECHOSTAR:	20.15	(0.04)
LIBERTY INT:	11.42	(0.05)	GOOGLE:	508.10	1.78
MEDIACOM:	7.25	(0.12)	HARMONIC:	6.89	(0.09)
RCN:	14.92	(0.03)	INTEL:	20.67	(0.06)
SHAW COMM:	20.71	0.12	JDSU:	11.33	(0.06)
TIME WARNER CABLE:	58.38	(0.64)	LEVEL 3:	1.15	0.04
VIRGIN MEDIA:	21.83	0.23	MICROSOFT:	25.37	(0.36)
WASH POST:	408.61	(7.97)	MOTOROLA:	8.02	(0.04)
<b>PROGRAMMING</b>					
CBS:	15.53	(0.11)	RENTRAK:	26.50	(0.83)
CROWN:	2.25	0.11	SEACHANGE:	8.75	(0.2)
DISCOVERY:	38.34	(0.02)	SONY:	31.27	0.07
GRUPO TELEVISA:	19.81	0.04	SPRINT NEXTEL:	4.52	(0.07)
HSN:	28.36	(0.55)	THOMAS & BETTS:	40.29	(0.09)
INTERACTIVE CORP:	25.17	(0.08)	TIVO:	8.74	(0.13)
LIBERTY:	38.20	0.15	TOLLGRADE:	6.55	(0.08)
LIBERTY STARZ:	55.24	(1.47)	UNIVERSAL ELEC:	16.83	(0.6)
LIONSGATE:	6.64	(0.01)	VONAGE:	2.25	(0.02)
LODGENET:	3.24	(0.14)	YAHOO:	14.16	(0.02)
NEW FRONTIER:	1.60	(0.06)	<b>TELCOS</b>		
OUTDOOR:	5.51	(0.04)	AT&T:	26.74	0.10
PLAYBOY:	5.38	(0.01)	QWEST:	5.64	(0.06)
SCRIPPS INT:	44.81	0.37	VERIZON:	29.55	0.15
TIME WARNER:	32.89	0.42	<b>MARKET INDICES</b>		
VALUEVISION:	1.75	(0.06)	DOW:	10674.98	(5.45)
VIACOM:	38.00	(0.4)	NASDAQ:	2293.06	(10.51)
WWE:	15.69	(0.86)	<b>TECHNOLOGY</b>		
<b>TECHNOLOGY</b>					
ADC:	12.67	(0.07)			
ADVANTAGE:	2.85	(0.02)			
ALCATEL LUCENT:	3.03	0.03			
AMDOCS:	28.11	(0.32)			
AMPHENOL:	45.24	(0.41)			
AOL:	22.94	0.19			
APPLE:	261.70	(1.28)			



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**PROGRAMMER'S PAGE** with Chad Heiges and Seth Arenstein

**Relative Viewership**

Remember **Chevy's** famous blunder in Mexico, where it intro'd the Nova model to extremely light sales because it failed to realize the name translates to "no go" in Spanish? I thought about that laughable mistake while reflecting on the vagaries of international business stemming from nations' various income levels, demographic make ups, values and social norms. I'm sure cable companies such as **Discovery Comm, Time Warner** and **Viacom** must juggle these differences often, and recent multinational data from **Nielsen** highlighting the predilections of national/regional TV content viewers further exhibits the folly of a one-size-fits-all formula. Simply take TV usage, for example. Nielsen data show that at least 22 of the featured countries over index the US in TV usage in the last 30 days, led by Hong Kong, Brazil and China. But take heart, competitive citizens: only Serbia and Macedonia outpace the US in avg daily TV consumption/person. We love our HD too, as only 3 countries over index us in HDTV ownership (Australia was tops). Move to digital platforms, though, and the US' deficit is somewhat shocking. 37 countries over index in online video usage, or perhaps more telling is that just 17 under index. North America, meanwhile, trails every other global region in mobile video usage, and America ranks well behind multiple nations in the metric. The US mobile usage index is 55; the Philippines (182), Indonesia (173) and China (173) lead the pack. Yet consider: the US paces all nations in syndicated mobile video penetration and ranks 3rd in metered penetration of online video sites (Spain and Italy). As for the indices of ownership and interest in 3DTV and Internet-connected TVs, yup, you guessed it. The US was trumped again, by 28 nations in the former index and by 20 in the latter. *CH*

**Highlights:** "And Man Created Dog," Sun, 9p, **Nat Geo**. A well-told history of how dogs came to be, starting with wolves. Unknowingly humans became geneticists, selecting tamer wolves to nurture and much later domesticating dogs. *SA*

**Worth a Look:** "Aftermath with William Shatner," Mon, 10p, **Bio**. Who knew *Shatner* would be such a good interviewer? (The answer is anyone who's seen "Shatner's Raw Nerve" on Bio.) "Aftermath" differs from Raw Nerve, however. Where Shatner quizzes mostly celebs on Raw, here his subjects are former newsmakers, like vigilante Bernard Goetz and the D.C. sniper. Augmenting Shatner's interviews are dramatizations, taped pieces and ominous music. These additions mean it's raw no longer, but it's still interesting. -- "Bad Girls Club Miami," Tues, 9p, **Oxygen**. It's the 1st time O's most-watched show has ventured beyond L.A. Based on season V's premiere last week, that shouldn't matter. Possibilities for conflict (and cat fights) abound, especially involving *Morgan*, who insists she's the prettiest girl in town (she's not), and *Kristen*, whose blond locks and semi-sweet nature seem too prissy for this group of 20-something baddies. *SA*

**Notable:** "Dan Rather Reports" (Tues, 8p ET, **HDNet**) updates an earlier piece about sports concussions. -- The controversial **NY Jets** seem ideal subjects for a new season of training camp docu-series "Hard Knocks" (Wed, 10pm, **HBO**). *SA*

Basic Cable Rankings (7/26/10-8/01/10) Mon-Sun Prime			
1	USA	2.3	2251
2	DSNY	2	1973
3	TNT	1.8	1815
4	FOXN	1.4	1349
5	NAN	1.2	1180
6	TBSC	1.1	1117
6	HIST	1.1	1111
6	DISC	1.1	1111
6	A&E	1.1	1083
10	TOON	1	1035
10	HGTV	1	997
10	LIFE	1	984
10	FX	1	951
14	FOOD	0.9	943
14	ESPN	0.9	931
14	SYFY	0.9	913
14	MTV	0.9	878
14	FAM	0.9	856
14	TRU	0.9	827
20	AMC	0.8	808
20	CMDY	0.8	796
20	TLC	0.8	767
20	TVLD	0.8	747
20	NKJR	0.8	614
25	BRAV	0.7	630
25	HALL	0.7	626
27	SPK	0.6	593
27	BET	0.6	564
27	EN	0.6	547
27	LMN	0.6	509
27	NKTN	0.6	320
32	ESP2	0.5	524
32	MSNB	0.5	510
32	CNN	0.5	455
32	APL	0.5	437
36	TRAV	0.4	393
36	HLN	0.4	385
36	VH1	0.4	371
36	OXYG	0.4	324
36	WGNA	0.4	284
36	NGC	0.4	276
36	ID	0.4	270
36	GSN	0.4	264
44	TNNK	0.3	237
44	WE	0.3	236
44	CMT	0.3	233

\*Nielsen data supplied by ABC/Disney

**CableFAX THE MAGAZINE Most Influential Minorities in Cable**

Celebrate Diversity Week! This issue profiles CableFAX's most influential minorities in cable and the winners of NAMIC's EMMA Awards (Excellence in Multicultural Marketing Awards) and the Top 10 Places to Work in Cable.

**Distribution:** NAMIC and CableFAX Breakfast Honoring the 2010 Most Influential Minorities in Cable; Kaitz Dinner; WICT Conference.

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