

CableFAX Daily™

Wednesday — August 7, 2013

What the Industry Reads First

Volume 24 / No. 152

Deal or No Deal: Liberty Sticking By Charter, Digital Rollout Underway

Of course, Charter's earnings call Tues had to focus on consolidation, though "we believe in the benefits of consolidation, including significant opportunities for coast and tax synergies and more importantly, the ability to grow assets organically at a faster pace," pres/CEO *Tom Rutledge* said. "I think Charter can be extremely successful without it and potentially with the right deal, be more—even more successful." Liberty Media, which bought a 27% stake in Charter earlier this year, also reported earnings Tues and discussed M&A. Liberty CEO *Greg Maffei* said it's unlikely the company would buy stakes in other cable companies, other than in helping Charter execute its plans. Liberty's excitement in Charter comes from its lag in exploiting opportunities such as triple-play, and its new mgmt team led by Rutledge, he said. He echoed Rutledge's sentiment that Charter doesn't need to be involved in an acquisition. "We also thought there was optionality around other kinds of consolidation, but our investment was not conditioned around that optionality, it was only a further incentive," Maffei said. Not everyone agrees, with **Moffett Research's** *Craig Moffett* telling clients that a deal is "now need-to-have, not nice-to have... Charter's programming costs are unsustainably high, and only a deal will fix them." 2Q programming expense grew by \$27mln or 5% YOY, which equates to 5.7% per expanded basic video sub. Full-year programming expense growth is expected to be in the mid-to-high single digits on a per expanded basic customer basis. Overall, 2Q numbers showed improvement, with PSU net adds of +54K better than the -23K a year ago. Total residential customer relationships grew by 5K vs a loss of 17K a year ago. Charter lost 48K video subs in the Q, while adding 46K voice and 40K HSD customers. Adjusted EBITDA of \$692mln missed analyst estimates of \$730mln, but revenue growth of 4.7% was in line. **Worth Noting:** Charter's all-digital launch in Fort Worth, TX, is complete, leaving 30% of spectrum in the plant empty. "Texas is growing again in every category of subscriber PSU, and that's the first time Texas has grown in years," Rutledge said. L.A., Saginaw, MI, and Greenville, SC, systems should make the switch this year. The MSO plans to take all of its markets all-digital by the end of '14. Like every other big MSO, Charter is working on a cloud-based user interface. One possibility being kicked around is using a hybrid approach, with some of the guide infrastructure in the box and other parts in the cloud. Later this year, it will launch an app that allows streaming of linear video inside the home to smartphones and tablets.

CableFAX

TV Innovation Summit

Monetizing Apps, TVE and Social TV

Early Bird
Rate Ends
August 23!

September 24, 2013 | The Yale Club | New York City

This unique, insight-packed CableFAX summit will tell you everything you need to know about how TV Everywhere, Social TV and 2nd Screen Apps are converging to offer new revenue and retention opportunities for TV content owners and distributors. Join colleagues and industry experts to learn about new ways to optimize on TV's multi-screen dynamic in order to grow your business and keep your clients happy.

Questions: Saun Sayamongkhun, saun@accessintel.com 301-354-1694. Sponsorships: Amy Abbey, aabbey@accessintel.com 301-354-1629

Register today: www.CableFAXTVSummit.com Sponsored by: Clearleap Inc. | Viamedia | SeaChange International | Parks Associates

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Sales Mgr: Susan Kim, 301.354.2010, skim@accessintel.com ● Dir of Market Dev: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Prod: Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group ● Group Subs: Amy Russell, 301.354.1599, arussell@accessintel.com ● Subscription Questions, contact Client Services: 301.354.2101, clientservices@accessintel.com
Access Intelligence, LLC, 4 Choke Cherry Road, 2nd Floor, Rockville, MD 20850

DISH Earnings: As if all the MSO M&A rumors weren't enough, **DISH** head *Charlie Ergen* suggested during the company's Tues earnings call that the competitive environment has changed since its proposed merger with **DirectTV** died in '01 because of regulatory challenges. "There's no question that putting DISH and DirectTV together makes a lot of sense," he said. "We would certainly look at DirectTV and putting DISH and DirectTV together," he said. Ergen said consolidation is inevitable because "the marketplace is probably fairly attractive for consolidation in the video business... It might happen in cable first, forcing satellite companies to look at things differently." Retrans disputes like the ongoing battle between **Time Warner Cable** and **CBS** (see separate story in the issue) "is going to lead to industry consolidation, or it's going to lead to congressional action, or it's going to lead to new technology alternatives, whether it's going to be guys like **Aereo** who do it a different way, or it's going to be... customers who just don't watch the broadcast networks anymore," he said. It's increasingly clear that DirectTV remains DISH's "only truly compelling combination," wrote *Craig Moffett* of **Moffett Research**, noting "sufficient operating cost savings to fund both network construction and the necessary price cuts to re-invigorate satellite's consumer value proposition" and provide "a ready base of subscribers to whom to market a new wireless ISP service," among other things. During 2Q, the company lost 78K net subs partly due to rate increases and aggressive promotions from its cable competitors. The company posted a net loss of \$11mln vs a net income of \$266mln in the year-ago quarter partly due to a \$438mln impairment charge related to two acquired satellites. Other highlights: Ergen said OTT remains a challenge, but "we are technically prepared for OTT, if that's something the programmers ultimately want to do." And with DISH's contract with Disney will be up for renewal in Sept, Ergen said he's "optimistic" that a deal can be done.

Day 4: CBS and Time Warner Cable's game of he said/he said continued, with *Les Moonves* calling *Glenn Britt's* Mon offer a "public relations gesture" vs a true proposal. TWC's offer to carry **CBS** a la carte rings hollow, he wrote, adding "if you thought it was a good idea, why aren't you offering your new, multi-billion dollar Lakers and Dodgers channels to your subscribers in Los Angeles on an a la carte basis?" And TWC's offer to agree to new economics while rolling back the deal to old terms doesn't work because the new economics are all tied to new terms and conditions, Moonves said. Members of Congress have taken note, with Sen *Ed Markey* (D-MA) on Tues asking the FCC to investigate reports that CBS is blocking TWC subs' Internet access to CBS shows online. "A consumer's choice of cable television provider should not be tied to her ability to access Internet content that is freely available to other consumers," he wrote in a letter to the FCC. He also asked the Commission to take action to bring the parties together so contract negotiations can be resolved. Rep *Anna Eshoo* (D-CA), meanwhile, pledged to examine whether changes to the law are required to protect consumers from blackouts. She urged the two companies to work something out. Time Warner Cable did file at the **FCC** last Fri (the same day it lost CBS O&Os and **Showtime**), urging the Commission to reform retrans. The MSO argued that CBS's bundling of the O&Os with Showtime and pay TV services are at odds with the legislative intent of the retrans regime. It wants the FCC to clarify that "good faith" negotiations require broadcasters to offer real, standalone terms for retrans consent. Other MVPDs continue to come to TWC's side. "The programming cost issue isn't limited to Time Warner and CBS. It's between every video content provider in the programming supply food chain and every video distributor selling programming packages to consumers," said *Bob Wilson*, Cox svp, content acquisition. "The industry has to find a way to work together to address the path we are on with respect to rising content fees, especially for retransmission consent of broadcast stations and sports programming, in a way that responds to consumer needs." **Mediacom** also issued a statement: "When the recent actions of companies like CBS, **ICA Broadcasting**, **Journal Broadcast Group** and **Raycom Media** are coupled with the Federal Communications Commission's unwillingness to protect television viewers, it means consumers have only two choices—both unacceptable—blackouts or higher cable prices." CBS's "Under the Dome" hit a ratings low Mon, with the ep watched by 10.2mln vs more than 11mln the prior week.

Mickey Earnings: **Disney's** 2Q earnings per share of \$1.01 was equal to the prior-year quarter. Operating income at cable nets increased \$229mln to \$2.1bln during the period, thanks to growth at **ESPN**, **AETN**, and domestic **Disney Channels**. The growth was partially offset by a decrease at **ABC Family** due to higher programming costs driven by more hours of original scripted programming. Higher operating income at ESPN was due to higher affil revenues and higher ad gains, partially offset by increased programming and production costs. Higher equity income from AETN reflected higher ad and affil revenues, along with the benefit of the increase in the company's ownership interest.

BUSINESS & FINANCE

Ratings: TNT's "Rizzoli & Isles" edged out ESPN's NASCAR Sprint coverage as last week's most-watched cable program (5.3mln total viewers vs 5.1mln). **Discovery's** Sun kick off to Shark Week, "Megalodon Monster Shark," was the 4th most-viewed program (4.8mln). **USA** was #1 in prime (2.6mln), followed by **Disney** (2.3mln) and TNT (2.1mln).

Programming: CNN's revived "Crossfire" debuts Sept 16 at 6:30pm ET. New primetime show "AC 360 Later" also bows that day, running Mon-Thurs at 10pm ET. Other changes: *Wolf Blitzer* adds the 1pm hour of "Newsroom" to his responsibilities.

Advertising: Nat Geo said nearly 1K people participated (buyers, planners and ad folks across the US) in its upfront trivia question/online game sweeps, with 75% coming back on multiple days (and thus learning more about the upfront programming slate). The grand prize was a trip to Peru.

Programming: Bravo greenlit scripted pilot "Girlfriends' Guide to Divorce."

On the Circuit: NCTA chief *Michael Powell* is headed to Hotlanta for the SCTE Cable-Tec Expo to deliver the keynote on Oct 22.

People: *Neal Scarbrough*, previously vp, digital media for **Versus**, was hired as sr exec producer for sports at **Al Jazeera America**. **Current TV's** *Jeff Green* will serve as exec producer of sports programming.

CableFAX Daily Stockwatch

Company	08/06 Close	1-Day Ch	Company	08/06 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DIRECTV:	61.11	(0.62)	GOOGLE:	896.57	(8.43)			
DISH:	44.91	0.20	HARMONIC:	7.73	(0.08)			
DISNEY:	67.05	1.03	INTEL:	22.80	(0.12)			
GE:	24.31	(0.21)	JDSU:	14.28	(0.49)			
NEWS CORP:	31.23	(0.13)	LEVEL 3:	21.61	(0.82)			
MSOS								
CABLEVISION:	19.00	(0.65)	MICROSOFT:	31.58	(0.12)			
CHARTER:	127.05	(3.1)	RENTRAK:	21.00	(0.33)			
COMCAST:	44.99	(0.64)	SEACHANGE:	11.71	(0.24)			
COMCAST SPCL:	43.13	(0.67)	SONY:	20.72	(1.04)			
GCI:	9.43	(0.04)	SPRINT NEXTEL:	6.97	0.09			
LIBERTY GLOBAL:	79.70	0.10	TIVO:	10.82	(0.22)			
LIBERTY INT:	23.92	(1.3)	UNIVERSAL ELEC:	30.09	0.05			
SHAW COMM:	24.54	(0.43)	VONAGE:	3.14	(0.03)			
TIME WARNER CABLE:	114.26	(2.16)	YAHOO:	27.32	(0.35)			
WASH POST:	593.00	24.30	TELCOS					
PROGRAMMING								
AMC NETWORKS:	70.84	1.43	AT&T:	35.48	(0.19)			
CBS:	54.00	0.14	VERIZON:	50.09	(0.12)			
CROWN:	2.73	(0.09)	MARKET INDICES					
DISCOVERY:	82.59	0.16	DOW:	15518.74	(93.39)			
GRUPO TELEVISIA:	27.62	0.17	NASDAQ:	3665.77	(27.18)			
HSN:	61.77	(1.5)	S&P 500:	1697.37	(9.77)			
INTERACTIVE CORP:	50.23	(0.32)	TECHNOLOGY					
LIONSGATE:	33.76	(0.18)	ADDVANTAGE:	2.60	0.05			
SCRIPPS INT:	73.22	0.34	ALCATEL LUCENT:	2.56	(0.07)			
STARZ:	24.67	(0.22)	AMDOCS:	38.49	(0.26)			
TIME WARNER:	64.08	(0.39)	AMPHENOL:	78.75	(0.62)			
VALUEVISION:	6.17	0.02	AOL:	36.18	0.78			
VIACOM:	79.35	0.01	APPLE:	465.25	(4.2)			
WWE:	10.39	(0.07)	ARRIS GROUP:	15.31	(0.16)			
TECHNOLOGY								
ADDVANTAGE:	2.60	0.05	AVID TECH:	5.87	0.02			
ALCATEL LUCENT:	2.56	(0.07)	BLNDER TONGUE:	0.98	(0.01)			
AMDOCS:	38.49	(0.26)	BROADCOM:	26.81	(0.23)			
AMPHENOL:	78.75	(0.62)	CISCO:	26.21	(0.1)			
AOL:	36.18	0.78	CONCURRENT:	8.00	(0.29)			
APPLE:	465.25	(4.2)	CONVERGYS:	19.32	(0.19)			
ARRIS GROUP:	15.31	(0.16)	CSG SYSTEMS:	23.74	(0.3)			
AVID TECH:	5.87	0.02	ECHOSTAR:	42.87	1.49			
BLNDER TONGUE:	0.98	(0.01)						
BROADCOM:	26.81	(0.23)						
CISCO:	26.21	(0.1)						
CONCURRENT:	8.00	(0.29)						
CONVERGYS:	19.32	(0.19)						
CSG SYSTEMS:	23.74	(0.3)						
ECHOSTAR:	42.87	1.49						

Congratulations to Cable One the 2013 Independent Operator of the Year!

Enjoy CableFAX: The Magazine Top Ops Issue. Read about the various category winners and their entrepreneurial attitude that continues to grow cable. The categories recognize excellence in a variety of areas, including marketing, technology, finance, lifetime achievement, customer service and community involvement.



22516