

Comcast 2Q profit dips on NBC Universal deal costs

July 28 2010, By DEBORAH YAO , AP Business Writer



In this Dec. 3, 2009 file photo, a sign outside the Comcast Center is shown in Philadelphia. Comcast Corp. reported an 8.6 percent drop in second-quarter earnings Wednesday, July 28, 2010, partly because of costs related to its pending takeover of NBC Universal, yet it saw improvements in advertising and demand for pricier television services. (AP Photo/Matt Rourke, file)

(AP) -- Comcast Corp. reported lower second-quarter earnings Wednesday partly because of costs related to its pending takeover of NBC Universal, yet it saw improvements in advertising and demand for pricier television services.

The nation's largest [cable TV provider](#) is still hoping to win regulatory approval and close by year's end its deal to buy a controlling stake in the broadcaster from General Electric Co. Costs to [Comcast](#) so far include legal fees and interest payments on borrowing related to the pending

transaction.

Those costs aside, Comcast and other cable TV companies have been facing losses in basic television customers as the market matures and competition is fierce. The economy also took a toll: Fewer new homes built mean fewer people are moving and hence won't be needing to hook up cable TV. The high jobless rate also constrains consumer pocketbooks.

But Comcast found that demand for pay-per-view and pricier digital TV packages improved in second quarter.

"We remain cautious but optimistic about our ability to continue to execute in this environment," Comcast CEO Brian Roberts said in a conference call with analysts.

In the quarter, Comcast earned \$884 million, or 31 cents per share, down 8.6 percent from \$967 million, or 33 cents per share, a year earlier.

NBC-related costs came to \$36 million after taxes, or 2 cents per share. Excluding those costs and a 4-cents-per-share gain in the 2009 quarter from one-time tax benefits, Comcast would have earned 33 cents per share.

Revenue rose by 6.1 percent to \$9.53 billion, from \$9 billion.

Analysts were expecting income of 32 cents per share on revenue of \$9.3 billion, according to Thomson Reuters.

Free cash flow, a key metric for capital-intensive industries such as cable, rose by nearly 16 percent to \$1.36 billion.

Revenue for local ads shown on its [cable channels](#) grew 23 percent

during the quarter, led by automotive, though all categories are up in double-digit percentages.

Comcast, like many other cable TV companies, continues to lose television customers. In the second quarter, which is seasonally slow because many people cancel their subscription in the summer months, Comcast lost 265,000 video subscribers to end the quarter with 23.2 million. That's greater than the loss of 214,000 in the same period last year.

But among video customers, 394,000 signed up for the pricier digital cable service. That's higher than the 250,000 that signed up in the 2009 quarter.

Growth in orders for digital cable and pay-per-view, rate increases, among others, offset the loss of video customers. Video revenue rose by nearly 1 percent to \$4.9 billion.

Although high-speed Internet customers climbed by a lower-than-expected 118,000, the growth is much higher than last year's 65,000. The number of phone customers rose by 230,000, about the same as the second quarter of 2009.

Revenue for cable's broadband business rose 10 percent to \$2.13 billion while phone revenue rose 14 percent to \$916 million.

Neil Smit, president of cable operations, said Comcast decided not to chase the most price-sensitive customers. These folks typically buy just one service - TV, Internet or phone - and are more prone to switch to a competitor if there's a better deal. Comcast will focus on customers from whom it generates more profit even if that means letting go of some subscribers.

Barclays Capital analyst James Ratcliffe noted that even if growth in video and Internet subscribers were below expectations, customers in all three services still paid more per month. Subscribers on average paid \$127.78 per month, up 8 percent.

"They were managing more for profitability and a little less for subscriber count in the quarter," he said.

Analysts expect other cable operators to report similar results. Time Warner Cable Inc., Cablevision Systems Corp. and Charter Communications Inc. are scheduled to release second-quarter earnings next week.

Shares of Comcast, based in Philadelphia, were unchanged at \$19.33 in midday trading Wednesday.

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