Time Warner Cable 3Q net income rises

November 4 2010, By PETER SVENSSON , AP Technology Writer

In this Feb. 2, 2009 file photo, a Time Warner Cable truck is parked in New York. Time Warner Cable Inc., the country's second-largest cable company said Thursday, Nov. 4, 2010, it lost more video subscribers in the latest quarter than it ever has before, (AP Photo/Mark Lennihan, file)

(AP) -- Time Warner Cable Inc., the country's second-largest cable company, lost more cable-TV subscribers in the latest quarter than it ever has before, keeping the question alive of whether Internet video is finally starting to cut into the cable business.

Investors, however, were cheered by news of a $4 billion stock buyback and sent the shares up $3.52, or 6 percent, to $63.18 in morning trading Thursday.

Cable executives have so far dismissed the idea that "cord-cutting" is due to the encroachment of the Internet and the ever-increasing options for watching video online. Rather, executives blamed the speedup in subscriber flight on the weak economy.

Yet Time Warner Cable reported losing 155,000 video subscribers in the latest quarter, compared with 64,000 a year ago, when the economy was worse.

The only larger cable company, Comcast Corp., reported last week that its subscriber loss more than doubled in the third quarter, to 275,000.

Chief Operating Officer Landel Hobbs said the company hasn't been able to identify any "cord-cutting" in favor of Internet video. The biggest subscriber losses have been among people who don't have cable broadband, he said. These people seem to be going to satellite or giving up on pay TV entirely.

On the theory that college students might be among the first to drop cable TV, the company looked at changes in subscriber figures in college towns such as Austin, Texas, and found that they corresponded to the level of student enrollment, he said.

"We'll continue to monitor cord-cutting, but haven't found evidence where you might expect to see it," Hobbs told analysts on a conference call.

Whatever the reason for the subscriber flight, cable companies are more than compensating for the loss of subscribers by selling more services to the remaining ones.

New York-based Time Warner Cable said its third-quarter net income was $360 million, or $1 per share, up from $268 million, or 76 cents per share, a year earlier.

Revenue rose 5.2 percent to $4.73 billion, from $4.5 billion.

The earnings were boosted by a net 4 cents per share from various items. Excluding those, results still exceeded the average analysts forecast of earnings of 89 cents per share on revenue of $4.72 billion, as polled by Thomson Reuters.

The buyback program is the first one since Time Warner Cable was spun off from media conglomerate Time Warner Inc. in early 2009 and is worth 19 percent of the company's current market capitalization.

The $4 billion buyback program was expected by analysts, but Christopher King at Stifel Nicolaus said he was expecting a smaller one, at $3 billion to $3.5 billion. However, because the buyback program has no deadline, it's not clear how much money will be spent each year.

Cable companies have been losing total video subscribers for some time, but they usually compensate by upgrading basic subscribers to more expensive digital tiers, as well as adding broadband and phone subscribers. However, Time Warner Cable lost digital video subscribers and added a record-low 22,000 phone subscribers, meaning it lost overall "revenue-generating units," an important measure in the industry. King said this is probably the first time any major cable company has lost "units" in a quarter.

CEO Glenn Britt said the company is looking at introducing some sort of "value" cable-TV package to win back some of the budget-minded subscribers who have been leaving.