

Time Warner Cable sees Web future as 1Q tops views

April 28 2011, By RYAN NAKASHIMA , AP Business Writer

(AP) -- Time Warner Cable Inc.'s high-speed Internet service overshadowed its core cable TV business as a boost in broadband subscribers contributed to a 52 percent increase in first-quarter net income.

The company is focusing more on developing technology around Web-delivered video, suggesting that it sees a future providing Internet access, and supplanting fears that people could somehow avoid a monthly cable bill by watching shows online.

Combined with the idea that they could some day raise prices on those who use the most data, the company painted a picture of a business that would survive the transition from traditional cable video to the Internet.

"High-speed data is quickly becoming the anchor product in the eyes of our customers," Chief Executive Glenn Britt told analysts Thursday.

The company added 177,000 net residential Internet customers - more than the 159,000 expected - ending the quarter with 9.6 million. The total number, including 346,000 business customers, surpassed 10 million after the quarter ended for the first time.

The company's engineers are focused on delivering more video over the Internet to an array of devices include Apple Inc.'s iPad, developing technology that could eventually make cable set-top boxes unnecessary, Britt said.

"The technology that we're using to simulcast video to iPads will eventually feed all of these devices, and over time this may lead to a world without set-tops, which we think could enable a much better customer experience," he said.

Time Warner Cable remains the nation's No. 4 provider of video hookups but is No. 3 in providing broadband Internet access.

The company lost 66,000 residential video subscribers, in line with forecasts. Combined with business customers, it ended the quarter on March 31 with 12.3 million video subscribers.

Net income rose 52 percent to \$325 million, or 93 cents per share. Excluding one-time items, adjusted earnings came to \$1.01 per share, beating the 97 cents per share expected by analysts polled by FactSet.

Revenue rose 5 percent to \$4.83 billion, also surpassing expectations for revenue of \$4.79 billion.

The company said a mix of higher prices and customers buying higher-end products helped average revenue per user. Average video revenue rose 5 percent to \$74.57 per customer, data revenue rose 6 percent to \$44.68 and voice revenue rose 2 percent to \$39.32.

Britt reiterated previous company statements that the greater use of data by some could eventually lead to usage-based pricing.

"Clearly, the volume of activity on the Internet is growing really fast," he said. "To keep up with that there's going to be more and more investment required. It'll be natural, like everything else in our lives, that the people who use more will pay more and the people who use less will pay less."

The company maintained its forecast for annual earnings of \$4.25 to \$4.50 per share.

Shares rose 40 cents to \$75.71 in midday trading Thursday.

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Citation: Time Warner Cable sees Web future as 1Q tops views (2011, April 28) retrieved 6 May 2024 from <https://phys.org/news/2011-04-warner-cable-1q-street-subs.html>

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