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## Comcast Net Income Rises 28 Percent

By THE ASSOCIATED PRESS

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PHILADELPHIA (AP) -- [Comcast Corp.](#), the nation's largest cable TV operator, reported a 28 percent increase in second-quarter profit Thursday as it saw a surge in subscribers for digital TV and its promotionally priced package of TV, Internet and phone services reeled in customers.

But investors were disappointed about declines in basic video subscribers and the smaller-than-expected growth of high-speed Internet subscribers.

Its shares fell \$1.62, or 5.6 percent, to \$27.92 in midday trading amid a broader market pullback.

The Philadelphia-based company earned \$588 million, or 19 cents a share, in the April-June period compared with \$460 million, or 15 cents a share, a year ago.

Revenue rose 31 percent to \$7.7 billion from \$5.91 billion a year ago.

Analysts surveyed by [Thomson](#) Financial expected, on average, profits of 19 cents a share on revenue of \$7.71 billion.

Comcast, which has more than 24 million cable TV subscribers, said video, Internet and phone revenue combined rose 12 percent to \$7.3 billion in the quarter. Operating cash flow rose by 13 percent to \$3 billion.

Net additions in revenue generating units, an industry measure of performance, nearly doubled to 1.6 million, a second-quarter record at Comcast. RGUs count the number of individually subscribed services, so two customers each subscribing to digital cable and high-speed Internet would count as four RGUs.

Breaking down operations into business segments, cable TV revenue rose by 7 percent to \$4.5 billion in the quarter.

Revenue received from each video customer on average -- what customers paid the company for cable TV and related services -- hit triple digits for the first time, to \$101.02 from \$90.76 per month. Eighty percent of digital subscribers pay \$65 or more per month for services.

Comcast added 823,000 net digital subscribers, up 144 percent from a year ago, in part as the company stepped up shipments of its digital set-top boxes before July 1. The [Federal Communications Commission](#) had set the July deadline for cable companies to ship new set-top boxes with a separable cable card to encourage a retail market for set-tops. The card unscrambles the cable TV signal.

The company said it installed 2.1 million digital boxes in 13 weeks.

The number of basic subscribers fell by 95,000, about 4,000 more than a year ago.

High-speed Internet revenue rose by 20 percent to \$1.6 billion. Comcast added 330,000 net new customers, down 3,000 from last year. Revenue per subscriber was \$43.37, up from \$43.06.

"We view business as, I think, very healthy right now," said Brian Roberts, chief executive of Comcast after analysts asked about competition during a conference call. "Clearly, there's more competition. ... You wish the competition wasn't there, but the fact is it sharpens your company."

Comcast said its focus in the quarter was on shipping out digital boxes.

"We put a lot of emphasis on the July 1 cutoff," Roberts said. "It sure changes the emphasis."

David Joyce, an analyst at Miller Tabak & Co. in New York, said seasonality contributed to the drop in basic subscribers as students and vacationers left town for the summer.

"They have lots of exposure to college towns," he said.

As for high-speed Internet, Joyce expected Comcast to add 150,000 more customers than reported.

Revenue for digital and circuit-switched phone services doubled to \$420 million in the quarter, with the latter being a drag on sales as Comcast transitions to digital voice. The company doesn't expect the circuit-switched business to hamper the phone segment as much next year.

Net new subscribers to the digital phone service doubled to 671,000, but revenue per customer fell to \$42.65 a month from \$43.33. The number of circuit-switched phone customers fell by 117,000.

Content revenue, from cable channels and programming owned by Comcast, rose 22 percent to \$334 million. Advertising revenue fell by 1 percent to \$399 million in the quarter.

Comcast said capital expenditures rose by 65 percent to \$1.6 billion in the quarter as the company invested in new products.

The company also bought back nearly 28 million shares, at a cost of \$752 million.

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