

# Comcast Reports Small Profit Gain in the Face of Regulatory Uncertainty

By EMILY STEEL

Uncertainty regarding new strict rules governing the Internet as well as the prospects for its proposed merger with Time Warner Cable hung over Comcast on Tuesday, as the media conglomerate reported fourth-quarter profits that were up only slightly compared with the period last year.

Comcast, which is the country's largest cable operator and owns the NBCUniversal entertainment group, could face substantial changes in its business after a decision this week on new rules under consideration by the Federal Communications Commission. The rules — known as net neutrality — would regulate

companies that provide Internet service much the same way as telephone companies or other utilities are regulated. The F.C.C. is scheduled to vote on the issue on Thursday.

At the same time, Comcast's proposed \$45 billion acquisition of Time Warner Cable is awaiting regulatory decisions more than a year after it was announced. While Comcast executives said on Tuesday that they were confident the deal would close soon, some analysts have raised doubts that the transaction would be approved. Costs related to the transaction totaled \$237 million in 2014, the company reported.

"There's no shortage of change occurring in the competitive landscape, the breakneck pace of

innovation and shifts in the regulatory climate we must navigate," Brian L. Roberts, Comcast's chief executive, said in a conference call to discuss the earnings.

Mr. Roberts reiterated Comcast's opposition to the idea that the government should regulate the Internet like a utility, under Title II of the Communications Act. He called the Title II regulation "antiquated" and said that there were "unnecessary risks associated with applying 1930-style regulations to something as dynamic as the Internet."

"Our attention, just like everyone else, is on the actual text of the order, the upcoming vote, the strength of forbearance, and ultimately, the commission's focus

on preservation of incentives for the private sector to continue to invest aggressively in broadband," he said.

The implications of the coming regulation are unclear. Some rival telecom companies have said that such a regulatory approach could deter their investments in broadband service, and analysts have raised concerns that the new rules could lead to more price regulation. But Mr. Roberts said that it was premature to speculate on the impact the regulation would have on Comcast's appetite to invest in broadband before seeing the order. "Until we see the fine print, I think we have to reserve judgment," he said.

That regulatory uncertainty, along with vast changes in how

people are consuming media, has led to questions about Comcast's business. "Operating results are now only half the story," Craig Moffett, an analyst with Moffett-Nathanson Research, said in a research note. "There's that other drama playing out in Washington (perhaps you've heard?)."

Comcast reported on Tuesday that net income for the quarter that ended Dec. 31 inched up 0.6 percent to \$1.9 billion, or 74 cents a share, up from \$1.9 billion, or 72 cents a share, during the period last year. Total revenue increased 4.8 percent to \$17.7 billion, with growth in its broadband and broadcast businesses offsetting advertising weakness at its cable networks.

Comcast, similar to other tele-

vision providers, is combating the move toward cord-cutting, where people cancel their subscriptions for television service in favor of cheaper streaming alternatives. During the quarter, Comcast added only 6,000 video customers, an 87 percent decline from the 46,000 it added during the period last year. Comcast added a total of 178,000 customers during the quarter.

Revenues at NBCUniversal increased 2.3 percent to \$6.6 billion. The broadcast group saw an uptick driven by such programs as "The Voice," "The Blacklist" and "Sunday Night Football." The company's cable networks reported a 5.6 percent decline in advertising revenue because of ratings pressure.

# The Challenge of Putting a Price on an Economist's Nobel Medal

From First Business Page

For the medal awarded to Kuznets, who died in 1985, the opening bid is \$150,000.

The seller, Kuznets's 83-year-old son, Paul, is himself an economist, but in this case, he sidestepped any fancy modeling. He said the auction house "suggested a price range, and I settled halfway between the bottom and the top."

The 23-karat medallion is worth about \$8,700 in gold alone. But the value of a Nobel, or any prize for that matter, has as much to do with its mystique — who won it and why — as it does with its raw materials or rarity.

David O. Selznick's Oscar statuette for directing "Gone With the Wind" sold for \$1.542 million. Compare that to the Best Song Golden Globe for "I Feel Love" by Euel Box from the 1974 film "Benji," which sold for \$23,116. The 1953 Footballer of the Year trophy awarded to Nat Lofthouse went for \$30,819 while the Presidential Medal of Freedom that Lyndon B. Johnson gave in 1968 to his defense secretary, Robert McNamara, sold for \$47,652.

So the question is whether bidders consider Kuznets more of a "Gone With the Wind" or a "Benji."

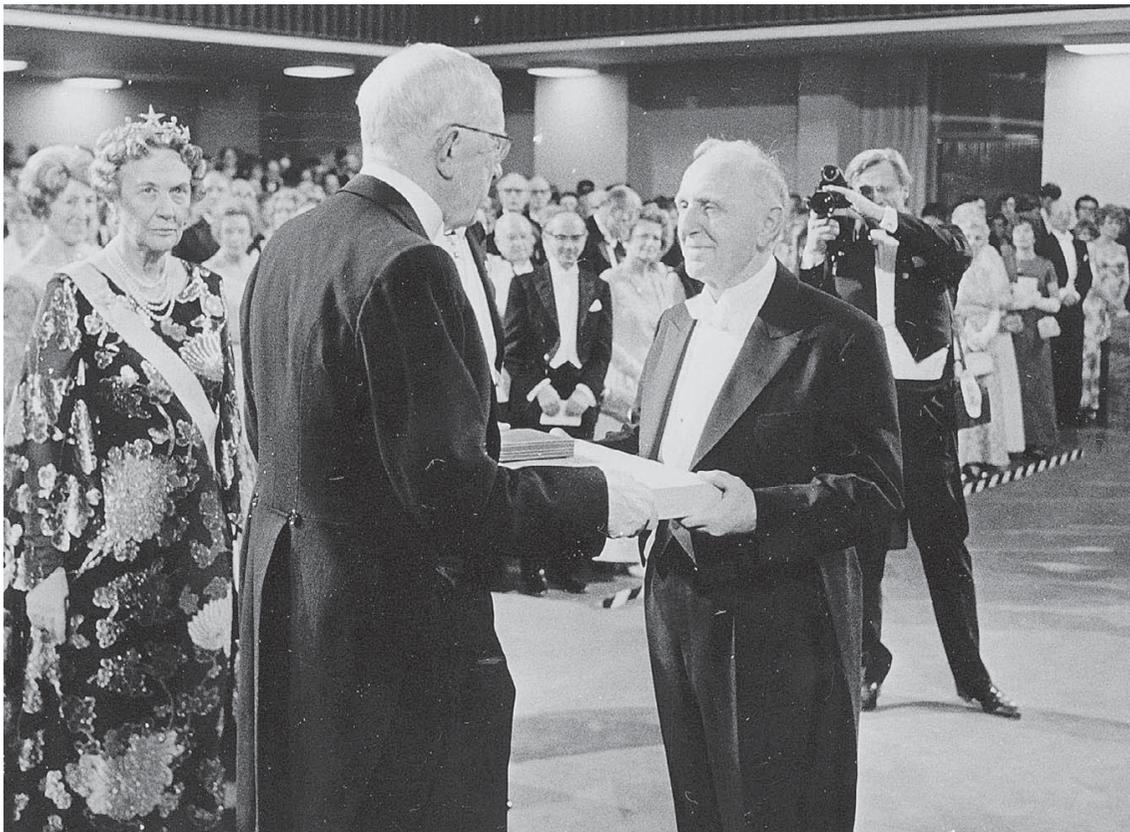
Though far from a household name, Simon Kuznets helped lay the foundation of the modern field of economics by creating standard measures of national income and economic growth. Kuznets wanted to figure out a way to describe what was happening both in industrial and developing nations, and he grounded his investigation in the historical record.

"I started out with the general notion that economics is the basis of all social problems," he said when he was awarded the Nobel in 1971.

Born in Ukraine in 1901, Simon Kuznets briefly worked in the labor statistics office there before coming to the United States, where he attended Columbia University. His work during the 1930s helped John Maynard Keynes's ideas of stimulating the economy to pull the country out of the Depression gain acceptance.

During World War II, Kuznets served as the chief statistician at the War Production Board. His calculations helped decide whether the American government was going to focus on building tanks or planes.

Although all of the economic



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Simon Kuznets, right, receiving his Nobel medal in 1971. Bidding for the award, set to close on Thursday, opened at \$150,000.

statistics churned out by the Commerce Department can trace their lineage back to Kuznets, the department did refuse to accept one of his key recommendations, that the value of unpaid household work be included in the nation's productive output.

Paul Kuznets said he began to think more seriously about a sale after a call from the Nate Sanders auction house. "It's been sitting in a safety deposit box for what, 40-something years, and it's not doing anyone much good," said Mr. Kuznets. "I've got among other things, photos of the ceremony. I've even got tape recordings and that sort of thing, and I have memories of many years with my parents. I think those are more important to me than what is essentially a piece of jewelry."

It was the posthumous sale in 2013 of Crick's piece of jewelry for \$2.27 million that prompted the recent spate of Nobel medal auc-

tions.

"I knew I would soon auction off my 1962 Gold Nobel Medal the moment I learned that Francis Crick's Gold Medal, May 2013, had been sold for more than two million dollars," Dr. Watson

## A medal with plenty of history, but none of it in the market.

wrote in Christie's auction house description. After being widely reviled for comments he made about the inferior intelligence of blacks, Dr. Watson said he would donate some of the proceeds to charity as a way of rehabilitating his reputation.

The Russian billionaire Alisher

Usmanov bought the prize for \$4.76 million (which included the auction house's cut) in December, and returned it to Dr. Watson. Francis Wahlgren, international director of books and manuscripts at Christie's, commented that the price was not necessarily about the Nobel itself, but rather reflected "the growing strength in the market for the iconic pieces related to the early understanding and development of the implications of DNA and its growing relevance today."

Two other Nobel medals were sold in 2014. The 1936 peace prize awarded to Carlos Saavedra Lamas, the Argentine finance minister who persuaded his country to join the League of Nations, sold for \$1.16 million. The Nobel Prize in Physics, awarded to James Chadwick for his discovery of the neutron, went for \$329,000 last year. Cremer's peace prize sold for \$17,000 in 1985.

In 2012, William Faulkner's estate hoped to sell his 1949 Nobel Prize in Literature for at least a half-million dollars. But the sale was called off when the bids topped out at \$425,000.

"Putting up Nobels is a fairly recent thing, and I'm not sure how long it's going to last," said Richard Austin, head of books and manuscripts at Sotheby's. "Everyone knows what Watson and Crick were famous for. Once you get to more specialized Nobels, it's more difficult."

For the Kuznets sale, the Nate Sanders auction house is hoping to attract universities that have a connection to the economist, collectors and perhaps a Wall Street mogul or two.

Ms. Yntema of the auction house said the opening bid ideally should be set a little below what you think the item will actually sell for, but in the end, as any economist can tell you, the fair market value is what someone is actually willing to pay.

# West Coast Port Gridlock Hits Inventory at Macy's and Home Depot

By HIROKO TABUCHI

Macy's and Home Depot said on Tuesday that they were still trying to untangle gridlocked shipments at West Coast ports, a logistics nightmare that has affected merchants across the country.

Port operators and dockworkers reached a tentative deal last week to end a dispute that caused extensive delays in ship traffic, and affected retailers, manufacturers, farmers and merchants.

Still, for Home Depot and Macy's, much of the disruption lies ahead, the retailers said as they reported earnings.

"The West Coast situation has been tough, with 12- to 16-day delays in getting our imports in," Mark Holifield, Home Depot's executive vice president for supply chain and product development, said on a call with analysts. "There's still a fair amount of uncertainty what the new normal will be, once the ports get back to normal."

Karen M. Hoguet, Macy's chief financial officer, said that shipment delays were only just starting to hit inventory levels, and that its apparel and accessories departments were the most affected.

About 12 percent of the department store chain's first-quarter merchandise was delayed, Ms. Hoguet said, which may affect sales, gross margins and expenses in the first few months of



JUSTIN SULLIVAN/GETTY IMAGES

The Port of Oakland early this month in California. Port operators and dockworkers reached a tentative deal last week to end a dispute that caused extensive delays in ship traffic.

the year.

Both Home Depot and Macy's reported solid earnings for the fourth quarter.

Home Depot, the world's biggest home improvement chain, said fourth-quarter net income surged 36 percent from a year earlier to \$1.38 billion, aided by a recovering housing market. Ad-

justed earnings per share came to \$1.05, outpacing an estimate from analysts tallied by Thomson Reuters of 89 cents a share. In the three months before Feb. 1, sales at stores open for at least a year rose 7.9 percent, the retailer said.

Home Depot also said it would buy back \$18 billion in shares. Its shares jumped almost 4 percent

in New York to \$116.75, a record. The company did warn, however, that it expected sales growth to slow this year to 3.5 to 4.7 percent, as a strong dollar takes a bite out of its overseas earnings.

Macy's also beat expectations, earning net income of \$793 million, and adjusted earnings of \$2.44 a share. Sales at stores open

at least a year grew 2 percent during the quarter, the retailer said. But it gave a cautious outlook for 2015, saying it expected per-share earnings of \$4.70 to \$4.80 and comparable sales growth of about 2 percent, below analyst forecasts.

In a note, Richard E. Jaffe, a retail analyst at the investment bank Stifel, said that no retailer was immune to the West Coast delays.

Department store chains like Macy's were somewhat protected by allowances that enabled them to return some late products to their vendors. More affected, he said, were retailers that make their own products, which could get stuck with delayed, off-season inventory.

On the other hand, discount retailers like T.J. Maxx, Ross Stores and Nordstrom Rack could benefit, Mr. Jaffe said, as traditional retailers cancel late deliveries. Those discount retailers could "capitalize on the plethora of merchandise available in the marketplace at very favorable prices," he said.

Macy's has said it may also open a chain of discount stores. Ms. Hoguet said on Tuesday that those stores would most likely resemble T.J. Maxx or Nordstrom Rack, rather than an outlet. Macy's hoped that new off-price stores would introduce its brand to a new strata of shoppers, without cannibalizing sales at its department stores, she said.

# HP Earnings Decline 4%, And Outlook Is Lowered

By QUENTIN HARDY

SAN FRANCISCO — Meg Whitman, Hewlett-Packard's chief executive, says she thinks her company did almost everything well in its most recent fiscal quarter. Except make money.

HP shares tumbled about 7 percent in after-hours trading on Tuesday, after the release of first-quarter earnings that showed drops in revenue and net income, and flat to lower sales in almost all product areas. The company also sharply lowered its outlook for annual earnings.

Ms. Whitman characterized the quarter as having "excellent execution," a Silicon Valley term for doing what one sets out to do. She added, "a few spots need work."

The problem for HP, she said, was a sharp rise in the value of the dollar, which makes it harder for the technology giant to profitably sell much of its computer hardware and software in overseas markets.

"Currency headwinds," she explained. "In the past three months we lost \$1.5 billion in operating profit to the stronger dollar." Though Ms. Whitman said HP is taking steps to insure against further strengthening of the dollar, she lowered the company's forecast earnings for the year by about 7 percent.

HP is one of the world's largest technology companies, making personal computers, computer servers, printers, data storage and networking gear. Many of these businesses have been battered over the last several years, as the company contends with new businesses, like smartphones, or the rental of computing time and software via In-

## Hewlett-Packard's chief executive remains optimistic.

ternet-based cloud computing systems.

In response, last October HP announced it would split into two companies at the end of this fiscal year. One company will primarily focus on business computing products, like servers, while the other will have products for business and consumers, like PCs and printers.

Ms. Whitman is credited with managing HP efficiently through a difficult period, a skill reflected in a stock price rise over the last year that was double that of the overall market.

"The market is giving her credit for not going under," said Bill Kreher, an analyst with Edward Jones. "You still need strong products and innovation over the long run. That is something HP has failed to demonstrate."

For the quarter ending Jan. 30, HP reported revenue of \$26.8 billion, a fall of 5 percent from a year ago. Net earnings were \$1.4 billion, down 4 percent. Using nonstandard accounting popular in the tech business, per-share earnings were 92 cents.

The revenue numbers were worse than expected in a survey of Wall Street analysts by Thomson Reuters. They thought HP's revenue would be \$27.3 billion. Per-share were 91 cents.

Ms. Whitman said that HP was not cutting back on research and development, despite the lower earnings, and said valuable new products were on the way, particularly in business computing.

Another bright area, she said, was HP's security software business, thanks to the hacking last year on Sony Pictures. While there had been earlier violations of corporate computers, she said, Sony took the business up to a new level. "We're sold out — 5,000 security professionals."