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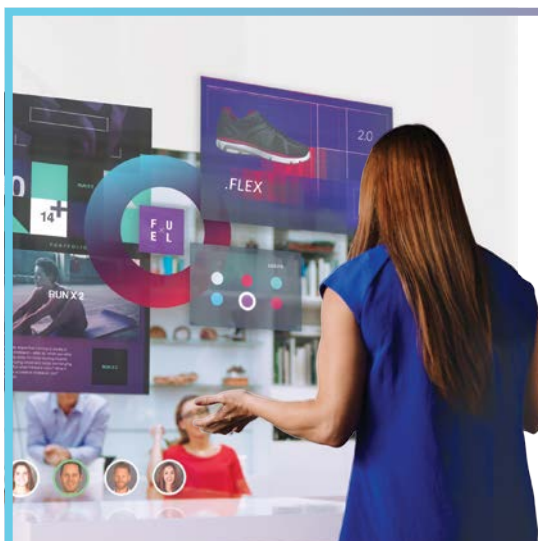
Wednesday — May 3, 2017

What the Industry Reads First

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Charter's 1Q: TWC Sub Losses Continue to Take Toll, FCF Looks Good

We're a couple weeks away from the one-year anniversary of Charter's acquisitions of **Time Warner Cable** and **Bright House**, and CEO *Tom Rutledge* says the integration is on track. "We've turned the corner in terms of YOY growth in connects, and that a good sign. It's the first sign that you expect after you change every price and package and process involved in selling a business with 26mln customers and growing at 4%," he said. What hasn't turned the corner is significant churn from TWC customers, something the company blames on overly aggressive TWC promos. Overall, Charter posted 1Q video losses of 100K vs a gain of 24K in 1Q16. TWC systems posted a net video loss that was 129K worse than last year with 108K of those losses coming from churn for those offers. Residential Internet adds for the company as a whole declined to 428K customers in the quarter vs 520K a year ago, but better than the consensus of 388K. Voice adds dropped to 37K from 213K, with low-price TWC promos again blamed. Sub declines can't all be blamed on TWC though, with legacy Charter markets seeing a 13K decline in 1Q. Rutledge said the loss wasn't a significant issue, blaming all the integration activity. "We moved a lot of assets around at different management structures during the period... The subscriber growth in general is still performing well in the marketplace, and I think you'll see that accelerate in the future," he said, adding that he believes there's a market share shift from satellite to Charter. The CEO wouldn't venture a guess on what share virtual MVPDs would have in the next five years, but said Charter expects to succeed because "none of them have a product that is better than ours that we can see in the marketplace." Not many details on wireless, with Charter's spectrum auction acquisition taking place just in its footprint. Rutledge said the company's happy with its MVNO and doesn't feel like it needs that spectrum today, adding that if it changes its mind, there should be opportunities to get it. He did give more color on Charter's recent arrangement for exclusive content from **AMC Networks (CFX, 4/27)**. "We think it's an interesting opportunity to put original programming to our customers and still allow the marketplace realities in terms of the cost of amortizing programming to work over a bigger marketplace over time," he said, adding that **Netflix** is being integrated into the user interface and similar discussions have taken place with **YouTube**. As for integration progress, Charter's **Spectrum** pricing and packaging has launched everywhere but Hawaii (coming next month), digital upgrades are restarting this quarter (40% of TWC is not digital yet and 60% of Bright House needs to make the



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Nomination Deadline: **May 19**

Publication Date: **September 2017**

About: Cablefax's annual Most Influential Minorities Magazine celebrates the men and women who are shaping the industry and opening doors for minorities across all areas of business.

The Most Powerful Women in Cable

Nomination Deadline: **July 14**

Publication Date: **November 2017**

Event: **November 16**

About: The Most Powerful Women in Cable celebrates incredible female executives who make a difference every day.

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switch), integration of field and customer ops continues and then there's the ongoing efforts to bring call centers and field ops in-house. No details were given on ongoing litigation with **Univision, Fox News** and **Showtime** over Charter's attempts to invoke TWC's better rate card. Charter's cap ex of \$1.56bln was cheered and well below Street expectations. But management said some of that was due to timing delays on big network projects as well as vendor delays. Still, it helped boost Charter to \$1.14bln in free cash flow, down from a loss of \$61mln a year ago.

New Cox COO: Cox tapped *Len Barlik* to step into the COO role being vacated by *Jill Campbell's* move to evp of parent Cox Enterprises effective June 1. Barlik, a former **Sprint** and **Procter & Gamble** exec, joined Cox in 2011 as evp, product mgmt and development, where he helped launch Cox's Contour video offering, Gigabit broadband and Homelife home security offering. He most recently headed HR, realigning leadership, process and tools. "No matter the role, Len's approach is always characterized by a long-range, strategic vision, a sense of urgency and the ability to move an organization to deliver on its strategy," Cox pres *Pat Esser* said in a statement.

Targeting Patent Lawsuits: House Judiciary chmn *Bob Goodlatte's* (R-VA) committee agenda for the 115th Congress includes reforms to discourage abusive patent litigation. "Collectively, these reforms will help alleviate the wasteful burden of unnecessarily expensive litigation costs, thereby freeing small businesses to flourish, unleash innovation, and create new jobs for Americans," he said in a speech before the Federalist Society. A review of copyright laws also is planned, with the committee issuing a bipartisan proposal at the end of 2016 that would grant the Copyright Office autonomy and requiring it to maintain an up-to-date digital, searchable database of all copyrighted works.

Deutsche Mark: **Discovery** has entered into a 50/50 joint venture with German media brand **ProSiebenSat.1** to launch an OTT streaming service in Germany that will include channels owned by both companies. The initial offering, which will be delivered to customers under ProSiebenSat.1's existing **7TV** brand beginning later this year, will include seven ProSiebenSat.1 channels along with Discovery's free-to-air German channels **DMAX** and **TLC**. The partnership will eventually result in the creation of a broader OTT platform that will include additional Discovery channels, as well as content from other partners. The companies are also looking to deepen their sports content through the joint venture and are considering packaging the 7TV service with Discovery's Eurosport Player app.

Net Neutrality Fight: The **FCC** hasn't even voted on chmn *Ajit Pai's* net neutrality NPRM, and hundreds of comments already have started flooding the agency. Several are from a form letter on the website **BattlefortheNet.com**, a project from **Fight for the Future, Demand Progress, Free Press** and **Engine Advocacy**. "Pai, a former Verizon employee, has made it clear he intends to gut the rules to please his former employer and other major carriers, despite overwhelming support for the rules from voters in both parties," the letter states. -- Meanwhile, Congressional intervention hasn't been ruled out, with Sen *Mike Lee* (R-UT) introducing the "Restoring Internet Freedom Act" that would nullify the 2015 Open Internet order and prevent the agency from issuing similar rules in the future.

Where Every Day Is Father's Day: *Fatherly*, an online publication that provides content for dads, recognized several media companies among its 50 Best Places to Work for New Dads. **Netflix** took the top spot on the list, with *Fatherly* commending its "year of paid paternal leave during which parents can work—or not work—more or less as they please." **Discovery** was the lone representative of the traditional cable industry on the list at No. 13, jumping up from No. 40 last year. Other media companies on the list include **Facebook** (No. 5), **Twitter** (No. 6), **Google** (No. 32), **Amazon** (No. 34) and **Yahoo!** (No. 36).

Cloud Services: **Verizon** and **IBM** have reached an agreement in which Verizon will sell its cloud and managed hosting service to IBM. Verizon will also work with IBM on a number of "strategic initiatives involving networking and cloud services," *George Fischer*, svp and group president of Verizon, wrote in a blog post. The deal is expected to close later this year.

People: **Discovery Communications** vet *James Levitt* was promoted to svp, national ad sales in the US, effective immediately. He has oversight of national ad sales efforts for the US nets as well as client and agency relationships in partnership with national ad sales svp *Nicole Cleary*. -- *Sonia Coleman*, former vp of corporate human resources, has been named svp of HR for **Disney ABC Television Group**. Coleman will replace *Steve Milovich* who is retiring. -- Industry vets *Gustavo Lopez* and *Juan Delgado* are partnering to expand a legal advisory firm specializing in the entertainment industry. The firm, **Delgado Media Works**, will now be known as **D&L MediaWorks**.