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What the Industry Reads First

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Wireless Week: Charter Exec Questions Mobile Operators' 5G Launch Plans

As mobile operators gather this week in Barcelona to discuss 5G strategy, at least one cable exec is scratching his head. "It's unclear to me exactly how they are going to deploy and why they think they can deploy at such a fast rate and such a low cost because whether you think it's 200 feet or 500 feet, you still need to have a network that goes that close to the premise," Charter CFO *Chris Winfrey* said Tuesday, referring to **Verizon's** plans to launch in up to five cities by year-end. "That takes a long time and a lot of money to construct, and even then, you're going to be offering a product that by definition is inferior to a fixed line gigabit per second product service with DOCSIS 3.1." Keep in mind that Charter's not just a looky loo, with the company in the midst of its own 5G trials in six US markets. As long as there is no rain, wind, or physical structures in the way, fixed wireless via 28 GHz works really well, Winfrey quipped during a Q&A at the **Morgan Stanley** investor conference. "Even with what I just said somewhat facetiously, there are use cases for deploying 28 GHz if you have a network that's close enough to be able to deliver that," he said, noting that Charter is exploring use cases. Still, he believes 28 GHz suffers from a lot of the same line of sight issues as local multipoint distribution systems. He sees better propagation with the 3.5 GHz band, suggesting it could go beyond fixed wireless and serve as a handover between different small cells or in an interesting combo with WiFi. The financial exec stressed that he doesn't understand if wireless operators' shareholder base really gets the amount of capital needed for 5G, which he equated to "essentially build[ing] a cable network from scratch" that is located close to the premise. Some have been similarly perplexed by cable's entry into mobile phone service, with Charter to follow **Comcast** into the business through a Verizon MVNO in the coming months. **Altice USA** expects to launch mobile next year through an MVNO with **Sprint**. "The furthest thing from my mind is any concern about the impact of cable... I think they are incompetent and they don't belong in wireless without having owner economics," T-Mobile pres/CEO *John Legere* said during the company's earnings call earlier this month. T-Mobile announced Tuesday plans to launch 5G mobile networks in 30 cities this year, including L.A., Dallas and Las Vegas. Legere took a swing at **AT&T** and Verizon for plans to use puck-like router devices or fixed routers for 5G. "Dumb and Dumber are in a meaningless race to be first. Their so-called 5G isn't mobile, and it's not even on a smartphone. It's a puck?! You gotta be pucking kidding me!" the provocative Legere boasted in a press release. Charter has said it will follow Comcast's

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playbook for mobile. “We like what they’ve done,” Winfrey said. “Does that mean that some of the features that they’re layering on that maybe we could do in a shorter timeframe because of the Comcast’s help I think so.” Unlike Charter and Comcast’s pacts, Altice USAs has a full MVNO. “We can control the customer experience and a lot of the content and apps that are related on wireless, which is something Comcast can’t do in a light MVNO,” Altice USA CEO *Dexter Goei* said in response to questions from **Cablefax** on whether it would follow Comcast’s strategy. “We most likely will have more flexibility going forward to work with other wireless operators than Sprint if we so choose or if financial conditions are attractive without swapping the SIM.” Altice USA is working to develop the core network with Sprint in 2018, with the mobile service to launch by 2019. “We’re building ourselves to be more flexible, but we still have reserved the right all the way until launch to figure out what our financial model will be, what our marketing strategy will be.” Goei said.

Brian Roberts vs Rupert Murdoch: CEO *Brian Roberts* explained that **Comcast** found “in the journey for **Fox** [that] many people don’t understand **Sky**.” That may be a bit of an understatement with the company’s \$31bln all-cash offer for the British satellite platform earning some confusion from analysts as Comcast shares closed down -7.4% Tuesday (**21st Century Fox** was down 3% and **Disney** was off 4.5%). “Comcast seems to have a much more optimistic view of the Sky assets and potential growth trajectory than does most of the Street,” **Wells Fargo Securities** said, suggesting that Comcast appears to have put a lot of thought into the deal and may see some synergies that the Street isn’t able to quantify. One puzzle is why Comcast thinks the UK satellite business would have more life in it than the US satellite business. “I think it’s apples and oranges. From our vantage point, there’s no comparison to the satellite operators in the US,” Roberts said. The CEO also labeled Comcast’s X1 set-top and Sky’s Q Box as “the best products in the world,” again hinting at a synergy that isn’t readily apparent. Also appealing to Comcast is Sky’s position as a content aggregator and its bundling with broadband and mobile. “We just think it’s more like a Comcast-NBCUniversal than any company we’ve seen.” Comcast topping 21st Century Fox’s bid for Sky by 16% opens the door to a bidding war. And Disney could play a role, seeing as Sky is a part of its \$52.4bln acquisition of 21st Century Fox assets. Well Fargo analysts suggest Disney may be talking to Fox given that whatever it pays for Sky “will ultimately be paid by Disney.” For its part, 21st Century Fox has said it remains committed to its offer, adding that “no firm offer” has been made by Comcast at this point. 21CF owns 39% of Sky and has been trying to gain regulatory approval for the rest of it since December 2016. Comcast would like to buy 100% of Sky, but is open to owning 50% plus one share of Sky.

Discovery Earnings: **Discovery Communications** exceeded expectations in Q4 revenue and EBITDA thanks in large part to advertising performance coming out of its moves to acquire **OWN** and **TEN**. US networks revenues increased 10% to \$892mln. Discovery also found success internationally, with 4Q revenues rising 13% to \$927mln and adjusted OIBDA increasing 9% to \$249mln. Discovery’s 1Q 2018 is already looking promising, with European subsidiary **Eurosport** seeing 386mln users tuning in to its coverage of the Winter Olympics. Additionally, the **DOJ** has closed its investigation of Discovery’s proposed acquisition of **Scripps Networks Interactive**, bringing the deal closer to closure by the end of 1Q pending the completion of a review in Ireland. The two companies have set a deadline of Friday at 5pm for shareholders of Scripps to make an election as to the form of consideration they want to receive per the merger agreement. Discovery will announce whether it has chosen to elect the cash top-up option within two trading days prior to the expected closing date. **Wells Fargo’s Marci Ryvicker** called the \$350mln syn-

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ergy guide presented by management “very conservative,” but with the Scripps deal right around the corner, Discovery was hesitant to speak to how conservative it truly is.

Altice USA Posts Profit: Altice USA saw its 4Q net income swing to \$2.25bln from a loss of \$235mln a year ago, with the company recording a \$2.34bln noncash deferred tax benefit from US tax reform. Revenue grew 2.6% to \$2.37bln. CEO *Dexter Goei* referred to the six-week long **Starz** dispute a “blip.” Altice USA’s 1Q and the first half of the year might be weaker relative to the second half, he said, adding that Starz is just a small part of that. Other factors for the difference in the second half include rate events and political spending. Residential broadband net adds for the quarter totaled 25K compared to 36K a year ago, with **Suddenlink** seen as dragging that number down (partly due to competitive pressure and price elasticity). Management believes the commercial launch of the Altice One box in Suddenlink markets in 2Q and 3Q should improve customer metrics. Residential pay TV losses totaled 25K, down from a 21K loss in 4Q16. Phone adds hit 10K vs a loss of 4K a year ago. Programming costs increased 4.7% YOY. Suddenlink’s was up 8.8% vs Optimum’s 3.3%, reflecting the return of **Viacom** content to Suddenlink’s footprint. Goei believes the Altice One box with its ability to integrate OTT content with the bundle will be a “game changer.” “As many programmers are starting to launch their own direct-to-consumer offerings, [consumers] are going to start having more choice,” he said. “To the extent we lose a video customer going forward, we do to an extent lose a large programming cost element, as well as any service cost, maintenance cost and cap ex-related set-top boxes. We’re encouraging our customers to do what’s best for them.”

TiVo Explores Options: TiVo revealed in its 4Q earnings release that it’s exploring options for long-term shareholder value, including going private, along with acquisitions and merging with leading players. “TiVo’s stock price is at a level that the company and its board do not believe reflects the true value of the business given the company has a strong foundation, with leading technologies, and solid cash flow from its long-term IP license agreements and guide deployments,” the company said. It has engaged **LionTree Advisors** to assist in the evaluation of alternatives. TiVo posted a profit of \$18.4mln vs \$9.8mln a year ago. Total rev fell 15.1% to \$214.2mln in the quarter.

Third Party: Though **Netflix** may be a dominant force in the US, CFO *David Wells* says the company still has plenty of room to grow before it has a truly global presence. Speaking at **Morgan Stanley’s** conference, Wells noted that the company looks to **Facebook** and **YouTube** as inspirations in the internet video space. To achieve the “2bln monthly active” the two powerhouses tout, Wells said Netflix’s priorities lie in marketing its content, improving its product and building on its recent entry into Asian markets. The streamer will add more originals and global content, but it will continue to look for quality third-party content to add to its lineup. “There’s no religion as to whether a show comes to us from a licensed format or not,” Wells said. Agreements like those recently signed with *Shonda Rhimes* and *Ryan Murphy* for exclusive content garnered big headlines, but aren’t about to become the norm. “These deals are going to be rarer than you might think because you have to have that track record of being a prolific producer. It’s a lean-in for us.”

Epix Adds 4K: Epix is bringing 4K Ultra HD to its slate of offerings. Affiliates and Epix subscribers will have access to a VOD package of 4K Ultra HD and streaming access through Epix apps. Content will include both Epix original programs and select Hollywood movies. Epix said it’s the first broadcast or cable net to offer 4K Ultra HD streaming via its apps.

Net Neutrality Day of Action: Senate and House Democrats introduced a CRA resolution to overturn the **FCC’s** decision to repeal the 2015 Open Internet Order. Sen *Ed Markey* (D-MA) announced the introduction of the House and Senate resolutions at a press conference Tuesday alongside Senate Dem leader *Chuck Schumer* (D-NY) and House leader *Nancy Pelosi* (D-CA). The Senate CRA resolution stands at 50 supporters while the House resolution currently stands at 150 co-sponsors.



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