

Cablefax Daily™

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What the Industry Reads First

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Don't Panic: Charter Says 1Q Results are Par for the Course

Charter shares plummeted Friday on weak sub metrics in 1Q earnings, but management said there's no real change to the company's story. While investors may want a linear net add experience each quarter, that's just not the way it works, CFO *Chris Winfrey* said during Charter's earnings call. "If you go back and look at 2013 and 2014 [of the linear Charter business], it really was anything but linear. That applies to net adds and it applies to financial results," he said. "In some respects, market reaction... is a little bit of déjà vu. We're turning a lot of knobs, same as we did with legacy Charter... but the trajectory remains as good as ever." The MSO lost 122K residential subs compared to a consensus estimate that **Wells Fargo Securities** put at 36K. Legacy **Time Warner Cable** systems and non-pay disconnects were blamed. Earlier in the week, **Comcast** posted a 1Q loss of 96K video subs. Churn impacted voice as well at Charter, which saw a loss of 52K residential customers vs a gain of 30K last year. Things were better on high speed data, with net adds of 331K generally in-line with analyst expectations. This month, Charter raised minimum internet speeds to 200 Mbps in a number of additional markets, making the speed available to nearly a quarter of the company's footprint. Top brass expressed optimism that the upcoming launch of wireless will have a beneficial impact, despite the initial high subscriber acquisition costs. The key with wireless is the overall investment is relatively small compared with the potential upside, Winfrey said. "We think the Charter story is fully intact and getting better as a result of mobility," CEO *Tom Rutledge* added. The company recently launched field trials of the mobile offering through its **Verizon** MVNO that include 5K employees. Analyst notes Friday didn't match the sell-off of the stock, which ended the day down 11.7% to \$263.33. "Although subscriber results came in light of expectations, Charter's story remains one of growth," said *MoffettNathanson*, who has the stock at "buy" with a \$436 price target. "Charter's EBITDA growth is amply sufficient to support stock price appreciation... but it would be a lot easier if unit growth expectations were more temperate." **Pivotal Research** called for patience and reduced the price target to \$375, saying in the end, it believes there's high probability Charter is successful with its operating strategies. "A solid, if not perfect quarter," declared **New Street Research**. Rutledge addressed a question during the earnings call on whether Charter needs to own content a la Comcast or **AT&T's** attempt to buy **Time Warner**. He doesn't think it's needed to do better. Describing Charter as a "connectivity company," Rutledge said video isn't material from a margin or EBITDA

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driver perspective. But it is material to the overall relationship with customers, he added. “We plan to integrate all the video products into our UI and make us the best place to get video of every kind, but that doesn’t require us to own video assets per se,” the CEO said. The company believes video growth is still capable, despite Rutledge’s claim that it’s “fairly marginally insignificant.” While Charter will make a great video product available, “if we’re off in our forecast of that, it’s not significantly financially material to our growth prospects,” he said.

Charter Pushes Back on 30-Day Notice Complaints: A group of cities who have complained that **Charter** erred by not providing 30 days’ advance notice before **Northwest Broadcasting** stations were removed from its lineup are making unfounded claims, the MSO told the **FCC**. “Northwest, not Charter, caused the removal of the stations from Charter’s cable service by withdrawing retransmission consent after refusing Charter’s offer to continue carrying the stations’ signals under the existing terms and conditions while negotiations continued. This occurrence was not a ‘scheduled’ event of the sort the Commission has elsewhere found to be within a cable operator’s control,” Charter said. Thursday marked the deadline for Charter to respond to petitions filed at the FCC by Yuma, AZ, Jackson, WY, El Centro, CA and Crescent City, CA. All of the municipalities have been without Northwest stations via Charter since Feb 2, when the companies retrans talks broke down. In filing their complaints, the cities pointed to the FCC’s 2006 decision that **Time Warner Cable** had violated the 30-day notice requirement in dropping **NFL Network**. Charter said this situation is different, with Northwest not offering a 30-day extension that the Media Bureau found significant in determining TWC should have provided advance notice. The MSO also addressed [claims it should adjust its broadcast TV surcharge](#) to reflect the loss of the Northwest stations, saying the fee is determined based on its anticipated nationwide retrans costs on a national, per sub basis. Plus, it argued that mandated refunds would constitute “impermissible rate regulation.” **ACA** submitted comments in support of Charter’s position. “ACA strongly disagrees that cable operators are ever in ‘control’ of a programmer’s decision to withhold programming from the operator after an impasse in negotiations,” the association said, fretting that such a ruling would require a constant barrage of confusing customer notice every time a programming agreement is up for renewal. Charter has suggested the FCC use its docket on electronic delivery of MVPD communications to clarify the 30-day notice rule. Northwest has objected, claiming the operator is trying to expand the scope of a rulemaking.

AMC Networks Gets More Funny: **AMC Networks** acquired a majority stake in **Levity Live**, which has a network of US comedy venues, including the recently acquired comedy brand “The Improv.” Terms weren’t disclosed. This all fits within AMC’s comedy brand **IFC** and follows a recent investment in **Funny or Die**. “IFC now has format, IP ownership and talent opportunities that are best-in-class across live, digital and linear TV,” IFC pres *Jennifer Caserta* said in a statement.

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AT&T Tea Leaves: The broad consensus is that **AT&T** will prevail in its quest for **Time Warner**, however, **MoffettNathanson** founding partner **Craig Moffett** describes himself as agnostic. “Judge Leon has asked a lot of questions that have shown him to be quite skeptical of the empirical part of trying to quantify the consumer damages that allegedly would arise from vertical integration. But I’m not sure I equate that with the concept of whether or not vertical integration would yield higher prices,” Moffett said in an interview for **C-SPAN’s** “The Communicators.” Moffett’s biggest concerns are with the tech industry, which he says is “one crisis away” from driving Congress to take legislative action. “I think people conceptually agree that customers should own their own data, but when you get down to it, does that mean a customer should have a portable social graph, and you really try to operationalize that?” Moffett said. “That’s very tough, and I think that’s probably well beyond what you can expect Congress to be able to come to an agreement on.”

Shifts at the Board: **Jeffrey Ubben** notified the board at **21st Century Fox** of his resignation, effective immediately. Ubben, the founder/CEO of **ValueAct Capital**, joined the board in November 2015. Fox said his departure is not due to any disagreement. “We are highly supportive of the proposed transaction with **Disney** and the bright future of the New Fox,” Ubben said in a statement following the announcement.

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7:56 AM - 27 Apr 2018

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The @FCC should have clear rules of the road for everyone.

No playing favorites.

That means not approving any broadcast transaction until the agency explains why it put back in place the scientifically obsolete #UHF discount and resolves the national ownership cap proceeding.

1:10 PM - 26 Apr 2018

Research

- Younger generations are turning to broadcast basic only, broadcast and VMVPDs, with 25% of Generation Z only choosing one of these options.
 - Brand and product integrations are on the rise across all programming content and platforms, with total spend expected to rise from \$6bln in 2017 to \$11.5bln in 2021.
 - In two years, it is projected that TV networks will control 34% of the market and pay TV providers will have a 12% share while independent OTT providers will drop to 54%.
- (Source: Byron Media Analysis of Nielsen Quarterly Client Meeting)**

Up Ahead

- May 2-3: CTAM's Communication Strategies @ NYU Stern**
- May 6-11: SCTE Leadership Institute: Tuck Executive Education at Dartmouth**
- May 10: WICT Rocky Mountain 19th Annual Walk of Fame**
- May 12: NAMIC Southern California Hike & Brunch, Culver City, CA**
- May 21-23: Media Finance Focus 2018, Arlington, VA**

Quotable

“This quarter we’ve continued shifting from passive consumption to encouraging meaningful interactions. It’s still early, but we’re starting to see some signs that this is working. Some types of sharing are increasing, even as passive consumption of video is down. And at the same time, we’re rolling out more interactive video features like Watch Party that lets you watch videos with your friends. This is something we can uniquely do, and the feedback on it so far is great.”

– **Facebook CEO Mark Zuckerberg** during the company’s 1Q earnings call.



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Upcoming Events and Deadlines

Call for Entries / Nomination Deadlines

June 22: Program & Trailer Awards Entry Deadline

July 13: Most Influential Minorities Nomination Deadline

July 20: Most Powerful Women Nomination Deadline

September 7: Overachievers Under 30 Nomination Deadline

November 9: Tech Awards Call for Entries Deadline

December 7: Digital Awards Call for Entries Deadline

December 14: Top Lawyers Nomination Deadline

Cablefax Events

June 5: Faxies Awards Luncheon | Edison Ballroom, NYC

June 5: Cablefax 100 & Top Ops Celebration Dinner | Yale Club, NYC

October 16: Cablefax & NAMIC Diversity Breakfast | Marriott Marquis, NYC

November 8: Program & Trailer Awards Gala | Taglyan Complex, Hollywood

November 15: Most Powerful Women Luncheon | NYC

Cablefax: The Magazine Publication Dates

June 5: Cablefax 100 Issue

July 29: Top Ops Issue

October 15: Most Influential Minorities Issue

November 15: Most Powerful Women Issue

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