

Cablefax Daily™

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What the Industry Reads First

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Charter Chat: Flex, Piracy, Low Latency Network Upgrades on Radar

Charter's 3Q19 earnings Friday reflected many of the trends we've seen from other cable operators: drops in pay TV subs, growth in broadband and overall better margins. With broadband becoming the core of a cable provider's offering, Charter CEO/chmn *Tom Rutledge* confirmed that he has thought about creating a product similar to Xfinity Flex, and has discussed the idea of doing so with Comcast. "It has its advantages," Rutledge said. "We have a significant number of app-based relationships that we've developed on multiple devices and that strategy is working for us." Charter lost 75K traditional video subs, but saw 380K residential and SMB internet net additions. On the wireless side, Charter has been using a significant amount of free CBRS spectrum in its mobile operations and it's been conducting experiments with CBRS and fixed wireless connectivity. Rutledge said the company has not yet decided whether it will get involved with the FCC's CBRS spectrum auction next year, but said "there's a significant amount of spectrum available already, and the more cells you have, the less spectrum you need." For the quarter, Charter added 276K new mobile lines for a grand total of 794K mobile lines. Overall, the company had 29mln total customer relationships at the end of 3Q, with revenue for the quarter up 5.1% YOY to \$11.5bln. Fighting piracy and password sharing continues to be high on Rutledge's priority list, as signaled by certain provisions in recent distribution agreements with **Fox** and **Disney**. The issue has grown more complicated as shifts in the video marketplace, including DTC offerings, have blurred the lines between those that distribute content and those that supply it. "I think that there is some recognition in the programming industry that they're now distributors, and as a result of being distributors, they need to know where their content is going, and that has not been part of their DNA," Rutledge said. "People that own content are going to have to come up with standards of security and they're going to need to implement them... they're going to need to know where their services are being viewed and then they need to have a business model that works for them." Charter has also been focused on its next major investment in its network, now that it has completed the upgrade to DOCSIS 3.1. It has experimented with a few different approaches, but it's also had productive talks with gaming companies about putting compute power deeper into its network. Cable operators have become more interested in targeting the gaming community of late, and Cox specifically has begun testing its own low-latency offering. "When you look at the real estate footprint, we have lots of hubs throughout our architecture

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that have space in them as a result of the compression of electronic through time. And as a result of that, we are able to stand up high compute, low latency networks that are hard to replicate,” CFO *Chris Winfrey* said. “We think that there is a product development cycle that’ll occur there and give us an upside opportunity.”

FCC Approves Charter’s Effective Competition Petition: It was a good day in DC for **Charter**, who saw its petition claiming that **DirecTV Now** offers effective competition in Massachusetts and Hawaii approved at the **FCC’s** open meeting Friday. All 5 commissioners acknowledged that DirecTV Now (now called AT&T TV Now) passed the local exchange carrier test, meaning that Kauai, Hawaii and 32 communities in Massachusetts are no longer allowed to regulate basic-tier cable rates. The two Democratic commissioners chose to concur rather than approve, citing potential consumer harms that could come following the change. Charter itself has said that some consumers will see their rates rise close to 100% following a yes vote. “The Commission’s goal, our mission, should be to make service more affordable for these consumers, not more expensive,” commish *Geoffrey Starks* said in his remarks. “Instead, I fear this decision risks reinforcing the inequity between families with resources to pay for these services, and families without.” Sen *Ed Markey* (D-MA), who sent a letter to the FCC arguing against the petition, said the Commission’s ruling means that it is more important than ever that Congress pass the TRUE Fees Act. The legislation has provisions that protect consumers from hidden fees and allow them to end their contracts without early termination fees.

Verizon has Strong Wireless Growth, Falls Flat in Wireline: With the ink still fresh on **Verizon’s** deal to become the exclusive wireless partner of **Disney+**, the wireless carrier’s earnings came in ahead of analyst expectations for 3Q. CEO *Hans Vestberg* called it a “win-win” for both companies. “We learned a lot from exclusive agreement with **Apple Music**,” he said during an earnings call on Friday. “We are offering something fantastic for them, and we have a chance to move our customers in our value chain to unlimited again given that we are adding these type of things. We have good metrics, good experience from Apple Music that we’ll now take to streaming.” The company saw 601K postpaid wireless retail net additions, more than double YOY, against Wall Street expectations of 524K. Verizon reported \$32.9bln in revenue for the quarter, beating the expectation of \$32.7bln. Wireline was where the company really struggled, leaving analysts skeptical. “Wireline results, while admittedly secondary to wireless, were nothing short of awful in Q3,” read a **MoffettNathanson** research note. “And Verizon’s wireless business is, for the first time in memory, lagging AT&T’s.” Organic revenue growth in wireline was -3.8%, and overall EBITDA of \$1.23bln was 13.1% worse than expected, down 17.8% YOY. “On the wireline side, obviously we still have work to do there,” CFO *Matt Ellis* said. “We see the continued effects of revenue declines in legacy products, that’s not new, we’ve had that for a number of quarters and we expect that’s going to continue. The key



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for us in wireline is to develop products and services that will offset those legacy products. By bringing in the business segment together where we're bringing both wireless and wireline to our business customers holistically this puts us in a better position to really be that partner of choice for our business customers as we move into a 5G world." Verizon added a net 30K Fios internet customers and lost 67K Fios TV customers. Verizon shares closed slightly down, -0.35% to \$60.37.

Still Lacking Altitude: With the Denver Nuggets back in action, **Altitude Sports** has launched a petition aimed at **Comcast, DirectTV** and **DISH**, which have all dropped the RSN. Friday's Nuggets home opener against the Phoenix Suns will be carried on broadcast station KTVD. Altitude said it purchased air time on the channel to provide the game.

Blue Ridge Launching Amazon Prime Video: Blue Ridge Communications is launching **Amazon Prime Video** on **TiVo** set-top boxes over the weekend.

On the Circuit: **C2HR** is launching a roundtable series in various cities. On Nov 7 in Denver, **Maria Arias**, founder & CEO of **Arias Solutions**, will lead a session on diversity and inclusion in tech. **Jordan Fladell**, CEO of **m Level**, will present on AI at work Nov 14 in Atlanta, and **John Wilson**, gvp of people and culture for **Discovery**, will host a roundtable on employee engagement Dec 4 in LA. Participation is free but advanced registration is required.

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Up Ahead

- Oct 29:** [WamerMedia Investor Day](#); NYC
- Oct 29:** [House Communications Subcommittee Hearing on the C-Band](#)
- Nov 4-5:** [DC5G](#); Arlington, VA
- Nov 14:** [WICT Rocky Mountain Tech It Out](#); Denver, CO
- Nov 21:** [Gracies Leadership Awards](#); NYC
- Dec 5:** [Cablefax Most Powerful Women 2019](#); NYC

Research

- > Americans are watching more video than ever: 8 hours and 33 minutes every week.
 - > 52% of Americans say rebuffering is the most frustrating aspect of streaming, with 55% stopping streaming after 2 rebuffers.
 - > Americans are most accepting of ads during an online video if they can skip it (65%) and if it's a short ad before a free video (61%).
 - > 60% would ditch their SVOD subscriptions if the price jumped.
- (Source: [Limelight Networks](#))

Quotable

"I won't answer specifically to the question about the NFL [Sunday Ticket] package. But we know the NFL is really valuable. But the answer is yes, we will be looking to buy more rights for ESPN Plus as they become available. And I imagine down the road, ESPN – the linear channel is still very valuable to us and distributors, but down the road, you could see a shift to some extent of some product from those services to ESPN Plus. But that's at a time when we believe the shift from a consumer perspective is significant enough to warrant that."

— **Disney CEO Bob Iger** on **CNBC's "The Exchange"**

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