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What the Industry Reads First

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Altice Calling: Mobile, Fiber Marketing Soon to Ramp Up

Altice USA's initial mobile results aren't going to knock anyone's socks off just yet, but remember, it's early. Altice Mobile's \$20 per line per month offer didn't launch until Sept 5. The operator ended 3Q19 with 15K mobile lines, generating revenue of \$3mln. CEO *Dexter Goei* described it as a "good start," with sales continuing to improve week-over-week. Altice altered its initial sales strategy by thus far only making handsets available for purchase at Optimum and Suddenlink stores (customers also can bring their own phones). As a result, Altice now expects FY19 revenue growth of approximately 2.5% YOY, down from previous guidance of 3-3.5% YOY. In the next 2-3 weeks, Altice will begin offering phones through ecommerce, with it training more sales and customer agents to manage the expected higher volume. Goei said Altice Mobile is seeing a lot of traffic on its site, but people stop ordering when they can't purchase a phone online. "We are trying to hold off on massive marketing until we get all the sales channels open," Goei said. "Assuming we're successful in the next few weeks in delivering more on the handset sales side..., we'll start opening up more channels, which will allow us then to go out and do a heavier marketing campaign." During 3Q, Altice added 15K residential broadband RGUs (up from 14K in 3Q18), while video losses continued to grow (-32K vs 28K in 3Q18). The company said a one-time migration of Suddenlink customers to a new operating support/billing system resulted in a temporary loss of gross additions. Adjusting for that impact, video losses would have been 28K in 3Q. The company continues to migrate customers to the Altice One platform, with 492K unique customers, or 15% of total video customers, on the platform as of 3Q. That compared to 7% of customers at the end of 3Q18. The Altice One platform has been adding various streaming services, most recently announcing integration of Amazon Prime Video. How does Goei feel about the recently previewed **HBO Max** offering? "The price point doesn't look like it's something that's 'blow you away,' particularly when you see a Disney+ being quite aggressive on price levels," Goei told reporters. With so many OTT options coming down the pike, "we're quickly getting to where over the next couple years where consumers are going to be able to react with their wallets and choose really what they want to watch and when they want to watch it and not have to subscribe to large-size bundles," he said. "Then economics come into play, and I think that's where it will be very interesting to see how consumers behave." In the coming months, Altice is expected to more heavily

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market Altice Fiber. Its fiber-ready homes now total more than 500K. One of the uses for that freed up coax from fiber rollouts is to accelerate small cell mounted strands on to the coax network. “That’s been a very successful experiment we’ve had with **Sprint**. I think we’d be open to having that dialogue with third parties,” Goei said. In the meantime, Altice will launch 1 Gig services throughout its footprint in the coming months, the result of DOCSIS upgrades. Also ahead: a “vortex” of customer promotions rolling off in the second half of this year, according to Goei. It’s a significant increase over promos that ended last year, but he said it’s a one-time event with 2020 expected to be back to normalized levels. For the quarter, revenue growth was 0.9% YOY to \$2.44bln, with adjusted EBITDA flat at 1.07bln.

FCC Officially Approves T-Mobile/Sprint Merger: The **FCC** officially issued a Memorandum O&O, declaratory ruling and order of proposed modification approving the merger of **T-Mobile** and **Sprint** Tuesday, with the Commission concluding that the transaction would reduce harm and is in the public interest. Republican commissioners celebrated the approval of a merger that they believe will make nationwide 5G in the US a reality. “Let’s be clear: A vote against this transaction is a vote against the creation of a strong 5G competitor,” FCC chmn *Ajit Pai* said in his statement. On the other side, commish *Geoffrey Starks* reiterated in his dissent that the merger review should have been paused while the FCC investigated Sprint’s alleged misappropriation of Lifeline support for 885K ineligible accounts. “The fact that the Commission did not learn about potential violations of this gravity until the 11th hour of this proceeding raises serious questions about the accuracy and completeness of our merger review,” Starks said. Starks formally requested pausing the merger review, but that request was rejected by the majority. Commish *Jessica Rosenworcel*, who has been vocal in saying something seemed fishy about this merger review, again criticized her three Republican colleagues for voicing their support for the merger before receiving any analysis (commish *Michael O’Rielly* claimed in his statement that he did not indicate his vote without doing the necessary review). But she also claimed that after FCC staff produced its analysis, key parts of it were rewritten by the FCC’s political leadership behind closed doors. “While it is not unusual for a draft document to change once it is circulated for review, this effort went far beyond what is routine,” Rosenworcel said in her dissent. “Significant parts of the initial draft decision were rewritten in the 11th hour and behind closed doors to suggest less harm to competition and prices than initially found; adopt the merging companies’ arguments in place of more balanced discussion about where those arguments were unconvincing’ and even replaces the underlying data used to analyze marginal cost efficiencies with more merger-friendly data supplied by T-Mobile.” Rosenworcel said the FCC should make that initial draft public so that Congress and the public can see what changed. **House Commerce** chmn *Frank Pallone* (D-NJ) said he plans to follow up with the Commission to “get to the bottom of these allegations and better understand whether—and to what

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extent—the underlying analysis of the expert staff at the FCC was overruled during the FCC's review of this transaction.”

Comcast Spotlight Rebrands: Comcast Spotlight is the latest ad sales division to rebrand, becoming **Effectv** (e-FEC-tiv). The company says the name is designed to emphasize its commitment to delivering measurable results for its clients, as well as its emphasis shift from spot sales to data-driven and addressable advertising. Effectv also unveiled two new products. “Audience Intelligence” will help advertisers plan and run data-informed linear TV schedules more effectively, with campaigns aimed at specific audiences. “Addressable Full Avail” is a linear TV product that is designed to deliver messages that are addressable at the household level. Addressable Full Avail is part of the On Addressability initiative, which the company launched with **Charter** and **Cox** in June, to standardize and simplify addressable advertising. Earlier this year, the company also rolled out TV Ad Planner, which aims to allow small business owners and local advertisers to plan, design and manage advertising campaigns at affordable cost on their own computers.

NBA Goes Direct-to-Consumer: NBA TV is making itself available directly to consumer. It is the first linear sports league to launch a DTC offering, charging \$6.99/month or \$59.99 annually. At a time when distributors are looking to thin their programming lineups, the move could give them a way to lose the channel and direct consumers to the a la carte option. NBA TV is available in about 43mln homes. NBA TV includes more than 100 exclusive live games as well as original and on demand content.

AT&T Pays FTC Fine Over Throttling Allegations: AT&T has agreed to pay a \$60mln settlement to the **FTC** over allegations that it misled millions of smartphone customers by charging them for unlimited data plans while actually reducing their speeds. The FTC filed a complaint in 2014 claiming that AT&T failed to inform unlimited data customers that if they reached a certain amount of data use in a billing cycle, AT&T would throttle their speeds. The complaint alleged that it began throttling customers in 2011 after they had used as little as 2 gigabytes of data in a billing period, and that the practices had affected more than 3.5mln customers as of Oct 2014. “Even though it has been years since we applied this network management tool in the way described by the FTC, we believe this is in the best interests of consumers,” AT&T said of the settlement. As part of the agreement, AT&T is no longer allowed to make any representation about the speed or amount of its mobile data without disclosing any material restrictions prominently on its website. The \$60mln will be part of a settlement to be deposited into a fund that AT&T will use to pay partial refunds to current and former customers affected by the alleged throttling.

Weekly Ratings: Even against football and hoops competition, **Fox News** handily won cable's primetime again last week, averaging 2.67mln viewers in prime. Runner-up **ESPN** notched 2.33mln viewers. Rounding out the top five cable nets in prime are **MSNBC** (1.81mln), **Hallmark Channel** (1.48mln) and **TLC** (1.09mln). Remember when kids' networks used to dominate total day? Those days are over. Among ad-supported cable nets, Fox News took 1st place in the 6am-6am viewership (1.52mln), followed by MSNBC (1.07mln), Hallmark (814K), ESPN (793K) and **CNN** (665K). Hallmark was boosted by its annual “Countdown to Christmas” programming event, with two holiday movie premieres on Saturday and Sunday nights averaging 2.8mln total viewers.

Silicon Valley Reps Give Users More Control in Data Privacy Bill: Reps *Anna Eshoo* (D-CA) and *Zoe Lofgren* (D-CA) introduced legislation Tuesday that would establish a new federal agency to enforce privacy protections while placing more control in the hands of internet users. The Online Privacy Act would minimize the amount of data companies are allowed to collect, disclose and maintain and requires them to receive consent from users using plain language. It also creates new consumer rights including the right to impermanence, which allows users to decide how long companies can keep their data. While **Public Knowledge** welcomed the bill, it also said there's still room for improvement. “For example, the bill relies heavily on consumer ‘notice and choice’ but falls short in providing clear guidance to ensure that its rules minimize user burdens and maximize user control,” Public Knowledge policy counsel *Dylan Gilbert* said, adding that the legislation places too broad a definition on small businesses and allows them too many exemptions.

Fox to Buy Three Nexstar Stations: Fox Corp will purchase three **Nexstar** stations for approx. \$350mln. Stations **KCPQ** and **KZJO** in Seattle and **WITI** in Milwaukee will bring Fox Television Stations' market presence to 14 of the top 15 DMAs. Fox will sell **WJZY** and **MyNetworkTV**-affiliate **WMYT** in Charlotte to Nexstar for \$45mln.

Pay-TV Subs Down: The percentage of TV households that subscribe to a live, pay-TV service dropped again in 2019, down to 75%, according to data from **Leichtman Research**. The number drops from 84% in 2014 and 87% in 2009. Mean reported spending on pay-TV service among subs is \$109.60/month, an increase of about 6% since 2016. Including non-subs, mean spending is around \$80/month, slightly lower than household spending in 2015.