

Cablefax Daily™

Thursday — October 22, 2020

What the Industry Reads First

Volume 31 / No. 205

Big Gains: Verizon Touts Highest Fios Internet Gains in Six Years

Verizon's Fios Internet business posted a massive Q3, adding 144K net subs and beating expectations of just 37K. It's a five-year high for the company, the highest since 4Q14. Of the adds, 139K came from the consumer business, a 109K increase YOY. "What you really have is a fantastic product and fantastic team out there, and you see the results out there," said Verizon CFO *Matthew Ellis* during the company's earnings call.

With the company's field install team back in full operations after a pause due to COVID-19, Ellis said the company has nearly worked through its backlog of 2Q installations. When asked if the pent-up demand attributed to the high number of additions, Ellis said that while it was a factor, it was not the driving force. "There was a little bit of impact from working through the backlog of Q2, but I can tell you even without that backlog impact we'd still be significantly north of 100,000," he said.

Ellis attributed the gain to the company's Mix and Match options for its unlimited plans that combine its 5G service with access to **Disney+**, **Hulu**, **ESPN+** and **Apple Music**. "The driving factor is the quality of the product which customers value more than ever," he said. "Combined with Mix and Match and the pricing proposition, when you brought those things together we're seeing great results." He does expect normal levels of seasonality and slower growth in Q4. Analysts concurred with Ellis' statement, with **MoffettNathanson** writing "Verizon's FiOS business, which it had all but stopped installing in late Q1 and into Q2 due to the COVID crisis, enjoyed a solid bounce back, arguably reflecting pent-up demand but likely also reflecting recent changes to pricing (as well as solid demand for higher speed broadband connections at the industry level)."

As for possible involuntary 4Q broadband churn, Ellis said that over 90% of the 1.2mln consumers on Verizon's Stay Connected payment plan (related to the **FCC's** Keep Americans Connected pledge) had made payments. "We expect involuntary churn in the fourth quarter to be modestly higher than typical levels, but to remain better for the full year compared to 2019," he said.

On the wireless side, CEO *Hans Vestberg* touted Verizon's prior nationwide 5G announcement and its partnership with Apple. "I've said through the whole year that we're going to launch the network when it commercially makes

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Cablefax Daily (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Publisher, Cablefax & Synopsis: Robbie Caploe, 917.974.0640, rcaploe@accessintel.com ● Senior Editor: Sara Winegardner, 301.354.1701, swinegardner@accessintel.com ● Associate Editor: Mollie Cahillane, 212.621.4951, mcahillane@accessintel.com ● VP, Sales: Mike Farina, 203.218.6480, mfarina@accessintel.com ● Exec Dir, Strategic Partnerships: Albert Nassour, 917.545.3129, anassour@accessintel.com ● Dir of Marketing: Kate Schaeffer, kschaeffer@accessintel.com ● Prod. Mgr: Joann Fato, jfato@accessintel.com ● Kerry Smith, Divisional President, Marketing & Media Group, ksmith@accessintel.com ● Group Subs/Subscription Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: \$1,749.00/year ● Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

sense, and it made sense last week when the iPhone 12 was launched in the market,” said Vestberg. He noted that he is “very happy” with the preorders the company is seeing for the new line of iPhones, but declined to give exact numbers.

Postpaid wireless net additions of 553K (across consumer and business combined) were down 8% from the 601K gains a year ago. It included 283K phone net additions and 428K postpaid smartphone net additions. On the Fios video side, the company lost 61K subs in the quarter, versus a loss of 67K in 3Q19. It ended the quarter with 3.92mln subs, down 6.6% from 3Q19.

Verizon updated its financial guidance for the full-year, now expecting adjusted EPS growth of 0 to 2%, updated from -2 to 2%. It also expects total wireless service revenue growth of at least 2% in 4Q20 compared to last year

Quibi Shutting Down: Short-form streamer **Quibi** is shutting down seven months after its April launch, according to multiple reports. The reports come a month after the company was reported to be exploring a potential sale. Quibi, which was founded by *Jeffrey Katzenberg* and led by CEO *Meg Whitman*, had called a meeting with senior management for Wednesday night to explore a number of options, including shuttering the service and returning money to its investors. Quibi counts **PepsiCo**, **Taco Bell** and **T-Mobile** as some of its investors. *WSJ* said that Quibi had hired a restructuring firm to assist in the evaluation. The service was designed with folks like commuters in mind, but the onset of the COVID-19 pandemic kept many of its target at home.

Cable-Tec Expo Draws Record Audience: **SCTE-ISBE** announced record-breaking attendance at its 2020 Cable-Tec Expo virtual experience, which took place from Oct 12-15. The major driver of that growth was the show’s first-time offer of free registration for all attendees. First-time attendees accounted for more than half of the show’s total turnout. During the live show, the show’s platform recorded more than 2.8mln minutes of online activity, 153K platform interactions and 1300 meetings. Engagement is expected to increase as the platform will remain accessible to new and existing attendees for on-demand sessions and paper downloads until January. In addition, SCTE-ISBE received four times the number of Fall Technical Forum paper downloads during the week of the show compared to the same time period in previous years. Next year’s SCTE-ISBE is scheduled for Oct 11-14 at the Georgia World Congress Center in Atlanta. The theme for 2021 is “Fast Forward” in reference to the connectivity that will transform cities, workplaces and homes in the years to come.

FCC Again States Section 230 Rulemaking Reasoning: **FCC** general counsel *Tom Johnson* defended the Commission’s decision to take another look at Section 230 in an FCC blog post Wednesday. Johnson said FCC chmn

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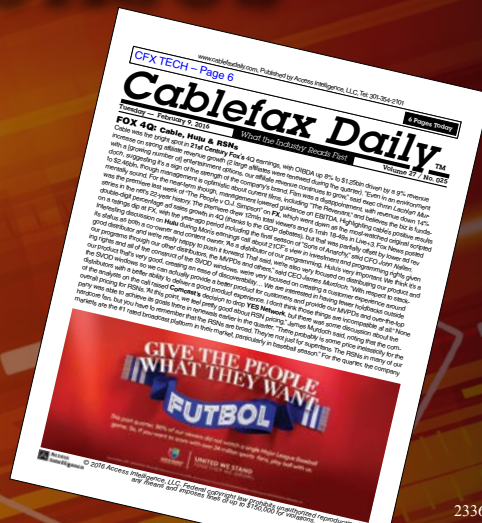
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Ajit Pai asked him to make his analysis of the issue public given the intense interest in the issue. “The policy issues raised by the debate over Section 230 may be complex, but the FCC’s legal authority is straightforward,” Johnson said. “Simply put, the FCC has the authority to interpret all provisions of the Communications Act, including amendments such as Section 230.” Johnson said the Supreme Court has twice considered whether the FCC’s general rulemaking authority under Section 201(b) of the Communications Act, extends to the 1996 amendments to the Act, including Section 230. “In any event, critics of an FCC rulemaking overread the legislative history and statements of purpose on which they rely and fundamentally misunderstand the narrow authority involved in clarifying the scope of the Section 230 immunity shield,” Johnson said.

T-Mobile Launches Investment Fund: T-Mobile announced Wednesday the launch of a multi-year investment fund focused on early and emerging growth companies developing 5G products and services for the T-Mobile network. The fund, called T-Mobile Ventures, will offer those companies its network and engineering expertise, infrastructure and investment backing. The fund will initially target the development of 5G products and services in areas including security, the future of work and industrial IoT.

Bounce Back: Local broadcasters aren’t worried about the future - whether it’s the pandemic’s impact on advertising or the threat of streaming. “This is a political year and political ad dollars are breaking records, and will more than make up for the shortfall in core advertising,” said **Sinclair Broadcast Group** pres/CEO *Chris Ripley*, speaking during a panel at the virtual **NAB NY Show**. *Byron Allen*, chmn/CEO of **Entertainment Studios**, pointed out that companies advertise because they need to in order to spread their message. “I think you’re going to see folks spending more than usual because they have a backlog. There will be plenty of support there, both nationally and locally,” he said. And while some have compared the current recession to that of 2008-09, **E.W. Scripps** pres/CEO *Adam Symson* said the two have a fundamental difference. “We experienced a dramatic recession while simultaneously we saw the development of new digital technology and advertising that were viewed to be more efficient than traditional media,” he said. “You saw a migration from print and television to those platforms. As those cyclical trends reversed themselves and the economy strengthened, there’s definitely a portion of the ad spending that stayed with these new technologies. We’re not seeing that today.” When asked if the broadcasters felt concerned that the increase in streaming shift content and viewers, panelists pointed to their company’s local relationships as a strength. “This is really just the continuation of a trend that started decades ago with the advent of premium cable channels like HBO. Now it’s onto streaming,” said Ripley. “That’s why we’re focused on being the leading provider of local news and sports in our markets. I think to some extent we’ve all been preparing and fortifying our business models around that trend for quite some time.

Get Out the Vote: Spectrum News launched a digital destination called “Decision 2020: The Election Hub” to provide voters with local resources and reliable information tied to the 2020 election. Additionally, in partnership with market research firm **Ipsos**, **Spectrum Networks** conducted its first-ever Spectrum News Poll in each of the nine states it has news operations. The state-specific poll results and election hub are featured on Spectrum News’ digital platforms, including the Spectrum News app. -- **Peacock** has introduced an Election 2020 content destination with relevant news, comedy and documentaries. Found in the Vote tab in Browse, the destination centralizes all election content across the streaming service into one location.

Hallmark Movies & Mysteries Wins Latest Beta Study: **Hallmark Movies & Mysteries** emerged as the top “must have” digital basic network in Beta Research’s latest study, being given a ranking of “4” or “5” on a five-point scale by 23% of cable subscribers over the age of 18. Tied just behind were **Cooking Channel**, **NFL Network** and **FX Movie Channel** (21%). Hallmark Movies & Mysteries was the top-ranked digital basic network for adult women (24%) while NFL Network came out on top for adult men (20%).

Weather Launches New IMR Capability: **The Weather Channel** expanded its technological portfolio with the launch of Virtual Views Wednesday. The new immersive mixed reality capability allows the network to showcase hyper-realistic visualizations of weather in towns and cities across the country without on-camera meteorologists having to physically be in those places. Virtual Views segments will be integrated into the network’s daily live programming and forecasts.

Programming: **CMT**’s “Dallas Cowboys Cheerleaders: Making The Team” will return for Season 15 on November 24 at 10pm. The series premiere will simulcast on sister network **MTV**. -- Eight-episode limited series “The Flight Attendant” will debut on **HBO Max** with three episodes on Nov 26, followed by the launch of two new episodes on Dec 3.

Think about that for a minute...

Not So Fast

Commentary by Steve Effros

Two news items this week caught my attention. In both cases it seems to me that folks are, as they say, "... getting a little ahead of their skis." But of course in the field of telecommunications, that's nothing new.

Think 5G for a moment. The rest of the world seems to just be catching up to the point that some of us have been making for a long time that 5G, while it may ultimately be a neat thing, is certainly not now a worldchanger. Especially in the short run. The funny thing is this realization has just finally arrived in the mainstream consumer press.

All you have to do is look at all the reviews for the new cell phones that have hit the market from Pixel, Samsung and Apple with lots of emphasis on 5G. The ads, of course, tout 5G. The reviews almost unanimously say 5G is not the reason anyone should buy one of these phones! That it, in useful reality, is a long way off. Gee, who would have guessed!

So now we have two new "hot" issues, both of which need to be tempered by the realization that things never happen as fast as the ads and the consumer press think or maybe hope they will. Today's reality checks: the Google antitrust case and Elon Musk's SpaceX/Starlink internet service.

Let's start with the Google case. It's major, no doubt about it. But it's nowhere near an "easy" case. It really tests the boundaries of the antitrust laws the way we think of them today. If you had a popularity poll, Google would win. Consumers like it. They could use another search engine if they wanted to, it's not that hard to do. And most consumers think Google's primary search engine is not only very good and fast (it is) but it's also "free" (it's not!) Sort of like "free TV".



So what's the beef, as they say? Well, Google has gotten so big and wealthy that it can use its money to get into other businesses and outspend the competition. The same thing is true, of course, of Facebook, Apple, Walmart, etc. Is that bad for consumers? What if it results in better service and lower prices? Are we trying to protect potential competitors (the current antitrust laws focus that way) or consumers? If the latter, are we going to change the laws? Fascinating. But here are three numbers to remember: 5, 7 and 13. The Microsoft antitrust case ran on for five years. The AT&T breakup took 7, the IBM case took thirteen!

The other headline of the week was about Elon Musk's successful SpaceX launch of yet another batch of satellites for his nascent Starlink low earth orbit broadband service. There are now some 900 little LEO satellites up there that can allegedly serve the northern part of the United States. Testing for speed and latency is currently underway, and experimental service is already being offered to a remote Native American tribe in Western Washington State. So how long will it be before that type of service is offered nationwide?

We can anticipate the consumer press and Musk will start talking about this soon. The company has just been approved for FCC consideration in funding for rural broadband delivery. They claim 100Mbps service, and relatively low latency. But that's without the pressure of scaled use, so my engineering friends tell me there's still a long way to go to determine if this is real. Stay tuned.

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry. His views do not necessarily reflect the views of Cablefax.)

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