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What the Industry Reads First

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3Q View: Charter Sees Video Gains as Broadband is Once Again Gangbusters

Charter continues to buck the video loss trend. It posted video gains for the second consecutive quarter, while at the same time adding a whopping 537K broadband customers in 3Q20. Residential video subs increased by 53K vs a loss of 77K a year ago, with the operator again crediting the gain to bundling it with broadband.

“If you just think about overall video penetration as a percentage of households, and you think about changing households over to your network, you’re going to pull through a certain percentage of video,” said *Tom Rutledge*, who Charter revealed has reupped as CEO through the end of 2024. “If you grow fast enough, you’ll grow video.”

Rutledge was clear that this trend shouldn’t be misinterpreted as the video attach rate increasing. Cord cutting is still very real. That said, Charter still sees opportunity for video and part of that is in delivering it in new ways, with 10mln users getting their service through applications as opposed to traditional hardware. “We think that people will continue to buy rich packages for years to come, but we also think there are other opportunities to sell a variety of video services to consumers in different formats and that we can improve the customer experience by being a good place for consumers to interact with to get those video services,” he said. “We’re actually optimistic very long term about our video business.”

If Charter’s optimistic about video, it must be feeling on top of the world when it comes to broadband. Later in 3Q, the market began to return to more “normal” activity, which is expected to continue in 4Q, CFO *Chris Winfrey* said. But what is normal? “The honest answer... is we don’t know,” Winfrey said. “We see trends reverting back to normal, which would mean more normalized growth. Does that mean more like 2019? Does that mean continued acceleration somewhere? Yes, I guess, is the answer to both of those questions. I don’t know, but I think it’s going to be good either way.”

“Charter has steadily accelerated their footprint expansion into unserved rural areas, and they have indicated their indication of intent to participate in the upcoming RDOF auctions to given them an even greater boost,” said **MoffettNathanson**. “All cable operators are doing the same, but Charter appears to be the most aggressive in this area. By expanding their footprint into unserved and underserved markets, they are dramatically de-risking future broad-



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band subscriber growth.” Execs on Friday’s earnings call said new construction was “meaningful” when it came to broadband adds, but “not material.”

As for mobile, Charter crossed the 2mln line mark, adding 363K in the quarter. Mobile EBITDA was a loss of \$88mln because of the cost of customer growth. But Winfrey said that passing the 2mln mark means mobile revenue now exceeds all regular operating costs (minus acquisition and growth-related costs). **New Street Research** analysts said the mobile business is scaling faster than they expected and should provide a strong lift to overall EBITDA growth next year. Charter’s made a meaningful commitment, recently buying 210 CBRS priority access licenses in an **FCC** auction for \$460mln. Those licenses will complement the **Verizon** MVNO as well as its own WiFi networks. “It’s a tool. We look at spectrum as a tool to extend the connectivity, and we plan to use it in way where it take our cost structure down,” Rutledge said.

For 3Q, Charter posted nice EBITDA YOY growth of 13.6% to \$4.6bln, while free cash flow increased from \$1.3bln to \$1.8bln. For the quarter, share repurchases totaled approximately 6.1mln shares/approximately \$3.6bln. Total revenue grew 5.1% to \$12.03bln. Charter shares climbed more than 4.8% at Friday’s close.

Sports Rebates: Charter’s 3Q 6.9% customer relationship growth was partially offset by a \$218mln one-time adjustment for estimated sports network rebates that it intends to credit video customer. Unlike with **Comcast**, Charter’s rebates have not started to hit customers’ bills yet. A spokesperson said the MSO is finalizing details with programmers, and customers should expect to see the refund as a credit on their bills early next year. Charter, like many other operators, has consistently pledged to pass any rebates for canceled sports programming onto customers. Comcast’s cable revenue of \$15bln (+2.9%) was negatively impacted by the customer RSN fee adjustment related to canceled sporting events. Without it, rev would have been up 3.9%. Comcast said it doesn’t anticipate additional RSN fee adjustments, projecting programming costs to be up mid- to high-single digits in 4Q. For 3Q, Charter saw its programming costs decrease by \$63mln (2.3%), reflecting \$163mln of estimated sports network rebates as well as a higher mix of lower cost video packages within its customer base and fewer video customers.


Pivotal Raises Altice Target: After **Altice** delivered better-than-expected 3Q earnings on Thursday, **Pivotal Research** raised its YE’21 target price for the company, bumping it up \$3 to \$44. That’s \$1 more than MoffettNathanson’s target price of \$43, with both groups of analysts rating it a “Buy.”

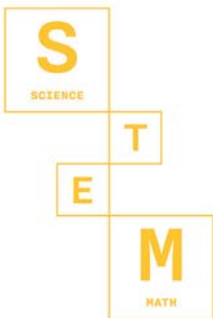

Comcast-Disney Watch: We’re keeping an eye on **Comcast** and **Disney**, with their carriage deal for **FX**, **Nat Geo** slated to expire soon. We’re told negotiations continue. Last weekend, Comcast subs were surprised by messaging

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on social media that said the channels were no longer available on Xfinity. The ads appear to have been [accidentally triggered early](#).

Programming: ESPN unveiled a 35-game college football bowl season schedule for 2020-21, kicking off with the Tropical Smoothie Cafe Frisco Bowl on Dec 19 at 7pm. The schedule features 13 ESPN Events owned-and-operated games, including the CFP Semifinals and the entire New Year's Six. ESPN will air 35 of the 37 games during Bowl Season. -- **Showtime** is offering the premiere episode of its new comedy series "Moonbase 8" for free beginning midnight on Nov 8. Simultaneously, all eps will be released to subscribers. The series officially premieres Nov 8 at 11pm on the linear net. -- **HBO Max** licensed non-exclusive streaming rights to five series from **Comedy Central**. Beginning Nov 1, all seasons of "Inside Amy Schumer," "Key & Peele," "Chappelle's Show," "Nathan for You" and "Reno 911" will be available on the platform. -- **Spectrum Originals** and **AMC Networks** picked up psychological thriller "BEACON 23." After a nine-month exclusive run for **Spectrum**, BEACON 23 will be an **AMC** original with a second window across AMC Networks platforms.

People: **Discovery** upped *Karen Bronzo* to group svp, marketing, **HGTV** and **Food Network**. She'll add oversight of brand marketing strategy and creative for Food to her existing duties as head of marketing for HGTV.

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Up Ahead

Nov 10-17: [C2HR Virtual Conference](#)

Nov 10: [WICT DC/Baltimore Chapter Tech It Out](#)

Nov 12: [CableLabs Mobile Summit - Convergence](#)

Dec 4: [Cablefax Most Powerful Women 2020 Virtual Celebration](#)

Dec 4: [2020 Cable TV Pioneers Induction Ceremony](#)

Research

- > 71% of the urban population in Latin America and the Caribbean have connectivity options, but only 37% of their rural counterparts are internet-connected.
- > 32% of the population in Latin America and the Caribbean, 244mln people, continue to have no internet access.

(Source: [Inter-American Institute for Cooperation on Agriculture, the Inter-American Development Band and Microsoft](#))

Quotable

"Let's discuss WWE Network for a moment. Even with potential partners impacted by COVID-19, conversations have resumed for alternative strategic options to our current model. We're currently unable to estimate when that alternative option will be completed, but we still believe in the potential for a transaction that enables WWE to reach a larger audience and realize a greater economic return... it would be a licensing of the network... Everyone is looking for subs that will travel. We believe, and it seems like the media marketplace believes that we have those. So we are now in constant dialogue with companies domestically and globally about potentially licensing the network to them." – **WWE pres/CRO Nick Khan** on the company's 3Q20 earnings call

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