

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## Peer Differentiator: Broadband Slows at Charter, But Video Surprises

**Charter** is the only major video distributor that can claim video growth—and management believes that the company will continue to outperform its peers on video. Charter ended 2020 with a net gain of 56,000 residential and SMB video customers for the full year, bucking a decline of 484,000 in 2019. For 4Q20, it lost 35,000 video subs—way better than the 101,000 lost a year ago.

Charter's video gains are largely credited to outsized growth in connection activity. In other words, as new customers bought broadband, they added video. The macro trend of cord-cutting hasn't gone away, with general video growth for the industry likely to continue to decline at a moderate pace, said CEO *Tom Rutledge* during Friday's earnings call. With new broadband connects likely to slow as we emerge from the pandemic, that will pressure Charter's video growth.

That said, Rutledge likes Charter's position relative to other players. "We've been able to grow with OTT products and smaller packages. We still have opportunities there, and we're forecasting our internal growth in those areas to continue to accelerate," he said. "The net of those two things is difficult to say, but I think we'll do better than the industry in general if you just look at multichannel video growth—whether that will be positive or negative, I'm not sure."

Charter's video strategy includes offering new video tiers that may be skinnier or differentiated in a way to create customer

satisfaction at reasonable prices. "We also think we want to have a transactional marketplace on a consumer-friendly interface, so that a customer of ours has access to all the products they want to buy that are direct-to-consumer. There's an opportunity for us to in that to be sellers of that and to operate a consignment store and create value for us and consumers through that mechanism," Rutledge said.

After bananas broadband growth earlier in the pandemic, Charter reported that it added 216,000 residential internet customers in 4Q20—down from 313,000 in 4Q19. It blamed the decline on lower sales activity caused by adding 1.9 million residential broadband customers in the prior three quarters as well as lower market churn, resulting in fewer sale opportunities. For the year, Charter's residential internet adds totaled 2.1 million vs 1.3 million in 2019. CFO Chris Winfrey said that if the vaccine is widely dispensed and the economy returns to normal activity by mid-year, Charter's 2021 customer net adds should look more like full year 2019 net adds, with a return to more normal churn levels and higher transaction activity.

While broadband growth has been expected to slow following the pandemic's levels, it was surprising to see Charter report a slowdown in 4Q—one day after **Comcast** posted record broadband results. "The deceleration in broadband is jarring to see. Yes, we all knew it was coming. But not this soon. So, let the bull/bear debate begin. What matters more, slowing broadband growth, or explosive growth in free cash flow per share? We're still in the bull camp," **MoffettNathanson's** *Craig*



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Moffett wrote, reiterating a “Buy” rating and \$761 price target.

He argued that Charter is different from other MVPDs because it’s much less dependent on broadband growth from price than its peers. And it’s preparing for accelerating its broadband growth by footprint expansion. There were no details on the FCC’s Rural Digital Opportunity Fund auction, in which Charter was the biggest winner with \$9.2 billion in subsidies, because the quiet period is still in place (long-form RDOF applications from winners were due at the FCC Friday). But even without the 10-year RDOF expansion projects, Charter has already been ramping up construction in rural areas.

Charter’s 2020 capital expenditures totaled \$7.4 billion, with management predicting 2021 cap ex as a percentage of cable revenue to be similar or lower than in 2020. That projection doesn’t include any incremental amounts for RDOF, however, Winfrey said he doesn’t think RDOF expenses would be material this year given the amount of planning work that needs to happen. And if there were any RDOF expenditures, it would be in the back end of this year.

Charter posted 4Q 20 revenue of \$12.6 billion, a 7.3% increase year-over-year. Adjusted EBITDA in the quarter of \$5 billion grew by 10.2% YOY. Full year 2020 free cash flow totaled \$7.1 billion, compared to \$4.6 billion in 2019.

**CBRS AND CHARTER’S WIRELESS PLAY**

Charter was a top spender in the FCC’s CBRS auction last year, spending more than \$464 million on 210 priority access licenses. Over time (meaning four or five years), Charter could offload up to a third of current wireless traffic via CBRS, CEO Tom Rutledge said. He prefaced that, saying it will depend on traffic flows, loca-

tions, etc. He said CBRS is just a tool along with WiFi to improve the connectivity experience, noting 80% of all mobile traffic today is on WiFi. “We’ve looked at CBRS strictly as an incremental opportunity from a return on investment point of view to move traffic onto our network, but it also does have the potential of increasing the consumers’ experience in terms of their satisfaction because of the quality of that connection,” Rutledge said. The plan is to use the acquired CBRS licensees along with unlicensed CBRS spectrum on a targeted 5G small cell site strategy with charter’s HFC network. “This year, we’ll focus on scaling our systems to actively manage traffic on handset using our MVNO, WiFi, CBRS spectrum. We will also build some targeted 5G small cell sites,” Rutledge said. During 4Q20, Charter recorded net wireless additions of 315,000, up from 288,000 a year ago. Mobile revenue totaled \$428 million in 4Q, an increase of 80.9% year-over-year. “We think there is so much value in the mobile and broadband combined offer that we have, there is not a need to go subsidize the handset,” said CFO Chris Winfrey, though he said that may evolve over time. With retail stores playing an important part in mobile sales, it’s worth noting Charter managed to build 180 new stores in 2020 and it expects to finish retail construction in 2021, which will bring it to 750 stores total.

**COX MEDIA RETRANS UPS & DOWNS**

Cox Media Group and Altice USA-owned Suddenlink ended their 20-day retrans impasse Thursday evening, striking a new, multi-year deal. But Cox Media’s not out of the woods, with its stations warning AT&T/DirectTV customers that they may lose access to the channels. The agreement is set to expire at 1am ET on Feb 2. “We’re disappointed to see Cox Media

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**C-BAND AUCTION HITS \$30MLN**  
The FCC’s C-band auction surpassed the \$30mln mark before Friday’s last bidding round ended. Bidding is scheduled to continue through Round 45, which ends at noon ET on Dec 23. The auction will



intend to get groceries a kets (37%), buying gift local retailers (23%) at their favorite businesses and friends (24%).  
*(Source: Comcast Busine*

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**Dark Day: Powell Describes Capitol Chaos as Unimaginable**

The world watched via television networks and broadband connections as the US Capitol was breached by president Trump supporters Wednesday as the House and Senat debated a move by some Republicans to overturn elction results.  
“This is a sad and deeply disturbing moment for r in tion,” NCTA pres/CEO Michael Powell told CFX... could not... (NBC) in... remain... time...

news networks and Twitter. When the House and Senat went out of session as a group broke into the Capitol, C-SPAN continued with live coverage from its studio (Greta Brawner hosting) mixing in interviews with reporters inside and outside the Capitol, members of Congress, live video

**RATINGS**

Fox News has now officially won prime and total day for 2020, as projected. It became the first cable news net to end a year with more than 3.5mln viewers in prime. It was a pretty good year for all the news nets though. See our story. - Watching TNT and TBS’s

**Retrans Agenda: Virtual MVPDs, ATSC 3.0’s Role in Retransmission**

As we head into 2021, there may not have been a huge retransmission consent blackout to ring in the year (those happened a few weeks early and involved DISH and AT&T), but there’s still plenty for broadcasters and MVPDs to fret about.

Although traditional MVPD subscribers declined d first half of 2020, retransmission consent revenue e major station groups increased in both the first an quarters of 2020 by nearly 20% compared to the second quarters of 2019, according to S&P Global The FCC’s newly released Communications Marke part broadcast retrans consent revenue jumped from

Group put our customers into the middle of a private business matter,” AT&T said in a statement Friday. “Cox-owned stations have a long history of either threatening or pulling the Super Bowl and other important events from our customers, and our competitors. We continue to work with Cox to try to avoid any unnecessary disruption and appreciate our customers’ patience while we do.”

**C-SPIRE UPS THE ANTE**

**C Spire** is investing \$1 billion over the next three years to accelerate its deployment of all-fiber gigabit broadband across its service areas in Mississippi and Alabama. The project will provide enhanced services to over 200,000 homes and businesses across the two states by 2025. C Spire CEO *Hu Meena* expects that the investment will generate at least 250 new direct jobs in Alabama and will result in millions in secondary economic benefits for both states.

**PROGRAMMING**

Ahead of “Puppy Bowl XVII,” **Animal Planet** and **discovery+** will be airing a trio of themed specials. “Puppy Bowl Presents: The Dog Games” will stream on discovery+ on Feb 6, “Puppy Bowl XVII Presents: Best in Show” will also be streaming and will air on Animal Planet on Feb 6 at 11pm. “Puppy Bowl XVII Presents: Puppy Bowl Nation” will be on the streamer on Feb 6 and premiere on Animal Planet on Feb 7 at 11am. – **Tubi** is now the exclusive AVOD home to “¿Quién es la Máscara?” The series is the Mexican edition of the **Fox Entertainment** franchise “The Masked Singer.” – “Zack Snyder’s Justice League” will premiere on **HBO Max** on March 18. – **HBO** news documentary series “Axios” will return to the network on Sunday at 6pm.

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 Happy #NationalHaveFunAtWorkDay! We believe that work can be fun, whether you're at home on a Teams call, in one of our retail locations, or climbing a cell tower. Enjoy this #tb from our team celebrating @The\_Iditarod. #AlaskaBornandRaised

Note: Photo taken pre-pandemic.



**Armstrong** @followarmstrong  
 SOUTH POINT, OH – Armstrong’s Breaking Bread initiative helps over 200 community feeding programs. Backpack Buddies, a non-profit partners, helps feed more than 300 school-age children across Lawrence County with limited to no access to food over the weekends. #FeelGoodFriday



**Up Ahead**

- FEB 4-6: SCAD ATVFEST**
- FEB 17: FCC OPEN MEETING**
- FEB 22-23: APTS PUBLIC MEDIA SUMMIT**
- MARCH 2-3: NCTC SMARTCLICKS MARKETING & VIDEO SERIES**
- MARCH 16-20: SXSW ONLINE**

**Research**

- > US robocalls were estimated to total 45.9 billion in 2020, a 22% decrease from the 58.5 billion recorded in 2019.
- > February was the highest volume month w/ just over 4.8 billion robocalls placed.
- > Of the calls placed, 20.6 billion were scam calls, 11.6 billion were alerts and reminders, another 7.5 billion were financial reminders and 5.9 billion were attributed to telemarketers.

(Source: [YouMail Robocall Index](#))

**Quotable**

*“I think that anti-trust is a part of this. I think we want to have a proliferation of different types of content moderation and different sorts of engagement, but as we’ve also seen, that’s not going to solve all of the problems... A lot of this has to do with what are the problems we’re trying to get at, what are the motivations of the various players and how do we have a public policy that is respectful of the first amendment, that is careful... there are very real dangers here with acting in a rush and trying to suppress a wide range of speech as dangerous... I do think there is a role here for federal regulation to provide appropriate guidelines and solutions that are narrowly focused on imminent danger.”*

– **Public Knowledge** svp **Harold Feld** talking social media in an interview for C-SPAN’s “The Communicators” series

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