

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## Connectivity Center: Charter's Going All-in on Mobile

**Charter** really wants to be customers' one-stop connectivity shop, with CEO *Tom Rutledge* touting that customers could save hundreds, even thousands, per year by making Charter their full-service provider.

"Our goal is to do the same with mobile in our service area as we did with wireline voice, where we made Charter the predominant wireline phone carrier by reducing consumer telephone bills by over 70%," he said during Friday's 1Q21 earning call. Broadband adds were solid at 334,000 residential customers in 1Q. But mobile is becoming a rising star, with 300,000 mobile line additions—ahead of the 278,000 mobile additions **Comcast** reported in the quarter. Mobile revenue rose 90% to \$492 million, with mobile lines topping 2.7 million.

"We already are moving toward convergence many ways, and we have owners' economics in many ways," Rutledge said, adding Charter has a good relationship as an MVNO. "The owners' economics we get are in the CBRS spectrum that we purchased and its deployment in the WiFi networks that we've deployed and the traffic that we carry over it."

CFO *Chris Winfrey* said Spectrum Mobile continues to see less EBITDA loss per line as the business scales to expected standalone profitability. Most of the EBITDA drag right now is due to subscriber acquisitions—which Charter only wants to accelerate. Absent acquisition costs, he said Spectrum Mobile cleared profitability at the 2-million line mark.

"We think the wireless theme will come back for the cable stocks this year. We expect a nice acceleration in adds from both Comcast and Charter. Comcast has crossed into profitability. Charter won't be far behind," **NewStreet Research** told clients. "As these businesses transition from an EBITDA drag to an EBITDA contributor, we suspect investors will start to give it its proper due."

There's a lot of talk these days about broadband growth and cord-cutting—but the upshot of both is increased data usage. Rutledge revealed Friday that 20% of the company's non-traditional video internet customers are using a terabyte or more of data per month, with average usage by non-video subs up nearly 20% YOY in 1Q. **Altice USA** reported this week that it saw a 39% YOY increase in average data usage per customers in 1Q21, with broadband only subs averaging 613GB per month in the quarter—26% higher than the average usage of all customers. Charter put its average for these subs at about 700GB.

Though there continues to be a lot of noise in Washington around offering symmetrical speeds, Rutledge said the actual upstream usage is quite sufficient with the products on the plant actually using the network in an asymmetrical way. He doesn't see that changing, but said Charter has the capability to upgrade in a cost-effective manner if the dynamics changed.

Video declines of 156,000 in the quarter were better than **EverCore's** -175,00 forecast and in line with NewStreet's -150,000 estimate. With video in a state of disruption, Rut-

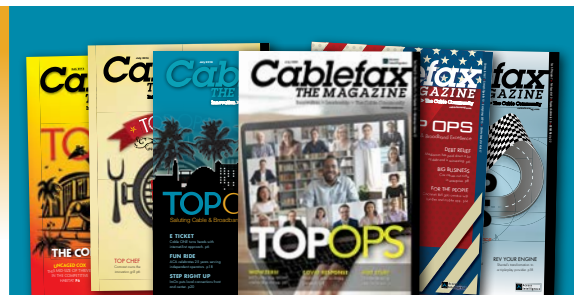
## ANNOUNCING Cablefax's TOPOPS Nominations

The Top Ops categories recognize excellence in a variety of areas, including marketing, technology, finance, lifetime achievement, customer service and community involvement. Nominations are open to all operators.

*Help Cablefax choose the MSO and Independent Operator of the Year!*

Submit Today at: [www.CablefaxTopOps.com](http://www.CablefaxTopOps.com)

Questions: Contact Mary-Lou French at [mfrench@accessintel.com](mailto:mfrench@accessintel.com) or 301.354.1851.



It's free to enter – but you must submit your entries by April 30!

The Independent Operator of the Year Award (IOY) is presented in conjunction with ACA Connects and NCTC

ledge noted that Charter's got its fingers in multiple different business models—with 10 million+ subs getting its service through the Spectrum app vs a set-top and offers where Charter is essentially a consignment store for direct-to-consumer. He said programmers launching DTC offerings that mirror or encompass a lot of their linear MVPD content will affect value. "Obviously, if content comes out of bundled packages and goes direct-to-consumer, its value in the bundle goes down," he said.

Speaking of programming pressures and content values going down, how about those LA RSNs? When asked about the right long-term business model for the nets, Rutledge didn't sound very optimistic. "Luckily, it's not a material part of our business. It's difficult, and it's expensive. The prices continue to go up," he said. "It's hard to say how we could monetize it effectively over the long run."

Overall, Charter's 1Q revenue rose 6.7% to \$12.5 billion Adjusted EBITDA of \$4.9 billion grew by 12.5% YOY, reflecting growth in revenue and operating expenses of 6.7% and 3.2%, respectively.

#### YOUTUBE TV OFFICIALLY OFF ROKU

After sending warning signs earlier this week, **Roku** has removed **YouTube TV** from its channel store. Existing users will continue to have access to YouTube TV, and the vMVPD encouraged **Roku** in a blog post not to remove the app from its platform. It also laid out its version of events from its negotiations with Roku, claiming that its offer was under reasonable terms. It said that Roku chose this opportunity to renegotiate a separate deal that would encompass the YouTube main app, whose deal doesn't expire until December. It also fought back against claims by Roku that YouTube TV would have forced Roku to accept hardware requirements that would have put additional costs on consumers. "Our agreements with partners have technical requirements to ensure a high quality experience on YouTube. Roku requested exceptions that would break the Youtube experience and limit our ability to update Youtube in order to fix issues or add new features. For example, by not supporting open-source video codecs, you wouldn't be able to watch YouTube in 4K HDR or 8K even if you bought a Roku device that supports that resolution," YouTube TV said.

#### FRONTIER SHOWS OPTIMISM UPON EMERGENCE

**Frontier** has finally emerged from Chapter 11 bankruptcy, and its 1Q21 earnings call was focused on the major opportunity it has to become a fiber-first company. It currently has 3.2 million fiber passings and a 41.5% penetration rate while its copper asset has 11 million passings and 12.5% penetration. As it continues its expansion, the company believes it will be able to achieve 50% penetration on its fiber product. "Many of our cable peers who are north of 50% penetration today have a product that is arguably inferior to the product and services we'll offer on our fiber networks," incoming board executive

chairman **John Stratton** said on the Friday call. "When we acquired much of our fiber from **Verizon**, penetration was in the high 40s, even approaching 50%, which then dropped sharply in subsequent years due to significant operational challenges. Our recent operating initiatives have resulted in seven consecutive quarters of positive net adds and increased fiber penetration." Revenue came in at \$1.68 billion, down 6.3% YOY, while net income came in at \$60 million. The company expects to extend its fiber network to 495,000 locations in 2021 with approximately 100,000 of those completed during the first quarter. The company is conducting a review over the next 100 days to determine the scale and speed of the fiber expansion. It will be presented during an investor day in August. The call also served as a coming out party for the new management team that is poised to lead Frontier into a new, successful age. President/CEO **Nick Jeffery** spoke extensively about his time at **Vodafone UK** and transforming that business when it was in a similar position to Frontier. All products were losing share, IT and customer care problems were abundant and customers were not engaged. Five years later, it was a different story. His focus now is on consistently making small improvements to systems and customer service while also taking a deep look at the competitive landscape in Frontier's markets. "Vodafone was a much more complex asset to transform, with wireless and wireline products and faced far greater competition, with 4-5 infrastructure competitors and 16 retail competitors. Jeffery sees the same room for improving operations at Frontier, but in a much larger market with fewer competitors (~87-88% of the markets face 1 or no competitors)," **New Street Research** said.

#### SHENTEL FEELS GOOD ABOUT FEDERAL OUTLOOK

**Shentel** believes the Emergency Broadband Benefit program, which kicks off May 12, could result in roughly a 4,000 gross activation lift through its participation in the program (assuming it stays funded through the fall). The **Biden** Administration's infrastructure plan is still a pretty big question mark, but generally "we see more opportunity than threat associated with increased spending in the sector," COO **Dave Heimbach** said during Friday's 1Q21 earnings call. "We think we're uniquely positioned to take advantage of that given a, our relationships in DC and our near adjacency here in that regard, and b, just given the nature of the relationships that we have in surrounding municipalities and counties and with co-ops." Shentel's moving along on broadband, with net additions in 1Q21 growing 61.9% to 4,245, with 1,366 of those from its FTTH Glo Fiber business and 370 from its Beam fixed wireless service. Glo Fiber launched in two additional markets in April, Roanoke and Lynchburg, Virginia. The operator is definitely interested in M&A opportunities, but thinks it can have great

success—at much lower costs—with organic growth. “We continue to be an opportunistic acquirer. We have been and continue to be in dialogue with a number of operators in and around our footprint. We have competed in a couple of auctions unsuccessfully. The market is very frothy and we like to be very disciplined,” Heimbach said. Overall revenue grew 12.3% YOY to \$59.7 million in the quarter, while adjusted OIBDA increased 19.1% to \$17.1 million due.

### T-MOBILE-SHENTEL DEAL

The Hart-Scott Rodino waiting period expired April 26 for **T-Mobile's** \$1.95 billion purchase of **Shentel's** wireless business with no action from the **FTC** or **DOJ**, clearing the way for the deal to close once approval is obtained from the **FCC** and West Virginia PSC. It sounds like a July 1 close is the target. As a result, Shentel expects a workforce reduction of about 30% (340 employees) and to incur about \$5.8 million in severance.

### MAGNITE CLOSES SPOTX DEAL

Independent sell-side ad platform **Magnite** closed its previously-announced \$1.14 billion acquisition of **SpotX** from **RTL Group** Friday. The combined company, which will tout the largest independent CTV and video advertising platform, will count **A+E Networks**, **AMC Networks**, **Crackle**, **Discovery**, **Fox**, **fuboTV**, **Roku** and **Sling TV** amongst its clients. Magnite plans to share more on the acquisition and on its results as well as those of SpotX during its 1Q21 earnings call on May 10.

### RATINGS

Drama series “Cruel Summer” has been quite kind to **Freeform**, with the premiere averaging 3.81 million multiplatform viewers in its first week available. That makes the *Jessica Biel*-produced show the net's best-ever series debut among Adults 18-49 (2.65 million) and Adults 18-34 (1.33 million). – **HGTV** series “Home Town” wrapped up its latest season Sunday, with the finale delivering its highest-ever ratings among several key demos, averaging a .85 L+3 rating among P25-54 and a 1.08 L3 rating among W25-54.

## CABLEFAX DASHBOARD

### Tweet Tweet



Mike O'Reilly  
@MPOReilly

I don't know ERIC but I do know the ETC process has been abused and acts as barrier to broadband deployment. Time to scrap the designation. @FCC closely scrutinizes long forms (RDOF and other auction winners) before sending out funding.

● Cablefax @Cablefax - Apr 23

Who is ERIC? Charter, Starlink and Starry aren't sure, but they say the mystery coalition has it wrong when it comes to their RDOF plans.  
cablefax.com/regulation/who...



Shandlin Herrera  
@Sh\_23love

If y'all were tuning into the Oscars you might've seen my commercial with @Verizon! 🙌 This rez girl made it on national TV. Ahéhee Veeizon for elevating my story and our work! @NCovid19relief 🙌❤️



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### Research

- 96% of Americans have 4 or more choices for fixed or wireless broadband at speeds of 25/3Mbps or faster. 56% have 2 or more choices for fixed broadband at 100Mbps or faster.
- US broadband providers have invested \$1.8 trillion over the last 25 years in their networks, and continue to invest \$70-80 billion yearly.
- More than 14 million people have connected via cable providers' low-cost programs for low-income customers over the last decade.
- According to the Bureau of Labor Statistics, US broadband prices have been essentially flat over the past decade. Adjusted for inflation, prices declined by nearly 11% from 2011 to 2020.

(Source: NCTA)

### Up Ahead

**APRIL 30:** CABLEFAX TOP OPS NOMINATIONS DUE

**MAY 11:** MEDIA INSTITUTE LUNCHEON WITH FCC COMMISSIONER GEOFFREY STARKS

**MAY 13:** WICT ROCKY MOUNTAIN VIRTUAL WALK OF FAME

**MAY 17:** NBCU UPFRONT

### Quotable

*“It will create thousands and thousands of good-paying jobs. It creates jobs connecting every American with high-speed internet, including 35 percent of the rural America that still doesn't have it. This is going to help our kids and our businesses succeed in the 21st Century economy. And I'm asking the vice president to lead this effort, if she would, because I know it will get done.”*

– President Joe Biden speaking on the jobs that would be created to improve broadband networks should his infrastructure proposal, the American Jobs Plan, be put into action.