

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Conference Circuit: 5 Takeaways from Comcast CFO Cavanagh

The investor conference circuit continued Wednesday, with **Comcast** CFO *Mike Cavanagh* appearing before *JP Morgan's* annual global technology, media and communications gathering. Here's a rundown of some of the high points from his conversation with analyst *Phil Cusick*. It seemed to set well with the market, with shares up 2% at market close.

1. Doesn't sound like M&A is on the table. With the **Discovery-WarnerMedia** transaction, there's been plenty of speculation about Comcast, including the notion it might try to top the offer for WarnerMedia or could go after **Viacom-CBS**. Cavanagh didn't directly address such a scenario, but downplayed the idea of Comcast going on a shopping spree. "Obviously, we know how to do that if necessary. But hear me loud and clear: we like the hand we have and M&A is not an answer. We like the hand we have without M&A, but we'll obviously do what's right for shareholders as time passes," he said. He also remarked that a lot is being made about scale in media, but thinks ability to execute is where it's really at and believes Comcast has that aplenty.

2. Buybacks are back, baby. After COVID-19 put a pause on share repurchases, Comcast's board just reupped buyback authorization to \$10 billion from \$2 billion. "We've been saying for quite some time we are out of balance," Cavanagh said. "We like to have the ability to invest in our businesses, keep the balance sheet strong and return ample capital to shareholders

through steadily increasing dividend and buybacks. That was the pattern and history of the company, tremendous buyback power you saw from the time the company bought **NBC** to **Sky**. So, I'm glad to be back in more balance."

3. Edge-outs are underway. Edge-outs are something we don't hear a lot about from Comcast, but rest assured they are going on. The CFO said Comcast has something in the ballpark of 40 projects underway, pushing around its existing perimeter, particularly in rural areas. Comcast has added around 2.5 million passings over the last five years by building in its footprint.

4. Wireless is a priority. The learning phase for **Xfinity Mobile** is behind Comcast and it's now focusing on profitability. "We think it's a natural bundle on connectivity between our broadband and wireless. It definitely has proven out that it's lowering churn for us," Cavanagh said. It's only been a few weeks since Comcast tweaked its MVNO with **Verizon** to offer unlimited data plans starting at \$30 per line, but he reports the company already is seeing good take rates. "With something like 2 million customers and 3 million lines out of something like 30 million broadband homes, we feel we've got plenty of runway to execute against our objective, which is to growth that business alongside our broadband business." **Charter** CFO *Chris Winfrey* spoke at the same conference Tuesday, detailing that the company plans to roll out a full-scale employee trial of a radio access network powered by CBRS by the end of the year and early into 2022 to offload MVNO traffic. Sounds like, at least for now, Comcast plans to let Charter do the lifting



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there and will study what they do.

5. Peacock is a work in progress. Cavanagh was clear that management likes what it has seen in streamer **Peacock's** first year, but there's still a lot to come—production was impacted by COVID, the Olympics was postponed, and so forth. “By no means is streaming easy for anybody. I don't meant to say we've got it all figured out by any stretch. But I think we've done well to take advantage of what makes us unique as a company,” he declared. Noteworthy: Universal's “Boss Baby 2” will appear in theaters and on Peacock Premium on the same day, July 2, at no extra cost to subs. It's the first Universal theatrical to open simultaneously on the service.

COURT UPHOLDS LIMITS ON CABLE FRANCHISE FEES

The **US Court of Appeals for the Sixth Circuit** upheld key parts of the FCC's 2019 order revamping cable franchise fees, agreeing with the agency's determination that local franchising authorities [LFAs] can't collect fees on cable operators' broadband revenues. The FCC's order determined that most in-kind contributions required by franchises, such as operational support of Public Educational and Governmental (PEG) access channels and free video service, are subject to the statutory 5% cap on franchise fees under the Communications Act. In sum, the Sixth Circuit rejected the challenge by LFAs to the FCC's determination that noncash cable-related exactions are indeed franchise fees. But the court said the petitioners have a point as to the standard by which noncash cable-related exactions should be assigned a monetary value for the purpose of counting them toward the 5% cap. The court said noncash cable-related exactions should be assigned a value equal to the cable operator's marginal cost in providing them.

INDUSTRY, HILL REACTS TO AMAZON-MGM

Amazon's \$8.45 billion deal to acquire **MGM** is the latest acquisition to get people talking about consolidation trends across the media landscape. **Discovery** CEO *David Zaslav* said during an investor conference appearance that the deal's value could mean good things for the value of its merger with **WarnerMedia**. “I don't think Amazon got the idea for MGM from us, but we're happy about that deal because look at the value. It's all about the IP. *Bob Iger* said that to me eight years ago. Everyone said ‘What are you doing with Pixar? You're overpaying, you're overpaying for Star Wars,’” he said. “So we look at what **AT&T** and what *John Stankey* and what Warner has, it's the greatest treasure of global IP that's loved by everyone in the world together with the treasure we have. You look at the value of MGM and you say wow and what does that mean we're worth if we can make this all come together, and we think we can.” **Fox Corp** doesn't necessarily think the most recent mega-deals in the industry will affect it directly, but there is still plenty of opportunity for more consolidation across the content ecosystem. “The Amazon transaction, I see, is completely around supporting their content and streaming aspirations... Those are areas we really don't play in. You think about big SVOD aspirations that both of those, the enlarged WarnerMedia-Discovery and that Amazon have. We focus much more on live sports, news and event entertainment. So I don't think it changes, at all, the trajectory for Fox,” Fox COO *John Nallen* said during his own investor conference appearance. “But clearly, I'm not sure the landscape is finished shifting yet inside of media because there's still a lot of chatter about other transactions to happen.” The deal has also attracted the attention from legislators, particularly those that were already

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keeping a close eye on Amazon's activities. Sen *Amy Klobuchar* (D-MN) believes the **DOJ** should conduct a thorough investigation to ensure the deal won't risk harming competition. "This is also a reminder of why we need to fund our antitrust agencies so they can take on investigations of multi-billion dollar deals," she said in a statement. "Our government cannot ensure major corporations are playing by the rules if enforcement agencies are chronically underfunded." Klobuchar recently introduced legislation that would give antitrust agencies additional powers to review larger mergers. Should it pass, firms would have to prove that their proposed merger wouldn't form a monopoly or prove anticompetitive.

BROADBAND PRICES FALLING?

At the same time the White House says something must be done to make broadband more affordable, **USTelecom** released its own research saying prices went down in 2021 vs 2020. USTelecom's Broadband Pricing Index, which relies on **FCC** and other public data, found the most popular tier of broadband service has declined by 7.5% YOY, a one-year price decline of 9.3% when adjusted for inflation. The price for the highest speed service declined by 2.3% (4.2% when adjusted for inflation), according to the index. Not everyone is likely to be in agreement though. **Free Press** has complained before that USTelecom uses "rack rates," not what consumers really pay, to drive its research.

SINCLAIR'S BARRY FABER RETIRING

Barry Faber is a bit of a legend. As **Sinclair's** president of distribution and network relations (and prior to that, its general counsel), he's been involved in more than a few contentious retransmission consent negotiations over his 25-year career at the broadcaster. He's also credited for helping lead the overall broadcast push to get paid for retrans. But he's also the kind of exec that will show up on the exhibit floor of **The Independent Show** and shake hands and shoot the breeze with operators and reporters. For years, despite the senior title of general counsel, he was listed as the primary contact on many a Sinclair press release. Those that tangoed with Faber may disagree with him, but would be hard-pressed to argue he isn't a hard worker. Faber's official last day before he heads off to retirement is June 25. He will transition to a consultant for Sinclair, continuing to provide services relating to distribution and network relations. Sinclair will announce his replacement later this year.

REBRAND ALERT

RCN, Grande and **Wave** COO *Chris Fenger* joined the **Strong Women Alliance's** "Spill the Tea" Zoom call Wednesday, and did just that. He said the companies, which **Stonepeak Infrastructure Partners** is in the process of buying for \$8.1 billion, will be rebranding under a new name soon. That's welcomed news as it's been a bit confusing referring to all three company names. The companies are sometimes referenced as **Astound Broadband**, but it's not commonly used.

INCOMPAS LAUNCHES FIBER-HEAVY BROADLAND

As infrastructure talk heats up on the Hill, **Incompas** has launched its "BroadLand" campaign aimed at making sure internet is ready for all Americans. Former Democratic **FCC** commish *Mignon Clyburn* will lead the effort along with **Incompas** CEO

and ex-Republican US House member *Chip Pickering*, giving the initiative a bipartisan flavor. Incompas represents competitive carriers ranging from **Amazon** and **Facebook** to **C Spire** and **Starry**. The Broadland campaign is clearly focused on getting fiber built out to more areas. Cable, on the other hand, has been calling for a more technology neutral approach that concentrates on unserved areas. The Broadland project's founding members include **Netflix, Google Fiber, Crown Castle** and **Sonic**.

METRONET, SHENTEL MOVES

MetroNet poached **Shentel** COO *Dave Heimbach*, who will join the fast-growing fiber provider on July 5 as president, COO. He's exiting Shentel after leading the sale of its wireless affiliate business to **T-Mobile** and helping to guide its transformation to focus on fiber and fixed wireless. MetroNet has been on a tear of fiber buildouts, with its most recent market Bryan, TX. Shentel promoted *Ed McKay* to fill Heimbach's role at the company, effective July 3. McKay most recently served as Shentel's svp, engineering and operation and has played a key role in executing the company's edge-out fiber to the home and fixed wireless expansions.

DOING GOOD

Charter has committed \$1 million towards its 2021 Spectrum Digital Education grant program, which supports nonprofits that educate communities on the benefits of broadband and its uses. Organizations can begin applying for support starting Tuesday through June 25 at 5pm ET. Grants will be announced in August and awarded this fall.

STRUUM KICKS OFF EARLY PREVIEW

Struum, a service that allows viewers to access content from a range of providers for one monthly subscription, launched an early preview this week for iOS, Chromecast and web users. The service, which is taking advantage of **Firstlight Media's** cloud-native platform, will have content available from 25 partners during the early preview period. Initial partners include **Cinedigm, Cheddar News, Magnolia Pictures, Filmhub** and **Tastemade**. Firstlight expects to be supporting the availability of more than 50 services on Struum by this summer.

PEOPLE

After 15 years at **Comcast-NBCUniversal**, *Susan Jin Davis* is trying something new. The former Comcast chief sustainability officer is focusing on her passions around DEI and social impact, joining **AI Roker Entertainment** as social impact officer and serving as a senior adviser on social impact and sustainability for **Philadelphia Soccer 2026**. – Longtime PR exec **Tim Buckman**, who has spent time at **NBCU, HBO** and **Fox**, has joined **BNC** to head up its newly established integrated communications team. BNC launched in February 2020 and has carriage with **Comcast, Charter, DISH** and **AT&T/DirectTV**. – **Cox Media** tapped *Soo Jin Oh* to serve as president of **Gamut**, its digital advertising organization. Oh has served as co-COO for the past eight months. – *Courtney Williams* has been appointed chief diversity officer of **Nexstar**, effective immediately. The newly-created role is an expansion of her duties as vp, human resources. Williams joined Nexstar in 2019.

Think about that for a minute...

About Time

Commentary by Steve Effros

There's a fascinating debate being engaged here in Washington about how to fund the remaining buildout of broadband in rural and Native American tribal areas. This isn't so much the broader issue of the "digital divide" which, numerically, has more to do with adoption, use, literacy and price than it does with access. It's about those areas that legitimately do not have adequate broadband access. It's uneconomic for private enterprise to build in those areas.

Some folks have looked at the "Universal Service Fund" which was created for the same purpose to extend telephone lines in those areas. They've noted that even with an almost 30% surcharge on telephone bills for the "USF" fund, the amount of money collected is insufficient (wireline telephone revenue is cratering) to cover the costs of using that fund for a broadband buildout. There's also serious doubt that direct Congressional appropriations are the right way to go. It's almost laughable to note that no one thinks that would be a reliable long-term source. Nothing about Congress is "reliable" these days.

And, as usual, politicians of every stripe don't want to get anywhere close to words like "tax," "fee," or anything similar. It's as though they are in a long-term game of "Where's Waldo," with the public being asked to (or the politicians hoping they can't) find how we are going to wind up paying for the things we want! Where else does the money come from? Whether it's taxes, fees or some type of hidden cross subsidy, the costs have to be covered. In this case, it's the question of who pays for the broadband infrastructure everyone wants. The fascinating thing to me is that in all this talk you never hear about the current source for the primary funding that built one of the best and most extensive broadband infrastructures in the world: cable television.

Yes, you read that right. Cable television. We in the cable industry have been pilloried for years about the price of cable, and most of the time we have tried to explain that the cost of

programming has to be paid, and it always goes up. But very little has been mentioned about the capital cost of building all those wires and paying for all those poles and trucks and technicians. Those prices always go up too! Well, what wires, trucks, poles and technicians are responsible for the delivery of broadband to a majority of American households? Cable systems in this country have cross subsidized the building of that infrastructure. Cable subscribers are responsible for footing that bill. Want to call it a tax? A fee? The politicians would run for cover. They also deride the cost of cable, but they rarely if ever acknowledge that the capital expenditures for cable television systems are the primary reason we have the broadband infrastructure we have today.

So, as this debate over where the money comes from progresses, yes, I agree. We should definitely start assessing some of the cost of that infrastructure to the companies that have flourished and become massive profit making "behe-moths" while avoiding paying both taxes and a reasonable fee for the beneficial use of the broadband infrastructure they rely on. Let's remember that the "net neutrality" debate really started when the Big Tech companies wanted to avoid paying in the first place! But maybe that time has finally passed. A tiny transaction fee (John Malone once mentioned to me that was his ideal business model) on all broadband derived revenue, from streaming to advertising to data services, paid by the "Big Tech" companies, would easily cover the whole bill for completing the buildout. It could also be used to help cover the ongoing upgrade and maintenance costs of the system. It would be about time.



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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