

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

2Q View: Charter Sees Broadband Dip, Data Usage Still Climbing

Charter CFO *Jessica Fischer* foreshadowed a lackluster quarter for total residential and SMB internet customers at June's **Credit Suisse** Communications Conference. On Friday, the company recorded a loss of 21,000 customers at its 2Q22 earnings call. For comparison, Charter added 400,000 total internet customers in 2Q21.

CEO *Tom Rutledge* said the internet losses were impacted by the discontinuation of the Emergency Broadband Benefit program and added requirements of the Affordable Connectivity Program. Some 59,000 customer disconnects during the quarter could be attributed to the EBB and ACP. Despite this, though, but still had a 6.2% increase YOY in revenue with \$13.6 billion, and internet revenue rose to \$5.6 billion—a 6.5% YOY increase.

Without the nearly 60,000 customer loss, Charter would have seen 38,000 total internet adds. While fiber competition remains a factor in quarterly performances, it's not a primary concern for Rutledge as Charter's churn rate remains low. For now, the company is focused on moving forward. Charter has added around 1.5 million passings as part of its Rural Digital Opportunity Fund buildouts and is looking forward to next year's \$42 billion BEAD Program.

Data usage is still on the rise. In this quarter, Charter internet customers who didn't buy traditional video used more than 650 GB/month, and almost a quarter of those customers now

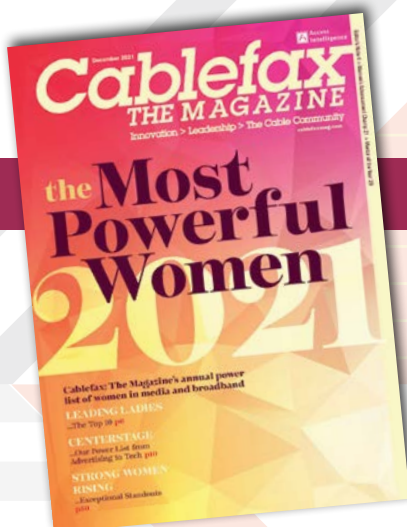
use a TB or more per month.

While it's not at the point of sounding the alarm bells, **New Street Research** doesn't see the broadband situation getting better anytime soon. "There are clouds on the horizon with expanding fiber and fixed wireless broadband competition. We think expectations continue to head lower on the back of continued disappointing subscriber results," analysts wrote in a Friday report. "We didn't anticipate the slowdown in broadband adds that companies have witnessed since 3Q21 ... Nevertheless, we don't anticipate broadband trends improving much in 2H22."

Charter did see positive movements from **Spectrum Mobile** this quarter. It had 344,000 net adds compared to 265,000 in 2Q21, also reeling in \$726,000 in revenue. Spectrum Mobile is offered in all of Charter's footprint, and unlimited plans currently start at \$29.99/month for three or more lines.

"There's always a tension between how you price a product and how much of it you drive into the marketplace," Rutledge said. "What you're trying to get to is the maximum amount of cash flow that you can generate out of the business based at the right price and the right volume of distribution of that product at that price. So, that's what we're seeking in mobile, and we think it's a huge opportunity for us."

On the video side, residential customers dropped by a net 226,000, bringing its total customer count to 14.85 million. It also saw a net 266,000 loss in residential wireline customers. Rutledge pointed to an inflationary environment affecting



Cablefax
MOST POWERFUL WOMEN

Nominate for The Most Powerful Women

Every year, Cablefax recognizes the Most Powerful Women in the industry across all disciplines including advertising, communications, corporate culture, sales, content, consultants, distribution, digital, finance, legal, operations and more.

Deadline: Friday, August 12 to submit three entries for free. www.CablefaxWomen.com

41485

areas such as video and wireline customers.

"I do think video would be more challenged in a downturn or an inflationary environment than other products," Rutledge said. "But the margins have become smaller in that part of our business. So the net of it all is I think it's somewhat of a market opportunity, but there will be stress on video."

COX TO DROP BEIN SPORTS

Cox has started notifying customers that it will no longer carry **beIN Sports** and **beIN Sports en Espanol** as of Aug. 31. "We periodically review our programming offerings based on both viewership and cost. The value proposition did not make sense as the price of the network is not representative of the value of the content for this market. There are other channels on the Cox channel lineup with similar content that customers have access to," Cox said. **Comcast** removed the soccer-focused **beIN Sports** channels from its lineups in 2018 and they remain off today. The networks are available across several other MVPDs, including **Charter**, **DISH** and **YouTube TV**.

CHARTER FEELS CONFIDENT ABOUT \$7B APPEAL

Charter has not accrued a liability in its financial statements for the recent \$7 billion verdict over one of its technicians killing an elderly customer. "The Company has considered various factors, including the legal and factual circumstances of the case, the trial record, the jury verdicts, the status of the proceedings, applicable law, the views of legal counsel, the court's rulings in advance of and during the trial, along with upcoming post-trial motions of the parties in determining the various grounds for appeal that the Company expects to vigorously pursue and the likelihood of a successful appeal. Based on these factors, the Company has concluded that a loss from this case is not probable and reasonably estimable," the company said in its 10-Q SEC filing Friday. On Tuesday, a Dallas, Texas, jury returned a \$7 billion verdict against Charter following the death of 83-year-old *Betty Thomas*, who was fatally stabbed in 2019 by an off-duty company field technician. The jury found the operator acted negligently in hiring *Roy James Holder*, 45. Charter plans to appeal and noted it did conduct a pre-employment criminal background check that showed no arrests/conviction/criminal behavior.

ROKU AD SPEND DROPS THANKS TO INFLATION

Roku has a lot to celebrate in the aftermath of the upfronts, but even it isn't impervious to inflationary pressures. The company recently surpassed the milestone of \$1 billion in upfront commitments, and it is hoping that indicates that advertisers will stick by Roku even in the toughest times. Founder/CEO *Anthony Wood* said on the company's 2Q22 earnings call Thursday Roku saw a significant slowdown in ad spend due to the macroeconomic environment, and marketers are expected to

spend just 22% of their TV ad budget on streaming in 2022. "The current economic state is causing TV advertisers to pause and reconsider spend, which is painful in the short term. But it also causes them to seek greater efficiency and ROI, which will benefit Roku in the mid- and long-term," he said. "This reminds us of when advertisers paused spend during the 2008 recession, but it became a catalyst that accelerated the shift of ad spend from print publishing to digital." Total net revenue grew 18% YOY to \$764 million with Roku adding 1.8 million incremental active accounts to reach 63.1 million. In light of expected pressure in the ad scatter market and moderate discretionary spend, Roku's expectations for the third quarter are \$700 million in total net revenue, gross profit of \$325 million with a gross margin of 46%.

FCC KICKS OFF 2.5 GHZ AUCTION

The **FCC** opened bidding in its 2.5 GHz auction Friday, which makes available 8,017 flexible-use, county-based overlay licenses in the band. Gross proceeds in Round 1 topped \$103 million. The auction utilizes a clock phase format, offering a single frequency-specific license in a single category within a county. This is the FCC's final scheduled auction for 5G spectrum, and mobile providers are chomping at the bit to bulk out their spectrum portfolio. Among the qualified applicants for the auction are **AT&T**, **Verizon** and **T-Mobile**, and T-Mobile is expected to walk away with a significant portion of the licenses. Round 2 kicks off at 10am ET Monday, with Round 3 to follow at 2pm.

LIBERTY GLOBAL JOINS JV

Liberty Global, **Telefónica** and **InfraVia Capital Partners** are setting up a joint venture that will bring fiber to greenfield premises across the U.K. The partnership will initially roll out fiber to five million homes not currently served by **Virgin Media O2's** network by 2026. There will also be an opportunity to expand the network to two million more homes in the years to come. Liberty Global and Telefónica will jointly hold a 50% stake in the JV through a holding company with InfraVia owning the other 50%.

SHARK WEEK TAKES RATINGS BITE

Discovery's 34th "Shark Week" kicked off Sunday with the premiere night up for the first time since 2017. Maybe the power of the combined **Warner Bros Discovery** helped with the surge, with cross promotions including everything from "Jabber Jaws" on **Cartoon Network** to **truTV** special "Impractical Jokers Shark Week Spectacular." Even the Master of Ceremonies, *Dwayne "The Rock" Johnson*, has a WB tie-in with just-released theatrical hit "DC League of Super-Pets." Overall, Sunday was up 7% among 25-54s in L+3 ratings and up +10% in P2+ vs. premiere night for Shark Week 33

in 2021. Discovery was also the #1 network in all of television in primetime among persons 12-17, #1 cable network in prime among men 25-54 and owned the top two cable telecasts for the night among men 25-54 with “Great While Battleground” (1.14 rating among 25-54s) and “Jackass Shark Week 2.0. (1.05 among 25-54s). The Shark Week fun’s not over, with “Jaws vs The Blob” debuting tonight at 8pm. The phenomenon known as The Blob sends juvenile great white sharks straight into a feeding frenzy for monster 20-foot adult sharks.

PROGRAMMING

MSG Networks will broadcast ATP and WTA tennis tournaments throughout August, starting with the Citi Open and Mubadala Silicon Valley Classic that both kick off Monday and run through Friday. The National Bank Open in Montreal and Canada takes place Aug. 8-11 and Cincinnati’s Western and Southern Open starts Aug. 15. and ends Aug. 19. – **Unimás’** “Siéntese Quién Pueda” hosted by Julián Gil will premiere Aug. 22. The show will air live Monday-Friday at 7pm.

PEOPLE

Paramount Global upped *Pamela Kaufman* President/CEO, International Markets, Global Consumer Products & Experiences, effective immediately. The newly-created position will cover the responsibilities of *Raffaele Anneschino*, who has decided to step down from his position as President/CEO, Paramount International Networks, Studios and Streaming. Kaufman joined **Nickelodeon** in 1997, previously holding positions at **Turner International**, **Equity Marketing** and **Grey Advertising**.

OBITUARY

Former **Starz** President of Sales *Ed Huguez* passed away this week after an 18-month battle with cancer. He was 64. Huguez was at Starz from 2004 to 2014 and previously worked at **Akamai** and **Di-rectTV**. Most recently, he was co-founder and partner of finance company NatLend. He leaves behind his loving wife *Betsy Higgins Huguez* and two children *Alexa* and *Tyler*.

CABLEFAX DASHBOARD

Twitter Hits

Cox Enterprises @CoxEnterprises

Do you love animals? So do we! 🐶🐱 Cox's benefits team set up in the lobby of our Atlanta HQ yesterday to give away prizes and talk to employees about pet benefits – including pet insurance, pet care discounts/reimbursements and more!

See more benefits: bit.ly/3ySYfwd



Ted Hearn @TedatACA

It's -30- for the old beat reporter @MATTatACA ...



Geoffrey Starks @GeoffreyStarks

Thrilled about the #CHIPSAct for so many reasons. One is the \$1.5B it puts in the Public Wireless Supply Chain Innovation Fund.

We need a secure, robust & competitive network supply chain. Developing & testing open architecture technologies is a key part of the solution.

Research

(Source: Hub's "[Monetization of Video](#)" Study)

- > Among those who access multiple services through a device like a cable box, Roku, or smart TV, 91% say having them housed on one device makes their viewing experience better.
- > 39% said they make it easier to watch content across different sources, 34% like the ease of adding new providers while 31% like how easy it is to pause or cancel them.
- > 33% are happy with the convenience of consolidating multiple subscriptions into one bill.

Up Ahead

AUGUST 9-11: [C2HR CON 2022](#), Virtual

AUGUST 23: [Fiber Broadband Association Copper Mountain Regional Fiber Connect](#); Frisco, Colorado

SEPTEMBER 19-22: [SCTE Cable-Tec Expo 2022](#); Philadelphia

OCT 10-11: [The WICT Network's Annual Leadership Conference](#)

OCT 11-12: [36th Annual NAMIC Conference](#)

Quotable

"We need to figure out how to work our way to good policy outcomes on telecommunications while operating under an environment that's very dysfunctional. I spent a lot of time working with members of Congress over the last five, six years on the mapping issues and it was from the wireless side. But you know, we were actually able to drive bipartisan agreement... so my goal is to really operate underneath the heavy fire that's going on in Washington to get public policy outcomes for us that are favorable to our members, and a lot of that in the next couple of years is going to be broadband-related. The IJA BEAD money... headed out to the states presents challenges and opportunities for many of our members and I want to make sure that the government agencies and the governors follow the clearly outlined rules in the federal law and then give all of our members a fair shake." – ACA Connects CEO Grant Spellmeyer discussing his priorities for the association at the Independent Show