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WHAT THE INDUSTRY READS FIRST

Altice 2Q: Loses 40K Broadband Subs, Confirms Exploration of Suddenlink Sale

With large exposure to universities, second quarter is traditionally **Altice USA**'s worst of the year. So, it's hoping it is only up from here. The operator posted a broadband loss of 40,000 subs following a 1Q22's loss of 13,000.

"We're doing all the right things strategically and operationally to invest back in the growth of our business," CEO *Dexter Goei* said during Wednesday's 2Q22 earnings call. "I think we are confident that we will come back to growth. I think the question is when. We have been expecting to see that in the second half of this year. I still think that we can still see it in the second half of this year, but I don't think we can give you an indication as to when precisely."

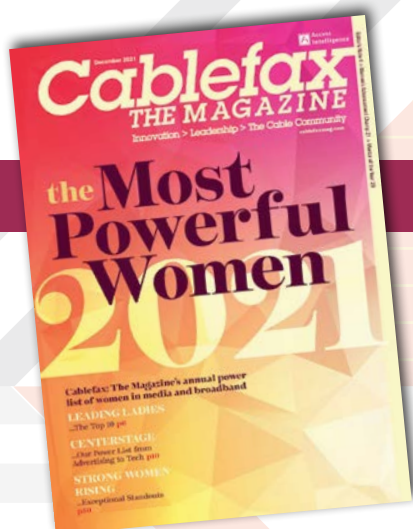
Goei did confirm that the company has received "a lot" of reverse inquiries on all or parts of its **Suddenlink** assets, with *Bloomberg* first reporting last month that it was considering selling off the former **Bresnan** markets. "I think we can confirm there is a process going on. I don't think we want to comment any further than that. Much like what we did when there was a lot of chatter on **Lightpath**, we'll update you and the rest of the market once that we deem it appropriate," Goei said. The Suddenlink systems rebranded as **Optimum** on Aug. 1, showing that the company intends to continue to run the business as normal as it explores options.

When Altice first entered the U.S. market seven years ago with the purchase of Bresnan followed quickly by **Cablevision**,

the expectation was that it would continue to expand. There just hasn't been much to buy and the competitive dynamics of the market have changed. But that doesn't mean Altice is looking to offload the Cablevision systems operating under the Optimum name. "We think it's a very strategic asset going forward... It's fair to say if you look at the history of the group globally, we've never really exited countries. But you have to adapt to the topography that you're dealing with and the competitiveness of dealing with the players, and try and maximize shareholder value," Goei said.

Why is the company so committed to the New York-area markets vs. legacy Suddenlink? It actually helps that the Optimum footprint has a strong competitor in **Verizon**, creating a two-player fiber market. "Knowing that you've got a fully fiber asset in the wealthiest part of the country, in the largest DMA, we believe that has a lot of strategic value. It's not that the economics are bad in other parts of the country. It's just that we are already super advanced in terms of our fiber rollout in the Optimum footprint," Goei said. "We know how to execute and the cost to execute. There are no surprises over the next couple of years. And then we're done."

Altice's fiber network deployment now reaches 1.6 million passings and has surpassed 100,000 fiber customers. Quarterly FTTH broadband net additions were 23,000 in the quarter, more than double the growth compared to 2Q21 (+11k), mainly driven by increased migrations of existing customers. Altice remains on track to bring 100% fiber delivery to more than



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two-thirds of its footprint over the next four years. The team believes the fiber push will bolster broadband growth, with fiber vs HFC customers seeing 80% NPS improvements, 10% higher ARPU and five to six percentage points of annualized churn benefits.

Mobile isn't yet the star for Altice that it is for **Charter** and **Comcast**, but it looks to be getting there with 33,000 net additions for more than 230,000 total lines. Goei said there's nothing to make him believe that mobile won't be the sort of same churn reducer it has been for Altice's peers.

Analysts continue to pepper operators with questions about what they're seeing in terms of fixed wireless competition. In the Suddenlink footprint, there isn't really lower activity in gross adds. However, there is an uptick in churn, whether from fixed wireless or fiber overbuilders. Exposure to FWA in more urban areas is much lower. Given that the Suddenlink markets have pretty much total FWA exposure, Altice is pretty sure some of the competitive pressure is coming from it. That said, Goei believes the runway for fixed wireless is short.

"The upgrades that you're seeing in fiber across the country, whether it's ourselves or other people, or even the investments of some of our peers in DOCSIS 4.0 is going to crystallize the inferiority of the product. It's a temporary perspective in our view that we're going to see market share losses across the board in FWA," because it tends to be a "up to 300 Mbps" product, Goei said. Altice's broadband-only customer usage averaged 578 GB per month in Q2 and the customer base on average is taking speeds of 379 Mbps.

Quarterly video net losses were 85,000 in the quarter, compared to a loss of 48,000 a year ago. Total revenue declined 2.1% YOY to \$2.46 billion, while net income hit \$106.2 million compared to net income of \$197.7 million in 2Q21. Adjusted EBITDA declined -8.8% YOY to \$1.01 billion with a margin of 40.9%.

STREET SPLIT ON DISH'S WIRELESS FUTURE

DISH chalked up another lackluster quarter in its journey to becoming a wireless competitor, and analysts are split on whether it will soon be forced to consider bankruptcy. Retail wireless net subs dropped by approximately 210,000 in 2Q22, up slightly from the 201,000 decline DISH recorded in the year-ago quarter. It is continuing its network build, counting 5,000 deployed sites today, and expects to build 1,000 additional sites a month through the rest of this year and into 2023. But it needs more capital to be able to continue funding its build at the same pace, and Wall Street is split on whether DISH can find the money. In a note published Wednesday, **MoffettNathanson** rated DISH at "Market Perform" with a target price of \$18, and that is based on their approach to the salvage value of DISH's spectrum in the event of a bankruptcy. Its analysts believe that to be the most likely outcome for DISH's

The WHO and the WHY

CFX's spotlight on recent new hires & promotions



**ROGER
Parker**
EVP, TECHNOLOGY AND FACILITIES
COMPORIUM

3 THINGS TO KNOW

- Roger is taking another step on the Comporium ladder after being promoted to a leadership position with the provider. He'll fill the shoes of Jack Holladay, who retired after 38 years with the company. Roger's new role includes overseeing the facility and construction, engineering, network services, supply chain and IT workgroups.
- His journey at the South Carolina-based provider began in 1994 when he joined as a custodian. He earned a promotion to Senior Materials Control Specialist four years later before being bumped to Building & Supplies Supervisor in 2000. In 2004, he was named Facilities & Materials Manager and then VP of Facilities & Construction in August of 2013.
- Prior to his almost 30 years at Comporium, Roger served in the U.S. Army for nearly 15 years. He completed the primary, basic and advanced leadership development schools while serving, building on the instructor certifications he also received.

wireless business. "DISH's spectrum is arguably quite valuable, spectrum values are notoriously fickle—there is nothing approaching a commodity market for spectrum, inasmuch as there are but three potential buyers for their spectrum, any or all of whom could be financially constrained by over-levered balance sheets—and, as noted above, it is likely that creditors will ultimately be granted first call on DISH's spectrum value long before any bankruptcy occurs," the firm said. **New Street Research** has a somewhat different take, arguing that the credit and equity of the company reflect higher odds of bankruptcy than are warranted. As for what the market is missing, New Street said DISH's DBS biz won't be used to fund spectrum acquisitions and network development going forward "Moreover, we believe there is likely to be compelling upside in DISH even in the event of failure, creating an attractively asymmetric risk/reward for the patient investor with a stomach for volatility," NSR said. Chairman *Charlie Ergen* was asked during the company's earnings call Wednesday about the potential for selling **Boost's** prepaid business, and he said that anything is possible. At the same time, DISH isn't actively looking for buyers. "I think there are a lot of synergies in owning that, but the real value of our company is our network and all of the things that can come on that network," he said. "Today, we'd prefer that it belongs with us."

DISH VIDEO SUBS KEEP FALLING

Amid all the hubbub about **DISH**'s wireless future, it's easy to forget about the company's satellite TV and streaming business. Pay-TV subscribers dropped by 257,000 in 2Q22, up from the 67,000 decline in the same period last year. DISH closed the quarter with 7.79 million DISH TV subscribers and 2.2 million **Sling TV** subscribers. Right now, the teams on both products are focused on the profitability of the video business and acquiring and retaining customers that meet long-term growth targets. "There's a decline in linear video, there's more competition than ever. Folks that we've had long-term relationships with on the content side are more in a frenemy bucket today," DISH President/CEO *W. Erik Carlson* said during the company's earnings call. That's forced the provider to think more creatively in how it positions itself in the video landscape. For Sling, that means recognizing that it isn't the top subscription service out there, but it can be very complementary to other products. Chairman *Charlie Ergen* believes there is consolidation coming in the OTT world, and he said Sling TV should be well positioned when that fallout comes because it is a profitable business, something not all streamers can claim. "We're smart enough not to chase customers who aren't going to be profitable," he said.

SINCLAIR SEES RECORD POLITICAL MONEY IN 2Q22

Midterm money is starting to heat up as **Sinclair Broadcast** saw a record \$54 million in political advertising during 2Q22. President/CEO *Chris Ripley* said on the company's earnings call Wednesday that year-to-date through June, political advertising has doubled the amount made in 2018 over the same period and is 20% more when compared to 2020. Total broadcast revenue for 2Q22 was \$732 million, up 6.6% YOY. The company launched NextGen TV in five markets during the quarter, bringing the amount of ATSC 3.0-powered markets to 32. Distribution revenue reached \$430 million for the quarter, a 4% increase YOY when excluding the revenue brought in by the RSNs owned by **Diamond Sports Group**. Sinclair deconsolidated DSG from its financial results on March 1, meaning we'll find out how well the **Bally Sports** RSNs and their new streaming service are doing during a separate earnings call in the coming weeks. Looking forward, the company said in the event of an economic downturn, it believes its political revenue, among other assets, will help cushion the effects. "We expect to end 2022 in a very strong balance sheet and liquidity position, both from leverage and liquidity," EVP and CFO *Lucy Rutishauser* said. "When you think about heading into [2023] in a non-political cycle, and if there is any kind of potential downturn in the economy, we feel very confident that we would enter that period in a very strong position." Sinclair's current outlook for 3Q22 expects total broadcast revenue to be \$774 million-\$792 million, with consolidated political revenue reaching \$95 million-\$105 million.

2.5 GHZ AUCTION CRAWLING FORWARD

The **FCC** has completed seven rounds of bidding thus far in the 2.5 GHz auction, bringing in gross proceeds of \$135.193 million. Some 82 qualified bidders fighting over the approximately 8,000 geographic overlay licenses up for grabs, and 2,229 of

the licenses thus far have attracted more than one bidder. An additional 5,624 have one interested bidder while 164 licenses count no bidders. Two additional rounds are scheduled for Thursday, with the second wrapping up at 4pm ET.

AGS BAND TOGETHER AGAINST ROBOCALLS

The Attorneys General of 50 states and territories have banded together to form a nationwide Anti-Robocall Litigation Task Force. They'll work together to investigate and take action against telecom companies responsible for bringing the majority of foreign robocalls into the U.S. The task force has already issued 20 civil investigative demands to 20 gateway providers and entities allegedly responsible for most foreign robocall traffic.

CARRIAGE

Paramount+ is launching as a premium subscription on **The Roku Channel** later this month. Customers can subscribe to the ad-supported tier for \$4.99/month or the ad-free premium plan for \$9.99/month, which comes with access to a local **CBS** station. Roku created a live TV guide for Paramount+'s live content, which includes NFL on CBS, UEFA soccer competitions and **CBS News Network**. – **Fox** and **Verizon** agreed to a multi-year renewal of their distribution agreement for Fios TV. Fox's full portfolio, which includes **Fox News Media**, **Fox Sports** and local Fox owned and operated stations, will remain on the platform, with **Fox Weather** being added to the lineup as well.

SIMULMEDIA, TIVO EXTEND AGREEMENT

TiVo renewed its data-licensing partnership with **Simulmedia** to continue using its TV+ platform, which assists marketers with audience planning, targeting and activation capabilities across ad-supported linear and CTV channels. Simulmedia will use TiVo's viewership behavior data—as well as information from its partnerships with broadcast, cable and streaming platforms—to help advertisers target and activate their audiences across channels.

FIBER FRENZY

Lumen's Quantum Fiber is now offering 8 Gbps symmetrical speeds to select residents and small businesses in cities near Denver, Minneapolis and Seattle. Lumen is using XGSPON technology to provide the symmetric multi-gig speeds and will install a permanent network interface and router separate from the customer's WiFi. More cities will be added to the offering in the future.

RATINGS

ESPN's "NBA Today" averaged 342,000 viewers over the month of July, according to **Nielsen**. That's the most the program has had since 2017 and the second-most watched month since the show launched. NBA Today is up 46% YOY among women and 34% YOY among Black viewers.

PROGRAMMING

Season 4 of the cooking program "Selena + Chef" starring **Selena Gomez** will debut with three episodes on **HBO Max** on Aug. 18. Three more episodes will release on Aug. 25 before the remaining four episodes premiere Sept. 1. – Following the passing of Hall of Fame baseball broadcaster *Vin Scully*, **ESPN2** will present Game 1 of the 1988 World Series between the Los Angeles Dodgers and Oakland Athletics tonight at 8pm.

Think about that for a minute...

Tik Tok Copyright Clock

Commentary by Steve Effros

It was only a matter of time before the underlying issue of copyright struck again. This time it's going to create a major mess for the social media and broadband providers and users rather than cable. But let's step back and recall the earlier imbroglio.

When "cable television" (community antenna television, or "CATV") started developing, the broadcasters in various television markets didn't like it because they thought they had an "exclusive" in their market of the programming they were showing and CATV threatened to bring in "distant" signals with the same programs thus reducing their advertising sales leverage. They also believed that they had total control over who, how and where their television signals were used. They sued the "cable guys" on the basis that cable was violating the copyright exclusivity the broadcasters claimed.

The copyright argument failed at the Supreme Court. Community antennas did have the right to not only pick up local signals and make them deliverable to viewers, they could do so with "distant" signals as well. Thus started the push for federal regulation of cable television, the rewrite of the copyright law, and ultimately the "retransmission consent" mess we still must deal with today.

A few young lawyers (myself included) recognized how difficult it was going to be to "clear" copyrighted works and we incorporated the "Cable Television Clearing House" (we called it CATCH) to try to determine who owned what, where it was being shown, who had the rights, for how long and so on. We quickly learned that there was no way to accurately get that data. The government figured that out too, and thus copyright fees were created as a "bulk" issue based on the size of systems, not who owned which copyrighted work.

I go through all this because the "red flag" has gone up again for me upon hearing that Netflix has sued the creators of "The Unofficial Bridgerton Musical." That musical was created by two songwriters who started out by writing some parody songs

related to the series and put them out on TikTok, as millions of other creative folks do writing and usually singing and dancing to the sounds of lots of current popular music and shows.

In this case, their creation went viral as an exploration of the question "what if Bridgerton was a musical?" 2.4 million views later the duo wrote 15 show inspired songs which went right up to the top of the iTunes chart and won this year's Grammy for best musical theater album! It's now also a theater production just performed at the Kennedy Center, here in Washington, DC.

Netflix lawyers have told the 20 and 23 year-old creative pair that they need a license for such use and the two have refused. The suit that has now been filed says they are financially profiting from using "verbatim dialogue, character traits and expression and other elements" of the copyrighted work. And that is likely true. But how far can we take this? Millions of TikTok videos do that, well, at least try to, and some of them make money as a result. I see a new mess coming!

How is all this going to play out? I have no idea. I do know from personal experience that figuring out who has the "rights" to what, and how "different" something has to be to constitute a "new" work, or whether it is a "parody" (which has an exception to strict copyright compliance) or is considered incidental use are all going to be back in lots of courts. Eventually, we're looking at writing new regs and laws again. It's the TikTok copyright clock. It just keeps going around.



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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