

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Mixed Bag: Charter Adds Broadband Subs, Falls Short on Some Estimates

While **Charter** beat analysts' expectations of broadband subs in 3Q22, it missed the mark in some financial categories. The company added 61,000 residential and 14,000 SMB internet customers, bouncing back from a 2Q that saw it lose 21,000 total internet customers. However, consolidated revenue was \$13.55 billion, coming short of the consensus estimate of \$13.69 billion and EPS of \$7.38 missed a consensus of \$8.28.

"Residential broadband ARPU and revenue per relationship grew at a slower pace than expected. We had assumed broadband ARPU would slow this quarter given no broadband price increase so far this year; it just slowed more than we expected. We also expected revenue per customer relationship to slow given the lapping of a video rate increase last June," **New Street Research** said in a note.

Charter's residential and SMB internet customer total is now at the 30.3 million mark, but it's losing folks in video and voice. It lost 204,000 pay TV, which was more than 3Q21's loss of 121,000. While that may be cause for concern to some, CEO **Tom Rutledge** said in September that the company's future joint venture streaming platform with **Comcast** should be a spark in the video department. For residential wireline customers, Charter saw a 271,000 decline, compared to a 216,000 fall in 3Q21.

Another factor with video is the continual increase in cord cutting. Management spent some time talking about how programming rate increases are impacting video pricing. This quarter,

Charter spent \$2.87 million in programming. That's down 3.8% YOY, but that decrease is due to fewer total video customers.

"The biggest driver here is the pricing of the video," Chief Operating Officer **Chris Winfrey** said. "The fact that we're having to pass through programming rate increases—which still continue to be outsized even relative to inflation—means that customers have difficulty affording it even if it's really something that they'd like to have."

Cost to service customers increased 4.4% YOY to \$83 million. Charter said that was mainly due to "higher bad debt and higher fuel and freight costs," but if bad debt is excluded, that percentage drops to 3% YOY. Marketing expenses also saw a hefty 9.3% bump YOY to \$73 million as a result of higher staffing levels and wages.

Internet revenue checked in at \$5.57 billion, nearly 4% higher YOY. Charter estimated it has 55.29 billion passings at the end of 3Q22, aided by its Rural Digital Opportunity Fund sites beginning to take shape. **Rutledge** noted the company has seen higher costs than anticipated, but it's seeing more success in terms of penetration and the number of passings it can develop from RDOF projects Charter has built. Supply chain and labor issues, though, are still a concern for not only Charter but for its competitors as well.

For **Spectrum Mobile**, Charter added 396,000 residential and SMB lines during the quarter, bringing the total to 4.7 million lines. Mobile revenue increased 40.2% to \$750 million, but its expenditure went up 39.4% YOY to \$846 million due to

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device, customer acquisition and service and operating costs.

On Thursday, Comcast revealed the breadth of the effect Hurricane Ian had on its business and customers, signaling that layoffs are on the horizon and noting some locations are still being repaired. Charter dodged the worst of the storm. It said approximately 1 million of its customers lost service primarily because of power outages, but it expects the overall impact on financials and customer numbers to be “very small” when its 4Q22 earnings are unveiled.

Management expressed optimism in Charter’s ability to withstand a potential recession. Rutledge thinks the video sector will be further challenged, but is confident that the value proposition Charter offers will become more enticing when people are more conscientious of spending habits.

Charter’s 3Q22 earnings call wasn’t just about business. When the Q&A portion opened, many analysts began with their best wishes to Rutledge as he’ll step away from his CEO role Dec. 1. and move to Executive Chairman. The process started two years ago when Rutledge put an option in his contract to begin a transition period from CEO to Executive Chairman on August 15 of this year. He said he chose that date because it marked the [50th anniversary](#) of his start in cable as a technician. He’ll be in his new role until November 2023 when he’d be 70 years of age, and his preference would be to not work after that age. While he’s enthusiastic about the future of cable, he noted “it’s time to pass the baton.”

That baton will go to Winfrey, who said he doesn’t plan on making any dramatic changes. He does, however, remain keen on jumping at various opportunities to further the company’s capital.

“I’m pretty committed to all things that we’re doing today in terms of our strategy around products pricing package service,” he said. “I don’t expect any seismic shifts. I’ve always thought that if we were going to do something anyway, in terms of capital, might as well go get after it ... I don’t think people shouldn’t expect any fundamental changes in views on how we operate the business or how we create value for shareholders.”

RETRANS DEALS AND DENIALS

Nexstar and **Verizon**’s 14-day blackout came to an end Friday with the two announcing that they’ve reached a multi-year deal for the 13 broadcast stations in 10 markets, including Philly and NYC. It comes ahead of tonight’s 8:03pm ET start time for Game 1 of the World Series between the Phillies and Astros on **Fox**. The agreement also brings back cable news network **NewsNation**. It was less clear if DirecTV would work out new deals with **White Knight Broadcasting** and **Mission Broadcasting**, which both have shared services agreements with Nexstar. All three broadcasters had the same language on their websites describing the blackouts with Verizon and DirecTV: “They will tell you it’s for your benefit, but don’t believe

it. Our offer is fair.” The stations were still dark on DirecTV, DirecTV Stream and U-verse at our deadline. DirecTV unsuccessfully lobbied earlier this week for White Knight and Mission to return their 25 stations through the results of the mid-term elections. On Friday, the video provider complained that “both station groups continue to use their Nexstar-managed news services to propagate the outright lie and misinformation that DIRECTV has ‘forced off’ or otherwise ‘removed’ the same stations,” even though it’s offered to compensate the station owners at new future higher rates if the stations were returned during negotiations.

THAT MAKES MORE SENSE

We were puzzled by a **USDA** ReConnect Loan and Grant press release Thursday that outlined a \$29.7 million award to **Tele-guam Holdings** to connect [“two people.”](#) Officials returned our calls Friday. Turns out the department’s communication should have read “8,622 households.” USDA also revised the description for a \$35 million award to **Palau National Communications Corporation** to clarify it’s to deploy a FTTP network to connect 7,855 households and three educational facilities. The previous release had said the money was going to connect six people and three facilities. We knew fiber was expensive, but that seemed like it was Gucci branded fiber optics!

FIXED WIRELESS FUTURECASTING

Could fixed wireless broadband’s momentum be slowing? **T-Mobile** reported 3Q22 internet adds of 578,000 after the bell Thursday. While that’s a record high, it’s roughly in line with the 560,000 net adds in posted in 2Q despite network expansion. “The point of peak pressure for fixed providers will be the point at which fixed wireless broadband in aggregate peaks. That will likely come next year,” predicts **NewStreet Research**, adding that if T-Mobile holds steady, the peak could come toward the end of new year, but if it slows as Verizon fixed wireless expands, it could come earlier. “When FWB runs out of capacity in 4-5 years, we wouldn’t be surprised to see **Comcast** and **Charter** adding close to 1 million subs a piece annually.” While the crystal ball for fixed wireless’ future is fuzzy, T-Mobile feels quite good about its high-speed offering. “Our high-speed internet attracted consumers and businesses who are new to T-Mobile at an increasing pace, establishing new relationships that we can grow with additional products and services over time,” CEO **Mike Sievert** said during the company’s earnings call. “In just 1.5 years since our commercial launch, we now serve more than 2 million customers with Net Promoter Scores more than 30 points higher than cable and even higher than the average fiber provider.” It was a strong quarter for T-Mobile, which saw shares close up 7.4% Friday. Service revenue grew

4% YOY to \$15.4 billion and it blew past Wall St. estimates for postpaid phone adds, netting 854,000.

RATINGS

The Milwaukee Bucks vs Brooklyn Nets contest on Wednesday reeled in 2 million viewers across its traditional broadcast on **ESPN** and alternate telecast on **ESPN2**, according to **Nielsen**. Viewership peaked at 2.52 million at 10pm, helping it become the network's most-watched NBA regular season weeknight early game in four years. It was also the debut of "NBA in Stephen A's World," a similar program to what ESPN has with *Peyton* and *Eli Manning* on "Monday Night Football with Peyton and Eli." NBA in Stephen A's World accounted for 10% of the overall audience, garnering 202,000 viewers.

DOING GOOD

Comcast opened a new Lift Zone in Fresno, California, and donated \$200,000 to the nonprofit **Bitwise Impact** to help provide paid apprenticeships to learn technology skills and expand opportunities in the Central Valley Area. The new Lift Zone is located at the Saint Rest Baptist Church, to which Comcast also gave \$25,000 to help build a new computer lab and provide digital literacy training. – Forty members of **Service Electric's** "Team Chocolate Chip Cookies" participated in the Making Strides Against Breast Cancer Walk in Lehigh Valley, Pennsylvania. The group was formed to honor their friend and former coworker *Kathy Ruch*, who passed away in 2015 after a battle with cancer. So far, it's raised over \$50,000 since 2014 and broke its single-year record in 2022 with \$7,500.

PEOPLE

NCTA nominated **Christine Sanquist** of **Charter** to the board of the Universal Service Administrative Company, which administers the Universal Service Fund under the direction of the **FCC**. Cable operators have one representative on the USAC board. She would hold the post now held by **Comcast's** *Beth Choroser*, whose term will expire Dec. 31.

CABLEFAX DASHBOARD

Twitter Hits



Research

(Source: [Rational360's Top Media Figures followed by CEOs of top 550 companies in Fortune 1000](#))

- > #1. [Andrew Ross Sorkin](#), The New York Times (followed by 24% of CEOs)
- > #2. [Kara Swisher](#), New York Magazine (23%)
- > #3. [Emily Chang](#), Bloomberg (17%)
- > #4. [Becky Quick](#), CNBC (17%)
- > #5. [Jon Fortt](#), CNBC (16%)
- > #6. [David Faber](#), CNBC (16%)

Up Ahead

NOVEMBER 3: [Fiber Broadband Association Regional Fiber Connect](#), Columbus, Ohio

NOVEMBER 3: [The WICT Network DC/Baltimore Chapter PowerBrokers Breakfast](#); National Press Club

NOVEMBER 6-8: [ANA Multicultural Marketing & Diversity Conference](#), Hollywood, Florida & virtual

DECEMBER 8: [Cablefax Most Powerful Women Celebration Luncheon](#); The Edison Ballroom, NYC

Quotable

"By the end of Q3, we had successfully decommissioned substantially all targeted Sprint macro sites, more than a year earlier than our original merger plan. And our Ultra Capacity 5G now reaches 250 million Americans. Think about that. Today, we're already where Verizon hopes to be more than 2 years from now. And we're not stopping. We recognize the importance of coverage to customers, and we will continue to pursue more opportunities to ensure our network is there for them whenever and wherever they need us. This lean and data-informed customer-driven coverage approach will guide us as we enhance and expand our network to even higher levels and in a capital-efficient way using our spectrum resources."
– T-Mobile President/CEO Mike Sievert on the company's 3Q22 earnings call.