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WHAT THE INDUSTRY READS FIRST

## Work to Do: Altice Sees Broadband Subs, Revenue Decline

Former **Comcast** exec *Dennis Mathew* has had no problem shifting his vision board to fiber from DOCSIS. "I'm really a big believer that fiber is the best technology that exists today," Mathew, who has been on the job as **Altice USA**'s CEO for one month, said during Wednesday's 3Q22 earnings call.

The company's results show the big job he has ahead of him. Total revenue declined 7.0% YOY to $2.39 billion, while adjusted EBITDA declined 18.1% YOY to $954.4 million (the declines would have been 4.3% and 12.7%, respectively, when the impact of early termination for a backhaul contract for air strands is excluded). Total residential broadband losses were 43,000, in line with the 40,000 lost in 2Q22 and up from a 13,000 loss a year ago.

What Altice is hanging its hat on is fiber, and the news was better there, with 31,000 fiber customers added in the quarter for more than 135,000 fiber customers total. At the end of 3Q, 41% of Optimum's fiber passings had multi-gig speeds available, and it expects all fiber passings to be multi-gig enabled by 1Q23.

"As I look ahead, I think we need to focus on disciplined execution and customer experience in order to maximize our investments and to return to broadband growth," Mathew said. "I do think that there are areas where we can accelerate, such as with our go to market strategy, aligning our product portfolio. I'm looking deeply at our packaging and our offers, and how we can continue to ramp up sales and marketing machines to get us back to sustainable growth."

Altice added 321,000 fiber passings during the quarter, the highest number of quarterly incremental passings to date and up from 270,000 in 2Q22. Expect passings to slow a bit in 4Q partly due to the weather. Executive Chairman *Dexter Goei* said the company is in good shape with labor and supply chain, but permitting in New York has been a bit of a bottleneck for fiber builds, resulting in some of those efforts being redirected to New Jersey and Connecticut. In the west, fiber construction is more expensive due to lower household density per mile and it can take longer because there are more localities to coordinate with on builds.

There wasn't a lot of sunlight on when Altice might return to broadband growth. Goei said there's been some stabilization in October relative to run rates from the previous quarters. But as for whether a return to adds could come next year or in 2024, Goei said he'd let his successor get through the budgeting process and comment on that in 4Q earnings.

News broke earlier this year that Altice was considering selling off its Suddenlink assets. Credit markets have since tightened, but it sounds like a decision on how to proceed is close. "We've been pretty consistent on these calls in saying that we'll update the market when we have something to update the market on. I think it's fair to say that we're getting to a place where the decision is pretty imminent as to whether or not we're going to do something or not on that," Goei said. He did acknowledge that Altice received some inquiries about selling the Suddenlink systems piecemeal vs as one whole entity.

Mobile wasn't a bright spot in the quarter, with Altice adding only 5,000 lines vs 33,000 in 2Q22. Goei said the slowdown was the result of discontinuing some service promotions. Quarterly video net losses were -82,000 in Q3 2022, compared to a loss of -67,000 in 3Q21.

## DISH VIDEO BUSINESS RALLIES

It's more popular these days to focus on **DISH**'s wireless dreams, but the company's video business is putting out results that are keeping it a part of the larger conversation. Net pay TV subscribers rose by approximately 30,000 in 3Q22 versus a drop of 13,000 in the year-ago quarter. **Sling TV** added 214,000 subs, beating expectations, while losses at the traditional satellite business slowed to 184,000. DISH has more than 10 million pay-TV subscribers, including 7.61 million DISH TV subscribers and 2.41 million at Sling TV. President/CEO *Erik Carlson* attributed some of that growth to seasonality as well as the return of college football and the **NFL**. At the same time, the video team has been working to achieve growth in rural areas and with older demographics. The roll off of customers from DISH to Sling is small right now, and the hope is that those numbers will grow. With the midterm election cycle winding down next week, DISH Chair *Charlie Ergen* anticipates there will be a window where all companies will be focused on pursuing M&A opportunities. That could include DISH if **AT&T** and **DirecTV** want to have a conversation about a potential combination. "If the timing was right, it would be in the near term, not the longer term… There's still material synergies, significant synergies," Ergen said. "They're not what they were five years ago or two years ago, but they are still material. And certainly in a declining industry, taking advantage of synergies is a rational strategy." He's confident a deal made during the next 15 months would survive any legal objections. Ergen said any threat of a challenge has been diminished by time, the degradation of the linear TV business, enhanced competition in the OTT space and the proliferation of broadband today. Revenues for the quarter totaled $4.1 billion compared to $4.45 billion in 3Q21, and DISH announced plans to offer approximately $2 billion aggregate principal amount of its senior secured notes. The proceeds will be used for general corporate purposes including the buildout of wireless infrastructure, and leadership made it clear on the 3Q22 earnings call that those funds would allow the company to meet its 70% **FCC** coverage milestone by June.

## COMCAST, CHARTER DUB JV XUMO

**Comcast** and **Charter** have named their streaming platform jv **Xumo**, expanding Comcast's AVOD business into a much larger portfolio to include streaming devices and content. With the move, the Flex and XClass brand names are headed to the creative graveyard. Xfinity Flex will now be known as the Xumo Stream Box and the smart TV brand XClass TV will take on the Xumo TV name. The FAST service that previously bore the standalone Xumo name will be rebranded as Xumo Play and will remain a destination for free ad-supported content. It will continue to be available as an app on other streaming platforms moving forward. The first branded devices under the jv will hit the market in late 2023 and be distributed by Comcast, Charter and **Walmart**. Additional distributors will join the lineup in the future.

## The *WHO* and the *WHY*

CFX's spotlight on recent new hires & promotions

LARRY
**Foland**
REGIONAL VP OF SALES
CABLELABS

**3 THINGS TO KNOW**

- The longtime OpenVault exec is taking on a new adventure at CableLabs. Larry wrote on LinkedIn that the chance to represent CableLabs, Kyrio and SCTE "will be demanding yet, absolutely rewarding." He'll work alongside Kyrio VP, Sales Mark Davies and the rest of the sales team.
- Larry has been in the telecommunications industry for more than 30 years. He started at OpenVault in 2012 as VP, Sales—North America and VP, North America, eventually taking on the role of EVP, Global Business Development in May 2017. Prior to OpenVault, he was VP, MSO Practice for Kansys and spent just over four years at Time Warner Cable as Business Class Sales Manager before that.
- Larry has also held a couple of board positions. He was Co-Chair for the Mid-America Cable Telecommunications Association and is currently on the board for the Caribbean Cable Telecommunications Association as an associate director.

## FRONTIER FEELING FIBER

**Frontier's** fiber fever is only getting hotter, with the provider declaring that it's the only company in its sector to have announced an increase in its fiber build this year. While there's concern about supply scarcity impacting fiber builds across the sector, management on Wednesday's 3Q22 earnings call maintained Frontier is in a good spot. "Early on we put in place a strategy that has allowed us to attract leading vendors and secure cost-efficient material and labor," said President/CEO *Nick Jeffery*. "As a result, we now have vendors actively choosing us for their scarce capacity because they see that we're well funded, we're here for the long term and we deliver." Frontier will hit the 5 million fiber passing mark by the end of this month, putting it to the halfway point for

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its goal of reaching 10 million locations by the end of 2025. It's adding 350,000 locations per quarter currently and is looking to bring that number up to 400,000 next year. Fiber broadband growth continues to help the provider combat copper losses. It posted 64,000 fiber net adds, while copper adds fell to a loss of 58,000. Notably, management said 45-50% of new fiber customers choose speeds of 1 Gig or higher. Customers on 1 Gig+ tiers making up 15-20% of the base, compared to 10-15% last quarter. Fiber looks to be Frontier's focus for the future, with Jeffery suggesting it doesn't make financial sense to pursue an MVNO at this time. Frontier disappointed on adjusted EBITDA, which came in at $508 million vs $587 million in 3Q21. It blamed the decline on revenue declines and higher energy-related costs, partially offset by lower video content expense, lower selling, general and administrative expenses and cost-saving initiatives. Consumer revenue of $785 million declined 1.9% from a year ago, as strong growth in fiber broadband was offset by declines in legacy video and voice.

## PARAMOUNT PLACES PRIORITY ON COST-CUTTING

Cost-cutting measures and potential restructuring are on the horizon for **Paramount** after a 3Q22 that fell short of analyst expectations. While the company saw total revenue increase 5% YOY to $6.92 billion, that was below the expected mark of $7.06 billion. EVP/CFO *Naveen Chopra* said there's a possibility of a restructuring charge coming in the fourth quarter, but refrained from giving significant details on what that could look like. "I'm not going to put any specific numbers on those cost savings, but I would say that these are meaningful and sizable," Chopra said. "They are things that we think not only have an economic benefit to us, but frankly, help put us where we want to be strategically in terms of both how we want to operate and where we want to focus our resources." He added that cuts will involve both labor and non-labor expenses and span across many parts of the business. As for restructuring, one thing that could be included in that process is **Showtime**. It currently stands as its own service, but President/CEO *Bob Bakish* said work is underway to integrate it further into the rest of the company, unlocking cost synergies and incremental value for consumers. Paramount's TV media continued its tumble with revenue falling 5% to $4.95 billion, advertising dropping 3% to $1.97 billion and licensing and other revenues decreasing 9% to $975 million. "I understand there are concerns about the macro environment impacting the financials, but again, they're cyclical. They will inevitably turn," Bakish said. A bright spot for Paramount was its DTC business. It added 4.7 million DTC subs in the quarter, bringing the total number to nearly 67 million. **Paramount+** is now at 46 million after adding 4.6 million in the quarter and removing 1.9 million following the launch of SkyShowtime (which replaced Paramount+ in the Nordic region). **Pluto TV** eclipsed 72 million monthly active users and also made its debut on Nielsen's monthly TV viewing report. Overall, DTC revenue was up 38% YOY from $890 million to $1.23 billion.

## STARRY OPENING DOOR TO POTENTIAL BUYERS

**Starry**'s financial trouble has it looking for solutions in every corner. The fixed wireless provider has hired **PJT Partners** to advise on M&A, capital raising and other balance sheet solutions. On the company's short 3Q22 earnings call Wednesday, CEO *Chet Kanojia* said there is already some interest from strategic and financial parties and leadership hopes to resolve the existing balance sheet issues as soon as possible. To cut costs, the company has already withdrawn from the **FCC**'s RDOF program, eliminated approximately 50% of its workforce and paused its Vegas expansion. "I'm confident the right solution will emerge," Kanojia said. "Our problems are funding related, not operational or technical or with demand."

## PARAMOUNT, MOONVES SETTLE NY LAWSUITS

**Paramount** and former CEO of **CBS** *Leslie Moonves* settled cases tied to insider trading and an investigation into sexual assault allegations. The investigation found that a captain at the L.A. Police Department tipped CBS execs about a sexual assault complaint against Moonves, and that in the subsequent months Moonves worked to keep the complaint from becoming public. In the weeks leading up to those allegations being made public, millions of dollars of CBS stock were sold by a senior exec who knew of the allegations. The agreement includes CBS paying $22 million to shareholders and $6 million to bolster mechanisms for reporting and investigating sexual harassment and assault. Moonves will be required to pay $2.5 million to shareholders and will not be able to hold an officer or director position at a public company that does business in New York without approval from the OAG.

## DIRECTV'S ELECTION PLANS

**DirecTV** still doesn't have a retransmission consent deal in place with **Mission Broadcasting** and **White Knight**. The broadcasters rejected its call to bring the stations back until the midterm elections are settled, with DirecTV promising to pay whatever the new rate is for those days. The pay TV provider is pulling out the bells and whistles for Election Day, creating a four-network "Election HQ" mix channel that features **Fox News**, **MSNBC**, **CNN** and **BBC** along with tickers, interactive access to what's happening in various states and additional features provided in partnership with the **Associated Press**

## NEW AR EXPERIENCE COMING TO VERIZON

A new AR experience featuring the **NBC** series "La Brea" is coming to **Verizon** set tops through a partnership with **NBCUniversal** Content Distribution. The experience will let fans interact with the series' famous sinkhole that reveals classic objects from the show. Fans will be rewarded with deleted scenes as they navigate through the experience, which runs until the end of the year.

## PEOPLE

**CW Network** named *Brad Schwartz* President, CW Entertainment. Schwartz will begin Monday and report to the network's president *Dennis Miller*. Previously, he oversaw the rebrand of **TV Guide Network** to **Pop TV** and landed "Schitt's Creek," which won more Emmys than any other comedy series in 2020. He had a brief stint at **Audible** as Chief Content Officer before stepping down, allegedly after employees discovered a sexual harassment suit with allegations against Schwartz.

## Think about that for a minute...

# Power

*Commentary by Steve Effros*

We've all long heard about the "power of the press." Yes, it's true. The ability to "spread the word" on whatever topic you might choose represents a great deal of power. That can be done in multiple ways. That's why the American Presidency was dubbed "the bully pulpit" a long time ago too. Teddy Roosevelt coined the phrase to highlight the advantage one gains in terms of speaking and being reported upon the higher up in public office you get.

The same thing is true of those in control of the "printing press" in whatever form it takes. Certainly, the decision of the original designer of the printing press to choose to print a bible in order to assure commercial success also resulted in that "word" being spread a lot more easily than any other. It's ironic that it was a commercial decision. Other printing presses had been developed, but never achieved commercial viability. Gutenberg was a good businessman.

And that's been the story for a long time. The ones who focus on business and money rather than the actual message they are trying to convey seem to have greater power simply because they control the means of distribution. Think of Rupert Murdoch, for instance. He testified in Congress several years ago that, yes, his "presses," both newspaper and television, tilted to the conservative sensibility. But he noted, quite refreshingly, that he would have created presses that tilted to the liberal or progressive side if he thought they would sell better! They wouldn't, he said, so that's why Fox News is what it is. A very successful business.

And now we get to Elon Musk. He has just taken over what seems to be an extraordinarily powerful "press." Twitter. Although as with most "social media" providers, there is loud protestation that in this case they are not editors, they do not write the material that flows across their medium, they are just the "edge provider." Thus, the whole argument over Section 230 and all that stuff which we can get to later.

But that's not really accurate. All of those social media sites have algorithms that promote some entries over others. That give primacy and more notice and availability to some thought than others. Their argument is that they are simply reflecting what the reader has shown as a preference. They are "recommendation engines." The software writers point out, however, that bias can easily be incorporated into those recommendations.

So now we have folks who control a great deal of distribution power and it is almost impossible to easily discern why, but the discourse is getting coarser and more inflammatory and inaccurate by the day. Musk says he wants to make Twitter as unconstrained a "soap box" as possible, but that, in turn, leads to unconstrained power when the network he controls gets so large.

What do we do? Some legislators on both sides say we should try to control the algorithms to assure against bias. An almost impossible task, say the researchers. Others say there should be ownership restrictions (the Saudi Sovereign Fund is now the second largest interest holder in Twitter.) We've had ownership restrictions on broadcasters for years. Should we extend that to major media networks of any type?  A good, valid question to explore. What about limiting the size and scope of any network? Or possibly requiring that any network that gets as large as Facebook or Twitter or Google's search engine is required to no longer be commercially based. They would become "public utilities?"

These are all ideas worth delving into, and that's what I plan to do as we go forward. I know I'll get lots of email feedback with alternative ideas, and I invite that. Think about all this for a minute and let me know.

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.)*