BCAP NewsClips

April 30, 2021

Comcast Corp. posted a 55% rise in first-quarter profit, buoyed by its broadband and wireless-phone units that continued to add more customers.

The Philadelphia-based company—which operates Xfinity branded services, the NBCUniversal entertainment empire and U.K.-based Sky television business—reported a profit of $3.33 billion, or 71 cents a share, beating FactSet analyst estimates. Revenue rose 2.2% to $27.21 billion. The broadband unit, considered to be the centerpiece of Comcast's business, added 461,000 new customers. Last year, during the height of stay-at-home orders in the beginning of the coronavirus pandemic, Comcast and its peers added record numbers of broadband customers.

Earlier this year, Comcast and other cable broadband providers said 2020 was an anomaly and pointed out 2019 would be a sounder comparison for 2021 growth. Chief Financial Officer Mike Cavanagh on Thursday said Comcast experienced the lowest rate of broadband customer defections in its history in the first quarter. He said he expected the number of broadband customers to grow by mid-single digits in percentage terms from 2019. Comcast shares were up nearly 4% to $56.14 in midday trading.

The company's cellphone business, which recently introduced new multiline discount plans, had a record quarter with 278,000 new customers. The business, which was launched in 2017, broke even for the first time, as company executives earlier expected would happen this year. Xfinity Mobile now has more than 3.1 million customers, 37% more than it did a year earlier. Meanwhile, customers continue to abandon the company's pay-TV bundles, which lost 491,000 subscribers during the first quarter. The cable company, like its peers, has been losing customers as consumers cut the cord in favor of streaming services such as Netflix Inc. and Amazon.com Inc.'s Prime Video. Last week, AT&T Inc. reported the DirecTV satellite service, which has suffered the brunt of the cord-cutting trend, saw 620,000 defections during the first quarter.

Mr. Cavanagh said pay-TV revenue remained consistent as average revenue per user grew 6.8%, offsetting losses. Pay-TV customer losses are expected to remain elevated in the second quarter, he said. Revenue for Comcast Cable, which houses the broadband, pay-TV, mobile and landline phone services, increased 6% to $15.81 billion.

NBCUniversal, the Comcast business most affected by the pandemic, saw revenue fall 9% to $7.02 billion. The company's Universal Studios theme parks

Sling TV Launches Baseball, Basketball Betting Channels

continued to suffer, with revenue dropping 33%. However, like last quarter, the theme-park unit managed to break even excluding pre-opening costs associated with its Beijing Resort. Revenue at the film and television studios segment slipped 0.6% to $2.4 billion.

This is the first quarter Comcast is including its streaming service, Peacock, which launched in July, in its NBCUniversal segment. The media segment, which includes Peacock, broadcast and cable TV, saw revenue increase 3.2% to $5.04 billion. Peacock reached 42 million sign-ups, with the company attributing it to the recent addition of the WWE Network. Comcast has declined to say how many sign-ups come from nonexisting customers who choose to subscribe to the service. Peacock's premium version is free to Comcast pay-TV and broadband customers, as well as those of Cox Communications Inc. Peacock got a boost from its inclusion on cable set-top boxes and Flex streaming devices, which are offered free to broadband-only customers, Comcast Chief Executive Brian Roberts said during an investors call Thursday.

NBCUniversal CEO Jeff Shell said about a third of the 42 million consumers that have signed up for Peacock use the service on a regular basis, meaning these users either pay a subscription fee or watch the streaming app monthly. Recently, AT&T reported its HBO and HBO Max domestic subscribers increased to 44.2 million from 41.5 million in the previous quarter. The number includes customers who sign up for the new online streaming video service, HBO Max, as well as those with older subscriptions to HBO through their pay-TV provider.

Streaming services experienced a surge of new customers in 2020 as millions of Americans stayed at home due to the pandemic. But as Netflix reported a slowdown in subscriber growth last week—a sign that as Covid-19 vaccinations increase and people leave their homes more frequently, streaming-subscription growth may slow. NBCUniversal's advertising revenue fell 3.4% to $2.09 billion.

Sky's satellite-TV and entertainment business in Europe has been experiencing the biggest turnaround since the early days of the pandemic, when live sports were halted and pubs and restaurants shut down across the U.K. Sky's revenue went up 2% to about $5 billion and 221,000 customers were added. – ***Wall Street Journal*****; more in *Philadelphia Inquirer***

The COVID-19 pandemic exposed a longstanding critical need for expanding high-speed broadband internet in the Valley. Two organizations — DRIVE (Driving Real Innovation for a Vibrant Economy), an economic development council located in Danville, and the SEDA-Council of Governments, a community and economic development agency located outside Lewisburg — made strides in the last year toward establishing better coverage for the internet. "This has been a conversation in central Pennsylvania that we've had for years," said Jennifer Wakeman, executive director of DRIVE. "The pandemic kicked it into high gear because suddenly you have thousands of people no longer working in office buildings. They're in their homes and expected to do their work. Students have been working from home as well."

DRIVE was created by Columbia and Montour counties in 2015. In 2020, spurred by the availability of CARES Act funding for broadband development, Northumberland, Snyder, and Union counties became members of DRIVE. The 5 counties together provided $3.2 million dollars of CARES Act funds to build out a fixed base wireless network to reach the underserved and unserved areas in the region.

Northumberland County used $1 million, Columbia County used $800,000, Union and Snyder counties used $600,000 each and Montour County used $200,000. The pilot program in Montour County already established allowed for the ability to add on to what was already done, said Wakeman. When the network goes live, there will be 21 total sites across the five counties that will have microwave dishes, radios and antennas to propagate broadband wirelessly. The sites include county-owned towers with 911 gear, three silos on private property, a handful of new poles and towers on both public and private property, said Wakeman.

The target completion date is slated for the spring. ConxxNE, of Jessup, designed the network and is installing the new equipment, said Wakeman. The pandemic has caused a supply chain issue and the FCC has yet to approve the frequencies sought by DRIVE, delaying implementation. The radios and switches have shown up but brackets that hold the equipment are delayed, said Wakeman. “It will be a significant impact for the region in terms of people having service that is broadband,” she said. “That doesn’t mean every person in every county will have the service, but it will be an improvement for underserved regions.”

The network will feature non-line-of-sight technology employing the Citizen Band Radio Service (CBRS) frequency in addition to traditional line-of-sight (LOS) equipment. Operating in the 3.5-3.7 GHz range, CBRS allows the signal to penetrate leaves and other obstacles that would be an impediment for the LOS technology. The result is a better coverage area that reaches more potential customers. Once the network is fully operational, Wakeman said approximately 50 percent more of underserved areas will have service. Some areas — the southern portion of Northumberland County for example — will not have improvements from DRIVE due to additional costs and other entities targeting the area. “The impetus from this came out of a bad thing (the pandemic), but this is a long term solution that will serve people for years and years,” said Wakeman.

SEDA-Council of Governments will be putting out requests for proposals from interested internet service providers. They hope to see those come back by the end of March, according to Mike Fisher, SEDA-COG assistant executive director. The major thrust toward broadband was pre-COVID as a way to allow businesses to be competitive and serve residential developments, said Fisher. “We were able to identify a decent number of businesses ranging from very small to very large plants that employ hundreds of people that need this higher speed of internet,” said Fisher. “As we were waiting for applications to be approved, COVID hit. There’s a need now with people working remotely and kids being displaced from the school room. This will obviously serve those folks as well.”

The plan had to shift, he said. “Who knew the pandemic was coming?” said Fisher. “It’s here and obviously there will be a dual benefit now. Not only with economic development but we’ll be able to serve those folks working and school kids needing connection.” In December, Northumberland County, in cooperation with SEDA-COG, was awarded a $1 million grant through the Redevelopment Assistance Capital Program (RACP) to assist in expanding access to broadband internet for residents of the county. The funds will be used to establish a competitive procurement process to incentivize providers to establish reliable service at affordable rates.

In November, SEDA-COG’s four-county broadband project earned the highest POWER grant award in 12 states by the Appalachian Regional Commission (ARC), along with securing or partnering on two other POWER grants. The ARC recently awarded a $2.5 million grant to SEDA-COG for internet expansion to underserved areas in Clinton, Lycoming, Northumberland and Union counties. This project will reach more than 1,500 households, including more than 20 businesses. Union County served as the main applicant.

The grant will supplement $4 million of SEDA-COG’s revolving loan funds. The selected internet service provider will match these funds with $1.5 million of private investment funds. SEDA-COG will provide funding through reimbursable grants and low-interest loans to incentivize an internet service provider to expand internet service into unserved and underserved rural regions of the four counties where traditional buildout is otherwise economically infeasible. SEDA-COG also is part of a statewide broadband initiative in a separate grant and is a partner in a workforce grant.

SEDA-COG was awarded a $108,125 ARC POWER grant to expand internet service in the Snow Shoe Township area in Centre County. SEDA-COG will match the ARC POWER grant with the same amount, offering a $210,000 grant to incentivize internet service providers to provide high-speed internet in the area. In January, a $600,000 grant made possible by legislative support in the state House and Senate bolstered the Snow Shoe Township project.

The grant is part of a statewide $1.2 million ARC broadband grant award to the seven Local Development Districts (LDDs) that serve 52 of Pennsylvania's counties. The LDDs are organizations through which member counties share information, address common concerns, and develop regional responses to critical issues. SEDA-COG is one of the seven LDDs and serves 11 Central Pennsylvania counties. Additionally, SEDA-COG is a partner in a $1,018,500 recovery-to-work POWER grant awarded to the Central Pennsylvania Workforce Development Corporation (CPWDC) and Geisinger. SEDA-COG also used $1,272,728 in County Relief Block Grant funds toward broadband initiatives in Juniata, Lycoming, Mifflin, Northumberland and Snyder counties. – ***Danville (Montour Co.) News***

Verizon might be looking for a buyer for its Verizon Media business, according to a report in the Wall Street Journal yesterday. The news outlet said the private equity firm Apollo Global Management is part of the sales process, and the potential sale could be priced in the $4 billion to $5 billion range. Verizon Media assets include Yahoo, AOL and TechCrunch. The Media group unloaded its HuffPost assets to BuzzFeed in November 2020.

Edward Jones analyst Dave Heger said the past year has been difficult for media companies and for the advertising ecosystem, in general, because of Covid. He said those businesses are just now "showing some signs of life," so now might be a good time for Verizon to shop around its Media unit. Verizon shelled out about $9 billion in total for AOL and Yahoo. In 2020, the Media unit earned about $7 billion in revenue. Of the potential sales price of $4 billion to $5 billion, Heger said, "That's less than 1 times revenue, which is not a big premium by any means." Although Verizon doesn't disclose profitability of its Media unit, Heger said, "It doesn't sound like they would be getting top dollar."

Raymond James analyst Frank Louthan said if Verizon does sell its Media business it would be a "manageable hit." He noted Verizon's recent streaming strategy with Disney+ and Discovery+ "is proving to be more cost-effective and is likely to be a better strategy longer term." During its earnings call in January, Verizon CFO Matt Ellis said that more than two thirds of the company's Disney+ promo customers had retained the service after the promotional period ended. Both analysts noted that Verizon paid $45.5 billion for C-band in the recent FCC spectrum auction, indicating that its wireless network is the top priority.

Heger said Verizon management has de-emphasized the Media business as a strategic priority in recent years. "I think Vestberg is much more a network guy coming from Ericsson," he said. Louthan said a potential sale of the Media division "would supplement free cash flow for either re-investment in fiber and 5G initiatives or helping to reduce the leverage back down closer to pre-C-Band levels." – ***Fierce Video***

BCAP

Broadband
Cable Association
of Pennsylvania

127 State Street Harrisburg, PA 17101
717-214-2000 (f) 717-214-2020
bcapa.com

First in Broadband.
The Future of Broadband.®