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LightReading
Ho Hum! Another Blah Quarter for Fios

The stakes are high for AT&T, which is saddled with debt from a $134 billion acquisition spree to combine media conglomerate Time Warner and satellite TV provider DirecTV with the second-largest U.S. wireless phone company by subscribers. The success of HBO Max is in many ways a referendum on a strategy to merge content with the means to distribute it.

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To make it work, AT&T has committed to invest between $1.5 billion to $2 billion in HBO Max content next year and an additional $1 billion in 2021 and 2022, executives said this week after reporting tepid media results for the third quarter. The investment falls far short of its biggest rival Netflix Inc, which has earmarked $15 billion in cash on content spending in 2019. But AT&T and WarnerMedia executives intend to play up why they believe they deserve a seat at a table that also includes Apple Inc, Walt Disney Co. and Amazon.com.

WarnerMedia Chief Executive John Stankey, who was recently elevated to the role of chief operating officer of all of AT&T in a sign of just how critical the performance of HBO Max is to the company, and other executives including WarnerMedia Entertainment Chairman Robert Greenblatt will also discuss how the company plans to bundle the streaming service with other AT&T products across the portfolio to quickly add new customers.

This month Stankey told Reuters that HBO Max will be available this spring to 10 million current AT&T customers in the United States — a mix of wireless, satellite TV, and some HBO Now subscribers — at no extra charge. By 2025, AT&T aims to reach about 80 million global subscribers, with about 50 million of these coming from the United States, a source briefed on the plans told Reuters.

Executives said investors and analysts gathering at Stage 21 on the Warner Brothers Studio lot in Burbank, California, on Tuesday should expect to hear about the breadth of new original programming and the depth of WarnerMedia's extensive library of films and TV series — likely with appearances from well-known entertainers and producers. Although the Warner Brothers library includes popular content like "The Shining" and "Scooby-Doo" — and the HBO brand is known for edgy, high-quality programming — it does not have the same brand awareness as Pixar, Marvel or Disney properties that will be included in the Disney+ streaming service that is launching on Nov. 12.

And as one of the latest entries in the streaming wars, by its spring launch HBO Max will be competing for household dollars that may have already been allocated to rivals. Price could also be a challenge: HBO Max is likely to cost slightly more than the $14.99 the company charges for HBO — significantly more than competing services from Apple ($4.99) and Disney ($6.99), and slightly higher than the standard $12.99 plan from Netflix.

WarnerMedia is hoping that with HBO Max, it can continue serving HBO's core over-40 audience, and expand to include younger viewers who may prefer to stream content and do not want to pay for cable. "This is a product that's going to be very different from anything else that you've seen in the market so far," AT&T Chief Executive Randall Stephenson said on Monday. "This is not Netflix. This is not Disney. This is HBO Max." – ***Reuters***

T-Mobile Inc. TMUS 0.94% attracted a higher number of lucrative cellphone subscribers than its rivals in the third quarter even as its merger with Sprint Corp. remained in limbo. The carrier added 754,000 net new postpaid phone customers in the September quarter. Verizon Communications Inc. gained 444,000 such subscribers in the period

while AT&T Inc. added 101,000. Postpaid customers are valuable because they pay their bills regularly at the end of the month and are less likely to switch providers.

T-Mobile's deal to buy Sprint has **received regulatory approval** from the Justice Department and the Federal Communications Commission, but faces an antitrust challenge from a coalition of state attorneys general. The states' lawsuit, led by California and New York, has had some defections in recent weeks, with Colorado and Mississippi now supporting the deal. The suit is scheduled to go to trial Dec. 9.

The carrier expects the **roughly $26 billion all-stock merger** will be allowed to close in early 2020, John Legere, T-Mobile's chief executive, said on a webcast. He wore a black leather jacket over a T-shirt bearing the merger partners' logos. He said executives are open to and continue to have discussions with the **state attorneys general involved in the suit**. "We feel very good about the conversations and where they're headed," whether they result in a settlement or going to trial, Mr. Legere told analysts.

The questions those states have had relate to topics such as T-Mobile's rural build-out plans, competition and how the combined company will market in-home broadband, Mr. Legere added in an interview. T-Mobile's total subscriber base was 66.5 million at the end of September, including prepaid customers and excluding customers of other companies that use its network.

Both T-Mobile and Sprint have a big business selling prepaid cellphone services. T-Mobile ended the third quarter of this year with 62,000 new prepaid customers. The company reported net income rose 9.4% to $870 million from a year earlier, while total revenue increased 2% to $11.06 billion. The new postpaid customers came primarily from rivals as well as areas in which T-Mobile didn't previously market its services or have full network build-out, Mike Sievert, the carrier's chief operating officer, said in an interview. Sprint hasn't yet said when it will announce financial results for the three months ended in September. The No. 4 provider has been struggling to hold on to customers in the saturated and competitive U.S. wireless market.

Executives at T-Mobile have spent the past year and a half working to secure regulatory approval for the Sprint deal, which would leave the U.S. with three major providers racing to roll out new 5G networks. The deal has the blessing of T-Mobile's parent, Deutsche Telekom AG , and SoftBank Group Corp. , Sprint's controlling shareholder. The companies have promised to help create a **new U.S. wireless carrier** by selling about nine million Sprint prepaid customers and spectrum to Dish Network Corp. In addition, T-Mobile has committed to a nationwide 5G buildout over the next several years.

T-Mobile has added millions of new subscribers in recent years by selling them lower-priced, unlimited data plans, nabbing customers from its rivals. In August, Verizon reduced the price of its unlimited plans by about $5 a month. U.S. wireless carriers aren't just competing on price. They are also adding perks, such as free access to music and video streaming services.

T-Mobile began the trend in 2017 when it gave subscribers on family plans free Netflix Inc. service and now offers it to customers on its two

highest tiers of unlimited plans. Verizon said last week it would give its wireless subscribers to unlimited plans **a year of free access** to Disney+, a new video service that launches in coming weeks. T-Mobile executives said it pays Netflix less than the retail cost of streaming service, but the discount isn't very large. That cost comes out of the average revenue per user the carrier collects. – ***Wall Street Journal***

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