

# CHTR Earnings Call Transcript

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**Quarter: 3**

Operator: Hello, and welcome to Charter Communications Third Quarter 2025 Investor Conference Call. [Operator Instructions]. Also, as a reminder, this conference is being recorded today. If you have any objections, please disconnect at this time. I will now turn the call over to Stefan Anninger.

Stefan Anninger: Thanks, Leila, and welcome, everyone. The presentation that accompanies this call can be found on our website, [ir.charter.com](http://ir.charter.com). I would like to remind you that there are a number of risk factors and other cautionary statements contained in our SEC filings, and we encourage you to read them carefully. Various remarks that we make on this call concerning expectations, predictions, plans and prospects constitute forward-looking statements, which are subject to risks and uncertainties that may cause actual results to differ from historical or anticipated results. Any forward-looking statements reflect management's current view only, and Charter undertakes no obligation to revise or update such statements. As a reminder, all growth rates noted on this call and in the presentation are calculated on a year-over-year basis, unless otherwise specified. On today's call, we have Chris Winfrey, our President and CEO; and Jessica Fischer, our CFO. With that, let's turn the call over to Chris.

Christopher Winfrey: Thanks, Stefan. During the third quarter, we remained the fastest-growing mobile provider in the United States. We added nearly 500,000 Spectrum Mobile lines in the quarter and 2 million lines over the last 12 months, over 20% growth. Our video customer losses continued to improve to 70,000, less than 1/4 of last year's third quarter losses. That was driven by significant product improvements over the past 2 years. In Internet, competition for new customers remains high, and our third quarter Internet customer losses were in line with last year. Revenue was down about 1% year-over-year, driven by customer losses and a challenging political advertising comparison. Third quarter EBITDA declined by 1.5% year-over-year, essentially flat when excluding advertising. The operating environment for new sales, in particular, Internet continues to reflect low move rates and higher mobile substitution, along with both expanded cellphone Internet competition and fiber overlap growth similar to earlier in the year. Collectively, that drove third quarter Internet gross adds lower year-over-year. Churn improved year-over-year, as to be expected given last year's ACP-related impacts, and Internet churn, including nonpaid churn, remains at historically low levels. From a medium and long-term growth perspective, we know we have the best network, fully capable of where we operate with increasing demand for bandwidth, and we have great products to help us win and the ability to save customers hundreds or even thousands of dollars a year. In the short term, with lower selling opportunities and new forms of competition, small changes in sales or churn have an outsized impact on Internet net gains. We're leaving no stone unturned to drive customer and financial growth, including improved customer perception of our brand and products, growing mobile profitability and driving streaming video growth, all with the focus to drive connectivity revenue growth. We're also improving our long-term cost profile through our service and technology investments, including AI. Beginning with go-to-market, we remain focused on better ways to message our products and value savings, including our marketing and channel mix and testing new offers within our national pricing and packaging structure. The new pricing and packaging we launched in September of last year produces a higher number of total products sold per connect, a gig attach rate that has nearly doubled, more mobile lines per customer connect, and a video sell-in rate that has improved substantially with lower customer churn from bundling. Despite lower selling opportunities given the macro backdrop, our yield

on sales opportunities has steadily increased and various new offer expressions in our marketing mix are designed to find audience and drive more traffic to digital and traditional sales channels, saving customers money without sacrificing our revenue or cash flow potential at the household level. Our marketing efforts, combined with our improving products, promotional and retail pricing and customer service have resulted in significant improvement in consumer perception scores over the past year. Our service is backed by the investment in our 100% U.S.-based sales and service workforce, increasing tenure of those employees and quality for better pay, benefits and technology investment, coupled with our market-leading and industry-first customer commitment across our wireline and wireless services, which we back with service credits, including for outages, or if we can't be at your home or business the same day for service or at least next day for installation. For service visits, we're moving our internal standard to arrive at your doorstep within 2 hours of the service call, and we're now achieving that a large percentage of the time, all of which is helping to drive improved brand perception. In mobile, our broadband growth continues. And for the last 6 quarters, the majority of our line net adds have come from Unlimited Plus lines, which offer higher customer value and drive lower churn. We've also been selling more mobile lines per connect and additional lines to existing mobile households. Convergence reduces Internet churn and higher mobile lines per customer benefits churn further. Increasingly, the line between mobile and wireline connectivity is being blurred as our customers connect seamlessly between the 2 networks. Over the last 12 months, our total connectivity revenue grew by about 4%, and 21% of our Internet customers are now converged, meaning they buy both our mobile and Internet products. The profitability of our converged customers continues to grow. And we don't treat mobile as a separate product, but if we did, Slide 7 shows our fully loaded mobile service margin, excluding acquisition, and that's without the significant churn benefit to Internet. Mobile's financial contribution continues to grow with our scale and a 20% reduction in our reliance on macro cell towers over the past 3 years. We are growing offload to faster networks driven by the development of our Spectrum Mobile network with seamless authentication to nearly 50 million small cell towers through our advanced WiFi, CBRS deployment and partner cable networks. With 88% of Spectrum mobile device traffic now on our own network, the cable operators deliver more facilities-based traffic than the traditional mobile carriers. WiFi is essentially the backbone for all cellular traffic and 5G macro cell towers are really our backup radios with lower speed and higher latency. We continue to evolve our fiber-powered wireline network to deliver Internet service that offers more throughput, even less latency and greater reliability, all at a great value. Our network evolution initiative remains on track to deliver symmetrical and multi-gig speeds across our entire footprint with convergence everywhere we operate. In early 2026, we'll launch our Advanced WiFi Complete product, a tri-band advanced WiFi 7 router that integrates 5G cellular and battery backup to keep customers seamlessly and fully connected during the service disruption or a power outage. We've also announced new B2B partnerships that allow secure auto connection to the Spectrum Mobile network, starting with Amazon and Nexar, and we're exploring a wide range of B2B applications using the network assets highlighted on Slide 4, including lower cost and higher performance data transport, authentication services and other consumer-friendly uses of our capabilities. Our video product also continues to evolve and improve. Earlier this month, we announced the launch of our Spectrum App Store, a digital marketplace where Spectrum customers can discover, activate, manage and upgrade the apps included with their Spectrum TV video plans, and non-video customers can purchase DTC video apps a la carte. The store is accessible on My Spectrum App and on our website, spectrum.net. It's an important additional step in our effort to bring back utility and value to customers in the video ecosystem really for the benefit of our connectivity services. With the combination of over \$125 of included video app value in our video product, unified search and discovery in Xumo and our digital marketplace, we're now more fully marketing our seamless entertainment packaging. Slide 9 shows our video customers are increasingly streaming customers through the award-winning Spectrum TV app and now included programmer streaming apps. Also earlier this month, we announced that we are partnering with Apple to record and distribute a selection of immersive live Lakers games starting in January. And that will go to Spectrum Internet and video customers in L.A., Nevada and Hawaii using the Spectrum SportsNet immersive app on the Apple Vision Pro. The same will be distributed nationally the next day throughout our footprint and on the NBA immersive app. Experience is amazing, and you can see how immersive content will apply across

next-generation devices in the future. And keep in mind that these immersive video streams filmed in 16K require consistent throughput of 150 megabits per second to the home even when distributed in 8K for the Apple Vision Pro. Our fiber-powered bandwidth-rich network is ideally suited to deliver these kinds of immersive experiences, which require significant throughput and benefit from lower latency. So we continue to believe a high-quality video product with value and utility to customers and the development of these bandwidth-rich products can be yet another competitive advantage for our seamless connectivity products. Video also remains a significant driver of lower customer churn, and it can help drive acquisition, and the partnerships we're recreating with programmers and the leagues, great benefits for all of us as we, for example, address the problem of where's my game. Most of what I've discussed this morning really relates to our products and how they'll help drive customer demand and revenue growth. But we're also deploying new technologies, which will transform the quality and economics of our \$8 billion annual cost to serve. For years, we've meaningfully improved the quality of our service while reducing service calls and truck rolls, often at a double-digit rate annually. We've reinvested those savings into frontline employee wages and benefits as well as technology and tools to enhance the quality of our service interactions with customers, both of which have meaningfully improved service employee tenure and career progression. Just a few of the currently deployed tools that we have include machine learning and AI for our network and in-home telemetry to identify and address service issues before they ever occur, even more so with the deployment of signal and power transponders, which will occur as part of our network evolution initiative. Another example is our unified front end for agents with real-time call transcription feeding our AI models for what we call next best action presentment to the agent based on hundreds of real-time and historical metrics. That front end also integrates our Spectrum GPT capabilities for the agent, which will move from current text to conversational prompting. Our AI-based customer sentiment measurement includes supervisor tools to flag real-time agent support and subsequent agent-specific training modules. Our service calls also now have AI call summarization presented on call transfers or subsequent calls and for field techs on job arrival. We're also integrating network telemetry and AI will prompt next best action and coaching for the field of maintenance techs as well. And you can imagine the upcoming positive effects of AI in areas like network monitoring, dispatch and workforce planning. These are just a few isolated examples, often seamless to our employees as it simply improves their job and it improves the service experience. At Charter, these tools are all supported by the same unified data set and tools development within our centralized operating model. All of that reflects where we are today and in the coming months. But just over the past few months, we've seen rapid investments in Agentic AI technology, such that we're focusing our efforts with a few key partners going into 2026 to integrate our existing capabilities into a more Agentic service. The recent advancements most relevant to us include short- and long-term memory, handling multiple customer issues and prioritization, multimodal and multichannel service, including our internal service channels, and over time, the customer's chosen interface. And the goal is, first, to have a better customer experience at every implementation and then to significantly lower operating costs with even higher tenured service employees, because the quality of the job is enhanced, all a virtuous cycle to lower service transactions and cost and improve customer satisfaction, churn and customer growth. The prospect for Agentic AI tools for our back-office employees and software developers has also rapidly increased, and those will be separate work streams within the company. The benefit is still probably 12 to 18 months away, but we believe the impact can be real and material, and we'll plan on updating progress on future calls. So the current operating environment is driving us every day to perform better, and we are, whether it's continued improvement in our network and product capabilities, adapting our marketing strategy to find audience and drive traffic in a temporarily challenging macro and competitive environment, or improving execution of our customer service commitments through all the efforts I mentioned. We're becoming a better operator every day, and consumers are noticing as evidenced by our improving brand perception. All of that effort is in support of our core strategy of offering the best products, including seamless connectivity and seamless entertainment, the most value with unmatched service. And ultimately, those efforts and our differentiated network will drive perpetuity free cash flow growth, which remains our focus for shareholder value creation. Now I'll pass it over to Jessica.

Jessica Fischer: Thanks, Chris. Let's please turn to our customer results on Slide 11. Including

residential and small business, we lost 109,000 Internet customers in the third quarter, in line with last year's results, but lower when adjusted to remove last year's impact from ACP-related disconnects. In mobile, we added 493,000 lines with higher gross additions year-over-year, offset by disconnects on a larger base. Video customers declined by 70,000 versus a loss of 294,000 in 3Q of '24, with the improvement primarily driven by better connects year-over-year resulting from the new pricing and packaging we launched last fall and the various product improvements that Chris covered, and lower churn year-over-year, driven in part by our programmer app inclusion packaging. Wireline voice customers declined by 200,000. In rural, we continue to see accelerating customer relationship growth. We generated 52,000 net customer additions in our subsidized rural footprint in the quarter. And in the third quarter, we grew our subsidized rural passings by 124,000 and by over 453,000 over the last 12 months. We continue to expect subsidized rural passings growth of approximately 450,000 in 2025, in addition to continued nonrural construction and fill-in activity. The BEAD bidding process is largely complete. We bid in 20 different states and were awarded subsidies associated with approximately 84,000 passings. In total, we expect to spend approximately \$230 million of our own capital net of subsidies to build out those passings over the next several years. Moving to third quarter revenue results on Slide 12. Over the last year, residential customers declined by 2.1%. And while residential revenue per customer relationship grew by 1% year-over-year, given promotional rate step-ups, rate adjustments and the growth of Spectrum Mobile lines, those factors were partly offset by a higher mix of non-video customers, growth of low-priced video packages within our base and \$106 million of costs allocated to programmer streaming apps and netted within video revenue versus \$25 million in the prior year period. That allocation should grow over time as more customers authenticate into our streaming application offers, but is neutral to EBITDA. As Slide 12 shows, in total, residential revenue declined by 1.1% and by 0.4% when excluding costs allocated to streaming apps and netted within video revenue in both periods. Turning to commercial revenue. Total commercial revenue grew by 0.9% year-over-year, with mid-market and large business revenue growth of 3.6%, and when excluding all wholesale revenue, mid-market and large business revenue grew by 4%. Small business revenue declined by 0.9%, reflecting a decline in small business customers with revenue per customer remaining essentially flat year-over-year. Third quarter advertising revenue declined by 21%, including the impact of less political. Excluding political, advertising revenue decreased by 0.5%, with national and local advertising market challenges, partly offset by our higher advanced advertising and better inventory selling capabilities. Other revenue grew by 10.7%, primarily driven by higher mobile device sales. In total, consolidated third quarter revenue was down 0.9% year-over-year and grew 0.4% when excluding advertising revenue and costs allocated to streaming apps and netted within video revenue in both periods. Moving to operating expenses and adjusted EBITDA on Slide 13. In the third quarter, total operating expenses decreased by 0.5% year-over-year. Programming costs declined by 6.5% due to a 3.5% decline in video customers year-over-year, a higher mix of lighter video packages and \$106 million of costs allocated to programmer streaming apps and netted within video revenue, partly offset by higher programming rates. Other cost of revenue increased by 4.6%, primarily driven by higher mobile service direct costs and mobile device sales, partly offset by lower franchise and regulatory fees and lower advertising sales costs given lower political activity. Cost to service customers, which combines field and technology operations and customer operations, decreased 0.7% year-over-year, primarily due to lower bad debt expense and labor costs, partly offset by higher network utility costs. Excluding bad debt, cost to service customers was essentially flat year-over-year. Marketing and residential sales expense grew by 5.4% due to some higher marketing spend with dramatically higher impressions at lower cost and continued channel mix shift from lower-cost channels like in-house call centers to digital and affiliates. Finally, other expense increased by 0.7%. Adjusted EBITDA declined by 1.5% year-over-year in the quarter and was essentially flat when excluding advertising. We expect 2025 full year EBITDA growth to be flat or marginally positive year-over-year with higher underlying growth absent the impact of political advertising. And EBITDA growth in the fourth quarter will be pressured by at least as much as it was in the third quarter, given last year's political advertising strength and the same macro pressures we saw in the third quarter. Turning to net income. We generated \$1.1 billion of net income attributable to Charter shareholders in the third quarter compared to \$1.3 billion last year, given this quarter's lower adjusted EBITDA and higher other operating

expenses, driven by merger and acquisition costs related to the pending Cox transaction and severance costs. Turning to Slide 14. Capital expenditures totaled a bit less than \$3.1 billion in the third quarter, nearly \$500 million higher than last year's third quarter due to CPE spend timing and higher network evolution spend. We continue to expect total 2025 capital expenditures to reach approximately \$11.5 billion, lower than our original outlook of \$12 billion, primarily as a result of some network evolution capital pushed into 2026. Despite that push, our goal is to ensure that 2025 is the peak capital year, even if by a small margin. And aside from the network evolution timing variance, our previous commentary on capital outlook on a stand-alone basis remains the same. Further, even including the impact of the Cox transaction and associated integration capital, we expect total combined company capital expenditures to decline in the first full calendar year post close. All of those statements are inclusive of the BEAD spending I mentioned earlier. Turning to free cash flow on Slide 15. Third quarter free cash flow totaled \$1.6 billion, in line with prior year, given higher CapEx offset by lower cash taxes and a more favorable change in cable working capital tied to CPE spend, some of which will reverse in 4Q. And we expect full year change in cable working capital to be modestly positive. Turning to quarterly and full year 2025 cash taxes. Third quarter cash taxes totaled \$53 million, and we expect full year cash tax payments to total approximately \$1 billion. We finished the third quarter with \$95 billion in debt principal. Our weighted average cost of debt remains at an attractive 5.2%, and our current run rate annualized cash interest is \$4.9 billion. During the quarter, we repurchased 7.6 million Charter shares and Charter Holdings common units, totaling \$2.2 billion at an average price of \$292 per share. As of the end of the third quarter, our ratio of net debt to last 12-month adjusted EBITDA increased sequentially to 4.15x and stood at 4.23x pro forma for the pending Liberty Broadband transaction. As I've noted before, during the pendency of the Cox deal, we plan to be at or slightly under 4.25x leverage pro forma for the Liberty transaction. Post close, however, we will move our long-term target leverage to 3.5x to 4.0x, and we would expect to delever to the middle of that range within 2 to 3 years following close. Before moving to Q&A, I wanted to remind everyone that as our capital spending peaks this year and as we begin to benefit from President Trump's new tax legislation, we are poised for rapid free cash flow and free cash flow per share growth over the next several years. Slide 16 lays that phenomenon out very clearly. And with the additional upside potential from future EBITDA growth, a declining stand-alone share count and the powerful economic and strategic benefits of our Cox transaction, the pro forma entity will generate higher free cash flow per share in spite of delevering, which will reduce our cost of capital. And as Chris mentioned, sustainable free cash flow is our key focus metric for delivering shareholder value. With that, I'll turn it over to the operator for Q&A.;

Operator: [Operator Instructions] Our first question will come from Craig Moffett with Moffett Nathanson. Craig Moffett: Chris, I wonder if you could just sort of help us think about where broadband is getting better, so that we can sort of get our minds around your arguments that things are going to improve on the broadband side. Is it in areas where you've completed your high splits? Can you share some data that suggests that your market share or market retention is improving? You talked about voluntary versus involuntary churn last quarter and your voluntary churn metrics being best ever. I wonder if you could just sort of help us sort of frame why we should be optimistic about improving results.

Christopher Winfrey: Sure. Look, just to tackle both of those quickly, and then I think it's probably best to give a more global look. The high split is going well, but we're not actively marketing the capabilities until we get further down the road from a national perspective just to make sure that we're on track there. So there's really nothing to report there. Where churn is definitely better is to the extent that we have a mobile relationship and to the extent we have more lines per mobile relationship, the impact is significant on the churn impact. And then in addition to that -- which has always been the case in cable to the extent you have a video relationship attached to that. But now what we're seeing is the additional activation of these direct-to-consumer apps, which are included as part of the offer to the extent and when that occurs and it's meaningful, then the churn benefit is pretty significant. So no big secret that bundling different products together, saving customers' money, having them have a unified service with seamless connectivity and seamless entertainment really does that from a churn perspective. The challenge that we're facing right now isn't so much on the churn side, although I think there's real opportunity where that will just continue to get better. The challenge we have is the operating environment remains competitive with new competitors and the macro environment that hasn't gotten

better. And I'll start from the top of the funnel. So we have a really muted housing environment. There's slow household formation and low move rates. We have continued mobile substitution growth. And then you layer on top of that, so you have these kind of macro trends, you layer on top of that, competitively, there's more footprint expansion from cellphone Internet, particularly from AT&T; that's no secret. Some others have varying results on the residential fixed wireless access or cellphone Internet, but AT&T; is new to the space with expanding coverage. And then you take a look at our overlap with 1 gigabit or higher competition. It's grown. The pace of that growth hasn't changed in our fiber overlap areas. And our penetration in mature fiber overlap areas remains well above the competition. But it's new competition in multiple fronts. And in any market, when you have new competition, whether it's fiber or cellphone Internet, there's going to be a short-term impact on us. And that's where we're seeing it right now is at the gross add level. We are seeing that in Q1 and Q2, our gross adds were actually higher year-over-year. Q3, it was lower year-over-year. The impact there was most pronounced in the low-income segment. That's not an excuse. I'm not sure if somebody is targeting it or not, but it was pretty notable for us, and that's still very much an important segment for us as well. And so we're trying to pay attention to that. So it's really coming down to, at this stage, competition for a limited number of gross adds that exist in the marketplace because of some of the macro trends. But having said all that, if you think about -- Craig, you and I have spoken about it before, if you look at a bucket of gross adds and a bucket of disconnects, the difference between net loss and net adds is a sliver of gross adds or it's a sliver of disconnects. And in this case, I think over time, when you think about the forward outlook, whether it's household formation, whether it's mobile substitution steadying out, whether it's low move rates, whether it's cellphone Internet getting to its final state of footprint, which is coming, or the slowdown or cessation of new fiber overbuild, all those things, I think, will happen. It's just unclear -- it's very difficult to predict, frankly, the timing of each one of those. But I don't think it takes all of them. So it takes a couple of those, one or a couple of those and you have an outsized impact on our ability to grow. In the meantime, we're not standing still. You can hear it. There's a determination on our side and marketing offer expressions, better use of mobile and video. But I think through our own efforts, both short term and long term, as well as a couple of those external and macro variables changing, it would make all the difference, and we'll grow Internet customers again. I think in the meantime, when we take a look, is there a silver lining? The silver lining is that this environment is -- it is pushing us to be a better operator. And I think when we come out the back end with macro or competitive slowdown, which will occur, we'll end up being a better operator with a better brand perception and probably a better cost structure along the way as well.

Operator: Your next question will come from Ben Swinburne with Morgan Stanley.

Benjamin Swinburne: Can you hear me okay?

Operator: Yes.

Benjamin Swinburne: Great. Great. Two questions. Jessica, I think back in September, you had suggested that the fourth quarter EBITDA decline would be maybe less significant than the third quarter. You can correct me if I got that wrong. It sounds like you're signaling that it will be bigger in Q4 than Q3. I'm just wondering if you could talk a little bit about what's changed in the business and if the layoffs are having a positive or negative, maybe there's a change in there, impact in the fourth quarter. And then, Chris, I hesitate to ask you about your competition since it's not you, it's them. But this has been an interesting week. Comcast announced that they're not planning a rate increase, normal course on broadband. Verizon talked about the fact that they had leaned too much on price increases. I know Charter has always been, going back to Tom's leadership, more cautious, I guess, for lack of a better term on pricing. But I'm just wondering, when you hear that, do you think it -- does it change your outlook? And do you have to think differently about your ability to grow broadband revenues, convergence revenues, just given what you're hearing from 2 of the companies, one of which is a major competitor in the marketplace?

Jessica Fischer: Got it. So Ben, on the EBITDA side, as we often do, we explored some new offers inside of the third quarter. And a few of those offers impacted ARPU a bit more than we had anticipated without driving the additional sales that we expected. We're pulling them from the market as of the beginning of November, but they're putting a bit of pressure on our ARPU growth in 4Q, which, combined with some sales channel mix pressure in marketing and resi sales, will put us in that place

where you did hear it correctly that I think they were a little more pressured in Q4 than we had anticipated that we would be when I spoke about it a few months ago.

Christopher Winfrey: And then Ben, on rate increase. Look, I'd take a step back. Clearly, we've seen, to your point, everything that's been said in the past week or so. But our ARPU today and our promotional pricing and retail pricing, when you take a look at the Spectrum pricing and packaging that we rolled out last year, our ARPU and our pricing is low today versus our peers and competitors. And because of that, we've always had, as you pointed out, probably a little more headroom than others. And given this macro environment, we're not in a position to not pass through cost increases as they occur. That's particularly the case with video. And I wish that were different, but that's the economic reality, and I think you should expect us to do that. And because of discipline in the past, we're probably in a different spot. I would also say, remember that based on -- because of the Spectrum pricing and packaging that we rolled out last year and other migrations that we've done before, because of the transaction activity over the past year, we've successfully migrated much of our base to Spectrum pricing and packaging. And you haven't seen, in our results, other than that this separate offer that Jessica mentioned, you haven't seen a big ARPU impact of that migration to lower promotional and lower retail pricing over the past year, because we've managed it through putting more value into the package, and that's the case. And so that migration at a product level and ARPU has been invisible externally. That migration has occurred not just through acquisition, but as customers see these offers in the marketplace, there's a proactive migration that they initiate that also occurs through retention and through loyalty offers that we've migrated a big portion of our existing base over as well as reactive migration, as I mentioned inside of retention. And so we've been able to manage ARPU in a way that continues to create value for customers. So lowering their overall product price, but keeping the household contribution the same, particularly at a margin level. So to wrap it up, I think we're in a slightly different situation. And I don't think that that's where we're at today because of what we've done over the past couple of years.

Operator: Your next question will come from Vikash Harlalka with New Street Research.

Vikash Harlalka: Can you hear me okay?

Christopher Winfrey: Yes.

Vikash Harlalka: So Chris, it seems like there's a theme at play here where you flipped the script on how you've marketed your products historically. So at your video event earlier this month, you talked about potentially marketing video to customers where they pay for streaming services and get linear video for free. Similarly, there was a promotion recently where customers receive broadband for nearly free when they buy 4 lines of mobile. Is this the next sort of step in the evolution in the marketing chain?

Christopher Winfrey: Yes. I think these are just different marketing offer expressions to get to higher ARPU and higher margin per household, at the same time saving customers lots of money. So trying to create win-win scenarios. Our national pricing and packaging hasn't changed, and I think that's the vast majority of how we go to market. The video expression really is just the way we talk about it. So if you think about it for -- I'm going to make this up, but an audience over 35 years old, for an audience over 35 years old, it may resonate that here's your video package, it's around \$100 and you get over \$125 of apps included for free. But for an audience that's younger that may not be that interested at all in linear video, the expression, how about I give you \$125-plus of app value for \$100? And oh, by the way, your linear video is included. Well, that's the exact same product. So there's no change in economics there for us. But depending on the audience, either way, we're saving them lots of money. And it's valuable to them. It's just expressed in a different way. And then you overlay Xumo and the ability to have unified search and discovery. And it's an interesting and compelling way to use video to drive our connectivity services. The 4-line offer, one, I would start by saying, it's a relatively small audience that's willing to convert over 4 lines in one single fell swoop. But it is a good way to express value to consumers by saying, if you take 4 lines, we'll give you Internet for free. And when you do the math and think about the economics here, I'm sure Jessica can chime in, but the vast majority of these customers take speed upgrades. They're taking Unlimited Plus. Our ARPU at sell-in over time and our margin over time is higher than any other traditional sale. And so you can move dollars around. That's the benefit of having multiple products to sell and creating offer expressions that create a really winning situation for different pockets of audience in the marketplace, and you don't have to sacrifice revenue or margin from a company perspective in order to achieve that. Again, that's a twist and offer expression for a relatively

small audience. So you're not going to see a lot of volume there. But to the extent it exists, it's incremental to what you would have gotten otherwise, and it's accretive relative to the average acquisition.

Jessica Fischer: And particularly, too, because those customers with 4 lines of mobile and an Internet line don't -- their churn rates are very low. And so you can end up with very high customer lifetime values, particularly given the combination of the 4 lines and the upgraded services that people take.

Christopher Winfrey: Yes. Even with -- you're totally right. But even without that, it's a slam dunk, as that makes it -- what Jessica said is true. If we get 4 lines and a free Internet with -- upgraded for an extra \$10 or \$20 to 500 megs or to 1 gig, plus some Unlimited Plus lines, the value in that package, it's high for both. It's higher than the customer can get anywhere else in the marketplace, and it's higher for us than...

Jessica Fischer: High value asset.

Christopher Winfrey: Yes. And because of that, the relationship sticks, has low churn, and has high customer lifetime value for both.

Operator: Your next question will come from Jessica Reif Ehrlich with Bank of America.

Jessica Reif Cohen: I guess 3 different things. One, can you just give us an update on more color on Cox acquisition, how you're preparing for it? And any -- just timing as well. And then on the video product, you've had such dramatic improvement pretty quickly since you started marketing it in October. Can you give us any detail or color on that in terms of conversion of broker bids only subs, what you're seeing in terms of retention? How many subs are really engaging with us? I mean, obviously, it's working.

Christopher Winfrey: Yes. So on Cox, there's no real new news there. From a time line perspective, everything we've said in the past remains the same. I don't want to step on my own feet here and say it differently, but I think it was mid next year is what we had said. And so that's still the case. Our focus right now from a Cox perspective is a fewfold. But first and foremost is to work with the regulators at the federal and state level, make sure that we're in a position to answer all their questions properly, make sure they understand the value that exists here for customers, in particular, because we have lower pricing and the ability to bring these type of mobile offers and video at scale, and to save them money across really the entire suite of products as well as for employees and the communities we serve, including adopting some of the great things that Cox does inside of their local communities and create a benefit for not just the Cox footprint, but also inside our existing footprint as well. So that's the biggest focus, but also clearly, as we try to make sure we're preparing ourselves to, as quickly as possible post closing, to put ourselves in a position to launch the Spectrum brand in Cox Markets, to launch our pricing and packaging, to put Xumo in place for video acquisition, and to apply our seamless entertainment and seamless connectivity products. There's a lot of work in preparation for us to do that. We can't do anything in the meantime until we close, but we can do a lot of thinking, we can do a lot of preparation and trying to get ready for that. And so the team is busy on that front as well. On video, it's going to sound like Apple pie, but our sales are up, churn is down on video relative to prior periods. And the activation of the apps has really accelerated. It had been growing pretty steadily, but that was absent us really doing anything to advertise or drive it, because we wanted to make sure that the service experience for activation was there in a unified way, that upgrades could work the way that it should with the incremental cost to the customer. And so it had gotten pretty significant. And then when clearly, we had the launch of the new ESPN app, FOX One, as well as Hulu now included for free. And then just in the past few weeks, the launch of the Spectrum app and digital marketplace, there was an accelerated pickup even in the recent weeks. The benefit from that is what we can clearly see now is when you segment customers based on their tenure with the company, the number of activations of these direct-to-consumer apps that they have, whether that customer is 0 to 6 months tenure, 6 to 12, 12 to 24, 24 and beyond, in each of that A/B testing of whether they activated the apps or not, and how many apps did they activate, the churn reduction is significant. There's clearly a lot of self-fulfilling prophecy that's inside there. Those that activate tend to like us more, I would argue. But it's pretty compelling. And so we're excited about what we're seeing on that front. It's been a lot of work. It's not perfect yet. So when you think about the different ways that customers activate, each one of those programmers genuinely has a different activation path and flow that we need to follow. So we still think

we can work on that with things like behind the modem, automatic authentication and still get password and credentials to the programmers the way that they want. So there's still things that we can do to make it even better. We're not done, but pretty pleased with where it's at. And I said it in the prepared remarks, I just want to be clear, our goal here, it isn't to have positive video ads, and it's not -- unfortunately, it's not to save the video ecosystem, because it's pretty challenged. But our goal is to make sure that we have a unique and differentiated product that we can put in front of our connectivity customers in a way that generates new ways to market and acquire customers and has retained value and it has value and utility for them. And to the extent a broadband customer wants that and values that, we're going to attach that to the relationship. And if they don't, we won't. And we'll just rely on the retained value of Internet and mobile convergence on that front. So it's going well, but it's still very early days. And the amount of pickup on these inclusion offers is significant. It's great for the programmers, because once that happens, they will have, relative to stand-alone selling of these retail products, they're going to have much lower churn. There's obviously an operating cost to wholesale relationship. It's great economics that exist inside the traditional linear system. And then they have the upgrade potential of these apps to an ad-free version, and we'll keep innovating in different ways. Wherever the customer wants to go, that's where we're going to try to meet them together with what I think is a very, very different relationship that we have now with the programmers and even the leagues understanding that the importance of doing from packaging and from utility inside Xumo with the ability to have unified search and discovery across all these apps and really solve what I call where is the game problem.

Jessica Fischer: The one thing that I would add to that, while it's not sort of the focus of investing in the video product, there has been significant financial pressure on video margin with the loss of customers that we've seen over the last several years, and bringing stability to that space, even if it's not that you fully stop it from shrinking, if we can bring the pace of that down, that really allows us to be in a better place to highlight the growth that we see across other areas of the business and to drive financial growth of the company as a whole by having more stability in video.

Christopher Winfrey: Yes. So it's actually an important derivative growth lever.

Operator: Your next question will come from Michael Rollins with Citi.

Michael Rollins: Two topics, if I could. So first, through all the recent efforts to improve efficiency at a lower cost, can you size the future opportunity for savings, including if you have any step function opportunities to take cost out, whether it's migrating customers to IP video off the linear infrastructure, or the automation tools that you're bringing to your customers and employees? And then secondly, and I guess, forgive the expression, but are there any nonlinear ways to expand Charter's addressable market for revenue to introduce new ways to monetize the customer relationship for both the consumer and business segments?

Christopher Winfrey: Look, great questions actually and something both of which we're thinking a lot about. The size of the cost opportunity, I mentioned it in the remarks today. We've been getting, depending on the year, but if you look at a multiyear period, a reduction in cost to serve per customer relationship through quality transactions, which actually came about by investing more. So we invested more in our employees and our systems and tools in order to drive down service transactions and have lower churn. And all of that ultimately reduced our cost to serve over time per customer despite the higher investments. And more recently, in the past, I'd say, 2 years, making those tools better, the investments that we've had there has been driven by machine learning and which has migrated into AI-type investments. The backbone of all of that is a unified data and software development structure that we have here at Charter, which may or may not be unique, but it allows us to put these separate AI tools because they're really functioning off the same data spine and development infrastructure. It actually sets us up very well for Agentic AI. And I'll be honest, just a few months ago, I kind of rolled my eyes. But when you take a look at the things that I mentioned that have really changed, at least from our perspective, what we've been able to see, whether it's short- and long-term memory, multimodal, the ability for our agent to potentially -- meaning an Agentic AI agent able to interact with the customer's agent over time. There's a real opportunity here for doing, first and foremost, the improvement of quality of customer service based on the knowledge of the significant number of transactions we do every year. There's not millions of different ways to do that transaction in best ways. There's usually one. So the opportunity to meet the customer where they want to be in a digital transaction is big. I mentioned

inside the prepared remarks, just the size of the cost of service for us is \$8 billion. A lot of that's physical, but a lot of it's different areas of the business. And what that will do, as we make those investments, it actually -- first is, can you improve the customer service quality? Second is, can you improve the quality of the job for an agent. And when you do those things, you make it better for the customer, but the agent is more satisfied, too, which means that you have a happier employee who develops more tenure with the company, which is actually better for the customer. You get this virtuous cycle, which end up at the back end, you can dramatically lower your cost in environments that have naturally higher attrition to begin with. And so I think the size of that -- the total of it today, you can see it in our P&L; is \$8 billion. And so I think there's -- without giving -- we don't know yet the exact size, but I think it could be significant, and we're leaning into that pretty heavily. The nonlinear ways of growing revenue and developing new products. For the past few quarters, we've included a slide, I don't know if it's Slide 4, we can take a look, but whether that's right or not. There's a slide in there that shows the extent of our assets. And part of that slide is meant to demonstrate that we have facilities and we have connectivity capabilities that I think are genuinely of interest to a much broader array of B2B partners and could also create additional, even residential products for us over time. But I mentioned we have recently signed up with Amazon to do data offloading, saves them money, has better connectivity. We've done the same thing with Nexar, which you'll find in different car rideshare services as video cameras for offload. But you could think about what could we bring to the EV community in terms of offload and the amount of bandwidth that comes into a garage every single night, and save those providers' money, which actually ends up saving customers' money. You could think about our location-based services behind the modem or with our seamless connectivity abroad in terms of financial transactions and managing cybersecurity risk in a low latency environment in ways that you could monetize that, that facilitates transactions for a B2B provider, but also makes the network safer for financial fraud for our end user customers in a way that could be relatively unique. And then you move on and you'll see, on that page, there's 1,000 hubs and localized data centers. These are not hyperscaler data centers. They're generally much smaller. They have a little bit less -- a lot less power. And we're exploring different use cases for what you could do there with respect to edge CDN. Could AI inferencing be there? I think there's a huge set of assets that exist in our footprint that are untapped as it relates to new B2B and B2C products. There's nothing here that I can sit here and tell you is material today. But we're pretty active in talking to different people across the country and in fact, globally about different ways that we can make better use of these assets to bring value to consumers and to bring new revenue streams to us. So in some sense, that's the history of cable. If you step back, broadband was never a product. Voice over IP telephony was never a product. Mobile was never a product. And it all came on the backbone of these assets that we have in providing connectivity services. And while I still firmly believe we're going to grow Internet again for all the reasons that I talked to Craig about earlier, it doesn't mean that this isn't a good opportunity to go take a look and say, what's the next wave. It's always happened.

Stefan Anninger: Thanks, Michael. Leila, we'll take our last question, please.

Operator: Your last question will come from Peter Supino with Wolfe Research.

Peter Supino: A financial question. I think you all have done a great job of covering a lot of the operational topics today. Historically, Charter has structured its debt really intelligently so that the maturities are fairly evenly laddered and the rates are fairly fixed. With rates higher today and with growth coming in below where I'm sure all of us expected a few years ago, I wonder what it would take to make it interesting for Charter to start paying down debt maturities over the next few years. Understanding that it is your conviction that cable broadband will grow again. I think we're all wondering what we do if it doesn't.

Jessica Fischer: Yes. So Peter, we reevaluate our target leverage ratio all the time in spite of the fact that we don't change it very often. And we do that in the context of all of the things you're talking about, whether that's interest rates or growth prospects for the business, sort of how we see the long-term trajectory of the business. And right now, I would say how we see the long-term trajectory of cash flow. And given what we see across the business today and what we think that we will be able to do as we bring together our business and the Cox business and reap substantial benefits out of that transaction, I think we're comfortable with the stand-alone business where it is today at just under 4.25x when you

pro forma in the Liberty debt. And then over time, when we bring in the Cox assets, assuming that the transaction closes, that on its own sort of moving the leverage ratio down a bit and then targeting at the midpoint of a 3.5x to 4.0x range over time. What that means is that we will do sort of somewhat less borrowing. I mean, I'm sure that you can see we have pretty limited towers over the next couple of years. And on top of that to be in a place where we would be planning to reduce the leverage ratio. The total amount of borrowing that we do does sort of naturally self-limit in that period. But I think it strikes a nice balance between being able to continue to return capital to shareholders, which I think is an important part of our business, keeping leverage on the business at a time when there is dramatic free cash flow growth that's coming in a way that I think will provide significant value to shareholders and managing risk in a way that's appropriate. I mean we still, in the stand-alone business and then even more so in the combined business, generate a substantial amount of cash flow so that if we did need to delever at some point in the future, from a risk perspective, I think we're more than capable of doing so. So I continue to be happy with where we sit in the guidance that we've given today. But it doesn't mean that we won't continue to evaluate. We will. We always have. And if it's prudent for us to make a move, we will.

Christopher Winfrey: I think I'm just going to add to that, and it's probably a great way to end the call today. The free cash flow that we've talked about, it's mechanical. It's because of the massive step down in capital expenditure, it's mechanical, and it happens whether or not there's some or high EBITDA growth rate. So it's happening either way. And I think everybody knows we typically -- because we want to make sure that we can make the right capital allocation decisions dynamically to create value for shareholders, we typically don't give a lot of financial outlook. But to the extent we do, we understand the importance of hitting it. And that includes CapEx, that includes a commitment to EBITDA growth and free cash flow and particularly free cash flow. And so that means that you can delever fast if you needed to or wanted to at any time. So kind of it's a very repetitive to what Jessica just said, but I felt like I wanted to add that in.

Jessica Fischer: Yes. But it's probably important to say, look, we continue to have confidence in the business and in our ability to create the free cash flow growth that we've talked about for shareholders and in the ability in the medium and long term for the broadband asset to deliver the kind of connectivity that people will need to run the products that will come to the marketplace. And so with that confidence, I think we continue to be in a place where we believe that we can continue to create good value for shareholders going forward.

Stefan Anninger: Leila, that ends our call. I'll turn it back to you.

Operator: Thank you, everyone, for joining today. The call has concluded, and you may now disconnect.