REFINITIV STREETEVENTS

EDITED TRANSCRIPT

CHTR.OQ - Charter Communications Inc at Goldman Sachs Communacopia + Technology Conference

EVENT DATE/TIME: SEPTEMBER 14, 2022 / 6:30PM GMT

REFINITIV

CORPORATE PARTICIPANTS

Thomas M. Rutledge *Charter Communications, Inc. - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Brett Joseph Feldman *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

PRESENTATION

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

All right. Welcome, everyone. Very excited to welcome to the first-ever Communacopia Plus Technology Conference, one of the long-standing participants in Communacopia classic as I like to call it. Tom Rutledge, Chairman and CEO of Charter. Tom, thanks so much for being here with us today.

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Thank you. Thanks for having me.

QUESTIONS AND ANSWERS

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So over the last 12 months, Charter and really all the major cable operators have seen their customer growth decelerate from what had been essentially record levels to more of a flatter trend. And we've seen this happen when some new competitors like fixed wireless providers have come into the market and found a foothold. We've also seen some shifting economic wins. And all of this has led to a debate among investors about what is the right outlook for cable operators such as Charter.

And so the first question I want to ask you today is if you take a step back and you just look at Charter from a high level, what do you see is the company's biggest opportunities? And what gives you confidence that you're positioned for improved and sustained growth over time?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Right. Well, you're right. It's been an interesting time through COVID. And prior to COVID, our broadband growth was relatively steady and consistent, so is our passings growth and our new construction growth. And then we had this massive growth associated with people staying in place. And the biggest change that's occurred in the last year or so has really been the activity of our customer base and our opportunity to sell to that customer base when they're in motion and moving and -- particularly moving. And our churn rates are still at absolute historic lows, our voluntary churn, meaning people choose to disconnect from us, nonpay. And our nonpay are still extremely low. Our voluntary is the lowest it's ever been. So it's been an unusual environment post this massive growth period associated with everybody staying in place.

The competitive environment, in terms of growth of fiber competitors, hasn't really changed much. And yes, we've had the new entrant of fixed wireless. But on a relative scale, it's taken a pretty small base of our customer -- very small base relative to the change in the churn activity level and our ability to sell against that churn.

But from a high-level point of view, I think that we still have tremendous growth opportunities for the company now and in the future. And our ability to provide really inexpensive products that are better than the current products, particularly mobile products, going forward are significant. And we -- if you noticed, our mobile growth has been accelerating, and it -- I expect it to continue to accelerate. And I think that acceleration,

combined with the value proposition of having that connected to our broadband service and to actually make our advanced WiFi network work well with the mobile network so that it's actually superior to what an ordinary mobile network is, is our biggest opportunity to drive growth. And that growth will come in several ways. It'll come from -- there's an average of about $135 a month per household being spent on mobile services, 2.2 lines. And the average takeout of our average home for broadband is about $60 because there's promotional pricing in there and growth pricing that goes with the nominal price.

And so there's a lot more money being spent on mobile than there is on broadband on a household basis. And we have the ability to reduce the cost of mobile significantly and still have a very good margin on the increment. And to combine that with our advanced WiFi in a way that, that mobile device works better than it ever would work otherwise, and I think that, that gives us the opportunity to grow our revenue on a per sub basis significantly.

We have 32 million broadband customers and a little over 4 million mobile lines. So there's a lot of money by attaching those mobile devices to our existing base. That's probably the biggest single financial opportunity in raw dollars over the next 5 years.

And then there's the use of that mobile value proposition, combined with broadband, to drive additional broadband penetration. And we've been the most successful broadband penetration grower in the country.

And then there's new construction. So we've been building about 1 million homes a year in new construction and connecting customers to that. But in addition to that, we now have rural development money. And so we're building 1.2 million customers that we've committed to now -- not customers -- excuse me, homes passed with RDOF funds and state funds. And there's another $42 billion coming next year to be distributed to bidders who can do that efficiently, which we are. And that -- as a result of that, we're going to have growth in the extension of the plant. We're going to have growth in our broadband customer base because it's a better value proposition and a better product. And we're going to have growth in our ARPU on our existing base because we're really underpenetrated.

So when you put all that into a sort of math equation, and you look at total spend per household on just broadband and mobile, our share today of that is about 26%. So we're really underpenetrated. And we have a big growth path in front of us, and we can significantly save customers a lot of money that they're spending and drive our own revenue by a significant amount. So that's our macro upside opportunity.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So I think some numbers to compare there. I think we're so accustomed to looking at your customer penetration, your broadband penetration. And we see 50%, 55% penetration, but your point is we're only getting 26% of the money that those households are actually spending on their communication services.

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

That's right. That's right.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Okay. I want to dig into all of that. But before we do, you run a very big company. You're very exposed to consumers. You touch SMBs. You even serve some large enterprises. So you do have a vantage point on the economy. And I was curious from that vantage point, how are inflation and the slowing economic growth that we're seeing impacting your business? And to what extent have you had to adjust the way you operate your business in this environment?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Right. It's interesting. I've had more than 40 years of management. So I have been through more than one business cycle. And I was talking earlier today about my 16.5% mortgage when I started. And I think through that the '87 crash and the early '90s and the tech bubble and the HTL and the 2008, when I think back about operating our business and the way customers react to our business, I have a hard time thinking about finding a position in any one of those environments where we really change the way we had to market as a result of the environment around us. So I'm actually fairly comfortable that even in a difficult market for consumers that our products are extremely attractive. And I think that, to some extent, the fact that we can really put a really good value proposition in front of the consumers, I was just explaining in terms of their household spend, maybe saving $800 a year on their telecom spend and get more and better, that in a bad environment, that actually can be a positive from a consumer perspective for us from an operating perspective because the demand for our products is pretty solid and doesn't get altered by bad economic conditions at the residential level, particularly, which is the bulk of our business.

So consumers -- you think about them -- just think about what happened during the COVID shutdown and how people -- even though they're not working, they want to be connected to broadband. If you want to work now and you want to have a job, you need broadband. And if you want to be entertained, you essentially need broadband or cable or what is -- cable is becoming a broadband service, essentially. And you think about all the things you could spend your money on if you're -- if you don't have very much, it's the best value there is, and we can make it even more valuable.

So I'm not very worried about our ability to interact with consumers and to grow in a negative market environment. Now cost of capital changes, and it's still very much within the kind of realm of cost of capital that we expected to have anyway. We never expected to have zero cost of capital when we put the company together.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Okay. I think you said in your second quarter call that in terms of things like bad debt and collections, it was all sort of normalizing to prepandemic. Is that still the right framework to sort of think about that?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Well, it's low. Our churn rate -- like I said, our voluntary churn is the lowest it's ever been. Our nonpay churn is still extremely low. It's a little bit bigger than it was at the very lowest period, but it's well below historic norms. So that's a function of consumers still have money and the unemployment is still low. But even in a different environment, who knows what's going to happen exactly. But I think our ability to sell to consumers will still be good.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Okay. So we alluded earlier to some of the shifts in the competitive landscape. And one of the things that has gotten a lot more attention this year than I think we would have expected is fixed wireless. There's been a lot of momentum at T-Mobile and Verizon. Hans was here earlier and suggested that, that sequential improvement in net adds, they saw through the first part of the year has endured as they expected into the back half of the year.

Sort of a 2-part question. The first is, what's your long-term view on the competitive impact of fixed wireless? I think I have a sense as to what it is, but it would still be interested to hear your updated thoughts. And then thinking near term, what steps, if any, have you taken to ensure that customers can continue to see the value of your service bundle as another option is presented to them?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Yes. Well, I think if you look at fixed -- usually when a new competitor comes up, somebody overbuilds you or you get a little bit of activity associated with that, that sort of natural -- the 10% of the population that will switch if there's an alternative or something new. And then it becomes a much different environment. So to some extent, fixed wireless is in that mode. But the [passings] base of it is quite large, at least as it's being described. And yet our voluntary churn as a result of it is actually lower than it's ever been. So it's -- I think there is some impact, but it's relatively small.

I think over the longer term -- I think as a product, it has value for certain consumers, particularly people who have mobile businesses. And I had a MiFi product for years that I bought from a cellular company that was kind of a fixed wireless-type notion. So I think of it as a product that will work in the marketplace to some extent. But I don't think it -- I think that we can -- like we've done with DSL, I think we can continue to see consumers use more and more data. And I think our networks work much better with more and more data on them than the wireless networks would work. And so I -- and the DSL works. And so I think we'll continue to grow notwithstanding that some people will buy that product.

I think that our mobile product, again, as a value proposition is better because we can make our WiFi work with the mobile and actually give you -- say you're a 200 megabit mobile broadband customer. When you bring your Charter mobile product to that house, it'll go at a gig. So a speed boost, we call it. So we can have the fastest mobile products around. 80% of the bits are actually on the WiFi network. And we've got a pathway to actually even move more traffic onto the WiFi network and more traffic on to CBRS, which is our spectrum that we purchased. And it's also a small cell radio like our WiFi but 5G.

And so between all of those capabilities, I think the total value proposition of our integrated broadband mobile product will let us grow at the expense of fixed wireless.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

To your point, fixed wireless generally doesn't offer the performance characteristics of what your network does. The fiber networks do. And the telcos have sort of revisited their fiber strategies. And it looks like there's going to be a continued expansion -- potentially meaningful expansion of fiber passings over the next several years from AT&T, Frontier and others. What do you need to ensure that you're doing right in the market to make sure that you can protect and maybe even grow your share as fiber becomes more ubiquitous?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Yes. Well, it has been growing. And our last numbers that we reported were 38% of our homes passed had fiber in front of them. We do quite well in the areas where the fiber operators are. And they're in on the increment. When they come in, they take some share. But we tend to do well over the longer term and continue to take the majority of the growth.

I think when you -- if you think about the future and you think about our network, our network today is 450 million devices connected to our network. And those -- almost all of those devices are wireless. So it's really about what is your wireless connectivity like from a value perspective? And does it serve your -- all of your devices in the best way and at the best speeds and the best integration? And I think we have a competitive advantage there because we have advanced WiFi and we have an integrated mobile product with that.

And so I think -- and even our future video product with the Zumo joint venture is wirelessly delivered. And in fact, a lot of our video product today is delivered on wireless, Roku boxes and wireless Apple boxes. And so we're going to an environment where every device connected to our network is wirelessly connected. And we've been deploying an advanced WiFi network, and we've been deploying -- we're in the process of beginning to deploy small cell deep CBRS networks. And so I think given that, we have the ability to have superior products and superior prices and will do well against fiber competitors.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So one of the reasons investors spend a lot of time thinking about the competitive backdrop is the importance of ARPU as part of your revenue growth algorithm. And historically, you've raised price, I think, every year. I don't think you've flown through a broadband price adjustment yet in 2022.

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Not yet.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So that's really the question, which is to what extent does this reflect sort of this unusual point in time they're in, and you alluded to some of the things that are very abnormal right now? And maybe what's your general thinking about the pricing power of your product going forward?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Yes. Well, I think it's a more complicated question than just what's your broadband price. But -- because I think that increasingly, it's about what your household communications price. And how you mix and match the various component pieces of that and describe that, I think, is something that it's really a part of your pricing and packaging strategy, and to some extent, has to reflect the value perceptions that customers have in the marketplace about what they think things are worth.

So I think the real goal is to take more revenue out of the household. And the best way to do that is to put more products in the household and have people voluntarily pay for those products and to sort of self increase their rate. But that doesn't mean we won't be mixing the price points of broadband and mobile in the future. And -- but that's, to some extent, a function of really promotional pricing. It's a function of what people perceive as the value proposition. And I think it's much more important to generate increased revenue per household in a customer relationship perspective than it is to think about it in a rate perspective. That said, we'll do rate increases on particular products.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

So one of the pieces of that, and you've already alluded to it a few times, is your mobile offer. You've added over 1.3 million mobile lines during the past 4 quarters. That is your strongest 12-month period ever. And interestingly, it's happened even though your aggregate customer growth has slowed. And so the first question would be, why is that? What's working? What's the flywheel here?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Well, it's a good -- we had to get credibility in the marketplace. We only have a little more than 4 million customers in the last quarter. But we're in an environment where our mobile growth is accelerating, and it continues to accelerate. I expect it to continue to accelerate for a significant period of time. And I expect that over time, it'll look a lot like what we did in the wireline [telephony] business.

Today, Charter and Comcast are the 2 biggest wireline phone companies in the United States. Most people don't think of us that way. But when we launched Voice over IP in 2003 and 2004, people thought we'd get 10% penetration or something like that, but we got the bulk of the penetration and relatively quickly.

And so I think given what we can deliver for a consumer, we have every expectation that we'll accelerate that growth in mobile.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

A key piece, I think, of why your service has been so successful is that the price of service is actually very attractive.

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

It is.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

The larger operators, AT&T, Verizons and T-Mobiles, they tend to use device subsidies.

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

They do.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

And we've seen them renew those with the iPhone 14. Do you think that's something you need or should be doing in order to reach even a broader customer base?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

It may. I think you have to look at -- think about it from an overall context point of view. I think even with device subsidies or where a consumer pays for the device themselves over time, if you look at that price of that, today, our $29.99 headline price and then a $32 for a modern phone payment schedule, it's still well cheaper than what the promotional pricing or free service and the service price of a wireless carrier. So it's still a very good value.

So how do you -- so the real question to me is back to like pricing and packaging and your question about rates. It's really about how do you make sure you get the value to the customer and the value is perceived by the customer. And if that requires saying you're doing a subsidy and it's free and people feel that it is better, then we will do that from a marketing strategy. But we've been able to grow nicely, and we've been able to continue to accelerate our growth nicely by the way we're doing it. But you can hold both thoughts in your head at the same time because it's the overall value proposition that we're talking about.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

A question we get a lot from investors is, ultimately, how do we think about the right way of evaluating the impact of the mobile business on Charter, meaning are we mostly trying to determine whether it's making your broadband business better because you're putting something in the bundle that's valuable but doesn't make a lot of money on its own? Or are you actually assessing it based on the financial contribution that, that product can make on its own over time?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Yes. Well, you can think of it about a lot of different ways, but you can -- on the one hand, the biggest potential financial revenue and EBITDA opportunity of mobile is on the existing 32 million broadband customers we already have.

Literally, we could cut the price of mobile in half and double our revenue if we could get 100% penetration against our existing base. And it's also an opportunity to make the value proposition of the incremental opportunity we have. The difference between our current penetration in the high 50s and the vacancy rate of 92, and that's the ultimate penetration of what the market could be on a fixed network.

We can use mobile to help drive that as well. But financially, we don't need to grow another broadband customer to make mobile a very attractive incremental revenue and financial and EBITDA opportunity for us. But we still have all the other growth tactics and opportunities available to us, which is new construction and plant expansion as well.

So I look at it as improving the overall relationship of our connectivity business with every consumer we have and creating value both hierarchically, meaning more revenue per existing sub, and horizontally, meaning more customers.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

You noted earlier that you have mid-band spectrum, CBRS spectrum that you could use to deploy your own mobile infrastructure. Do you inevitably need to do that in order for mobile to make enough of a positive financial contribution to the P&L? And if the answer is yes, the follow-up is, could you do that within your existing capital intensity? Or would that be a supplemental allocation choices?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Well, the answer is actually no. We don't have to do it. Our mobile cost structure is such that we don't have to do it to have a good business and to use mobile all the ways I just described. And the bulk of the traffic on mobile is offloaded on to WiFi. And we have ways to improve how much traffic we offload on WiFi going forward. We can do that by creating SSIDs just for our mobile customers so that wherever you are in any environment where some -- there's WiFi, you get that 1 gig service, and you get a special traffic flow just for you. And we can manage that in the network with our advanced WiFi routers. That's a real value. And it's a value both because it makes the product work better, but it's also a value because it saves us money in terms of how much MVNO costs we have.

CBRS is the same basic concept. It's a small radio, and you put it wherever the traffic justifies it based on the cost of your MVNO. The cheaper your MVNO is, the smaller the spaces where you can invest in CBRS are because you only put the radios where the traffic is and where the traffic at price is and where the cost of the capital you deploy is -- the payback on that capital is less than the amount of money that you save from your MVNO bill. So it's really a cost saving capital deployment. And it's very specific, and it's very targeted. And you only deploy it if you know it's going to work.

So we'll -- we think that given our current price structure that we can be more efficient with CBRS, and we've got a big test going right now to make sure all the handoffs work well and that technically works, but we know where the traffic is. And so if we know where the traffic is and we know what it costs to deploy the radios and we can actually move the traffic onto the radios, we gradually become a fixed mobile provider in the places where it's economically efficient.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

I want to pivot here and talk a little bit about your oldest business, your video business. You've seen customer losses begin to pick up a little bit again, not as bad as what we've seen across the industry. But across the industry, we've seen a...

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Well, we just did a large rate increase, too, in our mobile, which is -- in our video, excuse me, because we've been pushing through the rates and keeping the basic margins the same and letting the business go where it goes.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Yes. So really, the question is, how do you think about the trajectory of your video business over time? And what gives you confidence that Charter can continue to be an EBITDA grower even as you likely see further declines in this product?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Right. Well, look, I don't think it's about to precipitously fall apart. It's -- I think all the forces in it remain, and they stay in the next 3 or 4 years. I think you have a continued reduction in the [fat] basic product, and you have continued escalation in costs. And that cost structure is driving people out of the market.

But from a capital intensity perspective, going to an app-based environment means that a lot of capital is coming out of the business, and we're going to a consumer model where the consumer owns a CPE for video. So I think what we have stays like it's been for a while.

But on the other hand, I think this new platform that we're developing with Comcast and the joint venture gives us an opportunity to monetize video and to use our customer relationships to drive that platform deeper into the market and to create an advertising business and a transaction business that -- where we monetize the platform by helping direct-to-consumer media companies get more customers and take a fee for doing that for them, help sell the product. That's one revenue opportunity that comes from it.

And the other opportunity that comes from it is advertising. To the extent that you get a big platform deployed, and you've got viewership, that opportunity is that you can monetize that and get better CPMs than historic advertising has gotten because it's targeted advertising.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

A follow-up on both of these things. So on the JV, do you believe the way it's set up right now, it can scale on its own? Or do you inevitably expect or want to make further investments into it?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Well, I think that we'll make investments in it because I think it can -- we need to scale it out and get some scale in order to drive advertising and to drive purveyors of content to want to have us sell their content on that platform. So yes, we're going to have to deploy it.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

And on advertising, pivoting is sort of your established advertising business. It's a cyclical business. What do you seeing right now in the ad market?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Well, it's an election year, and that always makes you feel great. So -- and the more contentious the elections are, the better from an advertising perspective. So yes, that's doing well. But the CORE business is actually doing pretty well. It's growing at 4%, 5% and not counting the political advertising. And that's because it's becoming in targeted advertising and CPMs are going up and the advertising is becoming more efficient for the advertiser. And we do have -- we're the great platform at the local level for selling advertising.

So I'm pretty confident that advertising is still a continued opportunity for us. But in order to make that work, you've got to make sure you have inventory. And the way you get inventory is distribute content.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Got it. And so it doesn't sound like the economic backdrop is materially disrupting in the ad business right now?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

It isn't. And yet there's still softness -- supply chain issues like auto and things like that have been weak, but the net of it all is that we're still growing.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Another part of your business that does have some cyclical exposure is your commercial segment. About 13% of your revenues come from commercial customers. It was affected by COVID. How do you think about the growth opportunity in your business segment, especially as telcos keep talking about how they roll out fiber? They think that's an area where they start getting some market share back.

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Yes. If you look at the overall business segment in the telco universe, it's shrinking. And the big telcos are shrinking fast. And we've been growing. So the overall market is shrinking in terms of how big enterprises are using connectivity. And they're going to [less] sort of traditional telco models and more IP models. And as a result of that, we -- as an underpenetrated provider and someone with an advanced network that's distributed widely and easily extensible, we've been growing our business, and we expect to continue to grow it even in light of all those pressures.

We break our segments into 2. The SMB business is also cyclical to some extent, but our products are highly attractive, and we're growing nicely there as well. So do I think macroeconomics will affect them? Yes. And to what extent? I don't know. But I think over the longer trend, I think our opportunity is to continue to take share in that we're even more underpenetrated there than we are in residential.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

I want to talk a bit about your network. You've outlined a path to materially higher broadband speeds as you plan for an upgrade to DOCSIS 4.0. As we talked about earlier, there is more fiber coming into your footprint and investors just have expressed a lot of concern that as competition increases inevitably, so will Charter's capital intensity.

What gives you confidence that the network evolution plans you have will enable you to scale, remain competitive and that you can do it within your typical capital profile?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Right. Well, obviously, if we raise our revenues a lot because you can spend more capital and still keep the same intensity because it's a math issue. But if you think about actual capital being deployed, there are some advantages to taking your network capacity up. So we have this -- we have a bunch of projects going called Spectrum splits, high splits. There's a mid-band split. There's a bunch of ways of splitting up the spectrum. But basically, you put new electronics in, and you get a lot more capacity out of your plant. And we can go to 2 gig down and 1 gig up, symmetrical speeds with the kind of deployments we're making now. And those are relatively inexpensive. And you can use the same CPE that's already out there.

And so I think in one year, you might change your capital intensity if you ramp something up like that. But I think the long-run capital intensity of the business is not that different than it has been, notwithstanding, though, that we're going to build out these rural areas. And so there's -- that's like building new cable companies. But if you look at existing deployed capital, the incremental sort of upgrade capital that you need to put against it. -- I -- one of the advantages of adding capacity to your network is that average customers use more and more data every year. And so we've

always got a line in our capital budget called augmentation node splits. It's -- as people use more and more data, we need to put more and more capacity in the network so that the average capacity of the network remains the same per customer. And the growth does the same -- growth of customers' penetration, growth and average usage per customer. Well, when you up the capacity by upgrading a network, you don't need to do all that augmentation because you get a big headwind of capacity through the upgrade. And the actual usage of network capacity and what our ability to provide from a speed is much different.

Like I said earlier, we have 450 million wireless devices connected to our network. Very few of them can use a gig of capacity. So it's really about customer experience ultimately in your network. And so I think -- I don't think our capital intensity is going to be significantly different.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

At least one...

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Over time -- over a multiyear period.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

At least one big cable company has made a decision to skip DOCSIS 4.0 and upgrade directly to fiber. You know a few things about this cable company. Why do you think it's not the right path for Charter to go all fiber?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Well, I think going to full fiber is a lot more expensive, a lot more expensive than people think it is, too. First of all, it's one thing to put up a fiber in front of an aerial passing on an existing phone company or an existing cable company, where you're just overlashing a fiber. But 35% of the country passings are underground, and that requires a much more expensive kind of build.

But the other thing that most people don't think about, too, about fiber capital intensity is that every incremental customer you connect has to have a new fiber drop. And those fiber drops are a lot more expensive than what's already been deployed from a cable wire infrastructure perspective.

So the incremental capital of a fiber network is a lot higher than that of a company like our architecture. And so we think that the smarter move is to take your network up through new technologies at relatively low cost per passing, way lower than fiber only. And to do that in a way that, over time, as the market develops or needed the speed to give that speed when the products are there to use it.

But I guess the more -- the fundamental answer to your question is it's a lot cheaper to do DOCSIS 4.0 than it is to do a fiber overbuild. And some of the numbers being thrown around fiber overbuilds are a lot higher than people think. And they're getting higher with the cost of money going up. But the real cost is in this incremental cost, and it's very different than what we have.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Have time to squeeze in one last question. It's going to be on M&A. You obviously achieved a lot of your scale through a combination of assets. What's Charter's appetite right now for additional cable in M&A should opportunities present themselves?

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

Yes. So here's our view. It's hard to buy cable assets because most of them are controlled. And the controlled companies are families in many cases, and they want to do what they want to do based on their own family needs, which is right. So the timing is always difficult. But we -- Charter is the most highly penetrated broadband network in the country. And we -- so anything that we would buy would be less penetrated. And anything we would buy, we would think could have the same characteristics as us. And our anticipation is that our broadband penetration 5 years from now will be significantly higher than it is now because of all the things I just said.

So pretty much any asset in the country we think we could do something with and make it more valuable at the right price. And -- but to the extent that they don't exist, we've been buying our own stock.

Brett Joseph Feldman - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

All right, Tom, thanks for being here. Appreciate it.

Thomas M. Rutledge - *Charter Communications, Inc. - Chairman & CEO*

All right. Thank you.
