Q4 2020 Earnings Call

Company Participants

- Christopher L. Winfrey, Chief Financial Officer
- Stefan Anninger, Senior Vice President, Investor Relations
- Thomas M. Rutledge, Chief Executive Officer

Other Participants

- Benjamin Swinburne, Analyst
- Brett Feldman, Analyst
- Bryan Kraft, Analyst
- Craig Moffett, Analyst
- Douglas Mitchelson, Analyst
- Jonathan Chaplin, Analyst
- Philip Cusick, Analyst
- Vijay Jayant, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Charter Communications Fourth Quarter 2020 Earnings Call. (Operator Instructions)

I'd now like to turn the call over to your speaker today, Stefan Anninger. Please go ahead.

Stefan Anninger {BIO 15867691 <GO>}

Good morning and welcome to Charter's Fourth Quarter 2020 Investor Call. The presentation that accompanies this call can be found on our website, ir.charter.com, under the Financial Information section. Before we proceed, I would like to remind you that there are a number of risk factors and other cautionary statements contained in our SEC filings, including our most recent 10-K filed this morning. We will not review those risk factors and other cautionary statements on this call. However, 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. These forward-looking statements 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 or to make additional forward-looking statements in the future.

During the course of today's call, we will be referring to non-GAAP measures as defined and reconciled in our earnings materials. These non-GAAP measures, as defined by Charter, may not be comparable to measures with similar titles used by other companies. Please also note that 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 Tom Rutledge, Chairman and CEO; and Chris Winfrey, our CFO.

With that, let's turn the call over to Tom.

Thomas M. Rutledge {BIO 1818216 <GO>}

Thank you, Stefan. 2020 was an unusual year, but it demonstrated and enhanced the strength of our business and we performed better than expected in a number of areas. The past year has also highlighted the importance of the services we provide and our robust network handled immediate conversion to a remote-based economy, enabling work from home, remote education and tele-health services.

Over the last 10 months, our broadband infrastructure was tested and performed very well. That's because at Charter, we've spent over $35 billion on our network and infrastructure since the close of our transactions in 2016 and it showed up in our 2020 performance. For the full year 2020, we added 1.9 million new customer relationships for growth of 6.5% and we added 2.2 million new Internet customers for growth of 8.3%. We also performed well financially. We grew our adjusted EBITDA by 10% and our free cash flow by 53%.

Our residential business performed particularly well with strength in Internet and we -- where we added 800,000 more customers than we did the prior year. We remain very optimistic about our opportunity to grow our Internet business given the quality and value of our product. Despite the outsized growth and some pull-forward of demand into 2020, which will drive continued benefits to our revenue and EBITDA going forward, our expectation and plan for 2021 is to revert to the trend we were on pre-COVID and meet or exceed the customer relationship and Internet net adds that we achieved in 2019. We believe our long-term broadband penetration and market position has actually been enhanced.

COVID-19 hurt our small business and enterprise businesses, but trends in those parts of our businesses are improving and we're on our way back to our previous growth rates or better. Our core ad business also suffered, but it's now bouncing back and core advertising is 95% of what we would have expected from a revenue perspective. We anticipate our advertising business will make a full recovery with the timing of that recovery dependent on the full recovery of the economy.

2020 also resulted in the acceleration of efficiency in our core operations. Our self-installation program expanded dramatically from about 50% of sales before the pandemic to new steady state of over 80% of sales during the fourth quarter of 2020, driving cost savings and improving customer satisfaction. We saw a significant increase in the use of our online and digital sales in self-service platforms, which drives cost savings and higher customer satisfaction.

As we reflect on our 2020 operating performance, we also demonstrated our commitment to our customers, the communities we serve and our employees. We launched a number of community programs including our Remote Education Offer and the Keep America [ph] Connected Pledge. In addition, we significantly expanded our Spectrum News coverage areas and opened up our Spectrum News websites to ensure people have access to high-quality local news and information. We rapidly connected and upgraded fiber services to healthcare providers and donated significant airtime to run public service announcements to our full footprint of 16 million video customers.

For our employees, we offered additional paid sick time for COVID related illnesses and a flex time program to address other COVID issues. We also increased our wage for all hourly field operations and customer call center employees. Our efforts have been recognized by our employees, the local communities and customers we serve and related stakeholders, which brings long-term benefits.

Looking forward, we remain committed to offering a $20 minimum wage and our strategy of employing an insourced U.S. based workforce that offers a long-term career path for our employees and our call centers and all of our employees are now 100% U.S. based. Our plans to expand our footprint in rural areas will increase broadband access and help connect well over a million homes, which have gone unserved until now. And that doesn't even include our regular build out to lower density areas, which accelerated in 2020.

We continue to offer our Spectrum Internet assist program to millions of lower-income houses -- households at affordable prices. And as we look forward to the rest of 2021, we remain focused on driving customer growth by offering high quality services and products under an operating strategy which works well in various market conditions. Over the coming months, we plan to add multiple streaming video applications to our deployed WorldBox's and all incremental video connections, making it easier for our video customers to access today's most popular streaming content through one device. Our Internet product also continues to improve. During the fourth quarter, we expanded the delivery of our minimum speed offering some 200 megabits from about 60% of our footprint to close to 75% of our footprint.

In the near term, we have a large opportunity to improve data throughput and latency on our network by using our DOCSIS 3.1 technology, which still offers us a long runway to improve our product set. We'll also continue to invest in DOCSIS 4.0 with key vendors in the rest of the industry for even greater capacity and functionality down the road.

We're also improving the quality of our WiFi routers and WiFi reception in the home. We recently launched our new WiFi 6 router in our first market and we will have WiFi 6 router available in nearly all markets by mid 2021. And we now offer companion WiFi Pods to improve WiFi reception in the home.

Our Advanced In-Home WiFi service, which is a managed WiFi service that provides customers the ability to optimize their networks while providing greater control of their connected devices, has now been launched across more than 65% of our footprint for new connects and we will continue to expand that footprint this year.

Our mobile service now offers free access to nationwide 5G service. We recently spent $465 million to purchase 210 CBRS priority access licenses. We intend to use those licenses along with significant unlicensed CBRS spectrum on a targeted 5G small cell site strategy with our HFC network providing power and backhaul. Those small cells combined with improving WiFi capabilities enable better throughput while driving significantly better economics for Charter. This year we'll focus on scaling our systems to actively manage traffic on handsets using our MVNO, WiFi, CBRS spectrum. We will also build some targeted 5G small cell sites, which will help us learn how to pace our purely return on investment based CBRS deployment.

In closing, as we look back on 2020, we're very pleased with our performance as it demonstrates that our operating strategy works well for Charter communities, employees and shareholders, even in challenging economic and operating environments. And despite the one-time impacts to our P&L, which Chris will cover, we ended the year well ahead of where we expected from a customer growth perspective, providing a higher level of subscription-based revenue and underlying EBITDA than what we would have expected.

Now I'll turn the call over to Chris.

Christopher L. Winfrey {BIO 16326284 <GO>}

Thanks, Tom. Due to significant timing impacts of COVID and the different quarterly reporting methodologies for COVID programs across the industry, our customer and financial results on a full-year basis is the better overview. So I'll give a brief readout of the fourth quarter and then I'll discuss our very good 2020 results, set up 2021 and where that leaves us in 2022.

Looking at Slide 6, including Residential and SMB, we grew our Internet customers by 246,000 in the fourth quarter. Internet net adds were down 93,000 versus last year's fourth quarter because our first three quarters of this year were above last year's first three quarters by 900,000 net adds. For the full year, we grew our Internet customers by 2.2 million or by 8.3%, our highest ever on an absolute basis. The significant creation of new broadband customers and shifts from competitors to Charter earlier in the year plus lower market churn resulting in fewer selling opportunities, drove lower net adds in the fourth quarter when compared to last year. Trends have been improving more recently in subject to COVID and economic developments. We currently expect full-year 2021 customer relationship and Internet net adds to meet or exceed 2019.

Residential and SMB video customers declined by 35,000 in the fourth quarter, but grew by 5 -- 56,000 or 0.3% for the full year. Voice customers declined by 103,000 in the quarter by 148,000 for the full year. Mobile line net adds grew by 315,000 during the quarter, more than last year's fourth quarter. Our yield on mobile sales opportunities continues to improve across our channels. The lower sequential net additions reflects the lower fourth quarter cable sales I just mentioned. So we're growing mobile nicely and we're not giving away free handsets to do it. For the full year, we added 1.3 million mobile lines and we believe we were the fastest growing mobile operator in our footprint during the fourth quarter and for the full year.

Turning to Slide 7, fourth-quarter revenue increased by 7.3% year-over-year or 5.6% excluding political advertising. Full year revenue grew by 5.1% or 4.3% excluding political. Fourth quarter EBITDA, as shown on Slide 8, increased by 10.2% year-over-year and 9.9% for the full year. You'll notice in today's materials that were no longer isolating cable specific revenue, EBITDA and free cash flow metrics. But we will continue to isolate mobile revenue, expenses, working capital and CapEx for investors through 2021.

A few comments on the most notable fourth quarter expense items including certain COVID-related expense that impacts during the fourth quarter and for the full year 2020 on Slide 9. Regulatory connectivity and produced content expenses declined by 10.7%, primarily driven by NBA games pushed into 2021. Cost to service customers increased by 4.4% year-over-year driven by 6.5% customer relationship growth. The hourly wage increase we instituted earlier in the year and COVID flex time benefits to employees that was partly offset by lower bad debt, which is due to better payment trends during COVID.

For the full year, we generated $3.2 billion of net income attributable to Charter shareholders and as shown on Slide 11, our 2020 capital expenditures totaled $7.4 billion, including just over $500 million in mobile as we continue to invest to support current and future growth. We invested significantly in capacity upgrades at the national and local levels to stay ahead of higher data usage and we haven't slowed down on new build, including construction in rural areas. We continue to purchase significant DOCSIS 3.1 modems for new connects and equipment upgrades and saw a high attach rate for Advanced In-Home WiFi service.

For the full year 2021, we expect cable capital expenditures as a percentage of cable revenue to be similar or lower than in 2020. We're still in the RDOF quiet period and we will isolate those effects for investors in the future. We expect our 2021 mobile capital expenditures to be similar to 2020 levels as we build out more mobile stores than we originally anticipated and we will spend some dollars to scale our CBRS efforts in mobile back-office systems. Leaving aside the pace of ROI based deployment of small cells, we would expect mobile CapEx for stores and systems to be materially lower in '22 and beyond.

We generated $7.1 billion of consolidated free cash flow in 2020, up 53% from 2019. Currently, we don't expect to be a meaningful federal taxpayer until 2022.

For the full year 2020, we repurchased 21 million Charter shares and Charter Holdings common units, approximately 7% of our shares and units for $12.1 billion. Since September of 2016, we have repurchased nearly $40 billion of stock or approximately 32% of our shares and units at an average price of $394 per share.

Let me now focus on how 2020 sets up 2021 and where that leaves us in 2022. Last year's customer growth was extraordinary and we saw a significant demand for products early on across the existing base and those newly acquired customers. We had record low churn of all types through the remainder of the year, which also reduced sales opportunities in the market in the second half.

As Tom mentioned, we added nearly 2 million customer relationships, compared to 1.1 million in 2019. And we added 2.2 million broadband customers, compared to 1.4 million in 2019. And yet, total transaction activity in 2020, which is the sum of gross connects and churn, is actually lower than in 2019, driven by very low churn during the pandemic.

Last year's financial activity was also unique. From a revenue perspective, 2020 was pressured by the sale of Navisite in 2019 and COVID related reductions for the Keep Americans Connected program and sports programing credits earlier in the year. From the cost perspective, we saw savings in a number of areas. In programming, the interruption and cancellation of sporting events drove $163 million of sports cost savings. Similarly, the cancellation and shift of games also drove cost reductions and timing benefits of over $200 million in our regulatory connectivity and produced content line related to our Lakers and Dodgers (inaudible).

Cost to service customers benefited from lower customer transactions and historically low bad debt, but that was more than offset by wage increases and COVID flex time we provided to our employees. In total, 2020 adjusted EBITDA grew by 9.9%.

For 2021, our baseline assumption is that the COVID-19 vaccine will be widely dispensed and that the economy will return to normal activity by the middle of this year. The reality is that we don't know. But that assumption suggests that the full year 2021 customer net adds should look more like full year 2019 net adds with a return to more normal churn levels, driving higher transaction activity, including higher connect activity than in 2020 despite lower net adds. Not only were quarterly net add growth comparisons to 2020 be somewhat irrelevant, but the current environment will drive abnormal variances when comparing individual quarters to 2019 and our underlying 2021 financial performance will be difficult to discern without the use of our 2020 COVID schedules shown on Slide 9 and on a quarterly basis again on Slide 19.

From a financial perspective, we expect 2021 revenue growth to benefit from the significant customer growth we had in 2020, the lack of COVID-related credits in '21 and an improving SMB core advertising and enterprise outlook, partly offset by the absence of political advertising revenue in 2021, all of which means we will see a significant year-over-year growth rate swings between quarters.

From a cost perspective, we expect 2021 programming to grow at a higher rate than last year, in part, because we don't expect last year's sports programing credits to recur. Regulatory connectivity and produced content will also face a one-time step up due to a full return of sports rights costs in 2021 and the delayed start to the current NBA season pushing Lakers games from 2020 into 2021.

Cost to service customers will also increase as transaction activity rises despite less net adds as I mentioned. We're also providing an additional outsized raise to our hourly employees as we nearly close the gap to a $20 minimum hourly wage. And as non pay churn returns to normal levels, we'll also see a one-time step-up in bad debt expense also returning to normal levels.

With all that in mind, we expect 2021 adjusted EBITDA growth to be good, but lower than in 2020, primarily driven by the net effects of COVID, including related wage increases, higher programming and (inaudible) cost, normalized bad debt and the lack of political advertising in 2021.

So while we still expect 2021 to be a good year, 2022 should be even stronger. Assuming our 2021 Internet net adds are similar to 2019 and the economy returns to normal, our momentum in 2022 will be very strong. SMB and Enterprise revenue growth rate should be back to our expectations, core advertising should return to full growth and 2022 should be a strong non-presidential political advertising year. We won't face the same one-time step-up and return to normal programing and sports rights cost, will be past a large one-time step-up in our hourly wages that will occur in 2021 and we also won't have the same one-time step-up in customer transactions and bad debt expense also in the cost to service customer line.

So while it's very early to get excited about 2022 given the ongoing macroeconomic uncertainty, 2022 could be the year of the financial and operating performance that we originally expected for 2020. So when we look back in 2020, we are pleased with 2.2 million Internet net additions, 10% EBITDA growth and our performance generally in what was a unique year. We're well positioned for 2021 and as a result of the consistency and customer-friendly nature of our operating model, we remain very optimistic about the medium and long-term growth prospects for Charter.

Operator, we're now ready for questions.

Questions And Answers

Operator

(Operator Instructions) And our first question comes from the line of Jonathan Chaplin with New Street. Go ahead, please. Your line is open.

Q - Jonathan Chaplin {BIO 4279061 <GO>}

Thanks. Two quick questions if I may, Chris. First, you finished off by saying that 2022 could be the year you deliver the performance you expected in 2020. Can you remind us what you're anticipating in 2020 in terms of financial performance?

And then with the CBRS deployments kicking in, it sounds like from the pacing of CapEx that lot of the deployment will happen perhaps towards the end of 2020, how do you expect that to impact wireless margins -- sorry, the deployment happen towards the end of 2021, how do you expect that to impact wireless margins in 2022? What could the wireless margin for the -- the margin for the wireless business look like once the CBRS is fully deployed?

A - Christopher L. Winfrey {BIO 16326284 <GO>}

So the first question was what we were expecting in 2020. Well, the trends were that we were expecting in 2020 were an acceleration of customer and Internet net add -- additions relative to 2019 and a political advertising year, which indeed we had, and the continued benefits of our service model driving lower transactions, increasing the underlying profitability of the services by providing great customer service, all of which actually happened at some to different degrees.

But we had a tremendous amount of other unrelated noise that was in the system for 2020, some of which was difficult and put pressure on the financial, some of which was artificially good. And in 2021, what we will have is the reversal of many of those trends, good and bad. And so it's just going to create a whole bunch of noise inside of 2021, including the pressure around political advertising.

And I think if you use the schedule that we've provided on 2019 and the previous disclosure we had around political advertising, there's a lot of detail there and it will require some work. But I think it puts everybody in a position to really understand how 2021 will develop. And then, when you get into 2022, you really won't have -- you shouldn't have -- depending how this year goes as I mentioned, you shouldn't have any of that noise, you should continue to have really good momentum in the marketplace. All of the underlying trends around cost to service remain, in fact it maybe even accelerated to COVID. We will have another political advertising year in 2022 and -- so, I don't want to get over our skis about looking that far out given what uncertainty is still in front of us. And -- but I think 2021 will still be a good year and I think 2022 will be the new -- even cleaner year, really demonstrate everything that's really happening behind the curtains at Charter and its multi-year operating model deployment.

And the CBRS deployment in 2021, it's captured in what I talked about the mobile CapEx for this year. And it's just going to be pretty small, in line with what Tom mentioned, in terms of what we're looking to achieve this year. As it relates to 2022, as we scale the ROI based deployment of the radio access networks that are really just be based on the achievement of lower operating cost and we expect the paybacks on that to be relatively quick. But it will still be fairly de minimis in terms of its overall impact both on CapEx in the grand scheme of things as well as the wireless margins. And the pace of that rollout will really be dictated based on how quickly we can go and how quickly we can realize those type of returns. So it's a little early to outline that fully. I don't think its going to have a material impact either way inside of 2021.

A - Thomas M. Rutledge {BIO 1818216 <GO>}

I would just add to that. The returns on CBRS deployment after 2021 really, obviously, will be specific to the demand utilization in the location where the radios are placed. And so to some -- in a complete sense, it's an opportunistic strategy, wherever our cost would be lower by investing in more CBRS radio deployment, our cost will go down in such a way that we'll get a return on investment.

And I guess, just to sort of fill out Chris' response on trends, if you think about the long-run trend that we've been on of an accelerating growth rate in terms of a broadband growth, that trend is still in place and it exists for '19, '20, '21, and we think as well into 2022. And what's really happened as you got a lot of noise in the '20 and '21 P&Ls, but the net of all of it is, if you spread it out over a multi-year period, is that the trend continues, but we have 800,000 more Internet customers than we would have otherwise.

A - Stefan Anninger {BIO 15867691 <GO>}

Operator, we're ready for the next question.

Operator

Our next question comes from the line of Vijay Jayant with Evercore. Go ahead, please. Your line is open.

Q - Vijay Jayant {BIO 1526830 <GO>}

Thanks. So, Chris, I just wanted to come back to broadband numbers. Obviously, your wireless attachment to broadband historically has been, I think, 70% to 90%. This quarter, it's like 145%. And I think you mentioned that churns you got was low, did 4Q see elevated churn in broadband tied to Keep America Connected? And how much of that 600,000, I think, cohort is still sort of in the system and needs to be sort of plans [ph] out, any thoughts on that?

And then, obviously your video subs in 2020 were pretty good and I think you've sort of used some of your flex on your carriage minimums on your lower-tier offer, can you just talk about, is that a trend we should continue to see in '21 or are we sort of saturated that opportunity given how much you've done on those lower-tier video? Thank you.

A - Thomas M. Rutledge {BIO 1818216 <GO>}

So Vijay. Let me answer the trend question and the Keep American Connected and the REO effect and whether that's in or out of the system, I think that's the thrust of your question. I think the REO pulled demand forward from an acquisition point of view. And the Keep America Connected pulled reduced churn forward and therefore pushed net gain up forward. And if you think about the way churn works, if you have more disconnects, you have more connects to keep the same growth, just keep the same net adds.

And so there is less net adds in the fourth quarter because those net adds were pulled forward by the Keep America Connected program and therefore there was less activity in the fourth quarter as a result of the normal way that churn interacts with sales. But as we look at '21 and look at how our sales have returned and we look at the behavior of our customers, we think that the effects of all of that are pretty much out of our numbers already. And we expect to return to a more normal kind of connect and disconnect rate and a more normal net adds rate that's consistent with the kinds of growth rates that we had in 2019. And we see that already in our performance so far through 2020 -- through the date of today in 2021.

Q - Vijay Jayant {BIO 1526830 <GO>}

And then on video trend?

A - Thomas M. Rutledge {BIO 1818216 <GO>}

Oh, video. Yeah, I'm sorry. We had good results in video for two reasons. One, we had outsized growth in connectivity and as a result of that, by having market share shift to us from other video providers as they bought our broadband, we grew our video against a macro trend of declining multichannel video growth. And that macro trend hasn't gone away and I expect in general, video growth for the industry will continue to decline maybe at a moderate pace. And I don't think we'll have quite the Internet growth, that we had in 2020, in 2021. So I think that just that fact alone is going to put more pressure on our video growth going forward.

But on the other hand, we've been able to grow with OTT products in smaller packages and we still have opportunities there and we're forecasting our internal growth in those areas to continue to accelerate and so the net of those two things is difficult to say, but I think we'll do better than the industry in general if you just look at multichannel video growth, whether that will be positive or negative I'm not sure.

Q - Vijay Jayant {BIO 1526830 <GO>}

Got it.

A - Christopher L. Winfrey {BIO 16326284 <GO>}

Vijay, I think you go back and take a look at what both Tom and I said, not just now in the Q&A, but also in the prepared remarks. But to just list them out in the Q4 impacts for broadband and relationships. One, we had some pull forward of sales that we've talked about earlier in the year. Two, there was less market churn that drives lower sales funnel, particularly for a share taker like us that has an impact. And three, the nuance that time was going through is that the Keep Americans Connected customers meant we kept those subs already in Q2 and Q3, which was helpful to our net adds, but the subs had -- might have turned around and reconnected in Q4 as a sale opportunity [ph].

We had already retained them to their stock and so they didn't turn into a quote-unquote sales or net add opportunity inside the fourth quarter. The last one is true but nuanced and those three reasons are the big drivers in what gives us confidence around us returning back to more like 2019.

Q - Vijay Jayant {BIO 1526830 <GO>}

Great, thanks.

A - Stefan Anninger {BIO 15867691 <GO>}

Operator, we'll take our next question.

Operator

Our next question comes from the line of Brett Feldman with Goldman Sachs. Go ahead, please. Your line is open.

Q - Brett Feldman {BIO 3825792 <GO>}

Yeah, thanks. Just some points of clarification around just the answer you just gave before. It sounds like all of the churn that you might have experienced from Keep America Connected and other payment plans, were sort of addressed prior to the fourth quarter. So the first question is, was there any residual churn from that customer base in the fourth quarter? Or do you feel like you have just gotten to a normalized churn rate?

And then you talked about lower overall churn in the market, I was hoping to get your thoughts on that. Do you think this has to do with lockdowns or anything that was COVID related? And are you seeing so far this year, admittedly early in this year, evidence that market behavior is returning to normal? Thank you.

A - Christopher L. Winfrey {BIO 16326284 <GO>}

So when we talk about the Keep Americans Connected churn and the Remote Education Offer, that tackle both of those at the same time. The Remote Education Offer, the retention of those customers very much look like normal acquisition. So that had been the case earlier in the year, that continue to be the case for Q4 and for all the obvious reasons, we've been tracking that very diligently. The Keep Americans Connected customers who -- where we wrote-off significant portions of their balance, put them back into a current state and they've been paying. And they've been retained as customers and they've been paying much better than we expected. They have a slightly higher non pay rate than your average customer base, you would expect that, because of where they came from. But it's actually really good and it's only a few percentage points difference of overall retention. So that was not a driver inside of Q4.

And because we've been watching this payment trends release since July or August, when we started that program to reset the receivables, we don't see that raising its head now or in the future. So those are good customers, they always were. And I think we did the right thing to put them back into current receivable state. And the lower overall market churn and really the two big driver -- three drivers there. One is that because stimulus has been on and off, but overall people's account balances are high, they don't have places to spend money. And because of the importance of the services that we provide, we've been paid. And as our payment profile for customers is good, it's better than it's ever been. And that applies to probably anybody inside the broadband and probably video space right now.

So non pay disconnect for the marketplace is at record lows. Mover churn is down significantly. So there's not a lot of movers in the market now. And people are (inaudible) to have people in their homes switching out their services. So general voluntary churn tends to be down across the market we believe as well. So that lower overall market churn drives less selling opportunities for a share taker like us, which has an impact on your ability to sell and to bring on new customers.

We have started to see transaction activity start to return to normal is not, by any means, normal. And which is why I said, our outlook for 2021 on net adds and for Internet and customer relationships really is a full year outlook and I would not get too tied up at all as it relates to quarter-by-quarter comparisons. That's not what we're talking about. And the beginning of '21 will look more like 2020 in terms of customer activity and I think normalization takes place progressively over the course of the year.

Q - Brett Feldman {BIO 3825792 <GO>}

Thank you for that color.

A - Stefan Anninger {BIO 15867691 <GO>}

Thanks, Brett. James, we'll take our next question, please.

Operator

Our next question comes from the line of Craig Moffett with MoffettNathanson. Go ahead, please. Your line is open.

Q - Craig Moffett {BIO 5987555 <GO>}

Hi, thank you. Two questions if I could. First, I just want to step back from the broadband conversation for a moment. You've historically said that your preference is to keep prices low and to try to grow quickly particularly when the opportunity for this kind of breakneck growth of 2020 was available. Is there any consideration now that growth is returning to a more normal pace, that it might be time to perhaps be a little more reliant on price as most of the peers are in the industry and optimizing total revenue growth?

And then second, if I could return to the conversation on CBRS small cells, maybe we can just think about it in terms of an objective for how much traffic you think you might be able to offload from the variablized MVNO traffic to what you could eventually put over, just the CBRS portion, not so much WiFi, but just the CBRS portion out of home?

A - Thomas M. Rutledge {BIO 1818216 <GO>}

Well, Craig, Tom here. We have had outsized growth and I don't think any broadband provider in America connected any -- has more net gain than Charter. So I think our strategy in terms of pricing and packaging has worked in terms of growth. And we deferred a rate that we had planned in 2021 actually because of the opportunity and because of the social circumstance and our obligation during that social circumstance. So we did do a data only rate increase in the fourth quarter of 2020 and our relative prices compared to our competitors and compared to our peers is still situationally gives us an opportunity to continue to grow rapidly. So we'll evaluate that through time, but we like the model we have and we think there's a lot of growth in front of us.

With regard to CBRS and how much traffic we can unload, I think that's a through time kind of question I think over the long haul, meaning four, five years. It could be up to a third of our traffic that's current -- that would currently beyond an MVNO kind of basis. But again, that's not -- that's opportunistic, depends on traffic flows, depends on the quantity of flows and where they are and whether it pays for us to put out the capital to reduce those costs, but it is necessary. And if you think through our WiFi deployment as well, there is a mixture between Wi-Fi and CBRS in terms of offload and how that works. That's not that easy to forecast. But 80% of all mobile traffic today is on WiFi -- of mobile traffic -- mobile device traffic is on WiFi.

And, as a result of that, we are the wireless connectivity company if you really think about it. We have 400 million wireless devices connected to our network. And CBRS is just a tool along with WiFi for us to improve that connectivity experience. And it's not -- as that happens, we've looked at CBRS strictly as a incremental opportunity from a return on investment point of view to move traffic onto our network, but it also does have the potential of increasing the consumers' experience in terms of their satisfaction because of the quality of that connection. And so that's sort of an unstated opportunity going forward, hard to quantify, but part of our strategy.

Q - Craig Moffett {BIO 5987555 <GO>}

Makes sense.

A - Stefan Anninger {BIO 15867691 <GO>}

James, we'll take our next question, please.

Operator

Our next question comes from the line of Doug Mitchelson with Credit Suisse. Go ahead, please. Your line is open.

Q - Douglas Mitchelson {BIO 1897051 <GO>}

Thank you so much. Couple of questions. I just wanted to follow the wireless threat here a little bit. Pretty interesting comments there, Tom and Chris said earlier, we're not giving away free phones to get a kick hit the wireless net adds. Is there a business model where at some point you makes sense to do so? I would think from an MVNO standpoint, just selling in -- just go into service in the new broadband subs, runs out of gas at some penetration level. It might last quite a while, it might be a profitable business for you. But is, I don't know, the updated MVNO with Verizon puts you in a position with different economics of offloading through your wireless traffic, puts you in different economics? Is there a point where you can get more aggressive going after customers relative to what the big peer doing?

And then separately, I saw your marketing spend was up 1%, but the connects were down and you indicated the 4Q environment was still pretty light, if you could just talk about your marketing strategy and how that might evolve in 2021 that would be helpful. Thank you.

A - Christopher L. Winfrey {BIO 16326284 <GO>}

I'd start off with the wireless business model as a standalone business model. We've always said, we don't think it's very good. And that includes the subsidy of handsets and something that we're not huge fans of if we can afford it. The real value to Charter is to increase the overall connectivity of the service we already provide today, the 80% of traffic -- mobile traffic that's already carried over our network and to extend our reach with Internet and our connectivity and have the opportunity to provide customers a broadband and a wireless connection -- a mobile connection at a cheaper price than they usually pay for in the household for just mobile alone. And that's a way for us to drive connectivity penetration.

Today our goal is not to use -- we think there is so much value in the mobile and broadband combined offer that we have, there is not a need to go subsidize the handset. The handsets have a longer life now than they have in the past. So, we'd like to avoid that for all the obvious reasons. Does that mean over time that could evolve? It could, given the value that we create through that customer relationship, but it's not a focus for us. We don't think that in and of itself is a great business model.

And the marketing and sales tied to the lower sales inside of the fourth quarter. Just because sales were lower, doesn't mean that we weren't trying to acquire more. And so we were active in the marketplace. We didn't pull back. And so we continue to spend a pretty similar amount of marketing and sales dollars despite the fact that we had lower connection side at the quarter.

A - Thomas M. Rutledge {BIO 1818216 <GO>}

We're still higher than quarter-over-quarter, kind of fourth quarter over last year's fourth quarter.

A - Christopher L. Winfrey {BIO 16326284 <GO>}

Yes.

Q - Douglas Mitchelson {BIO 1897051 <GO>}

And is there anything new or different you would expect to do as the market normalizes in 2021 relative to your behavior in 2020 and other different channels or different prices? Or the model is working and it's steady as it goes?

A - Thomas M. Rutledge {BIO 1818216 <GO>}

It's working very nicely for us. Our sales yield, as we look at it, which is the amount of sales that we make per available transaction, continues to improve and our whole opportunity structure around selling mobile connections continues to improve. We have -- even during the pandemic, we managed to build 180 new stores in 2020 and we expect to finish off our store construction in '21.

So we'll have a fully deployed walk-in retail environment, which is not yet fully realized. So we would expect that would have an impact on our growth rate in 2021 in a positive way. Our yield, meaning the amount of mobile connections that we sell as a percentage of every person who enters one of our stores, continues to go up. And the same is true of every phone call we receive through our call centers. And as a result of that, we're pretty optimistic about our ability to continue to grow the business the way it's currently structured inside of our pricing and marketing machine.

Q - Douglas Mitchelson {BIO 1897051 <GO>}

Last one, how many stores that in 2021 are left to build?

A - Thomas M. Rutledge {BIO 1818216 <GO>}

I'm not sure, but I think we end up with 750.

A - Christopher L. Winfrey {BIO 16326284 <GO>}

I think it's couple hundred -- 180, 200, that's my recollection.

Q - Douglas Mitchelson {BIO 1897051 <GO>}

Thank you all so much.

A - Stefan Anninger {BIO 15867691 <GO>}

James, we'll take our next question, please.

Operator

Our next question comes from the line of Phil Cusick with JPMorgan. Go ahead, please. Your line is open.

Q - Philip Cusick {BIO 5507514 <GO>}

Hey guys, thanks. I understand you're still restricted on RDOF, but you called out the extensions to rural markets in your penetration -- or in your presentation. Can you confirm that the steady CapEx intensity guide includes anything you might do in rural? And should we expect to see a step change in line extension CapEx as you push harder on those new home build-outs, both brownfield and greenfield? And then any change we should expect next year as rural maybe becomes more important?

A - Christopher L. Winfrey {BIO 16326284 <GO>}

So, Phil, the capital intensity outlook that I gave did not -- on one hand did not include any incremental amount for RDOF. On the other hand, I'm not sure given the amount of planning work and we're [ph] going to need to stand up this year, I don't know that it's going to be that material this year anyway (inaudible) would be at the back end of this year. As you look out -- and generally, our core cable capital intensity is continuing to decline. There is pushes between different years in 2020. We delayed certain network projects to be able to accommodate the significant amount of scalable infrastructure spend to accommodate the significant traffic increase. And to some extent, in 2021, we're addressing those projects that were delayed out of 2020 and continuing because of the high traffic demand to spend more an outsized amount on node splitting and different traffic capacity expenditure in '21 that we would normally expect.

So there will be over time things like RDOF or CBRS deployment or a different levels of DOCSIS 3.1 or DOCSIS 4.0 deployment that may knock us temporarily off our track. But the reality is core cable capital intensity is a percentage of revenue. The trend is on the decline and nothing is really changed. And to the extent that we have RDOF spend or CBRS spend, we're going to isolate that for the market to be able to have clear visibility as to not only what we're spending, but what we think we're getting out of those projects as well.

Q - Philip Cusick {BIO 5507514 <GO>}

Thanks, Chris.

A - Stefan Anninger {BIO 15867691 <GO>}

Thanks, Phil. James, we'll take our next question, please.

Operator

Our next question comes from the line of Ben Swinburne with Morgan Stanley. Go ahead, please. Your line is open.

Q - Benjamin Swinburne {BIO 5489854 <GO>}

Thanks, good morning. Tom, I wanted to come back to your comments on video in '21 and I guess beyond. I think you talked about -- I think it was either you or Chris talking about streaming apps on WorldBox and sort of accelerating those trends. What is -- how would you describe your video strategy sitting here today? Any sense of how big the WorldBox kind of installed basis? And is this a strategy that could be relevant for broadband-only customers over time?

A - Thomas M. Rutledge {BIO 1818216 <GO>}

Yes. The answer is yes. It can be. So our video strategy is to continue, obviously, to sell the products that we have historically sold and to sell them with a reasonable margin attached to them and to make money with them, but to also include them as part of our overall connectivity relationship with our customer base in a way that allows us to satisfy the needs of as many customers as possible as a result of our network. And that includes the addition of new video tiers or products that may be skinnier or differentiated or targeted in a way that they create customer satisfaction at reasonable price because of the long-run price trend of the core video product continues to be negative, meaning it is --

programming cost continue to go up. And that's obviously creating a lot of the friction in the marketplace and the decline of that business.

We also think that we want to have a transactional marketplace on a consumer-friendly interface, so that a customer of ours have access to all the products they may want to buy that are direct to consumer. And there is an opportunity for us in that as well to be sellers of that and to operate a store -- a consignment store and to create value for us and customers through that mechanism. WorldBox is deployed, I'm not sure what the full count is of --

A - Christopher L. Winfrey {BIO 16326284 <GO>}

Several [ph] million.

A - Thomas M. Rutledge {BIO 1818216 <GO>}

Yeah, it's millions -- multiple millions of households. And those WorldBox's deployed and those on the increment have an app store in them -- or an app section in them now where we can place the products that people want to get on the same set-top box as our traditional cable TV services.

And in addition to that, we have the opportunity to offer an app-based platform to our data only customers. And we haven't offered that IP only app product, although we've opened up some of our video products through apps to our Internet only customer base like our news channels for instance. So that opportunity is in front of us as well. And -- but ultimately, I expect that all of our customers will have opportunities to transact with us in a video marketplace.

Q - Benjamin Swinburne {BIO 5489854 <GO>}

Got it. Thank you.

A - Stefan Anninger {BIO 15867691 <GO>}

Thanks, Ben. James, we'll take our last question, please.

Operator

Your last question comes from the line of Bryan Kraft with Deutsche Bank. Go ahead, please. Your line is open.

Q - Bryan Kraft {BIO 20667157 <GO>}

Hi, good morning. Chris, I wanted to ask you, how are you now thinking about where you want to be ideally within your target leverage range and unrelated topic? Would you expect the pace of share repurchases to be similar, more or less in '21 versus '20? And then lastly, if the corporate tax rate does increase back to 28% for the 2022 tax year and beyond, would that change the way you think about the target leverage ratio? Thank you.

A - Christopher L. Winfrey {BIO 16326284 <GO>}

So, Bryan, the target leverage range, we're comfortable in the 4 to 4.5 times. We've been at the high end of that range on a consolidated basis and declining in that range on a cable only basis depending on how you want to look at it, you can pick which one you think is more relevant. But we're comfortable inside the range. We don't have any plans to change that target leverage range. That would include us the tax rate next year where to go up. We've been in that tax rate before, admittedly within well [ph], which will be expiring. But given the strength of cash flow -- subscriber growth and cash flow and the business performance and the sustainability of not only the operating model, but the balance sheet structure that we have, it's pretty unique. I don't see any reason at this stage, as we sit here today, that we would be changing our target leverage range.

On buybacks, we never give guidance and the reason for that is to make sure that management and the Board were not in a position where we feel like we're going to be handcuffed based on previous comments in terms of creating shareholder value. And so we want to retain flexibility as it relates to investing in high ROI projects inside the business, first-quarter [ph] call, doing attractive M&A. And to the extent that we don't have somebody else's stock to buy that's better than buying our own stock or do buybacks, which is what we've been doing in the past several years in addition to launching some really high ROI projects and spending on those where they're available.

Right now, I don't see any massive change to what we're doing as it relates to our overall capital structure or buybacks, but I'm not going to sit here and give an outlook or guidance as it relates to buybacks for the year for all those reasons.

Q - Bryan Kraft {BIO 20667157 <GO>}

Okay. Thank you for the clarification. Thanks.

A - Christopher L. Winfrey {BIO 16326284 <GO>}

Thanks, Bryan.

A - Stefan Anninger {BIO 15867691 <GO>}

Thanks, Bryan. And thanks, everyone. That concludes our call.

A - Christopher L. Winfrey {BIO 16326284 <GO>}

Thank you, everyone.

A - Thomas M. Rutledge {BIO 1818216 <GO>}

Thank you.

Operator

Ladies and gentlemen, this does conclude today's conference call. We thank you for your participation. You may now disconnect.