CHARTER COMMUNICATIONS, INC. /MO/
Form 10-Q
April 30, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From to
Commission File Number: 001-33664
Charter Communications, Inc.
(Exact name of registrant as specified in its charter)

Delaware	84-1496755
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
400 Atlantic Street Stamford, Connecticut 06901	(203) 905-7801
(Address of principal executive offices including zip code)	(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

Number of shares of Class A common stock outstanding as of March 31, 2019: 223,408,074

Number of shares of Class B common stock outstanding as of March 31, 2019: 1

CHARTER COMMUNICATIONS, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2019

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This quarterly report on Form 10-Q is for the three months ended March 31, 2019. The United States Securities and Exchange Commission ("SEC") allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you directly to those documents. In this quarterly report, "Charter," "we," "us" and "our" refer to Charter Communications, Inc. and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), regarding, among other things, our plans, strategies and prospects, both business and financial including, without limitation, the forward-looking statements set forth in the “Results of Operations” and “Liquidity and Capital Resources” sections under Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this quarterly report. Although we believe that our plans, intentions and expectations as reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions including, without limitation, the factors described under “Risk Factors” under Part I, Item 1A of our most recent Form 10-K filed with the SEC. Many of the forward-looking statements contained in this quarterly report may be identified by the use of forward-looking words such as “believe,” “expect,” “anticipate,” “should,” “planned,” “will,” “may,” “intend,” “estimated,” “aim,” “on track,” “target,” “opportunity,” “tentative,” “positioning,” “design “predict,” “project,” “initiatives,” “seek,” “would,” “could,” “continue,” “ongoing,” “upside,” “increases” and “potential,” amo Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in this quarterly report on Form 10-Q, in our annual report on Form 10-K, and in other reports or documents that we file from time to time with the SEC, and include, but are not limited to:

- our ability to sustain and grow revenues and cash flow from operations by offering video, Internet, voice, mobile, advertising and other services to residential and commercial customers, to adequately meet the customer experience demands in our service areas and to maintain and grow our customer base, particularly in the face of increasingly aggressive competition, the need for innovation and the related capital expenditures;
- the impact of competition from other market participants, including but not limited to incumbent telephone companies, direct broadcast satellite ("DBS") operators, wireless broadband and telephone providers, digital subscriber line (“DSL”) providers, fiber to the home providers, video provided over the Internet by (i) market participants that have not historically competed in the multichannel video business, (ii) traditional multichannel video distributors, and (iii) content providers that have historically licensed cable networks to multichannel video distributors, and providers of advertising over the Internet;
- our ability to efficiently and effectively integrate acquired operations;
- the effects of governmental regulation on our business including costs, disruptions and possible limitations on operating flexibility related to, and our ability to comply with, regulatory conditions applicable to us as a result of the Time Warner Cable Inc. and Bright House Networks, LLC Transactions;
- general business conditions, economic uncertainty or downturn, unemployment levels and the level of activity in the housing sector;
- our ability to obtain programming at reasonable prices or to raise prices to offset, in whole or in part, the effects of higher programming costs (including retransmission consents);
- our ability to develop and deploy new products and technologies including mobile products and any other consumer services and service platforms;
- any events that disrupt our networks, information systems or properties and impair our operating activities or our reputation;
- the ability to retain and hire key personnel;
- the availability and access, in general, of funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets; and
- our ability to comply with all covenants in our indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our other obligations under cross-default provisions.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. We are under no duty or obligation to update any of the forward-looking statements after the date of this quarterly report.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in millions, except share data)

	March 31, 2019 (unaudited)	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,451	$ 551
Accounts receivable, less allowance for doubtful accounts of $144 and $129, respectively	1,578	1,733
Prepaid expenses and other current assets	722	446
Total current assets	3,751	2,730
RESTRICTED CASH	175	214
INVESTMENT IN CABLE PROPERTIES:		
Property, plant and equipment, net of accumulated depreciation of $24,609 and $23,075, respectively	34,859	35,126
Customer relationships, net	8,997	9,565
Franchises	67,319	67,319
Goodwill	29,554	29,554
Total investment in cable properties, net	140,729	141,564
OPERATING LEASE RIGHT-OF-USE ASSETS	1,101	—
OTHER NONCURRENT ASSETS	1,501	1,622
Total assets	$ 147,257	$ 146,130
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 8,213	$ 8,805
Operating lease liabilities	205	—
Current portion of long-term debt	3,532	3,290
Total current liabilities	11,950	12,095
LONG-TERM DEBT	70,567	69,537
DEFERRED INCOME TAXES	17,473	17,389
LONG-TERM OPERATING LEASE LIABILITIES	981	—
OTHER LONG-TERM LIABILITIES	2,643	2,837
SHAREHOLDERS' EQUITY:		
Class A common stock; $.001 par value; 900 million shares authorized; 226,332,625 and 225,353,807 shares issued, respectively	—	—
Class B common stock; $.001 par value; 1,000 shares authorized; 1 share issued and outstanding	—	—
Preferred stock; $.001 par value; 250 million shares authorized;		

no shares issued and outstanding	—	—
Additional paid-in capital	33,643	33,507
Retained earnings	3,033	2,780
Treasury stock at cost; 2,924,551 and no shares, respectively	(940)	—
Accumulated other comprehensive loss	(2)	(2)
Total Charter shareholders’ equity	35,734	36,285
Noncontrolling interests	7,909	7,987
Total shareholders’ equity	43,643	44,272
Total liabilities and shareholders’ equity	$ 147,257	$ 146,130

The accompanying notes are an integral part of these consolidated financial statements.
1

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in millions, except per share data)
Unaudited

	Three Months Ended March 31,	
	2019	2018
REVENUES	$11,206	$ 10,657
COSTS AND EXPENSES:		
Operating costs and expenses (exclusive of items shown separately below)	7,236	6,836
Depreciation and amortization	2,550	2,710
Other operating (income) expenses, net	(5)	69
	9,781	9,615
Income from operations	1,425	1,042
OTHER INCOME (EXPENSES):		
Interest expense, net	(925)	(851)
Gain on financial instruments, net	37	63
Other pension benefits, net	9	20
Other expense, net	(110)	(23)
	(989)	(791)
Income before income taxes	436	251
Income tax expense	(119)	(28)
Consolidated net income	317	223
Less: Net income attributable to noncontrolling interests	(64)	(55)
Net income attributable to Charter shareholders	$253	$ 168
EARNINGS PER COMMON SHARE ATTRIBUTABLE TO CHARTER SHAREHOLDERS:		
Basic	$1.13	$ 0.71
Diluted	$1.11	$ 0.70
Weighted average common shares outstanding, basic	224,630,122	237,762,295
Weighted average common shares outstanding, diluted	227,595,365	241,420,722

The accompanying notes are an integral part of these consolidated financial statements.
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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
(dollars in millions)
Unaudited

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Charter Shareholders’ Equity	Non-controlling Interests	Total Shareholders’ Equity
BALANCE, December 31, 2018	$ —	$ —	$ 33,507	$ 2,780	$ —	$ (2)	$ 36,285	$ 7,987	$ 44,272
Consolidated net income	—	—	—	253	—	—	253	64	317
Stock compensation expense	—	—	85	—	—	—	85	—	85
Exercise of stock options	—	—	44	—	—	—	44	—	44
Purchases of treasury stock	—	—	—	—	(940)	—	(940)	—	(940)
Purchase of noncontrolling interest, net of tax	—	—	(15)	—	—	—	(15)	(74)	(89)
Change in noncontrolling interest ownership, net of tax	—	—	22	—	—	—	22	(29)	(7)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(39)	(39)
BALANCE, March 31, 2019	$ —	$ —	$ 33,643	$ 3,033	$ (940)	$ (2)	$ 35,734	$ 7,909	$ 43,643

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Charter Shareholders’ Equity	Non-controlling Interests	Total Shareholders’ Equity
BALANCE, December 31, 2017	$ —	$ —	$ 35,253	$ 3,832	$ —	$ (1)	$ 39,084	$ 8,447	$ 47,531
Consolidated net income	—	—	—	168	—	—	168	55	223
Stock compensation expense	—	—	72	—	—	—	72	—	72
Accelerated vesting of equity awards	—	—	5	—	—	—	5	—	5
Exercise of stock options	—	—	36	—	—	—	36	—	36
Cumulative effect of accounting changes	—	—	—	34	—	—	34	4	38
Purchases of treasury stock	—	—	—	—	(617)	—	(617)	—	(617)
Purchase of noncontrolling interest, net of tax	—	—	(28)	—	—	—	(28)	(90)	(118)
Change in noncontrolling interest ownership, net of tax	—	—	14	—	—	—	14	(20)	(6)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	(39)	(39)
BALANCE, March 31, 2018	$ —	$ —	$ 35,352	$ 4,034	$ (617)	$ (1)	$ 38,768	$ 8,357	$ 47,125

The accompanying notes are an integral part of these consolidated financial statements.
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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)
Unaudited

	Three Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income	$317	$223
Adjustments to reconcile consolidated net income to net cash flows from operating activities:		
Depreciation and amortization	2,550	2,710
Stock compensation expense	85	72
Accelerated vesting of equity awards	—	5
Noncash interest income, net	(55)	(89)
Other pension benefits, net	(9)	(20)
Gain on financial instruments, net	(37)	(63)
Deferred income taxes	81	28
Other, net	98	38
Changes in operating assets and liabilities:		
Accounts receivable	155	226
Prepaid expenses and other assets	(300)	(131)
Accounts payable, accrued liabilities and other	(199)	(300)
Net cash flows from operating activities	2,686	2,699
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(1,665)	(2,183)
Change in accrued expenses related to capital expenditures	(376)	(565)
Real estate investments through variable interest entities	(39)	—
Other, net	—	10
Net cash flows from investing activities	(2,080)	(2,738)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt	6,884	2,929
Repayments of long-term debt	(5,572)	(2,185)
Payments for debt issuance costs	(25)	—
Purchase of treasury stock	(940)	(617)
Proceeds from exercise of stock options	44	36
Purchase of noncontrolling interest	(93)	(127)
Distributions to noncontrolling interest	(39)	(39)
Other, net	(4)	(3)
Net cash flows from financing activities	255	(6)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	861	(45)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	765	621
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	$1,626	$576
CASH PAID FOR INTEREST	$966	$1,007
CASH PAID FOR TAXES	$4	$1

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

1. Organization and Basis of Presentation

Organization

Charter Communications, Inc. (together with its controlled subsidiaries, “Charter,” or the “Company”) is the second largest cable operator in the United States and a leading broadband communications company providing video, Internet and voice services to residential and business customers. The Company also recently launched its mobile service to residential customers. In addition, the Company sells video and online advertising inventory to local, regional and national advertising customers and fiber-delivered communications and managed information technology solutions to larger enterprise customers. The Company also owns and operates regional sports networks and local sports, news and community channels.

Charter is a holding company whose principal asset is a controlling equity interest in Charter Communications Holdings, LLC (“Charter Holdings”), an indirect owner of Charter Communications Operating, LLC (“Charter Operating”) under which substantially all of the operations reside. All significant intercompany accounts and transactions among consolidated entities have been eliminated.

The Company’s operations are managed and reported to its Chairman and Chief Executive Officer (“CEO”), the Company’s chief operating decision maker, on a consolidated basis. The CEO assesses performance and allocates resources based on the consolidated results of operations. Under this organizational and reporting structure, the Company has one reportable segment, cable services.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain information and footnote disclosures typically included in Charter’s Annual Report on Form 10-K have been condensed or omitted for this quarterly report. The accompanying consolidated financial statements are unaudited and are subject to review by regulatory authorities. However, in the opinion of management, such financial statements include all adjustments, which consist of only normal recurring adjustments, necessary for a fair presentation of the results for the periods presented. Interim results are not necessarily indicative of results for a full year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas involving significant judgments and estimates include capitalization of labor and overhead costs; depreciation and amortization costs; impairments of property, plant and equipment, intangibles and goodwill; pension benefits; income taxes; contingencies and programming expense. Actual results could differ from those estimates.

Certain prior period amounts have been reclassified to conform with the 2019 presentation.

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

2. Franchises, Goodwill and Other Intangible Assets

Indefinite-lived and finite-lived intangible assets consist of the following as of March 31, 2019 and December 31, 2018:

	March 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:						
Franchises	$67,319	$ —	$67,319	$67,319	$ —	$67,319
Goodwill	29,554	—	29,554	29,554	—	29,554
Trademarks	159	—	159	159	—	159
	$97,032	$ —	$97,032	$97,032	$ —	$97,032
Finite-lived intangible assets:						
Customer relationships	$18,229	$ (9,232)	$8,997	$18,229	$ (8,664)	$9,565
Other intangible assets	409	(103)	306	409	(92)	317
	$18,638	$ (9,335)	$9,303	$18,638	$ (8,756)	$9,882

Amortization expense related to customer relationships and other intangible assets for the three months ended March 31, 2019 and 2018 was $578 million and $645 million, respectively.

The Company expects amortization expense on its finite-lived intangible assets will be as follows:

Nine months ended December 31, 2019	$1,576
2020	1,873
2021	1,597
2022	1,327
2023	1,070
Thereafter	1,860
	$9,303

Actual amortization expense in future periods will differ from these estimates as a result of new intangible asset acquisitions or divestitures, changes in useful lives, impairments and other relevant factors.

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

3. Investments

Real Estate Investments through Variable Interest Entities

In July 2018, the Company's build-to-suit lease arrangement with a single-asset special purpose entity ("SPE") to build a new Charter headquarters in Stamford, Connecticut obtained all approvals and was made effective. The SPE obtained a first-lien mortgage note to finance the construction with fixed monthly payments through July 15, 2035 with a 5.612% coupon interest rate. All payments of the mortgage note are guaranteed by Charter. The initial term of the lease is 15 years commencing August 1, 2020, with no termination options. At the end of the lease term there is a mirrored put option for the SPE to sell the property to Charter and call option for Charter to purchase the property for a fixed purchase price. As the Company has determined the SPE is a variable interest entity ("VIE") of which it became the primary beneficiary upon the effectiveness of the arrangement, the Company has consolidated the assets and liabilities of the SPE in its consolidated balance sheet as of March 31, 2019 and December 31, 2018 as follows.

	March 31, 2019	December 31, 2018
Assets		
Current assets	$ 2	$ 2
Restricted cash	$ 175	$ 214
Property, plant and equipment	$ 173	$ 130
Liabilities		
Current liabilities	$ 2	$ —
Other long-term liabilities	$ 348	$ 346

Property, plant and equipment includes land, a parking garage and building construction costs, including the capitalization of qualifying interest. As of March 31, 2019 and December 31, 2018, other long-term liabilities include $342 million in VIE's mortgage note liability and $6 million and $4 million, respectively, in liability-classified noncontrolling interest representing the residual initial fair value upon consolidation, along with accretion towards settlement of the put/call option in the lease.

The consolidated statement of cash flows for the three months ended March 31, 2019 includes a decrease to restricted cash of $39 million primarily related to building construction costs.

Equity-Method Investments

During the three months ended March 31, 2019, the Company recorded an impairment on equity-method investments of approximately $110 million which was recorded in other expense, net in the consolidated statements of operations.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018

Accounts payable – trade	$ 661	$ 758
Deferred revenue	487	494
Accrued liabilities:		
Programming costs	2,147	2,044
Labor	864	1,052
Capital expenditures	1,066	1,472
Interest	1,088	1,045
Taxes and regulatory fees	490	526
Property and casualty	446	424
Other	964	990
	$ 8,213	$ 8,805

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

5. Leases

The primary leased asset classes of the Company include real estate, dark fiber, colocation facilities and other equipment. The lease agreements include both lease and non-lease components, which the Company accounts for separately depending on the election made for each leased asset class. For real estate and dark fiber leased asset classes, the Company accounts for lease and non-lease components as a single lease component and includes all fixed payments in the measurement of lease liabilities and lease assets. For colocation facilities leased asset class, the Company accounts for lease and non-lease components separately including only the fixed lease payment component in the measurement of lease liabilities and lease assets.

In addition to fixed lease payments, certain of the Company’s lease agreements include variable lease payments which are tied to an index or rate such as the change in the Consumer Price Index. These variable payments are not included in the measurement of the lease liabilities and lease assets.

Lease assets and lease liabilities are initially recognized based on the present value of the future lease payments over the expected lease term. As for most leases the implicit rate is not readily determinable, the Company uses a discount rate in determining the present value of future payments based on the yield-to-maturity of the Company’s secured publicly traded USD denominated debt instruments interpolating the duration of the debt to the term of the executed lease.

The Company’s leases have base rent periods and some with optional renewal periods. Leases with base rent periods of less than 12 months are not recorded on the balance sheet. For purposes of measurement of lease liabilities, the expected lease terms may include renewal options when it is reasonably certain that the Company will exercise such options. Based on conditions of the Company's existing leases and its overall business strategies, the majority of the Company's renewal options are not reasonably certain in determining the expected lease term. The Company will periodically reassess expected lease terms (and purchase options, if applicable) based on significant triggering events or compelling economic reasons to exercise such options.

The Company’s primary lease income represents sublease income on certain real estate leases. Sublease income is included in other revenue and presented gross from rent expense. For customer premise equipment ("CPE") where such CPE would qualify as a lease, the Company applies the practical expedient to combine the operating lease with the subscription service revenue as a single performance obligation in accordance with revenue recognition accounting guidance as the subscription service is the predominant component.

The components of lease related expenses, net are as follows.

	Three Months Ended March 31, 2019
Operating lease expense [a]	$ 107

Finance lease expense:	
Amortization of right-of-use assets	20
Interest on lease liabilities	1
Total finance lease expense	21
Sublease income	(7)
Total lease related expenses, net	$ 121

(a) Includes short-term leases and variable leases costs of $39 million.

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Supplemental cash flow information related to leases is as follows.

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 71
Operating cash flows from finance leases	$ 1
Financing cash flows from finance leases	$ 3
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 56
Finance leases	$ 25

Supplemental balance sheet information related to leases is as follows.

	March 31, 2019
Operating leases:	
Operating lease right-of-use assets	$1,101
Current operating lease liabilities	$205
Long-term operating lease liabilities	981
Total operating lease liabilities	$1,186
Finance leases:	
Finance lease right-of-use assets (included within property, plant and equipment, net)	$204
Current finance lease liabilities (included within accounts payable and accrued liabilities)	$6
Long-term finance lease liabilities (included within other long-term liabilities)	98
Total finance lease liabilities	$104
Weighted average remaining lease term	
Operating leases	6.9 years
Finance leases	13.5 years
Weighted average discount rate	
Operating leases	4.5 %
Finance leases	5.6 %

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CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Maturities of lease liabilities are as follows.

	Operating leases	Finance leases
Nine months ended December 31, 2019	$ 215	$ 8
2020	263	11
2021	220	12
2022	184	12
2023	155	12
Thereafter	463	95
Undiscounted lease cash flow commitments	1,500	150
Reconciling impact from discounting	(314)	(46)
Lease liabilities on consolidated balance sheet as of March 31, 2019	$ 1,186	$ 104

The following table presents the Company's unadjusted lease commitments as of December 31, 2018 as a required disclosure for companies adopting the lease standard prospectively without revising comparative period information.

	Operating leases	Finance leases
2019	$ 286	$ 10
2020	254	9
2021	207	9
2022	170	9
2023	143	10
Thereafter	440	64
	$ 1,500	$ 111

6. Long-Term Debt

Long-term debt consists of the following as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Principal Amount	Accreted Value	Principal Amount	Accreted Value
CCO Holdings, LLC:				
5.250% senior notes due March 15, 2021	$ 500	$ 498	$ 500	$ 498
5.250% senior notes due September 30, 2022	1,250	1,238	1,250	1,238
5.125% senior notes due February 15, 2023	1,000	994	1,000	994
4.000% senior notes due March 1, 2023	500	497	500	496
5.125% senior notes due May 1, 2023	1,150	1,144	1,150	1,144
5.750% senior notes due September 1, 2023	500	497	500	497
5.750% senior notes due January 15, 2024	1,000	994	1,000	993
5.875% senior notes due April 1, 2024	1,700	1,689	1,700	1,688

5.375% senior notes due May 1, 2025	750	746	750	745
5.750% senior notes due February 15, 2026	2,500	2,468	2,500	2,467
5.500% senior notes due May 1, 2026	1,500	1,490	1,500	1,490
5.875% senior notes due May 1, 2027	800	795	800	795
5.125% senior notes due May 1, 2027	3,250	3,220	3,250	3,219
5.000% senior notes due February 1, 2028	2,500	2,466	2,500	2,466

CHARTER COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(dollars in millions, except per share amounts and where indicated)

Charter Communications Operating, LLC:				
3.579% senior notes due July 23, 2020	2,000	1,994	2,000	1,992
4.464% senior notes due July 23, 2022	3,000	2,983	3,000	2,982
Senior floating rate notes due February 1, 2024	900	902	900	903
4.500% senior notes due February 1, 2024	1,100	1,092	1,100	1,091
4.908% senior notes due July 23, 2025	4,500	4,467	4,500	4,466
3.750% senior notes due February 15, 2028	1,000	986	1,000	986
4.200% senior notes due March 15, 2028	1,250	1,240	1,250	1,240
5.050% senior notes due March 30, 2029	1,250	1,240	—	—
6.384% senior notes due October 23, 2035	2,000	1,982	2,000	1,982
5.375% senior notes due April 1, 2038	800	786	800	785
6.484% senior notes due October 23, 2045	3,500	3,467	3,500	3,467
5.375% senior notes due May 1, 2047	2,500	2,506	2,500	2,506
5.750% senior notes due April 1, 2048	2,450	2,390	1,700	1,683
6.834% senior notes due October 23, 2055	500	495	500	495
Credit facilities	10,639	10,557	10,038	9,959
Time Warner Cable, LLC:				
8.750% senior notes due February 14, 2019	—	—	1,250	1,260
8.250% senior notes due April 1, 2019	2,000	2,000	2,000	2,030
5.000% senior notes due February 1, 2020	1,500	1,532	1,500	1,541
4.125% senior notes due February 15, 2021	700	719	700	721
4.000% senior notes due September 1, 2021	1,000	1,030	1,000	1,033
5.750% sterling senior notes due June 2, 2031 [a]	815	875	796	855
6.550% senior debentures due May 1, 2037	1,500	1,679	1,500	1,680
7.300% senior debentures due July 1, 2038	1,500	1,778	1,500	1,780
6.750% senior debentures due June 15, 2039	1,500	1,717	1,500	1,719
5.875% senior debentures due November 15, 2040	1,200	1,256	1,200	1,256
5.500% senior debentures due September 1, 2041	1,250	1,258	1,250	1,258
5.250% sterling senior notes due July 15, 2042 [b]	847	817	827	798
4.500% senior debentures due September 15, 2042	1,250	1,140	1,250	1,140
Time Warner Cable Enterprises LLC:				
8.375% senior debentures due March 15, 2023	1,000	1,180	1,000	1,191
8.375% senior debentures due July 15, 2033	1,000	1,295	1,000	1,298
Total debt	73,351	74,099	71,961	72,827
Less current portion:				
8.750% senior notes due February 14, 2019	—	—	(1,250)	(1,260)
8.250% senior notes due April 1, 2019	(2,000)	(2,000)	(2,000)	(2,030)
5.000% senior notes due February 1, 2020	(1,500)	(1,532)	—	—
Long-term debt	$69,851	$70,567	$68,711	$69,537

(a) Principal amount includes £625 million remeasured at $815 million and $796 million as of March 31, 2019 and December 31, 2018, respectively, using the exchange rate at the respective dates.

(b) Principal amount includes £650 million remeasured at $847 million and $827 million as of March 31, 2019 and December 31, 2018, respectively, using the exchange rate at the respective dates.

The accreted values presented in the table above represent the principal amount of the debt less the original issue discount at the time of sale, deferred financing costs, and, in regards to Time Warner Cable, LLC and Time Warner Cable Enterprises LLC debt assumed, fair value premium adjustments as a result of applying acquisition accounting plus the accretion of those amounts to the

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balance sheet date. However, the amount that is currently payable if the debt becomes immediately due is equal to the principal amount of the debt. In regards to the fixed-rate British pound sterling denominated notes (the "Sterling Notes"), the principal amount of the debt and any premium or discount is remeasured into U.S. dollars as of each balance sheet date. See Note 9. The Company has availability under the Charter Operating credit facilities of approximately $4.6 billion as of March 31, 2019.

In January 2019, Charter Operating and Charter Communications Operating Capital Corp. jointly issued $1.25 billion aggregate principal amount of 5.050% senior notes due 2029 at a price of 99.935% of the aggregate principal amount and an additional $750 million aggregate principal amount of 5.750% senior notes due 2048 at a price of 94.970% of the aggregate principal amount. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, including repaying at maturity Time Warner Cable, LLC's 8.750% senior notes due 2019.

In January 2019, Charter Operating entered into an amendment to its Credit Agreement raising $1.7 billion of new term loan A-3 and increasing revolving loan capacity to $4.75 billion. In addition, the majority of term loan A-2 holders converted to term loan A-3 and essentially all revolver commitments were extended to 2024. Pricing on the new term loan A-3 is LIBOR plus 1.50%. The net proceeds were used to pay related fees and expenses and for general corporate purposes, including funding buybacks of Charter Class A common stock and Charter Holdings common units as well as repaying certain indebtedness, including repaying at maturity Time Warner Cable, LLC's 8.250% senior notes due 2019.

The Charter Operating notes are guaranteed by CCO Holdings, LLC ("CCO Holdings") and substantially all of the operating subsidiaries of Charter Operating. In addition, the Charter Operating notes are secured by a perfected first priority security interest in substantially all of the assets of Charter Operating to the extent such liens can be perfected under the Uniform Commercial Code by the filing of a financing statement and the liens rank equally with the liens on the collateral securing obligations under the Charter Operating credit facilities. Charter Operating may redeem some or all of the Charter Operating notes at any time at a premium.

The Charter Operating notes are subject to the terms and conditions of the indenture governing the Charter Operating notes. The Charter Operating notes contain customary representations and warranties and affirmative covenants with limited negative covenants. The Charter Operating indenture also contains customary events of default.

7. Common Stock

The following represents the Company's purchase of Charter Class A common stock and the effect on the consolidated statements of cash flows during the three months ended March 31, 2019 and 2018.

	Three Months Ended March 31,			
	2019		2018	
	Shares	$	Shares	$
Share buybacks	2,615,717	$870	1,593,046	$556
Income tax withholding	214,615	70	173,046	61
Exercise cost	94,219		4,663	

2,924,551	$940	1,770,755	$617

As of March 31, 2019, Charter had remaining board authority to purchase an additional $461 million of Charter’s Class A common stock and/or Charter Holdings common units. The Company also withholds shares of its Class A common stock in payment of income tax withholding owed by employees upon vesting of equity awards as well as exercise costs owed by employees upon exercise of stock options.

In 2018, Charter’s board of directors approved the retirement of the then currently held treasury stock and those shares were retired as of December 31, 2018. The Company accounts for treasury stock using the cost method and includes treasury stock as a component of total shareholders’ equity.

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8. Noncontrolling Interests

Noncontrolling interests represents consolidated subsidiaries of which the Company owns less than 100%. The Company is a holding company whose principal asset is a controlling equity interest in Charter Holdings, the indirect owner of the Company's cable systems. Noncontrolling interests on the Company's balance sheet consist primarily of Advance/Newhouse Partnership's ("A/N") equity interests in Charter Holdings, which is comprised of a common ownership interest and a convertible preferred ownership interest.

Net income of Charter Holdings attributable to A/N's common noncontrolling interest for financial reporting purposes is based on the effective common ownership interest of approximately 8% during 2019 and 9% during 2018, and was $26 million and $17 million for the three months ended March 31, 2019 and 2018, respectively. Net income of Charter Holdings attributable to A/N's preferred noncontrolling interest for financial reporting purposes is based on the preferred dividend which was $38 million for each of the three months ended March 31, 2019 and 2018.

The following table represents Charter Holdings' purchase of Charter Holdings common units from A/N pursuant to the Letter Agreement (see Note 17) and the effect on total shareholders' equity during the three months ended March 31, 2019 and 2018.

	Three Months Ended March 31,	
	2019	2018
Number of units purchased	302,942	369,475
Average price per unit	$308.42	$343.88
Amount of units purchased	$93	$127
Decrease in noncontrolling interest based on carrying value	$(74)	$(90)
Decrease in additional paid-in-capital, net of tax	$(15)	$(28)

Total shareholders' equity was also adjusted during the three months ended March 31, 2019 and 2018 due to the changes in Charter Holdings' ownership as follows.

	Three Months Ended March 31,	
	2019	2018
Decrease in noncontrolling interest	$(29)	$(20)
Increase in additional paid-in-capital, net of tax	$22	$14

9. Accounting for Derivative Instruments and Hedging Activities

The Company uses derivative instruments to manage foreign exchange risk on the Sterling Notes, and does not hold or issue derivative instruments for speculative trading purposes.

Cross-currency derivative instruments are used to effectively convert £1.275 billion aggregate principal amount of fixed-rate British pound sterling denominated debt, including annual interest payments and the payment of principal at maturity, to fixed-rate U.S. dollar denominated debt. The cross-currency swaps have maturities of June 2031 and July 2042. The Company is required to post collateral on the cross-currency derivative instruments when the derivative contracts are in a liability position. In May 2016, the Company entered into a collateral holiday agreement for 80% of both the 2031 and 2042 cross-currency swaps, which eliminates the requirement to post collateral for three years. The fair value of the Company's cross-currency derivatives on its consolidated balance sheets was $160 million and $237 million included in other long-term liabilities as of March 31, 2019 and December 31, 2018, respectively.

The Company’s derivative instruments are not designated as hedges and are marked to fair value each period, with the impact recorded as a gain or loss on financial instruments, net in the consolidated statements of operations. While these derivative instruments are not designated as hedges for accounting purposes, management continues to believe such instruments are closely correlated with the respective debt, thus managing associated risk.

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The effect of financial instruments on the consolidated statements of operations is presented in the table below.

	Three Months Ended March 31,	
	2019	2018
Gain on Financial Instruments, Net:		
Change in fair value of cross-currency derivative instruments	$77	$128
Foreign currency remeasurement of Sterling Notes to U.S. dollars	(40)	(65)
	$37	$63

10. Fair Value Measurements

Accounting guidance establishes a three-level hierarchy for disclosure of fair value measurements, based on the transparency of inputs to the valuation of an asset or liability as of the measurement date, as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of March 31, 2019 and December 31, 2018 using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented in the accompanying consolidated financial statements are not necessarily indicative of the amounts the Company would realize in a current market exchange.

The carrying amounts of cash and cash equivalents, restricted cash, receivables, payables and other current assets and liabilities approximate fair value because of the short maturity of those instruments.

Financial instruments accounted for at fair value on a recurring basis and classified within Level 2 of the valuation hierarchy include the Company's cross-currency derivative instruments and were valued at $160 million and $237 million as of March 31, 2019 and December 31, 2018, respectively.

The estimated fair value of the Company’s senior notes and debentures as of March 31, 2019 and December 31, 2018 is based on quoted market prices in active markets and is classified within Level 1 of the valuation hierarchy, while the estimated fair value of the Company’s credit facilities is based on quoted market prices in inactive markets and is classified within Level 2. The carrying amount of the consolidated variable interest entity's mortgage note liability approximates fair value.

A summary of the carrying value and fair value of debt as of March 31, 2019 and December 31, 2018 is as follows:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior notes and debentures	$63,542	$65,304	$62,868	$61,087
Credit facilities	$10,557	$10,564	$9,959	$9,608

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as equity-method investments, franchises, property, plant, and equipment, and other intangible assets are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain

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circumstances, such as when there is evidence that an impairment may exist. No material impairments were recorded during the three months ended March 31, 2019 and 2018.

11. Operating Costs and Expenses

Operating costs and expenses, exclusive of items shown separately in the consolidated statements of operations, consist of the following for the periods presented:

	Three Months Ended March 31,	
	2019	2018
Programming	$2,865	$2,752
Regulatory, connectivity and produced content	561	533
Costs to service customers	1,822	1,854
Marketing	735	751
Mobile	260	8
Other	993	938
	$7,236	$6,836

Programming costs consist primarily of costs paid to programmers for basic, premium, digital, video on demand and pay-per-view programming. Regulatory, connectivity and produced content costs represent payments to franchise and regulatory authorities, costs directly related to providing video, Internet and voice services as well as payments for sports, local and news content produced by the Company. Included in regulatory, connectivity and produced content costs is content acquisition costs for the Los Angeles Lakers' basketball games and Los Angeles Dodgers' baseball games, which are recorded as games are exhibited over the applicable season. Costs to service customers include costs related to field operations, network operations and customer care for the Company's residential and small and medium business customers, including internal and third-party labor for the non-capitalizable portion of installations, service and repairs, maintenance, bad debt expense, billing and collection, occupancy and vehicle costs. Marketing costs represent the costs of marketing to current and potential commercial and residential customers including labor costs. Mobile costs represent costs associated with the Company's mobile service such as device and service costs, marketing, sales and commissions, retail stores, personnel costs and taxes, among others. Other includes corporate overhead, advertising sales expenses, indirect costs associated with the Company's enterprise business customers and regional sports and news networks, property tax and insurance expense and stock compensation expense, among others.

12. Other Operating (Income) Expenses, Net

Other operating (income) expenses, net consist of the following for the periods presented:

	Three Months Ended March 31,

	2019	2018
Special charges, net	$(4)	$76
Gain on sale of assets, net	(1)	(7)
	$(5)	$69

Special charges, net

Special charges, net primarily includes employee termination costs and net amounts of litigation settlements. The three months ended March 31, 2018 includes $43 million of merger and restructuring costs as well as a $22 million charge related to the Company's withdrawal liability from a multiemployer pension plan.

Gain on sale of assets, net

Gain on sale of assets, net represents the net gain recognized on the sales and disposals of fixed assets and cable systems.

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13. Stock Compensation Plans

Charter's 2009 Stock Incentive Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, dividend equivalent rights, performance units and performance shares, share awards, phantom stock, restricted stock units and restricted stock. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing consulting services for the Company, are eligible for grants under the 2009 Stock Incentive Plan.

Charter granted the following equity awards for the periods presented.

Three
Months
Ended
March
31,