

# Cablefax Daily™

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What the Industry Reads First

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## Cable Consolidation: Wave Broadband to Join RCN and Grande

Months after private equity firm **TPG Capital** closed on its \$2.25bln acquisition of **RCN** and **Grande**, it's adding West Coast overbuilder **Wave Broadband** in a deal valued at \$2.36bln. News of the transaction was first reported by *Reuters* last week. The trifecta will create the 6th largest cable operator in the US, with the deal expected to close in the second half of 2017. With an investment portfolio that includes content companies like **Spotify**, **Univision** and **CAA**, it seems to signal a growing interest in the distribution space by the private equity firm. "I think [TPG has] seen for some time now that the owners of the network that delivers the best bandwidth to the end user is a lucrative business and a good business. I think they've had a strong desire to get into the infrastructure business for a while," RCN and Grande CEO *Jim Holanda* told **CFX**. "RCN/Grande was the first foray, and now with Wave, I think it just reinforces their whole investment thesis of all things broadband and consumer is the right space to be in." A combined RCN, Grande and Wave will cover almost 2.7mln homes passed, with more than 925K customers and 1.7mln RGUs. And don't forget the fiber... It will have 25K miles of plant with 17K of those fiber. Fiber has been a priority for Wave, having invested about \$250mln on its commercial fiber network over the past couple years both through build out and acquisitions. It's been Wave's highest growth market, with the commercial fiber network growing at a whopping 20-30% a year. "We've been more aggressive building out our network here on the West Coast than RCN has in the past. But I think there's a mutual interest to not only offer the best residential broadband products in both our markets, but to expand commercial products more in RCN/Grande markets," said Wave founder/CEO *Steve Weed*, who will join the combined company's board. Wave has about 8K miles built so far, with plenty of room for growth, according to Weed. "It's like broadband 20 years ago. We only have a fraction of the customers on it right now. It's next-generation, carrier grade gig-Ethernet for businesses," he said. "We're single-digit penetration for the businesses near our plant, so that's going to grow for a long time." Holanda definitely sees that potential for commercial services—particularly with the combined company having essentially a national footprint that encompasses both coasts as well as Chicago and Texas. And it's something he has experience with, having taken Puerto Rico's Choice Cable to a \$10mln commercial services business today from none at all in about 7 years. The deal will give the combined company heavy fiber network in 8 of the top 12 markets (Seattle



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being No 12). Don't look for this deal to result in programming cost savings like a **Charter-Time Warner Cable** deal that has seen Charter applying the TWC rate card (and in some instances being sued for doing so). RCN/Grande and Wave are both **NCTC** members and are expected to remain part of the co-op. "We source the majority of our larger deals through the NCTC, and I would imagine we'll continue to do that," Holanda said. It's important to note that all the companies have tie-ins with **TiVo**, and Wave also has a deal to provide **Roku** equipment to customers. "Both companies are embracing the combined new, video world. I think that gives us a leg up in terms of really giving customers choice and different value propositions," Holanda said. "I think we're just going to be able to give people a lot more options in the future by partnering with a lot of these [players]." Meanwhile, Holanda expects Wave to keep its name, just like RCN and Grande have. The deal is expected to close in 4Q. Private equity firm **Oak Hill** and investor **GI Partners** will sell their stakes to TPG in the deal, while Weed and other management will remain invested in the new entity.

**Talking OTT at Investor Conference:** Verizon CEO **Lowell McAdam** teased a potential OTT product during **JP Morgan's** media conference Monday. He said once the **Yahoo** deal closes, the platform would be in place for an OTT kind of play, but he quickly added that there's no commitment to a launch date. No further details, but previous reports have suggested such an offering will be independent of Go90. -- **Comcast** continues to be extremely consistent with its view that there isn't a business model for it to offer a video-only OTT product outside its footprint. It was CFO **Mike Cavanagh's** turn to deliver that sermon at an investor conference Monday. "We obviously see the benefit of bundling economics with other products we can deliver," he said, questioning OTT players who only have video and are thus probably at best at breakeven plus or minus a little bit and facing the same programming cost challenges as traditional players. "We like our own game in terms of segmenting customers, providing a great video experience through X1, integrating **Netflix**, integrating **YouTube**, making it better and better as time passes."

**Alexa, Change the Channel:** DISH is now offering customers the ability to use **Amazon Echo's** voice-recognition functionality, known as Alexa, to control Hopper or Wally set-tops. DISH is the first TV provider to offer direct compatibility with Alexa. Customers can use their voice to navigate, play, pause, fast-forward, rewind and search content based on a range of criteria. It also launched its DISH Anywhere app on Amazon Fire. (Note: Cablefax is hosting a webinar on Wednesday at 1:30pm ET on finding new TV revenue streams as voice control gains traction. Details at Cablefax.com)

**WOW! IPO:** Cable operator **WideOpenWest**, or WOW!, announced the launch of an IPO last week for more than 19mln shares of its common stock at a price between \$20-22 per share. The shares will be listed on the NYSE under the symbol "WOW." **UBS** and **Credit Suisse** are acting as lead joint book running managers for the IPO. The company in March reported that it is the sixth largest cable company in the US. That should hold until the RCN/Grande-Wave deal closes. As of year-end 2016, WOW! had 803K total customers that subscribe to at least one of its three services – video (501K), Internet (747K) and phone (258K).

**Root, Root, Root:** Home Team Sports, an ad sales unit of **Fox Sports**, has acquired marketing agency **Impression Sports & Entertainment**. Impression has experience selling naming rights and title sponsorships, including those for Camping World Stadium in Orlando a number of college football bowl games. Since its establishment six years ago, Impression has secured more than \$63mln in revenue for its sports and entertainment clients.

**Sports Programming:** ESPN will also cover all four days of qualifying for Wimbledon for the first time, with action streaming all day on **ESPN3** from June 26-29. ESPN has televised Wimbledon since 2003, with US exclusivity since 2012. This year's tournament coverage includes 140 hours on ESPN and **ESPN2**, with an additional 1,500 streaming online.

**People:** CBS has extended chmn/pres/CEO **Les Moonves'** contract by two years through June 30, 2021. The extension also calls for Moonves to serve as a senior advisor for five years following the end of his tenure as CEO. -- **Twitter** has hired former **Bloomberg** svp, video and partnerships **Todd Swidler** as its global head of live business. The hire follows Twitter's announcement of a new wave of video partnerships earlier this month, including one with Bloomberg for an exclusive 24/7 live news stream. Swidler most recently served as CEO for esports company **ESC Games**. -- **Jana Wino-grade** is joining **Showtime** as pres of business operations for the West Coast. She has spent the past 23 years at **ABC Entertainment**, where she most recently served as evp/head of business operations. In addition, Showtime has promoted **Steve Rogers** to succeed evp, business affairs **Melinda Benedek**, who is retiring at the end of the year.