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What the Industry Reads First

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Buying & Selling: Field is Narrowing, But Appetite for Cable Strong

The Independent Show offered an interesting look Tuesday at how the cable M&A market has changed over the years for small operators. The good news? There are some very serious buyers out there, evidenced by some recently announced deals. "There's still a lot of opportunity, but it's a narrowing field," said *Mark Barber*, vp, cable development & integration for **TDS Telecom**. One reason for that is carveouts of non-strategic assets from big MSOs are a thing of the past. "Most of the large MSOs are more focused on growth than diverting internal resources to getting rid of certain assets. The second thing is the cost basis on those businesses is so low that after they get done with taxes, they can't make any money selling a lot of those assets," Barber said. Over time, the MSOs connected those systems they didn't sell into their network, where they have a full suite of services—thus they aren't really non-strategic any more. Technologically speaking, it becomes harder to fold these systems in once they're connected with all those services. If an operator buys a **Comcast** system that has X1 and doesn't have a similar platform, consumers will perceive a reduction in value immediately. Barber's best advice for anyone hoping to sell at some point is to make sure there's access to fiber. "Fiber is the hygiene factor," he said. **Vyve Broadband** has bought several small systems, including **James Cable**, that have needed a lot of TLC. Run by former **Bresnan** senior managers, Vyve looked at markets where there was virtually no competition, or where DSL and local RLECs were providing slow Internet, said evp/CFO *Andy Kober*. Some of those systems purchased had HSD speeds of 5-10 Mbps, with Vyve investing more than \$140mln to get markets to 25-500 Mbps. One dealbreaker though were systems that weren't plugged into a data center. If it's an analog-only or video-only system, "there's not much we can do," Kober said. **CoBank** svp *Ted Koerner* struck a positive note for M&A, saying the financial markets have been strong. "I don't see any reason that won't continue for a while now," he said. "I would say that this is a business we love to lend to. Even if there's some pullback, we'll continue to support this business. The fundamentals and the growth and free cash flow characters are very strong," Koerner said. **Wave Broadband** CFO *Wayne Shattenkerk* offered a unique perspective, having gone through **Oak Hill Capital's** acquisition of the company in 2012 and then just last month, **TPG Capital** plunking down \$2.4bln for Wave. During that five-year period, some of the questions in the process changed. Commercial services had become a much bigger part of Wave. "A great deal of time was spent educating people on how we develop

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commercial services,” which leads to questions about cap ex spending on the construction aspect on commercial, Shat-tenkerk said. He remains very optimistic on the market. “Whether you’re looking to do a deal or just grow a business, everyone in this room should have an attitude of being bullish on our prospects. Yes, we have some issues on the video side, but I think there’s a lot of attention being paid to that and several different avenues that will address those issues,” he said. “When you look at the demand for broadband, commercial services, fiber networks, that’s just increasing. All of our companies, regardless of size, there’s probably a way to chart a path to grow a really robust business.”

Indy Show Notebook: NCTA chief *Michael Powell* suggested Washington’s attitude toward mergers could be moving away from a relatively pro-business approach from both Dems and Republicans. “I think if you’re anyone out there thinking of a big merger today, your anxiety level is rising that you might not get this done or that there may be a coming slamming of the brakes on some of the bigger ones,” he said. More from his appearance at the show at **Cablefax.com**. -- **Wurl TV**, which provides digital content in a linear channel format to pay-TV operators, will launch its **Baeble Music** channel launch on **Sling Wednesday**. -- **NCTC’s Rich Fickle** tells us the co-op is hoping to soon start negotiating retrans deals with broadcasters. It’s already done some O&Os, but wants to move into striking deals with station groups.

House Call: The House Energy & Commerce Committee has summoned top tech companies and ISPs to appear at a Sept 7 hearing titled “Ground Rules for Internet Ecosystems.” At Tuesday’s **FCC** reauthorization hearing, Chair **Greg Walden** (R-OR) announced the committee plans to hear from edge providers **Facebook, Alphabet, Amazon** and **Netflix**, as well as **Comcast, AT&T, Verizon** and **Charter**. Rather than leave regulations on net neutrality and other Internet issues up to the FCC, Walden called on Congress to take action. “It’s time for Congress to legislate the rules of the Internet and stop the ping-pong game,” he said. As for the content of the reauthorization hearing, Pai’s proposed rollback of Title II was again a key topic of discussion, with Democrats criticizing the measure. Several Dems countered Pai’s assertion that Title II is stifling broadband investment by declaring that publicly traded ISPs have not disclosed Title II as hindrance to business. A number of Dems, including FCC commish **Mignon Clyburn**, also expressed their disapproval with the Commission’s move to reinstate the UHF Discount, a measure that would aid **Sinclair** in its pending merger with **Tribune**. Clyburn said the discount “belongs in a regulatory trash heap,” as it enables a near doubling of the ownership threshold set in 2004. That rule states no company can own stations reaching more than 39% of US TV households.

Data Deal: **Charter Communications** made an investment in **605**, a data and analytics company led by *Kristin Dolan*, and is partnering with the firm on census-based TV measurement and data. Dolan and her husband, former **Cablevision** CEO *James Dolan*, will be joined on 605’s board by Charter evps *David Kline* and *James Blackley*.


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Charter chmn *Tom Rutledge* previously served as COO at Cablevision, a position *Kristin Dolan* also held. As part of their partnership, Charter will provide 605 with aggregated and anonymized data from all of its cable systems in the US, while 605 will help optimize measurement solutions for Charter's ad sales division, **Spectrum Reach**.

AT&T Drops Video Subs: AT&T lost a combined 199K video subs in 2Q, marking its second consecutive quarter of declines. The company lost a combined 166K video subs in the previous quarter. **DirectTV** has 20.9mln subs after losing 156K in 2Q, while **U-verse** has 3.8mln subs after losing 195K in the quarter. **DirectTV Now** helped mitigate those losses, adding 152K subs in the quarter for a total of 491K. U-verse has dropped 21% of its subs since the end of 2Q16, while DirectTV has increased subs by 2% since then. The broadband business saw 8K net adds in the quarter. That breaks down to 112K new IP internet subs and the loss of 104K DSL connections. The entertainment group on the whole—this includes broadband, video and voice service—took in \$12.7bln in revenue in the quarter, down marginally YOY. The company's overall revenue of \$39.8bln in the quarter was 2.6% YOY. The company exceeded analysts' expectations, however, leading to a 2.6% boost to its stock price in after-hours trading.

Siegel Leaves TV One: TV One President *Brad Siegel* is leaving the net, effective immediately, with evp, content distribution and marketing *Michelle Rice* taking over as interim gm. Rice was an inaugural employee of the 13-year-old net. Siegel took over at TV One in late 2014, months after stepping down as vice chmn of **UP**, which he co-founded in 2004. **Urban One** CEO *Alfred Liggins* praised Siegel for his contributions to the network and creativity.

Nielsen Adds Two vMVPDs: Nielsen will now measure and report eligible TV viewing from **Hulu** and **YouTube TV** through its Digital in TV Ratings, beginning with C3/C7 currency Tuesday. The measurement company claims this will provide media buyers and sellers with a "more comprehensive and transparent view of audiences engaging with linear TV programming on digital devices." The ratings will combine live, DVR and VOD viewing in Hulu's live service and YouTube TV with traditional linear audience metrics. Nielsen launched the Digital in TV Ratings in 2015 to account for viewers across all platforms so long as the program content and commercials match the linear airing.

Ratings: The premiere of "Descendants 2" on Friday night drew an average audience of 5.3mln viewers on **Disney Channel** alone, one of six nets that aired the film. The premiere aired simultaneously on **Disney XD**, **Lifetime**, **Freeform** and **Lifetime Movie Network**, as well as the **ABC** broadcast net, drawing a combined average audience of 8.3mln viewers. Disney Channel's airing was the second most-watched cable program of the week behind **HBO's** "Game of Thrones," which garnered 9.3mln viewers. "Descendants 2" helped propel Disney to the No. 4 spot in weekly primetime viewership with an average of 1.5mln P2+, a week-over-week increase of 66%. **Fox News** led primetime viewership for the ninth consecutive week with 1.9mln viewers. **MSNBC** (1.8mln) was No. 2 in primetime, followed by **HGTV** (1.5mln), Disney and **USA** (1.4mln). Fox News also scored its 29th consecutive weekly win in total day viewership with an average of 1.2mln viewers. **Nickelodeon** (1.2mln), Disney (1mln), MSNBC (973K) and HGTV (848K) rounded out the total day top five. -- **Golf Channel** posted its fourth most-watched day ever Friday, averaging 567k viewers for second-round coverage of the British Open.

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