

Cablefax Daily™

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What the Industry Reads First

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WOW!-ing Them: Strong 1Q Results Sends Shares Skyrocketing

WOW! was one of the last pay TV operators to report 1Q results, and it was a good way to go out. The overbuilder's shares soared Friday to close up 29% to \$8.70 as it reported a loss of just 3K RGUs. **WOW!** was the second-biggest gainer on the NY Stock Exchange Friday, behind only **Huya**, a livestreaming provider for video games and esports in China, which was in its first day of trading. Video losses came in at 7.7K and voice lost 4.3K. On the broadband side, the company added 8700 RGUs (6600 addition excluding edge-outs). Edge-outs, the strategy of expanding a footprint by targeting neighboring communities with attractive demographic and competitive profiles, continue to grow. **WOW!** reports edge-out projects have extended the network to 107.4K homes passed, with 2017 edge-out nodes achieving nearly 24% penetration (2016 nodes are at 32%). "While we continue to view 2018 as largely a rebuilding year for the company, with accelerating growth evident by YE, the results give us incremental comfort in the company's investment strategy," Evercore ISI analysts said. During Friday's earnings call, CEO *Teresa Elder* repeatedly talked up the employees in place, including new CTO *Matt Bell*, formerly of **Charter**. "We've focused on training, development, compensation, recognition efforts across the board," she said. "We're reigniting the energy and passion of our people." She noted employee **Net Promoter** scores are up since the beginning of the year and that *Columbus C.E.O.* magazine recently named **WOW!**'s Columbus operations a top place to work, marking the company's first win of that award since 2015. **WOW!** expects to realize YOY growth of adjusted EBITDA in 4Q18. For 1Q, it came in at \$96.3mln, down 11.5% compared to transaction adjusted EBITDA for 1Q17. **WOW!** has completed a previously announced \$50mln stock buyback, with its board approving a new \$25mln buyback. Additionally, stakeholder **Crestview Partners** plans to purchase up to an additional \$25mln. **WOW!**'s turnaround plan includes a \$25mln investment in customer experience, which includes a mobile app and improvements to the company's website. "We will be able to serve a modern and mobile customer base that wants more self-service options," Elder said. -- While cable stocks have had a tough go year-to-date, **Pivotal Research** believes 1Q results set the sector up well for a strong 2019 with cable taking 100% of net new data subs. "This is not rocket science; speed matters and cable has a better mousetrap (w/ speeds ramping to 1 gig + and eventually 2 way 10 gig) = the telcos are unlikely to generate positive net fixed data subscriber growth anytime soon. We see plenty of room for medium to long term cable

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data sub growth, taking share from the ~22mln telco DSL based telco data subs,” Pivotal told clients.

Google's Grand Plan: YouTube TV may be making its mark on the growing world of vMVPDs, but the service is losing money. At least, according to a report from **Bernstein Research**. The report claims that the service's financial model doesn't scale to allow for profitability, as it must pay the networks it works with a per sub basis, raising programming costs proportionally to match increasing sub counts and revenues. “The more successful YouTube TV becomes, the more of a financial problem it is for **Google**,” the report reads. It also poses a number of suggestions for Google to turn the service profitable, including raising the cost of a subscription once enough people begin to enjoy the product or for their advertising model to bring about double-digit CPMs similar to that achieved on primetime broadcast TV. A wilder prediction? That Google is planning on using YouTube TV as a stepping stone to one day get into the Live TV business, acquiring sports rights and streaming them directly.

The Box Business: TiVo's 1Q earnings late Thursday came with a bombshell, as CEO *Enrique Rodriguez* revealed that it will be moving the manufacturing, sales and distribution of legacy set-top boxes to a third party. They have yet to announce the name of the partner, but it will be responsible for all sales occurring outside of the company's website, working with retailers such as **Amazon** and **Best Buy**. “This quarter saw the last MSO hardware revenue as we completed fulfillment of orders made last year,” Rodriguez said. “Once we complete this transition, we will have direct consumer hardware sales through TiVo.com which we will be fulfilling through this box manufacturer.” As far as the numbers go, TiVo generated \$189.8mln in 1Q18, with most coming from licensing, services and software. Hardware only generated \$3.6mln. In other news, **Vizio** renewed its patent license agreement with a multi-year renewal to extend its use of TiVo's patent portfolio. **Mediacom** also extended its TiVo product and IP agreements, including those with TiVo DVRs, TiVo Minis, classic guides and analytics.

Watchathon Part Two: **Comcast** has taken its Watchathon beyond the flagship pay TV product. Its digital craft platform **Craftsy**, which it bought a majority stake in last May, is offering up more than 1300 online video classes as part of a Mother's Day Watchathon online. Not a bad deal given that some of these courses can run around \$20. Of course, it's a little hard to finish a project such as a quilt or sweater in a weekend—hence the beauty behind the sampling experience.

Back to School: One would think *Abbe Raven* has enough on her plate, returning to **A+E Networks** as it continues to search for a successor to *Nancy Dubuc*. However, the interim chief found time Tuesday to take part in **PENCIL's** Principal For a Day program, an initiative that brings executives into NYC public schools to shadow the schools' principals, assist with classroom management and speak with the students of potential opportunities at their companies.

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"The mission is to assist and expand the horizons of New York City students as they finish their education and go into the workforce," Raven said to **Cablefax**. "As New York City companies, we're really interested in working with the potential leaders of tomorrow." For Raven, one of the goals is to establish partnerships with the schools that last throughout the year. Mentoring and leading wasn't something Raven left behind when she retired from her position as CEO in 2013. Raven remained in connection with A+E, participating in the mentoring of executives. "I was very happy to return when asked to a company that I love and I believe in," Raven said in regards to her current role as acting chair.

Question and Answer: *Sen Ed Markey (D-MA) and Rep Joe Barton (R-TX) have questions about Amazon's new Echo Dot Kids Edition. The co-founders of the Bi-Partisan Congressional Privacy Caucus have asked the company for clarification on the child privacy protections in place on the device, a digital assistant targeted to children between the ages of 5 and 12. The pair have asked about how the device records and stores child users' voice interactions with the device, what third parties will have access to data collected from the child users, what steps Amazon has taken to comply with the Children's Online Privacy and Protection Act and what mechanisms are in place to understand if the device will impact a child's development.*

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I'm blown away by the AI in the Google Duplex demo. Also a little queasy on what this means for humans interacting with computers but knowing they are - and the social norms around that.

For example, should AI identify itself as so first? Is not doing so...impolite?

7:21 PM - 8 May 2018


Erich Sachse @esachse
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Proud to represent @Optmyze at the #THFDiversityAwards — thanks to @GetSpectrum for joining us in supporting #DiversityInMedia and to @THowardF for hosting a great event! Inspiring speeches by @AMC_TV @sunny and @RandyFalco

Up Ahead

- May 12:** NAMIC Southern California Hike & Brunch, Culver City, CA
- May 14-15:** 5th Annual MoffettNathanson Media & Communications Summit, New York, NY
- May 15-16:** Needham & Company's Emerging Technology Conference
- May 15-17:** 46th Annual J.P. Morgan Global Technology, Media and Communications Conference, Boston, MA
- May 21-23:** Media Finance Focus 2018, Arlington, VA

Research

- Total US digital ad spend reached \$88bln last year, marking a 21% rise and the first time in the history of the report that digital revenues have overtaken television.
- Digital video escalated to a record \$11.9bln in 2017, a 33% increase YOY from 2016.
- Mobile spend rose from \$36.6bln in 2016 to \$49.9bln in 2017.

(Source: **IAB Internet Advertising Revenue Report**)

Quotable

"Our company has been in the headlines for all the wrong reasons these last few days and our reputation has been damaged. There is no other way to say it — AT&T hiring Michael Cohen as a political consultant was a big mistake. To be clear, everything we did was done according to the law and entirely legitimate. But the fact is, our past association with Cohen was a serious misjudgment. In this instance, our Washington D.C. team's vetting process clearly failed, and I take responsibility for that."

- **AT&T CEO Randall Stephenson** in a memo to employees on the hiring of President Trump's personal lawyer.

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