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HSD Reform: Cable ONE Talks Clearwave, New Data Packages

Several interesting tidbits came from **Cable ONE's** 4Q18 earnings call late Wednesday, including the purchase price of Southern IL-based **Clearwave Communications**. The company closed on the deal in January, shelling out $357mln for Clearwave (Cable ONE borrowed $250mln of term loans maturing in 2026 to finance the acquisition in part). "It is a great geographical set, providing service to markets that are both similar and in close proximity to the existing Cable ONE footprint. It is a pure fiber provider of services to business and enterprise customers, with a 100% owned and underground network," said pres/CEO *Julie Laulis*, who began the earnings call by welcoming 92 new associates from Clearwave. CFO *Steve Cochran* said Cable ONE continues to want to be active in M&A. The earnings offered a detailed picture of Cable ONE's new internet packages and prices, which began rolling out Jan 2 across the entire legacy footprint and the majority of the **NewWave** footprint. "We simplified our core HSD plan, offering lower pricing and higher speeds across our premium tiers, as well as shifting usage-based billing from upgrades to overage charges," Laulis explains. "One of the drivers was to improve overall customer satisfaction by allowing customers to more easily self-select the right package for their needs and reduce churn." Customers can now pay an incremental $40/month to have unlimited data or they will pay $10 for each 100 gigs of data they go over (not to exceed $40-$50, according to Laulis). Cable ONE's flagship $55/month plan features 100Mbps downstream and 300 gigs of data. The $65 plan now provides 200Mbps downstream with 600 gigs of data, and the company introduced an $80 service that gives customers 300Mbps with 900 gigs of data. It's early, but execs said they're encouraged by the results so far, with customers increasingly choosing higher tiers. The new packages came after testing in multiple markets last year. Notably, Cable ONE has launched an introductory 15Mbps/100 gig plan for $30/month. Laulis said the intent is to better understand what Cable ONE believes to be an under-penetrated customer segment. "This has been an effective call to action and we have not seen it cannibalize customers from our flagship 100Mbps tier. In fact, it has helped to drive connects for higher tiers in most cases," she said. "These customers are taking our flagship product once they understand the value proposition." A reminder, Cable ONE will rebrand to **Sparklight** beginning this summer, with the company expecting to incur and additional $9-11mln in expenses over

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the next two years related to the rebrand (the price tag is inclusive of the costs for changing over the NewWave systems acquired in 2017). As for 4Q results, Cable ONE posted broadband net addition of 2.3K (3.1% YOY growth) while residential ARPU was up 9.4% YOY to $69.90—which **MoffettNathanson** noted is the industry's highest ARPU broadband service. The company began eschewing video growth several years ago. Total video PSUs were down 10% YOY to 326.4K. Total revenues were up 4.7% to $269.9mln in the quarter, with residential data rev up 12.3% and business services rev up 10.3% YOY. Adjusted EBITDA was $127.6 mln, an increase of 8.8%.

Cox Sits Out 24Ghz Auction: The **FCC** released the list of qualified bidders for Auction 102, and cable's one potential bidder isn't on the list. **Cox Communications** ended up as one of the 22 applications that were not qualified for the auction, which features 700Mhz of clean spectrum in the 24Ghz band. There are 38 applications qualified, meaning their applications were complete and upfront payments were made. **T-Mobile, AT&T, Verizon Wireless** and **Windstream** are among those on the FCC's qualified list. A mock auction will get underway on March 11, with official bidding in the clock phases of Auction 102 set to begin March 14 at 10am ET. Even though cable operators aren't qualified to bid, there's always the possibility cable could attempt to buy some spectrum later.

Majority Owner: **Disney** is in active talks with **AT&T** to buy the latter's 10% stake in **Hulu**, according to a *Variety* report. Disney currently has a 30% stake in the business, a number that is set to double once its deal to acquire **21st Century Fox** assets is approved. **Comcast NBCU** is the other majority stakeholder with a 30% share, but it's not looking to drop it any time soon. AT&T first hinted it would be willing to drop its Hulu investment during an analyst day in November, where CFO *John Stephens* said sales from minority investments would allow the company to gain working capital and have more cash to pay down debt from its acquisition of **Time Warner**.

February Ratings Wrap: You probably already guessed that **Fox News** and **MSNBC** took first and second place, respectively, for February among ad-supported cable nets, but did you have **HGTV** on your radar? The **Discovery**-owned net had a nice February, averaging 1.34mln viewers in prime, making it the most-watched non-news net in prime for the month. Fox averaged 2.6mln total viewers in prime and 1.5mln in total day, while MSNBC netted 2.0mln in prime and 1.1mln in total day, according to **Nielsen** data. Holiday lover **Hallmark** had a spectacular month, averaging 1.15mln viewers in prime compared to 867K a year ago (a 33% increase). Last year, networks had to contend with competition from the Winter Olympics in February. Even without the Games, most saw dips in their average viewers for Feb 2019. Some of those nets joining Hallmark in bucking the trend for the month were **MSNBC** (up about 9% in prime viewers), **TLC** (up 17.8% to 978K—helped by "Dr Pimple Popper") **ESPN** (+4.5% to 1.18mln),

CNN (9.6%+ to 1.07mln) and **A&E** (+13% to 1mln, boosted by "Curse of Oak Island").

Future Split: **TiVo** is considering splitting its product and IP licensing businesses into two separate entities, interim CEO *Raghu Rau* said on the company's 4Q18 earnings call Tuesday. The move would "potentially facilitate strategic transactions" while also addressing some of the "complexities" with the businesses. Nothing's official yet, but Rau said the company is proactively working internally on the various logistic issues that would need to be addressed should they separate, including understanding tax implications and historical financials. Addressing TiVo's ongoing patent battles with **Comcast**, Rau is still confident that Comcast will end up on the losing side. "TiVo is fully committed to protecting its intellectual property from unauthorized use and we expect Comcast will ultimately pay a license for our innovations, just as its pay TV peer companies do, and as Comcast itself has done in the past," he said. TiVo's total Q4 revenues fell 21% YOY to $168.45mln. Shares were down nearly 14% when the market closed Wednesday.

Independence Day: The barriers keeping **AT&T** and **Time Warner** from fully joining may be lowering, but that doesn't mean that the Time Warner assets won't continue to have the same structures that made it so attractive to AT&T in the first place. "We've been really careful to set up a separate operating unit that looks a lot like Time Warner," AT&T CFO *John Stephens* said of **WarnerMedia** at an investor conference Wednesday. "We wanted to protect the culture. A finance bean-counter from a telephone company doesn't want to go in and spoil what is a tremendously good asset." That doesn't mean everything will stay the same however, especially as AT&T begins to invest in its new assets. While **HBO** will undoubtedly bring in revenues when the final season of "Game of Thrones" premieres in April, Stephens said the goal moving forward will be to see customers having that sort of excitement all year round for HBO content.

Looking Up: **Frontier Communications** stock skyrocketed more than 19 points Wednesday after it reported a massively-improved 4Q18. Net losses only hit $219mln in the quarter compared to the $1.2bln reported last year. Revenue dropped 4% to $2.1bln and adjusted EBITDA fell 2.6% to $895mln YOY. When compared to 3Q18, however, adjusted EBITDA is up from $878mln. Frontier lost 67K broadband customers up from the 63K it lost in the same period last year. That's not necessarily bad news, though, if it means reducing churn over time, according to Frontier CEO *Daniel McCarthy*. It's already seen an improvement with churn, down to 1.94% from the 2.03% reported in 3Q18.

Ratings Renewals: **Nielsen** and **Viamedia** reached a multi-year renewal agreement for Nielsen TV ratings LPM service for the greater Philadelphia market. The agreement includes a range of audience measurement and analytical services including local buying behavior data from Nielsen Scarborough and Nielsen Rhiza. Rhiza, an easy-to-use sales tool, will enable Viamedia to offer clients granular insights about its customers, media consumption and the competitive landscape.

Tax Break: **Sling TV** is encouraging folks to cut the cord during tax season, offering 40% off of its base services for the first three months. New customers will see prices of $15/month for Sling Orange, $15/month for Sling Blue or $25/month for both packages.

HLN Shakeup: **HLN** is making some major changes to its weekday programming. *Lynn Smith*, an anchor of HLN's "Weekend Express," joined the weekday lineup beginning March 11 as the new host of "On The Story." Veteran HLN anchor *Mike Galanos* will host the new daily program "True Crime Live" (Mon-Fri 2pm), and *Susan Hendricks* was named the new host of Weekend Express, beginning March 16.

Programming: **UPtv** acquired the rights to scripted drama series "The Librarians." The show first premiered on **TNT** on Dec 7, 2014, and a total of 42 episodes over the course of four seasons were produced. It will launch on UPtv on March 13 at 8pm and 9pm. -- Rapper *Lil Dicky* is headed to television. **FX Networks** ordered a season of the "Untitled Lil Dicky" series (wt), a half-hour comedy based on the life of rapper and comedian *Dave Burd* (known primarily by his stage name). The series will be centered on a neurotic man in his late twenties who convinced himself that he's destined to be the best rapper of all time. -- **CBS All Access** renewed "Star Trek: Discovery" for Season 3.

People: *Diane Penny* was named svp/gm of **NBC Sports Northwest** effective immediately. She comes over from **Learfield**, where she most recently served as gm of Beaver Sports Properties. Penny is assuming the role from *Len Mead*, who recently returned home to MA to be closer to his family. He will remain with the networks in a different role. -- *Mark Romano* has joined 4K UHD channel **Insight TV** as vp, Americas. He is based in the company's NY office and reports to Insight TV Chief Commercial Officer *Graeme Stanley*. Romano's a well-known affiliate relations exec, previously working for **iNDEMAND**, **Outdoor Channel** and **ONE World Sports**. -- **Magid** tapped *Brian Ahladas* vp, media strategy group. He joins from **TEGNA**, where he most recently served as director of sales at the **CBS** affiliate in Tampa, FL. -- **The Cable Center** named *Mark Dzuban*, pres/CEO of **SCTE-ISBE**, as one of its Innovation Laureates. He will work closely with The Center to mentor, teach and motivate the next wave of industry leaders.

Think about that for a minute...

When In Roma.....

Commentary by Steve Effros

The movie critics and social analysts were ready. Their columns, commentaries and appearances were all set. The die was cast; the movie business as we knew it was dead. Long live Netflix! Until, of course, the Netflix-promoted movie didn't, in fact, win the "Best Picture" award at the Oscars last weekend. Then all those folks got their knickers in a twist and went a little crazy attacking a movie that did not meet their pre-ordained reasoning for where the industry was going, and why.

Let's start with the movies (I know I'll get in trouble with some folks for this!) "Green Book" won. It wasn't supposed to, according to the elite cognoscenti. "Roma," the heavily promoted art film financed by Netflix was "supposed" to win. That would have capped a whole host of pre-designed storylines. "Roma" is a black and white, foreign-language, slow-paced, documentary-style film by a well-known director who did his own, sometimes handheld camerawork. It was in some ways based on his own youth and told primarily from the perspective of an indigenous Mexican housemaid. It was a good movie.

"Green Book" was also a true story, about a well-known gay, black pianist in the 1960s doing a road trip in the South with a tough, white, Italian-American New York bouncer as his driver who ultimately became the maitre-d at the Copacabana nightclub. Just FYI, the Smithsonian Channel just showed a fascinating hour-long documentary about the actual "Green Book" which was used by African Americans from the '30s through the '70s to know where and how to safely navigate while on the road in America during those times. It's well worth seeing.

But I digress. What was "supposed" to happen at the Oscars didn't. Green Book won. Spike Lee walked out. He, apparently, thought his picture was better, or that the "Roma" narrative should have played out. Critics wailed in their columns that "Green Book" was one of the worst selections for a Best Picture ever! As one columnist put it in the New York Times; "While admired by some as a feel-good depiction of people uniting against the odds, the movie was criticized by others as a simplistic take on race relations, both woefully retrograde and borderline bigoted." Wow!

It's a movie, folks! It's entertainment. The Oscars are about movies, not about righting all the wrongs of society or simply being vehicles for social commentary. Some are, others aren't. Good for both. In this case both "Roma" and "Green Book" were essentially true stories. Movies are storytelling. Everyone needs to lighten up.

But that's not really what was going on for many folks. This was supposed to be the start of a "new age" where the movie industry changed because of Netflix, streaming, and a "whole new way" of making movies. It didn't quite happen. In fact, what the whole kerfuffle proved is that the business is still essentially run the way it always has been; with money. In this case Netflix, we know, is spending a LOT of money creating new product. Since they don't have (or release) box office or viewership numbers, they can rely on volume; throw it up against the wall and some will stick! Hire the most famous, the "best" and eventually you will get something good. Hey, that's great, but that's the way the movie business has always been.

Netflix spent many millions promoting "Roma" trying to corral the "Best Picture" award, not unlike many movie studios before them. They knew, "when in Roma….."

Steve

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