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Earnings Time: Altice USA Buying Service Electric, Reports Broadband Adds

Altice USA packed a lot into its 4Q earnings release Wednesday, including news that it is acquiring **Service Electric**'s **NJ** assets for $150mln. This is a subsidiary of Pennsylvania-based **Service Electric**, a private, family owned business that is a cable pioneer (it got its start when *John Walson* extended a line from an antenna tower to his Pennsylvania electronics store in 1948 to demonstrate new TV receivers). The deal doesn't include Service Electric's Pennsylvania systems. "If we had a hundred of these deals, we'd love to have them because they are very, very profitable and accretive to us," Altice CEO *Dexter Goei* said during the company's earnings call. "It's contiguous to our business. It's a great area—Sparta, NJ, and surrounding areas. There are no overbuilders in that area and it's also an underdeveloped broadband network." The deal is expected to close by 3Q and will extend Altice's footprint to thousands of homes and businesses in NJ. As for overall M&A, Goei said there just isn't a pipeline for a lot of these types of deals. "If they are available, we pounce and try to do it very quickly. We're very much like our fellow brethren in cable, which is there are not a lot of sellers out there," he said. "When there are, they're interesting, but in terms of size, we don't see anything sizeable right now." Turning to 4Q financials, Altice had warned last quarter that there would be a 4Q decline in broadband subs as an unusually high number of customers roll off promos. It ended up with 7K net residential broadband adds in the quarter, with a strong December making up for those roll off declines in October and November. In fact, December saw 17K+ adds, about an 8K-9K improvement over December 2018. Goei chalked up the incremental gains to better retention and dealing with a backlog of reconnects and other issues. Altice ended the year with residential broadband net adds of 72K, in line with FY18. Residential video net losses totaled 44K vs 14.2K in 4Q18. "We saw the uptick in video losses of some of our peers. I think it's too early to call that today for us," Goei said, noting that revenue guidance of 2-2.5% (ex-mobile) is cautious given what the industry is seeing. "We'll monitor and flag that on the revenue side specifically, but the free cash flow we feel very good about." He called **Comcast**'s Flex product interesting, adding that Altice is developing something similar. "It's not something we are spending a huge amount of resources doing given the amount of OTT product that is out there… The Altice One platform really is the platform in place to allow for a lot of OTT integration," he said. "I'm not saying we'll have a Flex-like product or Flex, but very, very focused on

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making sure we're open and making all the OTT products available to our customers in a seamless and user-friendly way."

More from Altice on Wireless, Competition & Smart WiFi: **Altice Mobile** launched in September, with the company ending 2019 with 69K mobile lines (54K net additions in 4Q19 that generated $18mln in revenue). Altice Mobile's penetration is at 1.6% of the company's broadband customer base. "We feel very relieved and very supportive of the decision" to allow **T-Mobile** and **Sprint** to merger, CEO D*exter Goei* said. The company is still looking to make the business more lucrative, and that has forced them to raise prices not long after launch. "Today it's losing money, of course (it's still in its early start-up phase), and, at a $20-for-life price point, it was unlikely to ever be much more than a break-even contributor," **MoffettNathanson** said in a note. "Even with the price soon rising to $30 per month (for new subscribers), it's not going to be a big profit driver." The company is keen on access to a 5G network and its MVNO with Sprint being expanded through the life of the deal's seven-year consent decree. **Verizon** got a lot of attention last month with the release of its new mix and match pricing plans. Goei said it hasn't had a competitive impact on Altice's business and countered that Verizon's 200Mbps deal ends up actually being more expensive than its 300Mbps offering once equipment charges are added in (Altice at about $53 to Verizon's $65, or $55 if auto-pay is used). In other news, Altice unveiled Smart WiFi, a whole-home intelligent mesh WiFi system that's already being rolled out in the Optimum footprint and will soon be available in Suddenlink regions. It includes advanced traffic management and intelligent band and access point steering. Smart WiFi is getting strong early adoption on the small- and medium-business side, Goei said, adding that he sees it gaining popularity on the residential side as more devices get added to a home network.

Conferences Consider Coronavirus Concerns: With **Mobile World Congress Barcelona** officially calling it quits, are other large conference organizers worried about the coronavirus? **NAB** is "closely monitoring" coronavirus developments and following advice from the **WHO** and **CDC** ahead of the **NAB Show**, taking place in Las Vegas in April. A spokesperson for NAB told ***Cablefax*** the health and safety of attendees and exhibitors is its first priority, and the organization is currently developing policies and procedures to combat potential threats. "Although it's too early to determine what impact the virus will have, we're confident NAB Show will convene as the world's largest and most comprehensive media and technology convention. More importantly, our hearts go out to the citizens of China and all who have been directly affected," the spokesperson said. **GSMA**, the organization behind Mobile World Congress events, canceled MWC Barcelona Wednesday following exits from **Amazon**, **Vodafone**, **AT&T** and others. "With due regard to the safe and healthy environment in Barcelona and the host country today, the GSMA has cancelled MWC Barcelona

2020 because the global concern regarding the coronavirus outbreak, travel concern and other circumstances, make it impossible for the GSMA to hold the event," GSMA CEO *John Hoffman* said in a statement. "Our sympathies are with those affected in China, and all around the world." The GSMA promised that it is working together with Barcelona officials to bring MWC Barcelona back and better than ever in 2021.

Big Tech Wants 6GHz Opened for Unlicensed Use: More than 30 stakeholders including **NCTA**, **Comcast**, **Amazon** and **Microsoft** sent a joint letter to the **FCC** Tuesday urging it to designate all 1200MHz of the 6GHz band for unlicensed use with appropriate measures to ensure incumbent licensees are protected from harmful interference. The stakeholders argued that licensing just a portion of the band would undermine, not support, the nation's push towards 5G and stronger WiFi. "Growing demand for WiFi means an increased burden on existing unlicensed bands, which are becoming congested and almost at capacity. And existing bands are not large enough to support the wide 160 megahertz channels needed to enable multi-gigabit, next-generation Wi-Fi 6 technology, or the 320 megahertz channels envisioned for future WiFi standards," the stakeholders said. They also claimed this is the only existing proposal that would free additional spectrum suitable for next-gen wireless available for use in the near term. Other filers have suggested moving 6GHz incumbents out of the upper portion of the 6GHz band and making the adjacent 7125-8400MHz government band available for relocation, but it has not yet been studied to see if it could accommodate shared non-federal use. "A decade is likely to slip by before the band could be studied, procedures for relocation adopted, and the upper portion of 6GHz finally auctioned. And in the meantime, countless existing users of the band would experience disruption and incur relocation burdens as they move either to different technologies or different frequencies," the filers said.

ESPN Top-Ranked Basic Net in Value: Sports are once again proving their value to cable operators, with **ESPN** earning the title of top-ranked basic network in value in fall 2019, according to **Beta Research**. **Fox News** came in second, followed by **ESPN2**, **NFL Network** and **TNT**. In terms of top-ranked network groups based on operators rating nets as very helpful in selling TV Everywhere, HDTV and/or VOD, **Disney** and ESPN Networks came out on top with 63%, followed by **NBCU** with 60%, **Discovery** with 56%, **Fox Corp** at 53% and **Hallmark** Networks with 48%. The study compiled a survey of 100 cable operators (85% of respondents had 10K or more subs, and 53% had 200K or more).

Not a Close Race in NH Primary Ratings: **Fox News** trounced its closest cable news competitors during primetime coverage of the New Hampshire primary. It's 4.436mln viewers goes down as the most-watched primetime coverage of the primary in cable news history. And it was enough to easily defeat **MSNBC** (2.616mln) and **CNN** (784K). Fox also came in first in prime among 25-54s and in the 6pm-1am time period.

Byron Allen Buys 11 More Broadcast Stations: *Byron Allen*'s **Entertainment Studios Networks** closed the acquisition of 11 broadcast television stations from **USA TV** for $305mln. The stations span DMAs 79-188 and include network affiliates of **ABC**, **Fox**, **NBC** and **CBS**. They will be operated by Allen's **Allen Media Broadcasting** division. Allen has been slowly adding to his broadcast portfolio, investing in **Sinclair**'s purchase of the 21 former **Fox** RSNs in May and acquiring **Bayou City Broadcasting** back in July.

Cable One Sells Towers to CTI: **CTI Towers** has acquired the entire tower portfolio of **Cable One** (now known as **Sparklight**). Cable One owned approximately 110 towers concentrated in the southwest and central areas of the US. CTI has previously purchased towers from other cable operators like **Comcast**, **Mediacom** and **Vyve Broadband**. This sale brings its tower total to 1.1K.

NBA and Discovery Education Team Up: The **NBA** and **Discovery Education** are partnering to bring students and teachers a virtual field trip. "NBA Storytellers: An All-Star Virtual Field Trip" takes place nationwide Thursday at 1pm. Participants will learn from an NBA player, league representatives and team professionals about career paths offered through the NBA. The event is set in the NBA Replay Center in Secaucus, NJ and the United Center in Chicago, the site of the NBA All-Star 2020.

Ads Push American Leadership in 5G: **5G Action Now** launched a digital ad campaign to highlight the dangers of China beating the US in the race to deploy 5G. The 30- and 60-second digital ads feature comments from *President Trump*, Secretary of State *Mike Pompeo*, Attorney General *William Barr* and FCC chmn *Ajit Pai*. The ads will be targeted to influencers in DC and will run for several weeks.

On the Circuit: **C2HR** is calling for nominations for its Excellence in Human Resource Awards. The program includes the Aspiring Leader, Social Impact and Team Innovator Awards. Nominations are due online by April 30. The winners will be honored at the C2HR Conference August 4 in Brooklyn, NY, and will be featured in ***Cablefax***.

Think about that for a minute...

A Historic Win?

Commentary by Steve Effros

The movie industry had its "big night" last Sunday. The Oscars. If you looked at some of the headlines on Monday morning, aside from the unexpected history-making "win" for the Korean genre-bender "Parasite," you couldn't have missed the fact that while Netflix had 24 nominations, they only "won" two. But that's only true for those who aren't really looking at what's going on. "Winning" for Netflix, is a very different thing.

That notion was pointed out very well in a piece I read in an internet newsletter on Sunday suggesting, prior to the ceremonies, that Netflix had already won! Why? Because Netflix has a totally different motivation for heavily financing movies and competing in the Oscars. Sure, they'd like to win all the top awards, and they are trying to do so, not only by throwing a lot of money at campaigning for votes, but also by putting a whole lot of money into original productions. And that's the key. Everyone can see that Netflix is making those efforts, regardless of whether the final vote goes their way or not. That's the "win."

You see the objective for Netflix is to get folks interested enough to subscribe to their service, not watch a particular film. In this year's case, they had several films up for multiple awards. Thus, if someone was watching the Oscars, they were exposed to a whole host of movies, actors, sets, special effects, music or whatever that might have piqued their curiosity. And that's exactly what Netflix wants, and that's why they spend all that promotional money on the Oscars, whether the nominee "wins" or not.

All that has to happen is a potential subscriber, seeing one or more of those movies or categories of interest, then becomes intrigued enough to sign up. It's not like the major movie companies which are essentially competing with themselves to get someone interested enough to go see, buy or rent a particular movie. Sign up to the subscription service and you can get to see all of them and a lot of other stuff. The synergistic effect gets magnified to the point where it's very worthwhile for Netflix to be highly competitive and outspend everyone else on Oscar promotions.

Of course there's another aspect, as well. The top creative talent making all those new movies can't help but notice the money and promotional effort either. And those folks are totally focused on their particular creation "winning." So Netflix is a very attractive partner for them to work with. Pardon me, but it's a "win, win" for Netflix.

Naturally there are others who are trying to, or planning to, play this game as well. HBO has done it, Amazon is trying to do it, and I'm sure there will be others. But notice that they all have the "Oscar motivation" because they are also their own distribution channel. It's the channel, not the particular movie, that they're primarily interested in promoting.

Is that bad? Not necessarily. We're getting a lot of good product to watch because of this business plan. But it's not really new. Remember the days (well, a few of you might) when the Hollywood movie producers owned or forced the theatres to fill those venues exclusively with their own product? The government eventually broke up that business plan as contrary to the antitrust laws. Spoiler alert! I'd just note that the president's new budget, announced this week, increases the DOJ antitrust division budget by 71 percent. At some point, history may repeat itself.

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