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WHAT THE INDUSTRY READS FIRST

Fixer Upper: Cable Systems Needing TLC Make Good M&A Opportunity

(The following article is Volume 9 of the 13-part *Broadband Game-Changer Series*, brought you by Adara Technologies) With broadband and cord-cutting accelerating, FTTH overbuilders are attractive—and very expensive—M&A targets. Astound Broadband—rich with fiber within its RCN, Grande and Wave footprint—was snatched up earlier this year for \$8.1bn—the largest private equity acquisition in the US so far in 2020 and the largest cable deal in the past five years. Those type of multiples draw the big bucks of private equity investors. Operators looking to expand their footprint at a lower price point are finding success with cable systems that need some upgrades—and immediately squeezing more bandwidth out of those systems before completing major overhauls.

Take **Altice USA's** July acquisition of **Service Electric Cable TV of New Jersey**, a deal that helped extend its Optimum footprint into neighboring NJ communities. “We’re upgrading, obviously, the network as quickly as we can,” Altice CEO *Dexter Goei* said during 3Q earnings. In just the few months since closing, Altice has increased the maximum broadband speed across the Service Electric footprint from 350Mbps to 400Mbps service, and automatically upgraded Service Electric customers in certain internet packages to faster speeds at no extra cost. Altice USA is using open capacity and also leveraging efficient encoding from its Optimum headend to optimize the usage of the RF bandwidth.

The system recently rebranded to the Optimum name—with the company stressing that these initial updates are just the start as it invests in the region to bring the Optimum experience to the former Service Electric customers.

TDS Telecom has adjusted its M&A plan over the years. When it expanded from wireline to the cable business in 2013 with its purchase of **Baja Broadband** for \$267.5mIn, the

plan was to continue to grow through strategic acquisitions. It bought **Bend Broadband** a year later for \$261mIn, but then saw the market dry up as **Charter** snagged **Time Warner Cable** and **Bright House Networks**, while Altice USA bought **Cablevision** and **Suddenlink**. So, TDS shifted to a strategy of hitting markets that it deemed underserved and coming in as a fiber overbuilder. It has taken that approach throughout Wisconsin, as well as with Coeur d’Alene, ID; Spokane, Washington and others.

But TDS has made the occasional acquisition where it felt it made sense. One such example is its \$80mIn January purchase of Mooresville, NC-based **Continuum** with 36.5K passings. It was owned by two municipalities (Mooresville and Davidson) that had taken over the **Adelphia** franchise. “It had a great reputation because it was a community-developed broadband system, but both communities were fatigued with the cost and distraction,” said *Drew Petersen*, TDS’ svp, corporate affairs. “Not all of the communities of Davidson, Mooresville and Cornelius are fully built out. 2021, we’ll have 10K new service addresses that will be building out to.”

Right now, TDS is doing analog reclamation that will allow it to roll out DOCSIS 3.1 in 2021. “It’s not inexpensive, but when you’re done, you’re to upgrade your electronics, upgrade your CMTSS and get your throughput to much higher speeds. You can do 1 Gig on 3.1,” said Petersen. TDS also will switch Continuum from a MobiTV powered video service to its own Android-based TDS TV+ platform. It is using Continuum as a testbed to take all of its cable and wireline backoffice systems and bring them together on one stack.

TDS had actually exited NC as a wireline provider a few years ago, but opted to re-enter as a cable provider because of the growth, population density and demographics of Continuum’s market. “There is a school of thought that says if you buy a fixer upper that you get for a reasonable multiple, then there

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are some advantages. It's really complicated to build a full fiber network in a community where you don't already exist—lots of rights of way, permitting, negotiations with homeowners associations...," Petersen said.

Of course, there are also operators who expand their current operations by buying fiber operators. **Vast Broadband** just celebrated its one-year anniversary of the purchase of **NTS**, which it renamed **Vexus Fiber**. "Vexus Fiber is offering similar services and packages compared to Vast Broadband. The most notable difference is Vexus' 100% FTTH network across most of the footprint which allows Vexus to offer symmetrical Internet speeds," said *Kyle Alcorn*, vp, marketing. "While 2020 has presented many planned and unforeseen challenges we are moving along very well. We renamed the company, built a new Lubbock, TX, regional office/call center, completed a billing conversion, and we are in the process of ramping up our fiber-to-the-home build out schedule expanding our footprint."

CHARTER SCORES BIG IN RDOF

The **FCC** revealed the results of the RDOF Phase 1 auction Monday, and **Charter** has emerged as the biggest winner. The MVPD won 1.1mln locations and qualified to receive \$1.1bln in subsidies. In total, 5.2mln locations were auctioned for \$9.2bln in subsidies for the first phase of the auction, a number that clocks in well below the \$16bln the FCC had set aside. The remaining \$6.8bln will be directed towards Phase 2, which has a budget of \$4.4bln plus the leftovers from Phase 1 to target areas that are deemed partially served as well as any that were not won in the first phase. Behind Charter, the next largest winner was **SpaceX** with nearly 643K loca-

tions and more than \$885mln in subsidies. **Rural Electric Cooperative Consortium** and **LTD Broadband** rounded out the top four bidders, winning 618,476 and 528,088 locations, respectively. The top four bidders received 55% of total auction locations. As for the rest of the major cable players, **Altice USA** won more than 5K locations with nearly \$850K in subsidies, **Cox** won more than 8K locations and \$6.6mln in subsidies, **Mediacom** received approx 9.7K locations and \$2.25mln in subsidies and **Midco** won 6.5K locations with \$4.96mln in subsidies. "Cable was still the biggest winner in the auction, but acquired fewer locations than we expected. This means the up-front investment, and subsequent pressure on FCF per share, will be lower than we had expected," **New Street Research** said in a note. "Still, we view the RDOF auction [as] an attractive opportunity to accelerate broadband growth and FCF per share growth in outer years."

THE SIMINGTON EFFECT

The Senate may confirm *Nathan Simington* to a Republican **FCC** spot this week, and the implications of his confirmation are being speculated by many. With FCC chmn *Ajit Pai* also set to leave the Commission in January, some have worried that Simington's confirmation would lead to a 2-2 deadlock for a few months. But **New Street Research** believes the Republicans may have a much larger plan that would prevent a Democrat-controlled FCC. "We don't see why—assuming that the Republicans win at least one Georgia Senate seat—they confirm any Democrat in 2021 meaning that in 2022, after Commissioner Rosenworcel's term expires, then Chairman Starks will preside over a Republican majority Commission (unless, as discussed below, the President appoints interim



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Commissioners.),” New Street said in a note. Some Democratic senators and consumer groups are continuing to work to prevent the confirmation. Sens *Richard Blumenthal* (D-CT) and *Ron Wyden* (D-OR) joined **Fight for the Future, Access Now, Free Press, Media Justice, New America’s Open Technology Institute, the United Church of Christ’s** media justice ministry and **Public Knowledge** on a video townhall opposing Simington’s confirmation due to concerns that it would lead to a deadlocked FCC during the ongoing COVID-19 pandemic. Additionally, Free Press sent an email out Monday urging individuals to call their senators and urge them not to confirm Simington. “[Senate Majority Leader *Mitch McConnell*] wants to push Trump’s nominee through now for one reason only: to obstruct the incoming Biden administration and its appointees,” Free Press said in the email. “But stopping the Biden FCC from taking desperately needed actions to get and keep people connected during the COVID-19 crisis is just plain cruel.”

DISH PAYING UP FOR TELEMARKETING CALLS

DISH will pay \$126mln in civil penalties to the **DOJ** and a combined \$84mln to four states to settle violations of the **FTC’s** Telemarketing Sales Rule. The settlement, the largest civil penalty ever paid to resolve telemarketing violations under the FTC Act, is tied to a 2009 case where co-plaintiffs California, Ohio, North Carolina, Illinois and the US alleged that DISH and retailers that marketed its products and services were responsible for millions of unlawful telemarketing calls. In a 2017 opinion, a district court found DISH liable for more than 66mln telemarketing violations of the TSR as well as other state and federal statutes, and instituted a number of compliance measures. DISH will continue to abide by those compliance measures and has been ordered to prepare and abide by a telemarketing plan, submit telemarketing compliance reports to the department and the FTC twice annually through 2027 and provide any requested compliance reports. “We have long taken our compliance with telemarketing laws seriously and we maintain rigorous telemarketing compliance procedures and policies,” DISH said. “While we respectfully disagree with the underlying liability judgement, which involved telemarketing calls made between 2003 and 2011, this matter is now resolved.”

FCC GRANTS COX, COMCAST COMPETITION PETITIONS

The **FCC** Media Bureau granted **Cox** and **Comcast’s** petitions for effective competition status in Massachusetts. The FCC made the unanimous decision last October that **Charter** was subject to effective competition in the state because AT&T TV Now passed the Local Exchange Carrier (LEC) test. The ruling means that Massachusetts communities can no longer regulate basic-tier cable rates. After the Charter decision, Comcast and Cox sought the same treatment from the FCC. The Massachusetts Department of Telecommunications and Cable argued to the Commission that the operators’ petitions should be in abeyance until sometime after its appeal of the Charter order to the First Circuit has concluded. The US Appeals Court for the First Circuit [heard oral arguments](#) in October, but hasn’t ruled yet. The FCC’s Media Bureau said the state didn’t present any extraordinary circumstances that warrants pausing action until the court acts. “Significantly, MDTC did not seek a stay

at the Commission or in the First Circuit, the appellate court reviewing the Charter Order,” the Bureau said.

JONES TAPPED AS MSNBC HEAD

MSNBC tapped *Rashida Jones* as the net’s new president, making her the highest-ranking Black woman among the major cable news nets. She will start the job Feb 1. Jones replaces *Phil Griffin*, who has been with the net since its founding. **NBCU** News Group chmn *Cesar Conde* said in a memo that Griffin had come to him after the election seeking a good time to exit.

COMCAST CONTINUES COVID-19 OFFERINGS

Comcast is extending a number of its commitments related to the COVID-19 pandemic through June 30, including its offer to provide free internet service for the first 60 days to all Internet Essentials customers. It will still waive the requirement that customers not have back debt, opening the door for more families to get the service. Comcast will also continue to offer free access to more than 1.5mln Xfinity WiFi hotspots. **NBCU’s Telemundo** is also continuing to give, and is partnering with the Internet Essentials program and the **Hispanic Heritage Foundation** to gift over 1K laptops and free internet service for a year to young people, students and seniors in the US. The laptops and internet access are being donated by Comcast with technology training for laptop recipients being provided by the Hispanic Heritage Foundation.

PARTNERS IN CABLE

Adara Technologies announced that Quebec-based service provider **CCAP** has completed a further expansion of Adara’s Bandwidth Reclamation Solution. The solution has given CCAP the headroom and capacity to increase its top speed tier to multi-gigabit when needed to keep up with customer demand.

PIZZA NIGHT

In a new promotion, any customer who orders a Domino’s pizza online through April 11, 2021 will receive 30 days free of streaming service **EPIX NOW**. After the free 30 days (with no credit card info required), customers will need to subscribe.

DISTRIBUTION

CBS All Access is landing on **Comcast’s** Xfinity X1 this week, following the launch of the app on Flex earlier this year. Xfinity is now the first pay-TV provider to offer the SVOD. – **Crown Media Family Networks** is launching a new OTT channel, **Hallmark Movies & More**, on **XUMO**, making it the company’s first AVOD partnership. The AVOD will feature a lineup of over 120 titles from the company’s archive of original content, dating back to 2001.

PEOPLE

Freeform promoted *Jamila Hunter* to evp, original programming and development from her previous role as svp, current and alternative programming. The net also hired *Jihan Robinson* as vp, alternative programming. Robinson was previously the head of docs at **Quibi**. – **Discovery** named *Jim Keller* as evp, digital ad sales & advanced advertising. He’ll be based in NYC and report to *Jon Steinlauf*, the company’s chief US ad sales officer. Keller joins in advance of Discovery’s Jan 4 launch of **discovery+**, coming over from **Hulu**, where he served as vp, head of national advertising sales.