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WHAT THE INDUSTRY READS FIRST

All Aboard: WOW! Latest Operator to Sell Fiber Systems

The fiber M&A train just keeps on running. **WOW!** announced two separate sales of a combined five service areas Tuesday morning. **Atlantic Broadband** is snagging the overbuilder's Cleveland and Columbus, Ohio, markets for \$1.125 billion, and **Astound Broadband** is collecting its Evansville, Indiana, and Anne Arundel, Maryland, service areas for \$661 million.

The deal has been a long time coming for WOW!, which has been excited about the prospects for its business's valuation since **Stonepeak's** \$8.1 billion purchase of Astound Broadband back in November. That only increased when **Cable One** shelled out \$2.2 billion in February to acquire the portion of **Hargray Communications** it didn't already own. WOW! CFO *John Rego* has been looking to cut down the company's leverage since he joined the company almost exactly one year ago. At the end of 1Q21, WOW! reported that it had lowered its leverage to 5x. With a significant portion of the revenues from the sale going toward paying down debt, the company expects to have a leverage ratio of 2-2.5x.

One look at the investment community's early reactions to the deal shows that it is just as excited about another fiber deal with high multiples. **New Street Research** said this most recent deal only supports the case for high fiber multiples as well as its claims that **Frontier Communication's** fiber assets should be trading at 12.5x.

"The multiple for WOW! is slightly below our target multiple for Frontier's fiber business, but we suspect that is because WOW! is an overbuilder, facing two additional competitors in their markets, while Frontier only faces one competitor in the vast majority of their footprint," the firm said in a note.

B Riley Securities reiterated its "buy" rating and \$28 price target for WOW!, saying the move will improve the provider's free cash flow profile through the dramatic reduction in interest expense and its leverage profile.

"As highlighted by Stonepeak's November 2020 acquisition of Astound Broadband, fiber-rich broadband players (such as WOW!'s fiber-to-the-node [FTTN] network) are increasingly viewed under the investment lens of 'digital infrastructure', alongside assets like towers and data centers that receive EV/EVITDA multiples north of 20x," B Riley said in a recent note. "Although it is unlikely that consumer-facing broadband players will earn multiples in line with towers and data centers with 10+ year leases and annual escalators, in our view, it is reasonable to believe there is room for continued multiple expansion for the industry as a whole given the robust secular tailwinds."

Never say never, but don't bet on WOW! undergoing any more activity any time soon. "We're not in the business of selling service areas. This was done rather intentionally to get to a clear balance sheet and it was to give me more opportunity to grow," Rego said. "We got what we wanted, and

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that's where we are today.”

The next move is an evaluation of the rest of the company in preparation for an investor day in the months to come. Its remaining 14 service areas lie in Alabama, Florida, Georgia, Michigan, South Carolina and Tennessee. As of March 31, WOW! passed 1.9 million homes in those areas with a 29% penetration rate. The company would have had 532,000 total subscribers at that time and 506,000 high-speed data RGUs.

MUSK OFFERS SPACEX UPDATE

SpaceX CEO *Elon Musk* gave an update on the progress of his company's **Starlink** internet service during a presentation at Mobile World Congress Barcelona Tuesday, describing how it's now operational in 12 countries. “Starting in August, we should have global connectivity for everywhere except the Poles,” he said. “We recently passed the strategically notable number of 69,420 active users. We're on our way to having a few hundred thousand users, possibly over 500,000 users, within 12 months.” Musk reiterated that the satellite broadband offering is primarily designed to offer connectivity services in areas of low population density, saying that Starlink will be able to accept only a limited number of sign-ups in urban areas. Musk also said work to improve the company's terminals and satellites is ongoing, and he hopes to reduce the overall cost of the terminal to lower the initial costs. Right now, the customer cost for a terminal sits at around \$500, and the next-generation terminals should allow the company to drop the price down to somewhere in the \$250-300 range.

WEATHER CHANNEL PLUS COMING SOON

The **Weather Channel** is headed into the streaming ecosystem. **Allen Media Group** is launching subscription service **Weather Channel Plus** in 4Q21. With a \$4.99/month price point, the service will feature more than 50 news and entertainment streaming channels at launch. Allen Media Group is projecting that the service will reach 30 million subscribers in its first five years. It won't be alone in the digital weather game with AVOD Fox Weather also set to arrive on the scene by the end of the year.

WARNERMEDIA WRAPS UP UPFRONT TALKS

WarnerMedia has completed all major ad agency negotiations tied to this year's upfront, saying this has been its most successful year ever in terms of securing overall upfront commitments. The news comes just over a month after the company's annual upfront presentation to the ad community. “We have several new brands jumping in feet first, alongside our long-term partners, who for several years continue to prioritize trust and the value of delivering on a promise in the most premium of environments,” *Katrina Cukaj*, the company's lead of ad sales and client partnerships, said in a statement.

NAD ISSUES AT&T FIBER RECOMMENDATIONS

The **National Advertising Division** recommended that **AT&T** modify an express claim that all cable upload speeds are low made in comparative advertising for its AT&T Fiber service. It also recommended that AT&T make changes to an implied claim that **Comcast's** internet is unreliable and doesn't allow customers to reliably video chat, upload large



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Magazine Publish Date: July 28

Cablefax Daily (ISSN 1069-6644) is published daily by Access Intelligence, LLC | www.cablefax.com | 301.354.2101 | Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com | Publisher, Cablefax and Synopsis: Robbie Caploe, 917.974.0640, rcaploe@accessintel.com | Managing Editor: Sara Winegardner, 301.354.1701, swinegardner@accessintel.com | Assoc Editor: Theresa Maher, 301.354.1704, tmaher@accessintel.com | Director of Business Development, Cablefax: Ellen Kamhi, 917.626.5574, ekamhi@accessintel.com | Dir of Marketing: Kate Schaeffer, kschaeffer@accessintel.com | Production Manager: Joann Fato, jfato@accessintel.com | Kerry Smith, Divisional President, Marketing & Media Group, ksmith@accessintel.com | Group Subs/Subscription Questions, Client Services: clientservices@accessintel.com | Annual subscription price: \$1,799.00/year | Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

files or perform other digital tasks. Modifications should also be made to AT&T's "better internet" and "faster internet experience" claims as they are unsupported. The claims at issue appeared in five television commercials and one internet ad, and were challenged by Comcast Cable. AT&T plans to appeal NAD's recommendation to the National Advertising Review Board, saying that in the contexts shown, the claims are perfectly legitimate.

DEMS PRESS BIG TECH TO ADOPT UK PRIVACY CODE

Sen *Ed Markey* (D-MA) as well as Reps *Kathy Castor* (D-FL) and *Lori Trahan* (D-MA) sent a letter Wednesday to a number of Big Tech CEOs urging them to extend privacy protections under the UK's Age Appropriate Design Code to kids and teens in the U.S. CEOs who received the message were heads of **Amazon, Facebook, Google, Snapchat, TikTok** and **Twitter**. The AADC requires all commercial online services likely to be used by kids in the UK to meet 15 standards protecting their privacy and limit the amount of data companies can collect from users under 18. This ask comes after Markey and Castor introduced legislation updating the Children's Online Privacy Protection Act with protections similar to those outlined in the AADC.

NEW STREET UPS COMCAST PRICE TARGET

New Street Research upped its price target for **Comcast** to \$65, up 15% from its original mark. The move comes in response to positive signs across both the cable business and **NBCU's** parks and studios divisions. "Investors have a rare opportunity to buy a good, undervalued Cable asset without having to worry about the overhang in the Media business," the firm said in a note. It did acknowledge the rumors out there that Comcast is considering some M&A activity, with **ViacomCBS** and **Roku** being potential targets. "We recognize the risk. We also believe it would be difficult for the Company to execute another media deal without splitting the Company," New Street said. "The upside from a split more than offsets the risk of another deal, in our view."

SPECTRUM REACH TEAMS UP FOR AD ATTRIBUTION

Charter ad sales division **Spectrum Reach** announced a cross-platform attribution solution with **Blockgraph** and **TVSquared**. The trio's efforts have resulted in a product that connects TV and streaming TV ad exposures to specific digital outcomes while also allowing advertisers and media sellers to retain control over their data. The service will ultimately give Spectrum Reach advertisers aggregated and de-identified insights to analyze addressable, streaming and linear TV campaigns.

MINIM TO BE LISTED ON NASDAQ

Minim, an internet access product provider and **Motorola** brand owner, announced the company's common stock has been approved for listing on **Nasdaq**. Share trading on Nasdaq is expected to begin at market open on July 7 under the MINM ticker. This comes after the company marked its third consecutive quarter of record revenue growth in May with a +26% YOY revenue growth and a 9% increase from Q420.

QUARTERLY RATINGS

Fox News Channel came out on top for 2Q21 primetime with an average of 2.176 million viewers. **TNT** took second with 1.528 million average viewers. **MSNBC** (1.463 mln), **ESPN** (1.325 mln) and **HGTV** (1.209 mln) rounded out the top five. In total day, Fox News Channel also took the number one spot with 1.190 million viewers, followed by MSNBC with 847,000 average viewers. **CNN** came in third with 654,000 average viewers, followed by HGTV (645,000) and ESPN (582,000).

CARRIAGE

QVC and **HSN** have launched a streaming service app on **Comcast X1** and **Xfinity Flex** platforms. Comcast is the first pay TV and internet provider to launch the app, which allows viewers to watch home shopping content. QVC and HSN plan to make the streaming app shoppable by early 2022. QVC and HSN are available to view at launch and **QVC2, QVC3, QVC Now** and **HSN2** will be added later on.

PROGRAMMING

Turner Sports will be the exclusive home of golfing event "Capital One's The Match" with a simulcast on **TNT, TBS** and **truTV** July 6 at 5pm ET. Live coverage begins with the "Pre-Match Show presented by Autotrader" featuring an inside look at the four competitors. Meanwhile, **Bleacher Report** will deliver exclusive live content before and during the event, such as "Range Battles presented by Capital One" at 4pm ET on the app and B/R **YouTube** channel. – **TBS** will present special "Wipeout: The Suicide Squad Special" Aug 1 at 9pm. To promote the premiere of "The Suicide Squad," the **Turner** nets (or the so-called T-Nets) will air a cross-network event July 30-Aug 1 filled with films and Turner network franchises that feature squads. The programming slate includes "Practical Jokers," "Wonder Woman" and more. – **Fox News Channel** will showcase its Proud American programming event Friday through Sunday. "Fox & Friends" kicks the series off Friday with an interview featuring singer/songwriter *Toby Keith* followed by a musical performance. "Fox News Live" will be held from the Eisenhower Memorial in D.C. Saturday at 12pm ET and Sunday at 2pm. On Sunday, FNC starts the night with a special 4th of July edition of "Sunday Night in America" at 7pm followed by two-hour special "Fox News Presents: An Independence Day Special" at 8pm. At 10pm, *Steve Hilton* of "The Next Revolution" will use his program to share his experience becoming a U.S. citizen. – **Disney Channel** music special "Disney Princess Remixed-An Ultimate Princess Celebration" premieres Aug 27. The program includes pop, rock and R&B remixes of Disney Princess songs like "Part of Your World," "Into the Unknown" and more.

PEOPLE

Charter named *Ashley Baker Hayes* vp, legislative affairs. Hayes comes from global life sciences company **Sanofi**, where she advocated on health policy and regulatory issues with Congress and the Biden Administration.

Think about that for a minute...

2 Point 5

Commentary by Steve Effros

What does that number mean to you? 2.5. Not much, unless you include some context around it. How about \$2.5 trillion! That should get your attention...as a reminder, that's 2,500 Billion. Or 2.5 million millions. Or almost 13 Jeff Bezoses! That's the current market value of Apple. Microsoft slides in at \$2.0 trillion and then the three other market leaders: Amazon (1.74) Alphabet-Google (1.70) and Facebook (1.01). Those numbers are very hard to get your brain around, other than to say they're big!

I would argue too big. That's the essence of the debate we are about to engage in regarding these companies. The lawyers will have a field day. The FTC just got thrown out of court on its initial effort to regulate Facebook as a "monopoly" when the judge said that the Commission had not made much of a showing that Facebook had a "monopoly" of social media.

There are several difficulties with that analysis. First is that there really is no clear definition of what "social media" means in the context of antitrust law, and of course that's part of what the judge was saying. Another is that the antitrust laws as we know them today focus on "unfair" or damaging actions taken against a competitor. But if a smaller company wants to be, and is bought by a larger company, and that's what it wanted to happen all along, is that "unfair?"

We have moved into an era where way too many "entrepreneurs" and companies are formed and promoted solely to attract market capital for the purpose of selling stock or selling themselves, not actually engaging in the business of developing, improving or promoting whatever the widget is that they are using as the vehicle for their "market" play. If that's what they're doing, and that's what they want to do, how is that violative of our current antitrust laws?

So here's the thing; our current laws never contemplated the current market. The stock market and the capital market have become detached from the consumer market in too many instances. Efforts to use the existing antitrust laws to bolster

competition or encourage the development of new products, which are both goals being talked about, are doomed to failure if the reality is that the "market" is not what these folks think it is.

What's necessary is a total rethinking of what the objective is. If we really want more companies competing with each other in various fields, like telecommunications or "social media" or computers or AI, then we have to design new laws that will refocus their efforts away from simply being pawns in a game of chess, not monopoly, as to who gets to "take" whom.

Yes, this could be a very complicated process, and given the books and columns and legislation that is now floating around it already has. They all focus on tweaks, changes and modifications of our current thinking. I would suggest that maybe it would be better if we simplified the entire process. Let's focus on what seems to be getting scarily dangerous, for instance a private company with a market valuation of \$2.5 trillion dollars!

These companies have gotten too big. Too powerful. Too capable of buying up potential budding competitors which were designed to be bought. Their heft allows them to enter other businesses at will, thus walking right around the current antitrust theories which focus on intra-industry competition. It's time to say a company that big, with that much market power is simply not healthy for our competitive system.

Now I know that's not likely to happen. It's too simple, too clean. Just stop companies at some given point from becoming too big. Just like I would block CEO's from getting multi, multi million dollar salaries. That's not in the "public good" either. But I modestly suggest it really would work.



Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry. His views do not necessarily reflect the views of Cablefax.)

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