

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Good News: Frontier Flourishes After Committing to Fiber Builds

Frontier Communications is pushing forward with its fiber expansion, adding an additional 1-2 million locations to its build plans.

After emerging from Chapter 11 bankruptcy last year, the company announced plans to build fiber to 10 million homes within its footprint, calling those builds Wave One and Wave Two of their larger plans. After assessing the value of building fiber to another 5 million locations, it has identified an additional 1-2 million locations that can produce attractive returns without the need for broadband subsidies to cut build costs. Wave Three will include incremental locations in states where Frontier is already actively building as well as states where it doesn't have as much scale, but it does have attractive copper assets that can be converted to fiber.

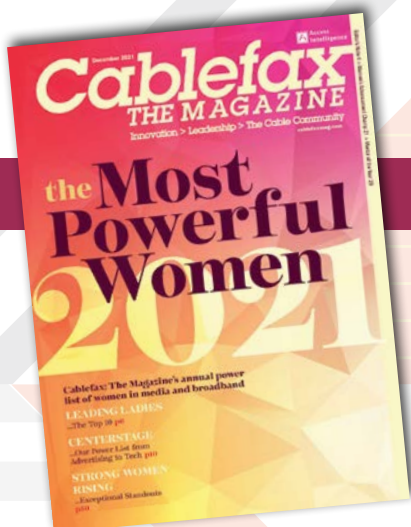
For the remaining 3-4 million households that Frontier is looking to build fiber out to, it will be looking to participate in **NTIA's** BEAD program and other state and local grant opportunities to subsidize the costs to reach those locations. "If we do this organically, it'd be a combination of government subsidies, pulling cash from operations, non-recurring and recurring cash savings and, lastly, debt if we chose to go there," EVP, Consumer *John Harrobin* said during the company's 2Q22 earnings call.

Frontier built fiber to 281,000 locations in 2Q22 and saw 54,000 fiber broadband customer net additions. EVP/CFO

Scott Beasley said the vast majority of those customers are new to Frontier while a small portion are those migrating from the company's legacy copper product. Revenue came in at \$1.46 billion, an 8.7% decline YOY as growth in the consumer fiber broadband segment was offset by declines in subsidy, video, voice and wholesale. Base fiber penetration now sits at 42%.

With macroeconomic pressures only growing, the company has been keeping a close eye on the financial health of its customers. Thus far, it hasn't seen any impact on payments received or bad debt. "Our day sales outstanding and bad debt expense were actually better at the end of Q2 this year than they were at the end of Q2 last year," Beasley said. "Part of that is due to operational improvements we've made. We've incentivized people to get on auto pay, which helps reduce bad debt expense and reduce day sales outstanding. And part of it is our customer base has remained healthy."

Frontier has been seeing pockets of inflationary pressure across its fiber build, but it is still confident in its estimations of build costs being \$900-\$1,000 per location. "We have multi-year agreements in place with key labor and materials suppliers and are continually finding ways to become more efficient in our supply chain and construction techniques," Beasley said. He did highlight that labor cost inflation is something Frontier is experiencing, and it is highlighting a need for them to automate and become as efficient as possible. He believes wage inflation will continue to rise for the next several years



Nominate for The Most Powerful Women

Every year, Cablefax recognizes the Most Powerful Women in the industry across all disciplines including advertising, communications, corporate culture, sales, content, consultants, distribution, digital, finance, legal, operations and more.

Deadline: Friday, August 12 to submit three entries for free. www.CablefaxWomen.com

41485

as the U.S. workforce goes through a wave of retirements, and actions like pushing self-installs and using AI-powered routing technologies to help technicians will prepare Frontier for those challenges.

We've heard executives **Comcast** and others speak in recent weeks about an increase in broadband competition. Frontier is signing a somewhat different tune. President/CEO *Nick Jeffery* said that while the cable and fiber market remains competitive, 84% of Frontier's footprint is covered by one or fewer competitors today. "In this quarter, we gained share against every competitor in every geography we operate in," he said. "If we take a step back, it's very clear that customers do want fiber. It's a superior product, and we continue to make it better with better service, faster speeds and, of course, in its nature, it is symmetrical and therefore that offers a lot of benefits to customers, particularly in this continued era of home working."

Rumors have swirled that **Altice USA** may sell **Suddenlink** to private equity at a value of close to \$5,000/line. With numbers like that flying around, Frontier's executives are keeping all options open when it comes to what they'll do with the fiber builds they already completed in Wave One of their comeback plan.

"In our investor day last year, we showed a view evaluation that fiber passings should be valued at between \$3,000-4,000 per passing at least. So, if there are data points in the market that would suggest other assets out there worth \$5,000 per passing, I think that only strengthens our conviction that \$3,000-4,000 is reasonable, maybe even conservative," *Beasley* said. "And that gives us increasing confidence to accelerate, to build and convert copper to fiber as rapidly as we can."

AMCN SUB GROWTH RAMPS UP, REVENUE DOWN

Despite **AMC Networks'** 2Q22 net revenue falling 4.3% YOY to \$738 million, it saw a big push in its subscriber count across its streaming portfolio. The company recorded 430,000 sub adds in 1Q22, but in the subsequent quarter, AMC Networks added nearly 1.3 million new subscribers, bringing the total to 10.8 million paid subscribers. The sub bump keeps the company on track with its goal to hit 20-25 million streaming customers by 2025. AMCN noted its growing international footprint, which was highlighted this past quarter with the launch of **AMC+** in Spain. "As we think about the future, [DTC ARPU] is going to come from further global expansion, further growth in the U.S.," COO/CFO *Christina Spade* said on the company's earnings call. "Our ARPU strategy, depending on obviously if it's an a la carte offering, whether it's through our direct-to-consumer services, or Amazon or Apple partnerships, it's still a customer decision on a daily basis 'Am I going to stay subscribed to AMC+, or **Acorn** or **ALLBLK**.'" Speaking of *Spade*, before the company's earnings call it was revealed

she would be taking over as CEO on September 9, replacing **Matt Blank** who has held the interim role since September 2021. Blank will remain with AMC Networks until the end of the year in a consultancy role. Another reason for AMC Networks' increased subscriber flow is how the company utilizes its FAST channel and AVOD partners to maintain a pipeline into its subscription offerings. "These curated examples of channels that we're building are reaching these new, younger audiences through these platforms, and we're really using that as a closed loop—especially on the OEM—to drive awareness to our subscription services," President of Commercial Revenue and Partnerships *Kim Kelleher* said. Reported streaming revenue increased 20%, but ad revenue fell 5% to \$202 million. The company attributed it to lower linear ratings, partially offset by increased YOY impressions, pricing and digital growth for AMC Originals. Domestic operating income skyrocketed to \$188.81 million, but that includes impairment and other charges of \$143 million associated with a litigation-related settlement in the prior-year quarter. Content licensing revenue decreased 13%, and distribution and other revenues dropped 2%.

FCC DOUBLES DOWN ON ACP SUPPORT

The **FCC** established a grant program at its open meeting Friday aimed at raising awareness for the Affordable Connectivity Program. The **Consumer and Governmental Affairs Bureau** will develop, administer and manage the program with additional details on grant program requirements and the application process to come at a later date. What we do know is a provision in the Infrastructure Investment and Jobs Act was dedicated to funding ACP outreach, including the provision of grants to outreach partners for education to eligible households and application assistance. The Commission also adopted an order creating the "Your Home, Your Internet" pilot program. The one-year pilot program is designed to raise awareness of the Affordable Connectivity Program among households receiving federal housing assistance. It will test the best methods for helping those consumers receiving assistance from the **Department of Housing and Urban Development** learn about and enroll in the program. State and local housing authorities, Tribal Designated Housing Entities, community partners and other state, regional or local government entities are eligible to apply for the pilot and submit proposals for outreach efforts. The FCC has set aside up to \$10 million to support pilot-related activities.

WOW! LOOKS TO REAP GREENFIELD BENEFITS

WOW! enjoyed a 4% increase in HSD revenue in 2Q22, reaching \$102.6 million. It added 9,300 HSD RGUs since June 2021 to reach 517,200 overall, helping the company achieve 536,600 total subscribers at the end of 2Q22. The company

expects 1,000-3,000 HSD net adds in 3Q and 12,000-15,000 for FY22. Total revenue was \$176.1 million—down from \$181.9 million in the same quarter last year—with video and telephony seeing dips in revenue YOY to \$47.7 million and \$12.9 million, respectively. Last quarter, WOW! upped its greenfield expansion plans to reach 400,000 homes passed by 2027. Construction has begun in central Florida, and is slated to begin in South Carolina in 3Q. The company has been doing more promotional activity prep than normal, and CFO John Rego said that's having an impact on the bottom line. "That's the challenge right now and the environment is really tough out there, but we've been able to find a balance where we can still grow EBITDA, still grow revenue—maybe not as much as before—and, with some promotional activity, keep growing the sub base, which will help us in the future," Rego said on the company's 2Q22 earnings call. "Our real story starts in 2023 when we start selling into the greenfield markets. This is sort of a transition year."

SEGRA COMPLETES DISH BUILD

Segra announced it completed the first leg of its broadband build for DISH Thursday, launching service to more than 500 towers covering 120 cities nationwide.

DOING GOOD

Following the floods in rural eastern Kentucky, Viamedia put out a PSA in an effort to raise funds and gather materials. Employees have already started transporting supplies to impacted communities. It is also assisting provider TVS, which saw its headend become submerged, shutting down the entire system for all customers.

PEOPLE

Sinclair Broadcast filled two newly created executive roles: Richard Cooke as VP, Audio Programming and Lou Ferrara as VP, Consumer Data and Strategy. Cooke will be tasked with growing the company's news and sports business in podcasts, audio device platforms and other audio distribution areas, while Ferrara will manage Sinclair's consumer data platforms. Both will report to EVP/Chief Digital Officer Kevin Cotlove.

CABLEFAX DASHBOARD

Twitter Hits



ACA Connects @ACAConnects
From left, clockwise: @ACAConnects Members Arnie Cutrell @CitizensFiber, ACAC Consultant Frank Polito Fran Bradley @breezeline, meeting Wed. with @RepJohnJoyce at ACAC's PA HQ. To Rep. Joyce's left are @rshawreds @AlpineGroupDC and ACAC Member Brian Jeffers/HTC Communications.



John Legere @JohnLegere
We're wrapping up Week 1 of #JohnClearMyList! Congratulations @SeahawksTeacher, 5th Grade Teacher in Monroe, WA and @AngelaHilset, Kindergarten Teacher in Somerset, NJ! Your lists are being cleared!!



Research

- (Source: EY)
- > 64% of media and entertainment executives say that they need to better define and articulate how they deliver value to customers, employees and stakeholders.
 - > More than 65% are prioritizing investments in services, including mobile gaming enabled by 5G, deploying content recommendation engines with AI and moving programming distribution to the cloud.
 - > 41% believe their strategic and operational agendas are burdened by legacy systems that do not produce actionable business intelligence or insights.

Up Ahead

- AUGUST 9-11:** [C2HR CON 2022](#), Virtual
- AUGUST 23:** [Fiber Broadband Association Copper Mountain Regional Fiber Connect; Frisco, Colorado](#)
- SEPTEMBER 19-22:** [SCTE Cable-Tec Expo 2022](#); Philadelphia
- OCT 10-11:** [The WICT Network's Annual Leadership Conference](#)
- OCT 11-12:** [36th Annual NAMIC Conference](#)

Quotable

"When you think about chip manufacturing and fabrication, it costs about \$20 billion to build one of these facilities. And so we have shrunk from 36% of the market down to 12%. And if we do nothing, we'll continue to shrink to the point where the United States is just not a competitive place to make this huge technology advancement. So the notion that we have to be competitive on an international basis, there was just no choice... We need millions of jobs in this area when you think about the ancillary impacts to, say, the automotive industry or the electronics industry, or the grid itself. So we know that we need to skill and train people here in the United States... What we're looking for are partners on the ground, universities, states, organizations, business organizations, who want to train and skill those to do chip fabrication as fast as possible."— Senate Commerce Chair Maria Cantwell (D-WA) on CNBC's "Squawk Box" [discussing the CHIPS and Science Act](#)