

# Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

## Wheeling & Dealing: Positive Signs of Life Ahead

2021 was a big year for cable deals. 2022 came in hot, but as interest rates climbed, M&A moved to the back burner. But there could be some positive signs on the horizon.

International management consultancy **CIL's** U.S. Mid-Market M&A Pulse Check—based on research with 110 respondents, the majority of whom work for U.S. investment banks and private equity firms—found that most surveyed expect a rebound in deal activity over the next 12 months. More than 80% expect deal volumes will increase materially by the end of 2023.

That report is looking at M&A overall, not any specific sector. But there's reason for optimism in the cable space. **Comcast's** stock hit a 52-week high this week, and there's plenty of excitement over government broadband subsidies, with states working now on their five-year plans for the \$42.5 billion in BEAD money.

And there are some small deals getting done. This week, Ohio-based **NKTelco** announced a deal to acquire **Hometown Cable**. Financials weren't disclosed, but the transaction will see more than 6,000 residents and businesses in Coldwater, St. Henry, Montezuma and surrounding rural areas switch over to the **Schurz Communications**-owned company. It also entails NKTelco buying the fixed wireless network that operates in Mercer, Auglaize, Miami and Darke counties.

**Cable One** has been very aggressive in the M&A space,

completing investments in 10 companies, including the acquisitions of **Hargray** and **Cable America** in 2021. Something to keep an eye on is its investment in **Vyve Broadband** operator **Mega Broadband Investments**. In 2020, it spent \$574.9 million to purchase a 45% minority stake in MBI from affiliates of **GTCR**. The deal included the right to purchase the remaining interests beginning as soon as this year at an undisclosed, fixed multiple. The window remains open through June 30, 2024.

If Cable One doesn't exercise the call option, certain investors in MBI hold a put option to sell to Cable One all of the remaining equity interests between July 1, 2025 and Sept. 30, 2025. The MBI call and put options (aka MBI Net Option) are remeasured at fair value on a quarterly basis. The carrying value of the MBI Net Option liability was \$179.1 million and \$164.4 million as of June 30, 2023 and December 31, 2022, according to the latest SEC filing. Cable One CFO *Todd Koetje* said during this month's earnings call that the company feels comfortable in preparing for what happens next.

"That business is performing extremely well. Everything, as I've said in the past, that we liked about that initial investment we continue to like, in terms of its growth rates, its cash flow conversion, its penetration, its rural competitive insulation, and the leadership team there that continues to do a fantastic job," Koetje said, adding that Cable One has multiple partnerships with GTCR and considers the private

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Partner  
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Contact Ellen Kamhi at  
917.626.5574 or  
ekamhi@accessintel.com

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**MOST POWERFUL WOMEN**

**DECEMBER 6, 2023**

# Call for Entries

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Cablefax Most Powerful Women Awards***

**Standard Deadline**

**August 13**

**Late Deadline**

**September 8**

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Cablefax recognizes the Most Powerful Women based on their influence and power within the industry—as well as their commitment to ensuring other execs receive opportunities to grow and flourish. The Most Powerful Women awards and magazine recognize women across all departments including advertising, communications, corporate culture, sales, content, consultants, distribution, digital, finance, legal, operations and more. Help us celebrate women who are a beacon in a storm.

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equity firm a great partner. (An aside: last week, GTCR signed a deal to acquire security firm **ADT's** commercial fire and security segment for \$1.6 billion in a deal that's expected to close in 4Q23).

CIL's U.S. Mid-Market M&A Pulse Check asked respondents what top two strategies they are prioritizing to drive value creation within investments, with 52% citing 'buy & build.' Coming in second is a strategy near and dear to many broadband providers: geographic expansion with 38% citing it, followed by 'new offering development' at 31%.

Reading the M&A tea leaves is not an exact science, but CIL isn't the only one expressing optimism. Check out Axios' recent [interview](#) with **Cleary Gottlieb** partner *Jim Langston*, who specifically talks about the telecom sector's potential due to it being in the midst of a transformation that includes cable companies getting into the wireless business.

## CHICKEN SOUP STRATEGIC REVIEW

The board of directors for **Chicken Soup for the Soul Entertainment** is forming a strategic review committee to determine the company's path forward. On its 2Q23 earnings call, CEO *William Rouhana* said there's been an uptick in strategic activity within CSSE's space, adding that the company has had requests from potential financial and strategic partners. The review committee will evaluate those opportunities and will "pursue transactions that check all the boxes in creating value for our shareholders." "As part of our strategic review, we identified additional cost savings across our digital products, eliminating vendor relationships and further consolidating our tech platforms," Rouhana said. "We're anticipating approximately \$15 million of additional cost savings in the first year alone." The company already underwent a review to figure out how it can drive greater cash flow and pay down its debt, saying it has identified multiple content deals that could generate EBITDA but not cash in the near term. CSSE is also focused on giving its nearly 30,000 kiosks across the U.S. more optionality to create more cash flow beyond customers renting movie titles, so by reducing costs, increasing the pipeline of clients in its kiosk servicing business and enhancing its digital out-of-home business unit. Additionally, CSSE is scaling its FAST platform and ramping up its content sales arm. The company suffered a net loss of \$43.7 million during the quarter, over double the \$20.8 million net loss in the prior-year period. Net revenue was up YOY from \$37.6 million to \$79.9 million.

## RATINGS

Another week, another **Fox News** ratings sweep across total day and primetime. Fox News led prime with 1.8 million viewers P2+, with rival **MSNBC** not far behind at 1.45 million. **NFL Network** climbed to the No. 3 spot with 858,000 on the back of preseason football games, with **HGTV** and **ESPN** behind with 783,000 and 727,000, respectively. Fox News was the only cable network to top 1 million in total day, notching 1.14 million viewers. MSNBC had 887,000 and **CNN** garnered 487,000, while HGTV (432,000) and **Hallmark Channel** (404,000) rounded the total-day top five.

## STREAMING CONTINUES CLIMB

The streaming category in **Nielsen's** "The Gauge" took a record 38.7% of total TV usage in July as **Netflix**, **Prime Video** and **YouTube** had all-time highs in viewing. While cable and broadcast usage were down 12.5% and 5.4% YOY, respectively, due to a slow month in sports and other categories, total linear usage remained a factor with cable (29.6%) and broadcast (20%) combining for nearly half of total viewing. Of that record-high streaming portion, YouTube led services with 9.2% of usage, followed by Netflix's 8.5% and Hulu's 3.6%. Prime Video had 3.4% and **Disney+** came in at 2%. What stood out in July was the success of "Suits" on Netflix and **Peacock** and "Bluey" on Disney+. The two shows teamed up for 23 billion viewing minutes, with Suits setting viewing records for an acquired title with nearly 18 billion minutes.

## COMCAST COMBATS STORMS WITH NEW DEVICE

With severe storms impacting the U.S. and hurricane season on the horizon, **Comcast** debuted a Storm-Ready WiFi device designed with a cellular backup and a four-hour rechargeable battery to keep customers online in the midst of an outage. It doubles as a WiFi extender and works with Xfinity gateways to extend coverage to all areas of a house, coming packed with WiFi 6 capabilities as well. Customers' networks will automatically switch to the cellular backup in the event of a power outage. The device is available for \$252 or \$7/month for 36 months.

## PAY TV PROVIDERS DOWN 1.73M VIDEO SUBS

The top pay TV providers recorded a net loss of about 1.73

million video subscribers in 2Q23, according to **Leichtman Research Group**. While flat YOY, it brings the total over the past year to a net loss of about 5.36 million, which is up from about 4.24 million during the prior year. Top cable providers suffered the most losses with 925,000, with other traditional pay-TV companies losing about 690,000 subs in the quarter. However, both of those are YOY improvements compared to 950,000 and 710,000 losses, respectively, in 2Q22. Top vMVPDs—including **YouTube TV**'s gain of 200,000 subscribers—lost about 115,000 in the quarter. **Comcast** was the hardest-hit cable provider with a loss of 543,000 video subs, followed by **Charter** (200,000) and **Altice** (69,900). **DirecTV**, **DISH**, **Frontier** and **Verizon FiOS** combined for 688,000 losses.

## CARRIAGE

**Herring Networks'** entertainment brand **AWE** is launching its linear channel **AWE Plus** on the **rlaxx TV** FAST channel platform. AWE Plus already holds distribution deals with over 40 FAST services including **Pluto TV** and **Vizio TV**. Rlaxx TV reaches over 26 countries across Europe, the Middle East, South America and Africa. AWE will also make hundreds of selected episodes available for **rlaxx TV**'s on-demand section.

## WCC RE-UPS ESPN DEAL

The West Coast Conference is sticking with **ESPN** as its media rights partner. The new multi-year, multi-platform deal will see ESPN broadcast 17 regular-season men's basketball games, six men's and women's basketball tournament games and four additional events across the conference's 16 sports on its linear networks each year. All basketball, soccer, volleyball, men's water polo, baseball and softball games not televised on ESPN or **CBS Sports Network**—which has the rights to up to 12 regular-season men's basketball games—will be aired on **ESPN+** starting this year.

## NAMIC NAMES NEXT GEN, LUMINARY AWARDS

**NAMIC** announced the winners of its Next Generation Leader Awards and its Luminary Awards. The Next Gen honor recognizes leaders in the industry who have advanced multi-ethnic diversity in the industry. This year's recipients are **ESPN** SVP, Strategy & Office of the Chairman *Chara-Lynn Aguiar*; **Cox** SVP, Product Development and Management *Catherine Mitchell*; **Charter** GVP, Marketing Planning and Operations *Puru Patnekar* and **A+E Networks** SVP, Production Finance *Valerie Spiller*. This year's Luminary Awards spotlighted eight rising leaders who have shown leadership skills and embraced NAMIC's mission. Honorees include ESPN VP, Programs and Acquisitions *Heather Anderson*; **Warner Bros. Discovery** VP, Multicultural Marketing, **HBO** and **Max** *Ileana Lagares* and Charter VP, Customer Service *DeAdria Wright Davis*.

## FIBER FRENZY

**Lumos** expanded its fiber-optic internet to Orange County, North Carolina, thanks to investments from Lumos and from the county's American Rescue Plan Act funding. It'll be a six-phase plan and utilize nearly 1,000 miles of fiber, bringing service to more than 6,300 unserved homes and an additional 22,000 residences. – **Vexus Fiber** cut the ribbon for a new store and office in Alexandria, Louisiana, on Thursday. The store will manage local sales, technical support and billing issues, while also allowing customers to receive in-person demos or inquiries about products and services.

## AWARDS

**NAB** will be honored with the Philo T. Farnsworth Corporate Achievement Award at the upcoming 75th Engineering, Science & Technology Emmy Awards. The award recognizes an agency, company or institution whose contributions have impacted TV technology and engineering. It comes as NAB celebrates its centennial anniversary, highlighting the association's work to advance the interests of broadcasters through public policy, educational initiatives and support for innovation in technology and content. The Engineering, Science & Technology Emmys will take place October 18 in L.A.

## PROGRAMMING

The horror comedy "Shining Vale" will have its Season 2 premiere at 9pm on Oct. 13 on **Starz**. It'll be available to stream at midnight on the Starz app or on **Lionsgate+** in the U.K. and Ireland. – "House of Villains," a series featuring 10 infamous reality TV "villains" competing in a series of challenges for a \$200,000 cash prize, will premiere on **E!** on Oct. 12 at 10pm. – The first **NBA** in-season tournament will have games aired on **TNT**. The network's coverage begins with group play Nov. 14 with the Spurs vs Thunder at 7:30pm, followed by the Nuggets vs Clippers at 10pm. Then on Nov. 21, the Cavaliers will face the 76ers at 7:30pm before the Lakers host the Jazz at 10pm. **NBA TV** will also have a couple of games Nov. 24: Magic vs Celtics at 2:30pm and Suns vs Grizzlies at 5pm. Group play coverage wraps up on TNT on Nov. 28 with the Bucks vs Heat at 7:30pm and Warriors vs Kings at 10pm. TNT's schedule for knockout round games will be revealed at a later date. – **ESPN** unveiled its new-look **NBA** game and studio coverage for the 2023-24 campaign. The new lead commentary team will be led by *Doris Burke* and *Mike Breen*, who'll now be joined by former NBA champion and head coach *Doc Rivers*. They'll call the NBA's Saturday primetime games on **ABC**, the playoffs, Eastern Conference Finals and Finals. Burke will become the first woman to serve as an analyst for the championship series. A second broadcast team will be comprised of *Ryan Ruocco*, *JJ Redick* and *Richard Jefferson*. That trio will call the NBA's Sunday Showcase series on ABC. *Malika Andrews* will remain the host of "NBA Today" and will now host of all ESPN's and ABC's "NBA Countdown" shows. Former Golden State GM *Bob Myers* is joining the studio as an analyst.