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WHAT THE INDUSTRY READS FIRST

Glo Up: Shentel Buying Horizon Telcom to Create 9-State Network

Shentel is getting bigger, announcing a deal to acquire Horizon Telcom for \$385 million in cash and stock. The transaction, expected to close in the first half of 2024, will significantly double the size of Shentel's commercial fiber business, increase the size of its overall business by approximately 25% in most key metrics and expand its footprint from the Mid-Atlantic into Indianapolis and Ohio's Columbus, Dayton and southeast communities.

"We believe this will be a transformative transaction that checks a lot of boxes for us to accelerate our fiber-first strategy," Shentel President/CEO *Chris French* said in a call with analysts. "Horizon's 7,000-mile fiber network will create a new beachhead for our Glo Fiber expansion, opening up new markets with 100,000 targeted passings. We believe owning the middle mile fiber network that connects our Glo Fiber markets provides cost and reliability advantages over competitors with Ohio networks."

Shares of Shentel soared on Wednesday's news, closing up 10.5% on the Nasdaq. Horizon is primarily a commercial fiber business, which represented about 64% of the company's revenue in 2022. It has more than 1,100 commercial customers. Shentel has been primarily focused on residential fiber, recently raising its target for homes passed with its Glo Fiber product to 500,000 from 450,000 given its success in executing new franchise agreements in central Pennsylvania. "We think our core competencies will complement each other

well, and we think our team can help the residential growth quite a bit," said Shentel CFO *Jim Volk*. Horizon launched its first greenfield FTTH residential offering in the second half of last year and has approximately 18,000 greenfield passings in three markets. Shentel believes it can up that number to 100,000 by 2026. In Horizon's incumbent markets, it was late upgrading to fiber and has a penetration rate for its 14,000 passings of just 16%. Shentel thinks it can boost that to 40%.

"This is a deal that helps expand Shentel's network footprint with the potential for growth from passings that have yet to become customers. The purchase price is cheaper than what it would cost Shentel if it were to build such a network. However, the time for Shentel to generate a payback on such an acquisition seems a few years away," **BWS Financial** analyst *Hamed Khorsand* told **CFX**.

No decision has been made yet on whether Shentel will re-brand Horizon services under the Glo Fiber name. That should come closer to transaction close. With a "minor investment," Shentel plans to connect its network with Horizon's to provide a contiguous super regional network covering nine states, French said. Adding Ohio to its footprint could put Shentel in the running for some of the near \$800 million in funds allocated to the state through the BEAD program. Horizon has already been verbally awarded a \$27 million grant from NTIA to expand its middle mile network into eight underserved counties and upgrade network capacity to 400 Gbps. Shentel has been granted \$70 million to construct broadband to 24,000 unserved homes, primarily in Virginia.

With government money coming, one might wonder why



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Horizon is looking to get out of the business. Volk said that's probably a question for Horizon's investors, but that it appeared to Shentel that the company was capital constrained. "They either needed to do a transaction or raise additional money to keep investing in the business. Our balance sheet is relatively light in the form of debt so this transaction fit well at this time with our strategy to expand our fiber business," he said.

Shentel will pay \$305 million in cash and \$80 million of Shentel common stock to be issued to Horizon equity holder **GCM Grosvenor**. That will give GCM ownership of approximately 7% of Shentel once the deal closes. Shentel has raised \$436 million in capital to finance the transaction and to expand the combined company. That includes raising \$81 million of growth capital from its existing shareholder **Energy Capital Partners** through a 7% Participating Exchangeable Perpetual Preferred Stock investment agreement. Shentel may also explore strategic alternatives for its non-core tower portfolio. The company owns more than 220 macro cellular towers.

Horizon has agreed to invest in the network between signing and closing, with Shentel to reimburse it for the required capital. Shentel said the transaction multiples (purchase price less tax assets) come out to 12.9x adjusted EBITDA, net of synergies. This translates into a purchase price of \$51,000 per fiber route mile. Shentel has identified \$10 million annually in run-rate synergies that it expects to recognize within 18 months of closing. Volk said the company believes \$385 million is an attractive purchase price given Shentel's higher trading multiple today and the estimated \$75,000 per route mile replacement cost to overbuild a comparable fiber network.

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\$6B ACP FUNDING REQUEST

The *Biden* Administration made the request for \$6 billion to fund the Affordable Connectivity Program through December 2024. Now, that there's a Speaker of the House, maybe it'll happen! **New Street Research** noted that newly elected Speaker *Mike Johnson* (R-LA) comes from a district that has almost double the ACP enrollment as the average congressional district. More than 84,000 households in Louisiana's 4th District are benefiting from the broadband subsidy program, the firm said. "Given Johnson's conservative views and his very safe Republican district, these numbers do not suggest he will be supportive of efforts to refund the ACP, but it does suggest that he will likely hear more from his constituents than others might have and thus may be more amenable to a compromise on the issue than others might be," New Street said in a research note. "Still, given the chaotic politics of the budget in D.C., we continue to believe that refunding ACP is an uphill fight."

The WHO and the WHY

CFX's spotlight on recent new hires & promotions



MICHELLE Powell
SVP, CUSTOMER OPERATIONS BUSINESS INTEGRATION CHARTER

3 THINGS TO KNOW

- Michelle was given a promotion from her previous role of GVP, Standards and Compliance. She'll be the primary liaison between product, engineering and technology. Michelle will also oversee a team responsible for the integration of functional business requirements for internal and external customer-facing systems, products and applications for both residential and small- to medium-sized business customers. She'll report to EVP Customer Operations Cliff Hagan.
- She joined Charter in December 2015 as VP, Business Integration. Michelle hit the ground running by creating a playbook to guide post-merger and mobile business integration efforts with responsibility for the implementation of customer operations' cross-functional projects. Her role expanded to include all lines of business three years later, before being bumped to GVP, Business Integration in July 2021.
- Prior to Charter, Michelle spent over two decades at Cablevision, holding various roles in business integration and billing. Outside of work, she's the Chairperson of the Board's Nominating Committee and Executive Board Member for the Mondays at Racine Cancer Care Foundation.

APPLE TV+ GETS BIG PRICE HIKE

Apple TV+ is getting a major price hike. The streaming service will now cost \$9.99/month, up significantly from the previous price of \$6.99/month. The annual plan is also rising from \$69 to \$99. The monthly prices of sister services Apple Arcade and Apple News+ are also increasing as will the price of the Apple One bundle. The change is effective immediately for new customers and will take effect for existing customers on their next renewal date.

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T-MOBILE FIELDS QUESTIONS OVER FIXED WIRELESS, FIBER

T-Mobile continues to be the most consistent wireless player in the market, growing service revenues to \$15.9 billion in 3Q23. While its 386,000 postpaid net account additions impressed, all that the analysts on the company's earnings call wanted to talk about was broadband. T-Mobile's internet net customer additions were 557,000 thanks to increasing demand and lower churn, and

the provider now has 4.2 million subscribers to its fixed wireless service. There are always questions about how long wireless providers have before they really need to think about adding network capacity, but CEO *Mike Sievert* believes T-Mobile has a long runway ahead. That is thanks to its massive spectrum portfolio, some of which still needs to be deployed. “We have Auction 108 proceeds still pending. We have C-band that we haven’t deployed, 3.45 GHz, as well as refarming potential from spectrum being used for LTE right now like AWS. So lots of room to run as it relates to pouring new capacity into this network,” Sievert said. Right now, the team isn’t looking at any alternatives to those spectrum options from a wireless standpoint, and it will continue to use millimeter wave strategically in dense places. He also doesn’t have any desire at this point in time to purchase or build out fiber assets to support T-Mobile’s network. “We don’t have an interest right now in changing the basic capital structure of this company nor the philosophy of it nor the centrality we have around wireless,” he said.

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DIGITAL DISCRIMINATION DRAFT

As promised, the **FCC** released a public [draft](#) of its Report and Order on preventing digital discrimination that’s set to be voted on at next month’s open meeting. The order revises the FCC informal complaint process for digital discrimination, with the proposal declaring that a complaint or allegation alone does not necessarily warrant an enforcement response from the Commission, “thus ameliorating any such concerns raised by some commenters.” While ISPs have the shared goal of providing opportunity for all, there are doubts about the FCC’s approach. “However well-intentioned, the FCC’s draft rules create a regulatory structure that could stifle investment and force providers to divert limited capital away from deployment. Delivering high-speed broadband to all in America must be our common mission and collective priority. Our nation’s broadband sector will remain committed to working collaboratively with stakeholders to close any remaining broadband gaps,” **USTelecom** President/CEO *Jonathan Spalter* said in a statement. **NCTA** responded to the draft by highlighting how cable broadband providers offer gigabit service to 99.5% of homes and businesses in areas with the highest percentage of African-American residents, compared to 98.1% of homes and businesses in areas with the lowest percentage of African-American residents. It is the same for 99.6% of homes and businesses with the highest percentage of Hispanic/Latino residents, and 97.4% of homes and businesses with the lowest percentage of Hispanic/Latino residents, and to 98.2% of homes and businesses in urban areas where the median annual household income is below \$35,000 and to 99.8% of homes and businesses where the median annual income is above \$100,000, **NCTA** said.

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RATINGS

Last night was the NLCS’ turn to have a Game 7 winner-take-all matchup, and it became the most-watched MLB postseason

game on **TBS** in eight years. The Diamondbacks’ win over the Phillies generated 9.1 million viewers across TBS, **truTV** and **Max**, up 17% compared to the 2022 NLCS which also featured the Phillies (vs Padres) and up 5% vs the 2022 ALCS on TBS (Astros vs Yankees). TBS’ 2023 MLB Playoff coverage averaged 4.6 million viewers—up 8% from the network’s 2022 playoff broadcasts.

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MONUMENTAL STRIKES PARTNERSHIP WITH ROBINHOOD

The financial service platform **Robinhood** is taking stock in **Monumental Sports Network** and the Washington Wizards. After Robinhood was named the jersey patch partner of the Wizards, Monumental is integrating it into the team’s broadcast coverage. Robinhood will be the presenting sponsor for the Wizards postgame live show, the in-game “mic’d up” features and be included in commercials in addition to having Robinhood signage throughout Capital One Arena and the greater Washington region. The conversations of a potential partnership began six months ago, with Robinhood’s co-founders *Vladimir Tenev* and *Baiju Bhatt* both hailing from Virginia and growing up fans of the Wizards. *Jim Van Stone*, CCO/President, Business Operations for **Monumental Sports & Entertainment**, said the audience Robinhood cultivates meshes well with what demographic the Wizards and **NBA** are looking to continue generating interest among. “I think the audience as a whole, not only here in Washington but across the NBA, matches so well with the audience that Robinhood is trying to engage on,” Van Stone told **CFX**, adding that the fact MSE owns the venue and media aspects gives it more flexibility. “You’ll see a lot of signage around the Wizards games promoting Robinhood, and hopefully getting more people to download their app and engage on their investment platform, but I think bringing that messaging to the media side with all the people that are at home—either watching on their cable or if they become a subscriber to our direct-to-consumer package in Monumental Sports Network—I think it opens a completely bigger and larger audience for them,” he said. No specific details have been ironed out regarding Robinhood’s integration into the network’s DTC offering, but there’s interest in expanding the partnership to MSE’s other franchises like the **NHL**’s Capitals and **WNBA**’s Mystics down the line.

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PEOPLE

Tom Rutledge isn’t going too far when his term as Executive Chairman of **Charter**’s board expires on Nov. 30. He will continue to serve the company as Board Member Emeritus once his previously announced retirement arrives. Charter President/CEO *Chris Winfrey* will fill the board vacancy left by Rutledge, while Charter’s Lead Independent Director *Eric Zinterhofer* will move into the role of non-executive Chairman of the board. It’s familiar ground for Zinterhofer who served in the same capacity from December 2009 through May 2016.

Think about that for a minute...

Expensive Ageism

Commentary by Steve Effros

Were you aware that there's a significant increase in book purchases these days? There's actually almost a renaissance in the popularity of books. Book clubs proliferate and sales have taken off. Interestingly, a lot of those sales are online. Amazon has led the way with the Kindle and now most libraries are offering electronic versions of books as well.

There's a reason for all that from my perspective: viewability. The surge is not for the printed books, which have for many of us become unreadable because of the small type. Nope, it's the ability to read a book on a device that allows the reader to set the size of the print. It's also because purchasing these books has become as simple as a few clicks, and delivery is instantaneous. The needs of diverse consumers have been met. The result is a win for everyone.

This is a lesson the video industry still needs to learn. I'll get to the viewability thing in a minute, first let's talk about ease of use. I'm willing to bet that almost everyone who reads this column has either complained about, or heard a complaint from a friend, parent or partner about watching television these days. Some of us are technologically proficient, but lots of folks aren't. And they're going nuts. Just turning on the "smart TV" has become a challenge.

What happens when you push which button? Well, if you're using Chromecast, like I do on my sets, if you push the little one on the bottom with the "power button" symbol, it turns on the set and immediately goes to the opening Google TV screen. But what if you use YouTube TV or Hulu or whatever?

The search for the program or service you want, particularly if you're in the middle of a series of episodes can be maddening. Changing interfaces, finding the one that knows which episode you want or at least which one was the last you watched, assuming you know which service it was on can be a crazy puzzle. Not a process that's likely to make my wife happy anytime soon! We have to do better than that! I've said this before: there has to be an agreement among all the major

players that integrates not only the available programs (that's already in progress) but also the data on what the viewer has done with the program they have been watching regardless of the service. It's just not useful to be able to get to a program and the way you get to it doesn't know which episode you are up to and which you've already seen. The primary service knows that, but I would have to enter their particular GUI to benefit from that information. It'll make it better for all of us if that information is shared.

And then there's the tendency, which drives me nuts, of producers to think that we're all 18 to 34 and that in the middle of a key scene the "reveal" should be done by someone getting a text on a cell phone! I'm supposed to be able to read that? Sure, now they put up a "balloon" for a few seconds with larger type, but with everyone watching on a large TV screen, is the balloon going to be on the top right? The lower left? By the time I find it, it's gone and so is the plot!

C'mon, folks. You can do better. Understand that there are folks above 50 trying to turn on and watch this stuff too! We're part of the audience. At least repeat the texts in the closed captioning, which we're all using because we can't hear all the mumbling! Don't forget those out of your "prime" age group. That sort of ageism will hurt you.



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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