WOW!
First Quarter 2015 Earnings Conference Call
May 6, 2015
10:00 a.m. ET

Operator: Good morning, ladies and gentlemen, and welcome to the First Quarter 2015 WOW! Internet, Cable & Phone earnings release conference call. As a reminder, I want to advise everyone that this call is being recorded. At this time, I would like to turn the call over to Mr. Rich Fish, WOW!'s Chief Financial Officer, please go ahead Mr. Fish.

Rich Fish: Thank you, Michelle. Good morning, everyone and thanks for joining us for our First Quarter 2015 Earnings Call. With me today is Steven Cochran, WOW!'s CEO who'll be giving an update on our operating activities and then I'll cover the financial results for the year. After that, we'll open it up for Q&A.

Before we get started, we need to remind everyone that in the call we'll be making some forward-looking statements about our expected operating results, our business strategy and other matters relating to our business. We disclaim any obligation to update those forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual operating results, financial position or performance to be materially different from those expressed or implied in our forward-looking statements.

We discuss in our 10K that was filed with the SEC on March 27th, some important assumptions and business risks that could cause our actual results to differ materially from those in the forward-looking statements and you should refer to that filing for a complete discussion of those risks. In addition, please note that in today's call and in the release, we refer to certain non-GAAP financial measures including adjustment EBITDA and certain Pro Forma results. These measures are reconciled in our earnings released at the most comparable GAAP measure in the financial statements that we filed with the SEC.

So, I'll turn it over to Steven to give an update on business.

Steven Cochran: Great. Thanks, Rich. Good morning everyone and thank you for joining us. We're pleased this morning to be reporting another positive quarter of financial results building on the positive momentum we set in the fourth quarter of '14. Rich will go through the financials in more detail in a bit but just as a highlight, our first quarter total revenue was $312.3 million and an adjusted EBITDA of $109.7 million which represented a year-over-year increase of 5.5 percent and 9.3 percent respectively. From a CAPEX standpoint, our first quarter was essentially flat year-over-year at $50 million.

So, from an unlevered free cash flow standpoint, we had $8 million of improvement in free cash flow or 15 percent over the Pro Forma of first quarter of '14. As most of you are probably aware, we implemented a RIF during the fourth quarter of '14 as well as several other initiatives to make us more efficient operationally. We did this to ensure that we're able to compete aggressively and position ourselves for growth in '15 and we're very pleased that those decisions have paid off and our LTM Pro Forma adjusted EBITDA is now $422 million compared to $412 million at the end of the fourth quarter.

From a customer activity standpoint, as we discussed on the last call, we're in a period were we've been prioritizing the profitability of our customers over just pure growth which is to acknowledge all customers, especially RGUs, do not have the same value. We continue to proactively adjust our offerings to the changing customer needs with the focus on providing a superior HSD experience and we'll also continue to adjust both our acquisition tactics as well as our retention offers to improve our customer growth without negatively impacting the margins we're driving with our current base.

Some of our competitors seem more focused on market share right now which results in a level of customer loss for us in the short-term but, again we feel that it's definitely within the tolerable range; while we strive to manage to the margin and deliver free cash flow. And we will continue to monitor and change tactics now that the Comcast and Time Warner deal is no longer active.

So, from a first quarter standpoint, we have said in the last call that we expected the customer trends to continue from what we saw in the fourth quarter and we did see that. Customer churn has continued to stabilize and we're at 2.7 percent for the quarter, which is more in line with our historical trends.

From a connect standpoint, we continue to see soft connect especially for the first half of the quarter as we begin ramping back up our customer acquisition and marketing activity coming out of the kind of fourth quarter pullback, as well as, some of the distractions that was related to our corporate reorganization. Additionally, we had some early headwinds early in the quarter as we were dealing with the last portion of our rate increase that hit a part of our base throughout the month of January.

So, for the first quarter, we saw an overall decline in subscribers and RGUs. Total customers were down about 9,900. Total RGUs were down about 54,000 with video leading the way at 28,000.

So, within the quarter though, we did see improvement month-over-month as January accounted for 65 percent of the total loss for the quarter. At the same time, I think it is important to note that from a video ARPU standpoint which we talk a lot about our video ARPU, strategically trying to drive profitable customers, driving the reasons for some of our customer loses.

Our video ARPU year-over-year increased 15 percent so, we are managing to maintain that base and drive a higher ARPU in the customer-based that we have from a video standpoint. But just again to kind of summarize you know, we anticipated the first quarter was going to be a tough quarter from a subscribers' standpoint. We factored that into the guidance we gave for 2015 and we aren't having any revision to our guidance. We still feel very comfortable about where we are. All of that being said you know, we're happy with the overall quarter but we do expect to gain HSD customers and we didn't.

So, from that standpoint, we continue to adjust the way we're acquiring and retaining our HSD customers but looking at it from a single product standpoint, from a bundled standpoint and doing whatever we need to do to continue to grow that base but trying not to also overreact to things in the market and offset the ARPU gains that we've made.

Specifically, as we mentioned going forward, we expect to see customer RGU trends where we'll have increased total customers and HSD RGUs, but we do expect to see a decline in video and telephone RGUs as we move forward.

From a programming standpoint, our programming costs for the first quarter were up sequentially by 9.8 percent on a per basic subscriber standpoint. This is actually slightly better than what we had budgeted as we had a couple of the re-trans deals done a little bit better than we expected them to. On a year-over-year basis, it's about 15.2 percent up over the first quarter of '14 on a per customer basis. We feel really good about the remainder of the year from an uncertainty of cost standpoint as virtually 100 percent of our programming contracts are contractually committed at this point with no open negotiations out there.

The other item from a rate increase standpoint as we previously mentioned in '14, we had multiple rates go on throughout the year and we didn't get the level of performance that we had hoped to from a stick rates standpoint. This year, we made a lot of changes. We redesigned some of the processes. We changed focus at the call center and have seen a much improved stick rate on the rate increases that we did at the end of '14 and the beginning of '15 which will be what drives the numbers for this year.

So, what I would consider our two biggest misses in '14 from a programming cost standpoint and a rate increase standpoint you know, have been addressed and mitigated as potential misses in '15.

Lastly, just to touch on business services quickly you know, it's another area where we continue to see really good progress. Our sales funnels continue to fill. We continue to expand the sales channels that we're looking at and the results are starting to show it. Our first quarter booked sales was the best booked sales quarter we have had as we continue to build momentum with positive trends maintaining focus on kind of building the scalable back office platform to handle our future growth but for a first quarter standpoint, we saw sales increase 12 percent quarter-over-quarter and 26 percent year-over-year and how that translated into revenue was an 8 percent growth quarter-over-quarter and a 17 percent growth year-over-year which has us feeling very good about where the business is going and where it's headed as we continue to see positive trends and the group's performing very well.

And lastly, before I turn it over to Rich, as many of you probably have seen, we have launched a re-pricing amendment on our term loan B facility this morning to align our current rates to market conditions and we expect that process to play out over the coming days. So, with that, I'll turn it over to Rich to go into the financial details. Thanks, Rich.

Rich Fish: Thanks, Steven. Just to remind everyone that the divestiture of our South Dakota systems last year occurred on September 30th.

So, our reported results in our filings with the SEC last year include as well as this year include the results of operations from South Dakota for the first nine months of the year. Therefore, any year-over-year comparisons that we make will be on a Pro Forma basis to make sure we're talking about apples-to-apples comparisons such that we'll exclude the results from 2014 related to South Dakota but also to add the results of Anne Arundel broadband which we acquired on May 1, 2014.

So, as Steven mentioned at the outset of the call for the quarter will report total revenue and adjusted EBITDA for the quarter of $312.3 million and $109.7 million respectively, for the quarter. First quarter total revenue was up sequentially $3.1 million or just at 1 percent and was up on a year-over-year basis by $16.2 million or 5.5 percent over the Pro Forma quarter of 2014.

First quarter adjusted EBITDA was up sequentially over the fourth quarter by $2 million or 1.9 percent and was up on a year-over-year basis by $9.3 million or 9.3 percent over the Pro Forma First Quarter of 2014. As of 3/31 on a lookback, LTM basis, Pro Forma total revenue on an LTM basis at 3/31, totaled $1.225 billion which was up on a year-over-year basis by $66.2 million or 5.7 percent over the Pro Forma LTM period ended at March 31st of last year and Pro Forma adjusted EBITDA on an LTM basis here at the end of the first quarter totaled $421.6 million which was up year-over-year by $10.6 million or 2.6 percent over the LTM period ended March of last year.

For the quarter, for 2015 here is a subscription revenue first quarter total subscription revenue was $278.9 million which was up $3.2 million or 1.2 percent on a sequential basis. The components of that is that $6.1 million was attributable to increases in ARPU as a result of realizing a full quarter's benefit from the annual rate increase that went into effect in the fourth quarter of 2014 and that was offset by approximately $2.9 million decrease that was attributable to the customer loses that we experienced during the quarter.

On a year-over-year basis, subscription revenue increased $11.4 million or 4.3 percent over the Pro Forma First Quarter of last year, $13.8 million of that increase was attributable to the increases in customer ARPU and that was offset by approximately $2.4 million from reductions in decrease in total customers.

So, ARPU, total ARPU for the first quarter was up sequentially by $2.65 cents per total customer. As a result, as I mentioned in realizing the full quarterly benefit of the rate increase and is up on a year-over-year basis by $6.64 cents per total customer. Other commercial revenue, other commercial for the year totaled $6.8 million for the quarter which was a year-over-year increase of $1.6 million or 31.4 percent over the Pro Forma quarter of last year and that is primarily as a result of increase revenue coming from our commercial wholesale business.

Other revenue for the quarter totaled $26.6 million which was up on a year-over-year basis by $3.2 million or 13.7 percent on a Pro Forma basis over 1Q of '14 and that was just driven by the increase in ancillary customer billings which is late fees, reactivation fees, service protection plan, installation charges, et cetera.

Looking at CAPEX, CAPEX for the quarter totaled $49.9 million. However, in the quarter, we also had a paydown of CAPEX related working capital that had built up at then end of the fourth quarter totaling $5.7 million so, on the face of our statement of cashflows, it will show cash out in total related to CAPEX for the quarter totaling 55.6 million.

And as Steven mentioned you know, with the year-over-year improvement of approximately 9.3 percent in adjusted EBITDA over the Pro Forma of first quarter of last year and holding CAPEX relatively flat on a year-over-year basis, we were able to see about a 15 percent improvement in unlevered free cashflow over the first quarter of last year excluding working capital.

Looking at the balance sheet, we ended the quarter with 223 million in cash and cash equivalent so, from the leverage standpoint Pro Forma Senior Secured on a net basis was 4.1 times and Pro Forma total leverage also on a net debt basis was 6.8 times. In addition at 3/31, there were no draws outstanding on the revolver so, net of letters of credit in our $200 million revolving facility, we have roughly $192 million of available borrowing capacity under the revolver.

And finally, just one additional point as Steven mentioned relating to the re-pricing amendment as it relates to liquidity in our cash balances, we do anticipate that a part of that process will be using a significant amount of the existing cash that exists on the balance sheet to paydown existing senior debt.

So, that really concludes our prepared remarks so, Michelle, I turn it back to you now to open it up for questions.

Operator: OK. Anybody who would like to ask a question, please press star one on your telephone keypad. Again, that is star one on your telephone keypad.

Your first question comes from Mike Pace, from JP Morgan, your line is open.

Mike Pace: Hi, thanks. Good morning, guys. Just to get back to the units a little bit. I guess it sounded as though gross activity was a little lighter year-over-year or sequentially and you mentioned churn stabilized but I'm curious, can you give us some churn stats you know, what was churned in the fourth quarter of '14, what was churn also in first quarter of '14? And then, I have a few followups.

Steven Cochran: Rich, you got that?

Rich Fish: Yes. On a historical basis, churn for the quarter as Steven said was 2.7 percent. I think that was slightly better than the fourth quarter which was 2.8 percent. Looking back to the first quarter of last year on a blended basis, churn was 2.4 percent.

Steven Cochran: And Mike to speak to that specifically you know, last first quarter, last year first quarter, we gained I think almost 30,000 RGUs and had a miss on the ARPU side of nearly $25 million.

So, I think we kind of see the difference in lower churn and what we're strategically trying to do by allowing the churn to be a little higher and maintaining ARPU.

Mike Pace: For sure. And I guess just on the disconnect side you know, historically you said that it was maybe slightly more competitive in the Comcast markets and I'm wondering how that looks in the first quarter just noting that Time Warner Cable was the only big cable company to actually maybe beat expectations on the unit side.

Steven Cochran: Yes. We definitely saw Comcast as continuing to be the most aggressive throughout the quarter. Time Warner you know, we didn't see as much from them, I mean, in the markets were in there, I didn't see as much as what we saw specifically in Chicago and Detroit from Comcast. I think we're anxious to see what it looks like with the merger going away. And continue to hear things but we'll monitor the activity to see what direction it heads.

Mike Pace: And it sounds like you reiterated all the guidance that you put out in February so, as it relates to RGUs, you currently stand below that guidance so, how does this play out for the rest of the year? Is there other….

Steven Cochran: Yes, I guess I will let Rich weigh in on his thoughts on the RGU side. I think we're completely comfortable with the financial guidance and where we are on that. I think the RGU side specifically around video, I don't think that, I think that one: will definitely be on the low end, if not a little bit below but we kind of look at that as less of the balancing and I'm not sure in retrospect that we continue to give guidance on video RGUs just from the standpoint of the margins that's there, I mean, we're trying to make the right decisions on the margins within a video customer and are going to continue to make the right decisions for the business as it relates to that and, if that means losing more video RGUs, I'm not sure that's going to be a big driver of our guidance compared to the overall revenue CAPEX, EBITDA, specifically around what we need to do from the HSD standpoint.

Mike Pace: And just a couple of quick ones here. You mentioned programming cost on that video subject was up around 15 percent year-over-year per sub, I guess you also had some programming cost increases in the back half of '14 so, does that 15 percent year-over-year go down as we head throughout the rest of 2015? And then, what it tells about '16 as well?

Steven Cochran: Well, yes. So, I think it's one of those is probably goofier this year than it is in a year because last year we had a couple throughout but we'll be looking at it quarter-over-quarter so, I would anticipate that the year-over-year is going to slightly move down as you look at each quarter, just given the timing of that. As we look at '16, fortunately, we only have kind of one of the major programmers with contract to expire.

So, we've got a much better feel for where its coming in compared to what we were looking at in '15 with a bunch of re-trans and a couple of our larger programmers.

So, I think right now we're thinking that its kind of the 9 percent range as a per customer increase as we move in to '16.

Mike Pace: Great. And then, just an update on the Chicago.…

Steven Cochran: But it's the lowest in three years, still significantly higher than what we're all comfortable with.

Mike Pace: Great. And then, just an update on the Chicago Tower contract that you signed.

Steven Cochran: Yes.

Mike Pace: Where are we with that and when should we start to see that flow through the P&L?

Steven Cochran: You know, we're just starting to activate towers now, I mean, it's been a lot of building process up to this point and permitting and contracting and all of that and we're just now in the activation stage and you know, it's onesy twosy as you start to turn them on and then, they kind of ramp over time.

So, I mean, there'll be some impact in the back half of the year but, from a per tower standpoint, you're not seeing significantly changing numbers its really related to when you start to get the quantity on them, the volume of them.

So, you know, there'll be some impact this year but it's not significant.

Mike Pace: OK, great. Thank you.

Operator: Your next question comes from Lauren Gallagher from Credit Suisse, your line is open.

Lauren Gallagher: Hi. Good morning, guys. How are you?

Rich Fish: Good.

Steven Cochran: Hi, Lauren.

Lauren Gallagher: I have three questions. First, kind of relating to the RGU product side, you mentioned you kind of change some of the internet marketing and products offerings, I was curious if you could elaborate a little bit on that and kind of if you've seen any traction on it so far?

Steven Cochran: Yes. I mean, in a similar pattern to what you know, what we saw with overall RGUs. It continued to get better as the quarter went. But looking at it, we rolled out within the first quarter a HSD and limited basic offering, trying to be more attractive to the customers who are buying content over-the-top.

We got more aggressive, we had an aggressive HSD only offering in some markets and we expanded that to other markets. And from a save standpoint, kind of continue to tweak what we're willing to do from a save standpoint.

So, it's a you know, it's an iterative process and I think what we've been careful to do is make sure that we don't overreact, because there's something in the market we go down the path that is too impacting on the ARPU side and especially as it relates to customers in the bundle with video that turn you upside down fairly quickly.

So, I would tell you, it's a weekly conversation that happens as far as OK, what are we seeing? What kind of act you know, what kind of response that we get from what we did last week? Do we need to make any tweaks to it and feel good about where we headed with it. And also, just continuing to evaluate the product and the speeds and where we are from a pricing standpoint and whether there's things that we want to do to be more disruptive in certain markets, those kinds of things, so.

Lauren Gallagher: OK. Great, thanks. In terms of the $20 million cost save or cost saving program, how much of that do you think is benefitting or benefitted you in Q1 at this point?

Rich Fish: In Q1 Lauren that would be about just a little bit under $5 million.

Lauren Gallagher: OK. And kind of, could you update us on the timing on how that you think that will roll through fiscal '15?

Rich Fish: Well, the RIF was implemented fourth quarter so, you know, in our LTM, 3/31 EBITDA, we have basically half of the benefit associated with that. The total annualized EBITDA savings is approximately call it between $18 million to $19 million.

So, in LTM EBITDA, we have roughly half of that so, there's still $9 million to $10 million that in theory is you know, you could Pro Forma into our number per se but, we will realize in LTM periods progressively an additional roughly $5 million per quarter related to that until its fully realized in LTM as of the third quarter of 2015.

Lauren Gallagher: All right. Great. And my final question and I understand if you are not going to make this public yet but how much cash will you be using to paydown debt?

Rich Fish: I don't think that's public yet. My word to describe it is significant so, it's you know, a number that is certainly a meaningful paydown. We've got $223 you know, of cash on the balance sheet at the end of 3/31.

So, I expect to be paying down a very large amount of that to represent a pro-rata paydown to the term loan B and the term loan B-1 at closing of the pricing facility but the amount is still a bit TBD.

Lauren Gallagher: OK. I appreciate that. Thank you.

Operator: Again, if anybody would like to ask as question, please press star one on your telephone keypad. Your next question comes from David Phipps from Citi, your line is open.

David Phipps: Hi, guys. Maybe I'll ask it in a different way. So, how much is remaining that you could potentially payoff from the South Dakota asset sale proceeds? So, you've used some for CAPEX so, how much remains out of the 262 million for repayment to creditors?

Rich Fish: Well the $262 million for proceeds sits there, in essence, until it is either reinvested or designated as reinvestment in CAPEX the specific identification if you will David of the $262 million proceeds is actually not been completed yet.

David Phipps: OK, fair enough. OK. So, then, separately on the competitive environment you are you know, doing an admirable job of focusing on what profitable customers for WOW!. So, when you look across demographics or segment, how do you differentiate that against the monopoly carriers in your market? So, what's the value proposition that WOW! brings? Because what we are hearing is that some of the larger carriers are saying, "Hi sign up for this for two years with no price increases?"

Steven Cochran: Yes. No, we've definitely seen that. We've also seen "sign up with us for two years and it's a contract and you get a price increase within that." What we're really trying to go after is those customers who one of two things either aren't looking for all the stuff that the incoming guys kind of want you to take?

We're very much more focused on helping the customer get what it is they want. We don't have a perfect solution to that because there's not ala carte, there's not these kinds of things but I think we're trying to help them facilitate you know, if there is a combination of data with limited basic, over-the-top, helping them know figure out how to get that if there's a combination of just HSD and phone and completely over-the-top or you know, something with HBO.

At the same time, we know, there's a number of higher end customers that are happy to pay what a market rate is and get the quality of experience that we provide and we continue to enhance our offerings within our Ultra-TV experience you can now get Netflix and we've signed contracts with Youtube and Hulu to also be on our platform eventually as we're working through getting that implemented.

Things that some of our competitors haven't been willing to do, I mean, we want to integrate that experience so we want to make the viewing experience the best it can be for our customer without the time to worry about switching devices or battling over what device goes on HDMI one. We're trying to make that an easier experience for them and there are a lot of customers who appreciate that.

And so, we kind of at all ends of the spectrum. I guess and there's a lot of customers that we're going after that are the same type of customers. It's just we're not out gaining RGUs to gain RGUs. And it's definitely a different place then where a lot of other people are in the industry are right now. But from talking with a number of other guys kind of in our upside range, in our competitive demo I think, we're all headed down this route and that you know, the video margin is limited at this point. It's a higher OPEX component, it's a much higher CAPEX component and we're all happy and willing to provide it to the extent customers will pay for it but it also isn’t going to get to the point where it’s just a lost leader at this point.

David Phipps: Yes, fair enough for that. And then, finally, on the HSD subscriber losses.

Steven Cochran: Yes.

David Phipps: Those are related to bundled customers or did you have any….

Steven Cochran: Yes. Yes, I would say it’s more tied to the bundled customers and kind of the overflow rate impact increase that we had. You know, that’s just the last piece of that impact of the rate increase affected, there’s bundled customers in that. You know, we definitely continue to obviously see a gap in the HSD video side and the gap continues to grow and, like I said that’s, of the whole quarter, that’s the really the one disappointment to me. I was very happy with what we did from an OPEX standpoint. You know, the changes that we made. The overall revenue that we drove but we need to be gaining HSD customers and we will again. And so, that’s the one downside though.

David Phipps: And I guess, I do have one more.

Steven Cochran: Sure.

David Phipps: On the price increases in 2014, you had four as a series.

Steven Cochran: Yes.

David Phipps: And the pricing strategy for this, for 2015, how do you think that plays out?

Steven Cochran: Yes. So, basically we’ve got it back into where anyone’s only getting one rate increase. There was a handful of people who got them in January because that’s when their rate increase expired but you know, the majority of the base will get them kind of September or October timeframe, they’ll be the one rate increase for the next year.

We do then start eventually rolling into a cycle where customers are getting their increase annually based more on their anniversary date so we don’t have this one rate increase time period where you have all the rate increase. You have to deal with all the calls, all those kinds of things. It's changing to more of an annual increase as we move out into '16 which should be more operationally efficient and give us a little better ability to kind of manage the churn and call volumes that comes from that better.

David Phipps: Fair enough. Those were my questions. Thank you.

Operator: Your next question comes from the Adam Spielman from PPM America, your line is open.

Adam Spielman: Thank you. Just to clarify like back in February, I forgot exactly what you said you know RGUs and I think you just, you said, given at Q1 definitely video will be down but I guess, just can you go back, I mean, it seems like video is down so much that it would really materially change the outlook for the whole year unless there were something.

Steven Cochran: Well Adam, I guess the way I would look at it is, we lost the customers that you saw us lost and we missed on our revenue budget but we actually exceeded our gross margin budget and I think that goes to the, I mean, clearly revenue target is harder to hit but I don't feel that, I don't think that we feel that the loss of the video customer's impact is going to be, anywhere close to significant enough to move us off our guidance.

We need HSD trends to make sure they move the rest of the year in order to make sure we hit it but you know, there's just not nearly as much margin in video as, at least I grew up with in the industry, and that even within the last couple of years, it continues to get smaller and smaller. And therefore, the impact of a video customer loss isn't near as great as it used to be.

Adam Spielman: OK. Is it just as simple as you know, the price increases role through with you know, either the customer, either the customer churns and if you don't aggressively kind of retain in that a little bit of what we're seeing?

Steven Cochran: Yes. Yes, and I think we had in the first quarter, our kind of the legacy WOW! markets you know, when we originally did all digital conversion, we left 30 channels in analogue. We took those 30 channels back because we're getting ready to you know, continue to increase HSD speeds.

So, as part of that people who used to get second and third sets you know, the limited basic lineup or people who are limited basic only, now have to take a box for those. And so, you have those kinds of events where it causes customers to evaluate. Maybe it's time to take a look.

So, I think between the rate increases and just you know, customer touch points and an offer that comes through, they look at them and you know, they call in to save and we say, "Hey, you know, we'll save you but it's at this, the offer you're getting or it's not at price points that we're not just willing to go to."

Adam Spielman: OK. If you guys provide, I forgot it. If you provide kind like a triple play penetration or single pay anything, any breakdown like that? Is it worse?

Steven Cochran: We have and I don't know if. Well, I know we maxed out at one time on double play penetration at about 88 percent and we've actually moved back the other way down to where we're down below 80 percent from not a double play but at least to two product bundle.

So, the combination of two and three product bundles and we're back down below 80 percent because we're definitely seeing the move the other direction where you know, combination of people getting rid of landline phones and we had a very high penetration on those as well as, kind of the cord cutting related piece.

Adam Spielman: Great. Thank you. And just final question so, and I don't think your 10-Q is out yet at least, I can't see. You said, you had 223 million of cash at the end of first quarter?

Rich Fish: Right.

Adam Spielman: And you're saying you know, whatever 100 and change of that goes toward the term loan.

Rich Fish: Most likely.

Adam Spielman: OK. All right. And then, some offer…

Steven Cochran: We didn't give that exact number, that was good try getting it from us.

Adam Spielman: Sorry, Sorry.

Steve Cochran: No, I'm just kidding.

Adam Spielman: No, no. I mean…

Steve Cochran: Yes. That is correct and we have a call tomorrow where all of that will be discussed, so.

Adam Spielman: All right, fair enough. Thank you very much.

Operator: Your next question….

Steve Cochran: And Rich just to answer the question though, the 10-Q will be filed on…

Rich Fish: 10-Q will be filed on Friday.

Steven Cochran: Friday, great.

Operator: Your next question comes from Umesh Bhandary from Oppenheimer, your line is open.

Umesh Bhandary: Thank you for taking my questions. And maybe the first one that I think you highlighted the importance of keeping the high speed subscribers trends in the right direction, maybe you can elaborate on some of the measures that you are taking to make sure that, that happen through the rest of the year, some of product offerings on product and management that you might be offering?

Steven Cochran: Yes, I mean, without giving too much detail on exactly where we're going and given our product roadmap you know, in competitive markets, I mean, we clearly continue to plan on making, we made a lot of investments over the last two years in our infrastructure. We'll continue to look at speeds and offerings and from just a product standpoint, we'll look to continue to enhance our product and you know, it may not be all markets at the same time, it may be the capability of any given market at that time to be aggressive with that.

We'll continue to look at what price points makes sense, what price points drive penetration. We'll continue to look at it from the saves standpoint of you know, where we see that.

So, I don't think there's any magic formula other than you know, it being kind of constantly top of mind and evaluating both your product and your pricing and aggressively dealing with that to drive the data side. I mean, data customers are profitable customers with relatively low CAPEX and we got to make sure we continue to make the investments to get them.

Umesh Bhandary: Got it. I understand you're not to talk much about what's going in the future offerings. But as it stands today, I mean, how does your high speed data only product offering compare to some of your major customers in some of the major markets that you played today?

Steven Cochran: Yes. We have a 100 meg and you know, 75 percent of our footprint residentially, we have the capacity to increase it from there and continue to evaluate that in a number of our markets. And so, I don't think we have any speed issues I would say. Our pricing is very competitive it's one of those areas where our cost of product if it's not as good, it's very close, potentially even better than the guys we compete with.

I think we've done a really good job of managing those cost and building an infrastructure that's very efficient. And so, there's no reason that we can't continue to be at the top end of the speed that's offered and being as competitive as necessary from our pricing standpoint.

Umesh Bhandary: Got it. Let's switch and go a little bit on the commercial side that was supposed to be one the sort of major growth drivers you know, but if you look at sort of year-over-year, I mean, there is growth but probably not as much as we would like to see. Maybe just to discuss about you know, some of the things that you are doing to enhance growth in that particular segment or how do you see that opportunity?

Steve Cochran: Well, I think, I mean you got to look at the pure sales side because that's ultimately what's driving the growth forward as you think about the actions we're taking today and we continue to see a ramp up in sales. I think one of the things that I think gets lost a lot is, in Knology, when we acquired it had a pretty penetrated commercial offering and they were actually in a number of markets where some of the competitors were just coming to market with the commercial product.

And so, we definitely had to fight some rate churn as well as just customer churn in those markets while we were trying to basically build the business in the WOW! markets. And if you look up the growth in kind of the legacy WOW! markets year-over-year, you'd see that it's every bit as good as to what you're seeing from a lot of the people in the industry who at the same points but we've had to deal with some of that on the legacy Knology side and we feel we're through a lot of that and we continue to make the investments in the variety of channels we have and we're now up to generating nearly $30,000 a month from our channel partners and channel partners didn't exist this time last year.

And we continue to see wholesale move up dramatically and we've got products that weren't in existence this time last year. And so, I think we're making all the investments and you know, the business is turning in the right direction and particularly longer than we thought it would when we originally did Knology just given the timeframe of what happened with some of that existing base but I think we feel very well positioned to see good growth from that going forward.

Umesh Bhandary: Great. Thank you. And just maybe one final question from me. Obviously, you started with a Term re-pricing seems like you know, your bonds become callable fairly shortly here in the next couple of months and how are you thinking about the other part of the capital structure at this point?

Steven Cochran: I would say we have had a lot of inbound calls on what we should do and we listened to, dozens of iterations of how we could look at it and we're going to continue to evaluate it as we get closer to the date and obviously you know, there is an amount of cost savings that makes sense to do it relative to the amount of call premium we have to pay and, if we get to the point where we see that right payback on that investment and feel that we can get a deal done that doesn't become too limiting in the future, then we'll try and pull the trigger and if we don't see that deal in existence, then we'll continue to run as we're moving forward.

Umesh Bhandary: Great. Thank you very much.

Steven Cochran: Sure.

Operator: I have no further questions. Thank you. I turn the call back over the speakers for closing remarks.

Steven Cochran: Great. Well, thanks everyone for participating and hopefully, we'll talk to a number of you again tomorrow morning. Take care.

Rich Fish: Thank you, everyone.

Operator: Thank you, everyone. This concludes today's conference call, you may now disconnect.

END