WOW!

Moderator: Rich Fish
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Operator: This is conference #97586736

Good morning, ladies and gentlemen, and welcome to the WOW! Second Quarter 2015 Earnings 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: Thanks, Stephanie. Good morning, everyone and thanks again for joining us. With me today is Steven Cochran, our CEO who will be giving an update on our operating activities, and then I'll cover the financial results for the quarter. 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. Those statements involve known as well as 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 recent 10K that was filed 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 our call today and in our earnings release we refer to certain non-GAAP financial measures including adjusted EBITDA and Pro Forma results. Those measures are reconciled in our earnings release to the most comparable GAAP measures in the financial statements that we filed with the SEC.

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

Steve Cochran: Great, thanks Rich. Good morning everybody and thanks for joining us. We're pleased to be reporting our third consecutive quarter of improving trends in adjusted EBITDA and free cash flow. Rich is going to go through the financial results in a bit but yesterday we reported that our second quarter total revenue of $305.8 million and adjusted EBITDA of $112.7 million. Total revenue and adjusted EBITDA were up on a year-over-year basis by 1.4 percent and 8.7 percent, respectively, over our Pro Forma second quarter of '14.

CAPEX for the second quarter was at $54.7 million, representing a year-over-year reduction of $8.6 million. And the year-over-year unlevered free cash flow improved $17.6 million or 44 percent over the Pro Forma second quarter of '14. So, as we've mentioned before, we've implemented a number of initiatives during the last couple of quarters to improve our operating results, our operating efficiency and we're seeing the benefits impact our LTM Pro Forma results.

As of the second quarter our LTM Pro Forma adjusted EBITDA totaled $431 million, an increase of about $20 million from the end of the second quarter of last year; which is an annual increase of 5 percent. From a customer activity standpoint, you know, we expected challenges and I think we've said over the last couple of months that we expected our second quarter would be a challenge from a standpoint of customer and RGU gains.

Although customer churn has continued to stabilize and was at 2.8 percent for the quarter which is in line with our historical second quarter churn numbers, connect activity continued to be soft throughout the quarter as a result of a variety of factors including a pullback in marketing investment; as the second quarter has historically low response rates.

So the second quarter is historically a tough quarter in general for us. Due to seasonality the customer churns in the second quarter were also impacted by purposeful decisions that we've made. One, to prioritize the profitability of our customer-base over just pure growth; two, to maximize ARPUs and from an ARPU standpoint we saw every product line ARPU basically exceed our expectations and see nice increases from a year-over-year standpoint.

The overall ARPU may not look that way because of the de-bundling that's happening and the bundled mix within our customers and the impact that has on overall ARPU. But from a product ARPU standpoint we're seeing the impact that we intended.

Our control cost related to customer acquisition was the third decision and fourth was how we're prioritizing specific customer segments. This is obviously a departure from the strategy of a lot of our competitors, but we've not made reporting positive absolute customer trends a priority just given where we are in our life cycle. And doing that at the same time a number of our customers are definitely in the land grab mode, you know, challenges the RGU trends a bit more.

This strategy has led to a level of customer loss for us here in the short term. So, for the second quarter we saw an overall decline in total subscribers and RGUs compared to the end of the first quarter such that our total customers were down 12,100. We've lost total RGUs of about 47,800 and the mix of that was HSD down about 9, video down almost 24 and telephone down about 15.

We feel that in the short term for us it's much more important to manage the margin and deliver improving free cash flow. Nonetheless, with those subscriber trends we saw a total revenue for the second quarter that was down sequentially due to this volume but up year-over-year and adjusted EBITDA that resulted up $3 million on a sequential basis which was 2.7 percent.

As far as going forward in our focus, you know, we expect to compete very aggressively for new customer growth especially with respect to the HSD services. We felt over the last six months we had to get our, you know, our operations in line and our cost structure in place to be able to take advantage of that. How we are now going to go after customer growth, especially HSD growth, really has three fundamental points. First is, higher speeds on data side, we now have 30, 60 and a 100MB as our base operating in all markets and we've begun to roll out 300MB throughout the third quarter and by the end of the third quarter we'll have that launched in about 75 percent of our homes passed.

We plan to do that in a – this – we plan to launch the higher speeds and actually offer it at speeds we think people will buy at. So it's kind of unlike our strategy in the past which was we all had high-speed, not necessarily at price points that were that compelling. We're rolling out pretty aggressive price points where the – such that 100MB offering will be offered at $60, our 300MB offering will be at $75 and we think this is going to be impactful in our markets.

And lastly more marketing relative to the spend both this time last year as well as the spend in the previous couple quarters. And doing that, such that, you know, this is the time of the year where we expect response rates that justify increased marketing. We'll also continue to monitor and adjust our retention strategies, you know, still keeping in mind the importance of not negatively impacting margin and as we've mentioned before, you know, our goal is to increase total customers and to increase HSD RGUs but at the same time we still continue to expect to see declines in video and telephony RGUs.

While we expect to see better customer growth in the third quarter numbers we also expect to see a sequential decline in quarterly adjusted EBITDA for the third quarter as a result of increased cost of acquisition resulting from those – and also, cost associated with greater customer activity levels. That being said, we still expect to see a nice sequential improvement in LTM Pro Forma adjusted EBITDA as of the end of the third quarter. We're – so – we expect to see that at the end of the third quarter relative to our $431 million of the second quarter.

From a guidance standpoint, Rich will provide more details in a bit but now that we're a couple of quarters into the year although our subscriber counts and consequently total revenue expectations are lower, we remain confident on our ability to drive the adjusted EBITDA and CapEx guidance so we continue to have guidance of $440 million to $450 million on adjusted EBITDA basis and we expect our CapEx to come in to the original guidance of $205 million to $215 million.

Another area of focus is on the business services side, from a sales standpoint we continue to be pleased with the progression that we're seeing. The second quarter booked sales is the highest booked sales quarter for us yet. We saw a nice increase sequentially of 12 percent over the first quarter and 48 percent over the second quarter of last year.

From a revenue standpoint sequentially we were down, that had more to do with the fact that there was a dark fiber sale in the first quarter which can cause our quarter's both – quarter-over-quarter and year-over-year to look somewhat lumpy at times, but excluding the dark fiber sale we actually saw a 3 percent sequential growth in revenue.

I think it's also important to know, you know, while year-over-year the revenue growth was about 8.5 percent we did see multiple lines of business with high double digits close to 20 percent, double digit growth in the HSD category and then our wholesale category. Where we continue to struggle a bit is on our data center side, as well as our telephony side. And the telephony piece is really that continued remnants of Knology's, kind of, high phone customer base that had a higher rate.

Initially from Knology's legacy customer in both the loss and the loss of rates caused us to have negative growth, it's now down to the point where it's just limiting our growth but we think we continue to move through that and we'll see, you know, double digit growth in our commercial space as we continue to realize what we're seeing from a baseline sales standpoint.

Finally, as most of you are aware we're pleased that in the second quarter we're able to complete a couple of amendments to our Secured Debt Facility, one was lowering the pricing on our term loan B facility and the second was an extending of the maturity on our revolver. One other point, I'm sure it will come up in Q&A too, is what are you doing with respect to the bonds, you know, clearly there's issues we would like to solve there.

There's a (high-call) premium, and the market's been a bit choppy since we really had an opportunity to take advantage of it. We continue to be positioned to take advantage of it if the opportunity presents itself. But unlike in 2012 when we kind of had to get the deal done it's going to be an opportunistic move versus a, "Hey we're just going to go out to the market and take whatever the market says at this time."

So with that I'll turn – I look forward to talking to you during Q&A and I'll pass it over to Rich to talk about the financial results.

Rich Fish: OK, thanks Steven. Just a reminder for everyone the divestiture of the South Dakota systems occurred last year on September 30th of 2014 and our reported financial results in our filings with the SEC included the financial results of operations for the South Dakota systems up through the first nine months of the year ended last year.

Therefore, any the year-over-year financial comparisons we make we'll do it on a Pro Forma basis that will exclude the results of the South Dakota systems from all the periods, as well as to add in the results from Anne Arundel Broadband which we acquired on May 1st of 2014.

And as you've probably seen those reconciliations you can see from reported to what we refer to as Pro Forma those reconciliations are provided in the earnings release itself. So, as Steven mentioned at the outset of the call for the quarter we reported total revenue and adjusted EBITDA of $305.8 million and $112.7 million, respectively. Second quarter revenue was up on a year-over-year basis by $4.2 million or 1.4 percent over the second quarter of last year and was down sequentially $6.5 million or 2.1 percent over the first quarter.

Adjusted EBITDA was up on a year-over-year basis by $9 million which was an 8.7 percent growth over the Pro Forma quarter of last year and was up sequentially over the first quarter by $3 million or 2.7 percent. On a Pro Forma LTM basis, total revenue LTM at the end of the second quarter totaled $1.229 billion, which was up on a year-over-year basis by $57 million or 4.9 percent over the LTM Pro Forma period ended June of last year and Pro

Forma adjusted EBITDA LTM at the end of the second quarter totaled $430.6 million which, as Steven mentioned was up on a year-over-year basis by $19.9 million or 4.9 percent over the LTM Pro Forma period ended the second quarter of last year.

Including approximately $4.6 million of unrealized cost savings that were related to the reduction-in-force in the reorganization that we completed in the first quarter of last year Pro Forma adjusted EBITDA on an LTM basis at the end of June would total $435.2 million.

Inside of total revenue, subscription revenue total second quarter total subscription revenue of $273.9 million, decreased $5 million or 1.7 percent on a sequential basis of which 1.2 million was attributable to a decrease in ARPU. That was primarily driven from the pay-per-view, pay – Mayweather-Pacquiao fight that occurred in the first quarter as well as $3.8 million of the decrease attributable to the customer and RGU losses experienced in the quarter.

On a year-over-year basis, second quarter subscription revenue increased $2.7 million or just slightly over 1 percent over the Pro Forma second quarter of last year, $10.6 million increase was attributable to the increases in ARPU, and that was offset by $7.9 million of reduction that was driven by year-over-year decrease in average total customers.

As Steven mentioned, relating to ARPU total, ARPU for the second quarter was down slightly on a sequential basis even though each RGU line of business was up. The total ARPU was down sequentially by $0.98 and that was primarily as a result of the pay-per-view revenue. However, it is up on a year-over-year basis by $4.60 per total customer.

Other commercial services revenue totaled $5 million for the quarter which was a sequential decrease of $1.8 million. This was primarily as a result, as Steven mentioned, of the reduction of the dark fiber sale which occurred in our first quarter. In other revenue, for the quarter totaled $26.9 million which was slightly up on a sequential basis. Looking at CapEx – gross CapEx or the, you know, the gross additions to PP&E for the quarter totaled $58 million. However, we also had an increase in CapEx-related working capital for the first quarter of $3.3 million so statement of cash flows shows cash outflow related to CapEx for the quarter of $54.7 million.

As Steven mentioned with, you know, the year-over-year improvement of $9 million or, you know, almost 9 percent in adjusted EBITDA over the Pro Forma second quarter of last year and reduced CapEx spend by almost $9 million; we saw a 44 percent improvement in unlevered free cash flow over the Pro Forma second quarter of last year excluding working capital.

Liquidity and leverage we ended the quarter with $90.6 million in cash and cash equivalents, as most of you are aware as we said, closed on a couple of amendments to our term loan B facility and a revolver in the quarter as part of the term loan B facility we utilized a $150 million of cash from the balance sheet to pay down pro rata the term loan B and the term loan B1 and the pricing on the term loan B facility was reduced by 25 basis points to (L+ 350) and the maturity on $180 million of commitments of the $200 million existing revolver was extended to January of 2019.

So from a leverage standpoint, Senior Secured Leverage on a Pro Forma basis was 4.0 times and total leverage on Pro Forma basis was 6.6 times. When you include the approximate $4.6 million of unrealized cost savings at the end of the quarter total Pro Forma leverage would go down a 10th to 6.5 times. And under the revolver we have $191.7 million of available borrowing capacity under the revolver available to us.

So as Steven mentioned, and finally relating to guidance we're updating our 2015 year-end guidance for subscribers and revenue specifically now as we look through the end of the year we're anticipating total customers at the end of 2015 to be between 776,000 and 786,000 total RGUs at the end of the year to be between 1.606 million and 1.626 million. And we're anticipating total revenue for 2015 to be between $1.223 billion and $1.243 billion which would have the midpoint growth rate of right at 2 percent.

Again, as Steven mentioned, though we are not adjusting our guidance related to adjusted EBITDA and still expect it to be between $440 million and $450 million which would be a midpoint growth rate of over last year of almost 8 percent and CapEx is still estimated to be between $205 million and $215 million.

So as you can see, looking from last year to this year when you look at an improvement in EBITDA of approximately $33 million using the midpoint $30 million improvement in CapEx using the high end of the guidance of $215 as well as a reduction of integration expenses from last year from $46 million or $47 million down to about $12 million to $13 million, a $35 million improvement in that. Across those three elements we are, you know, certainly anticipating a fairly significant improvement in our free cash flow profile for this year of right at $100 million.

So that concludes our prepared remarks. I'll turn it back over to Stephanie now to open it up for questions.

Operator: Certainly. If you would like to ask a question please press star followed by the number one on your telephone keypad.

Your first question comes from the line of Mike Pace with JPMorgan. Your line is open.

Mike Pace: Hi, guys. Thanks for all that color. I'm wondering and I suspect July and August really are super busy months for you, but I'm just wondering if you can be a little more specific with how units, particularly high-speed data has been going so far this quarter? And then in the context of that, too can – Steven can you just go over again the timing of the speed increases that you plan on implementing? I just couldn't write that fast.

Steven Cochran: Yes, sure. No problem. I often get accused of talking too fast, so I apologize. So first from a third quarter standpoint, as is typically the case, July continues to kind of look a whole lot like June and May and then we ramped up our marketing basically the end of July for the August impact. And so, July looks similar to the second quarter and August is seeing very good trends especially as it relates to the HSD side.

And so, you know, kind of going in line with our plan and so, you know, our whole piece as we move forward is what we have historically had seen is that you start to see the pickup in the beginning of August and the second half is when it really starts to ramp for us is combination of the number of colleges, and all the activity around that and people are back to school and the various activities.

So just from a natural trend standpoint that's what we see. As it relates specifically to what we did, we started rolling out really, like I said, the marketing happened towards the end of July, so we'll see the carry-on effect of that through August and September.

In addition to the speed changes, which basically – the 100MB was launched back in January, the pricing took effect in the middle of July as far as the $60 for the 100MB service, and then the 300MB I think we have our first market turning on next week and basically markets roll throughout the end of the third quarter to where by the end of the third quarter, 300MB in about 75 percent of our homes passed.

So overall, I think the other piece that I think is relevant to all of that is at the same time that we're pushing these HSD, we have put in more aggressive triple play bundle offer out there. And we have changed some our marketing campaigns going with a bit of a branding that's around the unexpected and, you know, a cable provider who's willing to help you find video however you want it, and leaning on some of the trends that we've talked about in the past quarter.

So we feel we're hitting the market pretty hard, we feel that the time of the year is the right time to be hitting the market hard and, you know, we look forward to the results that come from that as it relates to RGUs. Obviously the downside to that is, you know, we'll see a decrease in EBITDA in the short term related to that but then we'll see a pop again in the fourth quarter as we move forward from there. And so – does that answer your question on that, Michael?

Mike Pace: It does. And then maybe take that one step further, I think you're on a little bit of a different video rate increase schedule from last year, or the year before so...

Steven Cochran: Yes it's actually similar to last year's, not – yeah, but different from what it was the year before that so, you know, you'll see the rate increase take impact throughout the fourth quarter.

Mike Pace: OK and then just to go back to something you said about EBITDA, so you said that you'd expect it to decline sequentially but LTM up so you're saying year-over-year the third quarter should be up on an adjusted EBITDA perspective, right?

Steven Cochran: Yes and I think comparable percentage to what we've been so far year-to-date. I think it's – a similar type, you know, our third quarter of 2014 will be up percentage-wise similar to what our other quarters have been.

Mike Pace: OK and then for Rich – just on the cost side of the equation, and I get SG&A was down adjusted for non-recurring items because maybe it sounds like you guys pulled back a little bit on marketing, but the operating cost line item improved significantly, and I'm just wondering is that the right run rate we should expect for the back half of the year? Specifically, talking about that 170 number and everything that Steven just said about ramping up activity, does that have an impact on that?

Rich Fish: Yeah, we – I think that is probably a decent run rate. You know, the initiative – the operating initiatives we implemented, you know, in the, kind of the first quarter and, you know, part of the second quarter have really taken effect. We are, you know, not anticipating a, you know, pretty significant increase in, you know, back office head count through the balance of the year. We will be continuing to hire some quota bearing head count specifically in the commercial services line of business and some back office support.

But, you know, not enough that it's going to move that needle appreciably. We feel like, you know, the operating efficiencies that we're getting from the home garaging, the fleet management tool, you know, the re-routing, you know, the enhanced routing for the IVR that we implemented into the call center we feel like we've, you know, have the ability pretty much to maintain a relatively, you know, I don't want to call it static but relatively static back office cost structure going forward, so...

Steven Cochran: Yes and clearly always, you know, activity drives costs and so if we have more activity we'll have more costs but I think what we've done from a leaning ourselves out and putting in a – overall new cost structure we feel really good about that and its ability to kind of thrive going forward.

Mike Pace: Great, thanks guys.

Operator: Your next question comes from the line of Lauren Gallagher with Credit Suisse. Your line is open.

Lauren Gallagher: Good morning. Thanks for taking the questions. I have a – to start off a little bit more of subscribers if you could, in terms of Q3 – sorry Q2 connect or lower connect activity, I guess if you could shed a light on if you – it seems like you obviously pulled back on marketing but if you still were seeing competitors of yours kind of – be aggressive with their campaigning and the areas as well?

Steven Cochran: Yes and yes. We were definitely less aggressive, you know, I think it's one of those where – could – what would it have taken for us to drive HSD growth this quarter? Would it add a significant impact on the EBITDA because of response rates and how effective we thought our marketing could have been at that point in time. And yes, our competitors were still very aggressive, you know, the Comcast deal didn't get pulled until middle of April and it has definitely taken a while to see them pull back on their offers. A lot of it was in – kind of in the pipeline. We started to see it more with, you know, direct sales pulling back a bit and we feel we've seen it a little less going forward.

Obviously Time Warner changed for them. They went from being acquired by one person, being acquired by another and continue their aggressiveness and it probably seen Charter ramp it up a little bit. Charter, you know, is in a pretty immaterial piece of our footprint but nonetheless, you know, it's still activity and, you know, Bright House is obviously in the midst of all of that now, too which once again, isn't a huge number of our customer base but is a decent number of our homes passed.

All that being said, I think the changes that we've made from an HSD standpoint both from a speed and offer standpoint as well as the bundle to market is going to make us much more competitive and, you know, the – so I think we will drive the connects and then for us it's going to be making sure that we continue to be diligent on the save side to, you know, save at the appropriate levels but not so much that it negatively impacts the ARPU gains that we've accomplished.

Lauren Gallagher: OK great. In terms of kind of Q3 subscribers I'm looking forward, you commented that Q3 you'll see better customer metrics, so in kind of, based on the full year RGU guidance it implies, effectively, that you could be flat and still finish within your guidance. So I was curious if you think you'll be adding data or internet subs in Q3 and Q4 and then just losing – continuing to lose kind of video and telephony? Any kind of – are those the components for how you'll...?

Steven Cochran: Yeah basically, I mean I think, and I think that whether you look at that for the rest of the year or you look at that kind of as we think about our long term plan. I mean that's kind of where we see the business going and then, you know, being offset with, you know, ARPU increases and being offset with commercial growth.

Lauren Gallagher: OK great. Thank you for the color. And then I'm just kind of curious if, on the EBITDA guidance, if you have kind of an opinion if you'll finish at the low-end or closer to the high end on that range at this point?

Steven Cochran: On which guidance?

Lauren Gallagher: EBITDA.

Steven Cochran: Oh, yes I would say we will be squarely in the middle of the guidance, but yes, you know, I think still aspirationally we're shooting for the top end of the guidance but still very comfortable about the middle of the guidance.

Lauren Gallagher: OK great. Thank you so much for the time.

Steven Cochran: Sure.

Operator: Your next question comes from the line of Umesh Bhandary with Jefferies. Your line is open.

Umesh Bhandary: Yes, hi. Thank you for taking my questions. Maybe the first question, I mean obviously I think you guys are doing a pretty decent job here in this year in terms of growing EBITDA primarily through some of the cost reductions. I just wanted to understand really how sustainable that is from a longer term perspective, you know, it just seems like, you know, you'll continue to face pressure on the revenue line. So just, you know your sort of thinking and philosophy around maintaining EBITDA.

Steven Cochran: Yes, so to be – I mean I think clearly a piece of our growth that has been driven this year has come from cost reductions and, you know, I think we feel very confident about the changes we've made and the savings we have and continue – to tell you we continue to see more and more, and so feel good about what we're doing from an efficiency standpoint and feel that, you know, the changes we've made are sustainable. I mean we obviously we can't grow at, you know, 8 percent or 9 percent a year continuing to cut costs as, you know, but we're also, you know, we're not also expecting to grow 8 percent or 9 percent a year.

But the other piece of that I think has lost a bit in some of this analysis is, you know, we've seen nice moves in ARPUs so we've seen a profitability lift on our customers. And even though we've lost a number of customers we've also, you know, there's a lot of video costs associated with that in the direct cost side of it but it goes down with that. And so while overall revenue isn’t increasing we continue to do a really good job of driving the gross margin side of it because of the customers that we're losing.

So, I mean I think we've put together a schedule that kind of tracked our operating SG&A as a percentage of revenue compared to our EBITDA percentage and, you know, as we were in kind of the third quarter of '14 we were at 29.5 percent of our OPEX, OPEX and SG&A as a percentage of revenue on the 33.3 percent EBITDA, you know, we've moved that in the second quarter this 25.5 percent and almost 37 percent.

So yes, there's growth coming from the fact that we're more effectively managing our SG&A. But I would also tell you that we're actually increasing the profitability of the customer base we have by managing the product ARPUs and, you know, seeing the right segment of – seeing the right losses in the right segment of the customer base.

Umesh Bhandary: Got you, that's very helpful. Maybe another question from me, just given all the M&A activities that is obviously happening in your sector maybe you guys can discuss about where do you think you fit in that – all the flux that's going on in your sector really from a longer term, you know, where do you see yourselves in the industry?

Steven Cochran: Sure, you know, it's obviously a tough question to ask as our industry is changing rapidly. I think a few years ago I would have likely told you that our eventual exit was probably an IPO or, you know, trading hands from one sponsor to another because, you know, there wouldn't be a strategic out there to buy us, and I think, you know, with what's happened just this year where essentially, you know, our competitive footprint now is Comcast, Charter and AT&T, DirecTV, that, you know, there's a number of strategic that are now possibilities giving both new entrance into the markets, TELCOs who are looking to get in the business, people interested from overseas and owning cable assets and doesn't eliminate the fact that, you know, there's very little sponsor-owned cable anymore for a business where it used to be heavily sponsored owned.

And, you know, the IPO market has been receptive to smaller cables, too. So I think, you know, there's a variety of potential exits for us and not the, you know, not the least of which we might be a consolidator ourselves somewhere down the road of other companies who look like us. So we're keeping all options open. I think we're heavily focused how we run our business. We're happy to see multiples where they are and, you know, hope they continue to stay there for whatever our exit or consolidation efforts might look like.

Umesh Bhandary: Great and one final question from me, just given the way you're leverage is, I mean the next time you sort of think about, you know, some kind of balance or re-financing or re-structuring, do you think this level of leverage is really sustainable for your business now given sort of the maturity of your industry?

Steven Cochran: Yes I think there's probably two things that impact the leverage. Clearly, you know, the growth – we've had, you know, I've been here since 2002 and we've had 6.5 to 8.5 times leverage that entire time. And, you know, we were in a growth mode and it was easy to just kind of grow out of that. And so, yes I think there's a maturing effect that makes 6.5 a little bit more challenging than it used to be.

Probably even more impacting is just the regulatory environment we're in where, you know, it really limits our ability to be able to go and do acquisitions or invest and edge out in other things the way we would like to. So yes, I mean I think clearly there's a desire to lower our leverage at some point. What that looks like, you know, I don't really know at this point but we definitely see that our, you know, a lower leverage point would be helpful to our overall growth strategy down the road.

Umesh Bhandary: Great, thank you very much.

Steven Cochran: Sure.

Operator: Your next question comes from the line of Robert Senu with KLS. Your line is open.

Ned: It's Ned. Can you hear me?

Steven Cochran: Yes, Ned how are you?

Ned: Greetings couple of questions a lot of them have been covered. I think you said – it may have been Rich, churn is 2.8 percent, is that stable or what – is that number....

Steven Cochran: That's stable for the second – stable for the second quarter. I mean that's a kind of a normal quarterly churn number. I think our, you know, more target churn would be kind of 2.4 to 2.5 for the year. But that's in line with what we would expect to see in the second quarter. A lot of college and summer activity in that number.

Rich Fish: Seasonal...

Ned: The range in a given year would be what to what?

Steven Cochran: I think on the low end you probably see 2.2 and maybe on the high end 2.8.

Ned: OK. The second thing is bad debt, any changes as far as that is concerned?

Steven Cochran: Nothing material, no. I mean I think actually probably from a year-over-year standpoint this current year bad debt has actually been better than it was last year, and I think that has a lot do with customers we're targeting and some of the control procedures we have in place to better manage them.

Ned: Great. Thank you guys very much.

Steven Cochran: Thanks, Ned.

Operator: There are no further questions at this time. I would like to turn the call over to Steven Cochran for closing remarks.

Steven Cochran: Thanks again for your participation. If there are other questions that come up please don't hesitate, and I hope you all are able to enjoy the end of your summer. Take care.

Operator: This concludes today's conference call. You may now disconnect.

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