WOW!
Second Quarter 2016 Earnings Call
Moderator: Rich Fish
August 16, 2016
10:30 a.m. ET

Operator: This is Conference # 63663124

Operator: Good morning, ladies and gentlemen and welcome to the WOW! second quarter 2016 earnings 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, Mike. Good morning, everyone, and thanks for joining our second quarter earnings call.

With me today is Steven Cochran, our CEO, who will be giving an update on the highlights for the quarter, and then I'll cover the financial results. And 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 related 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 discussed in our 10-K that was filed on

March 17 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 our earnings release we refer to certain non-GAAP financial measures, including adjusted EBITDA and transaction adjusted results. These measures are reconciled in our earnings release to the most comparable GAAP measures in our financial statements that we filed with the SEC.

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

Steven Cochran: Great, thanks, Rich. Good morning, everyone and thanks for joining us.

We'll be relatively brief as we pre-release results last week and have had a chance to speak with many of you. And I want to lead off by thanking all of you for the support you gave us during our recent financing.

We began the year by talking about a number of strategic initiatives we've undertaken through the balance sheet and while we still have work to do, we've made significant progress and appreciate the support from many in this group who helped make it possible.

As most of you have undoubtedly seen, we filed our 10-Q with the SEC yesterday, and we're pleased to be able to report total revenue for the quarter was $307.5 million, and adjusted EBITDA for the quarter was $114.9 million. On a sequential basis, total revenue grew $5.2 million or 1.7 percent, and adjusted EBITDA grew $2 million or 1.8 percent.

As pleased as we are with the quarter's financial results, we're even more encouraged by the very strong continued positive subscriber trends that started in the first quarter and continued into the second. The second quarter of the year is always the most seasonally challenging for us, given the number of large college towns and military bases that we serve, and combined with the normal seasonality of Spring home sales, there's always an increased level of churn. Additionally this year, we've moved our rate increase to July so during

June we had to deal with the impact on subscriber volume associated with the rate increase notices as well.

With all of this, however, we still saw a net customer growth for the quarter that totaled 1,000 customers, which was a year-over-year improvement for the second quarter of 13,000. Net HSD additions for the quarter totaled 3,500, which was an improvement over last year's second quarter by 12,400 and from a total RGU standpoint, we were 29,000 better than we were in the second quarter of 2015. Year-to-date total RGU net additions are 72,000 better than they were for the first six months of last year.

July is typically our toughest month from a connect perspective so combined with the rate increase, we knew it would be a challenge. But we are encouraged with July's results and, as expected, we've seen growth pick up significantly in August.

In addition, we've been able to manage the base such that the product ARPUs have increased substantially on a year-over-year basis. Video ARPU for the quarter was $84.04, which was up on a year-over-year basis by 8.5 percent and HSD ARPU was $45.52, up on a year-over-year basis by 4.8 percent.

We're also very excited about what we've been able to accomplish with our network and product offerings as we continue to offer upgraded speeds across our markets. We now have 600 megabits offering that's available in over 90 percent of our footprint and we've announced that we'll be launching one gig in five markets before the end of the year - Evansville, Knoxville, Huntsville, Auburn and Grosse Pointe Shores Michigan.

For edge out projects, the early results continue to be very encouraging and have exceeded our initial expectations. To-date we've completed over 18,000 new homes passed and after only an average of 115 days completed, we've achieved penetration rates of just over 20 percent.

As everyone is probably aware at this point, we announced our acquisition of NuLink on August 2. NuLink's a broadband provider of HSD, Video and Voice services to residential and commercial customers in Newnan, Georgia. This is about 30 miles southwest of Atlanta.

The valuation for NuLink was $53 million, they reported $8.4 million of adjusted EBITDA for 2015. NuLink has a fully upgraded fiber rich network that's 750 megahertz, 100 percent DOCSIS 3.0 compliant, serving 34,000 passings and has 30,700 RGUs. We think it's a great fit for the WOW! Family, both from a geography and product perspective as well as a great fit culturally.

This transaction along with our enhanced investments in HSD offerings and our network Edge Out opportunities are examples of how we've shifted our focus to the mode of capitalizing on growth opportunities. We expect the transaction to close before the end of the third quarter.

From a business services standpoint, we continue to be pleased with the progress of this unit. The business services revenue is up 36 percent over last year, which was benefited this quarter from $6.6 million related to some of the cell tower back call business, which is non-recurring and margin neutral. Excluding this, our revenue would have been up 14 percent year-over-year.

Each quarter we see incremental progress in customer acquisition activity, and average monthly booked sales for the second quarter was our best performance ever.

And, lastly, as I mentioned earlier, we've launched the refinancing of our term loan B a week ago. We expect to close on this transaction later this week, which refinances the existing $1.8 billion term loan B with a new seven-year $2.065 billion facility. The additional liquidity from the upsize will be utilized to fund the NuLink acquisition and repurchase some of our Senior Subordinated Notes.

Once again, thanks to all who supported our transaction.

So, with that, I'll turn it over to Rich for the update on the financial results.

Rich Fish: OK. Thank you, Steven.

Second quarter total revenue of $307.5 million was up sequentially $5.2 million or 1.7 percent over the first quarter, and was up on a year-over-year basis by $1.7 million or 0.6 percent from the second quarter of last year.

The second quarter adjusted EBITDA of $114.9 million was up sequentially $2 million or 1.8 percent over the first quarter, and on a year-over-year basis was up $2.2 million or 2 percent over the second quarter of last year. So at the end of the second quarter, LTM adjusted EBITDA totaled $449.3 million, which was up on a year-over-year basis by $18.7 million or 4.3 percent over the LTM pro forma period ended June 30 of last year.

Looking at subscription revenues, second quarter total subscription revenue was down $0.4 million or 0.1 percent on a sequential basis. That was a mix consisting of a negative $3.4 million decrease attributable to video and telephony RGU losses that we experienced in the quarter, but that was offset partially by a $3 million increase attributable to increases in ARPU primarily being driven as a result of a return of our seasonal accounts to a full billing status, as well as the roll off of promotional accounts.

On a year-over-year basis, 2Q total subscription revenue was down $8 million or 2.9 percent versus last year, of which $22.3 million was driven by year-over-year decreases in average video and telephony RGUs and that was offset partially by an increase of $14.3 million that was attributable to increases in ARPU.

ARPUs for the second quarter, for the different service categories: HSD was $42.52, up sequentially $0.32 from the first quarter. Video, as Steven mentioned, was $84.04, up $1.19 and phone is at $46.97, up $0.49 sequentially from the first quarter. Year-over-year, HSD was up $1.96 or 4.8 percent over the second quarter of last year, video was up $6.44, which is 8.3 percent and phone ARPU was down $1.38 or 2.8 percent from the second quarter 2015.

Total commercial services revenue for the quarter totaled $40.5 million. As Steven mentioned, this was a sequential increase of $6.5 million or about 19.1 percent, primarily as a result of the cell tower back haul revenue and on a year-over-year basis, was an increase of $10.8 million or 36.4 percent over last year, driven by other commercial revenue of $8.6 million and subscription revenue of $2.2 million. As Steven mentioned, excluding the tower back haul revenue that's margin neutral, total commercial revenue was up 14 percent on a year-over-year basis.

Looking at capex, gross capex for the quarter totaled $71.7 million. We also had an increase in capex related working capital totaling $0.4 million so netting against gross capital expenditures, our statement of cash flows shows total cash outlay related to capex for the quarter as $71.3 million.

Looking at the balance sheet, we ended the quarter with $131.1 million in cash and cash equivalent on WOWFIN's balance sheet, and have an additional $93.2 million of proceeds at the Company's parent entity, which is Racecar Holdings, related to the new primary equity raise from December in the first quarter for a total of $224.3 million in cash and cash equivalents on hand. In addition to cash liquidity, we have available borrowing capacity under our revolver of an additional $192.3 million.

So from a leverage standpoint, including the cash on Racecar's balance sheet, senior secured leverage at the end of the second quarter was 3.6x and total leverage was 6.1x.

With regard to the cap structure, as most of you are probably aware, on July 15, we redeemed about $47 million of face value of our outstanding 13.375% subordinated notes. And, as Steven mentioned, we announced the refinancing of our $1.825 billion Term Loan B earlier last week, I guess. We'll issue a new term loan facility totaling $2.065 billion priced at L+350 over our LIBOR floor of 100 basis points. It's a new seven-year paper maturing in August of 2023 and that'll be used to repay all existing outstanding Term Loan B loans.

The additional $240 million upsize in liquidity will be utilized to pay for the NuLink acquisition as well as to redeem some additional 13.375% sub notes. We expect the refinancing will close later this week, and combined interest savings on an annualized basis from both the July redemption as well as the

Term Loan B rate financing will total $17 million, which is obviously a great improvement to our free cash flow profile.

And then, finally, some of you may have seen during the quarter WOW!'s parent entities completed a restructuring for tax planning purposes, the restructuring resulted in a change in tax status for WOW! Finance which required us to record for GAAP purposes current and deferred income tax expense totaling approximately $147.6 million during the quarter.

A couple of key takeaways here, the first of which is the restructuring won't have any impact on our projected future cash flows as the restructuring, number one, doesn't impact the net operating loss carry forwards that reside at either the WOW! Finance level or at WOW! Finance's parent level. And those NOL's at the parent level will offset the deferred liabilities that we just recorded. So it's just for GAAP reporting purposes that the parent NOLs can't be "pushed down" to the balance sheet of WOW! Finance.

So, that concludes our prepared remarks so, Mike, we'll turn it back to you to open it up for questions.

Operator: At this time, I'd like to inform everyone in order to ask a question, press "star" then the number "one" on your telephone keypad. We'll pause for a few moments to compile the Q&A roster.

Your first question is from David Phipps from Citi Group.

David Phipps: Thank you for taking my questions.

Can you talk about when you expect the NuLink acquisition to close early or late in the fourth quarter for modeling purposes? And then when we break out some of the other commercial services where you had such a strong sales figure, how should we think about that in the upcoming quarters?

Steven Cochran: Sure, hey David. The NuLink acquisition, we expect that that will actually be closed by the end of the third quarter. It has relatively; I would call it, light regulatory approval necessary, so it's one that we believe that will get completed by the end of the third quarter, September 30.

David Phipps: OK.

Rich Fish: And then your question on commercial services …

Steven Cochran: So just on the other revenue, I mean, this is one of those items that will basically be around as long as we're finishing out our tower build. And so will definitely run for the rest of the next two quarters in '16 and then at least probably the first two to three quarters in '17. The amount I think, or the part that is a bit unknown for us because these are, kind of, one-offs that come up as part of the process, as I mentioned, very low to no margin on them, so it drives up the revenue, lowers our gross margin a little bit. But it's more of a flow through.

So we anticipate that we'll have continued numbers as you saw here for the next four or five quarters, maybe six - something like that.

David Phipps: Fair enough. And then when we look at the HSD subscriber trends, can you talk about how, when you mix in your NuLink which is the broadband subscriber, do we expect to see those trends? Is that something that you can piggyback off or things that the subscriber trends can pick up within that area? And then, where do you think you get some of the $2 million of pro forma cost savings from that business? And that's all my questions.

Steven Cochran: Sure. Yes. I think, clearly, Newnan looks a lot like the number of other markets that we have and anticipate that we're going to be able to continue to grow it; they have done a little bit of edge outs themselves. We anticipate that we'll continue that. And so, from a growth standpoint, we think it looks a lot like our other markets. From a cost saving standpoint, it varies, there's some of the normal direct cost related that will come from it related to phone cost, phone savings and data transport and those kinds of things that we have much greater scale on. And then there's some back office related costs that will ultimately drive the majority of the savings.

David Phipps: OK. Thank you.

Steven Cochran: Sure.

Operator: Your next question is from Mike Pace from J.P. Morgan.

Mike Pace: Hi, good morning. I just wanted to understand the other commercial line item a little bit more. And I'm sorry if I'm a little thick on this one. But this is construction activity that someone -- the cell provider is paying you and then you are paying a vendor for that construction activity - is that how it is working? And why is that not capex if that's the case? I just want to make sure this is not recurring; this is not revenue from the cell tower project or recurring revenue stream this is construction activity correct?

Steven Cochran: Yes it is construction activity. I think it's more the accounting rules. We honestly -- part of the reason it wasn't in our original budget we thought it'd be a bit more of a flow through that as a pass through that we wouldn't have to hit. And when we, kind of, ran it by the accountants, we came to the conclusion that we had to book it as revenue and book it as expense. We wouldn't look at it as capex because it's not something we own at the end of the day.

Unlike the other pieces of the fiber to the tower project where we've got a network we own at the end of the day, this is work that we're doing for them. I'm not even sure that it would necessarily be capital on their books it's just project related costs that we pay directly to the vendor that we basically get reimbursed for from the cell tower provider. And it's non-recurring in that the exact costs that we had aren't going to recur it's non-recurring post the complete build out. But we are going to have this as an item in our financials for then, like over the next four to six quarters as we finish up the build.

Mike Pace: And then just to make clear, that $6.6 million that you mentioned that that is also $6.6 million in your operating cost line item as well?

Steven Cochran: Yes. Just slightly under. There's a very tiny little bit of margin we get out of it but, yes for the most part, you can, kind of, assume it is margin neutral.

Mike Pace: OK. And then can you talk a little bit about the rate increases that you did take? I guess you notified customers in June that does it start in July? Can you just quantify what you did there versus the rate increases and when you took them in '15?

Steven Cochran: Yes. So, essentially, this is the same rate increase that we did, I think last year we did it in September we moved it up to July. It's 45, 50 percent of the customer base got a rate increase, obviously vary, pretty dramatically based on what services you had and where you were.

So it could have been anything, I think, probably could have been as little as a couple bucks depending upon a certain level up to $15 depending on what you were in. So from a blend standpoint, I think on an annualized basis after the assumption of stick rate and what you would do to discount and customer loss you may experience, and all of that, I think we thought it was going to be somewhere in the neighborhood of $35 million annual pick-up for the rate increase.

Mike Pace: Got you. And then I'm not sure I want to get too deep in the weeds on this one, but what was the strategic or financial rationale for the corporate restructuring that you did for tax purposes, I guess?

Steven Cochran: Rich can handle that one.

Rich Fish: Mike, at the parent level above WOW! Finance, there was actually a series of C corporation blockers, tax blockers. I believe that there were six of them. Those six C corporations in turn owned 100 percent of WOW! Finance. The net operating losses that exist up at the parent level at that C corp blocker level that total approximately $560 million of NOLs.

We were beginning to disproportionately utilize some of those NOLs, some faster than others. So from a tax planning standpoint, it became much more efficient to get utilization out of those if we collapsed all of the C corp blockers into one surviving entity, which that entity is referred to as Wide Open West Kite, Inc. So the business rationale was to take those $560 million NOLs that were across six different blockers and consolidate them into one entity that allows us to be much more tax efficient utilization of the NOLs going forward.

Mike Pace: Got you. And then, Rich, one more for you, you mentioned there's $93 million of cash up at the Racecar parent company. With some of the things that you have going on that's pending, whether it's NuLink or the bank refi and the partial call on the sub-bonds, is that cash balance going to change because of anything that's pending right now.

Rich Fish: No. The transaction upsize for the Term Loan B will provide approximately $240 million of upsize proceeds. We'll utilize out of that $240, the liquidity to pay for the NuLink transaction as well as then to redeem as much bonds as necessary to get slightly below the 6.5x gross leverage RP test.

Mike Pace: Great, and then Steven, one for you. I know this is going to be a tough one here. But I guess RCN and Grande just sold themselves, and I'm wondering you and the board, did you guys take a look at that, and just reasons for the pass, I guess?

Steven Cochran: No, we didn't take a look. We obviously know those guys very well and are very happy for them and the team and think it'll be great for them to be able to completely consolidate those two operations together because they've been running them for a while now. So happy, happy, and congratulations to Jim Holanda and team.

From our standpoint, it was really all about where we are strategically right now. I think Grande is a nice set of assets. But I also know that we had, kind of, a strategic plan set out of things we needed to do and while they were good assets, they weren't overly strategic to us. And given what we went through a couple of years ago with the large integration, we wanted to be really smart about what we took on while we were trying to pivot the business to growth. And you know, we're putting a lot of money into edge outs, we're putting a lot of resources into commercial services.

And while a nice acquisition like NuLink fits well because it's geography wise and it's the right bite size to be able to integrate, to go into a different geography and bring on something in the midst of the progress we're making seemed like it could have the wrong impact. And, at the same time, we're working hard to reduce our leverage and it didn't seem like a transaction that was going to be supportive of that process. And so instead of spending a lot of time chasing something down, kind of, just put our heads down and continued to operate and focus on things that we thought were a bit more strategic to us.

Mike Pace: Great. Thank you.

Operator: The next question is from David Hebert from Wells Fargo.

David Hebert: Good morning. Thanks for taking the questions. I wanted to ask about the competitive landscape. I know you have some overlap with Frontier specifically in Florida. Just curious if there are integration pickups; if you saw any nice pickup in subscribers in that market? And secondly, after all the cable consolidation we've seen on the charter side especially, if you could give us just a quick rundown of your competitive overlap now that those deals are closed and sealed and done?

Steven Cochran: Sure. Frontier, I mean, we have just a scattering of them in other markets but, really, the only, kind of, major market where there a triple play provider compared to, kind of, the normal ILEC services is in Pinellas, where they took over the Verizon Fios asset. Yes they experienced definitely some hiccups when they first took over. We definitely saw some customer lifts associated with that. But we've seen a lot of customer growth in that market in general.

If you recall, that was a market that Knology hadn't put a lot of focus on historically and hadn't spent a lot of money. So we upgraded that market pretty significantly from a product standpoint, from a people standpoint, from a focus standpoint, and have grown the penetration there nicely. So I don't know whether I would attribute our continued growth in that market to their hiccups as much as just our continued progress there. And while we've made a lot of progress from where we were, we still see that as a huge market of opportunity for us.

From a competitive standpoint, we now have a little over 50 percent of our footprint is competitive with Comcast and now about 40 percent of our footprint is competitive with now Charter Spectrum that was a mix of, kind of, low 20's Time Warner, a little over 10 percent Bright House and 6 percent

Charter and so that combined to get to the 40 percent. We got small, little overlaps with Mediacom and a little overlap with Cox that are both pretty tiny. But those are the two big guys that we spend most of our time with.

From a telecom standpoint, we think that U-verse is, kind of, just north of 50 percent of our footprint. That's a little tougher to tell because they're in many of our markets, but in many of our markets they don't cover the entire footprint with U-verse.

So does that answer your question, David?

David Hebert: Yes, it does. Thanks for running through that. And just on the balance sheet, sorry if I may have missed this I got on a little bit late, How much of the sub-bonds are left after the partial call pro forma for this transaction - or will be left, I guess? And then any thoughts around attacking the 10.25%'s as the high yield market continues to improve? It feels like the equity multiple prints we saw from Grande and RCN could potentially help there, just curious your thoughts.

Rich Fish: Yes. After the partial redemption in July of the $47 million, we were down to -- you know, call it today of, from $295 down to $248 million on the senior subs. After we close the transaction later this week we'll have about a little more than $89 million of that tranche still outstanding.

Steven Cochran: And I guess to be clear that it won't actually get paid down until, we have to put a 30-day notice in and then we'll get a pay down sometime in September.

Rich Fish: Correct.

Steven Cochran: And from a "what next" standpoint, I mean, clearly, this was a nice case of being able to take advantage of lowering our interest costs. We still have limitations on what we can do from a pay down standpoint. We are evaluating some other strategic alternatives that could or couldn't allow us to look at that. I think we're a bit hesitant to refinance the 10.25%'s right now because we continue to see the activities we take at lowering our leverage. And it's a good market, but with lower leverage trying to balance that out at the same time knowing that it's still a fairly hefty call premium.

So we continue to explore all the different options, and we get multiple presentations a month from people giving suggestions on what we should do and we continue to look at evaluate those. Right now, there's no plans to deal with that until a couple of the other things that we're working on -- we have a little more clarity on.

David Hebert: Great. Thank you.

Operator: Next question is from Carlo Portes from CarVal.

Carlo Portes: Hello, Rich, Steve how are you? Two questions -- one housekeeping and one big picture.

Number one for the 2Q capex, that $71 million, can you tell me if you can right now what portion of that was Crestview funded in terms of the gross investment capex that you guys have guided to? And then a more bigger picture - there's a lot of noise and news on set top box reform going on. Just wanted to see how you guys think about it in terms of things that could happen, things that could impact you guys -- and that'll be it. Thank you.

Rich Fish: Sure. On the first one, there was approximately $23 million of the investment capex in the second quarter out of the total of $71 million.

Steve Cochran: And then from the set top box standpoint, obviously something we continue to monitor. This is the one that obviously affects the biggest of the big in the industry, so there is a lot of other people, kind of, fighting our fight on this one. But, clearly, keeping close tabs on it and continuing to look at other alternatives and partnering with others that actually - I mean, it's kind of ironic. I mean, we're headed down a path of this new swivel platform we continue to look at ways to deploy other things like ROKUs. I mean, we're trying to do everything we can to meet customer demand, so I feel like we're already heading down that path of trying to make it easier for customers.

At the end of the day, there's a lot of customers who really like the fact that they get it all with us, and that they don't have to go to the store and buy it, and they don't have to figure out the components of it, and that there's a technician who'll come and install it. So with all that - I mean, there's no great answer to this one. Obviously, unlike some of the things the FCC has done, this is one that I think the entire industry is heavily against and heavily is working on trying to put ideas out there that could meet the needs of what the FCC is trying to accomplish but also do them the way that is much more helpful to the business as well.

So I don't have a great answer on that one, Carlo, other than we continue to monitor it the same way as you guys do. I know there's also some -- you know the ACA and some of the other groups also trying to make sure that regulation that is basically for Comcast and Charter doesn't have the same impact on a lot of us smaller guys who don't have the same capacity that they do.

So, as with what it feels like we've said multiple times as it relates to different FCC announcements over the last two or three years, we're definitely in a wait-and-see approach but not really changing our business model in the short term for it.

Carlo Portes: Great. That's helpful. Thank you.

Steven Cochran: Sure.

Operator: As a reminder, to ask a question press "star one."

The next question is from Keith Anor from Seeks Advisors.

Keith Anor: Hello, good morning, guys. Thank you for taking the questions.

Rich Fish: Hello, Keith.

Keith Anor: Hello. On the subscriber front, can you just update us on the RGU trends in terms of what was related to edge outs and what was in the existing footprint in the quarter?

Steven Cochran: Sure. So I think in the quarter -- so it's going to be the majority, I think. Through the first six months, we had added just under 2,300 customers from edge out, so relatively small piece. I would say the majority of that happened in the second quarter because the first quarter was mostly building we were just starting to activate stuff. So it's kind of, in that range. I don't have the exact numbers, but I would say it's probably 2,000 customers were added in the second quarter related to edge out.

Keith Anor: OK. And on the subscriber front, are you guys still comfortable with the guidance that you gave for year-end, even if we exclude the customers you'll acquire from NuLink?

Steven Cochran: Yes. Yes, we are. I think it's probably a little different by category, but, clearly, the second half of the year is going to contribute a lot more than the first half of the year did. And you can think of a number of things - all that we lost related to schools and military, instead of being a loss will actually be a gain in the second half of the year.

From an edge out standpoint, I think the second half of the year we expect to add closer to 7,500 or 8,000 compared to the couple thousand that we had in the first half of the year. We definitely have a ramp in marketing and we'd probably have a little bit less of a rate increase impact. So with all of that, we still feel good about being within our guidance from a customer RGU standpoint.

Keith Anor: OK. And then on the commercial side, can you just remind us -- I guess, in, kind of, the middle of 2017 it sounds like once the build is done, what sort of annual revenue contribution do you expect from the back haul contracts? And then also I assume that then you get some replacement of, kind of, some new Opex that'll replace the sort of, flow through that you're seeing from the construction. So maybe some help on that would be great?

Rich Fish: Yes. So I think from a revenue standpoint on at least that project in particular, will be north of $11 million a year annually. I think what we look at is also the incremental opportunities that are going to come from that. I think we are going to have a really unique asset in Chicago that is going to be really hard to replicate. And so we built it based on a contract, but really, obviously, put a great deal more fiber in place and the capacity to sell more, both from the actual fiber we're using, but also from the ability to expand our footprint and do more laterals.

And so when we come to that point, that will be the - that's, kind of, the run rate from that contract that we expect the contribution to be much greater over the next several years as we're able to monetize that network.

As it relates to your question on the other -- I mean, that is, kind of, completely what I would call an out-of-scope related to the rest of the financials. You know, there's a revenue and expense that we're going to have each quarter until that happens but once those go away, they both away. There's not any kind of lingering expense associated with it, there's not any kind of go forward revenue associated with it.

They're just, again, one-time numbers that are hitting our financials that right now we're explaining why we're up 33 percent and next year we'll have to explain that the actual growth is higher than what it looks like because this revenue that was part of this build process doesn't exist anymore. But we're trying to carve it out as much as we can from the numbers because it really is just a flow through at the end of the day.

Keith Anor: I guess I was trying to get at a bit more of whether they're, kind of, ongoing Opex just completely aside from the …

Steven Cochran: OK. Sure. I mean, there's not a great deal. I mean, there are some right-of-ways and some train crossings and things like that that, as part of it -- there are some annual payments related to, but the $11 million in revenue will be very high margin.

Keith Anor: Got it. OK. And can you also just remind us as we kind of think about the long term capital intensity and capex requirements, I guess, how much of the capex is related to this project and what could fall-away in future years?

Steven Cochran: Yes. I think this year will be $50 to $60 million related to this and next year we'll have another $20 plus. So we'll see a nice step-down related to this project year-over-year and then as we move into 2018 it goes away.

Keith Anor: All right. Thanks guys.

Rich Fish: Sure.

Operator: There are no further questions at this time. I will turn the call back over to the presenters.

Rich Fish: OK. Well, thank you again, everyone, for attending. And, again, we appreciate everyone's support with regard to the refinancing that we did. And look forward to either seeing you at our next conference or talking to you soon.

Steven Cochran: Thanks. Take care.

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

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