WOW!!

Moderator: Rich Fish
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Operator: This is conference # 71190090

Good morning, ladies and gentlemen, and welcome to the WOW!! Third 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, Carol.

Good morning, everyone, and thanks again for joining us. 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 quarter. And after that, we'll open it up for Q&A.

Before we get started, we need to remind everyone, that in our call, we may be making some forward looking statements about our expected operating results, business strategy or other matters relating to our business, and we disclaim any obligation to update those forward looking statements.

Those statements involve known and unknown risks, uncertainties and other factors that may cause our actual operating results, financial position or operating performance to be materially different from those expressed or implied in our forward looking statements. In our 10-K that we filed with the SEC on March 27th, 2015, we discussed some important assumptions and other 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 the 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 pro forma results. These measures are reconciled in our earnings release to the most comparable GAAP measures in the financial statements that we filed with the SEC. So, with that out of the way, I'll turn it over to Steven to give an update on the business.

Steven Cochran: Thanks, Rich.

Good morning everyone and thanks for joining us. Rich will talk more about the financials, but I'm pleased that once again, our EBITDA is right in-line with our expectations for the quarter. And while it decreased sequentially as a result of the seasonally increased marketing and customer related activity, it increased on a year over year basis by 9 percent and generated margins of nearly 37 percent.

Third quarter is usually better than the second quarter, and as expected, we saw improvements across all lines of business. Our video & phone losses were less and we were flat on HSD customers. We're also able to generate that improvement while we implemented our annual rate increase midway through the quarter. Given that we did implement the rate increase during the quarter, we were pleased that the overall customer churn for the quarter was 3.1 percent, which is right inline with our historic norms for the third quarter. And at the same time, our connect activity improved 18 percent over Q2.

From a customer standpoint, you know, clearly our focus for nearly a year now has been on free cash flow improvement, and we have continued to focus both our operational and our strategic activities on how to improve our leverage and eventually re-price our bonds to significantly improve our free cash flow profile, which then will allow us to pivot towards a more growth oriented mindset. But given our current profile, and as we've discussed throughout the year, we’ve made a concerted departure from our historical focus and customer trends continue to be impacted by the decisions we've made to improve free cash flow.

We've prioritized the profitability of our customer base over just pure growth. We.ve worked to maximize our ARPUs, we've controlled costs related to – we’ve, in general and specifically related to customer acquisition, and we've prioritized specific customer segments that we've wanted to go after. Now clearly, across the industry, there's a variety of different approaches to growth and running the business right now. The larger guys have definitely been in the mode of operating to maximize market share, even if that means decreasing product ARPUs and lower margins.

Most of the smaller operators have been operating on some kind of variation of a less video centric business model, some more than others, some focused on higher ARPUs, some focused on lower programming costs by dropping programming, but all of us with a focus on how to become less video centric and maximize the existing customer base.

Given our balance sheet, I think we probably had more focus on free cash flow than most. So with that, as a result, from a customer standpoint for the quarter, our total customers decreased 5,400 with video RGUs decreasing 18,000 and telephony 14,000, while losing 800 HSD customers. However, at the same time, we improved our individual product ARPUs significantly year over year. Our video ARPU increased 14 percent. Our HSD increased 5 percent, and our phone ARPU increased 8 percent, which contributed to our growth in margin improvement year over year.

What’s the impact of that? – so total revenue for the third quarter was down year over year, primarily related to the customer activity, but, however, the adjusted EBITDA year over year is up by $9.1 million and our adjusted EBITDA margin percentage is up almost 3.5 points from 33.3 percent to 36.8 percent.

Going forward, you know, our focus is always to continue to deliver a great customer experience, and we'll continue to have a heavy focus on delivering free cash flow by managing our expenses and continuing to pursue smart customer growth. As we discussed last quarter, we launched – we were going to launch and we now have launched, 300 MBPSs across 75 percent of our homes passed.

And we continue to modify our various offers in the market, both our HSD – only market offers as well as our bundled packages to continue to try and go after that customer base that we think is smart for us and will be profitable with a good free cash flow profile. Our strategy, this year, as we anticipated, did result in a quarter over quarter decline in adjusted EBITDA, but as you look at our LTM adjusted EBITDA we had 8.4 percent growth to $439.7 million.

From a commercial standpoint, we continue to be aggressively focused on this space. We've been hiring significantly with that – within the – within the segment and can expect to be fully staffed by the end of the year, as far as the staffing levels that we think are appropriate to drive sales levels we want to. We've hit – year over year sales increase of 13 percent on a book sales standpoint, continue to make improvement that we did do a little bit of a reorganization in that group in how we aligned our sales agents, and because of that we – that was probably why we didn’t see a greater lift in the third quarter, but we feel really good about the mix of agents we have now and the aggressiveness with which they're moving into the market.

From a product standpoint, while we launched the 300 MBPS in many markets on the residential side, we launched our 300 up 20 down – sorry, 300 down 20 up MBPS product in most of our markets commercially as well. We continue to improve, enhance our product offerings to meet our customer needs.

One of the other areas that we've been heavily focused on is on the branding side. And I think – you know, branding is always one of those things that’s been tough residentially. We knew it would be somewhat of an issue as we went into commercial. I think that branding – just brand recognition side, from a commercial standpoint was probably even a bit more of a challenge than we expected it to be. But as we did a survey in the third quarter, it shows that our brand awareness is up 26 percent and we continue to feel good about the – the activities we're taking to drive brand awareness.

So, from a – from a revenue standpoint, quarter over quarter, we were up almost 6 percent, and from a year over year standpoint, up 15 percent. So, we continue to see that there's a great opportunity and like the direction that this part of the business is headed.

So with that, I'll turn it over to Rich and look forward to talking more with you during our Q&A session.

Rich Fish: Thanks, Steven.

Again, just a reminder for everyone again, the divestiture of our South Dakota Systems occurred last year on September 30th, so our reported filings with the SEC, up through third quarter of last year, included the operating results of the South Dakota Systems for this first nine months of the year. So, any year over year financial comparisons that we make, we'll do it on a pro forma basis that excludes the results of the South Dakota Systems and that’s the pro forma reference that we'll be making.

So, as everyone has probably already seen from the filings for the quarter, we reported total revenue and adjusted EBITDA of $297.7 million and $109.6 million respectively. As Steven mentioned, third quarter total revenue was down sequentially $8.1 million or about 2.6 percent from the second quarter, and was down on a year over year basis by $4.3 million and just over 1.4 percent, compared to the pro forma third quarter of last year.

Third quarter adjusted EBITDA at $109.6 was down sequentially $3.1 million or 2.8 percent from the second quarter, but was up, as Steven mentioned, on a year over year basis by $9.1 million or 9.1 percent over the pro forma quarter of last year.

Looking at LTM, total revenue on an LTM basis at the end of this third quarter, totaled $1.225 billion, which was up on a year over year basis by $35.3 million or just right at 3 percent over the pro forma LTM period ended 9/30 last year. And adjusted EBITDA on a LTM basis at the end of this quarter totaled $439.7 million, which was up on a year over year basis by $34.1 million or 8.4 percent over the same LTM period ended 9/30 of last year.

Inside of total revenue, total subscription revenue for the quarter totaled $265.7 million, which was a decrease of about $8.4 million or roughly 3.1 percent on a sequential basis, of which about $1.7 million of that was attributable to a decrease related to ARPU, primarily as a result of the pay per view lift that we received in the second quarter from the – from the Pacquiao fight and was offset by $6.7 million decrease attributable to the average RGU losses that we experienced during the quarter.

On a year over year basis, third quarter subscription revenue decreased $4 million dollars or about 1.5 percent over the pro forma third quarter of last year, of which approximately $23 million of growth was attributable to increases in ARPU. And that was offset by approximately $27 million of a reduction that was driven by the year over year decrease in average total RGUs.

Looking at CapEx – gross CapEx for the quarter, which is the gross additions to PP&E for the quarter totaled $58.1 million. We also had a decrease in CapEx related working capital from the quarter, totaling approximately $6.4 million, so our statement of cash flows will show on the face of it, cash outflows related to CapEx for the quarter, totaling $64.5 million.

Looking at free cash flow on a year over year basis, as Steven mentioned, with the improvement year over year over the pro forma quarter of last year of $9.1 million in adjusted EBITDA and a reduced CapEx spend of approximately $1.9 million, we saw about a $27 million – or 27 percent – excuse me, 27 percent improvement in unlevered free cash flow over the pro forma 3rd quarter of last year, excluding working capital changes.

So, from a liquidity standpoint, we ended the quarter with just about $42 million in cash and cash equivalents. So, from a leverage standpoint, senior secured on a pro forma basis was right at 4 times. Total leverage, also on a pro forma basis was 6.5 times, and at the end of the quarter, our $200 million revolver was undrawn, and we have approximately $192 million dollars of borrowing capacity available to us under that facility.

So, that concludes our prepared remarks, so I'll turn it back over to Carol who can now open it up for questions.

Operator: Thank you.

And just as a reminder, that's star 1 on your telephone keypad, if you'd like to ask a question.

Your first question comes from the line of Mike Pace from JP Morgan. Your line is open.

Mike Pace: Hi, good morning. Thank you, guys. I'm curious, can you just talk a little bit about what churn was in the quarter versus the year ago period, and then you mentioned you put in through some rate increases a little bit earlier during the quarter versus last year, and I'm just wondering can you compare what you're doing this year versus last year a little bit? Thanks. And any churn impact that you saw…

Steven: Yes.

Mike Pace: … from the rate increases last year.

Steven Cochran: Sure. So, yes, overall churn was 3.1 percent. So, it was 3.1 percent last year, so we were right in-line with the churn. And from a rate increase standpoint, last year, notifications started going out in October. This year, they started going out August 15th. And so – you know, even though we didn't see much of the rate impact, from a financial standpoint, we clearly saw the call volume associated with it, because once you send the announcements out, that's when you start having activity, even though the rate increases themselves don't start taking impact until September 15th, and kind of roll through the period.

So, we hadn't anticipated seeing any real revenue lift in the quarter, related to it, but did expect to see churn related activity. And you know, we always get call volume, and we really monitor two things when we go through rate increases, one is – really I guess we should say three things, one overall call volume that comes in, so you got to manage that, you have to manage the costs associated with that.

Two is the level of disconnect and/or downgrades that come from it, so the churn related impact and then lastly the impact of now much of the rate sticks, how much discounting you have to do associated with that.

From a churn impact, I think we were – we – we've been pleased with the level of call volume and the amount of disconnects that have come, and so that's why, I think, we're able to have year over year churn, kind of in-line with each other without a higher impact. And we definitely – you know, going into them, you never know how they're going to be, but there was concerns, and we were pleased with that.

From a discounting standpoint, you know, that's one that lags and carries on a bit. We're – we seem to be in-line with where expectations are, as far as what the discounts were going to be. From a magnitude standpoint, it looks a lot like what we did last year from a – from a level. It's hard to talk – you know, a lot of times when I see different announcements from people where they talk about oh, we did 3 percent or 5 percent or 7 percent, our's is a little bit more complicated. In general – you know, we always have a percentage of our base that we're doing the rate increase on.

This year, you know, something north of 50 percent that we implemented the rate increase on, and you know, there were rate increases anywhere from probably $5 to $20 based on what package you were in, what equipment you had, and the various different iterations of the number of products that you had. And so – so anyway, it's been implemented, and like I said, we're on the – we're definitely on the back end of it and we feel pretty pleased with how the overall processes went this year.

Mike Pace: And then a question on CapEx, I guess it was lower year over year, but I'm just wondering, it's kind of trending above where we were thinking for the full year, so what does this imply for the fourth quarter? And can you just remind us what the budget was for full – for full year?

Rich Fish: Yes, we were pretty much trending, Mike, towards guidance. If you remember, we had guidance out there from – I'm going to look real quick – 210 to 221, so you know, the forecast for the fourth quarter on what we refer to as baseline CapEx would say that – you know, we're going to be kind of inside of guidance probably on the low side of that range.

Mike Pace: OK, and then, Rich, while I have you, I'm wondering if you could talk about the operating cost line item, and if we could do this quarter over quarter, because of some noise last year with the fourth quarter cost cuts. So, you're down $6 million sequentially on the operating cost line item, and I'm just wondering where is that coming from? And if you could break that out in some detail, that would be really helpful, really you're paying less for programming, just on the sub numbers, but what else…

Rich Fish: Yes.

Mike Pace: … is driving that decline?

Rich Fish: Yes, I think it's – you know, certainly programming is a component of that with the reduction of average subs. The balance, Mike, is just coming from the back office cost structure in the support organizations. If you recall, earlier in the year, we – in addition to the reduction in the force that we implemented in the fourth quarter of last year, we also implemented three – four different pretty significant cost saving initiatives to enhance operating efficiencies. So, we were changing a process as it relates to how we approach customer disconnects and dispatching to recover equipment.

We implemented, at the beginning of 2015, a pretty comprehensive fleet management tool that – into our fleet of technician vehicles. It allows for a pretty significant enhanced – you know, efficiency from a – you know, call – callout, dispatch et cetera.

We also implemented a – an enhanced module in our customer care center with regard to IVR, that's given us much more efficient handling. So, you know, other than programming the – you know, the additional cost savings are – you know, pretty much coming across the board, if you will, or are primarily being driven by those operating initiatives that we implemented at the beginning of the year.

Mike Pace: Great. And then just one last one, can Steven, maybe just update on the cell backhaul opportunity, just haven't heard much about that…

Steven Cochran: Yeah, so I – it's one of those, I think that – you know, I think we are learning along the way that it's a slower process than we would like it to be. You know, we've got a lot of contracted work – you know, hundreds of sites if not almost close to 1,000 sites now, under contract. But you know, it takes a while to build. It takes a while to get rings. It takes a while to get activation and to see it. And so, you're definitely seeing the capital in the numbers.

And you know, we're starting to have our first activations, but you know, each of those activations individually are small, and it takes – it takes quantum to get there. You know, we'll have a nice revenue improvement year over year from '15 to '16 in – you know, in the low millions of dollars of increase in revenue just related to that as we activate. And you know, it's still a project that does not completely get done until '17, and that's assuming we don't kind of add more on to it as it's definitely also a project that continues to grow from the standpoint of what the opportunity is, and each of those we look at independently.

And so, it's a – it's a process we've been talking about for a long time, from the standpoint of getting the commitments and moving forward, we still think it's a huge opportunity to have a – you know, a fantastic network in Chicago that gives us much bigger coverage will therefore give us much greater brand recognition, give us a greater footprint to go after commercially. But it's slow, and it takes a little while.

And – you know, unfortunately, it's one where you spend the capital up front. It's nice because you got a 20 year contract with someone that you're not worried about – you know, there's not churn, there's not those kinds of things, but nonetheless, it still takes a while.

Mike Pace: Great, thank you.

Steven Cochran: Sure. Thanks, Mike.

Operator: Our next question comes from the line of David Phipps from Citi. Your line is open.

David Phipps: ….Talked about the competitive environment and you suggested that some of the larger companies continue to go after market share, so what core customer does that leave you when you're looking at what's a good customer for WOW!? Is that someone who is looking for the 300 megahertz speed? Is it looking for someone with one of the bundle packages? Or is it - is it something different when you think about your own cost.

Steven Cochran: Yes, I think clearly – yes, I think – I think there's probably two different angles, right. One there's the customer profile that fits WOW! There's also the customer segment of the incumbent that – you know, isn't on their great deal in and that they don't roll into their great deal. That – you know, isn't on their promotional pricing that looks at our kind of everyday pricing and says WOW! that's a – that's a good opportunity, I'm interested in that.

And so – so, we continue to get – you know, activity and volume that comes from their incumbent bases that aren't on promotional's. We also get activity from their customer base that rolls off of promotional's. And if some of our competitors have been in this for a little while now, and we're starting to see some of that roll off. And as you think about just who we're going after, in particular – you know, we've definitely increased the focus on HSD only customers. That doesn't necessarily mean 300 MBPS, that means someone who wants a compelling internet service that is reliable, priced right, that they get – you know, the quality of experience that we deliver.

And when we talk about experience, it's you know, the level of engagement, what we do from a call center standpoint, what we do from a technician standpoint, all of those kinds of things. And you know, there are people who want that differentiator, and I think we've proven, over the years, that we're very good at that.

And so - and that goes for both video and HSD, but I think HSD, in particular, we're now up to over 40 percent of our new connects are HSD only. And so, I think we've become very attractive to that customer who wants what they want. They don’t want extra stuff forced on them. They don’t want to have to take phone just because – you know, because they – because the company says you got to take it or else you pay more. And so, we try to be very focused on customers that know what they want and that we're happy to provide that level.

And so, one thing – the thing that we haven't been willing to do is go heavy after video customers with – you know, really no margins, putting a lot of capital in with no margin. And that has definitely impacted our ability to grow video customers. And you know – you know, we're always going to have some level of churn, and if we're not driving connects on that side because we're not pricing that product in a way to do that, you're going to see that on the video side.

And I think we've continued to tweak around the edges, both to make sure that we're getting those bundled customers that fit into our HSD profile, and definitely heavily continuing to go after the HSD only customers. But we feel it's – we feel that there is a very good segment out there that we continue to be attractive to, that can be very profitable for us. And from a video standpoint, I think our base continues – I think we're now up to almost 25 percent – 26 percent of our base that’s internet only.

And with that, we continue to feel that we have less and less risk on the cost side of the equation as we move forward with increasing programming costs. And it gives us the ability to actually implement rate increases that are minimal, but it actually flows to the bottom line, compared to what we've had to do over the years, where you know, you put in a rate increase and the majority of it – if not all of it, is going just to offset the programming bill that you have.

So, we like the mix of our customers and where that mix is trending to. You know, we want to continue to do a better job than what we have on the HSD side, and we're seeing continued improvement on that, so we feel good about that direction, but as far as the trends and where our customer base is going, you know, we're pretty happy with that.

David Phipps: Fair enough. Could you – again, go over what you expect for… what you're providing for four quarter sales guidance?

Rich Fish: Yes, David, we're not giving out specific guidance on the fourth quarter. Last quarter, we did revise total revenue guidance, and the range on that was $1.223 to $1.242 billion. So, we're not – we're not updating year-end guidance beyond what we did last quarter.

David Phipps: Fair enough. I just wanted to make – I didn't think I heard it differently. And then when we think about the CapEx level, how are you thinking – you're – I'm sure you're in the planning stages for next year, so, what's the type of metric that you're thinking of or the budget that you would think is something reasonable for you to target? And how much would of that would be targeted specifically to commercial?

Steven Cochran: Yes, we are heavily in our budget process. It's - I don't - I don't think we're going to give out guidance yet, because we're going through that as we speak. And you know, one of the biggest things we go through each year is the prioritization of the capital and what the needs are from a commercial standpoint, compared to a residential standpoint, and where we think we can get the most – you know, the greatest return for our invested dollars.

And so, you know, we'll definitely give guidance as we get towards the beginning of next year, but we want to work through that process and make sure that both of our investors and other activities that we might work on are in-line before we give out any guidance that we might have to change or amend.

David Phipps: Fair enough. And then my final question. So you've got a couple of debt maturities that will go current as we go through 2016, so the revolver and the term loan-B, so would you imagine accessing capital markets in the first half of '16 or is that something that you would think about for the second half?

Steven Cochran: So, there's probably two pieces to the capital market to talk about. One is just the bonds in general and one is the term loan-B. I mean we got the extension on the revolver, which assumes that we'll do something with the term loan-B, and so – you know, we will take care of that. I think the timing of that will probably depend on how we're looking at the bond re-price in general. If – you know, if – I think it's hard to imagine a scenario where we're – at this point now where we are that we're not waiting at least until the next step down on the call premium before we've done something on that.

And so, if that's the case, it will probably be logical to try and do whatever we do at the same time. If for some reason we have the conclusion that – you know, that's not going to be the right answer, then we'll address the – we'll address the B – separately.

David Phipps: OK. Those were my questions. Thank you.

Steven Cochran: Thanks. Thanks, David.

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

Umesh Bhandari: Hi. Thanks for taking my questions. Just first on the operating trends, obviously, I think that you guys are seeing some better trends here in this quarter, especially from a subs perspective. Should we expect these trends sort of to continue, especially on the HSD side? You know, this down 2.5 percent year over year, this quarter versus the last seven quarters, just given some of the rate increases that you put in place, how should we think about the sub trends?

Steven Cochran: Yes, I mean I think – I think – obviously we'll continue to be heavily focused on the HSD line. You know, we are definitely less focused on the video line, and you know, would love the phone line to be better than what it is, but also aren't going to do things to you know, just prop up phone subs either– that's more of a trend that we're not controlling.

On the HSD sub-trend, I think – you know, we continue to see numbers that look pretty similar to what we saw in the third quarter, and so, we're encouraged by that and the continuous improvement we see on that side. So, yes, I think – and obviously there's always seasonality that comes into play. And there's – you know, the rate increase impact. And so, it's hard to know exactly what fourth quarter will be compared to last year, because we won't have some of the churn that we had at last year in the fourth quarter, related to the rate increase. But you know, half way through it, we – you know, we feel pretty good about the trends we're seeing so far.

Umesh Bhandari: And just wanted to also follow up on your strategies, so do you think that some of the strategies that you're also taking that in terms – you know, selectively increasing ARPUs and rather than sort of going after the sub growth? I mean is that a sustainable strategy for you guys?

Steven Cochran: I think it's sustainable for a period of time. It's clearly not the strategy we want to have long term. And clearly, as – you know, our equity investors would much prefer that we're making investments in growth and driving more growth. But with the balance sheet we have, you know, we've got to be smart to make sure that we're maximizing free cash flow and we're driving down leverage, so that we'll be in position to take care of our balance sheet, and – you know, whether it's strategic initiatives or operating initiatives, until we – until we've taken care of that, it wouldn't be prudent for us to go and make investments to maximize market share or those kinds of things.

Doesn’t mean that won't be – I don’t think we'll ever be in that mindset where we're just trying to maximize market share, but I think there is a pivot that will take place when we feel more comfortable that our balance sheet issues are addressed, and that we can go and make those investments without any concern about leverage and free cash flow.

Umesh Bhandari: Got it. So, the current strategy is sort of really targeted around addressing the balance sheet.

Steven Cochran: Exactly. I mean we had been – I mean you know, as a shareholder myself, and as – you know, just coming out of a board meeting, you know, what we're doing right now isn't driving as much value creation as we would like it to. It's more heavily focused on taking care of our debt, and you know, that’s – you know, not – we've operated both ways now. We – we've been able to grow dramatically and create a lot of value and we've also had to operate in an environment where we had to maximize free cash flow. And I think we've done both of them well. The former's a lot more fun than the latter, but it's still the right thing to do, given the situation we're in.

Umesh Bhandari: Yes. And then as you know, the high yield market tends to be somewhat finicky…

Steven Cochran: I hadn't noticed.

Umesh Bhandari: … just given that, you know, I'm – I can certainly appreciate your plan A is obviously to come into the market than sort of consolidate the debt, but I mean what is sort of the plan B here just in case – you know, the market tends to be a little bit psychotic?

Steven Cochran: Yes, I mean clearly, we have a number of strategic alternatives that we've been working on and evaluating. And you can trust – everyone on the phone can trust that we're not just sitting around working on the operating activities and hoping that we're able to just – you know, work our way through it from that standpoint and just hoping for good market conditions. There's a number of things going on. And you know, we can't go into details on any of them, but we're clearly working both directives from an operating standpoint and a strategic standpoint, to try and – to try and get to a point where we can make this pivot and be more focused on growth.

Umesh Bhandari: And I understand that you don't want to go into the details, is – can you sort of help us think through that, I mean…

Steven Cochran: I would love to, but like I said, I mean there's – it's really hard to. I'd – I would – I would love to be able to, but if you start going down a path, then there's a lot of assumptions made about things you're doing, and what they mean. And most of the time, those assumptions are wrong. And so - versus going into any depth, just say that we're – you know, we're looking at a number of different alternatives, and definitely aren't sitting on our hands just trying to operate the business. There's a lot of focus on how to work through these – work through this situation.

Umesh Bhandari: OK, it's fair enough. I won't try again.

Steven Cochran: But I appreciate the effort.

Umesh Bhandari: Sure. Thanks.

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

Lauren Gallagher: Hi, guys, how are you?

Steven Cochran: Hey, Lauren, good.

Rich Fish: Hey, Lauren.

Lauren Gallagher: Coming back – and we've kind of asked a couple of questions regarding this but just wanted to follow up, regarding the fiscal '15 guidance that you – you've revised in August, it seems like you've generally affirmed the revenue numbers and the CapEx numbers. I was wondering if you could kind of talk about the EBITDA numbers and then based on the little bit of indication you gave about Q4 subs being flat to Q3, a little bit about the RGU guidance as well?

Rich Fish: Yes, Lauren, the guidance for EBITDA we didn’t change last quarter, so it's what we put out originally as a range of $440 to $450 is still the expectation. So, you know, midpoint on that $445 would be – you know, roughly – you know, a little over 6.5 percent year over year increase, so you know, we still feel – we still feel good about hitting guidance for EBITDA.

Lauren Gallagher: And on the sub number?

Rich Fish: Yes, sub numbers, you know, we did take down, if you recall. Last quarter, we brought them down to total customers was between 776,000 and 786,000 with total RGUs at 1.606 million on the low end of the range and 1.626 million on the high end of the range. So, you know, we're not – we're not changing that, that we put out at the end of the second quarter.

Lauren Gallagher: OK, great. I just wanted to confirm that they were still…

Rich Fish: Yes.

Lauren Gallagher: …unchanged. I guess talking a little bit more about the rate increases, can you kind of talk about which packages you kind of changed and how? And I guess how you kind of look towards '16 and any potential rate increases throughout that year as well?

Steven Cochran: Sure. So, I mean – you know, as you would expect, you know, triple plays get a larger rate increase than double plays, than single product. And people with a lot of equipment, you know, there's increases on the equipment related side as well. And so, it really is a – it's a reasonably complicated process that our operations team goes through, billing operations and marketing operations goes through to kind of go package by package and look at the various different categories of customers that we have and evaluate, literally each category, how much of a rate increase might be enough with. Do we think that's reasonable? Those kinds of things.

And so you know, I think – I think what – you know, kind of – kind of how we – you never know going into it for certain, and that was one of those – kind of lessons we learned the hard way in early '14. I think we've – we learned a lot about how you go through rate increases, how you implement them, how you respond, from a willingness to discount standpoint, a willingness to let customers churn standpoint, how you notify them.

And with all of that, just given that we're pretty far through the process now, we feel that similar to what we did at the end of last year, we had a pretty effective rate increase.

Lauren Gallagher: OK, great. And then, I guess, looking ahead a little bit to '16, are you planning end…

Steven Cochran: Oh yes, sorry…

Lauren Gallagher: … no, no, no, no, just like one annual rate increase…

(Crosstalk)

Steven Cochran: Yes, no, I think that’s the – that’s the anticipation is I think, we're working through the budgeting process. We'll look at time of year and what the best time to do that is. And you know, we moved it up a little bit this year to kind of see how it went, compared to a November increase. And you know, kind of of once it's all done, we'll step back, as part of the budgeting process and say okay where should it go this year, and is it similar magnitude, and all of those kinds things. But that’s something that over the next – you know, 45 days we'll land on it.

Lauren Gallagher: … OK great.

And then I guess, also looking a little bit ahead to '16, I know you're in the budgeting process right now, but any – call it early indications, on where programming expenses are going to go?

Steven Cochran: Yes, that’s one that we're pretty clear on. I think – I think this – because it's – some – there's – there was very few true renewals, and so, I think we ended – on a per customer basis, which is the way we always have to kind of talk about it, is around 9'ish percent, and so – which compared to the last couple of years is a decrease, and then – you know, there'll be a handful of things that come down. There's some smaller deals that are being finalized that may or may not impact that, but that’s kind of the ballpark of where it is.

And that one was definitely factored in when we did the rate increase this year, as far as you know, what we needed to cover on that.

Lauren Gallagher: OK, great. And are there any big contract renewals coming up in '16?

Steven Cochran: There is. I'm trying to remember. It's all at the end of '16 though, so it's not necessarily impacting '16, but as we move to the end of '16, we got a couple – there's a couple of larger ones that we'll have to deal with. So, yes.

Lauren Gallagher: Great. And I think, generically, I'm all set then. Thank you.

Steven Cochran: Thanks, Lauren.

Operator: your next question comes from the line of Michael McCaffery from Shenkman Capital. Your line is open.

Michael McCaffery: Thanks. A couple of questions on the rate increase and just the overall competitive landscape. Are you – have the rate increases been targeted such that you're trying to drive more of your existing subs or new subs directly to pure HSD only packages? And I guess …

Steven Cochran: No, I wouldn't – I wouldn't say that, Michael. I mean I – do we see some of that? Probably a little bit. I wouldn't say we're driving that. I'd say the impact of us having a higher HSD customer base is more reflection of kind of low margin customers churning out and bringing HSD only customers in, as – you know, like I said it was over 40 percent of our new connects now. And so, the shift is more what customer is replacing what customer, than necessarily you know, a customer downgrading to that.

I mean where we see downgrades mostly is – you'll see some downgrades from a – you know, full digital to basic – you know, expanded basic or expanded basic down to limited basic. We've definitely seen our share of downgrades where customers drop phone, which – you know, isn't that surprising. And you know, we've even seen some which – this one probably is a little bit more surprising , we have seen some downgrades of customers from you know, higher internet speeds to lower internet speeds.

And you know, not a lot of that, but probably more than – and some of that came – and I'm sure people are seeing this across the industry, you know, we all continue to move our customers up in the speed they have. And you know, the majority of customers are happy with that, and they just move forward, but there are those – you know, cost conscious customers who say well, I was actually good at a lower speed to start with, so you know, let me get my price lowered and go back down to a lower speed.

Michael McCaffery: I guess if I'm in your footprint and I am looking at the packages offered, relative to your – to your peers, is the HSD standalone packages you guys are offering, far and away the best value for speed …

Steven Cochran: I think – the higher the speed you go, the more valuable we are. So, if you're a – you know, if you're taking our 30 MBPS product, we're kind of – you know, we're kind of all in the same ballpark. As you move up to 60 – or if you move up, the level – to 60 MBPS, we're a little better. At 100 MBPS, we're a lot better. And at 300 MBPS there's really no one close in our markets on a price standpoint.

Michael McCaffery: And what have been thus far, the connect activity of the HSDs? Would the HSD product – have more of them been trending towards the higher speed, higher ARPU?

Steven Cochran: I wouldn't – I mean they're – the trend is definitely moving up, but it's not moving up a – you know, it's not like an unbelievable pace. So, yeah, we're seeing a slow migration to that, but not like all of a sudden everyone wants 100 MBPS, because that takes – you know, there's a lot of the – I mean there's a lot of the population that want it because they can get it, but there's a lot of the population who understand that – you know, what they're using it for doesn't require that yet.

Michael McCaffery: And just to clarify your comments, you'd indicated connect activity was pretty robust in the third quarter, up 18 percent over the second quarter, are you seeing the same pace of activity thus far into 4Q?

Steven Cochran: I would say – I would say overall, it's trending nice, and it's up. The piece – the one piece you have in the third quarter is we have a couple of large college communities that are impacted, and so you see this weird piece where the month of July is unbelievably slow. The month of August is crazy busy and then September kind of settles into what the norm is. And I would tell you that the norm of September looks a lot like what October and November have looked like so far, which is definitely up from earlier times in the year, but it becomes a little bit harder to think about the third quarter – you know, what that was because you kind of have those two extremes.

Michael McCaffery: And then one of the things that impacted you a lot last year in the fourth quarter was a lot of heavy irrational discounting from your competitors, (is)…

Steven Cochran: I would say that’s impacted us for almost 18 months now. But yes.

Michael McCaffery: … so well, I guess that's the question, has that abated at all or is it still the same?

Steven Cochran: You know, I think we've seen – we've definitely seen a slow down from some of the aggressiveness of Comcast. You know, they're – not that – not that they're not still aggressive, just maybe not to the level they were first half of this year, and definitely last year in the fourth quarter. You know, Time Warner has continued to be – you know, pretty aggressive. And not – you know, not that surprisingly with – you know, what – you know, the transaction and all of those kinds of things that are going on. So…

Michael McCaffery: OK, and then – you know, just on the – back to the 2016 outlook question, well are you …

Steven Cochran: Are you going to try too, Michael?

Michael McCaffery: Well, I know you're not going to give guidance, but I guess should we think about '16 in the same fashion as '15, i.e. growth in EBITDA, focus on growing free cash flow?

Steven Cochran: Yes, no – that's absolutely the case. We're heavy focus – until there's something that changes with our balance sheet one way or the other., whatever drives that, that's going to be our focus. I think it's the only – honestly, it's the only right thing to do for you guys. From a – from a lender's standpoint, it's what we need to take care of and it's been our focus for – you know, 15 months now.

Michael McCaffery: Great. All right. Thanks for all the questions.

Steven Cochran: Sure.

Operator: Our next question comes from the line of Matt Dratch from Reef Road Capital. Your line is open.

Matt Dratch: Hey, guys, thanks for taking the question. So, I just have three quick ones, and some of them are a little bit bigger picture. One on the opportunity is sort of WOW! specific, and the opportunity you guys think you might have from turnover in your market due to the Time Warner cable charter merger…

Steven: Yes.

Matt Dratch: … I know you guys have had good experience – good experiences in the past, when there's been large M&A in your footprint, so definitely want to hear about how you're planning on kind of attacking that in keeping with your goal of not being aggressive and kind of – and trying to manage the business for free cash flow. And the other – the other two are I think more related to the – a broader opportunity when it comes to HSD, are you guys monitoring what Comcast and what people are doing, in terms of tier'ing data usage? Obviously, we're seeing – you know, the starts of that…

Steven: Yes.

Matt Dratch: … with those guys charging for high user, extra bandwidth, et cetera…

Steven: Yes.

Matt Dratch: … guys going over 300 gigs a month, is there an opportunity there? And then also, on the cord cutting side, do you guys – if someone – if someone cuts their video, do you typically actually see a – kind of a neutral of maybe positive free cash flow impact, because – you know, if a triple play guy says I'm out on video, no thanks. And then you say okay, well, you know, you're paying $30 a month for data right now, we're – now that you're not a triple play, we bump you up to $40 and you might need a higher speed of you're going over the top, can you talk a little bit about those dynamics as well ..

Steven Cochran: Sure. Sure, sure. So, let me – let me go through and if I miss it, circle back on me, okay?…

Matt Dratch: ok great..

Steven Cochran: … so, from a – from the deal standpoint, yes, we clearly hope to take advantage of that, the way we have in the past. It's about 40 percent of our footprint that's going to go through some sort of transition. And generally, you know, like I said, it's been a good opportunity. What we found, in general, is it usually takes, you know, kind of six months before you really get that opportunity, because it takes them that long to get going with their – you know, name changes and starting billing conversions and network changes and people changes that come from regional structures, all that kind of stuff.

And so, we've kind of been holding off – holding off to kind of implement our plan to make sure that we're attacking it at the right time, and so we're – you know, we're continuing to monitor when is the deal going to close, so based on when is the deal going to close, what are we going to follow on with? And so how that ties into our free cash flow plan, I think clearly, this is a one-time opportunity.

I think we hope that by the time we're actually there, so say six months after the deal closes, we feel a little bit more comfortable about exactly where we are from a leverage standpoint and then what we're doing to address it, and would hope to go after them pretty aggressively. And you know, if we haven't, then we'll definitely assess what we can do to take advantage of that and still kind of continue to live within the parameters we're setting for ourselves.

Matt Dratch: OK, great.

Steven Cochran: Is that good on that one?

Matt Dratch: Yes.

Steven Cochran: Yes. HSD usage, you know, we continue to monitor what everyone else is doing. As we think about our long term plan, we clearly have built in – you know, some level of ARPU increase overtime, that comes from the ability to either – to either have usage based billing or have some form of data cap overruns, those kinds of things.

I think we're – have generally liked, in these kinds of activities, whether it's been broadcast surcharges or sports surcharges or things that we charge for to let someone else kind of lead the – lead the way and get customers used to it and then allow us to – you know, kind of learn from what they did and implement it. And so, it won't be part of our '16 plan, but there is definitely continued focus on what we should do, from a usage based pricing and what impact that could have on our model going out.

Matt Dratch: OK, great.

Steven Cochran: From a cord cutting…– is that good on that?

Matt Dratch: Yes, great.

Steven Cochran: Sure. And then on the – on the cord cutting side, you – like I said, it's a little bit complicated, because most people – most people – we don’t see a lot of the true triple play downgrade to HSD only. I mean we see a little bit of that, but not a lot. In that scenario, you know, you're probably losing a little bit of margin dollars. You're moving up in margin percentage. But then you have a CapEx – a CapEx impact that is kind of deferred, because what happens is you recover boxes and – you know, the equipment that – you know, is anywhere from $300 to $700 in the household worth of equipment, that you don’t gain anything that day from it, but it's less capital you have to buy, because you're able to kind of – you know, recycle that.

And so, it – it's not always a day one impact. It's kind of the longer term impact of how that happens. In general, you know, do we see – we definitely see HSD customers who come in new as HSD only in the higher tiers. I don’t know that we have enough data to be able to say yes, when someone downgrades and cuts the cord, we see a lift in the package they're in, from a – from a movement upward of the speed they take. But in general, you know, the flow through EBITDA impact on that customer isn't really – without any of what you're talking about really isn't that dramatically different anyway.

Matt Dratch: OK. Great. Yes, I guess I was just trying to get at whether if you lose a – if you do see a cord cut from somebody who has like a basic HSD…

Steven Cochran: Yes.

Matt Dratch: … a basic video package and then gets – you know, their whatever 30 megabits a month from you, and says you know what, I'm out on the video, I just want the data…

Steven Cochran: Yes.

Matt Dratch: … is that really – on a – from a – from a free cash flow perspective, is it really not – is it – is it a huge deal or is it not really…

Steven Cochran: No.

Matt Dratch: … that big a (deal)…

Steven Cochran: I'm saying it's not that big a deal. The – you know, the programming costs that go away with that customer, you know, is the majority of the revenue you're losing on that customer. And you may or may not see more activity. And you know, there is – there is – while we don't advertise it this way, and we don't throw it this way, there is a little bit of you know, bundled discount that someone's getting that kind of goes away as they move into the single product.

Matt Dratch: Got it.

Operator: Our next question comes from the line of Ned Zachar from KLS. Your line is open.

Ned Zachar: Terrific. Can you hear me?

Steven Cochran: I can.

Ned Zachar: Perfect, had a couple of questions, most of them have been answered, but following up on the last point, it is fair to say though that CapEx intensity, as if you're – if you're pruning your video subscriber base as consumer behavior changes...

Steven Cochran: Yes.

Ned Zachar: … presumably capital intensity would come down…

(Crosstalk)

Steven Cochran: Yes, that’s definitely part of the story, Ned, it's not just – you know, EBITDA margins or – you know, there's no money made on it all that. It's definitely a CapEx story too. I mean there's a lot of costs in that capital. And I guess what I was implying in the last comment was that it's sometimes a bit deferred though, because you know, what you do is – you don’t – and it's not like you could sell that box tomorrow. You just have to buy less boxes in the future. And so, it's just a – it's a cash – free cash flow improvement, but it takes some time to realize.

Ned Zachar: And as you think about it from a longer term perspective, I mean I've done a little – tried to do a little bit of modeling on this topic to try to – to try to assess how much less capital intense a – you know, call it the new cable model is, if you will, or the…

Steven Cochran: Yes.

Ned Zachar: … model that you talked about in the beginning of your comments on this call about how much less capital intense it would be if you have a leaner, meaner, video subscriber base, if you will, as compared to the current situation, where you have last 10 or 15 percent of the customers are perennial switchers and they just cost you a ton of money in boxes, is there…

Steven Cochran: Yes.

Ned Zachar: … a way to quantify how much less capital intense your world would be?

Steven Cochran: Yes, I'm trying to think of – you know, I – so there's two things in one – because it's – I'll make the comment about what I think it could be, and then someone'll say well, why is your numbers higher, and some of it is because, you know, as we're moving into commercial and making investments in commercial and we're doing the fiber to the tower project and some of those kind of things, what you would be seeing is a decrease in capital right now ends up being offset with the fact that we're making investments in that side of the business.

But as a standalone, as you look at that, you know, I think – I think if you're able – theoretically, you know, we should be able to reduce our CapEx by you know, 10 percent'ish, something like that, in an environment where we're having little – little video growth at all and we're able to just recycle the boxes that we have.

Ned Zachar: Got it – which brings me to my next question, which is assuming that there is a strategic balance sheet enhancement of some sort over the next, whatever few quarters, where would the – where would the additional fire – capital fire power be targeted, from a growth standpoint?

Steven Cochran: That's probably – I mean for us, the one thing that we have had to really slow down on that's been disappointing to us, because it is a great value creator on the edge-outs side, we love the opportunity to expand our footprint in markets and you know, expand the coverage area, which makes our brand awareness even greater. And it's a – you know, it's a really cheap entry – and it's a really cheap way to do acquisitions. So, it's a – you know, acquisitions without integration, which is a beautiful thing.

And so that would – that would be probably the number one area, is additional focus in that area. And you know, and then probably some just – outside of capital that just where we would make investments, some of that would be back into some of the marketing to – you know, not go as aggressively as what our competitors are doing, but maybe not be at the– what we consider to be pretty low levels that we've been going after, at this point.

Ned Zachar: Commercial at all?

Steven Cochran: Commercial is – commercial is what we continue to invest in anyway. I mean that is a business we're going after, and I wouldn't say hey if we get more money, we're going after it even harder, because we're going after it hard…

Ned Zachar: OK.

Steven Cochran: … that doesn't change it. It's kind of well, what do you do with incremental that you're not doing today.

Ned Zachar: Got it. And the last question, and thank you for all the answers, seasonality, have you – I mean there's lots of talk in the – in the business press about changes in consumer behavior generally…

Steven Cochran: Yes.

Ned Zachar: … has there been changes in the – in the seasonality, as you look back at your numbers over the last three, four, five years?

Steven Cochran: I would say not, I mean we have a little bit of noise in some of our numbers, just because of the Knology acquisition and the timing of it and the billing conversion we went through and some of those kinds of things which throw our numbers off. But you know, thinking back even – you know, much longer than that, the cycles we've seen, you know, second quarter's always tough, third quarter's always better. First and fourth are kind of – I mean fourth is good up until Thanksgiving week, and then it picks back up until Christmas week. First quarter's usually a good quarter, last year wasn't as good for us, because we had went through the RIF and we had slowed marketing and all of that and the context of what we were – what we were experiencing at the end of last year, so first quarter looked a little one off.

But I kind of – I do find it a little bit amusing that – you know, second quarter's come out and the world's falling apart for the industry because sub numbers are going the wrong way, and video's coming to an end, and then third quarter comes, and we see the seasonally improved numbers and now the world's not changing anymore. And it – we definitely are in a quarter by quarter world that doesn't always remember what happens every year. And so, we think seasonality looks a lot like seasonality has for a long time.

It may switch a bit – just – not really the seasonality of it, but just the nature of doubles, triples, singles and how we're going to market with it. But I would pretty much bet that next year, our volume in the second quarter will be less than our volume in the third quarter.

Ned Zachar: Got it. Thanks very much.

Steven Cochran: No problem.

Operator: Our next question comes from the line of Nick Lawson with Covenant Credit. Your line is open.

Nick Lawson: Hey, guy, thanks for the call.

(Crosstalk)

Nick Lawson: Looking at the Q3 '14 pro forma versus the Q3 '15, it looks like you guys picked up maybe 350 or 400 basis points of EBITDA margin…

(Crosstalk)

Nick Lawson: … how much of that margin is kind of pruning versus what you guys picked up with the four restructuring initiatives?

Steven Cochran: So, I would say that the – just truly just restructuring was probably – let's see – what would you think, Rich, maybe a – maybe a point and a half was just the restructure…

Rich Fish: Probably.

Steven Cochran: … and then the rest of it was the combination of the profitability of our customers with higher ARPUs, the – this – the initiatives from a cost savings standpoint, those kind of things, which – you know, we would have done regardless of whether we went through the headcount reduction or not. They were just the right things to do for the business.

Nick Lawson: OK. And then when you look – when you call a sub low margin, what is that margin, broadly, and – I mean I assume…

Steven Cochran: Well…

Nick Lawson: … they're still accretive to EBITDA.

Steven Cochran: Well, it – yes, there's – accretive to EBITDA, and I would say one of the things that – because of what we've done, we've actually been able to maintain a higher margin because we've been willing to move ARPUs. If we hadn't done what we've done from a pricing standpoint, and increased our ARPU, we would probably be getting down in – you know, literally the 10'ish percent range on a video customer. Instead, you know, we've been able to keep it more in the – you know, 25, 30 percent range on a video customer.

And you know, that's still relatively low, compared to investments we can make on the data side and what we get from a data customer, but you know, I think – I think our preference is to have fewer customers in – you know, the 25 to 30 percent margin area, and you know, less customers in the – as opposed to a lot more customers with – you know, 10 percent margins.

Nick Lawson: OK, and then lastly…

Steven Cochran: And so the other piece – the other piece of that that ends up impacting is if your 10 percent margins now and you know that you're getting another rate increase – we're getting another rate increase, that – it's going to continue to go down. And so, we need to make sure that the base that we have, while a smaller base, is delivering enough margin that we can take the next programming hit we're going to get.

Nick Lawson: Yes. And then lastly, the HSD sub attrition, just what has caused that, just as I look sequentially back for the past couple of quarters?

Steven Cochran: Yes, sure, so some of it clearly was – so we changed our focus, we went heavy HSD focus, but we were very high bundles. You know, we – less than two years ago, 88 percent of our customers were in bundles, which means a lot of our HSD customers were in those bundles. And so, as we tried to move up price on the video side of the business, those customers were impacted. And so, you know, what we were churning out, with the rate increases and trying to drive the profitability was greater than what we're able to bring in.

And I think we've continued to make improvements on that side. We've continued to try to – you know, make sure that within certain bundles that we're being more aggressive. And we've also – you know, farmed out a lot of it. And we're seeing those improvements now that allow us to get there. But we knew – we had a pretty clear idea where we wanted to take the business to, what we wanted to do ultimately from, a what our customer profile looked like, but we knew there would be some – you know, some challenges in the transition to that.

And especially, coming from a high bundled penetration standpoint, which I would – I think is the highest – was the highest in the industry, and we've went from that 88 percent down to 71 percent now. The – you know, making that move allows us to feel more comfortable about growing that data in the future, because we don't have as much potential outflow related to the bundled customers that are the data bundled customers.

Nick Lawson: Thanks, very helpful.

Steven Cochran: Sure.

Operator: Our next question comes from the line of Carlo Portes from Carnival. Your line is open.

Carlo Portes: Hey, guys, thanks for taking the question. Most of them were answered but just a few follow-ups…

Steven Cochran: Sure.

Carlo Portes: In the last quarter, Steven, you had said you were expecting a major improvement of free cash flow this year, is that still something that – you know, you even soft quantified that, I know you don't give real guidance, but should we be expecting that as well …

(Crosstalk)

Steven Cochran: … yes, just allow me just to address that one, Carlo real quick…

Carlo Portes: OK.

Steven Cochran: … so I think – you know, with our guidance on EBITDA staying the same and our guidance on CapEx staying the same, you know, that's what we're going to hit…

Carlo Portes: OK.

Steven Cochran: … and so, that was the two – you know, that is the two main drivers our interest is pretty much fixed…

Carlo Portes: OK.

Steven Cochran: … so yes, so we feel very comfortable that we've made, you know, what we would consider to be almost $100 million improvement year over year form a free cash flow standpoint …

Carlo Portes: OK. That's sounds – that sounds great. And then – and then – and then also on the RGU side I know you guys are maintaining or reiterating guidance for this quarter, given where you ended on in the third quarter, so I assume, I guess we're seeing some uplift in this quarter, is that still driven by the some of the same seasonal/marketing stuff that you had mentioned in the third quarter?

Steven Cochran: Yes, I mean we continued to make the – yeah-, we're continuing to make the enhancements, and really seeing the benefits from it. I mean so much of our – you know, so much of our lift in the third quarter came in the end of August and into September, and that's when our marketing dollars were spent. And so yes, so we – it should be more of the same.

Carlo Portes: OK.

Rich Fish: Yeah.

Carlo Portes: Great. Thank you.

Thanks...

Operator: And our next question is from the line of Mike Pace, with JP Morgan. Your line is open.

Mike Pace: Oh, sorry, I thought I actually got out of queue, because Matt and Ned asked my follow ups, but …

(Crosstalk)

Steven Cochran: …you want to make up another one then?

Mike Pace: Yes, I'll do one off the cuff here…

Steven Cochran: Sure.

Mike Pace: Just skinny bundles, I'm must wondering what you're thoughts are there, how much you're doing and how much flexibility you have with your programming contracts in order to be involved there, I guess?

Steven Cochran: Yes, we continue to look at – you know, the skinny bundles and what we can do contractually and all of that. I think we've probably been more heavily focused on just selling our limited basic together with HSD. And you know, we have a product that's coming out next year that – and it's been announced, with the combination of TIVO and Evolution, that is going to be a box that has linear – you know, a limited basic linear lineup together with the over the top stuff, and allows the customer to kind of have the full experience together.

And you know, that will just kind of enhance the push we already have to try and – you know, make that available to customers. And it's not that we're necessarily pushing customers into that. We just want to have that as the option for customers to be able to – you know, get limited basic, have the broadcasters and some of the stuff that comes on that, but also be able to have a kind of seamless experience on the over the top side. So…

Mike Pace: Yes.

Steven Cochran: …you know, we definitely work on skinny bundles, but much more focus and priority on just kind of a limited basic data.

Mike Pace: Great. Thank you.

Steven Cochran: Sure.

Operator: And presenters, we have no other questions in queue at this time. I turn the call back over to you for any closing remarks.

Steven Cochran: Look, thanks everyone, for your participation today and continued support of us. And if there's anything else you need, please don’t hesitate to reach out. And have a great weekend.

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

END