



Things Are Blooming Once Again

By Bryan Rader ■ *MediaWorks*

Our marketplace is finally coming out of hibernation. Winter is over and flowers are beginning to spring up...in the form of numerous deals and transactions occurring in our industry. This is the first time we have seen so much sales activity in years.

In the past several months, our industry has experienced two types of sales transactions—the sale of a private cable system to the local franchise, or the sale from one PCO to another. There have been more transactions in the past several months than there have been in the past several years.

Why is this a good thing for private cable?

Many of the sales of private cable systems to the local franchise operator have occurred among PCOs who were out of money, who were disposing of all assets, or who were not investing in new technology or new services. They had disillusioned investors, and were not

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helping us improve the reputation of our market segment.

This made securing new properties with their clients a very hard mountain to climb. “How can I do another private cable deal when the last one we did is still a major problem?” was a common call we heard from unhappy property owners.

So now these 450 Mgz, one-way private cable systems without Internet or digital are being sold to the local cable company. And even though our industry's share of the pie may be shrinking

in the near term, this is a much better place for us to be as we begin to re-grow and re-charge the industry.

These old cable systems have been hurting us for awhile. Some of these players were stuck in neutral and things were only getting worse. DirecTV and Dish were like big birds plucking away at this road kill – they were winning virtually every customer with a southwest directional view.

But now many of these old systems are in the hands of the local franchise operator, and we can remove them from our list of challenges in improving our industry's reputation. Even though this has created an environment where some real estate companies think every PCO is selling, this is simply not the case. I have had to field that question several times recently.

All in all though, this will have a long-term positive impact on our marketplace as we move toward the future.

The second type of sales transaction that has been occurring recently has

been from one PCO to another. I am particularly encouraged about this recent development as it suggests several things are happening.

For one, PCOs are once again able to raise capital. This is a strong indication that the capital markets are attracted to our business plans, our fundamentals, and our opportunities.

Secondly, this active transaction environment is strengthening the buyers of the assets as they grow their market share in key areas. For instance, you may see a PCO bulk up in Texas, or

the Midwest, or central Florida, by purchasing a few private cable assets from a smaller (or cash strapped operator). This helps him beef up his cluster, as he adds to his base. And it takes out another PCO who was less efficient by only having a few systems in a given territory.

My company is involved right now with several transactions where we are purchasing assets from a service provider in one of their non-core markets, but in a market we desire to be in. Ideally, these types of transactions help both providers as we can grow our core markets (and gain efficiency as well as scale), and the seller can utilize the sale proceeds to build his business in a key market. Or, he can invest in new products such as Internet or digital services on his current portfolio.

Both of these types of sales transactions are ultimately a good thing for our industry. We are seeing a situation where we can cut ties with our clouded past, as many non-performing assets move to franchise providers.

And, we are seeing a chance to grow existing and new PCOs through a disciplined growth pattern based on targeted acquisitions. This sets the stage nicely for the private cable garden to begin growing again.

Yes, Spring has finally sprung. ■

About the Author

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