

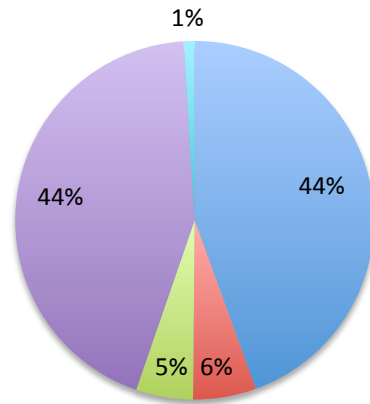
San Bruno Cable Revenue & FTTH Upgrade Analysis



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San Bruno Cable – System-wide (including Shelter Creek)

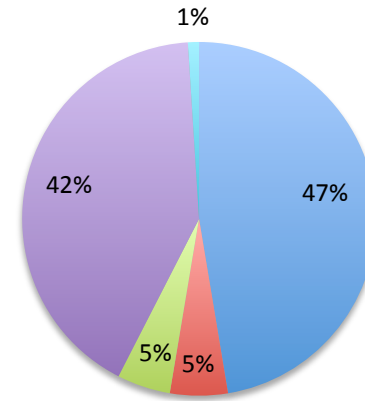
2016 Revenue



\$8.9 million

Internet
Misc.
Phone
TV
PPV

2017 Revenue



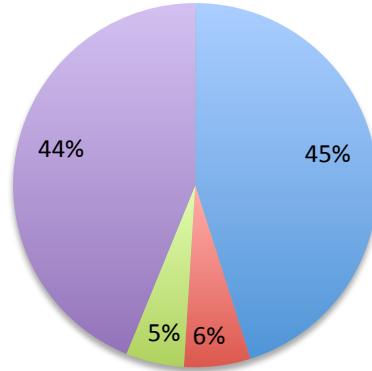
\$9.3 million

Internet
Misc.
Phone
TV
PPV

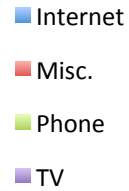
4.1% increase →

(Includes a 5% rate increase in August 2017)

System ex-Shelter Creek 2016 Revenue

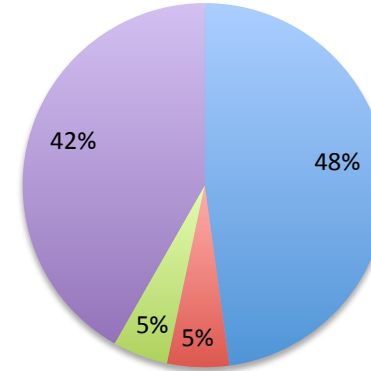


\$8.0 million

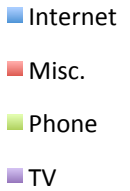


3.1% increase ->

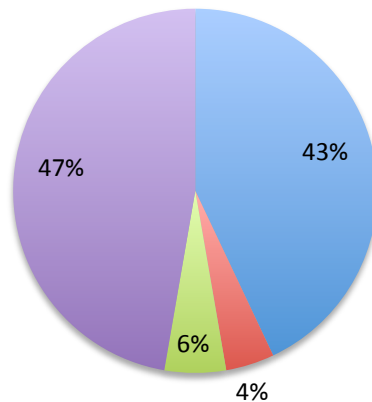
System ex-Shelter Creek 2017 Revenue



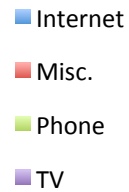
\$8.2 million



Shelter Creek 2016 Revenue

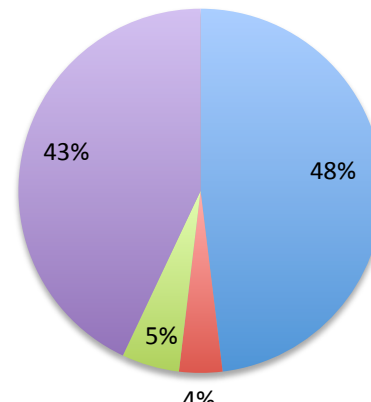


\$848,000

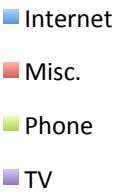


13% increase ->

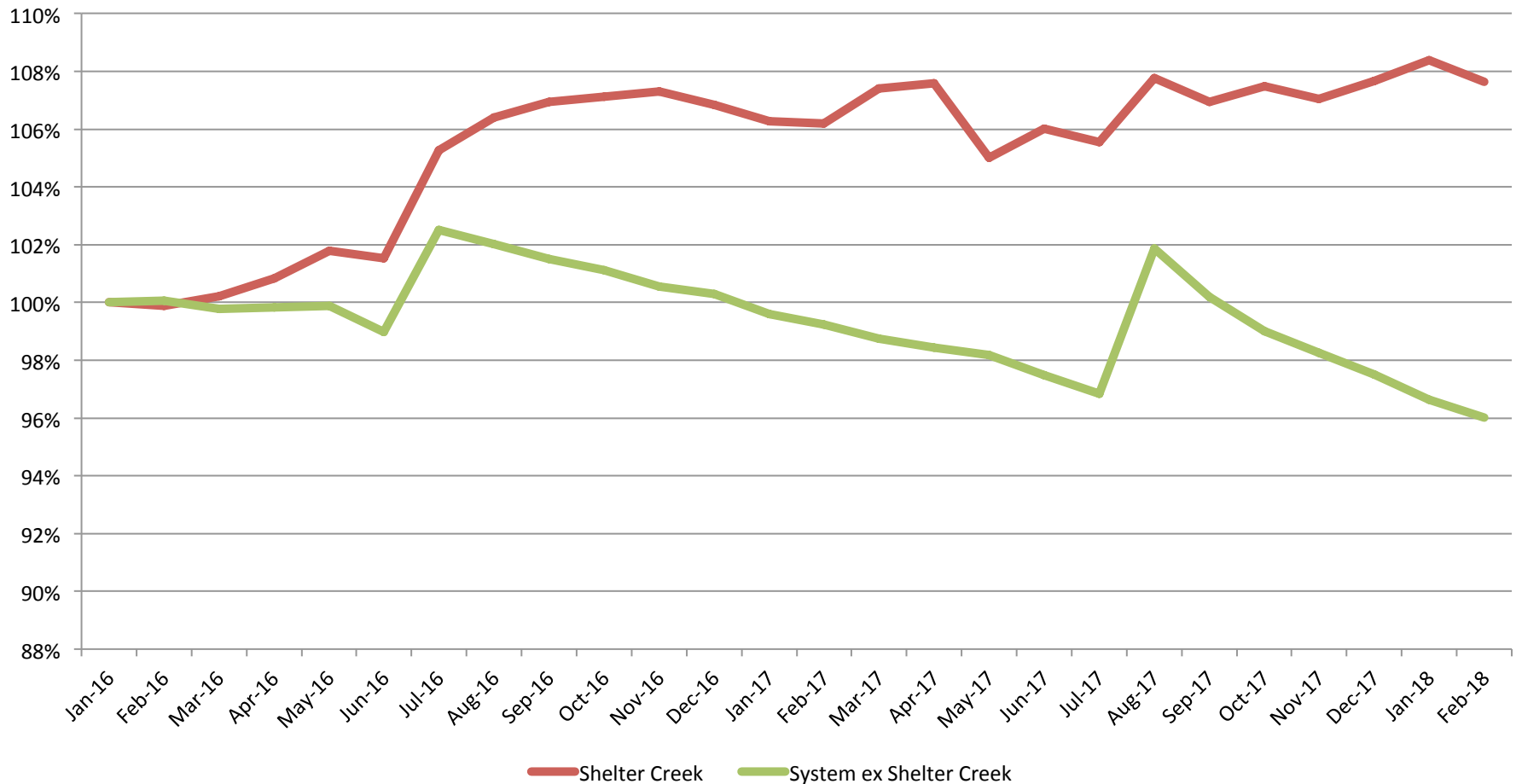
Shelter Creek 2017



\$961,000

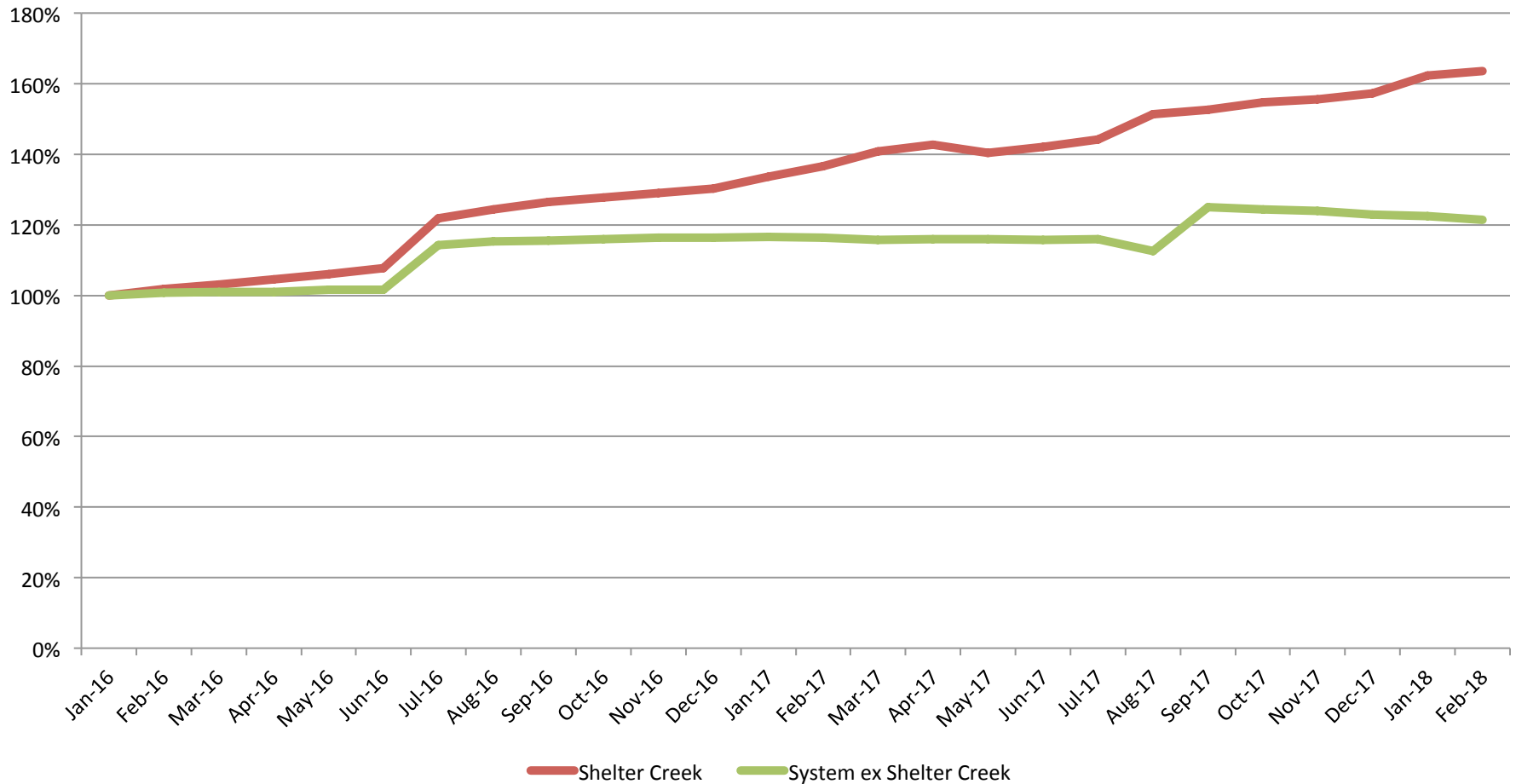


TV Subscription Revenue Comparison (Jan 2016 = 100%)



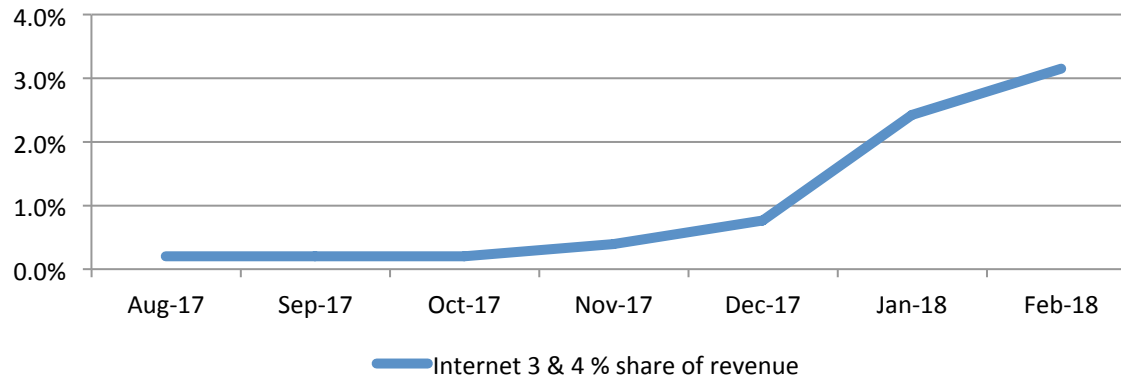
- Revenue from TV services system-wide, outside of Shelter Creek, has declined 4% since January 2016.
 - Annual decrease of 5% to 6% over past two years.
- Shelter Creek TV revenue has been flat since August 2016, at 7% (+/-1%) more than January 2016.

Internet Subscription Revenue Comparison (Jan 2016 = 100%)



- Revenue from Internet services increased 21% system-wide, outside of Shelter Creek, since January 2016.
 - Largest component is rate increases.
 - Internet revenue declined in July 2017, decline has continued since September 2017
- Shelter Creek Internet service revenue has increased 64% over the same period, with the rate of growth relatively steady since July 2016.

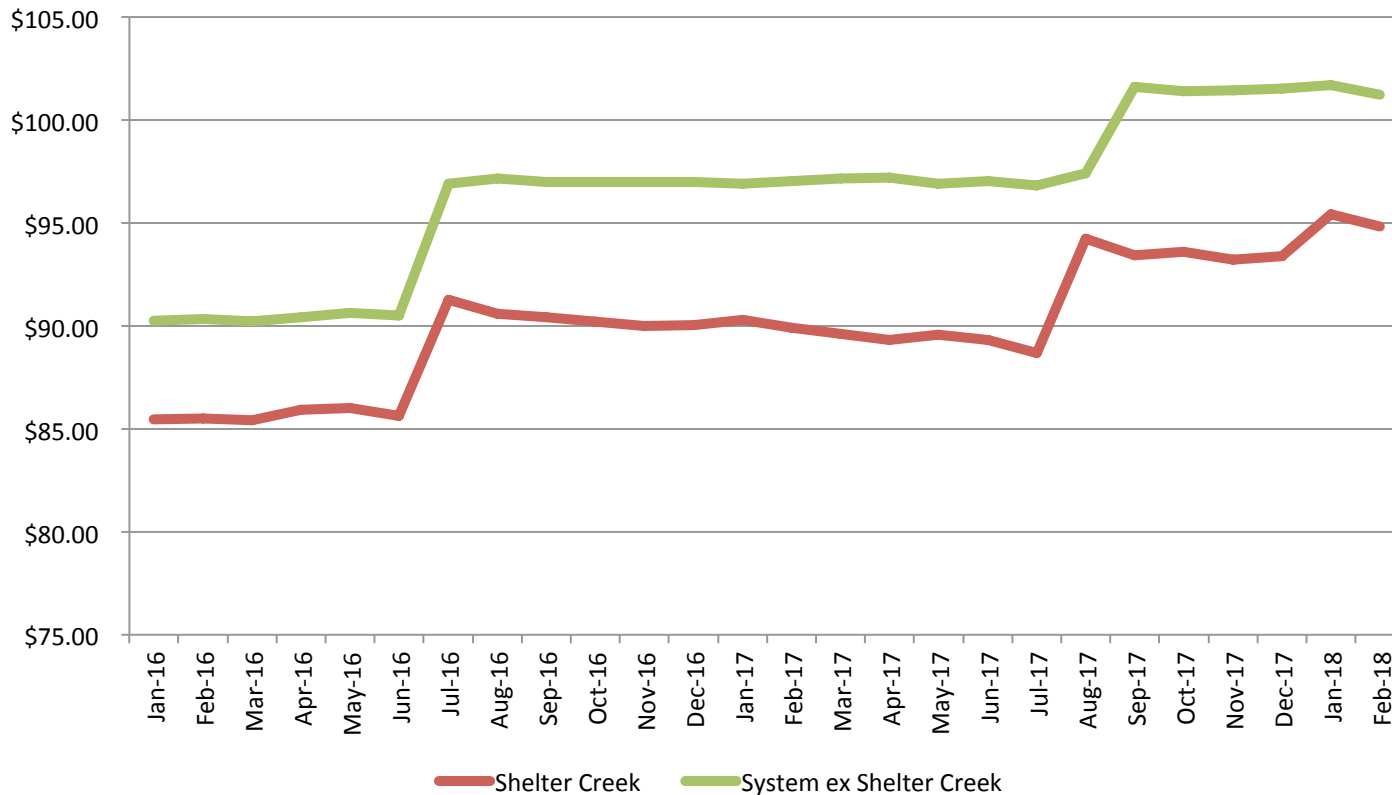
Shelter Creek Internet Subscription Revenue Breakout



	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
Internet 3 & 4 % share of revenue	0.2%	0.2%	0.2%	0.4%	0.8%	2.4%	3.2%
Base service	\$39,804	\$40,158	\$40,704	\$40,858	\$41,127	\$41,756	\$41,745
Internet 3 & 4	\$80	\$80	\$80	\$160	\$320	\$1,039	\$1,359
Total	\$39,884	\$40,237	\$40,784	\$41,018	\$41,447	\$42,795	\$43,104

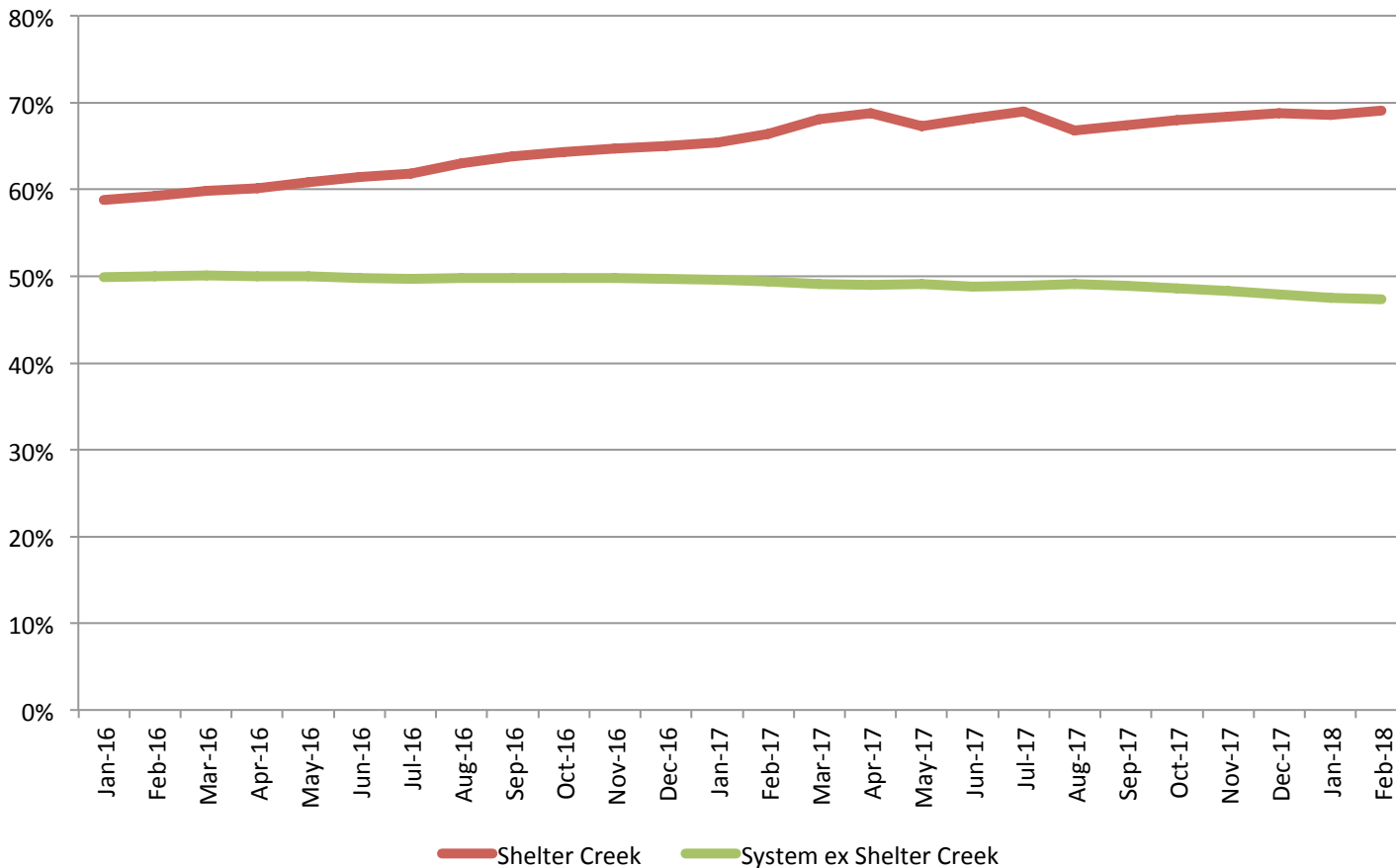
- High speed Internet service revenue is steadily growing in Shelter Creek.
 - Represented 3.2% of total Shelter Creek Internet service revenue in February 2018.
 - Too soon to project when/where growth rate will flatten out.

Average Revenue per Customer



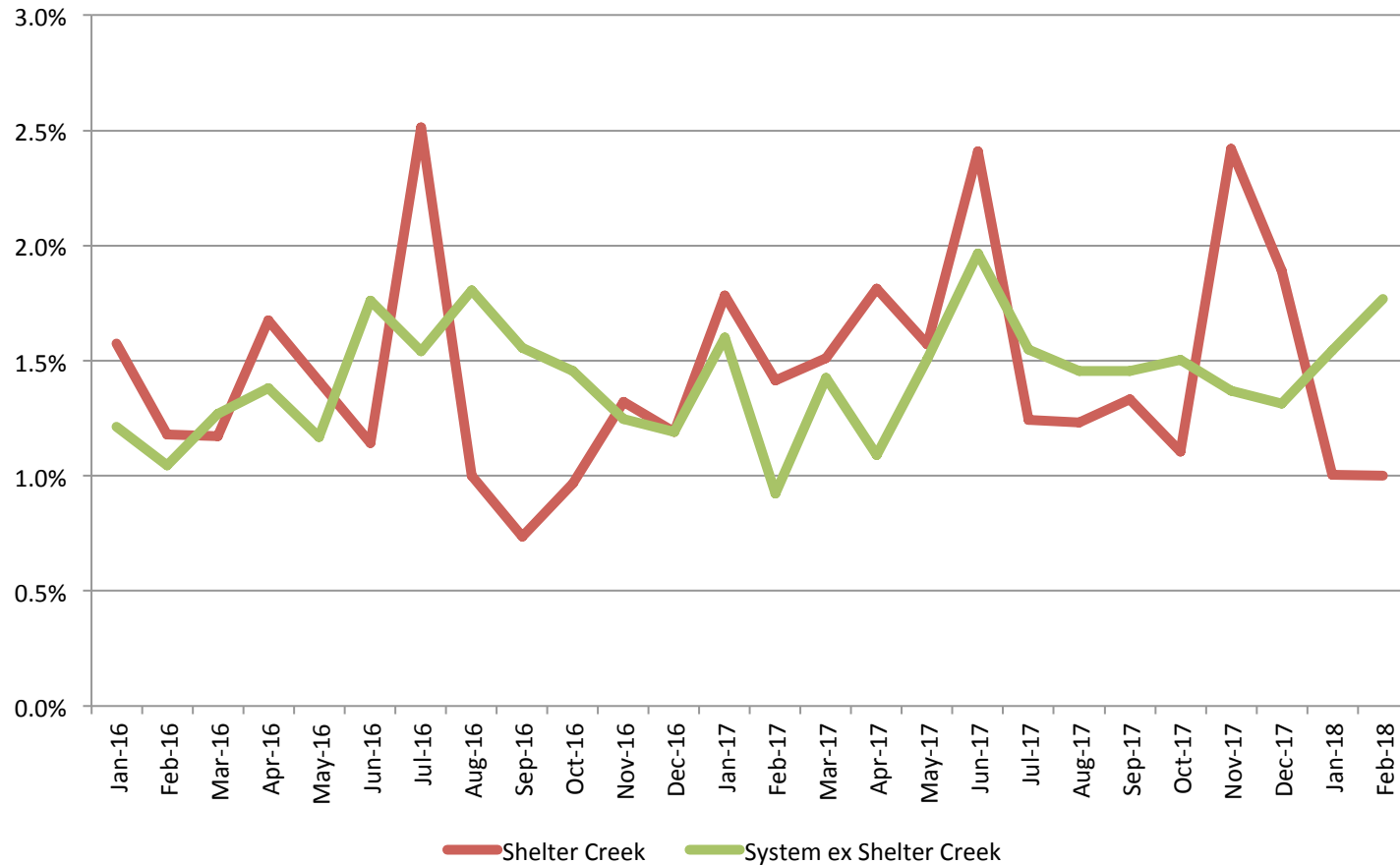
- Shelter Creek average revenue per customer (ARPC) increased significantly after completion of FTTP upgrade – \$88.70 in July 2017 to \$94.82 in February 2018.
- System outside of Shelter Creek has even higher ARPC – \$101.26 in February 2018 – with slight downward trend since August 2017 price increase.
- Doesn't include pay per view revenue.

Take Rate



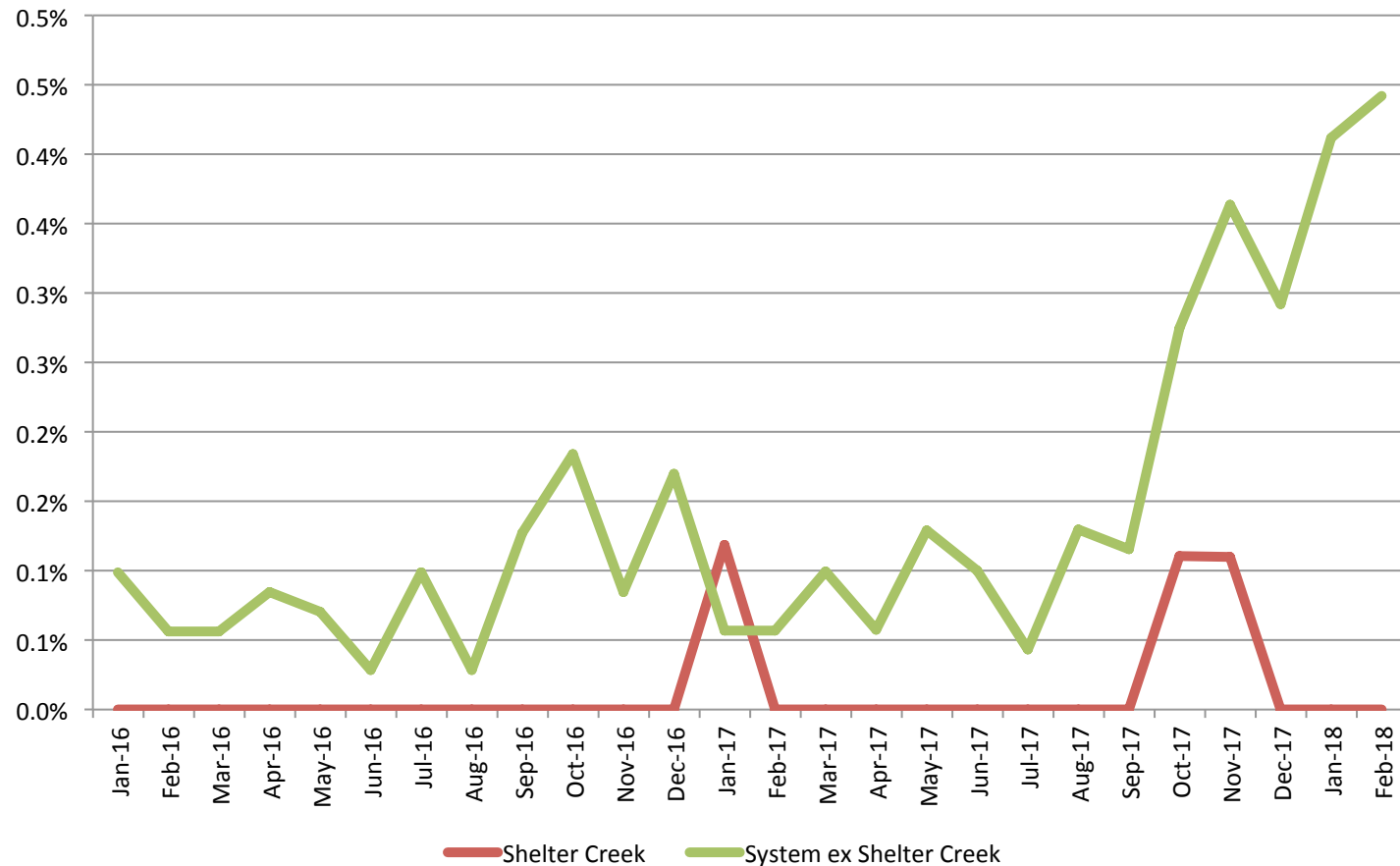
- Shelter Creek take rate (percentage of homes subscribing to any kind or level of service) increased significantly from January 2016 to February 2018, going from 59% to 69%.
 - Take rate flat since FTTH upgrade.
- Take rate for System outside of Shelter Creek decreased from 50% to 47% over same period.

Churn - Total



- Shelter Creek's churn rate was above the rest of San Bruno prior to full implementation of FTTP service, and generally below it afterwards.
- Shelter Creek's Jan-Feb 2018 churn rate significantly below Jan-Feb 2016 – average of 1.0% versus 1.6%.

Churn due to AT&T



- Competition from AT&T is having an increasingly significant negative impact on San Bruno's churn rate outside of Shelter Creek, but a minimal impact inside of it.

Business Metrics Summary

1. Shelter Creek revenue growth is outpacing the rest of the system.
 - 13% annual increase from 2016 to 2017, versus 3% for rest of system.
2. Internet service accounts for a growing share of revenue.
 - 48% for both Shelter Creek and system, versus ~43% for TV, in 2017.
3. Shelter Creek market share increasing, rest of system decreasing over 2 years.
 - From 59% to 69% of market in Shelter Creek, 50% to 47% in rest of system.
4. Average revenue per customer trending up in Shelter Creek, down in rest of system.
 - Rest of system's ARPC higher than Shelter Creek (\$101 versus \$95, Feb 2018).
 - AT&T making significant gains in the rest of the system, at San Bruno's expense.
5. Significant improvement in Shelter Creek churn rate.
 - 1.0% in Jan/Feb 2018, versus 1.6% in Jan/Feb 2016.

Revenue projections & upgrade payback scenarios

Two scenarios

1. Internet subscription revenue increases 11% (Shelter Creek's increase since full FTTH service began); TV revenue doesn't increase, but decline stops.
2. Internet subscription revenue increases 20% (assumes Shelter Creek rate continues to improve).

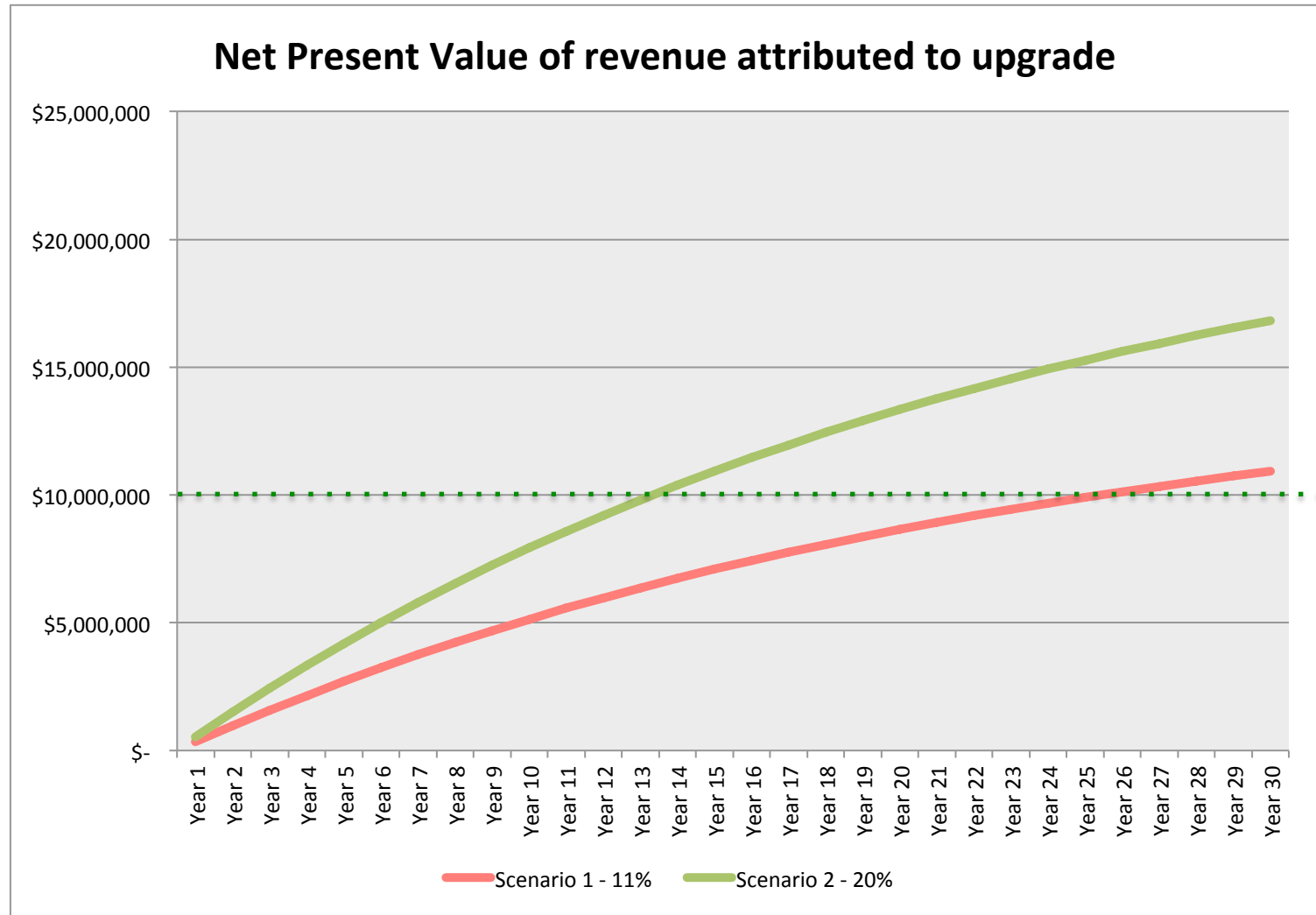
Assumptions

- Cost of FTTH upgrade: \$10,300,000
- Pay per view revenue assumed to be flat.
- Discount rate: 4.5%
- All projections are stated in constant 2018 dollars.
- Projections are for estimated net revenue.
 - Assumes proportional cost increase (versus revenue) for Internet bandwidth,
 - 5% variable cost increase (versus revenue) for personnel, "other".

Not included

- 30% Internet revenue increase at Shelter Creek over course of FTTH upgrade.
- Estimated 5% decrease in operating costs.
- DOCSIS 3.1 alternative.

Revenue projections & upgrade payback scenarios



Conclusions

FTTH upgrade results

Decline in Shelter Creek TV revenue appears to be leveling off.

Shelter Creek Internet revenue increased 11% since full FTTH service began in Aug 2017.

- Internet revenue increased 30% over upgrade period (Jan 2017 to Feb 2018).
- Increasing revenue share for Level 3 & 4 high speed service: 3.2% in Feb 2018.
- No indication of slowing so far.

Scenario results

1. Assume FTTH upgrade...

- Stops system-wide TV revenue decline within two years.
- Increases Internet revenue by 11%.

Result: 27 years to FTTH payback.

(Minimum increase for 30 year payback is 10%)

2. Assume Internet revenue increases 20%.

Result: 14 years to FTTH payback.

Questions?



Backup Slides



Scenario 1 – 11% Internet revenue improvement

1. Shelter Creek subscription TV and Internet, and phone and misc. revenue flattens out at Feb 2018 level.
2. System-wide Internet revenue increases by the Aug 2017 to Feb 2018 Shelter Creek rate (11%) over two years, then flattens out.
3. System-wide subscription TV continues current decline for two more years, then flattens out.
4. System-wide phone and misc. revenue stays flat.

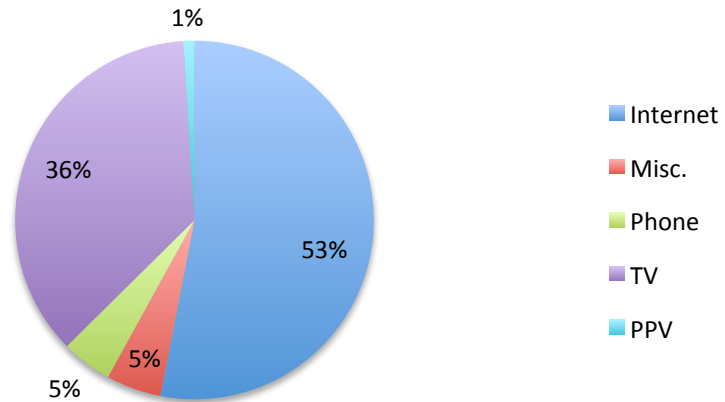
Result: *27 years to payback.*

Scenario 2 – 20% Internet revenue improvement

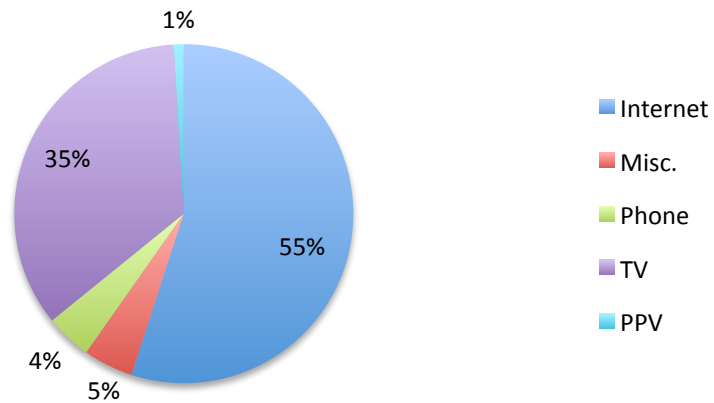
1. Shelter Creek Internet revenue increases to 20% over August 2017 level (gain of an additional 9%), then flattens out.
2. Shelter Creek subscription TV, and phone and misc. revenue flattens out at Feb 2018 level.
3. System-wide Internet revenue increases by the assumed Shelter Creek rate (20%) over two years, then flattens out.
4. System-wide subscription TV continues current decline for two more years, then flattens out.
5. System-wide phone and misc. revenue stays flat.

Result: *14 years to payback.*

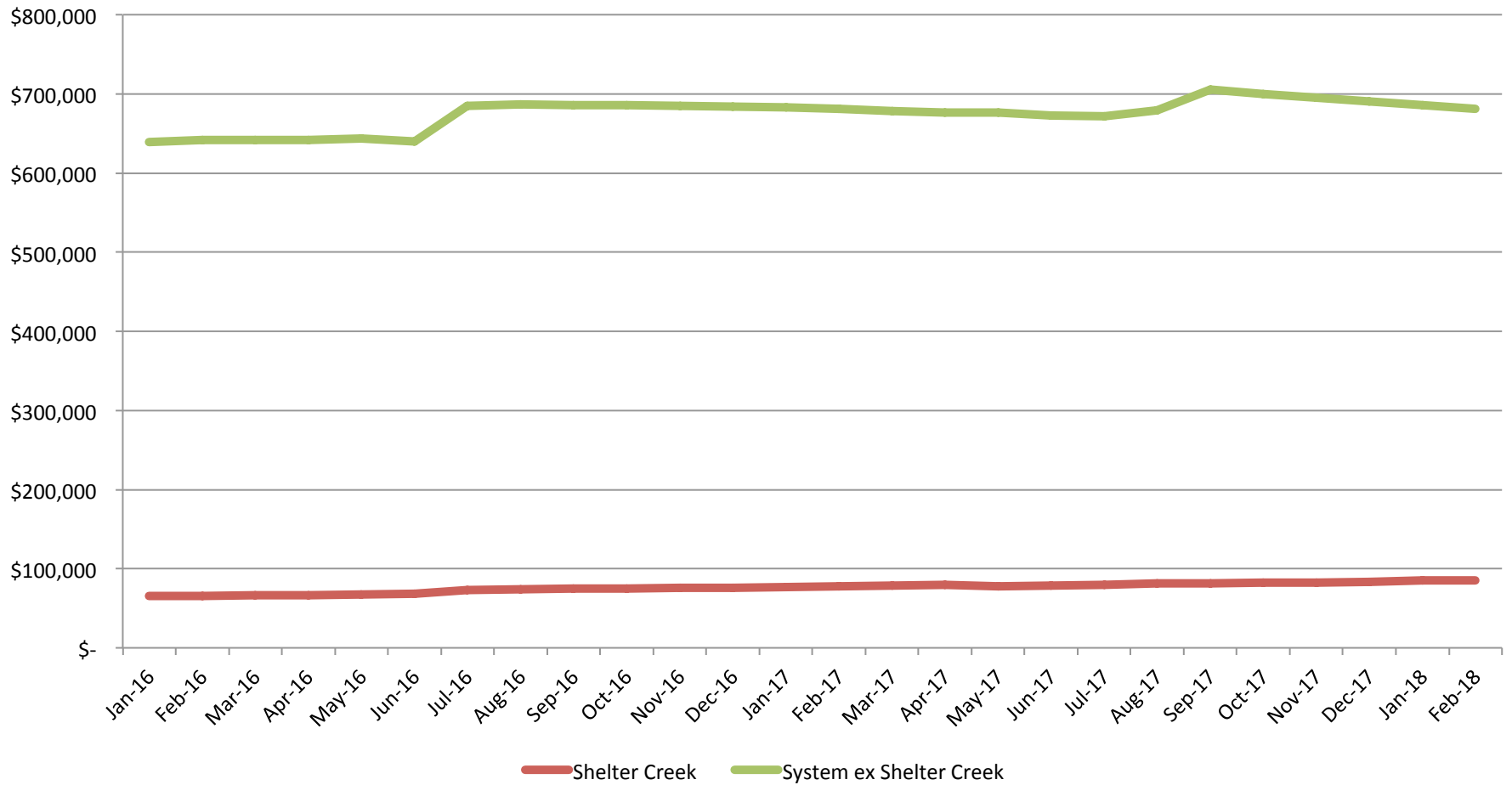
Scenario 1 Revenue



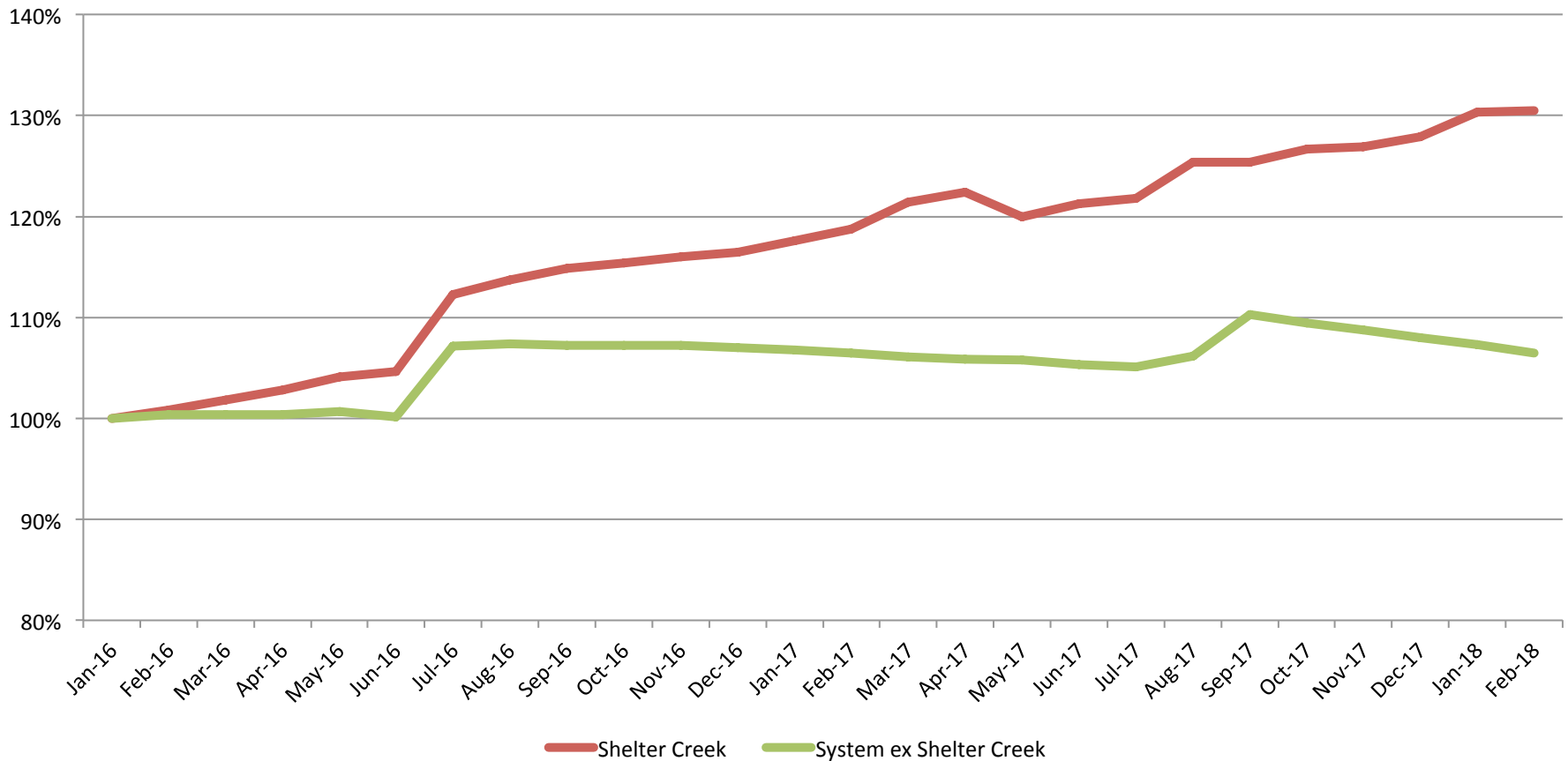
Scenario 2 Revenue



San Bruno Cable Subscription and Misc. Total Revenue

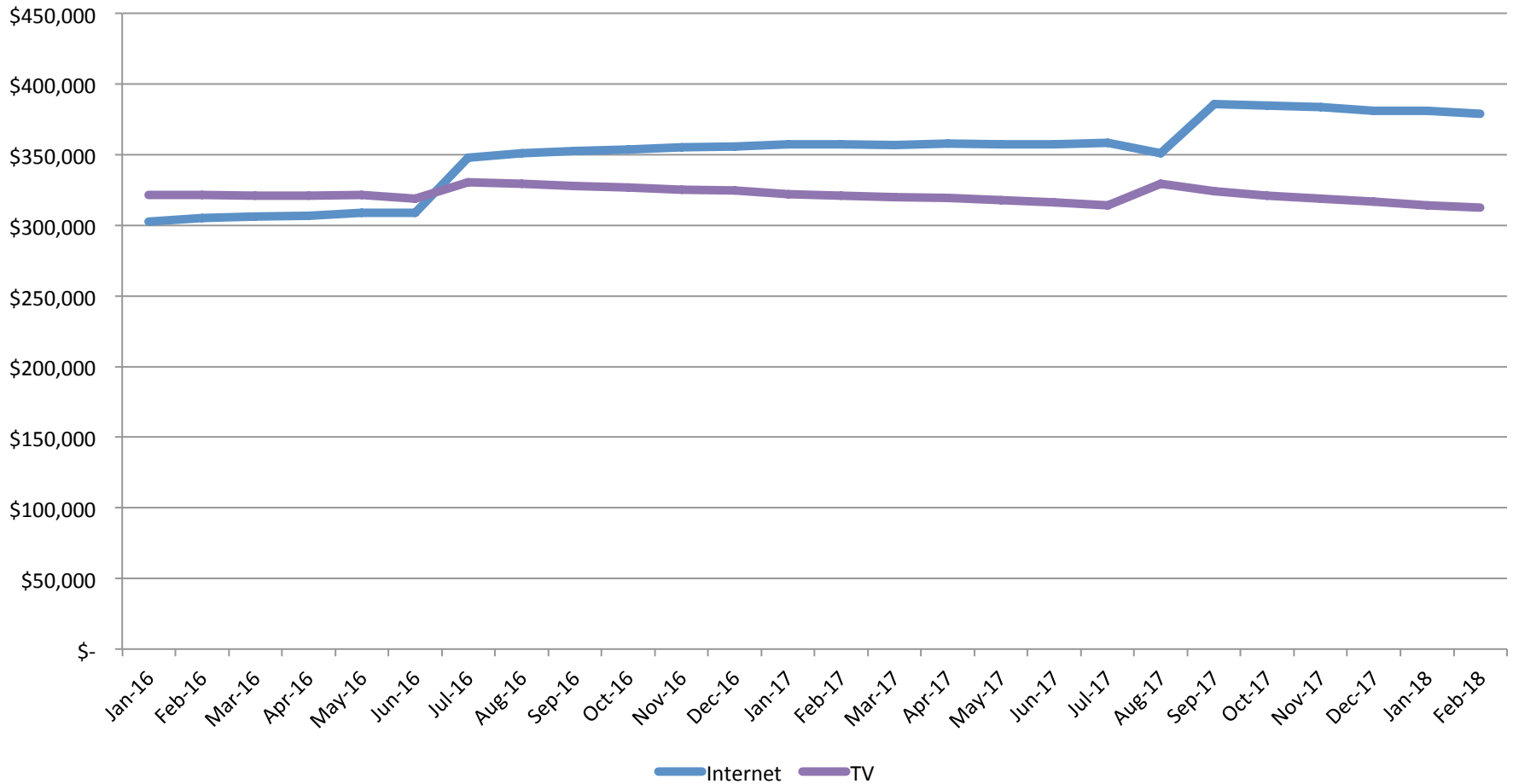


Subscription (Internet, TV, Phone) & Misc. Revenue Comparison (Jan 2016 = 100%)

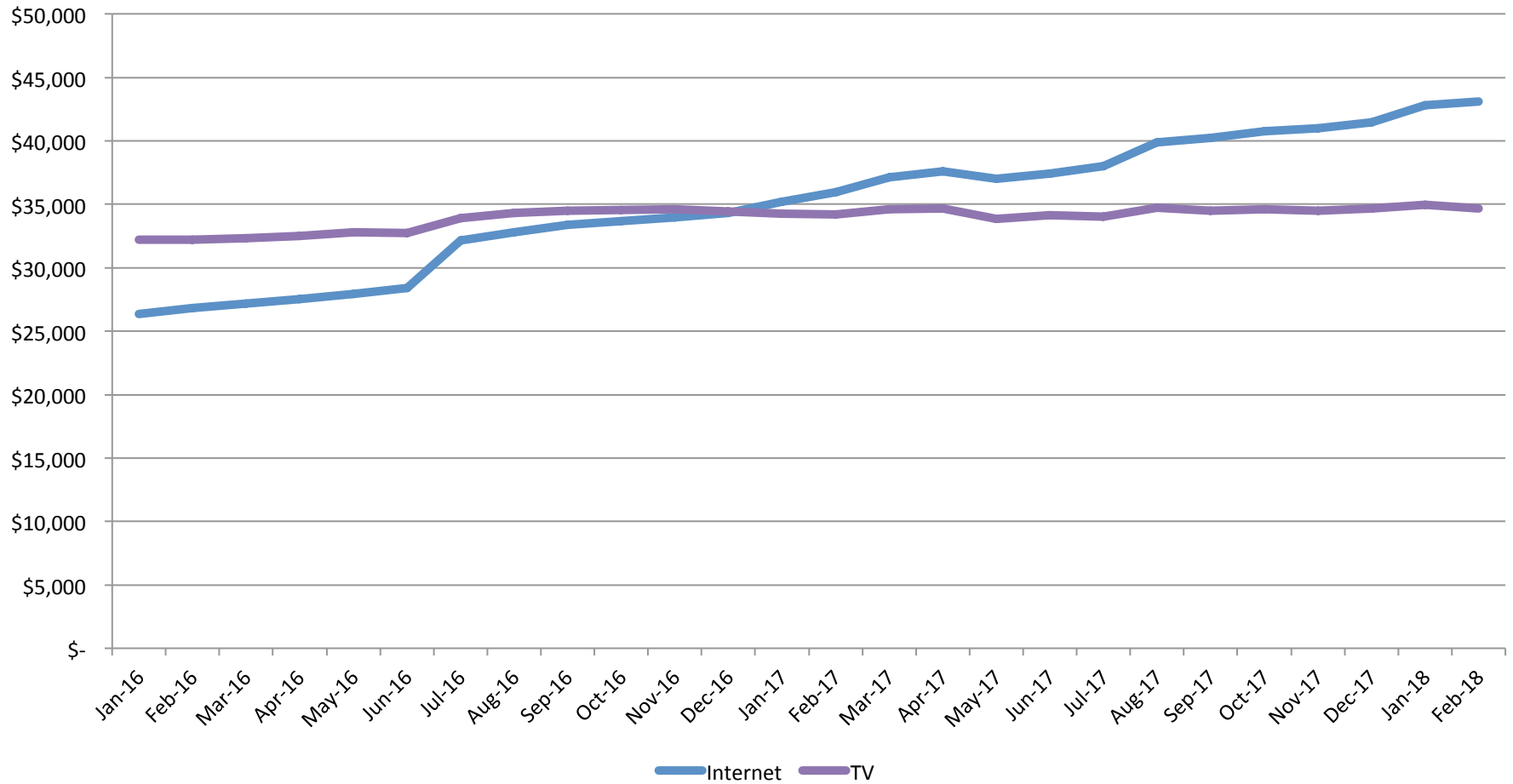


- Total system revenue, outside of Shelter Creek, has increased 7% since January 2016, less than the two combined rate increases.
- Total Shelter Creek revenue has increased 30% over the same period.

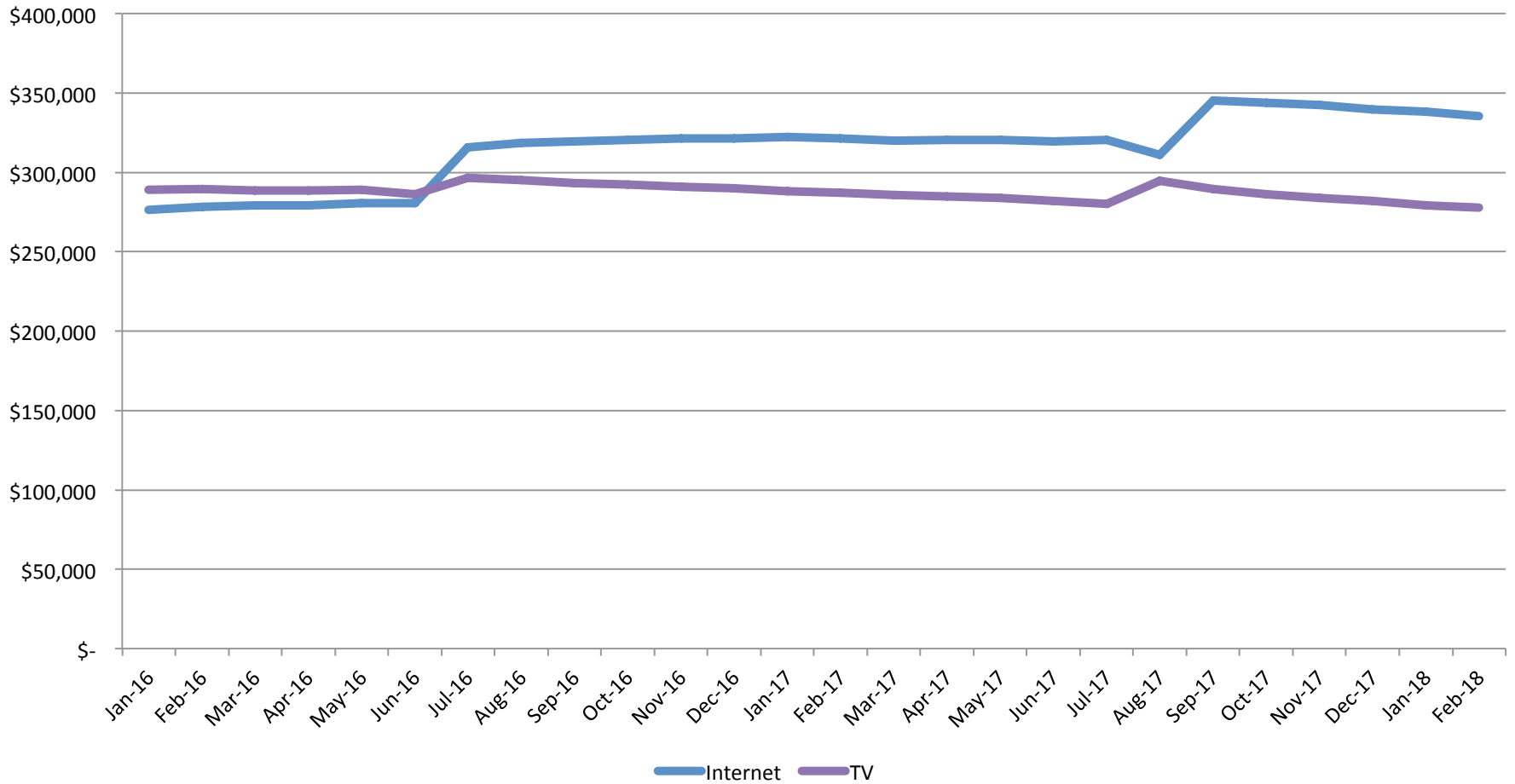
System Subscription Revenue Detail (Total)



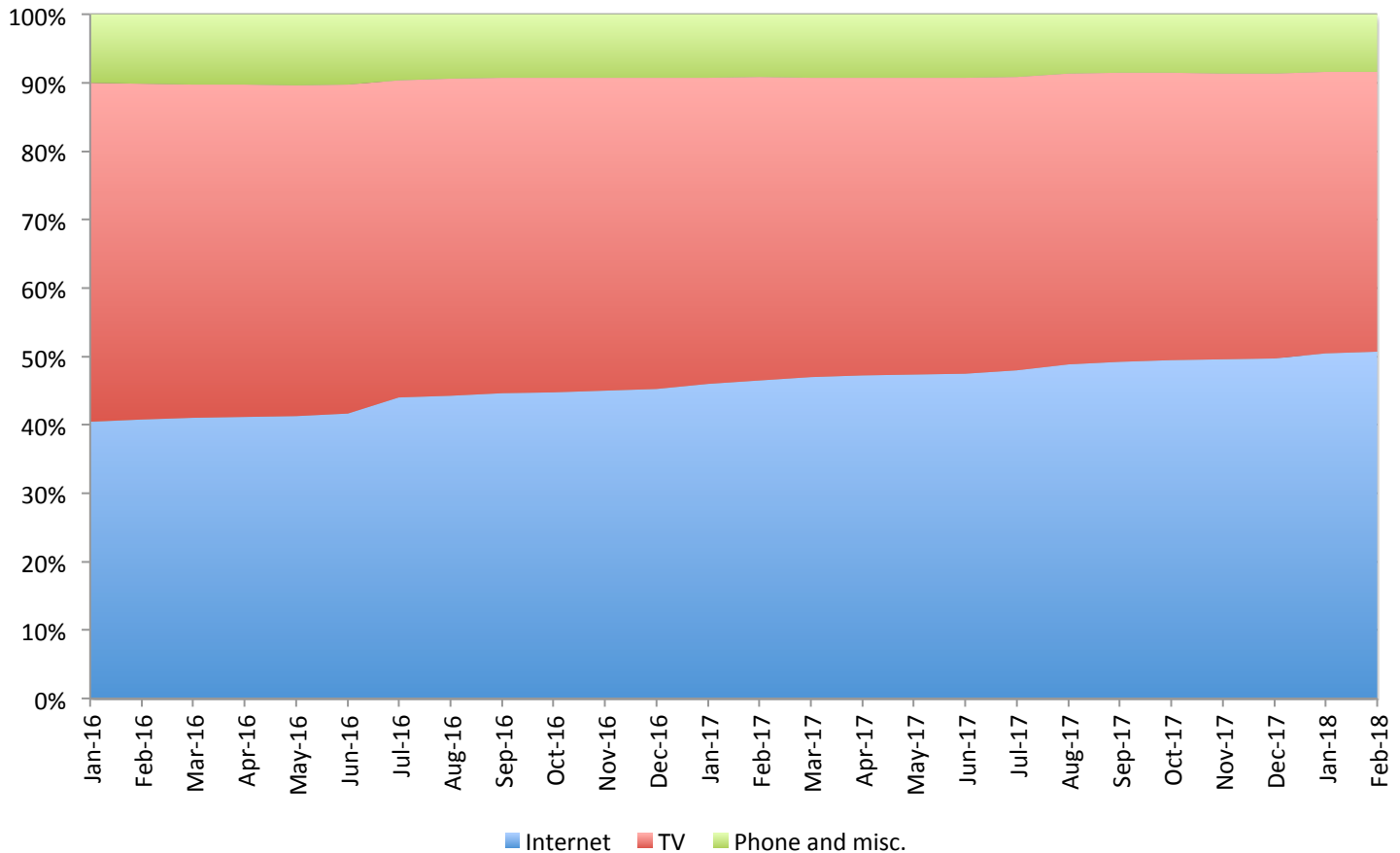
Shelter Creek Subscription Revenue Detail



System Subscription Revenue Detail (ex Shelter Creek)

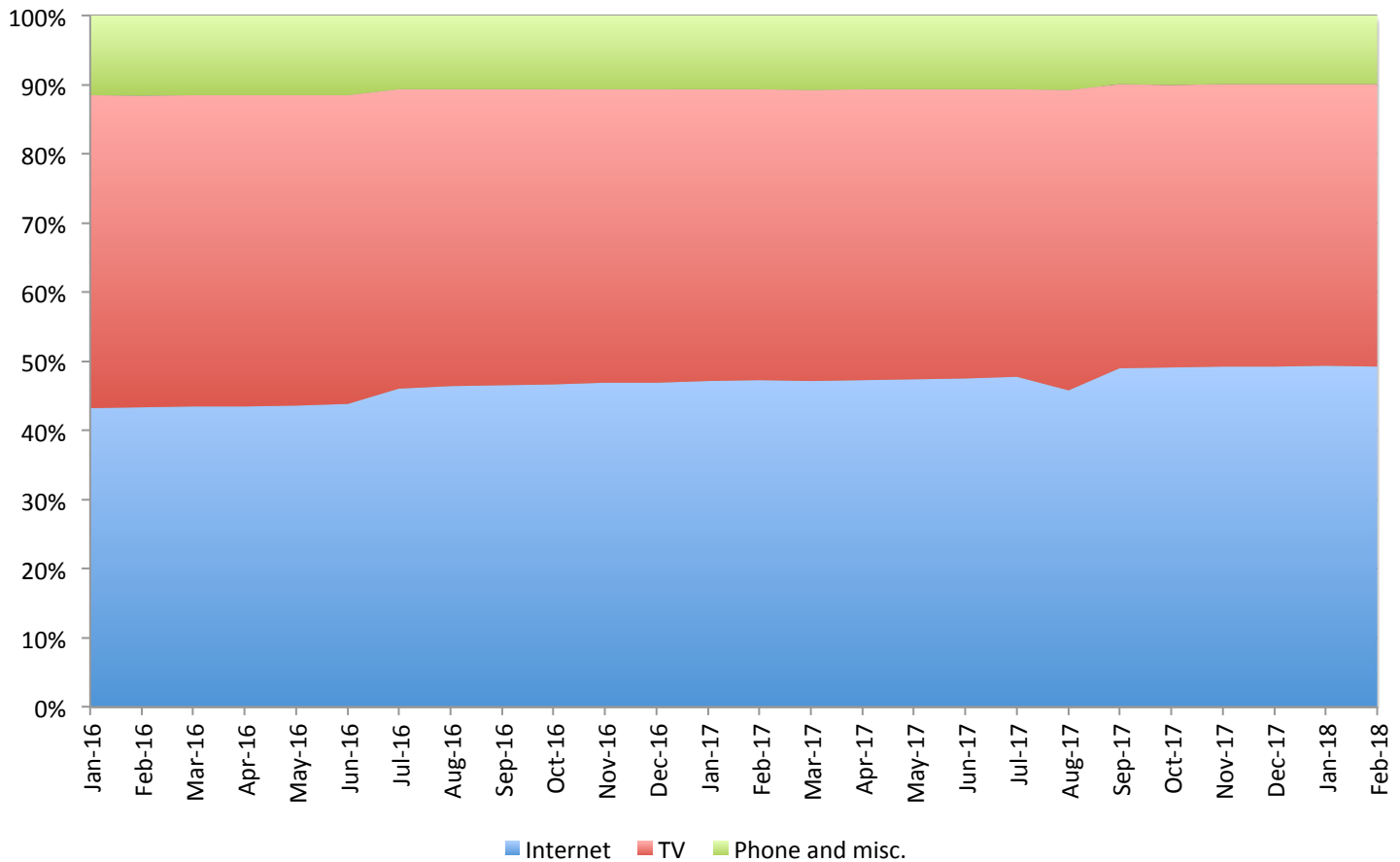


Shelter Creek ARPC breakdown



- Shelter Creek per customer Internet revenue has increased from 40% of total in January 2016 to 51% of total in February 2018.
- Per customer TV revenue has decreased from 50% in January 2016 to 41% in February 2018.
- Shift from TV to Internet revenue is greater in Shelter Creek than in the rest of San Bruno.

System ex-Shelter Creek ARPC breakdown



- Per customer Internet revenue for the system outside of Shelter Creek has increased from 43% of total in January 2016 to 49% of total in February 2018.
- Per customer TV revenue has decreased from 45% in January 2016 to 41% in February 2018.