IPO ANALYSIS

Research on potential upcoming IPOs from selected candidate companies.

Avenue Therapeutics

Smart Global Holdings

ShotSpotter

Altice USA

WideOpenWest

June, 2017

VentureDeal

Avenue Therapeutics Files Updated Terms For $50 Million IPO

Quick Take

Synthetic opioid biopharma Avenue Therapeutics (Pending:ATXI) has filed updated terms for its $50 million IPO, seeking to sell 5 million shares of its common stock at a midpoint price of $10.00 per share.

Avenue is developing an IV formulation of Tramadol, a synthetic opioid that may be less addictive than traditional opioids, at a time when physicians may be more receptive to alternatives.

We won't know the top line results of its first Phase 3 trial until 2018. The company has at least $30 million more in forecasted trial expenses, and its parent has a concerning conflict of interest owning a co-manager of the IPO.

My opinion on the IPO is neutral.

Company Recap

New York-based Avenue was created in 2015 by executives of Fortress Biotech (NASDAQ:FBIO), which owns 89.5% of the company's common stock pre-IPO.

Fortress Biotech is a development and holding company of sorts for biopharma companies, as well as owning a controlling interest in National Holdings Corporation (NASDAQ:NHLD), which is a brokerage company that is involved as a co-manager on Avenue's IPO through its subsidiary National Securities Corporation.

The company is developing an IV-delivered formulation of Tramadol HC1 for the U.S. and plans to begin Phase 3 trials for patients with pain following bunionectomy, for which it expects initial top line data "as early as the second quarter of 2018."

Management also intends to start additional trials in late 2018 for post-operative pain following abdominoplasty and expects top line data in 2019.

Assuming positive results, the company hopes to submit its NDA (New Drug Application) by the end of 2019 via the expedited section 505[b](2) pathway.

Commentary

Avenue is proposing to sell 5 million shares of common stock at a midpoint price of $10.00 per share with expected net proceeds of $46 million ($53 million if underwriters exercise their customary options), and it will use the proceeds as follows:

approximately $30 million to fund our continued clinical research and development initiatives in connection with IV Tramadol

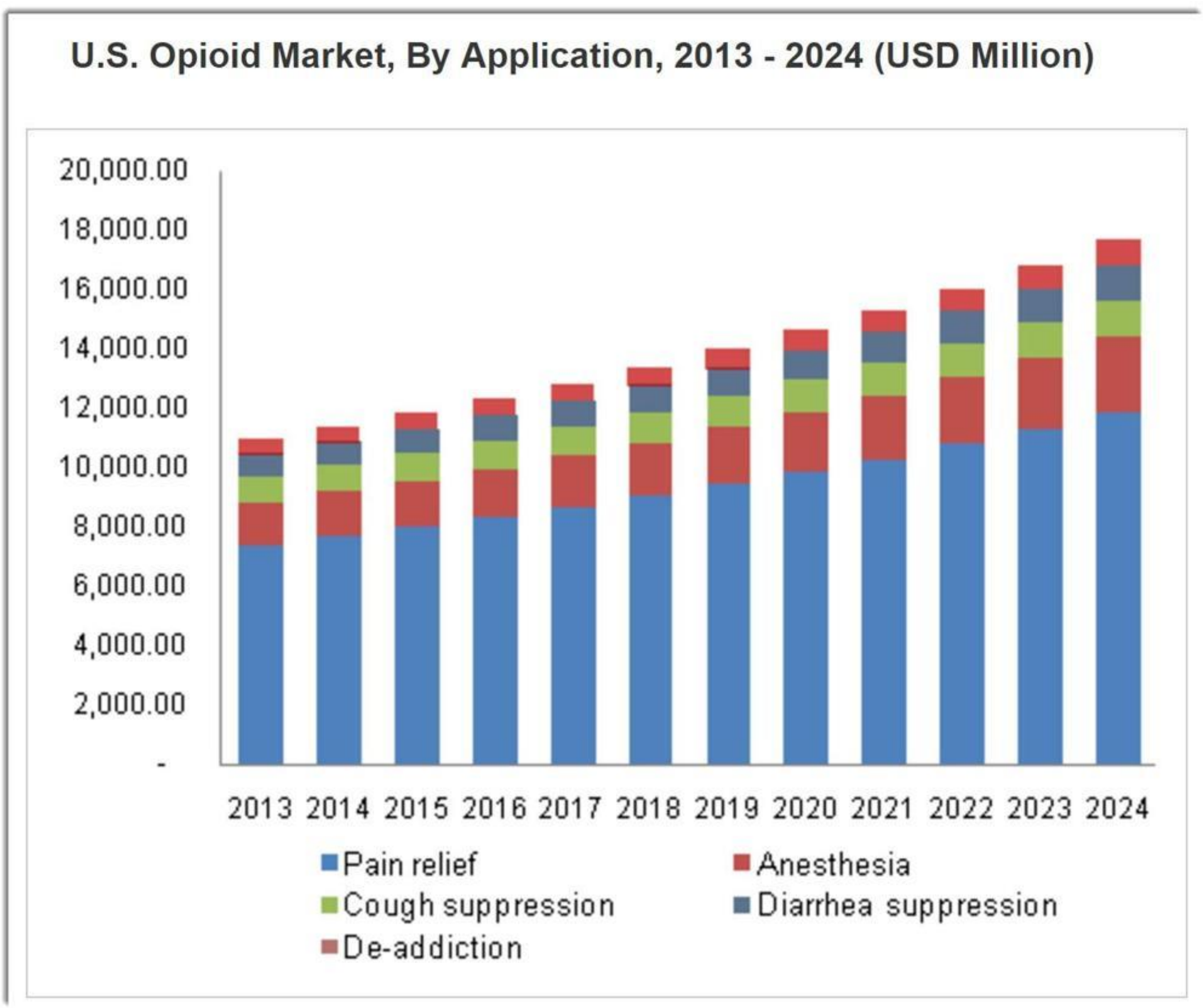
approximately $6 million to pay off our debts to Fortress and NSC

approximately $10 million to fund general corporate initiatives, including preliminary commercial preparation

Post IPO, the company's market capitalization will be approximately $100 million, not including stock options, warrants or convertible shares.

I previously wrote a detailed article on Avenue's IPO prospects, "*Synthetic Opioid Biopharma Avenue Therapeutics Files For $50 Million IPO*."

In that article, I highlighted the growing U.S. opioid market, which is expected to reach $17.5 billion in 2024, a CAGR of 4.6%, according to a 2016 report by Grand View Research.



(Source: Grand View Research)

In addition, with the potentially less addictive form of opioid that Tramadol represents, the development of an IV formulation could provide physicians with a meaningful alternative for post-operative pain.

On the financial side, management has kept development expenses relatively low, although they are included in the $6 million due to parent Fortress and National Securities Corporation upon IPO. Also, as the company begins Phase 3 trials, I expect to see significantly increased expenses associated with that phase of the trial process. In fact, the company says it expects the Phase 3 trials to cost $30 million.

Prospective investors should note one aspect of Fortress Biotech's operations that I find troubling: its recent acquisition of National Holdings, which owns National Securities Corp., a co-manager on the IPO.

Why did a biotech development and holding company acquire a securities house with an emphasis on IPO managing? Well, it seems obvious Fortress wants to push out its biotech subsidiaries and control some of that process.

As stated in the "Conflict of Interest" section of the S-1/A:

Therefore, National Securities Corp. is deemed to have a "conflict of interest" within the meaning of FINRA Rule 5121[F](5)[B]. In addition, Fortress and National Securities Corp. will be deemed to receive more than 5% of net offering proceeds and will have a "conflict of interest" pursuant to FINRA Rule 5121[F](5)[C](ii). Accordingly, the offering is subject to the provisions of FINRA Rule 5121 regarding conflicts of interest and will be conducted in compliance with the requirements of Rule 5121. Because National Securities Corp. will not be primarily responsible for managing this offering, a qualified independent underwriter is not required.

Although another underwriter is required to be responsible for running the offering, Avenue's parent owns a controlling interest in a co-manager of the IPO.

So, what to do with Avenue?

While the company has a promising future, we won't know initial data for Phase 3 bunionectomy trials until at least 2Q 2018 and possibly later, since it isn't uncommon for trial schedules to slip.

Also, I don't know exactly how much to make of Fortress acquiring National Securities Corp. I do have concerns about it because I've never seen that kind of conflict before and I know of no other biotech parent of a subsidiary going public which has such a relationship.

Given the above concerns and time frame, I'm not enthusiastic about Avenue's IPO.

My opinion on the IPO is neutral.

Smart Global Holdings Readies $74 Million IPO

Quick Take

Computing memory maker Smart Global Holdings (SGH) has filed an amended F-1/A registration statement and wants to sell 5.3 million shares of common stock at a midpoint price of $14.00 per share.

SGH is the leading DRAM memory module provider to Brazil and has its fortunes tied to the Brazilian economy.

Given the highly volatile financial performance of the company and heavy reliance on a country trying to pull out of a nasty recession amid political uncertainty, my opinion is to AVOID the IPO.

Company

Cayman Islands- and Newark, California-based Smart Global, which does business as Smart Modular Technologies, was founded in 1988 to design and manufacture memory modules and related subsystems for original equipment manufacturers.

The company has a large family of DRAM memory modules, Flash memory modules and NVDIMM persistent memory products for customers in the networking, computing, storage, communications, mobile and industrial markets.

Management is headed by President and CEO Iain MacKenzie, who has been President of the company since 2002 and was previously in management positions at Hughes Microelectronics and Digital Equipment Corp.

The company was taken private in August 2011 by private equity firm Silver Lake Partners, which currently owns 91% of common stock pre-IPO. CEO MacKenzie owns 3.6%.

Technology

Smart Modular has created product families of DRAM, Flash and NVDIMM persistent memory modules for a variety of product markets.

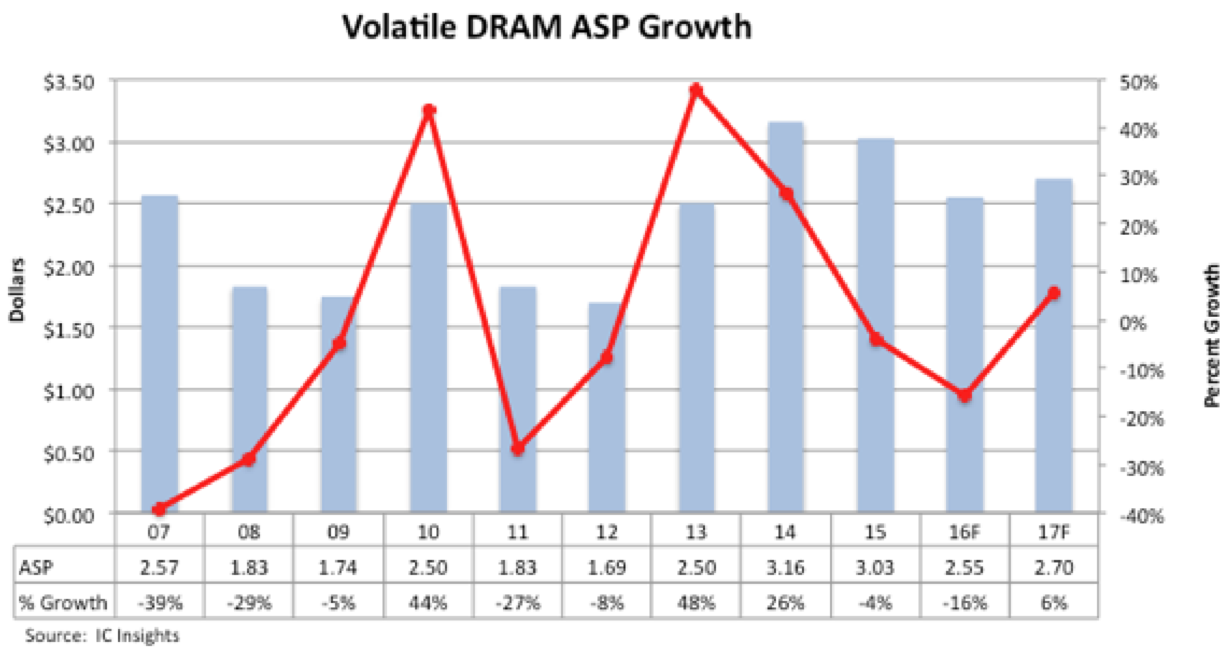
The company says it has a ‘leading market position, as measured by market share, in Brazil as the largest in-country manufacturer of memory for desktops, notebooks and servers, as well as mobile memory for smartphones.’

It claims more than 250 end customers such as Cisco (CSCO), Samsung Electronics (OTC:SSNLF), Hewlett Packard Enterprise (HPE), Dell and LG Electronics (LGEPF).

Notably, Brazilian law provides a number of financial requirements and incentives to produce technologies locally, and management has taken full advantage of these ‘local content requirements.’

Market and Competition

According to a 2016 report on DRAM pricing by IC Insights, the market for DRAM pricing has been quite volatile, as evidenced by the chart below:



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(Source: [Electronics Weekly])

The report went on to forecast a rise in DRAM ASP for 2017, primarily due to demand for enterprise server systems needed to power so-called ‘big data’ applications.

On a negative note, the report also highlighted that two China-based companies intended to enter the global DRAM market by late 2017 or early 2018: Sino King Technology and Fujian Jin Hua IC Company. It isn’t known whether these two entrants will enter the Brazilian market or be able to compete effectively there.

Management says that its strategy is to continue to dominate Brazil in DRAM in its desktop/notebook/server business and to capture growing mobile memory demand through its technical knowledge and its ‘local content requirements’ capabilities.

Financials

Smart Global’s recent financial results can be summarized as follows:

- Topline revenue fell in FYE 2016 but has rebounded in the first half of FYE 2017
- Gross margin has remained steady at 20%
- Cash flow from operations was previously positive but has gone negative in the first half of FYE 2017

Below are the company's operational results for the past two and one-half years (Audited GAAP):

	Six Months Ended		Fiscal Year ended	
	February 24, 2017	February 26, 2016	August 26, 2016	August 28, 2015
	(unaudited)			
Net sales[1]	$ 331,298	$ 238,613	$534,423	$643,469
Cost of sales	264,431	192,169	427,491	512,032
Gross profit	66,867	46,444	106,932	131,437
Operating expenses:				
Research and development	19,645	18,096	38,116	43,741
Selling, general, and administrative	31,844	28,283	57,495	89,233
Management advisory fees	2,000	2,001	4,001	4,030
Restructuring charge	457	1,015	1,135	1,143
Total operating expenses	53,946	49,395	100,747	138,147
Income (loss) from operations	12,921	(2,951)	6,185	(6,710)
Interest expense, net	(14,778)	(12,939)	(25,575)	(27,560)
Other income (expense), net	(902)	(1,372)	1,874	(5,532)
Total other expense	(15,680)	(14,311)	(23,701)	(33,092)
Loss before income taxes	(2,759)	(17,262)	(17,516)	(39,802)
Provision for (benefit from) income taxes	2,785	(108)	2,444	6,649
Net loss	$ (5,544)	$ (17,154)	$ (19,960)	$ (46,451)
Net loss per share, basic and diluted	$ (0.40)	$ (1.24)	$ (1.44)	$ (3.36)

(Source: Smart Global Holdings F-1/A)

Revenue

- Thru 2Q FYE 2017: $331.3 million, 39% increase vs. prior
- FYE 2016: $534.4 million, 17% decrease vs. prior
- FYE 2015: $643.5 million

Gross Margin

- Thru 2Q FYE 2017: 20%
- FYE 2016: 20%
- FYE 2015: 20%

Cash Flow from Operations

- Thru 2Q FYE 2017: $15.6 million cash used in operations
- FYE 2016: $15 million cash flow from operations
- FYE 2015: $40.8 million cash flow from operations

As of February 24, 2017, the company had $23.3 million in cash and $420.2 million in total liabilities.

IPO Details

Smart Global intends to raise $74 million in gross proceeds from an IPO of its common stock, selling 5.3 million shares at a midpoint price of $14.00 per share.

Management says it will use the net proceeds from the IPO as follows:

We intend to use the net proceeds from the offering to repay $66.6 million aggregate principal amount of our outstanding term loans under the Senior Secured Credit Agreement. The indebtedness that we intend to repay bears interest at a rate of 9.25% per annum and matures in August 2019. Affiliates of certain of the underwriters of this offering are lenders under the Senior Secured Credit Agreement and will receive approximately $5.1 million in connection with the repayment of our outstanding term loans under the Senior Secured Credit Agreement using the net proceeds from the offering, as described above.

Since Barclays is the underwriter representative on the IPO and also the recipient of the funds from the proceeds of the IPO, it has a disclosed conflict of interest.

Assuming a successful IPO, Silver Lake will own approximately 62% of ordinary shares. As long as it owns 25% or more of ordinary shares outstanding, Silver Lake will have veto power over certain major corporate actions such as a change in control and any material change in the nature of the business.

Commentary

Investors interested in Smart Global face an uncertain picture of its current operations and the future.

Its recent financial performance experienced a major downdraft, as DRAM prices dropped in 2016 and revenues dropped accordingly.

An apparent rebound so far in FYE 2017 has resulted in improved performance, but hardly anything to crow about: SGH still lost $5.5 million and burned through $15.6 million in the first two quarters of 2017.

Another concerning aspect of Smart Global's prospects is its connection to the Brazilian economy. Although management touts its leading position due to in-country manufacturing being given economic preferences over foreign operators, it is still stuck to Brazil's up and down economy, trying to exit one of the worst recessions and political crisis environments in decades.

Management says they intend to expand by capturing a larger share of the mobile market and venturing abroad to secure more specialty opportunities. Good for them, but their number one priority will still be Brazil, with its attendant risks.

Lastly, all of the IPO proceeds will be used to pay down debt, probably incurred to provide private equity owner Silver Lake with a fat 'dividend', rather than invest in the business. Who wants to invest in a company just to pay off old debts?

My opinion is to AVOID the IPO.

ShotSpotter Sets Terms For $31 Million IPO

Quick Take

Gunshot detection firm ShotSpotter (SSTI) has filed an amended S-1/A registration and wants to sell 2.8 million shares of common stock at a midpoint price of $11.00 per share.

ShotSpotter has developed an industry-dominant gunfire detection system for law enforcement and campus security markets.

The IPO valuation is reasonable, and the company's financial results continue to improve, so my opinion on the IPO is a BUY.

Company Recap

Newark, California-based ShotSpotter was founded in 1996 and utilizes seismic triangulation technology to determine the precise location of gunfire.

The company sells its hardware and software system to law enforcement divisions in cities throughout the United States, as well as to federal law enforcement agencies and is essentially the only provider of such capabilities to the non-military market.

Below is a brief explainer video as shown in use by the city of Chicago:

(Source: CBS Chicago)

ShotSpotter is headed by CEO Ralph Clark, who has been with the firm since 2010.

Major stockholders are:

- Lauder Partners – 37.4% pre-IPO
- Motorola Solutions – 15.6%
- Claremont Creek Ventures – 11.3%
- Thomas Groos – 10%
- CEO Ralph Clark – 7.1%
- Labrador Ventures – 6.1%

Commentary

ShotSpotter provides law enforcement and more recently campus security with the laudable ability to detect gunfire with high precision and relay that information in real-time to the authorities and has resulted in life-saving response times.

The benefits to society, especially a gun-oriented one like the United States, have been significant, with municipalities using the system reporting reduced gunfire and gun-related injuries and deaths in its coverage areas.

ShotSpotter has a significant operating history, having been founded in 1996 and commercialized beginning in 2005.

However, the financial crisis of 2008 and the resulting impact on municipal budgets has negatively impacted the company's growth rate.

Management responded by developing a pay-as-you-go subscription version, to enable municipalities and campus users to better afford the system.

This subscription service has not yet resulted in meaningful revenues, even though the company is growing from its flagship offering. Perhaps this is due to improving city finances as the overall economy continues to mend.

In any event, the company is proposing to value itself at $118 million post-IPO on a forward twelve-month revenue run rate of $18 million, resulting in a Price/Sale multiple of **6.6x**.

While we don't have a comparable multiple since ShotSpotter has no direct competitors, this multiple seems reasonable, given the company's expected 16% year-over-year topline revenue growth rate.

I previously wrote in detail about ShotSpotter's IPO prospects in my article, *ShotSpotter Seeks To Raise $35 Million In IPO*.

In that article, I highlighted that its financial performance is improving, with growing gross margin and topline revenues.

I also noted that it has a dominant market position and enviable prospects for future growth since management has identified 1,400 metropolitan areas that are potential customers.

The company also has a growing revenue retention rate and decreasing sales and marketing spend per $1.00 of new annualized contract value.

Given its reasonable valuation expectation, prospects for growth and improving financials, my opinion on the IPO is a BUY.

Altice USA Files Updated $100 Million IPO Registration

Quick Take

Cable company Altice USA (Pending:ATUS) has filed an amended S-1/A registration and wants to sell $100 million of its Class A common stock in an IPO.

The company has invested heavily to upgrade its network as it competes with cable providers and others in a fast-changing environment.

Altice has a heavy debt load, so prospective investors should tread carefully in the rising interest rate environment ahead.

Company

Bethpage, New York-based Altice USA was created by the combination from the December 2015 acquisition of control of Suddenlink (Cequel Corporation) in 2015 for $9.1 billion and the 2016 acquisition of Cablevision Systems Corp. by France-based Altice NV (ATCA.AS) for $17.7 billion.

The company is a majority-owned and controlled subsidiary of Altice NV, which inclusive of Altice USA serves more than 50 million customers in the U.S., Western Europe, Israel, and the Caribbean.

The Chairman of Altice NV and driving force behind the U.S. effort is Patrick Drahi, who built Altice NV from a regional French cable company into its current state.

The parent company made the decision to move into the U.S. market in 2015 because it believed the combination of favorable demographic growth, demand for higher-speed broadband and the application of the ‘Altice Way’ could improve on growth rates, profitability, and operational efficiencies.

Altice USA management is headed by Chairman and CEO Dexter Goei, who has been with the firm since 2016 from the parent firm Altice NV, where he was CEO since 2009. Prior to Altice, he had a banking background with Morgan Stanley (MS).

Technology

Since the acquisitions, Altice has upgraded its networks to almost 'triple the maximum available broadband speeds we are offering to our Optimum (Cablevision) and expanded our 1 Gbps broadband service to approximately 60% of our Suddenlink footprint.'

Notably, management says the company has started to build an FTTH (Fiber To The Home) network providing 10 Gbps broadband to 100% of its Optimum footprint and part of its Suddenlink footprint within five years.

Below is a brief overview video of the Cablevision acquisition:

(Source: Wall Street Journal)

Market and Competition

Altice has created a U.S. cable system footprint for which '75% of the homes passed by our network were in either the New York metropolitan area of Texas.'

Together, its footprint passed a total of 8.5 million homes, and the company counts nearly 5 million residential and business customers in New York, Texas, West Virginia, Louisiana, Arkansas, North Carolina, Oklahoma, Arizona, California, Missouri and eight additional states.

According to an S&P Global Market Intelligence report in 2016, it expects residential cable revenues to increase from $108 billion in 2016 to nearly $118 billion in 2026; it forecasts business revenues to grow from $130.5 billion to $141 billion over the same period.

Major competitive vendors that provide similar services include:

- AT&T (T)
- CenturyLink
- DSH Network (DISH)
- Frontier (FTR)
- Verizon (VZ)
- Numerous other local ILECs and CLECs

The company says that in its most prized area, metropolitan New York, it faces 'intense competition from Verizon, which has constructed FTTH network infrastructure that passes a significant number of households.'

Financials

Below are the company’s operational results for 2016 (Audited GAAP):

Revenue (including revenue from affiliates of $1,086) (See Note 15)	$ 6,017,212
Operating expenses:	
Programming and other direct costs (including charges from affiliates of $1,947) (See Note 15)	1,899,994
Other operating expenses (including charges from affiliates of $18,854) (See Note 15)	1,716,851
Restructuring and other expense	240,395
Depreciation and amortization (including impairments)	1,700,306
	5,557,546
Operating income	459,666
Other income (expense):	
Interest expense (including interest expense to affiliates and related parties of $112,712) (See Note 15)	(1,456,541)
Interest income	13,811
Gain on investments, net	141,896
Loss on equity derivative contracts, net	(53,696)
Loss on interest rate swap contracts	(72,961)
Loss on extinguishment of debt and write-off of deferred financing costs	(127,649)
Other income, net	4,329
	(1,550,811)
Loss before income taxes	(1,091,145)
Income tax benefit	259,666
Net loss	(831,479)

(Source: Altice S-1/A)

As of March 31, 2017, the company had $478 million in cash and restricted cash and $33.8 billion in total liabilities.

IPO Details

Altice intends to raise $100 million in gross proceeds from an IPO of its Class A common stock, although I suspect the $100 million number is just a placeholder figure and the ultimate raise will be much higher.

Altice did not provide any specific details on how it intends to use the IPO proceeds, other than to indicate “for general corporate purposes.” I expect management to provide more details as we get closer to the IPO, with debt paydown a probable use of funds.

Listed managers of the IPO include J.P. Morgan, Morgan Stanley, Citigroup, Goldman Sachs and five other major IPO managers.

Commentary

Altice NV has invested quite a lot of money into its acquisitions by upgrading its broadband network, and it has ambitious plans to continue doing so over the next five years as it attempts to differentiate itself in highly competitive markets such as the New York metropolitan area.

Management believes in the 'Altice Way' as another source of differentiation, which appears to be a sharp focus on cutting labor costs at all levels of the company organization structure.

As a shareholder, it would be nice to think that all companies worked so hard to rein in costs, but I wonder whether, over the longer term, the approach will result in a loss of talent to other cable providers, with a resulting penalty on operational performance.

Parent company management also touts its '42% average annual total return of Altice N.V.'s Class A ordinary shares since its initial public offer in January 2014...compared to the 5% average annual total return of the STOXX Europe 600 through March 31, 2017', as establishing its credibility with prospective investors looking for outsized returns.

That's certainly enticing, but competition among and between cable providers and other providers of communications services doesn't seem to be abating any time soon, as wireless carriers and content providers come into the mix.

While Altice NV certainly can consummate large transactions and invest in network upgrades at low financing costs, the resulting debt service may become too costly in a rising interest rate environment.

We don't yet know the proposed terms of the IPO, but when we know more I'll provide an update.

WideOpenWest Files Terms For $400 Million IPO

Quick Take

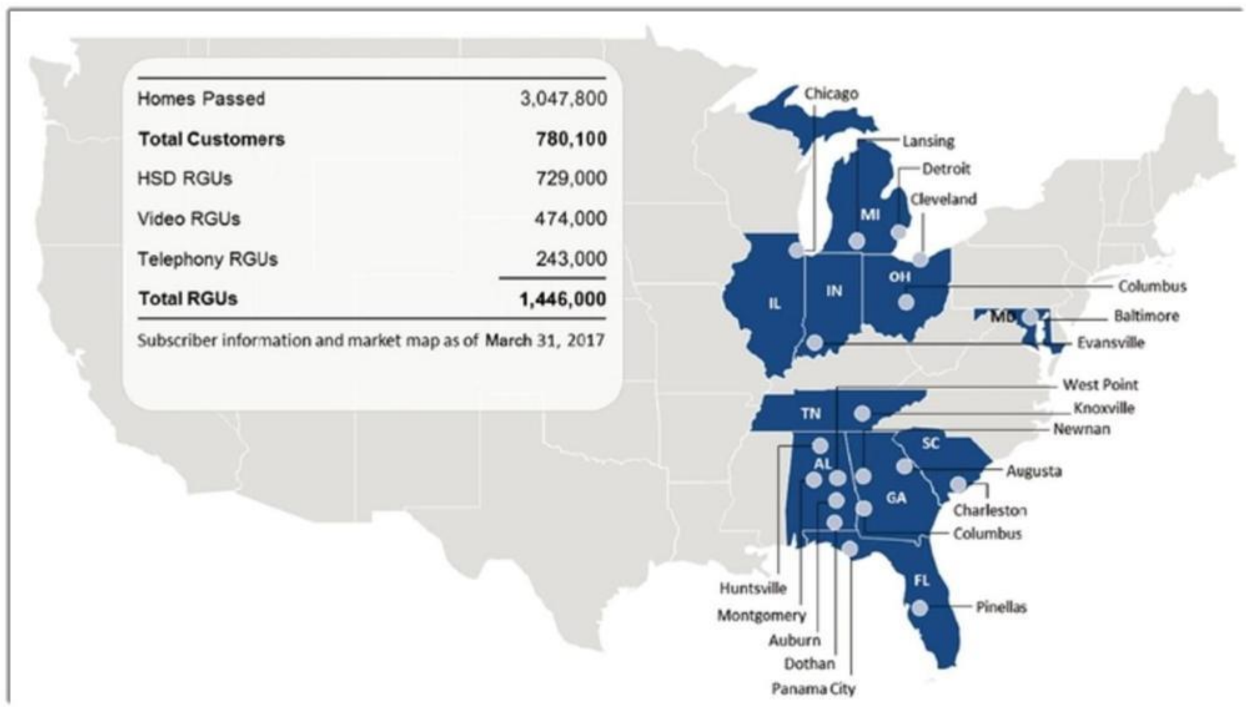
Facilities-based cable provider WideOpenWest (Pending:WOW) has filed an amended S-1/A registration for a $400 million IPO.

WOW is a significant but regional cable provider and faces competition from the majors as the industry enters a period of consolidation and vertical integration.

My opinion is NEUTRAL on the IPO.

Company

Englewood, Colorado-based WideOpenWest was founded in 2001 to provide a suite of cable-delivered telecommunications services to residential and business properties in 10 states and 19 markets, with a footprint shown in the graphic below:



(Source: WOW S-1/A Filing)

Management is headed by CEO Steven Cochran, who has been with the firm since October 2002 and has held the positions of Chief Financial Officer, Chief Operating Officer and President. He was previously Chief Financial Officer at Millennium Digital Media.

WOW was acquired by private equity firm Avista Capital Partners in December 2005 from existing owners Oak Hill Capital Partners and ABRY Partners.

In December 2015, Crestview Partners acquired a portion of Avista's stake for $125 million along with the Chairman of the Board slot for Crestview Partner Jeffrey Marcus.

Technology

WOW has created a suite of cable services including high-speed data, television, VoIP and business services via its hybrid fiber-coaxial cable network which reaches 3 million homes and businesses.

Management says that as of March 31, 2017, it has 780,100 customer subscribers, 11,500 route miles of fiber and 33,500 miles of coaxial cable.

It operates in suburban markets adjacent to large metropolitan areas, and secondary and tertiary markets which it believes are not as competitive (or costly to develop facilities).

The company is pursuing revenue expansion through high-speed data subscriber growth, footprint expansion via 'edge-outs' (network extensions from the perimeter of existing routes) and the addition of business services.

Market and Competition

WOW is the sixth-largest cable operator in the U.S. by number of customers (780,100). Its service area includes 3 million potential subscribers, so its penetration rate is approximately 26%.

According to a 2016 report by S&P Global Market Intelligence, residential revenues are expected to grow from $108 billion in 2016 to nearly $118 billion in 2026.

Business services revenues are also expected to grow, albeit less rapidly in percentage terms, from $130.5 billion in 2016 to $141 billion in 2026.

Major competitive vendors that provide a full range of cable or wireless delivered services to both residential and business customers:

- AT&T (T)
- Verizon (VZ)
- Charter Communications (NASDAQ:CHTR)
- Comcast (CMCSA)
- Frontier (FTR)
- Mediacom
- Cox Communications
- Dish Network (DISH)
- Numerous other local ILECs and CLECs

The company says that as a result, in some of its markets there are more than 'two providers of "triple-play" services.'

Financials

WOW's recent financial results can be summarized as follows:

- Uneven topline revenue growth
- Increasing operating margin
- Uneven cash flow from operations

Below are the company's operational results for the past three years (Audited GAAP):

	Year ended December 31,		
	2016	2015	2014
		(in millions)	
Revenue	$ 1,237.0	$ 1,217.1	$ 1,264.3
Costs and expenses:			
Operating (excluding depreciation and amortization)	668.3	678.6	737.0
Selling, general and administrative	116.4	110.6	135.8
Depreciation and amortization	207.0	221.1	251.3
Management fee to related party (note 21)	1.7	1.9	1.7
	993.4	1,012.2	1,125.8
Income from operations	243.6	204.9	138.5
Other income (expense):			
Interest expense	(211.1)	(226.0)	(237.0)
Realized and unrealized gain on derivative instruments (note 16)	2.3	5.6	4.1
Gain on sale of assets (note 5)	—	—	52.9
Loss on early extinguishment of debt (note 9)	(38.0)	(22.9)	—
Other income (expense), net	2.2	(0.4)	3.4
Loss before provision for income tax	(1.0)	(38.8)	(38.1)
Income tax (expense) benefit, net (note 17)	27.3	(9.9)	10.8
Net income (loss)	$ 26.3	$ (48.7)	$ (27.3)

(Source: WOW S-1/A Filing)

Revenue

- 2016: $1.28 million, 6.7% increase vs. prior
- 2015: $1.2 million, 4.8% decrease vs. prior
- 2014: $1.26 million

Operating Margin

- 2016: 46%
- 2015: 44%
- 2014: 42%

Cash Flow from Operations

- 2016: $191 million cash flow from operations
- 2015: $208 million cash flow from operations
- 2014: $202 million cash flow from operations

As of December 31, 2016, the company had $67 million in cash and $3.5 billion in total liabilities.

IPO Details

WOW intends to raise $400 million in gross proceeds from an IPO by selling 19 million shares of its common stock at a midpoint price of $21.00 per share, subject to customary over-allotments to the underwriters.

WOW says it will use the net proceeds from the IPO as follows:

to redeem approximately $364 million in aggregate principal amount of our 10.25% Senior Notes due 2019;

for general corporate purposes;

WOW has $2.89 billion in long-term debt, as shown in the table below:

	Payment due by period				
	Total	2017	2018 - 2019	2020 - 2021	Thereafter
Long term debt obligations	$ 2,889.2	$ 30.7	$ 872.3	$ 41.4	$ 1,944.8
Fixed-rate interest(1)	253.7	84.6	169.1	—	—
Capital lease obligations	4.9	2.2	2.3	0.4	—
Operating lease obligations(2)	28.8	7.7	11.9	5.7	3.5
Total	$ 3,176.6	$ 125.2	$ 1,055.6	$ 47.5	$ 1,948.3

(Source: WOW S-1/A)

Proceeds from the IPO will only pay off a portion of its L/T debt due through 2019, though presumably, its $200 million CFFO per year will help it pay down the difference.

Listed managers of the IPO are UBS Investment Bank, Credit Suisse, and six other firms.

Commentary

WOW is going public at a time of uncertainty for cable providers, as younger consumers, which represent the future of their customer base, increasingly behave as 'cord-cutters' from the cable providers, and purchase their media via OTT skinny bundle providers such as SlingTV, YouTube, Hulu, and others.

So, while the 2016 S&P report paints a rosy picture about the growth of the cable industry, cord-cutting and waning consumer interest in paying for hundreds of unnecessary channels will mitigate some of that growth potential.

The problem is knowing how much the net effect will be and over what time frame.

Additionally, capital intensive companies like WOW have greatly benefited from extremely low interest rates, enabling them to build out their networks with cheaper capital than otherwise.

But as the U.S. economy mends and the Federal Reserve continues to increase interest rates, the resulting rise will impact WOW as it re-ups its debt.

This will put a premium on CFFO generation to pay down debt in order to reduce what I believe will be rising interest costs over time.

Finally, WOW is essentially a regional cable provider, not national. As the cable companies look to either diversify into content or wireless, regionals like WOW may have a tougher time competing against the giants and may perform comparatively poorly in a consolidating industry.

As a result, I'm not enthusiastic about the company's future, so my opinion is NEUTRAL on the IPO.