UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number	Registrant; State of Incorporation; Address and Telephone Number	IRS Employer Identification No.
001-38126	altice **Altice USA, Inc.** Delaware 1 Court Square West Long Island City, New York 11101 (516) 803-2300	38-3980194

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrants were required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether each Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
(Do not check if a smaller reporting company)		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.01 per share	ATUS	New York Stock Exchange

Number of shares of common stock outstanding as of April 26, 2019: 675,031,483

ALTICE USA, INC. AND SUBSIDIARIES
FORM 10-Q
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PART I. FINANCIAL INFORMATION

This Form 10-Q contains statements that constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Act of 1934, as amended. In this Form 10-Q there are statements concerning our future operating results and future financial performance. Words such as "expects", "anticipates", "believes", "estimates", "may", "will", "should", "could", "potential", "continue", "intends", "plans" and similar words and terms used in the discussion of future operating results, future financial performance and future events identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors.

We operate in a highly competitive, consumer and technology driven and rapidly changing business that is affected by government regulation and economic, strategic, technological, political and social conditions. Various factors could adversely affect our operations, business or financial results in the future and cause our actual results to differ materially from those contained in the forward-looking statements. In addition, important factors that could cause our actual results to differ materially from those in our forward-looking statements include:

- competition for broadband, video and telephony customers from existing competitors (such as broadband communications companies, wireless data and telephony providers, DBS providers and Internet-based providers) and new competitors entering our footprint;
- changes in consumer preferences, laws and regulations or technology that may cause us to change our operational strategies;
- increased difficulty negotiating programming agreements on favorable terms, if at all, resulting in increased costs to us and/or the loss of popular programming;
- increasing programming costs and delivery expenses related to our products and services;
- our ability to achieve anticipated customer and revenue growth, to successfully introduce new products and services and to implement our growth strategy;
- our ability to complete our capital investment plans on time and on budget, including our plan to build a fiber-to-the-home ("FTTH") network, and deploy Altice One, our home communications hub;
- our ability to develop and deploy mobile voice and data services pursuant to the agreement we entered into with Sprint in the fourth quarter of 2017, and our ability to attract customers to these services;
- the effects of economic conditions or other factors which may negatively affect our customers' demand for our current and future products and services;
- the effects of industry conditions;
- demand for digital and linear advertising products and services;
- our substantial indebtedness and debt service obligations;
- adverse changes in the credit market;
- changes as a result of any tax reforms that may affect our business;
- financial community and rating agency perceptions of our business, operations, financial condition and the industries in which we operate;
- the restrictions contained in our financing agreements;
- our ability to generate sufficient cash flow to meet our debt service obligations;
- fluctuations in interest rates which may cause our interest expense to vary from quarter to quarter;
- technical failures, equipment defects, physical or electronic break-ins to our services, computer viruses and similar problems;

- the disruption or failure of our network, information systems or technologies as a result of computer hacking, computer viruses, “cyber-attacks,” misappropriation of data, outages, natural disasters and other material events;
- our ability to obtain necessary hardware, software, communications equipment and services and other items from our vendors at reasonable costs;
- our ability to effectively integrate acquisitions and to maximize expected operating efficiencies from our acquisitions or as a result of the transactions, if any;
- significant unanticipated increases in the use of bandwidth-intensive Internet-based services;
- the outcome of litigation, government investigations and other proceedings;
- our ability to successfully operate our business following the completion of our separation from Altice Europe; and
- other risks and uncertainties inherent in our cable and other broadband communications businesses and our other businesses, including those listed under the caption "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") filed on March 1, 2019 (the "Annual Report").

These factors are not necessarily all of the important factors that could cause our actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could cause our actual results to differ materially from those expressed in any of our forward-looking statements.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements are made only as of the date of this Annual Report. Except to the extent required by law, we do not undertake, and specifically decline any obligation, to update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

You should read this Quarterly Report with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. We qualify all forward-looking statements by these cautionary statements.

Certain numerical figures included in this Quarterly Report have been subject to rounding adjustments. Accordingly, such numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

Item 1. Financial Statements

ALTICE USA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS	March 31, 2019 (Unaudited)	December 31, 2018
Current Assets:		
Cash and cash equivalents	$ 123,007	$ 298,781
Restricted cash	258	257
Accounts receivable, trade (less allowance for doubtful accounts of $12,007 and $13,520)	405,030	448,399
Prepaid expenses and other current assets	181,726	136,285
Amounts due from affiliates	1,021	17,557
Derivative contracts	—	1,975
Total current assets	711,042	903,254
Property, plant and equipment, net of accumulated depreciation of $4,384,560 and $4,044,671	5,772,026	5,828,881
Right-of-use operating lease assets	259,223	—
Investment securities pledged as collateral	1,717,350	1,462,626
Derivative contracts	—	109,344
Other assets	75,030	84,382
Amortizable intangibles, net of accumulated amortization of $3,083,406 and $2,882,787	3,992,205	4,192,824
Indefinite-lived cable television franchises	13,020,081	13,020,081
Goodwill	8,012,416	8,012,416
Total assets	$ 33,559,373	$ 33,613,808

See accompanying notes to consolidated financial statements.

ALTICE USA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (continued)
(In thousands, except share and per share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 2019 (Unaudited)	December 31, 2018
Current Liabilities:		
Accounts payable	$ 835,481	$ 857,502
Interest payable	272,018	386,475
Accrued employee related costs	100,925	139,806
Amounts due to affiliates	5,538	26,096
Deferred revenue	145,019	140,053
Current portion of long-term debt	123,966	158,625
Other current liabilities	318,873	312,634
Total current liabilities	1,801,820	2,021,191
Other liabilities	231,721	271,554
Deferred tax liability	4,717,667	4,723,937
Liabilities under derivative contracts	223,054	132,908
Right-of-use operating lease liability	245,871	—
Long-term debt, net of current maturities	23,137,835	22,653,975
Total liabilities	30,357,968	29,803,565
Commitments and contingencies (Note 16)		
Redeemable equity	190,339	130,007
Stockholders' Equity:		
Preferred stock, $.01 par value, 100,000,000 shares authorized, no shares issued and outstanding	—	—
Class A common stock: $0.01 par value, 4,000,000,000 shares authorized, 490,946,066 issued and outstanding as of March 31, 2019 and 496,064,027 issued and outstanding as of December 31, 2018	4,909	4,961
Class B common stock: $0.01 par value, 1,000,000,000 shares authorized, 490,086,674 issued and 188,838,546 outstanding as of March 31, 2019 and 212,976,259 outstanding as of December 31, 2018	1,888	2,130
Class C common stock: $0.01 par value, 4,000,000,000 shares authorized, no shares issued and outstanding	—	—
Paid-in capital	2,777,554	3,423,803
Retained earnings	226,831	251,830
	3,011,182	3,682,724
Accumulated other comprehensive loss	(8,212)	(11,783)
Total stockholders' equity	3,002,970	3,670,941
Noncontrolling interest	8,096	9,295
Total stockholders' equity	3,011,066	3,680,236
	$ 33,559,373	$ 33,613,808

See accompanying notes to consolidated financial statements.

ALTICE USA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Revenue (including revenue from affiliates of $592 and $125, respectively) (See Note 15)	$ 2,396,567	$ 2,329,714
Operating expenses:		
Programming and other direct costs (including charges from affiliates of $1,687 and $1,154, respectively) (See Note 15)	812,985	787,361
Other operating expenses (including charges from affiliates of $2,246 and $7,994, respectively) (See Note 15)	564,432	583,023
Restructuring and other expense	15,244	3,587
Depreciation and amortization (including impairments)	561,428	642,705
	1,954,089	2,016,676
Operating income	442,478	313,038
Other income (expense):		
Interest expense	(388,283)	(377,258)
Interest income	1,819	3,103
Gain (loss) on investments and sale of affiliate interests, net	254,725	(248,602)
Gain (loss) on derivative contracts, net	(177,029)	168,352
Loss on interest rate swap contracts	(23,672)	(31,922)
Loss on extinguishment of debt and write-off of deferred financing costs	(157,902)	(4,705)
Other income (expense), net	80	(11,658)
	(490,262)	(502,690)
Loss before income taxes	(47,784)	(189,652)
Income tax benefit	22,586	60,703
Net loss	(25,198)	(128,949)
Net loss (income) attributable to noncontrolling interests	199	(2)
Net loss attributable to Altice USA, Inc. stockholders	$ (24,999)	$ (128,951)
Loss per share:		
Basic and diluted loss per share:	$ (0.04)	$ (0.17)
Basic and diluted weighted average common shares (in thousands)	695,528	737,069
Cash dividends declared per common share	$ —	$ —

See accompanying notes to consolidated financial statements.

ALTICE USA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net loss	$ (25,198)	$ (128,949)
Other comprehensive income (loss):		
Defined benefit pension plans:		
Unrecognized actuarial gain	4,918	4,551
Applicable income taxes	(1,292)	(1,228)
Unrecognized gain arising during period, net of income taxes	3,626	3,323
Settlement loss included in other expense, net	171	606
Applicable income taxes	(45)	(164)
Settlement loss included in other expense, net, net of income taxes	126	442
Foreign currency translation adjustment	(245)	—
Applicable income taxes	64	—
Foreign currency translation adjustment, net	(181)	—
Other comprehensive income	3,571	3,765
Comprehensive loss	(21,627)	(125,184)
Comprehensive loss (income) attributable to noncontrolling interests	199	(2)
Comprehensive loss attributable to Altice USA, Inc. stockholders	$ (21,428)	$ (125,186)

See accompanying notes to consolidated financial statements.

ALTICE USA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Class A Common Stock	Class B Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Non-controlling Interest	Total Equity
Balance at January 1, 2019	$ 4,961	$ 2,130	$ 3,423,803	$ 251,830	$ (11,783)	$ 3,670,941	$ 9,295	$ 3,680,236
Net loss attributable to stockholders	—	—	—	(24,999)	—	(24,999)	—	(24,999)
Net loss attributable to noncontrolling interests	—	—	—	—	—	—	(199)	(199)
Distributions from noncontrolling interests	—	—	—	—	—	—	(1,000)	(1,000)
Pension liability adjustments, net of income taxes	—	—	—	—	3,752	3,752	—	3,752
Foreign currency translation adjustment, net of income taxes	—	—	—	—	(181)	(181)	—	(181)
Share-based compensation expense	—	—	13,790	—	—	13,790	—	13,790
Redeemable equity vested	—	—	1,364	—	—	1,364	—	1,364
Change in redeemable equity	—	—	(61,696)	—	—	(61,696)	—	(61,696)
Class A shares acquired through share repurchase program and retired	(294)	—	(599,707)	—	—	(600,001)	—	(600,001)
Conversion of Class B to Class A shares	242	(242)	—	—	—	—	—	—
Balance at March 31, 2019	$ 4,909	$ 1,888	$ 2,777,554	$ 226,831	$ (8,212)	$ 3,002,970	$ 8,096	$ 3,011,066
Balance at January 1, 2018, as adjusted	$ 2,470	$ 4,901	$ 4,665,229	$ 840,636	$ (10,022)	$ 5,503,214	$ 1,539	$ 5,504,753
Net loss attributable to stockholders	—	—	—	(128,951)	—	(128,951)	—	(128,951)
Net income attributable to noncontrolling interests	—	—	—	—	—	—	2	2
Pension liability adjustments, net of income taxes	—	—	—	—	3,765	3,765	—	3,765
Share-based compensation expense	—	—	21,623	—	—	21,623	—	21,623
Change in redeemable equity	—	—	(3,347)	—	—	(3,347)	—	(3,347)
Other changes to equity	—	—	(859)	—	—	(859)	—	(859)
Adoption of ASU No. 2018-02	—	—	—	2,163	(2,163)	—	—	—
Balance at March 31, 2018	$ 2,470	$ 4,901	$ 4,682,646	$ 713,848	$ (8,420)	$ 5,395,445	$ 1,541	$ 5,396,986

See accompanying notes to consolidated financial statements.

ALTICE USA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	$ (25,198)	$ (128,949)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization (including impairments)	561,428	642,705
Equity in net loss of affiliates	—	10,442
Loss (gain) on investments and sale of affiliate interests, net	(254,725)	248,602
Loss (gain) on derivative contracts, net	177,029	(168,352)
Loss on extinguishment of debt and write-off of deferred financing costs	157,902	4,705
Amortization of deferred financing costs and discounts (premiums) on indebtedness	26,066	16,950
Settlement loss related to pension plan	171	606
Share-based compensation expense	13,790	21,623
Deferred income taxes	(19,918)	(65,833)
Provision for doubtful accounts	15,091	13,500
Change in assets and liabilities, net of effects of acquisitions and dispositions:		
Accounts receivable, trade	28,278	25,207
Other receivables	(708)	(28,759)
Prepaid expenses and other assets	(3,744)	9,609
Amounts due from and due to affiliates	(4,023)	(1,465)
Accounts payable	33,889	11,297
Interest payable, accrued employee related costs and other liabilities	(235,369)	(224,787)
Deferred revenue	8,915	11,929
Liabilities related to interest rate swap and derivative contracts	25,120	31,922
Net cash provided by operating activities	503,994	430,952
Cash flows from investing activities:		
Capital expenditures	(340,386)	(257,615)
Sale of affiliate interest	—	(3,537)
Proceeds related to sale of equipment, including costs of disposal	479	965
Increase in other investments	—	(2,500)
Net cash used in investing activities	(339,907)	(262,687)

ALTICE USA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Cash flows from financing activities:		
Proceeds from credit facility debt, net of discounts	$ 1,390,000	$ 1,642,500
Repayment of credit facility debt	(361,250)	(610,663)
Issuance of senior notes and debentures, including premiums	1,754,375	1,000,000
Redemption of senior notes, including premiums and fees	(2,462,692)	(1,057,019)
Proceeds from notes payable	—	6,812
Repayment of notes payable	(58,500)	—
Principal payments on finance lease obligations	(1,611)	(3,067)
Purchase of shares of Altice USA, Inc. Class A common stock, pursuant to a share repurchase program	(586,759)	—
Additions to deferred financing costs	(11,678)	(19,225)
Contingent payment for acquisition	(500)	(28,940)
Distributions to noncontrolling interests, net	(1,000)	—
Other	—	(859)
Net cash provided by (used in) financing activities	(339,615)	929,539
Net increase (decrease) in cash and cash equivalents	(175,528)	1,097,804
Effect of exchange rate changes on cash and cash equivalents	(245)	—
Net increase (decrease) in cash and cash equivalents	(175,773)	1,097,804
Cash, cash equivalents and restricted cash at beginning of year	299,038	330,100
Cash, cash equivalents and restricted cash at end of year	$ 123,265	$ 1,427,904

See accompanying notes to consolidated financial statements.

NOTE 1. DESCRIPTION OF BUSINESS AND RELATED MATTERS

The Company and Related Matters

Altice USA, Inc. ("Altice USA" or the "Company") was incorporated in Delaware onSeptember 14, 2015. Through June 8, 2018, the Company was majority-owned by Altice Europe N.V. ("Altice Europe"), a public company with limited liability (naamloze vennootshcap) under Dutch law. On June 8, 2018, Altice Europe distributed substantially all of its equity interest in the Company through a distribution in kind to holders of Altice Europe's common shares A and common shares B (the “Distribution”). The Company is now majority-owned by Patrick Drahi through Next Alt. S.a.r.l. ("Next Alt").

The Company provides broadband communications and video services in the United States and markets its services under two brands: Optimum, in the New York metropolitan area, and Suddenlink, principally in markets in the south-central United States. It delivers broadband, video, telephony services, proprietary content and advertising services to residential and business customers. As these brands are managed on a consolidated basis, the Company classifies its operations in one segment.

The accompanying combined consolidated financial statements ("consolidated financial statements") include the accounts of the Company and all subsidiaries in which the Company has a controlling interest and gives effect to the ATS Acquisition and the i24 Acquisition discussed below. All significant inter-company accounts and transactions have been eliminated in consolidation.

Acquisition of Altice Technical Services US Corp

Altice Technical Services US Corp. ("ATS") was formed to provide network construction and maintenance services and commercial and residential installations, disconnections, and maintenance. During the second quarter of 2017, a substantial portion of the Company's technical workforce at Cablevision either accepted employment with ATS or became employees of ATS and ATS commenced operations and began to perform services for the Company. A substantial portion of the Cequel technical workforce became employees of ATS in December 2017. Additionally, in the second quarter of 2017, the Company entered into an Independent Contractor Agreement with ATS that governed the terms of the services provided to the Company and entered into a Transition Services Agreement for the use of the Company's resources to provide various overhead functions to ATS, including accounting, legal and human resources and for the use of certain facilities, vehicles and technician tools during a transitional period. The Transition Services Agreement required ATS to reimburse the Company for its cost to provide such services.

In January 2018, the Company acquired 70% of the equity interests in ATS for $1.00 (the "ATS Acquisition") and the Company became the owner of 100% of the equity interests in ATS in March 2018. ATS was previously owned by Altice Europe and a member of ATS's management through a holding company. As the acquisition is a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of ATS for all periods since its formation. In connection with the ATS Acquisition, the Company recorded goodwill of $23,101, representing the amount previously transferred to ATS.

Acquisition of i24NEWS

In April 2018, Altice Europe transferred its ownership of i24 US and i24 Europe ("i24NEWS"), Altice Europe's 24/7 international news and current affairs channels to the Company for minimal consideration (the "i24 Acquisition"). As the acquisition was a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of i24NEWS as of April 1, 2018. Operating results for periods prior to April 1, 2018 have not been revised to reflect the i24 Acquisition as the impact was deemed immaterial.

Altice Europe Distribution

On June 8, 2018, Altice Europe distributed substantially all of its equity interest in the Company through a distribution in kind to holders of Altice Europe's common shares A and common shares B (the “Distribution”). The Distribution took place by way of a special distribution in kind by Altice Europe of its 67.2% interest in the Company to Altice Europe shareholders. Each shareholder of Altice Europe on May 23, 2018, the Distribution record date, received 0.4163 shares of the Company's common stock for every share held by such shareholder in Altice Europe.

Prior to Altice Europe's announcement of the Distribution, the Board of Directors of Altice USA, acting through its independent directors, approved the payment of a $2.035 dividend to all shareholders of record on May 22, 2018. The payment of the dividend, aggregating $1,499,935, was made on June 6, 2018, and was funded with cash at CSC Holdings LLC, a wholly-owned subsidiary of Cablevision, from financings completed in January 2018, and cash generated from operations at Cequel. In connection with the payment of the dividend, the Company recorded a decrease in retained earnings of $536,224, representing the cumulative earnings through the payment date, and a decrease in paid in capital of $963,711.

In connection with the Distribution, the Management Advisory and Consulting Services Agreement with Altice Europe which provided certain consulting, advisory and other services was terminated. See Note 15 for further details.

Stock Repurchase Plan

In June 2018, the Board of Directors of Altice USA also authorized a share repurchase program of $2.0 billion. Under the repurchase program, shares of Altice USA Class A common stock may be purchased from time to time in the open market and may include trading plans entered into with one or more brokerage firms in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. Size and timing of these purchases will be determined based on market conditions and other factors.

From inception through March 31, 2019, the Company repurchased an aggregate of 57,284,354 shares for a total purchase price of approximately $1,100,000. These acquired shares were retired and the cost for these shares was recorded in paid in capital in the Company's consolidated balance sheet. As of March 31, 2019, the Company had approximately $900,000 of availability remaining under its stock repurchase program and had 679,784,612 combined Class A and Class B shares outstanding.

NOTE 2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all the information and notes required for complete annual financial statements.

The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The financial statements presented in this report are unaudited; however, in the opinion of management, such financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the periods presented.

The results of operations for the interim periods are not necessarily indicative of the results that might be expected for future interim periods or for the full year ending December 31, 2019.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

NOTE 3. ACCOUNTING PRONOUNCEMENTS

Recently Issued But Not Yet Adopted Accounting Pronouncements

ASU No. 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans ("ASU 2018-14")

In August 2018, the FASB issued ASU 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans, which amends ASC 715 to clarify certain disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 becomes effective for the Company on January 1, 2022, although early adoption is permitted. The Company does not expect the adoption of ASU 2018-14 to have a material impact on its consolidated financial statements.

(Dollars in thousands, except share and per share amounts)

ASU No. 2018-15, Customer's Accounting for Implementation Costs in a Cloud Computing Arrangement That Is a Service Contract ("ASU 2018-15")

Also in August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs in a Cloud Computing Arrangement That Is a Service Contract, which requires upfront implementation costs incurred in a cloud computing arrangement (or hosting arrangement) that is a service contract to be amortized to hosting expense over the term of the arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. ASU 2018-14 becomes effective for the Company on January 1, 2020, although early adoption is permitted. The Company is currently in the process of evaluating the impact that the adoption of ASU 2018-15 will have on its consolidated financial statements.

ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350) ("ASU 2017-04")

In January 2017, the FASB issued ASU No. 2017-04, Intangibles-Goodwill and Other (Topic 350). ASU. 2017-04 simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual, or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. ASU 2017-04 becomes effective for the Company on January 1, 2020 with early adoption permitted and will be applied prospectively.

NOTE 4. NET LOSS PER SHARE ATTRIBUTABLE TO STOCKHOLDERS

Net Loss Per Share

Basic net loss per common share attributable to Altice USA stockholders is computed by dividing net loss attributable to Altice USA stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per common share attributable to Altice USA stockholders excludes the effects of common stock equivalents of 11,480,467 shares and 5,165,746 shares for the three months endedMarch 31, 2019 and 2018, respectively, as they are anti-dilutive.

NOTE 5. REVENUE AND CONTRACT ASSETS

The following table presents the composition of revenue:

	Three Months Ended March 31,	
	2019	2018
Residential:		
Video	$ 1,017,330	$ 1,033,708
Broadband	775,573	701,621
Telephony	154,464	166,038
Business services and wholesale	350,689	333,090
Advertising	93,545	87,582
Other	4,966	7,675
Total revenue	$ 2,396,567	$ 2,329,714

The Company is assessed non-income related taxes by governmental authorities, including franchising authorities (generally under multi-year agreements), and collects such taxes from its customers. In instances where the tax is being assessed directly on the Company, amounts paid to the governmental authorities are recorded as programming and other direct costs and amounts received from the customers are recorded as revenue. For the three months ended March 31, 2019 and 2018, the amount of franchise fees and certain other taxes and fees included as a component of revenue aggregated $64,236 and $63,830, respectively.

(Dollars in thousands, except share and per share amounts)

Contract Assets

The following table provides information about contracts assets and contract liabilities related to contracts with customers:

	March 31, 2019	December 31, 2018
Contract assets (a)	$ 27,242	$ 26,405
Deferred revenue (b)	198,971	190,056

(a) Contract assets include primarily sales commissions for enterprise customers that are deferred and amortized over the average contract term.

(b) Deferred revenue represents payments received from customers for services that have yet to be provided and installation revenue which is deferred and recognized over the benefit period. The majority of the Company's deferred revenue represents payments for services for up to one month in advance from residential and SMB customers which is realized within the following month as services are performed.

A significant portion of our revenue is derived from residential and SMB customer contracts which are month-to month. As such, the amount of revenue related to unsatisfied performance obligations is not necessarily indicative of the future revenue to be recognized from our existing customer base. Contracts with enterprise customers generally range from three to five years, and services may only be terminated in accordance with the contractual terms.

NOTE 6. SUPPLEMENTAL CASH FLOW INFORMATION

The Company's non-cash investing and financing activities and other supplemental data were as follows:

	Three Months Ended March 31,	
	2019	2018
Non-Cash Investing and Financing Activities:		
Property and equipment accrued but unpaid	$ 158,025	$ 91,036
Notes payable issued to vendor for the purchase of equipment	16,266	30,237
Unsettled purchases of shares of Altice USA, Inc. Class A common stock, pursuant to a share repurchase program	13,242	—
Right-of-use assets acquired in exchange for finance lease obligations	4,970	656
Deferred financing costs accrued but unpaid	1,663	—
Supplemental Data:		
Cash interest paid	475,109	464,763
Income taxes paid (refunded), net	110	(1,027)

NOTE 7. RESTRUCTURING AND OTHER EXPENSE

Restructuring

Beginning in the first quarter of 2016, the Company commenced restructuring initiatives that were intended to simplify the Company's organizational structure.

(Dollars in thousands, except share and per share amounts)

The following table summarizes the activity for these initiatives:

	Severance and Other Employee Related Costs	Facility Realignment and Other Costs	Total
Accrual balance at December 31, 2018	$ 21,454	$ 13,615	$ 35,069
Restructuring charges	2,522	4,569	7,091
Payments and other	(13,866)	(536)	(14,402)
Impact of the adoption of ASC 842 (a)	—	(13,849)	(13,849)
Accrual balance at March 31, 2019	$ 10,110	$ 3,799	$ 13,909

(a) Certain accrued restructuring liabilities were netted against right-of-use operating assets on the Company's consolidated balance sheet as of January 1, 2019 in connection with the Company's adoption of ASC 842 (see Note 8).

In addition, for the three months ended March 31, 2019, the Company recorded restructuring charges of $8,549 related to the impairment of right-of-use operating lease assets, included in the Company's restructuring initiatives, as their carrying amount was not recoverable and exceeded their fair value.

Cumulative costs to date relating to these initiatives amounted to $423,166.

Transaction Costs

The Company recorded a net credit of $396 during the three months ended March 31, 2019 resulting from an adjustment to the contingent liability initially recorded for a business acquired in fourth quarter of 2017. The Company recorded transaction costs of $2,266 for the three months ended March 31, 2018, related to the Distribution discussed in Note 1.

NOTE 8. LEASES

On January 1, 2019, the Company adopted FASB Accounting Standards Codification, or ASC, Topic 842, Leases ("ASC 842"), which increases transparency and comparability by recognizing a lessee’s rights and obligations resulting from leases by recording them on the balance sheet as lease assets and lease liabilities. The new guidance requires the recognition of the right-of-use ("ROU") assets and related operating and finance lease liabilities on the balance sheet. The Company adopted the new guidance using the modified retrospective approach with a cumulative-effect adjustment recorded on January 1, 2019. As a result, the consolidated balance sheet as of December 31, 2018 was not restated and is not comparative.

The adoption of ASC 842 resulted in the recognition of ROU assets of $274,292 and lease liabilities for operating leases of $299,900 on the Company's consolidated balance sheet as of January 1, 2019, with no material impact to its consolidated statements of operations. The difference between the ROU assets and the operating lease liability represents the reclassification of (i) deferred rent balances, resulting from the historical operating leases, and (ii) certain accrued restructuring liabilities (See Note 7). The Company's accounting for finance leases remained substantially unchanged from its accounting for capital leases in prior periods.

The Company elected the package of practical expedients permitted within the standard, which allow an entity to forgo reassessing (i) whether a contract contains a lease, (ii) classification of leases, and (iii) whether capitalized costs associated with a lease meet the definition of initial direct costs. Also, the Company elected the expedient allowing an entity to use hindsight to determine the lease term and impairment of ROU assets and the expedient related to land easements which allows the Company not to retrospectively treat land easements as leases; however, the Company must apply lease accounting prospectively to land easements if they meet the definition of a lease.

For contracts entered into on or after the effective date, at the inception of a contract the Company will assess whether the contract is, or contains, a lease. The Company's assessment is based on: (i) whether the contract involves the use of a distinct identified asset, (ii) whether the Company obtained the right to substantially all the economic benefit from the use of the asset throughout the period, and (iii) whether the Company has the right to direct the use of the asset. Leases entered into prior to January 1, 2019, are accounted for under ASC 840 and were not reassessed for classification.

(Dollars in thousands, except share and per share amounts)

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases, and is subsequently measured at amortized cost using the effective interest method. The Company generally uses its incremental borrowing rate as the discount rate for leases, unless an interest rate is implicitly stated in the lease. The lease term for all of the Company’s leases includes the noncancellable period of the lease plus any additional periods covered by either a Company option to extend the lease that the Company is reasonably certain to exercise, or an option to extend the lease controlled by the lessor. All ROU assets are reviewed for impairment.

Lease expense for operating leases consists of the lease payments plus any initial direct costs and is recognized on a straight-line basis over the lease term. Lease expense for finance leases consists of the amortization of the asset on a straight-line basis over the earlier of the lease term or its useful life and interest expense determined on an amortized cost basis. The lease payments are allocated between a reduction of the lease liability and interest expense.

The Company's operating leases are comprised primarily of facility leases and finance leases are comprised primarily of vehicle leases.

Balance sheet information related to our leases is presented below:

	Balance Sheet location	March 31, 2019	January 1, 2019	December 31, 2018
Operating leases:				
Right-of-use lease assets	Right-of-use operating lease assets	$ 259,223	$ 274,292	$ —
Right-of-use lease liability, current	Other current liabilities	41,188	48,033	—
Right-of-use lease liability, long-term	Right-of-use operating lease liability	245,871	251,867	—
Finance leases:				
Right-of-use lease assets	Property, plant and equipment	28,562	30,891	30,891
Right-of-use lease liability, current	Current portion of long-term debt	6,293	5,928	5,928
Right-of-use lease liability, long-term	Long-term debt	21,011	19,262	19,262

The following provides details of the Company's lease expense:

	Three Months Ended March 31, 2019
Operating lease expense, net	$ 15,278
Finance lease expense:	
Amortization of assets	1,562
Interest on lease liabilities	358
Total finance lease expense	1,920
	$ 17,198

(Dollars in thousands, except share and per share amounts)

Other information related to leases is presented below:

	As of March 31, 2019
Right-of-use assets acquired in exchange for operating lease obligations	$ 4,193
Cash Paid For Amounts Included In Measurement of Liabilities:	
Operating cash flows from finance leases	358
Operating cash flows from operating leases	16,482
Weighted Average Remaining Lease Term:	
Operating leases	8.9 years
Finance leases	4.8 years
Weighted Average Discount Rate:	
Operating leases	6.25 %
Finance leases	5.82 %

The minimum future annual payments under non-cancellable leases during the next five years and thereafter, at rates now in force, are as follows:

	Financing leases	Operating leases
2019 (excluding the three months ended March 31, 2019)	$ 5,775	$ 43,386
2020	6,859	58,231
2021	5,538	49,829
2022	5,510	39,308
2023	4,967	29,260
Thereafter	2,580	157,402
Total future minimum lease payments, undiscounted	31,229	377,416
Less: Imputed interest	(3,925)	(90,357)
Present value of future minimum lease payments	$ 27,304	$ 287,059

NOTE 9. INTANGIBLE ASSETS

The following table summarizes information relating to the Company's acquired amortizable intangible assets:

	As of March 31, 2019			As of December 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Estimated Useful Lives
Customer relationships	$ 5,970,884	$ (2,337,085)	$ 3,633,799	$ 5,970,884	$ (2,162,110)	$ 3,808,774	8 to 18 years
Trade names	1,067,083	(725,748)	341,335	1,067,083	(701,998)	365,085	2 to 5 years
Other amortizable intangibles	37,644	(20,573)	17,071	37,644	(18,679)	18,965	1 to 15 years
	$ 7,075,611	$ (3,083,406)	$ 3,992,205	$ 7,075,611	$ (2,882,787)	$ 4,192,824	

Amortization expense for the three months ended March 31, 2019 and 2018 aggregated $200,619 and $231,817, respectively.

(Dollars in thousands, except share and per share amounts)

NOTE 10. DEBT

The following table provides details of the Company's outstanding debt:

				March 31, 2019		December 31, 2018	
Date Issued	Maturity Date	Interest Rate		Principal Amount	Carrying Amount (a)	Principal Amount	Carrying Amount (a)
CSC Holdings Senior Notes:							
February 12, 2009	February 15, 2019	8.625%		$ —	$ —	$ 526,000	$ 527,749
November 15, 2011	November 15, 2021	6.750%		1,000,000	971,652	1,000,000	969,285
May 23, 2014	June 1, 2024	5.250%		750,000	674,731	750,000	671,829
October 9, 2015	January 15, 2023	10.125%		—	—	1,800,000	1,781,424
October 9, 2015	October 15, 2025	10.875%		1,684,221	1,663,549	1,684,221	1,663,027
November 27, 2018	December 15, 2021	5.125%		1,240,762	1,161,667	1,240,762	1,155,264
November 27, 2018	July 15, 2025	7.750%		617,881	604,295	617,881	603,889
November 27, 2018	April 1, 2028	7.500%		1,045,882	1,044,175	1,045,882	1,044,143
CSC Holdings Senior Guaranteed Notes:							
October 9, 2015	October 15, 2025	6.625%		1,000,000	988,396	1,000,000	988,052
September 23, 2016	April 15, 2027	5.500%		1,310,000	1,305,056	1,310,000	1,304,936
January 29, 2018	February 1, 2028	5.375%		1,000,000	992,232	1,000,000	992,064
November 27, 2018	July 15, 2023	5.375%		1,095,825	1,079,260	1,095,825	1,078,428
November 27, 2018	May 15, 2026	5.500%		1,498,806	1,484,671	1,498,806	1,484,278
January 24, 2019	February 1, 2029	6.500%		1,750,000	1,746,831	—	—
Cablevision Senior Notes (b):							
April 15, 2010	April 15, 2020	8.000%		500,000	496,159	500,000	495,302
September 27, 2012	September 15, 2022	5.875%		649,024	589,400	649,024	585,817
October 19, 2018	December 15, 2021	5.125%		8,886	8,320	8,886	8,274
October 19, 2018	July 15, 2025	7.750%		1,740	1,691	1,740	1,690
October 19, 2018	April 1, 2028	7.500%		4,118	4,111	4,118	4,110
				15,157,145	14,816,196	15,733,145	15,359,561
CSC Holdings Credit Facility Debt (Restricted Group):							
Revolving Credit Facility (c) (e)		4.879%	(d)	300,000	284,969	250,000	231,425
Term Loan B	July 17, 2025	4.734%	(d)	2,947,500	2,932,491	2,955,000	2,939,425
Incremental Term Loan B-2	January 25, 2026	4.984%	(d)	1,488,750	1,472,554	1,492,500	1,475,778
Incremental Term Loan B-3	January 15, 2026	4.734%	(d)	1,275,000	1,269,135	1,275,000	1,268,931
Incremental Term Loan B-4	April 15, 2027	5.591%	(d)	1,000,000	986,152	—	—
				7,011,250	6,945,301	5,972,500	5,915,559
Collateralized indebtedness (see Note 11)				1,459,638	1,411,869	1,459,638	1,406,182
Finance lease obligations (see Note 8)				27,304	27,304	25,190	25,190
Notes Payable				61,131	61,131	106,108	106,108
				23,716,468	23,261,801	23,296,581	22,812,600
Less: current portion of credit facility debt				(65,250)	(65,250)	(54,563)	(54,563)
Less: current portion of notes payable				(52,423)	(52,423)	(98,134)	(98,134)
Less: current portion of finance lease obligations				(6,293)	(6,293)	(5,928)	(5,928)
				(123,966)	(123,966)	(158,625)	(158,625)
Long-term debt				$ 23,592,502	$ 23,137,835	$ 23,137,956	$ 22,653,975

(a) The carrying amount is net of the unamortized deferred financing costs and/or discounts/premiums and with respect to certain notes, a fair value adjustment resulting from the Cequel and Cablevision acquisitions.

(b) The issuers of these notes have no ability to service interest or principal on the notes, other than through any dividends or distributions received from CSC Holdings. CSC Holdings is restricted, in certain circumstances, from paying dividends or distributions to the issuers by the terms of the CSC Holdings credit facilities agreement.

(c) At March 31, 2019, $163,014 of the revolving credit facility was restricted for certain letters of credit issued on behalf of the Company and $2,099,486 of the facility was undrawn and available, subject to covenant limitations.

(d) Represents interest rate at March 31, 2019.

(e) The revolving credit facility matures on January 31, 2024, however $350,000 is due on November 30, 2021.

In January 2019, CSC Holdings issued $1,500,000 in aggregate principal amount of senior guaranteed notes due 2029 ("CSC Holdings 2029 Guaranteed Notes"). The notes bear interest at a rate of 6.5% and will mature on February 1, 2029. The net proceeds from the sale of the notes were used to repay certain indebtedness, including to repay at maturity $526,000 aggregate principal amount of CSC Holdings' 8.625% senior notes due February 2019 plus accrued interest, redeem approximately $905,300 of the aggregate outstanding amount of CSC Holdings' 10.125% senior notes due 2023 at a redemption price of 107.594% plus accrued interest, and paid fees and expenses associated with the transactions. In connection with this refinancing, $526,000 of short-term senior notes were reclassified to long-term debt as of December 31, 2018.

In February 2019, CSC Holdings issued an additional $250,000 CSC Holdings 2029 Guaranteed Notes at a price of 101.75% of the principal value. The proceeds of these notes were used to repay amounts outstanding under the CSC Holdings Revolving Credit Facility.

During the three months ended March 31, 2019, CSC Holdings borrowed $400,000 under its revolving credit facility and repaid $350,000 of amounts outstanding under the revolving credit facility, a portion of which was funded from the proceeds of the issuance of an additional $250,000 principal amount of CSC Holdings 2029 Guaranteed Notes (see discussion above).

In January 2019, CSC Holdings refinanced its existing revolving credit facility. After the refinancing, the total size of the new revolving credit facility is $2,562,500, including $2,212,500 extended to January 2024 and priced at LIBOR plus 2.25%. The remaining $350,000 matures in November 2021.

In February 2019, CSC Holdings entered into a $1,000,000 senior secured Term Loan B ("Incremental Term Loan B-4") maturing on April 15, 2027, the proceeds of which were used to redeem $894,700 in aggregate principal amount of CSC Holdings' 10.125% Senior Notes due 2023, representing the entire aggregate principal amount outstanding, and paying related fees, costs and expenses. The Incremental Term Loan B-4 bears interest at a rate per annum equal to LIBOR plus 3.0% and was issued with an original issue discount of 1.0%.

The CSC Credit Facilities Agreement also contains certain customary representations and warranties, affirmative covenants and events of default (including, among others, an event of default upon a change of control). If an event of default occurs, the lenders under the CSC Credit Facilities will be entitled to take various actions, including the acceleration of amounts due under the CSC Credit Facilities and all actions permitted to be taken by a secured creditor.

As of March 31, 2019, the Company was in compliance with all of its financial covenants under the CSC Holdings Credit Facilities and with all of its financial covenants under the indentures under which the senior and senior guaranteed notes were issued.

(Dollars in thousands, except share and per share amounts)

The following table provides a summary of the loss on extinguishment of debt and the write-off of deferred financing costs recorded by the Company upon the redemption of senior notes and the refinancing of credit facilities:

For the Three Months Ended March 31, 2019:		
CSC Holdings 10.125% Senior Notes due 2023	$	154,666
CSC Holdings credit facility refinancing		3,236
	$	157,902
For the Three Months Ended March 31, 2018:		
Cablevision 7.75% Senior Notes due 2018	$	4,705

Summary of Debt Maturities

The future maturities of debt payable by the Company under its various debt obligations outstanding as ofMarch 31, 2019, including notes payable and collateralized indebtedness (see Note 11), but excluding finance lease obligations (see Note 8), are as follows:

2019 (excluding the three months ended March 31, 2019)	$	94,162
2020		578,253
2021		3,779,571
2022		718,124
2023		1,164,330
Thereafter		17,354,724

NOTE 11. DERIVATIVE CONTRACTS AND COLLATERALIZED INDEBTEDNESS

Prepaid Forward Contracts

The Company has entered into various transactions to limit the exposure against equity price risk on its shares of Comcast Corporation ("Comcast") common stock. The Company has monetized all of its stock holdings in Comcast through the execution of prepaid forward contracts, collateralized by an equivalent amount of the respective underlying stock. At maturity, the contracts provide for the option to deliver cash or shares of Comcast stock with a value determined by reference to the applicable stock price at maturity. These contracts, at maturity, are expected to offset declines in the fair value of these securities below the hedge price per share while allowing the Company to retain upside appreciation from the hedge price per share to the relevant cap price.

The Company received cash proceeds upon execution of the prepaid forward contracts discussed above which has been reflected as collateralized indebtedness in the accompanying consolidated balance sheets. In addition, the Company separately accounts for the equity derivative component of the prepaid forward contracts. These equity derivatives have not been designated as hedges for accounting purposes. Therefore, the net fair values of the equity derivatives have been reflected in the accompanying consolidated balance sheets as an asset or liability and the net increases or decreases in the fair value of the equity derivative component of the prepaid forward contracts are included in gain (loss) on derivative contracts in the accompanying consolidated statements of operations.

All of the Company's monetization transactions are obligations of its wholly-owned subsidiaries that are not part of the Restricted Group; however, CSC Holdings has provided guarantees of the subsidiaries' ongoing contract payment expense obligations and potential payments that could be due as a result of an early termination event (as defined in the agreements). If any one of these contracts were terminated prior to its scheduled maturity date, the Company would be obligated to repay the fair value of the collateralized indebtedness less the sum of the fair values of the underlying stock and equity collar, calculated at the termination date. As of March 31, 2019, the Company did not have an early termination shortfall relating to any of these contracts.

The Company monitors the financial institutions that are counterparties to its equity derivative contracts. All of the counterparties to such transactions carry investment grade credit ratings as of March 31, 2019.

(Dollars in thousands, except share and per share amounts)

Interest Rate Swap Contracts

To manage interest rate risk, we have from time to time entered into interest rate swap contracts to adjust the proportion of total debt that is subject to variable and fixed interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to provide an economic hedge against the risk of rising rates and/or effectively convert fixed rate borrowings to variable rates to permit the Company to realize lower interest expense in a declining interest rate environment. We monitor the financial institutions that are counterparties to our interest rate swap contracts and we only enter into interest rate swap contracts with financial institutions that are rated investment grade. All such contracts are carried at their fair market values on our consolidated balance sheets, with changes in fair value reflected in the consolidated statements of operations. As of March 31, 2019, the Company did not hold and has not issued derivative instruments for trading or speculative purposes.

The following represents the location of the assets and liabilities associated with the Company's derivative instruments within the consolidated balance sheets:

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	Fair Value at March 31, 2019	Fair Value at December 31, 2018
Asset Derivatives:			
Interest rate swap contracts	Derivative contracts, current	$ —	$ 1,975
Prepaid forward contracts	Derivative contracts, long-term	—	109,344
		—	111,319
Liability Derivatives:			
Interest rate swap contracts	Other current liabilities	(754)	(70)
Prepaid forward contracts	Liabilities under derivative contracts, long-term	(67,685)	—
Interest rate swap contracts	Liabilities under derivative contracts, long-term	(155,369)	(132,908)
		$ (223,808)	$ (132,978)

The gain (loss) from the Company's derivative contracts related to the Comcast common stock for the three months ended March 31, 2019 and 2018 of $(177,029) and $168,352, respectively, is reflected in gain (loss) on derivative contracts, net in the Company's consolidated statements of operations.

For the three months ended March 31, 2019 and 2018 the Company recorded a gain (loss) on investments of $254,725 and $(252,576), respectively, representing the net increase (decrease) in the fair value of the Comcast common stock pledged as collateral.

For the three months ended March 31, 2019 and 2018 the Company recorded a loss on interest rate swap contracts of $23,672 and $31,922, respectively.

NOTE 12. FAIR VALUE MEASUREMENT

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level I - Quoted prices for identical instruments in active markets.
- Level II - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III - Instruments whose significant value drivers are unobservable.

The following table presents for each of these hierarchy levels, the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis:

(Dollars in thousands, except share and per share amounts)

	Fair Value Hierarchy	March 31, 2019	December 31, 2018
Assets:			
Money market funds	Level I	$ 32,004	$ 91,852
Investment securities pledged as collateral	Level I	1,717,350	1,462,626
Prepaid forward contracts	Level II	—	109,344
Interest rate swap contracts	Level II	—	1,975
Liabilities:			
Prepaid forward contracts	Level II	67,685	—
Interest rate swap contracts	Level II	156,123	132,978
Contingent consideration related to 2017 and 2018 acquisitions	Level III	5,139	6,195

The Company's cash equivalents, investment securities and investment securities pledged as collateral are classified within Level I of the fair value hierarchy because they are valued using quoted market prices.

The Company's derivative contracts and liabilities under derivative contracts on the Company's consolidated balance sheets are valued using market-based inputs to valuation models. These valuation models require a variety of inputs, including contractual terms, market prices, yield curves, and measures of volatility. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit risk considerations. Such adjustments are generally based on available market evidence. Since model inputs can generally be verified and do not involve significant management judgment, the Company has concluded that these instruments should be classified within Level II of the fair value hierarchy.

The fair value of the contingent consideration as ofMarch 31, 2019 is equal to the contractual obligation expected to be paid based on a probability assessment of attaining the targets as of such date. The maximum amount that could be paid if all targets are achieved is approximately $11,000.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate:

Credit Facility Debt, Collateralized Indebtedness, Senior Notes and Debentures, Senior Guaranteed Notes, and Notes Payable

The fair values of each of the Company's debt instruments are based on quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments of the same remaining maturities. The fair value of notes payable is based primarily on the present value of the remaining payments discounted at the borrowing cost.

The carrying values, estimated fair values, and classification under the fair value hierarchy of the Company's financial instruments, excluding those that are carried at fair value in the accompanying consolidated balance sheets, are summarized as follows:

		March 31, 2019		December 31, 2018	
	Fair Value Hierarchy	Carrying Amount (a)	Estimated Fair Value	Carrying Amount (a)	Estimated Fair Value
CSC Holdings debt instruments:					
Credit facility debt	Level II	$ 6,945,301	$ 7,011,250	$ 5,915,559	$ 5,972,500
Collateralized indebtedness	Level II	1,411,869	1,392,790	1,406,182	1,374,203
Senior guaranteed notes	Level II	7,596,446	7,925,722	5,847,758	5,646,468
Senior notes and debentures	Level II	6,120,069	6,811,420	8,416,610	8,972,722
Notes payable	Level II	61,131	61,091	106,108	105,836
Cablevision debt instruments:					
Senior notes and debentures	Level II	1,099,681	1,216,269	1,095,193	1,163,843
		$ 23,234,497	$ 24,418,542	$ 22,787,410	$ 23,235,572

(Dollars in thousands, except share and per share amounts)

(a) Amounts are net of unamortized deferred financing costs and discounts/premiums.

The fair value estimates related to the Company's debt instruments presented above are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTE 13. INCOME TAXES

In general, the Company is required to use an estimated annual effective tax rate ("AETR") to measure the income tax expense or benefit recognized on a year to date basis in an interim period. In addition, certain items included in income tax expense as well as the tax impact of certain items included in pretax income must be treated as discrete items. The income tax expense or benefit associated with these discrete items is fully recognized in the interim period in which the items occur.

For the three months ended March 31, 2019, the Company recorded a tax benefit of $22,586 on pre-tax loss of $47,784, resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was due to revaluation of state deferred taxes primarily due to certain changes to the state tax rates used to measure the Company's deferred tax liabilities and certain non-deductible expenses.

For the three months ended March 31, 2018, the Company recorded a tax benefit of $60,703 on pre-tax loss of $189,652, resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to state taxes and non-deductible expenses.

NOTE 14. SHARE-BASED COMPENSATION

Carry Unit Plan

Certain employees of the Company and its affiliates received awards of units in a carry unit plan of Neptune Management LP, an entity which has an ownership interest in the Company. The following table summarizes activity relating to these carry units:

	Number of Time Vesting Awards	Number of Performance Based Vesting Awards	Weighted Average Grant Date Fair Value
Balance, December 31, 2018	83,575,000	10,000,000	$ 1.14
Vested	(1,750,000)	—	2.77
Forfeited	(2,687,500)	—	0.97
Balance, March 31, 2019	79,137,500	10,000,000	$ 1.11

The weighted average fair value per unit was $2.74 and $1.95 as of March 31, 2019 and December 31, 2018, respectively. For the three months ended March 31, 2019 and 2018 the Company recognized an expense of $6,473 and $17,501, respectively, related to the push down of share-based compensation related to the carry unit plan.

(Dollars in thousands, except share and per share amounts)

Stock Option Plan

The following table summarizes activity related to the Company's employee stock options:

	Shares Under Option				
	Time Vesting	Performance Based Vesting	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (a)
Balance at December 31, 2018	11,230,168	73,639	$ 17.50	9.47	$ —
Granted	745,865	—	19.49		
Forfeited	(202,173)	(16,736)	17.69		
Balance at March 31, 2019	11,773,860	56,903	17.62	9.24	45,662
Options exercisable at March 31, 2019	—	—	—	—	—

(a) The aggregate intrinsic value is calculated as the difference between the exercise price and the closing price of the Company's Class A common stock at the respective date.

The Company recognized share-based compensation expense related to employee stock options for the three months ended March 31, 2019 and 2018 of $7,317 and $4,122, respectively.

NOTE 15. AFFILIATE AND RELATED PARTY TRANSACTIONS

Equity Method Investments

In April 2018, Altice Europe transferred its ownership of i24 US and i24 Europe ('i24NEWS"), Altice Europe's 24/7 international news and current affairs channels to the Company for minimal consideration (the "i24NEWS Acquisition"). As the acquisition was a combination of businesses under common control, the Company combined the results of operations and related assets and liabilities of i24NEWS as of April 1, 2018. Operating results for periods prior to April 1, 2018 and the balance sheet as of December 31, 2017 have not been revised to reflect the combination of i24NEWS as the impact was deemed immaterial.

The Company's equity in the net losses of i24NEWS for the three months ended March 31, 2018 of $1,130 were recorded using the equity method and reflected in other expense, net in the Company's consolidated statements of operations. In April 2018, Altice Europe transferred its ownership of i24 US and I24 Europe to the Company for minimal consideration.

In April 2018, the Company redeemed a 24% interest in Newsday LLC ("Newsday"). For the three months ended March 31,2018, the Company recorded equity in the net loss of Newsday of $9,312, reflected in other expense, net in the Company's consolidated statements of operations. From July 7, 2016 through April 2018, the Company held a 25% ownership interest in Newsday and prior to July 7, 2016, Newsday was a wholly-owned subsidiary of Cablevision.

Affiliate and Related Party Transactions

Altice USA is controlled by Patrick Drahi who is also the controlling stockholder of Altice Europe and its subsidiaries.

As the transactions discussed below were conducted between entities under common control by Mr. Drahi and equity method investees, amounts charged for certain services may not have represented amounts that might have been received or incurred if the transactions were based upon arm's length negotiations.

(Dollars in thousands, except share and per share amounts)

The following table summarizes the revenue and charges related to services provided to or received from subsidiaries of Altice Europe and Newsday:

	Three Months Ended March 31,	
	2019	2018
Revenue	$ 592	$ 125
Operating expenses:		
Programming and other direct costs	$ (1,687)	$ (1,154)
Other operating expenses, net	(2,246)	(7,994)
Operating expenses, net	(3,933)	(9,148)
Net charges	$ (3,341)	$ (9,023)
Capital Expenditures	$ 3,354	$ 1,626

Revenue

The Company recognized revenue primarily from the sale of advertising to Teads.

Programming and other direct costs

Programming and other direct costs include costs incurred by the Company for the transport and termination of voice and data services provided by a subsidiary of Altice Europe.

Other operating expenses, net

Altice Europe provided certain executive services, as well as consulting, advisory and other services, including, prior to the Company's initial public offering ("IPO") in June 2017, CEO, CFO and COO services, to the Company. Compensation under the terms of the agreement was an annual fee of $30,000 to be paid by the Company. Fees associated with this agreement recorded by the Company amounted to $7,500 for the three months ended March 31,2018. This agreement was terminated upon the completion of the Distribution discussed in Note 1.

Other operating expenses also include charges for services provided by other subsidiaries of Altice Europe aggregating $2,246 and $494, for the three months ended March 31, 2019 and 2018, respectively,

Capital Expenditures

Capital expenditures for the three months ended March 31, 2019 and March 31, 2018 include $3,354 and $1,626, respectively, for equipment purchased and software development services provided by subsidiaries of Altice Europe.

(Dollars in thousands, except share and per share amounts)

Aggregate amounts that were due from and due to related parties are summarized below:

	March 31, 2019	December 31, 2018
Due from:		
CVC 3 (a)	$ —	$ 13,100
Newsday (b)	491	490
Altice Europe (b)	530	1,271
Altice Dominican Republic (b)	—	2,550
Other Altice Europe subsidiaries (b)	—	146
	$ 1,021	$ 17,557
Due to:		
Altice Europe (c)	$ —	$ 15,235
Newsday (b)	22	22
Altice Labs S.A. (d)	2,329	4,864
Other Altice Europe subsidiaries (d)	3,187	5,975
	$ 5,538	$ 26,096

(a) Represents interest on senior notes paid by the Company on behalf of Altice US Finance S.A., which merged into CVC 3 in 2018.

(b) Represents amounts paid by the Company on behalf of or for services provided to the respective related party and for Newsday, the net amounts due from the related party also include charges for certain transition services provided.

(c) Includes $13,250 related to the agreement discussed above.

(d) Represents amounts due to affiliates for the purchase of equipment and advertising services, as well as reimbursement for payments made on our behalf.

NOTE 16. COMMITMENTS AND CONTINGENCIES

Legal Matters

In the latter half of 2018, eight named plaintiffs, each on behalf of a putative class of stockholders who purchased Company common stock in the Company's IPO pursuant to the Registration Statement and Prospectus, filed complaints (seven in New York State Supreme Court, one in United States District Court for the Eastern District of New York). The lawsuits name as defendants the Company, Altice Europe, and the Company's directors, among others, and assert that all defendants violated Sections 11 and 12 of the Securities Act of 1933 (the “Securities Act”) and that the individual defendants violated Section 15 of the Securities Act as control persons. Plaintiffs claim that the Registration Statement and Prospectus misrepresented or omitted material facts relating to the negative performance of Altice France and Altice Portugal, the disclosure of which in November 2017 negatively impacted the value of Altice USA’s stock. The New York State Supreme Court lawsuits are presently being consolidated into one action. The Company intends to vigorously defend the lawsuits. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company’s results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

On November 6, 2018, Sprint Communications Company L.P (“Sprint”) filed a complaint in the U.S. District Court for the District of Delaware alleging that the Company infringes Sprint’s patents purportedly relating to Voice over Internet Protocol (“VoIP”) services. On December 3, 2018, Sprint filed a second complaint alleging that the Company infringes Sprint’s patents purportedly relating to VOD services. The lawsuits are part of a pattern of litigation that was initiated as far back as 2007 by Sprint against numerous broadband and telecommunications providers. The Company is investigating the allegations, and will vigorously defend the lawsuits. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company’s results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due, but it could be material to the Company's consolidated results of operations or cash flows for any one period.

The Company receives notices from third parties and, in some cases, is named as a defendant in certain lawsuits claiming infringement of various patents relating to various aspects of the Company's businesses. In certain of these cases other industry participants are also defendants. In certain of these cases the Company expects that any potential liability would be the responsibility of the Company's equipment vendors pursuant to applicable contractual indemnification provisions. In the event that the Company is found to infringe on any patent rights, the Company may be subject to substantial damages and/or an injunction that could require the Company or its vendors to modify certain products and services the Company offers to its subscribers, as well as enter into royalty or license agreements with respect to the patents at issue. The Company believes that the claims are without merit, but is unable to predict the outcome of these matters or reasonably estimate a range of possible loss.

In addition to the matters discussed above, the Company is party to various lawsuits, disputes and investigations, some of which may involve claims for substantial damages, fines or penalties. Although the outcome of these other matters cannot be predicted and the impact of the final resolution of these other matters on the Company's results of operations in a particular subsequent reporting period is not known, management does not believe that the resolution of these other lawsuits will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

NOTE 17. SUBSEQUENT EVENTS

In April 2019, the Company reached an agreement to acquire Cheddar, a digital-first news company, for $200,000, subject to certain closing adjustments as set forth in the merger agreement. The transaction is expected to close upon receipt of regulatory approval.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

All dollar amounts, except per customer and per share data, included in the following discussion, are presented in thousands.

The preparation of our consolidated financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and contingent liabilities. For a complete discussion of the accounting judgments and estimates that we have identified as critical in the preparation of our consolidated financial statements, please refer to our Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2018.

Overview

Our Business

We deliver broadband, video, telephony services, proprietary content and advertising services to approximately 4.9 million residential and business customers in and around the New York metropolitan area and in the south-central United States, with the majority of our customers located in the ten states of Texas, West Virginia, Louisiana, Arkansas, North Carolina, Oklahoma, Arizona, California, Missouri and Ohio. Our footprint extends across 21 states through a fiber-rich broadband network with approximately 8.8 million homes passed as of March 31, 2019.

Key Factors Impacting Operating Results and Financial Condition

Our future performance is dependent, to a large extent, on the impact of direct competition, general economic conditions (including capital and credit market conditions), our ability to manage our businesses effectively, and our relative strength and leverage in the marketplace, both with suppliers and customers. For more information see "Risk Factors" and "Business-Competition" included in our Annual Report on Form 10-K for the year ended December 31, 2018.

We derive revenue principally through monthly charges to residential customers of our video, broadband, and telephony services. We also derive revenue from DVR, VOD, pay-per-view, installation and home shopping commissions. Our residential video, broadband, and telephony services accounted for approximately 42%, 32% and 6%, respectively, of our consolidated revenue for the three months ended March 31, 2019. We also derive revenue from the sale of a wide and growing variety of products and services to both large enterprise and SMB customers, including broadband, telephony, networking and video services. For the three months ended March 31, 2019, 15% of our consolidated revenue was derived from these business services. In addition, we derive revenues from the sale of advertising time available on the programming carried on our cable television systems, digital advertising and data analytics revenue, which accounted for approximately 4% of our consolidated revenue for the three months ended March 31, 2019. Our other revenue for the three months ended March 31, 2019 accounted for less than 1% of our consolidated revenue.

Revenue is impacted by rate increases, changes in the number of customers to our services, including additional services sold to our existing customers, programming package changes by our video customers, speed tier changes by our broadband customers, and acquisitions of cable systems that result in the addition of new customers.

Our ability to increase the number of customers to our services is significantly related to our penetration rates.

We operate in a highly competitive consumer-driven industry and we compete against a variety of broadband, video and telephony providers and delivery systems, including broadband communications companies, wireless data and telephony providers, satellite-delivered video signals, Internet-delivered video content and broadcast television signals available to residential and business customers in our service areas. Our competitors include AT&T and its DirecTV subsidiary, CenturyLink, DISH, Frontier and Verizon. Consumers' selection of an alternate source of service, whether due to economic constraints, technological advances or preference, negatively impacts the demand for our services. For more information on our competitive landscape, see "Risk Factors" and "Business-Competition" included in our Annual Report on Form 10-K for the year ended December 31, 2018.

Our programming costs, which are the most significant component of our operating expenses, have increased and are expected to continue to increase primarily as a result of contractual rate increases and new channel launches. See "-Results of Operations" below for more information regarding our key factors impacting our revenues and operating expenses.

Historically, we have made substantial investments in our network and the development of new and innovative products and other service offerings for our customers as a way of differentiating ourselves from our competitors and may continue to do so in the future. We are constructing a FTTH network, which will enable us to deliver more than 10 Gbps broadband speeds across our entire Optimum footprint and part of our Suddenlink footprint. In addition, in the summer of 2019 we will begin offering full service mobile voice and data services to our customers. We may incur greater than anticipated capital expenditures in connection with these initiatives, fail to realize anticipated benefits, experience delays and business disruptions or encounter other challenges to executing them as planned. See “-Liquidity and Capital Resources-Capital Expenditures” for additional information regarding our capital expenditures.

Non-GAAP Financial Measures

We define Adjusted EBITDA, which is a non-GAAP financial measure, as net income (loss) excluding income taxes, income (loss) from discontinued operations, non-operating income or expenses, loss on extinguishment of debt and write-off of deferred financing costs, gain (loss) on interest rate swap contracts, gain (loss) on derivative contracts, gain (loss) on investments and sale of affiliate interests, net, interest expense (including cash interest expense), interest income, depreciation and amortization (including impairments), share-based compensation expense or benefit, restructuring expense or credits and transaction expenses. We believe Adjusted EBITDA is an appropriate measure for evaluating the operating performance of the Company. Adjusted EBITDA and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in our industry. Internally, we use revenue and Adjusted EBITDA measures as important indicators of our business performance, and evaluate management’s effectiveness with specific reference to these indicators. We believe Adjusted EBITDA provides management and investors a useful measure for period-to-period comparisons of our core business and operating results by excluding items that are not comparable across reporting periods or that do not otherwise relate to the Company’s ongoing operating results. Adjusted EBITDA should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), and other measures of performance presented in accordance with GAAP. Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies.

Results of Operations - Altice USA

	Three Months Ended March 31,	
	2019	2018
Revenue:		
Residential:		
Video	$ 1,017,330	$ 1,033,708
Broadband	775,573	701,621
Telephony	154,464	166,038
Business services and wholesale	350,689	333,090
Advertising	93,545	87,582
Other	4,966	7,675
Total revenue	2,396,567	2,329,714
Operating expenses:		
Programming and other direct costs	812,985	787,361
Other operating expenses	564,432	583,023
Restructuring and other expense	15,244	3,587
Depreciation and amortization (including impairments)	561,428	642,705
Operating income	442,478	313,038
Other income (expense):		
Interest expense, net	(386,464)	(374,155)
Gain (loss) on investments and sale of affiliate interests, net	254,725	(248,602)
Gain (loss) on derivative contracts, net	(177,029)	168,352
Loss on interest rate swap contracts	(23,672)	(31,922)
Loss on extinguishment of debt and write-off of deferred financing costs	(157,902)	(4,705)
Other income (expense), net	80	(11,658)
Loss before income taxes	(47,784)	(189,652)
Income tax benefit	22,586	60,703
Net loss	(25,198)	(128,949)
Net loss (income) attributable to noncontrolling interests	199	(2)
Net loss attributable to Altice USA, Inc. stockholders	$ (24,999)	$ (128,951)

The following is a reconciliation of net loss to Adjusted EBITDA:

	Three Months Ended March 31,	
	2019	2018
Net loss	$ (25,198)	$ (128,949)
Income tax benefit	(22,586)	(60,703)
Other expense (income), net (a)	(80)	11,658
Loss on interest rate swap contracts	23,672	31,922
Loss (gain) on derivative contracts, net	177,029	(168,352)
Loss (gain) on investments and sales of affiliate interests, net	(254,725)	248,602
Loss on extinguishment of debt and write-off of deferred financing costs	157,902	4,705
Interest expense, net	386,464	374,155
Depreciation and amortization	561,428	642,705
Restructuring and other expense	15,244	3,587
Share-based compensation	13,790	21,623
Adjusted EBITDA	$ 1,032,940	$ 980,953

(a) Includes the non-service cost components of the Company's pension expense, net of dividends received on Comcast common stock owned by the Company.

The following table sets forth certain customer metrics for the Company (unaudited):

	As of March 31, 2019	As of December 31, 2018	As of March 31, 2018
Homes passed (a)	8,761.9	8,737.3	8,642.0
Total customer relationships (b)(c)	4,942.1	4,919.6	4,916.6
Residential	4,563.7	4,542.1	4,543.4
SMB	378.4	377.5	373.2
Residential customers:			
Video	3,297.3	3,307.5	3,375.1
Broadband	4,155.0	4,118.1	4,072.6
Telephony	2,511.1	2,531.2	2,549.7
Residential triple product customer penetration (d)	48.9%	49.5%	49.9%
Penetration of homes passed (e)	56.4%	56.3%	56.9%
ARPU(f)	$ 142.57	$ 142.44	$ 139.63

(a) Represents the estimated number of single residence homes, apartments and condominium units passed by the cable distribution network in areas serviceable without further extending the transmission lines. In addition, it includes commercial establishments that have connected to our cable distribution network. For Cequel, broadband services were not available to approximately 100 homes passed and telephony services were not available to approximately 600 homes passed.

(b) Represents number of households/businesses that receive at least one of the Company's services.

(c) Customers represent each customer account (set up and segregated by customer name and address), weighted equally and counted as one customer, regardless of size, revenue generated, or number of boxes, units, or outlets. In calculating the number of customers, we count all customers other than inactive/disconnected customers. Free accounts are included in the customer counts along with all active accounts, but they are limited to a prescribed group. Most of these accounts are also not entirely free, as they typically generate revenue through pay-per-view or other pay services and certain equipment fees. Free status is not granted to regular customers as a promotion. In counting bulk residential customers, such as an apartment building, we count each subscribing family unit within the building as one customer, but do not count the master account for the entire building as a customer. We count a bulk commercial customer, such as a hotel, as one customer, and do not count individual room units at that hotel.

(d) Represents the number of customers that subscribe to three of our services divided by total residential customer relationships.

(e) Represents the number of total customer relationships divided by homes passed.

(f) Calculated by dividing the average monthly revenue for the respective quarter (fourth quarter for annual periods) derived from the sale of broadband, video and telephony services to residential customers for the respective quarter by the average number of total residential customers for the same period.

Altice USA - Comparison of Results for the Three Months Ended March 31, 2019 compared to the Three Months Ended March 31, 2018

Video Revenue

Video revenue for the three months ended March 31, 2019 and 2018 was $1,017,330 and $1,033,708, respectively. Video revenue is derived principally through monthly charges to residential customers of our video services. Revenue is impacted by rate increases, changes in the number of customers, including additional services sold to our existing customers, and changes in programming packages.

Video revenue decreased $16,378 (2%) for the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The decrease was due primarily to a decline in video customers, partially offset by higher average revenue per video customer primarily due to rate increases.

We believe our video customer declines noted in the table above are largely attributable to competition, particularly from Verizon in our Optimum footprint and DBS providers in our Suddenlink footprint, as well as competition from companies that deliver video content over the Internet directly to customers. These factors are expected to continue to impact our ability to maintain or increase our existing customers and revenue in the future.

Broadband Revenue

Broadband revenue for the three months ended March 31, 2019 and 2018 was $775,573 and $701,621, respectively. Broadband revenue is derived principally through monthly charges to residential subscribers of our broadband services. Revenue is impacted by rate increases, changes in the number of customers, including additional services sold to our existing subscribers, and changes in speed tiers.

Broadband revenue increased $73,952 (11%) for the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increases were due primarily to higher average recurring broadband revenue per broadband customer, primarily driven by certain rate increases and service level changes, and an increase in broadband customers.

Telephony Revenue

Telephony revenue for the three months ended March 31, 2019 and 2018 was $154,464 and $166,038, respectively. Telephony revenue is derived principally through monthly charges to residential customers of our telephony services. Revenue is impacted by changes in rates for services, changes in the number of customers, and additional services sold to our existing customers.

Telephony revenue decreased $11,574 (7%) for the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The decrease is due to lower average revenue per telephony customer and a decline in telephony customers.

Business Services and Wholesale Revenue

Business services and wholesale revenue for the three months ended March 31, 2019 and 2018 was $350,689 and $333,090, respectively. Business services and wholesale revenue is derived primarily from the sale of fiber based telecommunications services to the business market, and the sale of broadband, video and telephony services to SMB customers.

Business services and wholesale revenue increased $17,599 (5%) for the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase was primarily due to higher average recurring broadband revenue per SMB customer, primarily driven by certain rate increases and service level changes, and an increase the revenue from the backhaul of carrier data.

Advertising Revenue

Advertising revenue for the three months ended March 31, 2019 and 2018, net of inter-segment revenue, was $93,545 and $87,582, respectively. Advertising revenue is primarily derived from the sale of advertising time available on the programming carried on our cable television systems, digital advertising and data analytics revenue.

Advertising revenue increased $5,963 (7%) for the three months ended March 31, 2019 compared to the three months ended March 31, 2018. The increase was primarily due to an increase in digital and linear advertising.

Other Revenue

Other revenue for the three months ended March 31, 2019 and 2018 was $4,966 and $7,675, respectively. Other revenue includes other miscellaneous revenue streams.

Programming and Other Direct Costs

Programming and other direct costs for the three months ended March 31, 2019 and 2018 amounted to $812,985 and $787,361, respectively. Programming and other direct costs include cable programming costs, which are costs paid to programmers (net of amortization of any incentives received from programmers for carriage) for cable content (including costs of VOD and pay-per-view) and are generally paid on a per-customer basis. These costs typically rise due to increases in contractual rates and new channel launches and are also impacted by changes in the number of customers receiving certain programming services. These costs also include interconnection, call completion, circuit and transport fees paid to other telecommunication companies for the transport and termination of voice and data services, which typically vary based on rate changes and the level of usage by our customers. These costs also include franchise fees which are payable to the state governments and local municipalities where we operate and are primarily based on a percentage of certain categories of revenue derived from the provision of video service over our cable systems, which vary by state and municipality. These costs change in relation to changes in such categories of revenues or rate changes.

The increase of $25,624 (3%) for the three months ended March 31, 2019, as compared to the three months ended March 31, 2018 is primarily attributable to the following:

Increase in programming costs due primarily to contractual rate increases, partially offset by lower video customers	$	29,981
Increase primarily in costs of digital media and linear advertising spots for resale		2,107
Decrease in call completion and transport costs primarily due to lower level of activity		(3,601)
Other net decreases (net of an increase in costs related to i24NEWS of $1,493)		(2,863)
	$	25,624

Programming costs

Programming costs aggregated $682,409 and $652,428 for the three months ended March 31, 2019 and 2018, respectively. Our programming costs in 2019 will continue to be impacted by changes in programming rates, which we expect to increase by high single digits, and by changes in the number of video customers.

Other Operating Expenses

Other operating expenses for the three months ended March 31, 2019 and 2018 amounted to $564,432 and $583,023, respectively. Other operating expenses include staff costs and employee benefits including salaries of company employees and related taxes, benefits and other employee related expenses, as well as third-party labor costs. Other operating expenses also include network management and field service costs, which represent costs associated with the maintenance of our broadband network, including costs of certain customer connections and other costs associated with providing and maintaining services to our customers.

Customer installation and repair and maintenance costs may fluctuate as a result of changes in the level of activities and the utilization of contractors as compared to employees. Also, customer installation costs fluctuate as the portion of our expenses that we are able to capitalize changes. Costs associated with the initial deployment of new customer premise equipment necessary to provide broadband, video and telephony services are capitalized (asset-based). The redeployment of customer premise equipment is expensed as incurred. Network repair and maintenance and utility costs also fluctuate as capitalizable network upgrade and enhancement activity changes.

Other operating expenses also include costs related to the operation and maintenance of our call center facilities that handle customer inquiries and billing and collection activities and sales and marketing costs, which include advertising production and placement costs associated with acquiring and retaining customers. These costs vary period to period and certain of these costs, such as sales and marketing, may increase with intense competition. Additionally, other operating expenses include various other administrative costs, including legal fees, and product development costs.

The decrease in other operating expenses of $18,591 (3%) for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 is attributable to the following:

Decrease in share-based compensation and long-term incentive plan awards expense	$	(7,996)
Decrease in management fee relating to certain executive, administrative and managerial services provided to the Company from Altice Europe prior to separation in June 2018		(7,500)
Decrease in marketing costs (net of an increase in costs related to i24NEWS of $431)		(5,231)
Decrease in labor costs and benefits (net of an increase in costs related to i24NEWS of $6,425) and an increase in capitalizable activity		(1,602)
Other net increases (includes an increase in costs related to i24NEWS of $3,027)		3,738
	$	(18,591)

Restructuring and Other Expense

Restructuring and other expense for the three months ended March 31, 2019 amounted to $15,244 as compared to $3,587 for the three months ended March 31, 2018. These amounts primarily relate to facility realignment costs and impairments of certain ROU assets, severance and other employee related costs resulting from headcount reductions related to initiatives which commenced in 2016 that are intended to simplify the Company's organizational structure. We currently anticipate that additional restructuring expenses will be recognized as we continue to analyze our organizational structure.

Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2019 and 2018 amounted to $561,428 and $642,705, respectively.

The decrease in depreciation and amortization of $81,277 (13%) for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 is due primarily to certain fixed assets and intangible assets becoming fully depreciated or amortized. These decreases were partially offset by depreciation of new asset additions.

Adjusted EBITDA

Adjusted EBITDA amounted to $1,032,940 and $980,953 for the three months ended March 31, 2019 and 2018, respectively.

Adjusted EBITDA is a non-GAAP measure that is defined as net income (loss) excluding income taxes, income (loss) from discontinued operations, non-operating income or expenses, loss on extinguishment of debt and write-off of deferred financing costs, gain (loss) on interest rate swap contracts, gain (loss) on derivative contracts, gain (loss) on investments and sale of affiliate interests, net, interest expense (including cash interest expense), interest income, depreciation and amortization (including impairments), share-based compensation expense or benefit, restructuring expense or credits and transaction expenses. See reconciliation of net income (loss) to adjusted EBITDA above.

The increase in adjusted EBITDA for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 was due to the increases in revenue which more than offset the increase in operating expenses (excluding depreciation and amortization, restructuring and other expense and share-based compensation), as discussed above.

Interest Expense, net

Interest expense, net was $386,464 and $374,155, for the three months ended March 31, 2019 and 2018, respectively. The increase of $12,309 for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 is attributable to the following:

Decrease due to changes in average debt balances and interest rates on our indebtedness and collateralized debt	$	(48)
Lower interest income		1,284
Other net increases, primarily amortization of deferred financing costs and original issue discounts		11,073
	$	12,309

Gain (Loss) on Investments and Sale of Affiliate Interests, net

Gain (loss) on investments, net for the three months ended March 31, 2019 and 2018, of $254,725 and $(248,602) consists primarily of the increase (decrease) in the fair value of Comcast common stock owned by the Company for the periods. The effects of these gains (losses) are partially offset by the losses (gains) on the related equity derivative contracts, net described below.

Gain (Loss) on Derivative Contracts, net

Gain (loss) on derivative contracts, net for the three months ended March 31, 2019 amounted to $(177,029) compared to $168,352 for the three months ended March 31, 2018, and includes realized and unrealized gains or losses due to the change in fair value of equity derivative contracts relating to the Comcast common stock owned by the Company. The effects of these gains (losses) are offset by losses (gains) on investment securities pledged as collateral, which are included in gain (loss) on investments, net discussed above.

Loss on Interest Rate Swap Contracts

Loss on interest rate swap contracts was $23,672 and $31,922 for the three months ended March 31, 2019 and 2018, respectively. These amounts represent primarily the decrease in fair value of interest rate swaps. These swap contracts are not designated as hedges for accounting purposes.

Loss on Extinguishment of Debt and Write-off of Deferred Financing Costs

Loss on extinguishment of debt and write-off of deferred financing costs amounted to $157,902 and $4,705 for the three months ended March 31, 2019 and 2018, respectively. The 2019 amount primarily relates to the write-off of unamortized premium and deferred financing costs, as well as the premium paid in connection with the early redemption of the $1,800,000 10.125% CSC Holdings senior notes that were due in January 2023. The 2018 amount includes the write-off of unamortized premium and deferred financing costs and the premium paid in connection with the early redemption of the $750,000 7.75% Cablevision senior notes that were due in April 2018.

Other Income (Expense), Net

Other income (loss), net amounted to $80 and $(11,658), for the three months ended March 31, 2019 and 2018, respectively. These amounts include the non-service cost components of the Company's pension expense, net of dividends received on Comcast common stock owned by the Company. The 2018 amount also includes the equity in the net losses of Newsday and i24NEWS.

Income Tax Benefit

For the three months ended March 31, 2019, the Company recorded a tax benefit of $22,586 on pre-tax loss of $47,784, resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to revaluation of state taxes primarily due to certain changes to the state tax rates used to measure the Company's deferred tax liabilities and certain non-deductible expenses.

For the three months ended March 31, 2018 the Company recorded a tax benefit of $60,703 on pre-tax loss of $189,652 resulting in an effective tax rate that was higher than the U.S. statutory tax rate. The higher tax rate was primarily due to state taxes and non-deductible expenses.

LIQUIDITY AND CAPITAL RESOURCES

Altice USA has no operations independent of its subsidiaries. Funding for our subsidiaries has generally been provided by cash flow from their respective operations, cash on hand and borrowings under their revolving credit facilities and the proceeds from the issuance of securities and borrowings under syndicated term loans in the capital markets. Our decision as to the use of cash generated from operating activities, cash on hand, borrowings under the revolving credit facility or accessing the capital markets has been based upon an ongoing review of the funding needs of the business, the optimal allocation of cash resources, the timing of cash flow generation and the cost of borrowing under the revolving credit facility, debt securities and syndicated term loans. We manage our business to a year-end leverage target of 4.5x to 5.0x. We calculate our consolidated net leverage ratio as net debt to L2QA EBITDA (Adjusted EBITDA for the two most recent consecutive fiscal quarters multiplied by 2.0).

We expect to utilize free cash flow and availability under the revolving credit facility, as well as future refinancing transactions, to further extend the maturities of, or reduce the principal on, our debt obligations. The timing and terms of any refinancing transactions will be subject to, among other factors, market conditions. Additionally, we may, from time to time, depending on market conditions and other factors, use cash on hand and the proceeds from other borrowings to repay the outstanding debt securities through open market purchases, privately negotiated purchases, tender offers, or redemptions.

We believe existing cash balances, operating cash flows and availability under our revolving credit facility will provide adequate funds to support our current operating plan, make planned capital expenditures and fulfill our debt service requirements for the next twelve months. However, our ability to fund our operations, make planned capital expenditures, make scheduled payments on our indebtedness and repay our indebtedness depends on our future operating performance and cash flows and our ability to access the capital markets, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control. However, competition, market disruptions or a deterioration in economic conditions could lead to lower demand for our products, as well as lower levels of advertising, and increased incidence of customers' inability to pay for the services we provide. These events would adversely impact our results of operations, cash flows and financial position. Although we currently believe that amounts available under the revolving credit facility will be available when, and if, needed, we can provide no assurance that access to such funds will not be impacted by adverse conditions in the financial markets or other conditions. The obligations of the financial institutions under the revolving credit facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

In the longer term, we may not be able to generate sufficient cash from operations to fund anticipated capital expenditures, meet all existing future contractual payment obligations and repay our debt at maturity. As a result, we could be dependent upon our continued access to the capital and credit markets to issue additional debt or equity or refinance existing debt obligations. We intend to raise significant amounts of funding over the next several years to fund capital expenditures, repay existing obligations and meet other obligations, and the failure to do so successfully could adversely affect our business. If we are unable to do so, we will need to take other actions including deferring capital expenditures, selling assets, seeking strategic investments from third parties or reducing or eliminating stock repurchases and discretionary uses of cash.

Debt Outstanding

The following tables summarize the carrying value of our outstanding debt, net of unamortized deferred financing costs, discounts and premiums (excluding accrued interest), as well as interest expense.

	As of March 31, 2019		
	CSC Holdings	Cablevision	Total
Debt outstanding:			
Credit facility debt	$ 6,945,301	$ —	$ 6,945,301
Senior guaranteed notes	7,596,446	—	7,596,446
Senior notes and debentures	6,120,069	1,099,681	7,219,750
Subtotal	20,661,816	1,099,681	21,761,497
Finance lease obligations	27,304	—	27,304
Notes payable	61,131	—	61,131
Subtotal	20,750,251	1,099,681	21,849,932
Collateralized indebtedness relating to stock monetizations (a)	1,411,869	—	1,411,869
Total debt	$ 22,162,120	$ 1,099,681	$ 23,261,801
Interest expense:			
Credit facility debt, senior notes, finance leases and notes payable	$ 348,710	$ 24,244	$ 372,954
Collateralized indebtedness and notes payable relating to stock monetizations (a)	15,329	—	15,329
Total interest expense	$ 364,039	$ 24,244	$ 388,283

(a) This indebtedness is collateralized by shares of Comcast common stock. We intend to settle this debt by (i) delivering shares of Comcast common stock and the related equity contracts, or (ii) delivering cash from the net proceeds on new monetization contracts.

The following table provides details of our outstanding credit facility debt, net of unamortized discounts and deferred financing costs as ofMarch 31, 2019:

	Maturity Date	Interest Rate	Principal	Carrying Value
CSC Holdings Revolving Credit Facility (a)	$350,000 on November 30, 2021, remaining balance of $2,212,500 on January 31, 2024	4.879%	$ 300,000	$ 284,969
CSC Holdings Term Loan B	July 17, 2025	4.734%	2,947,500	2,932,491
CSC Holdings Incremental Term Loan B-2	January 25, 2026	4.984%	1,488,750	1,472,554
CSC Holdings Incremental Term Loan B-3	January 15, 2026	4.734%	1,275,000	1,269,135
CSC Holdings Incremental Term Loan B-4	April 15, 2027	5.591%	1,000,000	986,152
			$ 7,011,250	$ 6,945,301

(a) At March 31, 2019, $163,014 of the revolving credit facility was restricted for certain letters of credit issued on behalf of the Company and $2,099,486 of the facility was undrawn and available, subject to covenant limitations.

Payment Obligations Related to Debt

As of March 31, 2019, total amounts payable by us in connection with our outstanding obligations, including related interest, as well as notes payable, and the value deliverable at maturity under monetization contracts, but excluding financing lease obligations (see Note 8) are as follows:

		Total
2019	$	1,083,313
2020		1,961,789
2021 (a)		5,121,655
2022		1,904,245
2023		2,318,112
Thereafter		20,527,573
Total	$	32,916,687

(a) Includes $1,459,638 related to the Company's collateralized indebtedness (including related interest). This indebtedness is collateralized by shares of Comcast common stock. We intend to settle this debt by (i) delivering shares of Comcast common stock and the related equity contracts or (ii) delivering cash from the net proceeds on new monetization contracts.

CSC Holdings Restricted Group

CSC Holdings and those of its subsidiaries which conduct our broadband, video and telephony services operations, as well as Lightpath, which provides Ethernet-based data, Internet, voice and video transport and managed services to the business market, comprise the "Restricted Group" as they are subject to the covenants and restrictions of the credit facility and indentures governing the notes and debentures issued by CSC Holdings. In addition, the Restricted Group is also subject to the covenants of the debt issued by Cablevision.

Sources of cash for the Restricted Group include primarily cash flow from the operations of the businesses in the Restricted Group, borrowings under its credit facility and issuance of securities in the capital markets, contributions from its parent, and, from time to time, distributions or loans from its subsidiaries. The Restricted Group's principal uses of cash include: capital spending, in particular, the capital requirements associated with the upgrade of its digital broadband, video and telephony services, including costs to build a FTTH network and enhancements to its service offerings such as Wi-Fi; debt service, including distributions made to Cablevision to service interest expense and principal repayments on its debt securities; other corporate expenses and changes in working capital; and investments that it may fund from time to time.

CSC Holdings Credit Facility

On October 9, 2015, Finco, which merged with and into CSC Holdings on June 21, 2016, entered into a senior secured credit facility, which provides U.S. dollar term loans currently in an aggregate principal amount of $3,000,000 ($2,932,491 outstanding at March 31, 2019) (the “CSC Term Loan Facility”, and the term loans extended under the CSC Term Loan Facility, the “CSC Term Loans”) and U.S. dollar revolving loan commitments currently in an aggregate principal amount of $2,562,500 (the “CSC Revolving Credit Facility” and, together with the CSC Term Loan Facility, the “CSC Credit Facilities”), which are governed by a credit facilities agreement entered into by, *inter alios*, CSC Holdings certain lenders party thereto and JPMorgan Chase Bank, N.A. as administrative agent and security agent (as amended, restated, supplemented or otherwise modified on June 20, 2016, June 21, 2016, July 21, 2016, September 9, 2016, December 9, 2016, March 15, 2017, January 12, 2018, October 15, 2018, January 24, 2019, and February 7, 2019, respectively, and as further amended, restated, supplemented or otherwise modified from time to time, the “CSC Credit Facilities Agreement”). The January 24, 2019 amendment increased the total size of the revolving credit facility to $2,562,500 and extended the maturity of $2,212,500 to January 2024, and reduced the interest rate to LIBOR plus 2.25%. The remaining $350,000 matures in November 2021.

In January 2018, CSC Holdings entered into a $1,500,000 incremental term loan facility (the "Incremental Term Loan B-2") under its existing credit facilities agreement. The Incremental Term Loan B-2 was priced at 99.5% and will mature on January 25, 2026. The Incremental Term Loan B-2 is comprised of eurodollar borrowings or alternate base rate borrowings, and bears interest at a rate per annum equal to the adjusted LIBOR or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 1.50% per annum and (ii) with respect to any eurodollar loan, 2.50% per annum. The Company is required to make scheduled quarterly payments equal to 0.25% (or $3,750) of the principal amount of the Incremental Term Loan B-2, beginning with the fiscal quarter ended September 30, 2018, with the remaining balance scheduled to be paid on January 25, 2026.

In November 2018, CSC Holdings entered into a $1,275,000 7-year incremental term loan maturing January 2026 (the “Incremental Term Loan B-3”). The proceeds from the Incremental Term Loan B-3 were used to repay the entire principal amount of loans under Cequel’s then existing Term Loan Facility and certain transaction costs. The Incremental Term Loan B-3 has a margin of 2.25% over LIBOR and was issued with an original issue discount of 25 basis points. The Company is required to make scheduled quarterly payments equal to 0.25% (or $3,188) of the principal amount of the Incremental Term Loan B-3, beginning with the fiscal quarter ended June 30, 2019, with the remaining balance scheduled to be paid on January 15, 2026.

In February 2019, CSC Holdings entered into a $1,000,000 senior secured Term Loan B ("Incremental Term Loan B-4") maturing on April 15, 2027, the proceeds of which were used to redeem $894,700 in aggregate principal amount of CSC Holdings’ 10.125% senior notes due 2023, representing the entire aggregate principal amount outstanding, and paying related fees, costs and expenses. The Incremental Term Loan B-4 bears interest at a rate per annum equal to LIBOR plus 3.0% and was issued with an original issue discount of 1.0%. The Company is required to make scheduled quarterly payments equal to 0.25% (or $2,500) of the principal amount of the Incremental Term Loan B-4, beginning with the fiscal quarter ended September 30, 2019, with the remaining balance scheduled to be paid on April 15, 2027.

During the three months ended March 31, 2019, CSC Holdings borrowed $400,000 under its revolving credit facility and repaid $350,000 of amounts outstanding under the revolving credit facility, a portion of which was funded from the proceeds of the issuance of an additional $250,000 principal amount of CSC Holdings 2029 Guaranteed Notes.

In April 2019, CSC Holdings borrowed $150,000 and repaid $100,000 under its revolving credit facility.

The Company was in compliance with all of its financial covenants under the CSC Credit Facilities Agreement as ofMarch 31, 2019.

See Note 10 to our consolidated financial statements for further information regarding the CSC Credit Facilities Agreement.

Senior Guaranteed Notes and Senior Notes

In January 2019, CSC Holdings issued $1,500,000 in aggregate principal amount of senior guaranteed notes due 2029 ("CSC Holdings 2029 Guaranteed Notes"). The notes bear interest at a rate of 6.5% and will mature on February 1, 2029. The net proceeds from the sale of the notes was used to repay certain indebtedness, including to repay at maturity $526,000 aggregate principal amount of CSC Holdings' 8.625% senior notes due February 2019, redeem approximately $905,300 of the aggregate outstanding amount of CSC Holdings' 10.125% senior notes due 2023 at a redemption price of 107.594% plus accrued interest, and paid fees and expenses associated with the transactions.

In February 2019, CSC Holdings issued an additional $250,000 CSC Holdings 2029 Guaranteed Notes at a price of 101.75% of the principal value. The proceeds of these notes were to repay the outstanding balance on the CSC Revolving Credit Facility.

As of March 31, 2019, the Company was in compliance with all of its financial covenants under the indentures under which our senior guaranteed notes and senior notes were issued.

See Note 10 of our consolidated financial statements for further details of the Company’s outstanding senior guaranteed notes and senior notes.

Recent Event

In April 2019, the Company reached an agreement to acquire Cheddar, a digital-first news company, for $200,000, subject to certain closing adjustments as set forth in the merger agreement. The transaction is expected to close upon receipt of regulatory approval.

Capital Expenditures

	Three Months Ended March 31,	
	2019	2018
Customer premise equipment	$ 74,937	$ 80,727
Network infrastructure	139,978	72,841
Support and other	93,777	62,842
Business services	31,694	41,205
Capital purchases (cash basis)	$ 340,386	$ 257,615
Capital purchases (including accrued not paid and financed capital)	$ 305,650	$ 216,665

Customer premise equipment includes expenditures for set-top boxes, cable modems, routers and other equipment that is placed in a customer's home, as well as installation costs for placing assets into service. Network infrastructure includes: (i) scalable infrastructure, such as headend equipment, (ii) line extensions, such as fiber/coaxial cable, amplifiers, electronic equipment, make-ready and design engineering, and (iii) upgrade and rebuild, including costs to modify or replace existing fiber/coaxial cable networks, including enhancements. Support and other capital expenditures includes costs associated with the replacement or enhancement of non-network assets, such as office equipment, buildings and vehicles. Business services capital expenditures include primarily equipment, installation, support, and other costs related to our fiber based telecommunications business.

Cash Flow Discussion

Operating Activities

Net cash provided by operating activities amounted to $503,994 for the three months ended March 31, 2019 compared to $430,952 for the three months ended March 31, 2018. The 2019 cash provided by operating activities resulted from $651,636 of income before depreciation and amortization and non-cash items, a decrease in accounts receivable of $28,278, an increase in liabilities related to interest rate swap contracts of $25,120, an increase in deferred revenue of $8,915, partially offset by a decrease in accounts payable and accrued expenses of $201,480 an increase in current and other assets of $4,452, and a net decrease in amounts due to affiliates of $4,023.

The 2018 cash provided by operating activities resulted from $595,999 of income before depreciation and amortization and non-cash items and a decrease in accounts receivable of $25,207, an increase in liabilities related to interest rate swap contracts of $31,922, and an increase in deferred revenue of $11,929, partially offset by a net decrease in accounts payable and accrued liabilities of $213,490 and an increase in other assets of $20,615.

Investing Activities

Net cash used in investing activities for the three months ended March 31, 2019 was $339,907 compared to $262,687 for the three months ended March 31, 2018. The 2019 investing activities consisted primarily of capital expenditures of $340,386, partially offset by other net cash receipts of $479.

The 2018 investing activities consisted primarily of capital expenditures of $257,615, payments for acquisitions and $5,072 in other net cash payments.

Financing Activities

Net cash used in financing activities amounted to $339,615 for the three months ended March 31, 2019, compared to net cash provided by financing activities of $929,539 for the three months ended March 31, 2018. In 2019, the Company's financing activities consisted primarily of redemption and repurchase of senior notes, including premium fees of $2,462,692, the repurchase of common stock pursuant to a share repurchase program of $586,759, repayments of credit facility debt of $361,250, repayment of notes payable of $58,500, additions to deferred financing costs of $11,678, principal payments on finance lease obligations of $1,611 and other net cash payments of $1,500, partially offset by proceeds from the issuance of senior notes of $1,754,375 and proceeds from credit facility debt of $1,390,000.

In 2018, the Company's financing activities consisted primarily of proceeds from credit facility debt of $1,642,500, proceeds from the issuance of senior notes of $1,000,000 and other net cash receipts of $6,812, partially offset by the redemption and repurchase of senior notes, including premiums and fees of $1,057,019, the repayment of credit facility debt of $610,663, contingent payment for acquisition of $28,940, additions to deferred financing costs of $19,225, principal payments on finance lease obligations of $3,067, and other cash payments of $859.

Commitments and Contingencies

As of March 31, 2019, the Company's commitments and contingencies not reflected in the Company's balance sheet decreased to approximately $8,904,000 as compared to approximately $9,460,000 at December 31, 2018. This decrease relates primarily to payments made pursuant to programming commitments and the adoption of ASC 842, partially offset by renewed multi-year programming agreements entered into during the three months ended March 31, 2019.

Common Stock Repurchase

On June 8, 2018, the Company's Board of Directors authorized the repurchase of up to $2.0 billion of Altice USA Class A common stock. Under the repurchase program, shares of Altice USA Class A common stock may be purchased from time to time in the open market and may include trading plans entered into with one or more brokerage firms in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. Size and timing of these purchases will be determined based on market conditions and other factors. Funding for the repurchase program will be met with cash on hand and/or borrowings under the Company's revolving credit facilities. During the three months ended March 31, 2019, the Company repurchased 29,255,674 shares for a total purchase price of approximately $600,000. From the inception of the repurchase program, the Company acquired 57,284,354 for a total purchase price of approximately $1,100,000. These acquired shares have been retired and the associated cost was recorded in paid-in capital in the Company's consolidated balance sheet.

Recently Issued But Not Yet Adopted Accounting Pronouncements

See Note 3 to the accompanying consolidated financial statements contained in "Part I" for a discussion of recently issued accounting standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

All dollar amounts, except per share data, included in the following discussion are presented in thousands.

Equity Price Risk

We are exposed to market risks from changes in certain equity security prices. Our exposure to changes in equity security prices stems primarily from the shares of Comcast common stock we hold. We have entered into equity derivative contracts consisting of a collateralized loan and an equity collar to hedge our equity price risk and to monetize the value of these securities. These contracts, at maturity, are expected to offset declines in the fair value of these securities below the hedge price per share while allowing us to retain upside appreciation from the hedge price per share to the relevant cap price. The contracts' actual hedge prices per share vary depending on average stock prices in effect at the time the contracts were executed. The contracts' actual cap prices vary depending on the maturity and terms of each contract, among other factors. If any one of these contracts is terminated prior to its scheduled maturity date due to the occurrence of an event specified in the contract, we would be obligated to repay the fair value of the collateralized indebtedness less the sum of the fair values of the underlying stock and equity collar, calculated at the termination date. As of March 31, 2019, we did not have an early termination shortfall relating to any of these contracts.

The underlying stock and the equity collars are carried at fair value on our consolidated balance sheet and the collateralized indebtedness is carried at its principal value, net of discounts, and the unamortized fair value adjustment for contracts that existed at the date of the Cablevision Acquisition. The fair value adjustment is being amortized over the term of the related indebtedness. The carrying value of our collateralized indebtedness amounted to $1,411,869 at March 31, 2019. At maturity, the contracts provide for the option to deliver cash or shares of Comcast common stock, with a value determined by reference to the applicable stock price at maturity.

As of March 31, 2019, the fair value and the carrying value of our holdings of Comcast common stock aggregated $1,717,350. Assuming a 10% change in price, the potential change in the fair value of these investments would be approximately $171,735. As of March 31, 2019, the net fair value and the carrying value of the equity collar component of the equity derivative contracts entered into to partially hedge the equity price risk of our holdings of Comcast common stock aggregated $67,685, a net liability position. For the three months ended March 31, 2019, we recorded a net loss of $177,029 related to our outstanding equity derivative contracts and recorded an unrealized gain of $254,725 related to the Comcast common stock that we held.

Fair Value of Equity Derivative Contracts

Fair value as of December 31, 2018, net asset position	$	109,344
Change in fair value, net		(177,029)
Fair value as of March 31, 2019, net liability position	$	(67,685)

The maturity, number of shares deliverable at the relevant maturity, hedge price per share, and the lowest and highest cap prices received for the Comcast common stock monetized via an equity derivative prepaid forward contract are summarized in the following table:

# of Shares Deliverable (a)	Maturity	Hedge Price per Share (a)	Cap Price (b) Low	Cap Price (b) High
42,955,236	2021	$29.25- $35.47	$ 43.88	$ 44.80

(a) Represents the price below which we are provided with downside protection and above which we retain upside appreciation. Also represents the price used in determining the cash proceeds payable to us at inception of the contracts.

(b) Represents the price up to which we receive the benefit of stock price appreciation.

Fair Value of Debt

At March 31, 2019, the fair value of our fixed rate debt of $17,407,292 was higher than its carrying value of $16,289,196 by $1,118,096. The fair value of these financial instruments is estimated based on reference to quoted market prices for these or comparable securities. Our floating rate borrowings bear interest in reference to current LIBOR-based market rates and thus their principal values approximate fair value. The effect of a hypothetical 100 basis point decrease in interest rates prevailing at March 31, 2019 would increase the estimated fair value of our fixed rate debt by $889,918 to $18,297,210. This estimate is based on the assumption of an immediate and parallel shift in interest rates across all maturities.

Interest Rate Risk

To manage interest rate risk, we have from time to time entered into interest rate swap contracts to adjust the proportion of total debt that is subject to variable and fixed interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to provide an economic hedge against the risk of rising rates and/or effectively convert fixed rate borrowings to variable rates to permit the Company to realize lower interest expense in a declining interest rate environment. We monitor the financial institutions that are counterparties to our interest rate swap contracts and we only enter into interest rate swap contracts with financial institutions that are rated investment grade. All such contracts are carried at their fair market values on our consolidated balance sheet, with changes in fair value reflected in the consolidated statement of operations.

The following is a summary of interest rate swap contracts outstanding atMarch 31, 2019:

Trade Date	Maturity Date	Notional Amount	Company Pays	Company Receives
May 2016	May 2026	$ 750,000	Six- month LIBOR	Fixed rate of 1.665%
June 2016	May 2026	750,000	Six- month LIBOR	Fixed rate of 1.68%
May 2018	April 2019	2,970,000	Three- month LIBOR	One- month LIBOR plus 0.226%
May 2018	April 2019	1,496,250	Three- month LIBOR	One- month LIBOR plus 0.226%
April 2018	April 2019	1,255,513	Three- month LIBOR minus 0.225%	One- month LIBOR
December 2018	January 2022	500,000	Fixed rate of 2.7177%	Three-month LIBOR
December 2018	January 2022	500,000	Fixed rate of 2.733%	Three-month LIBOR
December 2018	January 2022	500,000	Fixed rate of 2.722%	Three-month LIBOR
December 2018	December 2026	750,000	Fixed rate of 2.9155%	Three-month LIBOR
December 2018	December 2026	750,000	Fixed rate of 2.9025%	Three-month LIBOR

These swap contracts are not designated as hedges for accounting purposes. Accordingly, the changes in the fair value of these interest rate swap contracts are recorded through the statement of operations. For the three months ended March 31, 2019, the Company recorded a loss on interest rate swap contracts of$23,672.

As of March 31, 2019, our outstanding interest rate swap contracts in a liability position had an aggregate fair value and carrying value of $155,369 reflected in "Liabilities under derivative contracts, long-term" and $754 reflected in "Other current liabilities" on our consolidated balance sheet.

As of March 31, 2019, we did not hold and have not issued derivative instruments for trading or speculative purposes.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of Altice USA's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined under SEC rules). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of March 31, 2019.

Changes in Internal Control

During the three months ended March 31, 2019, there were no changes in the Company's internal control over financial reporting that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

In 2019, the Company plans to migrate certain Cequel customers to the Cablevision billing system platform and plans to upgrade a billing system for certain advertising customers.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Refer to Note 16 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of our legal proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Sales of Unregistered Securities

Set forth below is information related to transactions under the Company's share repurchase program for the quarter ended March 31, 2019.

	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)(2)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
January 1 - January 31	7,282,048	$ 18.27	35,310,728	$ 1,366,926,425
February 1 - February 28	4,995,475	20.88	40,306,203	1,262,617,139
March 1 - March 31	16,978,151	21.36	57,284,354	900,000,404

(1) On June 8, 2018, the Company's Board of Directors authorized the repurchase of up to $2.0 billion of Altice USA Class A common stock. Under the repurchase program, shares of Altice USA Class A common stock may be purchased from time to time in the open market. The program does not have an expiration date and may be suspended at any time at the discretion of the Board of Directors.

(2) This column reflects the cumulative number of shares acquired pursuant to the repurchase program at the end of the respective period.

Item 5. Other Information

Submission of Matters to a Vote of Security Holders

On April 30, 2019, Altice USA, Inc. held its Annual Meeting at which (i) the Class A and Class B stockholders voted together as a single class, upon the election of Patrick Drahi, Dexter Goei, Dennis Okhuijsen, Raymond Svider, Mark Mullen, Manon Brouillette, Charles Stewart, Gerrit Jan Bakker and David Drahi to Altice USA's Board of Directors ("Board") for one-year terms; and (ii) voted upon (a) the ratification of the appointment of KPMG LLP as Altice USA's independent registered public accounting firm for the 2019 fiscal year; (b) the non-binding advisory vote on executive compensation and (c) the non-binding advisory vote on frequency of the stockholder vote on executive compensation.

The Class A and Class B stockholders elected all nine director nominees on which they voted, approved the ratification of the appointment of KPMG LLP as Altice USA's independent registered public accounting firm for the 2019 fiscal year, approved, on a non-binding advisory basis, the compensation of Altice USA's named executive officers, and approved, on a non-binding advisory basis, the frequency of executive compensation votes every 3 years.

The number of votes cast for, withheld or against and the number of abstentions and broker non-votes with respect to each matter voted upon, as applicable, are set forth below. In accordance with Altice USA's Amended and Restated Certificate of Incorporation, Class A stockholders have one vote per share and Class B stockholders have twenty-five votes per share.

Proposal 1: ELECTION OF DIRECTORS

	For	Against	Abstain	Broker Non-Votes
Patrick Drahi	4,848,037,126	73,682,359	39,248	31,214,006
Dexter Goei	4,850,103,786	71,617,973	36,974	31,214,006
Dennis Okhuijsen	4,846,330,669	75,389,139	38,925	31,214,006
Raymond Svider	4,874,976,391	46,726,922	43,320	31,214,006
Mark Mullen	4,873,303,641	48,404,695	50,397	31,214,006
Manon Brouillette	4,873,292,483	48,410,130	56,120	31,214,006
Charles Stewart	4,837,619,478	84,089,610	49,645	31,214,006
Gerrit Jan Bakker	4,846,399,017	75,308,219	51,497	31,214,006
David Drahi	4,833,712,466	87,997,123	49,144	31,214,006

Proposal 2: RATIFICATION OF APPOINTMENT OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

For:	4,952,113,786
Against:	793,109
Abstain:	65,844

Proposal 3: NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

For:	4,894,570,391
Against:	27,048,015
Abstain:	140,327
Broker Non-Votes:	31,214,006

Proposal 4: **NON-BINDING ADVISORY VOTE ON FREQUENCY OF THE STOCKHOLDER VOTE ON EXECUTIVE COMPENSATION**

One year:	198,779,225
Two years:	27,110
Three years:	4,722,830,060
Abstain:	122,338
Broker Non-Votes:	31,214,006

No other matters were considered and voted on by the stockholders at the annual meeting.

Item 6. **Exhibits**

EXHIBIT NO.	DESCRIPTION
31.1	Section 302 Certification of the CEO.
31.2	Section 302 Certification of the CFO.
32	Section 906 Certifications of the CEO and CFO.
101	The following financial statements from Altice USA's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 filed with the Securities and Exchange Commission on May 2, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Loss; (iv) the Consolidated Statement of Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		ALTICE USA, INC.	
Date:	May 2, 2019		/s/ Charles Stewart
		By:	Charles Stewart as Co-President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION

I, Dexter Goei, Chief Executive Officer and Director of Altice USA, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Altice USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 2, 2019

By: /s/ Dexter Goei
Dexter Goei
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION

I, Charles Stewart, Co-President, Chief Financial Officer and Director of Altice USA, Inc., certify that:

1. I have reviewed this report on Form 10-Q of Altice USA, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 2, 2019

By: /s/ Charles Stewart

Charles Stewart

Co-President, Chief Financial Officer and Director

Exhibit 32

Certifications

Pursuant to 18 U.S.C. § 1350, each of the undersigned officers of Altice USA, Inc. ("Altice USA") hereby certifies, to such officer's knowledge, that Altice USA's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Altice USA.

Date:	May 2, 2019	By:	/s/ Dexter Goei
			Dexter Goei
			Chief Executive Officer and Director
Date:	May 2, 2019	By:	/s/ Charles Stewart
			Charles Stewart
			Co-President, Chief Financial Officer and Director