

FOCUS Telecom
Technology and Services Group
U.S. Communications
Service Provider
Quarterly

Winter 2014 Report

Vol. 3, No. 1

FOCUS

Investment Banking

Seasoned, Systematic, SuccessfulSM

Investment Banking and Advisory Services

FOCUS Investment Banking LLC is a leading investment bank with specialized telecom technology and services expertise, concentrating on providing four highly-tailored services to emerging middle market and larger organizations in this sector:

Sellside Assignments
Buyside Engagements
Capital Formation
Valuation and Fairness Options

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U.S. Communications Service Provider Quarterly

By Richard Pierce, FOCUS Managing Director and Telecom Technology and Services Team Leader

FOCUS believes that the need for communications services has never been greater. Large enterprises, small and medium sized businesses, and individuals have all come to rely upon ubiquitous access to voice, video, and data services to run their day-to-day activities. Furthermore, the importance of Communications Service Providers (CSPs) appears poised to increase further as they begin to enable a variety of new services ranging from hosted PBX and videoconferencing platforms to in-home security and energy management solutions.

Access to capital and the benefits of scale will mean that a small number of large companies will continue to dominate certain areas such as mobile wireless and video. However, FOCUS continues to see opportunities for middle market CSPs. While not as large as the industry giants, they continue to thrive by developing innovative business models that share one or more characteristics such as capital efficiency, customer responsiveness, an advanced technology platform and a focus on an underserved industry vertical or geography.

Furthermore, it often is the middle market CSPs that point the direction for the future of the industry. FOCUS is proud of its commitment to the CSP sector and we are excited about the prospects for middle market companies in this space.

The FOCUS Telecom Technology and Services group consists of four professionals with a mix of backgrounds that include both C-level operating expertise and experience at leading middle market investment banks. The FOCUS Telecom team is uniquely qualified to help middle market clients reach their strategic objectives because the group:

- Devotes significant senior level resources to executing transactions for lower middle market clients,

- Has a breadth of knowledge that covers most segments of the telecom industry,
- Has bankers with C-level operating experience in the telecom industry,
- Has a proven transaction methodology for delivering results,
- Is equally comfortable with buy side and sell side M&A,
- Leverages an experienced team of research professionals, and
- Has a national presence with coverage of both east and west coasts.

Sub Sector Definitions

Large Cap: Large, diversified communications service providers that control a significant number of former RBOC access lines and/or have a nationwide wireless operation.

Alternative Telecom: Competitive carriers that primarily provide basic voice, data and transport services to businesses and other telecom service providers.

Hosted and Managed Services: Companies that provide hosted VoIP telecom services as well as additional hosted offerings such as audio and video conferencing.

ILEC and Diversified ILEC: Non-RBOC incumbent carriers, many of which have branched out into other sectors of communications services.

Cable and Video: Incumbent cable service providers, satellite video providers, and competitive video providers whose core business is providing video services to residential customers.

Summary Comments

Public Markets

The FOCUS Communications Service Provider Index (CSPI) recovered from its losses in our Autumn report and turned in a strong gain of 9.3% for this most recent three month period. This performance was slightly behind the 9.9% gain in the S&P 500 and the 10.7% gain in the NASDAQ. All five sub sectors were in positive territory the past three months, so gains were extremely broad-based. CSPI multiples also increased during the period. The sector revenue multiple is now 2.2x, up from 2.1x in the Autumn Report and 2.0x in the year ago period. Likewise, the sector's 7.8x EBITDA multiple also is meaningfully higher than both Autumn's 7.4x multiple and last year's 6.8x multiple.

Large Cap

The Large Cap sub sector had a solid gain of 4.4% for the three month period, bringing its twelve month gain to 6.0%. The sub sector revenue multiple remained constant at 2.0x from the year ago period, while the EBITDA multiple climbed from 6.9x to 7.6x. The main growth driver for the sub sector has been Sprint, which the market has embraced in the wake of the company's transaction with Softbank. Sprint was up more than 70% for the period, and now trades at a revenue multiple that is only slightly below its peers in the sub sector. In addition, Sprint's EBITDA multiple of 12.7x gives it far and away the highest EBITDA multiple in the sub sector. This indicates investors continue to believe that Sprint has significant potential for EBITDA growth.

Alternative Telecom

While the Alternative telecom sub sector failed to achieve a third straight period as the top performing sub sector in the CSPI, its 15.8% gain for the period was still good enough for a close second. Virtual network operator Global Telecom and Technology was the best performing stock with a three month gain of 36.4%. However, fiber-based companies also did well with Cogent Communications up 25.3% and Level 3 Communications up 24.3%. Sub sector multiples now stand at 2.8x revenue and 11.1x EBITDA. This is a meaningful increase from both the previous three month period and the year ago period, and is a further indication of the confidence investors appear to have in this sub sector.

Hosted and Managed Services

The Hosted and Managed Services sub sector had a 6.6% gain for the second straight three month period. However, the top performing companies were very different in this most recent three months. Premiere Global Services, West Corporation and cBeyond were the three best performing stocks. Conversely, gains at hosted communications providers 8x8 and RingCentral, which drove sub sector increases in our last report, were relatively muted. Sub sector multiples continue to climb. The revenue multiple inched up to 2.4x from the 2.3x in our last report, while the EBITDA multiple expanded to 10.7x from 10.2x. The increases in sub sector multiples are much more dramatic when measured against the same period last year. At that time, sub sector revenue and EBITDA multiples stood at only 1.8x and 7.5x, respectively.

ILEC and Diversified ILEC

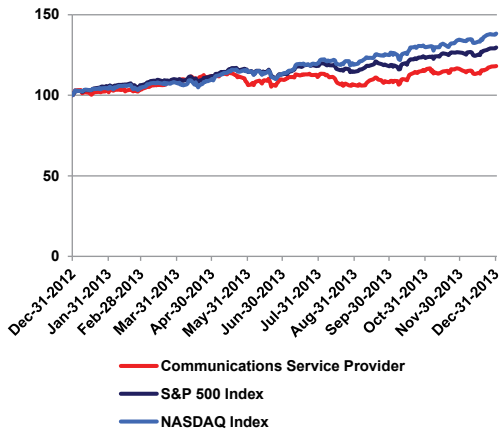
The ILEC and Diversified ILEC sub sector was the worst performing sub sector for the period, but was still able to post a gain of 2.2% in the last three months. In addition, it is now up 4.6% for the year, making this the first report in recent memory where the sub sector was actually up on a year-over-year basis. Cincinnati Bell was the best performer with a gain of 30.9% after it posted results that beat analyst expectations and raised guidance for the year. In particular, Cincinnati Bell showed strong traction in its fiber-to-the-home initiative. It also is interesting to note the strong gains at Frontier in the wake of the announcement the company would purchase AT&T's ILEC business in Connecticut. In terms of multiples, the sub sector revenue multiple of 2.0x is consistent with the multiple from the year ago period, while the sub sector EBITDA multiple increased slightly from 5.6x to 5.8x.

Cable and Video

The Cable and Video sub sector made a triumphant return to the position of top performing sub sector with a gain of 16.3% for the period. Gains continue to be broad based with all seven of the stocks in the sub sector in positive territory for the period. Not surprisingly, Time Warner Cable was up more than 20% as rumors continue to swirl about a potential acquisition of the company. The satellite television providers also fared well, with Dish Network up 28.7% and DirecTV up 15.5% over the course of the past three months. With these stock price gains, sub sector multiples now have climbed to 2.5x revenue and 8.3x EBITDA.

U.S. Communications Service Provider Sector: Public Market Summary

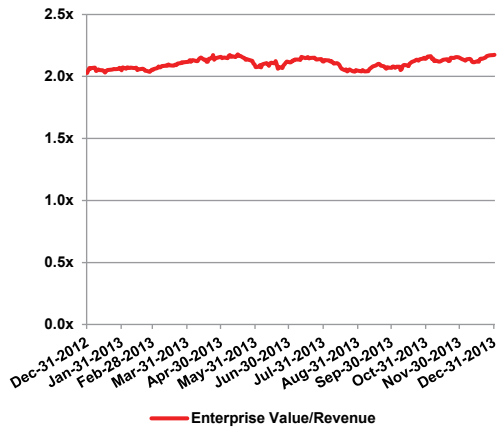
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Communications Service Provider	18.1%	9.3%
Large Cap	6.0%	4.4%
Alternative Telecom	38.7%	15.8%
Hosted and Managed Services	43.2%	6.6%
ILEC and Diversified ILEC	4.6%	2.2%
Cable and Video	41.9%	16.3%
S&P 500	29.1%	9.9%
NASDAQ	37.6%	10.7%

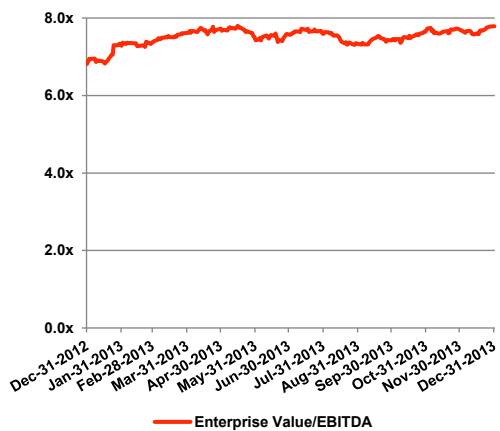
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	12/31/2013	12/31/2012
Communications Service Provider	2.2x	2.0x
Large Cap	2.0x	2.0x
Alternative Telecom	2.8x	2.2x
Hosted and Managed Services	2.4x	1.8x
ILEC and Diversified ILEC	2.0x	2.0x
Cable and Video	2.5x	2.1x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	12/31/2013	12/31/2012
Communications Service Provider	7.8x	6.8x
Large Cap	7.6x	6.9x
Alternative Telecom	11.1x	9.8x
Hosted and Managed Services	10.7x	7.5x
ILEC and Diversified ILEC	5.8x	5.6x
Cable and Video	8.3x	6.8x

Source: Capital IQ

Summary Comments

M & A

The level of M&A activity in the Communications Service Provider sector continued at a relatively brisk pace with 18 transactions in the past three months. This puts the total number of transactions for all of 2013 at 74; the second highest total in the past five years. The dollar volume of transactions for the final three months of the year was an impressive \$3.4 billion, including three deals with total valuations in excess of \$500 million. However, even with this strong close, the dollar volume of announced transactions in 2013 came in well below the levels we have seen in past years.

Alternative Telecom

M&A activity in the Alternative Telecom sub sector continued at a strong clip with nine transactions for the period. Time Warner Cable's announcement that it would purchase fiber provider DukeNet was particularly notable both because of its size (\$600 million) and the fact that it marks yet another crossover transaction between cable and telco. As usual, Zayo Group graced the period's list of acquirers, in this case acquiring Midwest fiber provider FiberLink. The remaining transactions for the period were smaller in nature and included the Contingent Network Services acquisition of IVAN's broadband aggregation business, the TX Communications acquisition of education-focused provider Trillion Networks, and the acquisition of U.S./Mexico border-focused company XC Networks by Transtelco.

Hosted and Managed Services

The Hosted and Managed Services sub sector also was active this period with four transactions. Determining the headline story for the period was a tough call. On the

one hand, there was VoIP provider Vonage's \$130 million acquisition of Vocalocity. The acquisition was strategic because it diversifies Vonage away from the residential VoIP market and gives the company a strong play in the small and medium business market. On the other hand, NTT DOCOMO's acquisition of cloud-based provider Virtela for \$525 million was an even larger deal that highlights the increasing importance of virtualized IT services to Communications Service Providers. While these two transactions were clearly the most high profile, we also noted with interest Cspire's acquisition of Callis Communications to bolster its presence in cloud-based unified communications.

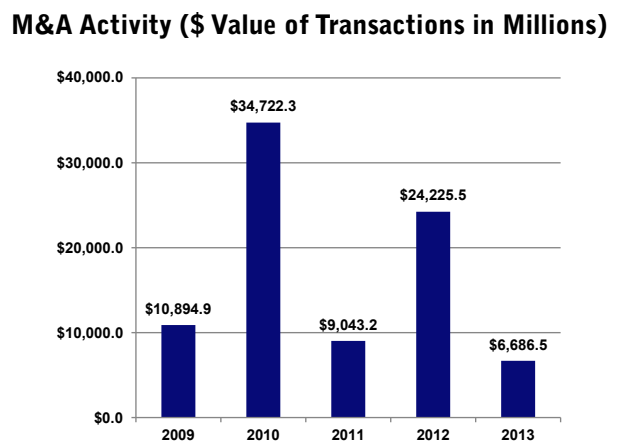
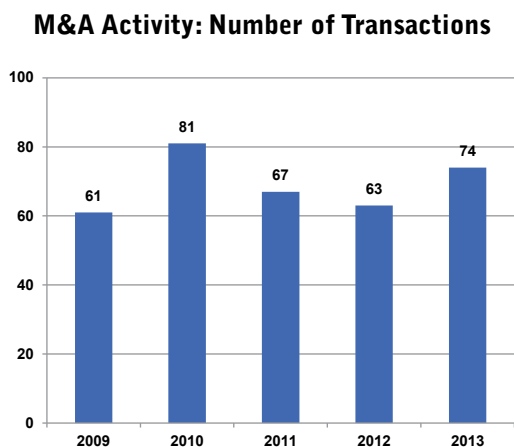
ILEC and Diversified ILEC

The ILEC and Diversified ILEC sub sector boasted the period's largest transaction, the \$2 billion purchase of AT&T's ILEC operations in Connecticut by consolidator Frontier Communications. This is Frontier's second large acquisition of divested RBOC lines and serves as an encore to its earlier purchase of nearly five million access lines from Verizon. While other ILECs have looked to move into higher growth areas like business services and data center operations, Frontier continues to acquire in its core ILEC area of expertise. The sub sector's second transaction for the period was at the other end of the size spectrum with the acquisition of neighboring ILEC Lakefield Telephone by Wisconsin-based Nsight.

Cable and Video

The three transactions in the Cable and Video sub sector all displayed very different dynamics. First, Suddenlink Communications expanded its presence in the Texas market with
continued on page 6

U.S. Communication Service Provider Sector: M&A Summary



the acquisition of systems from Northland Cable. Next, Tower Three Partners did a \$155 million take private transaction with NTS, creating another potential consolidator in the Cable and Video sub sector. Finally, struggling FTTH overbuilder Greenlight Dunnellon Communications was acquired by Florida Cable.

Transactions with Announced Multiples

The period had three transactions with announced transaction multiples. The aforementioned NTS buyout was done at 2.6x revenue and 13.8x EBITDA. This is a very hefty multiple for a private equity transaction and shows both the interest in the Cable and Video sub sector as well as

the eagerness of private equity firms to put money to work. Vonage's acquisition of Vocalocity for 2.3x revenue continues the trend of strong multiples for cloud-based PBX companies with a proprietary technology platform. Other examples of high multiple transactions in this space include M5 Networks (bought by ShoreTel) and Smoothstone Communications (bought by West Corporation). Finally, in sharp contrast to these first two transactions was the Frontier Communications acquisition of AT&T's Connecticut operations. Frontier's ability to effect this acquisition at a sub 5x EBITDA multiple points to the dim prospects for growth that investors see in the ILEC sub sector.

M&A Announced Transactions (7/1/13 – 12/31/13)

Acquiror	Target	Date Announced	Sector	Purchase Price	Description
Frontier Communications	AT&T (Wireline Operations in Connecticut)	12/17/13	Diversified ILEC	\$2,000.0	Telecommunication services that include local and intrastate toll services and network access service in Connecticut.
Cspire	Callis Communications	12/11/13	Hosted & Managed Services	NA	Cloud-based unified communication services for organizations and business markets in the Southeast United States.
NKtelco	Hardin-Net	12/2/13	Alternative Telecom	NA	Provides high speed bandwidth Internet to under-served areas in the north central area of Ohio.
Nsight	Lakefield Telephone	12/2/13	Diversified ILEC	NA	Local telephone and long distance services along with broadband Internet to residential and business customers.
Peerless Network	IntelePeer	12/2/13	Alternative Telecom	NA	On-demand, cloud-based communications services to service providers and enterprises.
TX Communications	Trillion Partners	11/26/13	Alternative Telecom	NA	Provider of fixed wireless and fiber wide area networks for school districts.
Transtelco	XC Networks	11/21/13	Alternative Telecom	NA	Telecommunications services including dark fiber, collocation, backhaul, last mile and IP-based solutions.
Contingent Network Services	IVANS	11/12/13	Alternative Telecom	NA	Communication services to the Web-based healthcare network and provider of broadband aggregation services.
Milestone Systems	Connex International	11/4/13	Hosted & Managed Services	NA	Provider of audio conferencing and Web conferencing services.
I-Evolve	Layer 8 Communications	11/1/13	Alternative Telecom	NA	Data communication services including Internet, inter-office connectivity, VoIP and carrier resale.
NTT DOCOMO	Virtela	10/28/13	Hosted & Managed Services	\$525.0	Enterprise networking and virtualized IT services using a Virtualized Overlay Network and Virtela Enterprise Services Cloud platform.
Florida Cable	Greenlight Dunnellon Communications	10/23/13	Cable and Video	\$1.0	Fiber-based broadband telecommunication services in Dunnellon, Florida.
Tower Three Partners	NTS	10/21/13	Cable and Video	\$154.8	Provides local, retail long distance, cable television and Internet data services.
Vonage	Vocalocity	10/10/13	Hosted & Managed Services	\$129.5	Cloud-based private branch exchange and voice over Internet protocol solutions for small businesses.
Time Warner Cable	DukeNet Communications	10/7/13	Alternative Telecom	\$600.0	Develops and manages a fiber optic network offering communication solutions in North Carolina, South Carolina and Georgia.
Zayo Group	FiberLink	10/7/13	Alternative Telecom	NA	Fiber optic transmission assets in Iowa, Nebraska, Colorado, Illinois, Kentucky, Tennessee, Mississippi and Louisiana.
Interlink Advertising Services	Brainstorm Internet	10/4/13	Alternative Telecom	NA	Offers high speed wireless Internet services, custom business solutions and Web hosting services.
Suddenlink Communications	Northland Communications (Cable Systems in Texas)	10/3/13	Cable and Video	NA	Cable systems serving more than 12,000 residential and nearly 300 commercial customers in Texas.

M&A Announced Transactions (7/1/13 – 12/31/13) *continued*

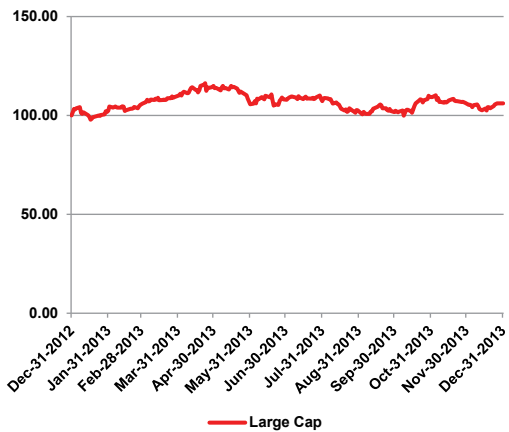
Acquiror	Target	Date Announced	Sector	Purchase Price	Description
Boingo Wireless	Advanced Wireless Group	9/19/13	Alternative Telecom	NA	Designs, installs, manages and integrates wireless Internet networks in airports and other large venues.
Phonetime	Netel	9/17/13	Alternative Telecom	\$1.9	Retail telecommunications operator offering low cost international calling.
Fusion Telecommunications	Broadvox (Cloud-Based Communications Assets)	9/13/13	Hosted & Managed Services	\$32.1	Integrated managed VoIP communication and collaboration solutions including SIP trunking, SIP origination and cloud-based services.
WaveDivision Holdings	Spectrum Networks	9/11/13	Alternative Telecom	NA	Data center to data center transport and high-bandwidth Internet connectivity solutions for businesses in the Pacific Northwest region.
Access Media 3	MDU Communications (Certain Subscribers)	9/6/13	Cable and Video	\$27.3	Digital satellite entertainment and high-speed Internet subscribers.
Cox Communications	EasyTel	9/5/13	Alternative Telecom	NA	Voice, data and video services to commercial customers in the Tulsa market over its own fiber network.
Premiere Global Services	ACT Teleconferencing	9/4/13	Hosted & Managed Services	\$44.0	Audio, Web and video collaboration solutions for enterprises.
Unknown	Alteva (USA Datanet Operations)	9/4/13	Hosted & Managed Services	\$0.6	VoIP-based voice, Internet access and broadband telephony services to residential, business and carrier customers.
Digium	VocalCloud	9/3/13	Hosted & Managed Services	NA	Cloud-based VoIP solutions for contact centers and businesses.
Wideband Networks	Greenlight Dunnellon Communications	8/30/13	Cable and Video	\$3.9	Fiber-based triple play broadband services.
COMLINK	City of Macomb Fiber Network Assets	8/27/13	Alternative Telecom	NA	Fiber network for high speed data connectivity located in Macomb, Michigan.
TNCI	Pac-West Telecomm	8/27/13	Alternative Telecom	NA	Origination, termination, managed modem, co-location and transport services as well as cloud-based telecom solutions.
Zayo Group	Access Communications	8/19/13	Alternative Telecom	\$40.0	Regional dark fiber provider that operates a metro fiber network in the Minneapolis-St. Paul area.
Wilcon	Freedom Dark Fiber Networks	8/13/13	Alternative Telecom	NA	Metro fiber network covering Los Angeles and Orange County and reaching into the Bakersfield and San Diego metro areas.
PEG Bandwidth	InLine	8/7/13	Alternative Telecom	NA	Operates an 1,100 mile fiber network in Mississippi and Alabama.
NTT DOCOMO	Arkadin	8/5/13	Hosted & Managed Services	NA	Conference-related solutions covering audio, web, video conferencing and unified communications services.
NewWave Communications	McDonald Cable	8/1/13	Cable and Video	NA	Provides cable television and broadband services to customers in Southeast Texas.
Inside Connect Cable	FirstMile Technologies	7/16/13	Cable and Video	NA	Local and long distance telephone, Internet access, cable television and security services to customers in Central Indiana.
Momentum Telecom	Twist Networks	7/8/13	Alternative Telecom	NA	Provides local and long-distance calling services as well as wireless communications services.
Frontrunner Network Systems	ICS Telecom	7/2/13	Hosted & Managed Services	NA	Voice, data, and network services in Western and Central New York including hosted PBX, VoIP phone systems and contact center.

M&A Announced Transactions with Revenue Multiples (1/1/13 – 12/31/13)

Acquiror	Target	Date Announced	Sector	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Frontier Communications	AT&T (Wireline Operations in Connecticut)	12/17/13	Diversified ILEC	\$2,000.0	1.6 x	4.8 x	Telecommunication services that include local and intrastate toll services and network access service in Connecticut.
Tower Three Partners	NTS	10/21/13	Cable and Video	\$154.8	2.6 x	13.8 x	Provides local, retail long distance, cable television and Internet data services.
Vonage	Vocalocity	10/10/13	Hosted & Managed Services	\$129.5	2.3 x	NA	Cloud-based private branch exchange and voice over Internet protocol solutions for small businesses.
Fusion Telecommunications	Broadvox (Cloud-Based Communications Assets)	9/13/13	Hosted & Managed Services	\$32.1	1.0 x	5.4 x	Cloud-based private branch exchange and voice over Internet protocol solutions for small businesses.
Unknown	Alteva (USA Datanet Operations)	9/4/13	Hosted & Managed Services	\$0.6	0.3 x	NA	VoIP-based voice, Internet access and broadband telephony services to residential, business and carrier customers.
Birch Communications	Lightyear Network Solutions	5/14/13	Alternative Telecom	\$22.0	0.3 x	55.0 x	Long distance and local phone services, Internet/ Intranet, calling cards, advanced data, conferencing and VoIP services.
iTalk	ITG	5/10/13	Alternative Telecom	\$0.3	0.2 x	NA	Provides consumer voice and data services.
York Capital	Primus Telecommunications (North American Operations)	5/10/13	Alternative Telecom	\$129.0	0.6 x	NA	International and domestic long-distance voice, local, broadband, Ethernet, hosted-VoIP and wireless services.
Global Telecom and Technology	Inteliquent (Global Data Services Business)	4/30/13	Alternative Telecom	\$54.5	0.8 x	NA	Provides IP Transit and Ethernet services.
Telephone & Data Systems	Baja Broadband	2/26/13	Cable and Video	\$267.5	3.2 x	NA	Residential and commercial video, high speed Internet, voice and data services including digital cable and DVR services.
Charter Communications	Cablevision (Optimum West Business)	2/7/13	Cable and Video	\$2,587.1	5.2 x	16.1 x	Operates cable television systems and provides broadband telecommunications services.
Intermedia	Telnetix	1/22/13	Hosted & Managed Services	\$50.7	1.6 x	13.1 x	Cloud based Internet protocol voice services company offering a range of business phone services and applications.

Sub Sector Analysis: Large Cap

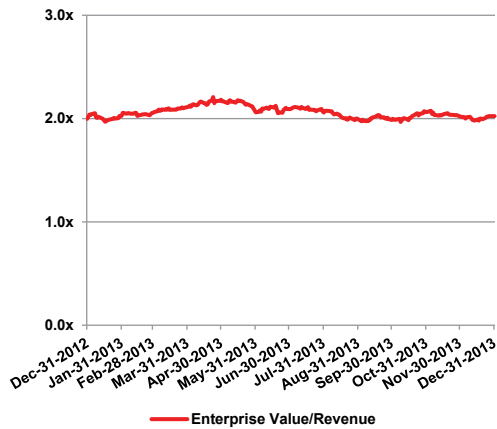
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Large Cap Index	6.0%	4.4%
AT&T	4.3%	4.0%
CenturyLink	-18.6%	1.5%
Sprint	NA	72.9%
Verizon	13.6%	5.3%

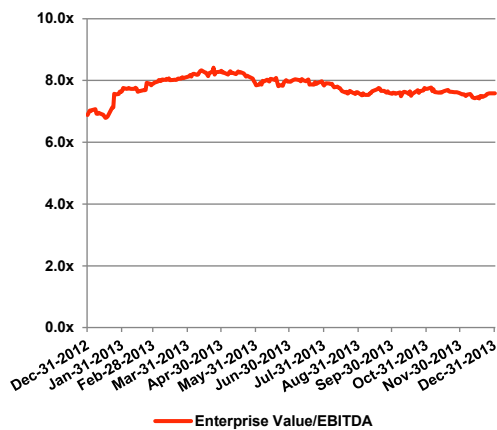
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2013	12/31/2012
Large Cap Index	2.0x	2.0x
AT&T	2.0x	2.0x
CenturyLink	2.2x	2.4x
Sprint	1.9x	NA
Verizon	2.0x	1.9x

EBITDA Multiple Trends



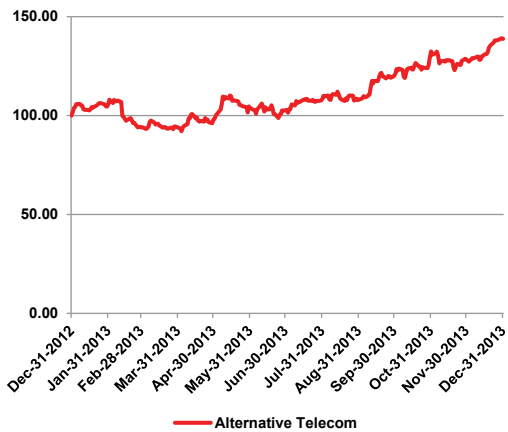
Company EBITDA Multiples

	12/31/2013	12/31/2012
Large Cap Index	7.6x	6.9x
AT&T	9.2x	8.7x
CenturyLink	5.2x	6.0x
Sprint	12.7x	NA
Verizon	7.0x	7.3x

Source: Capital IQ

Sub Sector Analysis: Alternative Telecom

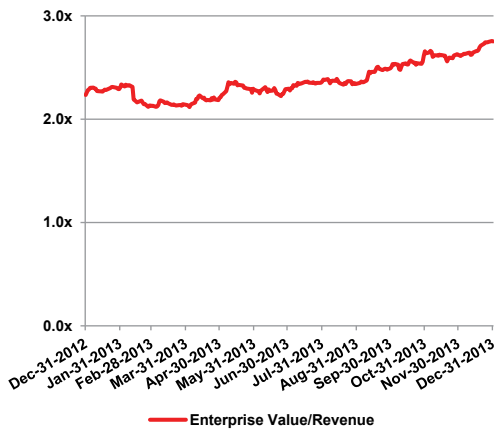
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Alternative Telecom Index	38.7%	15.8%
Boingo	-15.1%	-8.4%
Cogent Communications	78.5%	25.3%
EarthLink	-21.5%	2.4%
Global Telecom and Technology	160.7%	36.4%
Inteliquent	344.0%	18.1%
Level 3	43.5%	24.3%
Towerstream	-8.9%	3.9%
tw telecom	19.6%	2.0%

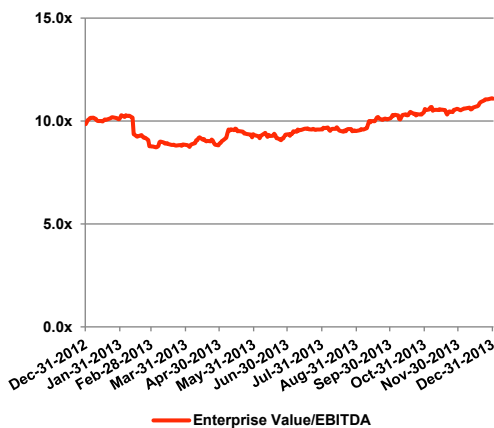
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2013	12/31/2012
Alternative Telecom Index	2.8x	2.2x
Boingo	1.4x	1.7x
Cogent Communications	6.0x	3.7x
EarthLink	0.8x	0.7x
Global Telecom and Technology	1.8x	0.9x
Inteliquent	1.2x	NM
Level 3	2.4x	2.0x
Towerstream	5.0x	4.9x
tw telecom	3.7x	3.2x

EBITDA Multiple Trends



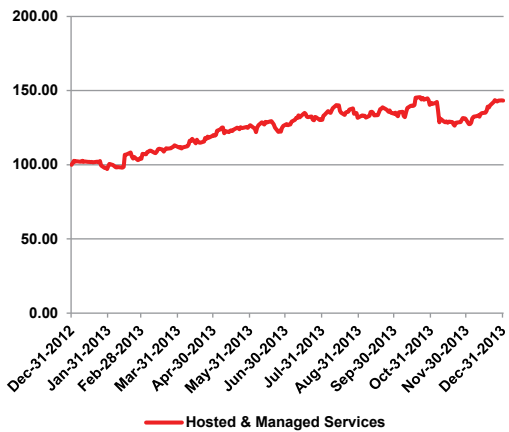
Company EBITDA Multiples

	12/31/2013	12/31/2012
Alternative Telecom Index	11.1x	9.8x
Boingo	7.1x	6.1x
Cogent Communications	19.1x	12.6x
EarthLink	4.4x	3.6x
Global Telecom and Technology	13.3x	7.2x
Inteliquent	6.9x	NM
Level 3	10.5x	9.2x
Towerstream	NM	NM
tw telecom	11.1x	9.2x

Source: Capital IQ

Sub Sector Analysis: Hosted and Managed Services

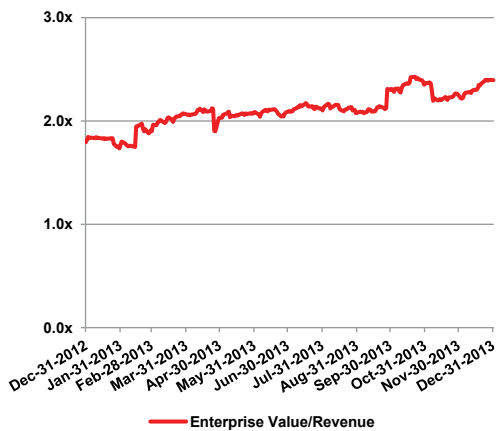
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Hosted & Managed Services Indes	43.2%	6.6%
8x8	37.5%	0.8%
Cbeyond	-23.8%	7.5%
Glowpoint	-30.7%	3.0%
j2 Global	63.4%	1.0%
Premiere Global Services	18.5%	16.4%
RingCentral	NA	1.9%
West Corporation	NA	16.0%

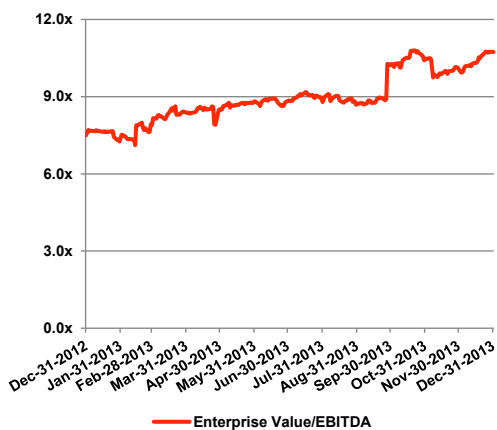
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2013	12/31/2012
Hosted & Managed Services Indes	2.4x	1.8x
8x8	6.8x	4.8x
Cbeyond	0.4x	0.5x
Glowpoint	1.6x	2.0x
j2 Global	4.6x	3.3x
Premiere Global Services	1.4x	1.2x
RingCentral	7.8x	NA
West Corporation	2.0x	NA

EBITDA Multiple Trends



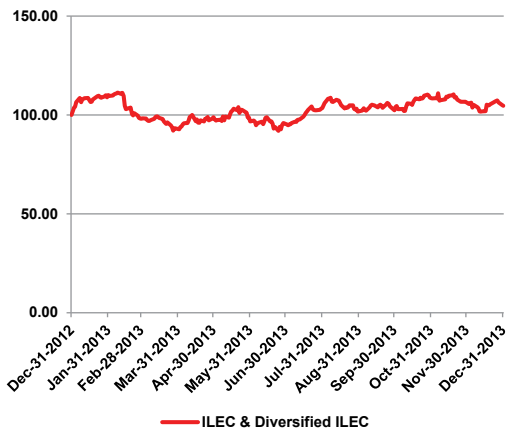
Company EBITDA Multiples

	12/31/2013	12/31/2012
Hosted & Managed Services Indes	10.7x	7.5x
8x8	53.7x	36.2x
Cbeyond	2.8x	3.0x
Glowpoint	22.5x	32.7x
j2 Global	11.0x	6.6x
Premiere Global Services	10.5x	9.1x
RingCentral	NM	NA
West Corporation	8.3x	NA

Source: Capital IQ

Sub Sector Analysis: ILEC and Diversified ILEC

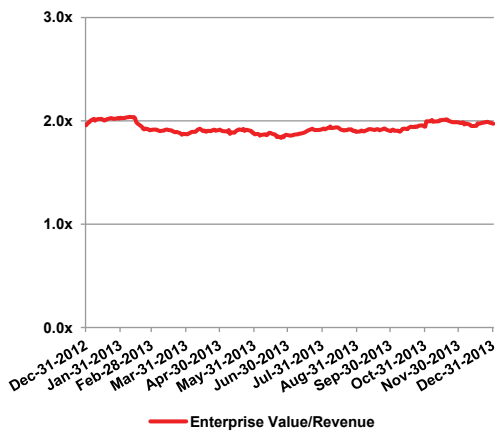
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
ILEC & Diversified ILEC Index	4.6%	2.2%
Alaska Communications Systems	9.3%	-17.5%
Alteva	-21.7%	5.1%
Consolidated Communications	23.4%	13.9%
Cincinnati Bell	-35.0%	30.9%
Frontier	8.6%	11.2%
Hickory Tech	31.9%	12.7%
Lumos Networks	109.6%	-3.1%
Telephone & Data Systems	16.4%	-12.8%
Windstream	-3.6%	-0.1%

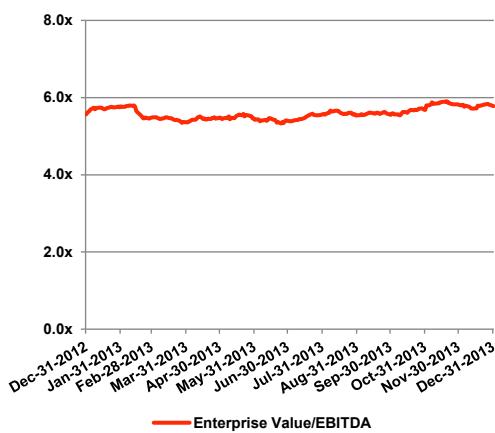
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2013	12/31/2012
ILEC & Diversified ILEC Index	2.0x	2.0x
Alaska Communications Systems	1.4x	1.7x
Alteva	2.1x	2.5x
Consolidated Communications	3.2x	3.7x
Cincinnati Bell	2.3x	2.6x
Frontier	2.5x	2.4x
Hickory Tech	1.6x	1.5x
Lumos Networks	3.8x	2.6x
Telephone & Data Systems	0.9x	0.7x
Windstream	2.3x	2.3x

EBITDA Multiple Trends



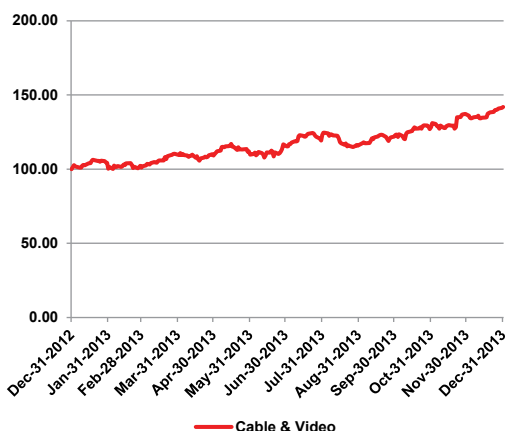
Company EBITDA Multiples

	12/31/2013	12/31/2012
ILEC & Diversified ILEC Index	5.8x	5.6x
Alaska Communications Systems	5.0x	5.7x
Alteva	NM	NM
Consolidated Communications	8.0x	9.3x
Cincinnati Bell	8.0x	7.4x
Frontier	5.5x	5.1x
Hickory Tech	6.7x	6.1x
Lumos Networks	8.8x	6.3x
Telephone & Data Systems	4.7x	3.7x
Windstream	6.1x	6.1x

Source: Capital IQ

Sub Sector Analysis: Cable and Video

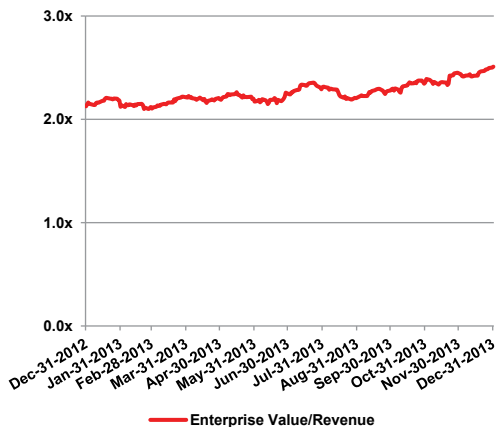
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Cable & Video Index	41.9%	16.3%
Cablevision	20.0%	6.5%
Charter Communications	79.4%	1.5%
Comcast	39.1%	15.2%
DirecTV	37.7%	15.5%
Dish Network	59.1%	28.7%
General Communication	16.3%	17.1%
Time Warner Cable	39.4%	21.4%

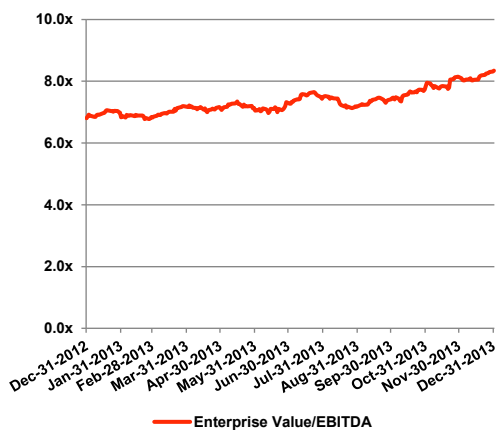
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2013	12/31/2012
Cable & Video Index	2.5x	2.1x
Cablevision	2.1x	2.2x
Charter Communications	3.6x	2.7x
Comcast	2.8x	2.3x
DirecTV	1.7x	1.5x
Dish Network	2.1x	1.4x
General Communication	2.3x	1.9x
Time Warner Cable	2.8x	2.5x

EBITDA Multiple Trends



Company EBITDA Multiples

	12/31/2013	12/31/2012
Cable & Video Index	8.3x	6.8x
Cablevision	8.1x	7.8x
Charter Communications	10.4x	7.8x
Comcast	8.4x	7.2x
DirecTV	7.0x	6.3x
Dish Network	10.6x	6.9x
General Communication	7.3x	6.1x
Time Warner Cable	8.0x	7.0x

Source: Capital IQ

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