

FOCUS

Investment Banking

Telecom Technology and Services Group

U.S. Communications Service Provider Quarterly



Investment Banking and Advisory Services

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

- Mergers & Acquisition Advisory
- Corporate Development Consulting
- Strategic Partnering & Alliances
- Capital Financing, Debt & Equity
- Corporate Valuations

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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 is often 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 two professionals with a combined 30+ years of transaction experience across a wide variety of telecommunications-related companies. 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 seasoned bankers with decades of telecom industry experience,
- 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,
- 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 & Managed Services: Companies that provide hosted VoIP telecom services as well as additional hosted offerings such as audio and video conferencing.

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

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

U.S. Summary Comments

Public Markets

The FOCUS Communications Service Provider Index (CSPI) was barely in the black for this current period with a three-month gain of 1.0%. This lagged both the 8.2% gain in the S&P 500 and the 9.5% gain in the NASDAQ over the same time frame by a wide margin. The situation is similar for the full year period as the CSPI's increase of 16.5% represents less than half of the annual gains of the S&P 500 (up 38.6%) and the NASDAQ (up 44.2%). Sector multiples are higher than at this same time last year and closed out the period at 3.1x revenue and 8.7x EBITDA. Year-ago multiples were only 2.7x revenue and 7.8x EBITDA.

Large Cap

The Large Cap sub sector was the only sub sector in the CSPI that was in negative territory this period with a loss of 4.1%. AT&T and Verizon both suffered losses, although Lumen fared a bit better with a three-month gain of 1.8%. This period's losses were also enough to pull the sub sector into negative territory for the full year with a loss of 0.6%. Even with this decline, sub sector multiples are still higher than they were a year ago. The sub sector revenue multiple increased from 2.5x to 2.7x, while the EBITDA multiple rose from 6.8x to 7.2x.

Alternative Telecom

The Alternative Telecom sub sector continued its general upward trend with a gain of 5.3% in our summer reporting period. GTT rebounded nicely from the losses in our last report to deliver a strong 32.8% return, and Cogent Communications also boasted a double-digit return. Uniti was the lone company in negative territory with a drop of 4.0%. The situation for the 12-month period is exactly reversed. Uniti is the one company in the sub sector with a positive return, while Cogent Communications and GTT suffered losses. Overall, the sub sector is down 2.0% year-over-year. Sub sector multiples are more or less unchanged from a year ago. The sub sector revenue multiple inched up from 4.6x to 4.7x, while the sub sector EBITDA multiple held steady at 10.3x.

Hosted and Managed Services

After suffering a decline in our spring reporting period, the Hosted and Managed Services sub sector roared back with a three-month gain of 9.6%. This made it the best performing sub sector in the CSPI this period. J2 Global, Twilio and Vonage all enjoyed double digit returns. Of the eight companies in the index, only two (8x8 and RingCentral) failed to deliver a positive return. The sub sector also continues to have the best year-over-year performance of all of the CSPI's sub sectors with an increase of 47.1%. Over this time frame, the sub sector revenue multiple rose from 12.0x to 15.5x. The sub sector EBITDA multiple ended the period as "not meaningful" because overall sub sector EBITDA is negative. Clearly investors are willing to overlook profitability in the sub sector for the time being and are instead focused on growth.

ILEC and Diversified ILEC

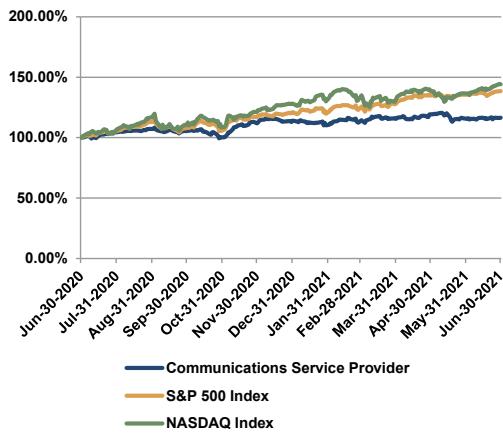
Performance in the ILEC and Diversified ILEC sub sector cooled off from our last report but was still strong enough to post a positive return of 2.4%. Three of the four companies in the index were in positive territory for the period, including a 22.1% gain at Consolidated Communications. Telephone & Data Systems was the main drag on the sub sector with a loss of 1.3%. Viewed over the past year, the sub sector is up 14.3% with every single company showing a positive return. Sub sector multiples closed out the period at 1.6x revenue (up from 1.5x a year ago) and 5.3x EBITDA (up from 5.0x a year ago).

Cable and Video

The Cable and Video sub sector was the second-best performing sub sector in the CSPI over this past three months with a gain of 6.2%. WOW lived up to its moniker as the company spiked more than 50%, but every single company in the index was in the black this period. This included double digit gains at both Charter Communications and Dish Network. The sub sector is also the CSPI's silver medalist for the full year period with a gain of 43.2%. WOW was the best performer over this time frame as well, but once again all of the companies in the index delivered nice returns. The sub sector revenue multiple jumped from 2.7x a year ago to 3.4x currently, while the EBITDA multiple went from 9.0x to 10.7x over the same time period.

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

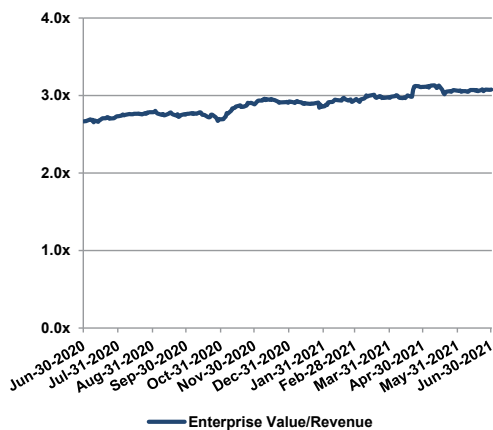
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Communications Service Provider	16.5%	1.0%
Large Cap	-0.6%	-4.1%
Alternative Telecom	-2.0%	5.3%
Hosted and Managed Services	47.1%	9.6%
ILEC and Diversified ILEC	14.3%	2.4%
Cable and Video	43.2%	6.2%
S&P 500	38.6%	8.2%
NASDAQ	44.2%	9.5%

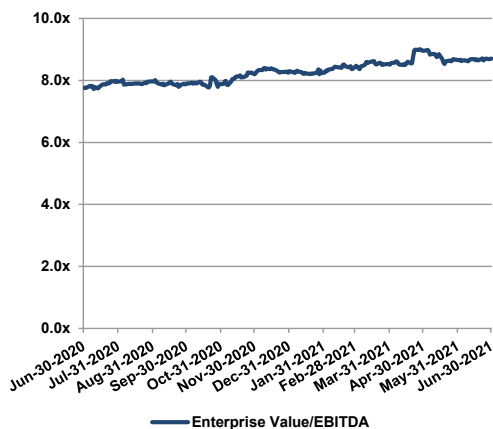
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	6/30/2021	6/30/2020
Communications Service Provider	3.1x	2.7x
Large Cap	2.7x	2.5x
Alternative Telecom	4.7x	4.6x
Hosted and Managed Services	15.5x	12.0x
ILEC and Diversified ILEC	1.6x	1.5x
Cable and Video	3.4x	2.7x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	6/30/2021	6/30/2020
Communications Service Provider	8.7x	7.8x
Large Cap	7.2x	6.8x
Alternative Telecom	10.3x	10.3x
Hosted and Managed Services	NM	214.3x
ILEC and Diversified ILEC	5.3x	5.0x
Cable and Video	10.7x	9.0x

Source: Capital IQ

U.S. Communications Service Provider Stocks: M&A Summary

M&A

M&A activity in the Communications Service Provider sector slowed down a bit compared to our spring report, but was still solid with 20 total transactions in this past three months. Announced transaction dollar volume remained low at only \$1.8 billion. The same general trend holds for year-to-date activity. Halfway through the year 2021 is on pace to be one of the more active in terms of the total number of deals. However, announced transaction dollar volume is trending below the levels that we have seen in past years.

Alternative Telecom

With 16 total transactions this period the Alternative Telecom sub sector was by far the most active sub sector in terms of M&A activity. Activity was extremely varied with a number of different types of companies attracting attention. While the value was not announced, the largest deal was almost certainly the Cox Communications purchase of the commercial and enterprise division of Segra. Cablevision also inked two acquisitions in the commercial fiber space as it acquired two fiber companies operating in the Boston area. On the opposite end of the spectrum, we noted two transactions involving master agents. These were the Telarus acquisition of Comtel VoIP and the Telecom Decision Makers acquisition of Clarus Communica-

tions. However, the most active area within the Alternative Telecom sub sector was residential broadband providers. There were four significant private equity investments in this space as KKR acquired a stake in MetroNet, GTCR acquired Point Broadband, Grain Management acquired Tachus and Bain Capital acquired Surf Broadband Solutions. As for strategic acquirers, Rural Telecommunications of America had the most active period of any acquirer in recent memory with three total transactions. All of these were focused on companies in the WISP space. In the final transaction that we will highlight, Cal.net acquired fellow wireless ISP Winters Broadband.

Hosted and Managed Services

The Hosted and Managed Services sub sector had a significant drop off in activity with only a single transaction this period. This was Thingy's acquisition of communications services and technology provider Teli.

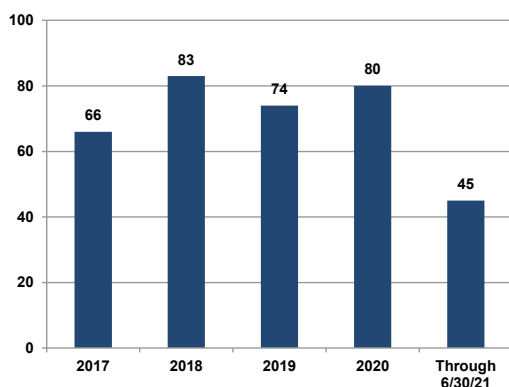
ILEC and Diversified ILEC

The ILEC and Diversified ILEC sub sector was another sub sector that had only one transaction for the period. This was the acquisition of Ontario & Trumansburg Telephone Companies by Oak Hill Capital Partners.

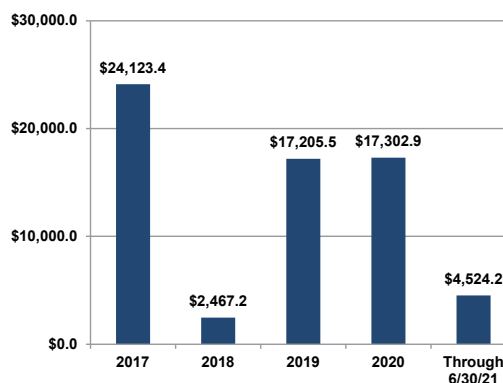
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U.S. Communication Service Provider Sector: M&A Summary

M&A Activity: Number of Transactions



M&A Activity (\$ Value of Transactions in Millions)



Cable and Video

Both of the transactions in the Cable and Video sub sector involved divestitures by WOW. The company sold operations in the Chicago area and Maryland to Astound Broadband for \$661 million, and also divested properties in Ohio to Cogeco Cable for \$1.1 billion.

Transactions with Announced Multiples

There were no transactions with announced multiples this period.

M&A Announced Transactions (4/1/21 – 6/30/21)

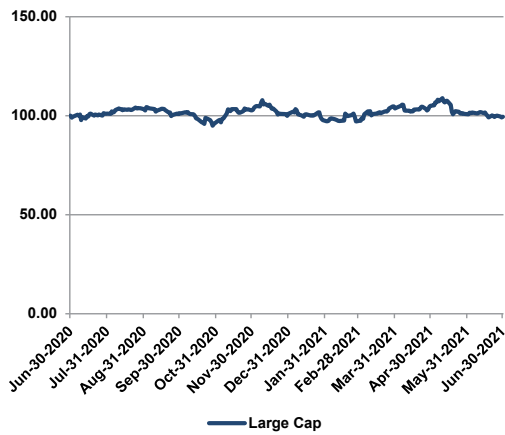
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Astound Broadband	WOW (Chicago, Evansville and Anne Arundel Service Areas)	Cable and Video	6/30/21	\$661.0	Provides broadband services to residential and business customers in Illinois, Indiana and Maryland.
Cogeco Cable	WOW (Cleveland and Columbus Services Areas)	Cable and Video	6/30/21	\$1,125.0	Provides broadband services to residential and business customers in the Cleveland, Ohio and Columbus, Ohio markets.
Telecom Decision Makers	Clarus Communications	Alternative Telecom Service Providers	6/22/21	NA	Partners with more than 45 telecom providers to design, deploy and maintain telecom solutions for business customers.
ThinQ	Teli	Hosted and Managed Telecom Services	6/18/21	NA	Communications-related SaaS with features for text messaging, voice, VoIP and fax for businesses across North America.
Cablevision	Hub Fiber (Fiber Network Assets)	Alternative Telecom Service Providers	6/16/21	NA	High-count fiber network in the greater Boston area.
Cablevision	Cambridge Network Solutions	Alternative Telecom Service Providers	6/16/21	NA	High-capacity fiber throughout downtown Boston, the Seaport District, Cambridge and surrounding areas.
Telarus	Comtel VoIP	Alternative Telecom Service Providers	6/16/21	NA	Master agency with a portfolio of more than 350 national and international suppliers of voice and data services.
Bain Capital	Surf Broadband Solutions	Alternative Telecom Service Providers	6/15/21	NA	Fiber-based, high-speed broadband services to residential, business and government customers across Indiana, Illinois and Michigan.
RealPage	Boingo (MDU Business)	Alternative Telecom Service Providers	5/27/21	\$23.8	Provider of high-speed Wi-Fi and technology solutions to the student and multifamily housing market.
Rural Telecommunications of America	TXOL INTERNET	Alternative Telecom Service Providers	5/13/21	NA	Wireless internet service provider in Eastland, Texas that provides services to residential, business and government customers.
Grain Management	Tachus	Alternative Telecom Service Providers	5/5/21	NA	High-speed broadband services through a fiber optic network that passes more than 26,000 homes in the Houston area.
Pavlov Media	Clarus	Alternative Telecom Service Providers	5/5/21	NA	Provides broadband internet services to consumers and businesses in the United States.
Rural Telecommunications of America	SCT Broadband	Alternative Telecom Service Providers	5/4/21	NA	Provides fiber-based wireless access broadband internet and phone services for rural consumers and businesses in Texas.
Rural Telecommunications of America	The Fusion Network	Alternative Telecom Service Providers	4/28/21	NA	Wholesale fiber services to wireless internet service providers and enterprises across rural America.
Cox Communications	Segra (Commercial Division)	Alternative Telecom Service Providers	4/27/21	NA	Super-regional, fiber-based provider serving commercial, enterprise and carrier customers in the Mid-Atlantic and Southeast.
KKR	MetroNet	Alternative Telecom Service Providers	4/21/21	NA	Delivers affordable broadband internet services to homes and businesses in underserved, small town America.
GTCR	Point Broadband	Alternative Telecom Service Providers	4/16/21	NA	Fiber-to-the-premise high-speed data services to residential and business customers in select markets east of the Mississippi River.
Cal.net	Winters Broadband	Alternative Telecom Service Providers	4/9/21	NA	Fixed wireless ISP in Yolo and Solano counties in California.
CBRE Caledon	WANrack	Alternative Telecom Service Providers	4/8/21	NA	Fiber operator and developer providing broadband connectivity services primarily to K-12 school districts across the United States.
Oak Hill Capital Partners	Ontario & Trumansburg Telephone Companies	Diversified ILEC	4/1/21	NA	Provides phone and internet services to more than 12,000 residential and business customers in New York.

M&A Announced Transactions with Revenue Multiples (7/1/20 – 6/30/21)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Crexendo	NetSapiens	Hosted and Managed Telecom Services	3/8/21	\$50.0	4.4 x	24.6 x	Communications, collaboration and contact center software and SaaS for service providers, government agencies and businesses.
Digital Colony Partners	Boingo Wireless	Alternative Telecom Service Providers	3/1/21	\$775.4	3.2 x	9.9 x	Indoor cellular distributed antenna systems, Wi-Fi and small cell networks services to consumers, carriers and advertisers.
Sinch	Inteliquent	Hosted and Managed Telecom Services	2/17/21	\$1,140.0	2.1 x	8.4 x	Voice communications and Ethernet transport services for telecom service providers.
Sangoma Technologies	Star2Star	Hosted and Managed Telecom Services	1/29/21	\$437.0	5.5 x	29.7 x	Cloud-based communication services for midmarket and enterprise-sized customers.
ATN International	Alaska Communications Systems	Diversified ILEC	12/24/20	\$413.6	1.7 x	5.5 x	Provides wireless and fixed-line telephone and wireless and broadband internet service for businesses and consumers in Alaska.
Morgan Stanley Infrastructure Partners	Altice USA (Lightpath Business)	Alternative Telecom Service Providers	7/28/20	\$3,200.0	NA	14.6 x	Advanced fiber, managed services, telephony services and VoIP services to the business market in the New York metropolitan area.
Oak Hill Capital Partners	Otelco	Diversified ILEC	7/27/20	\$105.3	1.7 x	4.8 x	Incumbent telco operating in Alabama, Maine, Massachusetts, Missouri, New Hampshire, Vermont and West Virginia.

Sub Sector Analysis: Large Cap

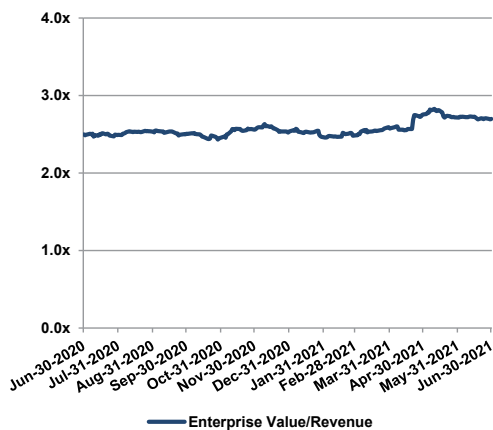
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Large Cap Index	-0.6%	-4.1%
AT&T	-4.8%	-4.9%
Lumen	35.5%	1.8%
Verizon	1.6%	-3.6%

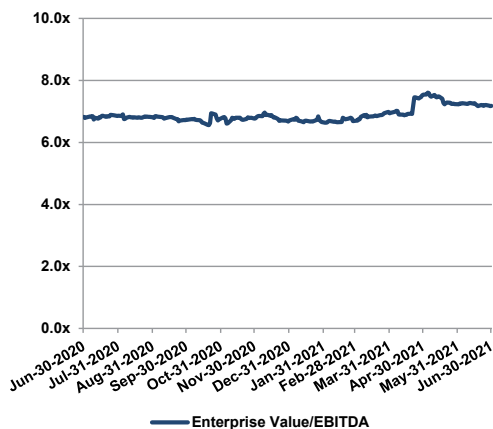
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2021	6/30/2020
Large Cap Index	2.7x	2.5x
AT&T	2.4x	2.4x
Lumen	2.3x	2.2x
Verizon	3.0x	2.8x

EBITDA Multiple Trends



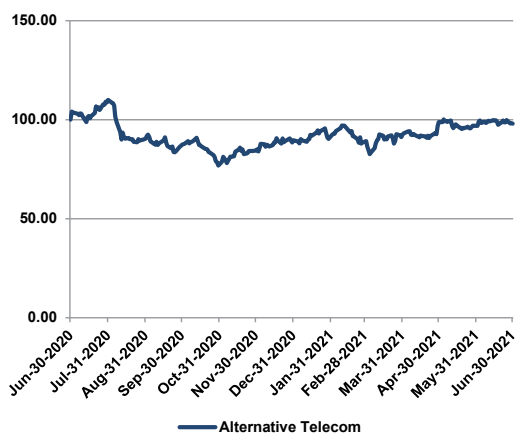
Company EBITDA Multiples

	6/30/2021	6/30/2020
Large Cap Index	7.2x	6.8x
AT&T	8.5x	7.8x
Lumen	5.5x	5.4x
Verizon	8.1x	7.6x

Source: Capital IQ

Sub Sector Analysis: Alternative Telecom

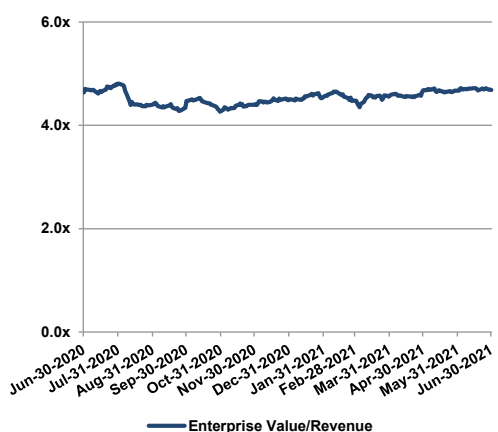
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Alternative Telecom Index	-2.0%	5.3%
Cogent Communications	-0.6%	11.8%
GTT	-70.2%	32.8%
Uniti	13.3%	-4.0%

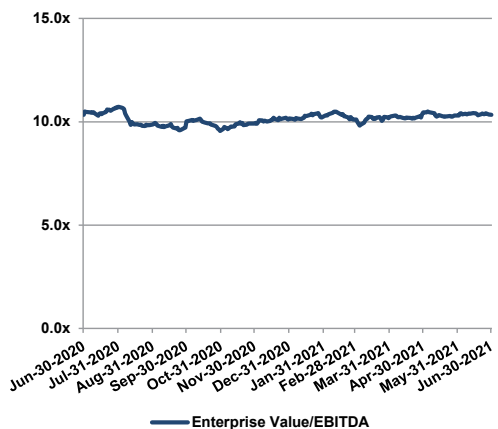
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2021	6/30/2020
Alternative Telecom Index	4.7x	4.6x
Cogent Communications	7.8x	7.7x
GTT	2.2x	2.4x
Uniti	7.0x	6.6x

EBITDA Multiple Trends



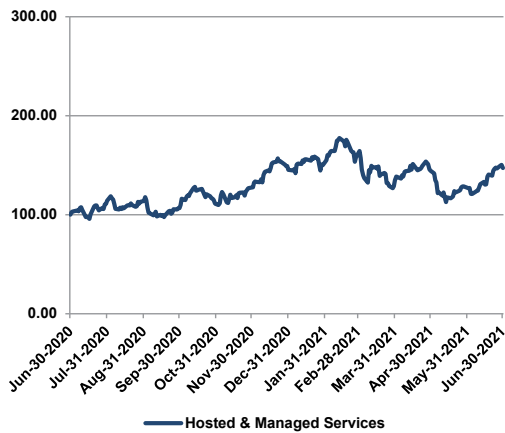
Company EBITDA Multiples

	6/30/2021	6/30/2020
Alternative Telecom Index	10.3x	10.3x
Cogent Communications	22.6x	22.6x
GTT	10.0x	10.9x
Uniti	9.9x	9.6x

Source: Capital IQ

Sub Sector Analysis: Hosted & Managed Services

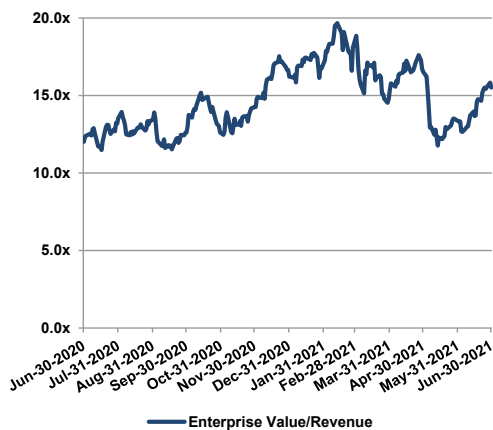
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Hosted & Managed Services Index	47.1%	9.6%
8x8	73.5%	-14.4%
American Virtual Cloud Tech.	79.8%	5.1%
Bandwidth	8.6%	8.8%
Crexendo	7.2%	5.3%
j2 Global	117.6%	14.8%
RingCentral	2.0%	-2.5%
Twilio	79.6%	15.7%
Vonage	43.2%	21.9%

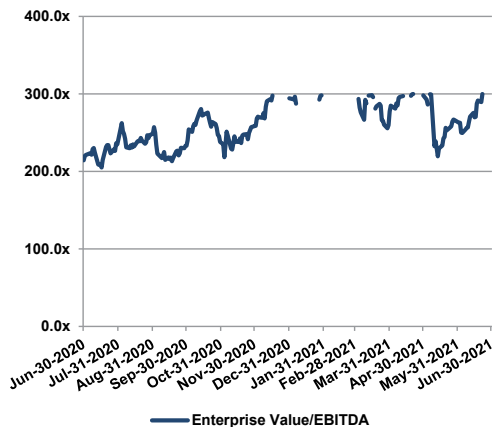
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2021	6/30/2020
Hosted & Managed Services Index	15.5x	12.0x
8x8	6.2x	4.0x
American Virtual Cloud Tech.	2.1x	3.3x
Bandwidth	9.3x	10.6x
Crexendo	6.9x	5.6x
j2 Global	4.8x	2.9x
RingCentral	21.6x	24.6x
Twilio	31.9x	21.2x
Vonage	3.4x	2.4x

EBITDA Multiple Trends



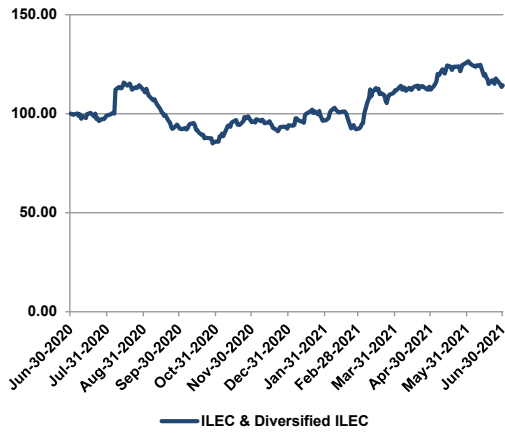
Company EBITDA Multiples

	6/30/2021	6/30/2020
Hosted & Managed Services Index	NM	214.3x
8x8	NM	NM
American Virtual Cloud Tech.	NM	NM
Bandwidth	157.4x	NM
Crexendo	100.0x	58.7x
j2 Global	12.2x	7.7x
RingCentral	NM	NM
Twilio	NM	NM
Vonage	36.6x	29.6x

Source: Capital IQ

Sub Sector Analysis: ILEC & Diversified ILEC

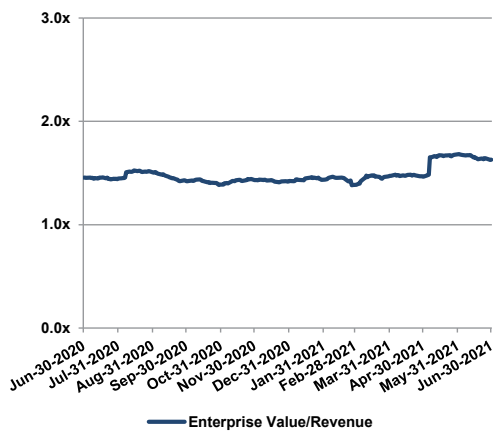
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
ILEC & Diversified ILEC Index	14.3%	2.4%
Alaska Communications Systems	19.4%	2.5%
Consolidated Communications	29.8%	22.1%
Cincinnati Bell	3.8%	0.5%
Telephone & Data Systems	14.0%	-1.3%

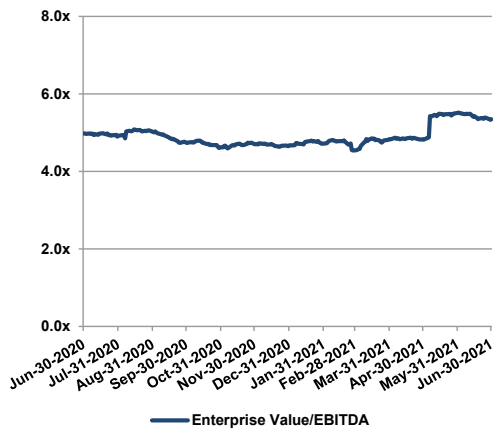
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2021	6/30/2020
ILEC & Diversified ILEC Index	1.6x	1.5x
Alaska Communications Systems	1.7x	1.4x
Consolidated Communications	1.9x	2.0x
Cincinnati Bell	1.9x	1.9x
Telephone & Data Systems	1.5x	1.1x

EBITDA Multiple Trends



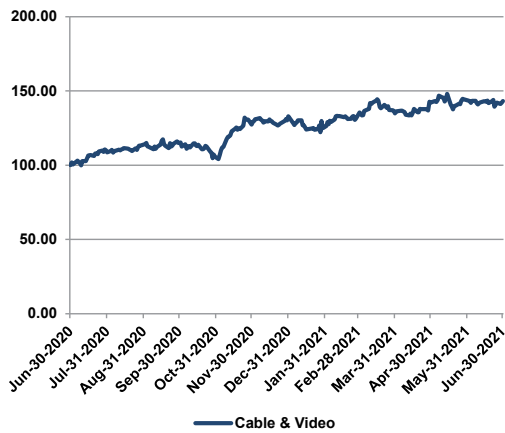
Company EBITDA Multiples

	6/30/2021	6/30/2020
ILEC & Diversified ILEC Index	5.3x	5.0x
Alaska Communications Systems	6.5x	5.2x
Consolidated Communications	5.4x	5.8x
Cincinnati Bell	7.3x	7.3x
Telephone & Data Systems	6.4x	5.0x

Source: Capital IQ

Sub Sector Analysis: Cable & Video

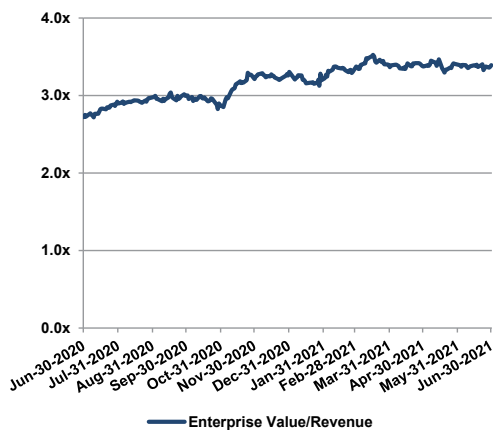
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Cable & Video Index	43.2%	6.2%
Altice	51.5%	4.9%
Cable One	7.8%	4.6%
Charter Communications	41.4%	16.9%
Comcast	46.3%	5.4%
Dish Network	21.1%	15.5%
WOW	293.0%	52.4%

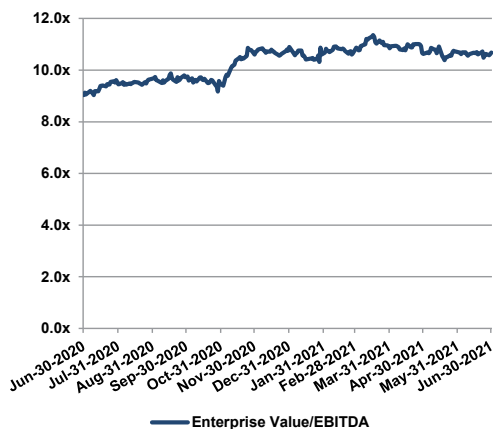
Revenue Multiple Trends



Company Revenue Multiples

	6/30/2021	6/30/2020
Cable & Video Index	3.4x	2.7x
Altice	4.3x	3.9x
Cable One	9.8x	9.9x
Charter Communications	4.7x	4.1x
Comcast	3.4x	2.7x
Dish Network	2.1x	2.3x
WOW	3.5x	2.5x

EBITDA Multiple Trends



Company EBITDA Multiples

	6/30/2021	6/30/2020
Cable & Video Index	10.7x	9.0x
Altice	9.8x	9.2x
Cable One	19.5x	20.8x
Charter Communications	12.2x	11.1x
Comcast	11.6x	8.5x
Dish Network	8.5x	10.6x
WOW	10.0x	7.3x

Source: Capital IQ

FOCUS Telecom Technology and Services Team

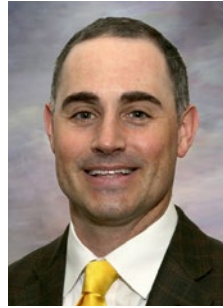


Richard H. Pierce

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Rich Pierce has 20 years of investment banking experience advising middle market clients on a variety of mergers and acquisitions and capital raising transactions. During that time, Mr. Pierce's primary emphasis has been on serving clients in the telecommunications industry including providers of network related hardware and software products, wireless and wireline telecommunications service providers and network engineering and construction companies.



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David Freeland, a FOCUS Managing Director, has more than fifteen years of experience providing investment banking and management consulting services to a variety of corporate clients, ranging from the Fortune 500 to start-up businesses. He has been an investment banker since 2003, advising clients on mergers and acquisitions and capital raising transactions. Mr. Freeland has broad experience in the telecom and technology industry and has significant experience with data center companies.

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