

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

Things went from bad to worse for the FOCUS Communications Service Provider Index (CSPI) this period as the sector plummeted 25.6%. This decline was significantly steeper than both the 5.3% decline in the S&P 500 and the 4.1% decline in the NASDAQ over the corresponding time period. The situation is also bleak for the full year period with the sector down slightly more than 45% over the past 12 months. Once again, this drastically underperformed the returns in the S&P 500 (down 16.8%) and the NASDAQ (down 26.8%). Sector multiples continued to fall, ending the period at 2.1x revenue and 6.0x EBITDA. This compares unfavorably to year-ago multiples of 2.9x revenue and 8.2x EBITDA.

Large Cap

The 26.1% drop in the Large Cap sub sector in our fall reporting period made it the worst performing sub sector in the CSPI this period. All three companies in the index suffered losses of 25% or more. The sub sector is also down 36.1% compared to this time last year. Sadly, that performance was good enough to make it the best performing sub sector in the CSPI over this time frame. Over the course of the past year, the sub sector revenue multiple dropped from 2.6x to 2.1x, while the sub sector EBITDA multiple declined from 6.9x to 5.7x.

Alternative Telecom

The Alternative Telecom sub sector had yet another difficult reporting period as it shed nearly a quarter of its value. The biggest loser for the period was Starry, which plummeted more than 60%, but Cogent Communications and Uniti also experienced double digit losses. The sub sector's decline over the past 12 months was 43.2%, with Starry once again suffering the steepest losses with a decline of more than 80%. Multiples for the sub sector also continued their downward trend. The revenue multiple dipped from 7.3x last year to 6.1x currently, while the EBITDA multiple fell from 11.8x to 10.7x over the same time period.

Hosted and Managed Services

While the Hosted and Managed Services sub sector fell 18.3% in the past three months, this was actually good enough to make it the best performing sub sector in the CSPI this period. Every single company in the sub sector was in negative territory for the period, and only one (Ziff Davis) managed to avoid a double-digit decline. The sub sector is down 77.4% year-over-year, with every company in the sub sector losing at least half of its' value. Multiple contraction has certainly played a role in this decline, with the sub sector revenue multiple plummeting from 13.3x a year ago to only 2.5x currently. The sub sector's EBITDA multiple is currently not meaningful because the sub sector as a whole has negative EBITDA.

ILEC and Diversified ILEC

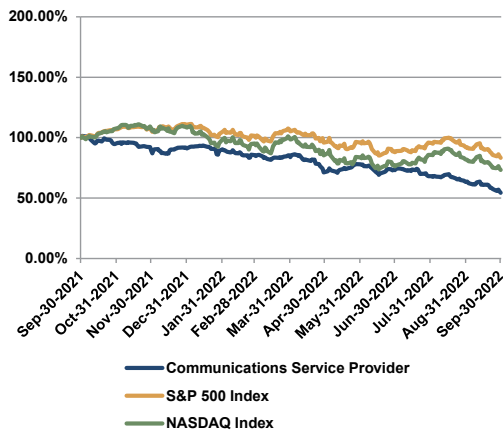
The ILEC and Diversified ILEC sub sector did not escape the general carnage in the CSPI, although with a drop of 20.8% in the past three months it actually managed to be one of the better performing sub sectors. Consolidated Communications was hit hard as its stock dropped 40.6%, but Telephone & Data Systems fared relatively well with a drop of only 12.0%. The sub sector is also down steeply for the full year with both companies in the index down sharply compared to this time last year. Interestingly, even with the sub sector trading significantly lower than it was at this time last year, multiples performed fairly well. The revenue multiple held steady at 1.6x, while the sub sector EBITDA multiple actually ticked upward from 5.0x a year ago to 5.3x currently.

Cable and Video

The Cable and Video sub sector was down 25.8% this period as every single company in the sub sector declined by 20% or more. For the full year, the sub sector is trading at exactly half of the value that it was a year ago. Sub sector multiples ended the period at 1.9x revenue (down from 3.2x a year ago) and 6.2x EBITDA (down from 9.9x a year ago).

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

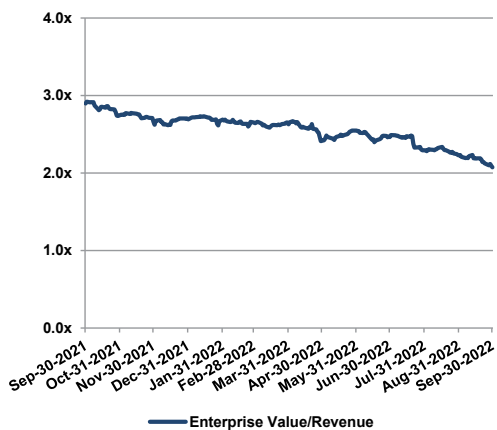
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Communications Service Provider	-45.7%	-25.6%
Large Cap	-36.1%	-26.1%
Alternative Telecom	-43.2%	-24.8%
Hosted and Managed Services	-77.4%	-18.3%
ILEC and Diversified ILEC	-36.2%	-20.8%
Cable and Video	-50.0%	-25.8%
S&P 500	-16.8%	-5.3%
NASDAQ	-26.8%	-4.1%

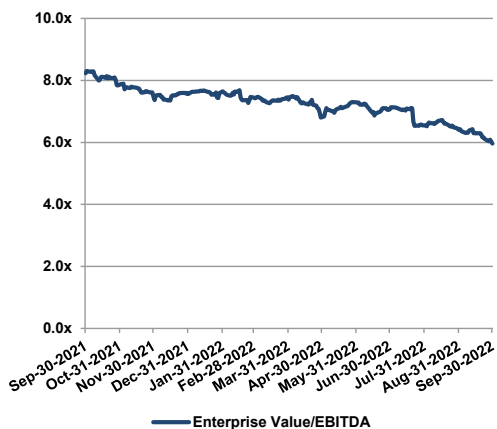
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	9/30/2022	9/30/2021
Communications Service Provider	2.1x	2.9x
Large Cap	2.1x	2.6x
Alternative Telecom	6.1x	7.3x
Hosted and Managed Services	2.5x	13.3x
ILEC and Diversified ILEC	1.6x	1.6x
Cable and Video	1.9x	3.2x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	9/30/2022	9/30/2021
Communications Service Provider	6.0x	8.2x
Large Cap	5.7x	6.9x
Alternative Telecom	10.7x	11.8x
Hosted and Managed Services	NM	NM
ILEC and Diversified ILEC	5.3x	5.0x
Cable and Video	6.2x	9.9x

Source: Capital IQ

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

M&A

Despite the turmoil in the public markets, M&A activity in the Communications Service Provider sector as measured by the total number of announced transactions remained fairly healthy with a total of 22 deals this period. However, total announced dollar volume of only \$11.5 million was at the lowest level in recent memory. Year-to-date, the 72 announced transactions are putting 2022 on pace to be a relatively strong year in terms of the number of announced transactions. However, with only \$132.4 million in total announced transaction dollar volume through the first nine months of the year, when measured by this metric M&A activity for the year is likely to be at historic lows.

Alternative Telecom

The Alternative Telecom sub sector accounted for an even higher percentage of activity than normal with 18 transactions this period. Infrastructure investors remained active in the fiber space with the acquisition of US Signal by Igneo Infrastructure Partners and the acquisition of ZenFi Networks by BAI Communications. We also saw two private equity-backed fiber operators in the Pacific Northwest announce add on acquisitions this period. These were LS Networks (acquired PocketiNet) and Northwest Fiber dba Ziplly (acquired PriorityONE Telecommunications). The rural broadband market also continued to be active for both fiber and fixed wireless service providers with acqui-

sitions by Banyan Networks, Boston Omaha Corporation, Joink and Rift Valley Communications. At the opposite end of the spectrum, the telecom master agent space also enjoyed quite a bit of activity. UPSTACK inked three acquisitions in as many months, while Telarus acquired Tel-Advocate Communications.

Hosted and Managed Services

Activity in the Hosted and Managed Services sub sector continued to decline with only two transactions this period. In the first of these, Special Purpose Acquisition Company (SPAC) Minority Equality Opportunities Acquisition acquired hosted communications provider Digerati Technologies. In the sub sector's other transaction, Ooma acquired the OnSip business from Intrado.

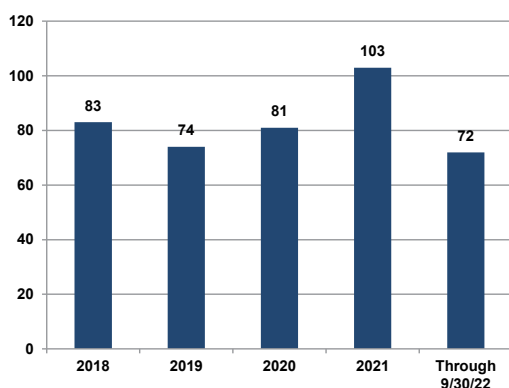
ILEC and Diversified ILEC

The ILEC and Diversified ILEC sub sector also had two transactions this period. American Broadband Communications continued to expand its footprint with the purchase of Alabama-based Moundville Communications. In addition, ATN International acquired Sacred Wind Communications, a company providing voice and data services to business and residential customers with a primary focus on serving tribal lands in New Mexico.

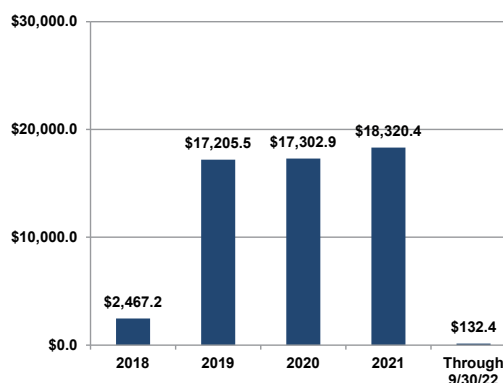
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U.S. Communication Service Provider Sector: M&A Summary

M&A Activity: Number of Transactions



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



Cable and Video

There were no announced transactions in the Cable and Video sub sector this period.

Transactions with Announced Multiples

For the second straight reporting period we had only a single transaction with an announced multiple. This was Ooma's acquisition of Intrado's OnSip business at a multiple of 1.0x revenue.

M&A Announced Transactions (7/1/22 – 9/30/22)

Acquiror	Target	Sector	Date Announced	Purchase Price	Description
LS Networks	PocketiNet Communications	Alternative Telecom Service Providers	9/29/22	NA	Internet solutions for businesses, enterprise customers and residences in Eastern Washington and Northeast Oregon.
UPSTACK	Digital Planet Communications	Alternative Telecom Service Providers	9/27/22	NA	Voice, data, cloud, mobility and IT procurement and support for business customers.
American Broadband Communications	Moundville Communications	Diversified ILEC	9/19/22	NA	Incumbent telecommunications provider serving central Alabama.
Mexedia	Tellza	Alternative Telecom Service Providers	9/16/22	NA	Voice interconnections, international and domestic voice termination services and SMS services.
UPSTACK	Stellar Connect	Alternative Telecom Service Providers	9/15/22	NA	Services including VoIP, SIP, local voice, long distance, contact center, hosted PBX, internet, colocation and ethernet.
Telarus	TelAdvocate Communications	Alternative Telecom Service Providers	9/14/22	NA	Voice, connectivity, datacenter and colocation, managed services, network deployments and IT and support services.
Igneo Infrastructure Partners	US Signal	Alternative Telecom Service Providers	9/12/22	NA	Network, data center, connectivity, cloud hosting and colocation through a 9,500 route mile fiber network in the upper Midwest.
HFA Holdings	Skye Telecom	Alternative Telecom Service Providers	9/9/22	NA	Provider of telecommunication and data transmission services.
Rift Valley Resources	Ruralink Broadband	Alternative Telecom Service Providers	9/8/22	\$1.8	Provides wireless broadband networks in rural and underserved areas of North America.
Cogent Communications	T-Mobile (Wireline Assets)	Alternative Telecom Service Providers	9/7/22	NA	Nationwide fiber optic network in the U.S. with 23k owned route miles and 16k leased route miles.
Minority Equality Opportunities Acquisition	Digerati Technologies	Hosted and Managed Telecom Services	9/6/22	NA	Specializes in Unified Communications as a Service solutions for the small to medium-sized business market.
Ooma	Intrado (OnSip Business)	Hosted and Managed Telecom Services	9/1/22	\$9.8	Phone and unified communications SaaS and hosted services to small and mid-size businesses in the U.S.
GigStream	netBlazr	Alternative Telecom Service Providers	8/30/22	NA	Residential and commercial internet provider with a ubiquitous Wi-Fi network footprint in the greater Boston area,
Banyan Networks	Pacific Wireless Communications	Alternative Telecom Service Providers	8/28/22	NA	Wireless internet service provider serving the Hawaiian island of Kauai.
UPSTACK	ChaseTek Telecom	Alternative Telecom Service Providers	8/23/22	NA	Columbus, Ohio-based telecom agency and technology consultancy.
Joink	CTI Fiber	Alternative Telecom Service Providers	8/10/22	NA	Internet service provider serving residential and commercial clients in Illinois.
Northwest Fiber	PriorityONE Telecommunications	Alternative Telecom Service Providers	8/5/22	NA	Competitive local exchange carrier serving the Oregon market.
ATN International	Sacred Wind Communications	Diversified ILEC	7/27/22	NA	Voice and fiber internet, wireline calling, hosted VOIP, ethernet and other communications services to rural customers in the U.S.
BAI Communications	ZenFi Networks	Alternative Telecom Service Providers	7/26/22	NA	Digital infrastructure solutions and small cell deployment, offload & roaming services, fiber connectivity and network edge colocation.
Circumference Group	TCWORKS	Alternative Telecom Service Providers	7/12/22	NA	Fiber and fixed wireless internet services and managed VoIP phone services for residential and commercial customers.
InfraRed Capital Partners	LiveOak Fiber	Alternative Telecom Service Providers	7/11/22	NA	Fiber network operator in Glynn County, Georgia and Okaloosa County, Florida.
Boston Omaha Corporation	Strawberry Communications	Alternative Telecom Service Providers	7/5/22	NA	Fiber and wireless internet services provider in the greater Park City, Utah area.

M&A Announced Transactions with Revenue Multiples (10/1/21 – 9/30/22)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Ooma	Intrado (OnSip Business)	Hosted and Managed Telecom Services	9/1/22	\$9.8	1.0 x	NA	Phone and unified communications SaaS and hosted services to small and mid-size businesses in the U.S.
iQSTEL	WhisI	Hosted and Managed Telecom Services	5/9/22	\$3.5	0.6 x	NA	VOIP, voice, PBX, SIP trunk, voice termination, call authentication and verification and other voice communications services.
Sangoma Technologies	NetFortris	Hosted and Managed Telecom Services	3/29/22	\$68.0	1.4 x	NA	Cloud-based managed network, cloud communications and security SaaS, managed services and hosted productivity applications.
8x8	Fuze	Hosted and Managed Telecom Services	12/1/21	\$250.0	1.9 x	NA	Unified communications SaaS for businesses that enables use of voice, video, text, presence, instant messaging and collaboration.
Ericsson	Vonage	Hosted and Managed Telecom Services	11/22/21	\$6,046.2	4.7 x	44.6 x	Business-to-business cloud communications company that enables software developers to build communications capabilities.

Sub Sector Analysis: Large Cap

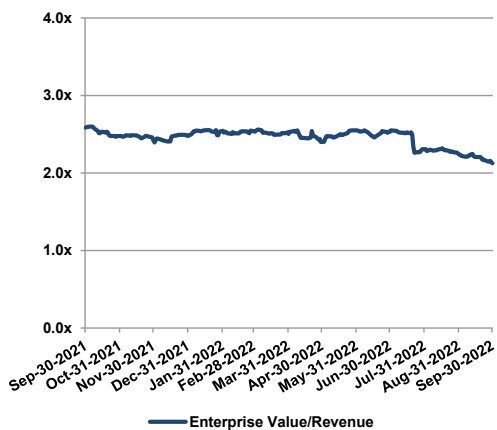
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Large Cap Index	-36.1%	-26.1%
AT&T	-43.2%	-26.8%
Lumen	-41.2%	-33.3%
Verizon	-29.7%	-25.2%

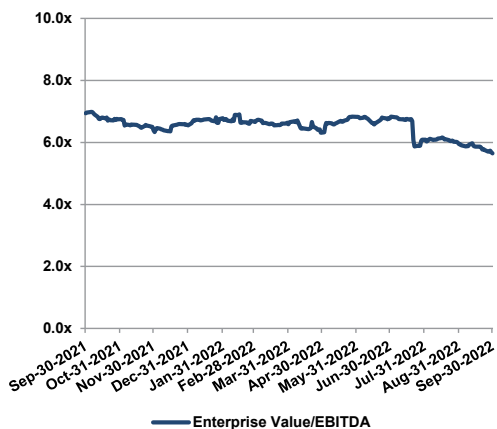
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2022	9/30/2021
Large Cap Index	2.1x	2.6x
AT&T	1.8x	2.6x
Lumen	1.9x	2.2x
Verizon	2.5x	3.0x

EBITDA Multiple Trends



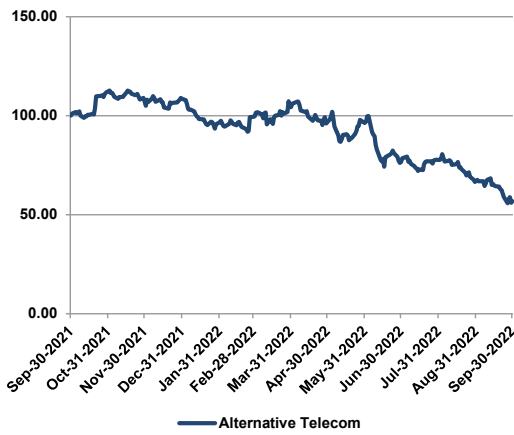
Company EBITDA Multiples

	9/30/2022	9/30/2021
Large Cap Index	5.7x	6.9x
AT&T	5.4x	8.2x
Lumen	4.8x	5.2x
Verizon	7.8x	7.9x

Source: Capital IQ

Sub Sector Analysis: Alternative Telecom

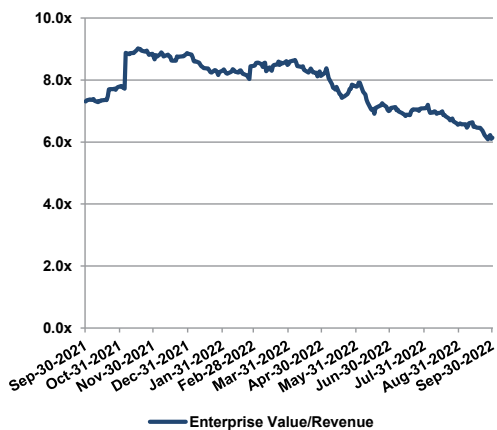
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Alternative Telecom Index	-43.2%	-24.8%
Cogent Communications	-26.4%	-14.2%
Starry	-81.1%	-63.8%
Uniti	-43.8%	-26.2%

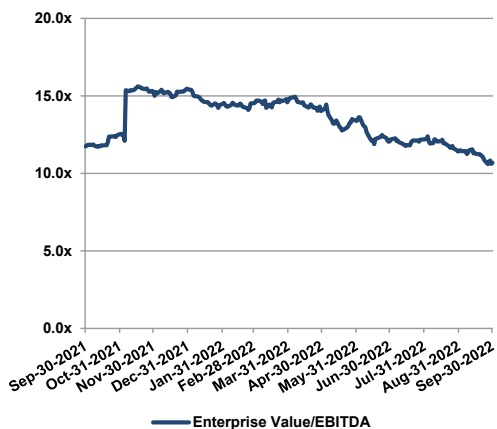
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2022	9/30/2021
Alternative Telecom Index	6.1x	7.3x
Cogent Communications	6.0x	7.5x
Starry	13.7x	NA
Uniti	6.0x	7.2x

EBITDA Multiple Trends



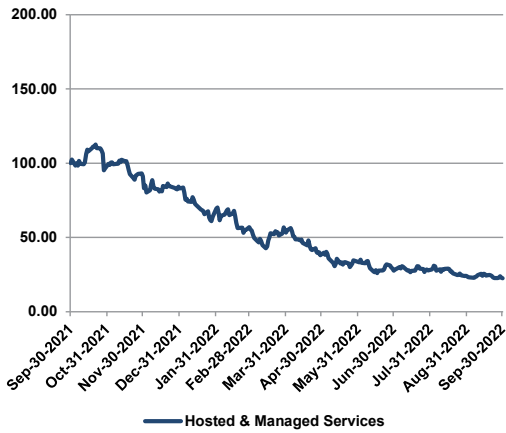
Company EBITDA Multiples

	9/30/2022	9/30/2021
Alternative Telecom Index	10.7x	11.8x
Cogent Communications	16.7x	20.9x
Starry	NM	NA
Uniti	7.8x	9.5x

Source: Capital IQ

Sub Sector Analysis: Hosted & Managed Services

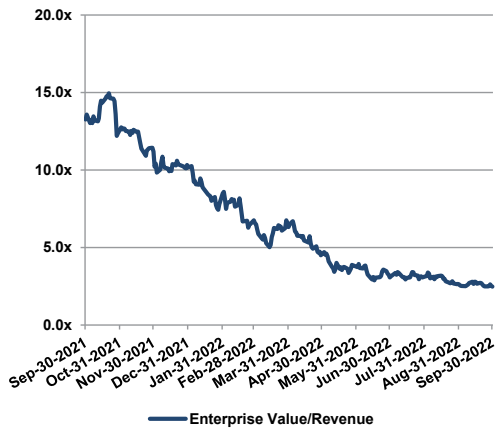
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Hosted & Managed Services Index	-77.4%	-18.3%
8x8	-85.3%	-33.0%
American Virtual Cloud Tech.	-92.8%	-19.4%
Bandwidth	-86.8%	-36.8%
Crexendo	-59.9%	-22.6%
Kaleyra	-91.2%	-52.5%
RingCentral	-81.6%	-23.5%
Twilio	-78.3%	-17.5%
Ziff Davis	-49.9%	-8.1%

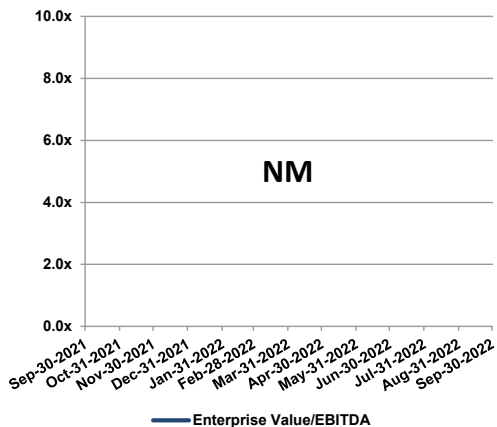
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2022	9/30/2021
Hosted & Managed Services Index	2.5x	13.3x
8x8	1.3x	5.0x
American Virtual Cloud Tech.	1.1x	NM
Bandwidth	1.2x	5.1x
Crexendo	1.5x	5.3x
Kaleyra	0.6x	2.6x
RingCentral	3.0x	14.2x
Twilio	2.8x	20.4x
Ziff Davis	2.6x	6.4x

EBITDA Multiple Trends



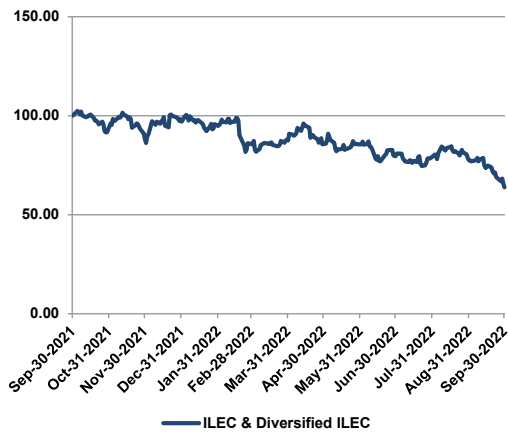
Company EBITDA Multiples

	9/30/2022	9/30/2021
Hosted & Managed Services Index	NM	NM
8x8	NM	NM
American Virtual Cloud Tech.	NM	NM
Bandwidth	40.6x	66.5x
Crexendo	NM	NM
Kaleyra	NM	NM
RingCentral	NM	NM
Twilio	NM	NM
Ziff Davis	8.2x	22.1x

Source: Capital IQ

Sub Sector Analysis: ILEC & Diversified ILEC

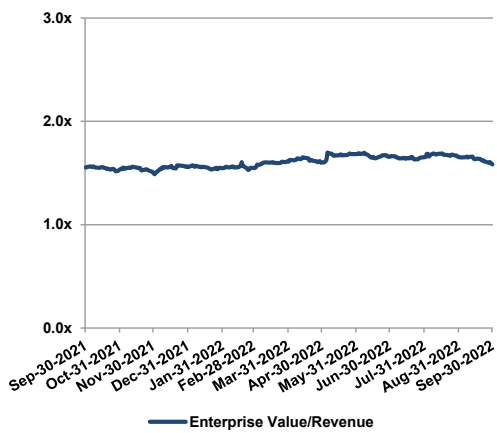
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
ILEC & Diversified ILEC Index	-36.2%	-20.8%
Consolidated Communications	-54.7%	-40.6%
Telephone & Data Systems	-28.7%	-12.0%

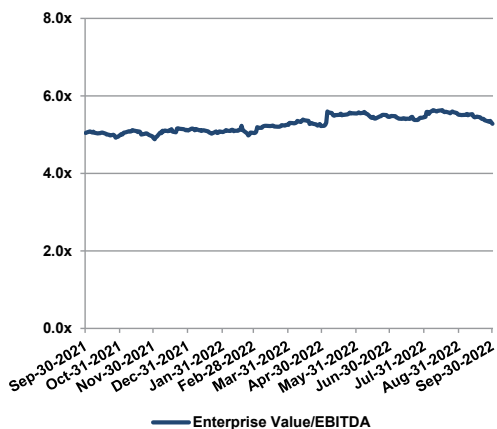
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2022	9/30/2021
ILEC & Diversified ILEC Index	1.6x	1.6x
Consolidated Communications	2.3x	2.1x
Telephone & Data Systems	1.4x	1.4x

EBITDA Multiple Trends



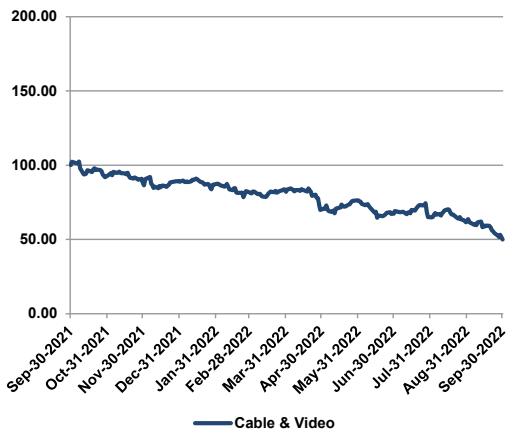
Company EBITDA Multiples

	9/30/2022	9/30/2021
ILEC & Diversified ILEC Index	5.3x	5.0x
Consolidated Communications	7.1x	6.1x
Telephone & Data Systems	6.4x	6.4x

Source: Capital IQ

Sub Sector Analysis: Cable & Video

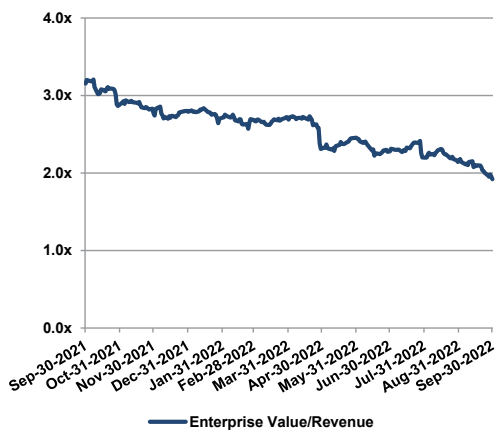
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Cable & Video Index	-50.0%	-25.8%
Altice	-71.9%	-37.0%
Cable One	-53.0%	-33.8%
Charter Communications	-58.3%	-35.3%
Comcast	-47.6%	-25.3%
Dish Network	-68.2%	-22.9%
WOW	-37.6%	-32.6%

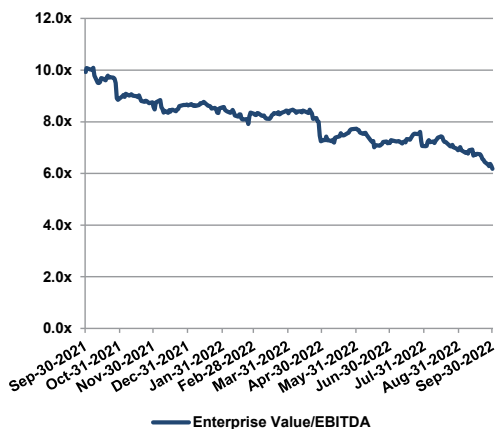
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2022	9/30/2021
Cable & Video Index	1.9x	3.2x
Altice	2.9x	3.6x
Cable One	5.0x	9.6x
Charter Communications	2.8x	4.4x
Comcast	1.8x	3.1x
Dish Network	1.6x	1.9x
WOW	2.4x	3.4x

EBITDA Multiple Trends



Company EBITDA Multiples

	9/30/2022	9/30/2021
Cable & Video Index	6.2x	9.9x
Altice	7.0x	8.4x
Cable One	9.8x	18.9x
Charter Communications	7.0x	11.3x
Comcast	6.1x	10.5x
Dish Network	8.5x	8.3x
WOW	8.9x	9.6x

Source: Capital IQ

FOCUS Telecom Technology and Services Team

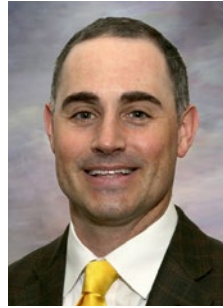


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Rich Pierce has 20 years of investment banking experience advising middle market clients on a variety of mergers and acquisitions and capital raising transactions. During that time, Mr. Pierce's primary emphasis has been on serving clients in the telecommunications 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.

About FOCUS Investment Banking LLC

With more than three decades of experience, FOCUS Investment Banking is a trusted name in M&A advisory services worldwide. FOCUS works to understand each client's strategic and financial objectives, craft the best plan to achieve these goals, and deliver success. Whether helping to sell, buy, or raise capital, FOCUS strives to maximize the value of every transaction to the benefit of its clients. FOCUS bankers are seasoned operating and financial executives with extensive transaction experience. Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker Dealer member FINRA/SIPC. For more information on FOCUS, please visit www.focusbankers.com.

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