

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

Summer 2023

Vol. 13, No. 3

IN THIS ISSUE

- 2 Introduction and Sub Sector Definitions
- 3 U.S. Summary Comments: Public Markets
- 4 Public Market Summary Charts 1-6
- 5 U.S. Communications Service Provider Stocks: M&A Summary Charts 1-2
- 6 Announced Transactions
- 7 Announced Transactions with Revenue Multiples
- 8 Sub Sector Analysis: Large Cap Telecom Charts 1-6
- 9 Sub Sector Analysis: Alternative Telecom Charts 1-6
- 10 Sub Sector Analysis: Hosted and Managed Services Charts 1-6
- 11 Sub Sector Analysis: ILEC and Diversified ILEC Charts 1-6
- 12 Sub Sector Analysis: Cable and Video Charts 1-6
- 13 FOCUS Telecom Technology and Services Team

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) snapped its streak of positive returns as the sector dropped 3.6% in our summer reporting period. This was despite a strong overall market backdrop that propelled the S&P 500 up 8.3% and the NASDAQ up 12.8% over the corresponding time period. The CSPI also compares unfavorably to the broader indices over the full year time frame. The sector is down 18.7% compared to this time last year, while the S&P 500 and NASDAQ are up 17.6% and 25.0%, respectively. Multiples ended the period at 2.3x revenue (down from 2.5x a year ago) and 6.4x EBITDA (down from 6.8x a year ago).

Large Cap

The Large Cap sub sector was the worst performing sub sector in the CSPI this period with a three-month loss of 10.2%. All of the companies in the sub sector were in the red this period, with AT&T and Lumen both suffering double digit declines. The situation is not any better for the full year as the sub sector lost more than 25% of its value over this time frame. This includes an almost 80% decline at Lumen. The sub sector revenue multiple dipped slightly from 2.5x a year ago to 2.4x currently, while the EBITDA multiple dropped more sharply from 6.5x to 5.9x.

Alternative Telecom

At the other end of the spectrum, the Alternative Telecom sub sector was the top performing sub sector in the CSPI over the past three months as it boasted an increase of 11.0%. This was primarily due to a 30.1% increase at Uniti, but Cogent Communications also chipped in with a gain of 5.6%. Even with this period's gain, the sub sector is still down 16.5% compared to this same time last year. This decline can be attributed to a 51.0% drop at Uniti. Sub sector multiples also declined year-over-year, falling from 6.7x revenue and 10.2x EBITDA a year ago to 6.3x revenue and 9.7x EBITDA currently.

Hosted and Managed Services

After posting a strong gain in our spring report, the Hosted and Managed Services sub sector returned to the red with a three-month loss of 2.0%. The decline was entirely the result of a 10.0% drop at Bandwidth and a

4.5% drop at Twilio. The remaining companies in the sub sector all delivered positive returns, including a 308.5% increase at Kaleyra after the company announced that it would be acquired by Tata Communications. The sub sector's full year performance remains dismal with a loss of 27.0%. Over that time period, every single company in the sub sector was in negative territory and only one (Kaleyra) managed to avoid a double digit decline. In addition, the sub sector revenue multiple plummeted from 3.2x a year ago to 2.0x currently. The EBITDA multiple for the sub sector continues to be "Not Meaningful", with Bandwidth the only company in the sub sector that is generating positive EBITDA.

ILEC and Diversified ILEC

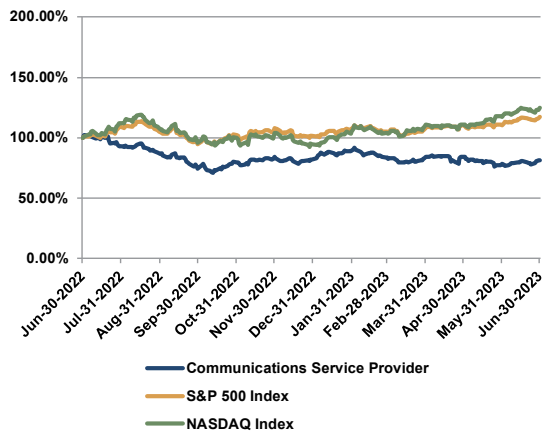
The ILEC and Diversified ILEC sub sector continued its steady decline, shedding an additional 7.7% in value this period. Consolidated Communications shot up 48.4%, but this was more than counterbalanced by a 21.7% decline at TDS. The sub sector is also down nearly 50% compared to this same time last year, with both of the companies in the index suffering similarly steep declines. Despite the steady declines in share price, multiple performance was mixed. The sub sector revenue multiple declined from 1.7x a year ago to 1.6x currently, but the sub sector EBITDA multiple increased from 5.5x to 5.9x over the same time period.

Cable and Video

The Cable and Video sub sector enjoyed a solid 7.7% increase this period. This was good enough to make it the second best performing sub sector in the CSPI for our summer reporting period. These gains were entirely due to the sector behemoths Charter Communications and Comcast, which gained 2.7% and 9.6%, respectively. The other companies in the index all suffered losses, including drops of 20%+ at both Dish Network and WOW. When viewed over the past 12 months, the sub sector was down 1.6%. Gains over this time period were even more concentrated, with a 5.9% increase at Comcast making it the only company in the sub sector to deliver a positive year-over-year return. Sub sector multiples closed out the period at 2.2x revenue and 7.3x EBITDA. These are roughly comparable to multiples at this time last year of 2.3x revenue and 7.2x EBITDA.

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

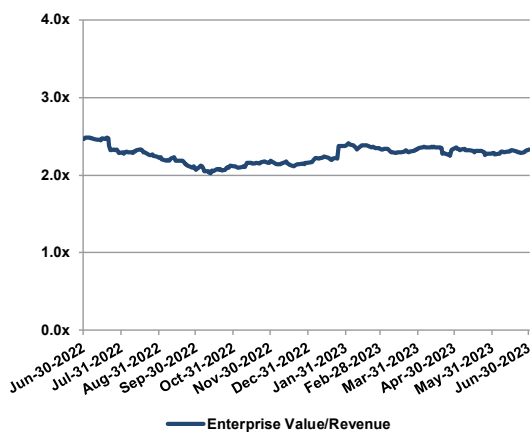
Twelve Month Index Returns



Sector and Sub Sector Returns

| | 12 Month | 3 Month |
|---------------------------------|----------|---------|
| Communications Service Provider | -18.7% | -3.6% |
| Large Cap | -27.2% | -10.2% |
| Alternative Telecom | -16.5% | 11.0% |
| Hosted and Managed Services | -27.0% | -2.0% |
| ILEC and Diversified ILEC | -47.1% | -7.7% |
| Cable and Video | -1.6% | 7.7% |
| S&P 500 | 17.6% | 8.3% |
| NASDAQ | 25.0% | 12.8% |

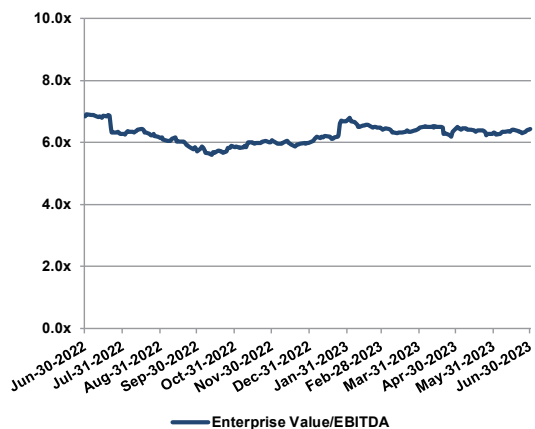
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

| | 6/30/2023 | 6/30/2022 |
|---------------------------------|-----------|-----------|
| Communications Service Provider | 2.3x | 2.5x |
| Large Cap | 2.4x | 2.5x |
| Alternative Telecom | 6.3x | 6.7x |
| Hosted and Managed Services | 2.0x | 3.2x |
| ILEC and Diversified ILEC | 1.6x | 1.7x |
| Cable and Video | 2.2x | 2.3x |

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

| | 6/30/2023 | 6/30/2022 |
|---------------------------------|-----------|-----------|
| Communications Service Provider | 6.4x | 6.8x |
| Large Cap | 5.9x | 6.5x |
| Alternative Telecom | 9.7x | 10.2x |
| Hosted and Managed Services | NM | NM |
| ILEC and Diversified ILEC | 5.9x | 5.5x |
| Cable and Video | 7.3x | 7.2x |

Source: Capital IQ

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

M&A

The level of M&A activity in the Communications Service Provider sub sector dropped dramatically, falling from 27 transactions in our spring report to only 15 in the current reporting period. Total announced transaction dollar volume was also low at only \$236 million for the period. This means that for the first half of 2023 we counted 42 total transactions with a total announced transaction dollar value of \$247 million. At present, 2023 is on pace to be one of the slowest periods for M&A activity in recent memory.

Alternative Telecom

We counted 11 total transactions in the Alternative Telecom sub sector over these past three months. This included several new private equity platform investments. We noted that Grain Management purchased Alaska-based long haul fiber operator Quintillion, while Oak Hill Capital Partners acquired residential broadband provider Lit Communities. In addition, MC Partners made another investment in the fiber space with its transaction with Raleigh, NC-based fiber network operator Celito Communications. In addition to these new platform investments, MDU broadband provider GigStream notched two deals this period as it acquired both GigaMonster and Warp2Biz. Finally, in the last transaction for the sub sector that we will specifically highlight, we saw that Cox Communications moved from a minority position to sole ownership of Midwest fiber operator Unite Private Networks.

Hosted and Managed Services

The Hosted and Managed Services sub sector had the only transaction this period with an announced transaction dollar value. This was Tata Communication's pending acquisition of publicly-traded CPaaS vendor Kaleyra for \$236.2 million. In addition to the Kaleyra transaction, TelcoSwitch purchased hosted VoIP and SIP trunking company Yayyay Communications.

ILEC and Diversified ILEC

There were two transactions in the ILEC and Diversified ILEC sub sector this period. Momentum Telecom divested its Warwick Valley Telephone subsidiary to Archtop Fiber. This marks the second straight period that Archtop Fiber has notched an acquisition in New York. In the sub sector's other transaction, Searchlight Capital Partners invested in Arizona-based Wecom.

Cable and Video

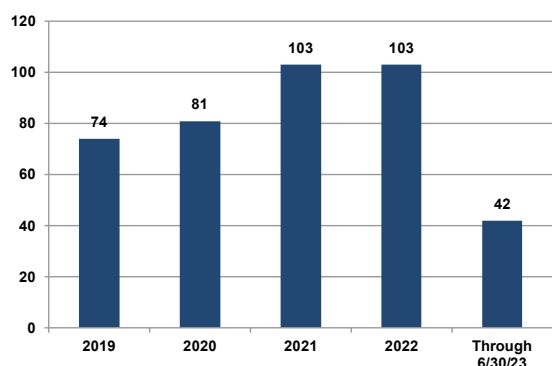
There were no announced transactions in the Cable and Video sub sector this period.

Transactions with Announced Multiples

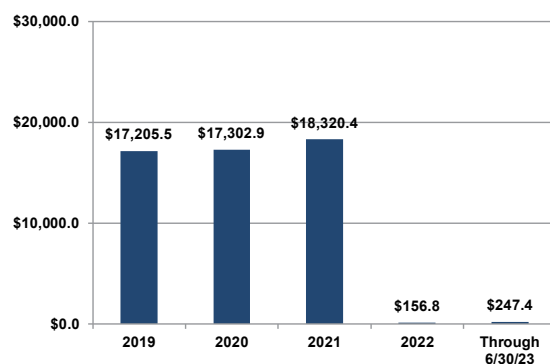
The lone transaction with an announced multiple over these past three months was the acquisition of Kaleyra by Tata Communications. The revenue multiple for this transaction weighed in at 0.7x, while the EBITDA multiple was "Not Meaningful" because of Kaleyra's negative EBITDA.

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

M&A Activity: Number of Transactions



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



M&A Announced Transactions (4/1/23 – 6/30/23)

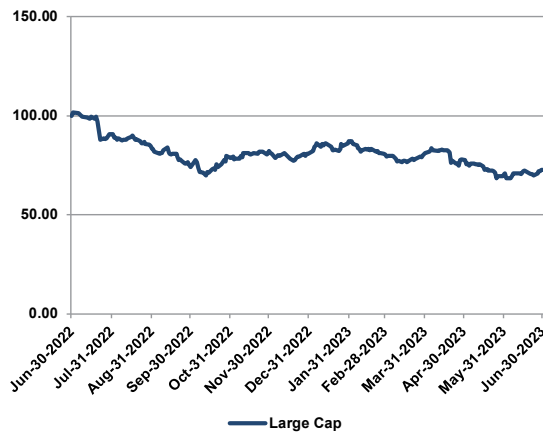
| Acquiror | Target | Sector | Date Announced | Purchase Price | Description |
|------------------------------|--------------------------------------------------------|---------------------------------------|----------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Tata Communications | Kaleyra | Hosted and Managed Telecom Services | 6/28/23 | \$236.2 | Integrated communication services provider with proprietary platforms for messaging, video, push notifications, e-mail, voice and chatbots. |
| GigStream | Warp2Biz | Alternative Telecom Service Providers | 6/27/23 | NA | Wireless and fiber technology broadband services to commercial and multi-family properties in Los Angeles and Orange Counties in California. |
| altafiber | Bridgewired | Alternative Telecom Service Providers | 6/14/23 | NA | Operates a fiber optic network delivering gigabit Internet speeds to locations in portions of Warren, Greene and Clinton Counties in Ohio. |
| Bluewave Technology Group | Total Telecom Solutions | Alternative Telecom Service Providers | 6/7/23 | NA | Technology advisory firm providing comprehensive voice and data solutions for companies. |
| M/C Partners | Celito Communications | Alternative Telecom Service Providers | 5/24/23 | NA | Fiber-based provider of connectivity, VoIP and data center services to businesses in the Raleigh, North Carolina market. |
| Archtop Fiber | Momentum Telecom (Warwick Valley Telephone Subsidiary) | Diversified ILEC | 5/23/23 | NA | Communications services to residential and business customers in portions of New York and northwestern New Jersey. |
| TelcoSwitch | Yayay Communications | Hosted and Managed Telecom Services | 5/20/23 | NA | New York-based provider of hosted VoIP and SIP trunking services. |
| Cox Communications | Unite Private Networks | Alternative Telecom Service Providers | 5/16/23 | NA | Broadband services to schools, governments, carriers, datacenters, hospitals and enterprises using a 12,000 fiber route mile network. |
| Searchlight Capital Partners | Wecom | Diversified ILEC | 5/15/23 | NA | Fiber-based telecommunications and Internet services to residential and business customers in Arizona. |
| LiveOak Fiber | ATC Broadband (Glynn and Camden County Fiber Assets) | Alternative Telecom Service Providers | 5/8/23 | NA | Provides fiber internet services for consumers and businesses in Glynn and Camden Counties in the state of Georgia. |
| Oak Hill Capital Partners | Lit Communities | Alternative Telecom Service Providers | 5/4/23 | NA | Fiber optic and broadband services for real estate developers, municipal corporations, governmental entities and private partners. |
| Brickworks | Echo Technology Services | Alternative Telecom Service Providers | 4/18/23 | NA | Connectivity services, including Wi-Fi, live streaming, CCTV, and fiber transport to music festivals, live sports and other special events. |
| Clarus Communications | Datatel Solutions | Alternative Telecom Service Providers | 4/10/23 | NA | IT telecom and distribution services for businesses including unified communications, managed IT services and WAN connectivity. |
| GigStream | GigaMonster | Alternative Telecom Service Providers | 4/10/23 | NA | Offers high-speed, broadband Internet services to multi-dwelling communities. |
| Grain Management | Quintillion | Alternative Telecom Service Providers | 4/3/23 | NA | Operates a fiber-optic network that provides high speed broadband services to communities in Northern Alaska. |

M&A Announced Transactions with Revenue Multiples (7/1/22 – 6/30/23)

| Acquiror | Target | Sector | Date Announced | Purchase Price | Revenue Multiple | EBITDA Multiple | Description |
|---------------------|--------------------------|-------------------------------------|----------------|----------------|------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Tata Communications | Kaleyra | Hosted and Managed Telecom Services | 6/28/23 | \$236.2 | 0.7 x | NM | Integrated communication services provider with proprietary platforms for messaging, video, push notifications, e-mail, voice and chatbots. |
| Crexendo | Allegiant Networks | Hosted and Managed Telecom Services | 10/21/22 | \$9.3 | 0.9 x | 20.8 x | Kansas-based provider of unified communications, managed services and network services. |
| 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. |

Sub Sector Analysis: Large Cap

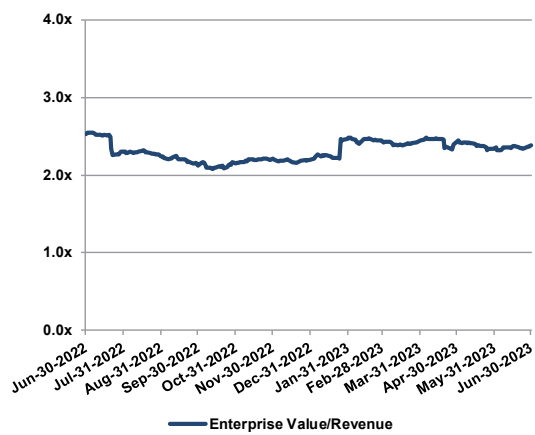
Twelve Month Index Returns



Company Returns

| | 12 Month | 3 Month |
|-----------------|----------|---------|
| Large Cap Index | -27.2% | -10.2% |
| AT&T | -23.9% | -17.1% |
| Lumen | -79.3% | -14.7% |
| Verizon | -26.7% | -4.4% |

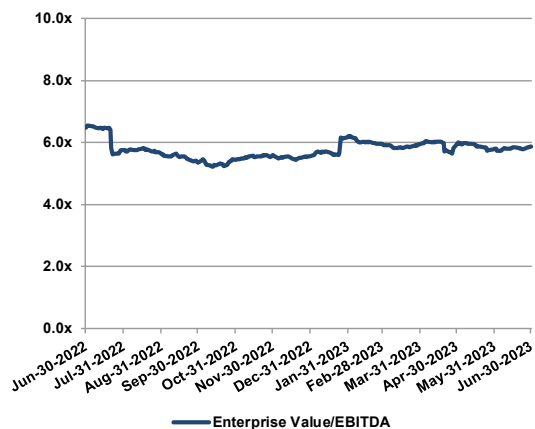
Revenue Multiple Trends



Company Revenue Multiples

| | 6/30/2023 | 6/30/2022 |
|-----------------|-----------|-----------|
| Large Cap Index | 2.4x | 2.5x |
| AT&T | 2.4x | 2.3x |
| Lumen | 1.3x | 2.1x |
| Verizon | 2.5x | 2.9x |

EBITDA Multiple Trends



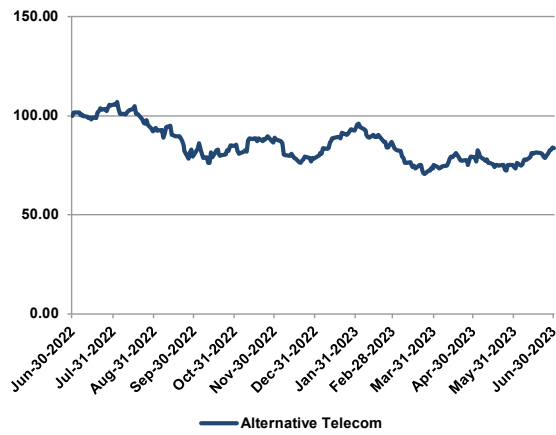
Company EBITDA Multiples

| | 6/30/2023 | 6/30/2022 |
|-----------------|-----------|-----------|
| Large Cap Index | 5.9x | 6.5x |
| AT&T | 6.6x | 7.0x |
| Lumen | 3.7x | 5.4x |
| Verizon | 7.1x | 7.9x |

Source: Capital IQ

Sub Sector Analysis: Alternative Telecom

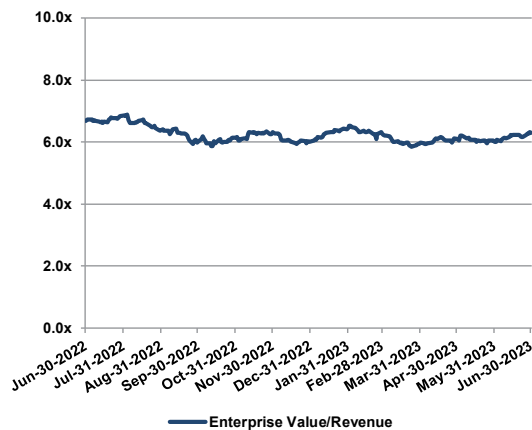
Twelve Month Index Returns



Company Returns

| | 12 Month | 3 Month |
|---------------------------|----------|---------|
| Alternative Telecom Index | -16.5% | 11.0% |
| Cogent Communications | 10.7% | 5.6% |
| Unifi | -51.0% | 30.1% |

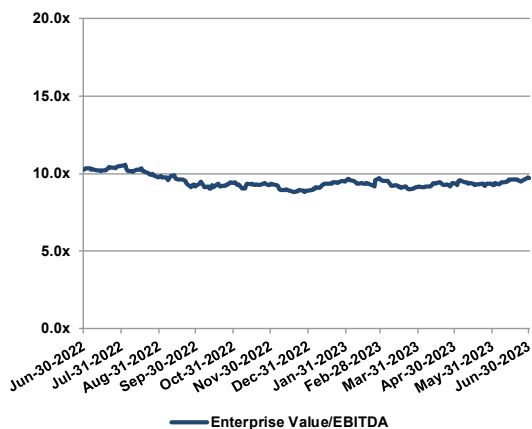
Revenue Multiple Trends



Company Revenue Multiples

| | 6/30/2023 | 6/30/2022 |
|---------------------------|-----------|-----------|
| Alternative Telecom Index | 6.3x | 6.7x |
| Cogent Communications | 7.5x | 6.6x |
| Unifi | 5.7x | 6.6x |

EBITDA Multiple Trends



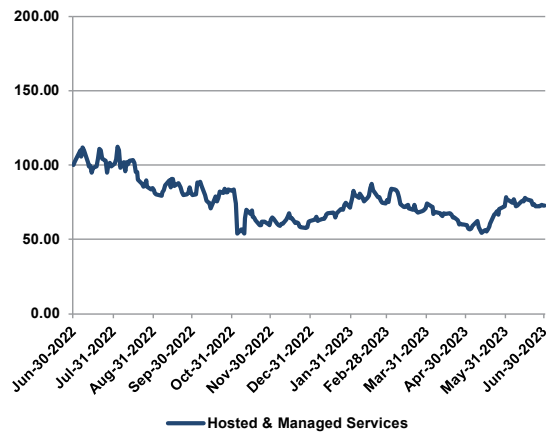
Company EBITDA Multiples

| | 6/30/2023 | 6/30/2022 |
|---------------------------|-----------|-----------|
| Alternative Telecom Index | 9.7x | 10.2x |
| Cogent Communications | 21.2x | 18.6x |
| Unifi | 7.4x | 8.5x |

Source: Capital IQ

Sub Sector Analysis: Hosted & Managed Services

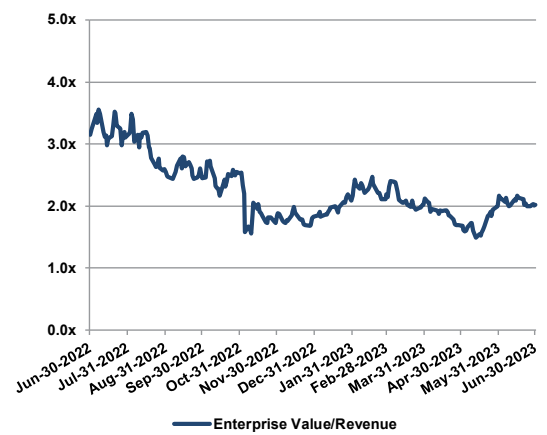
Twelve Month Index Returns



Company Returns

| | 12 Month | 3 Month |
|---------------------------------|----------|---------|
| Hosted & Managed Services Index | -27.0% | -2.0% |
| 8x8 | -17.9% | 1.4% |
| Bandwidth | -27.3% | -10.0% |
| Crexendo | -43.2% | 6.7% |
| Kaleyra | -5.6% | 308.5% |
| RingCentral | -37.4% | 6.7% |
| Twilio | -24.1% | -4.5% |

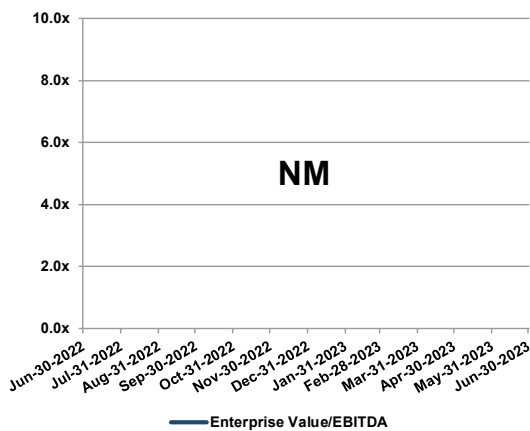
Revenue Multiple Trends



Company Revenue Multiples

| | 6/30/2023 | 6/30/2022 |
|---------------------------------|-----------|-----------|
| Hosted & Managed Services Index | 2.0x | 3.2x |
| 8x8 | 1.2x | 1.5x |
| Bandwidth | 1.1x | 1.6x |
| Crexendo | 1.1x | 1.9x |
| Kaleyra | 0.7x | 0.7x |
| RingCentral | 2.3x | 3.6x |
| Twilio | 2.3x | 3.3x |

EBITDA Multiple Trends



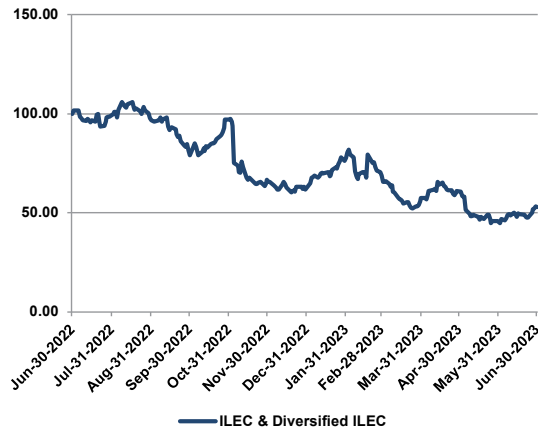
Company EBITDA Multiples

| | 6/30/2023 | 6/30/2022 |
|---------------------------------|-----------|-----------|
| Hosted & Managed Services Index | NM | NM |
| 8x8 | NM | NM |
| Bandwidth | 155.5x | 50.8x |
| Crexendo | NM | NM |
| Kaleyra | NM | NM |
| RingCentral | NM | NM |
| Twilio | NM | NM |

Source: Capital IQ

Sub Sector Analysis: ILEC & Diversified ILEC

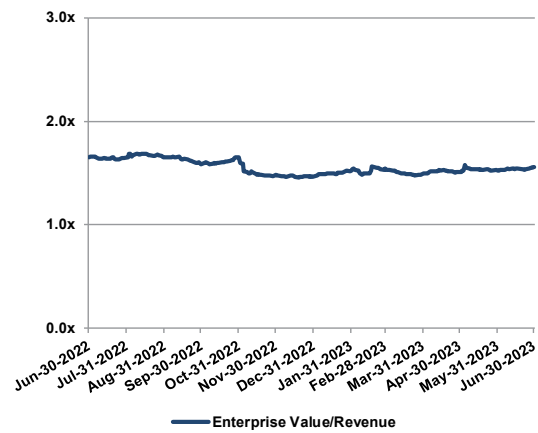
Twelve Month Index Returns



Company Returns

| | 12 Month | 3 Month |
|-------------------------------|----------|---------|
| ILEC & Diversified ILEC Index | -47.1% | -7.7% |
| Consolidated Communications | -45.3% | 48.4% |
| Telephone & Data Systems | -47.9% | -21.7% |

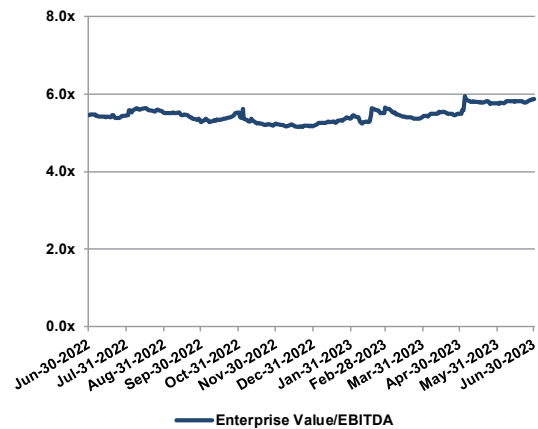
Revenue Multiple Trends



Company Revenue Multiples

| | 6/30/2023 | 6/30/2022 |
|-------------------------------|-----------|-----------|
| ILEC & Diversified ILEC Index | 1.6x | 1.7x |
| Consolidated Communications | 2.2x | 2.5x |
| Telephone & Data Systems | 1.4x | 1.5x |

EBITDA Multiple Trends



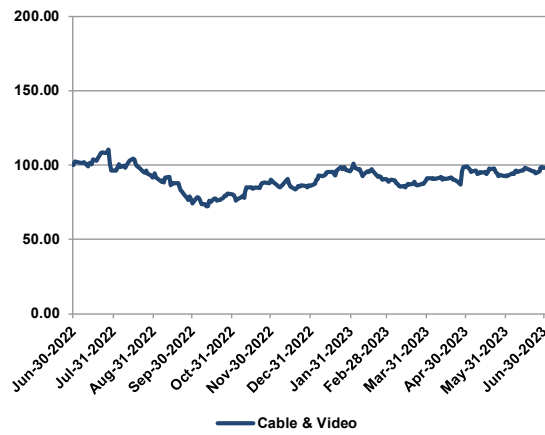
Company EBITDA Multiples

| | 6/30/2023 | 6/30/2022 |
|-------------------------------|-----------|-----------|
| ILEC & Diversified ILEC Index | 5.9x | 5.5x |
| Consolidated Communications | 8.0x | 7.6x |
| Telephone & Data Systems | 7.4x | 6.7x |

Source: Capital IQ

Sub Sector Analysis: Cable & Video

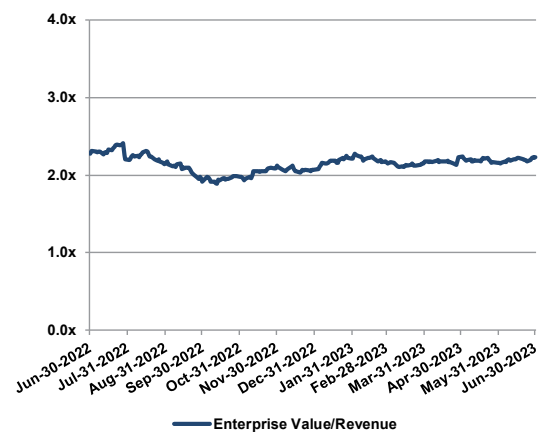
Twelve Month Index Returns



Company Returns

| | 12 Month | 3 Month |
|------------------------|----------|---------|
| Cable & Video Index | -1.6% | 7.7% |
| Altice | -67.4% | -11.7% |
| Cable One | -49.0% | -6.4% |
| Charter Communications | -21.6% | 2.7% |
| Comcast | 5.9% | 9.6% |
| Dish Network | -63.2% | -29.4% |
| WOW | -53.7% | -20.6% |

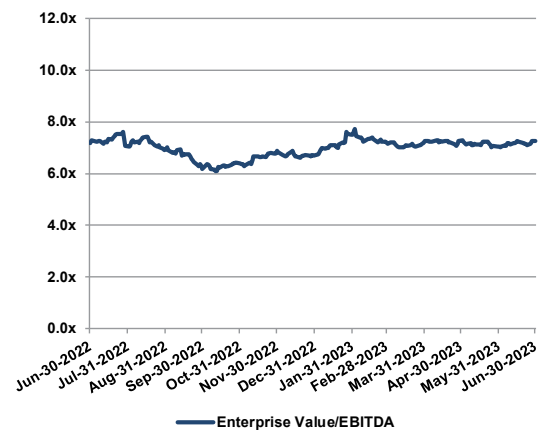
Revenue Multiple Trends



Company Revenue Multiples

| | 6/30/2023 | 6/30/2022 |
|------------------------|-----------|-----------|
| Cable & Video Index | 2.2x | 2.3x |
| Altice | 2.8x | 3.1x |
| Cable One | 4.3x | 6.5x |
| Charter Communications | 2.8x | 3.2x |
| Comcast | 2.2x | 2.2x |
| Dish Network | 1.6x | 1.7x |
| WOW | 2.1x | 2.9x |

EBITDA Multiple Trends



Company EBITDA Multiples

| | 6/30/2023 | 6/30/2022 |
|------------------------|-----------|-----------|
| Cable & Video Index | 7.3x | 7.2x |
| Altice | 7.3x | 7.4x |
| Cable One | 8.2x | 12.9x |
| Charter Communications | 7.2x | 8.2x |
| Comcast | 7.3x | 7.4x |
| Dish Network | 10.0x | 9.0x |
| WOW | 8.5x | 10.7x |

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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