

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. For businesses, these providers are enabling a variety of new services ranging from videoconferencing to software defined networking and security. On the residential side, many of these companies are on the forefront of bringing broadband access to historically underserved areas. 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 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,
- Has a national presence with coverage of both east and west coasts.

Sub Sector Definitions

National Providers: Large, nationwide telecommunications and cable operators that offer a diverse array of services throughout much of the U.S.

Business and Wholesale: Companies that focus on providing connectivity, voice and transport services to businesses and other telecom service providers.

Residential Providers: Regional providers that have a large component of their business that serves residential and small business customers.

U.S. Summary Comments

Public Markets

The FOCUS Communications Service Provider Index (CSPI) was in the red for the second straight reporting period as it dropped 0.9% in the past three months. On the bright side, the sector still managed to outperform both of the broader indices as the S&P 500 dropped 3.7% and the NASDAQ dropped 4.1% over this same time period. The CSPI is still up double digits compared to this time last year with a gain of 11.5%. While strong, this increase actually compares unfavorably to the broader indices, each of which boasted increases in the neighborhood of 20%. Sector multiples ended the period at 2.4x revenue and 6.3x EBITDA. Both of these represent increases from year-ago multiples of 2.2x revenue and 5.7x EBITDA.

National Providers

The National Providers sub sector dropped 1.0% over the past three months. The large cable operators fared well as Charter gained 19.7% and Comcast gained 6.7%. However, this was not enough to overcome steep losses at all of the major Telecom operators. The sub sector is still up 12.4% over the full year, with the increase driven by a similar dynamic. Charter and Comcast are up 45.0% and 51.2%, respectively, over the past year while all of the Telecoms in the sub sector suffered declines. Compared to this time last year, the sub sector revenue multiple increased from 2.1x to 2.4x, while the sub sector EBITDA multiple jumped from 5.6x to 6.3x.

Business and Wholesale

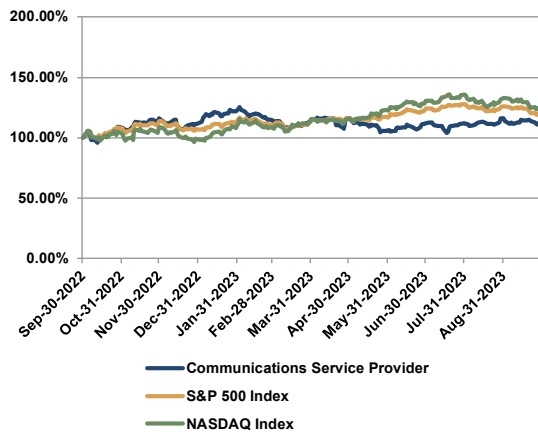
The Business and Wholesale sub sector was solidly positioned in the CSPI's cellar after it shed 6.3% of its value in the past three months. Uniti managed a 2.2% gain, but an 8.0% loss at Cogent Communications and a 17.6% loss at Bandwidth more than counterbalanced Uniti's positive performance. The sub sector is also down 2.1% for the year. Over this time period, Cogent Communications was the star performer as it rose 18.7% year-over-year. However, losses at both Bandwidth and Uniti dragged the sub sector into the red. The sub sector revenue multiple remained unchanged compared to this time last year at 4.9x. The sub sector EBITDA multiple increased, moving from 9.6x a year ago to 10.5x currently.

Residential Providers

The Residential Providers sub sector was the one sub sector in the CSPI in positive territory in the fall reporting period with a gain of 12.6%. The majority of this increase was due to the fact that Telephone and Data Systems stock nearly doubled after the company announced that it was considering selling its U.S. Cellular subsidiary. On the negative side, Cable One, Consolidated Communications and WOW all lost value over the past three months. Despite this period's strong performance, the Residential Providers sub sector is the worst performing sub sector in the CSPI for the 12-month period, with Telephone and Data Systems the only company managing to avoid a double digit loss. Despite the sub sector's poor performance over the past year, multiples are actually flat to up. The sub sector revenue multiple held steady at 2.6x, while the EBITDA multiple increased from 6.8x to 7.3x.

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

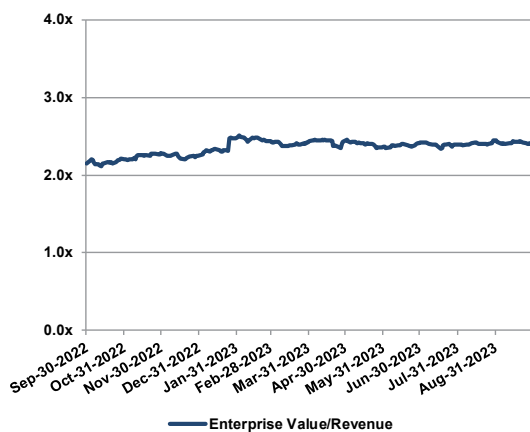
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Communications Service Provider	11.5%	-0.9%
National Providers	12.4%	-1.0%
Business and Wholesale	-2.1%	-6.3%
Residential Providers	-23.5%	12.6%
S&P 500	19.6%	-3.7%
NASDAQ	25.0%	-4.1%

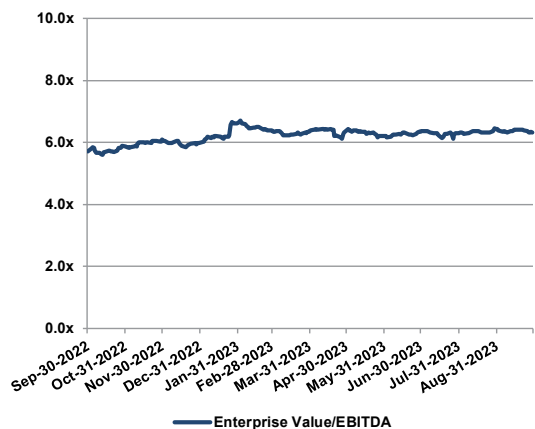
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	9/30/2023	9/30/2022
Communications Service Provider	2.4x	2.2x
National Providers	2.4x	2.1x
Business and Wholesale	4.9x	4.9x
Residential Providers	2.6x	2.6x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	9/30/2023	9/30/2022
Communications Service Provider	6.3x	5.7x
National Providers	6.3x	5.6x
Business and Wholesale	10.5x	9.6x
Residential Providers	7.3x	6.8x

Source: Capital IQ

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

M&A

M&A activity in the Communications Service Provider sub sector rebounded somewhat this period with a total of 21 announced transactions in the past three months. After yet another period with no blockbuster transactions, total announced transaction dollar value over the past three months remained low at \$200 million. As for the year-to-date numbers, the 63 total transactions indicate that activity level has returned to levels more consistent with those prior to the surge of transactions that we saw in 2021 and 2022. M&A dollar value continues to run well below historical levels, and there is a distinct possibility that we may have less than \$1 billion in total announced transaction dollar value for the second year in a row. While part of that decline is certainly due to seeing fewer and smaller transactions, another reason for the decline is simply because there are fewer public companies in the space than there were five years ago, so it is less common for acquirers to make transaction values public.

Business and Wholesale

The Business and Wholesale sub sector accounted for ten of the sector's total transactions this period. This included the only transaction with an announced transaction dollar value; the \$200 million acquisition of software defined networking company Console Connect by Infratil. We also noted that the agent space remained very active, with serial acquirer Bluewave Technology Group notching two

more deals this period and UPSTACK adding another agent to its portfolio. Momentum also made another acquisition with its pickup of managed network services company Asset Black, while Vyve Broadband acquired the business-focused fiber assets of ATC Broadband. Finally, we noted two acquisitions in the fixed wireless space as JLC Infrastructure invested in GeoLinks and EarthLink acquired One Ring Networks.

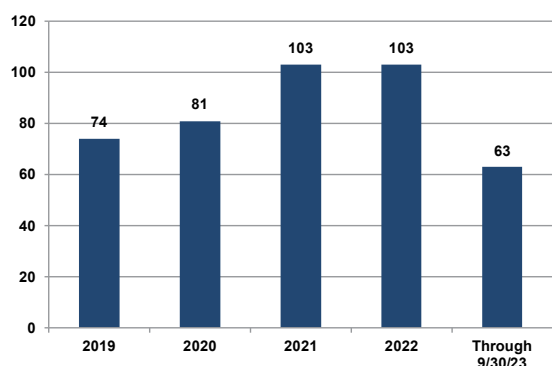
Residential Providers

The Residential Providers sub sector accounted for the remaining 11 transactions this period. One important transaction was the announcement of an investment in Wisper ISP by Element8. This follows Wisper ISP's buy-out of former investor Cable One, and will doubtless provide the company with additional capital for expansion. Another large hybrid fixed wireless and fiber provider, NextLink, was also active this period with its purchase of Indiana-based Echo Wireless. Other transactions of smaller broadband providers that we will specifically mention are the Schurz Communications acquisition of Hometown Cable in Illinois, the Vyve Broadband acquisition of Community Cable & Broadband in Oklahoma and Surf Broadband's acquisition of Michigan-based fiber provider MiSignal. Finally, we continue to see transactions involving MDU-focused operators as Zentro acquired both Snip Internet and selected assets from GigaMonster.

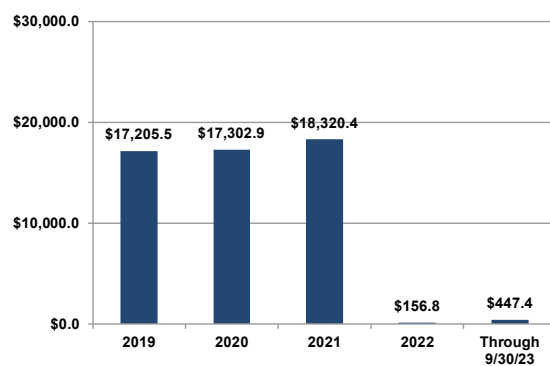
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U.S. Communication Service Provider Sector: M&A Summary

M&A Activity: Number of Transactions



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



Transactions with Announced Multiples

While we had only one transaction with an announced multiple this period, at least the multiple was a strong one. The Infratil acquisition of Console Connect was done at 3.4x revenue. There was no announced EBITDA multiple for this transaction.

M&A Announced Transactions (7/1/23 – 9/30/23)

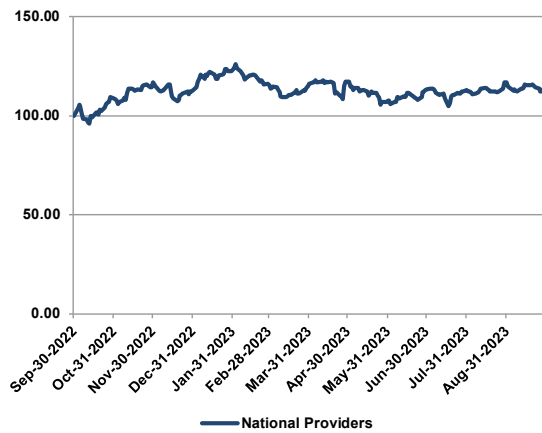
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
360 Broadband	903 Broadband	Residential Provider	9/22/23	NA	Provider of fixed wireless internet service in North Texas.
PAXIO	Fastmetrics	Business and Wholesale	9/15/23	NA	Business to business internet and telecommunications service provider that primarily operates in the San Francisco Bay Area.
Bluewave Technology Group	J.I.L. Communications	Business and Wholesale	9/14/23	NA	Telecom advisory, integration and consulting services for businesses including hosted VoIP, data and internet, SD-WAN and ethernet.
Vyve Broadband	ATC Broadband (Commercial Business)	Business and Wholesale	9/7/23	NA	Provides telecom services to commercial customers in the Vidalia, Georgia area.
NextLink Internet	Echo Wireless	Residential Provider	8/29/23	NA	Wireless internet service provider serving the rural communities of Knox, Davies, and Lawrence counties in Indiana.
Zentro	GigaMonster (Certain Assets)	Residential Provider	8/24/23	NA	Provides internet services to apartments and condominiums in Atlanta, Nashville, Tampa, Miami and Richmond.
Schurz Communications	Hometown Cable	Residential Provider	8/15/23	NA	Fiber to the home provider in Coldwater, Ohio as well as fixed wireless access in surrounding areas.
AOC Connect	Core Technologies	Business and Wholesale	8/14/23	NA	Provider of communications solutions to the Federal Government.
Palisade Infrastructure	Consolidated Communications (Washington State Assets)	Residential Provider	8/1/23	NA	FTTH, DSL and incumbent telecom services in Ellensburg and Yelm, Washington.
RingSquared	AccessPlus Communications	Residential Provider	8/1/23	NA	Fiber optic network and fixed wireless access services in the Berkshire region of Massachusetts.
Element8	Wisper ISP	Residential Provider	7/26/23	NA	High speed internet services to customers in Illinois, Indiana, Arkansas, Kansas, Missouri and Oklahoma.
EarthLink	One Ring Networks	Business and Wholesale	7/25/23	NA	Fixed wireless internet services to businesses and residences in Arizona, California, Georgia, Maryland and Texas.
JLC Infrastructure	GeoLinks	Business and Wholesale	7/25/23	NA	Competitive local exchange carrier providing Internet and digital voice solutions.
Zentro	Snip Internet	Residential Provider	7/18/23	NA	Provides high speed internet services to MDUs in the Midwest.
Momentum Telecom	Asset Black	Business and Wholesale	7/13/23	NA	Managed network and telecom integration services for businesses including SD-WAN, internet, business WAN and SIP trunks.
UPSTACK	Sidepath Global	Business and Wholesale	7/13/23	NA	Data center hosting, UCaaS, contact center as a service, connectivity, cloud computing, cloud backup and security services.
Bluewave Technology Group	On call Holdings	Business and Wholesale	7/11/23	NA	Advisory and consulting services for businesses including IT procurement, unified communications, voice, data, conferencing, cloud, security and VoIP.
Infratil	Console Connect	Business and Wholesale	7/10/23	\$200.0	Platform for the software-defined interconnection of applications and infrastructures that allows users to self-provision connections.
Vyve Broadband	Community Cable & Broadband	Residential Provider	7/8/23	NA	Oklahoma-based cable and fiber company.
GigFire	RuralComm	Residential Provider	7/5/23	NA	Provides wireless and broadband internet services for businesses and consumers in Illinois
Surf Broadband	MiSignal	Residential Provider	7/5/23	NA	Fiber optic broadband internet services to businesses and consumers in Michigan.

M&A Announced Transactions with Revenue Multiples (10/1/22 – 9/30/23)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Infratil	Console Connect	Business and Wholesale	7/10/23	\$200.0	3.4 x	NA	Platform for the software-defined interconnection of applications and infrastructures that allows users to self-provision connections.
Tata Communications	Kaleyra	Business and Wholesale	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	Business and Wholesale	10/21/22	\$9.3	0.9 x	20.8 x	Kansas-based provider of unified communications, managed services and network services.

Sub Sector Analysis: National Providers

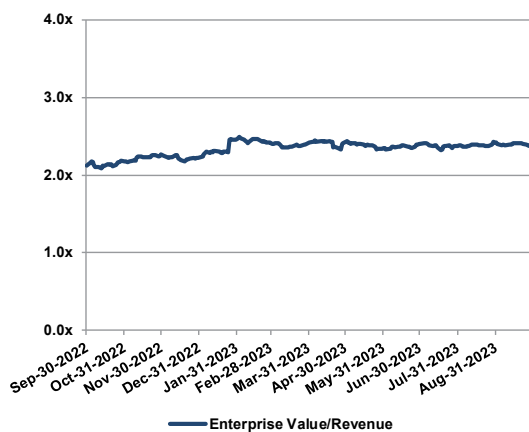
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
National Providers Index	12.4%	-1.0%
AT&T	-2.1%	-5.8%
Charter	45.0%	19.7%
Comcast	51.2%	6.7%
Lumen	-80.5%	-37.2%
Verizon	-14.6%	-12.9%

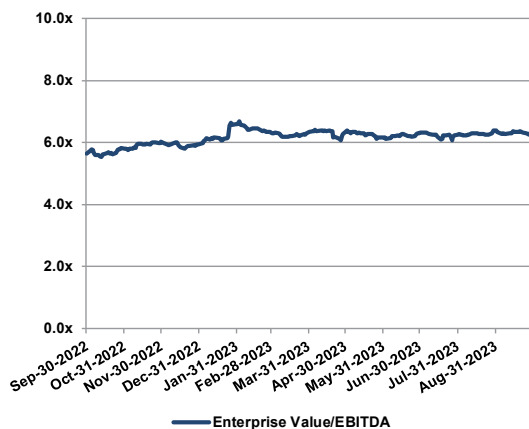
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2023	9/30/2022
National Providers Index	2.4x	2.1x
AT&T	2.3x	1.8x
Charter	3.1x	2.8x
Comcast	2.3x	1.8x
Lumen	1.4x	1.9x
Verizon	2.3x	2.5x

EBITDA Multiple Trends



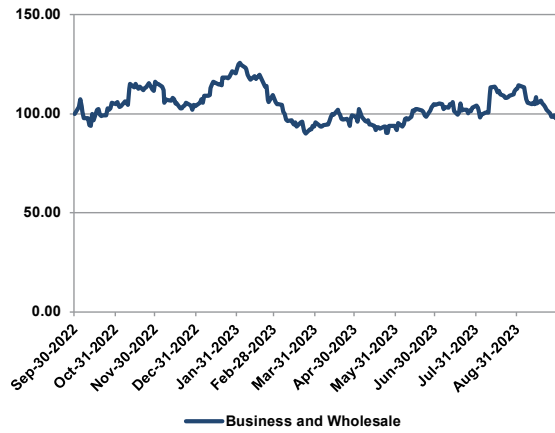
Company EBITDA Multiples

	9/30/2023	9/30/2022
National Providers Index	6.3x	5.6x
AT&T	6.5x	5.4x
Charter	7.8x	6.9x
Comcast	7.5x	6.1x
Lumen	4.1x	5.1x
Verizon	6.6x	6.9x

Source: Capital IQ

Sub Sector Analysis: Business and Wholesale

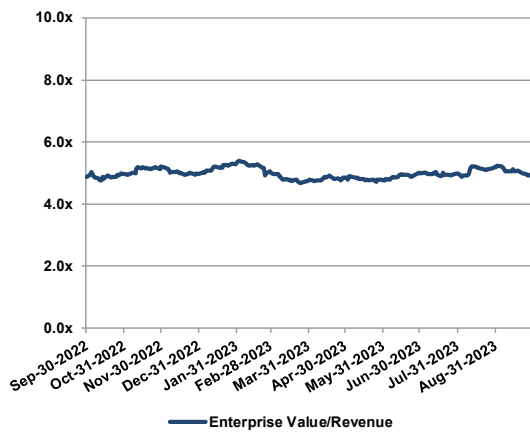
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Business and Wholesale Index	-2.1%	-6.3%
Bandwidth	-5.3%	-17.6%
Cogent Communications	18.7%	-8.0%
Uniti	-32.1%	2.2%

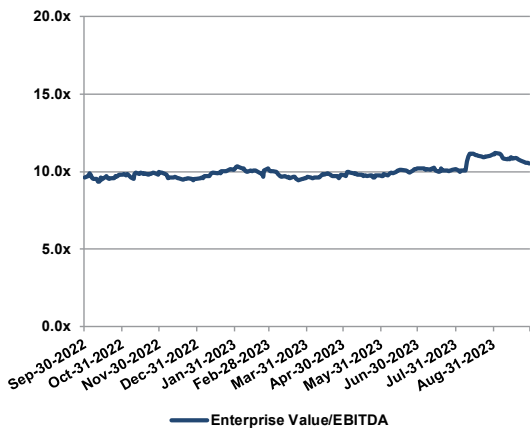
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2023	9/30/2022
Business and Wholesale Index	4.9x	4.9x
Bandwidth	1.0x	1.2x
Cogent Communications	6.9x	5.9x
Uniti	5.8x	5.9x

EBITDA Multiple Trends



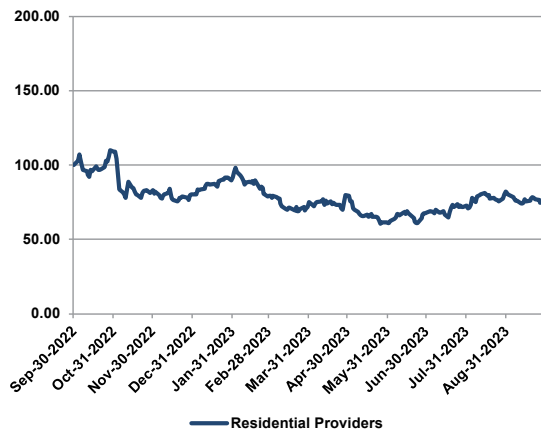
Company EBITDA Multiples

	9/30/2023	9/30/2022
Business and Wholesale Index	10.5x	9.6x
Bandwidth	92.3x	49.5x
Cogent Communications	26.8x	16.5x
Uniti	7.5x	7.4x

Source: Capital IQ

Sub Sector Analysis: Residential Providers

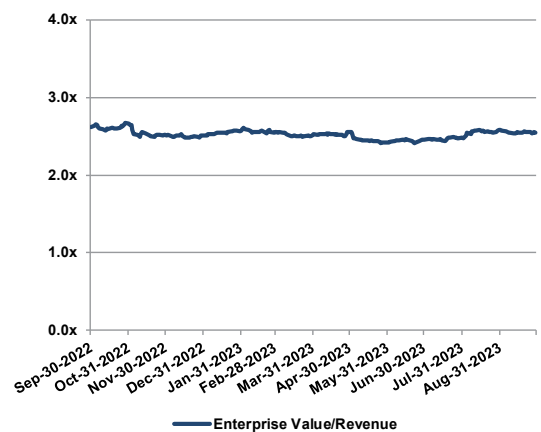
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Residential Providers Index	-23.5%	12.6%
Altice	-43.9%	8.3%
Cable One	-27.8%	-6.3%
Consolidated Communications	-17.8%	-10.7%
Telephone and Data Systems	31.7%	122.5%
WOW	-37.7%	-9.4%

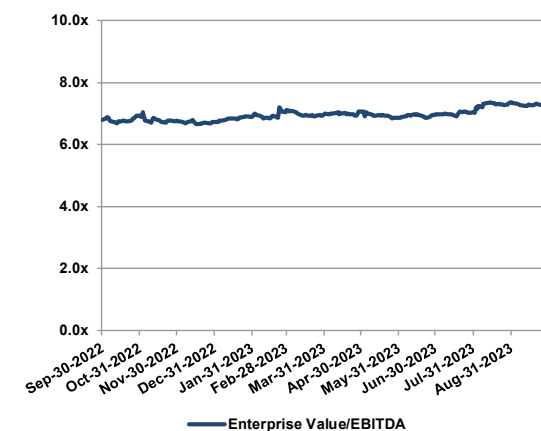
Revenue Multiple Trends



Company Revenue Multiples

	9/30/2023	9/30/2022
Residential Providers Index	2.6x	2.6x
Altice	2.8x	3.0x
Cable One	4.2x	5.0x
Consolidated Communications	2.4x	2.4x
Telephone and Data Systems	1.6x	1.4x
WOW	2.1x	2.5x

EBITDA Multiple Trends



Company EBITDA Multiples

	9/30/2023	9/30/2022
Residential Providers Index	7.3x	6.8x
Altice	7.5x	7.4x
Cable One	7.9x	9.8x
Consolidated Communications	9.0x	7.7x
Telephone and Data Systems	8.8x	6.8x
WOW	8.6x	8.5x

Source: Capital IQ

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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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