

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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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: National Providers Charts 1-6
- 9 Sub Sector Analysis: Business and Wholesale Charts 1-6
- 10 Sub Sector Analysis: Residential Providers Charts 1-6
- 11 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. 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

After two reporting periods with losses, the FOCUS Communications Service Provider Index (CSPI) moved back into positive territory in our winter reporting period with a three-month gain of 5.2%. While a solid gain, this still underperformed both the 11.2% gain in the S&P 500 and the 13.6% gain in the NASDAQ by a fairly wide margin. The CSPI is also in positive territory for the full year period with a gain of 4.5%. Once again, this performance lagged both the S&P 500 (up 24.2%) and the NASDAQ (up 43.4%). Sector multiples are trading higher compared to this same time last year. The sector revenue multiple increased from 2.2x to 2.4x, and the sector EBITDA multiple went from 6.0x to 6.5x.

National Providers

The National Providers sub sector gained 5.2% in the past three months. The large telecom providers (AT&T, Lumen and Verizon) performed extremely well with all three companies posting double digit gains. However, cable operators Charter and Comcast did not fare as well as they dropped 11.6% and 1.1%, respectively. The sub sector is also up 4.7% year-over-year. However, over this time period the dynamics are reversed. The three telecom providers were all in negative territory, while the cable providers delivered strong gains. Sub sector multiples closed out the period at 2.4x revenue and 6.4x EBITDA. Both of these are increases over multiples at this time last year of 2.2x revenue and 5.9x EBITDA.

Business and Wholesale

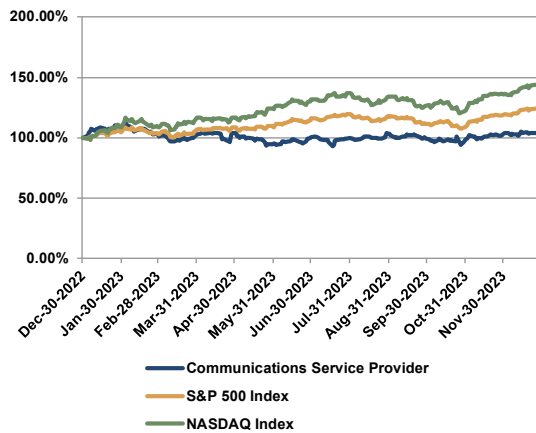
The Business and Wholesale sub sector rebounded nicely from its loss last period as it rocketed up 23.1% in the past three months. Bandwidth enjoyed the highest gain for the period with an increase of 28.4%, but Cogent Communications and Uniti were both up more than 20% as well. The sub sector is also up 16.0% for the full year. Cogent Communications was the star performer over this time period with a gain of 33.3%, while Bandwidth actually shed more than 30% of its value. The sub sector revenue multiple ticked up slightly from 5.0x a year ago to 5.2x currently. The EBITDA multiple saw a much bigger increase, jumping from 9.5x a year ago to 12.1x currently.

Residential Providers

The Residential Providers sub sector was the one CSPI sub sector in negative territory for the period with a loss of 6.5% over the past three months. Consolidated Communications spiked up 27.2% in the wake of its announcement that the company is getting taken private by Searchlight Capital Partners. However, this was not enough to counterbalance a 9.6% drop at Cable One and a 47.1% drop at WOW. The sub sector is also down more than 10% for the full year period. Cable One and WOW were both in steeply negative territory over this time frame as well. In addition, Altice is also down nearly 30% compared to this time last year. The sub sector revenue multiple held flat compared to last year at 2.5x, while the sub sector EBITDA multiple increased from 6.7x to 7.2x over the past 12 months.

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

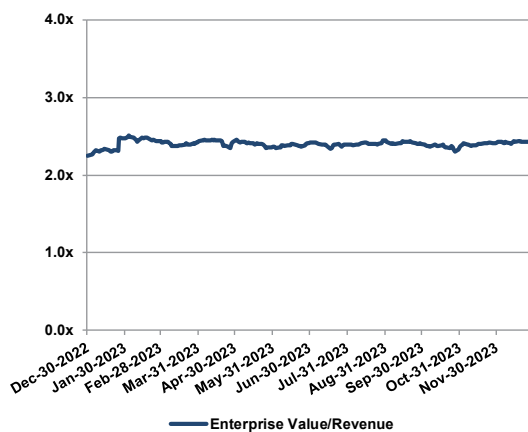
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Communications Service Provider	4.5%	5.2%
National Providers	4.7%	5.2%
Business and Wholesale	16.0%	23.1%
Residential Providers	-11.2%	-6.5%
S&P 500	24.2%	11.2%
NASDAQ	43.4%	13.6%

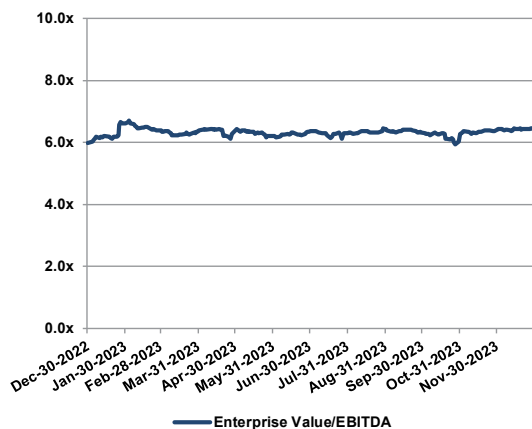
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	12/31/2023	12/31/2022
Communications Service Provider	2.4x	2.2x
National Providers	2.4x	2.2x
Business and Wholesale	5.2x	5.0x
Residential Providers	2.5x	2.5x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	12/31/2023	12/31/2022
Communications Service Provider	6.5x	6.0x
National Providers	6.4x	5.9x
Business and Wholesale	12.1x	9.5x
Residential Providers	7.2x	6.7x

Source: Capital IQ

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

M&A

The number of announced M&A transactions in the Communications Service Provider sub sector held flat at 21 transactions for the past three months. However, total announced transaction dollar volume came in just shy of \$3.5 billion, which was much higher than anything we have seen in roughly two years. Now that 2024 is completely in the books, it is clear that M&A activity has come down to earth after spiking in 2021 and 2022. We counted 84 transactions in 2024, which is roughly on par with M&A activity levels back in 2019 and 2020. Total announced transaction dollar value for 2024 was \$3.9 billion. This is higher than what we recorded in 2022, but still far lower than what we have typically seen over the past five years.

Business and Wholesale

The Business and Wholesale sub sector accounted for 12 of our total transactions this period. The telecommunications agent space remained extremely active with Amplix notching three acquisitions, UPSTACK two and Bluewave Technology Group one. In the hosted voice provider area, BV Investment Partners acquired CallTower, while Momentum Telecom purchased Microsoft Teams specialist G12 Communications. Hunter Communications also returned to the deal table with its acquisition of Oregon-based CLEC Origin Networks. Finally, we noted that private equity firm GI Partners announced that it would acquire DQE Communications, a company with a 4,700 route mile fiber network in Western Pennsylvania.

Residential Providers

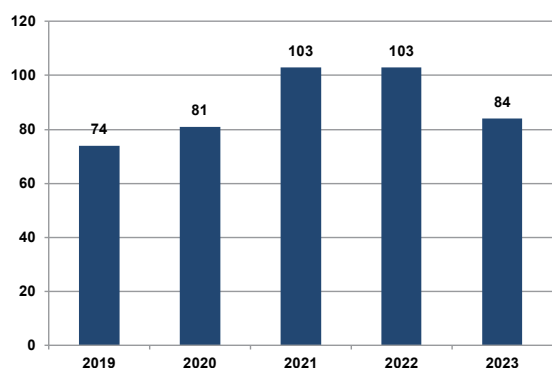
Activity in the Residential Providers sub sector fell somewhat with only eight transactions in our winter reporting period. This did include the two largest transactions for the period based on announced transaction dollar volume. The first of these is the planned take-private of Consolidated Communications by Searchlight Capital Partners for \$3.1 billion. In addition, the sub sector also saw the acquisition of Horizon Telecom by Shenandoah Telecommunications for \$385 million. This period also saw acquisitions of two smaller rural incumbent providers with LightStream's purchase of Monon Telephone Company in Indiana and the LICT Corporation acquisition of Manti Telephone Company in Utah. Searchlight Capital Partners inked a second deal this period for Indiana-based fiber provider Mainstream Fiber Networks. Finally, we will highlight the fact that MDU-focused broadband provider Pavlov Media acquired both Inspire Wi-Fi and iZone Broadband.

Transactions with Announced Multiples

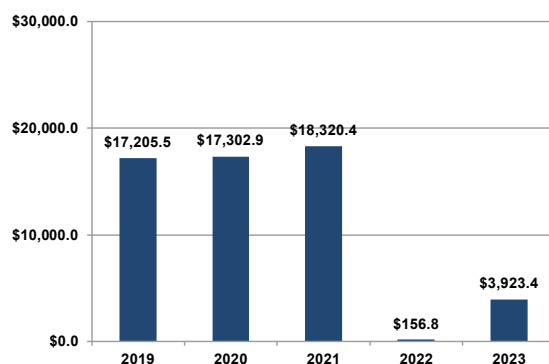
There were two transactions with announced multiples this period. The Searchlight Capital Partners acquisition of Consolidated Communications was done at multiples of 2.7x revenue and 9.6x EBITDA. In the second transaction, the Shenandoah Telecommunications purchase of Horizon Telecom had much higher multiples of 5.9x revenue and 20.2x 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 (10/1/23 – 12/31/23)

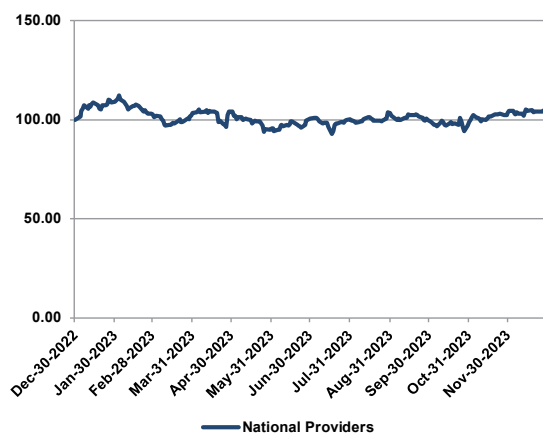
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Pavlov Media	Inspire Wi-Fi	Residential Provider	12/22/23	NA	Wireless and broadband internet service to businesses and consumers including video streaming, data monitoring, VoIP and cable services.
Pavlov Media	iZone Broadband	Residential Provider	12/22/23	NA	Broadband internet, internet protocol television and voice over internet protocol services for consumers and businesses.
G1 Partners	DQE Communications	Business and Wholesale	12/19/23	NA	4,700-route mile fiber network that connects around 3,000 on-net businesses, towers and data centers in Western Pennsylvania.
Hyper Networks	JA Communications Group (Telecommunications & Technology Group)	Business and Wholesale	12/15/23	NA	Consulting firm with expertise in cloud computing, cybersecurity, SD-WAN, UCaaS, remote worker enablement and disaster recovery.
LightStream	Monon Telephone Company	Residential Provider	12/4/23	NA	Provides communications services to residential and business customers in Monon, Indiana.
BV Investment Partners	CallTower	Business and Wholesale	11/16/23	NA	Delivers cloud-based enterprise-class communications, contact center and collaboration solutions.
UPSTACK	Progressive Communications Management	Business and Wholesale	11/9/23	NA	Advisory services for connectivity, cybersecurity, secure access service edge, SD-WAN, unified communications and contact center.
Amplix	TNS Communications	Business and Wholesale	11/7/23	NA	Advisory services including connectivity, cloud telephony, cloud optimization, voice and managed services.
Boston Omaha Corporation	Cable Systems of Nevada (SunRiver Fiber Assets)	Residential Provider	11/1/23	NA	Approximately 2,700 fiber passings and 1,000 active fiber customers in the St. George, Utah market.
Amplix	nQuery Communications	Business and Wholesale	10/30/23	NA	Miam-based firm advising companies on unified communications, business internet, contact center and IT and cybersecurity solutions.
Searchlight Capital Partners	Mainstream Fiber Networks	Residential Provider	10/30/23	NA	Provider of fiber-optic Internet service throughout rural Indiana.
Incline Equity Partners	Whitelabel Communications	Business and Wholesale	10/24/23	NA	Provides private label unified communications solutions to the managed service provider market.
Shenandoah Telecommunications	Horizon Telcom	Residential Provider	10/24/23	\$385.0	Fiber-optic broadband telecommunication services to businesses and residents including fiber internet, hosted voice and data center connectivity.
Amplix	InflowCX	Business and Wholesale	10/23/23	NA	Managed unified communications, collaboration and contact center services for businesses.
Bluewave Technology Group	Resource Communications Group	Business and Wholesale	10/19/23	NA	Telecom consulting and process outsourcing firm offering telecom department as a service.
Searchlight Capital Partners	Consolidated Communications	Residential Provider	10/17/23	\$3,100.0	High-speed broadband Internet access and related services to commercial and residential customers.
UPSTACK	Network One Solutions	Business and Wholesale	10/12/23	NA	Telecommunications consulting services for small and medium businesses including data networking, VoIP, hosted IP and unified communications.
Momentum Telecom	G12 Communications	Business and Wholesale	10/10/23	NA	Seattle-based provider of voice-enabled and Operator Connect Microsoft Teams solutions.
LICT Corporation	Manti Telephone Company	Residential Provider	10/4/23	NA	Fiber internet, television and hosted PBX services for consumers and businesses in Manti, Utah..
Hunter Communications	Origin Networks	Business and Wholesale	10/3/23	NA	Provides resold competitive local exchange carrier and interexchange services to business and enterprise customers primarily in Oregon.
Solidus Communications	WiFiber	Residential Provider	10/2/23	NA	Florida-based provider of internet services to residential, commercial and government agencies.

M&A Announced Transactions with Revenue Multiples (1/1/23 – 12/31/23)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Shenandoah Telecommunications	Horizon Telcom	Residential Provider	10/24/23	\$385.0	5.9 x	20.2 x	Fiber-optic broadband telecommunication services to businesses and residents including fiber internet, hosted voice and data center connectivity.
Searchlight Capital Partners	Consolidated Communications	Residential Provider	10/17/23	\$3,100.0	2.7 x	9.6 x	High-speed broadband Internet access and related services to commercial and residential customers.
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.

Sub Sector Analysis: National Providers

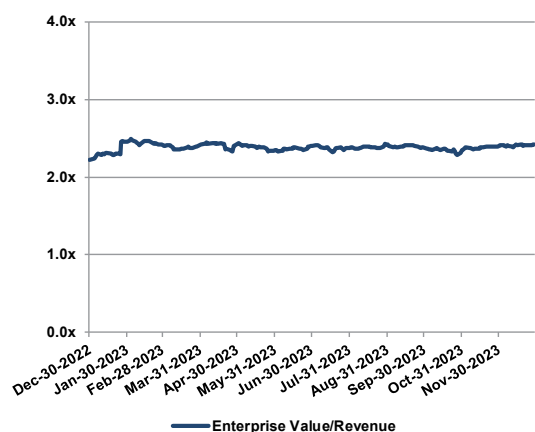
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
National Providers Index	4.7%	5.2%
AT&T	-8.9%	11.7%
Charter	14.6%	-11.6%
Comcast	25.4%	-1.1%
Lumen	-64.9%	28.9%
Verizon	-4.3%	16.3%

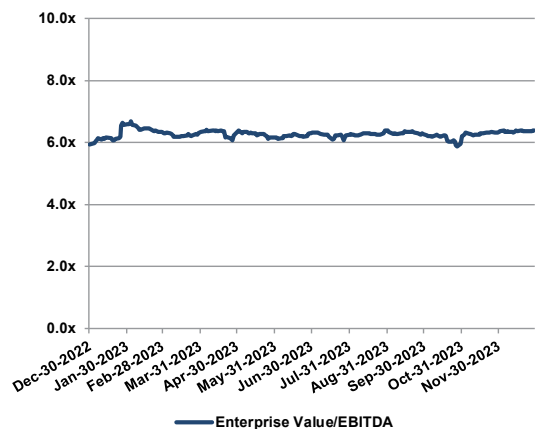
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2023	12/31/2022
National Providers Index	2.4x	2.2x
AT&T	2.4x	2.5x
Charter	2.9x	2.9x
Comcast	2.3x	2.0x
Lumen	1.5x	1.7x
Verizon	2.5x	2.5x

EBITDA Multiple Trends



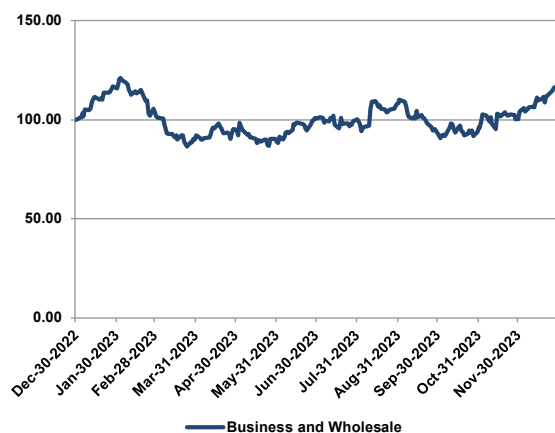
Company EBITDA Multiples

	12/31/2023	12/31/2022
National Providers Index	6.4x	5.9x
AT&T	6.9x	6.7x
Charter	7.5x	7.1x
Comcast	7.3x	6.6x
Lumen	4.6x	4.4x
Verizon	7.0x	7.0x

Source: Capital IQ

Sub Sector Analysis: Business and Wholesale

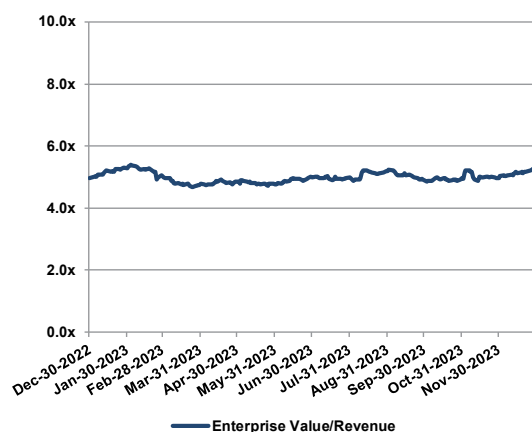
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Business and Wholesale Index	16.0%	23.1%
Bandwidth	-36.9%	28.4%
Cogent Communications	33.3%	22.9%
Uniti	4.5%	22.5%

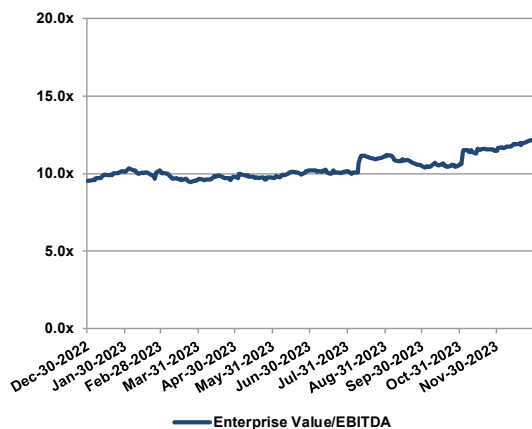
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2023	12/31/2022
Business and Wholesale Index	5.2x	5.0x
Bandwidth	1.5x	1.7x
Cogent Communications	6.8x	6.5x
Uniti	6.1x	5.7x

EBITDA Multiple Trends



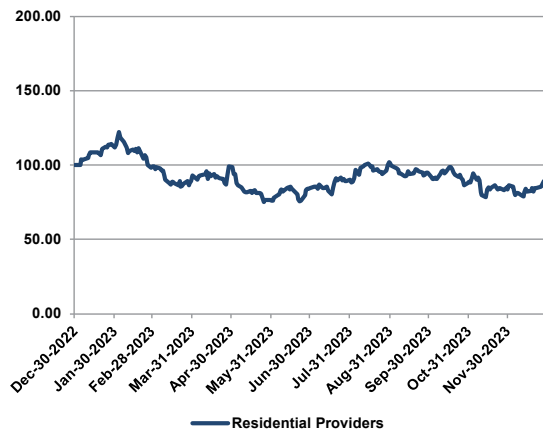
Company EBITDA Multiples

	12/31/2023	12/31/2022
Business and Wholesale Index	12.1x	9.5x
Bandwidth	239.0x	70.1x
Cogent Communications	34.3x	18.2x
Uniti	8.3x	7.1x

Source: Capital IQ

Sub Sector Analysis: Residential Providers

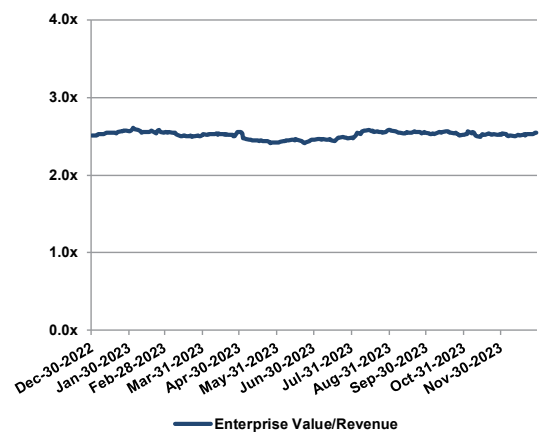
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Residential Providers Index	-11.2%	-6.5%
Altice	-29.3%	-0.6%
Cable One	-21.8%	-9.6%
Consolidated Communications	21.5%	27.2%
Telephone and Data Systems	74.9%	0.2%
WOW	-55.5%	-47.1%

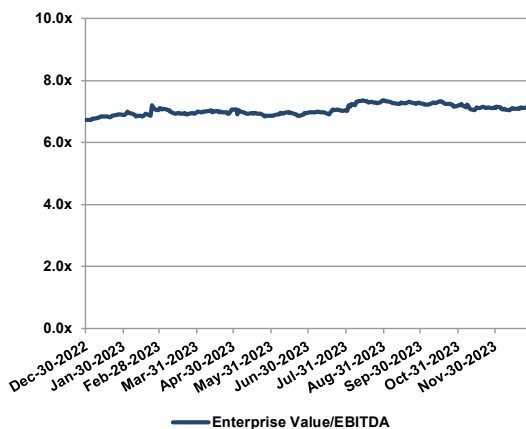
Revenue Multiple Trends



Company Revenue Multiples

	12/31/2023	12/31/2022
Residential Providers Index	2.5x	2.5x
Altice	2.9x	2.9x
Cable One	3.9x	4.5x
Consolidated Communications	2.6x	2.0x
Telephone and Data Systems	1.7x	1.3x
WOW	1.7x	2.1x

EBITDA Multiple Trends



Company EBITDA Multiples

	12/31/2023	12/31/2022
Residential Providers Index	7.2x	6.7x
Altice	7.5x	7.3x
Cable One	7.4x	8.8x
Consolidated Communications	10.8x	6.4x
Telephone and Data Systems	8.3x	6.6x
WOW	6.9x	7.2x

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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