

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

Spring 2024

Vol. 14, No. 2

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

The FOCUS Communications Service Provider Index (CSPI) managed a second straight reporting period in positive territory, although with a three-month gain of only 1.0% the return was fairly slim. This gain was made even less impressive by the fact that the S&P 500 was up 10.2% and the NASDAQ was up 9.1% over the same time period. The CSPI also lagged the broader indices for the full year period. While the CSPI gained 2.2% over the past 12 months, the S&P 500 jumped up 27.9% and the NASDAQ delivered an even more impressive return of 34.0% over the same time frame. Sub sector multiples are virtually unchanged from this time last year. The CSPI's revenue multiple held steady at 2.4x, while the EBITDA multiple ticked up slightly from 6.4x a year ago to 6.5x currently.

National Providers

The National Providers sub sector gained 1.4% in the past three months. This was entirely due to gains of 4.9% at AT&T and 11.3% at Verizon. All of the other companies in the sub sector traded in negative territory this period, including a 25.2% loss at Charter. For the full year period, the sub sector gained 2.5%. Verizon enjoyed a year-over-year gain of 7.9%, while Comcast actually turned in the sub sector's best full year performance with a gain of 14.3%. At the other end of the spectrum, Lumen shed more than 40% of its value over the past year. The sub sector revenue multiple remained unchanged compared to this time last year at 2.4x. The sub sector EBITDA multiple increased from 6.4x to 6.5x over the same time period.

Business and Wholesale

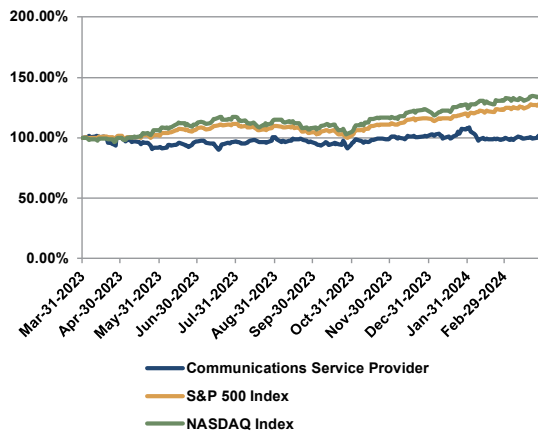
The Business and Wholesale sub sector was solidly in negative territory in our spring reporting period with a loss of 7.1%. Bandwidth and Uniti actually delivered positive returns, but a 14.1% drop at Cogent Communications was enough to drag the entire sub sector into the red. On the plus side, the sub sector's 16.8% year-over-year gain made it the CSPI's best performing sub sector over the past 12 months. All of the stocks in the sub sector traded higher over this time period, including a 20.1% return at Bandwidth and a 66.2% gain at Uniti. Sub sector multiples closed out the period at 4.9x revenue and 11.3x EBITDA. Both of these are higher than multiples at this time last year of 4.8x revenue and 9.7x EBITDA.

Residential Providers

The Residential Providers sub sector was in the CSPI's cellar for the second straight reporting period after dropping nearly 18% in the past three months. Losses were broad-based as every single company in the sub sector traded down. The sub sector is also the worst performing sub sector in the CSPI for the full year with a loss of 21.8%. On the plus side, at least there were two companies in the index (Consolidated Communications and Telephone and Data Systems) that are trading meaningfully higher than they were a year ago. However, these gains were not sufficient to overcome steep losses at Altice, Cable One and WOW. Despite the sub sector's significant losses over the past year, sub sector multiples remained unchanged at 2.5x revenue and 7.0x EBITDA.

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

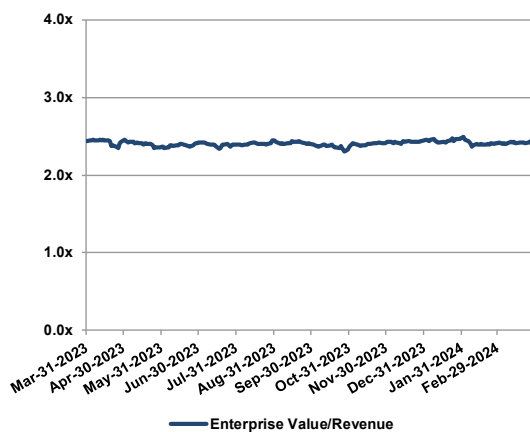
Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Communications Service Provider	2.2%	1.0%
National Providers	2.5%	1.4%
Business and Wholesale	16.8%	-7.1%
Residential Providers	-21.8%	-17.9%
S&P 500	27.9%	10.2%
NASDAQ	34.0%	9.1%

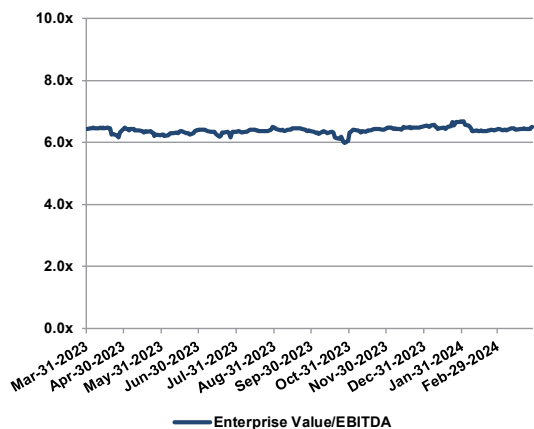
Revenue Multiple Trends



Sector and Sub Sector Revenue Multiples

	3/31/2024	3/31/2023
Communications Service Provider	2.4x	2.4x
National Providers	2.4x	2.4x
Business and Wholesale	4.9x	4.8x
Residential Providers	2.5x	2.5x

EBITDA Multiple Trends



Sector and Sub Sector EBITDA Multiples

	3/31/2024	3/31/2023
Communications Service Provider	6.5x	6.4x
National Providers	6.5x	6.4x
Business and Wholesale	11.3x	9.7x
Residential Providers	7.0x	7.0x

Source: Capital IQ

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

M&A

M&A activity in the Communications Service Provider sub sector continued to bump along at a fairly modest rate. We counted 19 total transactions this period for a total announced transaction dollar volume of \$670 million. Both of these figures are slightly below historical norms, but there is still plenty of time left in 2024 for the sector to pick up momentum.

Business and Wholesale

The Business and Wholesale sub sector accounted for nine of the transactions this period. The managed network services area was active as Nitel purchased WAN Dynamics, Towerbrook Capital Partners acquired CBTS and Affluence Corporation acquired Contrivian. In contrast, there was only a single transaction involving a target that owns and operates its own business fiber network. This was Pavlov Media's acquisition of a 45-mile fiber ring in Tallahassee, Florida. We also noted that two serial acquirers of telecommunications agents were both active for the second straight period. Amplix acquired Go2, while UPSTACK acquired both Strategic Telecom Partners and the telecom services division of CA Communications. Earthlink is another company that has been active of late, and this period it acquired yet another provider of fixed wireless services for businesses with its purchase of QX.net. In the sub sector's final M&A transaction this period, IPFone acquired VoIP communications services company Joon.

Residential Providers

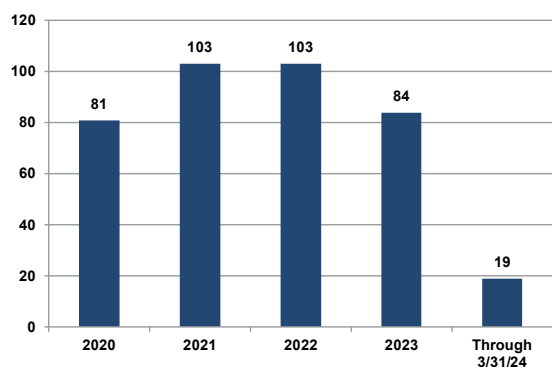
We counted 10 transactions this period in the Residential Providers sub sector. The market for companies serving MDUs and master planned communities has been active of late, and this was reflected in the makeup of this period's transactions. Transactions that fell into this category were the Boldyn Networks Infrastructure acquisition of Apogee, the Sixth Street investment in Blue Stream Fiber and the Oak Hill Capital Partners acquisition of Wire 3. In addition to these three transactions, Ares Management also made a significant investment in FTTH provider Bluepeak. We also noted that two large cable providers made acquisitions of smaller cable providers, with Vyve Broadband announcing that it would acquire Atom Broadband while Charter plans to acquire Astrea. The last transaction we will specifically highlight is the investment by MC Partners in AccessParks. AccessParks provides broadband services in non-traditional settings including trailer parks, national and state parks and manufactured housing.

Transactions with Announced Multiples

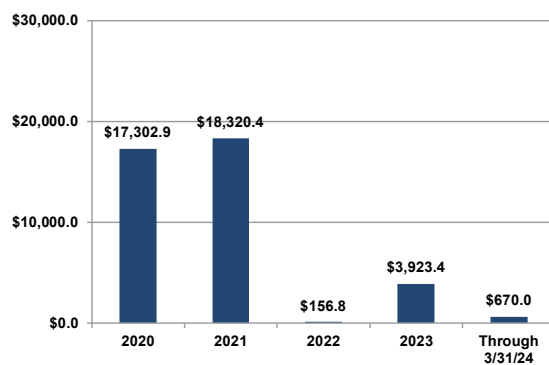
The only transactions with an announced multiple this period was the Towerbrook Capital Partners acquisition of CBTS, which was done at 0.5x revenue. The EBITDA multiple for this transaction was not announced.

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 (1/1/24 – 3/31/24)

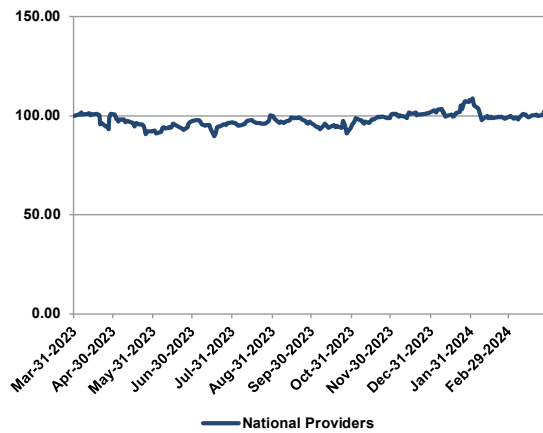
Acquiror	Target	Sector	Date Announced	Purchase Price	Description
Nitel	WAN Dynamics	Business and Wholesale	3/26/24	NA	Managed network and software defined wide area networking services for businesses.
Pavlov Media	Dial Communications (Fiber Ring)	Business and Wholesale	3/19/24	NA	45 mile fiber ring in Tallahassee, Florida.
Boldyn Networks Infrastructure	Apogee	Residential Provider	3/6/24	NA	On-campus ISP, VoIP and IP video managed services for colleges and universities.
Visionary Broadband	Aristata Communications	Residential Provider	3/6/24	NA	WISP serving Chaffee, Fremont, Custer, Huerfano and Lake counties in Colorado.
Ares Management	Bluepeak	Residential Provider	2/29/24	NA	Provider of fiber broadband to residential and commercial customers in communities across the Great Plains region.
UPSTACK	CA Communications (Telecom Services Division)	Business and Wholesale	2/29/24	NA	Provides telecommunications integration services including networking, datacenter, unified communications and contact center.
EarthLink	QX.net	Business and Wholesale	2/20/24	NA	Fixed fiber and wireless internet services for businesses in the U.S. including internet, voice and SD-WAN.
Sixth Street	Blue Stream Fiber	Residential Provider	2/13/24	NA	Provides fiber-based triple play services in Coral Springs, Florida.
Sago Internet	ClearBadger	Residential Provider	2/12/24	NA	Fixed wireless internet provider serving more than 80 square miles in Bexar and Atascosa Counties in Texas.
Towerbrook Capital Partners	CBTS	Business and Wholesale	2/6/24	\$670.0	Cloud consulting, data protection, SD-WAN, network-as-a-service, secure access service edge and contact center solutions for businesses.
IPFone	Joon	Business and Wholesale	2/5/24	NA	Provider of cloud-based VoIP business communications solutions.
Vyve Broadband	Atom Broadband	Residential Provider	2/1/24	NA	Residential and commercial assets serving the communities of Newkirk, Stratford and Kiowa Oklahoma.
Charter Communications	Astrea	Residential Provider	1/26/24	NA	Provider of video and internet service in dozens of rural communities in Wisconsin and Northern Michigan.
Rural Telecommunications of America	Blue Ridge Fiber	Residential Provider	1/26/24	NA	Fiber to the home internet services for businesses and consumers in the Midland-Odessa area of Texas.
Affluence Corporation	Contrivian	Business and Wholesale	1/18/24	NA	Dedicated fiber, business broadband, wireless and satellite-based internet and network connectivity services for businesses.
UPSTACK	Strategic Telecom Partners	Business and Wholesale	1/18/24	NA	Datacenter colocation, network connectivity, SD-WAN migration, unified communications and cloud contact center services.
M/C Partners	AccessParks	Residential Provider	1/17/24	NA	Broadband provider focused on serving RV parks, national and state parks and manufactured housing.
Oak Hill Capital Partners	Wire 3	Residential Provider	1/4/24	NA	Provider of fiber broadband services to Florida communities within Volusia, Brevard, Indian River, St. Lucie, Orange and Marion counties.
Amplix	Go2	Business and Wholesale	1/2/24	NA	Provides technology advisory services spanning connectivity, cloud telephony, voice and mobility.

M&A Announced Transactions with Revenue Multiples (4/1/23 – 3/31/24)

Acquiror	Target	Sector	Date Announced	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Towerbrook Capital Partners	CBTS	Business and Wholesale	2/6/24	\$670.0	0.5 x	NA	Cloud consulting, data protection, SD-WAN, network-as-a-service, secure access service edge and contact center solutions for businesses.
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

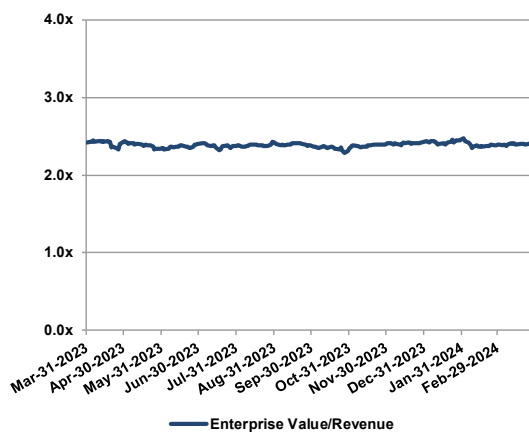
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
National Providers Index	2.5%	1.4%
AT&T	-8.6%	4.9%
Charter	-18.7%	-25.2%
Comcast	14.3%	-1.1%
Lumen	-41.1%	-14.8%
Verizon	7.9%	11.3%

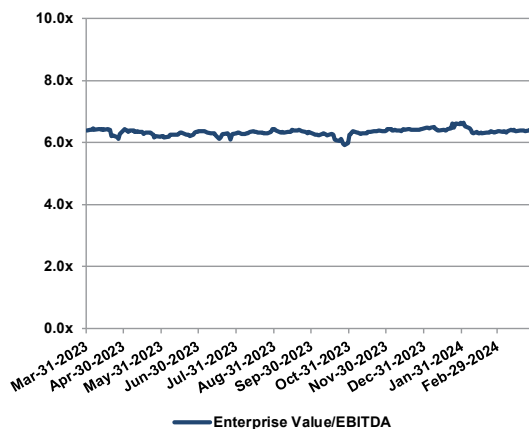
Revenue Multiple Trends



Company Revenue Multiples

	3/31/2024	3/31/2023
National Providers Index	2.4x	2.4x
AT&T	2.4x	2.5x
Charter	2.6x	2.9x
Comcast	2.2x	2.2x
Lumen	1.4x	1.4x
Verizon	2.6x	2.5x

EBITDA Multiple Trends



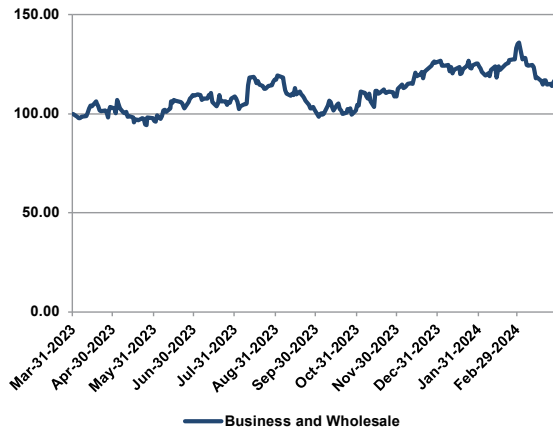
Company EBITDA Multiples

	3/31/2024	3/31/2023
National Providers Index	6.5x	6.4x
AT&T	7.1x	7.2x
Charter	6.9x	7.3x
Comcast	7.2x	7.2x
Lumen	5.0x	4.0x
Verizon	7.4x	7.1x

Source: Capital IQ

Sub Sector Analysis: Business and Wholesale

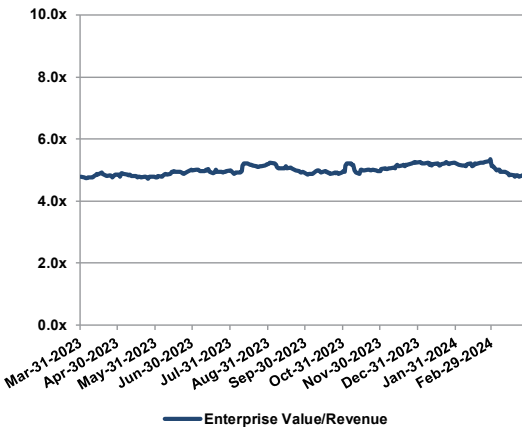
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Business and Wholesale Index	16.8%	-7.1%
Bandwidth	20.1%	26.2%
Cogent Communications	2.5%	-14.1%
Uniti	66.2%	2.1%

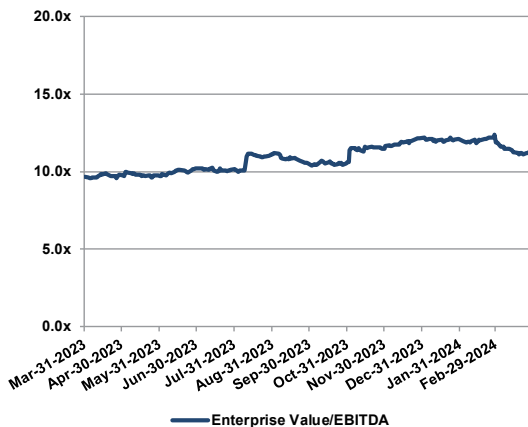
Revenue Multiple Trends



Company Revenue Multiples

	3/31/2024	3/31/2023
Business and Wholesale Index	4.9x	4.8x
Bandwidth	1.6x	1.2x
Cogent Communications	5.5x	7.1x
Uniti	6.1x	5.3x

EBITDA Multiple Trends



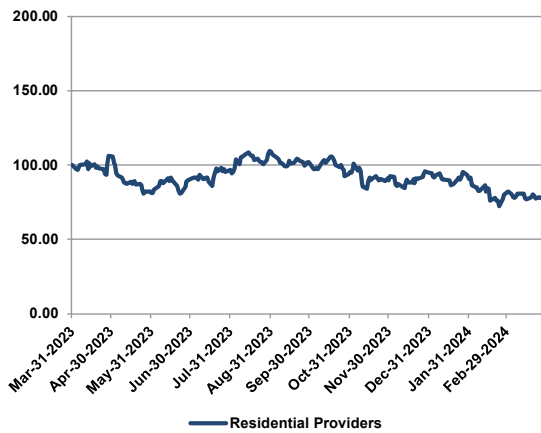
Company EBITDA Multiples

	3/31/2024	3/31/2023
Business and Wholesale Index	11.3x	9.7x
Bandwidth	281.0x	165.4x
Cogent Communications	40.5x	20.2x
Uniti	7.8x	6.9x

Source: Capital IQ

Sub Sector Analysis: Residential Providers

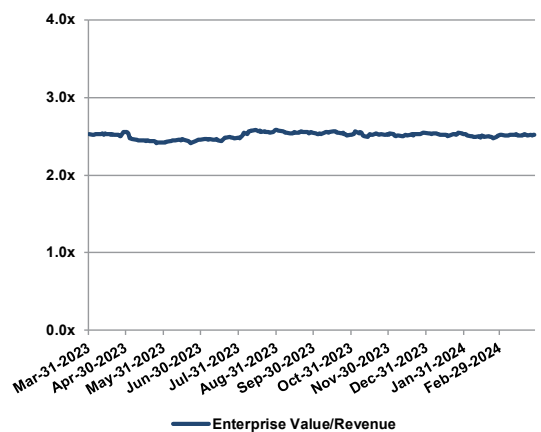
Twelve Month Index Returns



Company Returns

	12 Month	3 Month
Residential Providers Index	-21.8%	-17.9%
Altice	-23.7%	-19.7%
Cable One	-39.7%	-24.0%
Consolidated Communications	67.4%	-0.7%
Telephone and Data Systems	52.4%	-12.7%
WOW	-65.9%	-10.6%

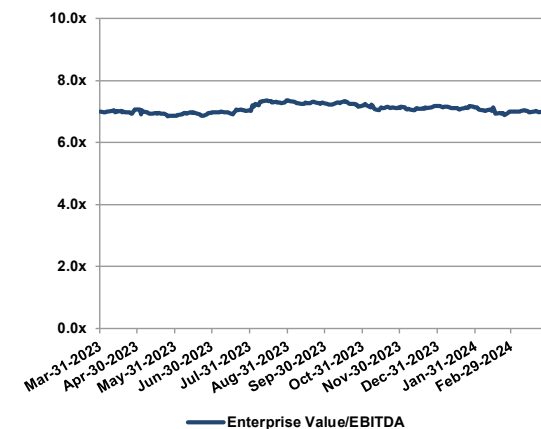
Revenue Multiple Trends



Company Revenue Multiples

	3/31/2024	3/31/2023
Residential Providers Index	2.5x	2.5x
Altice	2.8x	3.0x
Cable One	3.5x	4.5x
Consolidated Communications	2.8x	2.0x
Telephone and Data Systems	1.7x	1.4x
WOW	1.8x	2.3x

EBITDA Multiple Trends



Company EBITDA Multiples

	3/31/2024	3/31/2023
Residential Providers Index	7.0x	7.0x
Altice	7.4x	7.8x
Cable One	6.6x	8.5x
Consolidated Communications	11.9x	7.3x
Telephone and Data Systems	8.0x	7.3x
WOW	6.7x	9.3x

Source: Capital IQ

FOCUS Telecom Technology and Services Team



Richard H. Pierce

Managing Director and Telecom
Technology and Services Team
Leader, Washington, DC

rich.pierce@focusbankers.com
202-470-1983

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.



David Freeland

Managing Director,
San Francisco, California

david.freeland@focusbankers.com
978-505-1837

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.

© 2024 FOCUS Investment Banking LLC

FOCUS

Investment Banking

HEADQUARTERS

FOCUS Investment Banking LLC
8065 Leesburg Pike, Suite 750, Vienna, VA 22182
202.785.9404 | 202.785.9413 (fax)

Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker Dealer member FINRA/SIPC.