

M&A INDUSTRY REPORT

# Telecom U.S. Communications Service Provider

FOCUS is a leading national M&A brand for the lower middle market. With over 40 years of experience, a global footprint, and hundreds of successful deals across myriad industries, FOCUS continues its mission to redefine the banker/client relationship.

SUMMER 2024



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## OVERVIEW

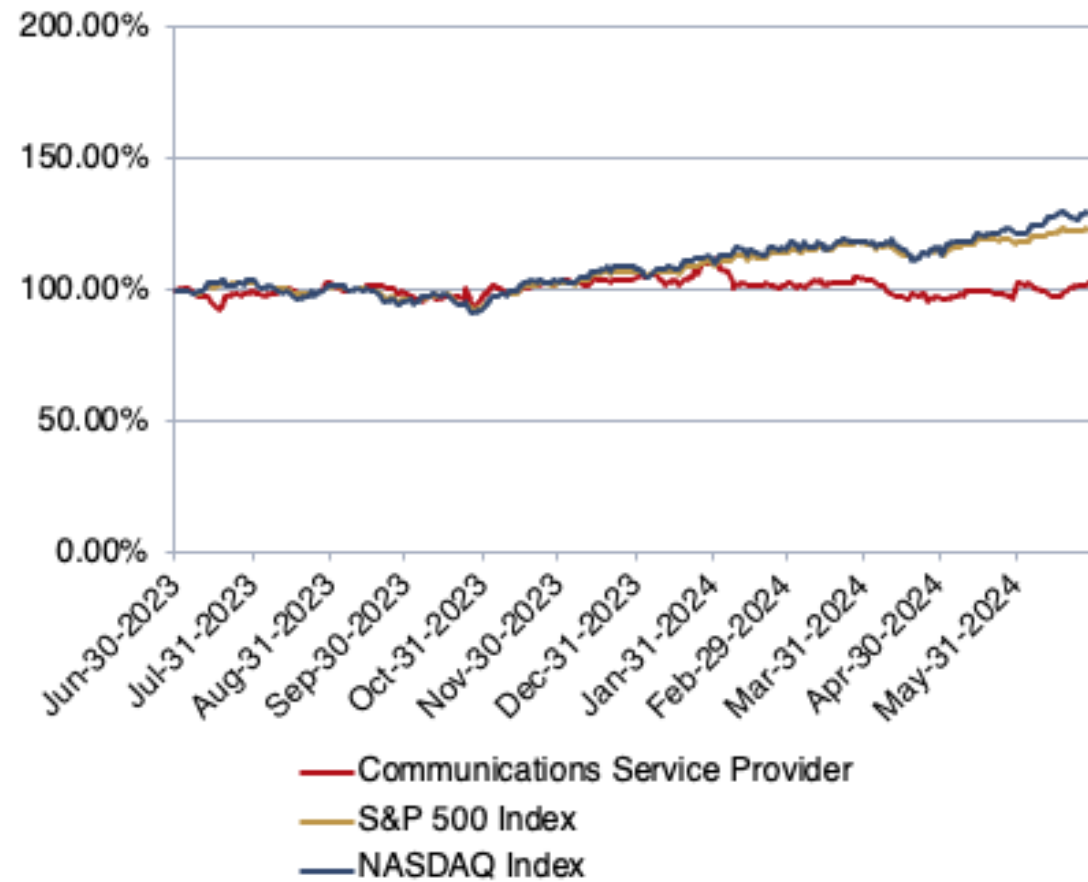
# After turning in positive returns in each of our last two reports, the FOCUS Communications Service Provider Index (CSPI) fell into negative territory with a three-month loss of 1.8%.

This loss was despite a generally positive market backdrop that saw the S&P 500 gain 3.9% and the NASDAQ gain 8.3% over the corresponding time period. Over the last 12 months, the CSPI was up 3.2%. This performance once again trailed the broader indices, as both the S&P 500 and the NASDAQ were up more than 20% over the past year. Sector multiples closed out the period at 2.4x revenue and 6.4x EBITDA. These multiples are unchanged from this same time last year.

The only sub sector in the CSPI to post a positive return over the past three months was the Residential Providers, which inched up 0.7%. The sub sector's best performers were Telephone and Data Systems and WOW, both of which were buoyed by potential M&A rumors. The National Providers sub sector declined 1.6% this period as Comcast dropped nearly 10% and Lumen dropped nearly 30%. However, it was not all gloom and doom for the sub sector as AT&T jumped up 8.6%. The CSPI's worst performing sub sector by a wide margin was Business and Wholesale. This sub sector plummeted nearly 25% in the past three months. While all of the companies in the sub sector posted negative returns, Uniti was the worst performing stock as the company shed half of its value after announcing it would merge with Windstream.

**PUBLIC MARKETS SUMMARY**

**Twelve Month Index Returns**



**Sector and Sub Sector Returns**

	12 Month	3 Month
Communications Service Provider	3.2%	-1.8%
National Providers	3.6%	-1.6%
Business and Wholesale	-18.1%	-23.4%
Residential Providers	-13.1%	0.7%
S&P 500	22.7%	3.9%
NASDAQ	28.6%	8.3%

**PUBLIC MARKETS SUMMARY CONTINUED**

## Sector and Sub Sector Revenue Multiples

	6/30/24	6/30/23
Communications Service Provider	2.4x	2.4x
National Providers	2.4x	2.4x
Business and Wholesale	4.3x	5.0x
Residential Providers	2.5x	2.5x

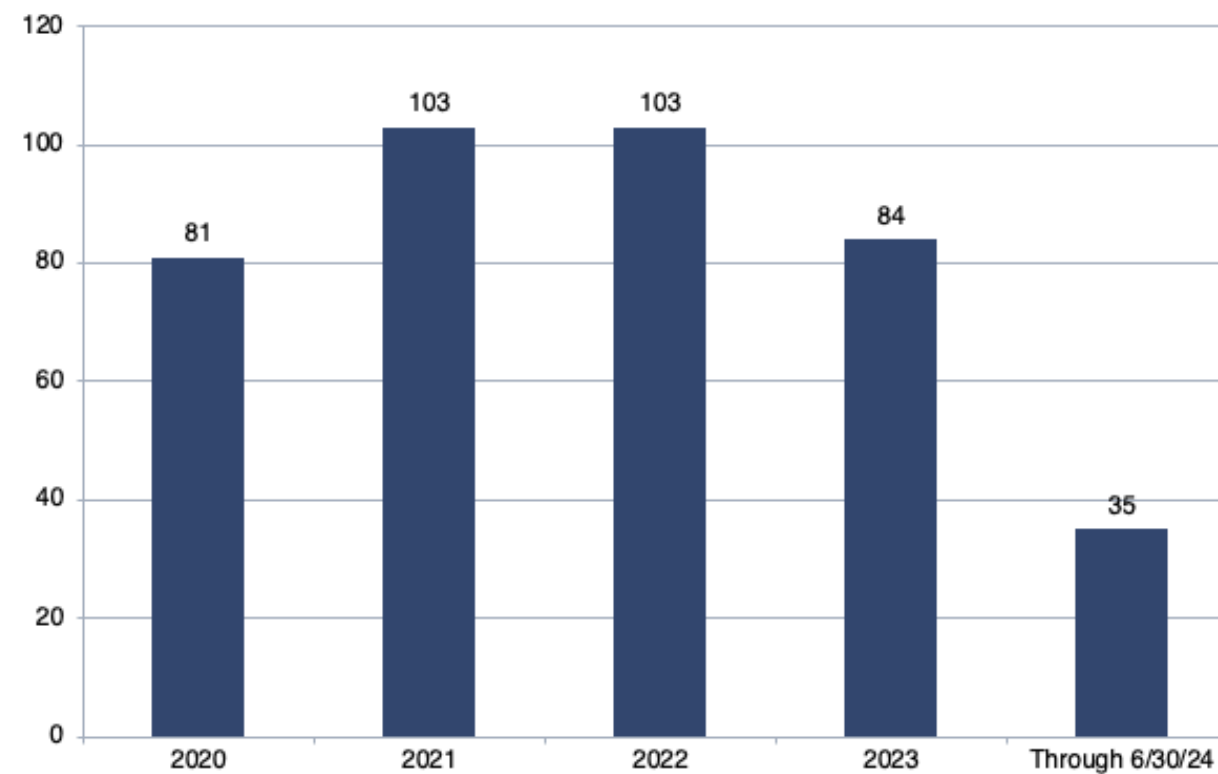
## Sector and Sub Sector EBITDA Multiples

	6/30/2024	6/30/2023
Communications Service Provider	6.4x	6.3x
National Providers	6.4x	6.4x
Business and Wholesale	10.4x	10.2x
Residential Providers	6.9x	7.0x

## M&A ACTIVITY

M&A activity in the Communications Service Provider sub sector was below normal levels with only 16 transactions in the past three months. On the plus side, the total announced dollar volume of transactions was extremely strong, coming in at just over \$5 billion. For the first half of 2024, we have seen a total of 35 announced transactions for a total announced transaction dollar value of \$5.8 billion. This means that while 2024 is on track to compare poorly to previous years in terms of the number of transactions, the total announced transaction dollar value is already well ahead of what we have seen in each of the past two years.

### Number of Transactions

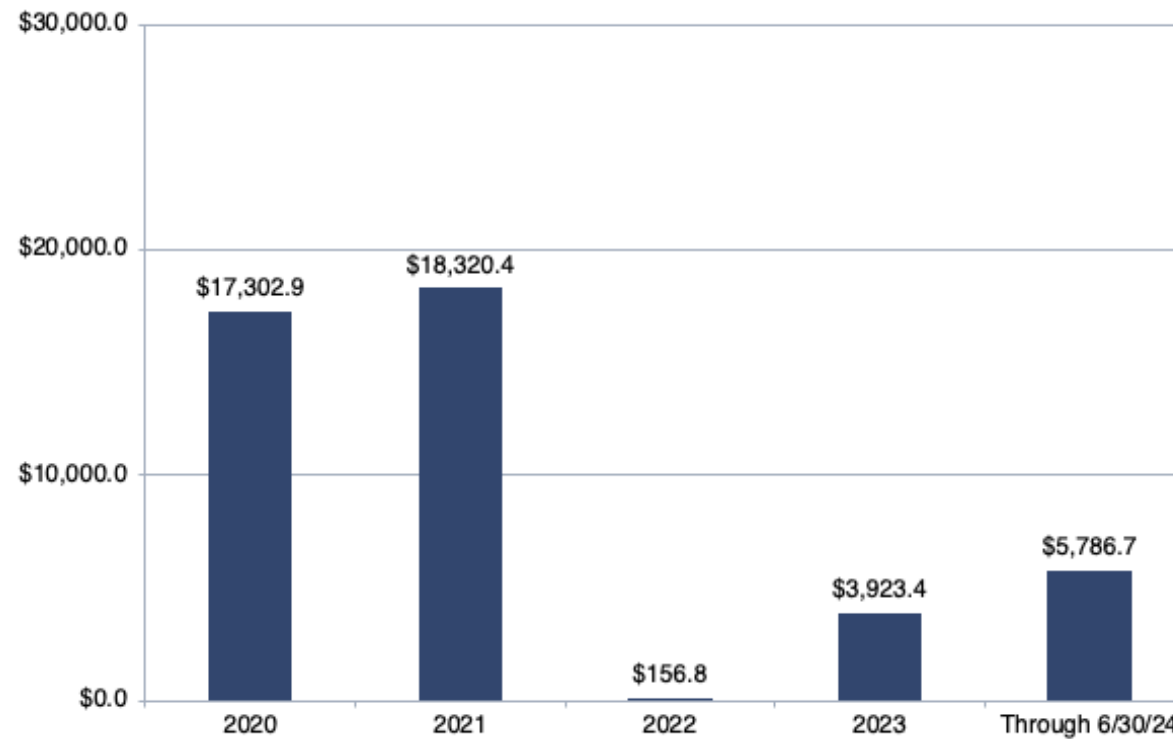


## M&A ACTIVITY

Based on the number of announced transactions, the Business and Wholesale sub sector dominated M&A activity as it accounted for 10 of our 16 total transactions. Basalt Infrastructure Partners and Grain Management both inked new business fiber investments in Tahoe Network Infrastructure and 123NET, respectively. In a platform transaction involving an asset light provider, McCarthy Capital acquired cloud communications company NUSO. While the Residential Providers sub sector saw fewer transactions, it did account for the majority of announced transaction dollar value with Uniti's purchase of Windstream for \$4.8 billion. In another notable transaction in the Residential Providers space, EQT and T-Mobile are banding together to invest in Lumos Networks to expand its FTTH platform.

The only transaction with an announced multiple this period was Uniti's acquisition of Windstream. The multiple for this transaction was 1.2x revenue and 5.3x EBITDA.

### \$ Value of Transactions in Millions



## ANNOUNCED TRANSACTIONS (4/1/24 - 6/30/24)

Acquiror	Target	Date Announced	Sector	Purchase Price	Description
Element 78 Partners	The Avail Group	6/13/24	Business and Wholesale	NA	Designs, deploys and integrates network and cloud, wireless and data, connectivity, IP and virtualization solutions.
Smartaira	Lux Speed	6/12/24	Residential Provider	NA	Florida-based provider of internet services to multifamily dwellings.
Lightpath	United Fiber and Data	6/10/24	Business and Wholesale	NA	High-fiber count network between New York and Virginia.
Wilkes Communications	TDS Telecom (Amelia Telephone and New Castle Telephone Subsidiaries)	6/4/24	Residential Provider	NA	Provides telecommunications and broadband services to rural and underserved communities in Virginia.
Basalt Infrastructure Partners	Tahoe Network Infrastructure	5/23/24	Business and Wholesale	\$235.0	Wide area networks and fiber internet services for school districts and libraries in the central U.S. using the FCC E-Rate program.
In-Telecom Consulting	Lantana Communications	5/29/24	Business and Wholesale	NA	Provider of VoIP and managed IT solutions in Texas.
iQSTEL	Lynk	5/10/24	Business and Wholesale	NA	Session initiation protocol voice services for businesses including toll-free, inward dialing, messaging, support and call management.
Nicholas Financial	Amplex Electric	5/6/24	Residential Provider	\$37.5	Ohio-based provider of rural broadband services with over 9,100 fixed wireless customers, 9,000 fiber passings and 3,500 fiber customers.
Uniti	Windstream	5/3/24	Residential Provider	\$4,844.2	Fiber-based broadband for residential and small business customers as well as cloud communications and networking for larger organizations.
46 Labs	Hypercube	5/1/24	Business and Wholesale	NA	Communication services for carriers, telecom resellers and corporate businesses including VoIP and wholesale voice termination.
Stratus Networks	iFiber	5/1/24	Business and Wholesale	NA	Owns and operates a high-speed fiber optic network providing services to businesses across northwest Illinois.
EQT Infrastructure and T-Mobile	Lumos Networks	4/25/24	Residential Provider	NA	Fiber internet, whole-home Wi-Fi, voice and streaming services across Virginia, North Carolina, and South Carolina.
Grain Management	123NET	4/22/24	Business and Wholesale	NA	Fiber internet, colocation, and business voice services provider with a 3,100 route mile network and high density data centers in Michigan.
McCarthy Capital	NUSO	4/17/24	Business and Wholesale	NA	Cloud communications, customer experience and CPaaS enablement solutions.
ResortNet	Broadband MDU	4/4/24	Residential Provider	NA	Broadband internet and television services to residents and guests of multifamily and hospitality properties in the U.S.
EarthLink	BroadAspect	4/2/24	Business and Wholesale	NA	Virginia-based service provider with a fiber and fixed wireless network that serves business customers.



## M&A TRANSACTIONS WITH ANNOUNCED MULTIPLES (7/1/24 - 6/30/24)

Acquiror	Target	Date Announced	Sector	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Uniti	Windstream	5/3/24	Residential Provider	\$4,844.2	1.2 x	5.3 x	Fiber-based broadband for residential and small business customers as well as cloud communications and networking for larger organizations.
Towerbrook Capital Partners	CBTS	2/6/24	Business and Wholesale	\$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 Telecom	10/24/23	Residential Provider	\$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	10/17/23	Residential Provider	\$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	7/10/23	Business and Wholesale	\$200.0	3.4 x	NA	Platform for the software-defined interconnection of applications and infrastructures that allows users to self-provision connections.

## OUR TEAM

# FOCUS Telecom Technology and Services Team



### **Richard H. Pierce**

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

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Rich Pierce has more than 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**

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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.

## APPENDIX

### SUB SECTOR ANALYSIS:

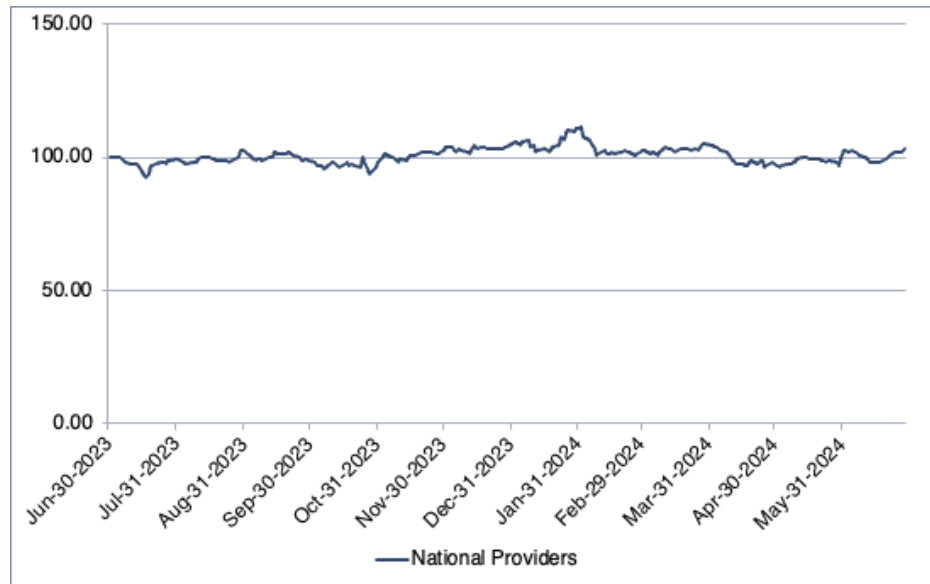
- National Providers
- Business and Wholesale
- Residential Providers

## 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.

**SUB SECTOR ANALYSIS: NATIONAL PROVIDERS**

**Twelve Month Index Return**



**Company Returns**

	12 Month	3 Month
National Providers Index	3.6%	-1.6%
AT&T	19.8%	8.6%
Charter	-18.6%	2.9%
Comcast	-5.8%	-9.7%
Lumen	-51.3%	-29.5%
Verizon	10.9%	-1.7%

**Company Revenue Multiples**

	6/30/24	6/30/23
National Providers Index	2.4x	2.4x
AT&T	2.5x	2.4x
Charter	2.6x	2.9x
Comcast	2.0x	2.2x
Lumen	1.3x	1.4x
Verizon	2.6x	2.5x

**Company EBITDA Multiples**

	6/30/24	6/30/23
National Providers Index	6.4x	6.4x
AT&T	7.2x	6.9x
Charter	6.8x	7.3x
Comcast	6.5x	7.2x
Lumen	4.9x	4.1x
Verizon	7.4x	7.1x

**SUB SECTOR ANALYSIS: BUSINESS AND WHOLESALE**

**Twelve Month Index Return**



**Company Returns**

	12 Month	3 Month
Business and Wholesale Index	-18.1%	-23.4%
Bandwidth	23.4%	-7.6%
Cogent Communications	-16.1%	-13.6%
Uniti	-36.8%	-50.5%

**Company Revenue Multiples**

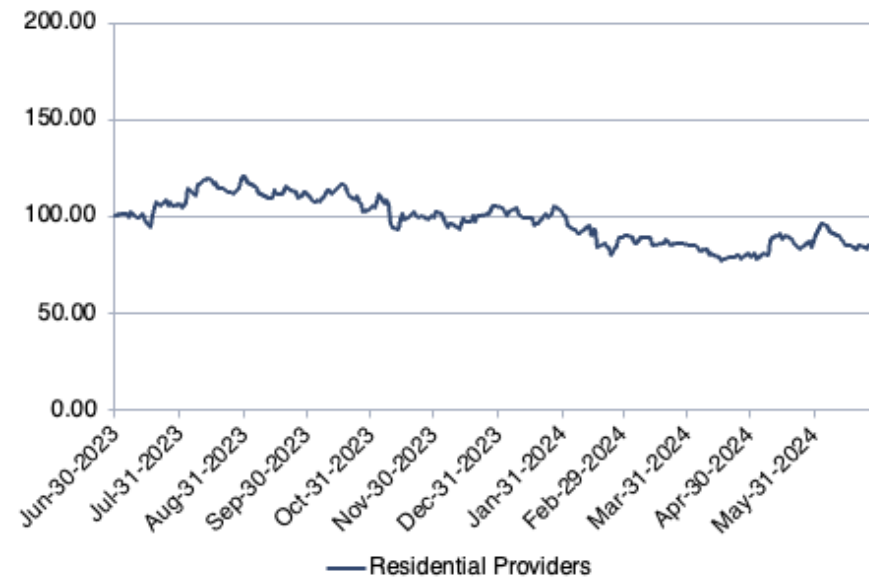
	6/30/24	6/30/23
Business and Wholesale Index	4.3x	5.0x
Bandwidth	1.5x	1.1x
Cogent Communications	4.5x	6.5x
Uniti	5.6x	5.7x

**Company EBITDA Multiples**

	6/30/24	6/30/23
Business and Wholesale Index	10.4x	10.2x
Bandwidth	106.8x	101.9x
Cogent Communications	48.4x	25.4x
Uniti	7.3x	7.4x

## SUB SECTOR ANALYSIS: RESIDENTIAL PROVIDERS

### Twelve Month Index Return



### Company Returns

	12 Month	3 Month
Residential Providers Index	-13.1%	0.7%
Altice	-32.5%	-21.8%
Cable One	-46.1%	-16.3%
Consolidated Communications	14.9%	1.9%
Telephone and Data Systems	151.9%	29.4%
WOW	-35.9%	49.4%

### Company Revenue Multiples

	6/30/24	6/30/23
Residential Providers Index	2.5x	2.5x
Altice	2.8x	2.8x
Cable One	3.2x	4.3x
Consolidated Communications	2.9x	2.3x
Telephone and Data Systems	1.8x	1.4x
WOW	2.1x	2.1x

### Company EBITDA Multiples

	6/30/24	6/30/23
Residential Providers Index	6.9x	7.0x
Altice	7.4x	7.4x
Cable One	6.2x	8.2x
Consolidated Communications	11.7x	8.7x
Telephone and Data Systems	8.3x	7.7x
WOW	6.1x	8.6x

## ABOUT FOCUS INVESTMENT BANKING

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](http://www.focusbankers.com).

