

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.

FALL 2024



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OVERVIEW

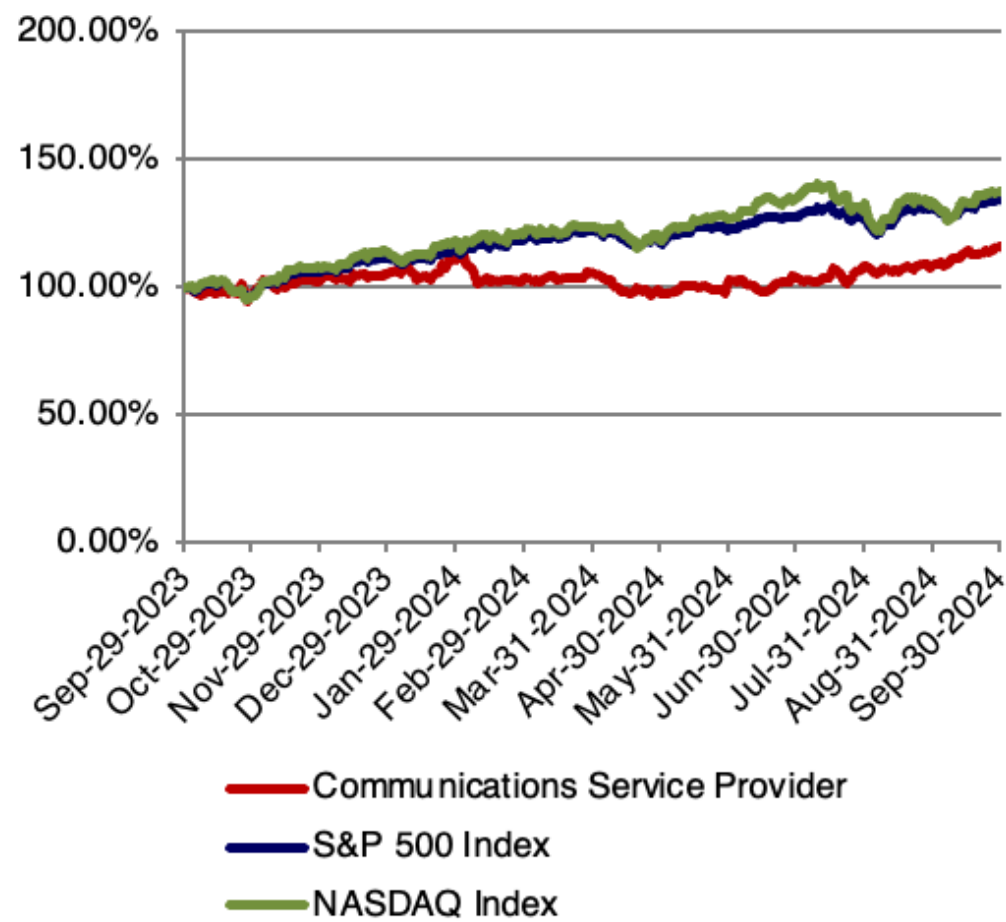
The FOCUS Communications Service Provider Index (CSPI) had an extremely strong fall reporting period with a three-month gain of 11.2%.

This handily outperformed both the S&P 500 (up 5.5%) and the NASDAQ (up 2.6%). This period's performance also increased the CSPI's year-over-year gain to 15.8%. While strong, this performance still falls well short of the 34.4% year-over-year gain in the S&P 500 as well as the 37.6% year-over-year gain in the NASDAQ. Sector multiples are higher than they were at this time last year. The revenue multiple ticked up from 2.4x a year ago to 2.5x currently, while the EBITDA multiple jumped from 6.4x to 6.7x over the same time frame.

All of our three CSPI sub sectors posted positive returns over the past three months. The Business and Wholesale sub sector was far and away the top performer with a gain of 41.6% for the period. The main drivers for this were Cogent Communications (up 34.5%) and Uniti (up 93.2%). The National Providers sub sector also enjoyed a solid gain of 11.0% over the past three months. Lumen was the big story here as the stock rocketed up more than 500%. Lumen's increase was due to several recent large contract wins and investor belief that the company is well-positioned to benefit from a surge in fiber demand as large companies deploy AI. Finally, the Residential Providers sub sector brought up the rear of the CSPI this period, but still managed to post a strong gain of 7.5%. Altice and Telephone and Data Systems both enjoyed double digit gains, but losses at Cable One and WOW served as a drag on overall sub sector performance.

PUBLIC MARKETS SUMMARY

Twelve Month Index Returns



Sector and Sub Sector Returns

	12 Month	3 Month
Communications Service Provider	15.8%	11.2%
National Providers	16.3%	11.0%
Business and Wholesale	24.0%	41.6%
Residential Providers	-16.9%	7.5%
S&P 500	34.4%	5.5%
NASDAQ	37.6%	2.6%

PUBLIC MARKETS SUMMARY CONTINUED

Sector and Sub Sector Revenue Multiples

	9/30/24	9/30/23
Communications Service Provider	2.5x	2.4x
National Providers	2.5x	2.4x
Business and Wholesale	4.8x	4.9x
Residential Providers	2.6x	2.6x

Sector and Sub Sector EBITDA Multiples

	9/30/24	9/30/23
Communications Service Provider	6.7x	6.4x
National Providers	6.7x	6.3x
Business and Wholesale	11.7x	10.5x
Residential Providers	7.2x	7.3x

M&A ACTIVITY

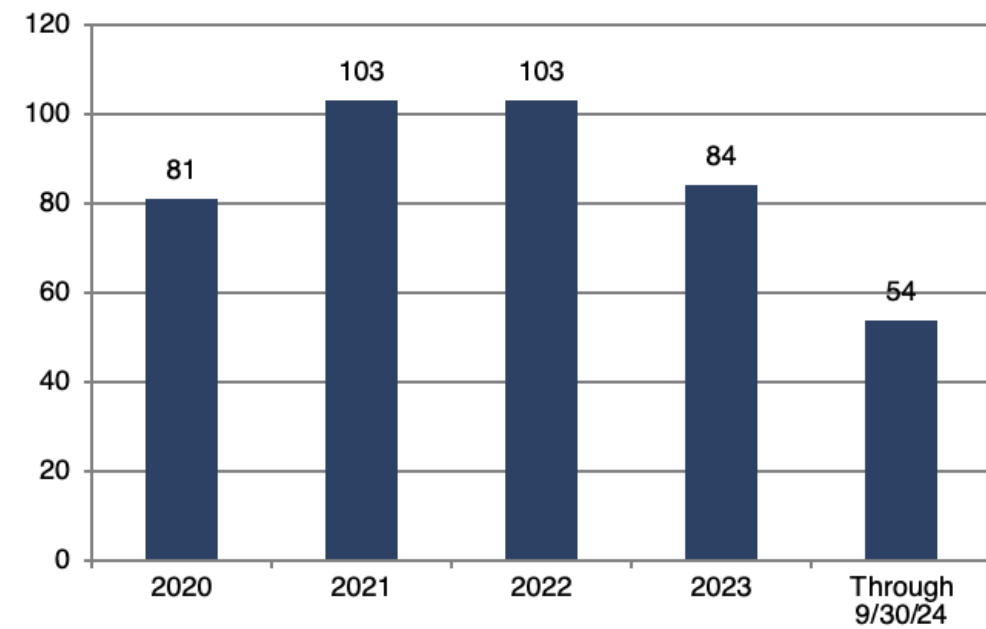
The Communications Service Provider sub sector saw a sharp spike in activity with 19 total transactions for the period. The total announced transaction dollar value of these transactions was also extremely high at \$19.9 billion. Through September, the sector has had 54 transactions with a total announced transaction dollar value of \$25.7 billion. This means that 2024 is shaping up oddly in terms of M&A trends. On the one hand, the number of announced M&A transactions is relatively low, and it appears highly likely that 2024 will see fewer M&A transactions than any year in the last five. However, with \$25.7 billion in year-to-date total announced transaction dollar value, the year has already surpassed any year since 2016 based on this metric.

Clearly the transaction that garnered the most attention this period was Verizon's announcement that it intends to acquire Frontier Communications for \$19.9 billion. Not only was this the period's largest transaction, but it is the largest transaction in the sector since CenturyLink's acquisition of Level 3 Communications all the way back in 2016. We also noted with interest the acquisition of Metronet by T-Mobile and KKR. While no transaction dollar value was made publicly available, this was undoubtedly a large transaction as well. In addition, it further reinforces T-Mobile's interest in the fiber broadband space after last period's acquisition of Lumos. While the Residential Provider sub sector had the larger transactions, the Business and Wholesale sub sector was more active, accounting for 10 of the 19 transactions this period. This activity included a new platform company in the sub sector as family office Davenport acquired both TeleCloud and Third Generation.

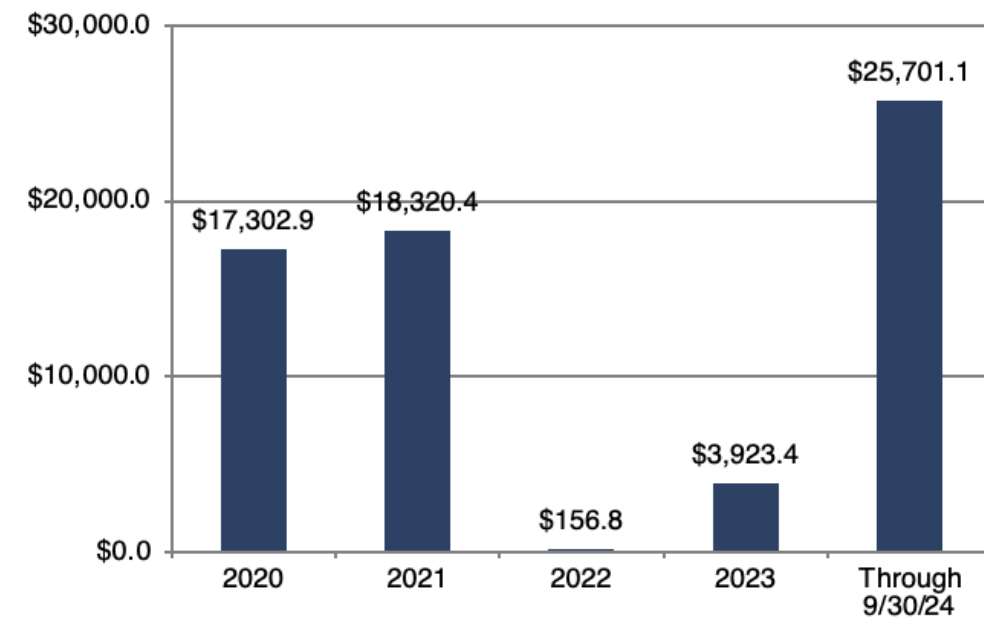
The only transaction with an announced multiple this period was Verizon's acquisition of Frontier Communications. The multiples for this transaction were 3.4x revenue and 8.6x EBITDA.

M&A ACTIVITY

Number of Transactions



\$ Value of Transactions in Millions



ANNOUNCED TRANSACTIONS (7/1/24 - 9/30/24)

Acquiror	Target	Date Announced	Sector	Purchase Price	Description
Davenforth	TeleCloud	9/30/24	Business and Wholesale	NA	Cloud communications and connectivity provider serving the South Central and West Coast regions of the U.S.
Davenforth	Third Generation	9/30/24	Business and Wholesale	NA	Cloud communications services provider serving the Mid-Atlantic region.
Intermedia	NEC (North American UCaaS/CCaaS Business)	9/24/24	Business and Wholesale	NA	Provides unified communications as a service and contact center as a service solutions for businesses.
Sail Internet	Paxio (Residential Business)	9/4/24	Residential Provider	NA	1,400 residential fiber subscribers and HOA and property agreements in the San Francisco Bay area.
Verizon Communications	Frontier Communications	9/5/24	Residential Provider	\$19,914.4	Provides fiber optic communications services to 2.2 million subscribers across 25 states.
Big Bend Telephone	TDS (Cable Assets in Alpine and Fort Stockton, TX)	8/21/24	Residential Provider	NA	Provides cable television services in Alpine and Fort Stockton, Texas.
Poka Lambro Telecommunications	TDS (Cable Assets in Seminole, Seagraves and Denver City, TX)	8/21/24	Residential Provider	NA	Provides cable television services in Seminole, Seagraves and Denver City, Texas.
C3 Complete	TRACI.net	8/20/24	Business and Wholesale	NA	Managed voice and messaging, data connectivity and internet access, hosted VoIP and other communications services.
ScanSource	Resourcive	8/8/24	Business and Wholesale	NA	Technology partner focused on cloud, connectivity, voice, IEM, managed services and security solutions for business customers.
46 Labs	Lingo (Impact Telecom Subsidiary)	8/1/24	Business and Wholesale	NA	Wholesale voice service provider with a nationwide feature group D network and over 300 carriers connected to this network.
REV	Wavefly (Certain MDU Assets)	8/1/24	Residential Provider	NA	Operations serving MDUs in Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina and South Carolina.
T-Mobile and KKR	Metronet	7/24/24	Residential Provider	NA	FTTH operator reaching more than 2 million homes and businesses across 17 states.
AccessPlus	Crocker Communications	7/23/24	Business and Wholesale	NA	Telecommunications services including business phone systems, network and cabling, managed Wi-Fi and internet connectivity.
Lakeland Internet	Baseline Internet	7/18/24	Residential Provider	NA	Provides wireless internet services in the area of Fort Wayne, Indiana.
Highline	IMS	7/17/24	Residential Provider	NA	Provides fiber and wireless internet services in rural southeast Texas.
Snowhawk	SecureVision	7/17/24	Residential Provider	NA	Fiber-based connectivity services for HOAs, property owners, multi-family building managers and vacation communities.
UPSTACK	Performance Networks	7/11/24	Business and Wholesale	NA	Specializes in sourcing and managing complex telecom networks primarily for large enterprises.
Amplix	Twin Lights Group	7/9/24	Business and Wholesale	NA	Technology advisory services covering connectivity, voice and mobility.
ClearlyIP	XCastLabs	7/2/24	Business and Wholesale	NA	Offers hosted VoIP and communications services.

M&A TRANSACTIONS WITH ANNOUNCED MULTIPLES (7/1/24 - 9/30/24)

Acquiror	Target	Date Announced	Sector	Purchase Price	Revenue Multiple	EBITDA Multiple	Description
Verizon Communications	Frontier Communications	9/5/24	Residential Provider	\$19,914.4	3.4 x	8.6 x	Provides fiber optic communications services to 2.2 million subscribers across 25 states.
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 Telcom	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.

OUR TEAM

FOCUS Telecom Communications Services Team



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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

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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:

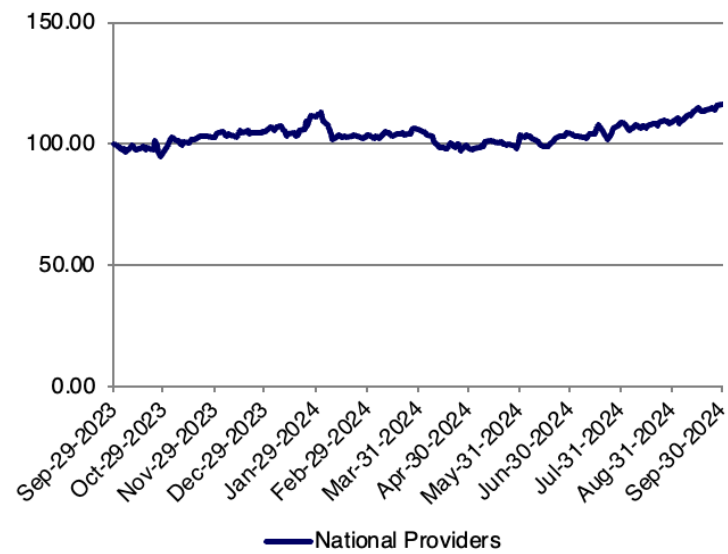
- National Providers
- Business and Wholesale
- Residential Providers

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

	9/30/24	9/30/23
National Providers Index	2.5x	2.4x
AT&T	2.6x	2.3x
Charter	2.7x	3.1x
Comcast	2.1x	2.3x
Lumen	1.8x	1.4x
Verizon	2.7x	2.3x

Company Revenue Multiples

	12 Month	3 Month
National Providers Index	16.3%	11.0%
AT&T	46.5%	15.1%
Charter	-26.3%	8.4%
Comcast	-5.8%	6.7%
Lumen	400.0%	545.5%
Verizon	38.6%	8.9%

Company EBITDA Multiples

	9/30/24	9/30/23
National Providers Index	6.7x	6.3x
AT&T	7.6x	6.7x
Charter	6.9x	7.8x
Comcast	6.8x	7.5x
Lumen	7.1x	4.1x
Verizon	7.6x	6.5x

SUB SECTOR ANALYSIS: BUSINESS AND WHOLESALE

Twelve Month Index Return



Company Returns

	9/30/24	9/30/23
Business and Wholesale Index	4.8x	4.9x
Bandwidth	1.4x	1.0x
Cogent Communications	5.5x	6.9x
Uniti	6.2x	5.8x

Company Revenue Multiples

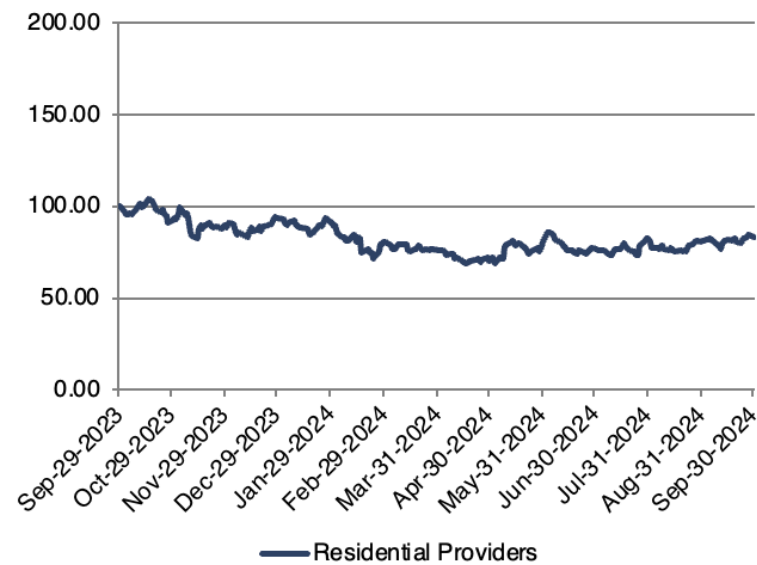
	12 Month	3 Month
Business and Wholesale Index	24.0%	41.6%
Bandwidth	55.4%	3.7%
Cogent Communications	22.6%	34.5%
Uniti	19.5%	93.2%

Company EBITDA Multiples

	9/30/24	9/30/23
Business and Wholesale Index	11.7x	10.5x
Bandwidth	81.1x	92.3x
Cogent Communications	50.1x	26.8x
Uniti	8.0x	7.5x

SUB SECTOR ANALYSIS: RESIDENTIAL PROVIDERS

Twelve Month Index Return



Company Returns

	9/30/24	9/30/23
Residential Providers Index	2.6x	2.6x
Altice	2.9x	2.8x
Cable One	3.2x	4.2x
Consolidated Communications	2.9x	2.4x
Telephone and Data Systems	1.8x	1.6x
WOW	2.1x	2.1x

Company Revenue Multiples

	12 Month	3 Month
Residential Providers Index	-16.9%	7.5%
Altice	-24.8%	20.6%
Cable One	-43.2%	-1.2%
Consolidated Communications	35.7%	5.5%
Telephone and Data Systems	27.0%	12.2%
WOW	-31.4%	-3.0%

Company EBITDA Multiples

	9/30/24	9/30/23
Residential Providers Index	7.2x	7.3x
Altice	7.7x	7.5x
Cable One	6.2x	7.9x
Consolidated Communications	12.2x	9.0x
Telephone and Data Systems	8.3x	8.8x
WOW	5.9x	8.6x

ABOUT FOCUS INVESTMENT BANKING

With more than four 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.

