



Keeping Your Saw Sharp

MATSS

Kansas City, MO

October 11, 2022

Andy Brown

Director of Industry & Client Relations



Looking toward tomorrow



We often get so busy "sawing"
(producing results) that we forget to
"sharpen our saw" (maintain or
increase our capacity to produce
results in the future).

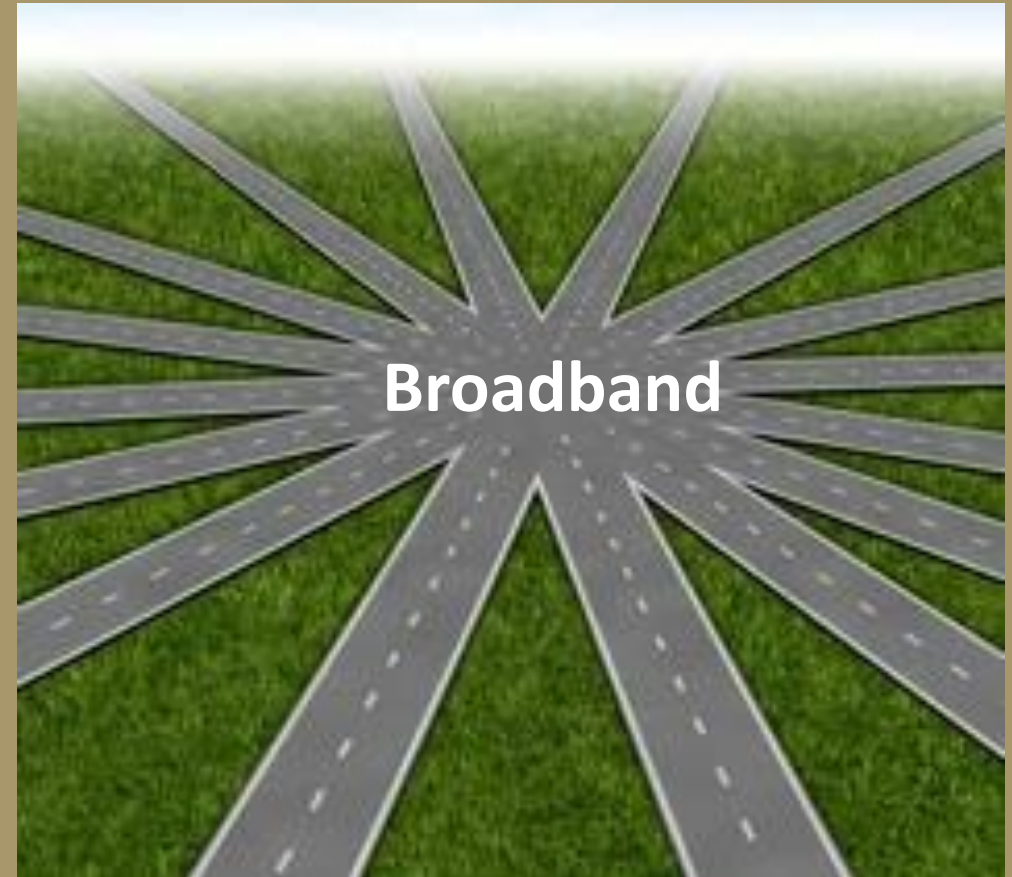
— *Stephen Covey* —

AZ QUOTES



Business is Good, Opportunities are Numerous...

- Broadband has evolved to become the center of commercial and social activity
- Your business is “Broadband”
- Demand for broadband continues to enjoy 40%+ annual growth
- Billions in grant funds are targeted to support broadband
- You are experts in delivering quality broadband service





Time to Huddle

- Change is constant and keeps coming from all directions
- Whether you are playing defense, or want to remain on the offense, now is not the time to let down your guard
 - Remember Kodak enjoyed its highest level of sales just ten years before bankruptcy
- Even when it is crazy, you need to huddle and sharpen your saw





Offensively....

- Where do you need to be in 2030 to remain relevant?
 - 100% Fiber deployment
 - Monetized Pipe
 - Multiple Gig offerings
- How to you get there?
 - Maximize opportunities of the Land grab
 - Detailed Business Plan
 - Reverse Timeline and proper execution
 - Partnerships where it makes sense



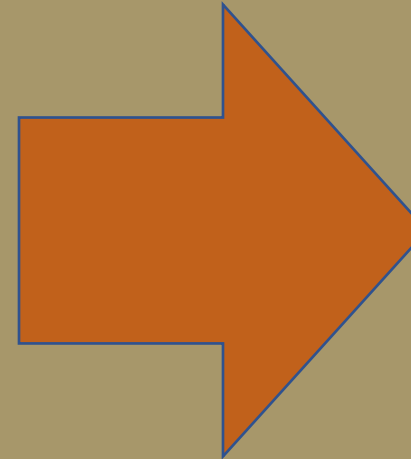
Defensively...

- Identification of competition
- Aggressive advocacy
 - Work with State BB office to design rules
 - Push FCC for continued USF
 - Enlist support of congressional representatives
- Stock up on equipment affected by supply chain issues
- Increase operating efficiencies
- Partnerships where it makes sense



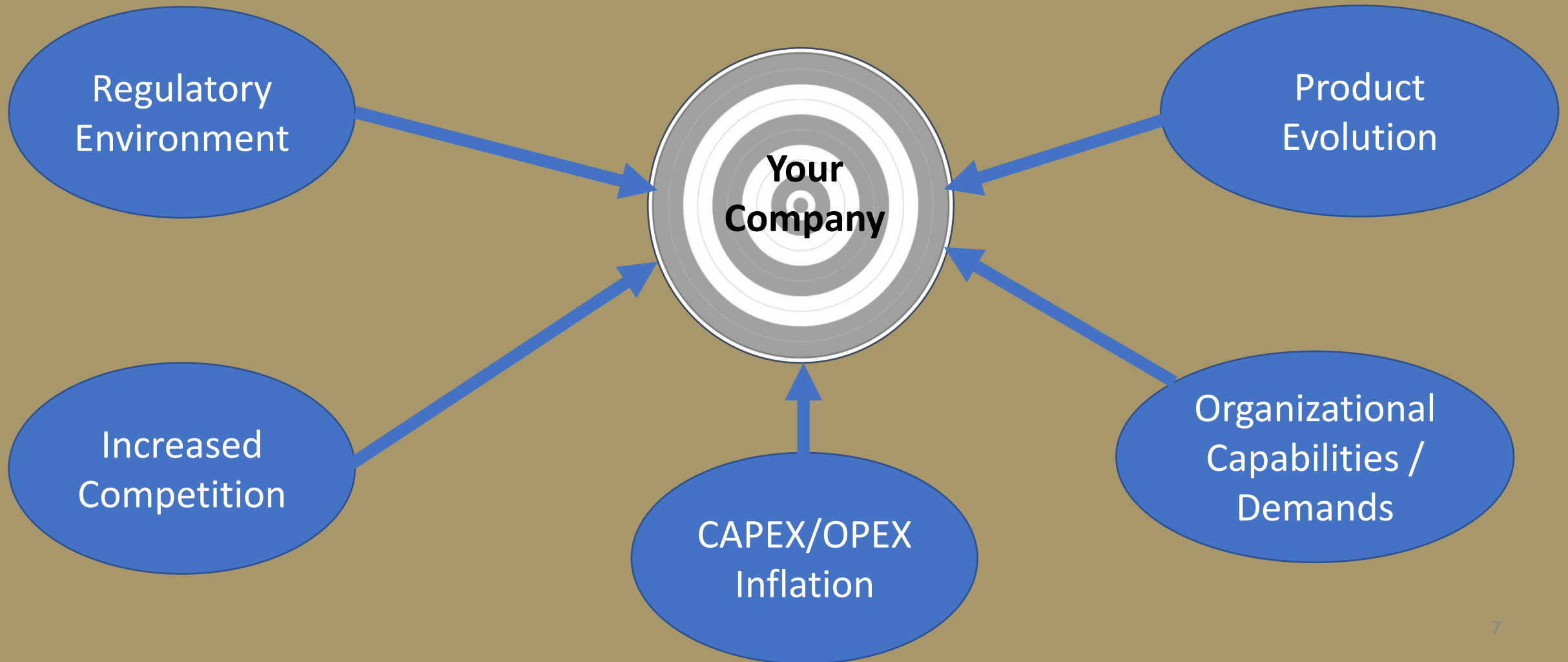
Key Factors Affecting Performance

- External
 - Regulatory environmental change
 - Service Commoditization
 - Increased competition
 - Inflation
- Internal
 - Finding and keeping skilled employees
 - Product and service innovation
 - Keeping with your game plan
 - Spending wisely





Our Increasingly Complex World





Regulatory Reform...Now Finally, Truly on the Horizon?

- Regulatory Reforms are Coming...
 - Appetite for federal rate-of-return regulation is declining
 - Federal universal service policy is being revisited
 - Demonstrable need for universal service funding after grant disbursements, but at what level?





Best Laid Plans....

USF Uncertainty

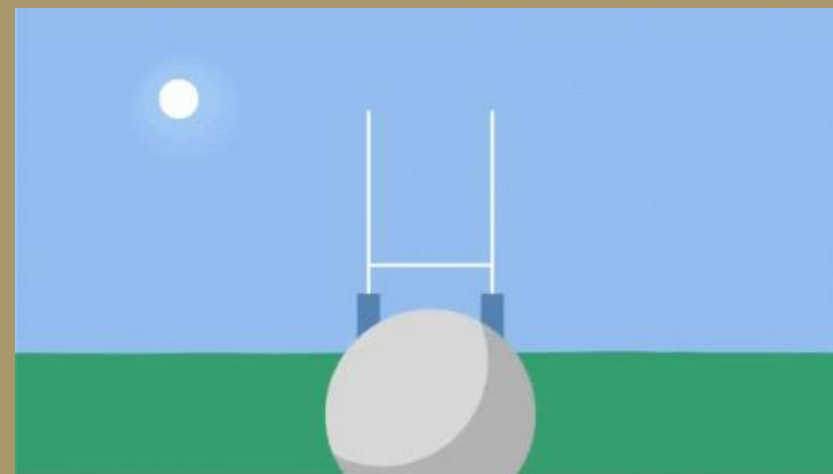
Market
Expansion

Non-Grant
Attractive,
Neglected
Markets

Grant Eligible
Areas

Two issues to consider in evaluating your position...

- Is realized/forecasted expansion enough to create a sustainable business case?
- Are current and forecasted trends moving the goal posts?





Increased Competition - Broadband Commoditization

- As broadband service continues to mature, there is increased market pressure to reduce prices and enhance the customer experience
- Lack of differentiation leading to systemic price reductions is called “commoditization”

The most popular broadband tier in 2015 is now priced 26.2% lower and offers 126% faster than today. The highest speed offerings in 2015 are now priced 39.2% lower and offer 77% higher speeds today*.



*USTELECOM – An Updated Analysis of Decreasing Prices and Increasing Value for U.S. Broadband Services Over Time.



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Business Case Impact of Prevailing Trends

Market Size	5,000
Composite Cost Per Passing	\$ 3,000
ARPU	\$ 80
Incremental EBITDA Margin - Broadband	70%
Market Share	40%

Operating Condition	Payback - Years
Interest Rate 3.25%	12.89
Interest Rate 6.25%	14.65
Interest Rate 6.25% - Cost Per Passing +40%	20.56
Interest Rate 6.25%, Cost Per Passing +40%, ARPU Impact -10%	22.85
Interest Rate 6.25%, Cost Per Passing +40%, ARPU Impact -10%, Operating Margin - 10%	26.65

26.65

Current Trends Complicate Business Case Relative to Our Ability On a Prospective Basis to Diversify Our Business Case as a Hedge Against USF Reform – Particularly in Non-Grant Eligible Areas.



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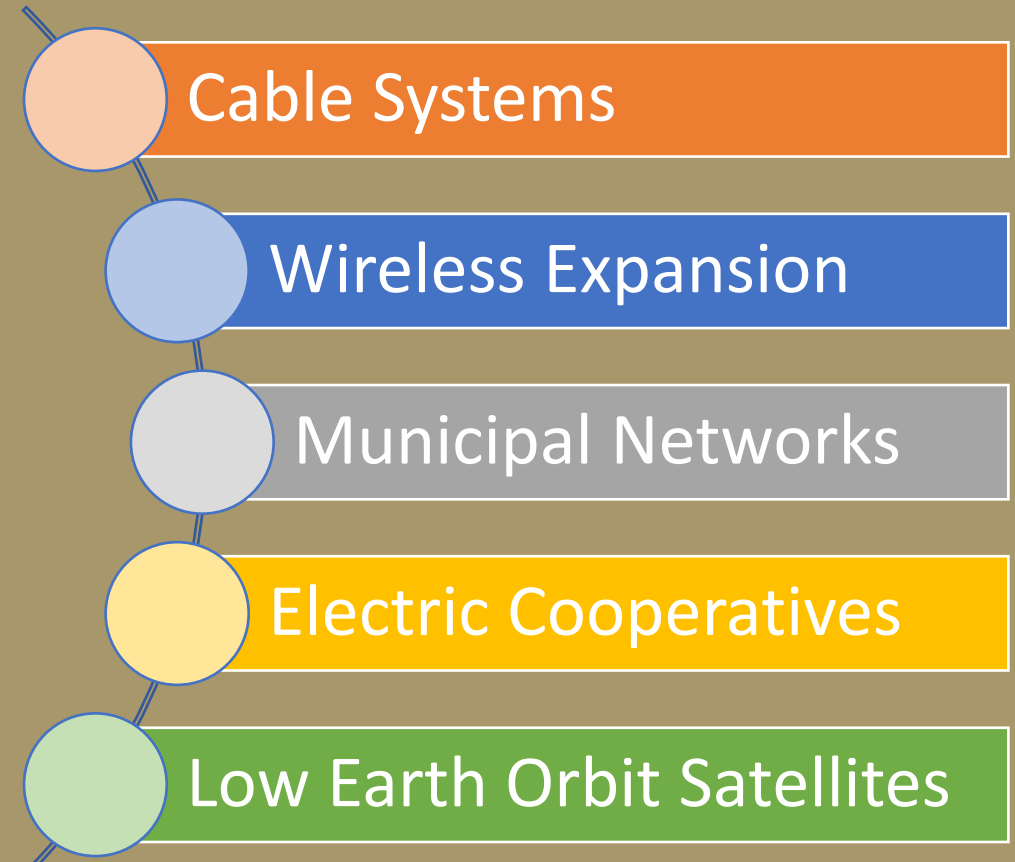
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Rural Geographies are Suddenly Attractive To Everybody.....When Grants Are Available

- Mature market forces and federal grant funding is attracting many new providers to the rural service area watering hole



Are we staged to win in this land grab environment? What are you currently doing to prepare / stage for BEAD?



Prevailing Trends Impact On Current Operations

The preceding slides may infer that trends effecting the viability of expansion plans, and thus their impacts are limited to the relative attractiveness of market expansion opportunities.

Reality is that those trends effect existing scope of business as well.





Convergence of Key Trends & Their Impact

Case in point.....Impact on Existing Operations

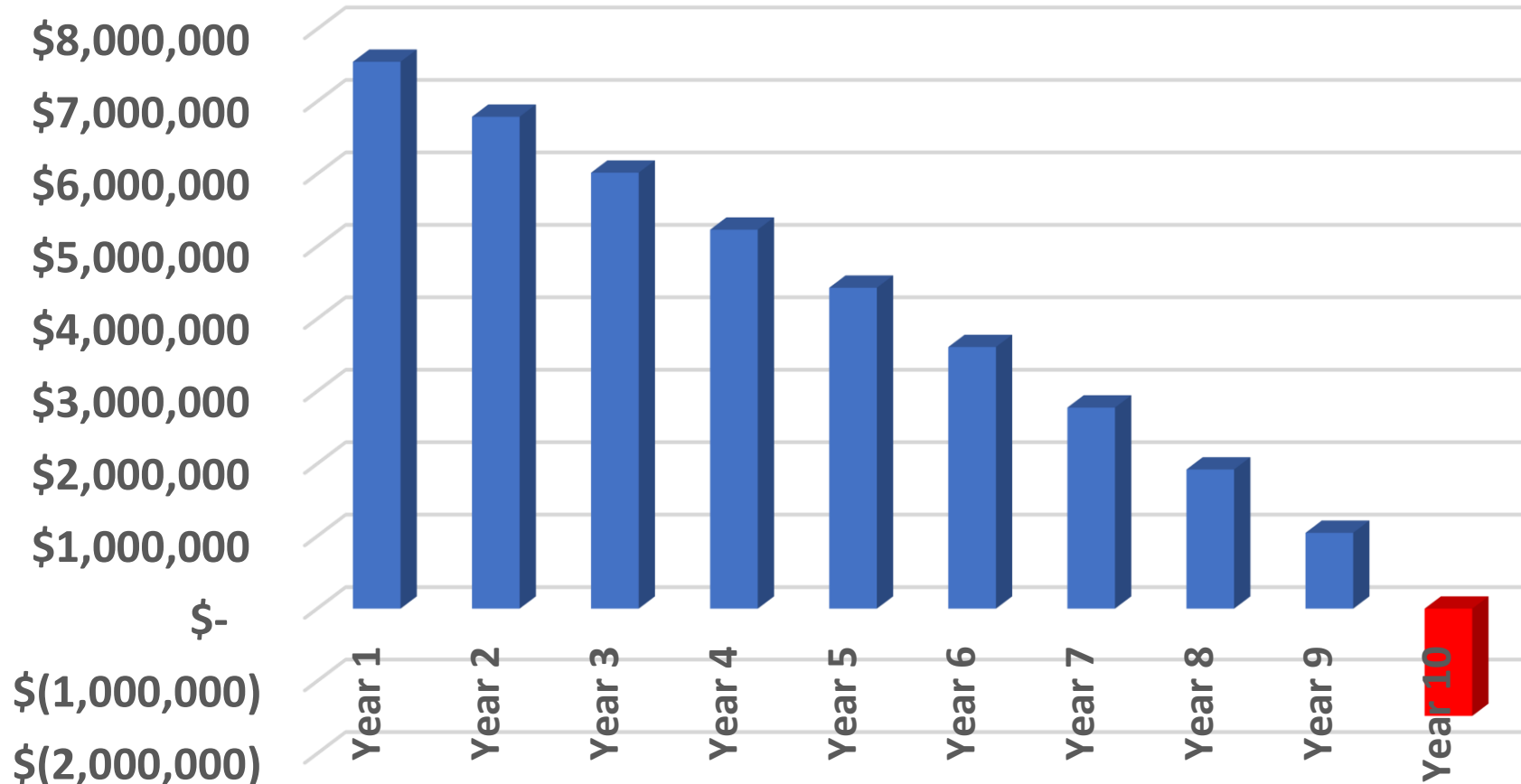
Current Broadband Customers	\$ 8,000
Current Broadband ARPU	\$ 85.00
Total Baseline Revenue	\$ 20,400,000
Total Baseline OPEX (No Depreciation or Interest Expense)	\$ 12,852,000
Total Baseline EBITDA	\$ 7,548,000
Consolidated Baseline EBITDA Ratio	37%
Assumed USF Support	40%
Assumed USF Reduction - Year 10	20%
Annual Inflation - COLA, Materials / Supplies, Benefit Cost Escalation	4.00%
Broadband Commoditization	3.00%





Impact of Prevailing Trends – Current Operations

EBITDA



3% Per Year – Price Decline Due to Competition and Commoditization.

4% Per Year Increase in OPEX Due to COLA, Benefits, General Inflation.

20% Reduction in USF – Year 10.



Understanding the Frame of Your Business Case

- **The foregoing is an illustration intended to make a point.**
 - Essential that you understand implications of prevailing trends and ensure you're forecasting potential outcomes in order to effectively adapt and evolve to such systemic trends.
- **Referencing a page out of our industry's history books – wireless is a good example.**
 - Incredibly profitable business with strong, almost vertical demand growth preceding market saturation.
 - Business became one marked by players exploiting scale economies.
 - Complexion of revenue streams evolved over time – roaming revenue rich to consumer data usage driven.

The One Constant in Life is Change. Thoroughness of your planning is akin to headlights on a vehicle. The more thorough your planning, the brighter your headlights are illuminating the path forward helping you to navigate the future's twists and turns.



The Market Will Continue to Move...

Current market players are seeing the same patterns and are adapting their business strategies.



Evolving Broadband Product Positioning

- **Comcast Announcement (Sep-8-22)**
 - Multi-Gig Internet speeds are rolling out now in markets across the country and will reach more than 50 million homes and businesses before end of 2025
 - The launch of even faster, 10G-enabled multi-gig symmetrical speeds will begin in 2023
 - 10G will be delivered to people over the connections already installed in their homes and businesses, without the need to dig up yards and neighborhoods
- Cable systems are moving strategically to achieve their 2030 vision that includes multi-gig symmetrical broadband

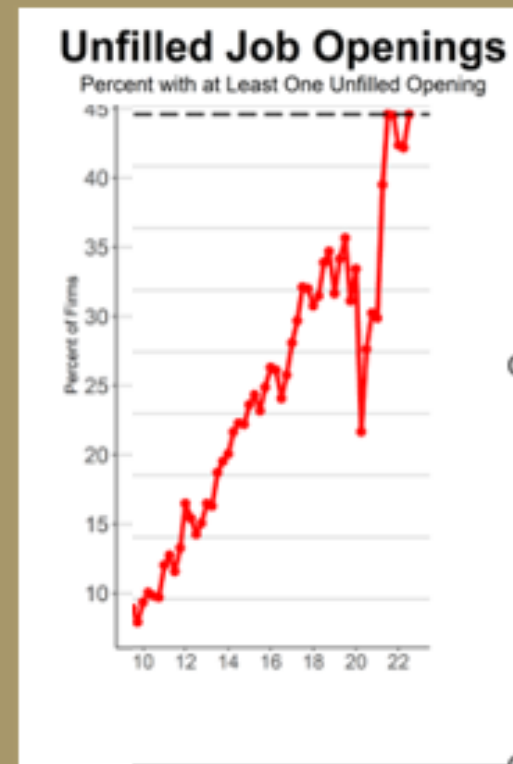


Market players will be seeking to differentiate their position in response to trends to drive more market share by differentiating their position. Driving costs down based on scale and innovation. What are our plans to respond/adapt?



Sharpening the Organizational Saw

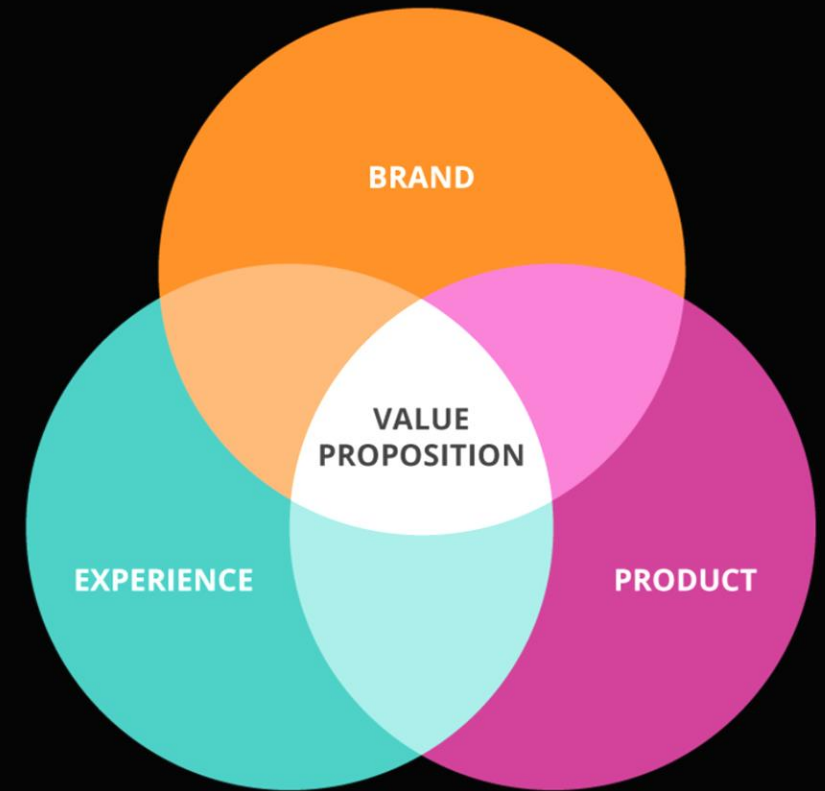
- A company's longer-term prospects cannot be separated from the quality and vibrance of its workforce.
- Recent jobs report found nearly 50% of small businesses are unable to fill current vacancies – 48-year historic average – 23%
 - Have you identified the skills that your company will need to remain relevant – avoiding the fate of the companies banished from the S&P?
 - Do you have a succession plan – NOT TO FILL EMPTY SEATS, but to evolve the skillsets present to match where you think the industry is going?
 - What's your plan to render your company more attractive to a vibrant, skilled job seeker?
 - You are a technology company – technology is evolving rapidly, what's your plan to be an engine of product and service innovation?





Sharpening the Product Value Proposition Saw

- On average, approximately two-thirds of subscribers occupy the lowest rate tier
- Sell value and create incentives to drive subscribers to highest speed/rate tier
- Most opportune times to create incentives
 - Service launch in new markets
- Restructuring rates
 - Many companies have grandfathered rate plans
 - Consolidating plans to one to three plans allows for a more straightforward presentation of value
 - Introduction of revised rate design provides an opportunity to sell value and enhance ARPU

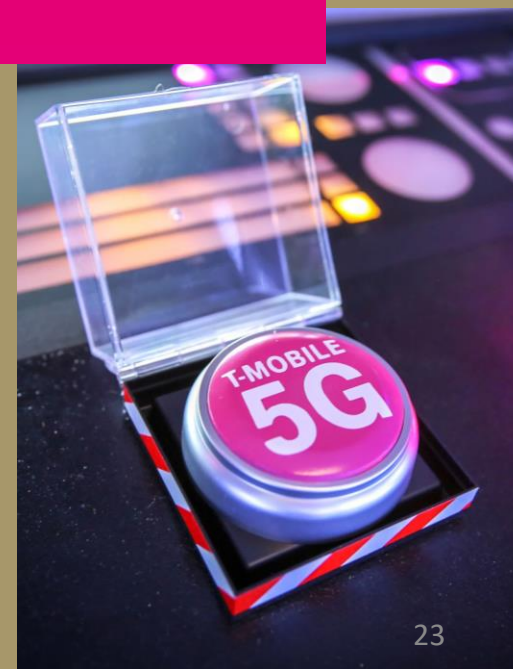




Sharpening the Product Value Proposition Saw T-Mobile Example

- Needed to create a market niche: the “un”-carrier not AT&T or Verizon
- Adopted creative pricing structure: one flat price for all
- Customized advertising to focus on customer pain points and differentiate
- Leveraged market for service to become a different service

T Mobile™





Sharpening the Messaging / Outreach Saw

- How are you marketing your service in your area?
 - Do you have a tag line that defines your service?
 - Is the tag line top-of-mind for customers and is the messaging of that tag line resonating?
- What pain points do customers experience in ordering and changing service?
- How is your broadband service different from other broadband services?
- Are you actively monitoring and curating your online reputation?
- Are you conducting regular customer surveys – What's your net promotor score?





Sharpening the Threat/Opportunity Identification Saw

- How are you monitoring competitive threats in your traditional and expanded broadband areas?
- What plans do you have in response to competitive threats?
- State grant funds will create participation by a range of providers including municipalities
 - Engagement with public sector is a critical step in achieving a differentiated broadband deployment
- Coordination with others makes for a compelling grant application



Sharpening the Resource / Capability Saw

- Are you actively engaging Municipalities and REMC's?
 - Numerous examples exist where REMC deploys infrastructure and Telco leases the network.
 - Changes model from a CAPEX-based framework to OPEX. Helps circumvent impacts of rising CAPEX and debt service costs.
 - Helps keep leverage off the balance sheet in check while allowing more aggressive, higher ROI expansion
- Are you exploring collaboration opportunities?
 - Can we aggregate scale or combine functions to drive operating costs lower?
 - Can we aggregate scale to make ourselves more attractive to potential partners?
 - Capital Partners – Entities exist that build networks and lease them back – minimum level of homes passed to command interest – 50k.
 - Contractors - Can scale make construction opportunities more attractive and thereby move availability and construction commitments forward



Sharpening the Planning / Preparation Saw

- Do you have a forecast of potential impact of change (5-Year Forecast supported by sensitivity analysis) on your company?
 - Does that plan allow iterative “what-if” contingency planning?
 - Have you identified under what circumstances your business is materially impacted?
 - Does your strategic plan include tactical contingencies?
- Do you have a plan to address:
 - Capital sufficiency to achieve desired diversification of revenue streams?
 - Ability of company to service debt at differing levels of support and capital costs?
 - Maintenance and replacement of operational assets?
 - Commoditization / price erosion of broadband?
 - Innovation, and strategic positioning?



Key Take Aways

“The price of freedom is eternal vigilance” (Thomas Jefferson)

The price of our freedom from strategic and financial distress is connected to our vigilance as business leaders.

- **Create a solid plan covering multiple contingencies and emerging disruptive forces**
- **Be a student of your business understand the path forward, your progress towards it, and establish a framework to actively monitor/evaluate key metrics reflecting the health of your business and the progress toward your goals**
- **Stay on message – Remain focused on those tactical initiatives key to achieving your long-term goals, be clear in communicating with customers, staff, and your board relative to your vision and values**
- **Innovate, explore new concepts surrounding people, products and process – these provide the highest return on management cycles**
- **Partnering / Collaborations can be hard and frustrating, but change any bias away from avoiding such opportunities to objectively and aggressively exploring them**



Do Not Fear Failure



I never learned anything from a match that I won.

— *Bobby Jones* —

AZ QUOTES



Thank You!!!

Andy Brown – andy.brown@jsitel.com

Dave Lewis – dave.lewis@jsitel.com

Steve Meltzer – steve.meltzer@jsitel.com