



Forecasting & Budgeting Telecom

Todd Thorson, October 2025

Background

- 20+ years of study results
- Combination of:
 - Rural Telecommunications Study (2015-2024)
 - Telergee Rural Telecommunications Study (2001-2014)
- 130+ participants annually
- Goal:
 - Provide financial and operational benchmarks for the rural telecommunications industry



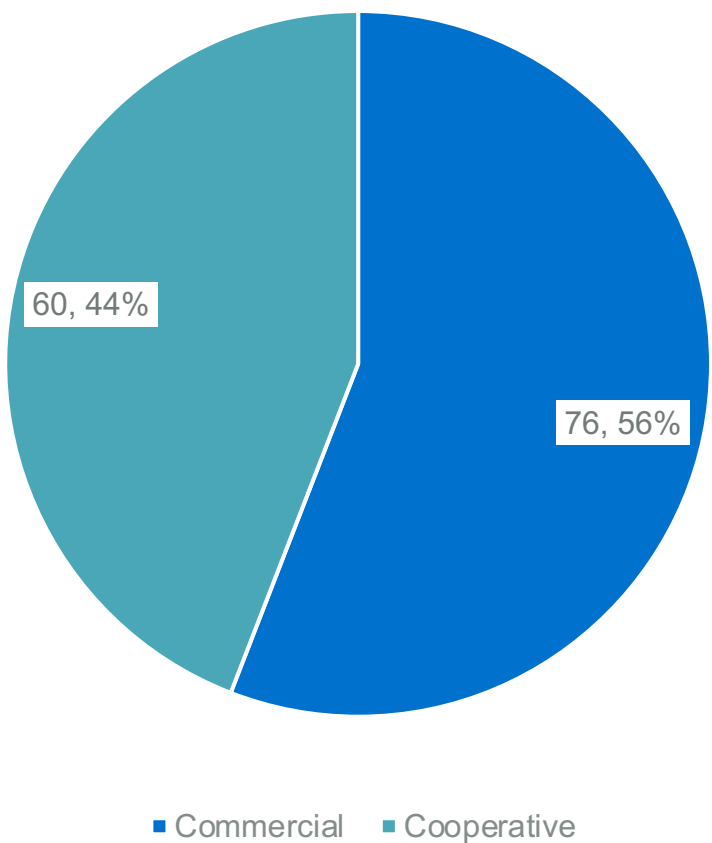
Peer Groups

- Debt/No Debt
- Geographical Region
 - Iowa, Great Plains, Midwest
- Investment Income
 - <\$1M, >\$1M
- All Companies
- Broadband Grants
 - Grants or No Grants

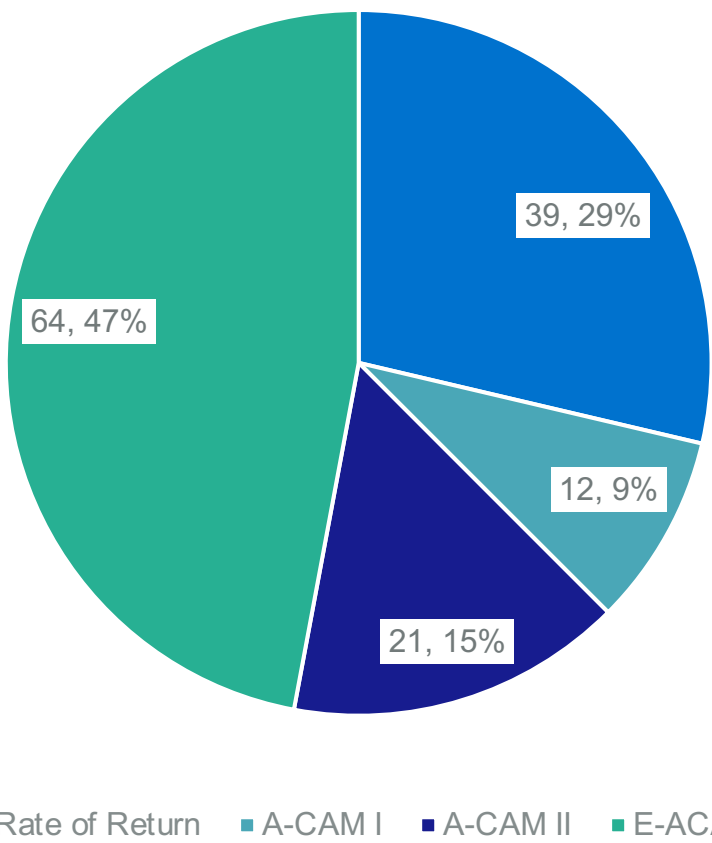


Peer Groups

Entity Type

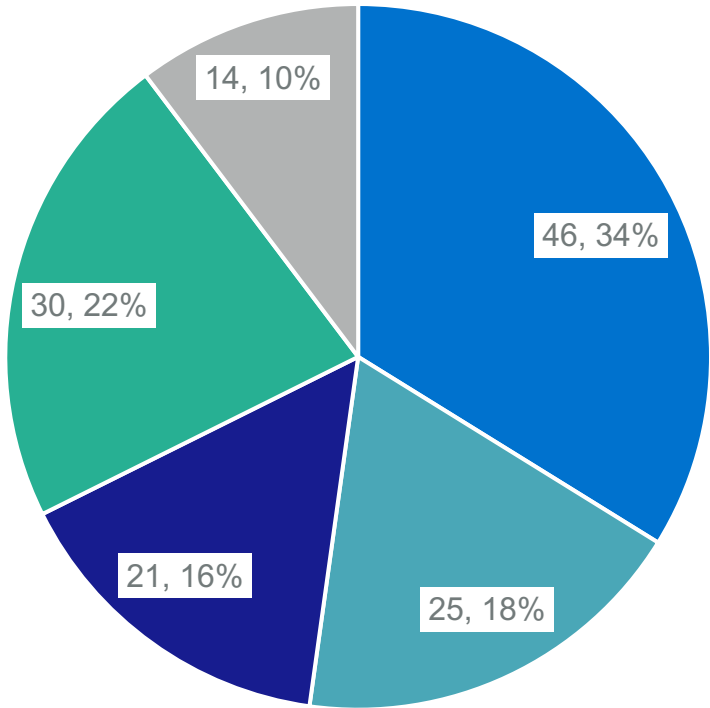


Regulation



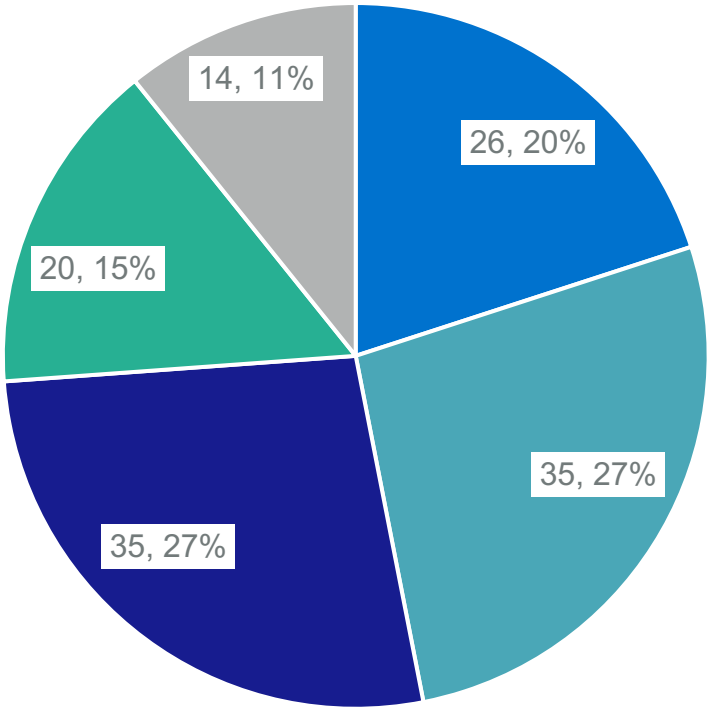
Peer Groups

Revenues



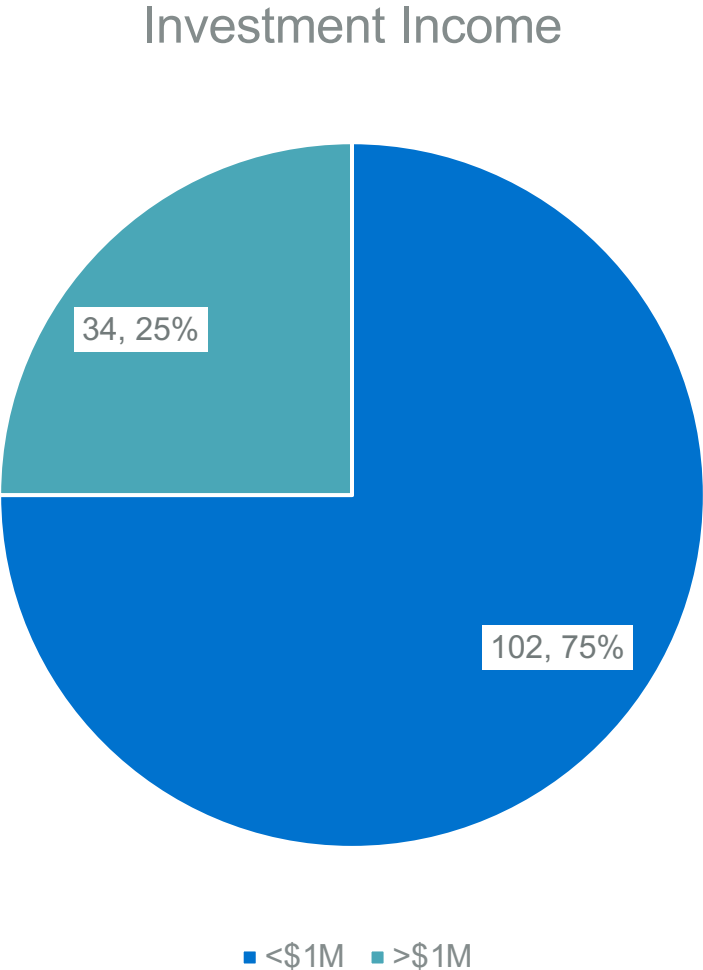
■ <\$2.5M ■ \$2.5M-\$5M ■ \$5M-\$10M ■ \$10M-\$25M ■ >\$25M

Connections



■ <500 ■ 500-1.5k ■ 1.5k-4k ■ 4k-10k ■ >10k

Peer Groups



Study Results

FLASH REPORT

Benchmark numbers are calculated using the **median** of the peer group. All values are rounded to the nearest tenth.

Balance Sheet

	All: All	Entity Type: Co-Op	Entity Type: Commercial
Cash & Cash Equivalents	8.0%	8.1%	7.9%
Materials and Supplies at Average Cost	0.9%	1.1%	0.9%
Prepayments	0.4%	0.4%	0.3%
Temporary Investments	1.3%	2.0%	1.2%
Other			
Total Current Assets	19.1%	20.5%	18.9%
Net Fixed Assets	58.0%	59.3%	56.6%
Available for Sale Securities	0.2%	0.0%	0.9%
Goodwill, Net of Amortization	0.0%	0.0%	0.0%
Held to Maturity Securities	0.0%	0.0%	0.0%
Other Investments	7.7%	7.3%	8.2%
Other			
Total Other Non-Current Assets	16.7%	13.2%	18.4%
Total Assets			
Accrued Taxes	0.1%	0.1%	0.1%
Current Portion of Deferred Grant Revenue	0.0%	0.0%	0.0%
Current Portion of Long Term Debt	0.3%	0.8%	0.0%
Accounts Payable: Other	1.0%	1.2%	0.9%
Other			
Total Current Liabilities	3.5%	4.1%	3.0%
Long Term Debt	1.1%	4.2%	0.2%
Deferred Grant Revenue, Net of Current Portion	0.1%	0.9%	0.0%
Deferred Income Taxes, Long Term	4.5%	0.1%	8.4%
Other			
Total Long Term Liabilities	14.4%	13.1%	14.9%
Total Liabilities	19.4%	19.1%	19.4%
Total Stockholders Equity	80.6%	80.9%	80.6%
Total Liabilities and Equity			

Operations

	All: All	Entity Type: Co-Op	Entity Type: Commercial
Internet Services	26.0%	26.6%	25.3%
Local Network Services	5.7%	5.9%	5.2%
Miscellaneous Revenue	5.3%	4.7%	5.7%
Network Access Services	43.1%	44.0%	42.3%
Video Services	7.3%	8.1%	6.1%
Other			
Operating Revenues			
Corporate Operations	16.2%	15.7%	16.6%
Cost of Internet Services	3.7%	4.6%	3.1%
Cost of Video Services	5.7%	6.4%	4.9%
Depreciation (of Fixed Assets)	22.3%	23.2%	21.5%
Plant Non-Specific Operations	3.2%	3.5%	3.0%
Plant Specific Operations	16.9%	17.0%	16.7%
Other			
Total Operating Expenses	85.6%	84.3%	86.2%
Operating Income (Loss)	14.4%	15.7%	13.8%
Other Income (Exp)	10.4%	8.2%	13.2%
Income Taxes	-3.6%	-1.7%	-5.9%
Interest Expense	-0.5%	-1.0%	-0.1%
Net Income (Loss)	20.7%	21.0%	20.0%
EBITDA	48.7%	47.0%	51.3%
# of Companies in Peer Group	136	60	76

Key Metrics for Broadband - Revenues

Metric	2024	2023	2020	2014
Revenue Growth	1.3%	1.2%	3.6%	2.1%
Network Access	(1.9%)	(.3%)	(.7%)	2.4%
Broadband	7.2%	6.2%	13.4%	4.0%
Local (PR)	5.6%	5.8%	6.6%	10.6%
Network Access (PR)	49.2%	45.5%	47.6%	47.5%
Broadband (PR)	26.0%	26.3%	21.1%	14.2%
Video (PR)	10.5%	8.7%	10.1%	9.6%
OIBDA (PR)	36.8%	35.9%	35.7%	

Key Metrics for Broadband - Expenses

Metric	2024	2023	2020	2014
Expense Growth	2.9%	2.8%		3.2%
Depreciation (PR)	22.6%	24.5%	24.5%	19.3%
Plant (PR)	19.7%	23.7%	23.0%	20.4%
Customer (PR)	7.3%	8.4%		6.0%
Corporate (PR)	16.2%	20.0%	19.8%	12.8%
Payroll (PE)	22.6%	21.7%	21.6%	19.1%
Margins (PR)	14.4%	14.9%	15.9%	10.1%

Payroll and Benefits

- Wage inflation 4.7% compared to general inflation of 2.4%
- Benefits as a percentage of payroll - 42.2% (39.6% for PY)
- Payroll as a percentage of revenue was 19% for 2024

Population Trends 2010 to 2020

- National
 - Decline of .6% out of 346m
 - First decade long loss in history
 - Primarily central to northeast U.S.
 - Northwest saw gains
 - Unemployment rate of 4.2% (June 2025)

National Competitor Results

- Comcast lost 11% of video customers trailing 12 months ended December 31, 2024
- Comcast broadband penetration rate of homes passed 49.8%
- Fiber Broadband Association reports 45.2% average penetration rate
- AT&T saw 12.3% broadband connections growth
- AT&T broadband ARPU was \$106 for 2024

Streaming Services

- Peacock (Comcast) has 36 million subscribers as of December 31, 2024 compared to 31 million as of December 31, 2023
- YouTube subscribers estimated at 8 million expected to add 1.5m annually

Future Trends

	<u>Trend</u>	<u>2024</u>	<u>2029</u>	<u>2034</u>	<u>Makeup</u>
Local network services	-5.0%	\$ 55,000	\$ 42,600	\$ 33,100	2.6%
Network access services	-1.6%	429,000	395,800	365,300	29.1%
Internet services	7.6%	285,000	411,100	592,900	47.3%
Video services	-10.0%	105,000	62,000	36,600	2.9%
Other	6.0%	126,000	168,600	225,600	18.0%
		1,000,000	1,080,100	1,253,500	
Plant operations expense	2.4%	197,000	221,800	249,800	
Cost of internet services	15.4%	44,000	63,500	91,500	
Depreciation	22.6%	226,000	244,100	283,300	
Customer operations	2.4%	90,000	101,400	114,200	
Corporate operations	2.4%	200,000	225,200	253,500	
Other expenses	2.4%	99,000	111,500	125,500	
		856,000	967,500	1,117,800	
	<u>Ratio</u>				<u>Ratio</u>
Operating Income	14.4%	144,000	112,600	135,700	10.8%
Operating Cashflow	37.0%	370,000	356,700	419,000	33.4%

Key Metrics for Broadband – Balance Sheet

Metric	2024	2020	2014
Cash	8.4%	11.4%	9.2%
Materials	.9%	.7%	.9%
Property	57.5%	51.5%	57.2%
Equity	81.1%	82.6%	70.7%

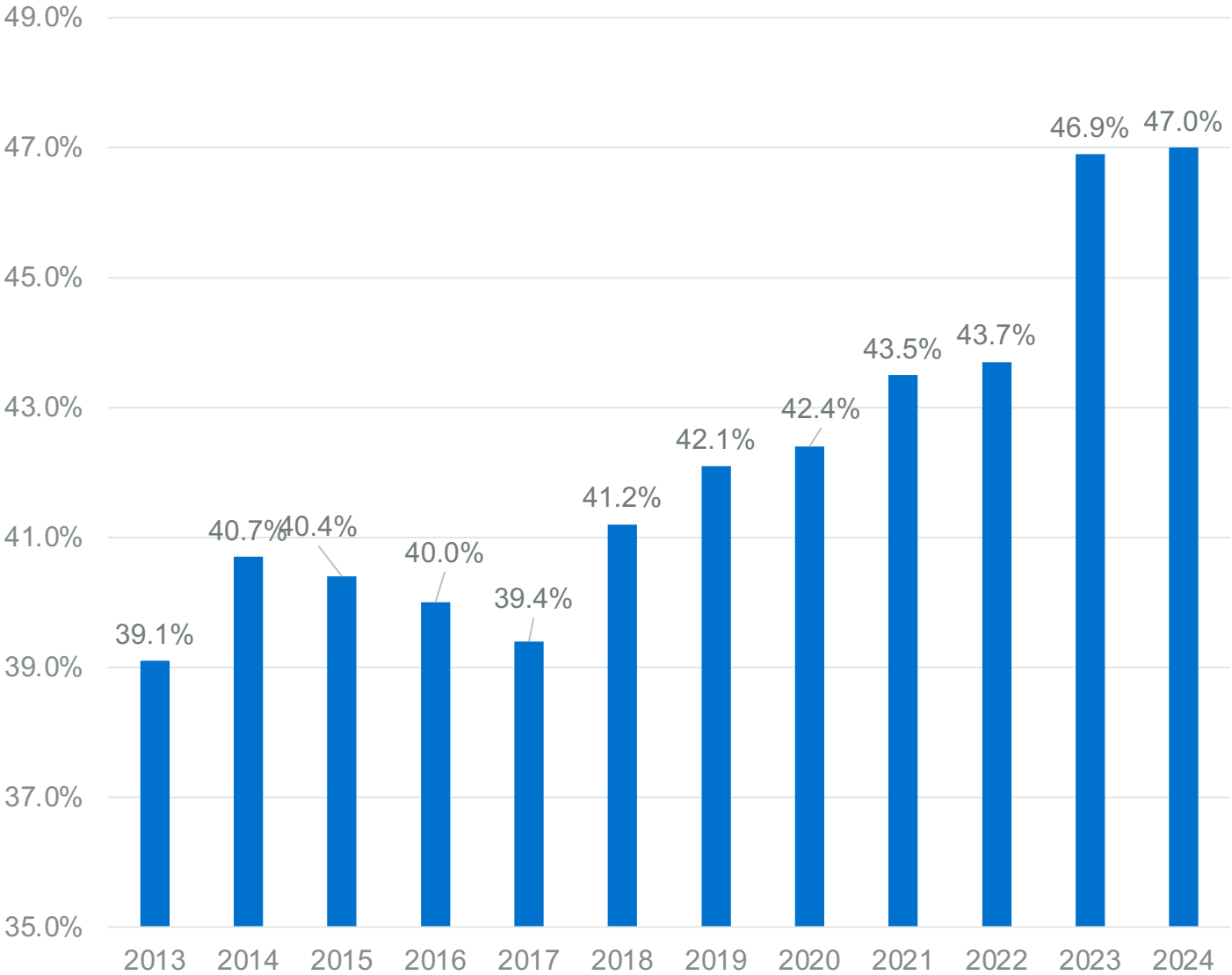
Construction Costs

	2013	2023	10 Year Change	Annual Inflation
FTTP Cost per mile	\$22,000	\$42,000	91%	7.0%

Key Benchmarks - Network



Net Plant to Gross Plant in Service

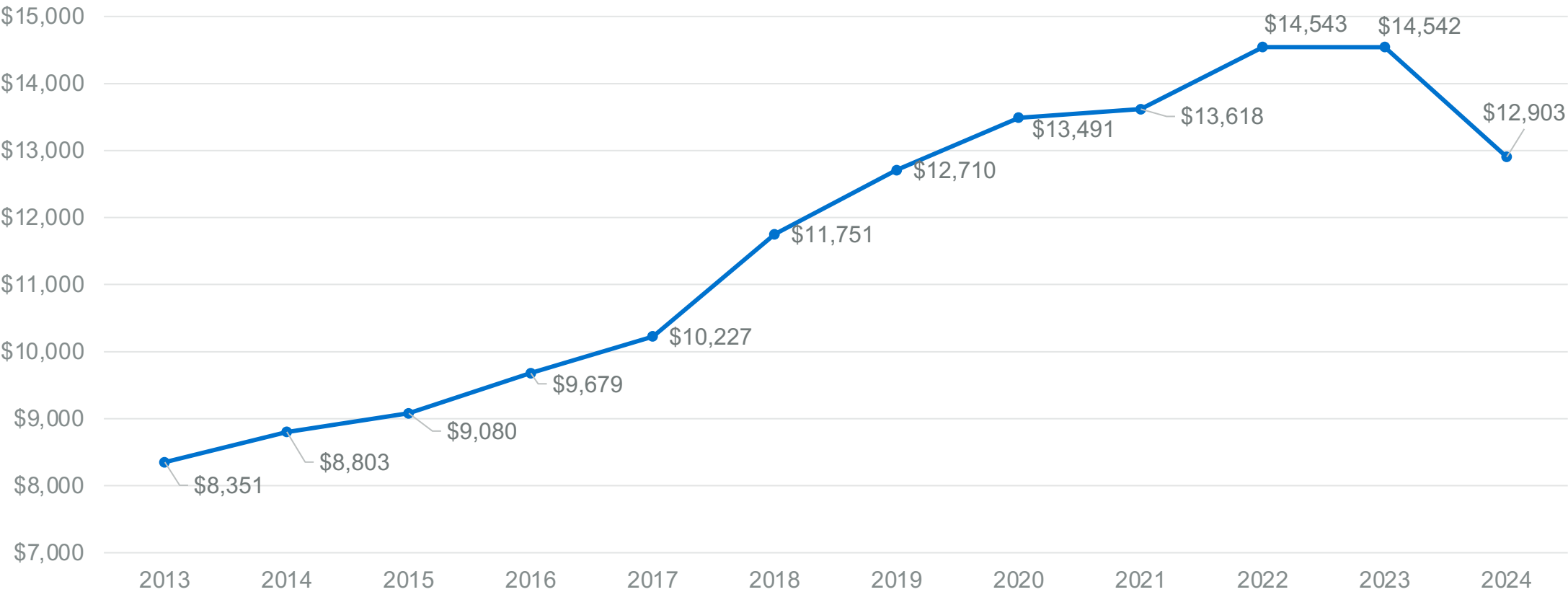


Expense Makeup

	All	Payroll	Benefits	Other
Plant specific operations	16.6%	6.3%	2.7%	7.6%
Plant non-specific operation	3.1%	1.2%	0.5%	1.4%
Cost of internet services	4.3%			4.3%
Depreciation	22.6%			22.6%
Customer operations	7.3%	2.8%	1.2%	3.3%
Corporate operations	16.2%	6.2%	2.6%	7.4%
Other	15.5%	5.9%	2.5%	7.1%
	85.6%	22.4%	9.5%	53.7%

Key Benchmarks - Network

Gross Plant per Access Line/Connection



Breakeven Analysis

Gross plant investment per connection	\$	12,903	
Composite life		19	
Cost per year	\$	679.11	
Cost per month	\$	56.59	
		All Overhead	No Overhead
Monthly Fee	\$	137.03	\$ 63.54
Plant specific operations		10.40	4.82
Plant non-specific operations		1.94	-
Customer operations		4.58	2.12
Corporate operations		10.15	-
Other		9.71	-
Payroll		30.69	-
Benefits		12.95	-
		80.44	6.95
Net	\$	56.59	\$ 56.59

Budget Example

	Current Month to Date	Current Year to Date	Prior Month to Date	Prior Year to Date	Budget Year to Date	Budget to Actual Year to Date
Voice Services	\$ 2,000	\$ 14,000	\$ 1,900	\$ 13,300	\$ 14,700	\$ (700)
Broadband Services	2,000	14,000	1,900	13,300	14,700	(700)
Video Services	500	3,500	500	3,500	3,700	(200)
Revenues	\$ 4,500	\$ 31,500	\$ 4,300	\$ 30,100	\$ 33,100	\$ (1,600)
Plant Operations	\$ 100	\$ 700	\$ 100	\$ 700	\$ 740	\$ (40)
Cost of Services	100	700	100	700	740	(40)
Depreciation	100	700	100	700	740	(40)
Customer Operations	100	700	100	700	740	(40)
Corporate Operations	100	700	100	700	740	(40)
General Taxes	50	350	-	-	370	(20)
Expenses	\$ 550	\$ 3,850	\$ 500	\$ 3,500	\$ 4,070	\$ (220)
Operating Income	\$ 3,950	\$ 27,650	\$ 3,800	\$ 26,600	\$ 29,030	\$ (1,380)
Operating Cashflow	\$ 4,050	\$ 28,350	\$ 3,900	\$ 27,300	\$ 29,770	\$ (1,420)
ARPU	\$ 70.00	\$ 70.00	\$ 65.00	\$ 65.00	\$ 75.00	\$ (5.00)

Budget Example

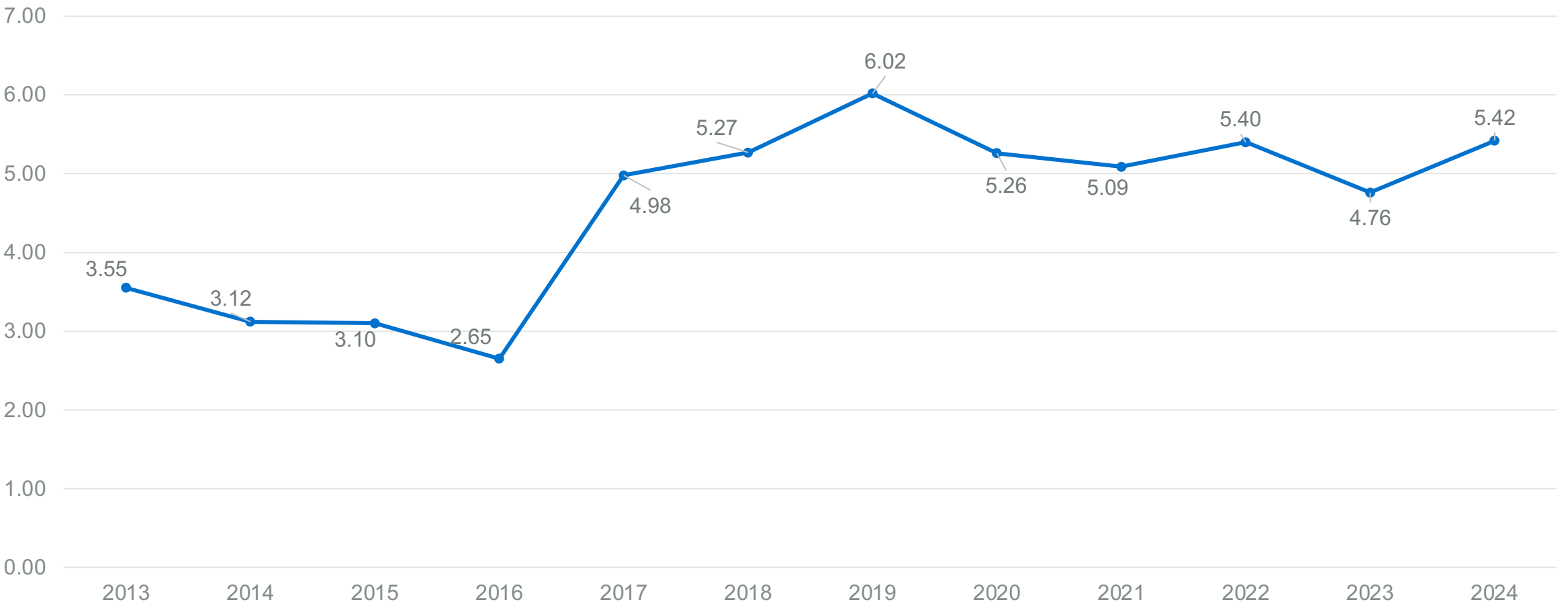
	Current Year to Date	Budget Year to Date	Budget to Actual Year to Date	Explanations
Voice Services	\$ 14,000	\$ 14,700	\$ (700)	
Broadband Services	14,000	14,700	(700)	High ratio of customers selecting lower priced plans
Video Services	3,500	3,700	(200)	Installations are behind schedule
Revenues	\$ 31,500	\$ 33,100	\$ (1,600)	
Plant Operations	\$ 700	\$ 740	\$ (40)	Repair work was delayed
Cost of Services	700	740	(40)	
Depreciation	700	740	(40)	Work order project has not gotten closed out
Customer Operations	700	740	(40)	
Corporate Operations	700	740	(40)	Delayed retirement contribution
General Taxes	350	370	(20)	
Expenses	\$ 3,850	\$ 4,070	\$ (220)	
Operating Income	\$ 27,650	\$ 29,030	\$ (1,380)	
Operating Cashflow	\$ 28,350	\$ 29,770	\$ (1,420)	
ARPU	\$ 70.00	\$ 75.00	\$ (5.00)	

Cash Considerations

- Benchmark is 8% of total assets
- Keep a current ratio (current assets/current liabilities) of 1.0 or greater
- Discretionary base decided by board such as \$500,000 or greater
- Maintain cash reserves of 6 months or greater for cash-based expenses (depreciation excluded)

Key Benchmarks - Financial

Current Ratio



Tax Considerations

- Federal corporate rate is 21%
- State corporate rates range from 4% to 8% generally
- Bonus depreciation has been made permanent
- Grants generally are taxable in the year of receipt
- Property taxes vary between states

Revenue Promoters

- Training CSRs and installers on upselling
- Better bundling to give more flexibility for price increases – take a look at the bundles to make sure they are doing what you want them to do
- Gain share programs
 - Not so much revenue based or operating income based (impacted by outside forces suggest using a more controllable metric) – perhaps programs based upon increases in customer counts in internet and video or up selling new bundles is the right way to go

Revenue Promoters

- Management services to other LECs
- Switch sharing to neighboring LECs
- Win back strategies (some discounts)
- Community training to show uses of broadband to drive up demand
- Equipment sales and installation requiring broadband such as home security, 4k streaming and video links

Major Expenses

- 1) Programming
- 2) Depreciation
- 3) Payroll
- 4) Fiber and transport
- 5) Employee benefits
- 6) Technology

Employee Benefit Savings

- Employee contribution changes for
 - Health insurance
 - Pension
- Incentive based component to wages
 - Growth goals
 - Expense reduction goals
- Overtime controls
- Comparisons to industry benchmarks
- Cashflow impact by using deferred comp for manager level instead of payroll

Employee Benefit Savings

- Sharing of staff with other companies or outsourcing on-call responsibilities
- Offering early retirement and incentive to do so
 - Lump sum cash payment
 - Health insurance payments until Medicare
 - Combination of items or other incentives
- Replacing full-time employees that leave with part-time ones

Use of Budgets

- Short and long-term forecasts
- Historical comparisons
- Regular review for check-up on expectations and achievements
- Set goals for where you need to be 1-5-10 years in the future

Budget Key Metrics

- Revenue growth
- Operating margins
- Payroll to total revenues and expenses ratios
- Benefits to payroll ratio
- Average revenue per customer
- Direct margin per customer per service line
- Current ratio

Budget Key Metrics

- Return on fixed assets/equity
- Cash and liquid investment reserves

Contact

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