

Financing Fiber Networks

September 17, 2015



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Overview of Media Venture Partners (“MVP”)

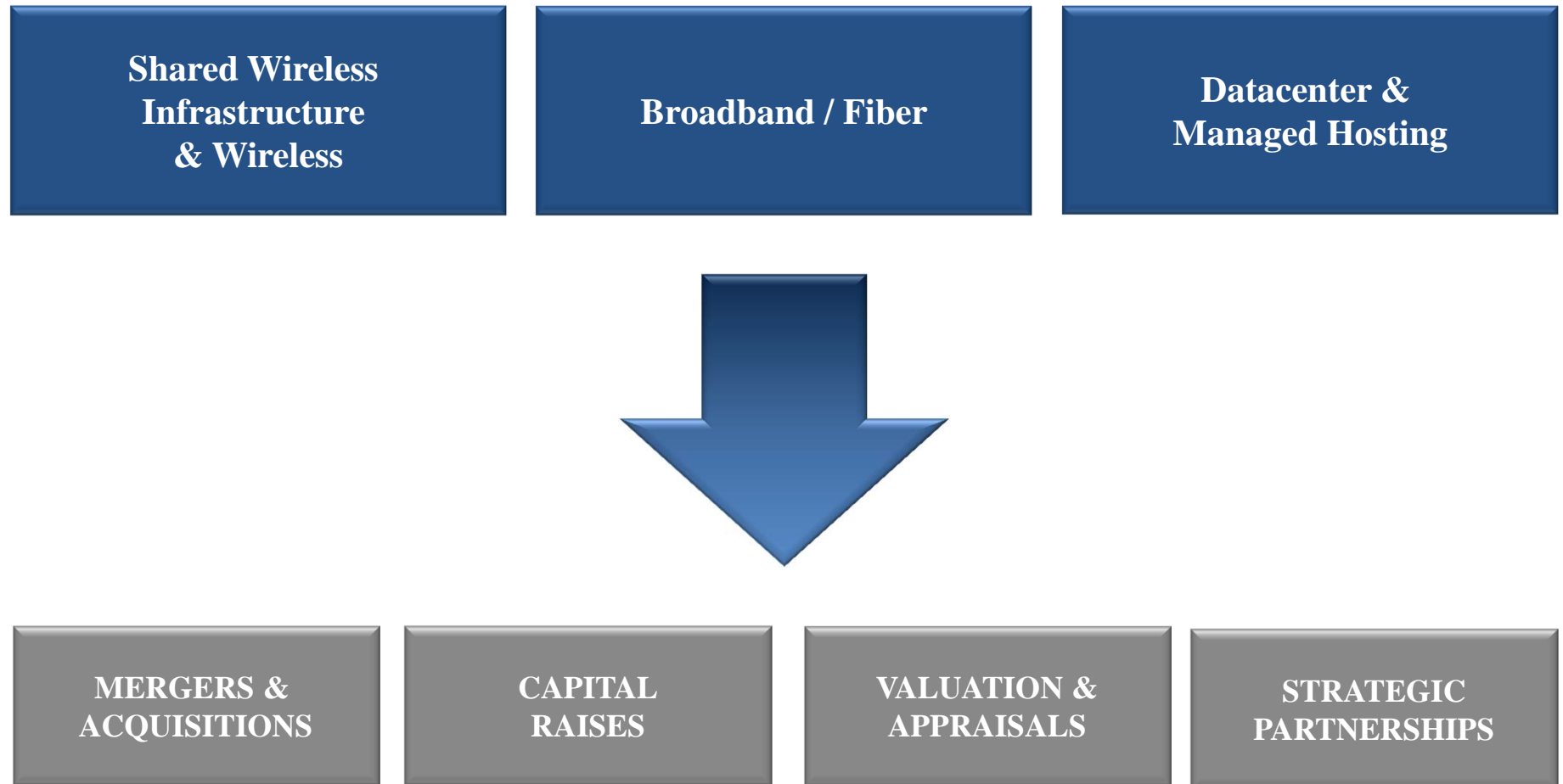
Media Venture Partners is a Telecom, Media & Technology Focused Investment Bank

- ◆ **MVP offers valuation, merger & acquisition and capital raising advisory services to the following sectors**
 - Telecom service providers: wireless, fiber and wireline
 - Shared wireless infrastructure: towers, DAS and backhaul
 - Datacenters, cloud-based services and machine-to-machine
 - Wireless spectrum
 - Broadcast radio and television
 - Renewable energy

- ◆ **Founded in 1987, MVP has a 28-year history of maximizing value for clients**
 - MVP has advised on over \$17 billion of transactions

- ◆ **MVP's sector specific focus offers our clients both transaction and industry related expertise**
 - MVP understands both the micro and macro level valuation and deal drivers within our sectors

MVP Telecom Group: Services Offered

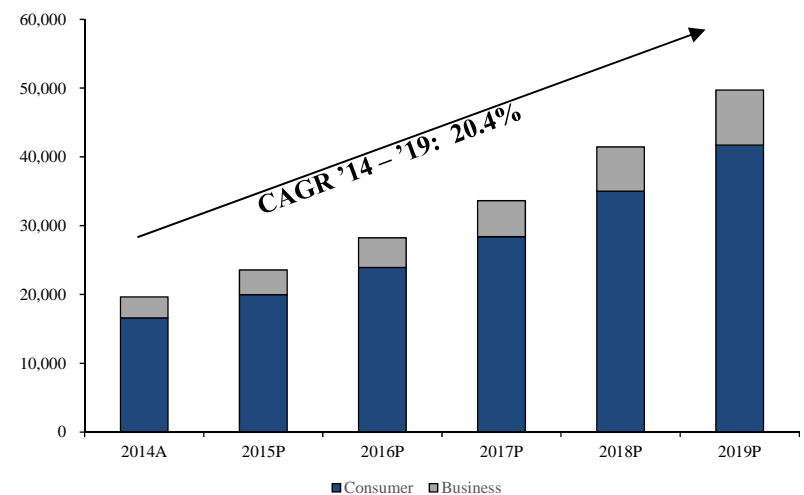


Fiber Market Overview

Strong Data Growth Continues to Drive Fiber Demand

- ◆ **Fiber demand is being driven from multiple sectors, including corporate (retail and enterprises), mobile backhaul, residential and wholesale**
 - Annual IP traffic in North America is expected to exceed 300 petabytes in 2016 and nearly double to just under 600 petabytes in 2019
 - Between 2015 and 2019, annual IP traffic in North America is expected to grow at an average rate of 20% per year
 - Average fixed broadband speed is projected to grow 2.0x from 2014 to 2019, from 22.2 Mbps to 45 Mbps
- ◆ **Fiber-to-the-Tower (FTTT) deployments continue to support fiber growth**
 - ABI Research predicts that the total number of LTE subscribers will reach 1.37 billion globally by the end of 2015, with North America representing 28.3% of the market share
 - TW Cable provides fiber to an estimated 20,000 cell sites while PEG Broadband supplies fiber to over 2,000 towers
- ◆ **In the corporate segment, the U.S. market for voice and data services is estimated to be \$100B in revenue per year**
 - Projected 20% CAGR through 2019 for Global business IP traffic driven by the adoption of advance video communications in the enterprise segment
- ◆ **The opportunity for further penetration in the fiber market remains significant**
 - At the beginning of 2015, only 42.5% of buildings in the U.S. with 20 or more employees have fiber access
 - Shift of focus to the “last mile” as companies seek to connect to business clients directly

North American IP Traffic by Segment (PB per Month)



■ Consumer ■ Business

Capital Markets Continue to be Active in Funding Fiber Development

- ◆ **Fiber remains attractive to both private equity and public market investors**
 - Viewed as an attractive entry-point into playing growing IP traffic and bandwidth
 - High-margin, contract-based revenue streams combined with cheap available debt capital
 - High capex projects create a barrier to entry
- ◆ **Private equity has already funded a number of fiber operators and are seeking additional opportunities**
 - Zayo Group – Large consortium led by MC Partners, Charlesbank & Battery Ventures
 - Lightower – Berkshire & Abry; Lightower originally funded by MC Partners & Pamlico
 - Oxford Networks – Novacap, also just merged with BayRing
 - FirstLight – Riverside Partners portfolio company that has been aggregating independent operators in the Northeast
- ◆ **While there are in excess of 30 distinct funds that already have investments in the fiber sector, there is still a robust list of private equity groups who have not yet invested in the space but are trying to find the right deal**
- ◆ **Favored sector of debt investors**
 - Capital markets have been particularly robust for fiber operators, lending up to 6x EBITDA
- ◆ **Public markets continue to support the sector, with valuations at 73% of 52-week highs and an average of 10x 2015E EBITDA**
 - Zayo went public on October 20th, 2014
 - Zayo currently trading at 13.4x LQA EBITDA and at 11.7x forward EBITDA^[1]




































[1] Zayo has a June 30th year end.
Confidential & Proprietary



Deep & Diverse Pool of Private Equity Investors With Fiber / Backhaul Experience

Fiber Company	Private Equity Investor(s)
	 
	
	
	
	 
	
	
	
	
	

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Fiber Company	Private Equity Investor(s)
	
	 
 	
	
	
	    
	         
	
	
	       

Fiber M&A Activity is Being Driven by Synergies, Scale and Cheap Capital

- ◆ **Strategic buyers are looking to exploit synergies via geographic expansion and increasing in-market density**
 - Transactions have often included “post-synergy” multiples several turns lower than unadjusted valuation metrics, indicating acquirers are able to realize significant operating synergies
 - Since 2012, there have been over 40 M&A transactions with an average current year “pre-synergy” EBITDA multiple of 10.0x
 - Zayo has closed over \$4.6 billion of aggregate purchases across 34 transactions (includes over 80,000 route miles) at an average EBITDA multiple of 10.0x (pre-synergy) and 7.4x (post-synergy)^[1]
- ◆ **The buyer universe is fairly deep, particularly as targets achieve scale**
 - Crown Castle (a tower operator) and Lightower announced the most recent large acquisitions
 - With public fiber companies trading at an average of 10.0x CY EBITDA, strategic deals with inherent synergies are widely sought after
- ◆ **Increasing scale allows for operators to improve their competitive positioning**
 - Carriers and larger enterprises see benefits working with a single provider who can meet all needs
 - Geographic reach and breadth of services (including hosting/colocation and managed services)
 - Network density provides for a key competitive advantage
 - Scale allows operators to obtain cheaper capital
- ◆ **Cheap debt capital also fueling M&A activity**
 - Fiber operators are often able to garner up to ~6x leverage
- ◆ **RLECs seeking to diversify into growth areas given access line trends by deploying capital in higher return opportunities**
 - Declining residential and regulatory revenue streams
 - Need to deploy fiber to remain competitive

[1] Based on May 2015 investor relations report

Publicly Traded Fiber Companies

- ◆ Public fiber comparable companies are trading at 4.2x CY 2015E Revenue and 10.0x 2015E EBITDA

(\$ in millions, except for share price)

Company Name	Stock Price 9/14/2015	% of 52-Week High	Market Cap	'13-'15E		TEV / Revenue		TEV / EBITDA	
				Revenue Growth	EBITDA Growth	2015E	2016E	2015E	2016E
Cogent Communications	\$27.50	67.9%	\$1,253.9	7.2%	4.6%	4.0x	3.7x	12.2x	10.5x
Consolidated Communications	19.29	67.0%	909.3	14.4%	7.5%	2.9x	3.0x	7.4x	7.2x
Lumos Networks	12.24	65.9%	280.3	(1.1%)	(3.0%)	3.2x	3.1x	7.1x	6.6x
Level 3 Communications	44.96	78.8%	15,998.3	14.5%	30.4%	3.2x	3.0x	10.1x	9.2x
Zayo Group Holdings, Inc. [1]	27.93	86.8%	6,789.4	15.8%	30.4%	7.6x	6.8x	13.4x	11.7x
Average		73.3%		10.2%	14.0%	4.2x	3.9x	10.0x	9.0x
Median				14.4%	7.5%	3.2x	3.1x	10.1x	9.2x

Source: Company Filings, Capital IQ

[1] 2015 for Zayo is from July 2014 - June 2015

Key Attributes that Attract Investment for Fiber Companies

- ◆ **High quality network serving attractive markets with potential for growth**
- ◆ **Focused business plan**
- ◆ **Reputable customer base**
- ◆ **Long-term contracts**
- ◆ **Low churn**
- ◆ **Simple legal structure, capital structure and governance**
- ◆ **A clear path to exit**
- ◆ **Manageable shareholder base**
- ◆ **Growing financial results with positive EBITDA**
- ◆ **Experienced management team**