



M&A TRENDS IN THE FIBER BROADBAND INDUSTRY

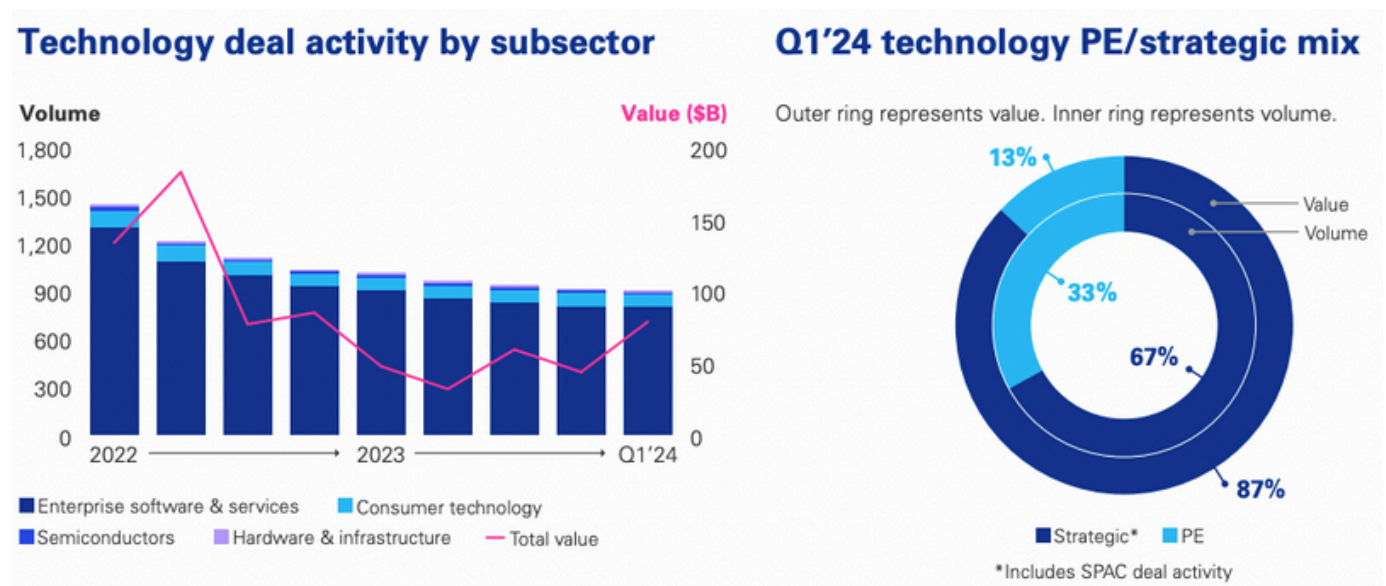
GREENWICH CAPITAL GROUP

The fiber broadband network industry is experiencing significant growth, driven by escalating demand for high-speed internet and the increasing penetration of artificial intelligence (AI) applications. According to Precedence Research, the global fiber optics market is projected to grow at a CAGR of 5.13% from 2024 to 2033. This growth is underpinned by the rising need for reliable and fast internet connectivity, particularly in the context of burgeoning AI applications.

AI has significantly increased the demand for robust digital infrastructure. Fiber broadband networks are at the forefront of this transformation, providing the necessary bandwidth and reliability for AI applications. AI is expected to drive a substantial portion of future broadband demand, necessitating efficient and scalable network solutions.

“AI is quickly driving the need for more optical connectivity,” said Michael O’Day, Chief Technology Officer, Corning Optical Communications. ***“In doing so, it creates the need for new applications across many vertical markets and industries that consumers and businesses will use. And those applications will require more broadband access and connectivity.”***

In response to the high demand, firms that can design, implement, and maintain networks efficiently are highly sought after and are commanding high multiples in M&A transactions. This trend is exemplified by the acquisition of specialized network service providers by larger telecom companies aiming to enhance their service offerings and operational efficiencies.



Source: KPMG

As Moss Adams notes, ***“The rise of remote work, growing cybersecurity needs, and increased use of internet-connected devices, for example, open opportunities for innovative companies to enter an industry otherwise dominated by a few large players. These incumbents’ need for a competitive edge will contribute to venture and M&A activity in the space, especially with continued consolidation and market expansion.”***

Increased competition, even in remote areas, has reduced pricing power for industry players, making it difficult to pass higher costs onto customers. The intense competition has led to pricing pressures, constraining profitability.

As International Center for Law & Economics (ICLE) notes, ***“By all relevant measures, U.S. broadband competition is vibrant and has increased dramatically since the***

COVID-19 pandemic. Since 2021, more households are connected to the internet, broadband speeds have increased, prices have fallen, more households are served by more than a single provider, and new technologies like satellite and 5G have expanded internet access and intermodal competition among providers.”

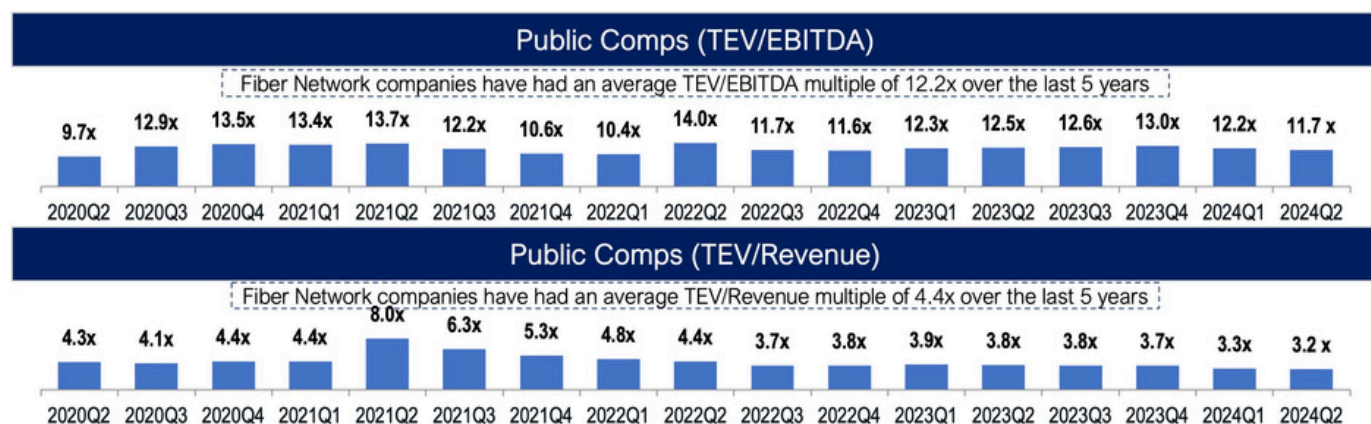
The competitive landscape has made financing greenfield projects even more expensive in today's challenging interest rate environment. Building new infrastructure from scratch carries higher risks and debt costs, whereas acquiring existing networks with a stable subscriber base offers immediate cash flow and lower financing risks. In this competitive environment, the higher cost of debt burdens project returns. However, capital remains available, making the opportunity to grow through M&A particularly attractive.

Public Comparable Companies

	LTM Results		LTM Margins		1Yr FWD Margins		Equity Value	Enterprise Value	TEV / LTM:		TEV / 1Yr FWD:	
	Revenue	EBITDA	Gross	EBITDA	Gross	EBITDA			Rev	EBITDA	Rev	EBITDA
T-Mobile US, Inc.	\$ 78,520.0	\$ 27,932.0	63.1%	43.6%	61.3%	40.2%	US \$ 301,671.5	\$ 324,658.9	4.1x	9.4x	4.0x	9.9x
Verizon Communications Inc.	\$ 134,043.0	\$ 39,908.0	59.6%	39.9%	58.9%	36.3%	US \$ 350,897.6	\$ 351,576.0	2.6x	6.6x	2.6x	7.2x
Comcast Corporation	\$ 121,939.0	\$ 38,529.0	70.0%	32.2%	68.9%	31.0%	US \$ 263,819.0	\$ 250,061.0	2.0x	6.3x	2.0x	6.5x
AT&T Inc.	\$ 122,317.0	\$ 44,863.0	59.3%	40.2%	58.9%	36.6%	US \$ 290,184.1	\$ 299,970.4	2.5x	6.1x	2.4x	6.7x
Charter Communications, Inc.	\$ 54,633.0	\$ 20,942.0	39.1%	38.0%	39.3%	40.7%	US \$ 142,662.9	\$ 148,609.1	2.7x	7.1x	2.7x	6.7x
Liberty Broadband Corporation	\$ 980.0	\$ 1,539.0	75.0%	158.8%	73.5%	31.5%	US \$ 12,059.2	\$ 12,138.7	12.2x	7.7x	12.0x	38.1x
Frontier Communications Parent	\$ 5,773.0	\$ 2,216.0	63.5%	39.4%	63.0%	38.7%	US \$ 15,083.6	\$ 16,591.6	2.8x	7.2x	2.8x	7.3x
Iridium Communications Inc.	\$ 789.3	\$ 406.0	71.9%	50.8%	69.7%	57.7%	US \$ 4,613.8	\$ 4,688.9	5.8x	11.4x	5.6x	9.7x
Cogent Communications Holdings	\$ 987.0	\$ 1,471.3	40.4%	20.7%	37.2%	27.1%	US \$ 4,956.7	\$ 4,973.5	5.0x	24.1x	4.6x	16.9x
Telephone and Data Systems, Inc.	\$ 5,119.0	\$ 700.0	55.6%	29.0%	56.9%	24.4%	US \$ 8,605.6	\$ 9,379.7	1.8x	6.3x	1.9x	7.6x
Cable One, Inc.	\$ 1,660.5	\$ 885.4	73.8%	50.8%	77.3%	54.0%	US \$ 5,843.4	\$ 5,509.8	3.2x	6.4x	3.4x	6.3x
Liberty Latin America Ltd.	\$ 4,509.0	\$ 1,635.0	77.5%	38.8%	75.6%	40.4%	US \$ 9,261.3	\$ 10,037.3	2.3x	6.0x	2.3x	5.6x
Lumen Technologies, Inc.	\$ 14,109.0	\$ (6,744.0)	50.5%	29.6%	55.9%	32.2%	US \$ 19,597.2	\$ 18,739.1	1.3x	4.5x	1.5x	4.6x
Shenandoah Telecommunications	\$ 289.5	\$ 69.8	63.2%	29.1%	50.0%	29.7%	US \$ 1,089.7	\$ 992.6	3.3x	11.5x	2.7x	8.9x
Altice USA, Inc.	\$ 9,194.0	\$ 3,350.5	67.3%	39.4%	69.6%	39.2%	US \$ 26,215.5	\$ 25,869.7	2.8x	7.1x	2.9x	7.4x
Ribbon Communications Inc.	\$ 819.8	\$ 50.8	54.4%	14.1%	51.0%	13.3%	US \$ 865.6	\$ 975.7	1.2x	8.2x	1.1x	8.1x
Consolidated Communications	\$ 1,108.7	\$ 179.0	55.5%	25.2%	56.4%	31.9%	US \$ 3,030.4	\$ 3,172.0	2.9x	11.3x	2.9x	9.1x
WideOpenWest, Inc.	\$ 676.0	\$ (71.2)	58.2%	36.8%	62.3%	42.1%	US \$ 1,235.0	\$ 1,439.7	2.1x	5.6x	2.2x	5.3x
ATN International, Inc.	\$ 763.2	\$ 169.5	56.4%	27.6%	58.0%	26.0%	US \$ 1,275.9	\$ 1,161.1	1.5x	5.5x	1.5x	6.0x

25th Percentile	55.5%	29.0%	55.9%	29.7%
Mean	60.8%	41.3%	60.2%	35.4%
Median	59.6%	38.0%	58.9%	36.3%
75th Percentile	70.0%	40.2%	69.6%	40.4%

25th Percentile	2.0x	6.1x	2.0x	6.3x
Mean	3.3x	8.3x	3.2x	9.4x
Median	2.7x	7.1x	2.7x	7.3x
75th Percentile	3.3x	9.4x	3.4x	9.1x



Source: CapIQ

Trends in fiber broadband M&A reflect a broader industry shift towards consolidation and efficiency. As companies face the challenges of financing and the demands of an AI-driven market, strategic acquisitions are becoming the preferred growth strategy. This consolidation is expected to continue, with private equity playing a significant role. The increasing activity of private equity firms in the sector signals a strong appetite for investments in scalable and efficient network solutions.

As Fierce Network notes, ***“You can’t go far in the broadband industry without hearing about some internet service provider getting acquired or an investment from a private equity company. Brightspeed, Consolidated Communications and Wire 3 are a few recent examples. Ropes & Gray, a law firm that’s advised private equity firms in investments in fiber companies, estimates digital infrastructure mergers and acquisitions (M&A) activity will pick up in the next year and will likely grow even further with the increased need for applications like generative AI (GenAI).”***

Selected M&A Transactions

Date	Target	Buyer	Description	Deal Value(M)	Implied EV (M)	EV/ Revenue	EV/ EBITDA
Jun-24	Infinera Corporation	Nokia Oyj	Manufactures semiconductors, and supplies networking equipment, software, and services worldwide	2,430.6	2,274.1	1.5x	43.3x
May-24	Noname Gate	Akamai Technologies	Develops and operates security solutions for protecting application programming	450.0	450.0	NM	NM
May-24	WideOpenWest	Crestview Advisors	Provides high speed data, cable television, and digital telephony services to residential and business services	1,407.0	1,387.8	2.1x	5.6x
Apr-24	Darktrace	Thoma Bravo	Engages in the development and sale of cyber-threat defense technology solutions	5,597.1	5,212.5	8.5x	43.8x
Apr-24	PureSoftware Technologies Private	Happiest Minds Technologie	Digital engineering and transformation services company that develops a banking as a service platform	7,790.0	7,790.0	2.2x	NM
Apr-24	Silk Security	Armis	Silk Security, Inc. develops software for a security platform designed to manage security findings	150.0	150.0	NM	NM
Mar-24	Spirent Communications	Keysight Technologies	Spirent Communications plc provides automated test and assurance solutions	1,182.9	1,099.3	3.0x	25.7x
Mar-24	Vodafone Italia S.p.A.	Fastweb SpA	Vodafone Italia S.p.A., a mobile operator, provides mobile telecommunication services to customers in Italy	8,000.0	8,000.0	NM	NM
Mar-24	Ireland Business Of Cellnex	Phoenix Tower International	Ireland Business Of Cellnex comprises telecommunications infrastructure operations	971.0	971.0	NM	NM
Feb-24	Omnissa	KKR & Co.	Comprises semiconductor devices manufacturing business	4,000.0	4,000.0	NM	NM
Jan-24	Procure Software	Roper Technologies	Procure Software, LLC develops and provides software and hardware solutions for the child care industry	1,860.0	1,860.0	NM	NM
Jan-24	Juniper Networks	Hewlett Packard Enterprise Co.	Juniper Networks, Inc. designs, develops, and sells network products and services worldwide	15,396.7	14,140.7	2.6x	19.9x
Nov-23	KORE Group Holdings	Searchlight Capital Partners	KORE Group Holdings, Inc. provides Internet of Things (IoT) services and solutions worldwide	150.0	-	NM	NM
Oct-23	Horizon Telcom	Shenandoah Telecommunications Co.	Horizon Telcom, Inc. provides telecommunications services to Southern Ohio	394.6	-	NM	NM
Aug-23	Cincinnati Bell	Ares Management Corp.	Provides integrated telecommunications and technology services to residential and business customers in the US	600.0	-	NM	NM
Aug-23	DISH Network Corporation	EchoStar Corp.	DISH Network Corporation, together with its subsidiaries, provides pay-TV services in the United States	26,894.4	26,402.6	1.7x	12.5x
Apr-23	Consolidated Communications Holdings	British Columbia Investment Management Corp.	Provides broadband and business communication solutions for consumer, commercial, and carrier channels	2,547.7	2,876.3	2.6x	10.3x
Feb-23	Oxio	Cogeco Connexion	A cloud-based internet provider, provides internet, television, and telephone services in Canada	100.0	100.0	NM	NM
Jan-23	E-Vergent.com	Tahoe Network Infrastructure	E-Vergent.com, LLC provides business and residential fiber internet and phone services	17.7	17.7	NM	NM

Source: CapIQ

The fiber broadband networks industry is poised for continued M&A activity driven by the dual pressures of AI-driven demand and financing challenges in a highly competitive marketplace. Companies that can deliver efficient network solutions and navigate the competitive landscape will be at the forefront of this consolidation wave. As the industry evolves, strategic acquisitions will play a crucial role in shaping the future of fiber broadband networks, ensuring robust and efficient digital infrastructure to support the growing needs of an AI-driven world.

References

[AI Driving Fiber-Rich Networks, Data Centers](#)

[Dynamic Competition in Broadband Markets: A 2024 Update](#)

[Broadband Industry Market and Transaction Trends 2023 Update](#)

[Looking Ahead: Key U.S. Digital Infrastructure Insights for 2024](#)

[Here's what the future of broadband M&A looks like](#)

[MAKING M&A WORK IN THE FIBER BROADBAND INDUSTRY](#)

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