

EQUITY RESEARCH

March 1, 2024

Price: **\$80.91** (02/29/2024)

Price Target: **\$84.00** (Prior \$81.00)

OUTPERFORM (1)
ESG SCORE: 62/100
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Key Data

Symbol	NASDAQ: CCOI
Beta:	0.41
52-Week Range:	\$80.91-\$58.16
Market Cap:	\$3.9B
Net Debt (MM):	\$1,661.8
Cash/Share:	\$(0.07)
Dil. Shares Out (MM):	47.2
Enterprise Value (MM):	\$5,284.2
ROIC:	(6.0)%
BV/Share:	\$9.09
Dividend:	\$3.76
Yield:	4.65%

FY (Dec)	2023A	2024E	2025E
EBITDA - Adjusted			
Year	129.8	123.3	212.1
Prior Year	164.3	163.8	243.8
EV/EBITDA:ADJ	40.7x	42.9x	24.9x

Revenue (MM)

Q1	\$153.6	\$272.4	\$285.8
Prior Q1	-	\$265.6	\$286.8
Q2	\$239.8	\$272.5	\$292.3
Prior Q2	-	\$269.0	\$294.3
Q3	\$275.4	\$275.3	\$297.9
Prior Q3	-	\$273.6	\$301.5
Q4	\$272.1	\$280.5	\$303.5
Prior Q4	\$265.8	\$279.4	\$308.4
Year	\$940.9	\$1,100.7	\$1,179.6
Prior Year	\$934.6	\$1,087.7	\$1,191.0

EARNINGS UPDATE

DOWNSIDE NOISY 4Q23 RESULTS; WAVE PROGRESS SLOWER BUT WILL GET THERE

THE TD COWEN INSIGHT

CCOI posted downside 4Q23 results with noise from cost one-time impacts and valuation adjustments. Adjustments aside, the LT story remains steady. Progress on Waves is off to a slow start, but mgmt. is still confident in retooling 800 data centers by YE. 2024/2025 lacks EBITDA clarity but cost savings may exceed the \$220MM target and the road to a significant 2028 Waves oppty. intact and underway.

Conclusion

Cogent posted downside 4Q23 revenue/EBITDA results of \$272.1MM/\$110.5MM vs. our \$265.8MM/\$128.4MM and the St.'s \$271.1MM/\$132.1MM, as the quarter was noisy with SG&A one-time impacts and adjustments including a \$254MM valuation adjustment on its IPv4 addresses. Navigating through the adjustments, the combined SG&A and COGS saw an \$18MM Q/Q increase driven by (1) \$8.5MM impact from the change in capital lease accounting that benefited 3Q23, (2) a \$5.9MM impact from USF (though a revenue/cost pass-through), (3) a ~\$2MM bad debt impact partly due to billing delays, and (4) ~\$2MM of audit adjustments and employee bonuses. Excluding these impacts, SG&A and COGS combined were flat Q/Q. As investors look for 2024 clarity through the noise, mgmt. expects an SG&A run rate of ~27% of revenue going forward and sees EBITDA in the \$110MM range as appropriate for the next quarter. The EBITDA run rate should then step down in 2Q24 given the decline in T-Mobile payments from \$29.2MM/month to \$8.3MM/month, but mgmt. expects a gradual increase over time through the meaningful cost savings. To that end, over a three-year period mgmt. expects to reach a \$220MM annualized cost savings run rate, and encouragingly highlighted its expectations for additional savings/synergies, with the intention of exceeding this target.

All said, the quarter was noisy, but under the hood the story remains the same. 2024 should continue to be bumpy with some noise (T-Mobile cash payments stepping down), though we favor Cogent on the significant long-term Wave opportunity, as we consider the \$500MM Wave revenue run rate, >\$1.5B total revenue, and mid 30% margin targets by YE2028. DCF-based PT goes to \$84.

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AT A GLANCE

Our Investment Thesis

CCOI posted downside 4Q23 results with noise from cost one-time impacts and valuation adjustments. Adjustments aside, the LT story remains steady. Progress on Waves is off to a slow start, but mgmt. is still confident in retooling 800 data centers by YE. 2024/2025 lacks EBITDA clarity, but cost savings may exceed the \$220MM target, and we see the road to a significant 2028 Waves opportunity intact and underway.

Base Case Assumptions

- 2024-2029E revenue CAGR of 9.1%
- Adjusted EBITDA margin of 34.6% by 2029E
- Apply a 11.7x terminal EBITDA multiple to our DCF

Upside Scenario

- 2024-2029E revenue CAGR of >9.1%
- Adjusted EBITDA margin to >34.6% by 2029E
- Stock trades at an implied value >11.7x terminal EBITDA multiple to our DCF

Forthcoming Catalysts

- 1Q24 earnings in May

Downside Scenario

- 2024-2029E revenue CAGR of <9.1%
- Adjusted EBITDA margin to <34.6% by 2029E
- Stock trades at an implied value <11.7x terminal EBITDA multiple to our DCF

Price Performance



Source: Bloomberg

Company Description

Cogent Communications is a multinational, Tier 1 facilities-based ISP. Cogent specializes in providing businesses with high speed Internet access, Ethernet transport, and colocation services. Cogent's facilities-based, all-optical IP network backbone provides services in over 180 markets globally.

Analyst Top Picks

	Ticker	Price (02/29/2024)	Price Target	Rating
T-Mobile US	TMUS	\$163.30	\$204.00	Outperform
DigitalBridge Group	DBRG	\$18.37	\$20.00	Outperform
Frontier Communications Corp.	FYBR	\$23.68	\$41.00	Outperform

TD COWEN ESG SCORES

Cogent Communications Group
NASDAQ: CCOI

ESG Score: 62/100

ESG Industry Percentile: 50th

Cogent Communications Group(CCOI) ESG Material Category Rankings as of March 1, 2024

Top 3 Material ESG Categories	Dynamic Materiality™	Score
Access and Affordability	0%	69
Air Quality	0%	N/A
Business Ethics	0%	40



ESG performance is scored on a 0 to 100 scale. A score of 50 represents a neutral impact. Scores above 50 indicate more positive performance, and scores below reflect more negative performance. A blank chart means the company has an ESG performance score of N/A. A score of N/A means not enough data is available on the company to generate a score.
Source: Truvalue Labs

ESG MATERIALITY

Establishing **materiality** is critical to evaluating a company's ESG performance. Factors most material in one sector (or to a particular company) may not be as important to another. In addition, the factors that are material – and the degree to which factors are material – can change over time.

Applying data to frameworks established by SASB (the Sustainability Accounting Standards Board) and by Truvalue Labs, we present in the chart above the three most material ESG factors that investors should focus on for the company that is the subject of this report; the Dynamic Materiality™ of each factor (i.e., what percentage of overall materiality the category represents for the subject company); and a Score for the subject company in each of these three categories (on a 0 to 100 basis, with 50 being average).

We also calculate an **overall ESG Score** for the subject company, which is presented above (in green) and on the cover of this report. A full explanation of how this ESG Score is derived is presented below.

HOW ARE TD COWEN'S ESG SCORES CALCULATED?



TD Cowen leverages technology from Truvalue Labs to generate our ESG scores. Truvalue Labs uses artificial intelligence to capture the stakeholder view of how companies are performing on ESG metrics, using the Sustainability Accounting Standards Board (SASB) materiality framework (www.sasb.org). These data are leveraged to calculate a score for each company, which allows TD Cowen to have a **common framework** and uniform way to approach ESG discussions with our clients. TD Cowen ESG scores appear on Company and Company Quick Take notes and are updated daily.

HOW DOES THE PROCESS WORK?

The process begins with capturing unstructured data from more than 100,000 sources, in 14 languages. These data are culled from a wide range of sources with varied perspectives, including industry publications, news outlets, NGOs, trade unions, government sources, legal and regulatory filings, and academic publications.

Natural language processing is used to interpret semantic content from the original sources and generate analytics by applying criteria consistent with established sustainability and ESG frameworks. Performance is scored on a 0 to 100 scale. **A score of 50 represents a neutral impact.** Scores above 50 indicate more positive performance, and scores below reflect more negative performance. A score of NA means not enough data is available on the company to generate a score.

Cogent posted elevated capex of \$43.6MM vs. our \$23.8MM and the St.'s \$30.2MM (\$62.4MM vs. our \$53.8MM when including capital leases), as mgmt. notes it is working through the \$50MM one-time integration capex, now 60% of the way there. Cogent expects a cadence of \$80MM/year of principal payments on capital leases and \$100MM/year in steady-state capex. Meanwhile, as of November 2023, all customers were fully migrated onto the Cogent billing system. Operating cash flow was impacted by the billing conversion, which led to an increase in DSO due to the delayed payments from former Sprint customers (returned to normal after YE) and bad debt expense. With the updated billing system, Cogent reclassified 1.4K on-net customer connections (and \$1MM of on-net revenue) to off-net and non-core.

In Waves, Cogent saw revenue of \$3.3MM (up 10% Q/Q) but is now reporting this under On-Net and no longer disclosing the segment separately. Though mgmt. noted it will readily provide Wave updates, and we continue to model Waves separately. Furthermore, mgmt. notes it likely won't achieve a mid-year run rate of \$20MM due to the time-intensive process of wave-enabling data centers. Cogent is still very early in implementing a scaled Waves business, with just 65 data centers that are wave-ready for quick provisioning vs. 50 in 3Q23 (285 data centers can handle waves but with slow provisioning times). Nonetheless, the company still expects to reach 800 Wave-ready data centers by YE2024. Mgmt. notes the sales funnel remains strong with ~2.3K orders and anticipates an acceleration in order volume. Mgmt. reiterated expectations for the \$1.5B total revenue run rate in 2028 and \$500MM of EBITDA.

IPv4 Addresses Recorded on Balance Sheet with a Value of \$458MM

Cogent has an impressive inventory of IPv4 internet addresses (from an acquisition 20+ years ago) now valued at \$458MM on its balance sheet, resulting in a gain on bargain purchase of \$254MM. Cogent acquired another 9.9MM addresses through the Sprint transaction and now has 37.8MM total addresses. Cogent leases out incremental inventory, currently leasing 11.4MM of the addresses for an average lease price per address of \$0.30/month, generating ~\$35MM of annual revenues. Interestingly, AWS charges \$3.60/month per address suggesting pricing upside for Cogent. Mgmt. will continue to evaluate the opportunities (sell vs. lease) for these addresses.

Corporate and Net Centric Highlights

In Corporate, mgmt. remains cautious in its outlook given the uncertain economic environment, with Cogent posting revenue of \$126.6MM, up 5.1% Q/Q. USF pass-through fees had a \$5.9MM positive Q/Q impact on Corporate revenue. Mgmt. did note some improvement in the return to office trends. Separately, the sales force turnover rate improved Q/Q, but sales force productivity was down to 3.3 installs/rep/month vs. 3.6 in 3Q23, as productivity has been impacted by the enterprise customer reps from Sprint who are still undergoing training. Total sales reps increased to 657 vs. 647 in 3Q23, and Cogent ended the quarter with 620 FTE reps vs. 621 in 3Q23. We are skeptical that Corporate gets to MSD growth and this idea is implied in mgmt.'s LT total revenue CAGR expectations of 5-7%.

In Net Centric, Cogent reported Net Centric revenue of \$93.1MM vs. our \$93.9MM, as the company continues to experience significant traffic growth driven by OTT video in international markets. To that end, traffic increased by 7% Q/Q and 22% Y/Y. Mgmt. noted unit pricing on the installed base decreased 7.1% Q/Q to \$0.28, but was up 4.9% Y/Y. Unit pricing on new customer contracts was \$0.10 per megabit on average, down from \$0.13 in 4Q22.

4Q23 Results

Revenue was \$272.1MM vs. our \$265.8MME and the Street's \$271.1MME and adjusted EBITDA was \$110.5MM (40.6%) vs. our \$128.4MME (48.3%) and the Street's \$132.1MME (48.7%). On-net revenue was \$141.2MM vs. our \$128.7MME, and Off-net revenue was \$123.7MM vs. our \$125.4MME. CFO was -\$48.7MM vs. our \$40.6MME, capex/capital leases/

vendor financing payments was \$62.4MM vs. our \$53.8MME, and FCF was -\$111.1MM vs. our -\$13.1MME.

Valuation

CCOI has a 4.8% dividend yield (2024) vs. T at 6.7% and VZ at 6.7%. CCOI trades at 24.9x 2025E EBITDA vs. the comp at 13.5x. Using an 11.7x exit multiple, which is based on an SoTP mix of 14.0x for Cogent and 10.0x for Waves, and 8.0% WACC, our DCF valuation implies a price target of \$84 (Prior: \$81).

Cogent 4Q23 Comparative Analysis

(\$thou)	Actuals v. Estimates Comparison				Sequential Comparison				Year-over-Year Comparison			
	4Q23	4Q23E	Variance	%	4Q23	3Q23	Variance	%	4Q23	4Q22	Variance	%
On-net	\$137,873	\$128,659	\$9,214	7.2%	\$137,873	\$130,049	\$7,824	6.0%	\$137,873	\$114,949	\$22,924	19.9%
<i>Net centric on-net</i>	93,148	93,854	(706)	-0.8%	93,148	94,936	(1,788)	-1.9%	\$93,148	66,196	26,952	40.7%
<i>Corporate on-net</i>	44,725	NA	NM	NM	44,725	35,113	9,612	27.4%	\$44,725	48,753	(4,028)	-8.3%
Off-net	123,669	125,375	(1,706)	-1.4%	123,669	130,970	(7,301)	-5.6%	123,669	36,873	86,796	235.4%
Wavelength	3,300	4,187	(887)	-21.2%	3,300	2,992	308	10.3%	3,300	0	3,300	NM
Non-core services	7,258	7,603	(345)	-4.5%	7,258	11,417	(4,159)	-36.4%	7,258	157	7,101	4522.9%
Total Revenue	272,099	265,825	6,274	2.4%	272,099	275,429	(3,330)	-1.2%	272,099	151,979	120,120	79.0%
y/y growth	79.0%	74.9%	4.1%	-	79.0%	83.6%	-4.6%	-	79.0%	3.2%	75.8%	-
Cost of Services	174,180	166,993	7,187	4.3%	174,180	173,224	956	0.6%	174,180	56,884	117,296	206.2%
as % of revenue	64.0%	62.8%	1.2%	-	64.0%	62.9%	1.1%	-	64.0%	37.4%	26.6%	-
Gross Profit	97,919	98,832	(913)	-0.9%	97,919	102,205	(4,286)	-4.2%	97,919	95,095	2,824	3.0%
Gross Margin	36.0%	37.2%	-1.2%	-	36.0%	37.1%	-1.1%	-	36.0%	62.6%	-26.6%	-
SG&A	74,907	57,937	16,970	29.3%	74,907	58,267	16,640	28.6%	74,907	37,713	37,194	98.6%
as % of revenue	27.5%	21.8%	5.7%	-	27.5%	21.2%	6.4%	-	27.5%	24.8%	2.7%	-
Other	(17,001)	(351)	(16,650)	NM	(17,001)	(351)	(16,650)	NM	(17,001)	(244)	(16,757)	NM
Reported EBITDA	6,011	40,544	(34,533)	-85.2%	6,011	43,587	(37,576)	-86.2%	6,011	57,138	(51,127)	-89.5%
Contribution Margin	1128.4%	31.7%	1096.7%	-	1128.4%	54.5%	1073.9%	-	1128.4%	-37.1%	1165.5%	-
EBITDA Margin	2.2%	15.3%	-13.0%	-	2.2%	15.8%	-13.6%	-	2.2%	37.6%	-35.4%	-
y/y growth	-89.5%	-29.0%	-60.4%	-	-89.5%	-24.7%	-64.8%	-	-89.5%	-0.5%	-89.0%	-
Depreciation and Amortization	67,805	87,130	(19,325)	-22.2%	67,805	86,734	(18,929)	-21.8%	67,805	23,563	44,242	187.8%
Stock based compensation	6,684	7,975	(1,291)	-16.2%	6,684	7,411	(727)	-9.8%	6,684	6,264	420	6.7%
Restructuring and Other Charges	0	0	0	NM	0	0	0	NM	0	0	0	NM
EBIT	(68,478)	(54,561)	(13,917)	NM	(68,478)	(50,558)	(17,920)	NM	(68,478)	27,311	(95,789)	NM
Other Income												
Interest Expense	(34,928)	(28,537)	(6,391)	NM	(34,928)	(24,198)	(10,730)	NM	(34,928)	(21,990)	(12,938)	NM
Interest Income and other, net	11,345	3,312	8,033	242.6%	11,345	12,567	(1,222)	-9.7%	11,345	4,106	7,239	176.3%
One-time gain (loss)	271,771	0	271,771	NM	271,771	(8,157)	279,928	NM	271,771	2,590	269,181	10393.1%
Total other income (expense), net	248,188	(25,226)	273,414	NM	248,188	(19,788)	267,976	NM	248,188	(15,294)	263,482	NM
EBT	179,710	(79,786)	259,496	NM	179,710	(70,346)	250,056	NM	179,710	12,017	167,693	1395.5%
Income Tax Expense (Benefit)	(20,443)	(11,968)	(8,475)	NM	(20,443)	(13,623)	(6,820)	NM	(20,443)	11,166	(31,609)	NM
Net Income	200,153	(67,819)	267,972	NM	200,153	(56,723)	256,876	NM	200,153	851	199,302	23419.7%
Beneficial Conversion charges	0	0	0	NM	0	0	0	NM	0	0	0	NM
Net income applicable to common shareholders	200,153	(67,819)	267,972	NM	200,153	(56,723)	256,876	NM	200,153	851	199,302	23419.7%
Basic weighted-average shares outstanding	47,353	47,345	8	0.0%	47,353	47,227	126	0.3%	47,353	46,886	468	1.0%
Diluted weighted-average shares outstanding	48,038	47,345	693	1.5%	48,038	47,227	811	1.7%	48,038	47,197	841	1.8%
Reported EPS	\$4.23	(\$1.43)	\$5.66	NM	\$4.23	(\$1.20)	\$5.43	NM	\$4.23	\$0.02	\$4.21	23187.4%

Source: Company data, TD Cowen estimates

Cogent 4Q23 Comparative Analysis - Segments

(\$thou)	Actuals v. Estimates Comparison				Sequential Comparison				Year-over-Year Comparison			
	4Q23	4Q23E	Variance	%	4Q23	3Q23	Variance	%	4Q23	4Q22	Variance	%
On-Net												
End of Period Buildings	3,277	3,287	(10)	-0.3%	3,277	3,257	20	0.6%	3,277	3,155	122	3.9%
Net Adds	20	30	(10)	-33.3%	20	30	(10)	-33.3%	20	29	(9)	-31.0%
End of Period Customer Connections	88,733	88,923	(190)	-0.2%	88,733	89,623	(890)	-1.0%	88,733	82,620	6,113	7.4%
On-Net Revenue per Connection	\$528	\$480	\$47	9.8%	\$528	\$475	\$53	11.1%	\$528	\$464	\$64	13.8%
Total On-Net Revenue	\$141,173	\$128,659	\$12,514	9.7%	\$141,173	\$130,049	\$11,124	8.6%	\$141,173	\$114,949	\$26,224	22.8%
Off-Net												
End of Period Customer Connections	36,895	36,266	629	1.7%	36,895	36,766	129	0.4%	36,895	13,531	23,364	172.7%
On-Net Revenue per Connection	\$1,119	\$1,144	(\$25)	-2.2%	\$1,119	\$1,156	(\$37)	-3.2%	\$1,119	\$914	\$205	22.4%
Total Off-Net Revenue	\$123,669	\$125,375	(\$1,706)	-1.4%	\$123,669	\$130,970	(\$7,301)	-5.6%	\$123,669	\$36,873	\$86,796	235.4%
Non-Core Services Revenue	\$7,258	\$7,603	(\$345)	-4.5%	\$7,258	\$11,417	(\$4,159)	-36.4%	\$7,258	\$157	\$7,101	4522.9%
Total												
Revenue	\$272,099	\$265,825	\$6,274	2.4%	\$272,099	\$275,429	(\$3,330)	-1.2%	\$272,099	\$151,979	\$120,120	79.0%
Adjusted EBITDA	\$6,011	\$40,544	(\$34,533)	-85.2%	\$6,011	\$43,587	(\$37,576)	-86.2%	\$6,011	\$57,138	(\$51,127)	-89.5%
Reported EPS	\$4.23	(\$1.43)	\$5.66	NM	\$4.23	(\$1.20)	\$5.43	NM	\$4.23	\$0.02	\$4.21	23187.4%
CFO	(\$48,701)	40,622	(\$89,323)	NM	(\$48,701)	(52,433)	\$3,732	NM	(\$48,701)	36,323	(\$85,024)	NM
Capex + Cap. Leases	\$62,422	\$53,750	\$8,672	16.1%	\$62,422	\$25,373	\$37,049	146.0%	\$62,422	\$19,591	\$42,831	218.6%
FCF	(\$111,123)	(\$13,128)	(\$97,995)	NM	(\$111,123)	(\$119,108)	\$7,985	NM	(\$111,123)	(\$7,782)	(\$103,341)	NM

Source: Company data, TD Cowen estimates

TD Cowen New vs. Old Estimates

(Shou)		Mar. 1Q 1Q24E	June 2Q 2Q24E	Sept. 3Q 3Q24E	Dec. 4Q 4Q24E	2024E	Mar. 1Q 1Q25E	June 2Q 2Q25E	Sept. 3Q 3Q25E	Dec. 4Q 4Q25E	2025E	2026E	2027E	2028E	2029E
Revenue	TD Cowen Old	\$265,597	\$269,021	\$273,647	\$279,441	\$1,087,705	\$286,833	\$294,280	\$301,479	\$308,419	\$1,191,011	\$1,326,378	\$1,479,216	\$1,631,517	\$1,769,334
	TD Cowen New	\$272,395	\$272,519	\$275,328	\$280,492	\$1,100,735	\$285,840	\$292,339	\$297,897	\$303,498	\$1,179,574	\$1,298,301	\$1,432,798	\$1,568,088	\$1,697,884
	Delta	2.6%	1.3%	0.6%	0.4%	1.2%	-0.3%	-0.7%	-1.2%	-1.6%	-1.0%	-2.1%	-3.1%	-3.9%	-4.0%
Adj. EBITDA	TD Cowen Old	\$122,486	\$97,399	\$68,092	\$72,635	\$360,612	\$77,055	\$84,265	\$89,305	\$94,153	\$344,778	\$437,066	\$531,038	\$561,649	\$630,594
	TD Cowen New	\$113,975	\$87,437	\$56,682	\$60,579	\$318,674	\$65,759	\$76,518	\$82,644	\$86,786	\$311,707	\$404,940	\$493,603	\$517,906	\$586,972
	Delta	-6.9%	-10.2%	-16.8%	-16.6%	-11.6%	-14.7%	-9.2%	-7.5%	-7.8%	-9.6%	-7.4%	-7.0%	-7.8%	-6.9%
EPS	TD Cowen Old	(\$1.51)	(\$1.44)	(\$1.39)	(\$1.33)	(\$5.67)	(\$1.27)	(\$1.16)	(\$1.09)	(\$1.02)	(\$4.53)	(\$3.23)	(\$1.56)	\$0.13	\$1.52
	TD Cowen New	(\$1.23)	(\$1.19)	(\$1.16)	(\$1.11)	(\$4.68)	(\$1.03)	(\$0.86)	(\$0.80)	(\$0.75)	(\$3.45)	(\$2.25)	(\$0.76)	\$0.68	\$2.06
	Delta	-18.6%	-17.7%	-16.5%	-16.4%	-17.4%	-18.3%	-25.4%	-26.0%	-26.6%	-23.8%	-30.3%	-51.5%	444.3%	35.2%
FCF/shr	TD Cowen Old	\$0.10	(\$0.99)	(\$0.53)	(\$0.43)	(\$1.85)	(\$0.39)	(\$0.29)	(\$0.08)	(\$0.00)	(\$0.76)	\$0.54	\$3.38	\$5.05	\$6.62
	TD Cowen New	(\$0.25)	(\$0.60)	(\$0.25)	\$0.15	(\$0.95)	(\$0.20)	(\$0.31)	\$0.25	\$0.00	(\$0.26)	\$0.42	\$3.10	\$4.52	\$6.07
	Delta	-361.1%	-39.6%	-52.9%	-134.5%	-48.6%	-48.8%	9.5%	-416.7%	-143.5%	-65.5%	-22.9%	-8.4%	-10.5%	-8.3%
Capex + Cap. Leases	TD Cowen Old	\$55,000	\$55,000	\$55,000	\$55,000	\$220,000	\$55,000	\$55,000	\$55,000	\$55,000	\$220,000	\$220,000	\$172,000	\$182,000	\$182,000
	TD Cowen New	\$53,813	\$53,813	\$43,813	\$43,813	\$195,252	\$43,813	\$43,813	\$43,813	\$43,813	\$175,252	\$175,252	\$127,252	\$137,252	\$137,252
	Delta	-2.2%	-2.2%	-20.3%	-20.3%	-11.2%	-20.3%	-20.3%	-20.3%	-20.3%	-20.3%	-20.3%	-26.0%	-24.6%	-24.6%

Source: TD Cowen estimates

Cogent Income Statement

(\$thou)	2021	2022	2023	Mar. 1Q 1Q24E	June 2Q 2Q24E	Sept. 3Q 3Q24E	Dec. 4Q 4Q24E	2024E	Mar. 1Q 1Q25E	June 2Q 2Q25E	Sept. 3Q 3Q25E	Dec. 4Q 4Q25E	2025E	2026E	2027E	2028E	2029E
Total Revenue	\$589,791	\$599,604	\$940,922	\$272,395	\$272,519	\$275,328	\$280,492	\$1,100,735	\$285,840	\$292,339	\$297,897	\$303,498	\$1,179,574	\$1,298,301	\$1,432,798	\$1,568,088	\$1,697,884
y/y growth	3.8%	1.7%	56.9%	77.4%	13.6%	0.0%	3.1%	17.0%	4.9%	7.3%	8.2%	8.2%	7.2%	10.1%	10.4%	9.4%	8.3%
Cost of Services	223,814	227,602	543,164	174,505	172,306	171,809	171,858	690,478	170,772	168,077	167,226	167,393	673,469	680,804	697,367	714,424	730,766
as % of revenue	37.9%	38.0%	57.7%	64.1%	63.2%	62.4%	61.3%	62.7%	59.7%	57.5%	56.1%	55.2%	57.1%	52.4%	48.7%	45.6%	43.0%
Gross Profit	365,977	372,002	397,758	97,890	100,213	103,519	108,634	410,256	115,068	124,262	130,671	136,105	506,105	617,497	735,431	853,664	967,118
Gross Margin	62.1%	62.0%	42.3%	35.9%	36.8%	37.6%	38.7%	37.3%	40.3%	42.5%	43.9%	44.8%	42.9%	47.6%	51.3%	54.4%	57.0%
SG&A	138,083	139,131	249,460	71,415	70,876	71,736	72,955	286,983	74,209	72,643	72,927	74,219	293,998	312,157	333,136	356,757	380,146
as % of revenue	23.4%	23.2%	26.5%	26.2%	26.0%	26.1%	26.0%	26.1%	26.0%	24.8%	24.5%	24.5%	24.9%	24.0%	23.3%	22.8%	22.4%
Other	18	(2,248)	(18,491)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Pmts from TMUS IPT	0	0	204,167	87,500	58,100	24,900	24,900	195,400	24,900	24,900	24,900	24,900	99,600	99,600	91,307	21,000	0
EBITDA Adjusted for Sprint Acq. Costs & T-mobile C	227,912	230,623	352,463	113,975	87,437	56,682	60,579	318,674	65,759	76,518	82,644	86,786	311,707	404,940	493,603	517,906	586,972
Adjusted EBITDA %	0%	0%	37.5%	41.8%	32.1%	20.6%	21.6%	29.0%	23.0%	26.2%	27.7%	28.6%	26.4%	31.2%	34.5%	33.0%	34.6%
Reported EBITDA	227,912	230,623	129,804	26,475	29,337	31,782	35,679	123,274	40,859	51,618	57,744	61,886	212,107	305,340	402,296	496,906	586,972
Contribution Margin	62.5%	27.6%	-29.5%	6909.6%	2308.6%	87.0%	75.5%	-4.1%	96.9%	165.6%	110.2%	74.0%	112.7%	78.5%	72.1%	69.9%	69.4%
EBITDA Margin	38.6%	38.5%	13.8%	9.7%	10.8%	11.5%	12.7%	11.2%	14.3%	17.7%	19.4%	20.4%	18.0%	23.5%	28.1%	31.7%	34.6%
y/y growth	6.3%	1.2%	-43.7%	-52.8%	21.4%	-27.1%	493.6%	-5.0%	54.3%	75.9%	81.7%	73.5%	72.1%	44.0%	31.8%	23.5%	18.1%
Depreciation and Amortization	89,242	92,219	232,210	63,388	63,972	64,388	64,805	256,553	65,222	65,638	66,055	66,472	263,387	270,053	276,720	283,387	290,053
Stock based compensation	26,822	24,438	26,925	8,172	8,176	8,260	8,415	33,022	8,575	8,770	8,937	9,105	35,387	38,949	42,984	47,043	50,937
Restructuring and Other Charges	(7,375)	210	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBIT	119,223	113,756	(129,331)	(45,085)	(42,810)	(40,866)	(37,541)	(166,302)	(32,938)	(22,790)	(17,248)	(13,691)	(86,667)	(3,662)	82,592	166,477	245,982
Other Income																	
Interest Expense	(67,074)	(88,855)	(106,784)	(28,574)	(28,574)	(28,574)	(28,574)	(114,297)	(28,574)	(28,574)	(30,324)	(30,324)	(117,797)	(131,797)	(131,797)	(131,797)	(131,797)
Interest Income and other, net	2,066	\$3,641	\$35,785	\$4,844	\$4,952	\$4,437	\$3,787	\$18,020	\$3,146	\$2,549	\$2,045	\$1,620	\$9,361	\$4,750	\$4,877	\$5,592	\$8,920
One-time gain (loss)	17,824	(2,167)	1,419,875	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total other income (expense), net	(47,184)	(87,381)	1,348,876	(23,730)	(23,622)	(24,137)	(24,787)	(96,276)	(25,428)	(26,025)	(28,279)	(28,704)	(108,435)	(127,046)	(126,920)	(126,205)	(122,877)
EBT	72,039	26,375	1,219,545	(68,815)	(66,432)	(65,003)	(62,328)	(262,578)	(58,366)	(48,815)	(45,527)	(42,394)	(195,102)	(130,709)	(44,328)	40,272	123,106
Income Tax Expense (Benefit)	23,235	21,230	(53,893)	(10,322)	(9,965)	(9,750)	(9,349)	(39,387)	(8,755)	(7,322)	(6,829)	(6,359)	(29,265)	(19,606)	(6,649)	6,041	18,466
Net Income	48,804	5,145	1,273,438	(58,493)	(56,467)	(55,252)	(52,979)	(223,191)	(49,611)	(41,493)	(38,698)	(36,035)	(165,837)	(111,102)	(37,679)	34,231	104,640
Beneficial Conversion charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income applicable to common shareholders	48,185	5,145	1,273,441	(58,493)	(56,467)	(55,252)	(52,979)	(223,191)	(49,611)	(41,493)	(38,698)	(36,035)	(165,837)	(111,102)	(37,679)	34,231	104,640
Basic weighted-average shares outstanding	46,253	46,722	47,373	47,471	47,589	47,708	47,827	47,649	47,946	48,065	48,185	48,305	48,125	48,607	49,093	49,584	50,079
Diluted weighted-average shares outstanding	46,649	46,973	47,838	48,157	48,277	48,398	48,518	48,338	48,639	48,760	48,882	49,003	48,821	49,309	49,802	50,300	50,803
Reported EPS	\$1.04	\$0.11	\$26.88	(\$1.23)	(\$1.19)	(\$1.16)	(\$1.11)	(\$4.68)	(\$1.03)	(\$0.86)	(\$0.80)	(\$0.75)	(\$3.45)	(\$2.25)	(\$0.76)	\$0.68	\$2.06
y/y growth	NM	-89.4%	NM	NM	-105.0%	NM	-126.2%	-117.4%	NM	NM	NM	NM	NM	NM	NM	NM	202.7%
Special Dividend/shr	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend declared/shr	\$3.17	\$3.56	\$3.76	\$0.97	\$0.98	\$0.99	\$1.00	\$3.92	\$1.01	\$1.02	\$1.03	\$1.04	\$4.08	\$4.26	\$4.42	\$4.58	\$4.74
y/y growth	14.2%	12.1%	5.8%	4.3%	4.3%	4.2%	4.2%	4.3%	4.1%	4.1%	4.1%	4.0%	4.1%	4.4%	3.8%	3.6%	3.5%
As a % of Revenue																	
Operations and Support Expense	61.4%	61.2%	84.2%	90.3%	89.2%	88.5%	87.3%	88.8%	85.7%	82.3%	80.6%	79.6%	82.0%	76.5%	71.9%	68.3%	65.4%
EBITDA Margin	38.6%	38.5%	13.8%	9.7%	10.8%	11.5%	12.7%	11.2%	14.3%	17.7%	19.4%	20.4%	18.0%	23.5%	28.1%	31.7%	34.6%
Depreciation and Amortization	15.1%	15.4%	24.7%	23.3%	23.5%	23.4%	23.1%	23.3%	22.8%	22.5%	22.2%	21.9%	22.3%	20.8%	19.3%	18.1%	17.1%
EBIT Margin	20.2%	19.0%	-13.7%	-16.6%	-15.7%	-14.8%	-13.4%	-15.1%	-11.5%	-7.8%	-5.8%	-4.5%	-7.3%	-0.3%	5.8%	10.6%	14.5%
EBT Margin	12.2%	4.4%	129.6%	-25.3%	-24.4%	-23.6%	-22.2%	-23.9%	-20.4%	-16.7%	-15.3%	-14.0%	-16.5%	-10.1%	-3.1%	2.6%	7.3%
Tax Rate	32.3%	80.5%	-4.4%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Adjusted NI Margin	8.3%	0.9%	135.3%	-21.5%	-20.7%	-20.1%	-18.9%	-20.3%	-17.4%	-14.2%	-13.0%	-11.9%	-14.1%	-8.6%	-2.6%	2.2%	6.2%

Source: Company data, TD Cowen estimates

Cogent Balance Sheet

(\$thou)	2021	2022	2023	Mar. 1Q 1Q24E	June 2Q 2Q24E	Sept. 3Q 3Q24E	Dec. 4Q 4Q24E	2024E	Mar. 1Q 1Q25E	June 2Q 2Q25E	Sept. 3Q 3Q25E	Dec. 4Q 4Q25E	2025E	2026E	2027E	2028E	2029E
Assets																	
Cash and Equivalents	\$319,609	\$223,783	\$113,782	\$143,065	\$126,047	\$91,711	\$75,893	\$75,894	\$42,565	\$3,499	\$90,895	\$65,609	(\$34,390)	\$27,463	\$54,531	\$74,032	\$143,220
Short term investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts Receivable	41,938	44,123	135,475	108,958	98,107	88,105	78,538	78,538	68,602	70,161	71,495	72,840	72,840	80,171	88,476	96,830	104,846
Due from T-Mobile IP Transit, current	0	0	179,269	132,800	132,800	132,800	132,800	132,800	99,600	99,600	99,600	99,600	99,600	99,600	91,307	21,000	0
Due from T-Mobile TSA	0	0	4,514	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepaid and other Current assets	39,015	45,878	80,588	78,694	68,091	58,451	48,963	48,963	48,996	48,144	48,031	48,322	48,322	49,596	51,471	53,503	55,487
Current Assets	400,562	313,784	474,938	463,517	425,045	371,067	336,194	336,194	259,763	221,404	310,021	286,370	286,370	256,830	285,785	245,365	303,553
Property and Equipment	457,880	544,430	1,537,817	1,528,242	1,518,083	1,497,508	1,476,516	1,476,516	1,455,107	1,433,282	1,411,040	1,388,381	1,388,381	1,293,580	1,144,112	987,977	825,176
Right-of-use assets	101,687	81,601	361,587	361,587	361,587	361,587	361,587	361,587	361,587	361,587	361,587	361,587	361,587	361,587	361,587	361,587	361,587
Intangible Assets	0	0	472,815	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Asset held for sale	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Cash	9,015	52,129	38,689	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Due from T-Mobile, IP Transit	0	0	263,750	222,719	164,619	139,719	114,819	114,819	123,119	98,219	73,319	48,419	48,419	0	0	0	0
Due from T-Mobile, Purchase agreement	0	0	38,585	33,585	28,585	23,585	18,585	18,585	13,585	8,585	3,585	(1,415)	(1,415)	(1,415)	(1,415)	(1,415)	(1,415)
Other Assets	15,413	18,238	23,438	23,438	23,438	23,438	23,438	23,438	23,438	23,438	23,438	23,438	23,438	23,438	23,438	23,438	23,438
Total Assets	\$984,557	\$1,010,182	\$3,211,619	\$2,633,088	\$2,521,357	\$2,416,904	\$2,331,138	\$2,331,138	\$2,236,599	\$2,146,515	\$2,182,990	\$2,106,780	\$2,106,780	\$1,934,020	\$1,813,506	\$1,616,952	\$1,512,338
Liabilities & Shareholders' Equity																	
Accounts Payable	11,923	27,208	48,356	55,842	62,030	68,724	75,618	75,618	75,140	73,954	80,269	80,349	80,349	81,224	83,200	85,235	87,185
Accrued Liabilities	39,057	63,889	120,523	127,878	126,455	146,127	146,888	146,888	146,989	144,432	153,698	154,632	154,632	158,706	164,707	171,208	177,559
Due to T-Mobile - Transition Services Agreement	0	0	66,908	51,908	36,908	0	0	0	0	0	0	0	0	0	0	0	0
Due to T-Mobile - Purchase Agreement	0	0	4,981	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Facility	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Convertible notes, net	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Installment payment agreement	12,197	12,005	67,962	68,462	68,962	69,462	69,962	69,962	70,462	70,962	71,462	71,962	71,962	73,962	75,962	77,962	79,962
Current maturities, operating lease liabilities	785	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Lease obligation	17,048	17,182	64,594	64,594	64,594	64,594	64,594	64,594	64,594	64,594	64,594	64,594	64,594	64,594	64,594	64,594	64,594
Current Liabilities	81,010	120,284	373,324	368,684	358,949	348,907	357,062	357,062	357,185	353,942	370,023	371,536	371,536	378,486	388,463	398,999	409,299
Cisco credit facility	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Lease obligation, net of current	228,822	287,044	419,921	419,921	419,921	419,921	419,921	419,921	419,921	419,921	419,921	419,921	419,921	419,921	419,921	419,921	419,921
Senior secured notes	0	0	498,498	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Senior unsecured notes	891,420	944,263	447,088	450,000	450,000	450,000	450,000	450,000	450,000	450,000	550,000	550,000	550,000	700,000	700,000	700,000	700,000
Convertible subordinated notes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amended and Restated Cisco Note	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subordinated Note	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Convertible Senior Notes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating lease liabilities, net of current	111,794	94,587	330,095	330,095	330,095	330,095	330,095	330,095	330,095	330,095	330,095	330,095	330,095	330,095	330,095	330,095	330,095
Deferred income tax liabilities	0	0	471,498	471,498	471,498	471,498	471,498	471,498	471,498	471,498	471,498	471,498	471,498	471,498	471,498	471,498	471,498
Other	44,609	82,636	61,639	61,639	61,639	61,639	61,639	61,639	61,639	61,639	61,639	61,639	61,639	61,639	61,639	61,639	61,639
Total Liabilities	\$1,357,655	\$1,528,814	\$2,602,063	\$2,601,837	\$2,592,102	\$2,582,060	\$2,590,215	\$2,590,215	\$2,590,338	\$2,587,095	\$2,703,176	\$2,704,689	\$2,704,689	\$2,861,639	\$2,871,616	\$2,882,152	\$2,892,452
Total Shareholders' Equity	(\$373,098)	(\$518,632)	\$609,556	\$31,251	(\$70,745)	(\$165,157)	(\$259,076)	(\$259,076)	(\$353,739)	(\$440,580)	(\$520,186)	(\$597,909)	(\$597,909)	(\$927,620)	(\$1,058,109)	(\$1,265,200)	(\$1,380,114)
Total Liabilities and Shareholders' Equity	\$984,557	\$1,010,182	\$3,211,619	\$2,633,088	\$2,521,357	\$2,416,904	\$2,331,138	\$2,331,138	\$2,236,599	\$2,146,515	\$2,182,990	\$2,106,780	\$2,106,780	\$1,934,020	\$1,813,506	\$1,616,952	\$1,512,338

Source: Company data, TD Cowen estimates

Cogent Cash Flow Statement

(\$thou)	2021	2022	2023	Mar. 1Q 1Q24E	June 2Q 2Q24E	Sept. 3Q 3Q24E	Dec. 4Q 4Q24E	2024E	Mar. 1Q 1Q25E	June 2Q 2Q25E	Sept. 3Q 3Q25E	Dec. 4Q 4Q25E	2025E	2026E	2027E	2028E	2029E
Net Income	48,185	5,145	1,273,441	(58,493)	(56,467)	(55,252)	(52,979)	(223,191)	(49,611)	(41,493)	(38,698)	(36,035)	(165,837)	(111,102)	(37,679)	34,231	104,640
Adjustments to reconcile for non-cash expenses:																	
Depreciation and amortization	89,242	92,219	232,210	63,388	63,972	64,388	64,805	256,553	65,222	65,638	66,055	66,472	263,387	270,053	276,720	283,387	290,053
Asset impairment	14,698	11,885	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of debt discount	1,759	1,464	1,323	334	(2,000)	334	(1,000)	(2,332)	334	0	334	0	668	668	668	668	668
Amortization of discounts, Due from T-Mobile IPT	0	0	(28,686)	(5,000)	(5,000)	0	0	(10,000)	(5,000)	(5,000)	0	0	(10,000)	0	0	0	0
Equity based compensation expense	26,822	24,438	26,925	8,172	8,176	8,260	8,415	33,022	8,575	8,770	8,937	9,105	35,387	38,949	42,984	47,043	50,937
Gain on Bargain Purchase - Sprint Wireline	0	0	(1,406,436)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gain - release of lease obligation	(39,897)	(31,561)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gain - disposition of assets and other, net	69	371	235	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Changes in assets and liabilities																	
Accounts receivable	1,385	(2,838)	(51,002)	26,517	10,851	10,002	9,567	56,937	9,936	(1,560)	(1,334)	(1,344)	5,698	(7,331)	(8,305)	(8,354)	(8,015)
Prepaid expenses and other current assets	(17)	(7,427)	(11,001)	1,894	10,603	9,640	9,488	31,625	(34)	852	113	(292)	640	(1,273)	(1,875)	(2,032)	(1,984)
Deferred income taxes	18,159	16,539	(69,582)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Due to T-Mobile - Transition Services Agreement	0	0	125,586	(15,000)	(15,000)	(36,908)	0	(66,908)	0	0	0	0	0	0	0	0	0
Due from T-Mobile - Transition Services Agreement	0	0	(4,514)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unfavorable lease liabilities	0	0	(26,511)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposits and other assets	(12)	(282)	(1,548)	5,000	5,000	5,000	5,000	20,000	5,000	5,000	5,000	5,000	20,000	1,000	1,000	1,000	1,000
Accounts payable, accrued liabilities, and other	9,864	63,754	(43,098)	14,841	4,765	26,367	7,654	53,627	(377)	(3,743)	15,581	1,013	12,475	4,950	7,976	8,537	8,300
Change in working capital	29,379	69,746	(81,670)	33,251	16,219	14,100	31,710	95,281	14,526	550	19,360	4,378	38,813	(2,655)	(1,204)	(849)	(700)
Net cash provided by operating activities	170,257	173,707	17,341	41,653	24,899	31,830	50,951	149,333	34,045	28,466	55,988	43,919	162,419	195,913	281,489	364,479	445,598
FCF (Including TMUS IPT Payments)	70,365	48,474	14,511	75,340	29,186	12,917	32,038	149,481	15,132	9,553	37,075	25,006	86,767	120,261	245,544	248,227	308,346
FCF/share	\$1.51	\$1.03	\$0.30	\$1.56	\$0.60	\$0.27	\$0.66	\$3.09	\$0.31	\$0.20	\$0.76	\$0.51	\$1.78	\$2.44	\$4.93	\$4.93	\$6.07
y/y growth	#DIV/0!	-31.6%	-70.6%					919.5%					-42.5%	37.2%	102.2%	0.1%	23.0%
Cash Flows from Investing Activities:																	
Purchases of property and equipment	(69,916)	(78,971)	(129,635)	(35,000)	(35,000)	(25,000)	(25,000)	(120,000)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Cash Pmts from TMUS IPT	0	0	204,167	87,500	58,100	24,900	24,900	195,400	24,900	24,900	24,900	24,900	99,600	99,600	91,307	21,000	0
Proceeds from acquisition/disposition of assets	0	0	2,194	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net cash used in investing activities	(69,916)	(78,971)	76,726	52,500	23,100	(100)	(100)	75,400	(100)	(100)	(100)	(100)	(400)	(400)	(8,693)	(79,000)	(100,000)
Cash Flows from Financing Activities:																	
Proceeds from the issuance of senior secure notes, net	37,616	70,656	0	0	0	0	0	0	0	0	100,000	0	0	150,000	0	0	0
Purchases of common stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Proceeds from exercise of stock options	1,823	614	1,227	300	750	300	300	1,650	300	750	300	300	1,650	1,650	1,650	1,650	1,650
Principal payments on installment payment agreement	(6,922)	(790)	0	0	0	0	0	0	0	0	0	0	0	0	0	(10,000)	(10,000)
Principal payments of capital lease obligations/other	(23,054)	(45,472)	(77,362)	(18,813)	(18,813)	(18,813)	(18,813)	(75,252)	(18,813)	(18,813)	(18,813)	(18,813)	(75,252)	(75,252)	(27,252)	(27,252)	(27,252)
Dividends paid	(150,288)	(169,857)	(181,716)	(46,357)	(46,954)	(47,553)	(48,156)	(189,019)	(48,761)	(49,369)	(49,979)	(50,593)	(198,701)	(210,058)	(220,127)	(230,376)	(240,808)
Net cash provided by (used in) financing activities	(140,825)	(144,849)	(257,851)	(64,870)	(65,017)	(66,066)	(66,669)	(262,621)	(67,274)	(67,432)	31,508	(69,106)	(272,303)	(133,660)	(245,729)	(265,978)	(276,410)
Effect of exchange rate changes on cash	(2,193)	(2,599)	1,654	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in cash and cash equivalents	(42,677)	(52,712)	(162,130)	29,284	(17,017)	(34,336)	(15,818)	(37,888)	(33,328)	(39,066)	87,396	(25,286)	(110,285)	61,854	27,067	19,502	69,188
Cash and cash equivalents, BOP	371,301	328,624	275,912	113,781	143,065	126,047	91,711	113,782	75,893	42,565	3,499	90,895	75,894	(34,390)	27,463	54,531	74,032
Cash and cash equivalents, EOP	328,624	275,912	113,782	143,065	126,047	91,711	75,893	75,894	42,565	3,499	90,895	65,609	(34,390)	27,463	54,531	74,032	143,220

Source: Company data, TD Cowen estimates

Cogent DCF

(\$thou)	2022E	2023	2024E	2025E	2026E	2027E	2028E	2029E	Terminal Value
Revenue	\$599,604	\$940,922	\$1,100,735	\$1,179,574	\$1,298,301	\$1,432,798	\$1,568,088	\$1,697,884	
EBITDA	230,623	352,463	318,674	311,707	404,940	493,603	517,906	586,972	6,895,708
CFO	173,707	17,341	149,333	162,419	195,913	281,489	364,479	445,598	
Cash Pmts from TMUS IPT	0	204,167	195,400	99,600	99,600	91,307	21,000	0	
Capex + Capital Lease Obligations	125,233	206,997	195,252	175,252	175,252	127,252	137,252	137,252	
Free Cash Flow	48,474	14,511	149,481	86,767	120,261	245,544	248,227	308,346	
ADD BACK: Interest Expense	87,391	105,461	114,297	117,797	131,797	131,797	131,797	131,797	
Unlevered Free Cash Flow	135,865	119,972	263,778	204,563	252,058	377,341	380,024	440,143	
Year	0.0	0.0	1.0	2.0	3.0	4.0	5.0	6.0	6.0
Present Value Discount Factor	1.00	1.00	1.08	1.17	1.26	1.36	1.47	1.59	1.59
Present Value of Free Cash Flow	135,865	119,972	244,280	175,439	200,193	277,545	258,857	277,646	4,349,881

Today	
Total PV of Free Cash Flow	\$1,553,933
Percentage of DCF	26.3%
Terminal Value	\$4,349,881
Percentage of DCF	73.7%
Sum of DCFs	\$5,903,814
Net Debt and Preferred Stock	\$1,358,622
Net Equity Value	\$4,545,192
Other/Cash	\$0
Private market value	\$4,545,192
less 10% public / private discount	(\$454,519)
Public market value	\$4,090,673
Shares Outstanding	48,518
Fair Value Price	\$84.31

Current Price	\$80.91
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WACC	8.0%
Terminal EBITDA Multiple	11.7x
Risk Free Rate	4.5%
Beta	0.8
Equity Premium	8.2%
Cost of Debt	6.0%
Percentage of Capital	60.0%
Cost of Equity	11.0%
Percentage of Capital	40.0%

Sum of Parts Analysis

	2029 Rev	2029 Margin	2029 EBITDA	% Mix	Multiple
CCOI	\$1,147,092	22%	256,497	44%	14.0x
Waves	\$550,792	60%	330,475	56%	10.0x
Total	\$1,697,884	35%	586,972	100%	11.7x

Valuation Summary

Terminal Multiple	7.7	8.7	9.7	10.7	11.7	12.7	13.7	14.7	15.7
Discount Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Sum of PV of Free Cash Flow	\$1,553,933	\$1,553,933	\$1,553,933	\$1,553,933	\$1,553,933	\$1,553,933	\$1,553,933	\$1,553,933	\$1,553,933
PV of Terminal Value	\$2,868,810	\$3,239,078	\$3,609,346	\$3,979,613	\$4,349,881	\$4,720,149	\$5,090,417	\$5,460,685	\$5,830,952
Sum of DCFs	\$4,422,743	\$4,793,010	\$5,163,278	\$5,533,546	\$5,903,814	\$6,274,082	\$6,644,349	\$7,014,617	\$7,384,885
less net debt	\$1,358,622	\$1,358,622	\$1,358,622	\$1,358,622	\$1,358,622	\$1,358,622	\$1,358,622	\$1,358,622	\$1,358,622
Net Equity Value	\$3,064,121	\$3,434,389	\$3,804,656	\$4,174,924	\$4,545,192	\$4,915,460	\$5,285,728	\$5,655,995	\$6,026,263
Other/Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Private market value	\$3,064,121	\$3,434,389	\$3,804,656	\$4,174,924	\$4,545,192	\$4,915,460	\$5,285,728	\$5,655,995	\$6,026,263
less 10% public / private discount	(\$306,412)	(\$343,439)	(\$380,466)	(\$417,492)	(\$454,519)	(\$491,546)	(\$528,573)	(\$565,600)	(\$602,626)
Public market value	\$2,757,709	\$3,090,950	\$3,424,191	\$3,757,432	\$4,090,673	\$4,423,914	\$4,757,155	\$5,090,396	\$5,423,637
Diluted Shares Outstanding	48,518	48,518	48,518	48,518	48,518	48,518	48,518	48,518	48,518
Per Share	\$56.84	\$63.71	\$70.58	\$77.44	\$84.31	\$91.18	\$98.05	\$104.92	\$111.79
Enterprise Value	\$4,116,331	\$4,449,572	\$4,782,813	\$5,116,054	\$5,449,295	\$5,782,536	\$6,115,777	\$6,449,018	\$6,782,259
EV / 2024E Revenue	3.7x	4.0x	4.3x	4.6x	5.0x	5.3x	5.6x	5.9x	6.2x
EV / 2024E EBITDA	12.9x	14.0x	15.0x	16.1x	17.1x	18.1x	19.2x	20.2x	21.3x

Source: Company data, TD Cowen estimates

Comparative Analysis – Telecom Services

Company	Ticker	Rating	BASIC INFORMATION				BASIC FINANCIALS						VALUATION						GROWTH						Margin (C2023E)		(C2023E)		Dividend Yield C2024E	Net Debt/ EBITDA (LQ4)	Performance																											
			Price 2/29/2024	Price Target	Mkt Cap \$ MM	EV \$ MM	Revenue C2024E	Revenue C2025E	EBITDA C2024E	EBITDA C2025E	FCF/Share C2024E	FCF/Share C2025E	EV/Sales C2024E	EV/Sales C2025E	EV/EBITDA C2024E	EV/EBITDA C2025E	FCF Yield C2024E	FCF Yield C2025E	Sales C2024E	Sales C2025E	EBITDA C2024E	EBITDA C2025E	FCF/Share C2024E	FCF/Share C2025E	Gross Margin	Margin	Capex/ Sales	D&A/ Sales			2023	2024 YTD																										
Cable & Satellite																																																										
Alice USA	ATUS *	1	\$2.97	\$11.00	1,351	26,182	8,997	8,840	3,519	3,524	\$0.32	\$0.76	2.9x	3.0x	7.4x	7.4x	10.7%	25.4%	-2.6%	-1.7%	-2.5%	0.1%	19.1%	137.3%	67.2%	39.1%	18.5%	17.8%	NM	6.9x	-29.3%	-8.6%																										
Cable One	CABO *	2	\$456.00	\$650.00	2,747	6,203	1,624	1,625	881	891	\$53.30	\$52.96	3.8x	3.8x	7.0x	7.0x	11.7%	11.6%	-3.2%	0.1%	-3.9%	1.2%	10.6%	-0.6%	73.7%	54.6%	22.1%	20.4%	2.7%	3.8x	-21.8%	-18.1%																										
Charter	CHTR *	1	\$293.93	\$514.00	47,858	142,426	54,998	55,668	22,614	23,484	\$18.49	\$15.18	2.6x	2.6x	6.3x	6.1x	6.3%	5.2%	0.7%	1.2%	3.3%	3.9%	-5.8%	-17.9%	54.9%	40.1%	20.4%	15.9%	NM	4.4x	14.6%	-24.4%																										
Comcast	CMCSA *	1	\$42.85	\$50.00	166,884	257,759	124,871	124,397	38,759	39,655	\$3.45	\$3.82	2.1x	2.1x	6.7x	6.5x	8.1%	8.9%	2.7%	-0.4%	3.0%	2.3%	10.5%	10.7%	NM	31.0%	10.1%	11.8%	2.9%	2.8x	25.4%	-2.3%																										
EchoStar	SATS *	1	\$13.11	\$39.00	4,046	18,255	15,948	15,510	2,068	2,023	(\$0.65)	(\$1.14)	1.1x	1.2x	8.8x	9.0x	NM	NM	193.1%	-2.7%	139.2%	-2.2%	NM	NM	35.8%	15.9%	12.6%	13.5%	NM	39.3x	-0.7%	-20.9%																										
Mean													2.5x	2.5x	7.3x	7.2x	9.2%	12.8%	38.1%	-0.7%	27.8%	1.1%	8.6%	32.4%	57.9%	36.1%	16.7%	15.9%	2.8%	11.4x	-2.4%	-14.8%																										
Median													2.6x	2.6x	7.0x	7.0x	9.4%	10.3%	0.7%	-0.4%	3.0%	1.2%	10.6%	5.0%	61.0%	39.1%	18.5%	15.9%	2.8%	4.4x	-0.7%	-18.1%																										
Wireless																																																										
AT&T	T *	2	\$16.93	\$21.00	122,048	252,657	123,156	124,722	44,836	45,421	\$2.51	\$2.41	2.1x	2.0x	5.6x	5.6x	14.8%	14.3%	0.6%	1.3%	3.3%	1.3%	-10.8%	-4.0%	NM	35.4%	14.6%	15.3%	6.7%	3.1x	-8.9%	0.9%																										
T-Mobile	TMUS *	1	\$163.30	\$204.00	186,924	256,807	79,339	83,152	31,647	33,563	\$14.38	\$16.84	3.2x	3.1x	8.1x	7.7x	8.8%	10.3%	1.0%	4.8%	8.7%	6.1%	27.0%	17.1%	61.6%	37.1%	12.5%	16.1%	NM	2.4x	14.5%	1.9%																										
US Cellular	USM	NR	\$34.89	NA	1,814	5,537	3,833	3,790	899	907	\$0.12	\$0.23	1.4x	1.5x	6.2x	6.1x	0.3%	0.7%	-1.9%	-1.1%	-8.9%	0.9%	NM	NM	0.0%	25.2%	15.6%	16.8%	NM	3.9x	99.2%	-16.0%																										
Verizon	VZ *	1	\$40.02	\$48.00	168,644	317,253	136,364	138,398	48,760	49,759	\$4.52	\$4.71	2.3x	2.3x	6.5x	6.4x	11.3%	11.8%	1.8%	1.5%	2.0%	2.0%	1.9%	4.1%	59.0%	35.7%	14.0%	13.2%	6.7%	3.2x	-4.3%	6.2%																										
Mean													2.3x	2.2x	6.6x	6.4x	8.8%	9.2%	0.4%	1.6%	1.3%	2.6%	6.0%	5.7%	40.2%	33.4%	14.2%	15.3%	6.7%	3.1x	25.1%	-1.8%																										
Median													2.2x	2.2x	6.3x	6.2x	10.1%	11.0%	0.8%	1.4%	2.7%	1.7%	1.9%	4.1%	59.0%	35.6%	14.3%	15.7%	6.7%	3.1x	5.1%	1.4%																										
Competitive																																																										
Cogent	CCOI *	1	\$80.91	\$84.00	3,926	5,285	1,101	1,180	123	212	(\$0.95)	(\$0.26)	4.8x	4.5x	42.9x	24.9x	NM	NM	17.0%	7.2%	-5.0%	72.1%	NM	NM	42.3%	13.8%	13.8%	24.7%	4.8%	56.5x	33.3%	6.4%																										
Consolidated Comm. Unit Group	CNSL *	2	\$4.31	\$4.00	487	2,967	1,106	1,106	358	358	(\$0.45)	(\$1.68)	2.7x	2.7x	8.3x	8.3x	NM	NM	0.5%	0.0%	16.2%	0.0%	NM	NM	54.1%	28.0%	45.3%	28.5%	NM	6.4x	21.5%	-0.9%																										
	UNIT *	1	\$5.86	\$10.00	1,657	7,206	1,161	1,196	941	971	\$0.97	\$1.00	6.2x	6.0x	7.7x	7.4x	16.5%	17.1%	1.0%	3.0%	1.8%	3.3%	NM	3.7%	NM	80.3%	36.3%	27.0%	10.2%	6.0x	4.5%	1.4%																										
Mean													4.6x	4.4x	19.6x	13.5x	16.5%	17.1%	6.2%	3.4%	4.3%	25.1%	NM	3.7%	48.2%	40.7%	31.8%	26.7%	7.5%	23.0x	19.8%	2.3%																										
Median													4.8x	4.5x	8.3x	8.3x	16.5%	17.1%	1.0%	3.0%	1.8%	3.3%	NM	3.7%	48.2%	28.0%	36.3%	27.0%	7.5%	6.4x	21.5%	1.4%																										
LECs																																																										
Lumen	LUMN *	2	\$1.62	\$3.50	1,596	19,350	13,404	13,189	4,144	4,287	\$0.15	\$0.22	1.4x	1.5x	4.7x	4.5x	9.1%	13.6%	-7.9%	-1.6%	-10.5%	3.4%	NM	49.4%	50.9%	31.8%	21.3%	20.5%	0.0%	4.0x	-64.9%	-11.5%																										
Frontier Comm.	FYBR *	1	\$23.68	\$41.00	5,910	16,058	5,804	5,913	2,236	2,423	(\$5.59)	(\$5.09)	2.8x	2.7x	7.2x	6.6x	NM	NM	0.9%	1.9%	5.1%	8.4%	NM	NM	NM	37.0%	29.6%	21.6%	0.0%	4.6x	NM	-21.1%																										
TDS	TDS	NR	\$15.30	NA	1,622	6,260	5,109	5,105	1,185	1,206	(\$0.27)	(\$0.27)	1.2x	1.2x	5.3x	5.2x	NM	NM	-1.0%	-0.1%	9.2%	1.7%	NM	NM	NM	21.0%	23.5%	17.7%	NM	4.2x	74.9%	-16.6%																										
Mean													1.8x	1.8x	5.7x	5.4x	9.1%	13.6%	-2.7%	0.1%	1.3%	4.5%	NM	49.4%	50.9%	29.9%	24.8%	19.9%	0.0%	4.3x	17.0%	-16.4%																										
Median													1.4x	1.5x	5.3x	5.2x	9.1%	13.6%	-1.0%	-0.1%	5.1%	3.4%	NM	49.4%	50.9%	31.8%	23.5%	20.5%	0.0%	4.2x	29.0%	-16.6%																										
All																																																										
Cable/Telco Services																																																										
													3.6x	3.5x	11.2x	11.9x	8.0%	11.4%	12.0%	3.8%	10.8%	27.0%	15.6%	-98.1%	45.7%	33.6%	25.5%	19.6%	3.9%	8.3x	16.3%	-13.4%																										
													2.7x	2.7x	9.4x	8.0x	9.8%	11.9%	13.5%	0.9%	10.7%	7.0%	-5.9%	22.2%	50.0%	35.1%	20.0%	18.5%	4.9%	10.1x	12.8%	-8.2%																										
Market Indices																																																										
S&P 500	SP50		5,096				1,717	1,717	390	390	NA	NA	2.9x	2.9x	13.0x	13.0x	NA	NA	0.0%	0.0%	0.0%	0.0%	NA	NA	34.7%	13.3%			1.8%	NA	24.2%	6.8%																										

1 = Outperform, 2 = Market Perform, 3 = Underperform, NR = Not Rated
* Covered by Gregory Williams

Source: Company data, FactSet, TD Cowen estimates

VALUATION METHODOLOGY AND RISKS

Valuation Methodology

Fiber:

Our valuation methodology consists of an absolute and relative value approach. We arrive at a fair value utilizing either 1) a five-year discounted cash flow (DCF), 2) a segmented sum-of-parts (SOP) analysis, or 3) a segmented hybrid valuation using both a SOP and a NAV analysis. Our relative value approach takes into account EV/EBITDA, EV/FRE, P/FFO, P/AFFO, dividend yield, cap rates, P/FCF, P/FRE, and when applicable P/E.

We make investment recommendations on certain early stage, pre-revenue companies based upon an assessment of their business model, technology, probability of market success, and the potential market opportunity, balanced by an assessment of applicable risks. Such companies may not be assigned a price target.

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Fiber:

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Risks To The Price Target

(1) Cogent operates in a highly regulated industry, which could be a benefit or headwind to revenue/margins, (2) the industry in which Cogent operates is highly competitive with larger and more scalable competitors, and (3) the company's business is reliant to a certain degree on enterprise spending and the uncertain macro-environment, which could have a positive/negative impact on financial results going forward.

ADDENDUM

Stocks Mentioned in Important Disclosures

Ticker	Company Name
CCOI	Cogent Communications Group
DBRG	DigitalBridge Group
FYBR	Frontier Communications Corp.
TMUS	T-Mobile US

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