Kerrisdale Capital

January 2026

Telephone and Data Systems, Inc. (TDS)

The New TDS

We are long Telecom and Data Systems (TDS), a $4.8 billion telecom holding company that spent most of the last decade stuck in a narrative so convoluted that investors largely stopped trying to unravel it. A shrinking regional wireless carrier consumed capital and oxygen, the wireline business inched toward a fiber future it could not aggressively fund, and the company's remaining assets – spectrum, towers, minority wireless interests – sat trapped inside a corporate structure that made unlocking them feel academic at best. Even when the pieces were clearly worth more than the whole, the whole stubbornly refused to change.

And then it did.

With the $4.3 billion sale of US Cellular in August, TDS shed the burden that had defined it for years. What has emerged is a company almost unrecognizable from the one analysts still believe they are covering: a clean balance sheet, two operating businesses with straightforward economics, and spectrum assets that are finally being turned into cash. TDS Telecom is scaling fiber into markets deliberately chosen for competitive advantage, and Array Digital's tower business is being run as an actual tower platform rather than a reluctant appendage to rural wireless coverage. The "other assets" that once muddled the story now strengthen it. Billions in spectrum are being sold to AT&T, Verizon, and T-Mobile, and minority wireless partnerships continue to throw off cash with machine-like regularity.

Crucially, the company is deploying the proceeds exactly as it should. Management fortified the balance sheet, accelerated fiber builds where returns justify more capital, and recently announced a $500 million share repurchase authorization – the clearest signal management understands intrinsic value and is aligned with shareholders to act on it.

The operational engines powering TDS's next leg of transformation are already in motion. Expansion fiber markets are advancing along predictable penetration curves. FCC subsidies are accelerating the conversion of legacy copper territories into fiber with limited competitive overlap. And the tower business – freed from wireless obligations and now managed as an independent infrastructure platform – has a long runway for tenancy growth and cost rationalization.

In the coming quarters, as fiber passings rise, tower margins normalize, a staggering $1.5 billion in special dividends – worth *over 30% of the current stock price* – is received, and new segment-level disclosures bring additional clarity, the punitive discount rooted in an outdated view of TDS should finally begin to disappear. TDS is making the transition from copper to fiber; now the market needs to upgrade its connection. Our fair value estimate is $68, representing 70% upside.

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Investment Highlights

TDS is not the convoluted sum-of-parts investors remember. With the sale of US Cellular, the company has been reset around two straightforward businesses: TDS Telecom, a rapidly scaling fiber platform, and through 82%-owned Array Digital Infrastructure (Array Digital or AD), an independent tower platform with meaningful tenancy and margin upside. The balance sheet is clean, execution risk is far narrower, and capital allocation is no longer a tug-of-war with a chronically subscale wireless business. Beneath these operations sit two equally simple financial assets: a spectrum portfolio in full monetization mode, set to deliver billions in special dividends, and a set of mature wireless partnerships that distribute steady cash like an ATM. As fiber penetration builds, tower performance normalizes, billions in announced special dividends arrive, and more granular segment-level reporting begins in February, the substantial discount to fair value should unwind.

TDS's first-to-fiber expansion strategy smartly avoids competition while building a moat. Beginning in 2022, TDS began deploying fiber in Tier-2 and Tier-3 communities that were too small for national carriers to prioritize yet large enough to deliver attractive returns to the first scaled builder. The company targeted roughly one hundred of these markets – places like Fond-du-lac, Wisconsin and Great Falls, Montana – where TDS could become the first gig-capable provider of meaningful scale and face muted response from incumbents. Penetration then rises in a predictable pattern as build phases complete, neighborhoods fill in, and word-of-mouth spreads. Expansion market broadband connections have nearly doubled in two years and, when combined with growth from newly launched E-ACAM markets, should increasingly offset declines in legacy copper and cable. As more of the footprint becomes fiber and as expansion markets move toward maturity, TDS's wireline revenue mix, margin profile, and cash flows should inflect favorably.

E-ACAM converts TDS's ILEC footprint into a defensible fiber franchise. The FCC's E-ACAM subsidy program delivers TDS fifteen years of predictable, high-margin wholesale revenue – *over $1.2 billion in total* – providing for the upgrade of roughly 300,000 rural copper locations to fiber at infrastructure IRRs. These are markets where TDS is the only eligible participant, deterring competition and enabling penetration targets in the 65%-75% range. We think investors are underestimating the program's significance. It replaces legacy copper economics with long-duration fiber cash flows and structurally lowers competitive risk. The program is already underway in 16 states and pulls the company's broadband mix toward fiber faster than consensus expectations.

TDS's approach sits within a broader national broadband infrastructure buildout cycle. The national carriers have already made the strategic call: fiber is the long-term broadband platform, and they are racing to scale it. AT&T is targeting roughly 60 million fiber passings by 2030, Verizon expects 30+ million by 2028 on its way to 35-40 million, and even T-Mobile – despite leaning on fixed wireless – has secured its fiber position through investments in Metronet, Lumos, and open-access partnerships. These are decade-defining capital commitments from the industry's largest players. In that context, TDS's fiber build is not only organically beneficial but increases strategic value in the midst of an M&A market where mid-sized residential fiber footprints exactly like TDS's are being gobbled up at premium multiples.

Array Digital's tower business is finally allowed to operate like a tower business. Prior to the sale of US Cellular, Array Digital's tower portfolio had been undermarketed; its value trapped inside a wireless carrier focused on providing rural coverage, not maximizing cash yield. That constraint is gone. In the third quarter, the early effects of a more commercial posture began to show, with site leasing revenue increasing 10% organically and new tenant applications up 125% year-to-date. Tenancy ratios sit at just over 1.0x, while scaled peers average over 2.2x. The path to better topline and profitability is straightforward: aggressively lease the space that already exists, rationalize uneconomic ground leases, and reduce wind-down costs that still make up 40% of SG&A, thereby allowing the business to operate with a true tower company margin structure. This is not complicated financial engineering. This is simply what happens when a tower business is finally allowed to be one. Investors should be looking through this period of cost rationalization and not valuing the business as if it is permanently impaired at 2026E sub-30% EBITDA margins.

Spectrum and minority interests provide two attractive pools of value that the market persistently discounts. TDS is no longer a wireless operator and spectrum is now a financial asset being monetized in orderly steps. More than $1 billion in proceeds from AT&T has already received regulatory approval, with another $1.2 billion from Verizon and T-Mobile expected to close by the third quarter of 2026. After taxes and fees, roughly $1.8 billion in special dividends will be distributed to AD shareholders, of which TDS will receive its 82% share. This represents an extraordinary capital return – about $21 per AD share and worth $12 per TDS share – equal to 38% and 31% of their respective current stock prices.

The minority interests, meanwhile, are stable, low-risk cash distributions from partnerships dominated by four entities, including TDS's stake in Verizon's Los Angeles MSA. These assets require no capex, have no operational risk, and produce more than $150 million in annual cash distributions like clockwork.

AD investors are getting $21 in special dividends for free. The market-implied valuation of AD embeds a combination of discounts across its asset base: towers valued at barely 12x consensus EBITDA despite a normalized structure deserving 17–20x, minority interests marked at levels inconsistent with the quality and reliability of those cash distributions, and C-band spectrum treated as if there wasn't active interest in the swath during the strategic review. A more defensible valuation using 18x for normalized tower EBITDA and 11x for minority distributions produces a fair value around $50 per share for AD, within shouting distance of the current market price *before including $21 in announced special dividends* expected to be paid within just 9 months. The market is effectively giving away $21 per share for free.

Once AD is valued sensibly, the TDS Telecom business is implicitly priced at distressed copper ILEC levels despite being a scaling fiber platform with improving economics. Backing out the fair value of AD's assets from TDS's enterprise value yields an implied valuation for TDS Telecom of just over $1 billion. That equates to only 3.5x our 2027E EBITDA and $740 per 2028 fiber passing – a level generally reserved for stranded copper ILECs without upgrade paths, not for a business where fiber passings are on track to exceed 1.8 million, and where E-ACAM is underwriting high-penetration rural fiber for the next decade and a half. With a bevy of precedent transactions clearing between $2,000 and $2,900 per passing and our DCF supporting roughly $2,300, the gap between implied and intrinsic value is wide. Closing it yields a fair value estimate of $68 per TDS share, 70% percent above the current price.

Company Overview

Capitalization and Summary Financials

$ Millions, Balances as of Sep 30, 2025	
TDS share price	$40.00
Series A common shares	8
Diluted common shares	111
Diluted shares outstanding	118
Market capitalization	**$4,729**
TDS Telecom and corp. debt	155
Array Digital debt	674
Total gross debt	**$828**
Cash and equivalents [1]	(558)
Net debt	**$271**
Preferred shares	1,074
Minority interest	818
Total enterprise value	**$6,891**
Less: retained spectrum [2]	1,445
Less: special dividends [3]	1,473
Adj. enterprise value	**$3,973**
Share buyback authorization	$500
% of market cap	*11%*

Financial Summary ($ mm)				
Fiscal year end Dec 31,	**2025E**	**2026E**	**2027E**	**2028E**
Revenue				
TDS Telecom	$1,038	$1,055	$1,137	$1,209
Array Digital	159	216	210	218
Other, intercompany	22	20	20	20
Total consolidated	**$1,219**	**$1,271**	**$1,348**	**$1,428**
Growth y/y	*nm*	*4%*	*6%*	*6%*
Adjusted OIBDA				
TDS Telecom	$314	$322	$353	$386
Growth y/y	*-8%*	*3%*	*10%*	*9%*
Margin	*30%*	*31%*	*31%*	*32%*
Array Digital	(7)	61	76	96
Growth y/y	*nm*	*nm*	*23%*	*27%*
Margin	*-4%*	*28%*	*36%*	*44%*
Other, intercompany	(12)	(6)	(6)	(6)
Total consolidated	**$296**	**$378**	**$423**	**$476**
Growth y/y	*nm*	*28%*	*12%*	*13%*
Add: distributions from minority investments	185	152	154	155
Less: interest expense, net [4]	(13)	(2)	24	55
Less: capex [5]	(410)	(524)	(468)	(452)
Net operating free cash flow [6]	**58**	**3**	**132**	**234**
Preferred dividends	(69)	(69)	(69)	(69)
Key Metrics				
Adj. EV / OIBDA	**13.4x**	**10.5x**	**9.4x**	**8.3x**
Adj. EV / recurring cash earnings (OIBDA+minority distributions)	**8.3x**	**7.5x**	**6.9x**	**6.3x**

Source: TDS and Array Digital SEC Filings, Kerrisdale analysis.

1. *3Q25 balance of $933m less cash income tax liability of $375m related to the T-Mobile transaction to be paid during 4Q25. $250-$300m at AD (AD SEC Form 10-Q, p. 8) and $75-$100m at TDS Telecom, TDS Corporate & Other (TDS SEC Form 10-Q, p. 19).*
2. *Book value of remaining spectrum assets was $1.59 billion as of 3Q25 and includes primarily C-band spectrum (p. 14). Our analysis applies a 10% discount to book for C-band for reasons discussed in the report. Management is "opportunistically" monetizing this remaining spectrum.*
3. *TDS's pro rata (82%) share of $2.2 billion ($1.8 billion, net) in announced AD spectrum sales to AT&T (expected close 1Q26), Verizon (expected close 3Q26), and T-Mobile (expected close 2026) p.18.*

4. *2025E interest expense shown pro forma $2.8 billion in debt reduction at TDS and AD post sale of US Cellular (transaction closed August 1, 2025).*
5. *Kerrisdale estimates TDS Telecom represents ~95% of total capex, of which ~80%+ is investment in fiber expansion, consistent with management commentary for 2025E.*
6. *Company expects the impact of the "One big beautiful bill Act" to result in favorable deferral of cash taxes in 2025 and future periods.*

Telephone and Data Systems, Inc. (TDS) is a Chicago-based U.S. telecommunications holding company founded in 1969 by LeRoy Carlson, as an acquirer and operator of rural telephone operators. TDS Telecom is a wholly owned subsidiary of TDS that provides fiber, cable, and other wireline and hosted voice services to residential and business customers in small to mid-size communities across 29 states (for ease of reading, we use "TDS" to refer to both TDS Telecom and the consolidated company throughout the report). In 1983, TDS formed United States Cellular Corporation (formerly NYSE: USM), a wireless subsidiary it controlled through a dual class share structure and longstanding Carlson family governance. TDS continues to hold approximately 82% of the economic interest in what is now Array Digital Infrastructure (NYSE: AD) and maintains firm control of governance through the Series A super-voting structure.[1]

For many years, US Cellular benefited from the secular growth of wireless, but competitive positioning deteriorated over the last decade as national carriers accelerated network investment and exercised scaled pricing power. Declines in subscribers and financial performance led TDS to initiate a strategic review of USM in August 2023. The process culminated in May 2024 with the agreement to sell US Cellular wireless operations and select spectrum assets to T-Mobile for approximately $4.3 billion in total consideration ($2.6 billion in cash and $1.7 billion in assumed US Cellular debt). Following the transaction, US Cellular was renamed Array Digital Infrastructure to reflect its transition from a regional wireless carrier into an infrastructure platform operationally centered on towers.

The sale of US Cellular was not merely a divestiture. It was a complete structural reset. In 2024, US Cellular represented roughly three-quarters of total company revenue and for years consumed capital in a failing bid to staunch inexorable subscriber loss. For the first time in decades, TDS is no longer subsidizing a competitively outgunned wireless operator. A former senior TDS executive captured the historical strain plainly: TDS used to feel like a parent with "multiple needy children." With wireless removed, the highest-maintenance dependent is gone.

TDS is now both financially and strategically liberated.

And crucially for shareholders, management has managed this newfound freedom responsibly. Capital has not been scattered across speculative side bets or forced into narrative reinvention. Instead, it has been deployed with discipline: eliminating USM-linked debt at AD, resetting TDS' balance sheet to a near-pristine state, and recently authorizing a $500 million share repurchase

[1] The TDS Voting Trust, controlled by the founding Carlson family, holds ~95.6% of all Series A shares each of which carries 10 votes per share, giving the Trust effective control over the election of directors and approximately 54% of total voting power across the company.

– arguably the clearest shareholder-aligned action in the company's history. An additional *$1.8 billion* in net proceeds tied to pending spectrum transactions will further accelerate fiber deployment, advancing the company's plan to increase fiber service availability from 55% of total addresses today to 80% (p.8), and will support the development of AD's standalone tower business as cellular wind-down costs abate and newly launched marketing efforts ramp.

What remains is clear and narrowly defined. TDS now consists of two well-positioned operating platforms: (i) TDS Telecom, a fiber-focused broadband business with a multi-year runway of attractive, return-generating builds, and (ii) Array Digital, a revitalized tower company with material room to lift tenancy, normalize costs, and expand recurring cash flow. That is the entirety of the operating core. No more unwinnable competitive battles, no cross-segment subsidies. No more complexity.

The remaining sources of value demand minimal managerial attention and even less invested capital: a spectrum portfolio anchored by highly monetizable mid-band licenses ("beachfront spectrum for 5G"), and minority interests in mature wireless entities that reliably provide $150+ million in cash distributions per year.

TDS may still be a unique sum-of-parts story, but unlike the prior configuration, the parts are now simple and positioned for durable growth. The only element that has not yet fully adjusted is the market's recognition of just how materially undervalued that sum remains.

Financial Profile

Our forecast for TDS Telecom assumes that an accelerating pace of fiber net additions shifts wireline revenues from stability to growth, while AD's tower EBITDA margins rapidly expand due to higher tenancy and a rightsized cost structure. The combination drives consolidated double-digit EBITDA growth and improving free cash flow over the next 3 years. While elevated spending on fiber will continue to pressure free cash flow near-term, $1.8 billion in announced special dividends (equivalent to $12 per TDS share, *31% of the current stock price*) to be received within the next 9 months (AT&T received regulatory approval in December) and a clean balance sheet (1.4x gross leverage at TDS) provides ample flexibility to self-fund these initiatives while also increasing shareholder returns.

Announced Special Dividends – Expected Close by 3Q26

$ in millions

Special Dividends (net of fees, taxes)	
AT&T	$883
Verizon	765
T-Mobile	148
Total to AD	**$1,796**
per AD Share	**$21**
% of current share price	*38%*
Total to TDS (82% economic interest)	**$1,473**
per TDS share	**$12**
% of current share price	*31%*

Source: TDS 3Q25 investor presentation, p.18. Assumes $10m in additional fees for AT&T and Verizon.

Although comparisons to street estimates are complicated by a lack of updated estimates and AD's brief reporting history post-sale of wireless, we believe our estimates for TDS Telecom embed higher fiber-related investment near-term, with OIBDA and fiber net additions exceeding consensus in out years. Our OIBDA estimates for the AD Tower business are 14% and 25% ahead of (limited) consensus for 2026E and 2027E, respectively.

Investor spotlight should now be squarely focused on TDS telecom and tower execution. To their credit, management has promised greater disclosure. Based on our conversations with the company, TDS is committed to enhanced segment-level reporting beginning with 2025 annual earnings in February, including what we believe to be more granular reporting of tower economics and fiber penetration levels. Management has telegraphed that the current 5-year fiber service address target (~2029E) will be raised above the current 1.8 million to include edge out opportunities, a move that only makes sense if unit returns are proving out. At AD, expectations have been set for more formal capital return policies, including a regular dividend policy, bringing the infrastructure vehicle more in line with peers.

The strategic reset is complete. The next phase is less about unlocking complexity, and more about compounding returns. A core driver of that pivot is the TDS Telecom wireline business and its fiber transformation.

Sum-of-Parts Snapshot: The New TDS

TDS Overview

TDS Valuation	
'28E TDS Telecom fiber passings (mm)	1.7
$ per Passing	$2,300
TDS Telecom EV	**$3,825**
memo: multiple of '27E EBITDA	*10.8x*
Plus: 82% of AD special dividends	1,473
Plus: 82% of AD equity value (ex. special div)	3,473
Plus: TDS Telecom net cash	356
Less: TDS preferred stock	(1,074)
TDS equity value	**$8,052**
TDS diluted shares	118
TDS fair value per share	**$68**
Premium / (discount) to current	70%

82% ownership

AD Valuation	
Total asset value (Towers, Min. Int., Spectrum)	**$4,866**
Less: net debt and minority interest	(631)
AD equity value	**4,235**
Diluted shares	87
AD equity value per share	**$49**
Plus: Spectrum special dividends per share	**$21**
AD fair value per share	**$70**
Premium / (discount) to current	30%

Special Dividend 1 (AT&T, 1H26)	
AT&T spectrum gross proceeds	**$1,018**
Less: taxes and fees	135
AD net cash proceeds	**883**
AD diluted shares	87
Special dividend per share	**$10**

Special Dividend 2 (VZ, 3Q26)	
VZ spectrum gross proceeds	**$1,000**
Less: deal taxes and fees	235
AD net cash proceeds	**765**
AD diluted shares	87
Special dividend per share	**$9**

Special Dividend 3 (T-Mobile, 2026)	
TMUS spectrum gross proceeds	**$178**
Less: deal taxes and fees	30
AD net cash proceeds	**148**
AD diluted shares	87
Special dividend per share	**$2**

Array Digital Infrastructure

AD Towers	($M)
Normalized Tower Adj. OIBDA ('28E)	96
OIBDA Multiple	18.0x
Tower Ops Value	**$1,732**

Minority Interests	($M)
2027E distributions from minority stakes	154
Cash Multiple	11.0x
Value of Minority Interest	**$1,689**

Remaining Spectrum	MHz Pops (M)	$/MHz-Pop	Value
C-band ($1.46 bn in '21)	1,640	$0.80	1,314
All other (CBRS/ mmWave)			131
Remaining spectrum value (1)	**105,430,680**		**$1,445**

Source: Kerrisdale analysis. Special dividends per TDS 3Q25 earnings call transcript and investor presentation (p.18). $ millions, except per share data.

Note: Chart simplified for illustrative purposes. TDS is a holding company that wholly owns TDS Telecom and holds an 82% economic interest in Array Digital.

1. *As of 3Q25, the book value of remaining spectrum not subject to pending sales agreements was $1,591 million and primarily C-band spectrum (p.14). We assume a 10% discount to where estimate C-band is marked.*

TDS Telecom: Fiber at its Core

TDS Telecom's mission is straightforward: build, scale, and monetize fiber. Two initiatives drive that transformation: expansion markets selected for first-mover advantage, and legacy ILEC territories being converted to fiber through FCC-supported modernization. Together, these turn what was once a mixed wireline profile into a broadband growth business with multi-year visibility.

The national context only reinforces the logic of this approach. More than half of U.S. households are now passed by fiber, the "connective tissue of the modern economy." The industry has long settled its technology debate: long-term broadband platform is fiber, not cable upgrades, not satellite aspiration, and not fixed-wireless stopgaps. AT&T aims to double the reach of its fiber network, targeting roughly 60 million fiber locations by 2030. Verizon, after absorbing Frontier's 9-10 million passings, expects to cross 30 million by 2028 on its way toward 40 million. T-Mobile, while still leaning on fixed wireless to densify its broadband base, has increasingly oriented itself toward co-branded and JV fiber exposure through Metronet, Lumos, and open-access partnerships.

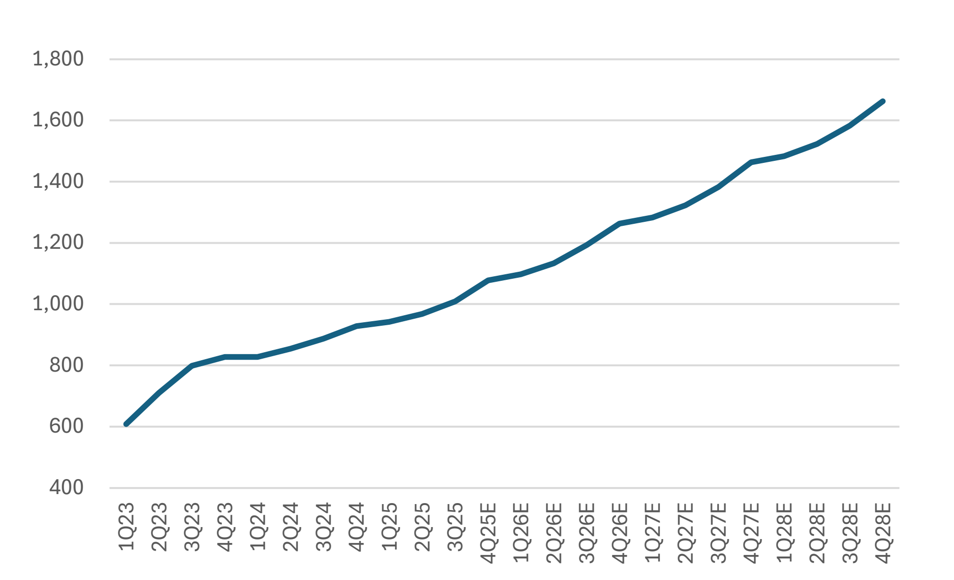
Within that landscape, TDS is neither chasing scale for its own sake nor aiming to fight incumbents in urban areas where capex returns get competed away. It is building where national carriers have not deployed first and where federal subsidies convert into predictable wholesale revenue. The strategy is one of competitive insulation: TDS is laying fiber in markets the industry has acknowledged it will eventually reach, just not soon, and not cheaply. While not the core of our thesis, the implications for eventual M&A are self-evident – when large carriers assign low double-digit EBITDA multiples or $2,000-$3,000 per passing for residential fiber footprints, a network accelerating toward 80% fiber availability with balance sheet strength and limited competitive crossfire will not trade at distressed prices forever.

Expansion Markets

In late 2023, TDS launched a fiber expansion program across roughly 100 communities, concentrated in Wisconsin and the Pacific Northwest. Management did not chase urban density or metros where incumbents would aggressively counter-invest. It deliberately selected Tier-2 and Tier-3 cities (think: Sheboygan, WI and Great Falls, MT) where it would be "first to fiber" with limited competitive response probability and no scaled gig-capable incumbents. CFO Kristina Bothfeld in framing the strategy earlier this year stated: "Our hypothesis was that these would be lower priority for ILECs to upgrade. And we've seen that play out. We still feel very confident and really pleased with the competitive landscape."

Expansion market fiber connections have grown nicely, nearly doubling in the last two years to 160,000, greater than the number of fiber connections in the company's original ILEC footprint. In 3Q25, expansion market fiber net adds increased 9,000, up 19% y/y.

Fiber Service Addresses (000s)

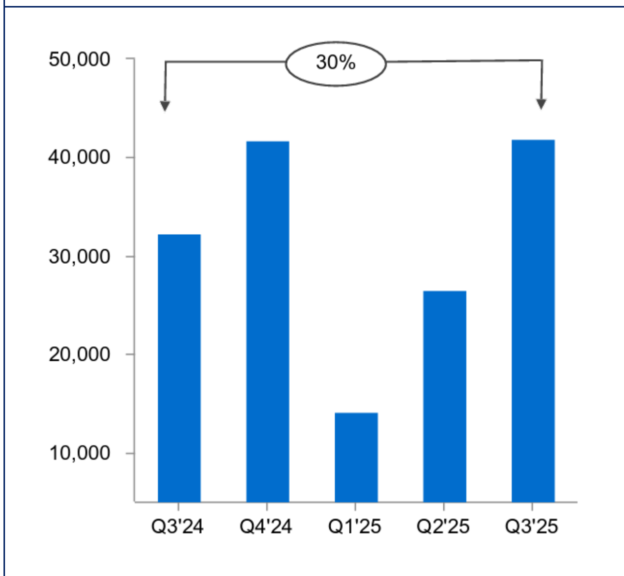


Source: TDS [trending schedules]() for historicals, Kerrisdale projections.

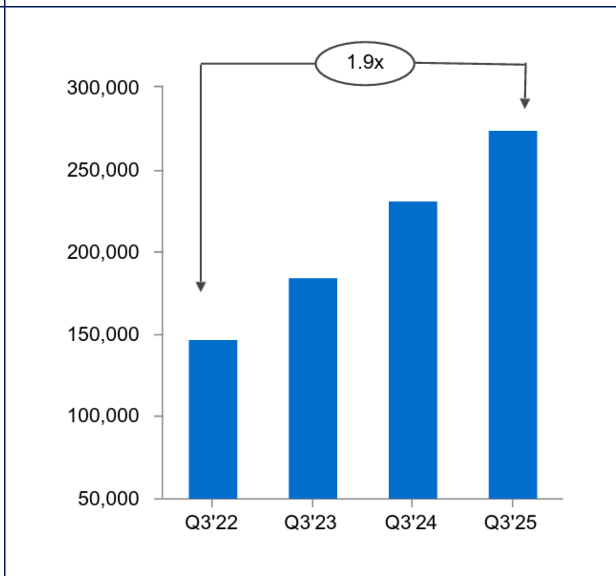
TDS Telecom's fiber addressable footprint continues to expand. During 3Q25, TDS crossed a psychological milestone, with total fiber service addresses crossing 1 million, up 93% from 2022. Fiber service addresses increased by 42,000 in the quarter, up 30% from the year ago period, with 4Q guided to end the year on an even higher note. The improving cadence reflects renewed commitment and consistency.

Fiber Drives Footprint Growth and Residential Connections

New Marketable Fiber Addresses



Residential Fiber Connections



Source: TDS [3Q25 investor presentation]().

A former TDS senior executive and board member we spoke with described prior execution as "on again, off again…150 miles per hour and then ride the brake" – rhythms impacted not by the attractiveness of fiber economics, but by balance sheet constraints and capital allocation decisions that prioritized wireless. Now over *80%* of TDS capex is directed to fiber.

This dedicated focus is crucial. Being first to plant a fiber flag does not just secure early share, it often deters overbuilding. TDS selected markets to not only avoid competition, but to pre-empt it. Fiber is a reliable, near future-proof product that exhibits low customer churn (mainly when a customer moves – which actually overstates the true impact of churn as an empty home still retains fiber connectivity). A second carrier attempting to come along and overbuild these communities confronts a pre-allocated addressable base and challenging ROI math.

None of this is to suggest that competitive dynamics stand still. Fixed-wireless continues to capture share at the edges, cable is pushing DOCSIS upgrades, and satellite has shifted from novelty to functional alternative in truly remote geographies. These forces matter, but they exert pressure in increments. In some of the markets TDS selected, competition may stretch a four-year fiber maturity curve into five, or trim terminal penetration by a few points, but those scenarios were accounted for at entry.

Crucially, TDS did not enter fiber trench warfare in Philadelphia against Comcast or in Los Angeles against Charter. It chose Tier-2 and Tier-3 communities that national fiber builders have historically deprioritized and where incumbency, brand familiarity, and local service presence still carry weight. These are markets where the economics of overbuilds are more challenging *for the second mover*, not for TDS. Overbuild risk exists where scale economics clearly favor it; TDS largely avoided those arenas. In most of its expansion footprint, being first to fiber doesn't just mean initial share capture but also makes it much harder for a late-arriving competitor to justify the capital required to dislodge TDS.

Even with past fits and starts, fiber growth has already been sufficient to largely offset legacy copper and cable declines. Adjusted for minor ILEC exits, total wireline revenue slipped 1% in the most recent quarter and we estimate full year 2025E total TDS Telecom revenue will end flat y/y on an organic basis. As expansion markets continue along familiar fiber adoption curves – 20–25% market penetration within year one, neighborhood clustering and word-of-mouth acceleration, then 40%+ steady-state penetration by year four or five – the revenue trajectory should move from stabilization to growth. Expansion markets launched in late 2023 and 2024, meaning they are only now entering their monetization window. Investors accustomed to immediate returns routinely misread fiber: it behaves like a multi-year compounding instrument, with profits and cash flow accelerating only once construction winds down and rising penetration curves intersect. That moment is now directly ahead.

Key Leadership Change

Execution is instrumental in this fiber transformation. To that end, investors should take great comfort that TDS Telecom is now helmed by an executive with direct, highly relevant experience. Ken Dixon, who took over as President and CEO of TDS Telecom last June, is the former President of Verizon Consumer Markets. He was responsible for Verizon's $13 billion consumer broadband business and, critically, the execution of Fios's fiber network transformation strategy. TDS did not simply promote an internal continuity candidate; it hired someone who ran the largest and most successful mass-market fiber rollout ever executed in this country.

Dixon's comments on his first call focused on aggressively scaling fiber expansion: doubling construction crews since 2Q25, tightening activation sequencing, accelerating address funnel loading, and leaning into penetration lift. He conceded that "performance isn't where we want it to be," but the critique was execution, not strategic. You do not rewrite business logic when you have already executed it at Verizon scale and competitive intensity. Based on conversations with industry participants and former colleagues of Dixon, TDS's fiber strategy is in extremely capable hands.

E-ACAM: The Second Engine

The transition from expansion markets entering monetization to legacy markets entering structural conversion is not incidental timing; it is the second leg of the same strategy. If the expansion builds of 2023 were about staking uncontested ground, the next three years are about regaining the incumbent footprint.

This is where E-ACAM comes in. The Enhanced Alternative Connect America Model is not a subsidy program in the conventional telecom sense; it is a 15-year, contractually committed revenue regime designed to replace copper, fund fiber[2], and provide attractive infrastructure returns while doing it. The program is only open to ILECs in rural, high-cost areas already operating within the FCC's high-cost universal support framework. For TDS, it delivers over $1.2 billion of government provided revenue – approximately $80-$90 million annually. This EBITDA-accretive annuity flows through reported wholesale revenue (p.12) based on achieving infrastructure milestones, not as a subsidy to monthly consumer bills. The invested capital shows up in capex; the return shows up in recurring revenue streams that do not churn and do not require marketing budgets. Perhaps because its importance is still developing, consensus (VisibleAlpha) estimates for wholesale revenue do not appear to capture any of this new high-margin revenue.

Dixon has positioned E-ACAM as the backbone of the entire ILEC modernization program. The upgrade path will convert a majority of approximately 300,000 high-cost (our conversations with industry experts pointed to $3,000+ per passing) locations to predominantly fiber over the next three years, accelerating the reduction of copper to less than 5% of the network. The results will be transformative, resetting the cost structure, eliminating weather- and distance-sensitive

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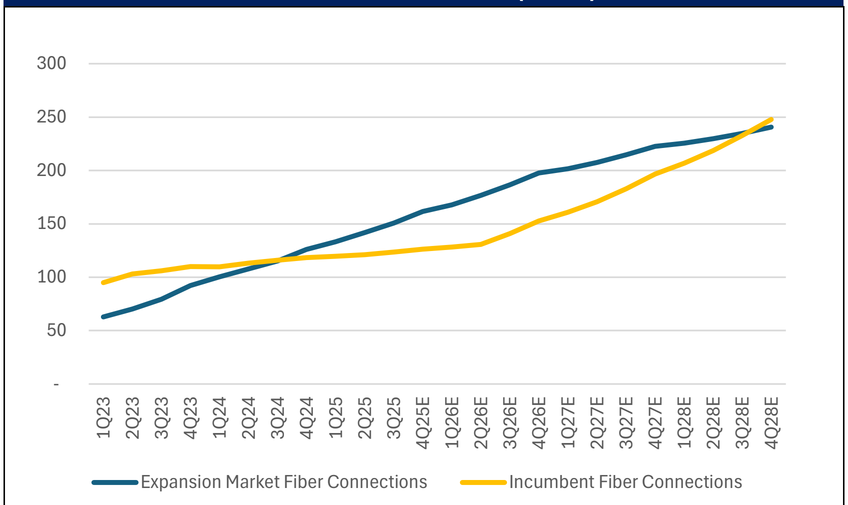
[2] Technically, the program is technology-neutral and seeks to deliver speeds of at least 100 Mbps download and 20 Mbps upload to over 2.7 million rural locations. While DSL can provide this level of speed, fiber is likely to be the preferred, future-proofed technology for many participants.

copper plant, and cutting chronic truck rolls. In short, it replaces an obsolete, brittle network with a durable, scalable one.

These are markets where TDS expects extremely high penetration levels of between *65% and 75%,* because there is no gig-capable competitor and no economic rationale for a new one to arrive. Competitor overbuilders will not trench fiber where they cannot justify returns against a federally backed incumbent. These are highly defensible territories with federally guaranteed returns. Construction is already underway in 16 states (p.6) and we forecast incumbent fiber net additions quickly outpacing expansion markets' as builds ramp through 2026–2027.

Fiber Connections (000s)



Source: TDS trending schedules for historicals, Kerrisdale projections.

In recent years, wireline performance has predominantly been a story focused on stabilization, with just-enough fiber net adds to offset legacy copper declines. That framing no longer applies. Over the next three years, we forecast fiber passings to rise 65%, helping to take total fiber connections from 44% of wireline consumer connections (ex. cable) to over 75%, while the company receives regulatory subsidies to help finance the transition. Accelerating fiber growth combined with the shrinking relevance of legacy revenue streams results in total TDS telecom revenues accelerating to MSD growth from recently reported flattish organic performance. Maturation of expansion and incumbent markets in this timeframe will then bring down capital intensity and improve free cash flow cash generation.

The wireline business is therefore not merely "stabilizing." It is re-rating from legacy telco to regulated-return fiber utility. Fiber moves from being a defensive offset to the entirety of the business model. With TDS Telcom now the star of the show, while providing more detailed fiber disclosures (illustrative penetration curves, E-ACAM revenue cadence, ILEC copper conversion pacing), the market should have an easier time recognizing TDS for what it is: a multi-year compounding story already past its hardest phase.

Array Digital Infrastructure

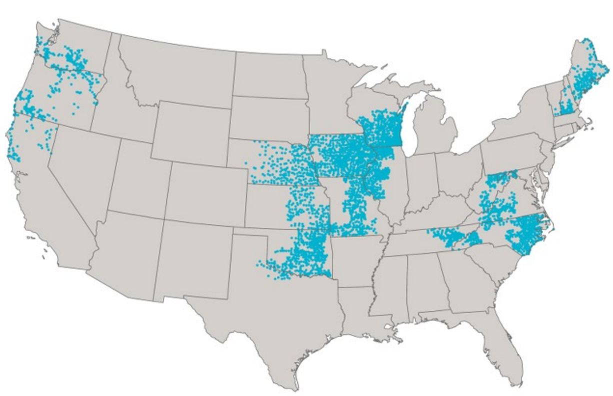
A Tower Business Finally Standing on its Own

> *"[Historically], I don't think they've done a great job marketing [the towers]. I mean they had a third-party company marketing them for years…they definitely have the ability to price these better than the other tower companies…"*
>
> *"**If this were for sale, everyone would try to buy it.**"*
>
> — Former Director of M&A, American Tower

For the first time in its existence, AD's tower business has a singular mandate: operate like a normal, independent tower platform. It can market and lease up scarce vertical infrastructure, drive multi-year colocation lift, and rationalize costs such that the business looks like basic property management rather than an appendage to a wireless business that no longer exists. Do those things and AD will dramatically expand Tower EBITDA and increase shareholder value over the next two years.

Array disclosed $46 million of site leasing revenue in 3Q25 (including $5 million of interim T-Mobile rent), the first quarter in which its 4,449 owned towers were reported as a business fully separated from retail wireless. Untethered from solely supporting rural coverage, and with sales and marketing now insourced rather than third-party administered, site rental revenue increased ~10% on an organic basis in 3Q25, and new colocation applications have accelerated 125% year-to-date relative to 2024. Even as the interim T-Mobile agreement rolls off through 2026, the portfolio remains on a credible path to north of $200 million in annualized site rental revenue (VisibleAlpha '26E consensus sits at $226 million) as tenancy lifts from a historically suppressed base.

Array Digital – Tower Locations and Metrics



	Sept 30, 2025	Sept 30, 2024 (proforma) eliminating UScellular as a tenant
Owned Towers	4,449	4,407
Tower Tenancy Rate (3)	1.02	0.55
Number of Colocations (3)	4,517	2,418

Source: TDS 3Q25 investor presentation.

3. Excludes T-Mobile Interim sites.

AD's tenancy ratio today is just over 1.0x. Mid-scale peers operate at 2.2x–2.6x. The tenancy gap is overwhelmingly a function of under-marketing and neglect, not inferior steel. For two decades, these towers served one "customer," US Cellular.

Cost normalization is equally straightforward. Array has disclosed that roughly 40% of 3Q25 SG&A (p.6) reflects legacy wireless wind-down, legal contingencies, tax matters, spectrum administration, and strategic review costs. None of this belongs to the go-forward tower P&L. Management expects this burden to persist into 1H26 and begin falling meaningfully thereafter. When it does, SG&A will no longer resemble the bloated 44% of tower revenue recorded in 3Q25.

The next step is T-Mobile's final MLA site selection. As AD disclosed, T-Mobile has until January 2028 to finalize which 2,015 committed sites remain under the MLA. Based on that selection, Array expects 800 to 1,800 "naked" or tenantless towers. Here again, no invention is needed. AD will:

- aggressively market naked towers to third-party tenants
- renegotiate ground leases where potential site revenue does not justify costs
- evaluate demolition only after colocation upside is exhausted

These are not tough decisions; this is how every rational platform from SBA to Vertical Bridge operates. Once complete, management's long-term 45–50% EBITDA margin starts sounding like basic math. While the portfolio likely begins life next year at around $60m in annual EBITDA, we forecast basic blocking and tackling ramps EBITDA to ~$100m by 2028E.

The former American Tower M&A director we interviewed (quoted at the beginning of this section) was unequivocal in his assessment of the portfolio: AD owns the fifth-largest independent tower platform in the U.S., and it has been meaningfully under-marketed. Even with the legacy cost drag, it sits squarely in the target set of every major strategic consolidator (AMT, CCI, SBAC) and multiple infrastructure PE buyers. The portfolio is rural-weighted but hardly impaired. In today's tower market, assets with stable rural locations, limited churn risk, and low starting tenancy are attractive because they are straightforward to optimize. No magic is needed to create value here. AD just needs to (finally) do what this portfolio was previously never allowed to: act like a real tower company.

Monetizing Spectrum Portfolio

With the wireless unit sold, AD now holds spectrum purely as a financial asset to be monetized. $1.02 billion in announced spectrum sales to AT&T received regulatory approval in early December, another $1 billion sold to Verizon is expected to close by 3Q26, and $150 million was sold in 3Q25 to T-Mobile. AD management has stated proceeds will be dividended to shareholders (roughly $10 per share from AT&T, $9 per share from Verizon, and $2 from T-Mobile by our estimate). After taxes and fees, this represents approximately $1.47 billion in value captured by TDS given its 82% economic interest in AD (see Sum-of-Parts Snapshot on p.10).

The remaining spectrum portfolio is dominated by ~60 MHz of lower C-band spectrum (3.7 to 3.98 GHz) that US Cellular acquired for $1.46 billion in 2021 as part of auction 107. For valuation purposes we have marked these licenses at a 10% discount to book – not because value has been meaningfully diminished, but because the only observable pricing signal is explicit: during the strategic review, management noted that while C-band garnered active interest, bids did not exceed book value. In contrast, other frequencies (3.45 GHz, 800 MHz) cleared above book and have since been sold.

The C-band is not impaired or stranded; it simply has not been monetized at a discounted price. AD has no forced timetable (build-out requirements do not begin until 2029). A modest discount reflects current bid discipline without assuming distress or assuming speculative uplift.

Minority Interests

AD's minority interests consist primarily of legacy wireless partnerships, with four entities – including 5.5% of Verizon's Los Angeles MSA – comprising more than 80% of attributable income and cash distributions. Because these stakes sit on extremely low tax bases, any sale would require pricing that offsets material leakage. Consequently, despite Verizon's clear interest in buying in the L.A. stake, TDS management does not seem in a rush to transact (and has no need to). These stakes have a long record of producing consistent cash with zero capital outlay or operational oversight. They are not high growth assets, but they do not shrink either – they just pay.

Minority Interests Provide Significant, Recurring Cash Distributions

(Dollars in millions)	2022	2023	2024	Nine months ended Sept. 30, 2025 (1)(2)(3)
Equity in earnings of unconsolidated entities	$158	$158	$161	$ 147
Distributions from unconsolidated entities	$145	$150	$169	$ 150

Four entities historically contribute >80% of equity income and distributions (2022 - 2024)

Source: TDS [3Q25 earnings presentation](#).

1. *Array has investments in three companies in Iowa. On August 1, 2025, in three separate transactions, these entities sold their wireless operations to T-Mobile. Array recognized $34 million of equity income and received $42 million of distributions in the third quarter of 2025 related to these three transactions.*
2. *Certain Array investments in Verizon wireless operating companies were subject to Verizon's prepaid lease transaction with Vertical Bridge, and Array received distributions from these investments in the aggregate amount of $25 million in the first half of 2025 related to this transaction.*
3. *Prior period adjustments made by the managers of certain investee entities had the impact of reducing distributions from investee operations in 2025.*

This is the post-US Cellular structure: two active businesses that require management focus, and two passive assets in spectrum and minority interests that provide capital for investment and shareholder returns. Both are financially useful and both help support an equity story that is now centered on fiber economics and tower asset optimization.

Valuation: A Two-Level Mispricing

Current valuations for both AD and TDS are disconnected from the new operating realities of the underlying assets. AD is valued as if the tower platform is impaired and that proceeds from announced spectrum sales to AT&T and Verizon are never received – nonsensical given the sale to AT&T already received regulatory approval in December and Verizon's is expected by 3Q26.

The disconnect is even sharper at the TDS parent level. Once AD's assets are fairly marked and special dividends are included, the implied valuation for TDS Telecom resembles that of a distressed copper ILEC in secular run-off, not a fiber-forward broadband operator on track for more than 1.8 million fiber passings by 2029. It's as if the repositioning of the business over the last 3 years never occurred or the active M&A market for fiber platforms does not exist.

Level 1: Backing Into AD's Implied Tower Value

Array Digital – Implied Tower Value at Current Stock Price	
AD stock price	**$54.00**
Diluted shares	87
Market capitalization	$4,698
Add: net debt	631
Total EV	**$5,328**
Less: remaining spectrum value [1]	(1,445)
Less: minority interests at 9x multiple	(1,382)
Less: pending net spectrum sales proceeds	(1,796)
Implied value of towers	**$706**
Cons. '26E Array Digital EBITDA [2]	$54
Implied tower EBITDA multiple	**13.0x**
Bloomberg Consensus '26E EV / EBITDA:	
Crown Castle	**21.3x**
SBAC	**16.5x**
American Tower	**17.0x**

Source: Kerrisdale analysis.

1. *Book value of spectrum portfolio with C-band marked at 10% discount.*
2. *VisibleAlpha consensus as of 12/9/2025.*

Starting with AD's current ~$5 billion enterprise value, and deducting (i) spectrum value that marks the C-band at a -10% discount to book, (ii) minority interest valued at 9x multiple (slight premium to the EV/EBITDA trading multiples of AT&T and VZ, to account for AD's pure wireless distributions), and (iii) $1.8 billion in announced but not yet received net spectrum proceeds ($883 million from AT&T, $765 million from Verizon, and $148 million from T-Mobile), what remains is roughly $700 million of implied value for AD's tower business. That implies a 13x EV / '26E EBITDA multiple, or 4-8 turns below industry peers.

Wells Fargo arrived at the same observation in a November 5th research note: "*While there are a lot of moving parts given AD's unique structure, reasonable estimates of its spectrum + JV assets yield* ***a compelling low-double digit EBITDA multiple*** *on its tower assets…*"

Applying a deeply discounted multiple to 2026E EBITDA that is not representative of steady state – a year still encumbered by significant wireless wind-down expense and naked-tower rationalization – is applying a trough multiple to trough EBITDA. That does not make sense. A normalized tower P&L at ~$220m revenue and rational SG&A supports materially higher EBITDA margins than the ~30% embedded in consensus.

Likewise, applying 9x multiple on minority interests is a lazy, arbitrary drag. These are perpetual wireless cash distributions from A-rated national carriers that require no capex and no managerial attention for AD. A 15-year NPV assuming 2% growth and 7% WACC supports 11x.

In our analysis below we use:

- 18x normalized tower EBITDA to reflect the growth potential for a mid-scale, under-marketed platform with clear tenancy lift and cost rationalization ahead
- 11x cash multiple for minority interests given the quality and durability of the cash distributions
- C-band marked 10% below book given auction-era price signals and management commentary that bids did not clear book during the strategic review
- Announced special dividends in full

The result is $49 per AD share in fair value, which approaches today's stock price *without the additional $21 per share in spectrum dividends* that will be paid out within 9 months. By our math, **investors are getting a steal and receiving $21 in dividends for next to nothing.**

Array Digital – Kerrisdale Sum-of-Parts

Business Segment	Value	Multiple	EV
Towers (2028E normalized EBITDA)	$96	**18.0x**	$1,732
Minority interests (2027E cash distributions)	$154	**11.0x**	1,689
Remaining spectrum value			1,445
Enterprise value			**$4,866**
Less: net debt			(631)
Equity value			**$4,235**
/ Diluted shares			87
Implied equity value per share			**$49**
Premium / discount to current			-9%
Special dividends to be paid by 3Q26			$21
Total equity value per share			**$70**
Implied premium to current			*30%*

Source: Kerrisdale analysis.

Level 2: What This Implies for TDS Telecom at Current Price

At $40 per share, TDS's enterprise value stands at ~$6.9 billion. After deducting 82% of AD's equity value (including the spectrum dividends), the implied valuation for TDS is roughly $1.2 billion, which works out to:

- 3.5x our 2027E EBITDA, and
- $738 per 2028E fiber passing.

Where $69 Fair Value per Share for AD Leaves TDS Telecom

Current TDS enterprise value (a)	**$6,891**
Deduct:	
82% AD equity fair value ex. Dividends	$3,473
82% of AD special dividends	1,473
Less: TDS Telecom net cash	(356)
Plus: TDS preferred stock	1,074
Implied TDS enterprise value ex. TDS Telcom (b)	**$5,663**
Implied value of TDS Telecom (a-b)	**$1,228**
Implied multiple of '27E EBITDA	**3.5x**
Implied $ per '28E passings	**$738**

Source: Kerrisdale analysis.

That is not simply "cheap." It is pricing TDS Telecom like a stranded, poorly capitalized ILEC with no credible upgrade thesis. The lowest multiple among recent precedents (p.9) – Lumen's ILEC carve-out sale to Apollo (5.5x), Windstream's sale to Uniti Group (5.1x), Verizon's CA/TX/FL asset sale – were for copper territories with structurally challenged modernization paths. TDS Telecom is not one of these.

Remarkably, our implied value for TDS Telecom is virtually the same as analyses performed nearly *three years ago* – *before the structural reset from selling US Cellular and spectrum* – which found TDS to be "substantially under-valued." As J.P. Morgan noted: "Parent company TDS owns ~83% of USM and the current implied value of TDS excluding the public value of its USM ownership is *$942m or 3.2x 2023 EBITDA*" (J.P. Morgan Research, February 27, 2023). The market continues to value TDS as if the collection of assets is just as complicated, the capital allocation decisions just as muddled, the progress on fiber non-existent – as if nothing has and nothing ever will change – when that is clearly not the case.

An implied $738 per passing is just as impossible to rationalize. To build fiber at a cost per passing of $1,100+ (the cost to run fiber past a home or business) plus an additional $500 cost-to-connect (the cost to actually hook up a customer who orders fiber), then have the public market imply those passings are worth less than $1,000 – is akin to saying fiber modernization destroys value instead of creating it.

Putting it Together

Recent precedent transactions (TMUS/Metronet, TMUS/Lumos, AT&T/Lumen, Verizon/Frontier) cluster in the $2,000-$2,900 per passing range (see Citi Research: Appendix I). Our own simplified DCF (Appendix II) returns ~$2,300 per passing, assuming management-guided penetration curves (~40% by year 5, broadly in line with industry precedents), ~55-60% EBITDA margins at maturity, $1,300 cost per passing (above Frontier and consistent with the higher end of rural fiber builds), 3% annual ARPU lift ($85 in year 1 based on 3Q25 reported expansion market revenue / expansion broadband subs), and a 7% WACC.

$2,300 per passing places TDS squarely within precedent ranges, not abysmally below them as current prices imply. Crucially, in its analysis of last year's Verizon/Frontier transaction, Citi Research noted the implied valuation on a per passing came out to $2,250 per fiber passing, well within the range of precedents *despite* carrying greater than average exposure to legacy copper.

Applying $2,300 per passing to 2028E fiber passings of 1.7 million drives our fair value per share estimate of $68 for TDS, 70% above current.

TDS – Kerrisdale Sum-of-Parts

2028E TDS Telecom fiber passings (mm)	1.7
$ per passing	$2,300
TDS Telecom EV	**$3,825**
memo: multiple of '27E EBITDA	*10.8x*
Plus: 82% of AD special dividends	1,473
Plus: 82% of AD equity value (ex. special div)	3,473
Plus: TDS Telecom net cash	356
Less: TDS preferred stock	(1,074)
TDS equity value	**$8,052**
TDS diluted shares	118
TDS fair value per share	**$68**
Premium / (discount) to current	*70%*

Source: Kerrisdale analysis.

An implied 10.8x EV / 2027E EBITDA is in keeping with recent precedents. When Verizon agreed to acquire Frontier last September at roughly 9.2x, boutique telecom investment research firm, MoffettNathanson (p.23), supported the valuation by stating: *"Applying a low-to-mid single digit multiple to commercial EBITDA and* ***a low-teens multiple to residential EBITDA (fiber plus copper)*** *yields a value in line with what Verizon has agreed to pay."*

While TDS does not provide precise splits between commercial and residential on an EBITDA basis, TDS Telecom's revenue mix skews 15% *more* residential than Frontier, and there remains substantial growth in fiber homes passed – over 80% – to reach target passings. Growth within the wholesale component is supported by E-ACAM and unlike Frontier, TDS is a well-capitalized company that is not staring at years of massive free cash flow burn. The lack of these qualities were the reasons Verizon used to justify why fair value at Frontier was not *higher* (p.8). Citi Research concluded similarly, determining a long-term EV / EBITDA range of 9-12x (average 11.1x) for recent fiber deals, placing our valuation once again within a well-defined range (Appendix I).

Conclusion

Markets often don't re-rate a company the moment it changes; rather, they re-rate it when the numbers force them to. TDS is now in that gap period – the business has transformed, but the valuation hasn't. Over the next several quarters, fiber growth, tower margin normalization, and the arrival of billions in special dividends will make the old narrative impossible to maintain. The only thing "complex" about TDS today is why it is still priced like the version that no longer exists. The company is already laying the fiber; what remains is for the market to see the value running through it.

Appendix I

Recent Fiber Deals - $ per Passing and EV / EBITDA

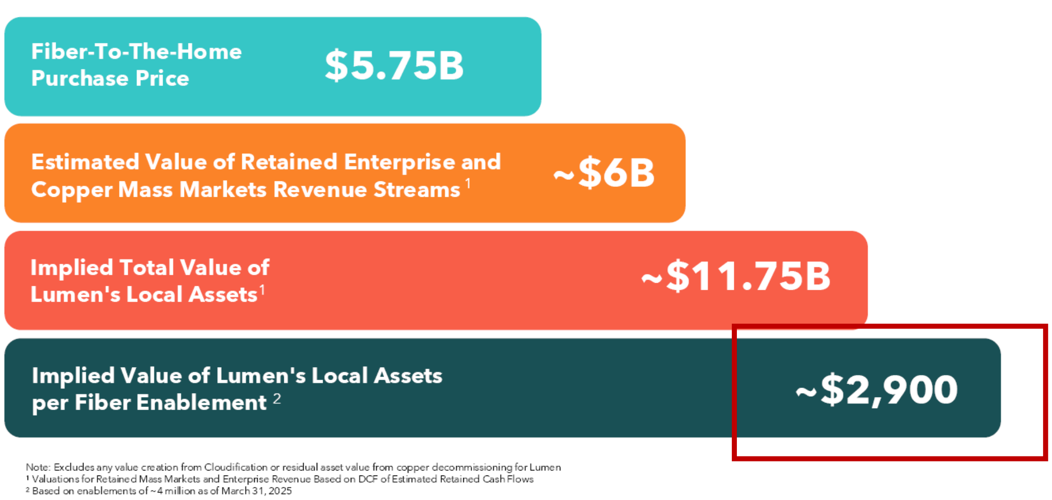
Figure 2. Comparable Valuation Assessment of Recent Fiber Deals and Verizon Offer for Frontier (Part 2)

($s, passings and subs in millions, except per share and per passing data, and as-noted)

Item	BCE+Ziply	CNSL	TMUS+MNET*	TMUS+Lumos*	Total/Average	VZ+FYBR
Firm value	$5,100	$3,433	$10,650	$2,285	$21,468	$19,889
/ Passings (current)	1.3	1.3	2.0	0.3	4.9	7.2
= FV/Current fiber pasings	$3,923	$2,695	$5,325	$7,141	$4,387	$2,762
Potential fiber subscribers	1.2	0.8	2.6	1.4	6.0	4.8
- Current fiber subscribers	0.3	0.2	0.5	0.1	1.1	2.2
= Incremental fiber subscribers	0.9	0.6	2.1	1.3	4.9	2.6
x Success-based cost per subscriber	$700	$700	$700	$700	$700	$700
= Success-based capex for subscriber acquisition	$613	$420	$1,470	$924	$3,427	$1,829
Total fiber passings target by 2028	3.0	2.1	6.5	3.5	15.1	12.0
- Passings (current)	1.3	1.3	2.0	0.3	4.9	7.2
= Additional fiber builds	1.7	0.8	4.5	3.2	10.2	4.8
x Cost per build	$1,100	$1,100	$1,100	$1,100	$1,100	$1,100
= Additional capex for passings	$1,870	$885	$4,950	$3,498	$11,203	$5,280
+ Success-based capex for subscriber acquisition	$613	$420	$1,470	$924	$3,427	$1,829
+ Firm value	$5,100	$3,433	$10,650	$2,285	$21,468	$19,889
= Adjusted firm value	$7,583	$4,739	$17,070	$6,707	$36,098	$26,999
/ Total fiber passings target by 2028	3.0	2.1	6.5	3.5	15.1	12.0
= Adjusted FV per fiber passing	**$2,528**	**$2,280**	**$2,626**	**$1,916**	**$2,394**	**$2,250**
Note: Remaining copper as % of total footprint	12%	20%	0%	0%	6%	20%
Adjusted firm value	$7,583	$4,739	$17,070	$6,707	$36,098	$26,999
/ Potential fiber subscribers	1.2	0.8	2.6	1.4	6.0	4.8
= Adjusted FV/future fiber subscriber	**$6,319**	**$5,699**	**$6,565**	**$4,791**	**$5,985**	**$5,625**
ARPU	$75	$75	$75	$75	$75	$75
x Months per year	12	12	12	12	12	12
= Annualized subscriber broadband revenue	$900	$900	$900	$900	$900	$900
x % long-term EBITDA margin	60%	60%	60%	60%	60%	60%
= Long-term annual EBITDA per subscriber	**$540**	**$540**	**$540**	**$540**	**$540**	**$540**
Adjusted FV/future fiber subscriber	$6,319	$5,699	$6,565	$4,791	$5,985	$5,625
/ Long-term annual EBITDA per subscriber	$540	$540	$540	$540	$540	$540
= Long-term EV/EBITDA multiple	**11.7x**	**10.6x**	**12.2x**	**8.9x**	**11.1x**	**10.4x**

Source: Citi Research, Frontier Communications: Analyzing Recent Transaction Values Relative to Frontier, November 8, 2024.

$ per Passing Implied in Lumen Technologies Sale of Consumer FTTH



Source: Lumen Technologies [investor presentation](), May 21, 2025.

Appendix II

Kerrisdale DCF – TDS Telecom Residential Fiber

Key Inputs

ARPU	$85.00
Annual pricing increase	3%
Churn	1%
Maint capex	3%
WACC	7%
CAC	$350
Recapture CAC	$50

Cost per Passing	$1,300
Cost-to-connect	$500
Escalator	2.0%

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
BOP Fiber addresses	928	1,078	1,278	1,478	1,678	1,828	1,903	1,978	2,028	2,078	2,128
New Addresses	150	200	200	200	150	75	75	50	50	50	50
EOP Fiber Addresses	1,078	1,278	1,478	1,678	1,828	1,903	1,978	2,028	2,078	2,128	2,178
BOP Fiber Subs		288	342	413	488	564	616	652	684	711	739
Gross Adds	43	54	71	75	76	51	37	32	27	27	27
EOP Fiber Subs	288	342	413	488	564	616	652	684	711	739	766
Average Subs	288	315	378	451	526	590	634	668	698	725	752
ARPU	$85	$88	$90	$93	$96	$99	$101	$105	$108	$111	$114
Annual Revenue	$294	$331	$409	$502	$604	$698	$772	$838	$902	$965	$1,031
EBITDA Margin	45%	48%	50%	51%	52%	53%	54%	55%	56%	57%	58%
EBITDA	$132	$159	$204	$256	$314	$370	$417	$461	$505	$550	$598
Less: Buildout capex	($195)	($265)	($271)	($276)	($211)	($108)	($110)	($75)	($76)	($78)	($79)
Less: CTC (gross adds)	($22)	($27)	($36)	($38)	($38)	($26)	($18)	($16)	($14)	($14)	($14)
Less: CAC (gross adds)	($15)	($19)	($25)	($26)	($27)	($18)	($13)	($11)	($9)	($10)	($10)
Less: CAC (churn)	($2)	($2)	($2)	($3)	($3)	($3.5)	($4)	($4)	($4)	($4)	($5)
Less: Maint capex	($9)	($10)	($12)	($15)	($18)	($21)	($23)	($25)	($27)	($29)	($31)
UFCF	($110)	($164)	($142)	($101)	$17	$194	$249	$330	$375	$416	$460

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
BOP Fiber addresses	2,178	2,228	2,278	2,328	2,378	2,428	2,478	2,528	2,578	2,628
New Addresses	50	50	50	50	50	50	50	50	50	50
EOP Fiber Addresses	2,228	2,278	2,328	2,378	2,428	2,478	2,528	2,578	2,628	2,678
BOP Fiber Subs	766	794	822	849	878	906	934	963	992	1,021
Gross Adds	28	28	28	28	28	28	29	29	29	29
EOP Fiber Subs	794	822	849	878	906	934	963	992	1,021	1,050
Average Subs	780	808	836	864	892	920	949	978	1,006	1,036
ARPU	$118	$121	$125	$129	$132	$136	$140	$145	$149	$154
Annual Revenue	$1,101	$1,174	$1,251	$1,332	$1,417	$1,506	$1,600	$1,698	$1,800	$1,908
EBITDA Margin	59%	60%	60%	60%	60%	60%	60%	60%	60%	60%
EBITDA	$650	$705	$751	$799	$850	$904	$960	$1,019	$1,080	$1,145
Less: Buildout capex	($81)	($82)	($84)	($86)	($87)	($89)	($91)	($93)	($95)	($97)
Less: CTC (gross adds)	($14)	($14)	($14)	($14)	($14)	($14)	($14)	($14)	($15)	($15)
Less: CAC (gross adds)	($10)	($10)	($10)	($10)	($10)	($10)	($10)	($10)	($10)	($10)
Less: CAC (churn)	($5)	($5)	($5)	($5)	($5)	($6)	($6)	($6)	($6)	($6)
Less: Maint capex	($33)	($35)	($38)	($40)	($43)	($45)	($48)	($51)	($54)	($57)
UFCF	$508	$559	$600	$645	$691	$740	$791	$844	$901	$960

Terminal ULFCF	$979
Terminal Multiple	15.0x
Terminal Value	$14,685
Discounted Terminal Value	$3,547
Discounted Value of Interim FCF	$321
Total Project Value	$3,868
Value per '28 fiber passing	**$2,305**
Value per '30 subscriber	**$6,283**

Source: Kerrisdale analysis.

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