

ABA – Discussion w GWI CEO – June 6, 2025

Summary

On June 6th, 2025, ABA's Chairman, Vince Capone, discussed with Kerem Durdag, CEO of Great Works Internet (GWI), the sustainability of small community Broadband networks. Kerem's knowledge of the fiber business was immediately evident, as was his emphasis on the financial/business focus. Generally speaking, he felt ABA was in a stronger position than most community networks, as the network is generating some cash flow with no debt. We discussed ABA's current pricing, equipment replacement lifecycle, possibility of switching ISP providers, and valuation of the Network. He agreed it was essential to look forward and not be surprised by an future events, then having to scramble to solve an unexpected crisis.

Who is Kerem Durdag and GWI?

GWI is a privately held telecommunications company providing internet and phone services for customers in Maine. The company is based in Biddeford and was established in 1994. GWI was recognized as one of the 5000 fastest-growing private companies in the United States by Inc. Magazine. Kerem is the CEO and has been with the firm for the past 8 years. He is also active in helping local start-up businesses. He was very gracious and generous with his time.

Pricing

Kerem indicated that Arrowsic's pricing was significantly below the rural average, which is \$80 per month. He noted that increasing the price would generate more cash and increase the value of the Network. To make the increase less onerous, he suggested increasing the Network speed along with the increase.

Would Axiom go along with this strategy? ABA would need to calculate customer loss vs revenue due to increasing the rate.

Competition

In general, when a competing telecom system is installed, the resulting customer split can be as unfavorable as 50/50; however, a 60/40 or 70/30 split is more likely. Kerem suggested that, due to our community focus, the loss to Fidium would likely be less. This fits with ABA's assessment of marginal losses to Fidium, assuming our marketing plan is executed in a timely manner.

However, the presence of a competitor would reduce the ABA Network sale value.

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Equipment Upgrade/Replacement

Kerem indicated the fiber has a lifespan of 25 to 40 years. The electronics in the Central Office would require upgrades or replacement within 5-10 years, and it was not uncommon for networks to reach 10 years before any major upgrades or replacements were needed.

Migrating to a New ISP Provider

In a worst-case scenario of losing Axiom as an ISP provider, it is possible to switch to a different provider. The provider would have to be relatively local to support customers and have compatible network equipment.

He indicated that most ISP providers have equipment preferences (Chevy/Ford and would not want to learn a new platform. If the systems were different, integrating the different systems would pose a barrier or financial cost, depending on the circumstances.

Pole Licensing and No sale Shut Down of ABA

In a worst-case scenario of closing the Network without a sale, Kerem confirmed Arrowsic would still be responsible for the Licensing fees. In the event of this scenario, he suggested negotiating a deal with CMP/CCI might be possible.

ABA Valuation

According to Kerem, the most significant factor for potential buyers is revenue, assuming that with the recent installation, the network was in good condition, requiring no capital outlay from the buyer.

As a rough rule of thumb, network valuations are based upon the number of resident subscribers. Each customer can be worth from \$2,000 to \$5,000. Based on the size of our Network and that Fidium was installing a competing network, our valuation would be \$2,000 or less.

The buyer would be interested because this is a new network with no debt or need for cash to improve or repair the existing infrastructure. Only the quality of the asset was discussed. The asset valuation was never addressed. The potential deal is purely a matter of how much capital would be required to acquire and improve or repair the asset versus the cash generated.

Other conditions

- a) Any buyer would need to be relatively local so that the network was easily merged into existing operations, making it easy to maintain the network. Subcontractor repairs would reduce profitability on such a small revenue stream and would not be attractive for an investor.
- b) There would need to be a clean break with MCA. No clawbacks
- c) If our revenue per customer were increased, the Network would have more value to a buyer.