

Mergers & Acquisition in an Evolving and Consolidating Industry

CoBank
Rob West, SVP

May 12, 2016





- A broad-based cooperative financial services organization serving vital industries across rural America:
 - Agribusiness
 - Communications
 - Energy
 - Water
 - Community Facilities
- Ranked by Global Finance magazine as one of the 50 most creditworthy banks in the world; one of only three 'safest banks' in the United States
- \$117 billion in assets at December 31, 2015; AA- rated by both S&P and Fitch
- Cooperatively owned by approximately 2,400 customers
- Headquartered outside Denver, CO; regional offices and banking centers throughout the country
- Approximately 880 employees nationwide
- Member of the Farm Credit System, a Government Sponsored Enterprise with \$304 billion in assets at December 31, 2015



CoBank is committed to giving back to the communities we serve, in the best cooperative tradition

The bank focuses its giving in six categories:



Support for Ag
and Local Foods



Corporate
Giving



Cooperative
Advocacy and
Industry Support



Research
and
Education



Rural
Community
Development



Sustainability
and the
Environment

- In 2015 CoBank contributed \$8.4 million to charitable organizations, including commitments for future years
- The bank also provided \$2.4 million in 2015 to support cooperative and industry organizations in all 50 states
- A cornerstone of CoBank's charitable giving, Sharing Success is a \$3 million annual fund that matches the contributions of our cooperative customers to local nonprofit organizations around the country
- The bank makes investments in rural equity funds and public-private partnerships designed to bolster investments and job growth in the U.S. rural economy



Rob West

➤ Senior Vice President, CoBank's Communications Banking Group

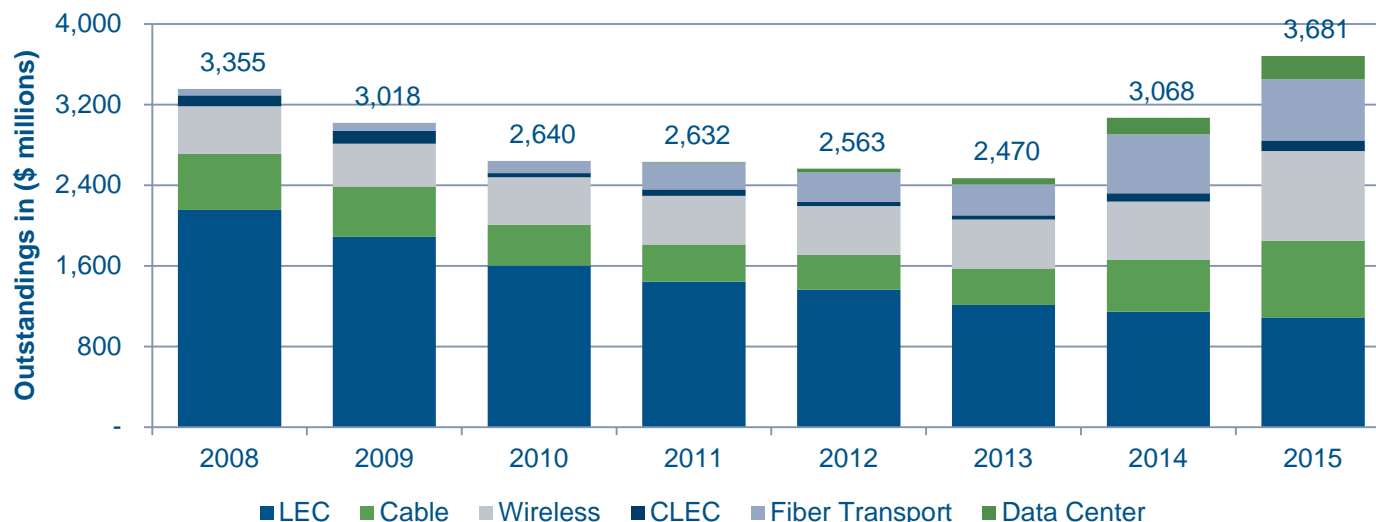
- Servicing the Communications industry in rural America
- Sectors served: RLECs, Cable TV, Wireless (Towers), CLECs, Fiber/Data Transport and Data Centers
- Team of 22 Professionals
- Customers: 166
- Portfolio of \$4.69 Billion in Gross Commitments

Communications Customer Count by Sector



	2010	2011	2012	2013	2014	2015
LEC	127	117	104	83	72	72
Cable	32	26	22	25	28	31
Wireless	25	24	24	26	23	24
Data Transport	12	17	16	14	18	17
Data Center	1	2	7	8	11	13
CLEC	10	9	7	7	9	9
Other	1	1	1	1	1	-
Total	208	196	181	164	162	166

Loans Outstanding by Industry Sector



Outstandings \$ Millions	2008	2009	2010	2011	2012	2013	2014	2015
LEC	2,155	1,889	1,600	1,443	1,362	1,210	1,146	1,087
Cable	554	497	404	369	349	363	518	757
Wireless	474	427	474	482	481	484	572	893
CLEC	109	126	42	62	41	44	82	105
Fiber Transport	64	80	120	270	292	308	586	606
Data Center	-	-	-	6	38	60	164	232
Total	3,355	3,018	2,640	2,632	2,563	2,470	3,068	3,681

Communications Sold and Syndicated Loan Data

through 12/31/15



	NEW COMMITMENT TRENDS					
	2010	2011	2012	2013	2014	2015
Gross Loan Commitments	1,310.2	2,397.1	2,228.4	2,920.6	1,780.5	2,918.2
Sold/Synd - FCS	341.8	759.6	1,026.0	1,320.8	375.7	1,244.3
Sold/Synd - Other	244.1	608.4	261.0	213.7	215.0	380.0
Sold/Synd - Total	585.9	1,367.9	1,304.0	1,534.6	590.7	1,699.3
Net Loan Commitments	724.2	1,029.2	924.4	1,386.1	1,189.9	1,218.8

* New Commitments are Commitments with an effective date in the current year

	LOAN COMMITMENT TRENDS (\$ millions)					
	2010	2011	2012	2013	2014	2015
Gross Loan Commitments	5,109.1	5,807.3	5,831.5	6,457.9	6,847.6	9,052.1
Sold/Synd - FCS	1,292.0	1,517.1	1,955.0	2,542.7	2,257.3	3,299.3
Sold/Synd - Other	497.3	1,019.7	767.6	650.3	769.9	991.2
Sold/Synd - Total	1,789.3	2,536.9	2,739.6	3,193.0	3,027.2	4,365.5
Net Loan Commitments	3,319.3	3,270.4	3,091.9	3,264.9	3,820.4	4,686.6

	LOAN BALANCE TRENDS (\$ millions)					
	2010	2011	2012	2013	2014	2015
Gross Loan Balances	4,119.0	4,775.7	4,914.3	4,771.4	5,712.4	6,792.3
Sold/Synd - FCS	1,058.8	1,271.8	1,722.6	1,777.7	2,004.3	2,564.6
Sold/Synd - Other	420.1	871.6	616.2	523.9	639.7	531.2
Sold/Synd - Total	1,478.9	2,143.4	2,350.3	2,301.5	2,643.9	3,095.8
Net Loan Balance	2,640.1	2,632.3	2,563.5	2,469.9	3,068.5	3,681.0



- Critical to investing in your business: Customer expansion and diversification – residential, commercial and wholesale
- Business expansion/new technology
- Acquisition – local and regional
- Diversification – product evolution
- Geographic Expansion (greenfield builds & CLEC markets)
- Accessing Government Programs – Grants!
- Serving your customers and their needs!



	Mean Enterprise Value	Growth	Lending Multiple
Data (Fiber) Transport	9.3 x	10 – 35%	3.5 – 5.0 x
Cable	7.2 x	5 – 10%	3.5 – 4.5 x
Wireless	5.9 x	5 – 10%	2.5 – 4.0 x
Telco	5.9 x	-5 – 5%	2.0 – 3.5 x

Acquisitions Closed or Pending in 2015 & 2016 (CoBank Participated or Facilitated the Senior Debt)



RLECs: Divestitures:

- Large transactions with AT&T and Verizon sales to Frontier Comm.
- TDS – Small systems in the Southeast and Midwest
- Consolidations – In the Rocky Mountains, upper Midwest and South (Typically neighboring systems)

➤ Purpose:

- Scale or access to contiguous markets or other opportunities
- Synergies where costs can be eliminated from the target company
- Gaining ownership interest or increasing ownership in an unregulated business or partnership
- Diversification or a combination of the above

Wireless: Shentel's purchase of nTelos Virginia

➤ Purpose:

- Scale and Synergies



Data Center: RLEC owned regional fiber business purchase of a Data Center

➤ Purpose:

- Diversification
- Complementary to existing business
- Revenue and cash flow growth

Cable Television: Opportunities are similar to RLECs.

Data (Fiber Transport)

➤ Purpose:

- Geographic Diversification
- Customer Diversification
- Revenue Growth



Thank you!

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