

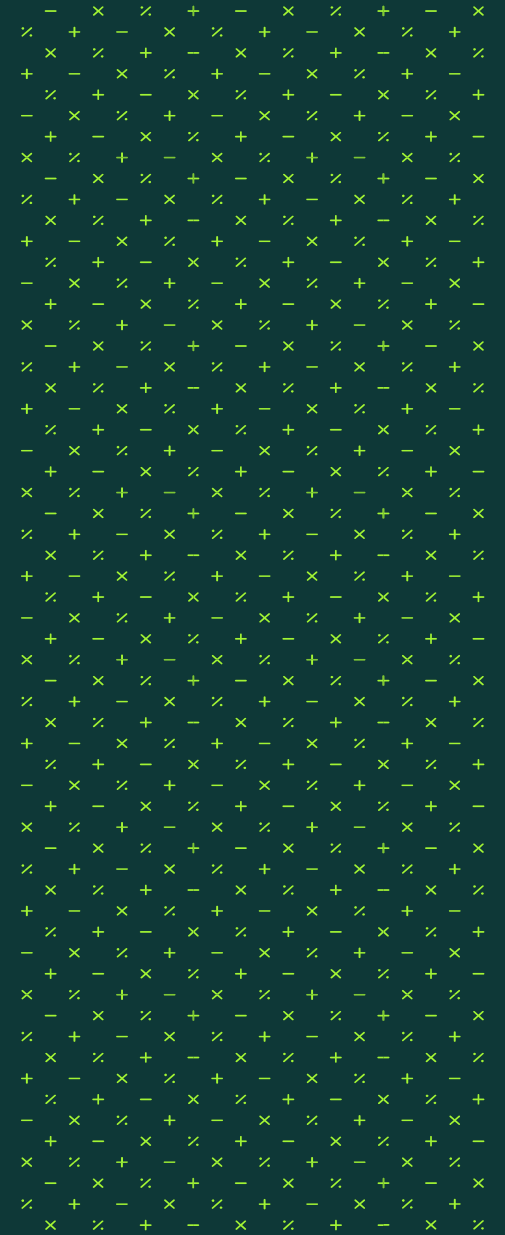


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# Preparing for an Economic Downturn

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# Bad News...Good News

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We have never been closer to predicting the future as we were in early 2020 by proposing this topic

Telecom was mostly insulated as demand for broadband skyrocketed

- Insulation may be short-lived



# Economic Downturn or ...

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State USF is reduced/eliminated

Federal USF is reduced/eliminated

Access charges are eliminated

Increased competition from a variety of providers



# Current Economy

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Europe in double dip recession while US is growing

- US deployed more public spending and public policies
  - Stimulus checks
  - Keep America Connected Pledge
  - Emergency Broadband Order

What happens when spending and policies end?



# What About Proposed Tax Changes?

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## Potential federal corporate tax rates lower than historic highs

- Average pre-tax act at 34%
- Currently at 21%
- Expected to not exceed 28% as global rates are at 25%

## Tax rate on capital gains and dividends up to 43%

## Bonus depreciation still expected to begin phase-down in 2023

## States are increasing in complexity and raising rates

- Company we work with is expected to pay more in state taxes than federal taxes

## Ability to manage is becoming more difficult

- Cash flow management is key



# The Obvious

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- Yield Curve
- GDP
- Unemployment
- Consumer confidence



# The Not So Obvious

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- Lipstick index
- Sales of men's underwear (thanks Alan Greenspan)
- Cardboard box index
- Restaurant reservations
- Air travel
- Shipping routes



# Cash Management Strategies

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# Spend Someone Else's Money

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## Grants

- States and local governments expanding resources to fund broadband deployment

## Partnerships

- Electric cooperatives
- Neighboring carriers



# Expense Management

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You can afford it...doesn't mean you should buy it

Explore cost sharing arrangements

- Network operations
  - Switching
  - Engineering
- Back-office functions such as accounting, marketing, billing
  - Accounting
  - Marketing
  - Billing
- Outsource functions you don't perform regularly



# Investment Policies

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Balance between maximizing returns and mitigating risk

- All cash in a checking account vs. watching the market hourly so you don't lose everything
- Annual discussion on risk tolerance

Save for a rainy day

- Set thresholds for # of days/months of cash on hand



# Accounts Receivable

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Reward automatic payments and electronic bills

Be proactive on past due balances

- Carriers and miscellaneous as important as end users

Emergency Broadband Benefit Program



# Income Tax Planning

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Understand impacts of decisions today on future taxes

- Know the timing of deferred tax reversals
- Timing differences of grant revenue vs. expenditures
- Depreciation strategies adopted in the past may not be the best for the future



# Diversification

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# Diversification

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## Product diversification

- Start by focusing on what you're good at and complements existing services
- Focus is often on revenue growth, but opportunities may exist for expense reductions
- Where do you have capable resources with capacity?



# Diversification

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## Geographic diversification

- 2020 taught us that location of employees no longer matters
  - Mitigates some risk of local downturns (ie – oil and gas)
- Opportunities to focus on what you're good at rather than developing new services





# Diversification

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## Acquisitions

- Opportunities for shared costs and synergies
- Expand into markets and services with proven track record rather than starting from ground zero
- Attract/acquire new talent



# Other

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# Inflation & Increased Interest Rates

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Limitations on recovery of operating expenses

High costs may slow construction expenditures

Review product rates annually



# Supply Chain Issues

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Access to critical vendors and network equipment is tightening

Deployment obligations and deadlines aren't changing, but access to resources is

- Internal and external resources are getting harder to find

Plan projects well in advance and do whatever you can to retain your resources



# Forecasts

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Annual operating expense and cap ex budgets important are key for day-to-day operations

Forecasts give a broader view of longer-term planning and strategic goals on financial performance

Opportunities to run what-if scenarios



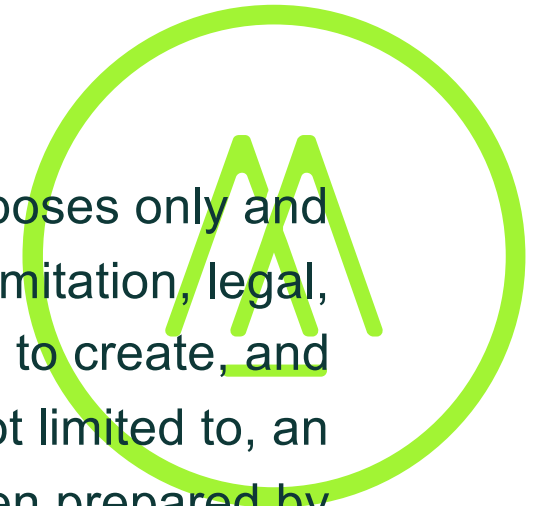
# We're Still Optimistic

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## The industry is resilient

- We've survived 100+ years of technological, competitive, and regulatory change
- Adapted quickly and effectively to the National Broadband Plan
- Creatively adapted to providing services in a pandemic





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