
LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended March 31, 2025

401 Theodore Fremd Avenue, New York 10580

(914) 921-8821

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share amounts)

	March 31, 2025	December 31, 2024
Assets		
Current Assets		
Cash and cash equivalents	\$ 16,394	\$ 9,546
Restricted Cash	1,773	1,835
Accounts receivable, less allowances of \$218 and \$190, respectively	8,304	7,834
Grant receivable	8,161	12,759
Materials and supplies	12,979	12,581
Prepaid expenses and other current assets	5,512	4,681
Total Current Assets	53,123	49,236
Property, Plant and Equipment, Net	187,149	179,910
Goodwill	51,185	48,251
Other Intangibles	35,772	34,100
Investments in Affiliated Companies	6,293	6,723
Other Assets	11,297	10,836
Total Assets	\$ 344,819	\$ 329,056
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable	\$ 5,993	\$ 8,908
Accrued interest payable	338	105
Accrued liabilities	10,646	9,227
Current maturities of long-term debt	9,682	80
Total Current Liabilities	26,659	18,320
Long-Term Debt	71,827	66,556
Deferred Income Taxes	31,920	31,289
Other Liabilities	9,280	9,301
Total liabilities	139,686	125,466
Shareholders' equity:		
Common stock, \$0.01 par value; 10,000,000 shares authorized; 26,831 issued; 16,007 and 16,173 outstanding, respectively	—	—
Additional paid-in capital	10,302	10,302
Retained earnings	302,120	298,004
Treasury stock, 10,824 and 10,658 shares, respectively, at cost	(107,289)	(104,716)
Total Shareholders' Equity	205,133	203,590
Total Liabilities and Shareholders' Equity	\$ 344,819	\$ 329,056

See accompanying notes to consolidated financial statements

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except share and per share data)

Three Months Ended March 31,			
	2025		2024
Revenues	\$	34,609	\$ 33,499
Operating Costs			
Cost of revenue, excluding depreciation and amortization		17,594	16,073
General and administrative costs at operations		3,195	2,746
Corporate office expenses		1,412	1,278
Depreciation and amortization		6,827	6,005
Total costs and expense		29,028	26,102
Operating Profit		5,581	7,397
Other Income (Expense)			
Investment income		784	894
Interest expense		(1,147)	(970)
Unrealized gain (loss) on investment		424	(594)
Equity in loss of affiliated companies		(66)	(27)
Other		10	38
Total Other Income (Expense)		5	(659)
Income from Operations Before Income Taxes		5,586	6,738
Provision for income taxes		(1,470)	(1,761)
Net Income	\$	4,116	\$ 4,977
Weighted-Average Shares Outstanding - Basic and Diluted		16,095	16,943
Basic and Diluted Earnings Per Share	\$	256	\$ 294

See accompanying notes to consolidated financial statements

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except share data)

	Shares of Common Stock Outstanding	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 2024	16,173	\$ 10,302	\$298,004	\$(104,716)	\$203,590
Net income for the period	—	—	4,116	—	4,116
Purchase of treasury stock	(166)	—	—	(2,573)	(2,573)
Balance, March 31, 2025	16,007	\$ 10,302	\$302,120	\$(107,289)	\$205,133

See accompanying notes to consolidated financial statements

LICT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2025	2024
Cash Flows from Operating Activities		
Net Income	\$ 4,116	\$ 4,977
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,827	6,005
Debt costs amortization	17	13
Equity in loss of affiliated companies	66	27
Unrealized (gain) loss on investment in MachTen	(424)	594
Unrealized (gain) in other investments	(26)	(30)
Realized loss on investment	43	—
Deferred income tax provision	631	(13)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net of allowances	(470)	(2,176)
Interest on note receivable	—	(255)
Income taxes payable / receivable	1,426	1,753
Accounts payable and accrued liabilities	(226)	(821)
Other assets and liabilities	(1,671)	2,232
Net Cash Provided by Operating Activities	10,309	12,306
Cash Flows from Investing Activities		
Capital expenditures	(15,485)	(16,354)
Government Grants Received	7,218	—
Proceeds from the sale of investment	768	—
Other investing activities	(19)	169
Net Cash Used in Investing Activities	(7,518)	(16,185)
Cash Flows from Financing Activities		
Borrowings from the line of credit, net	5,000	4,500
Proceeds from construction loan	1,600	—
Purchase of treasury stock	(2,573)	(1,546)
Payments to reduce long-term debt	(32)	(18)
Net Cash Provided By Financing Activities	3,995	2,936
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	6,786	(943)
Cash, Cash Equivalents and Restricted Cash at beginning of the period	11,381	11,545
Cash, Cash Equivalents and Restricted Cash at end of the period	\$ 18,167	\$ 10,602
Non-Cash Financing Activities:		
Seller-financed debt	\$ 8,300	\$ —

See accompanying notes to consolidated financial statements

LICT CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. Organization, Basis of Presentation & Recent Accounting Developments

Organization

LICT Corporation and Subsidiaries (the “Company” or “LICT”) is an integrated broadband and communications company that trades on the OTC Pink Sheets under the symbol LICT.

LICT’s subsidiaries operate in rural communities in eight states, providing regulated and unregulated broadband and communications services including local telephone service, network access, transport, high-speed internet access, long-distance service, cable television, and competitive local exchange carrier (“CLEC”) services. LICT’s operating telephone companies include Central Utah Telephone, Skyline Telecom, Manti Telephone, and Bear Lake Communications in Utah; Western New Mexico Telephone Company in New Mexico; Cuba City Telephone Exchange Company and Belmont Telephone Company in Wisconsin; J.B.N. Telephone Company and Haviland Telephone Company in Kansas; Central Scott Telephone Company in Iowa; and California-Oregon Telephone Company in California. In addition the company operates a fixed wireless provider with 5G services, Sound Broadband LLC.

The Company has other, less than 50% owned interests, which contribute significant value to the Company.

Aureon Network Services, Inc. (“Aureon”) formerly Iowa Network Services, Inc. A wholly-owned subsidiary owns 1,115 shares of Aureon participating preferred stock and 172 shares of Aureon common stock – equating to a 2.56% economic interest. Aureon provides wireline telecommunications access and transport services, long distance, video, and internet to the exchanges of participating telephone companies and other retail and wholesale customers. At March 31, 2025, the Company carries a minority investment in Aureon Network Services, Inc., at historical cost of \$3.0 million, however, the Company’s share of the book value of the investment is probably closer to \$9.0 million.

CVIN LLC (“CVIN”). A wholly-owned subsidiary owns an interest of approximately 2.3% in CVIN, which owns and operates a fiber optic network in the Central Valley and northern areas of California. CVIN provides certain telecommunication support services to its ownership affiliates and others.

Kansas Fiber Network (“KFN”). Two wholly-owned subsidiaries jointly own an interest of approximately 3% in KFN, a statewide fiber network which was formed in early 2009 by approximately thirty Kansas RLECs. KFN is currently providing fiber optic transport and other services to both its RLEC owners and other customers.

CIBL, Inc. (“CIBL”). CIBL owns and operates companies that provide broadband and communication services in Northern New Hampshire. On January 15, 2025, LICT Corporation sold its investment in CIBL and received cash proceeds of approximately \$0.8 million.

MachTen Inc., (“MACT”). A wholly owned subsidiary owns an interest of approximately 19% in MACT, which owns and operates companies which provide broadband and communication services in Michigan.

Brick Skirt Holding Company – LICT sold its remaining 12% ownership of Brick Skirt on August 31, 2024.

Basis of Presentation

LICT Corporation (“LICT” or the “Company”) consolidates the operating results of its subsidiaries. All material intercompany transactions and balances have been eliminated. Investments in affiliates in which the Company does not have majority voting control, but has the ability to significantly influence management

decisions, are accounted for in accordance with the equity method. Investments in affiliated entities in which we own less than 20% and do not exert significant influence are measured at cost. Marketable securities are measured at Fair Value and all other investments are measured at cost (“see organization”).

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they are not audited and do not include all of the information and footnotes required for complete financial statements. These condensed consolidated financial statements and footnotes should be read in conjunction with the condensed consolidated financial statements and notes thereto included in the Company’s annual report for the year ended December 31, 2024. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2025, are not necessarily indicative of the results that may be expected for the year ending December 31, 2025. The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Developments

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 provide improvements primarily related to the rate reconciliation and incomes taxes paid information included in income tax disclosures. The Company would be required to disclose additional information regarding reconciling items equal to or greater than five percent of the amount computed by multiplying pretax income (loss) by the applicable statutory tax rate. Similarly, the Company would be required to disclose income taxes paid (net of refunds received) equal to or greater than five percent of total income taxes paid (net of refunds received). The Company adopted the amendments in ASU 2023-09 as of January 1, 2025. The adoption of ASU 2023-09 did not have a material impact on our financial statements.

We have implemented all new, applicable accounting pronouncements that are in effect. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and the Company does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

We have reviewed all other significant newly issued accounting pronouncements and determined that they are either not applicable to our business or that no material effect is expected on our financial position and results of operations.

B. Indebtedness

In October 2024 the Company secured a \$100 million revolving credit facility with CoBank. The term of the credit facility is five years and expires on October 23, 2029. The interest rate on the credit facility is based on a spread over SOFR (Secured Overnight Financing Rate) and is determined by the Company’s leverage ratio, as defined in the credit agreement. The Company’s borrowing rate at March 31, 2025 is SOFR plus 2.0%. The credit facility is secured by a pledge of the stock of the Company’s subsidiaries. In the first three months of 2025 and 2024, respectively, the average balance of the CoBank line of credit outstanding was \$41.5 million and \$36.1 million; the highest amount outstanding for 2025 and 2024 was \$43.8 million and \$39.0 million; and the average interest rate was 6.44% and 6.94%, respectively.

On August 16, 2024, the Company secured an \$11 million credit facility with First Central State Bank (FCSB) for the purposes of financing its Iowa (Notice of Funding Availability) NOFA 6 build project. The facility has a variable rate of interest based on the prime rate as published in the Wall Street Journal less 0.70%. All

principal and accrued unpaid interest on the facility is due February 16, 2026. As of March 31, 2025, there is \$9.6 million outstanding on the facility at a rate of 6.4%. The NOFA 6 build project was completed in the first quarter of 2025 and the state of Iowa released \$7.2 million of NOFA grant funds to the Company on March 31, 2025. The FCSB facility was fully repaid in early May 2025.

Long-term debt as of March 31, 2025, and December 31, 2024 consists of (in thousands):

	March 31, 2025	December 31, 2024
Revolving credit facility from CoBank, ACB at SOFR plus 2.0%, expires October 23, 2029	\$ 43,750	\$ 38,750
Revolving credit facility from FCSB at a variable interest rate of 6.4% in connection with the NOFA build-out in Iowa, expires February 16, 2026	9,603	8,003
Secured notes issued to sellers in connection with acquisitions at fixed interest rate of 6.0%	7,647	7,647
Unsecured notes issued in connection with acquisitions at fixed interest rates of 6.0% and variable rates of 6.0% - 10.0%	18,801	10,501
Other at a fixed rate of 5.25%	1,708	1,735
Total Debt	81,509	66,636
Current maturities	(9,682)	(80)
Long Term Debt	\$ 71,827	\$ 66,556

C. Litigation

The Company or a subsidiary of the company is a party to routine litigation and threatened litigation incidental to its business. Based on information currently available, the Company believes that none of this ordinary routine litigation, either individually or in the aggregate, will have a material effect on its financial condition and results of operations.

D. Related Party Transactions

As of March 31, 2025 and December 31, 2024, assets of \$1.4 million and \$1.6 million, which are classified as cash and cash equivalents, were invested in United States Treasury money market funds, at a cost of 0.08%, for which affiliates of the Company's Chairman and Chief Executive Officer serve as investment managers to the respective funds. There are no state and local taxes (SALT) on these funds.

MANAGEMENT'S DISCUSSION OF OPERATIONS

This discussion should be read together with the Consolidated Financial Statements of LICT Corporation and the notes thereto.

RESULTS OF OPERATIONS

Overview

Our history is principally as a provider of rural telephone service (known as Rural Local Exchange Carriers, or "RLECs"), with our current operations in rural parts of California, Iowa, Kansas, New Mexico, Utah and Wisconsin. Today, the Company provides an array of broadband and communications services, primarily in rural areas but with continuing expansions in adjacent urban communities.

On January 1, 2025, the Company acquired Manti Telephone Company ("MTC"), the regulated operating subsidiary involved in the broader Manti transaction. The total consideration for the acquisition was approximately \$8.3 million in seller-financed debt, \$0.7 million in working capital adjustment and a nominal amount of cash. MTC provides regulated telecommunications services and operates primarily in rural markets. This acquisition aligns with the Company's strategic objectives to expand its presence in underserved rural communities and enhance its broadband infrastructure and service capabilities. The transaction was accounted for as a stock purchase acquisition, and the results of MTC's operations have been included in the Company's consolidated financial statements from the date of acquisition. The purchase price allocation is preliminary and subject to adjustment as additional information becomes available.

As of March 31, 2025 the Company provided service to 76,171 revenue generating units consisting of 49,778 broadband data lines, 23,032 voice lines, and 3,361 video subscribers. At December 31, 2024, the Company had 74,948 revenue generating units consisting of 49,497 broadband data lines, 21,984 voice lines, and 3,467 video subscribers. Operations are deployed through 7,077 miles of fiber optic cable, 8,950 miles of copper cable, 846 miles of coaxial cable and 104 towers.

The broad array of communications services which we provide to residential, commercial and governmental customers include:

- Broadband services, principally through connection to our advanced fiber networks, Digital Subscriber Lines ("DSL"), and cable modem services;
- Fixed wireless broadband service;
- Local and long-distance telephone service;
- Video services, including cable television, Internet Protocol Television ("IPTV") and Over the Top;
- Access for other telephone service providers to the intra-state and interstate networks;
- Hosted and managed services;
- Private line connections between, for example, two branches of a business; and
- Public access, including, for example, 911 service; Managed Hosting, where we host virtual switchboards for customers.

The spreading acceptance and demand of high-speed internet has been a major growth area for our Company. In particular, the number of broadband subscribers has grown dramatically in recent years. This has been offset, in part, by reductions in the number of traditional voice telephone lines we serve, as consumers replace traditional telephone connections with new technologies. We expect such shifts in consumer behavior to continue and we, in turn, are continuing to develop our Company as a broad-based communications provider, whatever the technology, rather than simply a provider of rural voice telephone connections.

Federal and state governments have long policies promoting communication services in rural areas because it benefits the entire nation. These policies were initially for voice service but have expanded to include broadband. RLECs, in particular, including those that form the core of our Company, often provide communications services in rural areas where such service would not be economically feasible without federal and state support mechanisms, which are generally referred to as Universal Service Funds (“USF”). We devote considerable management attention to understanding, utilizing, and complying with these various governmental programs, incentives and regulatory structures, including that the rates we can charge for some of our services are regulated by the Federal Communications Commission (“FCC”) and in many cases, the various state public utility commissions.

Effective January 1, 2024, LICT’s participating RLECs voluntarily adopted the FCC’s new Enhanced Alternative Connect America Cost model (“E-ACAM”) program which provides funding through 2038 for build-out by December 31, 2028 of at least 100/20 Mbps to almost 20,000 mandatory E-ACAM locations lacking 100/20 Mbps broadband service. On January 1, 2025, we acquired MTC which did not elect to participate in the E-ACAM program. E-ACAM increased LICT’s federal USF revenues an incremental \$14.0 million per year (an incremental \$3.5 million per quarter) to a total of \$37.2 million annually through 2038 (subject to a true-up in 2025 for more precise E-ACAM location counts) as compared to \$23.2 million received in both 2023 and 2022 for ACAM that would have ended December 31, 2028.

The amount of E-ACAM federal support we are receiving comes with the required obligation to build broadband to specific locations in rural America. E-ACAM replaced A-CAM and A-CAM II which the Company had been receiving.

As previously announced, LICT has been awarded \$157.5 million for seven United States Department of Agriculture (“USDA”) ReConnect III and ReConnect IV grants to build Fiber-To-The-Home (“FTTH”) with a total project cost of \$171.2 million. The Company has received environmental clearance for four of these projects and is actively working on obtaining environmental clearance for the remaining three grants. Five of these grants provide 100% funding to build fiber projects totaling \$117.0 million in our New Mexico and California operations. The Company has also been awarded grants in Kansas and New Mexico in which we will receive 75% funding totaling \$55.0 million and LICT is required to match 25% or \$14.0 million of the total project. We have commenced construction in both Kansas and New Mexico to build fiber to provide One Gig broadband service.

On October 17, 2024, RUS announced ReConnect V (“RCV”) awards for 2% fixed rate loans for our New Mexico RLEC for \$45.0 million and Kansas JBN RLEC subsidiary for \$6.6 million to build FTTH to provide One Gig service. Due to a change in infrastructure design, our Kansas RCV loan has been rescinded to RUS by the Company.

The Company continues to evaluate our network design and build plans. The goal is to reduce the overall build cost by utilizing the most efficient technology, by replacing expensive fiber deployment with fixed wireless or microwave back haul when applicable.

Supreme Court Ends the Chevron deference doctrine

On June 28, 2024, the U.S. Supreme Court ended the Chevron deference doctrine. With this ruling, the Supreme Court cut back sharply on the power of federal agencies to interpret the laws they administer and ruled that courts should rely on their own interpretation of ambiguous laws. The chief justice of the U.S. Supreme Court, John Roberts, indicated that the court’s decision would not require earlier cases that relied on Chevron to be overturned. The decision will likely have far-reaching effects across the country, impacting the telecom industry along with many others. Management will continue to monitor the impacts of this ruling on the business of the company and specifically the funding provided by government programs.

Petitions to the Supreme Court to Review Fifth Circuit USF Decision

A decision by the U.S. Supreme Court is expected late June 2025 in the Consumers' Research v. FCC case which challenges the constitutionality of USF. Oral arguments were held on March 26, 2025 after the Department of Justice, FCC, various industry associations and public interest groups filed petitions before the Supreme Court requesting it review the decision by the U.S. Court of Appeals for the Fifth Circuit that found the USF contribution mechanism to be unconstitutional related to delegation to the FCC and sub-delegation to the USF Administrator. The ruling of the full Fifth Circuit that the program was unconstitutional differs from the rulings of the Sixth and Eleventh Circuits, which ruled in favor of the USF. The Fifth Circuit ruling threatens to undermine USF which serves millions of Americans, Tribal lands, schools, libraries, healthcare providers and high-cost providers, such as LICT. Management is monitoring the impacts of this ruling on the business of the company and USF funding.

Three Months Ended March 31, 2025 compared to March 31, 2024

The following is a breakdown of Operating Revenues and Operating Expenses (in thousands):

	Three Months Ended March 31,	
	2025	2024
Non-regulated revenues:		
Broadband and related services	\$ 16,871	\$ 16,437
Video	1,310	1,101
Other	1,179	939
Total non-regulated revenues	19,360	18,477
Regulated revenues:		
Local access	1,015	1,052
Interstate access	11,687	11,877
Intrastate access	2,179	1,799
Other regulated	368	294
Total regulated revenues	15,249	15,022
Total revenues	34,609	33,499
Operating Costs and Expenses:		
Cost of revenue, excluding depreciation	17,594	16,073
General and administrative costs at operations	3,195	2,746
Corporate office expenses	1,412	1,278
Depreciation and amortization	6,827	6,005
Total operating costs and expenses	29,028	26,102
Operating profit	\$ 5,581	\$ 7,397

In the first quarter of 2025, non-regulated revenues increased by \$0.9 million, or 5.0%, to \$19.4 million, from \$18.5 million in 2024. Non-regulated revenues from both broadband services and other non-regulated services increased, primarily from our Utah \$0.7 million and Kansas \$0.2 million operations. The increase in sales came primarily from additional broadband circuits outside of our regulated service territory and high-speed data circuits. Non-regulated revenues currently represent 55.9% of our revenue streams and are expected to continue to grow. Regulated revenues increased by \$0.2 million to \$15.2 million or 2.0% in the first quarter of 2025, compared to \$15.0 million in the same period 2024. The increase includes incremental revenue of \$0.8 million from the acquisition of Manti Telephone Company ("MTC"), which was completed on January 1, 2025. Excluding MTC, regulated revenues decreased by approximately \$0.6 million, reflecting a decline in our

interstate access revenues category. This decline reflects several factors, including cost study proforma adjustments and weaker NECA pool performance, which reduced projected cost recovery. Revenues were also impacted by an Ethernet tariff rate change that became effective on July 1, 2024. Additionally, the first quarter of 2024 included a one-time NECA prior period adjustment of approximately \$0.2 million, which did not recur in the first quarter of 2025. The quarter was also impacted by the continued decline in special access circuits, many of which have been replaced with lower-cost broadband services. As a result, combining the non-regulated and regulated revenues in the first quarter, total revenues in the first quarter of 2025 increased by \$1.1 million or 3.3%, to \$34.6 million compared to \$33.5 million in 2024.

Total operating expenses were \$29.0 million in 2025, an increase of \$2.9 million as compared to the first quarter of 2024. The costs of revenue increased by \$1.5 million, due to our efforts to expand our broadband offerings, increases in staffing as well as and continued inflationary pressure on labor and supplies, while general and administrative costs incurred at the operations increased by \$0.4 million. Corporate expenses increased by \$0.1 million compared to 2024. Depreciation and amortization increased by \$0.8 million from \$6.0 million in 2024. As a result of the above, operating profit in the first quarter decreased by \$1.8 million from \$7.4 million in 2024 to \$5.5 million in 2025.

EBITDA

EBITDA is used by our management as a supplemental financial measure to evaluate the operating performance of our business and when viewed with our GAAP results and the accompanying reconciliations, we believe it provides a more complete understanding of factors and trends affecting our business than the GAAP results alone. We also regularly communicate our EBITDA to the shareholders through our earnings releases because it is the financial measure commonly used by analysts that cover the telecommunications industry and by our investor base to evaluate our operating performance. In addition, we routinely use EBITDA as a metric for valuing potential acquisitions. We understand that analysts and investors regularly rely on non-GAAP financial measures, such as EBITDA, to provide a financial measure by which to compare a company's assessment of its operating performance against that of other companies in the same industry. This non-GAAP financial measure is helpful in more clearly reflecting the sales of our products and services, as well as highlighting trends in our core business that may not otherwise be apparent when relying solely on GAAP financial measures. This non-GAAP financial measure eliminates from earnings financial items that have less bearing on our performance.

The following table provides the components of EBITDA and reconciles it to net income from operations for the three months ended:

	Three Months Ended March 31,			
	2025		2024	
EBITDA from:				
Operating units	\$	13,820	\$	14,680
Corporate expense		(1,412)		(1,278)
EBITDA		12,408		13,402
Reconciliation to net income:				
EBITDA		12,408		13,402
Depreciation and amortization		(6,827)		(6,005)
Investment income		784		894
Interest expense		(1,147)		(970)
Unrealized gain (loss) on investment		424		(594)
Equity in loss of affiliated companies		(66)		(27)
Other		10		38
Income tax provision		(1,470)		(1,761)
Net income	\$	4,116	\$	4,977

Other Income (Expense)

Other income (expenses) increased by \$0.7 million in the first quarter of 2025 compared to the first quarter of 2024. The primary drivers of this change were as follows:

Interest expense increased by \$0.2 million due to higher debt balances in the first quarter of 2025 versus the first quarter of 2024.

Investment income decreased by \$0.1 million in first quarter of 2025 compared to the same period in 2024. This change was primarily due to the absence of \$0.3 million in accrued interest income recognized in 2024 related to a note from MachTen Inc., which was settled as of August 31, 2024. This decline was partially offset by a \$0.2 million increase in patronage income received from CoBank, which rose from \$0.3 million in 2024 to \$0.5 million in 2025.

In the first quarter of 2025, our unrealized gain on the 19% investment in MachTen, Inc. increased by \$1.0 million from the first quarter of 2024. This change was primarily driven by an increase in the share price of MachTen during the period.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for the first quarter of 2025 and 2024 represent effective tax rates of 26.3% and 26.4%, respectively.

Net Income

Net income for the first quarter of 2025 was \$4.1 million, or \$256 per basic and diluted share versus \$5.0 million, or \$294 per basic and diluted share in the first quarter of 2024.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

In October 2024 the Company secured a \$100 million revolving credit facility with CoBank. The term of the credit facility is five years and expires on October 23, 2029. The interest rate on the credit facility is based on a spread over SOFR (Secured Overnight Financing Rate) and is determined by the Company's leverage ratio, as defined in the credit agreement. The Company's borrowing rate at March 31, 2025 is SOFR plus 2.0%. The credit facility is secured by a pledge of the stock of the Company's subsidiaries. As of March 31, 2025, there was \$43.8 million outstanding under the facility. During the first quarter of 2025, the average balance outstanding under the facility was \$41.5 million at an average interest rate of 6.44%.

As previously disclosed, in August 2024, the Company entered into an \$11 million credit facility with First Central State Bank (FCSB) to support construction of its Iowa NOFA 6 project. As of March 31, 2025, \$9.6 million remained outstanding at an interest rate of 6.4%. The project was successfully completed in March 2025, and on March 31, 2025, the Company received \$7.2 million in grant funding from the State of Iowa. The FCSB facility was fully repaid in early May 2025.

The Company is obligated under long-term debt provisions and lease agreements to make certain cash payments over the term of the agreements. The following table summarizes, as of March 31, 2025, for the periods shown, these contractual obligations and certain other financing commitments from banks and other financial institutions that provide liquidity:

	Payments Due by Period - In thousands				
	Total	1 year	2 - 3 years	4 - 5 years	Over 5 years
Long-term debt, notes to sellers	\$ 26,448	\$ —	\$ 11,448	\$ 15,000	\$ —
Debt on Building acquisition, principal only	1,709	81	\$ 1,174	\$ 194	260
CoBank Revolving credit facility, principal only	43,750	—	—	43,750	—
FCSB Revolving credit facility, principal only	9,603	9,603	—	—	—
Interest on debt and notes	6,295	2,299	2,570	1,405	21
Operating leases	7,145	846	2,000	1,311	2,988
Total contractual cash obligations and commitments	<u>\$ 94,950</u>	<u>\$ 12,829</u>	<u>\$ 17,192</u>	<u>\$ 61,660</u>	<u>\$ 3,269</u>

At March 31, 2025, total debt, was \$81.5 million, an increase of \$14.9 million from December 31, 2024. The increase is due to the issuance of \$8.3 million in new seller notes related to the completion of the acquisition of Manti Telephone Company (MTC) on January 1, 2025, as well as additional draws on the CoBank and FCSB facilities (\$5 million and \$1.6 million, respectively). The average interest rate for the debt outstanding was 6.28% and 6.59% as of March 31, 2025, and December 31, 2024, respectively. The revolving credit facility contains certain covenants restricting share repurchases, and other items.

As of March 31, 2025, the Company had current assets of \$53.1 million and current liabilities of \$26.7 million resulting in working capital of \$26.4 million compared to \$30.9 million at December 31, 2024.

Sources and Uses of Cash

As of March 31, 2025 cash was \$16.4 million, as compared to \$9.5 million at December 31, 2024. On March 31, 2025, the Company received \$7.2 million in grant funding from the State of Iowa as a result of the successful completion of its Iowa NOFA 6 project. Additionally, in the first three months of 2025 net cash

provided by operations totaled \$10.3 million, this was primarily used to invest in plant and equipment \$(15.5) million, and purchase treasury shares (\$2.6) million.

In the first three months of 2025, capital expenditures were \$15.5 million as compared to \$16.4 million in 2024.

As of March 31, 2025, the Company's net debt balance stood at \$55.0 million, compared to \$47.4 million as of December 31, 2024. The \$7.6 million increase (16.1%) reflects a \$14.9 million rise in total debt, including a \$5.0 million draw on the CoBank facility, \$8.3 million in seller notes related to the MTC acquisition, and a \$1.6 million draw on the FCSB facility. These increases were partially offset by a \$6.8 million increase in cash, largely attributable to the Iowa state grant as well as a \$0.5 million increase in accounts receivable.

The Company maintains ample liquidity under its \$100 million credit facility, allowing it to balance strategic investments, acquisitions, and return of capital to shareholders.

The Company continues to take bonus depreciation deductions for eligible property additions as allowed by the Internal Revenue Service. Starting September 27, 2017, the allowable bonus depreciation deduction increased to 100%. In 2024, allowable bonus depreciation deduction decreased to 80% and in 2025 the allowable bonus depreciation deduction further decreased to 60%. Such deductions have the effect of reducing current taxes payable but will increase tax payments in future years.

The Company's Board of Directors has authorized the purchase of up to 11,115 shares of the Company's common stock, as of March 31, 2025. During the first three months of 2025, 166 shares of company stock were purchased for \$2.6 million, at an average cost of \$15,501 per share.

The Company has not paid any cash dividends since its spin-off from Lynch Corporation in 1999. The Company has spun-off four entities: MachTen, Inc., Morgan Group Holding Co., CIBL, Inc., and ICTC Group, Inc.

Subsequent Events

The Company repaid the FCSB facility in full in May 2025.