



# LICT Corporation

Premier Provider of Broadband Services to Rural America

**Annual Meeting**  
**May 26, 2016**

# Safe Harbor Statement

## **Safe Harbor Statement**

The information contained herein is current only as of the date hereof; however, unless otherwise indicated, financial information contained herein is as of December 31, 2015. The business, prospects, financial condition or performance of LICT Corporation (“LICT”) and its subsidiaries described herein may have changed since that date. LICT does not intend to update or otherwise revise the information contained herein. LICT makes no representation or warranty, express or implied, as to the completeness of the information contained herein.

Some statements herein are known as “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained herein that are not historical facts. When used herein, the words “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “projects,” “continue,” “outlook” and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors, including those factors discussed under “Risk Factors” in our Annual Report to shareholders for the fiscal year ended December 31, 2015 and other factors discussed in reports that we post on our website, [LICTCorp.com](http://LICTCorp.com). You should not place undue reliance on such forward-looking statements, which are based on the information currently available to us and speak only as of the date hereof. LICT does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **Non-GAAP Financial Measures**

The Company uses certain non-GAAP financial measures in evaluating its performance. Throughout this presentation, reference is made to EBITDA, Free Cash Flow and adjustments to GAAP and non-GAAP measures to exclude the effect of special items. Management believes the non-GAAP measures are useful for investors because they enable them to view performance in a manner similar to the method used by the Company’s management. Free Cash Flow may also be useful to investors in assessing the Company’s ability to generate cash and meet its debt service requirements. In addition, management believes that the adjustments to GAAP and non-GAAP measures to exclude the effect of special items may be useful to investors in understanding period-to-period operating performance and in identifying historical and prospective trends.

The non-GAAP financial measures, as used herein, are not necessarily comparable to similarly titled measures of other companies. Furthermore, these non-GAAP measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, net income or loss, operating income, cash flow or other combined income or cash flow data prepared in accordance with GAAP. Because of these limitations, EBITDA and Free Cash Flow should not be considered as measures of discretionary cash available to invest in business growth or reduce indebtedness. The Company compensates for these limitations by relying primarily on its GAAP results and using the non-GAAP measures only supplementally.

The information in this document should be read in conjunction with the financial statements and footnotes contained in our documents posted on our website.

# Corporate History

- Current management assumed control of Lynch Corporation (predecessor to LICT) in 1985.
- Provides broadband connectivity to rural America
- Expected to benefit from regulatory shifts to broadband.
- Stable operating performance, strong FCF generation and a solid balance sheet.

# Corporate History

Active in corporate development initiatives to create shareholder value:

- Made first RLEC acquisition in 1989
- **33** acquisitions, **11** dispositions and **7** spin-offs
- Focused spectrum initiative
- Continued pro-active M&A and capital deployment strategy

# Solid Shareholder Returns

	<u>12/31/85</u>	<u>3/31/16</u>	<u>CAGR</u>
LGL Group, Inc.		\$3,290	
LICT Corporation		103,500	
Spin Offs:			
• Tremont Advisers, Inc.		29,288	
• East/West Communications		61,822	
• Sunshine PCS/ICTC Group, Inc.		1,630	
• Morgan Group		400	
• CIBL		28,320	
• ICTC Group, Inc.		5,720	
<b>Investment</b>	<b>\$11,500</b>	<b>\$234,969</b>	<b>16.3%*</b>

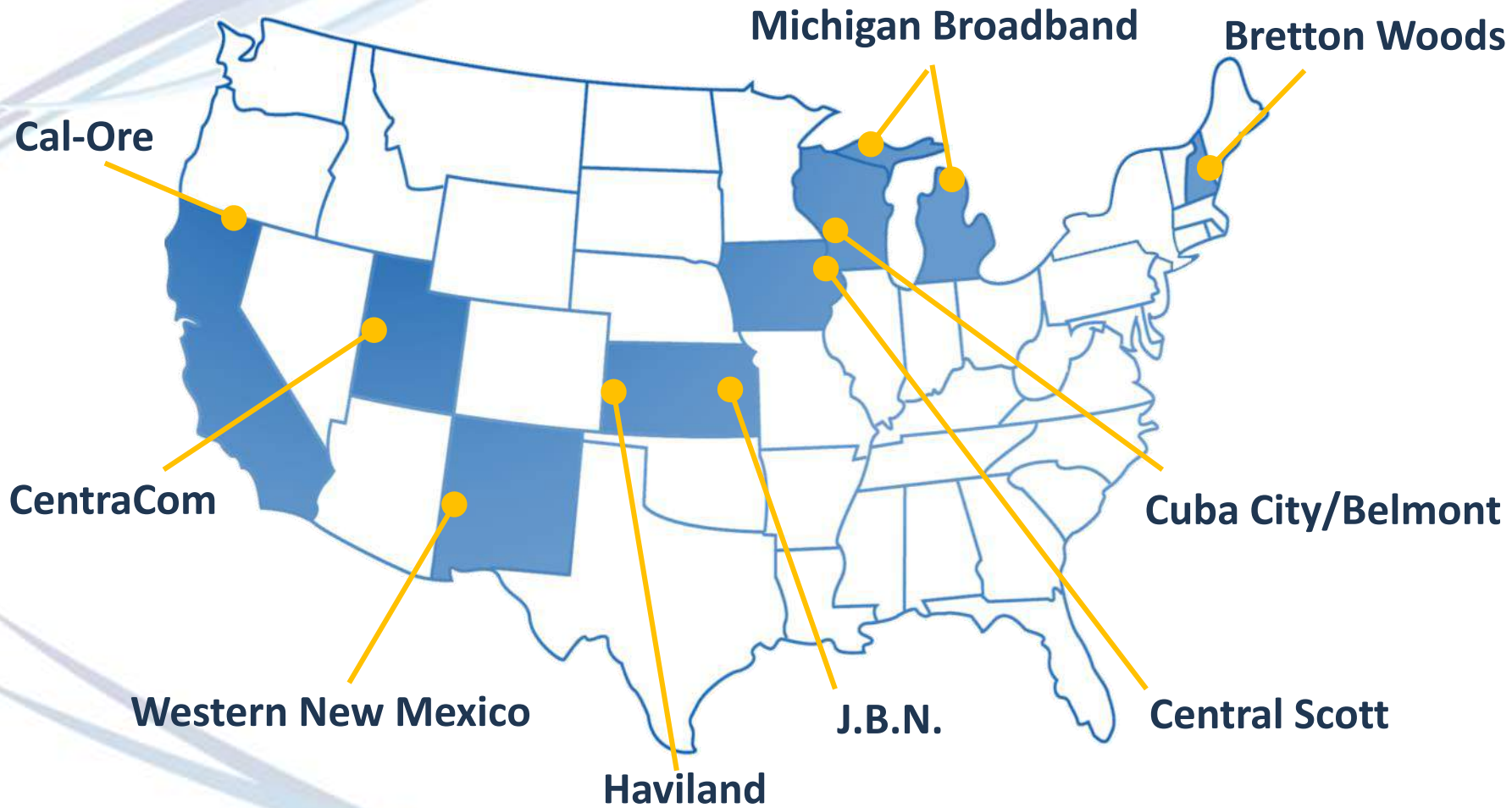
**A purchase of 1,000 shares of Lynch Corporation on 12/31/85 would have yielded a 16.3% CAGR vs. the S&P 500's 7.9% return**

# Snapshot

(as of 3/31/16, \$s in 000s)

<b>Customer Connections</b>	<b>68,129</b>
<b><i>y/y growth</i></b>	<b><i>+2.7%</i></b>
Revenue (LTM)	\$87,101
EBITDA From Operations (LTM)	\$33,329
Net Debt	\$25,494
Net Debt/LTM EBITDA	0.8x
Shares Outstanding	21,592
Market Capitalization (as of 3/31/16)	\$111,731
Enterprise Value	\$133,225
Enterprise Value / LTM EBITDA	4.1x

# Current Markets



# Strategic Advantage

- **Favorable community ties with customers.**
- **Rural markets less vulnerable to competition.**
- **Generally supportive regulatory environment.**
- **Opportunities in adjacent markets to grow.**
- **Strong balance sheet providing the opportunity to invest both organically and through acquisitions.**



# Growth

## Organic & Acquisitions

Expand  
Markets  
Products-  
Services

Cable  
Fiber  
RLEC



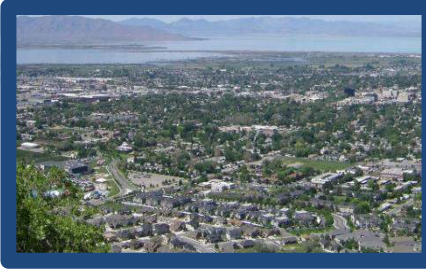
Diversify  
Sales

Broadband  
Wireless  
CLEC  
Data Centers

# Regulatory Dynamics

**USF → A-CAM**

# Target Markets



Market	Population	Businesses
Salt Lake City	1,410,815	35,821
Orem	88,328	3,022
Provo	112,488	2,645
American Fork	28,542	1,032
Spanish Fork	32,643	752
Ogden	82,825	4,527



**Michigan Central Broadband Company**  
For voice, data & Internet — we have the connections!™



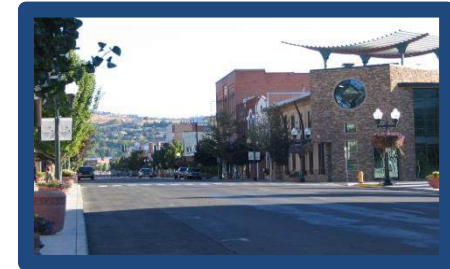
Market	Population	Businesses
Marquette	21,491	2,245
Escanaba	12,121	973



Market	Population	Businesses
Bettendorf	33,217	1,330
Davenport	99,685	4,302
Muscatine	22,886	996
Dubuque	57,637	2,831
Moline	43,977	2,173
Rock Island	39,684	1,392



Market	Population	Businesses
Wichita	382,368	13,367
Topeka	127,473	5,787



Market	Population	Businesses
Klamath Falls	20,065	1,975
Medford	74,907	4,123
Mt Shasta	10,166	864
Yreka	7,605	1,019



Market	Population	Businesses
Silver City	10,315	740
Deming	15,541	603
Las Cruces	97,618	3,950

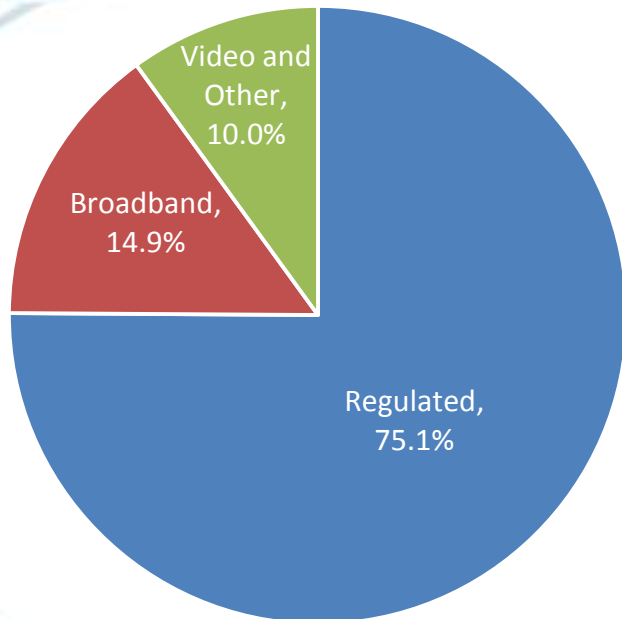
# CentraCom Fairview, Utah



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<b>Salt Lake City</b>	<b>1,410,815</b>	<b>35,821</b>
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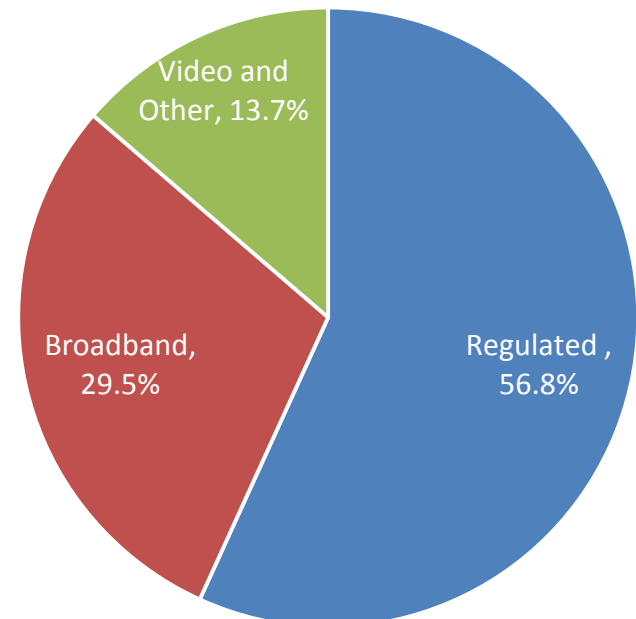
# Improving Revenue Mix

2010



■ Regulated ■ Broadband ■ Video and Other

2015



■ Regulated ■ Broadband ■ Video and Other

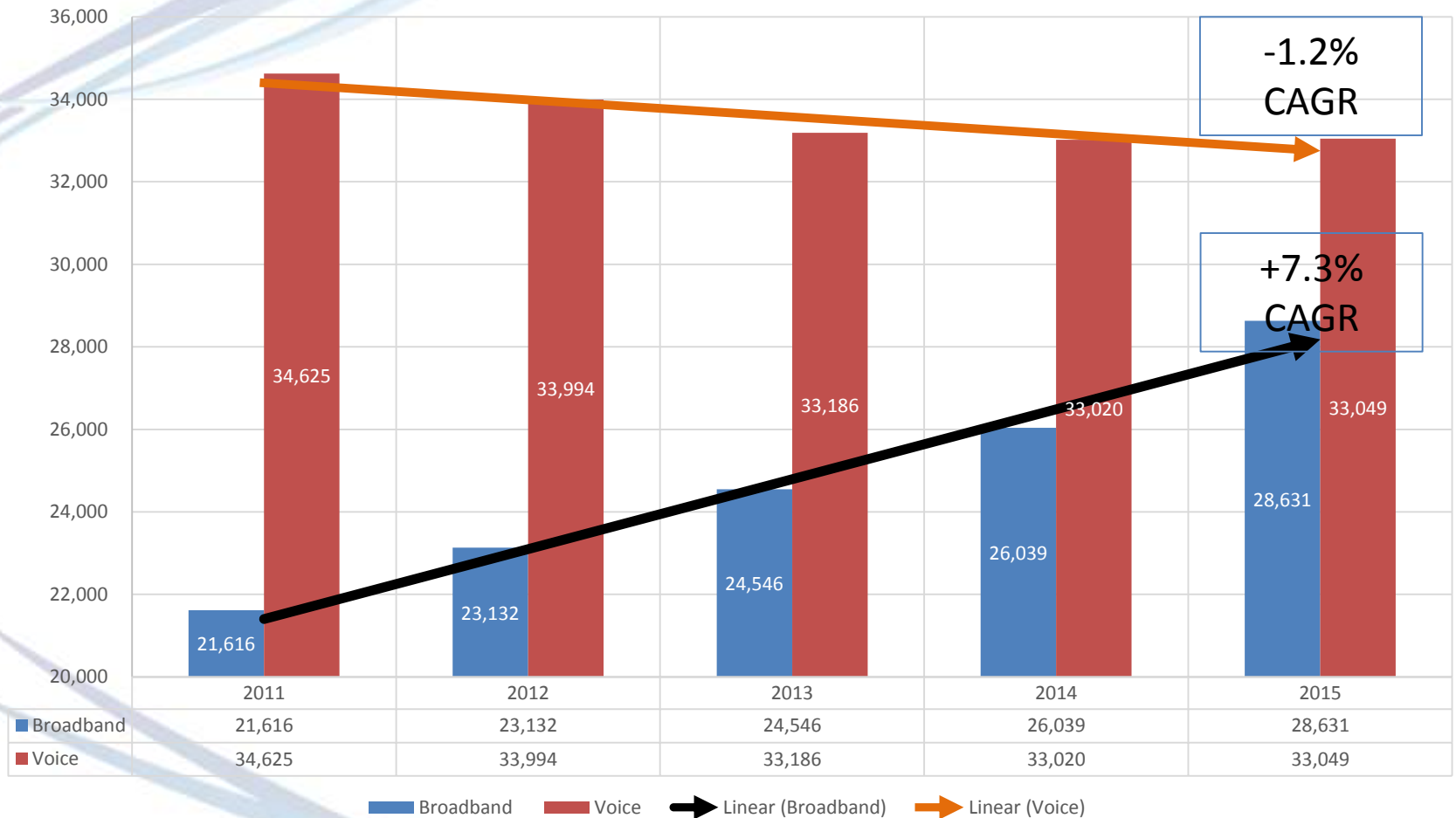
**Over the past 5 years, LICT has reduced its regulated revenue composition from 75% to 57%**

# Capital Expenditure Focus

- Fiber networks:
  - ILEC territory to support regulated - funded mandates
  - Non ILEC territory for success based growth
- Broadband expansion and enhancement:
  - Copper loop shortening (G-Fast)
  - DOCSIS upgrades (3.1)
  - Fixed wireless
- Non-regulated businesses such as video, security and managed services.

# Broadband Driving LICT's Overall RGU Growth

67,000 Total Connections as of 2015



**LICT's +7.3% Data Sub Growth is Well in Excess of Telco Peers and is in Line with Cable Providers**

# LICT's Historical Revenue and EBITDA

## (Continuing Operations)

*(\$ In Thousands)*

	2011	2012	2013	2014	2015
<u>Revenues:</u>					
Regulated	\$55,688	\$55,098	\$52,430	\$54,075	\$49,726
Non-regulated	21,336	24,830	28,327	31,781	36,859
Total	\$77,044	\$79,928	\$80,757	\$85,856	\$86,585

<u>EBITDA:</u>					
Regulated	\$26,684	\$25,933	\$23,505	\$24,112	\$19,133
Non-regulated	7,530	7,901	9,505	12,283	14,858
Total	\$34,214	\$33,834	\$33,010	\$36,395	\$33,991



# Solid FCF

	2011	2012	2013	2014	2015
<i>(\$ in Thousands)</i>					
Capital Expenditures:					
Regulated	\$13,072	\$8,559	\$11,487	\$9,711	\$10,497
Non-regulated	2,915	4,112	7,075	6,617	7,528
Total	\$15,987	\$12,671	\$18,562	\$16,328	\$18,025
Free Cash Flow*:					
Regulated	\$13,612	\$17,374	\$12,018	\$14,401	\$8,636
Non-regulated	4,616	3,789	2,431	5,666	7,330
Total	\$18,228	\$21,163	\$14,449	\$20,067	\$15,966

\*EBITDA from Operations less Capital Expenditures

# First Quarter 2016

(\$ in Thousands)	2015	2016
Revenues:		
Regulated	\$12,403	\$11,638
Non-Regulated	8,704	9,890
Total	<b>\$21,108</b>	<b>\$21,528</b>
EBIDTA		
Regulated	\$5,040	\$3,947
Non-Regulated	3,518	3,884
Total	<b>\$8,558</b>	<b>\$7,831</b>
Capital Expenditures		
Regulated	\$1,801	\$1,373
Non-Regulated	1,690	1,513
Total	<b>\$3,501</b>	<b>\$2,886</b>
Free Cash Flow		
Regulated	\$3,229	\$2,574
Non-Regulated	1,828	2,371
Total	<b>\$5,057</b>	<b>\$4,945</b>

# Liquidity and Leverage

<i>(\$ in Thousands)</i>	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>	<u>12/31/14</u>	<u>12/31/15</u>	<u>3/31/16</u>
Cash and Deposits	\$11,705	\$9,030	\$9,272	\$22,155	\$14,748	\$17,073
Debt	\$100,286	\$78,237	\$71,756	\$58,466	\$44,846	\$42,567
<b>Net Debt</b>	<b>\$88,581</b>	<b>\$69,207</b>	<b>\$62,484</b>	<b>\$36,311</b>	<b>\$30,097</b>	<b>\$25,494</b>
Average Interest						
Rate	6.0%	6.3%	5.6%	5.1%	5.7%	5.5%
<b>Total Debt to EBITDA</b>	<b>2.8</b>	<b>2.2</b>	<b>2.1</b>	<b>1.7</b>	<b>1.3</b>	<b>1.3</b>
<b>Net Debt to EBITDA</b>	<b>2.5</b>	<b>1.9</b>	<b>1.8</b>	<b>1.0</b>	<b>0.9</b>	<b>0.8</b>

# Valuable Investments

- Modoc RSA Limited Partnership
  - Iowa Network Services
  - AWS and PCS Spectrum
  - DFT Communications
- CoBank Patronage Capital

**LICT Received \$3.13m in Distributions in 2015**

# Comparable Analysis

SMID Cap RLECs	Market Cap (\$ mil)	Enterprise Value (\$ mil)	LTM EBITDA (\$ mil)	EV/LTM EBITDA
ALSK	\$93.5	\$216	\$47.7	5.2x
CBB	778.3	2,011	302.1	6.6x
CNSL	1,248.6	2,616.2	329	7.9x
FRP	371.6	1,256.9	254.0	4.9x
HCOM	256.0	520.9	117.8	4.4x
LICT	118.6	144.1	33	4.1x
NULM	37.2	70.3	14.9	4.7x
NORSA	105.6	146.0	35.4	4.1x
OTEL	14.0	101.8	28.2	3.6x

\* Reflects stock prices as of 5/24/16

# Investment Highlights

- ✓ Retains a strong incumbency position.
- ✓ Strong growth in non-regulated revenue.
- ✓ Aggressive broadband expansion.
- ✓ Well-positioned for the pending FCC A-CAM ruling.
- ✓ Generates solid FCF supporting a strong balance sheet.
- ✓ Pursuing disciplined M&A to compliment organic growth.
- ✓ Solid history of shareholder value creation.



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