

# LICT Corporation

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For Immediate Release:

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## LICT CORPORATION REPORTS THIRD QUARTER RESULTS

- **Revenues were \$28.4 million, a reduction of 12% from \$32.3 million.**
- **EBITDA was \$13.0 million, a \$4.7 million decline from \$17.7 million.**
- **Earnings per share were \$263 per share compared to \$391 per share in 2018.**
- **Charitable Contribution Program continues in the Fourth Quarter of 2019.**

**Rye, NY – November 20, 2019** – LICT Corporation (“LICIT” or the “Company”; OTC Pink®: LICIT) reports financial results for the quarter ending September 30, 2019.

SHAREHOLDER DESIGNATED CHARITABLE CONTRIBUTION PROGRAM — In 2016, the Company adopted a Shareholder Designated Charitable Contribution Program. Under the Program, all registered shareholders are eligible to designate charities and the company will make a contribution to that charity. In 2016, 2017 and 2018, the company made \$100 per share contributions on behalf of its shareholders to their designated charities. The LICIT Board of Directors approved the 1st quarter 2019 contribution, also at \$100 per share, in December 2018, and the contributions were distributed to the charities in the 1st quarter of 2019. In addition, the board approved an additional contribution in the 3<sup>rd</sup> quarter of 2019 and the distribution will be made in the 4<sup>th</sup> quarter of 2019.

THIRD QUARTER RESULTS – In 2019, LICIT’s third quarter revenues decreased 12% or \$3.9 million to \$28.4 million compared to \$32.3 million for the corresponding quarter in 2018. EBITDA decreased by \$4.7 million to \$13.0 million from \$17.7 million in the third quarter of 2018. Revenue and EBITDA for 2019 is impacted by a negative swing of \$5.6 million to regulated revenue. This swing is traceable to the absence of a \$3.9 million benefit in the 3<sup>rd</sup> quarter of 2018 for additional A-ACAM support and the \$1.7 million net reduction in 2019 regulated revenues. EBITDA from on-going operations for 2019 is \$14.7 million while 2018 was \$13.7 million.

Non-regulated revenues gained 14.5%, to \$14.2 million from the prior year’s \$12.4 million due to increased broadband and competitive local exchange carrier (“CLEC”) revenues. Regulated revenues decreased by 28%, to \$14.4 million in the third quarter of 2019 from the prior year’s \$20.0 million. Non-regulated EBITDA increased 27% to \$6.6 million,

from \$5.2 million while regulated EBITDA decreased 27% to \$6.4 million, from \$12.5 million.

**EARNINGS PER SHARE** – Diluted earnings per share from on-going operations during the third quarter were \$263 per share in 2019 as compared to \$391 per share in 2018. Shares outstanding at September 30, 2019 were 19,320 versus 19,931 at December 31, 2018 and 20,134 at September 30, 2018.

**ALTERNATIVE – CONNECT AMERICA COST MODEL (“A-CAM”) PROGRAM** – Effective January 1, 2017, ten of LICT’s rural telephone companies elected to participate in the Federal Communications Commission’s (“FCC”) A-CAM program. The A-CAM program is designed to increase speed and expand the deployment of broadband capabilities throughout the nation’s rural areas and replaced two prior Universal Service Fund mechanisms for companies electing A-CAM. During 2018, the FCC expanded the A-CAM program retroactive to January 1, 2017. Accordingly, in 2018, LICT recorded additional A-CAM revenues of \$5.8 million, of which \$2.9 million related to the year ended December 31, 2017. Funds from the 2017 increase, \$2.9 million, and the first half of 2018, \$1.5 million, were both received and recorded in the third quarter of 2018.

On February 25, 2019, the FCC expanded the A-CAM program for those companies whose support was initially capped and offered LICT companies \$4.6 million in additional annual A-CAM funding, which was retroactive to January 1, 2019. With this increase, these capped companies have now been offered the fully funded support contemplated by the initial A-CAM program. In addition, the FCC extended the A-CAM annual support payments, for two additional years to December 31, 2028. Acceptance of these additions requires the companies to provide increased broadband speed to a greater number of locations. The Company’s subsidiaries have accepted this A-CAM expansion program and received the year to date incremental funding of \$2.3 million in the second quarter of 2019.

On May 2, 2019, the FCC further expanded the A-CAM program (“A-CAM II”) to companies still receiving legacy universal service support in their service territories. LICT has three companies that have elected to participate and will receive \$1.3 million in annual A-CAM II funding for the full year ending December 31, 2019. The Company’s subsidiaries received the 2019 year to date incremental funding in the 3<sup>rd</sup> quarter of 2019.

LICT is in the process of reviewing certain of the company’s regulated revenue estimates related to computation under cost recovery mechanisms. This review is currently in process. The Company has estimated, and accrued at September 30, 2019, a \$2.4 million reduction of regulated revenue and EBITDA based on preliminary findings in the review. Approximately \$2.0 million of this reduction is related to periods prior to the 3<sup>rd</sup> quarter of 2019.

**FULL YEAR RESULTS** – The company is estimating revenues of approximately \$118 million, and EBITDA of around \$57 million; these amounts include the \$6.0 million additional A-CAM funding that was discussed above. These amounts represent reductions

of \$2.8 million from the previous forecast due in part, to the aforementioned LICT review of regulated revenues.

**PRESIDENT AND CHIEF FINANCIAL OFFICER** - As previously announced, Mr. Daniel E. Hopkins will serve LICT as President and Chief Financial Officer. Mr. Hopkins has had a long and distinguished executive career, most recently serving as Executive Vice President and Chief Financial Officer since 2007 with MTPCS, LLC, a wireless telecommunications company.

**FCC SPECTRUM AUCTIONS** - LICT Wireless Broadband Company, LLC (“LICT Wireless”), a wholly owned subsidiary of the Company, is a qualified bidder in the upcoming FCC auction for spectrum, Auction 103 – 37 GHz, 39 GHz 47.2 GHz. These spectrum bands are designated to be used for provision of 5G wireless services. This auction is scheduled to begin on December 10, 2019. FCC rules restrict information that bidders may disclose about their participation in these Auctions, including the amount of their upfront payment.

LICT Wireless participated in two FCC auctions for spectrum, Auction 101 – 28 GHz and Auction 102 – 24 GHz. Auction 101 began on November 14, 2018 and ended on January 28, 2019 and Auction 102 began on March 14, 2019 and completed on May 28, 2019. On September 3, 2019 the FCC announced the final results of both auctions.

In Auction 101, 10 licenses of 28 GHz in Kansas and Nevada were acquired for a total investment of \$108,410. In Auction 102, 47 licenses of 24 GHz in California, Iowa, Kansas, Michigan, New Hampshire, New Mexico and Wyoming were acquired for a total investment of \$4,807,060.

These spectrum licenses significantly expand the broadband capabilities of our subsidiary operations, both geographically and technologically.

**MICHIGAN BROADBAND SERVICES** - has completed the transaction to purchase the cable television assets, and assume the franchise agreement on Drummond Island, MI from Sunrise Communications. This transaction is an additional step to expanding LICT’s operations and grow its cable broadband services.

**NEW HAMPSHIRE DYNAMICS** – On July 1, 2019, the Company, along with CIBL, Inc. (“CIBL”; OTC Pink®: CIBY) announced their intent to merge its operations in New Hampshire with CIBL. CIBL would issue shares of its stock to LICT in exchange for its New Hampshire operations. After the closing of the transaction, LICT would hold approximately 6% of CIBL’s outstanding common stock.

Our New Hampshire operations consist of two subsidiaries, Bretton Woods Telephone Company, Inc. and World Surfer, Inc. These companies are leading providers of broadband and communications services to an approximately 35 -square-mile area in northern New Hampshire, including the Omni Mount Washington Hotel and Resort, The Mount Washington Cog Railway and the summit of Mount Washington. The transaction has been approved by the FCC but remains subject to the approval of the New Hampshire

Public Utility Commission and the satisfaction of customary closing conditions. It is expected to close in the fourth quarter of 2019. However, no assurances can be given that a binding agreement will be entered into, and that the proposed transaction will be consummated or the timing thereof.

BRICK SKIRT HOLDING, LLC. – On July 3, 2019, Brick Skirt repaid its debt owed to LICT with a payment of \$2.85 million. LICT continues to own 20% equity in Brick Skirt.

GROWING THE COMPANY – The Board of Directors and management have implemented measures which have improved liquidity and reduced the Company’s debt position. At this time, the Board continues to re-evaluate its acquisition activity and related refinancing alternatives.

CAPITAL EXPENDITURES – In the third quarter of 2019, capital expenditures were \$7.0 million, of which \$3.6 million was for non-regulated activities and \$3.4 million for regulated activities. In order to expand the Company’s non-regulated fiber initiatives and provide a high level of broadband to our customers in the rural areas of the United States, our current plan calls for capital expenditures of \$24 million in 2019. This capital enables us to offer enhanced broadband speeds and will increase the overall fiber route miles in our network. As of September 30, 2019, LICT operations deployed 4,806 miles of fiber optic cable, 11,337 miles of copper cable, and 716 miles of coaxial cable.

SHARE REPURCHASES – During the nine months ended September 30, 2019, the Company repurchased 611 shares for \$10.0 million, with an average price of \$16,426 per are. As of September 30, 2019, 19,320 shares were outstanding.

OPERATING STATISTICS – As of September 30, 2019, the Company’s broadband penetration in its franchised telephone service territories, based on its total Incumbent Local Exchange Carrier (“ILEC”) voice lines, was 80.5%, as compared to 80.2% at December 31, 2018. Our summary operating statistics are as follows:

	<u>September 30,</u> 2019	<u>December 31,</u> 2018	Increase (Decrease)	Percent Increase (Decrease)
Broadband lines	35,339	33,659	1,680	5.0%
Voice Lines				
ILEC	25,559	26,276	(717)	(2.7%)
CLEC	7,654	7,471	183	2.4%
Total	33,213	33,747	(534)	(1.6%)
Video Subscribers	5,324	5,669	(345)	(6.1%)
Revenue Generating Units	73,876	73,075	801	1.1%

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This release contains certain forward-looking information 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, including without limitation anticipated financial results, financing, capital expenditures and corporate transactions. It should be recognized that such information is based upon certain assumptions, projections and forecasts, including without limitation, business conditions and financial markets, regulatory and other approvals, and the cautionary statements set forth in documents filed by LICT on its website, [www.lictcorp.com](http://www.lictcorp.com). As a result, there can be no assurance that any possible transactions will be accomplished or be successful, or that financial targets will be met. Such forward-looking information is subject to uncertainties, risks and inaccuracies, which could be material.

LICT Corporation is a holding company with subsidiaries in broadband and other telecommunications services that actively seeks acquisitions, principally in its existing business areas.

LICT Corporation is listed on the OTC Pink® under the symbol LICT. For further information visit our website at <http://www.lictcorp.com>.

**LICT CORPORATION**  
**Statements of Operations and Balance Sheet Data**  
(In Thousands, Except Per Share Data)

**Exhibit**  
**A**  
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**STATEMENTS OF OPERATIONS**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>	\$28,455	\$32,322	\$88,415	\$86,977
<b>Cost and Expenses:</b>				
Cost of revenue, excluding depreciation	13,191	12,073	30,803	36,267
Selling, general and administration	3,033	2,994	9,093	8,715
Corporate Office Expenses	1,086	1,162	3,235	3,085
Depreciation and amortization	4,729	4,786	14,276	14,663
<b>Total Costs and Expenses</b>	<b>22,039</b>	<b>21,015</b>	<b>65,407</b>	<b>62,730</b>
<b>Operating profit</b>	<b>6,416</b>	<b>11,307</b>	<b>23,008</b>	<b>24,247</b>
<b>Other Income (Expense)</b>				
Investment income	67	205	309	547
Interest expense	(290)	(340)	(1,108)	(1,276)
Equity in earnings of affiliated companies	807	890	1,974	1,912
Other	7	(1,276)	2,503	2,054
	<b>591</b>	<b>(521)</b>	<b>3,678</b>	<b>3,237</b>
<b>Income Before Income Tax Provision</b>	<b>7,007</b>	<b>10,786</b>	<b>26,686</b>	<b>27,484</b>
Provision for Income Taxes	(1,093)	(2,880)	(6,767)	(7,284)
<b>Net Income</b>	<b>\$5,104</b>	<b>\$7,906</b>	<b>\$19,919</b>	<b>\$20,200</b>
<b>Capital Expenditures</b>	<b>\$7,048</b>	<b>\$5,306</b>	<b>\$18,585</b>	<b>\$15,373</b>
<b>Weighted Average Shares:</b>				
Basic	19,388	20,201	19,576	20,309
Diluted	19,423	20,236	19,611	20,345
<b>Actual shares outstanding at end of period</b>	<b>19,320</b>	<b>20,134</b>	<b>19,320</b>	<b>20,134</b>
<b>Earnings Per Share:</b>				
Basic Net Income	\$263.26	\$391.37	\$1,017.52	\$994.63
Dilutive Earnings Per Share	\$262.78	\$390.69	\$1,015.71	\$992.85
<b>Dilutive Earnings Per Share by Component:</b>				
On-going operations	\$326.87	\$293.63	\$1,064.65	\$829.08
Out of period adjustments	(64.09)	143.51	(48.95)	90.09
Charitable contributions	-	(46.45)	-	(46.20)
Gain on sale of an investment by a minority interest	-	-	-	119.88
As Reported	<b>\$262.78</b>	<b>\$390.69</b>	<b>\$1,015.71</b>	<b>\$992.85</b>

**See EBITDA on page 2 of 2**

**LICT Corporation**  
**Statements of Operations and Selected Balance Sheet Data-Continued**  
(In Thousands, Except Per Share Data)

**Exhibit A**  
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<b>SELECTED BALANCE SHEET DATA</b>	<b>Sept 30, 2019</b>	<b>Dec. 31, 2018</b>
Cash and Cash Equivalents	\$8,112	\$7,732
Other short-term investments	--	20,000
Note receivable	--	2,850
Long-Term Debt (including current portion)	15,677	30,976
Liabilities, including taxes, other than debt	33,990	34,017
Shareholders' Equity	\$151,041	\$140,369
Shares Outstanding at Date	19,320	19,931

**EBITDA**

EBITDA is an established measure of operating performance and liquidity that is commonly reported and widely used by analysts, investors, and other interested parties in the telecommunications industry because it eliminates many differences in financial, capitalization, and tax structures, as well as non-cash and non-operating charges to earnings. We believe that EBITDA trends are a valuable indicator of whether our operations are able to produce sufficient operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures.

EBITDA equals net income (loss), before interest expense, income tax expense (benefit), depreciation and amortization expense, investment income, equity in earnings of affiliated companies, gain (loss) on sale of investment, impairment charges, and net income from discontinued operations. EBITDA also now includes the cash distributions we receive from the equity in earnings of affiliated companies. Although we do not have majority voting control of such companies, we have the ability to significantly influence financial and accounting policies. The inclusion of cash received from equity companies is a change from past practice.

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>EBITDA</b>				
Operating subsidiaries	\$12,231	\$17,255	\$40,519	\$41,995
Cash received from equity affiliates	737	412	1,862	1,475
Operating EBITDA	12,968	17,667	42,381	43,470
Corporate Office Expense	(1,086)	(1,162)	(3,235)	(3,085)
<b>EBITDA</b>	<b>11,882</b>	<b>16,505</b>	<b>39,146</b>	<b>40,385</b>
Depreciation and amortization	(4,729)	(4,786)	(14,276)	(14,663)
Deduct cash received from equity affiliates	(737)	(412)	(1,862)	(1,475)
<b>Operating profit</b>	<b>\$6,416</b>	<b>\$11,307</b>	<b>\$23,008</b>	<b>\$24,247</b>