LICT CORPORATION AND SUBSIDIARIES

Quarterly Report for period ended June 30, 2025

401 Theodore Fremd Avenue, New York 10580

(914) 921-8821

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

	Three Months Ended June 30, 2025		Six Months Ended June 30, 2025	
	2025	**2024**	**2025**	**2024**
Operating Revenues	$ 34,378	$ 33,684	$ 68,987	$ 67,183
Operating Expenses				
Cost of revenue, excluding depreciation and amortization	17,867	16,763	35,461	32,836
General and administrative costs at operations	3,038	2,730	6,233	5,476
Corporate office expenses	1,439	1,158	2,852	2,437
Depreciation and amortization	6,418	5,803	13,245	11,807
Total Operating Expenses	28,762	26,454	57,791	52,556
Operating Profit	5,616	7,230	11,196	14,627
Other Income (Expense)				
Investment income	58	315	842	1,208
Interest expense	(1,248)	(1,096)	(2,395)	(2,066)
Unrealized gain (loss) on investment	—	(42)	424	(636)
Equity in earnings (losses) of affiliated companies	—	252	(66)	225
Other	(108)	28	(97)	67
Total Other Income (Expense)	(1,298)	(543)	(1,292)	(1,202)
Income from Operations Before Income Taxes	4,318	6,687	9,904	13,425
Provision for income taxes	(1,168)	(1,780)	(2,638)	(3,541)
Net Income	$ 3,150	$ 4,907	$ 7,266	$ 9,884
Basic and Diluted Weighted-Average Shares Outstanding	15,940	16,775	16,027	16,859
Basic and Diluted Earnings Per Share	$ 198	$ 293	$ 453	$ 586

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

		June 30, 2025		December 31, 2024
Assets				
Current Assets				
Cash and cash equivalents	$	14,149	$	9,546
Restricted cash		1,244		1,835
Accounts receivable, less allowances of $196 and $190, respectively		8,507		7,834
Grants receivable		7,836		12,759
Materials and supplies		12,429		12,581
Prepaid expenses and other current assets		4,418		4,681
Total Current Assets		48,583		49,236
Property, Plant and Equipment, Net		196,133		179,910
Goodwill		48,501		48,251
Other Intangibles		34,371		34,100
Investments in Affiliated Companies		6,293		6,723
Other Assets		11,029		10,836
Total Assets	**$**	**344,910**	**$**	**329,056**
Liabilities and stockholders' deficit				
Current Liabilities				
Accounts payable	$	6,193	$	8,908
Accrued interest payable		351		105
Accrued liabilities		9,547		9,227
Current maturities of long-term debt		7,727		80
Total Current Liabilities		23,818		18,320
Long-Term Debt		74,146		66,556
Deferred Income Taxes		31,913		31,289
Other Liabilities		10,239		9,301
Total liabilities		140,116		125,466
Stockholders' Equity:				
Common stock, $0.01 par value; 10,000,000 shares authorized; 26,831 issued; 15,732 and 16,173 outstanding, respectively		—		—
Additional paid-in capital		10,302		10,302
Retained earnings		305,270		298,004
Treasury stock, 11,099 and 10,658 shares, respectively, at cost		(110,778)		(104,716)
Total Shareholders’ Equity		204,794		203,590
Total Liabilities and Shareholders’ Equity	**$**	**344,910**	**$**	**329,056**

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	—	—	7,266	—	7,266
Purchase of treasury stock	(441)	—	—	(6,062)	(6,062)
Balance, June 30, 2025	15,732	$ 10,302	$305,270	$(110,778)	$204,794

See accompanying notes to consolidated financial statements

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

	Six Months Ended June 30,	
	2025	**2024**
Cash Flows from Operating Activities		
Net Income	$ 7,266	$ 9,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,245	11,807
Debt costs amortization	35	27
Equity in (earnings) losses of affiliated companies	66	(225)
Unrealized (gain) loss on investment	(424)	636
Unrealized (gain) loss in other investments	(28)	43
Realized loss on investment	43	—
Deferred income tax provision	624	(95)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net of allowances	(478)	(2,596)
Interest on notes receivable	—	(857)
Income taxes payable/receivable	1,384	1,299
Accounts payable and accrued liabilities	462	594
Other assets and liabilities	(95)	(1,399)
Net Cash Provided by Operating Activities	22,100	19,118
Cash Flows from Investing Activities		
Capital expenditures	(33,108)	(28,115)
Government grants received	13,305	—
Proceeds from the sale of investment	768	—
MTC Acquisition investment	(8,300)	—
Other investing activities	77	102
Net Cash Used in Investing Activities	(27,258)	(28,013)
Cash Flows from Financing Activities		
Borrowings from the line of credit, net	15,000	16,500
Payment of construction loan	(8,003)	—
Purchase of treasury stock	(6,062)	(4,735)
MTC seller notes Issued	8,300	—
Payments to reduce long-term debt	(65)	(38)
Net Cash Provided By Financing Activities	9,170	11,727
Net Increase in Cash, Cash Equivalents and Restricted Cash	4,012	2,832
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	$ 15,393	$ 14,377

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 seven states (California, Iowa, Kansas, New Mexico, Oregon, Utah, and Wisconsin), delivering a broad range of services to residential, commercial, and governmental customers, including:

- **Broadband** via our advanced fiber networks, Digital Subscriber Line ("DSL"), and cable modem services
- **Fixed wireless broadband** solutions
- **Voice** (Local and long-distance)
- **Video offerings**, including cable television, IPTV, and Over-the-Top platforms
- **Wholesale network access** for other carriers
- **Hosted and managed services** tailored for business and institutional clients
- **Enterprise solutions**, including hosted/managed services, private lines, and virtual switchboards
- **Public access services**, including 911 emergency service

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:

MachTen Inc., ("MACT"). is a publicly traded holding company formed in 2023 through a spin-off from LICT Corporation, as the parent to Michigan Broadband Services. Its subsidiaries—including Upper Peninsula Telephone Company, Michigan Central Broadband Company, and Alpha Enterprises—provide fiber-optic, DSL, fixed wireless, voice, video, home automation, and managed hosting services across Michigan. The Company holds approximately a 19% interest in MACT. As of December 31, 2024, MACT generated total operating revenue of about $17.0 million, with $3.4 million coming from broadband. MACT invested nearly $10 million in fiber infrastructure during that year, supporting more than 100 miles of build and approximately 2,900 new passings.

Aureon Network Services, Inc. ("Aureon") formerly Iowa Network Services, Inc. The Company holds a 2.56% economic interest in Aureon through preferred and common stock. Aureon provides telecommunications and broadband services to participating exchanges and other customers. As of June 30, 2025, the Company carries its minority investment at $3.0 million, while management estimates its value to be approximately $9.0 million.

CVIN LLC ("CVIN"). A wholly-owned subsidiary owns an interest of approximately 2.3% in CVIN (doing business as Vast Networks), which owns and operates a fiber optic network in the Central Valley and northern areas of California. The company was formed by independent telephone companies to offer a shared, state-of-the-art fiber network and telecommunications services to businesses, hospitals, and school districts in Central and Northern California.

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.

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 and six months ended June 30, 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 June 30, 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 six months of 2025 and 2024, respectively, the average balance of the CoBank line of credit outstanding was $46.6 million and $39.4 million; the highest amount outstanding for 2025 and 2024 was $53.8 million and $50.0 million; and the average interest rate was 6.43% and 7.05%, respectively.

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. The facility had an initial variable rate of interest of 7.8%, based on the prime rate as published in the Wall Street Journal less 0.70%. All principal and accrued unpaid interest on the facility was due February 16, 2026. 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.

Long-term debt as of June 30, 2025, and December 31, 2024 consists of (in thousands):

	June 30, 2025	December 31, 2024
Revolving credit facility from CoBank at SOFR plus 2.0%, expires October 23, 2029	$ 53,750	$ 38,750
Revolving credit facility from FCSB at a variable interest rate of 6.4% in connection with the NOFA build-out, expires February 16, 2026	—	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% - 10%	18,801	10,501
Other at a fixed rate of 5.25%	1,675	1,735
Total Debt	81,873	66,636
Current maturities	(7,727)	(80)
Long Term Debt	$ 74,146	$ 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 June 30, 2025 and December 31, 2024, assets of $5.5 million and $1.6 million, which are classified as cash and cash equivalents, were invested in money market funds, at a cost of 0.08%, for which affiliates of the Company's Chairman and Chief Executive Officer serve as investment manager to the respective funds. There are no state and local income 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

LICT's history is rooted in its role as a trusted provider of rural telephone service through its Rural Local Exchange Carriers ("RLECs"), operating across rural communities in California, Iowa, Kansas, New Mexico, Oregon, Utah, and Wisconsin. Over time, we have successfully transformed into a diversified broadband and communications company, bringing advanced connectivity solutions not only to rural areas, but also to adjacent urban markets where we continue to expand our footprint.

On January 1, 2025, we completed the acquisition of Manti Telephone Company ("MTC"), a regulated operating subsidiary of the broader Manti transaction. MTC expands our presence in underserved rural markets and strengthens our broadband infrastructure and service capabilities. This transaction, structured as a stock purchase, advances our strategy to grow in communities where high-quality broadband is essential but often unavailable. MTC's results have been consolidated into LICT's financial statements beginning January 1, 2025.

The accelerating demand for high-speed broadband continues to be a powerful growth driver. While the industry-wide shift away from traditional voice lines has tempered legacy revenues, LICT has embraced this transition by building a stronger, more future-focused communications platform. Our strategy is clear: to serve customers with the technology they need—whether fiber, wireless, or next-generation solutions—and to position the Company as a comprehensive broadband and communications provider.

Federal and state initiatives that promote connectivity in rural America remain critical to bridging the digital divide. Initially focused on voice service, these programs now prioritize broadband access. As an RLEC operator, LICT has long played a central role in delivering communications where it would not otherwise be feasible without Universal Service Fund ("USF") support. Our management team devotes significant attention to effectively navigating and leveraging these programs, while ensuring compliance with regulatory requirements at both the Federal Communications Commission ("FCC") and state utility commission levels.

Our participation in the Enhanced Alternative Connect America Cost Model ("E-ACAM") program, effective January 1, 2024, exemplifies this commitment. Through E-ACAM, LICT entities will receive $37.2 million annually through 2038 to accelerate broadband deployment and improve rural speeds, subject to a one-time FCC true-up by December 31, 2025.

Additionally, as previously announced, LICT has been awarded $157.5 million in USDA ReConnect III and IV grants across Kansas, California, and New Mexico, with a total project cost of $171.2 million. Our required contribution of $13.7 million supports the build-out of 1-Gigabit fiber broadband. Construction is already underway on Kansas and New Mexico ReConnect projects, while the remaining three grants—one in New Mexico and two in California—have cleared environmental review and are preparing for construction.

As we execute these initiatives, we remain focused on capital efficiency. By blending fiber investment with fixed wireless and other innovative technologies, LICT is driving cost-effective network expansion while continuing to deliver high-quality service and coverage for our customers.

Recent Legislative and Regulatory Developments

LICT continues to benefit from federal and regulatory momentum supporting rural broadband deployment. Recent developments across the Universal Service Fund (USF) and the Broadband Equity, Access, and

Deployment (BEAD) program are removing barriers, streamlining funding mechanisms, and creating new opportunities for providers like us to expand high-quality, cost-effective service across our footprint.

Tax Reform and Bonus Depreciation

On July 4, 2025, the new tax bill was signed into law, delivering several key tax reforms with positive implications for LICT's financial position, notably 100% bonus depreciation, changes in R&D expensing and interest deductions.

The legislation reinstates 100% bonus depreciation for qualified property placed in service after January 19, 2025. This provision is expected to meaningfully reduce near-term cash tax obligations and enhance after-tax returns on our broadband infrastructure investments, mostly through the capital expenditures planned through 2028.

While we are still evaluating the full financial statement impact of these provisions, the enactment of the new tax bill strengthens LICT's ability to invest in network expansion, manage capital efficiently, and deliver long-term value to our shareholders. In addition, the continuation of lower corporate tax rates under the Act supports stronger after-tax cash flow, further enhancing our financial flexibility. Based on preliminary assessments, management currently estimates that these tax law changes will generate approximately $25 million in cumulative cash tax savings through 2028, further reinforcing our ability to fund growth initiatives and return value to shareholders.

U.S. Supreme Court Decision on Universal Service Fund

On June 27, 2025, the U.S. Supreme Court issued a decisive 6–3 ruling in FCC v. Consumers' Research, affirming the constitutionality of the USF under Section 254 of the Telecommunications Act. This long-awaited clarity secures the foundation for key programs, including High-Cost and Enhanced ACAM, providing uninterrupted support for rural broadband initiatives.

For LICT, the decision directly supports our long-term capital plans and commitment to deliver at least 100/20 Mbps service in our RLEC territory. The plan calls for 50% of locations completed by December 31, 2026 and 100% by December 31, 2028.

The ruling also reaffirmed the FCC's oversight of USF contributions and fund allocation, bringing regulatory consistency that allows rural carriers, like LICT, to invest. A newly reactivated bipartisan USF Working Group in Congress is driving efforts to modernize the contribution system and broaden the funding base—efforts we actively support through our leadership in USTelecom and WTA - Advocates for Rural Broadband (formerly known as Western Telecommunications Alliance).

Broadband Equity, Access, and Deployment ("BEAD") Program Reforms Streamline Access

We're encouraged by the recent "Benefit of the Bargain" reforms to the BEAD program, which represent a welcome shift toward greater practicality and provider participation. These updates eliminate several non-statutory requirements—such as labor mandates, climate reporting, and net neutrality rules—that previously increased complexity and risk for rural projects. The revised framework also introduces a simplified Low-Cost Service Option ("LCSO") to ease compliance for low-income offerings, and a streamlined environmental review process aimed at achieving two-week NEPA approvals. Most importantly, the new rules emphasize lowest-cost, performance-sufficient solutions, providing greater flexibility for providers like LICT to leverage technologies such as fixed wireless, often the most efficient and economical option for reaching remote areas.

With these improvements in place, we are actively re-engaging in BEAD applications. Together with the strengthened USF platform, these updates enhance our ability to expand affordable, high-speed broadband in underserved areas—delivering lasting value to our customers and our communities.

Three Months Ended June 30, 2025 compared to June 30, 2024

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

	Three Months Ended June 30, 2025	
	2025	**2024**
Non-regulated revenues:		
Broadband and related services	$ 16,945	16,556
Video	1,184	1,186
Other	1,089	1,028
Total non-regulated revenues	19,218	18,770
Regulated revenues:		
Local access	990	1,025
Interstate access	11,694	11,798
Intrastate access	2,154	1,796
Other regulated	322	295
Total regulated revenues	15,160	14,914
Total revenues	34,378	33,684
Operating Costs and Expenses:		
Cost of revenue, excluding depreciation	17,867	16,763
General and administrative costs at operations	3,038	2,730
Corporate office expenses	1,439	1,158
Depreciation and amortization	6,418	5,803
Total operating costs and expenses	28,762	26,454
Operating profit	$ 5,616	$ 7,230

Revenues

In the second quarter of 2025, total revenues increased 2.1% to $34.4 million, compared to $33.7 million in the same period of 2024. Growth was driven by continued strength in non-regulated broadband services and the acquisition of MTC, partially offset by declines in certain regulated revenue streams.

Non-Regulated Revenues: Non-regulated revenues rose $0.4 million, or 2.0%, to $19.2 million, compared to $18.8 million in 2024. Growth was concentrated in Utah and Kansas, which contributed $0.3 million and $0.2 million, respectively, offset by slight declines in other markets. The increase reflects higher demand for broadband services and high-speed data circuits, additional subscribers over fiber and cable networks, sales of broadband connections outside regulated territories, and sales of communications equipment. Non-regulated revenues now account for 55.9% of total revenues and are expected to remain a key growth driver.

Regulated Revenues: Regulated revenues increased $0.3 million, or 2.0%, to $15.2 million, from $14.9 million in the prior year. This includes $0.9 million of incremental revenues from MTC, acquired January 1, 2025. Excluding MTC, regulated revenues declined approximately $0.6 million, largely reflecting reduced interstate access revenues. Key factors include:

- A July 1, 2024 Interstate Special Access tariff rate change (–$0.2 million)
- Cost study pro forma adjustments and weaker National Exchange Carrier Association (“NECA”) pool performance (–$0.2 million)

- Continued declines in special access circuits as customers transition to more cost-effective broadband solutions

Operating Expenses

Operating expenses totaled $28.8 million, an increase of $2.3 million compared to the second quarter of 2024. The increase reflects:

- Cost of revenue (+$1.1 million): driven by incremental costs to serve new non-regulated customers, higher staffing, professional services, and maintenance activities supporting our ongoing network expansion
- Operations G&A (+$0.3 million): higher expenses across local operations
- Corporate expenses (+$0.3 million): increased overhead
- Depreciation and amortization (+$0.6 million): up from $5.8 million in 2024 due to recent capital investments and the MTC acquisition

Operating Profit

As a result of the above, operating profit declined $1.6 million, to $5.6 million in the second quarter of 2025, compared to $7.2 million in 2024.

<u>EBITDA</u>

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 continuing operations for the three months ended:

	Three Months Ended June 30, 2025	
	2025	2024
EBITDA from:		
Operating units	$ 13,473	$ 14,191
Corporate expense	(1,439)	(1,158)
EBITDA	$ 12,034	$ 13,033
Reconciliation to net income:		
EBITDA	$ 12,034	$ 13,033
Depreciation and amortization	(6,418)	(5,803)
Investment income	58	315
Interest expense	(1,248)	(1,096)
Unrealized gain (loss) on investment	—	(42)
Equity in earnings (losses) of affiliated companies	—	252
Other	(108)	28
Income tax provision	(1,168)	(1,780)
Net income	$ 3,150	$ 4,907

Other Income (Expense)

Other income (expenses) increased by $0.8 million, from a loss of $0.5 million in the second quarter of 2024 to a loss of $1.3 million in the second quarter of 2025. The key drivers were:

- Interest expense increased by $0.2 million primarily due to higher debt balances in the second quarter of 2025 compared to 2024.
- Investment income decreased by $0.3 million, mainly due to the recognition of $0.3 million in accrued interest income on the MachTen, Inc. note during the second quarter of 2024, which was subsequently forgiven in the third quarter of 2024.
- Equity in earnings (losses) of affiliated companies decreased by $0.3 million, from $0.3 million in the second quarter of 2024 to less than $1,000 in the second quarter of 2025, primarily due to our former ownership in Brick Skirt Holding Company (formerly DFT Communications), which was sold to CIBL, Inc. in the third quarter of 2024.

Income Tax Provision

The income tax provision includes federal, as well as state and local taxes. The tax provision for the second quarter of 2025 and 2024 represent effective tax rates of 26.6% and 26.4%, respectively.

Net Income

Net income for the second quarter of 2025 was $3.2 million, or $198 per basic and diluted share compared to $4.9 million, or $293 per basic and diluted share in the second quarter of 2024.

Six Months Ended June 30, 2025 compared to June 30, 2024

The following is a breakdown of revenues and operating costs and expenses (in thousands):

	Six Months Ended June 30, 2025	
	2025	2024
Non-regulated revenues:		
Broadband and related services	$ 33,811	$ 32,992
Video	2,493	2,287
Other	2,252	1,966
Total non-regulated revenues	38,556	37,245
Regulated revenues:		
Local access	2,003	2,077
Interstate access	23,380	23,675
Intrastate access	4,334	3,595
Other regulated	714	591
Total regulated revenues	30,431	29,938
Total revenues	68,987	67,183
Operating Costs and Expenses:		
Cost of revenue, excluding depreciation	35,461	32,836
General and administrative costs at operations	6,233	5,476
Corporate office expenses	2,852	2,437
Depreciation and amortization	13,245	11,807
Total operating costs and expenses	57,791	52,556
Operating profit	$ 11,196	$ 14,627

Revenues

In the first six months of 2025, total revenues increased 3.0% to $68.9 million, compared to $67.2 million in the same period of 2024. Growth was driven by continued expansion of non-regulated broadband services, additional revenues from the acquisition of the MTC, partially offset by declines in certain regulated revenue streams.

Non-Regulated Revenues: Non-regulated revenues rose $1.3 million, or 3.5%, to $38.6 million, compared to $37.2 million in 2024. Growth was driven by Utah (+$0.9 million) and Kansas (+$0.4 million) operations. Higher broadband demand, additional fiber and cable subscribers, sales of connections outside regulated territories, and communications equipment sales all contributed. Non-regulated revenues represented 55.9% of total revenues and are expected to remain a primary growth driver.

Regulated Revenues: Regulated revenues increased $0.5 million, or 1.7%, to $30.4 million, from $29.9 million in the prior year. This includes $1.7 million of revenues from MTC, acquired January 1, 2025. Excluding MTC, regulated revenues declined approximately $1.2 million. Key factors include:

- A July 1, 2024 Interstate Special Access tariff rate change (–$0.5 million)
- Cost study adjustments and weaker National Exchange Carrier Association (“NECA”) pool performance (–$0.2 million)
- A one-time prior-period NECA adjustment of $0.2 million in the first half of 2024 that did not recur in 2025
- Continued declines in special access circuits as customers transition to broadband alternatives

Operating Expenses

Operating expenses were $57.8 million, an increase of $5.2 million compared to the first six months of 2024. The increase reflects:

- Cost of revenue (+$2.6 million): driven by incremental costs to serve new non-regulated customers, higher staffing, and inflationary pressure on labor and supplies
- Operations G&A (+$0.8 million): higher expenses across local operations
- Corporate expenses (+$0.4 million): higher corporate overhead
- Depreciation and amortization (+$1.4 million): reflecting capital investments and the MTC acquisition

Operating Profit

As a result, operating profit declined $3.4 million, to $11.2 million in the first six months of 2025, compared to $14.6 million in 2024.

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, because this non-GAAP financial measure eliminates from earnings financial items that have less bearing on our performance.

	Six Months Ended June 30, 2025	
	2025	2024
EBITDA from:		
Operating units	$ 27,293	$ 28,871
Corporate expense	(2,852)	(2,437)
EBITDA	$ 24,441	$ 26,434
Reconciliation to net income:		
EBITDA	$ 24,441	$ 26,434
Depreciation and amortization	(13,245)	(11,807)
Investment income	842	1,208
Interest expense	(2,395)	(2,066)
Unrealized gain (loss) on investment	424	(636)
Equity in earnings (losses) of affiliated companies	(66)	225
Other	(97)	67
Income tax provision	(2,638)	(3,541)
Net income	$ 7,266	$ 9,884

Other Income (Expense)

Other income (expense) for the first six months of 2025 was relatively flat compared to the prior-year period, with the loss increasing slightly by $0.1 million to a loss of $1.3 million. While the overall change was minimal, several offsetting items contributed to this result.

- Investment income decreased by $0.4 million in the first six months of 2025 compared to the same period in 2024. This decline was primarily due to the absence of $0.6 million in accrued interested income recognized in 2024 related to a note from MachTen Inc., which was settled as of August 31, 2024. This decrease 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.
- Interest expense increased by $0.3 million due to higher debt balances in the first six months of 2025 compared to the same period in 2024
- Equity in earnings (losses) of affiliates decreased by $0.3 million, from income of $0.2 million in the first six months of 2024 to a loss of $0.1 million in the same period of 2025. This change was primarily due to the absence of earnings from Brick Skirt Holding Company (formerly DFT Communications), following its sale to CIBL, Inc. in the third quarter of 2024.

These decreases were largely offset by a $1.1 million favorable change in unrealized gains on investment related to our investment in MachTen, reflecting a gain of $0.4 million in the first half of 2025 compared to a loss of $0.6 million in the same period of 2024. Both changes were driven by fluctuations in MachTen’s share price. The loss in 2024 resulted from a significant price decline during the period, while the 2025 gain reflects modest appreciation.

Income Tax Provision

The income tax provision includes federal, state and local taxes. The tax provision for the first six months of 2025 and 2024 represent effective tax rates of 26.6% and 26.4%, respectively.

Net Income

Net income for the first six months of 2025 was $7.3 million, or $453 per basic and diluted share, compared to $9.9 million, or $586 per basic and diluted share, for the same period in 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 June 30, 2025 is SOFR plus 2.0%. The credit facility is secured by a pledge of the stock of the Company's subsidiaries. As of June 30, 2025, there was $53.8 million outstanding under the $100 million facility. The average balance outstanding under the facility was $46.6 million at an average interest rate of 6.43%.

As previously disclosed, in August 2024, the Company entered into an $11 million credit facility with First Central State Bank (FCSB) for the purposes of financing its Iowa NOFA 6 build project. 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 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 June 30, 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	$ 7,647	$ 3,801	$ 15,000	$ —
Debt on Building acquisition, principal only	1,691	82	1,177	196	236
CoBank Revolving credit facility, principal only	53,750	—	—	53,750	—
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	$ 95,329	$ 10,874	$ 9,548	$ 71,662	$ 3,245

At June 30, 2025, total debt was $81.9 million, an increase of $15.3 million from December 31, 2024. The average interest rate for the debt outstanding was 6.27% and 6.59% as of June 30, 2025, and December 31, 2024, respectively. The revolving credit facility contains certain covenants including limitations on share repurchases, and other items.

As of June 30, 2025, the Company had current assets of $48.6 million and current liabilities of $23.8 million resulting in working capital of $24.8 million compared to $30.9 million at December 31, 2024.

Sources and Uses of Cash

As of June 30, 2025 cash and cash equivalents of $14.1 million, and restricted cash of $1.2 million as compared to $9.5 million and $1.8 million, respectively, at December 31, 2024. In the first six months of 2025 net cash provided by operations of $22.1 million was primarily used to invest in plant and equipment $(33.1) million, and purchase treasury shares $(6.1) million.

In the first six months of 2025, capital expenditures were $33.1 million as compared to $28.1 million in 2024.

The Company continues to benefit from accelerated depreciation provisions under federal tax law. Under prior law, bonus depreciation was scheduled to phase down from 100% in 2023 to 80% in 2024 and 60% in 2025, which was expected to increase future cash tax obligations. In July 2025, federal tax reform legislation reinstated 100% bonus depreciation for qualified property placed in service after January 19, 2025. This change is expected to reduce near-term cash tax payments and improve after-tax returns on capital expenditures, particularly broadband infrastructure investments through 2028. Management is continuing to evaluate the full impact of the new law; however, based on preliminary assessments, the Company currently estimates that these provisions will result in approximately $25 million of cumulative cash tax savings through 2028.

The Company's Board of Directors has authorized the purchase of up to 11,115 shares of the Company's common stock, as of June 30, 2025. During the first six months of 2025, 441 shares of company stock were purchased for $6.1 million, at an average cost of $13,736 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.

Operating Statistics / Broadband Deployment

LICT owns and operates 7,483 miles of fiber optic cable, 8,945 miles of copper cable, 847 miles of coaxial cable, 103 towers and 301 spectrum licenses (1,216 million MHZPoP).

The table below provides a comparative summary of the Company's subscriber and line metrics as of June 30, 2025, versus December 31, 2024.

	June 30 2025	December 31, 2024	Increase (Decrease)	% Increase (Decrease)
Broadband lines	**49,867**	**49,497**	**370**	**0.7 %**
Voice Lines - ILEC	16,923	15,871	1,052	6.6 %
Voice Lines - Out of franchise	5,665	6,113	(448)	-7.3%
Total Voice Lines	**22,588**	**21,984**	**604**	**2.7%**
Video subscribers	3,287	3,467	(180)	-5.2%
Fixed Wireless	7,457	7,349	108	1.5 %
Total revenue generating units	**83,199**	**82,297**	**902**	**1.1 %**

Subsequent Events

On September 2, 2025, the Company, through its wholly owned subsidiary CentraCom, announced that it had entered into a definitive agreement to acquire Gunnison Telephone Company, a telecommunications provider based in Gunnison, Utah. The transaction is subject to customary regulatory approvals and is expected to close in December 2025. Gunnison Telephone Company provides telephone, broadband, and fixed wireless services to approximately 1,576 households in Gunnison, Centerfield, Mayfield, Fayette, and surrounding areas of Sanpete County, Utah.