

ROCKISLAND

Rock Island Communications
Q2, 2019 Report

August 2019 Meeting

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Executive Summary

Given the planned technical upgrades for our wireless system, we have confidence in our networks ability to meet the needs of our subscribers for years to come. We have a robust phase 2 LTE project ramping up which is set to add roughly 35% more capacity to our existing shared LTE network, which includes the addition of the 600MHz spectrum next year. Fiber to the UGA areas has resulted in an increase in fiber onboarding and a full pipeline.

We continue to explore option for solving our transport backhaul redundancy on the mainland and look for ways to increase capacity as demands grow. We expect to have a solution for consideration by mid-2020.

Our 2019 plan included turning up a county-wide emergency communications network. The County has delayed the project to 2020. Rock Island is providing communication facilities and backhaul for the system which is scheduled to begin construction early next year. We expect services for this system to begin turning up by Q4 of next year.

Our focus continues to be fiber-to-the-home and to keep up with the accelerating demand for content. Diligent planning and research are going into the forecasted demands for bandwidth and ways to improve in our delivery of content. All while keeping the core business on track. The health of Rock Island is laid out through Q2, 2019 for your review.

Q2, 2019 Financial Statements

Balance Sheet

	Quarter To Date 06/30/2019
	Actual
Current assets	1,600,272.78
Property, Plant, & Equipment	15,451,059.34
Other Non-Current Assets	202,210.00
Total assets	17,253,542.12
Current liabilities	1,254,727.38
Non-current liabilities	
CoBank Debt	23,970,000.00
Other Non-Current Liabilities	2,523,634.45
Total non-current liabilities	26,493,634.45
Total liabilities	27,748,361.83
Equities & Margins	(10,494,819.71)
Total liabilities & equity	17,253,542.12

Income Statement

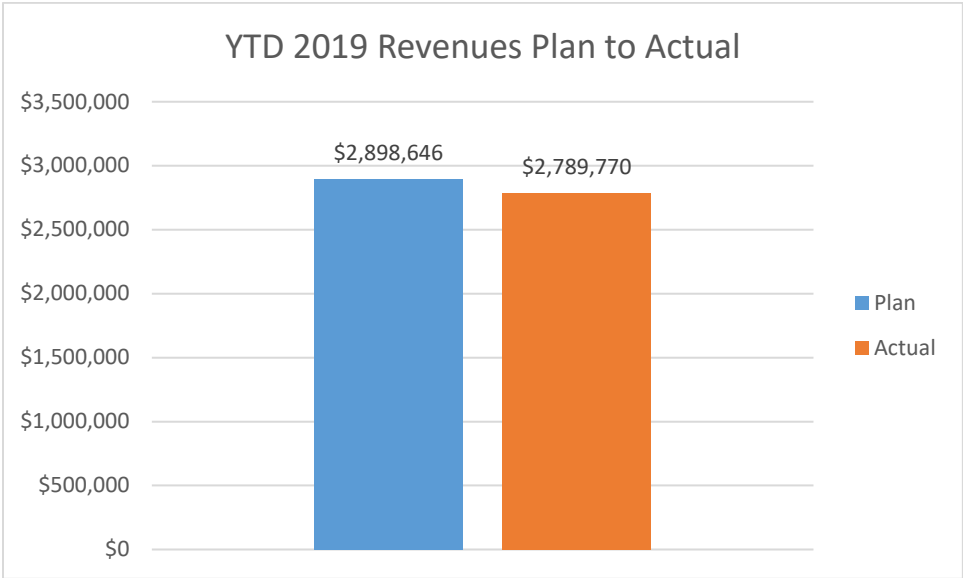
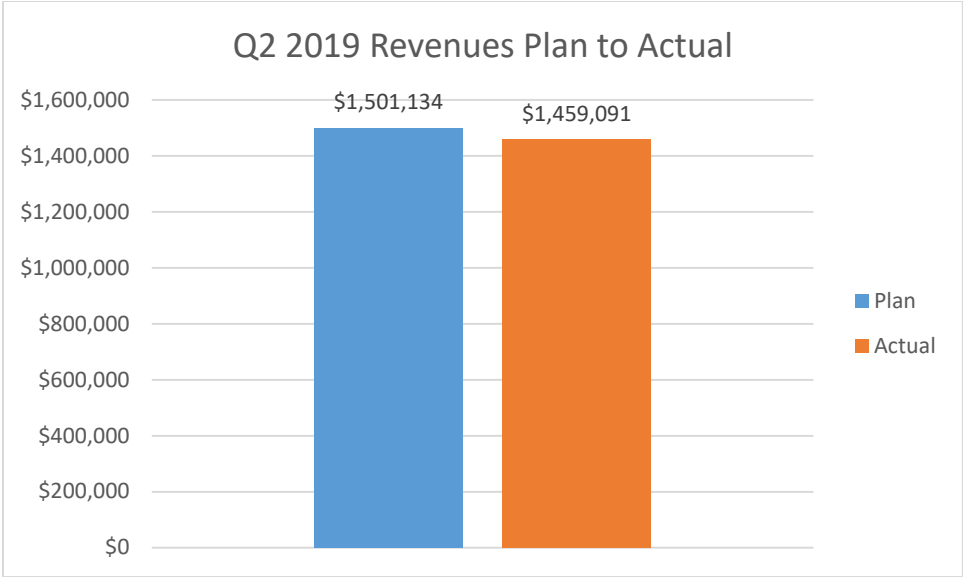
	Quarter To Date 06/30/2019			Year To Date 06/30/2019		
	FY 2019 Actual	FY 2019 Budget	QTD Budget Variance	FY 2019 Actual	FY 2019 Budget	YTD Budget Variance
Operating Revenues	1,459,090.78	1,501,134.07	(42,043.29)	2,789,770.25	2,898,645.64	(108,875.39)
Cost of Services	253,000.18	237,211.14	15,789.04	488,115.29	456,053.28	32,062.01
Total gross profit	1,206,090.60	1,263,922.93	(57,832.33)	2,301,654.96	2,442,592.36	(140,937.40)
Operating Expense	1,360,144.59	1,396,174.97	(36,030.38)	2,712,173.53	2,797,109.16	(84,935.63)
Non-Operating Expense	280,380.47	329,737.19	(49,356.72)	513,296.69	631,004.24	(117,707.55)
Net Income (loss)	(434,434.46)	(461,989.23)	27,554.77	(923,815.26)	(985,521.04)	61,705.78

Statement of Cash Flows

	Year To Date 06/30/2019
	Actual
Net increase (decrease) in cash	
Cash Flows from Operating Activities:	
Net Income (loss)	(923,815.26)
Adjustments to reconcile net loss to net cash used in operat	680,018.00
Changes in Operating Assets and Liabilities	(226,084.60)
Net cash provided by (used in) operations:	(469,881.86)
Cash Flows from Investing Activities:	(1,350,622.42)
Cash Flows from Financing Activities:	1,801,710.51
Net increase (decrease) in cash	(18,793.77)
Cash - Beginning of Period	180,455.48
Cash - End of Period	152,217.98

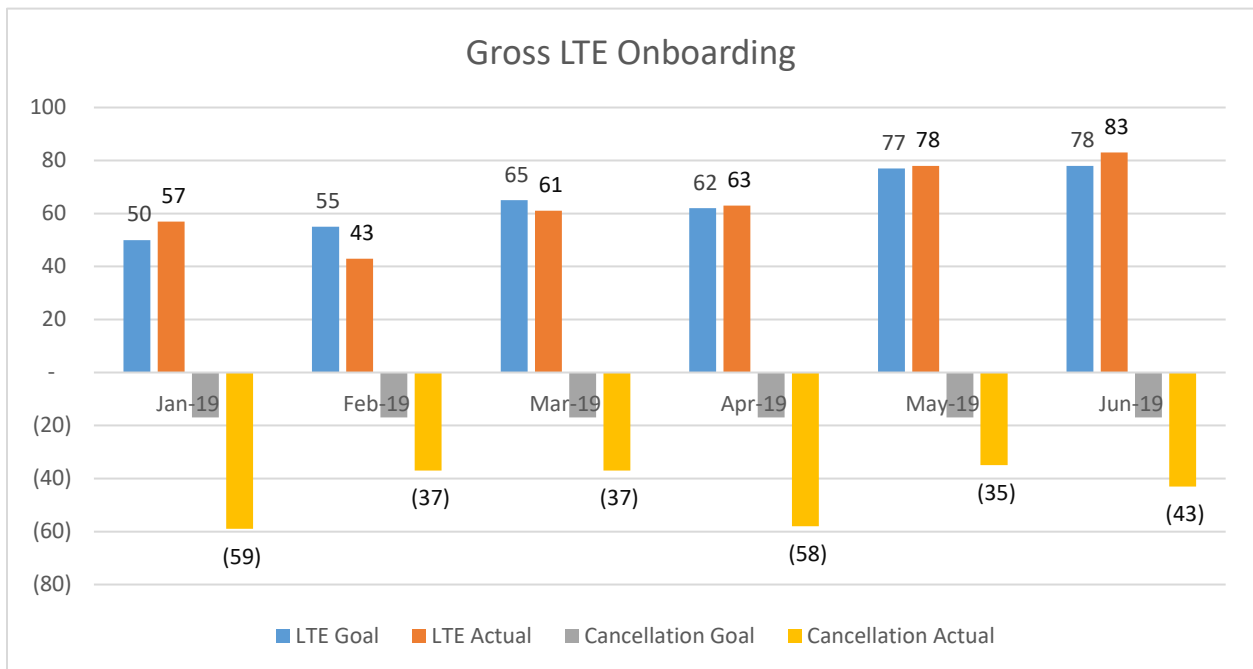
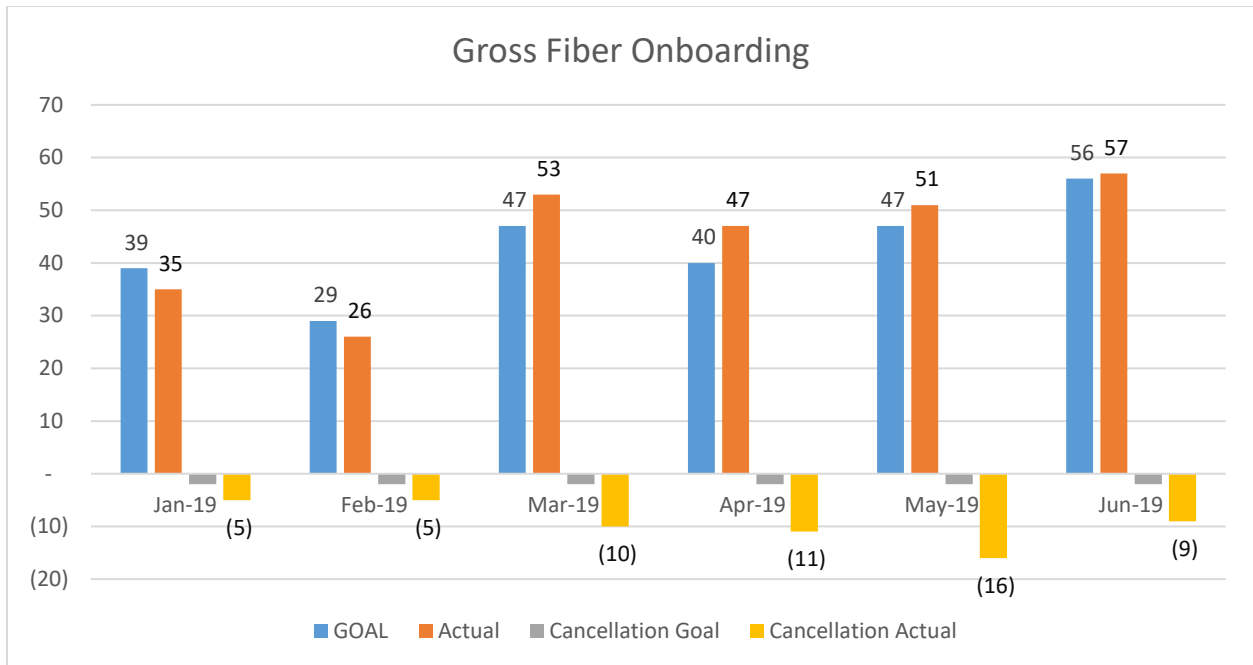
2019 Key Performance Indicators

Revenue Q2, 2019 and 2019 YTD



We see the same trend noted in Q1 revenues with the impacts to delayed contracts and LTE revenue as the drivers of the total shortfall of \$42k in Q2. This results in a year-to-date shortfall of \$108k – 3.5% off from plan. We continue to see growth in the pipeline for our Business Services team and expect to see this gap closing as we reach year-end.

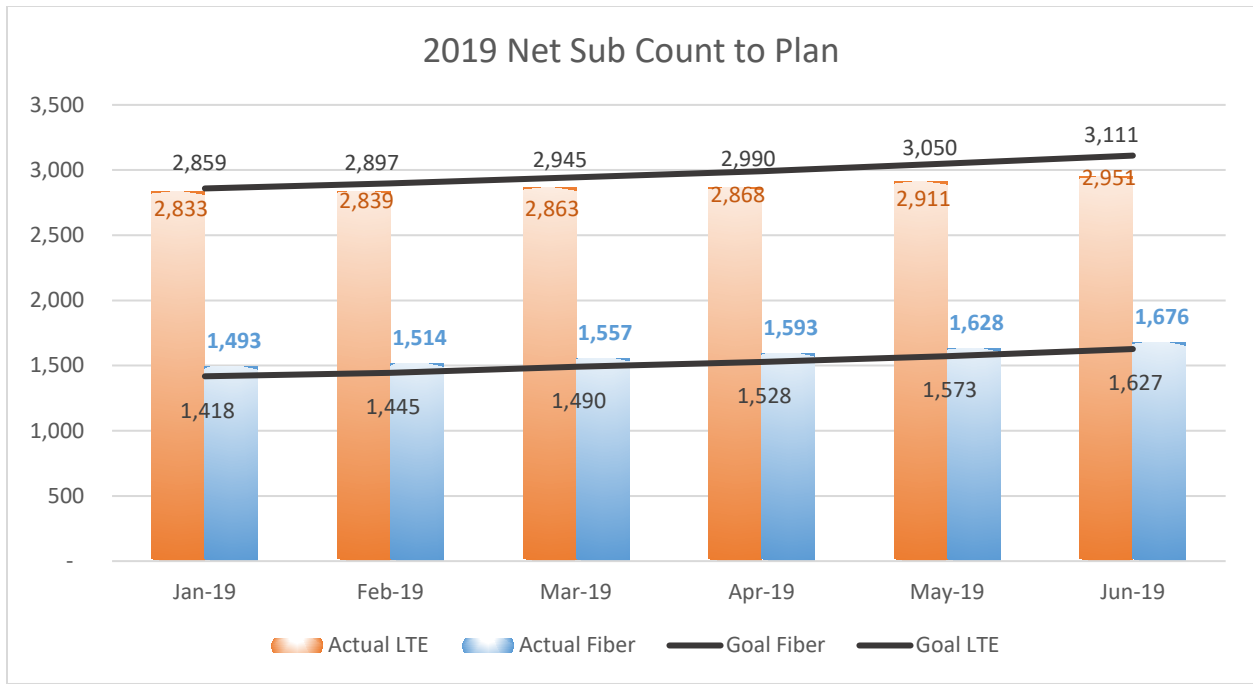
Gross Subscription Adds 2019



Gross	Fiber	LTE	Total
Goal Q2 2019	258	387	645
Actual	269	385	654

*Note: that a one-time reporting correction was made in our system in Q2. (Adjusted by -22)

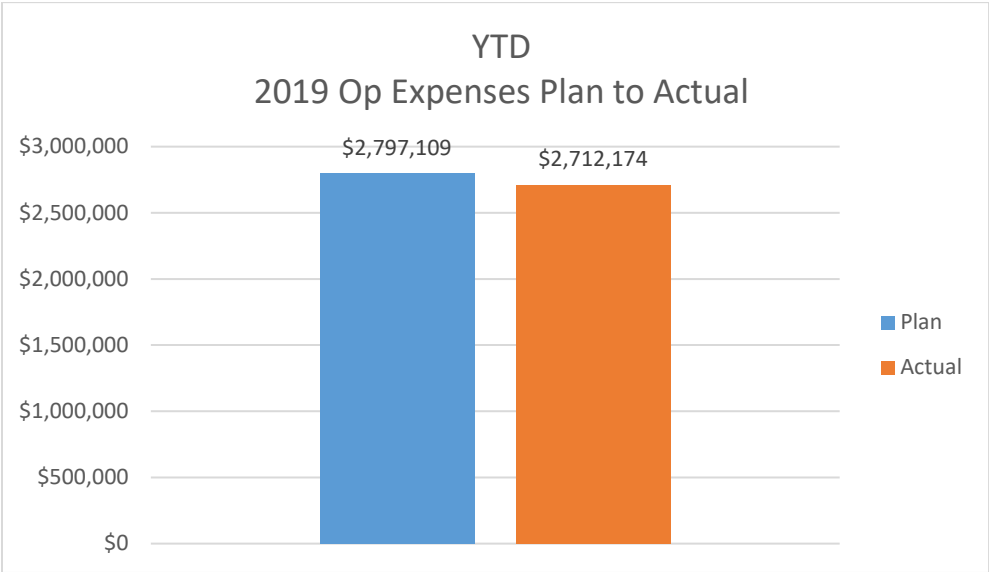
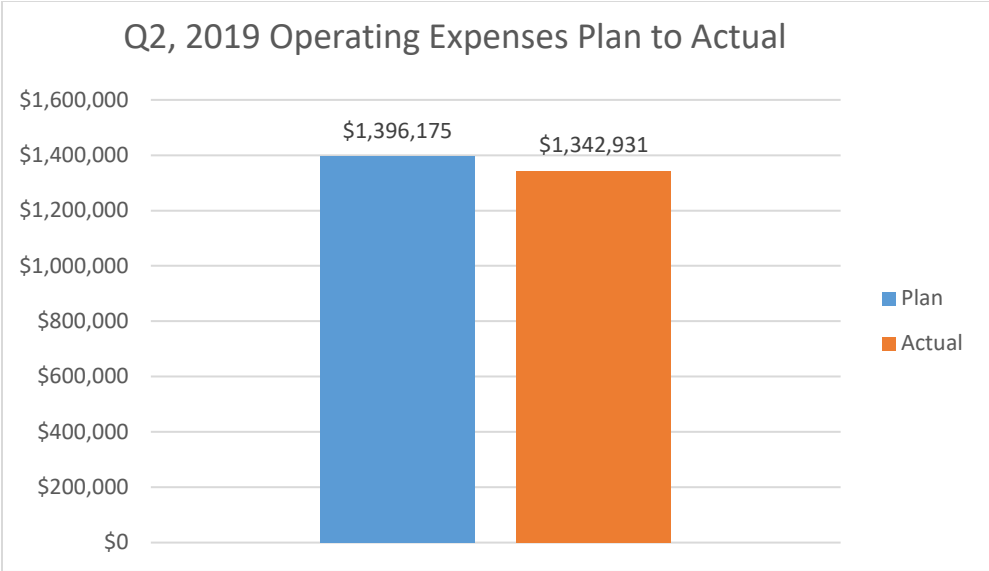
Total Net Subscriptions Q2, 2019



Net Subscribers	Fiber	LTE	Total
Goal 2019	246	285	531
Actual Adds 2019	213	116	329

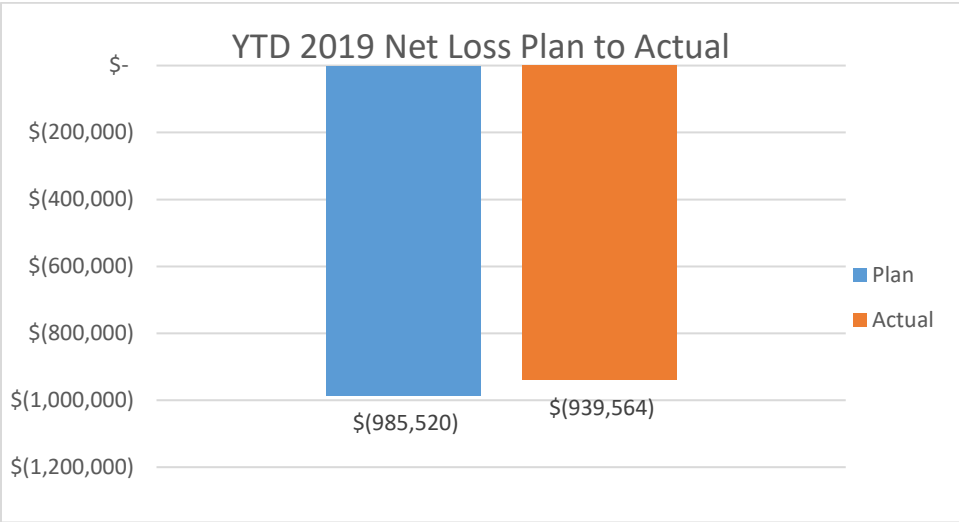
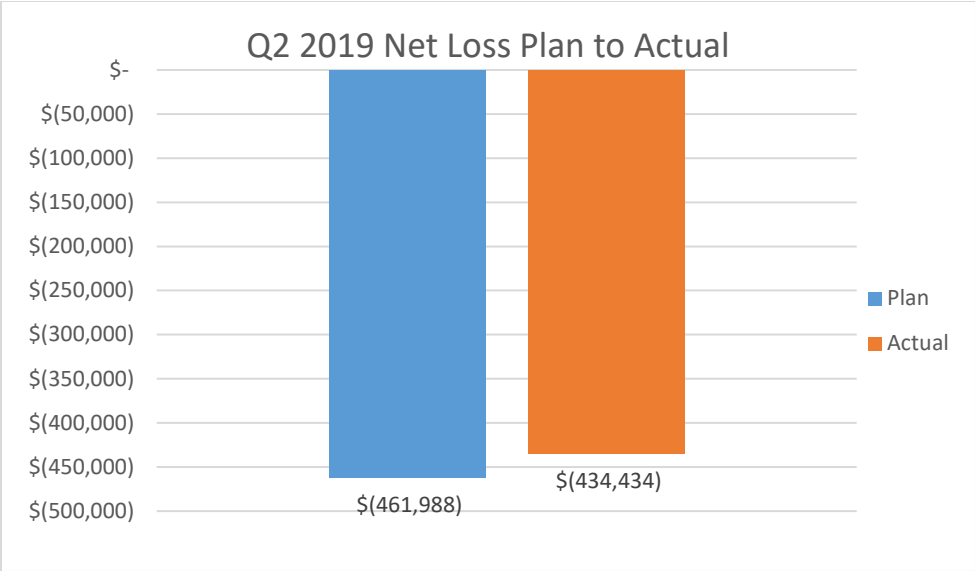
*Note: Please see the revenue section, as revenue remains only -3.5% behind plan.

Operating Expenses Q2, 2019 and YTD



Expenses continue to come in better than plan by \$53k in Q2 and \$85k for the year.

Net Loss Q2, 2019 and YTD



Total Net Profit (Loss) came in \$61k better than plan on a year-to-date basis as of June 30, 2019.

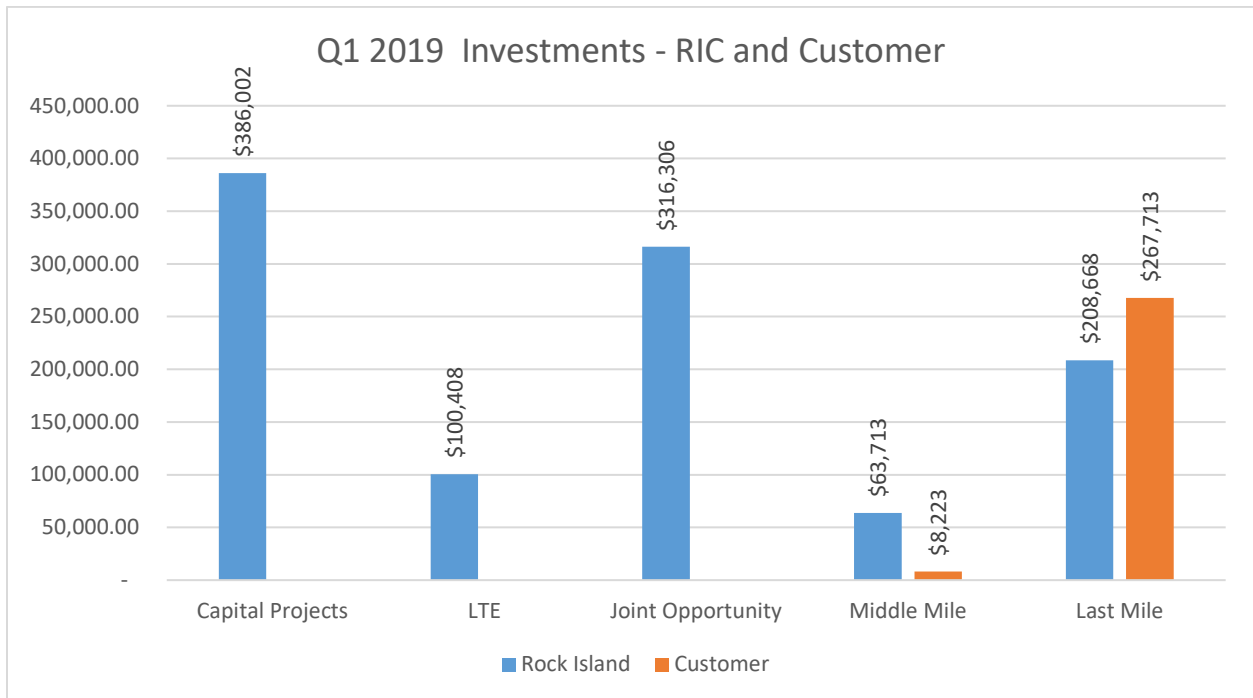
Engineering and Plant

Capital Investments

Total investments for projects closed in Q2:

RIC: \$ 1,075,098

Customer: \$275,936



Rock Island's investment in Last Miles were \$1,033 per customer onboarded for Q2.

Technology

LTE

When Rock Island began the deployment of LTE fixed wireless broadband with our partner, T-Mobile, we had a few agreed-upon fundamental assumptions for network performance. An undertaking like this had never been done before, so we came up with a collective of best guesses. We had coverage maps produced by sophisticated RF engineering tools on our partners' side. We also had a model for peak capacity of the system based on available frequency and anticipated use. Our approach toward selling LTE connections has proven that we have met our coverage goals with close to 90% coverage in San Juan County. We also were correct in most of our predictions about signal strength according to our ACS data. Diligent planning and modeling allowed for success in these areas.

We acknowledge that there is a rising noise level around the performance our LTE network, especially as it is strained with 45% of our residents returning to the islands. It is important to note that cancellations due to "the service not working" or "dissatisfaction with the service" remains low and consistently so.

Phase 2 LTE Upgrade Schedule

Rock Island has already begun a second phase of LTE hardware and spectrum deployment for San Juan County. These improvements are significant and include:

Current Capacity (MHz)		3300 MHz
Phase 2 Upgrades	Capacity Change	Total Increase
2019 Capacity Upgrades		730 MHz
2020 Capacity Upgrades		420 MHz
Total Capacity Upgrades PH2		1150 MHz
New System Capacity	35% Increase	4450 MHz

These upgrades target dense locations and improves the densely used sites first, with nearly 400 MHz targeting urban areas. It also spreads capacity system wide. This will be a tremendous help in improving and managing customer experiences.

Rock Island continues to maintain solid bottom-line performance through the close of the second quarter of 2019. Rock Island has been able to successfully balance expenses to come in \$61k better than plan in net loss. As budgeted, the month of June was operationally cashflow positive and EBIT positive for the first time in the company's history. Barring any unexpected changes, we are on track for being operations cashflow positive in Q3 of this year as projected, and we are inching back into the revenue stream with business services and fiber acceleration.