

ROCKISLAND

Rock Island Communications
Q3 2019 Report

November 20, 2019 Meeting

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Executive Summary

Rock Island continues to track to plan on bottom-line performance as we close the third quarter of 2019. Generally, ARPUs are coming in higher than plan across multiple categories. This is partially offsetting the revenue loss due to higher than expected churn and the revenue delay from two large planned contracts, which were delayed due to reasons outside our control. Rock Island has been able to successfully balance expenses and came in \$16k better than plan on net loss, on a YTD basis. As budgeted, the third quarter ended in positive net cash provided by operating activities, the first time in Rock Island history.

Phase II of the LTE project began in the third quarter, as discussed in our prior period report. This work is set to add robust capacity to our existing shared LTE network. This includes the addition of 600MHz spectrum in 2020. These improvements will provide the needed capacity to solve isolated performance issues and give LTE sales a solid boost. Additionally, we continue to connect fiber to the UGA areas and maintain focus on our goal targets, which are on track for November and look to close out strong in our final month of 2019.

We have taken the lessons learned from this year and outlined these lessons and observations in our 2020 Business Plan. This report contains the results of Q3 2019 which we used along with prior quarters to make our assumptions for Rock Island's 2020 Business Plan. The financials and key performance metrics are outlined here for your review.

Q3 2019 Financial Statements

Rock Island Communications Quarterly Balance Sheet As of September 30, 2019

	Quarter Ending 03/31/2019	Quarter Ending 06/30/2019	Quarter To Date 09/30/2019
	Actual	Actual	Actual
Current assets	2,127,949.10	1,598,742.86	1,695,993.13
Property, Plant, & Equipment	14,814,483.32	15,451,059.34	16,105,398.04
Other Non-Current Assets	209,978.53	202,210.00	194,441.47
Total assets	17,152,410.95	17,252,012.20	17,995,832.64
Current liabilities	1,370,322.26	1,254,727.38	1,523,188.03
Non-current liabilities			
CoBank Debt	23,130,000.00	23,970,000.00	24,900,000.00
Other Non-Current Liabilities	2,712,473.94	2,523,634.45	2,504,108.74
Total non-current liabilities	25,842,473.94	26,493,634.45	27,404,108.74
Total liabilities	27,212,796.20	27,748,361.83	28,927,296.77
Equities & Margins	(10,060,385.25)	(10,496,349.63)	(10,931,464.13)
Total liabilities & equity	17,152,410.95	17,252,012.20	17,995,832.64

Rock Island Communications Quarterly Income Statement As of September 30, 2019

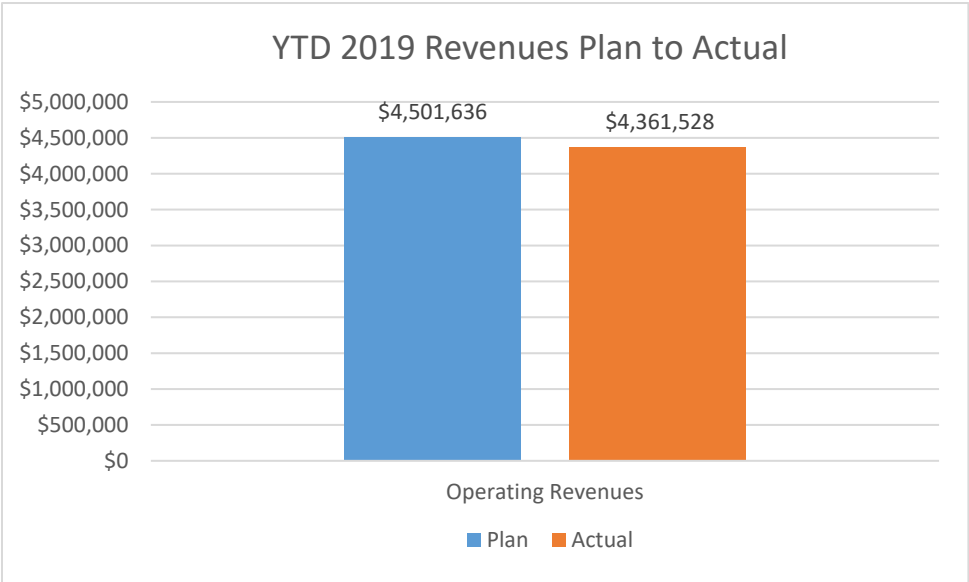
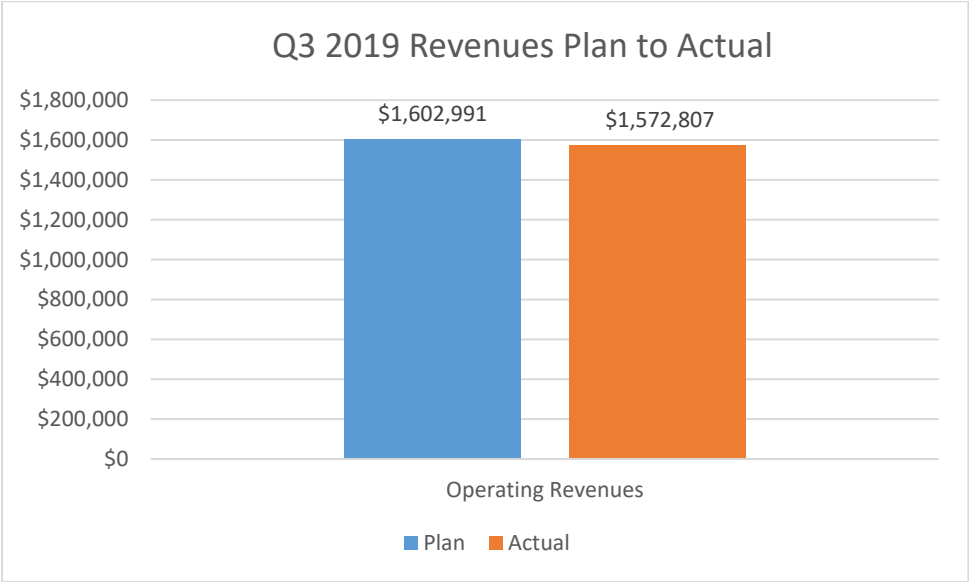
	Quarter To Date 09/30/2019			Year To Date 09/30/2019		
	FY 2019 Actual	FY 2019 Budget	QTD Budget Variance	FY 2019 Actual	FY 2019 Budget	YTD Budget Variance
Operating Revenues	1,572,807.15	1,602,990.69	(30,183.54)	4,361,528.29	4,501,636.33	(140,108.04)
Cost of Services	254,181.10	240,605.72	13,575.38	736,727.17	696,659.00	40,068.17
Total gross profit	1,318,626.05	1,362,384.97	(43,758.92)	3,624,801.12	3,804,977.33	(180,176.21)
Operating Expense	1,440,120.07	1,414,115.90	26,004.17	4,158,343.63	4,211,225.06	(52,881.43)
Non-Operating Expense	313,620.48	338,905.20	(25,284.72)	826,917.17	969,909.44	(142,992.27)
Net Income (loss)	(435,114.50)	(390,636.13)	(44,478.37)	(1,360,459.68)	(1,376,157.17)	15,697.49

Rock Island Communications Cash Flow Statement

	Quarter Ending 09/30/2019	Year To Date 09/30/2019
	Actual	Actual
Net increase (decrease) in cash		
Cash Flows from Operating Activities:		
Net Income (loss)	(435,114.50)	(1,360,459.68)
Adjustments to reconcile net loss to net cash used in operating activities	370,943.48	1,050,961.48
Changes in Operating Assets and Liabilities	395,603.57	171,048.89
Net cash provided by (used in) operations:	331,432.55	(138,449.31)
Cash Flows from Investing Activities:	(1,057,235.44)	(2,407,857.86)
Cash Flows from Financing Activities:	705,052.59	2,506,763.10
Net increase (decrease) in cash	(20,750.30)	(39,544.07)
Cash - Beginning of Period	152,217.98	180,455.48
Cash - End of Period	133,801.99	133,801.99

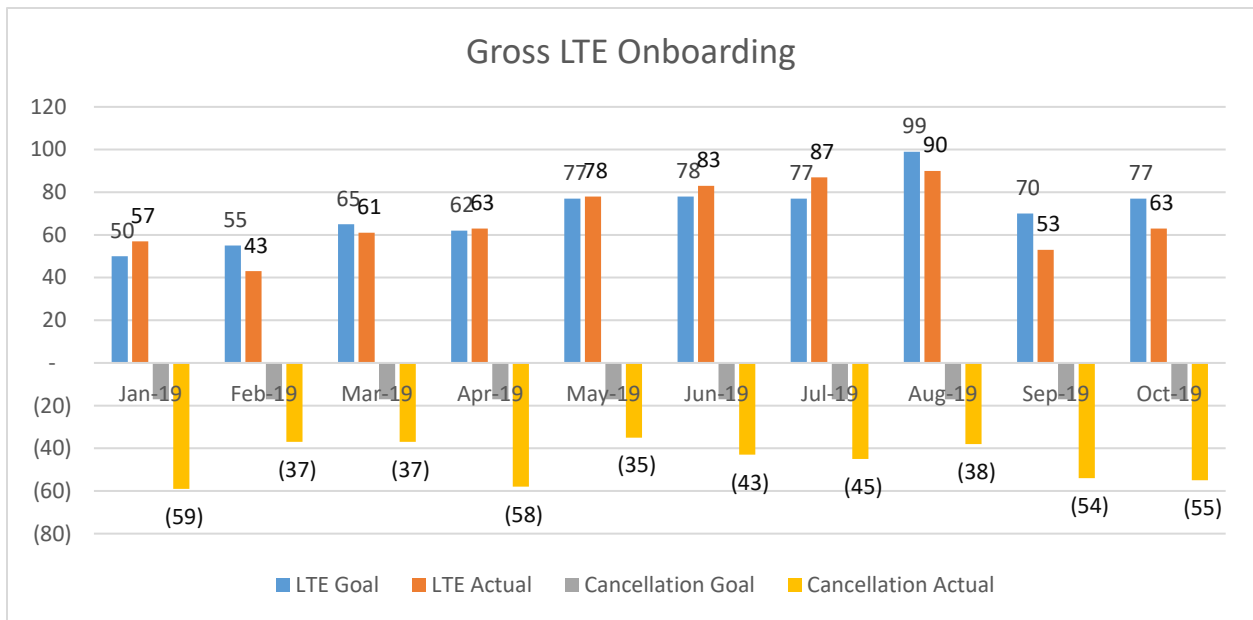
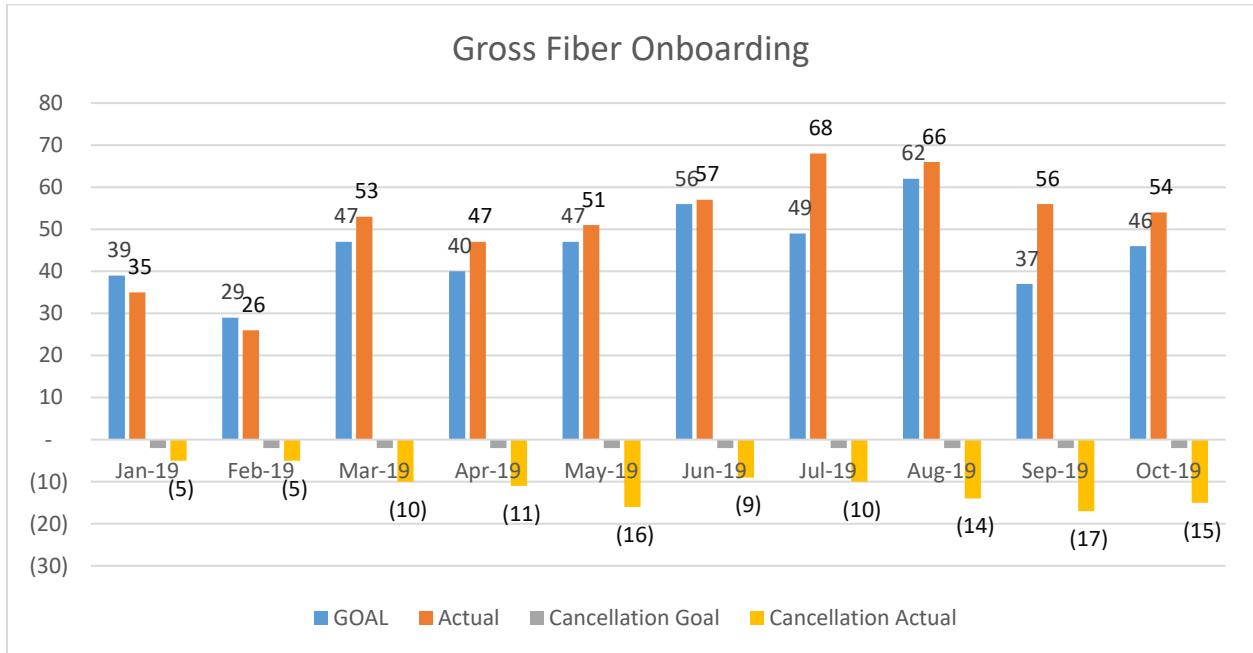
2019 Key Performance Indicators

Revenue Q3 2019 and 2019 YTD



As noted in Q1 & Q2 revenues, the impacts of delayed contracts and LTE revenue are the drivers of the total shortfall of \$30k in Q3 2019. This results in a year-to-date shortfall of \$140k – 3.1% off from plan, as reported in prior quarters.

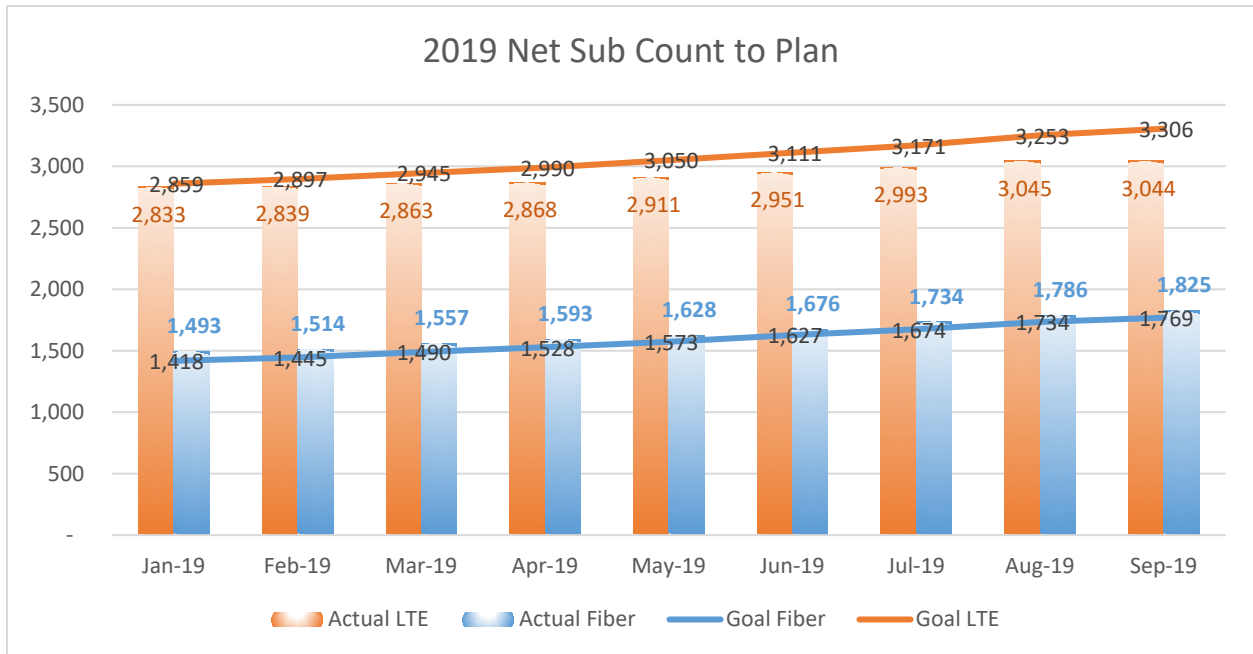
Gross Subscription Adds 2019



Gross	Fiber	LTE	Total
Goal Q3 2019	406	633	1039
Actual	459	615	1074

+35 Over plan for Gross

Total Net Subscriptions Q3, 2019

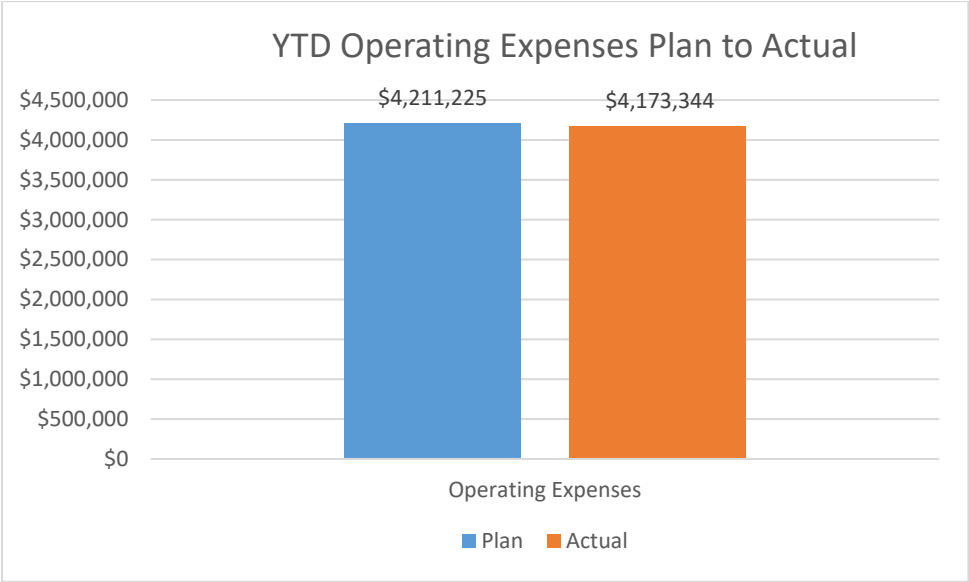
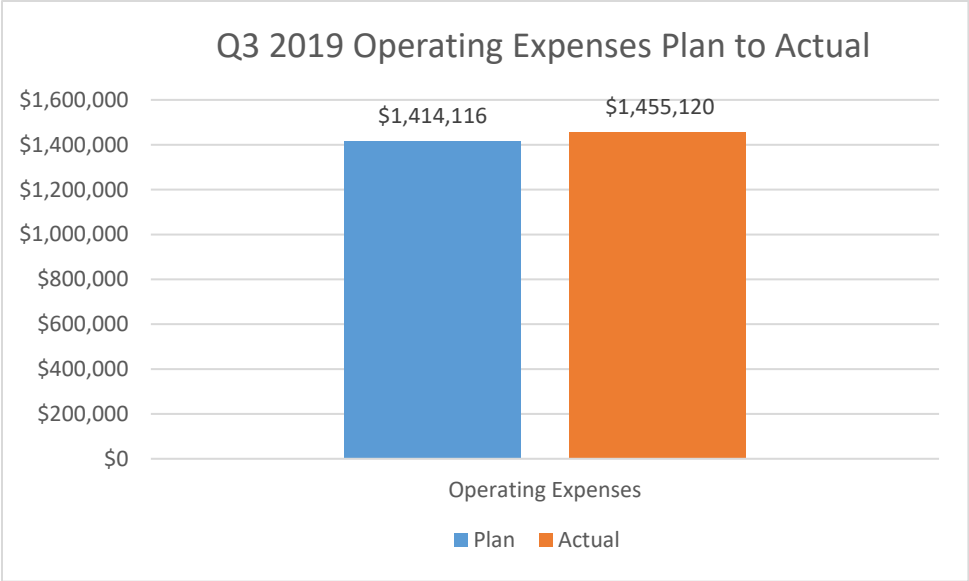


Net Subscribers	Fiber	LTE	Total
Goal 2019	388	480	860
<u>Actual Adds 2019</u>	<u>362</u>	<u>209</u>	<u>571</u>
	-26*	-271	-299

behind plan for 2019

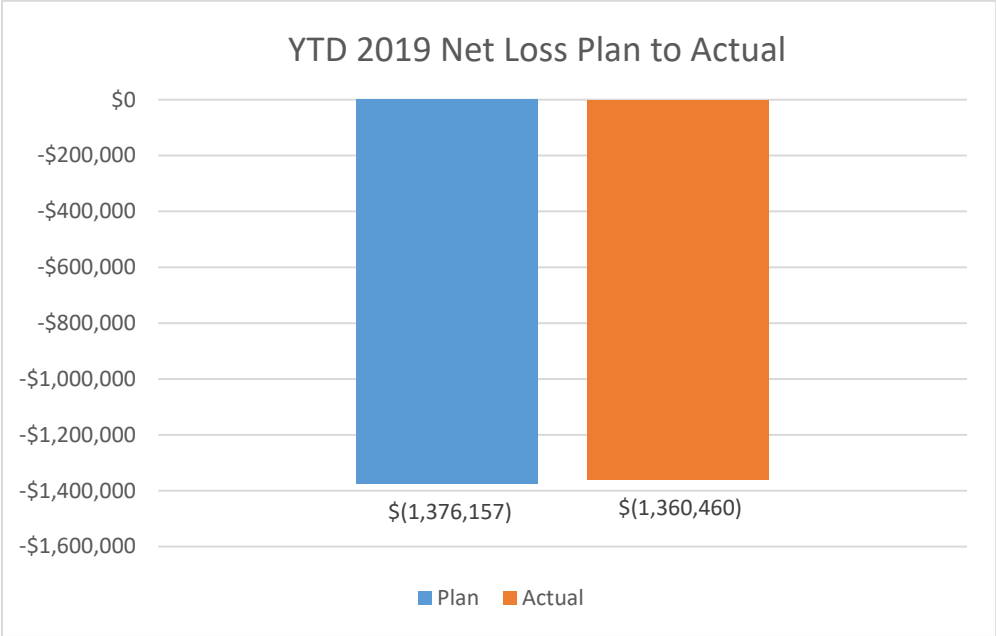
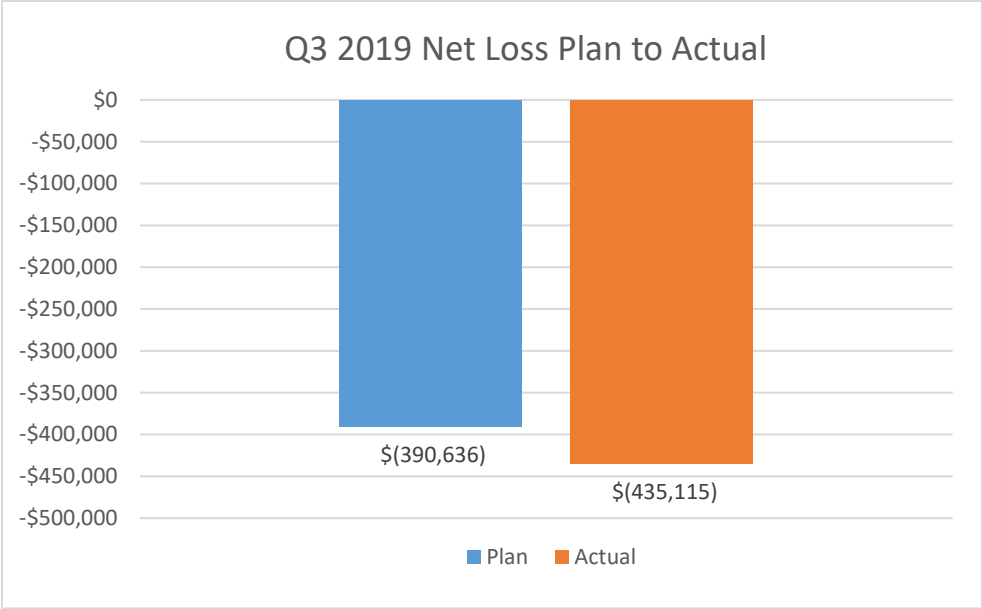
*Note: With a higher start in net fiber at the beginning of 2019, the overall net line remains above plan for fiber. Please see the revenue section, as revenue remains only -3.5% behind plan.

Operating Expenses Q3, 2019 and YTD



Expenses for the quarter were \$41k greater than plan. Much of this variance is due to the accelerated deployment of plant assets. As of this report, we anticipate closing the expense gap in Q4 with our busiest deployment season behind us.

Net Loss Q3, 2019 and YTD



Total Net Profit (Loss) came in \$16k better than plan on a year-to-date basis as of September 30, 2019.

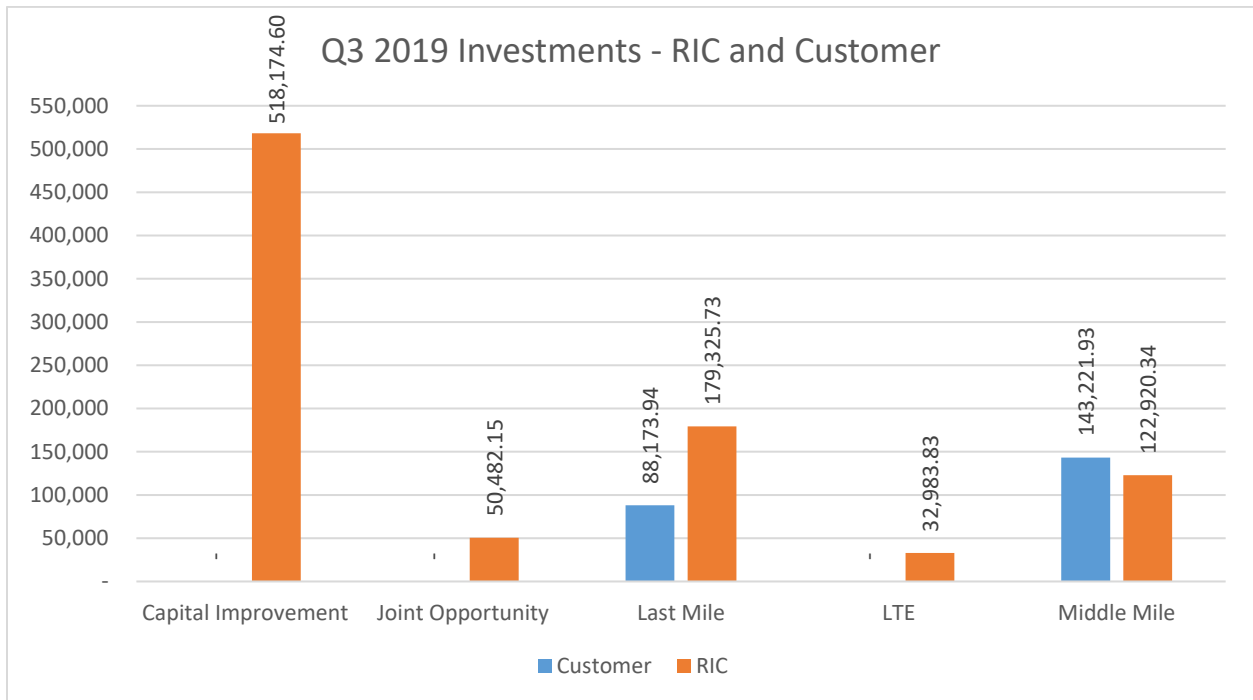
Engineering and Plant

Capital Investments

Total investments for projects closed in Q3 2019.

RIC: \$903,887

Customer: \$231,396



Rock Island's investment in Last Miles were \$959 per customer for closed last miles in Q3 2019.