

The background features a dark blue field on the left that transitions into a vibrant blue and green grid pattern on the right. The grid lines are curved and create a sense of depth and movement, resembling a tunnel or a digital landscape.

Pineville Communication Systems

SCENARIO 5 RECAP

LEVERS & OPPORTUNITIES

Scenario 5: Optimized Pricing & Reduced Operating Expenses

SUMMARY OPERATING FORECAST - SCENARIO 5 10 YR PROJECTIONS

Amounts in \$000

	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Jun-33	Jun-34
Revenues														
Internet Revenues	759	977	1,138	1,223	1,388	1,609	1,856	2,125	2,372	2,537	2,656	2,774	2,880	2,964
All Other Revenues	1,201	1,179	1,215	1,208	1,168	1,131	1,098	1,067	1,039	1,013	989	968	948	931
Total Revenues	1,960	2,155	2,352	2,431	2,556	2,740	2,954	3,192	3,411	3,550	3,645	3,741	3,829	3,895
<i>Growth</i>		10.0%	9.1%	3.4%	5.1%	7.2%	7.8%	8.1%	6.9%	4.1%	2.7%	2.7%	2.3%	1.7%
Operating Expenses	1,643	1,746	2,118	2,117	2,033	2,120	2,213	2,311	2,409	2,497	2,580	2,666	2,753	2,839
EBITDA	317	410	235	314	523	620	741	881	1,003	1,054	1,065	1,075	1,076	1,056
<i>EBITDA Margin</i>	16%	19%	10%	13%	20%	23%	25%	28%	29%	30%	29%	29%	28%	27%
Total Capex	(848)	(560)	(463)	(382)	(1,633)	(808)	(1,006)	(1,045)	(512)	(512)	(512)	(512)	(512)	(512)
Balance Sheet - Ending Cash	1,955	1,616	1,480	1,568	659	478	205	20	518	1,102	1,733	2,409	3,121	3,853

*Internet Revenue include internet revenues and modem revenues

- **Main Assumption:** A new 3 GIG business plan is introduced at \$299.95, with half of the original 1 GIG subscribers expected to upgrade. The 1 GIG plan is repriced at \$149.98. Residential growth rate and price plan for 1 GIG and 300 Mbps adjusted to match Spectrum's rates after discounts provided to Pineville's electric customers. This scenario also decreases the operating expenses by \$150K in cost savings
- **Subscriber Growth:** High subscriber growth rate in initial years, broadband growth reaching 14.1% in 2025, gradually tapering slowly to 2.4% in 2034. The growth in the early years is primarily driven by increased residential adoption and the expansion of service locations. As the market saturates, growth remains constant in later years but remains steady. Penetration rate grows from 36.3% (2025) to 63.5% (2034)
- **Revenue Growth:** Residential blended ARPU starts at \$77.09 in 2025 and increases steadily to \$80.37 by 2034, driven by increase in service pricing over the years. Business APRU starts at \$163.69 in 2025, peaks at \$172.32 by 2029 and slightly decreases to \$167.41 by 2034. Annual Operating revenue is growing at an average rate of 4.9% YoY
- **Operating Expenses:** Operating expenses grow at a constant pace (~2.6% growth rate per year) seen historically, and by 2034 reaches \$2,839K
- **Capex Assumption:** Similar to the base scenario, Capex remains elevated between 2025 and 2028 due to significant investments in network buildout to serve additional locations, then stabilizes at a constant \$512K annually from 2029 onwards to fund network maintenance and customer installs
- **EBITDA Margin:** The EBITDA margin sees a notable improvement, rising from 20.5% in 2025 to 27.1% by 2034. This growth is fueled by robust increases in 1 GIG business subscribers, enhanced residential penetration rates, and strategic price hikes for the 1 GIG and 300 Mbps residential plans. Additionally, a reduction in operating expenses further boosts the margin
- **Balance Sheet – Ending Balance:** The ending cash balance remains positive over the network build period 2025-2028, then begins to accumulate cash reserves reaching \$3,853K by 2034

Scenario 5: Subscribers & Price Plan Assumptions

SUMMARY BROADBAND SUBSCRIBER - SCENARIO 5 10 YR PROJECTIONS

	Jun-21	Jun-22	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Jun-33	Jun-34
ILEC & CLEC Fund Residential														
1 GIG	265	340	368	348	390	437	489	548	575	598	616	634	647	660
Upto 600 Mbps	21	34	99	119	155	201	251	314	346	363	381	400	412	420
Upto 300 Mbps	90	87	383	445	539	648	763	881	970	1,018	1,069	1,122	1,156	1,179
Upto 100 Mbps	300	331	7	8	8	8	9	9	9	9	9	9	10	10
50 Mbps and Below	299	251	207	188	165	137	107	81	50	24	9	3	1	1
Total ILEc & CLEc Fund Residential	975	1,043	1,064	1,108	1,257	1,431	1,619	1,834	1,950	2,012	2,084	2,170	2,226	2,270
ILEC & CLEC Fund Residential Blended ARPU				\$ 76.10	\$ 77.09	\$ 78.00	\$ 78.79	\$ 79.39	\$ 79.79	\$ 80.23	\$ 80.39	\$ 80.39	\$ 80.36	\$ 80.37
ILEC & CLEC Fund Business														
3 GIG	-	-	-	-	20	24	29	36	45	50	52	54	55	57
1 GIG	27	26	32	32	20	25	31	39	51	58	64	69	75	81
Upto 400 Mbps	11	14	18	17	21	25	30	34	37	40	42	43	45	46
Upto 100 Mbps	17	26	36	39	55	71	85	94	103	119	130	143	151	158
50 Mbps and Below	44	33	21	18	13	9	6	-	-	-	-	-	-	-
Total ILEc & CLEc Fund Business	99	99	107	106	128	154	181	203	236	266	288	310	325	342
ILEC & CLEC Fund Business Blended ARPU				\$ 138.67	\$ 163.69	\$ 164.42	\$ 165.52	\$ 170.09	\$ 172.32	\$ 171.20	\$ 170.05	\$ 168.56	\$ 167.98	\$ 167.41
Total Broadband Blended ARPU				\$ 81.57	\$ 85.08	\$ 86.39	\$ 87.51	\$ 88.42	\$ 89.77	\$ 90.86	\$ 91.29	\$ 91.40	\$ 91.53	\$ 91.77
Locations Passed	3,500	3,500	3,500	3,500	3,820	3,820	3,953	4,113	4,113	4,113	4,113	4,113	4,113	4,113
Broadband Penetration Rate - Locations Passed	30.7%	32.6%	33.5%	34.7%	36.3%	41.5%	45.5%	49.5%	53.1%	55.4%	57.7%	60.3%	62.0%	63.5%

Plan Pricing Assumptions

ILEC Fund				CLEC Fund			
Broadband Residential		Broadband Business		Broadband Residential		Broadband Business	
1 GIG	\$ 100.00	3 GIG	\$ 299.95	1 GIG	\$ 100.00	3 GIG	\$ 299.95
600 Mbps	\$ 79.95	1 GIG	\$ 149.98	600 Mbps	\$ 79.95	1 GIG	\$ 149.98
400 Mbps	\$ -	400 Mbps	\$ 200.95	400 Mbps		400 Mbps	\$ 200.95
300 Mbps	\$ 69.99	200 Mbps	\$ 165.95	300 Mbps	\$ 69.99	200 Mbps	\$ 165.95
200 Mbps	\$ -	100 Mbps	\$ 125.95	200 Mbps		100 Mbps	\$ 125.95
100 Mbps	\$ -	90 Mbps	\$ 109.95	100 Mbps		90 Mbps	\$ 109.95
90 Mbps	\$ 27.95	50 Mbps and Below	\$ 100.95	90 Mbps	\$ 27.95	50 Mbps and Below	\$ 100.95
50 Mbps	\$ 45.95			50 Mbps	\$ 45.95		

*Launched 3 GIG business plan at \$299.95 and reduced business 1 GIG price to \$149.98; increased the Residential 1 GIG price to \$100 and the 300 Mbps plan to \$69.99 to remain competitive with Spectrum (Charter)

Financial Projection Scenarios - Summary

Scenario 5: Optimized Pricing and Reduced Operating Expenses

In this scenario, a new 3 GIG business plan is introduced at \$299.95, the 1 GIG business plan is repriced to \$149.98, and residential price plan for 1 GIG and 300 Mbps adjusted to match Spectrum's rates after discounts provided to Pineville's electric customers. Operating expenses are reduced by a net \$150K starting in 2025 going forward. At the beginning, subscriber growth is very high, reaching 14.1% in 2025, and then slowing to 2.4% by 2034. The broadband penetration rate increases significantly from 36.3% to 63.5%. Revenue growth is strong; residential ARPU rises from \$77.09 to \$80.37, and business ARPU peaks at \$172.32 before slightly decreasing. Operating expenses grow at a moderate rate of about 3.0% each year, reaching \$2,939K by 2034. The EBITDA margin improves significantly from 20.5% in 2025 to 27.1% by 2034. Although there are temporary declines in the cash balance in 2027 and 2028 due to increased capex through the network build-out, the forecasted cash balance remains positive through 2028 and improves steadily thereafter, ending at a positive \$3,853K by 2034, assuming no other additional large network builds after 2028. This scenario displays the best financial performance with a positive cash balance throughout all forecast years.

The background is a dark blue gradient with a series of thin, curved, light blue lines that create a sense of depth and movement, particularly on the left side.

RECOMMENDATIONS
FROM
JSI

- To achieve sufficient operating profitability to generate a positive ending cash balance each year, while funding network buildouts, Scenario 5 offers really the only path forward by optimizing business broadband speed packages, residential/business pricing and reducing operating expenses.
- • Launch the 3 GIG business plan at \$299.95 and reprice the 1 GIG plan to \$149.98 to boost customer additions and revenue growth. This may cause a decrease in revenue in the short-term, but overtime should drive increased revenues.
- • Align the residential ARPU with Spectrum's pricing after including the \$20 discount for electric subscribers. For our analysis we utilized the \$20 discount for customers subscribing to broadband and electric service. We recognize the increased discount up to \$25 when also subscribing to voice and long-distance service, however, we would expect the voice and long-distance customers to decrease over time, so we focused on the \$20 PCS Rewards Program. • Increase the residential 1 GIG plan price to \$100 and the 300 Mbps plan to \$69.99 before applying the discount.
- • Our modelling indicated that reducing operating expenses by at least \$150,000 annually is crucial in achieving profitability levels to fund network investment. We modelled differing levels of cost reductions and anything less than \$150,000 resulted in increasing broadband customer penetration into the 70% range to produce enough cash to fund network builds in Pineville's project list through 2028. Alternatively, finding \$150,000 of costs savings annually in performing network build-outs would have the same financial effect.
- • Target broadband penetration to exceed 60% by 2034 to capture market share and ensure ongoing revenue growth. While 60% is considered a high customer penetration rate, especially in a market with strong competition, anything less requires increasing operating expense savings beyond \$150,000 to produce enough cash to fund network build-outs.
- • To achieve the highest customer penetration rate as possible, Pineville's marketing should educate its customer base that its fiber-to-the-home network can provide high-quality broadband service equal to, in some cases better than, its more brand-name competition.
- • A combination of higher revenues, increased growth rates, and reduced operating expenses displayed in Scenario 5 results in a positive cash balance throughout the forecast period (2025–2034).
- . Once the network buildout is completed in 2028, the forecasted cash balance begins to accumulate, providing resources for future project investments

Pineville Communication Systems

Levers & Opportunities

LEVERS

Execute Marketing Plan \$150K

- **Purpose & Scope.** JSI to assist in developing and executing a marketing plan to increase market share in the town of Pineville based on the recommendations made in the strategic assessment. The objective of this marketing plan is to develop a comprehensive strategic approach that increases sales and creates new connections within the local community. The focus will be on highlighting the provider's long history of community service, the benefits of shopping locally, and the advantages of fiber-to-the-home technology. The offer strategy will focus on the newly proposed long-term pricing for internet services as well as the inherent discounts available for electric utility services. The plan will utilize an integrated marketing approach that combines direct mail, digital advertising, and social media outreach. PCS is a telecommunications company offering both regulated and non-regulated communications services.
- **Strategic Overview** • Define target audience segments within the local community. • Analyze market trends and competition. • Establish clear goals for sales growth and community engagement.
- **Message Development** • Create messaging that emphasizes the "Shop Local" theme. • Highlight the exceptional customer service provided by the local provider. • Communicate the superior technology and benefits of fiber-to-the-home services. • Utilize new pricing and discounts available as a strong call to action
- **Tactical Plan** • Direct Mail Campaigns: ♣ Design and distribute promotional materials to local residents. ♣ Include information on new pricing plans and service offerings.

- **Digital Advertising:** ♣ Develop targeted online ads focusing on local customers. ♣ Utilize Google Ads and display networks to reach a wider audience
- **Social Media Engagement:** ♣ Create engaging content that showcases local stories, testimonials, and community involvement. ♣ Utilize platforms such as Facebook, Instagram, and Twitter to interact with the community and drive traffic
- **Measurement and Evaluation** • Establish KPIs to measure the success of the marketing efforts. • Use analytics tools to track engagement, conversions, and overall impact on sales.

This marketing plan proposal aims to leverage the local aspect of your services and the community's trust in your brand to drive sales and strengthen connections. By incorporating the new pricing for internet services and emphasizing the "Shop Local" message, we can create a robust strategy that resonates with the community.

Allocation of Salaries to General Fund **\$100+K**

- With the allocation of salaries from PCS to General fund & PEC it is how I will save the \$150K in annual operating cost that JSI states needs to occur with the implementation of Scenario 5

Transfer **\$600K** from the sale of **118 College** to give PCS the cash we need to execute marketing plan, utilize third party vendor for sales and add additional methods that allow us to grow market share beyond our previous operational scope.

Build Fiber Network to *Coventry* \$115K & *Miller Farms* (Phase 1 \$163K, Phase 2 \$74K, Phase 3 \$62K) \$398K =**TOTAL \$412K**

****We already have materials for Coventry Project purchased and paid for and We already have most of the materials for Miller Farms purchased and paid for as well****

Present the 3-Gig Business Plan and the discounted 1-Gig Business Plan

- In scenario 5, a new 3 GIG business plan is introduced at \$299.95, the 1 GIG business plan is repriced to \$149.98, and residential price plan for 1 GIG and 300 Mbps adjusted to match Spectrum's rates after discounts provided to Pineville's electric customers. Operating expenses are reduced by a net \$150K starting in 2025 going forward. At the beginning, subscriber growth is very high, reaching 14.1% in 2025, and then slowing to 2.4% by 2034. The broadband penetration rate increases significantly from 36.3% to 63.5%. Revenue growth is strong; residential ARPU rises from \$77.09 to \$80.37, and business ARPU peaks at \$172.32 before slightly decreasing. Operating expenses grow at a moderate rate of about 3.0% each year, reaching \$2,939K by 2034. The EBITDA margin improves significantly from 20.5% in 2025 to 27.1% by 2034. Although there are temporary declines in the cash balance in 2027 and 2028 due to increased capex through the network build-out, the forecasted cash balance remains positive through 2028 and improves steadily thereafter, ending at a positive \$3,853K by 2034, assuming no other additional large network builds after 2028. This scenario displays the best financial performance with a positive cash balance throughout all forecast years.

Leverage Town of Pineville's Communication Officer as the PCS Ambassador

Because Riley is engaged with our small business sector and has gained their trust as the TOP CO we need to capitalize on that trust. PCS could utilize those relationships to start conversations and explore why we are not winning their business in addition to what we are doing right

Explore Roll out a business VOIP/Internet bundle to increase line count & revenue

Balance outsourced sales efforts while preserving Pineville's community-focused brand

- *Align Third-Party Sales with Pineville's Local Approach \$8500 to \$15K Average Monthly Cost*

Work with a third-party team that understands Pineville's values and customer-first philosophy.

Ensure scripts, messaging, and outreach tactics reflect Pineville's commitment to personal service and community engagement.

Require the vendor to use local branding, making it feel like an extension of your in-house team rather than an outside firm.

- *Train & Empower Your CSRs for Better Conversions \$400 to \$3000 on average per participant depending on length and depth of the training.*

If your CSRs aren't capitalizing on sales opportunities, consider a CSR training program focused on consultative selling—helping them confidently address customer needs.

Equip CSRs with real-time customer insights (e.g., past service inquiries, competitor offers in their area) so they can proactively engage with potential customers.

Implement simple, scripted prompts for CSRs that encourage upselling or competitive takeaways in a natural, community-focused way.

- *Leverage a Hybrid Approach for Maximum Market Share*

Use third-party sales for outbound cold calling and lead generation but keep local CSRs as the primary relationship builders.

Integrate a warm handoff process where third-party sales teams book appointments for CSRs to follow up with a local, personal touch.

Offer incentives for both CSRs and third-party reps to drive engagement and align efforts.

- *Additional Market Share Growth Tactics*

Referral Programs: Reward existing customers for bringing in new sign-ups***

We have attempted this in the past but we would roll out in a big way so consumers are totally aware

Community Outreach: Engage more directly through local events, sponsorships, and business partnerships to reinforce Pineville's trusted, local brand***We have done some of these things already but need to launch in a larger more targeted scale*

Competitor Win-Back Strategy: Proactively reach out to customers who have recently switched providers with exclusive **win-back offers** tailored to Pineville's strengths***We have set up follow up calls after customers are coming out of contract in the past. This would be a different approach.*

JSI has explained that marketing tactics can start off small and build over time always keeping Pineville's unique market and customer base at the center of your marketing strategy & journey. I believe we need to come out swinging like we never have before. We need to remove the public's doubts and to ensure people in and outside of Pineville know who PCS is.

OPPORTUNITIES

Marketing Strategy: We plan to enhance brand visibility and expand our consumer base by utilizing various marketing channels, including geofencing, Google Ads, direct mail, audio and visual advertisements, social media, and direct mailers. Marketing will be used to create brand awareness and to target **166** new Coventry Residents and **340** New Miller Farm Residents to gain as Internet subscribers. Gaining market share in new communities is key. However, these two neighborhoods are looking at 12 months at least until the first residence take ownership. This means in order for growth to occur we need to heavily target our existing fiber neighborhoods and win back business customers with our new 3 Gig plan introduction and our 1 GIG plan reduction.

New 3-Gig Plan Introduction: The introduction of the 3-Gig Business plan aims to encourage current 1-Gig business to upgrade and is, offered at the same rate as our existing 1-Gig plan. Additionally, reducing the price of the 1-Gig business service will attract more business internet subscribers.

Voice Sync Switch Introduction of VOIP/Broadband Bundle Potential: Our new switch will enable us to offer a competitive voice and broadband bundle, allowing us to directly compete with industry rivals. As VOIP is not subject to the same regulations as traditional phone services, the inclusion of unlimited long-distance & feature rich voice service at a reduced rate could attract business customers back to us in addition to capturing new business customers moving into the area. If we can launch this without creating added burden on staff this could be avenue to pursue to increase line count and revenue. More to come as I investigate how this truly would look for us.

AMI Metering and Internet Needs: AMI metering relies on collectors that use the internet to gather data from meters. This system requires both hardware and software resources, including IT support, Wi-Fi, and network infrastructure. If PCS takes on the role of provider, we will help manage the AMI network in addition to providing internet connection.