REFINITIV

DELTA REPORT

10-Q

CCOI - COGENT COMMUNICATIONS HOL

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1600
CHANGES	245
DELETIONS	659
ADDITIONS	696

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Quarterly Period Ended September 30, 2023 March 31, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 000-51829

COGENT COMMUNICATIONS HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**46-5706863**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification Number)

2450 N Street N.W.
Washington, D.C. 20037
(Address of Principal Executive Offices and Zip Code)

(202) 295-4200
(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on which Registered
Common Stock, par value $0.001 per share	CCOI	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.001 par value 48,623,846 49,024,447 Shares Outstanding as of October 31, 2023 April 30, 2024

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PART I FINANCIAL INFORMATION

ITEM 1.

FINANCIAL STATEMENTS

COGENT COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2023 MARCH 31, 2024 AND DECEMBER 31, 2022 2023
(IN THOUSANDS, EXCEPT SHARE DATA)

	September 30, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
Assets				
Current assets:				
Cash and cash equivalents	$ 109,661	$ 223,783	$ 118,433	$ 75,092
Restricted cash	56,411	52,129	44,841	38,689
Accounts receivable, net of allowance for credit losses of $4,158 and $2,303, respectively	87,170	44,123		
Due from T-Mobile, IP Transit Services Agreement, current portion, net of discount of $29,029	237,637	—		
Accounts receivable, net of allowance for credit losses of $5,588 and $3,677, respectively			107,169	135,475
Due from T-Mobile, IP Transit Services Agreement, current portion, net of discount of $21,878 and $24,898, respectively			119,788	179,269
Due from T-Mobile, Transition Services Agreement	16,831	—	3,232	4,514
Prepaid expenses and other current assets	73,541	45,878	79,698	80,588
Total current assets	581,251	365,913	473,161	513,627
Property and equipment:				
Property and equipment	2,946,723	1,714,906	3,046,160	2,947,376
Accumulated depreciation and amortization	(1,329,114)	(1,170,476)	(1,484,792)	(1,409,559)
Total property and equipment, net	1,617,609	544,430	1,561,368	1,537,817
Right-of-use leased assets	364,397	81,601	347,993	361,587
Intangible assets, net	54,362	—		
IPV4 intangible assets			458,000	458,000
Other intangible assets, net			14,370	14,815
Deposits and other assets	22,143	18,238	26,327	23,438
Due from T-Mobile, IP Transit Services Agreement, net of discount of $32,613	284,054	—		
Due from T-Mobile, Purchase Agreement, net of discount of $14,444	37,865	—		
Due from T-Mobile, IP Transit Services Agreement, net of discount of $23,606 and $27,916, respectively			243,061	263,750
Due from T-Mobile, Purchase Agreement, net of discount of $6,982 and $13,725, respectively			21,132	38,585
Total assets	$ 2,961,681	$ 1,010,182	$ 3,145,412	$ 3,211,619
Liabilities and stockholders' (deficit) equity				
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$ 29,367	$ 27,208	$ 45,932	$ 48,356
Accrued and other current liabilities	120,031	63,889	187,495	120,523
Accrued dividend payable			45,789	—
Due to T-Mobile – Transition Services Agreement	69,629	—	5,816	66,908
Due to T-Mobile – Purchase Agreement	4,981	—	4,981	4,981
Current maturities, operating lease liabilities	68,418	12,005	66,553	67,962
Finance lease obligations, current maturities	63,236	17,182	64,043	64,594
Total current liabilities	355,662	120,284	420,609	373,324
Senior secured 2026 notes, net of unamortized debt costs of $710 and $905, respectively, and discounts of $945 and $1,203, respectively	498,345	497,892		

Senior unsecured 2027 notes, net of unamortized debt costs of $1,001 and $1,173, respectively, and discounts of $2,095 and $2,456, respectively	446,904	446,371		
Senior secured 2026 notes, net of unamortized debt costs of $578 and $645, respectively, and discounts of $769 and $857, respectively			498,653	498,498
Senior unsecured 2027 notes, net of unamortized debt costs of $880 and $941, respectively, and discounts of $1,844 and $1,970, respectively			447,276	447,088
Operating lease liabilities, net of current maturities	330,993	94,587	320,898	330,095
Finance lease obligations, net of current maturities	419,941	287,044	453,473	419,921
Deferred income tax liabilities	388,273	47,646	436,504	471,498
Other long-term liabilities	79,435	34,990	67,355	61,639
Total liabilities	2,519,553	1,528,814	2,644,768	2,602,063
Commitments and contingencies:				
Stockholders' equity (deficit):				
Common stock, $0.001 par value; 75,000,000 shares authorized; 48,612,382 and 48,013,330 shares issued and outstanding, respectively	49	48		
Stockholders' equity:				
Common stock, $0.001 par value; 75,000,000 shares authorized; 49,013,487 and 48,608,569 shares issued and outstanding, respectively			49	49
Additional paid-in capital	598,494	575,064	614,535	606,755
Accumulated other comprehensive loss	(19,761)	(19,156)	(19,419)	(14,385)
Accumulated deficit	(136,654)	(1,074,588)		
Total stockholders' equity (deficit)	442,128	(518,632)		
Total liabilities and stockholders' equity (deficit)	$ 2,961,681	$ 1,010,182		
Accumulated (deficit) earnings			(94,521)	17,137
Total stockholders' equity			500,644	609,556
Total liabilities and stockholders' equity			$ 3,145,412	$ 3,211,619

The accompanying notes are an integral part of these condensed consolidated balance sheets.

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COGENT COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (LOSS) INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND MARCH 31, 2023 AND SEPTEMBER 30, 2022

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	Three Months Ended September 30, 2023 (Unaudited)	Three Months Ended September 30, 2022 (Unaudited)	Three Months Ended March 31, 2024 (Unaudited)	Three Months Ended March 31, 2023 (Unaudited)
Service revenue	$ 275,429	$ 150,000	$ 266,168	$ 153,588
Operating expenses:				
Network operations (including $370 and $176 of equity-based compensation expense, respectively, exclusive of depreciation and amortization shown separately below)	173,594	57,220		
Selling, general, and administrative (including $7,041 and $6,035 of equity-based compensation expense, respectively)	65,308	39,114		

Network operations (including $385 and $149 of equity-based compensation expense, respectively, exclusive of depreciation and amortization shown separately below)			168,933	58,638
Selling, general, and administrative (including $6,565 and $6,432 of equity-based compensation expense, respectively)			76,696	45,078
Acquisition costs – Sprint Business	351	2,004	9,037	400
Depreciation and amortization	86,734	22,897	70,891	25,160
Total operating expenses	325,987	121,235	325,557	129,276
Loss on lease transactions	—	(670)		
Operating (loss) income	(50,558)	28,095	(59,389)	24,312
Interest expense	(24,198)	(17,948)	(23,010)	(19,005)
Loss on bargain purchase – Sprint Business	(3,332)	—		
Reduction to gain on bargain purchase – Sprint Business			(5,470)	—
Change in valuation – interest rate swap agreement	(4,825)	(16,923)	(6,152)	1,847
Interest income – IP Transit Services Agreement	10,299	—	7,330	—
Interest income – Purchase Agreement	664	—	(480)	—
Interest income and other, net	1,604	(262)	2,737	3,498
Income before income taxes	(70,346)	(7,038)	(84,434)	10,652
Income tax benefit (expense)	13,623	(969)	19,127	(4,504)
Net loss	$ (56,723)	$ (8,007)		
Net (loss) income			$ (65,307)	$ 6,148
Comprehensive loss:				
Net loss	$ (56,723)	$ (8,007)		
Comprehensive (loss) income:				
Net (loss) income			$ (65,307)	$ 6,148
Foreign currency translation adjustment	(4,134)	(7,752)	(5,034)	1,788
Comprehensive loss	$ (60,857)	$ (15,759)		
Comprehensive (loss) income			$ (70,341)	$ 7,936
Net loss per common share:				
Basic net loss per common share	$ (1.20)	$ (0.17)		
Diluted net loss per common share	$ (1.20)	$ (0.17)		
Net (loss) income per common share:				
Basic net (loss) income per common share			$ (1.38)	$ 0.13
Diluted net (loss) income per common share			$ (1.38)	$ 0.13
Dividends declared per common share	$ 0.945	$ 0.905	$ 0.965	$ 0.925
Weighted-average common shares - basic	47,227,338	46,736,742	47,416,268	47,037,091
Weighted-average common shares - diluted	47,227,338	46,736,742	47,416,268	47,381,226

The accompanying notes are an integral part of these condensed consolidated statements.

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COGENT COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND SEPTEMBER 30, 2022
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	Nine Months Ended September 30, 2023 (Unaudited)	Nine Months Ended September 30, 2022 (Unaudited)
Service revenue	$ 668,822	$ 447,625
Operating expenses:		
Network operations (including $750 and $465 of equity-based compensation expense, respectively, exclusive of depreciation and amortization shown separately below)	369,734	171,183
Selling, general, and administrative (including $19,491 and $17,709 of equity-based compensation expense, respectively)	194,046	119,129
Acquisition costs – Sprint Business	1,490	2,004
Depreciation and amortization	164,403	68,659
Total operating expenses	729,673	360,975
Gains on lease terminations	—	(210)
Operating (loss) income	(60,851)	86,440
Interest expense	(71,855)	(45,594)
Gain on bargain purchase – Sprint Business	1,152,386	—
Change in valuation – interest rate swap agreement	(4,283)	(45,703)
Foreign exchange gain on 2024 Euro Notes	—	31,561
Loss on debt extinguishment and redemption- 2024 Euro Notes	—	(11,885)
Interest income – IP Transit Services Agreement	17,968	—
Interest income – Purchase Agreement	1,170	—
Interest income and other, net	5,154	(462)
Income before income taxes	1,039,689	14,357
Income tax benefit (expense)	33,599	(10,063)
Net income	$ 1,073,288	$ 4,294
Comprehensive income (loss):		
Net income	$ 1,073,288	$ 4,294
Foreign currency translation adjustment	(605)	(17,410)
Comprehensive income (loss)	$ 1,072,683	$ (13,116)
Net income per common share:		
Basic net income per common share	$ 22.72	$ 0.09
Diluted net income per common share	$ 22.54	$ 0.09
Dividends declared per common share	$ 2.805	$ 2.640
Weighted-average common shares - basic	47,234,025	46,759,632
Weighted-average common shares - diluted	47,624,709	47,097,580

The accompanying notes are an integral part of these condensed consolidated statements.

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COGENT COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND MARCH 31, 2023 AND SEPTEMBER 30, 2022

(IN THOUSANDS)

	Nine Months Ended September 30, 2023 (Unaudited)	Nine Months Ended September 30, 2022 (Unaudited)	Three Months Ended March 31, 2024 (Unaudited)	Three Months Ended March 31, 2023 (Unaudited)
Cash flows from operating activities:				
Net income	$ 1,073,288	$ 4,294		
Adjustments to reconcile net income to net cash provided by operating activities:				
Net (loss) income			$ (65,307)	$ 6,148
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	164,403	68,659	70,891	25,160
Amortization of debt discount and premium	986	1,144		
Amortization of debt discounts			342	324
Amortization of discounts, due from T-Mobile, IP Transit Services & Purchase Agreements	(19,138)	—	(6,850)	—
Equity-based compensation expense (net of amounts capitalized)	20,241	18,174	6,950	6,581
Gain on bargain purchase – Sprint Business	(1,152,386)	—		
Gains - equipment transactions and other, net	(277)	3,531		
Loss on debt extinguishment and redemption – 2024 Euro Notes	—	11,885		
Foreign currency exchange gain on 2024 Euro Notes	—	(31,561)		
Reduction to gain on bargain purchase – Sprint Business			5,470	—
Gains – lease transactions			—	(615)
Deferred income taxes	(63,509)	4,682	(33,069)	890
Changes in operating assets and liabilities:				
Accounts receivable	(3,247)	(3,103)	28,306	(860)
Prepaid expenses and other current assets	(4,763)	(9,404)	890	(2,919)
Change in valuation – interest rate swap agreement	4,283	45,703	6,152	(1,847)
Due to T-Mobile – Transition Services Agreement	69,629	—	(61,092)	—
Due from T-Mobile – Transition Services Agreement	(16,831)	—	(3,052)	—
Unfavorable lease liabilities	(16,174)	—	(2,451)	—
Accounts payable, accrued liabilities and other long-term liabilities	9,715	23,144	75,397	2,923
Deposits and other assets	(177)	236	(3,358)	36
Net cash provided by operating activities	66,043	137,384	19,219	35,821
Cash flows from investing activities:				
Cash receipts - IP Transit Agreement – T-Mobile	116,667	—		
Acquisition of Sprint Business, net of $47.1 million of cash acquired	(14,037)	—		
Cash receipts - IP Transit Services Agreement – T-Mobile			87,500	—
Acquisition of Sprint Business – severance reimbursement			4,334	—
Purchases of property and equipment	(86,023)	(59,380)	(40,883)	(23,204)
Net cash provided by (used in) investing activities	16,607	(59,380)	50,951	(23,204)
Cash flows from financing activities:				
Dividends paid	(135,354)	(125,882)	(478)	(45,311)
Redemption and extinguishment – 2024 Euro Notes	—	(375,354)		
Net proceeds from issuance of senior unsecured 2027 Notes - net of debt costs of $1,290	—	446,010		
Proceeds from exercises of stock options	787	426	164	145
Principal payments on installment payment agreement	—	(790)		
Principal payments of finance lease obligations	(58,549)	(20,958)	(23,235)	(9,450)
Net cash used in financing activities	(193,116)	(76,548)	(23,549)	(54,616)
Effect of exchange rates changes on cash	626	(6,416)	2,872	510

Net decrease in cash, cash equivalents and restricted cash	(109,840)	(4,960)		
Net increase (decrease) in cash, cash equivalents and restricted cash			49,493	(41,489)
Cash, cash equivalents and restricted cash, beginning of period	275,912	328,624	113,781	275,912
Cash, cash equivalents and restricted cash, end of period	$ 166,072	$ 323,664	$ 163,274	$ 234,423
Supplemental disclosure of non-cash financing activities:				
Fair value of equipment acquired in leases	$ —	$ 1,969	$ —	$ 171
Finance lease obligations incurred	$ 217,782	$ 74,633	$ 54,423	$ 25,871

The accompanying notes are an integral part of these condensed consolidated statements.

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COGENT COMMUNICATIONS HOLDINGS, INC., AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the business:

Reorganization and merger

On May 15, 2014, pursuant to the Agreement and Plan of Reorganization (the "Merger Agreement") by and among Cogent Communications Group, LLC (formerly Cogent Communications Group, Inc.) ("Group"), a Delaware corporation, Cogent Communications Holdings, Inc., a Delaware corporation ("Holdings") and Cogent Communications Merger Sub, Inc., a Delaware corporation, Group adopted a new holding company organizational structure whereby Group is now a wholly owned subsidiary of Holdings. Holdings is a "successor issuer" to Group pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). References to the "Company" for events that occurred prior to May 15, 2014 refer to Cogent Communications Group, LLC (formerly Cogent Communications Group, Inc.) and its subsidiaries and on and after May 15, 2014 the "Company" refers to Cogent Communications Holdings, Inc. and its subsidiaries. Cogent Communications, LLC (formerly Cogent Communications, Inc.) is wholly owned by Group, Sprint Communications Company LP is indirectly wholly owned by Holdings, and the vast majority of the Company's assets, contractual arrangements, and operations are executed by Sprint Communications Company LP and Cogent Communications, Inc. LLC.

Description of business

The Company is a facilities-based provider of low-cost, high-speed Internet access, private network services, and data center colocation space and power. The Company's network is specifically designed and optimized to transmit packet switched routed data. The Company delivers its services primarily to small businesses, large and medium-sized businesses, small, communications service providers and other bandwidth-intensive organizations in 54 countries across North America, Europe, South America, Oceania and Africa. The Company is a Delaware corporation and is headquartered in Washington, DC.

The Company offers on-net Internet access services exclusively through its own facilities, which run from its network to its customers' premises. The Company offers its on-net services to customers located in buildings that are physically connected to its network. As a result, the Company is not dependent on local telephone companies or cable TV companies to serve its customers for its on-net Internet access and private network services. The Company's on-net service consists of high-speed Internet access and private network services offered at speeds ranging from 100 megabits per second to 400 gigabits per second.

The Company provides its on-net Internet access and private network services to its corporate, net-centric and enterprise customers. The Company's corporate customers are located in multi-tenant office buildings that typically include law firms, financial services firms, advertising and marketing firms, as well as health care providers, educational institutions and other professional services businesses. The Company's net-centric customers include bandwidth-intensive users that leverage its network either to deliver content to end users or to provide access to residential or commercial internet Internet users. Content delivery customers include over the top media service providers, content delivery networks, web hosting companies, and commercial content and application software providers. Access The Company's net-centric customers include access networks comprised of other Internet Service Providers, telephone companies, mobile phone operators and cable television companies that collectively provide internet access to a substantial number of broadband subscribers and mobile phone subscribers across the world. These net-centric customers generally receive the Company's services in carrier neutral colocation facilities and in the Company's own data centers. The Company operates data centers throughout North America and Europe that allow its customers to collocate their equipment and access the Company's network.

In addition to providing on-net services, the Company provides Internet access and private network services to customers that are not located in buildings directly connected to its network. The Company provides these off-net services primarily to corporate customers using other carriers' circuits to provide the "last mile" portion of the link from the customers' premises to the Company's network. The Company also provides certain non-core services that resulted from acquisitions, including the acquisition of Sprint Communications (as discussed below). The Company continues to support but does not actively sell these non-core services.

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In connection with the Company's acquisition of Sprint Communications (as discussed below), the Company began to provide optical wavelength services and optical transport services over its fiber network. The Company is selling these wavelength services to its existing customers, customers of Sprint Communications and to new customers who require dedicated optical transport connectivity without the capital and ongoing expenses associated with owning and operating network infrastructure. Additionally, the Sprint Business (as defined below) customers include a number of companies larger than the Company's historical customer base. In connection with the acquisition of Sprint Communications, the Company expanded selling services to these larger "Enterprise" customers.

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Recently Adopted Accounting Standards

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers ("ASU 2021-08"). ASU 2021-08 requires an acquirer in a business combination to recognize and measure contract assets and contract liabilities in accordance with Revenue from Contracts with Customers (Topic 606), as if the acquirer had originated the contracts at the date of the business combination. ASU 2021-08 is effective for annual reporting periods beginning after December 15, 2022 and interim periods within those fiscal years. Early adoption is permitted.

The Company adopted ASU 2021-08 in connection with its acquisition of Sprint Communications (as discussed below), at which time it became applicable to the Company and was applied in the accounting for the acquisition. The adoption did not have a material impact on the provisional opening balance sheet recorded and there was no retrospective impact to our consolidated financial statements as a result of the adoption.

Acquisition of Sprint Communications

On September 6, 2022, Cogent Infrastructure, LLC (formerly Cogent Infrastructure, Inc.), a Delaware corporation (the "Buyer") and a direct wholly owned subsidiary of the Company, entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with Sprint Communications LLC, a Kansas limited liability company ("Sprint Communications") and an indirect wholly owned subsidiary of T-Mobile US, Inc., a Delaware corporation ("T-Mobile"), and Sprint LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of T-Mobile (the "Seller"), pursuant to which the Company acquired the U.S. long-haul fiber network (including the non-U.S. extensions thereof) of Sprint Communications and its subsidiaries (the "Sprint Business"). The Purchase Agreement provides that, upon the terms and conditions set forth therein, the Company purchased from the Seller all of the issued and outstanding membership interests (the "Purchased Interests") of Wireline Network Holdings LLC, a Delaware limited liability company that, following an internal restructuring and divisive merger, holds Sprint Communications' assets and liabilities relating to the Sprint Business (such transactions contemplated by the Purchase Agreement, collectively, the "Transaction"). The Purchase Agreement includes customary representations, warranties, indemnities and covenants, including regarding the conduct of the Sprint Business prior to the closing of the Transaction (the "Closing"). In addition, the Closing was subject to customary closing conditions, including as to the receipt of certain required regulatory approvals and consents, all of which have been received. The Company has agreed to guarantee the obligations of the Buyer under the Purchase Agreement pursuant to the terms of a Guaranty, dated as of September 6, 2022, by and between the Company and the Seller (the “Parent Guaranty”). The Parent Guaranty contains customary representations, warranties and covenants of the Company and the Seller.

The Company believes it is in a unique position to monetize the Sprint Business and its network and management expects to achieve significant cost reduction synergies and revenue synergies from the Transaction. Revenue and pre-tax loss for the Sprint Business included in the Company's condensed consolidated statements of comprehensive loss for the three-month period ended September 30, 2023 were $113.0 million and $82.1 million, respectively. Revenue and pre-tax loss for the Sprint Business included in the Company's condensed consolidated statements of comprehensive income for the nine-month period year ended September 30, 2023 December 31, 2023 were $191.0 million $283.3 million and $141.6 million $234.5 million, respectively.

Purchase Price

The Transaction closed on May 1, 2023 (the “Closing Date”). On the Closing Date, the Buyer consummated the Transaction pursuant to the terms of the Purchase Agreement, providing a purchase price of $1 payable to the Seller for the Purchased Interests, subject to customary adjustments, including working capital (the “Working Capital Adjustment”), as set forth in the Purchase Agreement. As consideration for the Purchased Interests, the Working Capital Adjustment (primarily related to acquired cash and cash equivalents of an estimated $43.4 million at the Closing Date in order to fund the international operations of the Sprint Business) resulted in the Buyer making a payment to the Seller of $61.1 million on the Closing Date. During the third quarter of 2023, an additional Working Capital Adjustment of $5.0 million was accrued due to the Seller.

The Purchase Agreement also includes an estimated payment of $52.3 million $28.1 million ($19.8 million net of discount) from Seller to Buyer related to acquired short-term lease obligations (the “Short-term Lease Payment”). The Short-term Lease Payment will be paid from the Seller to the Company in four equal payments in months 55 to 58 after the Closing Date. The Short-term Lease Payment was recorded at its present value resulting in a discount of $15.6 million $8.4 million. The interest rate used in determining the present value was derived considering rates on similar issued debt instruments with comparable durations, amongst other market factors. The determination of the discount rate requires some judgment. The During the third quarter of 2023, the Short - term Lease Payment was reduced by $4.8 million and in the first quarter of 2024 the Short - term Lease Payment was reduced by an additional $17.0 million, net of discount of $7.2 million. Including the cumulative impact of the first quarter 2024 adjustment, the amortization of the discount resulted in interest income expense of $0.7 million and $1.2 million $0.5 million for the three and nine months ended September 30, 2023, respectively. The Seller is disputing approximately $24.2 million of the Short-term Lease March 31, 2024.

Payment amount that was accounted The Purchase Agreement also includes reimbursement from Seller to Buyer for by qualifying severance expenses incurred, which were $4.3 million in the Seller as a service agreement three months ended March 31, 2024 and not as a finance lease. As of September 30, 2023, $16.2 million in the Company reclassified $160.9 million of a lease liability at the Closing Date previously recorded as an operating lease to a finance lease. A year ended December 31, 2023. The final determination of the Working Capital Adjustment and the Short-term Lease Payment is expected by was completed in April 2024 and the end of 2023. Company paid the Seller $5.0 million for the remaining Working Capital Adjustment.

IP Transit Services Agreement

On the Closing Date, Cogent Communications, LLC (formerly Cogent Communications, Inc.), and T-Mobile USA, Inc., a Delaware corporation and direct subsidiary of T-Mobile (“TMUSA”), entered into an agreement for IP transit services (“IP Transit Services Agreement”), pursuant to which TMUSA will pay an affiliate of the Company an aggregate of $700.0 million, consisting of (i) $350.0 million in equal monthly installments of $29.2 million per month during the first year after the Closing Date and (ii) $350.0 million in equal monthly installments of $8.3 million $8.3 million per month over the subsequent 42 months. During the three and nine months ended March 31, 2024, TMUSA paid the Company $87.5 million and $116.7 million, respectively, $87.5 million under the IP Transit Services Agreement. On October 3, 2023 an additional $29.2 million payment was received. On November 2, 2023, an additional $29.2 million payment was received.

The Company accounted for the Transaction as a business combination under ASC Topic 805 *Business Combinations* (“ASC 805”). The Company evaluated what elements are part of the business combination and the consideration exchanged to complete the acquisition. Under ASC 805, the Company has concluded that the $700.0 million of payments to be made represent consideration received from T-Mobile to complete the acquisition of a distressed business. The Company also evaluated whether the IP Transit Services Agreement was in the scope of ASU No. 2014-09 *Revenue from Contracts with Customers* (“ASC 606”). The Company has concluded that T-Mobile did not represent a “customer” as defined by ASC 606, the stated contract price did not represent consideration for services to be delivered, and the transaction did not satisfy the definition of revenue, which excluded this arrangement from the scope of ASC 606. As a result, and considering statements made by T-Mobile, the IP Transit Services Agreement was recorded in connection with the Transaction at its discounted present value resulting in a discount of $79.6 million. The interest rate used in determining the present value was derived considering rates on similar issued debt instruments with comparable durations, amongst other market factors. The determination of the discount rate requires some judgment. The amortization of the discount resulted in interest income of $10.3 million and $18.0 million $7.3 million for the three and nine months ended September 30, 2023, respectively. March 31, 2024.

Transition Services Agreement

On the Closing Date, the Buyer entered into a transition services agreement (the "TSA") with the Seller, pursuant to which the Seller will provide to the Buyer, and the Buyer will provide to the Seller on an interim basis following the Closing Date, certain specified services (the "Transition Services") to ensure an orderly transition following the separation of the Sprint Business from Sprint Communications. The services to be provided by the Seller to the Buyer include, among others, information technology support, back office and finance, real estate and facilities, vendor and supply chain management, including the payment and processing of vendor invoices for the Company and human resources. The services to be provided by the Buyer to the Seller include, among others, information technology and network support, finance and back office and other wireless business support.

The Transition Services are generally intended to be provided for a period of up to two years following the Closing Date, although such period may be extended for an additional one-year term by either party upon 30 days' prior written notice. The fees for the Transition Services are calculated using either a per service monthly fee or an hourly rate for the employees allocated to provide such services. Any third-party costs incurred in providing the Transition Services are passed on to the party receiving such services at cost for the two-year period and at cost plus 20 percent, if the TSA is extended. period. Amounts paid for the Sprint Business by T-Mobile are reimbursed at cost.

Either party to the TSA may terminate the agreement (i) with respect to any individual service in full for convenience upon 30 days' prior written notice for certain services and reduced for other services after a 90-day period. The TSA may be terminated in its entirety if the other party has failed to perform any of its material obligations and such failure is not cured within 30 days. The TSA provides for customary indemnification and limits on liability. Amounts billed under the TSA are due 30 days from receipt of the related invoice. During the three and nine months ended September 30, 2023 March 31, 2024, the Company was billed $101.2 million and $218.0 million $16.7 million as due to the Seller under the TSA, respectively, primarily for reimbursement at cost of payments to vendors of the Sprint Business. During the three and nine months ended September 30, 2023 March 31, 2024, the Company paid $153.1 million $78.5 million to the Seller under the TSA. TSA that included payments for amounts billed in 2023. As of September 30, 2023 March 31, 2024, the Company owed $69.6 million $5.8 million to the Seller and the Seller owed $16.8 million $3.2 million to the Buyer Company under the TSA agreement. TSA. The amounts due to the Seller are primarily reimbursements for payments to Sprint Business vendors paid by the

Seller for the Company until these vendors are fully transitioned to the Company. The amounts due from the Seller are primarily reimbursements for severance costs related to Sprint Business employees and services provided by the Company for the Seller.

Other Services Provided to Seller

In addition, on the Closing Date, the Buyer and TMUSA entered into a commercial agreement ("Commercial (the "Commercial Agreement") for colocation and connectivity services, pursuant to which the Company will provide such services to TMUSA for a per service monthly fee plus certain third-party costs incurred in providing the services. During the three and nine months ended September 30, 2023 March 31, 2024, the Company recorded $8.0 million and $15.3 million, respectively $3.2 million from TMUSA as service revenue under the Commercial Agreement. As of September 30, 2023 March 31, 2024, TMUSA owed $3.2 million $20.0 million to the Company under the Commercial Agreement. These amounts are included in accounts receivable.

Acquisition-Related Costs

In connection with the Transaction and negotiation of the Purchase Agreement, the Company has incurred a total of $3.7 million in $9.2 million of professional fees including $0.4 million and $1.5 million incurred in the three other acquisition related costs and nine months ended September 30, 2023, respectively.

Consideration

During $20.6 million of reimbursed severance costs. For the three months ended September 30, 2023 March 31, 2024, such professional fees and other acquisition related costs and reimbursed severance costs were $4.7 million and $4.3 million, respectively. For the Company updated its Working Capital Adjustment resulting in an additional $1.5 million due to the Seller and updated its Short-term Lease Payment resulting in a decrease of $5.0 million due from the Seller. three months ended March 31, 2023 such professional fees were $0.4 million.

Consideration

The revised acquisition-date fair value of consideration to be received from the Transaction totaled $591.0 million $594.6 million and comprised of the following:

(In thousands)	May 1, 2023	May 1, 2023
Estimated working capital payments made to the Seller (a)	**$ 66,093**	
Estimated Purchase Agreement payment to be received from the Seller, net of discount of $15,614 (b)	36,696	
Estimated working capital payments made to the Seller, net of severance reimbursements (a)		**$ 45,531**
Estimated Purchase Agreement payment to be received from the Seller, net of discount of $8,392 (b)		19,723
Amounts due from the Seller – IP Transit Services Agreement, net of discount of $79,610 (c)	620,390	620,390
Total to be received from the Seller	**657,086**	**640,113**
Total net consideration to be received from the Seller (d)	**590,993**	**594,582**

(a)

Includes $61.1 million paid to the Seller on the Closing Date and an accrual of $5.0 million due to the Seller that was paid in April 2024. Additionally, includes an offsetting $20.6 million in total severance reimbursement payments received from the Seller recorded as measurement period adjustments during the fourth quarter of 2023 ($16.2 million) and $4.3 million recorded as a measurement period adjustment during the first quarter of 2024.

(b) Under the Purchase Agreement, 50% of the assumed short-term operating lease liabilities totaling $28.1 million is to be paid to the Company from the Seller in four equal installments in months 55-58 from the Closing Date and is recorded at its present value resulting in a discount of $8.4 million. During the first quarter of 2024, the Working Capital Adjustment was adjusted by $17.0 million, net of discount of $7.2 million to reflect the conclusion of the determination of amounts due from the Seller from the Short - term Lease Payment.

(c) The IP Transit Services Agreement payments totaling $700.0 million are recorded at their present value resulting in a discount of $79.6 million. The $700.0 million is to be paid to the Company from the Seller in equal monthly payments of $29.2 million in months 1-12 and $8.3 million in months 13-54.

(d) Cash consideration was $1

Fair Value of Assets Acquired and Liabilities Assumed and Gain on Bargain Purchase

The Company accounted for the Transaction as a business combination under ASC 805. Under ASC 805, the identifiable assets acquired and liabilities assumed were recorded at their fair values as of the Closing Date. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires the use of significant judgment regarding estimates and assumptions. For the fair values of the assets acquired and liabilities assumed, the Company used the cost, income and market approaches, including market participant assumptions. The fair value of the identifiable assets acquired (including amounts due under the IP Transit Services Agreement) were in excess of the liabilities assumed and the net consideration to be paid resulting in a gain on bargain purchase of $1.2 billion $1.4 billion.

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During the third first quarter of 2024, the Company recorded a measurement period adjustment to reclassify $24.9 million from right-of-use leased assets (net of related unfavorable lease liability amount) to finance lease assets (presented within property and equipment) and resulting in a measurement period adjustment to reclassify $160.9 million from operating lease liabilities to finance lease liability. The corresponding adjustment reduction to the condensed consolidated statement gain on bargain purchase of comprehensive loss for the three-month and nine-month periods ended September 30, 2023 was not material. $5.5 million which includes;

- A reduction to the Short-term Lease Receivable of $24.2 million ($17.0 million net of discount).
- Additional reimbursed severance costs of $4.3 million
- An increase to unfavorable lease liabilities of $6.0 million
- A reduction to accrued liabilities of $11.3 million; and
- A reduction to deferred income tax liabilities resulting from the adjustments noted above of $1.9 million

The Transaction is considered an asset purchase for income tax purposes. The tax basis of the acquired business is the consideration paid ($1) plus the tax basis of certain liabilities assumed, with adjustments for cash acquired in excess of the purchase price. Deferred income taxes are recorded based upon the difference between the book and tax basis of the acquired assets and assumed liabilities at the Company's marginal effective income tax rate on the Closing Date.

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The following table summarizes the fair values for each major class of assets acquired and liabilities assumed at the Closing Date. The Company retained the services of certified valuation specialists to assist with assigning values to certain acquired assets and assumed liabilities. The amounts presented are provisional and are subject to change as the Company refines the estimates and inputs used in the calculations of the assets acquired and liabilities assumed. The Company believes that estimates that are potentially subject to change include additional reimbursable severance costs and modification to the effective income tax rate.

	May 1, 2023
Assets	
Current assets:	
Cash and cash equivalents	$ 47,074
Accounts receivable	39,948
Prepaid expenses and other current assets	22,777
Total current assets	109,799
Total property and equipment	1,055,101
Right-of-use leased assets	314,632
Intangible assets	57,000
Deposits and other assets	7,191
Total assets	$ 1,543,723
Liabilities	
Current liabilities:	
Accounts payable	$ 13,313
Accrued and other current liabilities	36,629
Current maturities, operating lease liabilities	74,562
Current maturities, finance lease liabilities	39,559
Total current liabilities	164,063
Operating lease liabilities, net of current maturities	251,573
Finance lease liabilities, net of current maturities	121,342
Deferred income tax liabilities	407,000
Other long-term liabilities	38,352

Total liabilities	982,330
Fair value of net assets acquired	$ 561,393
Gain on bargain purchase	
Fair value of net assets acquired	$ 561,393
Total net consideration to be received from the Seller, net of discounts (b) (c) (d)	590,993
Gain on bargain purchase	**$ 1,152,386**

	May 1, 2023
Assets	
Current assets:	
Cash and cash equivalents	$ 47,074
Accounts receivable	39,948
Prepaid expenses and other current assets	22,777
Total current assets	109,799
Total property and equipment	965,715
Right-of-use leased assets	304,982
IPV4 intangible assets	458,000
Other intangible assets	16,000
Deposits and other assets	7,521
Total assets	$ 1,862,017
Liabilities	
Current liabilities:	
Accounts payable	$ 13,313
Accrued and other current liabilities	25,344
Current maturities, operating lease liabilities	74,562
Current maturities, finance lease liabilities	39,559
Total current liabilities	152,778
Operating lease liabilities, net of current maturities	251,573
Finance lease liabilities, net of current maturities	121,342
Deferred income tax liabilities	494,575
Other long-term liabilities	35,366
Total liabilities	1,055,634
Fair value of net assets acquired	$ 806,383
Gain on bargain purchase	
Fair value of net assets acquired	$ 806,383
Total net consideration to be received from the Seller, net of discounts - see table above	594,582
Gain on bargain purchase	1,400,965

(a) Includes $61.1 million paid to the Seller on the Closing Date and an accrual of $5.0 million due to the Seller. During the third quarter of 2023, the Working Capital Adjustment was increased by $1.5 million. A final determination of the Working Capital Adjustment is expected by the end of 2023.

IP Transit Services Agreement

(b) Under the Purchase Agreement, 50% of the assumed short-term operating lease liabilities totaling $52.3

four equal installments in months 55-58 from the Closing Date and is recorded at its present value resulting in a discount of $15.6 million. During the third quarter of 2023, the Short-term Lease Payment was reduced by $4.8 million. A final determination of the Short-term Lease Payment is expected by the end of 2023.

(c) The IP Transit Services Agreement payments totaling $700.0 million are recorded at their present value resulting in a discount of $79.6 million. The $700.0 million is to be paid to the Company from the Seller in equal monthly payments of $29.2 million in months 1-12 and $8.3 million in months 13-54.

(d) Cash consideration was $1

Acquired Property & Equipment

The Company acquired property and equipment of $965.7 million. This is primarily comprised of the legacy Sprint network and consists of optical fiber, related equipment, and owned real estate which were valued using a combination of the cost and market approaches. Management intends to operate the acquired business; however, management valued these assets using factors that represent an orderly liquidation value, to approximate the highest and best use of assets acquired in a distressed business.

The estimated fair value of the optical fiber on the Transaction date was $369.2 million. The valuation requires the estimation of the total replacement cost per mile of fiber and a factor to reflect the orderly liquidation value. There is not active market data for these assumptions and these assumptions are inherently subjective. Market participants could have differing views on these assumptions, which could result in a materially different fair value of the optical fiber.

Acquired Leases

The Company acquired a portfolio of lease arrangements for the lease of dark fiber, rights-of-way and facilities. In accordance with ASC 805 and ASC 842, the acquired leases are accounted for as if the leases are new at the acquisition date however, the Company will retain the lease classification from the Seller. The Company followed its historical policies with respect to evaluating the renewal periods of the acquired leases and estimating the incremental borrowing rate. The Company also evaluated the leases for unfavorable terms and recorded an adjustment for unfavorable market terms of $157.2 million that was valued using the income approach. Unfavorable lease liabilities are presented net of the corresponding right of use assets.

Acquired Intangible Assets

Intangible assets acquired include $57.0 million $458.0 million of IPv4 address intangible assets and $16.0 million of acquired customer relationships. The fair value measurement of the IPv4 addresses was based on recent auction prices and a factor to incorporate the uncertainty for how the market for IPv4 addresses will function in the future. The Company believes that these IPv4 addresses have an indefinite useful live and are not being amortized. The Company evaluates these assets for impairment on the first day of the fourth quarter. There was no impairment recorded during the period from May 1, 2023 through March 31, 2024.

The acquired customer relationships with have an estimated useful life of nine years and were the estimated fair value was determined using the a market based income approach. This fair value measurement is based on significant inputs not observable in the market and, therefore, represents a Level 3 measurement as defined in ASC 820: *Fair Value Measurement*. The key assumptions in applying the income approach include the discount rate, projected revenue from existing customers, customer attrition rate and projected capital and operating expenditures. Amortization expense for the three and nine months ended September 30, 2023 March 31, 2024 was $1.6 million and $2.6 million, respectively. $0.4 million. Future amortization expense of the customer relationships is $6.3 million $1.8 million per year for nine eight years.

Acquired Asset Retirement Obligations

In connection with the Transaction, the Company assumed $35.0 million $32.0 million of asset retirement obligations primarily related to restoration obligations for acquired leases. leases that was valued using the income approach. The obligations and corresponding asset retirement assets are being accreted and amortized over approximately four years. Accretion of the asset retirement obligations (recorded as an increase to network operations expenses) and amortization of the asset retirement assets (recorded as depreciation and amortization expenses) for the three months ended September 30, 2023 March 31, 2024 were $0.7 million $0.6 million and $2.1 million $1.9 million, respectively. Accretion In accordance with ASC 410, the Company has not recorded an asset retirement obligation related to the removal of the asset retirement obligations acquired optical fiber because a settlement date for which to remove the fiber is indeterminable and amortization therefore a reasonable estimation of fair value cannot be made.

Reassessment of Bargain Purchase Gain

Because the fair value of the asset retirement identifiable assets for acquired and liabilities assumed exceeded the nine months ended September 30, 2023 fair value of the consideration transferred, the Company recorded a material bargain purchase gain. Consequently, the Company reassessed the recognition and measurement of identifiable assets acquired and liabilities assumed in accordance with ASC 805-30-25-4 and concluded that all acquired assets and assumed liabilities were $1.1 million recognized and $3.5 million, respectively. that the valuation procedures and resulting measures were appropriate.

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Pro Forma Information

The following unaudited pro forma financial information gives effect to the Transaction as if it had been completed on January 1, 2022 January 1, 2023. The pro forma adjustments are based on historically reported transactions by the respective companies. The pro forma results do not include anticipated synergies or other expected benefits of the acquisition. The pro forma results for the nine months ended September 30, 2023 include the historical results of the Sprint Business through April 30, 2023 and the combined results of the Company and the Sprint Business for the five months ended September 30, 2023. The unaudited pro forma information is based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. Actual results may differ materially from the assumptions within the accompanying unaudited pro forma financial information. The purchase adjustments are preliminary and subject to change as additional analyses are performed and finalized. The selected unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations would have been had the Transaction actually occurred on January 1, 2022 January 1, 2023, nor do they purport to project the future consolidated results of operations.

	Nine Months Ended	Nine Months Ended	Three Months Ended
(In thousands)	**September 30, 2023**	**September 30, 2022**	
(In thousands) (unaudited)			**March 31, 2023**
Service revenue	$ 849,580	$ 881,546	$ 286,288
Operating loss from continuing operations	(227,065)	(623,519)	(119,922)
Net income	915,730	452,150	1,271,413

The pro forma results for the nine three months ended September 30, 2022 include estimates for the gain on bargain purchase related to the Transaction of $1.2 billion, interest income from the amortization of the discount recorded under the IP Transit Services Agreement of $29.4 million, a net increase to historical depreciation expense based on the fair value of property and equipment and the impact of the finance lease adjustment discussed above, of $35.4 million, amortization expense related to the customer relationship intangible assets of $4.8 million, the elimination of amounts charged from the parent company to the Sprint Business as autonomous entity expense adjustments of $24.9 million, amortization of unfavorable lease liabilities of $29.1 million, a reduction to network operations expense of $37.8 million and an increase to interest expense of $8.4 million from the impact of the finance lease adjustment discussed above, and the impact to income tax expense from the pro-forma and autonomous entity adjustments of $19.0 million. The historical results of the Sprint Business for the nine months ended September 30, 2022 include a loss on impairment of $477.3 million and a gain on the sale of IP addresses of $120.8 million. March 31, 2023 include:

The pro forma results for the nine months ended September 30, 2023 include the gain on bargain purchase related to the Transaction of $1.2 billion, interest income from the amortization of the discount recorded under the IP Transit Services Agreement of $14.7 million, a net increase to historical depreciation expense based on the fair value of property and equipment and the impact of the finance lease adjustment discussed above of $29.5 million, amortization expense related to the customer relationship intangible assets of $2.1 million, amortization of unfavorable lease liabilities of $12.9 million, a reduction to network operations expense of $16.8

- The gain on bargain purchase related to the Transaction of $1.4 billion,
- Interest income from the amortization of the discount recorded under the IP Transit Services Agreement of $11.3 million,
- A net increase to historical depreciation expense based on the fair value of property and equipment and the impact of a finance lease of $20.5 million,
- Amortization expense related to the customer relationship intangible assets of $0.4 million,
- Amortization of unfavorable lease liabilities of $1.4 million,
- An increase to interest expense of $3.0 million and a reduction to network operations expense of $12.6 million from the impact of a finance lease adjustment; and,
- The impact to income tax expense from the pro-forma adjustments of $0.3 million.

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million and an increase to interest expense of $3.9 million from the impact of the finance lease adjustment discussed above, and the impact to income tax expense from the pro-forma adjustments of $2.3 million.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited condensed consolidated financial statements reflect all normal recurring adjustments that the Company considers necessary for the fair presentation of its results of operations and cash flows for the interim periods covered, and of the financial position of the Company at the date of the interim condensed consolidated balance sheet. Certain information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles, ("GAAP") have been condensed or omitted pursuant to such rules and regulations. The operating results for interim periods are not necessarily indicative of the operating results for the entire year. While the Company believes that the disclosures are adequate to not make the information misleading, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in its annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023. Certain prior year amounts have been reclassified to conform to current year presentation.

The accompanying unaudited condensed consolidated financial statements include all wholly owned subsidiaries. All inter-company accounts and activity have been eliminated.

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Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Financial instruments

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the carrying amount of cash and cash equivalents, restricted cash, accounts receivable, prepaid and other current assets, accounts payable, and accrued expenses approximated fair value because of the short-term nature of these instruments. The Company measures its cash equivalents and restricted cash at amortized cost, which approximates fair value based upon quoted market prices (Level 1). Based upon recent trading prices (Level 2—market approach) at September 30, 2023 March 31, 2024, the fair value of the Company's $450.0 million aggregate principal amount of 7.00% Senior Unsecured Notes due 2027 (the "2027 Notes") was $427.5 million $446.6 million, the fair value of the Company's $500.0 million aggregate principal amount of 3.50% Senior Secured Notes due 2026 (the "2026 Notes") was $460.0 $475.0 million and the estimated liability fair value of the Company's interest rate swap agreement was $56.4 million $44.8 million.

Restricted cash and interest rate swap agreement

Restricted cash represents amounts held in segregated bank accounts by our clearing broker as margin in support of our Swap Agreement as discussed in Note 3 and was $57.6 million $44.8 million as of September 30, 2023 March 31, 2024. Additional cash may be further restricted to maintain our swap agreement Swap Agreement as interest rates fluctuate and margin requirements change. The Company does not use derivative financial instruments for trading purposes.

Gross receipts taxes, universal service fund and other surcharges

Revenue recognition standards include guidance relating to taxes or surcharges assessed by a governmental authority that are directly imposed on a revenue-producing transaction between a seller and a customer and may include, but are not limited to, gross receipts taxes, excise taxes, Universal Service Fund fees and certain state regulatory fees. Such charges may be presented gross or net based upon the Company's accounting policy election. The Company records certain excise taxes and surcharges on a gross basis and includes them in its revenue and network operations expense. Excise taxes and surcharges billed to customers and recorded on a gross basis (as service revenue and costs of network operations) operations expense) were $14.6 million $20.5 million and $4.1 million $4.2 million for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively, and $29.8 million and $11.3 million for the nine months ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively.

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Basic and diluted net income per common share

Basic earnings per share (“EPS”) excludes dilution for common stock equivalents and is computed by dividing net income or (loss) available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of common stock outstanding during each period, adjusted for the effect of dilutive common stock equivalents. Shares of restricted stock are included in the computation of basic EPS as they vest and are included in diluted EPS, to the extent they are dilutive, determined using the treasury stock method.

The following details the determination of diluted weighted-average shares:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Weighted-average common shares - basic	47,227,338	46,736,742	47,234,025	46,759,632
Dilutive effect of stock options	—	—	15,713	17,668
Dilutive effect of restricted stock	—	—	374,971	320,280
Weighted-average common shares - diluted	47,227,338	46,736,742	47,624,709	47,097,580

The following details unvested shares of restricted common stock as well as the anti-dilutive effects of stock options and restricted stock awards outstanding:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Unvested shares of restricted common stock	1,395,258	1,271,441	1,395,258	1,271,441		
Anti-dilutive options for common stock	125,643	113,376	112,048	43,648		
Anti-dilutive shares of restricted common stock	106,125	637,028	90,768	827		
Weighted-average common shares - basic					47,416,268	47,037,091
Dilutive effect of stock options					—	16,299
Dilutive effect of restricted stock					—	327,836
Weighted-average common shares - diluted					47,416,268	47,381,226

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The following details unvested shares of restricted common stock as well as the anti-dilutive effects of stock options and restricted stock awards outstanding:

	Three Months Ended	Three Months Ended

	March 31, 2024	March 31, 2023
Unvested shares of restricted common stock	1,602,845	1,261,342
Anti-dilutive options for common stock	194,990	100,777
Anti-dilutive shares of restricted common stock	115,341	137,892

Stockholders' (Deficit) Equity

The following details the changes in stockholders' (deficit) equity for the three and nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, respectively (in thousands except share data):

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockhol
	Shares	Amount	Capital	Income (Loss)	Deficit	Equity (Deficit)	Shares	Amount	Capital	Income (Loss)	Deficit	Defic
Balance at June 30, 2022	**48,003,724**	**$ 48**	**$ 561,161**	**$ (20,661)**	**$ (980,729)**	**$ (440,181)**						
Balance at December 31, 2022							**48,013,330**	**$ 48**	**$ 575,064**	**$ (19,156)**	**$ (1,074,588)**	**$ (518,**
Forfeitures of shares granted to employees	(14,492)	—	—	—	—	—	(6,509)	—	—	—	—	
Equity-based compensation	—	—	6,812	—	—	6,812	—	—	7,315	—	—	7,
Foreign currency translation	—	—	—	(7,752)	—	(7,752)	—	—	—	1,788	—	1,
Issuances of common stock	10,748	—	—	—	—	—	286,762	—	—	—	—	
Exercises of options	2,155	—	92	—	—	92	3,299	—	145	—	—	
Dividends paid	—	—	—	—	(42,729)	(42,729)	—	—	—	—	(45,311)	(45,
Net (loss)	—	—	—	—	(8,007)	(8,007)						
Balance at September 30, 2022	**48,002,135**	**$ 48**	**$ 568,065**	**$ (28,413)**	**$ (1,031,465)**	**$ (491,765)**						
Net income							—	—	—	—	6,148	6,
Balance at March 31, 2023							**48,296,882**	**$ 48**	**$ 582,524**	**$ (17,368)**	**$ (1,113,751)**	**$ (548,**

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income (Loss)	Deficit	Equity (Deficit)
Balance at June 30, 2023	**48,617,162**	**$ 49**	**$ 589,573**	**$ (15,627)**	**$ (34,795)**	**$ 539,200**
Forfeitures of shares granted to employees	(27,061)	—	—	—	—	—
Equity-based compensation	—	—	8,519	—	—	8,519
Foreign currency translation	—	—	—	(4,134)	—	(4,134)
Issuances of common stock	14,400	—	—	—	—	—
Exercises of options	7,881	—	402	—	—	402
Dividends paid	—	—	—	—	(45,136)	(45,136)

	Shares		Amount		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Accumulated Deficit		Total Stockholders' Equity (Deficit)
Net (loss)	—		—		—		—		(56,723)		(56,723)
Balance at September 30, 2023	**48,612,382**	**$**	**49**	**$**	**598,494**	**$**	**(19,761)**	**$**	**(136,654)**	**$**	**442,128**

	Common Stock										
	Shares		Amount		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Accumulated Deficit		Total Stockholders' Equity (Deficit)
Balance at December 31, 2021	**47,674,189**	**$**	**48**	**$**	**547,734**	**$**	**(11,003)**	**$**	**(909,877)**	**$**	**(373,098)**
Forfeitures of shares granted to employees	(66,857)		—		—		—		—		—
Equity-based compensation	—		—		19,905		—		—		19,905
Foreign currency translation	—		—		—		(17,410)		—		(17,410)
Issuances of common stock	384,028		—		—		—		—		—
Exercises of options	10,775		—		426		—		—		426
Dividends paid	—		—		—		—		(125,882)		(125,882)
Net income	—		—		—		—		4,294		4,294
Balance at September 30, 2022	**48,002,135**	**$**	**48**	**$**	**568,065**	**$**	**(28,413)**	**$**	**(1,031,465)**	**$**	**(491,765)**

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	Common Stock									
	Shares		Amount	Additional Paid-in Capital		Other Comprehensive Income (Loss)		Accumulated Deficit		Total Stockholders' Equity (Deficit)
Balance at December 31, 2022	**48,013,330**	**$**	**48**	**$575,064**	**$**	**(19,156)**	**$**	**(1,074,588)**	**$**	**(518,632)**
Forfeitures of shares granted to employees	(38,891)		—	—		—		—		—
Equity-based compensation	—		—	22,643		—		—		22,643
Foreign currency translation	—		—	—		(605)		—		(605)
Issuances of common stock	621,592		1	—		—		—		1
Exercises of options	16,351		—	787		—		—		787
Dividends paid	—		—	—		—		(135,354)		(135,354)
Net income	—		—	—		—		1,073,288		1,073,288

	Common Stock										
	Shares		Amount		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Accumulated Equity (Deficit)		Total Stockhol Equity
Balance at December 31, 2023	**48,608,569**	**$**	**49**	**$**	**606,755**	**$**	**(14,385)**	**$**	**17,137**	**$**	**609,5**
Forfeitures of shares granted to employees	(37,379)		—		—		—		—		
Equity-based compensation	—		—		7,616		—		—		7,6
Foreign currency translation	—		—		—		(5,034)		—		(5,0
Issuances of common stock	439,090		—		—		—		—		
Exercises of options	3,207		—		164		—		—		1
Dividends paid	—		—		—		—		(46,351)		(46,3

Balance at September 30, 2023	**48,612,382**	**$ 49**	**$598,494**	**$ (19,761)**	**$ (136,654)**	**$ 442,128**						
Net loss							—	—	—	—	(65,307)	(65,3
Balance at March 31, 2024							**49,013,487**	**$ 49**	**$614,535**	**$ (19,419)**	**$ (94,521)**	**$ 500,**

Revenue recognition

The Company recognizes revenue under ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Under ASC 606, installation fees for contracts with terms longer than month-to-month are recognized over the contract term. The Company believes that the installation fee does not give rise to a material right as defined by ASC 606 for contracts with terms longer than month-to-month. The Company recognizes revenue over the estimated average customer life for installation fees associated with month-to-month contracts, because the installation fee represents a material right as defined by ASC 606. The Company capitalizes certain contract acquisition costs that relate directly to a customer contract, including commissions paid to its sales team and sales agents, and amortizes these costs on straight-line basis over the period the services are transferred to the customer for commissions paid to its sales team (estimated customer life) and over the remaining original contract term for agent commissions. Management assesses these costs for impairment at least quarterly and as "triggering" events occur that indicate it is more likely than not that an impairment exists.

The Company's service offerings consist primarily of on-net and off-net telecommunications services. Fixed fees are billed monthly in advance and usage fees are billed monthly in arrears. Amounts billed are due upon receipt and contract lengths range from month to month to 60 months. The Company satisfies its performance obligations to provide services to customers over time as the services are rendered. In accordance with ASC 606, revenue is recognized when a customer obtains the promised service. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. The Company has adopted the practical expedient related to certain performance obligation disclosures since it has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

To achieve this core principle, the Company follows the following five steps:

1) Identification of the contract, or contracts with a customer

2) Identification of the performance obligations in the contract

3) Determination of the transaction price

4) Allocation of the transaction price to the performance obligations in the contract contract; and

5) Recognition of revenue when, or as, the Company satisfies its performance obligations

Fees billed in connection with customer installations are deferred (as deferred revenue) and recognized as noted above. To the extent a customer contract is terminated prior to its contractual end the customer is subject to termination fees. The Company vigorously seeks payment of these termination fees. The Company recognizes revenue for termination fees as they are collected. Deferred revenue recognized and contract cost amortization were as follows:

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Service revenue recognized from balance at beginning of period	$ 4,162	$ 1,829	$ 6,603	$ 4,408	$ 3,085	$ 1,805
Amortization expense for contract costs	4,884	4,864	14,435	14,520	4,733	4,823

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (“ASU 2016-02”). ASU 2016-02 replaced most existing lease accounting guidance. The operating lease liability under ASU 2016-02 is not considered a liability under the consolidated leverage ratio calculations in the indentures governing the Company’s senior unsecured and senior secured note obligations. The Company has made an accounting policy election to not apply the recognition requirements of ASU 2016-02 to its short-term leases - leases with a term of one year or less. The Company has also elected to apply certain practical expedients under ASU 2016-02 including not separating lease and non-lease components on its finance and operating leases.

(Amounts in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Finance lease cost				
Amortization of right-of-use assets	$ 27,172	$ 7,188	$ 44,598	$ 21,186
Interest expense on finance lease liabilities	11,609	5,382	24,604	15,579
Operating lease cost	20,784	4,547	53,096	13,948
Total lease costs	$ 59,565	$ 17,117	$ 122,298	$ 50,713

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Other lease information (amounts in thousands)		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ (23,081)	$ (13,478)
Operating cash flows from operating leases	(54,628)	(14,165)
Financing cash flows from finance leases	(58,549)	(20,958)
Right-of-use assets obtained in exchange for new finance lease liabilities	217,782	74,633
Right-of-use assets obtained in exchange for new operating lease liabilities	9,632	10,498
Weighted-average remaining lease term — finance leases (in years)	11.7	13.1
Weighted-average remaining lease term — operating leases (in years)	11.5	17.8
Weighted-average discount rate — finance leases	7.6 %	8.6 %
Weighted-average discount rate — operating leases	8.0 %	5.4 %

(Amounts in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Finance lease cost		
Amortization of right-of-use assets	$ 11,564	$ 8,968
Interest expense on finance lease liabilities	10,411	6,430
Operating lease cost	24,251	4,582
Total lease costs	$ 46,226	$ 19,980

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	Three months Ended March 31, 2024	Three months Ended March 31, 2023
Other lease information (amounts in thousands)		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	$ (10,419)	$ (5,136)
Operating cash flows from operating leases	(24,729)	(4,957)
Financing cash flows from finance leases	(23,235)	(9,450)
Right-of-use assets obtained in exchange for new finance lease liabilities	54,423	25,871
Right-of-use assets obtained in exchange for new operating lease liabilities	5,151	363
Weighted-average remaining lease term — finance leases (in years)	14.2	13.4
Weighted-average remaining lease term — operating leases (in years)	12.3	16.1
Weighted-average discount rate — finance leases	7.7 %	8.8 %
Weighted-average discount rate — operating leases	8.1 %	5.4 %

Finance leases—fiber lease agreements

The Company has entered into lease agreements with numerous providers of dark fiber under indefeasible-right-of use agreements (“IRUs”). These IRUs typically have initial terms of 15- 20 years and include renewal options after the initial lease term. The Company establishes the number of renewal option periods used in determining the lease term based upon its assessment at the inception of the lease of the number of option periods for which failure to renew the lease imposes a penalty in such amount that renewal appears to be reasonably certain. The option to renew may be automatic, at the option of the Company or mutually agreed to between the dark fiber provider and the Company. Once the Company has accepted the related fiber route, leases that meet the criteria for treatment as finance leases are recorded as a finance lease obligation and an IRU asset. The interest rate used in determining the present value of the aggregate future minimum lease payments is the Company’s incremental borrowing rate for the reasonably certain lease term. The implicit rates within the Company’s operating leases are generally not determinable and the Company determines its incremental borrowing rate for each lease using its current borrowing rate, adjusted for various factors including the level of collateralization and term to align with the term of the lease. The determination of the Company’s incremental borrowing rate requires some judgment. Finance lease assets are included in property and equipment in the Company’s condensed consolidated balance sheets. As of September 30, 2023 March 31, 2024, the Company had committed to additional dark fiber IRU lease agreements totaling $167.0 million $267.9 million in future payments to be paid over periods of up to 20 years. These obligations begin when the related fiber is accepted, which is generally expected to occur in the next 12 months.

Operating leases

The Company leases office space, rights-of-way and certain data center facilities under operating leases. In certain cases, the Company also enters into short-term operating leases for dark fiber. Right-of-use assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments under the lease. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the reasonably certain lease term. The implicit rates within the Company’s operating leases are generally not determinable, and the Company uses its incremental borrowing rate at the lease commencement date to determine the present value of its lease payments. The determination of the Company’s incremental borrowing rate requires some judgment. The Company determines its incremental borrowing rate for each lease using its current borrowing rate, adjusted for various factors, including the level of collateralization and term, to align with the term of the lease. Certain of the Company’s leases include options to extend or terminate the lease. The Company establishes the number of renewal option periods used in determining the operating lease term based upon its assessment at the inception of the operating lease of the number of option periods for which failure to renew the lease imposes a penalty in such amount that renewal appears to be reasonably certain. The option to renew may be automatic, at the option of the Company or mutually agreed to between the landlord or dark fiber provider and the Company. Once the Company has accepted the related fiber route or the facility lease term has begun, the present value of the aggregate future minimum operating lease payments is recorded as an operating lease liability and a right-of-use leased asset. Lease incentives, deferred rent liabilities and unfavorable lease liabilities for facilities operating leases are presented with, and netted against, the right-of-use leased asset. Lease expense for lease payments is recognized on a straight-line basis over the term of the lease.

The future minimum payments under these operating lease and finance lease agreements are as follows (in thousands):

For the Twelve Months Ending September 30,	Operating Leases	Finance Leases
2024	$ 79,748	$ 98,781
2025	65,233	95,718
2026	57,698	90,501
2027	52,672	51,445
2028	48,076	39,629
Thereafter	309,365	369,232
Total minimum lease obligations	612,792	745,306
Less—amounts representing interest	(213,381)	(262,129)
Present value of minimum lease obligations	399,411	483,177
Current maturities	(68,418)	(63,236)
Lease obligations, net of current maturities	$ 330,993	$ 419,941

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The future minimum payments under these operating lease and finance lease agreements are as follows (in thousands):

For the Twelve Months Ending March 31,	Operating Leases	Finance Leases
2025	$ 76,442	$ 102,776
2026	60,457	95,730
2027	56,365	81,476
2028	50,945	43,628
2029	47,567	41,953
Thereafter	318,997	503,234
Total minimum lease obligations	610,773	868,797
Less—amounts representing interest	(223,322)	(351,281)
Present value of minimum lease obligations	387,451	517,516
Current maturities	(66,553)	(64,043)
Lease obligations, net of current maturities	$ 320,898	$ 453,473

Unfavorable lease liabilities

In connection with the Transaction, the Company recorded $147.5 million $157.2 million of unfavorable lease liabilities for leases with terms greater than current market rates. The liability is classified with the corresponding right-of-use lease assets and is being amortized into the condensed consolidated statement of comprehensive (loss) income in the same line items as the activity for the corresponding right-of-use lease assets. For the three and nine months ended September 30, 2023 March 31, 2024 the Company amortized $9.7 million and $16.2 million, respectively, $2.4 million as a reduction to network operations expenses. expenses and $8.9 million as a reduction to depreciation expense.

Allowance for credit losses

As of January 1, 2020, the Company maintained an allowance for credit losses to cover its current expected credit losses on its trade receivables arising from the failure of customers to make contractual payments. The Company estimates credit losses expected over the life of its trade receivables based on historical information combined with current conditions that may affect a customer's ability to pay and reasonable and supportable forecasts. While the Company uses various credit quality metrics, it primarily monitors collectability by reviewing the duration of collection pursuits on its delinquent trade receivables. Based on the Company's experience, the customer's delinquency status is the strongest indicator of the credit quality of the underlying trade receivables, which is analyzed monthly.

Description	Beginning Balance	Current-period Provision for Expected Credit Losses (a)	Write-offs Charged Against Allowance	Ending Balance	Beginning Balance	Current-period Provision for Expected Credit Losses	Write-offs Charged Against Allowance	Ending Balance
Allowance for credit losses (deducted from accounts receivable) (in thousands)								
Three months ended September 30, 2023	$ 4,882	$ 1,271	$ (1,995)	$ 4,158				
Three months ended September 30, 2022	1,717	1,054	(805)	1,966				
Nine months ended September 30, 2023	2,303	7,833	(5,978)	4,158				
Nine months ended September 30, 2022	1,510	3,059	(2,603)	1,966				
Three months ended March 31, 2024					$ 3,677	$ 2,595	$ (684)	$5,588
Three months ended March 31, 2023					2,303	$ 1,548	$ (1,176)	$2,675

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net bad debt expense (a)	$ 784	$ 500	$ 6,718	$ 1,513
Bad debt recoveries	459	500	1,200	1,506

(a) Net bad debt expense related to the Wireless Business to reestablish an allowance for credit losses was $3.0 million for both the three and nine months ended September 30, 2023. Under ASC 805, accounts receivable are recorded at their book value representing the fair value of accounts receivable at the acquisition date.

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net bad debt expense	$ 2,595	$ 1,215
Bad debt recoveries	296	334

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2. Property and equipment:

Depreciation and amortization expense related to property and equipment and finance leases and capitalized compensation costs of employees directly involved with construction activities were as follows (in thousands): follows:

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Depreciation and amortization expense	$ 86,718	$ 22,891	$ 164,371	$ 68,640
Capitalized compensation cost	11,675	3,002	24,115	9,290

(in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Depreciation and amortization expense	$ 70,842	$ 25,153
Capitalized compensation cost	11,697	3,678

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3. Long-term debt:

As of September 30, 2023 March 31, 2024, the Company had outstanding $450.0 million aggregate principal amount of 2027 Notes and $500.0 million aggregate principal amount of 2026 Notes. The 2027 Notes were issued in June 2022, are due on June 15, 2027 and bear interest at a rate of 7.00% per year. Interest on the 2027 Notes is paid semi-annually on June 15 and December 15 of each year. The 2026 Notes were issued in May 2021, are due on May 1, 2026 and bear interest at a rate of 3.50% per year. Interest on the 2026 Notes is paid semi-annually on May 1 and November 1 of each year. In June 2022, the Company redeemed and extinguished its €350.0 million aggregate principal amount of Senior Unsecured Euro Notes due 2024 (the "2024 Notes"). The 2024 Notes were due on June 30, 2024 and bore interest at a rate of 4.375% per year. Interest on the 2024 Notes was paid semi-annually on June 30 and December 30 of each year.

Limitations under the indentures

The indentures governing the 2027 Notes and the 2026 Notes (the "Indentures"), among other things, limit the Company's ability to incur indebtedness; to pay dividends or make other distributions; to make certain investments and other restricted payments; to create liens; to consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; to incur restrictions on the ability of a subsidiary to pay dividends or make other payments; and to enter into certain transactions with its affiliates. There are certain exceptions to the limitations on the Company's ability to incur indebtedness under the Indentures, including IRU agreements incurred in the normal course of business and any additional indebtedness if the Company's consolidated leverage ratio, as defined in the Indentures, is less than 6.0 to 1.0 or the Company's fixed charge coverage ratio, as defined in the Indentures, is 2.0 to 1.0 or greater. The Company can also incur unlimited liens (which can be used, together with capacity under the debt covenant, to incur additional secured indebtedness) if the Company's consolidated secured leverage ratio, as defined in the Indentures, is less than 4.0 to 1.0. Under the Indentures, the Company can pay dividends, make other distributions, make certain investments and make other restricted payments under certain circumstances, including if, after giving pro forma effect to such restricted payment, the Company could still incur $1 of indebtedness, as defined (i.e., either its consolidated leverage ratio is less than 6.0 to 1.0 or its fixed charge coverage ratio is 2.0 to 1.0 or greater). As of September 30, 2023 March 31, 2024, the Company's consolidated leverage ratio was below 6.0, the Company's consolidated secured leverage ratio was below 4.0 and the Company's fixed charge coverage ratio was above 2.0. As of September 30, 2023 March 31, 2024, a total of $461.8 million $460.1 million (inclusive of a $250.0 million general basket) was unrestricted and permitted for restricted payments, including dividends and stock purchases.

Interest rate swap agreement

As of September 30, 2023 March 31, 2024, the Company was party to an interest rate swap agreement (the "Swap Agreement") that has the economic effect of modifying the fixed interest rate obligation associated with its 2026 Notes to a variable interest rate obligation based on the Secured Overnight Financing Rate ("SOFR") so that the interest payable on the 2026 Notes effectively became variable based on overnight SOFR. The critical terms of the Swap Agreement match the terms of the 2026 Notes, including the notional amount and the optional redemption date on February 1, 2026. The Company did not elect hedge accounting for the Swap Agreement. The Swap Agreement is recorded at its fair value at each reporting period, and the Company incurs gains and losses due to changes in market interest rates. By entering into the Swap Agreement, the Company has assumed the risk associated with variable interest rates. Changes in interest rates affect the valuation of the Swap Agreement that the Company recognizes in its consolidated statements of comprehensive (loss) income. The values that the Company reports for the Swap Agreement as of each reporting date are recognized as "change in valuation – interest rate swap" with the corresponding amounts included in assets or liabilities in the Company's condensed consolidated balance sheets. As of September 30, 2023 March 31, 2024, the fair value of the Swap Agreement was a net liability of $56.4 million $44.8 million, of which $23.9 million $23.2 million is presented with accrued and other current liabilities and $32.5 million $21.6 million is presented with other long-term liabilities. As of December 31, 2022, December 31, 2023 the fair value of the Swap Agreement was a net liability of $52.1 million, $38.7 million of which $20.3 million $21.6 million is presented with accrued and other current liabilities and $31.9 million $17.1 million is presented with other long-term liabilities. In the three months ended September 30, 2023 March 31, 2024 and 2022, three months ended March 31, 2023, the Company recorded an unrealized losses (loss) gain related

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to the Swap Agreement of $4.8 million ($6.2) million and $16.9 million, respectively, and in the nine months ended September 30, 2023 and 2022, the Company recorded unrealized losses related to the Swap Agreement of $4.3 million and $45.7 million $1.8 million, respectively. The Company has made a $57.6 million $45.8 million deposit with the counterparty to the Swap Agreement. If the fair value of the Swap Agreement exceeds a net liability of $57.6 million $45.8 million, the Company will be required to deposit additional funds with the counterparty equal to the net liability fair value. As of September 30, 2023 March 31, 2024, $56.4 million $44.8 million of the deposit was restricted and $1.2 million $1.0 million was unrestricted. As of November 6, 2023, the fair value of the Swap Agreement was reduced to $43.8 million.

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Under the Swap Agreement, the Company pays the counterparty a semi-annual payment based upon overnight SOFR plus a contractual interest rate spread, and the counterparty pays the Company a semi-annual fixed 3.50% interest payment. The settlement payment is made each November and May until the Swap Agreement expires in February 2026. Under the settlement payment made in May 2022, the Company received a payment of $1.2 million from the counterparty for a net cash savings of $1.2 million for the period from November 1, 2021 to April 30, 2022. Under the settlement payment made in November 2022, the Company made a payment of $3.4 million to the counterparty for a net cash interest cost of $3.4 million for the period from May 1, 2022 to October 31, 2022. Under the settlement payment made in May 2023, the Company made a payment of $9.5 million to the counterparty for a net cash interest cost of $9.5 million for the period from November 1, 2022 to April 30, 2023. Under the settlement payment made in November 2023, the Company made a payment of $12.0 million to the counterparty for a net cash interest cost of $12.0 million for the period from May 1, 2023 to October 31, 2023. Under the settlement payment made in May 2024, the Company made a payment of $12.1 million to the counterparty for a net cash interest cost of $12.1 million for the period from November 1, 2023 to April 30, 2024.

4. Commitments and contingencies:

Current and potential litigation

In accordance with the accounting guidance for contingencies, the Company accrues its estimate of a contingent liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Where it is probable that a liability has been incurred and there is a range of expected loss for which no amount in the range is more likely than any other amount, the Company accrues at the low end of the range. The Company reviews its accruals at least quarterly and adjusts them to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular matter. The Company has taken certain positions related to its obligations for leased circuits for which it is reasonably possible could to result in a loss of up to $4.0 $4.1 million in excess of the amount accrued at September 30, 2023 March 31, 2024.

In the ordinary course of business, the Company is involved in other legal activities and claims. Because such matters are subject to many uncertainties and the outcomes are not predictable with assurance, the liability related to these legal actions and claims cannot be determined with certainty. Management does not believe that such claims and actions will have a material impact on the Company's financial condition or results of operations. Judgment is required in estimating the ultimate outcome of any dispute resolution process, as well as any other amounts that may be incurred to conclude the negotiations or settle any litigation. Actual results may differ from these estimates under different assumptions or conditions and such differences could be material.

5. Income taxes:

The components of income (loss) before income taxes consist of the following (in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Domestic	$ (58,402)	$ (3,382)	$ 1,057,523	$ 22,953	$ (79,003)	$ 2,978
Foreign	(11,944)	(3,656)	(17,834)	(8,596)	(5,431)	7,674
Total	$ (70,346)	$ (7,038)	$ 1,039,689	$ 14,357	$ (84,434)	$ 10,652

6. Common stock buyback program and stock options and award plan:

The Company's Board of Directors has approved purchases of shares of the Company's common stock under a buyback program (the "Buyback Program") through December 31, 2024. As of September 30, 2024 March 31, 2024, there was $30.4 million remaining for purchases under the Buyback Program. There were no purchases of common stock in the three months ended March 31, 2024 or the nine months ended September 30, 2023 and 2022. 2023.

During the three months ended March 31, 2023, the Company granted 258,762 shares of restricted stock primarily to its executive employees valued at $16.0 million that primarily vest over periods ending in December 2026. The vesting of 104,850 of these shares is subject to certain performance conditions. Of the total performance shares granted, the vesting of up to 29,334 performance shares granted to the Company's CEO is subject to the total shareholder return of the Company's common stock compared to the total shareholder return of the Nasdaq Telecommunications Index. In connection with the Transaction, the Company granted 308,782 shares of restricted stock to former employees of the Sprint Business and to its employees valued at $19.5 million and that generally vest over a -3 year period.

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In May 2023, the Company's stockholders approved an increase of available shares for issuance under its 2017 Incentive Award Plan of 1.2 million shares.

7. Dividends on common stock:

On November 1, 2023 February 28, 2024, our Board of Directors approved the payment of our first quarter 2024 dividend of $0.965 per share of common stock to holders of record as of March 15, 2024. This $45.8 million dividend payment was paid on April 9, 2024 and is accrued on our condensed consolidated balance sheet as of March 31, 2024. On May 8, 2024, the Company's Board of Directors approved the payment of a quarterly dividend of $0.955 $0.975 per share of common share. stock. This estimated $45.1 million $46.3 million dividend payment is expected to be made paid on December 8, 2023 June 7, 2024.

The payment of any future dividends and any other returns of capital, including stock buybacks will be at the discretion of the Company's Board of Directors and may be reduced, eliminated or increased and will be dependent upon the Company's financial position, results of operations, available cash, cash flow, capital requirements, limitations under the Company's debt indentures and other factors deemed relevant by the Company's Board of Directors. The Company is a Delaware corporation and under the General Corporation Law of the State of Delaware, distributions may be restricted including a restriction that distributions, including stock purchases and dividends, do not result in an impairment of a corporation's capital, as defined under Delaware law. The Indentures limit the Company's ability to return cash to its stockholders.

8. Related party transactions:

Office leases

The Audit Committee of the Company's Company's Board of Directors (the "Audit Committee" "Audit Committee") reviews and approves all transactions with related parties.

The Company's headquarters is located in an office building owned by Sodium LLC whose owner is the Company's Chief Executive Officer, David Schaeffer. The fixed annual rent for the headquarters building is $1.0 million per year plus an allocation of taxes and utilities. The lease began in May 2015, and the lease term was for five years. In February 2020, the lease term was extended to May 2025.The lease is cancellable at no cost by the Company upon 60 days' notice.

On January 6, 2023, the Company entered into two lease agreements (the "New Leases"), one with Thorium LLC ('Thorium" ("Thorium") and one with Germanium LLC ("Germanium"), entities owned by the Company's Chief Executive Officer, David Schaeffer. The first of the New Leases is with Thorium for 54,803 square feet of office space, which serves as office space for the Company replacing a portion of its office space in the Northern Virginia area ("Office Lease"). The second of the New Leases is with Germanium LLC for 1,587 square feet of technical space which serves as network operations space for the Company ("Network Operations Lease"). The term for each of the New Leases is five years beginning on April 1, 2023 (or an actual later date of occupancy). Both of the New Leases are cancellable by the Company without penalty upon 60 days written notice. The Company took occupancy of the office space and network operations space in April 2023. The amount of fixed annual rent during the term of the Office Lease is $1.2 million, and the Company is responsible for paying its proportionate share of the building's operating expenses that exceed a 2023 base year. The amount of fixed annual rent for the Network Operations Lease is $34,914, and the Company is also responsible for paying its metered utility costs and a proportionate share of the building's other operating expenses that exceed a 2023 base year.

On July 25, 2023 the Company entered into a Second Amendment to the lease agreement (the "Amendment"), with Germanium which amends the Network Operations Lease to lease an additional 7,369 square feet on the first floor of the building, beginning on August 1, 2023, in connection with the planned expansion of the technical space. This includes 4,987 square feet for an auditorium suitable for training and 2,382 square feet for the data center in the building. The amended Network Operations Lease remains cancellable by the Company without penalty upon 60 days written notice. The Amendment provides for $162,118 of additional fixed annual rent during the term of the Network Operations Lease, plus a proportionate share of real estate taxes and operating expenses and separately metered utilities expense.

The Company paid $0.9 million and $0.5 million in $0.8 million during the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $2.1 million and $1.4 million in $0.4 million during the three and nine months ended September 30, 2023 and 2022, respectively, March 31, 2023 for rent and related costs (including taxes and utilities) for these leases.

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9. Segment information:

The Company operates as one operating segment. The Company's service revenue by geographic region and product class and long-lived assets by geographic region are as follows (in thousands):

Three Months Ended September 30, 2023					
Revenues	**On-net**	**Off-net**	**Wavelength**	**Non-core**	**Total**
North America	$ 102,103	$ 123,164	2,992	$ 11,400	$ 239,659
Europe	21,913	5,550	—	12	27,475
South America	1,862	287	—	1	2,150
Oceania	4,011	1,945	—	4	5,960
Africa	161	24	—	—	185
Total	$ 130,050	$ 130,970	2,992	$ 11,417	$ 275,429

Three Months Ended September 30, 2022 / Three Months Ended March 31, 2024										
Revenues	**On-net**	**Off-net**	**Wavelength**	**Non-core**	**Total**	**On-net**	**Off-net**	**Wavelengths**	**Non-core**	**Total**
North America	$ 88,298	$ 32,325	—	$ 162	$ 120,785	$108,694	$111,019	$ 3,327	$ 5,879	$228,919
Europe	19,853	3,929	—	8	23,790	23,641	5,339	—	121	29,101
Oceania						4,380	1,561	—	30	5,971
South America	1,358	34	—	—	1,392	1,748	235	—	9	1,992
Oceania	3,530	299	—	—	3,829					
Africa	180	24	—	—	204	161	24	—	—	185
Total	$ 113,219	$ 36,611	—	$ 170	$ 150,000	$138,624	$118,178	$ 3,327	$ 6,039	$266,168

Nine Months Ended September 30, 2023 / Three Months Ended March 31, 2023										
Revenues	**On-net**	**Off-net**	**Wavelength**	**Non-core**	**Total**	**On-net**	**Off-net**	**Wavelengths**	**Non-core**	**Total**
North America	$ 290,622	$ 251,278	4,578	$ 20,069	$ 566,547	$ 88,697	$32,876	$ —	$ 136	$121,709

Europe	65,880	14,640	—	51	80,571	21,847	4,020	—	16	25,883
Oceania						3,755	327	—	9	4,091
South America	5,159	522	—	2	5,683	1,645	33	—	1	1,679
Oceania	11,659	3,719	—	32	15,410					
Africa	536	75	—	—	611	199	27	—	—	226
Total	$ 373,856	$ 270,234	4,578	$ 20,154	$ 668,822	$116,143	$37,283	$ —	$ 162	$153,588

Nine Months Ended September 30, 2022					
Revenues	**On-net**	**Off-net**	**Wavelength**	**Non-core**	**Total**
North America	$ 261,427	$ 95,873	—	$ 475	$ 357,775
Europe	61,807	12,249	—	39	74,095
South America	4,080	150	—	2	4,232
Oceania	9,992	956	—	1	10,949
Africa	523	51	—	—	574
Total	$ 337,829	$ 109,279	—	$ 517	$ 447,625

	September 30, 2023	**December 31, 2022**	**March 31, 2024**	**December 31, 2023**
Long-lived assets, net				
North America	$ 1,637,855	$ 397,434	$1,979,405	$ 1,959,704
Europe and other	154,764	147,005	157,479	163,034
Total	$ 1,792,619	$ 544,439	$2,136,884	$ 2,122,738

The majority of North American revenue consists of services delivered within the United States.

10. Subsequent events:

On May 2, 2024, Cogent IPv4 LLC, a special-purpose, bankruptcy remote, indirect wholly owned subsidiary of the Company (the “Securitization Issuer”), completed a financing transaction pursuant to which it issued $206.0 million aggregate principal amount of secured Internet Protocol version 4 (“IPv4”) address revenue notes (the “Securitization”), consisting of 7.924% Series 2024-1, Class A-2 term notes with a term ending in May 2029, in an offering exempt from registration under the Securities Act of 1933, as amended.

In connection with the consummation of the Securitization, the Company:

(i) transferred or assigned to Group, the co-issuer of the Company’s existing senior notes, or its subsidiaries (a) certain IPv4 addresses (which IPv4 addresses are not included as collateral for the Securitization) held by the Company’s direct subsidiary, Cogent Infrastructure, LLC (formerly Cogent Infrastructure, Inc.) (“Cogent Infrastructure”), or its subsidiaries, (b) certain customer contracts that are unrelated to the Securitization and (c) the equity interests of Cogent Infrastructure’s indirect subsidiary, Sprint Solutions Wireline LLC, including all liabilities and obligations associated therewith;

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(ii) entered into (a) leases on behalf of Cogent Infrastructure or its subsidiaries, as lessor, and Group or its subsidiaries, as lessee, for the use of certain premises held by Cogent Infrastructure of its subsidiaries, and (b) a dark fiber indefeasible right of use agreement in favor of Cogent Group or its subsidiaries for the use of certain fiber optic routes owned by Cogent Infrastructure or its subsidiaries; and

(iii) prior to the transfer of the equity of the Securitization Issuer from Group or its subsidiaries, transferred or assigned to the Securitization Issuer (a) certain IPv4 addresses held by Cogent Group or its subsidiaries and (b) any related customer contracts;

(iv) transferred the equity of the Securitization Issuer from Group or one of its subsidiaries to Cogent Infrastructure or one of its subsidiaries; and

(v) following the transfer of the equity of the Securitization Issuer to Cogent Infrastructure or one of its subsidiaries, transferred or assigned to the Securitization Issuer (a) certain IPv4 addresses held by Cogent Infrastructure or its subsidiaries and (b) any related customer contracts;

in each case, in amounts of substantially equivalent value and delivered by the Company to Group or Cogent Infrastructure, as applicable, as a contribution to capital. For the avoidance of doubt, following the consummation of the foregoing, the Securitization Issuer became an indirect subsidiary of Cogent Infrastructure and holds the IPv4 addresses contributed to it by Group, Cogent Infrastructure and/or their respective subsidiaries in connection with the foregoing.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis together with our condensed consolidated financial statements and related notes included in this report. The discussion in this report contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. The cautionary statements made in this report should be read as applying to all related forward-looking statements wherever they appear in this report. Factors that could cause or contribute to these differences include those discussed in "Item 1A. Risk Factors," as well as those discussed elsewhere. You should read "Item 1A. Risk Factors" and "Special Note Regarding Forward-Looking Statements." Our actual results could differ materially from those discussed here. Factors that could cause or contribute to these differences include, but are not limited to:

Our acquisition of Sprint Communications (as defined below), including difficulties integrating our business with the Sprint Business, which may result in the combined company not operating as effectively and efficiently as expected; transition services required Risks related to support the Sprint Business and the related costs continuing for a period longer than expected, the COVID-19 pandemic and accompanying government policies worldwide; pandemic; vaccination and in-office requirements, in office requirements; delays in the delivery of network networking equipment and other services from certain vendors; economic risks; reductions in our prices in an inflationary economy; events beyond our control that result in an inability to provide services to customers or optical fiber, loss increase the costs or reduce the profitability of key right-of-way agreements, future economic instability in the global economy, including the risk of economic recession and recent bank failures and liquidity concerns at certain other banks, which could affect spending on Internet services; the impact of changing foreign exchange rates (in particular the Euro to US dollar and Canadian dollar to US dollar exchange rates) on the translation of our non-US dollar denominated revenues, expenses, assets and liabilities into US dollars; legal and operational difficulties in new markets; the imposition of a requirement that we contribute to the US Universal Service Fund on the basis of our Internet revenue; changes in government policy and/or regulation, including rules regarding data protection, cyber security and net neutrality; increasing competition leading to lower prices for our providing services; our ability to realize the anticipated benefits of the acquisition of the Sprint Business (as defined below) and difficulty integrating the Sprint Business; our ability to retain existing customers and continue to add new customers; shifts to remote work impacting our ability to retain and add customers; vacancy rates in our buildings; our ability to efficiently manage growth; our ability to retain existing enterprise customers, maintain the level of services provided to enterprise customers or attract new customers enterprise customers; reduction of the attractiveness of our business due to certain employees desiring to work remotely; our to successfully make or integrate acquisitions or enter into strategic alliances; risks related to data center expansions; risks related to environmental, social and to increase and maintain the volume of traffic on governance matters; our network; the ability to maintain relationships with other network providers; competition in our industry; the potential for the telephone companies and cable companies to provide better delivery of certain Internet peering content; cybersecurity risks; the ability of our information systems to support our customers, network operations, sales, billing and right-of-way arrangements on favorable terms; financial reporting; our insurance coverage may be insufficient; the lack of a Legacy Registration Services Agreement with the American Registry for Internet Numbers or any other regional Internet registry with respect to a substantial portion of our IPv4 addresses; our ability to renew obtain or maintain the agreements necessary to augment or maintain the Company's network; delays and problems of our long-term leases off-net business; interruptions of optical services from fiber and right-of-way agreements that comprise our network; our providers; increased reliance on agreements with landowners; risks related to climate change; risks related to maintaining and repairing our owned fiber network; risks related to the our network infrastructure equipment being manufactured or provided by a limited number of equipment vendors, and network infrastructure vendors; risks related to international operations; liabilities for the potential for hardware or software problems associated with such equipment; the dependence of content disseminated through our network or for network failures, delays or errors in transmissions; risks related to privacy regulations and changes in laws, rules and enforcement; difficulties in censoring content on the quality and dependability of third-party fiber and right-of-way providers; our ability to retain certain customers that comprise a significant portion of our revenue base; the management of network failures and/or disruptions; Internet; tax risks; our ability to make payments on our indebtedness as they become due, our ability to incur more debt, restrictions on our business contained in the agreements governing our debt obligations, our ability to service our indebtedness, and outcomes risks related to our cash and cash equivalents held at financial institutions in litigation, risks associated with variable interest rates under our Swap Agreement amounts in *excess of insured limits, as well as other risks discussed from time to time in our filings with the Securities and Exchange Commission, including, without limitation, this report and our quarterly reports on Form 10-Q for the quarterly periods ended March 31, 2023 and June 30, 2023 and our annual report Annual Report on Form 10-K for the year ended December 31, 2022.*

General Overview

We are a facilities-based provider of low-cost, high-speed Internet access, private network services, December 31, 2023, and data center colocation space and power. Our network is specifically designed and optimized to transmit packet switched data. We deliver our services primarily to small and medium-sized businesses, communications service providers and other bandwidth-intensive organizations in 54 countries across North America, Europe, South America, Oceania and Africa. We are a Delaware corporation, and we are headquartered in Washington, DC.

We offer on-net Internet access services exclusively through our own facilities, which run from our network to our customers' premises. We offer our on-net services to customers located in buildings that are physically connected to our network. As a result, we are not dependent Quarterly Reports on local telephone companies or cable TV companies to serve our customers for our on-net Internet access and private network service. Our on-net service consists of high-speed Internet access and private network services offered at speeds ranging from 100 megabits per second ("Mbps") to 400 gigabits per second ("Gbps").

Our on-net revenues represented 47.2% of our revenues for the three months ended September 30, 2023, 75.5% of our revenues for the three months ended September 30, 2022, 55.9% of our revenues for the nine months ended September 30, 2023 and 75.5% of our revenues for the nine months ended September 30, 2022. We provide our on-net Internet access and private network services to our corporate, net-centric and enterprise customers. Our corporate customers are located in multi-tenant office buildings ("MTOB's") which typically include law firms, financial services firms, advertising and marketing firms, as well as health care providers, educational institutions and other professional services businesses. Our net-centric customers include bandwidth-intensive users that leverage our network either to deliver content to end users or to provide access to residential or commercial internet users. Content delivery customers include over the top ("OTT") media service providers, content delivery networks, web hosting companies, and commercial content and application software providers. Our net-centric customers include 7,971 access networks comprised of other Internet service providers ("ISPs"), telephone companies, mobile phone operators and cable television companies that

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collectively provide internet access to a substantial number of broadband subscribers and mobile phone subscribers across the world. These net-centric customers generally receive our services in carrier neutral colocation facilities and in our data centers. We expanded selling our services to enterprise customers in connection with our acquisition of the Sprint Business. We define "enterprise" customers as large corporations (typically, Fortune 500 companies with greater than $5 billion in annual revenue) running Wide Area Networks ("WAN") with several dozen to several hundred sites. Our enterprise customers generally purchase our services on a price per location basis. We operate data centers throughout North America and Europe that allow our customers to collocate their equipment and access our network.

In addition to providing our on-net services, we provide Internet access and private network services to customers that are not located in buildings directly connected to our network. We provide these off-net services primarily to corporate customers using other carriers' circuits to provide the "last mile" portion of the link from the customers' premises to our network. Our off-net revenues represented 47.6% of our revenues for the three months ended September 30, 2023, 24.4% of our revenues for the three months ended September 30, 2022, 40.4% of our revenues for the nine months ended September 30, 2023 and 24.4% of our revenues for the nine months ended September 30, 2022.

Wavelength and Optical Transport Services

In connection with our acquisition of the Sprint Business, we expanded our offerings of optical wavelength services and optical transport services over our fiber network. We are selling these wavelength services to our existing customers, customers of Sprint Communications and to new customers who require dedicated optical transport connectivity without the capital and ongoing expenses associated with owning and operating network infrastructure. We are increasing the number of locations where we can sell wavelength services to meet customer demand. Revenues related to our optical wavelength services were $3.0 million and $4.6 million for the three and nine months ended September 30, 2023, respectively.

We also provide certain non-core services because of certain acquisitions, including our acquisition of the Sprint Business. We continue to support but do not actively sell these non-core services. We expect that our revenues from non-core services will decline. Our non-core revenues represented 4.2% of our revenues for the three months ended September 30, 2023, 0.1% of our revenues for the three months ended September 30, 2022, 3.0% of our revenues for the nine months ended September 30, 2023 and 0.1% of our revenues for the nine months ended September 30, 2022. Form 10-Q.

Acquisition of Sprint Communications

On May 1, 2023 (the "Closing Date"), Cogent Infrastructure, LLC (formerly Cogent Infrastructure, Inc.), a Delaware corporation and our direct wholly owned subsidiary, closed on its acquisition of the U.S. long-haul fiber network (including the non-U.S. extensions thereof) of Sprint Communications and its subsidiaries Subsidiaries (the "Sprint Business") in accordance with the terms and conditions of the Membership Interest Purchase Agreement (the "Purchase Agreement"), dated September 6, 2022, by and among us, Sprint Communications LLC, a Kansas limited liability company ("Sprint Communications") and an indirect wholly owned subsidiary of T-Mobile US, Inc., a Delaware corporation ("T-Mobile"), and Sprint LLC, a Delaware limited liability company and an indirect wholly owned subsidiary of T-Mobile (the "Seller"). On the Closing Date, we purchased from the Seller all of the issued and outstanding membership interests (the "Purchased Interests") of Wireline Network Holdings LLC, a Delaware limited liability company that, following an internal restructuring and divisive merger, holds Sprint Communications' assets and liabilities relating to the Sprint Business (such transactions contemplated by the Purchase Agreement, collectively, the "Transaction").

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Purchase Price

The Transaction closed on May 1, 2023 (the "Closing Date"). On the Closing Date, we consummated the Transaction pursuant to the terms of the Purchase Agreement, providing a purchase price of $1 payable to the Seller for the Purchased Interests, subject to customary adjustments, including working capital (the "Working Capital Adjustment"), as set forth in the Purchase Agreement. As consideration for the Purchased Interests, the Working Capital Adjustment (primarily related to acquired cash and cash equivalents of an estimated $43.4 million at the Closing Date in order to fund the international operations of the Sprint Business) was $66.1 million, of which $61.1 million was paid to the Seller on the Closing Date. During the third quarter of 2023, an additional Working Capital Adjustment of $5.0 million was accrued due to the Seller. In April 2024, the additional $5.0 million Working Capital Adjustment was paid to the Seller.

The Purchase Agreement also includes an estimated payment of $52.3 million $28.1 million ($19.8 million net of discount) from Seller to Buyer related to acquired short-term lease obligations (the "Short-term Lease Payment"). After further analysis, the Short-term Lease Payment was reduced by $4.8 million from $57.1 million at June 30, 2023 to $52.3 million at September 30, 2023. The Short-term Lease Payment will be paid from

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the Seller to us the Company in four equal payments in months 55 to 58 after the Closing Date. The Short-term Lease Payment was recorded at its present value resulting in a discount of $15.6 million $8.4 million. The interest rate used in determining the present value was derived considering rates on similar issued debt instruments with comparable durations, amongst other market factors. The determination of the discount rate requires some judgment. The During the third quarter of 2023, the Short-term Lease Payment was reduced by $4.8 million and in the first quarter of 2024 the Short-term Lease Payment was reduced by an additional $17.0 million, net of discount of $7.2 million. Including the cumulative impact of the first quarter 2024 adjustment, the amortization of the discount resulted in interest income expense of $0.7 million and $1.2 million $0.5 million for the three and nine months ended September 30, 2023, respectively. A March 31, 2024.

The Purchase Agreement also includes reimbursement from Seller to Buyer for qualifying severance expenses incurred, which were $4.3 million in the three months ended March 31, 2024 and $16.2 million in the year ended December 31, 2023. The final determination of the Working Capital Adjustment and the Short-term Lease Payment is expected by was completed in April 2024 and the end of 2023. Company paid the Seller $5.0 million for the remaining Working Capital Adjustment.

IP Transit Services Agreement

On the Closing Date, Cogent Communications, LLC (formerly Cogent Communications, Inc. and) T-Mobile USA, Inc., a Delaware corporation and direct subsidiary of T-Mobile ("TMUSA"), entered into an agreement for IP transit services ("IP Transit Services Agreement"), pursuant to which TMUSA will pay us an aggregate of $700.0 million, consisting of (i) $350.0 million in equal monthly installments of $29.2 million per month during the first year after the Closing Date and (ii) $350.0 million in equal monthly installments of $8.3 million per month over the subsequent 42 months. We concluded that the $700.0 million cash consideration was not separately identifiable from the business combination. As a result, the IP Transit Services Agreement was recorded in connection with the Transaction. During the three and nine months ended March 31, 2024, TMUSA paid us $87.5 million and $116.7 million, respectively, under the IP Transit Agreement. On October 3, 2023 an additional $29.2 million payment was received. On November 2, 2023, an additional $29.2 million payment was received.

Transition Services Agreement

On the Closing Date, we the Buyer entered into a transition services agreement (the "TSA") with the Seller, pursuant to which the Seller will provide to us, the Buyer, and we the Buyer will provide to the Seller on an interim basis following the Closing Date, certain specified services (the "Transition Services") to ensure an orderly transition following the separation of the Sprint Business from Sprint Communications. The services to be provided by the Seller to us the Buyer include, among others, information technology support, back office and finance, real estate and facilities, vendor and supply chain management, including payments to vendors the payment and processing of vendor invoices for the Sprint Business for us reimbursed at cost Company and human resources. The services to be provided by us the Buyer to the Seller include, among others, information technology and network support, finance and back office and other wireless business support.

The Transition Services are generally intended to be provided for a period of up to two years following the Closing Date, although such period may be extended for an additional one-year term by either party upon 30 days' prior written notice. The fees for the Transition Services are calculated using either a per service monthly fee or an hourly rate for the employees allocated to provide such services. Any third-party costs incurred in providing the Transition Services are passed on to the party receiving such services at cost for the two-year period and period. Amounts paid for the Sprint Business by T - Mobile are reimbursed at cost plus 20 percent, if the TSA is extended. cost.

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Either party to the TSA may terminate the agreement (i) with respect to any individual service in full for convenience upon 30 days' prior written notice for certain services and reduced for other services after a 90-day period. The TSA may be terminated in its entirety if the other party has failed to perform any of its material obligations and such failure is not cured within 30 days. The TSA provides for customary indemnification and limits on liability. Amounts billed under the TSA are due 30 days from receipt of the related invoice. During the three and nine months ended September 30, 2023 we were March 31, 2024, the Company was billed $101.2 million and $218.0 million $16.7 million as due to the Seller under the TSA, respectively, primarily for reimbursement at cost of payment payments to vendors of the Sprint Business. During the three and nine months ended September 30, 2023 we March 31, 2024, the Company paid $153.1 million $78.5 million to the Seller under the TSA. Amounts TSA that included payments for amounts billed under the TSA are due 30 days from receipt of the related invoice. in 2023. As of September 30, 2023 March 31, 2024, we the Company owed $69.6 million $5.8 million to the Seller and the Seller owed $16.8 million $3.2 million to us the Company under the TSA. TSA agreement. The amounts due to the Seller are primarily reimbursements for payments to Sprint Business vendors paid by the Seller for the Company until these vendors are fully transitioned to the Company. The amounts due from the Seller are primarily reimbursements for severance costs related to Sprint Business employees and services provided by the Company for the Seller.

Other Services Provided to Seller

In addition, on the Closing Date, we the Buyer and TMUSA entered into a commercial agreement with TMUSA ("Commercial (the "Commercial Agreement") for colocation and connectivity services, pursuant to which we the Company will provide such services to TMUSA for a per service monthly fee plus certain third-party costs incurred in providing the services. During the three and nine months ended September 30, 2023 we March 31, 2024, the Company recorded $8.0 million and $15.3 million, respectively, $3.2 million from TMUSA as service revenue under the Commercial Agreement. As of September 30, 2023 March 31, 2024, TMUSA owed $3.2 million $20.0 million to us the Company under the Commercial Agreement. These amounts are included in accounts receivable.

Page 26*Acquisition-Related Costs*

In connection with the Transaction and negotiation of 48

Table the Purchase Agreement, the Company has incurred a total of Contents$9.2 million of professional fees and other acquisition related costs and $20.6 million of reimbursed severance costs. For the three months ended March 31, 2024 such professional fees and other acquisition related costs and reimbursed severance costs were $4.7 million and $4.3 million, respectively.

Competitive Advantages

We believe we address many of the data communications needs of small businesses large and medium-sized businesses, small, communications service providers and other bandwidth-intensive organizations by offering them high-quality, high-speed Internet access and private network services at attractive prices. With After our acquisition of the Sprint Business, we began offering services to larger enterprise customers. We believe that our organization has the following competitive advantages:

Low Cost of Operation: We believe that the wireline telecom industry is undergoing, and will continue to face, significant price deflation for its applications and services. This price deflation is a result of a variety of factors including increased competition, enhanced substitutability of certain products and services and the continued impact of Moore's Law, which has driven down the cost of technology, particularly for fiber optic Wavelength Division Multiplexing ("WDM") equipment and optically interfaced routers. Faced with the backdrop of continued price deflation in our industry, we have made a series of discreet choices around our network design, operating strategy and product offerings that are consistent with our objective of becoming the low cost operator in our industry. Since our initiation of operations, this strategy has resulted in a rapid decline in our cost to transmit bits, which has increased our margins and decreased our capital intensity as measured by our capital expenditures per total revenues. Over the last five fiscal years, our cost of goods sold per bit delivered for our customers has declined at a compounded annual rate of 21.0%. Important components of our low cost operating strategy include:

- *One Network Protocol*. Upon our founding, we selected to operate our network solely using Ethernet protocol. We made this selection in order to take advantage of the significantly greater installed base and lower cost of Ethernet network equipment versus other protocols, the substantially lower costs associated with operating and maintaining one network protocol and the continued benefits of the rapid price performance ratio improvements of Ethernet-related equipment. Our single network design protocol allows us to avoid many of the costs that our competitors who operate circuit-switched, time-division multiplexing ("TDM") and hybrid fiber coaxial networks incur related to provisioning, monitoring and maintaining multiple transport protocols. Selecting one operating protocol has also had positive effects in terms of our operating overhead and the simplicity of our organization. We believe the vast majority of our competition currently operates their networks with multiple protocols and we believe that attempts to upgrade their networks to one protocol would be operationally challenging and costly.

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- *Widespread Access to Fiber on a Cost Effective, Long-Term Basis Our Network*. We have acquired a large portfolio of dark fiber leases from over 325 dark fiber vendors from around the world sourced from the excess inventory of existing networks. This choice to lease rather than build reduces our capital intensity and the operating costs of our intercity and metro networks. The nature of this portfolio and the individual leases provide us long-term access to dark fiber at attractive rates and, in many cases, the opportunity to extend these leases for multiple terms. On average, a modest number of our dark fiber leases come up for renewal each year. We have relationships In addition, with over 320 our acquisition of the Sprint Business, we now own a nationwide domestic fiber network (the "Sprint Network"). Acquiring the Sprint Network allows us to capitalize on the benefits of owning network without significant upfront capital investment. The Sprint Network is mostly complementary to our existing leased dark fiber vendors across the globe, enabling network, offers unique geographic routes and will allow us to lease reduce our reliance on leased dark fiber. This strategic combination of owned and leased dark fiber on will help to ensure a long-term, cost-effective basis robust and reliable network and enables us to connect via dark fiber to virtually any geographic route or facility we require. The acquisition of the Sprint fiber network provides us significant additional fiber assets require on a long-term, cost-effective basis.

- *Narrow and Focused Product Set*. Since our founding, we have strategically focused on delivering a very narrow product set to our customers. The vast majority of our revenue is driven by or related to our high-capacity, bi-directional, symmetric internet Internet access services which can be accessed on-net in MTOBs multi-tenant office buildings ("MTOBs") and carrier neutral data centers ("CNDCs") or off-net through other carriers' "last mile" connections to customer facilities. The addition of optical wave and optical transport services and our decision to continue to support MPLS virtual private network ("VPN") services for our acquired customers are consistent with this strategy. There are significant cost advantages as a result of this narrow product set. We believe that the relative size of our salesforce training, support and overhead is lower than comparable telecom providers that tend to offer a broader, one-stop shop product set to their client base.

- *Scalable Network Equipment and Hub Configurations*. Due to our single network protocol and narrow product set, our transmission and network operations rely mainly on two sets of equipment for operation. The addition of optical waves and optical transport services to our product set has not altered this configuration. In order to further scale our operating leverage, we have systematically reused older equipment in less dense portions of our network. Due to interoperability between the generations of products, we are able to transfer older equipment from our core, high-traffic areas to newer, less congested routes. portions of our network. The result of this dynamic grooming process is that we are able to utilize our equipment for materially longer periods than the expected life of this equipment, thereby reducing our capital investment in our network. We design and build all of our network hubs, points of presence, and data centers to the same standards and configurations. This replication strategy provides us scale benefits in equipment purchases, training, and maintenance.

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- *Low cost right-of-way agreements*. In connection with our acquisition of the Sprint Business, we acquired numerous right-of-way agreements. Many of these right-of-way agreements are at favorable rates and these agreements would be difficult to obtain.

Greater Control and Superior Delivery. Our on-net service does not rely on circuits that must be provisioned by a third-party carrier. In our on-net MTOBs, we provide our customers the entire network, including the "last mile" and the in-building wiring connecting to our customer's suite. In our CNDCs, we are collocated with our customers. As a result, only a cross-connection within the data center is required to provide our services to our customers. customers, including our newer optical wave and optical transport offerings. The structure of our on-net service provides us with more control over our service, quality and pricing. It also allows us to provision services more quickly and efficiently than provisioning services on a third-party carrier network. The vast majority of our on-net Internet and VPN services can be installed in less than two weeks, which is materially faster than the installation times for some of our incumbent competitors.

High-Quality, Reliable Service. We are able to offer high-quality Internet service due to our network design and composition. We believe that we deliver a high level of technical performance because our network is optimized for packet switched routed traffic. Its design increases the speed and throughput of our network and reduces the number of data packets dropped during transmission compared to traditional circuit-switched networks. We believe that our network is more reliable and carries traffic at lower cost than networks built as overlays to traditional circuit-switched, or TDM networks.

Large Addressable Market. We have systematically evaluated and chosen our network extensions to buildings, data centers and markets based upon a rigorous set of criteria to evaluate the economic opportunity of network locations. Additional factors relevant to our pursuit of new buildings include the willingness of building owners to grant us access rights, the availability of optical fiber networks to serve those buildings, the costs to connect buildings to our network and equipment availability. We have also begun to evaluate the sustainability of new locations by evaluating the LEED Green Rating of Buildings, the potential to source renewable energy at potential locations and the potential impact of climate change on a location including access proximity to water and the risk of flooding. Our network is connected to 3,257 3,321 total buildings located in 227 235 metropolitan markets. markets globally. These buildings include 1,860 1,861 large MTOBs (totaling over 1.0 billion square feet of office space) in major North American cities where we offer our services to a diverse set of high-quality corporate customers within close physical proximity of each other. These buildings also include 1,528 1,586 CNDCs located in 1,337 1,382 buildings in North America, Europe, South America, Oceania and Africa where our net-centric customers directly

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interconnect with our network. We also operate 60 78 of our own data centers (four 24 of which converted from facilities acquired with the Sprint Business) across the United States and in Europe, which comprise over 808,000 1.7 million square feet of floor space, offer 159 MW of power and are directly connected to our network. We believe that these network points of presence strategically position our network to attract high levels of Internet traffic and maximize our revenue opportunities and profitability.

Balanced, High-Traffic Network. Since its inception, our network has grown significantly in terms of its geographic reach, customer connections, and traffic. We currently serve 7,971 8,098 access networks as well as numerous large and small content providers and 55,045 51,821 corporate customer connections and 19,463 enterprise customer connections. Because of these growing bases of customers who distribute (content providers) and receive (access networks) content on our network, we believe that the majority of all the traffic remains “on-net” by both originating and terminating on our network. This control of traffic is an important differentiator as it increases our service reliability and speed of traffic delivery. The increasing share of traffic delivered from content providers to access networks also enhances our margins as we are compensated by both the originating customer and terminating customer. The breadth of our network, extensive size of our customer base, and the volume of our traffic enables us to be one of a handful of Tier 1 networks that are interconnected on a settlement-free basis. This Tier 1 network peering status broadens our geographic delivery capability and materially reduces our network costs.

Proven and Experienced Management Team. Our senior management team is composed of seasoned executives with extensive expertise in the telecommunications industry as well as knowledge of the markets in which we operate. The members of our senior management team have an average of over 20 years of experience in the telecommunications industry and many have been working together at the Company for several years. Several members of the senior management team have been working together at the Company since 2000. Our senior management team has designed and built our network and, during our formative years, led the integration of network assets we acquired through 13 significant previous acquisitions prior to our acquisition of the Sprint Business and managed the expansion and growth of our business. We anticipate that our management team will successfully manage the integration of the Sprint Business into our current operations.

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Our Strategy

We intend to become the remain a leading provider of high quality, high-speed Internet access and private network services and to continue to improve our profitability and cash flow. The principal elements of our strategy include:

Grow our Corporate Customer Base. Our on-net corporate customers are typically small to medium-sized businesses connected to our network through MTOBs or connected to our network through one of our on-net CNDCs. We generally sell two types of services to our corporate customers: dedicated internet access and private network services. We typically sell dedicated internet access at the same price per connection as our competitors, but our customers benefit from our significantly faster speeds and rapid installation times. These customers are increasingly integrating off-site data centers and cloud services into their IT infrastructure in order to take advantage of the safety, security and redundancy that is offered by locating company processing power, storage and software at a data center. An important part of this new infrastructure is a high-speed, dedicated internet connection from the corporate premises to the data center and the Internet and from one corporate premises to other corporate premises. We believe that the importance of data centers will increasingly lead tenants to reconfigure their communications infrastructure to include dedicated internet access across their locations.

Expand our Business with Enterprise Customers. With our acquisition of the Sprint Business, we began offering acquired a number of larger enterprise customers. While we are in the process of terminating certain non-core services to these customers at the end of their current term, we have continued to provide our core services to enterprise customers and elected to provide MPLS services, a new service for the Company, as well. We have not previously focused our sales efforts on larger enterprise customers. Since the acquisition of the Sprint Business, we have formed dedicated sales teams who are tasked with preserving existing business with and seeking new sales from enterprise customers.

Increase our Share of the Net-Centric Market. We are currently one of the leading providers of high-speed internet access to a variety of content providers and access networks across the world. We intend to further load our high-capacity network as a result of the growing demand for high-speed internet Internet access generated by these types of bandwidth-intensive applications such as over-the-top (“OTT”) media services, online gaming, video, Internet of Things, (“IoT”), voice over IP, (“VOIP”), remote data storage, and other services. We expect that we will continue to grow our shares of these segments by offering our customers a series of attractive features including:

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- Geographic breadth – We have the broadest CNDC footprint in the industry and currently offer network services in 54 countries – as net-centric customers seek a more international audience this footprint is a significant advantage;
- High capacity and reliability – We offer 100 Mbps to 100 Gbps ports in all of the CNDCs and 400 Gbps in selected locations on our network, which differentiates the capacity choices we provide our net-centric clients;
- Balanced customer base – Our leading share of content providers and access networks increases the amount of traffic that originates and terminates on our network thereby reducing latency and enhancing reliability;
- Large and dedicated salesforce – Our team of net-centric sales professionals is one of the largest salesforces in this industry segment and enables us to better serve this customer segment while also identifying new sales opportunities and gaining new business and customers; and
- The Wave and optical transport services – We began offering wave and optical transport services to our net-centric customers of the Sprint Business will include a number of large enterprise customers, a type of customer that we have not traditionally served. who require these high bandwidth services.

Pursue On-net Customer Growth. Our high-capacity network provides us with the ability to add a significant number of customers to our network with minimal direct incremental costs. We intend to increase usage of our network and operational infrastructure by adding customers in our existing on-net buildings, as well as developing additional markets and connecting more MTOBs and CNDCs to our network. We are also upgrading our network and operational infrastructure to provide wave and optical transport services in more of our on - net buildings. We emphasize our on-net services because they generate greater profit margins and we have more control over service levels, quality and pricing, and our on-net services are provisioned in considerably less time than our off-net services. Our fiber network connects directly to our on-net customers' premises and we pay no local access ("last mile") charges to other carriers to provide our on-net services.

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Continue to Improve our Sales Efforts and Productivity. A critical factor in our success has been our investment and focus on our sales and marketing efforts. We seek to maintain a consistent level of sales productivity as measured by the number of connections sold per salesperson per month, taking into account adjustments to the changing mix of products sold and installed. In order to gain market share in our targeted businesses, we expect to continue our sales efforts including introducing strategies and tools to optimize and improve our sales productivity. We also intend to leverage the skills and relationships of our sales force to sell new service offerings, in particular, optical wavelength and optical transport services. We have developed several training programs that are directed toward increasing our sales representative tenure and increasing our sales representative productivity. In addition, we have required all of our employees to work in the office on a full-time basis, thereby providing additional opportunities for management coaching and oversight in order to increase productivity.

Expand our Off-net Corporate and Enterprise Internet Access Business. and VPN Business. We have agreements with over 580 national and international carriers providing us last mile network access to over 6 million commercial buildings that are lit by fiber optic cable across North America in the 54 countries we serve and that are not currently served by our network. We believe these agreements broaden our addressable market for corporate dedicated internet Internet access and private network services and enhances our competitive position through the ability to provide enterprise-wide connectivity for corporate customers. In order to take advantage of this large set of commercial buildings, we have developed an automated process to enable our salesforce to identify opportunities in the off-net market for dedicated internet Internet access and private network services and to quickly offer pricing proposals to potential customers. We continue to negotiate reduced pricing under our numerous carrier agreements that enable us to reduce our cost of off-net services, which enhances our competitive position in the marketplace.

Expand our Product Offerings to Include Wavelength and Optical Transport Services. In connection with our acquisition of the Transaction, Sprint Business, we expanded our offerings of optical wavelength and optical transport services over our fiber network. We are selling these services to our existing customers, customers of acquired with the Sprint Communications Business and to new customers who require dedicated optical transport connectivity without the capital and ongoing expenses associated with owning and operating network infrastructure. We operate currently offer wavelength services in 419 data centers throughout North America and Europe intend to offer this service in approximately 800 data centers in the United States and Mexico by the end of 2024. We believe our wavelength service has the advantages of unique routes, ubiquitous service locations, faster provisioning times and lower prices.

Expand our Data Center Footprint.We currently operate 78 of our own data centers across the United States and Europe. As part of our acquisition of the Sprint Business, we acquired multiple Sprint facilities that allow previously housed Sprint equipment. We evaluated the suitability of these facilities for conversion to commercial data center space and began repurposing suitable facilities. Repurposing these facilities included removing unused, obsolete equipment and racks, and upgrading or installing new HVAC systems, uninterruptable power supplies ("UPS"), backup generators and fire suppression systems as well as other structural changes. By March 31, 2024, we had converted 24 former Sprint facilities and are in the process of converting approximately 19 additional facilities. If and when these facilities are all suitable for data center customers, we will have added 1.3 million square foot of floor space and approximately 113 MW of available power to our data center portfolio.

Increase our Leasing of IPv4 Address Space.We lease IPv4 address space to our customers, both on a standalone basis and as a complement to collocate their equipment and a customer's Internet access services with us. We provide a small number of free IPv4 addresses to our network. In connection dedicated Internet access customer as well. We currently own approximately 38 million IPv4 addresses, of which 9.9 million were recently acquired at the closing of the Sprint Business acquisition. We currently lease 12.2 million of our IPv4 addresses to our customers on contracts with the Transaction, we will also expand service terms ranging from 1 month to 5 years. We intend to continue to lease IPv4 addresses to our colocation offerings. customers as well as explore alternatives for monetizing our IPv4 address inventory.

Results of Operations

Three Months Ended September 30, 2023 March 31, 2024 Compared to the Three Months Ended September 30, 2022 March 31, 2023

Our management reviews and analyzes several key financial measures in order to manage our business and assess the quality and variability of our service revenue, operating results and cash flows. The following summary tables present a comparison of our results of operations with respect to certain key financial measures. The comparisons illustrated in the tables are discussed in greater detail below.

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percent Change	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Percent Change
	(in thousands)			(in thousands)		
Service revenue	$ 275,429	$ 150,000	83.6 %	$266,168	$153,588	73.3 %
On-net revenue	130,049	113,219	14.9 %	138,624	116,143	19.4 %
Off-net revenue	130,970	36,611	257.7 %	118,178	37,283	217.0 %
Wavelength revenue	2,992	—	NM	3,327	—	NM
Non-core revenue	11,417	170	NM	6,039	162	NM
Network operations expenses (1)	173,594	57,220	203.4 %	168,933	58,638	188.1 %
Selling, general, and administrative ("SG&A) expenses (2)	65,308	39,114	67.0 %	76,696	45,078	70.1 %
Acquisition costs – Sprint Business	351	2,004	(82.5)%	9,037	400	NM
Depreciation and amortization expenses	86,734	22,897	278.8 %	70,891	25,160	181.8 %
Change in valuation - interest rate swap agreement	4,825	16,923	NM	(6,152)	1,847	NM
Loss on bargain purchase – Sprint Business	3,332	—	NM			
Reduction to gain on bargain purchase – Sprint Business				5,470	—	NM
Interest income – IP Transit Services Agreement	10,299	—	NM	7,330	—	NM
Interest expense	24,198	17,948	34.8 %	23,010	19,005	21.1 %
Income tax (benefit) expense	(13,623)	969	NM			
Income tax benefit (expense)				19,127	(4,504)	NM

(1) Includes non-cash equity-based compensation expenses of $370 $385 and $176 $149 in the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

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(2) Includes non-cash equity-based compensation expenses of $7,041 $6,565 and $6,035 $6,432 in the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

NM – not meaningful

	September 30,				Percent	March 31,				Percent
	2023		2022		Change	2024		2023		Change
Other Operating Data										
Average Revenue Per Unit (ARPU)										
ARPU - on-net	$	475	$	458	3.8 %	$	525	$	467	12.6 %
ARPU - off-net	$	1,156	$	920	25.6 %	$	1,106	$	910	21.5 %
ARPU - wavelengths	$	2,312	$	—	NM		1,638		—	NM
Average Price per Megabit — installed base	$	0.30	$	0.27	9.6 %	$	0.26	$	0.25	5.9 %
Customer Connections—end of period										
On-net		89,623		82,614	8.5 %		87,574		83,268	5.2 %
Off-net		36,766		13,359	175.2 %		34,579		13,785	150.8 %
Wavelengths		449		—	NM		693		—	NM
Non-core		11,187		348	NM		10,037		374	NM

NM – not meaningful

Service Revenue. We continually work to grow our total service revenue by increasing the number of potential customers that we can reach on our network. We do this by investing capital to expand the geographic footprint of our network, increasing the number of buildings that we are connected to, including CNDC's CNDCs and MTOB's, MTOBs, and increasing our penetration rate into our existing buildings. These efforts broaden the global reach of our network and increase the size of our potential addressable market. We also seek to grow our service revenue by investing in our sales and marketing team. We typically sell corporate connections at similar pricing to our competitors, but our clients benefit from our significantly faster speeds, greater aggregate throughput, enhanced service level agreements and rapid installation times. In the net-centric market, we offer comparable services in terms of capacity but typically at significantly lower prices.

Our service revenue increased by 83.6% 73.3% from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023 March 31, 2024. Exchange rates positively affected our increase in service revenue by $1.8 million $0.4 million. All foreign currency comparisons herein reflect results for the three months ended September 30, 2023 March 31, 2024 translated at the average foreign currency exchange rates for the three months ended September 30, 2022 March 31, 2023. We increased our total service revenue by the acquisition of Sprint Business customers, expanding our network, adding additional buildings to our network, increasing our penetration into the buildings connected to our network and gaining market share by offering our services at lower prices than our competitors. Revenue from the Sprint Business for the three months ended September 30, 2023 was $113.0 million.

Revenue recognition standards include guidance relating to any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, gross receipts taxes, Universal Service Fund fees and certain state regulatory fees. We record these taxes billed to our customers on a gross basis (as service revenue and network operations expense) in our condensed consolidated statements of comprehensive income. The impact of these taxes including the Universal Service Fund resulted in an increase to our revenues of $10.4 million $16.4 million from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023. Excise taxes from the Sprint Business for the three months ended September 30, 2023 were $10.8 million March 31, 2024.

Revenue and customer connections by customer type

Our corporate customers generally purchase their services on a price per connection basis. Our net-centric customers generally purchase their services on a price per megabit-metered basis. We began to serve enterprise customers in connection with our acquisition of the Wireless Sprint Business. We define “enterprise” customers as large corporations (typically, Fortune 500 companies with greater than $5 billion in annual revenue) running Wide Area Networks (“WAN”) with several dozen to several hundred sites. Our enterprise customers generally purchase our services on a price per location basis. Revenues from our corporate, net-centric customers and enterprise customers represented 43.7%46.9%, 34.5%34.6% and 21.8%18.5% of total service revenue, respectively, for the three months ended September 30, 2023March 31, 2024. Revenues from our corporate and net-centric customers represented 57.0%55.8% and 43.0%44.2% of total service revenue, respectively, for the three months ended September 30, 2022March 31, 2023. Revenues from corporate customers increased by 40.9%45.8% to $120.5 million$124.9 million for the three months ended September 30, 2023March 31, 2024 compared to the three months ended September 30, 2022March 31, 2023. Revenues from our net-centric customers

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net-centric customers increased by 47.2%35.3% to $94.9 million$92.0 million for the three months ended September 30, 2023March 31, 2024 compared to the three months ended September 30, 2022March 31, 2023. Revenues from our enterprise customers were $60.0 million$49.3 million for the three months ended September 30, 2023March 31, 2024. Certain of our historical corporate and net-centric customers (in total approximately 400 customers representing approximately $0.3 million in monthly recurring revenue) have been reclassified from our legacy net-centric and corporate revenue and customer connections to enterprise revenue and customer connections. Certain of the customer connections we acquired in the Sprint Business were classified as corporate and net-centric revenue and customer connections.

We acquired 17,823 corporate customer connections, 5,711 net-centric customer connections and 23,209 enterprise customer connections with the Sprint Business. In connection with our acquisition of the Sprint business,Business and at the Closing Date, we classified the Sprint Business revenue as $20.1 million of monthly recurring revenue as enterprise revenue, $12.9 million of monthly recurring revenue as corporate revenue and $6.5 million of monthly recurring revenue as net-centric revenue.

Our revenue from our corporate customers increased primarily due to corporate customer connections acquired with the Sprint Business. Our corporate customers take advantage of our superior speeds, greater aggregate throughput, service levels and installation times versus our competitors. The growing trend of customers installing second lines for redundancy in order to construct virtual private networks (“VPNs”) has also led to our ability to increase our corporate revenues. Beginning with and throughout the COVID-19 pandemic, we witnessed a deteriorating real estate market in and around the buildings we service in central business districts in North America. Because of the rising vacancy levels and falling lease initiations or renewals, we experienced a slowdown in new sales to our corporate customers, which negatively affected our legacy corporate revenue results. During the three months ended September 30, 2023March 31, 2024, we slowly beganc ontinued to see declining gradual declines in vacancy rates and rising office occupancy rates. In addition, we began continued to see positive trends in our corporate business. As the option to fully or partially work from home becomes permanently established at many companies, our corporate customers are integrating some of the new applications that became part of the remote work environment, which benefits our corporate business as these customers upgrade their Internet access infrastructure to higher capacity connections. Further, if and when companies eventually return to the buildings in which we operate, we believe it will present an opportunity for increased sales. However, the exact timing and path of these positive trends remains uncertain, and as the after effects of the COVID-19 pandemic linger, we may continue to see increased corporate customer turnover, fewer upgrades of existing corporate customer configurations and fewer new tenant opportunities, which would negatively affect our corporate revenue growth.

Our revenue from our net-centric customers increased primarily due to an increase in our number of net-centric customers, growth in network traffic from these customers and from net-centric customer connections acquired with the Sprint Business partly offset by a decline in our average price per megabit. Business. Our net-centric customers purchase our services on a price per megabit basis. The net-centric market exhibits significant pricing pressure due to the continued introduction of new technology, which lowers the marginal cost of transmission and routing, and the commodity nature of the service where price is typically the only differentiating factor for these customers. Our average price per megabit of our installed base of customers increased by 9.6%5.9% from the three months ended September 30, 2022March 31, 2023 to the three months ended September 30, 2023March 31, 2024 primarily from the impact of the price per megabit customers acquired in the Sprint Business. The impact of foreign exchange rates has a more significant impact on our net-centric revenues.

Revenue and customer connections by network connection type

In connection with our acquisition of the Sprint Business, on the Closing Date, we classified $39.4 million of monthly Sprint Business revenue as $2.5 million of on-net revenue, $32.2 million of off-net revenue and $4.7 million of non-core revenue. Additionally, in connection with our acquisition of the Sprint Business, on the Closing Date, we classified 46,743 of Sprint Business customer connections as 1,560 on-net customer connections, 24,667 off-net customer connections and 20,516 non-core customer connections.

Our on-net revenues increased by 14.9% 19.4% from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023 March 31, 2024. Our on-net revenues increased as we increased the number of our on-net customer connections by 8.5% 5.2% at September 30, 2023 March 31, 2024 from September 30, 2022 March 31, 2023. On-net revenue increased at a greater rate than on-net customer connections primarily due to an increase in our on-net ARPU from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023 March 31, 2024. ARPU is determined by dividing on-net revenue for the period by the average on-net customer connections for that period. On-net revenues from customers acquired in the Sprint Business were $6.3 million for the three months ended September 30, 2023.

Our off-net revenues increased by 257.7% 217.0% from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023 March 31, 2024. Our off-net revenues increased primarily from the 175.2% 150.8% increase in the number of our off-net customer connections from September 30, 2022 March 31, 2023 to September 30, 2023 March 31, 2024. Off-net customer revenues from customers acquired increased at a greater rate than off-net customer connections primarily due to an increase in the Sprint Business were $92.4 million for our off-net ARPU from the three months ended September 30, 2023 March 31, 2023 to the three months ended March 31, 2024. Off-net ARPU is determined by dividing off-net revenue for the period by the average off-net customer connections for that period.

In connection with our acquisition of the Sprint Business, we expanded our offering offerings of optical wavelength and optical transport services over our fiber network. Wavelength revenues from customers acquired in the Sprint Business were $3.0 million revenue was $3.3 million for the three months ended September 30, 2023 March 31, 2024.

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Our non-core revenues increased from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023 primarily March 31, 2024 from the acquisition of non-core revenues from customers acquired in the Sprint Business. Non-core revenues from customers acquired in the Sprint Business were $11.3 million for the three months ended September 30, 2023.

Network Operations Expenses. Network operations expenses include the costs of personnel associated with service delivery, network management and customer support, network facilities costs, right-of-way fees, fiber and equipment maintenance fees, leased circuit costs, access and facilities fees paid to building owners and excise taxes billed to our customers and recorded on a gross basis. Our network operations expenses, including non-cash equity-based compensation expense, increased by 203.4% 188.1% from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023 March 31, 2024. Non-cash equity-based compensation expense is included in network operations expenses consistent with the classification of the employee's salary and other compensation. The increase in network operations expense is primarily attributable to an increase in costs related to our network and facilities expansion activities, an increase in power costs and $101.6 million of network operations expense from our acquisition of the Sprint Business for the three months ended September 30, 2023. Business.

Selling, General, and Administrative ("SG&A") Expenses. Our SG&A expenses, including non-cash equity-based compensation expense, increased by 67.0% 70.1% from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023 March 31, 2024. Non-cash equity-based compensation expense is included in SG&A expenses consistent with the classification of the employee's salary and other compensation. SG&A expenses increased primarily from an increase in salaries and benefits from an 91.2% a 76.6% increase in our total headcount, including 942 employees added to our headcount from our acquisition of the Sprint Business. Business on the Closing Date. Our sales force headcount, inclusive of sales management, was 833 871 at September 30, 2023 March 31, 2024 and 669 714 at September 30, 2022 March 31, 2023, and our total headcount was 1,990 1,955 at September 30, 2023 March 31, 2024 and 1,041 1,107 at September 30, 2022 March 31, 2023. The Sprint Business added 114 employees to our sales force headcount. SG&A expense from our acquisition headcount on the Close Date.

Acquisition-Related Costs. In connection with the Transaction and negotiation of the Sprint Business was $29.9 million Purchase Agreement, we incurred professional fees, other acquisition related costs and reimbursed severance costs. Such fees and reimbursed severance costs totaled $9.0 million for the three months ended September 30, 2023 March 31, 2024 and $0.4 million for the three months ended March 31, 2023.

Depreciation and Amortization Expenses. Our depreciation and amortization expense increased by 278.8% 181.8% from the three months ended September 30, 2022 March 31, 2023 to the three months ended September 30, 2023 March 31, 2024. The increase is was primarily due to the depreciation expense associated with the increase in deployed fixed assets and $59.0 of depreciation and amortization expense from assets including a finance lease totaling $160.9 million being amortized over forty-four months, acquired with the Sprint Business.

Reduction to Gain on Bargain Purchase

. We accounted for our acquisition of the Sprint Business as a business combination. The identifiable assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires the use of significant judgment regarding estimates and assumptions. The fair value of the identifiable assets acquired was $1.5 billion $1.9 billion (including amounts due under the IP Transit Services Agreement) and was in excess of the $1.0 billion $1.1 billion liabilities assumed and the $0.6 billion net consideration to be received from the Seller resulting in a gain on bargain purchase of $1.2 billion $1.4 billion. During the three months ended September 30, 2023 March 31, 2024, we made certain adjustments were made to our estimates of the purchase price fair market value of the assets acquired and liabilities assumed resulting in a reduction to the total gain on bargain purchase of $3.3 million $5.5 million for the three months ended March 31, 2024.

Interest Income - IP Transit Services Agreement

On the Closing Date, we entered into the IP Transit Services Agreement with T-Mobile USA, Inc., ("TMUSA"), pursuant to which TMUSA will pay us an aggregate of $700.0 million, consisting of (i) $350.0 million in equal monthly installments during the first year after the Closing Date and (ii) $350.0 million in equal monthly installments over the subsequent 42 months.

We accounted for the Transaction as a business combination under ASC Topic 805 *Business Combinations* ("ASC 805"). Under ASC 805, we concluded that the $700.0 million of payments to be made represent consideration received to complete the acquisition of a distressed business. We also evaluated whether the IP Transit Services Agreement was in the scope of ASU No. 2014-09 *Revenue from Contracts with Customers* ("ASC 606"). We concluded that TMUSA did not represent a "customer" as defined by ASC 606, the stated contract price did not represent consideration for services to be delivered, and the transaction did not satisfy the definition of revenue, which excluded this arrangement from the scope of ASC 606. As a result, the IP Transit Services Agreement was recorded in connection with the Transaction at its discounted present value resulting in a discount of $79.6 million. The amortization of the discount resulted in interest income of $10.3 million for the three months ended September 30, 2023.

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Interest Expense. Our interest expense resulted from interest incurred on our $500.0 million aggregate principal amount of 3.50% Senior Secured Notes due 2026 that we issued in May 2021 (the "2026 Notes"), interest incurred on our $450.0 million aggregate principal amount of 7.00% Senior Unsecured Notes due 2027 that we issued in June 2022 (the "2027 Notes") and interest incurred on our finance lease obligations. Our finance leases include a lease totaling $160.9 million being amortized over forty-four months, acquired with the Sprint Business. Our interest expense increased by 34.8% from the three months ended September 30, 2022 to the three months ended September 30, 2023. The increase was primarily due to the impact of the finance lease acquired with the Sprint Business and an increase in interest rates on our 2027 Notes as compared to the 2024 Notes.

Change in Valuation - Interest Rate Swap Agreement. As of September 30, 2023, the fair value of our Swap Agreement was a net liability of $56.4 million. We recorded unrealized losses for the non-cash change in the valuation of the Swap Agreement of $4.8 million in the three months ended September 30, 2023 and $16.9 million in the three months ended September 30, 2022 from an increase in interest rates.

Under the Swap Agreement settlement payment made in November 2021, we received $0.6 million from the counterparty for a net cash savings of $0.6 million for the period from August 9, 2021 (the Swap Agreement inception date) to October 31, 2021, in May 2022, we received $1.2 million from the counterparty for a net cash savings of $1.2 million for the period from November 1, 2021 to April 30, 2022. Under the Swap Agreement settlement payment made in November 2022, we paid $3.4 million to the counterparty for a net cash interest cost of $3.4 million for the period from May 1, 2022 to October 31, 2022. Under the Swap Agreement settlement payment made in May 2023, we paid $9.5 million to the counterparty for a net cash interest cost of $9.5 million for the period from November 1, 2022 to April 30, 2023. Under the Swap Agreement settlement payment made in November 2023, we paid $12.0 million to the counterparty for a net cash interest cost of $12.0 million for the period from May 1, 2023 to October 31, 2023.

Income Tax (Benefit) Expense. Our income tax benefit was $13.6 million for the three months ended September 30, 2023 and our income tax expense was $1.0 million for the three months ended September 30, 2022. The decrease in our income tax expense is primarily related to projected operating results related to the Sprint Business acquisition, the reversal of deferred tax liabilities acquired with the Sprint Business and the reversal of a valuation allowance on our business interest expense deferred tax asset.

Buildings On-net. As of September 30, 2023 and 2022, we had a total of 3,257 and 3,126 on-net buildings connected to our network, respectively. The increase in our on-net buildings was a result of our disciplined network expansion program. We anticipate adding a similar number of buildings to our network for the next several years.

Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

Our management reviews and analyzes several key financial measures in order to manage our business and assess the quality and variability of our service revenue, operating results and cash flows. The following summary tables present a comparison of our

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results of operations with respect to certain key financial measures. The comparisons illustrated in the tables are discussed in greater detail below.

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percent Change
	(in thousands)		
Service revenue	$ 668,822	$ 447,625	49.4 %
On-net revenue	373,856	337,829	10.7 %
Off-net revenue	270,234	109,279	147.3 %
Wavelength revenue	4,578	—	NM
Non-core revenue	20,154	517	NM
Network operations expenses (1)	369,734	171,183	116.0 %
Selling, general, and administrative (“SG&A) expenses (2)	194,046	119,129	62.9 %
Acquisition costs – Sprint Business	1,490	2,004	(25.6)%
Depreciation and amortization expenses	164,403	68,659	139.4 %
Foreign exchange gain on 2024 Notes	—	31,561	NM
Loss on debt extinguishment and redemption – 2024 Notes	—	11,885	
Change in valuation – interest rate swap agreement	4,283	45,703	NM
Interest income – IP Transit Services Agreement	17,968	—	NM
Gain on bargain purchase – Sprint Business	1,152,386	—	NM
Interest expense	71,855	45,594	57.6 %
Income tax (benefit) expense	(33,599)	10,063	NM

(1) Includes non-cash equity-based compensation expenses of $750 and $465 in the nine months ended September 30, 2023 and 2022, respectively.
(2) Includes non-cash equity-based compensation expenses of $19,491 and $17,709 in the nine months ended September 30, 2023 and 2022, respectively.

NM – not meaningful

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percent Change
Other Operating Data			
Average Revenue Per Unit (ARPU)			
ARPU—on-net	$ 482	$ 460	4.9 %
ARPU—off-net	$ 1,194	$ 933	28.0 %
ARPU – Wavelengths	$ 2,266	$ —	NM
Average Price per Megabit — installed base	$ 0.27	$ 0.29	(5.8)%
Customer Connections—end of period			
On-net	89,623	82,614	8.5 %
Off-net	36,766	13,359	175.2 %
Wavelengths	449	—	NM
Non-core	11,187	348	NM

Service Revenue. We continually work to grow our total service revenue by increasing the number of potential customers that we can reach on our network. We do this by investing capital to expand the geographic footprint of our network, increasing the number of buildings that we are connected to, including CNDC’s and MTOB’s, and increasing our penetration rate into our existing buildings. These efforts broaden the global reach of our network and increase the size of our potential addressable market. We also seek to grow our service revenue by investing in our sales and marketing team. We typically sell corporate connections at similar pricing to our competitors, but our clients benefit from our significantly faster speeds, greater aggregate throughput, enhanced service level agreements and rapid installation times. In the net-centric market, we offer comparable services in terms of capacity but typically at significantly lower prices.

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Our service revenue increased by 49.4% from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. Exchange rates negatively affected our increase in service revenue by $1.8 million. All foreign currency comparisons herein reflect results for the nine months ended September 30, 2023 translated at the average foreign currency exchange rates for the nine months ended September 30, 2022. We increased our total service revenue by expanding our network, adding additional buildings to our network, increasing our penetration into the buildings connected to our network and gaining market share by offering our services at lower prices than our competitors. Revenue from the Sprint Business was $191.0 million from May 1, 2023 (the closing date) to September 30, 2023.

Revenue recognition standards include guidance relating to any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, gross receipts taxes, Universal Service Fund fees and certain state regulatory fees. We record these taxes billed to our customers on a gross basis (as service revenue and network operations expense) in our consolidated statements of comprehensive income. The impact of these taxes including the Universal Service Fund resulted in an increase to our revenues of $18.5 million from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. Excise taxes from the Sprint Business were $17.8 million from May 1, 2023 (the closing date) to September 30, 2023.

Revenue and customer connections by customer type

Our corporate customers generally purchase their services on a price per connection basis. Our net-centric customers generally purchase their services on a price per megabit-metered basis. We began to serve enterprise customers in connection with our acquisition of the Sprint Business. We define “enterprise” customers as large corporations (typically, Fortune 500 companies with greater than $5 billion in annual revenue) running Wide Area Networks (“WAN”) with several dozen to several hundred sites. Our enterprise customers generally purchase our services on a price per location basis. Revenues from our corporate, net-centric customers and enterprise customers represented 45.0%, 41.1% and 13.9% of total service revenue, respectively, for the nine months ended September 30, 2023. Revenues from our corporate and net-centric customers represented 57.4% and 42.6% of total service revenue, respectively, for the nine months ended September 30, 2022. Revenues from corporate customers increased by 17.1% to $300.7 million for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Revenues from our net-centric customers increased by 44.0% to $274.9 million for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Revenues from our enterprise customers were $93.3 million, from May 1, 2023 (the closing date) to September 30, 2023. Certain of our historical corporate and net-centric customers (in total approximately 400 customers representing approximately $0.3 million in monthly recurring revenue) have been reclassified from our legacy net-centric and corporate revenue and customer connections to enterprise revenue and customer connections. Certain of the customer connections we acquired in the Sprint Business were classified as corporate and net-centric revenue and customer connections. We acquired 17,823 corporate customer connections, 5,711 net-centric customer connections and 23,209 enterprise customer connections with the Sprint Business. In connection with our acquisition of the Sprint Business, we classified the Sprint Business revenue as $20.1 million of monthly recurring revenue as enterprise revenue, $12.9 million of monthly recurring revenue as corporate revenue and $6.5 million of monthly recurring revenue as net-centric revenue.

Our revenue from our corporate customers increased primarily due to an increase in our number of corporate customers and from corporate customer connections acquired with the Sprint Business. Our corporate customers take advantage of our superior speeds, greater aggregate throughput, service levels and installation times versus our competitors. The growing trend of customers installing second lines for redundancy in order to construct virtual private networks (“VPNs”) has also led to our ability to increase our corporate revenues. Beginning with and throughout the COVID-19 pandemic, we witnessed a deteriorating real estate market in and around the buildings we service in central business districts in North America. Because of the rising vacancy levels and falling lease initiations or renewals, we experienced a slowdown in new sales to our corporate customers, which negatively affected our corporate revenue results. During the nine months ended September 30, 2023, we slowly began to see declining vacancy rates and rising office occupancy rates. In addition, we began to see positive trends in our corporate business. As the option to fully or partially work from home becomes permanently established at many companies, our corporate customers are integrating some of the new applications that became part of the remote work environment, which benefits our corporate business as these customers upgrade their Internet access infrastructure to higher capacity connections. Further, if and when companies eventually return to the buildings in which we operate, we believe it will present an opportunity for increased sales. However, the exact timing and path of these positive trends remains uncertain, and as the after effects of the COVID-19 pandemic linger, we may continue to see increased corporate customer turnover, fewer upgrades of existing corporate customer configurations and fewer new tenant opportunities, which would negatively affect our corporate revenue growth.

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Our revenue from our net-centric customers increased primarily due to an increase in our number of net-centric customers and growth in network traffic from these customers and from net-centric customer connections acquired with the Sprint Business. Our net-centric customers purchase our services on a price per megabit basis. The net-centric market exhibits significant pricing pressure due to the continued introduction of new technology, which lowers the marginal cost of transmission and routing, and the commodity nature of the service where price is typically the only differentiating factor for these customers. Our average price per megabit of our installed base of customers decreased by 5.8% from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. The impact of foreign exchange rates has a more significant impact on our net-centric revenues.

Revenue and customer connections by network connection type

Our on-net revenues increased by 10.7% from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. Our on-net revenues increased as we increased the number of our on-net customer connections by 8.5% at September 30, 2023 from September 30, 2022. On-net customer revenues increased at a greater rate than on-net customer connections primarily due to an increase in our on-net ARPU from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. ARPU is determined by dividing revenue for the period by the average customer connections for that period. On-net revenues from customers acquired in the Sprint Business was $10.4 million from May 1, 2023 (the closing date) to September 30, 2023.

Our off-net revenues increased by 147.3% from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. Our off-net revenues increased primarily from the increase in the number of our off-net customer connections from September 30, 2022 to September 30, 2023. Off-net revenues from customers acquired in the Sprint Business were $156.4 million from May 1, 2023 (the closing date) to September 30, 2023.

In connection with our acquisition of the Sprint Business, we expanded our offering of optical wavelength and optical transport services over our fiber network. Wavelength revenues from customers acquired in the Sprint Business were $4.6 million from May 1, 2023 (the closing date) to September 30, 2023.

Our non-core revenues increased from the nine months ended September 30, 2022 to the nine months ended September 30, 2023 primarily from the acquisition of non-core revenues from customers acquired in the Sprint Business. Non-core revenues from customers acquired in the Sprint Business were $19.7 million from May 1, 2023 (the closing date) to September 30, 2023.

Network Operations Expenses. Network operations expenses include the costs of personnel associated with service delivery, network management and customer support, network facilities costs, fiber and equipment maintenance fees, leased circuit costs, access and facilities fees paid to building owners and excise taxes billed to our customers and recorded on a gross basis. Our network operations expenses, including non-cash equity-based compensation expense, increased by 116.0% from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. Non-cash equity-based compensation expense is included in network operations expenses consistent with the classification of the employee's salary and other compensation. The increase in network operations expense is primarily attributable to an increase in costs related to our network and facilities expansion activities, an increase in power costs and $174.0 million of network operations expense from our acquisition of the Sprint Business from May 1, 2023 (the closing date) to September 30, 2023.

Selling, General, and Administrative ("SG&A") Expenses. Our SG&A expenses, including non-cash equity-based compensation expense, increased by 62.9% from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. Non-cash equity-based compensation expense is included in SG&A expenses consistent with the classification of the employee's salary and other compensation. SG&A expenses increased primarily from an increase in salaries and benefits from an 91.2% increase in our total headcount, including 942 employees added to our headcount from our acquisition of the Sprint Business. Our sales force headcount, inclusive of sales management, was 833 at September 30, 2023 and 669 at September 30, 2022, and our total headcount was 1,990 at September 30, 2023 and 1,041 at September 30, 2022. The Sprint Business added 114 employees to our sales force headcount. SG&A expense from our acquisition of the Sprint Business was $73.1 million from May 1, 2023 (the Closing date) to September 30, 2023.

Depreciation and Amortization Expenses. Our depreciation and amortization expense increased by 139.4% from the nine months ended September 30, 2022 to the nine months ended September 30, 2023. The increase is primarily due to the depreciation expense associated with the increase in deployed fixed assets and $86.1 of depreciation and amortization expense from assets, including a finance lease totaling $160.9 million being amortized over forty-four months, acquired with the Sprint Business.

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Gain on Bargain Purchase

We accounted for our acquisition of the Sprint Business as a business combination. The identifiable assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires the use of significant judgment regarding estimates and assumptions. The fair value of the identifiable assets acquired was $1.5 billion (including amounts due under the IP Transit Services Agreement) and was in excess of the $1.0 billion liabilities assumed and the $0.6 billion net consideration to be received from the Seller resulting in a gain on bargain purchase of $1.2 billion.

Interest Income - IP Transit Services Agreement

On the Closing Date, we entered into the IP Transit Services Agreement with TMUSA, pursuant to which TMUSA will pay us an aggregate of $700.0 million, consisting of (i) $350.0 million in equal monthly installments during the first year after the Closing Date and (ii) $350.0 million in equal monthly installments over the subsequent 42 months.

We accounted for the Transaction as a business combination under ASC Topic 805 *Business Combinations* ("ASC 805"). Under ASC 805, we concluded that the $700.0 million of payments to be made represent consideration received to complete the acquisition of a distressed business. We also evaluated whether the IP Transit Services Agreement was in the scope of ASU No. 2014-09 *Revenue from Contracts with Customers* ("ASC 606"). We concluded that TMUSA did not represent a "customer" as defined by ASC 606, the stated contract price did not represent consideration for services to be delivered, and the transaction did not satisfy the definition of revenue, which excluded this arrangement from the scope of ASC 606. As a result, the IP Transit Services Agreement was recorded in connection with the Transaction at its discounted present value resulting in a discount of $79.6 million. The amortization of the discount resulted in interest income of $18.0 million from May 1, 2023 (the closing date) to September 30, 2023.

Foreign Exchange Gain 2024 Notes. Our 2024 Notes were issued in Euros and were reported in our reporting currency – US Dollars until they were fully extinguished in June 2022. The gain on foreign exchange on our 2024 Notes from converting our 2024 Notes into USD was $31.6 million $7.3 million for the nine three months ended September 30, 2022 March 31, 2024.

Interest Expense and Loss on Debt Extinguishment and Redemption. Expense. Our interest expense resulted from interest incurred on our 2024 Notes until these notes were fully extinguished in June 2022, interest incurred on our $500.0 million aggregate principal amount of our 3.50% Senior Secured Notes due 2026 Notes, that we issued in May 2021 (the "2026 Notes"), interest incurred on our $450.0 million aggregate principal amount of our 7.00% Senior Unsecured Notes due 2027 Notes that we issued in June 2022 (the "2027 Notes") and interest

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incurred on our finance lease obligations. Our finance leases include a lease totaling $160.9 million being amortized over 44 months, acquired with the Sprint Business. Our interest expense increased by 57.6% 21.1% from the nine three months ended September 30, 2022 March 31, 2023 to the nine three months ended September 30, 2023 March 31, 2024. The increase was primarily due to the increase in interest rates on our 2027 Notes as compared to the 2024 Notes, $9.5 million of interest expense paid in May 2023 associated with our Swap Agreement and the impact of the finance lease acquired with the Sprint Business. Our finance leases include a lease totaling $160.9 million being amortized over forty-four months, acquired with the Sprint Business. In June 2022, we extinguished our 2024 Notes at 101.094% of par value resulting in a loss on debt extinguishment and redemption of $11.9 million.

Change in Valuation - Interest Rate Swap Agreement. As of September 30, 2023 March 31, 2024, the fair value of our Swap Agreement was a net liability of $56.4 million, and we $44.8 million. We recorded an unrealized loss for the non-cash change in the valuation of the Swap Agreement of $4.3 million $6.2 million in the nine three months ended September 30, 2023 March 31, 2024 and $45.7 million an unrealized gain of $1.8 million in the nine three months ended September 30, 2022 March 31, 2023 from an increase changes in interest rates.

Under the Swap Agreement settlement payment made in November 2021, we received $0.6 million from the counterparty for a net cash savings of $0.6 million for the period from August 9, 2021 (the Swap Agreement inception date) to October 31, 2021, in May 2022, we received $1.2 million from the counterparty for a net cash savings of $1.2 million for the period from November 1, 2021 to April 30, 2022. Under the Swap Agreement settlement payment made in November 2022, we paid $3.4 million to the counterparty for a net cash interest cost of $3.4 million for the period from May 1, 2022 to October 31, 2022. Under the Swap Agreement settlement payment made in May 2023, we paid $9.5 million to the counterparty for a net cash interest cost of $9.5 million for the period from November 1, 2022 to April 30, 2023. Under the Swap Agreement settlement payment made in November 2023, we paid $12.0 million to the counterparty for a net cash interest cost of $12.0 million for the period from May 1, 2023 to October 31, 2023. Under the Swap Agreement settlement payment made in May 2024, we paid $12.1 million to the counterparty for a net cash interest cost of $12.1 million for the period from November 1, 2023 to April 30, 2024.

Income Tax (Benefit) Expense. Benefit (Expense). Our income tax benefit was $33.6 million $19.1 million for the nine three months ended September 30, 2023 March 31, 2024 and our income tax expense was $10.1 million $4.5 million for the nine three months ended September 30, 2022 March 31, 2023. The decrease change in our income tax expense is

primarily related to projected operating results related to the Sprint Business acquisition and the reversal of deferred tax liabilities acquired with the Sprint Business and the reversal of a valuation allowance on our business interest expense deferred tax asset. Business.

Buildings On-net. As of September 30, 2023 March 31, 2024 and 2022, 2023, we had a total of 3,257 3,321 and 3,126 3,190 on-net buildings connected to our network, respectively. The increase in our on-net buildings was a result of our disciplined network expansion program. We anticipate adding a similar number of buildings to our network for the next several years.

Liquidity and Capital Resources

In assessing our liquidity, management reviews and analyzes our current cash balances, accounts receivable, accounts payable, accrued liabilities, capital expenditure commitments, and required finance lease and debt payments and other obligations. As our business has grown as ***IPv4 Address Securitization***

On May 2, 2024, Cogent IPv4 LLC, a result of an increasing customer base, the Transaction, broader geographic coverage and increased traffic on our network, we have produced a growing level of cash provided by operating activities. Because special-purpose, bankruptcy remote, indirect wholly owned subsidiary of the operating leverage Company (the “Securitization Issuer”), completed a financing transaction pursuant to which it issued $206.0 million aggregate principal amount of our network, our annual capital expenditures measured secured Internet Protocol version 4 (“IPv4”) address revenue notes (the “Securitization”), consisting of 7.924% Series 2024-1, Class A-2 term notes with a term ending in May 2029, in an offering exempt from registration under the Securities Act of 1933, as a percentage of revenues has fallen over amended.

In connection with the last decade. Increasing our cash provided by operating activities is, in part, dependent upon expanding our geographic footprint and increasing our network capacity. Supply chain issues may adversely affect our ability to grow our network and revenue.

We have also had increasing success in raising capital by issuing notes and arranging financing and leases that have had a lower cost and more flexible terms. The combination of this improved operating performance and access to capital has enhanced our financial flexibility and increased our ability to make distributions to stockholders in the form of cash dividends or through share repurchases. Since our initial public offering, we have returned over $1.4 billion to our stockholders through share repurchases and dividends. We will continue to assess our capital and liquidity needs and, where appropriate, return capital to stockholders.

Over the next several years, we have significant contractual and anticipated cash outlays including our indicative dividend payments on our common stock, our maturing debt obligations, interest payments on our debt obligations and our projected capital expenditure requirements in order to help execute our business plan including the acquisition consummation of the Sprint Business. Based upon Securitization, the historical growth rate of our dividend, we expect that we would have to provide approximately $375 million in order to meet our expected quarterly dividend payments over the next two years, inclusive of payments under the IP Transit Services Agreement. Our $500.0 million of 2026 Notes accrue interest at 3.50%, mature in May 2026 and include annual interest payments of $17.5 million until maturity. In June 2022, we redeemed our 2024 Notes with the proceeds from our issuance of $450.0 million of our 2027 Notes. Our 2024 Notes accrued interest at 4.375% and our 2027 Notes accrue interest at 7.00%. Our $450.0 million of 2027 Notes mature in June 2027 and include annual interest payments of $31.5 million until maturity. Company:

Under our Swap Agreement, we pay the counterparty a semi-annual payment based upon overnight SOFR plus a contractual interest rate spread, and the counterparty pays us a semi-annual fixed 3.50% interest payment. These settlement payments are made in November and May of each year until the Swap Agreement expires in February 2026. As of September 30, 2023, $56.4 million of our cash and cash equivalents are restricted for use under our Swap Agreement. We have made a $57.6 million deposit with the counterparty to the Swap Agreement. If the fair value of the Swap Agreement exceeds a net liability of $57.6 million, we will be required to deposit additional funds with the counterparty equal to the net liability fair value. As of September 30, 2023, $56.4 million of the deposit was restricted and $1.2 million was unrestricted. The valuation of the Swap Agreement reduced to $43.8 million as of November 6, 2023.

We may need to, or elect to, refinance all or a portion of our indebtedness at or before maturity and we cannot provide assurances that we will be able to refinance any such indebtedness on commercially reasonable terms or at all. In addition, we may elect to secure additional capital in the future, at acceptable terms, to improve our liquidity or fund acquisitions or for general corporate purposes. In addition, in an effort to reduce future cash interest payments as well as future amounts due at maturity or to extend debt maturities, we may, from time to time, issue new debt, enter into interest rate swap agreements, enter into debt for debt, or cash transactions to purchase our outstanding debt securities in the open market or through privately negotiated transactions. We will evaluate any such transactions in light of the existing market conditions. The amounts involved in any such transaction, individually or in the aggregate, may be material. We or our affiliates may, at any time and from time to time, seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

(i) transferred or assigned to Group, the co-issuer of the Company's existing senior notes, or its subsidiaries (a) certain IPv4 addresses (which IPv4 addresses are not included as collateral for the Securitization) held by the Company's direct subsidiary, Cogent Infrastructure, LLC (formerly Cogent Infrastructure, Inc.) ("Cogent Infrastructure"), or its subsidiaries, (b) certain customer contracts that are unrelated to the Securitization and (c) the equity interests of Cogent Infrastructure's indirect subsidiary, Sprint Solutions Wireline LLC, including all liabilities and obligations associated therewith;

(ii) entered into (a) leases on behalf of Cogent Infrastructure or its subsidiaries, as lessor, and Group or its subsidiaries, as lessee, for the use of certain premises held by Cogent Infrastructure of its subsidiaries, and (b) a dark fiber indefeasible right of use agreement in favor of Cogent Group or its subsidiaries for the use of certain fiber optic routes owned by Cogent Infrastructure or its subsidiaries; and

(iii) prior to the transfer of the equity of the Securitization Issuer from Group or its subsidiaries, transferred or assigned to the Securitization Issuer (a) certain IPv4 addresses held by Cogent Group or its subsidiaries and (b) any related customer contracts;

(iv) transferred the equity of the Securitization Issuer from Group or one of its subsidiaries to Cogent Infrastructure or one of its subsidiaries; and

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(v) following the transfer of the equity of the Securitization Issuer to Cogent Infrastructure or one of its subsidiaries, transferred or assigned to the Securitization Issuer (a) certain IPv4 addresses held by Cogent Infrastructure or its subsidiaries and (b) any related customer contracts;

in each case, in amounts of substantially equivalent value and delivered by the Company to Group or Cogent Infrastructure, as applicable, as a contribution to capital. For the avoidance of doubt, following the consummation of the foregoing, the Securitization Issuer became an indirect subsidiary of Cogent Infrastructure and holds the IPv4 addresses contributed to it by Group, Cogent Infrastructure and/or their respective subsidiaries in connection with the foregoing.

Acquisition of Sprint Communications

The Sprint Business's cash flow was negative at the time of negotiations and during its recent history. Due to the dire financial condition of the Sprint Business, it was understood that a payment from T-Mobile to any potential buyer would be required to execute a transaction to give a buyer sufficient cash inflows to offset losses that would be expected until a buyer could optimize the business. Based on management's internal modeling at the culmination of the due diligence process, management determined this cash payment to be $700.0 million. Management intends to reduce the negative cash flow of the Sprint Business through the payments from the IP Transit Services Agreement, reducing operating costs and increasing revenue primarily by providing optical wavelength and optical transport services over our fiber network, including the owned network we acquired with the Sprint Business. We are selling these services to our existing customers, customers we acquired with the Sprint Business and to new customers who require dedicated optical transport connectivity without the capital and ongoing expenses associated with owning and operating network infrastructure. As part of the Transaction, we began incurring costs associated with the TSA. The amount of these costs will be dependent upon our ability to integrate the operations of the Sprint Business into our operations.

Our cash flow requirements related to the acquisition of the Sprint Business will be dependent upon our ability to reduce the acquired operating costs, our success in retaining the acquired customers and our ability to sell optical wavelength and optical transport services over our fiber network.

Under the IP Transit Services Agreement, TMUSA will pay us an aggregate of $700.0 million, consisting of (i) $350.0 million in equal monthly installments of $29.2 million per month during the first year after the Closing Date and (ii) $350.0 million in equal monthly installments of $8.3 million per month over the subsequent 42 months. Through March 31, 2024, we received ten monthly payments totaling $291.7 million under the IP Transit Services Agreement, reflected as cash from investing activities in our consolidated statements of cash flows. As our business has grown as a result of an increasing customer base, the Transaction, broader geographic coverage and increased traffic on our network, we have historically produced a growing level of cash provided by operating activities. Since we closed the Transaction we have experienced a reduction of cash provided by operating activities from the impact of the Transaction. The cash received from the IP Transit Services Agreement was designed to offset operating losses associated with the Sprint Business. Increasing our cash provided by operating activities is, in part, dependent upon our ability to reduce the operating costs of the Sprint Business while retaining its revenue, expanding our geographic footprint and increasing our network capacity.

During 2024, we expect to receive a total of $204.2 million under the monthly payments under the IP Transit Services Agreement. This includes an additional five monthly payments of $29.2 million each, totaling $145.8 million, and seven monthly payments of $8.3 million each, totaling $58.3 million. Increasing our combined cash provided by operating activities and cash provided by the IP Transit Service Agreement is, in part, dependent upon our ability to reduce the operating costs of the Sprint Business while retaining its revenue.

In assessing our liquidity, management reviews and analyzes our current cash balances, payments under the IP Transit Services Agreement, accounts receivable, accounts payable, accrued liabilities, capital expenditure commitments, and required finance lease and debt payments and other obligations. Because of the operating leverage of our network, our annual capital expenditures measured as a percentage of revenues has fallen over the last decade.

We have also had increasing success in raising capital by issuing notes and arranging financing and leases that have had a lower cost and more flexible terms. The combination of this improved operating performance and access to capital has enhanced our financial flexibility and increased our ability to make distributions to stockholders in the form of cash dividends or through share repurchases. Since our initial public offering, we have returned $1.4 billion to our stockholders through share repurchases and dividends. We will continue to assess our capital and liquidity needs and, where appropriate, return capital to stockholders.

Over the next several years, we have significant contractual and anticipated cash outlays including our indicative dividend payments on our common stock, our maturing debt obligations, interest payments on our debt obligations and Swap Agreement and our projected capital expenditure requirements in order to help execute our business plan including the integration of Sprint Business. Based upon the historical growth rate of our dividend, we expect that we would have to provide approximately $382 million in order to meet our expected quarterly dividend payments over the next two years. Our $500.0 million of 2026 Notes accrue interest at 3.50%, mature in May 2026 and include annual interest payments of $17.5 million until maturity. Our $450.0 million of 2027 Notes mature in June 2027 and include annual interest payments of $31.5 million until maturity.

Under our Swap Agreement, we pay the counterparty a semi-annual payment based upon overnight SOFR plus a contractual interest rate spread, and the counterparty pays us a semi-annual fixed 3.50% interest payment. These settlement payments are made in November and May of each year until the Swap Agreement expires in February 2026. As of March 31, 2024, $44.8 million of our cash and cash equivalents are restricted for use under our Swap Agreement. We have made a $45.8 million deposit with the counterparty to the Swap Agreement. If the fair value of the Swap Agreement exceeds a net liability of $45.8 million, we will be required to deposit additional funds with the counterparty equal to the net liability fair value. As of March 31, 2024, $44.9 million of the deposit was restricted and $1.0 million was unrestricted.

We may need to, or elect to, refinance all or a portion of our indebtedness at or before maturity and we cannot provide assurances that we will be able to refinance any such indebtedness on commercially reasonable terms or at all. In addition, we may elect to secure additional capital in the future, at acceptable terms, to improve our liquidity or fund acquisitions or for general corporate purposes. In addition, in an effort to reduce future cash interest payments as well as future amounts due at maturity or to extend debt maturities, we may, from time to time, issue new debt, enter into interest rate swap agreements, enter into debt for debt, or cash transactions to purchase our outstanding debt securities in the open market or through privately negotiated transactions. We will evaluate any such transactions in light of the existing market conditions. The amounts involved in any such transaction, individually or in the aggregate, may be material. We or our affiliates may, at any time and from time to time, seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

In light of the economic uncertainties associated with the global recessionary economy, the cash flow requirements of the Sprint Business, the lingering impact of the COVID-19 pandemic and recent bank failures and liquidity concerns at certain other banks, our executive officers and Board of Directors have continued to carefully monitor our liquidity and cash requirements. Based on current circumstances, we currently plan to continue our current dividend policy. Given uncertainties regarding the lingering business impact of the pandemic, the cash flow requirements of the Sprint Business and the timing for economic recovery, we will continue to monitor our capital spending. As we do each year, we will continue to monitor our future sources and uses of cash, and anticipate that we will make adjustments to our capital allocation strategies when, as and if determined by our Board of Directors.

Impact of COVID-19 on Our Liquidity and Operating Performance

As of March 31, 2024, we had cash, cash equivalents and restricted cash of $163.3 million. The COVID-19 pandemic has not impacted our credit rating to date, nor do we believe that it has materially changed our cost of capital. We believe we are able to timely service our debt obligations and will not require any concessions to do so. We believe we will have access to additional capital from a variety of sources and the public capital markets for debt and equity.

We have experienced certain corporate customers taking a more cautious approach to new configurations and upgrades as well as a reduction in demand for connecting smaller satellite offices as a result of the challenges and uncertainties of the remote work environment that resulted from the COVID-19 pandemic. We also have witnessed a deteriorating real estate market in and around the buildings we service with rising vacancy levels and falling lease initiations or renewals which resulted in fewer sales opportunities for our salesforce and a reduction in VPN opportunities. As a result, we experienced a slowdown in new sales to our corporate customers which negatively impacted our corporate revenue growth.

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Following the end of the pandemic, during the three months ended March 31, 2024, we continued to see declining vacancy rates and rising office occupancy rates in certain markets in which we operate. Other markets, particularly those in California and the Pacific Northwest, continue to see markedly higher vacancy rates. In addition, we began to see positive trends in our corporate business. This was due partially to the increase in office occupancy rates and leasing activity in some markets but also to new demands for services from corporate customers. As the option to fully or partially work from home becomes permanently established at many companies, our corporate customers are integrating some of the new applications that became part of the remote work environment, which benefits our corporate business as these customers upgrade their Internet access infrastructure to higher capacity connections, and mitigates the overall impact of remote work policies on our corporate business. Further, if and when companies eventually return to the buildings in which we operate, we believe it will present an opportunity for increased sales.

While we believe that demand for office space in the buildings in which we operate will remain among the strongest in the markets in which they are located, and that most employers will eventually require their employees to return to their offices on at least a hybrid basis, the timing and scope of a return to office, particularly in a number of key markets we serve, remains uncertain. In some markets, office occupancy rates may never return to pre-pandemic levels. As a result, we may continue to experience increased customer turnover, fewer upgrades of existing customer configurations and fewer new tenant opportunities. A potential resurgence of COVID-19 due to new immunity-resistant variants could cause companies to continue to delay the return of their employees to the office, to cause companies to shift workers in the office back to remote work and to delay further opening new offices. These trends may negatively impact our revenue growth, cash flows and profitability.

We cannot predict whether new COVID-19 variants will arise and spread widely, the impact of the spread of new COVID-19 variants on the global economy, how national and local governments may react to the spread of new variants nor predict the impact the variants and any measures taken in response may have on our operations, employee retention, revenue growth, cash flows and our profitability.

Cash Flows

The following table sets forth our consolidated cash flows.

	Nine Months Ended September 30,		Three months Ended March 31,	
(in thousands)	**2023**	**2022**	**2024**	**2023**

Net cash provided by operating activities	$ 66,043	$ 137,384	$ 19,219	$ 35,821
Net cash provided by (used in) investing activities	16,607	(59,380)	50,951	(23,204)
Net cash used in financing activities	(193,116)	(76,548)	(23,549)	(54,616)
Effect of exchange rates changes on cash	626	(6,416)	2,872	510
Net decrease in cash and cash equivalents and restricted cash	$ (109,840)	$ (4,960)		
Net increase (decrease) in cash and cash equivalents and restricted cash			$ 49,493	$ (41,489)

Net Cash Provided by Operating Activities. Our primary source of operating cash is receipts from our customers who are billed on a monthly basis for our services. Our primary uses of operating cash are payments made to our vendors, payments under the TSA, payments to employees and interest payments made to our finance lease vendors and our note holders. Our changes in cash provided by operating activities are primarily due to changes in our operating profit and changes in our interest payments. On the Closing Date, we entered into a TSA with the Seller, pursuant to which the Seller will provide to us, and we will provide to the Seller on an interim basis following the Closing Date, Transition Services to ensure an orderly transition following the separation of the Sprint Business from Sprint Communications. Amounts billed under the TSA are due 30 days from receipt of the related invoice. During the three months ended March 31, 2024, we were billed $16.7 million under the TSA primarily for reimbursement at cost of payment to vendors of the Sprint Business. During the three months ended March 31, 2024 we paid $78.5 million to the Seller under the TSA. As of September 30, 2023, March 31, 20234 we owed $69.6 million $5.8 million to the Seller and the Seller owed $16.8 million $3.2 million to us under the TSA agreement resulting in an increase in cash provided by operating activities. During the nine months ended September 30, 2023 we were billed $218.0 million and paid $153.1 million under the TSA agreement.

Net Cash Provided by (Used in) Investing Activities. Our primary use of cash for investing activities is for purchases of property and equipment. Purchases of property and equipment were $86.0 million $40.9 million and $59.4 million $23.2 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The changes in purchases of property and equipment are were primarily due to the timing and scope of our network expansion activities including geographic expansion, purchases in anticipation of the closing of related to our acquisition of the Sprint Business and adding buildings to our network. We paid $61.1 million, net of $47.1 million of cash acquired, for a net total of $14.0 million paid for our acquisition of the Sprint Business. On the Closing Date, we entered into the IP Transit Services Agreement pursuant to which TMUSA will pay us an aggregate of $700.0 million, consisting of (i) $350.0 million in equal monthly

installments during the first year after the Closing Date and (ii) $350.0 million in equal monthly installments over the subsequent 42 months. During the nine three months ended September 30, 2023 March 31, 2024 we were paid $116.7 million $87.5 million under the IP Transit Services Agreement.

Net Cash Used In in Financing Activities. Our primary uses of cash for financing activities are for payments to redeem and extinguish our debt, dividend payments and principal payments under our finance lease obligations and for purchases of our common stock. obligations. During the nine three months ended September 30, 2023 and 2022, March 31, 2023 we paid $135.4 million and $125.9 million, respectively, $45.3 million for our quarterly first quarter dividend payments. payment. Our first quarter 2024 dividend payment totaling $45.8 million was paid in April 2024 and accrued at March 31, 2024. Our quarterly dividend payments have increased due to increases in our quarterly dividend per share amounts. Principal payments under our finance lease obligations were $58.5 million $23.2 million and $21.0 million $9.5 million for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. The changes in our principal payments under our finance lease obligations are were primarily due to the timing and extent of our network expansion activities including geographic expansion, purchases in anticipation of the closing of related to our acquisition of the Sprint Business and adding buildings to our network. There were no purchases of our common stock in the nine months ended September 30, 2023 and 2022.

Cash Position and Indebtedness

At September 30, 2023 March 31, 2024, our total indebtedness, at par, was $1.4 billion $1.5 billion and our total cash, cash equivalents and restricted cash ($56.4 44.8 million) was $166.1 million $163.3 million. Our total indebtedness at September 30, 2023 includes $483.2 million March 31, 2024 included $517.5 million of finance lease obligations for dark fiber under long-term IRU agreements.

Summarized Financial Information of Holdings

Neither Holdings nor any of its subsidiaries that is not also a restricted subsidiary of Group is a “Restricted Subsidiary” as defined under the indentures governing our 2026 Notes and our 2027 Notes (the “Indentures”). Holdings is a guarantor under these notes, but none of its subsidiaries that is not also a subsidiary of Group is a guarantor under these notes. Under the Indentures, we are required to disclose financial certain reasonably related information of Holdings including and its subsidiaries that is not attributable to Group and its subsidiaries, relating to Holdings’ assets, liabilities and its operating results (“Holdings Financial Information”). The Holdings Financial Information as of and for the nine three months ended September 30, 2023 March 31, 2024 is detailed below (in thousands).:

	September 30, 2023
	(Unaudited)
Cash and cash equivalents	$ 1,185
Accrued interest receivable	4
Total assets	$ 1,189
Investment from subsidiaries	$ 559,311
Common stock	49
Accumulated deficit	(558,171)
Total equity	$ 1,189

	Nine Months Ended September 30, 2023
	(Unaudited)
Equity-based compensation expense	22,644
Interest income	551
Net loss	$ (22,093)

	As of March 31, 2024
	(Unaudited)
Cash and cash equivalents (1)	$ 24,352
Accounts receivable	3,926
Other current assets	15,444
Total current assets	$ 43,722
Property and equipment, net	826,371
Right-of-use leased assets	283,929
Intangible assets, net	472,317
Deposits and other assets	8,257
Due from T-Mobile Purchase Agreement	21,132
Total assets	$ 1,655,728
Accounts payable	$ 13,505
Due to T-Mobile – TSA	5,816
Due to T-Mobile – Purchase Agreement	4,981
Accrued and other liabilities	28,514
Operating lease liabilities, current maturities	52,155
Finance lease liabilities, current maturities	42,396
Total current liabilities	147,367
Due to Cogent Communications LLC	275,442
Operating lease liabilities	231,773
Finance lease liabilities	82,357
Deferred income tax liabilities	448,654

Other long-term liabilities	37,631
Total liabilities (1)	1,223,224
Stockholders' equity	432,504
Total liabilities and stockholders' equity	$ 1,655,728

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	For the Three Months Ended March 31, 2024 (Unaudited)
Service revenue	$ 691
Operating expenses	
Network operations	38,216
Selling, general and administrative	12,177
Equity-based compensation expense	7,615
Depreciation and amortization	40,828
Total operating expenses	98,836
Operating loss	(98,145)
Interest expense (1)	(3,058)
Reduction to bargain purchase gain	(5,470)
Interest income and other	624
Net loss	$ (106,049)

The Holdings Financial Information as of and for the year ended December 31, 2023 is detailed below (in thousands):

	As of December 31, 2023 (Unaudited)
Cash and cash equivalents (1)	$ 27,601
Accounts receivable	3,690
Other current assets	18,900
Total current assets	$ 50,191
Property and equipment, net	866,484
Right-of-use leased assets	290,143
Intangible assets, net	472,774
Deposits and other assets	7,257
Due from T-Mobile – Working Capital	38,585
Total assets	1,725,434
Accounts payable	$ 4,108
Due to T-Mobile – TSA	66,908
Due to T-Mobile Working Capital	4,981
Accrued and other liabilities	33,204
Operating lease liabilities, current maturities	53,427
Finance lease liabilities, current maturities	41,603
Total current liabilities	204,231

Due to Cogent Communications LLC		164,786
Operating lease liabilities		236,716
Finance lease liabilities		93,258
Deferred income tax liabilities		450,579
Other long-term liabilities		37,070
Total liabilities (1)		1,186,640
Stockholders' equity		538,794
Total liabilities and stockholders' equity	$	1,725,434

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		For the Year Ended December 31, 2023 (Unaudited)
Service revenue	$	223,257
Operating expenses		
Network operations		254,140
Selling, general and administrative		131,794
Equity-based compensation expense		7,615
Depreciation and amortization		126,121
Total operating expenses		519,670
Operating loss		(296,413)
Interest expense (1)		(7,688)
Bargain purchase gain		786,045
Interest income and other		2,536
Income before taxes		484,480
Income tax benefit		45,911
Net income		530,931

(1) On May 2, 2024, the Securitization Issuer, which is not a "Restricted Subsidiary" under the Indentures, completed the Securitization. The Securitization is not reflected in the Holdings Financial Information. Net proceeds, after offering expenses, of $200.5 million are expected to be used for general corporate purposes.

Common Stock Buyback Program

Our Board of Directors has approved purchases of shares of our common stock under a buyback program (the "Buyback Program"). There were no purchases of shares of our common stock in the three or nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. As of September 30, 2023 March 31, 2024, there was a total of $30.4 million available under the Buyback Program that is authorized to continue through December 31, 2024.

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Dividends on Common Stock and Return of Capital Program

On November 1, 2023 February 28, 2024, our Board of Directors approved the payment of our first quarter 2024 dividend of $0.965 per share of common stock to holders of record as of March 15, 2024. This $45.8 million dividend payment was paid on April 9, 2024 and is accrued on our consolidated balance sheet as of March 31, 2024. On May 8, 2024, our Board of Directors approved the payment of a quarterly dividend of $0.955 $0.975 per share of common share. stock. This estimated $45.1 million $46.3 million dividend payment is expected to be made paid on December 8, 2023 June 7, 2024.

The payment of any future dividends and any other returns of capital, including stock buybacks, will be at the discretion of our Board of Directors and may be reduced, eliminated or increased and will be dependent upon our financial position, results of operations, available cash, cash flow, capital requirements, limitations under our debt indentures and other factors deemed relevant by our Board of Directors. We are a Delaware corporation and under the General Corporation Law of the State of Delaware, distributions may be restricted including a restriction that distributions, including stock purchases and dividends, do not result in an impairment of a corporation's capital, as defined under Delaware Law. The indentures governing our notes limit our ability to return cash to our stockholders. See Note 3 of our interim condensed consolidated financial statements for additional discussion of limitations on distributions.

Future Capital Requirements

We believe that our cash on hand and cash generated from our operating activities and cash from the IP Transit Services Agreement will be adequate to meet our working capital, capital expenditure, debt service, dividend payments and other cash requirements for the next twelve 12 months and beyond the next 12 months if we execute our business plan.

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Any future acquisitions or other significant unplanned costs or cash requirements in excess of amounts we currently hold may require that we raise additional funds through the issuance of debt or equity. Such We cannot assure you that such financing may not will be available on terms acceptable to us or our stockholders, or us or at all. Insufficient funds may require us to delay or scale back the number of buildings and markets that we add to our network, reduce our planned increase in our sales and marketing efforts, reduce our planned dividend payments, or require us to otherwise alter our business plan or take other actions that could have a material adverse effect on our business, results of operations and financial condition. If issuing equity securities raises additional funds, substantial dilution to existing stockholders may result.

We may need to, or elect to, refinance all or a portion of our indebtedness at or before maturity and we cannot provide assurances that we will be able to refinance any such indebtedness on commercially reasonable terms or at all. In addition, we may elect to secure additional capital in the future, at acceptable terms, to improve our liquidity or fund acquisitions or for general corporate purposes. In addition, in an effort to reduce future cash interest payments as well as future amounts due at maturity or to extend debt maturities, we may, from time to time, issue new debt, enter into debt for debt, or cash transactions to purchase our outstanding debt securities in the open market or through privately negotiated transactions. We will evaluate any such transactions in light of the existing market conditions. The amounts involved in any such transaction, individually or in the aggregate, may be material.

Off-Balance Sheet Arrangements

We do not have relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

Impact of COVID-19 on Our Liquidity and Operating Performance

As of September 30, 2023, we had cash, cash equivalents and restricted cash ($56.4 million) totaling $166.1 million. The COVID-19 pandemic and its lingering effects has not affected our credit rating to date, nor do we believe that it has materially changed our cost of capital. We believe we are able to timely service our debt obligations and will not require any concessions to do so. We believe we will have access to additional capital from a variety of sources and the public capital markets for debt and equity.

Beginning with and throughout the COVID-19 pandemic, we witnessed a deteriorating real estate market in and around the buildings we service in central business districts in North America. Because of the rising vacancy levels and falling lease initiations or renewals, we experienced a slowdown in new sales to our corporate customers, which negatively affected our legacy corporate revenue results. As the option to fully or partially work from home becomes permanently established at many companies, our

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corporate customers are integrating some of the new applications that became part of the remote work environment, which benefits our corporate business as these customers upgrade their Internet access infrastructure to higher capacity connections. Further, if and when companies eventually return to the buildings in which we operate, we believe it will present an opportunity for increased sales. While we are seeing a return to pre-pandemic leasing activity and a return to in-office work in a number of regions, the exact timing and path of these positive trends remains uncertain, and as the after effects of the COVID-19 pandemic linger, we may continue to see increased corporate customer turnover, fewer upgrades of existing corporate customer configurations and fewer new tenant opportunities, which would negatively affect our corporate revenue growth.

While worldwide capital markets have remained unstable or unpredictable since then, particularly for non-investment grade issuers, legislative bodies and reserve banks have taken various actions in response to the pandemic that have impacted the capital markets, and we expect that these efforts may continue. We cannot predict whether new COVID-19 variants will arise and spread widely, the impact of the spread of new COVID-19 variants on the global economy, how national and local governments may react to the spread of new variants nor predict the impact the variants and any measures taken in response may have on our operations, employee retention, revenue growth, cash flows and our profitability.

Critical Accounting Estimates

Management believes that as of September 30, 2023 March 31, 2024, there have been no material changes to our critical accounting policies and significant estimates from those listed in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our annual report on Form 10-K for the year ended December 31, 2022, except as noted below.

Acquisition of Sprint Business

In connection with our acquisition of the Sprint Business we made the following significant changes to our critical accounting policies and significant estimates.

In connection with the Transaction, the identifiable assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires the use of significant judgment regarding estimates and assumptions. For the fair values of the assets acquired and liabilities assumed, we used the cost, income and market approaches, including market participant assumptions.

In connection with the Transaction, we acquired customer relationship intangible assets the value of which were determined using an income approach. This fair value measurement was based on significant inputs not observable in the market and, therefore, represents a Level 3 measurement. The key assumptions in applying the income approach include the discount rate, projected revenue from existing customers, customer attrition rate and projected capital and operating expenditures.

The Purchase Agreement includes an estimated payment from Seller to Buyer related to short-term lease obligations. This amount was recorded at its present value resulting in a discount. The interest rate used in determining the present value was derived considering rates on similar issued debt instruments with comparable durations, amongst other market factors. The determination of the discount rate requires some judgment.

On the Closing Date, we entered into the IP Transit Services Agreement. We evaluated what elements were part of the business combination and the consideration exchanged to complete the acquisition. We concluded that the payments to be made represent consideration received from T-Mobile to complete the acquisition of a distressed business. We concluded that T-Mobile did not represent a customer, the stated contract price did not represent consideration for services to be delivered, and the transaction did not satisfy the definition of revenue. We also considered whether the IP Transit Services Agreement would be considered separable from the business combination. We concluded that the cash consideration was not separately identifiable from the business combination and was therefore not meant to be in exchange for a distinct good or service. As a result, the IP Transit Services Agreement was recorded in connection with the Transaction at its discounted present value resulting in a discount. The interest rate used in determining the present value was derived considering rates on similar issued debt instruments with comparable durations, amongst other market factors. The determination of the discount rate and the conclusions reached related to the IP Transit Services Agreement required significant judgment. December 31, 2023.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management believes that as of September 30, 2023 March 31, 2024, there have been no material changes to our exposures to market risk from those disclosed in Item 7A "Quantitative and Qualitative Disclosures About Market Risk" of our annual report on Form 10-K for the year ended December 31, 2022, except as disclosed below under Item 1A "Risk Factors" December 31, 2023.

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ITEM 4. CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), an evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive officer and our principal financial officer, concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of the end of the period covered by this report.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

SOX Exemption

In accordance with guidance issued by the Securities and Exchange Commission, registrants are permitted to exclude acquired businesses from management's report on internal control over financial reporting for a period not to extend beyond one year from the date of acquisition or beyond more than one annual management report on internal control over financial reporting. The Company is in the process of assessing and integrating the internal control, compliance and operations over financial reporting of the Sprint Business. Given the significance of the Transaction and complexity of its systems and business processes, we intend to exclude the acquired business from our assessment and report on internal control over financial reporting for the year ending December 31, 2023.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in legal proceedings in the ordinary course of our business that we do not expect to have a material impact on our operations or results of operations. Note 4 of our interim condensed consolidated financial statements includes information on these proceedings.

ITEM 1A. RISK FACTORS

We may not realize the anticipated benefits of the acquisition of Sprint Communications, and the integration of the Sprint Business may disrupt our business and management.

The success of our acquisition of the Sprint Business of Sprint Communications, including the realization of anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine our business and the Sprint Business. The integration may be more difficult, costly or time consuming than expected. The integration process involves numerous risks. These risks include:

- inability to achieve the financial and strategic goals for the Sprint Business and the combined businesses;
- inability to achieve the projected cost savings for the Sprint Business and the combined businesses and the resulting impact on profitability;
- difficulty in, and the cost of, effectively integrating the operations, technologies, products or services, and personnel of the Sprint Business;
- entry into markets in which we have minimal prior experience and where competitors in such markets have stronger market positions;
- disruption of our ongoing business and distraction of our management and other employees from other opportunities and challenges;
- inability to retain key personnel of the Sprint Business;
- inability to retain key customers, vendors and other business partners of the Sprint Business or to migrate customers from legacy services;
- any non-occurrence of anticipated tax benefits or potential for adverse tax consequences;
- the effects of complex accounting requirements on our reported results;
- incurring acquisition-related costs or amortization costs for acquired intangible assets that could impact our operating results;
- elevated delinquency or bad debt write-offs related to receivables of the Sprint Business we assume;
- difficulty in maintaining internal controls, procedures and policies during the transition and integration;
- impairment of our relationships with employees, customers, partners, distributors or third-party providers of our technologies, products or services;
- failure of our due diligence processes to identify significant problems, liabilities or other challenges of the Sprint Business or technology;

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- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, the Transaction, such as claims from terminated employees, customers, or other third parties;
- inability to conclude that our internal control over financial reporting is effective;
- delay in customer purchasing decisions due to uncertainty about the direction of our product and service offerings;
- Transition Services costs for longer than anticipated;

- increased accounts receivables collection times and working capital requirements associated with business models of the Sprint Business; and
- incompatibility of business cultures.

If we experience difficulties during the integration process and are unable to integrate the Sprint Business successfully or in a timely manner, we may not realize the benefits of the Transaction to the extent anticipated. These integration matters could have an adverse effect on us during the transition period and on the combined company for an undetermined period after completion of the Transaction.

We maintain our cash and cash equivalents at financial institutions in amounts in excess of insured limits.

The Company maintains the majority of its cash and cash equivalents in accounts with U.S. and multi-national financial institutions, and our deposits at certain of these institutions, including the counterparty to our Swap Agreement, exceed insured limits. Market conditions can affect the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial position.

Management believes that as of September 30, 2023 March 31, 2024, except as set forth herein there have been no material changes to our risk factors from those disclosed in Item 1A "Risk Factors," of our annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023, except as disclosed noted below.

We have substantial debt, which we may not be able to repay when due.

Our total indebtedness, at par, at March 31, 2024 was $1.5 billion and includes $500.0 million of our 3.50% senior secured notes due in Item 1A - Risk Factors. May 2026 ("2026 Notes") and $450.0 million of our 7.00% senior unsecured notes due in June 2027 ("2027 Notes"). Our 2026 Notes require interest payments of $17.5 million per year and our 2027 Notes require interest payments of $31.5 million per year, each paid semi-annually. All of our noteholders have the right to be paid the principal and any applicable premium upon an event of default and upon certain designated events, such as certain changes of control. Our total indebtedness at March 31, 2024 included $517.5 million of finance lease obligations for dark fiber primarily under 15 to 43 year IRUs. Our total indebtedness March 31, 2024 excludes $387.5 million of operating lease liabilities which were required to be recorded as right-to-use assets and operating lease liabilities. The amount of our IRU finance lease obligations may be impacted due to our expansion activities, the timing of payments and fluctuations in foreign currency rates. Subsequent to March 31, 2024, our indirect wholly owned subsidiary issued $206 million of secured IPv4 address revenue notes, pursuant to the Securitization completed on May 2, 2024. If we do not have sufficient funds to pay the interest, principal and premium related to these obligations at the time we are obligated to do so, we could be forced into in bankruptcy, or we may only be able to raise the necessary funds on unfavorable terms.

The agreements governing our various debt obligations impose restrictions on our business and could adversely affect our ability to undertake certain corporate actions.

The agreements governing our various debt obligations include covenants imposing significant restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. These covenants place restrictions on our ability to, among other things:

- incur additional debt;
- create liens;
- make certain investments;
- enter into certain transactions with affiliates;
- declare or pay dividends, redeem stock or make other distributions to stockholders; and
- consolidate, merge or transfer or sell all or substantially all of our assets.

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In addition, our IPv4 address securitization facility requires us to maintain a specified debt service coverage ratio. Failure to maintain the debt service coverage ratio at a specified triggered level could adversely affect our business, including full or partial amortization or an event of default, as applicable. Our ability to comply with these agreements may be affected by events beyond our control, including prevailing economic, financial and industry conditions. These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, merger and acquisition or other corporate opportunities. The breach of any of these covenants or restrictions could result in a default under the agreements governing our debt obligations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Our Board of Directors has authorized a plan to permit the repurchase of our common stock in negotiated and open market transactions through December 31, 2024. We may purchase shares from time to time depending on market, economic, and other factors. There were no purchases of shares of our common stock during the third first quarter of 2023. 2024.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2023 March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

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ITEM 6. EXHIBITS.

(a) Exhibits

Exhibit Number	Description
4.1	Base Indenture, dated as of May 2, 2024, by and between Cogent IPv4 LLC and Wilmington Trust, National Association (previously filed as Exhibit 4.1 to our Current Report on Form 8-K, filed on May 6, 2024, and incorporated herein by reference).
4.2	Series 2024-1 Supplement, dated as of May 2, 2024, by and between Cogent IPv4 LLC and Wilmington Trust, National Association, (previously filed as Exhibit 4.2 to our Current Report on Form 8-K, filed on May 6, 2024, and incorporated herein by reference)
4.3	First Supplemental Indenture, dated as of May 2, 2024, by and among Cogent Communications Group, LLC, Sprint Solutions Wireline LLC and Wilmington Trust, National Association, as trustee and collateral agent (previously filed as Exhibit 4.3 to our Current Report on Form 8-K, filed on May 6, 2024, and incorporated herein by reference).
4.4	First Supplemental Indenture, dated as of May 2, 2024, by and among Cogent Communications Group, LLC, Sprint Solutions Wireline LLC and Wilmington Trust, National Association, as trustee (previously filed as Exhibit 4.4 to our Current Report on Form 8-K, filed on May 6, 2024, and incorporated herein by reference).
4.5	Second Supplemental Indenture, dated as of May 3, 2024, by and among Cogent Communications Group, LLC, Cogent Finance, Inc. and Wilmington Trust, National Association, as trustee and collateral agent (previously filed as Exhibit 4.5 to our Current Report on Form 8-K, filed on May 6, 2024, and incorporated herein by reference).
4.6	Second Supplemental Indenture, dated as of May 3, 2024, by and among Cogent Communications Group, LLC, Cogent Finance, Inc. and Wilmington Trust, National Association, as trustee (previously filed as Exhibit 4.6 to our Current Report on Form 8-K, filed on May 6, 2024, and incorporated herein by reference).
10.1	Amendment No. 9 to Employment Agreement of David Schaeffer, dated as of January 3, 2024 (previously filed as Exhibit 10.1 to our Current Report on Form 8-K, filed on January 5, 2024, and incorporated herein by reference).
10.2	Form of Restricted Stock Award, dated as of January 3, 2024, between the Company and David Schaeffer (previously filed as Exhibit 10.2 to our Current Report on Form 8-K, filed on January 5, 2024, and incorporated herein by reference).
10.3	Form of Restricted Stock Award, dated January 3, 2024, between the Company and the Vice President named executive officers (Retention) (previously filed as Exhibit 10.23 to our Annual Report on Form 10-K, filed on February 29, 2024, and incorporated herein by reference).
31.1	Certification of Chief Executive Officer (filed herewith)
31.2	Certification of Chief Financial Officer (filed herewith)
32.1	Certification of Chief Executive Officer (furnished herewith)

32.2	Certification of Chief Financial Officer (furnished herewith)
101.1	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline Extensible Business Reporting Language (XBRL), include: (i) the Condensed Consolidated Statements of Comprehensive (Loss) Income, (Loss), (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes (filed herewith).
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the iXBRL document).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 9, 2023 May 9, 2024

COGENT COMMUNICATIONS HOLDINGS, INC.

By: /s/ David Schaeffer
Name: David Schaeffer
Title: Chief Executive Officer

Date: November 9, 2023 May 9, 2024

By: /s/ Thaddeus G. Weed
Name: Thaddeus G. Weed
Title: Chief Financial Officer and Treasurer

Exhibit 31.1

CERTIFICATIONS

Certification of Chief Executive Officer

I, David Schaeffer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cogent Communications Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 9, 2024

/s/ David Schaeffer

Name: David Schaeffer
Title: Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer

I, Thaddeus G. Weed, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cogent Communications Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023

/s/ Thaddeus G. Weed

Name: Thaddeus G. Weed

Title: Chief Financial Officer and Treasurer

Exhibit 32.1

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Cogent Communications Holdings, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2023 March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2023 May 9, 2024

/s/ David Schaeffer

David Schaeffer

Chief Executive Officer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Cogent Communications Holdings, Inc. (the “Company”) hereby certifies, to such officer’s knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2023 March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2023 May 9, 2024

/s/ Thaddeus G. Weed

Thaddeus G. Weed

Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
