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PRESENTATION

Operator

Good morning. My name is Tamika, and I will be your conference operator today. At this time, I would like to welcome everyone to the Consolidated Communications' First Quarter Earnings Conference Call. Please be advised that today's conference is being recorded. (Operator Instructions)

I will now turn the call over to Jennifer Spaude, Senior Vice President of Investor Relations and Corporate Communications. Jennifer, you may begin your conference.

Jennifer M. Spaude - *Consolidated Communications Holdings, Inc. - SVP of Corporate Communications & IR*

Thank you, and good morning. I'd like to welcome everyone to Consolidated Communications' First Quarter 2021 Earnings Call. On the call today are Bob Udell, President and Chief Executive Officer; and Steve Childers, our Chief Financial Officer. Bob's comments today will highlight our strategic initiatives and progress with our fiber build plans. Steve will provide details on our first quarter financial performance and an update on guidance for 2021. Following the prepared remarks, we will open up the call for questions. Before we proceed, I will remind you our earnings release, financial statements and earnings presentation are all posted on the Investor Relations section of our website at consolidated.com.

Please review the safe harbor provisions on Slide 2 of this presentation. Today's discussions include statements about expected future events and financial results that are forward-looking and subject to certain risks and uncertainties. A discussion of factors that may affect future results is contained in consolidated filings with the SEC, and our 10-Q will be filed tomorrow.

Today's discussion will also include certain non-GAAP financial measures. Our earnings release includes a reconciliation of these measures to the nearest GAAP equivalent. I will now turn the call over to Bob Udell.

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

Thank you, Jennifer, and good morning, everyone. We are excited to be with you today, especially pleased to update you on the early phases of our gigabit fiber growth plan. We have never been better positioned with a stronger balance sheet, a fully funded growth plan and a strong first quarter result to begin an investment here. First quarter marked the official start of our transformation as we set out to achieve a 5-year plan to upgrade at minimum 1.6 million locations. This will result in more than 70% of our total 2.7 million addressable homes and businesses across our footprint available to have gigabit broadband speeds or higher.

We're off to a great start having upgraded nearly 46,000 passings to gigabit fiber capable services in first quarter. To put this into perspective, the first quarter number of fiber passings upgraded is 20x the number we built in all of 2020. We are making great progress on fiber builds and network upgrades, and I'm proud of what the team accomplished in the first quarter. Our first quarter results reflect strong operational performance and execution, which produced stable revenue and a very fast start to our fiber builds.

Starting with our consumer channel. Broadband revenue grew 2.6%. This is the eighth consecutive quarter of year-over-year broadband revenue growth. The consumer data ARPUs grew 7%, and we added more than 3,800 fiber broadband connections, a 10x increase over the same period last year. Our build rate -- with our build rate in the first quarter, we are on track with our overall plan to upgrade at least 300,000 locations in 2021 as outlined on Slide 6 of our investor deck. The gigabit fiber upgrades were primarily in Northern New England, California and Texas. Crews constructed 770 miles of new fiber just in the first quarter, placing 288 fiber count or larger cables to meet the high-capacity needs of our consumer, commercial and carrier customers for years to come.

Our near-net regional fiber networks provide for very attractive cost per passing. For first quarter, we had a cost of passing of approximately $350, and it's in line with our expectations. These early upgrades are very attractive and benefit from a large amount of aerial fiber across our northern New England markets. We believe this multi-gig symmetrical nature of our fiber-to-the-premise technology delivers a differentiated customer experience. Our go-to-market strategy has been meticulously planned out. We will offer easy-to-understand packages, attractive pricing and a stellar customer experience, all to create a truly differentiated service offering. We're excited about the many benefits these fiber services will provide our customers and their communities.

In the first quarter, we launched new fiber speeds and pricing tiers in upgraded markets. Customers can choose from 3 tiers of service with simple and transparent pricing structures. We also launched a dedicated customer care channel for our gigabit fiber customers and kicked off a pilot of a new premium tech support feature. We have streamlined our installation process and continue to reduce the intervals between customer order and fiber broadband installation to less than 5 days. We are focused on delivering the best in-home experience possible using the latest WiFi technology and advanced yet simple to use troubleshooting tools. Our investments in our digital transformation projects will give our customers new self-serve options, allowing them to do business with us in the manner which they prefer.

And while it is early, we're seeing a very positive penetration rate in our recent cohorts or recently built neighborhoods that are in line with our expectations and similar to our previous fiber builds in New York and New Hampshire at comparable stages. It's a powerful combination of delivering not only the fastest symmetrical speeds but also a transformed customer experience key our value proposition for our new fiber services. And we have proven experience with public-private partnerships and have completed 7 already and are well-positioned to take advantage of any additional funding to expand broadband into rural America.

Over the last 3 months, we have won bids for 13 additional municipal partnerships and have dozens more in the planning stages, not to mention our track record with state and federal programs. Simply put, we understand the funding sources. We have the right relationships, and we have the infrastructure in place to build fiber at a scale and at a lower cost when additional dollars become available.

Turning to our commercial and carrier channel. I'll begin by recapping our strategy. Both of these customer groups leverage our best-in-class IP or native Ethernet core, which drives our robust fiber networks. Our commercial go-to-market strategy is based on leveraging our network and service experiences as we grow data and Ethernet revenue. Our sales teams are focused on network, and we utilize a solutions-based sales approach. Many conversations with prospects begin with technology and discussions around their business challenges. We provide simple solutions for these evolving business opportunities through our experienced sales force, and we work to become a trusted adviser for our customers.

We have an expanded product portfolio, which includes best-in-breed partners like VeloCloud, Palo Alto, Ciena and Cisco, which supports our ability to provide end-to-end solutions. Our network reach, solutions-based sales approach and strong local presence are key differentiators for us in the commercial channel. And there's a strong demand for our ProConnect unified communications platform as demonstrated by revenue growth of over 7% in the quarter as businesses leverage this benefits and flexibility of this service across office and remote employees.

We are also seeing increased demand for switched Ethernet gig services and SD-WAN. As an example, we recently won a contract for a 69-site school network in Minnesota. This 5-year $4 million contract includes dedicated Internet and managed security services. We won this business based on our ultra-fast, reliable Internet connectivity. As we build out carrier-grade capacity, we increased on-net buildings 11% year-over-year. More on-net buildings mean more opportunities to win business. Our strengthened capital structure enables us to support this channel better than ever before.

Moving to our carrier team. This channel continues to be very active on deals of all sizes as we leverage our core regional fiber networks to create and capture regional and national carrier demand as well as the emerging 5G network opportunities. The carrier product mix, like commercial, is weighted towards Ethernet, and we are seeing more interest in carrier-grade wave solutions as well. The carrier team is doing a great job of upselling on any opportunity and has a solid success with 100 gig upgrades. Our primary differentiators within the commercial and carrier channel are the experience of our sales team and our ability to be nimble and proactive with reliable solutions that we can deliver in a timely manner.

It was clear during the height of COVID customer decision-making was slower and businesses were pausing and delaying some of their network upgrade plans. We are optimistic about business recovery and remain focused on targeting the vast majority of our sales on network. This correlates to higher margins, increased upsell opportunities and greater ability to ensure the best customer experience, which ultimately contributes to higher customer retention.

I will now turn the call over to Steve, who will provide more insight on our first quarter 2021 financial results. Steve?

Steven L. Childers - *Consolidated Communications Holdings, Inc. - CFO & Treasurer*

Thanks, Bob, and good morning to everyone. We're pleased to report today on a remarkable start to the year. In addition to sharing our strong Q1 results, I'll also update you on a couple of recent refinancings, and I'll also reiterate our 2021 guidance. Our first quarter financial summary can be found on Slide 4 of our presentation. Operating revenue totaled $324.8 million for the quarter and was down approximately 0.25% compared to a year ago. Adjusted EBITDA totaled $126.6 million, down 3.8%, and was in line with our expectations as we start to ramp our fiber expansion plan.

Now in looking at the revenue results, commercial and carrier revenue totaled $144.3 million in the first quarter, down $2.7 million or 1.8%, primarily due to equipment sales and the timing of construction projects. Data and transport revenue totaled $90.3 million and was up approximately 1% in the first quarter. This compares to the 2% growth we achieved last year, and which is still our target for 2021. Voice revenue declined $1.4 million or 3.2%, which is consistent with improved voice trends we experienced throughout 2020. Commercial, other products and services revenue declined $2 million, driven by a decline in our pole attachment revenue and lower equipment sales. But customers who held off equipment purchases in 2020 are starting to reengage again, especially within the medical sector.

Now turning to our consumer channel. Revenue totaled $123 million, which represents a year-over-year decline of 2.7%. This decline is within expectations, is primarily driven by voice reductions. Consumer broadband revenue was $65.8 million, up 2.6%, and represents our eighth consecutive quarter of growth on a year-over-year basis. The consumer data ARPU in the first quarter was $55.24, up 7% year-over-year. We expect to continue to grow data ARPU as we increase speeds and upsell customers, especially as we roll out the fiber to the perim 1 gig product. Consumer voice revenue for the recent quarter was down 6.4% or $2.8 million from a year ago. Our increasingly competitive broadband offers, combined with measured rate increases are contributing to our ability to sustain the improved revenue trends we realized in 2020.

Video revenue was down $2.3 million. And on a stand-alone basis, video is slightly negative on a margin basis, given the accelerating increases in content costs. We are capping our organic video services and are focused on retaining the high-speed data customer relationship as we pursue new and in-demand streaming partnerships. We believe this strategy will meet our customers' viewing preferences while allowing us to avoid content cost with no CapEx spend.

Network access revenues totaled $31.6 million, up slightly from a year ago. Declines in special access were offset by an increase in the Universal Service fund revenue, driven by higher rates during the quarter. Subsidy revenue was down approximately $1.1 million due to lower funding from the Texas high-cost funds in the first quarter. The mandated reduction in state funding is under review of the Texas PUC, and we expect a revised order within the next week or so, and we are optimistic that funding will be restored close to previous levels.

Other products and services increased $6.2 million due to $6.5 million in nonrecurring revenue with network builds for the public private partnerships. These relationships allow us to partner with these entities to deliver enhanced and increased broadband services. To date, we have completed 7 builds with approximately 14,000 passing and currently have 5 more projects in progress.

Now turning to operating expenses. Excluding depreciation and amortization, operating expenses totaled $210.8 million, an increase of $5.3 million or 2.6%. Overall expenses would have declined $2.7 million normalizing for the onetime PPP build cost and the initial start-up expenses related to our fiber expansion. Cost of services and products increased $6.2 million, primarily due to costs relating to the public-private partnership network build that I just mentioned, combined with the added expense from the universal service fees driven by the higher factors within the first quarter.

And as a reminder, the universal service costs are basically a pass-through and is EBITDA-neutral. SG&A costs declined $967,000 or 1.4%, primarily due to decline in employee salaries and benefits as a result of a reduction in headcount in the current quarter. Advertising expense increased in conjunction with the promotion of our new fiber speeds.

Net interest expense for the first quarter was $48.4 million, an increase of $16.3 million from a year ago. This change was primarily as a result of our October 2 global refinancing and the receipt of the $350 million initial Searchlight strategic investment. Interest expense increased $5.6 million due to the higher mix of senior secured notes in our external debt structure as well as the additional term loan in the quarter. Additionally, noncash interest on the Searchlight note, combined with the amortization of deferred financing cost and discount totaled $10.2 million. I'll provide an update on our go-forward cost of capital [in just a minute]. Additionally, at March 31, we recognized a noncash loss of $57.6 million related to the increase in fair value of the contingent payment right to Searchlight upon receipt of all approvals and completion of the second close of the Searchlight transaction, we expect -- which we expect to occur in the third quarter. The CPR will be converted to the common stock.

Cash distributions from the company's wireless partnerships totaled $9.4 million in the first quarter, down $700,000 from a year ago. As we stated in our last call, we expect wireless distributions to be in line with past annual run rate in the range of $37 million to $39 million for 2021. Adjusted net income per share, including the 6.3 million new shares, new common shares issued as part of the first closing with Searchlight last October, was $0.21 per share compared to $0.23 per share a year ago. CapEx was approximately $76 million in the first quarter, reflecting a higher level of spending, supporting our fiber network expansion projects and investment in digital transformation technology.

Now I'll update you on our capital structure, which is outlined on Page 7 of our slide deck. As a reminder, we completed the global refinancing last October. The extended maturities improved leverage and increased liquidity. The result was a fully funded build plan and a much stronger balance sheet. Based on recent favorable market conditions, we continue to take actions to improve our overall financial position and reduce our cost of capital. In January, we raised $150 million under our term loan at existing terms. In March, we issued $400 million in senior secured notes of 5% due 2028. We used those proceeds to pay down term debt in conjunction with the bank repricing. On April 5, we completed the bank repricing, which resulted in a 150 basis point improvement as we were able to reduce both the coupon and the LIBOR floor. This results in $18 million in annual cash interest savings.

Additionally, since the $400 million payout in the term loan was applied in the order of the next scheduled maturity, which effectively eliminated the 1% or $14 million per year of principal amortization for the life of the facility. As a result of these transactions, we have significantly reduced our ongoing cost of capital and have contributed over $30 million in incremental cash flow to support our build plan. With respect to liquidity, we have over $325 million of cash on the balance sheet. And with the undrawn revolver, we have approximately $550 million in liquidity.

Additionally, we expect to receive the $75 million from the second stage investment from Searchlight in the third quarter once we secure the requisite regulatory approvals. The strong cash and liquidity position further reinforces our fully funded long-term value creation plan.

We'll now review and reiterate our full year 2021 guidance, which is outlined on Slide 9. Capital expenditures are still expected to be in the range of $400 million to $420 million. Compared to the prior year spend rates, this guidance fully reflects increased investment levels driven by our build and success-based CapEx for our fiber expansion plan. Our adjusted EBITDA is still expected to be in the range of $500 million to $510 million. Cash interest expense guidance, which was updated with the reprice of the term loan as previously discussed, is now expected to be in the range of $130 million to $135 million.

And with -- we expect to [pick] the Searchlight investment at least through 2022, and we have the election to do so through 2025. Cash income taxes remained unchanged and are expected to be in the range of $2 million to $4 million. We've had a very productive and exciting first quarter, and we're extremely well-positioned to execute on our transformational fiber expansion plan. With that, I'll now turn the call back over to Bob.

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

Thank you, Steve. Finally, I'll provide a brief update on the second closing that Steve referenced with Searchlight Capital Partners. You can see the investment steps associated with this partnership on Slide 8 of our presentation. This week, our shareholders approved the issuance of shares to Searchlight as part of this transaction. We expect to obtain the applicable state and FCC approvals in third quarter, which will then trigger the remaining $75 million of investment. With our strong balance sheet and strategic partner in Searchlight, we're building on an excellent platform for the future, and we're very focused and on our way to becoming a fiber-first broadband company.

As we enter into the next phase of our growth and transformation, our strategic priorities continue to guide our work as outlined on Slide 10. Our #1 priority is accelerating our fiber build to scale and grow broadband services in the markets that we serve. We will also leverage our fiber assets to continue to grow commercial and carrier data services, and we're focused on transforming the customer experience to make it easier for our customers to do business with us. We're very confident in our plan and ability to deliver a differentiated superior fiber product offering with an excellent customer experience and digital capabilities.

These priorities put us on a path to return to top line revenue growth in 2023. And this return to growth is extremely exciting. Our plan is fully funded, and we are executing on our fiber expansion growth effort as we build momentum and become a stronger fiber-based broadband provider. In closing, I want to thank our dedicated employees who work hard every day to serve our customers and execute on our bold growth plans. Our path forward is all about building long-term sustainability and value for our investors, our customers and our employees. And we have a strong, stable business, a significantly improved financial position and a growth plan that is transforming our company and the communities that we serve. I couldn't be more excited for what the future holds for us. Tamika, I think we're now ready to take questions at this time.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Gregory Williams with Cowen and Company.

Gregory Bradford Williams - *Cowen and Company, LLC, Research Division - Director*

You're off to a good start, and I had a couple of questions on that good start with Fiber To The Home. One, you did reiterate your Capex, but it's really great to see that your cost per home passed is coming in pretty low at $350 per home. Where do you see that trajectory going? I imagine you just dealt with the low-hanging fruit, so to speak, in terms of home. And so as I think about the next tranche of homes over the next few quarters, where do you see that trajectory in light of your CapEx guide. And as a tangent, I know it's early, you have early learnings, but are you seeing the cost to connect, the success-based CapEx, the drop, the [OMT] coming in around that $750 level? And then my last question, if I may, is on the cadence. You built out 46,000 homes. That leaves another 154,000 to go for the year. How should I think about the cadence? Is it bulkier in the warmer months? And then maybe as it cools down in the fourth quarter, it slowdown? Or is it sort of a linear ramp or a steady ramp up?

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

Yes. Thanks for the questions. Let me start with the CapEx first, and both the passings and the success base. We're -- you're right. I mean, we're dealing with the lower hanging fruit, if you will, in the places that we could move most quickly in order to get the machine running. And so we're going to see that CapEx number creep up as we get into underground, especially in northern New England where we know we'll have some ductwork and repairs to do. So I would expect it, the trend towards the 450 in northern New England and probably between 500 and 550 in some of the areas where we have to do varied work. But on the average, it will move towards that 500 number as we progress through the year. There'll be some that are 700, 800, and there'll be some that are in the 300 range, but it will average out in that 500 range, I think, towards the end of the year. On the success-based side, we're actually -- because we don't have all the WiFi gear that we want from an experience perspective, we're in the 400 to 450 range on the install. The installs are going fairly quickly. It's a lot more efficient of an install. It's primarily plug and play. And so we're looking at ways to continue to tweak the talent pool that we've put on that. So right now we're using high-cost labor to make sure, the more technically proficient folks to make sure that nothing goes wrong, and we can improve on the process. But as we smooth that out, I think there'll be higher equipment costs with more WiFi components, and it will increase above the 450 range that we're seeing right now. So those things are well within our expectations. On the cadence, I think the early learnings are that we can ramp construction fairly quickly. We're feeling real good about first quarter. We've got roughly 70,000 planned in second quarter, and then we'll ramp through the end of the year because we can do some construction through the winter months as we've proven in first quarter in northern New England, it will just be weather-dependent in the fourth quarter to a certain degree. But we have other markets that we're building in, like Texas and California, where we can continue to get passings in the tougher winter months. So the portfolio is serving us well. The only risk I see is availability of materials. And so far, we've been well positioned for that and work ahead with our vendors and haven't seen that impact our build rate or our forecast for 2021 at this stage. So I think I covered it all 3.

Operator

Your next question is from the line of Eric Luebchow with Wells Fargo.

Eric Thomas Luebchow - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Yes, I was wondering, you mentioned the supply chain shortages. We've heard about that, particularly in the chip market, Bob, about some concerns building. So you haven't -- sounds like you haven't seen anything yet, but did you see anything in the future that could potentially impact the trajectory of the build pace? Or do you have enough purchase orders in that you feel pretty well insulated at least through the end of this year?

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

Yes. Great question, Eric. We feel really good with the purchase orders that we have out. We're pretty well-planned-out through the end of the year. There's always a chance that someone won't deliver on what they've committed to or they'll delay a delivery. And so far, because of the scale of the build we're doing and our relationships with suppliers, it's -- we're feeling pretty good. There's been a little bit of a challenge on fiber with resin now becoming a commodity that's hard to get. And that makes plastics cheap. And so we're hearing that could affect slice cases and things like that. But we feel like we're in a good shape from a supplier perspective. On the chipset issue, we put those electronics orders in very early, and we're seeing the delivery so far hit on target. So I don't foresee it affecting us for this year as long as the POs that are committed deliver on time.

Eric Thomas Luebchow - *Wells Fargo Securities, LLC, Research Division - Associate Analyst*

Okay. Great. And then just one more for me. Maybe you could talk about, Steve, the Connect America Phase II program. I believe that sunsets at the end of this year. Can you just kind of remind us any impact that will have as we kind of roll our model through to 2022 on EBITDA or free cash flow?

Steven L. Childers - *Consolidated Communications Holdings, Inc. - CFO & Treasurer*

Yes, Eric, this is Steve. Yes. So I think as we've talked before, the auctions kind get a different path on us than maybe what we had expected. We really kind of pivoted to -- let me be direct on your question. We -- today, we get $48 million a year in CAF II funding as we pivot towards [RDUF] at start of 2022, that's going to drop down to about $6 million a year in annual revenue. But again, I remind you that our build plan, and I don't believe the Searchlight investment was predicated on long time dependency on CAF II or RDUF. So we've said -- fortunately, we pivoted towards expanding our build plan, and that's why we went from 1 million passing for -- actually from 1.3 million to 1.6 million was because we wanted to be selective in the RDUF or some stocks that were really going to be high cost. Reserve pricing was going to 0. So I think we are going to take a step down just on total revenue in 2022, but we will make that up from a retail basis as people accept the 1 gig product and then probably within a 2-year window. So we're really focused on the build plan, and maximize in execution on that.

Operator

The next question comes from the line of Michael Rollins with Citi.

Michael Ian Rollins - *Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst*

Just curious, where you're upgrading fiber to over the next few years, what percent of that overlaps with cable competition? And can you remind us of how you think about the share opportunity from that as you get into those markets and compete with the fiber?

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

Yes. Thanks, Mike. When you think about the way our plan is built, we assumed that we were in a duopoly position in all cases. In reality, we have 81% of our market overlaps with one competitor. And there's small percentage, 3 or 4 that has 2 competitors. And the rest has roughly 11%. I think that has no competitor. And the majority of the builds are in a duopoly situation. Our experience is we end up with a 35-plus percent penetration in a duopoly situation when we have 1 gig offering. And in fact, in some of the more mature areas, after about 3 years, we've got 40% plus, 42% in some cases. Our initial experience in our fiber cohorts are -- where there's no competition, really, we're in the 60% plus in a matter of 6 months and where there is competition after roughly 2 years we're at 36%, actually 38% in New York, where we had the state broadband partnership. And we have Charter as a competitor there. So I think mid-30%, which is what it is in our model, is very doable, and our expectation is 40%-plus.

Michael Ian Rollins - *Citigroup Inc., Research Division - MD & U.S. Telecoms Analyst*

And in your experience, just given the importance of broadband, especially as many of us have been in remote environments in some form over the last year plus. So in your experience, why doesn't everyone or all homes have broadband? What are the reasons that you find for that gap where it's not 100% penetration of homes in the market for you and your competitors?

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

I think it's going to be rare. I think you had seasonal homes that aren't fully full-time occupied. You've got some that just won't depend on Internet at home and instead we'll use satellite. But I don't think you're going to see that remain in the 91% or whatever the rate is nationwide for long. I think it's going to be like the telecom growth of voice to all of America is going to get replaced by broadband. And that's why you're seeing a rush to interest in investing in this space.

Operator

(Operator Instructions) Your next question is from the line of Rob Williams with Octagon Credit Investment.

Rob Williams

Just a quick one from me. You've added a nice amount of home so far. I was wondering if you can give us just some color, kind of early days on the penetration rates. I know Bob just alluded to some of it. But kind of how do we think of that 321,000 homes that are gig-enabled, what's the data subs for that right now as a broader just overall penetration rate?

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

Yes. We're going to get more detailed in the penetration rates as the year progresses. And so it's really hard to give you a number without putting it in the context of how long those homes have been available. So in the homes that have been 3 years available with a gigabit fiber-based product or longer, our penetration is above 35%, 36%. In the most recently deployed homes, it really depends on, for example, northern New England, it's been harder to do direct door-to-door sales. And so it's trending more closely to our plan of expecting 20% in the first -- 15% to 20% in the first year, getting close to high-20s in the second year and then mid-30s in the third year. But in the areas where we've got long-time history, in the mid-South and the longer-term fiber gig areas in the West Coast, we're in the 36%, 40%, 42% range. So we're looking at it cohort by cohort. But towards the end of the year, as we build the momentum in second quarter, third quarter, there'll be more metrics that we're sharing because this is really the investment here in the transition of turning this ship into a growth engine, and we'll give you more examples on the overall fiber base as we blow out the metrics further.

Rob Williams

Great. Yes, I think everyone would appreciate that. And then I guess my final one is just kind of getting back to some of the cost side on the inflation pressures potentially. Are your -- I guess, are the contracts and the orders you guys put in, are they already fixed price? Are you getting adjustment if costs are rising?

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

Yes. The POs that we put in now are fixed price. And we have POs that we're letting all the way into 2022. So we're watching the cost of materials carefully. But so far, we feel confident that there's room for some movement if prices go up.

Operator

(Operator Instructions) At this time there are no further questions. I will turn the call back over to Mr. Bob Udell. Please go ahead, sir.

C. Robert Udell - *Consolidated Communications Holdings, Inc. - President, CEO & Director*

Thank you. Well, thanks, everyone, for joining the call today. We're very excited about our progress in first quarter and well into the second quarter ramp. And we appreciate you tuning in and look forward to updating you on our first quarter -- our second quarter results. Thank you. Have a great day.

Operator

This concludes today's conference call. You may now disconnect.