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CNSL.OQ - Q3 2021 Consolidated Communications Holdings Inc Earnings Call

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## PRESENTATION

**Operator**

Good morning. My name is Julie, and I will be your conference operator today. At this time, I would like to welcome everyone to the Consolidated Communications 3rd Quarter Earnings Conference Call. (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 the conference.

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**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 3rd 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 our progress with our fiber build. Steve will provide details on our 3rd quarter financial performance and an update on guidance for 2021.

Following their prepared remarks we will open the call up for questions.

Before we proceed, I'll remind you our earnings release, financial statements, and earnings presentation are all posted on the Investor Relations section of our website, which can be found at ir.consolidated.com please review the Safe Harbor provisions on Slide 2 of our presentation. Today's discussion includes statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. A discussion of the factors that may result that may affect future results is contained in consolidated filings with the SEC. We will file our 10-Q on Friday. Today's discussion will also include certain non-GAAP financial measures. Our earnings release includes reconciliations of these measures to the nearest GAAP equivalent. I will now turn the call over to Bob Udell.

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

Thank you, Jennifer, and good morning everyone. The 3rd quarter was another important step in our multi-year value creation fiber expansion plan. We achieved the 10th consecutive quarter of broadband year-over-year revenue growth. We upgraded 97,000 passings to fiber gig capable service in the recent quarter and completed 219,000 upgrades year-to-date.

We are on track to exceed the aggressive plan we set of 300,000 fiber upgrades for this year. These network upgrades are the path forward for growth and depict the first phase of our transformation, which is just beginning to take shape. Today, I will provide an update on our fiber build plan starting on slide 4. Our 5-year plan is to upgrade $1.6 million or over 70% of our total passings by the end of 2025. You can see the planned progression of this build on slide 4, and then we plan to upgrade 400,000 passings next year in 2022. More than 1 million passings will be upgraded in northern New England alone where more than 90% of our markets have single, a single or no competitor.

We have a tremendous cost advantage, especially in New England where approximately 80% of our fiber is and in close proximity to our existing fiber backbone facilities. We are also leveraging our diverse footprint of suburban and rural markets with additional fiber-to-the-prem build in Texas, California Minnesota, Illinois, and Pennsylvania. This expansion support each of our 3 customer channels, including consumer, revenue, and carrier giving us 3 bites of the revenue apple. In addition to the high percentage of area plant in New England, we have a number of fiber deployment advantages, including our incumbent position, our robust near net fiber networks, and existing conduit capacity for Berry facilities.

We built 1700 miles of new fiber in the 3rd quarter and more than 4000 miles so far this year. We added more than 4,000 net one gig subscribers in the 3rd quarter and have increased fiber subscribers by over 20% year-to-date. We are now hyper-focused on implementing our enhanced digital technology to aid the customer experience and ramp our sales and marketing efforts.

Our fiber cohort penetration targets are outlined on slide 5. We expect to achieve [14%] (corrected by company after the call) cohort penetration 12 months after passings are upgraded in the quarter. 24% after 24 months and we expect to approach 33% after 36 months in the life of an individual cohort.

As we've discussed in the past, in some markets we are confident we can achieve duopoly parity with penetration in the low 40% range over a 5-year horizon. Our go-to-market strategy has been well tested and we have exciting news coming in mid-November related to a brand launch. With our new brand launch we will offer an entirely transform customer experience, which is designed to make broadband easy. We are offering superior gig symmetrical speeds. The strong this whole home mesh WIFI capabilities, the industry offers no data caps, new contracts, and then extremely competitive price point for symmetrical gig Internet.

We have the capacity to install fiber services within 3 days of order and we have a dedicated premium customer support channels measured by NPS scores for performance and productivity. We are significantly enhancing our digital sales engine in the next 30 days and rolling out an enhanced customer installation process. Our strategy is to win subscribers at the neighborhood level and provide a frictionless digital order experience. We're also connecting with our customers at local events through community meetings both in person and virtually.

Now, the investments we are making in our digital transformation projects will give us and our customers, new intuitive self-serve options, making it easier to do business with us in the way customers want. These tools will also significantly enhance the customer experience throughout our service delivery process.

In the 3rd quarter, we experienced the highest number of online transactions in our history as we enabled new web-based order entry tool specifically for northern New England fiber customers this digital flow through delivers end to end automation of all provisioning and order processing functions including messaging to customers regarding the status of their orders. This is a powerful combination of neighborhood level live interaction, coupled with the latest digital technology capable of delivering the fastest symmetrical speeds in market and also a truly differentiated customer experience. All of this is key to the value purpose proposition of our new fiber services and there's more to come. Along with our new digital storefront we will roll out a new brand representing a superior fiber product and a transformed customer experience giving customers exactly what they have been asking for, from their broadband service provider we are very excited to launch our new brand within the next 30 days and the differentiated customer experience which represents which will enable us to become the broadband provider of choice.

Now turning to our commercial and carrier channels, this business continues to be important part of our strategy as we leverage our fiber network investments to grow commercial and carrier data transport revenue. We continue to a long track record of growth in data revenue which grew 1.1% year-over-year as we hedge out our network. We actually grew on net buildings by roughly 1400 or 11% year-over-year, and we completed nearly 200 on net extensions of our fiber network. In the recent quarter, in fact 90% of our new sales across our markets are on net which correlates to higher margins, increased opportunity to upsell, and a greater ability to ensure the best customer experience and this ultimately contribute to customer satisfaction and strong retention.

We see good sales activity around our ProConnect Unified Communications and SD win services as leading Business Solutions. Our commercial go-to-market strategy leverages our expansive fiber network and our solutions based sales approach, allowing us to become a trusted advisor to our customers, while providing simple solutions to complex problems. We leverage 3 distinct commercial sales channels, including direct, an agent, as well as wholesale. Our carrier team is focused on the emerging 5G network opportunities across our regions, and with all major carriers, the carrier product mix like commercial is weighted towards Ethernet and we are seeing more interest in carrier-grade wave solutions as well.

Our highly experienced sales team continues to capitalize on new Ethernet and backhaul growth opportunities while proactively managing second generation contracts and price compression in an increasingly competitive landscape. We continue to be optimistic about business recovery from the pandemic and are pleased with the receptiveness for a customer in-person meetings and resulting projects. Our strong balance sheet enables us to support this channel and commit the capital needed to grow the business with the highest return.

I'll now turn the call over to Steve who will provide more insight on our 3rd quarter financial results. Steve.

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

Thanks, Bob and good morning to everyone. The 3rd quarter was another strong quarter and step in our ongoing transformation of our fiber first build strategy. I'll start by reviewing our overall financial results for the 3rd quarter and will provide an update on our 2021 guidance.

To begin our 3rd quarter highlights are on slide 7 of our presentation. Operating revenue for the quarter totaled $318.6 million dollars down 2.6% compared to a year ago. The decline in revenue was driven by erosion of legacy products for voice and video and network access, which are trending as expected and were partially offset by continued growth in our strategic revenues for data and transport and consumer broadband services. Adjusted EBITDA was $127.4 million and represents a 40% adjusted EBITDA margin for the quarter.

Turning to our consumer channel, total Consumer revenue was $125.4 million down two point four percent compared to the year-ago period and over 75% of the decline coming from our linear video services, which we will discuss in a moment. Consumer broadband revenue was $68.6 million, up approximately 1.0% sequentially and a 2.1% year-over-year. This represents the 10th consecutive quarter of year-over-year growth in broadband revenue. Broadband growth stems from speed fiber upgrades combined with ARPU gains on a new, on new fiber services.

This resulted in consumer data ARPU being $58.48, up approximately $4.0 or 7% over last year. We provided new metrics last quarter related our fiber passings and penetration rates, our churn provide information to measure the progress as we upgraded network to 70% or 2.7 million homes to 1 gig capable fiber services. We have nearly doubled our gig capable coverage in 2021, which is now 18% compared to 10% at the beginning of the year. Our consumer fiber data penetration at the end of 2020 is the starting point as we begin our 5-year build plan on January first 2021. So far this year, we've increased our gig subscriber base by 20% with approximately 11,000 net adds and we've almost doubled our inventory with an 80% increase of gig Fiber passings at the end of the 3rd quarter, our total fiber gig plus penetration is 13%. It is measured on total inventory including recently upgraded passings the pace of the build will influence our fiber penetration as we start taking fiber broadband market share as our sales machine scales and our new brand and product offerings are fully launched our cost per passing details are outlined on slide 5, our year-to-date average cost per passing this 550 to 600, which includes Edge Access Equipment labor and fiber components. The cost per passing the northern New England is around the $450 range based on the high amount of aerial fiber. The average cost of Connect which includes CPE labor and the drop is approximately $700. The biggest variable of the cost drop is the trough link which varies by market and region and I'll provide an update on our CapEx guidance in just a moment.

Consumer voice revenue was down by zero point one or $2.2 million dollars. We continue to improve the attrition rate in consumer voice and while we continue to experience some erosion. We are doing a good job managing the rate of decline in this area. Video revenue was down $2.3 million or 12.4% on a standalone basis and does account for 75% of decline in consumer revenue.

Our transition to over-the-top video services has enabled us to cap linear video deployments for an optimal TV, video strategy and is actually accretive to margins and free cash flow.

Now, turning to commercial and carrier revenue totaled $144.3 million in the 3rd quarter, down $2.1 million or 1.4%. Data and transport revenue was $91.1 million up approximately one point one percent year-over-year. We are one of the few companies in our pure group to continue to show growth in data and transport.

Catalyst for this growth are dedicated Internet bandwidth SD WAN and our commercial solution which we call ProConnect. Commercial voice revenues declined $2.7 million or 6% due to access declines and the migration of customers to Voice solutions, which we recorded in data and transport network access revenues totaled $29.9 million down just over $2.0 million year-over-year.

Special access declines were offset by increased Universal Service Fund revenue. Subsidy revenue was $17.3 million down 4.4% from a year ago due to a mandated reduction in state funding from the Texas high-cost funds we are part of an appeal, which was filed with the test telephone Association on the recent ruling in an effort to restore funding to prior levels. Operating expenses were $206.6 million down 1.4% from a year ago. Primary drivers of the change were network cost efficiencies, lower cost of video programing, and the recognition of some property tax rebates.

In September, we announced the sale of our non-core Ohio assets for approximately $26 million. In the 3rd quarter, we recorded a non-cash pre-tax loss of $5.7 million on assets held for sale, which includes approximately $22 million dollars of allocated goodwill. We now expect to closing this transaction in the first quarter of 2022. Additionally, we will continue to review our portfolio of assets for additional investment or monetization to ensure all assets have a long-term strategic. At September 30, we recognized a non-cash loss of $2.2 million related to the increase in the fair value of the contingent payment right to Searchlight. Net interest expense for the 3rd quarter was $43.2 million, an increase of $11.5 million from a year ago. The increase reflects our recapitalized balance sheet enabled the initial Searchlight investment in the global refinancing we completed last October, which allowed us to extend maturities, increase liquidity, and reduce leverage.

For the quarter, non-cash interest in the Searchlight note, combined with the amortization of deferred financing costs in the related discount totaled $10.9 million. We are benefiting from lower annualized cash costs as a result of our April bond offering and bank repricing of approximately $18 million and also were able to eliminate the one percent annual amortization on our term loan resulting in another $14 million in cash savings.

Additionally, as you can see from the capital structure summary on slide 9, we have no debt maturities until 2027, our net debt leverage is 3.64 at September 30, up slightly from Q2.

At the end of the 3rd quarter, we had over $500 million and liquidity. And we believe we have a fully funded plan build plans to return to growth. We are on track to secure the FCC approval and the final Searchlight investment by the end of the year. This will trigger Searchlight second investment of $75 million in t the second stage closing of the Searchlight partnership. At this in-state they will hold 30% of our common equity and $395 million of perpetual preferred stock plus accrued interest. Pro forma at close, we will have approximately $114 million outstanding total comp of common shares. Cash distributions from the Company's wireless partnerships totaled $11.1 million in the 3rd quarter in our $33.2 million year-to-date compared to $32 million a year ago. Capital expenditures totaled $144.3 million in the 3rd quarter and $339.5 million year-to-date.

Our CapEx spend was approx -- our Q3 CapEx was approximately $30 million higher than our plan as we proactively secured fiber materials and broadband CPE given the supply chain challenges facing the industry and the broader a crop economy. Over 40% of our total CapEx year-to-date is supporting our FTTB build projects in our digital transformation technology.

So let me sum up our 3rd quarter results and the opportunity ahead. Operationally, we are making excellent progress in our fiber build in our in-place on pace to exceed our upgrade target of 300,000 fiber passings this year, we continue to achieve key strategic revenue growth in broadband and data transport services which continues to provide stable business results and cash flow. We are changing the revenue subscriber mix as we're becoming a leading fiber provider and begin our transformation and return to revenue growth in 2023.

I'll close my comments out with an update on our full year guidance, which is outlined on slide 12.

Capital expenditures for the full year '21 are now expected to be in the range of $440 million to $460 million, an increase to the previous range of $400 million to 420 million. As I mentioned, we took proactive steps to secure CPE in fiber materials to support their build plan we are affirming all other guidance measures with no changes.

With that, I'll now turn the call back to Bob.

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

Thank you, Steve. Well, let me say this, if this were a race and make no mistake, it is, we're in the first stage of it. There will be turns, in, pit, stops, along the way but we have an experienced team executing and delivering on this bold growth plan.

I want to express my gratitude to our Consolidated team for their dedication and resiliency. Their excitement is evident in our latest employee satisfaction survey and our positive results are a product of their hard work. Our focus right now, is launching a superior fiber product with a differentiated customer experience. We have a large opportunity and numerous competitive advantages to becoming the broadband leader in the markets we serve. This business it's an endurance sport and we're a proven team in it to win.

Our strategy is clear as outlined on slide 10. We're accelerating our fiber builds extending fiber to over 70% of our addressable locations and I think we'll exceed that we're leveraging that fiber to grow broadband revenue across 3 customer groups giving us 3 chances to win and we're redefining the broadband experience with new friendly ways to serve our customers under a new brand. Our path forward is all about building long-term sustainability and value for our investors, our customers and our employees and our 5-year plan is fully funded and we have the support from an experienced strategic partner in Searchlight. This is a fantastic time to be in our industry.

With that, Julie. We will now take questions.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions). Your first question comes from the line of Jason Kim with Goldman Sach. Your line is open.

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**Jason K. Kim** - *Goldman Sachs Group, Inc., Research Division - Senior Analyst*

Thank you and good morning. What's the customer mix in terms of the net adds coming from your existing DSL customers versus the new customer relationship? And regarding consumer broadband revenue, it's nice to see the continued year-over-year growth, but the rate of growth sequentially was a little bit slower in 3rd quarter versus what you saw a sequential growth in second quarter, anything to note there?

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

Yeah, I'll take the first part of that and Steve will take the second.

The mix, so started out early with more upgrades as we were inter-rating on our go-to-market strategy and installation process, so that's been a good process for us. First using upgrades to get experience with the development of all the tools that we're -- that are coming together with the launch of our new brand. So, I would say. Initially, it was 60-40, 60% new and 40% upgrades and we're now in the 80-20 range as we exit 3rd quarter.

Steve, do you want to talk about ARPU and revenue?

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

Yeah. so. Jason, on the revenue growth, which I think was your question, you're right, we were probably are three and a half percent, (excuse me), Q2 to Q2 last year and were 2.1 now. I think that's just a reflection of how aggressive or it kind of the build up for our brand launch, we're not --

we're kind of muted on marketing dollars for new ads and things like that. So, I think it's just kind of a play where we're at on how aggressive we're being on the marketing probably the timings, maybe some price increases in Q2 as well.

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**Jason K. Kim** - *Goldman Sachs Group, Inc., Research Division - Senior Analyst*

That's helpful. And then we're seeing a lot more companies expanding their fiber expansion plans. So not just within their existing footprint by filling out nearby towns if the economics are attractive. Is there something you would consider and if so, how would you frame the opportunity for Consolidated and as well as how to pay for it?

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

Yeah, that moved the way that we look at that is like we do any other build plan we look at the return, and if it's low to mid teens. And remember our core network is closer to subscribers already. And as we went through the R DOF analysis for example we found towers that we could build without hard off that were attractive and so we're doing some of that that's in the 600 that we added over the last 12 months to our plan. But I'd say a small percentage of it. So at this stage we're being opportunistic. We're looking at our return models on a area by area basis, working with communities on public-private partnerships to offset when we build is an attractive from a private funding perspective and extending our hedging out. So we're maintaining some capacity in in our plan to it to embrace those opportunities as they become available were obvious to us.

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**Jason K. Kim** - *Goldman Sachs Group, Inc., Research Division - Senior Analyst*

Great, thank you very much.

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**Operator**

Your next question comes from the line of Greg Williams with Cowen and Company. Your line is open.

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

Great, thank you for taking my questions. I have 2 questions, one is just on the increased CapEx guide you mentioned that you're seeing or you're anticipating supply chain concerns and you're building fiber components and buying CPE equipment. Can you tell me understand the situation. Are you seeing supply constraints or are you anticipating it and does that essentially mean that your warehousing say CPE equipment and that could essentially mean you're pulling forward through 2022 CapEx or they get the warehouses in 2021 and then the second question is on margin trajectory like you get back to the 40% mark. Even with the investments in the business and it sounds like you expect some exciting stuff in a couple of weeks, which should help margins, automation and simplification. So how should I think about the margin through 2020? So I know you're not giving guidance, but you know we're going to see CAF to drop-off in the first quarter I imagine that's where you at the bottom of your margin percent and then sort of back that the right way to think about it? Thank you.

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

Yeah, I'll take the first part of that, Greg, and good morning. And Steve again will take the second, I think.

With regards to the supply chain, you're reading that right. We have accelerated fiber acquisition and we're putting it up fast to mark our places on poles and and in the ground. So we want to be first to upgrade. Any markets that we think long term, I get the attention from the cable competitor or anyone else. So we're doing well on the physical plant side and with the change and upgrade in our customer experience. We found ourselves in that inflection point between WiFi 5 and WiFi 6 and so we've been somewhat cautious and concerned about chip shortages and working closely with our suppliers on WiFi 6 gear and buying additional WiFi 5 gear to hedge as production slipped and delivery slipped. So I would say, yes, you're seeing inventory grow probably in the $30 million to $40 million range and you're seeing us accelerate some of that would have been in 2022. But I think we'll be doing for 2023 because I don't see the supply chain issue on the chipset side being resolved worldwide in the near-term future. Steve, do you want to take the second part of that?

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

Yeah. Sure. And Greg, thanks for the question.

Yes. So I think the way you framed your question on margins of '22 of the CAF drop off being the low point. I think you're exactly right. And just to be clear as I know we've said this on every earnings call is very public, but we -- to your point we will be taking a step down in CAF II revenue, starting January first, as we transition to our, we had $48 million dollars run rate basis. This year we stepped down to about $6 million that declined 42, if you think about us being at the midpoint of the guidance for this year and maybe that's your starting point going into 2022 assuming how well we manage rest of the business and execute on the fiber growth plan across the rest of the customer channels, but I do agree and the drop-off in our radar in the CAF in the subsidy money. I mean, we're not about terminal value on funding right, we're building this for the future. And the build plan reflects what we needed to do to step up to make up on our marketing Bob talked about the increase in 16,000 homes since we announced the Searchlight partnership on the build-out. So that's what we're trying to make that up. But to your point, I think '22, we will take a step down on revenue and margins and then over, we will expect to start showing sequential growth sometime in '22 to get full-year growth in '23 and we will see margin expansion to the high '40s, as well as '50s in the 5-year build plan.

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

Good color. Thank you.

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**Operator**

Your next question comes from the line of Michael Rollins with Citi. Your line is open.

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

Thanks and good morning.

Just a follow-up, in addition to the comments on CAF II, are there some other tailwinds or headwinds that investors should be mindful of? In terms of the outlook for 2022 EBITDA. And then just step on the Searchlight transaction on Slide 15, it refers to the $395.5 million. Is that the balance at the close, or has that been picking to some degree over the past number of months? Just wanted to appreciate what that like entry number is once everything is closed with this final tranche. Thanks.

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

So, Michael. I'll take the second question. And Bob can take the first one on the CAF II and tailwind.

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

Yeah, so with respect to the note, I guess the way to think about it is, they originally control $3 million. The ultimate balance or per discounted from 425 based on cost of capital is the 395. So the 395 will have we've been picking assets sits and back amount is doing the math at a nine percent coupon. To get to 395 plus. That was a year of interest on top. Does that make sense?

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

Yeah, so it's another way, it hasn't picking over roughly the past year. So it's the 395 plus whenever that fixed amount is over that period.

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

Correct.

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

That's helpful. Thank you.

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

In the second part, related to tailwinds. I think the infrastructure funding is on the margin, some really great tailwinds. We've got a great engine for maximizing the public-private partnerships that are possible. And we've been close to Secretary Romano -- Romando who is working through the NTA process for allocating $40 billion of the infrastructure plan assuming it gets voted in long we're assuming that's likely to happen at some stage in the States. So we're getting very close to all the major states that we offer. Service in from Washington State through northern New England and Texas, Illinois, Minnesota on their broadband offices to ensure we're best positioned to maximize that opportunity. So, I think you'll see us announce some more of those partnerships in 2022 some more significant than others and and that will accelerate or increase our penetration because those are like building marketing engines, when you have the town, the city or the county pitching the broadband uplift that effort will provide for the economy in the local value of quality of life.

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

If I just follow up with one other question.

I was just noticing in your commentary on the slides. the growth of our net buildings. I think it was from about 13,200 to about 14,600 this past quarter and I'm just curious like, can you help us conceptualize what the total addressable market for buildings are in your territory and how this growth of buildings can relate to an expanded addressable market for commercial revenue?

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

Yeah, I can give you a specific number. Top of mind and I'm looking at my notes, but I would tell you that in competitive markets we're getting more than our fair share by all assessment that we've done historically. And that's usually in the 2% share range across what we call our medals and that's divided by size of customer. So we've got a very good channel management strategy, and we only go into a building, when we see it goes through capital committee process that Steve chairs, our CFO chairs and and so it's quite disciplined, there is more addressable market that then we've tapped and that's why we show perpetual growth on data and transport across commercial and carrier. So we can maybe size that for you in the future, but top of mind. I don't think I can.

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

Thanks.

**Operator**

(Operator Instructions). Your next question comes from the line of Eric Luebchow with Wells Fargo. Your line is open.

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

Hey, thanks for taking the question. Just wanted to go back to some of the supply chain commentary it's good to see your build cost have remained in line right now. Have you seen any changes in the labor market in terms of either labor availability or labor cost and maybe you could just talk through how you're managing those items to to build on time and on budget?

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

Yeah, that's a great question, Eric. What we're seeing is some tension around fiber Spicers and engineers and some of the door to door direct sales front and some of it's been COVID related on the sales front, I think. But the other has been just demand for fiber action here's in Spicers. And so with our most recent contract in northern New England, which was really a partnership with the union, we're adding roughly 80 to a 100 technicians that many of which will be fiber Spicers and and where do and we have our own training school that we've set up and so we're able to have a predictable cost because of it being an employee based. And yet, we have very good unit pricing arrangement with our contractors. And so, we're watching carefully those agreements, making sure that where we have to, we supplemented with some additional incentive for close out of projects. It's not moving the needle significantly at this stage, but it is a couple of points of cost increase on the capital side, but it hasn't taken a side of our range of per unit at this stage, but it's on our watch list.

So I'd say it's it's engineers and Spicers on the build side and on the go-to-market side it's some tension on direct sales resources.

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

Got it. Thanks for that. Just one more for me. The small asset sale, you did in Ohio. So, just given the amount of private capital, where we've seen looking to get into the space today. Maybe you could talk about other geographies. Other products that's that you would consider non-core and would be willing to monetize this the circumstances warranted.

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

Yeah, I think, like in the past. I'm hesitant to give specifics on that, because the more we evaluate the more we're willing to build if it fits a reasonable return. And so we're still in conversation with people on other geographies and if it's remote and not necessarily in close proximity with some of the larger states that we've already announced, we're building in and then it's probably potential for a spin off if somebody can service it faster than we're going to get to it and those discussions continue.

But there is a certain cadence necessary when we have so much focus on the build plan on the go-to-market strategy, on executing with the new service experience that we're only going to process those things so fast are so many at one time and so there's probably some good queued up interest and we're going to work through them in a systematic way and probably have more to announce in 2022.

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

Great, thanks for the questions.

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**Operator**

(Operator Instructions).

There are no further questions at this time, I would like to turn the call back over to Mr Bob Udell.

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

Thanks, Julie. And thank you all for your interest in our company and for joining our call today.

We look forward to updating you on Q4 at our next call. Have a great day.

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**Operator**

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

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