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**QUARTERLY REPORT  
AS OF AND FOR THE THREE MONTHS ENDED  
MARCH 31, 2021 AND 2020**

**CABLEVISION LIGHTPATH LLC**  
(formerly CABLEVISION LIGHTPATH, INC.)

1 Court Square West  
Long Island City, NY 11101

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**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)

INDEX

	<u>Page</u>
<b>Financial Statements</b>	
Consolidated Balance Sheets - March 31, 2021 (Unaudited) and December 31, 2020.....	2
Consolidated Statements of Operations and Comprehensive Income - Three months ended March 31, 2021 and 2020 (Unaudited).....	3
Consolidated Statements of Stockholder's Equity - Three months ended March 31, 2021 and 2020 (Unaudited).....	4
Consolidated Statements of Cash Flows - Three months ended March 31, 2021 and 2020 (Unaudited)	5
<b>Notes to Consolidated Financial Statements (Unaudited).....</b>	<b>6</b>
<b>Management's Discussion and Analysis of Financial Condition and Results of Operations.....</b>	<b>16</b>
<b>Liquidity and Capital Resources.....</b>	<b>21</b>

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share amounts)

	March 31, 2021	December 31, 2020
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents.....	\$ 58,227	\$ 39,750
Accounts receivable, trade (less allowance for doubtful accounts of \$3,022 and \$3,927).....	27,836	36,920
Prepaid expenses and other current assets.....	18,656	17,230
Amounts due from affiliates.....	2,962	8,323
Total current assets.....	107,681	102,223
Property, plant and equipment, net of accumulated depreciation of \$603,483 and \$586,035.....	623,215	625,753
Right-of-use operating lease assets.....	23,090	23,989
Other assets.....	5,092	5,479
Amortizable intangibles, net of accumulated amortization of \$194,893 and \$188,752.....	165,107	171,248
Indefinite-lived franchise costs.....	340,000	340,000
Goodwill.....	94,094	94,094
Total assets.....	\$ 1,358,279	\$ 1,362,786
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>		
Current Liabilities:		
Accounts payable.....	\$ 11,276	\$ 12,545
Interest payable.....	2,978	12,465
Accrued employee related costs.....	5,202	5,655
Accounts payable to affiliates.....	13,395	18,574
Deferred revenue.....	1,095	1,050
Right-of-use operating lease liability.....	6,245	6,719
Debt.....	6,000	6,000
Other current liabilities.....	7,397	5,342
Total current liabilities.....	53,588	68,350
Other liabilities.....	2,866	3,024
Right-of-use operating lease liability.....	17,052	17,378
Deferred tax liability, net.....	7,794	7,794
Long-term debt, net of current maturities.....	1,423,070	1,423,471
Total liabilities.....	1,504,370	1,520,017
Commitments and contingencies (Note 11)		
Member's deficiency.....	(146,091)	(157,231)
	\$ 1,358,279	\$ 1,362,786

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(In thousands)

	Three Months Ended March 31,	
	2021	2020
Revenue (including revenue from affiliates of \$1,185 and \$1,171, respectively. See Note 10).....	\$ 97,303	\$ 95,042
Operating expenses:		
Direct costs (including charges from affiliates of \$183 and \$135, respectively. See Note 10).....	15,613	13,866
Other operating expenses (including charges from affiliates of \$6,754 and \$9,462, respectively. See Note 10).....	26,956	29,307
Restructuring and other expense.....	156	34
Depreciation and amortization.....	26,349	44,908
	<u>69,074</u>	<u>88,115</u>
Operating income.....	<u>28,229</u>	<u>6,927</u>
Other income (expense):		
Interest expense (including charges from affiliates of \$0 and \$6,058, respectively. See Note 10).....	(17,067)	(6,058)
Interest income.....	3	8
Other income (expense) (See Note 10).....	38	(50)
	<u>(17,026)</u>	<u>(6,100)</u>
Income before income taxes.....	11,203	827
Income tax expense.....	(112)	(134)
Net income.....	<u>\$ 11,091</u>	<u>\$ 693</u>
Comprehensive income.....	<u>\$ 11,091</u>	<u>\$ 693</u>

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIENCY)**  
(In thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Member's Deficiency	Total Equity (Deficiency)
Balance at January 1, 2021.....	\$ —	\$ —	\$ —	\$ (157,231)	\$ (157,231)
Net income.....	—	—	—	11,091	11,091
Share-based compensation expense.....	—	—	—	49	49
Balance at March 31, 2021.....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (146,091)</u>	<u>\$ (146,091)</u>
Balance at January 1, 2020.....	\$ —	\$ 220,412	\$ (14,830)	\$ —	\$ 205,582
Net income.....	—	—	693	—	693
Share-based compensation expense.....	—	1,869	—	—	1,869
Redeemable equity vested.....	—	1,584	—	—	1,584
Change in redeemable equity.....	—	1,158	—	—	1,158
Distributions to Altice USA.....	—	(29,347)	—	—	(29,347)
Balance at March 31, 2020.....	<u>\$ —</u>	<u>\$ 195,676</u>	<u>\$ (14,137)</u>	<u>\$ —</u>	<u>\$ 181,539</u>

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net income.....	\$ 11,091	\$ 693
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	26,349	44,908
Share-based compensation expense.....	49	1,869
Deferred income taxes.....	—	(88)
Decrease in right-of-use asset.....	1,610	775
Amortization of deferred financing costs and discounts on indebtedness.....	1,099	—
Provision for doubtful accounts.....	(666)	470
Change in assets and liabilities:		
Accounts receivable, trade.....	9,750	(6,432)
Prepaid expenses and other assets.....	(1,039)	2,214
Amounts due to affiliates.....	182	6,059
Accounts payable.....	2,025	2,735
Accrued liabilities.....	(9,647)	(3,437)
Deferred revenue.....	139	5
Net cash provided by operating activities.....	<u>40,942</u>	<u>49,771</u>
Cash flows from investing activities:		
Capital expenditures.....	(20,981)	(25,681)
Other.....	16	—
Net cash used in investing activities.....	<u>(20,965)</u>	<u>(25,681)</u>
Cash flows from financing activities:		
Distributions to Altice USA.....	—	(29,347)
Repayment of long-term debt.....	(1,500)	—
Net cash used in financing activities.....	<u>(1,500)</u>	<u>(29,347)</u>
Net increase (decrease) in cash and cash equivalents.....	18,477	(5,257)
Cash and cash equivalents at beginning of year.....	39,750	7,080
Cash and cash equivalents at end of year.....	<u>\$ 58,227</u>	<u>\$ 1,823</u>

See accompanying notes to consolidated financial statements.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Dollars in thousands)

**NOTE 1. DESCRIPTION OF BUSINESS AND RELATED MATTERS**

**The Company and Related Matters**

Cablevision Lightpath LLC (together with its subsidiaries, the "Company") provides advanced fiber, Ethernet, data transport, IP-based virtual private networks, Internet access, managed services, telephony services, including session-initiated protocol ("SIP") trunking, and voice over Internet protocol ("VoIP") services to the business market in the New York metropolitan area.

Prior to December 1, 2020, the Company was a wholly-owned indirect subsidiary of Altice USA, Inc. ("Altice USA"). On December 1, 2020, a wholly-owned indirect subsidiary of Altice USA completed the sale of a 49.99% interest in Lightpath Holdings LLC ("Lightpath Holdings"), the direct parent of the Company, based on an implied enterprise value of \$3,200,000 (the "Lightpath Transaction") to Morgan Stanley Infrastructure Partners ("MSIP"). Altice USA retained a 50.01% interest in Lightpath Holdings and maintains control.

In connection with the Lightpath Transaction, in September 2020, the Company incurred certain indebtedness, the proceeds of which were distributed to the Company's indirect parent entities and were deposited into escrow accounts pending the consummation of the Lightpath Transaction. The Company was released from the debt guarantor obligations of CSC Holdings LLC ("CSC Holdings"), a wholly-owned subsidiary of Altice USA. The security over the ownership interests in the Company and certain of its subsidiaries were released concurrently with the release of the guarantees. Upon closing of the Lightpath Transaction, the funds were released from escrow to Altice USA. Additionally, in November 2020, the Company incurred additional indebtedness, the proceeds of which were distributed to Altice USA. See Note 7 for information regarding indebtedness incurred by Lightpath and Note 10 for a discussion of cash distributions to Altice USA.

*Business Organization*

Prior to July 2020, the Company was a Delaware corporation. In July 2020, the Company converted its form of business organization from a Delaware corporation to a Delaware limited liability company (the "Legal Entity Conversion"). Upon the Legal Entity Conversion, Cablevision Lightpath, Inc. became Cablevision Lightpath LLC. Pursuant to the Legal Entity Conversion, all of the issued and outstanding shares of capital stock of the Company were converted into, and represent all of the limited liability company interest in, Cablevision Lightpath LLC. The accompanying consolidated financial statements reflect the Company as a corporation for the periods presented prior to the Legal Entity Conversion.

**NOTE 2. BASIS OF PRESENTATION**

The accompanying consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), and have been derived from the consolidating financial statements and accounting records of Altice USA and reflect certain assumptions and allocations. The financial position, results of operations and cash flows of the Company could differ from those that might have resulted had the Company been operated autonomously or as an entity independent of Altice USA.

The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's annual report for the year ended December 31, 2020.

The results of operations for the interim periods are not necessarily indicative of the results that might be expected for future interim periods or for the full year ending December 31, 2021.

The financial statements presented in this report are unaudited; however, in the opinion of management, such financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results for the periods presented.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

**Use of Estimates in Preparation of Financial Statements**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions, including estimated allocations, which affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3. REVENUE**

The following table presents the composition of revenue:

	Three Months Ended March 31,	
	2021	2020
Ethernet .....	\$ 84,126	\$ 81,655
Managed services .....	7,280	6,641
Time-division multiplexing ("TDM") services .....	2,866	3,095
Other .....	3,031	3,651
	<u>\$ 97,303</u>	<u>\$ 95,042</u>

The Company's service offerings consist of various telecommunications services to large enterprise businesses, including broadband, telephony and networking services. The Company satisfies its performance obligations to provide services to customers over time as the services are rendered. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these 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 typically range from three to five years. To the extent a customer contract is terminated prior to its contractual end, the customer is subject to termination fees. The Company recognizes termination fees as they are collected. Installation revenue is deferred and recognized over the average contract term.

The Company is assessed non-income related taxes and fees by governmental authorities and collects such taxes from its customers. In instances where the tax and fee is being assessed directly on the Company, amounts paid to the governmental authorities are recorded as direct costs, and amounts received from the customers are recorded as revenue. For the three months ended March 31, 2021 and 2020, the amount of these non-income related taxes and fees included as a component of revenue aggregated \$5,810 and \$4,667, respectively.

***Contract Assets***

Incremental costs incurred in obtaining a contract with a customer are deferred and recorded as a contract asset if the period of benefit is expected to be greater than one year. Sales commissions related to enterprise customers are deferred and amortized over the average contract term.

Deferred enterprise commission costs are included in other assets in the accompanying consolidated balance sheets and totaled \$11,045 and \$11,569 as of March 31, 2021 and December 31, 2020, respectively.

**NOTE 4. SUPPLEMENTAL CASH FLOW INFORMATION**

The Company's non-cash investing and financing activities and other supplemental data were as follows:

	Three Months Ended March 31,	
	2021	2020
<u>Non-Cash Investing and Financing Activities:</u>		
Property and equipment accrued but unpaid .....	\$ 19,024	\$ 15,168
<u>Supplemental Data:</u>		
Interest paid .....	25,421	—
Income taxes paid .....	600	1,403



**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

**NOTE 5. LEASES**

Balance sheet information related to our leases is presented below:

	Balance Sheet location	March 31, 2021	December 31, 2020
<i>Operating leases:</i>			
Right-of-use lease assets.....	Right-of-use operating lease assets	\$ 23,090	\$ 23,989
Right-of-use lease liability, current.....	Right-of-use operating lease liability	6,245	6,719
Right-of-use lease liability, long-term.....	Right-of-use operating lease liability	17,052	17,378

Operating lease expense amounted to \$1,828 and \$844 for the three months ended March 31, 2021 and 2020, respectively.

Other information related to leases is presented below:

	As of March 31,	
	2021	2020
Right-of-use assets acquired in exchange for operating lease obligations.....	\$ 711	\$ 2,276
Operating cash flows from operating leases.....	1,731	832
Weighted Average Remaining Lease Term - Operating leases.....	4.4 years	3.2 years
Weighted Average Discount Rate - Operating leases.....	3.76 %	5.45 %

The minimum future annual payments under the Company's outstanding non-cancellable leases are as follows:

	Operating leases	
2021.....	\$	5,661
2022.....		5,211
2023.....		5,068
2024.....		4,560
2025.....		3,854
Thereafter.....		859
Total future minimum lease payments, undiscounted.....		25,213
Less: Imputed interest.....		(1,916)
Present value of future minimum lease payments.....	\$	23,297

**NOTE 6. INTANGIBLE ASSETS**

The following table summarizes information relating to the Company's amortizable intangible assets:

	As of March 31, 2021			As of December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Estimated Useful Lives
Customer relationships.....	\$ 300,000	\$ (134,893)	\$ 165,107	\$ 300,000	\$ (128,752)	\$ 171,248	18 years
Trade names.....	60,000	(60,000)	—	60,000	(60,000)	—	4 years
	<u>\$ 360,000</u>	<u>\$ (194,893)</u>	<u>\$ 165,107</u>	<u>\$ 360,000</u>	<u>\$ (188,752)</u>	<u>\$ 171,248</u>	

Amortization expense for the three months ended March 31, 2021 and 2020 aggregated \$6,141 and \$7,271, respectively.

The carrying amount of indefinite-lived franchise costs and goodwill was \$340,000 and \$94,094, respectively, as of March 31, 2021 and December 31, 2020.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

**NOTE 7. DEBT**

The following table provides a summary of the Company's outstanding debt:

	Date Issued	Maturity Date	Interest Rate	March 31, 2021		December 31, 2020	
				Principal Amount	Carrying Amount (a)	Principal Amount	Carrying Amount (a)
Revolving Credit Facility	—	November 30, 2025	(b)	\$ —	\$ —	\$ —	\$ —
Term Loan	November 30, 2020	November 30, 2027	3.750 %	598,500	581,879	600,000	582,808
Senior Secured Notes	September 29, 2020	September 15, 2027	3.875 %	450,000	440,791	450,000	440,487
Senior Notes	September 29, 2020	September 15, 2028	5.625 %	415,000	406,400	415,000	406,176
				<u>1,463,500</u>	<u>1,429,070</u>	<u>1,465,000</u>	<u>1,429,471</u>
Less: current portion of credit facility debt				(6,000)	(6,000)	(6,000)	(6,000)
Long-term debt, net of current maturities				<u>\$ 1,457,500</u>	<u>\$ 1,423,070</u>	<u>\$ 1,459,000</u>	<u>\$ 1,423,471</u>

(a) The carrying amount is net of the unamortized deferred financing costs and/or discounts.

(b) There were no borrowings outstanding under the Lightpath Revolving Credit Facility which provides for commitments in an aggregate principal amount of \$100,000.

**Credit Agreement**

On September 29, 2020, the Company entered into a credit agreement between, *inter alios*, certain lenders party thereto and Goldman Sachs Bank USA, as administrative agent, and Deutsche Bank Trust Company Americas, as collateral agent, (the "Credit Agreement") which provides for, among other things, (i) a term loan in an aggregate principal amount of \$600,000 (the "Term Loan Facility") at a price of 99.5% of the aggregate principal amount, which was drawn on November 30, 2020, and (ii) revolving loan commitments in an aggregate principal amount of \$100,000 (the "Revolving Credit Facility"). The Company is required to make scheduled quarterly payments equal to 0.25% (or \$1,500) of the principal amount of the Term Loan Facility, beginning with the fiscal quarter ended March 31, 2021. The Revolving Credit Facility is subject to a financial maintenance test of 7.3:1 (consolidated net senior secured debt to L2QA pro forma EBITDA (each as defined in the Credit Agreement)). The incurrence covenants terms of the Credit Agreement are no more restrictive than the incurrence covenants contained in the senior secured notes indenture.

The loans made pursuant to the Credit Agreement are comprised of eurodollar borrowings or alternative base rate borrowings, and bear interest at a rate per annum equal to the adjusted LIBOR rate or the alternate base rate, as applicable, plus the applicable margin, where the applicable margin is (i) with respect to any alternate base rate loan, 2.25% per annum and (ii) with respect to any eurodollar loan, 3.25% per annum.

**Senior Notes and Senior Secured Notes**

On September 29, 2020, in connection with the Lightpath Transaction, the Company issued \$450,000 in aggregate principal amount of senior secured notes that bear interest at a rate of 3.875% and mature on September 15, 2027 and \$415,000 in aggregate principal amount of senior notes that bear interest at a rate of 5.625% and mature on September 15, 2028. Prior to the issuance of these notes, Lightpath became an unrestricted subsidiary under the terms of debt issued by CSC Holdings, LLC, a subsidiary of Altice USA. The proceeds from the issuance of these notes of \$865,000 were distributed to the Company's indirect parent entities and were deposited into escrow accounts. The funds were released from escrow upon the consummation of the Lightpath Transaction.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

**NOTE 8. FAIR VALUE MEASUREMENT**

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level I - Quoted prices for identical instruments in active markets.
- Level II - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III - Instruments whose significant value drivers are unobservable.

The carrying values of cash, accounts receivable, accounts payable, and accrued expenses approximate their fair value due to the short-term maturity of these instruments.

*Credit Facility Debt, Senior Secured Notes and Senior Notes*

The fair values of each of the Company's debt instruments are based on quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments of the same remaining maturities.

The carrying values, estimated fair values, and classification under the fair value hierarchy of the Company's financial instruments are summarized below:

	Fair Value Hierarchy	March 31, 2021		December 31, 2020	
		Carrying Amount (a)	Estimated Fair Value	Carrying Amount (a)	Estimated Fair Value
Credit facility debt.....	Level II	\$ 581,879	\$ 598,500	\$ 582,808	\$ 600,000
Senior secured notes.....	Level II	440,791	442,125	440,487	451,125
Senior notes.....	Level II	406,400	419,150	406,176	429,525
		<u>\$ 1,429,070</u>	<u>\$ 1,459,775</u>	<u>\$ 1,429,471</u>	<u>\$ 1,480,650</u>

(a) Amounts are net of unamortized deferred financing costs and discounts/premiums.

The fair value estimates related to the Company's debt instruments presented above are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**NOTE 9. INCOME TAXES**

*Cablevision Lightpath LLC*

As discussed in Note 1, in July 2020, the Company converted its form of business organization from a Delaware corporation to a Delaware limited liability company. As a result of the Legal Entity Conversion, the Company is no longer a taxable entity for federal income tax purposes and the results of its operations are included in the federal tax return of its member. Accordingly, federal income taxes are not reflected in the financial statements for the three months ended March 31, 2021 as this is subsequent to the Legal Entity Conversion. However, the Company is subject to New York City Unincorporated Business Tax ("NYC UBT") and Connecticut pass-through entity level income tax. The net tax expense for the three months ended March 31, 2021 is primarily related to these taxes.

*Cablevision Lightpath, Inc.*

For the three months ended March 31, 2020 which was prior to the Legal Entity Conversion, the Company was included in the federal and state income tax returns of Altice USA, other than income tax returns for the state of New

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

Jersey, in which it filed separately. The income taxes of the Company for this period is based upon the taxable income/loss of the Company on a stand-alone basis as if the Company filed separate tax returns.

Due to the Legal Entity Conversion, Cablevision Lightpath LLC is deemed a partnership for income tax purposes. Pursuant to the Legal Entity Conversion, the net operating loss carryforwards under Cablevision Lightpath, Inc. (a corporation) will not carry forward to the partnership.

Management has evaluated the realizability of the deferred tax assets and the need for a valuation allowance for the Company, on a stand-alone basis. As future taxable income that will result from the reversal of existing taxable temporary differences for which deferred tax liabilities are recognized is sufficient it was concluded that it is more likely than not that the Company will realize all of its gross deferred tax assets.

As part of Altice USA's combined federal and state income tax filings, or the separately filed state of New Jersey income tax filing, management believes the tax positions taken by the Company will more likely than not be sustained by the taxing authorities on audit. As a result, no unrecognized tax benefits have been recorded by the Company for the periods presented. The state of New Jersey is currently auditing the Company's returns for the tax years 2014 through 2017. Management does not believe that the resolution of the ongoing income tax examination will have a material adverse impact on the financial position of the Company.

The Company recorded income tax expense of \$112 on pre-tax income of \$11,203 for the three months ended March 31, 2021 as compared to income tax expense of \$134 on pre-tax income of \$827 for the three months ended March 31, 2020 resulting in an effective tax rate that was lower than the U.S. federal statutory tax rate of 21%. After the Legal Entity Conversion in July 2020, the Company is only subject to the Connecticut entity level tax and the New York City Unincorporated Business Tax (UBT), thus the Company is no longer subject to federal income tax.

The primary differences between the effective tax rate and the federal statutory tax rate in the three months ended March 31, 2020 are nondeductible expenses, state income taxes net of the federal benefit, and changes in the state rates used to measure the Company's net deferred tax liabilities.

**NOTE 10. AFFILIATE AND RELATED PARTY TRANSACTIONS**

The Company is a majority-owned indirect subsidiary of Altice USA, which is controlled by Patrick Drahi who is also the controlling stockholder of other entities. In connection with the operation of its business, the Company receives certain services from and provides certain services to affiliates, primarily Altice USA and its subsidiaries.

As the transactions discussed below were conducted between entities under common control, amounts charged for certain services may not have represented amounts that might have been received or incurred if the transactions were based upon arm's length negotiations. It is not practicable to determine whether the amounts charged for such services represent amounts that it might have incurred on a standalone basis. Management believes that the assumptions underlying the allocations of corporate general and administration expenses from Altice USA are reasonable.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

The following table summarizes the revenue and charges related to services provided to or received from affiliates and related parties:

	Three Months Ended March 31,	
	2021	2020
Revenue .....	\$ 1,185	\$ 1,171
Operating expenses:		
Direct costs .....	(183)	(135)
Other operating expenses, net:		
Technical and network support personnel .....	(487)	(5,185)
Corporate overhead and support .....	(3,586)	(3,864)
Network support services .....	(1,984)	(1,749)
Health and welfare plans .....	(849)	(1,055)
401(k) plan .....	(519)	(443)
Share-based compensation .....	(49)	(1,869)
Capitalized costs .....	654	3,598
Marketing and sales costs charged to affiliates .....	66	1,105
	<u>(6,754)</u>	<u>(9,462)</u>
Total operating expenses .....	<u>(6,937)</u>	<u>(9,597)</u>
Interest expense .....	—	(6,058)
Other income (expense) .....	38	(50)
Net charges .....	<u>\$ (5,714)</u>	<u>\$ (14,534)</u>
Capital expenditures .....	<u>\$ 901</u>	<u>\$ 3,602</u>

*Revenue*

Revenue amounts reflected in the table above relate to certain technical services provided primarily to Altice USA, including Ethernet, multiplexing and usage.

*Direct Costs*

Direct costs relate to data usage and call completion charged to the Company by its affiliates.

*Technical and Network Support Personnel*

The Company was charged for salaries and benefits of technical and network support personnel of Altice USA who performed services exclusively for the Company based upon actual costs incurred by Altice USA.

*Corporate Overhead and Support*

Through November 30, 2020, certain operating costs, including overhead and common support function costs (such as human resources, legal, finance, accounting, tax, audit, treasury, information technology, and insurance, etc.) and facility costs were charged by Altice USA to the Company generally based upon revenue of the Company in relation to the consolidated revenue of Altice USA or square footage. Subsequent to the closing of the Lightpath Transaction (see Note 1), charges for these services were based on an estimated level of effort and actual costs incurred by Altice USA as outlined in the ("TSA") entered into with Altice USA.

*Network Support Services*

The Company was charged for network support services for the three months ended March 31, 2020 which were based on the percentage of the Company's usage of the affiliate's network. For the three months ended March 31, 2021, the Company was charged a fixed fee per fiber route mile as outlined in the TSA.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

*Health and Welfare Plans*

Employees of the Company participate in health and welfare plans sponsored by Altice USA. Health and welfare benefit costs have generally been charged by Altice USA to the Company based upon the proportionate number of participants in the plans.

*401(k) Savings Plan*

Altice USA sponsors a qualified defined contribution 401(k) savings plan and a nonqualified excess savings plan in which certain employees of the Company participate. The Company makes matching contributions for a portion of employee voluntary contributions. Amounts in the table above reflect total expense related to these plans.

*Share-based Compensation*

For the three months ended March 31, 2021 and 2020, Altice USA charged the Company for expenses related to Altice USA's employee share-based incentive plan and a Carry Unit Plan of an entity which has an ownership interest in Altice USA.

For the three months ended March 31, 2021 and 2020, the Company recognized an expense of \$49 and \$1,869, respectively, related to the push down of share-based compensation. For the three months ended March 31, 2021, the charges related to awards granted to Company employees. For the three months ended March 31, 2020, the charges include costs related to the Company's employees of \$693 and an allocation of costs related to Altice USA corporate employees of \$1,176. The allocated costs were based upon revenue of the Company in relation to the consolidated revenue of Altice USA. As of the date of the Lightpath Transaction, the Company does not receive an allocation of costs related to Altice USA corporate employees.

*Capitalized Costs*

Amounts in the table above reflect the portion of the costs allocated to the Company that were capitalized and reflected as property, plant and equipment.

*Marketing and Sales Costs Charged to Affiliates*

Other operating expenses include an allocation of costs to affiliates for marketing and sales costs which were based on management's estimate of the level of effort to support affiliate services, and for commissions paid to the Company's employees for the sale of affiliate services.

*Interest Expense*

For the three months ended March 31, 2020, the Company recognized interest expense related to a promissory note payable to an indirect subsidiary of Altice USA (see discussion below).

*Other Expense*

Altice USA sponsors a non-contributory qualified defined benefit cash balance pension plan and a noncontributory non-qualified defined benefit excess cash balance plan in which the benefits earned by the Company's participants are "frozen", although these participants continue to earn interest credits on benefits earned prior to being frozen. Amounts in the table above reflect total expense related to these plans allocated to the Company. The Company does not provide post-retirement benefits for any of its employees.

*Capital Expenditures*

Certain Altice USA employees perform network construction activities for the Company. For the three months ended March 31, 2021 and 2020, \$654 and \$3,598, respectively, of these costs allocated to the Company were capitalized and reflected as property, plant and equipment. Additionally, the Company recorded capital expenditures of \$247 and \$4 for the three months ended March 31, 2021 and 2020, respectively, primarily related to fiber assets acquired from Altice USA.

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

Aggregate amounts that were due from and due to related parties are summarized below:

	March 31, 2021	December 31, 2020
Due from affiliates, current	\$ 2,962	\$ 8,323
Due to affiliates, current	\$ (13,395)	\$ (18,574)

In December 2007, the Company entered into a promissory note agreement with an indirect subsidiary of Altice USA. The principal value of the note was \$468,000 and was due to mature on December 11, 2022. Interest was calculated based on the weighted cost of capital of Altice USA or its predecessor. In June 2020, the amount payable pursuant to this promissory note of \$881,243 was forgiven and recorded as a capital contribution.

*Dividends and Distributions*

The Company made cash distributions of \$29,347 to Altice USA, during the three months ended March 31, 2020. The distributions in 2020 were funded with cash generated from operations.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

On November 6, 2018, Sprint Communications Company L.P ("Sprint") filed a complaint in the U.S. District Court for the District of Delaware alleging that Altice USA's and the Company's products infringe Sprint's patents purportedly by providing Voice over Internet Protocol ("VoIP") services. The lawsuits are part of a pattern of litigation that was initiated as far back as 2005 by Sprint against numerous broadband and telecommunications providers, which has resulted in judgments and settlements of significant value for Sprint. Altice USA intends to vigorously defend the lawsuits. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company's results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due, but an allocation of liability from Altice USA to the Company in this matter could be material to the Company's consolidated results of operations or cash flows for any one reporting period.

In October 2019, Phone Administrative Services Inc. filed a New York False Claims Act complaint against numerous telephone providers in New York, including the Company, asserting knowing underpayment of 911 and Emergency Response fees. Defendants filed a motion to dismiss on February 14, 2020. In response to the motion, plaintiff's counsel advised that it would amend the complaint and the parties agreed to hold the motion in abeyance until the complaint was amended. Plaintiff filed the Third Amended Complaint on April 29, 2021 and defendants must file a motion to dismiss by June 17, 2021. Although the outcome of the matter cannot be predicted and the impact of the final resolution of this matter on the Company's results of operations in any particular subsequent reporting period is not known at this time, management does not believe that the ultimate resolution of the matter will have a material adverse effect on the operations or financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

In connection with the Lightpath Transaction, an affiliate of Altice USA agreed to indemnify the Company and Lightpath Holdings for liabilities incurred by them that are related to the above listed matters, in addition to certain other matters, and that exceed \$10,000 in the aggregate.

Altice USA and the Company receive notices from third parties and, in some cases, are named as defendants in certain lawsuits claiming infringement of various patents relating to various aspects of the Company's businesses. In certain of these cases the Company expects that any potential liability would be the responsibility of the Company's equipment vendors pursuant to applicable contractual indemnification provisions. In the event that the Company is found to infringe on any patent rights, the Company may be subject to substantial damages liability or royalty payments (whether directly or through an allocation of liability between Altice USA and the Company, to the extent of Company's liability), or an injunction that could require the Company or its vendors to modify certain products and services the Company offers to its subscribers (or a combination of damages/royalty payments and an injunction).

**CABLEVISION LIGHTPATH LLC AND SUBSIDIARIES**  
(formerly CABLEVISION LIGHTPATH, INC. AND SUBSIDIARIES)  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
(Dollars in thousands)

The Company believes that the claims are without merit, but is unable to predict the outcome of these matters or reasonably estimate a range of possible loss.

In addition to the matters discussed above, Altice USA and the Company are party to various lawsuits, disputes and investigations, some of which may involve claims for substantial damages, fines or penalties. Although the outcome of these other matters cannot be predicted and the impact of the final resolution of these other matters on the Company's results of operations in a particular subsequent reporting period is not known, management does not believe that the resolution of these other lawsuits, or an allocation of liability from Altice USA to the Company related thereto, will have a material adverse effect on the financial position of the Company or the ability of the Company to meet its financial obligations as they become due.

**NOTE 12. SUBSEQUENT EVENTS**

The Company has updated its review of subsequent events as of May 21, 2021 (the date available for issuance) noting no events that require disclosure.



## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

This management's discussion and analysis of financial condition and results of operations contains statements concerning our future operating results and future financial performance. Words such as "expects", "anticipates", "believes", "estimates", "may", "will", "should", "could", "potential", "continue", "intends", "plans" and similar words and terms used in the discussion of future operating results, future financial performance and future events identify forward-looking statements. Users are cautioned that such forward-looking statements are not guarantees of future performance, results or events and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors.

We operate in a highly competitive, consumer and technology driven and rapidly changing business that is affected by government regulation and economic, strategic, technological, political and social conditions. Various factors could adversely affect our operations, business or financial results in the future and cause our actual results to differ materially from those contained in the forward-looking statements. In addition, important factors that could cause our actual results to differ materially from those in our forward-looking statements include:

- our rights to the use of fiber that we do not own and that comprises a significant portion of our network may be affected by the ability to continue long term contracts and the financial stability of Altice USA and its indirect subsidiary, CSC Holdings LLC ("Altice Service Provider");
- the substantial capital expenditures that our operations require;
- our dependency on our ability to renew our long-term contracts with our customers;
- risks related to our major contracts;
- the impact of the ongoing COVID-19 pandemic;
- tax distributions to our ultimate equity holders in amounts in excess of the tax expense that we would incur if we were a similarly situated corporate taxpayer;
- our ability to obtain financing on terms that are acceptable to us, or at all;
- the unpredictability of future tax liabilities;
- conditions or assumptions differing from the judgments, assumptions or estimates used in our critical accounting policies or forward-looking statements;
- impairment of goodwill or other intangible assets;
- our ability to efficiently manage our growth;
- our reliance on various third parties for our operations, financial performance and liquidity;
- portions of our property, plant and equipment that are located on property owned by third parties;
- the outcome of litigation and other proceedings;
- our dependence on intellectual property rights and non-infringement on the intellectual property rights of others;
- potential liability for the material that content providers distribute over our networks;
- our failure to hire and retain qualified personnel;
- our reliance on Altice Service Provider's network and information systems for our operations and a disruption or failure of, or defects in, those systems may disrupt our operations, damage our reputation with customers and adversely affect our results of operations;
- a significant data security breach or our failure to detect and appropriately respond to a significant data security breach;
- our substantial indebtedness and debt service obligations;

- the restrictions contained in our financing agreements;
- adverse changes in the credit market;
- our ability to generate sufficient cash flow to meet our debt service obligations;
- financial community and rating agency perceptions of our business, operations, financial condition and the industries in which we operate; and
- other risks and uncertainties inherent in business, including those listed under the caption "Risk Factors" included in our Annual Report for the year ended December 31, 2020.

These factors are not necessarily all of the important factors that could cause our actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could cause our actual results to differ materially from those expressed in any of our forward-looking statements.

Given these uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. Except to the extent required by law, we do not undertake, and specifically decline any obligation, to update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

You should read this management's discussion and analysis of financial condition and results of operations with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect. We qualify all forward-looking statements by these cautionary statements.

Certain numerical figures included in this management's discussion and analysis of financial condition and results of operations have been subject to rounding adjustments. Accordingly, such numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

All dollar amounts included in the following discussion are presented in thousands.

### ***Our Business***

We provide Ethernet, data transport, IP-based virtual private networks, Internet access, telephony services, including session initiated protocol ("SIP") trunking and VoIP services to the business market primarily in the New York metropolitan area. We also provide managed services to businesses, including hosted telephony services (cloud based SIP-based private branch exchange), managed WiFi, managed desktop and server backup and managed collaboration services including audio and web conferencing. We also offer fiber-to-the-tower services to wireless carriers for cell tower backhaul that enables wireline communications service providers to connect to towers that their own wireline networks do not reach. Our customers include companies in health care, financial, education, legal and professional services, and other industries, as well as the public sector and communication providers, incumbent local exchange carriers, and competitive local exchange carriers.

As of March 31, 2021, we had approximately 6,600 customers and 12,000 locations connected to our fiber network, which currently includes more than 18,800 miles of fiber sheaths ("route miles") (approximately 9,000 owned route miles and approximately 9,800 route miles pursuant to an IRU from Altice Service Provider and approximately 822,000 fiber miles (i.e., route miles multiplied by the number of fiber strands within each cable sheath; "fiber miles") (not including an additional approximate 18,100 fiber route miles in the New York metropolitan area available to us on preferential terms via its IRU Agreement with Altice Service Provider).

We operate in a highly competitive business telecommunications market and compete primarily with local incumbent telephone companies, especially AT&T Inc., Lumen Technologies, Inc., Frontier Communications Corporation and Verizon Communications Inc, as well as with a variety of other national and regional business services competitors.

***Key Factors Impacting Operating Results and Financial Condition***

Our future performance is dependent, to a large extent, on the impact of direct competition, general economic conditions (including capital and credit market conditions), our ability to manage our business effectively, and our relative strength and leverage in the marketplace, both with suppliers and customers.

In March 2020, the United States declared a national emergency concerning the outbreak of the coronavirus ("COVID-19") pandemic. There have also been extraordinary and wide-ranging actions taken by federal, state and local governmental authorities to contain and combat the outbreak and spread of the virus. We have continued to provide our services to our customers during this pandemic. We expect that our future results may be impacted, including if our customers discontinue their service or are unable to pay for our services. Additionally, in order to prioritize the demands of the business, we may delay certain capital investments. Due to the uncertainty surrounding the magnitude and duration of business and economic impacts relating to COVID-19, including the effort to contain and combat the spread of the virus, and business impacts of government actions, we currently cannot reasonably estimate the ultimate impact of COVID-19 on our business.

**Non-GAAP Financial Measures**

We define Adjusted EBITDA, which is a non-GAAP financial measure, as net income (loss) excluding income taxes, non-operating income or expenses, interest expense, interest income, depreciation and amortization, share-based compensation expense or benefit, restructuring expense or credits and transaction expenses.

We believe Adjusted EBITDA is an appropriate measure for evaluating the operating performance of the Company. Adjusted EBITDA and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in our industry. Internally, we use revenue and Adjusted EBITDA measures as important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. We believe Adjusted EBITDA provides management and investors a useful measure for period-to-period comparisons of our core business and operating results by excluding items that are not comparable across reporting periods or that do not otherwise relate to the Company's ongoing operating results. Adjusted EBITDA should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), and other measures of performance presented in accordance with GAAP. Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies.

We also use Operating Free Cash Flow (defined as Adjusted EBITDA less cash capital expenditures), and Free Cash Flow (defined as net cash flows from operating activities less cash capital expenditures) as indicators of the Company's financial performance. We believe these measures are one of several benchmarks used by investors, analysts and peers for comparison of performance in the Company's industry, although they may not be directly comparable to similar measures reported by other companies.

## Results of Operations

	Three Months Ended March 31,	
	2021	2020
<b>Revenue:</b>		
Ethernet .....	\$ 84,126	\$ 81,655
Managed services .....	7,280	6,641
Time-division multiplexing ("TDM") services .....	2,866	3,095
Other .....	3,031	3,651
<b>Total revenue</b> .....	<b>97,303</b>	<b>95,042</b>
<b>Operating expenses:</b>		
Direct costs .....	15,613	13,866
Other operating expenses .....	26,956	29,307
Restructuring and other expense .....	156	34
Depreciation and amortization .....	26,349	44,908
<b>Operating income</b> .....	<b>28,229</b>	<b>6,927</b>
Other expense:		
Interest expense, net .....	(17,064)	(6,050)
Other income (expense) .....	38	(50)
<b>Income before income taxes</b> .....	<b>11,203</b>	<b>827</b>
Income tax expense .....	(112)	(134)
<b>Net income</b> .....	<b>\$ 11,091</b>	<b>\$ 693</b>

The following is a reconciliation of net income to Adjusted EBITDA and Operating Free Cash Flow:

	Three Months Ended March 31,	
	2021	2020
Net income .....	\$ 11,091	\$ 693
Income tax expense .....	112	134
Other expense (income) .....	(38)	50
Interest expense, net .....	17,064	6,050
Depreciation and amortization .....	26,349	44,908
Restructuring and other expense .....	156	34
Share-based compensation .....	49	1,869
<b>Adjusted EBITDA</b> .....	<b>54,783</b>	<b>53,738</b>
Capital Expenditures (cash) .....	20,981	25,681
<b>Operating Free Cash Flow</b> .....	<b>\$ 33,802</b>	<b>\$ 28,057</b>

The following is a reconciliation of net cash flow from operating activities to Free Cash Flow:

	Three Months Ended March 31,	
	2021	2020
<b>Net cash flows from operating activities</b> .....	<b>\$ 40,942</b>	<b>\$ 49,771</b>
Capital Expenditures (cash) .....	20,981	25,681
<b>Free Cash Flow</b> .....	<b>\$ 19,961</b>	<b>\$ 24,090</b>

## Comparison of Results for the Three Months Ended March 31, 2021 compared to the Three Months Ended March 31, 2020

### Revenue

Revenue for the three months ended March 31, 2021 and 2020 was \$97,303 and \$95,042, respectively. The Company's revenue is derived primarily from the sale of fiber-based broadband and telephony services, including bandwidth and managed services, to enterprise customers and includes taxes and surcharges. The revenue increase of \$2,261 (2%), for the three months ended March 31, 2021 compared to the same period in the prior year was primarily due to an increase in Ethernet revenue of \$2,471 and an increase in managed services revenue of \$639, partially offset by a decrease in TDM services revenue of \$229 and a decrease in other revenue of \$620. Other revenue includes fees for usage, access, installation, and other ancillary services.

### Direct Costs

Direct costs for the three months ended March 31, 2021 and 2020 amounted to \$15,613 and \$13,866, respectively. These costs include taxes and surcharges which represent federal and state fees incurred by the Company to operate as a telecommunications carrier. These costs also include interconnection, call completion, circuit and transport fees paid to other telecommunication companies for the transport and termination of voice and data services, which typically vary based on rate changes and the level of usage by our customers.

The increase of \$1,747 (13%) for the three months ended March 31, 2021 compared to the same period in the prior year was attributable to the following:

Increase in taxes and surcharges .....	\$	1,588
Increase in circuit fees .....		450
Decrease in call completion and interconnection costs .....		(291)
	\$	<u>1,747</u>

### Other Operating Expenses

Other operating expenses for the three months ended March 31, 2021 and 2020 amounted to \$26,956, and \$29,307, respectively. Other operating expenses include (i) staff costs including salaries and commissions of company employees and related taxes, benefits and other employee related expenses; (ii) costs associated with the repair and maintenance of our network, including costs of certain customer connections and other costs associated with providing and maintaining services to our customers; (iii) allocations of certain operating costs from Altice USA, including overhead and common support function costs (such as human resources, legal, government affairs, finance, accounting, tax, audit, treasury, information technology, and insurance, etc.) and facility costs; and (iv) various other operating expenses including agency fees, rent, subscriber billing costs, and marketing and advertising costs. See Note 10 to our consolidated financial statements included in this quarterly report for a discussion of services performed by affiliates of the Company and the related charges for these services.

The decrease in other operating expenses of \$2,351 (8%) for the three months ended March 31, 2021 compared to the same period in the prior year was attributable to the following:

Decrease in share-based compensation expense .....	\$	(1,820)
Decrease in bad debt expense .....		(1,136)
Increase in rent and property taxes .....		896
Other net decreases .....		(291)
	\$	<u>(2,351)</u>

### Depreciation and Amortization

Depreciation and amortization for the three months ended March 31, 2021 and 2020 amounted to \$26,349 and \$44,908, respectively. The decrease in depreciation and amortization of \$18,559 (41%) for the three months ended March 31, 2021 as compared to the same period in the prior year is due to certain fixed assets becoming fully depreciated and certain intangibles assets becoming fully amortized, partially offset by an increase in depreciation as a result of asset additions.

### ***Adjusted EBITDA***

Adjusted EBITDA amounted to \$54,783 and \$53,738 for the three months ended March 31, 2021 and 2020, respectively. Adjusted EBITDA is a non-GAAP measure. See the definition of Adjusted EBITDA above under "Non-GAAP Financial Measures" and reconciliation of net income to adjusted EBITDA above.

The increase in Adjusted EBITDA for the three months ended March 31, 2021 as compared to the same period in the prior year was due to an increase in revenue and a decrease in operating expenses (excluding depreciation and amortization, restructuring and other expense and share-based compensation) as discussed above.

### ***Operating Free Cash Flow***

Operating free cash flow was \$33,802 and \$28,057 for the three months ended March 31, 2021 and 2020, respectively. The increase in operating free cash flow for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 was due to an increase in Adjusted EBITDA and a decrease in capital expenditures.

### ***Free Cash Flow***

Free cash flow was \$19,961 and \$24,090 for the three months ended March 31, 2021 and 2020, respectively. The decrease in free cash flow for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 was primarily due to a decrease in net cash provided by operating activities, partially offset by a decrease in capital expenditures.

### ***Interest Expense, Net***

Interest expense, net was \$17,064 and \$6,050 for the three months ended March 31, 2021 and 2020, respectively. The increase of \$11,014 for the three months ended March 31, 2021 as compared to the same period in the prior year was attributable to the following:

Interest expense, including amortization of deferred financing costs and original issue discount, related to the term loan, senior secured notes and senior notes issued in 2020 (see Note 7) .....	\$ 17,067
Decrease in interest expense due to a decrease in the weighted average cost of capital of Altice USA which was the basis of the interest calculation related to the note payable to affiliate that was forgiven in June 2020 (see Note 10) .....	(6,058)
Lower interest income .....	5
	<u>\$ 11,014</u>

### ***Income Tax Expense***

The Company recorded an income tax expense of \$112 on pre-tax income of \$11,203 for the three months ended March 31, 2021, as compared to an income tax expense of \$134 on pre-tax income of \$827 for the three months ended March 31, 2020 resulting in an effective tax rate that was lower than the U.S. federal statutory tax rate of 21%. After the Legal Entity Conversion in July 2020, the Company is only subject to the Connecticut entity level tax and the New York City Unincorporated Business Tax (UBT), thus the Company is no longer subject to federal income tax.

The primary differences between the effective tax rate and the federal statutory tax rate in the three months ended March 31, 2020 are nondeductible expenses, state income taxes net of the federal benefit, and changes in the state rates used to measure the Company's net deferred tax liabilities.

### **Liquidity and Capital Resources**

#### ***Cash and Debt Profile***

As of March 31, 2021, our consolidated cash and cash equivalents amounted to \$58,227. Prior to November 1, 2020, cash balances in excess of what was required to fund day-to-day operating activities were distributed to Altice USA. The Company has principal long term debt outstanding of \$1,463,500.

Our most significant financial obligations are our debt obligations. The terms of the debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing

is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

### ***Sources of Liquidity***

Our principal sources of liquidity are our existing cash balances, operating cash flows of our operating subsidiaries and borrowings under the revolving credit facility, which we believe will provide adequate funds to support our current operating plan, make planned capital expenditures, and fulfill our debt service requirements pursuant to our outstanding indebtedness, for the next twelve months. The availability of borrowings under the Senior Secured Credit Facilities is conditioned upon compliance with specified leverage ratios. Our ability to fund our operations, make planned capital expenditures, and make scheduled payments on our indebtedness and repay our indebtedness depends on our future operating performance and cash flows and our ability to access the capital markets, which, in turn, are subject to prevailing economic conditions and to financial, business and other factors, some of which are beyond our control. Competition, market disruptions or a deterioration in economic conditions could lead to lower demand for our products and increased incidence of customers' inability to pay for the services we provide. These events would adversely impact our results of operations, cash flows and financial position.

In the longer term, we may not be able to generate sufficient cash from operations to fund anticipated capital expenditures or meet all existing future contractual payment obligations. As a result, we could be dependent upon our access to the capital and credit markets to issue debt or equity. We believe we have the ability to access the credit markets if needed, however, we can provide no assurance that access to such funds will not be impacted by adverse conditions in the financial markets or other conditions. We intend to raise significant amounts of funding over the next several years to extend our debt maturities, repay existing obligations and meet other obligations, and the failure to do so successfully could adversely affect our business. If we are unable to do so, we will need to take other actions including deferring capital expenditures, selling assets, seeking strategic investments from third parties or reducing or eliminating discretionary uses of cash.

Debt issued by the Company is subject to certain restrictive covenants. Debt issued by the Company is subject to incurrence based covenants, which do not require ongoing compliance with financial ratios, but place certain limitations on the Company's ability to, among other things, incur or guarantee additional debt (including to finance new acquisitions), create liens, pay dividends and other distributions to its member or prepay subordinated indebtedness, make investments, sell assets, engage in affiliate transactions or engage in mergers or consolidations. These covenants are subject to several important exceptions and qualifications.

To be able to incur additional debt under an applicable debt instrument, the Company must either meet the ratio test described below (on a *pro forma basis* for any contemplated transaction giving rise to the debt incurrence) or have available capacity under the general debt basket or meet certain other exceptions to the limitation on indebtedness covenant in such debt instrument. Senior debt of the Company will be subject to an incurrence test of 6.75:1 (Consolidated Net Leverage to L2QA Pro Forma EBITDA (each as defined in the relevant debt instruments)) and senior secured debt of the Company will be subject to an incurrence test of 4.75:1 (Consolidated Net Senior Secured Leverage (as defined in the relevant debt instrument) to L2QA Pro Forma EBITDA). The Company will be allowed to fully consolidate the EBITDA from any subsidiaries in which we have a controlling interest and that are contained in the restricted group as defined in the relevant debt instruments.

See Note 7 to the Consolidated Financial Statements for further details of our outstanding indebtedness.

### **Capital Expenditures**

The following table presents the Company's capital expenditures for the periods indicated:

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Fiber network (1).....	\$ 12,246	\$ 16,165
Network and customer equipment (2).....	7,741	8,516
Support and other (3).....	994	1,000
Capital purchases (cash basis).....	20,981	25,681
Change in accrued and unpaid purchases and other.....	(3,293)	(1,559)
Capital purchases (including accrued but not paid) (4).....	<u>\$ 17,688</u>	<u>\$ 24,122</u>

- (1) Fiber network includes the cost of design, engineering and construction of the Company's fiber backbone and fiber connections to customer locations.
- (2) Network and customer equipment includes routing and interconnection equipment at our network locations, as well as equipment collocated in customer facilities.
- (3) Support and other includes costs associated with the replacement or enhancement of non-network assets, such as software systems, office equipment, and facilities.
- (4) Amounts are comprised of the following:

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Success-based.....	\$ 14,140	\$ 20,253
Maintenance, support and other.....	3,548	3,869
Capital purchases (including accrued not paid).....	<u>\$ 17,688</u>	<u>\$ 24,122</u>

### **Cash Flow - Three Months Ended March 31, 2021 and 2020**

#### *Operating Activities*

Net cash provided by operating activities amounted to \$40,942 and \$49,771 for the three months ended March 31, 2021 and 2020, respectively.

The 2021 cash provided by operating activities resulted from \$39,532 of income before depreciation and amortization and non-cash items, a decrease in accounts receivable of \$9,750, an increase in accounts payable of \$2,025, an increase to amounts due to affiliates of \$182, and an increase in and deferred revenue of \$139, partially offset by a decrease in accrued liabilities of \$9,647 and an increase in prepaid expenses and other assets of \$1,039.

The 2020 cash provided by operating activities resulted from \$48,627 of income before depreciation and amortization and non-cash items, an increase to amounts due to affiliates of \$6,059, an increase in accounts payable of \$2,735, a decrease in prepaid expenses and other assets of \$2,214, and a decrease in deferred revenue of \$5, partially offset by an increase in accounts receivable of \$6,432 and a decrease in accrued liabilities of \$3,437.

#### *Investing Activities*

Net cash used in investing activities for the three months ended March 31, 2021 and 2020 was \$20,965 and \$25,681, respectively, consisting primarily of capital expenditures.

#### *Financing Activities*

Net cash used in financing activities amounted to \$1,500 and \$29,347 for the three months ended March 31, 2021 and 2020. The 2021 activity related to the repayment of long-term debt of \$1,500. The 2020 activity related to distributions to Altice USA of \$29,347.

### **Commitments and Contingencies**

As of March 31, 2021, the Company's commitments and contingencies not reflected in the Company's balance sheet increased to approximately \$42,318 as compared to approximately \$36,535 at December 31, 2020. This increase relates primarily to new purchase obligations made in the ordinary course of business.