



News & Views

Centurytel buys Madison River

Centurytel has acquired Madison River Communications to expand its business serving small-to-midsized US cities.

The company will acquire all of the outstanding stock of Madison River Communications for \$830 million in a combination of cash and the assumption of debt. Centurytel will acquire 176,000 rural access lines with 99% broadband coverage and 30% high-speed internet penetration in Madison River's operating territory in Alabama, Georgia, Illinois and North Carolina.

Glen Post, chairman and CEO of Centurytel, said in a statement: "Under Stephen Vanderwoude's and Paul Sunu's leadership, Madison River has built a great communications company. Through efficient investment in its network and a grass-roots approach to its customer base, it has achieved virtually ubiquitous broadband enablement and strong high-speed internet penetration."

Centurytel estimates it will achieve annual cost synergies of approximately \$17 million. Madison River generated \$189 million of revenue, \$99 million of EBITDA and \$35 million of leveraged free cash flow, before anticipated synergies, in the 12 months ended September, 2006.

Post said: "This transaction fits Centurytel's acquisition strategy and permits us to continue our share repurchase initiative while maintaining operational, financial and strategic flexibility."

Centurytel expects to complete the remainder of its current \$1 billion



Glen Post, chairman and CEO, Centurytel

share repurchase programme by mid-year 2007.

After the transaction closes Centurytel will have approximately 2.3 million access lines and 390,000 high-speed Internet subscribers. The deal will add an additional 2,400 route mile fibre network that is complementary to Centurytel's existing operations.

The acquisition of Madison River is expected to close in the second quarter of 2007. ■

2007 – TRENDS TO WATCH

David Ballarini outlines three key trends in IP communications that will be particularly important to follow in 2007

Analyst's Eye



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Cisco vs Microsoft: Each has ambitious plans around emerging IP technologies, and they appear to be on a collision course in 2007 in both the consumer and business markets. Microsoft has been pro-IP ever since it built SIP support into Windows XP. Its VoIP plans have solidified during the second half of 2006, and it clearly has its eyes on integrating voice into its software. Of greater relevance to Cisco in the consumer market is Microsoft's relentless focus on IPTV, where it has become a dominant player, especially in partnership with Alcatel-Lucent. Cisco is the other major player in IPTV, and 2007 will see its first very large-scale IPTV deployments. Video is not a core competency for either, but both have made major investments to become market leaders. Microsoft may own the desktop, but Cisco owns the network. 2006 saw both companies announce their all-encompassing unified messaging/communications platforms. It is difficult to see how the two will co-exist. Cisco will seek to challenge for control of applications and they both will likely be active acquiring strategic pieces in 2007.

Voice 2.0 Applications: The future belongs to Voice 2.0-style applications, which cover features and services that leverage the power and flexibility of IP. The end result is customisable applications that are user-defined and user-controlled. Signs of this emerged in 2006 with companies like Lotum and Iskoot, which work with web-based capabilities like presence, peer-to-peer, and open source to enable richer communications experiences. More importantly, these categories of companies provide the basis for value-added services that carriers can easily deploy. A plethora of such applications will likely emerge in 2007.

Emergence of the Prosumer: The prosumer class of commercially driven professionals seeking a market is rapidly evolving. IP gives them the platform and the tools to generate an endless variety of content. Brightcove is very much at the vanguard in creating business models around this phenomenon. Look no further than Second Life to see how quickly these changes are being adopted. As video messaging applications like Sightspeed gain adoption, as the interactive nature of IPTV becomes understood, as web-based communities like Myspace find new ways to engage users, the prosumer will become a market force. IP is disrupting the broadcasting sector, changing relationships between content viewers, content providers, and the media that links them together. ■