



the bold moves to cancel its dividend, sell non-core assets, significantly ramp capital spending and undergo a multi-year turnaround that has now much better positioned the company to compete in the future. In essence, they built a moat around their business allowing them to defend against the ramp in competitive pressures.

Commercial has its own unique mix of pressures including the proliferation of newer, more efficient technologies and the run-off of high margin legacy products and services. The transition from legacy to strategic is seemingly never ending and costly. The advent of software-oriented products and services as well as general pricing reduction on actual hardware has made defending revenue very challenging. For example, SD-WAN, the industry's (especially WIN's) new favorite topic, is 50% cheaper than MPLS according to DELL. Mix that with general declines in other products such as TDM and voice as well as added competition from cable companies being more proactive in the enterprise space and 2018 looks like another difficult year.

An added difficulty to an already challenging task is most of the industry is going through or will soon be going through an integration process for recent M&A. Management teams have little to no wiggle room for mishaps given lack of seamless execution in the industry in recent years including Windstream and Frontier.

**Regulatory:** While the direct and clear benefits from tax reform most heavily impact regular cash tax payers, we believe there could be a natural industry-wide lift from both the revenue and cost side of the equation. A relaxation in corporate tax rates as well as more generous bonus depreciation treatment will provide enterprises with more capital to deploy on upgrading IT infrastructure and expand over telecom services spending as well as incentivize corporations to accelerate their spend given the preferential policies that are not in place forever.