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Earnings Call

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Presentation

Operator

Ladies and gentlemen, good morning, and welcome to the Cogent Communications Holdings Second Quarter 2024 Earnings Conference Call.

As a reminder, this conference call is being recorded and it will be available for replay at www.cogentco.com. A transcript of this conference call will be posted on Cogent's website when it becomes available. Cogent's summary of financial and operational results attached to its press release can be downloaded from the Cogent website.

I would now like to turn the call over to Mr. Dave Schaeffer, Chairman and Chief Executive Officer of Cogent Communications Holdings.

David Schaeffer
Founder, Chairman, CEO & President

Hey, good morning, and thanks, everyone, for joining today's call. Welcome to our Second Quarter 2024 Earnings Conference Call. I'm Dave Schaeffer, Cogent's Chief Executive Officer. With me on this morning's call is Tad Weed, our Chief Financial Officer.

Hopefully, you've had a chance to review our earnings press release. This release includes a number of historical metrics that we present on a consistent basis each quarter.

Now for a couple of comments on activity in the quarter. In the quarter, we had 2 debt transactions. On May 2, we closed the issuance of our inaugural $206 million asset-backed securitization of our IPv4 notes at 7.9%. These notes mature in 5 years and may be extended for up to a 30-year term. This securitization transaction was the first ever of IPv4 lease revenue.

We are the owners of approximately 37.8 million IPv4 addresses. We acquired 27.9 million of these addresses when we purchased PSINet and other acquisitions in the early 2000s. We further enhanced our portfolio when we acquired 9.9 million additional IPv4 addresses in May of 2023 as part of our acquisition of the Sprint Global Markets Group from T-Mobile.

On June 11, we closed the issuance of our $300 million, 7% unsecured notes. These are mirrored notes. These notes have identical terms to our existing $450 million 2027 notes. We used $114.6 million of the proceeds from this offering to prepay a dark fiber IRU finance lease at a 12% discount rate, saving $15.6 million in cash. This IRU dark fiber lease had monthly cash payments of $4.2 million a month through 2026, all of which have been eliminated, and therefore, materially improving our cash flow through December of 2026.

We are leasing approximately 12.8 million of our IPv4 addresses out for a monthly revenue run rate of $3.6 million per month at the end of the quarter. We securitized 3.1 million of these leases in our IPv4 securitization. 11.1 million of the leased addresses and 1.4 million unleased addresses were part of that securitization transaction. The IPv4 Internet addresses are a finite resource. The market price of these addresses has substantially increased over the past several years.

In the quarter, we also purchased some of our stock back. In June of 2024, we took advantage of market volatility. We purchased 153,000 shares of our common stock back for a cost of $8 million at an average price of $51.97. We have $22.4 million remaining in our authorization for share repurchases through December of 2024.

Now for a comment on expected cost savings. We are in the process of realizing significant cost savings and synergies through the integration of the Sprint assets with the Cogent network. Based upon differences between monthly cost run rates at closing in May of 2023 and the monthly cost run rate in June of 2024, we have realized an annualized savings rate of $135 million. This represents 62% of our targeted cost savings of $220 million over a 3 year period.

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Now for some summary of results for the quarter. We did have a very good quarter. Our revenue for the quarter was $260.4 million. Foreign exchange had a negative sequential impact of $300,000 and changes in USF tax rates had a sequential negative impact of $1.4 million on our quarterly revenues. Adjusting for these 2 negative impacts of $1.7 million, our sequential revenue did decline by 1.5%, primarily due to the decline in our non-core products and the management out of low-margin off-net services.

Our on-net revenues increased sequentially by 1.5% in the quarter to $140.8 million. Revenues under our commercial services agreement with T-Mobile increased sequentially by $2.7 million to $5.9 million in the quarter. Traffic on our network increased sequentially by 1.9%. It was up 17.4% on a year-over-year basis.

Our off-net revenues did decrease by 5.7% to $111.5 million due to the continued elimination of these low-margin services. Our non-core revenues, which generally carry negative gross margin declined by $1.4 million to $4.6 million in the quarter. And then finally, while we have not completed the reconfiguration of the Sprint network, we have installed some wave services.

Our wave revenue increased modestly by 9% sequentially quarter-over-quarter to $3.6 million and that represents actually a 128.7% increase on a year-over-year basis. We expect this to materially accelerate starting in early 2025 as we will complete the network integration and optimization for wave services by year-end.

Our EBITDA, as adjusted, was $106.2 million and our EBITDA, as adjusted, margin was 40.8% for the quarter. In accordance with our IP transit services agreement with T-Mobile, we received 3 payments in the quarter totaling $66.7 million. This compares to the 3 payments we received in Q1 of $87.5 million. The payments in this quarter included 2 $29.2 million payments and 1 $8.3 million payment.

An additional 41 payments are expected to be made by T-Mobile, each of $8.3 million a quarter, continuing through November of 2027. Our Sprint acquisition costs in the quarter were $12.4 million. Included in this cost, and a significant portion of it, was the $8 million in final severance reimbursements that were paid to former T-Mobile employees and these costs are fully reimbursable by T-Mobile.

We achieved significant cost reductions both in our cost of goods sold and our SG&A in the quarter. Our SG&A decreased by $5 million or 7.1% from the previous quarter and decreased by $12.5 million or 16.1% from Q2 of 2023. SG&A as a percentage of our revenue decreased to 25% in the second quarter from 26.3% in the previous quarter.

Our cost of goods sold decreased by $12.7 million or 7.8% on a sequential basis from Q1 2024 as we continue to reduce network costs and bring off-net traffic on-net. We finalized the purchase accounting associated with our acquisition of the Sprint Global Markets Group, and this quarter, we received an additional final gain in our bargain purchase, bringing that total bargain purchase gain to $1.4 billion.

Our gross debt to trailing last 12 months EBITDA, as adjusted, ratio was 4.06 at the end of the quarter, and our net debt ratio did reduce in the quarter from 3.17x EBITDA to 3.14x. We ended the quarter with $426.2 million in cash and cash equivalents on our balance sheet.

Now for a comment on our sales force. Our sales rep productivity was 4 units in Q1 per rep per month and 3.8 units installed per rep full time equivalent per month in Q2. In conjunction with the Sprint acquisition, we hired 942 employees. At quarter end, 655 of these employees remain employed with us.

Now for a couple of comments on our optical transport and wave services. In connection with the acquisition of the Sprint GMG business, we expanded our product offering to include optical wavelength services and optical transport services over our fiber network. We are selling these wavelength services to existing customers as well as new customers. These customers require dedicated optical transport without the capital and ongoing expense of owning and operating their own infrastructure.

As of today, we have connectivity and wavelength capability services in 574 locations. However, our provisioning cycles remain elongated at about 90 days. We intend to substantially reduce that provisioning time as we complete the network optimization programs by year-end. We have sold wavelengths in 156 locations. By year-end 2024, we expect to be able to offer wavelength services in over 800 North

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American locations with substantially reduced provisioning cycles. We have a significant backlog and funnel of wave opportunities, representing over 2,700 unique wavelengths.

Our Sprint acquisition materially expanded our data center footprint. To date, we have reconfigured 34 of these Sprint acquired facilities and added these new data centers to the 1602 carrier-neutral and 86 data centers that Cogent operates. The Cogent data centers in operation today have 164 megawatts of protected power. We are decommissioning some legacy Cogent data centers and lease facilities where they are redundant with fee simple owned facilities that we acquired from Sprint. We are in the process of converting an additional 18 former Sprint facilities into Cogent data centers and we'll continue to optimize our portfolio.

With regard to dividends, our Board of Directors reflected on the strong cash flow generating capabilities, investment opportunities and decided, once again, to increase our quarterly regular dividend sequentially by $0.01 a share, raising our quarterly dividend from $0.975 per share to $0.985 per share. This represents the 48th consecutive sequential quarter where we have grown our dividend. Our dividend growth rate is now at an annualized rate of 4.2%.

Now for long-term expectations. Now that we have combined the Sprint and Cogent networks and operations, we anticipate our long-term annual growth rates to be between 5% and 7%, and EBITDA, as adjusted, margins to expand by approximately 100 basis points annually. Our revenue and EBITDA guidance are intended to be multi-year targets and are not intended to be used for specific quarterly or annual targets.

Our EBITDA, as adjusted, and leverage ratios are impacted by the $700 million IP Transit agreement we entered into with T-Mobile. In accordance with this agreement, beginning in June of 2024, we began receiving cash payments of $29.2 million per month for 12 months, and then those payments stepped down for the next 42 months to $8.3 million a month and continued through November of 2027. The reduction in monthly cash payments will impact our EBITDA, as adjusted, and leverage ratios, which are measured on a trailing 12-month basis.

Now, I'd like to turn it over to Tad to read safe harbor language and give us some additional operating metrics on the business.

Thaddeus G. Weed
VP, CFO & Treasurer

Thank you, Dave, and good morning, everyone. This earnings conference call includes forward-looking statements. These forward-looking statements are based upon our current intent, belief and expectations. These forward-looking statements and all other statements that may be made on this call that are not historical facts are subject to a number of risks and uncertainties and actual results may differ materially. Please refer to our SEC filings for more information on the factors that could cause actual results to differ. Cogent undertakes no obligation to update or revise our forward-looking statements.

If we use non-GAAP financial measures during this call, you will find these reconciled to the corresponding GAAP measurement in our earnings releases that are posted on our website at cogentco.com.

We analyze our revenues based upon network connection type, which is on-net, off-net, wavelength services and non-core services, and we also analyze our revenues based upon customer type. We classify our customers into 3 types; NetCentric customers, corporate customers and enterprise customers.

Comments on the corporate business for the quarter. Our corporate business represented 45.9% of our revenues for the quarter, and our corporate revenue grew by 7.7% year-over-year, but decreased sequentially by 4.3%. The sequential decrease was due to the continued grooming of low margin off-net connections and the elimination of non-core products. We had 48,690 corporate customer connections on our network at the end of the quarter. For the quarter, the sequential impact of negative USF on our revenues was minus $1.4 million.

On NetCentric, our NetCentric business continues to benefit from continued growth in video traffic, activity related to AI or artificial intelligence, streaming and wavelength sales. Our NetCentric business

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represented 35% of our revenues this quarter and grew by 4% year-over-year and by 4.5% on a constant currency basis, but declined sequentially by 0.9%. We had 61,736 NetCentric customer connections on our network at quarter end. Our network traffic for the quarter, as Dave mentioned, increased by 1.9% sequentially and was up by 17.4% year-over-year.

On enterprise. Our enterprise business represented 19.1% of our revenues this quarter and was $49.8 million. We had 18,356 enterprise customer connections at the end of the quarter and our enterprise revenue increased by 20.8% year-over-year and increased sequentially by 0.9%.

On revenue and customer connections by network type and on-net revenue. We serve our on-net customers in our 3,386 total on-net multi-tenant office and carrier-neutral data center buildings. We continue to succeed in selling larger 100 gigabit connections and 400 gigabit connections in carrier-neutral data centers, and we also sell 10 gigabit connections in selected multi-tenant office buildings. Selling these larger connections has the impact of increasing our on-net ARPU, which occurred again this quarter.

Our on-net revenue was $140.8 million for the quarter, a year-over-year increase of 10.3% and a sequential increase of 1.5%. Our on-net customer connections were 87,387 at quarter end.

On off-net revenue. Our off-net revenue was $111.5 million for the quarter, year-over-year increase of 9.3% and a sequential decrease of 5.7%. Again, the sequential decline in our off-net revenue was partially impacted by our migration of certain off-net customers to on-net and, more importantly, the continued grooming and termination of low-margin off-net customer contracts.

Our off-net customer connections were 32,758 at quarter end. Our wavelength revenue was $3.6 million for the quarter. That was a sequential increase of 9% and a year-over-year increase of 128.7%. Our wavelength customer connections were 754 at the end of the quarter, which was an 8.8% sequential increase.

Some comments on IPv4, our leasing revenue. Our IPv4 leasing business had an excellent quarter. We were leasing 12.8 million of addresses at the end of the quarter, and that was a 4.9% increase in leased addresses from last quarter. Our IPv4 leased revenue increased by 4.4% from last quarter to $10.7 million. Our average revenue per IPv4 address sold for the quarter was $0.51 per address, and that is a very material increase from our base at the beginning of the quarter for all addresses that was approximately $0.30.

Lastly, our non-core revenue was $4.6 million for the quarter. That was a sequential decrease of $1.4 million or 23.7% as we're ending these non-core products. Non-core customer connections were 7,883 at quarter end, a sequential decline of 21.5%.

Some comments on pricing, ARPU and churn. Our average price per megabit for our installed base decreased sequentially by 5% to $0.25. Our average price per megabit for new customer contracts was $0.12, which actually was an increase of 13.5%.

ARPU; our on-net ARPU increased from the impact of selling larger connections. Our off-net ARPU slightly decreased. Our on-net ARPU increased sequentially by 2.1% from $525 to $536. On a year-over-year basis, it was an increase of 11% from $483 from Q2 of last year. Our off-net ARPU slightly decreased sequentially from $1,106 to $1,103. Year-over-year, that was a decrease of 14.7%, and was $1,294 last year.

Our wavelength ARPU increased by 2% and was $1,670 this quarter. it was $1,638 last quarter. Our average revenue per IPv4 address sold, again, was $0.51 per address for the quarter, again, a significant increase from $0.30 from the base at the beginning.

On churn, our on-net unit monthly churn rate was stable. It was 1.4%, the same as last quarter. Our off-net churn rate did tick up. It was 2.3% this quarter, 2.1% last quarter. Again, we continue to groom and terminate low-margin off-net contracts.

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EBITDA and EBITDA margin. We reconcile our EBITDA to our cash flow from operations in each of our quarterly press releases. Our EBITDA increased sequentially by $8.7 million and our EBITDA margin increased sequentially by 350 basis points to 10.4%. This is EBITDA classic.

EBITDA, as adjusted, and as adjusted margin. And as a reminder, our EBITDA, as adjusted, is adjusted for Sprint acquisition cost and cash payments received under the $700 million IP Transit services agreement with T-Mobile. We collected $66.7 million under the IP Transit Services agreement. This quarter, as it was scheduled to climb, it was $87.5 million under the same agreement last quarter. Our EBITDA, as adjusted, was $106.2 million for the quarter and that was a 40.8% margin.

We incurred $12.4 million of Sprint non-capital acquisition costs this quarter, an increase from $9 million last quarter, largely due to the end of the severance payments. Included in Sprint acquisition costs for the quarter were $8 million of reimbursed severance costs, and last quarter included in the $9 million that was $4.3 million.

These severance costs are paid by us, but are fully reimbursed by T-Mobile. Under U.S. GAAP, the accounting for these severance costs needs to be retroactively reported as an acquired receivable asset in purchase accounting at closing, and that results in an increase to our acquired assets and a corresponding increase to our gain on bargain purchase. Again, the total gain after the 1 year window for adjustments was $1.4 billion.

When we pay the severance to an employee, we record this transaction as Sprint acquisition costs. When we're reimbursed by T-Mobile, the opening balance sheet receivable from T-Mobile is reduced from the cash payment. This is the final quarter for these severance reimbursements, so this is now behind us.

Foreign currency impact. Our revenue earned outside of the United States is reported in U.S. dollars and was approximately 17% of our revenues for the quarter. About 11% of our revenues were based in Europe and 6% of our revenues were related to our Canadian, Mexican, Oceanic, South American and African operations. The average euro to USD rate so far this quarter is $1.09 and the average Canadian dollar rate is $0.73. Should these average rates remain at these current levels, we do not expect a material FX impact both sequentially and on a year-over-year basis.

Customer concentration. We believe that our revenue and customer base is not very highly concentrated. Our top 25 customers were about 20% of our revenues for the quarter.

On capital expenditures. Our quarterly capital expenditures were $48.8 million this quarter. We are continuing our network integration of the former Sprint network and legacy Cogent network into 1 unified network and converting former Sprint switch sites into Cogent data centers. We have accelerated our data center conversion program due to the very high level of demand for our power availability.

Our finance lease IRU obligations are for long-term dark fiber leases. Our IRU finance lease obligations were $426.4 million at the end of the quarter. That was a reduction of $91.1 million from last quarter. The significant decrease from last quarter resulted from the early prepayment at a discount of $114.6 million under the IRU lease, partly offset by replacement IRU route cancellations for new routes of $42.2 million for the quarter. We have a very diverse set of IRU suppliers, and we have contracts with 356 dark fiber suppliers at the end of the quarter.

At quarter end, our cash and cash equivalents and restricted cash totaled $426.2 million. Of our total $41.8 million of restricted cash, $35.5 million of that was tied to the swap and $6.3 million, which is new, was tied to the customer payment processing requirements under our IPv4 notes.

Debt and debt ratios. Our total gross debt at par, including our finance lease obligations, was $1.9 billion at the end of the quarter and net debt was $1.5 billion. Our total gross debt to last 12 months EBITDA, as adjusted, ratio was 4.06 at quarter end and net was 3.14. Our consolidated leverage ratio, as calculated under our notes, was 4.5; and our secured leverage ratio, as calculated under our note indentures, was 2.49.

Some further comments on the swap. We are party to an interest rate swap agreement that modifies our fixed interest rate obligation with our $500 million 2026 notes through a variable interest obligation based

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on SOFR and that is for the remaining term of these 2026 notes. The fair value of our swap agreement decreased by $9.3 million rather from last quarter and was $35.5 million.

Changes in the fair value of the swap agreement are now required to be classified in our public filings with interest expense. As of today, the value of our swap agreement was $30.9 million, so it's declined.

Lastly, on bad debt and days sales outstanding. Our days sales improved from last quarter and was 26 days versus 27 in last quarter. Bad debt expense was $2.9 million, 1.1% of revenues. That's consistent with our historical performance. And I want to again thank and recognize our worldwide billing and collections team members for continuing to do just a fantastic job serving our Cogent customers.

And with that, I will turn the call back to Dave.

David Schaeffer
Founder, Chairman, CEO & President

Hey, thanks Tad. I'd like to highlight a few of the strengths of our network, our customer base and our sales force. In our NetCentric business, we continue to see significant traffic growth from our customer base. We're the direct beneficiaries of over-the-top video, AI activity and streaming. At quarter end, we have over 1,602 carrier-neutral data centers connected to our network and 86 Cogent data centers, bringing our total connected data center footprint to 1,688, more than any other carrier globally as measured by third-party independent research.

The breadth of our coverage enables our NetCentric customers to better optimize our networks and reduce latency. We expect we'll continue to widen this lead in the market and are projected to add over an additional 100 carrier-neutral data centers per year to our network over the next several years. With an extended provisioning cycle, we can sell wavelengths today in 574 locations. We are slow to do that because we are focused on the optimization of our network, and therefore, the shortening of our provisioning cycles across the entire base.

By year-end 2024, we expect to be able to sell wavelength services in over 800 carrier neutrals in North America with very reduced provisioning intervals. At quarter end, we directly connected to [8,135] networks, 23 of these networks are peers and 1,112 of these networks are Cogent transit customers. This makes Cogent the most interconnected network globally. This collection of ISPs telephone companies, cable companies and mobile phone operators allow us to reach the vast majority of the world's broadband subscribers and mobile phone users directly.

We remain focused on our sales force productivity and efficacy and continue to manage out underperforming reps. Our sales force turnover rate was 5.6% per month for the quarter, down from a peak of 8.7% during the height of the pandemic and in line with our average sales force turnover rate historically of 5.6%.

At quarter's end, we had 280 salespeople focused exclusively on the NetCentric market, 364 sales professionals focused on the corporate market and 12 sales reps focused on the enterprise space. We remain optimistic about our unique position in serving small and mid-sized businesses in central business districts. We have 1,864 multi-tenant office buildings on-net with over 1 billion square feet.

We also remain focused on selling to large enterprises and are continuing to grow that business. We are enthusiastic and optimistic about the addition of optical transport services or wavelengths to our product portfolio and the expansion of our data center footprint. We have a significant backlog and funnel of these wave opportunities at over 2,700 discrete wavelengths. And while we have accentuated provisioning cycles, we hope that with the network reconfiguration work, we can bring these orders installed in much shorter times by year-end. We're diligently working to complete the integration of the Sprint network and the Cogent network and the optimization.

We remain optimistic and excited about our ability to create cost savings and generate increasing amounts of cash flow. Based on the differences between monthly cost run rates in May of 2023 and June of 2024, we have already achieved $135 million of these savings or 62% of our targeted $220 million in savings.

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We purchased $8 million of our common stock at the end of the quarter and still have $22.4 million for additional buybacks if warranted. We look to continue to monetize our IPv4 addresses, dark fiber and our data center spaces on a wholesale and retail basis and are willing to either sell or enter into long-term leases for many of these facilities over the next several years. We remain in active discussion with multiple counterparties for multiple sites.

With that, I'd like to open the floor for questions.

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Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Sebastiano Petti with JPMorgan.

Sebastiano Carmine Petti
JPMorgan Chase & Co, Research Division

Dave, just starting with EBITDA classic. I mean, you realized 62% of the targeted cost savings you just touched on, which is likely to provide a tailwind and continue to groom or exit unprofitable contracts. Just help us think about expectations for EBITDA classic margin expansion. Is that something maybe we can kind of continue to see here off of the 10.4% in the second quarter of '24?

And then separately, you may have heard that a competitor recently announced dark fiber deals totaling $5 billion. In the past, you talked about dark fiber and today as a longer-term kind of opportunity, perhaps after you stand up and scale the waves opportunity. I guess, first, are you surprised by that announcement? And does this in any way change how you're thinking about the speed to market on a dark fiber basis? And how are you positioned to maybe get a piece of that action?

David Schaeffer
Founder, Chairman, CEO & President

Sure. Thanks for both questions, Sebastiano. So, let me take the EBITDA classic question first. We had significant improvement sequentially in that due to the reduction in our SG&A as well as cost of goods sold. We understand that the IP Transit payments from T-Mobile are continuing to step down. In the quarter, we had effectively a $20 million reduction in those payments, but our EBITDA, as adjusted, was down only $9 million due to the improvements in the underlying classic EBITDA rate.

We expect that trend to continue. We understand that in the third quarter, we will only be receiving 3 of the $8.3 million payments. So, we have effectively another $40 million of headwind to EBITDA, as adjusted. We will continue to see improvement in EBITDA classic, the underlying cost due to these grooming and cost synergy programs, probably at a similar pace to what we saw from Q1 to Q2, and I think you'll see that similar pacing Q2 to 3 and even 3 to 4 and continuing on. As we add wavelength revenue, which carries very high contribution margins, we'll see a further acceleration in the EBITDA classic number due to the fact that those wavelength services are virtually all on-net.

And now, that's probably a decent transition into the second question. We have been very clear about our targeted market for wavelengths and our strategy of being very aggressive in gaining market share. We think we have a number of competitive advantages, whether it be ubiquity, speed of provisioning or reliability once installed and uniqueness of routes.

I actually think what was announced by our competitor was more of a defensive action as a result of our entry into the market. That particular competitor had been very reluctant to sell dark fiber. In fact, on multiple occasions regretted the fact that it had sold 12,900 miles of dark fiber to Cogent, enabling a competitor. We, in fact, intend to give that fiber back as we migrate off of that fiber and onto the facilities we acquired from Sprint.

We also know that we have excess capacity on our network for dark fiber. Now we will sell dark fiber. I think we do have a significant opportunity. I think our routes are unique, but we have been reluctant to do so until we have done the wave enablement of our network. The competitor, I think you mentioned, derives a significant portion of its cash flow from wavelengths. They dominate the wavelength market, and I think their change in position and willingness to sell dark fiber was a direct result to maybe the acknowledgment that the market is going to become much more competitive with Cogent's entrance.

The final point to that is we have had many of the same customers who have placed wavelength orders with us. We've provisioned some of those orders, and we've actually said no to some orders. Many of the hyperscalers are building proprietary single-tenant data centers where they want wavelength services. We

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have refused to deploy capital at low single-digit returns where we would be subject to the monopsony power of that single tenant in that location.

So, we will not go out and build to a specific sole tenanted facility unless there is sufficient derisking in the form of upfront payments, higher returns and also long-term contracts. I think what was announced the other day by this competitor was an acceptance of terms that we found uneconomic.

Operator

And your next question comes from the line of Greg Williams with TD Cowen.

Gregory Bradford Williams
TD Cowen, Research Division

Great. Dave, just wanted to talk about waves. It came in a little light at $3.6 million, but you did say it will ramp up early '25 and you're going to reach the 800 data centers by year-end. But we've only got 156 locations sold that you can [send] waves to by the end of June, and you got a long way to go with less than 5 months to get to 800. So, just help us feel comfortable with ramping up to the 800 wave data centers. And part and parcel to that, the backlog that you mentioned of 2,700 circuits, can we apply the ARPU on waves of 1,670 that 2,700 so we get a dollar amount to that backlog. Is that a fair way to do it?

David Schaeffer
Founder, Chairman, CEO & President

So, 2 very different questions, Greg. First of all, we are wave-enabled in 574 data centers as of today. We have actually only sold waves in 156 of those 574. Now, the method that we have to use to provision those wavelengths is very cumbersome and similar to the way our competitors provision a wavelength. The foundational work that we are doing, starting with a clean sheet of paper, allowed us to build a network on top of the Sprint physical assets that would allow us to provision a wavelength in 2 weeks without pre-deploying capital for transponders, which is a very capital inefficient way based on the number of wave permutations that are possible.

So, each time we provision a wave today, we take resources away from the network reconfiguration work. We will take that 574 and be at all 800 by year-end. So, we literally have 226 to go and we're confident we will make that goal. Two, we are conducting a number of network modifications internal to the network to allow provisioning of a wave to occur end-to-end with only 2 field dispatches compared to the industry average of probably 6 to 8 dispatches, which is similar to the way we have to do it today.

And with that, we should be able to rapidly eat into that backlog, but also hopefully, build an even larger backlog. As customers say, we are able to provision much faster than our competitors.

Now to the ARPU question. Wavelength pricing is determined by 2 characteristics, the speed of the wavelength, which comes in 3 speeds; 10 gig, 100 gig and 400 gig. The larger the speed, the more expensive. The second dimension of pricing is the distance traversed. If you notice, our ARPU did tick up 2% sequentially in the quarter with a modest number of incremental waves. More of the backlog is skewed towards 100 and 400 gig waves than in 10 gig. That probably means the ARPU of what's in that backlog is slightly larger than the ARPU of the installed base.

A big part of our effort is to make sure that we can support all of these speeds across the footprint. As these higher bandwidth applications continue to need more connectivity, we are seeing a transition away from 10 gig, 100 gig remains dominant, but I think over the next year or 2, 400-gig will be the dominant form of wavelengths, bringing ARPUs up.

And then beyond that, there will be a migration path based on the equipment we've installed to support 800 and eventually 1.6 terabit waves. The systems that we are deploying are flex spectrum, meaning they're no longer adhering to the ITU grid standards, and therefore, allow us the flexibility to support these higher throughputs as the equipment vendors make them commercially available.

Hopefully, that was helpful, Greg.

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Gregory Bradford Williams
TD Cowen, Research Division

That was helpful.

Operator

And your next question comes from the line of Walter Piecyk with LightShed.

Walter Paul Piecyk
LightShed Partners, LLC

Dave, thanks for that explanation on the fiber deals. Just maybe as a counter thought on this. I mean they needed money, right? And they have a free cash flow burn situation. With your TSA payments coming up, your leverage ratio, obviously, is going to go up. Recognizing that maybe it's single-digit returns, is there still an opportunity maybe to use some of the Sprint dark fiber to do a similar deal except for lower terms, but basically just use it as a -- to cash in some money? I mean it's basically just a construction type deal, right. I mean is your thoughts -- sorry, Dave, just to interrupt, is your thought, I guess, to, that over -- at some period of time, that dark fiber will get used and you get higher returns, but then it's like time value in terms of when that may or may not happen in the future. Sorry, go ahead.

David Schaeffer
Founder, Chairman, CEO & President

Yes. So, I think I think 2 parts to that, Walt. We are absolutely willing and expect to sell dark fiber on the routes that we have, i.e., sell our inventory where the return is infinite because we have a negative cost basis in that fiber. We will do that when we have the resources to allocate to the provision at fiber.

The new construction to single-purpose facilities has to be weighed against other uses of our capital. I can't speak to what my competitor's alternatives are. I can speak to what Cogent has. And Cogent has much better places to go to raise cash. We have over 100 megawatts and 1 million square feet of surplus data center space. The current market price for that type of asset is about 1.4 or about $14 million a megawatt compared to our offering price of $10 million a megawatt.

So, rather than go out and accept a very low return construction project, it is better for us to take our resources and capital and sell off some of these data centers that, again, we have a negative basis in. As Tad mentioned, we pivoted and did increase our capital spending slightly in the quarter to accelerate the availability of these facilities.

Again, to remind everyone, these were not built as data centers. They were built as telephone central offices. Many of them are quite large but we had to remove telephone equipment and we had to condition those spaces to turn them into marketable data centers. And we're in discussions now with dozens of counterparties for dozens of locations. That is a better way to raise cash.

We also have our IPv4 inventory. The competitor that you mentioned actually sold off a large portion of their inventory several years ago to raise cash, we did not. We chose not to. Prices continued to appreciate. We've demonstrated our ability to raise pricing on leasing and to securitize that revenue with a very low cost of capital. The fact that we have $462 million of cash on our balance sheet, we continue to grow our dividend, we buy back our stock, and we are deploying capital as fast as we can in the network, gives us the flexibility to say no to low single-digit IRRs. My goal is not to borrow money at 7% to get a 3% return.

Walter Paul Piecyk
LightShed Partners, LLC

That's fair. So, Dave, that's a good segue to my next question. I mean, first, on the data centers, yes, you can sell them, but I think you grew on net data centers and your pace was typically adding carrier-neutral data centers, I'm talking about. I think you typically add 100 a year. You seem well ahead of that pace. Just curious, thought process there.

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And then on the IPv4, similar question. Is the growth in the quarter was a little slower than last quarter in terms of the number of leases. Obviously, you implemented a price increase. But is this the type of pace to expect on those IP leases, and given no sales in the quarter and you're kind of talking about the lease growth there, are sales still on the table? Can you give us some update on thoughts on whether that may or may not happen given the current market or you just rather add the lease revenue sequentially every quarter?

David Schaeffer
Founder, Chairman, CEO & President

Yes. So, let me take those in order, Walt. On the data centers, to be honest, it's a reactive process. We operate in 54 countries around the world, and our goal is to get to every carrier-neutral in every country we are licensed in. Now we measure those based on the size of the facility, the quality of the underlying operator and our cost-effective ability to get to that center.

With the rapid influx of capital into the data center market over the past year and continuing, we are seeing a much larger number of data centers coming online. So, it is likely that for the next year or 2, we may do over 100 a year just because there are more being built. And then on the IPv4, we are still considering selling addresses. We evaluate the market conditions. We know that the 2 largest buyers are currently leasing addresses at a significant premium to our even increased prices.

As Tad mentioned, we increased pricing from an average of $0.30 an address per month across the base. For new sales, we went to $0.51 per address and saw a very modest reduction in unit volume, and I think that's somewhat temporary. We also are going to evaluate our ability to raise the existing base with the average contract length of 1.5 months. We have a great deal of flexibility in raising prices to existing customers.

This is a very sticky business with an annual churn rate of 0.8% per year. So we will look at our ability to lease more addresses at a higher rate and the DCF associated with that versus our cost of capital versus what we can sell those addresses in the marketplace, and we are open to any of those options to help us maximize return to our shareholders.

Walter, [Indiscernible] answer that. Well, I just got a long queue Walt. That put us on [Indiscernible].

Walter Paul Piecyk
LightShed Partners, LLC

Your prepared comments, that's the issue. The pace of leasing, is it -- this is the typical pace or is it going to be up and down?

David Schaeffer
Founder, Chairman, CEO & President

It's with any service, you're going to depend on a specific demand in the quarter. But it does appear that the funnel for IP leasing remains very strong. And even with the increase in offering price, we are seeing no real diminution in demand.

Operator

And your next question comes from the line of Tim Horan with Oppenheimer.

Timothy Kelly Horan
Oppenheimer & Co. Inc., Research Division

Just following up on Walt. Would you raise prices on the legacy base and maybe timing? If so why not to the IPv4 addresses? And then secondly, it looks like Lumen is talking about a substantially larger market. I think they're referencing $7 billion or so or more for the IP -- well, the wavelength market, broadly speaking. Do you think the market is that large, and they're also talking about obviously doubling the locations they go to and a much better platform to provision services. Are you worried that maybe they will be a better competitor? Are you seeing them lower prices or quality improve there?

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David Schaeffer
Founder, Chairman, CEO & President

Yes. So, let me take the IPv4 one first, Tim. We absolutely intend to raise prices on the installed base. We will be doing that later this quarter for a portion of the base and measure the impact on churn. We will continue to monitor the market for the sale of addresses and that is definitely not off the table. The goal is to sell at the highest price possible. And I think there is the likelihood that prices will go up.

And then finally, on IPv4 pricing, it's not clear to us that the increase that we put in place now will be the last increase. As the resource continues to increase in scarcity, we intend to adjust price to maximize return on our inventory. We've streamlined our sales process of addresses, our leasing process and normalized our compensation structure. All of those things, I think, are going to help us see this continue to grow. And while it is only 4% of our total revenues, it did grow at a sequential growth rate of over 4% quarter-over-quarter.

Now, to the wavelength market. There is both wavelengths and dark fiber and there is some fungibility. For a lot of customers, dark fiber makes no sense because of the upfront capital and the ongoing operational support expense. For others, it may make sense. The global wavelength market is $7 billion, as measured by third parties.

Unfortunately, Lumen is only in North America, so they can't participate in $3.5 billion that's outside of North America. And then that includes both metro and long haul. We are going to have more locations wave enabled than anyone else. We'll continue to add them to follow up on Walt's question about data center additions. Any data center in North America; so that means Mexico, Canada and the U.S. that we add, we will make wave enabled from day 1, and we welcome competition.

In the transit business, where we become the dominant player globally with 25% of the world's traffic, we compete in a market with 200 players. And in fact, the competitor you mentioned was the dominant player that we displaced to be the largest player. Listen, I wish I could wake up one day and be a monopolist. I'm not.

I welcome the fact that we have to win customers every day on the value that we deliver, and I am quite confident that Cogent will have a better value proposition than any of our competitors. And if that means being more aggressive on wave pricing, that is absolutely something we are prepared and expect to be able to do. We are going to grow that business and generate that incremental revenue.

Timothy Kelly Horan
Oppenheimer & Co. Inc., Research Division

Yes, I guess, they're -- well they're seeing there's a potential like $5 billion locked up, but another $7 billion, so $12 billion total. I guess just at a high level, do you think the market maybe is much larger, growing much faster than maybe what you thought a year ago because of AI?

David Schaeffer
Founder, Chairman, CEO & President

I think it's -- it probably is somewhat larger, but a big part of what they're referencing is new construction projects, meaning building fiber to facilities that never had fiber before. How big the recurring revenue opportunity is in those facilities is yet to be figured out.

Operator

And your next question comes from the line of Frank Louthan with Raymond James.

Frank Garrett Louthan
Raymond James & Associates, Inc., Research Division

Great. A couple of questions. Do you -- I think I know the answer, but just wanted to check. So, looking at your network that you have, do you have spare conduit in GMG network that you could sell that would possibly compete with some of these deals? And then, going forward, once you have all of the buildings

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configured and so forth and you're set for selling waves, what do you think is a reasonable quarterly run rate for that business once it gets up to speed?

David Schaeffer
Founder, Chairman, CEO & President

Yes. So, in terms of conduit, we do not have spare conduit. The Sprint network was built with direct buried fiber in armored jacket, typically 6 feet below grade versus conduit networks in plastic that are generally along public highway right-of-way, 2 feet below grade. As a result, we have had 50% fewer splices per mile than those other networks, even though the network is a decade older. That gives us better loss and better throughput. We absolutely have fiber to sell, not conduits, and the fiber that we have is capable of supporting all of the coherent technology for 100, 400 and even 800 and 1.6 terabit wavelengths when that becomes the de facto standard.

Now, in terms of the run rate for our wave growth, we have said that from 5 years from acquisition, so that would be by May of 2028, we will be generating $500 million in wave revenues. We believe that is absolutely a realistic target out of the $2 billion addressable market that we referenced. And to Tim's point, maybe we undersized that market a little bit. But we feel quite confident that we will get there. And I think once we have normalized our provisioning and our footprint is complete, that growth rate should be fairly linear.

Operator

And your next question comes from the line of Jim Schneider with Goldman Sachs.

James Edward Schneider
Goldman Sachs Group, Inc., Research Division

Dave, I wanted to sort of ask you, you're, on the cost control side, delivering very strong cost controls on some of the data center transitions and other things. Maybe could you quantify for us how much more there is to go on this? Any other buckets of cost takeout there may be? But more importantly, with those cost takeouts, is that sufficient to potentially get you to an EBITDA non-classic or with the Sprint payments, a growth situation in 2025?

David Schaeffer
Founder, Chairman, CEO & President

Jim, well, first of all, welcome to Cogent. Welcome to coverage with us, and thanks for your question. So, we absolutely have significantly more cost savings to achieve. We have a combination of non-core services, low-margin revenue services, and then additional G&A savings. We also understand that the T-Mobile payments were meant to bridge this period of maximum burn are stepping down. We will now be at a run rate for the next 41 41 months, at the lower rate of $8.3 million per month.

With that, we absolutely will be in a position in 2025 when we're on an apples-to-apples basis. So, we're looking at quarters where we have 3 monthly payments of $8.3 million in '24 versus '23 and '25, so it will be Q3, at the $8.3 million that EBITDA will be growing, and we expect that growth to continue.

So, yes, EBITDA will step down in the remainder of '24 due to these lower payments because EBITDA is adjusted now -- to the earlier question, our EBITDA classic will continue to improve, but that improvement will not fully offset that step down from $87 million down to $25 million. But after we normalize to that rate, we absolutely will be in a positive EBITDA growth number. And we've achieved only 62% of the targeted $220 million in savings. And our belief at this time is that $220 million will eventually go up. I think there are some additional savings opportunities that we'll be able to talk about in the quarters to come.

James Edward Schneider
Goldman Sachs Group, Inc., Research Division

And maybe a second one, at the risk of piling on waves and dark fiber, but might be wanted to just get your sense, can you maybe kind of characterize for us your view on how many and which routes that

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Cogent has are unique relative to your competitors? And maybe, say something about whether your competitor has any routes which you believe are particularly unique. And if you sort of think about the future landscape of additional deals that could transpire.

David Schaeffer
Founder, Chairman, CEO & President

Yes. So, we and our competitors, multiple competitors, serve all of the key North American markets, roughly 100 cities. I think there's at least 3 or 4 dark fiber routes between those cities. Now, 90% of the Sprint routes have no other fiber on them. They were built along these unique railroad right of ways. There may be a parallel path along a public highway, along a pipeline.

Generally, most of our competitors build their fiber or did build their fiber differently along public highway right-of-way, lower burial distances and in plastic conduit. The conduit absolutely gives you the flexibility to add more. But if you pick 2 cities, just put 2 pins in a map, and I'm going to just pick 2 random, say, Phoenix to Cleveland. Cogent would have a unique route, but you could also buy a different route from a Zayo or a Lumen to connect those 2 cities. Now, it's more likely than not that maybe the other 2 are not on a unique right of way, but where all 3 of us going to be able to serve those 2 city payers.

Operator

And your next question comes from the line of Nick Del Deo with MoffettNathanson.

Nicholas Ralph Del Deo
MoffettNathanson LLC

Appreciate all the detail on this call. I guess, first, you gave us a little color on some of the revenue and connection declines in your prepared remarks, but I was hoping you could dig a little bit into the corporate trends specifically. I'm just trying to tease out how much of that was a function of kind of bad Sprint revenue and connections rolling off versus what's happening with better Sprint corporate connections and classic Cogent corporate connections?

David Schaeffer
Founder, Chairman, CEO & President

Yes. So, thanks for your question, Nick. First of all, our on-net revenues grew sequentially in the quarter, even though our NetCentric revenue growth actually declined slightly in the quarter. So, we grew on-net corporate revenues. That was both kind of traditional Cogent business as well as Sprint business that we migrated from off-net to on-net. There are 3 buckets of revenue that we acquired from Sprint that are not desirable. We have an easy fix for 1 of those 3.

That is traffic that is in buildings that were off-net to Sprint that are on-net to Cogent, and we're rapidly migrating those customers as those tail circuit contracts mature. We also have non-core products that we absolutely want to end of life as quickly as possible. And you saw our run rate on those products decline by about $2 million sequentially, but there's still over $4 million a quarter in that non-core revenue bucket that really needs to go to 0 and help us improve margins.

And then, the final bucket are off-net Sprint acquired circuits that are not profitable, and it's because they're very low speed, they may have been delivered over a sub-optimal media coax, twisted-pair in some cases or fixed wireless, we're migrating to fiber, and we're upping those speeds. Some of that revenue will go away. Most of it will actually transition to a fiber solution.

So, as we look at the corporate decline, it was really bad business that we are managing off intentionally, and the good business is growing. And that, I think, is part of the way that we achieved that sequential improvement of over 250 basis points and cost of goods sold, is by getting rid of that low-margin off-net business as well as non-core.

Nicholas Ralph Del Deo
MoffettNathanson LLC

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Okay. That will make sense. And one other question on costs and EBITDA. Obviously, a good progress there. Again, I think, we've talked in the past about there being a fair bit of integration cost, lease exit cost, lease remediation cost and so on that you're not specifically breaking out of EBITDA, that probably suppressed the reported number versus what the kind of real underlying results are. I guess, could you update us on that and how we should think about that progressing in future quarters?

David Schaeffer
Founder, Chairman, CEO & President

Yes. And for the past 15 months since the acquisition, we've been spending about $5 million a month on OpEx related to integration projects. We do not break that out separately. We do not add it back to EBITDA because we had the added complexity of the T-Mobile add back and did not want to, I think, overly complicate our accounting. We anticipate that $5 million a month drag on EBITDA to be a 3-year drag.

That was what we said it would take us to go from the negative $190 million of acquired EBITDA to, if you just looked at those customers, about $85 million to $90 million of positive EBITDA. I think we are on track to do that. I think that drag will continue beyond this year and in -- well into next year. But it will start to taper off. We are ahead of schedule in terms of taking costs out, which gives us the ability to turn off some of that extraordinary expense sooner.

Operator

And your next question comes from the line of Bora Lee with RBC Capital Markets.

Bora Lee-Marks
RBC Capital Markets, Research Division

Once the wave enablement is done and the internal team is freed up to turn its attention to dark fiber, what would it take operationally to get to a point for the sales force to be able to start offering dark fiber services? And what's sort of a rough timeline for that process?

David Schaeffer
Founder, Chairman, CEO & President

So, the sales force already knows the dark fiber is coming. They've had multiple requests from customers for specific routes. We will actually show this quarter a couple of very modest dark fiber sales in Q3, really to help certain customers in specific situations, but each of these requests is kind of a calculus of, do we put in jeopardy the bigger opportunity to optimize the Wave network?

By year-end, that optimization project will be complete and we can then kind of free up people to do that provisioning. I think in terms of complexity, these are more bespoke. It's less of a standard product, and it is very route-specific. That means the distance, it means the uniqueness of the route and also the total fiber availability on the route. Not all routes are the same.

An example would be one of our most in-demand routes is our northern route that goes between Chicago and Seattle. The reason for that is, it's the lowest latency path between East Coast and the West Coast. That's particularly interesting for certain applications. Why is that true? The earth is curved. The distance at higher latitudes is shorter than it is at lower latitudes to hit the same longitudinal line.

And for that reason, that's a particularly in-demand path. We don't have enough market data and haven't actively sold to be able to fully assess that. But I do think next year, we'll be in a position to have the wave business kind of working as expected and then pivot resources to start to build a funnel of dark fiber requests and then figure out where the optimal pricing is. But again, we have no intention of building new fiber based on what we view as suboptimal returns, but we will sell out our excess inventory.

Bora Lee-Marks
RBC Capital Markets, Research Division

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Got it. And monthly on-net ARPU continues to tick-up. In the past, you've mentioned that you're benefiting from a transition to higher capacity connections. Just wondering if that's what's driving the ARPU gains this quarter? And if so, can you update us on the mix and trends that you've been seeing there?

David Schaeffer
Founder, Chairman, CEO & President

Yes. That is, in fact, a key driver. On the corporate side, we continue to see an expansion of 10-gig opportunities in multi-tenant office buildings. And then on the NetCentric side, we are seeing an increased number of 100 gig and even 400 gig transit ports. So, all of that is helping drive higher ARPU on-net.

Bora Lee-Marks
RBC Capital Markets, Research Division

And lastly, just curious about the types of counterparties who've shown the most interest in the data center assets, just given their size. Are these enterprises for their own use or financial sponsor or strategics? If you could provide any color there, that would be helpful.

David Schaeffer
Founder, Chairman, CEO & President

Yes. I would say there are at least 5 different categories of potential counterparties that we're talking to. There are Tier 2 data center operators who are attracted to some of these markets. There are private equity funds that are looking for a platform to build off of. There are international carriers who are looking for a U.S. data center footprint. There are hyperscalers who are looking at these as edge facilities. And there are AI compute businesses who want greater power density but understand that there is a time-to-market advantage of these facilities. So all 5 of those types of customers are in the mix today for these data centers.

Operator

And your next question comes from the line of Brandon Nispel with KeyBanc Capital Markets.

Brandon Lee Nispel
KeyBanc Capital Markets Inc., Research Division

Great. Mostly just a housekeeping question. Could you guys provide what the churn rate was for NetCentric corporate and enterprise? And then as we look at the reported connection, net adds or losses by those segments, could you give us an estimate in terms of how many are coming from sort of non-core low-margin products or other grooming so we can try to understand what the underlying run rate is?

David Schaeffer
Founder, Chairman, CEO & President

Yes. So, we give our churn rate between on-net and off-net, which is a good way to triangulate to the corporate churn rate. It's roughly about 1.2% per month. And NetCentric was just a little bit below that this quarter. And enterprise was a little further below that. As you saw, enterprise revenues actually grow sequentially. So, in terms of churn rate there were no material deviations from kind of historical norms.

Now, what was your second question, Brandon?

Brandon Lee Nispel
KeyBanc Capital Markets Inc., Research Division

I was just hoping you could provide some adjustments for us as we look at the reported connection losses or gains to help us understand what is sort of a function of you guys making decisions around non-core or low-margin products versus what the underlying business is doing.

David Schaeffer
Founder, Chairman, CEO & President

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Okay. So, on the non-core, you should make the assumption that every non-core churn, both in unit and dollar, is intentional. We would like that business to go away today if we could, but we have contractual obligations that we have to honor and those run through the end of 2026. Again, that's part of the reason why we continue to get transit payment subsidies from T-Mobile through November of 2027.

Secondly, for both corporate and enterprise customers, there are locations for enterprise customers in countries that we are not licensed to do business. Sprint had been selling those through an agency program that we concluded did not meet our threshold for legal compliance. So, we are effectively selling the port but taking the loop and having the customer buy the loop separately. So that's an intentional churn to bifurcate that service and lower the ARPU by taking the loop of that off-net enterprise customer in an exotic market off of our revenue stream.

On the corporate side, it's mostly this very low-speed broadband services that we are looking to migrate. Now, if those services happen to be in an on-net building, we're migrating them independent of speed and automatically upgrading the speed. If they are in a location that is very rural, we are, in fact, [terming] those, a very large termination, for example, in this last quarter, which was intentional of a corporate customer was ERCOT, that is the energy management system in the state of Texas. They had several hundred locations primarily at very rural substations with 2 megabit connectivity, all of which was delivered over copper, none of which was upgradable to a fiber solution.

And when we looked at the totality of that particular customer relationship, our business is not providing SCADA backhaul management for 2 meg copper circuits. They're just not profitable. So, we, in fact, are terming all of those. Now, some still have contract term on them, but a big bulk of the churn in this quarter was that specific, very uneconomic customer, which actually helped us improve margin. They were actually losing money on those off-net circuits.

Operator

And your final question comes from the line of Michael Rollins with Citi.

David Schaeffer
Founder, Chairman, CEO & President

Thanks for hanging in there, Mike.

Michael Ian Rollins
Citigroup Inc., Research Division

Sure. Appreciate you squeezing me in for a question. Just curious to delve a little bit more into the corporate trends, if you can give us a sense of what's happening on the corporate side with respect to unique customers in the buildings and their spending patterns with you, with respect to the core transit services, the VPN and the types of bandwidth that they're buying.

David Schaeffer
Founder, Chairman, CEO & President

Yes. So, we are seeing modest growth in our corporate on-net business, probably in the order of about 4% year-over-year, still substantially below pre-pandemic levels. We are winning new incremental customers, albeit the fact that there are less tenants in the building today than there were pre-pandemic. We also are seeing a migration of a subset of customers, not all, but a very -- that's probably now several percent of the base that want 10-gig connections.

So, we went through a transition from 100 to gig. We're starting to see the beginning of that connection going to 10 gig. I don't think that is going to be a dominant product for several years, because I think most customer premise equipment for corporate customers are not able to take those connections. But I do see that as an increasing ARPU uplift in corporate on-net services.

And then to the VPN question, we saw a fairly dramatic grooming of VPNs coming out of the pandemic as companies were pairing back multiple remote offices. We've seen that stabilize and we are seeing our VPLS sales to corporate customers be about 1/4 of new incremental sales, which is similar to where it was

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pre-pandemic. So, when it dipped, it has started to come back. Now it's dwarfed by the VPN sales that we provide to the legacy Sprint customers that are provided over MPLS. And we actually saw our enterprise business grow sequentially, in part because of those large enterprise networks continuing to grow and increase port speeds.

Michael Ian Rollins
Citigroup Inc., Research Division

Thanks, Dave.

David Schaeffer
Founder, Chairman, CEO & President

Thanks, Mike. Well, I would like to thank everyone. I appreciate your patience on the call, and hopefully, we answered all your questions. Look forward to seeing you soon and take care all. Bye-bye.

Operator
Ladies and gentlemen, this concludes today's call, and we thank you for your participation. You may now disconnect.

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