



# Cogent Communications Holdings, (CCOI)

Updated August 7<sup>th</sup>, 2025 by Derek English

## Key Metrics

<b>Current Price:</b>	\$34	<b>5 Year Annual Expected Total Return:</b>	19.7%	<b>Market Cap:</b>	\$1.74 B
<b>Fair Value Price:</b>	\$50	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	08/21/25
<b>% Fair Value:</b>	67%	<b>5 Year Valuation Multiple Estimate:</b>	8.2%	<b>Dividend Payment Date:</b>	09/05/25
<b>Dividend Yield:</b>	9.2%	<b>5 Year Price Target</b>	\$61	<b>Years Of Dividend Growth:</b>	12
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Communication Services	<b>Rating:</b>	Hold

## Overview & Current Events

Cogent Communications Holdings (CCOI) was founded in 1999 on the premise that bandwidth can be treated and sold like a commodity. The company offers low-cost, high-speed internet access and private network services to small to medium-sized businesses in 50 countries worldwide. At the end of 2021, Cogent's global network carried over 20% of all Internet traffic. Cogent offers high-speed internet access across two distinct customer bases, Corporate or "On Net," which generates 59% of revenues, and Netcentric or High bandwidth customers, which account for the remaining 41% of revenue. Cogent can offer on-net Internet access exclusively through its own facilities, eliminating the dependency on the local telephone and cable companies while offering speeds from as low as 100 Mbps to 400 Gbps. The company also serves Netcentric users or companies who like to deliver content to their customers, such as media service providers and web hosting companies. Netcentric users generally receive Cogent's services from neutral colocation facilities or Cogent's data centers, which operate throughout Europe and North America.

On August 7<sup>th</sup>, 2025, Cogent Communications reported Q2 2025 results for the period ending June 30<sup>th</sup>, 2025. Service revenue declined slightly to \$246.2 million, down 0.3% sequentially and 5.5% year-over-year, mainly due to continued weakness in enterprise and off-net services. On-net revenue rose 2.1% sequentially to \$132.3 million, while off-net revenue fell 4.8% to \$102.2 million. Wavelength revenue remained a bright spot, growing 27% from Q1 to \$9.1 million. Adjusted EBITDA increased 6.9% to \$73.5 million, with margin expanding to 29.8%. The company reported a net loss of \$1.21 per share, wider than the \$1.09 loss in Q1. Despite ongoing revenue pressures, Cogent raised its dividend for the 52<sup>nd</sup> consecutive quarter to \$1.015 per share and authorized an additional \$100 million share repurchase program. The number of on-net buildings grew to 3,529, and Cogent now offers optical wavelength services in 938 data centers across North America.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$0.11	\$0.33	\$0.13	\$0.63	\$0.82	\$0.14	\$1.04	\$0.11	\$26.88	(\$4.28)	<b>\$0.42</b>	<b>\$0.51</b>
<b>DPS</b>	\$1.34	\$1.51	\$1.80	\$2.12	\$2.44	\$2.78	\$3.17	\$3.55	\$3.76	\$3.92	<b>\$4.06</b>	<b>\$4.71</b>
<b>Shares<sup>1</sup></b>	45	45	45	46	46	47	47	47	47	47	<b>46</b>	<b>46</b>

Cogent's earnings per share have exhibited significant volatility over the past decade, ranging from as low as \$(4.28) in 2024 to as high as \$26.88 in 2023, largely influenced by one-time gains, income tax adjustments, and acquisition-related expenses. EPS spiked to \$23.65 in 2023 due to a gain on the bargain purchase from the Sprint acquisition. Since then, integration costs, rising interest expense, and restructuring efforts have weighed heavily on profitability, with EPS turning negative in both 2024 and 2025. The company has also faced sequential revenue declines and elevated leverage, adding further pressure to the bottom line. Despite this, Cogent continues to post stable adjusted EBITDA, which reached \$348.4 million in 2024. Historically, the company has grown adjusted EBITDA at a compounded annual rate of 9.2% since 2010, with revenue growing at 7.5% over the same period. However, given the current headwinds and unpredictable nature of

<sup>1</sup> Share count is in millions.

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net income, we are lowering our estimated long-term growth rate from 8% to 4% annually through 2030, reflecting a more cautious outlook.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	220.9	92.1	269.2	65.1	62.2	450.0	66.3	518.2	2.8	-18.0	81	120.0
Avg. Yld.	5.5%	5.0%	5.1%	5.2%	4.8%	4.4%	4.6%	6.2%	5.0%	5.1%	9.2%	7.7%

Valuing a company like Cogent can be tricky, as the earnings tend to fluctuate wildly. This has led the company to have some extremely high P/E ratios, reaching a high of 1245 in 2014. The average P/E over the last ten years is 173. While challenging, we have a target P/E of 120, mainly due to our belief that the company will continue to increase its EPS and dividend. In addition, our 2025 target dividend yield of 7.7% seems reasonable based on the historical yield the stock has offered. Currently, we view the company as undervalued and we have lowered our five-year price target to \$61 due to a lower projected growth rate.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

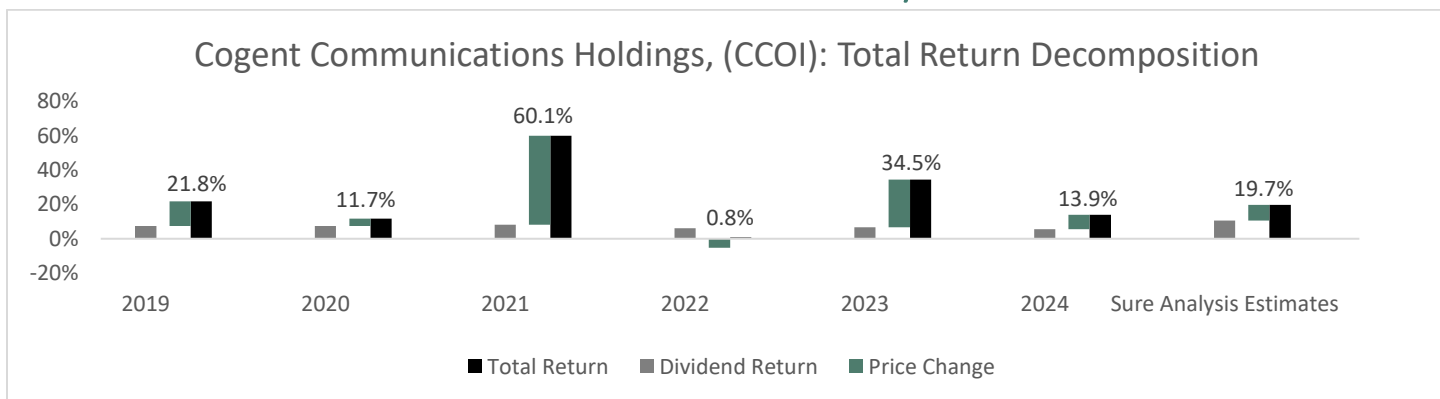
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	1218%	458%	1385%	337%	298%	1986%	305%	3227%	14%	-92%	400%	921%

Cogent has a transparent business model that targets the data communication needs of small to medium-sized businesses. Since the company was founded, it has been focused on delivering a narrow product set to its customers. A narrow product set can have significant cost advantages compared to a company like AT&T, which offers a broader product set to its customers. The company's transmission and network operations rely mainly on two sets of equipment, increasing control to give superior delivery. While they have over 25,000 corporate connections, this only accounts for a 5% market share, compared to the 95% market share they own with netcentric customers. This gives the customer plenty of scope to attract new customers. While their recession resiliency has not been tested in terms of dividends, it is encouraging that the company continued to increase its dividend every quarter throughout the COVID-19 pandemic.

## Final Thoughts & Recommendation

Cogent's strength lies in its narrow focus on small to medium-sized businesses as it is a market leader within this niche due to their fast speeds and network reliability. In addition, the ability to keep costs low and not rely on third-party equipment to deliver its service is a huge plus. While the erratic nature of net income makes it hard to value this company, Cogent has consistently increased dividends and EBITDA. A major red flag for the company's ability to raise its dividend is the increasing debt load on the balance sheet. The payout ratio very concerning. We estimate a total annual return of 19.7% through 2030, but shares earn a hold rating due to a poor dividend risk score.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	404	447	485	520	546	568	590	600	941	1,036
Gross Profit	230	253	276	301	326	349	363	371	397	394
Gross Margin	56.8%	56.6%	56.9%	57.8%	59.8%	61.4%	61.6%	61.8%	42.2%	38.0%
SG&A Exp.	113	121	128	134	147	158	162	163	275	276
D&A Exp.	71	75	76	81	80	83	89	92	232	298
Operating Profit	46	57	72	86	99	107	112	116	(111)	(180)
Operating Margin	11.4%	12.7%	14.9%	16.5%	18.2%	18.8%	19.0%	19.3%	(11.8%)	(17.4%)
Net Profit	5	15	6	29	38	6	48	5	1,273	(204)
Net Margin	1.2%	3.3%	1.2%	5.5%	6.9%	1.1%	8.2%	0.8%	135.3%	19.7%
Free Cash Flow	48	63	66	84	102	84	100	95	(112)	(203)
Income Tax	8	9	25	13	15	4	23	21	(54)	(56)

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	663	738	711	740	932	1,000	985	1010	3,212	3,173
Cash & Equivalents	204	274	247	276	399	371	320	224	75	198
Accounts Receivable	31	34	39	42	40	44	42	44	135	97
Inventories	675	791	813	889	1,136	1,294	1,358	1,529	2,602	
Goodwill & Int. Ass.	12	12	12	9	11	10	12	27	48	471
Total Liabilities	445	560	561	631	782	870	891	944	946	2,950
Accounts Payable	(12)	(53)	(103)	(149)	(204)	(293)	(373)	(518)	610	40
Long-Term Debt	(36.3)	(10.5)	(5.47)	(4.24)	(3.84)	(2.97)	(2.39)	(1.82)	1.55	1,439
Shareholder's Equity	(12)	(53)	(103)	(149)	(204)	(293)	(373)	(518)	610	223
D/E Ratio	(36.3)	(10.5)	(5.47)	(4.24)	(3.84)	(2.97)	(2.39)	(1.82)	1.55	6.46

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	2.1%	0.8%	4.0%	4.5%	0.6%	4.9%	0.5%	60.3%	(6.4%)
Return on Equity	13.7%	---	---	---	---	---	---	---	2.80%	(49.0%)
ROIC	1.0%	3.2%	1.2%	6.1%	7.1%	1.1%	8.8%	1.1%	128.6	(12.7%)
Shares Out.	45	45	45	46	46	47	47	47	47.8	47.6
Revenue/Share	8.95	9.96	10.74	11.36	11.85	12.17	12.56	12.70	19.67	21.75
FCF/Share	1.07	1.40	1.46	1.83	2.21	1.81	2.14	2.01	(2.35)	(4.28)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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