Securitized Products Special Topics

Fiber ABS: Distinct Sub-segments and Diverse Performance Drivers

Fiber Reduces Headline/Bubble Risk in Digital Infrastructure Exposures

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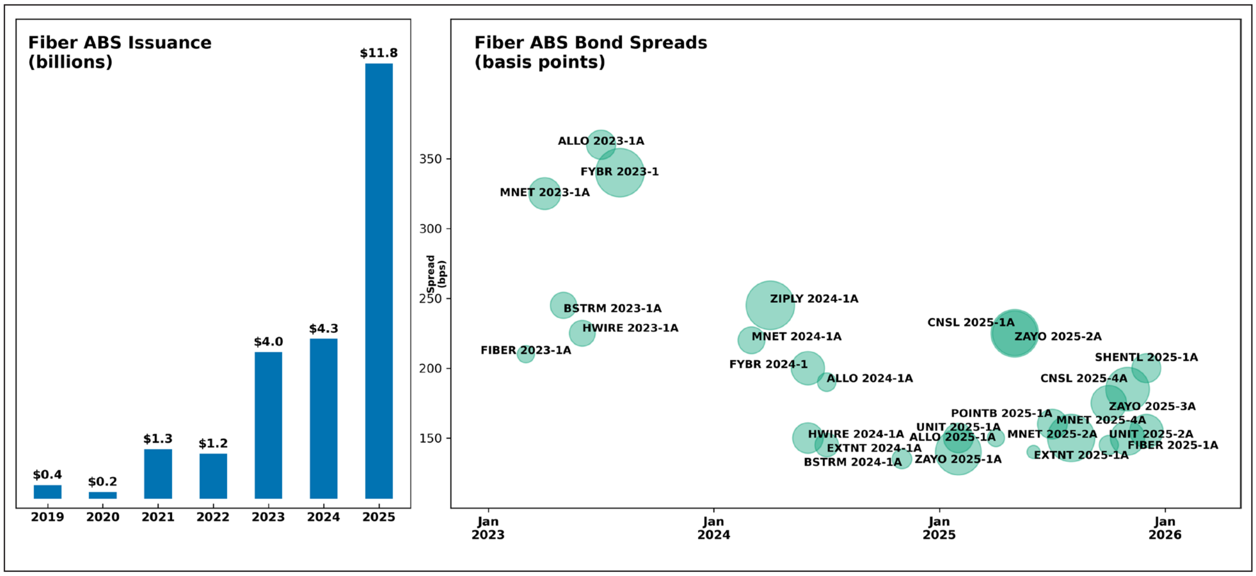
Fiber ABS offer investors distinctively diverse exposures, amid rapidly rising issuance in the sector. Recent fiber deals featured varied collateral such as: (1) enterprise, "business-to-business" leases (for example, the $846.2 million ZAYO 2025-3 deal); (2) residential month-to-month contracts for broadband internet ($1.3 billion CNSL 2025-4); and (3) bespoke, long-term contractual arrangement with T-Mobile ($750 million MNET 2025-4). In turn, deals backed by mobile infrastructure networks, such as the $117.5 million EXTNT 2025-1, also are lumped into the "fiber" category by some cashflow systems. All told, we expect greater investor differentiation across fiber deals. Currently the sector can be broad brushed, or even viewed as akin to data center exposures within the "digital infrastructure" category.

Fiber ABS issuance dramatically increased in 2025 YOY, reaching $11.8 billion YTD (Figure 1). A new crop of fiber operators tapped the securitization market, including Shentel and Bluepeak. A growing number of deals reflects broader collateral diversity, echoing trends we identified in other esoteric ABS segments such as music ABS and device payment ABS.[1]

Figure 1. Fiber ABS Issuance and Spread Levels



Source: Bloomberg and Academy Securities

1 "Music ABS: Pool Variations Emerge Amid Constructive Sector View," Securitized Products Special Topics, Academy Securities, December 9, 2024, and "Device Payment ABS: Expect Stable Performance as Collateral Evolves," Securitized Products Special Topics, Academy Securities, October 26, 2023

Choose Commercial and/or Consumer Exposures

Enterprise fiber and fiber-to-the-premises (FTTP) represent key distinct sub-segments in the fiber sector. The former features commercial/business exposure. The latter is mostly consumer exposure. In enterprise fiber, the deal sponsor securitizes payments from commercial customers that are using fiber infrastructure that the sponsor owns. The underlying contracts typically are long. Some customers have investment-grade credit characteristics. For example, in ZAYO 2025-3 three of the top 10 customers are national wireless carriers (18.7% of the portfolio's annualized monthly recurring revenue).

In contrast, FTTP sponsors provide high-speed internet and related services to a variety of customers, many of which could be residential consumers. Consumer monthly bills comprise the underlying cashflows. The residential exposure can be quite unique. For example, in the $600.1 million POINTB 2025-1 deal ~75% of the sponsor's footprint is in rural and low-density areas. The month-to-month customer contracts in FTTP deals critically differ from the longer-term corporate contracts in enterprise deals.

Collateral Attributes Blur Sub-Segment Distinctions

Specific collateral attributes across some fiber deals can blur the basic distinction between "commercial" and "consumer" exposures. This introduces more nuance into fiber exposures. But it also broadens the range of fiber collateral variations investors can choose from:

- **Large number of contracts on enterprise fiber.** Enterprise fiber deals can feature a very large number of underlying contracts, despite the contracts' longer tenor and commercial nature. Zayo 2025-3 has 39,413 customer contracts in the deal's pool (Figure 2). Such large number of contracts makes it essentially impossible to underwrite individual contracts or identify unique, customer-specific provisions. This distinguishes enterprise fiber from lease-driven analysis of hyperscale data center exposures. In hyperscale situations, unique/bespoke lease provisions, such as early termination options, can be critical to the value of the underlying cashflows.[2] Customer segment breakdowns in fiber deals suggest general resemblance to colocation data center collateral, featuring diverse client base. Still, carriers represent a significant chunk of fiber users (Figure 3).

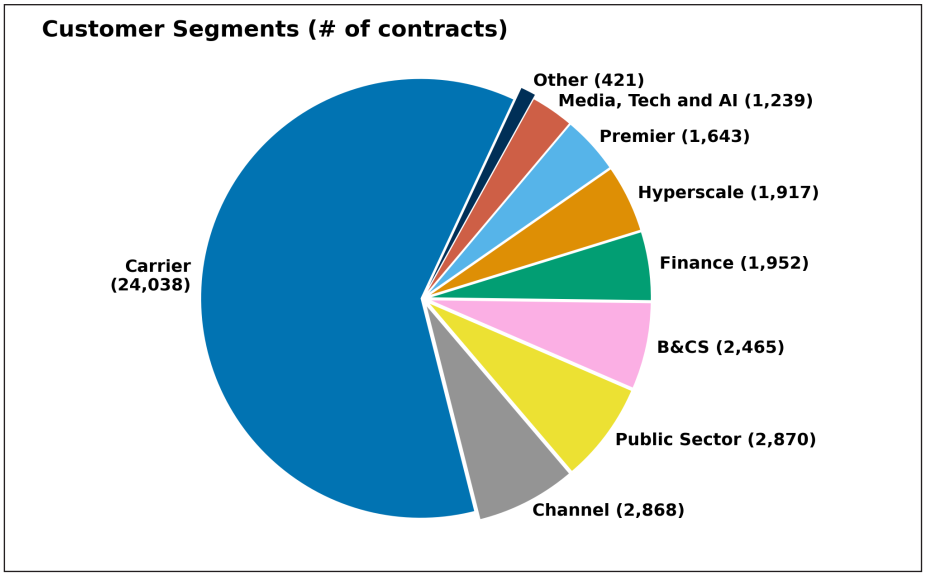
Figure 2. Fiber ABS Pool Characteristics

	Shentel 2025-1	Zayo 2025-3	MNET 2025-2	Allo 2025-1
Issued	December 2025	October 2025	August 2025	April 2025
Sponsor	Shenandoah Telecommunications	Zayo Group	Metronet Infrastructure	ALLO Communications
Amount ($MM)	567.4	846.2	1,509.0	200.0
Collateral Type	Residential and commercial fiber	Business-to-business ("B2B") customer agreements	T-Mobile wholesale contract	Fiber-to-the-premise ("FTTP")
# of Customer Contracts	69,721	39,413	466,273	132,343
Top-3 Customers (% of Revenue)	30.1	18.7	80.0	1.4
Contract Term (Yrs, weighted avg)	3.3	3.4	2.4	0.1

Source: Presale reports and Academy Securities

2 "Early Terminations: Tenant-friendly Provisions to Move up Data Center Rollovers," Securitized Products Special Topics, Academy Securities, April 30, 2025

Figure 3. Enterprise Fiber Sample Customer Segment Breakdown



Source: Presale reports and Academy Securities

- **Longer term contracts in FTTP deals.** Fiber operators can provide residential fiber services via bulk contracts with homeowners' associations (HOAs) or condominium associations (COAs), rather than directly to individuals via monthly contracts. This builds more durability and stability into the underlying contracts. Deals such as the $262.0 million BSTRM 2024-1 feature pools with revenues primarily driven by long-term, fixed rate, escalating bulk service contracts with HOAs and COAs. Other FTTP deals can have some exposure to bulk service contracts, alongside individual monthly contracts. The bulk contracts shift some FTTP deals to look a bit more like enterprise ones.
- **Mixed exposures.** Despite the distinct commercial vs. residential fiber businesses, we do see some fiber deals offering fully diverse "business model" exposures, to both residential and enterprise customers. For example, the $567.0 million SHENTL 2025-1 has a near even breakdown, with 48.6% of the pool backed by retail agreements, and 51.4% by commercial agreements.

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