



**SHENTEL®**

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**NASDAQ: SHEN**

Shenandoah Telecommunications Company

# **INVESTOR PRESENTATION**

**October 2013**

This presentation includes “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things, our business strategy, our prospects and our financial position. These statements can be identified by the use of forward-looking terminology such as “believes,” “estimates,” “expects,” “intends,” “may,” “will,” “should,” “could,” or “anticipates” or the negative or other variation of these similar words, or by discussions of strategy or risks and uncertainties. These statements are based on current expectations of future events. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially from the Company’s expectations and projections. Important factors that could cause actual results to differ materially from such forward-looking statements include, without limitation, risks related to the following:

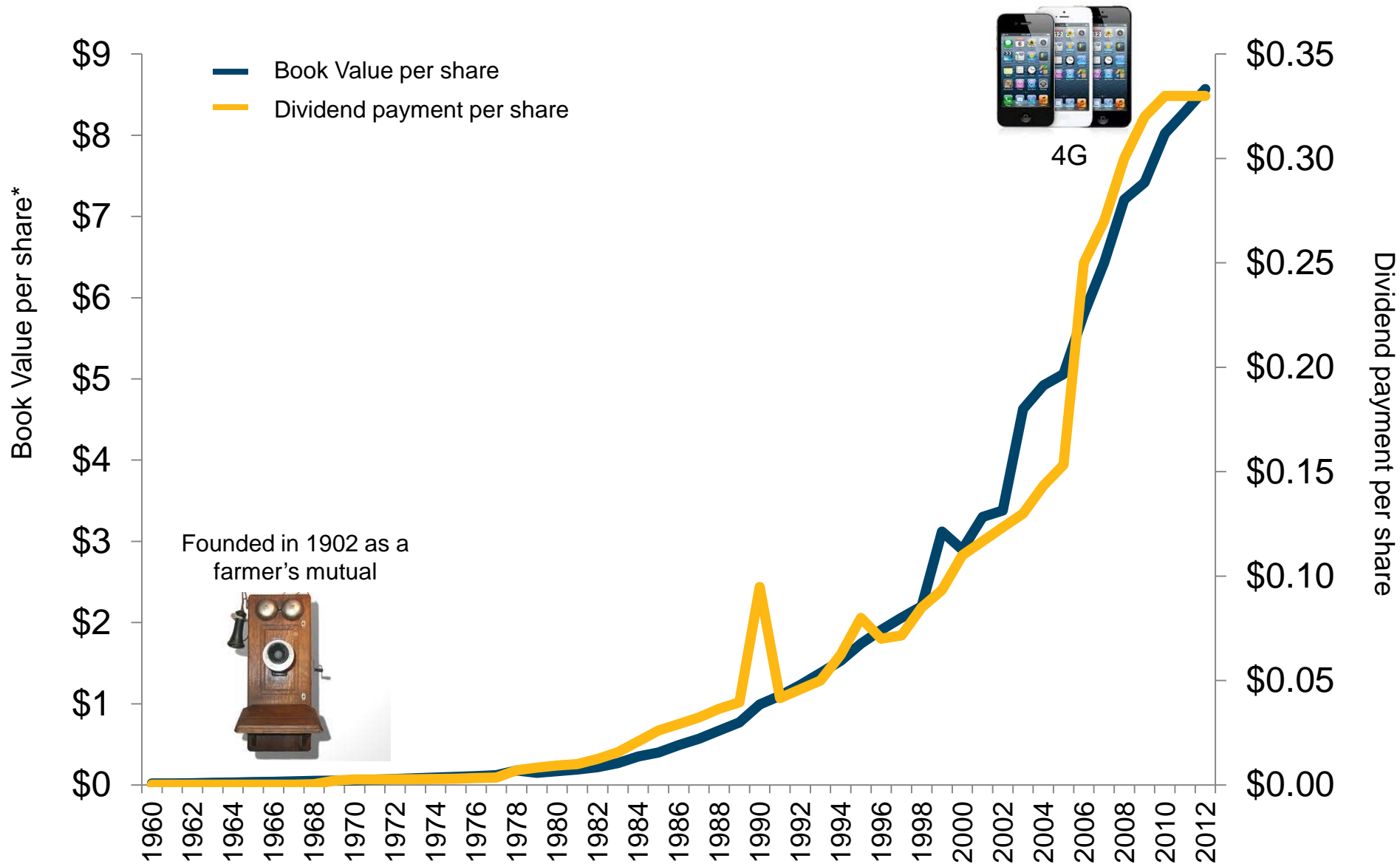
- ☐ Increasing competition in the communications industry; and
- ☐ A complex and uncertain regulatory environment.

A further list and description of these risks, uncertainties and other factors can be found in the Company’s SEC filings which are available online at [www.sec.gov](http://www.sec.gov), [www.shentel.com](http://www.shentel.com) or on request from the Company. The Company does not undertake to update any forward-looking statements as a result of new information or future events or developments.

Included in this presentation are certain non-GAAP financial measures that are not determined in accordance with US generally accepted accounting principles. These financial performance measures are not indicative of cash provided or used by operating activities and exclude the effects of certain operating, capital and financing costs and may differ from comparable information provided by other companies, and they should not be considered in isolation, as an alternative to, or more meaningful than measures of financial performance determined in accordance with US generally accepted accounting principles. These financial performance measures are commonly used in the industry and are presented because Shentel believes they provide relevant and useful information to investors. Shentel utilizes these financial performance measures to assess its ability to meet future capital expenditure and working capital requirements, to incur indebtedness if necessary, return investment to shareholders and to fund continued growth. Shentel also uses these financial performance measures to evaluate the performance of its businesses and for budget planning purposes.

Providing a broad range of diversified communications services to customers in the Mid-Atlantic United States and the exclusive personal communications service ("PCS") Affiliate of Sprint in portions of Pennsylvania, Maryland, Virginia and West Virginia.

- **Diverse Revenue Streams**
  - 3 complementary revenue streams: Wireless, Cable and Wireline
  - All divisions are OIBDA positive
- **Substantial Network Upgrade**
  - Both 4G and Cable upgrades complete in 2013
  - CapEx expected to reduce significantly in 2014
- **Significant Opportunity for Improved Cable Performance**
  - Acquired neglected assets
  - Making progress building the Shentel Cable brand
- **Tower Leasing Business Provides Steady Recurring Cash Flow**
  - We own over 150 towers with an average of 2.5 tenants each
- **Fiber**
  - We control 3,664 route miles of fiber
  - Writing \$1 million of fiber revenue contracts monthly



**We Are Here**



**2008-2010**

**2010-2013**

**2014**

**Acquisitions**

**Upgrades**

**Reduced CapEx**

**Cable**

- Acquired various cable assets in West Virginia, Maryland and Virginia
- Many assets had been neglected by former owners

**Wireless**

- Acquired 50,000 Virgin Mobile customers and began selling Virgin Mobile and Boost prepaid

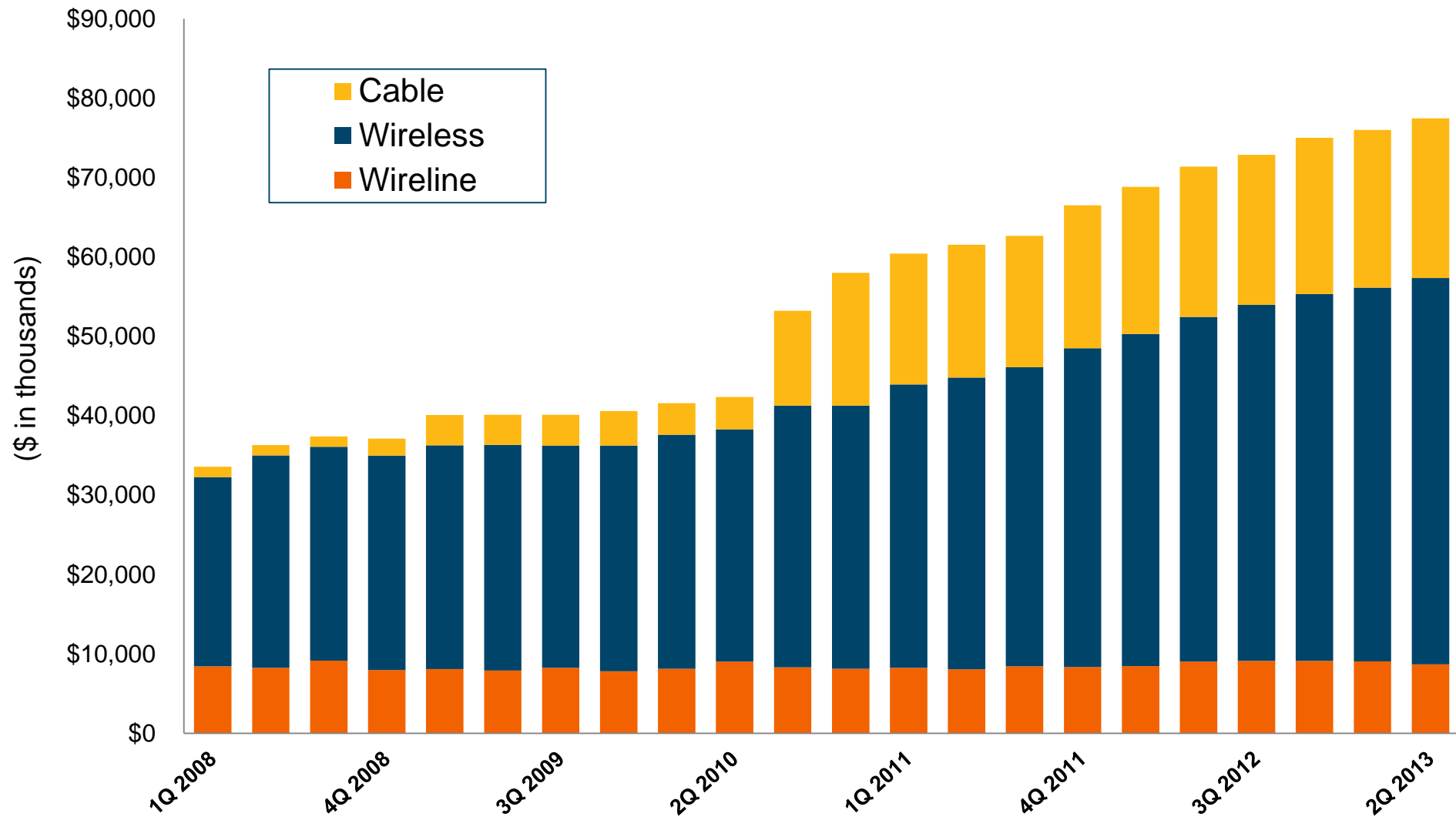
**Cable**

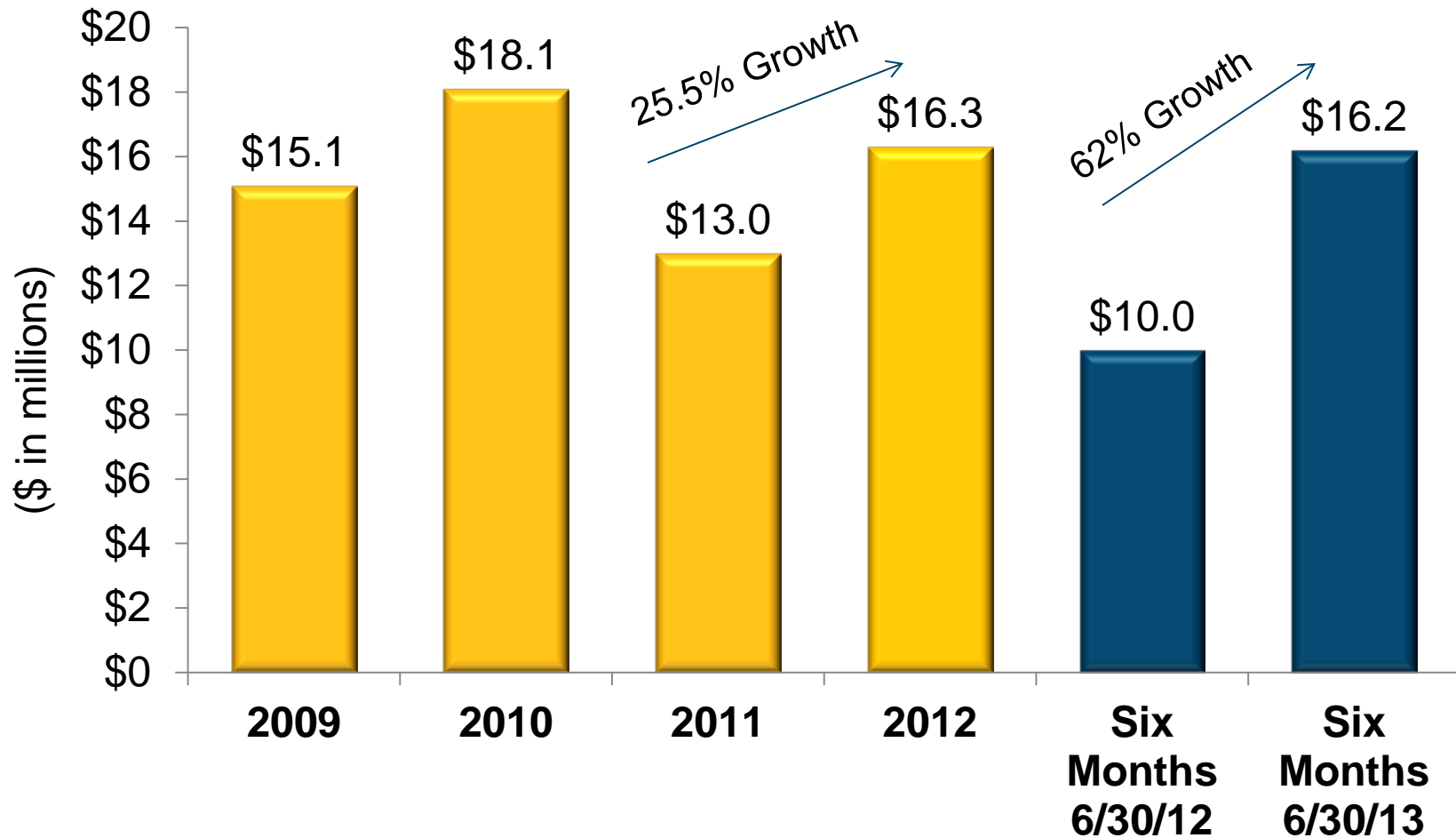
- Upgraded acquired networks to offer “Triple Play” with robust high speed data offering
- Streamline network to gain operating efficiency

**Wireless**

- Investing heavily in upgrading wireless networks to 4G LTE as part of the Sprint Network Vision project

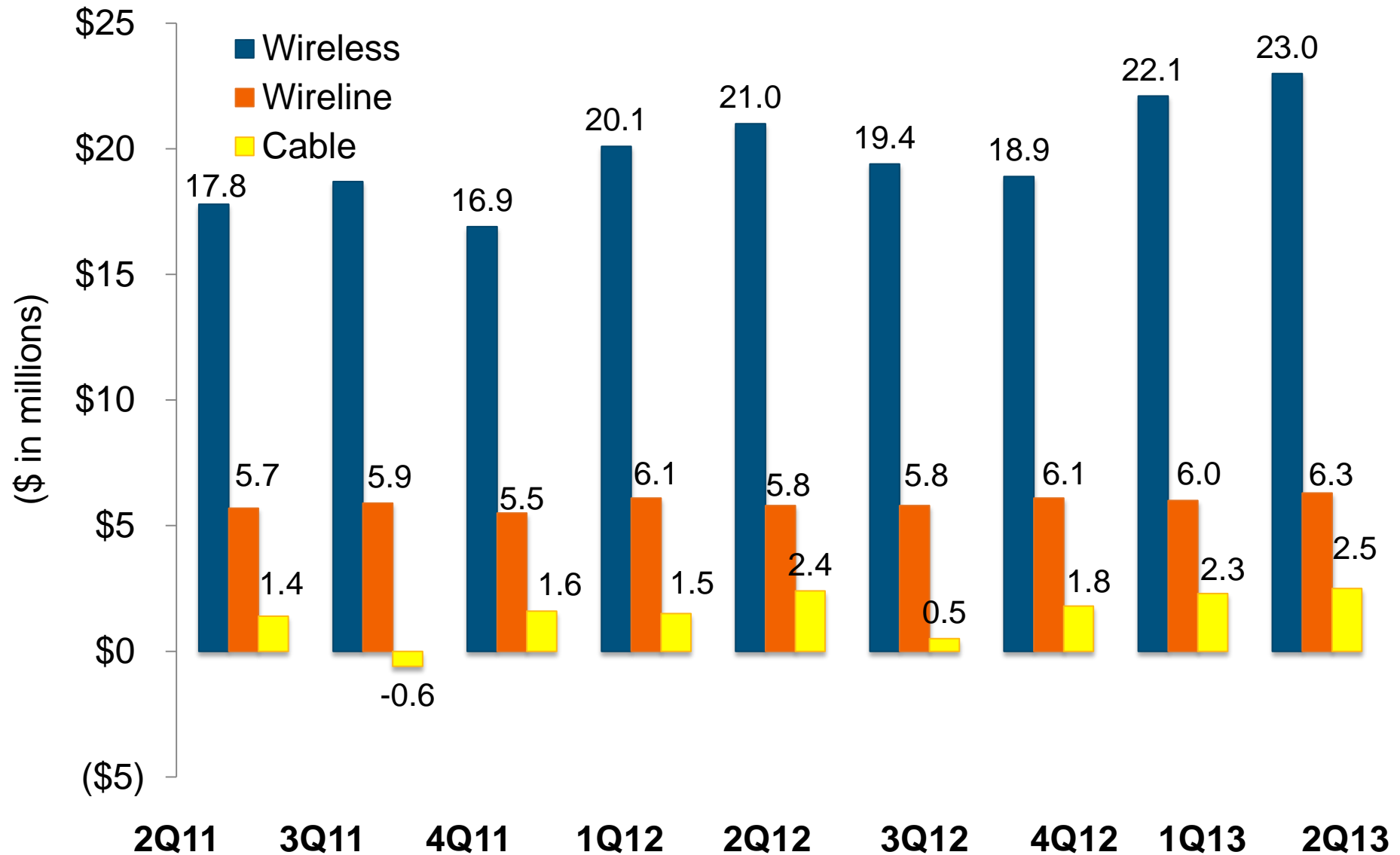
- Capital Expenditures should decrease after network upgrades are complete
- Expect enhanced free cash flow



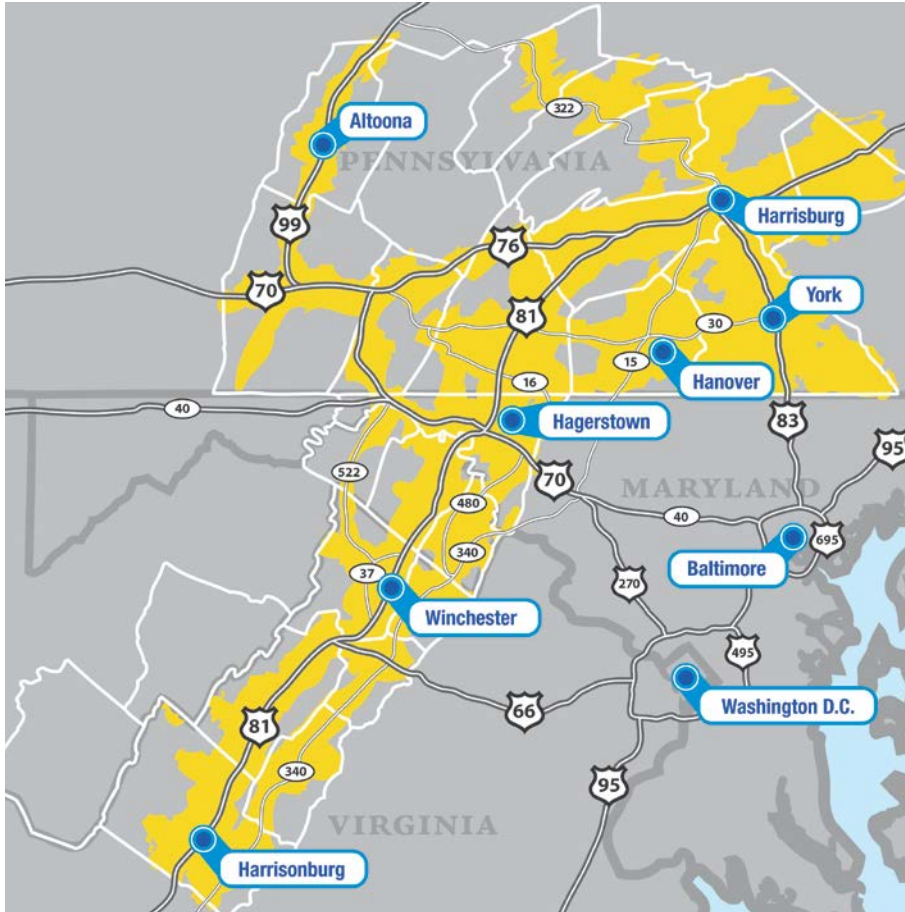




# Adjusted OIBDA by Segment



# WIRELESS SEGMENT



- One of only 2 Sprint affiliates
- 2.1 million covered POPs
- 398k total subscribers
  - 19% penetration of covered POPs
- 525 base stations
- 88% of POPs covered by 4G LTE

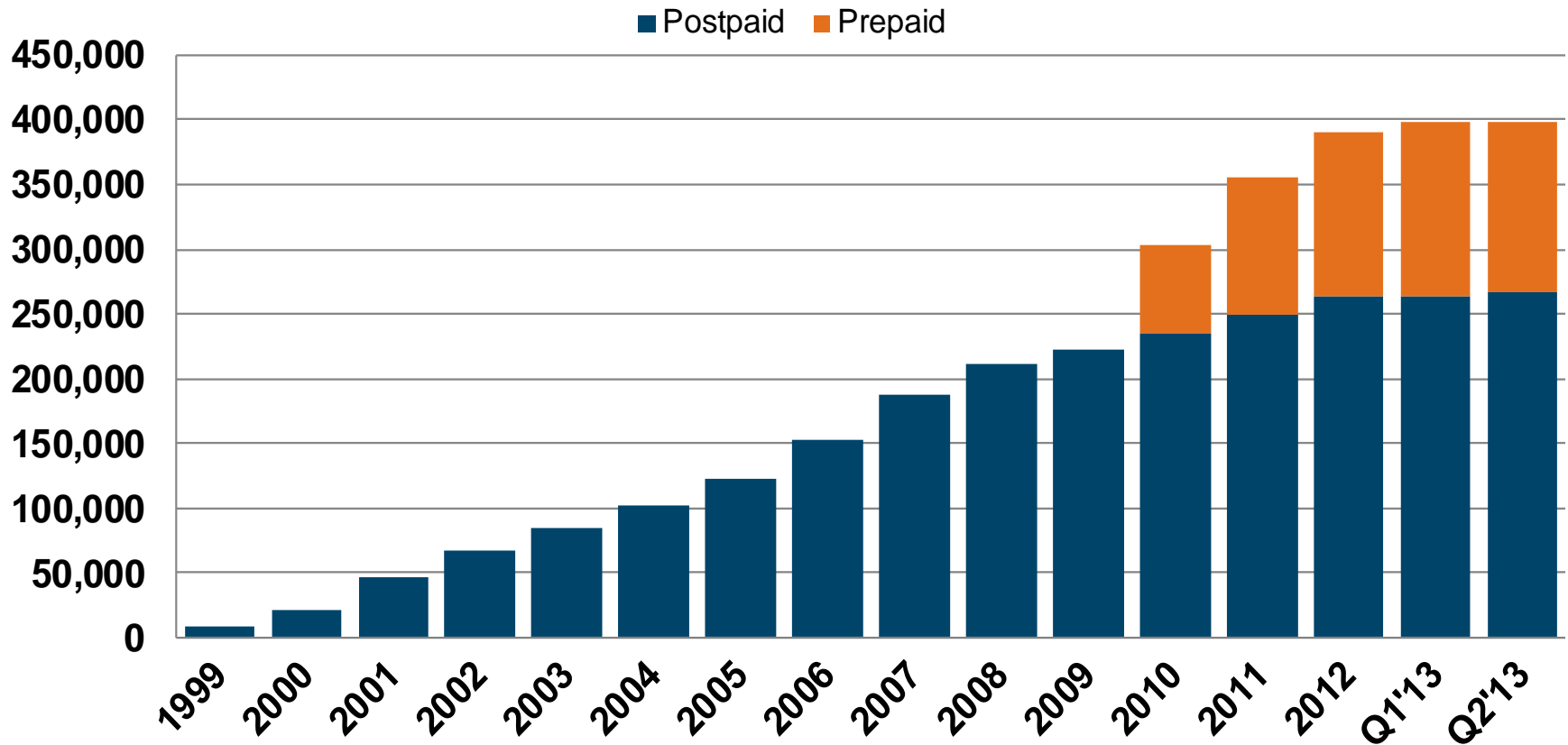
## **LONG TERM CONTRACT:**

- Initial contract term to 2024
- Two 10-year renewals
- Payment at termination
- 22% Fee (Management: 8%; Service: 14%); capped for the duration of the contract

## **SPRINT PROVIDES:**

- Spectrum
- Brand
- National Platform
- Access to Sprint vendors on similar terms
- Billing
- Customer Care
- Long Distance
- Travel/Roaming
- National Distribution

- Provide 4G LTE service in entire coverage area
- Keeps Shentel's network aligned with Sprint's
- Allows Shentel to remain competitive with Verizon and AT&T
- Improve customers' experience
- Provide better in-building and overall coverage
- Converted thousands of iDEN customers to our network





## Retail Channels

**Corporate** 15

**Branded** 23

**Local Agents** 8

**Nationals  
(Big Box Retailers)** 75

**Total** 121

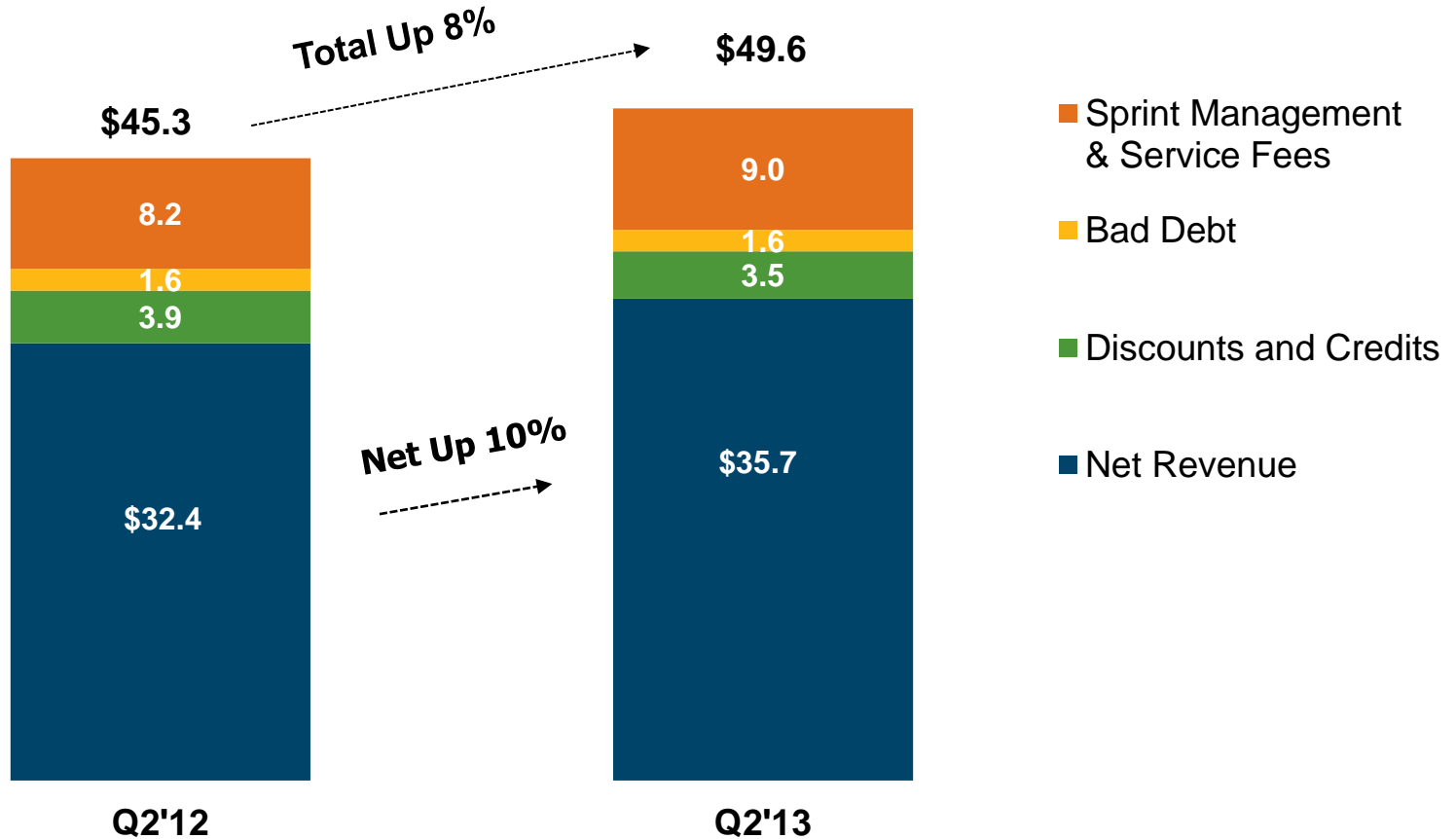


	Shentel PCS	nTelos	US Cellular	Leap	Sprint Nextel	Verizon Wireless	AT&T Mobile
Covered POPS (in 000s)	2,063	6,000	31,822	96,200	282,000	302,000	317,000
% Growth	6.9%	7.1%	(13.4%)	(18.0%)	(5.0%)	6.3%	2.5%
Penetration	19.3%	7.6%	15.8%	5.0%	19.0%	33.2%	34.0%

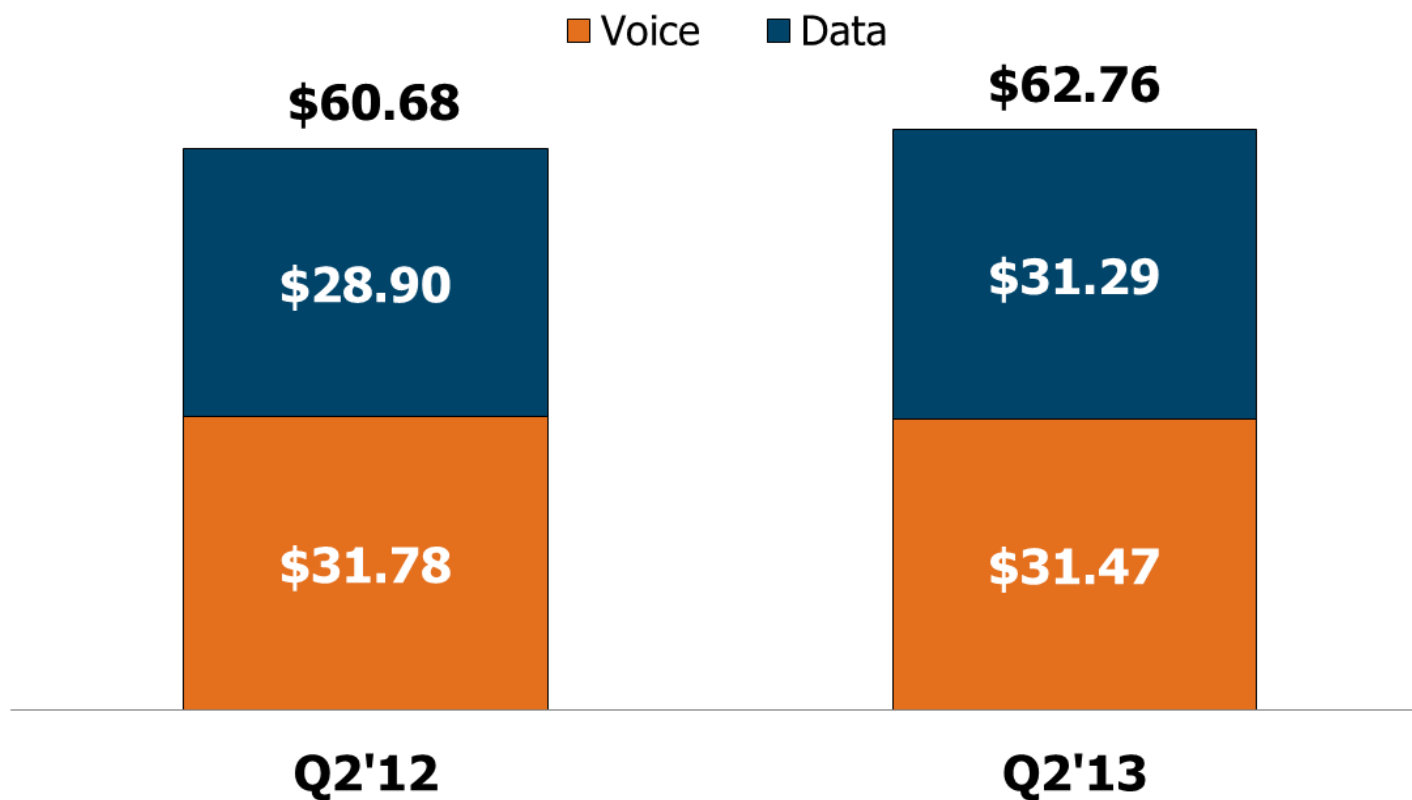
Source: Company filings, SNL Kagan, and Shentel estimates; covered pops and penetration as of June 30, 2013; % growth for trailing twelve months as of June 30, 2013.



## Gross Billed Revenues - Postpaid (\$ millions)

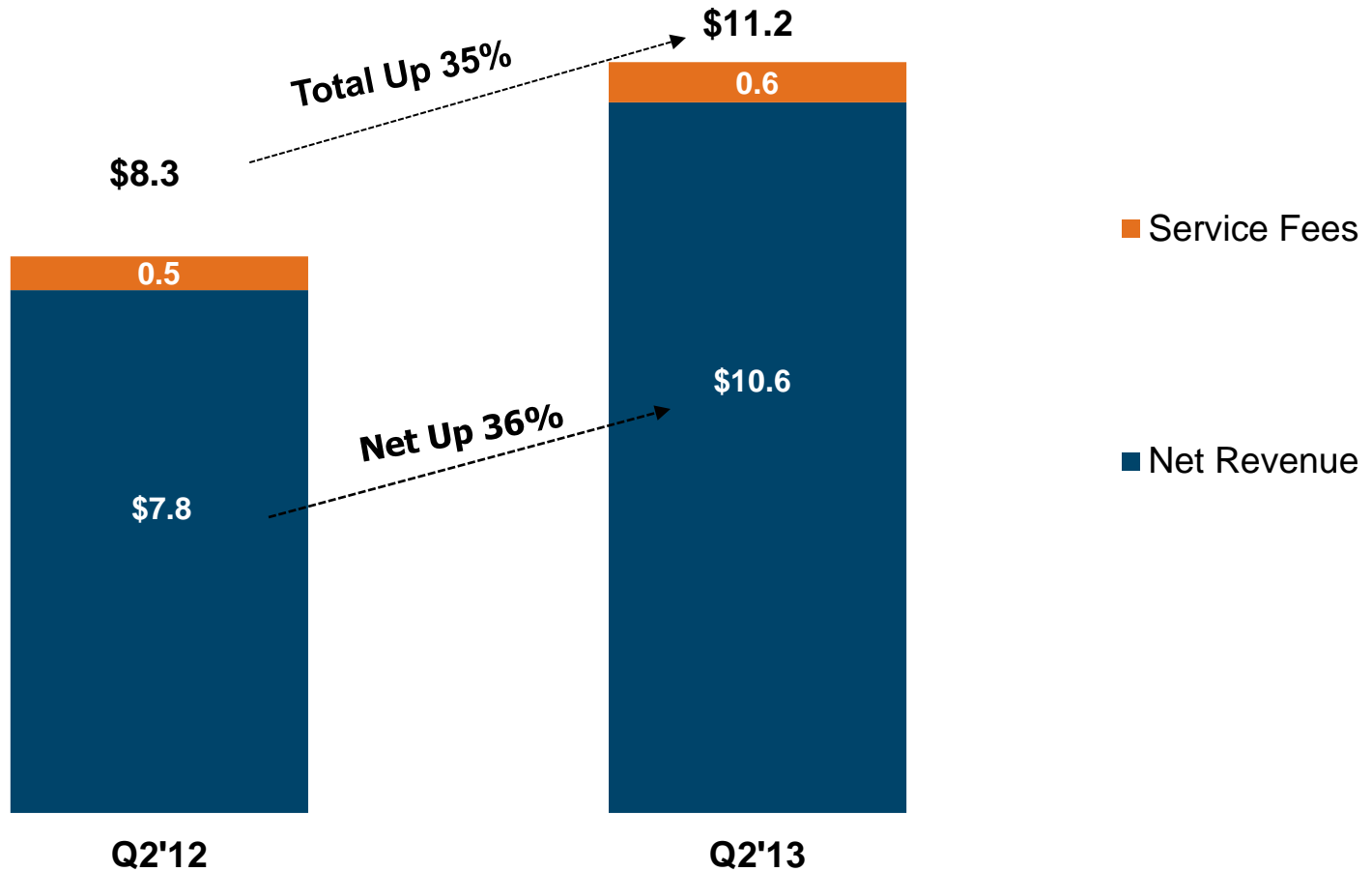


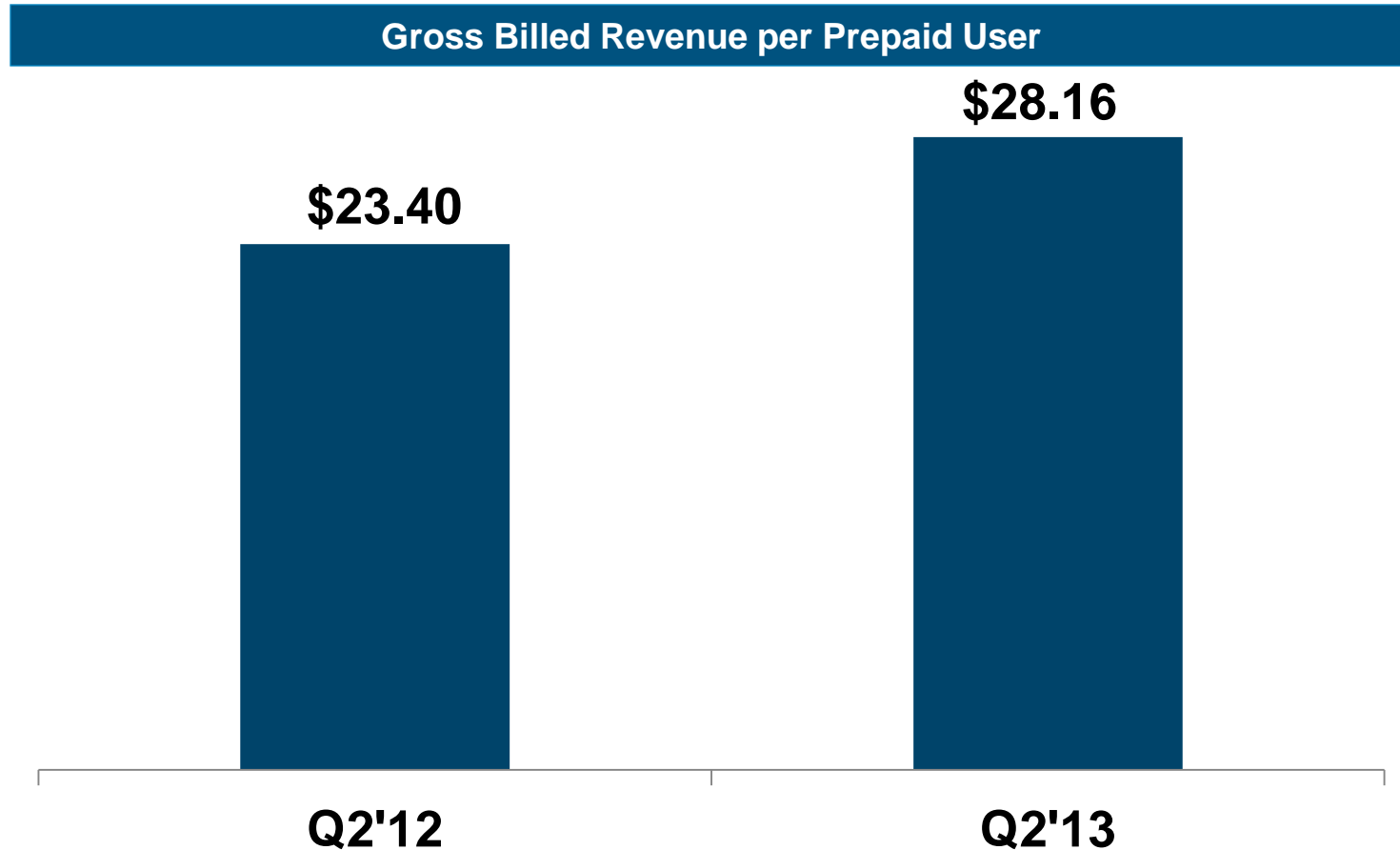
## Gross Billed Revenue per Postpaid User – Data & Voice <sup>1</sup>



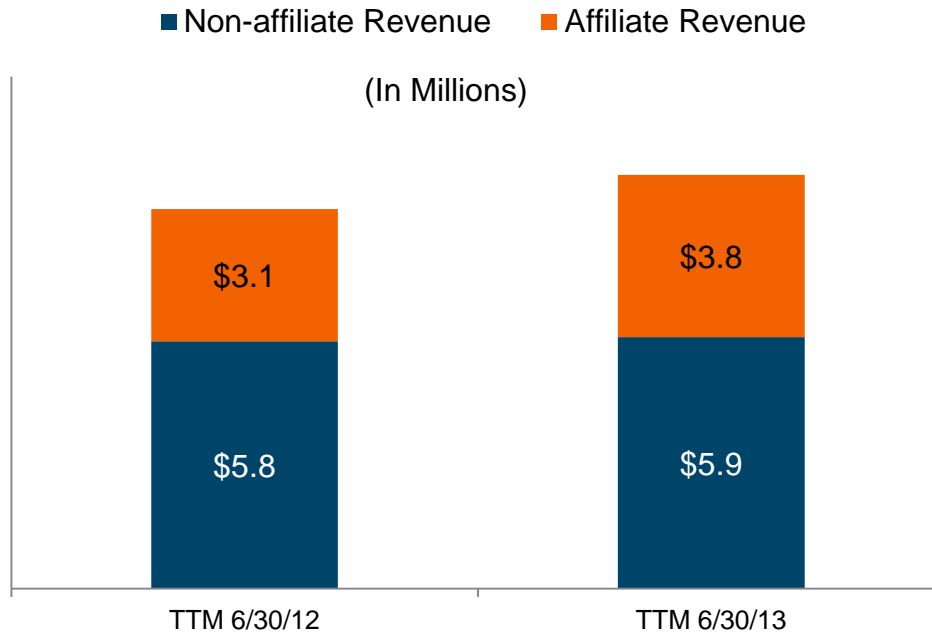
<sup>1</sup> – Before Service credits, bad debt, Sprint fees.

## Gross Billed Revenues - Prepaid (\$ millions)





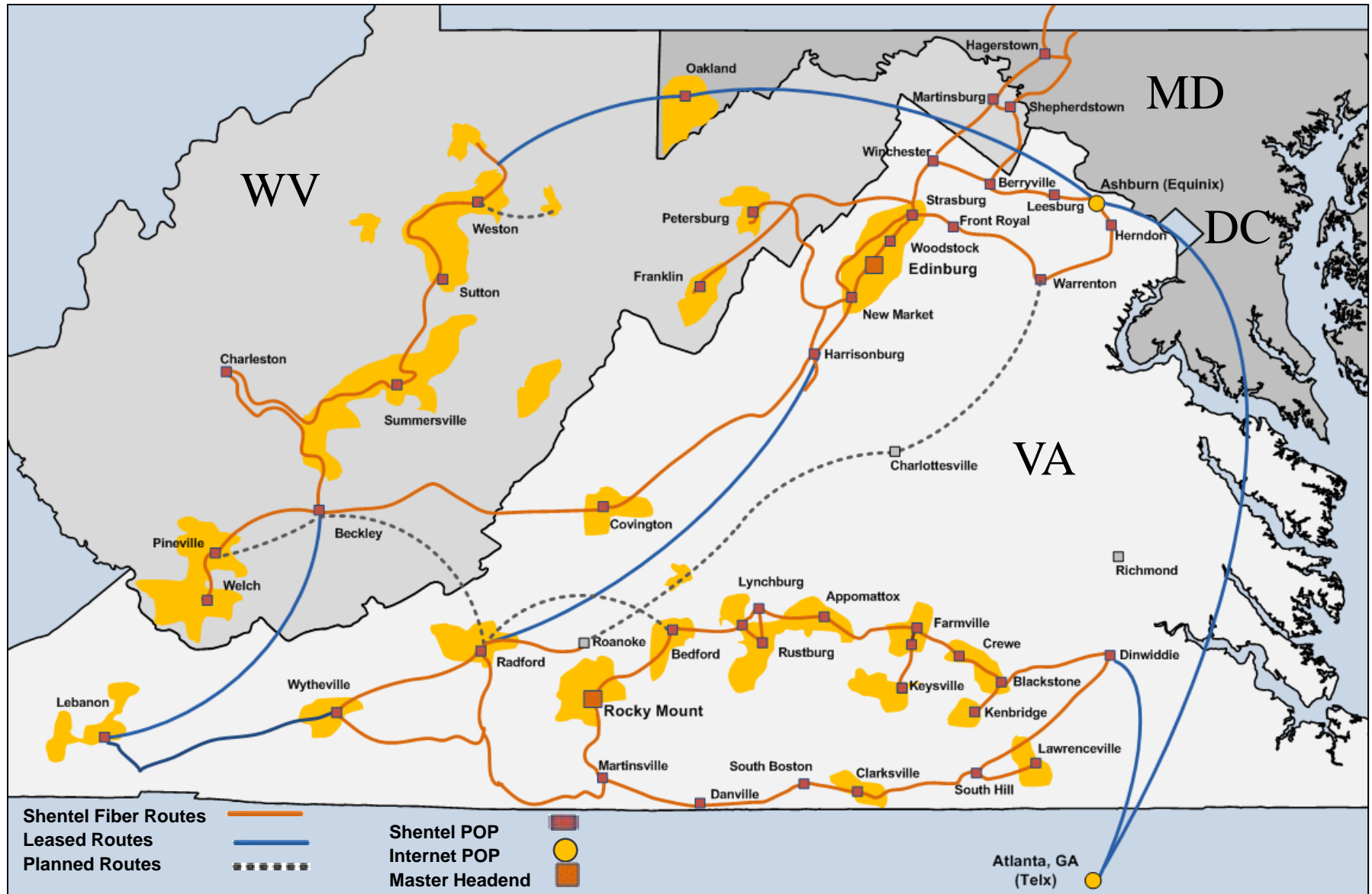
## Steady Recurring Cash Flow



- Tower lease revenue of \$9.1 million in 2012 with \$6 million of EBITDA
- Long-term opportunity to increase leasing revenues given growing demand for data
- Company owns 150 cell towers
  - Most carriers do not own their own towers

# CABLE SEGMENT

- Focus on broadband
- Diversifies revenue streams
- Opportunity to consolidate cable providers in region
- Strong regional presence
- Long-term opportunity to acquire/upgrade neglected markets
- Strong demand in the region for high-speed “triple play” offering





## Shentel Cable

- Improved customer experience: higher speeds, lower cost, and choice to bundle or pick and choose services
- We own/control our backbone fiber network and our telephone switch
- Local/Regional focus

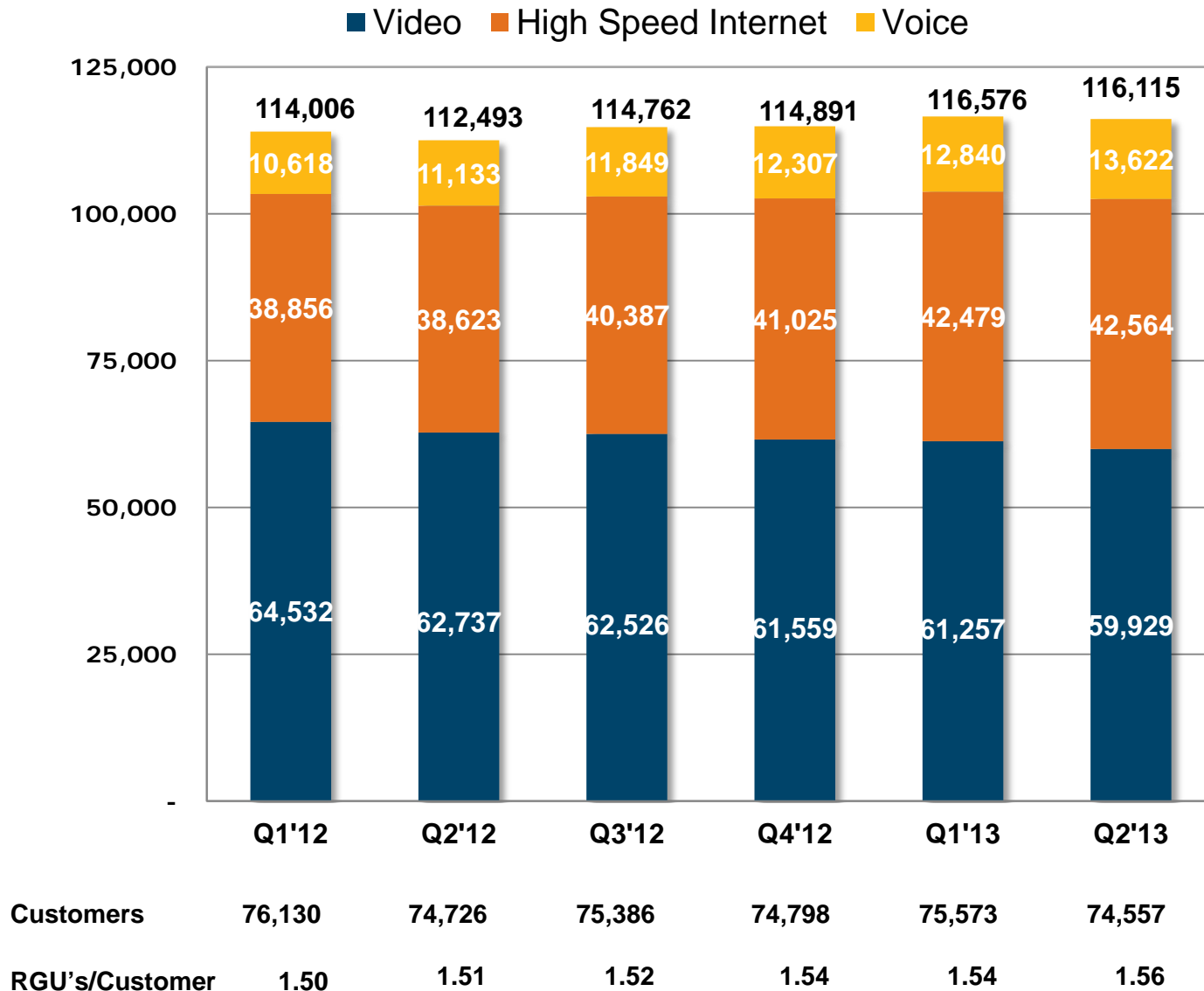
## Competitors

### Verizon/CenturyLink/Frontier

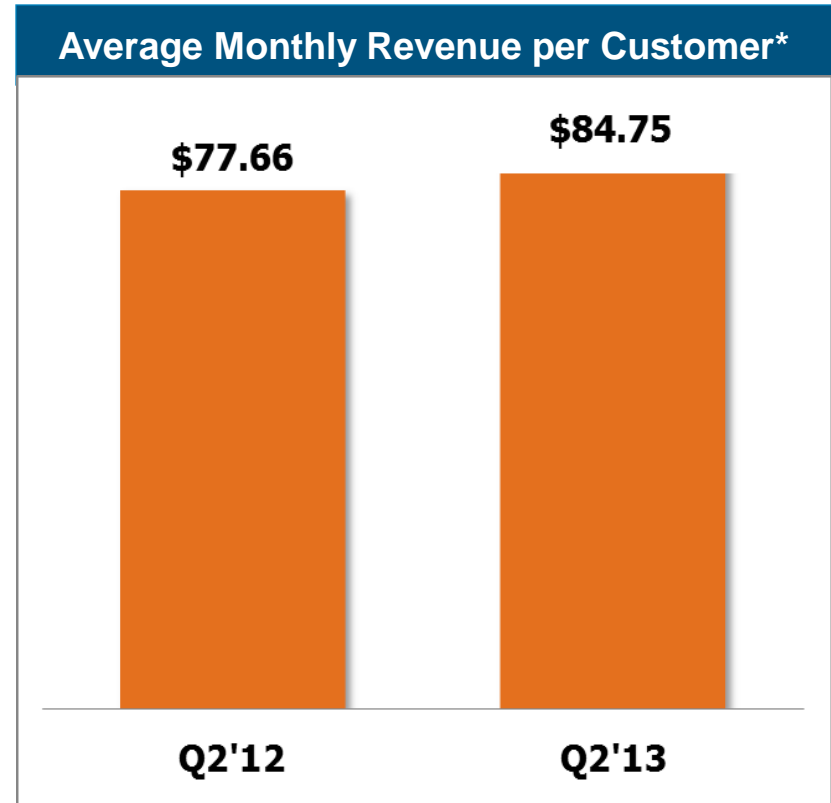
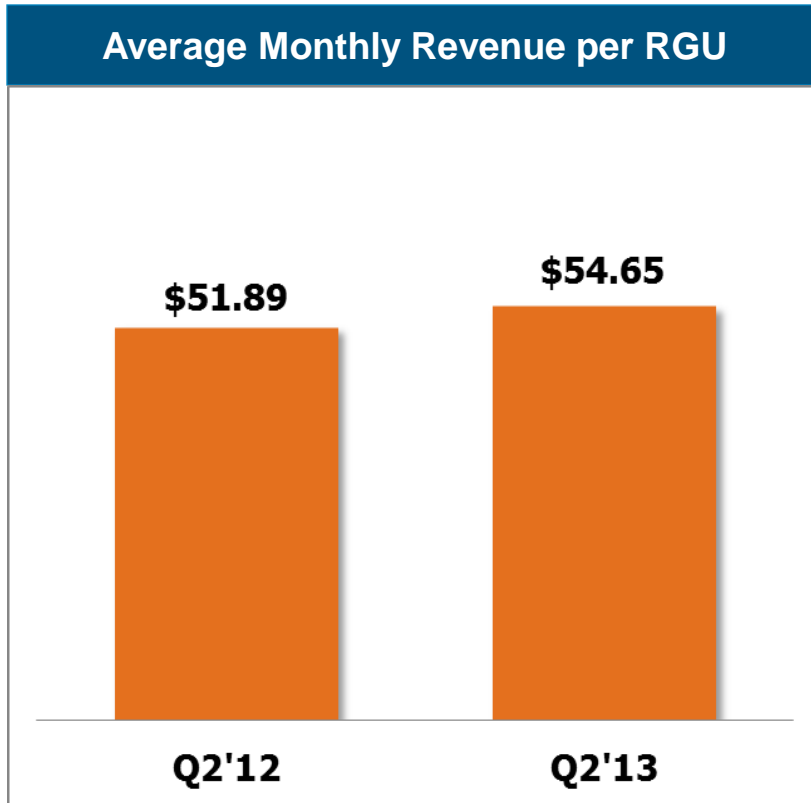
- DSL– slower service
- Requires significant capital expenditure to offer comparable service to Cable
- Loss of cash flow from shrinking voice service
- Bundling of satellite video with their voice and DSL

### Dish/DirecTV

- Bundling of telco, DSL and voice with their video
- Satellite internet is fast but has limited capacity
- No local presence



RGU = Revenue Generating Unit



\*Average monthly revenue per video subscriber was \$92.38 and \$104.99 for Q2 2012 and Q2 2013, respectively.

	June 30,			Peer
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Average*</u>
<b><u>Video</u></b>				
Homes Passed	180,050	183,190	184,615	
Penetration	36.6%	34.2%	32.5%	35.9%
<b><u>High-speed Internet</u></b>				
Available Homes	150,623	157,153	166,675	
Penetration	22.4%	24.6%	25.5%	26.0%
<b><u>Voice</u></b>				
Available Homes	129,027	150,759	161,709	
Penetration	6.0%	7.4%	8.4%	5.9%

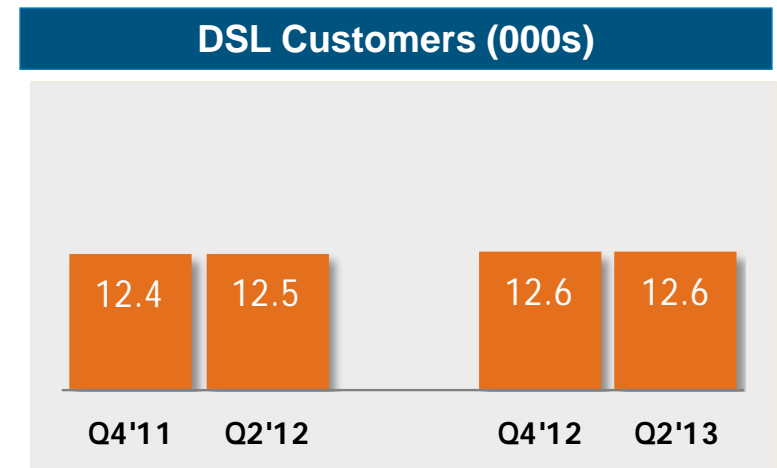
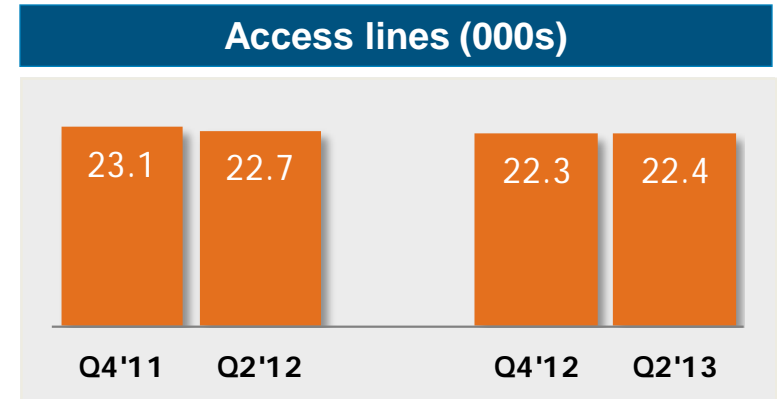
**Acquired Neglected Markets; Opportunity to Drive Higher Penetration**

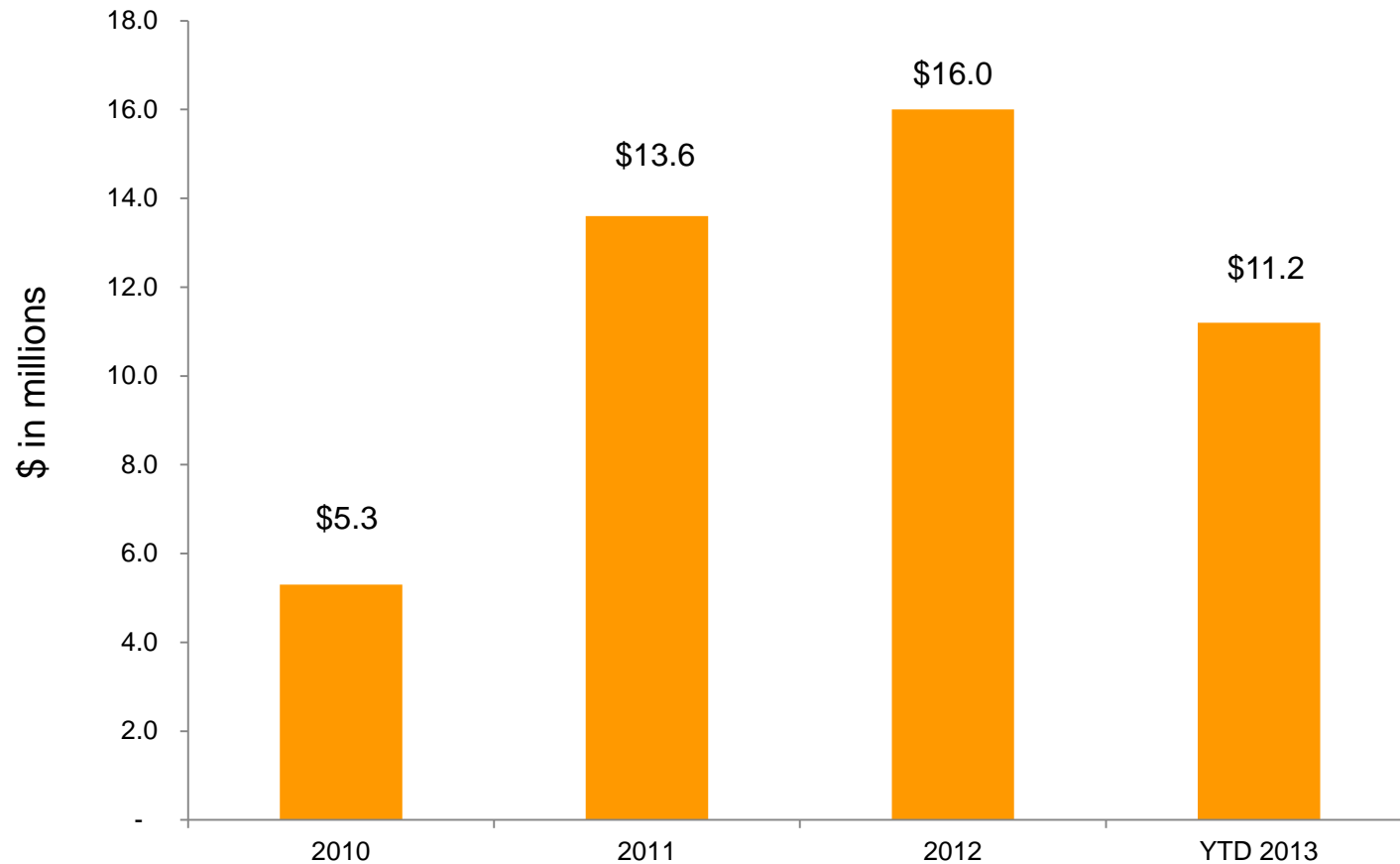
*\* Note: Peer Average information derived from SNL Kagan data for 10 comparably sized companies: Blue Ridge Cable; Baja Broadband; WEHCO Video; Zito Media; Fidelity Communications; Allegiance Communications; James Cable; Schurz Communications; Comporium Communications; CMA Communications.*

# WIRELIN SEGMENT

- Access line loss of 1.1% in past 12 months vs. 9.0% for the industry\*
- Broadband penetration in LEC area at 56.1%
- Total connections at 6/30/13 of 35.0 thousand

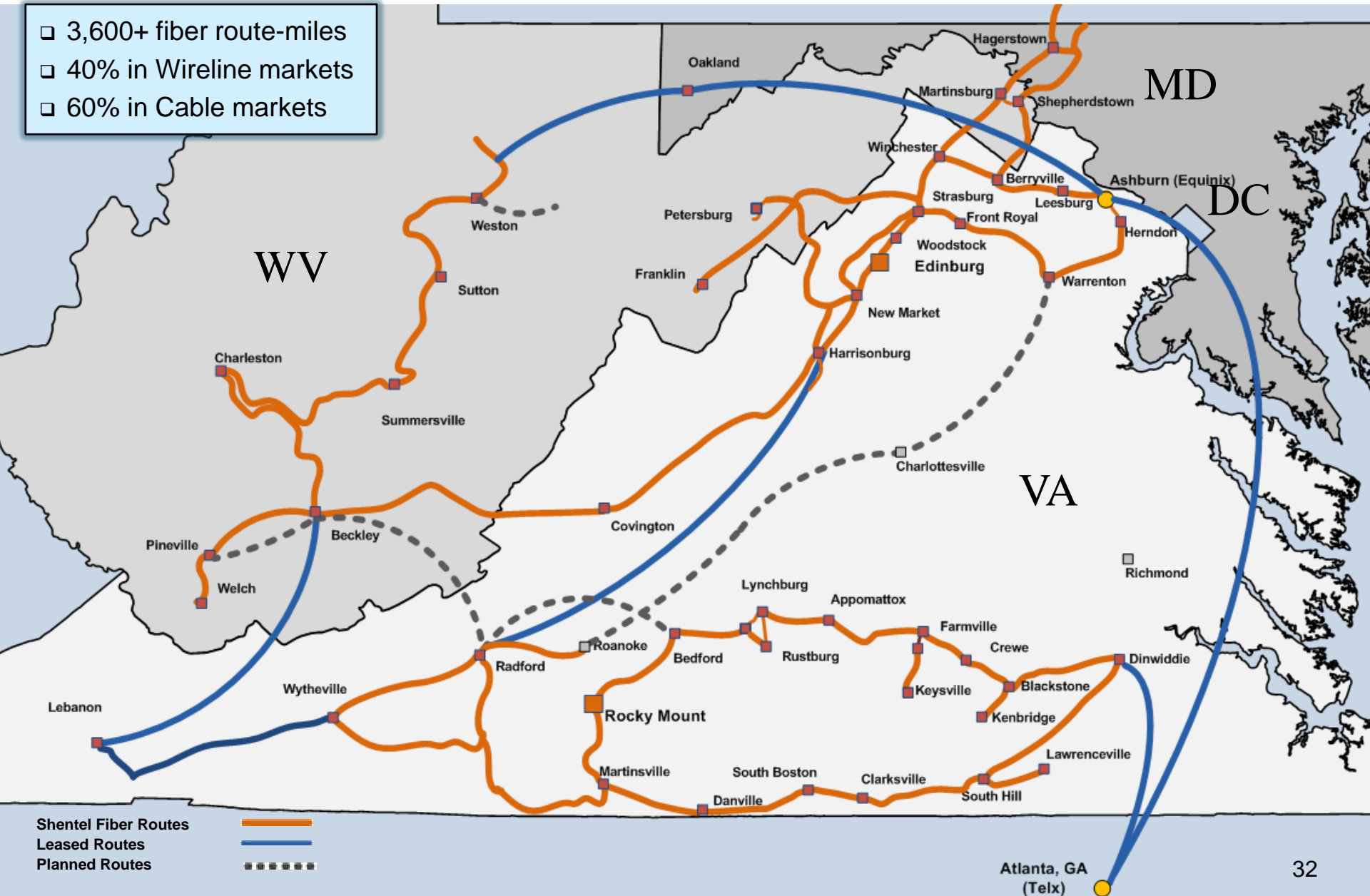
\*Source: SNL Kagan





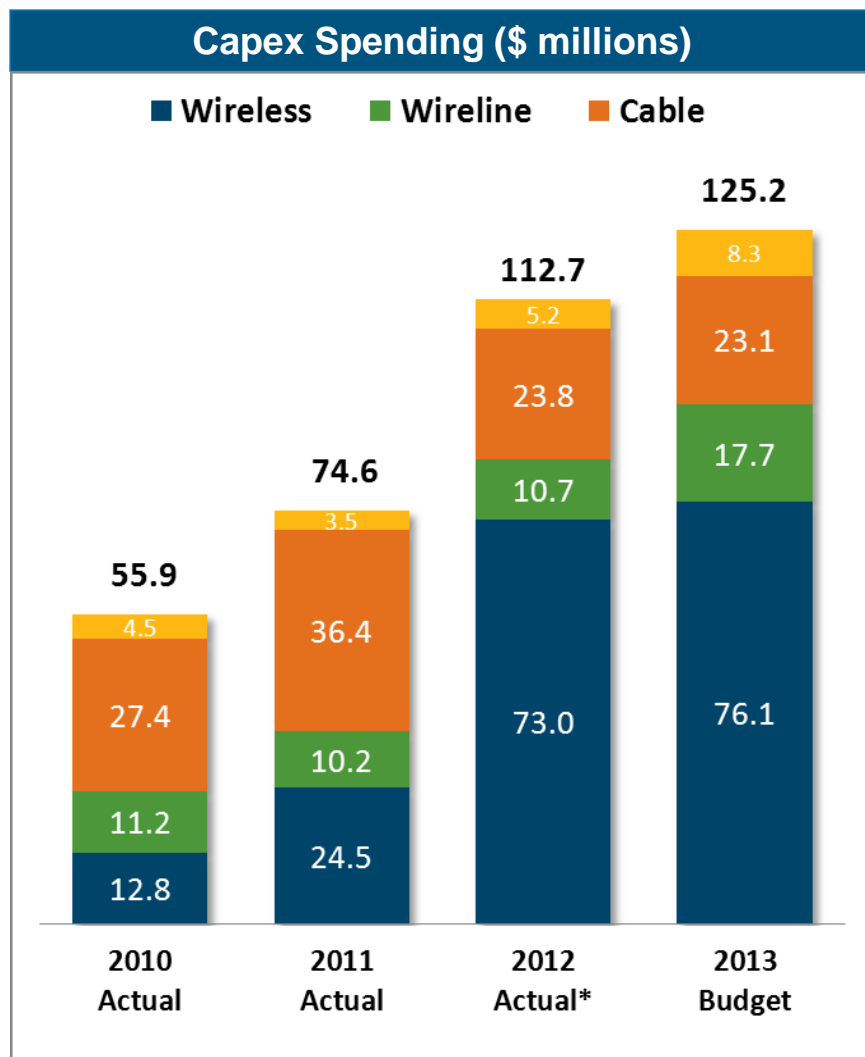
2010, 2011 and 2012 amounts are annual totals; 2013 amount is for the six months ended June 30.  
Typical contract length is 60 months

- ❑ 3,600+ fiber route-miles
- ❑ 40% in Wireline markets
- ❑ 60% in Cable markets





# CAPITAL INVESTMENT



- Last phase of Cable upgrade is underway and expected to be complete by end of 2013.
- Network Vision spend of \$55M in 2012. Budget of \$60M in 2013.
- Success-based spending is 23% of total 2013 budget.

\* Capex spending for 2012 included \$24.7 million of contracted commitments that were included in accounts payable at 12/31/12.

# Q&A

# APPENDIX

## Top Picks 2Q13

### ■ Top Service Plans – 74% of Gross Adds

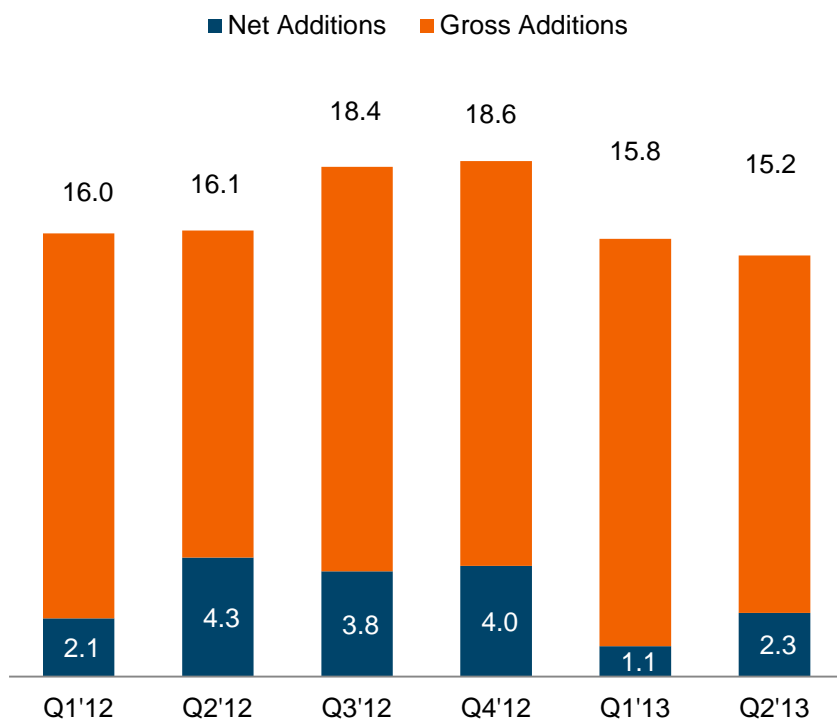
- ▶ Everything Data 1500 – 55%
- ▶ Everything Data 450 – 19%

### ■ Top Devices – New Activations – All Channels

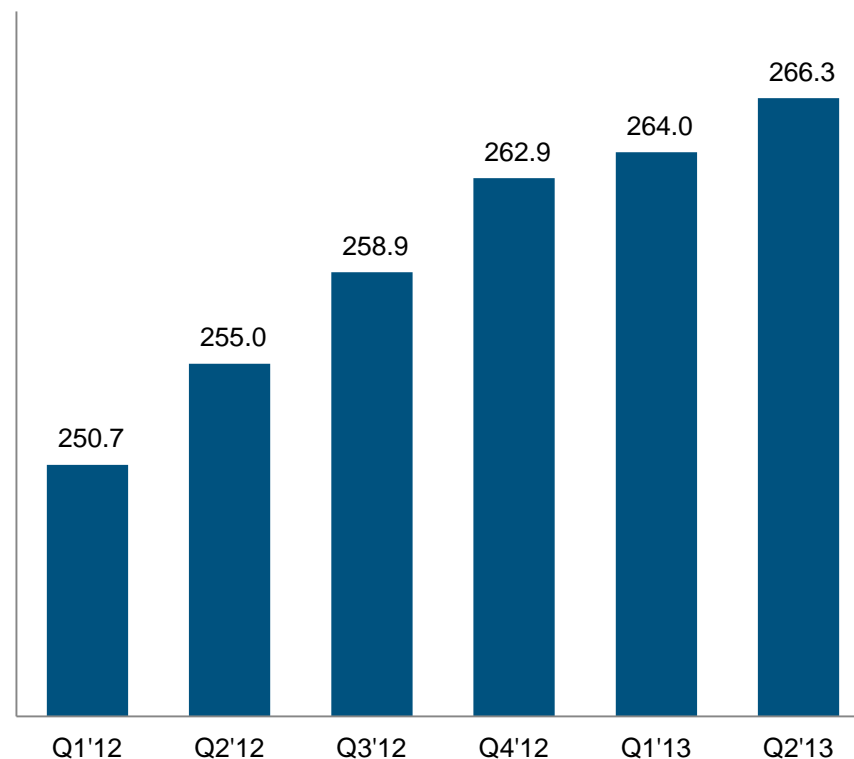
- ▶ iPhone 25%
- ▶ Samsung Galaxy S III 21%
- ▶ Samsung Galaxy Victory 8%

### ■ Smartphones made up 70% of the Postpaid base in Q2 2013, up from 65% in Q4 2012 and 59% in Q2 2012

## Gross Additions (000s)

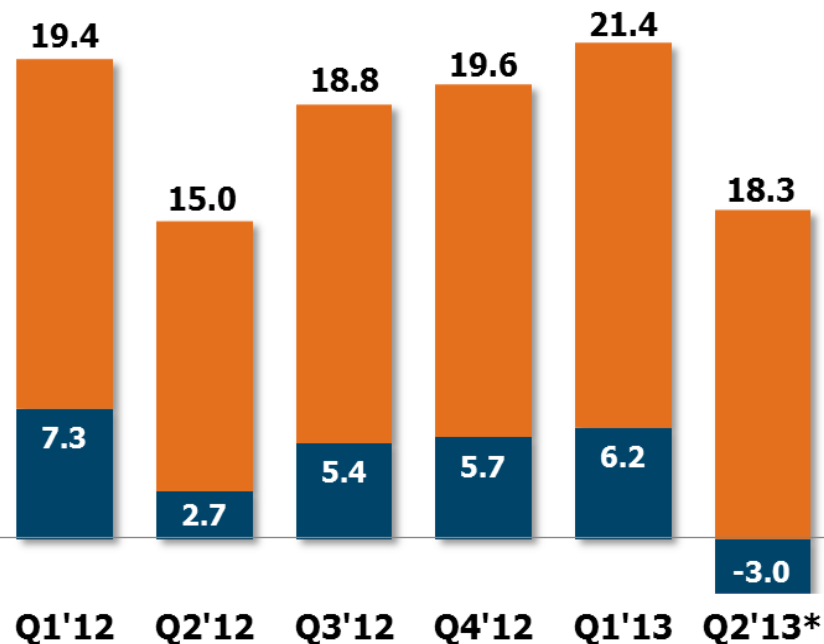


## Cumulative Customers (000s)

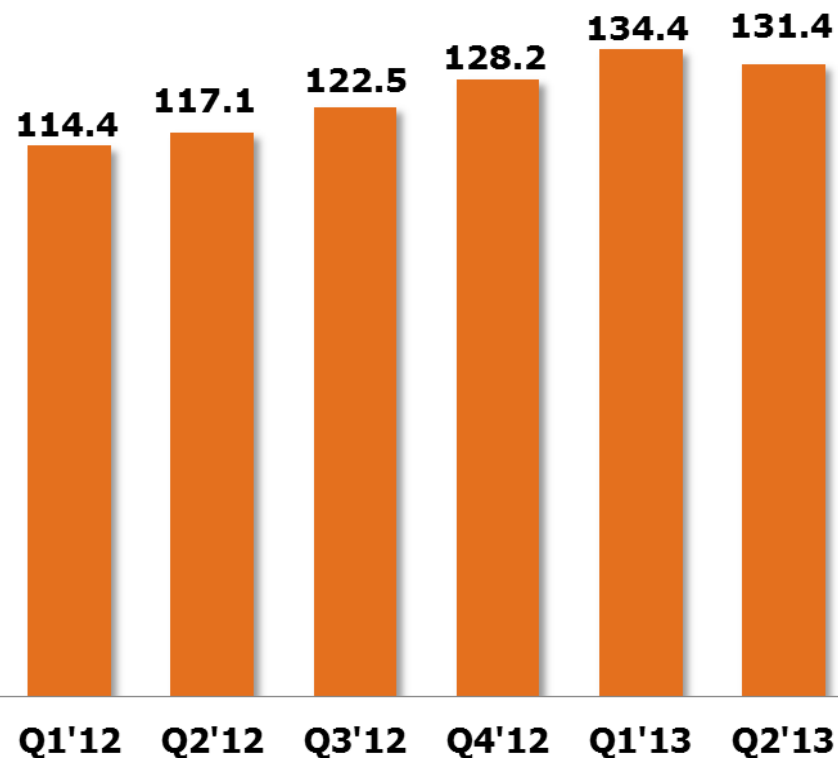


## Gross Additions (000s)

■ Gross Additions ■ Net Additions

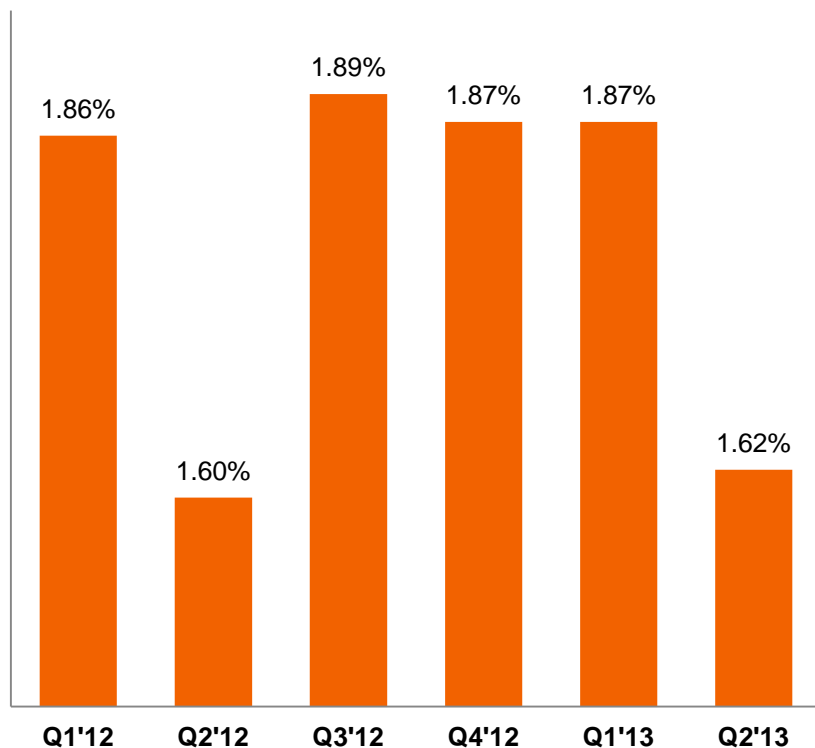


## Cumulative Customers (000s)

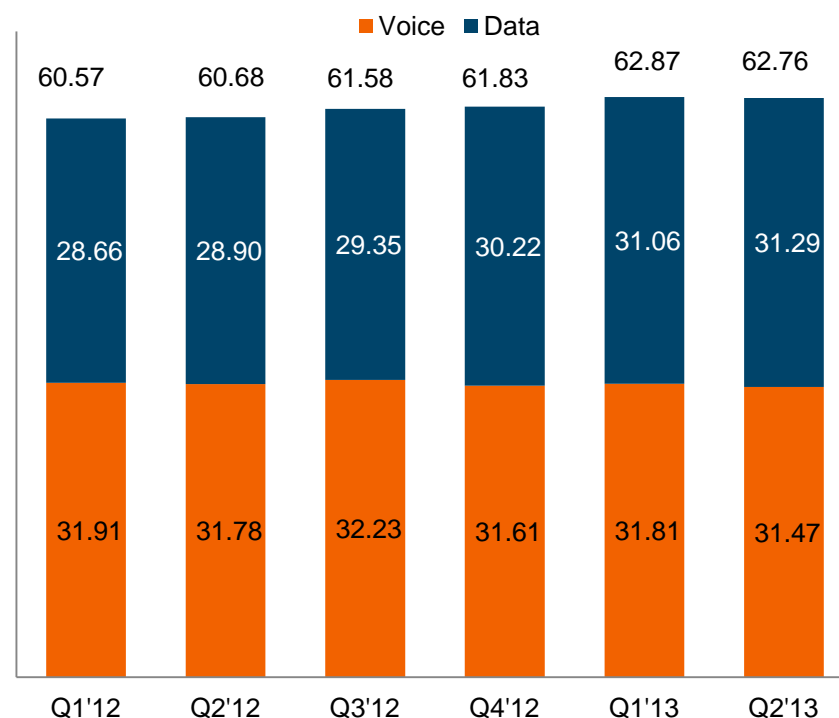


\*The loss of customers in Q2'13 related to more stringent governmental requirements for customers renewing their eligibility for the government subsidized Assurance program.

## Churn %

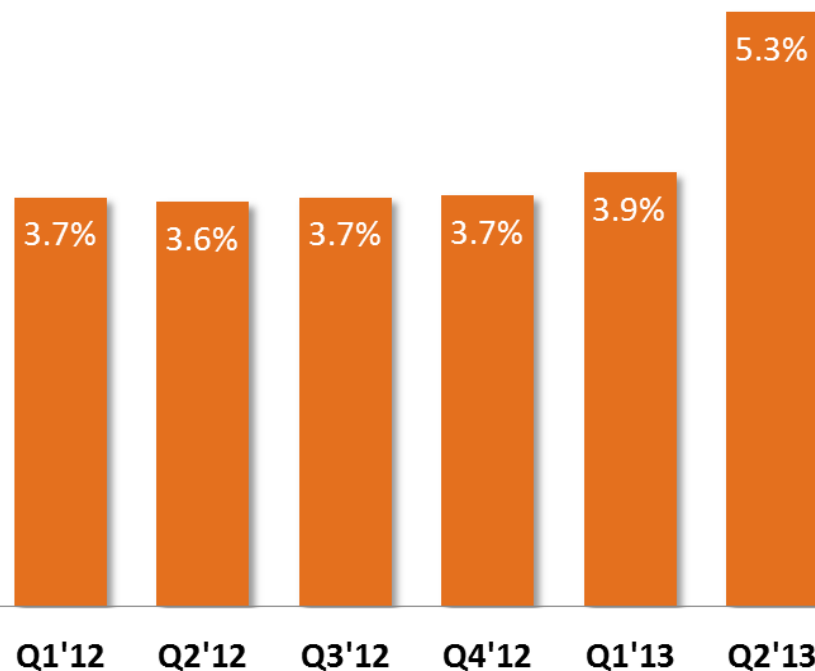


## Average Gross Billed Revenue





## Churn %



## Average Gross Billed Revenue

