



SHENTEL®

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Q4 2019

Earnings Conference Call

February 27, 2020

Safe Harbor Statement

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 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
- ❑ Interruption in or other adverse change to Sprint's business, liquidity or financial conditions; and
- ❑ Certain provisions of our Sprint affiliate agreement may diminish the value of our PCS business; and
- ❑ The pending dispute with Sprint over the resetting of the travel fee.

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, 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.



Chris French

President and CEO

2019 Key Accomplishments

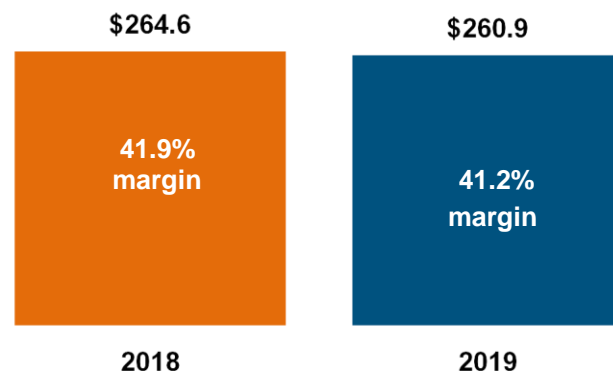
- ✓ Completed major network upgrades in our cable footprint (DOCSIS 3.1) and in the south and west regions of our wireless footprint, including Parkersburg WV
- ✓ Achieved record wireless postpaid gross adds and net adds
- ✓ Launched our FTTH service Glo Fiber within a year from inception
- ✓ Acquired licensed spectrum assets and announced plans to launch a fixed wireless broadband service to under-served communities in 2020
- ✓ Acquired and integrated Big Sandy Broadband
- ✓ Authorized our first share repurchase program of \$80 million
- ✓ Generated a record year of normalized free cash flow

2019 Consolidated Results

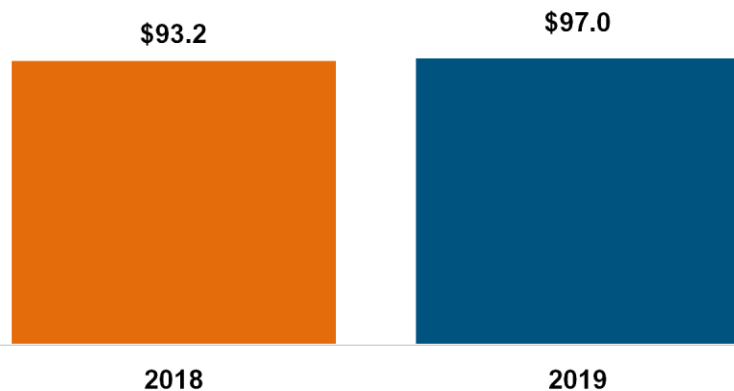
Revenue (in millions)



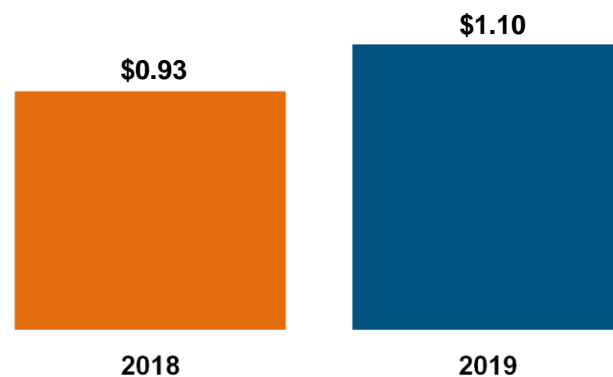
Adjusted OIBDA (in millions)



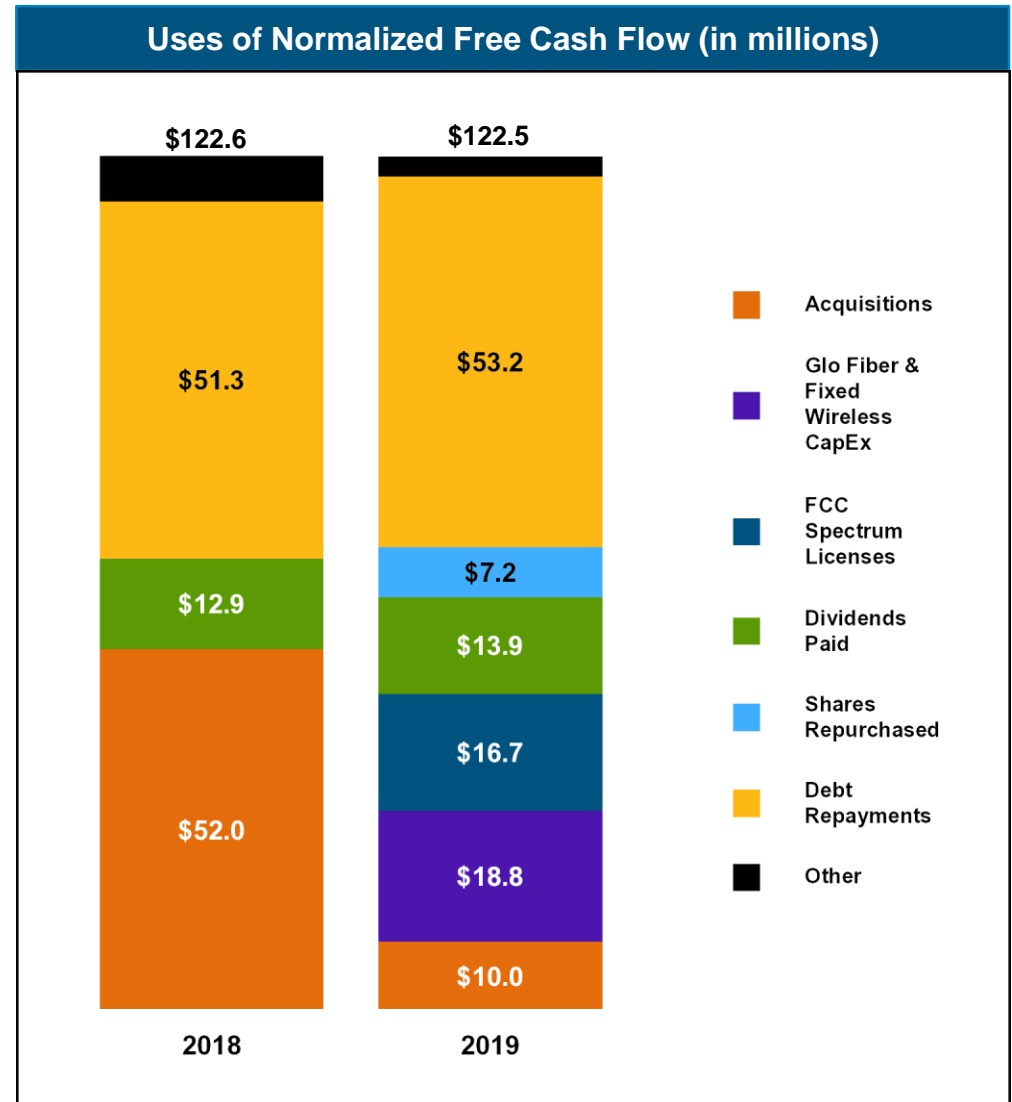
Operating Income (in millions)



Net Income Per Diluted Share



Consolidated Normalized Free Cash Flow and Uses



Sprint Merger Options

- Contract options assuming Sprint / T-Mobile merger is closed
 - New T-Mobile may elect an option to purchase the operating assets of our PCS business for 90% of EBV (entire business value)
 - If T-Mobile declines purchase option, Shentel may elect an option to purchase the legacy T-Mobile network and subscribers in our service area and incorporate them into our amended affiliate agreement
 - New T-Mobile may sell or decommission the legacy T-Mobile network and customers in our service area so Shentel becomes the exclusive provider of the new T-Mobile in our service area



Jim Volk

SVP of Finance and CFO

Segment Changes - 2019

(in thousands)

Service & other revenue

Equipment Revenue

Total external revenue

Internal revenue

Total revenue

Cost of services

Cost of goods sold

SG&A

Depreciation & amortization

Operating income (loss)

Share based compensation expense

Depreciation

Amortization of intangible assets

Adjusted OIBDA

Prior Segments				
Wireless	Cable	Wireline	Corp. & Elims	Consolidated
\$ 382,695	\$ 132,262	\$ 50,106		\$ 565,063
67,659	980	204		68,843
450,354	133,242	50,310	—	633,906
6,020	6,244	26,719	(38,983)	—
456,374	139,486	77,029	(38,983)	633,906
135,639	62,777	36,468	(36,131)	198,753
65,148	560	206		65,914
43,391	24,905	7,773	36,470	112,540
117,756	26,851	14,454	593	159,653
94,440	24,393	18,128	(39,915)	97,046
			3,817	3,817
98,119	26,383	14,448	593	139,543
20,062	467	6	—	20,535
\$ 212,621	\$ 51,243	\$ 32,582	\$ (35,505)	\$ 260,941

(2) 83,825

New Segments

(in thousands)

Service & other revenue

Equipment Revenue

Total external revenue

Internal revenue

Total revenue

Cost of services

Cost of goods sold

SG&A

Depreciation & amortization

Operating income (loss)

Share based compensation expense

Depreciation

Amortization of intangible assets

Adjusted OIBDA

Wireless	Tower	Broadband	Corp. & Elims	Consolidated
\$ 375,731	\$ 6,964	\$ 182,368		\$ 565,063
67,659	—	1,184		68,843
443,390	6,964	183,552	—	633,906
—	6,020	10,392	(16,412)	—
443,390	12,984	193,944	(16,412)	633,906
131,745	3,894	76,674	(13,560)	198,753
65,148	—	766	—	65,914
42,225	1,166	32,679	36,470	112,540
115,731	2,025	41,304	593	159,653
88,541	5,899	42,521	(39,915)	97,046
			3,817	3,817
96,094	2,025	40,831	593	139,543
20,062	—	473	—	20,535
\$ 204,697	\$ 7,924	\$ 83,825	\$ (35,505)	\$ 260,941

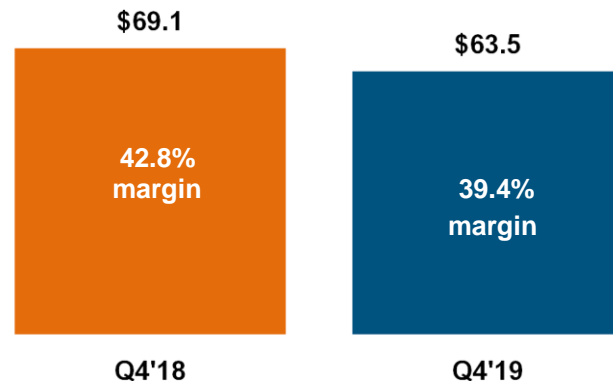
(1) 212,621

Fourth Quarter 2019 Consolidated Results

Revenue (in millions)



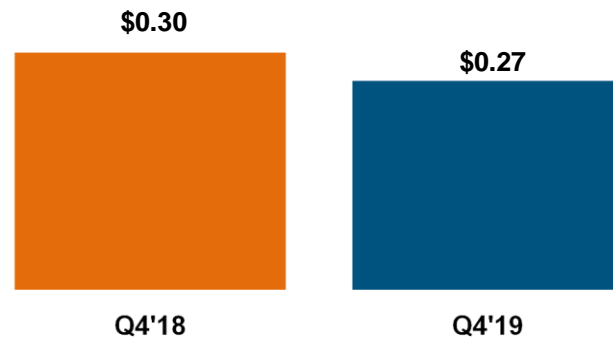
Adjusted OIBDA (in millions)



Operating Income (in millions)

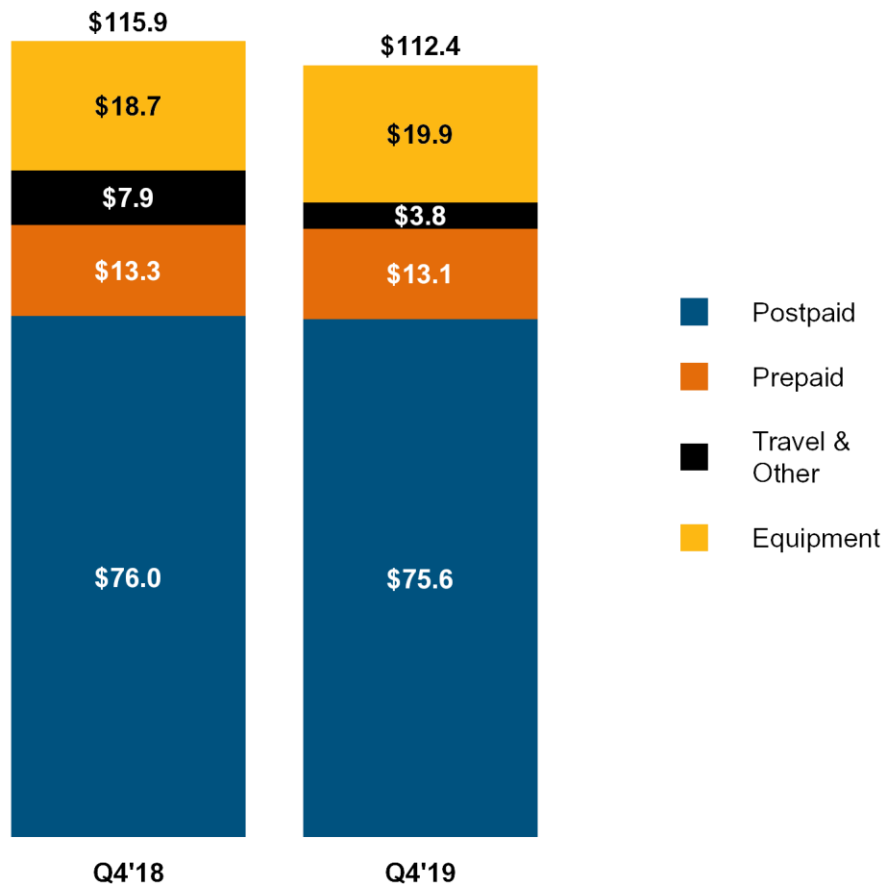


Net Income Per Diluted Share

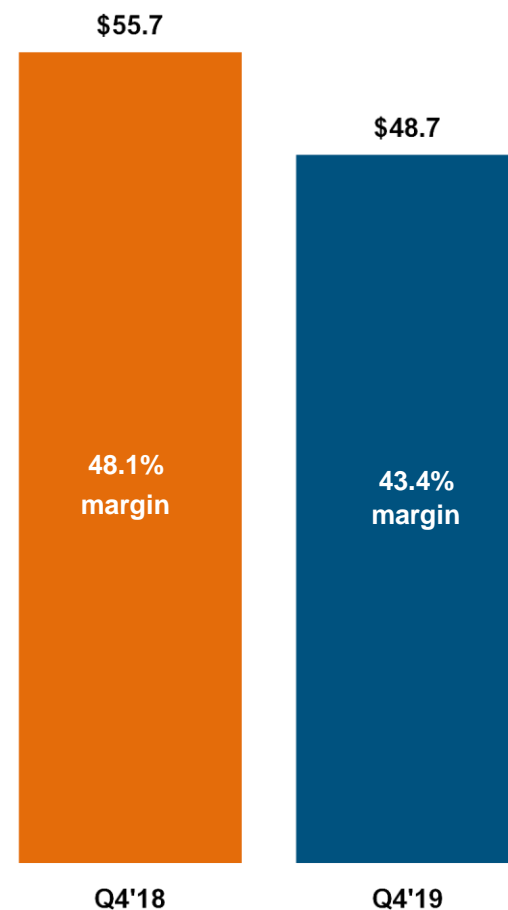


Wireless Highlights - Fourth Quarter Results

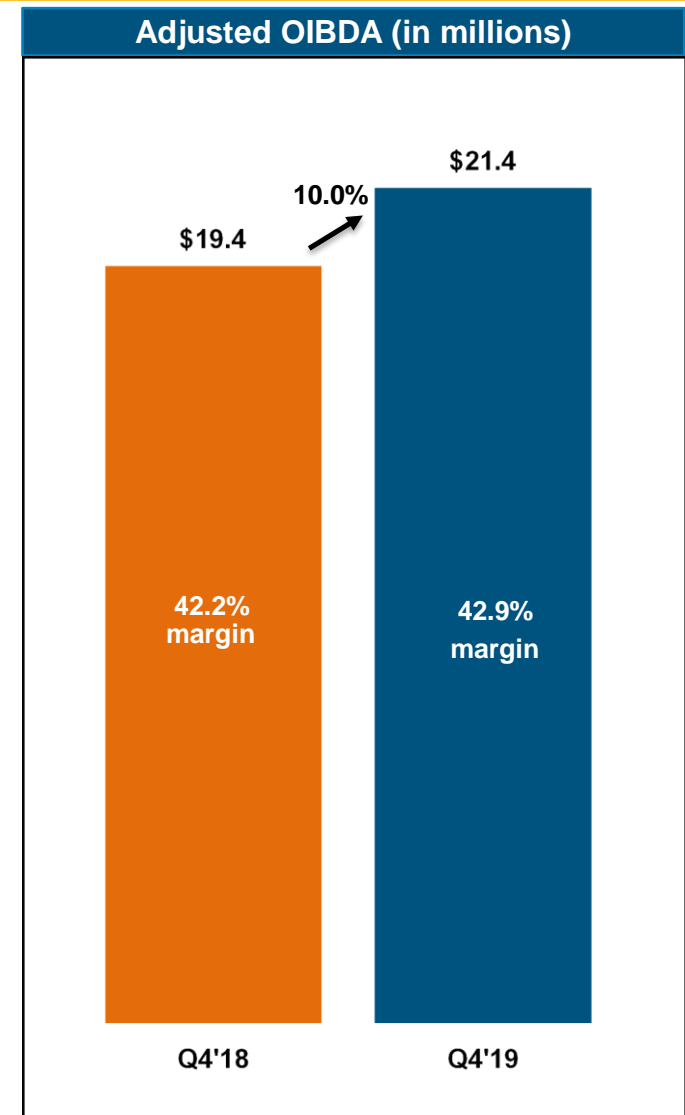
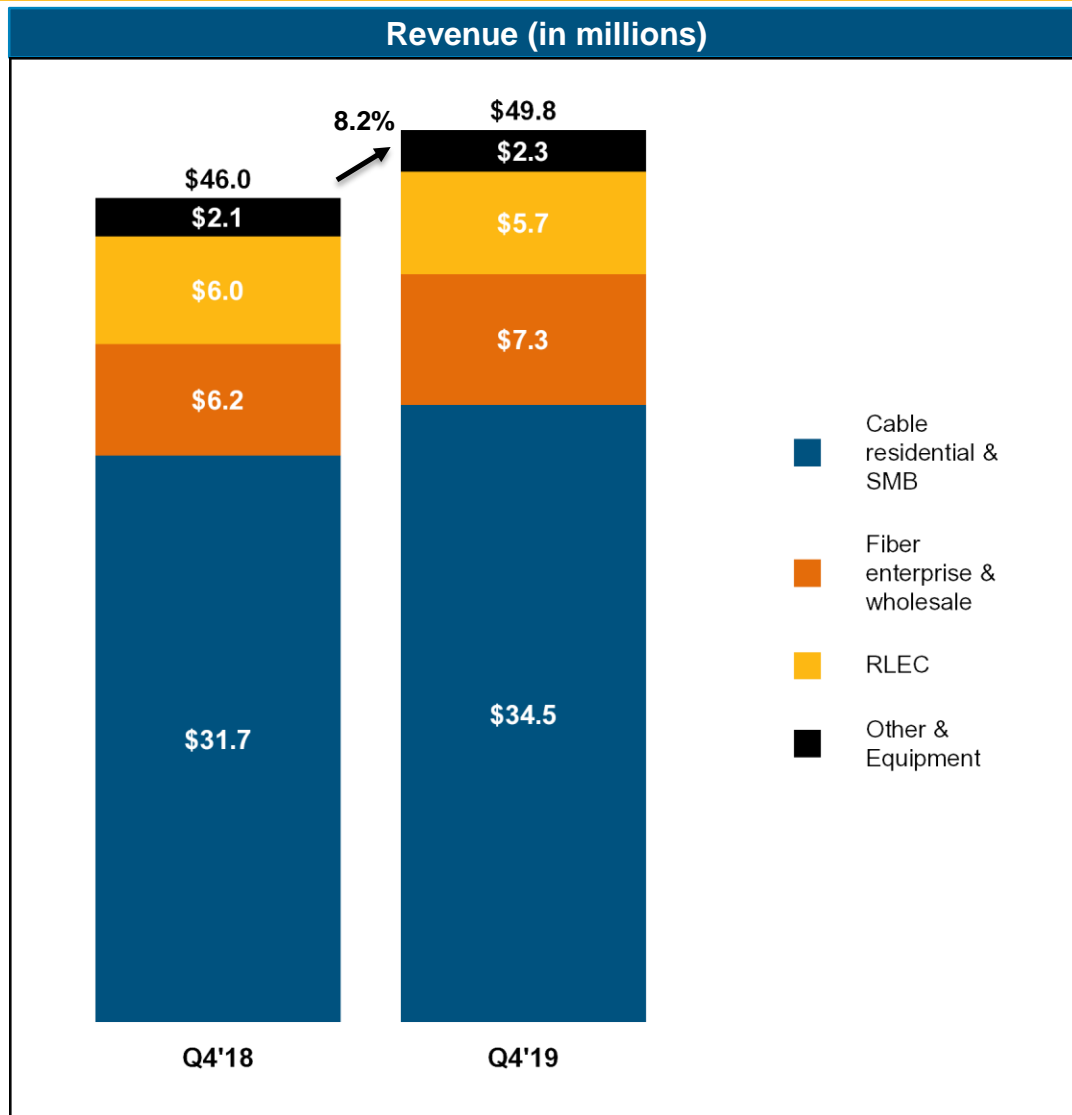
Revenue (in millions)



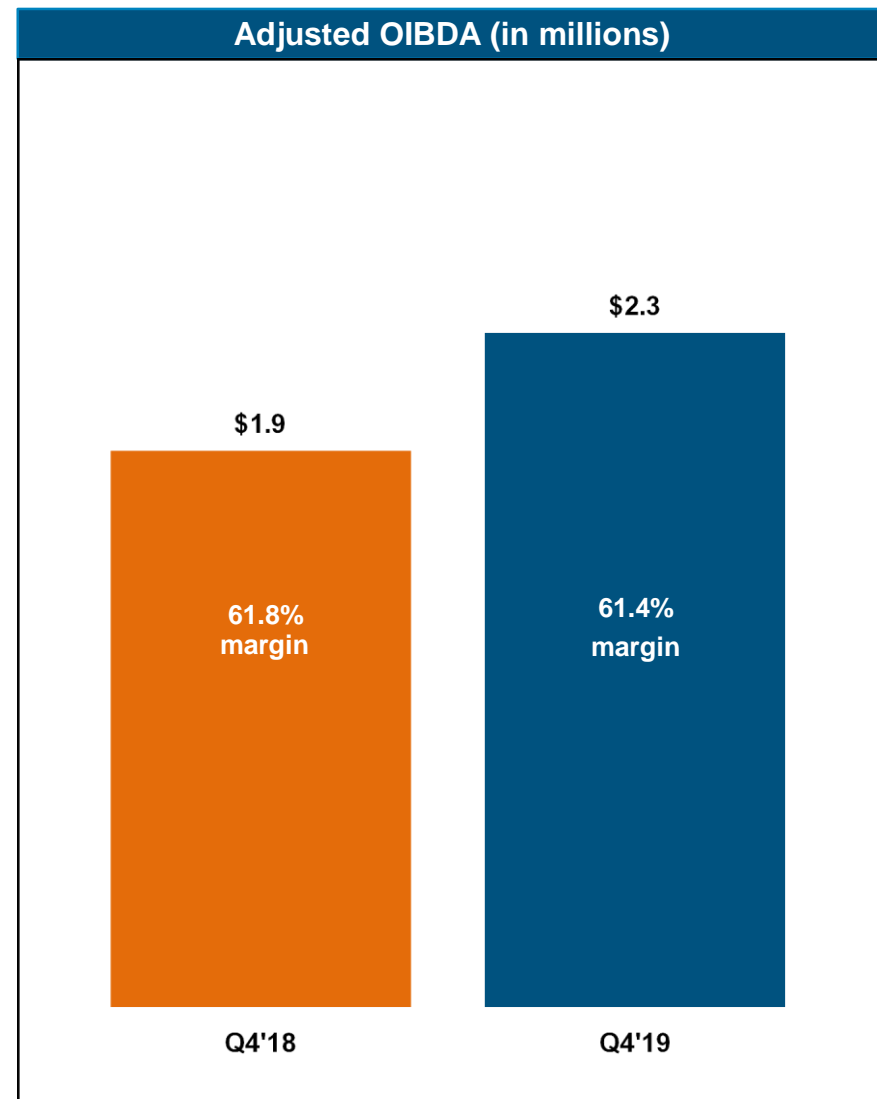
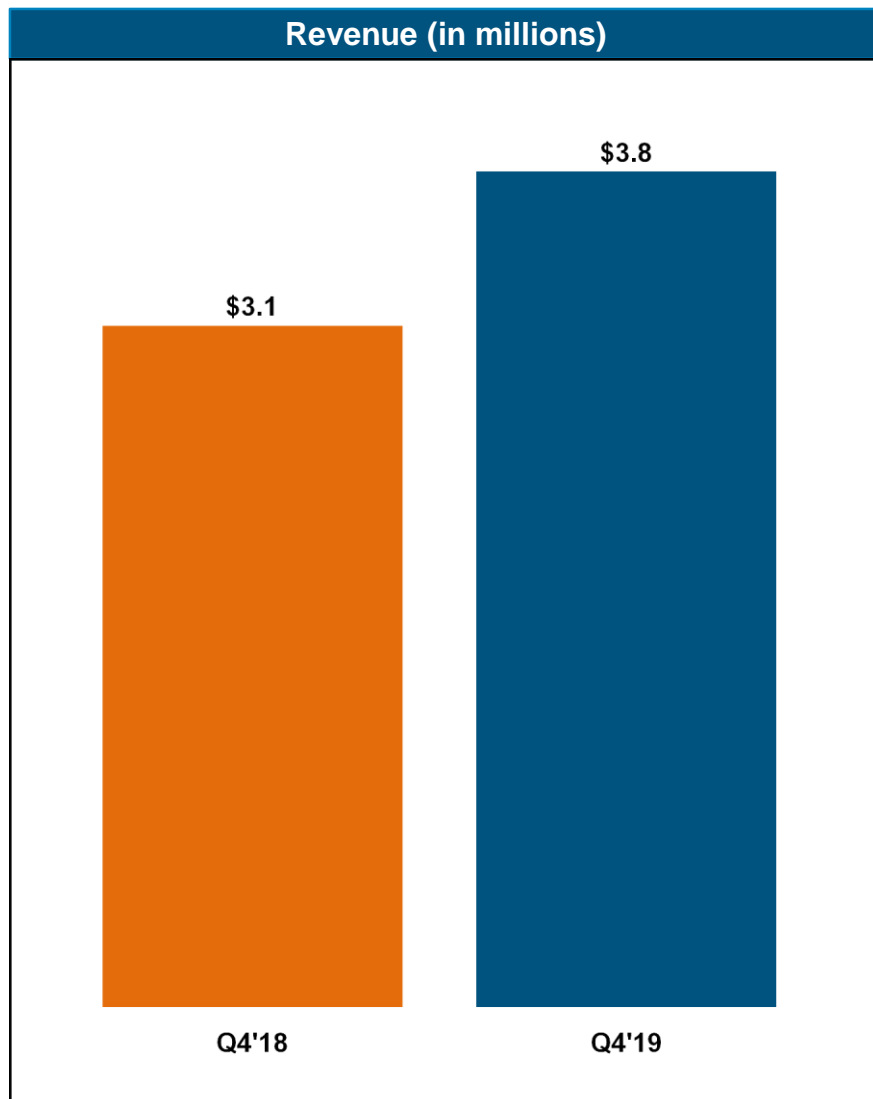
Adjusted OIBDA (in millions)



Broadband Highlights - Fourth Quarter Results

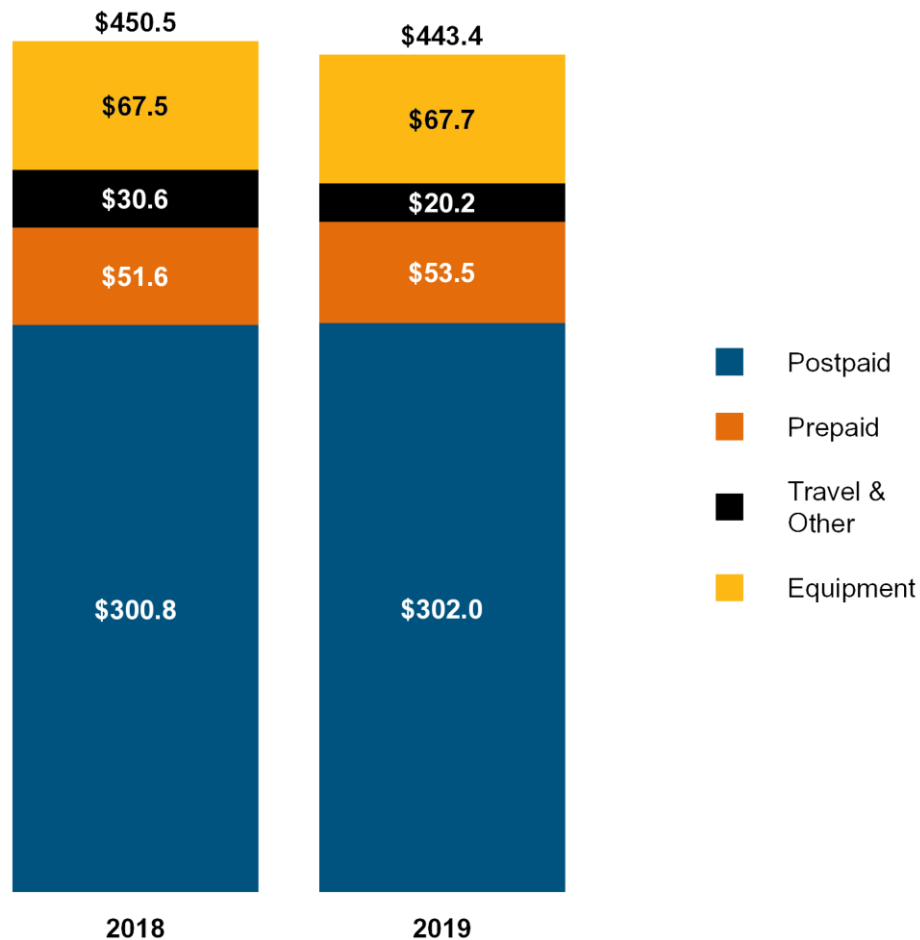


Tower Highlights - Fourth Quarter Results

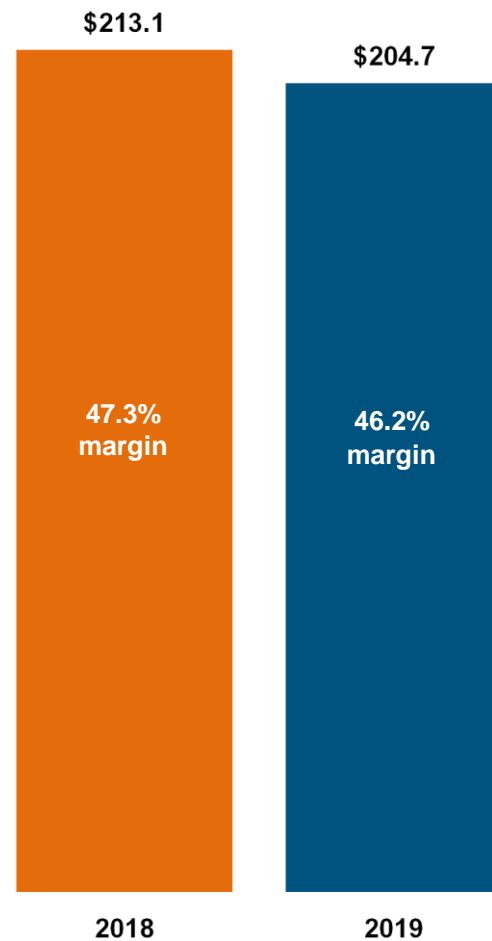


Wireless Highlights - Full Year Results

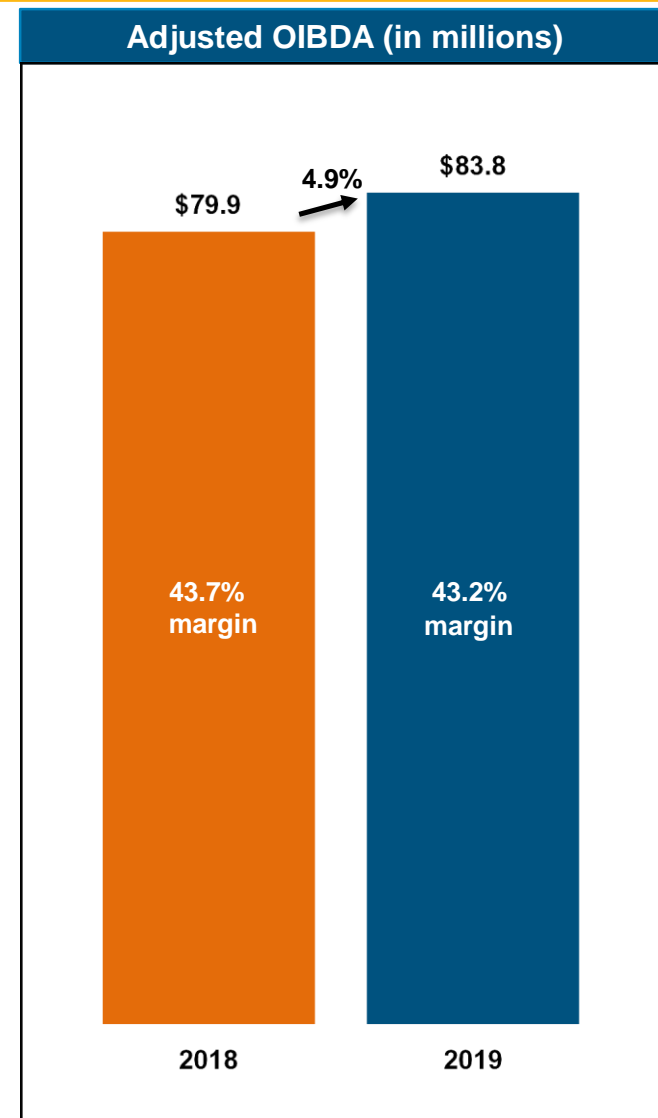
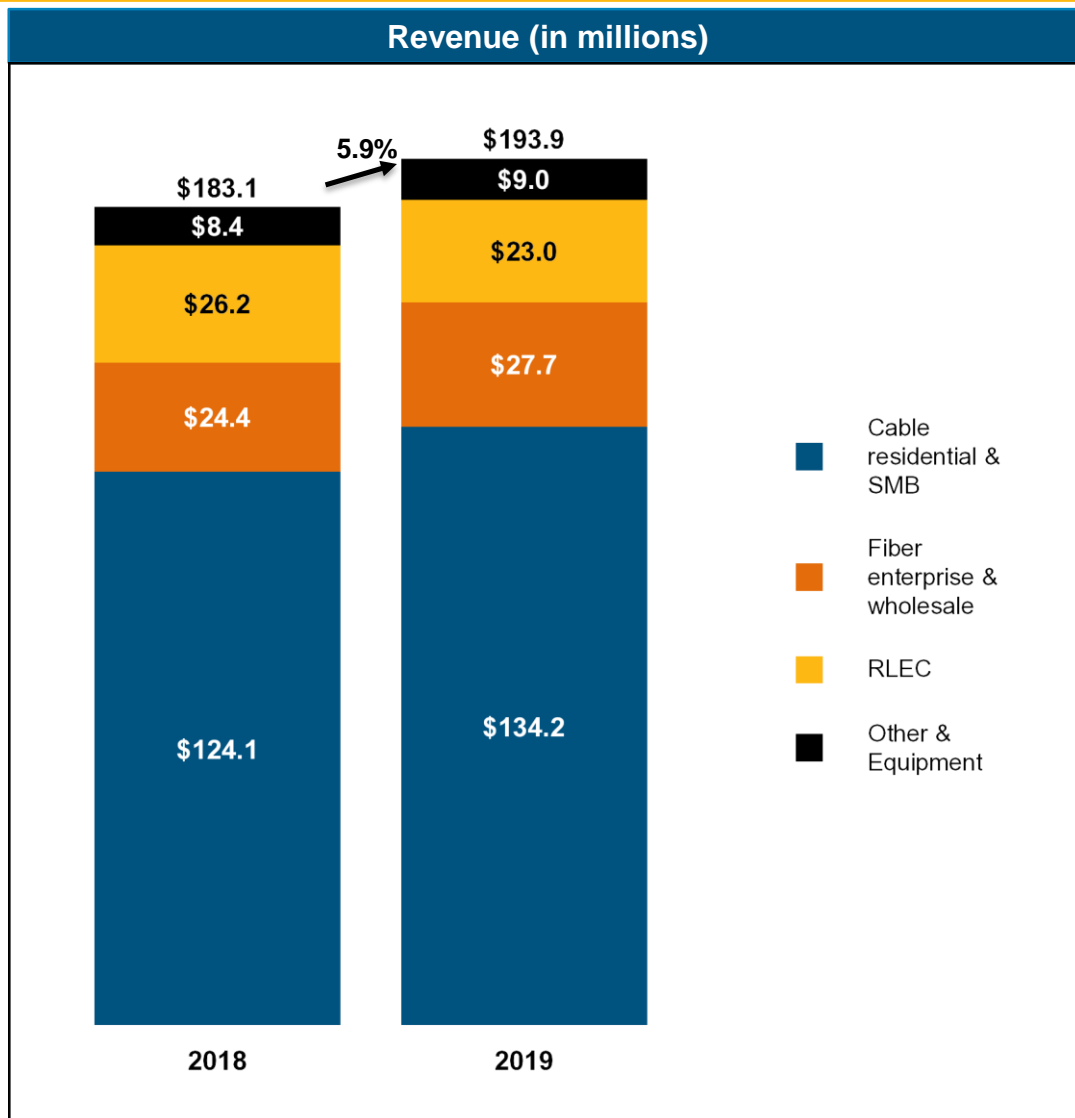
Revenue (in millions)



Adjusted OIBDA (in millions)



Broadband Highlights - Full Year Results

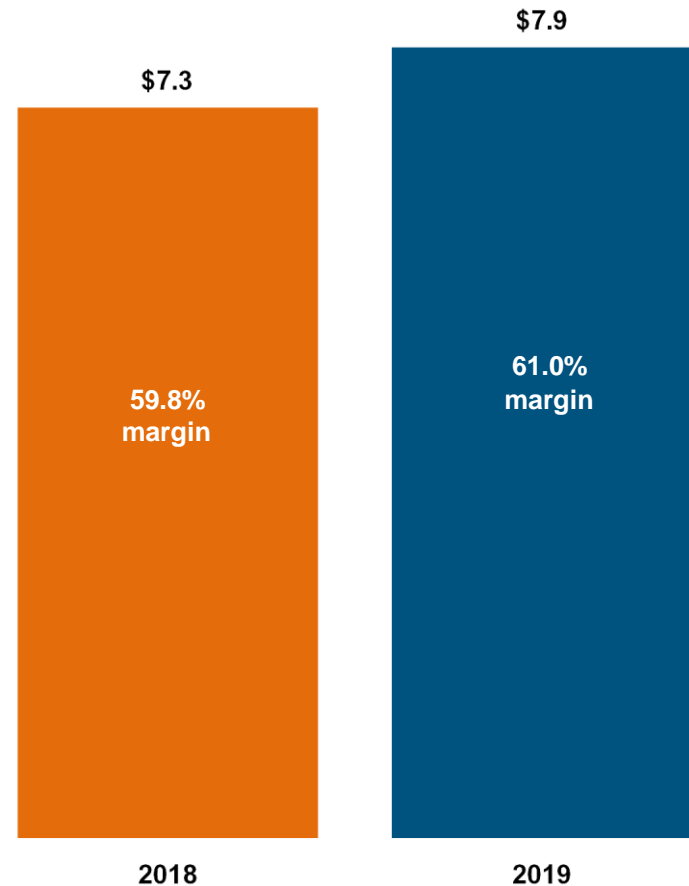


Tower Highlights - Full Year Results

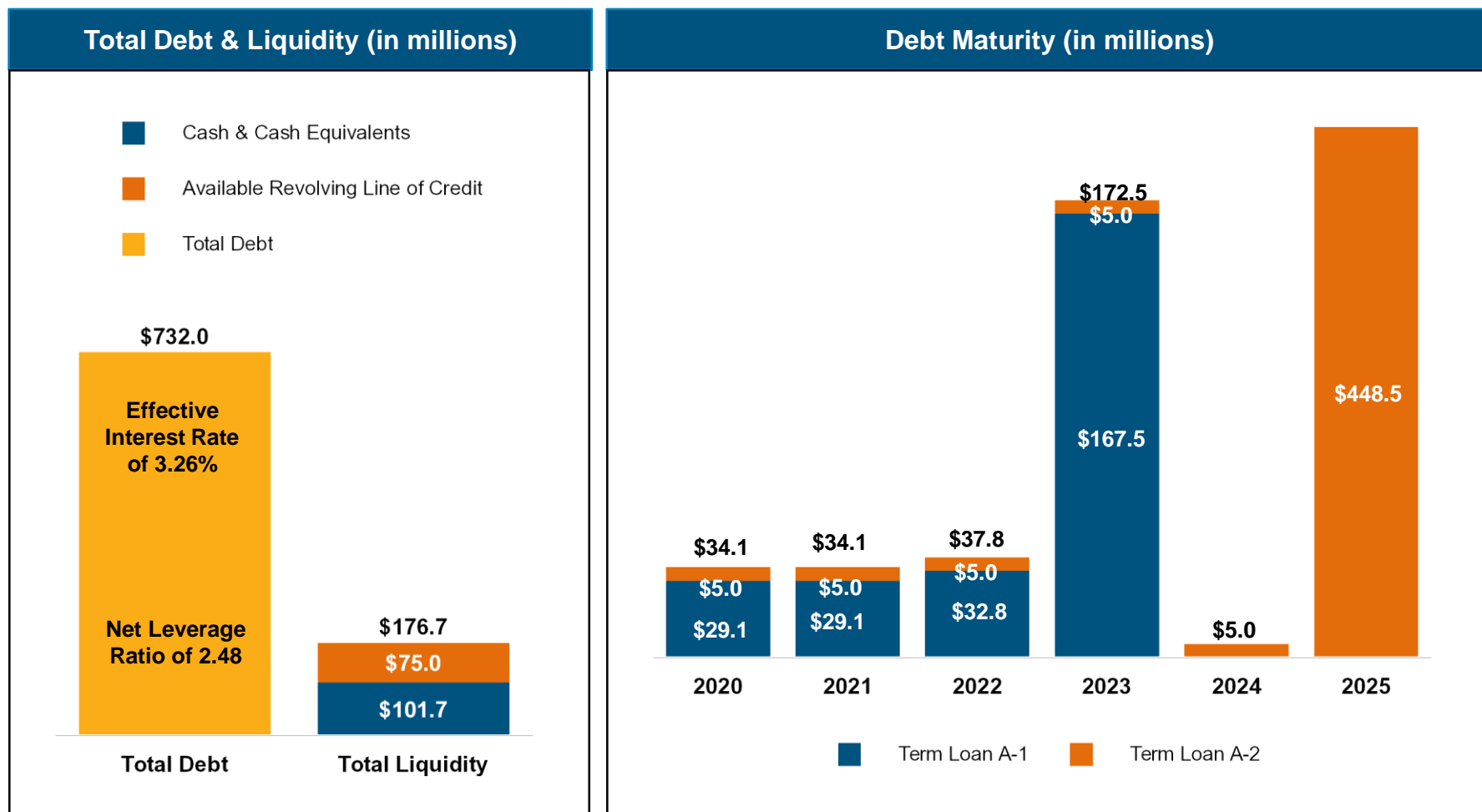
Revenue (in millions)



Adjusted OIBDA (in millions)



Capitalization



- Refer to the Use of Non-GAAP Financial Measures for the calculation of the net leverage ratio.

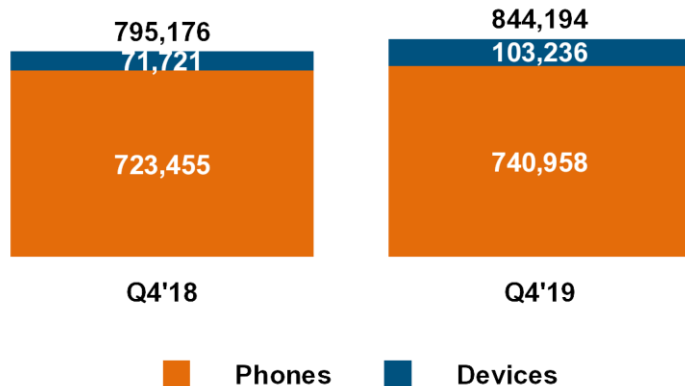


Dave Heimbach

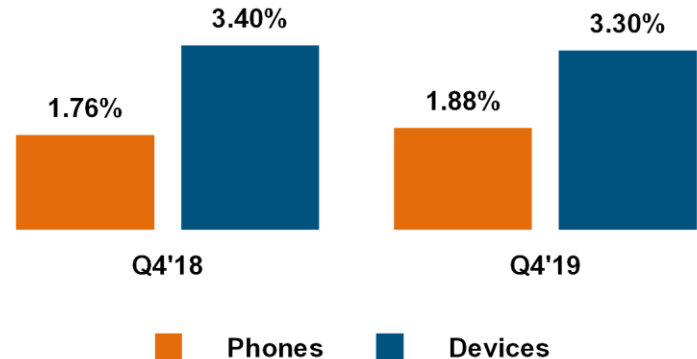
EVP and COO

Wireless - Postpaid Metrics

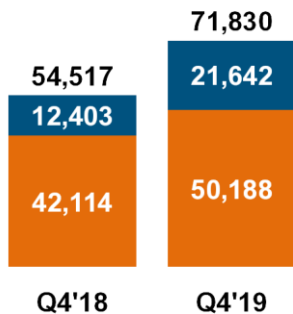
Subscribers



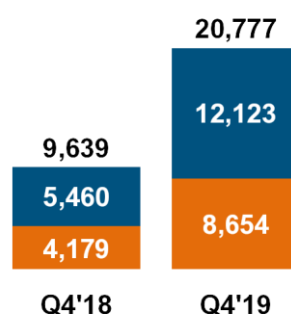
Churn



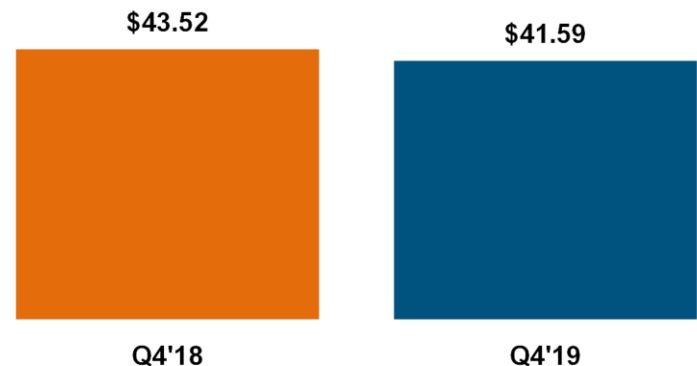
Gross Additions



Net Additions

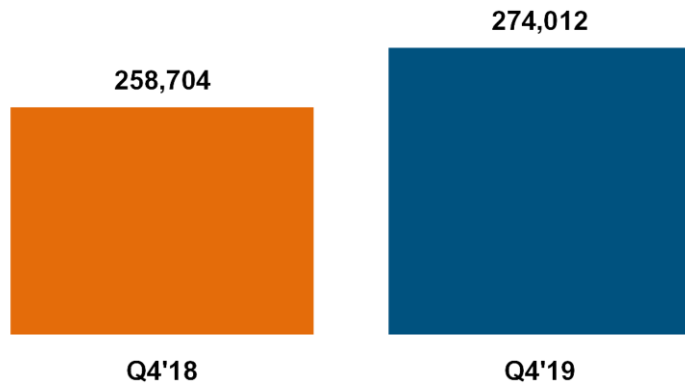


ARPU *

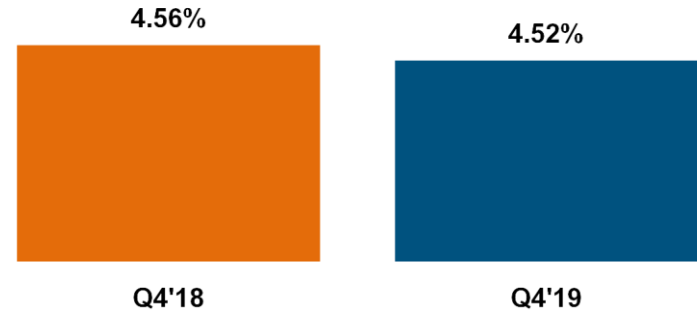


Wireless - Prepaid Metrics

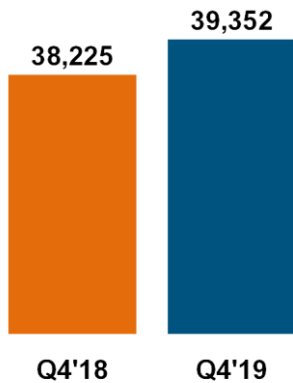
Subscribers



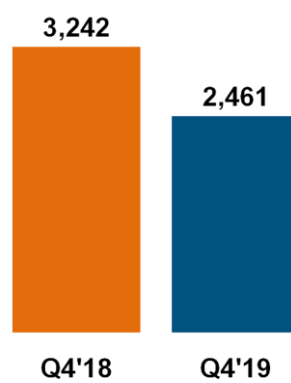
Churn



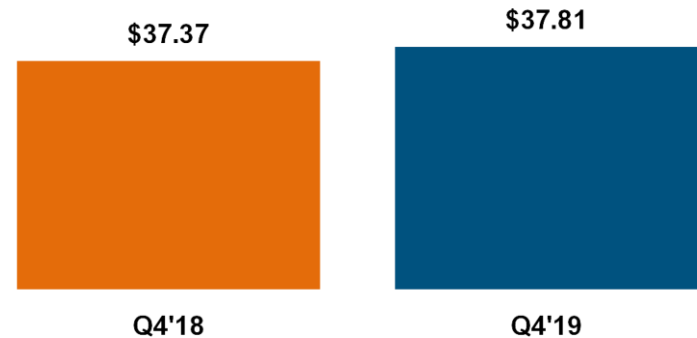
Gross Additions



Net Additions

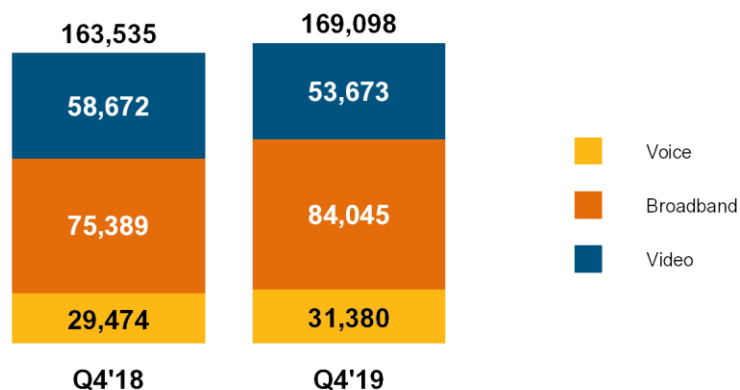


ARPU *

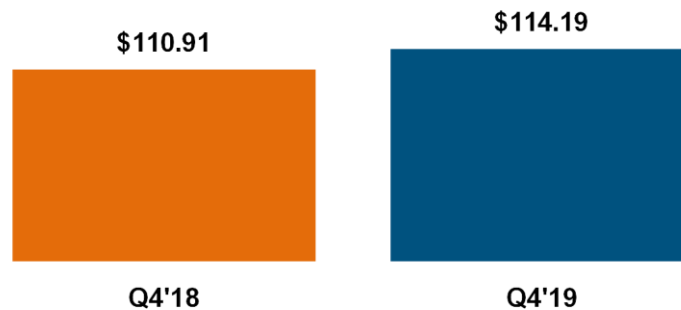


Broadband - RGUs and Average Revenue

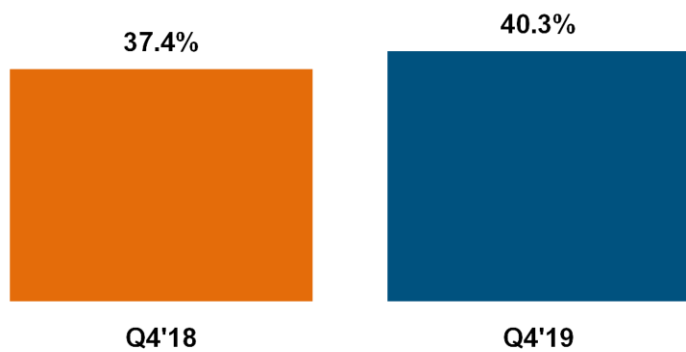
Revenue Generating Units (RGU)



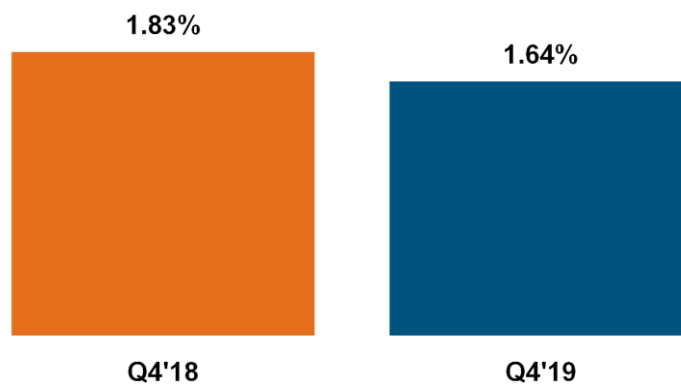
Average Monthly Revenue per Customer *



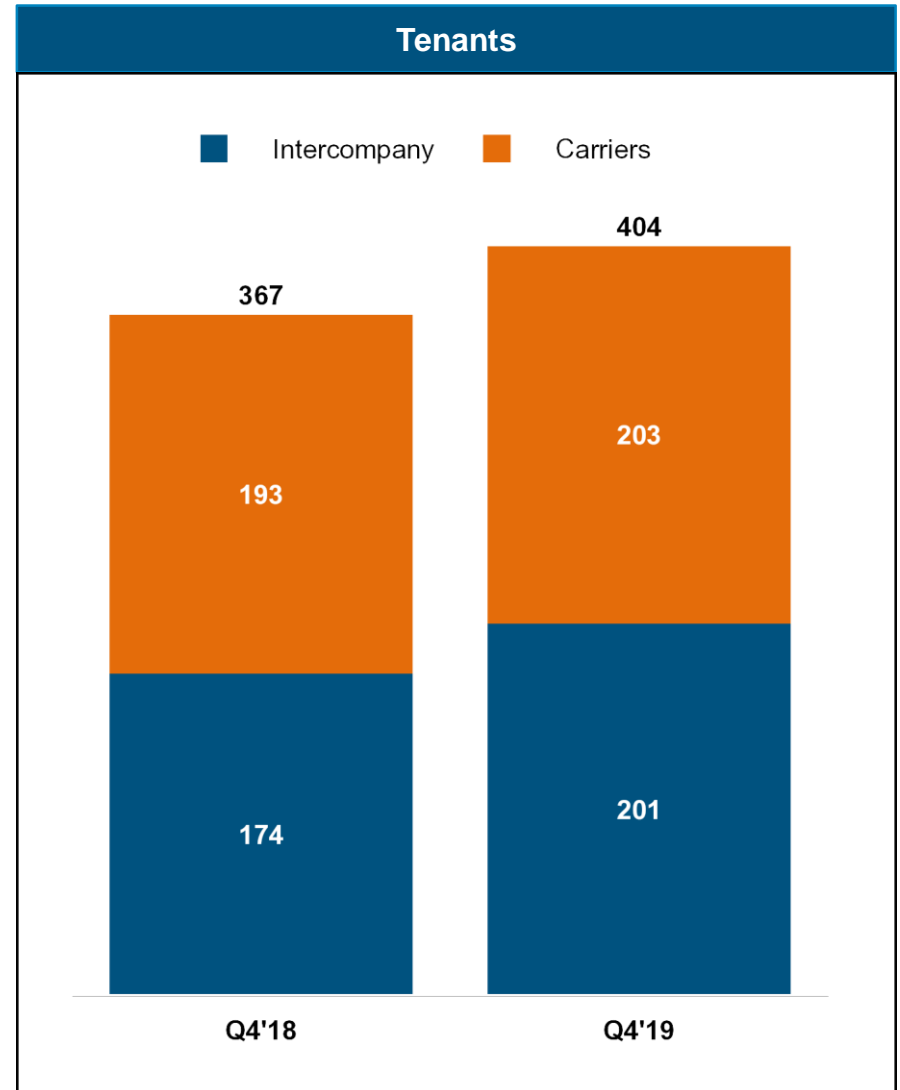
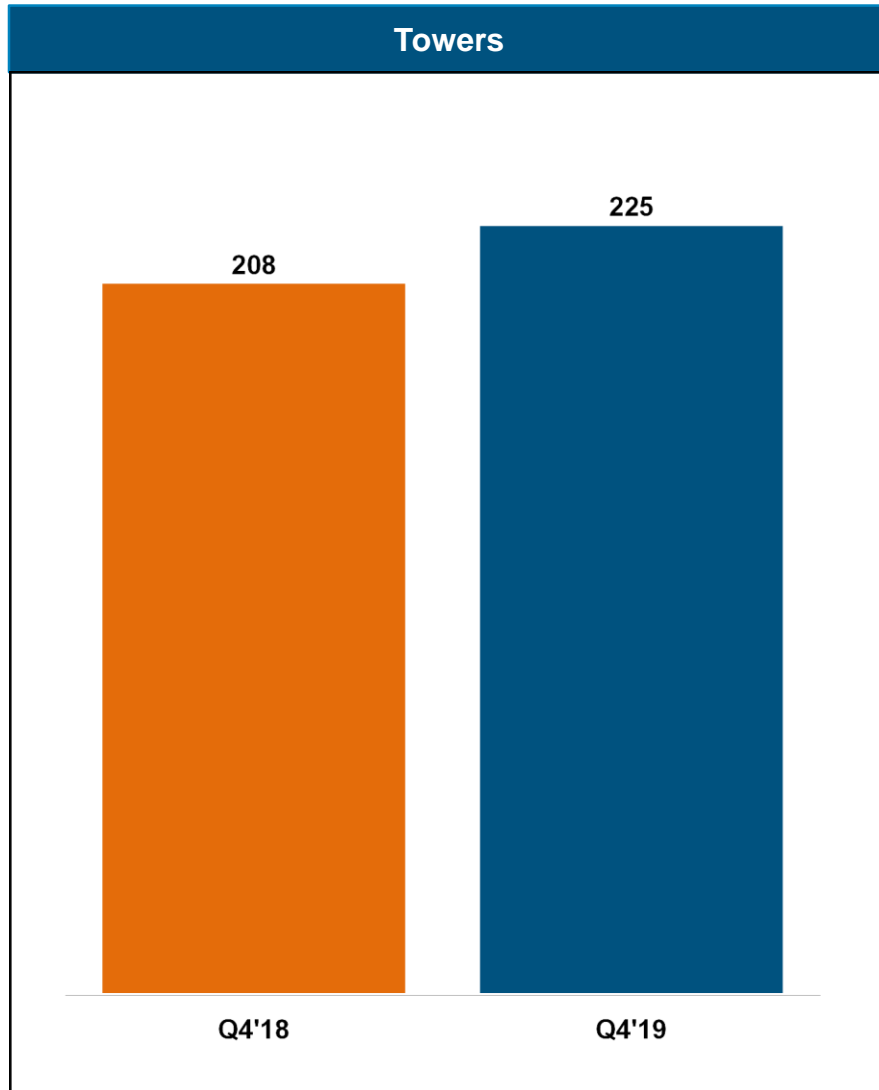
Broadband Penetration



Broadband Churn



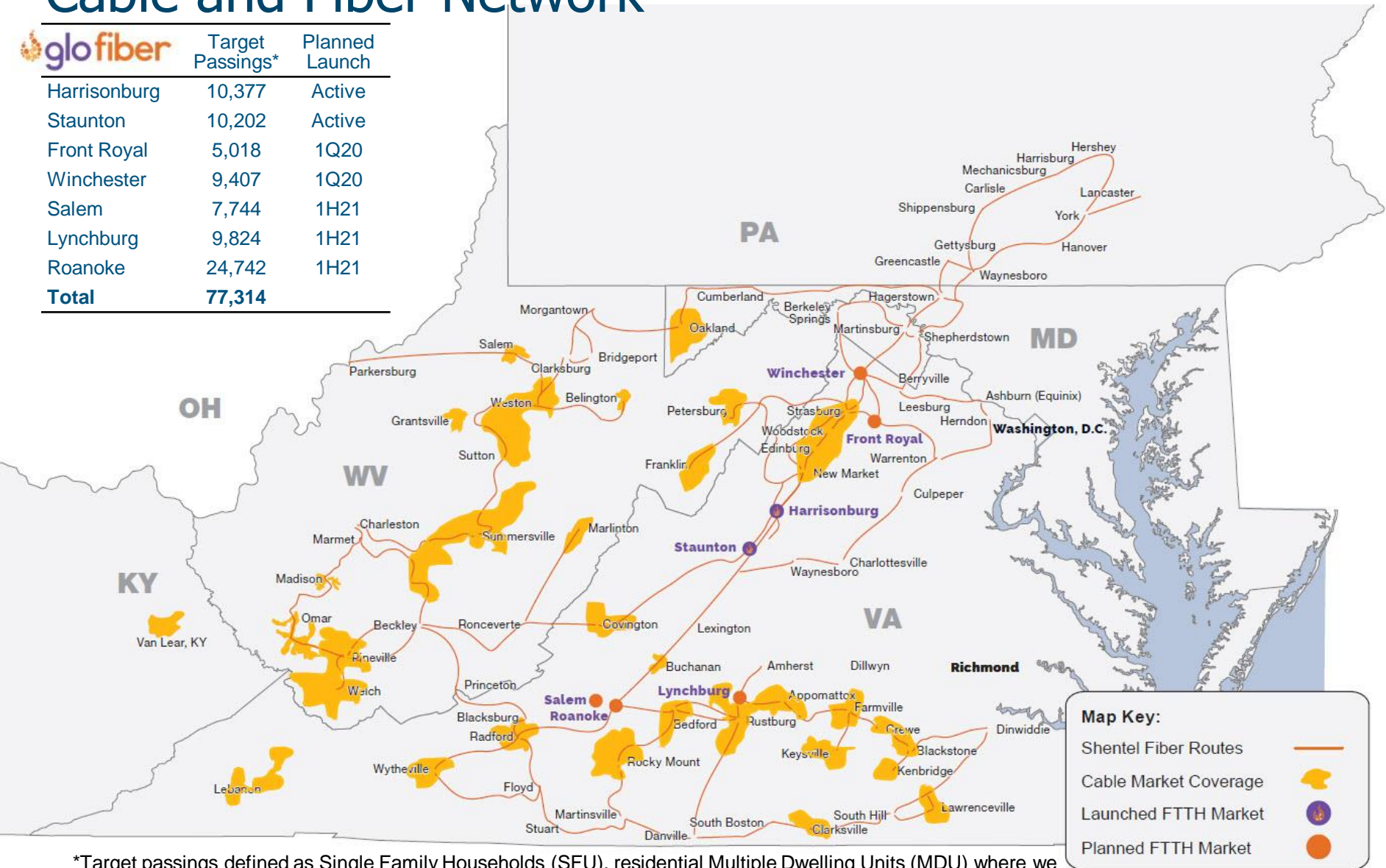
Tower - Metrics



Cable and Fiber Network



	Target Passings*	Planned Launch
Harrisonburg	10,377	Active
Staunton	10,202	Active
Front Royal	5,018	1Q20
Winchester	9,407	1Q20
Salem	7,744	1H21
Lynchburg	9,824	1H21
Roanoke	24,742	1H21
Total	77,314	

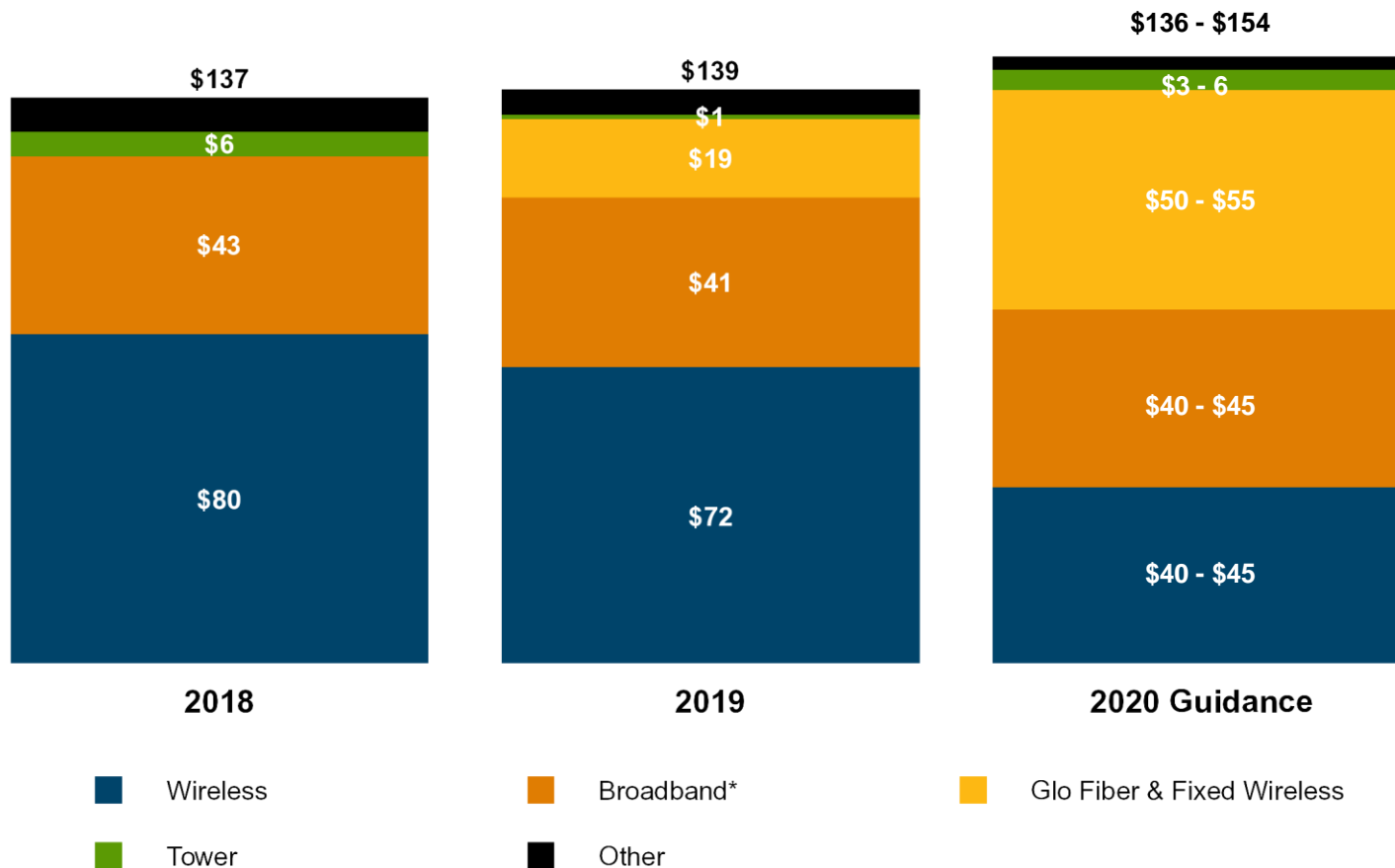


*Target passings defined as Single Family Households (SFU), residential Multiple Dwelling Units (MDU) where we have gained right of entry and single tenant commercial buildings that conform to our target cost per pass criteria.



Capital Expenditures

Capex Spending (\$ in millions)



Q&A

Appendix

Use of Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures that are not determined in accordance with U.S. 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 U.S. generally accepted accounting principles. Management believes these measures facilitate comparisons of our operating performance from period to period and comparisons of our operating performance to that of our peers and other companies by excluding certain differences. Shentel utilizes these financial performance measures to facilitate internal comparisons of our historical operating performance, which are used by management for business planning purposes, and also facilitates comparisons of our performance relative to that of our competitors. In addition, we believe these measures are widely used by investors and financial analysts as measures of our financial performance over time, and to compare our financial performance with that of other companies in our industry.

Adjusted OIBDA by Segment - Quarterly Results

Three Months Ended December 31, 2019

<i>(in thousands)</i>	Wireless	Broadband	Tower	Corporate & Other	Consolidated
Operating income (loss)	\$ 20,908	\$ 9,371	\$ 2,439	\$ (9,838)	\$ 22,880
Depreciation	23,110	11,842	(113)	201	35,040
Amortization of intangible assets	4,714	166	—	—	4,880
OIBDA	48,732	21,379	2,326	(9,637)	62,800
Share-based compensation expense	—	—	—	659	659
Adjusted OIBDA	\$ 48,732	\$ 21,379	\$ 2,326	\$ (8,978)	\$ 63,459
Total revenue	\$ 112,362	\$ 49,832	\$ 3,788	(4,985)	\$ 160,997
Adjusted OIBDA margin	43.4%	42.9%	61.4%	N/A	39.4%

Three Months Ended December 31, 2018

<i>(in thousands)</i>	Wireless	Broadband	Tower	Corporate & Other	Consolidated
Operating income (loss)	\$ 24,957	\$ 9,487	\$ 1,023	\$ (8,473)	\$ 26,994
Depreciation	25,154	9,898	894	163	36,109
Amortization of intangible assets	5,620	44	—	—	5,664
OIBDA	55,731	19,429	1,917	(8,310)	68,767
Share-based compensation expense	—	—	—	381	381
Adjusted OIBDA	\$ 55,731	\$ 19,429	\$ 1,917	\$ (7,929)	\$ 69,148
Total revenue	\$ 115,899	\$ 46,057	\$ 3,100	(3,572)	\$ 161,484
Adjusted OIBDA margin	48.1%	42.2%	61.8%	N/A	42.8%

Net Leverage Ratio

(\$ in thousands)

	Q4'19
Total Debt	\$ 732,040
Cash	101,651
Total Debt less Cash	630,389
Adjusted OIBDA	63,459
	x4
Adjusted OIBDA (last quarter annualized)	\$ 253,836
Net leverage ratio	2.48

Normalized Free Cash Flow & Free Cash Flow

(\$ in thousands)	2018	2019
Net Cash Provided by Operations	\$265,647	\$259,145
Less: Capital Expenditures*	(136,641)	(119,954)
Normalized Free Cash Flow	129,006	139,191
Glo Fiber & Fixed Wireless Capital Expenditures	—	(18,838)
Free Cash Flow	\$129,006	\$120,353

*Excludes capital expenditures for Glo Fiber & Fixed Wireless

Free cash flow and normalized free cash flow are non-GAAP financial measures that, when viewed with our GAAP results, provides a more complete understanding of factors and trends affecting our cash flows. Free cash flow is calculated by subtracting capital expenditures from net cash provided by operating activities. Normalized free cash flow is calculated by subtracting capital expenditures, excluding new services such as Glo Fiber and Fixed Wireless services, from net cash provided by operating activities. We believe they are more conservative measures of our cash flow since purchases of fixed assets are necessary for ongoing operations and expansion. Free cash flow and normalized free cash flow are utilized by our management, investors and analysts to evaluate cash available that may be used to pay scheduled principal payments on our debt obligations and provide further investment in the business.

Wireless Average Revenue per User (ARPU)

(\$ in thousands, except subscribers and revenue per subscriber amounts)

	Q4'18	Q4'19
Postpaid billings	\$ 97,005	\$ 98,432
Adjustment for write-offs	5,861	5,372
Postpaid billings excluding write-offs	\$ 102,866	\$ 103,804
Average postpaid subscribers*	787,937	831,892
Average monthly billed revenue per postpaid subscriber**	\$ 43.52	\$ 41.59
Prepaid billings	\$ 28,745	\$ 30,883
Average prepaid subscribers*	256,416	272,296
Average monthly billed revenue per prepaid subscriber**	\$ 37.37	\$ 37.81

* Represents a quarterly average

** Average monthly billed revenue per subscriber = (billed revenue excluding write-offs*1,000) / average subscribers / 3 months

Broadband - Average Revenue Per Customer

(\$ in thousands, except customer and per customer amounts)	Q4'18	Q4'19
Cable Residential & SMB Revenue	\$ 31,676	\$ 34,484
Average customer relationships	95,201	100,659
Average Revenue Per Customer**	\$ 110.91	\$ 114.19

* Represents a quarterly average

**Average Revenue Per Customer calculation = (Residential & SMB Revenue * 1,000) / average customer relationships / 3 months

Broadband - Cable & Fiber Metrics

	As of December 31,	
	2018	2019
Homes passed	201,633	208,298
Total revenue generating units	163,535	169,098
Customer relationships	95,328	100,890
RGUs per customer relationship	1.72	1.68
 Video		
Revenue generating units	58,672	53,673
Penetration	29.1%	25.8%
 Broadband		
Revenue generating units	75,389	84,045
Penetration	37.4%	40.3%
 Voice		
Revenue generating units	29,474	31,380
Penetration*	15.9%	16.2%

*Voice penetration based on voice homes passed of 185,133 and 193,444, respectively.

Consolidated 2019 Quarterly Results

(in thousands)

	1Q		2Q		3Q		4Q		Full Year
Service & other revenue	\$	143,231	\$	142,059	\$	138,832	\$	140,941	\$ 565,063
Equipment Revenue		15,612		16,855		16,320		20,056	68,843
Total revenue		158,843		158,914		155,152		160,997	633,906
Cost of services		49,518		49,497		50,164		49,574	198,753
Cost of goods sold		14,637		15,874		15,825		19,578	65,914
SG&A		28,722		27,170		27,178		29,470	112,540
Depreciation & amortization		41,179		42,353		36,626		39,495	159,653
Operating Income		24,787		24,020		25,359		22,880	97,046
Share-based compensation expense		1,714		593		850		659	3,817
Depreciation		35,520		37,216		31,767		35,040	139,543
Amortization of intangible Assets		5,659		5,136		4,860		4,880	20,535
Adjusted OIBDA	\$	67,680	\$	66,965	\$	62,836	\$	63,459	\$ 260,941
Adjusted OIBDA Margin		42.6%		42.1%		40.5%		39.4%	41.2%

Wireless - 2019 Quarterly Segment Results

(in thousands)	1Q		2Q		3Q		4Q		Full Year
Service & other revenue	\$	97,329	\$	94,571	\$	91,314	\$	92,517	\$ 375,731
Equipment Revenue		15,291		16,548		15,975		19,845	67,659
Total revenue		112,620		111,119		107,289		112,362	443,390
Cost of services		32,532		32,668		33,093		33,452	131,745
Cost of goods sold		14,427		15,742		15,571		19,408	65,148
SG&A		11,079		10,318		9,633		11,195	42,225
Depreciation & Amortization		30,370		31,464		26,498		27,399	115,731
Operating Income		24,212		20,927		22,494		20,908	88,541
Depreciation		24,752		26,448		21,784		23,110	96,094
Amortization of intangible assets		5,618		5,016		4,714		4,714	20,062
Adjusted OIBDA	\$	54,582	\$	52,391	\$	48,992	\$	48,732	\$ 204,697
Adjusted OIBDA Margin		48.5%		47.1%		45.7%		43.4%	46.2%

Broadband - 2019 Quarterly Segment Results

(in thousands)

	1Q	2Q	3Q	4Q	Full Year
Service & other revenue	\$ 44,138	\$ 45,737	\$ 45,667	\$ 46,826	\$ 182,368
Equipment Revenue	321	307	345	211	1,184
Total external revenue	44,459	46,044	46,012	47,037	183,552
Internal revenue	2,422	2,506	2,669	2,795	10,392
Total revenue	46,881	48,550	48,681	49,832	193,944
Cost of services	19,061	19,013	19,329	19,271	76,674
Cost of goods sold	211	131	254	170	766
SG&A	7,569	7,524	8,574	9,012	32,679
Depreciation & amortization	9,991	10,002	9,303	12,008	41,304
Operating income	10,049	11,880	11,221	9,371	42,521
Depreciation	9,950	9,882	9,158	11,842	40,832
Amortization of intangible assets	41	120	145	166	472
Adjusted OIBDA	\$ 20,040	\$ 21,882	\$ 20,524	\$ 21,379	\$ 83,825
Adjusted OIBDA Margin	42.7%	45.1%	42.2%	42.9%	43.2%

Tower - 2019 Quarterly Segment Results

(in thousands)	1Q		2Q		3Q		4Q		Full Year
Tower lease revenue	\$	1,763	\$	1,751	\$	1,852	\$	1,598	\$ 6,964
Internal revenue		1,270		1,270		1,290		2,190	6,020
Total revenue		3,033		3,021		3,142		3,788	12,984
Cost of services		945		891		956		1,102	3,894
SG&A		283		274		249		360	1,166
Depreciation & amortization		679		756		703		(113)	2,025
Operating Income		1,126		1,100		1,234		2,439	5,899
Depreciation		679		756		703		(113)	2,025
Adjusted OIBDA	\$	1,805	\$	1,856	\$	1,937	\$	2,326	\$ 7,924
Adjusted OIBDA Margin		59.5%		61.4%		61.6%		61.4%	61.0%