



Q2 2019
Earnings Conference Call
August 6, 2019

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
- ❑ 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, 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

Key Developments

- Sprint & T-Mobile Pending Merger Update
- Second Quarter 2019 Highlights
- Appointed Jim Volk as Chief Financial Officer



Jim Volk

SVP of Finance and CFO

Second Quarter 2019 Consolidated Results

- **Revenue**

- \$158.9 million in Q2'19 compared with \$156.5 million in Q2'18

- **Adjusted OIBDA**

- \$67.0 million, representing a 42.1% Adjusted OIBDA margin, in Q2'19 compared with \$63.7 million and 40.7% in Q2'18

- **Operating Income**

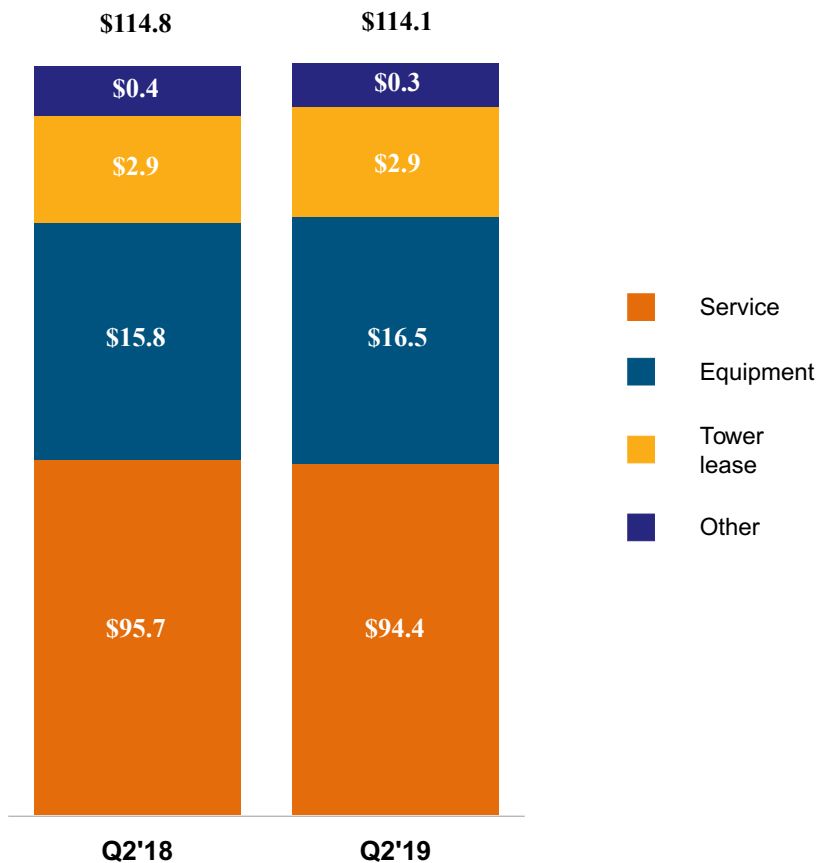
- \$24.0 million in Q2'19 compared with \$21.2 million in Q2'18

- **Net Income**

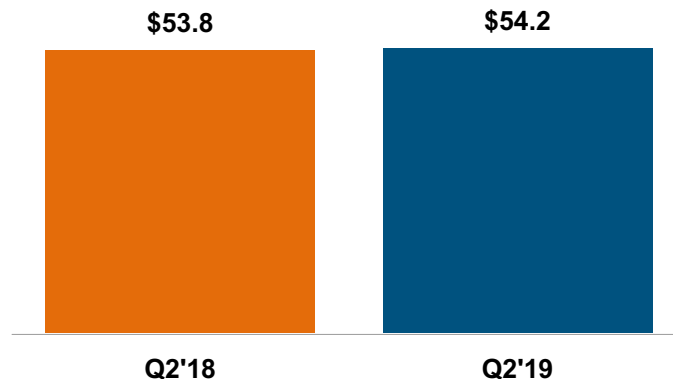
- \$13.2 million in Q2'19 compared with \$9.6 million in Q2'18

Wireless Highlights

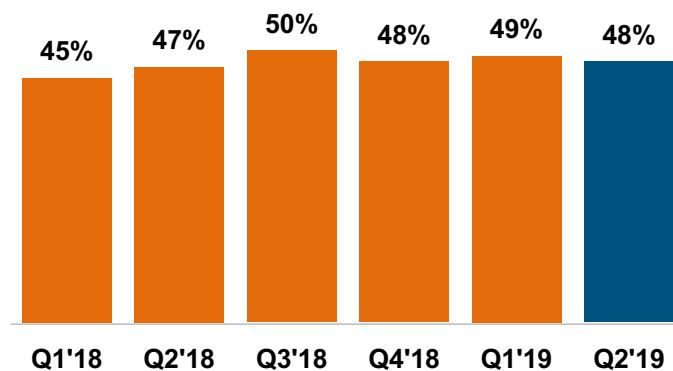
Operating Revenue (in millions)



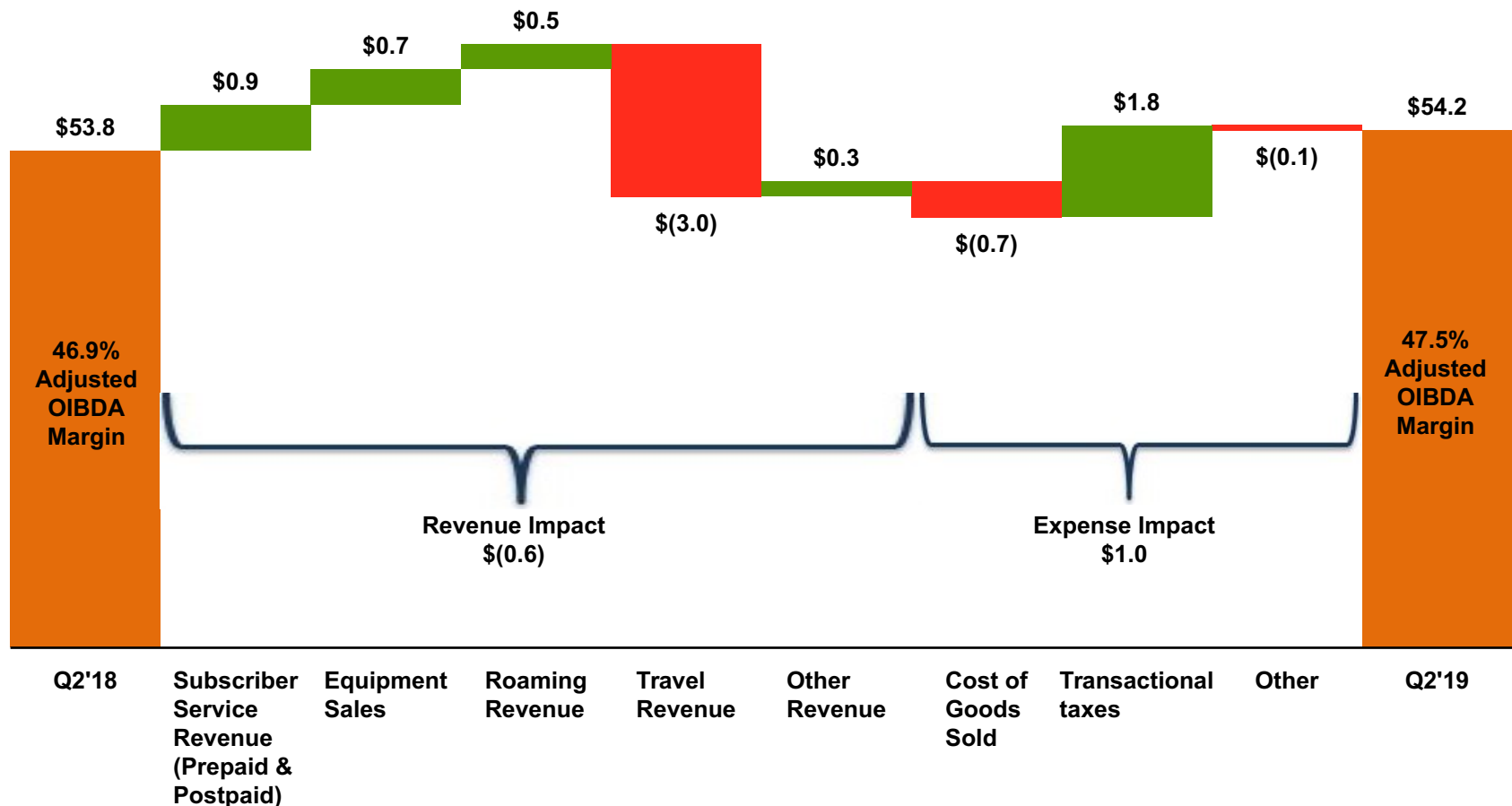
Adjusted OIBDA (in millions)



Adjusted OIBDA Margin

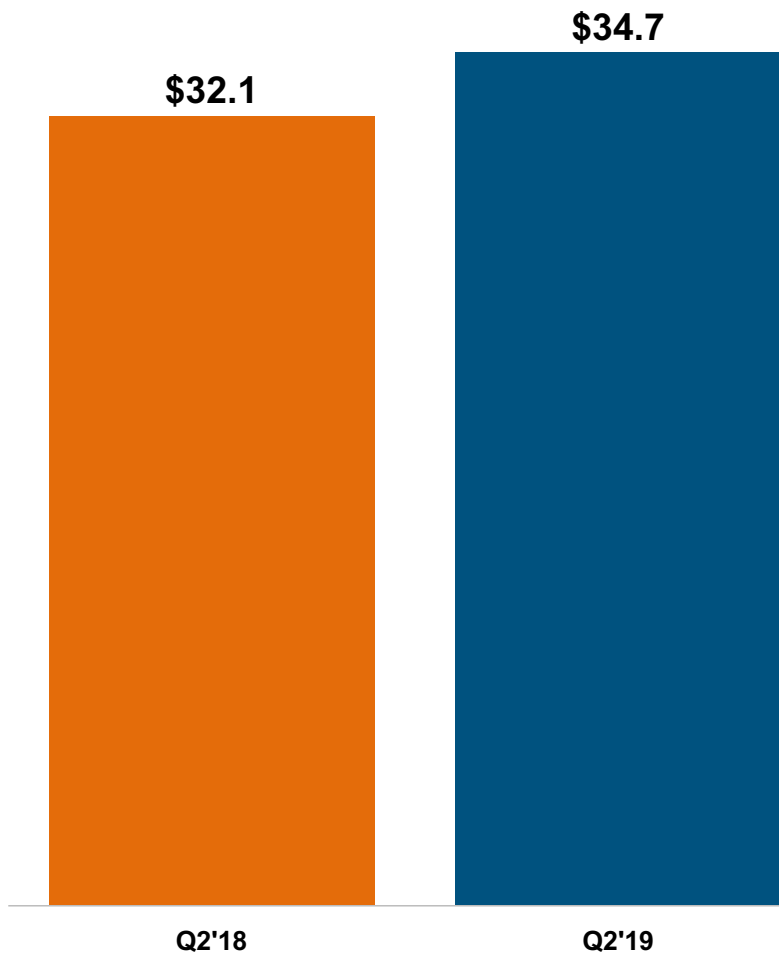


Wireless Segment – Change in Adjusted OIBDA Q2'19 vs. Q2'18 (millions)

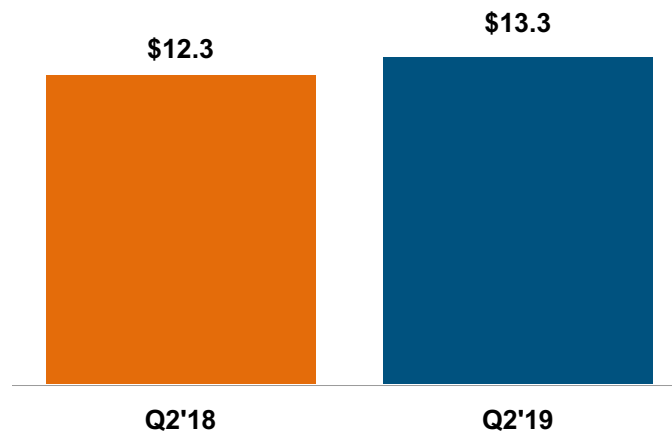


Cable Highlights

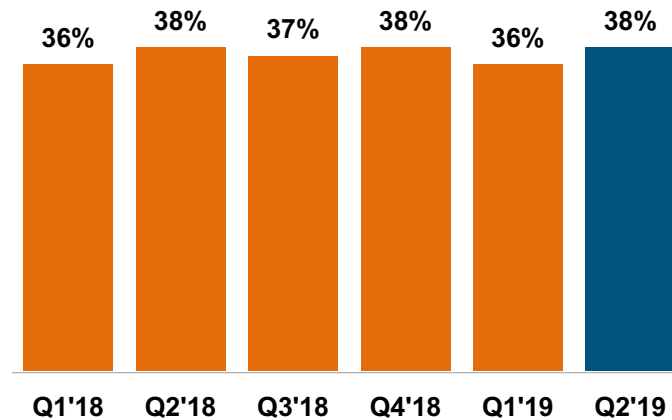
Operating Revenue (in millions)



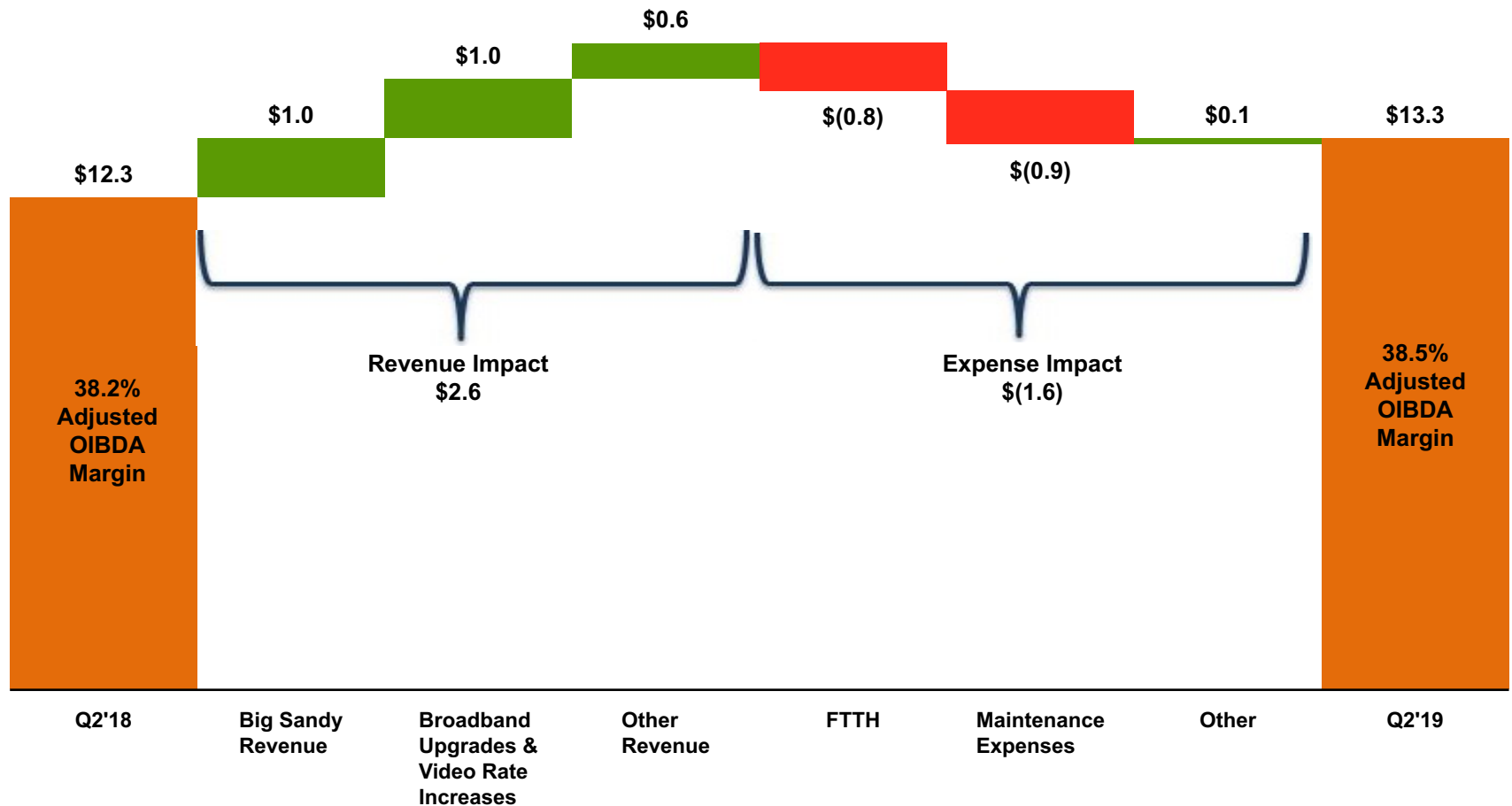
Adjusted OIBDA (in millions)



Adjusted OIBDA Margin

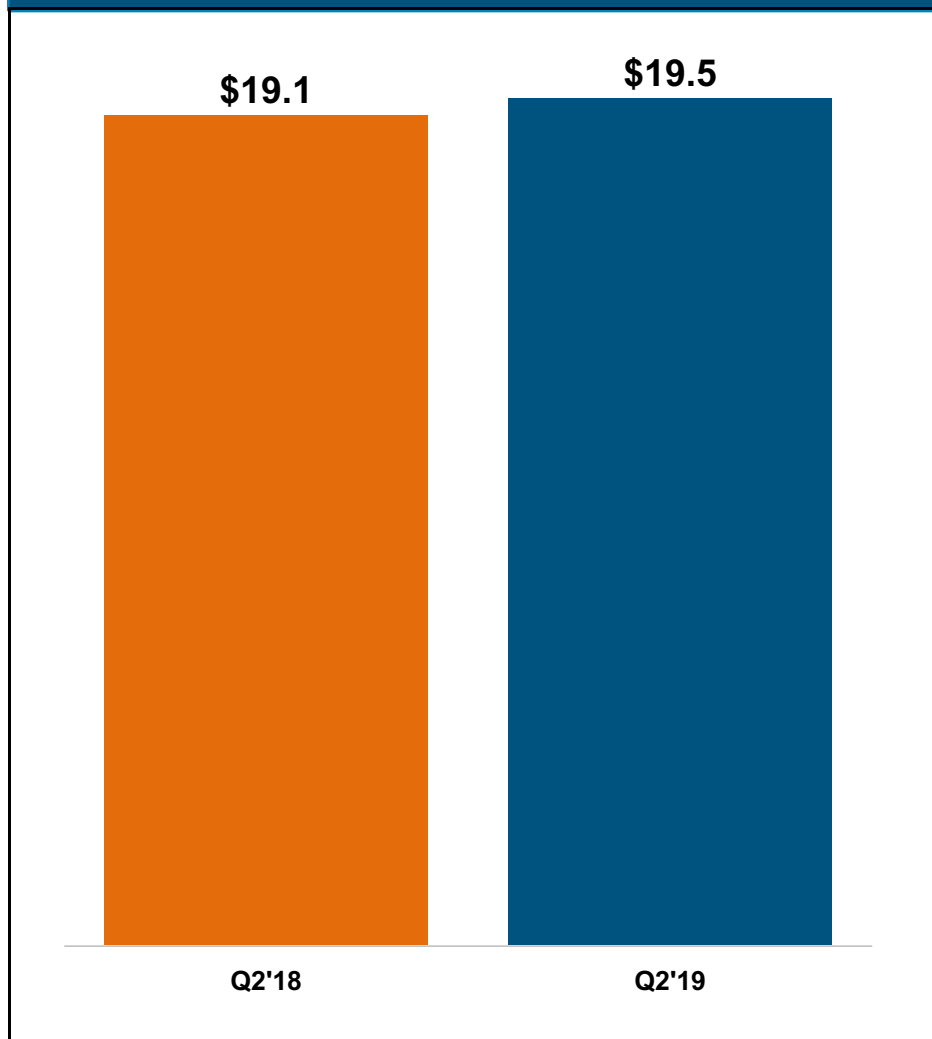


Cable Segment – Change in Adjusted OIBDA Q2'19 vs. Q2'18 (millions)

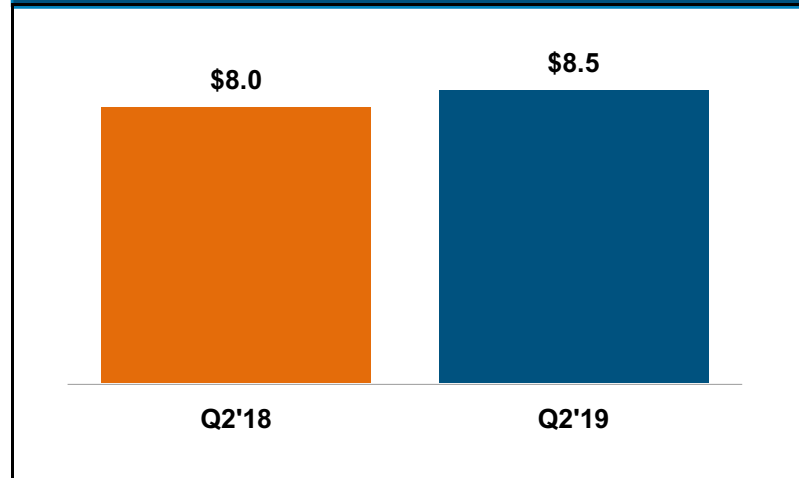


Wireline Highlights

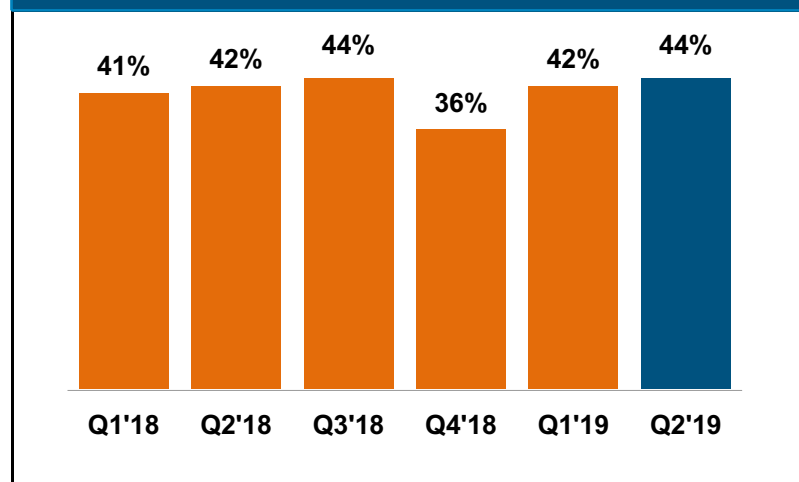
Operating Revenue (in millions)



Adjusted OIBDA (in millions)






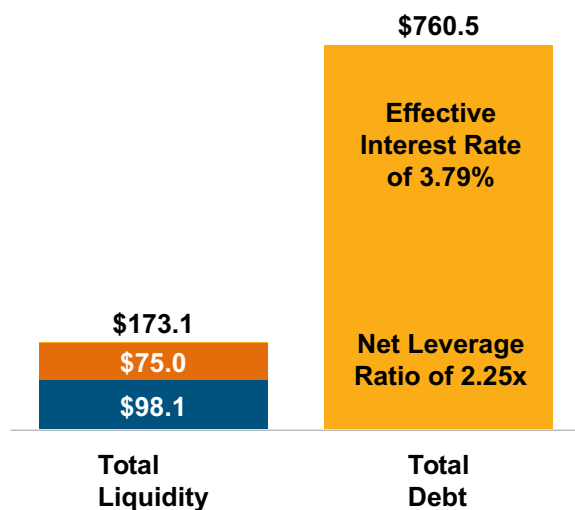
Adjusted OIBDA Margin



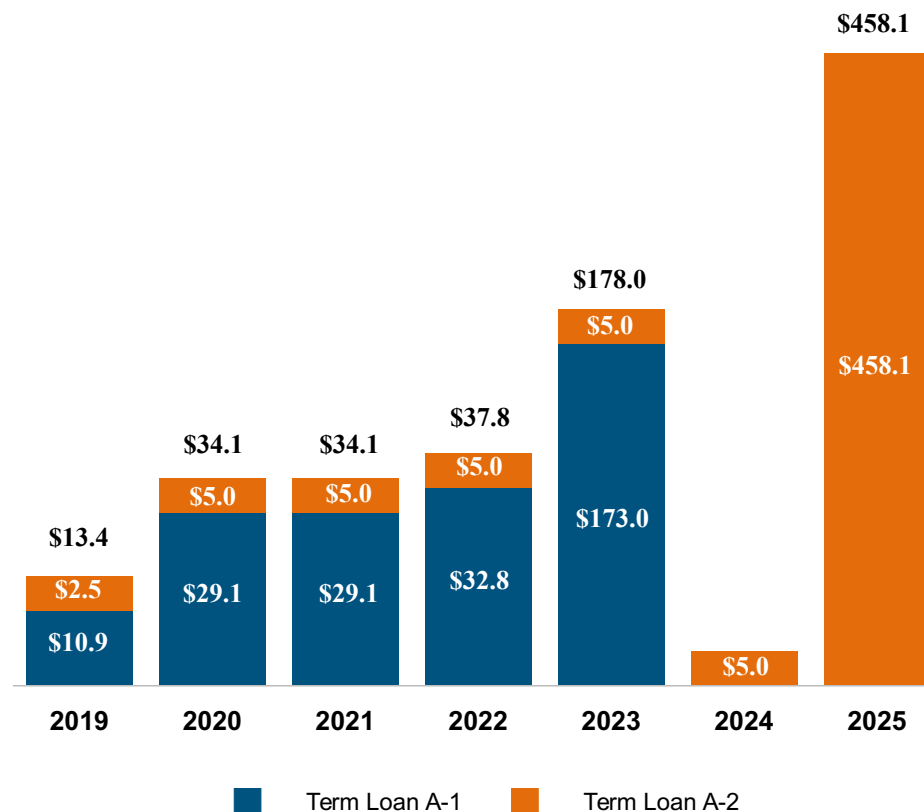
Capitalization

Total Liquidity & Debt (in millions)

 Cash & Cash Equivalents
 Available Revolving Line of Credit
 Total Debt



Debt Maturity (in millions)



- 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

780,658

811,719

Q2'18

Q2'19

Churn

1.67%

1.74%

Q2'18

Q2'19

Gross Additions / Net Change

44,629

5,797

Q2'18

52,799

10,767

Q2'19



Net Adds



Gross Adds

ARPU*

\$43.52

Q2'18

\$42.50

Q2'19

Wireless - Prepaid Metrics

Subscribers

252,054

269,039

Q2'18

Q2'19

Churn

4.25%

3.97%

Q2'18

Q2'19

Gross Additions / Net Change



Net Adds



Gross Adds

33,840

1,863

Q2'18

33,753

1,819

Q2'19

ARPU *

\$37.11

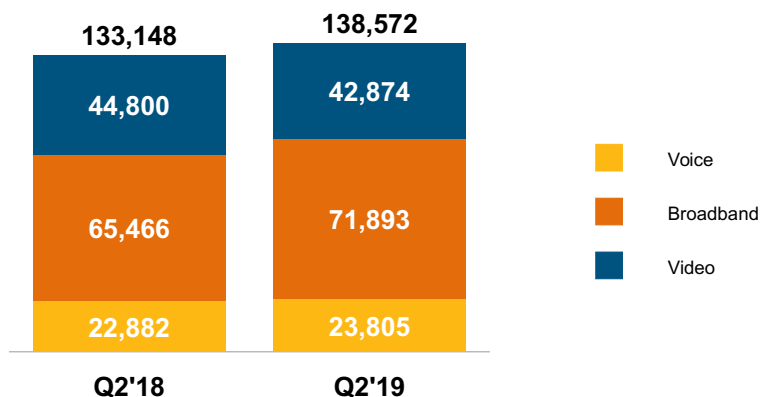
\$37.70

Q2'18

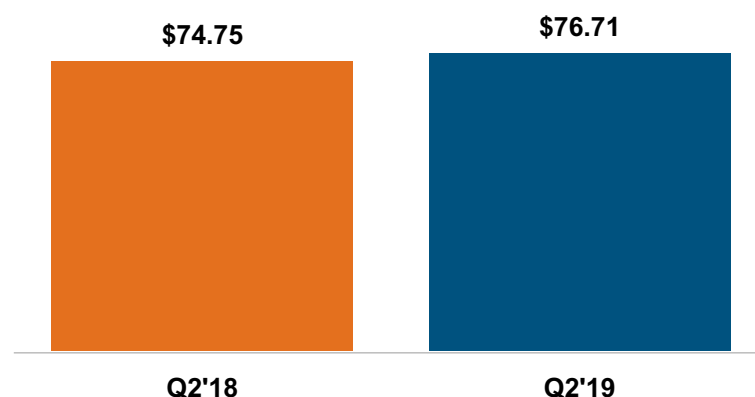
Q2'19

Cable - RGUs and Average Revenue

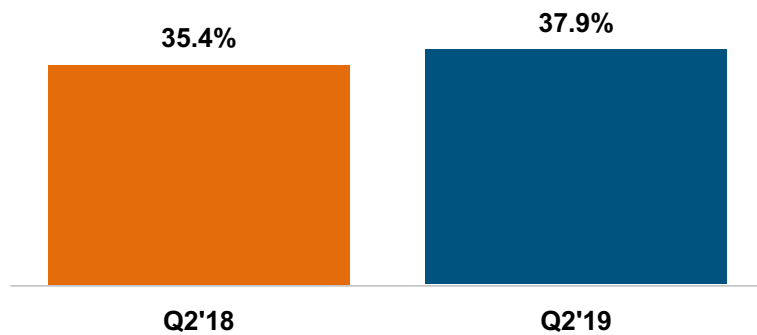
Revenue Generating Units (RGU)



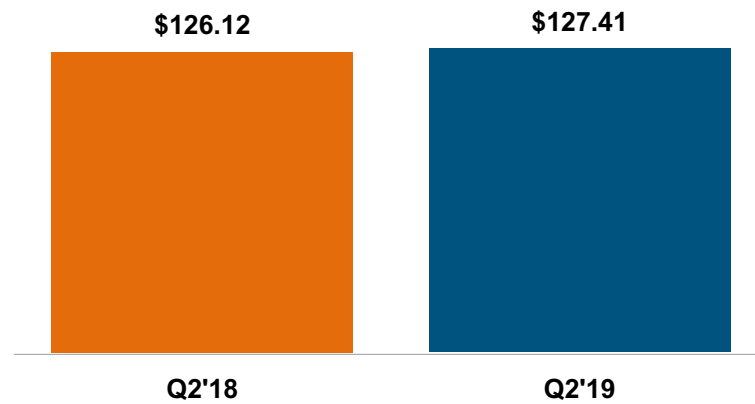
Average Monthly Revenue per RGU *



Broadband Penetration



Average Monthly Revenue per Customer *



Fiber to the Home ("FTTH") Initiative

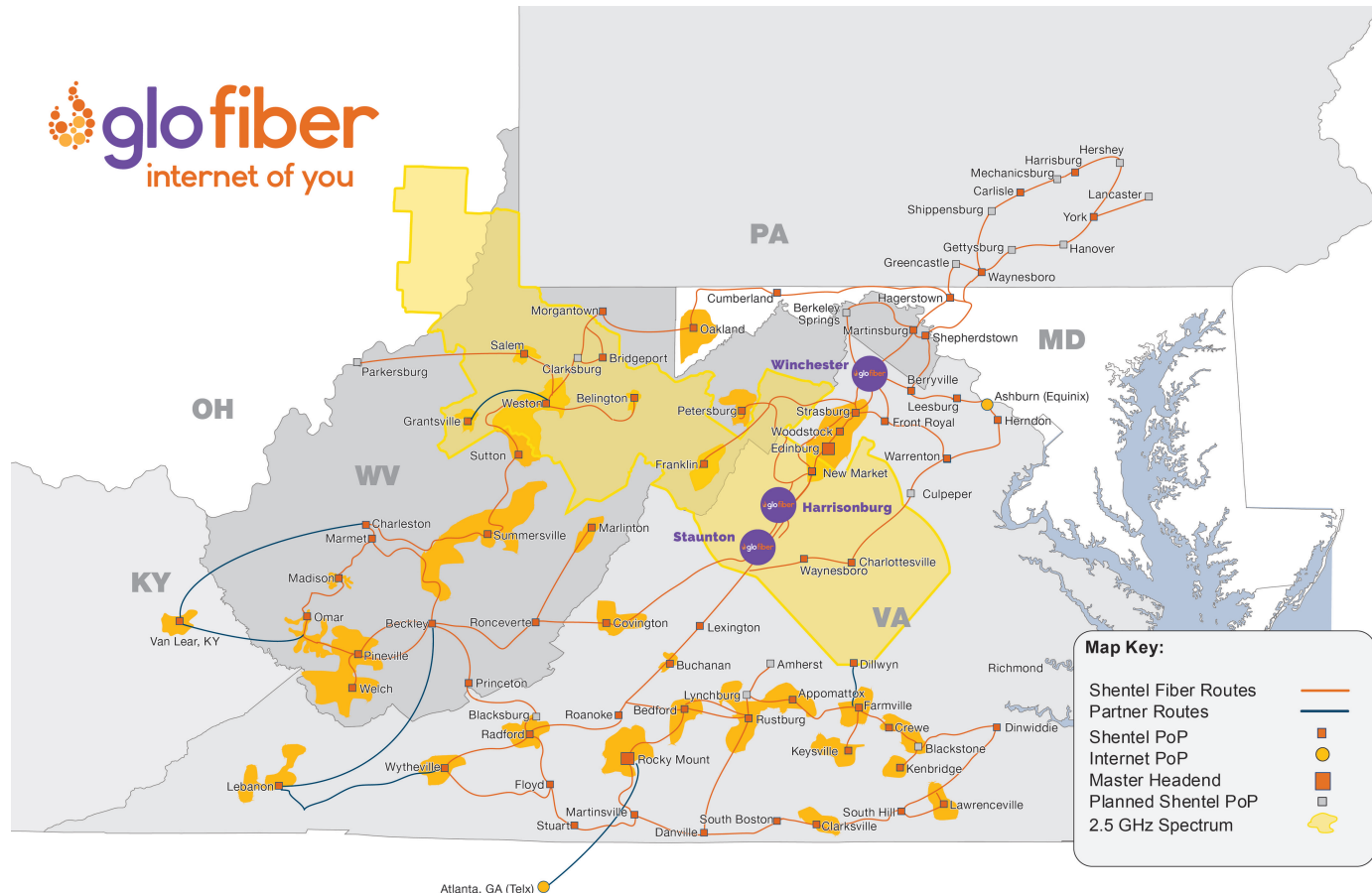
- FTTH "Edge Out" strategy to leverage existing robust fiber network and commercial customer base to target certain residential areas in three initial markets totaling approximately 40k incremental Homes Passed.

Homes Passed	Market	Launch Date
17.3K	Harrisonburg, VA	Q4'19
9.7K	Winchester, VA	Q4'19
11.7K	Staunton, VA	Q1'20
38.7K		

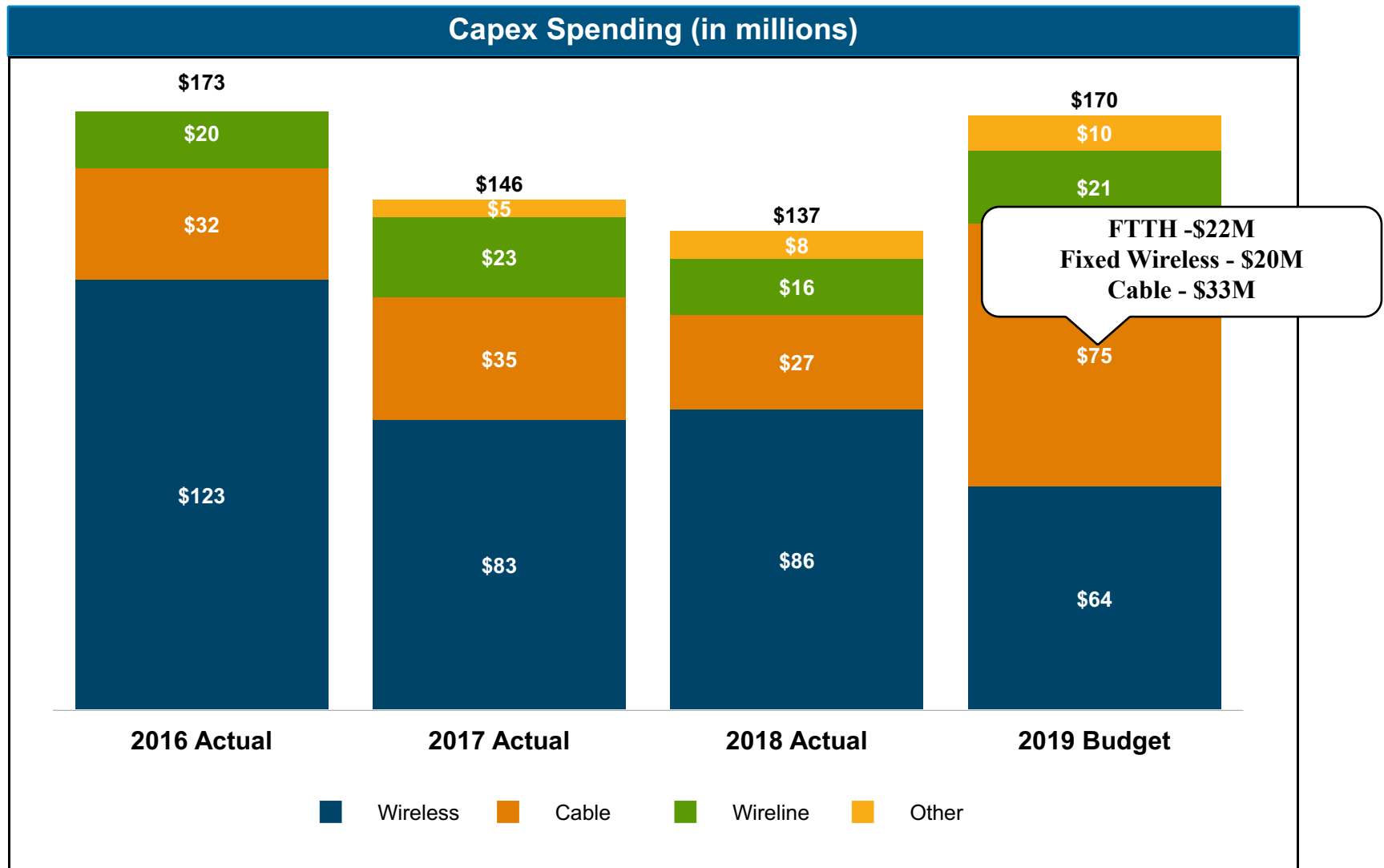
- Targeting markets that are in proximity of existing fiber assets where the incumbent phone company lacks a viable broadband offering.
- This metro fiber build will be leveraged to serve commercial customers and small cell opportunities.
- Will brand as Glo Fiber and differentiate through product performance, reliability, and local service.

Fixed Wireless Strategy

- Acquired 2.5 GHz spectrum for \$17M enables fixed wireless broadband deployment to over 1M POPs in rural areas out of reach of cable or fiber providers.
- Will deploy carrier grade 5G ready LTE standard technology.



Capital Expenditures - Investing in the Future



Q&A

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.

Q2'19 Adjusted OIBDA by Segment - Quarterly Results

Three Months Ended June 30, 2019

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Operating income	\$ 22,024	\$ 6,786	\$ 5,094	\$ (9,884)	\$ 24,020
Depreciation and amortization	32,219	6,555	3,447	132	42,353
OIBDA	54,243	13,341	8,541	(9,752)	66,373
Share-based compensation expense	—	—	—	593	593
Adjusted OIBDA	<u>\$ 54,243</u>	<u>\$ 13,341</u>	<u>\$ 8,541</u>	<u>\$ (9,159)</u>	<u>\$ 66,966</u>
Total operating revenue	\$ 114,140	\$ 34,690	\$ 19,527	(9,443)	\$ 158,914
Adjusted OIBDA margin	47.5%	38.5%	43.7%	N/A	42.1%

During Q2 2019, we modified our definition of Adjusted OIBDA to exclude cash savings realized under the benefit received from waived management fee and our non-cash amortization of deferred contract costs, as well as certain other immaterial items. This change enhances the comparability of our non-GAAP performance measure with similar performance measures reported by comparable companies in our industry. In the table below, we reconcile our new definition of Adjusted OIBDA to the previously reported Adjusted OIBDA.

Three Months Ended June 30, 2019

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Adjusted OIBDA from above	\$ 54,243	\$ 13,341	\$ 8,541	\$ (9,159)	\$ 66,966
Non-cash amortization of deferred contract costs	(3,903)	(32)	(51)	2	(3,984)
Benefit received from the waived management fee	9,692	—	—	—	9,692
Other	(19)	3	—	326	310
Adjusted OIBDA as previously reported	<u>\$ 60,013</u>	<u>\$ 13,312</u>	<u>\$ 8,490</u>	<u>\$ (8,831)</u>	<u>\$ 72,984</u>

Q1'19 Adjusted OIBDA by Segment - Quarterly Results

Three Months Ended March 31, 2019

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Operating income	\$ 25,337	\$ 5,703	\$ 4,346	\$ (10,599)	\$ 24,787
Depreciation and amortization	31,050	6,458	3,533	138	41,179
OIBDA	56,387	12,161	7,879	(10,461)	65,966
Share-based compensation expense	—	—	—	1,714	1,714
Adjusted OIBDA	<u>\$ 56,387</u>	<u>\$ 12,161</u>	<u>\$ 7,879</u>	<u>\$ (8,747)</u>	<u>\$ 67,680</u>
Total operating revenue	\$ 115,654	\$ 33,709	\$ 18,909	(9,429)	\$ 158,843
Adjusted OIBDA margin	48.8%	36.1%	41.7%	N/A	42.6%

During Q2 2019, we modified our definition of Adjusted OIBDA to exclude cash savings realized under the benefit received from waived management fee and our non-cash amortization of deferred contract costs, as well as certain other immaterial items. This change enhances the comparability of our non-GAAP performance measure with similar performance measures reported by comparable companies in our industry. In the table below, we reconcile our new definition of Adjusted OIBDA to the previously reported Adjusted OIBDA.

Three Months Ended March 31, 2019

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Adjusted OIBDA from above	\$ 56,387	\$ 12,161	\$ 7,879	\$ (8,747)	\$ 67,680
Non-cash amortization of deferred contract costs	(4,211)	(237)	(64)	(2)	(4,514)
Benefit received from the waived management fee	9,628	—	—	—	9,628
Other	19	136	—	27	182
Adjusted OIBDA as previously reported	<u>\$ 61,823</u>	<u>\$ 12,060</u>	<u>\$ 7,815</u>	<u>\$ (8,722)</u>	<u>\$ 72,976</u>

Q4'18 Adjusted OIBDA by Segment - Quarterly Results

Three Months Ended December 31, 2018

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Operating income	\$ 25,977	\$ 6,311	\$ 3,178	\$ (8,472)	\$ 26,994
Depreciation and amortization	31,668	6,339	3,604	162	41,773
OIBDA	57,645	12,650	6,782	(8,310)	68,767
Share-based compensation expense	—	—	—	381	381
Adjusted OIBDA	<u>\$ 57,645</u>	<u>\$ 12,650</u>	<u>\$ 6,782</u>	<u>\$ (7,929)</u>	<u>\$ 69,148</u>
Total operating revenue	\$ 118,999	\$ 32,899	\$ 18,701	(9,115)	\$ 161,484
Adjusted OIBDA margin	48.4%	38.5%	36.3%	N/A	42.8%

During Q2 2019, we modified our definition of Adjusted OIBDA to exclude cash savings realized under the benefit received from waived management fee and our non-cash amortization of deferred contract costs, as well as certain other immaterial items. This change enhances the comparability of our non-GAAP performance measure with similar performance measures reported by comparable companies in our industry. In the table below, we reconcile our new definition of Adjusted OIBDA to the previously reported Adjusted OIBDA.

Three Months Ended December 31, 2018

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Adjusted OIBDA from above	\$ 57,645	\$ 12,650	\$ 6,782	\$ (7,929)	\$ 69,148
Non-cash amortization of deferred contract costs	(4,026)	(17)	(58)	—	(4,101)
Benefit received from the waived management fee	9,599	—	—	—	9,599
Other	(30)	—	—	(1,441)	(1,471)
Adjusted OIBDA as previously reported	<u>\$ 63,188</u>	<u>\$ 12,633</u>	<u>\$ 6,724</u>	<u>\$ (9,370)</u>	<u>\$ 73,175</u>

Q3'18 Adjusted OIBDA by Segment - Quarterly Results

Three Months Ended September 30, 2018

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Operating income	\$ 27,352	\$ 5,834	\$ 5,122	\$ (9,979)	\$ 28,329
Depreciation and amortization	30,363	6,102	3,435	128	40,028
OIBDA	57,715	11,936	8,557	(9,851)	68,357
Share-based compensation expense	—	—	—	1,171	1,171
Adjusted OIBDA	<u>\$ 57,715</u>	<u>\$ 11,936</u>	<u>\$ 8,557</u>	<u>\$ (8,680)</u>	<u>\$ 69,528</u>
Total operating revenue	\$ 116,099	\$ 32,182	\$ 19,622	(9,172)	\$ 158,731
Adjusted OIBDA margin	49.7%	37.1%	43.6%	N/A	43.8%

During Q2 2019, we modified our definition of Adjusted OIBDA to exclude cash savings realized under the benefit received from waived management fee and our non-cash amortization of deferred contract costs, as well as certain other immaterial items. This change enhances the comparability of our non-GAAP performance measure with similar performance measures reported by comparable companies in our industry. In the table below, we reconcile our new definition of Adjusted OIBDA to the previously reported Adjusted OIBDA.

Three Months Ended September 30, 2018

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Adjusted OIBDA from above	\$ 57,715	\$ 11,936	\$ 8,557	\$ (8,680)	\$ 69,528
Non-cash amortization of deferred contract costs	(4,868)	(172)	(77)	—	(5,117)
Benefit received from the waived management fee	9,558	—	—	—	9,558
Other	197	—	—	(82)	115
Adjusted OIBDA as previously reported	<u>\$ 62,602</u>	<u>\$ 11,764</u>	<u>\$ 8,480</u>	<u>\$ (8,762)</u>	<u>\$ 74,084</u>

Q2'18 Adjusted OIBDA by Segment - Quarterly Results

Three Months Ended June 30, 2018

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Operating income	\$ 22,251	\$ 6,083	\$ 4,793	\$ (11,958)	\$ 21,169
Depreciation and amortization	31,565	6,179	3,240	133	41,117
OIBDA	53,816	12,262	8,033	(11,825)	62,286
Share-based compensation expense	—	—	—	1,370	1,370
Adjusted OIBDA	<u>\$ 53,816</u>	<u>\$ 12,262</u>	<u>\$ 8,033</u>	<u>\$ (10,455)</u>	<u>\$ 63,656</u>
Total operating revenue	\$ 114,753	\$ 32,111	\$ 19,112	(9,475)	\$ 156,501
Adjusted OIBDA margin	46.9%	38.2%	42.0%	N/A	40.7%

During Q2 2019, we modified our definition of Adjusted OIBDA to exclude cash savings realized under the benefit received from waived management fee and our non-cash amortization of deferred contract costs, as well as certain other immaterial items. This change enhances the comparability of our non-GAAP performance measure with similar performance measures reported by comparable companies in our industry. In the table below, we reconcile our new definition of Adjusted OIBDA to the previously reported Adjusted OIBDA.

Three Months Ended June 30, 2018

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Adjusted OIBDA from above	\$ 53,816	\$ 12,262	\$ 8,033	\$ (10,455)	\$ 63,656
Non-cash amortization of deferred contract costs	(3,394)	(26)	(27)	—	(3,447)
Benefit received from the waived management fee	9,558	—	—	—	9,558
Other	94	—	—	(83)	11
Adjusted OIBDA as previously reported	<u>\$ 60,074</u>	<u>\$ 12,236</u>	<u>\$ 8,006</u>	<u>\$ (10,538)</u>	<u>\$ 69,778</u>

Q1'18 Adjusted OIBDA by Segment - Quarterly Results

Three Months Ended March 31, 2018

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Operating income	\$ 17,267	\$ 5,527	\$ 4,772	\$ (10,812)	\$ 16,754
Depreciation and amortization	33,925	6,024	3,394	144	43,487
OIBDA	51,192	11,551	8,166	(10,668)	60,241
Share-based compensation expense	—	—	—	2,037	2,037
Adjusted OIBDA	<u>\$ 51,192</u>	<u>\$ 11,551</u>	<u>\$ 8,166</u>	<u>\$ (8,631)</u>	<u>\$ 62,278</u>
Total operating revenue	\$ 112,804	\$ 31,711	\$ 19,707	(10,084)	\$ 154,138
Adjusted OIBDA margin	45.4%	36.4%	41.4%	N/A	40.4%

During Q2 2019, we modified our definition of Adjusted OIBDA to exclude cash savings realized under the benefit received from waived management fee and our non-cash amortization of deferred contract costs, as well as certain other immaterial items. This change enhances the comparability of our non-GAAP performance measure with similar performance measures reported by comparable companies in our industry. In the table below, we reconcile our new definition of Adjusted OIBDA to the previously reported Adjusted OIBDA.

Three Months Ended March 31, 2018

(in thousands)

	Wireless	Cable	Wireline	Other	Consolidated
Adjusted OIBDA from above	\$ 51,192	\$ 11,551	\$ 8,166	\$ (8,631)	\$ 62,278
Non-cash amortization of deferred contract costs	(2,760)	141	(35)	—	(2,654)
Benefit received from the waived management fee	9,048	—	—	—	9,048
Other	81	—	—	(82)	(1)
Adjusted OIBDA as previously reported	<u>\$ 57,561</u>	<u>\$ 11,692</u>	<u>\$ 8,131</u>	<u>\$ (8,713)</u>	<u>\$ 68,671</u>

Net Leverage Ratio

(\$ in thousands)

	Q2'19
Total Debt	\$ 760,459
Cash*	\$ 50,000
Total Debt less Cash	\$ 710,459
LTM EBITDA per Credit Facility Agreement**	\$ 315,519
Net leverage ratio	2.25

* Cash is limited to \$50.0 million for purposes of this calculation under the terms of the credit facility agreement.

** EBITDA is calculated in accordance with the credit facility agreement and includes the benefit received from the waived management fee and other items not included in non-GAAP Adjusted OIBDA.

Appendix

Wireless Average Revenue per User (ARPU)

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

	Q2'18	Q2'19
Postpaid billings	\$ 96,127	\$ 97,779
Adjustment for write-offs	5,087	4,795
Postpaid billings excluding write-offs	<u>\$ 101,214</u>	<u>\$ 102,574</u>
Average postpaid subscribers*	775,186	804,506
Average monthly billed revenue per postpaid subscriber**	<u>\$ 43.52</u>	<u>\$ 42.50</u>
Prepaid billings	\$ 27,915	\$ 30,328
Average prepaid subscribers*	250,746	268,156
Average monthly billed revenue per prepaid subscriber**	<u>\$ 37.11</u>	<u>\$ 37.70</u>

* Represents a quarterly average

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

Cable - Average Revenue

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

	Q2'18	Q2'19
Service revenue	\$ 28,748	\$ 30,716
Fiber, FUSC, pass-through and other	2,014	2,528
Internal revenue	(1,097)	(1,481)
Video, broadband and voice revenue	29,665	31,763
Other miscellaneous revenue	2,446	2,927
Total operating revenue	\$ 32,111	\$ 34,690

Average Subscribers*

Revenue generating units (RGUs)	132,287	138,016
Average customer relationships	78,407	83,097

Average Revenue Per User (ARPU)**

Revenue generating units (RGUs)	\$ 74.75	\$ 76.71
Customer relationships	\$ 126.12	\$ 127.41

* Represents a quarterly average

**ARPU calculation = (video, broadband & voice revenue * 1,000) / average subscribers / 3 months

Cable - Metrics

	As of June 30,	
	2018	2019
Homes passed	185,016	189,762
Total revenue generating units	133,148	138,572
Customer relationships	78,256	83,521
RGUs per customer relationship	1.70	1.66
Video		
Revenue generating units	44,800	42,874
Penetration	24.2%	22.6%
Digital video penetration	76.9%	90.3%
Broadband		
Revenue generating units	65,466	71,893
Penetration	35.4%	37.9%
Voice		
Revenue generating units	22,882	23,805
Penetration	12.4%	12.5%