



SHENTEL[®]

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Q2 2018

Earnings Conference Call

August 7, 2018

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, 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, 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.

Use of Non-GAAP Financial Measures

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. 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.



Chris French

President and CEO

Second Quarter 2018 Highlights

- **Revenue**

- \$154.0 million in Q2'18 compared with \$153.3 million in Q2'17.
- Includes a reduction of \$4.0 million related to the adoption of Revenue Recognition, ASC 606.

- **Operating Income**

- \$18.7 million in Q2'18 compared with \$8.3 million in Q2'17.

- **Net Income**

- \$7.8 million in Q2'18 compared with \$80 thousand loss in Q2'17.

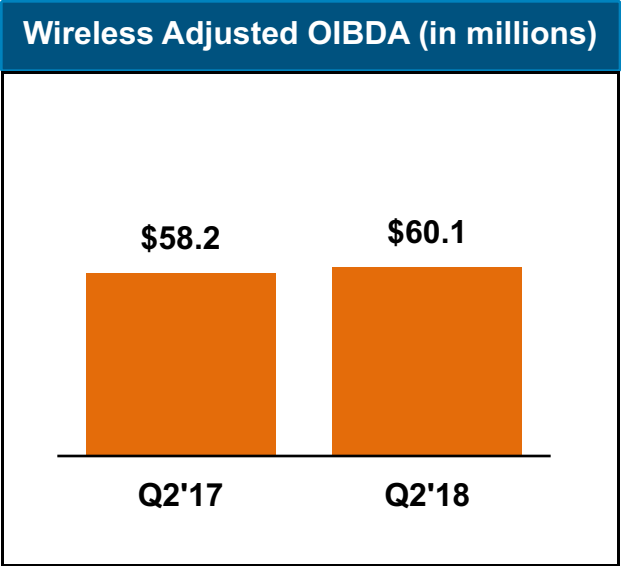
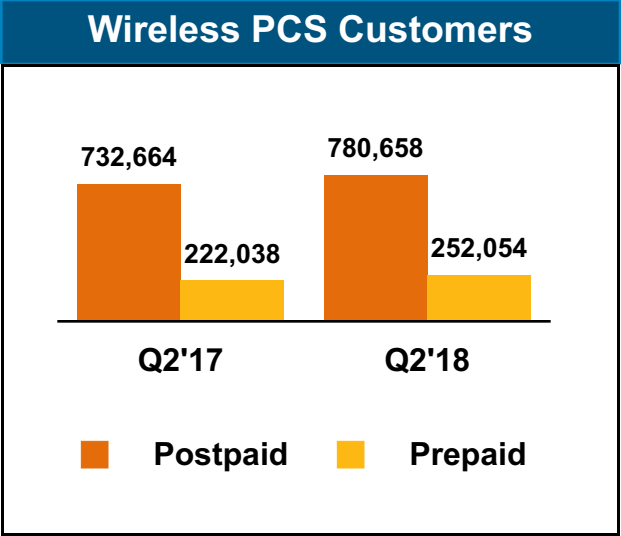
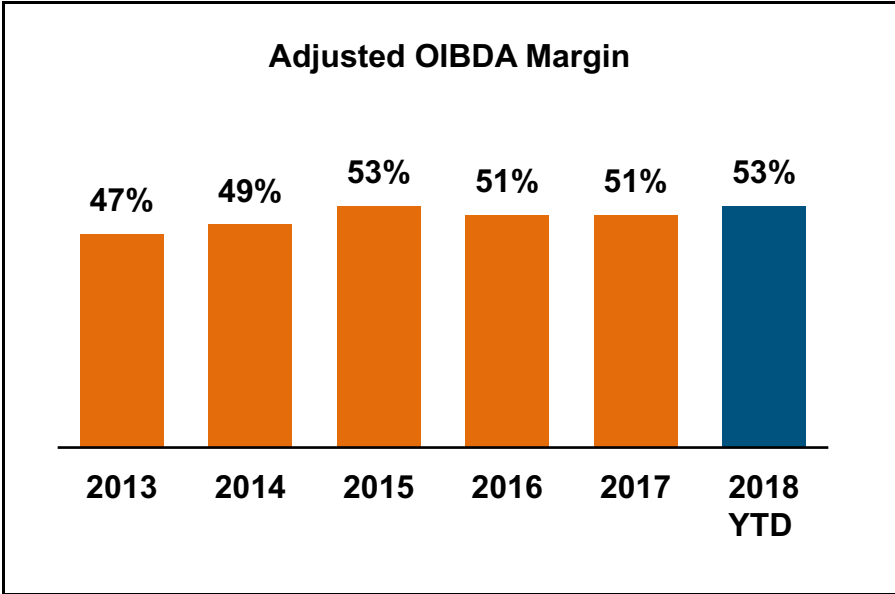
- **Adjusted OIBDA**

- \$69.8 million, representing a 45% Adjusted OIBDA margin, compared with \$69.4 million and 45% in Q2'17.

Wireless Highlights

- Continued Growth**

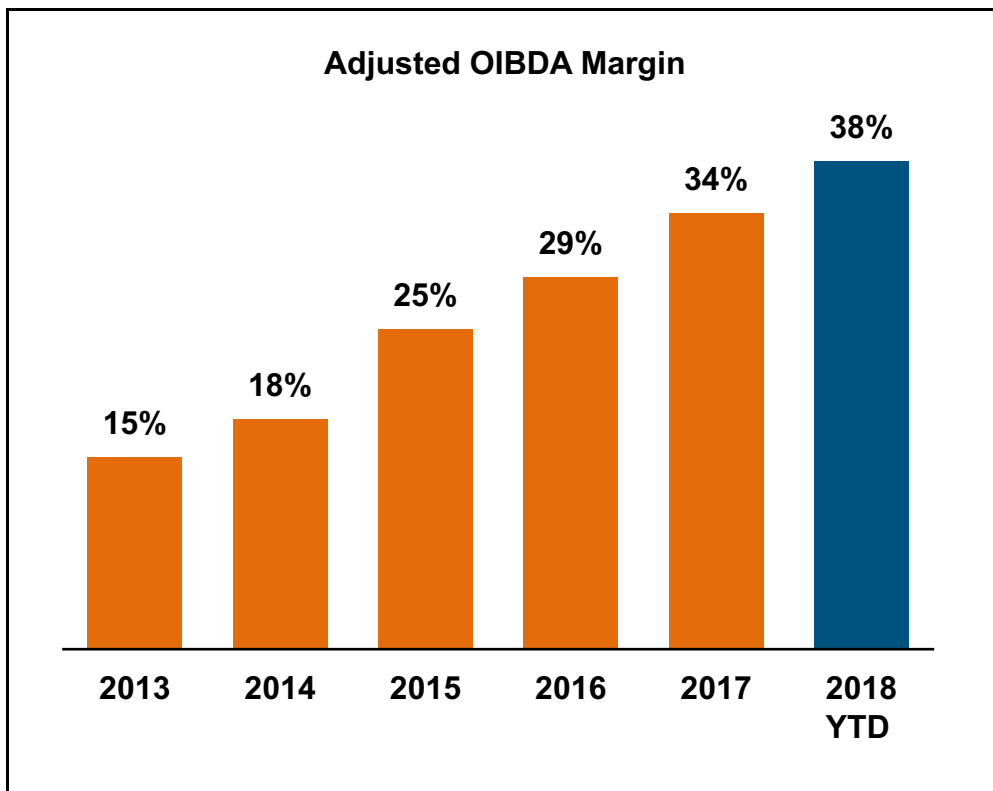
- 780,658 Postpaid customers Q2'18, up 6.6% over Q2'17
- 252,054 Prepaid customers Q2'18, up 13.5% over Q2'17
- Operating revenues increased \$2.2 million, or 2.0%, excluding the impact of the adoption of ASC 606.
- Adjusted OIBDA \$60.1 million, up 3.2% over Q2'17



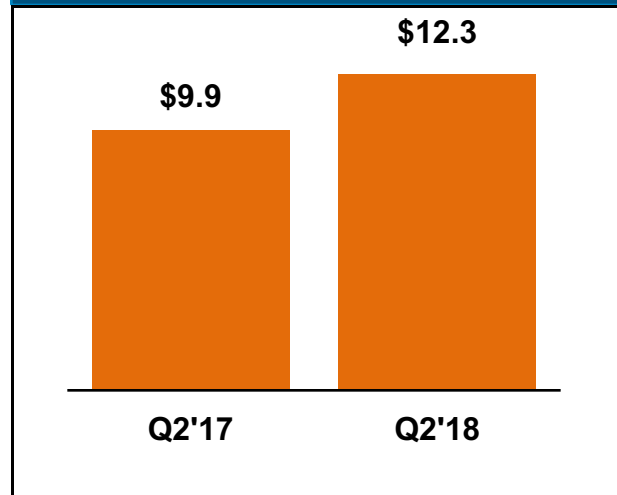
Cable Highlights

- Continued Growth

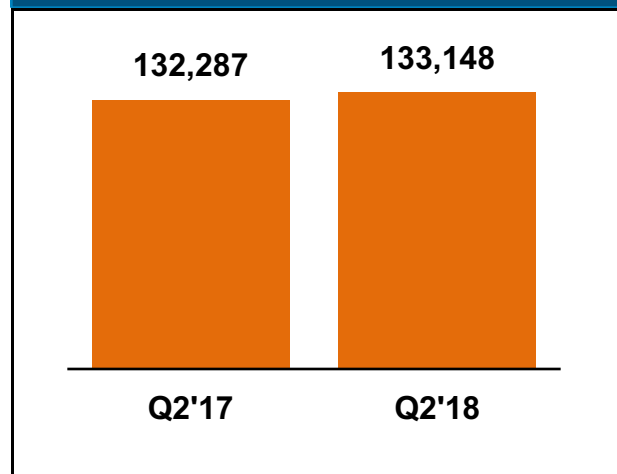
- Operating revenues \$32.1 million, growth of 8.6% over Q2'17
- Adjusted OIBDA \$12.3 million, up 23.7% over Q2'17



Cable Adjusted OIBDA (in millions)



Cable RGUs

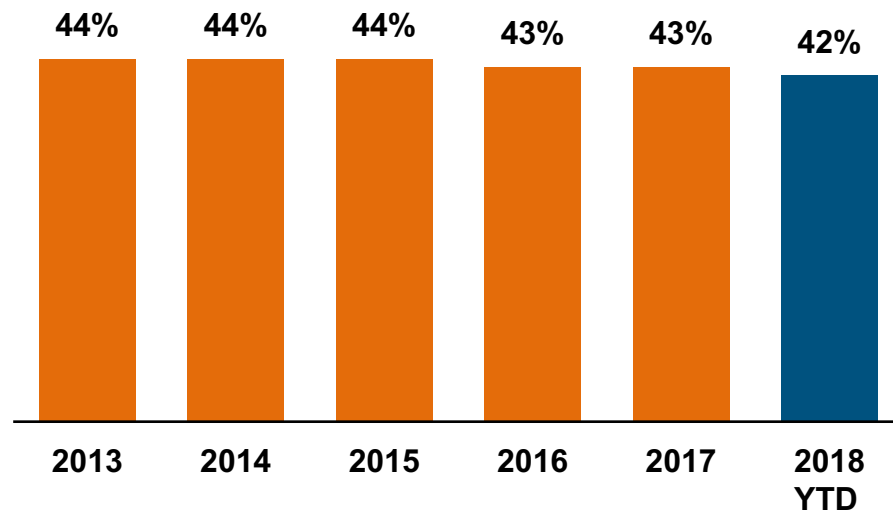


Wireline Highlights

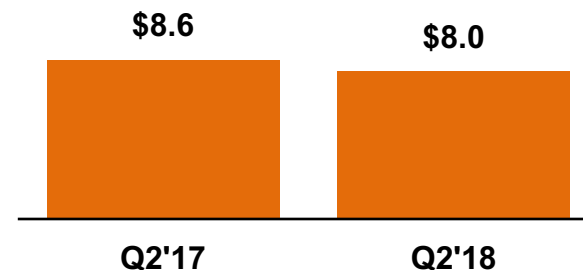
- Continued Profitability

- Operating revenues \$19.1 million, down 2.4% from Q2'17
- Adjusted OIBDA \$8.0 million, down 7.4% from Q2'17
- 14,694 Broadband Customers at Q2'18, up 0.6% over Q2'17

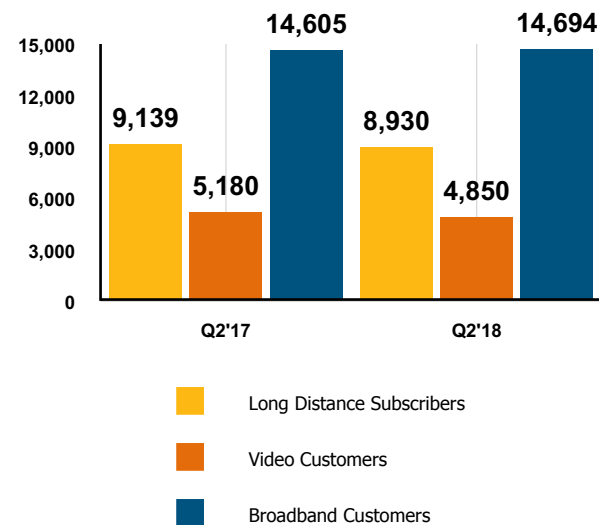
Adjusted OIBDA Margin



Wireline Adjusted OIBDA (in millions)

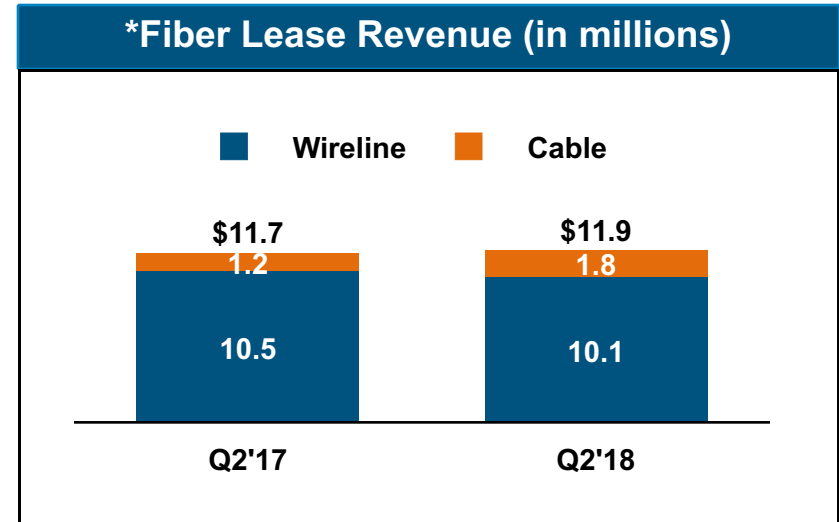


Wireline Statistics



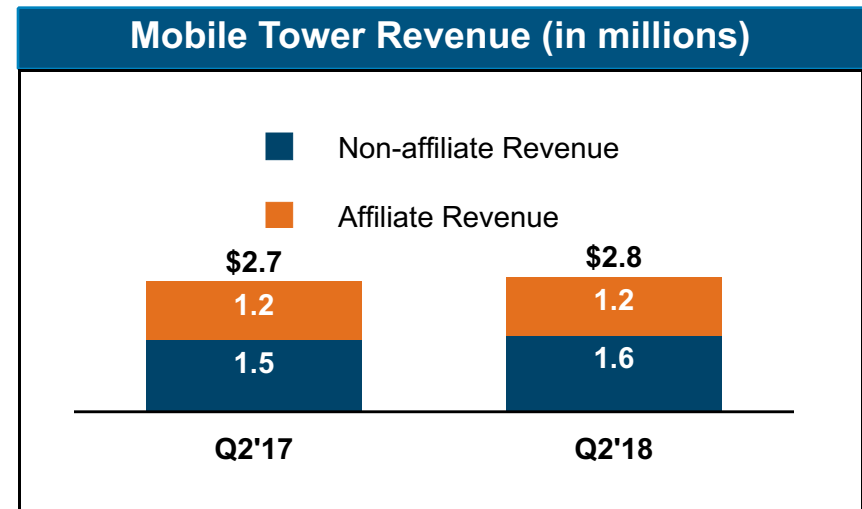
Fiber and Tower Highlights

- Cable and Wireline fiber lease revenues of \$11.9 million, up 1.7% over Q2'17



*Includes affiliate/intercompany revenue.

- 193 towers generated \$2.8 million of revenue in Q2'18, an increase of 3.7% over Q2'17





Jim Woodward

SVP of Finance and CFO

Consolidated Quarterly Results

Consolidated Results (\$ in thousands, except per share amounts)

	Three Months Ended:			
	6/30/18	6/30/17	Change (\$)	Change (%)
Operating Revenues	\$ 154,030	\$ 153,258	\$ 772	0.5 %
Operating Expenses	\$ 135,332	\$ 145,006	\$ (9,674)	(6.7)%
Operating Income	\$ 18,698	\$ 8,252	\$ 10,446	126.6 %
Net Income (Loss)	\$ 7,824	\$ (80)	\$ 7,904	— %
Earnings Per Share:				
Basic	\$ 0.16	\$ —	\$ 0.16	— %
Diluted	\$ 0.16	\$ —	\$ 0.16	— %

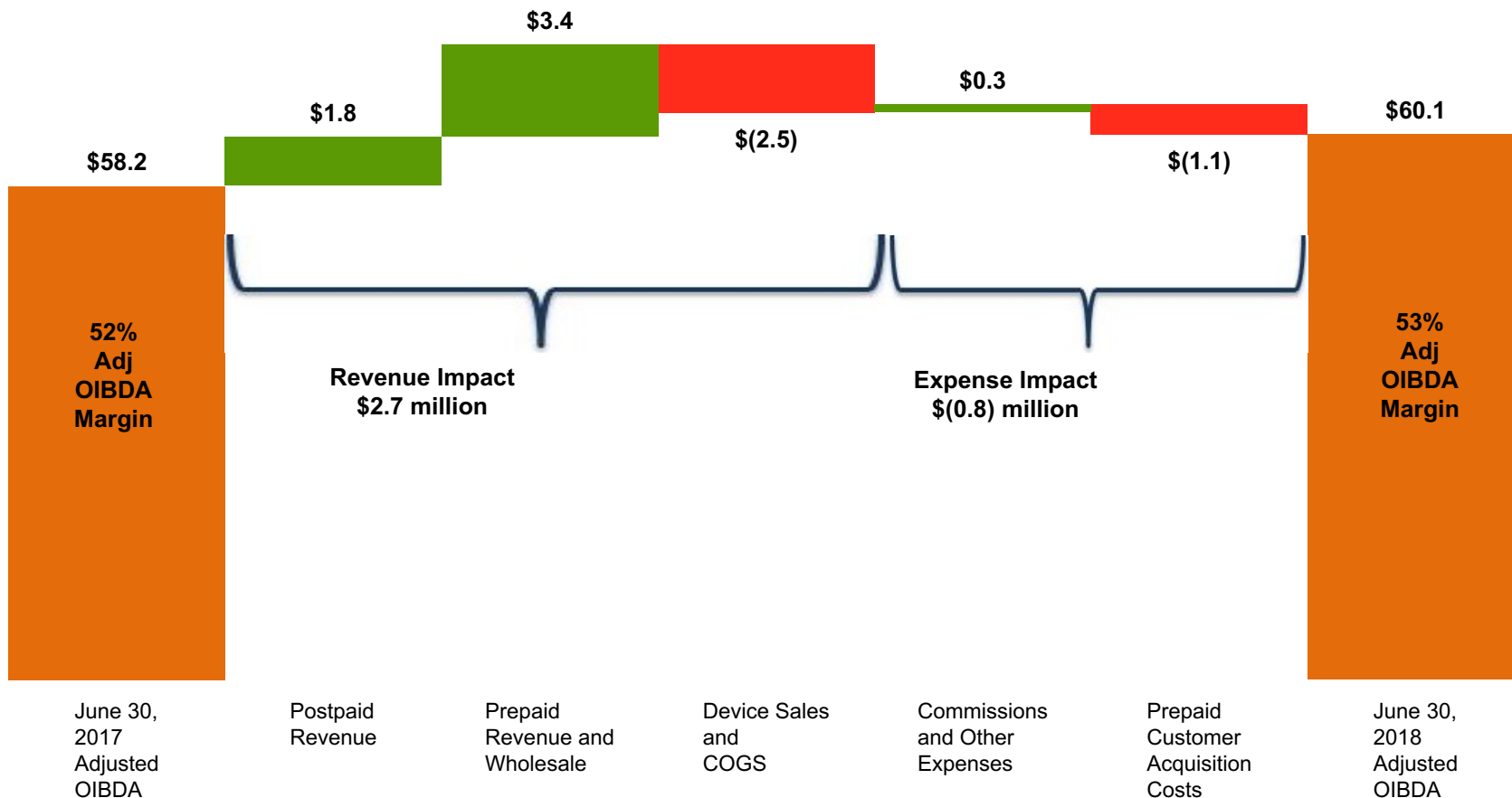
Adjusted OIBDA by Segment - Quarterly Results

Adjusted OIBDA by Segment (\$ millions)

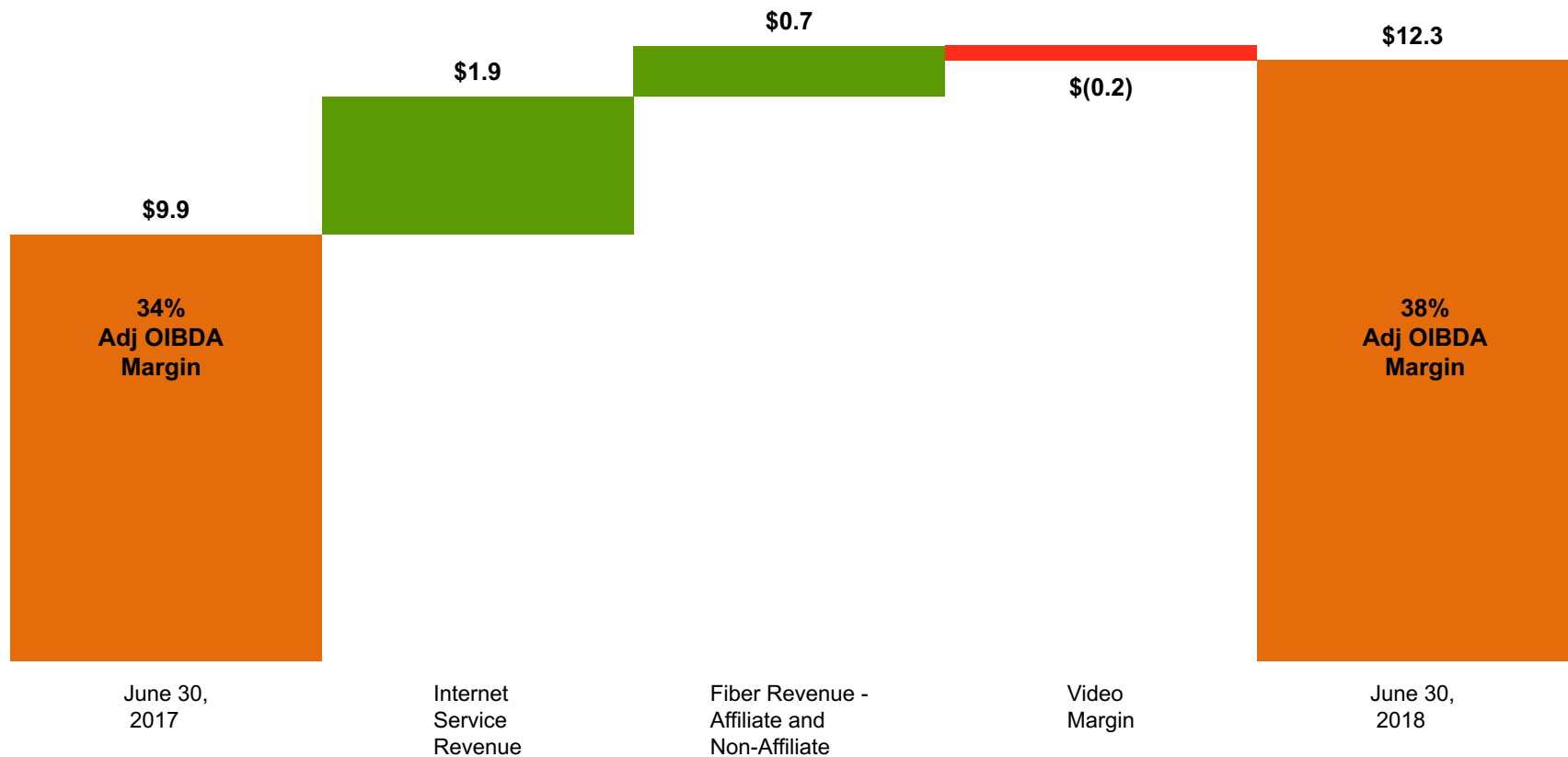
Three Months Ended June 30, 2018

<i>(in thousands)</i>	Wireless	Cable	Wireline	Other	Consolidated
Operating Income	\$ 19,780	\$ 6,083	\$ 4,793	\$ (11,958)	\$ 18,698
Impact of ASC topic 606	(924)	4	(25)	—	(945)
Depreciation and amortization	31,565	6,179	3,240	133	41,117
Share based compensation expense	—	—	—	1,370	1,370
Benefit received from the waived management fee	9,558	—	—	—	9,558
Amortization of intangibles netted in rent expense	93	—	—	—	93
Actuarial (gains) losses on pension plans	—	—	—	(82)	(82)
Adjusted OIBDA	60,072	12,266	8,008	(10,537)	69,809
Waived management fee	(9,558)	—	—	—	(9,558)
Continuing OIBDA	\$ 50,514	\$ 12,266	\$ 8,008	\$ (10,537)	\$ 60,251
Adjusted OIBDA Margin					45.3%
PY Adjusted OIBDA	58,216	9,919	8,646	(7,337)	69,444
PY Continuing OIBDA	49,049	9,919	8,646	(7,337)	60,277

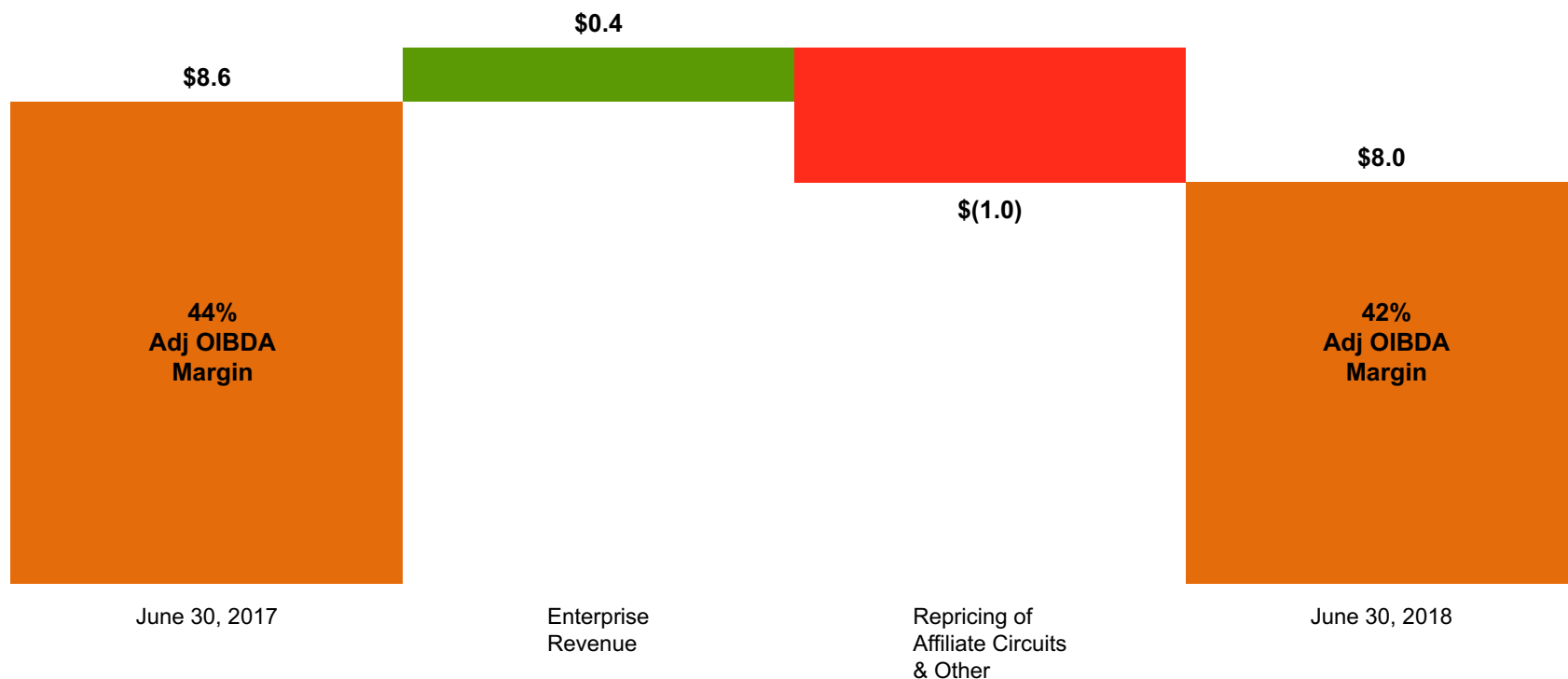
Wireless Segment – Change in Adjusted OIBDA Q2'18 vs. Q2'17 (\$ millions)



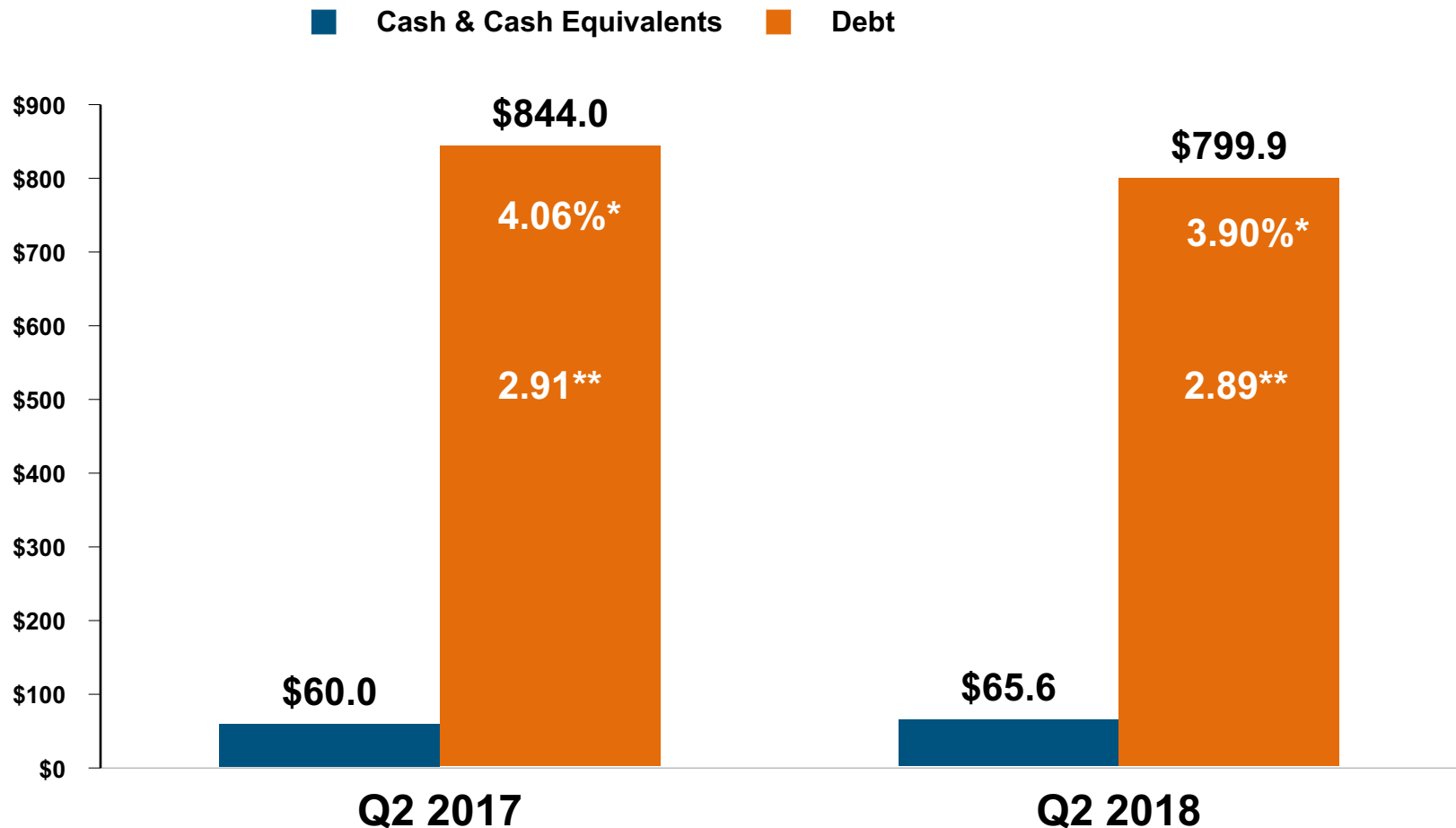
Cable Segment – Change in Adjusted OIBDA Q2'18 vs. Q2'17 (\$ millions)



Wireline Segment – Change in Adjusted OIBDA Q2'18 vs. Q2'17 (\$ millions)



Capitalization - As of June 30, 2018 (\$ millions)



*Effective interest rate.

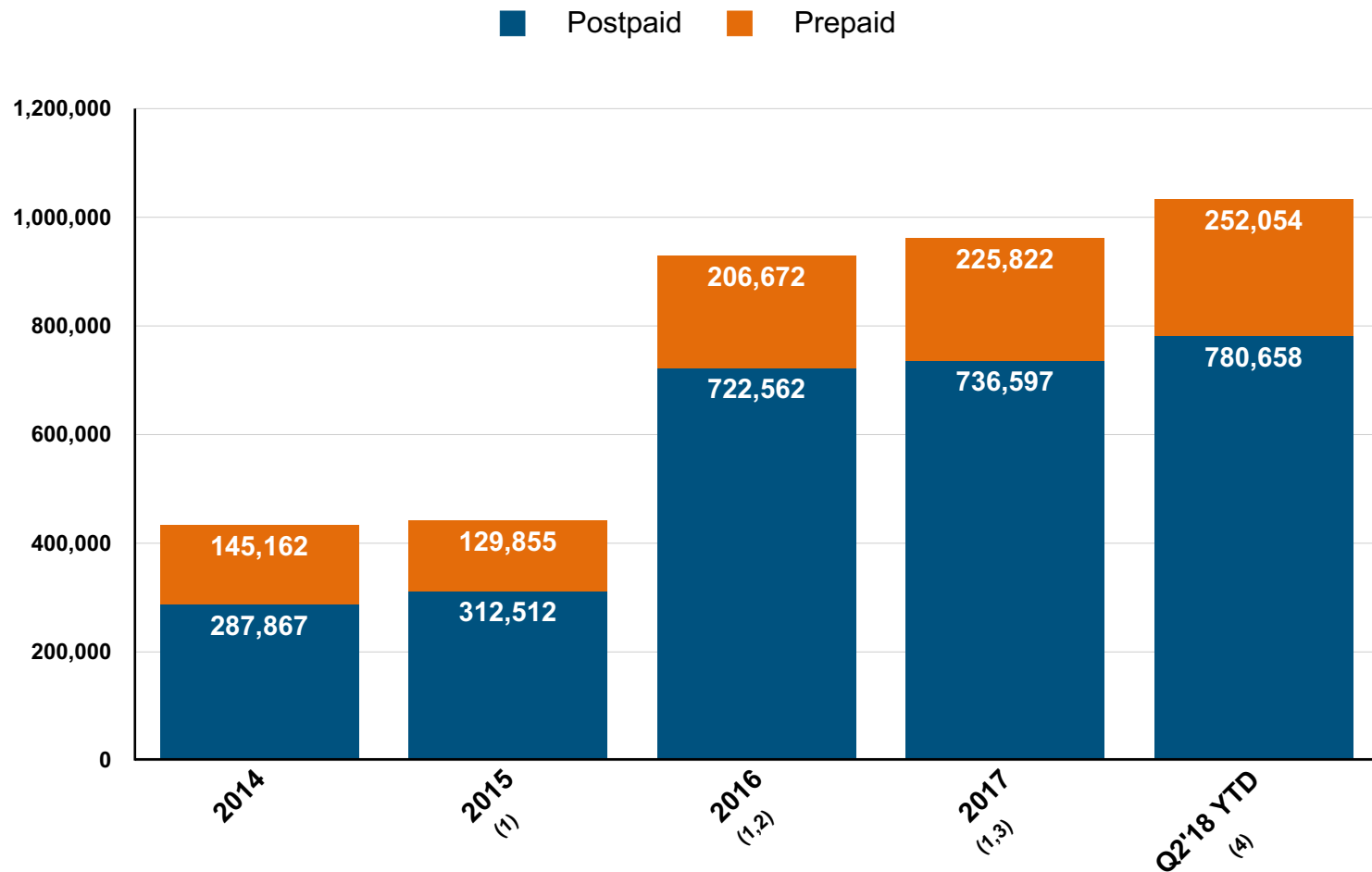
** Leverage Ratio



Dave Heimbach

EVP and COO

Wireless - Subscriber Growth



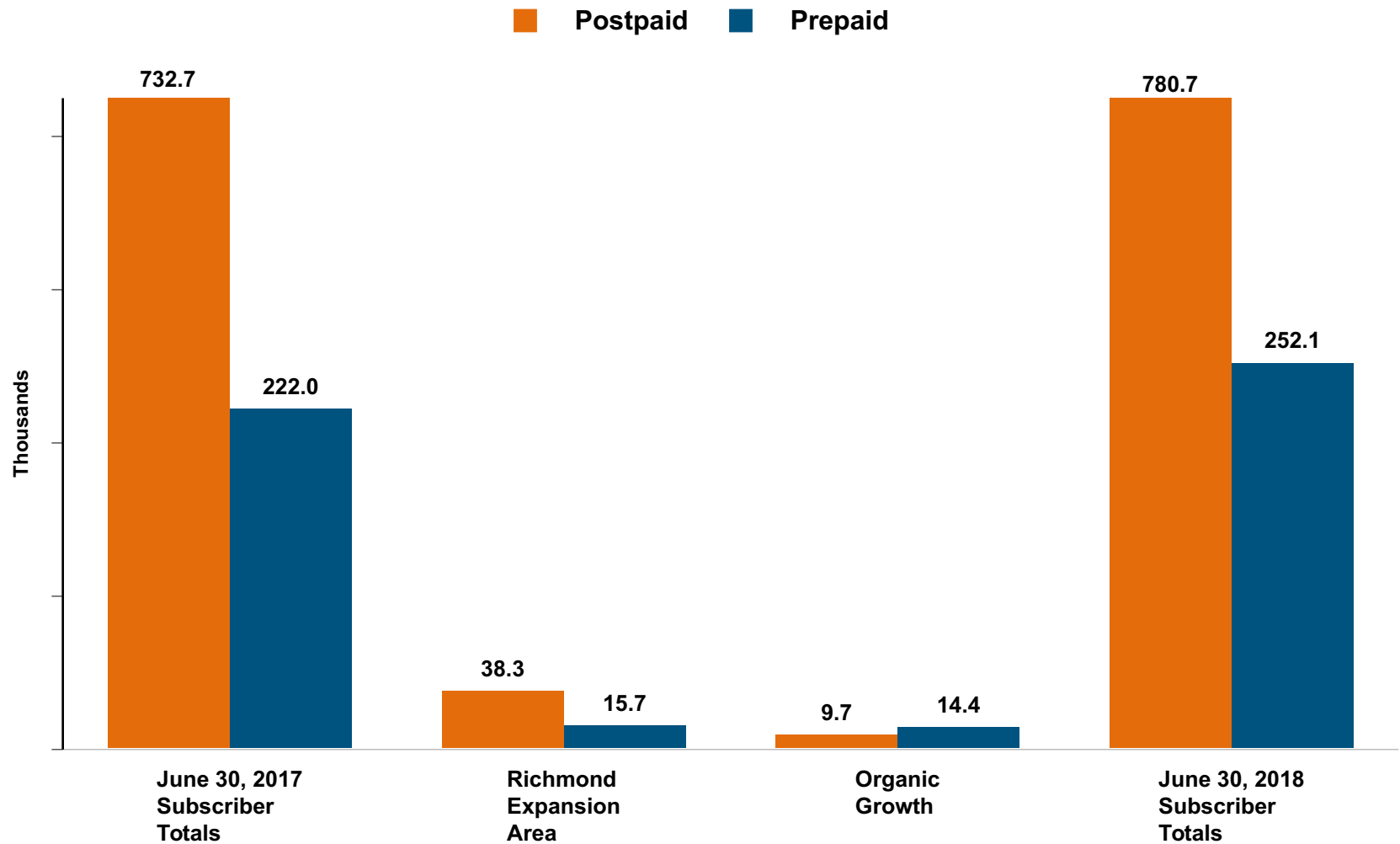
(1) Prepaid totals in 2015, 2016, and 2017 were adjusted to exclude Lifeline subscribers.

(2) Includes 405k postpaid and 155k prepaid Sprint customers in the acquired territory (5/6/16).

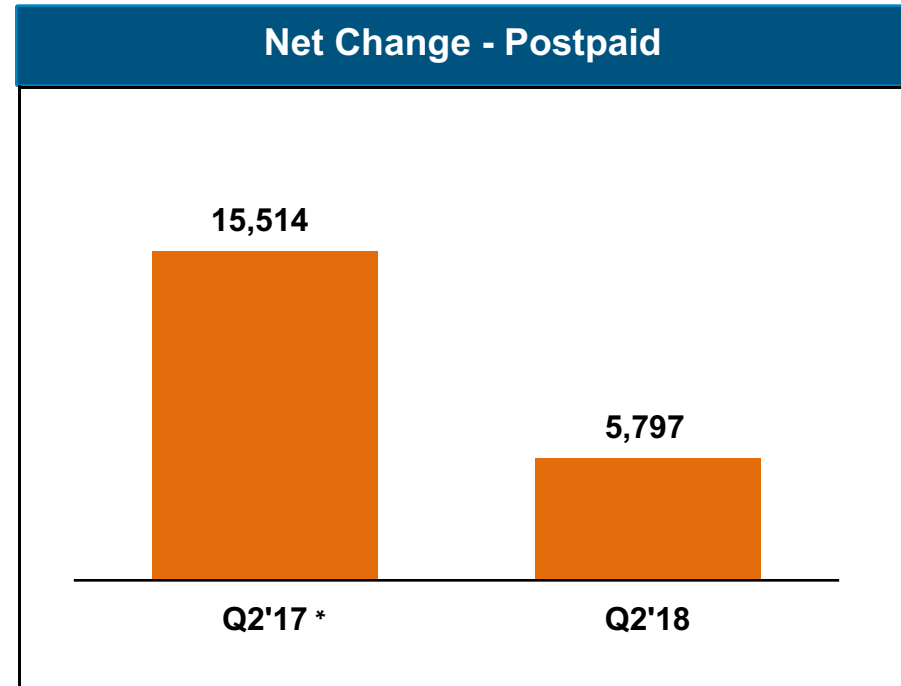
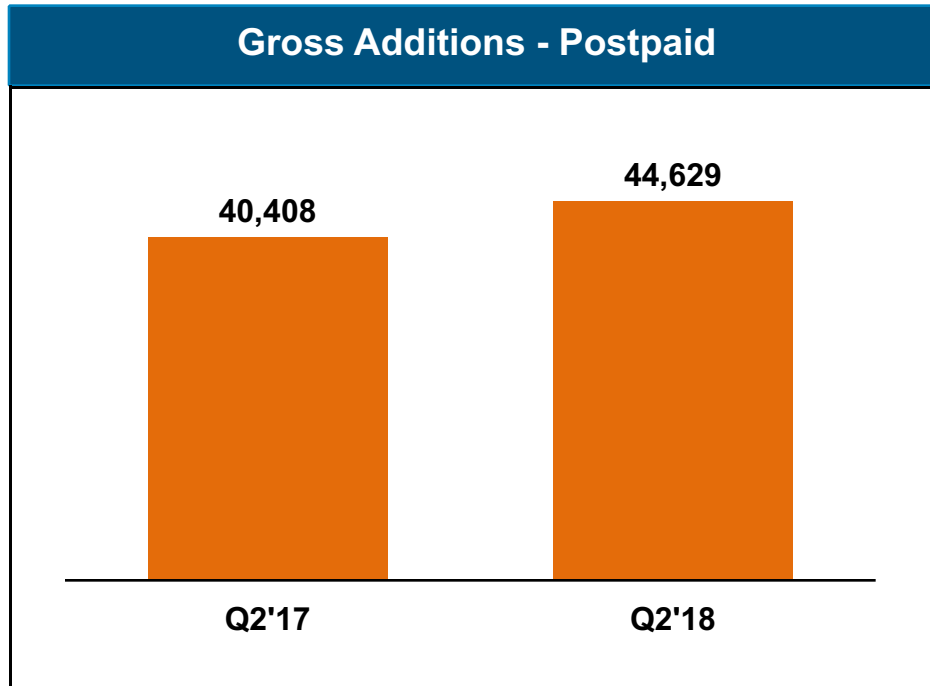
(3) Includes 19.1k postpaid and 4.5k prepaid Sprint customers in the acquired territory (4/6/17).

(4) Includes 38.3k postpaid and 15.7k prepaid Sprint customers in the acquired territory (2/1/18).

Wireless Subscriber Changes - Q2'18 - Year Over Year



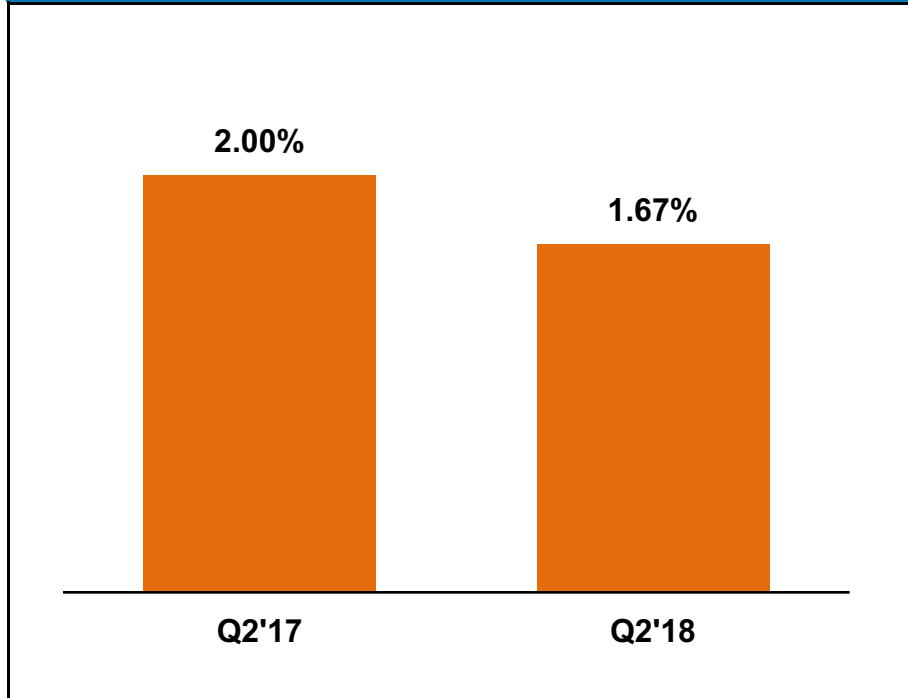
Wireless - Postpaid Subscribers



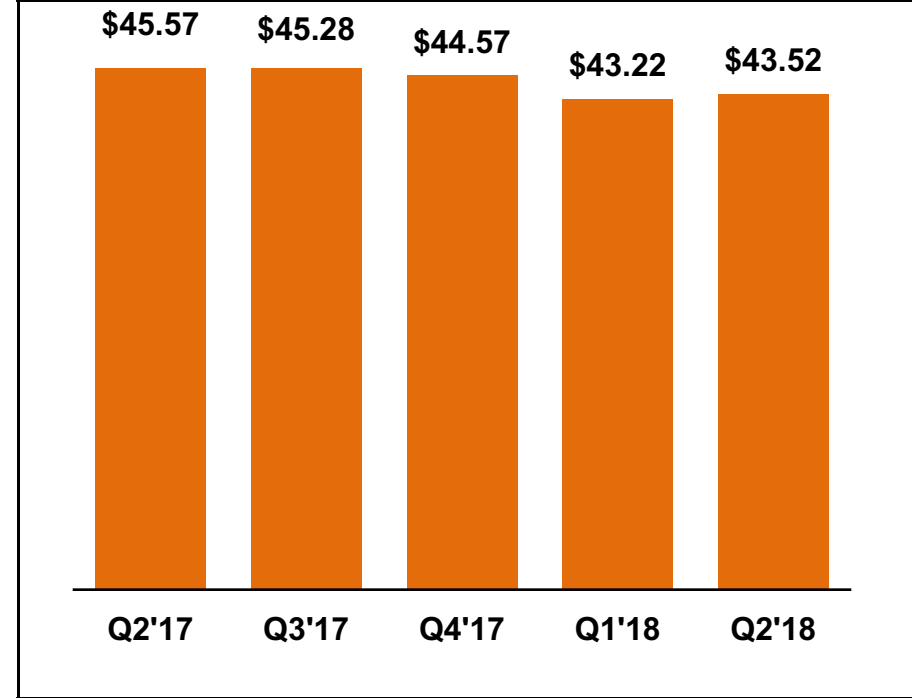
*Includes acquisition of 19.1k for the Parkersburg Expansion Area

Wireless - Postpaid Statistics

Postpaid Churn

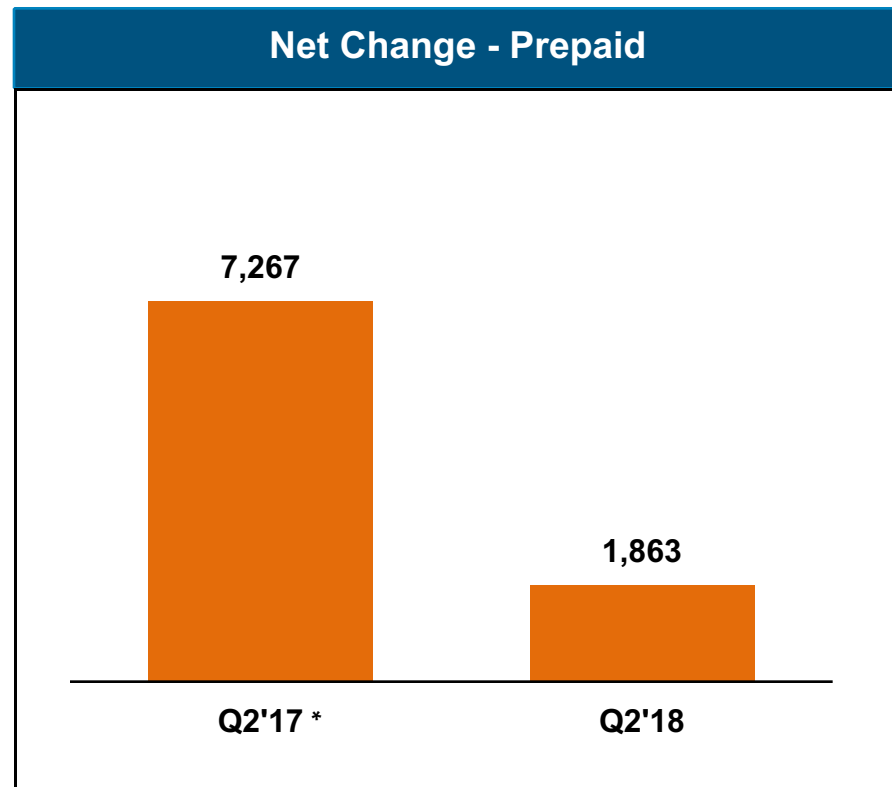
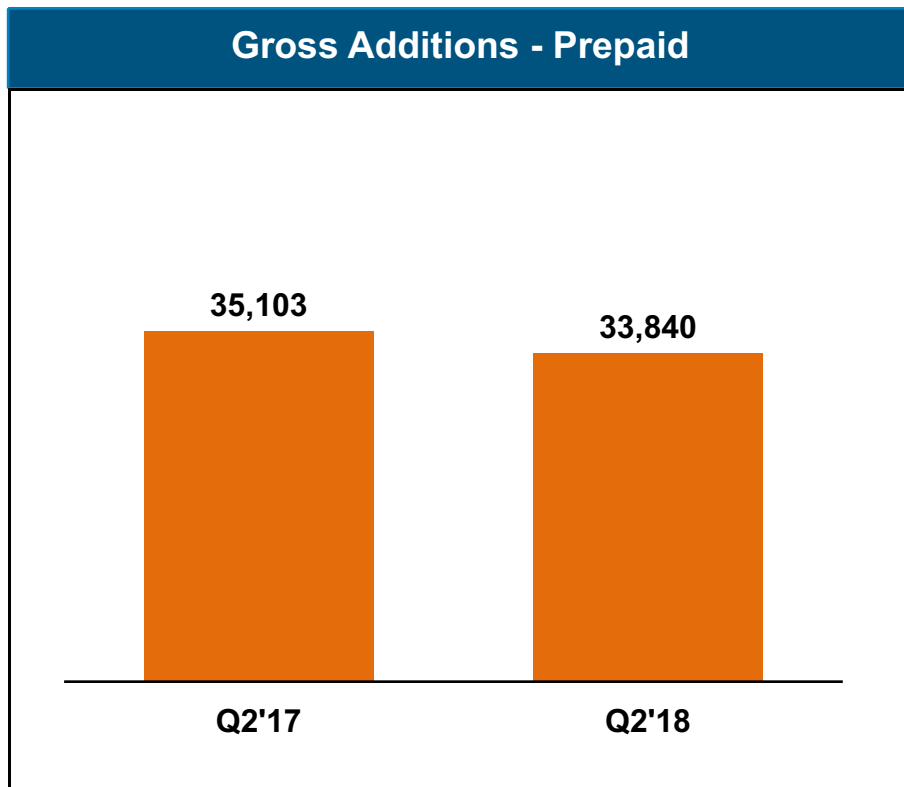


Postpaid ARPU*



*ARPU represents Average Revenue Per Unit. See Appendix for reconciliation of Wireless segment operating revenues to Postpaid ARPU.

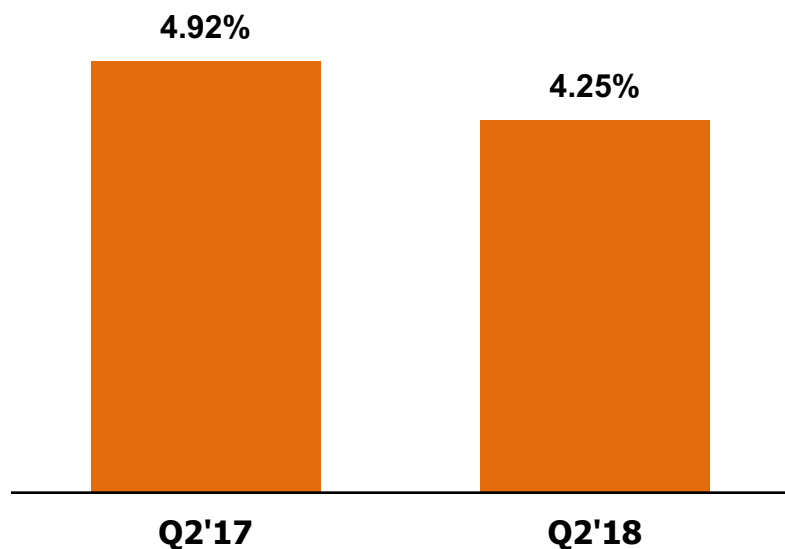
Wireless - Prepaid Subscribers



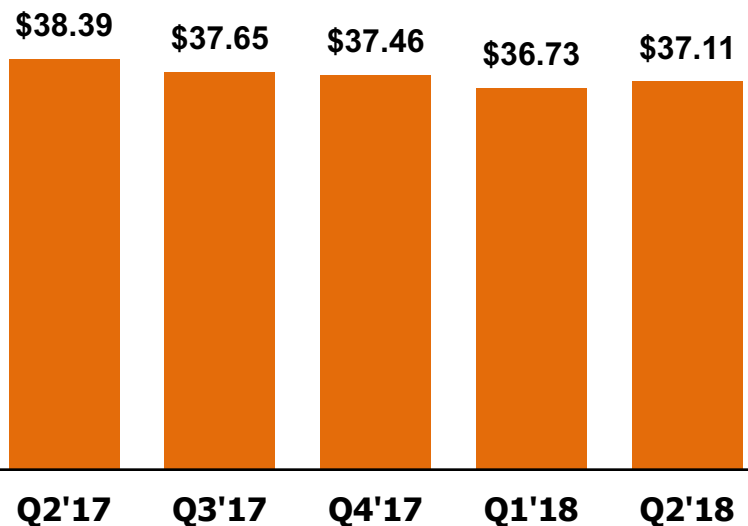
*Includes acquisition of 4.5k for the Parkersburg Expansion Area

Wireless - Prepaid Statistics

Prepaid Churn



Prepaid ARPU*



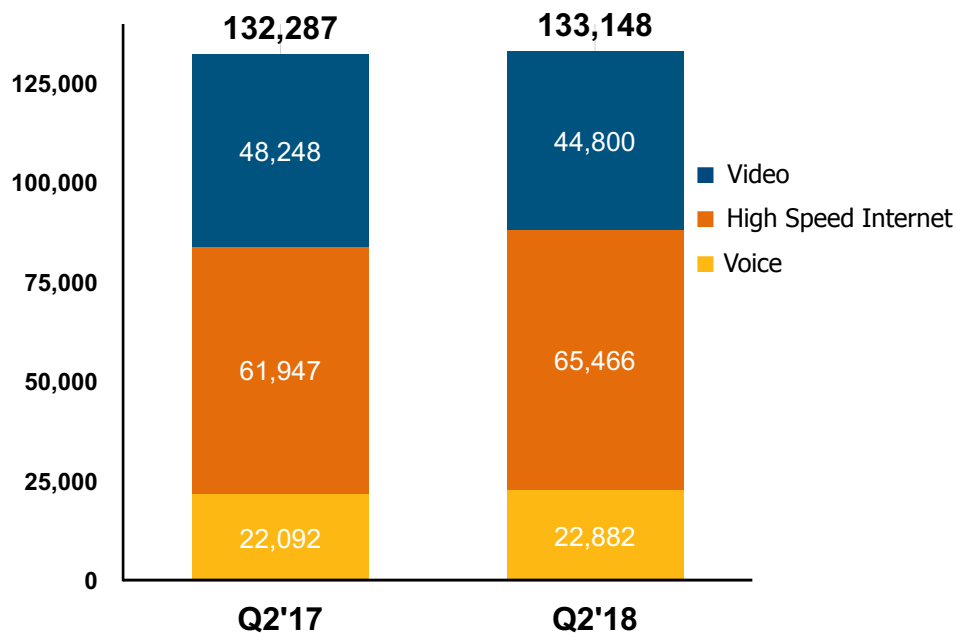
*ARPU represents Average Revenue Per User. See Appendix for reconciliation of Wireless segment operating revenues to Prepaid ARPU.

Cable - RGUs and Average Revenue

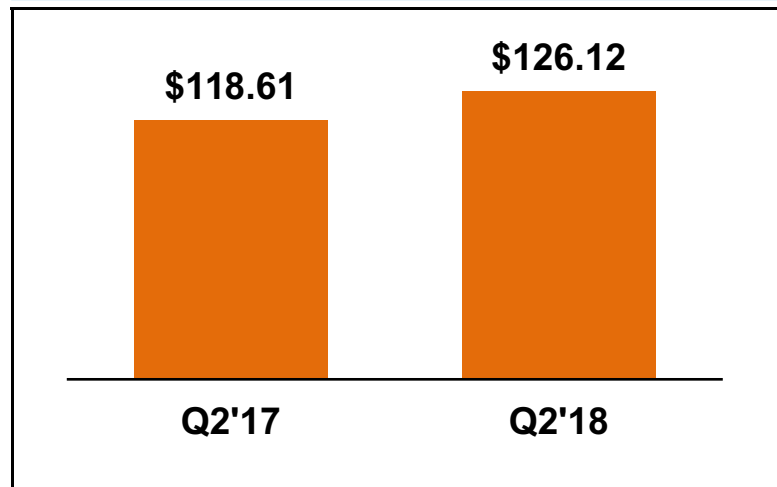
- Continued Growth

- Significant improvements in Average monthly revenue per RGU primarily due to broadband.
- 78,256 customers up 1.2% over Q2'17.

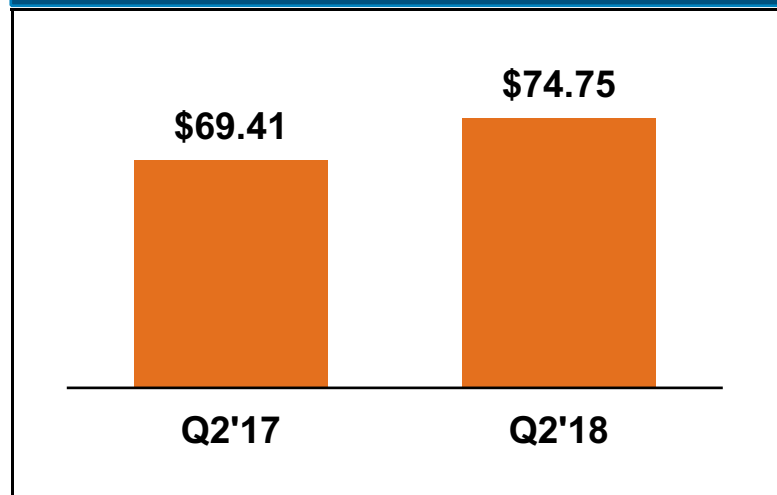
Revenue Generating Units (RGU)



Average Monthly Revenue per Customer *



Average Monthly Revenue per RGU *

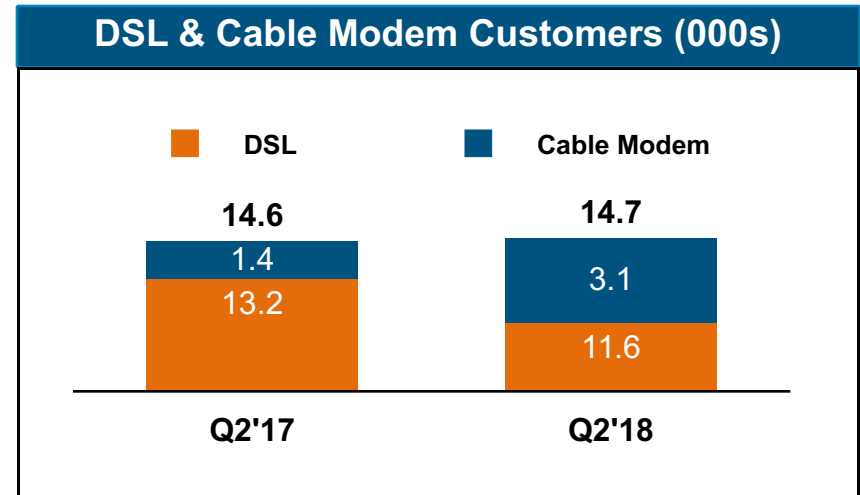
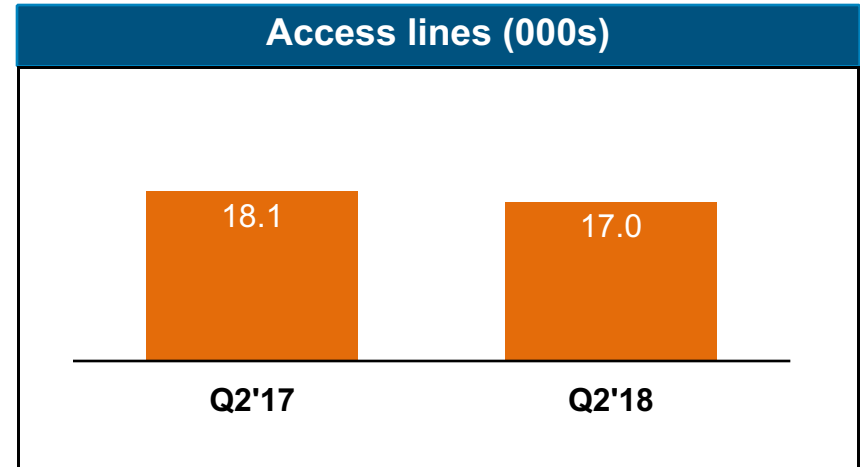


Cable - Key Operational Results

	As of June 30,	
	2018	2017
Homes Passed	185,016	184,834
Total Revenue Generating Units	133,148	132,287
Customer Relationships	78,256	77,305
RGUs per Customer Relationship	1.70	1.71
Video		
Revenue generating units	44,800	48,248
Penetration	24.2%	26.1%
Digital video penetration	76.9%	81.5%
High-speed Internet		
Available Homes	185,016	184,834
Revenue generating units	65,466	61,947
Penetration	35.4%	33.5%
Voice		
Available Homes	185,016	182,303
Revenue generating units	22,882	22,092
Penetration	12.4%	12.1%

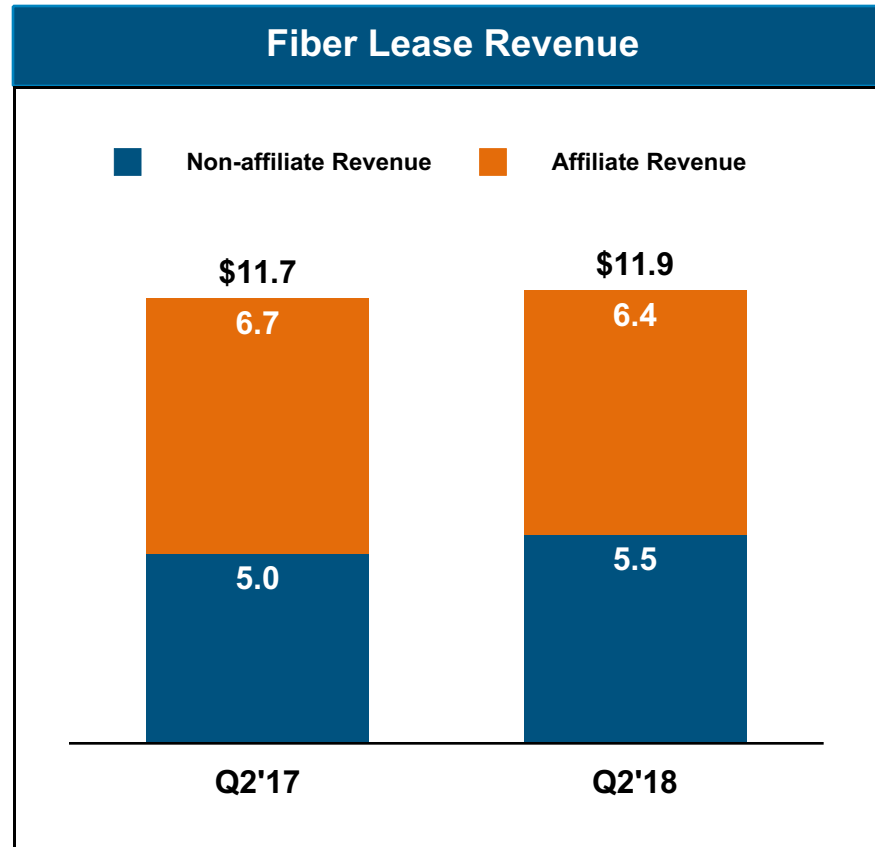
Wireline - Key Operational Results

- Access line loss of 5.9% in past 12 months.
- 4,850 video subscribers at June 30, 2018.



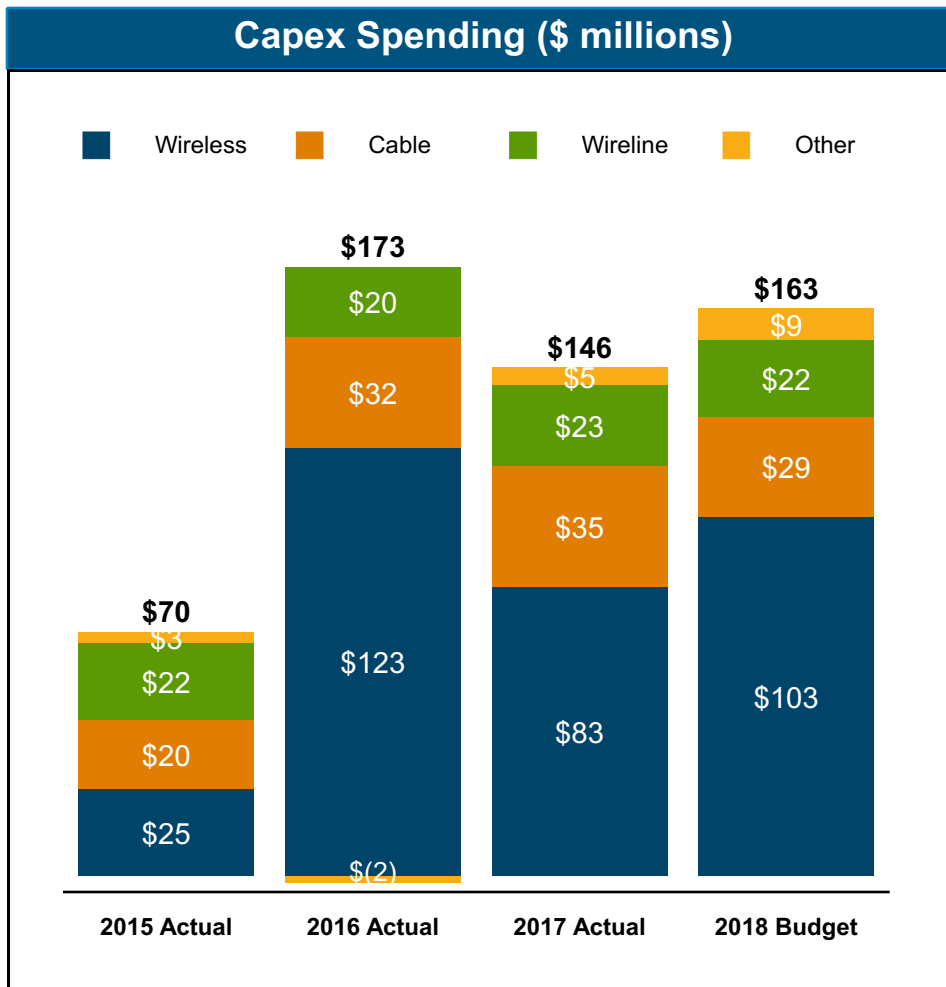
Wireline and Cable - Fiber Sales

(\$ millions)



Capital Expenditures

Investing in the Future



2018 Capex Budget:

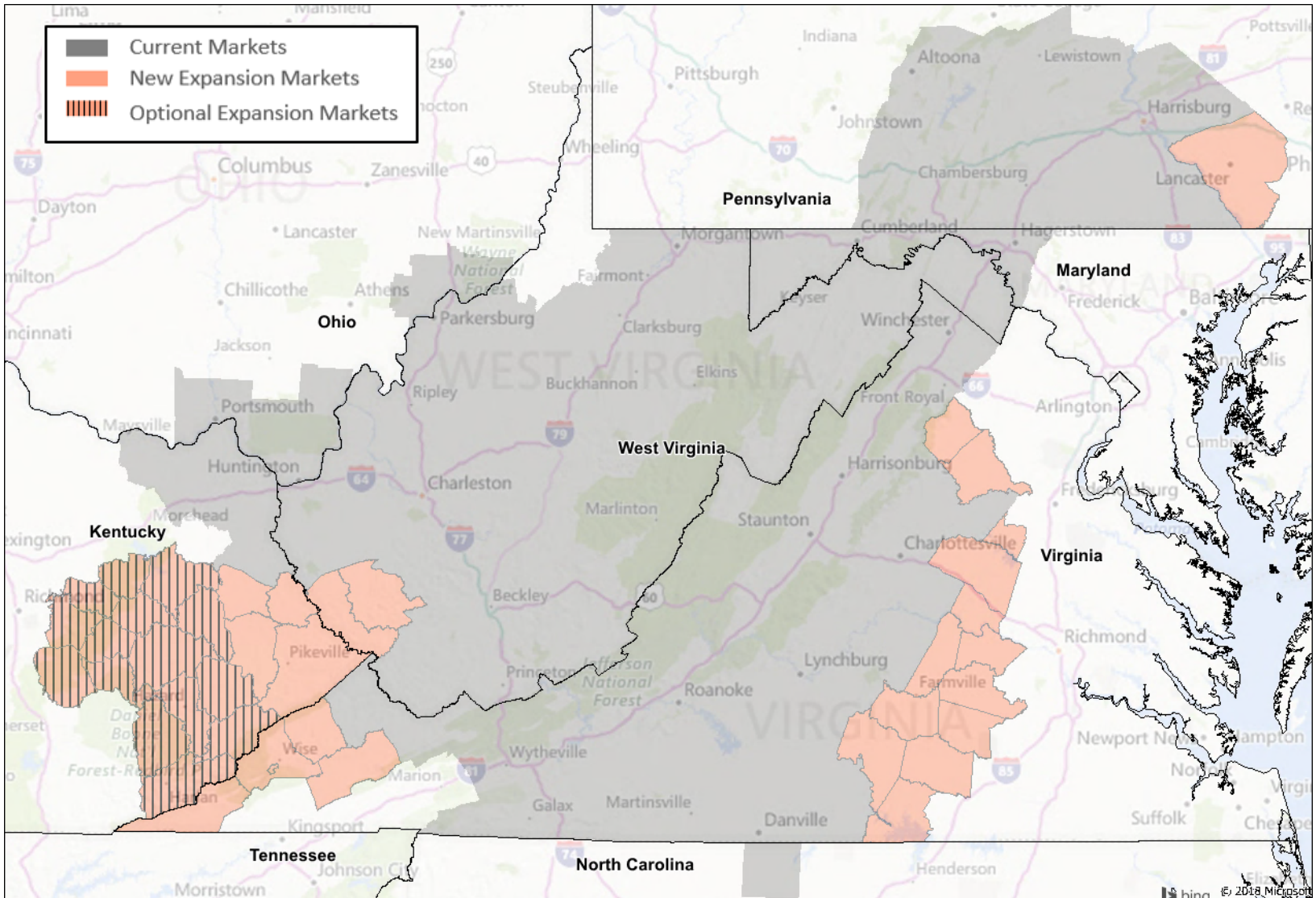
- 52% Upgrades and Expansion of Acquired Territories
- 14% Network Maintenance
- 13% Success-Based
- 12% Network Capacity
- 9% Network Expansion

Q&A

Appendix

Wireless Network Expansion

Effective February 1, 2018



Average Monthly Billed Revenue per Subscriber - Postpaid and Prepaid

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

	Q2'18	Q2'17
Postpaid billings	\$ 96,127	\$ 93,722
Adjustment for write-offs	5,087	5,773
Postpaid billings excluding write-offs	<u>\$ 101,214</u>	<u>\$ 99,495</u>
Average postpaid subscribers*	775,186	727,764
Average monthly billed revenue per postpaid subscriber **	<u>\$ 43.52</u>	<u>\$ 45.57</u>
Prepaid billings	\$ 27,915	\$ 25,252
Average prepaid subscribers*	250,746	219,265
Average monthly billed revenue per prepaid subscriber **	<u>\$ 37.11</u>	<u>\$ 38.39</u>

* Represents a four point monthly average

** Average Monthly Billed revenue per subscriber = (Billed revenue excluding write-offs*1,000) / Average subscribers / 3 months

Wireless - Network Statistics at June 30, 2018

Wireless Network Statistics

Cell sites

CDMA Base Stations (sites)	1,770
Sites with 2 nd LTE carrier	1,143
Sites with three carriers, including a 2 nd carrier @ 1900 MHz	522
Sites with 2.5 GHz LTE	408

Traffic

% LTE traffic	97.80%
Data usage increase (Q over Q)	.20%
Avg LTE speeds (Mbps)	8.2
Avg data usage per subscriber (GB)	10.6
Dropped call rate	.38%
Blocked call rate	.13%

Cable - Non-GAAP Financial Measure

Average Revenue

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

	<u>Q2'18</u>	<u>Q2'17</u>
Service Revenue	\$ 27,100	\$ 25,145
Fiber, FUSC, Pass-through & Other	2,106	2,080
Internal Revenue	460	435
Video, Internet & Voice Revenue	29,666	27,660
Other miscellaneous revenue	2,445	1,904
Total Operating Revenue	<u>\$ 32,111</u>	<u>\$ 29,564</u>

Average Subscribers*

Revenue Generating Units (RGUs)	132,287	132,829
Average Customer Relationships	78,407	77,737

Average Revenue Per User (ARPU)**

Revenue Generating Units (RGUs)	\$ 74.75	\$ 69.41
Customer Relationships	\$ 126.12	\$ 118.61

* Represents a four point monthly average

**ARPU calculation = (Video, Internet & Voice Revenue * 1,000) / Average Subscribers / 3 months