



# **4Q 2012 Earnings Conference Call**

March 1, 2013

# Safe Harbor Statement

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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.

# Use of Non-GAAP Financial Measures

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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.



# Chris French

President and CEO

# 4Q'12 Highlights

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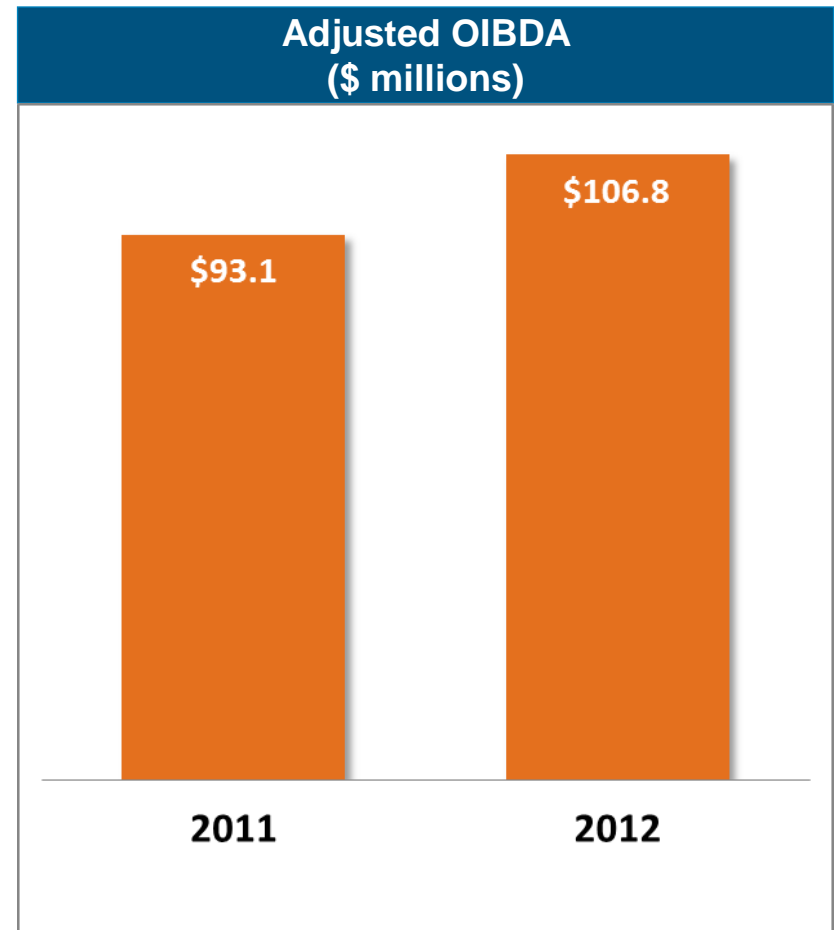
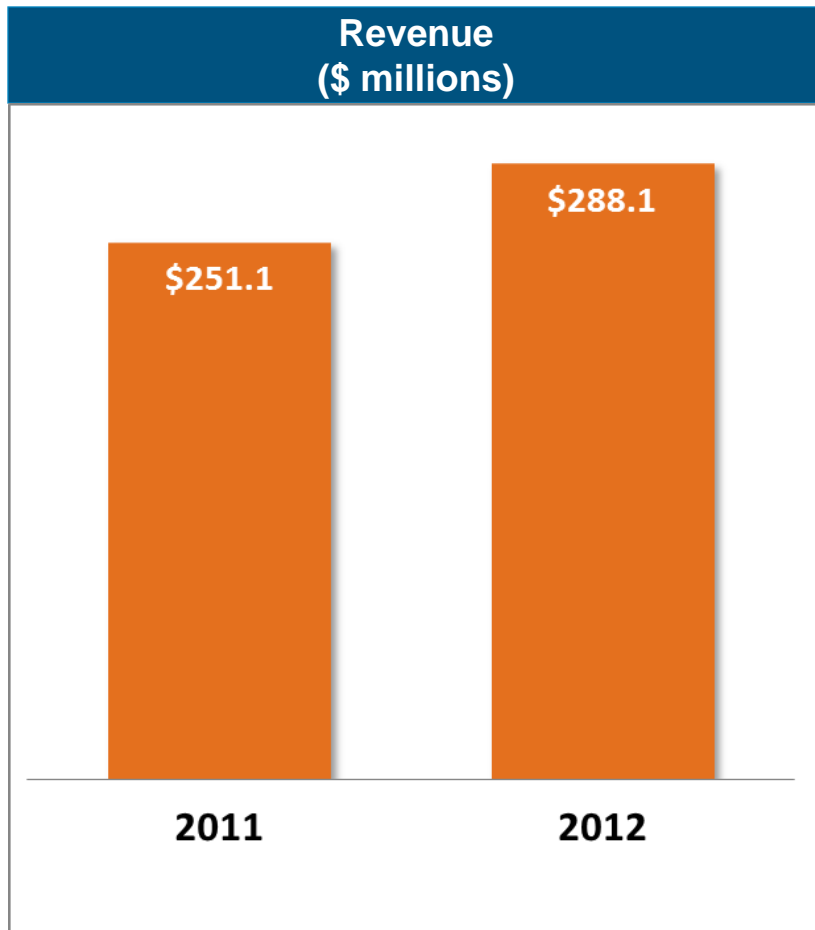
## ■ 4G LTE Progress at 12/31/12

- 224 Sites upgraded to NV equipment
- 200 with 4G LTE in service

## ■ Improved Returns from Prepaid

- Q4 Update of Prepaid settlement rates with Sprint
- \$11.8M received, cost reduction covering July 2010 through September 2012

# 2012 Financial Highlights



# Wireless Highlights

## ☐ **Steady Postpaid growth**

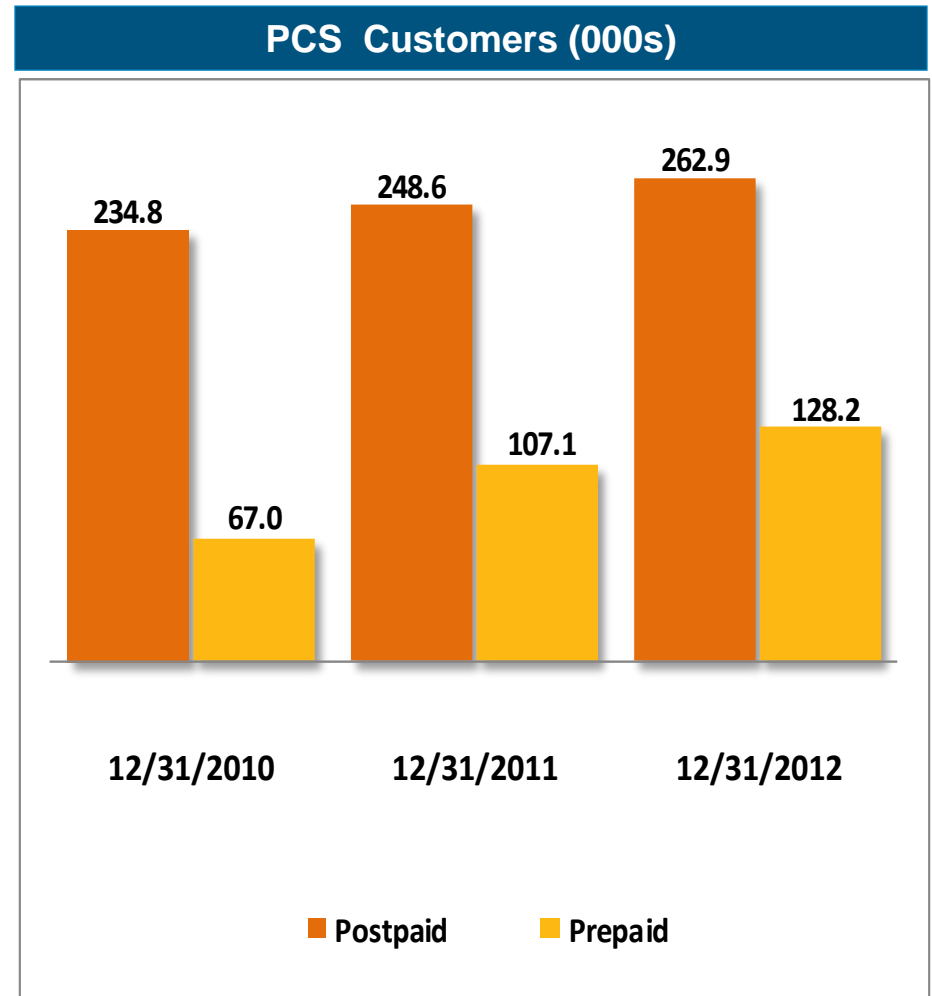
Postpaid customers up 5.7% in the last year

## ☐ **Rapid Prepaid Growth**

Q4'12 net additions of 5,723; 128k prepaid subs at 12/31

## ☐ **Churn improves**

- Postpaid churn 1.87% for 4Q'12, down from 1.89% for 4Q'11.
- Prepaid Q4'12 churn of 3.71% compared to 3.90% for Q4'11.



# Cable Highlights

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## ■ RGU Growth

- Total RGU growth of 2.7% during 2012
- 114,891 RGUs at 12/31/2012

## ■ Cable Upgrades

- Started the final planned upgrade to markets acquired in mid-2010.

## ■ Non-cash Impairment Charge

- Result of annual testing; wrote off \$11.0 million of goodwill



# Adele Skolits

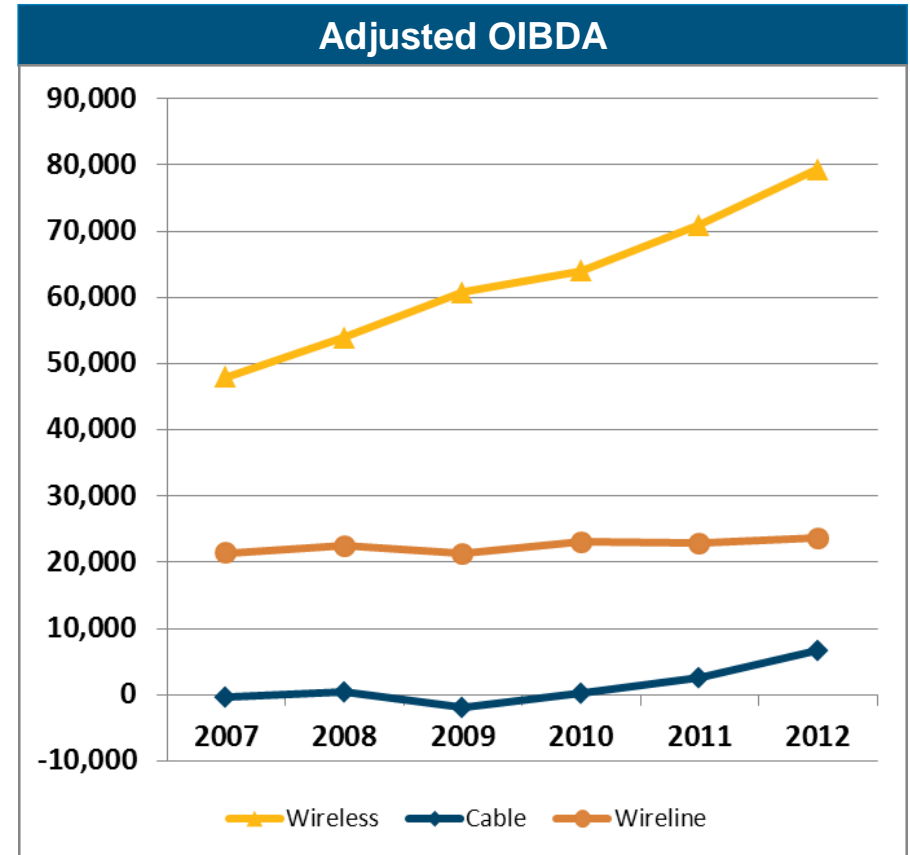
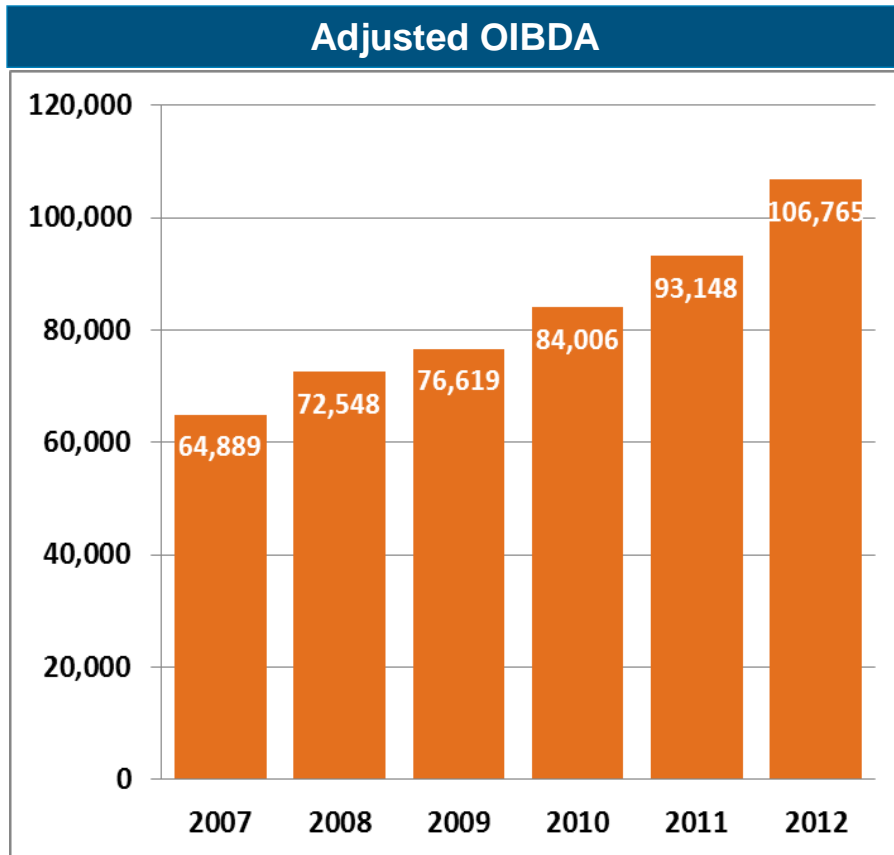
VP of Finance and CFO

# Profitability

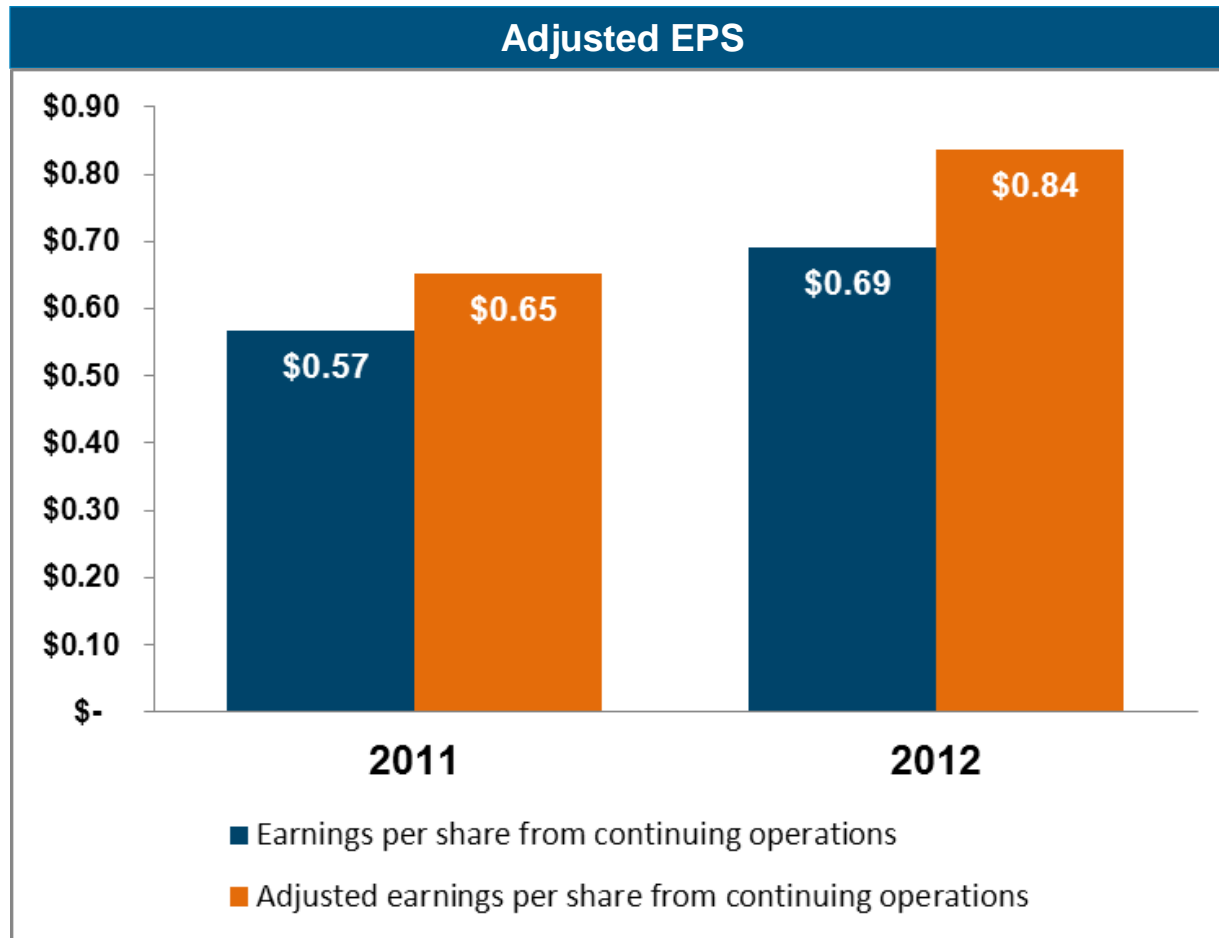
## Adjusted OIBDA (\$ thousands)

	For the Quarter Ended:			For the Year Ended:		
	12/31/11	12/31/12	Change	12/31/11	12/31/12	Change
Operating Income	8,035	9,297	1,262	32,290	34,658	2,368
Depreciation and Amortization	13,615	16,552	2,937	55,770	64,412	8,642
Adjusted prepaid results	1,548	(11,802)	(13,350)	4,890	(6,137)	(11,027)
Plus (gain) loss on asset sales	(274)	361	635	(1,309)	441	1750
Plus non-cash goodwill impairment charge	-	10,952	10,952	-	10,952	10,952
Plus storm damage	-	262	262	-	813	813
Share Based Compensation	172	368	196	1,507	1626	119
Other	-	-	-	-	-	-
<b>Adjusted OIBDA</b>	<b>23,096</b>	<b>25,990</b>	<b>2,894</b>	<b>93,148</b>	<b>106,765</b>	<b>13,617</b>

# Growth in Adjusted OIBDA (\$ thousands)



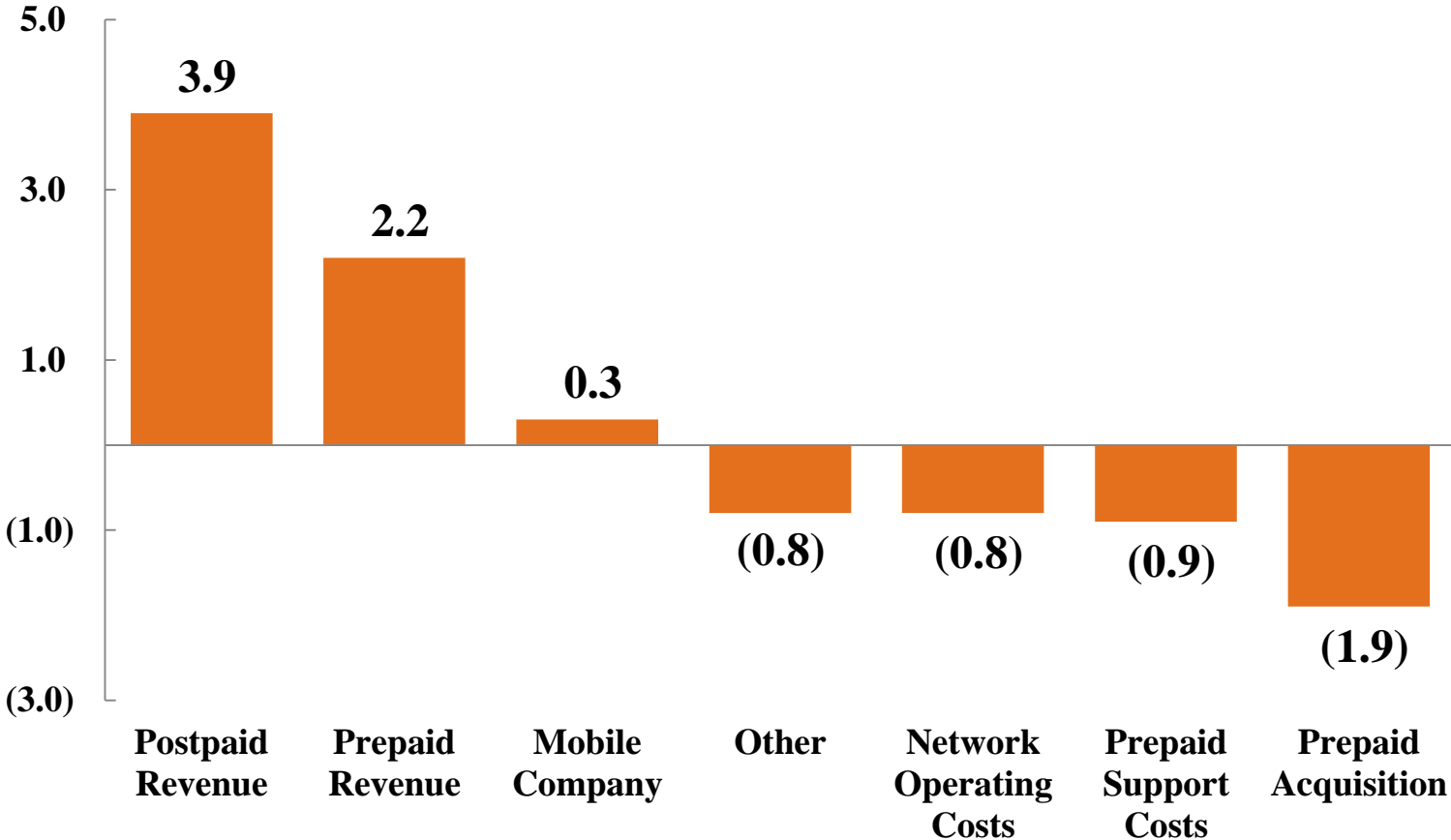
# Adjusted EPS



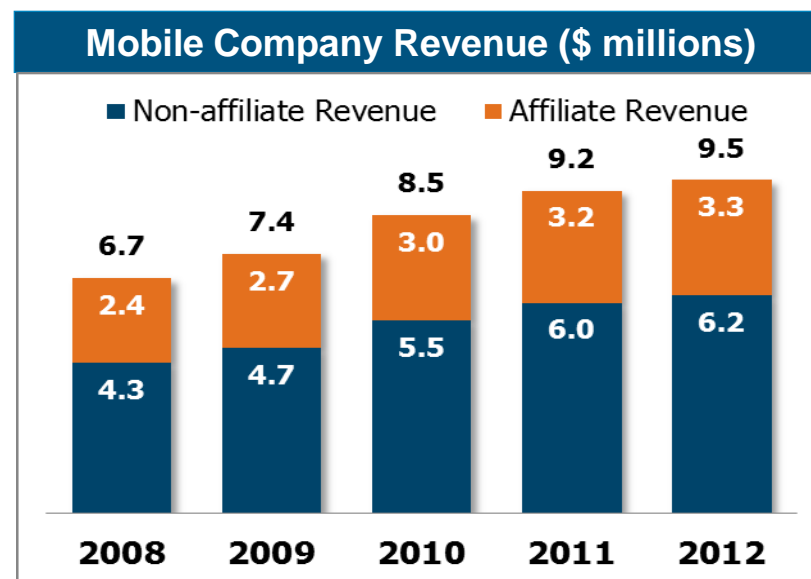
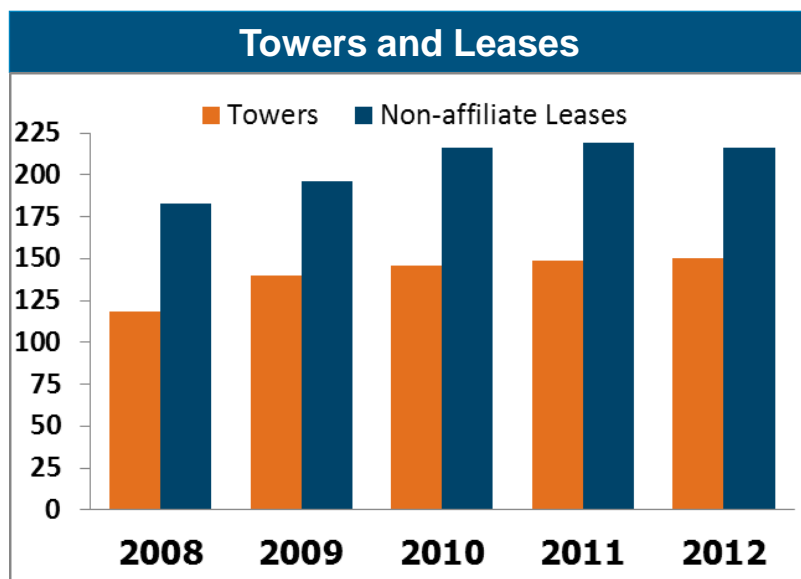
# Adjusted OIBDA by Segment (\$ millions)

<i>(in thousands)</i>	<u>Wireless</u>		<u>Cable</u>		<u>Wireline</u>	
	<u>Q4'11</u>	<u>Q4'12</u>	<u>Q4'11</u>	<u>Q4'12</u>	<u>Q4'11</u>	<u>Q4'12</u>
Operating Income	\$ 10.0	\$ 22.1	\$ (4.3)	\$ (15.3)	\$ 3.1	\$ 3.3
Depreciation and Amortization	5.7	8.5	5.7	5.6	2.2	2.5
Adjusted prepaid results	1.6	(11.8)	-	-	-	-
Plus (gain) loss on asset sales	(0.5)	-	0.1	0.1	0.1	0.2
Plus non-cash goodwill impairment charge	-	-	-	10.9	-	-
Plus storm damage	-	-	-	0.3	-	-
Share Based Compensation	0.1	0.1	0.1	0.2	0.1	0.1
<b>Adjusted OIBDA</b>	<b>\$ 16.9</b>	<b>\$ 18.9</b>	<b>\$ 1.6</b>	<b>\$ 1.8</b>	<b>\$ 5.5</b>	<b>\$ 6.1</b>

# Wireless Segment – Change in Adjusted OIBDA Q4'12 vs. Q4'11 (\$ millions)

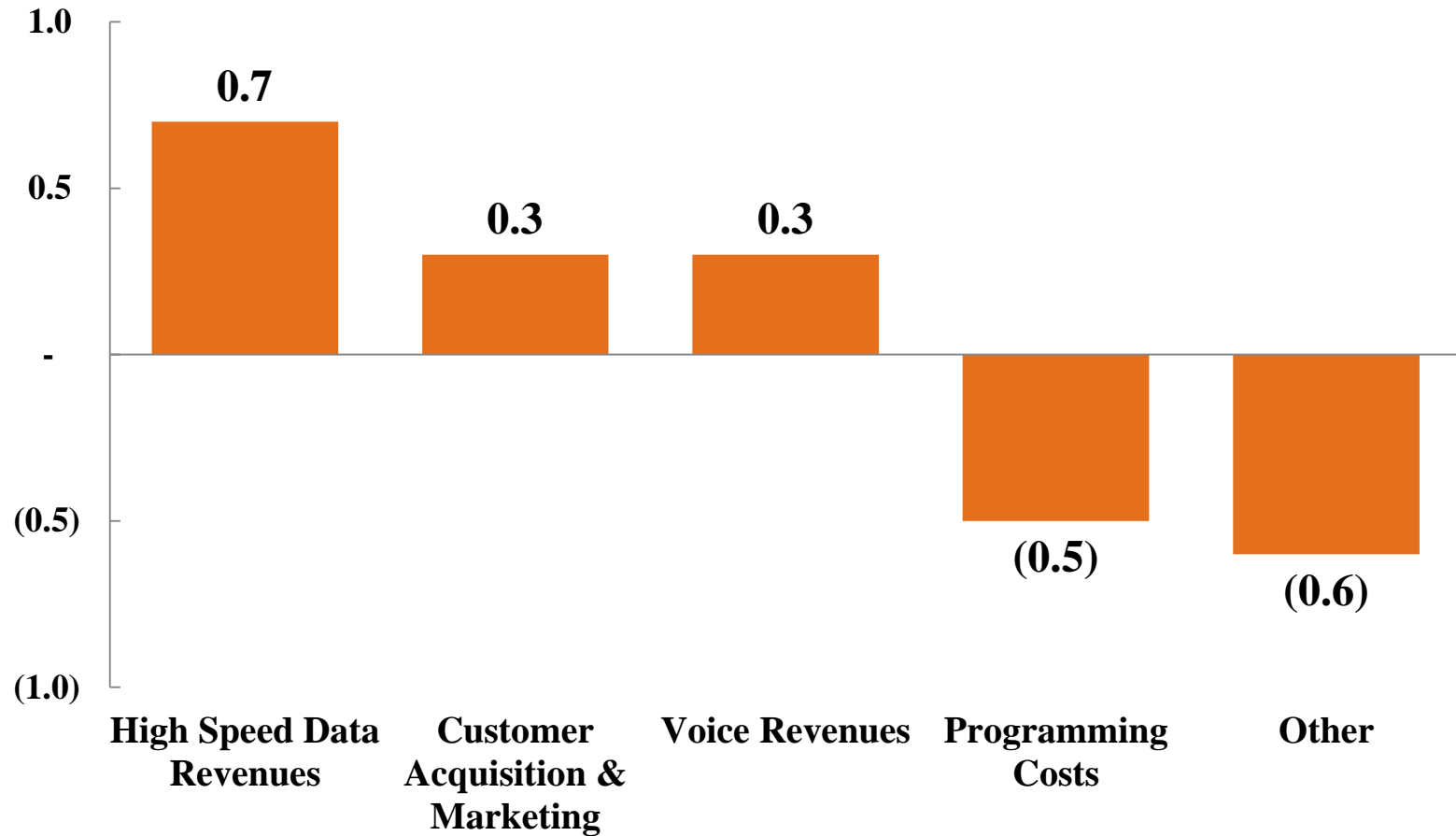


# Key Operational Results – Mobile Company



	<b>For the Year Ended:</b>				
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<i>(in thousands)</i>					
Operating Income	\$2,839	\$3,306	\$3,802	\$3,962	\$4,302
Depreciation and Amortization	884	987	1,189	1,326	1,362
Share Based Compensation	4	8	9	18	19
<b>Adjusted OIBDA</b>	<b>\$3,727</b>	<b>\$4,301</b>	<b>\$5,000</b>	<b>\$5,306</b>	<b>\$5,683</b>

# Cable Segment – Change in Adjusted OIBDA Q4'12 vs. Q4'11 (\$ millions)





# Earle MacKenzie

EVP and COO

# Network Vision Scorecard – as of 2/25/13

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To Date:

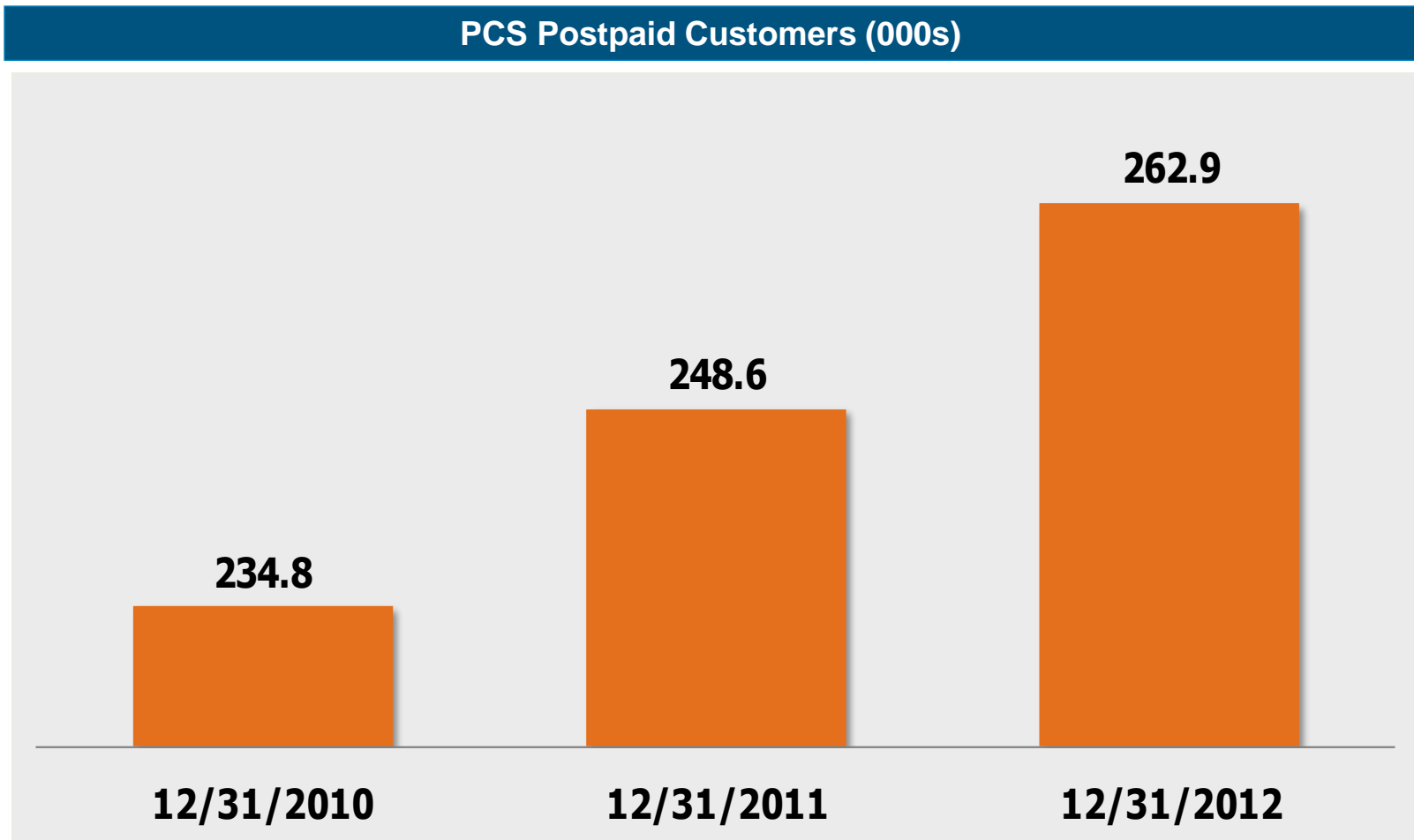
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Leasing & Zoning Complete	413 out of 520 year-end sites
Sites on air	267 out of 520 year-end sites
Sites with 4G LTE launched	222 out of 520 year-end sites

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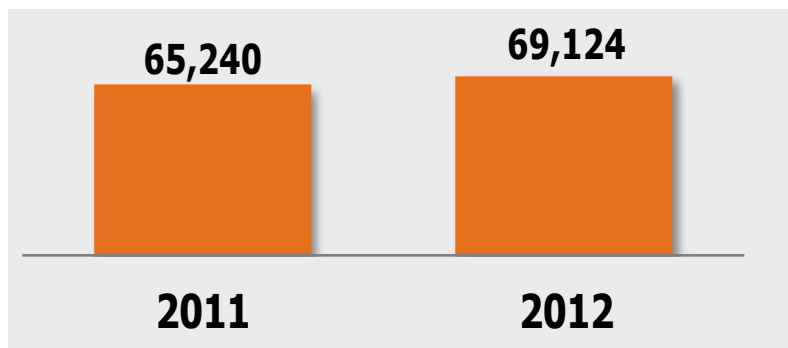
- Sites on air have more than tripled since end of Q3 2012
- 4G LTE currently available to 67% of covered POPs
- 4G LTE service launched in 9 out of 13 local markets

# Key Operational Results – Wireless

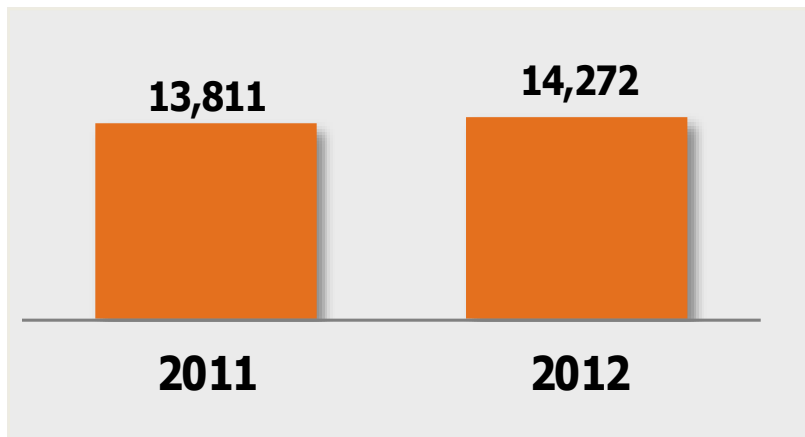


# Key Operational Results – Wireless

## Annual Gross Additions - Postpaid

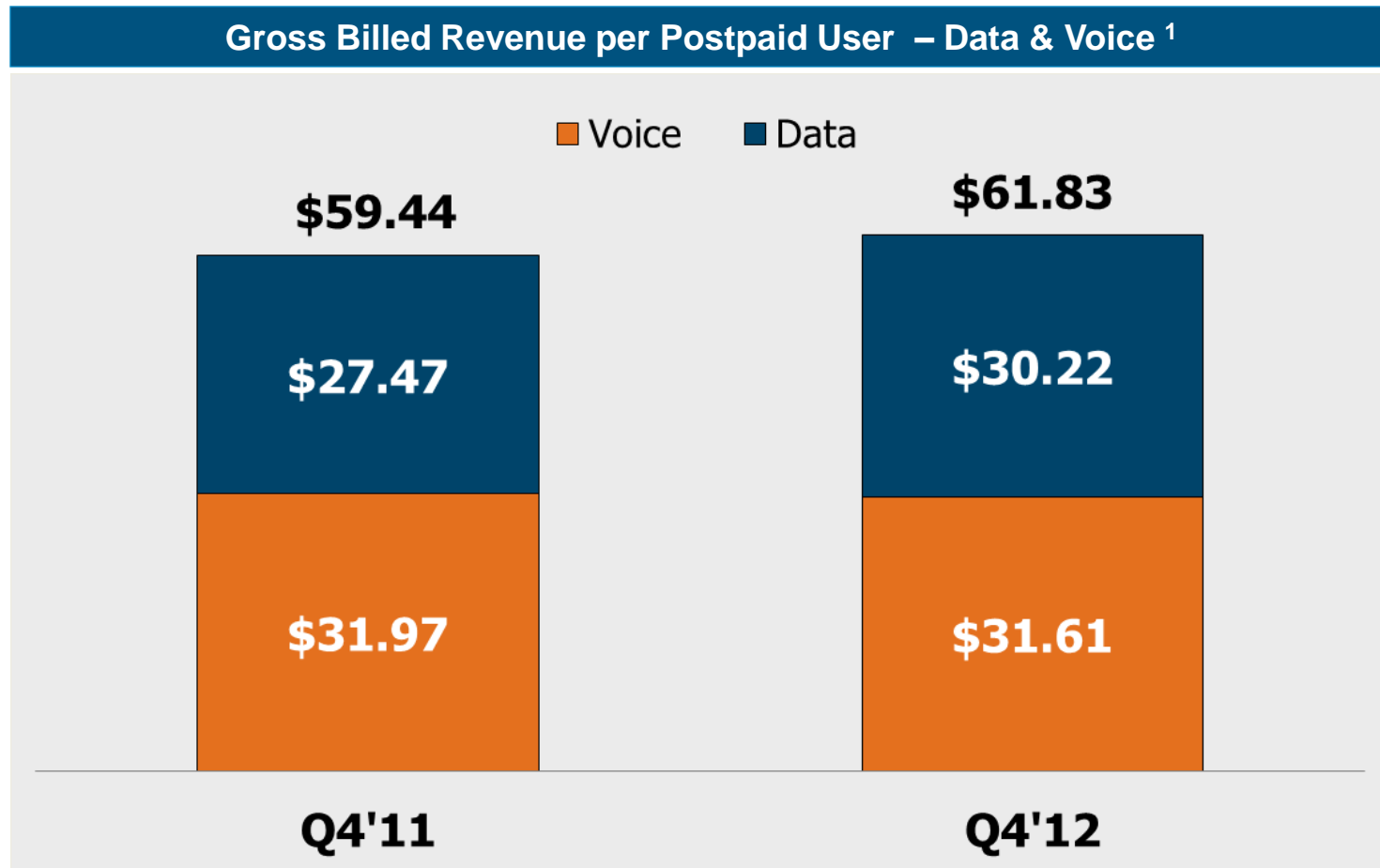


## Annual Net Additions - Postpaid



- Net adds of 4,025 in Q4 2012 versus 5,072 in Q4 2011
- Q4 2012 churn of 1.87% down from 1.89% in Q4 2011
- Shentel-controlled channels produced 49% of gross adds in Q4 2012 and 55% in Q4 2011
- 2012 annual churn of 1.79% up from 1.78% in 2011
- Shentel-controlled channels produced 48% of gross adds in 2012 and 53% in 2011

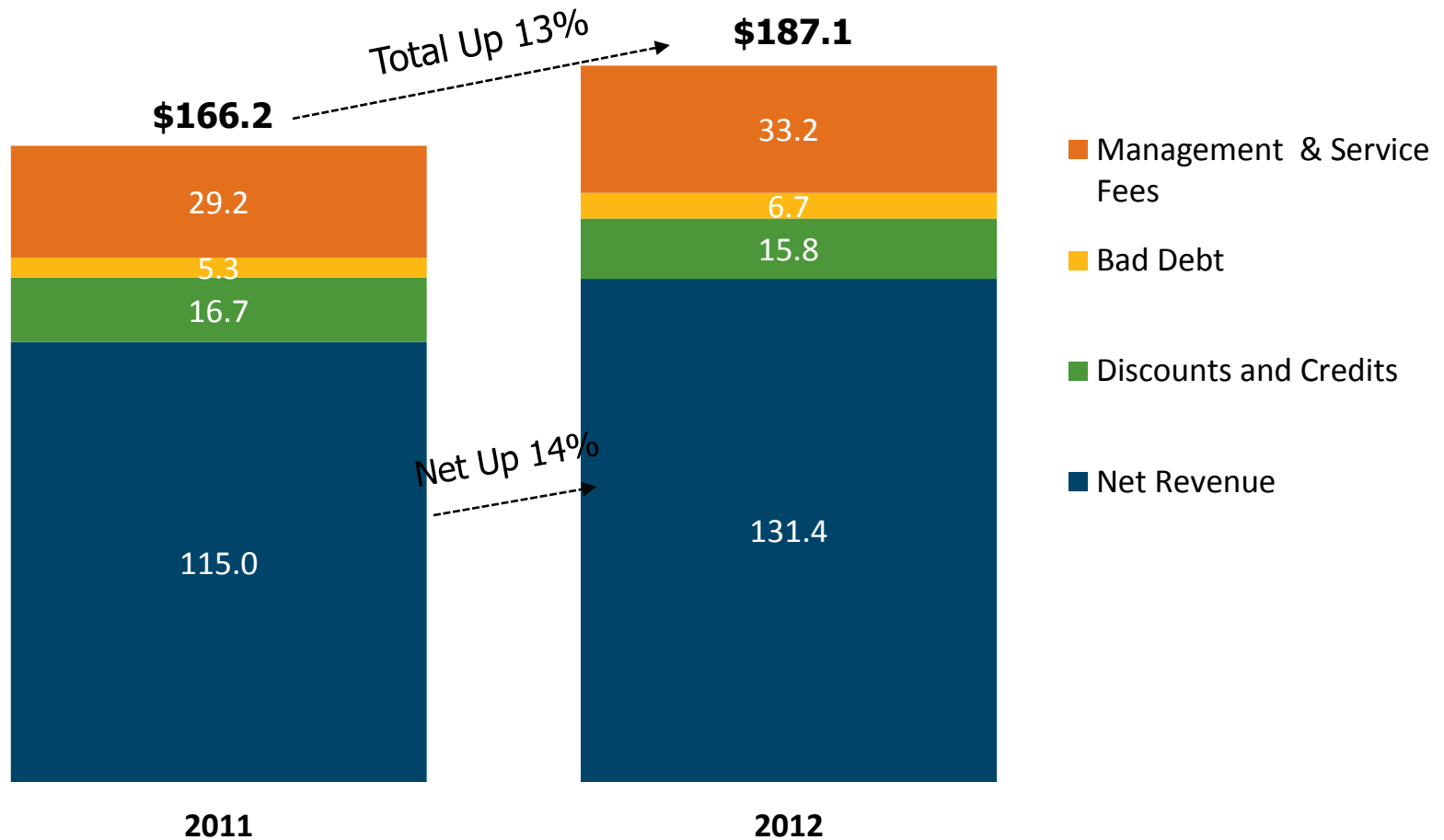
# Key Operational Results – PCS



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

# PCS Revenues

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



# Postpaid PCS Customers Top Picks Q4 2012

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- Top Service Plans – 72% of Gross Adds

- ▶ Everything Data 1500 – 56%
- ▶ Everything Data 450 – 16%

- Top Devices – New Activations – All Channels

- ▶ iPhone 24%
- ▶ Samsung Galaxy S III 23%
- ▶ Kyocera DuraXT 6%

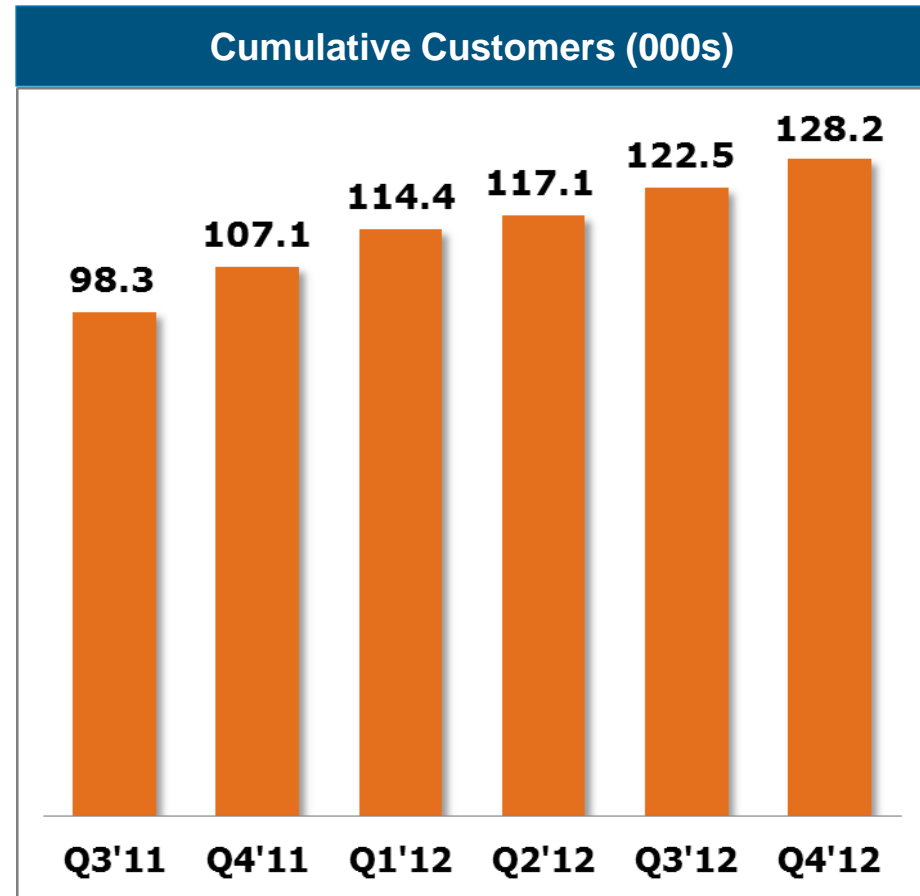
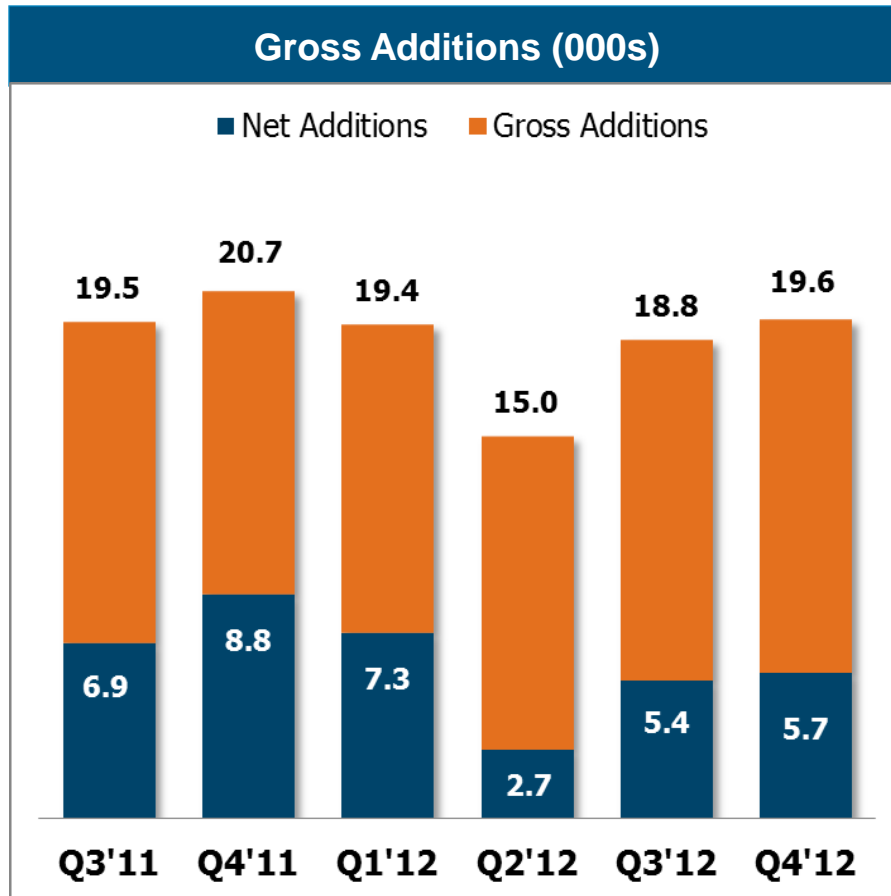
- Smartphones made up 65% of the Postpaid base in Q4 2012, up from 53% in Q4 2011 and 61% in Q3 2012

# iPhone Statistics – Q4'12

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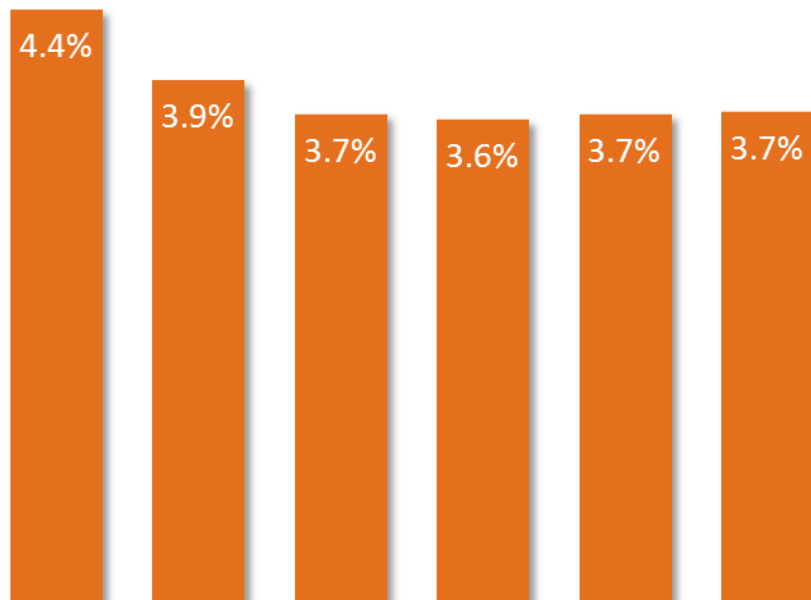
- 24% of Q4 Gross Adds
- 34% of iPhones were sold or upgraded in Shentel-controlled channels
- 17.9% of 12/31/2012 Postpaid customers had the iPhone, up from 13.2% at 9/30/12
  - 54% iPhone 4S
  - 33% iPhone 4
  - 13% iPhone 5

# PCS Prepaid Statistics



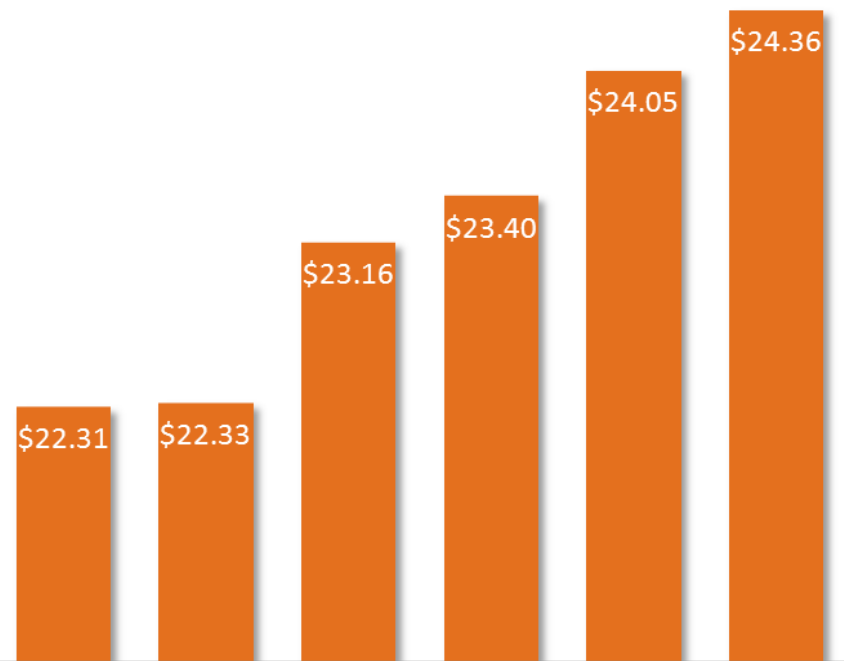
# PCS Prepaid Statistics

## Churn %



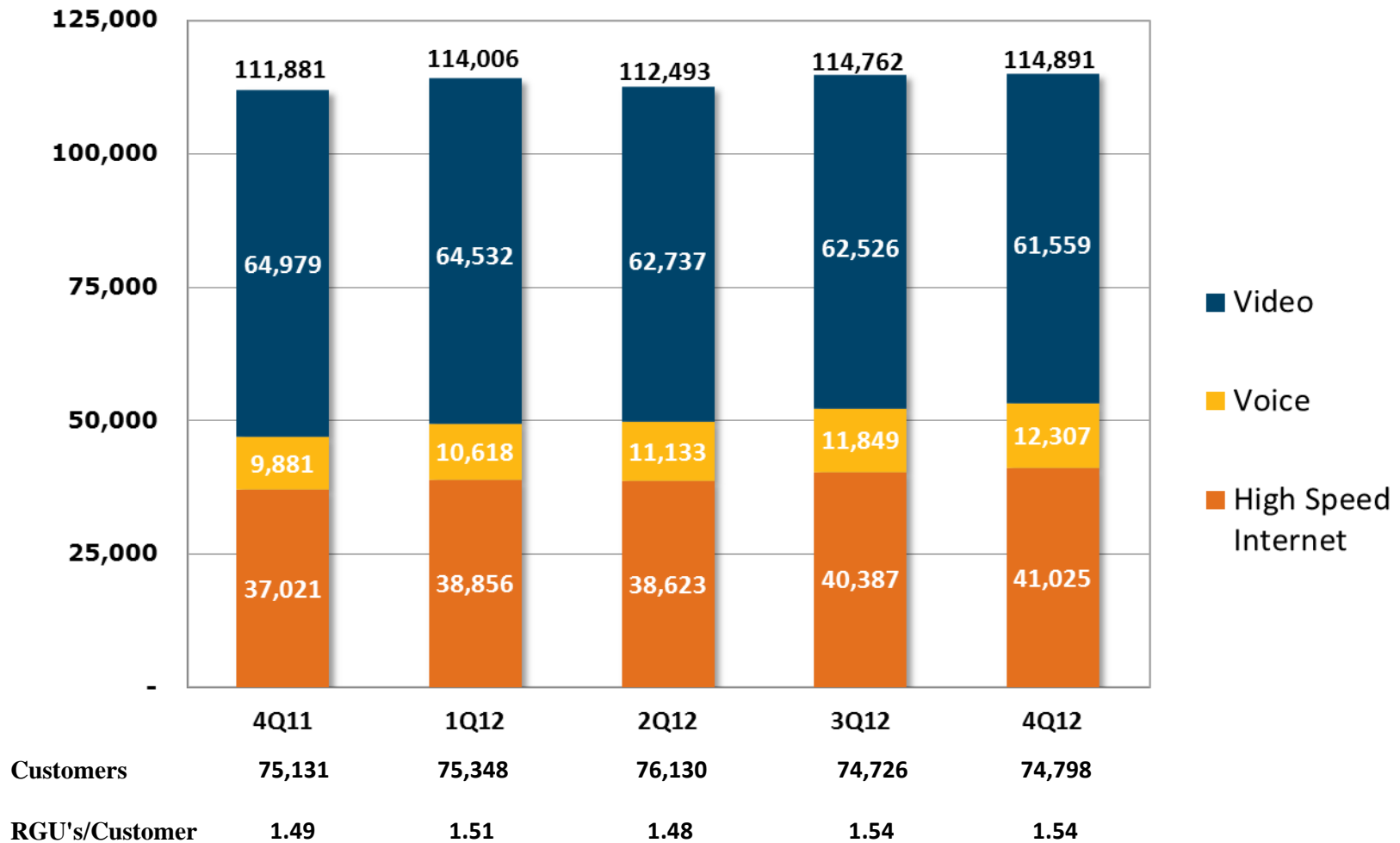
Q3'11 Q4'11 Q1'12 Q2'12 Q3'12 Q4'12

## Average Gross Billed Revenue

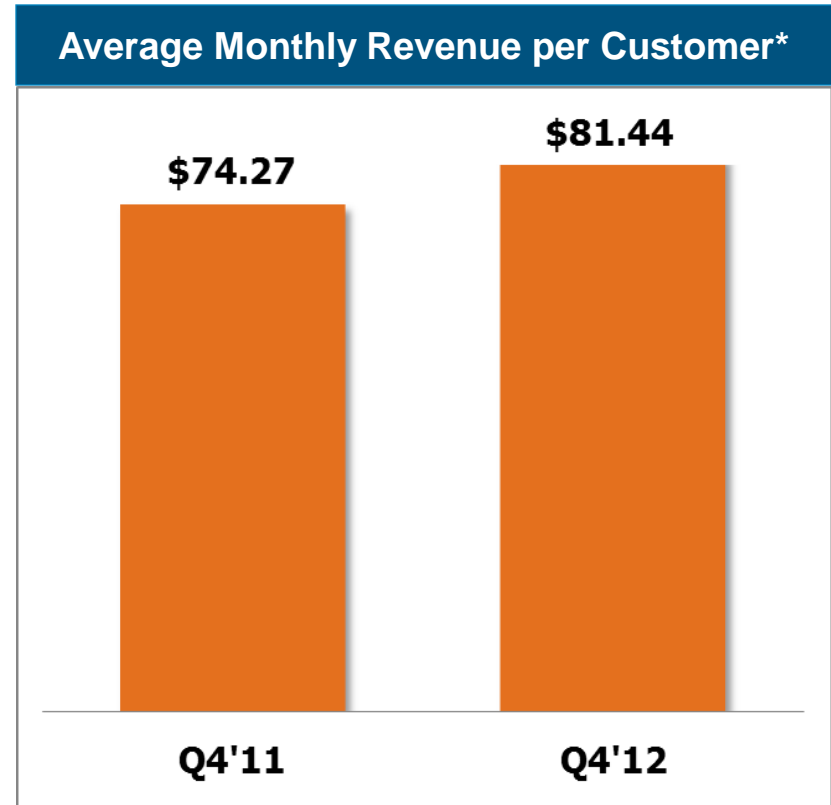
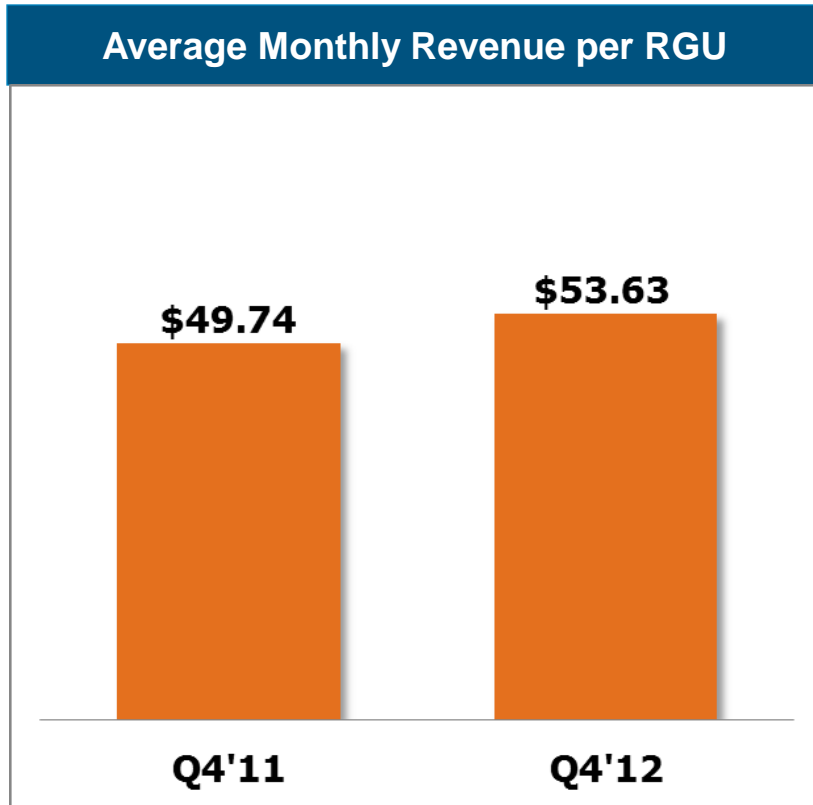


Q3'11 Q4'11 Q1'12 Q2'12 Q3'12 Q4'12

# Cable - RGU Growth by Quarter



# Cable Statistics



\*Average monthly revenue per video subscriber was \$84.46 and \$99.30 for Q4 2011 and Q4 2012, respectively.

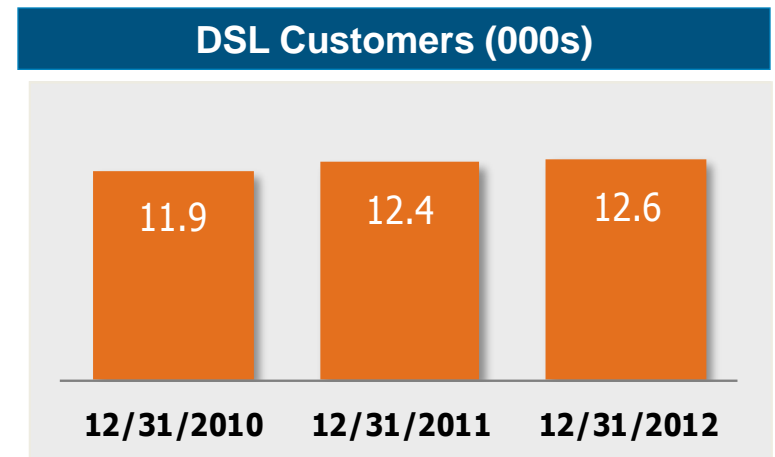
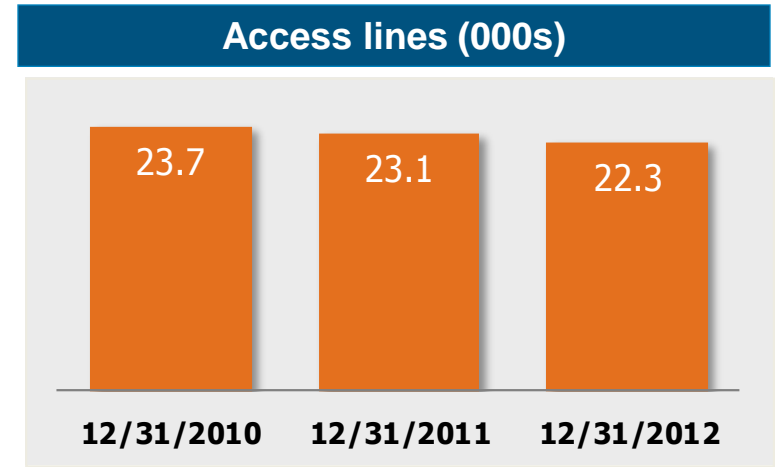
# Key Operational Results – Cable

	12/31/2010	12/31/2011	12/31/2012
<b>Homes Passed</b>	<b>178,763</b>	<b>182,156</b>	<b>184,533</b>
<b>Customer Relationships</b>	<b>74,212</b>	<b>75,348</b>	<b>74,798</b>
Video			
Revenue generating units	67,235	64,979	61,559
Penetration	37.6%	35.7%	33.4%
Digital video penetration	34.0%	39.0%	39.5%
High-speed Internet			
Available Homes	144,099	156,119	163,273
Revenue generating units	31,832	37,021	41,025
Penetration	22.1%	23.7%	25.1%
Voice			
Available Homes	118,652	143,235	154,552
Revenue generating units	6,340	9,881	12,307
Penetration	5.3%	6.9%	8.0%
<b>Total Revenue Generating Units</b>	<b>105,407</b>	<b>111,881</b>	<b>114,891</b>

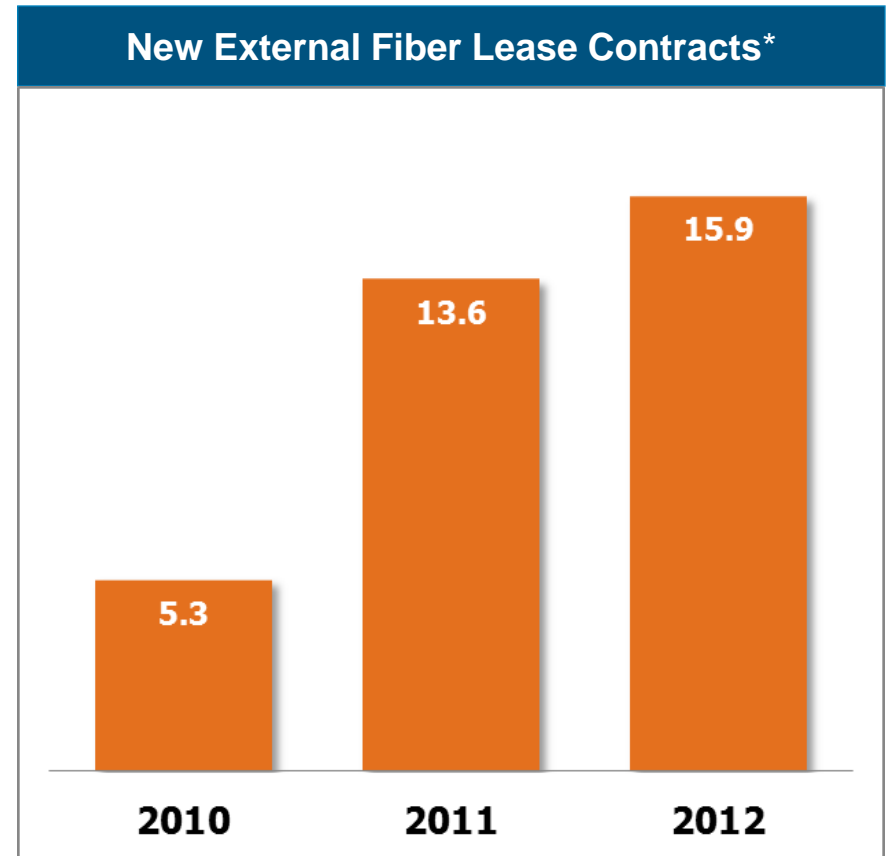
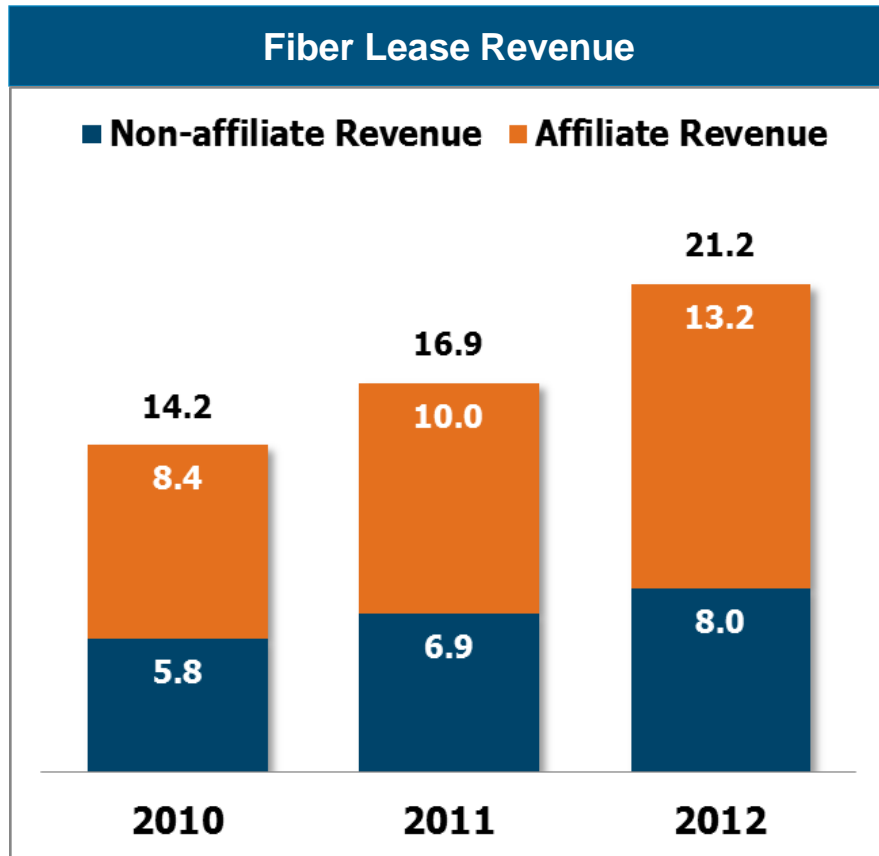
Note: Video homes passed includes 16K homes located in Shenandoah County, VA, where internet and voice services are provided by the Wireline segment.

# Key Operational Results - Wireline

- Access line loss of 3.4% in past 12 months
- Broadband penetration in LEC area at 56%
- 1.7% growth in DSL customers since 12/31/2011.
- Total connections at 12/31/12 of 34.9 thousand

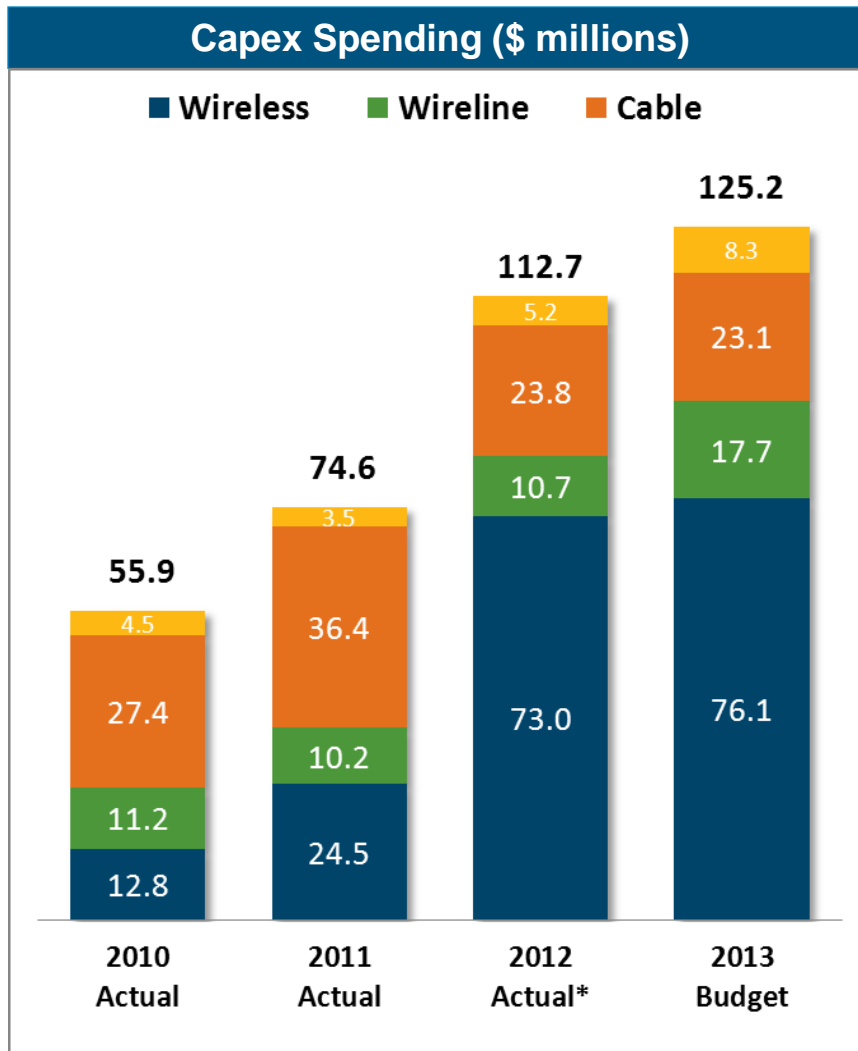


# Wireline Statistics – Fiber Sales (\$ millions)



\* Amounts shown represent the total contract value. Contract Terms range from 36 to 120 months.

# Investing in the Future



- Last Cable upgrade of 10,000 homes passed is underway and expected to be complete in 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 includes \$24.7 million of contracted commitments that was included in accounts payable at 12/31/12.

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# Q&A

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# Appendix

# Non-GAAP Financial Measure – Billed Revenue per Postpaid Subscriber

*Dollars in thousands (except subscribers and revenue per subscriber)*

<u>Gross billed revenue</u>	<u>4Q 2011</u>	<u>4Q 2012</u>
Wireless segment total operating revenues	\$ 40,947	\$ 47,045
Equipment revenue	(1,318)	(1,675)
Tower Lease Revenue	(2,224)	(2,297)
Prepaid Net Service Revenues	(6,471)	(8,702)
Other revenue	(700)	(268)
Wireless service revenue – postpaid	<u>30,234</u>	<u>34,103</u>
Discounts and Credits	4,323	3,722
Write-offs	1,504	1,838
Management fee	3,082	3,438
Service fee	4,623	5,157
Gross billed revenue – postpaid	<u>\$ 43,766</u>	<u>\$ 48,258</u>
Average postpaid subscribers	245,429	260,164
Billed revenue per postpaid subscriber	\$59.44	\$61.83

# Non-GAAP Financial Measure – Adjusted Earnings Per Share

<i>in thousands, except per share amounts</i>	<u>2011</u>	<u>2012</u>
<b>Net income from continuing operations</b>	<b>\$ 13,538</b>	<b>\$ 16,603</b>
<b>Adjustments:</b>		
Adjusted prepaid results	4,890	(6,137)
Goodwill impairment charge	-	10,952
Loss (gain) on assets sales	(1,309)	441
Storm damage costs	-	813
Pension settlement and curtailment costs	-	-
Business acquisition costs	-	-
<b>Total adjustments</b>	<u>3,581</u>	<u>6,069</u>
<b>Less tax effect</b>	<u>(1,578)</u>	<u>(2,547)</u>
<b>Net adjustment</b>	<u>2,003</u>	<u>3,522</u>
<b>Adjusted net income from continuing operations</b>	<b><u>\$ 15,541</u></b>	<b><u>\$ 20,125</u></b>
<b>Weighted average diluted shares outstanding</b>	<b>23,826</b>	<b>24,019</b>
<b>Earnings per share from continuing operations</b>	<b>\$ 0.57</b>	<b>\$ 0.69</b>
<b>Adjusted earnings per share from continuing operations</b>	<b>\$ 0.65</b>	<b>\$ 0.84</b>