



1Q 2015 Earnings Conference Call

May 4, 2015

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. 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

First Quarter 2015 Highlights

■ Net Income Growth – Q1'15 v. Q1'14

- Increased 19.4% over Q1'14 to \$10.3 million
- Adjusted OIBDA increased 12.5% to \$35.7 million

■ Revenue Growth

- Revenue grew 4.8% over Q1'14 to \$84.3 million

■ Customer Growth

	<u>3/31/14</u>	<u>3/31/15</u>	<u>Change</u>
Wireless	413,562	438,861	+25,299
Cable (RGUs)	116,592	124,015	+7,423

Wireless Highlights

❑ Postpaid Growth

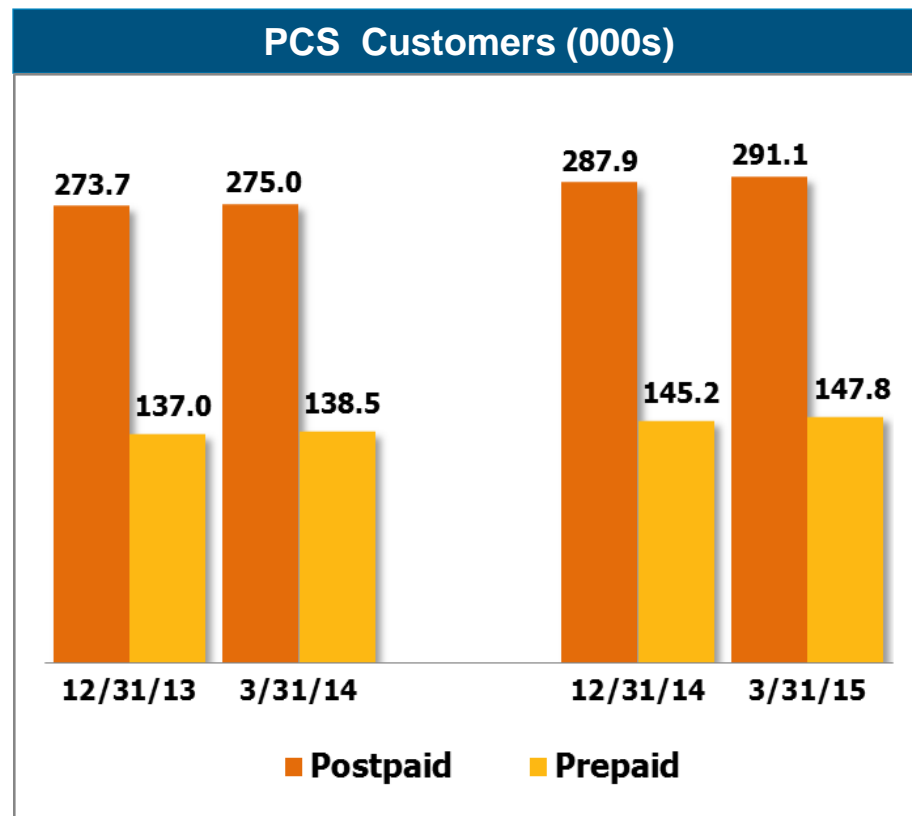
Postpaid customers up 5.8% over last 12 months

❑ Prepaid Growth

Prepaid customers up 6.7% over last 12 months

❑ Operating Income Increase

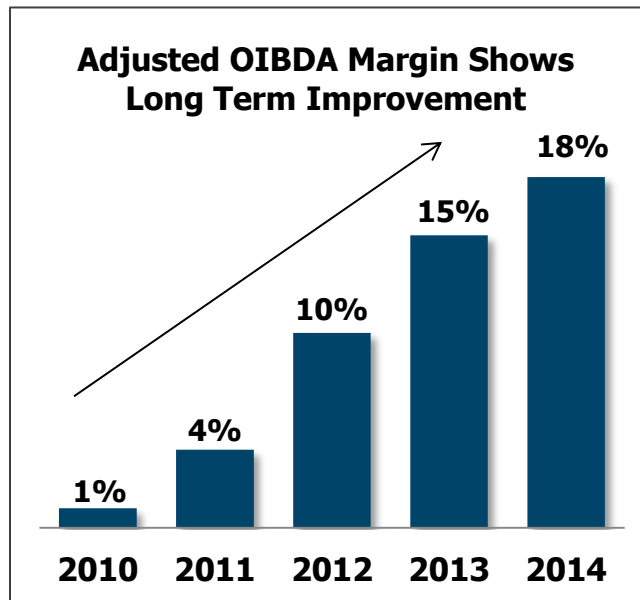
Improvement of \$2.6 million, or 15.7%



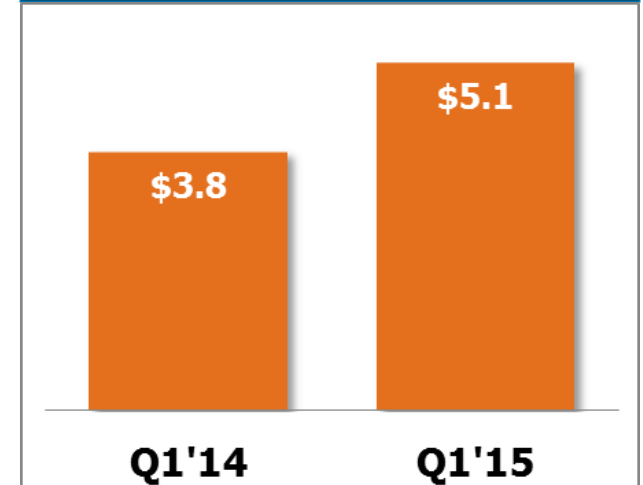
Cable Highlights

■ Revenue Growth

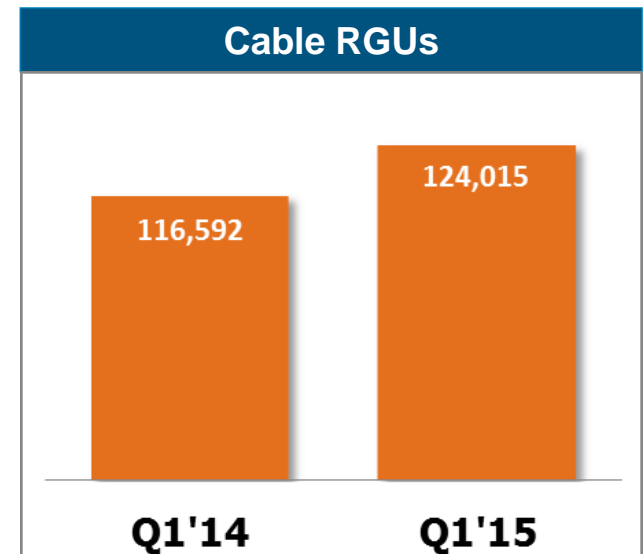
- Operating revenues \$23.3 million, growth of 13.8% over Q1'14
- Q1'15 Adjusted OIBDA \$5.1 million, up 33.0% from Q1'14
- 124,015 RGUs at Q1'15, up 6.4% over Q1'14



Cable OIBDA (in millions)



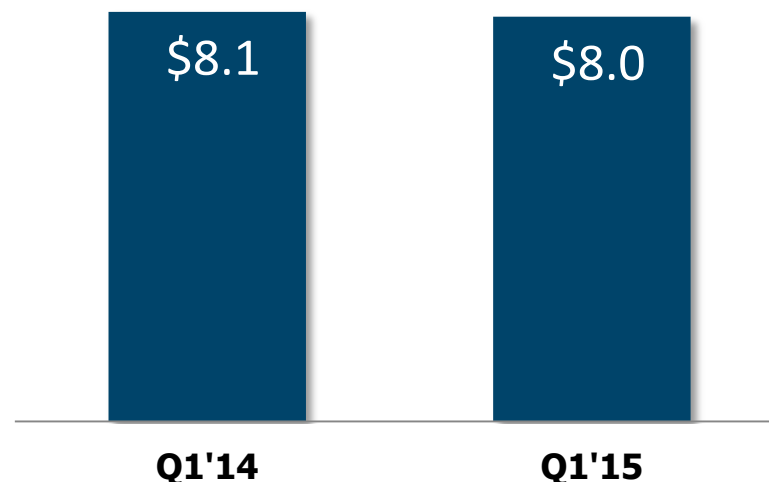
Cable RGUs



Other Highlights

- Wireline and Cable - Fiber lease revenues of \$8.0 million, down 1.0% from Q1'14
- 154 towers generated \$1.7 million of OIBDA, down 4.4% over Q1'15

*Fiber Lease Revenue (in millions)



*Includes both Affiliate and Non-affiliate revenues

Mobile Tower OIBDA (\$ thousands)

<i>(in thousands)</i>	<u>Q1'14</u>	<u>Q1'15</u>
Operating Income	\$1,395	\$1,234
Deprec. and Amort.	360	442
Loss on Asset Disposals	4	7
Share Based Compensation	9	7
Adjusted OIBDA	\$1,768	\$1,690



Adele Skolits

VP of Finance and CFO

Profitability

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

	<u>For the Quarter Ended:</u>		
	3/31/14	3/31/15	Change
Operating Income	\$ 15,680	\$ 18,526	18%
Net Income	\$ 8,616	\$ 10,286	19%
Earnings Per Share:			
Basic	\$ 0.36	\$ 0.43	19%
Diluted	\$ 0.36	\$ 0.42	17%

Profitability

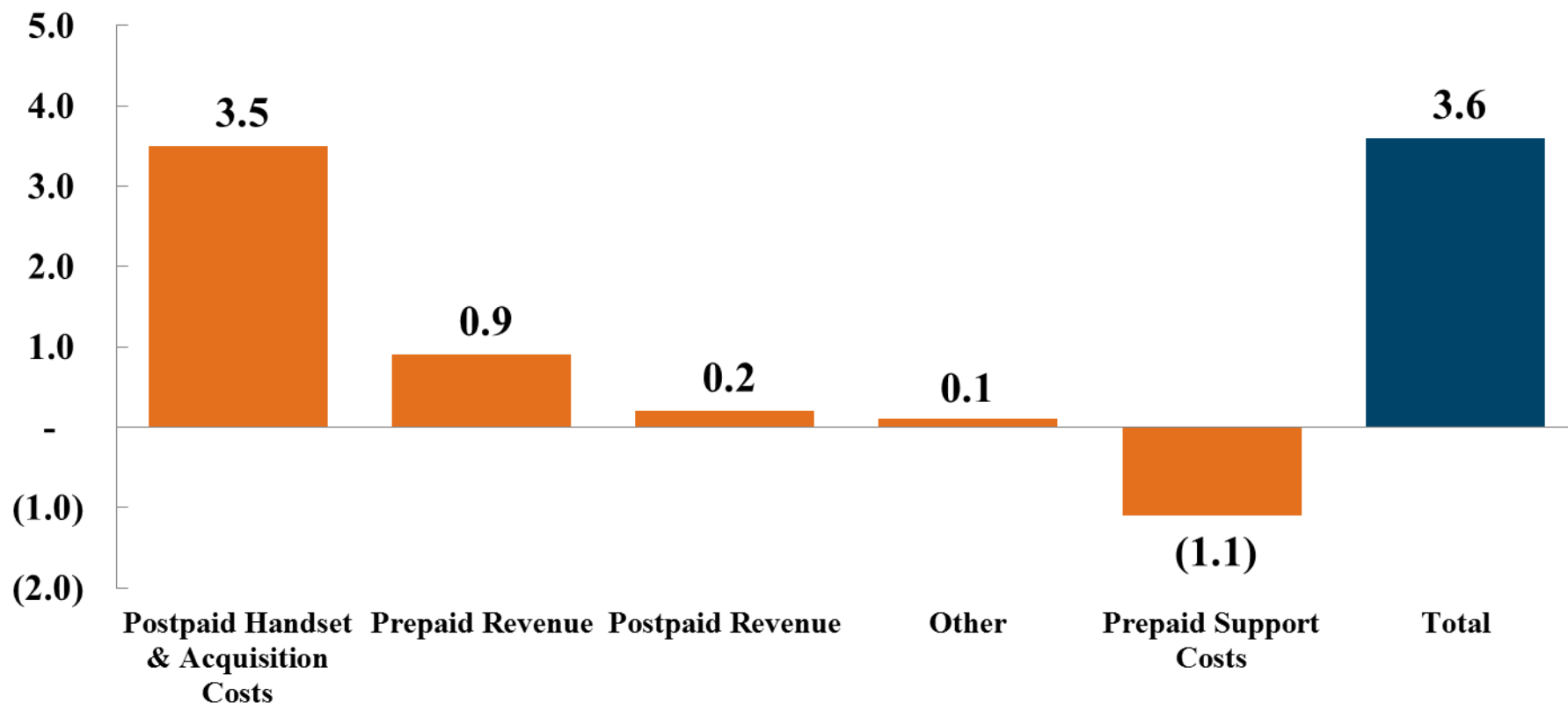
Adjusted OIBDA (\$ thousands)

	<u>For the Quarter Ended:</u>		
	<u>3/31/14</u>	<u>3/31/15</u>	<u>Change</u>
Operating Income	15,680	18,526	18%
Depreciation and Amortization	15,387	16,337	6%
Share Based Compensation	1,028	825	-20%
(Gain)/Loss on Asset Disposals	(366)	11	N.M.
Adjusted OIBDA	31,729	35,699	13%

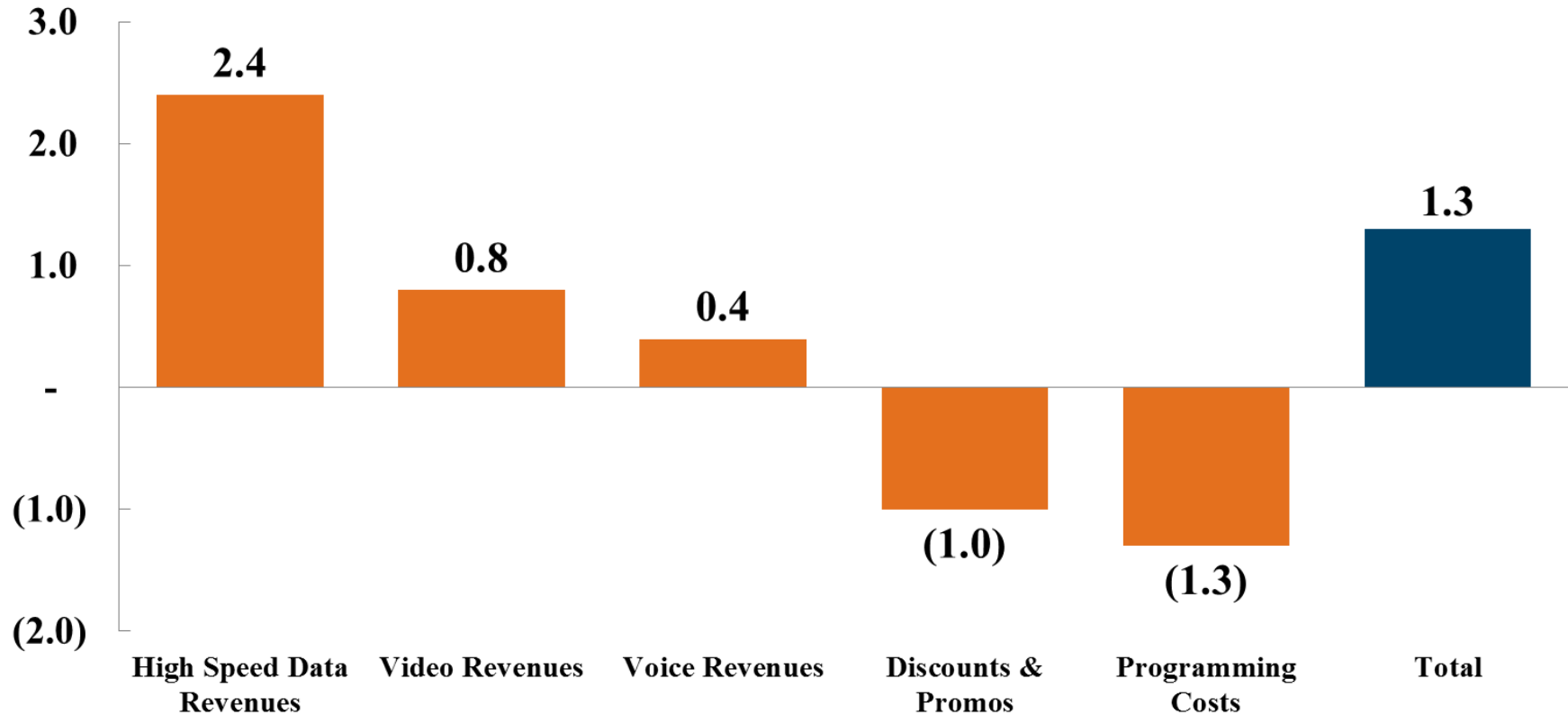
Adjusted OIBDA by Segment (\$ millions)

	<u>Wireless</u>		<u>Cable</u>		<u>Wireline</u>	
	<u>Q1'14</u>	<u>Q1'15</u>	<u>Q1'14</u>	<u>Q1'15</u>	<u>Q1'14</u>	<u>Q1'15</u>
Operating Income	\$ 16.8	\$ 19.4	\$ (2.0)	\$ (0.7)	\$ 4.3	\$ 3.8
Depreciation and amortization	7.2	7.8	5.4	5.5	2.7	2.9
Plus (gain) loss on asset sales	(0.3)	0.1	-	-	-	-
Share based compensation	0.2	0.2	0.4	0.3	0.2	0.2
Adjusted OIBDA	<u>\$23.9</u>	<u>\$27.5</u>	<u>\$ 3.8</u>	<u>\$ 5.1</u>	<u>\$7.2</u>	<u>\$ 6.9</u>
Percent Change		15%		33%		-5%
Adjusted OIBDA Margin	47%	52%	19%	22%	46%	44%

Wireless Segment – Change in Adjusted OIBDA Q1'15 vs. Q1'14 (\$ millions)



Cable Segment – Change in Adjusted OIBDA Q1'15 vs. Q1'14 (\$ millions)

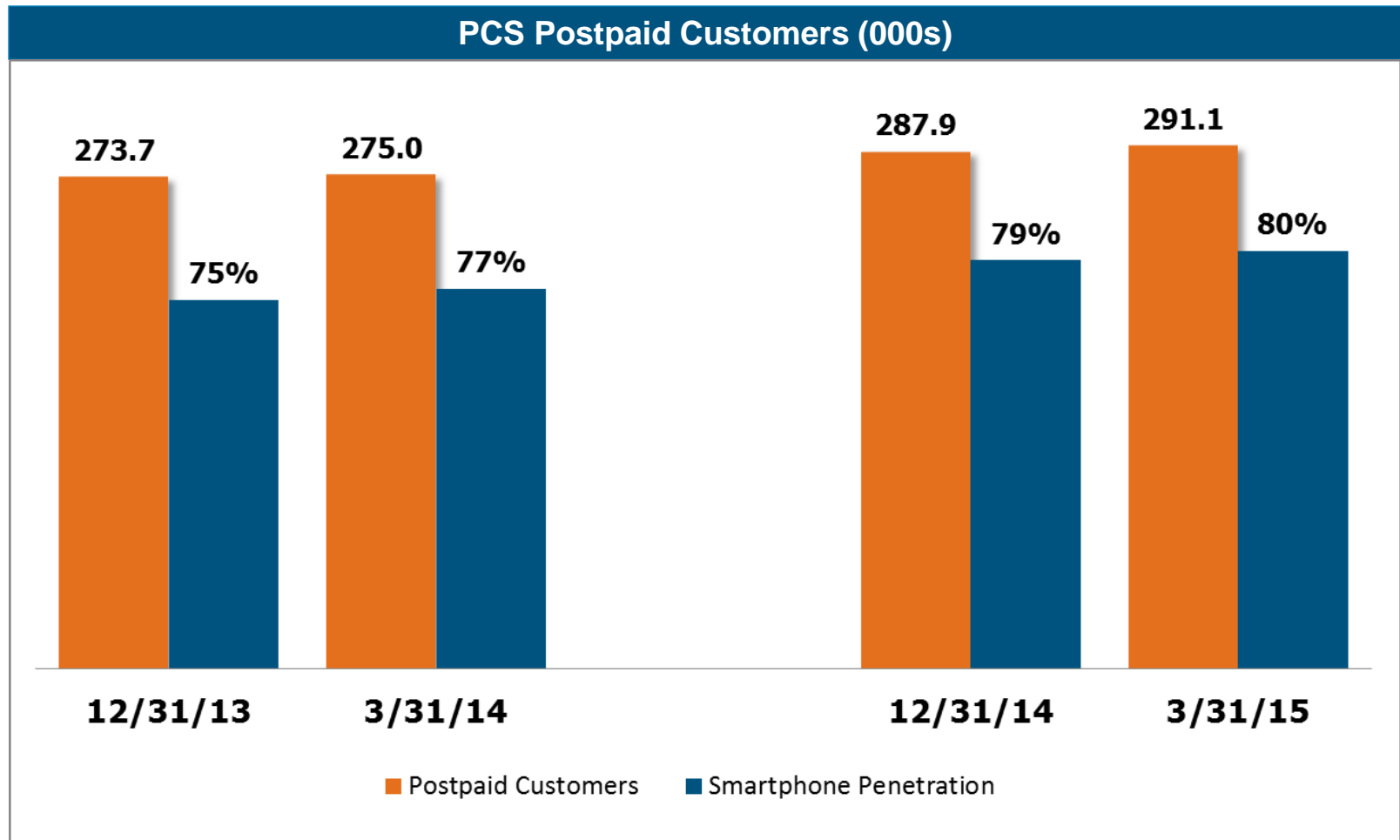




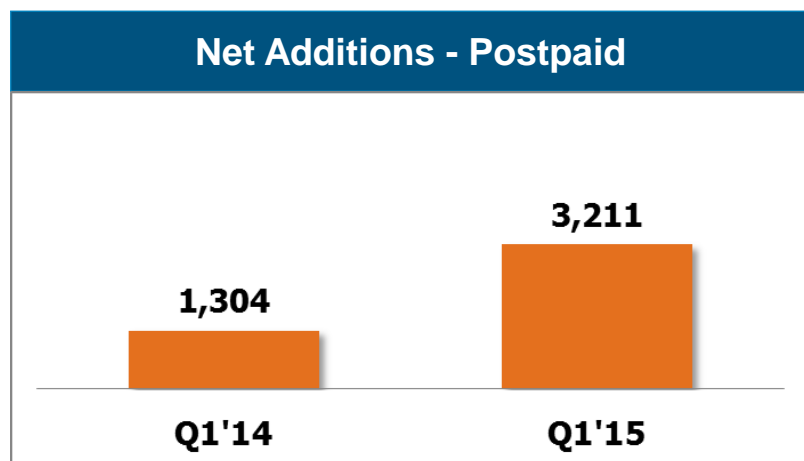
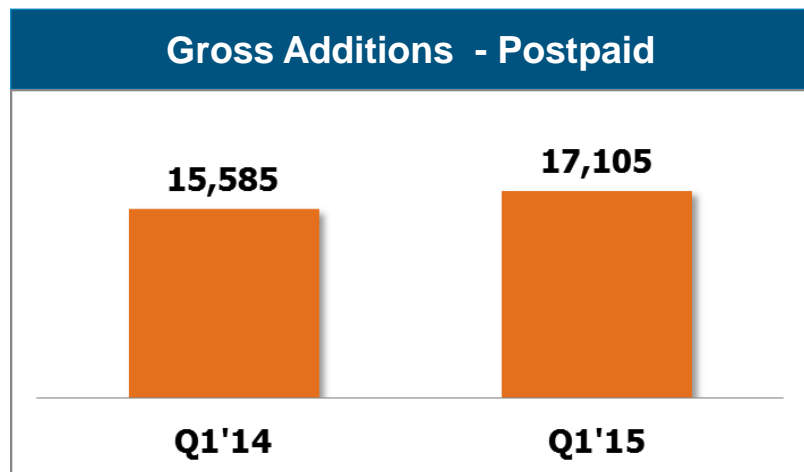
Earle MacKenzie

EVP and COO

Postpaid Customer Growth



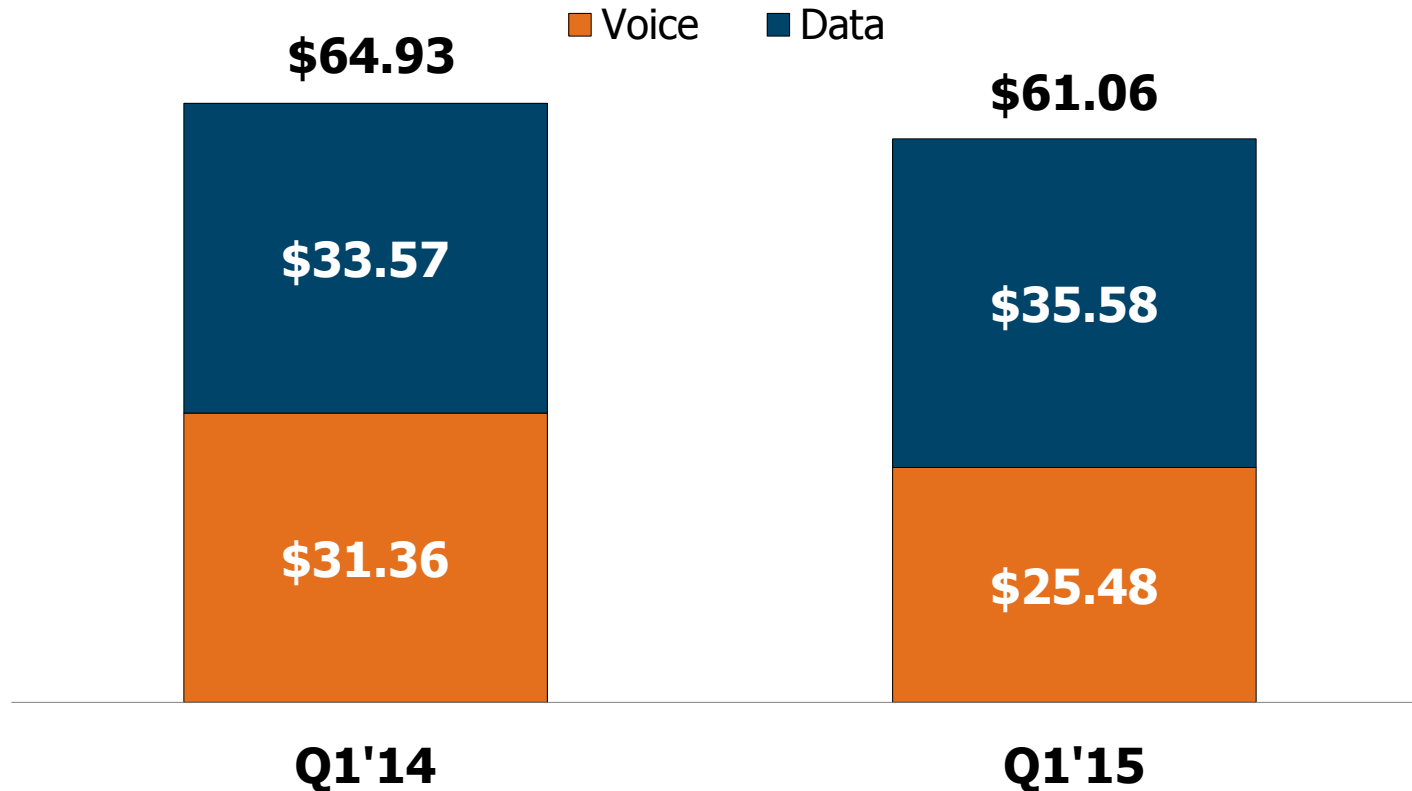
Postpaid Customer Additions



- Net adds of 3,211 in Q1 2015 versus 1,304 in Q1 2014
- Q1 2015 churn of 1.60%, down from 1.73% in Q1 2014
- Shentel-controlled channels produced 39% of gross adds in Q1 2015 and 55% in Q1 2014

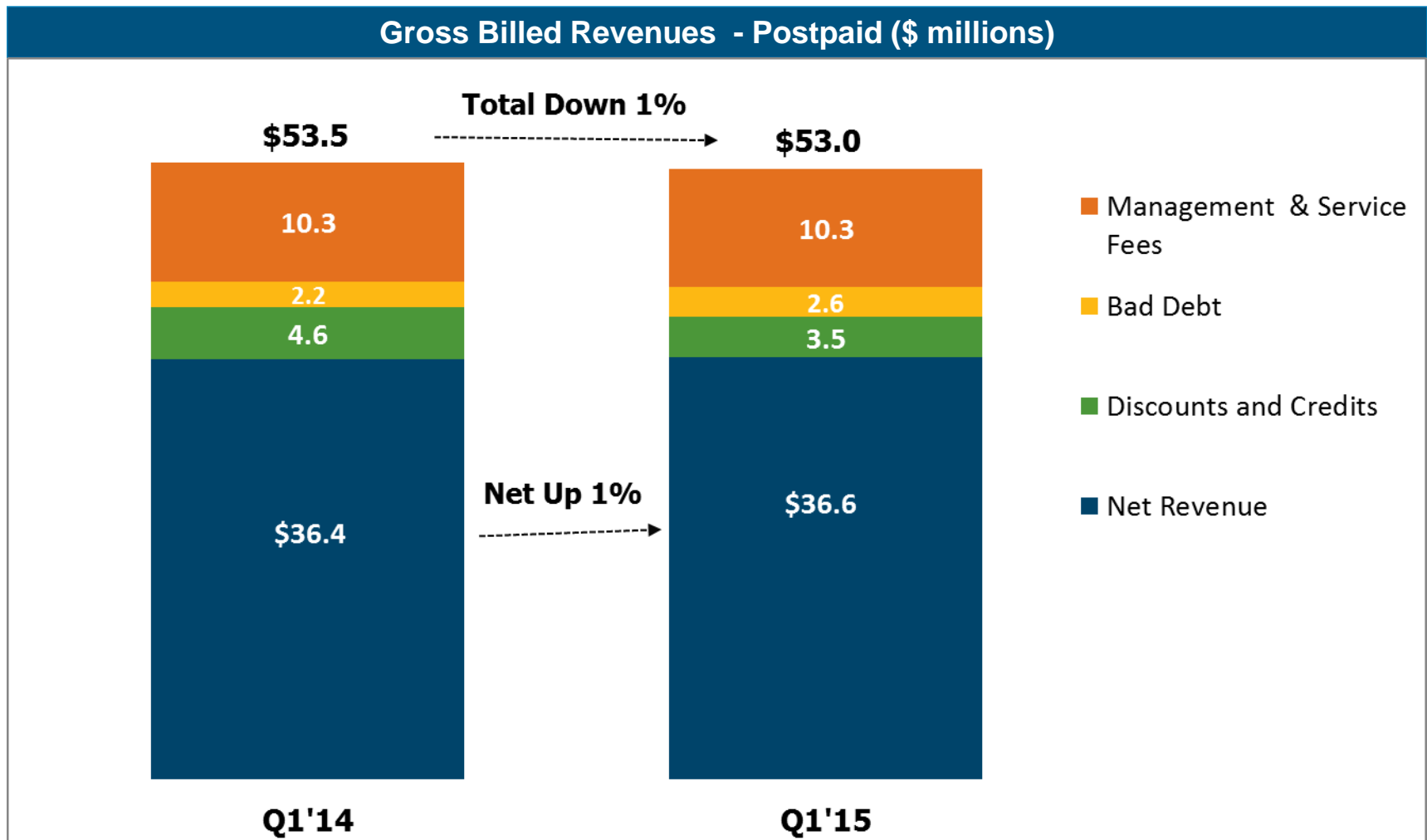
Billed Revenue per Customer Down; Data Usage Increasing

Gross Billed Service Revenue per Postpaid User – Data & Voice ¹



¹ – Before Service credits, bad debt, Sprint Nextel fees.

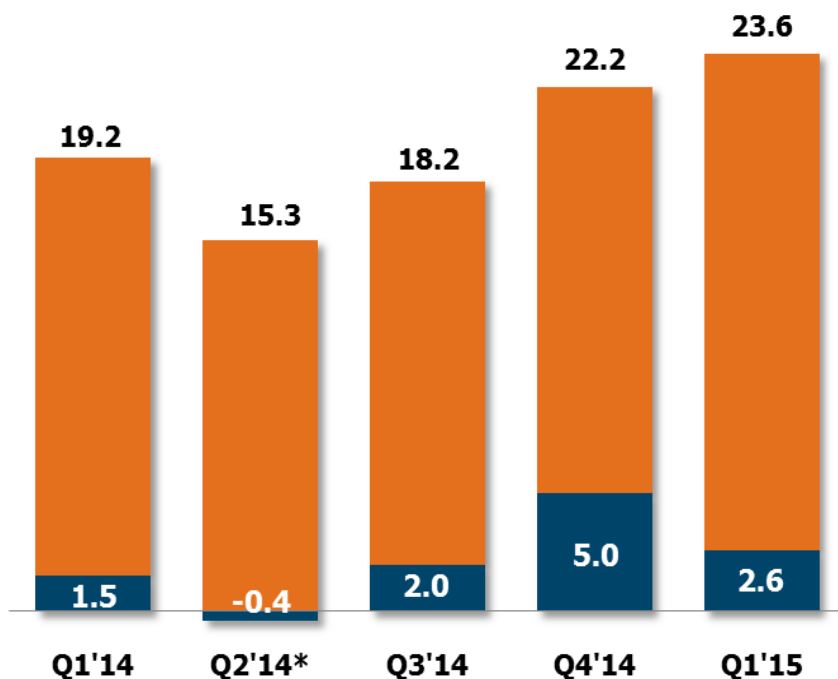
PCS Revenues



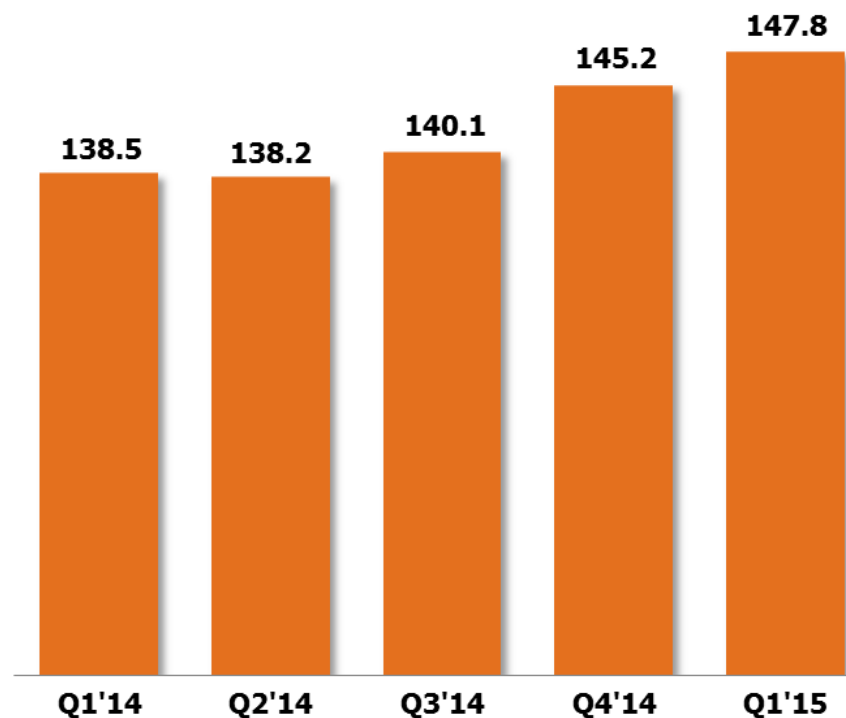
PCS Prepaid Statistics

Gross Additions (000s)

■ Gross Additions ■ Net Additions



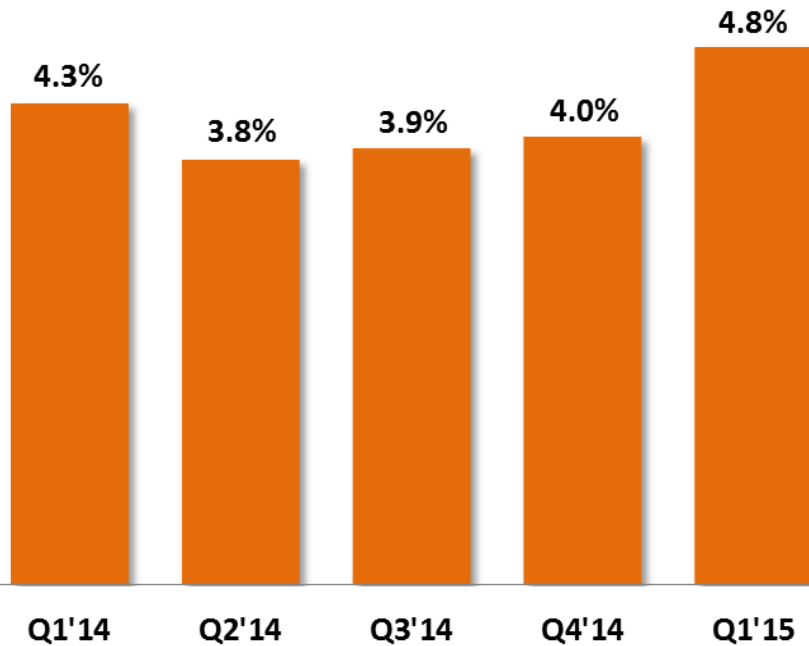
Cumulative Customers (000s)



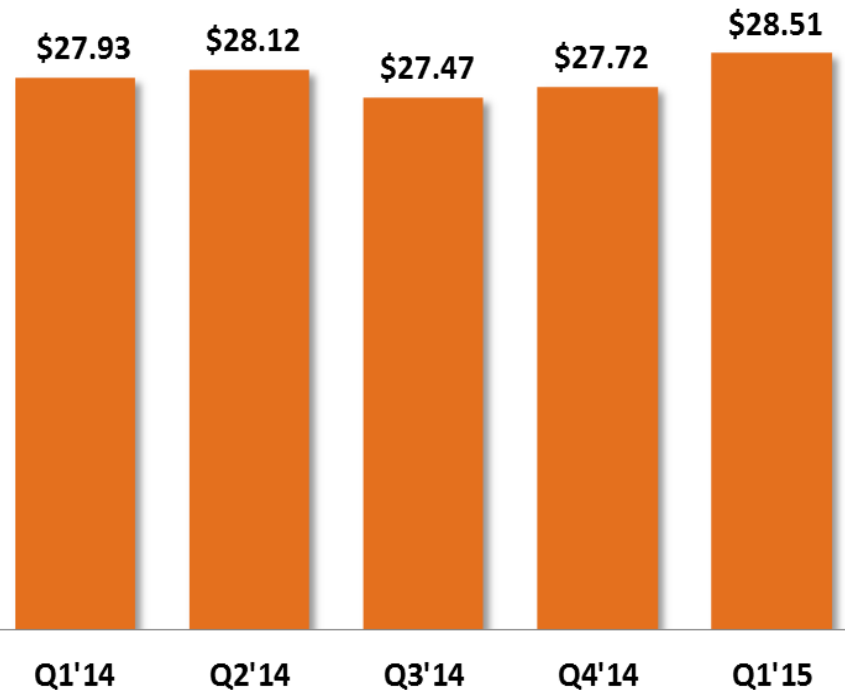
*The loss of customers in Q2'14 related to more stringent governmental requirements for customers renewing their eligibility for the government subsidized Assurance program.

PCS Prepaid Statistics

Churn %



Average Gross Billed Revenue



Network Statistics at 3/31/15

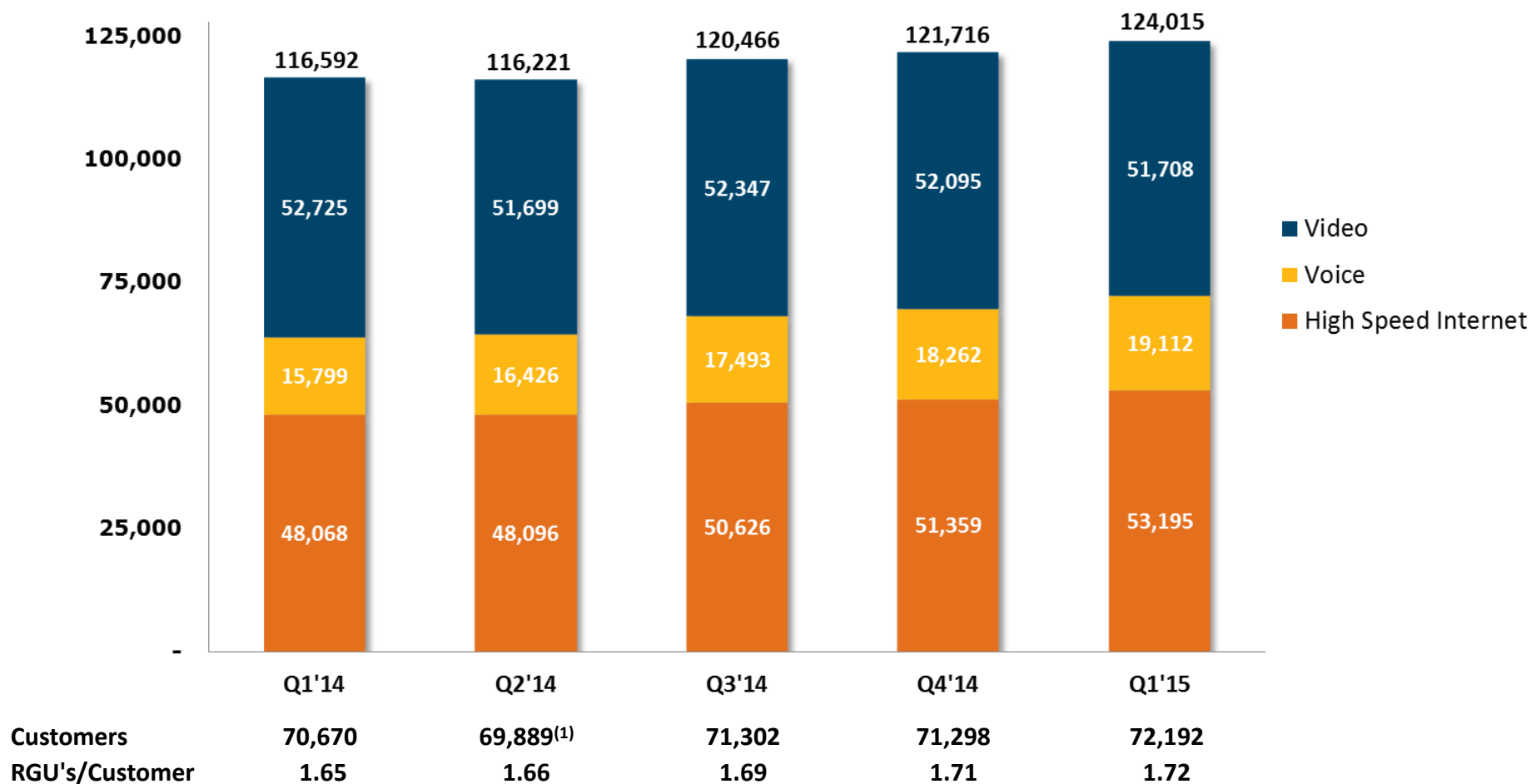
■ 542 Cell Sites

- 95% have a second LTE carrier at 800 MHz
- 126 sites have three carriers, including a second carrier at 1900 MHz

■ Traffic

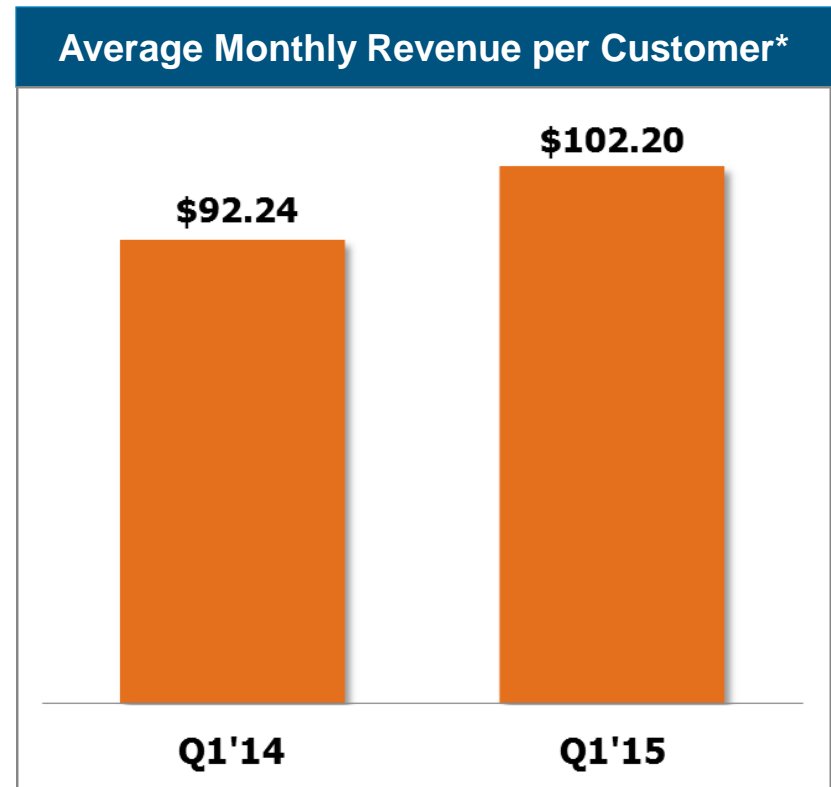
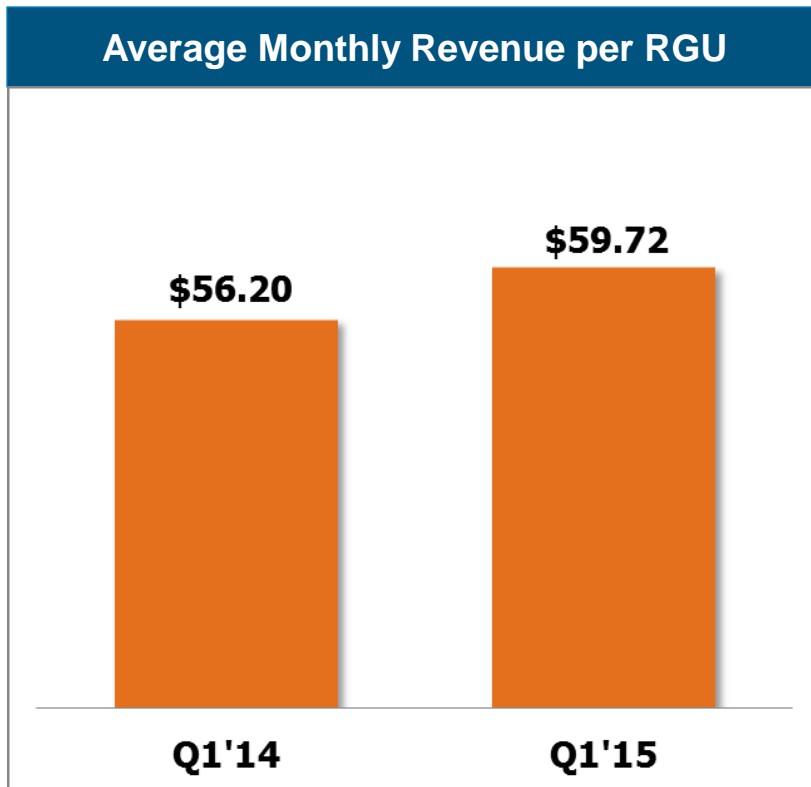
- 84% of data traffic is on LTE, with 35% on 800 MHz
- Data usage grew 15% in Q1'15
- Average speeds of approximately 5 Mbps
- Average customer uses approximately 3.8 GB per month
- Dropped calls - 0.6%
- Blocked calls - 0.4%

Cable - RGU Growth by Quarter



1. College students disconnect during summer

Increasing Average Monthly Cable Revenue



*Average monthly revenue per video subscriber was \$122.59 and \$141.46 for Q1 2014 and Q1 2015, respectively.

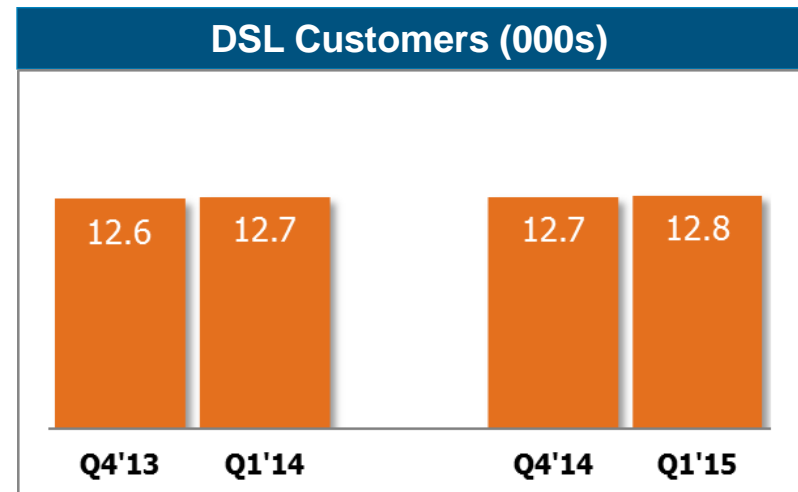
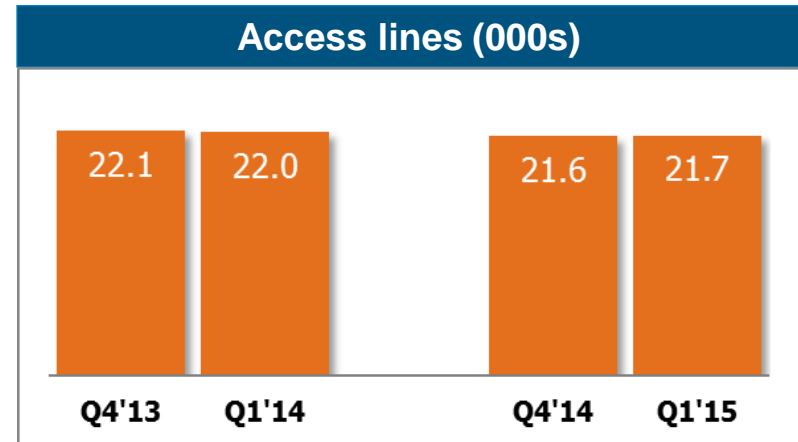
Key Operational Results – Cable*

	Q1 2014	Q1 2015
Homes Passed	170,711	172,022
Total Revenue Generating Units	116,592	124,015
Customer Relationships	70,670	72,192
RGUs per Customer Relationship	1.65	1.72
Video		
Revenue generating units	52,725	51,708
Penetration	30.9%	30.1%
Digital video penetration	57.5%	69.9%
High-speed Internet		
Available Homes	168,573	172,022
Revenue generating units	48,068	53,195
Penetration	28.5%	30.9%
Voice		
Available Homes	163,582	169,285
Revenue generating units	15,799	19,112
Penetration	9.7%	11.3%

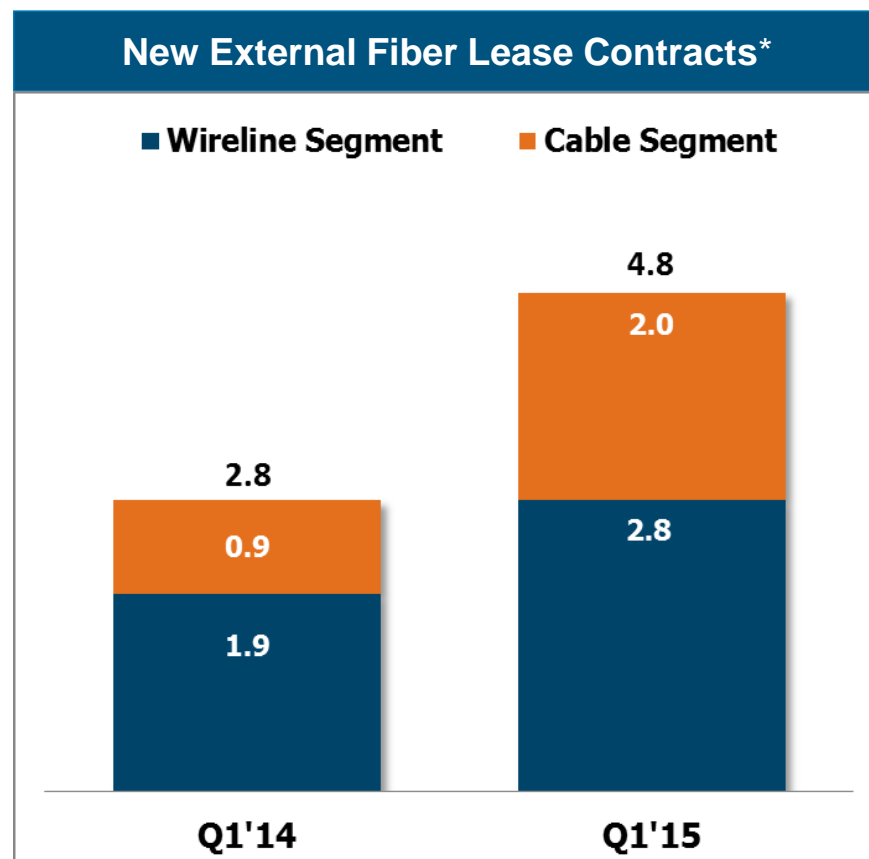
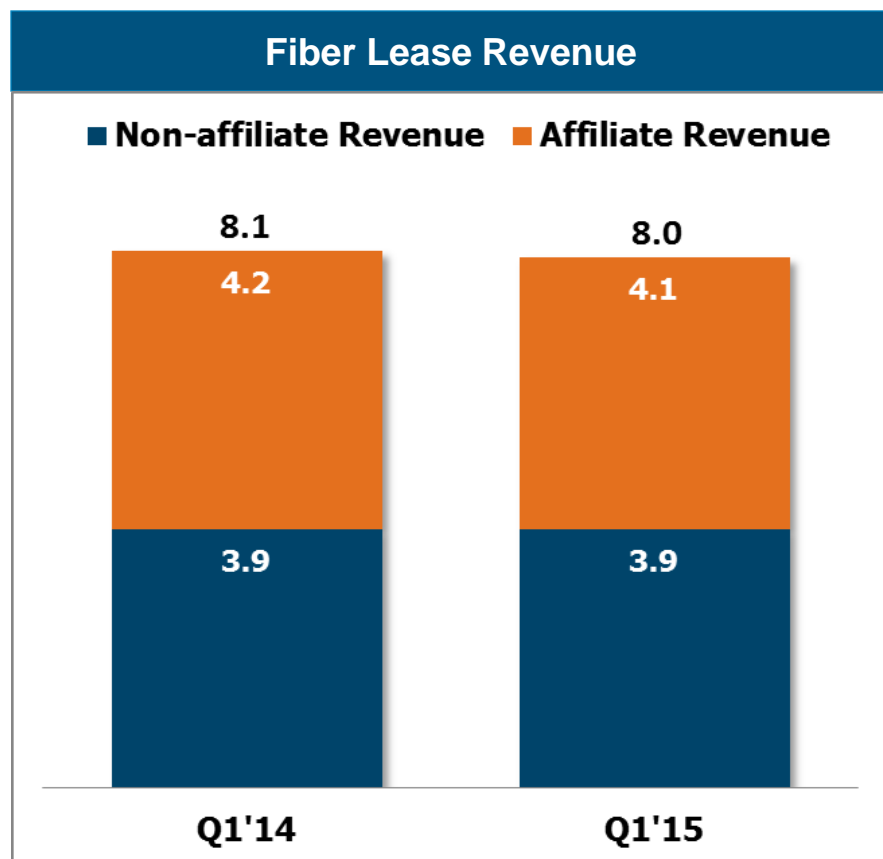
*Excludes cable operations in Shenandoah County, VA which are included in the Wireline segment.

Key Operational Results - Wireline

- Access line loss of 1.3% in past 12 months
- Broadband penetration in LEC area at 59.2%
- Total connections at 3/31/15 of 34.5 thousand
- 5,599 video subscribers at 3/31/15

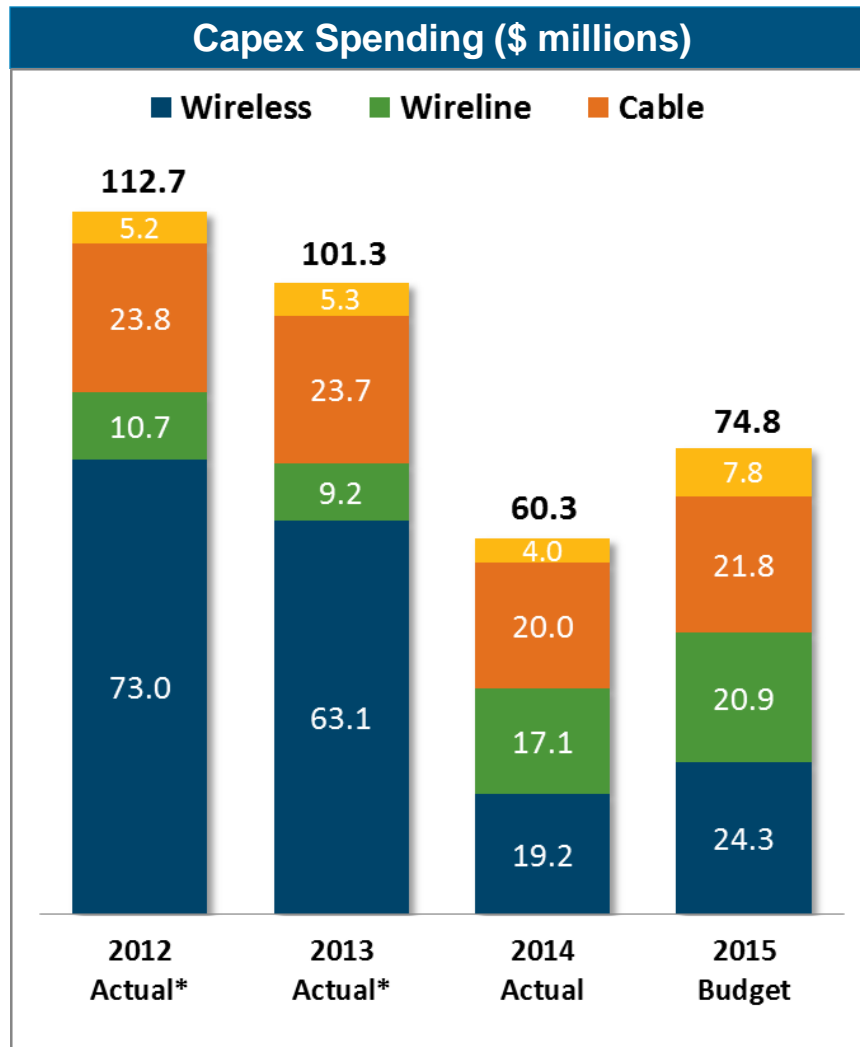


Wireline and Cable Fiber Sales (\$ millions)



* Amounts shown represent the total contract value. Contract Terms range from 36 to 120 months. Revenues may be booked either in the Wireline or Cable segment depending on which assets are used to provide the service.

Investing in the Future



- 2015 Capex Budget:
 - 33% Network Capacity
 - 30% Network Maintenance
 - 20% Network Expansion
 - 17% Success-Based

* Accounts payable at December 31, 2013 and 2012 included \$6.5 million and \$24.7 million associated with PCS Network Vision capital expenditures.

Q&A

Appendix

Non-GAAP Financial Measures – Billed Revenue per Prepaid & Postpaid Subscriber

Dollars in thousands (except subscribers and revenue per subscriber)

	<u>1Q 2014</u>	<u>1Q 2015</u>
<u>Gross billed revenue</u>		
Wireless segment total operating revenues	\$ 51,079	\$ 52,509
Equipment revenue	(1,197)	(1,481)
Tower lease revenue	(2,565)	(2,570)
Gross billed revenue – prepaid	(11,550)	(12,549)
Prepaid service fee	693	756
Other revenue	(85)	(83)
Wireless service revenue – postpaid	36,375	36,582
Service credits	4,639	3,503
Write-offs	2,191	2,616
Management fee	3,726	3,732
Service fee	6,521	6,530
Gross billed revenue – postpaid	<u>\$ 53,452</u>	<u>\$ 52,963</u>
 Average Prepaid subscribers	 137,852	 146,736
Billed revenue per Prepaid subscriber	\$ 27.93	\$ 28.51
 Average Postpaid subscribers	 274,390	 289,131
Billed revenue per Postpaid subscriber	\$ 64.93	\$ 61.06

Calculation of Billed revenue per subscriber = Gross billed revenue / Average subscribers / 3 months

Postpaid PCS Customers Top Picks Q1 2015

■ **Top Service Plans** – 53% of Gross Adds

Family Unlimited, Talk/Text/Data	14%
Unlimited, My Way	11%
Unlimited, Talk/Text	11%
20GB Share Pack	9%
\$50 Unlimited Plan	8%

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

iPhone	41%
Samsung Galaxy S	15%
Samsung Galaxy Tablet	11%

Smartphones made up 80% of the Postpaid base in Q1'15, up from 79% in Q4'14 and 77% in Q1'14.

iPhone Statistics – Q1'15

- 41% of Q1 Gross Adds
- 31% of iPhones were sold or upgraded in Shentel-controlled channels
- 36.5% of 3/31/15 Postpaid customers had the iPhone, up from 35.1% at 12/31/14 and 30.3% at 3/31/14.
- iPhone Base – 3/31/15
 - 47% iPhone 5, 5C & 5S
 - 31% iPhone 6, 6 Plus
 - 22% iPhone 4 & 4S

Non-GAAP Financial Measure – Average Monthly Cable Revenue

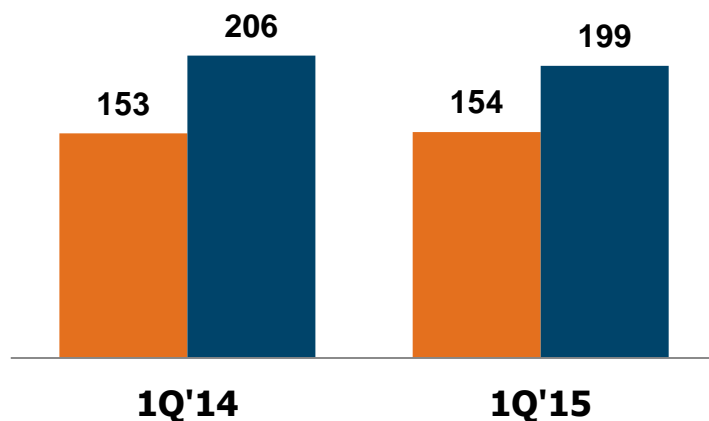
Dollars in thousands (except subscribers and revenue per user)

	<u>Q1 2014</u>	<u>Q1 2015</u>
Net Service Revenue	\$ 17,423	\$ 19,672
Set-top box rentals	1,641	1,911
FUSC and pass-through fees	320	395
Video, Internet & Voice Revenue	19,384	21,978
Other miscellaneous revenue	1,096	1,333
Total Operating Revenue	20,480	23,311
Video revenue	11,915	12,582
Internet revenue	6,019	7,676
Voice revenue	1,450	1,720
Video, Internet & Voice Revenue	\$ 19,384	\$ 21,978
<u>Average Subscribers</u>		
Video	52,705	51,787
Internet	46,952	52,230
Voice	15,311	18,658
Revenue Generating Units (RGUs)	114,968	122,675
Average Customer Relationships	70,046	71,686
<u>Average Revenue Per User (ARPU)</u>		
Revenue Generating Units (RGUs)	\$ 56.20	\$ 59.72
Customer Relationships	92.24	102.20
Video	122.59	141.46

Key Operational Results – Mobile Company

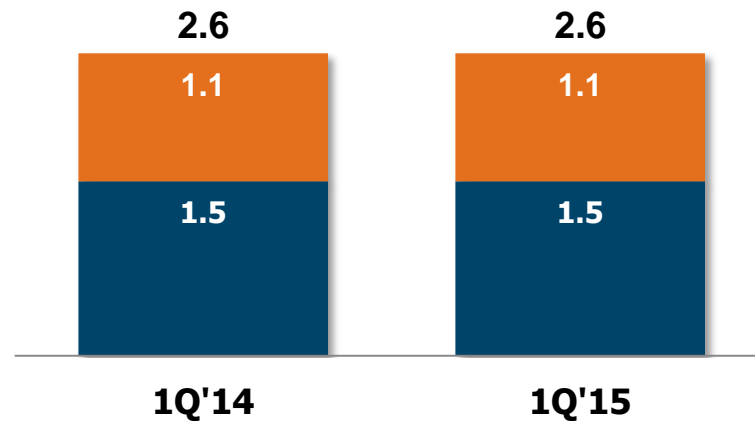
Towers and Leases

■ Towers ■ Non-affiliate Leases



Mobile Tower Revenue (\$ millions)

■ Non-affiliate Revenue ■ Affiliate Revenue



(in thousands)

Operating Income

Q1'14

\$1,395

Q1'15

\$1,234

Depreciation and

Amortization

360

442

Loss on Asset Disposals

4

7

Share Based Compensation

8

7

Adjusted OIBDA

\$1,767

\$1,690