



4th Quarter and Year End 2016 Earnings Results

March 2017



Participants

Anand Vadapalli: President and Chief Executive Officer

Laurie Butcher: Senior Vice President of Finance

Leonard Steinberg: General Counsel

Tiffany Smith: Manager, Investor and Board Relations

Safe Harbor Statement

Forward-Looking Statements

We have included in this presentation certain "forward-looking statements," as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's beliefs as well as on a number of assumptions concerning future events made using information currently available to management. You are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of risks, uncertainties and other factors, many of which are outside Alaska Communications' control.

For further information regarding risks and uncertainties associated with Alaska Communications' business, please refer to the Alaska Communications' SEC filings, including, but not limited to, our annual report on Form 10-K, quarterly reports on Form 10-Q filed subsequently, and other filings with the SEC, included under headings such as "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Non-GAAP Measures

In an effort to provide investors with additional information regarding our financial results, in particular with regards to our liquidity and capital resources, we have disclosed certain non-GAAP financial information such as Adjusted EBITDA, Adjusted Free Cash Flow and Net Debt, which management utilizes to assess performance and believes provides useful information to investors. The definition of these non-GAAP measures are on Schedules 4, 5 and 9 of our earnings press release. Adjusted EBITDA, and Adjusted Free Cash Flow are non-GAAP measures and should not be considered a substitute for Net Income, Net Cash Provided (Used) By Operating Activities and other measures of financial performance recorded in accordance with GAAP. Reconciliations of our non-GAAP measures to our nearest GAAP measures can be found in the Appendix or on our website at <http://www.alsk.com> in the investment data section. Other companies may not calculate non-GAAP measures in the same manner as Alaska Communications. We do not provide guidance for Net Income and Net Cash Provided (Used) By Operating Activities.

2016 Highlights and Business Overview

Anand Vadapalli: President and Chief Executive Officer

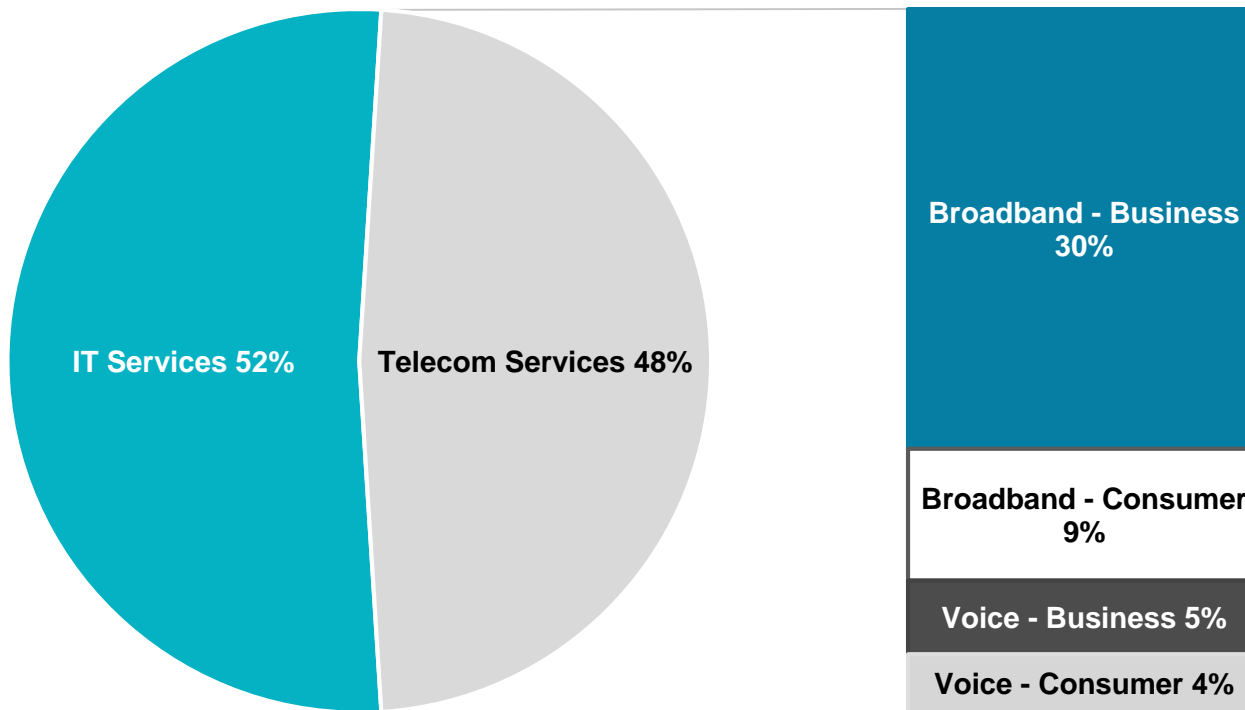
Strong 2016 Creates Momentum Going Forward

- Operating performance provides platform for growth
 - Third consecutive year of top line wireline growth
 - Wireline 3.2%
 - Business and wholesale 8.2%
 - Solid Adjusted Free Cash Flow of \$9.8 million
 - Expanding fiber, leveraging Quintillion network

- Increased options for capital allocation
 - Targeted success capital investments will drive further growth
 - New credit agreement extends maturities with prudent deleveraging
 - Establishing share repurchase program for up to \$10 million

- Plan to explore strategic actions to develop scale and geographic diversification

\$1.6 Billion Market, 85%+ Business, Growing 3-5% a Year



IT Services

Competition: Fragmented

Margins: Moderate

Growth: High

Telecom Services

Competition: Limited

Margins: High

Growth:

Broadband: High

Voice: Low

Business and Wholesale Expect to Drive Growth

~60% of Revenue, ~8% CAGR Expected over Next Few Years

- Broadband growth driven by cloud migration
 - Take our fair share of market growth

- Currently at ~21% market share compared to the leading competitor at ~51%
 - Three year track record of year over year growth
 - Agreement with Quintillion Networks creates new opportunities to take share

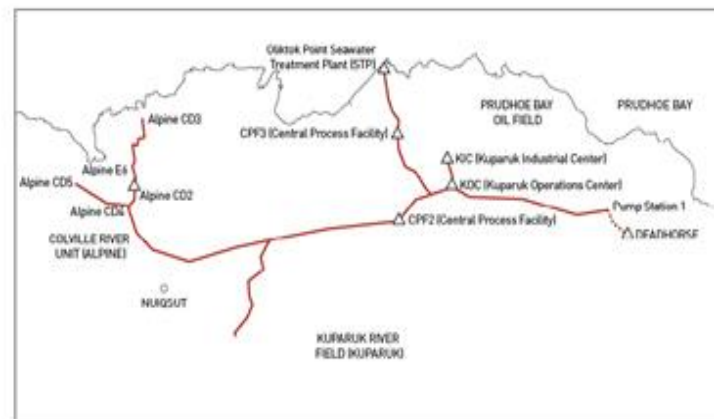
- Managed IT Services represents largest opportunity with current share less than 2%
 - Fragmented competition
 - Pursuing greater share of wallet creates growth

Network partnership opens new market in Alaska

Quintillion's Subsea Fiber System Augments Alaska Communications Network



NORTH SLOPE CONNECTION



- 6 landing stations in Northwest Alaska from Nome to Prudhoe Bay
- A new fiber cable from Deadhorse to Fairbanks connecting with Alaska Communications fiber
- Alaska Communications:
 - Acquires capacity on the Quintillion system
 - Sells capacity on its system
 - Serves as the operations and maintenance provider
- Opens new opportunities in underserved regions of Alaska

Consumer Moving to Stability

~17% of Revenue, ~1% CAGR Expected over Next Few Years

- Focused sales
 - \geq 10Mbps represent 20% penetration into 95,000 locations enabled
 - \geq 10Mbps at 55% of connections up from 40% at end of 2015

- Cost structure reductions continue
 - Online orders at 30% vs. 5% at the end of 2015
 - New operating model on military bases – Wireless broadband, online sign up, credit card pre-pay with no paper billing

- CAF II provides new platform for growth
 - \$8 million to \$10 million CapEx cumulatively over 2017 and 2018 to complete engineering and deploy 30% of locations
 - Exploring fixed wireless to meet or exceed speed requirements

Review of Fourth Quarter and Year End 2016 Results

Laurie Butcher, SVP Finance

Superior Operating Performance Continues

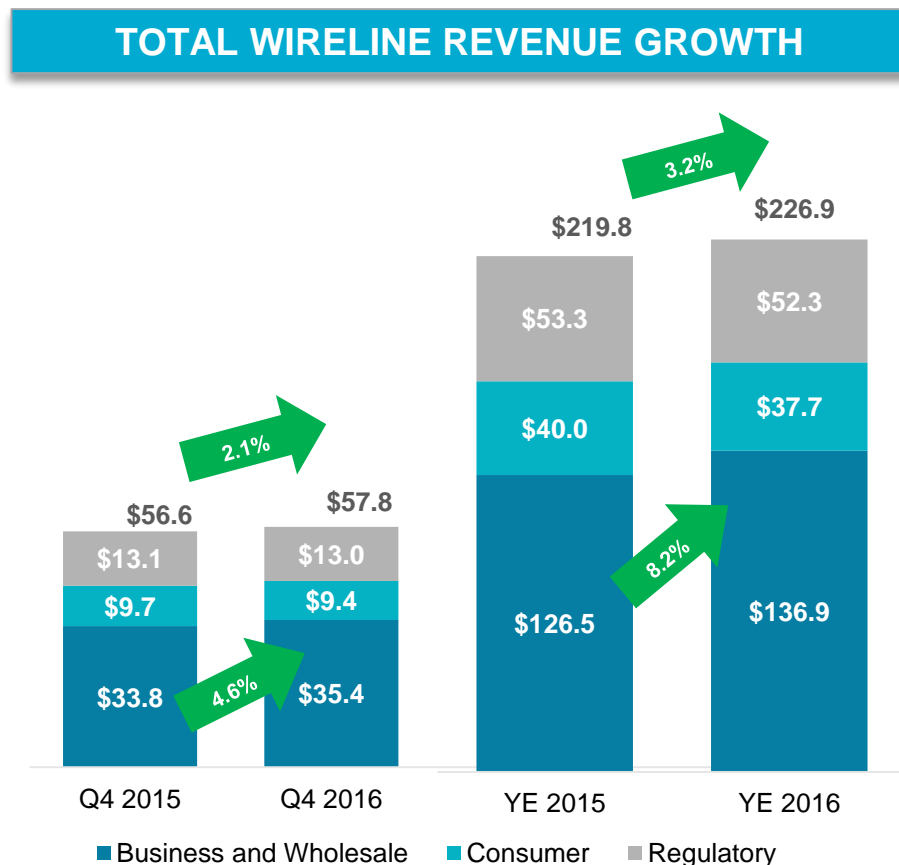
- Total Wireline Revenue \$226.9 million
 - 3.2% year over year growth
 - 60% contributed by Business & Wholesale

- Adjusted EBITDA¹ \$58.2 million
 - 16.6% year over year growth

- Net capital spending \$30.9 million
 - Reduced capital spending due to nature of sales funnel and operational efficiencies

- Adjusted Free Cash Flow^{1,2} \$9.8 million
 - Compared to (\$3.7) million in 2015, due to improved cost structure, lower interest payments and lower capital spending

- Ended 2016 with net debt of \$162.8 million and total debt of \$179.6 million



¹ Reconciliations of non-GAAP measures to the nearest GAAP measures can be found in the Appendix or on the website at <http://www.alsk.com> in the investment data section. The company does not provide guidance for Net Income and Net Cash Provided By Operating Activities.

² Quarterly Adjusted Free Cash Flow fluctuates and should not be viewed as an indicator of annual performance. While events, seasonality of capital spend and the timing of interest payments may result in negative Adjusted Free Cash Flow in one or more quarters.

Optimizing the Balance Sheet

- Refinanced maturing debt, extending maturities
 - \$120 million first lien term loan tranche 1, at LIBOR+5%, maturing in 2022
 - \$60 million first lien term loan tranche 2, at LIBOR+7%, maturing in 2023
 - \$15 million revolving credit facility
 - Principal amortization beginning December 31, 2017
 - Customary covenants, including two key financial ratios: net leverage coverage ratio beginning at 3.75:1.00 with step downs and fixed charges coverage ratio of 1.05:1.00
 - \$10 million starter basket enabling share repurchases
 - Additional shareholder friendly actions permissible subject to net leverage test
 - Agreement provides for incremental loans up to \$50 million
 - Blended cost of borrowing is similar to our existing debt structure

- Initiating cash tender offer for 6.25% convertible notes in the near future

Stock Repurchase Program

- Authorized stock repurchase program which was contingent on closing of financing
 - Aggregate amount not to exceed \$10 million
 - Authorized through December 31, 2019
 - Scheduled to begin no earlier than Q2 2017
 - Repurchased shares shall be designated as treasury shares

2017 Guidance

(\$ in M)	2016 Actual	2017 Guidance
Total Wireline Revenue	\$226.9	\$229 - \$235
Adjusted EBITDA	\$58.2	\$59 - \$61
Net Capital Spending	\$30.9	\$35 - \$38
Adjusted Free Cash Flow	\$9.8	Expect to provide during Q1 Earnings Call

Business Plan Drives Shareholder Value



**Operating
Performance**

Adjusted FCF growth driven by top line growth

**Capital
Allocation**

Prudent balance between investing for growth vs.
returning cash to shareholders

**Strategic
Actions**

Explore strategic actions to drive scale and diversification

Use of Non-GAAP Measures

The Company provides certain non-GAAP financial information, including Adjusted EBITDA, Adjusted Free Cash Flow and Net Debt. Adjusted EBITDA and Adjusted Free Cash Flow measure the Company's primary business activities without regard for the effects of special items and income tax structure. Adjusted EBITDA eliminates the effects of period to period changes in costs that are not directly attributable to the underlying performance of the Company's business operations and is used by Management and the Company's Board of Directors to evaluate current operating financial performance, analyze and evaluate strategic and operational decisions and better evaluate comparability between periods. Adjusted Free Cash Flow is used to assess the Company's ability to generate cash and plan for future operating and capital actions. Adjusted EBITDA and Adjusted Free Cash Flow are common measures utilized by our peers (other telecommunications companies) and we believe they provide useful information to investors and analysts about the Company's operating results, financial condition and cash flows. Net Debt provides Management and the Board of Directors with a measure of the Company's current leverage position.

Adjusted EBITDA is defined as net income (loss) before interest, loss on extinguishment of debt, depreciation and amortization, gain or loss on asset purchases or disposals including the sale of our wireless operations, earnings from equity method investments, income taxes, Wireless Sale transaction and wind-down related costs, stock-based compensation, pension adjustments, net loss attributable to non-controlling interest and expenses under the Company's long term cash incentive plan ("LTICI"). LTICI expenses are considered part of an interim compensation structure, which ended in 2016, to mitigate the dilutive impact of additional share issuances for executive compensation. Distributions from AWN are included in Adjusted EBITDA.

Adjusted Free cash flow is a non-GAAP liquidity measure and is defined as Adjusted EBITDA, less recurring operating cash requirements which include capital expenditures, net of cash received for a fiber build for a carrier customer, less cash interest paid, amortization of GCI/AWN capacity revenue, earthquake related expenses, and cash receipts and payments associated with the purchase of the North Slope fiber network and establishment of our joint venture with Quintillion Holdings Limited. Amortization of deferred revenue associated with our interconnection agreement with AWN and GCI is excluded from Adjusted Free Cash Flow because no cash was received by the Company in connection with this agreement. Amortization of all other deferred revenue, including that associated with other IRU capacity arrangements, is included in Adjusted Free Cash Flow because cash was received by the Company, typically at contract inception, and it being amortized to revenue over the term of the relevant agreement.

The Company does not provide reconciliations of guidance for Adjusted EBITDA to Net Income, and Adjusted Free Cash Flow to Net Cash Provided by Operating Activities, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company does not forecast certain items required to develop the comparable GAAP financial measures. These items are realized and unrealized gains and losses on effective and ineffective hedges, charges and benefits for uncollectible accounts, certain other non-cash expenses, unusual items typically excluded from Adjusted EBITDA and Free Cash Flow, and changes in operating assets and liabilities (generally the most significant of these items, representing cash outflows of \$6.1 million and \$3.9 million in the twelve-month periods of 2016 and 2015, respectively).

Adjusted EBITDA and Adjusted Free Cash Flow are not GAAP measures and should not be considered a substitute for net income, net cash provided by operating activities, or net cash provided or used. Adjusted EBITDA as computed below is not consistent with the definition of Consolidated EBITDA referenced in our 2015 Senior Credit Agreements, and other companies may not calculate Non-GAAP measures in the same manner we do.

The following tables provide the computation of Adjusted EBITDA and reconciliation to Net Income, and the computation of Adjusted Free Cash Flow and reconciliation to Net Cash Provided by Operating Activities for the three and twelve months ended December 31, 2016 and 2015.

Reconciliation of Non-GAAP Measures Adjusted EBITDA

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net income	\$ 1,597	\$ 326	\$ 2,253	\$ 12,885
Add (subtract):				
Interest expense	3,857	4,088	15,447	19,841
Loss on extinguishment of debt	-	-	336	4,878
Interest income	(8)	(2)	(26)	(58)
Depreciation and amortization	8,782	8,376	34,690	33,867
Loss (gain) on disposal of assets, net	37	112	321	(46,252)
Earnings from equity method investments	-	-	-	(3,056)
AWN distributions received/receivable, net	-	-	-	765
Income tax expense	1,282	218	1,499	10,200
Stock-based compensation	683	110	2,830	2,008
Long-term cash incentives	179	425	764	1,781
Pension adjustment	-	(76)	-	134
Gift of services	-	(388)	-	(388)
Net loss attributable to noncontrolling interest	32	13	133	69
Wireless sale transaction-related and wind down costs	-	643	-	13,272
Adjusted EBITDA	<u>\$ 16,441</u>	<u>\$ 13,845</u>	<u>\$ 58,247</u>	<u>\$ 49,946</u>

Reconciliation of Non-GAAP Measures

Cash from Operating Activities to Adjusted Free Cash Flow

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net cash provided by operating activities	\$ 8,838	\$ 7,081	\$ 37,253	\$ 12,581
Adjustments to reconcile net cash provided by operating activities to adjusted free cash flow:				
Capital expenditures excluding acquisition price of North Slope fiber network	(8,569)	(12,698)	(30,920)	(39,914)
Milestone billings for fiber build project for a carrier customer	-	4,500	-	7,000
Purchase of North Slope fiber network:				
Acquisition price	-	-	-	(11,000)
(Paid) less: 50% due in 2016	-	-	(5,500)	5,500
Proceeds on sale of fiber to joint venture partner	-	-	2,650	2,650
Other cash proceeds	-	-	-	400
Amortization of deferred capacity revenue	872	849	3,436	3,011
Amortization of GCI/AWN capacity revenue	(535)	(520)	(2,082)	(2,169)
Amortization of debt issuance costs and debt discount	(1,011)	(1,052)	(4,046)	(4,114)
Interest expense	3,857	4,088	15,447	19,841
Interest paid	(4,596)	(4,981)	(12,608)	(16,101)
Interest income	(8)	(2)	(26)	(58)
Unrealized gain on ineffective hedge	-	(83)	-	737
Amortization of ineffective hedge	-	-	-	(1,970)
Income tax expense	1,282	218	1,499	10,200
Income taxes (payable) receivable	(338)	2,087	514	351
Deferred income tax expense	(1,312)	(1,312)	(1,855)	(4,883)
(Charge) benefit for uncollectible accounts	(212)	127	(378)	(1,258)
Cash distribution from equity method investments	-	-	-	(3,056)
Long-term cash incentives	179	425	764	1,781
Pension adjustment	-	(76)	-	134
Gift of services	-	(388)	-	(388)
Net loss attributable to noncontrolling interest	32	13	133	69
Wireless sale transaction-related and wind down costs	-	643	-	13,272
AWN distributions received/receivable, net	-	-	-	765
Other non-cash expense, net	(155)	(117)	(621)	(934)
Changes in operating assets and liabilities	4,417	1,344	6,127	3,865
Adjusted free cash flow	\$ 2,741	\$ 146	\$ 9,787	\$ (3,688)

Reconciliation of Non-GAAP Measures Adjusted Free Cash Flow

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Adjusted EBITDA	\$ 16,441	\$ 13,845	\$ 58,247	\$ 49,946
Less:				
Capital expenditures excluding acquisition price of North Slope fiber network	(8,569)	(12,698)	(30,920)	(39,914)
Milestone billings for fiber build project for a carrier customer	-	4,500	-	7,000
Net capital expenditures	<u>(8,569)</u>	<u>(8,198)</u>	<u>(30,920)</u>	<u>(32,914)</u>
Purchase of North Slope fiber network				
Acquisition price	-	-	-	(11,000)
(Paid) less: 50% due in 2016	-	-	(5,500)	5,500
Proceeds on sale of fiber to joint venture partner	-	-	2,650	2,650
Less: other cash proceeds	-	-	-	400
Net North Slope purchase	<u>-</u>	<u>-</u>	<u>(2,850)</u>	<u>(2,450)</u>
Amortization of GCI/AWN capacity revenue	(535)	(520)	(2,082)	(2,169)
Interest paid	<u>(4,596)</u>	<u>(4,981)</u>	<u>(12,608)</u>	<u>(16,101)</u>
Adjusted free cash flow*	<u>\$ 2,741</u>	<u>\$ 146</u>	<u>\$ 9,787</u>	<u>\$ (3,688)</u>

* Quarterly Adjusted Free Cash Flow fluctuates and should not be viewed as an indicator of annual performance. Onetime events, seasonality of capital spend and the timing of interest payments may result in negative Adjusted Free Cash Flow in one or more quarters.