



# **4Q 2014 Earnings Conference Call**

February 27, 2015

# 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

# Q4'14 Highlights

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## ■ Net Income Growth

- Increased 29.6% over Q4'13 to \$8.6 million
- Adjusted OIBDA increased 17.8% to \$34.2 million

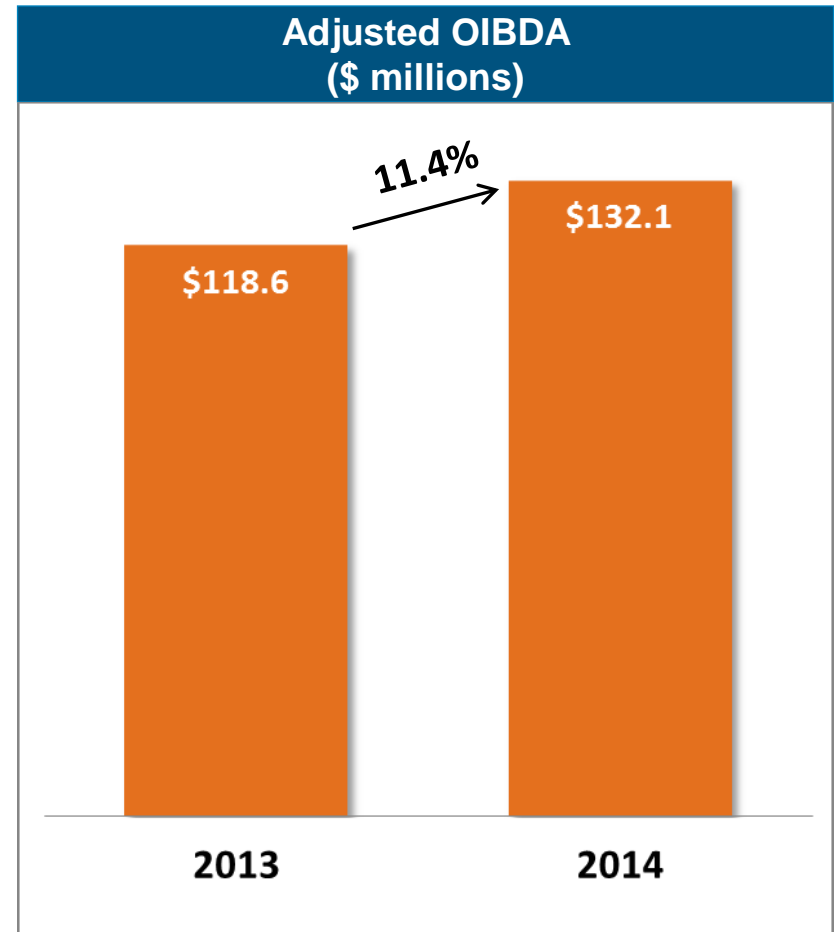
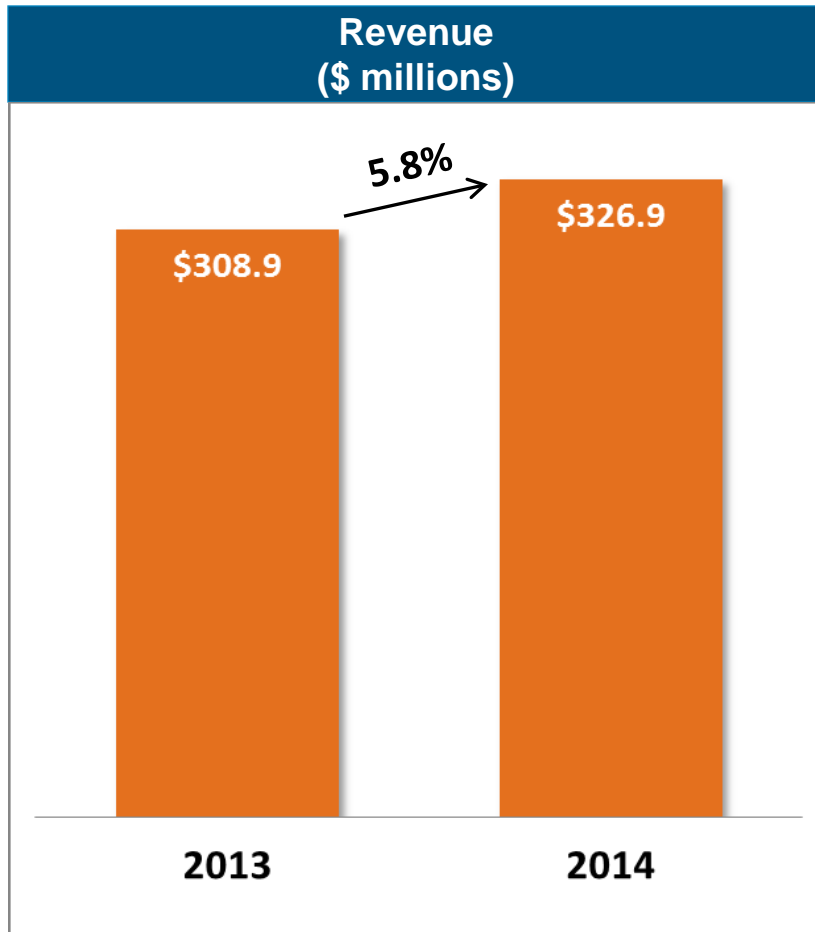
## ■ Revenue Growth

- Revenue grew 6.2% over Q4'13 to \$82.8 million

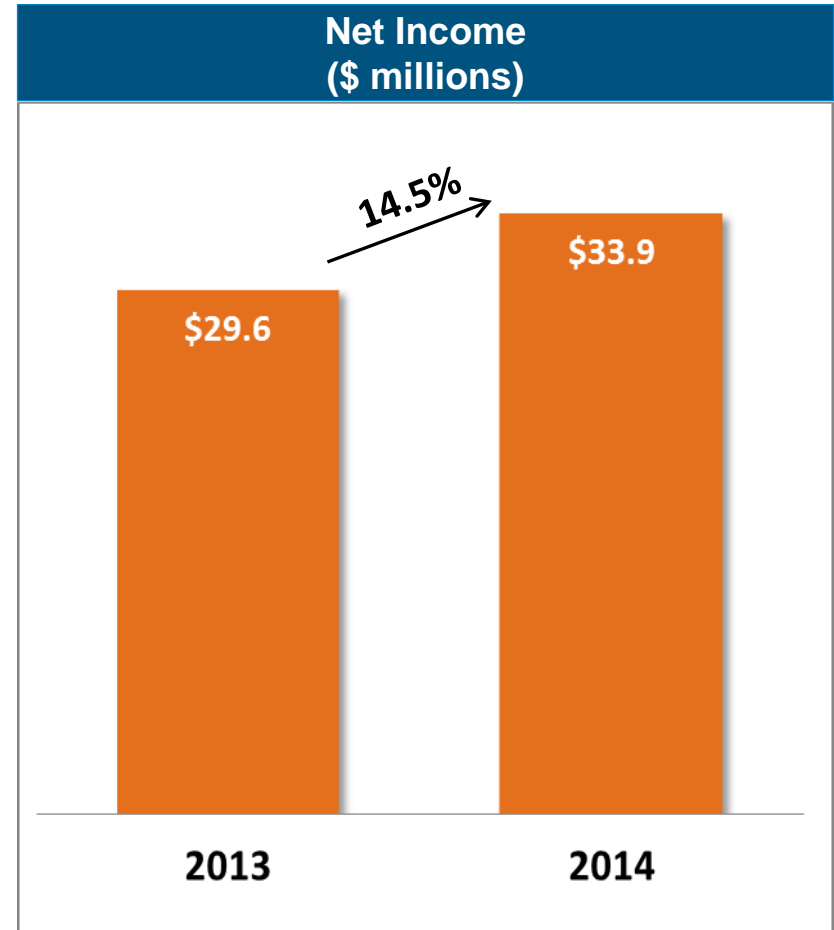
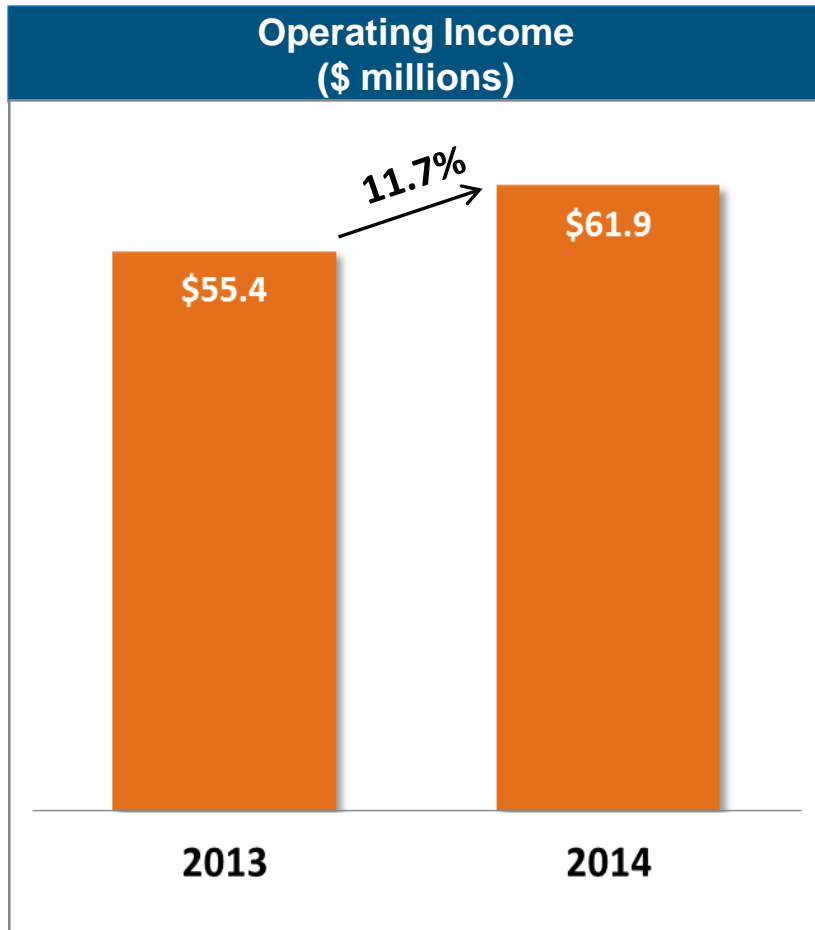
## ■ Customer Growth

	<u>12/31/13</u>	<u>12/31/14</u>	<u>Change</u>
Wireless	410,768	433,029	+22,261
Cable (RGUs)	113,840	121,716	+7,876

# 2014 Financial Highlights



# 2014 Financial Highlights



# Wireless Highlights

## ❑ Postpaid Growth

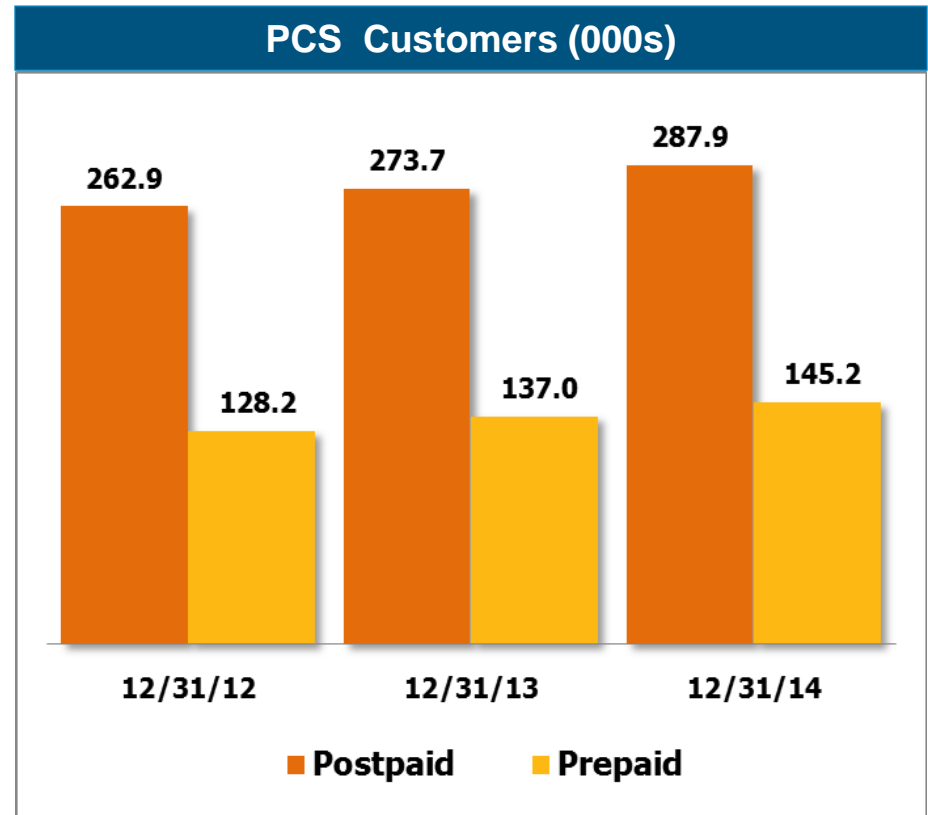
Postpaid customers up 5.2% over last 12 months

## ❑ Prepaid Growth

Prepaid customers up 5.9% over last 12 months

## ❑ Operating Income Increase

FY'14 Improvement of \$5.7 million, or 9.0%



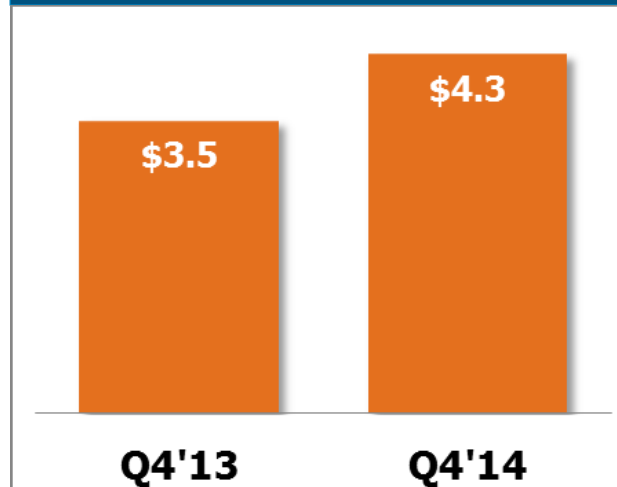


# Cable Highlights

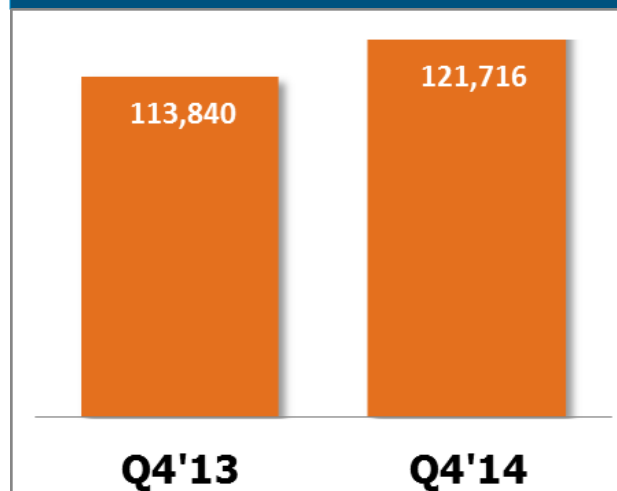
## ■ Revenue Growth

- Operating revenues \$22.2 million, growth of 14.1% over Q4'13
- Q4'14 Adjusted OIBDA \$4.3 million, up 21.9% from Q4'13
- 121,716 RGUs at 12/31/2014, up 6.9% over Q4'13

Cable OIBDA (in millions)



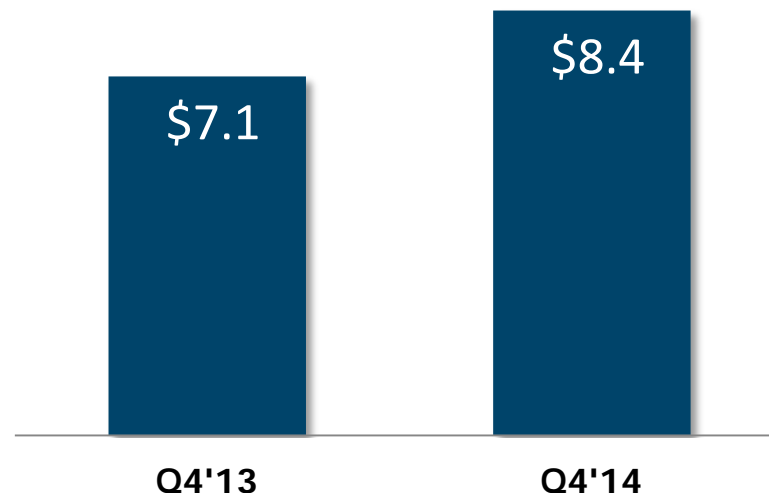
Cable RGUs



# Other Highlights

- Wireline and Cable - Fiber lease revenues of \$8.4 million, up 18.6% from Q4'13
- 154 towers generated \$1.8 million of OIBDA, down 0.3% over Q4'14

## \*Fiber Lease Revenue (in millions)

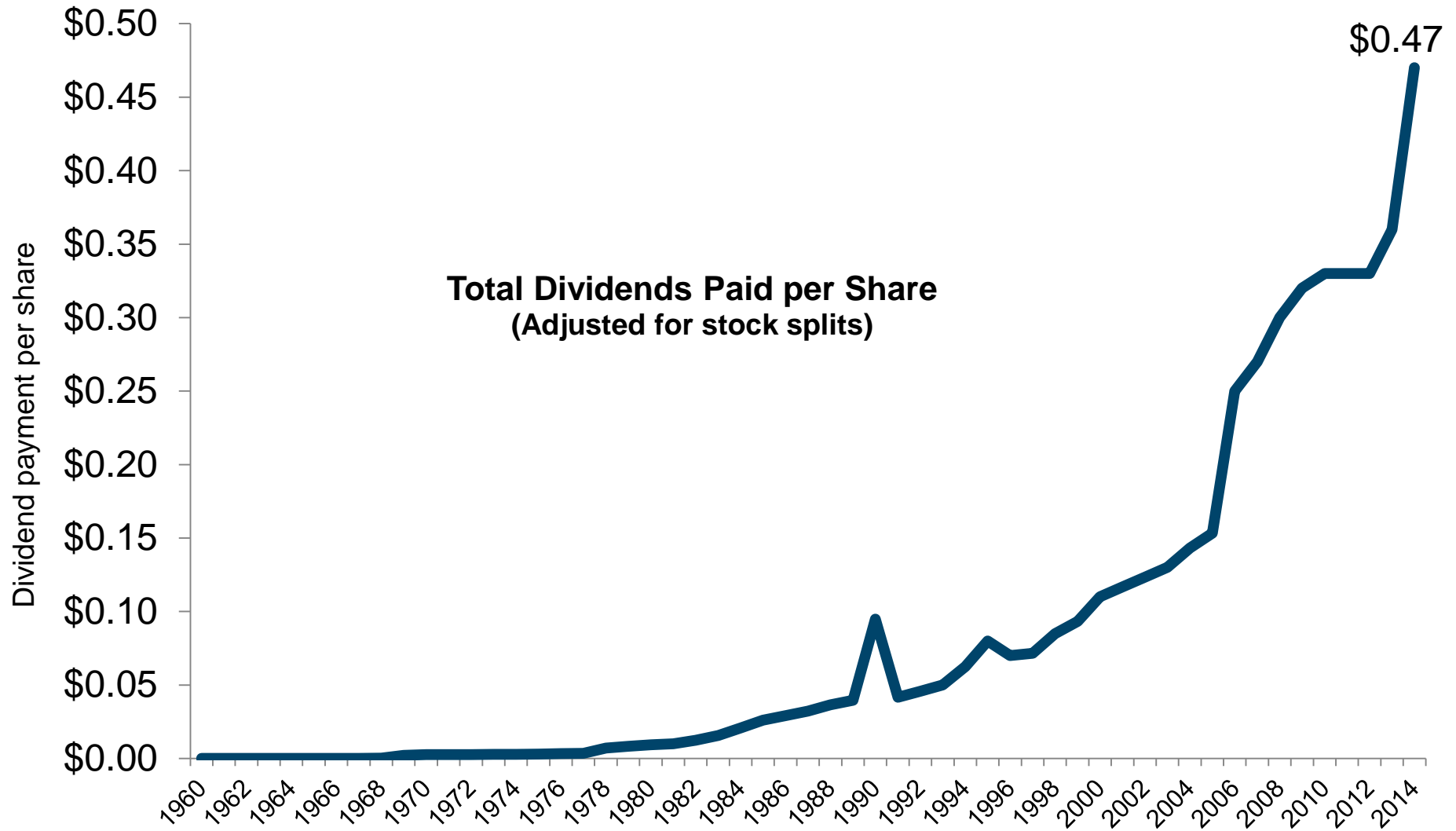


\*Includes both Affiliate and Non-affiliate revenues

## Mobile Tower OIBDA (\$ thousands)

<i>(in thousands)</i>	<u>Q4'13</u>	<u>Q4'14</u>
Operating Income	\$1,326	\$1,233
Depreciation and Amortization	389	402
Loss on Asset Disposals	85	158
Share Based Compensation	6	7
<b>Adjusted OIBDA</b>	<b>\$1,806</b>	<b>\$1,800</b>

# Annual Dividend Paid Every Year Since 1960

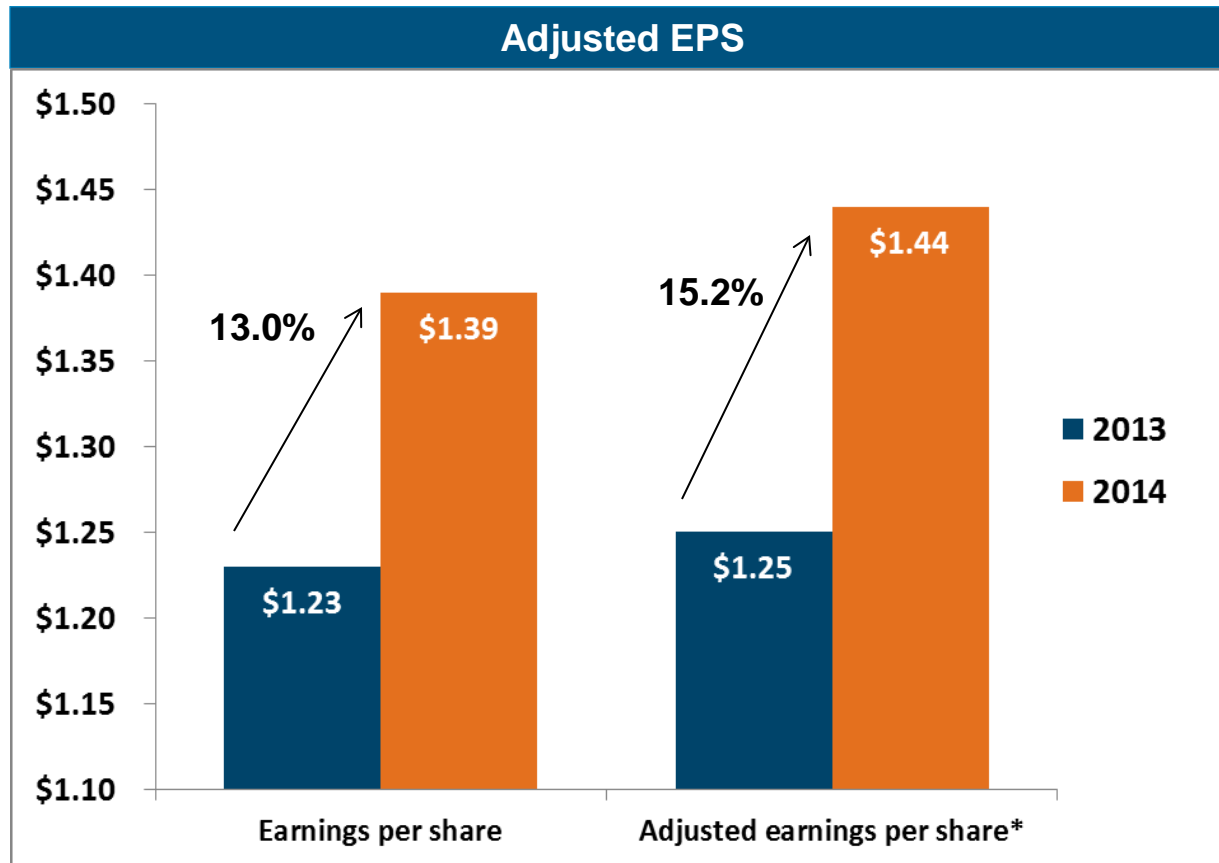




# Adele Skolits

VP of Finance and CFO

# Adjusted EPS



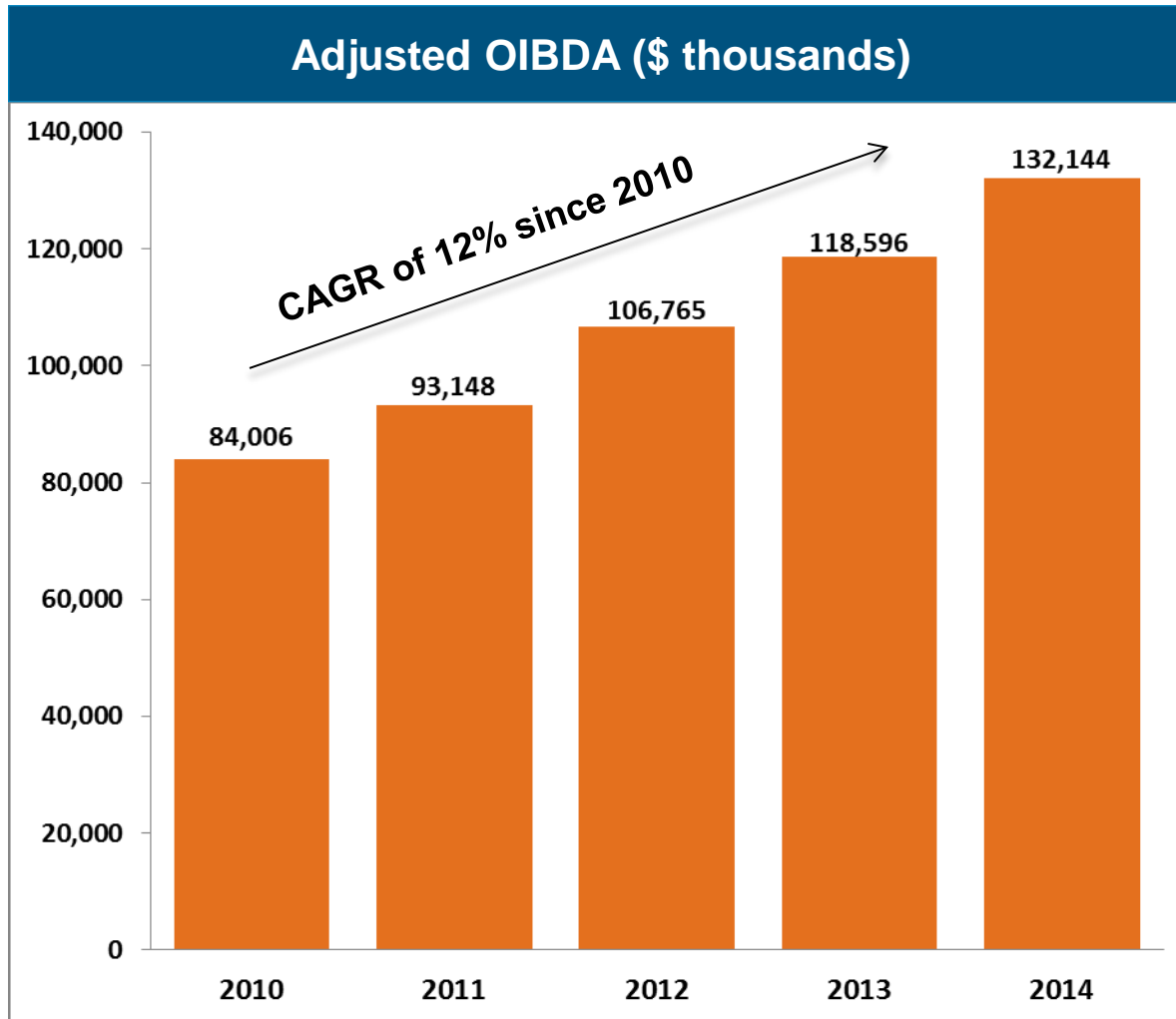
\*See Appendix for reconciliation of net income to adjusted earnings per share.

# Profitability

## Adjusted OIBDA (\$ thousands)

	<u>For the Quarter Ended:</u>			<u>For the Year Ended:</u>		
	<u>12/31/13</u>	<u>12/31/14</u>	<u>Change</u>	<u>12/31/13</u>	<u>12/31/14</u>	<u>Change</u>
Operating Income	12,436	16,326	3,890	55,407	61,943	6,536
Depreciation and Amortization	15,688	17,176	1,488	60,722	65,890	5,168
Share Based Compensation	343	408	65	1,683	2,257	574
Loss on Asset Disposals	532	243	(289)	784	2,054	1,270
<b>Adjusted OIBDA</b>	<b>28,999</b>	<b>34,153</b>	<b>5,154</b>	<b>118,596</b>	<b>132,144</b>	<b>13,548</b>
Percent Change			17.8%			11.4%

# Growth in Adjusted OIBDA (\$ thousands)

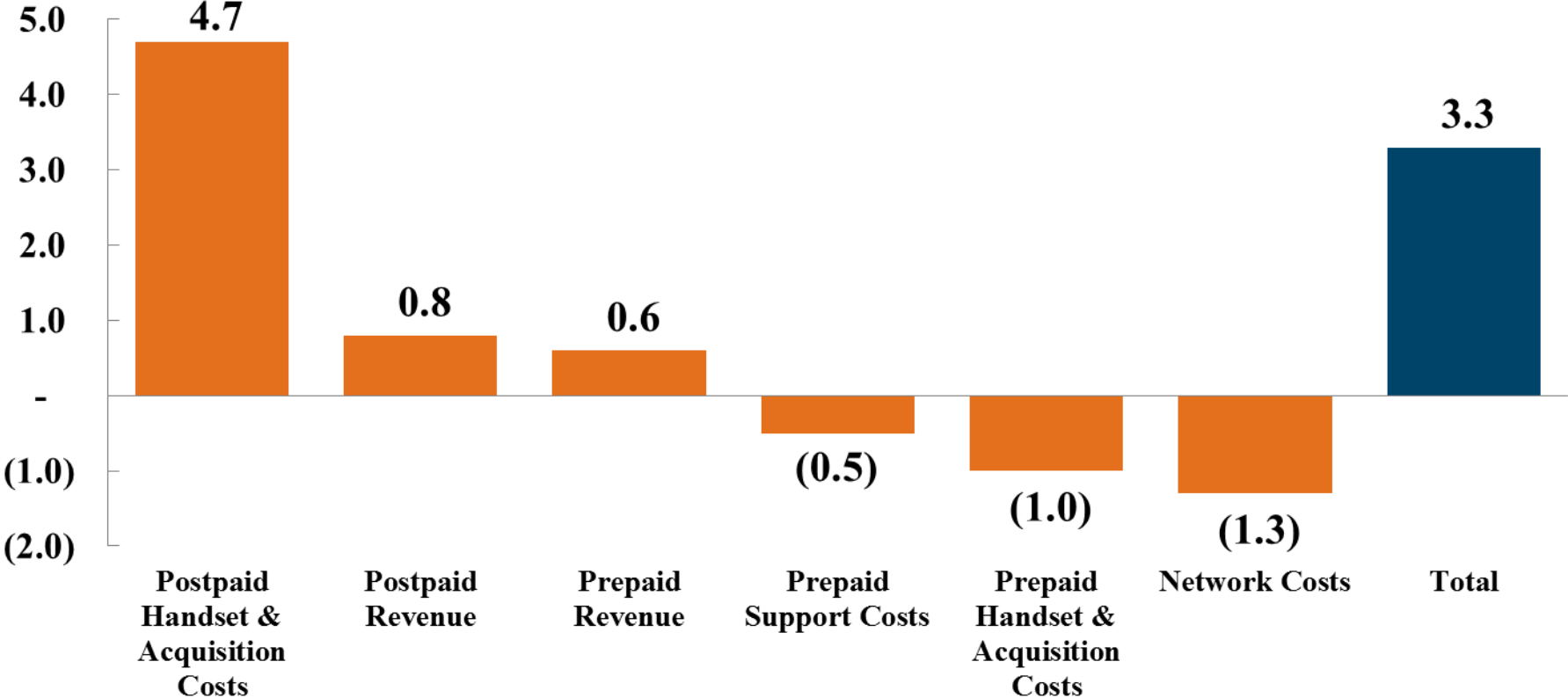


# Adjusted OIBDA by Segment (\$ millions)

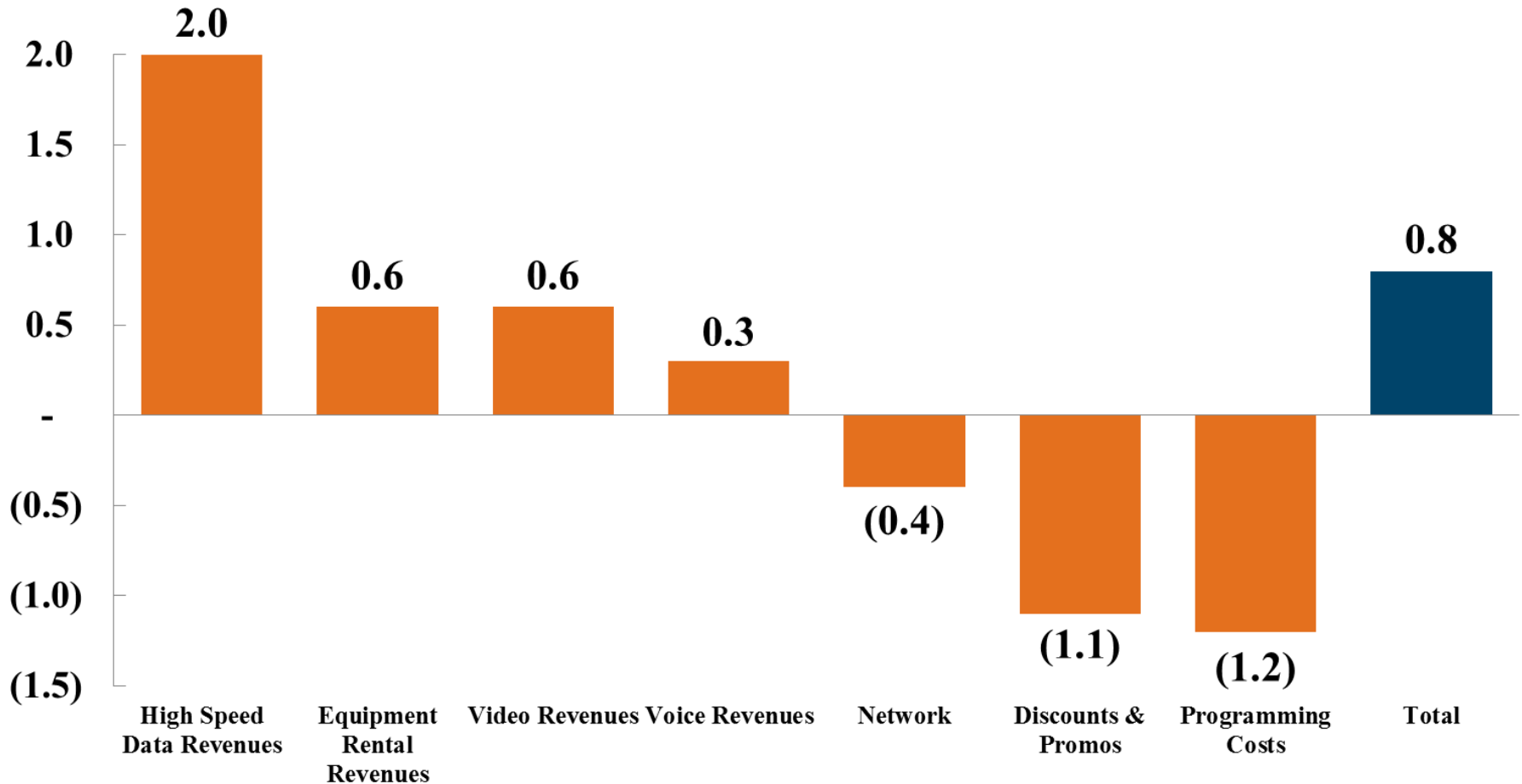
	<u>Wireless</u>		<u>Cable</u>		<u>Wireline</u>	
	<u>Q4'13</u>	<u>Q4'14</u>	<u>Q4'13</u>	<u>Q4'14</u>	<u>Q4'13</u>	<u>Q4'14</u>
Operating Income	\$ 14.9	\$ 18.2	\$ (1.8)	\$ (1.9)	\$ 2.9	\$ 3.2
Depreciation and amortization	7.6	7.9	5.2	6.1	2.9	3.0
Plus (gain) loss on asset sales	0.5	0.2	(0.1)	(0.1)	-	-
Share based compensation	0.1	0.1	0.2	0.2	0.1	0.1
<b>Adjusted OIBDA</b>	<b><u>\$23.1</u></b>	<b><u>\$26.4</u></b>	<b><u>\$ 3.5</u></b>	<b><u>\$ 4.3</u></b>	<b><u>\$5.9</u></b>	<b><u>\$ 6.3</u></b>
Percent Change		14.4%		21.9%		7.5%



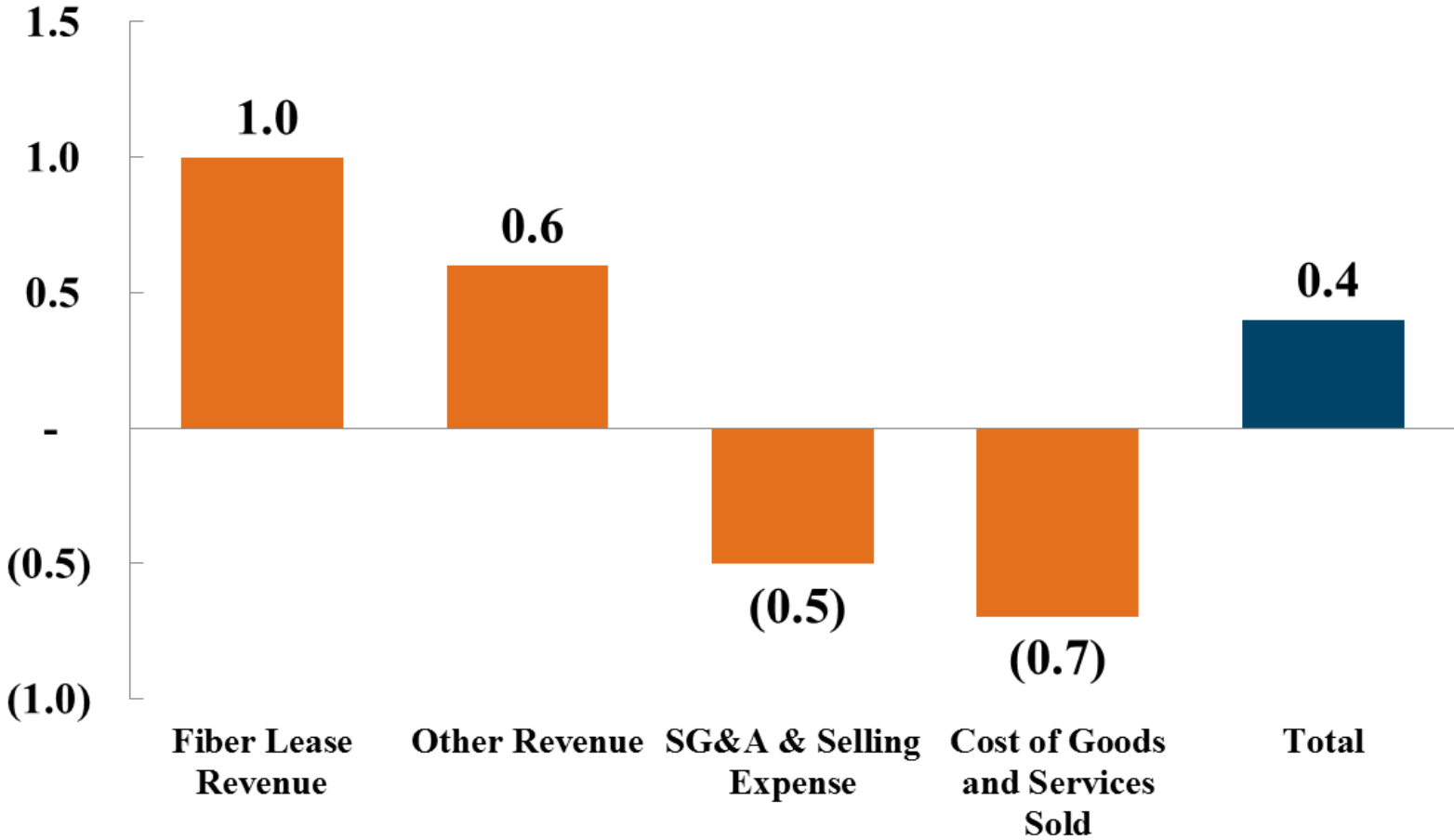
# Wireless Segment – Change in Adjusted OIBDA Q4'14 vs. Q4'13 (\$ millions)



# Cable Segment – Change in Adjusted OIBDA Q4'14 vs. Q4'13 (\$ millions)



# Wireline Segment – Change in Adjusted OIBDA Q4'14 vs. Q4'13 (\$ millions)





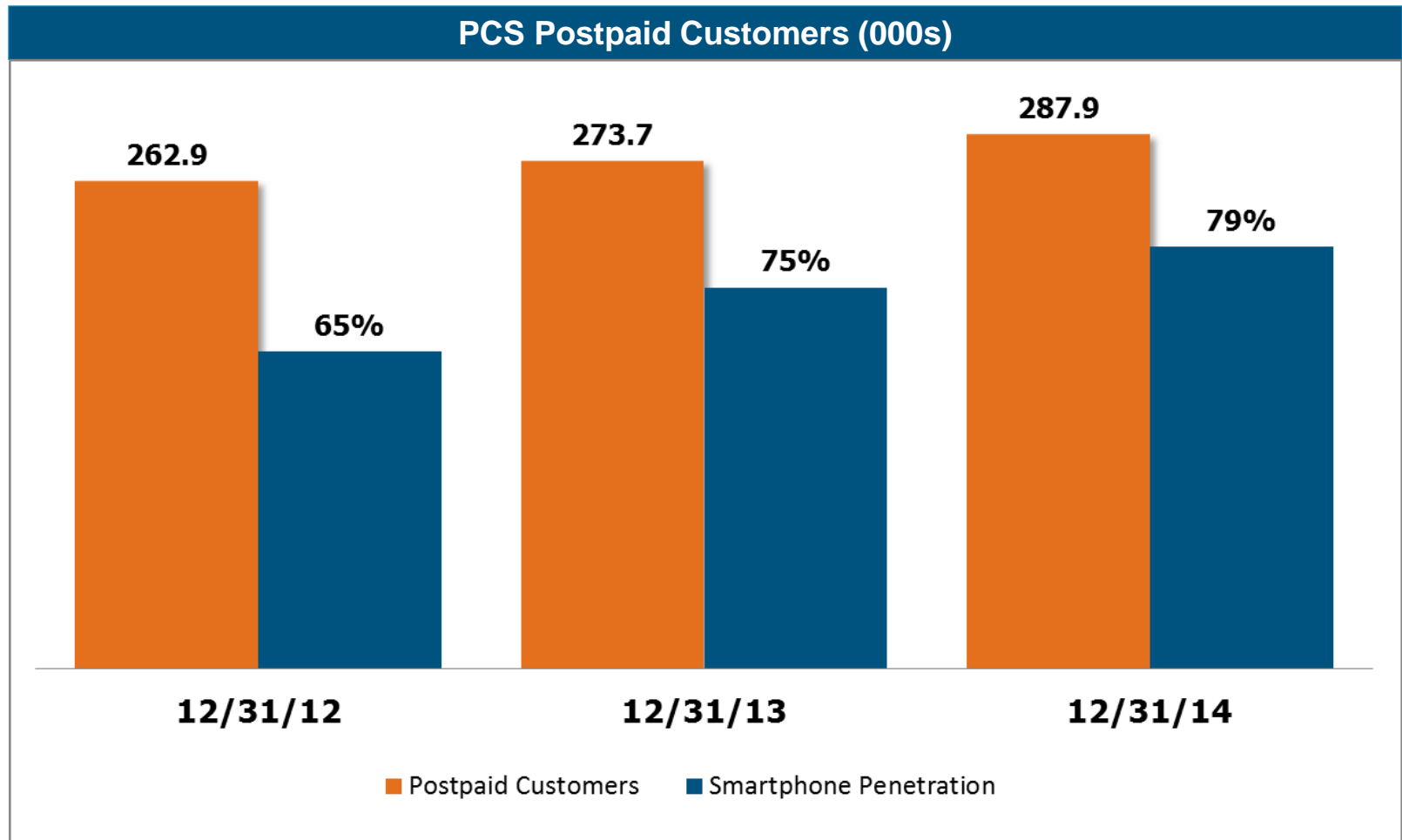
# Earle MacKenzie

EVP and COO

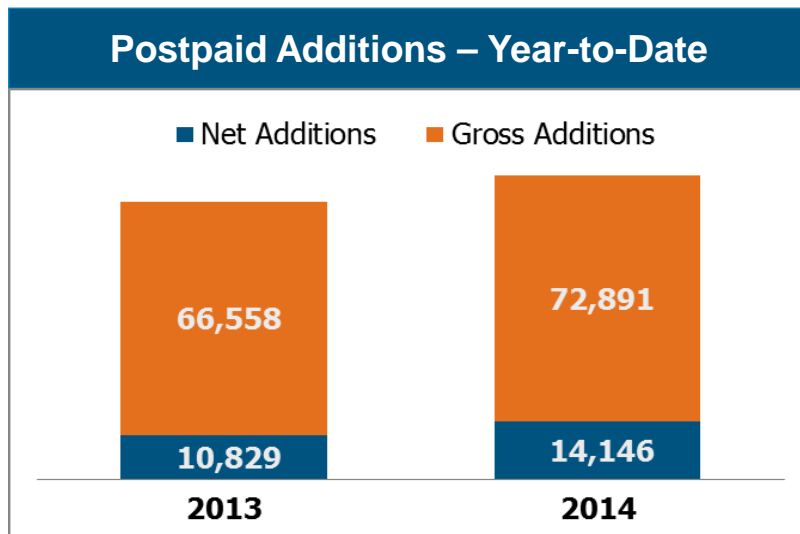
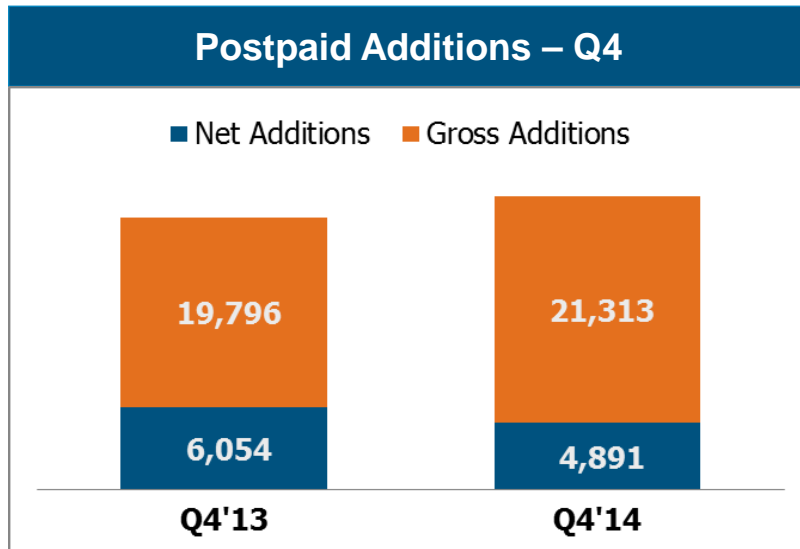


# Wireless Segment

# Postpaid Customer Growth



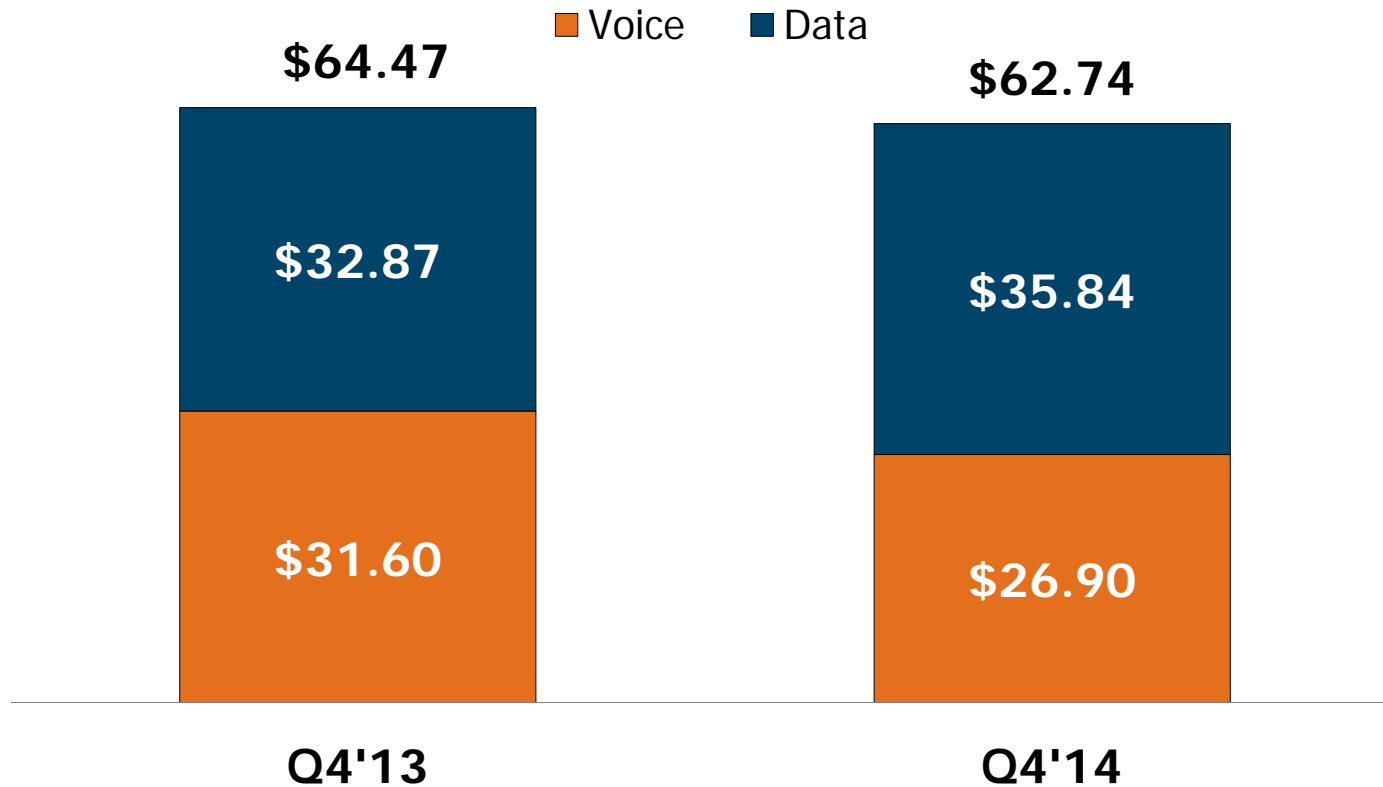
# Postpaid Customer Additions



- Net adds of 4,891 in Q4 2014 versus 6,054 in Q4 2013
- Q4 2014 churn of 1.92% up from 1.69% in Q4 2013
- Shentel-controlled channels produced 34% of gross adds in Q4 2014 and 48% in Q4 2013
- 2014 annual churn of 1.76% up from 1.75% in 2013

# Billed Revenue per Customer Down; Data Usage Increasing

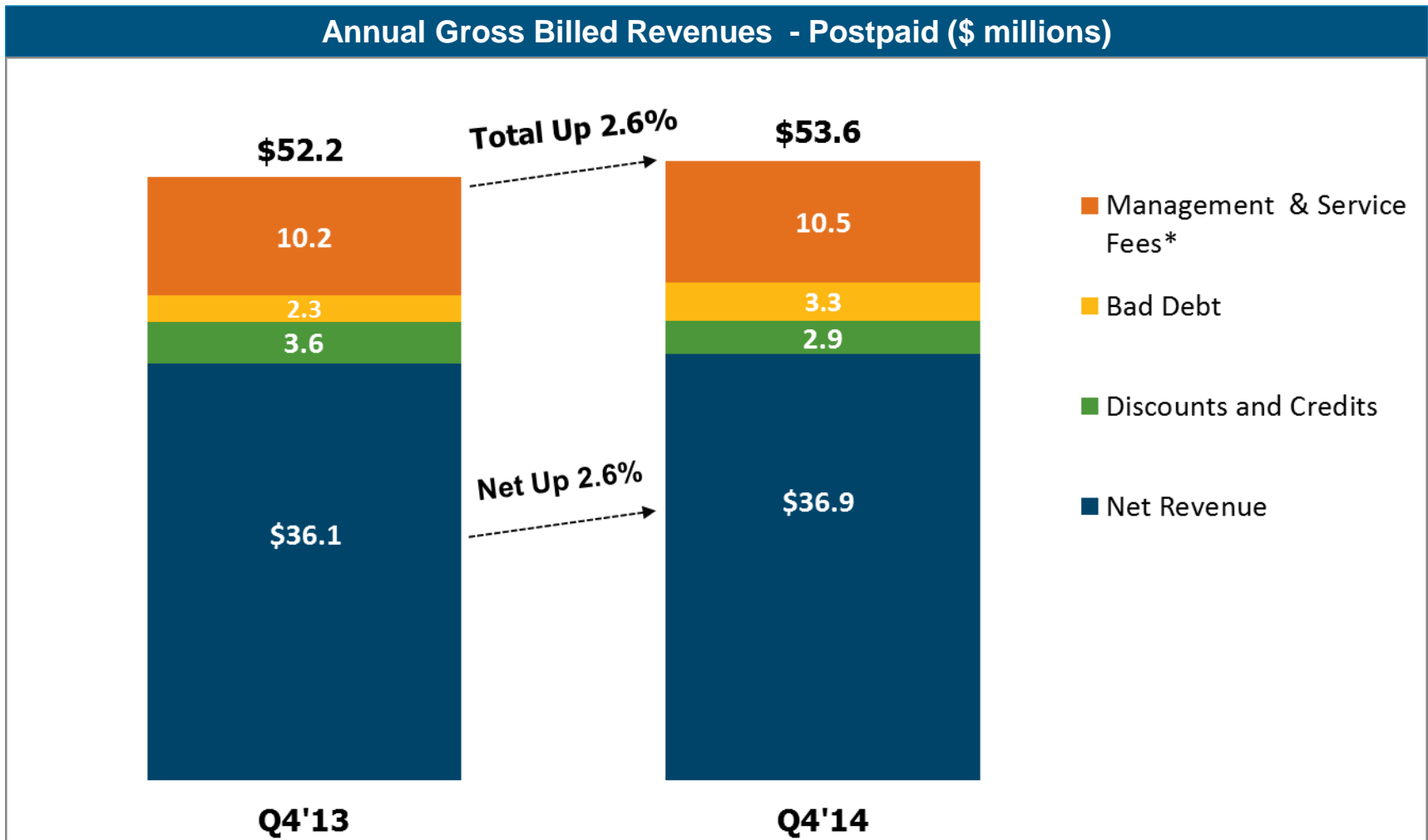
## Gross Billed Service Revenue per Postpaid User – Data & Voice <sup>1</sup>



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

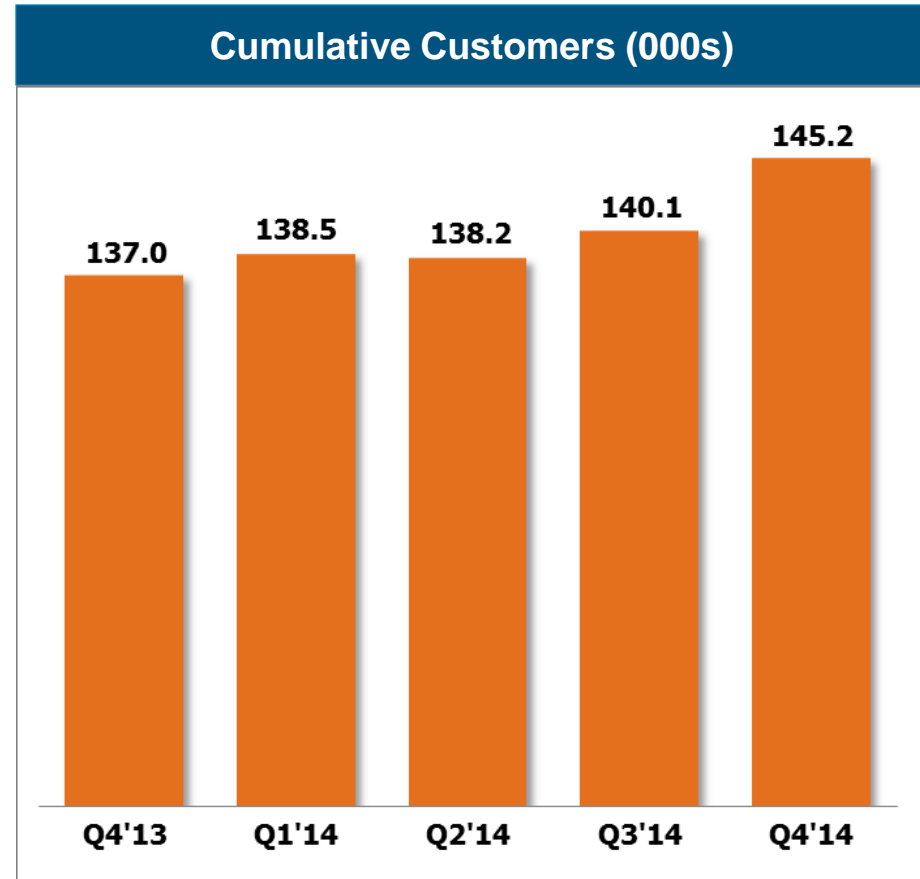
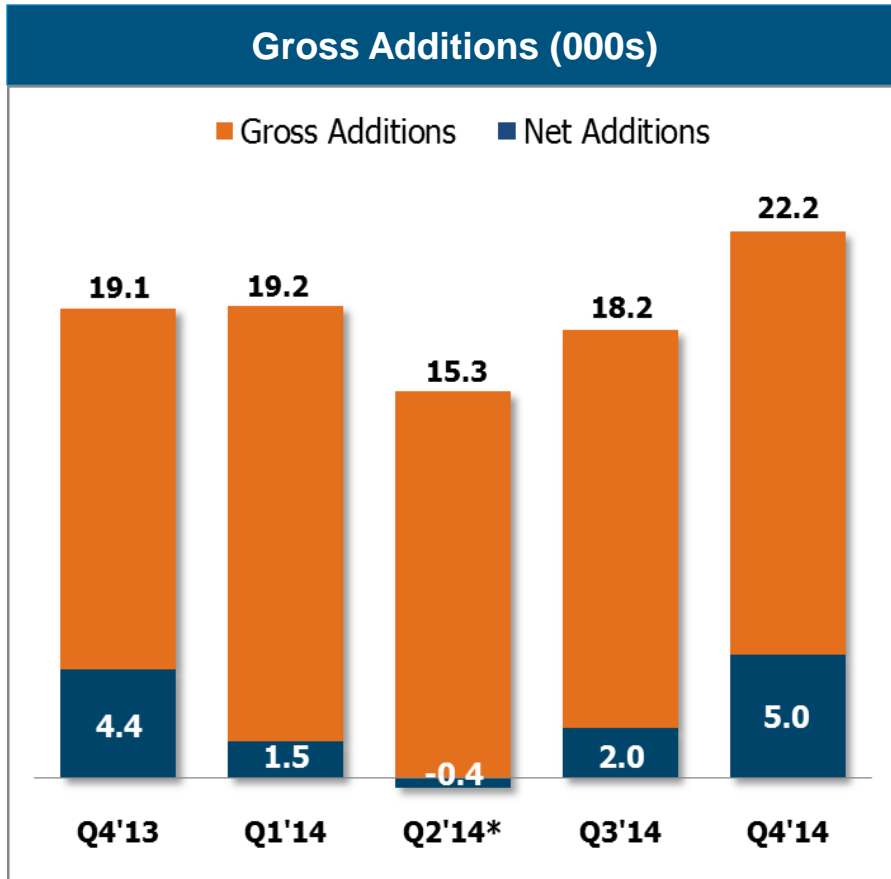


# PCS Revenues



\*Net service fee increased from 12% to 14% effective 8/1/2013

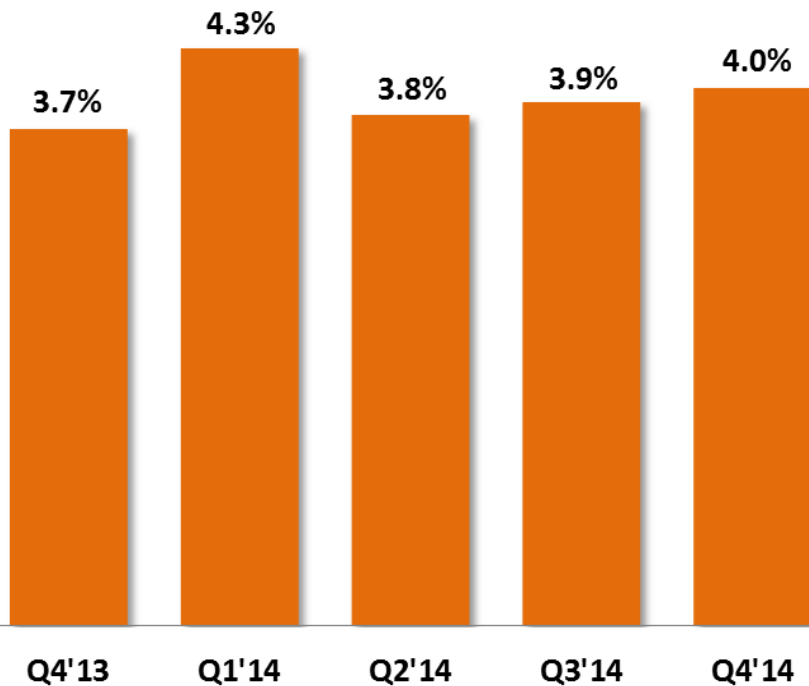
# PCS Prepaid Statistics



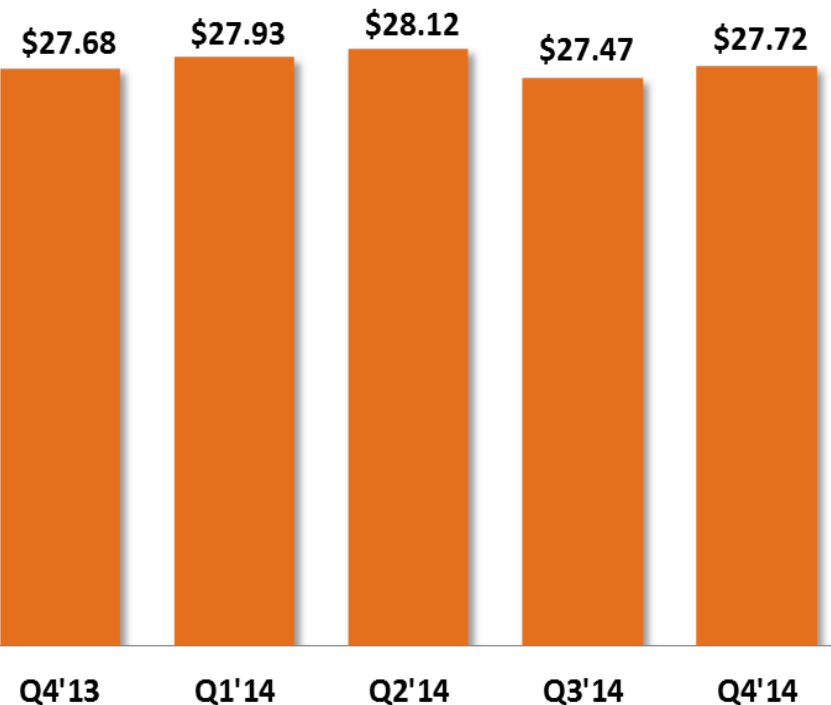
\*The loss of customers in Q2'14 related to more stringent governmental requirements for customers renewing their eligibility for the government subsidized Assurance program.

# PCS Prepaid Statistics

## Churn %



## Average Gross Billed Revenue



# Network Statistics

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## ■ 538 Cell Sites

- 94% have a second LTE carrier at 800 MHz
- 120 sites have three carriers, including a second carrier at 1900 MHz

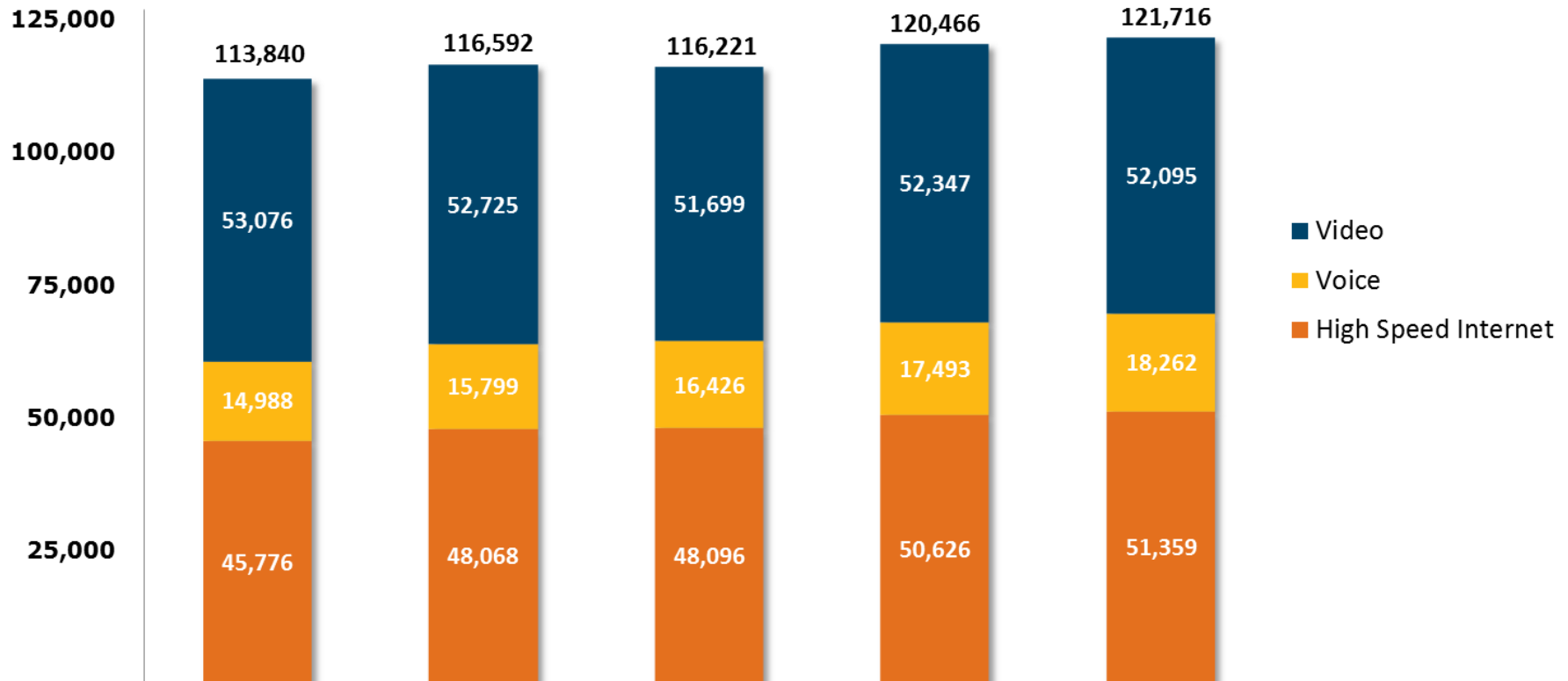
## ■ Traffic

- 77% of data traffic is on LTE, with 40% on 800 MHz
- Data usage grew more than 2x in 2014
- LTE traffic grew more than 3x in 2014
- Average speeds of approximately 6 Mbps
- Average customer uses over 3GB per month



# Cable Segment

# Cable - RGU Growth by Quarter

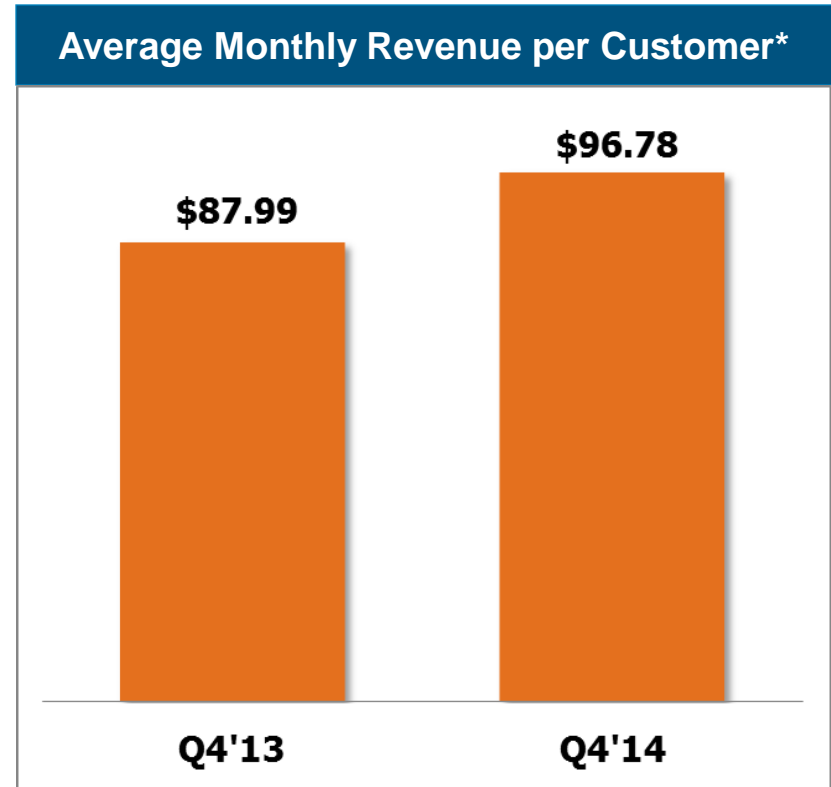
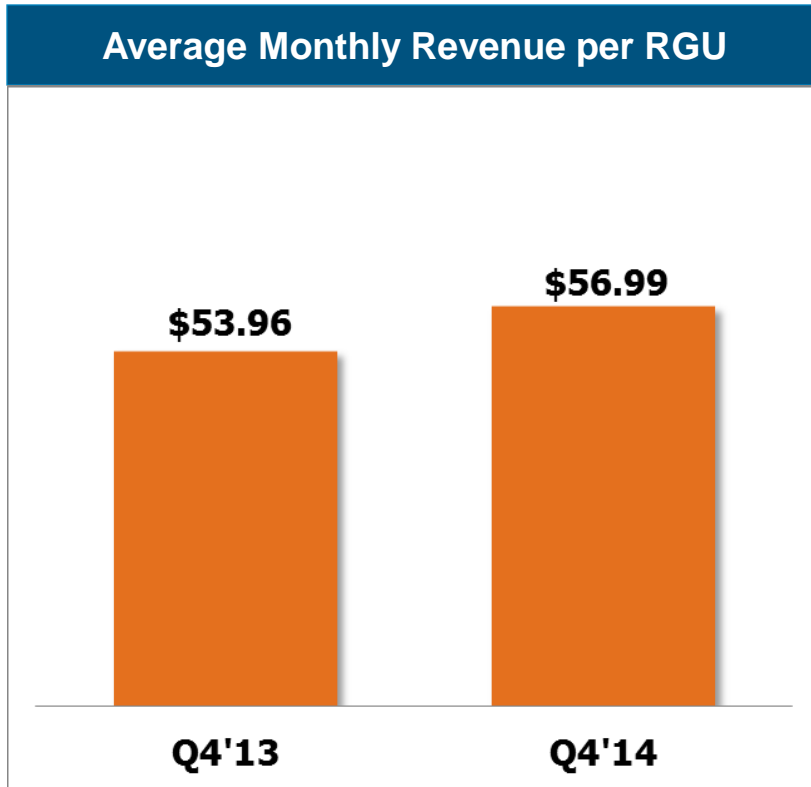


Customers  
RGU's/Customer

Quarter	Q4'13	Q1'14	Q2'14	Q3'14	Q4'14
Customers	69,538	70,670	69,889 <sup>(2)</sup>	71,302	71,298
RGU's/Customer	1.64	1.65	1.66	1.69	1.71

1. Prior periods revised to reflect transfer of Shenandoah County, VA video activities to Wireline
2. College students disconnect during summer

# Increasing Average Monthly Cable Revenue



\*Average monthly revenue per video subscriber was \$114.55 and \$132.22 for Q4 2013 and Q4 2014, respectively.

# Key Operational Results – Cable\*

	12/31/2012	12/31/2013	12/31/2014
<b>Homes Passed</b>	<b>168,475</b>	<b>170,470</b>	<b>171,589</b>
<b>Total Revenue Generating Units</b>	<b>108,083</b>	<b>113,840</b>	<b>121,716</b>
<b>Customer Relationships</b>	<b>68,385</b>	<b>69,538</b>	<b>71,298</b>
<b>RGUs per Customer Relationship</b>	<b>1.58</b>	<b>1.64</b>	<b>1.71</b>
<b>Video</b>			
Revenue generating units	54,840	53,076	52,095
Penetration	32.6%	31.1%	30.4%
Digital video penetration	39.5%	49.2%	65.9%
<b>High-speed Internet</b>			
Available Homes	163,273	168,255	171,589
Revenue generating units	40,981	45,776	51,359
Penetration	25.1%	27.2%	29.9%
<b>Voice</b>			
Available Homes	154,552	163,282	168,852
Revenue generating units	12,262	14,988	18,262
Penetration	7.9%	9.2%	10.8%

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

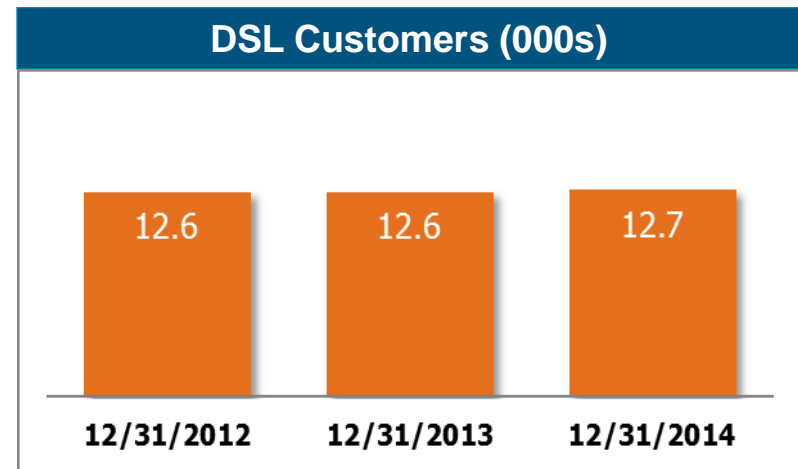
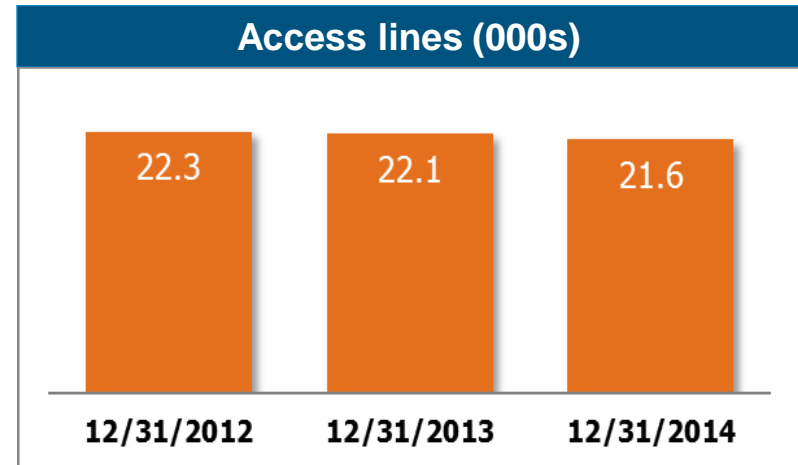




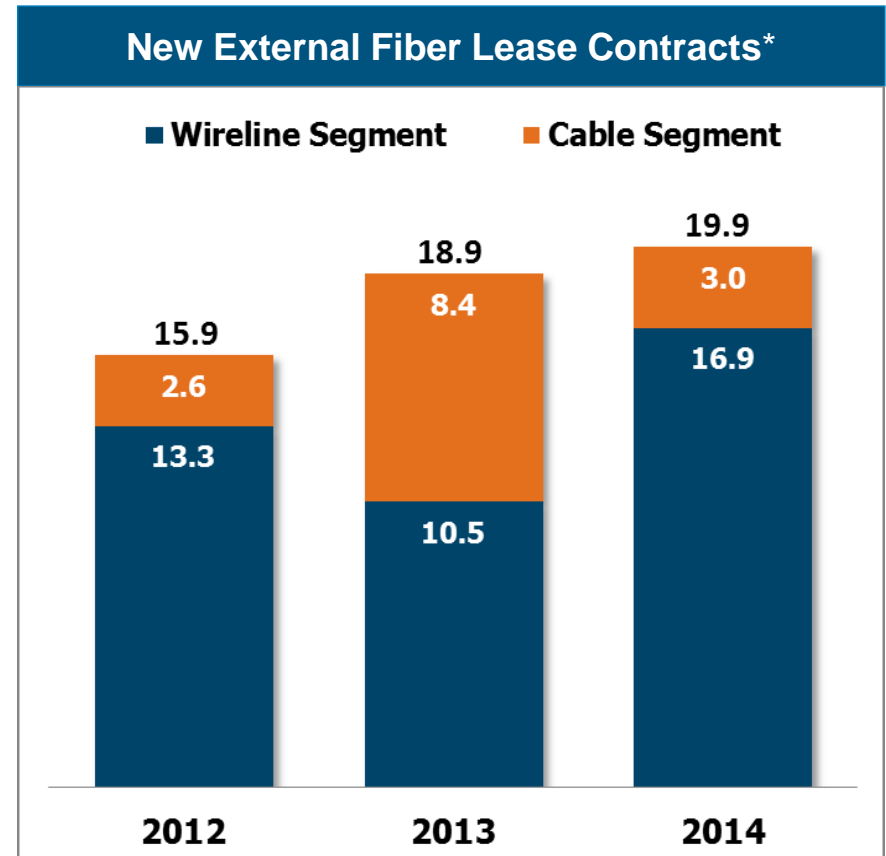
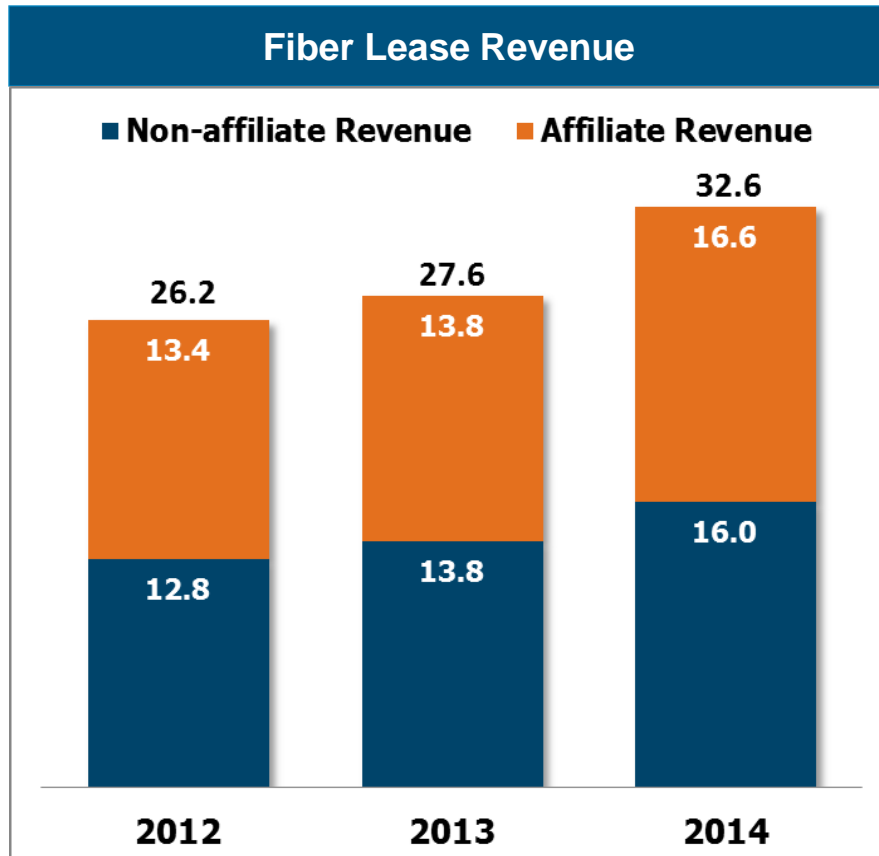
# Wireline Segment

# Key Operational Results - Wireline

- Access line loss of 2.2% in past 12 months
- Broadband penetration in LEC area at 59.0%
- Total connections at 12/31/14 of 34.3 thousand
- 5,692 video subscribers at 12/31/14

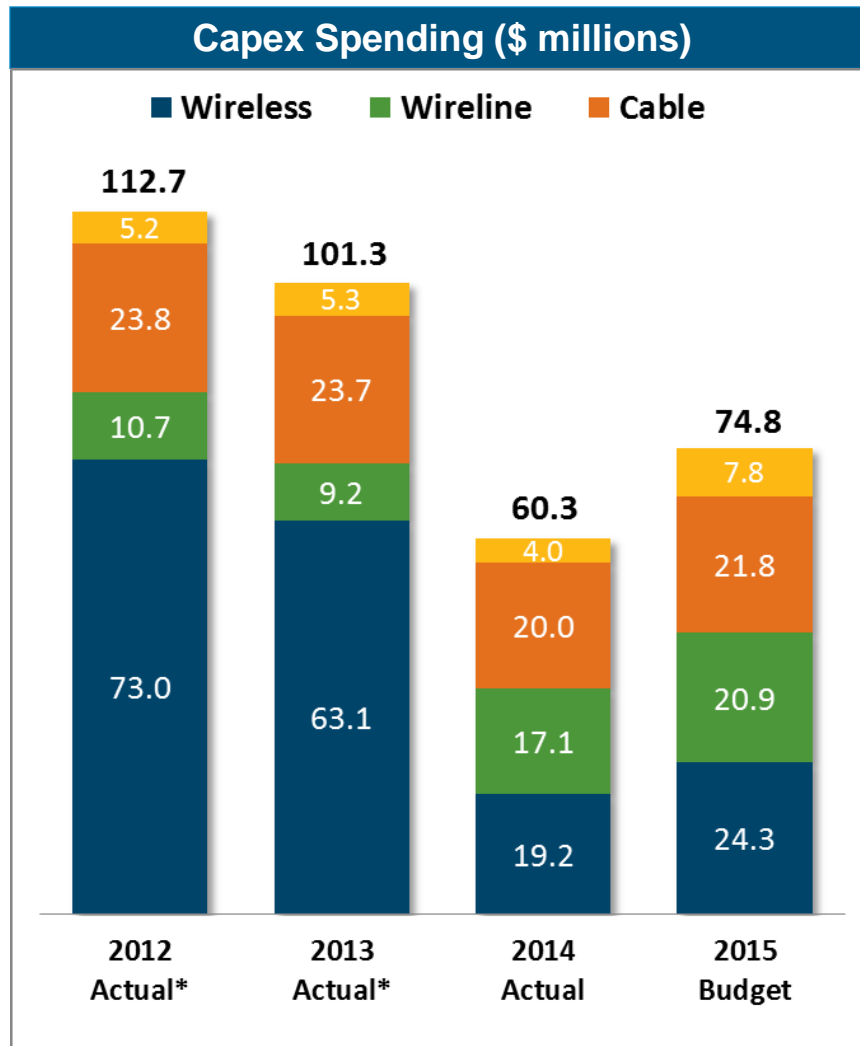


# Wireline and Cable Fiber Sales (\$ millions)



\* 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.

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# Q&A

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# Appendix

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

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

	<u>4Q 2013</u>	<u>4Q 2014</u>
<b><u>Gross billed revenue</u></b>		
Wireless segment total operating revenues	\$ 50,625	\$ 52,407
Equipment revenue	(1,360)	(1,653)
Tower lease revenue	(2,591)	(2,626)
Gross billed revenue – prepaid	(11,164)	(11,826)
Prepaid service fee	670	700
Other revenue	(84)	(93)
Wireless service revenue – postpaid	36,096	36,909
Service credits	3,607	2,947
Write-offs	2,344	3,339
Management fee	3,723	3,801
Service fee	6,516	6,651
Gross billed revenue – postpaid	<u>\$ 52,286</u>	<u>\$ 53,647</u>
<b>Average Prepaid subscribers</b>	<b>134,455</b>	<b>142,192</b>
<b>Billed revenue per Prepaid subscriber</b>	<b>\$ 27.68</b>	<b>\$ 27.72</b>
<b>Average Postpaid subscribers</b>	<b>270,353</b>	<b>285,024</b>
<b>Billed revenue per Postpaid subscriber</b>	<b>\$ 64.47</b>	<b>\$ 62.74</b>

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

# Postpaid PCS Customers Top Picks Q4 2014

## ■ Top Service Plans – 72% of Gross Adds

20GB Share Pack	22%
Unlimited, My Way	18%
Unlimited, Talk/Text	12%
Sprint Simply Unlimited	12%
Everything Data 1500	8%

## ■ Top Devices – New Activations – All Channels

iPhone	43%
Samsung Galaxy S	19%
Samsung Galaxy Tablet	9%

Smartphones made up 79% of the Postpaid base in Q4'14, up from 78% in Q3'14 and 75% in Q4'13.



# iPhone Statistics – Q4'14

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- 43% of Q4 Gross Adds
- 27% of iPhones were sold or upgraded in Shentel-controlled channels
- 35.1% of 12/31/14 Postpaid customers had the iPhone, up from 33.2% at 9/30/14 and 28.9% at 12/31/13.
- iPhone Base – 12/31/14
  - 51% iPhone 5, 5C & 5S
  - 29% iPhone 4 & 4S
  - 20% iPhone 6, 6 Plus

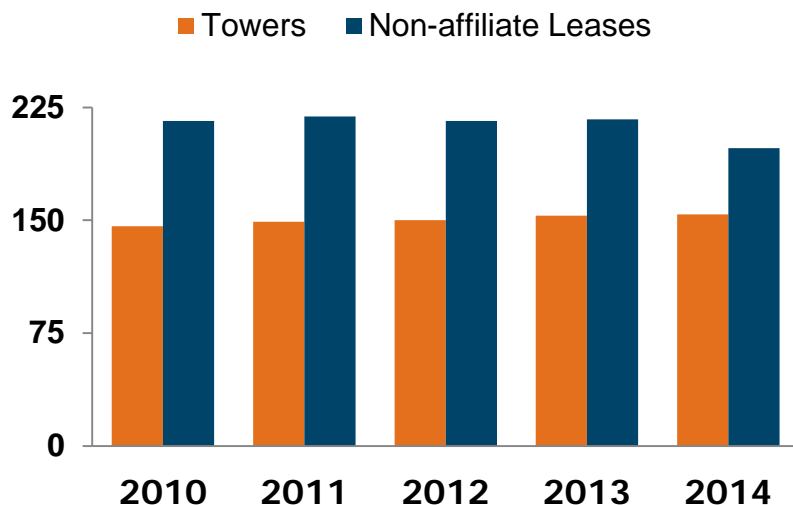
# Non-GAAP Financial Measure – Average Monthly Cable Revenue

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

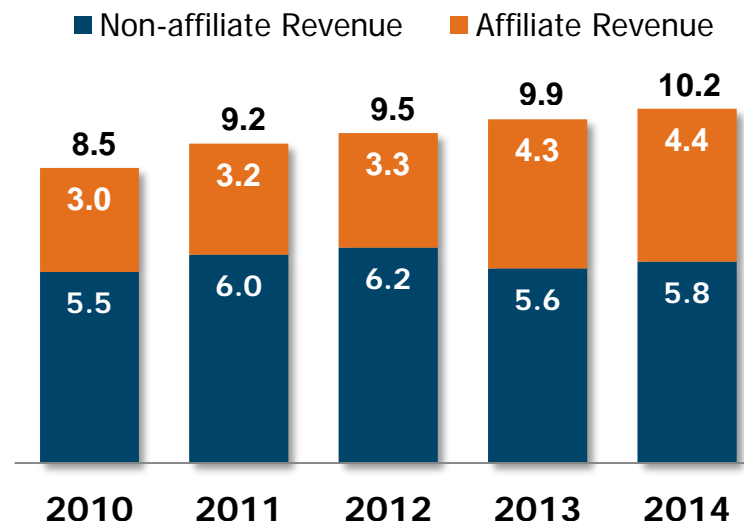
	<u>Q4 2013</u>	<u>Q4 2014</u>
Net Service Revenue	\$ 16,755	\$ 18,549
Set-top box rentals	1,282	1,816
FUSC and pass-through fees	296	359
<b>Video, Internet &amp; Voice Revenue</b>	<b>18,333</b>	<b>20,724</b>
Other miscellaneous revenue	1,152	1,508
<b>Total Operating Revenue</b>	<b>19,485</b>	<b>22,232</b>
Video revenue	11,166	11,738
Internet revenue	5,744	7,319
Voice revenue	1,423	1,667
<b>Video, Internet &amp; Voice Revenue</b>	<b>\$ 18,333</b>	<b>\$ 20,724</b>
<b><u>Average Subscribers</u></b>		
Video	53,350	52,248
Internet	45,190	51,033
Voice	14,708	17,928
Revenue Generating Units (RGUs)	113,248	121,208
Average Customer Relationships	69,452	71,380
<b><u>Average Revenue Per User (ARPU)</u></b>		
Revenue Generating Units (RGUs)	\$ 53.96	\$ 56.99
Customer Relationships	87.99	96.78
Video	114.55	132.22

# Key Operational Results – Mobile Company

## Towers and Leases



## Mobile Tower Revenue (\$ millions)



### For the Year Ended:

<i>(in thousands)</i>	2010	2011	2012	2013	2014
Operating Income	\$3,802	\$3,962	\$4,302	\$4,623	\$5,332
Depreciation and Amortization	1,189	1,326	1,362	1,579	1,539
Loss on Asset Disposals	-	44	5	118	162
Share Based Compensation	9	18	19	21	22
<b>Adjusted OIBDA</b>	<b>\$5,000</b>	<b>\$5,350</b>	<b>\$5,688</b>	<b>\$6,341</b>	<b>\$7,055</b>

# Non-GAAP Financial Measure – Adjusted Earnings Per Share

<i>in thousands, except per share amounts</i>	<u>2013</u>	<u>2014</u>
<b>Net income</b>	<b>\$ 29,586</b>	<b>\$ 33,883</b>
Adjustments:		
Plus: Loss on asset disposals	784	2,054
Less tax effect	(315)	(812)
Net adjustment	469	1,242
<b>Adjusted net income</b>	<b><u>\$ 30,055</u></b>	<b><u>\$ 35,125</u></b>
Weighted average diluted shares outstanding	24,115	24,360
<b>Earnings per share</b>	<b>\$ 1.23</b>	<b>\$ 1.39</b>
<b>Adjusted earnings per share</b>	<b>\$ 1.25</b>	<b>\$ 1.44</b>