



# Second Quarter 2019 Results

August 2, 2019

# Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

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All information set forth in this presentation, except historical and factual information, represents forward-looking statements. This includes all statements about the company's plans, beliefs, estimates, and expectations. These statements are based on current estimates, projections and assumptions, which involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Important factors that may affect these forward-looking statements include, but are not limited to: intense competition; the ability to execute TDS' business strategy; uncertainties in TDS' future cash flows and liquidity and access to the capital markets; the ability to make payments on TDS and U.S. Cellular indebtedness or comply with the terms of debt covenants; impacts of any pending acquisitions/divestitures/exchanges of properties and/or licenses, including, but not limited to, the ability to obtain regulatory approvals, successfully complete the transactions and the financial impacts of such transactions; the ability of the company to successfully manage and grow its markets; the access to and pricing of unbundled network elements; the ability to obtain or maintain roaming arrangements with other carriers on acceptable terms; the state and federal telecommunications regulatory environment; the value of assets and investments; adverse changes in the ratings afforded TDS and U.S. Cellular debt securities by accredited ratings organizations; industry consolidation; advances in telecommunications technology; pending and future litigation; changes in income tax rates, laws, regulations or rulings; changes in customer growth rates, average monthly revenue per user, churn rates, roaming revenue and terms; the availability of wireless devices; or the mix of products and services offered by U.S. Cellular and TDS Telecom. Investors are encouraged to consider these and other risks and uncertainties that are discussed in documents furnished to the Securities and Exchange Commission.

# Upcoming investor relations calendar

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- 8/8/19 - Morgan Stanley Media and Communications Corporate Access Day (New York)
  - From management: Jane McCahon
- 9/9/19 - B. Riley FBR - Investor field trip visit (Madison)
- 9/23/19 - 9/27/19 - Europe
  - From management: Ted Carlson and Jane McCahon
- 11/13/19 - 11/14/19 - Citi Non-Deal Roadshow (Boston, New York)
  - From management: Ted Carlson, Doug Chambers and Jane McCahon
- 12/11/19 - UBS Global TMT (New York)
  - From management: Ken Meyers, Mike Irizarry, and Jane McCahon



# Executing on 2019 strategic priorities



- **Attract new customers and strengthen our base**
  - Postpaid handset churn remains low at 0.97%
  - Plans in place to improve gross additions
- **Drive revenue growth**
  - Service revenues up 2%
    - Average revenue per user up 3%
    - Inbound roaming revenues up 13%
  - Equipment revenues lower due to fewer transactions
- **Continued focus on cost structure**
- **Invest in network**
  - Continuing investment in speed and capacity
  - Ready network for 5G

# Spectrum actions to advance 5G strategy



	<u>Cost</u>	<u>Average Depth (in markets purchased)</u>
Auction 101 - 28 GHz	\$129 million	451 MHz
Auction 102 - 24 GHz	\$127 million	277 MHz

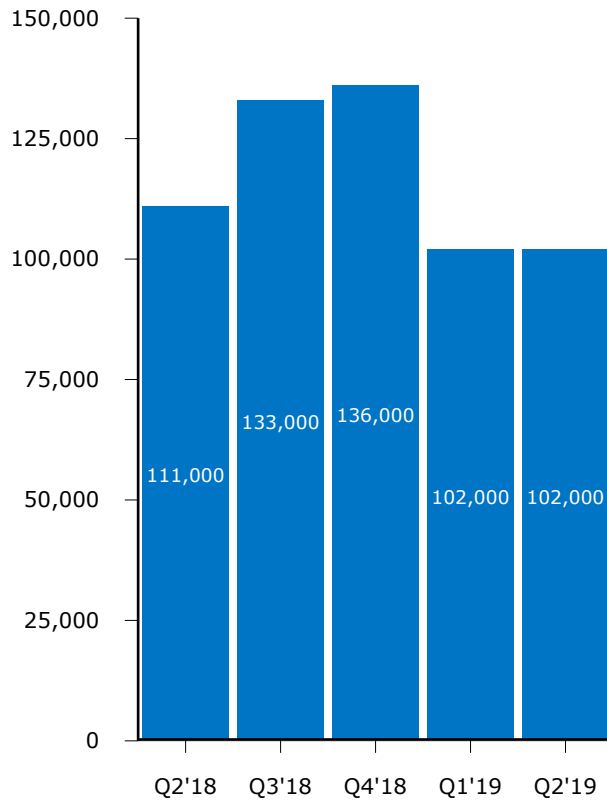
- Together, the auctions provide at least 300 MHz of spectrum in markets that serve 97% of customer base
- Our 5G network strategy envisions the use of a variety of spectrum bands
- Initial 5G deployment will be on our 600 MHz spectrum
- Advocating for as much mid-band spectrum as possible, as quickly as possible, within a framework acceptable to a regional wireless carrier

- J.D. Power Award - "Highest Network Quality Performance among Wireless Phone users in North Central Region"
  - Received J. D. Power award for the 22nd time since 2006
- Voice over LTE (VoLTE)
  - Deploying VoLTE in New England and Mid-Atlantic
  - Existing VoLTE markets (Iowa and Wisc.) performing well
- Executing network modernization program to ready network for 5G technology
  - Hardware deliveries and LTE core upgrades on track
  - Tower work under way

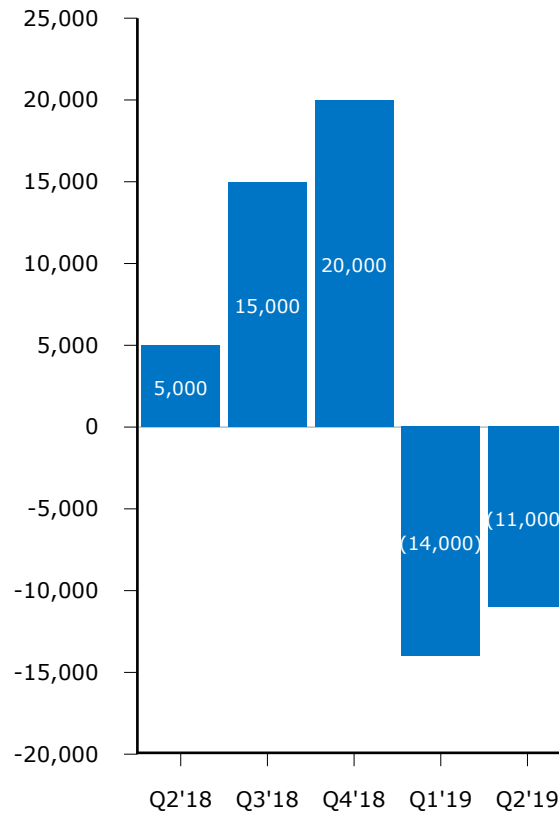
# Postpaid handsets connections



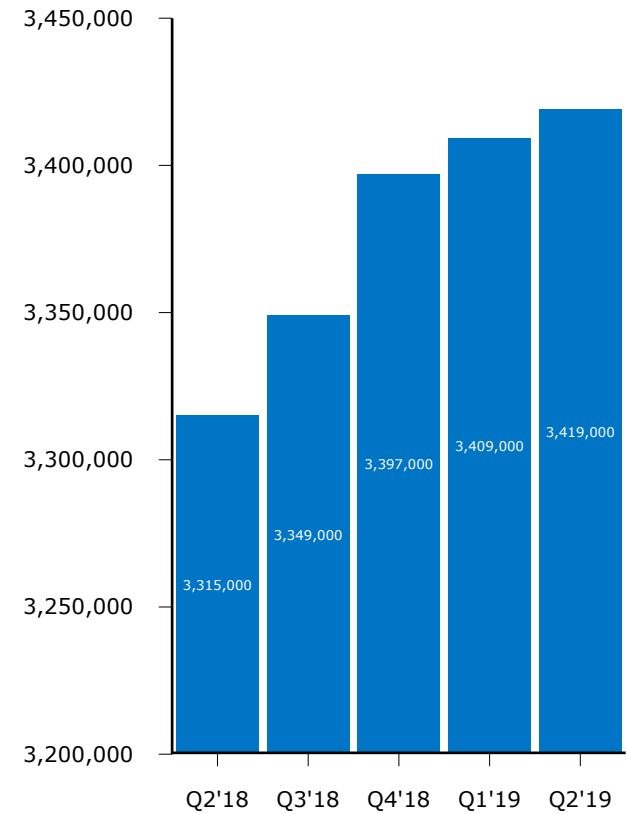
### Gross Additions



### Net Additions

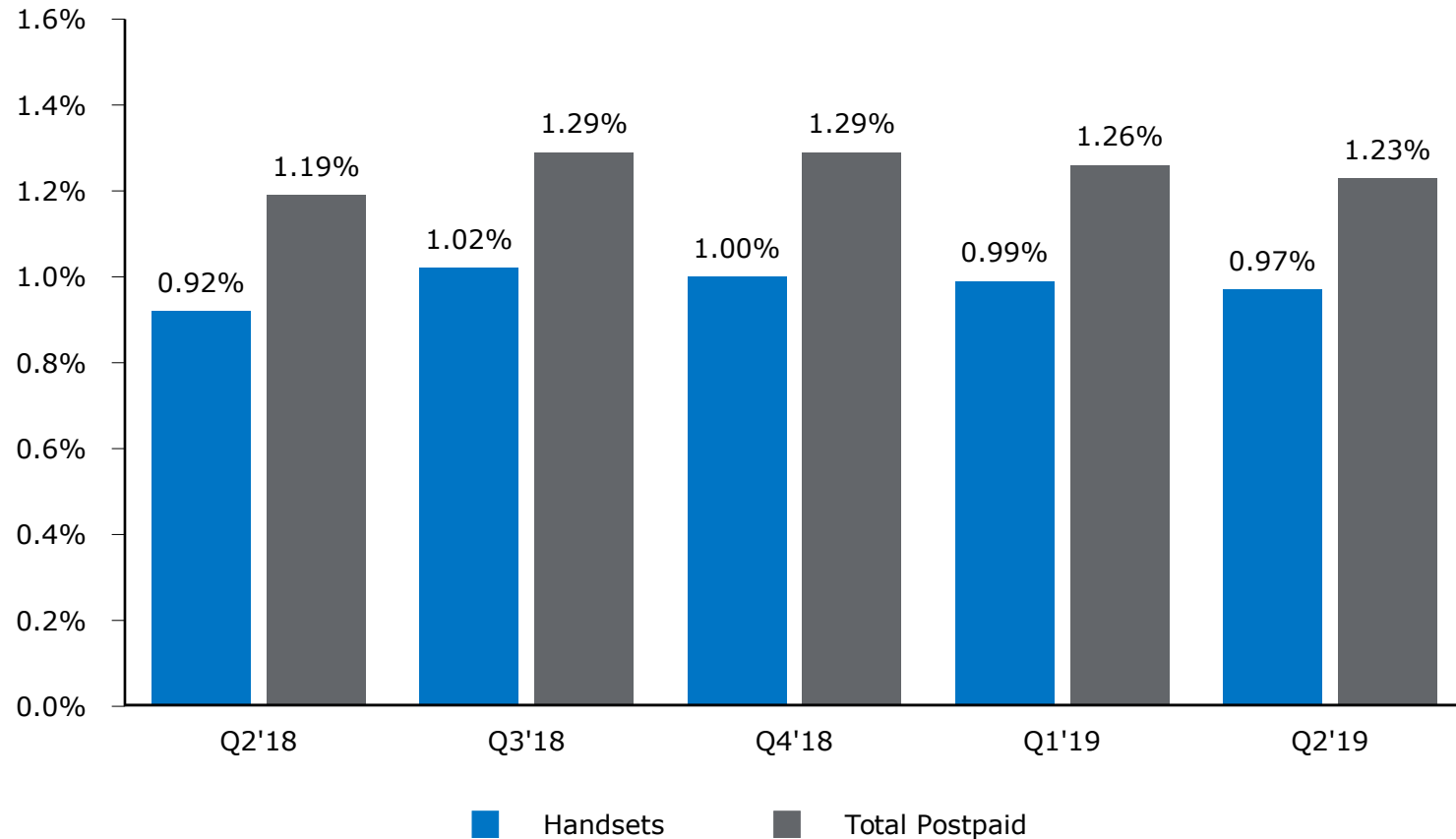


### Smartphone Connections





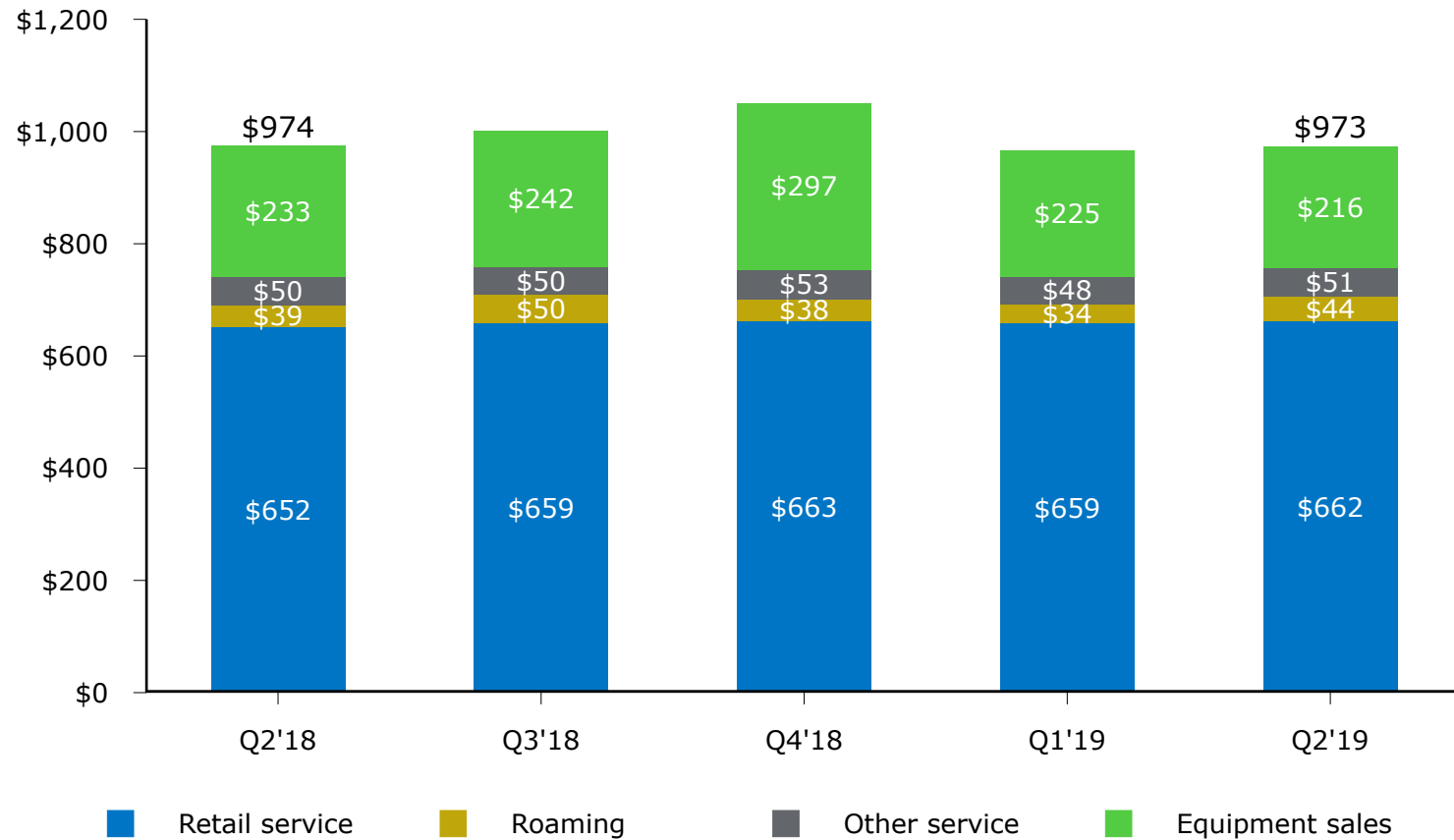
# Postpaid churn rate



# Total operating revenues

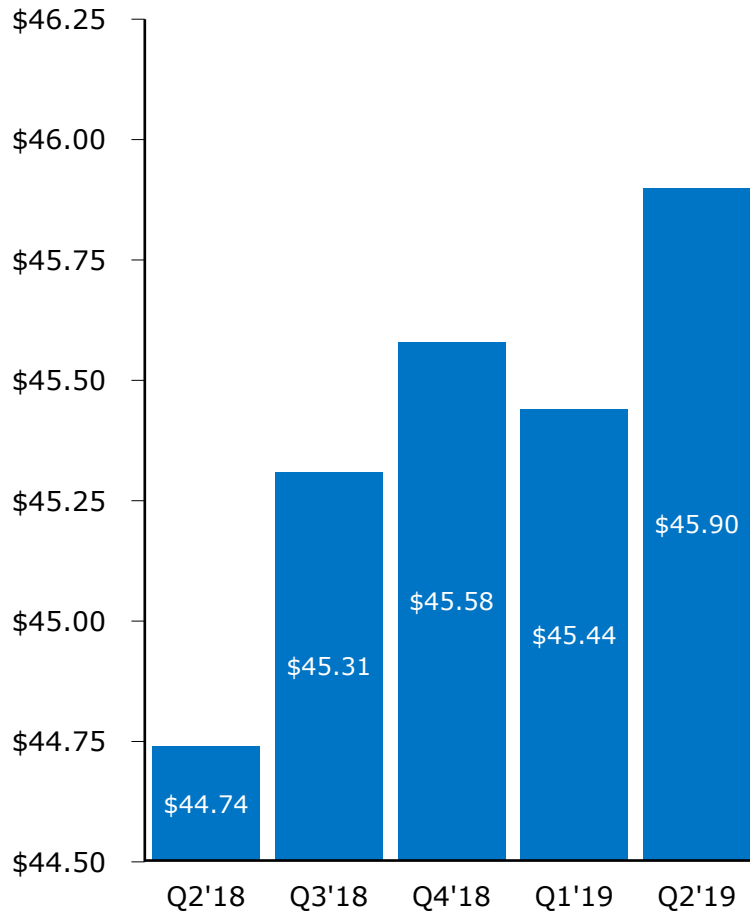


(in millions)



# Postpaid revenue

**Average Revenue Per User (ARPU)**



**Average Revenue Per Account (ARPA)**



# Adjusted OIBDA



(\$ in millions)	Q2'19	Q2'18	% Change
Total operating revenues	\$ 973	\$ 974	–
System operations expense	193	187	3 %
Cost of equipment sold	224	240	(6)%
SG&A expenses	344	342	1 %
Total cash expenses <sup>(1)</sup>	761	769	(1)%
Adjusted OIBDA <sup>(2)</sup>	\$ 212	\$ 205	4 %

(1), (2) - See slide 27 for explanations

# Adjusted EBITDA



(\$ in millions)	Q2'19	Q2'18	% Change
Adjusted OIBDA <sup>(2)</sup>	\$ 212	\$ 205	4%
Equity in earnings of unconsolidated entities	40	40	1%
Interest and dividend income	5	3	63%
Adjusted EBITDA <sup>(2)</sup>	\$ 257	\$ 248	3%

(2) - See slide 27 for explanation

# 2019 guidance \*



(\$ in millions) As of August 1, 2019	2018 Actual	2019 Previous Estimates	2019 Current Estimates
Total operating revenues	\$3,967	\$4,000-\$4,200	<b>\$3,900-\$4,100**</b>
Adjusted OIBDA <sup>(2)</sup>	\$790	\$725-\$875	<b>Unchanged</b>
Adjusted EBITDA <sup>(2)</sup>	\$963	\$900-\$1,050	<b>Unchanged</b>
Capital expenditures	\$515	\$625-\$725	<b>Unchanged</b>

\* There can be no assurance that final results will not differ materially from estimated results.

\*\* Change represents lower equipment sales revenues.

(2) - See slide 27 for explanation



# Executing on 2019 strategic priorities



## Wireline and Cable

- Intense focus on increasing broadband penetration
- Attractive bundles to lower churn
- Deploy Cloud TV platform - TDS TV+

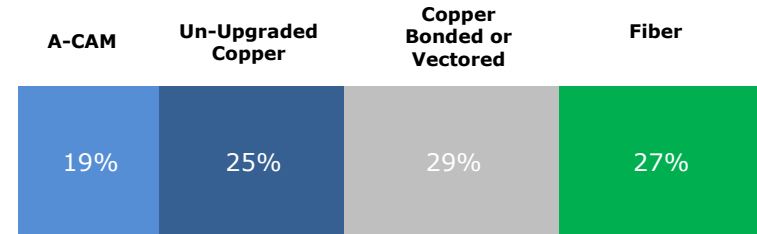
### ● Wireline

- Execute fiber program both in and out of the current ILEC footprint
- Rural Broadband Deployment
  - A-CAM
  - State Broadband Grants
- Cost management

### ● Cable

- Increase ARPU
- Continue to evaluate potential acquisitions

Service Addresses at June 30, 2019  
(784,700)





# TDS Telecom operating performance



(\$ in millions)	Q2'19	Q2'18	% Change
Wireline	\$ 172	\$ 174	(1)%
Cable	62	57	9 %
Total operating revenues *	233	230	1 %
Cash expenses <sup>(1)</sup>	155	158	(2)%
Adjusted EBITDA <sup>(2)</sup>	82	75	9 %
Capital expenditures	\$ 70	\$ 46	51 %

\* Includes intercompany eliminations

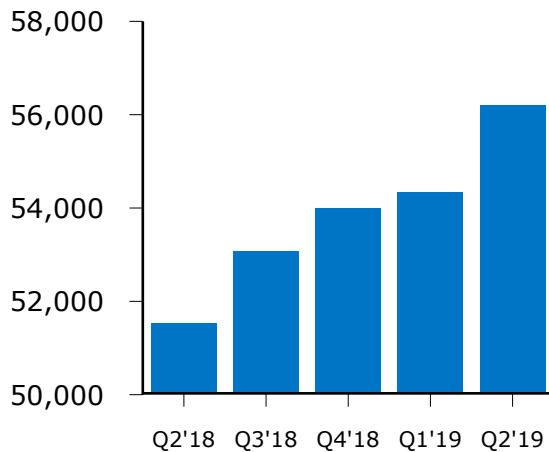
(1), (2) - See slide 27 for explanations

# Second quarter Wireline highlights

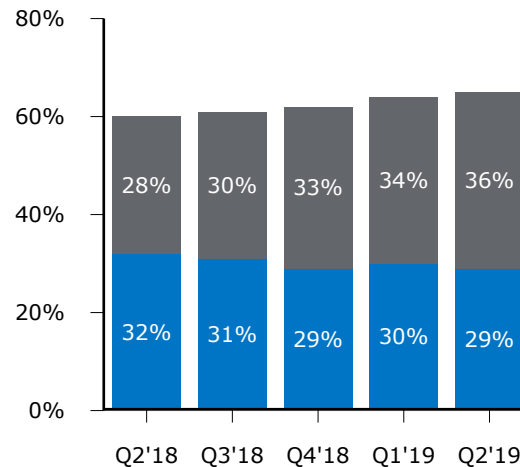


- Growth in residential video and broadband driving an increase in residential revenue per connection
  - Demand for higher speeds is strong
- Growth from fiber investments and A-CAM support helps to offset legacy revenue declines

Video Connections

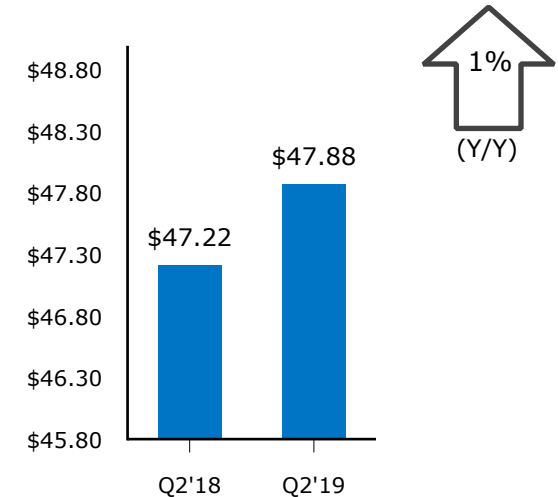


ILEC Broadband Take Rate



■ 10 MB to 50 MB  
■ 50 MB or higher

Residential Revenue Per Connection



# Second quarter fiber program update



- Investing over \$150 million in 2019 to deploy fiber in attractive markets
- Q2 Fiber-to-the-Home to 27% of Service Addresses (SA)
- Driving residential revenue growth

## In ILEC Footprint

- Investing \$50 million in 2019 for 40,000 SA
  - Edge-out in current ILEC fiber markets
  - Additional ILEC fiber overbuilds in new markets

## Out-of-Territory

- Trial market (Sun Prairie, WI) completed in 2018 (~10,000 SA)
- Investing \$100 million in 2019
  - Launching 6 Southern WI markets (~20,000 SA)
  - Launching growing markets in mid-central WI and Idaho later this year (~80,000 SA)



# Wireline operating performance

(\$ in millions)	Q2'19	Q2'18	% Change
Residential	\$ 81	\$ 80	1 %
Commercial	42	46	(8)%
Wholesale	49	46	5 %
Total operating revenues	172	174	(1)%
Cash expenses <sup>(1)</sup>	114	117	(3)%
Adjusted EBITDA <sup>(2)</sup>	62	59	4 %
Capital expenditures	\$ 55	\$ 33	64 %

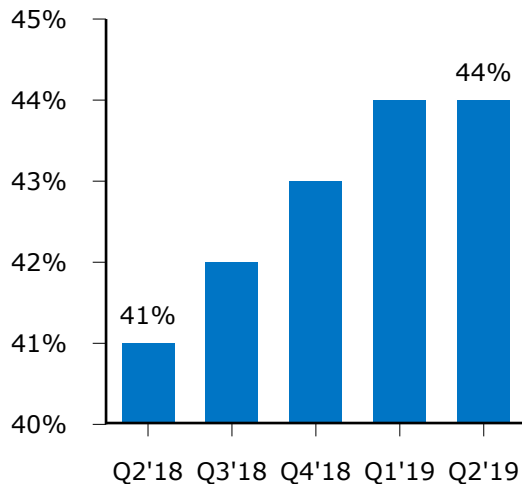
(1), (2) - See slide 27 for explanations

# Second quarter Cable highlights

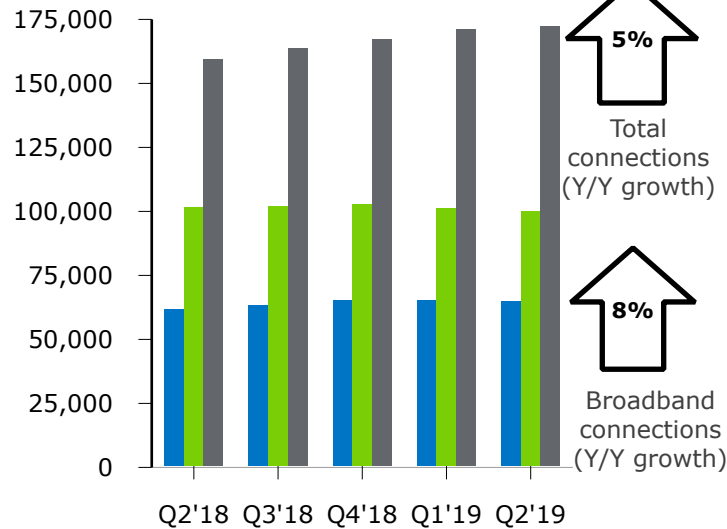


- Broadband connections increase 8%
- Revenues increase 9%
- Adjusted EBITDA increases 29%

### Steady Growth in Broadband Penetration

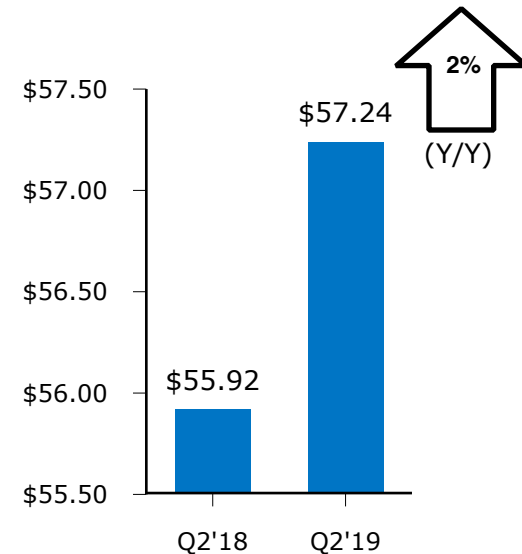


### Connections



■ Voice      ■ Video  
■ Broadband

### Residential Revenue Per Connection



# Cable operating performance



(\$ in millions)	Q2'19	Q2'18	% Change
Residential	\$ 51	\$ 47	8%
Commercial	11	10	9%
Total operating revenues	62	57	9%
Cash expenses <sup>(1)</sup>	42	41	2%
Adjusted EBITDA <sup>(2)</sup>	20	16	29%
Capital expenditures	\$ 15	\$ 13	17%

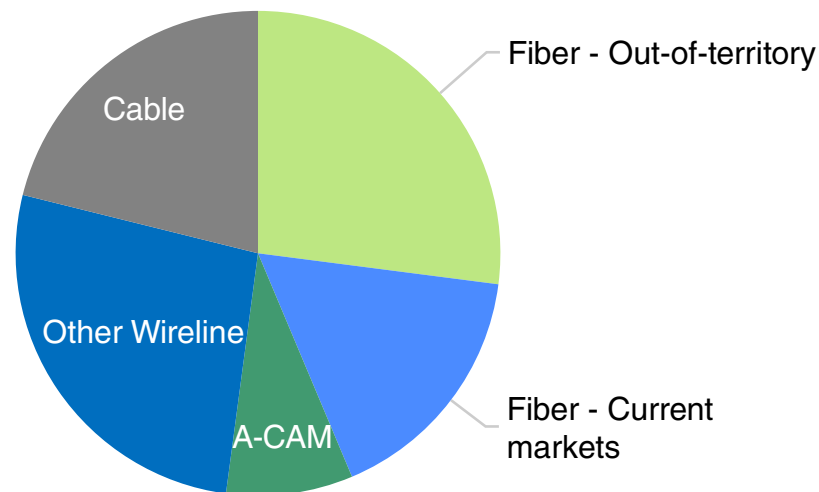
(1), (2) - See slide 27 for explanations

# 2019 TDS Telecom guidance\*



(\$ in millions) As of August 1, 2019	2018 Actual	2019 Previous Estimates	2019 Current Estimates
Total operating revenues	\$927	\$900-\$950	<b>Unchanged</b>
Adjusted OIBDA <sup>(2)</sup>	\$303	\$280-\$310	<b>Unchanged</b>
Adjusted EBITDA <sup>(2)</sup>	\$313	\$290-\$320	<b>Unchanged</b>
Capital expenditures	\$232	\$300-\$350	<b>Unchanged</b>

2019 Estimated Capital Expenditures



(2) - See slide 27 for explanation

\* There can be no assurance that final results will not differ materially from estimated results.



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# Appendix



# Adjusted OIBDA and Adjusted EBITDA Reconciliation<sup>\*</sup>

(\$ in millions)	Three Months Ended June 30, 2019					Three Months Ended June 30, 2018				
	U.S. Cellular	Wireline	Cable	Total TDS Telecom	TDS <sup>(3)</sup>	U.S. Cellular	Wireline	Cable	Total TDS Telecom	TDS <sup>(3)</sup>
<b>Net income (GAAP)</b>	\$32	N/A	N/A	\$25	\$39	\$52	N/A	N/A	\$16	\$44
Add back:										
Income tax expense	14	N/A	N/A	8	16	18	N/A	N/A	5	21
<b>Income (loss) before income taxes (GAAP)</b>	<b>46</b>	<b>30</b>	<b>3</b>	<b>33</b>	<b>55</b>	<b>70</b>	<b>24</b>	<b>(2)</b>	<b>21</b>	<b>65</b>
Add back:										
Interest expense	29	(1)	—	(1)	43	29	—	—	—	43
Depreciation, amortization and accretion expense	177	33	17	50	234	159	36	18	53	220
EBITDA <sup>(2)</sup> (non-GAAP)	252	62	20	82	332	258	59	15	74	328
Add back:										
(Gain) loss on asset disposals, net	5	(1)	—	(1)	5	1	1	—	1	2
(Gain) loss on license sales and exchanges, net	—	—	—	—	—	(11)	—	—	—	(11)
Adjusted EBITDA <sup>(2)</sup> (non-GAAP)	257	62	20	82	337	248	59	16	75	319
Deduct:										
Equity in earnings of unconsolidated entities	40	—	—	—	41	40	—	—	—	40
Interest and dividend income	5	3	—	3	9	3	2	—	2	6
Other, net	—	—	—	—	—	—	1	—	1	1
Adjusted OIBDA <sup>(2)</sup> (non-GAAP)	\$212	\$59	\$20	\$78	\$287	\$205	\$57	\$16	\$73	\$272

\* Numbers may not foot due to rounding

(2), (3) - See slide 27 for explanations

# Adjusted OIBDA and Adjusted EBITDA Reconciliation – 2019 Estimated and 2018 Full Year

In providing 2019 estimated results, TDS has not completed the below reconciliation to net income because it does not provide guidance for income taxes. TDS believes that the impact of income taxes cannot be reasonably predicted; therefore, the company is unable to provide such guidance.

	2019 Estimated Results			Actual Results Year ended December 31, 2018		
	U.S. Cellular	TDS Telecom	TDS <sup>(3)</sup>	U.S. Cellular	TDS Telecom	TDS <sup>(3)</sup>
(Dollars in millions)						
<b>Net income (GAAP)</b>	N/A	N/A	N/A	<b>\$164</b>	<b>\$89</b>	<b>\$175</b>
Add back:						
Income tax expense (benefit)	N/A	N/A	N/A	51	16	46
<b>Income before income taxes (GAAP)</b>	<b>\$70-\$220</b>	<b>\$85-\$115</b>	<b>\$60-\$240</b>	<b>\$215</b>	<b>\$105</b>	<b>\$221</b>
Add back:						
Interest expense	115	—	175	116	(2)	172
Depreciation, amortization and accretion	700	205	935	640	212	883
EBITDA <sup>(2)</sup> (non-GAAP)	\$885-\$1,035	\$290-\$320	\$1,170-\$1,350	\$971	\$315	\$1,276
Add back:						
(Gain) loss on asset disposals, net	15	—	15	10	(2)	9
(Gain) loss on license sales and exchanges, net	—	—	—	(18)	—	(18)
Adjusted EBITDA <sup>(2)</sup> (non-GAAP)	\$900-\$1,050	\$290-\$320	\$1,185-\$1,365	\$963	\$313	\$1,267
Deduct:						
Equity in earnings of unconsolidated entities	155	—	155	159	—	160
Interest and dividend income	20	10	30	15	8	26
Other, net	—	—	—	(1)	2	2
Adjusted OIBDA <sup>(2)</sup> (non-GAAP)	\$725-\$875	\$280-\$310	\$1,000-\$1,180	\$790	\$303	\$1,079

(2), (3) - See slide 27 for explanations

- 1) Total cash expenses represent total operating expenses as shown in the Consolidated Statement of Operations Highlights in the TDS and U.S. Cellular SEC Forms 8-K, less depreciation, amortization and accretion and gain/losses.
- 2) EBITDA, Adjusted EBITDA and Adjusted OIBDA are defined as net income adjusted for the items set forth in the reconciliation on slides 25 and 26. EBITDA, Adjusted EBITDA and Adjusted OIBDA are not measures of financial performance under Generally Accepted Accounting Principles in the United States (GAAP) and should not be considered as alternatives to Net income or Cash flows from operating activities, as indicators of cash flows or as measures of liquidity. TDS and U.S. Cellular do not intend to imply that any such items set forth in the reconciliations on slides 25 and 26 are non-recurring, infrequent or unusual; such items may occur in the future. Management uses Adjusted EBITDA and Adjusted OIBDA as measurements of profitability, and therefore reconciliations to Net income are deemed appropriate. Management believes Adjusted EBITDA and Adjusted OIBDA are useful measures of TDS' and U.S. Cellular's operating results before significant recurring non-cash charges, gains and losses, and other items as presented above as they provide additional relevant and useful information to investors and other users of TDS' and U.S. Cellular's financial data in evaluating the effectiveness of its operations and underlying business trends in a manner that is consistent with management's evaluation of business performance. Adjusted EBITDA shows adjusted earnings before interest, taxes, depreciation, amortization and accretion, and gains and losses, while Adjusted OIBDA reduces this measure further to exclude Equity in earnings of unconsolidated entities and Interest and dividend income in order to more effectively show the performance of operating activities excluding investment activities. The tables on slide 25 and 26 reconciles EBITDA, Adjusted EBITDA and Adjusted OIBDA flow to the corresponding GAAP measure, Net income or Income (loss) before income taxes. Additional information and reconciliations related to Non-GAAP financial measures for June 30, 2019, can be found on TDS' and U.S. Cellular's website at [investors.tdsinc.com](http://investors.tdsinc.com) or [investors.uscellular.com](http://investors.uscellular.com).
- 3) The TDS column includes U.S. Cellular, TDS Telecom and also the impacts of consolidating eliminations, corporate operations and non-reportable segments.