



OUR FIBER FUELS GLOBAL INNOVATION

# Earnings Presentation

Fiscal Year 2019 Q4

NYSE: ZAYO

@ZayoGroup

# Safe Harbor

Information contained in this supplemental presentation that is not historical by nature constitutes “forward-looking statements” which can be identified by the use of forward-looking terminology such as “believes,” “expects,” “plans,” “intends,” “estimates,” “projects,” “could,” “may,” “will,” “should,” or “anticipates” or the negatives thereof, other variations thereon or comparable terminology, or by discussions of strategy. No assurance can be given that future results expressed or implied by the forward-looking statements will be achieved and actual results may differ materially from those contemplated by the forward-looking statements. Such statements are based on management’s current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, those relating to our financial and operating prospects, current economic trends, future opportunities, ability to retain existing customers and attract new ones, our acquisition strategy and ability to integrate acquired companies and assets, outlook of customers, reception of new products and technologies, strength of competition and pricing, and potential organizational strategies that we may opt to pursue in the future. Other factors and risks that may affect our business and future financial results are detailed in the “Risk Factors” section of our annual report on Form 10-K and most recent Form 10-Q filed with the Securities and Exchange Commission. We caution you not to place undue reliance on these forward-looking statements, which speak only as of their respective dates. We undertake no obligation to publicly update or revise forward-looking statements to reflect events or circumstances after releasing this supplemental information or to reflect the occurrence of unanticipated events, except as required by law.

In addition to this presentation and our filings with the SEC, the Company provides a glossary of terms used throughout and a supplemental earnings presentation, both of which are available under the investor section of the Company’s website at <http://www.zayo.com/investors>. The supplemental earnings presentation includes definitions and tables reconciling non-GAAP measures used in this presentation, including the quantitative reconciliation of Adjusted EBITDA to net income/(loss) and quantitative reconciliations of adjusted unlevered free cash flow and levered free cash flow, each to net cash provided by operating activities.

# Jun 19q financial highlights<sup>1</sup>

Net Installs of **\$1.1M** imply a **3%** growth rate

Revenue increased **5.3%** (**3.8%** recurring Revenue<sup>2</sup> constant currency growth)

EBITDA increased **3.0%**

EBITDA margin of **55%**, and aUFCF of **24%**

LFCF positive at **\$22M**

<sup>1</sup> Growth rates presented are QoQ annualized growth

<sup>2</sup> Recurring revenue excludes Other revenue

# 3% annualized growth from Net Installs

## Net Installations



Net installs of **\$1.1M**

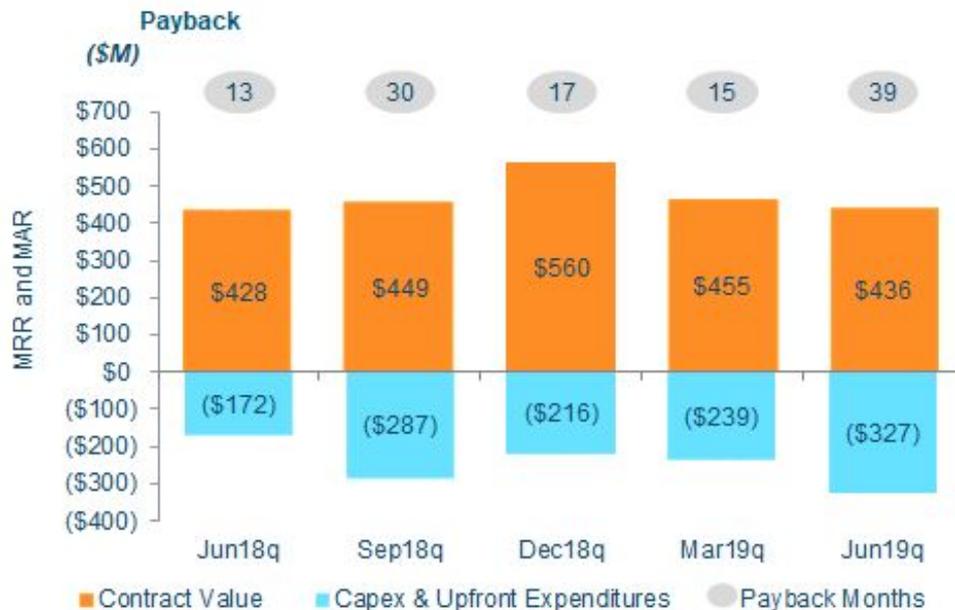
Networks Net Installs of **\$1.6M** and implied growth of **4%**

zColo impacted by continued Cloud headwinds

<sup>1</sup> Implied by the current quarter pace of Net Installs, calculated as Net Installs annualized ( $\$1.1M \times 4 = \$4.48M$ ), divided by the beginning quarter run-rate  $\$179.6M = 2.5\%$

# Capital profile

## Contract Value vs. CapEx on Bookings



Payback expanded to **39** months due to large Florida expansion project

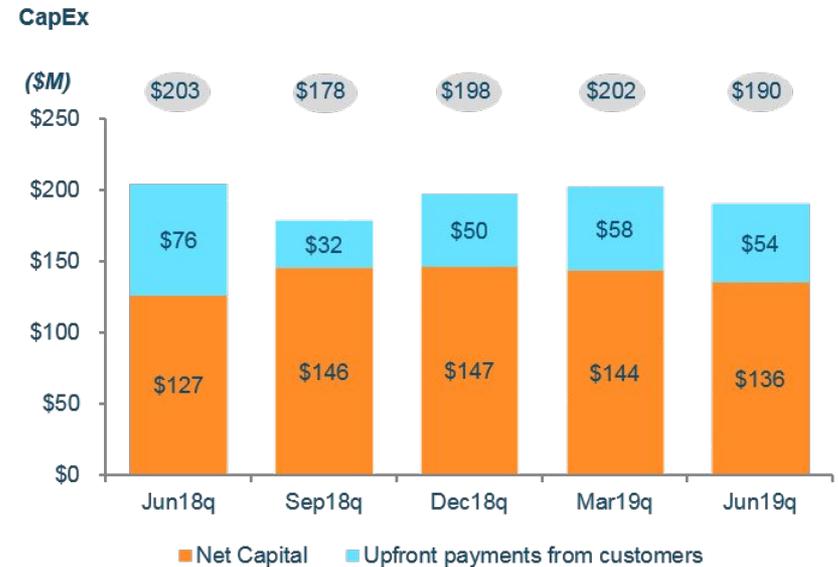
Total Bookings contract value **1.3x** the associated committed capex

# Healthy 24% aUFCF margin

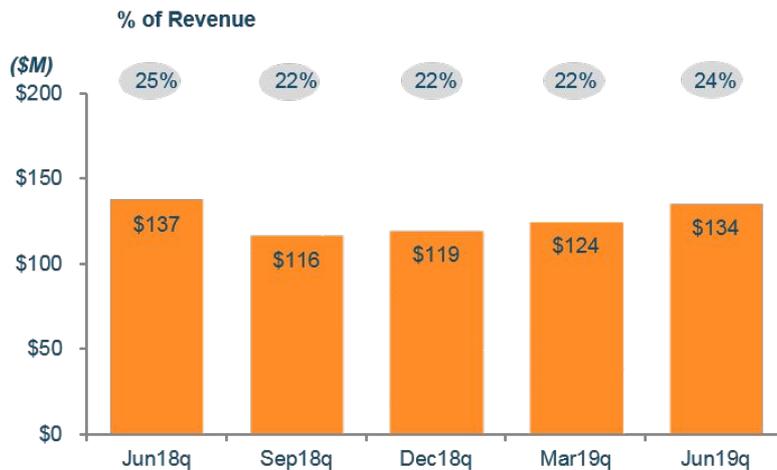
Modest QoQ decline in Capital Expenditures

Decreased LFCF due to seasonal timing of interest payments

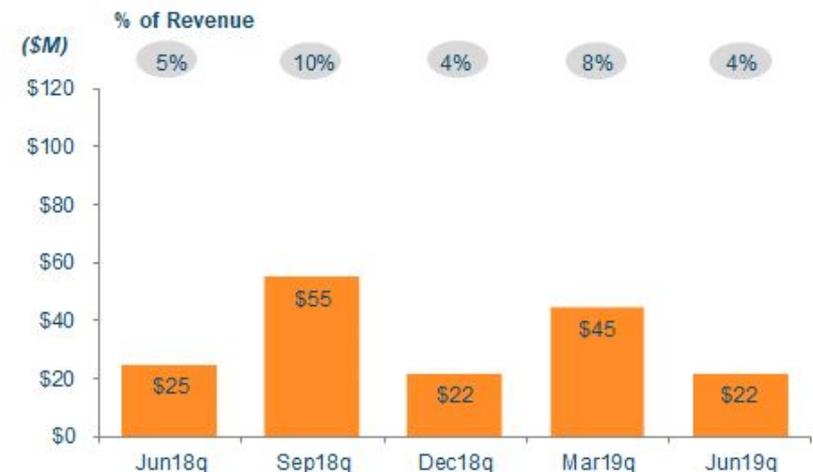
## Capital Expenditures



## aUFCF



## LFCF



# Steady financial performance

## Revenue



Revenue Growth	Jun19q	
	QoQ	YoY
As Reported	5.3%	3.0%
As Reported (Constant Currency)	6.0%	3.9%
Recurring Revenue (Constant Currency)	3.8%	2.5%

## aEBITDA



aEBITDA Growth	Jun19q	
	QoQ	YoY
As Reported	3.0%	3.2%
In Constant Currency	3.7%	4.0%

# Segments

Segments	Zayo Networks 	zColo 	Allstream 	Other	ZGH Total
<b>Revenue</b>	<b>\$485.4</b>	<b>\$66.1</b>	<b>\$88.0</b>	<b>\$11.1</b>	<b>\$650.6</b>
Revenue % of Total	75%	10%	14%	2%	100%
<b>Adjusted EBITDA</b>	<b>\$276.8</b>	<b>\$30.6</b>	<b>\$12.0</b>	<b>\$1.8</b>	<b>\$321.2</b>
EBITDA Margin	57%	46%	14%	16%	49%
EBITDA % of Total	86%	10%	4%	1%	100%
<b>Capital Expenditures</b>	<b>\$166.6</b>	<b>\$23.7</b>	<b>\$5.5</b>	<b>\$0.0</b>	<b>\$195.8</b>
Capex % of Total	85%	12%	3%	0%	100%
<b>Adjusted UFCF</b>	<b>\$126.0</b>	<b>\$6.5</b>	<b>\$6.3</b>	<b>\$1.9</b>	<b>\$140.7</b>
Adjusted UFCF Margin	26%	10%	7%	17%	22%
Adjusted UFCF % of Total	90%	5%	4%	1%	100%
<b>Net Installs</b>	<b>\$1.6</b>	<b>-\$0.4</b>		<b>\$0.0</b>	
Implied Growth Rate	4%	-8%		0%	

# Performance in line with CY2019 guidance

Pro Forma New Segment		CY2019	Jun19q
<b>Network</b>	Implied Growth from Net Installs <sup>1</sup>	4-6%	4%
	EBITDA Margin	56%+ EBITDA margin	57%
	Cash Flow	20-25%+ aUFCF margin	26%
<b>zColo Cloud</b>	Implied Growth from Net Installs	Flat to low growth	-8%
	EBITDA Margin	45-50% EBITDA margin	46%
	Cash Flow	0-10% aUFCF margin	10%
<b>Allstream</b>	aUFCF	Reduce reliance on Network; Generate \$8-10M in quarterly cash; Continue evaluating separation opportunities	\$6.3M

<sup>1</sup> Calculated as Net Installs annualized, divided by the beginning quarter run-rate; actual revenue growth will lag the Implied Growth from Net Installs

# Strong Balance sheet

(\$M)	Jun18q	Jun19q
<b>Consolidated Balance Sheet Data</b>		
Cash and cash equivalents	257	186
Property and equipment, net	5,428	5,809
Total assets	9,210	9,335
Long-term debt and capital lease obligations, including current portion	5,829	6,027
Total Stockholders' equity	1,500	1,342

**\$1.9B** of net operating loss carryforwards

No material federal cash taxes until **2024/2025**

Gross leverage of **4.7x** remains within **3-5x** target

## Debt Schedule<sup>1</sup>



<sup>1</sup>2020 includes \$145M outstanding revolver balance as of 6/30/19 and reflects an April 2019 amendment of the revolving credit facility to extend the maturity date from 2020 to 2023. If the TLB-1 is not extended 6 months prior to maturity, the RC maturity will spring forward to July 2020.



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# Zayo Networks

# Zayo Networks remains focus



## Networks

Fiber Solutions

Transport

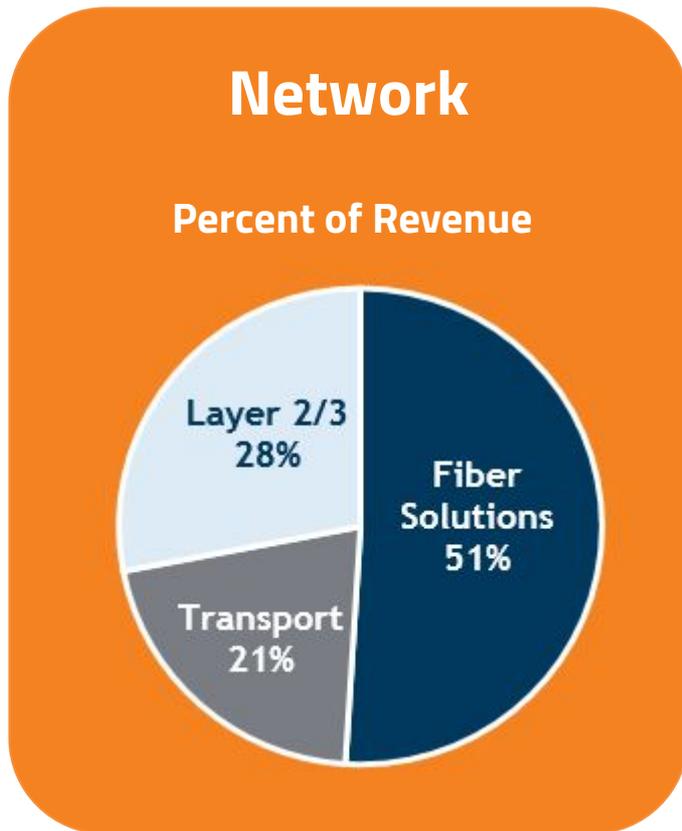
Layer 2/3

zColo

Allstream

- Compelling financial profile - stable, recurring revenue model yields attractive, predictable cash flows
- Global fiber footprint with unparalleled metro/regional depth and International reach - strong competitive moat
- Diversified, blue-chip customer base comprised of the largest, most sophisticated users of bandwidth
- Powerful secular trends provide multiple growth drivers

# Zayo Networks has strong financial profile<sup>1</sup>

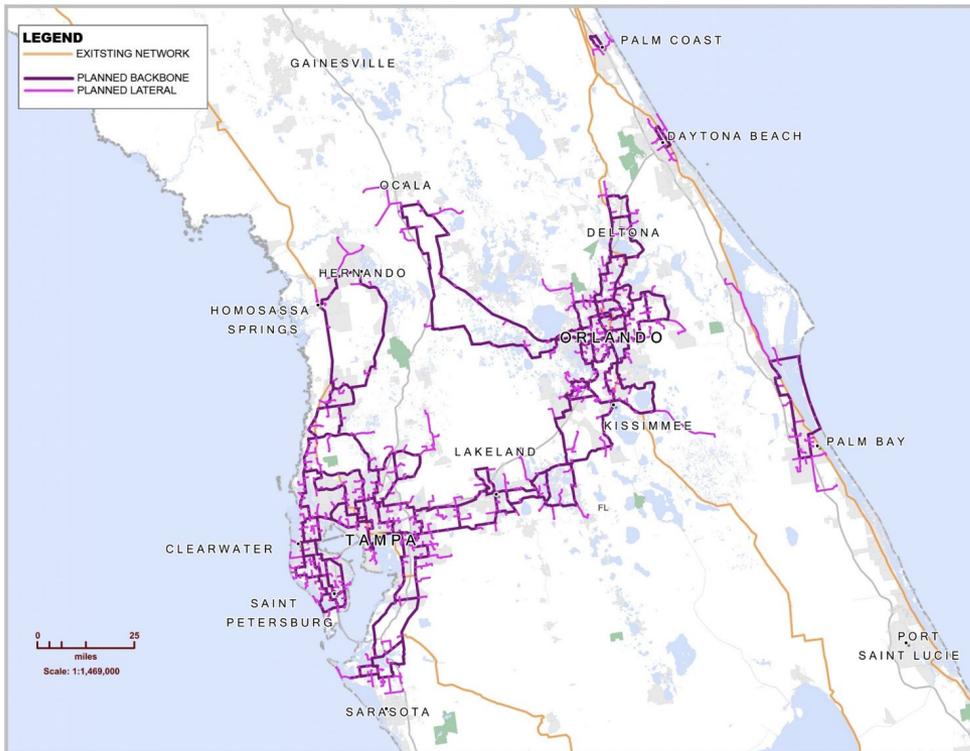


Jun19q LQA Revenue <sup>1</sup>	\$1.9 billion
EBITDA Margin <sup>1</sup>	57% EBITDA Margin
aUFCF Margin <sup>1</sup>	26%
Implied Growth from Net Installs <sup>1</sup>	4%

<sup>1</sup> As reported, does not include a potential future customer and other shifts to Allstream

# Demand drives expansion in Florida

## Planned Florida Network



Zayo will add more than **1,200** route miles in Tampa and **1,100** route miles in Orlando

Enables two new markets for Zayo

Will include diverse connections and backhaul capabilities

Success-based build to be leveraged for follow-on sales

# Commercial highlight

## Leading Global Bank



Managed private wavelength network (W-PDN)

Solution to connect key locations in Europe

100G solution provides customer with diverse, high-speed connectivity

Continue to see global banks and financial services companies moving to fiber-based connectivity solutions

# Transaction Update

Shareholders approved merger

Received early termination of HSR review

State approvals on track

Foreign and US foreign investment and other filings made

No change to estimated timing (1H 2020), but no delays to date