

Earnings Call Presentation

Zayo Group Holdings, Inc.

Fiscal Year 2018 Q1

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 Zayo Group Holdings, Inc.’s (“the Company” or “ZGH”) financial and operating prospects, current economic trends, future opportunities, ability to retain existing customers and attract new ones, outlook of customers, and strength of competition and pricing. In addition, there is risk and uncertainty in the Company’s acquisition strategy including our ability to integrate acquired companies and assets. Specifically there is a risk associated with our recent acquisitions, and the benefits thereof, including financial and operating results and synergy benefits that may be realized from these acquisitions and the timeframe for realizing these benefits. 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.



Dan Caruso Chairman & Chief Executive Officer

Sep 17q Highlights

in Jun 17q, mapped out path to **6-8%** growth, predicated on growing sales, reducing churn

seeing signs of progress toward that goal

\$7.6M net bookings and **\$7.3M** gross installs remain at record levels

ahead of QBHC target; traction in targeted verticals is beginning to show

capital profile continues to be favorable

Churn remains elevated at **1.2%**, but within historical range despite large (**\$480K** MRR) customer bankruptcy

Net Installs at **\$1.2M** continue to imply a **3%** growth rate, which remains below **6-8%** target

Fiber Solutions, Colocation fundamentals are strong; Transport, and Enterprise Networks lagging

lowering EOY Annualized EBITDA guidance from **~\$1.33B** to **~\$1.30B**

Bookings remain at record levels...

2nd consecutive quarter at record bookings level

~70% bookings <12 month payback

Net New Sales (Bookings) Stratification¹



¹ Sep16q included a \$0.9M Mobile Infrastructure Booking

...as do Gross Installs

steady upward trajectory
anticipate uplift in Dec17q



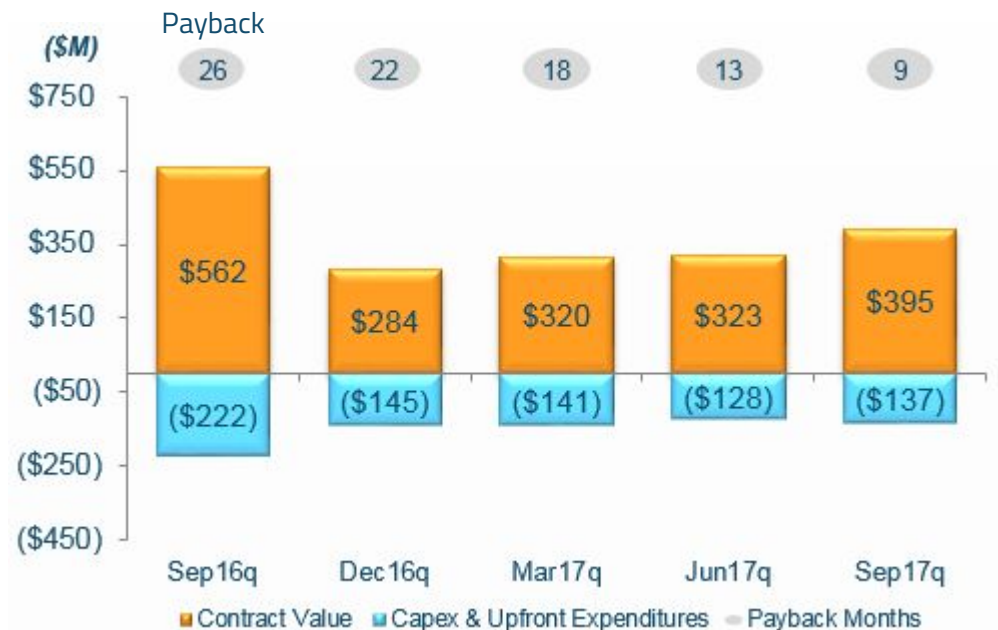
Bookings quality remains high

capex & upfront expenditures are low relative to recent quarters

total bookings contract value **~2.8x** the associated committed capex

average payback of **9** months

Contract Value vs. CapEx on Bookings



Churn remains elevated

Churn remains elevated at **1.2%**, anticipate trending lower in 2018

previously communicated customer bankruptcy completed in Sep17q, causing \$480K of churn (**1.1%** churn excluding bankruptcy)

higher churn continues to be driven by Canada and ELI



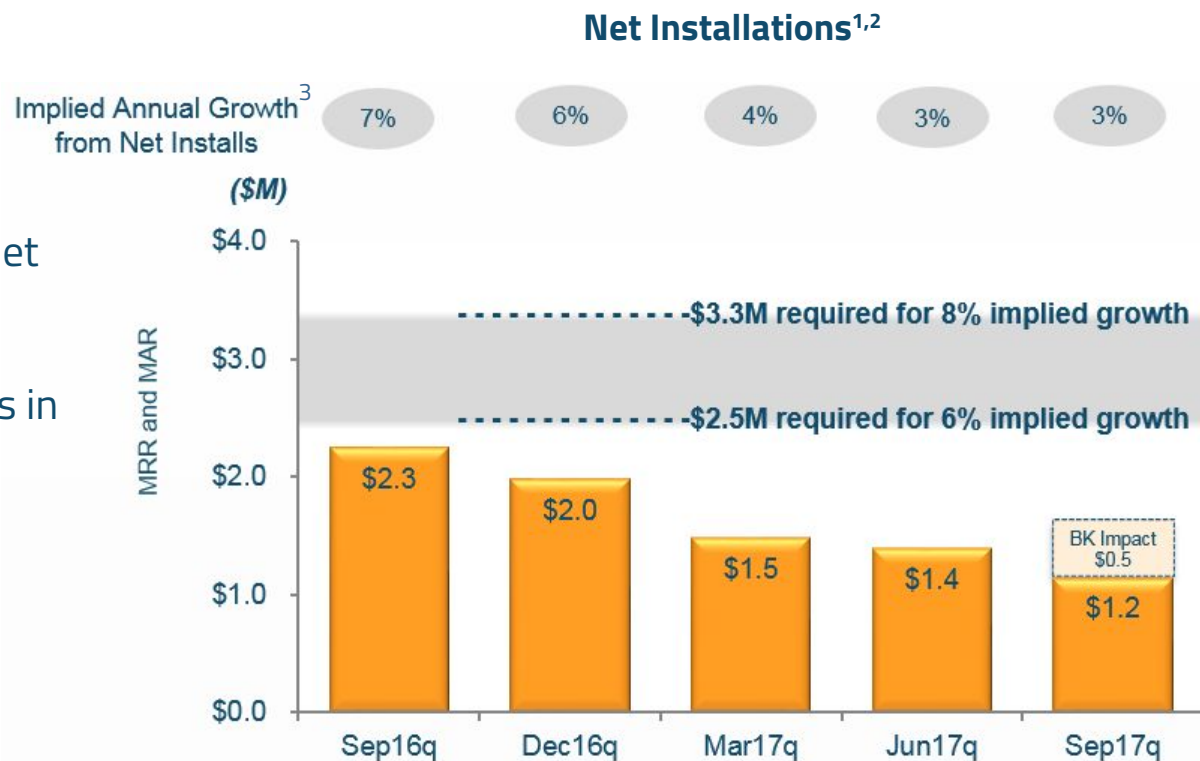
¹ Previously reported churn for the Sep16q through Dec16q quarters excluded Zayo Canada

² Mar17q includes only one month of ELI CI

Net Installs remain below 6-8% target growth

including **\$480K** bankruptcy event, net installs were **\$1.2M**

anticipate improvement in net installs in Dec17q



¹ Net installs used for Mar17q calculation excludes ELI

² BK Impact = previously communicated customer bankruptcy completed in Sep17q

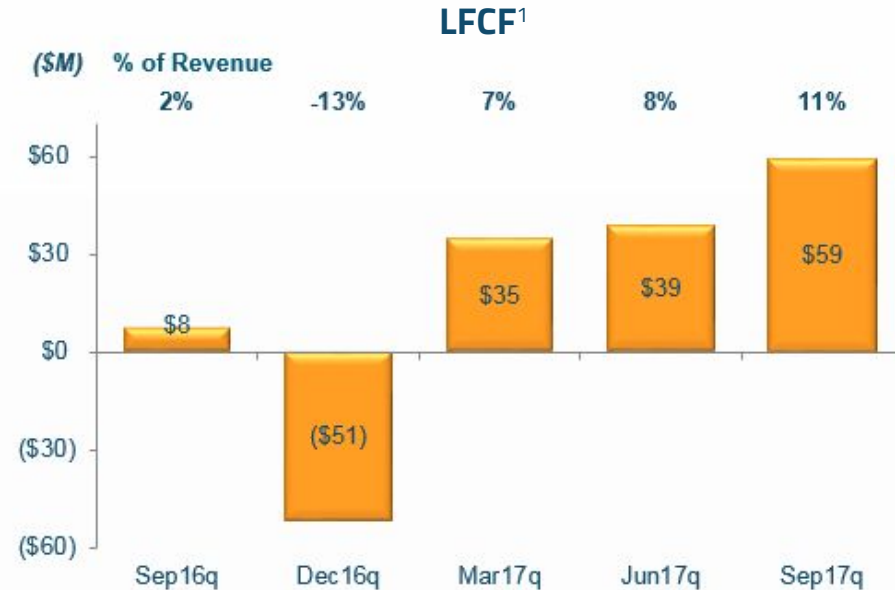
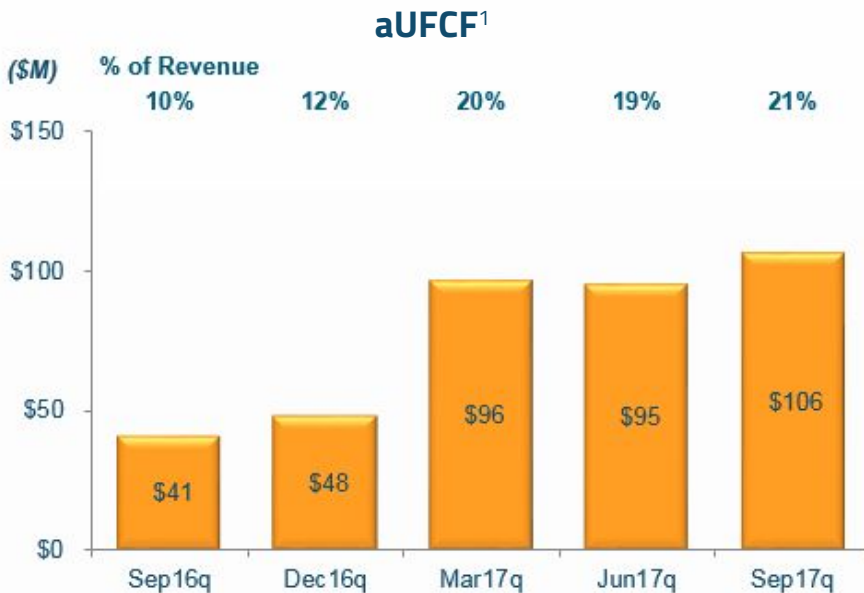
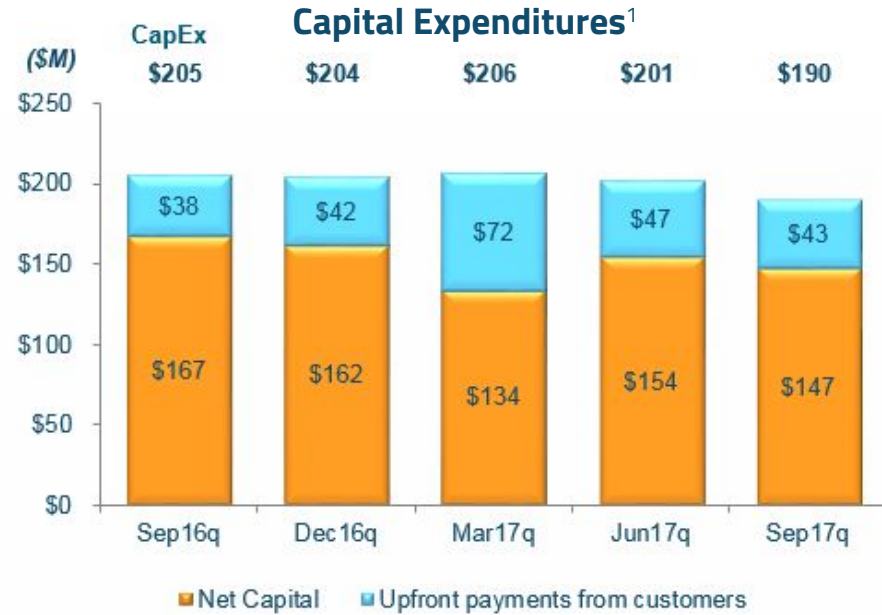
³ Implied by the current quarter pace of net installs, calculated as Net Installs annualized (\$1.156M*4 = \$4.624M), divided by the beginning quarter run-rate \$167.7M=3%)

Strong cash flow generation

lower CapEx and Net Capital

record high aUFCF; **21%** of Revenue

Levered Free Cash Flow at **11%** of Revenue



¹ Mar 17q (only one month for ELI), Jun 17q and Sep 17q include Communications Infrastructure components of Zayo Canada and ELI



Andrew Crouch Chief Operating Officer

Fiber and Colo Operating Metrics are strong

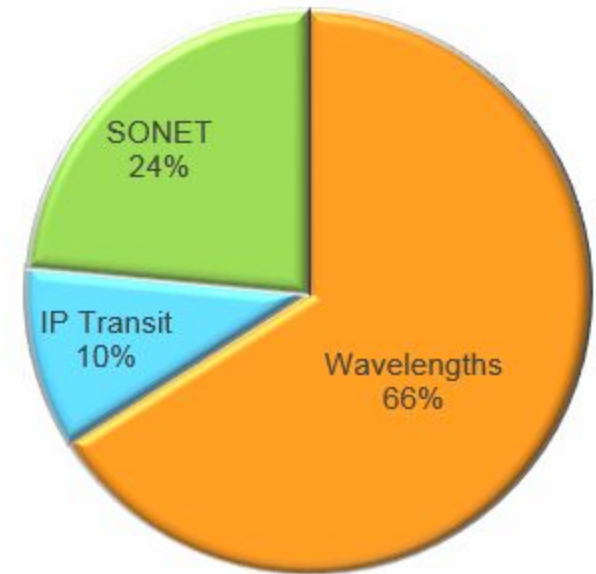
	Fiber Solutions	Colo
Implied Revenue Growth Rate	8%	6%
Churn Rate	0.6%	0.9%
EBITDA Margin	79%	50%
aUFCF %	31%	1% ¹
% of Zayo's EBITDA	49%	9%

¹ Excluding \$3.5M Real Estate purchase, aUFCF % would have been 7%

Transport targeting improvement in growth rate and aUFCF

Transport	
Implied Revenue Growth Rate	1%
Churn Rate	1.4%
EBITDA Margin	43%
aUFCF %	13%
% of Zayo's EBITDA	16%

End of Quarter MRR & MAR



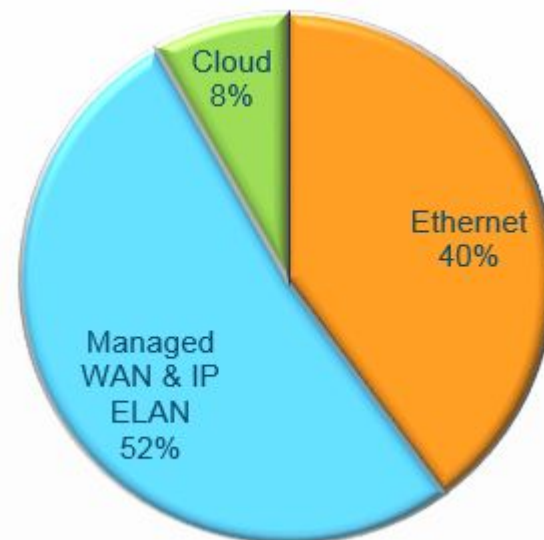
includes growing Wavelengths, flattish IP Transit, and declining SONET

targeting growth rate in LSD and aUFCF % of **-20%**

Enterprise Networks has pockets of strengths & weaknesses

Enterprise Networks	
Implied Revenue Growth Rate ¹	-4%
Churn Rate ²	2.0%
EBITDA Margin	36%
aUFCF %	20%
% of Zayo's EBITDA	16%

End of Quarter MRR & MAR



Ethernet performing well, driven by connectivity between data centers and into cloud environments

Managed WAN mixed, as legacy ELI and Allstream customers experiencing higher churn because of off-net & legacy MPLS

Cloud's largest customer was churned due to bankruptcy

¹ Implied Revenue Growth is 0.3% excluding customer bankruptcy completed in Sep17q

² Churn Rate is 1.6% excluding customer bankruptcy completed in Sep17q

Allstream generating cash while continuing decline

	Allstream
Implied Revenue Growth Rate	-13%
EBITDA Margin	24%
aUFCF %	19%
% of Zayo's EBITDA	10%

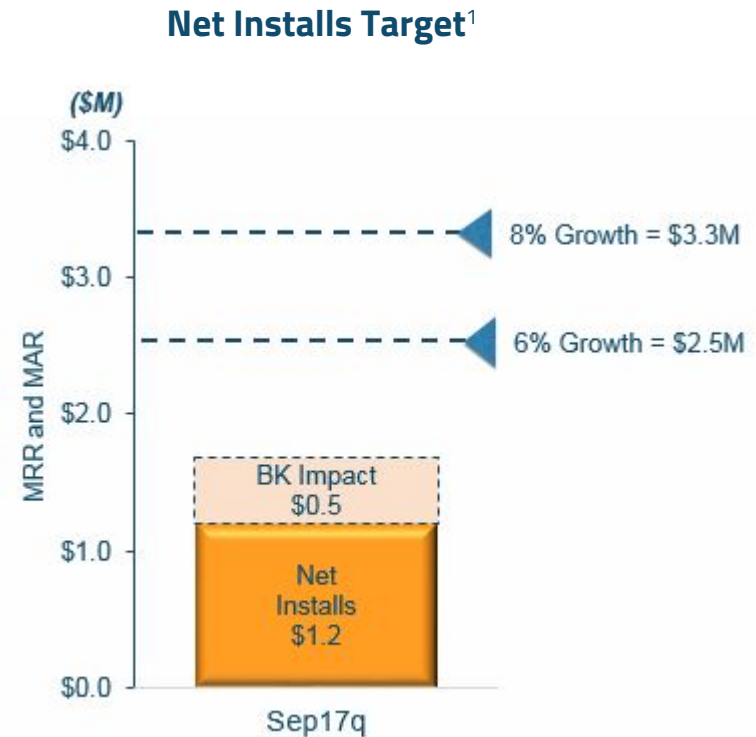
though non-core to Communications Infrastructure mission, Allstream is valuable due to cash flow generation

continuing to separate into stand-alone operation

Goal remains 6-8% growth in Communications Infrastructure Segment

Requires **>\$8.5M** Bookings, which would lead to **>\$8.5M** of Gross Installs

and requires churn at **\$5.5M** (1.1%)



¹ BK Impact = previously communicated customer bankruptcy completed in Sep17q

QBHC Ramp is progressing

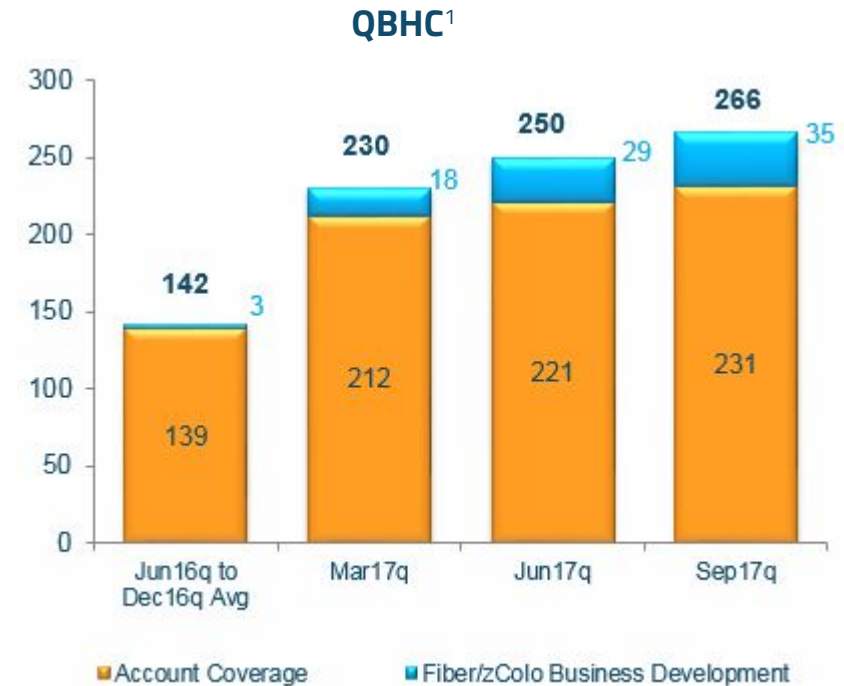
exceeded YE target of **260**, with **266** QBHC at end Sep17q

SVP/VP sales leadership strong

CRO expected to start in November

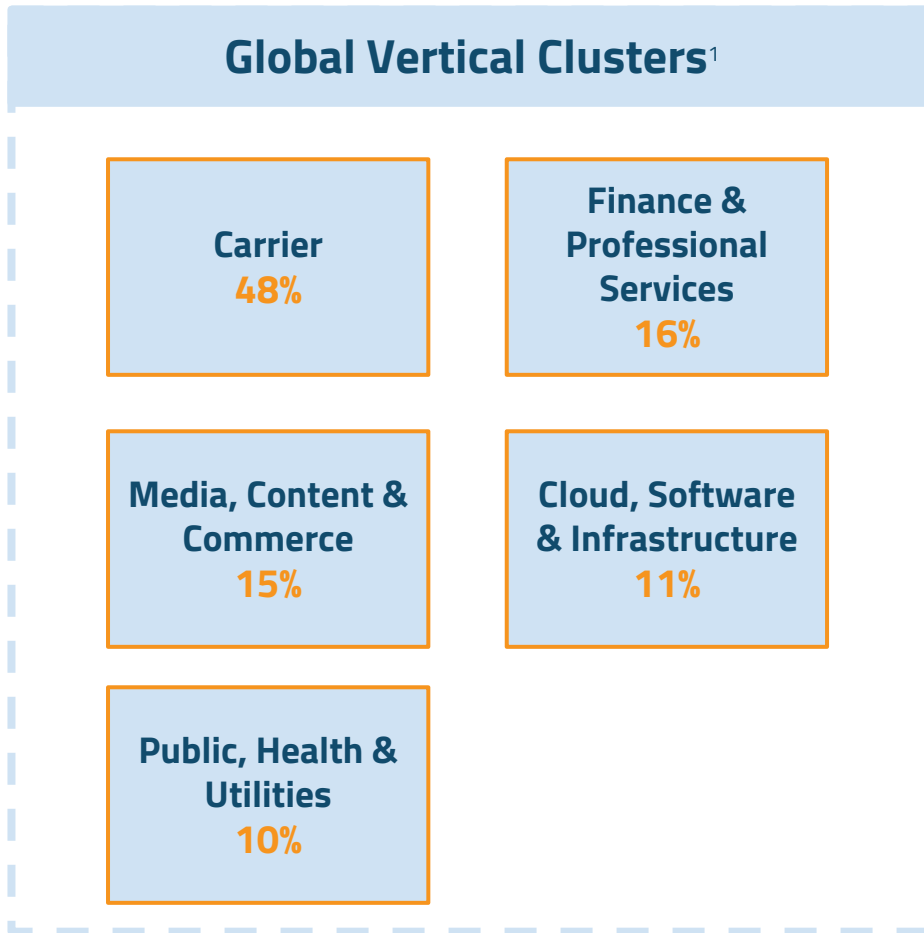
continued emphasis on Fiber/Colo Business Development

new hires replaced many legacy ELI QBHC



¹ "Jun16q to De16q Avg" as previously reported included Account Coverage; "Mar17q" as previously reported included Account Coverage and zColo & Fiber Solutions Business Development teams

Sales resources will be organized around five Vertical Clusters



sales executive will have global responsibility for each Vertical Cluster

sales resources will be mapped to each Vertical Cluster

centralized Strategic Marketing group will have resources aligned to each Vertical Cluster

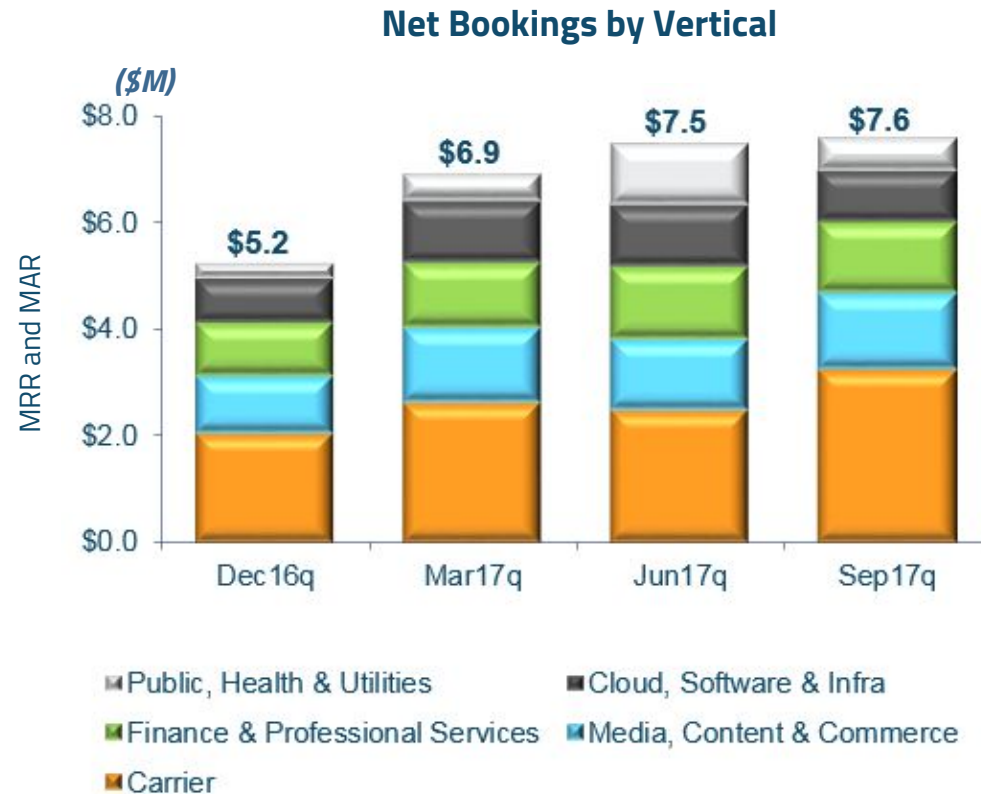
¹ Percentages correspond to ending MRR & MAR by vertical

Net Bookings by Vertical Cluster

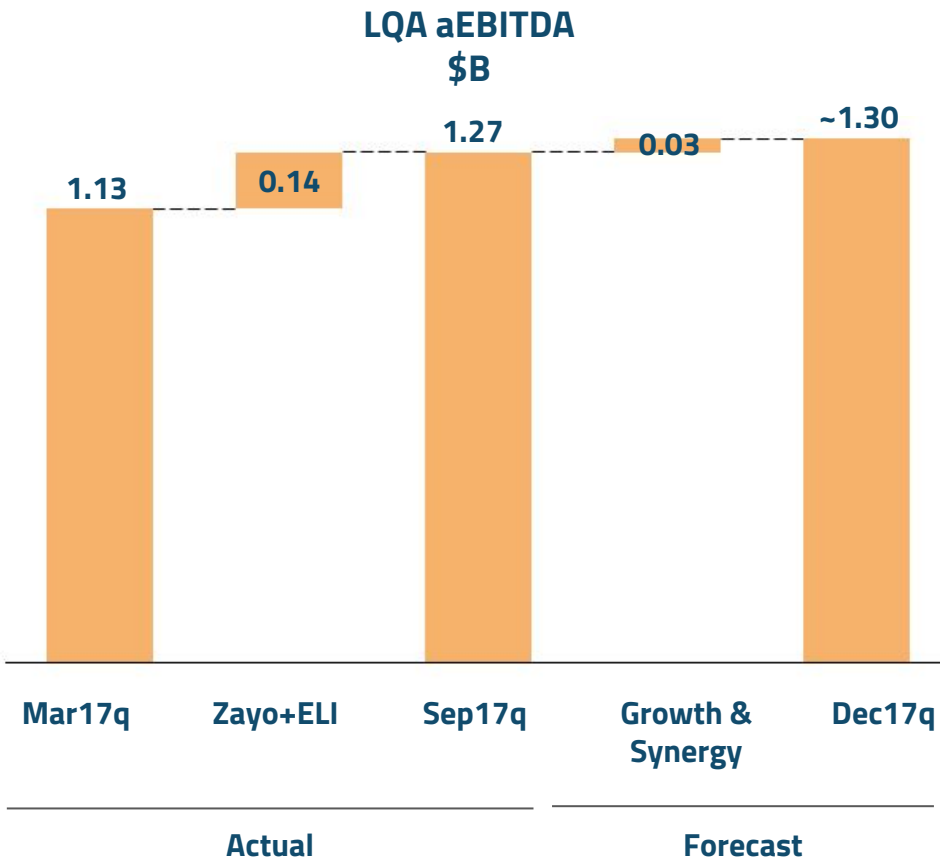
focus will remain on largest users of bandwidth

as innovation touches broad economy, each cluster has increasing appetite for large amounts of high performance bandwidth

dedicated teams organized around clusters viewed as critical to increasing Bookings to **\$8.5M** and beyond



Lowering Dec17q aEBITDA guidance



reduced from prior guidance of **~\$1.33B**

each segment intensifying focus on growth, cost management and synergy realization

prioritizing attaining **6-8%** growth over hitting EBITDA target

Updated guidance

11/6/17 Earnings Call for Dec17q Forecast
Dec17q Forecast as presented on 8/21/17
Sep17q Actual

	Fiber Solutions	Colo	Transport	Enterprise Networks	Allstream	Total
aEBITDA % of total	49% 47% 49%	No change 10% 9%	16% 17% 16%	16% 17% 16%	No change 9% 10%	~\$1.30B LQA ~\$1.33B LQA \$1.27B LQA
Organic Revenue Growth Rate ^{1,2}	No change ~10% 8%	No change HSD 6%	~0% LSD 1%	No change ~0% -4%	No change Negative -13%	No change MSD ex Allstream 3% ex Allstream
aEBITDA Margin	No change ~80% 79%	No change 52-55% 50%	No change ~45% 43%	No change 35-40% 36%	No change 20-25% 24%	No change ~50% 49%
Adj. Unlevered Free Cash Flow Margin	No change 25-30% 31%	No change ~15% 1% ³	No change ~20% 13%	No change ~20% 20%	No change 15-20% 19%	No change 20-25% 20%

Communications Infrastructure: ~90% of EBITDA

LFCF:

No change

"become consistently run-rate positive during calendar 2017"

\$75M

¹ Organic Revenue Growth Rate is the current quarter pace of Net Installs, calculated as Net Installs annualized, divided by the beginning of quarter MRR+MAR run-rate

² HSD= High Single Digits, MSD=Mid Single Digits, LSD= Low Single Digits

³ Excluding \$3.5M Real Estate purchase, aUFCF % would have been 7%



Matt Steinfort Chief Financial Officer

REIT assessment continues

continue evaluation of potential conversion to REIT

gained further understanding through conversations with REIT advisors and similarly situated companies

assessing potential REIT paths and associated implications on business

have not identified any major issue that would preclude Zayo from wanting to pursue

further work required before any conclusions can be made on feasibility, structure or timing of a potential conversion






Q1 Financial Results

<i>(\$M, Except per Share Amounts)</i>	Sep16q	Dec16q	Mar17q	Jun17q	Sep17q ²
Zayo Group Holdings Revenue	\$504.9	\$506.7	\$550.2	\$638.0	\$643.5
Annualized revenue growth	-2%	1%	34%	64%	3%
Pro-forma annualized revenue growth ¹	-2%	0%	-1%	-1%	3%
Operating income/(loss)	87.0	90.7	90.7	105.4	95.4
Net Earnings/(loss)	15.7	19.8	27.0	23.2	23.2
EPS (basic and diluted)	0.06	0.08	0.11	0.09	0.09
Zayo Group Holdings Adjusted EBITDA	\$260.6	\$263.4	\$282.0	\$310.8	\$316.6
Annualized Adjusted EBITDA growth	4%	4%	28%	41%	7%
Pro-forma annualized Adjusted EBITDA growth ¹	5%	3%	3%	-1%	7%
Adjusted EBITDA margin	52%	52%	51%	49%	49%

¹ pro forma annualized growth for revenue and Adjusted EBITDA are calculated as if the acquisitions occurred on the first day of the quarter preceding the respective quarter in which the acquisitions closed

² Sep17q EPS is based on 246.5 and 248.0 million weighted average shares outstanding for basic and diluted, respectively, for the quarter

Segments

Segments	Fiber Solutions 	Colo 	Transport 	Enterprise Networks 	Other	Communications Infrastructure Total	Allstream 	ZGH Total
Revenue	\$195.5	\$58.4	\$119.1	\$137.7	\$5.1	\$515.8	\$127.7	\$643.5
Revenue % of Total	30%	9%	19%	21%	1%	80%	20%	100%
Adjusted EBITDA	\$154.2	\$29.4	\$51.6	\$49.5	\$1.1	\$285.8	\$30.8	\$316.6
EBITDA Margin	79%	50%	43%	36%	22%	55%	24%	49%
EBITDA % of Total	49%	9%	16%	16%	0%	90%	10%	100%
Capital Expenditures	\$107.3	\$27.9	\$33.7	\$21.0	\$0.0	\$189.9	\$3.5	\$193.4
Capex % of Total	56%	14%	17%	11%	0%	98%	2%	100%
Adjusted UFCF	\$61.1	\$0.7	\$15.6	\$27.5	\$1.3	\$106.2	\$24.7	\$130.9
Adjusted UFCF Margin	31%	1%	13%	20%	25%	21%	19%	20%
Adjusted UFCF % of Total	47%	1%	12%	21%	1%	81%	19%	100%
Net Installs	\$1.3	\$0.3	\$0.1	-\$0.5	\$0.0	\$1.2		
Net Installs % of Total	110%	23%	5%	-39%	0%	100%		
Implied Growth Rate	8%	6%	1%	-4%	3%	3%		
Net Sales (Bookings)	\$2.6	\$0.8	\$2.1	\$2.1	\$0.0	\$7.6		

Balance Sheet

(\$M)	Jun17q	Sep17q
Consolidated Balance Sheet Data		
Cash and cash equivalents	221	291
Property and equipment, net	5,016	5,054
Total assets	8,739	8,862
Long-term debt and capital lease obligations, including current portion	5,639	5,643
Total Stockholders' equity	1,411	1,480

ample liquidity including **\$442M** of revolver capacity
>\$1.7B of net operating loss carryforwards

gross leverage of **4.5x**

July refinancing activity reduced floating rate exposure on **\$311M** of debt



¹ principal value; excludes capital lease obligations

Stock-Based Comp

performance oriented stock-based compensation

Stock Based Compensation

Share Dilution¹ (000s)

470

996

1,637

720

890

Dilution %

0.2%

0.4%

0.7%

0.3%

0.4%

consistent stock based compensation expense with modest dilution



¹ dilution represents the actual dilution for shares vested and delivered during the quarter

Q&A

For detailed Supplement Earnings Information presentation, please visit:

investors.zayo.com