



# 1<sup>st</sup> Quarter 2015 Earnings Results

May 2015



# Participants

**Anand Vadapalli: President and Chief Executive Officer**

**Wayne Graham: Chief Financial Officer**

**Leonard Steinberg: General Counsel**

**Laurie Butcher: Vice President of Finance**

# 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."

## **Q1 2015 Highlights and Operational Overview**

**Anand Vadapalli: President and Chief Executive Officer**

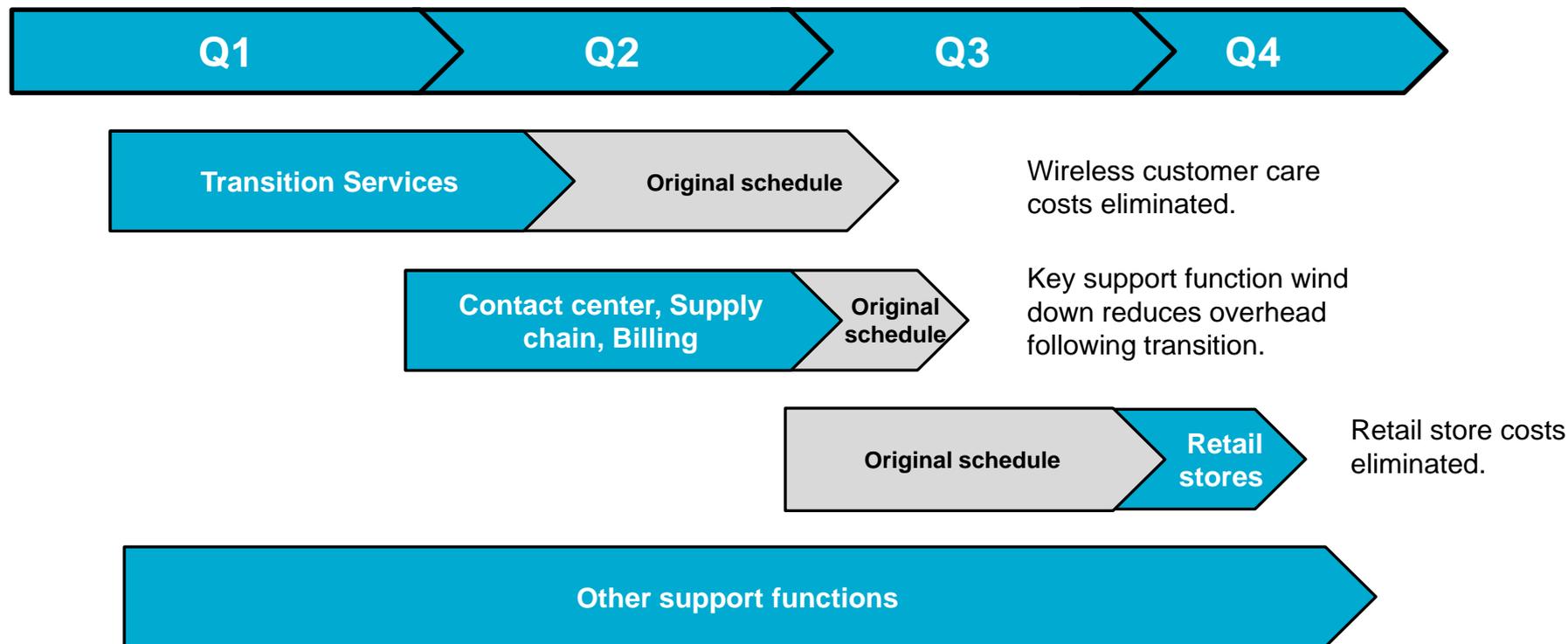
# Solid Beginning to 2015

- Strong performance in core business, recording industry leading growth yet again
  - Top line growth will drive future cash flow performance
  
- Wireless transition services ahead of schedule
  - Key to achieving synergy targets and run rate Adjusted EBITDA targets
  
- Pursuing targeted investments to accelerate growth
  - Purchased fiber optic network on the North Slope along with multi year services agreement
  - Accretive to Adjusted EBITDA starting 2016
  - Exceeds our return thresholds
  
- On track to refinance senior credit facility
  - Lower cost of capital

# Our Core Business is Strong

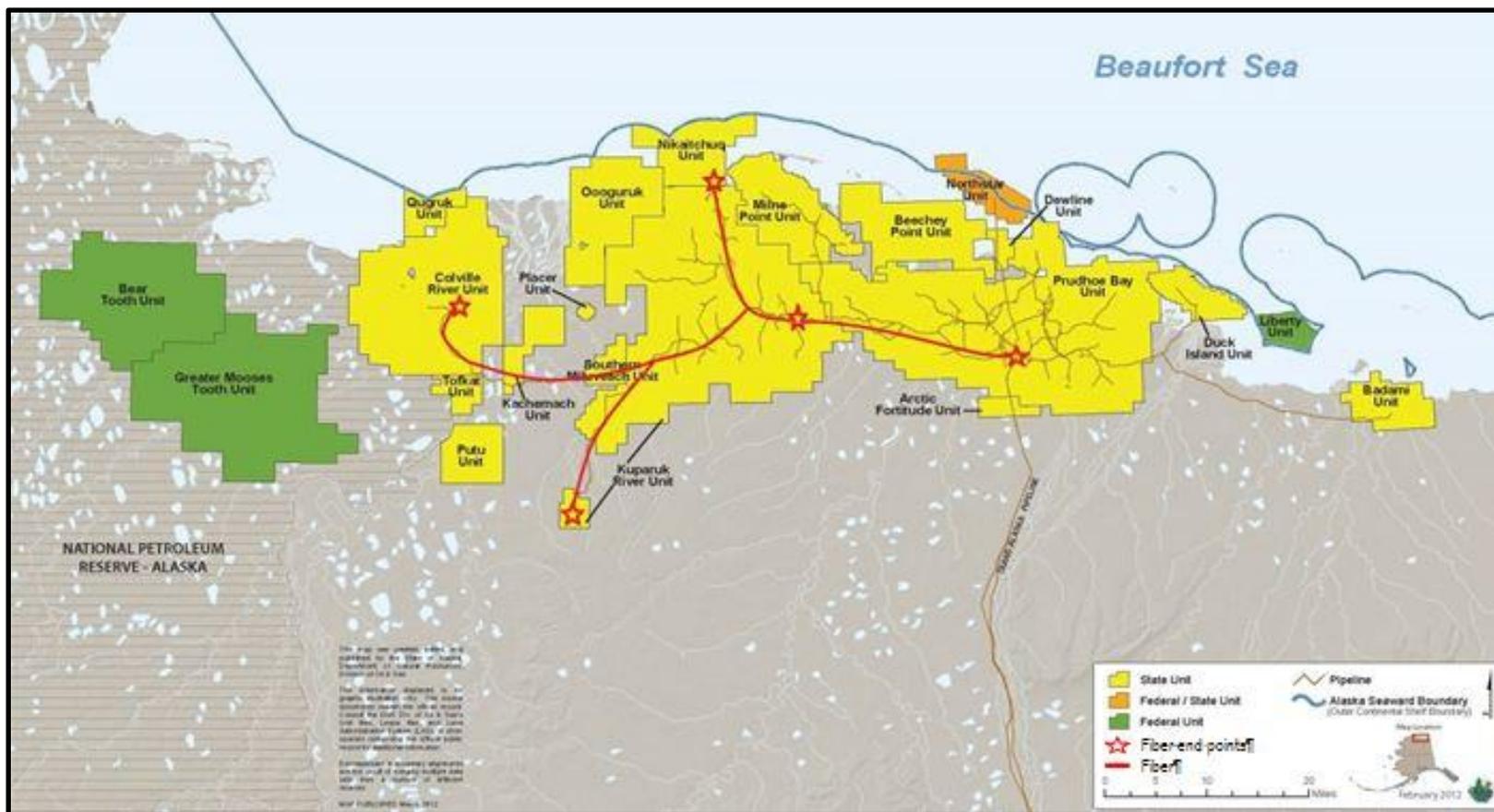
- Market dynamics continue to support strong top line growth
  - Industry leading broadband revenue growth of 10.1%
  - Business and wholesale service revenues grew 7.7%
  - Total Service and Other revenues increased 2.0%
  
- Strong delivery performance in Q1
  - Exceptional team turning up key anchor tenants on or ahead of schedule
  - Sets the stage for meeting our growth targets through the year
  
- Focus on LEAN to drive customer service improvements and operational improvements
  - Sustainable performance for the long term

# Update on Synergy Targets From Wireless Sale



- Concluded transition services ahead of schedule on April 17, 2015
- Wind down activities associated with employee reductions tracking at or ahead of expectations
- Expected run rate Adjusted EBITDA exiting 2015 continues to be \$54 million to \$56 million

# Acquisition of Fiber Network To Accelerate Growth



- Network serves key development areas in the North Slope. We now operate the only carrier class fiber network in this key market.

# North Slope Investment: Overview

- Purchased on April 2, 2015
- Entered a partnership with Quintillion to operate the network and provide carrier services
- Signed multi-year services agreement with ConocoPhillips, an anchor tenant on the network
- Established competitive advantage and expanded opportunity for IT managed services on the North Slope
- Expected to be significant contributor to revenue and Adjusted EBITDA starting in 2016
- Investment is consistent with our IRR targets (20% IRR)

KEY METRICS	
Investment	\$5 million to \$6 million over 2 years from cash on hand
Revenues	Stand up network in 2015, \$2 million to \$3 million revenue in 2016
Adjusted EBITDA	Break even in 2015, accretive in 2016

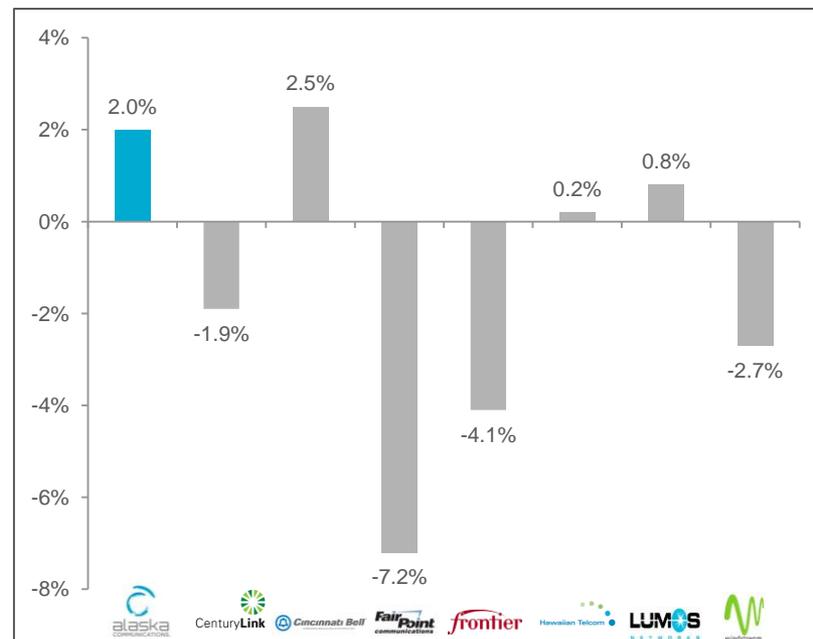
# **Review of First Quarter 2015 Results & Balance Sheet Update**

**Wayne Graham, Chief Financial Officer**

# Q1 2015 Revenue Performance: Industry Leading

## SERVICE AND OTHER REVENUE GROWTH Q1 2015

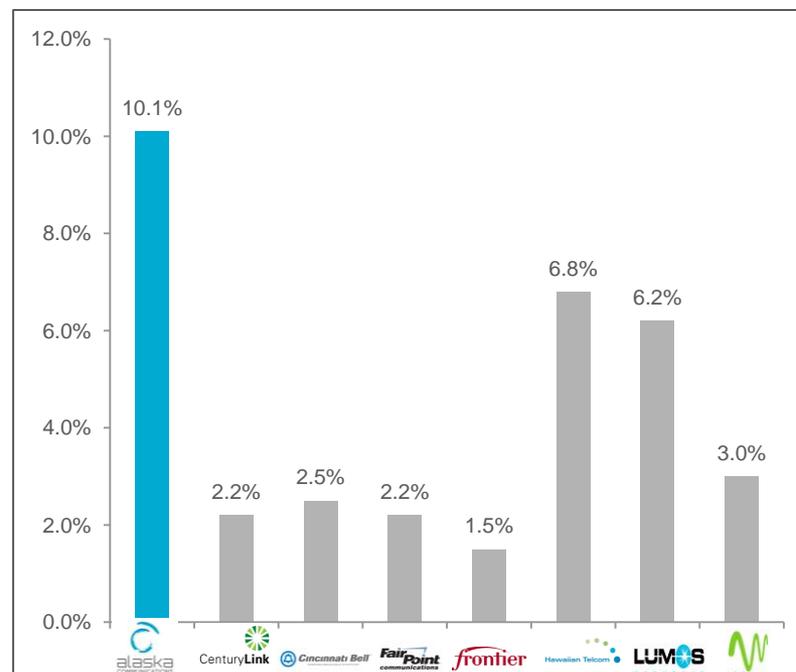
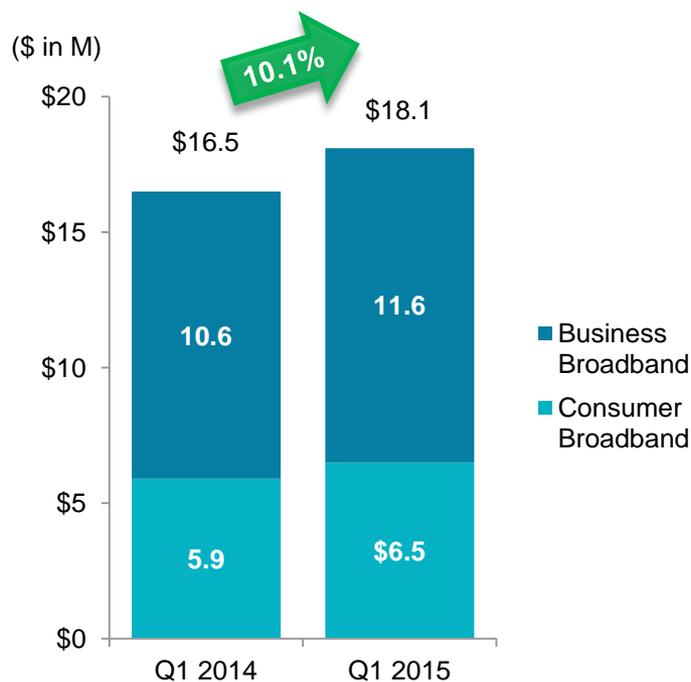
(\$ in M)	Q1 2015	Q1 2014	% Increase/Decrease
Business and Wholesale	\$28.4	\$26.4	7.7%
Consumer	\$10.2	\$10.2	0.6%
Other	\$15.1	\$16.1*	(6.3%)
<b>Total Service and Other Revenue</b>	<b>\$53.7</b>	<b>\$52.7</b>	<b>2.0%</b>



\* Other revenue was impacted by a revenue reserve release of \$1.4 million in Q1 2014. Excluding this event, Other revenue grew 2.7% and Total service and other revenue grew 4.6%.

# Broadband Performance Continues to be Strong

## BROADBAND REVENUE GROWTH Q1 2015



- Total Broadband Revenue grew 10.1% for Q1 2015

Sources: Respective company public filings

## Balance Sheet Update: Position of Strength

(\$ in M)	3/31/15	12/31/14
Senior Debt (2016)	\$81.3	\$322.7
Convertible Notes (2018)	114.0	114.0
Capital Leases	<u>5.3</u>	<u>5.5</u>
Gross Debt	\$200.6	\$442.2
Cash	<u>(57.8)</u>	<u>(31.7)</u>
Net Debt	\$142.8	\$410.5
Discounts	<u>(7.9)</u>	<u>(8.3)</u>
Net Debt After Discounts	<u>\$134.9</u>	<u>\$402.2</u>

- Cash balances are ahead of expectations, and are high in anticipation of incurrence of wind-down expenses during the rest of the year.
- Continued focus on refinancing our senior debt. Working with a lead bank on a \$100 million to \$120 million replacement facility. \$80 million of proceeds will be to replace our current senior debt with \$20 million to \$40 million targeted toward convert repurchases at or near par value.

# Reaffirming 2015 Guidance

(\$ in M)	2015
Total Service and Other Revenue <sup>1</sup>	~\$220
Run Rate Adjusted EBITDA Exiting 2015 <sup>2</sup>	\$54-\$56
Net Capital Spending <sup>3</sup>	\$34-\$36
Net Debt at Year End	~\$159

1. Business and wholesale is expected to grow 8% to 9%
  - Consumer is expected to be flat
  - High cost support is targeted at \$19.5 million
  - Access will be down moderately, reflecting non-recurring revenue in Q1 and Q2 2014
2. Run rate Adjusted EBITDA exiting 2015 increased to \$54 million to \$56 million
3. Targeting \$16 million of success based capital spending

## Future Value Creation for Shareholders

- Continued-strong performance in our core business with industry leading growth.
- Closed wireless sale, cash reserves are high, and tracking to achieve wireless synergies and run-rate Adjusted EBITDA targets this year.
- Positioned to make strategic investments at Internal Rate of Return thresholds, to create additional value.
- Focused on refinancing senior debt for flexibility and lower cost of capital.
- Reaffirming guidance for 2015.
- Positioned well as a strong and focused broadband and IT managed services provider and continuing proven track record of creating shareholder value.