



May 25, 2017

# TDS Annual Meeting of Shareholders



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LeRoy T. Carlson Jr., President and CEO

## Safe Harbor Statement

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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 of 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 services and products 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.

## Our mission

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*To provide outstanding communications services to our customers and meet the needs of our shareholders, our people, and our communities*

## Diversified communications company

- TDS (NYSE:TDS) provides communications services and products primarily in rural and suburban markets, through its two principal business units:



U.S. Cellular (NYSE:USM)

(83% owned)



TDS Telecom

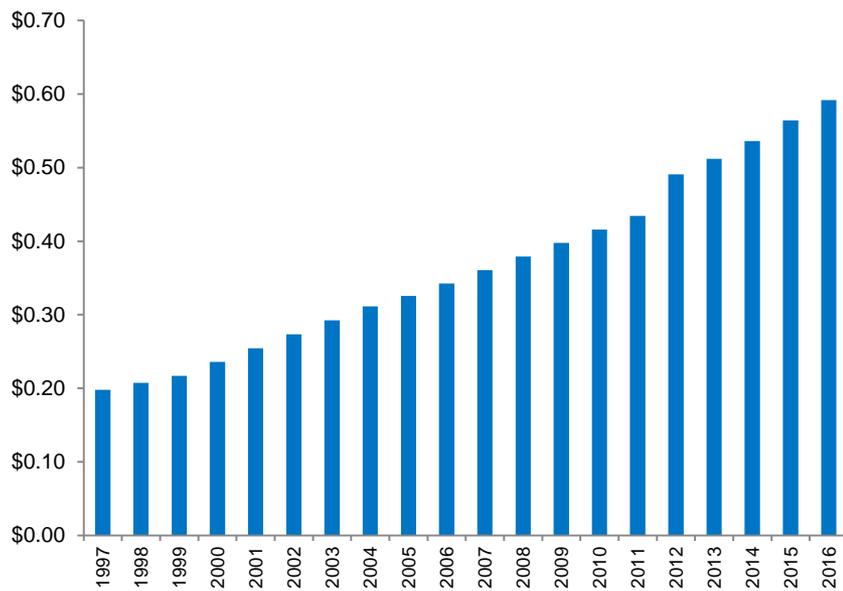
(wholly owned)

- 6 million connections nationwide
- Controlled company with focus on long-term value creation

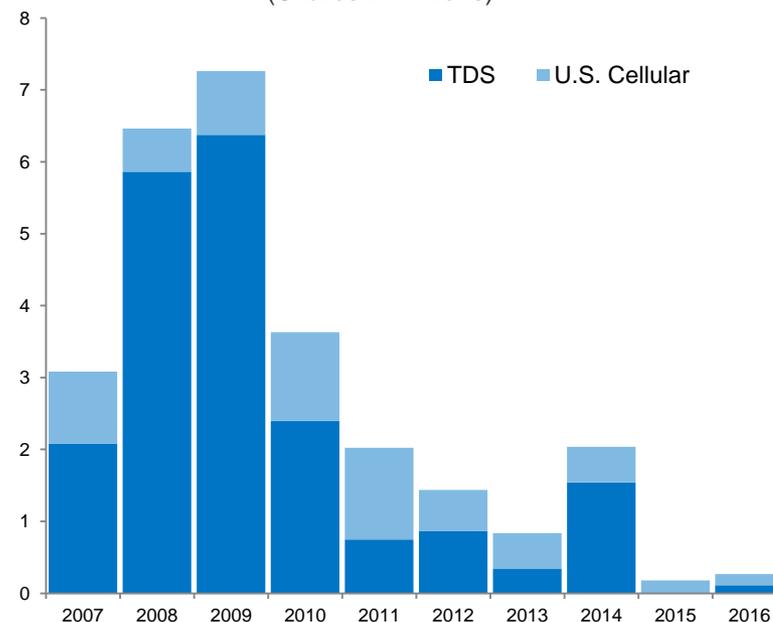
# Transparent and balanced capital allocation strategy

- Invest in the business (M&A) - 75% of available resources
- Return value to shareholders - 25% of available resources
  - 43 consecutive years of dividend increases
- \$250 million TDS stock repurchase program (\$198.7 million remaining)

Annual Dividends Per TDS Share



Shares Repurchased (Shares in millions)







Full year postpaid handset churn down from 2015



Awarded “Highest Network Quality Performance in the North Central Region” by J.D. Power



Secured 4G LTE roaming agreements



Managing capital expenditures to the lowest percentage of revenue level in 15 years, while maintaining network quality

## Strategic priorities for 2017



U.S. Cellular strives to provide a best-in-class network experience as the foundation of every customer interaction

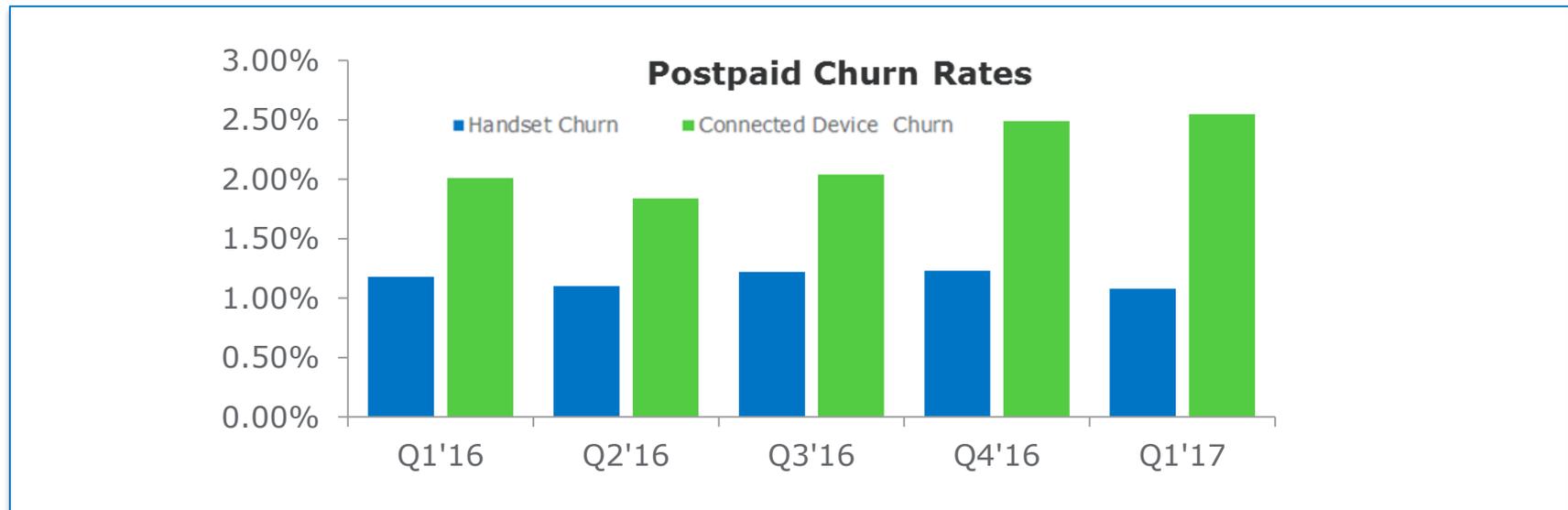


Network experience is complemented with a targeted local focus and with service offerings that exceed customers' expectations

U.S. Cellular's 2017 business imperatives position it to continue to succeed:

1. Protecting customer base
2. Aggressive yet economical promotions and pricing
3. Drive other sources of revenue
4. Drive cost reductions
5. Manage capital investments

(\$ in millions)	Q1' 17	Q1' 16	% Change
Total operating revenues <sup>(1)</sup>	\$936	\$969	-3%
Operating cash flow <sup>(2)</sup>	194	168	15%
Adjusted EBITDA <sup>(2)</sup>	\$229	\$206	11%



(1) Equipment installment plan interest income is reflected as a component of Service revenues consistent with an accounting policy change effective January 1, 2017. All prior period numbers have been recast to conform to this accounting change.

(2) Operating cash flow and Adjusted EBITDA are non-GAAP financial measures that are defined in the non-GAAP reconciliation at the end of the presentation.



TDS Telecom



## 2016 accomplishments create platform for future



### **Wireline**

- Fiber deployment essentially complete in many of our most attractive markets
- Copper bonding complete in most mid-tier markets
- Efforts to secure A-CAM funding successful



### **Cable**

- Broadband strategy taking hold, showing early growth results
- Analog reclamation complete, spectrum reclaimed
  - Increased available speeds to 300 Mbps to more than half of service addresses
  - Improved digital services for video customer base, driving improved customer experience



### **Hosted and Managed Services**

- Enhanced suite of IT solutions
- Automated and standardized processes to achieve efficiencies

# Strategic priorities for 2017



## Wireline

- Increase penetration in existing fiber markets and continue to modestly deploy fiber where economically feasible
- Leverage copper bonding to increase penetration of higher speed broadband customers
- Year 1 A-CAM – drive fiber deeper into network

Cable Connections



## Cable

- Increase broadband penetration
- Continue to evaluate potential acquisitions

## Hosted and Managed Services

- Focus on growth of recurring service revenues
- Lead with managed services and hybrid cloud offering
- Continue process automation and standardization



# TDS Telecom operating performance



(\$ in millions)	Q1'17	Q1'16	% Change
Wireline	\$179	\$173	3%
Cable	49	45	10%
HMS	71	64	11%
Total operating revenues <sup>(1)</sup>	299	281	6%
Cash expenses <sup>(1)(2)</sup>	213	205	4%
Adjusted EBITDA <sup>(3)</sup>	\$ 86	\$ 76	13%
Capital expenditures	\$ 33	\$ 42	(22%)

(1) Includes intercompany eliminations

(2) Cash expenses represent cost of services, cost of equipment and products, and selling, general and administrative expenses.

(3) Adjusted EBITDA is a non-GAAP financial measure that is defined in the non-GAAP reconciliation at the end of the presentation.

## Summary

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TDS companies are focused on profitable customer and revenue growth, driven by excellent networks, innovative services and products, and operational efficiency

We are putting strong strategies in place at each business to compete effectively over the long term



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# Appendix

# Operating Cash Flow and Adjusted EBITDA Reconciliation

Three months ended March 31, 2017

Three months ended March 31, 2016

(\$ in millions)	Three months ended March 31, 2017						Three months ended March 31, 2016					
	U.S. Cellular	Wireline	Cable	HMS	Total TDS Telecom	TDS (1)	U.S. Cellular	Wireline	Cable	HMS	Total TDS Telecom	TDS (1)
<b>Net income (loss) (GAAP)</b>	\$28	N/A	N/A	N/A	\$18	\$43	\$9	N/A	N/A	N/A	\$10	\$10
Add back:												
Income tax expense (benefit)	33	N/A	N/A	N/A	11	34	11	N/A	N/A	N/A	7	13
<b>Income (loss) before income taxes (GAAP)</b>	<b>61</b>	<b>30</b>	<b>2</b>	<b>(3)</b>	<b>29</b>	<b>77</b>	<b>20</b>	<b>22</b>	<b>---</b>	<b>(5)</b>	<b>17</b>	<b>23</b>
Add back:												
Interest expense	28	---	---	1	1	42	28	(1)	---	1	---	41
Depreciation, amortization and accretion expense	153	39	10	7	56	211	153	42	9	7	58	212
EBITDA (non-GAAP)	242	69	12	5	86	330	201	63	9	3	75	276
Add back:												
(Gain) loss on assets disposals, net	4	---	---	---	1	4	5	---	1	---	1	6
(Gain) loss on license sales and exchanges, net	(17)	---	---	---	---	(17)	---	---	---	---	---	---
Adjusted EBITDA (2) (non-GAAP)	229	69	13	5	86	317	206	63	10	3	76	282
Deduct:												
Equity in earnings of unconsolidated entities	33	---	---	---	---	32	35	---	---	---	---	35
Interest and dividend income (6)	3	1	---	---	1	4	2	1	---	---	1	3
Other, net	(1)	---	---	---	---	1	1	---	(1)	---	(1)	---
Operating cash flow (2) (3) (non-GAAP)	\$194	\$68	\$13	\$4	\$85	\$280	\$168	\$62	\$11	\$3	\$76	\$244

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(1)The TDS column includes U.S. Cellular, TDS Telecom and also the impacts of consolidating eliminations, corporate operations and non-reportable segments, all of which are not presented above.

(2)Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization and accretion) is defined as net income adjusted for the items set forth in the reconciliation above. Operating cash flow is defined as net income adjusted for the items set forth in the reconciliation above. Adjusted EBITDA and Operating cash flow 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 does not intend to imply that any such items set forth in the reconciliation above are non-recurring, infrequent or unusual; such items may occur in the future. Management uses Adjusted EBITDA and Operating cash flow as measurements of profitability, and therefore reconciliations to applicable GAAP income measures are deemed most appropriate. Management believes Adjusted EBITDA and Operating cash flow are useful measures of TDS' 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' 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 Operating cash flow 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 table above reconciles Adjusted EBITDA and Operating cash flow to the corresponding GAAP measure, Net income or Income (loss) before income taxes.

(3)A reconciliation of Operating cash flow (Non-GAAP) and Operating income (excluding gains and losses) (Non-GAAP) to operating income (GAAP) for March 31, 2017 actual results can be found on the company's website at [investors.tdsinc.com](http://investors.tdsinc.com).

(4)In 2016, U.S. Cellular completed multiple agreements to exchange licenses. Agreements are subject to regulatory approval and other customary closing conditions. A portion of one of the agreements subsequently closed in the first quarter of 2017 and resulted in a gain.

(5)U.S. Cellular presents Postpaid ABPU and Postpaid ABPA to reflect the revenue shift from Service revenues to Equipment and product sales resulting from the increased adoption of equipment installment plans. Postpaid ABPU and Postpaid ABPA, as previously defined, are non-GAAP financial measures which U.S. Cellular believes are useful to investors and other users of its financial information in showing trends in both service and equipment revenues received from customers.

(6)Equipment installment plan interest income is reflected as a component of Service revenues consistent with an accounting policy change effective January 1, 2017. All prior period numbers have been recast to conform to this accounting change.