



# First Quarter 2021 Results

May 7, 2021

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

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All information set forth in this presentation about Telephone and Data Systems, Inc., including its subsidiaries UScellular and TDS Telecom, 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 obtain or maintain roaming arrangements with other carriers on acceptable terms; the ability to obtain access to adequate radio spectrum to meet current or anticipated future needs, including participation in FCC auctions; the ability to attract people of outstanding talent throughout all levels of the organization; TDS' smaller scale relative to larger competitors; changes in demand, consumer preferences and perceptions, price competition, or churn rates; advances in technology; impacts of costs, integration problems or other factors associated with acquisitions, divestitures or exchanges of properties or wireless spectrum licenses and/or expansion of TDS' businesses; the ability of the company to successfully construct and manage its networks; difficulties involving third parties; uncertainties in TDS' future cash flows and liquidity and access to the capital markets; the ability to make payments on TDS and UScellular indebtedness or comply with the terms of debt covenants; conditions in the U.S. telecommunications industry; the value of assets and investments; the state and federal regulatory environment; pending and future litigation; cyber-attacks or other breaches of network or information technology security; disruption in credit or other financial markets; deterioration of U.S. or global economic conditions; the impact, duration and severity of public health emergencies, such as the COVID-19 pandemic. Investors are encouraged to consider these and other risks and uncertainties that are more fully described under "Risk Factors" in the most recent filing of TDS' Form 10-K, as updated by any TDS Form 10-Q filed subsequent to such Form 10-K.

# Upcoming investor relations calendar

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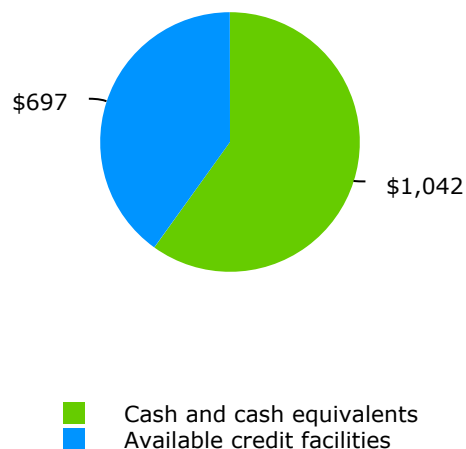
- 5/11/21 - J.P. Morgan Virtual Non-Deal Roadshow  
from management: Ted Carlson, Vicki Villacrez and Jane McCahon
- 6/16/21 - NYSE Virtual Investor Access Day  
from management: Doug Chambers, Vicki Villacrez and Jane McCahon

# Financing Strategies

- Continue to maintain ample liquidity and flexibility
- Employ a conservative financing strategy with long-dated repayment obligations
- Evaluating a wide range of potential funding options to lower cost of the balance sheet

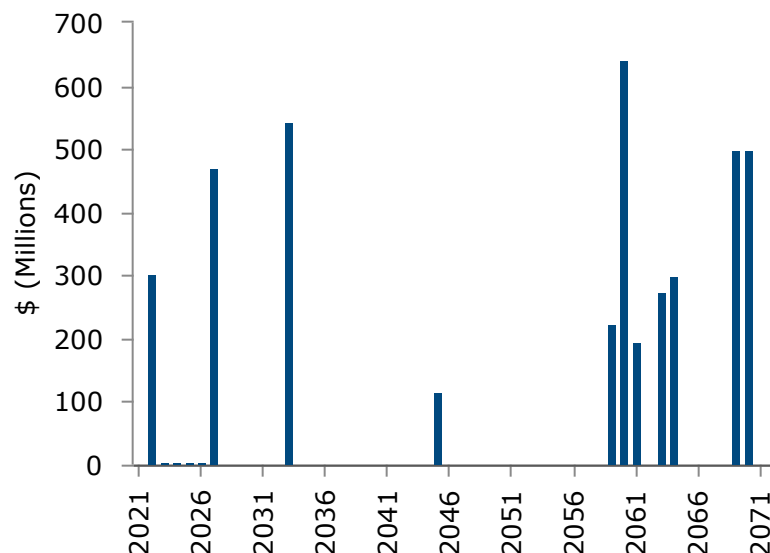
## **\$1.7 Billion of Available Sources\***

March 31, 2021



## **Long-term debt obligations\*<sup>(1)</sup>**

March 31, 2021



\*In April 2021, TDS announced that it will redeem \$225 million of 6.875% Senior Notes and \$300 million of 7.0% Senior Notes, and UScellular announced that it will redeem \$275 million of 7.25% Senior Notes. The notes are expected to be redeemed on May 12, 2021.

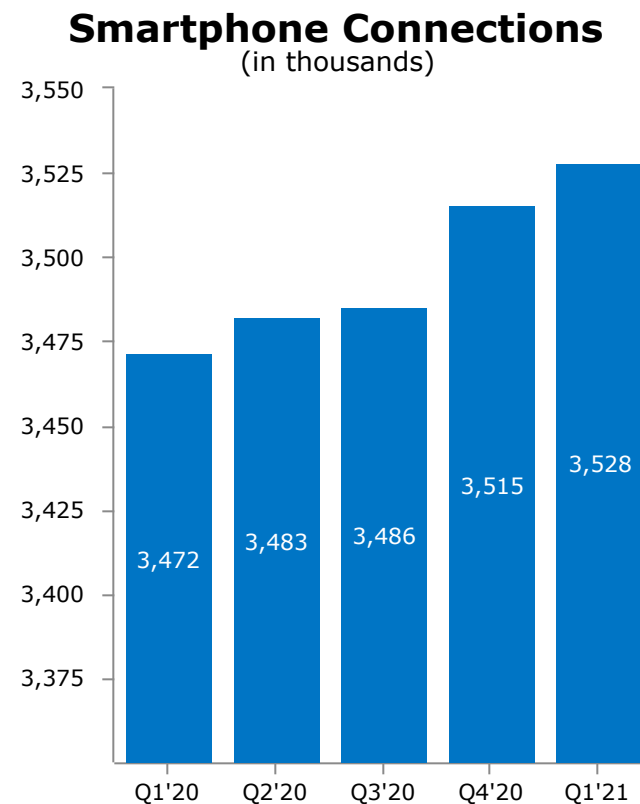
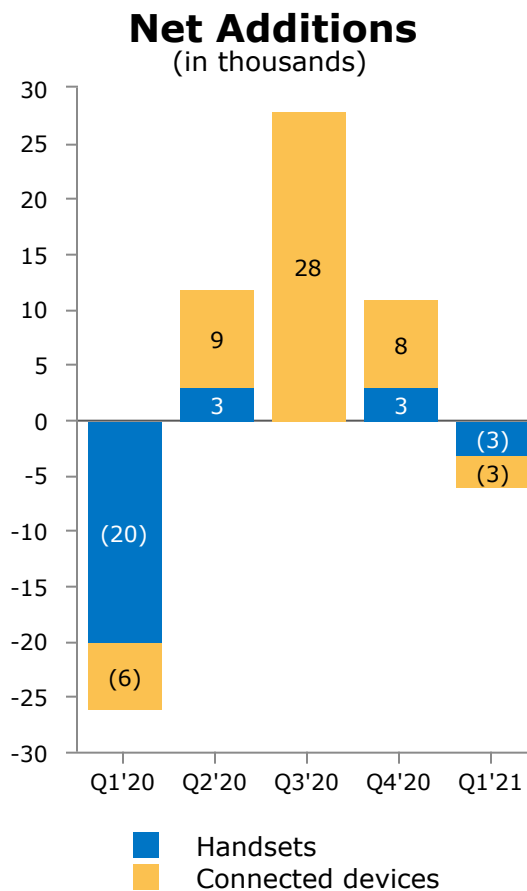
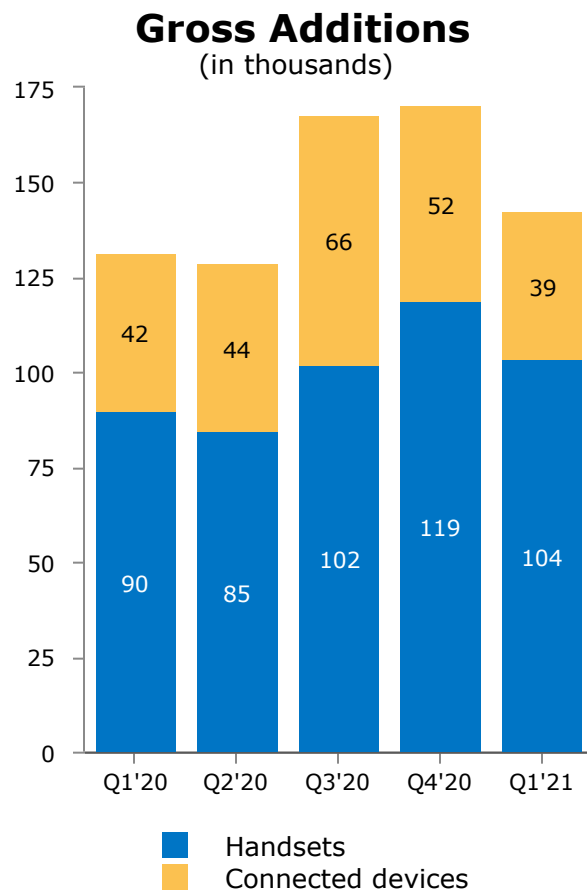
(1) See final slide for explanation



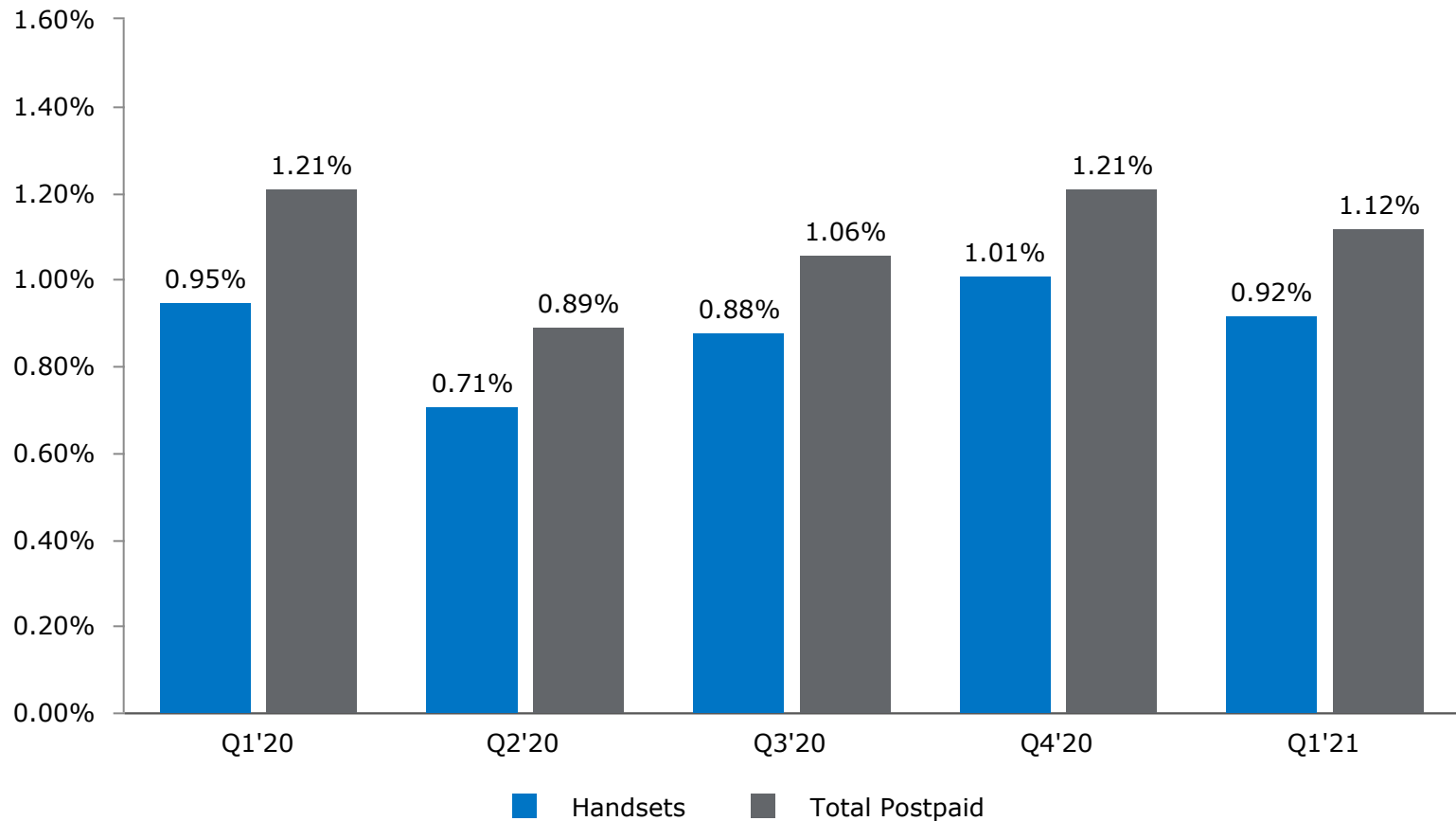
America's Locally Grown Wireless

- Maintain the health and safety of customers & associates
- Focus on Growth
  - Regional approach to drive market share expansion
  - Expanded digital capabilities, focused on customer lifecycle
  - New branding highlights our strong, local presence
  - Renewed focus on Prepaid and Business & Government
- Disciplined approach to improve Return on Capital over time
- Maintain industry-leading network
  - Continue network modernization and 5G deployment
  - Fixed wireless mmWave trials
- Advocate for customers - especially in underserved areas - to bridge the digital divide
- Continue emphasis and execution in the area of diversity, equity, and inclusion

# Postpaid connections



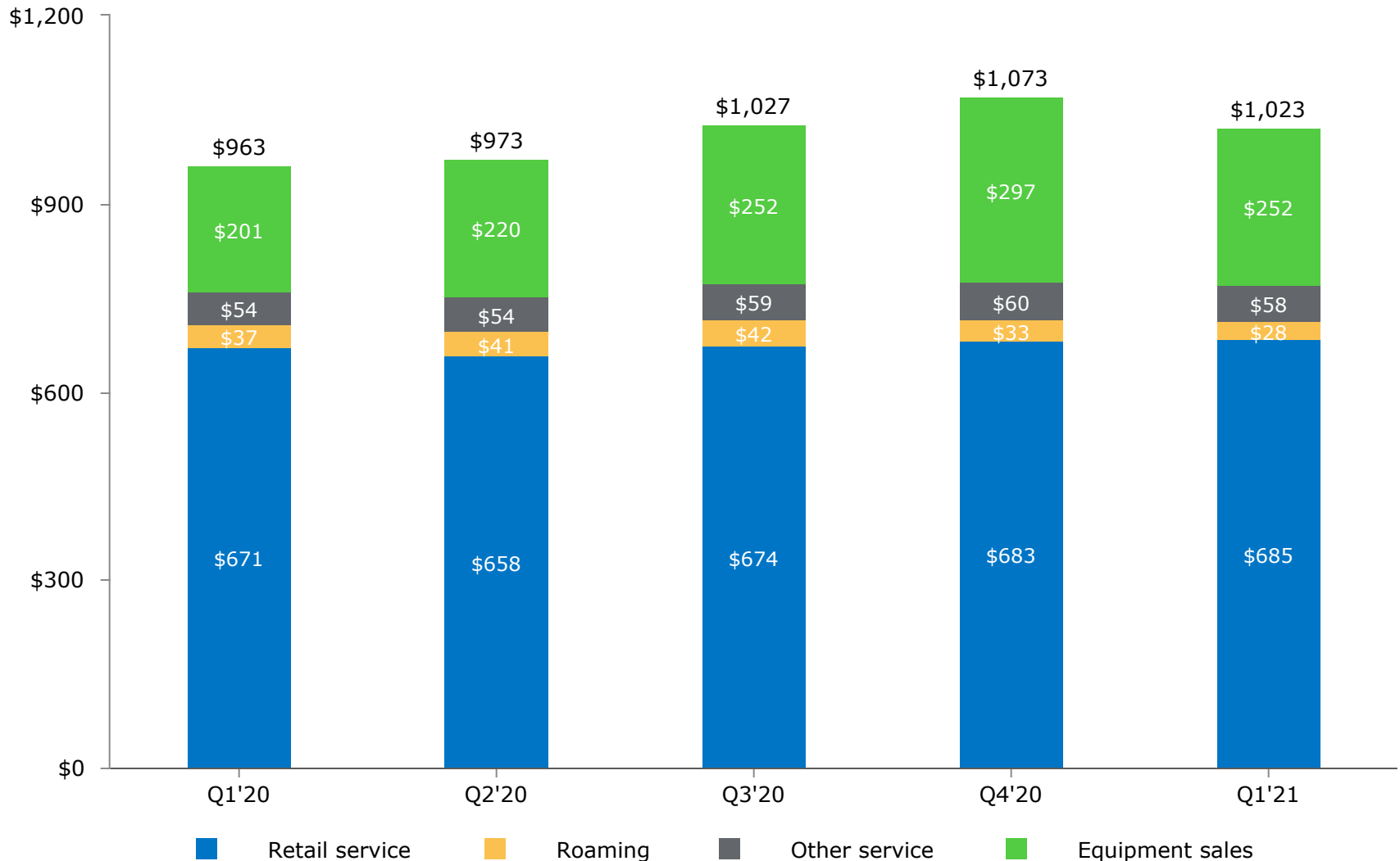
# Postpaid churn rate



# Total operating revenues



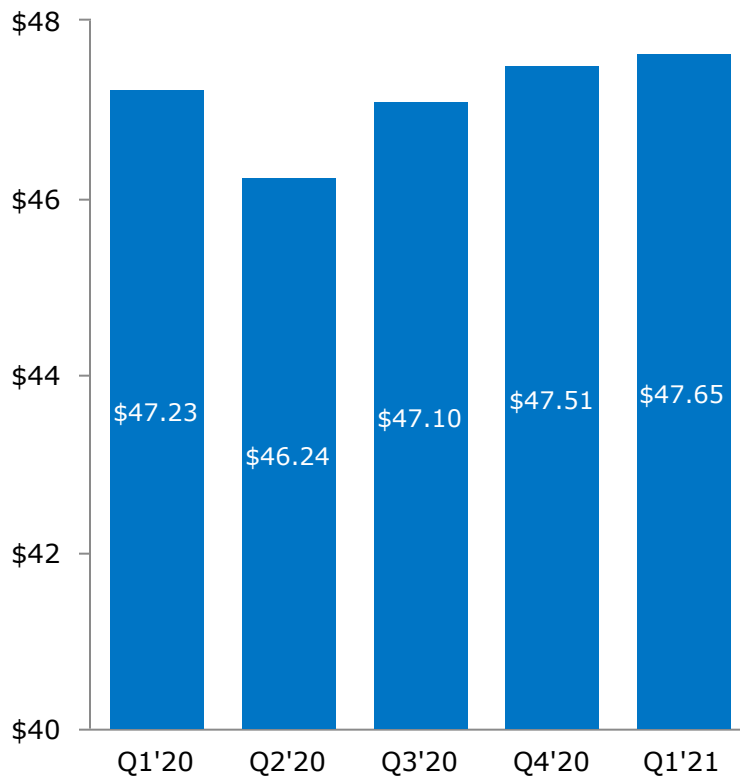
(\$ in millions)



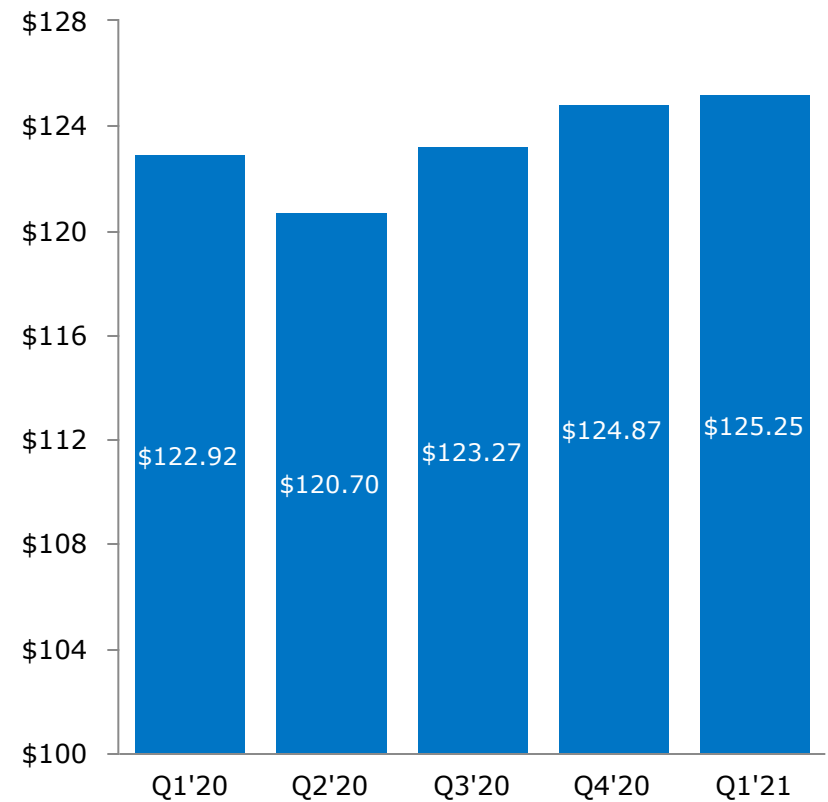
# Postpaid revenue



**Average Revenue Per User (ARPU)**



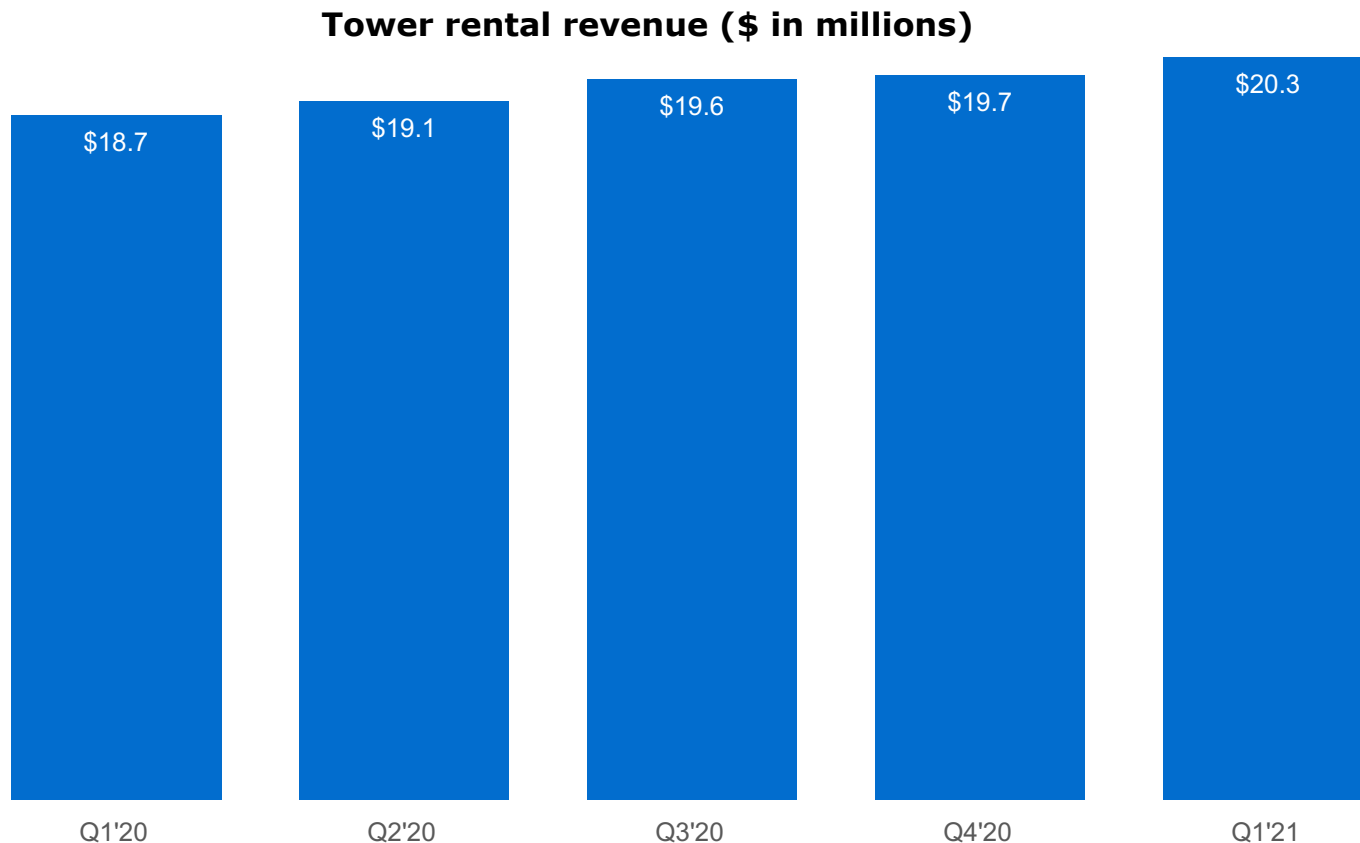
**Average Revenue Per Account (ARPA)**



# Towers: Building value



- 4,270 Owned towers (63% of total cell sites)
- 1,917 colocators
- Signed Master Lease Agreement with DISH Wireless; revenues expected to begin in 2022



# Adjusted OIBDA



(\$ in millions)	Q1'21	Q1'20	% Change
Service revenues	\$ 771	\$ 762	1 %
Equipment sales	252	201	26 %
Total operating revenues	1,023	963	6 %
System operations expense	185	180	3 %
Cost of equipment sold	275	217	26 %
SG&A expenses	305	335	(9)%
Total cash expenses <sup>(2)</sup>	765	732	5 %
Adjusted OIBDA <sup>(3)</sup>	\$ 258	\$ 231	12 %

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

# Adjusted EBITDA



(\$ in millions)	Q1'21	Q1'20	% Change
Adjusted OIBDA <sup>(3)</sup>	\$ 258	\$ 231	12 %
Equity in earnings of unconsolidated entities	42	45	(7)%
Interest and dividend income	2	4	(52)%
Other, net	—	1	N/M
Adjusted EBITDA <sup>(3)</sup>	\$ 302	\$ 281	8 %

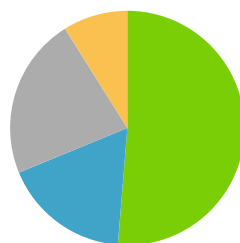
(3) - See final slide for explanation

# 2021 Guidance\*



(\$ in millions) As of May 6, 2021	2020 Actual	2021 Previous Estimates	2021 Current Estimates
Service revenues	\$3,067	\$3,025-\$3,125	<b>\$3,050-\$3,150</b>
Adjusted OIBDA <sup>(3)</sup>	\$876	\$800-\$950	<b>\$850-\$950</b>
Adjusted EBITDA <sup>(3)</sup>	\$1,063	\$975-\$1,125	<b>\$1,025-\$1,125</b>
Capital expenditures	\$940	\$775-\$875	<b>Unchanged</b>

## 2021 Estimated Capital Expenditures



■ 5G 
 ■ Sales/IS/Facilities 
 ■ Network Operations 
 ■ Capacity

(3) - See final slide for explanation

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





We remain committed to our strategic priorities

Grow  
Revenue

Improve Customer  
Experience and  
New Product  
Penetration

Operate Lean

Foster Diversity,  
Equity, and  
Inclusion

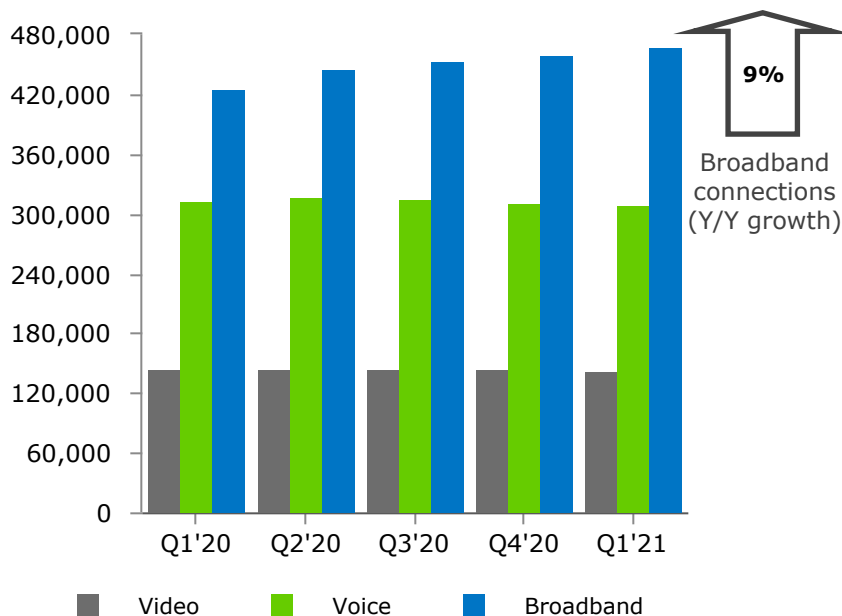
- Focus on growth
  - Continue execution of broadband growth strategy
  - Execute on fiber expansion and A-CAM buildout
  - Disciplined approach to acquisitions
- Expand penetration of TDS TV+
- Operate lean - reinvest savings into growth opportunities
- Foster a strong culture around diversity, equity and inclusion

# Highlights and trends

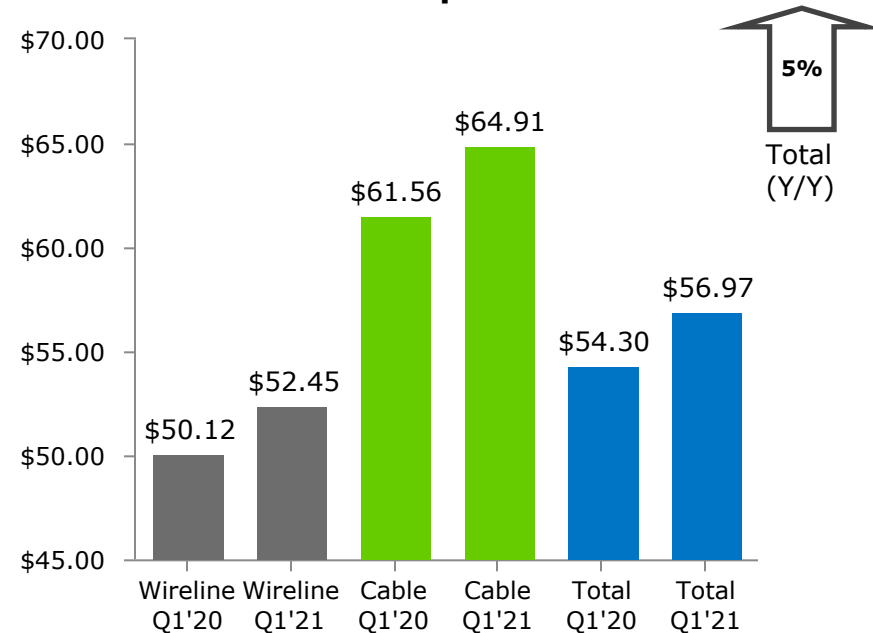


- Residential revenues increased 9% due to increases in broadband connections and speeds
- Growth from fiber investments, cable and A-CAM support helps to offset legacy revenue declines

### Residential Connections



### Residential Revenue per Connection

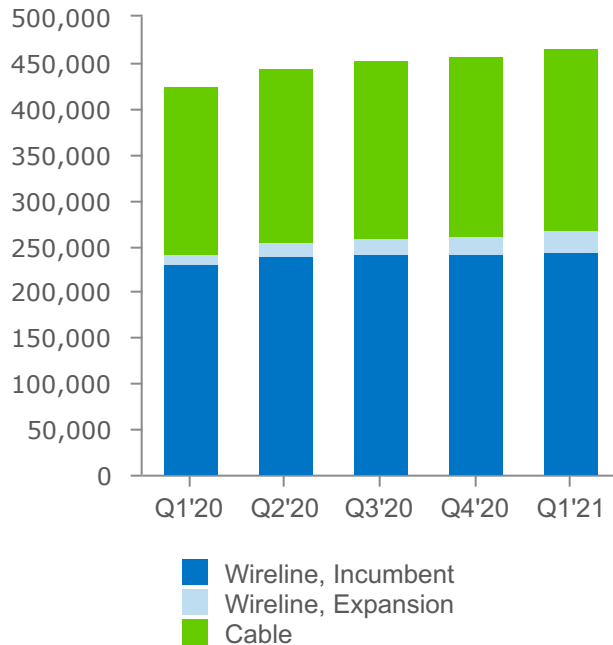


# Broadband highlights

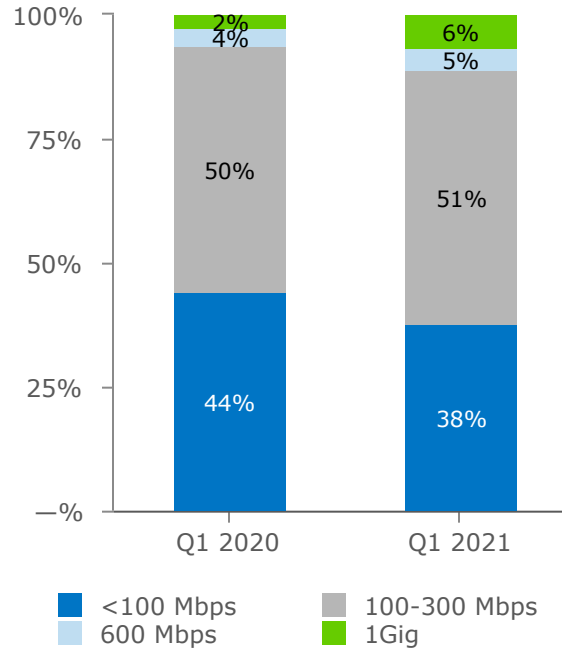


- Broadband connections increased 9%
- Residential broadband revenues grew 16%
- 1Gig service available to 55% of total service addresses

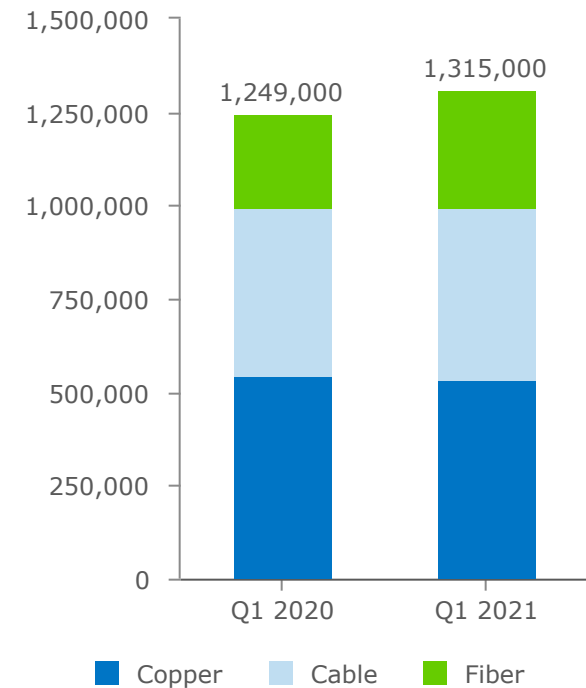
### Residential Broadband Connections



### Residential Broadband Connections by Speed



### Total Service Addresses

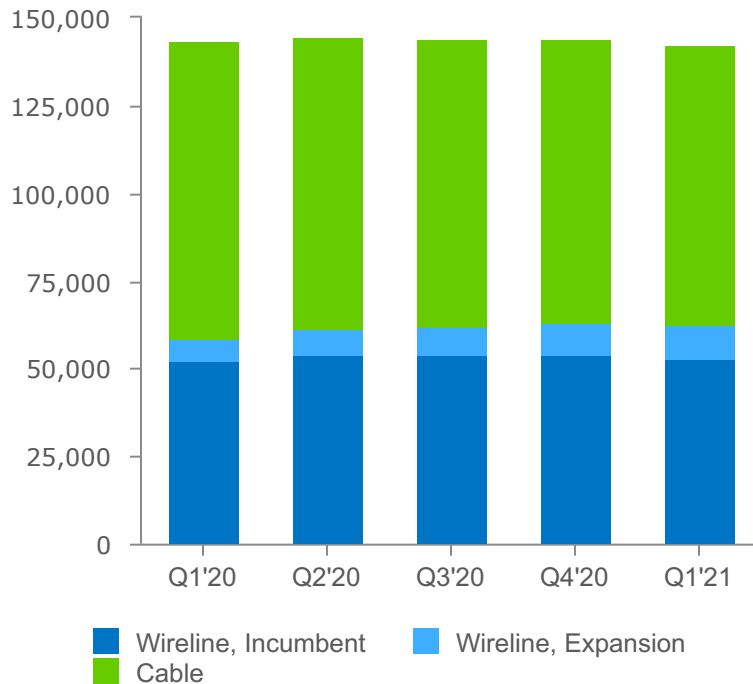


# Video highlights

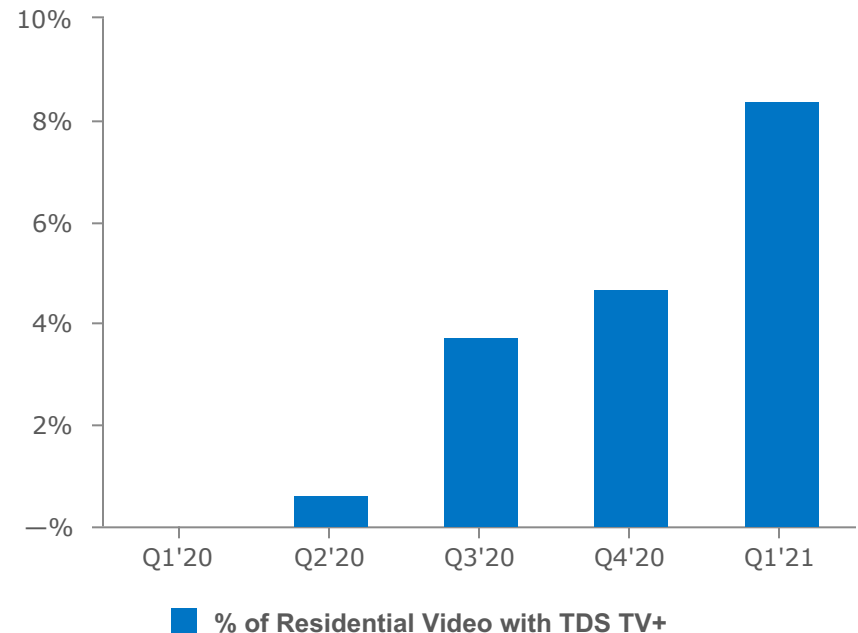


- Bundling strategy leads to churn reduction
- Residential video connections continue to hold steady
- 37% of Wireline broadband customers take video in IPTV markets

**Residential Video Connections**



**TDS TV+ Video Mix**



# Proven and repeatable fiber strategy



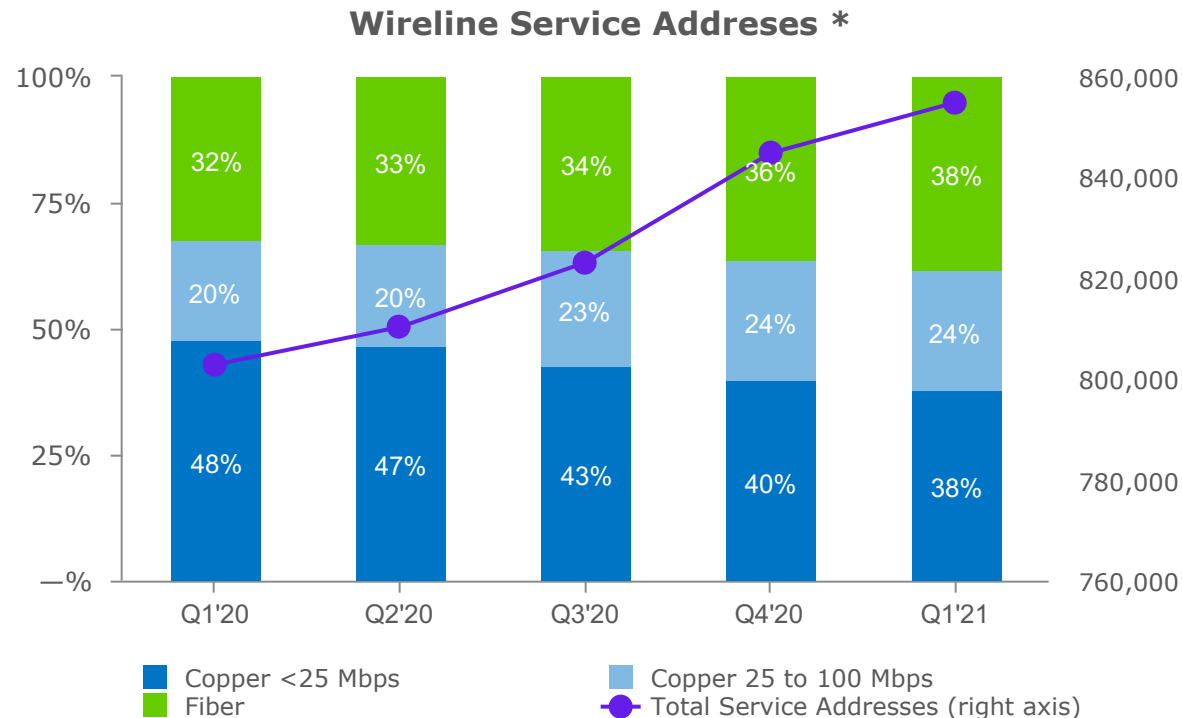
Leverage our formula to accelerate fiber deployment and our superior suite of products to 150,000 service addresses (incumbent and expansion) in 2021

- Fiber is the superior technology to deliver broadband
- Market selection, "flag planting" and clustering are critical success factors
- Pre-selling using hyper-localized marketing strategies and sales techniques
- Effective video bundling drives deeper penetration
- Recent market launches continue to confirm our direction

# Fiber highlights and trends



- Fiber-to-the-Home to 321,000 or 38% of Wireline Service Addresses (SA)\*, including 10% in our expansion markets
- Total Wireline SAs increased 6% to 855,000 with expansion into new markets



\* Includes ILEC and Expansion, excludes CLEC

# Fiber highlights and trends



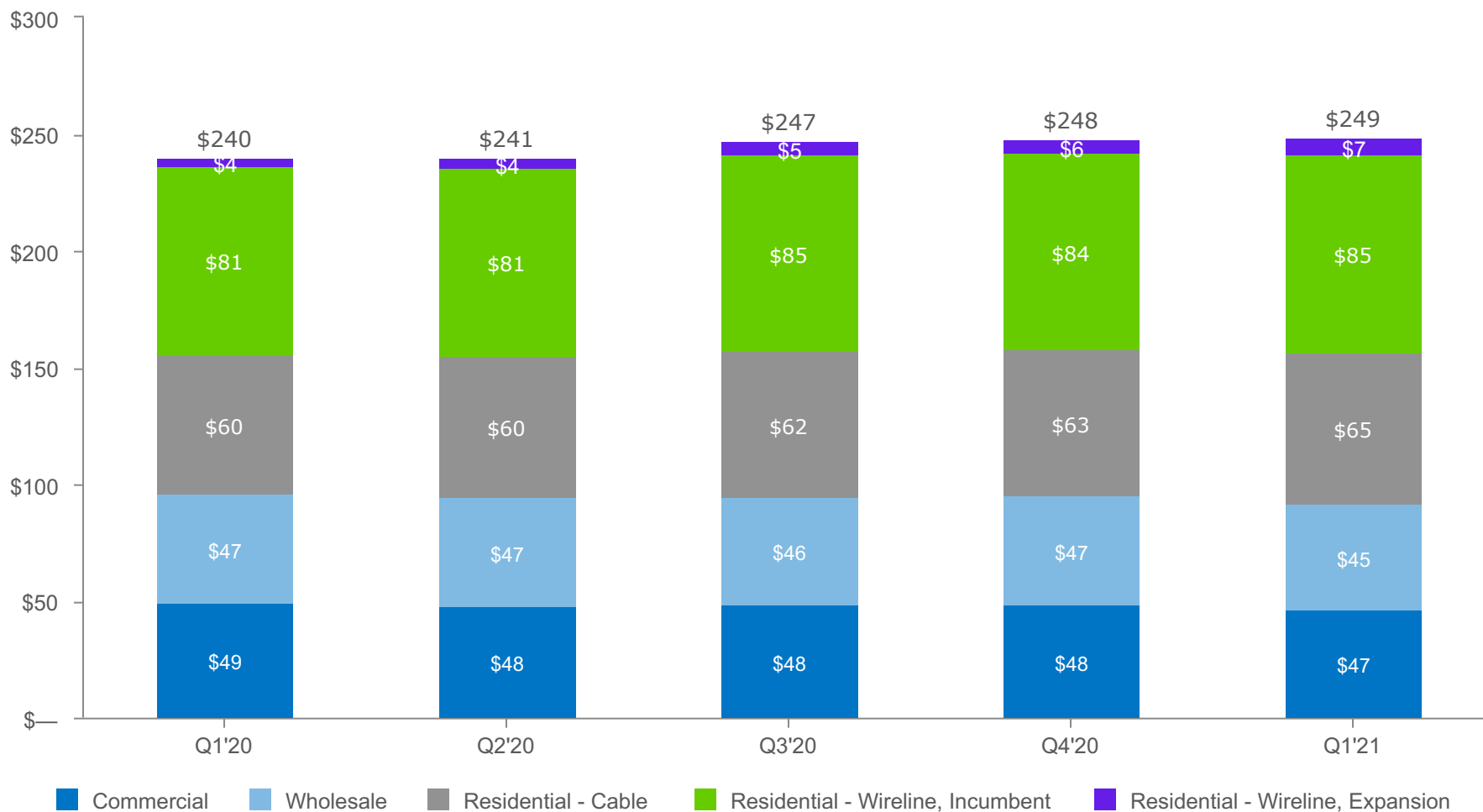
- Targeting an additional 300,000 service addresses with access to fiber over the next few years (of which 150,000 is planned in 2021)
- Total fiber broadband connections increased to 117,000 resulting in 36% broadband penetration

	Service Addresses Q1'21	Long-Term Target Service Addresses	Launch Date	Broadband Penetration as of Q1'21
Southern WI	51,000	55,000	Q2 2017	36 %
Coeur d'Alene ID	14,000	43,000	Q4 2019	26 %
Central WI	15,000	34,000	Q1 2020	20 %
Meridian ID	1,000	89,000	Q1 2021	18 %
Spokane WA	—	87,000	2021	— %
Fox Cities WI	—	63,000	2021	— %
Incumbent Markets	239,000	249,000	N/A	38 %
Total	321,000	620,000		36 %

# TDS Telecom operating revenues



(\$ in millions)



# TDS Telecom operating performance



(\$ in millions)	Q1'21	Q1'20	% Change
Residential	\$ 157	\$ 144	9 %
Commercial	47	49	(6)%
Wholesale	45	47	(3)%
Total operating revenues	249	240	4 %
Cash expenses <sup>(2)</sup>	168	160	5 %
Adjusted EBITDA <sup>(3)</sup>	81	82	(1)%
Capital expenditures	\$ 70	\$ 54	30 %

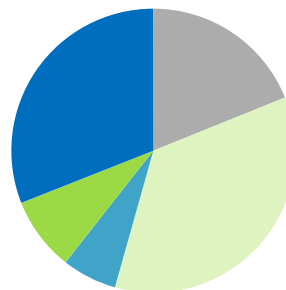
(2), (3) - See final slide for explanations

# 2021 TDS Telecom Guidance\*



(\$ in millions) As of May 6, 2021	2020 Actual	2021 Previous Estimates	2021 Current Estimates
Total operating revenues	\$976	\$975-\$1,025	<b>Unchanged</b>
Adjusted OIBDA <sup>(3)</sup>	\$314	\$290-\$320	<b>Unchanged</b>
Adjusted EBITDA <sup>(3)</sup>	\$317	\$290-\$320	<b>Unchanged</b>
Capital expenditures	\$368	\$425-\$475	<b>Unchanged</b>

## 2021 Estimated Capital Expenditures



Cable
  Fiber - Expansion
  Fiber - Incumbent
  A-CAM
  Other Wireline

(3) - See final slide 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

	Three Months Ended March 31, 2021			Three Months Ended March 31, 2020		
(\$ in millions)	UScellular	TDS Telecom	TDS <sup>(4)</sup>	UScellular	TDS Telecom	TDS <sup>(4)</sup>
<b>Net income (GAAP)</b>	<b>\$62</b>	<b>\$24</b>	<b>\$71</b>	<b>\$72</b>	<b>\$28</b>	<b>\$83</b>
Add back:						
Income tax expense	27	8	31	4	4	3
<b>Income before income taxes (GAAP)</b>	<b>\$89</b>	<b>\$33</b>	<b>\$102</b>	<b>\$76</b>	<b>\$31</b>	<b>\$86</b>
Add back:						
Interest expense	39	(1)	53	24	(1)	37
Depreciation, amortization and accretion expense	170	49	224	177	52	235
<b>EBITDA <sup>(3)</sup> (non-GAAP)</b>	<b>\$298</b>	<b>\$80</b>	<b>\$379</b>	<b>\$277</b>	<b>\$82</b>	<b>\$358</b>
Add back or deduct:						
(Gain) loss on asset disposals, net	5	—	5	4	—	4
(Gain) loss on sale of business and other exit costs, net	(1)	—	(1)	—	—	—
<b>Adjusted EBITDA <sup>(3)</sup> (non-GAAP)</b>	<b>\$302</b>	<b>\$81</b>	<b>\$383</b>	<b>\$281</b>	<b>\$82</b>	<b>\$362</b>
Add back or deduct:						
Equity in earnings of unconsolidated entities	42	—	42	45	—	45
Interest and dividend income	2	—	3	4	2	6
Other, net	—	—	—	1	—	—
<b>Adjusted OIBDA <sup>(3)</sup> (non-GAAP)</b>	<b>\$258</b>	<b>\$81</b>	<b>\$338</b>	<b>\$231</b>	<b>\$80</b>	<b>\$311</b>

Numbers may not foot due to rounding.

(3), (4) - See final slide for explanations

# Adjusted OIBDA and Adjusted EBITDA Reconciliation – 2021 Estimated and 2020 Full Year

In providing 2021 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.

	2021 Estimated Results		Actual Results Year ended December 31, 2020	
(Dollars in millions)	UScellular	TDS Telecom	UScellular	TDS Telecom
<b>Net income (GAAP)</b>	N/A	N/A	<b>\$233</b>	<b>\$100</b>
Add back:				
Income tax expense	N/A	N/A	17	18
<b>Income before income taxes (GAAP)</b>	<b>\$175-\$275</b>	<b>\$80-\$110</b>	<b>\$250</b>	<b>\$117</b>
Add back:				
Interest expense	150	—	112	(4)
Depreciation, amortization and accretion expense	680	210	683	203
EBITDA <sup>(3)</sup> (non-GAAP)	\$1,005-\$1,105	\$290-\$320	\$1,045	\$316
Add back or deduct:				
(Gain) loss on asset disposals, net	20	—	25	1
(Gain) loss on license sales and exchanges, net	—	—	(5)	—
(Gain) loss on investments	—	—	(2)	—
Adjusted EBITDA <sup>(3)</sup> (non-GAAP)	\$1,025-\$1,125	\$290-\$320	\$1,063	\$317
Deduct:				
Equity in earnings of unconsolidated entities	170	—	179	—
Interest and dividend income	5	—	8	5
Other, net	—	—	—	(1)
Adjusted OIBDA <sup>(3)</sup> (non-GAAP)	\$850-\$950	\$290-\$320	\$876	\$314

(3) - See final slide for explanation

- 1) The chart reflects \$300 million of long-term debt due in 2022 related to the EIP securitization facility. Although the current facility expires in December 2022, it is the Company's intent to renew and extend this facility for the foreseeable future.
- 2) Total cash expenses represent total operating expenses as shown in the Consolidated Statement of Operations Highlights in the TDS and UScellular SEC Forms 8-K, less depreciation, amortization and accretion and gain/losses.
- 3) EBITDA, Adjusted EBITDA and Adjusted OIBDA are defined as net income adjusted for the items set forth in the reconciliations on slides 27 and 28. 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 UScellular do not intend to imply that any such items set forth in the reconciliations on slides 27 and 28 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 UScellular'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 UScellular'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 27 and 28 reconcile EBITDA, Adjusted EBITDA and Adjusted OIBDA flow to the corresponding GAAP measure, Net income or Income before income taxes. Additional information and reconciliations related to Non-GAAP financial measures for March 31, 2021, can be found on TDS' and UScellular's websites at [investors.tdsinc.com](http://investors.tdsinc.com) and [investors.uscellular.com](http://investors.uscellular.com).
- 4) The TDS column includes UScellular, TDS Telecom and also the impacts of consolidating eliminations, corporate operations and non-reportable segments.