

# **Altice USA**

## **Q3 2018 Results**

November 5, 2018



# Disclaimer

## FORWARD-LOOKING STATEMENTS

Certain statements in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this presentation, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things: our future financial conditions and performance, results of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; and future developments in the markets in which we participate or are seeking to participate. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe", "could", "estimate", "expect", "forecast", "intend", "may", "plan", "project" or "will" or, in each case, their negative, or other variations or comparable terminology. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. To the extent that statements in this presentation are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements including risks referred to in our annual and quarterly reports.

## NON-GAAP FINANCIAL MEASURES

We define Adjusted EBITDA, which is a non-GAAP financial measure, as net income (loss) excluding income taxes, income (loss) from discontinued operations, other non-operating income or expenses, loss on extinguishment of debt and write-off of deferred financing costs, gain (loss) on interest rate swap contracts, gain (loss) on derivative contracts, gain (loss) on investments and sale of affiliate interests, net interest expense (including cash interest expense), interest income, depreciation and amortization (including impairments), share-based compensation expense or benefit, restructuring expense or credits and transaction expenses.

We believe Adjusted EBITDA is an appropriate measure for evaluating the operating performance of the Company. Adjusted EBITDA and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in our industry. Internally, we use revenue and Adjusted EBITDA measures as important indicators of our business performance, and evaluate management's effectiveness with specific reference to these indicators. We believe Adjusted EBITDA provides management and investors a useful measure for period-to-period comparisons of our core business and operating results by excluding items that are not comparable across reporting periods or that do not otherwise relate to the Company's ongoing operating results. Adjusted EBITDA should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), and other measures of performance presented in accordance with GAAP. Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies.

We also use Adjusted EBITDA less cash Capital Expenditures, or Operating Free Cash Flow ("OpFCF"), as an indicator of the Company's financial performance. We believe this measure is one of several benchmarks used by investors, analysts and peers for comparison of performance in the Company's industry, although it may not be directly comparable to similar measures reported by other companies.

For an explanation of why Altice USA uses these measures and a reconciliation of the Non-GAAP measures to net income (loss), please see the Third Quarter 2018 ("Q3-18") earnings release for Altice USA posted on the Altice USA website.

# Altice USA Q3 2018 Summary Review

- 1 4.1% accelerated revenue growth supported by all business segments
- 2 Improved residential customer trends
- 3 5.8% Adjusted EBITDA growth (6.8% growth ex-i24 losses<sup>1</sup>) and 28.0% equity Free Cash Flow growth
- 4 Continued differentiated investment strategies in FTTH, mobile, Altice One, advanced advertising
- 5 Initial share buyback target up to \$500m in 2H 2018 (\$241m in Q3); total 2018 shareholder return ~\$2bn<sup>2</sup>
- 6 Successful debt silo consolidation transaction to strengthen credit profile and simplify structure

(1) Adjusted EBITDA is a non GAAP-measures. For a reconciliation of these non-GAAP measures to net income (loss), please see the Q3-18 Altice USA earnings release posted to the Altice USA website. 6.8% growth excluding approximately \$10.4m of costs in the current period relating to the impact of consolidating i24 losses

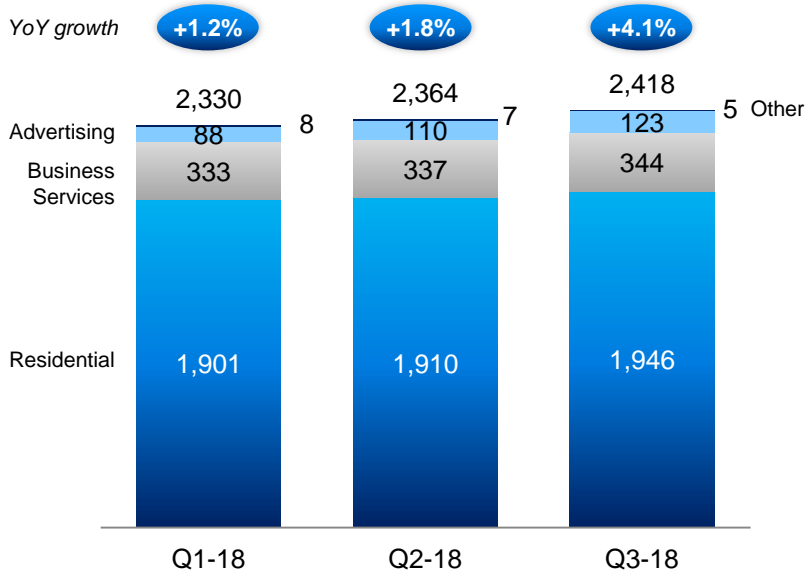
(2) Including \$1.5 billion one-time special cash dividend (paid in June 2018) and up to \$500 million of share repurchases

# Revenue Growth

Accelerated revenue growth across Residential, Business Services, and Advertising

## Quarterly 2018 revenue growth

(\$mm)



## Components of Q3 2018 revenue growth YoY

- Altice USA: +4.1%
  - Optimum +3.6%
  - Suddenlink +5.3%
- Residential: +2.4%
  - Optimum +1.1%
  - Suddenlink +5.5%
- Business Services: +6.0%
- Advertising: +37.8%

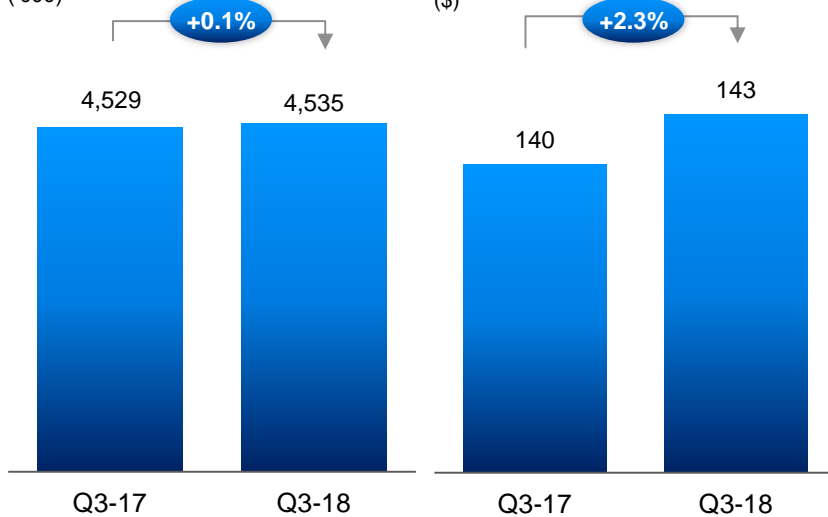
# Residential Trends

Suddenlink driving improved customer trends YoY; Optimum trends in Q3 reflecting normal seasonality

## Q3-18 vs. Q3-17

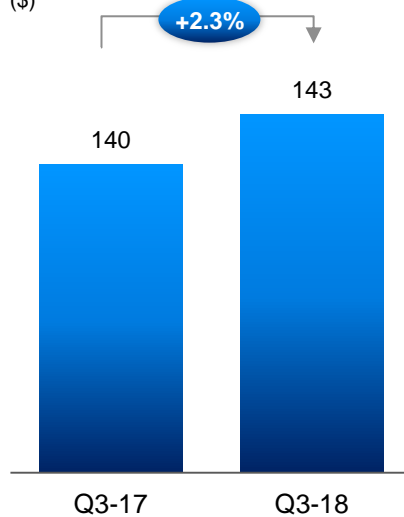
### Residential customer relationships

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### ARPU per unique customer

(\$)



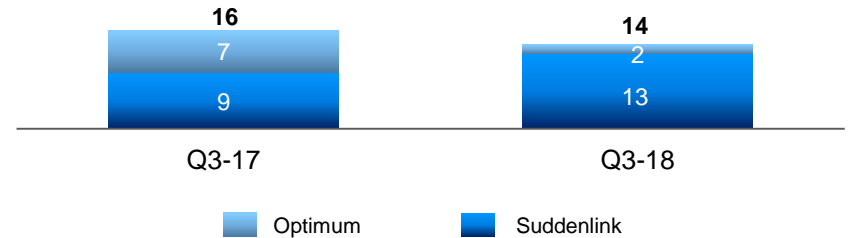
### Residential pay TV net adds

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### Residential broadband net adds

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Optimum

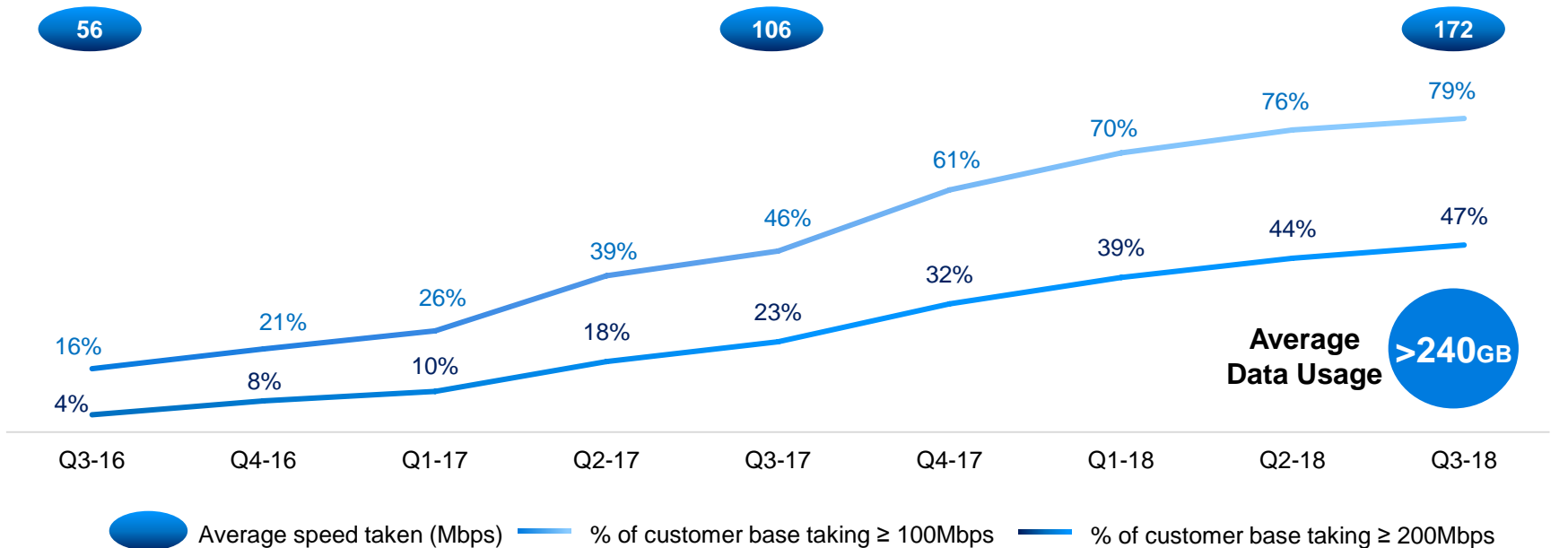
Suddenlink

**Residential revenue growth: +2.4% YoY**

# Broadband Speeds and Usage Growth

Network and CPE upgrades satisfying demand for higher speeds and usage

% of customers  $\geq 100$  Mbps and  $\geq 200$  Mbps broadband speeds <sup>1</sup>



(1) Network statistics as of the end of the period

# Further Network and CPE Upgrades

Differentiated fiber (FTTH) and entertainment platform investment strategies

## Expansion of 1Gig broadband & enhanced WiFi Service

- **1 Gig everywhere:** 1 Gig upgrade across whole Optimum footprint and expanded 1 Gig capacity across Suddenlink
- **Path to 10G+:** Launched up to 1 Gig 1P fiber (FTTH) broadband service
- **Enhanced customer experience through advanced gateways:**
  - Smart WiFi with meshing capabilities
  - Platform for more IP-based services and wireless connectivity

## New Altice One developments

- Altice One now available to >80% of Altice USA footprint with expansion across Suddenlink footprint
  - >200k Altice One unique customers
  - Current run-rate ~100k Altice One customer additions per quarter
- Updated Altice One OS
- Altice One over FTTH (IPTV) expected in 2019 with advanced wireless IP set top box



Expected to improve customer experience, support revenue growth, reduce costs, enhance cash flow

# Upcoming Mobile Launch in 2019

Differentiated mobile strategy

Full  
Access  
Control

	Altice USA full MVNO	Other light MVNOs
Own core network	✓	x
Own Home Location Register (HLR)	✓	x
Own SIM cards	✓	x
Seamless data offload / handover	✓	x
Network densification	✓	x
Full product, features and marketing flexibility	✓	x
Path to spectrum strategy possible	✓	x

More control, more flexibility, better quality of service, better economics

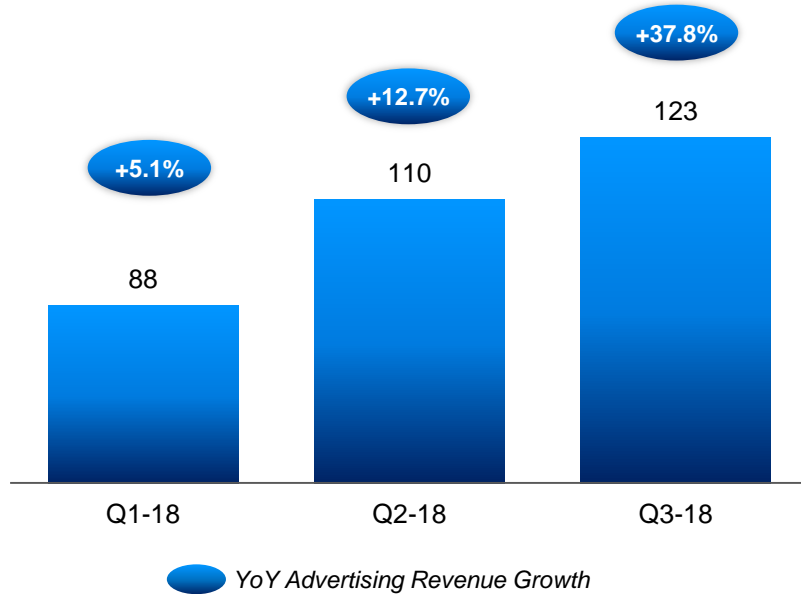


# Strong Momentum of New Advertising Platforms

Differentiated multi-screen advertising solutions driving growth beyond linear TV

## Strong growth in Advertising revenue

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## Key highlights

- NY Interconnect delivering strong growth based on political and enlarged structure
- Launch of Athena, a new self-serve client application for end-to-end multi-screen campaign management with “one-stop shopping” for advertisers:

- Local & national advertising solutions with in-depth reporting, measurement & analytics

**Athena**  
by α<sup>4</sup>

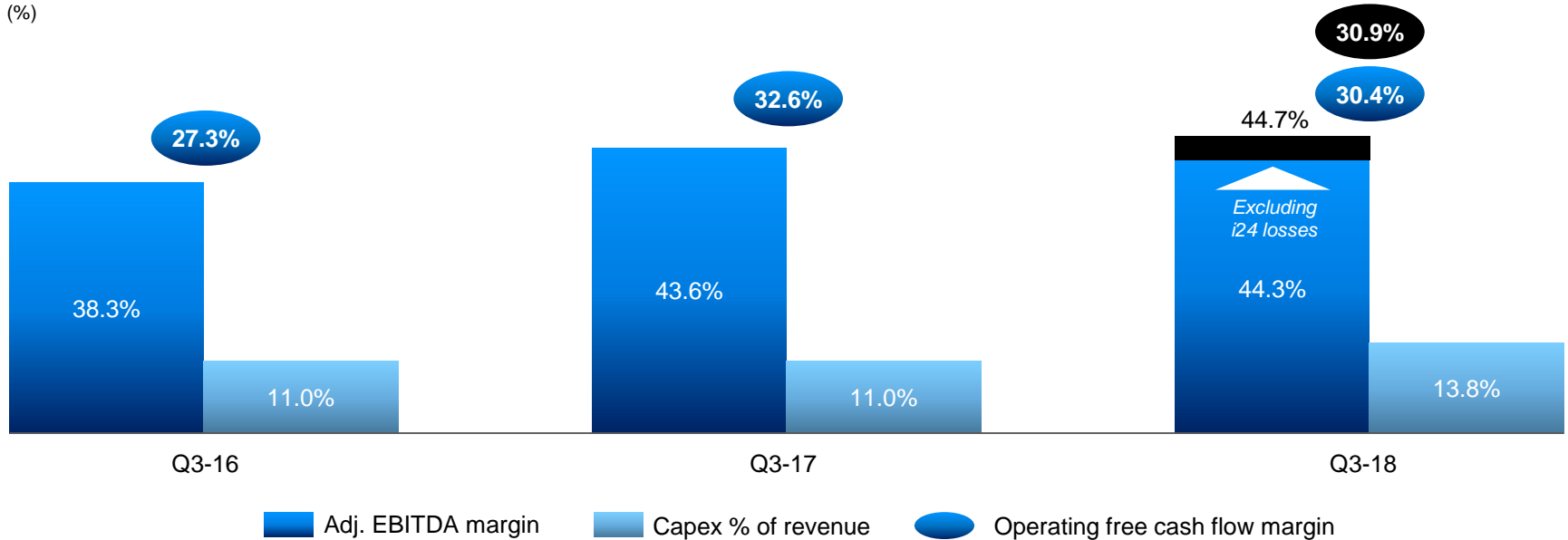
- New partnership with AT&T (xandr):
  - AT&T provides national linear addressable TV advertising including Altice USA’s footprint
  - Altice USA offers national digital targeted advertising through Athena including AT&T’s footprint

# Strong Margins and Cash Flow Conversion

Higher margins and cash flow supporting higher investment to drive higher growth

## Altice USA margins <sup>1</sup>

(%)



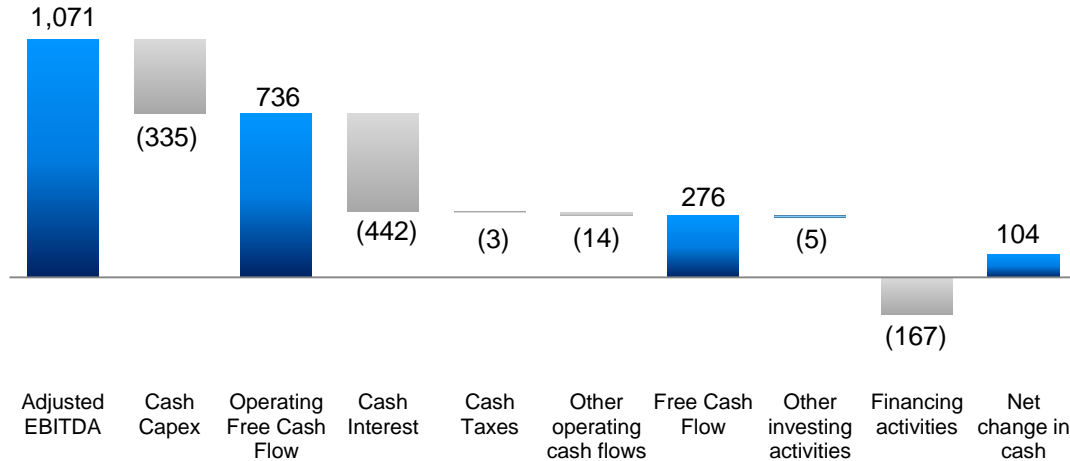
(1) Based on cash capex. Adjusted EBITDA and Adjusted EBITDA less cash capex (Operating free cash flow) are non GAAP-measures. For a reconciliation of these non-GAAP measures to net income (loss), please see the Q3-18 Altice USA earnings release posted to the Altice USA website. 2016 financials shown pro forma for disposal of Newsday

# Free Cash Flow Generation

Strong FCF growth driving deleveraging

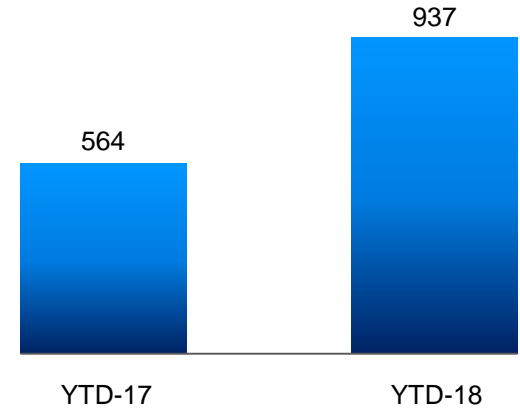
Q3 2018 Free Cash Flow (FCF) and net change in cash bridge <sup>1</sup>

(\$mm)



YTD FCF 2018 vs. 2017 <sup>1</sup>

(\$mm)



Free Cash Flow

**\$276m FCF in Q3 2018, +28.0% YoY; \$937m FCF YTD, +66.4% YoY**

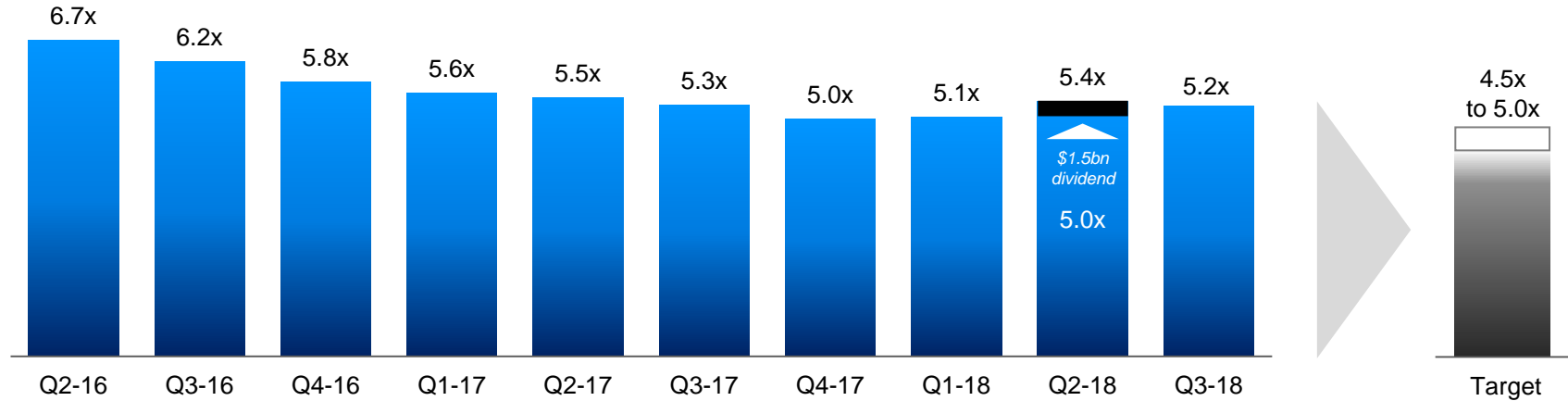
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# Leverage Analysis

Rapid and consistent deleveraging since acquisitions of Suddenlink and Cablevision

Rapid de-leveraging supporting shareholders returns

Net Debt / L2QA EBITDA

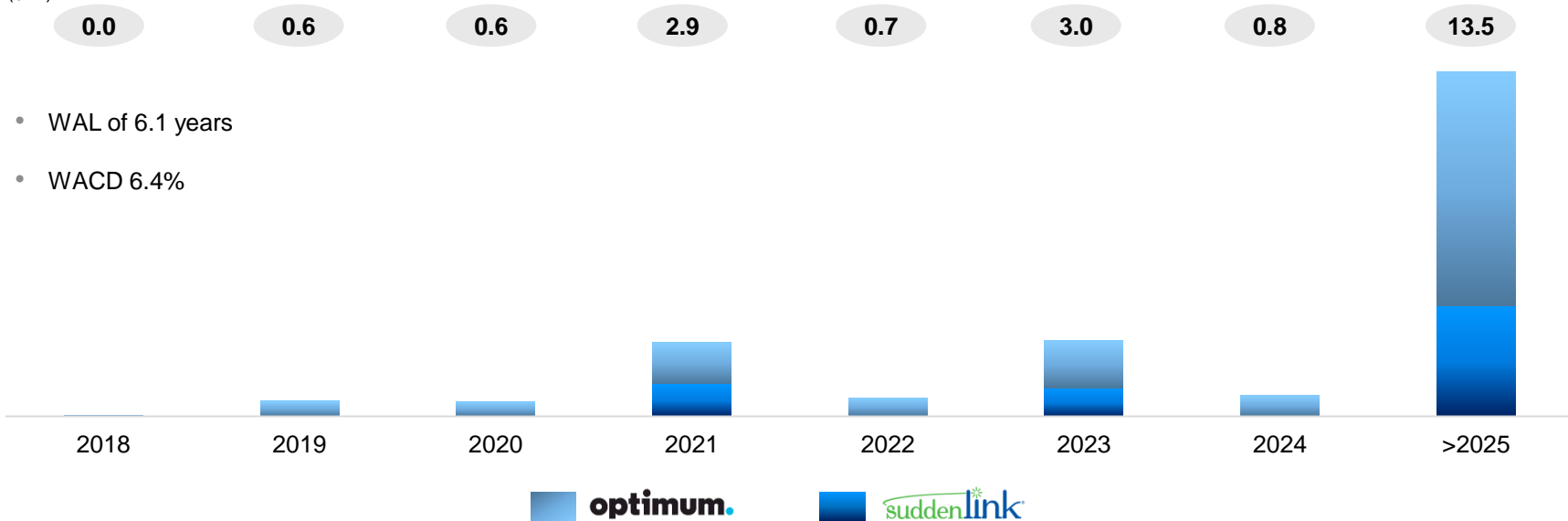


# Debt Maturity Profile <sup>1</sup>

Long-dated maturities following pro-active refinancing activity

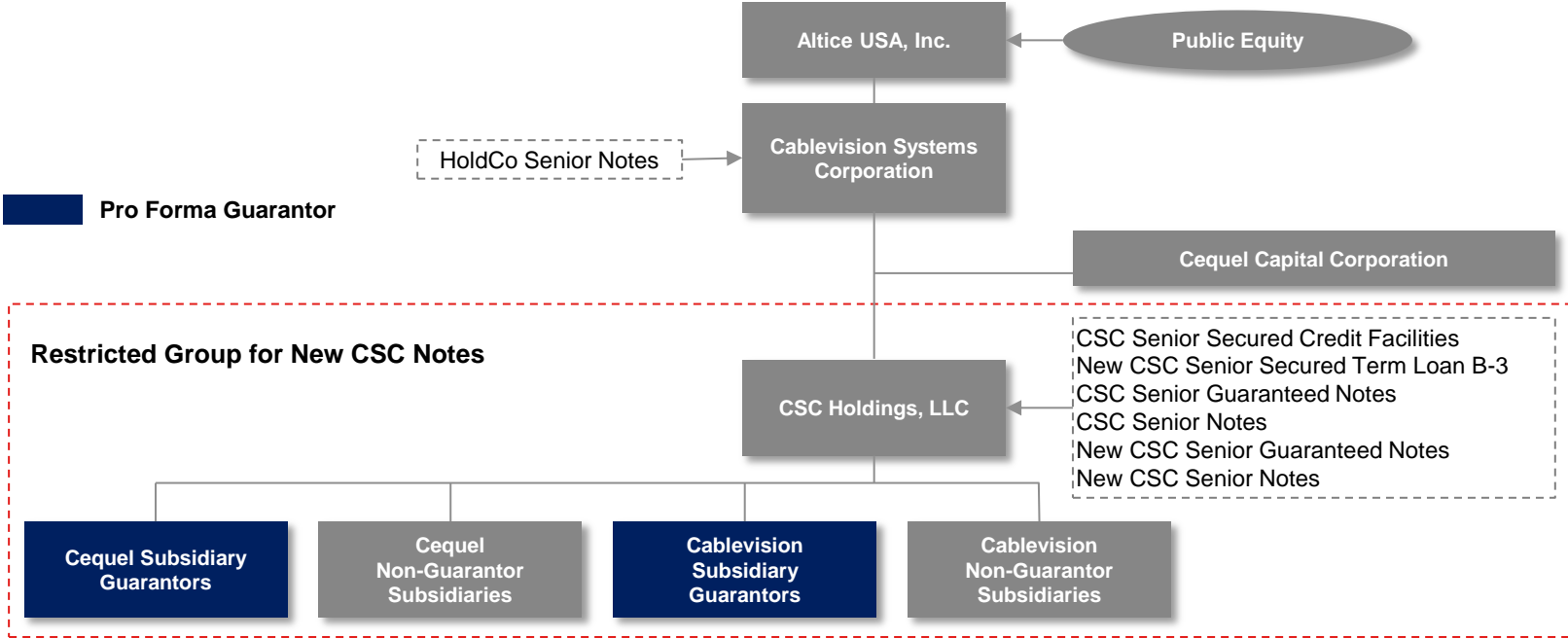
## Altice USA maturity profile

(\$bn)



(1) Maturity profile excluding leases/other debt, includes RCF drawn of \$575m for Optimum shown at maturity date

# Pro Forma Corporate and Financing Structure



Note: Assumes completion of the Combination and no unexchanged legacy Cequel notes

# Debt Silo Consolidation Transaction Highlights

- 1** Diversifies and strengthens credit profile across wider geographic footprint and customer mix
- 2** Aligns debt capital structure with the way Altice USA is being run: unified company with common strategy
- 3** Increases trading liquidity of Altice USA debt
- 4** Simplifies financing strategy and financial reporting requirements
- 5** Leverage neutral transaction for Altice USA
- 6** Credit ratings on review for upgrades and positive debt market reaction

# Q&A



# Appendix

# Altice USA, Inc. Financials

US GAAP financials (USD) <sup>1</sup>

(\$mm)	Q3-17	Q3-18	Growth YoY
Optimum	1,661	1,722	3.6%
Suddenlink	662	697	5.3%
Eliminations	(1)	(1)	
<b>Total Revenue</b>	<b>2,323</b>	<b>2,418</b>	<b>4.1%</b>
Optimum	700	742	6.0%
Suddenlink	312	328	5.1%
<b>Adjusted EBITDA <sup>2</sup></b>	<b>1,012</b>	<b>1,071</b>	<b>5.8%</b>
<i>Margin (%)</i>	43.6%	44.3%	
Optimum	180	217	20.5%
Suddenlink	75	117	56.2%
<b>Capital expenditures</b>	<b>255</b>	<b>335</b>	<b>31.0%</b>
<i>Capex % of revenue</i>	11.0%	13.8%	
Optimum	520	525	1.0%
Suddenlink	237	211	(11.0%)
<b>OpFCF <sup>2</sup></b>	<b>757</b>	<b>736</b>	<b>(2.8%)</b>
<i>Margin (%)</i>	32.6%	30.4%	

(1) Revenue and capex are prepared in accordance with U.S. GAAP. Adjusted EBITDA is a non-GAAP measure. For a reconciliation of Adjusted EBITDA to net income (loss), please see the Q3-18 Altice USA earnings release posted to the Altice USA website

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# Debt Silo Consolidation Overview

Key Transaction Steps	1	Refinanced Cequel Term Loan B with new New CSC Term Loan B-3
	2	Exchange of Cequel Secured Notes for New CSC Senior Guaranteed Notes
	3	Exchange of Cequel Senior Notes for New CSC Senior Notes

