

# Acquisition of NewWave



*April 2017*

# Disclaimer

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The financial results for NewWave in this presentation have been derived from the audited financial statements prepared by NewWave, without adjustment to conform to the accounting policies and methodologies used by Cable ONE. The accounting policies and methodologies used by NewWave differ in certain respects from those used by Cable ONE, but Cable ONE does not believe these differences are material to the combined company.

# Use of Non-GAAP Financial Metrics

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Cable ONE uses certain measures that are not defined by generally accepted accounting principles in the United States (“GAAP”) to evaluate various aspects of its and NewWave Communications’ (“NewWave”) businesses. Adjusted EBITDA, Adjusted EBITDA Margin (labeled “Adj EBITDA Margin” in this presentation), Adjusted EBITDA less capital expenditures (labeled “Adjusted EBITDA-Capex” in this presentation), and conversion rate (labeled “% Conversion” in this presentation) are non-GAAP financial measures and should be considered in addition to, not as a substitute for, net income or net cash provided by operating activities reported in accordance with GAAP. These terms, as defined by Cable ONE, may not be comparable to similarly titled measures reported by other companies. Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA less capital expenditures, and conversion rate are reconciled to net income, and Adjusted EBITDA less capital expenditures is also reconciled to net cash provided by operating activities, in the Appendix.

“Adjusted EBITDA” is defined as net income plus net interest expense, provision for income taxes, depreciation and amortization, stock-based compensation expense, other expense, acquisition-related costs, gain on sale of cable assets and loss on disposal of fixed assets. As such, it eliminates the significant non-cash depreciation and amortization expense that results from the capital-intensive nature of Cable ONE’s and NewWave’s businesses as well as other non-cash or special items and is unaffected by Cable ONE’s and NewWave’s capital structure or investment activities. This measure is limited in that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues and Cable ONE’s or NewWave’s cash cost of financing. These costs are evaluated through other financial measures.

“Adjusted EBITDA Margin” is defined as Adjusted EBITDA divided by total revenues.

“Adjusted EBITDA less capital expenditures” is calculated as net cash provided by operating activities excluding the impact of capital expenditures, interest expense, acquisition-related costs, changes in operating assets and liabilities and other unusual operating expenses, as defined in the Appendix, when used as a liquidity measure.

“Conversion Rate” is defined as Adjusted EBITDA less capital expenditures divided by Adjusted EBITDA.

Cable ONE uses Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA less capital expenditures, and Conversion Rate to assess its and NewWave’s performance, and it also uses Adjusted EBITDA less capital expenditures as an indicator of its and NewWave’s ability to fund operations and make additional investments with internally-generated funds. In addition, Adjusted EBITDA generally correlates to the leverage ratio calculation under Cable ONE’s credit facilities and outstanding 5.75% senior unsecured notes due 2022 to determine compliance with the covenants contained in the facilities and notes. For the purpose of calculating compliance with leverage covenants, Cable ONE uses a measure similar to Adjusted EBITDA, as presented. Adjusted EBITDA and capital expenditures are also significant performance measures used by Cable ONE in its annual incentive compensation program. Adjusted EBITDA does not take into account cash used for mandatory debt service requirements or other non-discretionary expenditures, and thus does not represent residual funds available for discretionary uses.

Cable ONE believes Adjusted EBITDA, Adjusted EBITDA Margin, and Conversion Rate are useful to investors in evaluating the operating performance of Cable ONE and NewWave. Cable ONE believes that Adjusted EBITDA less capital expenditures is useful to investors as it shows Cable ONE’s and NewWave’s performance while taking into account cash outflows for capital expenditures and is one of several indicators of Cable ONE’s and NewWave’s ability to service debt, make investments and/or return capital to its shareholders.

Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA less capital expenditures, Conversion Rate and similar measures with similar titles are common measures used by investors, analysts and peers to compare performance in Cable ONE’s industry, although Cable ONE’s measures of Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted EBITDA less capital expenditures, and Conversion Rate may not be directly comparable to similarly titled measures reported by other companies.

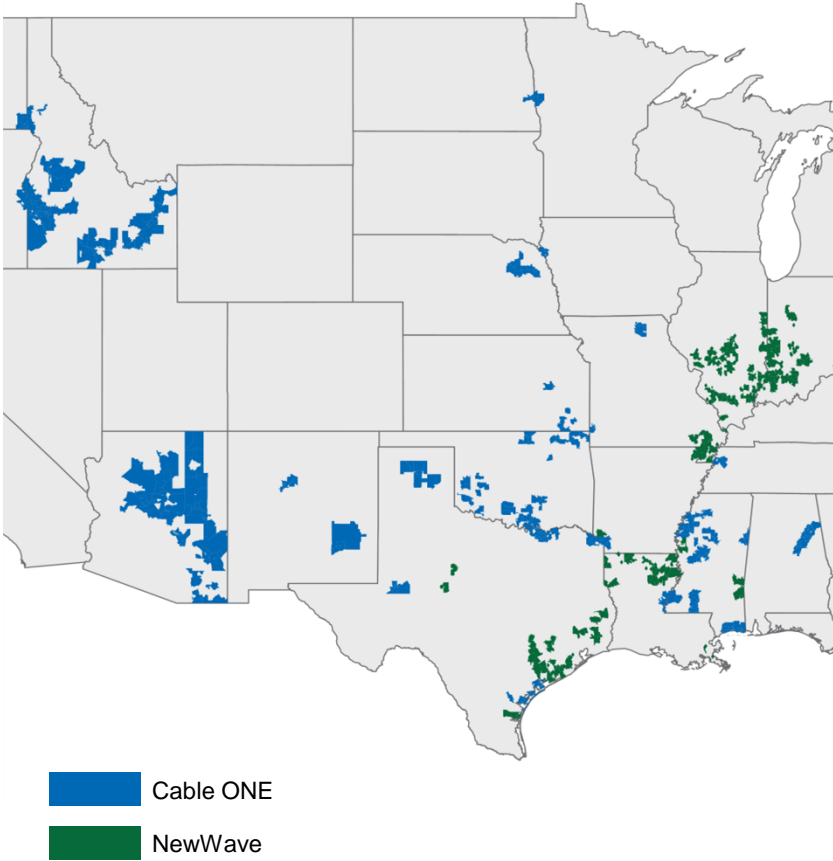
# NewWave geographic coverage and key metrics

- ▶ Nineteenth largest cable operator in the United States
- ▶ Provides HSD, video and voice services to residential and commercial customers in non-urban markets of IL, TX, IN, LA, MO, MS and AR

## Key metrics (4Q16A)

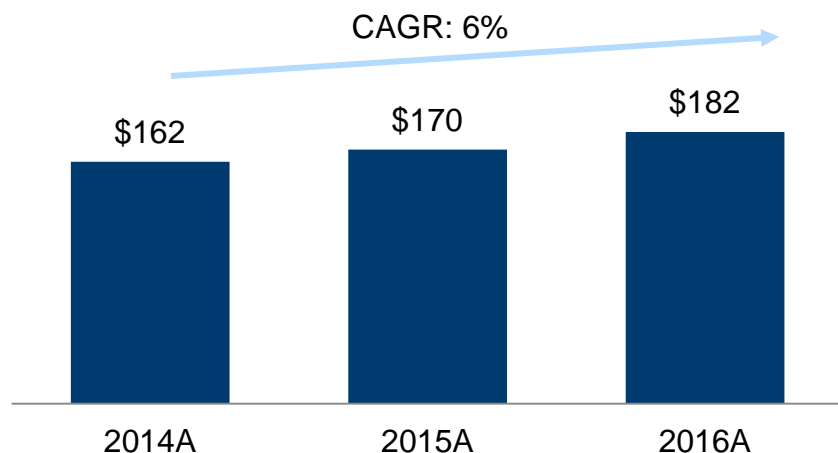
Metric	Performance
Homes Passed	428k
Video Penetration	23.5%
HSD Penetration	25.8%
Voice Penetration	7.5%
Commercial Share of Revenue	13.3%
Homes Passed at 750MHz or Greater	91%

## System map

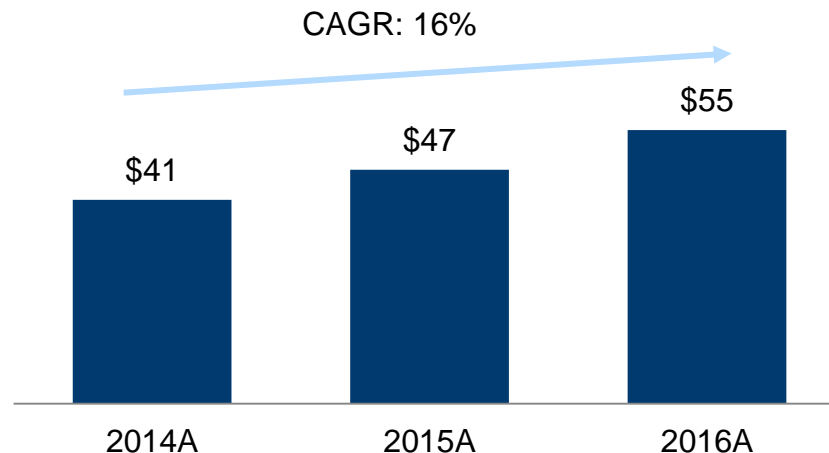


# NewWave has grown significantly over the last several years, driven by residential HSD and business revenues, with headroom for additional growth

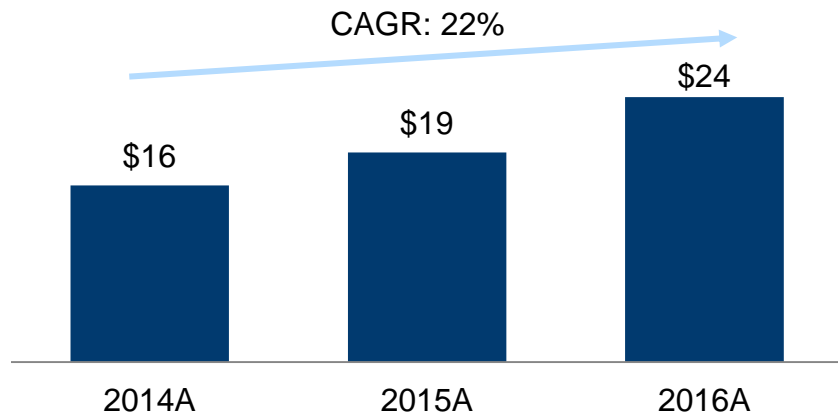
Revenue (\$ million)



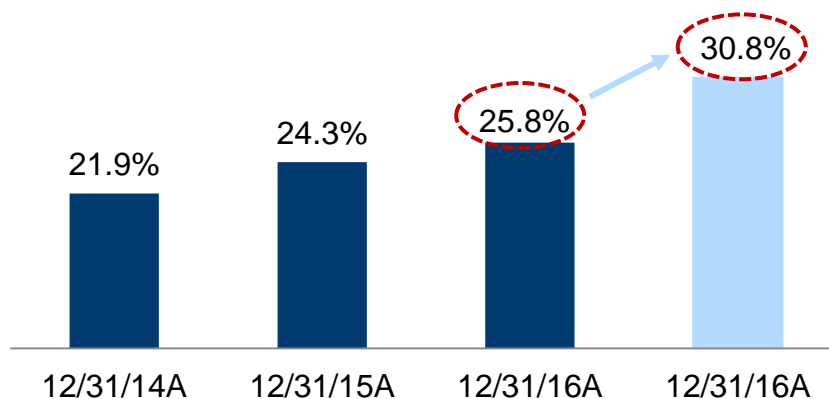
Residential HSD revenue (\$ million)



Business services revenue (\$ million)

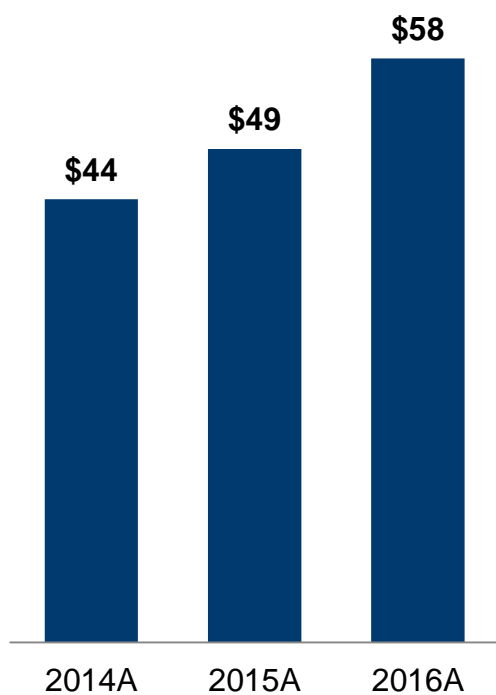


HSD penetration of homes passed

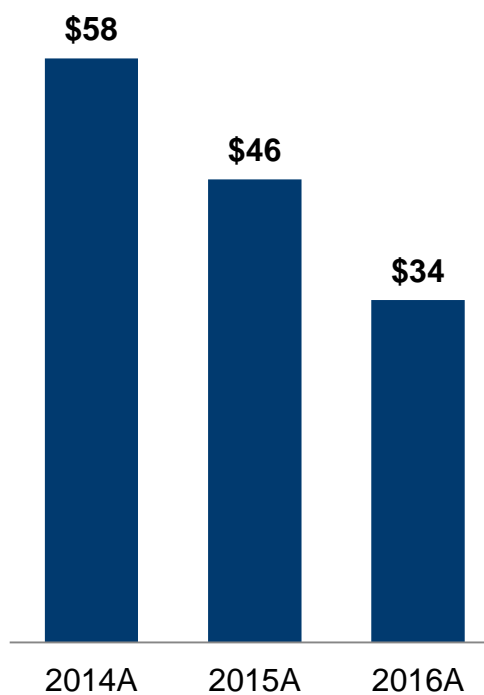


# NewWave historical Adj. EBITDA and Capex

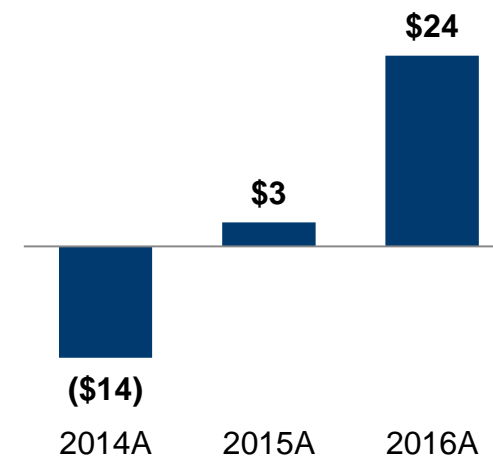
Adjusted EBITDA (\$ million)



Capex (\$ million)



Adjusted EBITDA – Capex (\$ million)



Adj. EBITDA  
Margin (%)

28%      29%      32%

Capex  
% sales

36%      27%      19%

% Conversion

NM      6%      40%

## Appendix

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- ▶ **Reconciliation of Net Income to Adjusted EBITDA**
- ▶ **Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDA less Capital Expenditures**

# NewWave

## Reconciliation of Net Income to Adjusted EBITDA

<b>BY YEAR (\$M)</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Net Income</b>	<b>(\$19)</b>	<b>(\$18)</b>	<b>(\$14)</b>
Plus:			
Interest expense, net	21	21	21
Provision for income taxes	--	--	--
Depreciation and amortization	39	43	47
Stock-based compensation	1	1	1
Other expense	1	1	1
Acquisition-related costs	2	1	2
Gain on sale of cable assets	(2)	--	--
Loss on disposal of fixed assets	1	--	--
<b>Adjusted EBITDA</b>	<b>\$44</b>	<b>\$49</b>	<b>\$58</b>
<i>Adjusted EBITDA Margin</i>	27%	29%	32%
Less: Capital expenditures	\$58	\$46	\$34
<b>Adjusted EBITDA less Capital Expenditures</b>	<b>(\$14)</b>	<b>\$3</b>	<b>\$24</b>
<i>Conversion rate</i>	NM	6%	40%



# NewWave

## Reconciliation of Net Cash Provided by Operating Activities to Adjusted EBITDA less Capital Expenditures

### BY YEAR (\$M)

	2014	2015	2016
<b>Net cash provided by operating activities</b>	<b>\$20</b>	<b>\$32</b>	<b>\$36</b>
Amortization of financing costs	(2)	(2)	(2)
Write off of financing costs	--	(1)	--
Changes in operating assets and liabilities	2	(3)	1
Interest expense	21	21	21
Provision for income taxes	--	--	--
Other (income) expense, net	--	--	--
Acquisition-related costs	2	1	2
Other	1	1	--
Capital expenditures	(58)	(46)	(34)
<b>Adjusted EBITDA less capital expenditures</b>	<b>(\$14)</b>	<b>\$3</b>	<b>\$24</b>

CABLE **ONE**<sup>®</sup>

The logo for Cable One features the word "CABLE" in a blue, sans-serif font. Below it is a stylized graphic element consisting of a red shape on top and a blue shape on the bottom, both tapering to the right. To the right of this graphic is the word "ONE" in a bold, red, italicized sans-serif font, followed by a registered trademark symbol (®).