



# First Quarter 2023 Results

May 5, 2023

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

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 and changes in roaming practices; 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 with which TDS does business; 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; and the impact, duration and severity of public health emergencies. 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.

# Investor relations calendar

5/23/23 - J.P. Morgan's 51st Annual TMT Conference (Boston)

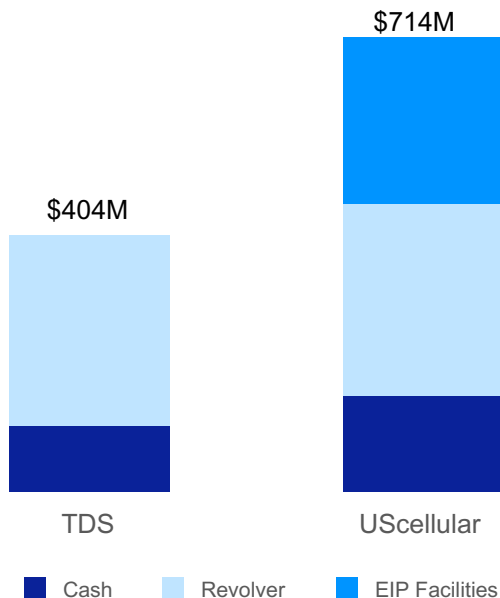
From management: Ted Carlson, Vicki Villacrez and Colleen Thompson

6/22/23 - New York Stock Exchange's Investor Access Conference (Virtual)

From management: Vicki Villacrez, Michelle Brukwicki and Colleen Thompson

# Sources of Liquidity

Available Sources of Liquidity  
~\$1.1 B as of 3/31/23



- We have a window of opportunity to invest in fiber and 5G
- We have sources of liquidity along with access to debt capital markets



# Multi-pronged growth strategies



## 2023 Strategic Priorities

- Advance Our Mission
- Continued Focus on Growth
- Expand Return on Capital
- Leverage Infrastructure Programs
- Advance the Network
- Invest in our Team



## Focus on Growth

- Subscriber stabilization
- Tower revenue growth
- Fixed wireless expansion
- Business and Government & IoT growth

# Quarterly highlights



Improving  
**Postpaid  
Customer  
Results**



**Churn  
Reduction**  
momentum



Continuing  
**5G** network  
investment



Ongoing **Cost  
Discipline**



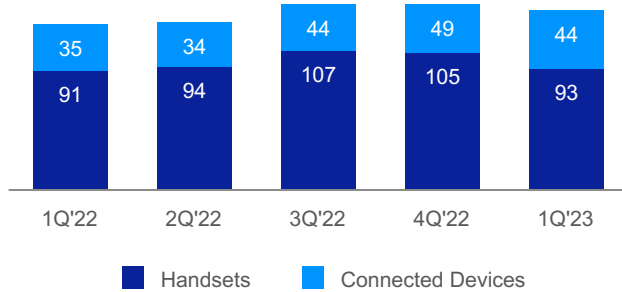
Executing on  
**Growth Initiatives**

Fixed Wireless Connections &  
Tower Rental Revenues

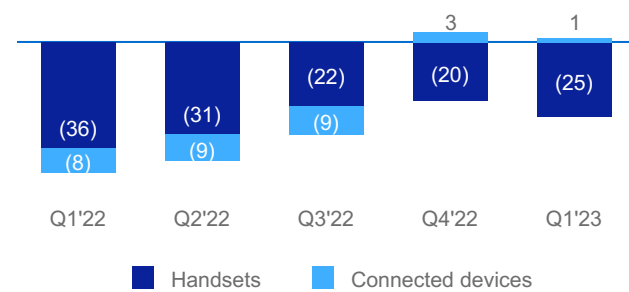
# Postpaid operating metrics



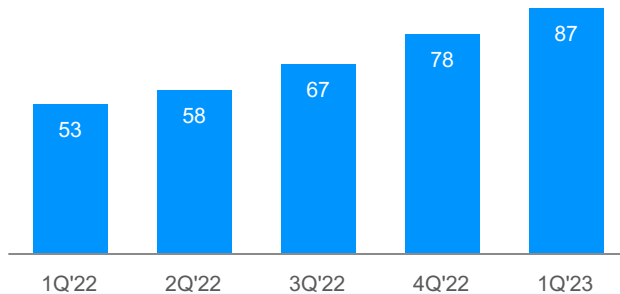
Gross Additions (K)



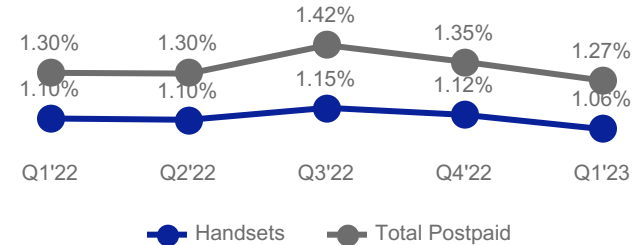
Net Additions (K)



Fixed Wireless Subscribers (K)



Churn

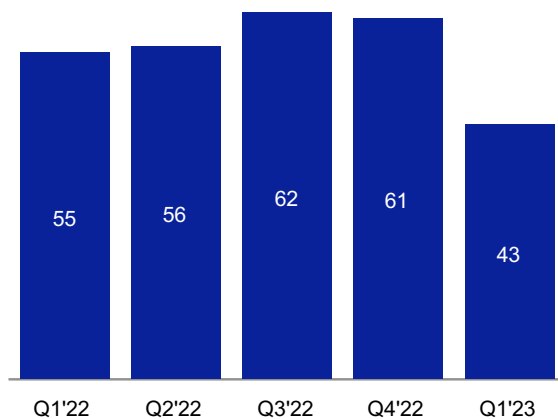




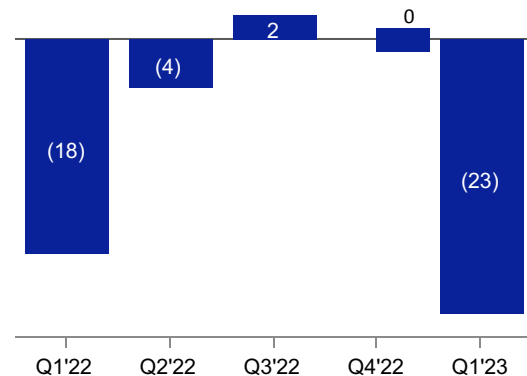
# Prepaid operating metrics



## Gross Additions (K)



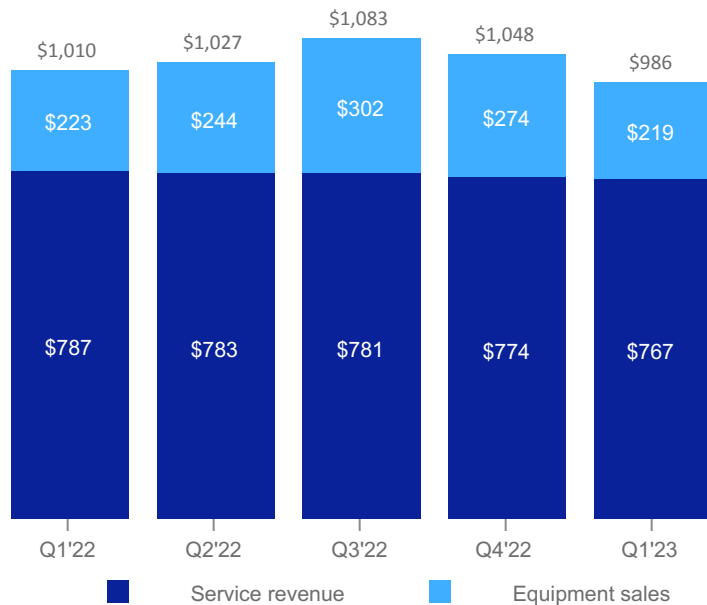
## Net Additions (K)



# Financial summary



## Operating Revenue (\$M)



## ARPU



# Tower revenues



**4,338**

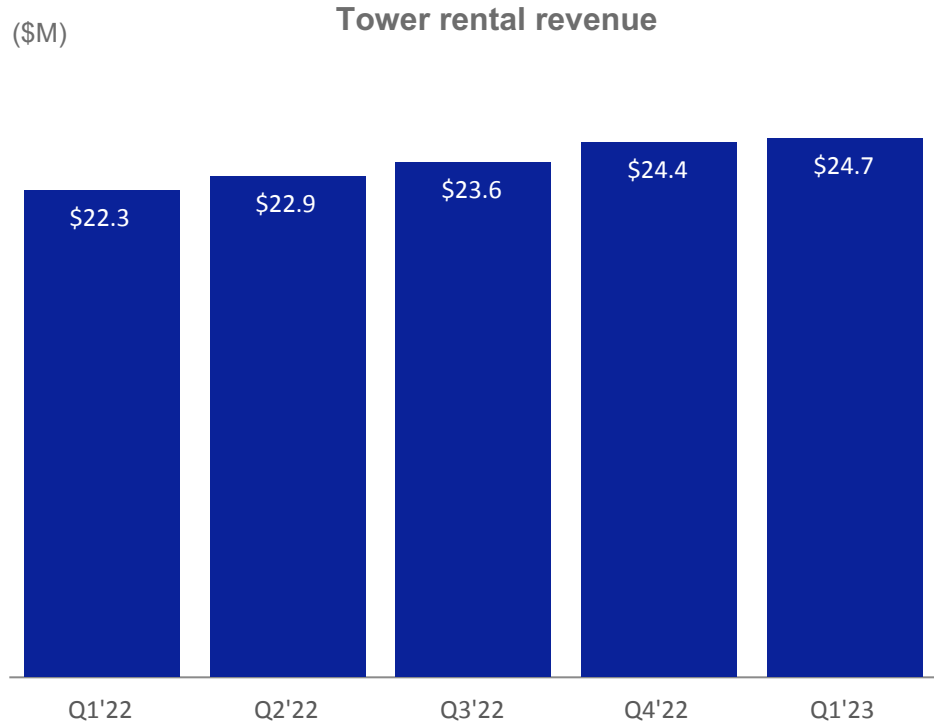
Owned Towers

**2,420**

Number of Colocations  
(Up 8% Y/Y)

**1.55**

Tower Tenancy Rate  
(Up 3% Y/Y)



# UScellular operating performance



(\$M)	Q1'23	Q1'22	% Change
Service revenues	\$ 767	\$ 787	(3)%
Equipment sales	219	223	(2)%
Total operating revenues	986	1,010	(2)%
System operations expense	182	185	(2)%
Cost of equipment sold	253	257	(2)%
SG&A expenses	345	325	6 %
Total cash expenses <sup>(1)(2)</sup>	780	767	2 %
Adjusted OIBDA <sup>(1)</sup>	206	243	(15)%
Equity in earnings of unconsolidated entities	44	45	(2)%
Adjusted EBITDA <sup>(1)</sup>	252	289	(13)%
Capital expenditures	\$ 208	\$ 137	52 %

(1) - See appendix for explanation.

(2) - Q1'23 includes \$10 million in severance and related expenses.

# 2023 guidance \*



(\$M)  
As of May 4, 2023

	<b>2022 Actual</b>	<b>2023 Previous Estimates</b>	<b>2023 Current Estimates</b>
Service revenues	\$3,125	\$3,050-\$3,150	Unchanged
Adjusted OIBDA <sup>(1)</sup>	\$790	\$725-\$875	Unchanged
Adjusted EBITDA <sup>(1)</sup>	\$956	\$875-\$1,025	Unchanged
Capital expenditures	\$717	\$600-\$700	Unchanged



# Our strategy is built on five priorities that will continue to transform our business



- Grow Scale
- Grow Revenue
- Optimize Platform Cost Structure
- Improve Customer Experience
- Invest in our Team

# Progress on our 2026 goals — On track

Deployed 25,000 marketable fiber service addresses in 1Q'23



2026 Goal:  
**1.2 million**  
marketable  
fiber service  
addresses

Where are we  
**607,000**

2026 Goal:  
**60%**  
of service  
addresses to be  
served by fiber

Where are we  
**40%**

2026 Goal:  
**80%**  
of service  
addresses with  
speeds of 1 Gig+

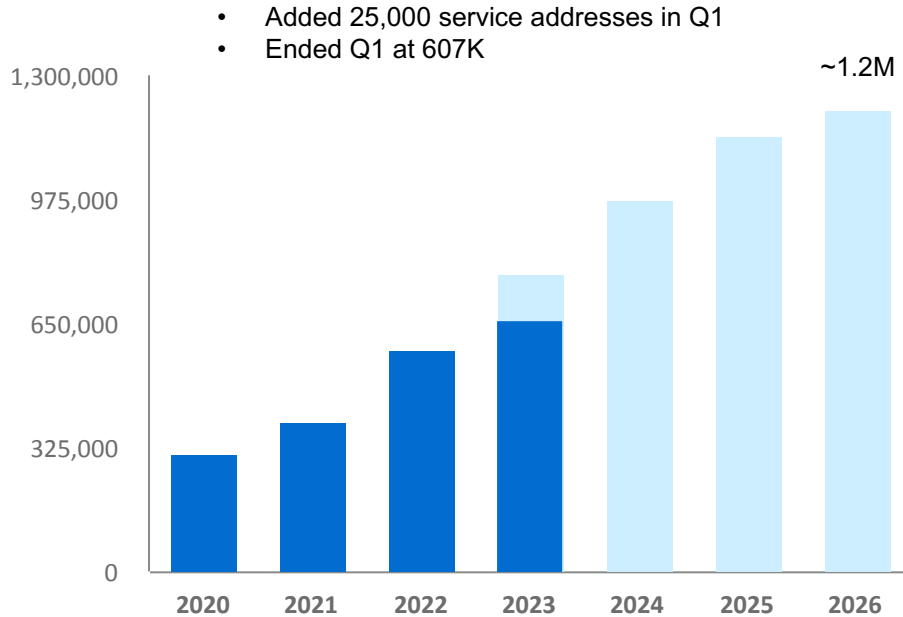
Where are we  
**67%**



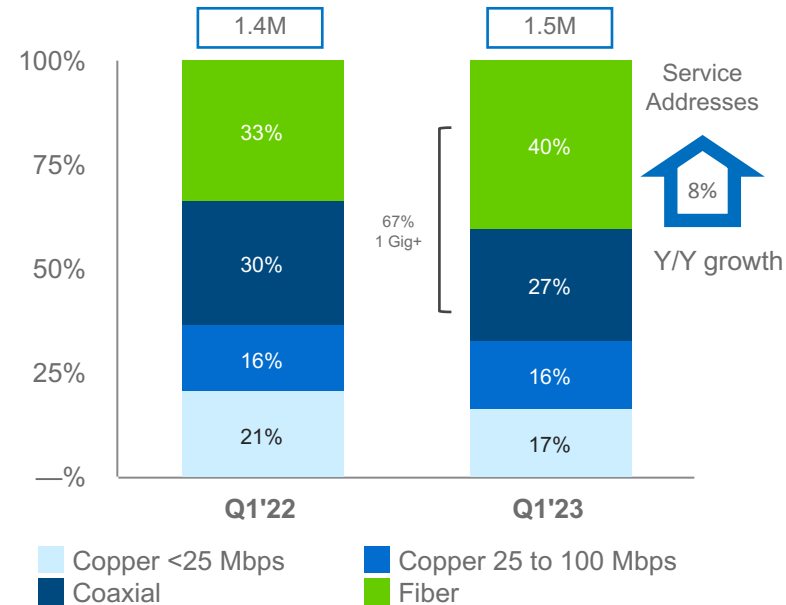
# Investments are driving footprint expansion and faster speeds — on track for 2023 goal



## Marketable Fiber Service Addresses\*



## Total Service Address Mix

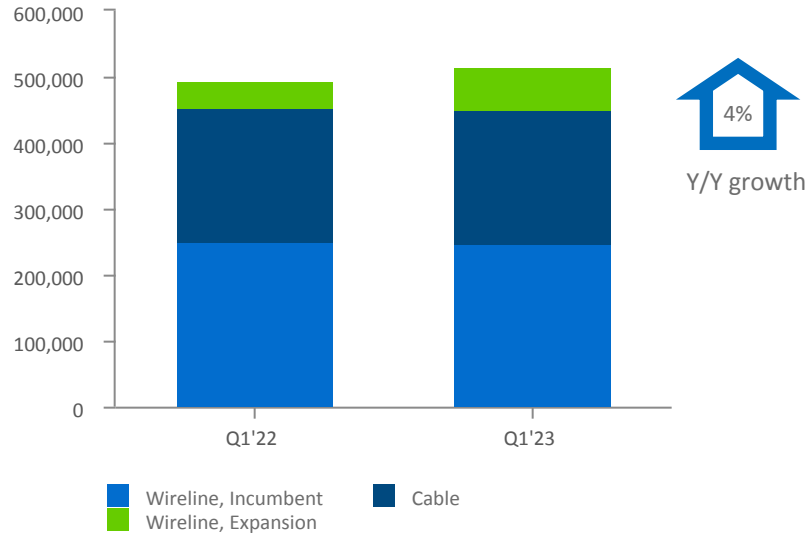


# Strategy drives residential broadband growth

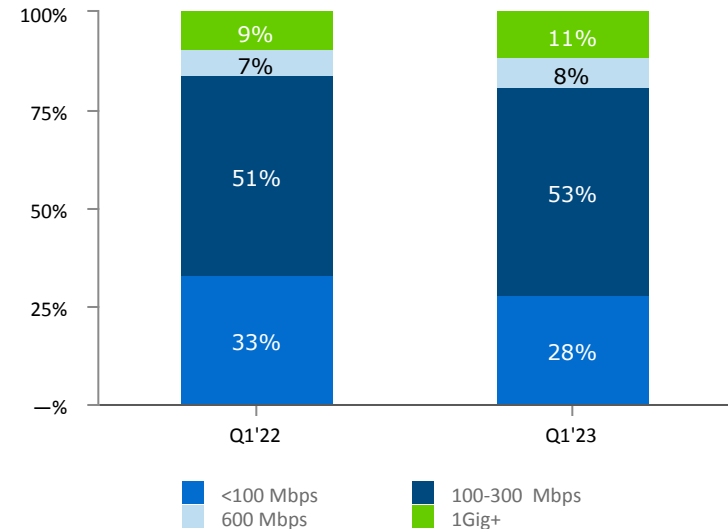


- 72% of customers are taking 100 Mbps or greater vs. 67% in prior year
- Residential broadband revenues grew 8%

## Residential Broadband Connections



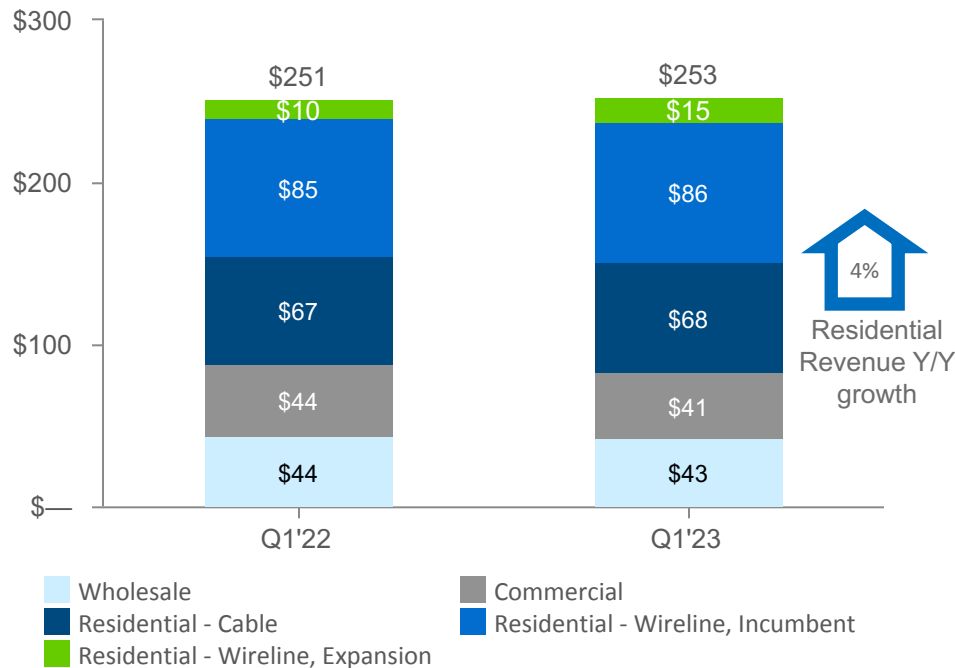
## Residential Broadband Connections by Speed



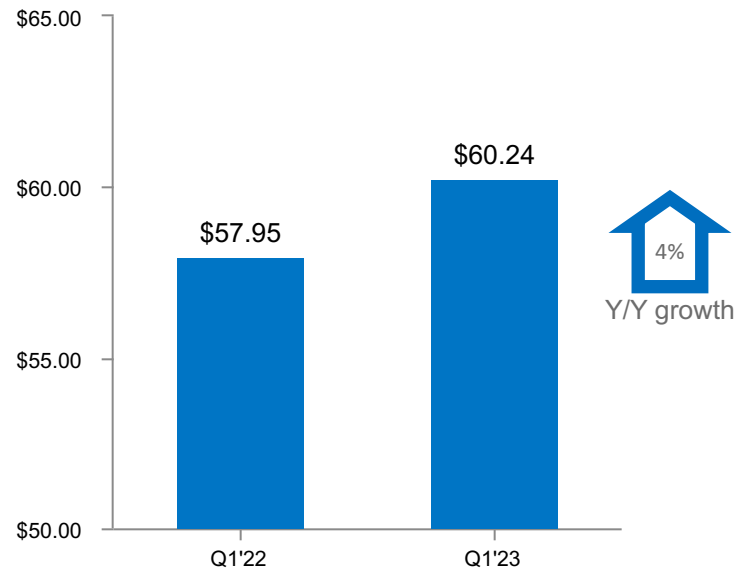
# Broadband growth offsetting legacy revenue declines



## Operating Revenues (\$M)



## Residential Revenue per Connection



# TDS Telecom operating performance



(\$M)	Q1'23	Q1'22	% Change
Total operating revenues	\$ 253	\$ 251	1 %
Cash expenses <sup>(1)</sup>	185	169	10 %
Adjusted EBITDA <sup>(1)</sup>	\$ 69	\$ 83	(17)%
Capital expenditures	\$ 130	\$ 105	24 %

# 2023 TDS Telecom guidance\*



(\$M)  
As of May 4, 2023

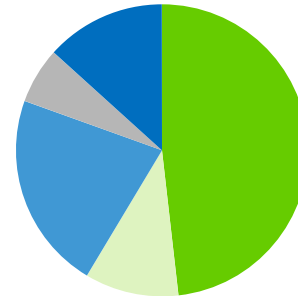
## 2022 Actual

## 2023 Previous Estimates

## 2023 Current Estimates

	2022 Actual	2023 Previous Estimates	2023 Current Estimates
Total operating revenues	\$1,020	\$1,030-\$1,060	Unchanged
Adjusted OIBDA <sup>(1)</sup>	\$288	\$260-\$290	Unchanged
Adjusted EBITDA <sup>(1)</sup>	\$291	\$260-\$290	Unchanged
Capital expenditures	\$556	\$500-\$550	Unchanged

2023 Estimated Capital Expenditures



(1) -See appendix for explanation.

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

# Appendix

# Adjusted OIBDA and Adjusted EBITDA Reconciliation

(\$M)	Three Months Ended March 31, 2023			Three Months Ended March 31, 2022		
	UScellular	TDS Telecom	TDS <sup>(1)</sup>	UScellular	TDS Telecom	TDS <sup>(1)</sup>
<b>Net income (GAAP)</b>	\$14	\$8	\$12	\$52	\$23	\$72
Add back:						
Income tax expense	11	3	13	32	8	37
<b>Income before income taxes (GAAP)</b>	<b>\$25</b>	<b>\$11</b>	<b>\$25</b>	<b>\$84</b>	<b>\$31</b>	<b>\$109</b>
Add back:						
Interest expense	47	(2)	53	33	(2)	33
Depreciation, amortization and accretion expense	170	59	232	171	54	229
<b>EBITDA <sup>(1)</sup> (non-GAAP)</b>	<b>\$242</b>	<b>\$68</b>	<b>\$310</b>	<b>\$288</b>	<b>\$83</b>	<b>\$371</b>
Add back or deduct:						
(Gain) loss on asset disposals, net	10	1	11	2	—	2
(Gain) loss on sale of business and other exit costs, net	—	—	—	(1)	—	(1)
<b>Adjusted EBITDA <sup>(1)</sup> (non-GAAP)</b>	<b>\$252</b>	<b>\$69</b>	<b>\$321</b>	<b>\$289</b>	<b>\$83</b>	<b>\$372</b>
Add back or deduct:						
Equity in earnings of unconsolidated entities	44	—	44	45	—	45
Interest and dividend income	2	1	5	1	—	2
<b>Adjusted OIBDA <sup>(1)</sup> (non-GAAP)</b>	<b>\$206</b>	<b>\$68</b>	<b>\$272</b>	<b>\$243</b>	<b>\$83</b>	<b>\$325</b>

Numbers may not foot due to rounding.

## Adjusted OIBDA and Adjusted EBITDA Reconciliation – 2023 Estimated and 2022 Full Year

In providing 2023 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.

(\$M)	2023 Estimated Results		Actual Results Year ended December 31, 2022	
	UScellular	TDS Telecom	UScellular	TDS Telecom
<b>Net income (GAAP)</b>	N/A	N/A	\$35	\$53
Add back:				
Income tax expense	N/A	N/A	37	23
<b>Income before income taxes (GAAP)</b>	<b>\$10-\$160</b>	<b>\$40-\$70</b>	<b>\$72</b>	<b>\$76</b>
Add back:				
Interest expense	205	—	163	(7)
Depreciation, amortization and accretion expense	645	220	700	215
<b>EBITDA <sup>(1)</sup> (non-GAAP)</b>	<b>\$860-\$1,010</b>	<b>\$260-\$290</b>	<b>\$935</b>	<b>\$284</b>
Add back or deduct:				
Loss on impairment of licenses	—	—	3	—
(Gain) loss on asset disposals, net	15	—	19	7
(Gain) loss on sale of business and other exit costs, net	—	—	(1)	—
<b>Adjusted EBITDA <sup>(1)</sup> (non-GAAP)</b>	<b>\$875-\$1,025</b>	<b>\$260-\$290</b>	<b>\$956</b>	<b>\$291</b>
Deduct:				
Equity in earnings of unconsolidated entities	145	—	158	—
Interest and dividend income	5	—	8	2
Other, net	—	—	—	1
<b>Adjusted OIBDA <sup>(1)</sup> (non-GAAP)</b>	<b>\$725-\$875</b>	<b>\$260-\$290</b>	<b>\$790</b>	<b>\$288</b>

Numbers may not foot due to rounding.



- 1) 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.
- 2) EBITDA, Adjusted EBITDA and Adjusted OIBDA are defined as net income adjusted for the items set forth in the reconciliations on slides 23 and 24. 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 23 and 24 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 23 and 24 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, 2023, 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).
- 3) The TDS column includes UScellular, TDS Telecom and also the impacts of consolidating eliminations, corporate operations and non-reportable segments.