



1st Quarter 2017 Earnings Results

May 2017



Participants

Anand Vadapalli: President and Chief Executive Officer

Laurie Butcher: Senior Vice President of Finance

Leonard Steinberg: General Counsel

Tiffany Smith: Manager, Investor and Board Relations

Safe Harbor Statement

Forward-Looking Statements

We have included in this presentation certain "forward-looking statements," as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's beliefs as well as on a number of assumptions concerning future events made using information currently available to management. You are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of risks, uncertainties and other factors, many of which are outside Alaska Communications' control.

For further information regarding risks and uncertainties associated with Alaska Communications' business, please refer to the Alaska Communications' SEC filings, including, but not limited to, our annual report on Form 10-K, quarterly reports on Form 10-Q filed subsequently, and other filings with the SEC, included under headings such as "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Non-GAAP Measures

In an effort to provide investors with additional information regarding our financial results, in particular with regards to our liquidity and capital resources, we have disclosed certain non-GAAP financial information such as Adjusted EBITDA, Adjusted Free Cash Flow and Net Debt, which management utilizes to assess performance and believes provides useful information to investors. The definition of these non-GAAP measures are on Schedules 4, 5, 6 and 9 of our earnings press release. Adjusted EBITDA, and Adjusted Free Cash Flow are non-GAAP measures and should not be considered a substitute for Net Income, Net Cash Provided (Used) By Operating Activities and other measures of financial performance recorded in accordance with GAAP. Reconciliations of our non-GAAP measures to our nearest GAAP measures can be found in the Appendix or on our website at <http://www.alsk.com> in the investment data section. Other companies may not calculate non-GAAP measures in the same manner as Alaska Communications. We do not provide guidance for Net Income and Net Cash Provided (Used) By Operating Activities.

Q1 2017 Highlights and Business Overview

Anand Vadapalli: President and Chief Executive Officer

Steady Progress Continues Toward Our Business Plan

- Operating performance
 - Total broadband revenue growth of 11.1%
 - Business and wholesale revenues grew 2.9%
 - Total revenues increased 0.7%
 - Adjusted EBITDA increased 1.5%

- Network and business partnerships will drive differentiation and continued growth
 - New fiber capacity to the North Slope is now active
 - Premier partner with Barracuda
 - Microsoft Certifications
 - Silver, Cloud Platform
 - Gold, Education Partner
 - Gold, Small and Midmarket Cloud Solutions

- Completion of refinancing work extends maturities providing shareholder value
 - Successfully repurchased 89.3% of our convertible notes in April

Customer Wins Demonstrate Continued Market Performance

- Growing with the market: Large national carrier
 - Expanded our services in several areas including wireless backhaul
 - Quality of sales and support teams and ability to future needs drives the relationship forward

- Taking share: Alaska Native Corporation
 - Located in one of our new Arctic Fiber Network communities
 - Providing both broadband and managed IT services
 - Solution value and sales and service team capabilities enable the win

- Growing share of wallet: Regional non-profit and Federal sub-contractor
 - Managed IT services opportunities
 - IT partnerships and increasing internal competencies in this area creating opportunities

Review of First Quarter 2017 Results

Laurie Butcher, SVP Finance

Operating Performance Report

- Total Revenue \$56.7 million
 - 0.7% year over year growth
 - ~61% contributed by Business & Wholesale

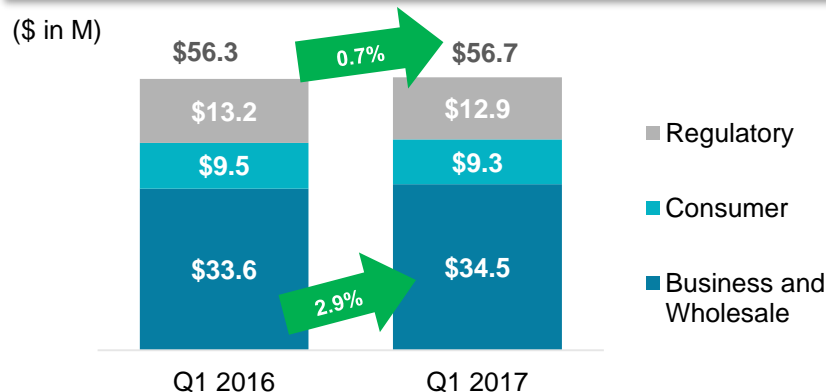
- Total Broadband revenue \$31.0 million
 - 11.1% year over year growth

- Adjusted EBITDA¹ \$14.1 million
 - 1.5% year over year growth

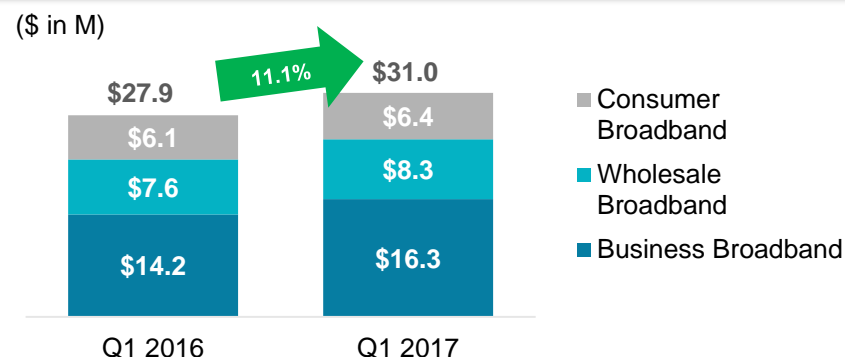
- Net capital spending \$5.1 million

- Adjusted Free Cash Flow^{1, 2} \$7.5 million

TOTAL REVENUE GROWTH



TOTAL BROADBAND REVENUE GROWTH



¹ Reconciliations of non-GAAP measures to the nearest GAAP measures can be found in the Appendix or on the website at <http://www.alsk.com> in the investment data section. The company does not provide guidance for Net Income and Net Cash Provided By Operating Activities.

² Quarterly Adjusted Free Cash Flow fluctuates and should not be viewed as an indicator of annual performance. While events, seasonality of capital spend and the timing of interest payments may result in negative Adjusted Free Cash Flow in one or more quarters.

Substantially Completed Debt Restructure

- Refinanced maturing debt, extending maturities
 - \$120 million first lien term loan tranche 1, at LIBOR+5%, maturing in 2022
 - \$60 million first lien term loan tranche 2, at LIBOR+7%, maturing in 2023
 - \$15 million revolving credit facility

- Completed cash tender offer for 6.25% convertible notes
 - Successfully repurchased 89.3% or \$84 million of the \$94 million convertible notes
 - \$10 million remains in restricted account to opportunistically repurchase the remaining convertible notes or settle them upon maturity in May 2018

- Net debt of \$171.3 million and total debt of \$268.6 million
 - This is inclusive of \$94 million of convertible debt, of which \$84 million was repurchased in April

2017 Guidance

(\$ in M)	Reaffirm 2017 Guidance
Total Revenue	\$229 - \$235
Adjusted EBITDA	\$59 - \$61
Net Capital Spending	\$35 - \$38
(\$ in M)	Additional 2017 Guidance
Adjusted Free Cash Flow	\$4 - \$7

Compared to 2016 performance, guidance for Adjusted Free Cash Flow reflects an increase in net capital spending and increased interest expense as a result of the remaining \$10 million of convertible notes, offset by growth expected in Adjusted EBITDA.

Business Plan Drives Shareholder Value



**Operating
Performance**

Adjusted FCF growth driven by top line growth

**Capital
Allocation**

Prudent balance between investing for growth vs.
returning cash to shareholders

**Strategic
Actions**

Explore strategic actions to drive scale and diversification

Use of Non-GAAP Measures

The Company provides certain non-GAAP financial information, including Adjusted EBITDA, Adjusted Free Cash Flow and Net Debt. Adjusted EBITDA eliminates the effects of period to period changes in costs that are not directly attributable to the underlying performance of the Company’s business operations and is used by Management and the Company’s Board of Directors to evaluate current operating financial performance, analyze and evaluate strategic and operational decisions and better evaluate comparability between periods. Adjusted Free Cash Flow is used to assess the Company’s ability to generate cash and plan for future operating and capital actions. Adjusted EBITDA and Adjusted Free Cash Flow are common measures utilized by our peers (other telecommunications companies) and we believe they provide useful information to investors and analysts about the Company’s operating results, financial condition and cash flows. Net Debt provides Management and the Board of Directors with a measure of the Company’s current leverage position.

Adjusted EBITDA is defined as net income (loss) before interest, loss on extinguishment of debt, depreciation and amortization, gain or loss on asset purchases or disposals, earnings from equity method investments, income taxes, stock-based compensation, pension adjustments, net loss attributable to non-controlling interest and expenses under the Company’s long term cash incentive plan (“LTCI”). LTCI expenses are considered part of an interim compensation structure, which ended in 2016, to mitigate the dilutive impact of additional share issuances for executive compensation.

Adjusted Free cash flow is a non-GAAP liquidity measure and is defined as Adjusted EBITDA, less recurring operating cash requirements which include capital expenditures, net of cash received for a fiber build for a carrier customer, less cash income taxes refunded or paid, cash interest paid, amortization of GCI capacity revenue, and cash receipts and payments associated with the purchase of the North Slope fiber network and establishment of our joint venture with Quintillion Holdings Limited. Amortization of deferred revenue associated with our interconnection agreement with GCI is excluded from Adjusted Free Cash Flow because no cash was received by the Company in connection with this agreement. Amortization of all other deferred revenue, including that associated with other IRU capacity arrangements, is included in Adjusted Free Cash Flow because cash was received by the Company, typically at contract inception, and it being amortized to revenue over the term of the relevant agreement.

The Company does not provide reconciliations of guidance for Adjusted EBITDA to Net Income, and Adjusted Free Cash Flow to Net Cash Provided by Operating Activities, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company does not forecast certain items required to develop the comparable GAAP financial measures. These items are charges and benefits for uncollectible accounts, certain other non-cash expenses, unusual items typically excluded from Adjusted EBITDA and Free Cash Flow, and changes in operating assets and liabilities (generally the most significant of these items, representing cash outflows of \$6.0 million in the three-month period of 2017).

Adjusted EBITDA and Adjusted Free Cash Flow are not GAAP measures and should not be considered a substitute for net income, net cash provided by operating activities, or net cash provided or used. Adjusted EBITDA as computed below is not consistent with the definition of Consolidated EBITDA referenced in our 2015 Senior Credit Agreements, and other companies may not calculate Non-GAAP measures in the same manner we do.

The following tables provide the computation of Adjusted EBITDA and reconciliation to Net Income, and the computation of Adjusted Free Cash Flow and reconciliation to Net Cash Provided by Operating Activities for the three months ended March 31, 2017.

Reconciliation of Non-GAAP Measures Adjusted EBITDA

	Three Months Ended March 31,	
	2017	2016
Net (loss) income	\$ (708)	\$ 53
Add (subtract):		
Interest expense	3,845	3,869
Loss on extinguishment of debt	2,276	336
Interest income	(7)	(5)
Depreciation and amortization	8,903	8,520
Loss on disposal of assets, net	19	24
Income tax (benefit) expense	(832)	63
Stock-based compensation	610	805
Long-term cash incentives	-	211
Pension adjustment	-	21
Net loss attributable to noncontrolling interest	<u>32</u>	<u>33</u>
 Adjusted EBITDA	 <u>\$ 14,138</u>	 <u>\$ 13,930</u>

Reconciliation of Non-GAAP Measures

Cash from Operating Activities to Adjusted Free Cash Flow

	Three Months Ended March 31,	
	2017	2016
Net cash provided by operating activities	\$ 5,298	\$ 10,181
Adjustments to reconcile net cash provided by operating activities to adjusted free cash flow:		
Capital expenditures	(5,148)	(5,175)
Proceeds on sale of fiber to joint venture partner	-	2,650
Amortization of deferred capacity revenue	847	847
Amortization of GCI capacity revenue	(511)	(509)
Amortization of debt issuance costs and debt discount	(1,025)	(1,016)
Interest expense	3,845	3,869
Interest paid	(1,536)	(1,797)
Interest income	(7)	(5)
Income tax expense	(832)	63
Income taxes (payable) receivable	(574)	730
Income taxes refunded (paid), net	574	(577)
Deferred income tax benefit (expense)	832	(267)
Tax deficiencies from share-based payments	-	51
(Charge) benefit for uncollectible accounts	(89)	132
Long-term cash incentives	-	211
Pension adjustment	-	21
Net loss attributable to noncontrolling interest	32	33
Other non-cash expense, net	(145)	(217)
Changes in operating assets and liabilities	5,956	(703)
Adjusted free cash flow	<u>\$ 7,517</u>	<u>\$ 8,522</u>

Reconciliation of Non-GAAP Measures Adjusted Free Cash Flow

	Three Months Ended March 31,	
	2017	2016
Adjusted EBITDA	\$ 14,138	\$ 13,930
Less:		
Capital expenditures	(5,148)	(5,175)
Proceeds on sale of fiber to joint venture partner	-	2,650
Amortization of GCI capacity revenue	(511)	(509)
Income taxes refunded (paid), net	574	(577)
Interest paid	(1,536)	(1,797)
Adjusted free cash flow*	<u>\$ 7,517</u>	<u>\$ 8,522</u>

* Quarterly Adjusted Free Cash Flow fluctuates and should not be viewed as an indicator of annual performance. Onetime events, seasonality of capital spend and the timing of interest payments may result in negative Adjusted Free Cash Flow in one or more quarters.