



# Zayo Group Holdings, Inc. Reports Financial Results for the First Fiscal Quarter Ended September 30, 2015

## Consolidated Financial Information Consolidated Statements of Operations

	Three months ended	
	September 30,	
	2015	2014
(\$ in millions)		
Revenue	<b>\$ 366.8</b>	<b>\$ 320.6</b>
Operating costs and expenses		
Operating costs (excluding depreciation and amortization)	113.0	107.3
Selling, general and administrative expenses	84.6	156.8
Depreciation and amortization	117.1	96.0
Total operating costs and expenses	<b>314.7</b>	<b>360.1</b>
Operating income/(loss)	<b>52.1</b>	<b>(39.5)</b>
Other expenses		
Interest expense	(53.8)	(46.9)
Foreign currency loss on intercompany loans	(10.7)	(14.7)
Other expense, net	(0.1)	-
Total other expenses, net	<b>(64.6)</b>	<b>(61.6)</b>
Loss from operations before income taxes	<b>(12.5)</b>	<b>(101.1)</b>
Provision for income taxes	2.7	9.4
Net loss	<b>\$ (15.2)</b>	<b>\$ (110.5)</b>
Weighted-average shares used to compute net loss per share (in millions):	243.0	223.0
Basic and diluted net loss per share:	\$ (0.06)	\$ (0.50)

## Consolidated Balance Sheets

(\$ in millions)

	September 30, 2015	June 30, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 345.7	\$ 308.6
Trade receivables, net of allowance	90.3	88.0
Due from related parties	0.3	0.6
Prepaid expenses	34.9	37.3
Deferred income taxes, net	129.5	129.5
Other assets	8.4	3.9
Total current assets	<b>609.1</b>	<b>567.9</b>
Property and equipment, net	3,349.0	3,299.2
Intangible assets, net	925.3	948.3
Goodwill	1,218.8	1,224.4
Other assets	63.7	54.8
Total assets	<b>\$ 6,165.9</b>	<b>\$ 6,094.6</b>
Liabilities and stockholders' equity		
Current liabilities		
Current portion of long-term debt	\$ 16.5	\$ 16.5
Accounts payable	36.4	40.0
Accrued liabilities	180.2	182.2
Accrued interest	76.3	57.2
Capital lease obligations, current	4.4	4.4
Deferred revenue, current	90.4	86.6
Total current liabilities	<b>404.2</b>	<b>386.9</b>
Long-term debt, non-current	3,651.1	3,652.2
Capital lease obligation, non-current	32.1	28.3
Deferred revenue, non-current	637.2	612.7
Stock-based compensation liability	2.4	1.9
Deferred income taxes, net	168.4	174.7
Other long-term liabilities	27.0	26.7
Total liabilities	<b>4,922.4</b>	<b>4,883.4</b>
Stockholders' equity		
Preferred stock, \$0.001 par value-- 50,000,000 shares authorized; no shares issued and outstanding as of September 30, 2015 and June 30, 2015, respectively	\$ —	\$ —
Common stock, \$0.001 par value-- 850,000,000 shares authorized; issued and outstanding 245,236,924 and 243,008,679 million shares as of September 30, 2015 and June 30, 2015, respectively	0.2	0.2
Additional paid-in capital	1,757.3	1,705.8
Accumulated other comprehensive loss	(11.9)	(7.9)
Accumulated deficit	(502.1)	(486.9)
Total stockholders' equity	<b>1,243.5</b>	<b>1,211.2</b>
Total liabilities and stockholders' equity	<b>\$ 6,165.9</b>	<b>\$ 6,094.6</b>

## Consolidated Statements of Cash Flows

(\$ in millions)

	Three months ended September 30,	
	2015	2014
<b>Cash flows from operating activities</b>		
<b>Net loss</b>	\$ (15.2)	\$ (110.5)
<i>Adjustments to reconcile net loss to net cash provided by operating activities</i>		
Depreciation and amortization	117.1	96.0
Non-cash interest expense	3.5	2.7
Stock-based compensation	46.1	123.1
Amortization of deferred revenue	(20.4)	(17.3)
Additions to deferred revenue	49.7	43.2
Foreign currency loss on intercompany loans	10.7	14.7
Excess tax benefit from stock-based compensation	(7.9)	—
Deferred income taxes	2.0	6.2
Provision for bad debts	0.6	0.6
Non-cash loss on investments	0.2	—
<b>Changes in operating assets and liabilities, net of acquisitions</b>		
Trade receivables	(5.6)	4.0
Prepaid expenses	2.2	(2.1)
Payables to/(from) related parties, net	0.1	—
Accounts payable and accrued liabilities	24.5	(46.8)
Other assets and liabilities	(12.4)	4.4
<b>Net cash provided by operating activities</b>	<b>195.2</b>	<b>118.2</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(159.2)	(115.3)
Acquisition of Neo Telecoms, net of cash acquired	—	(73.9)
Acquisition of Colo Facilities Atlanta, net of cash acquired	—	(52.5)
Other	(0.3)	(0.1)
<b>Net cash used in investing activities</b>	<b>(159.5)</b>	<b>(241.8)</b>
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(4.1)	(5.1)
Principal payments on capital lease obligations	(1.2)	(0.7)
Excess tax benefit from stock-based compensation	7.9	—
<b>Net cash provided by/(used in) financing activities</b>	<b>2.6</b>	<b>(5.8)</b>
<b>Net cash flows</b>	<b>38.3</b>	<b>(129.4)</b>
Effect of changes in foreign exchange rates on cash	(1.2)	(0.7)
Net increase/(decrease) in cash and cash equivalents	37.1	(130.1)
Cash and cash equivalents, beginning of year	308.6	297.4
Cash and cash equivalents, end of period	\$ 345.7	\$ 167.3

## Reconciliation of Non-GAAP Financial Measures

### Adjusted EBITDA and Cash Flow Reconciliation

(\$ in millions)

	Three months ended		
	September 30, 2015	June 30, 2015	September 30, 2014
<b>Reconciliation of Adjusted EBITDA:</b>			
Net (loss)/income	(15.2)	5.1	(110.5)
Interest expense	53.8	53.0	46.9
(Benefit)/provision for income taxes	2.7	4.6	9.4
Depreciation and amortization	117.1	113.2	96.0
Transaction costs	—	—	3.4
Stock-based compensation	46.1	42.9	123.1
Loss on extinguishment of debt	—	8.5	—
Foreign currency loss/(gain) on intercompany loans	10.7	(16.8)	14.7
Non-cash loss on investments	0.2	0.4	—
Adjusted EBITDA, from continuing operations	<b>\$ 215.4</b>	<b>\$ 210.9</b>	<b>\$ 183.0</b>
<b>Reconciliation of unlevered free cash flow:</b>			
Net cash provided by continuing operating activities:	\$ 195.2	\$ 195.0	\$ 118.2
Cash paid for income taxes	4.7	1.8	8.7
Cash paid for interest, net of capitalized interest	29.3	14.3	73.6
Excess tax benefit from stock-based compensation	7.9	—	—
Transaction costs	—	—	3.4
Provision for bad debts	(0.6)	(0.6)	(0.6)
Additions to deferred revenue	(49.7)	(25.5)	(43.2)
Amortization of deferred revenue	20.4	19.2	17.3
Other changes in operating assets and liabilities	8.2	6.7	5.6
Adjusted EBITDA	<b>215.4</b>	<b>210.9</b>	<b>183.0</b>
Purchases of property and equipment	(159.2)	(155.5)	(115.3)
Unlevered Free Cash Flow	<b>\$ 56.2</b>	<b>\$ 55.4</b>	<b>\$ 67.7</b>
<b>Reconciliation of levered free cash flow:</b>			
Net cash flows provided by operating activities from continuing operations	\$ 195.2	\$ 195.0	\$ 118.2
Purchases of property and equipment, net	(159.2)	(155.5)	(115.3)
Levered free cash flow, as defined	<b>\$ 36.0</b>	<b>\$ 39.5</b>	<b>\$ 2.9</b>

### Investor Relations:

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