Zayo Group Holdings, Inc. Reports Financial Results for the Second Fiscal Quarter Ended December 31, 2016

Second Fiscal Quarter 2017 Financial Highlights

- $506.7 million of consolidated revenue, including $107.9 million from Zayo Canada;
  - 1% quarter-over-quarter annualized revenue growth;
  - 4% quarter-over-quarter annualized recurring revenue growth (6% in constant currency), excluding Zayo Canada.
- Net income of $19.8 million, including $19.6 million from Zayo Canada;
  - $4.1 million increase quarter-over-quarter.
- $263.4 million of adjusted EBITDA, including $26.9 million from Zayo Canada;
- Bookings of $5.2 million, gross installs of $6.7 million, churn of 1.2% and net installs of $2.0 million, all on a monthly recurring revenue (MRR) and monthly amortized revenue (MAR) basis, excluding Zayo Canada.

BOULDER, Colo., February 9, 2017 – Zayo Group Holdings, Inc. ("Zayo" or "the Company") (NYSE: ZAYO), a global leader in Communications Infrastructure, announced results for the three months ended December 31, 2016.

Second quarter operating income increased $3.7 million and net income increased by $4.1 million over the previous quarter. Basic and diluted net income per share during the second fiscal quarter was $0.08. During the three months ended December 31, 2016, capital expenditures were $213.6 million, including $9.6 million attributed to Zayo Canada.

As of December 31, 2016, the Company had $144.0 million of cash and $442.7 million available under its revolving credit facility.

Recent Developments

New Indebtedness

On January 19, 2017, the Company entered into an Incremental Amendment No. 2 (the "Amendment") to the Amended and Restated Credit Agreement dated as of May 6, 2015 (as amended, the "Credit Agreement"). Per the terms of the Amendment, the existing $1.85 billion of term loans under the Credit Agreement were repriced at 99.75% with one $500 million tranche that bears interest at a rate of LIBOR plus 2.0%, with no minimum LIBOR rate and a maturity date of four years from incurrence, which represents a downward adjustment of 75 basis points along with the removal of the previous LIBOR floor, and a second $1.35 billion tranche that bears interest at a rate of LIBOR plus 2.5%, with a minimum LIBOR rate of 1.0% and a maturity of seven years from incurrence, which represents a downward adjustment of 25 basis points. In addition, per the terms of the Amendment, we added a new $650.0 million term loan tranche under the Credit Agreement (the "Incremental Term Loan"). The Incremental Term Loan will be issued at a price of 99.75% and will bear interest at LIBOR plus 2.5%, with a minimum LIBOR rate of 1.0%, with a maturity of seven years from the closing date of the Amendment. No other terms of the Credit Agreement were amended. The Incremental Term Loan will be available for the Company to borrow in connection with the Company's previously announced acquisition of Electric Lightwave (see below).

On January 27, 2017, the Company completed a private offering of $800.0 million aggregate principal amount of 5.75% senior unsecured notes due in 2027 (the "2027 Unsecured Notes").

Acquisition of Electric Lightwave

On November 29, 2016, the Company entered into an Agreement and Plan of Merger to acquire 100% of the equity interest in Electric Lightwave Parent, Inc. (“Electric Lightwave”) for cash consideration of $1.42 billion, subject to customary working capital and other adjustments.

Electric Lightwave, which provides infrastructure and telecom services primarily in the Western United States, has 8,100 route miles of long haul fiber and 4,000 miles of dense metro fiber, with on-net connectivity to more than 3,100 enterprise buildings and 100 data centers.

The Company expects the Electric Lightwave acquisition to close during the quarter ended March 31, 2017, subject to standard closing conditions and regulatory approval. The Electric Lightwave acquisition will be funded with proceeds from the Incremental Term Loan and 2027 Unsecured Notes.

Second Fiscal Quarter Financial Results

Three Months Ended December 31, 2016 and September 30, 2016

(in millions)

	Three months ended	
	December 31, 2016	**September 30, 2016**
Revenue	$ 506.7	$ 504.9
Annualized revenue growth	*1%*	
Operating income	90.7	87.0
Income from operations before income taxes	20.0	22.3
Provision for income taxes	0.2	6.6
Net income/(loss)	$ 19.8	$ 15.7
Adjusted EBITDA	$ 263.4	$ 260.6
Annualized Adjusted EBITDA growth	*4%*	
Adjusted EBITDA margin	*52%*	*52%*
Levered free cash flow/(deficit)	$ (43.9)	$ 24.5

Three Months Ended December 31, 2016 and December 31, 2015

(in millions)

	Three months ended	
	December 31, 2016	**December 31, 2015**
Revenue	$ 506.7	$ 369.6
Annualized revenue growth	*37%*	
Operating income	90.7	58.7
Income from operations before income taxes	20.0	0.3
Provision for income taxes	0.2	11.1
Net income/(loss)	$ 19.8	$ (10.8)
Adjusted EBITDA	$ 263.4	$ 218.9
Annualized Adjusted EBITDA growth	*20%*	
Adjusted EBITDA margin	*52%*	*59%*
Levered free cash deficit	$ (43.9)	$ (26.2)

Conference Call

Zayo will hold a conference call to report second fiscal quarter 2017 results at 5:00 pm. EST, February 9, 2017. The dial in number for the call is 800-908-1487, (ID: 21842235). A live webcast of the call can be found in the investor relations section of Zayo's website or can be accessed directly at https://cc.readytalk.com/r/df4hzdq5b74n&eom. During the call, the Company will review an Earnings Presentation that summarizes the financial, operational and commercial highlights of the quarter, which can be found at http://investors.zayo.com/earnings-releases. The Company's Supplemental Earnings Information presentation will also be made available in the investor relations section of Zayo's website after the conclusion of the conference call.

About Zayo

Zayo Group Holdings, Inc. (NYSE: ZAYO) provides communications infrastructure services, including fiber and bandwidth connectivity, colocation and cloud infrastructure to the world's leading businesses. Customers include wireless and wireline carriers, media and content companies and finance, healthcare and other large enterprises. Zayo's 115,400-mile network in North America and Europe includes extensive metro connectivity to thousands of buildings and data centers. In addition to high-capacity dark fiber, wavelength, Ethernet and other connectivity solutions, Zayo offers colocation and cloud infrastructure in its carrier-neutral data centers. Zayo provides clients with flexible, customized solutions and self-service through Tranzact, an innovative online platform for managing and purchasing bandwidth and services. For more information, visit zayo.com.

Forward Looking Statements

Information contained in this earnings release that is not historical by nature constitutes "forward-looking statements" which can be identified by the use of forward-looking terminology such as "believes," "expects," "plans," "intends," "estimates," "projects," "could," "may," "will," "should," or "anticipates" or the negatives thereof, other variations thereon or comparable terminology, or by discussions of strategy. No assurance can be given that future results expressed or implied by the forward-looking statements will be achieved and actual results may differ materially from those contemplated by the forward-looking statements. Such statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to, those relating to the Company's financial and operating prospects, current economic trends, future opportunities, ability to retain existing customers and attract new ones, outlook of customers, and strength of competition and pricing. In addition, there is risk and uncertainty in the Company's acquisition strategy including our ability to integrate acquired companies and assets. Specifically, there is a risk associated with our recent acquisitions, and the benefits thereof, including financial and operating results and synergy benefits that may be realized from these acquisitions and the timeframe for realizing these benefits. Other factors and risks that may affect our business and future financial results are detailed in the "Risk Factors" section of our Annual Report on Form 10-K filed on August 26, 2016 with the Securities and Exchange Commission (our "Annual Report"). We caution you not to place undue reliance on these forward-looking statements, which speak only as of their respective dates. We undertake no obligation to publicly update or revise forward-looking statements to reflect events or circumstances after releasing this supplemental information or to reflect the occurrence of unanticipated events, except as required by law.

This earnings release should be read together with the Company's unaudited condensed consolidated financial statements and notes thereto for the quarter ended December 31, 2016 included in the Company's Quarterly Report on Form 10-Q to be filed with the SEC on February 9, 2017 and the Company's audited consolidated financial statements and notes thereto for the year ended June 30, 2016 included in the Company's Annual Report.

Non-GAAP Financial Measures

The Company provides financial measures that are not defined under generally accepted accounting principles in the United States, or GAAP, including Adjusted EBITDA, Adjusted EBITDA Margin, and levered free cash flow.

Adjusted EBITDA, as defined below and in Note 16 – *Segment Reporting* of our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, is the primary measure used by our chief operating decision maker to evaluate segment operating performance.

Adjusted EBITDA is defined as earnings/(loss) from continuing operations before interest, income taxes, depreciation, and amortization ("EBITDA") adjusted to exclude acquisition or disposal-related transaction costs, losses on extinguishment of debt, stock-based compensation, unrealized foreign currency gains/ (losses) on intercompany loans, and non-cash income/(loss) on equity and cost method investments. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue. Levered free cash flow is defined as operating cash flow minus purchases of property and equipment, net of stimulus grants. Levered free cash flow is not a measurement of our financial performance under GAAP and should not be considered in isolation or as alternatives to net income, net cash flows provided by operating activities, total net cash flows or any other performance measures derived in accordance with GAAP or as alternatives to net cash flows from operating activities or total net cash flows as measures of our liquidity.

Adjusted EBITDA is a performance rather than cash flow measure. We use levered free cash flow as a measure to evaluate cash generated through normal operating activities. These metrics are among the primary measures used by management for planning and forecasting future periods. We believe the presentation of Adjusted EBITDA is relevant and useful for investors because it allows investors to view results in a manner similar to the method used by management and make it easier to compare our results with the results of other companies that have different financing and capital structures. We believe that the presentation of levered free cash flow is relevant and useful to investors because it provides a measure of cash available to pay the principal on our debt and pursue acquisitions of businesses or other strategic investments or uses of capital.

We also monitor Adjusted EBITDA because our subsidiaries have debt covenants that restrict their borrowing capacity that are based on a leverage ratio, which utilizes a modified EBITDA, as defined in our credit agreement and the indentures governing our notes. The modified EBITDA is consistent with our definition of Adjusted EBITDA; however, it includes the pro forma Adjusted EBITDA of and expected cost synergies from the companies acquired by us during the quarter for which the debt compliance certification is due. Adjusted EBITDA results, along with the quantitative and qualitative information, are also utilized by management and our Compensation Committee, as an input for determining incentive payments to employees.

Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, analysis of our results of operations and operating cash flows as reported under GAAP. For example, Adjusted EBITDA:

- does not reflect capital expenditures, or future requirements for capital and major maintenance expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, our working capital needs;
- does not reflect the interest expense, or the cash requirements necessary to service the interest payments, on our debt; and
- does not reflect cash required to pay income taxes.

Levered free cash flow has limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, analysis of our results as reported under GAAP. For example, levered free cash flow:

- does not reflect principal payments on debt;
- does not reflect principal payments on capital lease obligations;
- does not reflect dividend payments, if any; and
- does not reflect the cost of acquisitions.

Our computation of Adjusted EBITDA, and levered free cash flow may not be comparable to other similarly titled measures computed by other companies because all companies do not calculate these measures in the same fashion.

Because we have acquired numerous entities since our inception and incurred transaction costs in connection with each acquisition, borrowed money in order to finance our operations and acquisitions, and used capital and intangible assets in our business, and because the payment of income taxes is necessary if we generate taxable income after the utilization of our net operating loss carry forwards, any measure that excludes these items has material limitations. As a result of these limitations, these measures should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of our liquidity.

See “Reconciliation of Non-GAAP Financial Measures” for a quantitative reconciliation of Adjusted EBITDA to net income/(loss) and for a quantitative reconciliation of levered free cash flow to net cash provided by operating activities.

Annualized revenue and annualized Adjusted EBITDA are derived by multiplying the total revenue and Adjusted EBITDA, respectively, for the most recent quarterly period by four. Our computations of annualized revenue and annualized Adjusted EBITDA may not be representative of our actual annual results.

Measures referred to as being calculated on a constant currency basis are intended to present the relevant information assuming a constant exchange rate between the two periods being compared. Such metrics are calculated by applying the currency exchange rates used in the preparation of the prior period financial results to the subsequent period results.

Tables reconciling non-GAAP measures are included in the Reconciliation of Non-GAAP Financial Measures section of this presentation. A glossary of terms used throughout is available under the investor section of the Company’s website at http://investors.zayo.com/glossary.

Consolidated Financial Information

Condensed Consolidated Statements of Operations

(in millions, except per share data)

	Three months ended December31,		Six months ended December31,	
	2016	**2015**	**2016**	**2015**
Revenue	**$ 506.7**	**$ 369.6**	**$ 1,011.6**	**$ 736.4**
Operating costs and expenses				
Operating costs (excluding depreciation and amortization)	179.9	112.2	353.7	225.2
Selling, general and administrative expenses	104.7	85.0	210.3	169.6
Depreciation and amortization	131.4	113.7	269.9	230.8
Total operating costs and expenses	**416.0**	**310.9**	**833.9**	**625.6**
Operating income	**90.7**	**58.7**	**177.7**	**110.8**
Other expenses				
Interest expense	(53.7)	(51.2)	(107.0)	(105.0)
Foreign currency loss on intercompany loans	(17.4)	(7.1)	(28.6)	(17.8)
Other income/(expense), net	0.4	(0.1)	0.2	(0.2)
Total other expenses, net	(70.7)	(58.4)	(135.4)	(123.0)
Income/(loss) from operations before income taxes	**20.0**	**0.3**	**42.3**	**(12.2)**
Provision for income taxes	0.2	11.1	6.8	13.8
Net income/(loss)	**$ 19.8**	**$ (10.8)**	**$ 35.5**	**$ (26.0)**
Weighted-average shares used to compute net income/(loss) per share:				
Basic	243.1	244.8	242.9	243.9
Diluted	245.6	244.8	244.9	243.9
Net income/(loss) per share:				
Basic	$ 0.08	$ (0.04)	$ 0.15	$ (0.11)
Diluted	$ 0.08	$ (0.04)	$ 0.14	$ (0.11)

Condensed Consolidated Balance Sheets
(in millions)

	December 31, 2016	June 30, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 144.0	$ 170.7
Trade receivables, net of allowance of $8.6 and $7.5 as of December 31, 2016 and June 30, 2016, respectively	156.7	148.4
Prepaid Expenses	52.9	68.8
Other assets	8.6	9.2
Total current assets	**362.2**	**397.1**
Property and equipment, net	4,286.5	4,079.5
Intangible assets, net	902.7	934.9
Goodwill	1,196.9	1,214.5
Deferred income taxes, net	7.0	7.0
Other assets	112.4	94.5
Total assets	**$ 6,867.7**	**$ 6,727.5**
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	39.9	97.0
Accrued liabilities	260.0	225.7
Accrued interest	28.8	28.6
Capital lease obligations, current	7.8	5.8
Deferred revenue, current	121.1	129.4
Total current liabilities	**457.6**	**486.5**
Long-term debt, non-current	4,091.3	4,085.3
Capital lease obligation, non-current	76.6	44.9
Deferred revenue, non-current	849.4	793.3
Deferred income taxes, net	39.2	41.3
Other long-term liabilities	66.1	57.0
Total liabilities	**5,580.2**	**5,508.3**
Stockholders' equity		
Preferred stock, $0.001 par value - 50,000,000 shares authorized; no shares issued and outstanding as of December 31, 2016 and June 30, 2016, respectively	—	—
Common stock, $0.001 par value - 850,000,000 shares authorized; 244,115,095 and 242,649,498 shares issued and outstanding as of December 31, 2016 and June 30, 2016, respectively	0.2	0.2
Additional paid-in capital	1,839.5	1,777.6
Accumulated other comprehensive (loss)/income	(22.9)	4.5
Accumulated deficit	(529.3)	(563.1)
Total stockholders' equity	**1,287.5**	**1,219.2**
Total liabilities and stockholders' equity	**$ 6,867.7**	**$ 6,727.5**

Consolidated Statement of Cash Flows
(in millions)

	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
Cash flows from operating activities		
Net income/(loss)	$ 35.5	$ (26.0)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities		
Depreciation and amortization	269.9	230.8
Non-cash interest expense	5.1	6.6
Stock-based compensation	66.5	89.0
Amortization of deferred revenue	(55.6)	(41.9)
Additions to deferred revenue	84.3	86.6
Foreign currency loss on intercompany loans	28.6	17.8
Excess tax benefit from stock-based compensation	—	(7.9)
Deferred income taxes	(0.5)	8.3
Provision for bad debts	1.4	2.5
Non-cash loss on investments	0.5	0.6
Changes in operating assets and liabilities, net of acquisitions		
Trade receivables	(16.5)	15.3
Accounts payable and accrued liabilities	(33.0)	(26.0)
Other assets and liabilities	16.3	(14.3)
Net cash provided by operating activities	**402.5**	**341.4**
Cash flows from investing activities		
Purchases of property and equipment	(421.9)	(331.6)
Cash paid for acquisitions, net of cash acquired	(1.3)	(117.7)
Other	1.5	(0.3)
Net cash used in investing activities	**(421.7)**	**(449.6)**
Cash flows from financing activities		
Principal payments on long-term debt	—	(8.3)
Principal payments on capital lease obligations	(2.0)	(2.2)
Payment of debt issue costs	(0.7)	—
Common stock repurchases	—	(17.9)
Excess tax benefit from stock-based compensation	—	7.9
Other	—	(0.4)
Net cash used in financing activities	**(2.7)**	**(20.9)**
Net cash flows	**(21.9)**	**(129.1)**
Effect of changes in foreign exchange rates on cash	(4.8)	(3.3)
Net increase in cash and cash equivalents	(26.7)	(132.4)
Cash and cash equivalents, beginning of year	170.7	308.6
Cash and cash equivalents, end of period	$ 144.0	$ 176.2
Supplemental disclosure of non-cash investing and financing activities:		
Cash paid for interest, net of capitalized interest	$ 97.3	$ 112.5
Cash paid for income taxes	$ 6.0	$ 6.7
Non-cash purchases of equipment through capital leasing	$ 37.9	$ 5.8
Increase in accounts payable and accrued expenses for purchases of property and equipment	$ 22.7	$ 25.5

Reconciliation of Non-GAAP Financial Measures
(in millions)

Adjusted EBITDA and Cash Flow Reconciliation	Three months ended		
	December 31, 2016	September 30, 2016	December 31, 2015
Reconciliation of Adjusted EBITDA:			
Net income/(loss)	$ 19.8	$ 15.7	$ (10.8)
Interest expense	53.7	53.3	51.2
Provision/(benefit) for income taxes	0.2	6.6	11.1
Depreciation and amortization	131.4	138.5	113.7
Transaction costs	6.2	3.0	3.3
Stock-based compensation	34.5	32.0	42.9
Foreign currency loss on intercompany loans	17.4	11.2	7.1
Non-cash loss on investments	0.2	0.3	0.4
Adjusted EBITDA	$ **263.4**	$ **260.6**	$ **218.9**
Reconciliation of levered free cash flow/(deficit):			
Net cash provided by operating activities	$ 169.7	$ 232.8	$ 146.2
Purchases of property and equipment, net	(213.6)	(208.3)	(172.4)
Levered free cash flow/(deficit), as defined	**$ (43.9)**	**$ 24.5**	**$ (26.2)**

Adjusted EBITDA and Cash Flow Reconciliation	Three months ended December 31, 2016		
	Zayo Consolidated	Zayo Canada	Consolidated Excluding Zayo Canada
Reconciliation of Adjusted EBITDA:			
Net income	$ 19.8	$ 19.6	$ 0.2
Interest expense	53.7	0.2	53.5
Provision for income taxes	0.2	—	0.2
Depreciation and amortization	131.4	1.7	129.7
Transaction costs	6.2	3.7	2.5
Stock-based compensation	34.5	2.0	32.5
Foreign currency loss/(gain) on intercompany loans	17.4	(0.3)	17.7
Non-cash loss on investments	0.2	—	0.2
Adjusted EBITDA	$ **263.4**	$ **26.9**	$ **236.5**
Reconciliation of levered free cash flow/(deficit):			
Net cash provided by operating activities	$ 169.7	$ 17.1	$ 152.6
Purchases of property and equipment, net	(213.6)	(9.6)	(204.0)
Levered free cash flow/(deficit), as defined	**$ (43.9)**	**$ 7.5**	**$ (51.4)**

Investor Relations:
(720) 306-7556
IR@zayo.com