

Windstream reports fourth-quarter, full-year 2017 results

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LITTLE ROCK, Ark. – Windstream Holdings, Inc. (Nasdaq: WIN), a leading provider of advanced network communications and technology solutions, today reported fourth-quarter and full-year 2017 results.

2017 Achievements:

- Completed EarthLink and Broadview acquisitions;
- Launched SD-WAN Concierge and OfficeSuite across entire company footprint;
- Expanded Enterprise contribution margin percentage – up 200 bps sequentially and 160 bps year-over year;
- Exited 2017 at highest adjusted OIBDAR margin level since pre-EarthLink acquisition;
- Achieved 12th consecutive quarter of Consumer ARPU growth;
- Significantly improved maturity profile of balance sheet; and
- Ended year with synergy plans on schedule and ramping into 2018.

“2017 was a very productive year for Windstream. We delivered improved financial and operating results for almost all metrics across the business and positioned the company for growth,” said Tony Thomas, president and chief executive officer. “We continued to see growing demand for our SD-WAN service and strategic enterprise products, as well as increased customer adoption of faster broadband speeds as a result of our significant network investments.

“For 2018 we are focused on advancing our industry-leading Enterprise and Wholesale service capabilities and launching faster, more cost-effective broadband deployment techniques. We will further simplify our business and transform customer-facing and internal tools and drive revenue improvements through enhanced sales and improved customer retention. We also will continue our work to optimize our balance sheet,” Thomas said.

Results under GAAP

For the fourth quarter, total revenues and sales were \$1.50 billion and total service revenues were \$1.48 billion compared to \$1.31 billion and \$1.29 billion respectively year-over-year. During the quarter, the company recorded a \$1.8 billion non-cash goodwill impairment charge related to its ILEC Consumer & Small Business and Wholesale segments, resulting in an operating loss of \$1.8 billion compared to operating income of

\$74 million in the same period a year ago. The company reported a net loss of \$1.84 billion or a loss of \$10.26 per share compared to a net loss of \$87 million or a loss of 94-cents per share a year ago.

For 2017, total revenues and sales were \$5.85 billion and total service revenues were \$5.76 billion compared to \$5.39 billion and \$5.28 billion respectively year-over-year. The company reported an operating loss of \$1.6 billion compared to operating income of \$515 million in the same period a year ago. The company reported a net loss of \$2.1 billion or a loss of \$12.52 per share compared to a net loss of \$384 million or a loss of \$4.11 per share a year ago.

Adjusted Results of Operations

Adjusted revenues and sales were \$1.50 billion in the fourth quarter, a decline of 3 percent from the same period a year ago, and \$6.0 billion for the year, a decline of 6 percent year-over-year.

Adjusted service revenues were \$1.48 billion in the fourth quarter, a decrease of 3 percent year-over-year, and \$5.91 billion for the year, a decline of 6 percent year-over-year.

Adjusted OIBDAR was \$521 million in the fourth quarter, a decrease of 1 percent year-over-year, and \$2.01 billion for the year, a decline of 6 percent from the same period a year ago.

ILEC Consumer and Small Business service revenues were \$476 million in the fourth quarter, a 4 percent decline year-over-year, and \$1.94 billion, a decline of 4 percent from 2016. Contribution margin was \$282 million or 59 percent in the fourth quarter and \$1.13 billion or 57 percent for the year.

Enterprise service revenues were \$760 million in the fourth quarter, a decrease of less than 1 percent year-over-year, and \$2.98 billion for the year, a decrease of 5 percent from 2016. Contribution margin was \$164 million or 21 percent in the fourth quarter and \$593 million or 20 percent for the year.

Wholesale service revenues were \$190 million in the fourth quarter, a decrease of 8 percent year-over-year, and \$778 million for the year, a decline of 10 percent from 2016. Contribution margin was \$135 million or 71 percent in the fourth quarter and \$540 million or 69 percent for the year.

CLEC Consumer service revenues, which primarily consists of EarthLink's consumer Internet business, were \$51 million in the fourth quarter, a decline of 5 percent year-over-year, and \$206 million for the year, a decrease of 8 percent from 2016. Contribution margin

was \$27.5 million or 54 percent in the fourth quarter and \$107 million or 52 percent for the year.

Adjusted capital expenditures were \$172 million in the fourth quarter compared to \$212 million in the same period a year ago and \$839 million for all of 2017 compared to \$900 million for 2016.

The company generated \$143 million in adjusted free cash flow for 2017.

Note: Adjusted results of operations are based on the combined historical financial information of Windstream and EarthLink and assume the merger was completed on Jan. 1, 2016. Operating results for Broadview are included beginning on July 28, 2017, the date of acquisition. A reconciliation of adjusted results to the comparable GAAP measures is included in the financial information presented below. Additional supplemental quarterly financial information is available on the company's Web site at www.windstream.com/investors.

Balance Sheet

Windstream significantly improved the maturity profile of its balance sheet in 2017 by pushing almost \$2 billion in maturities out an average of more than two years. The company has no meaningful maturities prior to 2020.

Financial Outlook for 2018

The company expects service revenue trends to be slightly improved versus 2017 trends. The company expects adjusted OIBDAR to be in the range of \$1.95 billion to \$2.01 billion. Adjusted capital expenditures are expected to be between \$750 million and \$800 million.

The company expects to generate adjusted free cash flow of approximately \$165 million. The outlook assumes cash interest on long-term debt of approximately \$385 million.

About Windstream

Windstream Holdings, Inc. (Nasdaq:WIN), a FORTUNE 500 company, is a leading provider of advanced network communications and technology solutions for consumers, businesses, enterprise organizations and wholesale customers across the U.S. Windstream offers broadband, entertainment and security services for consumers and small and medium-sized businesses. Windstream also provides data networking, core transport, security, unified communications and managed services to mid-market, enterprise and wholesale customers. Services are delivered over multiple network platforms including a nationwide IP network, our proprietary cloud core architecture and on a local and long-haul fiber network spanning approximately 150,000 miles. Additional information is available at

windstream.com or windstreamenterprise.com. Please visit our newsroom at news.windstream.com or follow us on Twitter at @Windstream or @WindstreamBiz.

Adjusted OIBDA is operating income before depreciation and amortization, excluding goodwill impairment, merger, integration and certain other costs, restructuring charges, pension costs and share-based compensation.

Adjusted OIBDAR is Adjusted OIBDA before the annual cash rent payment due under the master lease agreement with Uniti Group, Inc., formerly Communications Sales & Leasing (CS&L).

Adjusted free cash flow is defined as Adjusted OIBDA, less adjusted capital expenditures, cash taxes and cash interest on long-term debt.

Cautionary Statement Regarding Forward Looking Statements

Windstream Holdings, Inc. claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” “forecast” and other words and terms of similar meaning. Forward-looking statements are subject to risks and uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements.

Forward-looking statements include, but are not limited to, 2018 guidance for service revenue, adjusted OIBDAR, adjusted capital expenditures, and adjusted free cash flow, along with statements regarding future growth of adjusted OIBDAR and free cash flow; 2018 directional outlook for business units and overall business trends, including revenue and contribution margin trends and sales opportunities; improvement in our ability to compete, including expanding utilization of next generation technology in our products and services, increasing availability of faster broadband speeds and Kinetic to more households within our service areas, and expected continued sales growth of strategic products for business customers; statements regarding our 2018 priorities; the benefits of the mergers with EarthLink Holdings Corp. and Broadview Network Holdings, Inc. including projected synergies in operating and capital expenditures and the timing of the synergies; our ability to improve of our debt profile and balance sheet and overall reduction in net leverage; expectations regarding our updated business unit structure and expense management activities and the timing and benefit of such activities; benefits of the new federal tax laws and our ability to utilize certain net operating loss carryforwards, and any other statements regarding plans, objectives, expectations and intentions and other statements that are not historical facts.

These statements, along with other forward-looking statements regarding Windstream's overall business outlook, are based on estimates, projections, beliefs, and assumptions that Windstream believes are reasonable but are not guarantees of future events, performance or results. Actual future events and results may differ materially from those expressed in these forward-looking statements as a result of a number of important factors.

Factors that could cause actual results to differ materially from those contemplated in our forward-looking statements include, among others:

- the cost savings and expected synergies from the mergers with EarthLink and Broadview may not be fully realized or may take longer to realize than expected;
- the integration of Windstream and EarthLink and Broadview may not be successful, may cause disruption in relationships with customers, vendors and suppliers and may divert attention of management and key personnel;
- the impact of the Federal Communications Commission's comprehensive business data services reforms that may result in greater capital investments and customer and revenue churn because of possible price increases by our ILEC suppliers for certain services we use to serve customer locations where we do not have facilities;
- the potential for incumbent carriers to impose monetary penalties for failure to meet specific volume and term commitments under their special access pricing and tariff plans, which Windstream uses to lease last-mile connections to serve its retail business data service customers, without FCC action;
- the impact of new, emerging or competing technologies and our ability to utilize these technologies to provide services to our customers;
- the alleged ability of one or more purported noteholders to establish that transactions related to the spin-off of certain assets in 2015 into a publicly-traded real estate investment trust allegedly violated certain covenants in existing indentures governing certain outstanding senior notes;
- the benefits of our current capital allocation strategy, which may be changed at anytime at the discretion of our board of directors, and certain cost reduction activities may not be fully realized or may take longer to realize than expected, or the implementation of these initiatives may adversely affect our sales and operational activities or otherwise disrupt our business and personnel;
- the availability and cost of financing in the corporate debt markets;

- unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements, or otherwise;
- for certain operations where we lease facilities from other carriers, adverse effects on the availability, quality of service, price of facilities and services provided by other carriers on which our services depend;
- our election to accept state-wide offers under the FCC's Connect America Fund, Phase II, and the impact of such election on our future receipt of federal universal service funds and capital expenditures, and any return of support received pursuant to the program;
- our ability to make rent payments under the master lease to Uniti, which may be affected by results of operations, changes in our cash requirements, cash tax payment obligations, or overall financial position
- further adverse changes in economic conditions in the markets served by us;
- the extent, timing and overall effects of competition in the communications business;
- unfavorable rulings by state public service commissions in current and further proceedings regarding universal service funds, inter-carrier compensation or other matters that could reduce revenues or increase expenses;
- material changes in the communications industry that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers;
- the impact of recent adverse changes in the ratings given to our debt securities by nationally accredited ratings organizations and the potential for additional adverse changes in the future;
- earnings on pension plan investments significantly below our expected long-term rate of return for plan assets or a significant change in the discount rate or other actuarial assumptions;
- unfavorable results of litigation or intellectual property infringement claims asserted against us;

- the risks associated with non-compliance by us with regulations or statutes applicable to government programs under which we receive material amounts of end-user revenue and government subsidies, or non-compliance by us, our partners, or our subcontractors with any terms of our government contracts;
- the effects of federal and state legislation, and rules and regulations, and changes thereto, governing the communications industry;
- continued loss of consumer households served and consumer high-speed Internet customers;
- the impact of equipment failure, natural disasters or terrorist acts;
- the effects of work stoppages by our employees or employees of other communications companies on whom we rely for service; and
- those additional factors under “Risk Factors” in Item 1A of Windstream’s Annual Report and in subsequent filings with the Securities and Exchange Commission at www.sec.gov.

In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including, among others, general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

Windstream undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause Windstream’s actual results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties that may affect Windstream’s future results included in other filings with the Securities and Exchange Commission at www.sec.gov.

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