

Windstream delivers strong second-quarter results

Grew broadband customer base for the first quarter since 2015
Accelerated strategic sales to over 50% of Enterprise sales
Continued to grow Adjusted OIBDAR year-over-year and sequentially

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LITTLE ROCK, Ark. – Windstream Holdings, Inc. (NASDAQ: WIN), a leading provider of advanced network communications and technology solutions, today reported strong second-quarter results, including net growth in broadband subscribers for the first time in three years.

“Our Consumer segment delivered a successful quarter, adding 2,300 broadband subscribers,” said Tony Thomas, president and chief executive officer. “This continued an upward trend that we have experienced for the past several quarters and was driven by both strong sales and lower churn. It demonstrates that our network investments are paying off and enables us to say with confidence that we expect to grow our consumer broadband base in 2018.

“Our Enterprise segment continues to see improved results as our focus on SD-WAN, Unified Communications as a Service and on-net sales have driven improving revenue trends and margins. Windstream is now the largest SD-WAN provider in the country with more than 1,000 customers in over 12,000 locations nationwide. Sales of strategic products accelerated to over 50 percent of Enterprise sales for the quarter.

“Reflecting these strong segment results, Windstream delivered sequential and year-over-year growth in Adjusted OIBDAR that came on the back of both improved revenue trends and lower cash costs,” Thomas said.

Results under GAAP

Total revenues and sales were \$1.44 billion, a decrease of 3 percent from the same period a year ago, and total service revenues were \$1.42 billion, a decrease of 3 percent year-over-year. Operating income was \$88 million compared to \$103 million in the same period a year ago. The company reported a net loss of \$94 million, or \$2.30 per share, compared to a net loss of \$68 million, or \$1.83 per share, a year ago.

ILEC consumer and small business service revenues were \$466 million, a decrease of 6 percent from the same period a year ago, and segment income was \$274 million compared to \$289 million year-over-year.

Enterprise service revenues were \$730 million, a 1 percent increase from the same period a year ago, and segment income was \$161 million compared to \$142 million year-over-year.

Wholesale service revenues were \$182 million, a 7 percent decrease from the same period a year ago, and segment income was \$129 million compared to \$135 million year-over-year.

CLEC consumer services revenues were \$46 million, a decrease of 10 percent from the same period a year ago, and segment income was \$27 million compared to \$26 million year-over-year.

Adjusted Results of Operations

Adjusted total revenues and sales were \$1.44 billion compared to \$1.49 billion in the same period a year ago. Adjusted total service revenues were \$1.42 billion compared to \$1.47 billion year-over-year.

Adjusted OIBDAR was \$507 million compared to \$501 million in the same period a year ago.

Adjusted capital expenditures were \$181 million compared to \$232 million in the same period a year ago.

ILEC consumer and small business service revenues were \$466 million, a 6 percent decrease from the same period a year ago, and contribution margin was \$274 million compared to \$289 million a year ago.

Enterprise service revenues were \$730 million, a 1 percent increase from the same period a year ago, and contribution margin was \$161 million compared to \$142 million a year ago, an increase of 13.8 percent year-over-year.

Wholesale service revenues were \$182 million, a decrease of 7 percent from the same period a year ago, and contribution margin was \$129 million compared to \$135 million a year ago.

CLEC consumer service revenues were \$46 million, a 10 percent decrease from the same period a year ago, and contribution margin was \$27 million compared to \$26 million a year ago.

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, 2017. 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.

About Windstream

Windstream Holdings, Inc. (NASDAQ: WIN), a FORTUNE 500 company, is a leading provider of advanced network communications and technology solutions. Windstream provides data networking, core transport, security, unified communications and managed services to mid-market, enterprise and wholesale customers across the U.S. The company also offers broadband, entertainment and security services for consumers and small and medium-sized businesses primarily in rural areas in 18 states. 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 pension expense, share-based compensation expense, restructuring charges, merger, integration and certain other costs.

Adjusted OIBDAR is Adjusted OIBDA before the annual cash rent payment due under the master lease agreement with Uniti Group, Inc.

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 cash taxes, 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 opportunities associated with, and expected sales growth, of strategic products and services; increasing deployment and availability of faster broadband speeds to more households within our service areas, along with subscriber trends; statements regarding our 2018 priorities and progress; the benefits of the mergers with EarthLink Holdings Corp. and Broadview Network Holdings, Inc. including projected synergies and the timing of the synergies; our ability to improve our debt profile and balance sheet and overall reduction in net leverage; expectations regarding expense management activities, including interconnection expense, and the timing and benefit of such activities; and opportunities regarding sales or divestitures of certain assets; 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 or additional FCC reforms or actions, including actions related to unbundled network elements, 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 any time 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 and enterprise 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, including changes implemented by administrative agencies, 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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