Windstream reports second-quarter results

Achieved sequential growth in Adjusted OIBDAR
Grew ILEC Consumer ARPU for 10th consecutive quarter
Expanded enterprise contribution margin
Updated financial guidance for acquisition of Broadview Networks

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

"Windstream delivered solid second quarter results, highlighted by sequential growth in Adjusted OIBDAR," said Tony Thomas, president and chief executive officer at Windstream. "Our unique network assets and cloud-based applications have us well positioned to grow market share. Additionally, we continue to improve our cost structure and have significant opportunities to further drive down costs through reductions in network interconnection costs, upcoming synergies from the EarthLink and Broadview transactions and initiatives to advance our organizational effectiveness."

<u>Results under GAAP</u>

Total revenues and sales were $1.49 billion and total service revenues were $1.47 billion in the second quarter, an increase of 10 percent respectively year-over-year. Operating income was $107 million compared to $155 million in the same period a year ago. The company reported a net loss of $68 million, or a loss of 37 cents per share, compared to net income of $1.5 million, or 1 cent per share, a year ago.

ILEC consumer and small business service revenues were $387 million, a decrease of 2 percent from the same period a year ago, and contribution margin was $212 million compared to $221 million year-over-year.

Wholesale service revenues were $176 million, an increase of 10 percent year-over-year, and contribution margin was $116 million essentially unchanged from the same period a year ago.

Enterprise service revenues were $564 million, a 15 percent increase from the same period a year ago, and contribution margin was $103 million compared to $88 million year-over-year.

CLEC consumer and small business service revenues were $189 million, a 51 percent increase year-over-year, and contribution margin was $72 million compared to $41 million in the same period a year ago.

Note: 2016 results exclude EarthLink operations. 2017 results include EarthLink operations from Feb. 27, 2017 to June 30, 2017.

Adjusted Results of Operations

Adjusted revenues and sales were $1.49 billion and adjusted service revenues were $1.47 billion compared to $1.61 billion and $1.58 billion respectively year-over-year.

Adjusted OIBDAR was $500 million, a decrease of 7 percent for the same period a year ago.

Adjusted capital expenditures were $232 million in the quarter, an increase of 2 percent year-over-year.

ILEC consumer and small business service revenues were $387 million, a decrease of 2 percent from the same period a year ago, and contribution margin was $212 million or 55 percent for the quarter. ILEC consumer service revenues were $309 million, a decrease of less than 1 percent sequentially. ILEC consumer average revenue per household increased for the 10th quarter in a row, up more than 1 percent sequentially and 6 percent year-over-year.

Wholesale service revenues were $176 million, a decrease of 8 percent year-over-year, and contribution margin was $116 million or 66 percent for the quarter.

Enterprise service revenues were $564 million, a decrease of 4 percent from the same period a year ago, and contribution margin was $103 million or 18 percent for the quarter.

CLEC consumer and small business service revenues were $189 million, a decrease of 19 percent year-over-year, and contribution margin was $72 million, or 37 percent for the quarter.

Note: Adjusted results of operations are based on the combined historical financial information of Windstream and EarthLink and assumes the merger was completed on Jan. 1, 2016. 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.

Financial Outlook for 2017

Windstream updated its previously provided financial guidance to include the acquisition of Broadview Networks on July 28, 2017. The company expects service revenue similar to 2016 trends and adjusted OIBDAR between $2.02 billion and $2.04 billion. The company expects capital expenditures between $790 million and $840 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 bundled services, including broadband, security solutions, voice and digital TV to consumers. The company also provides data, cloud solutions, unified communications and managed services to small business and enterprise clients. The company supplies core transport solutions on a local and long-haul fiber network spanning approximately 150,000 miles. Additional information is available at windstream.com. Please visit our newsroom at news.windstream.com or follow us on Twitter at @Windstream.

Adjusted OIBDA is operating income before depreciation and amortization, excluding merger, integration and other costs related to strategic transactions, 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, 2017 guidance for service revenue, adjusted OIBDAR and adjusted capital expenditures, along with statements regarding adjusted free cash flow, cash interest and cash taxes; directional outlook for our business units in 2017; our new capital allocation strategy, including our share repurchase program and efforts to reduce debt; the benefits of the mergers with EarthLink Holdings Corp. and Broadview Network Holdings, Inc. including future financial and operating results, benefits to adjusted OIBDAR and OIBDA and free cash flow, projected synergies in operating and capital expenditures and the timing of the synergies, reduction in net leverage, and improvement in our ability to compete; expectations regarding revenue trends, sales opportunities, market share growth and improving margins in the business units; expanding our capabilities to utilize next generation technology in our products and services, including Broadview's OfficeSuite®; cost reduction activities and the timing and benefit of such cost reductions; the availability of higher Internet speeds, partly enabled by Project Excel; our ability to accelerate the improvement of our debt profile and reduce interest costs; 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.

Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include risks and uncertainties that the cost savings and expected synergies from the mergers with EarthLink Holdings Corp. and Broadview Networks Holdings, Inc. may not be fully realized or may take longer to realize than expected; that the businesses will not be integrated successfully; that disruption from the mergers may make it more difficult to maintain relationships with customers, employees or suppliers; that the attention of management and key personnel may be diverted by integration matters related to the mergers; that the expected benefits of our new capital allocation strategy and cost reduction activities are not realized or adversely affect our sales and operational activities or are otherwise disruptive to our business and personnel; our capital allocation practices, including our new capital allocation strategy, may be changed at any time at the discretion of our Board of Directors; further adverse changes in economic conditions in markets served by the combined company; the impact of new, emerging, or competing technologies and our ability to utilize these technologies to provide services to our customers; general worldwide economic conditions and related uncertainties; and the effect of any changes in governmental regulations or statutes. For other risk factors that could cause actual results and events to differ materially from those expressed, please refer to our filings with the Securities and Exchange Commission. Windstream does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

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;

- our capital allocation practices, including our newly revised capital allocation strategy comprised of our stock repurchase program and debt reduction initiatives, may be changed at any time at the discretion of the board of directors;

- the benefits of our newly revised capital allocation strategy and 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 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;

- further adverse changes in economic conditions in the markets served by us;

- the extent, timing and overall effects of competition in the communications business;

- 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;

- 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;

- 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;

- 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;

- 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;

- 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;

- the availability and cost of financing in the corporate debt markets;

- the potential for adverse changes in the ratings given to our debt securities by nationally accredited ratings organizations;

- 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 Part I of our Annual Report on Form 10-K for the year ended December 31, 2016, 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 by Windstream with the Securities and Exchange Commission at www.sec.gov.

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