



# **1Q22 CEO Letter Presentation**

May 16, 2022



# Safe Harbor Statement

This presentation includes forward-looking statements that 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 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 include, but are not limited to, guidance regarding 2022 financial and operational trends and our ability to successfully execute our 2022 company priorities supporting the guidance; anticipated Kinetic broadband subscriber and market share growth and availability of faster speeds and timing of when the higher speeds will be available to customers, including 1 Gbps, along with speed expansion to more households and businesses within our service areas; network expansion opportunities generally and related to funding from various broadband programs, public-private partnerships with government entities, and the Rural Digital Opportunity Fund; opportunities related to Enterprise strategic sales and services and strategic revenue growth; overall revenue growth and contribution margin trends in our business units; wholesale network, revenue, and customer expansion opportunities in 2022; statements concerning the Master Lease arrangements with Uniti Group, Inc., including growth capital improvement reimbursements, tenant capital improvements, the amount of future rent payments, and the future value of the leased assets; expectations regarding expense management activities, including interconnection and access expense, and the timing and benefit of such activities; 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 the 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 relating to current or future adverse economic, political or market conditions related to epidemics, pandemics, or other disease outbreaks, including COVID-19, and the impact of these conditions on our business operations and financial position, including our customers’ ability to conduct work in the normal course of business; risk and uncertainties relating to any impact of our previous restructuring process on our ability to achieve our 2022 guidance in light of the continuation of certain third party claims until the bankruptcy docket is closed, along with the pending appeal of confirmation of our Plan of Reorganization; that the expected benefits of cost reduction and expense management activities are not realized or adversely affect our sales and operational activities or are otherwise disruptive to our business and personnel; further adverse changes in economic conditions in our markets unrelated to the COVID-19 pandemic; the impact of new, emerging, or competing technologies and our ability to utilize these technologies to provide services to our customers; general U.S. and worldwide economic conditions and related uncertainties; and the effect of any changes in federal or state governmental regulations or statutes. Windstream does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

# First Quarter 2022 Highlights



## Strong Financial Results

- 9th Consecutive Quarter of Kinetic consumer service revenue growth; 4.6% growth y-o-y
- HSI bundled revenue growth up 6.1% y-o-y
- Kinetic average revenue per household up 2.6% y-o-y

## Broadband Metrics Continue to Improve

- 11,300 broadband net adds in 1Q22; approx. 60,000 estimated for full-year 2022
- 210 basis point sequential increase in fiber customer penetration
- Record number of fiber additions (31K)

WINDSTREAM  
ENTERPRISE  
&  
WINDSTREAM  
WHOLESALE

## Sequential Revenue Growth

- Strategic Services revenue now over 24% of total Enterprise services revenue
- Strategic Services revenue now almost \$415 million on an annualized basis, growing at 14%

## Interconnection Expense Reduction

- Total interconnection expense fell by over 5% y-o-y on an annualized basis; legacy-TDM related expenses fell by ~6% y-o-y
- Still almost \$1 billion in annualized interconnection expense

(1) Prior periods revised to present financial information as if CAF II to RDOF transition occurred in 1Q2021 rather than 1Q2022

# 2022 Windstream Priorities



Grow our Kinetic  
Fiber Broadband  
Customers & Network



Accelerate  
Enterprise Strategic  
Revenue



Continue TDM  
Network Fast  
Track Exit



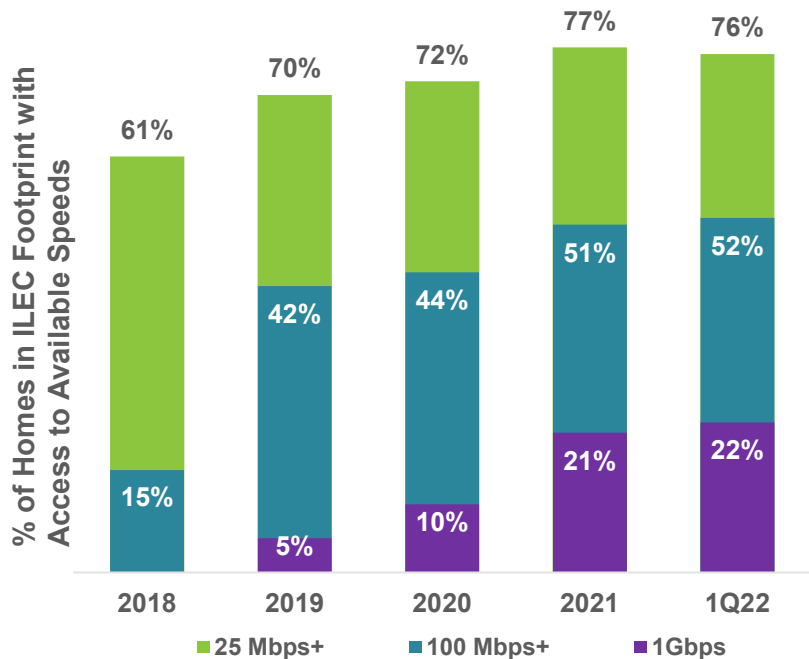
Expand Our  
Wholesale Fiber  
Footprint



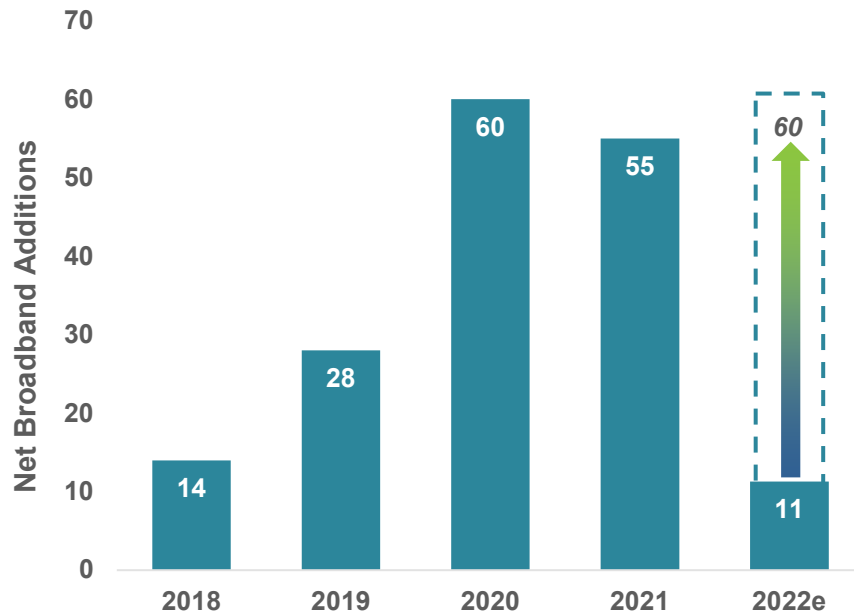
Increase  
Net Promoter  
Scores

# Enhanced Kinetic Broadband Speed Capabilities Driving Market Share Gains

Increased Access to High-Speed  
Broadband...



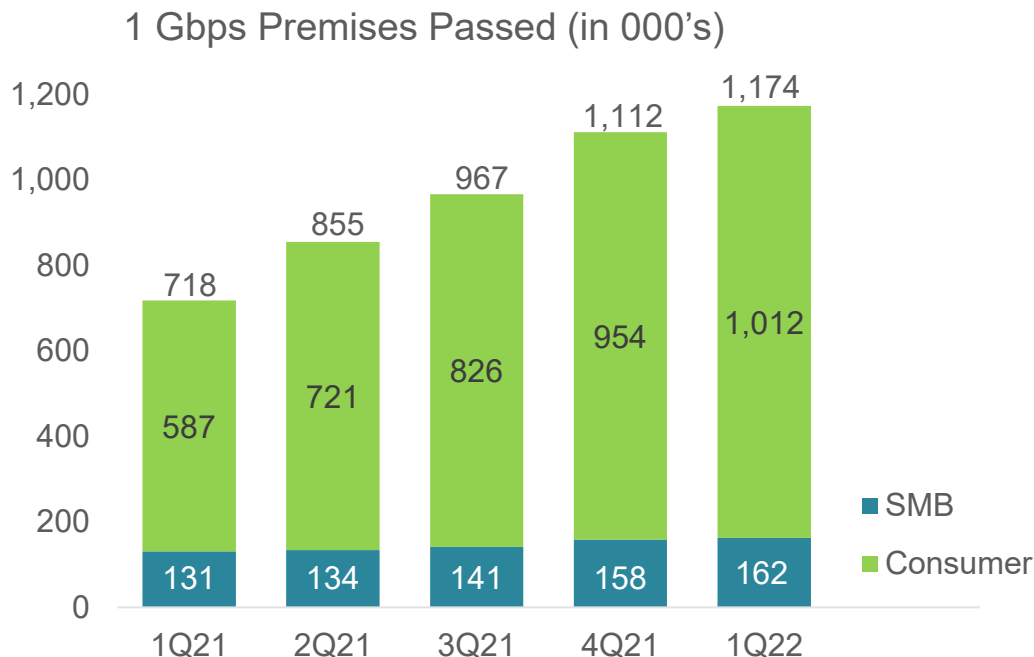
...is Producing Significant Market Share  
Growth over Multi-Year Period



# 1 Gbps Broadband Expansion Acceleration

**58K 1 Gbps Consumer  
Premises Constructed in 1Q**

**Accelerating Construction  
of 1Gbps in 2022**



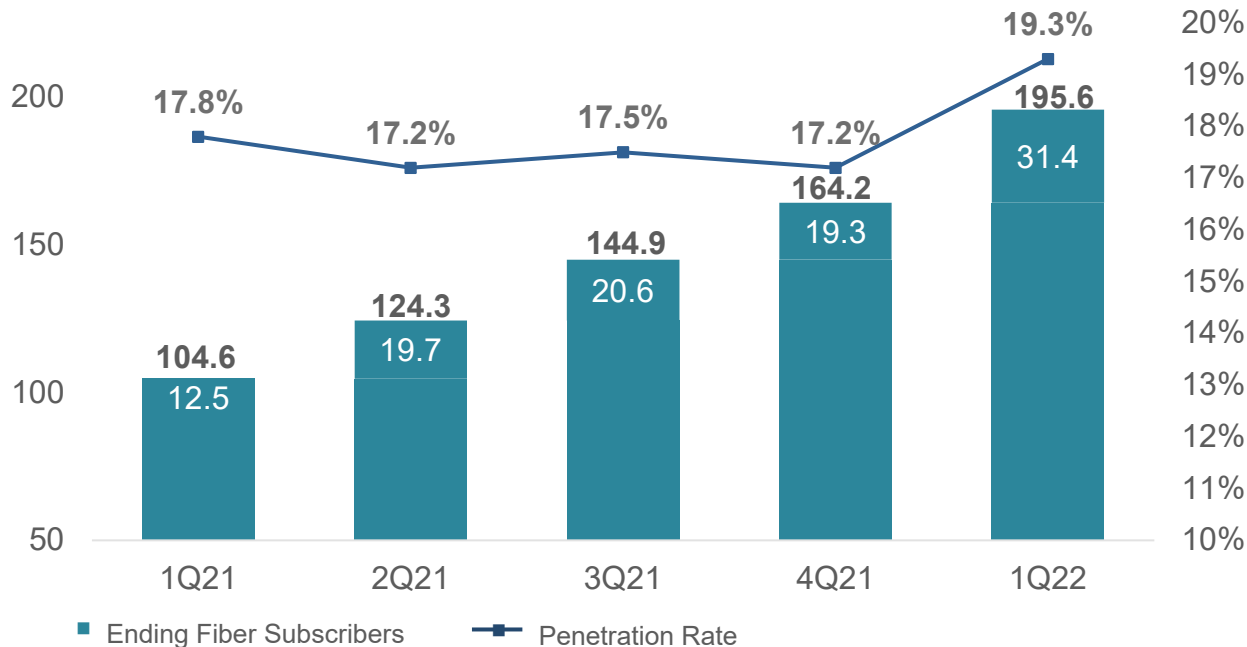
On track to achieve

**30%**

coverage of 4.6 million  
residential households  
with 1Gbps by end of year

# Next-Gen Broadband Net Adds Continue to Accelerate

## Consumer Fiber Subscription Growth Shows Strong Adoption of New 1 Gbps Facilities



Ended 1Q with

# 196K

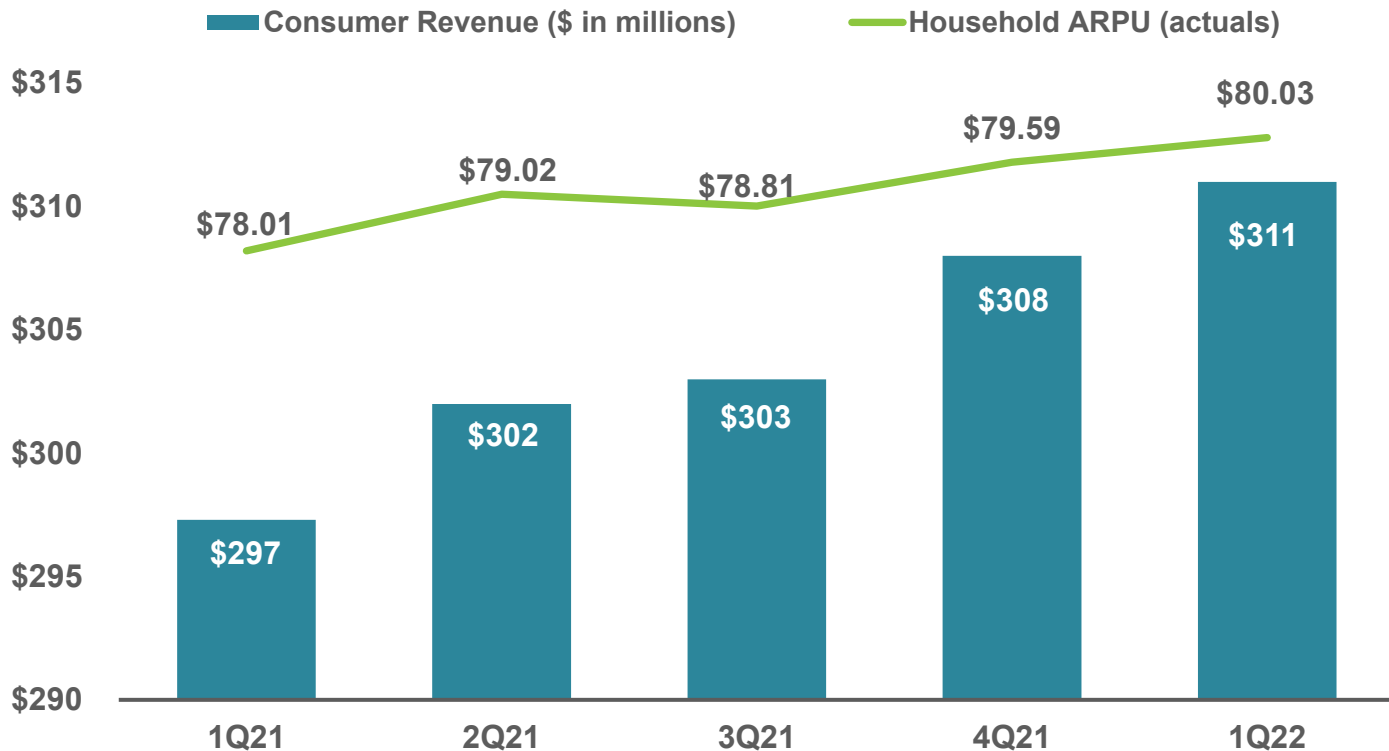
Consumers on  
1G capable facilities,  
*up 31K from 4Q21*

# 19.3%

Penetration

Consumer Subscriber counts In 000's

# Strong Consumer Revenue Results Driven by Customer Growth and Stable ARPU





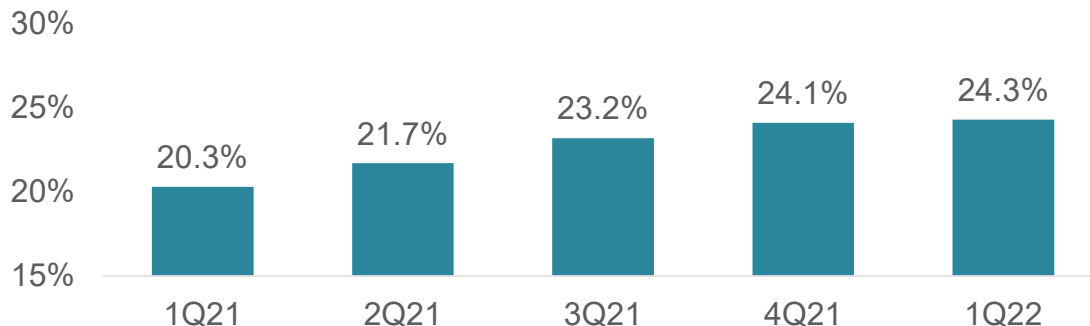
# Enterprise Strategic Revenue Growth Continues

## Strategic product revenue over \$400M annualized

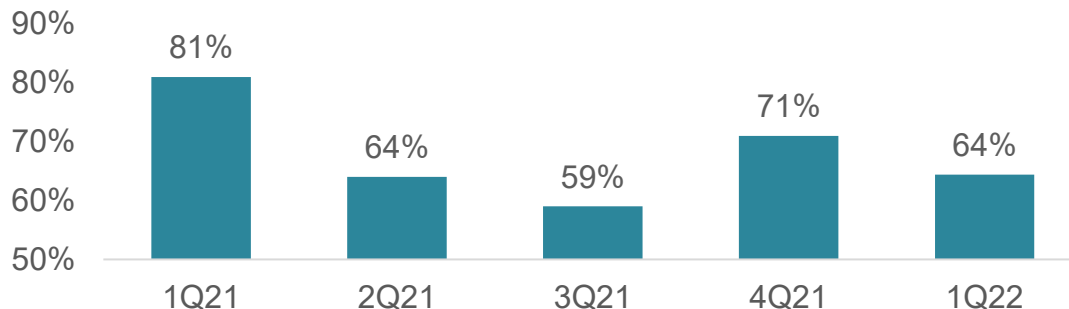
### WINDSTREAM ENTERPRISE

- Cloud services, increasing bandwidth demand & software enabled networks fueling Strategic Revenue growth
- 1Q22 Annualized Strategic Product Revenue is almost \$415M and growing 14% YoY while total Strategic Revenues are now over 24% of Service Revenues <sup>(1)</sup>
- Strategic sales 64% of total Enterprise sales in quarter

### Strategic Revenue % of Total Service Revenue



### Strategic Sales as % of Total Sales



(1) Excludes Switched access and End user surcharges

# Windstream Enterprise Product Developments

PRESS RELEASE



## Windstream Enterprise Delivers North America's First and Only Comprehensive Managed SASE Solution with Cato Networks

Windstream Enterprise's convergence of networking and security addresses modern-day challenges of digital business transformation, cybersecurity and workforce mobility.

PRESS RELEASE



## Windstream Enterprise Expands OfficeSuite UC Availability into Europe and Asia Pacific

Windstream Enterprise's award-winning unified communications platform now powers workforce communications and connectivity across 16 international markets worldwide.

# Significant Interconnection Cost Reduction Opportunities Remain

## TDM Retirement to Accelerate Cost Reduction and Improve Customer Experience

### Interconnection Expenses (in millions)<sup>(1)</sup>

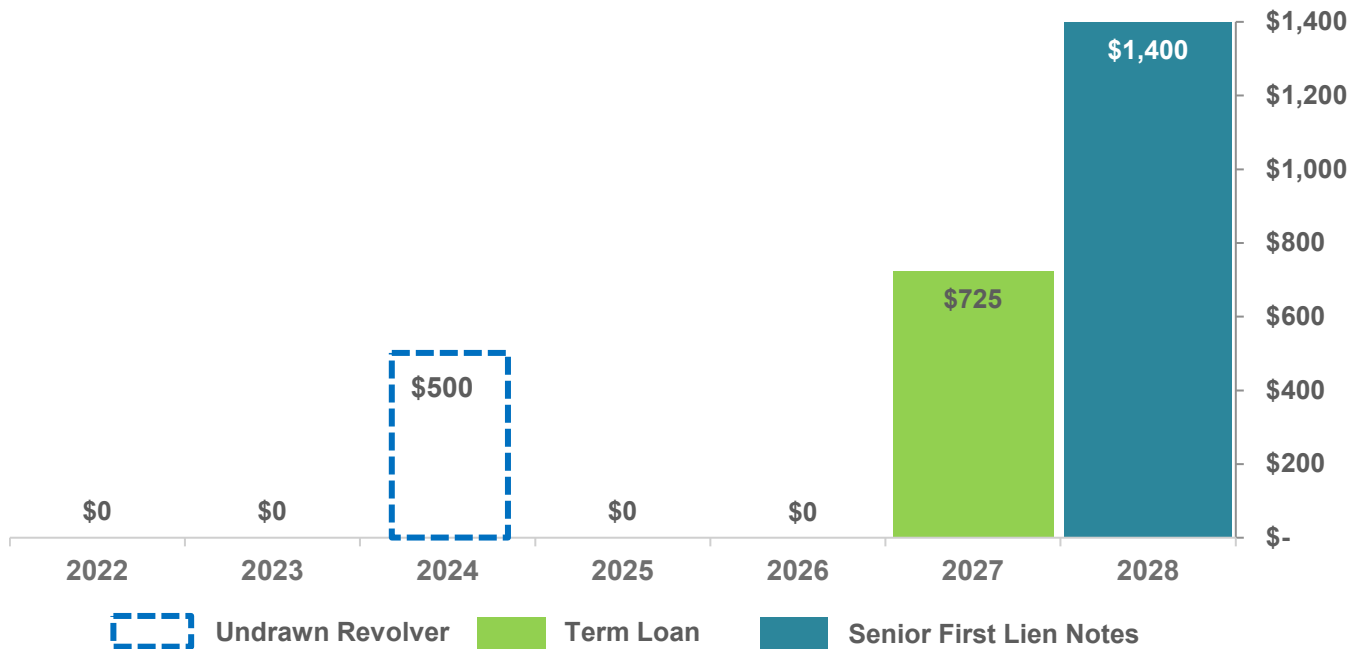
	1Q21 Annualized	1Q22 Annualized	YoY Change %
TDM	\$ 248	\$ 229	(7.8%)
IP/Ethernet	292	276	(5.6%)
<b>Last Mile Access</b>	<b>540</b>	<b>504</b>	<b>(6.6%)</b>
TDM	91	78	(13.8%)
IP/Ethernet	35	36	0.3%
<b>Network Access</b>	<b>126</b>	<b>114</b>	<b>(9.9%)</b>
<b>Voice/Other</b>	<b>31</b>	<b>23</b>	<b>(24.7%)</b>
<b>Total Interconnect Access</b>	<b>\$ 697</b>	<b>\$ 642</b>	<b>(8.0%)</b>
Network Real Estate	\$ 191	\$ 192	0.5%
Colocation	73	70	(5.2%)
<b>Network Facilities Expense</b>	<b>264</b>	<b>261</b>	<b>(1.0%)</b>
<b>Fiber Expense</b>	<b>70</b>	<b>74</b>	<b>5.1%</b>
<b>Total Network Facilities &amp; Fiber Expense</b>	<b>\$ 334</b>	<b>\$ 335</b>	<b>0.3%</b>
<b>Total Interconnect</b>	<b>\$ 1,032</b>	<b>\$ 977</b>	<b>(5.3%)</b>

(1) Expenses Include Recurring Interconnection, Network Facilities and Fiber Expenses Only

- 1Q22 annualized run-rate of ~\$977M in interconnection, network facility and fiber expenses; annualized decline of ~5%
- Approximately \$568 million of Legacy TDM-related expense including Network Facility expense; annualized decline of ~6%
- Year two of 3-year program to migrate CLEC TDM customers to newer technologies; moving from circuit-level to market-level optimization
- The focus on market-level TDM removal will enable greater reductions in network real estate and collocation expenses

# Strong Balance Sheet with No Near-Term Maturities

## Debt Maturity as of March 31, 2022



**\$541M**

Net Liquidity  
as of March 31, 2021

**1.92x**

Net Debt to  
Adjusted EBITDA

**89%**

Fixed Interest Rate  
for Total Debt

# Windstream releases 2021 Environmental, Social and Governance report



2021-22

Environmental, Social and Governance (ESG) Report



The full 2021 ESG Report can be viewed [here](#).

## ENVIRONMENTAL

### OUR EMISSIONS BY SCOPE

In 2021, our Scope 1 and 2 emissions were down by 10.4% from the prior year, or by 31,457 metric tons of CO<sub>2</sub>e as a result of our renewable energy program, continued real estate rationalization efforts and migration to more energy efficient technologies across our network. These strategies and investments directly contributed to a 5.7% decrease in our overall Carbon Intensity score on top of the 6.4% decrease achieved in 2020.

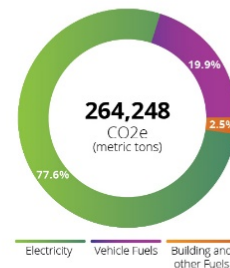
Note that Windstream's Scope 2 purchased electricity emissions fell by 11.9% last year, and by 30.5% over the past two. The reduction in 2021 can most directly be attributed to our efforts to transform and upgrade our network using more energy efficient technologies and solutions, and our multi-year real estate consolidation efforts that reduced corporate real estate square footage by 23% since 2016. While those efforts continue, the reduction this past year can most directly be attributed to the increase in our use of renewable and carbon-free energy, up 23% from the prior year. This is evidenced by the fact that Windstream's total KWH demand last year was only down 3.1% vs. the much larger decrease in Scope 2 emissions of 10.3%.

As a result of our success in driving Scope 2 emission reductions across all of these initiatives, Windstream set a more aggressive emissions reduction target, seeking to reduce our total Scope 2 emissions by 40% from the 2019 baseline by 2025. Our previous goal was a 30% reduction by 2025. At the end of 2021, we stood at a 27% reduction from 2019. With another 13% to go by 2025, we are confident we will meet - or exceed - meet the target.

### GHG Emissions (CO<sub>2</sub>e metric tons)

Emissions	2019	2020	2021	2021 vs 2020
Scope 1	60,350	62,956	59,133	-6.1%
Scope 2	286,039	237,749	205,115	-11.9%
Total GHG (Scope 1 & 2)	346,389	295,705	264,248	-10.4%
Carbon Intensity	67.71	63.39	59.79	-5.7%
Scope 3 (all)	479,363	508,403	522,972	2.9%
Scope 3 (business travel only)	5,792	1,908	1,879	-1.5%
Total Emissions (Scope 1, 2 & 3)	825,752	804,108	787,220	-2.1%

### 2021 GHG Profile – Scope 1 and 2



### Windstream KWH Scope 2 Purchased Electricity Use by Year

Demand	2019	2020	2021	2021 vs 2020
Total KWH	624,895,914	544,723,393	527,621,318	-3.1%

**Scope 1:** Direct sources of emissions owned or controlled by Windstream (fuel to power our fleet, heat buildings and power generators)

**Scope 2:** Indirect emissions purchased by Windstream but generated offsite (almost exclusively electricity to power our network and data centers)

**Scope 3:** Value chain emissions, defined as emissions that are the result of activities from assets not owned or controlled by Windstream, but that indirectly impact in our value chain, which often represent the majority of an organization's GHG emissions. Of the 15 categories of Scope 3 emissions, 9 are relevant to Windstream and included in our Scope 3 reporting: (1) purchased goods and services; (2) capital goods; (3) fuel and energy-related activities not included in Scope 1 and 2; (4) upstream transportation and distribution; (5) waste generated in operations; (6) business travel; (7) employee commuting; (8) upstream leased assets, and (9) use of sold products.

**Carbon Intensity:** Metric tons of Scope 1 and 2 CO<sub>2</sub>e per US\$100M of revenue

# WIN Fully Owns and Operates Substantial Assets Outside Uniti Leases



Kinetic Fully Owned and Operated Metrics		E&W Owned & Operated
Broadband Consumers <sup>(1)</sup>	Fiber Broadband Consumers <sup>(1)</sup>	Fiber Route Miles <sup>(1)</sup>
229k (19.5%)	82k (42.0%)	84k (75.0%)
Fiber Households Today <sup>(1)</sup>	Fiber Households – Build Plan <sup>(1)</sup>	Windstream Owns 100GB POPs
352k (34.8%)	654k (26.3%)	1,346 (100.0%)
Total Consumer Revenues <sup>(2)</sup>	Kinetic Owned Assets <sup>(3)</sup>	E&W Owned Assets <sup>(3)</sup>
\$214M	\$2.3B	\$1.1B

(1) Metric represents number and percentage of Windstream total not associated or encumbered by Uniti Master Lease Agreements.

(2) Consumer Revenues for FY 2021 that are not within in-footprint ILEC markets governed by Uniti ILEC Master Lease Agreement.

(3) Kinetic and E&W Owned Assets represent net PP&E as of December 31, 2021, for Windstream owned assets.



# Uniti Lease Summary

## Favorable Cash Payments To Uniti Through Initial Term With Significant Step Down Of Rent At Renewal

**Initial Term:** Uniti settlement and GCI payments result in lower cash transferred to Uniti through initial term than stated rent

- NPV of initial term @ 9%<sup>(1)</sup> of ~\$3B or 4.5x stated gross rent

**Renewal Rent:** Renewal rent is calculated through set formula in Exhibit E of Master Lease Agreements (MLAs), the same formula used to calculate the \$650M annual rent in the initial term starting 2015

- Original 2015 Fair Market Value (FMV) of Leased Assets was ~\$7.5B, of which ~\$4B or ~54% was Copper
- Majority of \$4B copper network is being replaced with fiber through \$1.75B GCI Program
- Over 50% of CLEC MLA assets transferred to Uniti as part of the settlement will be removed from CLEC MLA at renewal
  - In addition, Uniti will be responsible for pro rata share of CLEC network maintenance and operating costs in renewal periods. In total, adjustments expected to make current \$120 million CLEC MLA payment a net cash inflow to Windstream at renewal
- Results in lower FMV in 2030 and leased asset base with longer useful life resulting in less depreciation and lower rent payments

Original 2015 FMV	(-) Copper Network	(+) GCI Program	(-) CLEC Removed	2030E FMV
~\$7.5B	(~\$3.5B)	\$1.75B	(~\$0.8B)	~\$4.9B

### Uniti Lease Net Cash Transferred

(In Millions)

	For the FYE 12/31					
	2021	2022	2023	2024	2025	2026
Gross MLA Rent	\$ 666	\$ 669	\$ 672	\$ 676	\$ 679	\$ 682
Settlement Payments <sup>(2)</sup>	(191)	-	(98)	(98)	(74)	-
GCI Reimbursement	(221)	(238)	(225)	(225)	(175)	(175)
GCI Rent	1	15	35	54	73	90
Net GCI Reimbursement	(220)	(222)	(190)	(171)	(102)	(85)
<b>Net Cash Payments</b>	<b>\$ 254</b>	<b>\$ 446</b>	<b>\$ 384</b>	<b>\$ 407</b>	<b>\$ 504</b>	<b>\$ 597</b>
<b>Comparison To Stated Rent</b>	<b>(411)</b>	<b>(222)</b>	<b>(288)</b>	<b>(269)</b>	<b>(175)</b>	<b>(85)</b>

### Renewal Rent

Exhibit E Rent Calculation			Renewal Rent Sensitivity			
Initial Term		Renewal Term	Useful Life	2030 Fair Market Value		
				\$3,900	\$4,900	\$5,900
				25 Years	30 Years	35 Years
Fair Lease Rate <sup>(3)</sup>	10.35%	8.00%		\$ 189	\$ 237	\$ 285
Term (Months)	180	60		157	197	238
Beginning Fair Market Value	\$ 7,450	\$ 4,900		135	169	204
Ending Residual Value	(2,465)	(4,083)		2030 Fair Market Value		
PV (FMV – Residual Value)	\$ 4,985	\$ 817		\$3,900	\$4,900	\$5,900
<b>Annual Rent Payment</b>	<b>\$ 650</b>	<b>\$ 197</b>		7.0%	8.0%	9.0%
Asset Useful Life <sup>(4)</sup>	22 Years	30 Years	Fair Lease Rate	\$ 154	\$ 193	\$ 232
				157	197	238
				161	202	243

1) Aligned to discount rate on Uniti settlement payments.

2) Uniti prepaid FY22 settlement payments in 4Q21 for ~\$93M.

3) Renewal lease rate aligned to GCI rent rate.

4) Renewal leased asset remaining useful life aligned to Uniti 10-K fiber useful life.

# Uniti Public Messaging On Lease Renewal

Uniti's Statement	Documented Inconsistency
<p>“Reflects Windstream disclosure adjusted to methodology <b><u>consistent with ...the appraisal report received in 2015, including discounting the residual value correctly</u></b>”</p> <ul style="list-style-type: none"> <li>- Uniti 4Q21 Earnings Presentation</li> </ul>	<p>“The uninflated residual value (RV) of each Distribution System at the end of the Lease Term (15 years) ... from the Valuation Date was calculated by taking the replacement cost new at the Lease Term and depreciating the assets based on their effective age plus another 15 years”</p> <ul style="list-style-type: none"> <li>- 2015 “Big Four” valuation report definition of residual value. <b><u>Residual value was not discounted in 2015 appraisal report</u></b></li> </ul>
<p>“The rent was originally set at \$650 [million] in 2015 and then it was <b><u>reset to the same number just last year using two exhaustive valuation analyses</u></b>”</p> <ul style="list-style-type: none"> <li>- Uniti BAML Conference, November 30, 2021</li> </ul>	<p>“Aggregate rent of ILEC Lease and CLEC Lease to be <b><u>equivalent to the rent payments under the current Master Lease</u></b> through the initial term as set forth on Schedule C”</p> <ul style="list-style-type: none"> <li>- Rent was set forth in Settlement Agreement filed April 20, 2020, before any valuation work was started by either party. Both parties completed their own 2020 appraisal. Neither party participated in nor has seen the other party's 2020 valuation report</li> </ul>
<p>“The CLEC fiber rights Uniti received as part of the settlement agreement <b><u>were not utilized</u></b>”</p> <ul style="list-style-type: none"> <li>- Uniti 4Q21 Earnings Call</li> </ul>	<p>“Windstream (i) granted to Uniti exclusive rights to use 1.8 million fiber strand miles leased by Windstream under the CLEC MLA, which fiber strands are either unutilized or <b><u>utilized</u></b> under certain dark fiber infeasible rights of use”</p> <ul style="list-style-type: none"> <li>- Uniti 2021 10-K. Per CLEC MLA, transferred CLEC MLA strands comprise 63% of CLEC MLA utilized strands documented in Schedule 2.1-XX</li> </ul>





# Uniti Fair Market Value and Non-Discounted Uninflated Residual Value Guidance Results in 2030 Annual Cash Rent Less Than \$300 Million

Discounting Residual Value is not consistent with IRS Guidelines, Residual Value Definition In True Lease  
Nor The Methodology Used To Set \$650M Rent Payment

<i>Note: Per Uniti 4Q 2021 Earnings</i>	"Windstream View" Estimated Values & Methodology	"Windstream View" Adjusted Per Unit	"Uniti View" (Partial Use of GCI)	"Uniti View" (Full Use of GCI)
2030 Fair Market Value	\$4.9 Billion	\$5.7 Billion	\$6.7 Billion	\$7.2 Billion
2035 Residual Value (Discounted Per Unit)	\$4.1 Billion (Non-Discounted)	\$3.2 Billion	\$3.7 Billion	\$3.9 Billion
2030 Fair Lease Rate	8.0%	8.0%	9.2%	9.2%
Uniti Stated 2030 Annual Cash Rent	\$197 Million	~\$600M Million	~\$750 Million	>\$800 Million
Revised 2030 Annual Cash Rent Consistent With Residual Value Definition per Exhibit E Of Master Lease Agreements and IRS Guidelines				
2035 Residual Value (Not Discounted <sup>(1)</sup> )	No Change	\$4.8 Billion	\$5.9 Billion	\$6.2 Billion
<b>Corrected 2030 Annual Cash Rent</b>	<b>\$197 Million</b>	<b>\$225 Million</b>	<b>\$211 Million</b>	<b>\$257 Million</b>

(1) "2035 Residual Value (Non-Discounted)" is calculated as the future value of the "2035 Residual Value (Discounted Per Unit)" using the 2030 Fair Lease Rate over a 5-year period.

# Residual Value is Defined Term In Master Leases That Must Align To IRS Guidelines

## Overview of Exhibit E Calculation and Terms

### Fair Market Rental Formula

Fair Market Rental = PMT (rate, nper, pv, [fv],[type])

rate = Fair Lease Rate

nper = Renewal Term

pv = Fair Market Value – Residual Value

fv = 0

type = 1 (lease payment due at beginning of period)

Residual Value: The uninflated **FUTURE** value of the Appraised Facility as of the expiration date of Renewal Term, but in any case, shall be based on IRS guidelines and methods consistent with that of lease transactions

## Original 2015 “Big Four” Valuation Analysis

- 2015 Fair Market Value: \$7.45 Billion
- 2030 Uninflated Residual Value: \$2.465 Billion (33% of FMV)
- Fair Lease Rate of 10.35%
- Results in annual lease payment of \$650M**
- “Uninflated Residual Value” Definition: The uninflated residual value (RV) of each Distribution System at the end of the Lease Term (15 years) ... from the Valuation Date was calculated by taking the replacement cost new at the Lease Term and depreciating the assets based on their effective age plus another 15 years
- If you assume that the 2030 Uninflated Residual Value of \$2.465B used to calculate the \$650M rental payment was a discounted value consistent with Uniti’s stated methodology, then the implied non-discounted Uninflated Residual Value would have been \$11.6B, representing an increase in value of more than 50% over the 15-year term for a predominantly copper asset in an analysis that assumed no inflation nor improvements (i.e.  $\$11.6B = \$2,465M * (1 + 10.35\%/12)^{180}$ )

### Initial Term

Fair Lease Rate	10.35%
Term (Months)	180
Beginning Fair Market Value	\$ 7,450
Ending Residual Value	(2,465)
PV (FMV – Residual Value)	\$ 4,985
<b>Annual Rent Payment</b>	<b>\$ 650</b>