

Windstream reports fourth-quarter, full-year 2019 results

Grew broadband customer base for second consecutive year
Enterprise strategic revenues grew 38 percent year-over-year

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LITTLE ROCK, Ark. – Windstream Holdings, Inc., a leading provider of advanced network communications and technology solutions, today reported fourth-quarter and full-year 2019 results.

Windstream grew its Kinetic broadband customer base for the seventh consecutive quarter, adding 9,300 new subscribers in the fourth quarter. The company added approximately 28,000 new broadband subscribers for the year, achieving its second consecutive year of consumer broadband growth.

Enterprise strategic revenues grew 38 percent year-over-year. Sales of strategic products and services, including SD-WAN, UCaaS and OfficeSuite UC®, now represent an annualized run-rate of approximately \$300 million in revenue.

“Windstream achieved impressive year-over-year growth in consumer broadband subscribers as a result of our strategic network investments to deliver faster internet speeds across our rural footprint. And we still have a tremendous opportunity in front of us to up-sell our faster speed capabilities to larger portions of our Kinetic customer base,” said Tony Thomas, president and chief executive officer of Windstream.

“We also continued to see strong growth in 2019 in sales of Enterprise strategic products and services, helping offset overall revenue pressures. While we are admittedly in a more challenging competitive situation during the restructuring process, we are taking aggressive actions to improve the current top-line trends by increasing strategic product adoptions and conversions and improving profitability levels across our legacy, core and strategic Enterprise customer bases,” Thomas said.

Restructuring Update

Windstream remains focused on securing a result that maximizes value for all of the company’s stakeholders. As part of the restructuring process, the company continues to work to modify its arrangement with Uniti Group, Inc. Absent an

acceptable negotiated resolution, Windstream is prepared to pursue its litigation claims to conclusion. The trial is currently scheduled to begin the first week of March.

Adjusted Results of Operations

Adjusted total revenues and sales were \$1.24 billion in the fourth quarter, compared to \$1.35 billion in the same period a year ago, and \$5.1 billion for 2019, compared to \$5.5 billion in 2018.

Adjusted service revenues were \$1.21 billion in the fourth quarter, compared to \$1.34 billion in the same period a year ago, and \$5.0 billion for 2019, compared to \$5.5 billion in 2018.

Adjusted OIBDAR was \$423 million in the fourth quarter, compared to \$456 million in the same period a year ago, and \$1.74 billion for 2019, compared to \$1.85 billion in 2018.

Adjusted capital expenditures were \$250 million in the fourth quarter, compared to \$207 million in the same period a year ago, and \$879 million for 2019, compared to \$783 million for 2018.

The company's available liquidity as of Dec. 31, 2019, was \$692 million.

Kinetic service revenues were \$503 million in the fourth quarter, compared to \$519 million in the same period a year ago, and \$2.0 billion for 2019, compared to \$2.1 billion in 2018. Contribution margin was \$290 million or 56 percent in the fourth quarter, compared to \$308 million or 59 percent in the same period a year ago, and \$1.2 billion or 57 percent in 2019, compared to \$1.3 billion or 59 percent in 2018.

Enterprise service revenues were \$623 million in the fourth quarter, compared to \$723 million in the same period a year ago, and \$2.6 billion in 2019, compared to \$3.0 billion in 2018. Contribution margin was \$121 million or 19 percent in the fourth quarter, compared to \$143 million or 20 percent in the same period a year ago, and \$519 million or 19 percent in 2019, compared to \$562 million or 19 percent in 2018.

Wholesale service revenues were \$83 million in the fourth quarter, compared to \$94 million in the same period a year ago, and \$350 million in 2019, compared to

\$385 million in 2018. Contribution margin was \$67 million or 74 percent in the fourth quarter, compared to \$66 million or 70 percent in the same period a year ago, and \$261 million or 72 percent in 2019, compared to \$274 million or 71 percent in 2018.

Note: Adjusted OIBDAR is Adjusted OIBDA before the annual cash payment due under the arrangement with Uniti. Adjusted OIBDA is operating income (loss) before depreciation and amortization and goodwill impairment, excluding straight-line expense under the contractual arrangement with Uniti, share-based compensation expense, restructuring charges, merger, integration and certain other costs. Adjusted capital expenditures exclude post-merger integration capital expenditures for Broadview Network Holdings, Inc. and EarthLink Holdings Corp.

Financial results under Generally Accepted Accounting Principles (GAAP) were not disclosed while the company evaluates the accounting treatment for the Uniti arrangement. Regardless of the accounting treatment for the Uniti arrangement, the company's key non-GAAP financial metrics of Adjusted OIBDAR, Adjusted OIBDA, Adjusted Capital Expenditures and Adjusted Free Cash Flow would not change.

2020 Financial and Operational Outlook

"In 2020, we plan on exiting restructuring with a new capital structure and expect to make additional strides in future-proofing our network, specifically by continuing to increase speed capabilities across our Kinetic footprint. Windstream remains the largest SD-WAN service provider in the country and will continue to drive adoptions and conversions of our strategic products and services, which offer businesses powerful tools to operate more efficiently and grow their businesses," Thomas said.

Windstream expects to generate approximately \$1.63 billion in Adjusted OIBDAR in 2020, a decline of approximately 6 percent compared to 2019 and similar to 2019 trends. Cash expenses are expected to decline 9 percent for the year, driving improvement in consolidated Adjusted OIBDAR margin.

The company anticipates adding approximately 40,000 consumer broadband subscribers for the year, a 40 percent improvement from 2019 subscriber growth.

Windstream anticipates continued acceleration in Enterprise strategic revenues, which are expected to increase by approximately 20 percent year-over-year in 2020.

Management Webcast

Management has provided pre-recorded remarks on the company's results via webcast on the company's investor relations website at investor.windstream.com. Financial, statistical and other information related to the remarks also are posted on the site.

About Windstream

Windstream Holdings, Inc., 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.

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, projections regarding our 2020 Financial Plan, including adjusted OIBDAR and adjusted OIBDAR margin, anticipated net Kinetic broadband subscriber growth, improved

Enterprise contribution margin, and acceleration of Enterprise strategic sales and services; our ability to successfully execute our 2020 priorities; certain revenue and contribution margin trends in our business units; opportunities to expand our strategic products and services for our small and medium sized business customers; increasing broadband penetration levels and availability of faster broadband speeds to more households and businesses within our service areas; anticipated results and funding opportunities related to the Rural Digital Opportunity Fund and the current CAF II program, both administered by the Federal Communications Commission; statements concerning the current arrangement with Uniti Group, Inc.; expectations regarding expense management activities, including interconnection 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 a result of a number of important factors, including, but not limited to:

- risks and uncertainties relating to the Chapter 11 Cases, including completion of the Chapter 11 Cases;
- our ability to pursue our business strategies during the pendency of the Chapter 11 Cases;
- our ability to generate sufficient cash to fund our operations during the pendency of the Chapter 11 Cases;
- our ability to implement a business plan during the pendency of the Chapter 11 cases;
- the diversion of management's attention as a result of the Chapter 11 Cases;
- increased levels of employee attrition as a result of the Chapter 11 Cases;

- our ability to obtain Bankruptcy Court approval with respect to our motions filed in our Chapter 11 Cases from time to time;
- our ability to continue as a going concern;
- volatility of our financial results as a result of the Chapter 11 Cases;
- the conditions to which our debtor-in-possession financing is subject to and the risk that these conditions may not be satisfied for various reasons, including for reasons outside of our control;
- our ability to obtain confirmation of a Chapter 11 plan of reorganization and the effective date of any confirmed plan;
- the impact of a protracted restructuring on our business;
- the impact of any challenge by creditors or other parties to previously completed transactions;
- risks associated with third-party motions in the Chapter 11 Cases;
- the potential adverse effects of the Chapter 11 Cases on our liquidity or results of operations and increased legal and other professional costs necessary to execute our reorganization;
- trading price and volatility of our common stock, including the stock trading on the OTC Pink Sheets as maintained by the OTC Market Group, Inc.;
- the risk of protracted litigation in our Chapter 11 Cases with third parties and/or our creditors;
- our substantial debt could adversely affect our cash flow and impair our ability to raise additional capital on favorable terms;
- 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 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 the FCC's comprehensive business data services reforms that were confirmed by an appellate court, which 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 impact of new, emerging or competing technologies and our ability to utilize these technologies to provide services to our customers;
- 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 utilize facilities owned by 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 statewide 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 or future versions of the program or any other similar programs implemented by the FCC;
- our ability to make payments under the arrangement with Uniti, which may be affected by results of operations, changes in our cash requirements, cash tax payment obligations, or overall financial position;
- 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;
- 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 noncompliance by us with regulations or statutes applicable to government programs under which we receive material amounts of end-user revenue and government subsidies, or noncompliance 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;
- loss of consumer households served;
- 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
- other risks and uncertainties referenced from time to time in Windstream's Annual Report on Form 10-K, including those additional factors under "Risk Factors" in Item 1A of Part 1, and in other filings of ours with the SEC at www.sec.gov or not currently known to us or that we do not currently deem to be material.

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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Media Contact:

David Avery, 501-748-5876

david.avery@windstream.com

Investor Contact:

Chris King, 704-319-1025

christopher.c.king@windstream.com