

August 9, 2018

2Q18 Earnings Presentation



Participants



Tony Thomas
Chief Executive Officer



Bob Gunderman
Chief Financial Officer & Treasurer



Chris King
VP, Investor Relations

Safe Harbor Statement

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.

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 pending litigation involving an activist bondholder may be resolved unfavorably to the Company, 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; that our current capital allocation practices 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 federal or state 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.

Regulation G Disclaimer

This presentation includes certain non-GAAP financial measures. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are available on our website at www.windstream.com/investors.



2Q18 Highlights

\$507 Million in adjusted OIBDAR

Sequential and year-over-year increase

Consolidated adjusted OIBDAR margin
of **35.1%**

Highest margin post-ELNK acquisition and up 150 bps y-o-y

Improved sequential revenue trends

Consumer broadband growth of **2,300**
subscribers during quarter

Flat subscribers in 1H18

Driven by continued expansion of faster speed capability

Continued acceleration in **SD-WAN**
and **Strategic Sales**

Largest SD-WAN provider in country today

Serves over 1,000 unique customers in over 12,000 locations

Strategic sales represent over 50% of total enterprise sales in 2Q

Successful completion of **debt**
exchange offer

Refinanced \$1.4 billion of debt and extended maturities an average of 2 years

No material bond maturities until 2023



Approx. \$3.4 billion in debt refinanced in last year

Most **recent exchange refinanced over \$1.4 billion** in debt

Reduced total debt by \$227 million and leverage by 0.2x

Pro forma net leverage falls to 3.93x

Extends maturities by an average of two years

No meaningful bond maturities until 2023

Maintains approximately **\$300 million in incremental 2nd lien capacity**



Consumer & SMB Strategy

Monetizing Network Investments with Competitive Pricing & Service

Customers:

- ~1.4M residential and small businesses (within ILEC territory)
- Addressability: ~ 4M locations

2Q18 Financial Profile:

- Service revenue: \$466 million
- Contribution margin: \$274 million
- Contribution margin (%): 58%

Competitive Advantages:

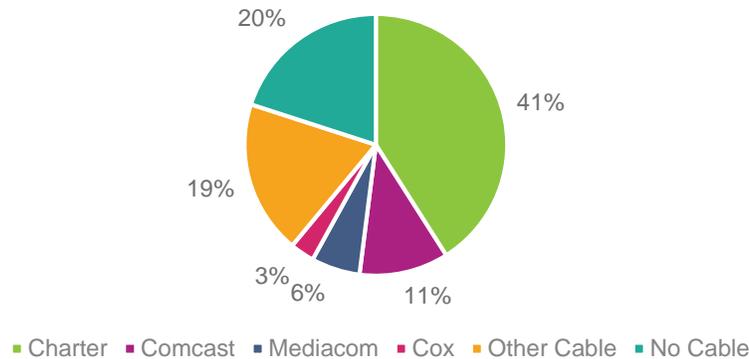
- Premium Kinetic internet speeds
- Limited intersection with national cable companies
- DIRECTV Bundle Available
- SD-WAN & OfficeSuite for small businesses

Key Drivers:

- Upgrading and expanding broadband network
- Increasing premium speed adoption
- Enhanced network capabilities improving customer retention efforts

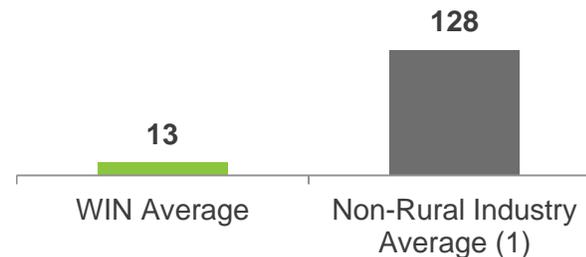
39% of Footprint: No National Cable Overlap

Windstream ILEC Cable Overlap



Rural Nature of ILEC Properties

Access Lines Per Square Mile



(1) Source: FCC Reports

**FASTER
INTERNET
SPEEDS ARE HERE**

Get faster speeds on
our 100% fiber-backed network for:

- Smoother movie, music and video streaming
- Less time loading and buffering
- Easy, quick access to online content
- Faster connections when multiple devices are using your home's Wi-Fi

UPGRADE TODAY

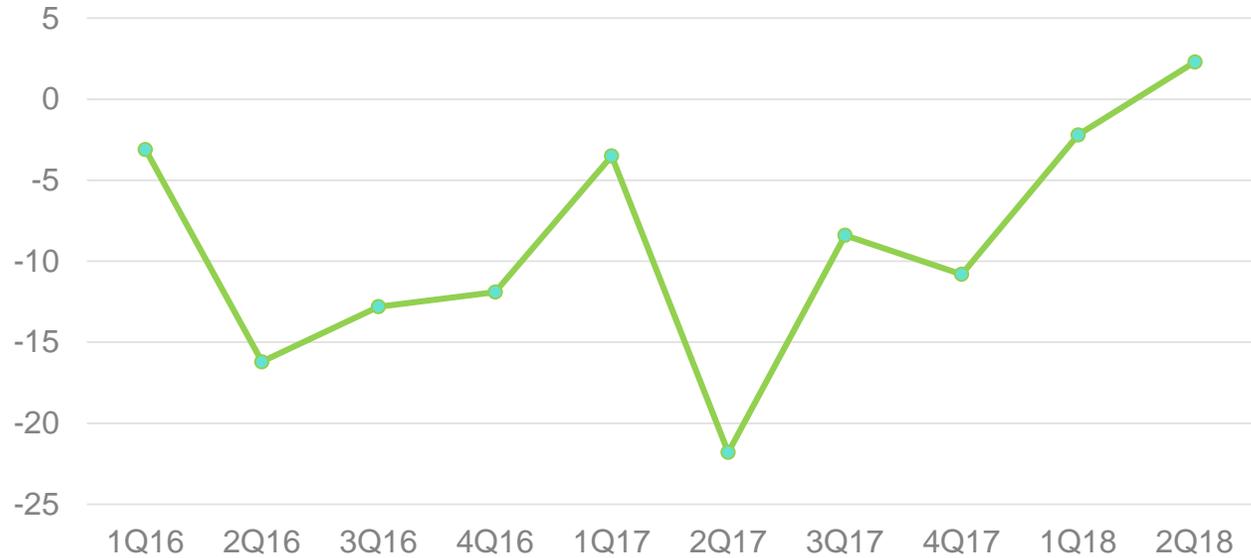


kinetic.internet
by windstream.



Broadband Subscriber Growth in 2Q

Broadband Adds by Quarter (in thousands)



Quarterly Net Broadband Adds (in thousands)

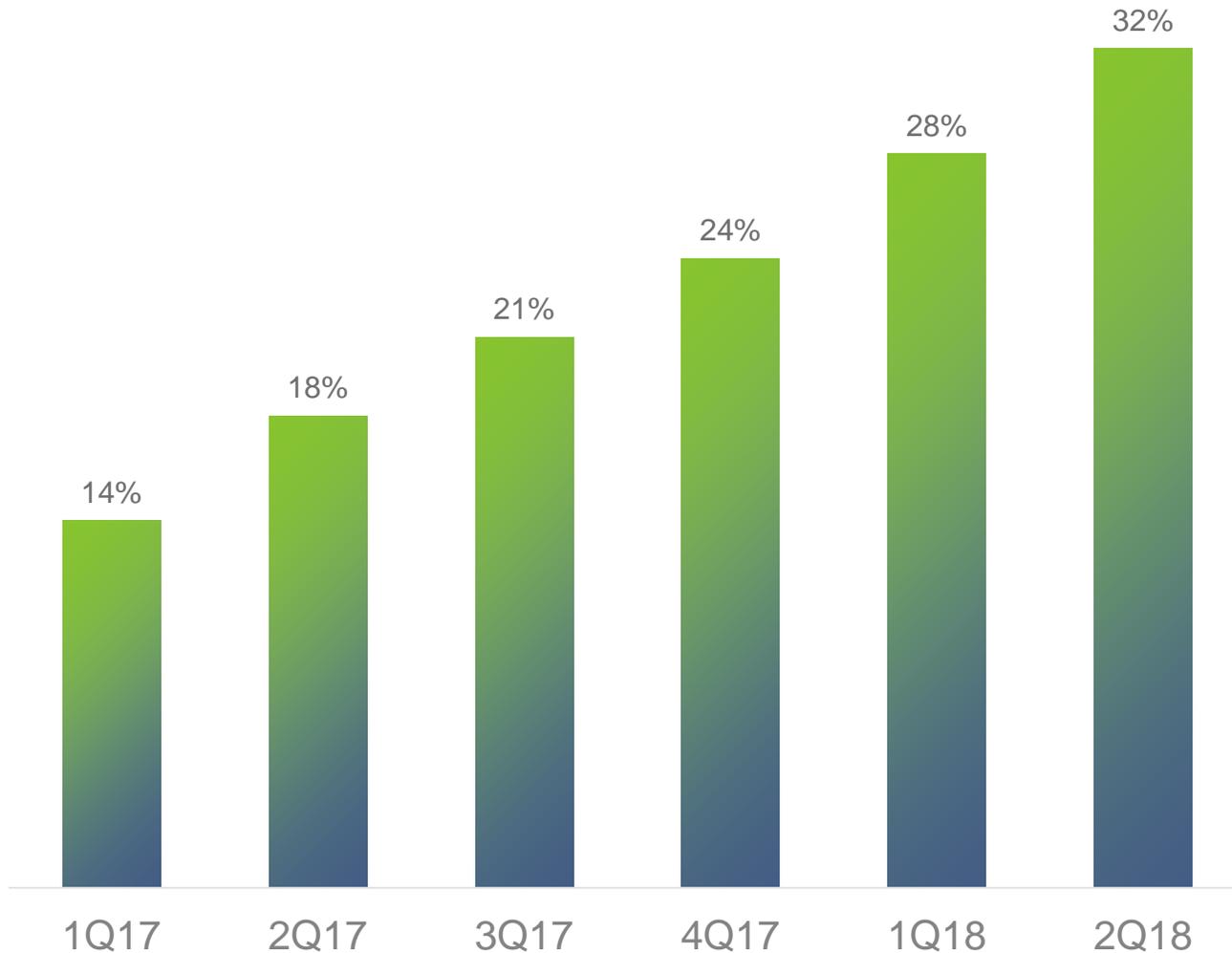


- Strong improvements in both sales and churn drive positive broadband subscriber growth in 2Q
- 14% improvement in sales compared to 2Q17
- 17% improvement in churn compared to 2Q17
- 14 Consecutive Quarters of Consumer ARPU Growth
- Driven by Project Excel investments and efforts to extend faster broadband speed tiers to more customers across ILEC footprint



Improved Broadband Speed Capabilities

Customer Speed Distribution of 25 Mbps or Faster



Current 2018 Broadband Speed Initiatives

- 40% of broadband customers expected to enjoy speed tiers of 25 Mbps or greater by year-end
- Approx. 1.5 million homes to have speed capability of 50 Mbps or greater by year-end 2018
- 120K homes to be upgraded to speeds of 50Mbps to 100 Mbps
- 67K homes in North Georgia to be upgraded from 100 Mbps to 300 Mbps
- Additional 20K homes to be passed with FTTH capabilities



Enterprise Strategy

Transforming to a Cloud Application & Connectivity Provider

Customers:

- Nationwide coverage with full product suite

2Q18 Financial Profile:

- Service revenue: \$730 million
- Contribution margin: \$161 million
- Contribution margin (%): 22%

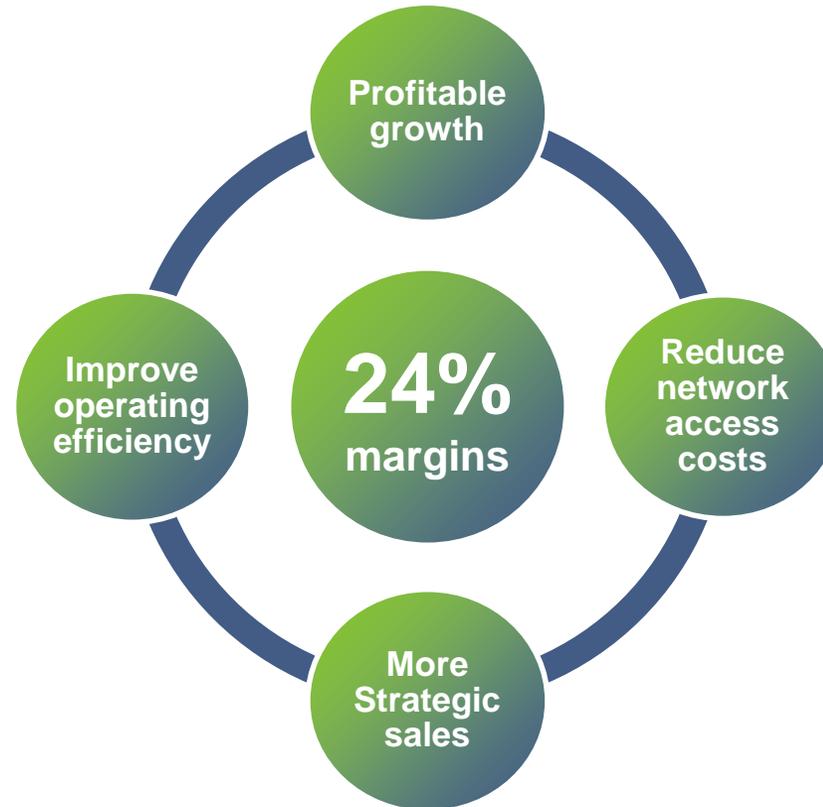
Competitive Advantages:

- Leader in SD-WAN services
- Expansive UCaaS offerings
- Broad portfolio of advanced, customized solutions

Key Drivers:

- Selling strategic product
- 10% annual reduction in Interconnection costs
- Enhanced systems and technologies

EXPANDING ENTERPRISE CONTRIBUTION MARGINS TO 24% BY END OF 2018



WE

OfficeSuiteUC[®]
with SD-WAN

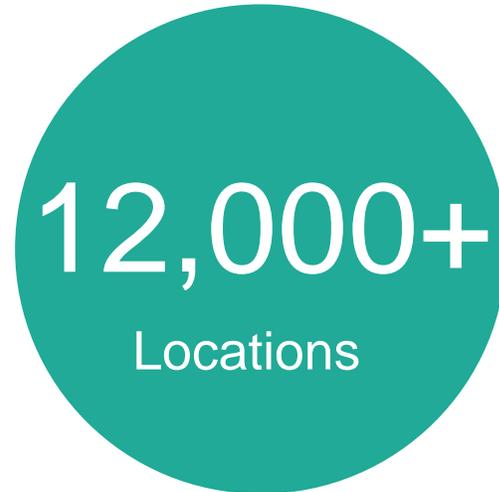
Taking cloud-based unified communications to a new optimized level of performance

WINDSTREAM ENTERPRISE



SD-WAN/Strategic Sales Growth Accelerating

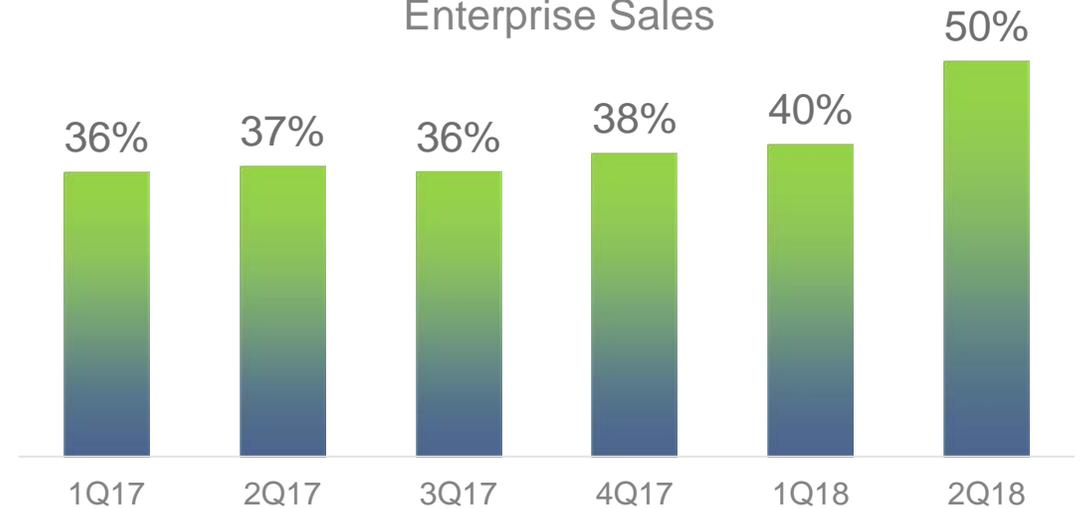
SD-WAN



- Largest SD-WAN Service Provider in U.S. today
 - More customers and locations than any other service
- More than 400 additional locations being installed per month since beginning of year

Strategic Sales

Strategic Sales as % of Total Windstream Enterprise Sales



- Strategic Sales growth accelerated to over 50% of total Enterprise sales during 2Q (SD-WAN, UCaaS, On-net)
 - Over 53% of total Enterprise sales in June
- Strategic Sales increased ~22% sequentially

Strategic Products Improve Margins

Improving Margins while Enhancing the Customer Experience

Illustrative Product Conversion Economics

Typical Enterprise Legacy Integrated Voice and Data Customer

	# Locations	# Units	ARPU	Financials
Integrated Voice and Data	40	1	\$600	\$24,000
Other Fees				\$3,000
<hr/>				
Total Recurring Revenue				\$27,000
Access Expense (Interconnection)				\$16,000
Gross Margin \$				\$11,000
Gross Margin %				41%

Over the Top Applications + Broadband and Wireless Connections

	# Locations	# Units	ARPU	Financials
SD WAN/Access	40	1	\$450	\$18,000
Office Suite	40	5	\$25	\$5,000
Other Fees				\$3,450
<hr/>				
Total Recurring Revenue				\$26,450
Access Expense (Interconnection)				\$8,400
Application License Expense				\$2,750
Gross Margin \$				\$15,300
Gross Margin %				58%

Customer Benefits

Optimized Performance: Improved customer experience with high performing apps, and virtually no downtime – up to a 100% availability SLA.

Robust Security: Reduced security risks with encryption to secure all connections including broadband internet.

Simplified Management: Real-time intelligence via centralized management console puts customers in control with complete visibility.

Better Ownership Economics: Ability to leverage lower cost high bandwidth broadband and no CAPEX.

Windstream Benefits

Margin Enhancing: Lower cost access methods along with over the top applications create higher margin customers.

Revenue Stabilization: Conversion to strategic products creates a lower churn risk customer. Legacy product revenue churns at twice the rate, often times a result of same service write downs with minimal opportunity to decrease operating cost structures.

Risk Mitigating: Access costs decrease and provide an alternative solution to highly regulated TDM based solutions.



Expanding Enterprise Margins

Annual Interconnect Cost Reductions Greater than 10%

Significant Interconnection Cost Reduction Opportunities Remain

Interconnection Expenses (in millions)

	2Q18 Annualized	2Q vs. 1Q Sequential
TDM	525	(5.4%)
IP/Ethernet	<u>383</u>	<u>1.0%</u>
Last Mile Access	909	(2.8%)
TDM	336	(5.1%)
IP/Ethernet	<u>10</u>	<u>(28.5%)</u>
Network Access	347	(6.0%)
Voice/Other	<u>214</u>	<u>0.2%</u>
Interconnect	1,469	(3.2%)

- 2Q18 annualized run-rate of almost \$1.5 billion in interconnection expenses; annualized decline of over 12%
- Legacy TDM represents over \$850 million of annualized expenses and is falling by more than 20% a year
- Migrating more traffic on-net
- Ongoing network grooming efforts
- Increasing leverage of access-agnostic technologies such as SD-WAN and UCaaS
- Continued progress on synergy realization



2Q18 Financial Results

Financial Overview ⁽¹⁾ (Dollars in Millions)	2017			2018	
	Q2	Q3	Q4	Q1	Q2
Revenue					
ILEC Consumer & SMB	\$494	\$479	\$476	\$471	\$466
Enterprise	723	751	760	733	730
Wholesale	197	191	190	184	182
CLEC Consumer	52	52	51	48	46
Segment Service Revenue	\$1,466	\$1,472	\$1,477	\$1,435	\$1,425
Product Sales	26	25	21	19	20
Total Revenue and Sales	\$1,492	\$1,498	\$1,498	\$1,454	\$1,445
Contribution Margin					
ILEC Consumer & SMB	\$289	\$270	\$282	\$282	\$274
Enterprise	142	147	164	146	161
Wholesale	135	133	135	128	129
CLEC Consumer	26	25	28	27	27
Segment Contribution Margin	\$592	\$575	\$608	\$583	\$590
Shared Expenses	\$91	\$85	\$87	\$84	\$83
Adjusted OIBDAR⁽²⁾	\$501	\$490	\$521	\$500	\$507
Margin %	33.6%	32.7%	34.8%	34.4%	35.1%
Segment Contribution Margin %					
ILEC Consumer & SMB	57.3%	55.3%	58.5%	59.2%	57.9%
Enterprise	19.2%	19.2%	21.2%	19.5%	21.7%
Wholesale	68.7%	69.6%	70.8%	69.8%	70.6%
CLEC Consumer	50.3%	47.7%	53.5%	57.0%	57.1%

- \$507 million in adjusted OIBDAR; Increased y-o-y and sequentially
- Consolidated adjusted OIBDAR margin of 35.1% represents 150 bps improvement over 2Q17 margins
- Total cash costs improved by over \$54 million, or 5.5% y-o-y
- 60 bps y-o-y improvement in ILEC Consumer & SMB segment margin %
- 14th consecutive quarter of consumer ARPU growth
- 250 bps y-o-y improvement in Enterprise margins
- Synergy plan on schedule

(1) Results are based upon the combined historical information of Windstream and EarthLink for all periods presented as well as Broadview from July 28th 2017 closing date

(2) Adjusted OIBDAR excludes all goodwill impairment, merger, integration and certain other costs, restructuring, stock-based compensation and pension expense

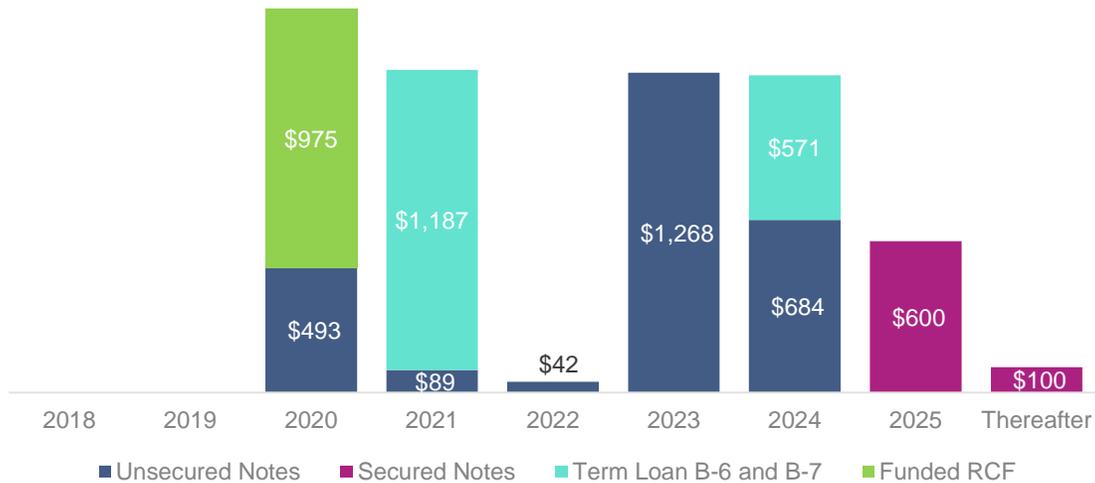


Improved Balance Sheet

Attractive debt maturity profile, with no near-term bond maturities

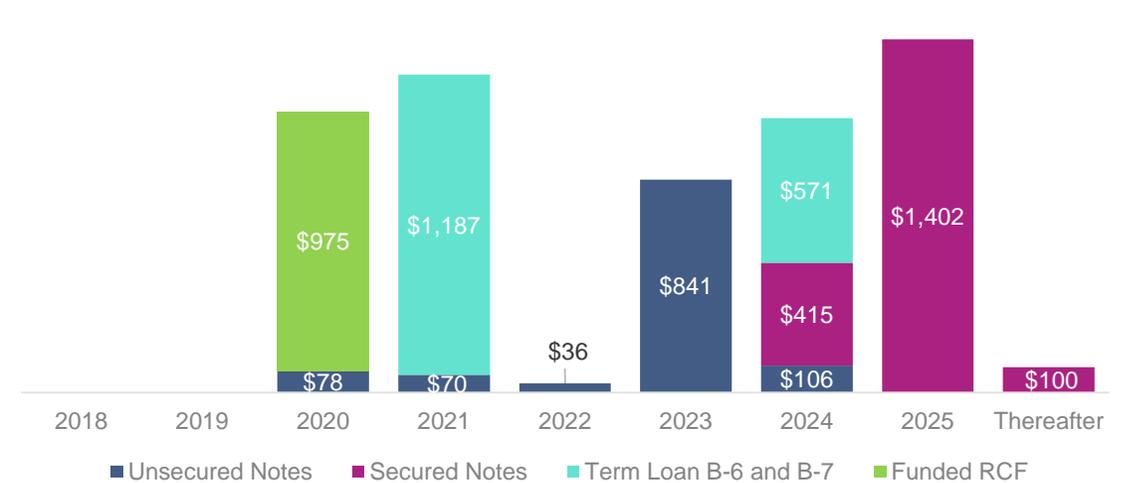
As of June 30, 2018

(dollars in millions)



As of June 30, 2018
(pro forma for debt exchange)

(dollars in millions)



- Approx. \$3.4 billion in debt refinanced through recent exchange offers
- Most recent exchange refinanced over \$1.4 billion in debt
 - Reduced total debt by \$227 million and leverage by 0.2x
 - Pro forma net leverage falls to 3.93x from 4.08x
 - Extends maturities by an average of two years
 - Maintains approx. \$300 million in second lien capacity



2018 Guidance

(in millions)	2018 Guidance
Service Revenue	Slightly Improved vs. 2017 Trends
Adj. OIBDAR	\$1,950 – \$2,010M
Adjusted Capex ⁽¹⁾	\$750 - \$800M
Adjusted Free Cash Flow ⁽²⁾	~\$145M

1) Adjusted capex excludes expenditures related to Integration Capex

2) Now includes approx. \$20 million of accrued cash interest pulled forward due to recently completed bond exchanges

Growth Expected in 2019 Adjusted OIBDAR



Appendix

Contents:

- Quarterly supplemental schedules (Pro Forma)
- 2018 Business Segment Directional Outlook
- A Closer Look at 2018 Capex



Supplemental Financial Information

WINDSTREAM HOLDINGS, INC.

UNAUDITED ADJUSTED RESULTS OF OPERATIONS (NON-GAAP) (A)

QUARTERLY SUPPLEMENTAL INFORMATION

for the quarterly periods in the years 2018 and 2017

(In millions)

ADJUSTED RESULTS OF OPERATIONS:	2018			2017				
	Total	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Revenues and sales:								
Total service revenues	\$ 2,860.0	\$ 1,424.6	\$ 1,435.4	\$ 5,909.0	\$ 1,477.3	\$ 1,472.4	\$ 1,465.6	\$ 1,493.7
Product sales	38.7	19.8	18.9	93.4	20.6	25.3	26.0	21.5
Total revenues and sales	<u>2,898.7</u>	<u>1,444.4</u>	<u>1,454.3</u>	<u>6,002.4</u>	<u>1,497.9</u>	<u>1,497.7</u>	<u>1,491.6</u>	<u>1,515.2</u>
Costs and expenses:								
Cost of services	1,437.7	712.1	725.6	2,999.9	738.0	762.1	741.8	758.0
Cost of products sold	34.9	18.1	16.8	93.7	20.7	22.3	29.7	21.0
Selling, general and administrative	419.0	206.8	212.2	898.3	218.1	223.0	219.6	237.6
Costs and expenses excluding pension and share-based compensation expense	<u>1,891.6</u>	<u>937.0</u>	<u>954.6</u>	<u>3,991.9</u>	<u>976.8</u>	<u>1,007.4</u>	<u>991.1</u>	<u>1,016.6</u>
Adjusted OIBDAR (B)	1,007.1	507.4	499.7	2,010.5	521.1	490.3	500.5	498.6
Master lease rent payment	<u>327.3</u>	<u>163.9</u>	<u>163.4</u>	<u>653.5</u>	<u>163.4</u>	<u>163.3</u>	<u>163.4</u>	<u>163.4</u>
Adjusted OIBDA (C)	<u>\$ 679.8</u>	<u>\$ 343.5</u>	<u>\$ 336.3</u>	<u>\$ 1,357.0</u>	<u>\$ 357.7</u>	<u>\$ 327.0</u>	<u>\$ 337.1</u>	<u>\$ 335.2</u>
Margins (D):								
Adjusted OIBDAR margin	34.7%	35.1%	34.4%	33.5%	34.8%	32.7%	33.6%	32.9%
Adjusted OIBDA margin	23.5%	23.8%	23.1%	22.6%	23.9%	21.8%	22.6%	22.1%
CAPITAL EXPENDITURES:								
Capital expenditures under GAAP	\$ 406.3	\$ 188.7	\$ 217.6	\$ 908.6	\$ 184.4	\$ 216.4	\$ 264.4	\$ 243.4
EarthLink capital expenditures pre-merger	-	-	-	15.2	-	-	-	15.2
Project Excel capital expenditures	-	-	-	(49.9)	-	-	(26.3)	(23.6)
Integration capital expenditures	<u>(18.0)</u>	<u>(8.1)</u>	<u>(9.9)</u>	<u>(34.5)</u>	<u>(12.4)</u>	<u>(11.2)</u>	<u>(6.4)</u>	<u>(4.5)</u>
Adjusted capital expenditures (E)	<u>\$ 388.3</u>	<u>\$ 180.6</u>	<u>\$ 207.7</u>	<u>\$ 839.4</u>	<u>\$ 172.0</u>	<u>\$ 205.2</u>	<u>\$ 231.7</u>	<u>\$ 230.5</u>

(A) Adjusted results of operations are based upon the combined historical financial information of Windstream and EarthLink for all periods presented. The adjusted results assume the merger was completed on January 1, 2017.

Operating results for Broadview and MASS are included beginning on July 28, 2017 and March 27, 2018, respectively, the dates of acquisition.

(B) Adjusted OIBDAR is adjusted OIBDA before the annual cash rent payment due under the master lease agreement with Uniti.

(C) Adjusted OIBDA is operating income before depreciation and amortization, excluding goodwill impairment, pension expense, share-based compensation expense, restructuring charges, merger, integration and certain other costs as further discussed in Note (A) on page 7.

(D) Margins are calculated by dividing the respective profitability measures by total revenues and sales.

(E) Adjusted capital expenditures includes applicable amounts for EarthLink for the periods prior to the merger date of February 27, 2017 and excludes post-merger integration capital expenditures for Broadview and EarthLink and amounts related to Project Excel, a capital program completed in 2017 funded entirely using a portion of the proceeds from the sale of the data center business completed in December 2015.



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 (In millions)

	2018			2017				
	Total	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
REVENUE SUPPLEMENT								
Consumer & Small Business:								
High-speed Internet bundles	\$ 509.4	\$ 254.3	\$ 255.1	\$ 1,045.8	\$ 256.8	\$ 258.9	\$ 264.0	\$ 266.1
Voice only	62.1	30.7	31.4	132.4	32.5	32.8	33.5	33.6
Video and miscellaneous	22.7	11.3	11.4	45.0	11.5	11.3	11.2	11.0
Consumer - ILEC	594.2	296.3	297.9	1,223.2	300.8	303.0	308.7	310.7
Small business - ILEC	154.6	76.5	78.1	325.1	79.6	80.7	81.4	83.4
Switched access	15.1	7.0	8.1	39.5	8.8	9.1	10.6	11.0
CAF Phase II funding	92.1	46.1	46.0	188.0	46.1	46.5	47.3	48.1
State USF and ARM support	48.1	23.9	24.2	104.9	24.5	23.6	29.6	27.2
End user surcharges	32.8	16.1	16.7	63.9	16.1	15.9	16.6	15.3
Consumer & Small Business	936.9	465.9	471.0	1,944.6	475.9	478.8	494.2	495.7
Windstream Enterprise & Wholesale:								
Voice and long distance	483.0	240.2	242.8	983.0	248.4	246.2	240.4	248.0
Data and integrated services (B)	818.3	410.0	408.3	1,686.1	427.8	427.6	408.6	422.1
Miscellaneous	96.8	48.3	48.5	182.3	48.2	45.7	43.4	45.0
End user surcharges	64.9	31.6	33.3	128.7	35.9	31.1	30.8	30.9
Enterprise	1,463.0	730.1	732.9	2,980.1	760.3	750.6	723.2	746.0
Core wholesale (C)	300.7	150.4	150.3	636.8	153.7	155.7	162.2	165.2
Resale (D)	41.4	20.1	21.3	81.8	22.8	21.9	18.4	18.7
Wireless TDM	5.1	2.4	2.7	15.7	3.0	3.4	4.0	5.3
Switched access	18.8	9.4	9.4	43.7	10.3	10.2	12.0	11.2
Wholesale	366.0	182.3	183.7	778.0	189.8	191.2	196.6	200.4
Total Windstream Enterprise & Wholesale	1,829.0	912.4	916.6	3,758.1	950.1	941.8	919.8	946.4
Consumer CLEC:								
High-speed Internet	47.6	23.2	24.4	105.2	26.5	26.6	26.0	26.1
Dial-up, email and miscellaneous	45.3	22.5	22.8	98.3	24.1	24.5	24.9	24.8
End user surcharges	1.2	0.6	0.6	2.8	0.7	0.7	0.7	0.7
Total Consumer CLEC	94.1	46.3	47.8	206.3	51.3	51.8	51.6	51.6
Total service revenues	2,860.0	1,424.6	1,435.4	5,909.0	1,477.3	1,472.4	1,465.6	1,493.7
Product sales:								
Consumer - ILEC	12.1	6.6	5.5	33.8	5.9	8.5	10.7	8.7
Enterprise	26.2	13.0	13.2	58.7	14.4	16.5	15.2	12.6
Wholesale	0.2	0.1	0.1	0.3	0.2	0.1	-	-
Consumer CLEC	0.2	0.1	0.1	0.6	0.1	0.2	0.1	0.2
Total product sales	38.7	19.8	18.9	93.4	20.6	25.3	26.0	21.5
Total revenues and sales	\$ 2,898.7	\$ 1,444.4	\$ 1,454.3	\$ 6,002.4	\$ 1,497.9	\$ 1,497.7	\$ 1,491.6	\$ 1,515.2

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(B) Data and integrated service revenues primarily include voice and broadband services delivered over a single Internet connection as well as multi-site networking services.

(C) Core wholesale revenues primarily include revenues from providing special access circuits, fiber connections, data transport and wireless backhaul services.

(D) Revenues represent voice and data services sold to other communications services providers on a resale basis. Certain prior period core wholesale and wireless TDM revenues have been reclassified as resale revenues.



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Consumer & Small Business								
Revenues and sales:								
Service revenues	\$ 594.2	\$ 296.3	\$ 297.9	\$ 1,223.2	\$ 300.8	\$ 303.0	\$ 308.7	\$ 310.7
Product sales	12.1	6.6	5.5	33.8	5.9	8.5	10.7	8.7
Total Consumer - ILEC	606.3	302.9	303.4	1,257.0	306.7	311.5	319.4	319.4
Small business - ILEC	154.6	76.5	78.1	325.1	79.6	80.7	81.4	83.4
Switched access	15.1	7.0	8.1	39.5	8.8	9.1	10.6	11.0
CAF Phase II funding	92.1	46.1	46.0	188.0	46.1	46.5	47.3	48.1
State USF and ARM support	48.1	23.9	24.2	104.9	24.5	23.6	29.6	27.2
End user surcharges	32.8	16.1	16.7	63.9	16.1	15.9	16.6	15.3
Total revenues and sales	949.0	472.5	476.5	1,978.4	481.8	487.3	504.9	504.4
Costs and expenses	393.5	198.9	194.6	848.8	199.8	217.7	215.7	215.6
Consumer & Small Business contribution margin	\$ 555.5	\$ 273.6	\$ 281.9	\$ 1,129.6	\$ 282.0	\$ 269.6	\$ 289.2	\$ 288.8
Consumer & Small Business contribution margin %	58.5%	57.9%	59.2%	57.1%	58.5%	55.3%	57.3%	57.3%
Windstream Enterprise & Wholesale								
Enterprise								
Revenues and sales:								
Service revenues	\$ 1,463.0	\$ 730.1	\$ 732.9	\$ 2,980.1	\$ 760.3	\$ 750.6	\$ 723.2	\$ 746.0
Product sales	26.2	13.0	13.2	58.7	14.4	16.5	15.2	12.6
Total revenues and sales	1,489.2	743.1	746.1	3,038.8	774.7	767.1	738.4	758.6
Costs and expenses	1,182.2	581.9	600.3	2,445.9	610.6	619.8	596.7	618.8
Contribution margin	\$ 307.0	\$ 161.2	\$ 145.8	\$ 592.9	\$ 164.1	\$ 147.3	\$ 141.7	\$ 139.8
Contribution margin %	20.6%	21.7%	19.5%	19.5%	21.2%	19.2%	19.2%	18.4%
Wholesale								
Revenues and sales:								
Service revenues	\$ 366.0	\$ 182.3	\$ 183.7	\$ 778.0	\$ 189.8	\$ 191.2	\$ 196.6	\$ 200.4
Product sales	0.2	0.1	0.1	0.3	0.2	0.1	-	-
Total revenues and sales	366.2	182.4	183.8	778.3	190.0	191.3	196.6	200.4
Costs and expenses	109.1	53.6	55.5	238.0	55.5	58.1	61.6	62.8
Contribution margin	\$ 257.1	\$ 128.8	\$ 128.3	\$ 540.3	\$ 134.5	\$ 133.2	\$ 135.0	\$ 137.6
Contribution margin %	70.2%	70.6%	69.8%	69.4%	70.8%	69.6%	68.7%	68.7%
Total Windstream Enterprise & Wholesale								
Revenues and sales:								
Service revenues	\$ 1,829.0	\$ 912.4	\$ 916.6	\$ 3,758.1	\$ 950.1	\$ 941.8	\$ 919.8	\$ 946.4
Product sales	26.4	13.1	13.3	59.0	14.6	16.6	15.2	12.6
Total revenues and sales	1,855.4	925.5	929.9	3,817.1	964.7	958.4	935.0	959.0
Costs and expenses	1,291.3	635.5	655.8	2,683.9	666.1	677.9	658.3	681.6
Total Windstream Enterprise & Wholesale contribution margin	\$ 564.1	\$ 290.0	\$ 274.1	\$ 1,133.2	\$ 298.6	\$ 280.5	\$ 276.7	\$ 277.4
Total Windstream Enterprise & Wholesale contribution margin %	30.4%	31.3%	29.5%	29.7%	31.0%	29.3%	29.6%	28.9%

(A) Adjusted results of operations are based upon the combined historical financial information of Windstream and EarthLink adjusted to exclude merger, integration and other costs related to strategic transactions, restructuring charges, pension and share-based compensation expense for all periods presented. The adjusted results assume the merger with EarthLink was completed on January 1, 2017. Operating results for Broadview and MASS are included beginning on July 28, 2017 and March 27, 2018, respectively, the dates of acquisition.

(B) Shared expenses are not allocated to the segments and primarily consist of accounting and finance, information technology, network management, legal, human resources, and investor relations, that are centrally managed and are not monitored by management at a segment level.



Supplemental Financial Information

WINDSTREAM HOLDINGS, INC.
 UNAUDITED ADJUSTED SEGMENT RESULTS (NON-GAAP) (A)
 QUARTERLY SUPPLEMENTAL INFORMATION
 for the quarterly periods in the years 2018 and 2017
 (In millions)

	2018			2017				
	Total	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Consumer CLEC								
Revenues and sales:								
Service revenues	\$ 94.1	\$ 46.3	\$ 47.8	\$ 206.3	\$ 51.3	\$ 51.8	\$ 51.6	\$ 51.6
Product sales	0.2	0.1	0.1	0.6	0.1	0.2	0.1	0.2
Total revenues and sales	94.3	46.4	47.9	206.9	51.4	52.0	51.7	51.8
Costs and expenses	40.5	19.9	20.6	99.9	23.9	27.2	25.7	23.1
Contribution margin	\$ 53.8	\$ 26.5	\$ 27.3	\$ 107.0	\$ 27.5	\$ 24.8	\$ 26.0	\$ 28.7
Contribution margin %	57.1%	57.1%	57.0%	51.7%	53.5%	47.7%	50.3%	55.4%
Total segment revenues and expenses								
Revenues and sales:								
Service revenues	\$ 2,860.0	\$ 1,424.6	\$ 1,435.4	\$ 5,909.0	\$ 1,477.3	\$ 1,472.4	\$ 1,465.6	\$ 1,493.7
Product sales	38.7	19.8	18.9	93.4	20.6	25.3	26.0	21.5
Total segment revenues and sales	2,898.7	1,444.4	1,454.3	6,002.4	1,497.9	1,497.7	1,491.6	1,515.2
Total segment costs and expenses	1,725.3	854.3	871.0	3,632.6	889.8	922.8	899.7	920.3
Segment contribution margin	\$ 1,173.4	\$ 590.1	\$ 583.3	\$ 2,369.8	\$ 608.1	\$ 574.9	\$ 591.9	\$ 594.9
Segment contribution margin %	40.5%	40.9%	40.1%	39.5%	40.6%	38.4%	39.7%	39.3%
Consolidated revenues and expenses								
Service revenues	2,860.0	1,424.6	\$ 1,435.4	\$ 5,909.0	\$ 1,477.3	\$ 1,472.4	\$ 1,465.6	\$ 1,493.7
Product sales	38.7	19.8	18.9	93.4	20.6	25.3	26.0	21.5
Consolidated revenues and sales	\$ 2,898.7	\$ 1,444.4	\$ 1,454.3	\$ 6,002.4	\$ 1,497.9	\$ 1,497.7	\$ 1,491.6	\$ 1,515.2
Consolidated costs and expenses								
Segment costs and expenses	\$ 1,725.3	\$ 854.3	\$ 871.0	\$ 3,632.6	\$ 889.8	\$ 922.8	\$ 899.7	\$ 920.3
Shared expenses (B)	166.3	82.7	83.6	359.3	87.0	84.6	91.4	96.3
Consolidated costs and expenses	\$ 1,891.6	\$ 937.0	\$ 954.6	\$ 3,991.9	\$ 976.8	\$ 1,007.4	\$ 991.1	\$ 1,016.6
Consolidated								
Adjusted OIBDAR	\$ 1,007.1	\$ 507.4	\$ 499.7	\$ 2,010.5	\$ 521.1	\$ 490.3	\$ 500.5	\$ 498.6
Adjusted OIBDAR margin	34.7%	35.1%	34.4%	33.5%	34.8%	32.7%	33.6%	32.9%

(A) Adjusted results of operations are based upon the combined historical financial information of Windstream and EarthLink adjusted to exclude merger, integration and other costs related to strategic transactions, restructuring charges, pension and share-based compensation expense for all periods presented. The adjusted results assume the merger with EarthLink was completed on January 1, 2017. Operating results for Broadview and MASS are included beginning on July 28, 2017 and March 27, 2018, respectively, the dates of acquisition.

(B) Shared expenses are not allocated to the segments and primarily consist of accounting and finance, information technology, network management, legal, human resources, and investor relations, that are centrally managed and are not monitored by management at a segment level.



Supplemental Financial Information

WINDSTREAM HOLDINGS, INC.

UNAUDITED ADJUSTED OPERATING METRICS (NON-GAAP)

QUARTERLY SUPPLEMENTAL INFORMATION

for the quarterly periods in the years 2018 and 2017

(Units in thousands, Dollars in millions, except per unit amounts)

	2018			2017				
	Total	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Consumer - ILEC								
Households served	1,251.3	1,251.3	1,257.3	1,268.8	1,268.8	1,288.2	1,307.8	1,337.5
<i>YOY change in households served</i>	-4.3%	-4.3%	-6.0%	-6.3%	-6.3%	-6.6%	-6.8%	-6.5%
<i>Average revenue per household served per month</i>	\$ 78.59	\$ 78.74	\$ 78.62	\$ 77.71	\$ 78.43	\$ 77.81	\$ 77.80	\$ 76.94
High-speed Internet customers	1,006.7	1,006.7	1,004.4	1,006.6	1,006.6	1,017.4	1,025.8	1,047.6
Digital television customers	256.6	256.6	267.1	277.9	277.9	289.6	300.7	310.0
<i>YOY change in high-speed Internet</i>	-1.9%	-1.9%	-4.1%	-4.2%	-4.2%	-4.3%	-4.6%	-4.1%
<i>YOY change in digital television customers</i>	-14.7%	-14.7%	-13.8%	-13.4%	-13.4%	-12.1%	-12.1%	-11.5%
Small Business - ILEC								
Customers	123.2	123.2	125.0	128.1	128.1	131.2	134.1	136.8
<i>YOY change in customers</i>	-8.1%	-8.1%	-8.6%	-8.3%	-8.3%	-7.8%	-7.4%	-7.6%
<i>Average revenue per customer per month</i>	\$ 205.07	\$ 205.48	\$ 205.72	\$ 202.33	\$ 204.65	\$ 202.79	\$ 200.32	\$ 201.08
Enterprise								
Customers	115.5	115.5	120.7	125.7	125.7	129.9	114.8	120.8
<i>YOY change in customers</i>	0.6%	0.6%	-0.1%	-0.5%	-0.5%	-1.4%	-16.2%	-15.5%
<i>Average revenue per customer per month</i>	\$ 2,021.84	\$ 2,060.68	\$ 1,982.95	\$ 1,970.97	\$ 1,983.05	\$ 2,044.95	\$ 2,046.41	\$ 2,012.68
Consumer CLEC								
Customers	623.1	623.1	641.0	662.1	662.1	680.6	684.4	683.1
<i>YOY change in customers</i>	-9.0%	-9.0%	-6.2%	-3.9%	-3.9%	-3.2%	-5.2%	-7.4%
<i>Average revenue per customer per month</i>	\$ 24.41	\$ 24.42	\$ 24.45	\$ 25.45	\$ 25.47	\$ 25.30	\$ 25.16	\$ 25.07
Service Revenues Used in Average Revenue Per Month Computations Above (per page 3):								
Consumer service revenue - ILEC	\$ 594.2	\$ 296.3	\$ 297.9	\$ 1,223.2	\$ 300.8	\$ 303.0	\$ 308.7	\$ 310.7
Small business service revenue - ILEC	\$ 154.6	\$ 76.5	\$ 78.1	\$ 325.1	\$ 79.6	\$ 80.7	\$ 81.4	\$ 83.4
Enterprise service revenue	\$ 1,463.0	\$ 730.1	\$ 732.9	\$ 2,980.1	\$ 760.3	\$ 750.6	\$ 723.2	\$ 746.0
Consumer CLEC service revenue	\$ 94.1	\$ 46.3	\$ 47.8	\$ 206.3	\$ 51.3	\$ 51.8	\$ 51.6	\$ 51.6



Supplemental Financial Information

WINDSTREAM HOLDINGS, INC.
 UNAUDITED ADJUSTED CONSOLIDATED RESULTS (NON-GAAP)
 QUARTERLY SUPPLEMENTAL INFORMATION
 for the quarterly periods in 2018
 (In millions)

	2018		
	Total	2nd Qtr.	1st Qtr.
ADJUSTED FREE CASH FLOW:			
Operating income under GAAP	\$ 157.3	\$ 88.3	\$ 69.0
Depreciation and amortization	752.5	370.7	381.8
OIBDA	909.8	459.0	450.8
Adjustments:			
Merger, integration and other costs (A)	21.4	14.1	7.3
Restructuring charges	19.5	5.8	13.7
Other costs (B)	36.1	19.0	17.1
Pension expense	1.9	1.0	0.9
Share-based compensation	18.4	8.5	9.9
Master lease rent payment	(327.3)	(163.9)	(163.4)
Adjusted OIBDA	679.8	343.5	336.3
Adjusted capital expenditures (C)	(388.3)	(180.6)	(207.7)
Cash paid for interest on long-term debt obligations	(193.0)	(126.7)	(66.3)
Cash received (paid) for income taxes, net	15.1	11.9	3.2
Adjusted free cash flow	\$ 113.6	\$ 48.1	\$ 65.5

	Six Months Ended June 30,	
	2018	2017
OPERATIONAL FREE CASH FLOW:		
Net Cash Provided from Operating Activities	\$ 539.7	\$ 374.9
Less Capital expenditures under GAAP	(406.3)	(507.8)
Less Payments under long-term lease obligation with Uniti	(91.4)	(82.2)
Operational free cash flow	\$ 42.0	\$ (215.1)

	As of
	6/30/2018
DEBT LEVERAGE RATIO:	
Long-term debt, including current maturities	\$ 5,885.8
Capital lease obligations	108.3
Total long-term debt and capital lease obligations	5,994.1
Cash and cash equivalents	45.4
Net debt	\$ 5,948.7 (1)

	Twelve
	Months Ended
	6/30/2018
Adjusted OIBDA (per page 2)	\$ 1,364.5
Other expense adjustments required by the credit facilities and indentures (D):	
Broadview OIBDA for the period July 1, 2017 to July 28, 2017	3.7
Annual expense synergies for Broadview and EarthLink acquisitions	91.0
Adjusted OIBDA for purposes of calculating net leverage ratio	\$ 1,459.2 (2)

Net leverage ratio (E) - computed as (1)/(2) 4.08

- (A) Includes legal fees related to REIT spin-off litigation.
- (B) Other costs primarily include business transformation expenses consisting of consulting fees and incremental marketing and rebranding costs. See Note (C) on page 8 for further detailed information.
- (C) Adjusted capital expenditures includes applicable amounts for EarthLink for the pre-merger period January 1, 2017 to February 26, 2017 and excludes post-merger integration capital expenditures for Broadview and EarthLink and amounts related to Project Excel, a capital program funded entirely using a portion of the proceeds from the sale of the data center business completed in December 2015.
- (D) Other expense adjustments include operating results of Broadview for the period prior to the date of acquisition and net cost savings from integrating acquired companies not to exceed \$25.0 million on a quarterly basis.
- (E) The net leverage ratio is computed by dividing net debt by adjusted OIBDA.



Supplemental Financial Information

WINDSTREAM HOLDINGS, INC.
 RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (A)
 for the quarterly periods in the years 2018 and 2017
 (In millions)

	2018			2017				
	Total	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Reconciliation of Revenues and Sales under GAAP to Adjusted Revenues and Sales:								
Service revenues under GAAP	\$ 2,860.0	\$ 1,424.6	\$ 1,435.4	\$ 5,759.7	\$ 1,477.3	\$ 1,472.4	\$ 1,465.6	\$ 1,344.4
Adjustments:								
EarthLink service revenues	-	-	-	149.3	-	-	-	149.3
Adjusted service revenues	2,860.0	1,424.6	1,435.4	5,909.0	1,477.3	1,472.4	1,465.6	1,493.7
Product sales under GAAP	38.7	19.8	18.9	93.2	20.6	25.3	26.0	21.3
Adjustments:								
EarthLink product sales	-	-	-	0.2	-	-	-	0.2
Adjusted product sales	38.7	19.8	18.9	93.4	20.6	25.3	26.0	21.5
Adjusted revenues and sales	\$ 2,898.7	\$ 1,444.4	\$ 1,454.3	\$ 6,002.4	\$ 1,497.9	\$ 1,497.7	\$ 1,491.6	\$ 1,515.2
Reconciliation of Net Loss under GAAP to Adjusted OIBDA:								
Net loss	\$ (215.1)	\$ (93.7)	\$ (121.4)	\$ (2,116.6)	\$ (1,835.7)	\$ (101.5)	\$ (68.1)	\$ (111.3)
Adjustments:								
Other (income) expense, net	(9.7)	(12.0)	2.3	2.3	10.8	(1.7)	(4.2)	(2.6)
Net loss (gain) on early extinguishment of debt	-	-	-	56.4	58.4	(5.2)	-	3.2
Interest expense	447.5	224.4	223.1	875.4	232.8	216.4	214.4	211.8
Income tax benefit	(65.4)	(30.4)	(35.0)	(408.1)	(244.7)	(66.8)	(39.6)	(57.0)
Operating income (loss) under GAAP	157.3	88.3	69.0	(1,590.6)	(1,778.4)	41.2	102.5	44.1
Depreciation and amortization	752.5	370.7	381.8	1,470.0	403.7	365.4	362.4	338.5
Adjustments:								
Goodwill impairment	-	-	-	1,840.8	1,840.8	-	-	-
EarthLink operating income (B)	-	-	-	30.8	-	-	-	30.8
Merger, integration and other costs	21.4	14.1	7.3	137.4	30.0	33.7	16.4	57.3
Restructuring charges	19.5	5.8	13.7	43.0	9.3	22.8	3.5	7.4
Other costs (C)	36.1	19.0	17.1	25.8	3.5	12.8	3.5	6.0
Pension expense	1.9	1.0	0.9	8.1	2.0	2.0	2.0	2.1
Share-based compensation expense	18.4	8.5	9.9	45.2	10.2	12.4	10.2	12.4
Adjusted OIBDAR (D)	1,007.1	507.4	499.7	2,010.5	521.1	490.3	500.5	498.6
Master lease rent payment	(327.3)	(163.9)	(163.4)	(653.5)	(163.4)	(163.3)	(163.4)	(163.4)
Adjusted OIBDA (E)	\$ 679.8	\$ 343.5	\$ 336.3	\$ 1,357.0	\$ 357.7	\$ 327.0	\$ 337.1	\$ 335.2

(A) Adjusted results of operations are based upon the combined historical financial information of Windstream and EarthLink for all periods presented. The adjusted results assume the merger was completed on January 1, 2017.

(B) Represents EarthLink operating results for periods prior to the merger date of February 27, 2017. These amounts exclude EarthLink's historical depreciation and amortization, restructuring, merger and integration costs and share-based compensation.

(C) Other costs for the periods presented consist of the following:

	2018			2017				
	Total	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Consulting fees	\$ 20.8	\$ 12.1	\$ 8.7	\$ -	\$ -	\$ -	\$ -	\$ -
Marketing and rebranding costs	3.1	0.7	2.4	-	-	-	-	-
Network optimization costs (1)	11.6	6.2	5.4	-	-	-	-	-
Business transformation expenses	35.5	19.0	16.5	-	-	-	-	-
Carrier access settlements	0.6	-	0.6	8.3	-	8.3	-	-
Spend commitment penalty (2)	-	-	-	7.7	-	-	2.5	5.2
Storm costs (3)	-	-	-	4.7	1.8	2.9	-	-
Miscellaneous network cost initiatives	-	-	-	5.1	1.7	1.6	1.0	0.8
Other costs	\$ 36.1	\$ 19.0	\$ 17.1	\$ 25.8	\$ 3.5	\$ 12.8	\$ 3.5	\$ 6.0

(1) Costs incurred in migrating traffic to existing lower cost circuits and terminating contracts prior to their expiration.

(2) Reserve for a penalty attributable to not meeting certain spend commitments under a current discount plan.

(3) Incremental costs related to Hurricanes Harvey and Irma.

(D) Adjusted OIBDAR is adjusted OIBDA before the annual cash rent payment due under the master lease agreement with Uniti.

(E) Adjusted OIBDA is operating income before depreciation and amortization, excluding goodwill impairment, merger and integration costs related to strategic transactions, restructuring charges, pension and share-based compensation expense and certain other costs as discussed in Note (C) above.



Supplemental Financial Information

WINDSTREAM HOLDINGS, INC.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

for the quarterly periods in the years 2018 and 2017

(In millions)

	2018			2017				
	Total	2nd Qtr.	1st Qtr.	Total	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.
Reconciliation of Net Cash Provided from Operating Activities to Adjusted OIBDA:								
Net Cash Provided from Operating Activities	\$ 539.7	\$ 300.4	\$ 239.3	\$ 974.5	\$ 327.9	\$ 271.7	\$ 221.2	\$ 153.7
Adjustments:								
Master lease rent payment	(327.3)	(163.9)	(163.4)	(653.5)	(163.4)	(163.3)	(163.4)	(163.4)
EarthLink operating income (A)	-	-	-	30.8	-	-	-	30.8
Merger, integration and other costs	21.4	14.1	7.3	137.4	30.0	33.7	16.4	57.3
Restructuring charges	19.5	5.8	13.7	43.0	9.3	22.8	3.5	7.4
Other costs (B)	36.1	19.0	17.1	25.8	3.5	12.8	3.5	6.0
Other (income) expense, net	(9.7)	(12.0)	2.3	2.3	10.8	(1.7)	(4.2)	(2.6)
Interest expense	447.4	224.3	223.1	875.3	232.7	216.4	214.4	211.8
Income tax benefit, net of deferred income taxes	(0.5)	(0.2)	(0.3)	(12.8)	5.3	(18.8)	2.5	(1.8)
Provision for doubtful accounts	(15.2)	(9.6)	(5.6)	(45.7)	(12.2)	(13.8)	(10.1)	(9.6)
Other noncash adjustments, net	(2.5)	7.0	(9.5)	(38.2)	(18.6)	(6.0)	(9.1)	(4.5)
Changes in operating assets and liabilities, net	(29.1)	(41.4)	12.3	18.1	(67.6)	(26.8)	62.4	50.1
Adjusted OIBDA	<u>\$ 679.8</u>	<u>\$ 343.5</u>	<u>\$ 336.3</u>	<u>\$ 1,357.0</u>	<u>\$ 357.7</u>	<u>\$ 327.0</u>	<u>\$ 337.1</u>	<u>\$ 335.2</u>
Reconciliation of Net Cash Provided from Operating Activities to Adjusted Free Cash Flow:								
Net Cash Provided from Operating Activities	\$ 539.7	\$ 300.4	\$ 239.3	\$ 974.5	\$ 327.9	\$ 271.7	\$ 221.2	\$ 153.7
Adjustments:								
Cash paid for interest on long-term debt obligations	(193.0)	(126.7)	(66.3)	(371.9)	(138.2)	(59.2)	(126.9)	(47.6)
Cash (paid) refunded for income taxes	15.1	11.9	3.2	(2.0)	(0.2)	(0.2)	(1.6)	-
Capital expenditures	(406.3)	(188.7)	(217.6)	(908.6)	(184.4)	(216.4)	(264.4)	(243.4)
Project Excel capital expenditures	-	-	-	49.9	-	-	26.3	23.6
Integration capital expenditures	18.0	8.1	9.9	34.5	12.4	11.2	6.4	4.5
EarthLink capital expenditures pre-merger	-	-	-	(15.2)	-	-	-	(15.2)
EarthLink operating income (A)	-	-	-	30.8	-	-	-	30.8
Master lease rent payment	(327.3)	(163.9)	(163.4)	(653.5)	(163.4)	(163.3)	(163.4)	(163.4)
Merger, integration and other costs	21.4	14.1	7.3	137.4	30.0	33.7	16.4	57.3
Restructuring charges	19.5	5.8	13.7	43.0	9.3	22.8	3.5	7.4
Other costs (B)	36.1	19.0	17.1	25.8	3.5	12.8	3.5	6.0
Other (income) expense, net	(9.7)	(12.0)	2.3	2.3	10.8	(1.7)	(4.2)	(2.6)
Interest expense	447.4	224.3	223.1	875.3	232.7	216.4	214.4	211.8
Income tax benefit, net of deferred income taxes	(0.5)	(0.2)	(0.3)	(12.8)	5.3	(18.8)	2.5	(1.8)
Provision for doubtful accounts	(15.2)	(9.6)	(5.6)	(45.7)	(12.2)	(13.8)	(10.1)	(9.6)
Other noncash adjustments, net	(2.5)	7.0	(9.5)	(38.2)	(18.6)	(6.0)	(9.1)	(4.5)
Changes in operating assets and liabilities, net	(29.1)	(41.4)	12.3	18.1	(67.6)	(26.8)	62.4	50.1
Adjusted Free Cash Flow	<u>\$ 113.6</u>	<u>\$ 48.1</u>	<u>\$ 65.5</u>	<u>\$ 143.7</u>	<u>\$ 47.3</u>	<u>\$ 62.4</u>	<u>\$ (23.1)</u>	<u>\$ 57.1</u>

(A) Represents EarthLink operating results for periods prior to the merger date of February 27, 2017. These amounts exclude EarthLink's historical depreciation and amortization, restructuring, merger and integration costs and share-based compensation.

(B) See Note (C) on page 23 for further detail of these amounts.



2018 Business Segment Directional Outlook

FY17 Pro Forma Results

FY18 Pro Forma Outlook

(Dollars in Millions)

ILEC CONSUMER & SMB	Service Revenue	\$1,945
	YoY Growth	(3.9%)
	Contribution Margin	\$1,130
	Contribution Margin %	57.1%



- Broadband customer trends improve
- Stable contribution margin percentage

ENTERPRISE	Service Revenue	\$2,980
	YoY Growth	(5.5%)
	Contribution Margin	\$593
	Contribution Margin %	19.5%



- Revenue trends improve with organic sales growth and churn reduction
- Growth in contribution margin and margin percentage year-over-year

WHOLESALE	Service Revenue	\$778
	YoY Growth	(9.5%)
	Contribution Margin	\$540
	Contribution Margin %	69.4%



- Legacy revenue declines continue to offset strategic revenue trends
- Stable contribution margin percentage

CLEC CONSUMER	Service Revenue	\$206
	YoY Growth	(8.5%)
	Contribution Margin	\$107
	Contribution Margin %	51.7%



- Similar trends to 2017

Note: Pro forma results includes historical Windstream plus pro forma EarthLink and include Broadview from 7/28/17.



A Closer Look at 2018 Capex

Executing a Network First Strategy

2018 Capex Plans	Capex (in millions)
Success-based	\$240
Broadband capacity and expansion	\$120
On-Net/Interconnection Cost Savings	\$10
IT Projects to Drive Efficiencies	\$40
Other	<u>\$30</u>
Strategic Capex	\$440
Maintenance capex/Network Optimization	\$335
Adjusted Capital Expenditures ⁽¹⁾	\$775

2018 INITIATIVES

- Expand high-speed internet capabilities
- Expand Enterprise on-net
- Enhance network performance
- Make targeted investments to reduce network operating expenses



(1) Adjusted capex excludes expenditures related to Integration Capex and assumes mid-point of annual guidance