

# **CenturyLink Prospective: The Future for CWA-represented Employees**

**CWA Telecommunications  
and Technologies Leadership  
Conference**

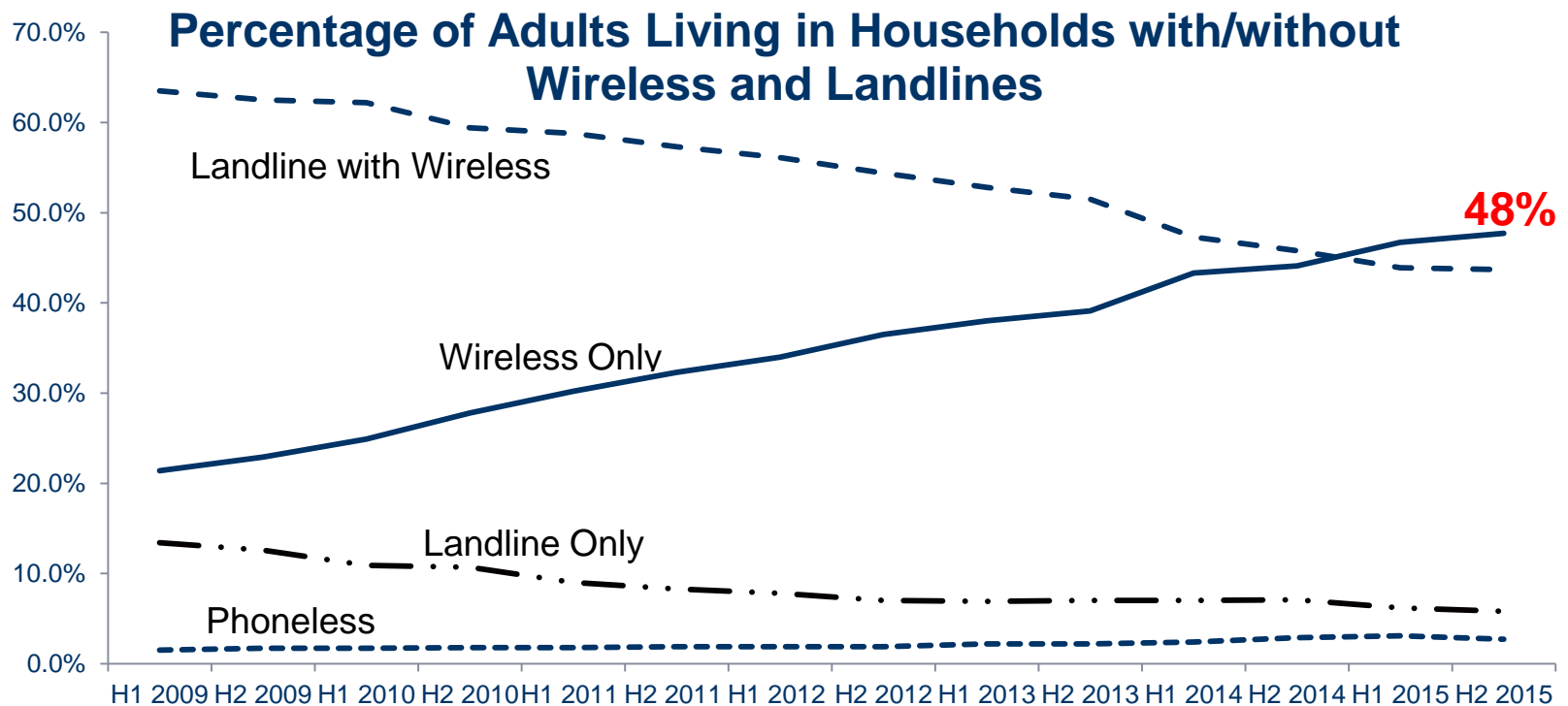
**January 2017, San Juan, PR**

# The Communications Industry is Dynamic

- Wireless data exploding
  - Growth of 1,013% 2011-13; Another 700% by 2020

Smartphone Usage			
Texting/Email	Internet		
Camera/Video	Social networking		
Photo-sharing	Music		
Weather/News	Internet of Things		
		Smart cities	Self-driving cars
		Environmental monitoring	Home automation
		Manufacturing innovation	Health monitoring

# Landline, however, is Shrinking



Source: FCC Wireless Survey 2016

# Wireless Networks Demand Fiber Backhaul

- Wireless and fiber complementary
  - Backhaul = cable between towers and central offices
- 5G will require order of magnitude more backhaul
  - VZ uses 30,000 towers for 4G
  - It will need several **million** for 5G
- Acquisitions
  - VZ purchase of XO Communications (Feb. 2016)
  - CenturyLink purchase offer of Level 3 (Nov. 2016)
  - Windstream purchase offer of EarthLink

Will synergies between landline and fiber lead to mergers with T-Mobile / Sprint?



# Landline Landscape

## Consolidated Companies

AT&T

Verizon

## Landline Only Companies

CenturyLink

Frontier

Windstream

Fairpoint

## Cable Companies

Comcast

Charter

Cox

Altice

## Fiber-only Companies

Level 3

Crown Castle

Zayo

XO  
Communications

## Wireless-only Companies

T-Mobile

Sprint

# Landline Only Companies

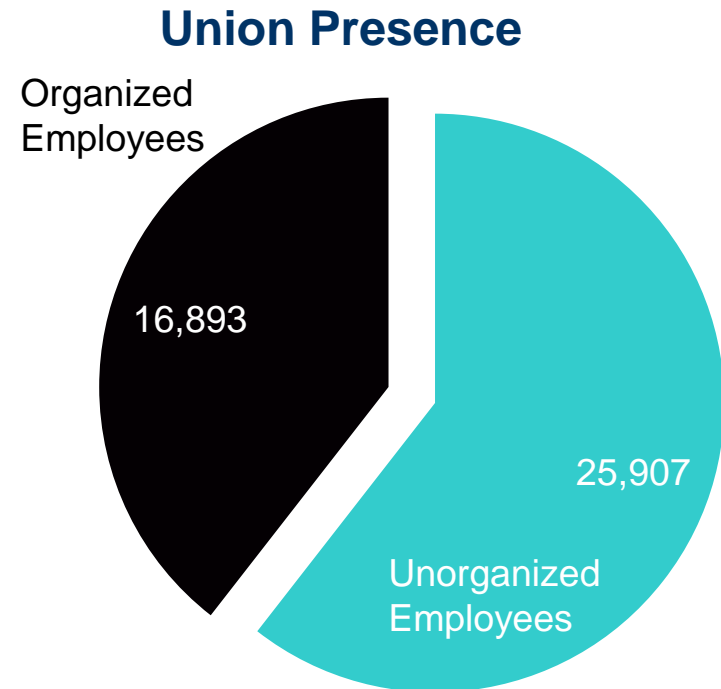
- Margins lower in landline than wireless
  - Consolidated companies benefit from wireless units
  - Consolidated companies also moving into content
- Task: pivot from POTS to fiber
- Manage transition from analog to digital
- Prepare for next stage of wired Internet

# CenturyLink Growth

- 2001: Fended off hostile takeover from Alltel
- 2008: Acquired Embarq (formerly Sprint landlines)
- 2009: CenturyTel changed name to CenturyLink
- 2011: Acquired Qwest. Became #3 landline company in U.S.
- 2011: Acquired Savvis, Inc. (cloud infrastructure)
- 2012: Acquired ITO Business Division of Ciber
- 2013: Acquired Appfrog (platform for web developers)
- 2013: Acquired Tier 3 (cloud management)
- 2014: Acquired Cognilytics (big data management)
- 2016: Purchase offer of Level 3 Communications (3<sup>rd</sup> largest fiber-optic provider)

# CenturyLink by the numbers

- 4<sup>th</sup> largest telecom in U.S.
- Operates in 22 states
- 42,800 employees
  - 15,593 CWA-represented
  - 11,207 CWA members
  - 1,300 IBEW represented
- Level 3 Communications
  - 12,500 employee, all unrepresented





# Financialization

- Defined: The process of financial extraction from service or manufacturing companies at the expense of employees, customers, and communities for the benefit of shareholders. In public companies this takes place typically through dividends and stock buybacks.
- 2010-2015: Dividends distributed to shareholders have exceeded net income **two-and-a-half-fold**. The process has continued into 2016.
- High level of debt. CenturyLink debt/EBITDA was x3.0 in 2015. At AT&T debt/EBITDA was x2.8. At Verizon, debt/EBITDA was x2.2. **Acquisition of Level 3 for \$25 billion will increase debt.** Debt-driven growth squeezes all aspects of the company.
- Result: less cash for employment, employee benefits, and higher prices for consumers

# Financial Metrics

## CenturyLink, Inc. Financial Information

\$ million	2011	2012	2013	2014	2015	1Q2016	2Q2016	3Q2016
<b>Revenue</b>	\$15,351.0	\$18,376.0	\$18,095.0	\$18,031.0	\$17,900.0	\$4,401.0	\$4,398.0	\$4,382.0
<b>EBITDA</b>	\$6,518.0	\$7,576.0	\$7,374.0	\$6,906.0	\$6,826.0	\$1,670.0	\$1,637.0	\$1,590.0
<b>Net income</b>	\$573.0	\$777.0	-\$239.0	\$772.0	\$878.0	\$236.0	\$196.0	\$152.0
<b>Total Debt</b>	\$21,836.0	\$20,605.0	\$20,966.0	\$30,503.0	\$20,225.0	\$20,025.0	\$19,616.0	\$19,718.0
<b>Debt/EBITDA</b>	3.4	2.7	2.8	4.4	3.0	3.0	3.0	3.1
<b>Dividends</b>	\$1,556.0	\$1,811.0	\$1,301.0	\$1,228.0	\$1,198.0	\$290.0	\$296.0	\$290.0
<b>Stock Buybacks</b>	\$31.0	\$37.0	\$1,586.0	\$650.0	\$819.0	\$12.0	\$4.0	\$0.0
<b>Dividends + Buybacks as Percentage Net Income</b>	<b>276.96%</b>	<b>237.84%</b>	<b>1207.95%</b>	<b>243.26%</b>	<b>229.73%</b>	<b>127.97%</b>	<b>153.06%</b>	<b>190.79%</b>

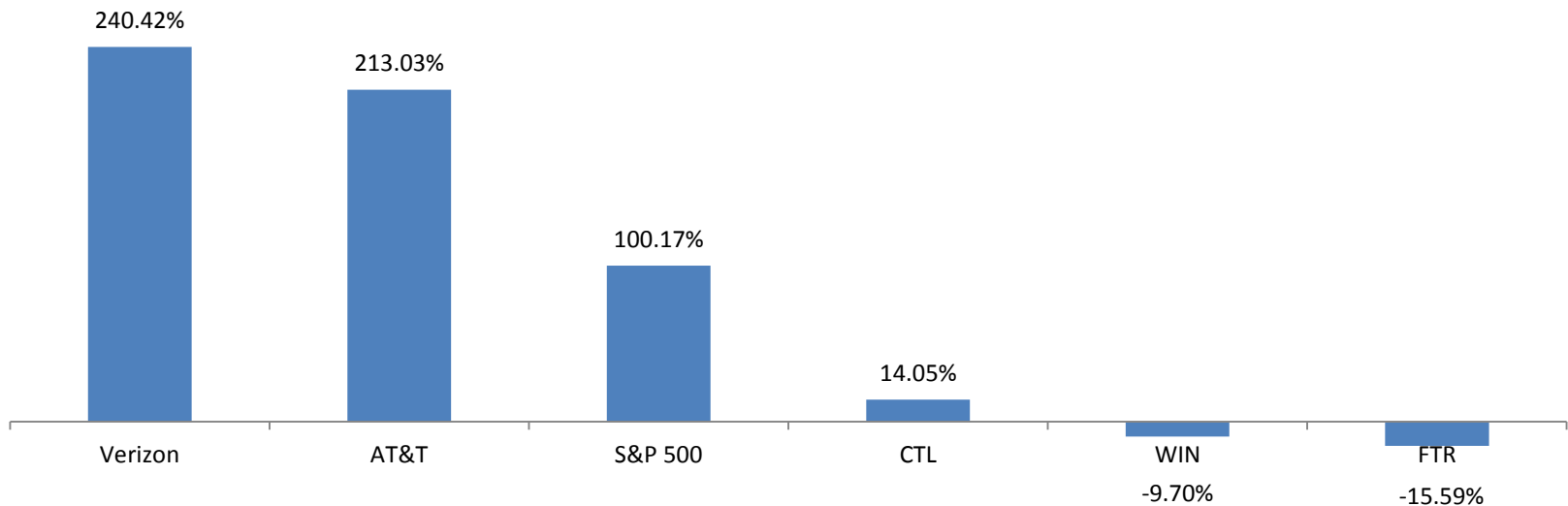
# CEO Pay

## CenturyLink CEO Compensation

A	B	C	D	E	F	G	H	I
						Performance Pay		
	CEO	Total Pay Received by CEO (D+E+F+G+H+I)	Salary	All other	Value Realized on Time-Vested Stock	Non-equity incentive plan comp	Value Realized on Exercise of Options	Value Realized on Performance-Vested Stock
2015	Glenn Post, III	<b>\$6,058,371</b>	\$1,250,000	\$108,645	\$1,501,113	\$1,697,500	\$0	\$1,501,113
2014	Glenn Post, III	<b>\$6,576,104</b>	\$1,100,000	\$107,486	\$1,885,709	\$1,597,200	\$0	\$1,885,709
2013	Glenn Post, III	<b>\$8,248,117</b>	\$1,100,000	\$123,801	\$2,670,658	\$1,683,000	\$0	\$2,670,658
2012	Glenn Post, III	<b>\$10,635,183</b>	\$1,047,606	\$103,392	\$3,858,175	\$1,767,836	\$0	\$3,858,175
2011	Glenn Post, III	<b>\$10,279,776</b>	\$1,020,800	\$317,667	\$3,858,175	\$1,224,960	\$0	\$3,858,175

# Shareholders Have Not Yet Benefited

Change in Telecom Share Prices  
1/1/10 to 1/17/17



# Summing Up...

- Landlines may be declining but telecom industry is dynamic
- Wireless data explosion dependent on fiber deployment
- Landline-only companies at competitive disadvantage. Urge to build out fiber
- Purchase offer of Level 3 portends move to business services
- CenturyLink taking money out of company and rewarding shareholders