Frontier Prospective: The Future for CWA-represented Employees

CWA Telecommunications and Technologies Leadership Conference

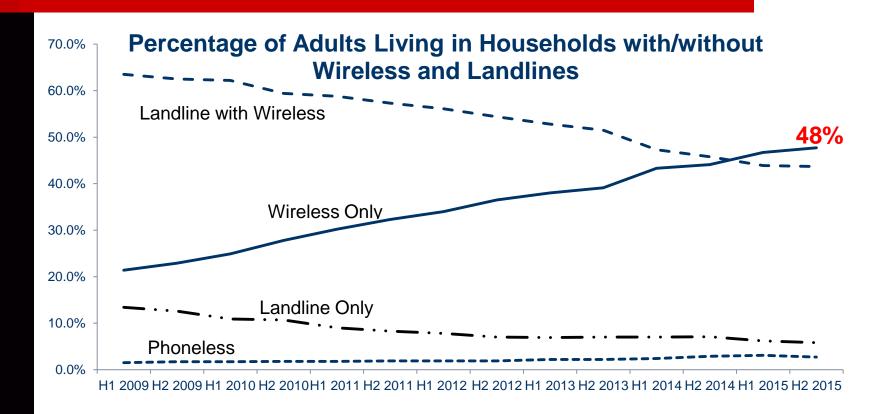
January 2017, San Juan, PR

The Communications Industry is Dynamic

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

Smart	ohone 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

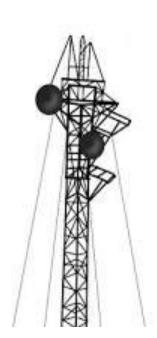
Landline, however, is Shrinking



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

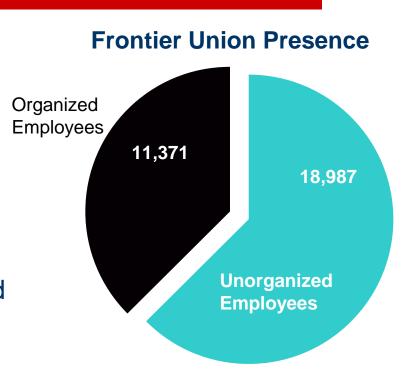
- Margins lower in landline than wireless
 - Consolidated companies benefit from wireless units
 - Consolidated companies also moving into content
- Task: pivot from POTS to fiber
- Manage transition from analog to digital
- Prepare for next stage of wired Internet

Frontier Growth

- 2001: Citizens Communications Company acquired Rochester Telephone from Global Crossing
- 2006: Acquired Commonwealth Telephone in Pennsylvania
- 2008: Name changed to Frontier Communications
- 2010: Acquired wireline assets from Verizon in 14 states AZ,
 ID, IL, IN, MI, NV, NC, OH, OR, SC, WA, WI and all of WV
- 2011: Acquired wireline assets from AT&T in CT
- 2016: Acquired wireline assets from Verizon in 3 states CA, FL, TX

Frontier by the numbers

- 4th largest telecom in U.S.
- Operates in 29 states
- 30,358 employees
 - 10,671CWA-represented
 - 10,455 CWA members
 - 6,500+ IBEW represented



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 **five-fold**. The process has continued into 2016.
- High level of debt. Frontier debt/EBITDA was x7.0 in 2015. At AT&T debt/EBITDA was x2.8. At Verizon, debt/EBITDA was x2.2. Debt-driven growth squeezes all aspects of the company.
- Result: less cash for employment, employee benefits, and higher prices for consumers

Financial Metrics

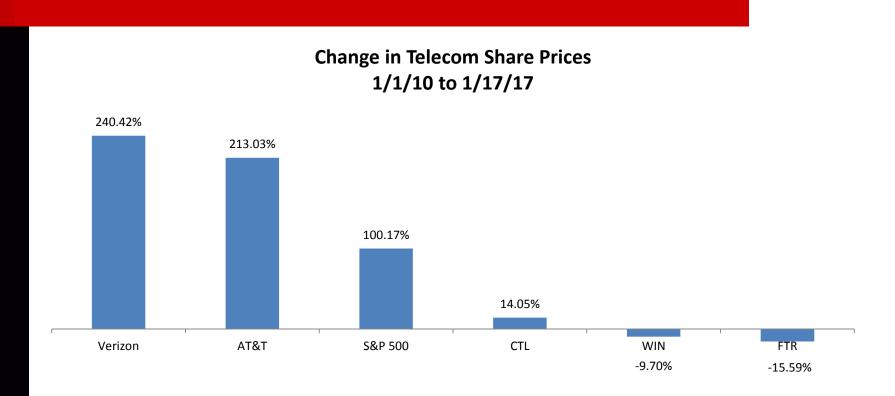
Frontier Communications Financial Information								
\$ million	2011	2012	2013	2014	2015	1Q2016	2Q2016	3Q2016
Revenue	\$5,243.0	\$5,011.9	\$4,762.0	\$4,772.0	\$5,576.0	\$1,355.0	\$2,608.0	\$2,524.0
EBITDA	\$2,396.8	\$2,297.7	\$2,190.0	\$2,101.0	\$2,301.0	\$512.0	\$1,013.0	\$964.0
Net income	\$249.6	\$136.6	\$113.0	\$133.0	-\$196.0	-\$186.0	-\$27.0	-\$80.0
Total Debt	\$8,318.4	\$8,942.5	\$8,131.6	\$9,691.0	\$16,088.0	\$16,050.0 7.8	\$17,966.0	\$17,943.0
Debt/EBITDA Dividends	3.5 \$746.4	3.9 \$399.4	3.7 \$400.0	4.6 \$401.0	7.0 \$576.0	\$177.0	4.4 \$176.0	4.7 \$178.0
Stock Buybacks	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Dividends + Buybacks as Percentage Net Income	299.04%	292.39%	353.98%	301.50%	n/a	n/a	n/a	n/a

CEO Pay

	Frontier CEO Compensation									
Α	В	С	D	E	F	G	Н	I		
							Performance P	ay		
		Total Pay Received by CEO (D+E+F+G+			Value Realized on Time-Vested	Non-equity incentive	Value Realized on Exercise of	Value Realized on Performance-		
	CEO	H+I)	Salary	All other	Stock	plan comp	Options	Vested Stock		
2015	Daniel McCarthy	\$5,118,891	\$862,500	\$9,105	\$2,524,118	\$1,165,500	\$0	\$557,668		
2014	Mary Agnes Wilderotter	\$7,877,179	\$1,110,417	\$1,813	\$3,362,685	\$1,672,646	\$0	\$1,729,618		
2013	Mary Agnes Wilderotter	\$5,146,600	\$1,020,833	\$44,972	\$2,543,679	\$1,537,116	\$0	\$0		
2012	Mary Agnes Wilderotter	\$4,447,915	\$1,000,000	\$2,685	\$1,241,460	\$2,203,770	\$0	\$0		
2011	Mary Agnes Wilderotter	\$6,144,634	\$1,000,000	<i>\$2,646</i>	\$3,941,062	\$1,200,926	\$0	\$0		

NOTE: Wilderotter cashed out \$8,716,418 in stock in 2015

Shareholders Have Not Yet Benefited



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
- Windstream and CenturyLink moving more to fiber.
 Frontier not so much.
- Frontier taking money out of company and rewarding shareholders