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## **LR firm focus on debt cut pays off**

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Windstream reported a profit of \$1.5 million Thursday, or 1 cent per share, for its 2016 second quarter, reversing a loss of \$111.2 million, or \$1.13 per share, during the same period a year ago.

Despite reporting a profit, the telecommunications company's stock ended the day down 0.11 percent Thursday. The company released its quarterly earnings before markets opened.

The company's revenue fell to \$1.36 billion from \$1.42 billion the previous year and missed analyst estimates of \$1.37 billion. Windstream earnings beat analyst estimates of a 35 cents per share loss.

"We are making the right investments and optimizing the balance sheet," said Tony Thomas, president and chief executive officer at Windstream. "All of which will drive improving results and create value for investors."

July marked the Little Rock-based Fortune 500 company's 10th anniversary as a public company.

The company has focused on reducing debt. Windstream has exchanged its stake in Communications Sales & Leasing with its creditors to repay debt.

After the spinoff of Communications Sales & Leasing last year, Windstream retained a 20 percent equity stake in the company.

With the completion of the transaction, Windstream has disposed of its entire stake in Communications Sales & Leasing and paid down \$672 million in debt.

Windstream also repurchased a portion of its debt on the open market, saving it \$69 million.

These programs allowed Windstream to reduce its debt by \$740 million over the past 12 months.

"We've taken a balanced approach, designed to reduce near-term maturities and improve our debt maturity profile while also retiring longerdated bonds at a discount to drive de-leveraging," Bob Gunderman, chief financial officer, said in the conference call with investors.

The company lost 16,000 of its 1.1 million high-speed Internet customers this quarter, compared with 3,000 lost in the previous quarter.

Windstream lost about 8,000 small-business customers during the quarter, a decline of 4 percent from the first quarter and a loss of 11.4 percent for the year. Windstream Vice President of Corporate Affairs David Avery said the company had about 222,000 small-business customers at the end of the quarter.

To retain and attract customers, Thomas said the company plans to offer higher-speed Internet, market add-on services and simplify its packages.

Thomas said the two biggest trends driving sales are faster bandwidth and Windstream's real-time communication system.

"It's a cloud-based contact center tool, and it's a real asset that Windstream has that differentiates us from those in which we compete, and we're continuing to see strong demand for that with very large opportunities," Thomas said.

Thomas said the company will invest in faster Internet speeds in rural areas.

Project Excel, Windstream's \$200 million initiative to offer high-speed Internet service in rural areas, is to be completed by the end of 2016.

Windstream can now offer high-speed Internet through 23 percent of its 125,000 miles of fiber cables, nearing the project's goal of 30 percent.

This quarter the company expanded its offerings in Charlotte, N.C., Richmond, Va., and Nashville. Fiber cable routes are under construction from Tulsa to Lenexa, Kan., and from Miami through Fort Worth, Tampa, Fla., and Tallahassee, Fla.

Barry McCarver, an analyst for Stephens, maintained his equal-weight rating in June after Windstream began ramping up its debt reduction strategies.

Shares of Windstream have increased this year, which McCarver attributes to "early success in transforming the business and aggressive debt pay-down."

"However, we remain on the sidelines until we get more comfortable," McCarver said of the company's revenue.

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