

# **Fourth Quarter 2022 Results**

February 7, 2023

# Forward-Looking Statements

Except for historical and factual information, the matters set forth in this presentation and other of our oral or written statements identified by words such as “estimates,” “expects,” “anticipates,” “believes,” “plans,” “intends,” “will,” and similar expressions are forward-looking statements as defined by the federal securities laws, and are subject to the “safe harbor” protections thereunder. These forward-looking statements are not guarantees of future results and are based on current expectations only, are inherently speculative, and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us in those statements if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the effects of intense competition from a wide variety of competitive providers, including decreased demand for our more mature service offerings and increased pricing pressures; the effects of new, emerging or competing technologies, including those that could make our products less desirable or obsolete; our ability to successfully and timely attain our key operating imperatives, including simplifying and consolidating our network, simplifying and automating our service support systems, attaining our Quantum Fiber buildout plans, strengthening our relationships with customers and attaining projected cost savings; our ability to safeguard our network, and to avoid the adverse impact of possible cyber-attacks, security breaches, service outages, system failures, or similar events impacting our network or the availability and quality of our services; the effects of ongoing changes in the regulation of the communications industry, including the outcome of legislative, regulatory or judicial proceedings relating to content liability standards, intercarrier compensation, universal service, service standards, broadband deployment, data protection, privacy and net neutrality; our ability to generate cash flows sufficient to fund our financial commitments and objectives, including our capital expenditures, operating costs, debt repayments, pension contributions and other benefits payments; our ability to effectively retain and hire key personnel and to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; changes in customer demand for our products and services, including increased demand for high-speed data transmission services; our ability to successfully maintain the quality and profitability of our existing product and service offerings and to introduce profitable new offerings on a timely and cost-effective basis; our ability to successfully and timely implement our corporate strategies, including our deleveraging and buildout strategies; our ability to successfully and timely consummate the pending divestiture of our European, Middle Eastern and African business, to successfully and timely realize the anticipated benefits from that divestiture and our divestitures completed in 2022, and to successfully operate and transform our retained business after such divestitures; changes in our operating plans, corporate strategies, or capital allocation plans, whether based upon changes in our cash flows, cash requirements, financial performance, financial position, market or regulatory conditions, or otherwise; the impact of any future material acquisitions or divestitures that we may transact; the negative impact of increases in the costs of our pension, healthcare, post-employment or other benefits, including those caused by changes in markets, interest rates, mortality rates, demographics or regulations; the potential negative impact of customer complaints, government investigations, security breaches or service outages impacting us or our industry; adverse changes in our access to credit markets on favorable terms, whether caused by changes in our financial position, lower credit ratings, unstable markets or otherwise; our ability to meet the terms and conditions of our debt obligations and covenants, including our ability to make transfers of cash in compliance therewith; our ability to maintain favorable relations with our security holders, key business partners, suppliers, vendors, landlords and financial institutions; our ability to timely obtain necessary hardware, software, equipment, services, governmental permits and other items on favorable terms; our ability to meet evolving environmental, social and governance (“ESG”) expectations and benchmarks, and effectively communicate and implement our ESG strategies; our ability to collect our receivables from, or continue to do business with, financially-troubled customers; our ability to continue to use or renew intellectual property used to conduct our operations; any adverse developments in legal or regulatory proceedings involving us; changes in tax, pension, healthcare or other laws or regulations, in governmental support programs, or in general government funding levels, including those arising from recently enacted legislation promoting broadband development; our ability to use our net operating loss carryforwards in the amounts projected; the effects of changes in accounting policies, practices or assumptions, including changes that could potentially require additional future impairment charges; continuing uncertainties regarding the impact that COVID 19 and its aftermath could have on our business, operations, cash flows and corporate initiatives; the effects of adverse weather, terrorism, epidemics, pandemics, rioting, vandalism, societal unrest, or other natural or man-made disasters or disturbances; the potential adverse effects if our internal controls over financial reporting have weaknesses or deficiencies, or otherwise fail to operate as intended; the effects of changes in interest rates and inflation; the effects of more general factors such as changes in exchange rates, in operating costs, in public policy, in the views of financial analysts, or in general market, labor, economic or geopolitical conditions; and other risks referenced from time to time in our filings with the U.S. Securities and Exchange Commission. You are cautioned not to unduly rely upon our forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions contained in any of our forward-looking statements reflects our intentions as of the date of such forward-looking statement, and is based upon, among other things, regulatory, technological, industry, competitive, economic and market conditions, and our related assumptions, as of such date. We may change our intentions, strategies or plans without notice at any time and for any reason.

# Non-GAAP Measures

This presentation includes certain historical and forward-looking non-GAAP financial measures, including but not limited to adjusted EBITDA, adjusted EBITDA margin, net-debt-to-adjusted-EBITDA and free cash flow, each excluding the effects of special items, and adjustments to GAAP and other non-GAAP measures to exclude the effect of special items. In addition to providing key metrics for management to evaluate the company's performance, we believe these measurements assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends.

All comparisons to prior periods are being presented on a "Modified" basis, assuming the Latin American business and 20-state ILEC business divestitures took place on January 1, 2021 and excluding financial impacts related to the Federal Communications Commission's Connect America Fund ("CAF") Phase II program, which lapsed on December 31, 2021, each excluding the effects of special items. The modified historical financial information has not been prepared in conformity with Article XI of Regulation S-X and does not constitute pro forma financial information.

Reconciliations of non-GAAP financial measures to the most comparable GAAP measures are included in the financial schedules to the Company's accompanying earnings release. Reconciliation of adjusted or modified information and additional non-GAAP historical financial measures that may be discussed during the call, along with further descriptions of non-GAAP financial measures, will be available in the Investor Relations portion of the company's website at <http://ir.lumen.com>. Non-GAAP measures are not presented to be replacements or alternatives to the GAAP measures, and investors are urged to consider these non-GAAP measures in addition to, and not in substitution for, measures prepared in accordance with GAAP. Lumen may present or calculate its non-GAAP measures differently from other companies.

# Lumen's Executive Leadership Team

**Kate Johnson**  
President & CEO



 **New Leadership**  
As of April 2022

 **Existing Leadership**

**Chris Stansbury**  
EVP & CFO



**Ashley Haynes-Gaspar**  
EVP, CX



**Sham Chotai**  
EVP, Product & IT



**Stacey W. Goff**  
EVP & General Counsel



**Scott A. Trezise**  
EVP, Human Resources



**Maxine L. Moreau**  
EVP, Mass Markets



**Andrew Dugan**  
EVP, CTO & Ops



**Jay Barrows**  
EVP, Sales



# Our North Star

## Purpose

Furthering **human** progress through **technology**

## Mission

To digitally connect **people, data & applications** – **quickly, securely, & effortlessly**

## Customer Challenges



**Reliable, flexible & cost-effective core operations**



**More productive, engaged employees**



**Secure data & applications**



**Enable business process improvement, innovation**



**Participate in the digital economy and culture**

## Lumen Capabilities



### Connectivity

World class, secure, reliable public & private networking



### Security Expertise

Network intelligence thru **Black Lotus Labs**



### Edge Cloud Innovations

**<5ms latency** for 97% U.S. Business



### Managed Services

Network management at scale; AI Operations and Network Automation



**Partner Ecosystem** – A digital ecosystem of **Trusted Partners** to help us innovate and grow

## Success



**Ease of doing business** for employees & customers across all segments



Profitable **revenue growth**

## Culture

- We operate with **Teamwork, Trust, Transparency**
- We infuse **Clarity, Customer Obsession, Courage, Growth Mindset** in everything we do

# 2023 Core Priorities

1

**Develop  
Customer  
Obsession**



2

**Innovate  
& Invest  
for Growth**



3

**Build a  
Reliable  
Execution  
Engine**



4

**Radically  
Simplify  
Our  
Company**



5

**Further  
Develop  
Our  
Culture**



# 2022 Financial Highlights

## Setting the Stage for Growth

**\$10.2  
billion**

2022 gross proceeds from  
business divestitures

**\$9.9  
billion**

2022 Reduction in  
Estimated Net Debt<sup>(1)</sup>

**17% Y/Y**

2022 Fiber Broadband  
revenue  
growth; continued  
improvement in Mass  
Markets revenue mix

**\$1.8  
billion**

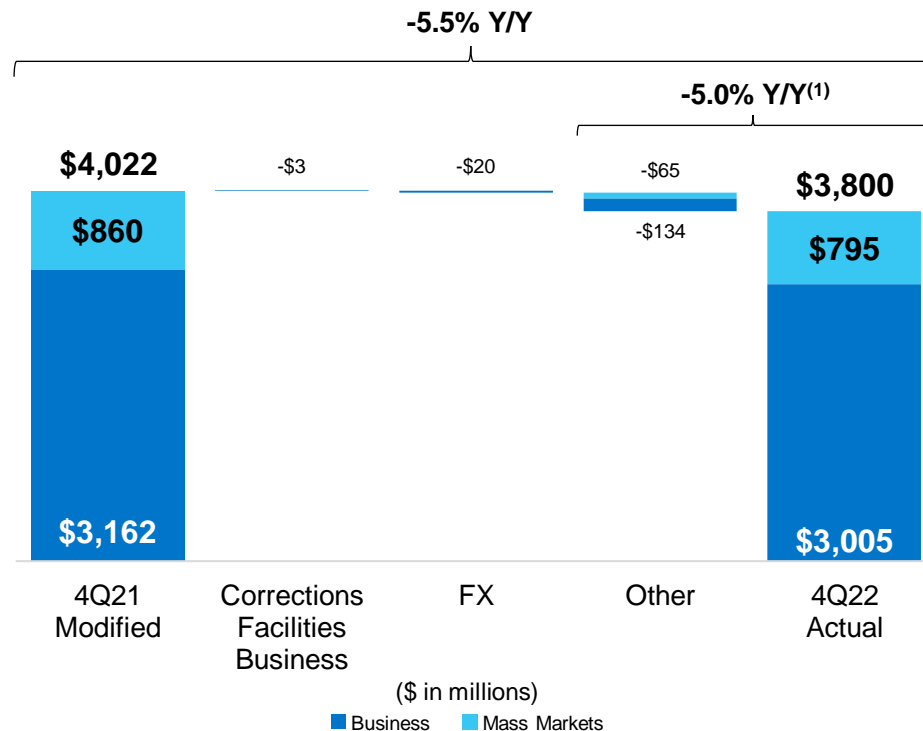
announced proposed  
EMEA divestiture

<sup>(1)</sup> During the first half of 2023, we expect to pay approximately \$900 million to \$1 billion of cash taxes related to the 2022 divestitures of our Latin American and 20-state ILEC businesses. To provide comparability to prior periods, Estimated Net Debt reflects the payment of those taxes as though it had occurred on or prior to December 31, 2022.

# 4Q22 Year-Over-Year Total Revenue Bridge

## Modified Adjusted Revenue Performance<sup>(1)</sup>:

- **Total: -5.0%**
- **Business: -4.2%**
- **Mass Markets: -7.6%**



<sup>(1)</sup> Excludes impacts from Corrections Facilities Business and FX, \$3M and \$20M, respectively.



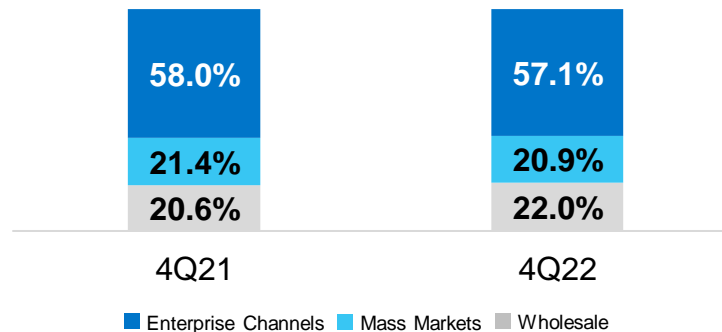
# 4Q22 Revenue - Sales Channels

## New Sales Channel Structure for 2023

Revenue (\$ in millions)	4Q22	Y/Y% Change	Q/Q% Change	Modified Adj. Y/Y% Change <sup>(1)</sup>
Enterprise Channels	\$2,170	(6.9%)	(0.4%)	(5.9%)
Large Enterprise	\$1,217	(4.3%)	0.5%	(2.5%)
Mid-Market Enterprise	\$522	(6.6%)	(2.1%)	(6.6%)
Public Sector	\$431	(13.8%)	(0.9%)	(13.8%)
Wholesale	\$835	0.5%	(0.5%)	0.5%
<b>Business Subtotal</b>	<b>\$3,005</b>	<b>(5.0%)</b>	<b>(0.4%)</b>	<b>(4.2%)</b>
<b>Mass Markets</b>	<b>\$795</b>	<b>(7.6%)</b>	<b>(2.8%)</b>	<b>(7.6%)</b>
<b>Total Revenue</b>	<b>\$3,800</b>	<b>(5.5%)</b>	<b>(0.9%)</b>	<b>(5.0%)</b>

<sup>(1)</sup> Excludes impacts from Corrections Facilities Business and FX, \$3M and \$20M, respectively.

## Total 4Q Revenue by Channel



# 4Q22 Revenue - Business Product Groups

## Continued Improvement in Revenue Mix

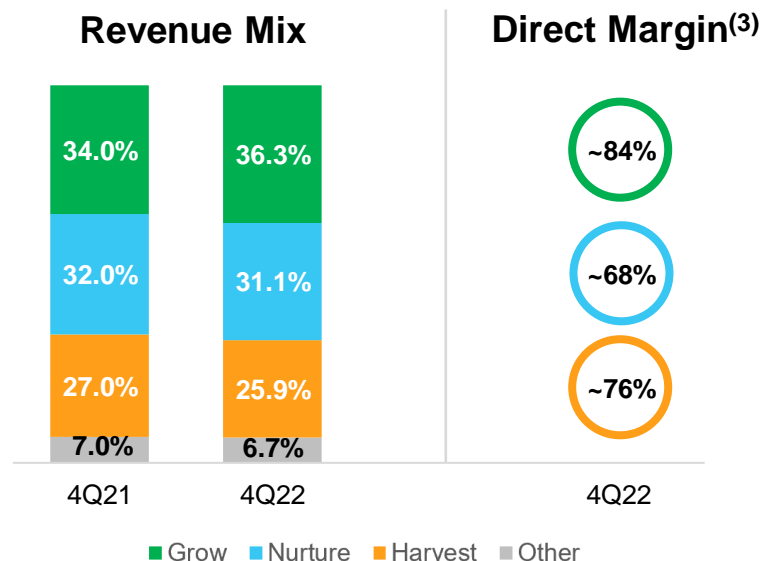
Revenue (\$ in millions)	4Q22	Y/Y% Change	Q/Q% Change	Modified Adj. Y/Y% Change <sup>(1)</sup>
<b>Grow</b>	\$1,091	1.4%	1.5%	2.5%
<b>Nurture</b>	\$934	(7.8%)	(1.2%)	(7.5%)
<b>Harvest</b>	\$777	(9.1%)	(2.9%)	(8.3%)
<b>Other<sup>(2)</sup></b>	\$203	(6.9%)	2.5%	(6.4%)
<b>Total Business</b>	<b>\$3,005</b>	<b>(5.0%)</b>	<b>(0.4%)</b>	<b>(4.2%)</b>

<sup>(1)</sup> Excludes impacts from Corrections Facilities Business and FX, \$3M and \$20M, respectively.

<sup>(2)</sup> Other includes Equipment and IT Solutions.

<sup>(3)</sup> Direct margin is defined as revenue less variable and fixed costs directly associated with the provision of services and products to customers. Direct costs would include, but are not limited to: direct labor and materials/goods, direct taxes and fees, incremental third-party costs that can be attributed to a specific customer, and certain fixed costs.

### Business Product Group 4Q



# 4Q22 Mass Markets Revenue

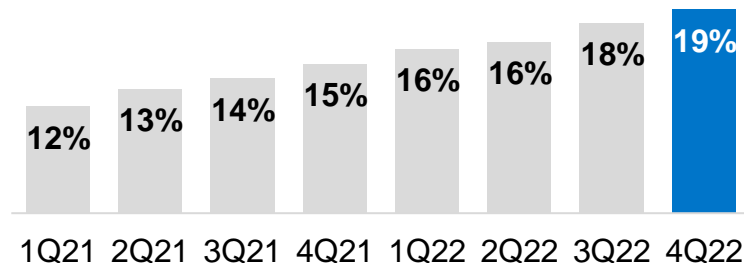
## Significant Revenue Mix Improvement

Revenue (\$ in millions)	4Q22	Y/Y% Change	Q/Q% Change	% Total
Fiber Broadband	\$148	18.4%	2.1%	19%
Other Broadband <sup>(1)</sup>	\$377	(9.2%)	(4.6%)	47%
Voice and Other	\$270	(15.6%)	(2.9%)	34%
<b>Total Mass Markets</b>	<b>\$795</b>	<b>(7.6%)</b>	<b>(2.8%)</b>	<b>100%</b>

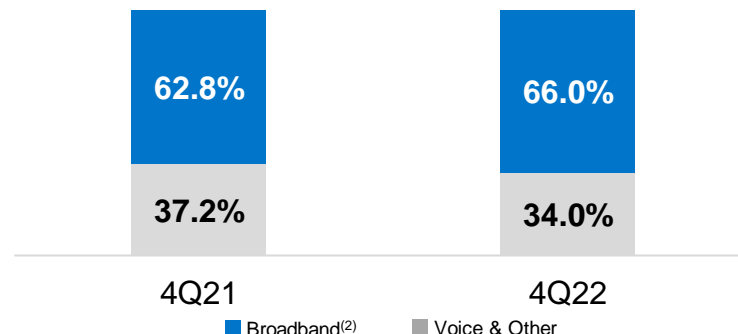
<sup>(1)</sup> Other Broadband revenue primarily includes revenue from lower speed copper-based broadband services marketed under the CenturyLink brand.

<sup>(2)</sup> Broadband includes Fiber Broadband and Other Broadband product categories.

### Mass Markets Fiber Contribution



### Mass Markets 4Q Revenue Mix

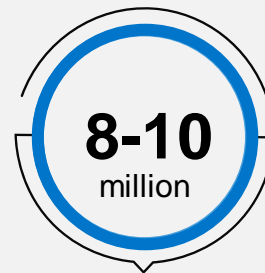


# 4Q22 Mass Markets Broadband Metrics

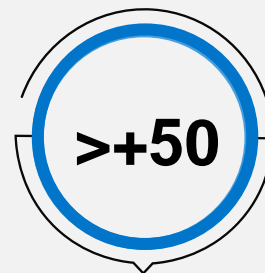
Fiber	4Q22	Y/Y Change	Q/Q Change
Enabled Locations	3.1M	605K	95K
Subscribers	832K	97K	19K
Other	4Q22	Y/Y Change	Q/Q Change
Enabled Locations	18.7M	(60K)	(62K)
Subscribers	2.2M	(350K)	(89K)



Fiber  
ARPU

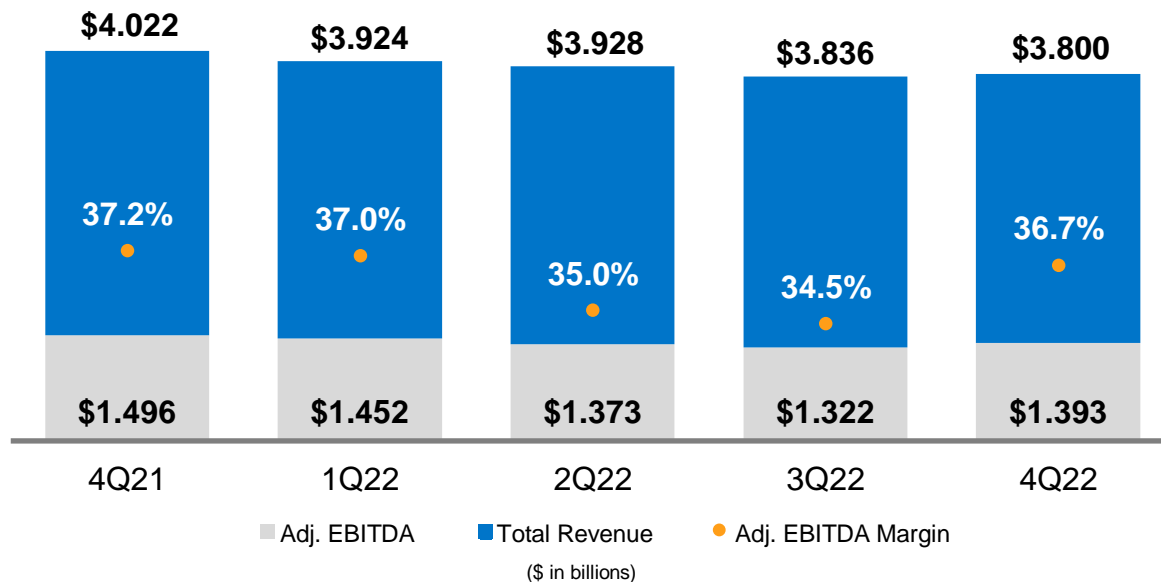


Updated Fiber Addressable  
Location Opportunity



Fiber  
NPS

# Adjusted EBITDA & Margin



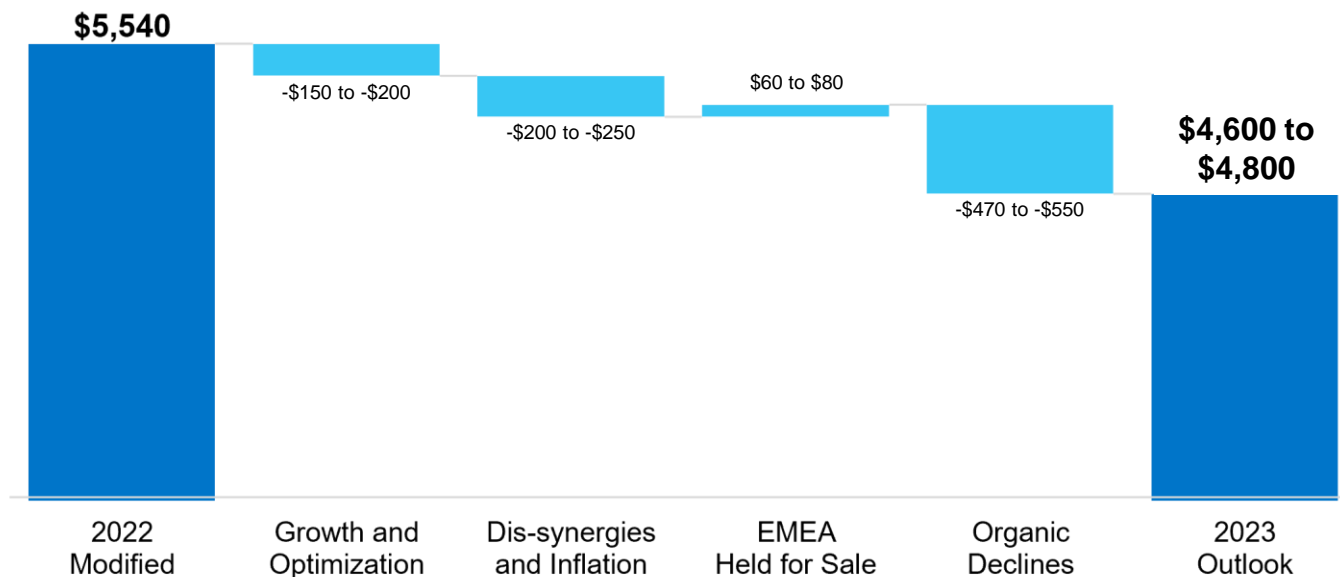
# Consolidated Cash Flow Summary

Key Metrics	
(\$ in millions)	4Q22
Cash Flow from Operations	\$841
Capital Expenditures	\$833
Free Cash Flow <sup>(1)</sup>	\$126
Net Cash Interest	\$256
Estimated Net Debt <sup>(2)</sup> to LTM Adj. EBITDA	3.7x

<sup>(1)</sup> Excludes the effects of cash special items of \$118 million.

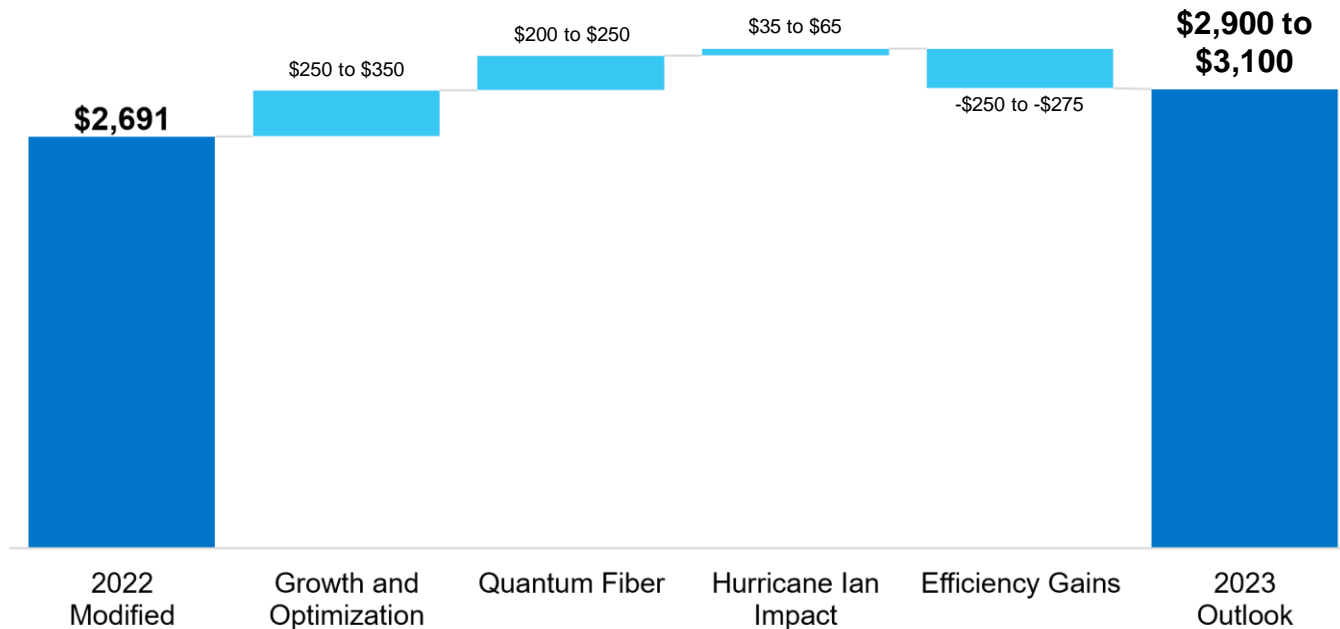
<sup>(2)</sup> During the first half of 2023, we expect to pay approximately \$900 million to \$1 billion of cash taxes related to the 2022 divestitures of our Latin American and 20-state ILEC businesses. To provide comparability to prior periods, Estimated Net Debt reflects the payment of those taxes as though it had occurred on or prior to December 31, 2022.

# 2023 Adjusted EBITDA Outlook



(\$ in millions)

# 2023 Capital Expenditures Outlook



(\$ in millions)



# 2023 Financial Outlook

Metric <sup>(1)(2)</sup>	Outlook <sup>(3)</sup>
Adjusted EBITDA	\$4.6 to \$4.8 billion
Free Cash Flow <sup>(4)(5)</sup>	\$0 to \$200 million
Net Cash Interest	\$1.1 to \$1.2 billion
GAAP Interest Expense	\$1.200 billion
Capital Expenditures	\$2.9 to \$3.1 billion
Depreciation & Amortization	\$2.9 to \$3.1 billion
Stock-based Compensation Expenses	~\$125 million
Cash Income Taxes <sup>(5)</sup>	~\$200 to \$300 million
Full Year Effective Income Tax Rate	~26%

<sup>(1)</sup> For definitions of non-GAAP metrics and reconciliation to GAAP figures, see Lumen's Investor Relations website.

<sup>(2)</sup> Outlook measures in this presentation and the accompanying schedules (i) exclude the effects of Special Items, future changes in our operating or capital allocation plans, unforeseen changes in regulation, laws or litigation, and other unforeseen events or circumstances impacting our financial performance and (ii) speak only as of Feb. 7, 2023. See "Forward Looking Statements" at the beginning of this presentation.

<sup>(3)</sup> Includes accounting impacts of assets and liabilities held for sale and assumes the proposed sale of Lumen's EMEA business is not completed during 2023.

<sup>(4)</sup> Assumes no discretionary pension plan contributions during 2023.

<sup>(5)</sup> Excludes the estimated \$900 million to \$1 billion impact of taxes related to our divestitures completed on August 1, 2022 and October 3, 2022.

# Q&A