

# Lumen Technologies reports first quarter 2023 results

## First Quarter 2023 Highlights

- Drove Business product Grow revenue of \$1.128 billion for the first quarter 2023, compared to Grow revenue of \$1.091 billion for the fourth quarter 2022. These results showed a significant improvement from the first quarter 2022 when considering the impacts of our divested businesses
- Increased our Quantum Fiber-enabled location pacing, deploying approximately 120 thousand fiber locations during the first quarter 2023
- Reduced our principal debt balance by \$620 million through exchange offers for Lumen senior notes
- Reported Net Income of \$511 million for the first quarter 2023, compared to reported Net Income of \$599 million for the first quarter 2022
- Reported diluted earnings per share of \$0.52 for the first quarter 2023, compared to diluted earnings per share of \$0.59 for the first quarter 2022. Excluding Special Items, Diluted EPS was \$0.10 per share for the first quarter 2023, compared to \$0.63 per share for the first quarter 2022
- Generated Adjusted EBITDA of \$1.251 billion<sup>1</sup> for the first quarter 2023, compared to \$1.966 billion<sup>1</sup> for the first quarter 2022, excluding the effects of Special Items of \$114 million and \$52 million, respectively
- Reported Net Cash Provided by Operating Activities of \$595 million for the first quarter 2023
- Generated negative Free Cash Flow of \$(75) million<sup>2</sup> for the first quarter 2023, compared to positive \$846 million for the first quarter 2022, excluding cash paid for Special Items of \$(30) million and \$48 million, respectively

DENVER, May 2, 2023 /[PRNewswire](#)/ -- Lumen Technologies, Inc. (NYSE: LUMN) reported results for the first quarter ended March 31, 2023.

"We are early in our turnaround at Lumen, but we are already seeing positive leading indicators as we execute on our core priorities and new mission to digitally connect people, data, and applications – quickly, securely, and effortlessly," said Kate Johnson, president and CEO of Lumen. "Strong growth products revenue performance and Quantum Fiber build progress in the first quarter demonstrate that our new team and strategy is beginning to drive results."

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<sup>1</sup> Adjusted EBITDA and Adjusted EBITDA excluding Special Items for the first quarter of 2022 includes (i) \$415 million of Adjusted EBITDA from the divestitures, which will not recur in periods following the completion of these divestitures, and (ii) \$59 million of revenue from the Federal Communications Commission's Connect America Fund ("CAF") Phase II program, which lapsed on Dec. 31, 2021. The Company believes that these figures will allow analysts and investors to understand the amounts associated with these transactions to understand the impact they had on the Company's past, but not current or future, financial performance. Therefore, these amounts will impact the Company's ability to match its past performance in current and future periods. Additionally, the Company believes that this provides useful information to investors to understand the impact that the CAF Phase II program had on the Company's revenue generating activities in relation to the Company's past, but not current or future, financial performance. The post-closing financial impacts of actual amounts received or paid by the Company under the post-closing agreements with the purchasers of the divested businesses were a net reduction of \$(48) million for the first quarter 2023. The Company believes that this provides useful information to investors to

understand the impact that the post-closing agreements have had on the Company's activities and its current financial performance.

<sup>2</sup> Includes the impact of \$90 million in cash tax payments related to our divestitures completed on Aug. 1, 2022 and Oct. 3, 2022.

## Financial Results

### Metric, as reported

### First Quarter

<i>(\$ in millions, except per share data)</i>	<b>2023</b>	<b>2022</b>
Large Enterprise	\$ 1,194	1,442
Mid-Market Enterprise	515	573
Public Sector	430	479
Enterprise Channels	2,139	2,494
Wholesale	817	907
Business Segment Revenue	2,956	3,401
Mass Markets Segment Revenue	782	1,275
Total Revenue <sup>(1)(2)</sup>	\$ 3,738	4,676
Cost of Services and Products	1,817	1,985
Selling, General and Administrative Expenses	721	800
Loss on disposal group held for sale	77	—
Stock-based Compensation Expense	14	23
Operating Income	390	1,083
Adjusted EBITDA <sup>(3)(4)(5)</sup>	1,137	1,914
Adjusted EBITDA, Excluding Special Items <sup>(3)(4)(5)(6)</sup>	1,251	1,966
Operating Income Margin	10.4 %	23.2 %
Adjusted EBITDA Margin <sup>(5)</sup>	30.4 %	40.9 %

Adjusted EBITDA Margin, Excluding Special Items <sup>(5)(6)</sup>	33.5 %	42.0 %
Net Cash Provided by Operating Activities	595	1,375
Capital Expenditures <sup>(7)</sup>	640	577
Unlevered Cash Flow <sup>(5)</sup>	305	1,183
Unlevered Cash Flow, Excluding Cash Special Items <sup>(5)(8)</sup>	275	1,231
Free Cash Flow <sup>(5)</sup>	(45)	798
Free Cash Flow, Excluding Cash Special Items <sup>(5)(8)</sup>	(75)	846
Net Income	511	599
Net Income, Excluding Special Items <sup>(5)(9)</sup>	97	636
Net Income per Common Share - Diluted	0.52	0.59
Net Income per Common Share - Diluted, Excluding Special Items <sup>(5)(9)</sup>	0.10	0.63
Weighted Average Shares Outstanding (in millions) - Diluted	982.3	1,015.2

<sup>(1)</sup> Revenue for the first quarter of 2022 includes (i) \$716 million of revenue from the Latin American business divested Aug. 1, 2022 and the 20-state ILEC business divested Oct. 3, 2022 (the "divestitures"), which will not recur in periods following the completion of these divestitures, and (ii) \$59 million of revenue from the CAF Phase II program, which lapsed on Dec. 31, 2021. The Company believes that these figures will allow analysts and investors to understand the amounts associated with these transactions to understand the impact they had on the Company's past, but not current or future, financial performance. Therefore, these amounts will impact the Company's ability to match its past performance in current and future periods. Additionally, the Company believes that this provides useful information to investors to understand the impact that the CAF Phase II program had on the Company's revenue generating activities in relation to the Company's past, but not current or future, financial performance.

<sup>(2)</sup> The post-closing revenue impact of actual amounts received by the Company under the post-closing agreements with the purchasers of the divested businesses was \$28 million for the first quarter of 2023. The Company believes that this provides useful information to investors to understand the impact that the post-closing agreements have had on the Company's activities and its current financial performance.

<sup>(3)</sup> Adjusted EBITDA and Adjusted EBITDA excluding Special Items for the first quarter of 2022 includes (i) \$415

million of Adjusted EBITDA from the divestitures, which will not recur in periods following the completion of these divestitures, and (ii) \$59 million of revenue from the CAF Phase II program, which lapsed on Dec. 31, 2021. The Company believes that these figures will allow analysts and investors to understand the amounts associated with these transactions to understand the impact they had on the Company's past, but not current or future, financial performance. Therefore, these amounts will impact the Company's ability to match its past performance in current and future periods. Additionally, the Company believes that this provides useful information to investors to understand the impact that the CAF Phase II program had on the Company's revenue generating activities in relation to the Company's past, but not current or future, financial performance.

(4) The post-closing financial impacts of actual amounts received or paid by the Company under the post-closing agreements with the purchasers of the divested businesses were a net reduction of \$(48) million for the first quarter of 2023. The Company believes that this provides useful information to investors to understand the impact that the post-closing agreements have had on the Company's activities and its current financial performance.

(5) See the attached schedules for definitions of non-GAAP metrics and reconciliations to GAAP figures.

(6) Excludes Special Items in the amounts of (i) \$114 million for the first quarter of 2023 and (ii) \$52 million for the first quarter of 2022.

(7) Capital expenditures for the first quarter of 2022 includes (i) \$95 million of capital expenditures relating to the divested businesses, which will not recur in periods following the completion of these divestitures, and (ii) \$6 million of capital expenditures related to the CAF Phase II program, which lapsed on Dec. 31, 2021. The Company believes that these figures will allow analysts and investors to understand the amounts associated with these transactions to understand the impact they had on the Company's past, but not current or future, capital expenditures. Therefore, these amounts will impact the Company's ability to match its past capital expenditure activities in current and future periods. Additionally, the Company believes that this provides useful information to investors to understand the impact that the CAF Phase II program had on the Company's capital expenditure activities in relation to the Company's past, but not current or future, capital expenditures.

(8) Excludes cash paid for Special Items of (i) \$(30) million for the first quarter of 2023 and (ii) \$48 million for the first quarter of 2022.

(9) Excludes Special Items (net of the income tax effect thereof) in the amounts of (i) \$(414) million benefit for the first quarter of 2023 and (ii) \$37 million charge for the first quarter of 2022.

<b>Metrics</b>	<b>First Quarter</b>	<b>Fourth Quarter</b>	<b>QoQ Percent Change</b>	<b>First Quarter</b>	<b>YoY Percent Change</b>
<i>(\$ in millions)</i>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>2022</b>	<b>Change</b>

#### **Revenue By Sales Channel**

Large Enterprise	\$ 1,194	1,217	(2) %	1,442	(17) %
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Mid-Market Enterprise	515	522	(1) %	573	(10) %
Public Sector	430	431	— %	479	(10) %
Enterprise Channels	2,139	2,170	(1) %	2,494	(14) %
Wholesale	817	835	(2) %	907	(10) %
Business Segment Revenue	2,956	3,005	(2) %	3,401	(13) %
Mass Markets Segment Revenue	782	795	(2) %	1,275	(39) %
<b>Total Revenue<sup>(1)</sup></b>	<b>\$ 3,738</b>	<b>3,800</b>	<b>(2) %</b>	<b>4,676</b>	<b>(20) %</b>
<b>Revenue by Business Segment Product Category</b>					
Grow	\$ 1,128	1,091	3 %	1,186	(5) %
Nurture	905	934	(3) %	1,093	(17) %
Harvest	739	777	(5) %	947	(22) %
Other	184	203	(9) %	175	5 %
<b>Business Segment Revenue</b>	<b>\$ 2,956</b>	<b>3,005</b>	<b>(2) %</b>	<b>3,401</b>	<b>(13) %</b>
<b>Adjusted EBITDA, Excluding Special Items<sup>(2)</sup></b>	<b>\$ 1,251</b>	<b>1,393</b>	<b>(10) %</b>	<b>1,966</b>	<b>(36) %</b>
Adjusted EBITDA Margin, Excluding Special Items	33.5 %	36.7 %	(9) %	42.0 %	(20) %
<b>Capital Expenditures<sup>(3)</sup></b>	<b>\$ 640</b>	<b>833</b>	<b>(23) %</b>	<b>577</b>	<b>11 %</b>

<sup>(1)</sup> Revenue for the first quarter of 2022 includes amounts from the (i) Latin American business divested on Aug. 1, 2022 and the 20-state ILEC business divested on Oct. 3, 2022 and (ii) the CAF Phase II program, which lapsed on Dec. 31, 2021. Revenue for the first quarter of 2023 and the fourth quarter of 2022 includes amounts related to the post-closing commercial agreements with the purchasers of the divested businesses. Refer to footnote 1 and 2 on the preceding table for details.

<sup>(2)</sup> Adjusted EBITDA excluding Special Items for the first quarter of 2022 include the financial impacts of (i) the Latin American business divested on Aug. 1, 2022 and the 20-state ILEC business divested on Oct. 3, 2022 and (ii) the CAF Phase II program, which lapsed on Dec. 31, 2021. Adjusted EBITDA excluding Special Items for the first quarter of 2023 and the fourth quarter of 2022 include the financial impacts from the post-closing commercial agreements with the purchasers of the divested businesses. Refer to footnote 3 and 4 on the preceding table for details.

<sup>(3)</sup> Capital expenditures for the first quarter of 2022 includes the impacts of (i) capital expenditures related to our divested businesses, which will not recur in periods following the completion of these divestitures, and (ii) capital expenditures related to the CAF Phase II program, which lapsed on Dec. 31, 2021. Refer to footnote 7 on the preceding table for details.

## **Revenue**

Total Revenue was \$3.738 billion for the first quarter 2023, compared to \$4.676 billion for the first quarter 2022.

## **Cash Flow**

Free Cash Flow, excluding Special Items, was \$(75) million<sup>3</sup> in the first quarter 2023, compared to \$846 million in the first quarter 2022.

As of March 31, 2023, Lumen had cash and cash equivalents of \$1.148 billion.

<sup>3</sup> Includes the impact of \$90 million in cash tax payments related to our divestitures completed on Aug. 1, 2022 and Oct. 3, 2022.

## **2023 Financial Outlook**

The company updated its full-year 2023 financial outlook which is detailed below:

<b>Metric <sup>(1)(2)</sup></b>	<b>Current Outlook<sup>(3)</sup></b>	<b>Previous Outlook<sup>(3)</sup></b>
Adjusted EBITDA	\$4.6 to \$4.8 billion	\$4.6 to \$4.8 billion
Free Cash Flow <sup>(4)(5)</sup>	\$0 to \$200 million	\$0 to \$200 million
Net Cash Interest	\$1.1 to \$1.2 billion	\$1.1 to \$1.2 billion
GAAP Interest Expense	\$1.200 billion	\$1.200 billion
Capital Expenditures	\$2.9 to \$3.1 billion	\$2.9 to \$3.1 billion
Depreciation and Amortization	\$2.9 to \$3.1 billion	\$2.9 to \$3.1 billion
Stock-based Compensation Expense	~\$125 million	~\$125 million
<b>Cash Income Taxes<sup>(5)</sup></b>	<b>~\$300 to \$400 million</b>	<b>~\$200 to \$300 million</b>
Full Year Effective Income Tax Rate	~26%	~26%

(1) For definitions of non-GAAP metrics and reconciliations to GAAP figures, see the attached schedules and our Investor Relations website.

(2) Outlook measures in this chart 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 May 2, 2023. See "Forward-Looking Statements."

(3) 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.

(4) Assumes no discretionary pension plan contributions during 2023.

(5) Excludes approximately \$1 billion impact of taxes related to our divestitures completed on Aug. 1, 2022 and Oct. 3, 2022.

## **Investor Call**

Lumen's management team will host a conference call at 5:00 p.m. ET today, May 2, 2023. The conference call will be streamed live over the Lumen website at [ir.lumen.com](https://ir.lumen.com). Additional information regarding first quarter 2023 results, including the presentation materials management will review during the conference call, will be available on the Investor Relations website prior to the call. If you are unable to join the call via the web, the call can be accessed live at +1 877-283-5145 (U.S. Domestic) or +1 312-281-1201 (International).

A telephone replay of the call will be available beginning at 8:00 p.m. ET on May 2, 2023, and ending Jul. 31, 2023, at 8:00 p.m. ET. The replay can be accessed by dialing +1 800-633-8284 (U.S. Domestic) or +1 402-977-9140 (International), reservation code 22026583. A webcast replay of the call will also be available on our website beginning at 8:00 p.m. ET on May 2, 2023, and ending Aug. 1, 2023, at 8:00 p.m. ET.

## **About Lumen Technologies and the People of Lumen:**

Lumen Technologies Inc. (NYSE: LUMN) is guided by our belief that humanity is at its best when technology advances the way we live and work. With approximately 400,000 route fiber miles and serving customers in more than 60 countries, we deliver the fastest, most secure platform for applications and data to help businesses, government and communities deliver amazing experiences.

Learn more about the Lumen network, edge cloud, security, communication and collaboration solutions and our purpose to further human progress through technology at [news.lumen.com](https://news.lumen.com), LinkedIn: /lumentechologies, Twitter: @lumentechco, Facebook: /lumentechologies, Instagram: @lumentechologies and YouTube: /lumentechologies. Lumen and Lumen Technologies are registered trademarks of Lumen Technologies LLC in the United States. Lumen Technologies LLC is a wholly-owned affiliate of Lumen Technologies, Inc.

## **Forward-Looking Statements**

Except for historical and factual information, the matters set forth in this release 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 goals, strengthening our relationships with customers and attaining projected cost savings; our ability to safeguard our network, and to avoid the adverse impact of 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, to introduce profitable new offerings on a timely and cost-effective basis and to transition customers from our legacy products to our new offerings; 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, debt covenant restrictions 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.

### **Reconciliation to GAAP**

This release includes certain historical and forward-looking non-GAAP financial measures, including but not limited Adjusted EBITDA, Free Cash Flow, Unlevered Cash Flow, and adjustments to GAAP and 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 above-described measurements assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends.

Reconciliations of non-GAAP financial measures to the most comparable GAAP measures are included in the attached financial schedules. 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 Technologies, Inc.**

### **CONSOLIDATED STATEMENTS OF OPERATIONS**

**THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

**(UNAUDITED)**

*(\$ in millions, except per share amounts; shares in thousands)*

**Three months ended  
March 31,**

	2023	2022	(Decrease) / Increase
OPERATING REVENUE	3,738	4,676	(20) %
OPERATING EXPENSES			
Cost of services and products (exclusive of depreciation and amortization)	1,817	1,985	(8) %
Selling, general and administrative	721	800	(10) %
Loss on disposal group held for sale	77	—	nm
Depreciation and amortization	733	808	(9) %
Total operating expenses	3,348	3,593	(7) %
OPERATING INCOME	390	1,083	(64) %
OTHER (EXPENSE) INCOME			
Interest expense	(279)	(352)	(21) %
Net gain on early debt retirement	609	—	nm
Other (expense) income, net	(40)	70	nm
Income tax expense	(169)	(202)	(16) %
NET INCOME	\$ 511	599	(15) %
BASIC EARNINGS PER SHARE	0.52	0.59	(12) %
DILUTED EARNINGS PER SHARE	0.52	0.59	(12) %
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic	981,555	1,008,430	(3) %
Diluted	982,283	1,015,215	(3) %
DIVIDENDS PER COMMON SHARE	—	0.25	(100) %

Exclude: Special Items <sup>(1)</sup>	(414)	37	nm
NET INCOME EXCLUDING SPECIAL ITEMS	97	636	(85) %
DILUTED EARNINGS PER SHARE EXCLUDING SPECIAL ITEMS	0.10	0.63	(84) %

<sup>(1)</sup> Excludes the Special Items described in the accompanying Non-GAAP Special Items table, net of the income tax effect thereof.

nm - Percentages greater than 200% and comparisons between positive and negative values are considered not meaningful.

### Lumen Technologies, Inc.

#### CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2023 AND DECEMBER 31, 2022

(UNAUDITED)

(\$ in millions)

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,148	1,251
Accounts receivable, less allowance of \$84 and \$85	1,432	1,477
Assets held for sale	1,946	1,889
Other	879	803
Total current assets	5,405	5,420
Property, plant and equipment, net of accumulated depreciation of \$20,291 and \$19,886	19,321	19,166
<b>GOODWILL AND OTHER ASSETS</b>		
Goodwill	12,657	12,657

Other intangible assets, net	6,034	6,166
Other, net	2,113	2,172
Total goodwill and other assets	20,804	20,995
TOTAL ASSETS	\$ 45,530	45,581
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 153	154
Accounts payable	1,131	950
Accrued expenses and other liabilities		
Salaries and benefits	590	692
Income and other taxes	1,303	1,158
Current operating lease liabilities	326	344
Interest	88	181
Other	178	277
Liabilities held for sale	472	451
Current portion of deferred revenue	607	596
Total current liabilities	4,848	4,803
LONG-TERM DEBT	19,743	20,418
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred income taxes, net	3,200	3,163
Benefit plan obligations, net	2,358	2,391
Deferred revenue	1,808	1,758
Other	2,578	2,611

Total deferred credits and other liabilities	9,944	9,923
STOCKHOLDERS' EQUITY		
Common stock	1,005	1,002
Additional paid-in capital	18,094	18,080
Accumulated other comprehensive loss	(1,069)	(1,099)
Accumulated deficit	(7,035)	(7,546)
Total stockholders' equity	10,995	10,437
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 45,530	45,581

**Lumen Technologies, Inc.**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(UNAUDITED)

(\$ in millions)

	Three months ended	
	March 31, 2023	March 31, 2022
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 511	599
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	733	808
Loss on disposal group held for sale	77	—
Deferred income taxes	46	179
Provision for uncollectible accounts	27	25

Net gain on early retirement of debt	(609)	—
Unrealized loss (gain) on investments	80	(66)
Stock-based compensation	14	23
Changes in current assets and liabilities, net	(225)	(249)
Retirement benefits	(15)	(38)
Changes in other noncurrent assets and liabilities, net	(16)	39
Other, net	(28)	55
Net cash provided by operating activities	595	1,375
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(640)	(577)
Proceeds from sale of property, plant and equipment and other assets	23	6
Other, net	1	2
Net cash used in investing activities	(616)	(569)
<b>FINANCING ACTIVITIES</b>		
Payments of long-term debt	(61)	(1,474)
Net proceeds from revolving line of credit	—	1,000
Dividends paid	(8)	(271)
Other, net	(17)	(31)
Net cash used in financing activities	(86)	(776)
Net (decrease) increase in cash, cash equivalents and restricted cash	(107)	30
Cash, cash equivalents and restricted cash at beginning of period	1,307	409
Cash, cash equivalents and restricted cash at end of period	\$ 1,200	439

Cash, cash equivalents and restricted cash:

Cash and cash equivalents	\$	1,148	366
Cash and cash equivalents and restricted cash included in assets held for sale		41	59
Restricted cash		11	14
Total	\$	1,200	439

### Lumen Technologies, Inc.

#### OPERATING METRICS

(UNAUDITED)

#### Operating Metrics 1Q23 4Q22 1Q22<sup>(1)</sup>

#### Mass Markets broadband subscribers

*(in thousands)*

Fiber broadband subscribers	856	832	760
Other broadband subscribers <sup>(2)</sup>	2,125	2,205	2,497
Mass Markets total broadband subscribers <sup>(3)</sup>	2,981	3,037	3,257

#### Mass Markets broadband enabled units<sup>(4)</sup>

*(in millions)*

Fiber broadband enabled units	3.3	3.1	2.7
Other broadband enabled units	18.5	18.7	18.9
Mass Markets total broadband enabled units	21.8	21.8	21.6

<sup>(1)</sup> These amounts have been adjusted to remove the impacts of the 20-state ILEC business divestiture completed Oct. 3, 2022, which included (i) fiber broadband subscribers of 70 thousand, (ii) other broadband subscribers of 1,140 thousand, (iii) fiber broadband enabled units of 0.3 million and (iv) other broadband enabled units of 7.0

million. The Company believes that this information will allow analysts and investors to understand the operating metrics associated with the divestiture of the 20-state ILEC business to understand the impact they had on the Company's past, but not current or future, financial performance.

(2) Other broadband subscribers are customers that primarily subscribe to lower speed copper-based broadband services marketed under the CenturyLink brand.

(3) Mass Markets broadband subscribers are customers that purchase broadband connection service through their existing telephone lines, stand-alone telephone lines, or fiber-optic cables. Our methodology for counting our Mass Markets broadband subscribers includes only those lines that we use to provide services to external customers and excludes lines used solely by us and our affiliates. It also excludes unbundled loops and includes stand-alone Mass Markets broadband subscribers. We count lines when we install the service. Other companies may use different methodologies.

(4) Represents the total number of units capable of receiving our broadband services at period end. Other companies may use different methodologies to count their broadband enabled units.

### **Description of Non-GAAP Metrics**

Pursuant to Regulation G, the company is hereby providing definitions of non-GAAP financial metrics and reconciliations to the most directly comparable GAAP measures.

The following describes and reconciles those financial measures as reported under accounting principles generally accepted in the United States (GAAP) with those financial measures as adjusted by the items detailed below and presented in the accompanying news release. These calculations are not prepared in accordance with GAAP and should not be viewed as alternatives to GAAP. In keeping with its historical financial reporting practices, the company believes that the supplemental presentation of these calculations provides meaningful non-GAAP financial measures to help investors understand and compare business trends among different reporting periods on a consistent basis.

We use the term *Special Items* as a non-GAAP measure to describe items that impacted a period's statement of operations for which investors may want to give special consideration due to their magnitude, nature or both. We do not call these items *non-recurring* because, while some are infrequent, others may recur in future periods.

**Adjusted EBITDA (\$)** is defined as net income (loss) from the Statements of Operations before income tax (expense) benefit, total other income (expense), depreciation and amortization, stock-based compensation expense and impairments.

**Adjusted EBITDA Margin (%)** is defined as Adjusted EBITDA divided by total revenue.

Management believes that Adjusted EBITDA and Adjusted EBITDA Margin are relevant and useful metrics to provide to investors, as they are an important part of our internal reporting and are key measures used by management to evaluate profitability and operating performance of Lumen and to make resource allocation decisions. Management believes such measures are especially important in a capital-intensive industry such as telecommunications.

Management also uses Adjusted EBITDA and Adjusted EBITDA Margin (and similarly uses these terms excluding Special Items) to compare our performance to that of our competitors and to eliminate certain non-cash and non-operating items in order to consistently measure from period to period our ability to fund capital expenditures, fund growth, service debt and determine bonuses. Adjusted EBITDA excludes non-cash stock compensation expense and



impairments because of the non-cash nature of these items. Adjusted EBITDA also excludes interest income, interest expense and income taxes, and in our view constitutes an accrual-based measure that has the effect of excluding period-to-period changes in working capital and shows profitability without regard to the effects of capital or tax structure. Adjusted EBITDA also excludes depreciation and amortization expense because these non-cash expenses primarily reflect the impact of historical capital investments, as opposed to the cash impacts of capital expenditures made in recent periods, which may be evaluated through cash flow measures. Adjusted EBITDA further excludes the gain (or loss) on extinguishment and modification of debt and other income (expense), net, because these items are not related to the primary business operations of Lumen.

There are material limitations to using Adjusted EBITDA as a financial measure, including the difficulty associated with comparing companies that use similar performance measures whose calculations may differ from our calculations. Additionally, by excluding the above-listed items, Adjusted EBITDA may exclude items that investors believe are important components of our performance. Adjusted EBITDA and Adjusted EBITDA Margin (either with or without Special Items) should not be considered a substitute for other measures of financial performance reported in accordance with GAAP.

**Unlevered Cash Flow** is defined as net cash provided by (used in) operating activities less capital expenditures, plus cash interest paid and less interest income, all as disclosed in the Statements of Cash Flows or the Statements of Operations. Management believes that Unlevered Cash Flow is a relevant metric to provide to investors, because it reflects the operational performance of Lumen and, measured over time, enables management and investors to monitor the underlying business' growth pattern and ability to generate cash. Unlevered Cash Flow excludes cash used for acquisitions and debt service and the impact of exchange rate changes on cash and cash equivalents balances.

There are material limitations to using Unlevered Cash Flow to measure our cash performance as it excludes certain material items that investors may believe are important components of our cash flows. Comparisons of our Unlevered Cash Flow to that of some of our competitors may be of limited usefulness since Lumen does not currently pay a significant amount of income taxes due to net operating loss carryforwards, and therefore, currently generates higher cash flow than a comparable business that does pay income taxes. Additionally, this financial measure is subject to variability quarter over quarter as a result of the timing of payments related to accounts receivable, accounts payable, payroll and capital expenditures. Unlevered Cash Flow should not be used as a substitute for net change in cash, cash equivalents and restricted cash in the Consolidated Statements of Cash Flows.

**Free Cash Flow** is defined as net cash provided by (used in) operating activities less capital expenditures as disclosed in the Statements of Cash Flows. Management believes that Free Cash Flow is a relevant metric to provide to investors, as it is an indicator of our ability to generate cash to service our debt. Free Cash Flow excludes cash used for acquisitions, principal repayments and the impact of exchange rate changes on cash and cash equivalents balances.

There are material limitations to using Free Cash Flow to measure our performance as it excludes certain material items that investors may believe are important components of our cash flows. Comparisons of our Free Cash Flow to that of some of its competitors may be of limited usefulness since Lumen does not currently pay a significant amount of income taxes due to net operating loss carryforwards, and therefore, generates higher cash flow than a comparable business that does pay income taxes. Additionally, this financial measure is subject to variability quarter over quarter as a result of the timing of payments related to interest expense, accounts receivable, accounts payable, payroll and capital expenditures. Free Cash Flow should not be used as a substitute for net change in cash, cash equivalents and restricted cash on the Consolidated Statements of Cash Flows.

**Lumen Technologies, Inc.**

Non-GAAP Special Items

(UNAUDITED)

(\$ in millions)

	Actual QTD	
Special Items Impacting Adjusted EBITDA	1Q23	1Q22
Severance	\$ 8	2
Loss on disposal group held for sale	77	—
Transaction and separation costs <sup>(1)</sup>	29	50
<b>Total Special Items impacting Adjusted EBITDA</b>	<b>\$ 114</b>	<b>\$ 52</b>

	Actual QTD	
Special Items Impacting Net Income	1Q23	1Q22
Loss on disposal group held for sale	\$ 77	—
Gain on early retirement of debt <sup>(2)</sup>	(609)	—
Severance	8	2
Transaction and separation costs <sup>(1)</sup>	29	50
Income from transition and separation services <sup>(3)</sup>	(46)	(3)
<b>Total Special Items impacting Net Income</b>	<b>(541)</b>	<b>49</b>
Income tax effect of Special Items <sup>(4)</sup>	127	(12)
<b>Total Special Items impacting Net Income, net of tax</b>	<b>\$ (414)</b>	<b>37</b>

	Actual QTD	
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Special Items Impacting Cash Flows	Actual QTD	
	1Q23	1Q22
Severance	\$ 5	16
Transaction and separation costs <sup>(1)</sup>	24	32
Income from transition and separation services <sup>(3)</sup>	(59)	—
<b>Total Special Items impacting Cash Flows</b>	<b>\$ (30)</b>	<b>48</b>

<sup>(1)</sup> Transaction and separation costs associated with (i) the sale of our Latin American business on Aug. 1, 2022, (ii) the sale of our 20-state ILEC business on Oct. 3, 2022, (iii) the agreement to divest Lumen's operations in Europe, the Middle East and Africa (the "EMEA business") initially announced on Nov. 2, 2022 and (iv) our evaluation of other potential transactions.

<sup>(2)</sup> Reflects a gain as a result of \$1.5 billion of debt exchanges in Q1 2023. There were no comparable gains or losses during Q1 2022.

<sup>(3)</sup> Income from transition and separation services includes charges we billed for transition services and IT professional services provided to the purchasers in connection with our divestitures.

<sup>(4)</sup> Tax effect calculated using the annualized effective statutory tax rate, excluding any non-recurring discrete items, which was 23.5% for Q1 2023 and 24.6% for all quarters of 2022.

## Lumen Technologies, Inc.

### Non-GAAP Cash Flow Reconciliation

(UNAUDITED)

(\$ in millions)

	Actual QTD	
	1Q23	1Q22
Net cash provided by operating activities <sup>(1)</sup>	\$ 595	1,375
Capital expenditures	(640)	(577)
<b>Free Cash Flow<sup>(1)</sup></b>	<b>(45)</b>	<b>798</b>

Cash interest paid	363	386
Interest income	(13)	(1)
<b>Unlevered Cash Flow<sup>(1)</sup></b>	<b>\$ 305</b>	<b>\$ 1,183</b>
<b>Free Cash Flow<sup>(1)</sup></b>	<b>\$ (45)</b>	<b>\$ 798</b>
Add back: Severance <sup>(2)</sup>	5	16
Add back: Transaction and separation costs <sup>(2)</sup>	24	32
Remove: Income from transition and separation services <sup>(2)</sup>	(59)	—
<b>Free Cash Flow excluding cash Special Items<sup>(1)</sup></b>	<b>\$ (75)</b>	<b>\$ 846</b>
<b>Unlevered Cash Flow<sup>(1)</sup></b>	<b>\$ 305</b>	<b>\$ 1,183</b>
Add back: Severance <sup>(2)</sup>	5	16
Add back: Transaction and separation costs <sup>(2)</sup>	24	32
Remove: Income from transition and separation services <sup>(2)</sup>	(59)	—
<b>Unlevered Cash Flow excluding cash Special Items<sup>(1)</sup></b>	<b>\$ 275</b>	<b>\$ 1,231</b>

<sup>(1)</sup> Includes the impact of \$90 million in cash tax payments in Q1 2023 related to our divestitures completed on Aug. 1, 2022 and Oct. 3, 2022.

<sup>(2)</sup> Refer to *Non-GAAP Special Items* table for details of the Special Items impacting cash included above.

### Lumen Technologies, Inc.

Adjusted EBITDA Non-GAAP Reconciliation

(UNAUDITED)

(\$ in millions)

Actual QTD

	1Q23	1Q22
<b>Net income</b>	<b>\$ 511</b>	<b>599</b>
Income tax expense	169	202
Total other (income) expense, net	(290)	282
<b>Operating income</b>	<b>\$ 390</b>	<b>1,083</b>
Depreciation and amortization expense	733	808
Stock-based compensation expense	14	23
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 1,137</b>	<b>1,914</b>
Add back: Severance <sup>(2)</sup>	\$ 8	2
Add back: Loss on disposal group held for sale <sup>(2)</sup>	77	—
Add back: Transaction and separation costs <sup>(2)</sup>	29	50
<b>Adjusted EBITDA excluding Special Items<sup>(1)</sup></b>	<b>\$ 1,251</b>	<b>1,966</b>
<b>Total revenue</b>	<b>\$ 3,738</b>	<b>4,676</b>
<b>Operating Income Margin</b>	<b>10.4 %</b>	<b>23.2 %</b>
<b>Adjusted EBITDA Margin</b>	<b>30.4 %</b>	<b>40.9 %</b>
<b>Adjusted EBITDA Margin excluding Special Items</b>	<b>33.5 %</b>	<b>42.0 %</b>

<sup>(1)</sup> Adjusted EBITDA and Adjusted EBITDA excluding Special Items for the first quarter of 2022 include the financial impacts of (i) the Latin American business divested on Aug. 1, 2022 and the 20-state ILEC business divested on Oct. 3, 2022 and (ii) the CAF Phase II program, which lapsed on Dec. 31, 2021. Adjusted EBITDA excluding Special Items for the first quarter of 2023 include the financial impacts from the post-closing commercial agreements with the purchasers of the divested businesses. Refer to footnote 1 on the first page of this release for details.

<sup>(2)</sup> Refer to *Non-GAAP Special Items* table for details of the Special Items included above.

## Outlook

To enhance the information in our outlook with respect to non-GAAP metrics, we are providing a range for certain GAAP measures that are components of the reconciliation of the non-GAAP metrics. The provision of these ranges is in no way meant to indicate that Lumen is explicitly or implicitly providing an outlook on those GAAP components of the reconciliation. In order to reconcile the non-GAAP financial metric to GAAP, Lumen has to use ranges for the GAAP components that arithmetically add up to the non-GAAP financial metric. While Lumen believes that it has used reasonable assumptions in connection with developing the outlook for its non-GAAP financial metrics, it fully expects that the ranges used for the GAAP components will vary from actual results. We will consider our outlook of non-GAAP financial metrics to be accurate if the specific non-GAAP metric is met or exceeded, even if the GAAP components of the reconciliation are different from those provided in an earlier reconciliation.

### Lumen Technologies, Inc.

2023 OUTLOOK <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup> <sup>(4)</sup> <sup>(5)</sup>

(UNAUDITED)

(\$ in millions)

### Adjusted EBITDA Outlook

Twelve Months Ended December 31, 2023

	Range	
	Low	High
<b>Net income</b>	<b>\$ 185</b>	<b>670</b>
Income tax expense	65	235
Total other expense, net	1,100	900
Depreciation and amortization expense	3,100	2,900
Stock-based compensation expense	150	95
<b>Adjusted EBITDA</b>	<b>\$ 4,600</b>	<b>\$ 4,800</b>

### Free Cash Flow Outlook

Twelve Months Ended December 31, 2023

**Range**

	<b>Low</b>	<b>High</b>
<b>Net cash provided by operating activities \$</b>	<b>2,900</b>	<b>3,300</b>
Capital expenditures	(2,900)	(3,100)
<b>Free Cash Flow</b>	<b>\$ —</b>	<b>200</b>

(1) For definitions of non-GAAP metrics and reconciliation to GAAP figures, see the above schedules and our Investor Relations website.

(2) Outlook measures in this chart (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 May 2, 2023. See "Forward-Looking Statements."

(3) 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.

(4) Assumes no discretionary pension plan contributions during 2023.

(5) Excludes approximately \$1 billion impact of taxes related to our divestitures completed on Aug. 1, 2022 and Oct. 3, 2022.

SOURCE Lumen Technologies

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<https://news.lumen.com/2023-05-02-Lumen-Technologies-reports-first-quarter-2023-results>