Qwest Corporation d/b/a CenturyLink QC

Waterloo NBBP Grant Application

**CenturyLink additional financial data:**

Providing additional information relative to current ratio as it was highlighted as a concern with the 2023 NBBP grant applications.

Lumen has received an unqualified audit opinion for the year ending 2022 and each previous year since it’s organization in 2020.

Lumen’s 10K and 10Q filings can be found here:

<https://ir.lumen.com/financials/sec-filings/default.aspx>

**Current Ratio:**

From the 2Q2023 10Q Quarterly report regarding liquidity and capital resources:

As of June 30, 2023, the company’s current ratio is 1.22 which is a slight improvement compared to 1.13 as of December 31, 2022.

At June 30, 2023, we held cash and cash equivalents of $457 million, $46 million of which is classified as held for sale, and we also had $2.0 billion of borrowing capacity available under our revolving credit facility. We typically use our revolving credit facility as a source of liquidity for operating activities and our other cash requirements. We had approximately $79 million of cash and cash equivalents outside the United States at June 30, 2023. We currently believe that there are no material restrictions on our ability to repatriate cash and cash equivalents into the United States and that we may do so without paying or accruing U.S. taxes. Other than transactions related to our EMEA divestiture, we do not currently intend to repatriate to the United States any of our foreign cash and cash equivalents from operating entities.

Our executive officers and our Board of Directors review our sources and potential uses of cash in connection with our annual budgeting process and whenever circumstances warrant. Generally speaking, our principal funding source is cash from operating activities, and our principal cash requirements include operating expenses, capital expenditures, income taxes, debt repayments, periodic securities repurchases, periodic pension contributions and other benefits payments.

We will continue to monitor our future sources and uses of cash and anticipate that we will make adjustments to our capital allocation strategies when, as and if determined by our Board of Directors. We may also draw on our revolving credit facility as a source of liquidity for operating activities and to give us additional flexibility to finance our capital investments, repayments of debt, pension contributions and other cash requirements.

Subject to market conditions, we plan to continue to issue debt securities from time to time in the future to refinance a substantial portion of our maturing debt, including issuing debt securities of certain of our subsidiaries to refinance their maturing debt to the extent permitted under our debt covenants and consistent with our capital allocation strategies. The availability, interest rate and other terms of any new borrowings will depend on the ratings assigned by credit rating agencies, among other factors.

Management periodically reviews our exposure to interest rate fluctuations and periodically implements strategies to manage the exposure. From time to time, we have used derivative instruments to swap our exposure to variable interest rates for fixed interest rates. We have established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. As of June 30, 2023, we did not hold or issue derivative financial instruments for trading or speculative purposes.

**Earnings before interest taxes depreciation and amortization (EBITDA) Margin:**

Lumen’s EBITDA margin per the 2022 10-K (excluding special items associated with divestitures) is 39.2% for 2022 compared to 42.9% for 2021. The company has and is taking continued measures to improve this margin, including the following. New senior leadership has been put in place to renew focus on profitable execution. Key elements of new strategies include a focus on:

* Securing the customer base: protect, nurture, and grow our customer relationships.
* Drive commercial excellence: innovate and invest to be able to bring our capabilities to customers as quickly as possible.
* Digitize to enable growth: increase productivity thru rationalization of internal systems, simplifying product offerings and automation.
* Expanding mass markets: expand the fiber footprint in markets where we can drive penetration.

The business is ultimately focused on growth. Growth and its required investments will have some financial impacts in the near term. The company strongly believes the initiatives in place will drive us to revenue and EBITDA growth by 2025.

Certain other specific areas of focus for EBITDA and liquidity improvement include:

* Continued rationalization of real estate will reduce future operating costs. In the near term, this has resulted in accelerated lease costs as leases are cancelled.
* Improvement in cost management as inflationary factors lessen post pandemic.
* Improved revenue as customer’s shift away from delaying investments during and near after the pandemic.
* Market our products and services to new customers such as our new fiber offerings as they are deployed.

**2Q2023 Earnings call statements by CFO Stansbury**:

Free cash flow was negative $896 million in the second quarter, including $938 million of taxes paid related to our two divestitures last year. We've now paid all of the transaction-related taxes for those divestitures.

Other products’ revenue declined 6% sequentially. Our other product revenue tends to experience fluctuations due to the variable nature of these products. Within other, we have deemphasized low-margin equipment and changed our sales commission structure, which will continue to impact comparisons to prior periods. These changes are focusing our sales efforts on products that provide a better customer experience and stronger returns for Lumen.

And as we’ve said and we said, at Investor Day, we do have higher OpEx and investments in the back half of the year, as we’re staying very aggressive and committed to our turnaround plan. So we’ve kept guidance where it is for a reason. And again, we’ll be spending more in the back half to support those plans.