

Edgar Filing: CENTURYLINK, INC - Form 10-Q

Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No y

On August 3, 2018, there were 1,080,123,279 shares of common stock outstanding.

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* All references to "Notes" in this quarterly report refer to these Notes to Consolidated Financial Statements.

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Special Note Regarding Forward-Looking Statements

All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q are “forward-looking” statements, as defined by (and subject to the “safe harbor” protections under) the federal securities laws. When used herein, the words “anticipates,” “expects,” “believes,” “seeks,” “hopes,” “intends,” “plans,” “projects,” “will” similar words and expressions are intended to identify forward-looking statements. Forward-looking statements are based on a number of judgments and assumptions as of the date such statements are made about future events, many of which are beyond our control. These forward-looking statements, and the assumptions on which they are based, (i) are not guarantees of future events, (ii) are inherently speculative and (iii) are subject to significant risks and uncertainties. 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 our underlying assumptions prove incorrect. All of our forward-looking statements are qualified in their entirety by reference to our discussion of certain important factors that could cause our actual results to differ materially from those anticipated, estimated, projected or implied by us in those forward-looking statements. Factors that could cause our results to differ materially from the expectations expressed in such forward-looking statements include but are not limited to the following:

- the effects of competition from a wide variety of competitive providers, including decreased demand for our traditional wireline 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;
- the effects of ongoing changes in the regulation of the communications industry, including the outcome of regulatory or judicial proceedings relating to intercarrier compensation, interconnection obligations, universal service, broadband deployment, data protection and net neutrality;
- our ability to timely realize the anticipated benefits of our recently-completed combination with Level 3, including our ability to attain anticipated cost savings, to use Level 3’s net operating loss carryforwards in the amounts projected, to retain key personnel and to avoid unanticipated integration disruptions;
- our ability to safeguard our network, and to avoid the adverse impact on our business from possible security breaches, service outages, system failures, equipment breakage, or similar events impacting our network or the availability and quality of our services;
- our ability to effectively adjust to changes in the communications industry, and changes in the composition of our markets and product mix;
- possible changes in the demand for our products and services, including our ability to effectively respond to increased demand for high-speed broadband service;
- our ability to successfully maintain the quality and profitability of our existing product and service offerings, to provision them successfully to our customers and to introduce profitable new offerings on a timely and cost-effective basis;
- our ability to generate cash flows sufficient to fund our financial commitments and objectives, including our capital expenditures, operating costs, debt repayments, dividends, pension contributions and other benefits payments;
- changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, whether based upon changes in our cash flows, cash requirements, financial performance, financial position, market conditions or otherwise;
- our ability to effectively retain and hire key personnel and to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages;
- increases in the costs of our pension, health, post-employment or other benefits, including those caused by changes in markets, interest rates, mortality rates, demographics or regulations, which may in turn impact our business and liquidity;
- adverse changes in our access to credit markets on favorable terms, whether caused by changes in our financial position, lower debt credit ratings, unstable markets or otherwise;
- our ability to meet the terms and conditions of our debt obligations;

our ability to maintain favorable relations with our key business partners, suppliers, vendors, landlords and financial institutions;

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our ability to effectively manage our network buildout project and our other expansion opportunities;
our ability to collect our receivables from financially troubled customers;
any adverse developments in legal or regulatory proceedings involving us;
changes in tax, communications, pension, healthcare or other laws or regulations, in governmental support programs, or in general government funding levels;
the effects of changes in accounting policies or practices, including potential future impairment charges;
the effects of adverse weather, terrorism or other natural or man-made disasters;
the effects of more general factors such as changes in interest rates, in exchange rates, in operating costs, in general market, labor, economic or geo-political conditions, or in public policy; and
other risks identified in our "Risk Factors" disclosures included in our annual report on Form 10-K for the year ended December 31, 2017.

Additional factors or risks that we currently deem immaterial, that are not presently known to us or that arise in the future could also cause our actual results to differ materially from our expected results. Given these uncertainties, investors 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, existing regulatory, technological, industry, competitive, economic and market conditions, and our assumptions as of such date. We may change our intentions, strategies or plans (including our dividend or other capital allocation plans) at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

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PART I—FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS
 CENTURYLINK, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Dollars in millions, except per share amounts and shares in thousands)			
OPERATING REVENUES	\$5,902	4,090	11,847	8,299
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation and amortization)	2,730	1,890	5,533	3,778
Selling, general and administrative	1,115	884	2,224	1,694
Depreciation and amortization	1,290	949	2,573	1,829
Total operating expenses	5,135	3,723	10,330	7,301
OPERATING INCOME	767	367	1,517	998
OTHER (EXPENSE) INCOME				
Interest expense	(546)	(320)	(1,081)	(638)
Other income (expense), net	16	(7)	37	(13)
Total other expense, net	(530)	(327)	(1,044)	(651)
INCOME BEFORE INCOME TAX EXPENSE	237	40	473	347
Income tax (benefit) expense	(55)	23	66	167
NET INCOME	\$292	17	407	180
BASIC AND DILUTED EARNINGS PER COMMON SHARE				
BASIC	\$0.27	0.03	0.38	0.33
DILUTED	\$0.27	0.03	0.38	0.33
DIVIDENDS DECLARED PER COMMON SHARE	\$0.54	0.54	1.08	1.08
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING				
BASIC	1,064,715	541,361	1,064,663	540,909
DILUTED	1,068,815	542,151	1,068,414	541,836

See accompanying notes to consolidated financial statements.

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CENTURYLINK, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
NET INCOME	\$292	17		