



# Investor Update

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Second Quarter 2018 | July 31, 2018

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## Strategic and Operational Review

Daniel McCarthy  
President & Chief Executive Officer

2

## Financial Review

Perley McBride  
Executive Vice President & Chief Financial Officer

# Business Update

**\$2.16B** **Total Revenue**

- Consumer revenue of **\$1,095 million**
- Consumer customer churn of **1.95%**, stable despite seasonality
- Consumer ARPC of **\$85.28**; (**\$83.17** excluding adoption of ASC 606, stable sequentially)
- Commercial revenue of **\$970 million**, nearly stable sequentially
- Commercial customers of **430,000**

**\$18M** **Net loss**

**\$884M** **Adjusted EBITDA\***

**\$350M** **Cost synergies attained**  
Program completed successfully

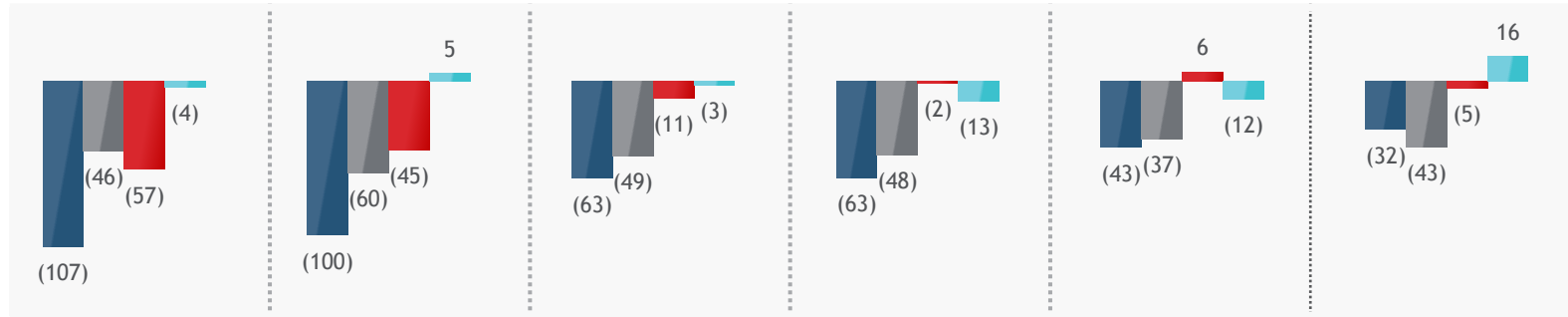
**\$500M** **EBITDA improvement benefit by YE 2020**  
Accelerating next phase of transformation initiatives

\* Adjusted EBITDA is a non-GAAP measure - see Appendix for its calculation

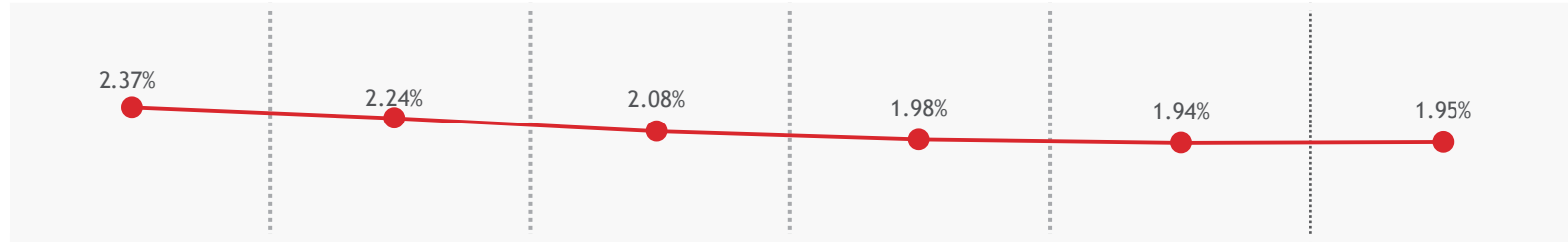
# Broadband Unit Trends

Q1 2017      Q2 2017      Q3 2017      Q4 2017      Q1 2018      Q2 2018

Net Adds (000s)



Churn



- **Steady improvement** in Broadband net additions
- **Consumer net additions** impacted by summer seasonality
- **Market positioning remains solid**
- **Churn initiatives** continue to yield results

Total Broadband (Consumer & Commercial)  
 Consumer Copper Broadband  
 Consumer Fiber Broadband  
 Commercial Broadband  
 Consumer Customer Churn

# Accelerating the Pace of Transformation

Initiatives to Drive \$500 Million EBITDA Opportunity by Year End 2020

EBITDA Benefit

Examples of Opportunities

Revenue  
Enhancements

\$150-200M

## Consumer

- Improve subscriber trends
- Enhance channel capabilities
- Recapture FTTH market share

## Commercial

- Accelerate penetration initiatives
- Expand channels and reach
- Accelerate next-gen product sales

Operational  
Enhancements

\$150-200M

- Continue reducing trouble ticket volumes
- Reduce network operating costs
- Increase automation enabling faster resolution of issues
- Improve 1<sup>st</sup>-call resolution

Care/  
Technical  
Support

\$125-175M

- Continue improving customer satisfaction
- Expand diagnostic capabilities
- Increase standardization
- Reduce reliance on external call centers/more volume in-house

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## Strategic and Operational Review

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Executive Vice President & Chief Financial Officer

# Key Financial Highlights

(\$ in Millions)

	Q1 2018	Q2 2018
<b>Total Revenue</b>	<b>\$2,199</b>	<b>\$2,162</b>
Customer	\$2,102	\$2,065
Regulatory	\$97	\$97
<b>Net Income (Loss)</b>	<b>\$20</b>	<b>(\$18)</b>
Net Cash provided from Operating Activities	\$251	\$672
Adjusted Operating Expenses*	\$1,291	\$1,278
<b>Adjusted EBITDA*</b>	<b>\$908</b>	<b>\$884</b>
Adjusted EBITDA Margin*	41.3%	40.9%
CapEx (excl. Integration)	\$297	\$321
<b>LTM Operating Free Cash Flow*</b>	<b>\$632</b>	<b>\$721</b>

- **Revenue** decline driven by voice and video
- **Pension settlement accounting** contributed \$19 million of after-tax net loss
- **Adjusted EBITDA margin maintained in excess of 40% target**

\* Adjusted Operating Expenses, Adjusted EBITDA, Adjusted EBITDA Margin and Operating Free Cash Flow are non-GAAP measures - see Appendix for their calculations

# Product & Customer Revenue

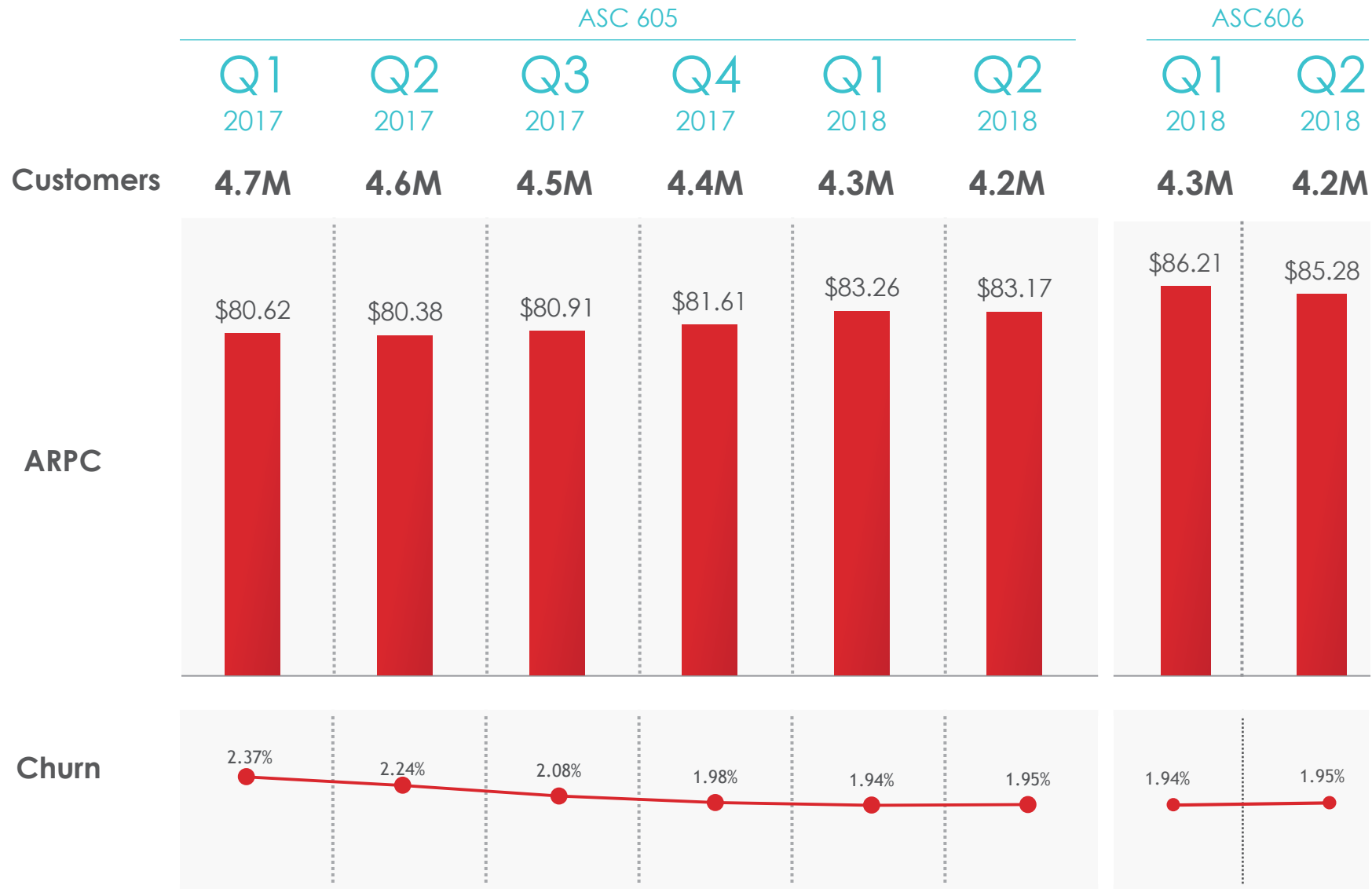
(\$ in Millions)	ASC 605				ASC 605		ASC 606	
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q1 2018	Q2 2018
Data & Internet Services*	\$968	\$959	\$956	\$939	\$942	\$948	\$985	\$973
Voice Services	751	724	702	687	670	648	702	682
Video Services	347	329	318	310	309	297	280	270
Other	68	79	84	91	85	86	135	140
<b>Total Customer Revenue*</b>	<b>\$2,134</b>	<b>\$2,091</b>	<b>\$2,060</b>	<b>\$2,027</b>	<b>\$2,006</b>	<b>\$1,979</b>	<b>\$2,102</b>	<b>\$2,065</b>
Consumer	\$1,164	\$1,124	\$1,102	\$1,086	\$1,089	\$1,068	\$1,128	\$1,095
Commercial*	970	967	958	941	917	911	974	970
<b>Total Customer Revenue*</b>	<b>\$2,134</b>	<b>\$2,091</b>	<b>\$2,060</b>	<b>\$2,027</b>	<b>\$2,006</b>	<b>\$1,979</b>	<b>\$2,102</b>	<b>\$2,065</b>
Regulatory Revenue	197	198	191	190	187	181	97	97
<b>Total Revenue*</b>	<b>\$2,331</b>	<b>\$2,289</b>	<b>\$2,251</b>	<b>\$2,217</b>	<b>\$2,193</b>	<b>\$2,160</b>	<b>\$2,199</b>	<b>\$2,162</b>

- **Data & Internet services revenue increased** (under ASC 605)
- **Voice and video service revenue declines** reflect industry trends
- Continued **emphasis on Commercial improvement**

\*Excludes Frontier Secure Strategic Partnerships revenue disposed in Q2 2017.



# Consumer ARPC



- **Consumer ARPC stable** (under ASC 605)
- **Churn stable sequentially** despite seasonality

# Capital Spending Update

H1'18

CapEx

\$618M SPEND

## PROJECTS UNDERWAY

Growth initiatives  
comprise

~80%

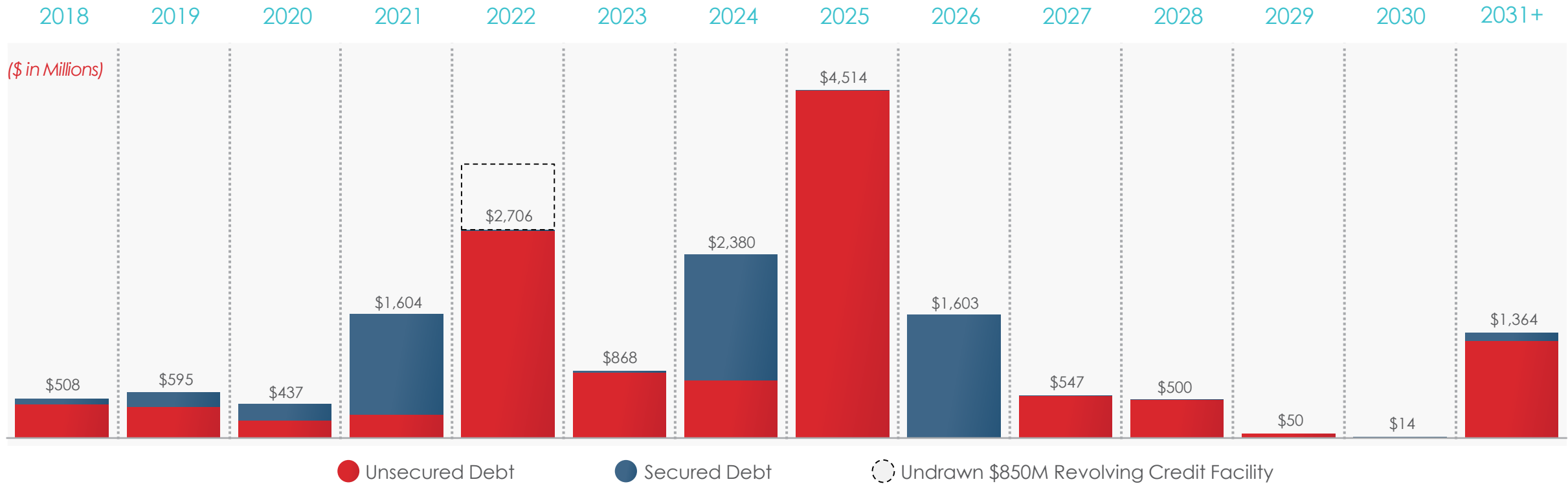
of Q2 2018  
capital spending

- ✓ **Building FTTH to > 18K rural HHs** with state funding sources
- ✓ **CAF II** Enabled broadband to **~373K locations** in CAF II-eligible areas
- ✓ **Fixed wireless broadband** Planning for both CAF and non-CAF locations
- ✓ **Testing 10 Gbps XGS-PON** and next-generation ONTs that reduce FTTH deployment cost by ~70%
- ✓ **Automation initiatives** based on **PEGA** platform to enhance customer care, reduce costs, and enable efficiency

# Manageable Near-term Debt Maturities

**Q2:** Repurchased \$48M unsecured notes due October 2018

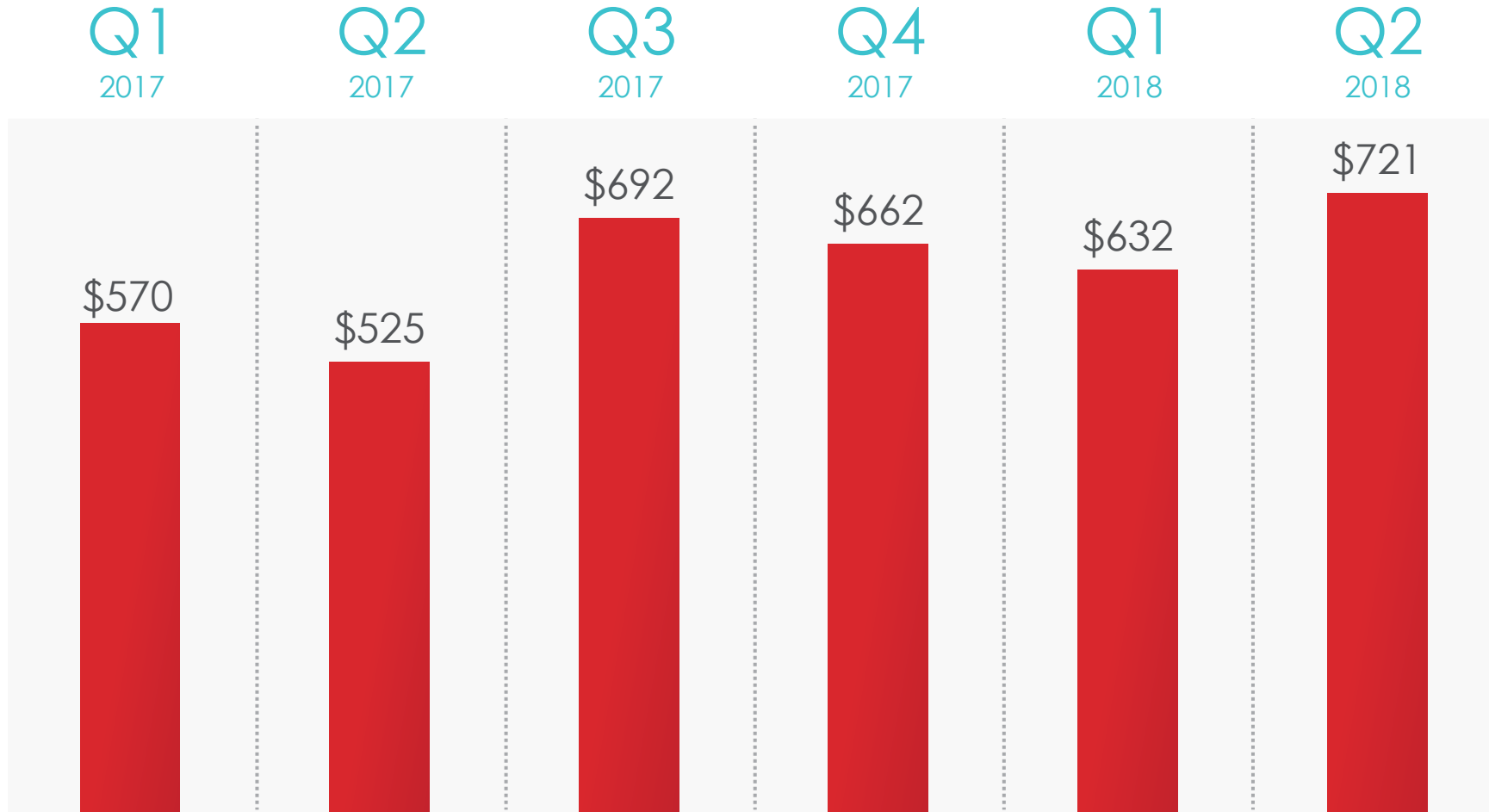
**July:** Issued \$240M term loan B to fully refinance CoBank facility due 2019 and partially refinance CoBank facility due 2021



Maturity profile is as of June 30, 2018 and pro forma for the \$240M TLB add-on and CoBank refinancings which closed on July 3, 2018.

# Operating Free Cash Flow

Trailing 12 Months Operating Free Cash Flow (\$ in Millions)



- **Operating free cash flow now fully available for debt reduction** following conversion of Mandatory Preferred Stock

\* Operating Free Cash Flow is a non-GAAP measure - see Appendix for its calculation

# Reiterating Guidance

Adjusted EBITDA*	Capital Expenditures	Cash Taxes	Cash Pension/ OPEB	Cash Interest Expense	Operating Free Cash Flow*
~\$3.6B	\$1.0- \$1.15B	<\$25M	~\$150M	~\$1.5B	~\$800M

**Guidance for 2018 remains unchanged**

\* Adjusted EBITDA and Operating free cash flow are non-GAAP measures - see Appendix for their calculations.

# Appendix

# Safe Harbor Statement

## *Forward-looking Language*



This earnings release contains “forward-looking statements,” related to future events. Forward-looking statements address Frontier’s expected future business, financial performance, and financial condition, and contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “may,” “will,” “would,” or “target.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For Frontier, particular uncertainties that could cause actual results to be materially different than those expressed in such forward-looking statements include: competition from cable, wireless and wireline carriers, satellite, and OTT companies, and the risk that Frontier will not respond on a timely or profitable basis; Frontier’s ability to successfully adjust to changes in the communications industry, including the effects of technological changes and competition on its capital expenditures, products and service offerings; declines in revenue from Frontier’s voice services, switched and non-switched access and video and data services that it cannot stabilize or offset with increases in revenue from other products and services; Frontier’s ability to successfully implement strategic initiatives, including opportunities to enhance revenue and realize operational improvements; risks related to disruptions in Frontier’s networks, infrastructure and information technology that may result in customer loss and/or incurrence of additional expenses; Frontier’s ability to retain or attract new customers and to maintain relationships with customers, employees or suppliers; Frontier’s ability to realize anticipated benefits from recent acquisitions; Frontier’s ability to successfully introduce new product offerings; Frontier’s ability to dispose of certain assets or asset groups on terms that are attractive to Frontier, or at all; the effects of governmental legislation and regulation on Frontier’s business; the impact of regulatory, investigative and legal proceedings and legal compliance risks; government infrastructure projects that impact capital expenditures; continued reductions in switched access revenue as a result of regulation, competition or technology substitutions; the effects of changes in the availability of federal and state universal service funding or other subsidies to Frontier and its competitors; Frontier’s ability to meet its remaining CAF II funding obligations on a timely basis and the risk of penalties or obligations to return certain CAF II funds; Frontier’s ability to effectively manage service quality and meet mandated service quality metrics; the effects of changes in accounting policies or practices, including potential future impairment charges with respect to intangible assets; the effects of increased medical expenses and pension and postemployment expenses; the effects of changes in income tax rates, tax laws, regulations or rulings, or federal or state tax assessments; Frontier’s ability to successfully renegotiate union contracts; changes in pension plan assumptions, interest rates, discount rates, regulatory rules and/or the value of Frontier’s pension plan assets, which could require Frontier to make increased contributions to its pension plans; Frontier’s ability to effectively manage its operations, operating expenses, capital expenditures, debt service requirements and cash paid for income taxes and liquidity; adverse changes in the credit markets, which could impact the availability and cost of financing; adverse changes in the ratings given to Frontier’s debt securities by nationally accredited ratings organizations; covenants in Frontier’s indentures and credit agreements that may limit Frontier’s operational and financial flexibility as well as its ability to access the capital markets in the future; the effects of state regulatory cash management practices that could limit Frontier’s ability to transfer cash among its subsidiaries or dividend funds up to the parent company; the effects of changes in both general and local economic conditions in the markets that Frontier serves; Frontier’s ability to hire or retain key personnel; the effects of severe weather events or other natural or man-made disasters, which may increase operating and capital expenses or adversely impact customer revenue; the impact of potential information technology or data security breaches or other disruptions; and the risks and other factors contained in Frontier’s filings with the U.S. Securities and Exchange Commission, including its reports on Forms 10-K and 10-Q. These risks and uncertainties may cause actual future results to be materially different than those expressed in such forward-looking statements. Frontier has no obligation to update or revise these forward-looking statements and does not undertake to do so.

# Non-GAAP Financial Measures

Frontier uses certain non-GAAP financial measures in evaluating its performance, including EBITDA, EBITDA margin, adjusted EBITDA, adjusted EBITDA margin, operating free cash flow, and adjusted operating expenses, each of which is described below. Management uses these non-GAAP financial measures internally to (i) assist in analyzing Frontier's underlying financial performance from period to period, (ii) analyze and evaluate strategic and operational decisions, (iii) establish criteria for compensation decisions, and (iv) assist in the understanding of Frontier's ability to generate cash flow and, as a result, to plan for future capital and operational decisions. Management believes that the presentation of these non-GAAP financial measures provides useful information to investors regarding Frontier's financial condition and results of operations because these measures, when used in conjunction with related GAAP financial measures (i) provide a more comprehensive view of Frontier's core operations and ability to generate cash flow, (ii) provide investors with the financial analytical framework upon which management bases financial, operational, compensation, and planning decisions and (iii) present measurements that investors and rating agencies have indicated to management are useful to them in assessing Frontier and its results of operations.

A reconciliation of these measures to the most

comparable financial measures calculated and presented in accordance with GAAP is included in the accompanying tables. These non-GAAP financial measures are not measures of financial performance or liquidity under GAAP, nor are they alternatives to GAAP measures and they may not be comparable to similarly titled measures of other companies.

EBITDA is defined as net income (loss) less income tax expense (benefit), interest expense, investment and other income, pension settlement costs, gains/losses on extinguishment of debt, and depreciation and amortization. EBITDA margin is calculated by dividing EBITDA by total revenue.

Adjusted EBITDA is defined as EBITDA, as described above, adjusted to exclude acquisition and integration costs, certain pension/OPEB expenses, restructuring costs and other charges, stock-based compensation expense, goodwill impairment charges, and certain other non-recurring items including work stoppage costs. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by total revenue.

Management uses EBITDA, EBITDA margin, adjusted EBITDA and adjusted EBITDA margin to assist it in comparing performance from period to period and as measures of operational performance. Management believes that these non-GAAP measures provide useful information for investors in

evaluating Frontier's operational performance from period to period because they exclude depreciation and amortization expenses related to investments made in prior periods and are determined without regard to capital structure or investment activities. By excluding capital expenditures, debt repayments and dividends, among other factors, these non-GAAP financial measures have certain shortcomings. Management compensates for these shortcomings by utilizing these non-GAAP financial measures in conjunction with the comparable GAAP financial measures.

Adjusted net income (loss) attributable to Frontier common shareholders is defined as net income (loss) attributable to Frontier common shareholders and excludes acquisition and integration costs, restructuring costs and other charges, pension settlement costs, goodwill impairment charges, certain income tax items and the income tax effect of these items, and certain non-recurring items including work stoppage costs. Adjusting for these items allows investors to better understand and analyze Frontier's financial performance over the periods presented.

Management defines operating free cash flow, a non-GAAP measure, as net cash provided from operating activities less capital expenditures. Management uses operating free cash flow to assist it in comparing liquidity from period to period and to obtain a more comprehensive view of Frontier's core

operations and ability to generate cash flow. Management believes that this non-GAAP measure is useful to investors in evaluating cash available to service debt and pay dividends. This non-GAAP financial measure has certain shortcomings; it does not represent the residual cash flow available for discretionary expenditures, as items such as debt repayments and stock dividends are not deducted in determining such measure. Management compensates for these shortcomings by utilizing this non-GAAP financial measure in conjunction with the comparable GAAP financial measure.

Adjusted operating expenses is defined as operating expenses adjusted to exclude depreciation and amortization, acquisition and integration costs, restructuring costs and other charges, goodwill impairment charges, certain pension/OPEB expenses, stock-based compensation expense, and certain other non-recurring items including work stoppage costs. Investors have indicated that this non-GAAP measure is useful in evaluating Frontier's performance.

The information in this presentation should be read in conjunction with the financial statements and footnotes contained in Frontier's documents filed with the U.S. Securities and Exchange Commission.



# Non-GAAP Financial Measures

(\$ in Millions)	For the Quarter Ended		
	June 30, 2018	March 31, 2018	June 30, 2017
Net Income/(Loss)	(18)	\$20	(\$662)
Add back (Subtract):			
Income Tax Expense/(Benefit)	(20)	13	(210)
Interest Expense	385	374	388
Investment and Other (Income)/Loss, Net	(5)	(8)	-
Pension Settlement Costs	25	-	19
(Gain)/Loss on Extinguishment of Debt and Debt Exchanges	-	(33)	90
Operating Income/(Loss)	367	366	(375)
Depreciation and Amortization	486	505	552
<b>EBITDA</b>	<b>\$853</b>	<b>\$871</b>	<b>\$177</b>
Add back:			
Acquisition and Integration Costs	-	-	12
Pension/OPEB Expense	23	22	25
Restructuring Costs and Other Charges	2	4	29
Stock-based Compensation Expense	5	4	3
Work Stoppage Costs	1	7	-
Goodwill Impairment	-	-	670
<b>Adjusted EBITDA</b>	<b>\$884</b>	<b>\$908</b>	<b>\$916</b>
<b>EBITDA Margin</b>	<b>39.5%</b>	<b>39.6%</b>	<b>7.7%</b>
<b>Adjusted EBITDA Margin</b>	<b>40.9%</b>	<b>41.3%</b>	<b>39.8%</b>

# Non-GAAP Financial Measures

(\$ in Millions)	June 30, 2018	For the Quarter Ended March 31, 2018	June 30, 2017
<b>Total Operating Expenses</b>	<b>\$1,795</b>	<b>\$1,833</b>	<b>\$2,679<sup>1</sup></b>
Subtract:			
Depreciation and Amortization	486	505	552
Goodwill Impairment	-	-	670
Acquisition and Integration Costs	-	-	12
Pension/OPEB Expense	23	22	25 <sup>1</sup>
Restructuring Costs and Other Charges	2	4	29
Stock-based Compensation Expense	5	4	3
Work Stoppage Costs	1	7	-
<b>Adjusted Operating Expenses</b>	<b>\$1,278</b>	<b>\$1,291</b>	<b>\$1,388</b>

(1) Effective January 1, 2018, Frontier adopted ASU 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The standard requires certain benefit costs to be reclassified from operating expenses to non-operating expenses. This change in policy was applied using a retrospective approach. Pension settlement costs of \$19 million for the three months ended June 30, 2017 were reclassified from operating expense to non-operating expense.

# Non-GAAP Financial Measures

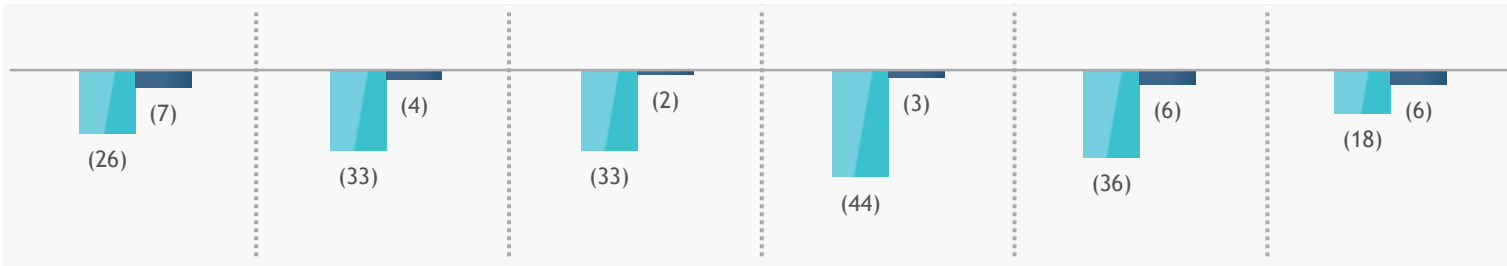
(\$ in Millions)	For the Quarter Ended					
	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
<b>Net Cash Provided from Operating Activities</b>	<b>\$300</b>	<b>\$529</b>	<b>\$356</b>	<b>\$665</b>	<b>\$251</b>	<b>\$672</b>
Add Back (Subtract):						
Capital Expenditures – Business Operations	(315)	(263)	(268)	(308)	(297)	(321)
Capital Expenditures – Integration	(1)	(4)	(14)	(15)	-	-
<b>Operating Free Cash Flow</b>	<b>(\$16)</b>	<b>\$262</b>	<b>\$74</b>	<b>\$342</b>	<b>(\$46)</b>	<b>\$351</b>

(\$ in Millions)	Trailing Twelve Months Ended					
	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018
<b>Net Cash Provided from Operating Activities</b>	<b>\$2,028</b>	<b>\$1,864</b>	<b>\$1,899</b>	<b>\$1,850</b>	<b>\$1,801</b>	<b>\$1,944</b>
Add Back (Subtract):						
Capital Expenditures – Business Operations	(1,367)	(1,280)	(1,145)	(1,154)	(1,136)	(1,194)
Capital Expenditures – Integration	(91)	(59)	(62)	(34)	(33)	(29)
<b>Operating Free Cash Flow</b>	<b>\$570</b>	<b>\$525</b>	<b>\$692</b>	<b>\$662</b>	<b>\$632</b>	<b>\$721</b>

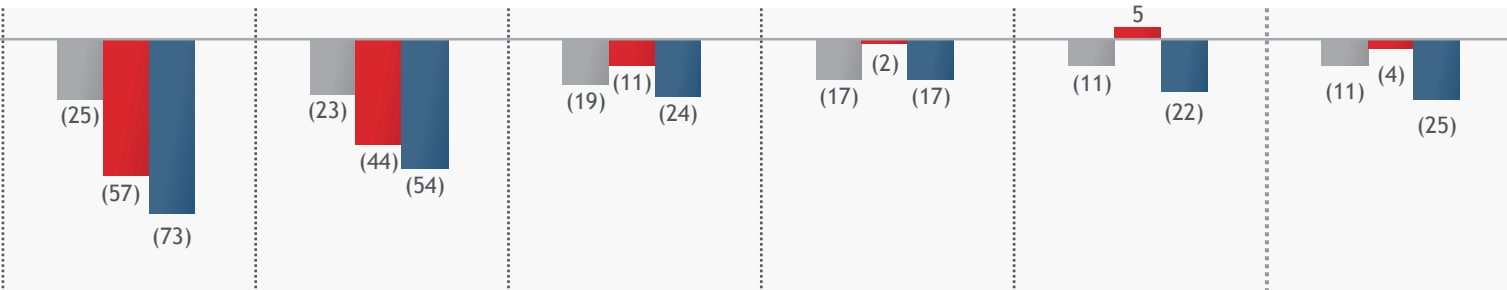
# CTF & Legacy Broadband and Video Unit Trends

Q1 2017    Q2 2017    Q3 2017    Q4 2017    Q1 2018    Q2 2018

Legacy Net Adds (000s)



CTF Net Adds (000s)



- **Improved** Legacy Broadband trends
- **Stable** CTF Copper Broadband net adds
- **Slight decline in** CTF FiOS® Broadband net adds reflecting seasonality



CTF Copper Broadband



CTF FiOS® Broadband



Legacy Broadband



Video (excl. Dish®)