
Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 8, 2017

Lumos Networks Corp.
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-35180
(Commission
File Number)

80-0697274
(IRS Employer
Identification No.)

One Lumos Plaza, P.O. Box 1068, Waynesboro, Virginia 22980
(Address of Principal Executive Offices) (Zip Code)

(540) 946-2000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On November 8, 2017, Lumos Networks Corp. (the “Company”) issued a press release announcing its results of operations and financial condition for the three and nine months ended September 30, 2017. A copy of the press release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|---|
| 99.1 | Press release issued by Lumos Networks Corp. dated November 8, 2017 |

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: November 8, 2017

LUMOS NETWORKS CORP.

By: /s/ Johan G. Broekhuysen
Johan G. Broekhuysen
Executive Vice President, Chief Financial Officer and Chief
Accounting Officer

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Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

Contact: Will Davis
SVP of Marketing and Investor Relations
Chief of Staff
Phone: 917-519-6994
Email: davisw@lumosnet.com

Lumos Networks Corp. Reports Third Quarter 2017 Results On a YoY Basis, Total Revenue up over 7%, Data Revenue up nearly 15% FCC Approval Received for EQT Transaction

Third Quarter 2017 Highlights:

- Year-over-year growth in consolidated revenues and Adjusted EBITDA
 - \$55.6 million in total revenue, up over 7% year-over-year
 - Operating income of over \$7.6 million compared to \$9.2 million in the prior year period
 - Net loss of nearly \$0.5 million or \$0.02 loss per diluted share
 - \$24.4 million in Adjusted EBITDA, up slightly from the prior year period
- Total 3Q17 Data revenue of nearly \$36 million, up nearly 15% year-over-year
 - Total combined FTTC and Enterprise revenue of nearly \$27.9 million, up nearly 22% year-over-year
 - Combined FTTC/Enterprise constituted approximately 77% of total Data revenue compared to 73% in the prior year period
 - Added 59 enterprise lit buildings in the third quarter to reach 2,230 total lit buildings, up over 12% year-over-year

WAYNESBORO, VA – November 8, 2017 – Lumos Networks Corp. (“Lumos Networks”, “Lumos” or the “Company”) (Nasdaq: LMOS), a leading fiber-based service provider in the Mid-Atlantic region, today announced its results for the third quarter of 2017.

Total revenue for the third quarter of 2017 was \$55.6 million, up over 7% from the prior year period. The Company generated operating income of \$7.6 million for the three months ended September 30, 2017, down from \$9.2 million in the prior year period.

Net loss attributable to Lumos Networks Corp. was slightly less than \$0.5 million, or \$0.02 loss per diluted share, for the third quarter of 2017, compared to net income of approximately \$1.0 million, or \$0.04 earnings per diluted share, in the prior year period. Total Adjusted EBITDA for the third quarter was \$24.4 million, up slightly from the prior year period.

On February 18, 2017, the Company entered into a definitive agreement to be acquired by EQT Infrastructure for \$18.00 per share in an all-cash transaction, resulting in an enterprise value of approximately \$950 million. The Company today also announced that FCC approval has been received for the transaction and expects the transaction to close before the end of November 2017.

About Lumos Networks

Lumos Networks is a leading fiber-based service provider in the Mid-Atlantic region serving Carrier, Enterprise and Data Center customers, offering end-to-end connectivity in 26 markets in Virginia, West Virginia, North Carolina, Pennsylvania, Maryland, Ohio and Kentucky. With a fiber network of 11,028 fiber route miles and 517,244 total fiber strand miles, Lumos Networks connects 1,310 unique Fiber to the Cell sites, 1,684 total FTTC connections, 2,230 on-net buildings and over 3,500 total on-net locations. The Company also connects 44 total data centers, including five data centers acquired from DC74, two acquired from Clarity Communications and seven company owned co-location facilities. In 2016, Lumos Networks generated over \$123 million in Data revenue over our fiber network. Detailed information about Lumos Networks is available at www.lumosnetworks.com.

Non-GAAP Measures

Contribution Margin is net income or loss attributable to Lumos Networks Corp. before interest, income taxes, depreciation and amortization, accretion of asset retirement obligations, net income or loss attributable to noncontrolling interests, other (income) expenses, net, restructuring charges, changes in the fair value of contingent consideration obligations, corporate general and administrative expenses, including equity-based compensation, transaction related charges, and amortization of actuarial gains or losses, and indirect operating expenses. Contribution Margin ratio is calculated as the ratio of Contribution Margin, as defined, to operating revenues.

Adjusted EBITDA is net income or loss attributable to Lumos Networks Corp. before interest, income taxes, depreciation and amortization and accretion of asset retirement obligations, net income or loss attributable to noncontrolling interests, other (income) expenses, net, equity-based compensation, amortization of actuarial losses, restructuring charges, transaction related charges and changes in fair value of contingent consideration obligations. Adjusted EBITDA margin is calculated as the ratio of Adjusted EBITDA, as defined, to operating revenues.

Contribution Margin, Contribution Margin Ratio, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial performance measures. They should not be considered in isolation or as an alternative to measures determined in accordance with GAAP. Please refer to the schedules herein and our SEC filings for a reconciliation of these non-GAAP financial performance measures to the most comparable measures reported in accordance with GAAP and for a discussion of the presentation, comparability and use of such financial performance measures.

SPECIAL NOTE FROM THE COMPANY REGARDING FORWARD-LOOKING STATEMENTS

Any statements contained in this presentation that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. The words “anticipates,” “believes,” “expects,” “intends,” “plans,” “estimates,” “targets,” “projects,” “should,” “may,” “will” and similar words and expressions are intended to identify forward-looking statements. Such forward-looking statements reflect, among other things, our current expectations, plans and strategies, and anticipated financial results, all of which are subject to known and unknown risks, uncertainties and factors that may cause our actual results to differ materially from those expressed or implied by these forward-looking statements. Many of these risks are beyond our ability to control or predict. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made. We do not undertake any obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise. Important factors with respect to any such forward-looking statements, including certain risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, include, but are not limited to: the successful closing of the announced EQT Merger, including satisfying closing conditions; the timing to consummate the proposed Merger; any disruption from the proposed Merger making it more difficult to maintain relationships with customers, employees or suppliers; the diversion of management time on Merger-related issues; the Merger may involve unexpected costs, liabilities or delays; the outcome of any legal proceedings related to the Merger, the failure by EQT Infrastructure to obtain the necessary financing arrangement set forth in commitment letters received in connection with the Merger; the impact of our previous acquisitions of Clarity and DC74 on our operations; rapid development and intense competition with resulting pricing pressure in the telecommunications and high speed data transport industry; our ability to grow our data business on an organic or inorganic basis in order to offset expected revenue declines in legacy voice and access products; our ability to obtain new carrier contracts or expand services under existing carrier contracts at competitive pricing levels to offset churn and achieve revenue growth from our carrier businesses; our ability to separate our legacy business on a timely basis; our ability to effectively allocate capital and timely implement network expansion plans necessary to accommodate organic growth initiatives; our ability to complete customer installations in a timely manner; adverse economic conditions; operating and financial restrictions imposed by our senior credit facility and our unsecured debt obligations; our cash and capital requirements; our ability to maintain and enhance our network; the potential to experience a high rate of customer turnover; federal and state regulatory fees, requirements and developments; our reliance on certain suppliers and vendors; and other unforeseen difficulties that may occur. These risks and uncertainties are not intended to represent a complete list of all risks and uncertainties inherent in our business, and should be read in conjunction with the more detailed cautionary statements and risk factors included in our SEC filings, including the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 and our Annual Report filed on Form 10-K for the year ended December 31, 2016.

Exhibits:

- Condensed Consolidated Balance Sheets
- Condensed Consolidated Statements of Operations
- Condensed Consolidated Statements of Cash Flows
- Summary of Operating Results, Customer and Network Statistics
- Reconciliation of Non-GAAP Financial Measures to GAAP Results

Lumos Networks Corp.**Condensed Consolidated Balance Sheets***(In thousands)*

| | September 30, 2017 | December 31, 2016 |
|--|---------------------------|--------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 43,582 | \$ 33,575 |
| Marketable securities | — | 38,081 |
| Accounts receivable, net | 22,424 | 22,609 |
| Other receivables | 559 | 753 |
| Income tax receivable | 30 | 459 |
| Prepaid expenses and other | 6,804 | 5,028 |
| Total Current Assets | <u>73,399</u> | <u>100,505</u> |
| Securities and investments | 1,643 | 1,479 |
| Property, plant and equipment, net | 534,940 | 536,288 |
| Other Assets | | |
| Goodwill | 125,667 | 100,297 |
| Other intangibles, net | 18,092 | 8,503 |
| Deferred charges and other assets | 5,273 | 6,300 |
| Total Other Assets | <u>149,032</u> | <u>115,100</u> |
| Total Assets | <u>\$ 759,014</u> | <u>\$ 753,372</u> |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Current portion of long-term debt | \$ 73,825 | \$ 13,530 |
| Accounts payable | 7,076 | 8,607 |
| Advance billings and customer deposits | 14,275 | 14,140 |
| Accrued compensation | 1,665 | 1,491 |
| Accrued operating taxes | 5,999 | 4,518 |
| Other accrued liabilities | 10,034 | 5,000 |
| Total Current Liabilities | <u>112,874</u> | <u>47,286</u> |
| Long-Term Liabilities | | |
| Long-term debt, net of unamortized discount and debt issuance costs, excluding current portion | 388,027 | 454,885 |
| Retirement benefits | 15,227 | 16,029 |
| Deferred income taxes, net | 93,624 | 96,988 |
| Other long-term liabilities | 8,468 | 2,124 |
| Total Long-term Liabilities | <u>505,346</u> | <u>570,026</u> |
| Stockholders' Equity | 139,869 | 135,174 |
| Noncontrolling Interests | 925 | 886 |
| Total Equity | <u>140,794</u> | <u>136,060</u> |
| Total Liabilities and Equity | <u>\$ 759,014</u> | <u>\$ 753,372</u> |

Lumos Networks Corp.

Condensed Consolidated Statements of Operations

| | <u>Three months ended September 30,</u> | | <u>Nine months ended September 30,</u> | |
|---|---|-------------|--|-------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| <i>(In thousands, except per share amounts)</i> | | | | |
| Operating Revenues | \$ 55,610 | \$ 51,771 | \$ 166,892 | \$ 155,013 |
| Operating Expenses | | | | |
| Cost of revenue, exclusive of depreciation and amortization | 10,042 | 9,657 | 30,978 | 29,948 |
| Selling, general and administrative, exclusive of depreciation and amortization ¹ | 23,369 | 20,505 | 76,394 | 64,056 |
| Depreciation and amortization | 14,456 | 12,739 | 43,640 | 37,028 |
| Accretion of asset retirement obligations | 27 | 23 | 76 | 91 |
| Restructuring charges | — | (384) | 34 | 1,823 |
| Change in fair value of contingent consideration obligations | 100 | — | 700 | — |
| Total Operating Expenses | 47,994 | 42,540 | 151,822 | 132,946 |
| Operating Income | 7,616 | 9,231 | 15,070 | 22,067 |
| Other Income (Expenses) | | | | |
| Interest expense | (7,771) | (7,164) | (22,756) | (21,165) |
| Other income, net | 8 | 48 | 647 | 320 |
| (Loss) Income Before Income Taxes | (147) | 2,115 | (7,039) | 1,222 |
| Income Tax Expense (Benefit) | 335 | 1,046 | (1,838) | 1,712 |
| Net (Loss) Income | (482) | 1,069 | (5,201) | (490) |
| Net Loss (Income) Attributable to Noncontrolling Interests | 29 | (46) | (39) | (137) |
| Net (Loss) Income Attributable to Lumos Networks Corp. | \$ (453) | \$ 1,023 | \$ (5,240) | \$ (627) |
| Basic and Diluted (Loss) Earnings per Common Share Attributable to Lumos Networks Corp. Stockholders: | | | | |
| Basic and diluted (loss) earnings per share | \$ (0.02) | \$ 0.04 | \$ (0.23) | \$ (0.03) |

¹ Includes equity-based compensation expense related to all of the Company's share-based awards, annual employee bonuses paid in the form of immediately vested shares and the Company's 401(k) matching contributions. Equity-based compensation totaled \$1.2 million and \$1.7 million for the three months ended September 30, 2017 and 2016, respectively, and \$9.2 million and \$8.5 million for the nine months ended September 30, 2017 and 2016, respectively. Also includes \$0.7 million and \$4.1 million of transaction related charges for the three and nine months ended September 30, 2017, respectively.

Lumos Networks Corp.

Condensed Consolidated Statements of Cash Flows

| <i>(In thousands)</i> | Nine Months Ended September 30, | |
|--|--|------------------|
| | 2017 | 2016 |
| Cash Flows from Operating Activities: | | |
| Net Loss | \$ (5,201) | \$ (490) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation | 40,099 | 35,097 |
| Amortization | 3,541 | 1,931 |
| Accretion of asset retirement obligations | 76 | 91 |
| Change in fair value of contingent consideration obligations | 700 | — |
| Deferred income taxes | (1,838) | 1,374 |
| Equity-based compensation expense | 9,152 | 8,477 |
| Amortization of debt issuance costs | 3,586 | 3,345 |
| Retirement benefits, net of cash contributions and distributions | 175 | 340 |
| Other | 347 | 649 |
| Changes in operating assets and liabilities, net | 3,696 | (5,027) |
| Net Cash Provided by Operating Activities | 54,333 | 45,787 |
| Cash Flows from Investing Activities: | | |
| Purchases of property, plant and equipment | (36,947) | (65,280) |
| Acquisition of Clarity Communications, LLC, net of cash acquired | (9,961) | — |
| Acquisition of DC74, LLC, net of cash acquired | (23,528) | — |
| Purchases of available-for-sale marketable securities | (4,000) | (57,142) |
| Proceeds from sale or maturity of available-for-sale marketable securities | 42,096 | 107,075 |
| Net Cash Used in Investing Activities | (32,340) | (15,347) |
| Cash Flows from Financing Activities: | | |
| Principal payments on senior secured term loans | (9,774) | (6,024) |
| Principal payments under capital lease obligations | (377) | (2,551) |
| Capital distribution to noncontrolling interests | — | (232) |
| Proceeds from stock option exercises and employee stock purchase plan | 1,057 | 630 |
| Repurchases of common stock to settle tax withholding obligations on employee stock awards | (2,892) | (2,354) |
| Net Cash Used in Financing Activities | (11,986) | (10,531) |
| Increase in cash and cash equivalents | 10,007 | 19,909 |
| Cash and cash equivalents: | | |
| Beginning of Period | 33,575 | 13,267 |
| End of Period | \$ 43,582 | \$ 33,176 |

Lumos Networks Corp.

Operating Results, Customer and Network Statistics

(Dollars in thousands)

| | Three months ended: | | | | | | Nine Months Ended: | |
|---|---------------------|---------------|----------------|-------------------|--------------------|--------------------|--------------------|--|
| | September 30, 2017 | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | September 30, 2017 | September 30, 2016 | |
| Revenue, Gross Margin, Contribution Margin and Adjusted EBITDA | | | | | | | | |
| Revenue | | | | | | | | |
| Enterprise Data | \$ 18,111 | \$ 17,604 | \$ 16,473 | \$ 13,911 | \$ 13,549 | \$ 52,188 | \$ 38,428 | |
| Transport | 8,135 | 8,221 | 8,454 | 8,106 | 8,499 | 24,810 | 26,500 | |
| FTTC | 9,752 | 9,709 | 9,660 | 9,629 | 9,325 | 29,121 | 27,030 | |
| Total Data | 35,998 | 35,534 | 34,587 | 31,646 | 31,373 | 106,119 | 91,958 | |
| Residential and Small Business | 14,632 | 15,490 | 15,205 | 15,488 | 15,863 | 45,327 | 47,840 | |
| RLEC Access | 4,980 | 5,342 | 5,124 | 4,752 | 4,535 | 15,446 | 15,215 | |
| Total Revenue | \$ 55,610 | \$ 56,366 | \$ 54,916 | \$ 51,886 | \$ 51,771 | \$ 166,892 | \$ 155,013 | |
| Gross Margin | | | | | | | | |
| Data | 84.5% | 84.2% | 84.2% | 86.6% | 85.5% | 84.3% | 85.1% | |
| Residential and Small Business | 69.4% | 68.5% | 67.3% | 69.1% | 67.7% | 68.4% | 66.0% | |
| Contribution Margin¹ | | | | | | | | |
| Data | \$ 27,982 | \$ 27,586 | \$ 26,968 | \$ 25,517 | \$ 24,822 | \$ 82,536 | \$ 72,689 | |
| Residential and Small Business | 9,061 | 9,466 | 9,128 | 9,554 | 9,516 | 27,655 | 28,052 | |
| RLEC Access | 4,825 | 5,179 | 4,970 | 4,591 | 4,360 | 14,974 | 14,723 | |
| Total Contribution Margin | \$ 41,868 | \$ 42,231 | \$ 41,066 | \$ 39,662 | \$ 38,698 | \$ 125,165 | \$ 115,464 | |
| Contribution Margin Ratio¹ | | | | | | | | |
| Data | 77.7% | 77.6% | 78.0% | 80.6% | 79.1% | 77.8% | 79.0% | |
| Residential and Small Business | 61.9% | 61.1% | 60.0% | 61.7% | 60.0% | 61.0% | 58.6% | |
| RLEC Access | 96.9% | 96.9% | 97.0% | 96.6% | 96.1% | 96.9% | 96.8% | |
| Total Contribution Margin Ratio | 75.3% | 74.9% | 74.8% | 76.4% | 74.7% | 75.0% | 74.5% | |
| Adjusted EBITDA¹ | | | | | | | | |
| Data | \$ 14,913 | \$ 15,105 | \$ 14,307 | \$ 14,311 | \$ 14,567 | \$ 44,325 | \$ 41,707 | |
| Residential and Small Business | 5,150 | 5,660 | 5,121 | 5,506 | 5,723 | 15,931 | 16,211 | |
| RLEC Access | 4,309 | 4,707 | 4,463 | 4,122 | 3,970 | 13,479 | 13,233 | |
| Total Adjusted EBITDA | \$ 24,372 | \$ 25,472 | \$ 23,891 | \$ 23,939 | \$ 24,260 | \$ 73,735 | \$ 71,151 | |
| Adjusted EBITDA Margin¹ | | | | | | | | |
| Data | 41.4% | 42.5% | 41.4% | 45.2% | 46.4% | 41.8% | 45.4% | |
| Residential and Small Business | 35.2% | 36.5% | 33.7% | 35.6% | 36.1% | 35.1% | 33.9% | |
| RLEC Access | 86.5% | 88.1% | 87.1% | 86.7% | 87.5% | 87.3% | 87.0% | |
| Total Adjusted EBITDA Margin | 43.8% | 45.2% | 43.5% | 46.1% | 46.9% | 44.2% | 45.9% | |
| Capital Expenditures | \$ 12,750 | \$ 11,100 | \$ 13,097 | \$ 18,747 | \$ 20,089 | \$ 36,947 | \$ 65,280 | |
| Adjusted EBITDA less Capital Expenditures | \$ 11,622 | \$ 14,372 | \$ 10,794 | \$ 5,192 | \$ 4,171 | \$ 36,788 | \$ 5,871 | |

Lumos Networks Corp.

Operating Results, Customer and Network Statistics (continued)

| | Three months ended: | | | | |
|--|----------------------------|----------------------|-----------------------|--------------------------|---------------------------|
| | <u>September 30, 2017</u> | <u>June 30, 2017</u> | <u>March 31, 2017</u> | <u>December 31, 2016</u> | <u>September 30, 2016</u> |
| Fiber Network Statistics | | | | | |
| Fiber Route-Miles | 11,028 | 10,983 | 10,907 | 10,112 | 9,204 |
| Fiber Miles ² | 517,244 | 515,362 | 503,616 | 491,276 | 475,507 |
| Fiber Markets | 26 | 26 | 26 | 25 | 24 |
| FTTC Unique Towers | 1,310 | 1,307 | 1,306 | 1,304 | 1,297 |
| FTTC Total Connections | 1,684 | 1,672 | 1,663 | 1,659 | 1,642 |
| On-Network Buildings | 2,230 | 2,171 | 2,125 | 2,031 | 1,984 |
| Data Centers ³ | 44 | 43 | 43 | 36 | 36 |
| Mobile Switching Centers | 16 | 16 | 15 | 15 | 14 |
| R&SB Statistics | | | | | |
| Competitive Voice Connections ⁵ | 58,089 | 61,186 | 62,972 | 65,285 | 68,084 |
| Video Subscribers | 5,454 | 5,601 | 5,723 | 5,851 | 5,841 |
| Fiber-to-the-Premise Broadband Connections | 9,485 | 9,415 | 9,330 | 8,972 | 8,307 |
| Premises Passed by Fiber ⁴ | 20,171 | 20,119 | 19,983 | 19,783 | 19,591 |
| RLEC Access Lines ⁵ | 21,501 | 22,071 | 22,483 | 22,991 | 23,381 |

- ¹ Contribution Margin, Contribution Margin Ratio, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP measures. See definitions on page 2 of this earnings release.
- ² Fiber miles are calculated as the fiber route miles multiplied by the number of fiber strands within each cable (represents an average of 47 fibers per route as of September 30, 2017).
- ³ Data centers reported include both commercial and private data centers and Company-owned facilities offering commercial data center services.
- ⁴ Includes residential and small business locations passed by fiber and available for service. Approximately 92% of the premises passed by fiber and available for service as of September 30, 2017 were residential.
- ⁵ During the fourth quarter of 2016, the Company revised its competitive and RLEC voice connections as a result of enhanced system reporting capabilities. Historical voice connections for prior quarters have been revised to reflect the updated information.

Note: Certain prior period Adjusted EBITDA amounts have been reclassified to conform with the current year presentation.

Lumos Networks Corp.**Reconciliation of Net (Loss) Income Attributable to Lumos Networks Corp. to Contribution Margin***(Dollars in thousands)*

| | 2017 | 2016 |
|---|------------------|------------------|
| <i>For The Three Months Ended September 30,</i> | | |
| Net (Loss) Income Attributable to Lumos Networks Corp. | \$ (453) | \$ 1,023 |
| Net (Loss) Income Attributable to Noncontrolling Interests | (29) | 46 |
| Net (Loss) Income | (482) | 1,069 |
| Income tax expense | 335 | 1,046 |
| Interest expense | 7,771 | 7,164 |
| Other income, net | (8) | (48) |
| Operating income | 7,616 | 9,231 |
| Depreciation and amortization and accretion of asset retirement obligations | 14,483 | 12,762 |
| Restructuring charges | — | (384) |
| Change in fair value of contingent consideration obligations | 100 | — |
| Indirect operating costs | 10,239 | 9,121 |
| Corporate general and administrative costs, including equity-based compensation and transaction related charges | 9,430 | 7,968 |
| Contribution Margin | <u>\$ 41,868</u> | <u>\$ 38,698</u> |
| <i>Contribution Margin Ratio</i> | <i>75.3 %</i> | <i>74.7 %</i> |
| <i>For The Nine Months Ended September 30,</i> | | |
| Net Loss Attributable to Lumos Networks Corp. | \$ (5,240) | \$ (627) |
| Net Income Attributable to Noncontrolling Interests | 39 | 137 |
| Net Loss | (5,201) | (490) |
| Income tax (benefit) expense | (1,838) | 1,712 |
| Interest expense | 22,756 | 21,165 |
| Other income, net | (647) | (320) |
| Operating Income | 15,070 | 22,067 |
| Depreciation and amortization and accretion of asset retirement obligations | 43,716 | 37,119 |
| Restructuring charges | 34 | 1,823 |
| Change in fair value of contingent consideration obligations | 700 | — |
| Indirect operating costs | 31,184 | 26,657 |
| Corporate general and administrative costs, including equity-based compensation and transaction related charges | 34,461 | 27,798 |
| Contribution Margin | <u>\$125,165</u> | <u>\$115,464</u> |
| <i>Contribution Margin Ratio</i> | <i>75.0 %</i> | <i>74.5 %</i> |

Reconciliation of Net (Loss) Income Attributable to Lumos Networks Corp. to Adjusted EBITDA*(Dollars in thousands)*

| | 2017 | 2016 |
|---|------------------|------------------|
| <i>For The Three Months Ended September 30,</i> | | |
| Net (Loss) Income Attributable to Lumos Networks Corp. | \$ (453) | \$ 1,023 |
| Net (Loss) Income Attributable to Noncontrolling Interests | (29) | 46 |
| Net (Loss) Income | (482) | 1,069 |
| Income tax expense | 335 | 1,046 |
| Interest expense | 7,771 | 7,164 |
| Other income, net | (8) | (48) |
| Operating income | 7,616 | 9,231 |
| Depreciation and amortization and accretion of asset retirement obligations | 14,483 | 12,762 |
| Amortization of actuarial losses | 326 | 338 |
| Equity-based compensation | 1,156 | 1,661 |
| Restructuring charges | — | (384) |
| Transaction related charges | 691 | 652 |
| Change in fair value of contingent consideration obligations | 100 | — |
| Adjusted EBITDA | <u>\$ 24,372</u> | <u>\$ 24,260</u> |

Lumos Networks Corp.**Reconciliation of Net (Loss) Income Attributable to Lumos Networks Corp. to Adjusted EBITDA**

| <i>(Dollars in thousands)</i> | <u>2017</u> | <u>2016</u> |
|---|-----------------|-----------------|
| <i>Adjusted EBITDA Margin</i> | 43.8 % | 46.9 % |
| <i>For The Nine Months Ended September 30,</i> | | |
| Net Loss Attributable to Lumos Networks Corp. | \$ (5,240) | \$ (627) |
| Net Income Attributable to Noncontrolling Interests | 39 | 137 |
| Net Loss | (5,201) | (490) |
| Income tax (benefit) expense | (1,838) | 1,712 |
| Interest expense | 22,756 | 21,165 |
| Other income, net | (647) | (320) |
| Operating Income | 15,070 | 22,067 |
| Depreciation and amortization and accretion of asset retirement obligations | 43,716 | 37,119 |
| Amortization of actuarial losses | 977 | 1,013 |
| Equity-based compensation | 9,152 | 8,477 |
| Restructuring charges | 34 | 1,823 |
| Transaction related charges | 4,086 | 652 |
| Change in fair value of contingent consideration obligations | 700 | — |
| Adjusted EBITDA | <u>\$73,735</u> | <u>\$71,151</u> |
| <i>Adjusted EBITDA Margin</i> | 44.2 % | 45.9 % |

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