



## Communications Sales & Leasing, Inc. Reports 2015 Third Quarter Results

November 13, 2015 12:00 PM EST

- **Revenues of \$173.6 million**
- **FFO and AFFO of \$0.64 and \$0.65 per diluted common share, respectively**
- **EPS of \$0.06 per diluted common share**

LITTLE ROCK, Ark., Nov. 13, 2015 (GLOBE NEWSWIRE) -- Communications Sales & Leasing, Inc. ("CS&L" or the "Company") (Nasdaq:CSAL) today announced its financial results for the third quarter of 2015.

### THIRD QUARTER RESULTS

Funds from Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), attributable to common shares for the period was \$95.3 million, and Adjusted FFO ("AFFO") attributable to common shares was \$97.0 million. FFO and AFFO per diluted common share was \$0.64 and \$0.65, respectively.

Adjusted EBITDA and net income of CS&L was \$165.0 million and \$9.4 million, respectively. Net income attributable to common shares was \$9.0 million, or \$0.06 per diluted share, for the period.

### OUTLOOK

For the full year we expect FFO to range between \$1.74 and \$1.76 per diluted common share compared to our previous estimate of \$1.71 and \$1.73 per diluted common share. We expect AFFO to range between \$1.76 and \$1.78 per diluted common share, up from \$1.73 and \$1.75 per diluted common share, and net income attributable to common shares to range between \$0.16 and \$0.18 per diluted share, up from \$0.13 and \$0.16 per diluted share based on our previous estimates. These estimates do not reflect the impact of future acquisitions.

### DIVIDENDS

As previously reported, on November 6, 2015 the Company's Board of Directors declared a quarterly cash dividend of \$0.60 per common share, payable on January 15, 2016 to stockholders of record on December 31, 2015.

### CONFERENCE CALL

CS&L will hold a conference call today to discuss this earnings release at 11:00 AM Eastern Time (10:00 AM Central Time). The dial-in number for the conference call is (855) 542-4218 (or (412) 455-6084 for international callers) and the conference ID is 60735080. The conference call will be webcast live and can be accessed on the Company's website at [www.csireit.com](http://www.csireit.com). A replay of the webcast will be available following the call on the Company's website or by calling (855) 859-2056 (or (404) 537-3406 for international callers), conference ID 60735080, and will remain available for 14 days.

### ABOUT CS&L

CS&L (Nasdaq:CSAL) is an internally managed triple-net-lease real estate investment trust engaged in the acquisition and construction of mission critical infrastructure in the communications industry. CS&L currently owns 3.5 million fiber strand miles, 235,000 route miles of copper, and other property across 29 states. Additional information about CS&L can be found on its website at [www.csireit.com](http://www.csireit.com).

### FORWARD LOOKING STATEMENTS

*Certain statements in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended from time to time. Those forward-looking statements include all statements that are not historical statements of fact and those regarding our intent, belief or expectations regarding CS&L's financial position, results of operations, market position, growth opportunities, economic conditions and other similar forecasts and statements of expectation, including, but not limited to, expectations regarding CS&L's full year fiscal 2015 results.*

*Words such as "anticipate(s)," "expect(s)," "intend(s)," "estimate(s)," "foresee(s)," "plan(s)," "believe(s)," "may," "will," "would," "could," "should," "seek(s)" and similar expressions, or the negative of these terms, are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to: our ability to achieve some or all the benefits that we expect to achieve from our spin-off from Windstream Holdings; the ability and willingness of Windstream Holdings and any other customers to meet and/or perform their obligations under any contractual arrangements that are entered into with us, including master lease arrangements; the ability of Windstream Holdings and any other customers to comply with laws, rules and regulations in the operation of the assets we lease to them; the availability of and our ability to identify suitable acquisition opportunities and our ability to acquire and lease the respective properties on favorable terms; our ability to generate sufficient cash flows to service our outstanding indebtedness; access to debt and equity capital markets; changes in the credit ratings of CS&L and our customers; fluctuating interest rates; our ability to retain key management personnel; our ability to qualify or maintain our status as a real estate investment trust ("REIT"); changes in the U.S. tax law and other state, federal or local laws, whether or not specific to REITs; other risks inherent in ownership of communications distribution systems, including potential liability relating to environmental matters and illiquidity of real estate investments; and additional factors discussed in the Risk Factors section of our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015, as well as those described from time to time in our future reports filed with the SEC.*

CS&L expressly disclaims any obligation to release publicly any updates or revisions to any of the forward looking statements set forth in this release to reflect any change in its expectations or any change in events, conditions or circumstances on which any statement is based.

This release contains certain supplemental measures of performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States ("GAAP"). Such measures should not be considered as alternatives to GAAP. Further information with respect to and reconciliations of such measures to the nearest GAAP measure can be found herein.

**Communications Sales & Leasing, Inc.**  
**Consolidated Balance Sheet**  
(In thousands, except per share data)

<b>Assets:</b>	<b>September 30, 2015</b>
Real estate investments, net	\$ 2,389,085
Cash and cash equivalents	209,998
Accounts receivable, net	1,651
Intangible assets, net	11,494
Straight-line rent receivable	7,497
Other assets	3,054
<b>Total Assets</b>	<b>\$ 2,622,779</b>

**Liabilities and Shareholders' Deficit**

Accounts payable, accrued expenses and other liabilities	\$ 97,411
Derivative liability	13,993
Dividends payable	90,404
Deferred income taxes	6,252
Notes and other debt	3,506,905
<b>Total Liabilities</b>	<b>3,714,965</b>

Commitments and contingencies

Preferred stock, \$ 0.0001 par value, 50,000 shares authorized, no shares issued and outstanding	-
Common stock, \$ 0.0001 par value, 500,000 shares authorized, 149,836 shares issued and outstanding	15
Additional paid-in capital	601
Accumulated other comprehensive income	(13,993)
Distributions in excess of earnings	(1,078,809)
<b>Total shareholders' deficit</b>	<b>(1,092,186)</b>
<b>Total Liabilities and Shareholders' Deficit</b>	<b>\$ 2,622,779</b>

**Communications Sales & Leasing, Inc.**  
**Consolidated Statements of Operations**  
(In thousands, except per share data)

<b>Revenues:</b>	<b>Three Months Ended September 30, 2015</b>	<b>Period from April 24 to September 30, 2015</b>
Rental revenues	\$ 166,959	\$ 291,131
Consumer CLEC	6,675	11,251
<b>Total revenues</b>	<b>173,634</b>	<b>302,382</b>
<b>Costs and expenses:</b>		
Interest expense	66,511	115,307
Depreciation and amortization	87,271	151,715
General and administrative expense	4,229	7,390
CLEC operating expense	5,148	8,889

Acquisition and transaction related costs	804	877
Total costs and expenses	163,963	284,178
Income before income taxes	9,671	18,204
Income tax expense	268	500
<b>Net income</b>	9,403	17,704
Participating securities' share in earnings	(430)	(755)
<b>Net income applicable to common shareholders</b>	<u>\$ 8,973</u>	<u>\$ 16,949</u>
<b>Earnings per common share:</b>		
Basic	<u>\$ 0.06</u>	<u>\$ 0.11</u>
Diluted	<u>\$ 0.06</u>	<u>\$ 0.11</u>
<b>Weighted average number of common shares outstanding:</b>		
Basic	149,834	149,831
Diluted	<u>149,834</u>	<u>149,831</u>
<b>Dividends declared per common share</b>	<u>\$ 0.60</u>	<u>\$ 1.04</u>

**Communications Sales & Leasing, Inc.**  
**Consolidated Statement of Cash Flows**  
(In thousands)

	<b>Period from April 24 to September 30, 2015</b>
<b>Cash flow from operating activities:</b>	
Net income	\$ 17,704
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	151,715
Amortization of deferred financing costs	3,039
Amortization of debt discount	3,253
Deferred income taxes	(672)
Straight-line rental revenues	(7,497)
Stock-based compensation	1,117
Changes in:	
Accounts receivable	217
Other assets	(1,664)
Accounts payable, accrued expenses and other liabilities	54,047
<b>Net cash provided by operating activities</b>	<u>221,259</u>
<b>Cash flows from investing activities:</b>	
Consideration paid to Windstream Services	(1,035,029)
Capital expenditures	(712)
<b>Net cash used in investing activities</b>	<u>(1,035,741)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from issuance of Term Loans	1,127,000
Deferred financing costs	(30,018)
Principal payment on debt	(5,350)
Common stock issuance costs	(629)
Dividends paid	(66,522)
Cash in-lieu of fractional shares	(19)

Net cash provided by financing activities	1,024,462
<b>Net increase in cash and cash equivalents</b>	<b>209,980</b>
Cash and cash equivalents at beginning of period	18
Cash and cash equivalents at end of period	<u><u>\$ 209,998</u></u>

**Supplemental cash flow information:**

Cash paid for interest	\$ 58,600
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**Non-cash investing and financing activities:**

Issuance of notes and other debt to Windstream Services, net of deferred financing costs (\$34,681)	\$ 2,412,829
Tenant capital improvements	41,289
Accrual of dividends declared	90,404

**Communications Sales & Leasing, Inc.**  
**Reconciliation of Net Income to FFO and AFFO**  
(In thousands)

	<b>Three Months Ended September 30, 2015</b>	<b>Period from April 24 to September 30, 2015</b>
<b>Net income applicable to common shareholders</b>	\$ 8,973	\$ 16,949
Real estate depreciation and amortization	86,307	150,108
Participating securities share in earnings	430	755
Participating securities share in FFO	(456)	(808)
<b>FFO applicable to common shareholders</b>	<u>95,254</u>	<u>167,004</u>
Amortization of deferred financing costs	1,767	3,039
Amortization of debt discount	1,887	3,253
Stock based compensation	779	1,117
Acquisition and transaction related costs	804	877
Amortization of customer list intangibles	964	1,607
Straight-line rental revenues	(4,297)	(7,497)
Amortization of tenant funded capital improvements	(161)	(161)
Other	12	47
<b>Adjusted FFO ("AFFO") applicable to common shareholders</b>	<u><u>\$ 97,009</u></u>	<u><u>\$ 169,286</u></u>
<b>Per diluted common share:</b>		
EPS	\$ 0.06	\$ 0.11
FFO	0.64	1.11
AFFO	0.65	1.13
Weighted average common shares used to calculate diluted EPS, FFO and AFFO per common share	149,834	149,831

**Communications Sales & Leasing, Inc.**  
**Reconciliation of EBITDA and Adjusted EBITDA**  
(In thousands)

<u>Three Months Ended</u> <u>September 30, 2015</u>	<u>Period from April 24</u> <u>to September 30, 2015</u>
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<b>Net income</b>	\$	9,403	\$	17,704
Depreciation and amortization		87,271		151,715
Interest expense		66,511		115,307
Income tax expense		268		500
<b>EBITDA</b>		163,453		285,226
Stock based compensation		779		1,117
Acquisition and transaction related costs		804		877
<b>Adjusted EBITDA</b>	\$	165,036	\$	287,220

**Adjusted EBITDA:**

Leasing	\$	163,509	\$	284,858
Consumer CLEC		1,527		2,362
	\$	165,036	\$	287,220

<b>Annualized Adjusted EBITDA<sup>(1)</sup></b>	\$	654,762	\$	655,221
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**As of September 30, 2015:**

Notes and other debt ("Debt") <sup>(2)</sup>	<b>September 30, 2015</b>
Cash and cash equivalents	\$ 3,644,650
<b>Net Debt</b>	209,998
	<b>\$ 3,434,652</b>

**Debt/Annualized Adjusted EBITDA** 5.6x

**Net Debt/Annualized Adjusted EBITDA** 5.2x

1. Calculated as Adjusted EBITDA for the reported period divided by 92 days and 160 days for the three months ended September 30, 2015, and for the period April 24 to September 30, 2015, respectively, and multiplied by 365 days.
2. Excludes \$137.7 million of unamortized discounts and deferred financing costs.

**Communications Sales & Leasing, Inc.**  
**Projected Future Results <sup>(1)</sup>**  
**(Per Diluted Share)**

	<b>Period from April 24 to December 31, 2015</b>
<b>Net income applicable to common shareholders</b>	\$0.16 to \$0.18
Real estate depreciation and amortization	1.57
Participating securities share in earnings	0.01
Participating securities share in FFO	(0.01)
<b>FFO applicable to common shareholders<sup>(2)</sup></b>	<b>\$1.74 to \$1.76</b>
Amortization of debt discount	0.04
Amortization of deferred financing costs	0.03
Stock based compensation	0.01
Acquisition and transaction related costs	0.01
Amortization of customer list intangibles	0.02
Straight-line rental revenues	(0.08)
Amortization of tenant funded capital improvements and other	(0.00)
<b>Adjusted FFO ("AFFO") applicable to common shareholders<sup>(2)</sup></b>	<b>\$1.76 to \$1.78</b>

1. The foregoing projections reflect management's current view excluding the impact of future acquisitions, capital transactions, changes in market conditions, and other factors. These ranges represent management's best estimates based on the underlying assumptions as of the date of this press release. There can be no assurance that our actual results will not differ materially from the estimates set forth above.
2. The components of projected future results may not add to FFO applicable to common shareholders and AFFO applicable to common shareholders due to rounding.

#### NON-GAAP FINANCIAL MEASURES

While we believe that net income, as defined by GAAP, is the most appropriate earnings measure, we also believe that FFO, AFFO, EBITDA and Adjusted EBITDA are important non-GAAP supplemental measures of operating performance of a real estate investment trust ("REIT").

Historical cost accounting for real estate assets implicitly assumes that the value of the real estate diminishes predictably over time. However, since real estate values have historically risen or fallen with market conditions, presentations of operating results for a REIT that use historical cost accounting could be less informative. Thus, NAREIT created Funds From Operations, or "FFO", as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. The Company uses the NAREIT definition of FFO. NAREIT defines FFO as net income applicable to common shareholders (computed in accordance with GAAP) excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and impairment changes.

The Company defines Adjusted Funds From Operations, or "AFFO", as FFO excluding (i) non-cash revenues and expenses such as stock-based compensation expense, amortization of debt discounts, amortization of deferred financing costs, amortization of intangible assets, straight line rental revenues, revenue associated with the amortization of tenant funded capital improvements and (ii) the impact, which may be recurring in nature, of acquisition and transaction related expenses, the write-off of unamortized deferred financing fees, additional costs incurred as a result of early repayment of debt, changes in the fair value of contingent consideration and financial instruments and similar items. We believe that the use of FFO and AFFO, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and analysts, and makes comparisons of operating results among such companies more meaningful. We consider FFO and AFFO to be useful measures for reviewing comparative operating and financial performance. In particular, we believe AFFO, by excluding certain revenue and expense items, can help investors compare our operating performance between periods and to other REITs on a consistent basis without having to account for differences caused by unanticipated items and events, such as acquisition and transaction related costs. However, FFO and AFFO do not purport to be indicative of cash available to fund our future cash requirements.

We define EBITDA as net income, as defined by GAAP, before interest, taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA, excluding gains or losses on the early repayment of debt, acquisition and transaction related expenses, net gains on real estate activity, changes in the fair value of financial instruments and other identified revenues and expenses. We believe EBITDA and Adjusted EBITDA are important supplemental measures to net income because they provide additional information to evaluate our operating performance on an unleveraged basis, and serve as an indicator of our ability to service debt. Adjusted EBITDA is calculated similar to defined terms in our material debt agreements used to determine compliance with specific financial covenants.

Annualized Adjusted EBITDA is calculated by dividing Adjusted EBITDA for the reported period by 92 days and 160 days for the three months ended September 30, 2015 and the period April 24 to September 30, 2015, respectively, and multiplying it by 365 days. Our computation of Adjusted EBITDA and Annualized Adjusted EBITDA may differ from the methodology used by other REITs to calculate these measures, and, therefore, may not be comparable to such other REITs. Annualized Adjusted EBITDA has not been prepared on a proforma basis in accordance with Article 11 of Regulation S-X.

Our computations of EBITDA, Adjusted EBITDA, FFO and AFFO may not be comparable to that reported by other REITs or companies that do not define FFO in accordance with the current NAREIT definition or define EBITDA, Adjusted EBITDA, and AFFO differently than we do.

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Communications Sales & Leasing Inc.