

**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): August 5, 2021

Uniti Group Inc.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

001-36708
(Commission
File Number)

46-5230630
(IRS Employer
Identification No.)

**10802 Executive Center Drive
Benton Building Suite 300
Little Rock, Arkansas**
(Address of principal executive offices)

72211

(Zip Code)

Registrant's telephone number, including area code: (501) 850-0820

Not Applicable
(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:

- 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))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------|-------------------|---|
| Common Stock | UNIT | The NASDAQ Global Select Market |

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 August 5, 2021, Uniti Group Inc. (the “Company”) issued a press release announcing the Company’s results for its fiscal quarter ended June 30, 2021. A copy of the Company’s press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein solely for purposes of this Item 2.02 disclosure.

The information contained in this Item 2.02, including the exhibit attached hereto, is being “furnished” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of Section 18 of the Exchange Act. The information in this Item 2.02 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Exchange Act, except as otherwise expressly stated in any such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| Exhibit Number | Description |
|---------------------------|---|
| 99.1 | Press Release issued August 5, 2021 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

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: August 5, 2021

UNITI GROUP INC.

By: /s/ Daniel L. Heard

Name: Daniel L. Heard

Title: Executive Vice President – General Counsel and Secretary



Exhibit 99.1

Press Release

Release date: August 5, 2021

Uniti Group Inc. Reports Second Quarter 2021 Results

Completes Strategic Transaction with Everstream

- **Revenues of \$268.2 Million for the Second Quarter**
- **Net Income of \$0.20 Per Diluted Common Share for the Second Quarter; Increase of \$3.26 Per Diluted Common Share from the Prior Year Second Quarter**
- **AFFO Per Diluted Common Share of \$0.41 for the Second Quarter**
- **Adjusted EBITDA and AFFO Grew 6% and 10% in the Second Quarter, Respectively, from the Prior Year Second Quarter**
- **Updates 2021 Outlook**

LITTLE ROCK, Ark., August 5, 2021 (GLOBE NEWSWIRE) – Uniti Group Inc. (“Uniti” or the “Company”) (Nasdaq: UNIT) today announced its results for the second quarter 2021.

“Uniti delivered another strong quarter of results including consolidated bookings during the quarter of approximately \$1.0 million in monthly recurring revenue, representing an increase of over 80% from consolidated bookings in the first quarter of 2021, and industry leading monthly churn of 0.2%. Demand for our fiber infrastructure remains very strong and is fueled by the continued virtualization of our society,” commented Kenny Gunderman, President and Chief Executive Officer.

Mr. Gunderman continued, “Given the tailwinds we are seeing for more investment needed by our customers to enable 5G networks, fiber to the home, and greater cloud-based connectivity, we expect these strong demand trends will continue for the foreseeable future.”

QUARTERLY RESULTS

Consolidated revenues for the second quarter of 2021 were \$268.2 million. Net income and Adjusted EBITDA were \$49.6 million and \$215.7 million, respectively, for the same period. Net income attributable to common shares was \$48.6 million for the period and included a \$28.1 million gain on the sale of Uniti Fiber’s Northeast operations and certain dark fiber contracts relating to the Everstream transaction, and \$0.4 million of transaction related and other costs. Adjusted Funds From Operations (“AFFO”) attributable to common shareholders was \$103.2 million, or \$0.41 per diluted common share, an increase of 10% when compared to the second quarter of 2020.

Uniti Fiber contributed \$72.1 million of revenues and \$29.4 million of Adjusted EBITDA for the second quarter of 2021, achieving Adjusted EBITDA margins of approximately 40.8%, up from 36.1% Adjusted

EBITDA margins in the second quarter of 2020. Uniti Fiber's net success-based capital expenditures during the quarter were \$37.4 million.

Uniti Leasing contributed revenues of \$196.1 million and Adjusted EBITDA of \$192.1 million for the second quarter, representing growth of 6% and 5%, respectively, when compared to the second quarter of 2020. During the quarter, Uniti Leasing deployed capital expenditures of \$50.0 million primarily related to the construction of over 1,500 new route miles of valuable fiber infrastructure.

INVESTMENT TRANSACTION

On June 1, 2021, Uniti announced it had completed its previously mentioned strategic transaction with Everstream Solutions LLC ("Everstream"). As part of the transaction that was initially announced on November 9, 2020, Uniti entered into two 20 year IRU agreements with Everstream on Uniti-owned fiber. In addition, Uniti sold to Everstream a portion of Uniti Fiber's Northeast operations and certain dark fiber IRU customer contracts acquired as part of the Windstream settlement.

Total cash consideration to Uniti, including upfront IRU payments, was approximately \$135 million. In addition to the upfront proceeds, Uniti will receive fees of approximately \$3 million annually from Everstream over the initial 20 year term of the IRU lease agreements, subject to an annual escalator of 2%.

LIQUIDITY

At quarter-end, the Company had approximately \$574 million of unrestricted cash and cash equivalents, and undrawn borrowing availability under its revolving credit agreement. The Company's leverage ratio at quarter-end was 5.65x based on Net Debt to Annualized Adjusted EBITDA.

On August 3, 2021, the Company's Board of Directors declared a quarterly cash dividend of \$0.15 per common share, payable on October 1, 2021, to stockholders of record on September 17, 2021.

UPDATED FULL YEAR 2021 OUTLOOK

The Company is updating its 2021 outlook primarily for the impact of the gain on sale of operations and income tax expense related to the Everstream transaction, the impact of transaction-related and other costs incurred to date, and revised estimates of interest expense. Our outlook excludes future acquisitions, capital market transactions, and future transaction-related and other costs not mentioned herein.

The Company's consolidated outlook for 2021 is as follows (in millions):

| | Full Year 2021 | | Midpoint Growth Rate Compared to Prior Year ⁽¹⁾ | | |
|---|----------------|-------|--|-------|----|
| Revenue | \$ | 1,083 | to \$ | 1,094 | 2% |
| Net income attributable to common shareholders ⁽²⁾ | | 123 | to | 135 | |
| Adjusted EBITDA ⁽³⁾ | | 846 | to | 858 | 4% |
| Interest expense, net ⁽⁴⁾ | | 441 | to | 441 | |
| Attributable to common shareholders: | | | | | |
| FFO ⁽³⁾ | | 331 | to | 343 | |
| AFFO ⁽³⁾ | | 408 | to | 420 | 6% |
| Weighted-average common shares outstanding – diluted | | 263 | to | 263 | |

⁽¹⁾Represents growth rate at the midpoint of 2021 full year outlook compared to 2020 full year actuals.

⁽²⁾Includes \$28 million of gain relating to the Everstream Transaction.

⁽³⁾See "Non-GAAP Financial Measures" below.

⁽⁴⁾See "Components of Interest Expense" below.

CONFERENCE CALL

Uniti will hold a conference call today to discuss this earnings release at 4:15 PM Eastern Time (3:15 PM Central Time). The dial-in number for the conference call is (844) 513-7153 (or (508) 637-5603 for international callers) and the conference ID is 6138328. The conference call will be webcast live and can be accessed on the Company's website at www.uniti.com. A replay of the call will be available on the Company's website or by telephone beginning today at approximately 8:00 PM Eastern Time. To access the telephone replay, which will be available for 14 days, please dial (855) 859-2056 and enter the conference ID number 6138328.

ABOUT UNITI

Uniti, an internally managed real estate investment trust, is engaged in the acquisition and construction of mission critical communications infrastructure, and is a leading provider of fiber and other wireless solutions for the communications industry. As of June 30, 2021, Uniti owns approximately 123,000 fiber route miles, 7.1 million fiber strand miles, and other communications real estate throughout the United States. Additional information about Uniti can be found on its website at www.uniti.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release and today's conference call 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, including, without limitation, our 2021 financial outlook, expectations regarding strong demand trends, our business strategies, growth prospects, industry trends, sales opportunities, and operating and financial performance.

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 materially alter our expectations include, but are not limited to, the future prospects of Windstream, our largest customer; the ability and willingness of our customers to meet and/or perform their obligations under any contractual arrangements entered into with us, including master lease arrangements; the ability of our customers to comply with laws, rules and regulations in the operation of the assets we lease to them; the ability and willingness of our customers to renew their leases with us upon their expiration, and the ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we replace an existing tenant; the adverse impact of litigation affecting us or our customers; our ability to renew, extend or obtain contracts with significant customers (including customers of the businesses we acquire); the availability of and our ability to identify suitable acquisition opportunities and our ability to acquire and lease the respective properties on favorable terms; the risk that we fail to fully realize the potential benefits of acquisitions or have difficulty integrating acquired companies; our ability to generate sufficient cash flows to service our outstanding indebtedness and fund our capital funding commitments; our ability to access debt and equity capital markets; the impact on our business or the business of our customers as a result of credit rating downgrades and fluctuating interest rates; our ability to retain our 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; covenants in our debt agreements that may limit our operational flexibility; our expectations regarding the effect of the COVID-19 pandemic on our results of operations and financial condition; other risks inherent in the communications industry and in the ownership of communications distribution systems, including potential liability relating to environmental matters and illiquidity of real estate investments; and additional factors described in our reports filed with the SEC.

Uniti expressly disclaims any obligation to release publicly any updates or revisions to any of the forward-looking statements set forth in this press release and today's conference call to reflect any change in its expectations or any change in events, conditions or circumstances on which any statement is based.

NON-GAAP PRESENTATION

This release and today's conference call contain 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.

Uniti Group Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

| | June 30, 2021 | December 31, 2020 |
|---|---------------------|---------------------|
| Assets: | | |
| Property, plant and equipment, net | \$ 3,400,755 | \$ 3,273,353 |
| Cash and cash equivalents | 108,536 | 77,534 |
| Accounts receivable, net | 42,986 | 62,952 |
| Goodwill | 601,878 | 601,878 |
| Intangible assets, net | 379,524 | 390,725 |
| Straight-line revenue receivable | 26,278 | 13,107 |
| Other assets, net | 115,730 | 152,883 |
| Investment in unconsolidated entities | 65,038 | 66,043 |
| Deferred income tax assets, net | 4,649 | - |
| Assets held for sale | - | 93,343 |
| Total Assets | \$ 4,745,374 | \$ 4,731,818 |
| Liabilities and Shareholders' Deficit | | |
| Liabilities: | | |
| Accounts payable, accrued expenses and other liabilities, net | \$ 136,577 | \$ 146,144 |
| Settlement payable | 378,718 | 418,840 |
| Intangible liabilities, net | 183,133 | 187,886 |
| Accrued interest payable | 105,922 | 95,338 |
| Deferred revenue | 1,122,445 | 995,123 |
| Derivative liability, net | 16,786 | 22,897 |
| Dividends payable | 36,326 | 36,725 |
| Deferred income tax liabilities, net | - | 10,540 |
| Finance lease obligations | 14,497 | 15,468 |
| Contingent consideration | - | 2,957 |
| Notes and other debt, net | 4,884,410 | 4,816,524 |
| Liabilities held for sale | - | 55,752 |
| Total Liabilities | 6,878,814 | 6,804,194 |
| Commitments and contingencies | | |
| Shareholder's Deficit: | | |
| 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, issued and outstanding: 231,805 shares at June 30, 2021 and 231,262 shares at December 31, 2020 | 23 | 23 |
| Additional paid-in capital | 1,153,707 | 1,209,141 |
| Accumulated other comprehensive loss | (14,792) | (20,367) |
| Distributions in excess of accumulated earnings | (3,341,371) | (3,330,455) |
| Total Uniti shareholders' deficit | (2,202,433) | (2,141,658) |
| Noncontrolling interests – operating partnership units and non-voting convertible preferred stock | 68,993 | 69,282 |
| Total shareholders' deficit | (2,133,440) | (2,072,376) |
| Total Liabilities and Shareholders' Deficit | \$ 4,745,374 | \$ 4,731,818 |

Uniti Group Inc.
Consolidated Statements of Operations
(In thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|---------------------|---------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Leasing | \$ 196,057 | \$ 185,320 | \$ 390,993 | \$ 369,672 |
| Fiber Infrastructure | 72,123 | 79,140 | 149,773 | 156,547 |
| Towers | - | 2,392 | - | 6,112 |
| Consumer CLEC | - | (32) | - | 651 |
| Total revenues | <u>268,180</u> | <u>266,820</u> | <u>540,766</u> | <u>532,982</u> |
| Costs and expenses: | | | | |
| Interest expense, net | 106,388 | 107,243 | 246,969 | 285,636 |
| Depreciation and amortization | 69,671 | 84,969 | 140,635 | 171,090 |
| General and administrative expense | 24,900 | 27,894 | 50,723 | 55,027 |
| Operating expense (exclusive of depreciation and amortization) | 33,185 | 40,167 | 71,269 | 80,477 |
| Settlement expense | - | 650,000 | - | 650,000 |
| Transaction related and other costs | 424 | 18,556 | 4,561 | 34,528 |
| Gain on sale of real estate | (442) | (63,818) | (442) | (63,818) |
| Gain on sale of operations | (28,143) | - | (28,143) | - |
| Other (income) expense | 8,021 | 6,013 | 8,475 | 9,088 |
| Total costs and expenses | <u>214,004</u> | <u>871,024</u> | <u>494,047</u> | <u>1,222,028</u> |
| Income (loss) before income taxes and equity in earnings from unconsolidated entities | 54,176 | (604,204) | 46,719 | (689,046) |
| Income tax expense (benefit) | 5,084 | (5,875) | 2,527 | (10,451) |
| Equity in (earnings) from unconsolidated entities | (547) | - | (945) | - |
| Net income (loss) | <u>49,639</u> | <u>(598,329)</u> | <u>45,137</u> | <u>(678,595)</u> |
| Net income (loss) attributable to noncontrolling interests | 732 | (10,585) | 668 | (11,998) |
| Net income (loss) attributable to shareholders | <u>48,907</u> | <u>(587,744)</u> | <u>44,469</u> | <u>(666,597)</u> |
| Participating securities' share in earnings | (333) | (424) | (581) | (624) |
| Dividends declared on convertible preferred stock | (2) | (1) | (5) | (4) |
| Net income (loss) attributable to common shareholders | <u>\$ 48,572</u> | <u>\$ (588,169)</u> | <u>\$ 43,883</u> | <u>\$ (667,225)</u> |
| Net income (loss) attributable to common shareholders – Basic | \$ 48,572 | \$ (588,169) | \$ 43,883 | \$ (667,225) |
| Impact of if-converted securities | 2,974 | - | - | - |
| Net income (loss) attributable to common shareholders – Diluted | <u>\$ 51,546</u> | <u>\$ (588,169)</u> | <u>\$ 43,883</u> | <u>\$ (667,225)</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic | <u>231,801</u> | <u>192,479</u> | <u>231,636</u> | <u>192,358</u> |
| Diluted | <u>262,268</u> | <u>192,479</u> | <u>231,862</u> | <u>192,358</u> |
| Earnings (loss) per common share: | | | | |
| Basic | <u>\$ 0.21</u> | <u>\$ (3.06)</u> | <u>\$ 0.19</u> | <u>\$ (3.47)</u> |
| Diluted | <u>\$ 0.20</u> | <u>\$ (3.06)</u> | <u>\$ 0.19</u> | <u>\$ (3.47)</u> |

Uniti Group Inc.
Consolidated Statements of Cash Flows
(In thousands)

| | Six Months Ended June 30, | |
|---|---------------------------|------------------|
| | 2021 | 2020 |
| Cash flow from operating activities: | | |
| Net income (loss) | \$ 45,137 | \$ (678,595) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 140,635 | 171,090 |
| Amortization of deferred financing costs and debt discount | 9,371 | 18,666 |
| Loss on extinguishment of debt | 43,369 | 73,952 |
| Interest rate swap termination | 5,658 | 4,496 |
| Deferred income taxes | 605 | (11,209) |
| Equity in earnings of unconsolidated entities | (945) | - |
| Distributions of cumulative earnings from unconsolidated entities | 1,950 | - |
| Cash paid for interest rate swap settlement | (6,110) | (2,251) |
| Straight-line revenues | (14,215) | 711 |
| Stock-based compensation | 6,797 | 7,105 |
| Change in fair value of contingent consideration | 21 | 6,140 |
| Gain on sale of real estate | (442) | (63,818) |
| Gain on sale of operations | (28,143) | - |
| (Gain) loss on asset disposals | (218) | 672 |
| Accretion of settlement obligation | 8,889 | - |
| Other | 143 | (195) |
| Changes in assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 19,965 | 6,263 |
| Other assets | 39,019 | (8,285) |
| Accounts payable, accrued expenses and other liabilities | 46,991 | 51,539 |
| Settlement payable | - | 650,000 |
| Net cash provided by operating activities | <u>318,477</u> | <u>226,281</u> |
| Cash flows from investing activities: | | |
| Other capital expenditures | (177,934) | (134,035) |
| Proceeds from sale of real estate, net of cash | 1,034 | 225,149 |
| Proceeds from sale of operations | 62,113 | - |
| Proceeds from sale of other equipment | 399 | - |
| Net cash (used in) provided by investing activities | <u>(114,388)</u> | <u>91,114</u> |
| Cash flows from financing activities: | | |
| Repayment of debt | (1,660,000) | (2,044,728) |
| Proceeds from issuance of notes | 1,680,000 | 2,250,000 |
| Dividends paid | (70,386) | (71,645) |
| Payment of settlement obligation | (49,011) | - |
| Payments of contingent consideration | (2,979) | (7,086) |
| Distributions paid to noncontrolling interests | (1,039) | (1,282) |
| Borrowings under revolving credit facility | 205,000 | 10,000 |
| Payments under revolving credit facility | (220,000) | (456,700) |
| Finance lease payments | (1,393) | (1,979) |
| Payments for financing costs | (25,156) | (47,775) |
| Costs related to the early repayment of debt | (25,800) | - |
| Employee stock purchase program | 319 | 306 |
| Payments related to tax withholding for stock-based compensation | (2,642) | (1,050) |
| Net cash used in financing activities | <u>(173,087)</u> | <u>(371,939)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>31,002</u> | <u>(54,544)</u> |
| Cash and cash equivalents at beginning of period | 77,534 | 142,813 |
| Cash and cash equivalents at end of period | <u>108,536</u> | <u>\$ 88,269</u> |

Uniti Group Inc.
Reconciliation of Net Income to FFO and AFFO
(In thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) attributable to common shareholders | \$ 48,572 | \$ (588,169) | \$ 43,883 | \$ (667,225) |
| Real estate depreciation and amortization | 52,178 | 62,107 | 105,555 | 126,059 |
| Gain on sale of real estate assets, net of tax | (442) | (63,818) | (442) | (63,818) |
| Participating securities' share in earnings | 333 | 424 | 581 | 624 |
| Participating securities' share in FFO | (681) | (406) | (1,025) | (606) |
| Adjustments for unconsolidated entities | 614 | - | 1,230 | - |
| Adjustments for noncontrolling interests | (771) | 30 | (1,567) | (1,102) |
| FFO attributable to common shareholders | <u>99,803</u> | <u>(589,832)</u> | <u>148,215</u> | <u>(606,068)</u> |
| Transaction related and other costs | 424 | 18,556 | 4,561 | 34,528 |
| Change in fair value of contingent consideration | - | 4,645 | 21 | 6,140 |
| Amortization of deferred financing costs and debt | 4,412 | 8,958 | 9,371 | 18,666 |
| Write off of deferred financing costs and debt discount | 2,413 | - | 22,828 | 73,952 |
| Stock-based compensation | 3,462 | 4,110 | 6,797 | 7,105 |
| Gain on sale of operations | (28,143) | - | (28,143) | - |
| Non-real estate depreciation and amortization | 17,493 | 22,862 | 35,080 | 45,031 |
| Settlement expense | - | 650,000 | - | 650,000 |
| Costs related to the early repayment of debt | 10,935 | - | 28,485 | - |
| Straight-line revenues | (7,309) | 602 | (14,215) | 711 |
| Maintenance capital expenditures | (2,408) | (2,253) | (4,384) | (3,361) |
| Other, net | 1,961 | (11,356) | (2,009) | (21,810) |
| Adjustments for unconsolidated entities | 258 | - | 614 | - |
| Adjustments for noncontrolling interests | (52) | (12,317) | (870) | (14,339) |
| Adjusted FFO attributable to common shareholders | <u>\$ 103,249</u> | <u>\$ 93,975</u> | <u>\$ 206,351</u> | <u>\$ 190,555</u> |

| Reconciliation of Diluted FFO and AFFO: | | | | | | | | |
|---|----|----------------|----|------------------|----|----------------|----|------------------|
| FFO Attributable to common shareholders – Basic | \$ | 99,803 | \$ | (589,832) | \$ | 148,215 | \$ | (606,068) |
| Impact of if-converted dilutive securities | | 2,979 | | - | | 5,953 | | - |
| FFO Attributable to common shareholders – Diluted | \$ | <u>102,782</u> | \$ | <u>(589,832)</u> | \$ | <u>154,168</u> | \$ | <u>(606,068)</u> |
| | | | | | | | | |
| AFFO Attributable to common shareholders – Basic | \$ | 103,249 | \$ | 93,975 | \$ | 206,351 | \$ | 190,555 |
| Impact of if-converted dilutive securities | | 3,450 | | 3,450 | | 6,900 | | 6,900 |
| AFFO Attributable to common shareholders – Diluted | \$ | <u>106,699</u> | \$ | <u>97,425</u> | \$ | <u>213,251</u> | \$ | <u>197,455</u> |
| | | | | | | | | |
| Weighted average common shares used to calculate basic earnings (loss) per common share (1) | | 231,801 | | 192,479 | | 231,636 | | 192,358 |
| Impact of dilutive non-participating securities | | 135 | | - | | 226 | | - |
| Impact of if-converted dilutive securities | | 30,332 | | 29,198 | | 30,332 | | 29,198 |
| Weighted average common shares used to calculate diluted FFO and AFFO per common share (1) | | <u>262,268</u> | | <u>221,677</u> | | <u>262,194</u> | | <u>221,556</u> |
| | | | | | | | | |
| Per diluted common share: | | | | | | | | |
| EPS | \$ | 0.20 | \$ | (3.06) | \$ | 0.19 | \$ | (3.47) |
| FFO | \$ | 0.39 | \$ | (3.06) | \$ | 0.59 | \$ | (3.15) |
| AFFO | \$ | 0.41 | \$ | 0.44 | \$ | 0.81 | \$ | 0.89 |

(1) For periods in which FFO or AFFO attributable to common shareholders is a loss, the weighted average common shares used to calculate diluted FFO or AFFO per common share is equal to the weighted average common shares used to calculate basic earnings (loss) per share.

Uniti Group Inc.
Reconciliation of EBITDA and Adjusted EBITDA
(In thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------------|------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) | \$ 49,639 | \$ (598,329) | \$ 45,137 | \$ (678,595) |
| Depreciation and amortization | 69,671 | 84,969 | 140,635 | 171,090 |
| Interest expense, net | 106,388 | 107,243 | 246,969 | 285,636 |
| Income tax expense (benefit) | 5,084 | (5,875) | 2,527 | (10,451) |
| EBITDA | 230,782 | (411,992) | 435,268 | (232,320) |
| Stock-based compensation | 3,462 | 4,110 | 6,797 | 7,105 |
| Transaction related and other costs | 424 | 18,556 | 4,561 | 34,528 |
| Settlement expense | - | 650,000 | - | 650,000 |
| Gain on sale of real estate | (442) | (63,818) | (442) | (63,818) |
| Gain on sale of operations | (28,143) | - | (28,143) | - |
| Adjustments for unconsolidated entities | 872 | - | 1,844 | - |
| Other (income) expense | 8,779 | 6,013 | 10,097 | 9,088 |
| Adjusted EBITDA | \$ 215,734 | \$ 202,869 | \$ 429,982 | \$ 404,583 |
| Adjusted EBITDA: | | | | |
| Leasing | \$ 192,137 | \$ 182,810 | \$ 383,634 | \$ 364,689 |
| Fiber Infrastructure | 29,439 | 28,493 | 59,160 | 56,034 |
| Towers | - | 85 | - | 77 |
| Consumer CLEC | - | (292) | - | (275) |
| Corporate | (5,842) | (8,227) | (12,812) | (15,942) |
| | <u>\$ 215,734</u> | <u>\$ 202,869</u> | <u>\$ 429,982</u> | <u>\$ 404,583</u> |
| Annualized Adjusted EBITDA ⁽¹⁾ | <u>\$ 862,936</u> | | | |
| As of June 30, 2021: | | | | |
| Total Debt ⁽²⁾ | \$ 4,984,497 | | | |
| Cash and cash equivalents | 108,536 | | | |
| Net Debt | <u>\$ 4,875,961</u> | | | |
| Net Debt/Annualized Adjusted EBITDA | 5.65x | | | |

- (1) Calculated as Adjusted EBITDA for the most recently reported three-month period, multiplied by four. Annualized Adjusted EBITDA has not been prepared on a pro forma basis in accordance with Article 11 of Regulation S-X.
- (2) Includes \$14.5 million of finance leases, but excludes \$85.6 million of unamortized discounts and deferred financing costs.

Uniti Group Inc.
Projected Future Results (1)
(In millions)

| | Year Ended December 31, 2021 |
|---|------------------------------------|
| Net income attributable to common shareholders – Basic | \$ 123 to \$ 135 |
| Noncontrolling interest share in earnings | 2 |
| Participating securities' share in earnings | 1 |
| Net income (2) | 126 to 138 |
| Interest expense, net (3) | 441 |
| Depreciation and amortization | 278 |
| Income tax benefit | (2) |
| EBITDA (2) | 843 to 855 |
| Stock-based compensation | 15 |
| Gain on sale of operations (4) | (28) |
| Transaction related and other costs (5) | 13 |
| Adjustment for unconsolidated entities | 3 |
| Adjusted EBITDA (2) | \$ 846 to \$ 858 |

- (1) These ranges represent management's best estimates based on the underlying assumptions as of the date of this press release. Future acquisitions, capital market transactions, changes in market conditions, and other factors are excluded from our projections. 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 due to rounding.
- (3) See "Components of Interest Expense" below.
- (4) Represents gain on the sale of a portion of our Northeast operations and certain dark fiber IRU contracts acquired as a part of the Windstream settlement.
- (5) Future transaction related and other costs are not included in our current outlook.

Uniti Group Inc.
Projected Future Results (1)
(Per Diluted Share)

| | Year Ended December 31, 2021 |
|--|------------------------------------|
| Net income attributable to common shareholders – Basic | \$ 0.53 to \$ 0.58 |
| Real estate depreciation and amortization | 0.90 |
| Participating securities share in earnings | - |
| Participating securities share in FFO | - |
| Adjustments for noncontrolling interests | (0.01) |
| Adjustments for unconsolidated entities | 0.01 |
| FFO attributable to common shareholders – Basic (2) | \$ 1.43 to \$ 1.48 |
| Impact of if-converted securities | (0.13) |
| FFO attributable to common shareholders – Diluted (2) | \$ 1.31 to \$ 1.35 |
| | |
| FFO attributable to common shareholders – Basic (2) | \$ 1.43 to \$ 1.48 |
| Transaction related and other costs (3) | 0.02 |
| Amortization of deferred financing costs and debt discount (4) | 0.18 |
| Costs related to the early repayment of debt (5) | 0.12 |
| Accretion of settlement payable (6) | 0.07 |
| Stock-based compensation | 0.06 |
| Gain on sale of operations (7) | (0.12) |
| Non-real estate depreciation and amortization | 0.30 |
| Straight-line revenues | (0.13) |
| Maintenance capital expenditures | (0.03) |
| Other, net | (0.14) |
| Adjustments for noncontrolling interests | - |
| AFFO attributable to common shareholders – Basic (2) | \$ 1.76 to \$ 1.81 |
| Impact of if-converted securities | (0.16) |
| AFFO attributable to common shareholders – Diluted (2) | \$ 1.61 to \$ 1.65 |

- (1) These ranges represent management's best estimates based on the underlying assumptions as of the date of this press release. Future acquisitions, capital market transactions, changes in market conditions, and other factors are excluded from our projections. 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 and AFFO attributable to common shareholders due to rounding.
- (3) Future transaction related and other costs are not included in our current outlook.
- (4) Includes the write-off of approximately \$23 million of deferred financing costs related to the early repayment of our 8.25% Senior Notes due 2023, and of our 6.00% Senior Notes due 2023.
- (5) Represents the premium paid on and related costs associated with the early repayment of our 8.25% Senior Notes due 2023, and our 6.00% Senior Notes due 2023.
- (6) Represents the accretion of the Windstream settlement payable to its stated value. At the effective date of the settlement, we recorded the payable on the balance sheet at its initial fair value, which will be accreted based on an effective interest rate of 4.7% and reduced by the scheduled quarterly payments.
- (7) Represents gain on the sale of a portion of our Northeast operations and certain dark fiber IRU contracts acquired as a part of the Windstream settlement.

Components of Interest Expense (1)
(In millions)

| | Year Ended December 31, 2021 |
|--|------------------------------------|
| Interest expense on debt obligations | \$ 353 |
| Capitalized interest | (2) |
| Accretion of Windstream settlement payable | 17 |
| Amortization of deferred financing cost and debt discounts (2) | 41 |
| Premium on early repayment of debt (3) | 21 |
| Swap termination (4) | 11 |
| Interest expense, net (5) | \$ 441 |

- (1) These ranges represent management's best estimates based on the underlying assumptions as of the date of this press release. Future acquisitions, capital market transactions, changes in market conditions, and other factors are excluded from our projections. There can be no assurance that our actual results will not differ materially from the estimates set forth above.
- (2) Includes the write-off of approximately \$23 million of deferred financing costs related to the early repayment of our 8.25% Senior Notes due 2023 and of our 6.00% Senior Notes due 2023.
- (3) Represents the premium paid on the early repayment of our 8.25% Senior Notes due 2023, and our 6.00% Senior Notes due 2023.
- (4) Represents recognition of deferred interest expense attributable to the discontinuance of hedge accounting on interest rate swaps.
- (5) The components of interest expense may not add to the total due to rounding.

NON-GAAP FINANCIAL MEASURES

We refer to EBITDA, Adjusted EBITDA, Funds From Operations ("FFO") as defined by the National Association of Real Estate Investment Trusts ("NAREIT") and Adjusted Funds From Operations ("AFFO") in our analysis of our results of operations, which are not required by, or presented in accordance with, accounting principles generally accepted in the United States ("GAAP"). While we believe that net income, as defined by GAAP, is the most appropriate earnings measure, we also believe that EBITDA, Adjusted EBITDA, FFO and AFFO are important non-GAAP supplemental measures of operating performance for a REIT.

We define "EBITDA" as net income, as defined by GAAP, before interest expense, provision for income taxes and depreciation and amortization. We define "Adjusted EBITDA" as EBITDA before stock-based compensation expense and the impact, which may be recurring in nature, of transaction and integration related costs, costs associated with Windstream's bankruptcy, costs associated with litigation claims made against us, and costs associated with the implementation of our new enterprise resource planning system, collectively "Transaction Related and Other Costs", costs related to the settlement with Windstream, goodwill impairment charges, amortization of non-cash rights-of-use, the write off of unamortized deferred financing costs, costs incurred as a result of the early repayment of debt, including early tender premiums and costs associated with the termination of related hedging activities, gains or losses on dispositions, changes in the fair value of contingent consideration and financial instruments, and other similar or infrequent items. Adjusted EBITDA includes adjustments to reflect the Company's share of Adjusted EBITDA from unconsolidated entities. 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. In addition, Adjusted EBITDA is calculated similar to defined terms in our material debt agreements used to determine compliance with specific financial covenants. Since EBITDA and Adjusted EBITDA are not measures calculated in accordance with GAAP, they should not be considered as alternatives to net income determined in accordance with GAAP.

Because the historical cost accounting convention used for real estate assets requires the recognition of depreciation expense except on land, such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that use historical cost accounting for depreciation could be less informative. Thus, NAREIT created 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. FFO is defined by NAREIT as net income attributable to common shareholders computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and impairment charges, and includes adjustments to reflect the Company's share of FFO from unconsolidated entities. We compute FFO in accordance with NAREIT's definition.

The Company defines AFFO, as FFO excluding (i) Transaction Related and Other Costs; (ii) costs related to the litigation settlement with Windstream, and accretion on our settlement obligation as these items are not reflective of ongoing operating performance; (iii) goodwill impairment charges; (iv) certain non-cash revenues and expenses such as stock-based compensation expense, amortization of debt and equity discounts, amortization of deferred financing costs, depreciation and amortization of non-real estate assets, amortization of non-cash rights-of-use, straight line revenues, non-cash income taxes, and the amortization of other non-cash revenues to the extent that cash has not been received, such as revenue associated with the amortization of tenant capital improvements; and (v) the impact, which may be recurring in nature, of the write-off of unamortized deferred financing fees, additional costs incurred as a result of early repayment of debt, including early tender premiums and costs associated with the termination of related hedging activities, taxes associated with tax basis cancellation of debt, gains or losses on dispositions, changes in the fair value of contingent consideration and financial instruments and similar or infrequent items less maintenance capital expenditures. AFFO includes adjustments to reflect the Company's share of AFFO from unconsolidated entities. We believe that the use of FFO and AFFO, and their respective per share amounts, 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 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 transaction and integration related costs. The Company uses FFO and AFFO, and their respective per share amounts, only as performance measures, and FFO and AFFO do not purport to be indicative of cash available to fund our future cash requirements. While FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance.

Further, 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 that interpret the current NAREIT definition or define EBITDA, Adjusted EBITDA and AFFO differently than we do.

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