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Strategic Review

Jeff Storey, President and CEO of CTL has engaged external advisors to help the organization evaluate strategic alternatives for its Consumer business. As a shareholder, I applaud the move – and it's about time!

Before any divestiture decision, I hope the strategic review focuses on "why" the Consumer business lags (underperforms) the market. To gain a realistic understanding of the opportunity cost of divestiture, I hope the organization develops a comprehensive strategy to turn around the line of business. CTL has historically narrowly defined the Consumer market, consequently missing the opportunities developing within the market.

In my opinion, the robust fiber network of CTL creates the greatest value for the organization. So, how do you capitalize on this great asset to better serve the consumer and finally start growing this line of business? Let's examine what the organization currently offers the consumer: broadband, phone and video.

For broadband, CTL doesn't offer a competitive product in much of its market, unless you're in an area where they offer a fiber solution. To compensate for this deficiency, CTL offers a "price for life," which smacks of desperation, especially when you consider the uncompetitive service offered to the market. Why not augment what you offer the consumer? I realize it's capital intensive to lay fiber everywhere, but there is a solution waiting in the market.

For phone, CTL offers a service that was developed in the late 1800s. The competitive landscape has evolved, offering many choices to the consumer. CTL is already wired into the home, so why not better utilize this value by augmenting what you offer the consumer?

For video, in its recent 10k, CTL acknowledges the difficulty in offering a cost-effective, competitive service. I can't understand why CTL offers the DirecTV service. AT&T is a major competitor to CTL, including its fiber network. So, why help a major competitor?

AT&T announced the DirecTV acquisition on 5/18/14, closing the deal on 7/24/15. The intent of AT&T was known 5 years ago, yet CTL still maintains the relationship, which indicates a laziness of Corporate Strategy. As shareholders, look at the following table.

$Millions	Fiscal 2018			To Date (7/3/19)		
	CEO		Operating		% Δ - Mkt Cap	
Competitors	Total Comp.	Revenue	Cash Flow	Mkt Cap	6/29/2016	5/23/2018
Century Link (CTL)	$ 35.7	$ 23,443	$ 7,032	$ 12,691	(18%)	(38%)
Verizon (VZ)	$ 22.2	$ 130,863	$ 34,339	$ 240,409	7%	20%
AT&T (T)	$ 29.1	$ 170,756	$ 43,602	$ 246,964	(6%)	24%
Possible Acquisition - CTL						
US Cellular (USM)	$ 8.6	$ 3,967	$ 709	$ 4,060	25%	32%
Possible Joint Venture - CTL						
Dish (DISH)	$ 5.3	$ 13,621	$ 2,518	$ 18,377	(25%)	28%

Why is total compensation so much higher for Jeff Storey than for Hans Vestberg (VZ) or Randall Stephenson (T), given the destruction in shareholder value orchestrated by the CEO leadership at CTL?

CTL could divest the Consumer business, but this line of business has been in a secular decline for several years. Not the best time to sell. Why not right the ship before you divest the asset? A couple of ideas to ponder.

- Acquire US Cellular (USM)
  - Issue Equity - Improve the Balance Sheet
- Terminate the DirecTV relationship
- Establish a Joint Venture with Dish (DISH)
  - Utilize the Wireless & Satellite Spectrum
- Connect the Consumer Home, Offering Wireline, Wireless, Satellite & Security
  - Bundle the Services

As a typical consumer, I want to be connected to the world: to access information, to communicate, to experience entertainment and to feel secure in my home.

So, how can Jeff Storey earn his generous compensation package and figure out what to offer the consumer?

Respectfully,
Ken Copley
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