

CENTURYLINK, INC  
Form DEFA14A  
May 11, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**CENTURYLINK, INC.**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Explanatory Note: Commencing May 11, 2015, CenturyLink, Inc. plans to distribute the attached presentation materials in connection with outreach meetings to be held with certain of its principal shareholders.**

CenturyLink Overview  
May 11, 2015

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Forward-Looking Statements / Non-GAAP Financial Measures

Non-GAAP Financial Measures

Certain non-historical statements made in this presentation are intended to be forward-looking statements within the meaning of the Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations only, and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us if one or more of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competitive actions.

variety of competitive providers; the risks inherent in rapid technological change, including product displacement; the effects of the regulation of the communications industry, including the outcome of regulatory or judicial proceedings relating to intercarrier access charges, universal service, broadband deployment, data protection and net neutrality; our ability to effectively adjust to changes in the communications industry, and changes in our markets, product mix and network; our ability to effectively manage our expansion, including retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products and services, including our ability to effectively respond to increased demand for high-speed broadband service; our ability to successfully introduce new products and services on a timely and cost-effective basis; the adverse impact on our business and network from possible equipment failures, security breaches or similar attacks on our network; our ability to successfully negotiate collective bargaining agreements on reasonable terms with our employees; our ability to use our net operating loss carryovers in projected amounts; our continued access to credit markets on favorable terms; our ability to collect our receivables from financially troubled companies; our ability to maintain favorable relations with our key business partners, vendors, landlords and financial institutions; any adverse developments in legal or regulatory proceedings involving us; changes in our business plans, corporate strategies, dividend payment plans or other capital allocation plans, including those caused by changes in our capital requirements, capital expenditure needs, debt obligations, pension funding requirements, cash flows, or financial position, or other similar changes; adverse weather; other risks referenced from time to time in our filings with the SEC; and the effects of more general factors such as changes in interest rates, in tax laws, in accounting policies or practices, in operating, medical, pension or administrative costs, in general economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our business and our operations are described in greater detail in Item 1A of our Form 10-K for the year ended December 31, 2014, as updated and supplemented in our subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause our results to differ from those reflected in any forward-looking statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We undertake no obligation to update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions included in any of our forward-looking statements reflects our intentions as of the date of this release, and is based upon, among other things, our current regulatory and technological environment, industry and competitive conditions, economic and market conditions, and our assumptions as of that date. We may change our intentions, strategies or plans at any time and without notice, based upon any changes in such factors or our assumptions or otherwise.

This presentation includes certain non-GAAP financial measures. These measures are provided and valid only as of the date of this presentation and should not be relied upon beyond that date. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures are available on our website at [www.centurylink.com](http://www.centurylink.com).

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Participants  
Stacey Goff  
Executive Vice President, Chief Administrative Officer, General Counsel & Secretary  
Stewart Ewing  
Executive Vice President, Chief Financial Officer & Assistant Secretary  
Scott Trezise  
Executive Vice President, Human Resources

CenturyLink

Operating revenues of \$18.03B and free cash flow of \$2.7B in FY 2014

Enterprise Value of approximately \$43B

(1)

Customers range from Fortune 500

companies to families in rural America

250,000 route mile national fiber network with

58 global data centers

Committed to being the broadband leader in  
our markets

A global leader in managed hosting and  
cloud services

4

(1) As of December 31, 2014



1930  
1997 -  
2007  
2003  
2009  
2012 -  
2015  
2011

Addition of  
Hosting/Cloud & IT  
Services **capabilities through**  
acquisitions of Savvis, AppFog, Tier3, Data  
Gardens, Cognilytics & Orchestrate  
Successful history of acquiring  
and integrating companies;  
added 2.0M access  
lines **between 1997 and 2007**  
and expanded our footprint  
Acquired  
Fiber Assets  
Acquisition of EMBARQ;  
7.5  
million access lines, 2.1  
million broadband  
customers and 450K video  
customers in 33 states  
75 Telephone  
Customers  
Qwest acquisition creates  
rd  
largest telco with  
revenues of more than  
\$18 billion, **a robust national**  
190,000 route mile fiber network,  
a significantly larger enterprise  
customer base  
Transformation in recent years  
3

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2014 Accomplishments

Improved Total and Core Revenue trends, anticipate stable revenues by end of 2015

Generated solid strategic revenue growth of approximately \$380 million, a 4.3% increase from 2013

Grew high-bandwidth data services  
revenue 16% year-over-year

Added 91,000 high-speed Internet  
customers

and

67,000

Prism

TM

TV

customers

Increased 20 Mbps and 40 Mbps speed enablement year-over-year

Generated free cash flow of approximately \$2.7 billion and returned  
nearly \$1.9 billion to shareholders through dividend and share  
repurchases

7  
1Q15 Financial Summary

\$4.45 billion in Total revenue

\$4.06  
billion  
Core

revenue

1

,

1.3%

Y/Y decline from 1Q14

\$2.32

billion

Strategic

revenue

2

,

2.2% Y/Y increase from 1Q14 vs.

5.5% Y/Y increase in 1Q14

\$1.74

billion

Legacy

revenue

2

,

a

5.7% Y/Y decrease from 1Q14 vs.

6.3% Y/Y decrease in 1Q14

Added

more

than

35,000

high-speed

Internet

customers

and

8,000

Prism

TM

TV

customers

Operating

cash

flow

3

of

\$1.74

billion

and

free

cash

flow

3  
of  
\$849  
million

\$0.67  
Adjusted  
Diluted  
EPS  
3

Repurchased  
4.5  
million  
shares  
for  
nearly  
\$170  
million  
during  
1Q15

(1)  
Core revenue defined as strategic revenue plus legacy revenue (excludes data integration and other revenue)

(2)  
Beginning  
first  
quarter  
2015,  
certain  
revenues  
were  
reclassified  
between  
strategic  
and  
legacy  
services.

All  
historical periods have been restated to reflect this change

(3)  
See supporting financial schedules available at [ir.centurylink.com](http://ir.centurylink.com)

\$4.11  
\$4.05  
\$4.06

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Strategic Priorities

Business Solutions

Grow MPLS, Ethernet, Wavelength, Business GPON and VoIP offerings

Enhance cloud and hosting services platform

Grow Managed Network and Infrastructure Services

Increase sales efficiency of direct channel and expand partner sales channel

Deliver a broad portfolio of network, hosting/cloud and IT solutions



Consumer Broadband and Video

Deploy fiber deeper into network to drive higher speeds

Expand Prism TV footprint and penetration

Operating Efficiency

Simplify and rationalize network infrastructure

Automate and improve processes

Continue to integrate and simplify systems

2011  
Governance Profile  
9

Split our Chairman and CEO roles; Chairman is an independent, non-executive director

Eliminated our ten-vote shares

Amended  
our  
corporate  
governance  
guidelines  
to  
strengthen  
the  
Board's  
ability  
to  
clawback  
executive  
compensation

Implemented majority voting standard in uncontested director elections

Eliminated the use of tax gross-up  
benefits in our executives  
change of control agreements and split-dollar insurance policies

Implemented stock ownership guidelines for our executive officers, requiring the CEO to hold 5x base salary and all other executive officers 3x base salary

Amended our insider trading policy to prohibit director and employees from hedging CenturyLink securities  
2009  
2010  
2012  
2014  
2013

Amended our bylaws to provide for proxy access, which our shareholders ratified at our 2014 annual meeting

Amended our corporate governance guidelines to provide that the Nominating and Corporate Governance Committee will review each director's continuation on the Board annually, rather than at least once every three years

Declassified our Board of Directors

Amended  
our  
insider  
trading  
policy  
to  
prohibit  
our  
senior  
officers  
and  
directors

from  
holding  
our  
securities  
in  
a  
margin account or  
otherwise pledging our securities as collateral

Eliminated  
the  
use  
of  
tax  
gross-up  
benefits  
in  
our  
outside  
directors  
executive  
physical  
program

Held first non-binding advisory say on pay  
vote, and have continued to hold such votes on an annual basis

Implemented stock ownership guidelines for our outside directors, requiring all outside directors to hold 5x annual cash retained

Increased  
the  
CEO s  
holding  
requirement  
under  
our  
stock  
ownership  
guidelines  
to  
6x  
base  
salary

Amended  
change  
of  
control  
agreements  
to

reduce  
available  
benefits  
and  
to  
eliminate  
modified  
single  
trigger  
provisions

Over the last several years, CenturyLink has taken steps to enhance its corporate governance profile by further aligning our practices with shareholder interests.

Pay Practices

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Favorable say on pay  
vote of over 91% in May 2014

Shareholders agree that we have favorable pay practices

What We Do

What We Don't

Do

Performance-based compensation weighted heavily towards long-term equity awards

Stock ownership guidelines

Annually review our compensation programs for risky behavior

Conduct annual say-on-pay votes

Compensation clawback policy

Review peer group annually

Benchmark against 50th percentile peer compensation levels

Independent and intensive performance reviews of our senior officers

If our total shareholder return is negative, then the maximum number of performance shares to vest is limited to the target amount

Shareholders must approve any future severance agreements valued at more than 2.99 times the executive's target cash compensation

Compensation forfeiture covenants broader than those mandated by law

Enter into employment agreements with our incumbent executives

Maintain a supplemental executive retirement plan

Permit our directors or employees to hedge our stock, or our directors or senior officers to pledge our stock

Pay dividends on our executives

unvested  
restricted  
stock

Permit the Compensation Committee s  
compensation consultant to provide services to  
CenturyLink

Pay, provide or permit :  
(i) excessive perquisites  
(ii) excise tax gross-up  
payments under our  
severance programs, or  
(iii) single-trigger change of control equity  
acceleration benefits



Pay for Performance

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Linkage to pay for performance

Annual review of short-

and long-term incentive programs in order to maintain

a continued focus on pay for performance

2014 and 2015 Incentive Plan Design

60% in performance-based restricted stock,  
split equally between  
Long-Term Equity Incentive  
2012-2014 TSR performance versus  
S&P 500 Peer Group was below threshold for  
0% Payout  
2014 STI Performance of 96.8%

50% operating cash flow

50% core revenues  
Short-Term Incentive Bonus

3-year TSR vs. custom peer group

3-year revenue goal

\$7.06

\$6.79

\$7.15

\$7.51

2014

STI Threshold

STI Target

STI Maximum

2014 Operating Cash Flow

(in billions)

\$16.34

\$15.73

\$16.30

\$16.87

2014

STI Threshold

STI Target

STI Maximum

2014 Core Revenue

(in billions)

106.7%

Payout

200% Payout

100% Payout

50% Payout

100%Payout

200% Payout

50% Payout

86.9%

Payout

Company's

Percentile Rank

Payout as % of

Target Award

Maximum

75

th

percentile

200%

Target

50

th

percentile

100%

Threshold

25

th

percentile

50%

Below Threshold

<25

th

percentile

0%

Performance Level

Relative TSR<sup>1</sup>

1

TSR performance relative to custom "performance peer group" and if TSR is negative, then payout is capped at target

CEO Pay Levels

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As a result of demonstrated leadership and performance, execution of business strategy and review of compensation benchmarking, the Committee increased CEO pay levels

Pay actions taken to reward performance and address below market pay levels

2014

2015

Base  
\$1,100,000

Base  
\$1,250,000

STI  
150%  
\$1,650,000

STI  
175%  
\$2,187,500

TTC  
\$2,750,000

TTC  
\$3,437,500

RSAs  
\$3,000,000

RSAs  
\$3,400,000

PSAs  
\$4,500,000

PSAs  
\$5,100,000

\$10,250,000

1  
\$11,937,500

2  
TDC

1  
81% of Market Median for Compensation  
Benchmarking Peer Group

2  
89% of Market Median for Compensation  
Benchmarking Peer Group

2014 Target Compensation

2015 Target Compensation

TDC

Increased LTI award value from  
\$6.6M to \$7.5M

Increased base salary from \$1.1M to  
\$1.25M

Increased STI target award from 150% to  
175% of salary

Increased LTI award value from \$7.5M to  
\$8.5M

Q & A

**Additional Disclosure**

This information is being provided to certain shareholders in addition to our proxy statement dated April 3, 2015 in connection with the solicitation of proxies from CenturyLink shareholders. Please read our proxy statement and accompanying materials in their entirety as they contain important information. Our proxy materials, and any other documents filed by us with the Securities and Exchange Commission (the SEC), may be obtained free of charge at the SEC web site at [www.sec.gov](http://www.sec.gov) and from our website at [www.centurylink.com](http://www.centurylink.com).

CenturyLink and its directors and officers may be deemed to be participants in the solicitation of proxies from our shareholders in connection with the upcoming annual meeting of shareholders. Information about our directors and executive officers and their ownership of CenturyLink stock is set forth in the proxy statement for our 2015 annual meeting of shareholders.

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