

CENTURYLINK, INC
Form DEFA14A
May 12, 2014

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:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Explanatory Note: Commencing May 12, 2014, 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 12, 2014

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Forward-Looking Statements / Non-GAAP Financial Measures

Certain non-historical statements made in this presentation and future oral or written statements or press releases by us or our representatives are intended to be forward-looking statements within the meaning of the Private 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 outside of our control. Actual events and results may differ materially from those anticipated, estimated, projected or implied by us if one or more of these assumptions or uncertainties

materialize,
or
if
our
underlying
assumptions
prove
incorrect.

Factors
that
could
affect
actual
results
include
but
are
not
limited

to:
the

timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technology changes, including product displacement; the effects of ongoing changes in the regulation of the communications industry, including the effects of regulatory or judicial proceedings relating to intercarrier compensation, access charges, universal service, broadband deployment, data protection, net neutrality;

our
ability
to
effectively
adjust
to
changes

in
the
communications
industry,
and
changes

in
our
markets,
product
mix
and
network
caused

by
our
recent
acquisitions;

our
ability
to
successfully
integrate
recently-acquired
operations
into

our
incumbent
operations,
including
the
possibility
that

the anticipated benefits from our recent acquisitions cannot be fully realized in a timely manner or at all; our ability to effectively
expansion opportunities, including retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products,
including

our
ability
to
effectively
respond
to
increased
demand

for
high-speed
broadband
service;

our
ability
to
successfully
introduce
new
product

or
service offerings on a timely and cost-effective basis; the adverse impact on our business and network from possible equipment
breaches

or
similar
attacks
on

our
network;
our
ability

to
successfully

negotiate
collective
bargaining
agreements

on
reasonable

terms
without
work

stoppages; our ability to use net operating loss carryovers of Qwest in projected amounts; our continued access to credit markets;
our
ability

to
collect

our
receivables

from
financially

troubled
communications

companies;
our

ability
to

maintain
favorable

relations
with

our
key

business partners, suppliers, vendors, landlords and financial institutions; any adverse developments in legal or regulatory proceedings;
changes in our operating plans, corporate strategies, dividend payment plans or other capital allocation plans, including those changes that affect

our cash requirements, capital expenditure needs, debt obligations, pension funding requirements, cash flows, or financial position;
changes; the effects of adverse weather; other risks referenced from time to time in our filings with the SEC; and the effects of other factors

such as changes in interest rates, in tax laws, in accounting policies or practices, in operating, medical, pension or administrative costs;
market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to our operations

recent acquisitions are described in greater detail in Item 1A of our Form 10-K for the year ended December 31, 2013, as updated by 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
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
actual
results
to
differ
from
those
reflected
in
any
forward-looking
statements.
You
are
further
cautioned
not
to
place
undue
reliance
on
these
forward-looking
statements,
which
are
inherently
speculative
and
speak
only
as
of
the
date
made.

We
undertake
no
obligation
to
update
any
of
our
forward-looking
statements for any reason.

Non-GAAP Financial Measures

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.

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Participants

Stacey Goff

Executive Vice President, General Counsel & Secretary

Stewart Ewing

Executive Vice President, Chief Financial Officer & Assistant Secretary

Scott Trezise

Executive Vice President, Human Resources

CenturyLink
Operating revenues of \$18.1B and adjusted
free cash flow of \$3.1B in FY 2013
Enterprise
Value
of
approximately
\$40B

(1)
Customers range from Fortune 500
companies to families in rural America
240,000 route mile national fiber network with
55 global data centers
Committed to being the broadband leader in
our markets

A
global leader in managed hosting and
cloud services

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(1) As of December 31, 2013

Acquired Embarq
July 2009
Acquired Qwest
April 2011
Acquired Savvis
July 2011
2008
2009

2010

2011

2012

2013

Employees

6,500

20,200

20,300

49,200

47,000

46,600

Reported

Revenue

\$2.6 billion

\$5.0 billion

\$7.0 billion

\$15.4 billion

\$18.4 billion

\$18.1 billion

Evolution Over Recent Years

Acquired Ciber ITO

October 2012

Acquired Tier 3

November 2013

Acquired AppFog

June 2013

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2013 Accomplishments

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Improved core revenue trend

Generated solid strategic revenue growth of nearly \$400 million, a 4.7% increase from 2012

Achieved solid subscriber growth added

approximately 140,000 high-speed
Internet customers and 69,000 Prism
TV customers

-2.3%

-1.3%

Core

Revenue

Increased 20 Mbps and 40 Mbps broadband speed enablement by
approximately 25% year-over-year; Added over 1,000 fiber-fed
buildings into our multi-tenant unit program

Repurchased 46 million shares for \$1.57 billion during 2013

(1)
Core revenue defined as Strategic revenue plus Legacy revenue (excludes Data Integration and Other revenue);
pro forma 2011 figures reflect the effects of mergers then pending.

Pro forma 2011

2012

2013

(1)

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Strong 1Q14 Results

Total operating revenues, operating cash flow and Adjusted Diluted EPS exceeded expectations

Total operating revenues of \$4.54 billion grew Y/Y \$25 million, or 0.6%

Compares to Y/Y declines of 2.1%
in 1Q13 and 2.7% in 1Q12

Core
revenue

near
top-end

of
guidance

Core revenues of \$4.11 billion was
nearly flat from 1Q13

Compares to Y/Y declines of 2% in
1Q13 and 3% in 1Q12

1Q12

1Q13

1Q14

1Q12

1Q13

1Q14

Total Revenue

Y/Y change

Core Revenue

Y/Y change

(1)

Core revenue defined as Strategic revenue plus Legacy revenue (excludes Data Integration and Other revenue)

(3.0%)

(2.0%)

(0.1%)

(2.7%)

(2.1%)

0.6%

1

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Strategic Priorities

Business Network Solutions

Expand MPLS, Ethernet, Wavelength and VoIP offerings

Extend FTTT footprint for wireless data backhaul

Hosting, Cloud and IT Services

Expand and enhance cloud and hosting services platform

Increase participation rate of direct sales and expand partner sales channel

Offer complete portfolio of IT and cloud enablement services
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

Governance Profile

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

Amended our articles of incorporation to eliminate 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
2011
2012
2014
2013

Amended our bylaws to provide for proxy access, subject to shareholder ratification at the 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

Amended
our
articles
of
incorporation
to
declassify
our
Board
of
Directors,
and
will
have
achieved
full
declassification
as of the
2014 annual shareholders
meeting

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 94% in May 2013

Shareholders agree that we have favorable pay practices

What We Do

Performance-based compensation weighted

heavily towards long-term equity awards

Stock ownership guidelines

Avoid encouraging excessively 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

What We Don't

Do

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 current
consultant to provide services to CenturyLink

Pay, provide or permit :

(i) excessive perquisites

(ii)

excise

tax

gross-up

payments

(iii) single-trigger change of control equity

acceleration benefits, or

(iv) other comparable disfavored

compensation practices.

Pay for Performance

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2013

2014

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

Annual Incentive Bonus

50% operating cash flow

30% strategic revenues

20% strategic objectives

Annual Incentive Bonus

50% operating cash flow

50% core revenues

Long-Term Equity Incentive

50% performance-based and 50%
time-based restricted stock

Change TSR from S&P 500 index
to custom peer group

Addition of 3-year revenue goal
Long-Term Equity Incentive

Increased weighting of performance-
based restricted stock from 50% to
60%

Maintained custom peer group

Maintained 3-year revenue goal

CEO Pay Levels

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CEO paid below market-competitive pay levels

Pay actions taken to address CEO pay gaps increased at risk pay to 60% and heavily weighted to long-term incentives

* based on August

2012 data

August 2012

Increased CEO base salary to
\$1.1M
May 2013

Increased CEO annual incentive
bonus target from 125% to 150%

Increased CEO LTI award value
from \$4.4M to \$6.6M
February 2014

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

Q & A

Additional Disclosure

This information is being provided to certain shareholders in addition to our proxy statement dated April 14, 2014 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 and from our website at 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 2014 annual meeting of shareholders.

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