

HEAVY READING **insider**

Windstream's REIT Gambit: A Heavy Reading Reality Check

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Report Highlights

New guidance from the IRS has opened the door for telcos to put their Layer 0 assets into tax-free real estate investment trusts (REITs)

Windstream is the first though the door with a spinoff that appears to create some incremental shareholder value, although the strategic rationale for the spinoff is unclear

The spinoff does not reduce leverage, as Windstream simply swaps one fixed cost (interest) for another (rental)

Other telcos are likely to follow suit, although REIT spinoffs do not make sense for those with large net operating losses or retained earnings, or concentrated share ownership

The most promising REIT spinoff candidate appears to be Frontier Communications, though the company has highlighted the regulatory and strategic challenges a spinoff would entail

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