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CINCINNATI BELL INC Form 10-Q August 04, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM 10-Q

$_{\rm X}$ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2016

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF $^{\rm o}$ 1934

For the transition period from to Commission File Number 1-8519 CINCINNATI BELL INC.

Ohio 31-1056105

(State of Incorporation) (I.R.S. Employer Identification No.)

221 East Fourth Street, Cincinnati, Ohio 45202

(Address of principal executive offices) (Zip Code)

(513) 397-9900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90

days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o

Non-accelerated filer o Smaller reporting company o Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No $\,x$

At July 31, 2016, there were 210,173,102 common shares outstanding.

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Form 10-Q Part I Cincinnati Bell Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts) (Unaudited)

Revenue 2016 2015 2016 2015 Services \$244.9 \$229.4 \$486.4 \$459.2 Products 54.3 56.4 101.7 119.5 Total revenue 299.2 285.8 588.1 578.7 Costs and expenses 8.2 114.4 248.0 228.0 Cost of services, excluding items below 46.0 47.8 85.5 100.4 Selling, general and administrative, excluding items below 56.2 57.0 109.4 109.2 Depreciation and amortization 44.8 34.0 88.2 66.6 Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118		Three Months Ended June 30,		Six Months Ended June 30,	
Services \$244.9 \$229.4 \$486.4 \$459.2 Products 54.3 56.4 101.7 119.5 Total revenue 299.2 285.8 588.1 578.7 Costs and expenses 3124.8 114.4 248.0 228.0 Cost of services, excluding items below 46.0 47.8 85.5 100.4 Selling, general and administrative, excluding items below 56.2 57.0 109.4 109.2 Depreciation and amortization 44.8 34.0 88.2 66.6 Other - 2.9 - 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (295.2) (10.6) (295.2) (295.2) (205.2) Other (income) expense, net		2016	2015	2016	2015
Products 54.3 56.4 101.7 119.5 Total revenue 299.2 285.8 588.1 578.7 Costs and expenses Cost of services, excluding items below 124.8 114.4 248.0 228.0 Cost of products sold, excluding items below 46.0 47.8 85.5 100.4 Selling, general and administrative, excluding items below 56.2 57.0 109.4 109.2 Depreciation and amortization 44.8 34.0 88.2 66.6 Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (295.2) (200.2) (200.2) (200.2) (20	Revenue				
Total revenue 299.2 285.8 588.1 578.7 Costs and expenses Cost of services, excluding items below 124.8 114.4 248.0 228.0 Cost of products sold, excluding items below 46.0 47.8 85.5 100.4 Selling, general and administrative, excluding items below 56.2 57.0 109.4 109.2 Depreciation and amortization 44.8 34.0 88.2 66.6 Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) (295.2) (295.2) (295.2) (295.2) (295.2) (295.2) (295.2) (295.2) (295.2)	Services	\$244.9	\$229.4	\$486.4	\$459.2
Costs and expenses 124.8 114.4 248.0 228.0 Cost of products sold, excluding items below 46.0 47.8 85.5 100.4 Selling, general and administrative, excluding items below 56.2 57.0 109.4 109.2 Depreciation and amortization 44.8 34.0 88.2 66.6 Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) (205.2)	Products	54.3	56.4	101.7	119.5
Cost of services, excluding items below 124.8 114.4 248.0 228.0 Cost of products sold, excluding items below 46.0 47.8 85.5 100.4 Selling, general and administrative, excluding items below 56.2 57.0 109.4 109.2 Depreciation and amortization 44.8 34.0 88.2 66.6 Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) (205.2)	Total revenue	299.2	285.8	588.1	578.7
Cost of products sold, excluding items below 46.0 47.8 85.5 100.4 Selling, general and administrative, excluding items below 56.2 57.0 109.4 109.2 Depreciation and amortization 44.8 34.0 88.2 66.6 Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.	Costs and expenses				
Selling, general and administrative, excluding items below 56.2 57.0 109.4 109.2 Depreciation and amortization 44.8 34.0 88.2 66.6 Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2)	Cost of services, excluding items below	124.8	114.4	248.0	228.0
Depreciation and amortization 44.8 34.0 88.2 66.6 Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (Cost of products sold, excluding items below	46.0	47.8	85.5	100.4
Other — 2.9 — 7.7 Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) <td< td=""><td>Selling, general and administrative, excluding items below</td><td>56.2</td><td>57.0</td><td>109.4</td><td>109.2</td></td<>	Selling, general and administrative, excluding items below	56.2	57.0	109.4	109.2
Total operating costs and expenses 271.8 256.1 531.1 511.9 Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2)	Depreciation and amortization	44.8	34.0	88.2	66.6
Operating income 27.4 29.7 57.0 66.8 Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) <td>Other</td> <td></td> <td>2.9</td> <td></td> <td>7.7</td>	Other		2.9		7.7
Interest expense 19.9 28.0 40.2 60.7 Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2)	Total operating costs and expenses	271.8	256.1	531.1	511.9
Loss on extinguishment of debt, net 5.2 13.5 2.8 13.5 Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) (295.2) (118.6) (295.2) <	Operating income	27.4	29.7	57.0	66.8
Gain on sale of CyrusOne investment (118.6) (295.2) (118.6) (295.2) Other (income) expense, net (1.1) 1.3 (1.1) 4.8 Income from continuing operations before income taxes 122.0 282.1 133.7 283.0 Income tax expense 44.4 101.4 49.1 102.0 Income from continuing operations 77.6 180.7 84.6 181.0 Income from discontinued operations, net of tax — 10.9 — 59.8 Net income 77.6 191.6 84.6 240.8 Preferred stock dividends 2.6 2.6 5.2 5.2 Net income applicable to common shareowners \$75.0 \$189.0 \$79.4 \$235.6 Basic net earnings per common share	Interest expense	19.9	28.0	40.2	60.7
Other (income) expense, net (1.1) 1.3 (1.1) 4.8 Income from continuing operations before income taxes 122.0 282.1 133.7 283.0 Income tax expense 44.4 101.4 49.1 102.0 Income from continuing operations 77.6 180.7 84.6 181.0 Income from discontinued operations, net of tax — 10.9 — 59.8 Net income 77.6 191.6 84.6 240.8 Preferred stock dividends 2.6 2.6 5.2 5.2 Net income applicable to common shareowners \$75.0 \$189.0 \$79.4 \$235.6 Basic net earnings per common share	Loss on extinguishment of debt, net	5.2	13.5	2.8	13.5
Income from continuing operations before income taxes Income tax expense Income from continuing operations Income from continuing operations Income from discontinued operations Income from discontinued operations, net of tax Income Income from discontinued operations, net of tax Income Income Income from discontinued operations, net of tax Income Income from discontinued operations, net of tax Income from discontinued operations Income from discontinued oper	Gain on sale of CyrusOne investment		(295.2)	(118.6)	(295.2)
Income tax expense 44.4 101.4 49.1 102.0 Income from continuing operations 77.6 180.7 84.6 181.0 Income from discontinued operations, net of tax — 10.9 — 59.8 Net income 77.6 191.6 84.6 240.8 Preferred stock dividends 2.6 2.6 5.2 5.2 Net income applicable to common shareowners \$75.0 \$189.0 \$79.4 \$235.6 Basic net earnings per common share	Other (income) expense, net		1.3	(1.1)	4.8
Income from continuing operations Income from discontinued operations, net of tax Net income Preferred stock dividends Net income applicable to common shareowners Basic net earnings per common share	Income from continuing operations before income taxes	122.0	282.1	133.7	283.0
Income from discontinued operations, net of tax Net income 77.6 Preferred stock dividends Net income applicable to common shareowners Basic net earnings per common share 10.9 77.6 191.6 84.6 240.8 2.6 2.6 5.2 5.2 Net income applicable to common shareowners \$75.0 \$189.0 \$79.4 \$235.6	Income tax expense	44.4	101.4	49.1	102.0
Net income77.6191.684.6240.8Preferred stock dividends2.62.65.25.2Net income applicable to common shareowners\$75.0\$189.0\$79.4\$235.6Basic net earnings per common share	Income from continuing operations	77.6	180.7	84.6	181.0
Preferred stock dividends 2.6 Net income applicable to common shareowners Basic net earnings per common share 2.6 \$75.0 \$189.0 \$79.4 \$235.6	Income from discontinued operations, net of tax		10.9		59.8
Net income applicable to common shareowners \$75.0 \$189.0 \$79.4 \$235.6 Basic net earnings per common share	Net income	77.6	191.6	84.6	240.8
Basic net earnings per common share	Preferred stock dividends	2.6	2.6	5.2	5.2
		\$75.0	\$189.0	\$79.4	\$235.6
Basic earnings per common share from continuing operations \$0.36 \$0.85 \$0.38 \$0.84	Basic net earnings per common share				
	Basic earnings per common share from continuing operations	\$0.36	\$0.85	\$0.38	\$0.84
Basic earnings per common share from discontinued operations \$— \$0.05 \$— \$0.29	Basic earnings per common share from discontinued operations	\$ —	\$0.05	\$ —	\$0.29
Basic net earnings per common share \$0.36 \$0.90 \$0.38 \$1.13	* *	\$0.36	\$0.90	\$0.38	\$1.13
Diluted net earnings per common share	Diluted net earnings per common share				