

CINCINNATI BELL INC  
Form 10-Q  
August 04, 2016

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

☒ 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 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 ☒ No ☐

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 ☒ No ☐

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 ☒ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

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## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts)

(Unaudited)

|  | Three Months<br>Ended<br>June 30, |          | Six Months<br>Ended<br>June 30, |          |
|--|-----------------------------------|----------|---------------------------------|----------|
|  | 2016                              | 2015     | 2016                            | 2015     |
| Revenue  |                                   |          |                                 |          |
| 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   |                                   |          |                                 |          |
| 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 ) |
| 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                          |                                   |          |                                 |          |
| 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 net earnings per common share                          | \$0.36                            | \$0.90   | \$0.38                          | \$1.13   |
| Diluted net earnings per common share                        |                                   |          |                                 |          |