

CINCINNATI BELL INC
Form 10-Q
May 08, 2014

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 March 31, 2014

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
(State of Incorporation)
221 East Fourth Street, Cincinnati, Ohio 45202
(Address of principal executive offices) (Zip Code)
(513) 397-9900
(Registrant's telephone number, including area code)

31-1056105
(I.R.S. Employer Identification No.)

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 April 30, 2014, there were 209,064,648 common shares outstanding.

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Cincinnati Bell Inc.

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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)

	Three Months Ended	
	March 31,	
	2014	2013
Revenue		
Services	\$258.2	\$270.5
Products	64.3	55.2
Total revenue	322.5	325.7
Costs and expenses		
Cost of services, excluding items below	106.3	109.2
Cost of products sold, excluding items below	59.9	53.2
Selling, general and administrative, excluding items below	55.4	53.1
Depreciation and amortization	46.9	50.6
Transaction-related compensation	—	35.5
Restructuring charges	—	2.6
Loss on sale or disposal of assets, net	—	2.5
Amortization of deferred gain	(3.6) (0.6
Transaction costs	0.7	0.4
Total operating costs and expenses	265.6	306.5
Operating income	56.9	19.2
Interest expense	40.3	47.9
(Income) loss from CyrusOne equity method investment	(0.5) 1.9
Other expense (income), net	0.6	(0.3
Income (loss) before income taxes	16.5	(30.3
Income tax expense	9.5	6.4
Net income (loss)	7.0	(36.7
Preferred stock dividends	2.6	2.6
Net income (loss) applicable to common shareowners	\$4.4	\$(39.3
Basic and diluted earnings (loss) per common share	\$0.02	\$(0.19

The accompanying notes are an integral part of the condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in millions)

(Unaudited)

	Three Months Ended March 31,		
	2014	2013	
Net income (loss)	\$7.0	\$(36.7))
Other comprehensive income, net of tax:			
Foreign currency translation loss, net of tax of (\$0.1)	—	(0.2))
Defined benefit pension and postretirement plans:			
Amortization of prior service benefits, net of tax of (\$1.4), (\$1.2)	(2.4) (2.0)
Amortization of net actuarial loss, net of tax of \$2.4, \$2.8	4.2	4.8	
Other comprehensive income	1.8	2.6	
Total comprehensive income (loss)	\$8.8	\$(34.1))

The accompanying notes are an integral part of the condensed consolidated financial statements.

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Form 10-Q Part I

Cincinnati Bell Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except share amounts)

(Unaudited)

	March 31, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$4.2	\$4.6
Receivables, less allowances of \$12.2 and \$12.2	165.6	145.6
Receivable from CyrusOne	11.4	9.2
Inventory, materials and supplies	23.1	23.8
Deferred income taxes, net	51.7	55.3
Prepaid expenses	14.8	11.0
Other current assets	2.6	1.6
Total current assets	273.4	251.1
Property, plant and equipment, net	892.2	902.8
Investment in CyrusOne	462.2	471.0
Goodwill	14.4	14.4
Intangible assets, net	91.2	91.7
Deferred income taxes, net	333.3	339.7
Other noncurrent assets	34.8	36.6
Total assets	\$2,101.5	\$2,107.3
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	\$12.1	