

CINCINNATI BELL INC
Form 10-Q
August 09, 2012

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, 2012

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 July 31, 2012, there were 197,388,041 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		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Revenue				
Services	\$318.9	\$314.8	\$636.9	\$626.2
Products	49.3	52.7	94.1	102.1
Total revenue	368.2	367.5	731.0	728.3
Costs and expenses				
Cost of services, excluding items below	121.6	114.8	242.0	225.5
Cost of products sold, excluding items below	50.1	54.2	95.5	102.7
Selling, general and administrative	63.4	66.6	127.4	131.2
Depreciation and amortization	53.7	48.8	104.8	97.2
Restructuring charges	1.2	—	2.1	—
Curtailment loss	—	4.2	—	4.2
Acquisition costs	—	0.8	—	1.9
Asset impairments	13.0	0.5	13.0	1.6
Total operating costs and expenses	303.0	289.9	584.8	564.3
Operating income	65.2	77.6	146.2	164.0
Interest expense	53.7	53.4	108.1	107.9
Other expense, net	—	—	1.5	—
Income before income taxes	11.5	24.2	36.6	56.1
Income tax expense	7.0	10.7	19.5	24.7
Net income	4.5	13.5	17.1	31.4
Preferred stock dividends	2.6	2.6	5.2	5.2
Net income applicable to common shareowners	\$1.9	\$10.9	\$11.9	\$26.2
Basic earnings per common share	\$0.01	\$0.06	\$0.06	\$0.13
Diluted earnings per common share	\$0.01	\$0.05	\$0.06	\$0.13

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

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in millions)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$4.5	\$13.5	\$17.1	\$31.4
Other comprehensive income, net of tax:				
Defined benefit pension and postretirement plans:				
Net gain arising from remeasurement during the period, net of tax of \$0.9	—	1.4	—	1.4
Amortization of prior service benefits included in net income, net of tax of (\$1.1), (\$1.2), (\$2.3), (\$2.4)	(2.1)	(2.0)	(4.2)	(4.0)
Amortization of net actuarial loss included in net income, net of tax of \$2.8, \$1.8, \$4.8, \$3.8	4.8	3.3	8.3	6.5
Reclassification adjustment for curtailment loss included in net income, net of tax of \$1.5	—	2.7	—	2.7
Other comprehensive income	2.7	5.4	4.1	6.6
Total comprehensive income	\$7.2	\$18.9	\$21.2	\$38.0

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

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Cincinnati Bell Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions, except share amounts)

(Unaudited)

	June 30, 2012	December 31, 2011
Assets		
Current assets		
Cash and cash equivalents	\$4.1	\$73.7
Receivables, less allowances of \$12.2 and \$11.6	194.8	179.4
Inventory, materials and supplies	24.4	23.8
Deferred income taxes, net	33.1	30.2
Prepaid expenses	14.2	11.2
Other current assets	8.0	2.7
Total current assets	278.6	321.0
Property, plant and equipment, net	1,471.5	1,400.5
Goodwill	290.6	290.6
Intangible assets, net	203.4	216.9
Deferred income taxes, net	399.0	423.5
Other noncurrent assets	59.6	62.2
Total assets	\$2,702.7	\$2,714.7
Liabilities and Shareowners' Deficit		
Current liabilities		
Current portion of long-term debt	\$13.5	\$13.0
Accounts payable	119.7	133.4
Unearned revenue and customer deposits	50.5	48.2
Accrued taxes	16.3	15.5
Accrued interest	45.8	45.6
Accrued payroll and benefits	48.1	52.6
Other current liabilities	37.5	48.1
Total current liabilities	331.4	356.4
Long-term debt, less current portion	2,538.7	2,520.6
Pension and postretirement benefit obligations	368.4	389.9
Other noncurrent liabilities	160.4	163.0
Total liabilities	3,398.9	3,429.9
Shareowners' deficit		
Preferred stock, 2,357,299 shares authorized, 155,250 shares (3,105,000 depositary shares) of 6 ³ / ₄ % Cumulative Convertible Preferred Stock issued and outstanding at June 30, 2012 and December 31, 2011; liquidation preference \$1,000 per share (\$50 per depositary share)	129.4	129.4
Common shares, \$.01 par value; 480,000,000 shares authorized; 197,864,910 and 196,322,649 shares issued; 197,373,191 and 195,721,796 shares outstanding at June 30, 2012 and December 31, 2011	2.0	2.0
Additional paid-in capital	2,582.1	2,584.6
Accumulated deficit	(3,202.9) (3,220.0
Accumulated other comprehensive loss	(204.8) (208.9
Common shares in treasury, at cost	(2.0) (2.3
Total shareowners' deficit	(696.2) (715.2

Total liabilities and shareowners' deficit	\$2,702.7	\$2,714.7
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The accompanying notes are an integral part of the condensed consolidated financial statements.

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Cincinnati Bell Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Six Months Ended		
	June 30,		
	2012	2011	
Cash flows from operating activities			
Net income	\$17.1	\$31.4	
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	104.8	97.2	
Provision for loss on receivables	7.4	6.7	
Asset impairments	13.0	1.6	
Noncash portion of interest expense	3.9	3.7	
Deferred income tax provision	19.5	24.6	
Pension and other postretirement payments in excess of expense	(15.0)	(12.1))
Stock-based compensation	2.4	1.9	
Other, net	(0.6)	(1.5))
Changes in operating assets and liabilities			
Increase in receivables	(22.7)	(2.6))
Increase in inventory, materials, supplies, prepaid expenses and other current assets	(8.2)	(2.8))
Decrease in accounts payable	(18.1)	(16.4))
Decrease in accrued and other current liabilities	(9.4)	(7.6))
Increase in other noncurrent assets	(0.7)	(0.4))
Decrease in other noncurrent liabilities	(1.5)	(5.8))
Net cash provided by operating activities	91.9	117.9	
Cash flows from investing activities			
Capital expenditures	(167.4)	(92.5))
Other, net	—	(0.2))
Net cash used in investing activities	(167.4)	(92.7))
Cash flows from financing activities			
Borrowing on corporate credit and receivables facilities, net	19.0	0.4	
Repayment of debt	(8.0)	(6.2))
Debt issuance costs	—	(0.8))
Dividends paid on preferred stock	(5.2)	(5.2))
Common stock repurchase	(0.3)	—)
Other, net	0.4	(0.6))
Net cash provided by (used in) financing activities	5.9	(12.4))
Net (decrease) increase in cash and cash equivalents	(69.6))	